



**Solunion Seguros, Compañía
Internacional de Seguros y
Reaseguros, S.A.**

**Solvency and Financial Condition
Report**

31/12/2022

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Executive summary

The Solvency and Financial Condition Report forms part of the reporting requirements for supervisory purposes established by Directive 2009/138/EC of the European Parliament and of the Council of 25th November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (hereinafter "Solvency II Directive") and the Delegated Regulation (EU) 2015/35 of 10th October 2014, which supplements it, which have been transposed into Spanish law by Law 20/2015 of 14th July 2015 on the Regulation, Supervision and Solvency of Insurance and Reinsurance Entities ("LOSSEAR"), and Royal Decree 1060/2015 of 20th November 2015 on the Regulation, Supervision and Solvency of Insurance and Reinsurance Entities which implements it ("ROSSEAR").

Delegated Regulation (EU) 2015/35 and the ROSSEAR regulate the content to be included in the Solvency and Financial Condition Report.

A. Business and performance

Solunion Seguros, Compañía Internacional de Seguros y Reaseguros, S.A. (hereinafter "the Company", or "Solunion") is a non-life business insurance company, which is the exclusive social purpose of the practice of insurance and reinsurance operations in the credit and suretyship line of business as well as other supplementary, ancillary or related businesses as soon as they are permitted by the insurance legislation.

The Company is a jointly-controlled company consisting of a joint venture between the Allianz Trade Group (formerly known as Euler Hermes) and MAPFRE groups –each of which holds 50% of its share capital through Euler Hermes Luxembourg Holding S.à.r.l. and MAPFRE, S.A. respectively– comprising the businesses of credit insurance and the supplementary services of both groups in Spain and Latin America, and it is the parent of a series of subsidiaries in these businesses in Argentina, Chile, Colombia, Spain, Mexico and Panama. In December 2017, shareholders extended the agreement scope to include joint development of Suretyship insurance.

The result of the technical account at December 31st, 2022 amounted to EUR 10,327 thousand (EUR 11,644 thousand in 2021), which, combined with the result of the non-technical account of, EUR -666 thousand (EUR -2,220 thousand in 2021) generated profit before tax of EUR 9,661 thousand (EUR 9,424 thousand in 2021).

In 2022, the volume of earned premium in direct insurance amounted to EUR 137,318 thousand (EUR 124,914 thousand in 2021). The strong performance of the international business has resulted in total reinsurance premiums accepted of EUR 129,532 thousand (EUR 85,117 thousand in 2021).

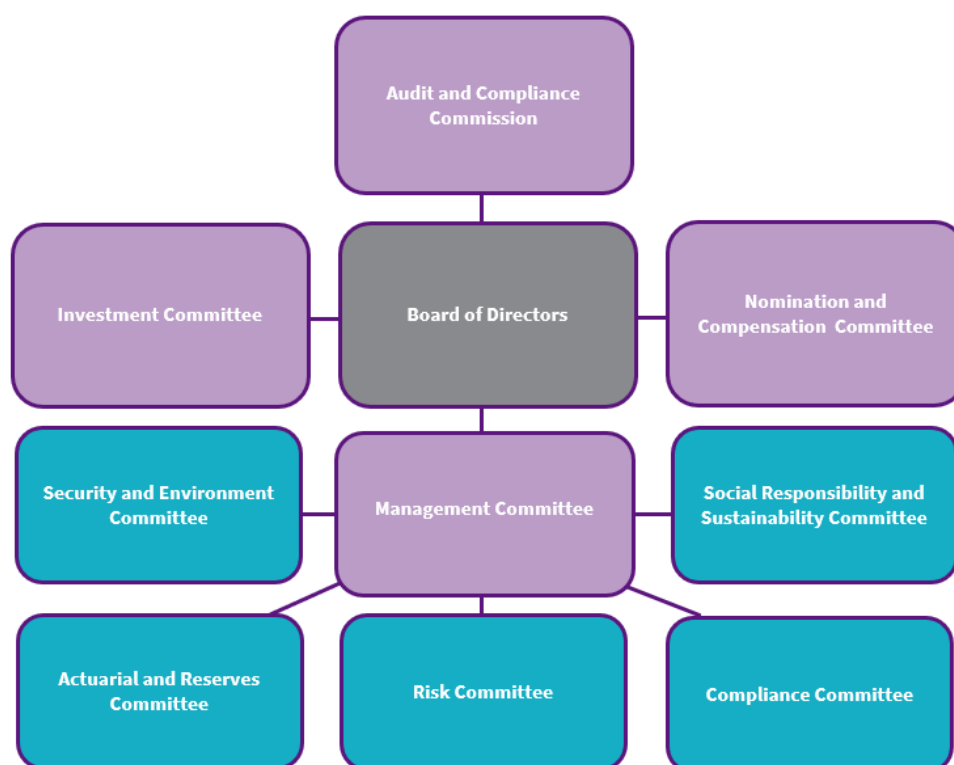
The loss ratio to premiums written net of reinsurance has been located in 28.3% including as claims the payments and variation of provisions of claims.

B. System of Governance

Solunion has the following bodies of governance: The General Meeting, Supervision Committee, Board of Directors and its support committees (Audit and Compliance Commission, Investment Committee and Nomination and Compensation Committee) and the Management Committee.

In the performance of its powers in the risk management Government, the Management Committee has the Risk, Actuarial and Reserve, Compliance, Safety and Environment and Social Responsibility and Sustainability Committee's support.

The Company's governance structure as at 31st December 2022 is set out below:



The governing bodies enable appropriate commercial and operating strategic management, and for a timely and proper response to any incidence that should arise at different levels of the organisation and its business and corporate environment.

With the aim of ensuring that the Company has an adequate structured, it has a series of policies that regulate fundamental functions (Risk Management, Regulatory Compliance, Internal Audit and Actuarial) and ensure that such functions meet the requirements defined by the Supervisor and are compliant with the governance guidelines set by the Company. Section B in the Report includes information on these Key Functions.

The executives and Company members that perform Key Functions fulfil the fit and proper requirements established in insurance regulations and by the Company. Fit requirements relate to employees possessing the professional qualifications, experience and knowledge necessary for their position, while proper requirements relate to the absence of negative circumstances that might affect one's performance. To facilitate compliance therewith, the Company has a Fit and Proper Policy.

The Board of Directors of Solunion is ultimately responsible for ensuring the effectiveness of the of the Risk Management System, for establishing the risk profile and tolerance limits, as well as for approving the main risk management strategies and policies within the framework of risk management established by the Group.

The Company has adopted, for risk management, the "three Lines of Defence" model, which encompasses:

- a) The managers of the "First Line of Defence" assume the risks and have the controls necessary to ensure that risks do not surpass the established limits.

- b) The Internal Control System and the areas of the “Second Line of Defence,” (Actuarial, Compliance, Internal Control and Operational Risk, Risk Management and Internal Audit) perform supervision independently of risk management activities of the First Line of Defence within the framework of the policies and risk limits established by the Board of Directors.
- c) Internal Audit is the “Third Line of Defence”, and independently guarantees the adequacy and efficacy of the Internal Control system and of other elements of the Corporate Governance System.

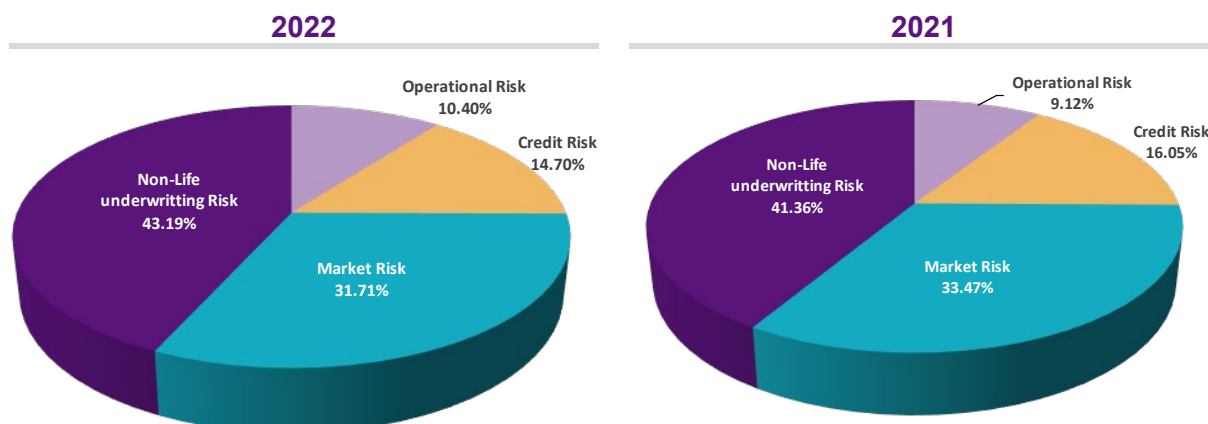
Within this framework, Solunion's structure is comprised of Areas, which, in their respective frameworks, perform a number of independent supervisory activities within the scope of their respective areas with regard to assumed risks.

This governing structure reflects the requirements set out in the Solvency II Directive in relation to the system for management of business risks, so that the Company establishes its own implementation and development strategy of the Risk Management and Internal Control Area, and the Board of Directors defines the reference criteria and establishes and/or validates its organisational structure.

C. Risk profile

Solunion calculates the Solvency Capital Requirement (hereinafter SCR) in accordance with the requirements of the standard formula, methodology established by the Solvency II regulations.

The following is the composition of the Company's SCR, which is based on the risks set out in the standard formula methodology and the percentage of regulatory capital required for each of them:



The Company's risks profile has remained constant over the previous year; in both 2022 and 2021, the risk with the greatest impact is Non-Life Underwriting, with the submodule of catastrophic credit and surety risk due to recession risk, which is charged to Solunion for 100% of the premium underwritten, contributing the most in 2022 and 2021.

That is followed by Market risk, mainly due to the Company's positions in its related undertakings, as high exposure to the same is found in countries outside the European Economic Area. Lastly, there are the Credit and Operational risk respectively.

In addition to the risks mentioned, the Company has performed an internal process of identification of significant risks that might pose a threat for fulfilment of the strategic plan, the credit rating targets or that may prevent continued maintenance of the capitalisation level the Company deems appropriate for its risk profile.

With respect to significant concentrations of risk, the Company has policies that set limits on risk diversification. Similarly, limits are laid down in its Liquidity Risk and Investment Risk Management Policy for ensuring adequate diversification by issuer, country and sector of market risk. In addition, in fiscal year 2022 the Company has revised the Risk Appetite Framework, the objective of which is to establish the level of risk that Solunion is willing to assume in order to carry out its business objectives without significant deviations, even in adverse situations.

Conversely, Solunion has also realized a series of stress tests and scenario analyses for assessment of the resilience of the Company and the business model to adverse events. The results of these analyses show that the Company would continue to meet with capital requirements of Solvency even in adverse circumstances.

Based on the outcome of these stress tests and sensitivity analyses, the Company will continue to have sufficient own funds to comply with the SCR. The solvency ratio is kept at acceptable values so as not to put the Company's solvency at risk at any time.

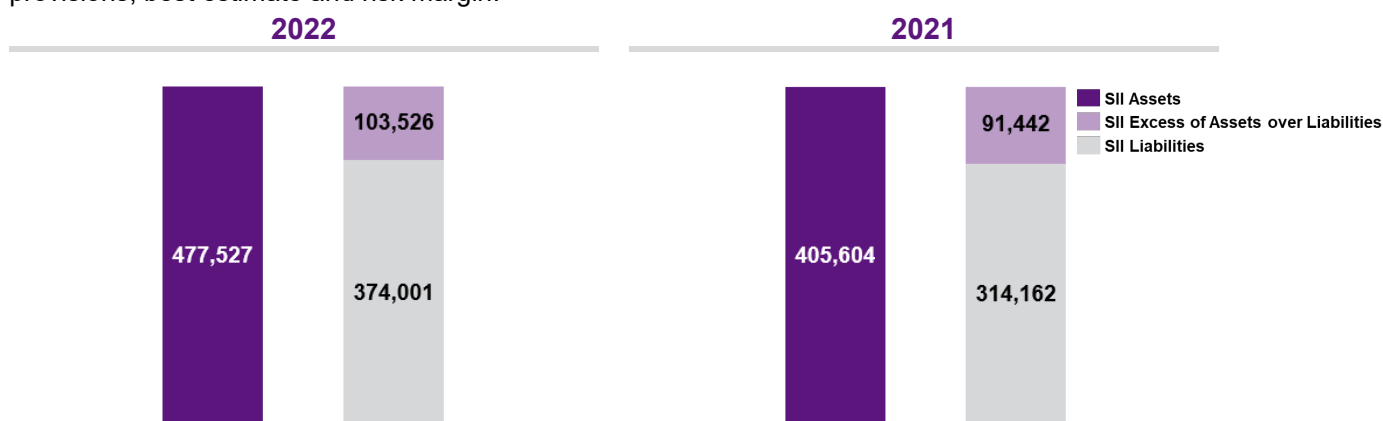
D. Valuation for solvency purposes

The total value of assets under Solvency II regulations amounts to EUR 477,527 thousand, while the value measured in accordance with accounting regulations would amount to EUR 555,565 thousand. This difference mainly relates to the zero valuation under Solvency II regulations of the Goodwill, the prepaid fees and other acquisition costs, intangible assets, shares in related companies and, to a lesser extent the lower value of the amounts of recoverable reinsurance due to the valuation following an economic market criteria under said regulations, and deferred tax assets.

The total value of liabilities under Solvency II amounts to EUR 374,001 thousand, compared to EUR 445,352 thousand according to accounting regulations. These differences correspond mainly to the technical provisions, deferred tax liabilities and other acquisition costs of the reinsurance commissions.

The main difference in valuation criteria in both the assets and the liabilities between the two regulations lies in technical Provisions, as these are measured according to market economic criteria under Solvency II.

D.2 offers information on actuarial methodologies and assumptions used in the calculation of technical provisions, best estimate and risk margin.



Data in thousands of euros

The total excess of assets over liabilities amounts to EUR 103,526 thousand under Solvency II, reducing by EUR 6,687 thousand with respect to accounting criteria.

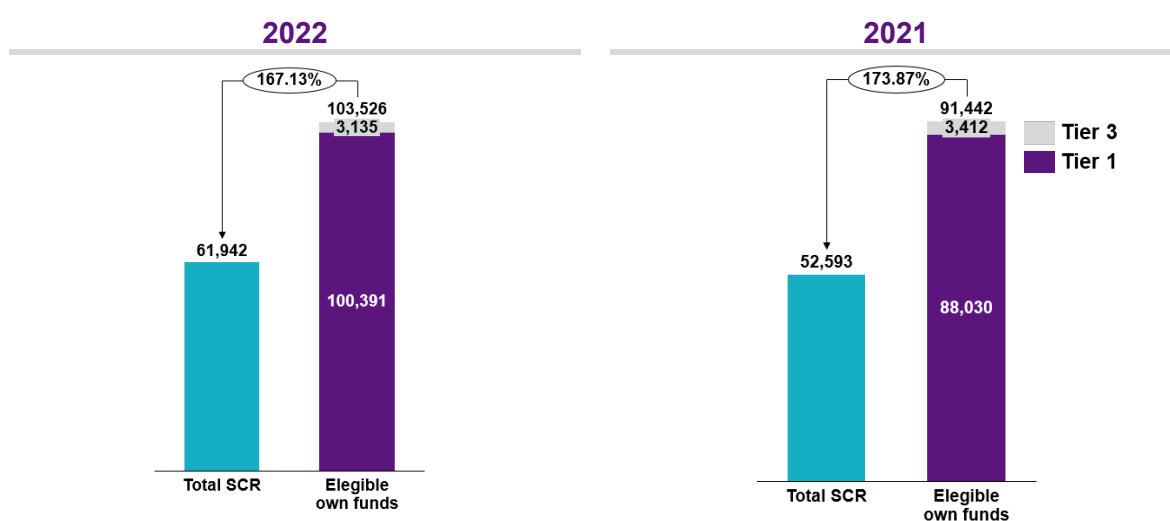
During the year there have been no significant changes in the valuation criteria for assets and liabilities.

E. Capital management

Solunion maintains solvency levels within the limits established by the regulations and in its Risk Appetite and has a medium-term capital management plan.

The company's solvency ratio, which denotes the share of its own funds available to meet the SCR, is 167.13%, while the share of its own funds available for meeting the minimum capital requirement (hereafter "MCR"), reaches 648.3%. Therefore, the Company is in a suitable situation to be able to face future commitments taking into account the capital requirements established by the Solvency regulations II. For calculating the solvency ratio, the Company has not applied the adjustment for volatility, nor the transitional measure about technical provisions by the Solvency II regulation.

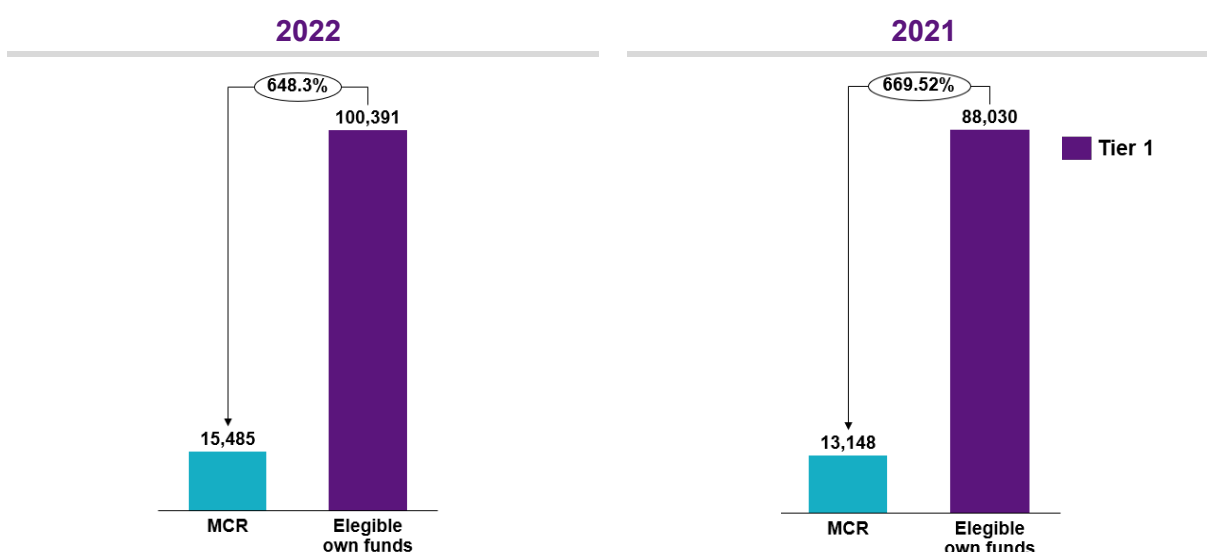
The Company's solvency ratio for SCR coverage in the years of study is as follows:



Data in thousands of euros

The Solvency Capital Requirement increased by 17.78% and eligible own funds by 13.21% compared to the previous year, bringing the Solvency Capital Requirement coverage ratio to 167.13%.

The solvency ratio of the Company for the coverage of the MCR is:



Data in thousands of euros

The Company maintains an excess of capital of EUR 100,391 thousand, with eligible own funds that cover 6.7 times the regulatory solvency requirement, which corresponds to the to the own funds that the Company should have to limit the probability of ruin to one case per 200 years, or what is the same, that the Company is still in a position to fulfil with its obligations against the policyholders and beneficiaries of insurance in the following twelve months, with a probability of 99.5 percent.

The coverage ratio on the Minimum Capital Requirement has been decreased by 21.2 basic points, which mainly due to an increase in the Minimum Capital Requirement, which was 17.8% higher than in the previous year due to an increase in the Solvency Capital Requirement..

For calculating the solvency ratio, the Company has not applied the adjustment for volatility, nor the transitional measure about technical provisions by the Solvency II regulation.

At December 2021, the amount of the Company's MCR was EUR 13,148 thousand, in December 2022 this amount has been increased up to EUR 15,485 thousand. This increase is mainly due to the fact that in both cases the result is equal to the minimum limit of the combined MCR, which is obtained as the 25% of the SCR, amount that in 2022 has increased by EUR 2,337 thousand.

This level of capital is configured as the minimum level of security below which the financial resources of the Company should not descend.

A. Business and performance

A.1. Business

The accounting data in this section come from the Annual Accounts of the Company that have been prepared in accordance with the Accounting Plan of Insurance Entities.

A.1.1. Corporate name, legal form and activity

Solunion Seguros, Compañía Internacional de Seguros y Reaseguros, S.A. is a company with the sole corporate purpose of carrying out insurance and reinsurance transactions in credit and suretyship lines of business, and transactions supplementary, ancillary or related to this object to the extent allowed by insurance legislation.

The Company was incorporated in Spain and its office is located in Madrid (Spain), Avenida del General Perón nº 40.

The Company is a jointly-controlled company consisting of a joint venture between the Allianz Trade Group (formerly known as Euler Hermes) and MAPFRE groups –each of which holds 50% of its share capital through Euler Hermes Luxembourg Holding S.à.r.l. and MAPFRE, S.A. respectively– comprising the businesses of credit insurance and the supplementary services of both groups in Spain and Latin America, and it is the parent of a series of subsidiaries in these businesses in Argentina, Chile, Colombia, Spain, Mexico and Panama. In December 2017, shareholders extended the agreement scope to include joint development of Suretyship insurance.

Supervision

The Directorate General of Insurance and Pension Plans (Spanish Supervisory Authority, hereinafter DGSFP) is the party responsible for the financial supervision of Solunion, as it is based in Spain.

The DGSFP is located in Madrid (Spain) and its website is www.dgsfp.mineco.es.

External auditor

The firm auditing the individual and consolidated Annual Accounts of the Company as at 31st December 2022 is KPMG Auditores S.L., a Spanish company with a registered office in Madrid, Paseo de la Castellana 259 C-Torre de Cristal, with tax identification number B-78510153 and registered in the Official Register of Auditors (ROAC) under number S0702.

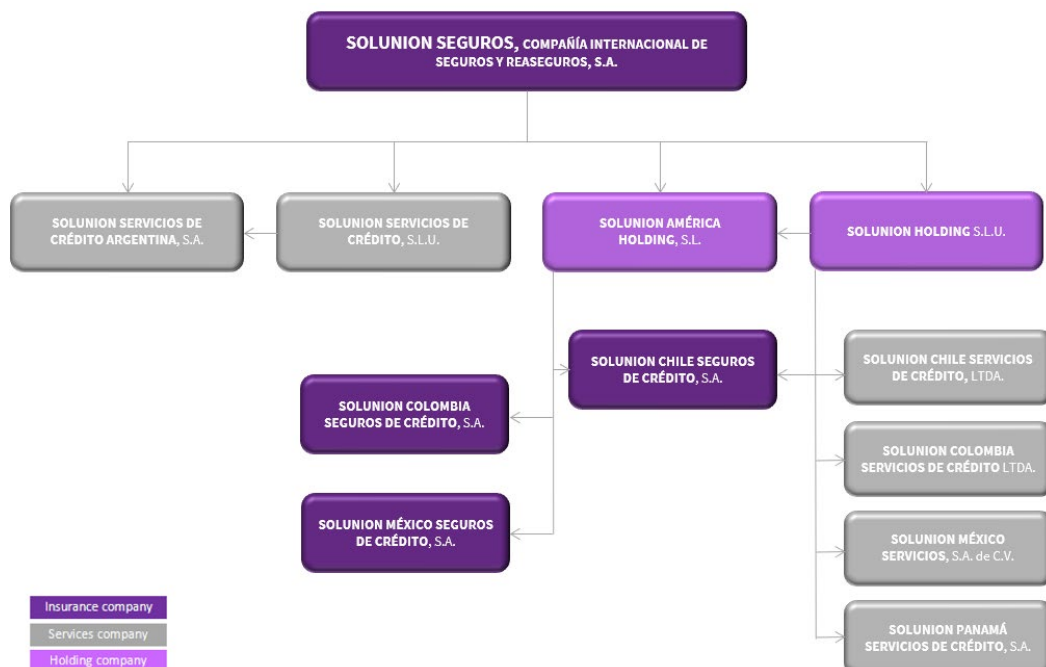
Holders of qualifying holdings

The following table reflects the individuals or corporate persons who directly or indirectly hold qualified investments in the Company:

Name	Legal form	Type of Shareholding	Location	Percentage of ownership
Euler Hermes Luxembourg Holding S.à.r.l.	Limited Company	Direct	Luxembourg	50%
MAPFRE, S.A.	Limited Company	Direct	Spain	50%

Details of the undertaking's position within the legal structure of the Group

The following is the organizational structure indicating the Company's position within the Solunion Group's legal structure:



Lines of business

The Company identifies the following line of business established by the Solvency II regulation.

- **Credit and Suretyship insurance:** consists of insurance obligations other than life assurance:
 - Direct Insurance (Modality 9)
 - Accepted proportional reinsurance (Modality 21)
 - Accepted non-proportional reinsurance (Modality 28)

Geographic areas

The most significant countries, in which the Company operates, in addition to Spain, are México, Colombia, Chile, Italy and Peru, as described in Appendix S.05.02.01.

A.1.2. Events with significant impact

The following significant events took place during 2022, with a significant effect on the Company:

Significant events of the year

The international agency A.M. Best has confirmed again the financial strength rating “A (Excellent)” of Solunion and its long-term issuer credit rating of “a (Excellent)”, both with a stable outlook.

This rating reflects the Solunion's balance sheet firmness, which A.M. Best considers “very solid”. also highlights its “adequate operating performance and its correct management of business risk”.

According to the analysis, this balance sheet solidity is supported by a “risk-adjusted capitalisation, which remained at the strongest level at the end of 2021”, according to the Best’s Capital Adequacy Ratio, as well as the “prudent reserve approach and the conservative investment strategy”. It also highlights the limited risk associated with reinsurance, as its agreements are made only with Solunion's shareholders.

