YAFA S.p.A.

VITTORIA ASSICURAZIONI GROUP

Solvency and Financial Condition Report
FY 2022

Board of Directors
of 04 May 2023

This English version is a courtesy translation from the Italian original document which remains the official version

(Note: in this document the decimal separator is a comma while in the tables is a point)

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Executive Summary

This "Solvency and Financial Condition Report", drawn up with the aim of fulfilling the market transparency requirements, is the annual financial reporting of Yafa S.p.A. (hereinafter also "Yafa" or "Parent Company" or "Company"), Parent Company of the Vittoria Assicurazioni Group (hereinafter also "Group") as the Ultimate Italian Parent Company with responsibility for the management and coordination of the Group, with reference to the financial year 2022.

The report is prepared in accordance with the reporting criteria and the structure defined by following rules and regulations:

- European Regulation
  - Directive no. 2009/138/EC of the European Parliament and Council (hereinafter "Directive");
  - Delegated Regulation (EU) 2015/35 of the Commission, of 10 October 2014;
  - Delegated Regulation (EU) 2015/2452 of the Commission, of 02 December 2015.

- National Regulation
  - Italian Legislative Decree no. 209 of 7 September 2005 and subsequent amendments, Code of Private Insurance Companies (hereinafter CAP or "Code");
  - IVASS Regulation no. 33 of 6 December 2016;
  - IVASS Regulation no. 42 of 02 August 2018,
  - IVASS Regulation no. 17 of 19 January 2016 - Regulation concerning the calculation of the Group's solvency.

The current solvency regime, Solvency II, which the insurance companies as well as the ultimate parent companies are subject to, is based on three pillars: first, the quantitative capital requirements and quantification of risks; second, the qualitative requirements, with a particular focus on the corporate governance within the companies; third, the rules of transparency and disclosure to the public and the regulator.

The report is divided into 5 sections, in addition to some quantitative information, i.e. Quantitative Reporting Templates (QRT), enclosed hereto.

A. Business and performance

Yafa S.p.A. is a limited company founded in 1996. It is the parent company of Vittoria Assicurazioni Group, entered on the Register of Insurance Groups under no. 008 held by IVASS, the Italian Insurance Regulator.
Yafa S.p.A. acts as a shareholding company and its business purpose, which is not carried out towards the public, is to acquire, as long-term investments and not as placement, and to transfer shares in other companies or entities as well as to finance and technically coordinate the Group companies. The investment portfolio of Yafa S.p.A. is made up of the equity investment, through Yafa Holding S.p.A. in the insurance company Vittoria Assicurazioni S.p.A. (hereinafter also "Vittoria" or "Company" and of several investments, mainly in the real-estate, agriculture and service sectors, performed through Yura International S.p.A..

Vittoria Assicurazioni Group is subject to IVASS supervision. The external auditing of Yafa S.p.A. for FY2021 to 2023 is assigned to the company KPMG S.p.A..
The consolidated financial statements of Yafa S.p.A. as at 31 December 2022 closes with a net profit of Euro 67,716 thousand (net profit of Euro 81,770 thousand as at 31 December 2021).
In terms of insurance business, premium income in 2022 recorded an overall increase of 5.6%, partly due to the contribution recorded in the Elementary Businesses (+14.6%). Total premiums written as of 31/12/2022 amounted to Euro 1,679,423 thousand compared to Euro 1,590,804 thousand, with an increase in Non-Life Business of 4.9% and an increase in Life Business of 8.3%.

B. System of Governance

The corporate governance system of Yafa S.p.A., which refers to the traditional model ruled by Articles 2380 to 2409 of the Italian Civil Code, requires that management activities are entrusted to the Board of Directors and the control activities to the Board of Statutory Auditors, both elected bodies. The accounting control is entrusted to the independent auditor. The System of governance has to be classified as "Enhanced" pursuant to IVASS Letter to the Market of 5 July 2018.
In this system:

- the function of guidance and strategic supervision lies with the Board of Directors, which resolves on the strategic guidelines and constantly checks their implementation;
- the function of management lies with:
  - the Board of Directors, as for the assignments that are not expressly delegated to other bodies.
  - the delegated Board members, for assignments specifically conferred on them.
- the control function lies with the Board of Statutory Auditors, which oversees:
  - the compliance with rules and regulations on the principles of proper management.
  - the adequacy of the organisational structure of the Company within its purview, the internal control system and the administrative accounting system, as well as the reliability of the latter in providing a fair representation of operations.

The Board and Shareholders' Meetings were also held by telecommunication way (videoconference and teleconference).

C. Risk profile

The risk profile of Vittoria Assicurazioni Group as at 31 December 2022 can be represented by the so-called "tree" of SCR, which enables to understand the significance of risks, as well as the benefits of diversification between modules and sub-modules of risk: this pattern is shown under chapter E.2 - Capital Management - Solvency Capital Requirement and Minimum Capital Requirement.
A brief representation is shown in the following table:

Summary of key solvency data			
Volatility Adjustment Evaluetion			(amounts in thousands of euro)
	31/12/2022	31/12/2021	Δ%
Market Risk	574.549	602.430	-4,6%
Counterparty Default Risk	54.433	51.157	6,4%
Life Underwriting Risk	81.425	35.109	131,9%
Health Underwriting Risk	41.897	41.862	0,1%
Non-Life Underwriting Risk	471.748	466.150	1,2%
Sum of risk components	**1.224.051**	**1.196.708**	**2,3%**
Diversification effects	(340.124)	(307.115)	10,7%
Basic Solvency Capital Requirement	**883.927**	**889.593**	**-0,6%**
Operational Risk	53.577	54.451	-1,6%
Change in tax benefit	(116.063)	(156.390)	-25,8%
Solvency Capital Requirement	**821.442**	**787.654**	**4,3%**

The main changes compared to the previous financial year are due to:

- Market risk: decrease mainly due to the spread and equity component, also as a result of the Symmetric Adjustment, which reduces capital absorption in market downturns that have more than offset growth in the interest component;
- Life underwriting risk: the change is attributable to the increase of the Sub-module redemptions, which discounts the Mass Lapse scenario;
- Health and non-life underwriting risk: changes reflect the increase in the portfolio;
- Tax Benefit: Reduction due to the update of taxable income projected for the coming fiscal years.

D. Valuation for solvency purposes

For the purposes of preparing the Solvency II financial statements, the Group values assets and liabilities in compliance with Article 75 of the Directive, whereby:
a) assets shall be valued at the amount for which they could be traded between knowledgeable willing parties in an arm's length transaction.
b) liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction.
In particular, these items were assessed according to the international accounting standards adopted by the Commission under Regulation (EC) no. 1606/2002, where compatible with Solvency II regulation.

E. Capital Management

Overview of the main data relating to solvency position

The table below sums up the main data that may be useful to understand the solvency situation of the Group in relation to the financial year ended 31 December 2022.

(€/000)

		31/12/22	31/12/21	Change
A	Solvency Capital Requirement (SCR)	821.442	787.654	33.788
B	Minimum Capital Requirement (MCR)	300.540	309.292	(8.752)
C	Eligible own funds to meet Solvency Capital Req	1.369.725	1.308.233	61.492
D	Net deferred tax assets	0	21.240	(21.240)
E	Subordinated liabilities not eligible own funds to meet MCR	197.471	231.685	(34.214)
C-D-E	Eligible own funds to meet Minimum Capital Req	1.172.254	1.055.307	116.947
C/A	**Ratio of Eligible own funds to SCR**	**166,7%**	**166,1%**	**0,7**
(C-D)/B	**Ratio of Eligible own funds to MCR**	**390,0%**	**341,2%**	**48,8**

The following table sums up, separately for each level, the information on the structure, amount, and quality of the own funds as at the end of the reference period.

(€/000)

	31/12/22	**31/12/21**	**Change**
Ordinary share capital	15.000	15.000	0
Share premium	22.183	22.183	0
Reconciliation reserve before dividends at Group level	931.598	818.655	112.943
Minority interests	201.019	185.329	15.690
Net deferred tax assets	0	21.240	(21.240)
Solvency II excess of assets over liabilities	**1.169.800**	**1.062.407**	**107.393**
Foreseeable dividends, distributions and charges	(3.000)	(3.000)	0
Deferred tax assets elimination	0	0	0
Subordinated liabilities - Tier 2	257.580	293.543	(35.963)
Non-available minority interests at group level	(54.655)	(44.717)	(9.938)
Solvency II eligible own funds	**1.369.725**	**1.308.233**	**61.492**

Data indicated in the table above were calculated using the Standard Formula and the Volatility Adjustment curve. The insurance subsidiary, Vittoria Assicurazioni S.p.A., obtained the

authorization from the Supervisory Authority to use the USP (Undertaking Specific Parameters), while the Parent Company uses, as for the previous financial years, the Group's data obtained from the general parameters provided for by the Standard Formula.
The Volatility Adjustment (VA) is a mechanism of discounting the future cash flows that enables to reduce the disruptive effects due to the Solvency II valuation approach, which aims to produce some volatility in the Own Funds, as assets and liabilities (evaluated with market logic) are enhanced through different discounting curves:

- liabilities, through a risk-free interest rate curve, for all European Companies,
- assets are all valued with market prices.

As required by rules and regulations, this Report outlines the quantitative impact of this choice.

Pursuant to Article 55 of the Directive, this report was approved by the Company's Board of Directors of 4 May 2023.

As set forth by the Implementing Regulation (EU) no. 2015/2452, some quantitative reporting templates (QRTs), that are required to be published, are attached hereto.

Unless otherwise specified, figures are expressed in thousands of Euro.

A. Business and performance

A.1 Business

A.1.1 Name and legal form of the Parent Company

Yafa S.p.A. is a limited company founded in 1996.
It is the parent company of Vittoria Assicurazioni Group, entered on the Register of Insurance Groups under no. 008 held by the Italian Insurance Regulator.

A.1.2 Regulator responsible for the Group's supervision

The Authority responsible for the supervision over Yafa S.p.A. and Vittoria Assicurazioni Group is IVASS, the Italian Insurance Regulator, with registered offices in Rome, Via Del Quirinale 21.

A.1.3 External auditor

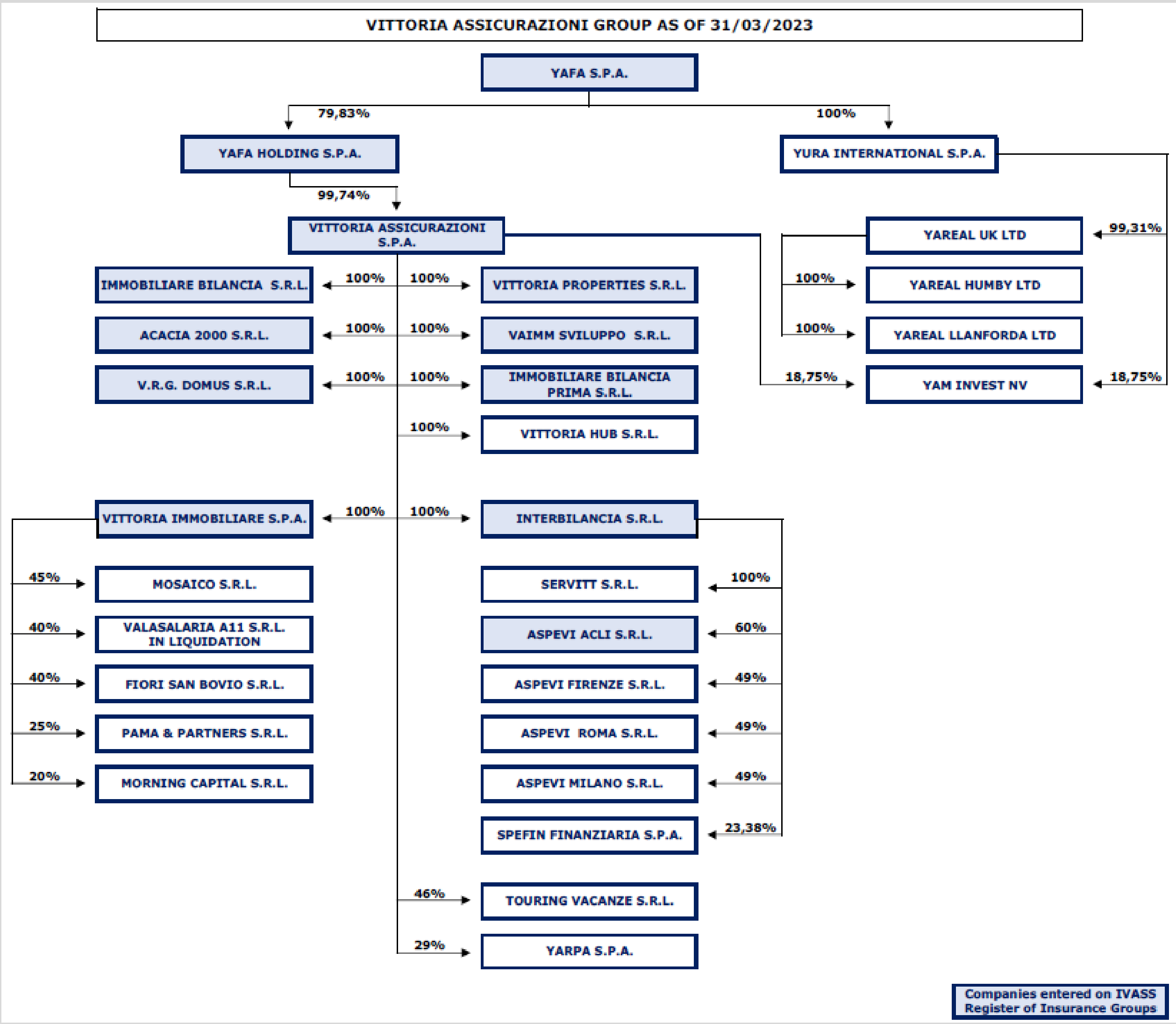
The Independent Auditor appointed by the Shareholders' meeting for the statutory audit of Yafa S.p.A. for 2021-2023 is: KPMG S.p.A. - Via Vittor Pisani, 25 - 20124 – Milan.

A.1.4 Qualifying equity interest in the Parent Company

As at 31 December 2022, Carlo Acutis has a 99.99% equity interest in Yafa S.p.A..

A.1.5 Subsidiaries, associates and branches

Below is an overall representation of Vittoria Assicurazioni Group as at 31 March 2023:



A.1.6 Lines of business and material geographical areas where the Group carries out its business

Yafa S.p.A. operates in Italy by controlling Vittoria Assicurazioni S.p.A. through Yafa Holding S.p.A., and abroad through the subsidiary Yura International S.p.A. holding which mainly operates in real-estate, agriculture, and management of shareholdings in the European context.

A.1.7 Main differences between the area of consolidation considered for the purposes of the financial statements pursuant to Article 95 of the Code of Private Insurance Companies and the area considered for the purposes of Group solvency calculation (Solvency II)

For the purposes of the financial statements pursuant to Article 95 of the Code of Private Insurance Companies, the subsidiary Yura International S.p.A. was fully consolidated, while for the purposes of the calculation of Group solvency, it was consolidated with the equity method, as it is not related to the insurance activity.
Section "D - Valuation for solvency purposes" hereof shows the valuation criteria adopted for the consolidation with the equity method with Solvency II principles.

A.1.8 Qualitative and quantitative information on the relevant operations and transactions within the Group

Operations with group companies are referred to the normal course of business, using specific professional skills at market prices, and do not include atypical or unusual operations.

Relationships with subsidiaries (fully consolidated)

Service contracts are in place between the Parent Company Yafa S.p.A. and Vittoria Assicurazioni S.p.A., aimed at exploiting operational synergies at Group level.
During FY2022, Yafa S.p.A. received Euro 23,950 thousand of dividends and an allocation of profit reserves from the subsidiary Yafa Holding S.p.A..
No business or supply relationships were established with the Subsidiaries Yafa Holding S.p.A. and Yura International S.p.A. in the relevant period.

Relations with Associates

As at 31 December 2022, there were outstanding loans accounting for Euro 15,342 thousand of Vittoria Assicurazioni S.p.A. towards its subsidiaries, Euro 4,557 thousand of which are given to investee companies in the Group’s real-estate sector.
During the financial year, Euro 24,214 thousand of costs of Vittoria Assicurazioni towards its Associates were reported, mainly due to commissions paid to the Group’s insurance brokerage companies. As at 31 December 2022, there were Euro 23,240 thousand of receivables from these companies.

During financial year 2022, Yura International S.p.A. and Vittoria Assicurazioni S.p.A. each received a dividend of Euro 1,125 thousand from the associated company Yam Invest N.V.

A.1.9 Other relevant information

Nothing to be reported.

A.2 Underwriting performance

Vittoria Assicurazioni S.p.A. is the sole Insurance Company belonging to Vittoria Assicurazioni Group. Hence, the performance reported below solely refers to Vittoria Assicurazioni S.p.A..
Below is the information relating to performance as at 31 December 2022, compared to the figures of the previous period.

Data by line of business	Premiums written		Claims incurred		Changes in other technical provisions		Expenses	
	31/12/22	31/12/21	**31/12/22**	31/12/21	**31/12/22**	31/12/21	**31/12/22**	31/12/21
Direct Activity								
Non-Life								
(1) Medical Expense Insurance	25.869	21.737	(13.240)	(9.203)	(4)	-	(8.627)	(7.850)
(2) Income Protection Insurance	104.479	98.006	(33.857)	(30.430)	(32)	-	(37.510)	(35.497)
(4) Motor vehicle liability insurance	691.052	693.576	(556.925)	(503.038)	-	-	(169.341)	(168.744)
(5) Other motor insurance	159.579	153.232	(81.800)	(73.512)	(313)	(455)	(50.375)	(48.832)
(6) Marine, aviation and transport insurance	7.366	6.290	(4.272)	(4.395)	-	(9)	(2.449)	(2.056)
(7) Fire and other property damage insurance	172.697	144.453	(97.052)	(76.345)	(601)	(361)	(66.027)	(57.304)
(8) General liability insurance	93.730	85.804	(35.752)	(32.236)	(4)	-	(33.026)	(31.140)
(9) Credit and suretyship insurance	3.712	3.556	(2.053)	(3.198)	-	-	(2.401)	(2.652)
(10) Legal expenses insurance	8.980	8.104	(803)	(278)	-	-	(2.505)	(2.318)
(11) Assistance	34.744	32.828	(11.309)	(9.771)	-	-	(10.000)	(9.977)
(12) Miscellaneous financial loss	22.831	15.859	(5.174)	(604)	-	-	(6.296)	(4.541)
Total Non-Life	**1.325.039**	**1.263.445**	**(842.237)**	**(743.010)**	**(954)**	**(825)**	**(388.557)**	**(370.911)**
Life								
(29) Health insurance	2.177	1.729	(282)	(71)	-	-	(328)	(14)
(30) Profit-sharing insurance	250.749	235.091	(129.913)	(85.581)	-	-	(13.808)	(15.272)
(31) Index-linked and unit-linked insurance	82.610	74.188	(12.497)	(9.546)	-	-	(7.579)	(5.476)
(32) Other life insurance	18.745	16.252	(5.924)	(14.936)	-	-	(2.625)	(291)
Total Life	**354.281**	**327.260**	**(148.616)**	**(110.134)**	**-**	**-**	**(24.340)**	**(21.052)**
Total Direct Business	**1.679.320**	**1.590.705**	**(990.853)**	**(853.144)**	**(954)**	**(825)**	**(412.897)**	**(391.963)**
Reinsurers' share								
Non-Life	(72.734)	(51.631)	38.402	38.348	-	-	9.539	6.049
Life	(2.214)	(1.828)	160	45	-	-	447	366
Total reinsurers' share	**(74.948)**	**(53.459)**	**38.562**	**38.393**	**-**	**-**	**9.986**	**6.415**
Total direct business, net of reinsurers' share	**1.604.372**	**1.537.246**	**(952.291)**	**(814.751)**	**(954)**	**(825)**	**(402.911)**	**(385.548)**

With reference to the Non-Life Business, the Company carries out accepted quota share reinsurance activity, whose performance as at 31 December 2022 is positive for Euro 90 thousand (Euro 104 thousand as at 31 December 2021).

The following table shows the territorial distribution of premiums for direct business, based on the location of agencies.

(importi in migliaia di euro)

Regioni	Agenzie	Rami danni Premi	%	Rami Vita Premi	%
NORD					
Emilia Romagna	36	111.507		76.684	
Friuli Venezia Giulia	9	12.116		1.065	
Liguria	18	48.336		5.103	
Lombardia	124	291.941		109.283	
Piemonte	62	113.227		24.385	
Trentino Alto Adige	11	16.984		5.747	
Valle d'Aosta	1	5.178		414	
Veneto	42	77.989		45.885	
Totale Nord	303	677.278	51,1	268.566	75,8
CENTRO					
Abruzzo	14	58.490		9.772	
Lazio	32	110.650		11.521	
Marche	18	42.909		7.845	
Toscana	52	134.535		16.065	
Umbria	15	69.430		13.105	
Totale Centro	131	416.014	31,4	58.308	16,5
SUD E ISOLE					
Basilicata	4	12.928		2.095	
Calabria	2	2.331		12	
Campania	14	54.183		4.552	
Molise	3	10.253		1.119	
Puglia	7	27.889		14.700	
Sardegna	13	49.994		1.942	
Sicilia	13	73.981		2.987	
Totale Sud e Isole	56	231.559	17,5	27.407	7,7
Totale ITALIA	**490**	**1.324.851**	**100,0**	**354.281**	**100,0**
Francia (attività in regime di L.P.S.)		**187**	**0,0**	**0**	**0,0**
TOTALE GENERALE	**490**	**1.325.038**		**354.281**	

A.3 Investment performance

The table below provides the total revenues, net of expenses, from investments held by the Group:

(€/000)

Investment performance	Total net income 31/12/20	Total net income 31/12/21	Change
Investments (other than assets held for index-linked and unit-linked contracts)			
Property (other than for own use)	(559)	13.210	(13.769)
Holdings in related undertakings, including participations	2.651	(4.146)	6.797
Equities			
-Equities — listed	1.607	1.580	27
-Equities — unlisted	185	590	(405)
Bonds			
-Government Bonds	15.719	25.563	(9.844)
-Corporate Bonds	9.517	13.243	(3.726)
-Structured notes	0	0	0
Collective Investments Undertakings	39.307	26.580	12.727
Deposits other than cash equivalents	0	4	(4)
Total Investments (other than assets held for index-linked and unit-linked contracts)	**68.427**	76.624	(8.197)

The asset classes are Solvency II and the net proceeds are assessed according to IAS/IFRS accounting principles.
Revenues refer to income relating to the period, such as coupons, dividends, gains on disposal or reimbursement, value re-adjustments and leasing instalments.
Costs refer to expenses directly and indirectly borne for the management of investments, expenses on disposal or reimbursement and value re-adjustments and the depreciation charge of real estate properties.
The results of the investments decrease from Euro 76,624 thousand to Euro 68,427 thousand, an decrease of Euro 8,197 thousand.
In the previous year the result benefits from the capital gain of Euro 14,077 thousand deriving from the sale to AC MILAN of building "C" of the Portello Business Park.

