Financial Statements and Management Report

Línea Directa Aseguradora S.A.

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4. DRAFTING AND ATTESTATION

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Report of the external auditors

This version of our report is a free translation from the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor´s report on the annual account

To the shareholders of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros

Report on the annual accounts

Opinion

We have audited the annual accounts of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros (the Company), which comprise the balance sheet as at 31 December 2022, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2022, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in note 2 of the notes to the annual accounts), and in particular, with the accounting principles and criteria included therein.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Valuation of the motor insurance provision for claims The Company engages in non-life insurance activities, mainly in the motor, home, and medical assistance lines, recognizing liabilities associated with insurance contracts that reflect the unearned premiums and provision for claims. This last concept includes, among others, the estimated cost of claims pending settlement, payment and not reported, mainly in the motor line, amounting to 325.029 thousand euros as of December 31, 2022. The Company uses statistical methods authorized by the Spanish insurance regulator to calculate the claim provision for the motor line, which reflects the estimated cost of the claims occurred until December 31, 2022. Such actuarial calculations, based on both generally accepted deterministic and stochastic techniques, are complex and incorporate judgments about assumptions made by management. The calculation of the claim provision, given the nature of these liabilities, is a complex estimate that, in the case of the motor line, is significantly influenced by the projection methods, the settlement periods and the assumptions used by management, as well as the impact of the valuation of personal claims in accordance with applicable regulations. For these reasons, the valuation of motor insurance provision for claims is considered as a key audit matter. See notes 2.c, 4.g and 10 of the 2022 annual accounts.	We gained an understanding of the Company´s process for estimating and registering the motor insurance provision for claims, which included understanding and evaluating the internal control process, the relevant IT systems, and the most relevant assumptions. Our procedures, in which we have engaged a team of actuarial specialists, have focused on aspects such us: • Understanding the methodology used for calculating this provision. • Checking the completeness, accuracy and reconciliation of the data used as inputs for the calculations. • Checking the sufficiency of the motor insurance provision for claims recognized as of the end of the previous reporting period. • Selecting a sample of claims to evaluate the reasonableness of its individual valuation considering the available information. • Performing an actuarial contrast test to evaluate the reasonableness of the provision for claims calculated by a statistical methodology recognized as of the end of the reporting period. • Checking the actuarial methodology application in accordance with the method authorized by the Spanish insurance regulator. • Checking the adequacy of the disclosures in the attached annual accounts. In our procedures above, we obtained sufficient appropriate audit evidence to support the estimates of management regarding this matter.

Other information: Management report

Other information comprises only the management report for the 2022 financial year, the formulation of which is the responsibility of the Company's directors and does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the management report. Our responsibility regarding the management report, in accordance with legislation governing the audit practice, is to:

a) Verify only that the statement of non-financial information, certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as referred to in the Auditing Act, have been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the management report and the annual accounts as a result of our knowledge of the Company obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the management report is consistent with that contained in the annual accounts for the 2022 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit commission for the annual accounts

The directors are responsible for the preparation of the accompanying annual accounts, such that they fairly present the equity, financial position and financial performance of the Company, in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as the aforementioned directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit commission is responsible for overseeing the process of preparation and presentation of the annual accounts.

Auditor’s responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 legislation governing the audit practice in Spain 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 annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, 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 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 entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity's audit commission 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.

We also provide the entity's audit commission with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the aforementioned those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the entity’s audit commission, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital file of the European single electronic format (ESEF) of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros for the 2022 financial year that comprises an XHTML file of the annual accounts for the financial year, which will form part of the annual financial report.

The directors of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros are responsible for presenting the annual financial report for 2022 financial year in accordance with the formatting requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation). In this regard, the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration have been incorporated by reference in the management report.

Our responsibility is to examine the digital file prepared by the Company's directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the annual accounts included in the aforementioned file completely agrees with that of the annual accounts that we have audited, and whether the format of these accounts has been affected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital file examined completely agrees with the audited annual accounts, and these are presented, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Report to the audit commission

The opinion expressed in this report is consistent with the content of our additional report to the audit commission of the Company dated 24 February 2023.

Appointment period

The General Ordinary Shareholders' Meeting held on 24 March 2022 appointed us as auditors for a period of one year, for the year ended 31 December 2022.

Previously, we were appointed by resolution of the General Ordinary Shareholders' Meeting for a period of tres years and we have audited the accounts continuously since the year ended 31 December 2016.

Services provided

Services provided to the audited entity and its subsidiaries for services other than the audit of the accounts are disclosed in note 22.e) to the annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Enrique Anaya Rico (23060)

24 February 2023

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Financial statements

Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros

Annual financial statements and management report
for the year ended 31 December 2022

Prepared in accordance with the Chart of Accounts of Insurance Entities

(The English version is a translation of the original in Spanish for the information purposes only. In case of discrepancy, the Spanish version shall prevail)

Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros
Balance sheet at 31 December 2022 and 2021
(in thousand euro)

	ASSETS	Notes	2022	2021 (*)
A.1	**Cash and cash equivalents**	Notes 8 and 9	**44,040**	**98,911**
A.2	**Financial assets held for trading**		**-**	**-**
	I. Equity instruments		-	-
	II. Debt securities		-	-
	III. Derivatives		-	-
	IV. Other		-	-
A.3	**Other financial assets at fair value through profit or loss**		-	-
	I. Equity instruments		-	-
	II. Debt securities		-	-
	III. Hybrid instruments		-	-
	IV. Investments for the benefit of life-assurance policyholders who bear the investment risk		-	-
	V. Other		-	-
A.4	**Available-for-sale financial assets**	Note 8	**697,771**	**829,700**
	I. Equity instruments		85,099	125,740
	II. Debt securities		612,672	703,960
	III. Investments for the benefit of life-assurance policyholders who bear the investment risk		-	-
	IV. Other		-	-
A.5	**Loans and receivables**	Note 8	**140,101**	**130,881**
	I. Debt securities		-	-
	II. Loans		22,139	22,981
	1. Advance payments on policies		-	-
	2. Loans to group companies and associates	Notes 8 and 15	22,139	22,981
	3. Loans to other related parties		-	-
	III. Deposits with credit institutions		-	-
	IV. Deposits posted on accepted reinsurance		-	-
	V. Receivables on direct insurance business	Note 8	58,524	53,538
	1. Policyholders		58,524	53,538
	2. Agents, brokers and intermediaries		-	-
	VI. Receivables on reinsurance business		12,290	7,969
	VII. Receivables on coinsurance business		-	-
	VIII. Payments called up		-	-
	IX. Other receivables		47,148	46,393
	1. Tax and social security receivable		1,040	1,040
	2. Other receivables	Notes 8 and 15	46.108	45,353
A.6	**Held-to-maturity investments**		**-**	**-**
A.7	**Hedging derivatives**		**7,844**	**-**
A.8	**Reinsurers' share of technical provisions**	Note 10	**19,263**	**20,153**
	I. Provision for unearned premiums		4,554	4,280
	II. Life assurance provision		-	-
	III. Provision for claims		14,709	15,873
	IV. Other technical provisions		-	-
A.9	**Property, plant and equipment and investment property**	Note 5	**42,121**	**43,497**
	I. Tangible fixed assets		40,226	41,574
	II. Investment property		1,895	1,923
A.10	**Intangible assets**	Note 6	**14,467**	**14,061**
	I. Goodwill		-	-
	II. Economic rights arising from policy portfolios acquired from intermediaries		-	-
	III. Other intangible assets		14,467	14,061
A.11	**Holdings in group companies and associates**	Notes 8 and 15	**69,494**	**65,785**
	I. Holdings in associates		-	-
	II. Holdings in jointly controlled companies		-	-
	III. Holdings in group companies		69,494	65,785
A.12	**Tax assets**	Note 17	**25,971**	**27,315**
	I. Current tax assets		2,600	18,896
	II. Deferred tax assets		23,371	8,419
A.13	**Other assets**	Note 7	**104,033**	**95,777**
	I. Assets and reimbursement rights on long-term staff remuneration		-	-
	II. Prepaid fees and other acquisition costs		94,608	87,219
	III. Accruals	Notes 7 and 8	9,425	8,558
	IV. Other assets		-	-
A.14	**Assets held for sale**		-	-
	TOTAL ASSETS		**1,165,105**	**1,326,080**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 24 form an integral part of the financial statements at 31 December 2022.

Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros
Balance sheet at 31 December 2022 and 2021
(in thousand euro)

	LIABILITIES	Notes	2022	2021 (*)
A.1	**Financial liabilities held for trading**		**-**	**-**
A.2	**Other financial liabilities at fair value through profit or loss**		**-**	**-**
A.3	**Debt and accounts payable**	Note 13	**44,677**	**159,871**
	I. Subordinated liabilities		-	-
	II. Deposits received from ceded reinsurance		-	-
	III. Due on direct insurance business	Note 8	2,490	2,526
	1. Due to policyholders		2,009	1,939
	2. Due to agents, brokers and intermediaries		481	587
	3. Conditional claims		-	-
	IV. Due on reinsurance business	Note 8	1,363	1,244
	V. Due on coinsurance business		-	-
	VI. Bonds and other negotiable securities		-	-
	VII. Due to credit institutions		-	-
	VIII. Debts arising from activities to draw up insurance contracts		-	-
	IX. Other debts:	Note 13	40,824	156,101
	1. Taxes and social security payable		14,835	16,694
	2. Due to group companies and associates		276	364
	3. Other debts		25,713	139,043
A.4	**Hedging derivatives**	Note 8	**-**	**8,922**
A.5	**Technical provisions**	Note 10	**798,190**	**744,677**
	I. Provision for unearned premiums		470,783	449,740
	II. Provision for unexpired risks		2,378	3,280
	III. Life assurance provision		-	-
	IV. Provision for claims		325,029	291,657
	V. Provision for profit sharing and premium refunds		-	-
	VI. Other technical provisions		-	-
A.6	**Non-technical provisions**		**26,102**	**22,118**
	I. Provisions for taxes and other legal contingencies		-	-
	II. Provision for pensions and similar obligations		-	-
	III. Provisions for settlement agreements	Note 12	25,338	21,915
	IV. Other non-technical provisions		764	203
A.7	**Tax liabilities**	Note 17	**28,006**	**44,456**
	I. Current tax liabilities		-	-
	II. Deferred tax liabilities		28,006	44,456
A.8	**Other liabilities**		**315**	**1,109**
	I. Accruals		36	452
	II. Liabilities due to accounting mismatches		-	-
	III. Commissions and other acquisition expenses on ceded reinsurance		-	-
	IV. Other liabilities		279	657
A.9	**Liabilities associated with assets held for sale**		**-**	**-**
	TOTAL LIABILITIES		**897,290**	**981,153**
B.	**EQUITY**			
B.1	**Equity**	Note 14	**298,178**	**301,561**
	I. Capital or mutual fund		43,537	43,537
	1. Subscribed capital or mutual fund		43,537	43,537
	2. (Uncalled capital)		-	-
	II. Share premium		-	-
	III. Reserves		244,579	228,820
	1. Legal and bylaw reserves		9,046	9,046
	2. Equalisation reserve		93,608	107,582
	3. Other reserves		141,925	112,192
	IV. (Own shares)		(1,018)	(1,247)
	V. Profit/(loss) carried forward		-	-
	1. Surplus		-	-
	2. (Losses carried forward)		-	-
	VI. Other contributions from owners and mutual members		-	-
	VII. Profit/(loss) for the year		70,681	108,115
	VIII. (Interim dividend and interim equalisation reserve)		(59,601)	(77,664)
	IX. Other equity instruments		-	-
B.2	**Valuation adjustments:**	Note 14	**(30,363)**	**43,366**
	I. Available-for-sale financial assets		(30,363)	43,366
	II. Hedging arrangements		-	-
	III. Foreign exchange and conversion differences		-	-
	IV. Correction of accounting mismatches		-	-
	V. Other adjustments		-	-
B.3	**Grants, gifts and legacies received**		**-**	**-**
	TOTAL EQUITY		**267,815**	**344,927**
	TOTAL LIABILITIES AND EQUITY		**1,165,105**	**1,326,080**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 24 form an integral part of the financial statements at 31 December 2022.

Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros
Income statement for the years ended December 2022 and 2021.
(in thousand euro)

				Notes	2022	2021 (*)
I.	**NON-LIFE INSURANCE TECHNICAL ACCOUNT**					
	I.1	**Earned premiums, net of reinsurance**			**900,647**	**882,728**
		a)	Written premiums			
			a.1) Direct Insurance		946,679	907,189
			a.2) Accepted reinsurance		-	-
			a.3) Change due to impairment of outstanding premiums receivable	Note 8.1.1.2	(26)	331
		b)	Premiums from ceded reinsurance		(26,139)	(23,392)
		c)	Change in the provision for unearned premiums and unexpired risks		-	-
			c.1) Direct insurance	Note 10	(20,141)	(1,975)
			c.2) Accepted reinsurance		-	-
		d)	Change in the provision for unearned premiums, reinsurers' share	Note 10	274	575
	I.2	**Income from property, plan and equipment and from investments**		Note 8.1.2	**68,429**	**54,402**
		a)	Income from investment property		127	164
		b)	Income from financial investments		34,702	31,918
		c)	Application of impairment adjustments for property, plant and equipment, and investments			
			c.1) Property, plant and equipment and investment property		-	-
			c.2) Financial investments	Note 8.1.2	110	167
		d)	Gains/(losses) on realisation of property, plant and equipment and investments			
			d.1) Property, plant and equipment and investment property		-	21
			d.2) Financial investments		33,490	22,131
	I.3	**Other technical income**			**-**	**-**
	I.4	**Claims incurred, net of reinsurance**			**684,515**	**600,459**
		a)	Claims and other expenses paid			
			a.1) Direct Insurance		606,536	542,962
			a.2) Accepted reinsurance		-	-
			a.3) Reinsurers' Share		(14,438)	(9,960)
		b)	Change in the provision for claims			
			b.1) Direct Insurance	Note 10	33,372	20,116
			b.2) Accepted Reinsurance		-	-
			b.3) Reinsurers' Share	Note 10	1,164	(7,101)
		c)	Claims-related expenses		57,881	54,442
	I.5	**Change in Other Technical Provisions, net of reinsurance**			**-**	**-**
	I.6	**Profit sharing and premium refunds**			**637**	**594**
		a)	Claims and expenses relating to profit sharing and premium refunds		637	594
		b)	Change in the provision for profit sharing and premium refunds		-	-
	I.7	**Net operating expenses**			**201,412**	**202,913**
		a)	Acquisition costs		180,012	181,770
		b)	Administration expenses		25,632	26,167
		c)	Reinsurance commissions and profit participation		(4,232)	(5,024)
	I.8	**Other technical expenses**		Note 21	**(17,021)**	**(22,778)**
		a)	Change in impairment due to insolvencies		-	-
		b)	Change in impairment on property, plant and equipment		-	-
		c)	Change in claims paid under settlement agreements		(22,750)	(24,489)
		d)	Other		5,729	1,711
	I.9	**Expenses from property, plant and equipment and investments**			**31,388**	**21,896**
		a)	Management expenses from property, plant and equipment and investments			
			a.1) Expenses from property, plant and equipment and investment property	Note 8.1.2	2,062	1,961
			a.2) Expenses from financial investments and accounts	Note 8.1.2	2,991	4,483
		b)	Valuation adjustments for property, plant and equipment and investments			
			b.1) Depreciation of property, plant and equipment and investment property		28	28
			b.2) Impairment of property, plant and equipment and investment property	Note 5	-	-
			b.3) Impairment of financial investments		-	-
		c)	Losses on property, plant and equipment and investments			
			c.1) Property, plant and equipment and investment property		-	7
			c.2) Financial investments	Note 5	26,307	15,417
Profit/(loss) from the non-life technical account					**68,145**	**134,046**

(*) Presented for comparison purposes only.
The accompanying Notes 1 to 24 form an integral part of the financial statements for 2022.

Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros
Income statement for the years ended December 2022 and 2021.
(in thousand euro)

					2022	2021 (*)
III.	NON-TECHNICAL ACCOUNT:					
	III.	Profit/(loss) on the non-life technical account			68,145	134,046
	III.1	Income from property, plan and equipment and from investments		Note 8	16,000	2,500
		a)	Income from investment property		-	-
		b)	Income from financial investments		16,000	2,500
		c)	Application of impairment adjustments for property, plant and equipment, and investments			
			c.1) Property, plant and equipment and investment property		-	-
			c.2) Financial investments		-	-
	III.2	Expenses from property, plant and equipment and investments				
		a)	Investment management expenses			
			a.1) Expenses from financial investments and accounts		-	-
			a.2) Expenses from investments in property, plant and equipment		-	-
		b)	Valuation adjustments for property, plant and equipment and investments			
			b.1) Depreciation of property, plant and equipment and investment property		-	-
			b.2) Impairment of property, plant and equipment and investment property		-	-
			b.3) Impairment of financial investments		-	-
		c)	Losses on property, plant and equipment and investments			
			c.1) Property, plant and equipment and investment property		-	-
			c.2) Financial investments		-	-
	III.3	Other income		Note 21	4,231	5,541
		a)	Income from pension fund management activity			
		b)	Other income		4,231	5,541
	III.4	Other expenses		Note 21	43	390
		a)	Expenses from pension fund management activity			
		b)	Other expenses		43	390
	III.5	Subtotal (Profit/(loss) on the non-Technical Account)			20,188	7,651
	III.6	Profit/(loss) before tax			88,333	141,697
	III.7	Income tax		Note 17	17,652	33,582
	III.8	Profit/(loss) for the year			70,681	108,115

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 24 form an integral part of the financial statements for 2022.

(in thousand euro)

Statements of recognised income and expense

STATEMENT OF RECOGNISED INCOME AND EXPENSE		**2022**	**2021 (*)**
I) PROFIT OR LOSS FOR THE PERIOD	Note 3	**70,681**	**108,115**
II) OTHER RECOGNISED INCOME AND EXPENSE		**(73,729)**	**(1,031)**
II.1. Available-for-sale financial assets	Note 8	**(98,305)**	**(1,375)**
Gains/(losses) on valuation adjustments		(87,354)	5,191
Amounts transferred to the statement of profit or loss		(10,951)	(6,566)
Other reclassifications		-	-
II.2. Cash flow hedges		**-**	**-**
Gains/(losses) on valuation adjustments		-	-
Amounts transferred to the statement of profit or loss		-	-
Amounts transferred to the initial value of the hedged items		-	-
Other reclassifications		-	-
III.3. Hedging of net investments in foreign operations		**-**	**-**
Gains/(losses) on valuation adjustments		-	-
Amounts transferred to the statement of profit or loss		-	-
Other reclassifications		-	-
II.4. Foreign exchange and conversion differences		**-**	**-**
Gains/(losses) on valuation adjustments		-	-
Amounts transferred to the statement of profit or loss		-	-
Other reclassifications		-	-
II.5. Correction of accounting mismatches		**-**	**-**
Gains/(losses) on valuation adjustments		-	-
Amounts transferred to the statement of profit or loss		-	-
Other reclassifications		-	-
II.6. Assets held for sale		**-**	**-**
Gains/(losses) on valuation adjustments		-	-
Amounts transferred to the statement of profit or loss		-	-
Other reclassifications			
II.7. Actuarial Gains/(losses) on long-term staff remuneration		**-**	**-**
II.8. Other recognised income and expense		**-**	**-**
II.9. Income tax		**24,576**	**344**
III) TOTAL RECOGNISED INCOME AND EXPENSE		**(3,048)**	**107,084**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 24 form an integral part of the financial statements for 2022.

(in thousand euro)