A.M. Best's report also notes that Solunion has generated "net positive results in recent years", highlighting the company's profitability trend between 2017 and 2021. As of June 2022, Solunion's results are positive, with an improvement in operating metrics compared to the same period in 2021, despite the complex economic context of the markets in which the company operates.

A.M. Best concludes by underlining that "positive business profile factors include the Company's ability to leverage Allianz Trade's trade credit capabilities and expertise, and access to MAPFRE's extensive and well-established distribution channels in its target markets".

For the fourth year in a row, Solunion has been awarded the Top Employer certification in Spain. This rating is awarded by the Top Employers Institute programme based on the results of its HR Best Practices Survey, which includes six dimensions related to human resources, covering 20 areas such as People strategy, Work environment, Talent acquisition, Learning, Well-being and Diversity and Inclusion, among others.

In 2022, and for the third year in a row, Solunion obtains EFR certification as a family-friendly company in Spain and all the Latin American countries in which it operates.

The EFR certification is an award granted by the Másfamilia Foundation, which promotes the reconciliation of personal, family and professional life, and recognises the good practices implemented by Solunion in this regard in its subsidiaries in Spain, Mexico, Colombia, Chile, Panama and Argentina.

In addition, the Company has recorded a significant improvement in all the indicators taken into account by the Foundation when awarding this certification, which demonstrates our efforts to continue making progress in terms of work-life balance.

Solunion is committed to the fight against climate change. For this reason, it calculates its carbon footprint as part of its support for SDG 13, which aims to put climate change at the forefront of organisations' and countries' strategies.

For the third consecutive year, Solunion has registered the carbon footprint resulting from its global activities in the Registry of Carbon Footprint, Compensation and Carbon Dioxide Absorption Projects of the Ministry for Ecological Transition and the Demographic Challenge.

The analysis was carried out in accordance with the guidelines of the Greenhouse Gas Protocol, a corporate accounting and reporting standard published by GHG Protocol, and includes mandatory reporting on Scopes 1 and 2, as well as voluntary reporting on emissions from employee commuting, business travel, and paper consumption and waste (categories included in Scope 3).

In addition, in order to reduce its carbon footprint, Solunion continues to develop minimisation plans or actions, such as the Sustainable Mobility Plan that started in 2021.

Solunion presented its new Arion Strategic Plan for the period 2022-2024, the slogan of which is "Driving Growth". With this strategy, Solunion aims to continue to position itself as one of the main players in the Credit and Surety insurance market in Spain and Latin America, and to ensure our profitable and sustainable growth, both organically and inorganically, through new avenues of development.

Arion's objective, as defined in the Atenea 2020-2021 Strategic Plan, is to accompany its clients in achieving their objectives and to help them grow by providing them with risk management solutions adapted to their needs.

There are four lines of work to promote this growth - Anticipation, Expansion, Evolution and Confidence - and they include initiatives and action plans through which Solunion aims to be a driver of growth for companies, stimulating commercial activity and generating economic and social value to build a sustainable business future in Spain and Latin America.

With Arion, the aim is to capitalise on the base that has been created in order to go one step further in generating value for shareholders, customers, intermediaries and employees, who are the ones that provide the capacity for growth, drive it and make it possible.

Corporate matters

The Extraordinary General Meeting of Shareholders of Company held on 29th March 2022 appointed Mr. Anil Berry as a member of the Board of Directors, effective 1st April 2022, due to the resignation of Director Mr. Paul Overeem. The Extraordinary General Meeting of Shareholders held on 16th December 2022 appointed Mr. Carlos Mas Ivars as independent member of the Board of Directors, effective 1st January 2023, due to the resignation of the independent director Mr. José Luis Perelli Alonso.

MAPFRE, S.A. became a shareholder of the Company on 8th November 2022, due to the en bloc acquisition of the assets of MAPFRE Participaciones, S.A.U., the previous shareholder, due to a merger by absorption.

Main activities in 2022

- General matters

Since the first quarter of 2022, the war in Ukraine has slowed the recovery of the global economy after the COVID-19 crisis. By cutting Russia off from the SWIFT banking system, imposing export sanctions and preventing access to raw materials (wheat, metals, fertilisers), an inflationary spiral (also linked to the pandemic situation) has been set in motion and interest rates are rising to their highest levels in decades.

The end of government support through COVID-19, coinciding with the deteriorating economic situation, led to an increase in insolvencies in many regions of the world. However, insurers' loss ratios have not yet been affected.

While many countries are trying to support their strategic industries, China remains the factory of the world. Its zero COVID-19 policy throughout the year exacerbated shortages of manufactured goods and electronic components, which, together with the recent European energy crisis, further fuelled inflation.

Credit insurance therefore remains a cornerstone for businesses in the current economic climate.

In this context, Solunion was able to maintain its historically strong organic growth and consolidate or increase its market share in all its business areas, thanks to the important contribution of new production and an excellent improvement in customer retention.

- New products

In 2022, eGrade was launched, a digital business rating service and Solunion's first 100% digital service. This tool supports companies in establishing business relationships and helps them to choose the most reliable suppliers, partners or customers in terms of solvency, in order to develop more secure business strategies, thanks to access to the rating of more than 80 million companies around the world.

Despite the exceptional situation, we also consolidated our offer to clients in the financial sector in the Colombian and Chilean markets with the launch of the factoring product.

- Commercial action

The year 2022 reflects an increase in commercial activity compared to the previous year. Solunion's growth is based on a multi-channel distribution strategy with the implementation of various initiatives for the development of brokers and distribution partners that have produced excellent results in the generation of new business. Similarly, clear levels of customer service and attention were established, resulting in one of the best years in terms of retention, generating very positive organic growth in the commercial portfolio.

The main initiatives were the boost to the commercial networks with the support of shareholders, the reinforcement of the banking channel with the launch of new distribution agreements, the constant improvement in customer satisfaction indicators and a good interdepartmental dynamic to accompany the growth of policyholders. All this with two main enablers: our people and the improvement in customer interface and management tools.

In terms of business processes and management tools, it is also noteworthy that in 2022 the pillars of a major project to develop business processes and technology systems were launched, which aims to support the continued organic growth of the business, with the challenge of generating even greater operational efficiency and commercial agility by 2023.

- Risk underwriting

The underwriting policy has remained stable since the changes implemented in 2021. In this regard, the pre-pandemic exposure level has been restored during 2022 and, in addition, numerous new clients have been added, giving the Company greater stability through risk diversification and premium diversification. This risk underwriting policy is likely to be maintained in the first quarter of 2023.

- Information and technology systems

This year we have continued our technological strategy based on Cloud computing, consolidating Solunion's operation and expanding our capabilities with new resources and applications.

Under a new consolidated development model, we have maintained excellent levels of regularity and speed of delivery, as well as the quality of the product obtained, highlighting the connectivity via API with new partners or the launch of completely digital services.

Economic matters

The result of the technical account at December 31st, 2022 amounted to EUR 10,327 thousand (EUR 11,644 thousand in 2021), which, combined with the result of the non-technical account of, EUR -666 thousand (EUR -2,220 thousand in 2021) generated profit before tax of EUR 9,661 thousand (EUR 9,424 thousand in 2021).

In 2022, the volume of earned premium in direct insurance amounted to EUR 137,318 thousand (EUR 124,914 thousand in 2021). The strong performance of the international business has resulted in total reinsurance premiums accepted of EUR 129,532 thousand (EUR 85,117 thousand in 2021).

The loss ratio to premiums written net of reinsurance has been located in 28.3% including as claims the payments and variation of provisions of claims.

A.2. Underwriting performance

Quantitative figures on the Company's business and underwriting results in 2022 and 2021 by line of business, as shown in figure S.05.01.02, indicate that the Company ended the year with gross written premiums of EUR 241,506 thousand (EUR 193,886 thousand in 2021), of which the net amount was EUR 20,759 thousand (EUR 15,611 thousand in 2021). The variation in gross written premiums with respect to the previous year has resulted in an increase of 24.56%.

Also, the gross claims rate in direct and proportional accepted reinsurance business fell to EUR 79,926 thousand (EUR 49,183 thousand in 2021), and after discounting the effect of reinsurance corresponding to EUR 74,053 thousand (EUR 44,569 thousand in 2021) the net claims amounts to EUR 5,870 thousand (EUR 4,614 thousand in 2021), which represented an increase of gross claims of 62.5% compared to the previous year.

The technical result has amounted to EUR 10,327 thousand (EUR 11,644 thousand in 2021).

By geographic area of the Company, as shown in figure S.05.02.01 of the Appendix, the following countries, in addition to Spain, most important in volume of gross earned premiums in the year 2022 were Mexico, Colombia, Chile, Italy and Peru. The gross earned premiums for these countries amounted to EUR 87,491 thousand (EUR 62,548 thousand in 2021), which represented an increase of 39.88% compared to the previous year.

A.3. Investment performance

A.3.1. Information on income and expense arising from investments:

The following table presents quantitative information on investments' income and expense, which correspond to investments in the available-for-sale portfolio:

	Finance income and expense		Net gain or loss	
	2022	2021	2022	2021
FINANCIAL ASSETS	414	217	(205)	853
Financial investments in capital	-	-	-	-
Shareholdings in investment funds	-	-	-	-
Fixed income securities	473	264	(205)	853
Other assets	(59)	(47)	-	-
FINANCIAL LIABILITIES	(84)	(118)	-	-
Deposits received on ceded reinsurance	-	-	-	-
Other liabilities	(84)	(118)	-	-
TOTAL	330	99	(205)	853

Data in thousands of euros

The financial result amounts to EUR 125 thousand in 2022 (EUR 952 thousand in 2021), this represents 6.1% (-0.2% in 2020) of the net written reinsurance premiums (EUR 15,611 thousand in 2021, EUR 17,222 thousand in 2020).

Some of the following situations influenced investment performance t in the Company are discussed below:

2022 was a tumultuous year, with another black swan event materializing (the war in Ukraine), while the world was still not totally rid of the previous one (COVID-19). We estimate that global real GDP grew by +2.9% in 2022, though vulnerabilities have emerged at several levels. The year started on a cautious outlook, as the emergence of a new COVID-19 variant (Omicron) led to some countries re-imposing mobility restrictions. China maintained a zero-COVID-19 policy throughout 2022, while also dealing with a downturn in the real estate sector. The economy grew by a very modest +3% in 2022. The Russian invasion of Ukraine on 24th February 2022 shook the world. From an economic perspective, the war and related sanctions were the source of shockwaves through the energy, trade and financial channels. Economies across the world were not affected at the same level though, with of course Ukraine the most affected (-35%) and Russia also experiencing a full-year contraction in its GDP (-2.8%). While the Eurozone grew by +3.3%, it was, among major economies, the most affected by the energy crisis. 2022 also marked the year of the return of inflation, resulting from the post-COVID-19 reopening, shortages (of inputs, labor, shipping capacity, etc.), higher commodities prices (energy and food) and a strong USD. We estimate that global inflation reached 8.6% (compared with an average of 3.7% over 2000-2019). As a result, central banks aggressively tightened their monetary policies to contain inflationary pressures (e.g. policy rate at the highest since 2007 and 2008 respectively in the US and the Eurozone). This context of slower growth, higher inflation and higher interest rates has increased corporate risks. We estimate that global business insolvencies rebounded by +10% in 2022 (after -12% in both 2021 and 2020).

A.3.2. Information about any gains and losses recognised directly in equity:

The following is the quantitative information regarding income and expenses arising from investments broken down by type of asset and liability recognized directly in equity at the end of the 2022 and 2021 exercises, as its shows in the financial statements:

	2022	2021
FINANCIAL ASSETS	(7,152)	(1,003)
Financial investments in capital	-	-
Shareholdings in investment funds	(36)	530
Fixed income securities	(7,116)	(1,533)
Other assets	-	-
FINANCIAL LIABILITIES	-	-
Deposits received on ceded reinsurance	-	-
Other liabilities	-	-
TOTAL	(7,152)	(1,003)

Data in thousands of euros

Investments in 2022 and 2021 had a negative effect on equity with recognised losses of EUR 7,152 thousand (EUR 1,003 thousand in 2021) from Investment Fund Units and Fixed Income Securities.

A.3.3. Information on asset securitisation

Solunion does not invest in this type of assets.

A.4. Performance of other activities

A.4.1. Other income and expense

During 2022, the Company has incurred the following "other" significant income and expenses other than those arising from the underwriting activity and from the return on investment, including:

	2022	2021
Income from property, plant and equipment and from investments	2,377	1,035
Expense on property, plant and equipment and investments	(240)	(198)
Other income	213	3
Other expenses	(3,016)	(3,060)
NON-TECHNICAL RESULT	(666)	(2,220)

Data in thousands of euros

The result from activities other than the exclusively insurers is EUR -666 thousand at the end of the year 2022, the Income from property, plant and equipment and from investments mainly are due to the dividends distribution by the Solunion Group's companies, and the Other expenses item are mainly due to the amortization of goodwill.

On 17th June 2022 the subsidiary Solunion Colombia Seguros de Crédito, S.A. agreed to distribute a dividend out of prior years' profits, of which the Company received a gross amount of Euros 52,466. On 28th September 2022, the subsidiaries Solunion América Holding, S.L. and Solunion América Holding, S.L.U. agreed to distribute interim dividends out of profits, of which the Company received gross amounts of Euros 1,300,000 and Euros 853,755, respectively.

A.4.2 Lease contracts

Operational leases

The Company is lessee of operating leases in the offices in which it provides its services and in which its registered office is located. These leases are entered into with related parties, and the contract ends on 31st March 2023.

Expense accrued in 2022 in operating leases amounted to EUR 804 thousand (EUR 783 thousand in 2021).

Future minimum payments to be made on non-cancellable operating leases at 31st December of the last two years were as follows:

	Up to one year		From one to five years		More than five years		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Buildings and other constructions	733	351	253	-	-	-	986	351
TOTAL	733	351	253	-	-	-	986	351

Data in thousands of euros

Finance lease

The Company does not have this type of lease.

A.5. Any other information

There is no other relevant information other than that included in the above sections.

B. System of governance

B.1. General Information on the system of governance

Solunion's system of governance, which is presented in detail below, aims to ensure sound and prudent management under a common operational and organisational model for the Group that establishes hierarchical and functional relationships, a common risk governance structure, Key Functions and written corporate governance Policies that include fit and proper requirements to be met by directors, executives and Key Functions. The Policies derived from the Solvency II regulations are reviewed on an annual basis, although modifications may be approved in them or in the rest of the internal regulations at any time when it is deemed convenient.

B.1.1 System of Governance

The system of governance of Solunion has the following characteristics:

1. Operational structure comprising three levels (Shareholders, holding company and business units).
2. Organizational structure according to objectives-based operating model.
3. Common risk management governance structure for Solunion:
4. Key Functions of system of governance: (i) Risk management, (ii) Compliance, (iii) Actuarial and (iv) Internal Audit, which make up a Three-Line of Defense system.
5. Written corporate governance policies.
6. Adaptation of local bodies of administration and representation of Solunion Latin America companies to the regulation of their respective countries.
7. Directors, executives and individuals with Key Functions of Solunion must be persons of acknowledged commercial and professional propriety and possess adequate knowledge and experience to enable sound and prudent management of Solunion, in accordance with the company's fit and proper policy.

The governing bodies of Solunion are regulated by the shareholders' agreement entered into by the shareholders, the articles of association and the mandatory standards established by the legislation applicable to each of the Group companies.

The Company has the following bodies for its individual government, whose main functions and competences are detailed below:

- **General Meeting:** This is the highest governing body, and it has the power to decide on any matter relating to Solunion. It may give instructions to the Company's governing body or subject to its authorisation the adoption by the governing body of decisions or arrangements on management matters relating to the Company.

The General Meeting comprises the shareholders of Solunion and its meetings may be ordinary, for the sole purpose of approving company management, the financial statements of the previous year and deciding on the application of profit, or they may be extraordinary.

- **Supervision Committee:** This is the non-executive body through which Solunion shareholders: (i) are periodically informed by the CEO of Solunion on financial data, the situation in Commercial and Risk, Information, Claims and Collection matters, and the most significant matters of Solunion; and (ii) issue guidelines on management matters submitted for their consideration, to be submitted to the pertinent governing bodies as necessary.

It consists of the Chairman and Vice-Chairman of Solunion as the shareholders' representatives. The Solunion Corporate Affairs Director shall act as Secretary. It shall meet at least monthly, except in months when meetings of the Board of Directors are held or in August, notwithstanding its capability to meet whenever it is deemed appropriate or to receive information in writing outside meetings.

- **Board of Directors:** this is the body responsible for directing, managing and representing the Company, and for overseeing the performance of Solunion management. It has full powers of representation, disposition and management. Its decisions are mandatory for the Company, except in matters attributed to the General Meeting, and it designates and removes members of Company committees, including the Management Committee.

It comprises an odd number between six and twelve directors as determined by the General Meeting, and it will select from its own members a Chairman and Vice-Chairman and appoint a non-director Secretary. Members of the Board of Directors must meet the requirements of Solunion's fit and proper policy, are appointed for a term of three years. They may be re-elected up to the age of 70.

The position of Director of the Company is remunerated, under the conditions established by the General Shareholders' Meeting, and is incompatible with holding executive positions or functions in Solunion.

The Board of Directors shall meet at least four times a year to receive information on accounting, administration, finance, technical and statistical matters relating to the previous calendar quarter, and provided it is necessary to decide on matters under its competence. It shall have achieved quorum when half plus one of its members are in attendance, notwithstanding the adoption of resolutions via a written vote outside a meeting, and resolutions are adopted by an absolute majority of directors in attendance, except for matters that require a qualified majority under the Charter.

Board supporting committees

The Board has supporting committees to address certain management matters relating to the following: Audit and Compliance, Investment, Nomination and Compensation.

- **Audit and Compliance Commission:** It shall have the responsibilities set down in the Charter for advising and making recommendations to the Board on the following:
 - a) preparation of financial statements,
 - b) the nomination of accounts auditors and independent experts and the performance of their functions,
 - c) reporting and financial policy processes,
 - d) internal audit operation and functions,
 - e) the organisation and effectiveness of internal control and risk management systems,
 - f) oversight of the performance of Solunion's Key Functions, and

g) compliance matters, including the identification and assessment of compliance risk and the prevention and correction of illegal or fraudulent conduct.

It comprises three members of the Board of Directors, two of whom must be independent directors, elected in consideration of their financial or accounting experience, and one of them shall be designated in consideration of their knowledge and experience in accounting or auditing, or both. They shall be elected for a three-year term, and it shall designate a Chairman, who shall be an independent director. The Secretary shall be the Secretary of the Board of Directors.

It shall meet at least four times a year, and whenever necessary to decide on matters under its competence, and decisions shall be adopted by a simple majority of the members in attendance.

It has the status of Audit Committee for the purposes of the Third Additional Provision of Law 22/2015 of Accounting and Auditors.

- **Investment Committee:** will have the responsibilities set out in its Charter to provide guidelines in all matters relating to management of financial assets and advises and offers recommendations to the Board of Directors on investment matters.

It comprises four members of the Board of Directors elected for three years, including a Chairman and Vice-Chairman.

It shall meet at least four times a year, once a quarter, and whenever necessary to decide on matters under its competence, and decisions shall be adopted by a simple majority of the members in attendance.

- **Nomination and Compensation Committee:** will have responsibilities set out in its Charter to coordinate Solunion's Nomination and Compensation Policy, and it advises and offers recommendations to the Board of Directors on matters of compensation and benefits for senior executives of Solunion and matters related to: governance, recruitment and selection of candidates for key executive positions and managers of Key Functions, compensation policies and plans and yearly allocation and payment programmes.

It comprises four members of the Board of Directors elected for three years, including a Chairman and Vice-Chairman.

It shall meet at least two times a year, once every six months, and whenever necessary to decide on matters under its competence and decisions shall be adopted by a simple majority of the members in attendance.

- **Management Committee:** The Company's Management Committee assists the CEO in overseeing the management of the Business Units and the effective ordinary management of the global operations of Solunion in their strategic, operational and coordinating aspects.

It comprises the CEO of Solunion, who chairs it, and the Corporate Directors of Finance and Administration (CFAO), Risk, Information, Claims and Collection (RICC), and Commercial and Marketing of Solunion, who are full members and voting rights. The Corporate Directors of Communications, People, Sustainability and Media, Legal and Compliance, Surety, Information Technology, Operations, the Director of Allianz Trade for Multinationals in the Solunion region and Solunion's Director of Corporate Affairs will be permanent guests, and any person may be invited to report on specific topics in their area.

The nomination of the members of the Management Committee, who must meet the requirements set out in Solunion's fit and proper policy, will be made by the Board of Directors, pursuant to a favourable report by the Nomination and Compensation Committee.

As a general rule, the committee will meet as many times as necessary, and on an extraordinary basis to deliberate on matters submitted to its consideration by any of its full members.

Support Committees of Company Management Committee

The Company's Management Committee shall have the support of the Risk, Actuarial and Reserves, Compliance, Social Responsibility and Sustainability and Security and Environment Committees for the performance of its duties relating to governance of risk management.

- **Risk Committee:** It is tasked with overseeing the risk management function and system, particularly compliance with Risk Appetite, and it comprises full members of the Management Committee, the Corporate Head of the Actuarial Area (without the right to vote) and the Corporate Head of Internal Control and Risk Management (without the right to vote).

It has the following competences: (i) to oversee the performance of business units' risk committees in their tasks of control of compliance in their respective areas of all the Group's risk management rules, guidelines and policies; (ii) to verify, at least yearly, that the risk appetite limits are effective and appropriate for the Group; and (iii) to escalate to the Board of Directors proposals for review of the Risk Management Policy.

- **Actuarial and Reserves Committee:** advises and offers recommendations to the Management Committee on the actuarial function and policy, and comprises full members of the Management Committee, the Corporate Head of Internal Control and Risk Management (without the right to vote) and the Corporate head of the Actuarial Area (without the right to vote).

Competence to oversee the Actuarial Function and Policy within the Group, and to establish reserves in the framework of policies and rules approved by the Board of Directors.

- **Compliance Committee:** tasked with verifying the functioning of the compliance function, overseeing correct application of general compliance guidelines and principles within the Group and to provide support in this area to the Group's head of compliance, and is composed of the full member of the Management Committee, the Corporate Director of People, Sustainability and Procurement and the Group Compliance Officer (without the right to vote.).

It has the following competences: (i) to collect information on compliance risk management assigned within the framework of its competences and to be apprised of any significant incident in compliance that affects or may affect the Group's activity; (ii) to oversee the functioning of the Ethics Whistleblowing Channel and hear any complaints made therein and examine them, adopt any appropriate resolutions and ensure enforcement of the same;

(iii) to receive advisory from the Group Compliance Officer on regulation applicable to the Group, the potential consequences of changes in the legal environment of Solunion's operations and to determine and assess compliance risk, and (iv) resolve any matters that, owing to their complexity, that are escalated to it for its interpretation by the Group's head of compliance.

- **Social Responsibility and Sustainability Committee:** is responsible for verifying and ensuring the correct application of the principles and general guidelines for action in the area of Social Responsibility and Sustainability in the Group, and is made up of the Corporate Directors of People, Sustainability and Procurement, Finance, Legal and Compliance, Communication and Security, and by the Head of the Social Responsibility and Sustainability Area.

- **Security and Environment Committee:** is in charge of verifying and ensuring the correct application of the general principles and guidelines for action in the area of Comprehensive Security, Cybersecurity, Business Continuity and Environment in the Group and is made up of the CEO of Solunion, the Corporate Directors of Finance and Administration, Legal and Compliance, Information Technology and Security (without voting rights). Depending on the matter to be discussed, the Corporate Director of People, Sustainability and Procurement and the Heads of Security of the Business Units may be invited. The Corporate Directors of Security and of Entity and Business Coordination of MAPFRE's Corporate Security Department shall be permanent guests.

B.1.2. Key Functions

In order to ensure that the government system has an adequate structure, the Company has Policies that regulate the Key Functions (Risk Management, Compliance, Internal Audit and Actuarial) and ensure that these functions follow the requirements defined by the Supervisor and they are faithful to the lines of government established by the Company and the Group. The Board of Directors of the Company approved the latest revision of the Internal Audit, Compliance and Actuarial Function Policies at its meeting held on 28th September 2022 and the Risk Management Policy at its meeting held on 16th December 2022. These policies are reviewed annually.

These policies establish the operational independence of these Key Functions and their direct line of reporting to the governing body, which gives them the necessary authority in the exercise of their functions. The governing body is informed, at least annually, by the areas of the Company responsible for carrying them out. The information and advice to the Board of Directors on the part of the Key Functions is expanded in the sections related to each of them.

The names of individuals responsible for Key Functions have been reported to the Dirección General de Seguros y Fondos de Pensiones.

The Key Functions have the necessary resources for the proper performance of the functions entrusted in their respective Policies

B.1.3. Relevant General Meeting of Shareholders and Board of Directors resolutions related to the Governance System

The Extraordinary General Meeting of Shareholders of Company held on 29th March 2022 appointed Mr. Anil Berry as a member of the Board of Directors, effective 1st April 2022, due to the resignation of Director Mr. Paul Overeem. The Extraordinary General Meeting of Shareholders held on 16th December 2022 appointed Mr. Carlos Mas Ivars as independent member of the Board of Directors, effective 1st January 2023, due to the resignation of the independent director Mr. José Luis Perelli Alonso.

B.1.4. Balances and remuneration to the members of the administrative, management or supervisory body

The following table shows the remuneration received in the last two years by key management personnel, consisting of seven men and three women in 2022 and 2021.

