



Prudential Management Office

Solvency and Financial Condition Report - 2022



CARAVELA
COMPANHIA DE SEGUROS

Report Name

Solvency and Financial Condition Report - 2022

Date: Version:

04-04-2023

1.0

Prepared by:

Prudential Management Office

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EXECUTIVE SUMMARY

With reference to the solvency II information requirements provided for in Articles 51 to 56 of Directive 2009/138/EC of the European Parliament and of the Council, in Article 83 of the Legal Framework for Insurance and Reinsurance Activity Access and in Articles 290 to 303 of Commission Delegated Regulation (EU) 2015/35, Caravela – Companhia de Seguros, S.A. (hereinafter referred to as Caravela or Company) hereby presents its **Solvency and Financial Condition Report** for the year 2022.

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

Activity and performance

Caravela operates exclusively in national territory, in the Non-Life line of business, with greater emphasis on the segments of Motor, Fire and Other Damage and Workers Compensation. The Company's portfolio also covers the marketing of products in other segments, namely Health, Personal Accidents, Third Party Liability, Assistance and Marine and Transported Goods.

In June 2021, Caravela initiated, from its head office in Portugal, its activity under the principle of freedom to provide services (FPS) for the first time in the territory of the French Republic. The nature of the risks or commitments that the Company proposes to cover or undertake under the FPS regime in the French Republic's territory are those covered by the lines of business or lines of business groups of Fire and Other Damage and Third Party Liability.

Regarding Workers Compensation and Personal Accidents lines of business, the Company operates, through a proportional treaty with a cession between 60% and 90% until July 2022, and in partnership with a group of international reinsurers, products related to the professional practice of sports. Also, in the case of Health products, it should be noted that there is a protocol signed with Médis, which allows the marketing of products in this segment, without, however, having to undertake risks in this area as they are covered by a full reinsurance treaty with a cession of 100%.

Caravela closed the 2022 financial year with a GWP total of 130.816 thousand of euros, which accounts for an increase of 14.436 thousand euros in production, and a growth rate of +12.4%, compared to the figure for 2021.

Also contributing to the growth of the portfolio, particularly in the Fire and Other Damages line of business, was the development of Caravela's commercial activity abroad, namely in France, representing 3.3% of the total volume of gross written premiums ("GWP") issued by the Company.

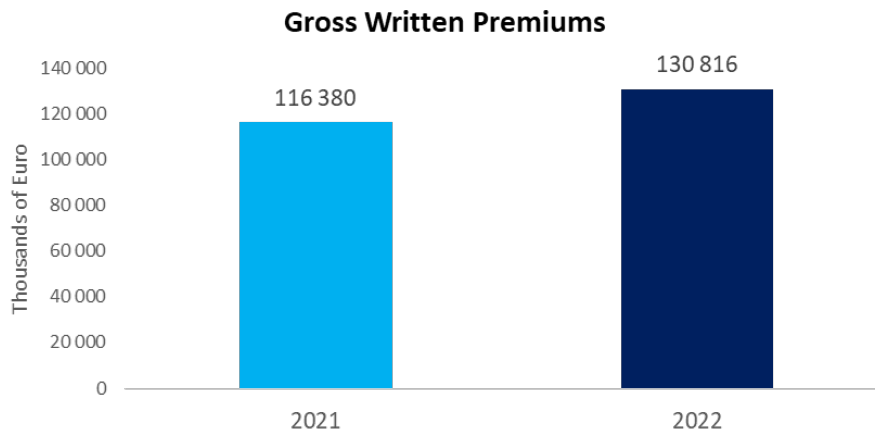


Figure 1: Evolution of Gross Written Premiums (2020-2022)

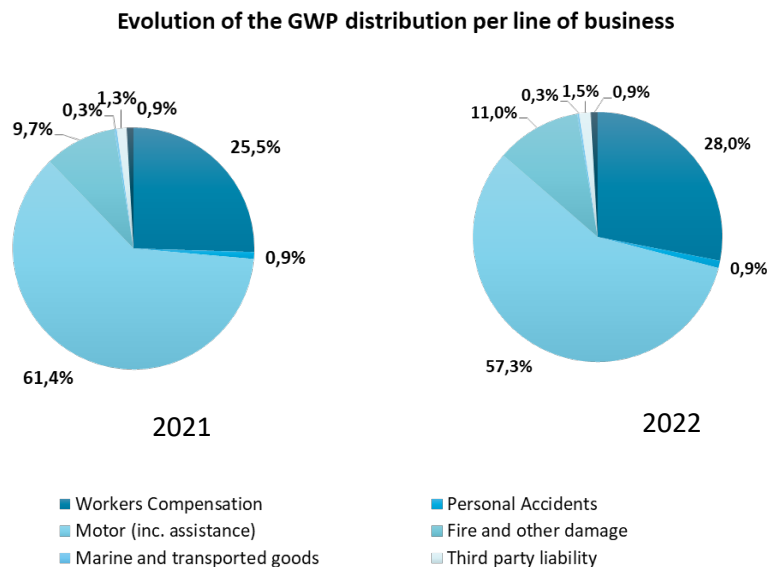


Figure 2: Evolution of the GWP distribution per line of business (2021-2022)

In 2022, Caravela's claims ratio, calculated on earned premiums, stood at 76.8%, corresponding to an increase of 13.3 pp, compared to the previous financial year when it had reached 67.8%.

Claims costs were up 28.6 % (+22,014 thousand euros) compared to the 2021 financial year, totalling 98,899 thousand euros, before allocation of other costs.

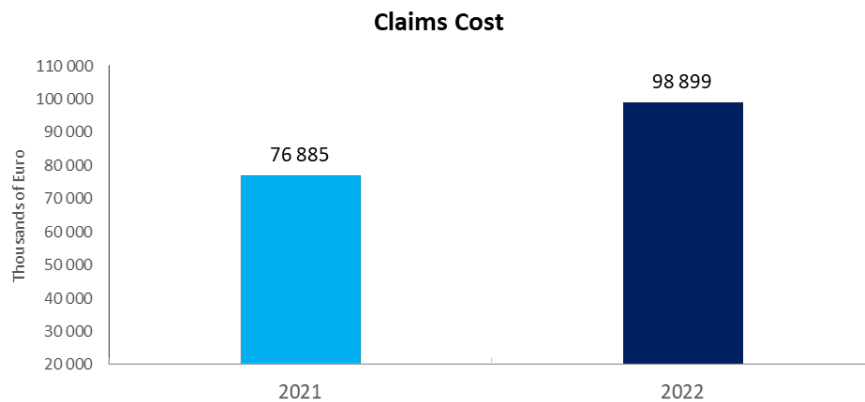


Figure 3: Evolution of Claims Cost (2021-2022)

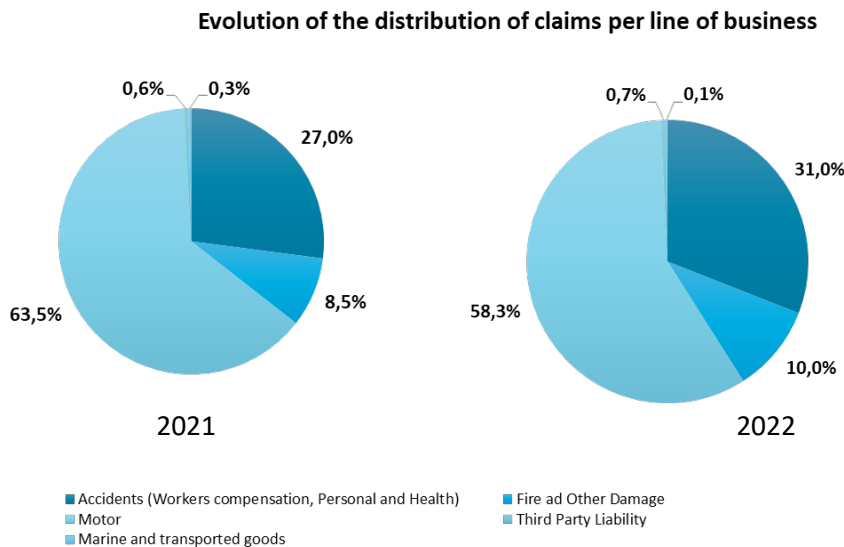


Figure 4: Evolution of the distribution of claims per line of business (2021-2022)

These values led to a general claim's ratio of 76,8%, above what was registered in 2021, which stood at 67,8%. This ratio, net of reinsurance, stood at 71,7% in 2022.

The reinsurance programme, approved by Caravela for 2022, underwent a minor change in its structure when compared to the previous year, regarding the 2021 Reinsurers engaged in its treaties, with the addition of a new Reinsurer.

As to proportional treaties, including Fire and Other Damage, Marine, Cargo and Engineering lines of business, the share withholding and the surplus limit agreed in 2021 have been maintained.

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

The technical margin, net of reinsurance, was 34.443 thousand euros, representing an increase of 7.0% (+2.253 thousand euros).

The combined ratio recorded a slight increase, reaching 97.9%, with an increase of 2.4% compared to 2021, due to the pressure on accident rates in 2022. It should be noted that despite this slight increase, there was a decrease of 1.38 p.p. in the operating ratio.

The net result was 4.049 thousand euros, accounting for 3.1% of gross written premiums, thus continuing Caravela’s positive results.

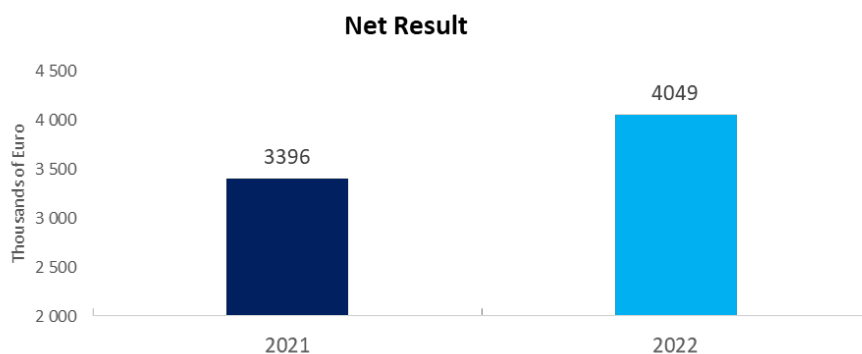


Figure 5: Evolution of the Net Result (2021-2022)

Financial investments, mainly Financial Assets in particular, grew 6.790 thousand euros in 2022, which corresponds to an increase of 6.0% compared to 2021.

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

As to the rate of return, the total portfolio of assets registered a positive average remuneration of 0.9%.

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

The total cost allocation by nature reached 16.482 thousand euros, representing an increase of 14.5% compared to 2021, due to a generalised increase in the item 'expenses'

The number of staff increased from 133 to 140 permanent staff members (72 men and 68 women).

Governance system

As of December 31, 2020, Caravela's share capital, fully subscribed and partially paid up, amounted to 44,388,315.20 euros, and is represented by 79,056,677 shares with no nominal value, and is distributed among various shareholders, individuals and companies

The current Board of Directors has a 2019-2022 term and is comprised of seven managers, one being the President, a Vice-President and five Members. There was no change in relation to the previous year.

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

As for the Statutory Auditor, Mazars & Associados - Sociedade de Revisores Oficiais de Contas, S.A. continues to be represented by Pedro Miguel Pires de Jesus.

Risk Profile

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

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

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

The Solvency Capital Requirement (SCR) as of 31.12.2022 is structured as follows:

SCR Composition

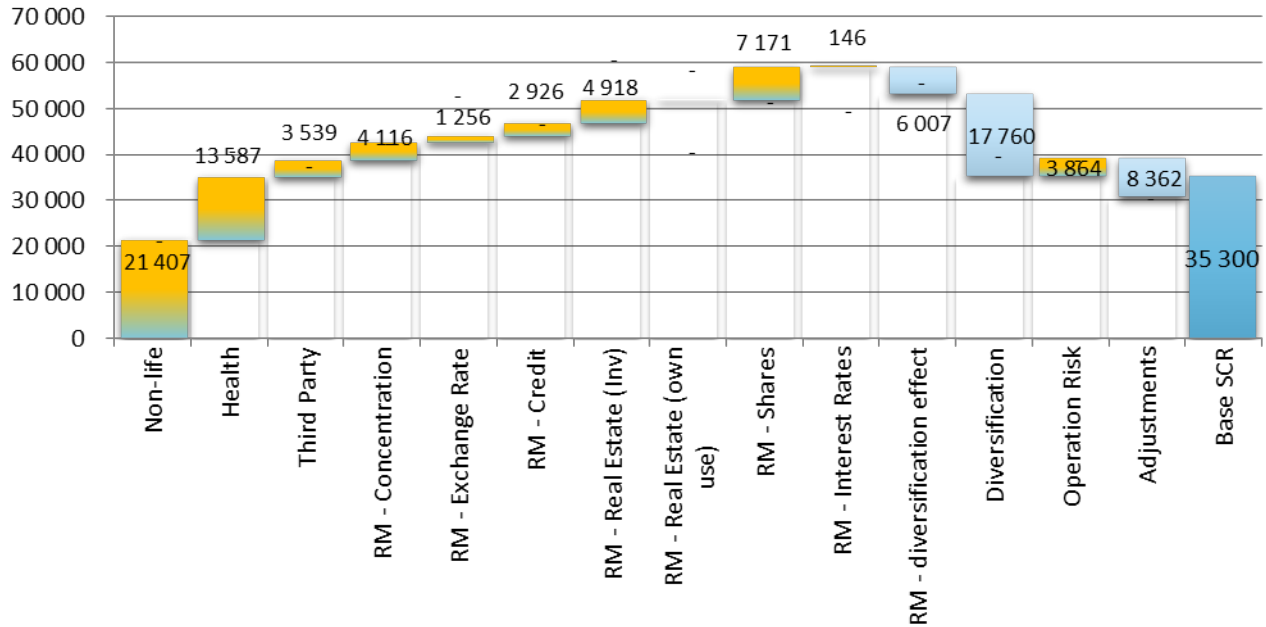


Figure 6: SCR Composition in 2022

Assessment for solvency purposes

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

Revalued assets decrease by 6.735 thousand euros while liabilities decrease by 5.595 thousand euros generating a negative impact on its own funds, totalling a variation of 1.140 thousand euros in 2022.

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

Regarding liabilities, the adjustment is essentially justified by the revaluation of technical reserves. The impact of these adjustments is further corrected by deferred taxes, at a rate of 21.350%, and is presented on a net basis as an increase in liabilities.

Capital management

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

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

Own funds are essentially made up of tier 1 items

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

On December 31, 2022, the SCR and MCR coverage ratios were 181.9% and 391.7%, respectively, and represented a surplus of 25.239 thousand euros and 40.334 thousand euros, respectively.

This chapter details the process for determining the amount of the adjustment to the loss-absorbing capacity for deferred taxes which, at December 31, 2022, amounts to 8.361 thousand euros, corresponding to a recovery of losses amounting to 30.021 thousand euros, i.e. 100% of the expected instantaneous loss

Not using the adjustment of the loss-absorbing capacity of deferred taxes would set the solvency ratio at 143%, corresponding to a surplus of 16.877 thousand euros.