Statement of changes in total equity

	Share capital capital	Reserves	Treasury shares	Profit/(loss) for the year	Interim dividend and interim equalisation reserve	Valuation adjustments	Total
E. BALANCE AT END OF 2020 (*)	**37,512**	**228,183**	**-**	**132,671**	**(6,964)**	**44,397**	**435,799**
D. ADJUSTED BALANCE AT BEGINNING OF 2021 (*)	**37,512**	**228,183**	**-**	**132,671**	**(6,964)**	**44,397**	**435,799**
I. Total recognised income and expense (Note 8)	**-**	**-**	**-**	**108,115**	**-**	**(1,031)**	**107,084**
II. Transactions with owners or mutual members	**6,025**	**(126,025)**	**(1,247)**	**-**	**(77,664)**	**-**	**(198,911)**
1. Capital increases or mutual fund (Note 14)	6,025	(6,025)	-	-	-	-	-
2. (-) Capital reductions or mutual funds	-	-	-	-	-	-	-
3. Conversion of financial liabilities into equity	-	-	-	-	-	-	-
4. (-) Distribution of dividends or payments due to mutual members (Notes 3 and 8)	-	(120,000)	-	-	(77,644)	-	(197,664)
5. Transactions with own shares or holdings (net) (Notes 14 and 22)	-	-	(1,247)	-	-	-	(1,247)
6. Increase (decrease) in equity resulting from a business combination	-	-	-	-	-	-	-
7. Other transactions with owners or mutual members	-	-	-	-	-	-	-
III. Other changes in equity	**-**	**126,663**	-	**(132,671)**	**6,964**	**-**	**956**
1. Payments based on equity instruments	-	955	-	-	-	-	955
2. Transfers between equity items	-	125,707	-	(132,671)	6,964	-	-
3. Other changes	-	-	-	-	-	-	-
E. BALANCE AT END OF 2021 (*)	**43,537**	**228,820**	**(1,247)**	**108,115**	**(77,664)**	**43,366**	**344,927**
D. ADJUSTED BALANCE AT BEGINNING OF 2022	**43,537**	**228,820**	**(1,247)**	**108,115**	**(77,664)**	**43,366**	**344,927**
I. Total recognised income and expense (Note 8)	**-**	**-**	**-**	**70,681**	**-**	**(73,729)**	**(3,048)**
II. Transactions with owners or mutual members	**-**	**-**	**229**	**(21,459)**	**(52,480)**	**-**	**(73,710)**
1. Capital increases or mutual fund (Note 14)	-	-	-	-	-	-	-
2. (-) Capital reductions or mutual funds	-	-	-	-	-	-	-
3. Conversion of financial liabilities into equity	-	-	-	-	-	-	-
4. (-) Distribution of dividends or payments due to mutual members (Notes 3 and 8)	-	-	-	(21,459)	(52,480)	-	(73,939)
5. Transactions with own shares or holdings (net) (Notes 14 and 22)	-	-	229	-	-	-	229
6. Increase (decrease) in equity resulting from a business combination	-	-	-	-	-	-	-
7. Other transactions with owners or mutual members	-	-	-	-	-	-	-
III. Other changes in equity (Note 14)	**-**	**15,759**	-	**(86,656)**	**70,543**	**-**	**(354)**
1. Payments based on equity instruments	-	(354)	-	-	-	-	(354)
2. Transfers between equity items	-	8,992	-	(86,656)	77,664	-	-
3. Other changes	-	7,121	-	-	(7,121)	-	-
E. BALANCE AT END OF 2022	**43,537**	**244,579**	**(1,018)**	**70,681**	**(59,601)**	**(30,363)**	**267,815**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 24 form an integral part of the financial statements for 2022.

Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros
Cash Flow Statements for the years 2022 and 2021
(in thousand euro)

		2022	2021(*)
A)	**CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES**		
A.1	**Insurance activities**		
	1. Proceeds from premiums on direct insurance, coinsurance and accepted reinsurance	941,667	908,396
	2. Payments for direct insurance, coinsurance and accepted reinsurance	635,284	576,145
	3. Proceeds from ceded reinsurance	5,301	769
	4. Payments for ceded reinsurance	16,973	11,797
	5. Reimbursements of claims	31,078	31,816
	6.- Payments for intermediaries	16,855	20,041
	7.- Other proceeds from operating activities	-	-
	8.- Other payments for operating activities	249,252	237,005
	9.- Total proceeds from insurance activities (1+3+5+7) = I	**978,046**	**940,981**
	10.- Total payments for insurance activities (2+4+6+8) = II	**918,364**	**844,988**
A.2	**Other operating activities**		
	3.- Proceeds from other operating activities	5,541	7,000
	4.- Payments for other operating activities	1,025	610
	5.- Total proceeds from other operating activities (1+3) = III	**5,541**	**7,000**
	6.- Total payments for other operating activities (2+4) = IV	**1,025**	**610**
	7.- Income tax collected/(paid) (V)	**7,789**	**(20,226)**
	Total net cash flows from operating activities (I-II+III-IV + - V)	**71,987**	**82,157**
B)	**CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES**		
B.1)	**Proceeds from investing activities**		
	1.- Property, plant and equipment	-	-
	2.- Investment property	127	164
	3.- Intangible assets	-	-
	4.- Financial instruments	287,666	192,412
	5.- Holdings in group, jointly controlled and associate companies	-	700
	6.- Interest received	24,880	27,203
	7.- Dividends collected	18,871	4,724
	8.- Business unit	-	-
	9.- Other proceeds from investing activities	-	-
	10.- Total proceeds from investing activities (1+2+3+4+5+6+7+8+9) = VI	**331,544**	**225,203**
B.2)	**Payments for investing activities**		
	1.- Property, plant and equipment	1,803	3,138
	2.- Investment property	-	-
	3.- Intangible assets	4,838	6,204
	4.- Financial instruments	258,487	129,926
	5.- Holdings in group, jointly controlled and associate companies	3,600	7,000
	6.- Business unit	-	-
	7.- Other payments for investing activities	4,068	4,342
	8.- Total payments for investing activities (1+2+3+4+5+6+7) = VII	**272,796**	**150,610**
	Total net cash flows from investing activities (VI - VII)	**58,748**	**74,593**
C)	**CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES**		
C.1)	**Proceeds from financing activities**		
	1. Subordinated liabilities	-	-
	2. Proceeds from the issuance of equity instruments and capital increase	-	-
	3.- Payments due to mutual members and contributions from owners or mutual members	-	-
	4. Disposal of own shares	257	-
	5. Other proceeds from financing activities	30,651	4,047
	6. Total proceeds from financing activities (1+2+3+4+5) = VIII	**30,908**	**4,047**
C.2)	**Payments for financing activities**		
	1. Dividends to shareholders	73,940	197,664
	2. Interest paid	-	-
	3. Subordinated liabilities	-	-
	4. Payments on return of contributions to shareholders	-	-
	5. Supplementary members' calls and return of contributions to mutual members	-	-
	6. Acquisition of own shares	384	1,247
	7. Other payments for financing activities	145,957	4,472
	8. Total payments for financing activities (1+2+3+4+5+6+7) = IX	**220,281**	**203,383**
C.3)	**Total net cash flows from/(used in) financing activities (VIII - IX)**	**(189,373)**	**(199,336)**
	Effects of exchange rate changes (X)	**3,767**	**(149)**
Total increase/(decrease) in cash and cash equivalents (A.3 + B.3 + C.3 + - X)		**(54,871)**	**(42,735)**
Cash and cash equivalents at beginning of year		**98,911**	**141,646**
Cash and cash equivalents at end of year		**44,040**	**98,911**
Components of cash and cash equivalents at end of year			
	1. Cash and banks	28,062	98,911
	2. Other financial assets	15,978	-
Total cash and cash equivalents at end of year (1 + 2 - 3)		**44,040**	**98,911**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 24 form an integral part of the financial statements for 2022.

1. Overview of the Company and its activities

The Company was incorporated in Madrid, on 13 April 1994, under the name "Bankinter Seguros Directos, S.A. Compañía de Seguros y Reaseguros". On 6 July 1994, it changed its name to "Bankinter Aseguradora Directa, S.A. Compañía de Seguros y Reaseguros". The decision was reached at the General Shareholders' Meeting held on 26 January 1995 to change its name to "Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros" (hereinafter, "the Company" or "Línea Directa").

The Company engages in insurance and reinsurance activities in the motor, home, other insurance and other non-life segments, all of which it is authorised to carry out by the Spanish Directorate General of Insurance and Pension Funds. On 19 July 2017, the Directorate granted authorisation to operate also within the medical assistance line of the wider healthcare segment. Línea Directa began marketing and selling health insurance in October 2017.

Its registered office is located at calle Isaac Newton, 7, in the municipality of Tres Cantos (Madrid). The Company operates entirely in Spain and Portugal.

With respect to Portugal, the Group was authorised to operate in the Assistance segment on 25 September 2017. As this line of activity was residual and immaterial in both 2022 and 2021, it has not been deemed relevant to break down the information by geographical area. Its business distribution channels are mainly telephone and internet sales.

The Parent's shares have been listed and traded on the continuous market of the Madrid Stock Exchange since 29 April 2021. Bankinter, S.A. holds a 17.4% stake in the Parent, while the remaining 82.6% was distributed among its shareholders by delivering one share in Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros for each Bankinter share held (Note 14).

2. Basis of preparation of the annual accounts

a) Regulatory financial reporting framework applicable to the Company

These annual accounts have been drawn up by the directors in accordance with the regulatory financial reporting framework applicable to the Company, as set out in:

– The Spanish Commercial Code (Código de Comercio) and other commercial legislation.

– The Accounting Plan for Insurance Companies enacted by Royal Decree 1317/2008, of 24 July, and subsequently modified by Royal Decree 1736/2010, of 23 December.

– The Law and Regulations on the Organisation, Supervision and Solvency of Insurance and Reinsurance Companies (hereinafter referred to by its Spanish acronym of "LOSSEAR" when referring to the Law and "ROSSEAR" when referring to the Regulations), as enacted by Law 20/2015 and Royal Decree 1060/2015, respectively.

- The non-repealed articles of the Regulation on the Organisation and Supervision of Private Insurance (hereinafter, "ROSSP", or the "Regulation"), enacted by Royal Decree 2486/1998, including all partial modifications thereto.

- The mandatory rules approved by the Accounting and Auditing Institute, as well as the rules published by the Directorate General of Insurance and Pension Funds to implement the Accounting Plan for Insurance Companies and all related and complementary rules.

- All other applicable Spanish accounting regulations.

b) True and fair view

The accompanying annual accounts have been prepared from the Company's accounting records and are presented in accordance with the applicable financial reporting framework, especially the accounting principles and criteria contained therein, to provide a true and fair view of the Company's equity, financial position, operating results and cash flows for the year.

These annual accounts, which were authorised for issue by the Company's directors at the meeting held on 23 February 2023, will be submitted for approval by shareholders at their Annual General Meeting and are expected to be approved without any changes made. The Group's financial statements for 2021 were approved at the Annual General Meeting held on 24 March 2022.

As the Company is the parent of the Línea Directa Aseguradora Group, the Company's Board of Directors has also drawn up, together with these annual accounts, the consolidated annual accounts for 2022 of the Línea Directa Aseguradora Group. The effect of applying consolidation criteria in relation to the accompanying separate financial statements for that year is an increase in assets and equity at year-end 2022 of € 30,310 thousand and € 22,685 thousand (€ 42,398 thousand and € 33,347 thousand in 2021) and an increase in profit for 2021 of € 2,021 thousand (€ 2,021 thousand in 2021).

The subsidiaries at which the Company holds a direct stake and that are included in the scope of consolidation are as follows:

Subsidiaries (see Note 8.1.1.3)	Registered office	Activity	Stake
Línea Directa Asistencia, S.L.U.	Ochandiano 12, 28023, Madrid	Vehicle inspections and roadside assistance	100%
Moto Club LDA, S.L.U.	Isaac Newton 7, 28760, Tres Cantos	Sundry services related to motorcycles	100%
Centro Avanzado de Reparaciones CAR, S.L.U.	Avenida del Sol, 9, 28850, Torrejón de Ardoz	Provision of vehicle repair services	100%
Ambar Medline, S.L.U.	Ronda de Europa 7, 28760, Tres Cantos	Insurance brokerage	100%
LDActivos, S.L.U.	Ronda de Europa 7, 28760, Madrid	Asset management on behalf of insurance companies	100%
LDA Reparaciones, S.L.U.	Ronda de Europa 7, 28760, Tres Cantos	Claims management, claims-related repair work and other specialised household services.	100%

Investments in subsidiaries are recognised at cost of acquisition or issue, less any accumulated impairment losses.

c) Critical aspects regarding the valuation and estimation of uncertainty

When drawing up the annual accounts, the Company's directors must make certain forward-looking estimates and judgements that are continuously assessed and based on past experience and other factors, including expectations as to future events that are believed to be reasonably likely given the current circumstances.