	2022	2021
Short-term remuneration	1,948	1,256
Salaries	1,752	1,134
Fixed allocations	103	50
Per diems	-	-
Life insurance	14	9
Other	79	63
Medium-term remuneration	262	264
Post-employment remuneration	22	8
Defined contribution	13	8
Years of service award	9	0
TOTAL	2,232	1,528

Data in thousands of euros

Remuneration paid to the members of the Administrative body and employees of the Company is determined in accordance with prevailing regulations as well as the Company's remuneration policy, the latest revision of which was approved by the Board of Directors on December 16th, 2022.

Solunion's Remuneration Policy aims to link remuneration to the level of responsibility and degree of contribution of each employee to Solunion's results, as well as to apply individual management criteria based on merit.

The overall objective of the Company's remuneration policy is to define guidelines that are effective meaning that they are aligned with the global strategy and business objectives, the risk management policy and the tolerance to such risks approved by Solunion- to foster sound and prudent management of the business and effective risk management.

Its objectives include:

- Supporting Solunion's business strategy by attracting and retaining talent.
- Incentivising employees' contribution to the Company's objectives.
- Promoting sound and effective risk management through establishment of requirements on remuneration aimed at prudent and appropriate management of business and to avoid remuneration mechanisms that foster excessive risk-taking by Solunion.
- Avoiding conflicts of interest.

Remuneration systems may include both fixed and variable components. In addition, individual and collective performance standards that may be the basis for any right or variable component of remuneration are reviewed on a yearly basis.

In addition, in financial year 2022 and within the framework of the executive remuneration policy, expenses for the medium-term incentive plan, which will run from 1st January 2022 to 31st December 2024, have accrued in the amount of 262 thousand euros.

Payment of incentives was subject to compliance of certain corporate and specific objectives, and their permanence in the group. At the end of each exercise, an assessment of the fulfilment of the objectives is made by registering the amount earned in the income statement with credit to a provision account.

B.1.5 Additional information

There is no other relevant additional information not mentioned in the previous sections.

B.2. Fit and proper requirements

The Company has a fit and proper policy, the latest revision of which was approved by the Board of Directors on September 28th, 2022, which facilitates application of regulatory requirements and ensures a high level of fit and proper requirements throughout the Group for managers and key functions.

Managers and Holders of the Key Functions of Solunion must be persons of recognized commercial and professional honour and possess adequate knowledge and experience to make possible the sound and prudent management of Solunion. Further, fit and proper procedures must apply for evaluation of other personnel in accordance with internal rules and regulations, both when under consideration for a specific position and on a permanent basis. The following principles shall apply to ensure fulfilment of these objectives

- a) This Policy applies to the Senior Management and the Key Functions Holders.
- b) The Fitness and Propriety of the members of the Board of Directors of Solunion and the local Governing Bodies of the Business Units shall be governed, in addition, by the criteria established by their shareholders and the applicable rules.
- c) A person's Fit and Proper shall be assessed when appointed for a Senior Management or Key Function Holder position, on the regular reviews and when situations arise that give rise to doubts about their Fitness or Propriety.

As regards Fitness, the qualifications, knowledge and experience required depend on the Position.

- d) Members Board of Directors and of Local Governing Bodies: must possess adequate experience and knowledge and, as a whole, must have sufficient knowledge and professional experience in at least the following areas: (i) insurance and financial markets; (ii) strategies and business model; (iii) governance system; (iv) financial and actuarial analysis; and (v) regulatory framework.
- e) Members of the Management Committee and local Management Committees of the Business Units and their standing guests shall possess necessary qualification, knowledge and experience to carry out the responsibilities of each Committee and the specific tasks assigned in the Board of Management.
- f) Key Function Holders: must possess adequate knowledge and experience to fulfil the tasks assigned to him by the Policy of the respective Key Function, if any, and applicable law.

The people subject to this Policy must have an accredited, personal, commercial and professional reputation based on reliable information about their personal behaviour, their professional conduct and their reputation, including any criminal, financial and supervisory aspects that are pertinent to these effects, and to act under the Solunion Code of Ethics and Conduct and meet the following requirements:

1. Personal, commercial, and professional propriety:

- a) The personal trajectory of respect for commercial and other laws that regulate economic activity and business life, as well as good commercial, financial, and insurance practices.
- b) Lack of criminal records for crimes against patrimony, money laundering, against the socioeconomic order and the Public Treasury and Social Security and sanctions for infringement of the regulatory rules for the insurance, banking, or stock market activities, or consumer protection.
- c) Lack of relevant and justified investigations, both in the criminal and administrative spheres, on any of the facts mentioned in section b) above.
- d) Not be disqualified from holding public or administrative or management positions in financial or insurance entities.
- e) Not be disqualified under Spanish bankruptcy regulations or equivalent in other jurisdictions.

2. Capacity and compatibility:

- a) Not being involved in causes of incompatibility, incapacity, or prohibition under current legislation and internal regulations.
- b) Not being in an insurmountable conflict of interest situation under current legislation and internal regulations.
- c) Not having incurred in circumstances that could give rise to the appointment or participation in the entity's administrative body that could put the interests of the entity or the Solunion Group at risk.

In the case of ongoing procedures or investigations, the Compliance Area will analyse the circumstances of each case to determine its impact on propriety.

Process to ensure fitness and propriety.

Adequate assessment processes will be necessary during recruiting and the regular and specific reviews to ensure Fitness and Propriety.

To assess the Fitness and Propriety in a recruitment process of members of Management Committees or Key Function Holders it will be required .

- a) Job description/Fitness requirements definition for the position

Aptitude will be assessed based on the job description and the Fitness requirement definition, and the tasks and key responsibilities associated with the position defined by the People, Sustainability and Procurement Area.

- b) Curriculum vitae

All candidates must submit their current curriculum vitae at the beginning of the recruiting process.

- c) Background checking

The final candidate for a position within a Management Committee or Key Function Holder must be subject to a background check by the People, Sustainability and Procurement Area, comprising of:

- The submission by the candidate of copies of his required qualifications.
- The filling by the candidate of a Declaration of Fitness and Propriety stating their personal, professional or business circumstances, following the template established by the Corporate Affairs Area and, where appropriate, the submission of a criminal records certificate presented not later than three months after the date of issue.
- A reference checks.

In the case of members of the Solunion Board of Directors or local Administration Bodies and Key Function Holders, the Corporate Affairs Area will be responsible for collecting from candidates the curriculum vitae, the Declaration of Fitness and Propriety, and, where appropriate, the criminal records certificate.

As regards Fitness, in the assessment by the People, Sustainability and Procurement Area of practical and professional experience, special attention should be paid to the nature and complexity of the positions held, the competencies and decision-making powers and responsibilities assumed, as well as the number of people in charge, the technical knowledge gained on the sector and the risks they must manage. In any case, the criteria of knowledge and experience will be applied by assessing the nature, size and complexity of the activity of each entity and the specific functions and responsibilities of the position assigned to the person evaluated. If the final candidate had a specific lack of knowledge, competencies or skills, it shall be considered whether this lack can be solved through specific professional training, and if so, such training must be provided.

Regarding Propriety, if the evaluation reveals any situation that could affect the Property, it will be reported to the Compliance Area to analyse the circumstances of each case to determine its impact on the Propriety.

If, after the evaluation, the candidate does not meet the requirements of Fitness and Propriety, may not be appointed or hired for the position. If a periodic or specific review shows that the evaluated person can no longer be considered Fit or Proper for the position, the corresponding decision will be taken under the regulations.

In the case of members of the Board of Directors or local Governing Bodies, the Fitness of the candidates will be evaluated according to the Fitness requirements legally required in each Business Unit.

A person's Fitness and Propriety shall be assessed on a regular basis, to ensure ongoing Fitness and Propriety of the person for his position. Such assessment is done in performance reviews, once a year, assessing the person's Fitness and taking into account situations that may affect its Propriety.

Without prejudice to the regular reviews, the Senior Management and the Holders of the Key Functions must report their entity of any supervened circumstance that could affect their Propriety.

The specific reviews will be carried out when situations arise that give rise to doubts regarding a person's Fitness or Propriety of a person, such as: relevant breach of the Solunion Code of Ethics and Conduct; failure to submit required self-disclosure statements (e.g. statements of accountability or disclosure of security trading); investigation or any other procedure possibly leading to a conviction of a criminal, disciplinary or administrative offence relevant to the Business Unit or the person's position, or administrative sanctions for non-compliance with any financial services legislation.

Participants in the evaluation of the Fitness and Propriety and their responsibilities will be as follows:

- The Corporate Affairs Area will be responsible for:
 - To review and keep the Fit and Proper Policy updated.
 - To have the templates of the Declaration of Fitness and Propriety for the recruitment and annual review processes updated.
 - To obtain the necessary documentation for the evaluation of candidates for members of the Solunion Board of Directors or local Governing Bodies and Key Function Holders.
 - To update the information on Propriety for the regular reviews.
- The People, Sustainability and Procurement Area will be responsible for:
 - To draft the definitions of the Fitness requirements of the positions subject to this Policy, except for members of the Board of Directors and the local Governing Bodies.
 - To carry out the assessment of the Fitness and Propriety of Senior Management and Holders of Key Functions in the recruitment processes and the regular and specific reviews.
 - To communicate to the Compliance Area the situations that may affect the Propriety of Senior Management and Holders of Key Functions that are revealed in assessment processes.
 - To submit for the approval of the Nomination and Compensation Committee the proposals for appointments of Senior Management and Key Functions Holders.
- The Compliance Area will be responsible for:
 - To analyse and determine the impact of situations that may affect the Propriety of Senior Management and Holders of Key Functions that are revealed in assessment processes.
 - To promote the realization by the People, Sustainability and Procurement Area of a specific review when it becomes aware, through the Impulse Channel or by any other means, of situations that may affect the Propriety of Senior Management and Holders of Key Functions.

B.3. Risk Management System, including the own risk and solvency assessment

B.3.1 Governance framework

The risk management system is a set of strategies, processes and information procedures necessary to identify, measure, monitor, manage and notify on a continuous basis the risks to which the Company is or may be exposed, and their interdependencies.

The fundamentals governing the performance of the Risk Management Function at Solunion are as follows:

1. Fit and Proper

The head of the Risk Management Function must have adequate knowledge and experience to perform the tasks of the Function and be a person of recognised commercial and professional honour to enable the sound and prudent management of Solunion and in accordance with the Code of Ethics and Conduct, for which purpose he/she must comply with the requirements set out in the Fit and Proper Policy.

2. Status and authority

The Risk Management Function is unique and any activity within its scope is subject to the coordination of the Corporate Head of Risk Management, who reports to Solunion's Corporate Director of Finance and Administration. The local Risk Management Officers report to the local Finance and Administration Directors and to the Corporate Head of Risk Management.

The Risk Management Function is supported by this Policy in order to be able to carry out the tasks related to its competencies with complete independence, so that it may communicate on its own initiative with all persons in the organisation and have unrestricted access to any information relevant to the performance of its responsibilities, and all Group personnel must provide it with support and collaboration.

3. Operational independence

In the exercise of its responsibilities, the Risk Management Function is free from any undue or inappropriate influence, control, incompatibility or limitation that could compromise its ability to perform its duties in an objective, impartial and independent manner.

The Risk Management Function operates under the ultimate responsibility of Solunion's Board of Directors, to which it shall report periodically on matters within its scope, and its hierarchical dependence in Solunion's organisational structure shall not hinder or prevent its holder from reporting to the management body. To this end, the Risk Management Function is empowered to propose to the Secretary of the Board the inclusion in the agenda of the meetings of the Audit and Compliance Committee of the matters within the scope of the Function that it deems appropriate, as well as to appear and present them directly.

Annually, the head of the Function shall issue a declaration of independence reflecting the terms under which he/she has carried out his/her work and, if applicable, any conflict of interest that may have arisen in the performance of his/her activity and the safeguards and procedures followed to mitigate or eliminate it.

4. Segregation of responsibilities

In order to prevent conflicts of interest that could arise if the tasks entrusted to the Function could compromise its independence, Solunion's organisational structure establishes a segregation of responsibilities between the performance of the activities of the Risk Management System and its review and monitoring, and controls any interference that limits the scope, analysis and pronouncement of the Risk Management Function with respect to the tasks for which it is responsible:

- As regards Risk Appetite, the Board of Directors is responsible for setting the Risk Appetite and Tolerance Limits, and the Risk Management Function is responsible for monitoring them and informing the Board of Directors and the Management Committee of any non-compliance with them.
- The regulatory calculations required to obtain the Solvency ratio are performed by the Corporate Risk Management and Internal Control Area, reviewed by the Head of the Risk Management Function and the Risk Committee, and reported to the Board of Directors for approval.
- With respect to the ORSA, the Board of Directors approves the scenarios used in the ORSA process, the results of the ORSA process and the Contents of the ORSA Monitoring Report.

The Corporate Risk Management and Internal Control Area will take appropriate measures to address potential conflicts of interest should additional tasks or activities be added to those entrusted to the local Risk Management Areas.

5. Management involvement

The Solunion's Management is involved in the overall treatment and supervision of the risks and the setting down of the general lines of control and mitigation. In this way, the responsibility for risk management falls on the Board of Directors, supported by the Management Committee which is in charge of the operational management, for which:

1. Regarding the establishment and monitoring of the Group's Risk Appetite by management:
 - a. The Board of Directors approves the Policies that regulate the risks to which Solunion is subject and establishes the general solvency ratios and the minimum coverages that have to be adopted and sets down the risk appetite which the Company is willing to accept in the form of three major blocks, namely:
 - for the investment and liquidity risk;
 - for the insurance risks (including commercial underwriting and risk and reinsurance underwriting);
 - for the operational, business continuity, compliance, strategic, reputational cybersecurity and sustainability risks.
 - b. The Management Committee supervises the margins in the Company, it performs a monitoring of the limits established by the Board of Directors, taking the appropriate decisions in order to comply with them, it keeps the Board of Directors informed on these matters and advises it on its decisions.
2. The Board of Directors defines Risk Appetite in the following terms:
 - a. Critical Zone Maximum level of Risk Tolerance that Solunion is willing to admit..
 - b. Surveillance Zone: Maximum level of Risk Appetite that Solunion is willing to admit.
 - c. Safety Zone: Level of risk that Solunion considers admissible without mitigating actions being taken.

This definition of the Risk Appetite is made in accordance with the objectives set out in Solunion's Capital Management Policy:

- Provide the Company and the Group with a procedure to verify that the Eligible Own Funds comply with the applicable requirements.
- Ensure that the projections of Eligible Own Funds consider the continued compliance with the requirements applicable throughout the period considered.
- Establish a process of identification and documentation of the circumstances for loss absorbing capacity of the Eligible Own Funds.
- Ensure that the Company has a Medium-Term Capital Management Plan, which will consider at least the following elements:
 - a) the compliance with Solvency regulations applicable throughout the projection period considered, paying particular attention to known future regulatory changes, and the maintenance of solvency levels compatible with the established in the Risk Appetite;
 - b) issuance of proposed Eligible Own Funds instruments;

- c) the repayments, both contractual at maturity, and those that may be made on a discretionary basis before maturity, in relation to the elements of the Eligible Own Funds;
- d) the results of the projections in the Own Risk and Solvency Assessment ("ORSA"); and
- e) the expected dividends and their effect on the Eligible Own Funds.

3. The head of the Risk Management Function shall report regularly to the Board of Directors on the development and monitoring of the risks relevant to Solunion and on the monitoring of compliance or non-compliance with the Risk Tolerance Limits established for all relevant risk categories.

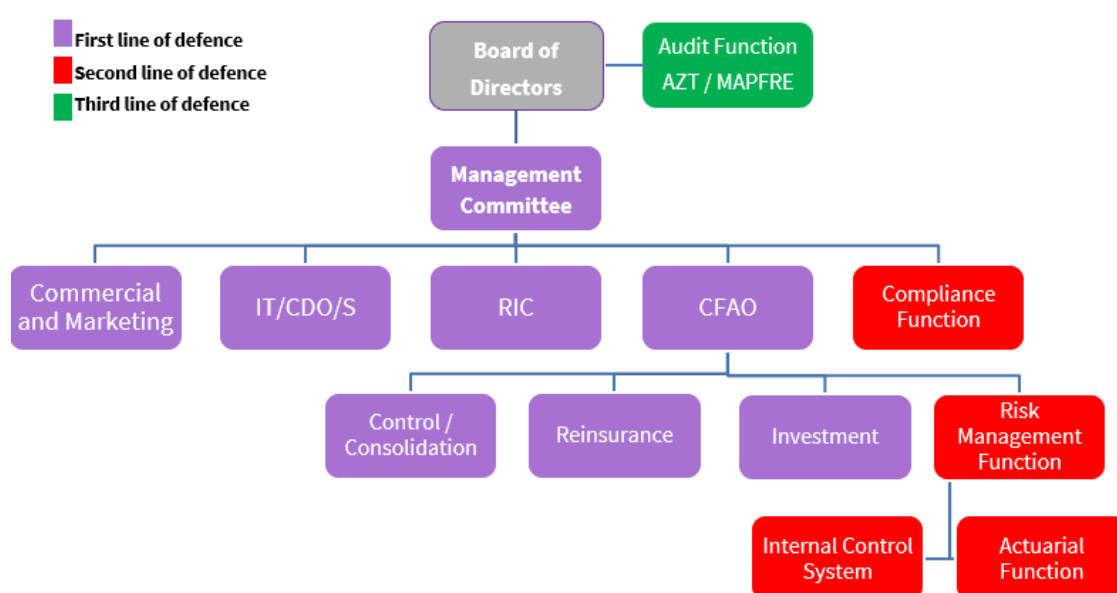
6. Three Lines of Defence Model

Risk management is structured in accordance with the "Three Lines of Defence" defined by ECIIA and FERMA, such that:

- a. The "First Line of Defence" is made up of the operational managers who take on the risks and possess the controls.
- b. The Actuarial, Compliance and Risk Management Functions, as well as the Internal Control System, dependent on the latter, form the "Second Line of Defence", which supervises the First Line of Defence according to the Policies and limits determined by the Board of Directors, and informs to the Management Committee.
- c. The "Third Line of Defence" consists of Internal Audit which, from its independence, guarantees the suitability and effectiveness of the internal control system and the Corporate Governance.

The Lines of Defence perform the assigned tasks in strict compliance with applicable legislation and the Group's internal regulations.

The location of the Risk Management Function in Solunion's organisational structure and within the Three Lines of Defence model is as follows:



7. Structure and adequate means

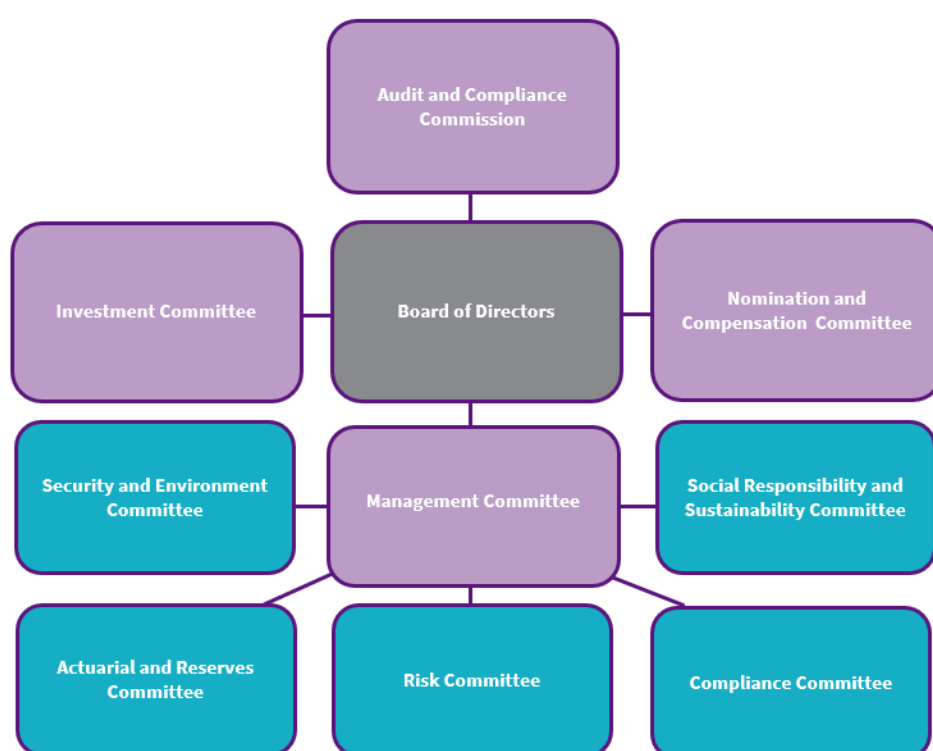
Solunion must establish sufficient resources for adequate risk control and management.

The Lines of Defence are made up of professionals with a level of training and/or experience that guarantees an appropriate level of competence and prudence in risk assumption and management decisions in their areas of action, for which management policies and, where appropriate, assumption limits must be established with respect to the risks identified.

This prudent risk-taking, based on the diligence required of a prudent businessman under commercial law, is subject to the condition that the return on the risks assumed is sufficient to provide a return on the capital employed for this purpose.

The Governance of risk management in Solunion has bodies with global powers across the Group and bodies in each business unit.

The following diagram shows the governance structure of risk management in Solunion:



The governing bodies of Solunion have the following powers over the risk management system, in accordance with the Code of Good Governance:

- Board of Directors:
 - Approval or authorisation of the risk identification, management and control policy.
 - Analysis of the information to be regularly received on the status and development of risks and of the decisions of the Management Committee and the Head of the Risk Management Function to verify their adequate management and control.
 - Adoption of measures to correct situations deemed inappropriate.

The Audit and Compliance Committee, the Investment Committee, the Nomination and Compensation Committee and the Management Committee will support it in its risk management duties.

- Management Committee:

- Responsibility for implementation of policies and standards on Risk Management.
- Supervision of performance of Second-Line of defence Functions and Policies.
- Information on Risk Management to the Board of Directors and escalation of proposals for action.
- Operational decisions made within framework of policies and standards approved by Board of Directors.

In the performance of its duties relating to the governance of Risk Management, Solunion's Management Committee will be supported by the Risk, Actuarial and Reserves, Compliance, Social Responsibility and Sustainability, and Security and Environment Committees.

- Risk Committee:

Comprises all full members of the Management Committee, the Head of the Actuarial Function (without the right to vote) and the Corporate head of Management risk and Internal Control (without the right to vote), will be tasked with supervising the Risk Management Function and System, particularly compliance with Risk Appetite. The Corporate Head of Risk Management and Internal Control will receive the meeting minutes of established Holding Committees and of the locals Risk Committees may attend such meetings without a vote, and report to the Corporate Risk Committee any decision or potential risks that may affect the Group's solvency position.

- Actuarial and Reserves Committee:

Comprises all members of the Management Committee, the Corporate Head of Management Risk and Internal Control (without the right to vote) and the Head of the Actuarial Function of the Group (without the right to vote), will be tasked with overseeing the actuarial function and policy in the Group, and with the establishment of technical provisions within the framework of Policies and standards approved by the Board of Directors.

- Compliance Committee:

Comprises full members of the Management Committee, the Corporate Directors of People, Sustainability and Procurement and Corporate Affairs, and the Group Compliance Officer (without the right to vote), it is tasked with overseeing the compliance function and policy in the Group within the framework of the Policy and standards approved by the Board of Directors.

- Social Responsibility and Sustainability Committee

The Social Responsibility and Sustainability Committee is responsible for verifying and ensuring the correct application of the principles and general guidelines for action in the area of Social Responsibility and Sustainability in the Group, and is made up of the Corporate Directors of People, Sustainability and Procurement, Finance, Legal and Compliance, Communication and Security, and by the Head of the Social Responsibility and Sustainability Area.

- Security and Environment Committee

The Safety and Environment Committee is in charge of verifying and ensuring the correct application of the general principles and guidelines for action in the area of Comprehensive

Security and Business Continuity in the Group, and is made up of the CEO of Solunion, the Corporate Directors of Finance and Administration, Legal and Compliance, Information Technology and, depending on the matter to be addressed, by the Corporate Director of People, Sustainability and Procurement and the Security Officers of the Business Units, who have the status of permanent members. The Corporate Director of Security (CSO), MAPFRE's Deputy General Manager for Security and Environment, and the Directors of Coordination and International Security, and of Risk, Government of Safety / Environment and Business Continuity of MAPFRE will be standing guests

Given that risk management is a local responsibility, notwithstanding the companies being a part of a business group and its integration in an organisational structure directed by the Group's holding structure, each business unit has a local risk committee that will oversee compliance with all the Group's risk management standards, guidelines and policies. It will comprise the heads of each corporate area of each unit and it will be tasked with overseeing the functioning of the Risk Management System and advising the local Management Committee for relevant decision making.

These risk committees will be under the supervision of the Corporate Risk Committee.

The risk management function enables adequate oversight of risks through the adoption of decisions that facilitate the identification, measurement, supervision, management and monitoring of the same. This function encompasses Solunion's internal control process, which is included in the framework of internal control and operational risk, which is the Policy of the Internal Control Function. In addition, the Risk Management Function coordinates the assessment and oversight of the Company's main risks (Top Risk Assessment).

B.3.2. Risk management objectives, policies, and processes

The aim of this Risk Management Policy is:

- a) Regulate Solunion's Risk Management System, for which purpose it comprises the strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report on an ongoing basis the risks to which, on an individual and aggregate level, it is or may be exposed, and provides for a Risk Management Function structured to facilitate the implementation of the Risk Management System and which enables the appropriate supervision of risks through the adoption of provisions that facilitate the identification, measurement, supervision, management and monitoring thereof. This function encompasses Solunion's Internal Control process, included in the Internal Control and Operational Risk Framework, and ensures that the risk policy is applied consistently throughout the Group.
- b) Preserve the Group's solvency and to facilitate the development of its business by means of: (i) definition of the strategy with regard to the risks taken on; (ii) the inclusion of risk analysis within the decision taking processes; (iii) the establishment of a general guideline, certain basic principles and a general framework of risk management that will facilitate its consistent application in the group; and (iv) the dissemination of the Risk Management Policy among managers and employees in order to achieve a risk management culture that will guarantee its effectiveness.