A.4 Performance from other activities

Yafa S.p.A. carries out exclusively equity holding activity.

A.5 Other information

There is no information to be reported.

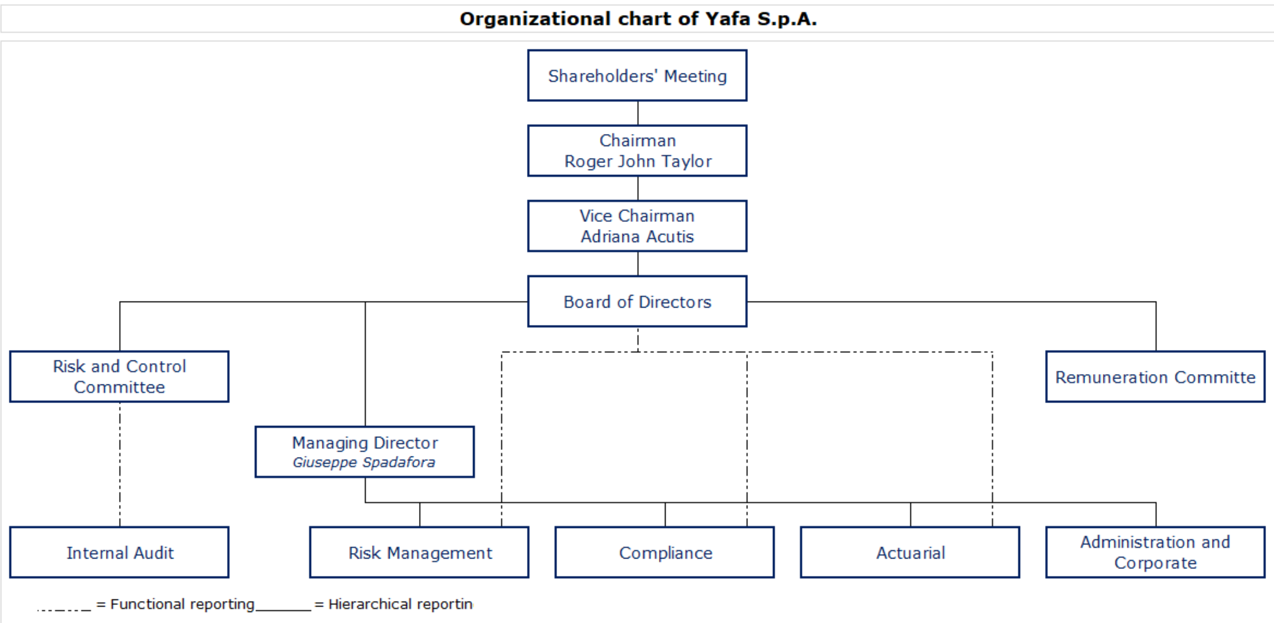
B. B. System of Governance

B.1 Overall information on the system of governance

Yafa S.p.A. is the Parent Company of the Insurance Group named Vittoria Assicurazioni, entered on IVASS Register of Insurance Groups under no. 008.
Within its activity of management and coordination, as Ultimate Italian Parent Undertaking, responsible for the enforcement of corporate governance provisions at Group level, it has adopted policies, regulations and guidelines that apply to Subsidiaries, including Vittoria Assicurazioni S.p.A., and must be complied with in the definition of the corporate governance with the purpose of guaranteeing an adequate level of consistency and strategic, managing and operational control.
The scope subject to management and coordination of the Parent Companyis identified in the Group's Regulation, approved by the Board of Directors on 13 February 2019 and last updated November 30, 2022, and provides for a differentiated management of the scope for intra-group coordination, by delegating to Vittoria Assicurazioni the management and coordination of its Subsidiaries and the adoption and maintenance of appropriate risk on this Subsidiaries control and management measures, and to Yafa the direct direction and direct coordination of the other Subsidiaries.
The management and coordination activity of the Parent Company involves the administrative bodies, the Senior Management and the Group's Key Functions, and provides for, in compliance with existing legislation, the adoption of structures, mechanisms, measures, procedures and information flows that allow following controls:

- strategic control on the development of the different business areas in which the Group operates and the related risks;
- management control, aimed at ensuring that the economic and financial stability is maintained, both in relation to each company and to the Group as a whole;
- an operational technical control aimed at assessing the different risk profiles applied by the Group to each subsidiary.

The governance structure of Yafa is summed up as follows:



Yafa adopts, as management and control system, the "traditional" pattern, characterized by the presence of a shareholder's meeting and of two elected bodies:

- the Board of Directors;
- the Board of Statutory Auditors.

The statutory audit is performed by an auditing firm entered on the register of statutory auditors.

In this system:

- the function of guidance and strategic supervision lies with the Board of Directors, which resolves on the strategic guidelines and constantly checks their implementation;
- the function of management lies with:
  - the Board of Directors, as for the assignments that are not expressly delegated to other bodies;
  - the delegated Board members, for assignments specifically conferred on them;
- the control function lies with the Board of Statutory Auditors, which oversees:
  - the compliance with rules and regulations on the principles of proper management.
  - the adequacy of the organisational structure of the Company within its purview, the internal control system and the administrative accounting system, as well as the reliability of the latter in providing a fair representation of operations.

The corporate governance system adopted by Yafa is "enhanced", as resulting from the self-assessment process carried out by the Board of Directors, according to parameters set forth by IVASS Letter to the Market of 5 July 2018. The governance system of Yafa was deemed as adequate in the light of its nature, size and complexity of risks concerning the Parent Company's business, in lined with the governance requirements defined at Group level and in compliance with IVASS Regulation no. 38/2018.
The adoption of the enhanced regime, in particular, implies for Yafa that the Group's Key Functions are assigned to separate functions that are not members of the Board of Directors, the Risk and Control Committee and the Remuneration Committee are established, and that the Chairman of the governing body is non-executive and with no management functions.

B.1.1 Roles and responsibilities of the governing, management or supervisory bodies and key functions - Structure and functions of the Board of Directors

Structure and functions of the Board of Directors

As at the date of approval of this Report, the Board of Directors of Yafa consists of 15 members, as shown in the table below, and will be in office till the Shareholders' Meeting for the approval of the financial statements relating to FY2023.
During 2022, 9 meetings have been held.

Composition of the Board of Directors of Yafa			Executive	Independent [1]	Risk and Control Committee	Remuneration Committee	BoD Vittoria Assicurazioni [2]
Surname	**Name**	**Office**					
Taylor	Roger John	Chairman					
Acutis	Adriana	Vice Chairman	X				X
Spadafora	Giuseppe	Managing Director	X				X
Acutis	Andrea	Director					X
Acutis	Carlo	Director	X				X
Argand	Luc Jean Edouard	Director		X			
Brandolini d'Adda	Tiberto	Director		X			
Galateri di Genola	Gabriele	Director		X			
Gobbi	Luciano	Director		X	X	X	X
Holsboer	Jan Hendrik	Director		X			
Kessler	Denis Jean-Marie	Director		X			
Lenotti	Alessandro	Director					
Passerin d'Entrèves e Courmayeur	Lodovico	Director		X			X
Paveri Fontana	Luca	Director				X	X
Verdun di Cantogno	Gian Domenico	Director		X [3]	X		

Note 1 - According to the criteria set forth by the Policy of the Group on assessment for office eligibility requirements and Article 20 of Yafa's Articles of Association.□
Note 2 - Directors in common with the subsidiary Vittoria Assicurazioni.
Note 3 - Independent Director from financial year 2023

Functions of the Board of Directors

The Board of Directors, made up of members appointed by the Shareholders' Meeting, is vested with the broadest powers for the ordinary and extraordinary management of the Parent Company. Therefore, it may take all actions, including share sale actions, that are consistent with the corporate purposes, the sole exception being those expressly reserved to the Shareholders' Meeting.
Directors must meet the fit & proper requirements as set forth by applicable rules and regulations, hold office for three financial years, till the date of approval of the financial statements relating to their last financial year and they may be re-elected. At least one fourth of Directors must fulfil the independence requirement provided for by existing Bylaws.

The Board is, inter alia, responsible for the definition of the corporate governance system, is ultimately responsible for the internal control and risk management system, of which it assesses the adequacy and effectiveness on a regular basis, and ensures that the internal control and risk management system is suitable to pursue the following objectives:

- efficiency and effectiveness of corporate processes,
- identification, current and forward-looking assessment, the management and the adequate risk control, consistent with the strategic guidelines and the risk appetite of the Group even in the medium-long term,
- a timely reporting system of corporate information,
- reliable and accurate accounting and operational information,
- the safeguard of company assets in the medium-long term,

- compliance of the company's and the Group's activities with current legislation, including the new ESG compliance requirements, directives and corporate procedures.

Tasks and responsibilities of the Board of Directors in the definition of the corporate governance concern the following areas.

Strategic Area

The Board of Directors is responsible for:
- the definition of objectives and strategies in a medium-long run for the Parent Company and its subsidiaries, the approval of a three-year Strategical Plan[1] which takes into account also the macro-economic and market contexts and enables to ensure the safeguard of assets,
- the approval of a three-year strategic Plan on the information and communication technology (hereinafter ICT Plan), including corporate cyber security,
- the decision regarding the operations that are strategically, economically or financially significant for the Group,
- the supervision over the management activities.

System of Governance

The Board of Directors defines and approves:
- the Group's General Regulation on Corporate Governance, the Governance Policies and the guidelines applicable to Subsidiaries, and it ensures its adjustment to the changes in the strategic objectives, the evolution of the corporate risks, the business continuity and external conditions, at least on an annual basis;
- the organizational structure of the Parent Company and the assignment of tasks and responsibilities, by ensuring that adequate decision-making processes are adopted and formalized, with an appropriate segregation of functions;
- the systems of delegations of powers and responsibilities, by checking the adequacy over time, by trying to avoid the excessive concentration of powers in one person and implementing instruments on checking the exercise of the delegated powers, by planning adequate emergency plans if it decides to retain the delegated powers.

Furthermore, the Board of Directors:
- ensures the presence of an adequate and efficient interaction, through information flows and coordination and collaboration procedures, among the Corporate Bodies, the Senior Management and the Group Key Functions, while guaranteeing the ongoing professional refresher;
- appoints, replaces and revokes, after preliminary examination by the Risk and Control Committee, the Holders of the Group's Key Functions and approves the Functions' annual Plans;
- establishes other functions that may be useful for the supervision over the Group, including the function for data and information production;
- defines, on an annual basis, after examining the proposals of the Remuneration Committee, the Group's Policies containing the guidelines for the remuneration of Directors and Relevant Personnel, by submitted them to the Shareholders' Meeting for approval;
- assesses, after hearing the Board of Statutory Auditors, the results submitted by the statutory auditor in any letter of recommendations and in the report on the key issues arisen during statutory audit;
- performs, at least once a year, an assessment on the functioning of the Board of Directors and its Committees, as well as on their size and composition;
- carries out, on an annual basis, an assessment on the functioning, size, composition of the Board itself and its Committees.

[1] As of the date of approval of this Report, the Board approved the Strategic Plan for the three-year period 2023-2025 by resolution on February 16, 2023.

Internal Control and Risk Management

The Board of Directors has the responsibility to define strategies and guidelines on internal control and risk management and to ensure the adequacy and maintenance over time, in terms of completeness, functionality and efficiency. To this end, the Board of Directors:

- identifies the types of risk that are relevant for and compatible with the strategic objectives of the Group in terms of medium-long term sustainability, and determines the risk appetite of the Group in line with the objective of safeguarding the assets, by setting the levels of risk tolerance and reviewing them at least once a year, in order to ensure their efficiency over time;
- defines the guidelines of the internal control system and risk management, so that the main risks relating to the Parent Company and its Subsidiaries are properly identified, as well as adequately measured, managed and monitored, in order to determine the appropriate level of own funds and the degree of compatibility of these risks with a management of the company consistent with the strategic objectives identified;approves suitable policies on internal control and risk management, including the environmental and social risks, generated and incurred, by checking its efficiency on an annual basis. Policies include, but are not limited to, the governance policy, which includes the profiles of data quality and cyber security whose measures are integral part of the ICT Strategic Plan and the Contingency Plan.

Board Committees

In order to strengthen the governance structure and the decision-making process, the Board of Directors established specific internal Board Committees with consulting, proposing and inquiry functions, by defining the relevant tasks and a specific Regulation has been prepared for each of these.

In particular, the Board of Directors has established the Remuneration Committee and the Risk and Control Committee, whose term of office of the members of each Committee expires when the term of office of the Board of Directors expires.
Both Committees are made up of two non-executive Directors, and the Chairman is independent.

Risk and Control Committee

The main function of the Risk and Control Committee is to support the Administrative Body in determining the guidelines of the internal control and risk management system, in regularly checking its adequacy and effectiveness and in identifying and managing the corporate risks. It also performs fact-finding surveys.
During 2022, 7 meetings of the Committee have been held.

Remuneration Committee

The Remuneration Committee acts to efficiently define and monitor the Remuneration Policies for a sound and prudent management of the company, in line with the risk appetite and related tolerance thresholds. It has advisory and fact-finding functions to determine the remuneration of Directors holding special offices and the Remuneration Policies for the Relevant Personnel.
During 2022, 3 meetings of the Committee have been held.

Board of Statutory Auditors

The Board of Statutory Auditors was appointed by the Shareholders' Meeting on 26 May 2022 and is made up of three standing auditors, including one Chairman, and two substitute auditors. The members of the Board of Statutory Auditors hold office three years, and till the date of approval of the 2024 financial statements.
Below is the composition of the Board of Statutory Auditors of Yafa.

Composition of the Board of Statutory Auditors of Yafa		
Surname	**Name**	**Office**
Maritano	Giovanni	Chairman
Cottino	Emanuele	Standing Auditor
Versino	Corrado	Standing Auditor
Bava	Alberto	Substitute Auditor
Zanini	Michele	Substitute Auditor

The Board of Statutory Auditors ensures that the operations implemented by the Company comply with the rules and regulations and may not be in potential conflict of interest or manifestly imprudent and, if necessary, inform the Board of Directors.
It is also responsible for obtaining periodic information on management performance, verifying the legality of directors' conduct and resolutions in accordance with the law and the By-Laws, and monitoring the adequacy of the administrative structure and internal control system.

During the term of office, the Board of Statutory Auditors, in order to monitor the effectiveness of the internal control system, participates, together with the Group Key Functions, in the meetings of the Risk and Control Committee; as well as at specific meetings with the Indipendent Auditor.

Supervisory Board

Yafa has adopted - on 17 February 2022 - an Organisation and Management Model pursuant to Legislative Decree no. 231/2001 (MOG 231) and has simultaneously established a monocratic Supervisory Board, which is responsible for ensuring its operation and compliance and is identified as the Head of the Group Internal Audit Function, who will hold office until the expiration of the current Board of Directors.

Independent Auditor

The independent auditor is KPMG S.p.A., on appointment granted by the Shareholders' Meeting held on 21 May 2021 for the period 2021-2023, till the approval of the financial statements as at 31 December 2023.

Senior Management

The Senior Management of the Parent Company coincides with the Managing Director.
As of the date of preparation of this Report there are no other Executives with strategic responsibilities.

Key Functions

Yafa has established the Key Functions of the Group as provided for in the regulations in the case of enhanced corporate governance.
The main objective of the Group's Key Functions are summed up as follows:

- the Group's Internal Audit Function assists the Board of Directors, the Risk and Control Committee and the entire organization in pursuing the goals defined via a professional and systematic approach that creates added value whilst aiming to assess and improve risk management processes, internal auditing and corporate governance;
- the Group's Risk Management Function ensures the application and verification of a system to take, assess and manage the risks of the Group in line with strategies, policies and risk appetite defined by the Group. The Holder of the Function is also assigned the role of Group Contact Person for Information Security and Cyber Risk;

- the Group's Compliance Function ensures the Group's ongoing compliance with the applicable regulations, both external (first and second level supranational and national regulations, provisions of the competent Supervisory Authorities) and self-regulatory (articles of association, codes of ethics and conduct, internal policies, organisational procedures, etc.), preventing the risk of incurring sanctions, financial losses and reputational damage, thus contributing to the creation of value and safeguarding the Group's assets. The Holder of the Function is also assigned the role of Group's reporting on anti-money laundering and personal data protection of the respective Anti-Money Laundering and Privacy Functions established in Vittoria;
- the main objective of the Group's Actuarial Function is to ensure the continuous monitoring of the reserving and underwriting risk, verifying in particular the appropriateness of the data and the adequacy of the assumptions and models used in this context.

Relevant Personnel

The Relevant Personnel should be identified, taking into account the structure and the activity performed by the Parent Company, the position held and the hierarchical level, the degree of responsibility of the staff, the level of responsibility, their activity performed, delegations conferred upon them, the amount of remuneration paid and the possibility of taking risk positions.
It should be noted that, in the identification of the Relevant Personnel of Yafa, the Board of Directors has identified, besides the Senior Management and Holder of the Group's Key Functions, the Head of the Administration and Corporate Function, also as "person in charge of the production of data and information that are useful for the exercise of the supervision as required by Articles 215-bis of the Code of Private Insurance Companies".

B.1.2 Significant changes in the governance system introduced in the relevant period

There were no changes with reference to the Governance system during 2022.

B.1.3 Information on the remuneration policy and practices

Principles of the Remuneration Policy

Yafa adopts, for itself and for the Group companies, remuneration and incentive-based policies and practices oriented to a sound and prudent risk management, in line with the strategic objectives of ongoing balanced growth, profitability and prominent position in the relevant markets in the long run, in order to safeguard the corporate assets, the regulatory capital requirements and the adequate solvency levels in a medium-long run, and in order to strengthen the protection of stakeholders, including the policyholders, and the stability of the market.
The Policy provides:

- the guidelines of the Remuneration Policies, and the related incentive plans, which the Group shall comply with;
- the general Guidelines which determine the remuneration of Directors and other top-level subjects of the Parent Company and Group's companies;
- guidance criteria to be used to determine the variable component of the remuneration, if any;
- principles and criteria needed to ensure compliance with law, the proper implementation and overall consistency of Group's remuneration policies and practices and related incentive plans;
- the remuneration system of Yafa, including the governance which regulates roles and tasks of the different decision-makers that determine the remuneration policies;
- that the application of the provisions takes into account the specificities of the companies of the Group, including the regulations applicable to them.

All decision-making processes relating to the Group's Remuneration Policies are formalized and structured to avoid potential conflicts of interest between the Parent Company and the recipients of the same.

The Group's Remuneration Policies are defined and regularly reviewed by the Board of Directors that is responsible for its proper application, for the purpose of approval by the Ordinary General Meeting. In the definition of the Policies, the Board of Directors avails itself of the support of the Remuneration Committee and involves the Group's Key Functions.

The Board of Directors of Yafa confers on the Managing Director the task of overseeing the proper application of the Guidelines, carrying out the periodic checks, as well as monitoring, for all the Group's companies, the proper definition of the Guidelines and the compliance with the principles set, taking into account the criteria of proportionality and organizational and operational features of the individual companies of the Group.

The remuneration of the Directors of the Parent Company and the Group's is commensurate with the responsibilities and tasks assigned to the individual Director, and established on the basis of the following allocation of skills, in compliance with existing rules and regulations:

- the total fixed compensation for the Board of Directors is set by the Ordinary Shareholders' Meeting;
- the fixed remuneration of Chairmen, Vice Chairmen and Directors with executive delegations, as well as Directors with specific duties is determined by the Board of Directors after hearing the opinion of the Board of Statutory Auditors;
- the incentive plans, in cash and/or financial instruments, are defined and implemented by the Board of Directors, within the limits of the Remuneration Policy approved by the Ordinary Shareholders' Meeting;
- if the remuneration of the directors with executive delegations provides for the recognition of a variable component, a proper balancing between the fixed component and the variable component is ensured, and there are maximum limits for the variable component; in particular, fixed and variable components are balanced in such a way that the fixed or guaranteed component is a properly high share of total remuneration. Results are measured over an adequate preferably multi-year term;
- for Directors with no executive delegations no variable components are provided for in the remuneration scheme in addition to the provision of any attendance fees resolved by each company of the Group. In exceptional cases where this variable component is provided for, it is adequately justified and in any case represents an insignificant part of the remuneration.

All Directors are covered by civil liability insurance (D&O policy).
There is currently no variable remuneration for Directors, employees and collaborators of Yafa.
The Board members are entitled to reimbursement of expenses incurred in the performance of their duties; no attendance fees are provided for.

Remuneration of the Board of Statutory Auditors and the Supervisory Body

The annual remuneration of the Parent Company's Board of Statutory Auditors and of the individual companies of the Group's Board of Statutory Auditors is established, according to law and By-Laws, by the Shareholders' Meeting upon appointment and for the entire term of office. The remuneration of the members of the Supervisory Body, where appointed, is set by the Board of Directors upon appointment. Statutory Auditors are entitled to reimbursement of costs incurred in for the performance of their duties and no variable remuneration is contemplated for the Statutory Auditors. The Shareholders' Meeting may resolve on an increased compensation to the Chairman of the Statutory Auditors based on his role.

Remuneration of the Relevant Personnel

The remuneration of the resources belonging to the Group's Key Functions and the Relevant Personnel is determined according to the position of remuneration on the relevant market (adjusted to the value of resources, their role and retention strategies).