While these estimates have been made on the basis of the best information available in relation to the events analysed at the balance sheet date, it is possible that future events may require these estimates to be modified (upwards or downwards) in subsequent years. Any resulting changes would be reflected in the corresponding statements of profit or loss.

The main estimates made by the Company's directors are as follows.

- Provisions for insurance contracts (Note 4 g)):

Assets and liabilities relating to insurance contracts are recognised in accordance with the accounting policies set out in Note 4.g) to these Notes. The Company also makes judgments and estimates approved by the

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Directorate-General for Insurance to calculate the technical provisions for the motor insurance segments. Statistical methods are used to determine these provisions. For the other lines of business in which the Company operates, an estimate is made on a case-by-case basis for non-life insurance technical provisions.

On 29 December 2021, the Directorate-General for Insurance and Pension Funds sent a resolution of the application file for a change in the statistical methodology used in the automotive sector, in which it authorises Línea Directa Aseguradora to calculate the technical provisions of benefits in the motor sector using the Merz & Wüthrich stochastic methodology, and the deterministic methodology of average cost as a contrast methodology. The methodological change was first applied at the end of 2021 and did not have a significant impact.

- Income tax and recovery of tax credits (Note 4 f)):

Under current legislation, taxes cannot be considered definitively settled until the duly submitted returns have been inspected by the tax authorities, or until the four-year limitation period has lapsed. In the opinion of the Company's directors, there are no contingencies that might result in any further significant liabilities for the Company.

- Impairment losses on certain assets (Note 3 a), b) and d)):

The Company analyses annually whether there are any indications of impairment on its assets, which are tested for impairment if and when any such indications exist.

- Useful life of intangible assets, property, plant and equipment, investment property (Note 3 a) and b)):

The useful life of these assets has been calculated on the basis of the best estimate of the Company's directors for the period over which they will produce income, taking into account the depreciation actually incurred from their operation, use and enjoyment.

- The fair value of certain non-listed assets and liabilities (Note 3-d):

To determine the fair value of financial instruments when there is no price in an active market, the Company's directors request the price of the instrument from the depositary.

d) Accounting principles

The Company's annual accounts have been drawn up in accordance with the generally accepted accounting principles set out in Royal Decree 1317/2008 of 24 July and subsequent amendments, which enacted the Accounting Plan for Insurance Companies.

All mandatory accounting principle with a significant impact on the financial statements have been duly applied.

e) Comparison of information

The figures for 2021 included in these Notes are presented for comparison purposes only.

f) Grouping of items

Certain items in the balance sheet, statement of profit or loss, statement of changes in equity and statement of cash flows are presented together for easier understanding. However, disaggregated information has been included in the relevant notes to the financial statements where such information is deemed significant.

g) Error correction

The process of drawing up these annual accounts did not reveal any material errors that would have led to the restatement of the amounts included in the annual accounts for 2021.

h) Changes in accounting standards

There were no significant changes in accounting criteria in 2022 when compared to those applied in 2021.

i) Income and expense recognition criteria

Financial income and expenses arising from investments related to insurance activity are recognised in the technical account for the non-life insurance business. All other income and expenses are recorded in the non-technical account.

Other income and expenses are distributed accordingly on the basis of net premiums written, except expenses attributable to claims, which are recognised on the basis of the provision for claims.

3. Distribution of earnings

The proposed distribution of earnings for 2022, which the Company's Board of Directors will lay before the General Shareholders' Meeting for approval, is as follows:

	Thousand euro	
	2022	2021
Distribution basis (Profit)	70,681	108,115
Distributed:		
To interim dividends (Note 14.c)	52,481	77,664
To the interim equalisation reserve (Note 14.c)	7,121	-
To the voluntary reserve	11,080	8,992
A Final dividend	1,090	21,459

Below is a breakdown of the liquidity statements of each interim dividend for 2022 and 2021:

		Resolution of	
	21.04.2022	20.09.2022	13.12.2022
Net profit at date of resolution	24,189	48,976	58,312
Less:			
Other reserves	-	-	-
Dividends paid	-	(21,770)	(44,079)
Unrestricted profit	**24,189**	**27,206**	**14,223**
Proposal to pay interim dividends	**21,770**	**22,309**	**8,402**
Total dividend to be paid	**21,770**	**22,309**	**8,402**
Cash liquidity prior to payment	**108,217**	**178,141**	**20,782**
Expected receipts less expected payments	18,514	(28,743)	577
Remaining cash	**126,731**	**149,398**	**21,359**

		Resolution of	
	29.06.2021	23.09.2021	13.12.2021
Net profit at date of resolution	29,596	58,211	86,293
Less:			
Other reserves	(1,634)	-	-
Unrestricted profit	**27,962**	**58,211**	**86,293**
Proposal to pay interim dividends	**26,636**	**25,754**	**25,274**
Total dividend to be paid	**26,636**	**25,754**	**25,274**
Cash liquidity prior to payment	**61,410**	**84,669**	**144,460**
Expected receipts less expected payments	63,888	(17,561)	(12,634)
Remaining cash	**125,298**	**67,108**	**131,826**

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4. Recognition and measurement standards

The measurement standards relied on when drawing up the accompanying annual accounts are described below:

a) Intangible assets

Intangible assets are recognised at acquisition expense or, where applicable, at production cost, less the corresponding amortisation.

Software

Includes amounts paid for ownership of, or the right to use software where the term of the arrangement exceeds one year. These assets are amortised on a straight-line basis over a period of four years.

For the purposes of impairment, the Company assesses whether there is any indication of impairment at least once a year if the asset's carrying amount exceeds its recoverable amount. If so, the carrying amount is immediately lowered to match the recoverable amount.

The Society recognises the derecognition of an intangible asset on disposal or when it does not expect to receive future economic benefits from its use or disposal. The date of disposal of an intangible asset is the date on which the buyer acquires control of the asset.

b) Property, plant and equipment and investment property

Land, natural assets and buildings that are held to obtain income, capital gains or both qualify as real estate investments. Land, natural assets and buildings held for the provision of services or for administrative purposes for own use are treated as property, plant and equipment.

Property, plant and equipment and investment property are recognised at their acquisition price, which includes, in addition to the purchase price, all additional expenses incurred, including finance expenses, until the asset is put into operation.

Asset expansion and improvement costs are added to assets as an increase in the value of the asset only when they result in an increase in its capacity, floor area, or return, or when they lengthen its useful life, whereupon the carrying amount of the replaced items replaced is derecognised. Under no circumstances does repair and maintenance work qualify as improvements.

These assets are depreciated systematically on a straight-line basis over their estimated useful life, taking into account the depreciation effectively sustained as a result of their operation, use and enjoyment. The following depreciation rates are used to calculate depreciation:

Property, plant and equipment and investment property	**Rate**
Furniture and installations	4 – 12%
IT equipment	10 - 25%
Other property, plant and equipment	12 - 15%
Buildings	2%

At year-end, any relevant valuation adjustments are made to property, plant and equipment. For the purposes of impairment, the Company assesses whether there is any indication of impairment at least once a year if the asset's carrying amount exceeds its recoverable amount. If so, the carrying amount is immediately lowered to match the recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. For property assets, fair value is equal to the appraisal value determined by a valuation company authorised to value property within the mortgage market, in accordance with Order ECO/805/2003 of 27 March, regulating the valuation of property assets and specific rights for certain financial purposes.

Value in use is the present value of expected future cash flows through use and, as the case may be, disposal of the asset in the normal course of business.

Order ECC 371/2013 of 4 March requires insurance companies to instruct an appraisal company to review the valuations of their property assets once two years have elapsed from the previous valuation.

Recoverable amount must be determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the cash-generating unit (CGU) to which it belongs.

Losses related to the impairment of the CGU initially reduce, where applicable, the value of the goodwill allocated to the CGU and subsequently to the other assets of the CGU, pro rata on the basis of the carrying amount of each asset, subject to the limit for each asset of the higher of its fair value less costs of disposal, its value in use and zero.

At each reporting date, the Company assesses whether there is any indication that the impairment loss recognised in prior periods no longer exists or may have decreased. Impairment losses are reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. The reversal of the impairment loss is credited to profit or loss.

However, the reversal of the loss cannot have the effect of increasing the carrying amount of the asset above the carrying amount it would have had, net of depreciation, had the impairment not been recognised.

The amount of the reversal of the impairment loss of a CGU is allocated to the assets of the CGU pro rata on the basis of the carrying amount of the assets, with the limit per asset being the lower of its recoverable amount and the carrying amount it would have had, net of depreciation, had the loss not been recognised.

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c) Prepaid commissions and other capitalised acquisition expenses

Acquisition expenses, included on the assets side of the consolidated balance sheet, are deferred subject to the limit established in the technical notes for each product and/or segment and the maturity of the policies.

d) Financial instruments

d.1) Financial assets

Note 8 to these statements shows financial assets at 31 December 2022, by type and classified in accordance with the following criteria:

Cash and cash equivalents

This heading comprises cash in hand, bank current accounts, deposits and reverse repurchase agreements that meet all the following criteria:

- They are convertible into cash.
- At time of acquisition, the item matures within three months.
- They are not subject to significant risk of change in value.
- They form part of the Company's normal cash management policy.

For the purposes of the statement of cash flows, occasional overdrafts that form part of the Company's cash management process are deducted from cash and cash equivalents.

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, such as bank deposits and outstanding insurance premiums. This category also includes receivables from third parties on reinsurance operations, as well as from intermediaries and policyholders, with the appropriate impairment allowances posted where applicable.

These financial assets are initially measured at fair value, including directly attributable transaction costs, and subsequently at amortised cost. Accrued interest is recognised at the effective interest rate, which is defined as the discount rate that exactly discounts the carrying amount of the instrument to its total estimated cash flows through to maturity. However, trade receivables with a maturity of up to one year are measured, both on initial recognition and subsequently, at nominal value where the effect of not discounting the flows is not material.

At least at year end, the necessary valuation adjustments for impairment are made if there is objective evidence that not all the amounts owed will be recovered.

The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate at the time of initial recognition. Value adjustments, and any reversal thereof, are recognised in the statement of profit or loss. Reversal of impairment is limited to the carrying amount of the credit recognised at the date of the reversal had no such impairment been recorded.