The Risk Management Policy of Solunion will apply to all companies belonging to the Group after adaptation to local regulations and approval by the respective management bodies.

As noted above, the risk function is tasked with risk supervision. The procedures are as follows:

- Identification: Solunion analyses the risks to which the entity is subject by means of a Major Risks Assessment which is carried out annually and approved by the Board of Directors with the aim of

identifying new risks and verifying existing risks, both in terms of their nature and their assessment.

To enable management and control of risks, each has its own policy, which prevails in its area over the general Policy, describes in an exact way the risk that is being referred to and determines the scope of application, establishes a supervision system that will permit the identification, measurement, supervision, management and monitoring of the risks included in it, instigates measurements for guaranteeing adequate information for the Areas having the risk under their responsibility; and considers the possibility of conducting a stress test for the risks whose nature permits this.

- **Measurement:** for measurement of risks, the Corporate's Risk Management and Internal Control area establishes rules for setting the parameters in accordance with both external and internal regulations, for measuring risks, the technical means that will permit the capital needs to be calculated in line with the set of risks, and that the measurement of the risks is correct.
- **Limits to the risk appetite:** The Board of Directors of Solunion defines the risk appetite of the Risk Management System, and sets both the limits to be applied to risk taking and the necessary measures for the Risk Committee to verify, at least once a year, that the Limits are effective and appropriate for the Group.

Basing itself on a criterion of proportionality that has to rule over the Risk Management System, for entities joining the Group the Management Committee will be able to agree to the temporary setting of different limits from those established on a general basis, until those companies can become fully integrated into the Risk Management Policy

- **Supervision:** risk managers in each area of the Company are responsible for ensuring that the actions taken are consistent with the established technical standards and that the risks taken within the limits defined in the Risk Management System.

Supervision that risks are within limits of risk appetite is performed by the Risk Management Function and the other functions of the Second Line of Defence in their respective areas.

- **Management and mitigation:** risk managers in each area of each Business Unit First Line of Defence must take the necessary measures in their respective areas to mitigate risks to which the company is exposed, in accordance with the applicable policy and subject to the Appetite and Tolerance Limits to the Risk.

Supervision that necessary mitigation measures are being taken will be the responsibility of the other functions of the second line of defence in their respective areas, which will inform to Corporate Risk Management and Internal Control area and to the Risk Management Function.

- **Monitoring:** areas in the second line of defence provide, at least annually, unless the nature of the risk means that it can be done less frequently, with information that allows adequate monitoring of the control of risks within the Appetite and Tolerance Limits.

Notwithstanding the foregoing, information must be reported immediately if the event of risks that: (i) exceed established limits; (ii) may cause losses equal to or higher than such limits, or (iii) may compromise the Company's solvency requirements or its business continuity.

Own Risk and Solvency Assessment (ORSA) reports include monitoring of material risks that may affect the Company.

- Breach of limits: when a risk exceeds the established limits, the Company's governing bodies may adopt measures aimed at:
 - Authorising an excess beyond the risk limit, in which case sufficient documentation and notification of the governing bodies and the Corporate's Risk Management and Internal Control Area is essential, along with the reason for such authorisation and an indication of any additional risk taken owing to the same. If the excess surpasses the limits set by the Group's parent, the governing bodies, the Corporate's Risk Management and Internal Control Area and the Group's governing bodies are notified.
 - Cancel risk.
 - Contract additional protection that allows for adjusting the risk to established limits, subject to an assessment of the consequences of breach by the supplier of such protection and its impact on operational risks.
 - Raise additional capital resources as necessary to keep the risk taken within established risk limits.

In addition, the Risk Appetite Framework sets out specific measures for each indicator in the event of non-compliance.

The Risk Management Function will regularly report any breaches of the Risk Appetite and Tolerance Limits to the Board of Directors and the Management Committee.

To define and manage each of its risks, Solunion has established a framework of policies that have been approved by the Company's Board of Directors.

The strategies, objectives, and informing procedures for the key risks to which the Company is exposed, reflected in the Risk Appetite Framework approved by the Company's Board of Directors or equivalent body establishes the degree of risk the Company is prepared to assume to reach its business objectives with no relevant deviations, including in adverse situations.

Details are shown below of the main risks faced by Solunion with respect to their identification, measurement, management, monitoring and notification.

Type of Risk	Description	Measurement and management	Monitoring and notification
General	Refers to the Company's Solvency level.	Standard formula	Quarterly
Investment Risk	Risk that Solunion does not comply with the asset protection granted by the investment policy and includes the Market SCR.	Standard formula Specific indicators	Quarterly
Liquidity Risk	Risk that Solunion will not be able to realise investments and other assets in order to meet its financial obligations as they fall due.	Standard formula Specific indicators	Quarterly
Underwriting risk	Risk that Solunion does not conduct an adequate underwriting policy and includes the Non-Life Underwriting SCR.	Standard formula Specific indicators	Quarterly

Type of Risk	Description	Measurement and management	Monitoring and notification
Constitution of Technical Provisions	Risk due to insufficient reserves for Solunion to meet its commitments.	Standard formula Specific indicators Control in the calculation of technical provisions External validation	Quarterly Quarterly Monthly Annual
Reinsurance risk	This is the risk of loss resulting from fluctuations in the creditworthiness of counterparties in terms of reinsurance within one year and includes the Counterparty SCR.	Standard formula Specific indicators	Quarterly
Operational Risk	Includes risks arising from failures or inadequacies of systems, people, internal processes or external events and includes the Operational SCR.	Standard formula Specific indicators Dynamic qualitative analysis of processes Recording and monitoring of operational risk events	Quarterly Quarterly Annual Continuo
Security Risk	Risks arising from non-compliance with the Security Policy	Specific indicators	Continuo
Business Continuity Risk	Refers to the possibility that future events could have adverse consequences for the achievement of Solunion's economic and business objectives or the financial position of Solunion.	Specific indicators Business continuity plans	Continuo Annual
Cybersecurity risk	Risks arising from non-compliance with the Information Security and Cybersecurity Policy that may exploit vulnerabilities in Information Systems.	Specific indicators	Continuo
Strategic Risk	Risk of non-achievement of the Company's strategic objectives	Specific indicators Monitoring of the Strategic Plan	Quarterly Continuo
Compliance Risk	Risk of loss arising from legal/regulatory sanctions or reputational losses due to non-compliance with applicable laws and regulations, internal and/or external, and administrative requirements.	Specific indicators Monitoring and recording of significant events	Quarterly Continuo
Reputational Risk	Risks arising from the materialisation of events that impact the Company's image in the eyes of the market and stakeholders.	Specific indicators	Quarterly
Sustainability Risk	Risk of negative impact of environmental, social and governance factors	Specific indicators	Annual

All calculations arising from the standard formula must be updated in any year in which a significant change in the risk profile is detected.

Generally, as mentioned previously, the Board of Directors must be periodically informed of the risks to which the Company is exposed.

B.3.3. Own Risk and Solvency Assessment (ORSA)

Pillar II includes the Own Risk and Solvency Assessment (ORSA), which is a key element of Solvency II. The ORSA process is integrated and is part of the Risk Management System, and it has mechanisms

to identify, measure, monitor, manage and report the risks in the short and long term of the Company, during the period envisaged in the strategic plan, as well as the sufficiency of capital resources according with the understanding of their real solvency needs.

To this end, it contemplates all the significant risks or potential sources of risk to which the Company is exposed, and facilitates undertaking initiatives aimed at its management and mitigation.

This requirement should define how companies can create value for different stakeholders, in order to integrate its business risk management framework in its process of governance decision/making, and to show that this Framework is also appropriate for the nature, scale and complexity of the risks in their business.

Performance of the ORSA requires a forward-looking exercise of bespoke strategic analysis that encompasses all the pillars of Solvency II, based on risk tolerance and appetite, the strategic and business plan, the environment, the moment in the cycle in which the assessment occurs, the governance system implemented and the quality of the own funds, in order to advise the Board of Directors on the viability of the company in the long term. Hence, an integrated approach is needed throughout the Company.

The process of critical risk assessment of Solunion aims to ensure that the Company's critical risks are identified, assessed, managed, mitigated and monitored.

In addition to supporting risk management, this process also ensures that Solunion is capable of meeting external regulatory requirements, that is, both the Solvency II requirements and local regulatory requirements.

At an overall level, the ORSA process is organised around the following components:



This process is detailed below:

1. Risk appetite and limits.

The first step is to establish a risk strategy that clearly defines a risk appetite for the achievement of business objectives. The risk strategy should be revised at least yearly, simultaneously with changes in the business strategy.

The Board of Directors of Solunion defines the risk appetite, which becomes part of the risk management system, and sets both the limits to be applied to risk taking and the necessary measures for the Risk Committee to verify, at least once a year, that the limits are effective and appropriate for the Company.

2. Strategic and business plan.

The solvency capital needs are calculated so as to be sufficient in order to face all the risks that current impact the business or that may impact it in the future, using as the reference the period covered by the Business Plan (2023 to 2027).

3. Analysis and evaluation of critical risks.

An assessment of critical risks is made in order to identify, assess and, as appropriate, mitigate potential risks to obtain a set of critical risks to be monitored and controlled on a yearly basis.

The process of critical risk assessment includes all risks categories and it is designed in order to:

- Identify the main critical risks.
- Assess and define critical risks (assessment of residual risks).
- Establish a risk appetite that is acceptable for each critical risk.
- Identify and prioritise mitigation activities.
- Guide the preparation of reports and the approval of critical risks.
- Control the development of risk exposure and mitigation plans.

4. Standard formula of solvency capital requirement

This formula is used to calculate solvency capital needs with a methodology and principles established by EIOPA in the framework of Solvency II for all market, counterparty, assurance and operating risks.

Solunion calculates the Solvency Capital Requirement (SCR) in accordance with the principles, assumptions and parameters established by EIOPA in the standard formula.

According to the nature, complexity and proportionality, it is considered that the Company does not significantly depart from the assumptions applied in calculation of the standard model, thus justifying its use. Hence, it would not be deemed necessary to replace the subset of parameters used with specific Company parameters or apply an internal model.

5. Stress testing.

Once the projection is made of the Solvency Capital Requirement for the base scenario – that is, the 2023-2027 business plan, to complete the solvency forecast – the Company has applied diverse stress scenarios for the years 2023-2027, the results of which are set out in the ORSA Report.

6. ORSA report.

The ORSA report presents the results of the Own Risk and Solvency Assessment obtained by Solunion. It also sets out and documents the Company's overall solvency needs according to the risk exposures and capital requirements using the standard calculation defined by the regulatory implementations of Solvency II at the date of issue of that Report.

The ORSA is prepared and approved annually, although it would be prepared within a shorter term for extraordinary reasons if the Board of Directors requests it.

It should be noted that, at the issue date of this report, the 2022 ORSA Report has not yet been issued, so the point of reference is the 2021 ORSA.

B.4. Internal control system

B.4.1. Internal control

Solunion has an operational risk and internal control framework whose latest review was approved on March 29th, 2022 by the Solunion Board of Directors. The framework sets out the most important actions to be implemented to maintain an optimal internal control system.

The operational risk and internal control framework provide a general model of functioning that realises a set of principles, guidelines and policies that can establish a definition of the function at a global level and its current implementation at every level of the Company to ensure continuity and uniformity in its application.

Solunion conceives internal control as a system whose performance requires the involvement and commitment of all members of the organisation, and not an isolated organisational area, that has been created to monitor the Company's actions in relation to the risks to which it is exposed. The members of the organization contribute to provide a reasonable security to achieve the set objectives respect to:

- **Operational Objectives:** Efficiency and efficiency of operations, differentiating the operations inherent to the insurance activity (subscription, claims, reinsurance and investments, mainly), such as operations and support functions (People, Sustainability and Procurement, Administration, commercial, legal, technology, etc.)
- **Information Objectives:** Reliability of the information (financial and non-financial, and both internal and external) regarding its reliability, opportunity or transparency, among others.
- **Compliance Objectives:** Compliance with the applicable laws and internal policies and procedures.

This framework is based on a governance system and organisational structure that lays down a model of three lines of defence in internal control.

- **First Line of Defence:** Operational areas, business lines or support units. They are responsible for the application of internal control procedures in every process in which they intervene and for which they are responsible, and manage the risks that originate in these processes.
- **Second Line of Defence:** Risk Management and Internal Control Area It is a body that is independent from areas for the implementation of the internal control system with responsibility for defining applicable policies and procedures, coordinating and supervising evaluation and control activities, launching action plans and generating management reporting for different areas and governing bodies.

The Second Line of Defence also includes the Compliance Function and the Actuarial Function, which ensure that the controls are consistent with the control objectives and comply with the Policies and procedures on which they are based.

- **Third Line of Defence:** Internal audit, as an independent evaluator tasked with overseeing the correct functioning of the internal control system, compliance with policies and procedures and final evaluation of the effectiveness of the action plans and initiatives launched.

The definition of internal control and the different elements mentioned in the management framework are based on the COSO Report, according to which there is a direct relationship between the objectives that the Company wishes to achieve (in terms of efficiency and operational effectiveness; confidence in accounting and financial records; and conformity with external and internal rules and regulations), the components of the internal control system (which represent what the organization needs to achieve the objectives), and its organizational structure (operative units, legal entities, etc.) sets out a common internal control model that companies can use to evaluate and check their own control systems.

By means of compliance with risk management policies and procedures, adequate treatment is performed of risk, ensuring that the risks taken on by Solunion remain at an acceptable level and, hence, do not endanger the achievement of the Company's strategic objectives.

Different internal and external events will be assessed, allowing for acting according to the impact such events represent at a business, operational and organisational level. For risk treatment, necessary corrective measures will be selected and applied to control and mitigate the assessed risks.

Ultimate responsibility in internal control at Solunion lies with the Company's Board of Directors. Nevertheless, as a general rule, the Management Committee is the executive body that is periodically informed of the results of risk assessment and controls, and to which any significant matters related to internal control are escalated. Therefore, the Management Committee has decision-making authority for any matter related to risk management and control in Solunion, approval of the Operational Risk and Internal Control Framework and possible modifications to the same, reporting and action plans launched to mitigate the Company's risk exposure or to implement improvements in the internal control function.

The Management Committee will regularly inform the Board of Directors on matters deemed critical in the area of control and it may also escalate to the Board any decisions as it deems necessary.

The Corporate Risk Management and Internal Control Area prepares an Annual Report on the Effectiveness of Internal Control Procedures that sets out the Company's current situation at the date of the analysis of risks and controls, allowing for updating the risk and control map. This map also serves as the basis for the following internal control cycle.

The Annual Report on the Effectiveness of Internal Control Procedures for the year 2021 which shows the results of the analysis and the action plans to improve mitigation of the most significant risks was presented to the Board of Directors, on June 21st, 2022. At the date of issue of this report, the annual Report corresponding to the year 2022 has not yet been issued. The risk and control evaluation is being carried out without any relevant facts being identified for the Company.

B.4.2. Compliance function

The compliance function identifies risks of external and internal non-compliance that may occur as a result of the Company's activity, advises as a result of such risk assessment, alerts on possible non-compliance and monitors the measures adopted for its correction, in order to ensure that the Company's operations are adjusted in all areas to the general and sector-specific regulations and to the internal ones established by Solunion to achieve a global compliance environment.

The Company has a compliance policy, the latest revision of which was approved by the Board of Directors on September 28th, 2022, and which describes the compliance function in the Company.

The Policy states that, in accordance with the principle of decentralisation and to achieve coordinated implementation, the compliance function has teams that are proximate to business processes in order to assist all members of the organisation in fulfilling their responsibilities, and it is structured pursuant to specific regulatory requirements to which it is subject and to the principle of proportionality according to volume.

The head of the compliance function is responsible for reporting the monitoring of compliance risk to the Solunion CEO.

The process of compliance risk management enables determination and assessment of compliance risk, establishment of minimum parameters for the identification, measurement, mitigation, monitoring and reporting of compliance risk exposure and identification of compliance risks:

- Compliance risk identification: the identification process allows the set of compliance risks affecting the Company to be outlined, which forms the Compliance Universe.
- Compliance risk evaluation: an assessment of compliance risk consists of a quantification of the impact and probability of each of the identified risks. This assessment entails analysing the financial and non-financial impacts and prioritizing, according to these results, actions on risks.
- Compliance risk mitigation: mitigation of compliance risks is the response to compliance risk. Mitigation strategies should reduce the impact and/or probability of occurrence of identified compliance risks.
- Compliance risk monitoring: Monitoring of compliance risk allows for checking that risk mitigation activities are working properly and identifying any new risks affecting compliance. The business processes report to the Head of Compliance any indication of the existence of a compliance incident and provide updated information on the status until it is resolved.
- Compliance risk exposure information. Compliance reports on the management process of this risk will include at least the results of the assessment of the compliance risk, compliance risks that may generate losses, the results of monitoring activities and the status of mitigation and rectification actions.

B.5. Internal audit function

As discussed in the Risk Management System section, Internal Audit is the risk management model's Third Line of Defence, and should provide an independent guarantee of the adequacy and effectiveness of the internal control system as well as other elements of the governance system.

Solunion's Internal Audit Function is outsourced to its shareholders, Allianz Trade and MAPFRE, through their internal audit teams, who perform audit activities under the responsibility of the Chairman of the Board of Directors. This relationship is supported by an outsourcing contract and the activity is supervised by the Finance and Administration Director of the Solunion Group, who is responsible for overseeing the correct operation of the outsourced function. The conditions under which such outsourcing is provided can be found in the following point, B.7.

The Internal Audit Policy, whose last annual review was approved by the Audit and Compliance Commission and the Board of Directors on September 28th, 2022, aims to (i) ensure that the organization and work of the Solunion Group's internal audit adhere to a consistent set of minimum standards, rules

and operating procedures such that the effectiveness of the controls necessary to achieve the Solunion goals is ensured, (ii) establish the mission, duties, powers and obligations of the Internal Audit Function within the Solunion Group, (iii) the framework of relations between the Internal Audit Function of Solunion and the Audit and Compliance Commission, rest of governance bodies, the Chairman and Senior Management.

B.6. Actuarial function

The company has an Actuarial Function Policy whose last review was approved by the Board of Directors on September 28th, 2022, which describes the Actuarial Function in the Company.

The Actuarial Area is responsible for coordinating and reviewing the mathematical, actuarial, statistical and financial calculations of the best estimate used in the calculation of capital requirements.

Responsibility for the actuarial quantifications and other predictive models, as well as the preparation of the technical documentation associated with these valuations, lies directly with the Actuarial Areas of the First Line of Defence.

The Actuarial Function shall establish the general principles and guidelines for intervention, taking into account best practices, with the aim of coordinating and standardising the guidelines for the performance of actuarial calculations and the local requirements applicable to each Business Unit.

The Actuarial Function ensures compliance with the general principles and guidelines for actuarial valuations, taking into account the local requirements applicable to each Business Unit, and when irregularities are detected in certain quantifications or when the general guidelines set by the Group are not being followed, it shall be responsible for promoting corrective actions.

The Actuarial Function shall advise the Actuarial or Financial Area of the Company in the fulfilment of its responsibilities.

The head of the Actuarial Function shall prepare and submit an annual report to the Actuarial and Reserves Committee, which shall forward it to the Management Committee and the latter, in turn, to the Board of Directors. This document shall report on the results of the performance of its functions, the adequacy of the level of technical provisions and shall also express an opinion on the Commercial Underwriting Policy, the Risk Underwriting Policy and the Reinsurance Policy. In the event that deficiencies are identified, the report shall include recommendations as to how they can be addressed, including a timetable setting out when they need to be corrected.

B.7. Outsourcing

Information on current outsourcing arrangements

Solunion has an Outsourcing Policy, whose last review was approved by the Solunion's Board of Directors on September 28th, 2022, that establishes principles of management for the outsourcing of activities that enables the Company to manage its own suppliers map in accordance with methodology in place for outsourcing.

The existing governance structure ensures that the Company has sufficient control over critical functions, activities or services which have been outsourced, in the terms established in the Solvency II Directive and local enacting legislation.

Solunion's internal audit function is outsourced to its shareholders, Allianz Trade and MAPFRE, through their internal audit teams, who perform audit activities under the responsibility of the Chairman of the Board of Directors.

This relationship is underpinned by an outsourcing contract and the activity is supervised by the CFAO of the Solunion Group, who is the responsible for overseeing the correct operation of the outsourced function.

By outsourcing the mentioned functions, other important activities and services, the Company streamlines its processes, as it can exploit the knowledge and specialisation of its suppliers and very often benefit from positive synergies.

B.8. Any other information

The Company's governance system reflects the requirements established in the Solvency II Directive on the system for management of risks inherent to its activity. It employs its own strategy for implementing and carrying out the Risk Management and Internal Control Area, where it is the responsibility of the Solunion Management Committee to define the reference criteria and establish/validate its organisational structure.

Its structure is based on the related regulatory requirements, as well as the principle of proportionality related to its business size and the nature/complexity/size of the risks assumed by the Company.

C. Risk profile

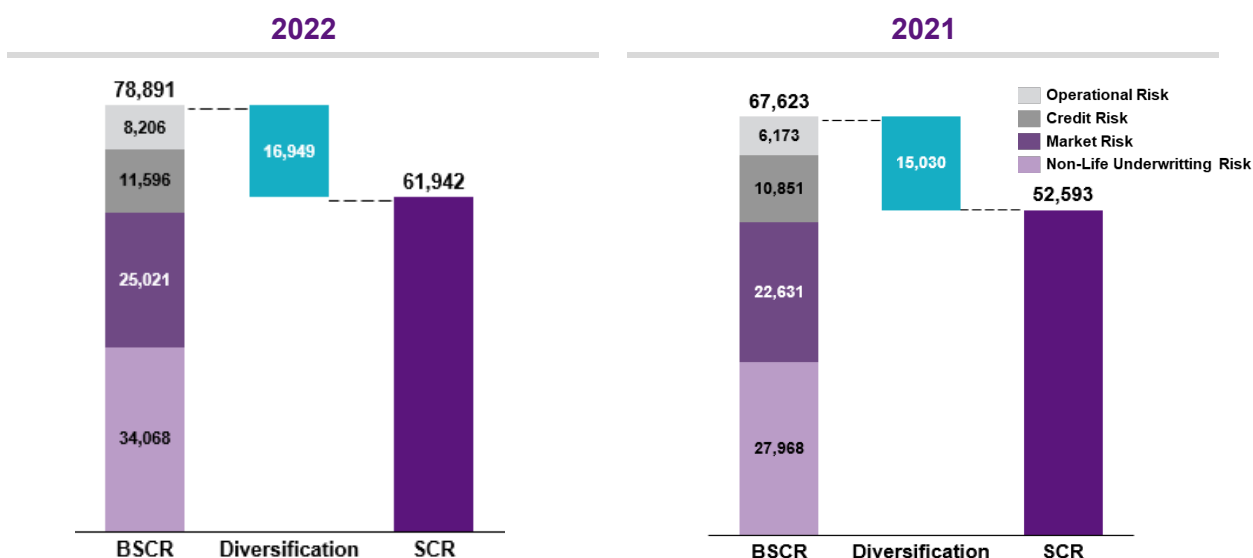
After the entry into force of Solvency II regulations, the Company calculates its SCR in accordance with standard formula requirements. For the main risk categories, this total SCR is considered an excellent measurement tool for determining the Company's risk exposure, as it recognises the capital charge corresponds to key risks (such as underwriting, market, and credit risk). As explained below in sections C.4 and C.6, the Company's exposure to other risks not included in the SCR calculation using the standard formula (risk of liquidity, technical provisions, business continuity, compliance, reputational and outsourcing) are not considered significant, since the Company applies effective measures to manage and mitigate them.

As indicated in regulations, the SCR corresponds to the Company's equity for limiting the probability of bankruptcy to one case per 200 years, or that the Company is still 99.5% able to meet its commitments to insurance beneficiaries and policyholders during the following year.

After the analysis carried out, it is concluded that the risk modules of the standard formula that apply to Company are the following:

- Market risk
- Non-Life Underwriting risk
- Counterparty Risk
- Operational risk

The following graphs shows the risks that make up the risk profile of Solunion based on the regulatory capital required (reported in template S.25.01.21 of the Appendix) (SCR calculation is explained in section E.2 of this report):



* BSCR: SCR Components before Diversification.
Data in thousands of euros

These graphs show that the Company's risk profile remains constant; for both 2022 and 2021, the risk with the highest impact was Non-Life Underwriting risk, which accounts for 43.19% of the total SCR (41.36% in 2021), followed by Market risk, which accounts for 31.71% of the total SCR (33.47% in 2021).

The Company does not apply adjustment for loss absorbency of deferred taxes in 2022 and 2021 due to the Company's adaptation to the temporary limits of recoverability approved in the Delegated Regulation 2019/981.

With regard to the measures used to assess the main risks within the Company, there were no significant risks in 2022.

Other significant risks to which the Company is exposed are considered in Section C.6. A new material risk included in this section is represented by the climate change.

The degree of exposure risk by risk is described below, as well as the mitigation and mitigation techniques the Company employs to minimise it.