Information on the individual and collective performance criteria on which any entitlement to share options, shares or variable components of remuneration is based

No variable remuneration is provided for.

Description of the main features of the supplementary pension or early retirement schemes for the members of the administrative, management or supervisory bodies and for holders of other key functions

The Executives of the Company are recipients of a supplementary pension plan provided for by the National Regulatory and Financial Agreement for insurance company executives, accounting for 13% of the contractual remuneration minimum, supplemented by a further 3%.
No supplementary pension schemes are provided for the members of the administrative, management or supervisory bodies.
No early retirement schemes are provided for the members of the administrative, or supervisory bodies, as well as for the Holders of Key Functions.

B.1.4 Information on the material operations performed during the reporting period with the shareholders, with the persons who exercise a significant influence on the undertaking and with the members of the governing, management or supervisory bodies

There are no significant transactions to be reported.

B.2 Requirements of professionalism, integrity and independence

The Board of Directors of Yafa has approved the Fit & Proper Policy, in order to ensure that those performing governing, management and control functions, and the Relevant Personnel, have the professional qualifications, know-how and experiences needed for a sound and prudent management of the Insurance Company, as well as a good reputation and integrity and, if required, the independence requirement.
Checking that requirements are fulfilled is performed upon appointment and, where required by the guidelines, on an annual basis with reference to the following persons:

- Directors and Statutory Auditors;
- Holders of the Group's Key Functions included in the governance system;
- Higher-level personnel of the Key Functions;
- Bodies with Governing, Management and Control Functions, as well as Key Functions and Relevant Personnel of the Group subsidiaries.

The Group Policy on the assessment of fit & proper requirements for office will be revised, during 2023 in order to ensure, before the renewal of the current Board of Directors, in office until the date of approval of the Financial Statements as of December 31, 2023, the implement of the changes introduced by MISE Decree No. 88/2022, published in the Gazette on July 11, 2022 and in force as of November 1, 2022, both regarding the fit & proper requirements of the exponents of insurance companies and regarding the criteria for the composition and functioning of the Board.
MISE Decree No. 88/2022 repeals Decree No. 220/2011 and applies to new appointments and reappointments of offices after the entry into force of the same and significantly strengthens the suitability standards of corporate officers (Directors, Statutory Auditors and Holders of Key Functions), raising the requirements of honorability and professionalism already covered by the previous regulations. Additional evaluation criteria such as fairness and competence, as well as independence and independent judgment requirements are also provided.

Below are outlined the fit & proper requirements, as provided for in the current Group Policy, drafted in light of the previous Decree No. 220/2011, that above persons are required to have, and that they do not have impediments and interlocking situations.

Requirements of professionalism

Professionalism is considered adequate when the person has professional qualifications, know-how and experience that are suitable to properly and efficiently fulfil the tasks arising from the corporate position, also with reference to the Group's Code of Ethics.
In particular, in relation to the role of Parent Company of an Insurance Group, the Directors and Statutory Auditors of Yafa must be chosen among persons that have accrued an overall experience of at least three years in the performance of qualified professional activities.
In addition to above requirements, the Statutory Auditors must meet the requirement of enrolment on the register of auditors.

Requirements of integrity

Notwithstanding the need of ensuring compliance with the integrity requirements under legislation, even with reference to the Group's Code of Ethics, there must be no impediments as per aforementioned Decree.
The impediment does not occur in the event that the Board of Directors of Yafa S.p.A. assesses, based on adequate evidence gathered and according to reasonableness and proportionality, that the person concerned was not involved in the facts leading to that situation.
Finally, the persons under the conditions set forth by Article 2399 of the Italian Civil Code cannot hold the office of Statutory Auditor.
Given that Yafa S.p.A. is the Parent Company of the insurance Group to which Vittoria Assicurazioni belongs, pursuant to Article 36 of the Legislative Decree no. 201/2011 (the so-called interlocking), holders of offices in the governing, management and control bodies, and top-level managers of the Company are not allowed to hold or exercise similar offices in undertakings or groups of undertakings operating in the credit, insurance and financial markets that are competitors, operating in the same product and geographical markets, of Vittoria Assicurazioni. The prohibition of the accumulation of offices does not apply to undertakings that belong to the same group. Offices held in foreign companies do not fall within this prohibition. Verification is carried out also with regard to the dimensional relevance threshold of the intermediaries involved, updated with Communication of 21 December 2018 Bank of Italy, Consob and IVASS, in agreement with AGCM.

Requirement of independence

The requirement of independence is assessed according to legislationand is based on the criteria identified by Article 20 of corporate Bylaws.
Specifically, Yafa S.p.A. considers it appropriate that at least one fourth of the directors are independent according to the criteria identified also under IVASS Regulation 38/2018.
If a director has been on the Board of Directors of Yafa S.p.A. even for more than 9 years, this is not considered as an obstacle to the independence.
Above Policy provides for the requirements of integrity for the Holders of the Group Key Functions and the Relevant Personnel as well as the requirements of professionalism and independence.

B.3 Risk management system, including the own risk and solvency assessment

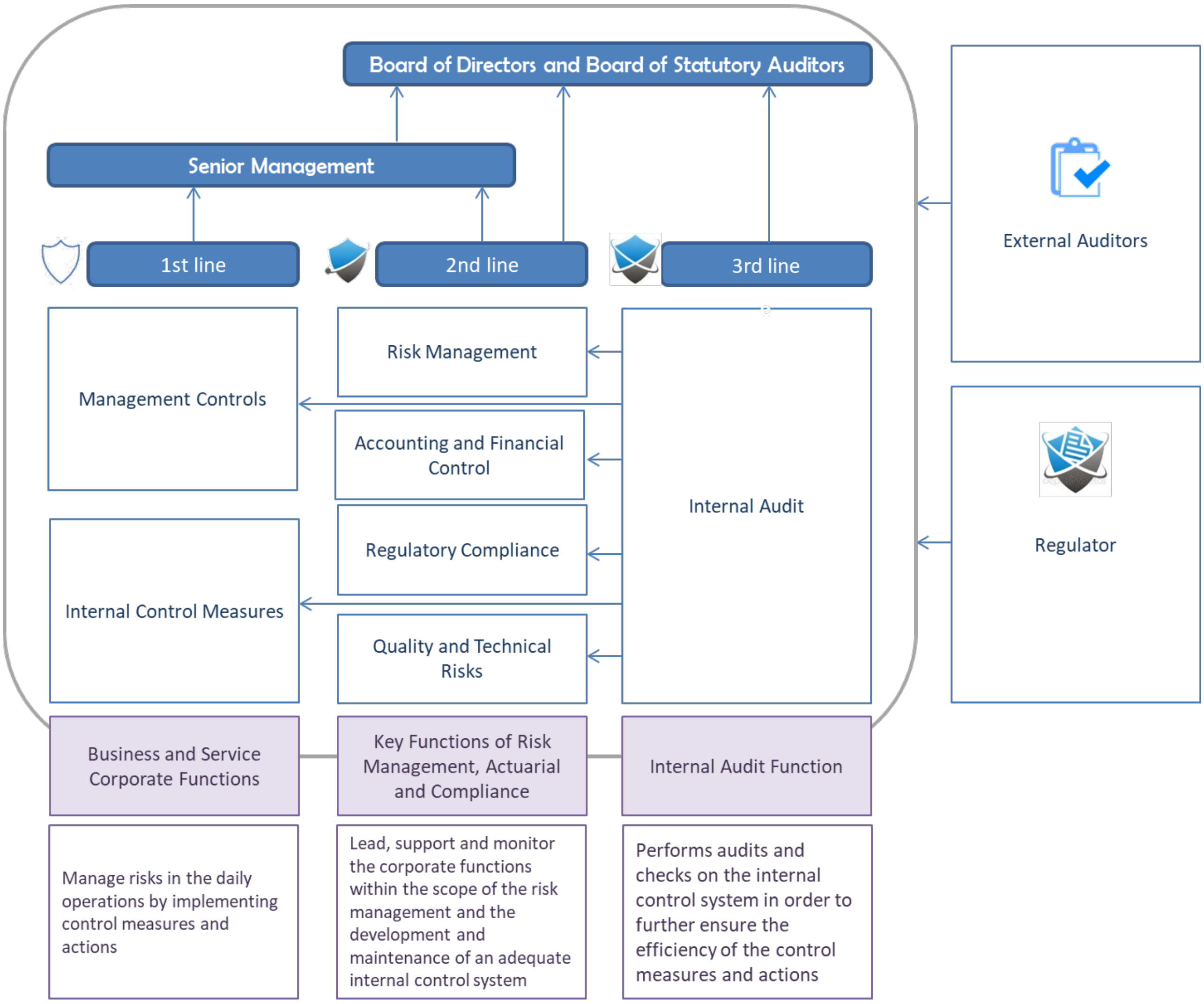
Essential elements of the corporate governance system are therefore made up of the risk management system and the internal control system.
The Parent Company has properly adopted, and maintains, on a continuous basis, these systems in order to ensure that it meets its commitments toits policyholders and beneficiaries, as well as their counterparties, and to pursue the strategic objectives in the long run and in accordance with the rules and regulations currently in force.

The risk management system adopted by the Parent Company complies with the following general principles:

- spreading of the risk culture within the Parent Company by leveraging synergies, best practices and specific expertise,
- accountability, delegation and control, in the risk management and treatment, to the operational functions by disseminating the governance policies to all levels,
- timeliness in the identification and control of risks, including the environmental and social risks,
- independence and segregation of Key Functions from operational functions to monitor the corporate risks and the internal control system.

B.3.1 Group Risk Management Process

The Group's Risk Management Function, within the scope of the Group's corporate governance system, deals with the implementation and monitoring of the risk management system, based on a thorough view of all risks which the Group is or may be exposed to.
The Board of Directors has defined the principles and features of the risk management and internal control system, by regulating its purposes, structure, roles and responsibilities.
Within these systems, the corporate bodies and corporate functions operate according to the well-known organizational model based on three lines.



In brief, the risk management system is:

- based on the joint activity of the following parties: Board of Directors, Risk and Control Committee, Board of Statutory Auditors, and Risk Management, Actuarial and Compliance Functions;
- made up of the set of principles, guidelines and lines of conduct, rules and processes and resources (human, technological and organizational) and instruments to support the strategy of risk management defined by the Board of Directors, which includes the risk appetite, preferences and objectives.

Hence, with reference to the risk management system:

- The Board of Directors, with the support of the Risk and Control Committee, and the Board of Statutory Auditors, each within their purview and responsibilities under chapter "B.1 - General information on the governance system", ensure their adequacy and effective functioning and ensure that the risks, which the Parent Company, also through its subsidiaries, is or may be exposed to, are identified, adequately managed, monitored and communicated, also through thresholds such as those measuring the level of risk/performance,
- The business and service corporate functions (first line) performs checks in the daily operations, by notifying the Key Functions of the occurrence of events that may turn into criticalities,
- The Key Functions (second line) monitor the risks and promote the development and maintenance of a system which enables an adequate understanding of the nature and significance of risks and an holistic approach to the risk management, as integral part of the business management,
- The Internal Audit Function carries out internal audit controls (III level) in order to monitor and assess the efficiency and effectiveness of the system of internal controls and the need for its adjustment, also through activities of support and advice to other corporate functions.

The Board of Directors ensures that all corporate levels are aware of and adopt the directives referred to the risk management system by guaranteeing the dissemination, at all levels, of the Group's general regulation on the corporate governance and ensuring, through the Senior Management, that they are supported by a suitable system of information flows and procedures. It also ensures that the risk appetite document and the own risk and solvency assessment report are disclosed to the staff at the appropriate hierarchical and decision-making levels.

The abovementioned Policies issued by the Board envisage any relevant aspect of business and corporate risk. Each policy describes the purpose and scope, rules the principles, provides an overview of the measures of the risk management and internal control system and recalls the organizational and operational documents adopted where the implementation procedures are governed. They also recall the Group's General Regulation on Corporate Governance, which regulates roles and responsibilities of the bodies and functions concerned and the coordination procedures among parties involved, including the information flows.

These flows provide for the top-down approach with respect to the communications from the Board of Directors, the bottom-up approach with regard to the information to the Board of Directors, a cross-cutting approach among the different corporate and intra-group functions with particular reference to the information flows to the Parent Company.

The process of risk management adopted by the Parent Company is performed on an ongoing basis, to take account both of the changes in the nature and size of the business and market environment, both in the occurrence of new risks or change of the existing ones. The process, which reflects the market standards on the matter, consists of (i) risk identification and mapping, (ii) assessment of exposure to risks, (iii) monitoring and control, (iv) risk treatment and (v) information management. Each corporate function is called to notify any circumstances or the occurrence of events that may turn into criticalities (i.e. risks at individual level).

Integral part of the risk management system adopted by the Parent Company is the system of the risk targets, implemented in close connection to the Mission, the three-year strategic plan, the Business Plan, the forward-looking risk profile, the asset and financial management and the business and organizational model of the Parent Company. The risk appetite is incorporated, in a structured manner, into the corporate processes as a component needed for the risk strategic management.
The objectives of quantitative risk and the thresholds measuring their level of achievement are formalized within the scope of the risk appetite framework. The risk appetite defines also the qualitative and monitoring objectives with particular reference to the types of risk, that by their very nature and features, may be difficult to quantify and are not covered by the capital requirements laid down by law: risk of non-compliance with standards such as, for example, therelated reputational risk.
In particular, the adopted thresholds are referred to risk measures, return measures and risk drivers. In this regard, the target values or the value range desired, the tolerance range and the maximum limits are set. Within the scope of monitoring, any occurrence of undesired values is managed by way of the process for the definition of recovery actions which provides for an escalation according to the severity of the violation.

Also, in this respect, the risk management system addresses the planning and the strategic choices, supports the decision-making processes and guides the organizational and operational aspects - and so it is the trait-d'union between the Bodies with governing, management and control functions and the business units.
Indeed,

- the holder of the Group's Key Function participates in the meetings of the Risk and Control Committee meetings,
- those performing the Group's Key Functions are involved in the business processes in order to provide assessments and provide opinions, including, but not limited to:
  - the prior assessment of the Group's Risk Management Function with reference to the asset allocation, projects for acquisition of equity investments and designing of new products, also in terms of solvency requirements,
  - assessments performed and the support provided by the Group's Compliance Function with particular reference to compliance with primary and secondary rules directly applicable to the Parent Company;
  - prior assessment by the Group Actuarial Function for new or modified products and assessments in the continuum of the Technical Reserves.

B.3.2 Own Risk and Solvency Assessment

The process of current and forward-looking risk assessment of the Group is outlined in the Group's Risk and Solvency Assessment Policy, which lays down principles and guidelines aimed at defining methods supporting the evaluation identification and development of methods, patterns and scenarios of solvency internal assessment.
The Parent Company, thanks to processes mentioned, ensures compliance of operations with agreed corporate objectives, understands and governs the risks which the Group is or may be exposed to, and the current and forward-looking solvency position.
By issuing the Policy on that matter, the Board of Directors has defined the methodological principles, the lines of conduct and the macro-processes aimed at assessing the overall solvency requirements and the ability of the Parent Company to fulfil, on an ongoing basis, and given the medium and long-term strategic planning, the mandatory capital requirements and the requirements concerning the technical provisions.
In defining the principles and responsibilities, the Policy has the purpose of establishing a risk management that allows to preserve the stability and solvency, also in extreme stress conditions. These principles refer to:

- integration: of the own risk and solvency assessment in the process for the analysis of the business strategy. The assessment is, in fact, an instrument of risk and capital management strategic planning;

▪ proportionality	pursued through the assessment of nature, scope and complexity of risks relating to the business performed by the Parent Company and its subsidiaries;
▪ reliability	of the assessment, based also on compliance with principles regulated by the Data Governance Policy;
▪ substantiality	solidity of assumptions and estimates, by considering the current and forward-looking macro-economic scenarios;
▪ ongoing improvement	refinement of estimation techniques for individual risks, also by comparing the exposure values estimated in the previous assessment and those actually achieved;
▪ compliance	with applicable law: supranational, national, primary and secondary, and Group's internal.

The methodology adopted is referred to:

- the current and forward-looking risk and solvency assessment, with reference to:
  - the quantitative assessment that is compliant with Solvency II regime (for insurance, market, credit and operational risks);
  - the quantitative assessment that is closest to the Group's actual risk profile, defining a Base Scenario that considers the possible use of GSPs for insurance risks and greater prudence in determining premium volume, as well as the use of risk parameters for the real estate sector that are more closely aligned with the Italian market;
  - the use of stress tests and scenario analyses, what-if and sensitivity;
  - the qualitative analysis used, for example, in the assessment of risks of non-compliance with standards (and the potential related reputational risk) and the liquidity risk;
  - the processes for monitoring the risks, also through checking the risk and performance indicators adopted, as well as the solvency indicator;
- the ongoing assessment of compliance with capital requirements and requirements relating to technical provisions (the so-called ORSA second assessment);
- the analysis of the deviations from assumptions underlying the calculation of the Standard Formula (the so-called ORSA third assessment).

Prepared and documented by the Risk Management Function, the own risk and solvency assessment supports the identification and classification of risks which the Parent Company is or may be exposed to, and provides the Board of Directors with the elements aimed at determining what the significant risks are, i.e. those whose consequences may undermine the Group solvency or constitute a serious obstacle to the achievement of medium-long term objectives.

The overall assessment, performed on an annual basis, is submitted for consideration and approval by the Board of Directors and submitted to the Regulator. The assessment is repeated upon occurrence of sensitive changes concerning, for example, the macro-economic scenario or the market sectors where the Parent Company operates or invests or upon occurrence of significant changes in the portfolio. Assessments are also performed on a quarterly basis, mainly to constantly check the capital requirements and those relating to the technical provisions, following which, in case of significant deviations and, in any case, in case of criticalities, an appropriate information escalation is provided for to the Senior Management and the Board of Directors.

In particular, the Own Risk and Solvency Assessment:

- determines the plausibility of the strategic planning covering a three-year term,
- is the basis for the capital planning also for solvency purposes,

- supports the monitoring of thresholds which measure the level of achievement of risk targets.

B.4 Internal control system

B.4.1 Information on the main procedures provided for by the internal control system

The Internal Control System is aimed at ensuring the adequate control of current and forward-looking risks, the timely reporting system of corporate information, the reliable, complete and accurate accounting and operational information, as well as the compliance of the business with existing regulation, directives and corporate procedures. It contributes to the safeguard of company assets even in the medium-long term.
The Parent Company defines and implements the internal control and risk management system for itself and for the Group's companies based on a management and coordination process operated under Article 2497 et seq. of the Italian Civil Code and in accordance with industry-specific rules (IVASS Regulation no. 22/2016 and no. 38/2018).

The main aspects of the management and coordination process are implemented through:
- a system of delegated powers;
- information on ongoing corporate and Group's projects of the Board, which will approve the ones with major impact on the internal control system;
- the approval of the most significant procedures, delegating to the different functions, where appropriate, to set up organisational rules for all the corporate areas that are deemed to be sensitive and implementing the measures to ensure continuity and regularity of the activity performed, as well as developing emergency plans;
- the adoption of reporting procedures needed to identify, monitor, manage and report risks at aggregate level;
- the adoption of administrative and accounting procedures and of a proper system of information disclosure at Group level;
- the appointment of the Group's Holders Key Functions, the approval of related annual plans and any reviews, if significant;
- information by delegated bodies;
- the communication to IVASS of any significant risk concentration at Group level;
- the adoption of organizational and administrative measures;
- the approval of documents relating to guidance, technical issues, risk management and monitoring which the corporate operations is usually exposed to.

The Board of Directors, with the support of the Managing Director who has the task of supervising the functioning of the internal control and risk management system, provides to define the rules of the Internal Control System. Vittoria Assicurazioni Group has adopted an internal system of policies of governance, reporting and management of risks and corporate processes, whereby roles and responsibilities of the structures involved are outlined.
In addition to the adoption of a Code of Ethics acknowledged by all Group companies, the Board of Directors of the Parent Company defines a General Regulation regarding Group Corporate Governance and the annual plan of issuance and revision of policies of the Group and the process flows. These policies include both the regulation applicable to the Parent Company and the management principles and criteria that are common to all Group's entities, according to their activities, as well as specific guidelines for the Company as a supervised entity to ensure also a governance and control and risk management system at Group level, with the following objectives:
- efficiency and effectiveness of the operational activities,
- the adequate control of current and forward-looking risks,
- a timely reporting system of corporate information,
- reliable, complete and accurate accounting and operational information,
- the safeguard of company assets even in the medium-long term,
- compliance of the activities with existing rules and regulations, directives and corporate procedures.

The internal control system is regularly subject to assessment and review, in relation to the progress of the corporate operations and relevant context.
In particular, the guidelines of the Internal Control System are subject to specific monitoring, with particular reference to their enforcement, and are reviewed, on a regular basis, in order to ensure their adequacy, efficiency and adjustment to regulatory, organizational or business changes.

The Parent Company ensures that the reporting procedures are implemented consistently in all undertakings belonging to the Group, by way of:

- integration mechanisms of the accounting systems, even to ensure reliable findings on a consolidated basis by the Parent Company,
- through the definition of adequate information flows, provision of reporting and accounting procedures to identify, quantify, monitor and control the operations among the entities of the Group,

The relevant structure of the internal control system, outlined by the Board of Directors and adopted also at Group level, is made up, as stated before, of three different levels of operativeness and control responsibility.
Befittings line controls, i.e., controls of a systematic nature carried out by individual organizational units within their own business processes (first level), the roles and responsibilities of the II and III level control Functions are defined in the relevant Group’s policies, approved by the Board of Directors, with preliminary examination by the Risk and Control Committee.

B 4.2 Compliance Function

Within the internal control and risk management system, the objective of the Compliance Function is to ensure the Group’s ongoing the compliance of the Group and related activities, in order to prevent the risk of non-compliance - i.e. the risk of incurring legal or administrative sanctions, significant financial losses or reputational damage as a result of non-compliance with rules, regulations, European standards, directly applicable or orders from regulators or self-regulatory rules, such as bylaws, code of ethics or internal policies.
The Function hierarchically reports to the Managing Director and functionally to the Board of Directors, to which he/she reports on issues relating to contents and organization of compliance activities, also through the Risk and Control Committee.