Regarding the use of long-term and transitional measures, namely the volatility adjustment and the deduction of technical reserves, the impacts of their use were calculated by comparing the results obtained with those that would be obtained if the measures were not applied. The overall impact of all measures on technical provisions is 1.102 thousand euros.

Not applying the transitional measures for technical reserves and the long term volatility adjustment measure would lead to a reduction of the solvency capital requirement by 1.3% and 0.7% respectively, totalling an impact of -2.0%. However, the solvency ratio II, without any measure, would maintain a comfortable level of 178.3%, corresponding to a surplus of 24.137 thousand euros.

A. ACTIVITY AND PERFORMANCE

A.1. ACTIVITY

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

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

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

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

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

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

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

The external auditor responsible for certifying the quantitative and qualitative information within the scope of the annual solvency II report is Mazars & Associados - Sociedade de Revisores Oficiais de Contas, S.A. – Audit Firm no. 51, located at Rua Tomás da Fonseca, Centro Empresarial Torres de Lisboa, Torre G, 5º, 1600-209 Lisbon, with telephone number +351 21 721 01 80.

Caravela operates exclusively in the national territory, in the Non-Life line of business, with greater emphasis on the segments of Motor, Fire and Other Damage and Workers Compensation. The Company's portfolio also covers the marketing of products in other segments, namely Health, Personal Accidents, Third Party Liability, Assistance and Marine and Transports.

In June 2021, Caravela began operating under the principle of freedom to provide services ("FPS") for the first time in the territory of the French Republic from its head office in Portugal. The nature of the risks or commitments that the Company covers or assumes under FPS in the territory of the French Republic are

those covered by the Fire and Other Damage and Third-Party Liability lines of business or lines of business groups.

Regarding Workers Compensation and Personal Accidents lines of business, the Company operates, through a proportional treaty with a cession between 60% and 90% until July 2022, and in partnership with a group of international reinsurers, products related to the professional practice of sports. Also, in the case of Health products, it should be noted that there is a protocol signed with Médis, which allows the marketing of products in this segment, without, however, having to undertake risks in this area as they are covered by a full reinsurance treaty with a cession of 100%.

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

A.2. UNDERWRITING PERFORMANCE

A.2.1. PRODUCTION

Caravela closed the 2022 financial year with a volume of gross written premiums (GWP) of 130,816 thousand euros, which corresponds to an increase in production of 14,436 thousand euros and a growth rate of +12.4%, compared to the value calculated in 2021.

It is worth noting that the market share, including the activity in Portugal and abroad, grew from 2.0% in 2021 to 2.1% in 2022.

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

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

As in previous years, in 2022, the slowdown in growth of the Motor line of business was greater, with a growth rate of 5.0%, below that of Caravela, although above the growth of this line of business in the market, which stood at 3.8%. However, on the other hand, the very positive evolution of the Accidents and Health, Fire and Other Damage and Civil Liability lines of business should be pointed out.

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

- Increasing the pace of new production;
- Extending the distribution network;
- The underwriting of individual and micro and small business clients;

- The consolidation of the underwriting and distribution models in the medium and small business segment, generating a strong capture of new business within this segment.

Also contributing to portfolio growth, particularly in the Fire and Other Damage line of business, was the development of Caravela's commercial activity abroad, namely in France, representing 3.3% of the total volume of gross written premiums (GWP) by the Company.

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

Regarding the structure of the premiums of the portfolio, Caravela shows the same trend of distribution seen in the previous year, maintaining the predominance of the Motor and Workers Compensation, respectively 58.8% and 27.2%, these two lines of business together accounting for 86.0% of the premiums in the portfolio.

An analysis of the number of policies in the portfolio in 2022 shows the continued predominance of the Motor, Fire and Multi-risk lines of business, 82.7% and 11.0% respectively, these two lines of business accounting for 93.7% of the policies in Caravela's portfolio.

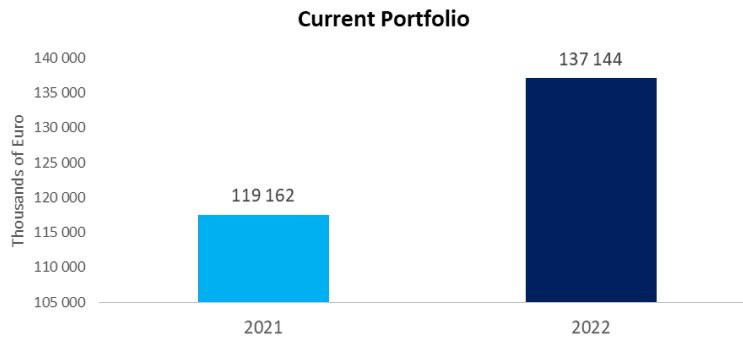


Figure 7: Evolution of the current portfolio (2021-2022)

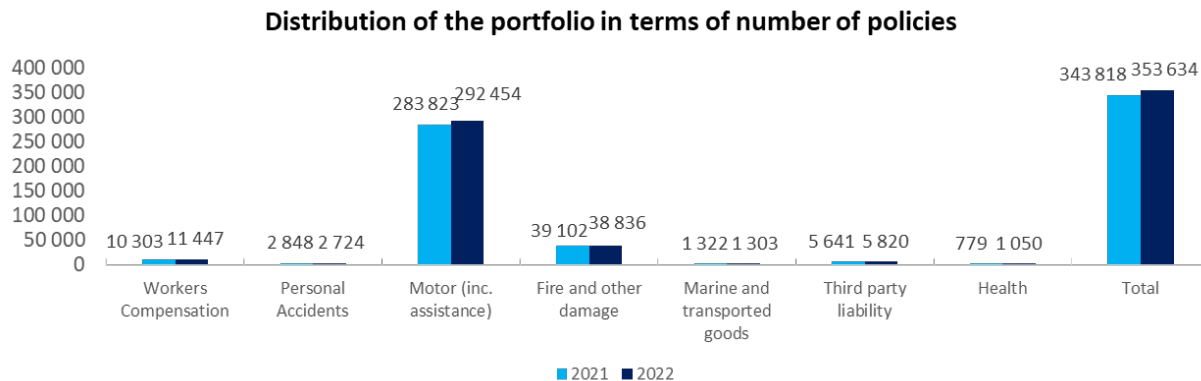


Figure 8: Evolution of the distribution of the portfolio in terms of number of policies (2021-2022)

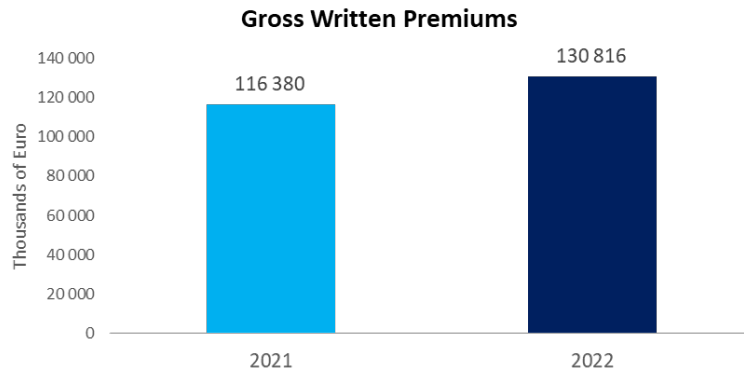


Figure 9: Evolution of gross written premiums (2021-2022)

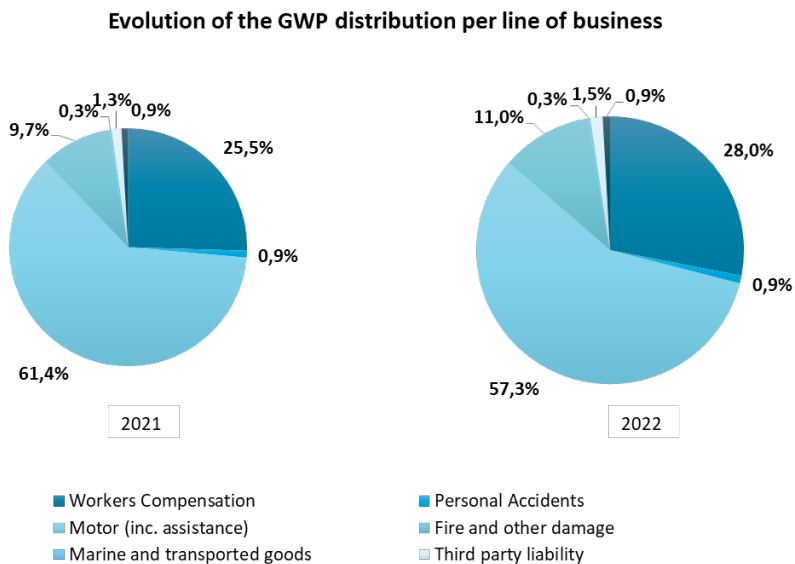


Figure 10: Evolution of the distribution of GWP per line of business (2020-2022)

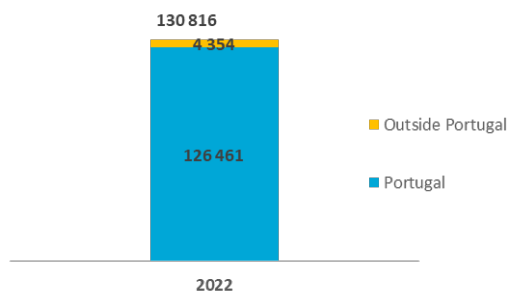


Figure 11: Distribution of GWP (2022)

A.2.2. CLAIMS

In 2022, Caravela's claims ratio, calculated on earned premiums, stood at 76.8%, corresponding to an increase of 13.3 pp, compared to the previous financial year when it had reached 67.8%.

Claims costs were up 28.6 % (+22,014 thousand euros) compared to the 2021 financial year, totalling 98,899 thousand euros, before allocation of other costs.

In absolute terms, it was the Accident and Health lines of business that most contributed to the increase in claims costs, 9,819 thousand euros (+47.2%).

In the most representative line of business, Motor, the increase stood at 8,754 thousand euros (+17.9%).

In Fire and Other Damage, the variation was the highest in relative terms, 51.8%, resulting from an increase of 3,383 thousand euros in costs.

With less significance, the increase of 246 thousand euros (+55.2%) in the General Civil Liability line of business, and the reduction of 188 thousand euros (-73.4%) in Maritime and Transported Goods.

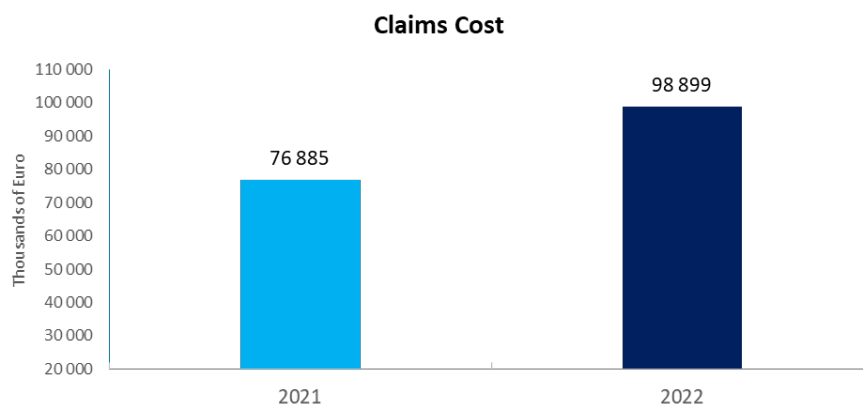


Figure 12: Evolution of claims costs (2021-2022)

Evolution of the distribution of claims per line of business

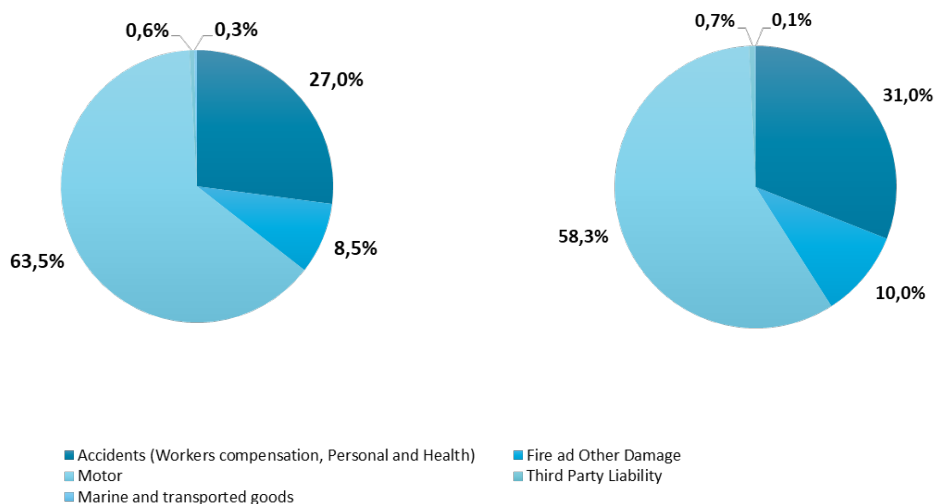


Figure 13: Evolution of the distribution of claims per line of business (2021-2022)

These figures resulted in an overall claims ratio of 76.8%, higher than in 2021, which had been set at 67.8%. This ratio, net of reinsurance, stood at 71.7% in 2022.

Claims Ratio

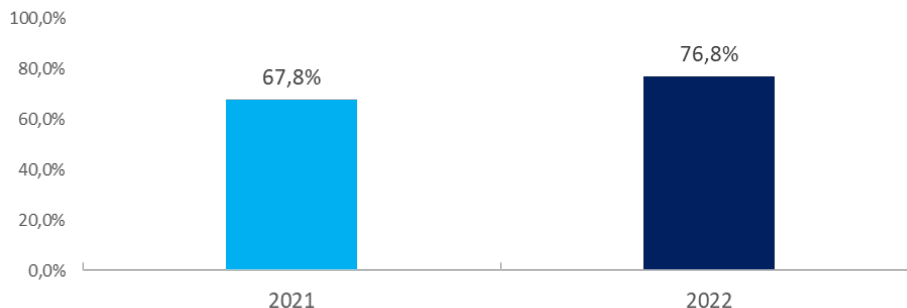


Figure 14: Evolution of the Claims Ratio (2021-2022)

The 2022 financial year, the year of the return to normality after two years that were strongly conditioned by the measures implemented to fight the pandemic, saw an increase in the number of claims of 13.8% (+6,030 occurrences), with Motor being the line of business that presented the greatest variation in absolute terms, with an increase of 4,234 cases (+12.4%), followed by Accident and Health, with 1,681 more cases (+30.6%).

In the Fire and Other Damage lines of business, the variation in relation to the previous year was almost non-existent, with an increase of only 13 cases (+0.4%).