C.1 Underwriting Risk

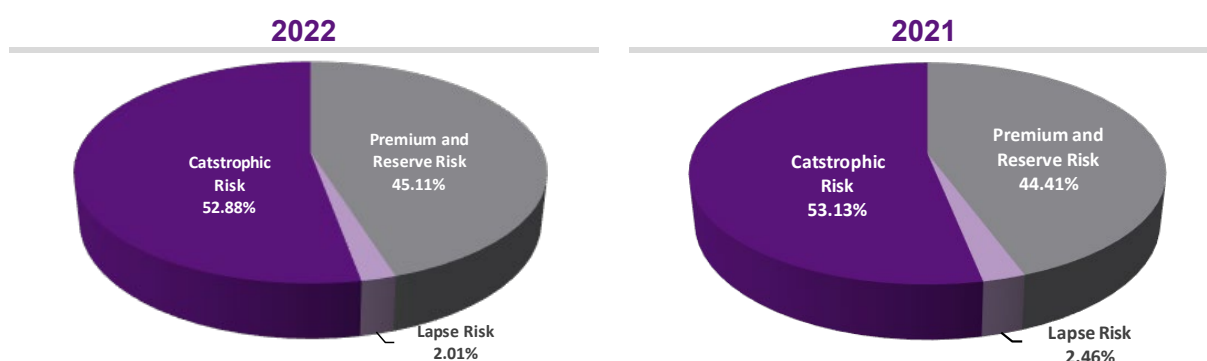
C.1.1 Exposure to the risk

Underwriting Risk is defined as the risk of loss or adverse value changes in the commitments arising from insurance activities, due to incorrect pricing hypotheses and constitution of provisions.

It is also subdivided into the following risk sub-modules:

- Premium and reserve risk: the risk of loss or of adverse change in the value of insurance liabilities, due to fluctuations in relation to the timing, frequency and severity of insured events, and in the timing and amount of claim settlements.
- Lapse risk: as the expected benefits included in future premiums of existing insurance contracts are recognised in the eligible own funds of insurance and reinsurance entities, the non-life underwriting risk module should take into account the downside risk associated with insurance and reinsurance contracts..
- Catastrophic risk: CAT risks arise from extreme or irregular events that are not adequately reflected by mandatory capitals for premium and reserves risk. Therefore, it could be said that it is the risk of loss or adverse value changes of the liabilities derived from insurance, due to a notable uncertainty of the pricing hypotheses and constitution of provisions corresponding to extreme or exceptional events.

Underwriting Risk is included under the SCR Standard Formula calculation and entails 43.19% (41.36% in 2021) of the total SCR before diversification and taking into account the capacity of loss absorbing. The composition of the underwriting risk is detailed below:



The module with the greatest impact in 2022 is the one corresponding to the catastrophic risk, which represents 52.88% of the underwriting risk SCR before diversification (53.13% in 2021).

The most significant component of this module is the recession risk, which generates a capital load of 100% of the expected premium in the next 12 months after the mitigating effect of reinsurance agreements. This is followed by premium and reserve risk, which represents 45.11% (44.41% in 2021).

Exposure to lapse risk is residual at 2.01 % of the underwriting risk SCR (2.46% in 2021).

C.1.2 Risk management and mitigation techniques

The Company minimises underwriting risk thanks to a number of measures:

- **Establish directives, limits, and exclusions in underwriting risk:**

The Company establishes authorisation and exclusion limits for reducing undesired Underwriting Risk in its manual or policies, as well as the maximum acceptable exposure to specific risk concentrations.

- **Sufficient reserves or technical provisions set aside:**

Claim handling and the sufficiency of technical provisions are basic principles of insurance company management. Technical provisions are calculated by the Company's actuarial teams and their amounts are validated by an independent third party not involved in the calculations. The establishment of technical provisions is regulated by specific policies.

- **Reinsurance utilization:**

Solunion uses the reinsurance technique in order to balance the risk distribution contained in its portfolio and optimise its capital through: (i) an increase in its underwriting capacity and available capital, (ii) stabilisation of its financial results and reduction of its losses, (iii) and protection of its equity.

At December 2022, the Company had reinsured 91,33% of its premiums and 90.16% of its technical provisions.

At a minimum annual frequency, reinsurance management procedures are reviewed and updated if applicable in the Reinsurance Policy.

Note that the Company's Actuarial Area expresses its opinion about the Underwriting Policy, the sufficiency of the rates and the technical provisions, as well as the adequacy of the reinsurance coverages contracted in the Report issued with a minimum annual frequency.

To mitigate catastrophic risk specific reinsurance coverage is contracted. Additionally, there are reports that define the catastrophic exposure to which the Company is exposed, to estimate the scope of losses should a catastrophic event occur. Catastrophic risk underwriting is done based on the above information, the economic capital available, as well as the reinsurance mitigation capacity contracted.

Through its Reinsurance Area, the Company is responsible for correctly identifying the appropriate level of risk transfer for its previously-defined risk limits, and for defining/designing the types of reinsurance agreements based on its risk profile.

Once its reinsurance needs have been defined, the Company communicates them to the reinsurers to jointly plan the optimal structure and conditions for assignment contracts.

- **Setting a sufficient premium:**

Premium sufficiency is of special importance, and its determination is supported by specifically-designed IT applications, as well as by actuarial calculations.

C.1.3 Concentration

Solunion applies limits that allow it to control the level of concentration of underwriting risk and use reinsurance contracts in order to reduce the underwriting risk derived from concentrations or accumulations of guarantees that exceed the maximum acceptance levels.

The greater exposures to underwriting risk are derived from the man-made catastrophes in the credit and suretyship risk. To mitigate this risk specific supplementary reinsurance coverages are contracted.

C.1.4 Transfer of risk to special purpose entities

The Company does not transfer underwriting risks to special purpose entities.

C.2 Market Risk

C.2.1 Exposure to the risk

Market Risk is the risk of loss or adverse modification of a financial situation, directly or indirectly arising from fluctuations in the volatility and level of market prices of assets, liabilities, and financial instruments.

Solunion investment strategy is based on prudent policy, and characterised by a high proportion of fixed-income securities with high credit ratings.

The following is a breakdown of the Company's investments with exposure to Market risk:

Asset category	2022		2021	
	Market value	Portfolio composition	Market value	Portfolio composition
Real estate investments	50	0.04%	44	0.04%
Financial Investments	122,044	99.96%	110,861	99.96%
Fixed-income securities	81,627	66.88%	74,649	67.34%
Equity securities and investment funds	4,671	3.83%	4,944	4.46%
Holdings in Group companies	35,746	29.29%	31,268	28.20%
Total	122,094		110,905	

Data in thousands of euros

As of December 31st, 2022, and 2021, 99.96% of all Company investments were financial investments whose breakdown is reflected in the previous table.

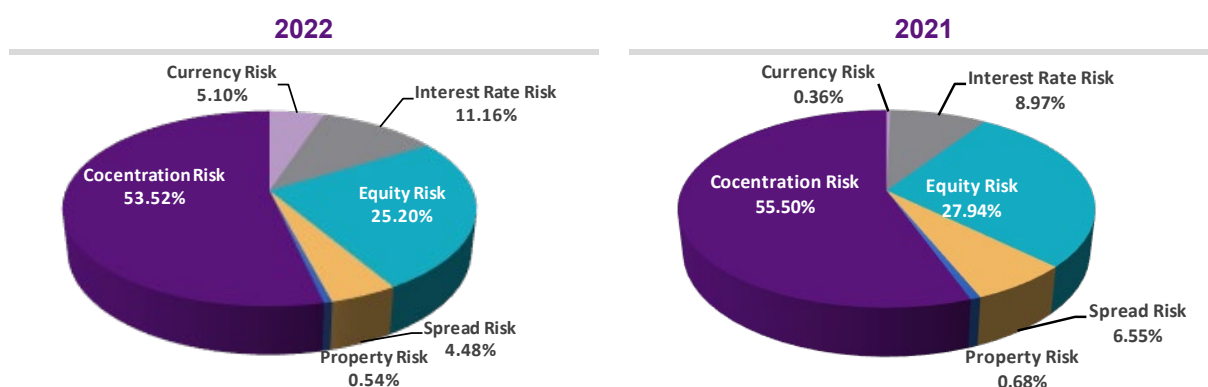
The sub-models existing within the investment risk to which the Company is exposed are listed below:

- Equity risk: sensitivity of the value of the assets, liabilities, and financial instruments to changes in the level or the volatility in the value of the equity and participations in Group companies.
- Concentration risk: additional risks to which an insurance or reinsurance company is exposed as a consequence of a lack of asset portfolio diversification or significant exposure to noncompliance risk of a securities issuer or a group of connected issuers.

- Interest rate risk: sensitivity of the value of the assets, liabilities, and financial instruments to changes in the temporary structure of interest rates or the volatility of the interest rates.
- Spread risk: sensitivity of the value of the assets, liabilities, and financial instruments to changes in the level or the volatility of credit differentials with regard to the time structure of risk-free interest rates.
- Currency risk: sensitivity of the value of the assets, liabilities, and financial instruments to changes in the level or the volatility of the currency exchange rates.
- Property risk: sensitivity of the value of the assets, liabilities, and financial instruments to changes in the level or the volatility of the market prices of the real estate property.

The SCR market risk entails 31.71% (33.47% in 2021) of the total SCR before diversification and taking into account the loss absorbing capacity.

The composition of the market risk is detailed below:



The assets and liabilities denominated in foreign currency as of December 31st, 2022 and 2021 are as shown below:

ASSETS	Euros		Dollars				TOTAL	
	2022	2021	2022	2021	2022	2021	2022	2021
Deposits other than cash equivalent assets	617	5,660	361	3,787	-	-	978	9,447
Reinsurance Share in Technical Provisions	180,243	143,149	104,244	80,724	-	-	284,487	223,873
Loans and receivables	19,027	6,946	10,762	10,365	143	143	29,932	17,454
Reinsurance Deposits Accepted	92	92	3,648	3,147	2	2	3,742	3,241
Credit for reinsurance operations	18,935	6,854	7,114	7,218	141	141	26,190	14,213
TOTAL ASSETS	199,887	155,755	115,367	94,876	143	143	315,397	250,774
LIABILITIES	Euros		Dollars				TOTAL	
	2022	2021	2022	2021	2022	2021	2022	2021
Reinsurance operation debts	8,373	22,938	6,356	7,988	-	-	14,729	30,926
Debts for reinsurance operations	42	94	3,836	3,371	-	-	3,878	3,465
Technical provisions for benefits	8,331	22,844	2,520	4,617	-	-	10,851	27,461
Reinsurance Deposits Ceded	198,720	162,040	116,824	86,688	(15)	(15)	315,529	248,713
TOTAL LIABILITIES	207,093	184,978	123,180	94,676	(15)	(15)	330,258	279,639

Data in thousands euros

C.2.2 Risk management and mitigation techniques

The main method Solunion uses to mitigate market risk is following the Principle of Prudence and it establishes certain concentration limits when making investments, i.e. Risk Appetite, which is defined by the Board of Directors.

The Investment Committee defines the investment limits applicable, checking that they meet the diversification and dispersion limits.

Additionally, for each risk sub-model:

- Share investments are subject to the maximum limit of the investment portfolio, and issuer limits.
- Spread and concentration risks are mitigated by the high proportion of fixed income securities with credit ratings classified as degree of investment, and through issuer diversification.
- The Investment Risk Management and Liquidity Risk Policy establish an asset exposure limit for currency coverage in order to minimise foreign currency risk. It also looks for a correlation between the currencies in which the assets and liabilities are denominated. There is a list of assets in which it is permitted to invest, others that are not permitted and others for which prior approval is required from the Investment Committee.
- The modified duration is an interest rate risk management variable, which is conditioned by the limits established and approved by the Board of Directors of the Company.

C.2.3 Concentration

The greatest concentration of investments is the European Public Debt.

C.3 Credit risk

C.3.1 Exposure to the risk

Credit Risk is the risk of loss or adverse modification of a financial situation arising from fluctuations in the solvency of values issuers, counterparties, and any other debtors to which insurance and reinsurance entities are exposed, materializing as counterparty non-compliance, differential, or market risk concentration.

The Company's Credit Risk Management policies distinguish between three types:

- a. Exposure to which reinsurers are exposed: counterparty risk is generated mainly because of Solunion's heightened exposure in reinsurance agreements. The exposure level of reinsurance recoverables is affected by the heightened level of transfer defined in the reinsurance structure. (Reinsurers)
- b. Exposure to banks, savings banks, credit cooperatives, financial entities, and other similar entities. Their exposure to Credit Risk is measured by their economic value. (Financial entities)
- c. Fixed income securities, derivative instruments, and other financial investments not considered fixed income. Its exposure to Credit Risk is measured at its economic value, once possible mitigating factors have been deducted. (Investments)

Credit Risk is included under the SCR Standard Formula calculation.

- Such as spread and concentration risk, under Market Risk in the section C.4.

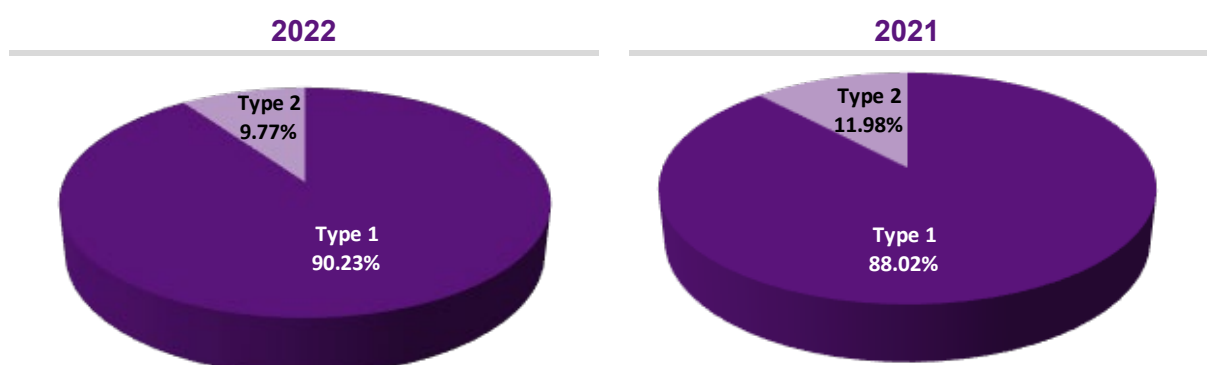
- Such as credit risk or counterparty noncompliance. This module distinguishes between two types of exposure:
 - Type 1 exposure: in which entities generally have credit ratings and includes reinsurance contracts, SWAPS and cash in banks among others.
 - Type 2 exposure: includes accounts receivable from intermediaries, and policyholder debts, among others.

The following is a table reflecting the exposure to Credit Risk at December 31st, 2022 and 2021:

	2022	2021
Type 1 Expositions	310,644	241,530
Type 2 Expositions	10,702	21,415
TOTAL	321,346	262,945

Data in thousands of euros

The Credit risk SCR entails 14.70% (16.06% in 2021) of the total SCR before diversification and taking into account the loss absorbing capacity. The composition of the credit risk is detailed below:



C.3.2 Risk management and mitigation techniques

The policy followed for Credit risk management sets limits in line with the counterparty's or investment instrument's risk profile, as well as exposure limits related to the counterparty's rating. A risk exposure monitoring and notification system is also set up.

The Company's strategy for reinsurance counterparties is to cede the business to reinsurers with proven financial capacity. The transfer of Solunion is mainly directed to the reinsurers of the shareholders Allianz Trade and MAPFRE, and aims to benefit from its wide capacity and high credit quality.

The Company's Credit Risk investment policies are based on the application of criteria of prudence based on the issuer's solvency. Fixed-income investments are subjected to limits by the issuer and seek out geographic similarity between the issuers of assets and commitments.

The chief principles which must be met which inspire the management of the use of reinsurance and other risk-reduction techniques within the Company are:

- The principle of optimizing capital consumption.
- The principle of optimizing conditions.

- Counterparty solvency principle.
- The effective transferability of risk principle.
- The principle for matching risk transfer level.

C.3.3 Concentration

In relation to reinsurance, the highest concentration is found in reinsurers of the group.

C.4 Liquidity risk

C.4.1 Exposure to the risk

The Liquidity risk is the risk that the insurance and reinsurance companies might not be able to realise its investments and other assets in order to meet its financial obligations at expiration.

The liquidity risk is not included in the calculation of SCR standard formula. The exposure to liquidity risk is considered low, taking into account the prudent investment strategy included in the Investment Policy, which is characterized by a high proportion of fixed-income securities with high credit quality that are quoted in liquid markets. Additionally, liquidity risk in the face of extreme events is minimized with the use of reinsurance as a technique to reduce concentrations to underwriting risk and the selection of reinsurers with a high credit quality. However, in the current environment of uncertainty, appropriate management of this risk is even more necessary.

The Company has an Investment and Liquidity Risk Management Policy, which represent the framework of reference for handling Liquidity Risk. The Company's Policy is based on maintaining sufficient cash to cover any situations arising because of its commitments with policyholders and creditors.

At December 31st, 2022, the balance of cash and cash equivalents amounted to EUR 978 thousand (EUR 9,459 thousand in the previous year), which is equivalent to 0.79% of total investments and cash equivalents (7.86% in 2021).

Additionally, the majority of fixed-income investments have high credit ratings and are traded on organised a financial market, which grants a great deal of leeway for action in the face of potential liquidity tensions.

The Investment and Liquidity Risk Management Policy foresees the possibility at any moment of the need for large quality liquid amounts and forecasted cash entries sufficient to cover expected cash balances for the whole year.

C.4.2 Risk management and mitigation techniques

Liquidity risk is managed mainly by maintaining cash balances high enough to cover any incidence derived from the obligations facing the insurers and creditors, i.e. having a cash volume that, as a whole, ensures compliance with the limits established in the Investment and Liquidity Risk Management Policy.

Likewise, the Investment and Liquidity Risk Management Policies establish liquidity risk limits for the investment portfolio and the correlation with liabilities, with regard to the short-term nature of its technical liabilities as well as management of the foreign currency investment.

C.4.3 Concentration

No risk concentrations have been identified in relation to liquidity risk.

C.4.4 Expected benefits included in future premiums

In calculating the best estimate of the technical provisions for the Credit line of business, the expected benefits included in the future premiums have not been taken into account (as a lower value of the best estimate in case of be positive or higher value in case of expected losses). The Company does not consider future business in this line due to the characteristics of its business, since nearly all its portfolio should be subject to a detailed analyses of the risk limits granted under the contact.

In calculating the best estimate for the Suretyship line of business of technical provisions, the expected benefits included in future premiums have been taken into account (as a lower value of the best estimate in case of be positive or higher value in case of expected losses). At December 31st, 2022, the amount of these expected benefits was EUR 639 thousand, gross of reinsurance.

C.5 Operational risk

C.5.1 Exposure to the risk

Operational Risk is the risk of loss arising from the inadequacy or errors in internal processes, personnel, systems, or external events.

Operational Risk is included under the SCR Standard Formula calculation. The Operational Risk model reflects those not previously included in the above modules. It includes legal risks, but not those arising from making strategic decisions, or reputational risk.

The Operational risk SCR represents 10.40% (9.12% in 2021) of the total SCR (before diversification). Below is a table reflecting the results based on earned premiums and technical provisions:

	2022	2021
Operational risk module	8,206	6,173
30% BSCR	16,121	13,926
Maximum premiums and provisions	7,547	5,817
Accrued premiums risk	8,206	6,173
Technical provisions risk	8,206	6,173

Data in thousands of euros

The most critical inherent operational risks to which Solunion is exposed are included in the Annual Report on Internal Control Effectiveness.

C.5.2 Risk management and mitigation techniques

The identification and evaluation of operational risks and business processes are managed by the Solunion's Risk Management an Internal Control area, which creates Risk Maps for the Company, in which analyses on the importance and probability of occurrence of different risks are performed. The analysis is carried out through a computer platform dedicated to the evaluation, identification and monitoring of the risks that exist in the whole business.

This Risk Map is also used for handling control activities (process manuals, inventories of risk-associated controls, and the evaluation of their effectiveness), as well as corrective measures established to mitigate/reduce risks and/or the control environment.

The operational risk management model is based on a qualitative dynamic analysis of the Company's processes, so that each area/department manager identifies and evaluates the potential risks affecting business processes behind the scenes. Management Planning and Control, Management Risk Function, Strategic Marketing, Development of Products, Operational Marketing, Commercial Underwriting, Underwriting of Risks, Policy Administration, Claims, Claims and Collections Administration, Collections, Reinsurance, Technical Provisions, Investments, Quality and Service, Operations, People, Sustainability and Procurement, Administrative Management, Customer accounting, Legal and Compliance Function, Communication, Technology and System, Internal Audit Function and Security.

This analysis considers the self-assessment of risks, the documentation of manuals of internal controls in which the controls associated with risks are identified, the evaluation of the effectiveness of the controls and the management of corrective measures established to mitigate or reduce the risks and / or improve the control environment.

C.5.3 Concentration

No risk concentrations have been identified in relation to operational risk.

C.6 Other material risks

In addition to the risks that were just described, Solunion is exposed to other material risks:

- **Geopolitical risk: Ukraine-Russia conflict**

At the date of preparation of this report, the economic effects of the Ukraine-Russia conflict are uncertain. However, it should be noted that the Company does not have any exposure to these territories, so the direct impact on underwriting and investment operations is not relevant.

The conflict has already caused, among other effects, increased volatility in financial markets and commodity market prices which put upward pressure on the current level of consumer prices. Depending on the development of the conflict, this could lead to macroeconomic tensions affecting the gross domestic product growth rates of the countries in which Solunion operates and, consequently, the performance of the insurance market as a whole.

- **Cybersecurity risk**

Cybersecurity risk is the risk relating to the threats inherent in the use and application of information and communication technologies which, if manifested, may compromise the confidentiality, integrity and availability of information and systems.

Solunion develops security management in conjunction with MAPFRE's Corporate Security Directorate. As of the date of this Report, Solunion has not recorded any significant information security incidents.

The Company's Security Management continuously monitors the measures implemented to mitigate these risks and reminds its employees to follow good security practices.

Solunion has taken out a Cyber Risk Insurance Policy to cover claims arising from cybersecurity incidents, privacy breaches and cyber extortion.

- **Technical Provisions risk:**

The Constitution of Technical Provisions is made considering the best estimated assessment, as is required under the Solvency II framework.

The Group Actuarial Function is in charge of the constitution reserves risk management as established the Actuarial Function Policy and the establishment of Technical Provisions Policy and the Reserves Committee ensures compliance with it.

The sufficiency of technical provisions is one of the fundamental factors to maintain Solunion's solvency and the basis for meeting the obligations acquired with the policyholders.

To guarantee and meet the sufficiency level of the provisions, there must be a monitoring system that guarantees reliability of the process for establishing technical provisions.

The Actuarial Area coordinates the calculations and guarantees sufficiency of provisions. Therefore, it is responsible for overseeing risk management for insufficient reserves.

In addition, the calculations are subject to independent review on at least an annual basis.

- **Business Continuity risk:**

The Business Continuity risk is the one that Solunion assets support due to the possibility that future events may lead to adverse to meeting the financial and business goals, or the Group's financial situation.

This risk is discussed in the Business Continuity Policy, the purpose of which is to define the processes to follow before, during and after an incident that causes or can cause interruption in Company operations so as to reduce the impact on the business to a minimum.

To handle this risk, business continuity plans are developed, which include a sufficient set of procedures to adequately respond, from the moment in which the disaster is reported until return to normalcy. For this, the areas, internal departments, suppliers and services of the Company are taken into account and must be updated and revised continuously to include possible significant changes.

- **Compliance risk:**

Risk that Solunion may suffer legal or regulatory sanctions, material financial losses or reputational losses due to non-compliance with general and regulatory regulations and the internal rules and regulations set out in the Code of Ethics and Conduct.

Monitoring Compliance risk allows us to verify if the risk mitigation activities are working properly and identify new risks that affect compliance.

Compliance incidents are defined as events that could have a material financial or reputational impact on the Group.

The business processes report to the Group's Head of Compliance any indication of the existence of a compliance incident and provide updated information on the status until it is resolved.

- **Reputational risk:**

Key risk that affects to the Company reputation, bearing in mind the expectations of the interest groups and the market sensitivity.

The following measures are carried out to mitigate the risk:

- In all areas of activity of Solunion, continue promoting ethical and socially responsible behaviour to reflect the principles that guide the actions of all employees, brokers and suppliers.

- Involve all employees, brokers and suppliers in the importance of preserving the Company's good image.
- Keep the crisis and reputational risk management procedures up to date.

- **Sustainability risk:**

Sustainability risk is defined as any condition or event arising from non-financial, environmental, social or corporate governance factors (ESG factors) that, if they occur, could have an impact on the Company's activity, on the value of the investment or on the value of the liability. This risk is regulated in the Social Responsibility and Sustainability Policy and is monitored by the Safety and Environment and Social Responsibility and Sustainability Committees.

In this line, the actions carried out in 2022 focused in:

In the insurance business:

- Collaboration and transparency between insured and insurer to facilitate better risk assessment and pricing.
- Incorporation of environmental, social and governance criteria into business strategy decision-making:
 - Underwriting restrictions in the coal industries and comprehensive analysis of mining, oil and gas, nuclear power, hydroelectric power, agriculture, fisheries and forestry operations, investments in agricultural raw materials, animal welfare and large-scale infrastructure health care, human rights, animal trials, sex industry, gambling and gaming, defence, banned weapons, weapons in high voltage zones, sanctions and taxation..
 - Underwriting of individual coal-fired power plant and coal mine operations is not accepted.

Own operations:

- Assessment according with materiality of our adverse impacts to contribute to their mitigation.
- Assessment according to the materiality of our positive impacts to contribute to their maximisation.
- Prevention and Compliance Measures in the area of Human Rights.
- Development and launch of Sustainability Master Plan 2022-2025.

The Company is working on the implementation of sustainability regulations concerning climate risk and their incorporation in the ORSA exercise.

C.7 Any other information

C.7.1 The most significant concentrations of risk.

Solunion applies a system of procedures and limits enabling it to control the degree of concentration of insurance risk. The Company employs reinsurance contracts to reduce insurance risk arising from the concentration or accumulation of guarantees well over maximum acceptance limits.

In relation to market risk, the Company applies the limits established in the Investment Policy, which ensures sufficient diversification by issuer, country, and activity sectors.

There are no future concentrations of risk expected during the activity-planning period apart from the aforementioned.