The responsibilities, tasks, operational procedures, nature and frequency of reports are defined in the “Group’s Policy on the Compliance Function” and in the Function chart.

The management of non-compliance risk and the operations of the Function are carried out continuously and consist of the following macro-phases:

- reconnaissance and identification of applicable legislation;
- risk assessment;
- identification of mitigation actions;
- follow-up activities and ex post controls;
- reporting to bodies and other corporate functions;
- consultancy activities.

The activities of the Group’s Compliance Function are performed according to a risk-based approach and based on a Compliance annual plan, submitted to the Risk and Control Committee, approved by the Board of Directors and drafted, in accordance with the proportionality principle, taking into account the nature, size, and complexity of Group’s risks considered as a whole.
In order to ensure the prevention and/or mitigation of the risk of non-compliance with standards, in addition to annual reporting to the Board of Directors and Risk and Control Committee, the Compliance Function provides for the assessment on the adequacy and efficiency of the measures adopted by the Parent Company for the non-compliance risk management, and prepares appropriate information flows to the Senior Management and the corporate Functions aimed at:

- spreading the culture of control and compliance with rules, regulations and internal provisions;

- promptly informing with respect to the main criticalities on compliance with law and on the related risk mitigation plans.

B.5 Internal Audit Function

The Internal Audit Function as third level control function is integral part of the internal control and risk management system: role and responsibilities are defined through the Function's Policy and the functional chart.
The Function is free from conditions that may compromise the objectivity in the performance of its activities, as it:
- does not have direct responsibility or authority over the areas subject to audit,
- is not involved in any operational activities that might be subject to audit,
- carries out audit activity on an autonomous initiative and is free to allocate the resources available and apply the most appropriate techniques for the attainment of the targets assigned,
- is free to make its own assessments, within the scope of the performance of activities assigned, by way of analyses that are thorough and anyway based on an impartial bias-free approach, while avoiding any conflict of interest.

In order to ensure autonomy and independence:
- the Function consists of a specific business unit;
- the Board of Directors as well as the appointment and revocation of the Head of the function, after consulting the Board of Statutory Auditors and the Risk and Control Committee, resolves on the following items:
  - approval of the Function Policy,
  - remuneration of the Holder of the Function,
  - assignment of objectives and assessment of the performance of the Holder of the Function,
  - approval of the Function activity plan, resource plan and related budget.

The Board of Statutory Auditors checks the existence of the needed autonomy and independence and evaluates the effectiveness of its functionality.

The Holder of the Function:
- meets the fit & proper requirements defined in the related Group Policy;
- functionally reports to the Board of Directors, to which he/she reports on issues relating to contents and organization of his/her activities.

The Function staff adheres to the International Professional Practice Framework issued by the Institute of Internal Auditors and applies and promotes the Code of Ethics of the category. Furthermore, it complies with the principles of integrity, objectivity, confidentiality and expertise established by the aforementioned Code of Ethics and satisfies the fit & proper requirements defined in the related Group Policy.

Objectives and responsibilities

The main target assigned to the Function is to support the Board of Directors, Risk and Control Committee and the whole organization in pursuit of the objectives defined through a professional and systematic approach, as it is aimed at assessing and improving the risk management, internal control and corporate governance system processes.
The responsibilities of the Internal Audit Function, detailed objectives, tasks, powers and main activities of the Function are ruled in the Internal Audit Policy, reviewed, on an annual basis, by the Board of Directors, outlining the methodological principles of the audit activity and relations with corporate bodies and other functions.
Based on the tasks assigned by the primary legislation (see Article 30-quinquies of the Code of Private Insurance Companies) and in compliance with Article 91 of IVASS Regulation 38/2018, within the risk management system and the internal control system, the main responsibilities assigned to the Internal Audit Function are:
- maintaining an appropriate relationship with the Board of Directors and the Risk and Control Committee,

- monitoring and evaluating the functioning, efficiency, effectiveness and adequacy of the internal control and risk management system, as well as the other components of the corporate governance system,
- identifying, monitoring and assessing any needs of adjustment of the internal control system deliberated by the Board of Directors, by also including support and advisory activities to corporate functions,
- assessing and verifying, in the context of the audit activities, the correctness of the management processes, the efficiency and effectiveness of organizational procedures, as well as the effectiveness of the controls carried out on any outsourced activities and functions, communicating the results and any dysfunctions and critical issues to the Administrative Body, Top Management and the Supervisory Body,
- verifying the implementation of the remedial actions decided by the Board of Directors with reference to the deficiencies detected and on the basis of the recommendations included in the audit reports,
- verifying annually the correct application of the Group Remuneration Policies, approved by the Shareholders' meeting,
- verifying and monitoring the consistent and continuous application of the Guidelines for directly controlled Companies and the compliance of conduct with the guidelines set by the Board of Directors,
- monitoring the effectiveness of the internal control and risk management system, through coordination mechanisms including with the other Key Functions of the Group and the Insurance Company,
- proposing the updating and contributing to the drafting of the content of the policies, for the areas within its competence, presenting the Activity Plan, at least once a year, to the Board of Directors,
- submitting, at least once a year, to the Board of Directors the Report on the activities carried out in the framework of the Audit Plan, on the checks carried out, on the results that emerged and on the critical issues detected, giving an account of the state of implementation of any improvement measures,
- reporting to the Risk and Control Committee every six months on the progress of the annual audit Plan and, after appropriate in-depth analysis, on any reports received from the Control Functions of Group companies.

The Internal Audit Function has the power to freely access, without limitations, all corporate functions, relevant documentation, information systems and recordings relating to the area audited, as well as to all information relevant for checking the adequacy of the controls performed. In the performance of its duties, the Function is also ensured the full collaboration of the heads of the different organizational units.

Implementation

The Holder of the Internal Audit Function defines and formalizes the planning of the Function activities through a Group Annual Plan. The Plan is defined through a method of risk assessment that includes emerging trends and risks, significant organizational changes and the main services, processes, operations, findings of the audit activities performed recently and the areas of focus on risks or controls. The audit plan is previously submitted to the Risk and Control Committee and approved by the Board of Directors and is brought to the attention of the Board of the Statutory Auditors.
The planned activities are performed in accordance with above plan and can be changed and supplemented for actions that may be required to meet new needs. Any significant changes in the Plan are subject to the Board of Directors for approval at the first meeting.

The Internal Audit Functions performs activities of assurance, aimed at assessing whether the processes of risk identification, assessment, management and control and governance of the Parent Company and subsidiaries, as designed and implemented by the Management, are adequate and work properly. In the performance of this task, the Function also evaluates the activities of Compliance, Risk Management and Actuarial Functions.

In particular, as required by Article 36, paragraph 1 of IVASS Regulation 38/2018, assurance actions include at least the verification of:

- the correctness of management processes and efficiency and effectiveness of the organizational procedures,
- the regularity and functionality of the information flows among company sectors,
- the adequacy of the information systems and their reliability so that information quality on which the senior management relies its decisions is not impaired,
- the adherence of the accounting administrative processes to correct and regular accounting procedures,
- the efficiency of the controls performed on the outsourced activities.

The Internal Audit Function checks the consistent enforcement by the subsidiaries of the applicable corporate governance provisions and, by coordinating the internal audit activity in the Group, it carries out periodic controls vis-à-vis the Insurance Company also by way of the Internal Audit Function itself.

B.6 Actuarial Function

Within the framework of the Internal Control and Risk Management System, the Function has the objective of guaranteeing continuous monitoring, of the reservation and underwriting risk and of verifying the appropriateness of the data and the adequacy of the assumptions and models used in this context.
Without prejudice to the roles and responsibilities described in the "General Regulation on Group Corporate Governance" and those provided for in Article 92 of IVASS Regulation no. 38/2018, the main responsibilities assigned to the Function are set out below:

- coordinating the calculation of the Non-Life and Life Technical Reserves in accordance with Solvency II principles and certifying the correctness of the procedures followed, also verifying the appropriateness of the data used to support the assumptions and the adequacy of the methodologies, models and assumptions used, identifying thge potential risks arising from the uncertainties associated with this calculation. In this regard, the Function reports to the Board of Directors of the Parent Company on any significant deviation between actual experience and the best estimate, identifying the causes and, if necessary, proposing changes in the assumptions and the valuation model, in order to improve the calculation.
- Supporting the Group Risk Management Function in the identification and analysis of Group risks, in particular technical risk (also in the ORSA area), and in assessing the adequacy and effectiveness of risk management models and methodologies.
- Supporting the Group Risk Management Function in the analysis of aspects related to asset and liability management.
- Evaluate and provide opinions on
  - Group underwriting risks;
  - the Company's reinsurance policy and further risk mitigation techniques, as well as on the reinsurance programme of the Group as a whole;
  - the solvency of the Group, including prospective solvency through stress testing and scenario analysis in the areas of technical provisions and asset-liability management;
  - the underwriting and reserving policies and guidelines, as well as more generally in the monitoring of technical risks aimed at assessing the consistency of Underwriting, Reserving and
  - Reinsurance policies with the risk appetite expressed in the Group Risk Appetite Statement;
- collaborating and operating in close connection with the Company's Risk Management and Actuarial Functions in order to supervise the Data Quality aspects of the Company's processes relating to the Technical Reserves and the Company's USPs.

All the above activities are documented and have a periodicity (quarterly, half-yearly, yearly or ad hoc) depending on the subject matter.
Moreover, it coordinates with the analogous Function of the Company, with which it shares assumptions and operating methods.

In addition to the above, the Group Actuarial Function may be called upon to provide an opinion on particular issues through support and/or consultancy activities.
In order to perform its duties, the Department is guaranteed full cooperation from the persons in charge of the various organisational units and free access, without restrictions, to the relevant documentation, information systems and accounting data relating to its tasks.
The Department reports hierarchically to the Managing Director and functionally to the Board of Directors, to which it reports on all aspects related to the content and organisation of its activities, also through the Risk and Control Committee.

B.7 Outsourcing

Yafa. has adopted a Group's Policy on outsourcing with the aim of providing the Group with principles and guidelines to be adhered to with respect to the outsourcing of intra-group and extra-group activities and/or functions, by defining the general principles:

- proportionality and compliance with applicable regulation, according to the organizational and operational features of the companies involved,
- sound and prudent management, by adopting, implementing and keeping suitable measures aimed at contributing to the stability and functioning of the whole Group, including the measures of the risk management and internal control system and the management of the conflicts of interest,
- cost-effectiveness, efficiency, effectiveness and reliability of the organizational and productive structure of the company,
- quality and continuity of processes, by adopting stringent criteria for the selection of suppliers.

The following is also defined:

- the criteria for the identification of the activities to be outsourced,
- the criteria for the classification of activities as essential or important,
- the decision-making process to outsource corporate functions or activities, roles and responsibilities in this regard,
- the criteria for the selection of suppliers based on the principles of fairness and transparency,
- the minimum content of the outsourcing agreements and the procedures to be adopted for the assessment of the supplier performance level,
- internal information flows aimed at providing the control bodies and the Key Functions with full knowledge and handling of the risk factors relating to the outsourced activities,
- the guidelines to be followed in case of inadequate performance of the functions outsourced by the service providers, including those relating to the emergency plans and the exit strategies in cases of outsourcing of essential or important functions and activities,
- disclosure obligations towards the Regulator.

The selection for the outsource service provider represent a condition to outsourced guarantee adequate quality levels and to pursue cost-effective objectives.

In view of the adoption of the "enhanced" corporate governance system and consistent with the organizational solutions set forth by the Letter to the Market of 5 July 2018, neither Yafa, nor Company, make use of outsourced Key Functions. As at the date of this report, the Parent Company has not outsourced any essential and/or important activities and, after receiving suitable information, monitors, the activities outsourced by its direct subsidiaries and Vittoria Assicurazioni, whose outsourced essential and/or important activities are reported in Report of the Company's Compliance Function, to which reference should be made.

B 8 Other information

There is no information to be reported.

C. RISK PROFILE

The types of risk, to which the Group is exposed, are ascribable to the size of the Group itself, the activities performed, the specific regulations to which each entity is subject and the overall strategies of the Group. The Group's exposure to risk, including any exposure arising from off-balance sheet, is measured with the Standard Formula envisaged by Solvency II regulation.
It should be noted that the risks arising from the specific features and characteristics of the activities of the insurance business fall within the scope of Vittoria Assicurazioni S.p.A., while the rest of risks concern the scope of the whole Group.

As at 31 December 2022, there are no cases of risk transfer through securitization or other Special Purpose Vehicles at Group level.
The risk profile of Vittoria Assicurazioni Group as at 31 December 2022 is well represented by the modular structure of SCR, which enables to understand the significance of risks, as well as the benefits of diversification between modules and sub-modules of risk: this pattern is shown under chapter E.2 - Capital Management - Solvency Capital Requirement and Minimum Capital Requirement.

C.1 Underwriting risk

Underwriting risks come from the insurance activity performed by Vittoria Assicurazioni S.p.A.. Capital absorption for the underwriting risk is referred to the possible unexpected losses both on the covered risks, and on processes used in the conduct of business.

Non-life and health underwriting

Non-life health underwriting risks may depend on a non correct structure of pricing and reserving processes (pricing and reserving risk), for example, an inadequate estimate of the frequency and/or severity of claims or the emergence of major inflationary phenomena; they may also depend on the occurrence of extreme or exceptional events (catastrophe risk) or on the particular influx of lapses by the policyholders (lapse risk).
The pricing risk comes from the possibility that premiums generated by existing contracts do not cover claims and expenses incurred or to be incurred, also in relation to very volatile and particularly expensive events.
The reserving risk arises from the uncertainty of the uncertain nature of claim payment. The so-called lapse risk, i.e. the risk of failed renewal of contracts, arises from the possible inadequacy of estimates concerning the assumptions of discontinuance of the portfolio or changes in the policyholders' behaviours.
Finally, the Catastrophe Risk identifies the risk linked to possible extreme or exceptional events such as natural catastrophes (storm, flood, pandemic, etc.) or artificial catastrophes (fire, terrorism, other events involving a place where there are many insured persons etc.).
The capital absorption is quantified by aggregating the three sub-modules Pricing and Reserving, Lapse and Catastrophe for Non-Life and Health.
Losses determined at sub-module take into account the mitigation provided by the passive reinsurance, where provided for by the Standard Formula.

Life underwriting

Underwriting risks are divided into biometric risks and operational risks. Biometric risks are linked to uncertainty of assumptions on mortality, longevity, morbidity and disability rates used in the process of valuation of insurance liabilities. Operational risks come from the uncertainty linked to expenses and contractual options, whereby the policyholders may reduce, suspend or partially lapse the insurance coverage.
The mortality risk is defined as the risk of loss arising from the increase in the mortality rates. This risk concerns all policies whose performance in case of death are higher than the relevant technical provisions.

The longevity risk is defined as the risk arising from the decrease in the mortality rates and is related to all policies for which provision is made, de facto or in terms of options to be exercised, for the payment of periodical benefits as long as the insured person is alive.
Similarly, the disability/morbidity risk is defined as the risk linked to a possible increase in the disability and morbidity rates.
The lapse risk is the risk arising from options offered to the insured parties, whose exercise can change the future cash flows and therefore the technical provisions (termination, surrender, decrease, restriction or suspension of insurance covers, annuity appetite etc.).
The expense risk is related to the risk linked to the change in expenses resulting from the contract management. Also, the Life business provides for the Catastrophe Risk. Specifically, this risk reflects a scenario where the mortality is subject to a strong immediate increase.
The capital absorption is quantified by aggregating the seven sub-modules Mortality, Longevity, Disability/Morbidity, Lapse, Expense, Revision[2] and Catastrophe.
Losses determined at sub-module take into account the mitigation provided by the passive reinsurance, where provided for by the Standard Formula.

Reinsurance

As the only insurance company of the Group, Vittoria Assicurazioni adopts a reinsurance policy, with the aim of preserving the balance as a whole and for each line of business.
Proportional or non-proportional reinsurance treaties are used according to the retention objectives set forth by relevant policy. Furthermore, the Company uses specific facultative reinsurance contracts to underwrite risks without quantitative and qualitative features falling within the reinsurance treaties.
The Reinsurance Policy of the subsidiary outlines the best criteria for the selection of the counterparties, by prior verifying the credit worthiness and checking any restrictions to procedures of balances settlement, as well as the maximum exposure to a single counterparty or group.
The verification of the efficiency of the risk mitigation performed through reinsurance is carried out when the annual plan of outward reinsurance and half-year changes is defined.

C.2 Market Risk

The main market risks to which the Group is exposed are interest rate, equity, real-estate, spread, currency, maturity mismatch.

Interest rate risk

The interest rate risk arises from adverse changes and volatility of the interest rates. The Group is exposed to the interest rate risk with regard to the bond portfolio and insurance currency liabilities with Best Estimate methods. After quantifying the basic BOF (Basic Own Funds) value as difference between Assets and Liabilities that are sensitive to the spreads, the capital absorption corresponds to the worst of the two changes in BOF occurring in two scenarios, where the value of Assets and Liabilities is re-calculated with a spread curve altered with upwards and downwards shocks.

Equity risk

The equity risk reflects possible adverse changes in the level and volatility of the market value of the financial and capital instruments adjusted for the asymmetry of equity prices. The Group is exposed to the equity risk relating to the equities and interests in listed and not listed companies, OICR units and mutual funds.

[2] The revision risk sub-module quantifies the capital necessary against an instantaneous permanent increase of the annuity benefits paid by the Company where the benefits may increase as a result of changes in the legal framework or state of health of the person insured (contractual clause not included in the insurance policies issued by Vittoria Assicurazioni).

In the calculation of the capital absorption for the equity risk, the Group considers the "Transitional Measures" provided for by the EU regulation to limit increases in the volatility of the equity markets. These measures have enabled to reduce the capital absorption for all investments in capital instruments, including those present in the Funds, already held as at 1 January 2016. The capital absorption provided for the FY2016 was identified by applying a shock of 22% and this percentage is re-aligned to the ordinary shocks, including the Symmetric Adjustment, until 2023 with at least a linear progression.

Property risk

The property risk represents the possible adverse changes in the level and volatility of market prices of real estate. The Group is exposed to the property risk with respect to land, property, property rights, held directly and direct or indirect investments in real-estate companies. These activities include also the real-estate property owned by the Group.

Spread risk

The spread risk reflects the possible adverse changes in the level and volatility of the credit spreads. The Group is exposed to the spread risk with respect to the bonds, financing, debt funds, non-residential mortgages, and loans. Financing to subsidiaries or associates is included in this type of risk. Government bonds, or anyway connected to them, are not included in this risk. The amount of the capital absorption is sensitive to the rating class of the debt and the duration of the securities concerned.

Currency risk

The currency risk arises from the adverse changes in the level and volatility of the exchange rates of the currencies, which affects the value of assets and liabilities of the Group. The exposure to the exchange rate risk is referred to the financial instruments and accounts in foreign currencies.

Concentration risk

The concentration risk measures the additional risks arising from investment portfolios that are particularly focused on some counterparties, by taking into account the significant exposures to the same counterparty or Group to which the counterparty belongs. To this end, activities considered in the spread, equity and property risk sub-modules are examined, with exclusion of the investments in government bonds. In the light of the foregoing, the position on which the capital absorption as at 31 December 2022 was calculated, is made up of the investment in Yura International S.p.A., which is part of the equity investments.

Additional information

The "prudent person principle", set forth by Article 132 of the Directive no. 138/2009 was implemented at governance level by adopting the specific policy for the management of the investments of the Group. Consistently with the overall Risk Management System and with the Risk Appetite, the specific objectives of the investments policy are:

- ensuring the capital solidity of the Company and the Group with particular focus on safety, quality, liquidity and profitability of the portfolio as a whole,
- giving preference to continuity of returns over time and in addition, in case of acquisition of investments, the Company can also consider any operational synergies it may benefit at Group level,
- defining the criteria for selecting the investments and related limits.

The Group's investments portfolio is mainly made up of the investment in Vittoria Assicurazioni. As a result, the relevant sources of investment risk to which the Company and the Group are exposed essentially coincide with those reported to the Company. Guidelines are therefore

outlined for the Insurance Company with information of the investment limit for the sources considered relevant.
In the pursuit of the objectives of an efficient and effective management of investments, the Group assesses the main external and internal factors that may impact on the capital stability and defines limits and instruments for monitoring the risks on the management of liquidity, integrated assets and liabilities management (ALM) and investments activities. Furthermore, given the nature of the investments of the Group, in order to manage and monitor the level of each source of risk deemed relevant, the Group defines specific limits to the concentration risk.
The risk absorption relating to the market risk is calculated by aggregating the sub-modules Equity, Real Estate, Spread, Currency, Interest Rate and Concentration.

C.3 Credit risk

The credit or default risk reflects the possible losses generated by an unexpected default or deterioration of the creditworthiness (rating), of the counterparties and Group's debtors.
The credit risk in the insurance sector is generated by different sources, i.e. events that may concern the specific management, insurance in narrow sense, and the financial management.

The capital absorption relating to the credit risk takes into account the different types of counterparties:

- Type 1 - counterparties, aggregated per Group, having a rating that enables to assess the probability of default (credits to insurance or reinsurance companies and balances on bank or post accounts).
- Type 2 - exposures in which the counterparty is without rating (policyholders, intermediaries, residential mortgage lending etc.).

The capital requirement considers the default probability of the counterparty (Type 1) and the credit seniority (Type 2).

C.4 Liquidity risk

The liquidity risk reflects possible losses arising from the difficulty of fulfilling the cash commitments, expected or unexpected, owed to counterparties. The risk arises mainly from the "Liquidity Mismatch Risk" (i.e. the mismatch between cash-flows in and the cash-flows out) or by the "Market Mismatch Risk" (the mismatch among flows may arise from an inadequate treasury management, such as the sale of assets at economic conditions and with timing that are not fair).
Specifically, the liquidity risk of the Group arises from:

- Management of insurance and reinsurance assets, in particular linked to the risk that the reinsurance contractual counterparty which the Company is exposed to cannot fulfil obligations entered into,
- Management of the debt financing, with the risk that the Company cannot fulfil existing obligations because of insufficient resources,
- Management of investments, including the liquidity risks connected to those assets that may potentially become illiquid and lead to unexpected losses from disinvestment.The Standard Formula of Solvency II does not provide for a capital absorption for the liquidity risk.