Having a smaller impact, since they are the less representative lines of business, in General Liability the number of claims increased by 25.2% in relative terms, 131 occurrences in absolute terms, while in Marine and Transported Goods only 48 claims were recorded.

In 2022 the increase of policies in force was only 2.9% compared to the previous year, while the oscillation of claims was 13.8%, corresponding to an increase of the frequency rate.

Thus, the financial year 2022 was closed with an overall claims frequency rate of 14.3%, slightly above that of the previous financial year when it stood at 13.5%, representing a variation of 5.8 pp.

However, in Motor, the most representative of all lines of business, the increase of the frequency rate was 4.2%.

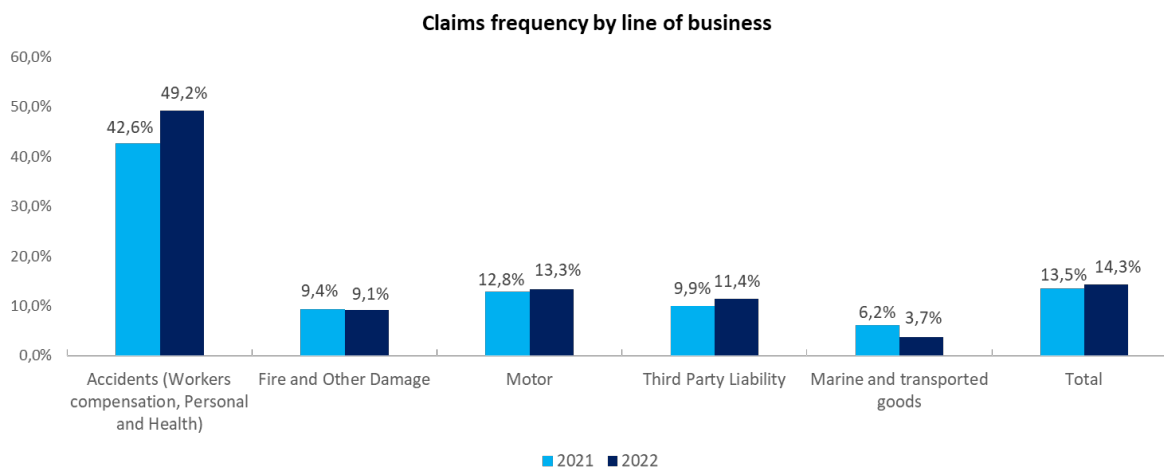


Figure 15: Evolution of Claims Frequency by line of business (2021-2022)

A.2.3. REINSURANCE

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

The reinsurance programme, approved by Caravela for the year 2022, has undergone a minor change in its structure when compared to the previous year, compared to the 2021 Reinsurers involved in its treaties, with the addition of a new Reinsurer.

With regard to proportional treaties, which encompass the Fire and Other Damage, Marine, Transported Goods and Engineering lines of business, the retention in the share and the surplus limit negotiated in 2021 was maintained.

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

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

Thus, for treaty renewals, the minimum rating required of a reinsurer is "A-", according to rating agencies S&P and/or AM Best. The table below shows the range of the main reinsurers, as well as their rating as of 31/12/2022:

REINSURANCE 2022	
Reinsurer	Rating S&P
Nacional Re (Leader)	A
CCR Re	AA
Helvetia	A
Qbe	A+
Hannover Re	AA-
R+V	A+
DEVK	A+
Covea	A+
Odyssey	A-

Table 1: Main reinsurers 2022

A.2.4. TECHNICAL MARGIN

The technical margin, net of reinsurance, was 34,443 thousand euros, representing an increase of 7.0% (+2,253 thousand euros).

This increase was mainly due to the favourable evolution of the Fire and Other Damage lines of business (89.7%, or 3,572 thousand euros).

The evolution of the Motor branch was negative, with a decrease in the technical margin of -10.0%, -1,590 thousand euros.

Net technical margin

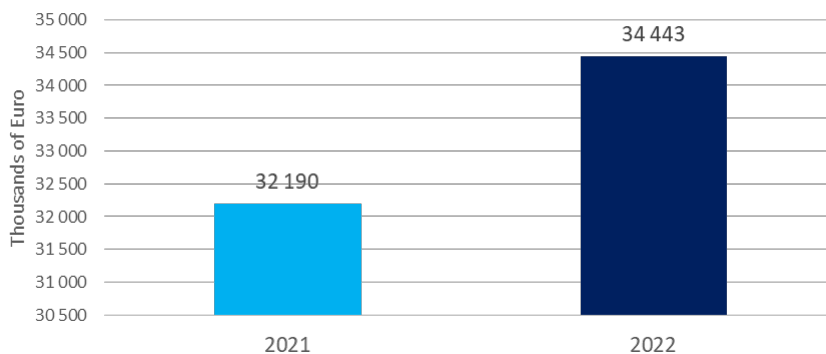


Figure 16: Net technical margin (2021-2022)

Evolution of the distribution of the net technical margin per line of business

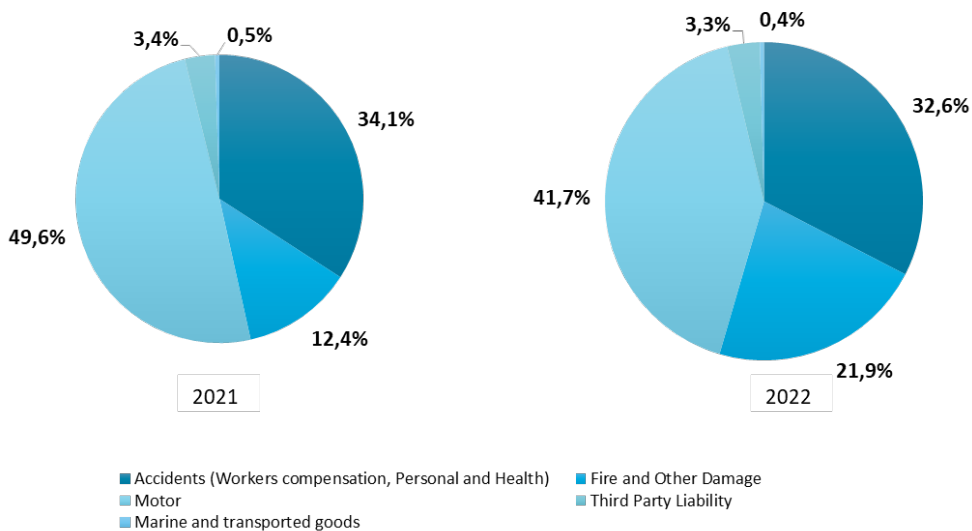


Figure 17: Evolution of the distribution of the net technical margin per line of business (2021-2022)

A.2.5. COMBINED RATIO

Regarding the combined ratio, there was a slight increase, reaching 97.9%, with an increase of 2.4%, compared to 2021, due to the pressure on claims ratios in 2022. Notwithstanding this slight increase, there was a decrease of 1.38 p.p. in the operating ratio.

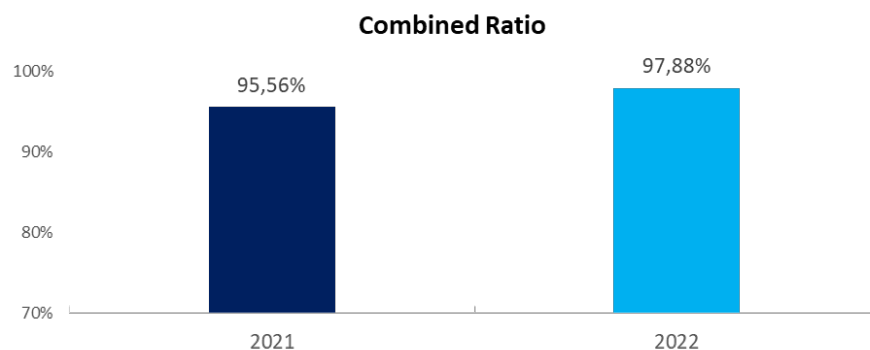


Figure 18: Combined Ratio (2021-2022)

A.3. INVESTMENT PERFORMANCE

Financial Investments, namely Real Estate Assets, grew by 6,790 thousand euros in 2022, a growth of 6.0% compared to 2021.

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

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

Assets Portfolio (thousands of Euro)		2021			2022			VAR 22/21 %
		AMOUNT	%	%	VALOR	%	%	
1. REPRODUCTIVE INVESTMENT								
Transferable Assets								
	Public Debt (1)	11 179	10%	9%	7 281	7%	6%	-35%
	Miscellaneous Bonds (1)	46 662	43%	39%	47 292	45%	37%	1%
	Shares and Investment Funds	5 446	5%	5%	18 176	17%	14%	234%
	Loans Granted	50	0%	0%	429	0%	0%	763%
	Liquidity (2)	44 386	41%	37%	30 968	30%	24%	-30%
Sub-total		107 722	100%	90%	104 146	100%	82%	-3%
Other non-securities								
	Real Estate	9 049		8%	19 671		16%	117%
Sub-total		9 049		8%	19 671		16%	117%
TOTAL (1)		116 772		98%	123 817		98%	6%
2. OPERATIONAL INVESTMENT								
	Equipment, Furniture and Material	2 930		2%	2 674		2%	-9%
TOTAL (2)		2 930		2%	2 674		2%	-9%
TOTAL (1) + (2)		119 701		100%	126 491		100%	6%

Obsv:

(1) Valuation with accrued interest

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

Table 2: Composition of the portfolio of assets (2021-2022)

Exposure to public debt securities decreased 35% compared to 2021, while exposure to shares and investment funds grew by 12,731 thousand euros. Also worthy of note was the investment in real estate, with a variation of 117% compared to 2021. This exposure is essentially due to compliance with the asset allocation strategy set out in the investment policy.

Liquidity, between Demand Deposits, Time Deposits and Cash Funds, registered a variation of -30% compared to 2021, due to the investment recorded in real estate, being, however, aligned with the risk and capital management parameters.

In 2022, financial results showed a decrease of 314 thousand euros compared to the same period of the previous year, essentially due to a lower realisation of capital gains, though the increase in income generated of 25.7% was noteworthy.

Income, net of expenses (thousands of euros)	2021	2022	VAR 22/21 %
Government bonds	40	34	-15,0%
Corporate bonds	318	371	16,4%
Shares and investment funds	288	70	-75,8%
Deposits	0	1	44,6%
Real Estate	480	848	76,8%
Loans granted	6	100	1578,2%
TOTAL Income	1 133	1 423	25,7%

Table 3: Income, net of expenses (2021-2022)

Gains, net of investments (thousands of euros)	2021	2022	VAR 22/21 %
Government bonds	-2	-1	72,9%
Corporate bonds	484	6	-98,8%
Shares and investment funds	44	-84	-290,5%
Deposits	0	0	0,0%
Real Estate	0	0	0,0%
Granted loans	0	0	0,0%
TOTAL Net gains	526	-79	-115,0%

Table 4: Gains, net of investments (2021-2022)

In 2022, potential gains and losses on investments recognised directly in equity stood at -6,756 thousand euros.

Net gains recognized in Equity (thousands of euros)	2021	2022	VAR 22/21 %
Government bonds	75	-1 613	-2341,4%
Corporate bonds	271	-4 910	-1894,3%
Shares and investment funds	-159	-233	-46,7%
Deposits	0	0	0,0%
Real Estate	0	0	0,0%
Granted loans	0	0	0,0%
TOTAL Net Gains in Equity	187	-6 756	-3716,6%

Table 5: Net Gains recognised in Equity (2021-2022)

The fact that no impairment was recorded over the last seven years on financial assets should be highlighted, demonstrating the great caution in the choice of applications that make up Caravela's investment portfolio.

Regarding the rate of return, the total portfolio of assets registered a positive average remuneration of 0.9%.

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

A.4. PERFORMANCE OF OTHER ACTIVITIES

A.4.1. MANAGEMENT COSTS

The total cost allocation by nature reached 16,482 thousand euros, representing an increase of 14.5%, compared to 2021, and due to a general increase in the item "expenses".

Management Costs (thousands of euros)	2021	2022	VAR 22/21 %
Personnel Expenses	6 731	7 306	8,5%
External Services and Supplies	4 915	6 240	27,0%
Taxes and Fees	1 059	1 272	20,1%
Amortisation for the Financial Year	1 357	1 368	0,8%
Risks and Charges Reserves	0	0	-
Interest Incurred	26	21	-20,0%
Commissions	308	275	-10,5%
Total	14 396	16 482	14,5%

Table 6: Evolution of management costs

A.4.2. STAFF

The number of staff increased from 133 to 140 permanent staff members.

	2021	2022	VAR 22/21 %
<i>Permanent staff at the beginning of the period</i>	129	133	3,1%
<i>Entries</i>	10	12	20,0%
<i>Exits</i>	6	5	-16,7%
Permanent staff at the end of the period	133	140	5,3%

U: thousands of Euro

Gross written premiums / no. of employees	875	934	6,7%
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Table 7: Evolution of staff

As in previous years, there was a 6.7% increase in the ratio of direct insurance premiums per permanent staff member, essentially due to the growth in production.

Of these 140 employees, 72 are male and 68 female:

Age group	Men	Women
Up to 30 years old	11	6
From 31 to 40 years old	15	13
From 41 to 50 years old	25	39
From 51 to 60 years old	16	9
Over 61 years old	5	1
Total	72	68

Table 8: Distribution of staff per age group

A.4.3. LEASES

Caravela holds operating and financial lease contracts regarding transportation equipment.

The detail as of December 31, 2022, by years of maturity of the financial and operating lease contracts, is shown in the tables below:

Contractual Term	No. of vehicles	Maximum payable amount
2023	7	14 949
2024	9	81 776
2025	4	61 170
2026	4	91 360
Total	24	249 254

Table 9: Operating Leases

Contractual Term	No. of vehicles	Payable Amount Interest	Payable Amount Capital
2023	1	30	13 599
2023	1	30	13 563
2024	1	1 869	24 798
2025	1	833	41 544
Total	4	2 761	93 504

Table 10: Financial Leases

A.5. ANY ADDITIONAL INFORMATION

Not applicable.

B. GOVERNANCE SYSTEM

B.1. GENERAL INFORMATION ON THE GOVERNANCE SYSTEM

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

- a) To permanently ensure the necessary operational bases for a sound, cautious and transparent management of the Insurer to safeguard the interests of all its stakeholders, naturally including all its employees;
- b) To ensure the monitoring and maintenance of the company's internal control systems under the terms established by the ASF rules;
- c) To ensure and promote, within the scope of its attributions, a fluid, available and collaborative relationship with the ASF and other supervisory entities that may request information pertaining to the Insurer;
- d) To control the monitoring of the company's risk activities regarding their operation and their reporting to the supervisory authority;
- e) To monitor the systematic application of the determinants of the code of conduct of Caravela's employees.