C.7.2 Sensitivity analysis

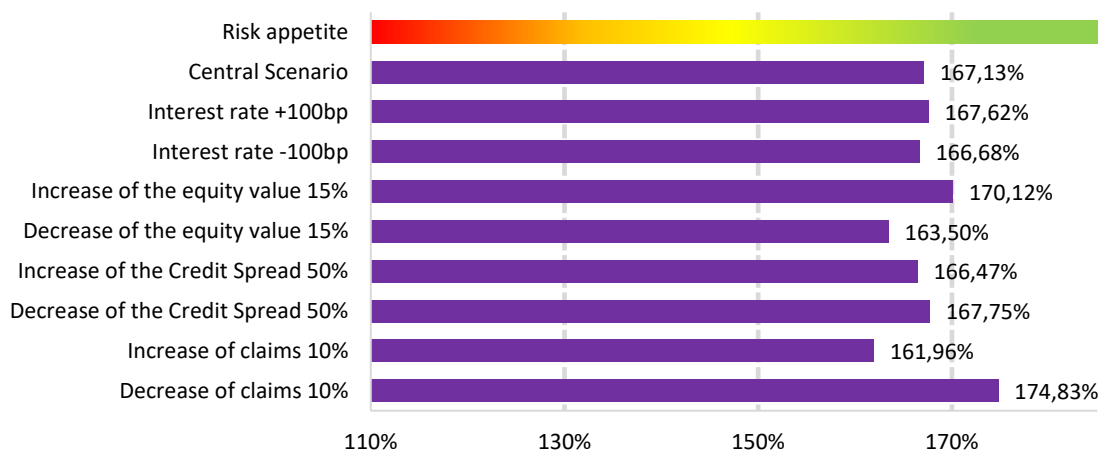
The purpose of the sensitivity scenarios is to analyze the impact on the solvency ratio of changes in the risk profile. To analyze its impact in terms of the solvency ratio, the sensitivities are performed in both directions, that is, by increasing and decreasing the exposure to risk.

The method used to obtain the results consists of:

- Establish a starting situation related to the economic balance, capital required solvency (SCR) and solvency ratio, at a given date.
- Select the initial variables that would be affected by the application of stressed hypotheses that have been defined for the different tests or scenarios.
- Determine the final effect on the solvency of the Company, through the new values of the affected variables.

Eight sensitivity scenarios involving movements in both the Company's balance sheet and the calculation parameters have been proposed. These movements are summarized in:

- Effect on interest rates: variations in interest rates imply changes in the valuation of assets and liabilities. A rise of the curve will imply a decrease of the value of the asset but also of the obligations of the Company, which in this case, are the technical provisions.
- Effects on the valuation of the equity: it supposes an increase and decrease of its valuation in the balance sheet of the Company and consequently, of the requirements of capital by equity risk.
- Effect of variations in the credit spread: it implies variations in the shock applied in the calculation of spread risk and consequently the capital requirements for this risk.
- Effects on claims, these variations suppose variations in the value of the gross and ceded technical provisions.



The sensitivities with the greatest impact in terms of eligible capital and capital consumption for the Company are the following:

- Increase of claims: this sensitivity leads to a decrease in the results of the results of the Company while at the same time increases the volume of technical provisions. These impacts are a decrease in the permissible own funds which, together with higher capital consumption, negatively impact on the solvency ratio
- Decrease of equity: the structure of the company's portfolio of assets, with a great weight of the value of the participations in the group's companies, makes that any change in its valuation have a direct impact on its own funds and on the consumption of capital in market risk (in particular, equity risk and concentration risk).

Included in the annual ORSA process, a sensitivity study is conducted in terms of risk exposure and capital requirements as of the closing date of exercise. This annual procedure reflects the impact on the solvency ratio, if the fundamental risk parameters had changed.

C.7.3 Other matters

Off-balance-sheet positions

There are no significant exposures to the above risks arising from off balance sheet positions.

Transfer of risk to special-purpose entities

The Company does not transfer risk to special-purpose entities.

D. Valuation for Solvency Purposes

D.1. Assets

Information on asset valuation

This heading includes a description, for every type of asset, of methods and main hypotheses used for both valuations for the purposes of Solvency II and for the purposes of the financial statements. In the event that there were significant differences among the bases, methods and main valuation hypotheses of both balances, a quantitative and a qualitative explanation will be provided for them.

The valuation of the majority of the assets is based on the fair value in accordance with the delegated regulation. The determination of the fair value of the financial and non-financial instruments is carried out with the valuation methodology described in article 75 and the following of the Delegated Regulation 2015/35 and articles 9 and 10.

It is important to consider that the model balance sheet as of December 31st, 2022 presented is adjusted to Solvency II regulations, and therefore it was necessary to reclassify the heading included under "Accounting value" since each model structures its balance sheet differently. Thus, under certain headings differences in classification arose between the data included in the financial statements and those reflected under "Accounting value."

The valuation of each category of tangible assets is described below. The figures correspond to the balance sheet at the end of 2022 that has been reported in template S.02.01.02 of the Appendix.

	2022		
	Accounting Value	Valuation changes	Solvency II Value
Goodwill	6,040	(6,040)	0
Deferred acquisition costs	24,390	(24,390)	0
Intangible assets	7,238	(7,238)	0
Deferred tax assets	10,712	8,606	19,318
Assets and rights to reimbursement for long-term remuneration to the personnel	3,831	-	3,831
Property, plant & equipment held for own use	812	-	812
Investments (other than assets that are held for "index-linked" and "unit-linked" funds)	133,247	(11,153)	122,094
<i>Property (other than for own use)</i>	34	16	50
Participations	47,296	(11,550)	35,746
Bonds	81,246	381	81,627
<i>Public debt</i>	50,559	237	50,796
<i>Private debt</i>	30,687	144	30,831
<i>Investment Funds</i>	4,671	-	4,671
Insurance other than life insurance, and health similar to insurance other than life insurance	284,487	(37,442)	247,045
Accepted reinsurance deposits	3,742	-	3,742

	2022		
	Accounting Value	Valuation changes	Solvency II Value
Credits for direct insurance and coinsurance operations	44,686	-	44,686
Reinsurance operation credits	26,190	-	26,190
Other credits	4,934	-	4,934
Cash and cash equivalents	978	-	978
Any other assets, not elsewhere shown	4,278	(381)	3,897
TOTAL ASSETS	555,565	(78,038)	477,527

Data in thousands of euros

The following are the valuations of significant assets for Solvency II purposes, as well as the qualitative explanations of the main valuation differences between the Solvency II criteria and those used for the preparation of the Annual Accounts as of December 31st, 2022. The valuation corresponding to those headings that do not present differences between the criteria established in the Accounting Regulation and Solvency II are detailed in the Annual Accounts of the Company as of December 31st, 2022.

D.1.1. Goodwill

In accordance with Solvency II criteria, goodwill was valued at zero, in accordance with Article 12 of Delegated Regulation 2015/35. Unlike under the Solvency II regulation, according to the Accounting Plan for Insurance Companies, goodwill is value at its cost adjusted in line with accumulated amortisation and any possible impairment. The above goodwill represents the excess amount paid during a business combination for the fair value of identifiable assets acquired and the liabilities and contingencies assumed.

D.1.2. Deferred acquisition costs

For purposes related to the Solvency II balance sheet, “Deferred acquisition costs” are presented at 0 value, since the cash flows considered during the valuation of the technical provisions includes the total amount of expenses associated to the evaluated insurance contracts, including those arising from acquisition costs. On the contrary, in the presentation that is made in the regulation applicable to the Balance sheet under PCEA are disaggregated in this heading.

D.1.3. Intangible assets

As regards the Solvency II balance sheet, recognition of intangible assets unrelated to goodwill must be recognised at a value other than 0 only if they may be sold separately, and the Company may demonstrate the existence of a market value for the same or similar assets.

The Company recognises software under this heading, as well as, the agreement signed with MAPFRE Global Risks, Compañía Internacional de Seguros y Reaseguros, S.A. in the month of December 2017, under which it undertakes to develop the necessary actions to ensure that its clients of the Suretyship line of business subscribe new insurance policies with Solunion as of January 1st, 2018, thus leaving MAPFRE Global Risks operate in the Suretyship line of business.

Due to a reorganization of the MAPFRE Group carried out through a structural modification operation through the complete spin-off of MAPFRE Global Risks (Order ECE/328/2019, of March 6th), the rights derived from said agreement have been assumed by MAPFRE España Compañía de Seguros y Reaseguros, Sociedad Anónima at the end of 2022, the amount of this intangible assets reduced by its accumulated amortization is EUR 7,238 thousand.

For this heading, which it considers does not meet the conditions established in the above Solvency regulations for market value recognition, and therefore they are presented at a zero value.

Under PCEA guidelines, intangible assets are measured at cost less their accumulated amortisation and, where applicable, less the possible impairment, as opposed to the abovementioned Solvency II criteria.

D.1.4. Deferred tax assets

According to the Solvency II regulations, the deferred taxes corresponding to all the assets and liabilities that are recognized for tax or Solvency purposes are recognized and valued. Deferred taxes are measured under Solvency II as the difference between the values assigned to assets and liabilities for solvency purposes, and their assigned values as recognised and valued for tax purposes.

The Company has recognised deferred tax assets with an accounting value of EUR 10,712 thousand in 2022, whereas in the Solvency II economic balance sheet the amount is EUR 19,318 thousand.

In accounting terms, deferred taxes correspond to the temporary differences that arise as a result of the differences between the tax valuation of assets and liabilities and their book values.

The differences between the Solvency II and accounting value of the deferred tax assets mainly arose due to the different valuation criteria used for the following items:

Deferred tax liabilities Solvency II	Value
Deferred acquisition costs	6,098
Intangible assets	1,809
Risk Margin	699
TOTAL	8,606

Data in thousands of euros

D.1.5. Pension benefit surplus

The Company does not have a surplus resulting from long-term remuneration to the personnel.

D.1.6. Property, plant & equipment for own use

In accordance with Solvency II criteria, property, plant & equipment held for own use must be measured at fair value. For the purposes of determining the fair value of property for own use, the market value is taken to be the value of the appraisals carried out periodically by authorised independent valuers, as established by the supervisory bodies. All other items of property, plant and equipment other than buildings are measured at acquisition cost adjusted for accumulated depreciation and, where applicable, the accumulated amount of any impairment losses.

Under PCEA regulations, property, plant, and equipment for own use is recognised at acquisition or production cost, corrected by the accumulated amortisation, and where applicable, the accumulated amount of impairment losses.

Under the IFRS 16 leases standard, which came into force in January 2019, there is a significant change in the measurement criteria for assets and liabilities in the economic balance sheet to reflect the impact of the application of this standard.

In this case, this item does not present valuation differences, so its amount is EUR 812 thousand on both the economic and accounting balance sheets.

D.1.7. Investments (other than assets held for "index-linked" and "unit-linked" contracts)

All investments must be measured at fair value on the Solvency II balance sheet, regardless of the accounting portfolio under which they are classified. The determination of fair value is performed by following the same procedures and methodology used for determining fair value based on IFRS standard 13 "Fair Value Measurement".

IFRS 13 defines fair value as the price received in exchange for an asset or paid for transferring a liability during an orderly transaction between market participants at the valuation date. In a fair value valuation, the transaction should take place in the main asset or liability's market, and where this does not exist, in the most advantageous market. Valuation techniques appropriate to the circumstances for which there is sufficient data to conduct a fair value measurement must be used, maximizing the use of relevant observable variables while minimizing the use of variables which cannot be observed.

In order to increase the coherence and comparability of the fair value measurements, IFRS 13 establishes a fair value hierarchy making it possible to classify the valuation technique variables used to determine fair value in three different levels.

Level 1 corresponds to unadjusted quoted prices on active markets. Level 2 uses observable data, or listed prices for instruments which are similar to those being appraised, or other valuation techniques in which all the significant variables are based on observable market data; Level 3 uses specific variables for each case. Nonetheless, it must stress the slight relevance of assets included in the last level.

Although the observable market transactions or information may not be available for all assets and liabilities, in any case the purpose of a fair value appraisal is always the same: estimate the price for an orderly transaction for selling or transferring the liability between market participants at the valuation date in present market conditions.

Under this heading, and based on the Solvency II balance sheet, the following investments are included:

D.1.7.1 Property (other than for own use)

This category includes items which are not considered for own use, and are devoted to earning payments, capital gains, or both.

For the purpose of determining the fair value of the property, the market value is considered to be that corresponding to the appraisal made by authorized independent appraisal entities. As established in Order ECO / 805/2003 of March 27th, on valuation standards of property, the Company requests the appraisals before two years have elapsed since the previous valuation and, regardless of the age of the previous valuation, whenever a significant alteration in the value of the same could have taken place

The regulations established in the PCEA indicate that the properties that are not considered for own use are recognised at acquisition or production cost, corrected by the accumulated amortisation, and where applicable, the accumulated amount of impairment losses, as opposed to Solvency II criteria, in which they are restatement at market value.

The difference in valuation criteria between Solvency II and the PCEA represented the recognition of the higher amount of properties on the Solvency II balance sheet in the amount of EUR 16 thousand. This estimate is based on appraisal reports made by independent experts.

D.1.7.2 Shares in related companies

In accordance with Article 212 of the Solvency II directive of the ROSSEAR, all affiliated companies that are either subsidiaries or have a participation or a relationship that could be considered a dominant or significant influence have been considered as subsidiaries.

Wherever possible, participations in related undertakings are measured at their listed prices on active markets as regards the Solvency II balance sheet. However, due to the absence of quoted prices on active markets, the participations and subsidiaries were valued using the adjusted equity method, considering the solvency valuation specifics indicated for each investment or subsidiary.

Under PCEA, participations in related party equity is valued at cost, and where applicable, at the accumulated amount of impairment losses. As a result of the difference in the valuation criteria of these shares, a decrease was revealed in the valuation of participations on the Solvency II balance sheet in the amount of EUR 11,550 thousand, vs. PCEA stipulations.

D.1.7.3 Bonds and obligations

Bonds are classified as follows:

- Public debt:

This sub-category includes those issued by central governments or organs forming part of a government structure. This includes instruments issued by autonomous or local administrations in European Union member states, which are considered similar to the debt instruments issued by their central governments.

- Private debt:

Within this subcategory have been included those emissions made by institutions that cannot be included in the category of government issuers,

Bonds are valued at fair value or amortised cost depending on the category in which they were designated according to PCEA / IAS 39. It will be necessary to recalculate the public and private debt items valued at amortized cost to adjust them to their fair value. On the other hand, they will be valued at fair value for the purposes of the Solvency II financial balance sheet, regardless of the accounting portfolio in which they are classified.

In the financial statements of the Company, investments are included under the heading “Financial assets available for sale” whose valuation differs in value by the amount of EUR 381 thousand, which have been disclosed and are due to the accrual of the deferred interest.

D.1.8. Reinsurance recoverables

In the Solvency II Economic Balance Sheet, the calculation of the reinsurance recoverables amounts is in accordance with the calculation of the technical provisions for the direct business, which means that these amounts will be recorded at their best estimate, taking into account additionally the temporary difference between recoveries and direct payments, as well as the expected losses due to non-compliance of the counterparty.

When determining the value of the amounts to be recovered from reinsurance from the amounts considered in the technical provisions, the following aspects have been taken into account:

- The expected value of potential reinsurance default based on its credit quality and the time horizon of the expected payment patterns.
- Expected reinsurance collection patterns based on historic experience.

The recoverable amounts of reinsurance contracts are calculated consistently with the limits of the underlying covered contracts, and treaty by treaty without taking into account approximations.

For reinsurance recoveries extending beyond the established payment period outlined in contracts in force, a renewal of current contractual terms is contemplated, with no substantial modification in contracted cost or coverage.

The classification among the different reinsurance businesses and the development of reinsurance claims are based on the hypotheses and assumptions made for direct insurance and accepted reinsurance with regard to the technical provisions.

The value of the potential reinsurance recoverables arising as a result of technical provisions for direct business is directly linked to estimations and projections for future cash flows which might be subject to a number of factors of uncertainty, which are mainly the following:

- Development of direct and accepted reinsurance business claims, to which reinsurance contracts are linked.
- Possibility of facing the future payments that the reinsurer has.
- Reinsurance payment pattern.

The estimate of the reinsurance amounts includes an adjustment for the probability of default of the reinsurers, to reflect the expected losses. This adjustment has very little impact due to the creditworthiness of Solunion's reinsurers.

Under PCEA, technical provisions for cessions to reinsurers are listed under assets on the balance sheet, and are calculated in accordance with the reinsurance contracts written and using the same criteria applied to direct business accepted reinsurance to be addressed later in this report

D.1.9. Deposits to cedants

In the Solvency II balance sheet, the value of the potential recovery of deposits held by grantors is directly linked to estimations and projections for future cash flows, which might be subject to a number of factors of uncertainty, which are mainly the following:

- The possibility of facing the future payments that the transferor has.
- Historic experience on the effective time horizon of these recoveries, as well as the possibility of offsetting these balances with totally different ones, generated by other types of transactions or contracts.

PCEA and Solvency II valuations coincide; therefore, there were no valuation differences.

D.1.10. Insurance and intermediaries receivables

In accordance with the criteria of Solvency II economic balance sheet, when determining the value of Loans with policyholders and intermediaries, the time effect implicit in the loans is irrelevant. The obligatory estimates of possible loan default with insurers related to bills pending payment are considered to correctly reflect their economic value, which only include rights related to invoices effectively issued and presented for collection.

As outlined in the section D.2 covering Technical Provisions, future cash flows from invoices pending issue corresponding to insurance obligations within the limits of the contractual framework are considered as part of the calculation of technical provisions.

PCEA and Solvency II valuations coincide; therefore, there were no valuation differences.

D.1.11. Reinsurance receivables

This heading includes loans arising as a result of reinsurance ceded transactions.

In the Solvency II economic balance sheet, when determining the value of amounts receivable from reinsurance transactions, the expected value of potential default by the reinsurer is considered, based on its credit quality and the time horizon of the recoveries.

The value of potential reinsurance collections is directly linked to estimates and projections for future cash flows which might be subject to a number of factors of uncertainty, which are mainly related to the possibility of meeting the counterparty's future payment commitments.

PCEA and Solvency II valuations coincide; therefore, there were no valuation differences.

D.1.12. Receivables (trade, not insurance)

This heading records commercial loans that are not due to insurance transactions and therefore have not been contemplated in the previous sections, for the purposes of the economic balance of Solvency II they have been valued taking into account their fair value.

PCEA and Solvency II valuations coincide; therefore, there were no valuation differences.

D.1.13. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits in current accounts, deposits held at call with banks, and other short-term highly liquid investments which are easily convertible in certain cash amounts, whose value is subject to fairly insignificant risk of change.

In the Solvency II Economic Balance Sheet, cash has been valued in accordance with IFRS, which is the methodology that by default establishes for this heading the valuation methodology for the purposes of Solvency II.

PCEA and Solvency II valuations coincide; therefore, there were no valuation differences.

D.1.14. Any other assets, not elsewhere shown

The item "Other assets, not included in other items" collects those assets not collected in other preceding sections and has been valued according to the IFRS at fair value.

Due to the varied nature of this line, below you will find a list of the assets that have been grouped together in this item:

- Commissions and other granted accrued reinsurance expenses are contemplated during the valuation of technical provisions, as they include the entirety of the associated expenses.
- Other: depending on the nature of the assets, they may need to be revalued at market value.

D.1.15. Additional information

There is no other additional information to be highlighted.

D.2. Technical provisions

Information on technical provision valuation

Following are the technical provision valuations using Solvency II criteria (hereinafter, "Solvency II Provisions"), including qualitative explanations for the main differences arising from their valuations using Solvency II and those used in preparing the financial statements based on the PCEA, as well as the ROSSEAR, which establishes the applicable criteria to be applied (hereinafter, "Accounting provisions" - under "Accounting value") at 31st December 2022.

	2022		
	Accounting Value	Valuation changes	Solvency II Value
Technical provisions calculated as a whole	315,529	(39,187)	-
Best Estimate (BE)	-	-	273,544
Risk margin (RM)	-	-	2,798
Other technical provisions	-	-	-
TOTAL TECHNICAL PROVISIONS	315,529	(39,187)	276,342

Data in thousands of euros

As mentioned above, Solunion is an insurance and reinsurance Company that operates in the Credit and Suretyship line of business.

In general terms, the main difference between the two valuation methods is the criteria framework under which each regulation falls. While under Solvency II technical provisions are measured using market economic criteria, for financial statements, annual technical provisions are calculated based on accounting standards. The most significant differences were as follows:

With regard to the valuation of technical provisions, the Company, following the PCEA, establishes its accounting provisions according to ROSSEAR.

Under Solvency II, following Directive 2009/138/CE and the ROSSEAR articles on the valuation of provisions for solvency purposes, the value of technical provisions for Non-Life insurance is determined using two procedures:

- Technical provisions calculated as a total: this methodology is applied when future cash flows associated to insurance obligations may be replicated using financial instruments with a directly observable market value.

In this case, the value of technical provisions coincides with the market value of these financial products used for replicating future cash flows; it is unnecessary to make a determination between best estimate and risk margin.

- For all other cases, the technical provisions are calculated as the sum of two parts: the best estimate plus the risk margin.

In the case of Solunion, the technical provisions of the insurance that use Non-Life techniques are obtained as the sum of the best estimate and the risk margin.

D.2.1. Best estimate and risk margin

Best estimate

The best estimate of the (*Best Estimate Liabilities*, hereafter BEL) commitments of the Non-Life business will be calculated separately from pending claim Provision and premium Provision.

a) Best estimate of the pending claims provision

Provision of claims refers to the projection of claims flows that occurred prior to the valuation date, whether or not they were declared. Future flows should include: payments for claims and administration expenses related to said claims.

Reserves are provided both in gross and transferred and are separated by currency.

The best estimate for the pending claims Provision is based on the following principles:

- This corresponds to claims taking place prior to the valuation date, regardless of whether they have been declared or not.
- It is calculated by the current value of expected future cash flows associated to the commitments. Projected cash flows include payments for services and related expenses: claims and investment management.
- Should there be any commitments transferred to a counterparty, the recoverable amounts are adjusted to contemplate the expected losses arising from non-payment.
- The best estimate considers the time value of money based on the consideration of the claim inflows and outflows.
- From a methodological point of view, it is determined as the difference between the final cost of claims and effective payments made, net of their potential recovery or collection.

The Provision for pending claims calculated for use in the financial statements include: the Provision for claims pending settlement and payment; the Provision for claims pending declaration; and the Provision for internal claim settlement expenses. The Provision for settling pending claims is calculated using statistical methods and therefore includes claims pending settlement or payment, as well as those not yet declared.

The above statistical calculation meets the requirements established in prevailing legislation (Article 43 of ROSSP). Regarding the Provision for internal expenses arising from settlement of claims, the calculation is based on applying methodologies which permit the best possible quantification of this type of risk.

We conclude that the calculation of the best estimate of claims pending Provision based on Solvency II criteria present the following differences with respect to claims Provisions calculate based on financial statement requirements:

- While under Solvency II technical provisions are measured using market economic criteria, for financial statements, annual technical provisions are calculated based on accounting standards.
- The consideration of all cash flow sources.
- The credit risk adjustment to recoverable reinsurance amounts.
- The financial discount of cash flows.

b) Best estimate of the premiums Provision

The Premium provision refers to the projection of the flows of losses that will occur after the valuation date during the period of time up to expiry of the contract. The future flows must include: future flows due to losses, administration expenses associated with those losses, administration expenses of management of the policies, future premiums deriving from current policies.

The best estimate for the premium Provision is based on the following principles:

- It corresponds to future claims, or those which take place subsequent to the valuation date, corresponding to the remaining claim coverage period.
- This is calculated as the current value of expected cash flows associated to the portfolio in force, in accordance with contractual limits.
- Projected cash flows include payments for services and related expenses: administration, acquisition, claim management, and investment management.
- Should there be any commitments transferred to a counterparty, the recoverable amounts are adjusted to contemplate the expected losses arising from non-payment.
- The best estimate considers the time value of money based on the consideration of the claim inflows and outflows.

The calculation of this provision is comprised of the flows corresponding to two portfolios:

- Current portfolio, that includes the following headings:
 - Expected loss ratio. Two methodologies may be used to calculate the current value of benefits payments:
 - The frequency and average cost method: claims are calculated as the result of exposure based on frequency hypotheses and final average costs.
 - Loss ratio method: the expected loss ratio arising from applying the final claim ratio to gross PPNC acquisition expenses.
 - The expenses attributable to the current portfolio: acquisition (without commissions), administration, chargeable to benefits, investment expenses, as well as other technical expenses.

- Future business that includes the following headings:
 - Premiums corresponding to policies which have not yet been renewed but include company commitments to renew (this is the case for tacit renewals or those for pluri-annual policies with annual guaranteed premium payments). For this calculation, the future behaviour of policyholders is applied with a prudent assumption that the in force portfolio is maintained in the future with an estimated probability of cancellation equal to zero.
 - Expected claims corresponding to future premiums using the same methodologies for claims in force may be used.
 - The expenses attributable to future premiums (charged expense-to-premium ratio applying future premiums): acquisition expenses (including commissions), administration, chargeable to services expenses, investment expenses, as well as other technical expenses.

In calculating the best estimate of the technical provisions for the Credit line of business, the expected benefits included in the future premiums have not been taken into account (as a lower value of the best estimate in case of be positive or higher value in case of losses expected). The Company does not consider future business in this line due to its business characteristics, since nearly all its portfolio should be subject to a detailed analyses of the risk limits granted under the contract.

In the calculating of the best estimate for the Suretyship line of business of the technical provisions, the expected benefits included in future premiums have been taken into account (as a lower value of the best estimate in case of be positive or higher value in case of expected losses). At December 31st, 2022, the amount of these expected benefits was EUR 639 thousand, gross of reinsurance.