In particular, impairment of outstanding premiums is calculated on the part of the tariff premiums accrued in the financial year net of the loading for contingencies which, foreseeably and in accordance with lessons learned from previous years, is not going to be collected. This will depend on the age of the premiums and, as the case may be, the current status of the claim before the courts. Note that certain premium receipts may require special treatment due to their unique characteristics or features.

If, in a subsequent period, the amount of the impairment loss decreases and the reduction can be objectively attributed to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit quality), the reversal of the previously recognised impairment is recognised in the separate statement of profit or loss.

Receivables from claim recoveries are capitalised when their realisation is sufficiently guaranteed, that is, once the other insurer acknowledges that its policyholder is at fault and therefore acknowledges its debt with the Company. The amount is recognised at nominal value.

Holdings in group companies and associates

The Company uses this category to show investments in the equity of group, jointly controlled and associate companies, as such terms are defined under current law and regulations.

They are initially measured at cost, which is equivalent to the fair value of the consideration delivered plus transaction costs. The initial measurement includes the amount of any pre-emptive subscription rights that may have been acquired.

Fees paid to legal advisors or other professionals in relation to the acquisition of investments in the assets of group companies that confer control over those companies are charged directly to the statement of profit or loss.

Following the initial measurement, they are measured at cost less any accumulated impairment losses. However, when there is an investment prior to its classification as a group, jointly controlled or associate company, the cost of the investment is treated as its carrying amount before acquiring that classification. Valuation adjustments previously recognised directly in equity remain there until they are derecognised.

If there is objective evidence that the carrying amount is not recoverable, the appropriate valuation adjustments are made for the difference between the carrying amount and the recoverable amount, the latter being the higher of fair value less costs to sell and the present value of the cash flows from the investment. Unless there is better evidence of the recoverable amount, the process of estimating the impairment of these investments is based on the equity of the investee, adjusted by any unrealised gains existing at the measurement date. The value adjustment and, as the case may be, its reversal are recorded in the statement of profit or loss for the year in which they occur. Reversal of impairment is limited to the carrying amount of the investment that would have been recognised at the date of reversal had no impairment been recorded.

Available-for-sale financial assets

The Company uses this heading to recognise debt securities, swaps of certain or predetermined flows and equity instruments that are not classified in any of the above categories, nor as assets held for trading, other assets at fair value through profit or loss, or loans or receivables.

They are measured at fair value, which, unless there is evidence to the contrary, will be the transaction price. Changes are recognised directly in equity until the asset is sold or impaired, whereupon the cumulative gains and losses in equity are taken to the statement of profit or loss, provided that it is possible to determine their fair value. Gains and losses resulting from exchange rate differences on monetary financial assets denominated in foreign currency are recognised in the statement of profit or loss.

At each balance sheet date, the Company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired, considering those situations that generate such evidence, whether individually or in combination with others. The Group considers evidence of possible impairment to be a significant or prolonged decline in the market value of equity or fixed income securities, individually considered, to below their cost or amortised cost.

When there is a significant or prolonged decline in the fair value of an available-for-sale financial asset, the cumulative loss previously recognised in equity is removed from equity and recognised in the statement of profit or loss for the year, even if the financial asset has not been derecognised. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale are not reversed through profit or loss for the year. Meanwhile, reversals associated with debt instruments are recognised in the statement of profit or loss. Reversal of impairment is limited to the carrying amount of the investment that would have been recognised at the date of reversal had no impairment been recorded.

In the case of debt securities, value adjustments are made if there is objective evidence that their value has deteriorated as a result of a reduction or delay in the estimated future cash flows, which may be down to the debtor's insolvency.

For investments in equity instruments, the non-recoverability of the asset's carrying amount, evidenced by, for example, a prolonged or significant decline in its fair value, will warrant a value adjustment. On this point, there is a presumption that impairment exists (on a permanent basis) if there has been a decline of more than 40% in the listed value of the asset, or if there has been a prolonged decline in the value of the asset over a period of one and a half years without seeing any recovery in its value.

Valuation allowance is the difference between cost or amortised cost less, where applicable, any valuation allowances previously recognised in the statement of profit or loss and the fair value at time of valuation.

For equity instruments measured at cost because their fair value cannot be determined, value adjustments are made for the difference between their carrying amount and recoverable amount, the latter being the higher of fair value less costs to sell and the present value of the cash flows deriving from the investment. Unless there is better evidence of the recoverable amount, the process of estimating the impairment of these investments is based on the equity of the investee, adjusted by any unrealised gains existing at the measurement date.

Value adjustments and, as the case may be, their reversal, are recognised in the statement of profit or loss for the year in which they occur, except for equity instruments, the reversal of which is recorded against equity. Reversal of impairment is limited to the carrying amount of the investment that would have been recognised at the date of reversal had no impairment been recorded.

The fair value of a financial instrument on a given date means the amount for which it could be bought or sold between knowledgeable, willing buyers and sellers on an arm's length basis. The fair values of listed investments are based on current purchase prices. If the market for a financial asset is not active (and for unlisted securities), the Company determines fair value by reference to other substantially similar instruments and estimated future cash flow discounting methods. The Company may use these models directly or the counterparty who acted as seller may do so.

Derecognition of financial assets

Financial assets are derecognised when all the risks and rewards of ownership of the asset have been substantially transferred. In the specific case of accounts receivable, this is generally understood to occur if and when the risks of insolvency and default have been transferred.

Conversely, the Group does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received, on transfers of financial assets in which substantially all the risks and rewards of ownership are retained.

Derecognition of a financial asset entails the recognition, in the statement of profit or loss, of the difference between the carrying amount of the financial asset and the consideration received, including attributable transaction costs. Any liabilities transferred other than the cash or asset assumed are also recognised.

Dividend distribution

Dividend income is recognised as income in the statement of profit or loss when the right to receive payment is established.

System for measuring financial instruments for accounting and supervisory purposes

Financial instruments are valued by taking their price in an active market or, failing that, by applying suitable valuation models and techniques.

An active market is one in which the following conditions exist simultaneously:

- The goods or services exchanged in the market are homogeneous.
- Buyers or sellers for a given good or service can be found at virtually any time.
- The prices are known and readily accessible to the public. These prices must also reflect actual, current and regularly occurring market transactions.

There is no need for the market to be regulated, though it must be transparent and deep. Therefore, prices that are known and readily accessible to the public from financial information providers, and that reflect actual, current and regularly occurring market transactions will be considered as valid prices in an active market.

If no price can be found in an active market, the price must be estimated instead through a valuation model or technique, consistent with the accepted methodology used in the market for pricing, while maximising the use of observable market data. For debt instruments, the method of discounting certain or likely flows at a discount rate for credit risk and liquidity risk adjusted to market conditions may be used.

d.2) Financial liabilities

The Group classifies its financial liabilities according to the purpose for which they were acquired. Management determines the classification of its financial liabilities at initial recognition.

Debt and accounts payable

The Company uses this heading to show both trade and non-trade payables.

These debts are initially recognised at fair value adjusted for directly attributable transaction costs, and are subsequently recognised at amortised cost using the effective interest method. The effective interest rate is the discount rate that exactly discounts the carrying value of the instrument to the expected flow of future payments through to maturity of the liability.

However, trade payables with a maturity not exceeding one year and that do not have a contractual interest rate are measured, both initially and subsequently, at their nominal value when the effect of not discounting the cash flows is immaterial.

If existing debts are renegotiated, no substantial change to the financial liability will be deemed to exist when the present value of the cash flows of the new liability, including net fees, does not differ significantly from the present value of the outstanding cash flows under the original liability, both discounted at the effective interest rate of the latter.

Derecognition of financial liabilities

The Company derecognises a financial liability or part of one when it has discharged the underlying obligation or is otherwise legally released from the underlying responsibility, whether by virtue of a court ruling or by the creditor itself.

Derecognition of a financial liability entails the recognition, in the statement of profit or loss, of the difference between the carrying amount of the financial liability and the consideration paid, including attributable transaction costs. Any assets transferred other than the cash or liability assumed are also recognised.

e) Hedge accounting

Hedging derivatives are recognised under "Hedging derivatives" on the assets or liabilities side of the balance sheet, as appropriate.

Hedging derivatives are derivatives whose fair value or future cash flows are intended to offset changes in the fair value or future cash flows of hedged items.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the statement of profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Interest rate hedges

Interest rate hedging cover exposure to changes in interest flows attributable to a specific risk associated with interest rate fluctuations. The Company did not designate any such hedges in 2022 or 2021.

Measuring hedge effectiveness

In relation to derivatives held by the Group that are classified as fair value hedges, the following steps are taken to measure the effectiveness of the hedge:

Firstly, the Company has made a synthetic bond equivalent to payment of a fixed coupon plus the collection of the variable rate (in the Company's case, Euribor 6m + spread). The standard Euribor 6m curve has been used for discounting flows. The present value of the future flows is then calculated. The final step is to confirm that the difference between both current values falls within the parameters marked as effective hedging (80% - 125%).

f) Income tax

Corporate income tax expense is the amount accruing in the year for that tax, comprising both current and deferred tax expense.

Both current and deferred tax expense are recognised in the statement of profit or loss. However, the tax effect related to items that are recorded directly in equity is recognised in equity.

Current tax assets and liabilities are measured at the amounts expected to be paid to, or recovered from, the tax authorities in accordance with prevailing legislation or approved and pending publication at year-end.

Deferred taxes are calculated, using the liability method, on the temporary differences arising between the tax bases of the assets and liabilities and their carrying amounts. Deferred tax is determined by applying the tax regulations and rates approved or about to be approved at the balance sheet date and that are expected to apply when the corresponding deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the reversal will not occur in the foreseeable future.

g) Technical provisions

Provision for unearned premiums

This represents the fraction of premiums written in the period that is recognised in the period between the reporting date and the end of the policy's coverage period on a policy-to-policy basis and using the premium prices accrued during the period as the basis for calculation, net of the loading for contingencies. The accrual of the annual premium for the calculation of the provision for unearned premiums is calculated on a straight-line basis.

Provision for unexpired risks

This complements the provision for unearned premiums where the amount of the latter is not enough to cover the amount of all risks and expenses to be covered during the period of coverage not elapsed since the year end. When calculating this provision, the guarantees are grouped by product and the reference periods of two and four years set out in Article 31 of the ROSSP are applied to the respective segments or commercial products.

Provisions for claims

The provision for claims represents the total amount of the insurance company's outstanding obligations arising from claims to have occurred prior to the reporting date.

The Company recognises this provision for an amount that enables it to cover the cost of the claims; i.e. an amount sufficient to cover all external expenses, including late-payment interest and any penalties provided for at law, and internal expenses in managing and processing claims, irrespective of their origin, occurring up until the full settlement and payment of the claims, less any amounts already paid.