C.5 Operational risk

The Operational Risk is defined as the risk of losses due to the inadequacy or dysfunction (shortcomings or errors) of internal processes, human errors or of systems or external events.
Operational risks, inevitably included in the business, may arise from internal factors (inefficiency, inadequacy, internal fraud, etc.) or external factors (external fraud, outsourcer's activity, etc.).
Similarly, this sector includes the risks relating to non-compliance with law, reputational risks and contagion risk.
In compliance with the EU regulation, the Group determines the capital absorption relating to the operational risk according to the Standard Formula. Furthermore, analyses of potentially significant scenarios for the Group are performed.

C.6 Other material risks

Concentration Risk of the Group

The Concentration Risk is defined as the risk arising from exposures to the same party, groups of parties interconnected and parties of the same economic sector or performing the same business or belonging to the same geographical area (so-called "geo-sectorial" Concentration Risk).

The Group assesses and manages the risk concentration by considering:

- direct and indirect risk exposures of each company of the Group towards external counterparties that may cause losses so as to endanger the solvency and financial condition of the Group or substantially change the risk profile,
- the exposures are analysed within the context of individual risk factors or factors of risk closely connected to be included in the overall assessment of the risk profile of the Group,
- concentrations may arise in the assets, liabilities or off-balance sheet items of the Group.

The Parent Group identifies the significant risk concentrations, as under IVASS Regulation no. 30, in 5% of the Solvency Capital Requirement.

C.7 Other information

Both the Parent Company and the Company carry out on the occasion of the drafting of the ORSA assessments of stress tests by quantifying possible impacts due to the occurrence of adverse scenarios, caused by external phenomena or regulatory changes. Below is the list of scenarios used:

- Macroeconomic Stress scenario evaluated as of 31 December 2022 which assumes a reduction of risk-free interest rates, high spreads in the bond portfolio and sharply falling equity and real estate prices (including government securities); higher claims inflation for non-life policies, of surrenders in life business and mortality in the 12 months following the valuation date and a write-down of the subordinated loan (reflects EIOPA Stress Test 2021);
- Non-life Underwriting Stress: a forward-looking scenario for the three-year period 2023-2025 that assumes an increase in undertariffed contracts and a decrease in overtariffed contracts;
- Natural Catastrophe Stress- scenario evaluated as of 31 December 2023 that assumes a catastrophic event of an earthquake and flooding nature accompanied by the default of the main reinsurer involved in the protection programme;
- Reputational Stress Forward-looking scenario for the three-year period 2023-2025 in which it is assumed that a Cyber Security breach event such as to strike the image and reputation of the Group with a consequent reduction in premium income and an increase in expenses. The scenario includes a sensitivity analysis to assess the effects of a GDPR breach penalty on equity;
- Strategic Stress scenario evaluated at 31/12/2022 in which a significant depreciation in the Fair Value of foreign investments held through Yura International is assumed.

For each scenario, the Group assesses its impact and checks compliance with the limits set forth by the *Risk Appetite Framework* adopted.

D. Valuation for solvency purposes

General principles

For the purposes of preparing the Solvency II financial statements, assets and liabilities are accounted for in compliance with Article 75 of the Directive, whereby:

a. assets shall be valued at the amount for which they could be traded between knowledgeable willing parties in an arm's length transaction,
b. liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction.

In particular, these items were assessed according to the international accounting standards adopted by the Commission under Regulation (EC) no. 1606/2002, where compatible with Solvency II regulation.
No criteria of valuation have been used that are not allowed by Article 16 of the Delegated Acts.

As better described under paragraph A1.7 herein, consolidated assets and liabilities assessed according to Solvency II criteria, differ from corresponding IAS/IFRS values as at 31 December 2022, for the different valuation criteria, and also for the different area of consolidations considered for the purpose of calculating the Group solvency, compared to the one for the purposes of the drafting of consolidated financial statements.

Fair value hierarchy

In identifying the fair value levels, the following hierarchy was taken into account:

1. assets and liabilities are valued with listed prices in active markets for the same assets and liabilities, if any,
2. when the use of listed prices in active markets for the same assets and liabilities is not possible, assets and liabilities are valued using prices that are listed in active markets for similar assets and liabilities with adjustments to reflect the differences,
3. where the two previous methods cannot be applied, the Company avails itself of alternative valuation methods.

Factors for determining an active market are, in order:

a. Trading volume
b. Trading frequency
c. Market participants' willingness to trade the asset at market prices.

When using alternative valuation methods, the Group relies on valuation techniques that are consistent with one or more of the following approaches:

- Market approach, which uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities or a group of assets and liabilities.
- Income approach, which converts future amounts, such as cash flows or income and expenses, to a single current amount. The fair value reflects current market expectations about these future amounts.
- Cost approach or current replacement cost approach, which reflects the amount that would be currently required to replace the service capacity of an asset. From the perspective of a market participant seller, the price that would be received for the asset is based on the cost to a market participant buyer to acquire or construct a substitute asset of comparable quality adjusted for obsolescence.

When using alternative valuation methods, the Company defines, chooses and makes the maximum use of relevant market inputs, including:

- quoted prices for identical or similar assets or liabilities in markets that are not active,
- inputs other than quoted prices that are observable for the asset or liability, including interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads,
- market-corroborated inputs, which may not be directly observable, but are based on or supported by observable market data.

Insofar as relevant observable inputs are not available, including situations of low activity of the market for the asset or liability as at the date of valuation, non-observable inputs are used that reflect the assumptions that the market operators would use to set the price of the asset or liability, including the assumptions on the risk.
The valuation can be performed internally or by relying on appraisals drawn up by external independent experts.
When making valuation of assets and liabilities, **separately for each class,** the Company applies the principle of **materiality** and **proportionality** of data, as set forth by the Delegated Acts.
The valuation is performed as a **going concern**.
Assets and liabilities of the group were aggregated in the different classifications provided for the Solvency II Regulation, given the nature and risks relating to each item. In particular, the plan of the consolidated financial statements, drawn up according to IAS/IFRS standards, was reviewed in order to identify the homogenous indicators based on the features of each item.

D.1 Assets

Assets	Consolidated value IAS/IFRS accounting standards	Differences in consolidation area	Reclassifications	Accounting policy differences	Consolidated value Solvency II
Goodwill	21.862	-	-	(21.862)	-
Intangible assets	30.915	(338)	-	(30.577)	-
Deferred tax assets	145.381	(1.197)	-	53.963	198.147
Property	713.176	(251.075)	-	90.414	552.515
Participations	157.017	98.201	-	34	255.252
Equities, Bonds and Other investments	3.531.286	45.866	-	7.404	3.584.556
Derivative assets	20.654	-	-	-	20.654
Assets held for index-linked and unit-linked contracts	237.055	-	-	-	237.055
Reinsurance recoverables	71.677	-	-	(23.057)	48.620
Receivables and other assets	728.870	(16.387)	(200.943)	(9.938)	501.602
Cash and cash equivalents	75.914	(31.468)	-	-	44.446
Total assets	**5.733.807**	**(156.398)**	**(200.943)**	**66.381**	**5.442.847**

Valuation method

A. Intangible assets

For the purposes of Solvency II, the value of the intangible assets, including goodwill, deferred acquisition costs, as well as other intangible assets not tradeable in active markets, is set to zero, as not tradeable on an active market. When an item of the other intangible assets is tradeable on active markets, this is valued on Fair Value.

In the IAS/IFRS consolidated financial statements, the goodwill is measured at cost and is subject, on an annual basis, or more frequently in case of specific events or changed circumstances, to checks to identify any impairment in the value, as provided for by IAS 36 "Impairment of assets". Deferred acquisition costs are accounted for by adopting the provisions set forth by the local accounting standards, as established by IFRS 4. The other intangible assets are recorded under assets, according to IAS 38.

B. Deferred tax assets

The item refers to tax assets detected in the balance sheet, supplemented with the tax effects relating to the differences arising from Solvency II valuations.
Differed taxes are due to:

- Temporary differences, i.e. mismatch between the moment when a component of expenses or income is entered in the balance sheet and the related taxability or deductibility,
- Differences between the values recognized for tax purposes and the book values ascribed to assets or liabilities in the balance sheet or the statement of assets and liabilities prepared with Solvency II accounting standards,
- Any benefits on previous tax losses.

Differed taxes are calculated according to tax rates in force in the financial year in which the reversal of differences is provided for, given the rules issued as at the date of drafting of the financial statements, and the specific tax regime applicable to the different items of the balance sheet.
The deferred tax assets are recorded to the extent that there is the reasonable assurance of adequate future taxable income in the years in which the deductible temporary differences come due.

In particular, it is expected that deferred tax assets, net of the DTL transfers, are recovered as follows:

- within 1 year: 32,1%
- from 2 to 5 years: 58,9%
- over 5 years: 9,0%.

There are no unused tax losses or tax credits for which no deferred tax asset is found.

In the consolidated financial statements, this item includes assets relating to differed taxes, as defined and regulated by IAS 12.

C. Property

Assets included in this category are valued to fair value, according to alternative methods under the above fair value hierarchy. The valuation is mainly based on appraisals by external independent experts, based on financial variables, such as the discounting rate used (which includes the most recent market data and the capital cost) and on non-financial variables, such as rents, realized expectations and related timing, and by way of offers received by market operators. For the purposes of the consolidated financial statements, in compliance with IAS 16, the owner-occupied property is valued at the cost of purchase or production net of depreciation and write-downs. Costs are included where directly attributable to making the asset fit for use according to company requirements.
As provided for by IAS 36, at least on an annual basis, permanent value losses are checked by recognizing any excess of the carrying amount over the recoverable amount as an impairment loss.
Real-estate investments are stated at cost as required by IAS 40, by adopting the depreciation criterion as laid down by IAS 16.
The useful life considered for the purposes of amortization is between thirty and fifty years, according to the type of property.

The uncertainty factors in determining the market value of real-estate are mainly due to the accuracy in the estimate of future cash flows, in particular in assuming the sales values, lease rentals and the timeframe for the market to absorb the property to sell and rent, that are subject to assessment.
There are also financial variables such as the capitalization rates and actualization rates of future cash flows inferred from current average conditions of the economic and financial context of the capital market.
To mitigate the level of uncertainty, the independent assessor in charge of that, combines the capitalised-earned method with the comparative procedure, which consists of an analysis aimed at identifying properties recently sold and purchased or offered for sale on the market, comparable by type, construction and location. There are no significant deviations from the results of this comparison.

In compliance with IFRS 16 principle, the Property item also includes leased property and equipment, net of related depreciation fund. For this category of the asset, the principle provides for the accounting of an asset which represents the right of use of the leased asset. This item is valued according to provisions under the Article 75 of the Directive.
Plants and equipment reclassified under these items have been valued in compliance with Article 75 of the Directive.

D. Equity investments

The item includes the investments in unconsolidated subsidiaries, associates and joint ventures, i.e. holding directly or by way of control 20% or more of the voting rights or the share capital or a significant influence. In determining the investment relationship, the definitions of control, significant influence and joint control were used by IFRS 10, 11 and IAS 28, respectively; for more details on shareholdings please refer to paragraph A.1.5.
The classification between subsidiaries and associates reflects the presence of control or significant influence on the investee companies, respectively.
As these investments are not listed, the value for Solvency II was determined by using the adjusted equity method (pursuant to Article 13 of the Delegated Acts), whereby the undertaking is required to value its investments based on the share of the excess of assets over liabilities of the investee company, by valuing each asset and liability recorded in the financial statements of the investee companies with Solvency II criteria.
For non-significant investments in associates, the valuations were performed under consideration of the proportionality principle.
For the purposes of the financial statements pursuant to Article 95 of the Code, the subsidiary Yura International S.p.A. and the subsidiary Vittoria HUB S.r.l. have been fully consolidated while for the purpose of calculating Group solvency they have been consolidated using the equity method, as it is not instrumental to the insurance business. The Pegasus Real Estate Fund, fully consolidated for the purposes of the financial statements referred to in the aforementioned article of the Code, for the purposes of the Group's solvency, it is reclassified under the item "other investments - collective investment undertakings".

E. Equities, bonds and other investments

Equities, bonds and investment funds **listed** are valued to the market price traded on active markets, of the last available trading day.
With particular reference to the Investment Funds, the Fair Value is represented by the value of the equity published as at the relevant date and, if not available, valued using the last value of equity available, including instalments or reimbursements issued in the relevant period.
As regards the investment in the Pegasus Real Estate Fund, the fair value is represented by the Solvency II adjusted net assets.

Valuation applied to **unlisted** shares and bonds was carried out as follows:

- Unlisted equities: for unlisted capital equities, but for which transactions in liquid markets take place, the Fair Value is measured on the basis of prices of recent transactions.
- Unlisted bonds: in case of bonds unlisted on regulated markets, the Fair Value is measured alternatively as follows:
  - on the basis of prices of recent transactions, if transactions are carried out in liquid markets,
  - on the basis of the observation of the market prices of similar instruments,
  - using the cost net of any impairments cumulated for bonds of non-significant value.

In order to mitigate the impact of the main uncertainties, the Company checked that the securities available in the portfolio are traded in an active and liquid market.
Unlisted equity investments are mainly referred to shares held in the company Banca Passadore & C. S.p.A., equal to 0.3% of the total investments.

As for the stress tests adopted, please refer to chapter "B.3 - Risk management system, including the own risk and solvency assessment (ORSA)".

For the purposes of the consolidated financial statements, bonds are valued at fair value or at depreciated cost according to relevant classification. The undertakings of collective investments (UCIs) are entered at fair value, represented by the value of share. Capital instruments are valued with the same criterion used for Solvency II purposes.

F. Derivative assets

Vittoria Assicurazioni has a forward sale transaction in place to hedge against both interest rate risk and credit risk, involving part of the Italian government bonds allocated to the life portfolio for a nominal value of Euro 85,000 thousand (including 30,000 thousand maturing during 2023 and her remaining 55,000 in October 2024).
The fair value of over-the-counter (OTC) derivative instruments was determined by recalculating forward prices at year-end market conditions.
These instruments with hedging purposes, are valued according to the principle of valuation consistency, which requires that valuation losses or gains be charged to the income statement consistently with the corresponding valuation gains or losses on the hedged assets.

Therefore, as of December 31, 2022, there are no valuation gains/losses, as the underlying assets covered relate to investment-grade government securities classified in the Separate Account "Monthly Yield".

G. . Assets held for index-linked and unit-linked contracts

These investments are related to insurance policies with risk borne by the Life policyholders, both for the purposes of the consolidated financial statements and for Solvency II purposes, are valued at the price and exchange rate of the last of the last day of transaction.

H. Amounts recoverable from reinsurance

Similarly to what happens to the technical provisions of direct and indirect business, reinsurers' and retrocessionaires' shares are redrafted, against the balance sheet, with the Solvency II criteria, that take into account the expected financial flows related to the recoveries on the obligations of the direct and indirect business, discounted on the basis of the rate curve with "Volatility Adjustment".

I. Receivables and other assets

These items are valued according to provisions under the Article 75 of the Directive.
In the consolidated financial statements, financing is valued at depreciated cost by using the criterion of the effective interest. Receivables are entered at their nominal value and, as at each reporting date, aligned with their estimated realizable value. This item includes the amounts to be recovered by Policyholders and third parties for claims payments on policies with "no claims bonus" clause, deductibles and subrogations, which for Solvency II purposes are reversed from the assets, as already included in the Best Estimate calculation. (amounting to Euro 34,548 thousand).
In the consolidated financial statements, the item includes also the offsetting item of the obligations of the Parent Company and Vittoria Assicurazioni S.p.A. for payments destined for financing alternative investments in transactions of private equity, private debt and infrastructure funds.
The other assets of the consolidated financial statements include mainly accrued income and prepayments, referred to miscellaneous revenues and general expenses. In addition, the item includes tax credits originated from tax benefits arising from energy and seismic upgrading interventions, and in general of those aimed at structural and aesthetic improvement of the Italian real estate heritage (so-called "Superbonus" and other deductions related to building interventions) under the "Relaunch Decree". As of December 31, 2022, these receivables, acquired from third parties, total Euro 30,771 thousand (5 and 10 years) and are valued at amortized cost, similar to what is done for the purposes of the individual financial statements.

J. Cash and cash-equivalent

Available balances are recorded, both for Solvency II purposes and for the consolidated financial statements, at the nominal value. Balances of currency accounts are calculated at the exchange rates at the end of the period.

D.2 Technical provisions

D.2.1 Technical provisions: value for material asset area

There are no Group Annual QRTs on Life and Non-Life technical provisions.

D.2.2 Technical provisions: main bases, methods and assumptions used for the solvency assessment.

Composition

Solvency II regulation provides that all items are reported on the balance sheet at the fair value. If the Technical Provisions can be replicated by financial instruments, they can be calculated as a Whole according to the market value of financial instruments used. For all other technical provisions, the Solvency II regulation provides that the market value is determined as the sum of **Best Estimate** and **Risk Margin**.
The **Best Estimate** is determined by the discounting of all expected cash outflows (net of cash inflows), without prudent elements provided for by the current local GAAP and supervisory regulation: ultimate cost (Claims Reserve), premium linear deferral (Premium reserve) and usage of prudential technical bases (Mathematical Reserve).
Discounting is carried out using risk-free rates and **Volatility Adjustment**.

The Best Estimate is not the market price to which obligations to policyholders could be transferred, insofar as, just because of the lack of prudency required for its calculation, the potential buyer of the liabilities would have the same probabilities (50%) to yield a profit or a loss from the settlement of acquired obligations.

For this reason, the Best Estimate is integrated by the Risk Margin that, in the context of transferring insurance liabilities, represents the "risk remuneration" required by the buyer in order to take the risk that the Best Estimate is insufficient.

The **Risk Margin** is equal to the remuneration of the Own Funds that the buyer of insurance liabilities must hold to cover the SCR needed till complete payment of the liabilities. The quantification method is defined as "Cost of Capital Cost" and the rate of return on capital is defined by the supervisory regulation.
The method applies also consistently with the reserves and reinsurance Recoverables.

Best Estimate

Financial flows provided for in relation to the Technical Provisions (payments for claims, expenses, etc. gross of premium receipts, recoveries etc.) are calculated gross and net of the reinsurance recoveries and discounted with the EIOPA curve.

Non-Life Best Estimate: Claims and Recoveries, Direct and Indirect business, gross of the reinsurance:

<u>Claims reserve Direct Business (claims reported and IBNR - net of the ULAE (non-allocated expenses):</u> for all Homogeneous Risk Groups (HRG) the Runoff triangles as at the observation date are analysed. For the HRGs including the risks with the longer runoff (and that are more sensitive to management changes and the uncertainty in the occurrence of phenomena), four deterministic estimate models have been implemented and supplemented (Chain Ladder Paid, Chain Ladder Incurred, Fisher Lange and Bornhuetter Ferguson), properly weighted. For all other HRGs, the Chain Ladder Paid and Incurred models have been fuelled and analysed as resulting at December 2022r; the analyses performed on the settlement speed and the underlying management factors (such as any peak claims) showed that the models can be used for all HRGs; for some of them, more weight was given to the Chain Ladder Incurred than to Paid.

The resulting vector of flows was discounted to obtain the value of Best Estimate of this component.

Sums to be recovered from policyholders or others – direct business: for the more significant HRG, the estimate was made applying a percentage vector to the future payment flows estimated for the Claims Best Estimate and IBNR; the percentage, on each HRG, was chosen by comparing the historical arrays of payments with those of the recoveries carried out.

Open claims – indirect business: the amount, given the low value of this item, was estimated using the balance sheet amounts.

Non-allocated expenses on open claims - direct business (ULAE): the estimate was made by applying a percentage value to the future payment flows estimated for the item Claims reserve Direct Business (claims reported and IBNR); the percentage, on each HRG, was determined by comparing the non-allocated open claims and the budgetary reserves.

Non-Life Best Estimate: Claims and Recoveries, Direct and Indirect business, recoveries borne by Reinsurers:

Open claims net of the sums to be recovered (retroceded business): this component is estimated by applying to the Best Estimate "Claims reserve Direct Business (claims reported and IBNR)", net of the Best Estimate of the sums to be recovered, the same proportion available, for each HRG, between direct and ceded business available on the sums paid and budgetary reserves (both net of sums to be recovered).

Open claims (retroceded business): currently this item refers only to claims on guarantees on "Aviation hulls", included in the LoB 6 (Maritime, aeronautics and transport insurance), and is valued with the balance sheet data.

Non-Life Best Estimate: Premium Reserve, Direct and Indirect Business, gross of reinsurance:

Premium reserve – direct business: the Premium Best Estimate is calculated by valuating separately the cash inflows ("IN") and outflows ("OUT"):

- Cash IN:
  - Instalments: consisting of the infra-annual premium instalments that will be issued after the reporting date on the contracts in force as at the observation date,
  - Receipts on existing multi-year contracts as at the observation date. The related estimate is made by calculating the premium that is expected to be received from the following year till the maturity year, disaggregated for each specific guarantee (and hence per line of business) as well as per collection year.

Future projections are eliminated in order to consider the probability of contract termination by the policyholders. Excluded from the projection were future receipts associated with contracts that require premium retariffing at annual renewal.

- Cash OUT:
  - Claims and related expenses estimated for the year(s) following to that of observation, for the contracts in force as at the date, covered by premiums already issued by the Company: the amount is approximated starting from the amount "Reserve for unearned premiums" of the balance sheet, gross of the acquisition costs, to which the historical Loss Ratios observed for each HRG is applied. The flow is developed in the future years using, for each HRG the settlement speed found in the estimate models of the item Claims reserve.
  - Claims and related expenses estimated for the year(s) following that one of the observations for the contracts in force as at the date and related above mentioned Instalments: the amount is approximated, for each HRG, applying the historical Loss

Ratios observed for the "Instalments". The flow of resulting amounts is developed in the future years, for each HRG the settlement speed found in the estimate models of the item Claims reserve.