Under PCEA, this provision is recognised under the unused premium Provision, which is calculated on a policy-by-policy basis, reflecting the tariff premium earned during the year which may be charged to future years, deducting the security surcharge, in accordance with the Spanish regulation, and complemented by the prevailing risk provision calculated segment-by-segment, where applicable. This provision supplements the unearned premium reserve for the amount that the latter does not reflect the valuation of risks and expenses to be covered for the coverage period that has not yet elapsed at the closing date. It is calculated in accordance with the Spanish regulation.

Contract limits

As outlined in the Solvency II Directive, in order to consider the future premiums established in the contracts when calculating the best estimate, it is necessary to take into account the limits of the contracts.

The obligations arising from the contract, including those which correspond to the insurance or reinsurance company's unilateral right to renew or increase its limits and corresponding premiums, will be included in its text, except for:

- Commitments provided by the Company after the date during which it has the unilateral right to:
 - Cancel the contract.
 - Reject premiums payable related to the contract.

- Modify its premiums or services to which it is bound by virtue of the contract, so that the premiums clearly reflect the risks.
- All obligations which do not correspond to premiums which have already been paid, unless the policyholder may be forced to pay future premiums, and as long as the Contract:
 - Does not establish an indemnity for a specific undetermined event which may adversely affect the reinsured party.
 - Does not include a financial guarantee for coverage provided.

As a conclusion, it can be indicated that the best estimate of the premiums Provision calculated according to the criteria established in Solvency II presents the following differences with respect to the premiums Provision as required on the Annual Accounts:

- The application of the concept of contractual limits, which involves the consideration of future business. Under the PCEA, future premiums must be taken into account if they contemplate the corresponding technical note.
- The consideration of all cash flow sources. In general, under Solvency II, the premium Provisions for profitable products included in a portfolio in force are less than the Provision for unearned premiums (PPNC) reflected on financial statements. In cases of premium inadequacy, the premium provision will be comparable to the PPNC plus the prevailing risk provision (without taking the discount effect into account). For future business, the Solvency II premium Provision for profitable products will be negative.
- The credit risk adjustment to recoverable reinsurance amounts.
- The financial discount of cash flows.

Risk margin

This is a part of the technical provisions used for guaranteeing that the value of the provisions equals the amount that the Company would need to cover and meet the insurance and reinsurance commitments.

The risk margin conceptually equals the cost of providing a quantity of eligible own Funds equal to the SCR needed to support the commitments by insurances throughout its terms and until its final settlement. To calculate the risk margin, the hypothesis of transferring the best estimate for the Company's current business to a theoretical insurance agency known as reference unit (hereafter RU) the SCR of which is called SCR_{RU} .

The rate used to determine the cost of providing this amount of eligible own funds is called the capital cost rate. Solunion has used the 6 percent rate set by the Delegated Regulation of the European Commission 2015/25.

There are several simplifications for calculating the risk margin:

- Level 1: details how to approximate the underwriting, counterparty and market risks.
- Level 2: it is based on the hypothesis that the future solvency capital requirements are proportional to the "best estimate" of the technical provisions for the year in question.
- Level 3: consists of using the modified duration of the liabilities to calculate the current Solvency Capital Requirements and all futures in a single step.

- Level 4: calculates the risk margin as a percentage of the best estimate of the net technical provisions for reinsurance.

Solunion calculates the risk margin with the methodology described as Level 2.

Degree of uncertainty regarding to the amount of technical provisions

The value of the technical provisions is directly linked to the estimations and projections for future cash flows which might be subject to a number of factors of uncertainty, which are mainly the following:

- The probability that the obligation will materialise with regard to future cash flows.
- The moment the obligation materialises.
- Potential amount of the future cash flows.
- The risk-free interest rate.

The first three factors are generally estimated based on expert opinions, or using market data and, their derivation and impacts on technical provisions being duly documented.

The Credit and Surety lines of business are closely linked to the state of the economy and can have significant impacts on the frequency and severity of claims. On the other hand, the volume and timing of payments and recoveries may be impacted by legislative changes related to the insolvency law.

Actuarial methods and hypotheses used when calculating technical provisions

The Company uses commonly accepted actuarial methodologies for calculating technical provisions under Solvency II. The combinations of methods used for the actuarial estimates are adequate, applicable and relevant to the risk profile of Solunion.

The methods used by the Company to estimate claims based on the selection of factors for the development of frequencies and severity are the follows:

- Deterministic Chain Ladder Method.
- Deterministic Bornhuetter Fergusson Method.
- Mack Bootstrap Stochastic Method.

The following two key hypotheses were used during the calculation of the technical provisions:

- Economic hypotheses, which are contrasted against available financial and macroeconomic indicators which mainly include:
 - Interest rate structure broken down by the commitment currencies.
 - Exchange rates.
 - Market trends and financial variables.
- Non-economic hypotheses, which are mainly obtained from generally-available data based on the Company or external sector/market sources:
 - Realistic administration, investment, acquisition, etc. expenses which are incurred throughout the duration of the contracts.

- Portfolio lapse.
- The frequency and severity of claims based on historical data.
- Legislative changes.

Additionally, it is worth noting that under accounting regulation, Management's actions and policyholder behaviour are not included when calculating technical provisions, while under Solvency II, companies may establish a comprehensive plan covering future decisions considering the necessary time frame to calculate their best estimates, including a probability analysis of when policyholders might exercise certain rights included in their insurance policies.

The Company employs an effective Actuarial Function which guarantees the appropriateness and coherence of the underlying methodologies and models used, as well as the hypotheses used in these calculations.

D.2.2. Measures designed for managing long-term guarantees

The Company has not used the transitional measures for managing long-term guarantees established in Delegated Regulation 2015/35 and Directive 2009/138/EC, which include reconciliation and volatility adjustments, transitional adjustment in the structure of risk-free interest rates, and the transitional deduction include in Article 308 *quinquies* of Directive 2009/138/EC.

For that reason, form S.22.01.21 regarding the impact on long-term guarantee and transitional measures is not included in accordance with the information included in Appendix I of April 30th, 2014 on technical specifications.

D.2.2.a. Marriage adjustment

Solunion has not used this adjustment.

D.2.2.b. Volatility adjustment

Solunion has not used this adjustment

D.2.2.c. Transitory temporary structure of interest rates without risk

Solunion has not used this transitory temporary structure of interest rates without risk.

D.2.2.d. Temporary deduction on technical provisions

Solunion has not carried out this transitory deduction.

D.2.3. Significant changes in hypotheses used when calculating technical provisions

There have been no significant changes in relation to the assumptions used in the calculation of technical provisions.

D.3. Other liabilities

Below are detailed the valuations of other liabilities for the purposes of Solvency II, as well as the qualitative explanations of the main valuation differences between the Solvency II criteria and those used to prepare the Annual Accounts (column “Book Value”) as of December 31st, 2022. The valuation corresponding to those headings that do not differ between the PCEA and Solvency II criteria is detailed in the annual accounts of the Company of 2022.

	2022		
	Accounting Value	Valuation changes	Solvency II Value
Total technical provisions	315,529	(39,187)	276,342
Provisions other than technical provisions	834	-	834
Pension and similar obligations provision	3,831	-	3,831
Deposits received on ceded reinsurance	3,878	-	3,878
Deferred tax liabilities	3,942	12,242	16,184
Debts for insurance and coinsurance operations	46,460	-	46,460
Reinsurance operation debts	10,850	-	10,850
Other debts and payables	15,611	-	15,611
Any other liabilities, not elsewhere shown	44,417	(44,406)	11
TOTAL LIABILITIES	445,352	(71,351)	374,001
SURPLUS OF ASSETS VS. LIABILITIES	110,213	(6,687)	103,526

Data in thousands of euros

D.3.1. Provisions other than technical provisions

The value of the liabilities is directly linked to estimations and projections for future cash flows, which might be subject to a number of factors of uncertainty, which are mainly the following:

- The probability that the obligation will materialise with regard to future cash flows.
- The moment the obligation materialises.
- Potential amount of the future cash flows.
- The risk-free interest rate.

The first three factors are generally estimated based on expert opinions within the area linked to the obligation, in environments with little statistical experience, or using market data.

In the Solvency II balance sheet, “Non-current commitments to employees” are included under “Other non-technical provisions” and were valued based on the same criteria as that used for the Company’s financial statements.

The amount under “Other non-technical provisions” in the 2022 financial year includes the amount of EUR 834 thousand corresponding to liabilities for tenure bonuses (EUR 707 thousand in 2021) corresponding to conventions (EUR 315 thousand in 2021).

The valuation established by PCEA coincides with that established under Solvency II, so there are no valuation differences.

D.3.2. Pension benefit obligations

The PCEA/IAS 19 uses an adequate approximation for the valuation of liabilities for pensions on the balance sheet at market value. The amount is determined by the current value of estimated future cash flows.

The valuation established by PCEA coincides with that established under Solvency II, so there are no valuation differences.

D.3.3. Deposits from reinsurers

This heading includes amounts of deposits held by the Company to cover ceded and receded reinsurance technical provisions.

In the Solvency II balance sheet, the valuation of deposits received from reinsurance transactions is considered to have to be performed at the amount at which they may be transferred or settled between duly-informed interested parties carrying out transactions in mutually-independent conditions.

PCEA and Solvency II valuations coincide; therefore, there were no valuation differences.

D.3.4. Deferred tax liabilities

Deferred tax liabilities are valued analogous to that indicated in deferred tax Assets. Solunion has deferred tax Liabilities for a "Solvency II value" of EUR 16,184 thousand and a "book value" of EUR 3,942 thousand in 2022.

The difference between the Solvency II Value and the accounting Value of deferred tax Liabilities is mainly explained by the following Balance sheet items:

Deferred tax liabilities Solvency II	Value
Property (other than for own use)	4
Best estimate of net technical provisions for Reinsurance	1,136
Commissions and other accrued acquisition expenses of ceded reinsurance	11,102
TOTAL	12,242

Data in thousands of euros

D.3.5. Insurance & intermediaries payables

This heading includes borrowings arranged as a result of transactions performed with insurers other than those related to claims pending settlement, as well as those related to cash balances with Company intermediaries arising from transactions performed.

For the purposes of the Solvency II balance sheet, the valuation is considered consistent with those under PCEA, valued at the amount at which they may be transferred or settled between duly-informed interested parties carrying out transactions in mutually-independent conditions.

D.3.6. Reinsurance payables

Collects those debts with reinsurers as a consequence of the current account relationship established with them due to reinsurance operation ceded and retroceded.

In the Solvency II balance sheet, the valuation is considered consistent with those under PCEA, valued at the amount at which they may be transferred or settled between duly-informed interested parties carrying out transactions in mutually-independent conditions.

D.3.7. Payables (trade, not insurance)

This section includes other payables unrelated to the insurance activity. For the purposes of the Solvency II balance sheet, the valuation is considered consistent with those under PCEA, valued at the amount at which they may be transferred or settled between duly-informed interested parties carrying out transactions in mutually-independent conditions.

D.3.8. Any other liabilities, not elsewhere shown

For the purposes of the Solvency II economic balance sheet, the Commissions and other accrued acquisition expenses of the ceded reinsurance are considered in the valuation of the Technical Provisions when including all the associated expenses, so they are not included in this section.

On the contrary, under the PCEA this section mainly includes said Commissions and other accrued acquisition expenses of the reinsurance assigned, as opposed to the valuation criteria according to Solvency II.

On the other hand, this heading includes the amount of any other liabilities not already included in other items of the economic balance sheet, whose value for solvency purposes coincides with that indicated by the PCEA.

D.3.9. Additional information

There is no other significant information to be highlighted.

D.4. Alternative methods for valuation

The Company does not have material assets for which alternative valuation methods have been used.

D.5. Any other information

During the year there were no significant changes in the valuation criteria of the assets and liabilities.

E. Capital management

E.1. Own Funds

E.1.1 Own fund objectives, policies, and management processes

Solunion Seguros, Compañía Internacional de Seguros y Reaseguros S.A. has a Capital Management Policy whose last revision was approved by the Board of Directors on March 29th, 2022.

The principal objectives of this Policy are the following:

- Provide the Company and Group with a procedure to check that the eligible own funds meet the applicable requirements.
- Ensure that the projections of eligible own funds contemplate the continuous compliance with applicable requirements throughout the period contemplated.
- Establish an identification and documentation process for funds with limited availability, as well as the circumstances in which own funds may absorb losses.
- Ensure that the Company has a medium-term Capital Management Plan.

The Medium-term Capital Management Plan considers the following elements:

- The compliance with Solvency regulations applicable throughout the projection period considered, paying particular attention to known future regulatory changes, and the maintenance of solvency levels compatible with the established in the Risk Appetite;
- Issuance of proposed eligible Own Funds instruments;
- the repayments, both contractual at maturity, and those that may be made on a discretionary basis before maturity, in relation to the elements of the Eligible Own Funds
- the result of the projections in the Own Risks and Solvency Assessment ("ORSA"); and
- the expected dividends and their effect on Eligible Own Funds.

The Risk Management Area must submit the medium-term Capital Management Plan to the Board of Directors. This Plan is part of the ORSA Report. The projected period covers five years, and is aligned with the budget preparation approach.

The Company has not used the transitional measure on technical provisions provided for in the final nineteenth provision of Law on the Management, Supervision and Solvency of Insurance and Reinsurance Entities.

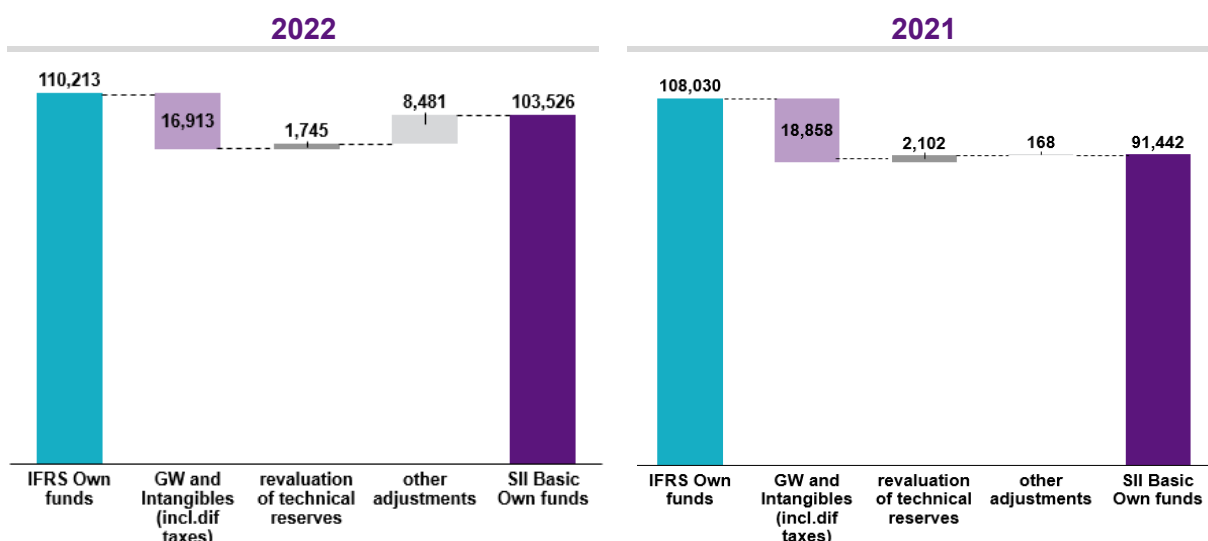
In fiscal year 2022 there have been no significant changes regarding the objectives, policies and processes used for the management of own funds.

E.1.2 Structure, amount, and quality of own shares

Structure, amount, and quality of own shares

In figure S.23.01.01 of the Appendix, the structure, amount and quality of the basic and complementary own Funds are shown, as well as the Company's coverage ratio, i.e. the level of own funds within the SCR, and the MCR.

Below is a comparison of the company's own funds at the end of 2022 and 2021 and an explanation of the origin of the changes in the value of the Solvency II own funds:



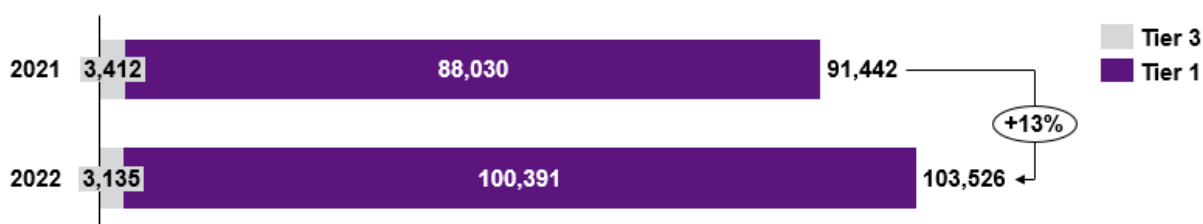
Data in thousands of euros

The Changes in Goodwill and intangible assets are lower those produced in 2021, this decrease was generated by the amortization of Intangible Assets.

As for other adjustments item, the increase is generated by changes in value between the Solvency II framework and Accounting in technical provisions, deferred taxes and the other items of assets and liabilities that are not shown in other balance sheet headings.

The available capital structure follows the regulatory requirements regarding the quality of capital and coverage limits. In accordance with the regulations, Own Funds are classified as Level 1, 2 and 3, with Level 1 being the highest quality.

The Company's available own funds on the basis of its classification are:



Data in thousands of euros

As of December 2022, the company has its not restricted tier 1 own basic funds by an amount of EUR 100,391 thousand (EUR 88,030 thousand in 2021). These own funds have the maximum availability for absorbing losses. They are comprised of:

- ordinary paid-in share capital
- issue premium in relation to ordinary capital paid and
- conciliation reserve

Additionally, as of December 2022 the Company has Tier 3 basic own funds for an amount of EUR 3,135 thousand (EUR 3,412 thousand in 2021) composed of net deferred taxes, that arise from the valuation of the balance according to Solvency II criteria.

All own funds are considered basic. Complementary own funds have not been computed.

The eligible amount of own funds to cover SCR and MCR, broken down by levels.

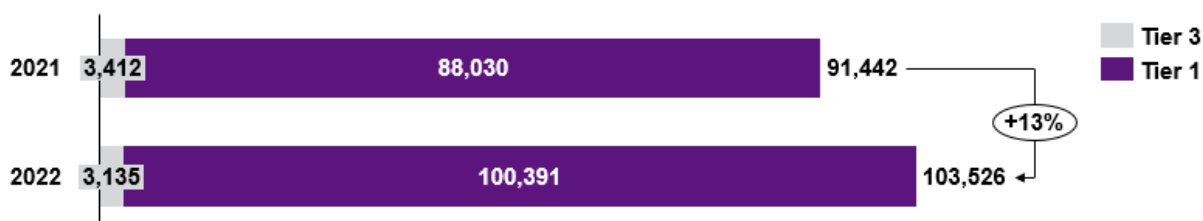
The SCR corresponds to the own funds that the Company should have to limit the probability of ruin to one case per 200 years, or what is the same, that the Company is still in a position to fulfil with its obligations against the policyholders and beneficiaries of insurance in the following twelve months, with a probability of 99.5 percent.

Once the own funds have been classified, the LOSSEAR in Article 73 establishes eligibility limits for them, to cover the solvency capital required and the minimum capital required.

For the SCR coverage, the following quantitative limits are established:

- The regulation dictates that there must be at least 80% of the Admissible Own Funds classified as Tier 1.
- With respect to Tier 3, they are not fully eligible to cover the regulatory capital, but may represent a maximum of 15% of the SCR.
- The sum of Tier 2 and 3 will not represent more than 50% of the SCR.

The Company's own funds are included in Tier 1 and Tier 3, and, depending on the eligibility thereof, the eligible own funds for SCR coverage amount to:



Data in thousands of euros

The Minimum Compulsory Capital (MCR) corresponds to the amount of the eligible basic own funds below which the policyholders and beneficiaries would be exposed to an unacceptable level of risk in the case that the Company continued its activity.

The MCR is the level of capital that is set as the minimum level of security below which financial resources should not be lowered.

The Tier 1 eligible own funds are equivalent to the basic ones. However, those at Tier 3 are equivalent the amount of net deferred taxes, so the resulting admissible amount to cover the SCR is EUR 103,526 thousand (EUR 91,442 thousand in 2021) 13.21% higher than the previous year.

With regard to the MCR coverage, the following quantitative limits are established:

- The admissible amount of the elements of Tier 1 will be equal to at least 80% of the MCR.
- The admissible amounts of the Tier 2 elements will not exceed 20% of the MCR.

Given the classification of the Company's own funds, the admissible amount to cover the MCR is EUR 100,391 thousand (EUR 88,030 thousand in 2021). The following table shows the detail:



Data in thousands of euros

Availability, subordination and duration of significant Own Fund items used to evaluate their quality

The Company's basic, restricted Level 1 funds hold the characteristics indicated in Article 93.1.a) and b) of Directive 2009/138/EC and they are fully disbursed and available to absorb losses. However, the Tier 3 own funds are not fully eligible to cover the regulatory capital, as they do not have sufficient availability to absorb losses if necessary.

Difference between equity on the financial statements and surplus assets vs. liabilities for Solvency II purposes

When valuing assets and liabilities for the purposes of Solvency II, different criteria is used from that employed for the preparation of the financial statements. The above criteria differences lead to differences between the equity on the financial statements and surplus assets vs. liabilities for Solvency II purposes.

The quantitative and qualitative explanations are reflected under Sections D.1 Assets, D.2 Technical Provisions, and D.3 Other liabilities on this Report.

E.1.3 Management of deferred tax assets and liabilities and deferred tax loss absorption capacity

Management of deferred tax assets and liabilities

In accordance with Article 15 of Delegated Regulation (EU) 2015/35, the valuation of deferred tax assets and liabilities results from the difference between the values assigned to the assets and liabilities recognised and measured in accordance with the criteria set out in Solvency II and their valuation for tax purposes.

In addition, a positive value is only assigned to deferred tax assets where it is probable that there will be a future taxable profit against which the deferred tax asset can be utilised, taking into account the restrictions on the timing of offsetting.

The main balance sheet items giving rise to deferred tax assets in Solunion were as follows:

	Solvency II
DEFERRED TAX ASSETS	19,318
Deferred tax assets: Intangible assets	1,809
Deferred tax assets: Prepaid commissions and other acquisition costs	6,098
Deferred tax assets: Risk Margin	699
Accounting deferred tax assets	10,712

Data in thousands of euros

The main balance sheet items giving rise to deferred tax liabilities in Solunion were as follows:

	Solvency II
DEFERRED TAX LIABILITIES	16,184
Deferred tax liabilities: Investments in real estate (other than for own use)	4
Deferred tax liabilities: Best estimate of net technical provisions for reinsurance	1,136
Deferred tax liabilities: Accrued commissions and other acquisition expenses of ceded reinsurance	11,102
Accounting deferred tax liabilities	3,942
Data in thousands of euros	

The Company will adhere to the tax bases projected in the Business Plan approved by the Board of Directors to recognise deferred tax assets in excess of the deferred tax liabilities in the Economic Balance Sheet for Solvency II purposes.

The value of deferred assets included in the Solvency II economic balance sheet is EUR 19,318 thousand and EUR 16,184 thousand correspond to deferred tax liabilities.

At 31st December 2022 the Company has Tier 3 Basic Own Funds of EUR 3,135 thousand (EUR 3,412 thousand in 2021), consisting of net deferred taxes, which arise from the balance sheet valuation according to Solvency II criteria.

Of the net deferred tax assets, EUR 3,135 thousand (EUR 3,412 thousand) have been recognised as eligible own funds, taking into account the eligibility limits set out in Article 82 of Delegated Regulation (EU) 2015/35.

Loss absorbing capacity of deferred taxes

The Company in compliance with the temporary recoverability limits approved in Delegated Regulation 2019/98 does not apply adjustment for loss absorbency of deferred taxes in 2022 and 2021.

E.1.4 Other information

Essential items on the Reconciliation Reserve

The amount of the Company's Reconciliation Reserve is EUR 8,416 thousand and it is composed mainly of "Other items of basic own funds" and of "Surplus of assets vs. liabilities." A breakdown is shown below:

	2022	2021
Surplus of assets vs. liabilities	103,526	91,442
Treasury shares (included as assets on the balance sheet)	-	-
Dividends, distributions and foreseen costs	-	-
Other elements of basic own funds	82,749	83,026
Adjustments for own fund items restricted by FDL and CSAC	-	-
Total reconciliation reserves	20,777	8,416

Data in thousands of euros

Own Funds issued and instruments redeemed

No new own funds were issued during the fiscal year, and there were no redemptions of instruments.

Transitional measures

The Company has not considered items of its Own Funds to which the transitional provisions contemplated in Article 108 ter, sections 9 and 10 of Directive 2009/138/EC have been applied.