The provision for claims in turn comprises the following provisions: the provision for claims pending settlement or payment and for claims not reported, and the provision for internal claims settlement costs.

On 18 January 2008, the Group was authorised by the Directorate-General for Insurance and Pension Funds to apply a statistical approach in calculating the technical provision for claims in the motor segment, in accordance with Additional Provision 18 of Law 20/2015, of 14 July.

On December 29, 2021, the General Directorate of Insurance and Pension Funds sent a resolution of the application file for a change in the statistical methodology used in the automotive sector, in which it authorizes Línea Directa Aseguradora to calculate the technical provisions of benefits in the motor sector using the Merz & Wüthrich stochastic methodology and as a contrast methodology the deterministic methodology of average cost. The methodological change began to be applied at the end of 2021 and did not have a significant impact.

In the provision for benefits in the Home, Assistance and Health segments, for the provision for claims pending settlement or payment, estimates have been made on the basis of an individual analysis of each case file (based on the best information available at year-end). The calculation process is in accordance with the provisions of the Regulation on the Organisation and Supervision of Private Insurance. For the provision of claims pending declaration, the calculation was made according to the formula established by the Regulations on the Administration and Supervision of Private Insurance.

A sufficient amount is posted to the provision to cover internal expenses from claim settlements so as to cover the expenses needed for the resolution of all claims outstanding at the close of the financial year. It is calculated in accordance with the Regulation on the Organisation and Supervision of Private Insurance.

Equalisation reserve

This reserve, unlike those mentioned above, is recognised in the Company's equity and is not available for distribution. Once a year, the Company shall determine the amount by which this reserve for the Motor Third Party Liability segment should be increased, taking into account the security surcharge included in the tariff premiums for certain insurance contracts, as well as the other provisions laid down in the Regulation, which shall be charged to the distribution of profits for the financial year. Once this distribution of earnings has been approved at the General Shareholders' Meeting, the amount is taken to equity. This reserve can only be used to offset deviations in the loss ratio for retained insurance activities. If the Company reports losses in the year, it reports the amount of the equalisation reserve, which, together with the debit balance shown in the statement of profit or loss for the year, shows the amount of the final earnings to be included under "Prior year losses".

According to the second paragraph of article 45 of the ROSSP, the Company is obliged to constitute this reserve for the risk derived from civil liability insurance in motor land vehicles, establishing 35% as an upper limit of constitution of the risk premiums of own retention. In 2021, this limit was exceeded and therefore no equalisation reserve was posted. However, in 2022, due to the high loss ratio, the Company decided to apply the equalisation reserve, which meant that the reserve once again fell below the limit and was therefore re-posted in accordance with the regulations.

h) Reinsurers' share of technical provisions

Technical provisions for ceded reinsurance are calculated in the same way as described for direct insurance, taking into account, where appropriate, the specific terms of the reinsurance contracts underwritten for each modality or segment.

i) Termination benefits

In accordance with current legislation, the Company is obligated to pay compensation to those employees whose employment relationship is terminated under certain conditions. Therefore, termination benefits that can be reasonably quantified are reported as an expense in the year in which the relevant decision is reached and a valid expectation is created vis-à-vis third parties regarding the dismissal.

j) Employee benefits

The Company has post-employment pension obligations classified as defined contribution plans and as defined benefit plans.

The Company's obligations with its employees with regard to retirement or similar pension plans were fully externalised at year-end 2022 and 2021, in compliance with the legislation in force regarding the externalisation of pension obligations (Royal Decree 1588/1999, of 15 October, approving the Regulations on the externalisation of company pension obligations with employees and beneficiaries).

The aforementioned insurance policies are considered "plan assets" as they are not owned by the Company, rather by a separate legal entity that is not a related party, as they are only available to pay or finance employee remuneration and cannot return to the Company, except where the assets attached to the plan are sufficient to honour all of the obligations.

This collective bargaining agreement also includes coverage for death and disability of employees during the period in which they remain in active service.

Defined contributions

The current General State Collective Agreement for Insurance, Reinsurance and Occupational Accident Mutual Societies ushers in a new employee benefits system implemented through a collective life insurance policy suitable for the externalisation of pension commitments in accordance with the provisions of Royal Decree 1588/1999, of 29 November. The Company will contribute an annual premium per employee of 1.9% of their base salary to this insurance policy by no later than 30 September of each year, bearing in mind that employees who had provided services at the same company for 10 years of more will be entitled to have their vested rights recognised in the insurance policy.

This insurance policy applies to employees hired from 1 January 2017 onward and those who have voluntarily opted to transfer to this new modality. For employees adhered to the old plan who opted to avail themselves of this option, there was a transfer of the mathematical reserve.

The Company has also assumed a retirement commitment with certain executives, which has been externalised in the form of an insurance policy.

The Company records the contributions to be made to defined contribution plans progressively as the employees render their services. The amount of accrued contributions is recorded as an employee benefits expense and as a liability after deducting any amounts already paid. In the event that the amounts paid exceed the accrued expense, the corresponding assets are only recognised to the extent that they can be applied to reductions in future payments or result in a cash refund.

Defined benefit plans

Employees hired prior to 1 January 2017 may choose between the system described above and the financial incentive for retirement, whereby if an employee asks to retire in the month in which he or she reaches the normal retirement age defined by Social Security legislation to be eligible for the retirement pension, the company will pay, in a lump sum, an amount equal to one month of salary per five years of service, capped at 10 months, the limit of which will be reached at 30 years of service at the company where the employee is retiring.

The Company includes in defined benefit plans those funded through the payment of insurance premiums where there is a legal or constructive obligation to pay benefits directly to employees when they fall due or to pay additional amounts if the insurer fails to pay benefits for services rendered by employees in the year or in prior years.

The expense or income relating to defined benefit plans is recognised under employee benefits expenses and is obtained by adding the net amount of the current year services cost and the net interest cost of the net defined benefit liability or asset. The remeasured amount of the net defined benefit liability or asset is recognised in other comprehensive income. This amount comprises actuarial gains and losses, the net return on plan assets and any changes in the effects of the asset ceiling, excluding amounts included in the net interest on the liability or asset. The costs of administering plan assets and any plan-specific taxes, beyond those included in the actuarial assumptions, are deducted from the net return on plan assets. Amounts deferred in other comprehensive income are reclassified to retained earnings in the same period.

In addition, if the plan assets include eligible insurance policies whose cash flows correspond exactly in amounts and timing to some or all of the benefits payable under the plan, their fair value is equal to the present value of the related payment obligations.

Payments for share-based services and goods

The Company's Chief Executive Officer and Management Committee participate in a Group remuneration plan of which the Company is the parent, based on shares as a consequence of the listing of the Company. The purpose of this Plan approved by the General Shareholders' Meeting on 18 March 2021 is to offer its members the possibility of receiving a certain number of shares in the next three years of the Entity's IPO date (Note 22).

The Company acknowledges services received in a transaction with share-based payments, at the time such services are received. Since the services are settled in equity instruments, a decrease in equity is recognised.

The Company recognises transactions with share-based payments settled by the Company's equity instruments for the fair value of the goods or services received, unless such fair value cannot be reliably estimated, in which case the value is determined by reference to the fair value of the equity instruments distributed.

Deliveries of equity instruments in consideration of services provided by Employees of the Group or third parties providing similar services are valued by reference to the fair value of the equity instruments offered.

k) Provision and credit for payments and recoveries under settlement agreements

The Company recognises the estimated amount due to policyholders from the insurer of the injured party and the recoveries made by the latter upon enforcing the settlement agreements.

l) Non-technical income and expenses

The Company has other revenue not derived from the insurance business, such as roadside assistance services or vehicle repairs and appraisals, all of which are provided to third parties outside the Group, as well as commissions on the sale of insurance products of other entities, remuneration for call forwarding and income from credit card surcharges.

Non-technical income and expenses are recognised as they accrue and taking into account the correlation between the income generated and the corresponding expenses.

m) Related-party transactions

As a general rule, transactions between the Company and a group company are initially recognised at fair value. If the agreed price differs from its fair value, the difference is recorded to reflect the economic reality of the transaction. These transactions are subsequently measured in accordance with the relevant standards.

n) Provisions and contingencies

Contingent liabilities are possible obligations arising from past events whose materialisation is conditional upon the occurrence or non-occurrence of one or more future events beyond the Company's control. These contingent liabilities are not recognised in the accounts, though they may be disclosed in the notes to the financial statements.

Provisions are recognised for obligations such as litigation in progress, indemnities or other obligations of undetermined amount or timing when the Company has a present obligation arising from a past event, and it is probable that an outflow of resources will be required to settle the obligation based on a reliable estimate of the amount of the obligation.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account available information on the event and its consequences. Any adjustments arising from the updating of these provisions are recognised as a financial expense as it accrues. If the liabilities mature within one year, they are recognised at the nominal value of the obligation.

Meanwhile, compensation to be received from a third party at the time the obligation is settled —provided there is no doubt that such reimbursement will be received— is recognised as an asset, except where there is a legal relationship through which part of the risk has been externalised and by virtue of which the Company is not liable. In this situation, the compensation will be taken into account when estimating the amount at which the corresponding provision, if any, should be posted.

o) Income and expenditure - reclassification of expenditure by purpose

Income is recorded at the fair value of the consideration to be received and represents amounts receivable for goods delivered and services rendered in the ordinary course of the Company's business, less discounts and value added tax. Expenses are recognised as they accrue and taking into account the correlation between the income generated and the corresponding expenses.

However, the Company only records profits that have realised by year-end, while foreseeable risks and possible losses arising in the year or in a previous year are reported as soon as they become known.

Financial income and expenses arising from investments related to insurance activity are recognised in the statement of profit or loss for the non-life insurance business. The remainder is recorded in the statement of profit or loss for other activities.

Other income and expenses are distributed accordingly on the basis of net premiums written, except expenses attributable to claims, which are recognised on the basis of the provision for claims.

Direct insurance

Business premiums are recognised as income over the term of the contracts on an accruals basis and are accrued by posting the provision for unearned premiums.

Reinsurers' share

Premiums from ceded reinsurance are recognised on the basis of the reinsurance contracts underwritten and by applying the same criteria used for direct insurance.

Reclassification of expenses by purpose

The reclassification of expenses by type to expenses by purpose has been made on the basis of the following criteria:

- Purpose-specific costs incurred have been classified directly as such.
- Staff expenses are distributed according to the percentage of estimated dedication to each of the purposes.
- Costs that cannot be charged directly are distributed according to the estimated percentage of personnel dedication for each of the purposes.

The following purposes have been established:

- Claims-related expenses
- Investment-related expenses
- Acquisition expenses
- Administration expenses
- Other technical expenses
- Other non-technical expenses

Expenses have been allocated to the different segments based on the Business Unit at which the activity originated.

p) Leases

Under operational leasing arrangements, the lessor retains ownership of the leased asset and substantially all the risks and rewards relating to the asset.