- Acquisition costs on the instalments: it is the acquisition costs provided for the year following the one of observation for contracts in force as at the date and related above mentioned Instalments.
- Claims and related expenses linked to receipts on multi-year contracts, in force as at the date of observation, that the Insurance Company is expected to collect from the year following the one of observation. Expected claims are estimated applying to the cash flows expected in the future years, the budget Combined Ratio for each HRG.
- Acquisition costs linked to receipts on multi-year contracts, in force as at the date of observation, that the Insurance Company is expected to collect from the year following the one of observation. For each HRG, the difference between the Combined Ratio and the budget Loss Ratio (for the share relating to Purchase and Collection Commissions) was applied to the corresponding incoming flow.

<u>Premium reserve - ceded business:</u> the Premium Best Estimate of the direct ceded business is calculated applying to the Best Estimate of each component calculated on the direct business the ceded percentage observed in the balance sheet for the related HRG.

<u>Premium reserve - indirect business and retroceded indirect business:</u> for the indirect business, the corresponding balance sheet amount is used.

Life Best Estimate: Technical Reserves, Direct and Indirect Business, gross of reinsurance:

For the calculation of the gross Best Estimates the actual value of future inflows and outflows produced by the contracts is used, by separately elaborating the flows gross of the reinsurance from the flows arising only from the reinsurance.
The future cash flows of the Life contracts are projected till complete extinction of the portfolio, assumed to be in 30 years, by a calculation tool that uses reliable, realistic and, where appropriate, entity-specific information and assumptions on the behaviours of the policyholders (surrender appetite, decrease, annuity conversion, maturity extension, increase or decrease of premiums etc.), on the demographic trends (mortality) and on the other significant factors (expenses, reinsurance, forward-looking expected returns on the Separate Management Accounts, guaranteed minimum returns, etc.).
Cash inflows include:

- premiums,
- recoveries arising from the reinsurance (performance and commissions).

Cash outflows include:

- benefits payable for death,
- payable for disability,
- payable for redemption,
- payable for surrender,
- payment for annuities,
- payment of coupons,
- administrative costs (commissions and costs directly linked to the management of the policies),
- payments to reinsurers.

Best Estimate Linked policies

As for the so-called Linked policies, whose benefits are linked to indexes or other financial instruments and the financial risk is borne by the policyholders, the Company has evaluated that the contractual forecast of cost application in case of surrender, the presence of management commissions commensurate to the share value, along with the management expenses, ensure that, for these types of policies, the valuation with the As a Whole method is not enough accurate.

The Best Estimates of said policies benefits are calculated by using, as expected annual returns of the underlying assets, the implicit forward rates in the risk-free curve provided by EIOPA.

Counterparty default adjustment

Technical specifications require that the overall amount of the Best Estimate of the technical provisions borne by the Reinsurers is adjusted to take into account the possibility of default by the counterparty.
As for the Non-life component, the adjustment was calculated using the simplified approach proposed by the regulation (Article 61 of the Delegated Regulation (EU) 2015/35) which considers the exposure to each counterparty according to the related Credit Quality Step.

Risk Margin

The Risk Margin is the part of technical provisions that quantifies the amount that is to be added to Best Estimate of the Technical Provisions to determine the overall amount that the Company should pay to another Company to transfer all existing contractual obligations.
The calculation method for the Risk Margin is the Cost of Capital (COC), that is calculated taking into account that who takes over in the obligations of a company transferring its technical provisions (in run-off events) must have a determined supervisory capital (destined for being gradually freed based on the technical provisions run-off), and that the availability of this capital is to be remunerated.
The C.o.C is valued separately for the Life and Non-life technical provisions.

Calculation of Non-life Risk Margin

The regulation requires that the calculation is made by estimating the SCRs of all future years till the complete run-off of the portfolio and assuming an annual cost, resulting from the figurative remuneration at 6% (rate set by EIOPA); the Risk Margin is equal to the sum of all annual costs, discounted at the date of observation.
As it is not possible to directly make the calculation of the SCRs of the future years, one of the simplified method proposed by EIOPA was used, namely, to approximate the future SCR by using a constant proportion against the Best Estimates.
Starting from the Best Estimate at the relevant date, the applicable SCRs (Non-life, Health, Default Type 1 and Non-life component of the Operational Risk) were calculated and the projected Best Estimates for a run-off were discounted, by assuming that future SCRs decrease compared to the original SCR at the same rate as the Best Estimates decrease.
The future SCRs have been discounted with the Risk-Free curve and, on the capital total used overall for the run-off of technical provisions, the 6% of COC was calculated, by getting the overall Risk Margin. It was assigned to the LoBs as a proportion of the related (analytical) contribution to the overall SCR of the modules within the scope.

Calculation of the Life Risk Margin

The Life Risk Margin is calculated by adopting, among the different simplified methods proposed by EIOPA, the one that implies the constancy in the years to come of the ratio between SCRs (Life SCR and Life component of the Operational Risk) and the Best Estimate.
Based on this assumption, the SCR amount relating to the current portfolio at the end of each year of projection is estimated by applying said ratio to the Best Estimate calculated at that time.
The sequence of future SCRs so set is therefore discounted with curve of risk-free rates and without volatility adjustment. The application of the capital cost of 6% to this amount results in the Risk Margin, which was assigned to the LOBs as a proportion of the related contribution to the Life SCR.

D.2.3 Uncertainty level associated to the value of the technical provisions

Non-Life

The uncertainty degree of the assessment of technical provisions is associated to the "model risk", i.e. that the method of calculation, albeit appropriate, includes a deterministic method having predictive nature.

The main factors influencing the estimates (and the related recoveries from reinsurers) are the frequency of claims, the settlement speed, the growth and mix of portfolio, the reinsurance policy and the discounting rate curve.

Life

The most significant uncertainty factors in setting the technical provisions include the accuracy of statistics on the trends of the insurance policies in portfolio both demographically and with respect to the behaviour of the policyholders (tendency to surrender, annuity conversion etc.), the financial variables (i.e. the discounting rates of the future cash flows), and the possible interactions between the market trends and the behaviours of the policyholders.

D.2.4 Difference between Solvency II valuation and consolidated financial statements

Main bases, methods and assumptions used for the valuation for the purposes of consolidated financial statements – Qualitative differences

Technical provisions in the consolidated financial statements consist of:

Non-Life Business

Items	Valuation
Premium reserves	The premium reserves consist of: ▪ Pro-rata temporis reserves, determined by calculating, for each contract, based on recognized gross premiums net of direct acquisition costs, the part of relevant premium of the period after the end of the financial year, ▪ Reserves for ongoing risks, calculated by estimating the amount of any risk surplus provided for on the insurance policies in portfolio compared to the reserve for part of premium with future premiums, net of acquisition expenses,
Claims reserves	The claims reserves represent the prudent valuation of compensations and settlement expenses estimated for claims occurred and not yet paid, wholly or partially, as of the date of the balance sheet date, based on all components forming the requirement for coverage of the claim's ultimate cost. "Ultimate cost" means the estimate of all foreseeable costs based on a prudent assessment of factual evidence (document examination) and forecasts (expected claims settlement time frame and related inflation rates), not discounted.

Life Business

Items	Valuation
Mathematical reserves	The life business technical reserves are calculated on the basis of the pure premiums and actuarial assumptions deemed to be appropriate as at the date of contract conclusion. For the revaluable insurance policies, the calculation of mathematical reserve is based on the revaluation obtained through the rate of return determined on the basis of the related investments for the reserves themselves. The premiums-carried-forward component of mathematical reserves is calculated on a pure-premium basis. The mathematical reserve is never lower than surrender value.
Complementary insurance premium reserves	The premium reserve for complementary accident insurance is calculated analytically by applying the premiums-brought-forward criterion to the related pure premiums.
Profit participation and reversal reserves	Profit participation includes all amounts pertaining to the year, paid and to be paid to policyholders or other beneficiaries, including amounts used to increase technical reserves or reduce future premiums, provided that they result in the allocation of technical profits arising from both Life and Non-Life insurance management activity. Reversals consist of the amounts that are partial rebates of premiums made on the basis of each contract's performance.
Other technical reserves	The other technical reserves include the reserve for management expenses, calculated on loading for management expenses and on the other technical bases of the insurance pricing applied. They include the deferred liability reserve to Policyholders (Life business) which specifies the share of unrealized profits and losses attributable to the Policyholders "Shadow Accounting". The LAT reserve (Life Business) refers to provisions for liability adequacy test.
Reserves relating to contracts whose performance is connected with investment funds or and market units and resulting from the	The reserves relating to unit-linked contracts and pension funds were calculated based on the contractual obligations, both of the financial assets linked to these contracts and cover the commitments from Life Business insurance whose return is determined based on the investments for which the policyholder bears the risk or based on an index.

management of pension funds	
Additional provisions for financial risk	Provision for guaranteed interest rate risk: the valuation of the creation of this provision was performed for the separate managements deemed as significant and, starting from the determination of foreseeable returns of each of them, through ALM methodology. In relation to the contracts with guarantees not associated to separately managed accounts, the valuation was carried out by applying an actual and foreseeable return, calculated as weighted average of the returns of the different separately managed accounts, to the flows of liabilities. Provision for time-lag: said provisions is created when there is time-lag between the period in which the return reached maturity under the contract, and the time when the same return was acknowledged to the insured; this comes from contractual conditions providing for the use of certified rates in time before the time of acknowledgement.
Additional provisions other than the provisions for financial risk	Provision for demographic risk: the valuation of this amount was made by re-calculating for each contract some technical provisions using the demographic base IPS55 and considering the difference compared to the level 1 technical provisions. The additional provision for each contract was therefore measured by applying the ratios of contract settlement in form of annuity to the annuity tariffs, and the ratios of conversion of capital into annuity to the capital tariffs. For the forms of annuities existing in the portfolio as at the date of this report, an additional provision was considered to adjust said mathematical provisions to the level 2 demographic base.

Quantitative differences between valuation for Solvency II purposes and values of consolidated financial statements

Non-life technical reserves

(€/000)

Item	Solvency II value	Statutory accounts value	Change
Technical provisions - non-life	**1.589.838**	**1.886.139**	**(296.301)**
Technical provisions - non-life (excluding health)	**1.528.231**	**1.792.541**	**(264.310)**
Best Estimate	1.432.805	1.792.541	(359.736)
Risk margin	95.426	-	95.426
Technical provisions - health (similar to non-life)	**61.607**	**93.598**	**(31.991)**
Best Estimate	52.373	93.598	(41.225)
Risk margin	9.234	-	9.234

The difference between the Solvency II valuation and the individual balance sheet values of non-life technical reserves is not due to the different nature of valuations.
In particular:

- as for the premium component, the reserve, valued according to the Best Estimate, represents an estimate of the financial flows expected for the future years on existing contracts. This estimate is made by separately assessing claims and premiums expected on these contracts starting from the year after the valuation date. But the premium reserve in the consolidated financial statements is calculated starting from the linear rediscount of the premium portion of these contracts, eliminating the prudence deriving from the provision of catastrophe and equalization reserves, not permitted by IFRS 4,
- as for the claim component, the Best Estimate valuation is without prudential rules that are considered in IAS/IFRS valuations.

Moreover, for both components the expected future flows are discounted using the Risk-Free curve plus the Volatility Adjustment.

(€/000)

Technical provisions - non-life	Solvency II value	Statutory accounts value	Change
Premium reserve:pro-rata temporis basis and additional reserves		458.217	(144.483)
Premium best Estimate	313.734		
Claims reserve *		1.392.965	(221.521)
Claims best Estimate	1.171.444		
Other technical reserves (aging reserve)		409	(409)
Risk Margin	104.659		104.659

(*) This item is shown net of "Receivables due from policyholders and third parties for recoverables" amounting to 34,548 thousand euro.

The Best Estimate of the Premium reserve is lower than 31,5% compared to balance sheet data; similar change in the Claim Reserve is 15,9%. The Risk Margin is 7,0% of the Best Estimate.

(€/000)

Item	Solvency II value	Statutory accounts value	Change
Technical provisions - life	**1.903.514**	**2.052.647**	**(149.133)**
Technical provisions - health (similar to life)	**8.759**	**6.434**	**2.325**
Best Estimate	7.591	6.434	1.157
Risk margin	1.168	-	1.168
Technical provisions — life (excluding health and index-linked and unit-linked)	**1.690.889**	**1.808.991**	**(118.102)**
Best Estimate	1.621.262	1.808.991	(187.729)
Risk margin	69.627	-	69.627
Technical provisions — index-linked and unit-linked	**203.866**	**237.222**	**(33.356)**
Best Estimate	200.296	237.222	(36.926)
Risk margin	3.570	-	3.570

The difference between the Solvency II valuation and the balance sheet values of the technical reserves is mainly due to the methods of estimate, projection and discount of the expected financial flows, as further specified:

- Projection of revaluations of benefits of the revaluable policies based on the vector of "risk neutral" expected rates, that do not include the extra-return arising from holding financial instruments with expected returns that are higher than the risk-free curve, rather than being based on a vector of "real world" expected rates,
- Usage, in Solvency II, of technical bases of second level instead of first level (demographic tables, assumptions of behaviours of policyholders, costs of portfolio management etc.),
- Discounting of future benefits as calculated with Volatility Adjustment curve, significantly lower than the technical rates used for the related discounting for balance sheet purposes.

Within the valuation of Life technical reserves, the Company determined future returns based on existing portfolio as of the valuation date giving to assets of future acquisition, a profitability in line with the risk-free interest rate curve notified by EIOPA. No operations aimed at sharing theoretical risk market losses among Life policyholders have been assumed.

Using the Risk-Free curve without the Volatility Adjustment, the values would be the following:

- Life technical provisions: Euro 1,915,512
- Non-life technical provisions: Euro 1,599,235
- Net differed tax assets: Euro -20,995.

D.3 Other liabilities

(€/000)

Other Liabilities	Consolidated value IAS/IFRS accounting standards	Differences in consolidation area	Reclassifications	Accounting policy differences	Consolidated value Solvency II
Provisions other than technical provisions	29.803	-38	-	-3.494	26.271
Pension benefit obligations	6.113	-	-	48	6.161
Deposits from reinsurers	7.519	-	-	-	7.519
Deferred tax liabilities	28.361	-674	-	197.905	225.592
Derivatives	-	-	-	-	-
Subordinated liabilities	281.497	-	-	-23.918	257.579
Insurance & intermediaries payables	15.831	-	-	1.961	17.792
Reinsurance payables	24.462	-	-	(6.482)	17.980
Debts owed to credit institutions	107.126	(101.263)	-	-	5.863
Financial liabilities other than debts owed to credit institutions	180.854	-3	(166.395)	(57)	14.399
Payables trade - not insurance and other liabilities	214.060	(11.198)	-	(2.324)	200.538
Total Other liabilities	**895.626**	**(113.176)**	**(166.395)**	**163.639**	**779.694**

A. Reserves other than technical reserves

The item includes the funds for future risks and expenses set aside to cover expenses arising from potential actions to void in bankruptcy, penalties and ongoing legal actions, relating to normal business operations. The valuation is performed in compliance with Article 75 of the decree. In the consolidated financial statements, the item is entered in accordance with IAS 37.

B. Pension liabilities

The item refers to the amounts due to the employees, that consist of the following items valued with actuarial techniques, both in the consolidated financial statements and in Solvency II financial statements:

- Supplementary Pension;
- Post-employment benefits;
- Other long-term benefits.

The main assumptions adopted for actuarial assessment were the following:

- Demographic assumptions:
  - probability of death: assumptions determined by the General Accounting Office of Italy and identified as RG48, for males and females,
  - probability of disability: separate assumptions by sex adopted by INPS (Italian social security institute) for projections in 2010,
  - retiring age: for the generic active individual, the first opportunity as per the mandatory state national insurance conditions was assumed,
  - probability of abandoning active work for causes other than death: annual frequency of 2.50%,
  - probability of anticipation: 3.50% year after year.

- Economic and financial hypotheses:

- Annual inflation rate:	5,9% for 2023, 2,3% for 2024, 2% from 2025
- Annual technical discount rate (for the purpose of calculating the severance payment)	3,63%
- Annual technical discounting rate (for the purpose of calculating seniority services and health services)	3,63% - 3,77%
- Annual rate of severance payment increase	Inflation +1%
- Annual rate of growth of remuneration (for the purpose of calculating seniority services)	Inflation +1%
- Annual rate of growth of the average reimbursement	5,9% for 2023, 2,3 % for 2024, 2% from 2025

(for the purpose of calculating health services)

Sensitivity analysis of some input has been carried out (discounting rate, inflation rate and turnover rate). These analyses showed no significant criticalities.

C. Subordinated liabilities

These liabilities, specifically related to the Subordinated Loan issued by the Insurance Company, is assessed at market value, with the current value of the risk-free interest rate curve adding the credit spread of the Issuer available upon issuance, hence excluding the price fluctuations due to changes in the creditworthiness of the Issuer, as required by Article 75 of the decree.
For the purposes of the consolidated financial statements, the Insurance Company's liabilities falling into this category are assessed at the depreciated cost by using the criterion of the effective interest.

D. Payables and other liabilities

Payables (to insurers, to reinsurers, tax due, payables to employees, social security payables and trade payables) and the other liabilities (commissions to be paid on the bonus being collected and provisions for agency awards and balance of the liaison account between Life and Non-life business) are valued in compliance with 75 of the Decree, and their value coincides with the value of the consolidated financial statements, except for the differed commissions connected to investment contracts, that are cleared for Solvency II purposes.
In the consolidated financial statements, the item includes also the financial liabilities under IAS 39 entailing the offsetting item of the obligations of the Parent Company and Vittoria Assicurazioni S.p.A. for payments destined for financing alternative investments in transactions of private equity, private debt and infrastructure funds. Related obligations are entered among the other liabilities.
In compliance with IFRS 16 principle, the item includes the leasing liabilities corresponding to the current value of payments due for leasing contracts to be paid as at the financial statements date. Payments due for the leasing are discounted using the marginal financing rate calculated by the Group and arising from the application of one rate curve. This curve contains the risk free and an estimate of the Group's credit risk (different rate according to the residual maturity with 10-year cap). This item is valued in compliance with Article 75 of the decree.

E. Deferred tax liabilities

The item refers to tax assets detected in the balance sheet, supplemented with the differences arising from Solvency II valuations. The method is the same outlined above, in relation to deferred tax assets.

F. Potential liabilities

There are no relevant potential liabilities, as set forth by the Delegated Acts.
There are no financial or operating leases.

D.4 Alternative methods for valuation

No alternative methods for valuation have been used in addition to what is outlined in the previous paragraphs.

D.5 Other information

There is no information to be reported.

E. Capital Management

E.1 Own funds

E 1.1 Eligible own funds as at 31 December 2022

Vittoria Assicurazioni Group does not identify limits to the transferability and fungibility of the own funds eligible to cover the solvency capital requirement of the group.
The following table sums up, separately for each level, the information on the structure, amount and quality of the Group's own funds at the end of the relevant period ended as at 31 December 2022.

(€/000)

	31/12/22	31/12/21	Change
Ordinary share capital	15.000	15.000	0
Share premium	22.183	22.183	0
Reconciliation reserve before dividends at Group level	931.598	818.655	112.943
Minority interests	201.019	185.329	15.690
Net deferred tax assets	0	21.240	(21.240)
Solvency II excess of assets over liabilities	**1.169.800**	**1.062.407**	**107.393**
Foreseeable dividends, distributions and charges	(3.000)	(3.000)	0
Deferred tax assets elimination	0	0	0
Subordinated liabilities - Tier 2	257.580	293.543	(35.963)
Non-available minority interests at group level	(54.655)	(44.717)	(9.938)
Solvency II eligible own funds	**1.369.725**	**1.308.233**	**61.492**

As at 31 December 2021, the Share Capital totally paid up consists of no. 15,000,000 ordinary shares with a par value of Euro 1.00 each, authorized, issued and fully paid in.

The share premium reserve represents the amount of the excess of the issue price of the shares over their par value.
The reconciliation reserve is determined by the amount of the excess of the assets over the Solvency II liabilities including minority interests, not allocated to share capital, share premium reserve and net deferred tax assets, after deducting the dividends approved by third parties.

The ongoing capital strengthening performed by the Group enable us to confirm that there are no factors to question the business continuity, whose logic this Report is based on.

The Own Funds that could be used to cover the capital requirement are made up of the difference between Assets and Liabilities recorded in the Balance Sheet, net of the dividends resolved and not yet distributed.

The table below shows the Tier breakdown of the Own Funds aimed at covering the Solvency Capital Requirement and the Minimum Capital Requirement, calculated by using the Volatility Adjustment curve:

Eligible own funds to meet S.C.R - Volatility Adjustment curve (€/000)

	31/12/22	31/12/21	Change
Tier 1- unrestricted	1.112.146	993.450	118.696
Tier 2	257.579	293.543	- 35.964
Tier 3	-	21.240	- 21.240
Total eligible own funds to meet SCR	**1.369.725**	**1.308.233**	**61.492**
Tier 2 not eligible own funds to meet MCR	(197.471)	(231.686)	34.215
Tier 3 not eligible own funds to meet MCR	0	(21.240)	21.240
Total eligible own funds to meet MCR	**1.172.254**	**1.055.307**	**116.947**

Tier 2 amounts are made up of the Subordinated Loans issued by the Parent Company and the Insurance Company, whose features are described below. The subordinated loan issued by the Insurance Company shows the following features:

- Nominal amount: Euro 250,000,000
- Issue Date: 11 July 2018
- Expiry Date: 11 July 2028
- Spread: 5.75% per year
- Stock Exchange: Ireland (Euronext Dublin)
- Coupon frequency: annual

Coupon subordination: payment of coupons is suspended if it implies failed coverage of the Solvency Capital Requirement.
Capital subordination: if it implies failed coverage of the Solvency Capital Requirement, the capital reimbursement is suspended, unless otherwise specified by the Regulator's authorization. This authorization is anyway required for the repayment on maturity, even in case of coverage of the Solvency Capital Requirement.
Options for early repayment: as in case of repurchase of the Loan by the Insurance Company, the early repayment must be authorized by the Regulator, and may occur as a result of changes in:

- the tax regulation that, for example, make interest expense non-deductible, or that have the borrower borne the withholding taxes originally due by the bondholder,
- the insurance regulation that, for example, exclude the Subordinated Loan from eligible Own Funds,
- the methods for assigning the rating that, on a level playing field, imply an impairment of the features of the Equity Credit (this is how a financial instrument is comparable to an ordinary share) originally assigned to the loan.