B.1.1. GOVERNING BODIES

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

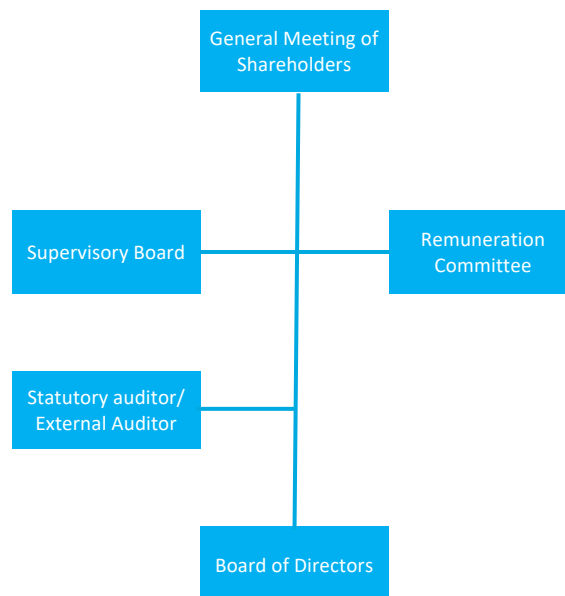
The supervision of the Company also includes a Statutory Auditor, who is not a member of the Supervisory Board.

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

- a) The Shareholders' General Meeting is responsible for electing the members of the Board of Directors, as well as its President and Vice-President, for four-year periods, which may be re-elected more than once;
- b) The Supervisory Board is also elected at a Shareholders' General Meeting, for four-year periods, with the possibility of re-election, in accordance with the independence rules set out in article 414 of the Commercial Companies Code regarding the qualitative composition of the Supervisory Body;

- c) The Statutory Auditor is elected by General Meeting of Shareholders, with the respective mandate having the same duration as that of the other corporate bodies and in accordance with the rules established in article 414 of the Commercial Companies Code;
- d) The Board of the General Meeting consists of a President and a Secretary, elected by the General Meeting of Shareholders for renewable periods of four years;
- e) The General Meeting of Shareholders also elects the Remuneration Committee, for four-year periods, which may be re-elected more than once.

Such organisational structure is shown in the following chart:



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

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

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

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

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

The governing bodies, identified below, are composed of:

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

Board of Directors	
Luís Filipe Sampaio Cervantes	President
David Angulo Rubio	Vice-President
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	Member

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

Statutory Auditors	
Mazars & Associados - Sociedade de Revisores Oficiais de Contas, S.A. - SROC no. 51, represented by Pedro Miguel Pires de Jesus - ROC no. 1930	Permanent
Paulo Jorge Damião Pereira - ROC no.1219	Substitute

The Remuneration Committee is composed of three members:

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

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

B.1.2. ORGANISATIONAL STRUCTURE

Management body:

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

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

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

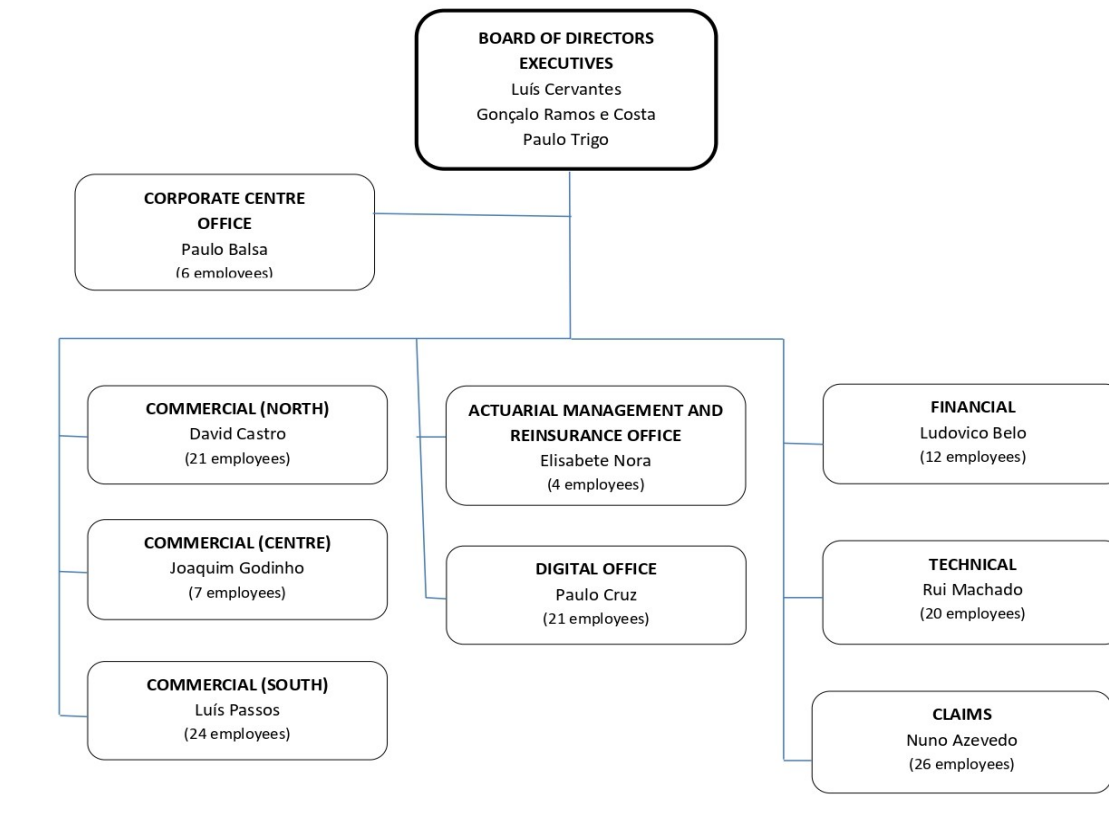
Bodies and members holding key functions

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

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

Internal Organization

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



Top management:

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

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

The following senior directors are key function holders:

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

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

During 2020, in view of the demands arising from the Company's development, the Board of Directors decided to give the Audit and Quality Department the name of Corporate Centre Office (GCC). The GCC's main target is to promote a rational and effective management of various obligations emerging from several back-office areas and is coordinated by Paulo Balsa. GCC incorporates the following areas: a) Human Resources, b) Secretariat, c) Audit and d) Complaints Management.

Specialised committees:

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

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

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

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

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

Control activities and segregation of functions

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

B.1.3. REMUNERATION POLICY

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

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

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

1. Approval of the remuneration policy

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

2. Disclosure

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

3. Composition of the Remuneration Committee

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

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

4. Remuneration Policy

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

5. External Consultants

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

6. Remuneration of the Statutory Auditor

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

In 2022, the amounts paid, including VAT, were:

Fees Description	Amount
Solvency II Certification	18 450
Statutory Audit	61 500
Total	79 950

Table 11: Statutory Auditor Remuneration

7. Composition of Caravela's Governing Bodies and respective remunerations in 2022

	Remuneration		
	Fixed	Fixed	Fixed
Board of Directors			
Luís Filipe Sampaio Cervantes	211 485,00	0,00	211 485,00
David Angulo Rubio	50 000,00	0,00	50 000,00
Gonçalo Lopes da Costa de Ramos e Costa	197 935,00	0,00	197 935,00
José Paulo de Castro Trigo	185 756,25	0,00	185 756,25
Supervisory Board			
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	3 600,00	0,00	3 600,00

Table 12: Composition and Remuneration of the Governing Bodies

8. Employees Remuneration Policy

- The remuneration policy for Caravela's Employees shall be proposed by the Human Resources Department for subsequent approval by the Board of Directors and assessed by the Company's control bodies;
- The remuneration policy is disclosed in all its mandatory legal aspects;

- c) Apart from fixed remuneration, Caravela's employees can have a variable remuneration, based on the following assumptions:
- i. The balance between both remunerations, in order to achieve easy and clear planning of the variable part;
 - ii. Variable remuneration should result from a system of objectives and performance that gives special focus to Caravela's objectives, which must be clear, precise, determinable and achievable.

9. Other employee benefits

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

- a) Workers Compensation Insurance;
- b) Personal Accidents Insurance;
- c) Health Insurance ;
- d) Life Insurance;
- e) On-call time premium, set out in the company agreement, signed and published in 2022;
- f) Support defined for increased teleworking expenses.

B.1.4. ASSESSMENT OF THE GOVERNANCE SYSTEM SUITABILITY

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

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

B.2. QUALIFICATION AND SUITABILITY REQUIREMENTS

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

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

1. Scope;
2. Risk Management Committee (RMC);

-
3. Policy for selecting and appointing members of the management and supervisory bodies;
 4. Policy on selection and suitability of other members holding key functions;
 5. Assessment of fitness and suitability;
 6. Ongoing training plan for the members of the management and supervisory body and other members holding key functions;
 7. Specific prevention of conflicts of interest;
 8. Accumulation of positions;
 9. Diversity policy;
 10. Review of the selection and evaluation policy;
 11. Attachments.

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

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

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

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

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

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

B.3. RISK MANAGEMENT SYSTEM

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

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

- a) Formalisation of the risk management operating model, ensuring its compliance with the regulatory requirements in the context of the RJASR;
- b) Up-to-date maintenance of the conceptual models for management by risk class, ensuring the compliance of protective strategic guidelines approved by the Board of Directors;
- c) Creation of risk control and mitigation programmes, guaranteeing that the materialisation of such cannot jeopardise the Company's financial stability and solvency;
- d) Drawing up contingency plans for potential adverse scenarios so as to prevent relevant losses that jeopardise the Company's solidity;
- e) Monitoring any needs to reinforce material solvency means and any unfavourable deviations in Caravela's risk profile, taking into account the levels and requirements defined under the RJASR;
- f) Definition of the tolerance levels to be respected for each risk, with periodic review of such levels;
- g) Creating and monitoring automatic alert indicators to enable the timely detection of any adverse risk deviations;
- h) Development of methodologies and policies that ensure risk management and internal control, in accordance with the model in force, with a view to adapting them to the level of exposure and organisational structure that Caravela adopts at any given time;

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- i) Standardisation of procedures applicable to the entire Caravela structure, through the various committees created, liaising with the statutory auditor and external auditor on the certification of the internal control system;
 - j) Training of the risk managers appointed in the respective operational areas;
 - k) Support in the identification, management and control of new risks arising from the different activities of the company;
 - l) Periodic updating of the documentation on the internal control processes;
 - m) Study and implementation of measures that enable the safety of human and material capital that make up the Company's operational structure;
 - n) Supporting the development of continuous training and awareness programmes for employees, in accordance with their functions, concerning operating risks and best practices for their mitigation;
 - o) Definition of procedures and information necessary for Caravela to be prepared to respond to external sectorial or extra-sectorial – national or international – risk events;
 - p) Supporting the Board of Directors and the different directorates in the preparation of documents aimed at formalising the main risk management and internal control strategies and processes.

B.3.1. AUTOPROSPECTIVE RISK SELF-ASSESSMENT

The ORSA¹ (Prospective Risk Self-Assessment) Policy has as its main objectives:

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

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

¹ ORSA – Own Risk and Solvency Assessment

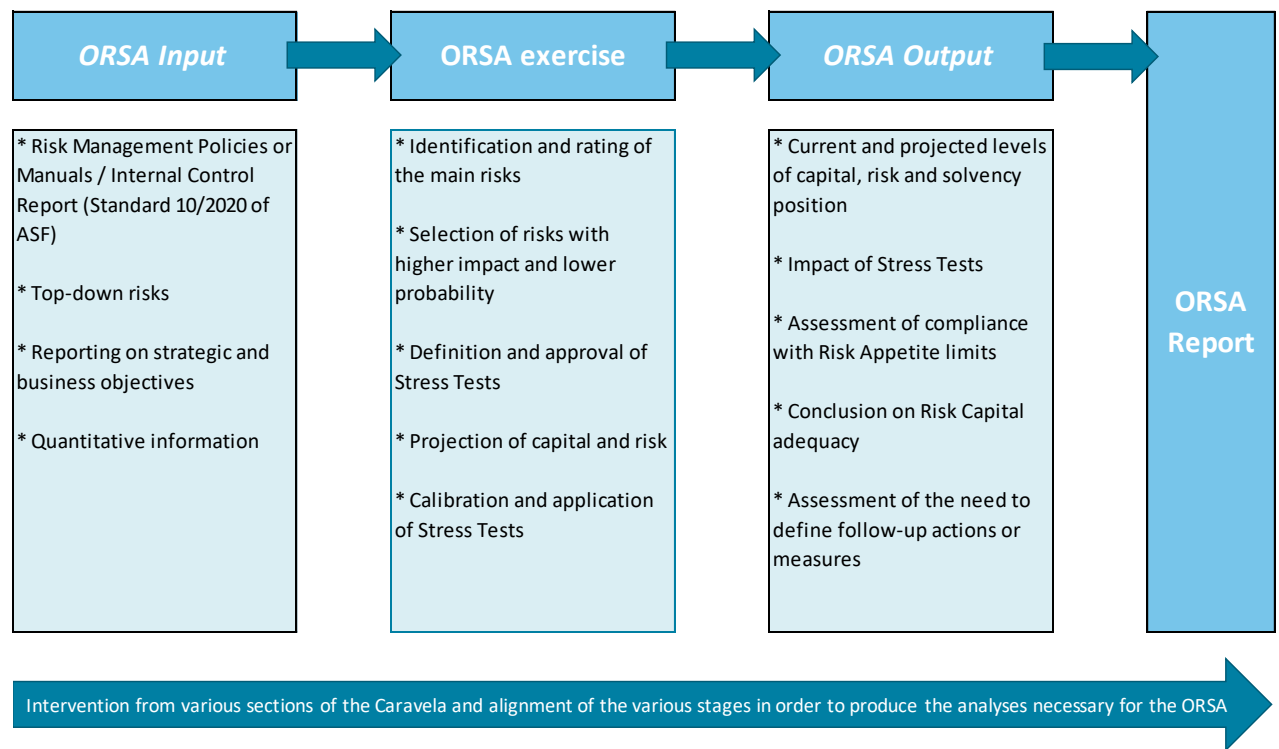


Figure 19: Stages of the ORSA Process

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

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

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

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

1. Board of Directors

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

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

2. Risk Management Committee

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

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

3. Financial Department

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

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

- v. To analyse the triggers defined and proposing the implementation of a Non-Regular ORSA;
- vi. To develop the ORSA report.

4. Other Organic Units

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

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

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

B.4. INTERNAL CONTROL SYSTEM

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

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

- a) The control culture promoted internally by the organisation is a determining factor in the awareness and conduct of its employees;
- b) All employees are responsible for the internal control;
- c) Internal control is a dynamic process that should be integrated into the business processes and respective support;
- d) The definition of policies and procedures contributes to ensure the achievement of objectives, reducing operating risks and waste of resources;
- e) The internal control system must be supported by a permanent monitoring process.

Caravela's internal control policy has as its mission:

-
- a) To create a formal environment of permanent surveillance of the existing internal controls in all physical locations where Caravela services exist;
 - b) To convey to employees a culture that makes them aware of the need for effective and efficient internal control mechanisms;
 - c) To provide the management and supervisory bodies with assurance of the integrity of internal controls.