E.2. Solvency Capital Requirement and Minimum Capital Requirement

E.2.1. Amount and valuation methods of Solvency Capital Requirement

SCR amounts and Minimum Capital Requirements

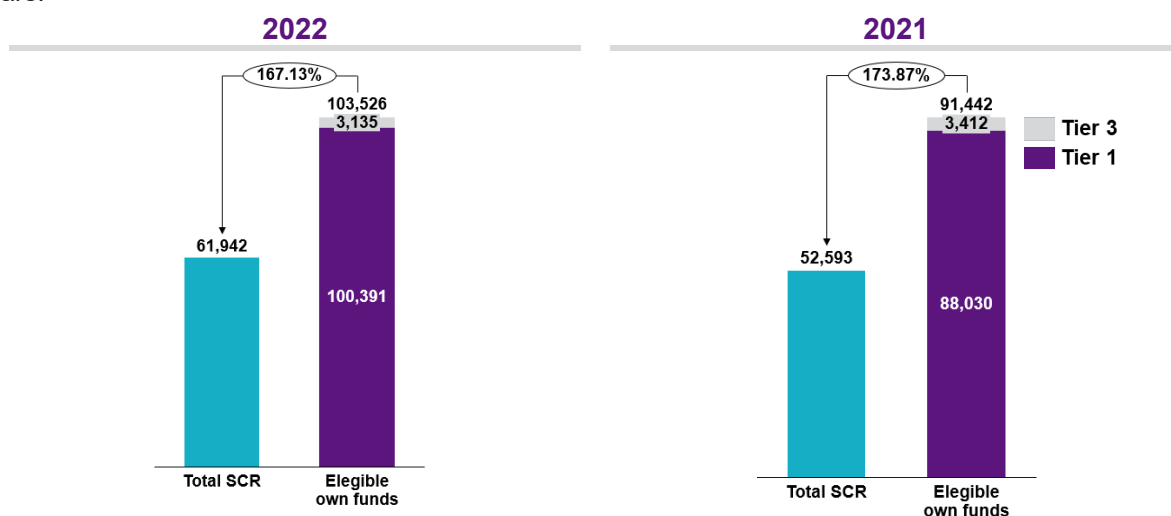
The SCR by risk models has been calculated using the Solvency II standard formula methodology as of December 31st, 2022 and that is listed in Section C Risk Profile. Additionally, figures S.25.01.21 and S.28.01.01 of the Appendix contain more detailed information on the regulatory capitals.

The Company's total SCR included in Appendix S.25.01.21 amounts to EUR 61,942 thousand, corresponding to the level of own funds required by the supervisory authorities from the insurance and reinsurance companies for the purpose of absorbing significant losses and offering the policyholders and insurance beneficiaries a reasonable guarantee that the payments will be made upon maturity. For SCR calculation, no specific parameters have been used.

As detailed in Section C, Solunion's risk profile is affected mainly by non-life underwriting risk to which catastrophic credit and bonding risk mainly contribute due to the recession risk. Second is market risk to which Concentration risk is the highest due to the impact of the shares in group companies. Third is credit risk, which is generated mainly because of Solunion's heightened exposure in reinsurance agreements. The exposure level of reinsurance recoverables is affected by the heightened level of transfer defined in the reinsurance structure.

As of December 2022, the amount of the SCR is EUR 61,942 thousand, which implies an increase in the capital charge of EUR 9,349 thousand; this is mainly due to the increase in Non-Life Underwriting Risk and Market Risk.

For the calculation of the SCR no simplifications or specific parameters have been used. The Solvency ratio of the Company is shown below; this ratio measures the relationship between eligible own funds and the SCR to absorb extraordinary ones arising from an adverse scenario of one case every 200 years.



This ratio amounts to 167.13%, which means that it is within the risk appetite safety zone established for the Company and approved by the Board of Directors.

Data used by the Company in calculation of the MCR Solvency

The Company calculated Minimum Solvency Capital Requirements (MCR) as indicated in Article 248 Delegated Regulation 2015/35. This amount is the capital amount that guarantees the minimum level of security, under which financial resources should never drop and has a value of EUR 15,485 thousand at the end of 2022. The results of the Solunion MCR are included in Appendix S.28.01.01.

To obtain the MCR, the linear MCR should be calculated, the value of which is EUR 7,326 thousand. It was obtained applying the factors corresponding for each business line to the different elements used in their calculation:

Best net reinsurance estimate and technical provisions calculated as a whole, where appropriate.

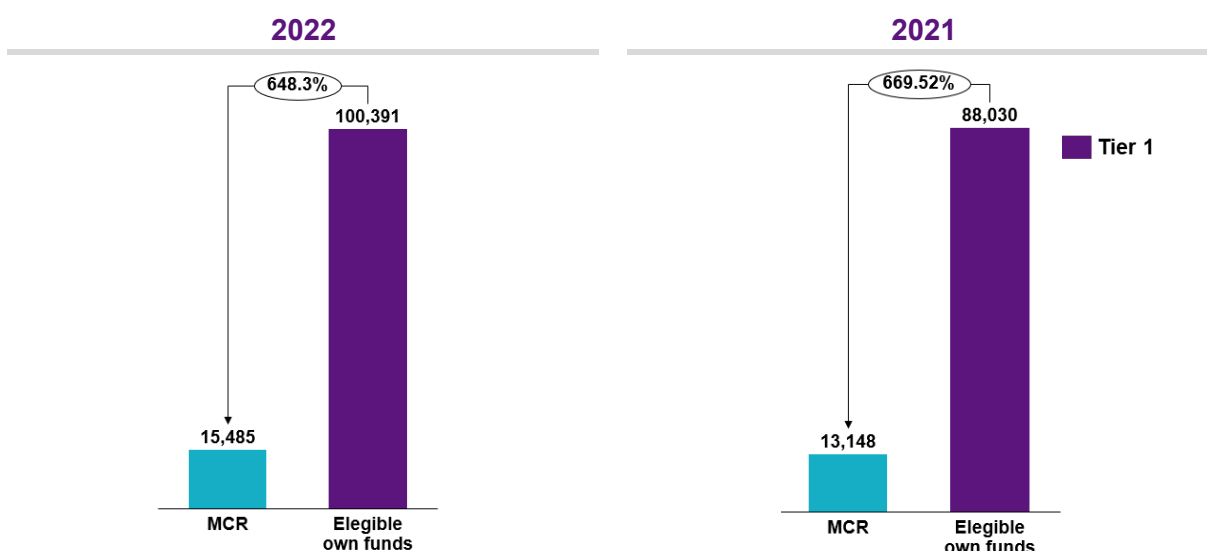
- Premiums earned net of reinsurance in the last 12 months.

Likewise, the combined MCR is EUR 15,485 thousand, that is obtained by applying the maximum and minimum limits to the linear MCR, 25% and 45% of the SCR.

Since the combined MCR is higher than the MCR's absolute limit (which is EUR 4,000 thousand), the amount of the combined MCR is considered as the amount of MCR, which is, therefore, EUR 15,485 thousand.

As of December 2021, it was EUR 13,148 thousand; this increase is mainly due to the fact that in both cases the result is equal to the minimum limit of the combined MCR, which is obtained as 25% of the SCR, an amount that in 2022 has increased by EUR 2,337 thousand.

The Company's solvency ratio, which measures the ratio between eligible own funds and the MCR, amounts to 648.3% (669.52% in 2021).



Data in thousands of euros

E.2.2. Information relating to the Solvency Capital Requirement and Minimum Capital Requirement

The underlying assumptions used by Solunion for the projection of probable future taxable profits for the purposes of Article 207 of Delegated Regulation (EU) 2015/35 have been:

- No new business is assumed beyond five years, in line with regulatory requirements.
- The projections used for the calculation of future profits are the latest ones approved by the Company's Board of Directors.
- The following assumptions have been considered in the calculation of future profit after loss:
 - The new investments made have an implicit return similar to the structure derived from risk-free interest rates.
 - The estimated future business and profit is not higher in each year than the future business and profit in the projections approved by the Company's Board of Directors.
 - The results that have already been recorded in the economic Solvency balance sheet II prior to the recording of the loss have been eliminated from the future profit.

E.3. Use of the duration based equity risk sub-module in the calculation of the Solvency Capital Requirement

Solunion did not use this option when performing its solvency valuation.

E.4. Differences between the Standard Formula and any internal model used

The Company does not use Internal Models in the calculation of their Solvency needs, it is governed by the Solvency II Standard Formula.

E.5. Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

At December 31st, 2022, the Company had sufficient SCR and MCR with eligible Own Funds; therefore, it was considered unnecessary to adopt any other action or corrective measure.

E.6 Any other information

There is no other significant information on capital management not included in previous sections.

Appendices

List of forms reported (Data in thousands of euros):

S.02.01.02 – Balance sheet

S.05.01.02 – Premiums, loss ratio, and expense by business line

S.05.02.01 – Premiums, loss ratio, and expense by country

S.17.01.02 – Technical provisions for non-life

S.19.01.21 – Non-life claims

S.23.01.01 – Equity

S.25.01.21 – Obligatory solvency capital – for companies that use the standard form

S.28.01.01 – Obligatory minimum capital – Life or non-life insurance or reinsurance activity

S.02.01.02

	C0010	
Asset	Solvency II Value	
Intangible assets	-	R0030
Deferred tax assets	19,318	R0040
Pension benefit surplus	3,831	R0050
Property, plant & equipment held for own use	812	R0060
Investments (other than assets held for index-linked and unit-linked contracts)	122,094	R0070
Property (other than for own use)	50	R0080
Holdings in related undertakings, including participations	35,746	R0090
Equities	-	R0100
Equities - listed	-	R0110
Equities - unlisted	-	R0120
Bonds	81,627	R0130
Government Bonds	50,796	R0140
Corporate Bonds	30,831	R0150
Structured notes	-	R0160
Collateralized securities	-	R0170
Collective Investments Undertakings	4,671	R0180
Derivatives	-	R0190
Deposits other than cash equivalents	-	R0200
Other investments	-	R0210
Assets held for index-linked and unit-linked contracts	-	R0220
Loans and mortgages	-	R0230
Loans on policies	-	R0240
Loans and mortgages to individuals	-	R0250
Other loans and mortgages	-	R0260
Reinsurance recoverables from:	247,045	R0270
Non-life and health similar to non-life	247,045	R0280
Non-life excluding health	247,045	R0290
Health similar to non-life	-	R0300
Life and health similar to life, excluding health and index-linked and unit-linked	-	R0310
Health similar to life	-	R0320
Life excluding health and index-linked and unit-linked	-	R0330
Life index-linked and unit-linked	-	R0340
Deposits to cedents	3,742	R0350
Insurance and intermediaries receivables	44,686	R0360
Reinsurance receivables	26,190	R0370
Receivables (trade, not insurance)	4,934	R0380
Own shares (held directly)	-	R0390
Amounts due in respect of own fund items or initial fund called up but not yet paid in	-	R0400
Cash and cash equivalents	978	R0410
Any other assets, not elsewhere shown	3,897	R0420
Total assets	477,527	R0500

	C0010	
Liability	Solvency II Value	
Technical provisions - non-life	276,342	R0510
Technical provisions - non-life (excluding health)	276,342	R0520
Technical provisions calculated as a whole	-	R0530
Best Estimate	273,544	R0540
Risk margin	2,798	R0550
Technical provisions - health (similar to non-life)	-	R0560
Technical provisions calculated as a whole	-	R0570
Best Estimate	-	R0580
Risk margin	-	R0590
Technical provisions - life (excluding index-linked and unit-linked)	-	R0600
Technical provisions - health (similar to life)	-	R0610
Technical provisions calculated as a whole	-	R0620
Best Estimate	-	R0630
Risk margin	-	R0640
Technical provisions - life (excluding health and index-linked and unit-linked)	-	R0650
Technical provisions calculated as a whole	-	R0660
Best Estimate	-	R0670
Risk margin	-	R0680
Technical provisions - index-linked and unit-linked	-	R0690
Technical provisions calculated as a whole	-	R0700
Best Estimate	-	R0710
Risk margin	-	R0720
Contingent liabilities	-	R0740
Provisions other than technical provisions	834	R0750
Pension benefit obligations	3,831	R0760
Deposits from reinsurers	3,878	R0770
Deferred tax liabilities	16,184	R0780
Derivatives	-	R0790
Debts owed to credit institutions	-	R0800
Financial liabilities other than debts owed to credit institutions	-	R0810
Insurance & intermediaries payables	46,460	R0820
Reinsurance payables	10,850	R0830
Payables (trade, not insurance)	15,611	R0840
Subordinated liabilities	-	R0850
Subordinated liabilities not in Basic Own Funds	-	R0860
Subordinated liabilities in Basic Own Funds	-	R0870
Any other liabilities, not elsewhere shown	11	R0880
Total liabilities	374,001	R0900
Excess of assets over liabilities	103,526	R1000

S.05.01.02		C0090	C0160	C0200
	Line of business for: accepted non-proportional reinsurance	Credit and Suretyship insurance	Property	TOTAL
	Premiums written			
R0110	Gross - Direct Business	137,477		137,477
R0120	Gross - Proportional reinsurance accepted	128,704		128,704
R0130	Gross - Non-proportional reinsurance accepted		828	828
R0140	Reinsurers' share	243,004	856	243,860
R0200	Net	23,177	(28)	23,149
	Premiums earned			
R0210	Gross - Direct Business	131,073		131,073
R0220	Gross - Proportional reinsurance accepted	109,605		109,605
R0230	Gross - Non-proportional reinsurance accepted		828	828
R0240	Reinsurers' share	219,891	856	220,747
R0300	Net	20,787	(28)	20,759
	Claims incurred			
R0310	Gross - Direct Business	38,956		38,956
R0320	Gross - Proportional reinsurance accepted	40,967		40,967
R0330	Gross - Non-proportional reinsurance accepted		-	-
R0340	Reinsurers' share	74,053	-	74,053
R0400	Net	5,870	-	5,870
	Changes in other technical provisions			
R0410	Gross - Direct Business	(4,659)		(4,659)
R0420	Gross - Proportional reinsurance accepted	-		-
R0430	Gross - Non- proportional reinsurance accepted			-
R0440	Reinsurers' share	(4,193)		(4,193)
R0500	Net	(466)		(466)
R0550	Expenses incurred	11,948	-	11,948
R1200	Other Expenses			
R1300	Total expenses	11,948		11,948

S.05.02.01		SPAIN	MEXICO	COLOMBIA	CHILE	ITALY	PERU	Total of 5 principals and country of origin
	Premiums written							
R0110	Gross - Direct Business	137,477	-	-	-	-	-	137,477
R0120	Gross - Proportional reinsurance accepted	3,200	34,652	23,333	22,329	16,522	4,867	104,903
R0130	Gross - Non-proportional reinsurance accepted	-	355	112	228	-	133	828
R0140	Reinsurers' share	126,581	32,691	23,030	21,224	14,043	4,108	221,677
R0200	Net	14,096	2,316	415	1,333	2,479	892	21,531
	Premiums earned							
R0210	Gross - Direct Business	131,073	-	-	-	-	-	131,073
R0220	Gross - Proportional reinsurance accepted	1,935	30,040	18,644	20,218	13,069	4,692	88,598
R0230	Gross - Non-proportional reinsurance accepted	-	355	112	228	-	133	828
R0240	Reinsurers' share	119,755	28,380	18,444	19,235	11,720	3,985	201,519
R0300	Net	13,253	2,015	312	1,211	1,349	840	18,980
	Claims incurred							
R0310	Gross - Direct Business	38,956	-	-	-	-	-	38,956
R0320	Gross - Proportional reinsurance accepted	780	4,536	3,868	12,820	5,602	4,875	32,481
R0330	Gross - Non-proportional reinsurance accepted	-	-	-	-	-	-	-
R0340	Reinsurers' share	36,443	4,481	4,039	12,042	5,033	4,369	66,407
R0400	Net	3,293	55	(171)	778	569	506	5,030
	Changes in other technical provisions							
R0410	Gross - Direct Business	(4,659)	-	-	-	-	-	(4,659)
R0420	Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-
R0430	Gross - Non- proportional reinsurance accepted	-	-	-	-	-	-	-
R0440	Reinsurers' share	(4,193)	-	-	-	-	-	(4,193)
R0500	Net	(466)	-	-	-	-	-	(466)
R0550	Expenses incurred	19,052	(397)	(2,518)	(1,175)	(1,353)	469	14,078
R1200	Other Expenses							
R1300	Total expenses	19,052	(397)	(2,518)	(1,175)	(1,353)	469	14,078

S.17.01.02

		C0020	C0030	C0040	C0050	C0060	C0070
		Direct business and accepted proportional reinsurance					
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance
R0010	Technical provisions calculated as a whole						
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole						
	Technical provisions calculated as a sum of BE and RM						
	Best estimate						
	Premium provisions						
R0060	Gross - Total						
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						
R0150	Net Best Estimate of Premium Provisions						
	Claims provisions						
R0160	Gross - Total						
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						
R0250	Net Best Estimate of Claims Provisions						
R0260	Total Best estimate - gross						
R0270	Total Best estimate - net						
R0280	Risk margin						
	Amount of the transitional on Technical Provisions						
R0290	TP as a whole						
R0300	Best estimate						
R0310	Risk margin						
	Technical provisions - total						
R0320	Technical provisions - total						
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total						
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total						

S.17.01.02

		C0080	C0090	C0100	C0110	C0120	C0130
		Fire and other damage to property insurance	General liability insurance	Credit and Suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
R0010	Technical provisions calculated as a whole						
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole						
	Technical provisions calculated as a sum of BE and RM						
	Best estimate						
	Premium provisions						
R0060	Gross - Total			119,107			
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default			108,636			
R0150	Net Best Estimate of Premium Provisions			10,471			
	Claims provisions						
R0160	Gross - Total			154,437			
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default			138,409			
R0250	Net Best Estimate of Claims Provisions			16,028			
R0260	Total Best estimate - gross			273,544			
R0270	Total Best estimate - net			26,499			
R0280	Risk margin			2,798			
	Amount of the transitional on Technical Provisions						
R0290	TP as a whole						
R0300	Best estimate						
R0310	Risk margin						
	Technical provisions - total						
R0320	Technical provisions - total			276,342			
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total			247,045			
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total			29,297			

S.17.01.02

		C0140	C0150	C0160	C0170	C0180
		Accepted non-proportional reinsurance				Total non-life commitments
		Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
R0010	Technical provisions calculated as a whole					
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole					
	Technical provisions calculated as a sum of BE and RM					
	Best estimate					
	Premium provisions					
R0060	Gross - Total					119,107
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default					108,636
R0150	Net Best Estimate of Premium Provisions					10,471
	Claims provisions					
R0160	Gross - Total					154,437
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default					138,409
R0250	Net Best Estimate of Claims Provisions					16,028
R0260	Total Best estimate - gross					273,544
R0270	Total Best estimate - net					26,499
R0280	Risk margin					2,798
	Amount of the transitional on Technical Provisions					
R0290	TP as a whole					
R0300	Best estimate					
R0310	Risk margin					
	Technical provisions - total					
R0320	Technical provisions - total					276,342
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total					247,045
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total					29,297

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Gross Claims Paid (non-cumulative)																
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100					
		Development year												C0170	C0180	
	Year	0	1	2	3	4	5	6	7	8	9	10 & +		In current year	Sum of years (cumulative)	
R0100	Prior	(506)					(1,200)	(2,047)	(492)	(1,013)	(632)	(971)	Prior	(971)	(6,861)	R0100
R0160	N - 9	6,282	37,680	6,448	1,825	4,887	(493)	(557)	(381)	(361)	(704)		N-9	(704)	54,626	R0160
R0170	N - 8	5,910	34,469	9,311	601	(112)	(450)	(292)	(229)	(183)			N-8	(183)	49,025	R0170
R0180	N - 7	7,264	127,839	6,939	(12,643)	(2,569)	(3,390)	(51)	(76)				N-7	(76)	123,313	R0180
R0190	N - 6	14,647	55,552	8,048	289	(1,189)	(205)	229					N-6	229	77,371	R0190
R0200	N - 5	13,351	51,737	7,562	87	(1,073)	(659)						N-5	(659)	71,006	R0200
R0210	N - 4	15,319	70,944	4,954	1,464	1,230							N-4	1,230	93,911	R0210
R0220	N - 3	21,249	69,056	4,275	(1,956)								N-3	(1,956)	92,625	R0220
R0230	N - 2	21,575	27,706	494									N-2	494	49,775	R0230
R0240	N - 1	6,459	28,763										N-1	28,763	35,222	R0240
R0250	N	17,100											N	17,100	17,100	R0250
													Total	43,268	657,113	R0260

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Gross undiscounted Best Estimate Claims Provisions															
	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290				C0360	
Year	0	1	2	3	4	5	6	7	8	9	10 & +			Year end (discounted data)	
R0100	Prior	-	-	-	-	(1,640)	(1,543)	911	1,241	-	-	-	Prior	-	R0100
R0160	N - 9	-	-	-	3,704	(425)	399	635	-	-	-	-	N-9	-	R0160
R0170	N - 8	-	-	39,220	3,516	717	845	-	14	122			N-8	88	R0170
R0180	N - 7	-	44,262	38,183	2,350	813	53	45	70				N-7	53	R0180
R0190	N - 6	10,401	39,926	9,883	3,168	520	222	192					N-6	149	R0190
R0200	N - 5	6,637	21,925	12,604	1,994	701	666						N-5	536	R0200
R0210	N - 4	75,081	28,727	4,825	2,282	1,554							N-4	1,312	R0210
R0220	N - 3	78,987	18,027	5,914	4,258								N-3	3,695	R0220
R0230	N - 2	89,340	22,799	12,854									N-2	11,515	R0230
R0240	N - 1	94,609	28,330										N-1	26,169	R0240
R0250	N	115,196											N	110,919	R0250
													Total	154,436	R0260

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		C0010	C0010	C0020	C0030	C0050
		Total	Tier 1 - unrestric ted	Tier 1 - restricte d	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35					
R0010	Ordinary share capital (gross of own shares)	40,149	40,149			
R0030	Share premium account related to ordinary share capital	39,465	39,465			
R0040	Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings					
R0050	Subordinated mutual member accounts					
R0070	Surplus funds					
R0090	Preference shares					
R0110	Share premium account related to preference shares					
R0130	Reconciliation reserve	20,777	20,777			
R0140	Subordinated liabilities					
R0160	An amount equal to the value of net deferred tax assets	3,135				3,135
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above					
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
	Deductions					
R0230	Deductions for participations in financial and credit institutions					

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		C0010	C0020	C0030	C0040	C0050
		Total	Tier 1 - unrestrict ed	Tier 1 - restricted	Tier 2	Tier 3
R0290	Total basic own funds after deductions	103,526	100,391			3,135
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand					
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand					
R0320	Unpaid and uncalled preference shares callable on demand					
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand					
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC					
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC					
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
R0370	Supplementary member calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
R0390	Other ancillary own funds					
R0400	Total ancillary own funds					
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	103,526	100,391			3,135
R0510	Total available own funds to meet the MCR	100,391	100,391			
R0540	Total eligible own funds to meet the SCR	103,526	100,391			3,135
R0550	Total eligible own funds to meet the MCR	100,391	100,391			

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		C0010	C0020	C0030	C0040	C0050
		Total	Tier 1 - unrestrict ed	Tier 1 - restricted	Tier 2	Tier 3
R0580	SCR	61,942				
R0600	MCR	15,485				
R0620	Ratio entre fondos propios admisibles y SCR	167.13%				
R0640	Ratio entre fondos propios admisibles y MCR	648.31%				
	Reconciliation reserve					
R0700	Excess of assets over liabilities	103,526				
R0710	Own shares (held directly and indirectly)					
R0720	Foreseeable dividends, distributions and charges					
R0730	Other basic own fund items	82,749				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds					
R0760	Reconciliation reserve	20,777				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business					
R0780	Expected profits included in future premiums (EPIFP) - Non- life business					
R0790	Total Expected profits included in future premiums (EPIFP)					

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		C0030	C0040	C0120
		Gross solvency capital requirement	USP	Simplifications
R0010	Market risk	25,021	25,021	
R0020	Counterparty default risk	11,596	11,596	
R0030	Life underwriting risk	-	-	
R0040	Health underwriting risk	-	-	
R0050	Non-life underwriting risk	34,068	34,068	
R0060	Diversification	(16,949)	(16,949)	
R0070	Intangible asset risk	-	-	
R0100	Basic Solvency Capital Requirement	53,736	53,736	

Calculation of Solvency Capital Requirement		C0100
R0130	Operational risk	8,206
R0140	Loss-absorbing capacity of technical provisions	
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	Solvency Capital Requirement excluding capital add-on	61,942
R0210	Capital add-on already set	
R0220	Solvency capital requirement	61,942
Other information on SCR		
R0400	Capital requirement for duration-based equity risk sub-module	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	
R0440	Diversification effects due to RFF NSCR aggregation for article 304	

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		Linear formula component for non-life insurance and reinsurance obligations	2022	C0020 C0030
R0010	MCR ^{NL} Result	7,326	2022	
			Net best estimate (of reinsurance/S PV) and TP calculated as a whole	Net written premiums (of reinsurance) in the last 12 months
R0020	Medical expense insurance and proportional reinsurance			
R0030	Income protection insurance and proportional reinsurance			
R0040	Workers' compensation insurance and proportional reinsurance			
R0050	Motor vehicle liability insurance and proportional reinsurance			
R0060	Other motor insurance and proportional reinsurance			
R0070	Marine, aviation and transport insurance and proportional reinsurance			
R0080	Fire and other damage to property insurance and proportional reinsurance			
R0090	General liability insurance and proportional reinsurance			
R0100	Credit and Suretyship insurance and proportional reinsurance		26,499	22,163
R0110	Legal expenses insurance and proportional reinsurance			
R0120	Assistance and proportional reinsurance			
R0130	Miscellaneous financial loss insurance and proportional reinsurance			
R0140	Non-proportional health reinsurance			
R0150	Non-proportional casualty reinsurance			
R0160	Non-proportional marine, aviation and transport reinsurance			
R0170	Non-proportional property reinsurance			828

Linear formula component for life insurance and reinsurance obligations		C0040		
		2022	C0050	C0060
R0200	MCR (L) Result		2022	
			Net best estimate (of reinsurance/SPV) and TP calculated as a whole	Net total capital at risk (of reinsurance/SPV)
R0210	Obligations with profit participation - guaranteed benefits			
R0220	Obligations with profit participation - future discretionary benefits			
R0230	Index-linked and unit-linked insurance obligations			
R0240	Other life (re)insurance and health (re)insurance obligations			
R0250	Total capital at risk for all life (re)insurance obligations			

Overall MCR calculation		C0070
		2022
R0300	Linear MCR	7,326
R0310	SCR	61,942
R0320	MCR cap	27,874
R0330	MCR floor	15,485
R0340	Combined MCR	15,485
R0350	Absolute floor of the MCR	4,000
R0400	Minimum Capital Requirement	15,485