The subordinated loan issued by the Parent Company shows the following features:

- Nominal amount: Euro 27,500,000
- Issue Date: 1 October 2018
- Expiry Date: 31 December 2028
- Spread: 5.75% per year

Coupon frequency: annual, expiring on 31 December each year starting from 31 December 2018
Coupon subordination: payment of coupons is suspended if it implies failed coverage of the Solvency Capital Requirement.
Capital subordination: if it implies failed coverage of the Solvency Capital Requirement, the capital reimbursement is suspended, unless otherwise specified by the Regulator's authorization. This authorization is anyway required for the repayment on maturity, even in case of coverage of the Solvency Capital Requirement.
Options for early repayment: the early repayment may be resolved by the Board of Directors starting from 1 January 2024 with prior authorization by the Regulator.

Tier 3 elements consist of the balance of deferred tax assets and deferred tax liabilities and as of December 31, 2022, are not allowed for hedging because the balance is negative.

The total amount eligible to cover the MCR is composed of Tier 1 capital, and the share of Tier 2 capital eligible (20% of the SCR), as required by regulation.

Reconciliation Solvency II Own Funds with Net Assets consolidated financial statements

Items referring to the difference between the IAS/ Net Assets Consolidated IAS/IFRS and Own Funds Solvency II, are as follows:

(€/000)

	31/12/22	31/12/21	Change
Shareholders' Equity IAS IFRS	**899.396**	**1.072.002**	**(172.606)**
Unrealised capital gains on financial Investments and properties net of IFRS 16 liabilities	83.348	71.549	11.799
Intangible assets valued at zero	(52.439)	(43.679)	(8.760)
Technical provisions non-life valued at a lower value	261.753	89.247	172.506
Technical provisions life valued at a lower value	149.131	- 36.883	186.014
Reinsurance recoverables valued at a higher value	(16.575)	(15.573)	(1.002)
Other net activities	8.432	14.906	(6.474)
Subordinated liabilities	23.918	(12.467)	36.385
Tax effect	(143.942)	(27.952)	(115.990)
Consolidation differences	(43.222)	(48.743)	5.521
Solvency II excess of assets over liabilities	**1.169.800**	**1.062.407**	**107.393**
Foreseeable dividends, distributions and charges	(3.000)	(3.000)	-
Deferred Tax Assets elimination - Tier 3	257.580	293.543	(35.963)
Subordinated liabilities - Tier 2	0	0	0
Non-available minority interests at group level	(54.655)	(44.717)	(9.938)
Solvency II eligible own funds	**1.369.725**	**1.308.233**	**61.492**

The change in local equity reflects the profit generated during the year, net of the dividend distributed.
Valuation differences before dividends declared amount to Euro 270,404 thousand and include the tax effect arising from the recalculation of deferred tax assets and liabilities performed on differences arising between local GAAP values and Solvency II values.

Reference is made to the chapter: "D - Valuation for solvency purposes", which outlines the differences in the valuation between the standards adopted for the solvency valuation and those used for the balance sheet valuation, specifically for each class of assets or liabilities.

Change in Non-Life Technical Reserves

At the overall level, the difference between Technical Reserves and Local GAAP Reserves between 2021 and 2022 has increased in absolute value from Euro 151,801 thousand to Euro 321,149 thousand, consequently increasing the benefit in the transition from Local GAAP to Solvency II principles; this change is mainly due to the impact of the discount curve between the two observed periods, the benefit of which can be estimated at Euro 185,379 thousand.
The difference between the 2022 and 2021 valuations can be summarized as follows:

- the BE Premiums component, before reinsurance, decreases by 4.5% determined by the 5.5% decrease in the Non-Life component and partially offset by the increase in the Health Segment component. Of the Non-Life component, the Segments showing the largest decrease are Segment 1-NL (Motor Vehicle Liability) and Segment 2-NL (Other Miscellaneous Risks), while those making an increasing contribution are Segment 5-NL (General Liability) and Segment 4-NL (Fire and Theft);
- the BE Claims component, before reinsurance, is slightly decreasing (-0.8%),
- driven by the decreasing trend in Segments 5-NL (General Liability) and 1-NL (Motor Vehicle Liability), partially offset by the increase recorded in Segment 4- NL (Fire and Theft).

Change in Life Technical Reserves

At the overall level, a comparison of the Technical Reserves and Local GAAP Reserves between 2021 and 2022 shows a difference of Euro 264,872 thousand (thus a positive impact in equity). This change is almost entirely attributable to the change in the discounting curve between the two observed periods (positive impact of Euro 635,589 thousand), contrasted by the negative impact of Euro 370,717 thousand due to the change from Local GAAP to Solvency II standards.
Taking into account the volatility of economic and financial conditions that may lead to an increase in the redemption risk, the Company prudently posted an adjustment to the technical reserves that took the form of an increase in the risk margin component, inferred from the results of various stress analyses on Lapse UP risk.

E 1.2 Objectives pursued, policies and processes applied for managing the own funds and time horizon used for business planning

The Parent Company Yafa S.p.A. handles the capital resources so as to ensure a higher available (current and forward-looking) capital, consistently with the economic capital requirements and to keep a Solvency II Ratio in line with the Group's risk appetite, also on a forward-looking basis.

The Capital Management consists of activities and procedures aimed at:

- Complying with growth strategies for the internal lines through self-financing of the economic capital needs, consistently with the objectives established in the strategic plan and in the Risk Appetite Framework.
- Keeping an adequate financial solidity to ensure that current and forward-looking solvency requirements are in line with the risk appetite and with provisions under the strategic plan.
- Ensuring that the Own Fund elements meet, on a continuous basis, the applicable capital requirements and are properly classified.
- Ensuring that terms and conditions of each element of the Own Funds are clear and unmistakable.
- Keeping an adequate level of return on investments.
- Identifying and documenting the situations whereby the distributions of an element of the Own Funds may be reduced or cancelled.
- Ensuring that any policy or statement relating to the dividends due for the ordinary shares is taken into account in terms of capital position.
- Ruling the issuance of the elements of the Own Funds according to a Capital Management Plan, if there is the opportunity, albeit not provided for, to rely on the increase of the Own Funds.

As required by IVASS Regulation no. 38/2018, given that the capital management is particularly important in the guidelines established by EIOPA, Yafa S.p.A., as Parent Company of Vittoria Assicurazioni Group, performs the activities outlined below in order to pursue the pre-set objectives within the relevant Policy, adopted on Capital management.
In particular, the Parent Company defined the capital planning process, with the aim of achieving the objectives while keeping the ability to face adverse scenarios, by formalizing methods and instruments, including monitoring and reporting.
The outcome of the capital planning process consists of the Group's Capital Management Plan, formalized through specific information flow, including a reliable forecast of the available Own

Funds and any new funds, based on the performance of the planned activity, on the future expected profits, the dividend policy and the measures of capital management provided for by the Senior Management of Yafa S.p.A.

Verification and classification of the Own Funds

Yafa S.p.A. adopts assessment procedures aimed at ensuring that the elements of the Own Funds, both upon issuance and later, meet the regulatory requirements and that these are properly classified, in order to get a clear and mistakable definition of the Own Funds in terms of subordination, availability, duration, convertibility, constraints etc.

Capital monitoring

In making assessments of the risk profile of the Group on a forward-looking basis and its possible changes, Yafa S.p.A. identifies the link between the risk profile and the overall solvency requirements, both in terms of quality and of quantity, and as a result detects any capital shortcomings in relation to the risk level that it aims to take in the medium-long period. The Capital Management Plan outlines the capital resources through which Yafa S.p.A. aims to support the development of the assets of the Group, by planning the quantity and the future composition of the Own Funds of the Group consistently with the strategic medium-long term approach.
Planning is performed with a three-year time horizon.
The Plan encompasses the forward-looking indicators relating to the Balance Sheet in order to outline the future trend of the available Own Funds net of any dividends provided for various years, and the future economic flows generated in relation to the activities that will be carried out and the risk objectives defined in the Risk Appetite Framework, by checking that limits and tolerance levels set also on a forward-looking basis are met.
The monitoring outcome of these metrics is formalized in the dedicated information flows of "Monitoring of the Risk Appetite indicators".
For the preparation of the Capital Management Plan of the Group, Yafa S.p.A. makes use of methods and tools that enable to project the capital requirement and the own funds in the future years, taken the strategic decisions implemented through the Business Plan data.
In the event that the future data showed a capital requirement that is not covered by the self-regulation, the Capital Management Plan would outline any operations of issuance of capital instruments (timing, amounts, types, requests).
Whether the Capital Management Plan is adequate is checked when significant changes occur to the risk profile of the Group, in line with the circumstances defined in the Risk and Solvency Assessment Policy, such as extraordinary operations (i.e. acquisition/sale of a line of business, or a portfolio of contracts or entering new markets), substantial change of the types of risks insured, events in the economic/financial/real-estate market or macroeconomic scenarios that may have a significant impact on the level of current and/or forward-looking solvency requirements.
Within the scope of the capital monitoring process, the Parent Company Yafa S.p.A. performs also continuous monitoring activities aimed at checking compliance of the composition of the Group's Own Funds. In fact, the composition of the Own Funds is monitored on a quarterly basis according to the quantitative disclosures to be submitted to the Regulator (Quantitative Reporting Templates - QRT).
In particular, in order to comply with provisions under existing Regulation, Yafa S.p.A. carries out the following monitoring activities in terms of level and quality of the own funds:

- Reconciliation between Solvency II data and Local Gaap data, and analyses of change compared to the annual data and eventually previously quarterly data.
- Analysis of the composition of the reconciliation reserve, in terms of difference between the capital calculated with Solvency II criteria and the balance sheet capital, and analysis of related change compared to the annual data and eventually previously quarterly data.
- Comparison of the Balance Sheet with corresponding Solvency II values of the previous end of the year.
- Tiering of the Own Funds and verification of the adherence of the eligibility percentages defined by law.

These assessments are carried out on a quarterly basis and are reported to the Board Committees and the Board of Directors also as supplementary information for the purposes of the approval of the QRTs (Quantitative Report Templates).

Management and preservation of adequate capital levels

As outlined above, Yafa S.p.A. handles the capital resources so as to ensure an available (current and forward-looking) capital, that is higher than economic capital requirements and to keep a Solvency II ratio consistently with the risk appetite, also on a forward-looking basis, and under any stress conditions.
If, even after forward-looking assessments made, an inadequacy of the available capital funds is to be found, in relation to the limits of risk or the pre-set performance objectives, Yafa S.p.A. shall review the Capital Management Plan and/or Business Plan so as to align the capitalization level to the expected needs.
In particular, if a solvency level that is not in line with the pre-set objectives is to be found, the Managing Director, with the support of the Risk Management and Administration and Corporate Functions, identifies the areas are less efficient in terms of capital absorption and take any corrective actions such as the mitigation and the de-risking (asset allocation, selection of the counterparties with high credit standing) in order to optimize the capital absorbed.

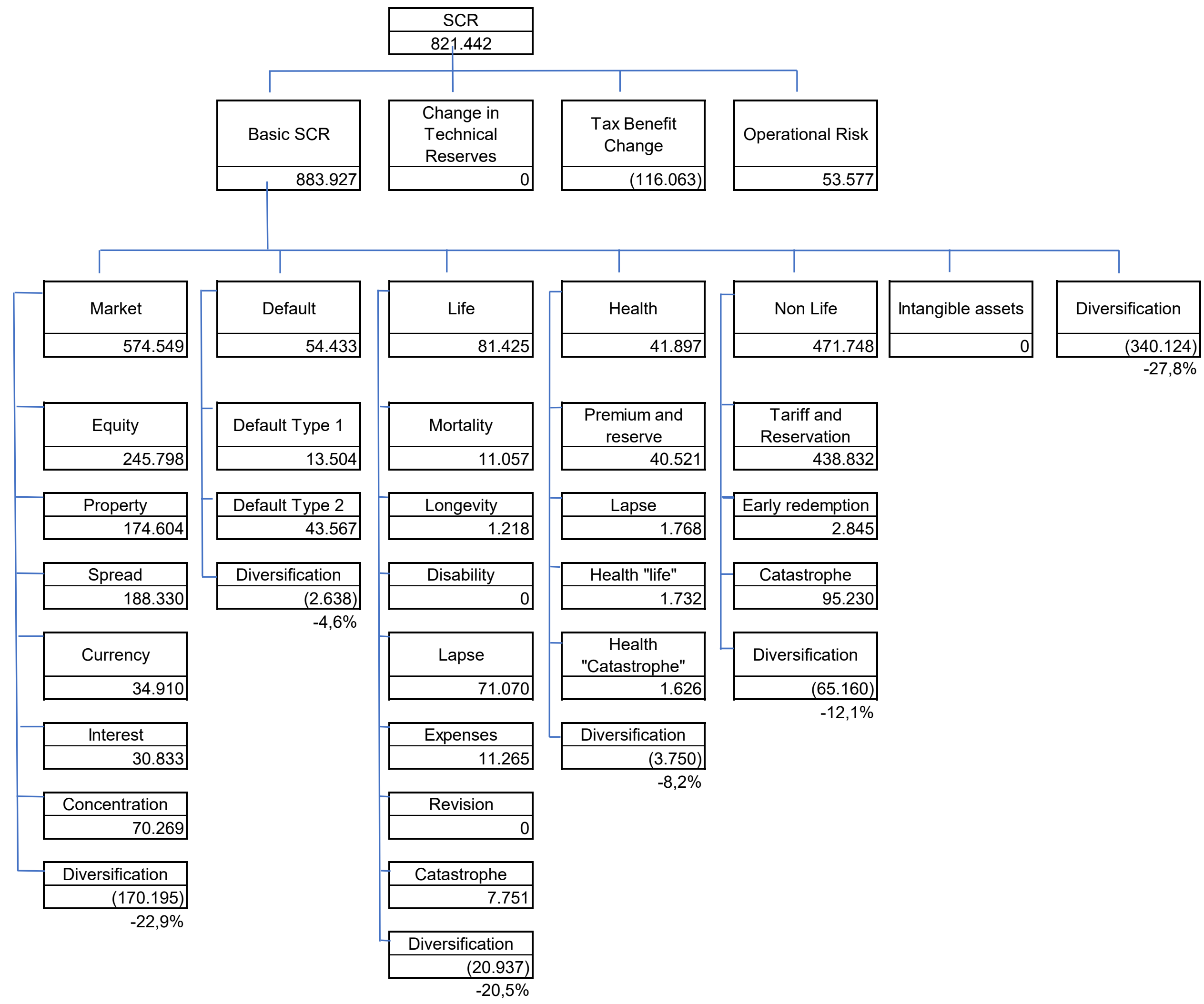
The Group has not yet rely on Alternative Risk Transfers (Catastrophe Bonds, Securitization, Derivatives, financial reinsurance) and securitisations as corrective measures.
If the Group wants to take direct action on the capitalization level owned, it can avail itself of the following measures:

- reduction or deletion of the distribution of dividends,
- issuance of subordinated loans,
- capital increases,
- limits to the purchase of own shares.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

As at 31.12.2022, the Solvency Capital Requirement (SCR) of the Group accounts for Euro 821,442 thousand, while the Minimum Capital Requirement (MCR) accounts for Euro 300.540 thousand.
Related composition is as follows:

S.C.R. 31.12.2022 - Volatility Adjustment scenario (€/000)



As required by law, it should be noted that:

- there are no assessments on the amount of SCR by the Supervisory Body;
- sub-modules of the Life Business SCR, as well as the sub-modules Premiums and Provisions of the module Health and Non-Life have, among the inputs, the calculations of the technical provisions, for which some simplified methods were used (as detailed in the QRTs S.12.01 and S.17.01);
- as already reported, Yafa S.p.A. does not use any Group Specific Parameters (GSP) for the calculation of the Premium Risk and Reserve Risk.
- the Supervisory Body has not required a Capital Add-On to the Group;
- the inputs used for the MCR calculation, as provided for by the Standard Formula, consist of the preserved Technical Reserves, the gross Premiums recorded in the year's accounts, retained Life risk capitals, considering that the MCR must anyway be between the floor, accounting for 25% of the SCR, and the cap, accounting for 45% of the SCR.

Using the Risk Free curve without the Volatility Adjustment, the own funds eligible to cover the SCR would be euro 1,355,246.94 thousand, with a reduction of euro 14,478 thousand resulting from the adoption of the Volatility Adjustment (QRT S.22.01.22).
Details relating to impact on technical provisions are outlined in the chapter: "D.2 Technical provisions".

E.3 Usage of the equity risk sub-module based on the duration of the calculation of the solvency capital requirement

Not applicable.

E.4 Differences between the standard formula and the internal model used

Not applicable.

E.5 Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement

In the relevant period, the minimum capital requirement and the solvency capital requirement of the Company have been widely covered by the Own Funds available.

E.6 Other information

There is no information to be reported.

Turin, 4 May 2023

For the Board of Directors

F.Annexes

F.1 Annual quantitative models

(€/thousand)

Vittoria Assicurazioni Group
S.02.01.02 - Balance Sheet

		Solvency II value
Assets		**C0010**
Goodwill	**R0010**	
Deferred acquisition costs	**R0020**	
Intangible assets	**R0030**	-
Deferred tax assets	**R0040**	198.147
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	136.437
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	4.276.540
Property (other than for own use)	**R0080**	416.078
Holdings in related undertakings, including participations	**R0090**	255.252
Equities	**R0100**	64.547
Equities - listed	**R0110**	36.338
Equities - unlisted	**R0120**	28.208
Bonds	**R0130**	2.513.767
Government Bonds	**R0140**	1.923.772
Corporate Bonds	**R0150**	589.995
Structured notes	**R0160**	-
Collateralised securities	**R0170**	-
Collective Investments Undertakings	**R0180**	976.942
Derivatives	**R0190**	20.654
Deposits other than cash equivalents	**R0200**	29.300
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	237.055
Loans and mortgages	**R0230**	20.124
Loans on policies	**R0240**	113
Loans and mortgages to individuals	**R0250**	3.236
Other loans and mortgages	**R0260**	16.775
Reinsurance recoverables from:	**R0270**	48.620
Non-life and health similar to non-life	**R0280**	49.140
Non-life excluding health	**R0290**	48.417
Health similar to non-life	**R0300**	723
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	(520)
Health similar to life	**R0320**	406
Life excluding health and index-linked and unit-linked	**R0330**	(925)
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	-
Insurance and intermediaries receivables	**R0360**	234.260
Reinsurance receivables	**R0370**	1.349
Receivables (trade, not insurance)	**R0380**	172.785
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	44.446
Any other assets, not elsewhere shown	**R0420**	73.084
Total assets	**R0500**	5.442.847

Vittoria Assicurazioni Group
S.02.01.02 Balance sheet – continued

		Solvency II value
Liabilities		**C0010**
Technical provisions - non-life	**R0510**	1.589.838
Technical provisions - non-life (excluding health)	**R0520**	1.528.231
Technical provisions calculated as a whole	**R0530**	
Best Estimate	**R0540**	1.432.805
Risk margin	**R0550**	95.426
Technical provisions - health (similar to non-life)	**R0560**	61.607
Technical provisions calculated as a whole	**R0570**	
Best Estimate	**R0580**	52.373
Risk margin	**R0590**	9.234
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	1.699.649
Technical provisions - health (similar to life)	**R0610**	8.760
Technical provisions calculated as a whole	**R0620**	-
Best Estimate	**R0630**	7.592
Risk margin	**R0640**	1.168
Technical provisions - life (excluding health and index-linked and unit-linked)	**R0650**	1.690.889
Technical provisions calculated as a whole	**R0660**	-
Best Estimate	**R0670**	1.621.262
Risk margin	**R0680**	69.627
Technical provisions - index-linked and unit-linked	**R0690**	203.866
Technical provisions calculated as a whole	**R0700**	-
Best Estimate	**R0710**	200.296
Risk margin	**R0720**	3.570
Other technical provisions	**R0730**	
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	26.269
Pension benefit obligations	**R0760**	6.161
Deposits from reinsurers	**R0770**	7.519
Deferred tax liabilities	**R0780**	225.592
Derivatives	**R0790**	-
Debts owed to credit institutions	**R0800**	5.863
Financial liabilities other than debts owed to credit institutions	**R0810**	14.399
Insurance & intermediaries payables	**R0820**	17.792
Reinsurance payables	**R0830**	17.980
Payables (trade, not insurance)	**R0840**	88.075
Subordinated liabilities	**R0850**	257.579
Subordinated liabilities not in Basic Own Funds	**R0860**	-
Subordinated liabilities in Basic Own Funds	**R0870**	257.579
Any other liabilities, not elsewhere shown	**R0880**	112.463
Total liabilities	**R0900**	4.273.045
Excess of assets over liabilities	**R1000**	1.169.802

Vittoria Assicurazioni Group
S.05.01.02 Premiums, claims and expenses by line of business