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

- a) Strategic: refers to the highest level guidelines set by the Board of Directors in line with Caravela's mission;
- b) Operational: efficient use of the available resources;
- c) Communicational: concerns ensuring the reliability, clarity and trustworthiness of management reports and financial reports;
- d) Conformity: compliance with the laws and regulations in force.

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

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

Regarding risk identification and assessment:

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

Compliance unit

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

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

-
- b) Monitoring compliance with the internal rules and processes in place;
 - c) Assessing the risk of verification of compliance regarding the use of the personal databases held by Caravela, proposing the measures and actions it deems appropriate with a view to the judicious use of those elements;
 - d) Participating in projects involving the implementation of legal procedures or requirements, as well as those relating to the definition of governance principles, applicable to the activity carried out by the company;

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

B.5. INTERNAL AUDIT FUNCTION

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

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

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

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

- a) Analysing the operational and business processes, assessing their compliance with the applicable internal and external regulatory texts;
- b) Collaborating with all Caravela's bodies to support the correct observance of the policies defined above;
- c) Ensuring and promoting, within the scope of its duties, frank and fluid relations with supervisory bodies, as well as to respond to relevant requests from other public and private institutions;
- d) Participating in the definition, disclosure and practice of normative texts, with a view to preventing incidents that may interrupt the normal continuity of the Company's operations;

Autonomy:

- a) The Internal Audit Directorate is granted autonomy and freedom to access documentary records, physical facilities and contact with Caravela's employees relevant to the performance of its functions;
- b) The employees of the Internal Audit Directorate respect the impact and ownership of the information they receive and do not disclose it without due authorization, except in cases of legal or professional obligation;
- c) All the employees of the Internal Audit Directorate shall meet the fit & proper standards required in order to perform their functions.

Independence:

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

Field of Action:

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

B.6. ACTUARIAL FUNCTION

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

- a) To prepare technical and actuarial studies and analyses for the various business areas of the company, previously approved by the Board of Directors;
- b) To study and implement new techniques and methodologies for the development of studies in its area of action;
- c) To strive for consistency and reliability of the information collected for the preparation of the studies and analyses entrusted to it;
- d) To ensure, at regular intervals, correct evaluation of the technical reserves, informing the Board of Directors of their suitability and sufficiency, foreseeing possible deviations and proposing measures

to correct any dysfunctions upstream of the results observed, particularly with regard to subscription and/or reinsurance agreements;

- e) To collaborate with the different areas involved in the preparation of timely responses to requests for information required by external entities;
- f) To collaborate in the preparation and supply of statistics and maps for the ASF and the Portuguese Insurers' Association (APS), involving the technical skills of the actuarial;
- g) To develop tariffs for new products, whenever requested to do so, using sensitivity analyses;
- h) Within the scope of the RJASR, develop techniques that make it possible, among other things, to determine the best estimate and risk margin in the value of technical reserves, calculate future cash flows, economic capital, test Stress Test scenarios and assess the impact of reinsurance;
- i) To ensure the preparation of studies and technical and actuarial analyses requested by the heads of technical areas and by the Board of Directors;
- j) To ensure the sufficiency, quality and reliability of the data used in the calculation of technical reserves.

B.7. SUBCONTRACTING

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

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

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

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

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

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

The entities to be subcontracted must meet the suitability requirements considered necessary for the performance of these functions or activities, especially with regard to suitability, professional

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qualification, independence, availability and capacity for good professional performance, taking into consideration the desired result.

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

B.8. OTHER ADDITIONAL INFORMATION

B.8.1. CODE OF CONDUCT

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

B.8.2. STATUTORY AUDITOR

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

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

B.8.3. RESPONSIBLE ACTUARY

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

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

B.8.4. REVISION OF THE GOVERNANCE SYSTEM

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

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

C. RISK PROFILE

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

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

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

Capital Metrics (Solvency)

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

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

Table 13: Risk Appetite Threshold - Solvency Metric

Results Metric (ROE)

The Profit & Loss metric aims to ensure that Caravela does not take risks that may significantly jeopardise the profitability of the business. For this metric, made tangible through Return on Equity² (ROE), Caravela has defined the following thresholds:

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

Table 14: Risk Appetite Thresholds - Results Metric

C.1. SPECIFIC INSURANCE RISK

The specific insurance risk corresponds to the risk inherent in the trading of insurance contracts, associated 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 analysis, calculate tariffs, issue technical opinions and issue policies;
- Limited access to different applications according to their user profile;
- Documentation scanning in issuing processes and claims management;
- Procedures of case-by-case cross-checks.

² Return on net assets (equity)

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

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

Line of business	Reinsurance Type
Worker's Compensation	Excess of loss (XL) and Proportional
Personal Accidents	Excess of loss (XL) and Proportional
Health	<i>Fronting</i>
IOD	Share
IOD & Engineering (Natural Catastrophes)	Excess of loss (XL)
Engineering	Share
Harvests	Share
Motor	Excess of loss (XL) and Proportional
Marine and Transported Goods	Share
Cargo	Share
Third Party Liability - General	Excess of loss (XL)

Table 15: Reinsurance structure

C.1.1. Underwriting Risk (Non-Life)

The exposure to Non-Life Underwriting Risk, compared to the previous year's reporting, shows an increase of 8%, reaching a value of 21,407 thousand euros in 2022.

In a more detailed analysis it is possible to conclude that the sub-risk that contributes most to its increase is the Premium and Reserve risk, as this has a weight of approximately 99%. The increase in this risk accompanies the increase in the premiums volume measure (+7.6%), as well as the increase in the reserves volume measure (+10.9%).

The Discontinuity risk, although growing by 28.2%, is immaterial, corresponding to about 1%, and the Capital Requirement of the Catastrophic risk remains unchanged, as there were no changes in the existing reinsurance treaty.

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

(thousands of Euros)		
Non-life Underwriting Risk	19 812	21 407
Premium and Reserve Risk	19 586	21 181
Discontinuity Risk	192	247
Catastrophic Risk	837	837

Table 16: Non-Life Underwriting Risk SCR

C.1.2. Underwriting Risk (Health)

The exposure to Health Underwriting Risk shows a growth of 35.5% compared to 2021, reaching around 13,587 thousand euros in 2022.

Looking in more detail at the Health SCR, it can be concluded that the Health Non Similar to Life Techniques (NSLT) component, consisting of Premium and Reserve risk, has the highest weight and the largest increase. This increase is justified by both the growth in production of the Worker's Compensation line of business and the growth in the provisioning verified in 2022.

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

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

SCR (thousands of Euros)	2021	2022
Health Underwriting Risk	10 028	13 587
NSLT Health Risk	9 498	12 977
Premium and Reserve Risk	9 498	12 977
SLT Health Risk	986	1 148
Longevity risk	368	478
Expense Risk	583	431
Revision Risk	349	621
CAT Health Risk	0	1

Table 17: Non-Life Underwriting Risk SCR

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C.2. MARKET RISK

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

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

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

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

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

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

Although not included in the investment policy, it should be noted that the majority of Caravela's investment portfolio is invested in Socially Responsible Investments – ISR³, with a score of 3,21/5 as of December 31, 2022 (3,13/5 as of December 31, 2021).

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

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

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

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

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

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

The stock risk results from the volatility of the market prices of shares, being exposed to this risk the equity securities, namely, investment funds totally or partially composed by these securities. The stock risk increased due to the market risk diversification strategy adopted in 2022, namely the acquisition of a strategic stake in Group Your and the investment in shares in F2X Groupe Limited.

The real estate risk is originated by the volatility of the real estate market prices. In 2022, this risk had a relevant variation, as far as the capital requirement is concerned, since the assets in exposure suffered a change, namely in income property, which justifies this growth of 117.4% and a capital requirement of 4,918 thousand euros. This risk has a weight of 33.9% in the market risk.

Spread risk consists of the risk of unexpected losses caused by the depreciation of credit quality or default of a business partner, reflecting the volatility of credit spreads along the risk-free interest rate curve. Securities exposed to this risk are mainly corporate bonds and term deposits. The spread risk, on debt issuers and the banking entities where term deposits are placed, shows a decrease of 17.6%, accounted for by the decrease in the bonds and other debt securities item. The assets in exposure had a variation of -12.7% and the average rating of the assets portfolio, compared to the previous year, remained at A.

Exchange rate risk is caused by the volatility of exchange rates against the Euro. In 2022 there was an investment in shares in F2X Groupe Limited, in pounds (GBP), causing the exposure to this risk to grow, when compared with the previous year that did not have any type of exposure, and presenting a requirement of 1,256 thousand euros.

Concentration risk refers to the additional volatility existing in highly concentrated portfolios. Exposure to concentration risk, measured in terms of concentration in the portfolio of issuer groups, showed an increase of 1769.9%, with a requirement of 4,116 thousand euros. This strong growth is essentially due to the acquisition of two shareholdings..

The increase in exposure to Market Risk of 75.3%, is justified by the increase in the investment portfolio (+6%).

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

SCR (thousands of Euros)	2021	2022
Market Risk	8 288	14 526
Interest Rate Risk	435	146
<i>Upward shock</i>	244	146
<i>Downward shock</i>	435	31
Stock Risk	3 238	7 171
Property Risk	2262	4918
Spread Risk	3 553	2 926
Exchange Risk	0	1256
Concentration Risk	220	4 116

Table 18: Market Risk SCR

C.3. CREDIT RISK⁴

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. This procedure is guaranteed by the Financial Department and assessed by the Risk Management Committee.

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

Exposure to Counterparty Default Risk increased by 1.8% in 2022, due to the increase in counterparty default risk of type I.

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

⁴ Type I - reinsurance and coinsurance contracts and demand deposits

Type II - amounts receivable from intermediaries, policyholders and third parties

SCR (thousands of Euros)	2021	2022
Counterparty Default Risk	3 478	3 539
Counterparty Default Risk Type I	1 808	2 033
Counterparty Default Risk Type II	1 909	1 749

Table 19: Counterparty Default Risk SCR

C.4. LIQUIDITY RISK

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

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

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

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

The investment portfolio held as at December 31, 2022, excluding real estate assets, when analysed in terms of its liquidity, shows 100% convertibility within a period of 2 to 7 days.

C.5. 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:

1) Identification and classification of risks

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

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

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

2) Control's assessment and its effectiveness

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

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

3) KRI identification and action plans

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

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

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

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

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

SCR (thousands of Euros)	2021	2022
Operating Risk	3 403	3 864
Basic capital requirement	3 403	3 864
On the basis of earned premiums	3 403	3 864
On the basis of technical reserves	2 109	2 568

Table 20: Operating Risk SCR

C.6. OTHER MATERIAL RISKS

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

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

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

Table 21: Caravela's main risks

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

Stress Tests

- **Increase of interest rates**

The objective of this Stress Test is to quantify the impact of an increase in interest rates by 100 b.p. during 2022 and remaining at that level for the rest of the study period. The results obtained show a decrease in both Own Funds and Solvency Capital Requirements between 2025 and 2026. After the Stress Test it is possible to verify that the rise in interest rates currently represents a favourable scenario between 2022 and 2025 in the ORSA 2022 exercise, being unfavourable in 2026. However, the limit set for the Capital Objective will not be breached in the period under analysis.

- **Degradation of the technical portfolio**

This Stress scenario aims to evaluate the impact arising from the degradation of the technical portfolio, caused by a subscription of new production during 2022, on average 10% below the tariff currently in force in the Company for the various products. The results obtained lead to a decrease in the Solvency Ratio in all years of the Multi-Year Budget period to values between 146% and 171%, with a greater impact in 2024. Even with this impact, the Solvency Ratio remains above the Capital Target.

Reverse Stress Tests

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

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

The results of this stress scenario indicate that in 2022, each additional percentage point in the claims ratio corresponds to a decrease in the Solvency Ratio of 4.3 p.p.. The recovery of this impact on the Solvency Ratio is significant, being 34.3 p.p. after one year, and 47.0 p.p. after three years, reaching a recovery of 62.0 p.p. in 2026. The economic recovery is enough to meet the Minimum Acceptable Capital established in the Risk Appetite policy in the very first year after the shock.

C.7. OTHER ADDITIONAL INFORMATION

Not applicable.

D. ASSESSMENT FOR SOLVENCY PURPOSES

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

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

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

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

1. *Unless otherwise stated, Member States shall ensure that the valuation of assets and liabilities by insurance and reinsurance undertakings is carried out as follows:*
 - a) *Assets are valued at the amount for which they can be traded between informed parties acting freely in an arm's length transaction;*
 - b) *Liabilities are valued at the amount for which they can be traded between informed parties acting freely in an arm's length transaction;*

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

2. *The Commission shall adopt implementing measures specifying the methods and assumptions to be used in the valuation of assets and liabilities as laid down in paragraph 1.*

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

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

	IFRS balance sheet	Adjustments	Solvency II Balance Sheet
Assets			
<i>Goodwill</i>	0	0	
Deferred acquisition costs	5 459 896	-5 459 896	
Intangible assets	3 472 181	-3 472 181	0
Deferred tax assets	1 569 956	1 828 490	3 398 447
Tangible fixed assets for own use	1 328 283	0	1 328 283
Investments (other than assets held under index-linked and unit-linked contracts)	123 284 387	0	123 284 387
Real Estate (other than for own use)	19 670 910	0	19 670 910
Interests in related companies, including participations	11 190 511	0	11 190 511
Shares and other equity securities	493 867	0	493 867
Bonds	54 573 231	0	54 573 231
Collective Investment Schemes	34 506 428	0	34 506 428
Derivatives	0	0	0
Deposits other than cash equivalents	2 849 440	0	2 849 440
Loans and mortgages	428 818	0	428 818
Amounts recoverable from reinsurance contracts	49 179 769	453 893	49 633 662
Deposits in ceding companies	0	0	0
Receivables	17 607 021	0	17 607 021
Cash and cash equivalents	8 771 762	0	8 771 762
Any other assets, not included elsewhere	832 441	-86 029	746 412
Total assets	211 934 515	-6 735 722	205 198 793
Liabilities			
Technical reserves - non-life	87 278 988	-4 185 874	83 093 114
Technical reserves - life (excluding index-linked and unit-linked contracts)	47 613 340	-2 586 374	45 026 966
Other technical provisions	342 208	-342 208	
Pension benefit liabilities	199 116	0	199 116
Reinsurer's deposits	1 362 595	0	1 362 595
Deferred tax liabilities	0	1 518 962	1 518 962

<i>Continuation</i>			
Financial liabilities other than debts owed to credit institutions	1 058 701	0	1 058 701
Amounts payable	15 146 588	0	15 146 588
Subordinated liabilities	0	0	0
Any other liabilities, not included elsewhere	1 750 328	0	1 750 328
Total liabilities	154 751 863	-5 595 494	149 156 369
Assets surplus over liabilities	57 182 652	-1 140 228	56 042 425

Table 22: Balance sheet adjustments

D.1. ASSETS

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

The Chart of Accounts for Insurance Companies has adopted the IFRS accepted by the EC, with the exception of IFRS 4, of which it only considered the component of the classification of contracts. In this sense, the adjustments to be made tend to be aligned with the requirements established by the technical specifications.