Income and expenses arising from operating lease agreements are charged to the statement of profit or loss in the year in which they accrue.

Any collection or payment that may be made on entering into an operating lease is treated as a collection or advance payment to be charged to profit and loss over the lease term, as the benefits and rewards of the leased asset are transferred or received.

q) Foreign currency transactions

The Company's functional currency is the euro. Consequently, transactions in non-euro currencies are deemed to be denominated in foreign currency and are recognised at the exchange rates prevailing on the relevant transaction date.

At year-end, monetary assets and liabilities denominated in foreign currency are converted into euro at the exchange rate prevailing at the balance sheet date. The profit or loss for the year is taken to the statement of profit or loss.

Changes in the fair value of money instruments denominated in foreign currency classified as available for sale are analysed for translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount. The translation difference is recognised in profit and loss and other changes in the carrying amount are taken to equity.

r) Accrued income (assets)

This heading mainly shows accrued interest not yet due on financial investments to the extent that this does not form part of the repayment value obtained by applying the contractual interest rate of the financial instrument.

s) Equity

The share capital is represented by common shares. The costs of issuing new shares or options are charged directly to equity, as a reduction in reserves.

Where the Company's own shares are acquired, the consideration paid, including any directly attributable incremental costs, is deducted from equity until the shares are redeemed, reissued or otherwise disposed of. When these shares are sold or subsequently reissued, any amount received, net of any directly attributable incremental transaction costs, is taken to equity.

The Company's capital management policy aims to maintain a strong capital position.

The Board of Directors is ultimately responsible for the control and management of the Group's risks and solvency, and therefore monitors the Group's capital position, solvency requirements and available solvency.

Capital management is based on ensuring that the Company has sufficient capitalisation to meet financial obligations; optimising the capital structure through an efficient allocation of resources and managing capital adequacy taking into account the economic, accounting, capital requirements and capital targets set in the risk appetite.

To achieve this, the Company carries out an annual Own Risk and Solvency Assessment (ORSA), based on the outlook for the Group's business and the market. This allows the Group to prospectively project its assets and liabilities and earnings, which in turn can be used to evaluate the likely future performance of the various risks under management, quantify them and estimate changes in solvency and available solvency requirements.

The Parent is required to quantify its solvency ratio, meaning the ratio between available own funds and the solvency capital requirement.

The calculation of the Solvency Capital Requirement is regulated by Directive 2009/138 of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), as implemented by Commission Delegated Regulation 2015/35 of 10 October 2014 supplementing Directive 2009-138 EC and its subsequent amendments.

The Solvency Capital Requirement is calculated for the following sub-risks which are the main sub-risks of an insurance company: underwriting risk, market risk, counterparty risk and operational risk.

The aim is to maintain an adequate level of solvency. When determining the adequate level of solvency, the risk profile, the results of capital planning for the coming years at the Company at an individual level, the minimum levels required by the regulations and the existing criteria and regulations for optimal capital management were all taken into consideration. The Company's solvency ratio was 188% in 2022 and 186% in 2021, taking into account the distribution of the extraordinary dividend charged to reserves of 120 million euros.

5. Property, plant and equipment and investment property

a) Property, plant and equipment

At 31 December 2022 and 2021, the balances of property, plant and equipment in the accompanying balance sheets and the changes therein in those years break down as follows:

	Land	Buildings	Plant	IT equipment	Furniture and other property, plant and equipment	Assets in course of construction	Total property, plant and equipment
Cost at 31.12.21	**16,965**	**23,811**	**17,844**	**14,703**	**5,541**	**98**	**78,964**
Additions	-	42	827	596	89	250	1,803
Retirements	-	-	-	(3,624)	-	-	(3,624)
Transfers	-	-	88	-	-	(88)	-
Cost at 31.12.22	**16,965**	**23,853**	**18,758**	**11,675**	**5,631**	**260**	**77,142**
Accumulated depreciation at 31/12/21	**-**	**(6,835)**	**(13,257)**	**(11,231)**	**(3,950)**	**-**	**(35,273)**
Additions	-	(477)	(950)	(1,401)	(324)	-	(3,152)
Retirements	-	-	-	3,624	-	-	3,624
Accumulated depreciation at 31/12/22	**-**	**(7,312)**	**(14,207)**	**(9,008)**	**(4,274)**	**-**	**(34,801)**
Impairment allowances at 31.12.21	**(2,115)**	**-**	**-**	**-**	**-**	**-**	**(2,115)**
Application (allowance) in the period	-	-	-	-	-	-	-
Impairment allowances at 31.12.22	**(2,115)**	**-**	**-**	**-**	**-**	**-**	**(2,115)**
Carrying amount at 31/12/2022	**14,850**	**16,541**	**4,552**	**2,667**	**1,356**	**260**	**40,226**

	Land	Buildings	Plant	IT equipment	Furniture and other property, plant and equipment	Assets in course of construction	Total property, plant and equipment
Cost at 31.12.20	**16,965**	**23,417**	**16,874**	**21,777**	**5,472**	**507**	**85,012**
Additions	-	-	856	2,134	70	98	3,158
Retirements	-	-	-	(9,208)	-	-	(9,208)
Transfers	-	394	113	-	-	(507)	-
Cost at 31.12.21	**16,965**	**23,811**	**17,844**	**14,703**	**5,472**	**98**	**78,962**
Accumulated depreciation at 31.12.20	**-**	**(6,364)**	**(12,312)**	**(19,137)**	**(3,629)**	**-**	**(41,442)**
Additions	-	(471)	(945)	(1,296)	(321)	-	(3,033)
Retirements	-	-	-	9,202	-	-	9,202
Accumulated depreciation at 31/12/21	**-**	**(6,835)**	**(13,257)**	**(11,231)**	**(3,950)**	**-**	**(35,273)**
Impairment allowances at 31.12.20	**(2,115)**	**-**	**-**	**-**	**-**	**-**	**(2,115)**
Application (allowance) in the period	-	-	-	-	-	-	-
Impairment allowances at 31.12.21	**(2,115)**	**-**	**-**	**-**	**-**	**-**	**(2,115)**
Carrying amount at 31/12/2021	**14,850**	**16,976**	**4,586**	**3,472**	**1,592**	**98**	**41,574**

In 2022, a total of € 3,624 thousand of information processing equipment was derecognised. In 2021, the Company derecognised property, plant and equipment amounting to € 9,208 thousand.

At 31 December 2022 and 2021, no impairment losses had been recognised.

Fully depreciated items of property, plant and equipment assets still in use at 31 December 2022 and 2021 amounted to:

	2022	2021
Plant	9,860	9,299
IT equipment	6,369	8,265
Furniture and other property, plant and equipment	2,540	2,416
	18,769	**19,980**

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The Company has taken out insurance policies with third parties to cover risks that could affect its property, plant and equipment. The coverage provided under these policies is considered sufficient.

There is no property, plant and equipment subject to guarantees or reversion events. The depreciation rates used are described in Note 4-b to these financial statements.

The following table provides a breakdown of the fair value at 31 December 2022 and 2021 of the items included under property, plant and equipment, such fair value as determined by an authorised property valuation company (see Note 4 b):

	2022				
Description	**Cost value**	**Accumulated depreciation**	**Impairment**	**Net carrying amount**	**Market value**
Land and buildings at I. Newton, 7 (Tres Cantos)	5,394	(1,920)	-	3,474	11,314
Land and buildings at I. Newton, 9 (Tres Cantos)	7,371	(1,423)	(734)	5,214	5,457
Land and buildings at Ronda Europa, 7 (Tres Cantos)	21,853	(3,766)	(1,275)	16,812	17,413
Land and buildings at Torres Quevedo, 1 (Tres Cantos)	6,199	(201)	(105)	5,893	7,860
	40,817	**(7,310)**	**(2,114)**	**31,393**	**42,044**

	2021				
Description	**Cost value**	**Accumulated depreciation**	**Impairment**	**Net carrying amount**	**Market value**
Land and buildings at I. Newton, 7 (Tres Cantos)	4,958	(1,823)	-	3,135	11,231
Land and buildings at I. Newton, 9 (Tres Cantos)	7,371	(1,345)	(734)	5,292	5,369
Land and buildings at Ronda Europa, 7 (Tres Cantos)	21,853	(3,528)	(1,275)	17,050	17,287
Land and buildings at Torres Quevedo, 1 (Tres Cantos)	6,593	(137)	(105)	6,351	6,026
	40,775	**(6,833)**	**(2,114)**	**31,828**	**39,913**

The market value is based on the comparison method (based on the replacement principle), which values property assets by comparison with other property values on the market and, on the basis of concrete information on actual transactions and firm offers, derives current cash purchase prices for these properties on the basis of homogenisation coefficients (Level 2).

b) Investment property

This item corresponds to the net cost of a property that the Company leases from another Group company, namely Centro Avanzado de Reparaciones, CAR. S.L.U. The Company has operated its business out of this property since December 2011.

The following table shows changes in this heading in 2022 and 2021.

2022 individual financial statements (Expressed in thousand euro)

	Land	Buildings	Total investment property
Cost at 31/12/21	**940**	**1,407**	**2,347**
Additions	-	-	-
Retirements	-	-	-
Cost at 31/12/22	**940**	**1,407**	**2,347**
Accumulated amortisation at 31/12/21	**-**	**(287)**	**(287)**
Additions	-	(28)	(28)
Retirements	-	-	-
Accumulated amortisation at 31/12/22	**-**	**(315)**	**(315)**
Impairment allowances at 31/12/21	**(137)**	**-**	**(137)**
Allowance in the period	-	-	-
Amounts utilised in the period	-	-	-
Impairment allowances at 31/12/22	**(137)**	**-**	**(137)**
Carrying amount at 31/12/2022	**803**	**1,092**	**1,895**

	Land	Buildings	Total investment property
Cost at 31.12.20	**940**	**1,407**	**2,347**
Additions	-	-	-
Retirements	-	-	-
Cost at 31/12/21	**940**	**1,407**	**2,347**
Accumulated amortisation at 31.12.20	**-**	**(259)**	**(259)**
Additions	-	(28)	(28)
Retirements	-	-	-
Accumulated amortisation at 31/12/21	**-**	**(287)**	**(287)**
Impairment allowances at 31.12.20	**(137)**	**-**	**(137)**
Allowance in the period	-	-	-
Amounts utilised in the period	-	-	-
Impairment allowances at 31/12/21	**(137)**	**-**	**(137)**
Carrying amount at 31/12/2021	**803**	**1,120**	**1,923**

Details of fair value at 31 December 2022 and 2021 are as follows:

			2022		
Description	**Cost value**	**Accumulated depreciation**	**Impairment**	**Net carrying amount**	**Market value**
Land and buildings at Avda. El Sol, 9 (Torrejón de Ardoz)	2,347	(315)	(137)	1,895	1,911
	2,347	**(287)**	**(137)**	**1,895**	**1,911**

2022 individual financial statements (Expressed in thousand euro)

	2021				
Description	Cost value	Accumulated depreciation	Impairment	Net carrying amount	Market value
Land and buildings at Avda. El Sol, 9 (Torrejón de Ardoz)	2,347	(287)	(137)	1,923	1,951
	2,347	**(259)**	**(137)**	**1,923**	**1,951**

The rent paid to subsidiary company Centro Avanzado de Reparaciones CAR, S.L.U. for the lease of this property amounted to € 107 thousand in 2022 (€ 100 thousand in 2021), as recognised under "Income from investment property" in the technical statement of profit or loss. The last appraisal of the property was carried out on November 19, 2020.