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**												Line of Business for: **accepted non-proportional reinsurance**				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written																		
Gross - Direct Business	**R0110**	25.869	104.479	-	691.052	159.579	7.366	172.697	93.730	3.712	8.980	34.744	22.831					1.325.037
Gross - Proportional reinsurance accepted	**R0120**	-	-	-	-	-	-	-	80	-	-	24	-					104
Gross - Non-proportional reinsurance accepted	**R0130**																	
Reinsurers' share	**R0140**	204	1.398	-	1.527	10.081	289	28.451	1.410	1.497	6.358	15.020	6.499					72.734
Net	**R0200**	25.665	103.081	-	689.524	149.498	7.078	144.246	92.399	2.215	2.622	19.747	16.332	-	-	-		1.252.407
Premiums earned																		
Gross - Direct Business	**R0210**	25.047	102.895	-	687.325	156.407	7.213	161.835	92.053	3.616	8.685	34.211	22.636					1301924
Gross - Proportional reinsurance accepted	**R0220**	-	-	-	-	-	-	-	76	-	-	24	-					101
Gross - Non-proportional reinsurance accepted	**R0230**																	
Reinsurers' share	**R0240**	158	1.157	-	1.528	10.085	284	27.640	1.365	1.600	6.238	14.720	6.337					71.111
Net	**R0300**	24.890	101.738	-	685.798	146.322	6.929	134.195	90.764	2.016	2.447	19.515	16.300	-	-	-		1.230.914
Claims incurred																		
Gross - Direct Business	**R0310**	14.590	31.221	-	550.547	81.960	4.803	93.032	32.162	1.346	(1.221)	10.486	5.140					824.067
Gross - Proportional reinsurance accepted	**R0320**	-	20	-	-	-	-	-	(26)	-	-	15	-					8
Gross - Non-proportional reinsurance accepted	**R0330**																	
Reinsurers' share	**R0340**	177	583	-	709	7.517	357	12.149	812	285	(1.104)	9.479	4.144					35.108
Net	**R0400**	14.413	30.658	-	549.839	74.443	4.446	80.883	31.324	1.061	(117)	1.022	996	-	-	-		788.968
Changes in other technical provisions																		
Gross - Direct Business	**R0410**	4	32	-	-	313	-	601	4	-	-	-	-					954
Gross - Proportional reinsurance accepted	**R0420**	-	-	-	-	-	-	-	-	-	-	-	-					-
Gross - Non- proportional reinsurance accepted	**R0430**																	
Reinsurers'share	**R0440**																	
Net	**R0500**	4	32	-	-	313	-	601	4	-	-	-	-	-	-	-		954
Expenses incurred	**R0550**	8.955	38.762	-	178.492	52.488	2.547	64.714	34.034	1.951	(1.004)	10.446	5.187	-	-	-		396.571
Other expenses	**R1200**																	27.522
Total expenses	**R1300**																	424.093

Vittoria Assicurazioni Group
S.05.01.02 Premiums, claims and expenses by line of business - continued

		Line of Business for: **life insurance obligations**						**Life reinsurance obligations**		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**	2.177	250.749	82.610	18.745	-	-	-	-	354.281
Reinsurers' share	**R1420**	1.547	-	-	667	-	-	-	-	2.214
Net	**R1500**	630	250.749	82.610	18.078	-	-	-	-	352.067
Premiums earned										
Gross	**R1510**	-	-	-	-	-	-	-	-	-
Reinsurers' share	**R1520**	-	-	-	-	-	-	-	-	-
Net	**R1600**	-	-	-	-	-	-	-	-	-
Claims incurred										
Gross	**R1610**	282	129.913	12.497	5.924	-	-	-	-	148.617
Reinsurers' share	**R1620**	(53)	-	-	(107)	-	-	-	-	(160)
Net	**R1700**	335	129.913	12.497	6.031	-	-	-	-	148.777
Changes in other technical provisions										
Gross	**R1710**	-	-	-	-	-	-	-	-	-
Reinsurers' share	**R1720**									
Net	**R1800**	-	-	-	-	-	-	-	-	-
Expenses incurred	**R1900**	(87)	13.808	7.579	2.593	-	-	-	-	23.893
Other expenses	**R2500**									(2.978)
Total expenses	**R2600**									20.915

Vittoria Assicurazioni Group
S.05.02.01 Premiums, claims and expenses by country

		Home Country	Total Top 5 and home country
		C0010	C0070
	R0010		
		C0080	C0140
Premiums written			
Gross - Direct Business	R0110	1.325.037	1.325.037
Gross - Proportional reinsurance accepted	R0120	104	104
Gross - Non-proportional reinsurance accepted	R0130		
Reinsurers' share	R0140	72.734	72.734
Net	R0200	1.252.408	1.252.408
Premiums earned			
Gross - Direct Business	R0210	1.301.924	1.301.924
Gross - Proportional reinsurance accepted	R0220	101	101
Gross - Non-proportional reinsurance accepted	R0230		
Reinsurers' share	R0240	71.111	71.111
Net	R0300	1.230.914	1.230.914
Claims incurred			
Gross - Direct Business	R0310	824.067	824.067
Gross - Proportional reinsurance accepted	R0320	8	8
Gross - Non-proportional reinsurance accepted	R0330		
Reinsurers' share	R0340	35.108	35.108
Net	R0400	788.967	788.967
Changes in other technical provisions			
Gross - Direct Business	R0410	954	954
Gross - Proportional reinsurance accepted	R0420	-	-
Gross - Non- proportional reinsurance accepted	R0430		
Reinsurers' share	R0440		
Net	R0500	954	954
Expenses incurred	R0550	396.571	396.571
Other expenses	R1200		27.522
Total expenses	R1300		424.093

		Home Country	Total Top 5 and home country
			C0210
	R1400		
			C0280
Premiums written			
Gross	R1410	354.281	354.281
Reinsurers' share	R1420	2.214	2.214
Net	R1500	352.067	352.067
Premiums earned			
Gross	R1510	-	-
Reinsurers' share	R1520	-	-
Net	R1600	-	-
Claims incurred			
Gross	R1610	148.617	148.617
Reinsurers' share	R1620	(160)	(160)
Net	R1700	148.777	148.777
Changes in other technical provisions			
Gross	R1710	-	-
Reinsurers' share	R1720		
Net	R1800	-	-
Expenses incurred	R1900	23.893	23.893
Other expenses	R2500		(2.978)
Total expenses	R2600		20.915

Vittoria Assicurazioni Group
S.22.01.22 Impact of measures for long-term guarantees and transitional measures

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	3.493.352	-	-	21.395	-
Basic own funds	R0020	1.369.725	-	-	(14.478)	-
Eligible own funds to meet Solvency Capital Requirement	R0050	1.369.725	-	-	(14.478)	-
Solvency Capital Requirement	R0090	821.442	-	-	594	-

Vittoria Assicurazioni Group
S.23.01.22 Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector						
Ordinary share capital (gross of own shares)	**R0010**	15.000	15.000			
Non-available called but not paid in ordinary share capital at group level	**R0020**					
Share premium account related to ordinary share capital	**R0030**	22.183	22.183			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**					
Subordinated mutual member accounts	**R0050**					
Non-available subordinated mutual member accounts at group level	**R0060**					
Surplus funds	**R0070**	-	-			
Non-available surplus funds at group level	**R0080**					
Preference shares	**R0090**					
Non-available preference shares at group level	**R0100**					
Share premium account related to preference shares	**R0110**					
Non-available share premium account related to preference shares at group level	**R0120**					
Reconciliation reserve	**R0130**	928.600	928.600			
Subordinated liabilities	**R0140**	257.579			257.579	
Non-available subordinated liabilities at group level	**R0150**					
An amount equal to the value of net deferred tax assets	**R0160**	-				-
The amount equal to the value of net deferred tax assets not available at the group level	**R0170**					
Other items approved by supervisory authority as basic own funds not specified above	**R0180**	-	-			
Non available own funds related to other own funds items approved by supervisory authority	**R0190**					
Minority interests (if not reported as part of a specific own fund item)	**R0200**	201.019	201.019			
Non-available minority interests at group level	**R0210**	54.655	54.655			
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**					
Deductions						
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	**R0230**					
whereof deducted according to art 228 of the Directive 2009/138/EC	**R0240**					
Deductions for participations where there is non-availability of information (Article 229)	**R0250**					
Deduction for participations included by using D&A when a combination of methods is used	**R0260**					
Total of non-available own fund items	**R0270**	54.655	54.655	-	-	-
Total deductions	**R0280**	54.655	54.655	-	-	-
Total basic own funds after deductions	**R0290**	1.369.725	1.112.146	-	257.579	-
Ancillary own funds						

Vittoria Assicurazioni Group
S.23.01.22 Own funds – continued

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Non available ancillary own funds at group level	R0380					
Other ancillary own funds	R0390	-				
Total ancillary own funds	R0400	-			-	-
Own funds of other financial sectors						
Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies - total	R0410					
Institutions for occupational retirement provision	R0420					
Non regulated entities carrying out financial activities	R0430					
Total own funds of other financial sectors	R0440					
Own funds when using the D&A, exclusively or in combination of method 1						
Own funds aggregated when using the D&A and combination of method	R0450					
Own funds aggregated when using the D&A and a combination of method net of IGT	R0460					
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0520	1.369.725	1.112.146	-	257.579	-
Total available own funds to meet the minimum consolidated group SCR	R0530	1.369.725	1.112.146	-	257.579	
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0560	1.369.725	1.112.146	-	257.579	-
Total-eligible own funds to meet the minimum consolidated group SCR	R0570	1.172.254	1.112.146	-	60.108	
Minimum consolidated Group SCR	R0610	300.540				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	R0650	390,05%				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	R0660	1.369.725	1.112.146	-	257.579	
Group SCR	R0680	821.442				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	R0690	166,75%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	1.169.802
Own shares (included as assets on the balance sheet)	R0710	-
Forseeable dividends, distributions and charges	R0720	3.000
Other basic own fund items	R0730	238.202
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced	R0740	
Other non available own funds	R0750	
Reconciliation reserve before deduction for participations in other financial sector	R0760	928.600
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	33.041
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	24.075
Total EPIFP	R0790	57.116

Vittoria Assicurazioni Group
S.25.01.22 Solvency Capital Requirement for groups using the Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	574.549		
Counterparty default risk	R0020	54.433		
Life underwriting risk	R0030	81.425	None	
Health underwriting risk	R0040	41.897	None	
Non-life underwriting risk	R0050	471.748	None	
Diversification	R0060	(340.124)		
Intangible asset risk	R0070	-		
Basic Solvency Capital Requirement	R0100	883.927		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	53.577
Loss-absorbing capacity of technical provisions	R0140	-
Loss-absorbing capacity of deferred taxes	R0150	(116.063)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency capital requirement excluding capital add-on	R0200	821.442
Capital add-on already set	R0210	
Solvency capital requirement	R0220	821.442
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	
Minimum consolidated group solvency capital requirement	R0470	300.540
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	R0520	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non--regulated entities carrying out financial activities	R0530	
Capital requirement for non-controlled participation requirements	R0540	
Capital requirement for residual undertakings	R0550	
Overall SCR		
SCR for undertakings included via D and A	R0560	
Solvency capital requirement	R0570	821.442

Vittoria Assicurazioni Group
S.32.01.22 - Undertakings in the scope of the group

								Criteria of influence						Inclusion in the scope of group supervision		Group solvency calculation
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
IT	SC/2	SC	Acacia 2000 S.r.l.	10	Societa a responsabilita limitata	2		100,0%	100,0%	100,0%		1	100,0%	1		1
IT	SC/13	SC	Aspevi Firenze S.r.l.	99	Societa a responsabilita limitata	2		49,0%	49,0%	49,0%		2	49,0%	1		3
IT	SC/24	SC	Aspevi Milano S.r.l.	99	Societa a responsabilita limitata	2		49,0%	49,0%	49,0%		2	49,0%	1		3
IT	SC/25	SC	Aspevi Roma S.r.l.	99	Societa a responsabilita limitata	2		49,0%	49,0%	49,0%		2	49,0%	1		3
IT	SC/36	SC	Servitt S.r.l	99	Societa a responsabilita limitata	2		100,0%	100,0%	100,0%		1	100,0%	1		1
IT	SC/35	SC	Aspevi ACLI S.r.l.	10	Societa a responsabilita limitata	2		60,0%	100,0%	60,0%		1	100,0%	1		1
IT	SC/21	SC	Fiori di San Bovio S.r.l.	99	Societa a responsabilita limitata	2		40,0%	40,0%	40,0%		2	40,0%	1		3
IT	SC/9	SC	Morning Capital S.r.l.	99	Societa a responsabilita limitata	2		20,0%	20,0%	20,0%		2	20,0%	1		3
IT	SC/3	SC	Immobiliare Bilancia S.r.l.	10	Societa a responsabilita limitata	2		100,0%	100,0%	100,0%		1	100,0%	1		1
IT	SC/4	SC	Immobiliare Bilancia Prima S.r.l.	10	Societa a responsabilita limitata	2		100,0%	100,0%	100,0%		1	100,0%	1		1
IT	SC/12	SC	Interbilancia S.r.l.	10	Societa a responsabilita limitata	2		100,0%	100,0%	100,0%		1	100,0%	1		1
IT	SC/20	SC	Mosaico S.p.a.	99	Societa per Azioni	2		45,0%	45,0%	45,0%		2	45,0%	1		3
IT	SC/22	SC	Pama Partners S.r.l.	99	Societa a responsabilita limitata	2		25,0%	25,0%	25,0%		2	25,0%	1		3
IT	SC/27	SC	Porta Romana 4 S.r.l.	99	Societa a responsabilita limitata	2						2				
IT	SC/37	SC	Spefin Finanziaria S.P.A.	99	Societa per Azioni	2		23,4%	23,4%	23,4%		2	23,4%	1		3
IT	SC/16	SC	Touring Vacanze S.r.l.	99	Societa a responsabilita limitata	2		46,0%	46,0%	46,0%		2	46,0%	1		3
IT	SC/10	SC	VRG Domus S.r.l.	10	Societa a responsabilita limitata	2		100,0%	100,0%	100,0%		1	100,0%	1		1
IT	SC/5	SC	Vaimm Sviluppo S.r.l.	10	Societa a responsabilita limitata	2		100,0%	100,0%	100,0%		1	100,0%	1		1
IT	SC/1	SC	Vittoria Immobiliare S.p.A.	10	Societa per Azioni	2		100,0%	100,0%	100,0%		1	100,0%	1		1
IT	SC/7	SC	Vittoria Properties S.r.l.	10	Societa a responsabilita limitata	2		100,0%	100,0%	100,0%		1	100,0%	1		1
IT	SC/33	SC	Vittoria Hub S.r.l.	10	Societa a responsabilita limitata	2		100,0%	100,0%	100,0%		1	100,0%	1		1
IT	LEI/8156003E4A94A3C84066	LEI	Vittoria Assicurazioni S.p.a.	4	Societa per Azioni	2	IVASS	99,7%	100,0%	99,7%		1	100,0%	1		1
IT	LEI/81560065DEB84AAEE070	LEI	Yafa S.p.A.	5	Societa per Azioni	2	IVASS		100,0%				100,0%	1		1
IT	LEI/815600F8E90820CF6442	LEI	Yafa Holding S.p.A.	5	Societa per Azioni	2	IVASS	100,0%	100,0%	100,0%		1	100,0%	1		1
NL	SC/26	SC	Yam Invest NV	99	Naamloze Vennootschap	2		37,5%	37,5%	37,5%		2	18,8%	1		3
GB	SC/31	SC	Yareal Humby Ltd	99	Limited	2		100,0%	100,0%	100,0%		1	0,0%	1		3
GB	SC/32	SC	Yareal Llanforda Ltd	99	Limited	2		100,0%	100,0%	100,0%		1	0,0%	1		3
GB	SC/30	SC	Yareal UK Ltd	99	Limited	2		99,3%	100,0%	99,3%		1	0,0%	1		3
IT	SC/17	SC	Yarpa S.p.A.	99	Societa per Azioni	2		28,6%	28,6%	28,6%		2	28,6%	1		3
IT	SC/28	SC	Yura International S.p.A.	99	Societa per Azioni	2		100,0%	100,0%	100,0%		1	100,0%	1		3

F.2 Independent Auditor' Report

KPMG S.p.A.
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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 47-septies.7 of Legislative decree no. 209 of 7 September 2005 and article 5.1.c) of IVASS regulation no. 42 of 2 August 2018

To the board of directors of
Yafa S.p.A.

Introduction

We have reviewed the accompanying "S.25.01.22 Solvency capital requirements for undertakings on standard formulas" (the "SCR and MCR template") and the related disclosures presented in the "E.2 Solvency capital requirement and minimum capital requirement" section (the "related disclosures") of the accompanying 2022 Solvency and financial condition report (the "SFCR") of the Vittoria Assicurazioni Group comprising Yafa S.p.A. (the "parent") and its subsidiaries (the "group"), prepared in accordance with article 47-septies of Legislative decree no. 209.

The directors prepared the SCR and MCR template and related disclosures in accordance with the applicable European Union provisions and the Italian sector legislation.

Directors' responsibilities

The directors are responsible for the preparation of the SCR and MCR template and related disclosures in accordance with the applicable European Union provisions and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of SCR and MCR template and related disclosures that are free from material misstatement, whether due to fraud or error.

Auditors' responsibilities

Our responsibility is to express a conclusion on the SCR and MCR template and related disclosures. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (revised), Engagements to Review Historical Financial Statements. ISRE 2400 (revised) requires us to conclude whether anything has come to our attention that causes us to believe that the SCR and MCR template and related disclosures, taken as a whole, are not prepared in all material respects in accordance with the applicable European Union provisions and the Italian sector legislation. This standard also requires us to comply with relevant ethical requirements.

A review of SCR and MCR template and related disclosures in accordance with ISRE 2400 (revised) is a limited assurance engagement. The auditors perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

Moreover, as provided for by article 14 of IVASS regulation no. 42 of 2 August 2018, with reference to the disclosures about non-regulated entities included in the group's scope, we solely checked that the relevant figures had been calculated pursuant to Legislative decree no. 209 of 7 September 2005, the related implementing measures and applicable European Union provisions.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (ISA). Accordingly, we do not express an audit opinion on this SCR and MCR template and related disclosures.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying SCR and MCR template and related disclosures included in the Vittoria Assicurazioni Group's 2022 SFCR have not been prepared, in all material respects, in accordance with the applicable European Union provisions and the Italian sector legislation.

Basis of preparation, purposes and restriction on use

Without modifying our conclusion, we draw attention to the "E.2 Solvency capital requirement and minimum capital requirement" section of the SFCR which describes the basis of preparation of the SCR and MCR template. This template and related disclosures have been prepared in accordance with the applicable European Union provisions and the Italian sector legislation for the solvency supervisory reporting purposes, therefore using a special-purpose reporting framework. As such, they cannot be used for any other purposes.

Milan, 16 May 2023

KPMG S.p.A.

(signed on the original)

Stefania Sala
Director of Audit

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Independent auditors' report pursuant to article 47-septies.7 of Legislative decree no. 209 of 7 September 2005 and article 5.1.a)/b) of IVASS regulation no. 42 of 2 August 2018

To the board of directors of
Yafa S.p.A.

Opinion

We have audited the following parts of the 2022 Solvency and financial condition report (the "SFCR") of the Vittoria Assicurazioni Group comprising Yafa S.p.A. (the "parent") and its subsidiaries (the "group"), prepared in accordance with article 47-septies of Legislative decree no. 209 of 7 September 2005:

- the "S.02.01.02 Balance sheet" and "S.23.01.22 Own funds" templates (the "MVBS and OF templates");
- the "D. Valuation for solvency purposes" and "E.1. Own funds" sections (the "related disclosures").

Our procedures did not cover:

- the technical provision components relating to the risk margin (items R0550, R0590, R0640, R0680 and R07209) of the "S.02.01.02 Balance sheet" template;
- the solvency capital requirement (item R0680) and consolidated minimum capital requirement (item R0610) of the "S.23.01.22 Own funds" template,

which are, therefore, excluded from our opinion.

The templates and disclosures as a whole, with the exclusions set out above, make up the "MVBS and OF templates and related disclosures".

In our opinion, the MVBS and OF templates and related disclosures included in the group's 2022 SFCR have been prepared, in all material respects, in accordance with the applicable European Union provisions and the Italian sector legislation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the MVBS and OF templates and related disclosures*" section of our report. We are independent of the parent in accordance with the ethics and independence rules and standards of the International Code of Ethics for Professional Accountants (including International Independence Standards, the "IESBA Code") issued by the International Ethics Standards Board for Accountants applicable to audits of MVBS and OF templates and related disclosures. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Basis of preparation, purposes and restriction on use

We draw attention to section "D. Valuation for solvency purposes" which describes the basis of preparation. The MVBS and OF templates and related disclosures have been prepared in accordance with the applicable European Union provisions and the Italian sector legislation for the solvency supervisory reporting purposes, therefore using a special purpose reporting framework. As such, they cannot be used for any other purposes. We did not qualify our opinion in this respect.

Other matters

The parent prepared its consolidated financial statements as at and for the year ended 31 December 2022 in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 90 of Legislative decree no. 209 of 7 September 2005 governing their preparation. We audited those consolidated financial statements and issued our audit report thereon on 8 May 2023.

The parent prepared the "S.25.01.22 Solvency capital requirements for undertakings on standard formula" template and the related disclosures presented in the "E.2 Solvency capital requirement and minimum capital requirement" section of the accompanying SFCR in accordance with the applicable European Union provisions and the Italian sector legislation. We reviewed them in conformity with article 5.1.c) of IVASS regulation no. 42 of 2 August 2018. As a result of our review, we issued the review report carrying today's date and attached to the SFCR.

Other information presented in the SFCR

The directors are responsible for the preparation of the other information presented in the SFCR in accordance with the Italian regulations governing its preparation.

The other information presented in the SFCR comprises:

- the "S.05.01.02 Premiums, claims and expenses by line of business", "S.05.02.01 Premiums, claims and expenses by country", "S.22.01.22 Impact of long-term guarantees and transitional measures", "S.25.01.22 Solvency capital requirements for groups on standard formulas" and "S.32.01.22 Undertakings in the scope of the group" templates;
- the "A. Activities and results", "B. Governance system", "C. Risk profile", "E.2. Solvency capital requirement and minimum capital requirement", "E.3. Use of the equity risk submodule based on the duration in the SCR calculation", "E.4. Differences between the standard formula and the internal model", "E.5. Failure to meet the MCR and SCR" and "E.6. Other information" sections.

Our opinion on the MVBS and OF templates and related disclosures does not extend to the other information.

In connection with our audit of the MVBS and OF templates and related disclosures, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the MVBS and OF templates and related disclosures, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the MVBS and OF templates and related disclosures

The directors are responsible for the preparation of the MVBS and OF templates and related disclosures in accordance with the Italian regulations governing their preparation and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of MVBS and OF templates and related disclosures that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the MVBS and OF templates and related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the MVBS and OF templates and related disclosures

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

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

- obtain an understanding of internal control relevant to the audit of the MVBS and OF templates and related disclosures in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;

- evaluate the appropriateness of the basis of preparation used and the reasonableness of accounting estimates made by the directors and related disclosures;

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the parent to cease to continue as a going concern.

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

Milan, 16 May 2023

KPMG S.p.A.

(signed on the original)

Stefania Sala
Director of Audit