D.1.1. Hierarchy of Evaluation Principles

The Company uses the following hierarchy in asset valuation principles:

- i. Market prices, quoted in active markets for the same or similar assets;
- ii. Where this is not possible, market prices of similar assets with adjustment to reflect the differences;
- iii. When there are no active market values, mark-to-model techniques are used;
- iv. As an alternative to the previous three principles, the Company considers as much observable market information as possible and reduces as much as possible the Company-specific inputs to perform the valuation.

D.1.2. Valuation and adjustments by asset category

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

Deferred acquisition costs

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

For solvency purposes, the value of deferred acquisition costs is not considered as an asset and is therefore written off from the balance sheet, generating an impact of -5.460 thousand euros.

Deferred tax assets

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

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

Goodwill and intangible assets

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

In solvency II, Goodwill is not valued and intangible assets, provided that it is not demonstrated that they can be sold separately, and it is not demonstrated that there is a value for the same or a similar asset that was derived from market prices verified in an active market, as was the case in Caravela, are set at zero value, this adjustment being -3,472 thousand euros.

Tangible fixed assets for own use

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

In solvency II, the tangible fixed assets recognised in the balance sheet are valued at the historic acquisition cost less the implicit wear and tear, but we consider, given the immateriality of the amount at hand, it is not justifiable to apply the revaluation model (Net value, of amortisations and liabilities, as of 31.12.2022 of 269 thousand euros).

Leases

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

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

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

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

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

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

Investments – Real Estate (other than for own use)

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

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

Investments – Bonds

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

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

Investments - Collective investment undertakings

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

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

Investments - Deposits other than cash equivalents

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

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

Reinsurance recoverables

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

Receivables

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

Cash and cash equivalents

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

Any other assets, not included in other elements

In this class of assets, we highlight the inventories which, under IFRS, are recorded at acquisition cost, being subsequently totally written off against costs, when used; while under Solvency II they are not valued, justifying the impact of -86 thousand euros.

D.2. TECHNICAL RESERVES

D.2.1. Principles and assumptions

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

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

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

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

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

D.2.2. Procedures

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

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

Calculation algorithms

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

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

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

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

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

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

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

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

D.2.2.3. Risk Margin

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

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

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

	IFRS	Adjustment	SII
Technical Reserves — Non-life	128 121 059	930 863	129 051 922
Technical Reserves - Non-Life (excluding Accidents and Medical Expenses)	69 832 356	-879 674	68 952 682
Motor Civil Liability	37 479 088	207 226	37 686 314
<i>Best Estimate</i>			35 815 234
<i>Risk Margin</i>			1 871 080
Other insurances from Motor line of business	12 559 659	-2 261 932	10 297 726
<i>Best Estimate</i>			9 597 703
<i>Risk Margin</i>			511 270
Marine and Transported Goods	296 308	-35 701	260 608
<i>Best Estimate</i>			247 669
<i>Risk Margin</i>			12 939
Fire and Other Damage	13 586 997	1 508 272	15 095 269
<i>Best Estimate</i>			14 345 807
<i>Risk Margin</i>			749 462
Third Party Liability	1 865 013	-508 876	1 356 137

(Continuation)			
<i>Best Estimate</i>			1 288 806
<i>Risk Margin</i>			67 331
Legal Protection	277 163	14 480	291 642
<i>Best Estimate</i>			277 163
<i>Risk Margin</i>			14 480
Assistance	3 768 129	196 857	3 964 986
<i>Best Estimate</i>			3 768 129
<i>Risk Margin</i>			196 857
Technical Reserves - Accidents and Medical Expenses (on similar technical basis of non-life line of business)	11 986 736	2 251 741	14 238 477
Medical expenses	88 149	4 605	92 754
<i>Best Estimate</i>			88 149
<i>Risk Margin</i>			4 605
Income Protection	991 108	-74 775	916 333
<i>Best Estimate</i>			870 838
<i>Risk Margin</i>			45 495
Workers Compensation	10 907 479	2 321 911	13 229 390
<i>Best Estimate</i>			12 572 567
<i>Risk Margin</i>			656 823
Technical Reserves - Accidents and Medical Expenses (on similar technical basis of life line of business)	45 959 759	-98 996	45 860 763
<i>Best Estimate</i>			43 583 832
<i>Risk Margin</i>			2 276 932
Other Technical Reserves	342 208	-342 208	0

Table 23: IFRS Balance Sheet Reserves vs Solvency II Reserves

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

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

- Different methods for determining the best estimate for the premium reserve;
- Different methods for risk margin;
- IFRS provisions are net of deferred acquisition costs of 5,460 thousand euros.

The reserve for claims deviations, included in the item 'Other Technical Reserves', is not considered a technical reserve under Solvency II, and is therefore fully cancelled in the amount of 342 thousand euros.

D.2.4. Uncertainty level

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

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

In the calculations performed on 31.12.2022 several stochastic methods were applied: Thomas Mack, Bootstrap and Merz & Wüthrich models, using as basis the method with the lowest standard deviation, assuming as cash-flows the values resulting from VaR at 75%, which is considered appropriate for the type of risk, in the calculation of cash-flows for the calculation of the best estimate of the claims reserve.

The goodness of the statistical models used can be confirmed by comparing, by line of business, the evolution of the best estimate of the existing claims reserve in 2021 versus 2022.

Line of business	Best Estimate - Claims Reserve 2021	Cash Flows 2022	Best Estimate - Claims Reserve 2022	Variation in Best Estimate - Claims Reserve
Workers Compensation	52 208 467	10 532 158	47 553 971	5 877 663
Pensions	43 364 952	3 850 948	43 536 205	4 022 202
Other Expenses	8 843 515	6 681 210	4 017 766	1 855 461
Income Protection	223 233	256 706	126 230	159 702
Motor Civil Liability	22 187 432	14 167 794	10 254 056	2 234 418
Motor – Other Coverages	5 188 857	4 880 538	607 681	299 362
Fire and Other Damage	4 303 586	1 961 536	1 806 722	-535 328
Third Party Liability	1 434 110	424 909	832 058	-177 143
Marine and Transported Goods	280 372	70 804	157 923	-51 645
Medical Expenses	0	5 162	0	5 162
Assistance + Legal Protection	846 053	916 217	153 722	223 886
	86 672 110	33 215 825	61 492 363	8 036 078

Table 24: Variation in Best Estimate

Report Name	Date:	Version:
Solvency and Financial Condition Report - 2022	04-04-2023	1.0
	Prepared by:	
	Prudential Management Office	

D.2.5. Recoverable Amounts from Reinsurance Agreements

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

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

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

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

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

D.2.5.1. Claims reserve of reinsurance recoverables

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

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

Line of Business	Balance Sheet Reserve	Best Estimate – Claims Reserve
Workers Compensation	31 821 481	28 588 401
Pensions	28 378 253	25 201 516
Other Expenses	3 443 228	3 386 884
Income Protection	80 869	79 958
Motor Civil Liability	4 534 902	4 449 391
Motor – Other Coverages	946 618	938 760
Fire and Other Damage	8 351 691	8 145 681
Third Party Liability	256 882	251 758
Marine and Transported Goods	131 806	131 006
Medical Expenses	0	0
Assistance + Legal Protection	0	0
	46 124 249	42 584 954

Table 25: Best Estimate vs IFRS Balance Sheet Reserves

D.2.5.2. Premium reserve of reinsurance recoverables

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

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

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

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

The balance sheet reserve corresponds to the ceded unearned premium reserve (PPNA), booked as of 31.12.2022 and the best estimate shows the following distribution per line of business:

Line of Business	Balance Sheet Reserve	Best Estimate – Premium Reserve
Workers Compensation	30 961	1 042 780
Income Protection	27 908	10 919
Motor Civil Liability	4 576	794 674
Motor – Other Coverages	9 063	289 907
Fire and Other Damage	2 843 900	4 447 908
Third Party Liability	0	319 471
Marine and Transported Goods	51 000	56 832
Medical Expenses	84 790	86 216
Assistance + Legal Protection	0	0
	3 052 199	7 048 708

Table 26: Best Estimate vs IFRS Balance Sheet Reserves

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

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

	Amount with Long-Term Guarantees and Transitional Measures	Impact of Long-Term Guarantees (LTG) and transitional measures				
		No transitional measures on technical reserves	Impact of transitional measures on technical reserves	No transitional measures on technical reserves	Impact of setting volatility adjustment to zero	No transitional measures on technical reserves
Technical Reserves	128 120 080	129 051 922	931 842	130 107 123	1 055 201	1 987 043

Table 27: Impact of the different adjustments to technical reserves

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

D.3. OTHER LIABILITIES

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

Pension benefit liabilities

Defined Benefit Pension Plan

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

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

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

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

Defined Contribution Pension Plan

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

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

The contributions to this plan are the percentages given in Annex V of the Company Agreement, applied on the basis of the annual base salary of the employee, and the contribution in the year 2022 was 79.826 euros.

Continuation Premium

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

Reinsurers deposits

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

Deferred tax liabilities

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

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

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

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

According to the delegated regulation the position of deferred tax assets and liabilities should be presented on a net basis in the balance sheet. In this case, both the asset readjustments (1,828 thousand euros) and the liability readjustments (1,518 thousand euros) result in IDA, totalling 309 thousand euros.

Payable amounts

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

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

Any other liabilities, not included elsewhere

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

D.4. ALTERNATIVE METHODS OF VALUATION

Caravela does not use alternative methods of valuation.

D.5. ANY ADDITIONAL INFORMATION

Not applicable.

E. CAPITAL MANAGEMENT

E.1. OWN FUNDS

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

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

Own Funds	IFRS Balance Sheet	Adjustments Gross of taxes	Adjustments Net of taxes	Solvency II Balance Sheet
Ordinary share capital	44 388 315	0		44 388 315
Share premium account related to ordinary share capital (Equity)	0	0		0
Other equity instruments	0	0		0
Reserves	12 794 337	0		12 794 337
Other reconciliation reserve elements	0	-1 449 756	-1 140 228	-1 140 228
Asset adjustments	0	-8 564 123	-6 735 723	-6 735 723
Liability adjustments	0	-7 114 457	-5 595 495	-5 595 495
Total basic own funds after deductions	57 182 652	-1 449 756	-1 140 228	56 042 425

Table 28: Reconciliation of own funds

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

Available Capital (thousands of Euros)	2021	2022
Own Funds	50 928	56 042
Level 1 unrestricted	48 874	54 163
Level 1 restricted	0	0
Level 2	0	0
Level 3	2 054	1 879

Table 29: Composition of available capital

Caravela's Own Funds are essentially made up of Level 1 items, these being represented in full by unrestricted items and consisting of 44,388 thousand euros of Share Capital and 9,774 thousand euros of reconciliation reserve.

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

Reconciliation Reserve (thousands of Euros)	2021	2022
Surplus of assets over liabilities	50 928	56 042
Own shares (directly and indirectly held)	0	0
Foreseeable dividends, distributions and charges	0	0
Other basic own funds items	46 443	46 267
Adjustments for own funds items with restrictions in respect of matching adjustment portfolios and ring-fenced funds	0	0
Reconciliation Reserve	4 486	9 774

Table 30: Reconciliation reserve

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

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

Eligible Capital (Thousands of Euros)	2021	2022
Of solvency	50 928	56 042
Minimum	48 874	54 163

Table 31: Eligible capital

E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

E.2.1. CAPITAL REQUIREMENTS

Caravela's Solvency Capital Requirement and Minimum Capital Requirement are as follows, indicating, for information purposes, the requirements as at January 1, 2023 as they include a further amortisation of the transitional measure relating to technical reserves:

Solvency Capital (Thousands of Euros)	2021	2022	2023 (January 1)
Solvency Capital Ratio	204,2%	181,9%	181,7%
Own Funds	50 928	56 042	55 969
Solvency Capital Requirement	24 936	30 803	30 803
Adjustment	-6 721	-8 362	-8 362
Operating Risk	3 403	3 864	3 864
Basic Solvency Capital Requirement	28 254	35 300	35 300
Diversification effect	-13 352	-17 760	-17 760
Sum of risk components	41 606	53 060	53 060
Market risk	8 288	14 526	14 526
Counterparty risk	3 478	3 539	3 539
Health risk	10 028	13 587	13 587
Non-Life risk	19 812	21 407	21 407

Table 32: Solvency capital

Minimum Capital (Thousands of Euros)	2021	2022	2023 (January 1)
Minimum Capital Ratio	435,6%	391,7%	391,0%
Own Funds	48 874	54 163	54 070
Minimum Capital Requirement	11 221	13 828	13 828

Table 33: Minimum Capital

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

The prospective assessment of risk and capital is one of the main components of the ORSA, allowing conclusions to be drawn about the future solvency of the Company in relation to the strategy defined and reflected in the multi-annual budget. For Caravela, it is the main element of capital management, as it

allows testing the resilience of the Company to adverse scenarios, over a 5-year period, through stress tests and sensitivity analyses.

E.2.2. ADJUSTMENTS

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

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

To perform the recoverability test of deferred tax assets, Caravela considered the 2022-2026 business plan that supported the ORSA 2022 financial year approved by the Board of Directors on February 14, 2023.

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

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

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

- a) Shocks, risk events, are assumed to occur during the year following that in which the instantaneous loss is calculated, in this case in 2022; and
- b) All losses related to the shocks were fully recognised in 2022, and no losses related to this event are expected in the following years;
- c) The strategic repositioning of Caravela after the instant loss would be operated in the following years by implementing several specific actions:
 - I. Revision of the investment policy;
 - II. Reinforcement of the internal control measures; and
 - III. Recovery of the company's profitability.

-
- d) It is considered that with these measures, given the Company's recent capacity to attract new business from the retail segment without harming the profitability of the portfolio, there would not be a setback in the organic growth plan in force, detailed in the 2022-2026 business plan for this segment;
- e) However, the corporate segment, given its recent activation, would be strongly affected, with a significant impact on growth;
- f) After redefining the post-shock Profit and Loss Account, losses were allocated with the following distribution:
- I. Item 'Direct insurance and reinsurance claims cost' – amount of Non-Life underwriting risk; amount of Health underwriting risk; and amount of interest rate risk (shock on liabilities);
 - II. Item 'Investment Gains and Losses' – amount of market risk, less the portion of interest rate risk on liabilities;
 - III. Item 'Other Costs' – amount for counterparty risk; and amount for operating risk.

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

- a) There are no significant differences in the criteria for depreciation or revaluation of assets, and therefore the tax result arising from these adjustments is similar to the accounting result;
- b) Benefit expenses and benefit payments do not differ significantly and therefore the tax result of these adjustments is similar to the accounting result;
- c) The tax benefits arising from patronage expenses, APS and Green Card Office subscriptions evolve in the same proportion as the Gross Written Premiums;
- d) Based on the history, the remaining possible tax corrections to be added or deducted are considered immaterial;
- e) Temporary differences arising from different accounting criteria between IFRS accounts and Tax accounts are not deducted during the recovery test period as they have no recovery period (example: impairments);
- f) Temporary loss, corresponding to the amount of the Market risk, except for the concentration risk, will be deducted in the four years following the shock if it has an impact on the Profit Before Taxes; if this loss is recognised in Capital, as it happened in this year, no adjustment will be made to the taxable result;

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

After calculation of the taxable profit, the profit to be taxed was deducted using tax losses on FIFO⁵ basis, either IFRS or Solvency II.

Taking into account the current tax rules, the maximum deduction corresponding to 70% of taxable income would amount to 32,193 thousand euros.

The sum of the instantaneous loss with IFRS tax losses, to be deducted from taxable income, amounts to 30,021 thousand euros.

Thus, the capacity to recover the assumed instantaneous loss would be 100.0%, that is, applying the average tax rate of solvency II, calculated for 2022, of 21.350%, we obtain an Adjustment for Deferred Taxes of 8,361 thousand euros.

Not using the adjustment of the loss-absorbing capacity of deferred taxes would set the solvency ratio at 143%, corresponding to an excess of 16,877 thousand euros.

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

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

	Amount with Long Term Guarantees and Transitional Measures	Impact of Long-Term Guarantees (LTG) and transitional measures				
		No transitional measures on technical reserves	Impact of transitional measures on technical reserves	No transitional measures on technical reserves	Impact of setting volatility adjustment to zero	No transitional measures on technical reserves
Basic Own Funds	56 042 425	55 309 534	-732 890	54 967 534	-342 000	-1 074 891
Own funds eligible to meet the Solvency Capital Requirement	56 042 425	55 309 534	-732 890	54 967 534	-342 000	-1 074 891
Solvency Capital Requirement	30 802 784	30 803 406	623	30 830 482	27 075	27 698

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

Own funds eligible to meet the Minimum Capital Requirement	54 162 940	53 231 098	-931 842	52 796 258	-434 840	-1 366 682
Minimum Capital Requirement	13 828 242	13 828 242	0	13 845 432	17 190	17 190

Table 34: Financial impact of the different adjustments

Not applying the transitional measure on technical reserves and the long-term measure on volatility adjustment would lead to a reduction of the Solvency Capital Requirement by 1.3% and 0.7% respectively, totalling an impact of -2.0%. However, the solvency ratio II, without any measure, would maintain a comfortable level of 178.3%, translating into an excess of 24,137 thousand euros.

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

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

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

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

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

As at December 31, 2022 Caravela maintains an adequate coverage of the solvency capital requirements and for this reason it is not necessary to consider the adoption of any type of corrective measures for this purpose.

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

E.6. OTHER ADDITIONAL INFORMATION

here is no other additional information of relevance.

Lisboa, on the 04th of April 2023

Report Name

Solvency and Financial Condition Report - 2022

Date:

04-04-2023

Version:

1.0

Prepared by:

Prudential Management Office

Financial Department

Ludovico Belo

Executive Members of the
Board of Directors

Luis Cervantes

Paulo Trigo

Gonçalo Ramos e Costa

Félix Serrano

ANNEXES

1. QUANTITATIVE METHODS

S.02.01.02 – Balance Sheet

	Solvency II Amount
ASSETS	
Intangible assets	0,00
Deferred tax assets	3 398 446,91
Surplus pension benefits	0,00
Real estate, premises and equipment for own use	1 328 283,48
Investments (other than assets held under index-linked and unit-linked contracts)	123 284 387,08
Real estate (other than for own use)	19 670 910,40
Interests in related companies, including shareholdings	11 190 510,63
Equity securities	493 867,00
Shares - quoted on a stock exchange	0,00
Shares - not listed on the stock exchange	493 867,00
Bonds	54 573 230,91
Government bonds	10 056 118,36
Corporate bonds	44 517 112,55
Structured debt securities	0,00
Collateralised Debt Securities	0,00
Collective investment undertakings	34 506 427,90
Derivatives	0,00
Deposits other than cash equivalents	2 849 440,24
Other investments	0,00
Assets held under index-linked and unit-linked contracts	0,00
Loans and mortgages	428 818,00
Loans on insurance policies	0,00
Loans and mortgages to individuals	0,00
Other loans and mortgages	428 818,00
Amounts recoverable from reinsurance contracts of the lines of business:	49 633 662,02
Non-life and accident and health on a similar technical basis to non-life	24 432 145,55
Non-Life other than accident and health insurance	19 825 388,04
Accident and health on a similar technical basis to non-life	4 606 757,51
Life and accident and health on a similar technical basis to life insurance, excluding accident and health insurance and index-linked and unit-linked contracts	25 201 516,47
Accident and health on a similar technical basis to life line of business	25 201 516,47
Life other than accident and health insurance, as well as index-linked and unit-linked	0,00
Life, index-linked and unit-linked	0,00
Deposits in ceding entities	0,00
Amounts receivable from insurance operations and intermediaries	11 675 815,41
Receivables from reinsurance operations	3 976 753,93
Amounts receivable (from commercial operations, not insurance)	1 954 452,05
Own shares (held directly)	0,00
Amounts due relating to own fund items or initial funds called up but not yet paid in	0,00
Cash and cash equivalents	8 771 762,38
Any other assets, not included elsewhere in the balance sheet	746 411,98
TOTAL ASSETS	205 198 793,23

LIABILITIES	
Technical reserves - non-life	83 093 113,61
Technical reserves - non-life (excluding accidents and health)	68 924 531,36
PT calculated as a whole	0,00
Best Estimate	65 501 113,61
Risk margin	3 423 417,75
Technical reserves - accidents and health (on similar technical bases as non-life line of business)	14 168 582,25
PT calculated as a whole	0,00
Best Estimate	13 461 659,01
Risk margin	706 923,24
Technical reserves - life (excluding index-linked and unit-linked insurance)	45 026 966,39
Technical reserves - accidents and health (on a similar technical basis to life line of business)	45 026 966,39
PT calculated as a whole	0,00
Best Estimate	42 750 034,64
Risk margin	2 276 931,74
Technical reserves - life (excluding accidents and health insurance and index-linked and unit-linked contracts)	0,00
PT calculated as a whole	0,00
Best Estimate	0,00
Risk margin	0,00
Technical reserves - index-linked and unit-linked contracts	0,00
PT calculated as a whole	0,00
Best Estimate	0,00
Risk margin	0,00
Contingent liabilities	0,00
Reserves other than technical reserves	0,00
Pension benefit obligations	199 115,56
Reinsurers' deposits	1 362 594,69
Deferred tax liabilities	1 518 962,32
Derivatives	0,00
Amounts owed to credit institutions	0,00
Financial liabilities other than debts owed to credit institutions	1 058 700,64
Payables from insurance operations and intermediaries	6 561 905,34
Payables related to reinsurance operations	5 026 285,25
Payables (from commercial operations, not from insurance)	3 558 397,33
Subordinated liabilities	0,00
Subordinated liabilities not classified in Basic Own Funds (BOF)	0,00
Subordinated liabilities classified in Basic Own Funds (BOF)	0,00
Any other liabilities not included elsewhere in the balance sheet	1 750 327,57
TOTAL LIABILITIES	149 156 368,69
SURPLUS OF ASSETS OVER LIABILITIES	56 042 424,54

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

	Line of Business: Non-life insurance and reinsurance liabilities (direct insurance and accepted proportional reinsurance)											Accepted non-proportional reinsurance				TOTAL	
	Medical Expenses Insurance	Income protection insurance	Workers' compensation insurance	Third party Liability Motor insurance	Other motor vehicle insurance	Marine, aviation and transport insurance	Fire and other damage insurance	General Third-Party Liability Insurance	Credit and suretyship insurance	Legal protection insurance	Assistance	Miscellaneous pecuniary losses	Accidents and Health	Accidents	Marine, aviation, transport		Real Estate
Written premiums																	
Gross amount - Direct business	1 170 018,94	1 242 559,69	36 684 398,18	40 120 699,91	27 942 912,83	369 335,88	14 378 950,50	1 909 160,20	0,00	267 911,00	6 729 855,70	0,00	0,00	0,00	0,00	0,00	130 815 802,89
Gross amount - Accepted proportional reinsurance																	
Gross amount - Accepted non-proportional reinsurance																	
Reinsurers share	1 170 018,94	78 434,53	10 369 442,48	3 897 156,37	5 161 503,61	254 735,05	11 809 968,62	27 946,93	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	32 769 206,53
Net	0,00	1 164 125,16	26 314 955,70	36 223 543,54	22 781 409,22	114 600,83	2 568 981,88	1 881 213,27	0,00	267 911,00	6 729 855,70	0,00	0,00	0,00	0,00	0,00	98 046 596,36
Acquired premiums																	
Gross amount - Direct business	1 146 845,39	1 187 165,90	36 440 064,40	39 691 202,94	27 919 869,89	354 144,12	13 350 327,47	1 857 782,20	0,00	262 626,39	6 600 845,05	0,00	0,00	0,00	0,00	0,00	128 810 873,75
Gross amount - Accepted proportional reinsurance																	
Gross amount - Accepted non-proportional reinsurance																	
Reinsurers share	1 149 422,72	59 359,91	10 349 319,37	3 898 021,51	5 162 933,30	249 591,43	11 522 735,36	25 632,10	0,00	0,00	49,61	0,00	0,00	0,00	0,00	0,00	32 417 065,31
Net	-2 577,33	1 127 805,99	26 090 745,03	35 793 181,43	22 756 936,59	104 552,69	1 827 592,11	1 832 150,10	0,00	262 626,39	6 600 795,44	0,00	0,00	0,00	0,00	0,00	96 399 808,44
Claims incurred																	
Gross amount - Direct business	0,00	1 019 164,26	14 485 602,60	34 562 369,66	16 898 379,14	67 282,93	9 909 420,71	683 655,54	0,00	41 346,61	6 105 313,64	0,00	0,00	0,00	0,00	0,00	83 772 535,09
Gross amount - Accepted proportional reinsurance																	
Gross amount - Accepted non-proportional reinsurance																	
Reinsurers share	0,00	-1 089,68	5 870 400,63	3 678 798,60	2 351 602,87	18 443,90	11 082 850,57	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	23 001 006,89
Net	0,00	1 020 253,94	8 615 201,97	30 883 571,06	14 546 776,27	48 839,03	-1 173 429,86	683 655,54	0,00	41 346,61	6 105 313,64	0,00	0,00	0,00	0,00	0,00	60 771 528,20
Changes in other technical reserves (a)																	
Gross amount - Direct business	0,00	27 630,69	0,00	0,00	0,00	0,00	39 092,08	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	66 722,77
Gross amount - Accepted proportional reinsurance																	
Gross amount - Accepted non-proportional reinsurance																	
Reinsurers share	0,00	27 630,69	0,00	0,00	0,00	0,00	39 092,08	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	66 722,77
Net	0,00	27 630,69	0,00	0,00	0,00	0,00	39 092,08	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	66 722,77
Expenditure incurred																	
Gross amount	-71 339,80	420 675,12	10 490 568,59	8 340 469,68	5 791 713,25	-6 119,02	28 511,38	547 493,84	0,00	5 414,03	140 543,71	0,00	0,00	0,00	0,00	0,00	25 687 930,78
Other Expenditure	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Total Expenditure	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	25 687 930,78

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

	Line of Business: Life Insurance Liabilities						Life reinsurance liabilities		TOTAL
	Accident and health insurance	Insurance with profit sharing	Index-linked and unit-linked insurance	Other life insurance	Annuities arising from insurance contracts of the non-life line of business and related to accident and health insurance liabilities	Annuities arising from insurance contracts of the non-life line of business and related to other insurance liabilities apart from accidents and health	Accident and health reinsurance	Life line of business reinsurance	
Written premiums									
Gross amount							0,00		0,00
Reinsurers share							0,00		0,00
Net							0,00		0,00
Acquired premiums									
Gross amount							0,00		0,00
Reinsurers share							0,00		0,00
Net							0,00		0,00
Claims incurred									
Gross amount							15 011 503,20		15 011 503,20
Reinsurers share							6 828 202,20		6 828 202,20
Net							8 183 301,00		8 183 301,00
Changes in other technical reserves									
Gross amount							0,00		0,00
Reinsurers share							0,00		0,00
Net							0,00		0,00
Expenditure incurred									
Gross amount							0,00		0,00
Other Expenditure									0,00
Total Expenditure									0,00

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S.12.01.02 - Technical Reserves of Non-Life SLT

	Insurance with profit sharing	Index-linked and unit-linked insurance		Other life insurance		Annuities arising from the non-life line of business relating to other insurance liabilities apart from accident and health	Accepted reinsurance	Total (Life except accident and health insurance, including unit-linked contracts)	Health insurance (direct insurance)		Annuities arising from the non-life line of business relating to other insurance liabilities apart from accident and health	Health insurance (accepted reinsurance)	TOTAL (Health insurance on a technical basis similar to life line of business insurance)
		Contracts without options and guarantees	Contracts with options or guarantees	Contracts without options and guarantees	Contracts with options or guarantees				Contracts without options and guarantees	Contracts with options or guarantees			
Technical reserves calculated as a whole													
Total Recoverables from reinsurance/SSPE contracts and Finite reinsurance after the adjustment for expected losses due to counterparty default associated to technical reserves calculated as a whole													
Technical provisions calculated as a sum of BE and RM													
Best Estimate													
Best Gross Estimate												43 583 831,52	43 583 831,52
Total Recoverables from reinsurance/SSPE contracts and Finite reinsurance after the adjustment for expected losses due to counterparty default												25 282 879,50	25 282 879,50
Best Estimate minus recoverables from reinsurance/SSPE contracts and finite reinsurance - total												25 201 516,47	25 201 516,47
												2 276 931,74	2 276 931,74
Amount of the transitional measures on technical reserves (a)													
Technical reserves calculated as a whole													
Best estimate												-833 796,88	-833 796,88
Risk margin													0,00
TECHNICAL RESERVES - TOTAL												45 026 966,89	45 026 966,89

S.17.01.02 - Non-Life Technical Reserves

	Direct insurance and accepted proportional reinsurance											Accepted non-proportional reinsurance				TOTAL NON-LIFE LIABILITIES
	Medical Expenses Insurance	Income protection insurance	Workers' compensation insurance	Third Party Liability Motor Insurance	Other motor vehicle insurance	Marine, aviation and transport insurance	Fire and other damage insurance	General Third-Party Liability Insurance	Credit and suretyship insurance	Legal protection insurance	Assistance	Miscellaneous or pecuniary losses	Non-proportional accident and health reinsurance	Non-proportional accident reinsurance	Non-proportional marine, aviation and transport reinsurance	
Technical reserves calculated as a whole																
Total Recoverables from reinsurance/SSPE contracts and Finite reinsurance after the adjustment for expected losses due to counterparty default associated to technical reserves calculated as a whole																
Technical provisions calculated as a sum of BE and RM																
Best Estimate																
Reserves for premiums																
Gross amount	66 299,88	70 528,39	835 721,76	9 333 796,43	4 408 846,35	79 062,39	3 147 759,31	255 432,26	0,00	0,00	2 297 092,00	0,00	0,00	0,00	0,00	20 494 538,80
Total Recoverables from reinsurance/SSPE contracts and Finite reinsurance after the adjustment for expected losses due to counterparty default	64 846,54	11 746,81	672 897,02	376 698,60	642 863,84	78 657,01	2 513 243,02	179 231,89	0,00	0,00	0,00	0,00	0,00	0,00	0,00	4 940 184,75
Net amount of the best estimate of reserves for premiums	1 453,34	58 781,58	162 824,74	8 957 097,84	3 765 982,51	405,38	634 516,29	76 200,37	0,00	0,00	2 297 092,00	0,00	0,00	0,00	0,00	15 954 354,05
Reserves for Claims																
Gross amount	0,00	223 233,17	8 843 514,95	22 187 431,70	5 188 856,87	280 372,13	4 303 585,61	1 434 110,45	0,00	0,00	846 053,37	0,00	0,00	0,00	0,00	43 307 154,24
Total Recoverables from reinsurance/SSPE contracts and Finite reinsurance after the adjustment for expected losses due to counterparty default	0,00	83 717,10	2 605 623,96	2 456 251,01	1 185 868,03	169 186,27	3 606 315,15	263 564,62	0,00	0,00	0,00	0,00	0,00	0,00	0,00	10 970 528,13
Net amount of the best estimate of reserves for claims	0,00	139 516,07	6 237 890,99	19 731 180,69	4 002 988,84	111 185,86	697 270,46	1 170 545,84	0,00	0,00	846 053,37	0,00	0,00	0,00	0,00	32 936 632,11
Best total estimate - gross amount	66 299,88	293 761,56	9 079 236,71	31 522 228,15	9 597 703,22	359 434,53	7 451 344,92	1 689 542,71	0,00	0,00	3 143 145,37	0,00	0,00	0,00	0,00	63 801 697,04
Best total estimate - net amount	1 453,34	188 297,65	4 400 715,72	28 688 278,53	7 768 971,35	111 591,24	3 331 786,76	1 246 746,26	0,00	0,00	3 143 145,37	0,00	0,00	0,00	0,00	48 890 986,16
Risk Margin	4 757,23	21 078,32	694 515,74	2 263 747,46	688 665,45	25 790,56	534 657,48	121 230,01	0,00	0,00	225 530,59	0,00	0,00	0,00	0,00	4 577 972,83
Amount of the transitional measures on technical reserves																
Technical reserves calculated as a whole																
Best estimate	0,00	0,00	-76 883,81	0,00	0,00	-9 931,29	0,00	-21 034,70	0,00	0,00	0,00	0,00	0,00	0,00	0,00	107 849,80
Risk margin																
TECHNICAL RESERVES - TOTAL	71 057,11	314 839,87	8 843 514,95	22 782 975,61	10 284 856,87	375 283,80	7 986 002,40	1 789 738,03	0,00	0,00	3 368 675,96	0,00	0,00	0,00	0,00	68 271 820,00
Total Recoverables from reinsurance/SSPE contracts and Finite reinsurance after the adjustment for expected losses due to counterparty default - total	64 846,54	95 463,91	3 278 520,98	2 832 940,62	1 828 731,87	247 843,28	6 119 558,17	442 796,51	0,00	0,00	0,00	0,00	0,00	0,00	0,00	14 910 710,88
Technical reserves minus recoverables from reinsurance/SSPE contracts and finite reinsurance - total	6 210,56	219 375,96	7 018 347,65	10 950 025,99	8 457 636,81	127 430,52	1 866 444,23	1 346 941,52	0,00	0,00	3 368 675,96	0,00	0,00	0,00	0,00	53 361 109,20

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S.19.01.21 - Non-Life Triangles

Year of the accident/ Year of subscription	Year of accidents
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Gross amount of paid claims (non-cumulative)
(absolute amount)

Year of development Year occurred	0	1	2	3	4	5	6	7	8	9	10&+	Current year	Sum of years (cumulative)
Previous											15 277,96	15 277,96	285 387 806,72
N-9	7 333 421,25	2 906 555,73	987 338,07	541 590,34	305 259,87	80 379,95	20 595,45	276 166,82	425 025,10	593 498,98		593 498,98	13 469 831,56
N-8	7 472 727,50	3 120 397,67	999 258,28	296 492,39	154 306,26	294 383,23	46 714,28	88 890,84	124 969,19			124 969,19	12 598 139,64
N-7	9 305 474,66	5 435 426,04	1 248 687,29	1 099 247,42	229 466,51	565 958,42	181 649,99	19 945,56				19 945,56	18 085 855,90
N-6	11 304 369,78	5 653 593,93	1 148 389,96	724 136,46	942 217,83	86 390,16	300 898,92					300 898,92	20 159 997,04
N-5	16 285 560,75	9 313 224,36	1 416 543,94	474 367,23	1 068 403,71	403 366,95						403 366,95	28 961 466,94
N-4	19 701 256,21	10 565 532,21	1 605 115,87	814 803,34	1 169 653,31							1 169 653,31	33 856 360,94
N-3	25 560 095,29	13 552 445,49	1 806 019,31	1 266 086,02								1 266 086,02	42 184 646,11
N-2	27 266 696,91	17 431 942,57	2 191 887,37									2 191 887,37	46 890 526,85
N-1	35 623 488,98	19 988 016,87										19 988 016,87	55 611 505,85
N	43 121 337,14											43 121 337,14	43 121 337,14
TOTAL												69 194 938,27	600 327 474,68

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

Year of development Year occurred	0	1	2	3	4	5	6	7	8	9	10&+	Year-end (discounted data)
Previous											651 575,67	651 575,67
N-9	0,00	0,00	0,00	1 894 015,35	1 399 679,83	1 036 539,31	745 036,70	49 951,25	452 568,76	10 911,81		10 911,81
N-8	0,00	0,00	2 250 155,69	1 343 193,09	1 071 586,34	139 073,65	546 719,42	358 164,06	458 617,08			458 617,08
N-7	0,00	2 660 867,08	1 896 058,00	819 752,90	344 048,99	540 508,98	776 366,72	353 180,30				353 180,30
N-6	10 746 890,38	3 554 671,82	1 958 360,16	1 195 853,18	662 512,33	703 501,00	430 276,35					430 276,35
N-5	12 866 053,60	3 569 338,68	1 941 984,98	1 008 439,64	1 216 244,16	715 038,63						715 038,63
N-4	11 693 538,25	2 710 391,73	1 908 766,47	1 993 244,56	2 686 615,44							2 686 615,44
N-3	12 926 055,52	4 323 537,16	3 387 351,90	2 758 413,66								2 758 413,66
N-2	17 364 699,31	5 305 756,82	3 501 922,30									3 501 922,30
N-1	28 312 881,77	7 424 825,63										7 424 825,63
N	38 833 115,72											38 833 115,72
TOTAL												57 824 492,58

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

	Amount with long term guarantee and transitional measures	Impact of transitional on technical reserves	Impact of transitional measures on the interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
Technical reserves	128 120 079,99	931 842,14	0,00	1 055 200,94	0,00
Basic own funds	56 042 424,54	-732 890,47	0,00	-342 000,06	0,00
Eligible own funds to meet Solvency Capital Requirement	56 042 424,54	-732 890,47	0,00	-342 000,06	0,00
Solvency Capital Requirement	30 802 783,59	622,87	0,00	27 075,29	0,00
Eligible own funds to meet Minimum Capital Requirement	54 162 939,95	-931 842,14	0,00	-434 839,98	0,00
Minimum Capital Requirement	13 828 241,94	0,00	0,00	17 189,59	0,00

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S.23.01.01.01 – Own Funds

	TOTAL	Level 1 - unrestricted	Level 1 - restricted	Nível 2	Nível 3
Basic own funds before deduction for participations in other financial sectors as provided for in Article 68 of Delegated Regulation 2015/35					
Ordinary share capital (without deduction of own shares)	44 388 315,20	44 388 315,20		0,00	
Issuance premium account related to ordinary share capital	0,00	0,00		0,00	
Initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type companies	0,00	0,00		0,00	
Subordinated mutual member accounts	0,00		0,00	0,00	0,00
Surplus funds	0,00	0,00			
Preference shares	0,00		0,00	0,00	0,00
Issuance premium account related to preference shares	0,00		0,00	0,00	0,00
Reconciliation reserve	9 774 624,75	9 774 624,75			
Subordinated liabilities	0,00		0,00	0,00	0,00
An amount equal to the net value of deferred tax assets	1 879 484,59				1 879 484,59
Other items of own funds approved by the supervisory authority as basic own funds, not specified above	0,00	0,00	0,00	0,00	0,00
Own funds from the financial statements that should not be considered under the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
Own funds from the financial statements that should not be considered under the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0,00				
Deductions					
Deductions for holdings in financial and credit institutions	0,00	0,00	0,00	0,00	0,00
TOTAL BASIC OWN FUNDS AFTER DEDUCTIONS	56 042 424,54	54 162 939,95	0,00	0,00	1 879 484,59
Complementary own funds					
Unpaid and uncalled ordinary share capital, callable on demand	0,00			0,00	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type companies, callable on demand	0,00			0,00	
Unpaid and uncalled preference shares, callable on demand	0,00			0,00	0,00
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0,00			0,00	0,00
Letters of credit and guarantees under Article 96(2) of Directive 2009/138/EC	0,00			0,00	
Letters of credit and guarantees other than those covered by Article 96(2) of Directive 2009/138/EC	0,00			0,00	0,00
Increases in membership fees in accordance with the first subparagraph of Article 96(3) of Directive 2009/138/EC	0,00			0,00	
Increases in membership contributions - not covered by the first subparagraph of Article 96(3) of Directive 2009/138/EC	0,00			0,00	0,00
Other complementary own funds	0,00			0,00	0,00
TOTAL OF COMPLEMENTARY OWN FUNDS	0,00			0,00	0,00
Available and eligible own funds					
Total available own funds to meet the SCR	56 042 424,54	54 162 939,95	0,00	0,00	1 879 484,59
Total available own funds to meet the MCR	54 162 939,95	54 162 939,95	0,00	0,00	0,00
Total eligible own funds to meet the SCR	56 042 424,54	54 162 939,95	0,00	0,00	1 879 484,59
Total eligible own funds to meet the MCR	54 162 939,95	54 162 939,95	0,00	0,00	0,00
SCR	30 802 783,59				
MCR	13 828 241,94				
Ratio of eligible own funds to SCR	181,94%				
Ratio of eligible own funds to MCR	391,68%				

S.23.01.01.02 - Reconciliation reserve

	TOTAL
Reconciliation reserve	
Surplus of assets over liabilities	56 042 424,54
Own shares (directly and indirectly held)	0,00
Foreseeable dividends, distributions and charges	0,00
Other elements of basic own funds	46 267 799,79
Adjustments for restricted own fund items related to matching adjustment portfolios and ring-fenced funds for specific purposes	0,00
Reconciliation reserve	9 774 624,75
Expected profits	
Expected profits included in future premiums (EPIFP) - Life line of business	0,00
Expected profits included in future premiums (EPIFP) - Non-Life line of business	-96 538,84
Total Expected Profits included in future premiums (EPIFP)	-96 538,84

S.25.01.21 - Solvency Capital Requirement

	Gross solvency capital requirement	Company Specific Parameter (CSP)	Simplifications
Market risk	14 525 638,44		0,00
Counterparty default risk	3 539 455,78		
Life insurance specific risk	0,00	0,00	0,00
Specific risk of accident and health insurance	13 587 440,14	0,00	0,00
Specific non-life insurance risk	21 407 369,95	0,00	0,00
Diversification	-17 759 764,72		
Intangible assets risk	0,00		
Basic Solvency Capital Requirement	35 300 139,59		

Calculation of the Solvency Capital Requirement

Operational risk	3 864 326,21
Loss-absorbing capacity of technical reserves	0,00
Loss-absorbing capacity of deferred taxes	-8 361 682,21
Capital requirement for activities pursued in accordance with Article 4 of Directive 2003/41/EC	0,00
Solvency Capital Requirement excluding capital add-ons	30 802 783,59
Capital increases already decided	0,00
SOLVENCY CAPITAL REQUIREMENT	30 802 783,59
Further information on the SCR	
Capital requirement for duration-based equity risk sub-module	
Total amount of Notional Solvency Capital Requirement for the remaining part	
Total amount of Notional Solvency Capital Requirement for ring-fenced funds for specific purposes	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	
Diversification effects due to the RCSI aggregation of FCFEs for purposes of Article 304	

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

Result of MCR _{NV}	13 442 213,32
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S.28.01.01.02	Net amount (of reinsurance/SSPE contracts) of of the best estimate and TP calculated as a whole	Net amount (of reinsurance contracts) of premiums written in the last 12 months
Medical expense insurance and proportional reinsurance	1 932,27	0,00
Income protection insurance and proportional reinsurance	779 960,84	1 164 125,16
Workers' compensation insurance and proportional reinsurance	8 142 902,76	26 314 955,70
Motor insurance and proportional reinsurance - third party liability	30 571 168,31	36 223 543,54
Motor insurance and proportional reinsurance - other lines of business	8 557 789,61	22 781 409,22
Marine, aviation and transport insurance and proportional reinsurance	59 831,69	114 600,83
Fire and other damage to property insurance and proportional reinsurance	1 752 217,90	2 568 981,88
Third party liability insurance and proportional reinsurance	717 577,33	1 881 213,27
Credit and suretyship insurance and proportional reinsurance	0,00	0,00
Legal expenses insurance and proportional reinsurance	0,00	267 911,06
Assistance and proportional reinsurance	4 045 291,62	6 729 855,70
Miscellaneous financial loss insurance and proportional reinsurance	0,00	0,00
Non-proportional accident and health reinsurance	0,00	0,00
Non-proportional accident reinsurance	0,00	0,00
Non-proportional marine, aviation and transport reinsurance	0,00	0,00
Non-proportional property reinsurance	0,00	0,00

Linear formula component for life insurance and reinsurance obligations

S.28.01.01.03

Result of MCR _v	386 028,62
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S.28.01.01.04

	Net amount (of reinsurance/SSPE contracts) of the best estimate and TP calculated as a whole	Net amount (of reinsurance/SSPE contracts) of the capital under total risk
Profit-sharing obligations - guaranteed benefits	0,00	
Profit-sharing obligations - future discretionary benefits	0,00	
Index-linked and unit-linked insurance obligations	0,00	
Other obligations from life and accident and health (re)insurance lines of business	18 382 315,05	
Total capital at risk for all (re)insurance obligations of the life line of business		0,00

Overall MCR calculation

S.28.01.01.05

MCR linear	13 828 241,94
SCR	30 802 783,59
MCR upper limit	13 861 252,62
MCR lower limit	7 700 695,90
Combined MCR	13 828 241,94
Absolute lower MCR limit	4 000 000,00
MINIMUM CAPITAL REQUIREMENT (MCR)	13 828 241,94