All properties were insured against the risk of fire and third-party liability in 2022 and 2021.

6. Intangible assets

At 31 December 2022 and 2021 the balance of this heading related entirely to software. Changes in 2022 and 2021 are as follows:

Thousand euro	Software	Assets in course of construction	Total intangible assets
Cost at 31/12/21	**92,675**	**2,304**	**94,979**
Additions	1,320	3,518	4,838
Retirements	-	-	-
Transfers	930	(930)	-
Cost at 31/12/22	**94,924**	**4,892**	**99,817**
Accumulated amortisation at 31/12/21	**(80,918)**	**-**	**(80,918)**
Additions	(4,332)	-	(4,332)
Retirements	-	-	-
Accumulated amortisation at 31/12/22	**(85,350)**	**-**	**(85,250)**
Accumulated impairment losses	**-**	**-**	**-**
Carrying amount at 31/12/2022	**9,574**	**4,892**	**14,467**

Thousand euro	Software	Assets in course of construction	Total intangible assets
Cost at 31.12.20	**94,319**	**22**	**94,341**
Additions	4,042	2,304	6,346
Retirements	(5,709)	-	(5,709)
Transfers	22	(22)	-
Cost at 31/12/21	**92,675**	**2,304**	**94,979**
Accumulated amortisation at 31.12.20	**(81,779)**	**-**	**(81,779)**
Additions	(4,705)	-	(4,705)
Retirements	5,566	-	5,566
Accumulated amortisation at 31/12/21	**(80,918)**	**-**	**(80,918)**
Accumulated impairment losses	**-**	**-**	**-**
Carrying amount at 31/12/2021	**11,757**	**2,304**	**14,061**

The additions recognised in 2022 and 2021 mainly relate to technological developments and the purchase of software licences.

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Fully amortised intangible fixed assets at 31 December 2022 and 2021 amounted to € 74,126 thousand and € 70,764 thousand, respectively.

At 31 December 2022 and 2021 there were no intangible assets subject to guarantees or reversals.

7. Other assets

The following table provides a breakdown of this heading at 31 December 2022 and 2021.

	2022	2021
Acquisition costs	94,608	87,219
Accruals	9,425	8,558
	104,033	**95,777**

Deferred acquisition expenses relate to expenses directly attributable to the collection of premiums that accrue annually over the term of the policy, mainly commission expenses and marketing expenses.

Deferred acquisition expenses are recognised in accordance with the accounting principles explained in Note 4 c). Changes in 2022 and 2021 are as follows:

	2022	2021
Balance at the beginning of the year	87,219	83,055
Additions	94,608	87,219
Retirements	(87,219)	(83,055)
Balance at the end of the year	**94,608**	**87,219**

Additions shows acquisition expenses for the year that are to be accrued in the following year, in correlation with the income earned from premiums written in each year. Unearned premium income corresponds to the unearned premium provision at that date. Retirements for each year relate to the derecognition of accrued acquisition expenses from the previous year.

The sub-heading "Accruals and prepayments" mainly includes accrued and unmatured explicit interest on bank deposits and available-for-sale fixed-income investments amounting to € 6,119 thousand (€ 7,059 thousand in 2021). It also shows the cost of certain prepaid services that will accrue in 2022, for a total of € 3,306 thousand (€ 1,499 thousand in 2021).

2022 individual financial statements (Expressed in thousand euro)

8. Overview of the Company and its activities

8.1 Information on the relevance of financial instruments to the Company's equity and earnings

8.1.1 Information related to the balance sheet

Financial assets and liabilities fell into the following categories at the end of 2022 and 2021:

Financial assets	Cash and cash equivalents	Available-for-sale financial assets		Loans and receivables	Derivatives	Holdings in group companies and associates	Total
		At fair value	At cost				
Equity instruments:	**-**	**85,093**	**6**	**-**	**-**	**69,494**	**154,593**
- Financial investments in capital	-	38,754	6	-	-	69,494	108,254
- Units/interests in mutual funds	-	46,339	-	-	-	-	46,339
- Units/interests in private equity funds	-	-	-	-	-	-	-
- Other equity instruments	-	-	-	-	-	-	-
Debt securities:	**-**	**612,672**	**-**	**-**	**-**	**-**	**612,672**
- Fixed-income securities	-	612,672	-	-	-	-	612,672
- Other debt securities	-	-	-	-	-	-	-
Derivatives	-	-	-	-	7,844	-	**7,844**
Loans:	**-**	**-**	**-**	**22,139**	**-**	**-**	**22,139**
- Loans and advances on policies	-	-	-	-	-	-	-
- Loans to group companies	-	-	-	22,139	-	-	22,139
- Mortgage loans	-	-	-	-	-	-	-
- Other loans	-	-	-	-	-	-	-
Deposits with credit institutions	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deposits posted on accepted reinsurance	-	-	-	-	-	-	**-**
Receivables on direct insurance business:	**-**	**-**	**-**	**58,524**	**-**	**-**	**58,524**
Policyholders:	-	-	-	58,524	-	-	58,524
- Premium payments outstanding	-	-	-	59,485	-	-	59,485
- Provision for outstanding premiums	-	-	-	(961)	-	-	(961)
Receivables on reinsurance business:	**-**	**-**	**-**	**12,290**	**-**	**-**	**12,290**
- Outstanding balances with reinsurers	-	-	-	12,290	-	-	12,290
- Provision for impairment of balances subject to reinsurance	-	-	-	-	-	-	-
Receivables on co-insurance business:	-	-	-	-	-	-	**-**
- Outstanding balances with coinsurers	-	-	-	-	-	-	-
- Provision for impairment of balances subject to coinsurance	-	-	-	-	-	-	-
Called up share capital	-	-	-	-	-	-	**-**
Other receivables:	**-**	**-**	**-**	**47,148**	**-**	**-**	**47,148**
- Tax and social security receivable	-	-	-	1,040	-	-	1,040
- Other receivables	-	-	-	46,108	-	-	46,108
Other financial assets	-	-	-	**-**	-	**-**	**-**
Cash	**44,040**	**-**	**-**	**-**	**-**	**-**	**44,040**
Balance at 31 December 2022	**44,040**	**697,765**	**6**	**140,101**	**7,844**	**69,494**	**959,520**

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Financial assets	Cash and cash equivalents	Available-for-sale financial assets		Loans and receivables	Holdings in group companies and associates	Total
		At fair value	At cost			
Equity instruments:	**-**	**125,734**	**6**	**-**	**65,785**	**191,525**
- Financial investments in capital	-	49,508	6	-	65,785	115,299
- Units/interests in mutual funds	-	76,226	-	-	-	76,226
- Units/interests in private equity funds	-	-	-	-	-	-
- Other equity instruments	-	-	-	-	-	-
Debt securities:	**-**	**703,960**	**-**	**-**	**-**	**703,960**
- Fixed-income securities	-	703,960	-	-	-	703,960
- Other debt securities	-	-	-	-	-	-
Derivatives	-	-	-	-	-	**-**
Loans:	**-**	**-**	**-**	**22,981**	**-**	**22,981**
- Loans and advances on policies	-	-	-	-	-	-
- Loans to group companies	-	-	-	22,981	-	22,981
- Mortgage loans	-	-	-	-	-	-
- Other loans	-	-	-	-	-	-
Deposits with credit institutions	**-**	**-**	**-**	**-**	**-**	**.**
Deposits posted on accepted reinsurance	-	-	-	-	-	**-**
Receivables on direct insurance business:	**-**	**-**	**-**	**53,538**	**-**	**53,538**
Policyholders:	-	-	-	53,538	-	53,538
- Premium payments outstanding	-	-	-	54,472	-	54,472
- Provision for outstanding premiums	-	-	-	(934)	-	(934)
Receivables on reinsurance business:	**-**	**-**	**-**	**7,969**	**-**	**7,969**
- Outstanding balances with reinsurers	-	-	-	7,969	-	7,969
- Provision for impairment of balances subject to reinsurance	-	-	-	-	-	-
Receivables on co-insurance business:	-	-	-	-	-	**-**
- Outstanding balances with coinsurers	-	-	-	-	-	-
- Provision for impairment of balances subject to coinsurance	-	-	-	-	-	-
Called up share capital	-	-	-	-	-	**-**
Other receivables:	**-**	**-**	**-**	**46,393**	**-**	**46,393**
- Tax and social security receivable	-	-	-	1,040	-	1,040
- Other receivables	-	-	-	45,353	-	45,353
Other financial assets	-	-	-	**-**	**-**	**-**
Cash	**98,911**	**-**	**-**	**-**	**-**	**98,911**
Balance at 31 December 2021	**98,911**	**829,694**	**6**	**130,881**	**65,785**	**1,125,277**

Financial liabilities	Debt and accounts payable		Hedging derivatives	
	2022	2021	2022	2021
Due on direct insurance business	**2,490**	**2,526**	**-**	**-**
- Due to policyholders	2,009	1,939	-	-
- Due to agents, brokers and intermediaries	481	587	-	-
- Conditional claims	-	-	-	-
Due on reinsurance business:	**1,363**	**1,244**	**-**	**-**
Other debts	**40,824**	**156,101**	**-**	**-**
- Tax and social security payable	14,835	16,694	-	-
- Due to group companies and associates (Notes 5, 13 and 15)	276	364	-	-
- Other payables (Note 13)	25,713	139,043	-	-
Hedging derivatives	**-**	**-**	**-**	**8,922**
Total	**44,677**	**159,871**	**-**	**8,922**

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The classification of financial assets by maturity, for those with a given or determinable maturity for each asset category, was as follows at 31 December 2022 and 2021:

	Financial assets						
	2023	2024	2025	2026	2027	Subsequent periods	Total
Investments in group companies and associates	**2,738**	**18,663**	**363**	**363**	**-**	**-**	**22,139**
- Loans to group companies (Note 15)	2,750	18,663	363	363	-	-	22,139
- Debt securities (Note 15)	-	-	-	-	-	-	-
Other financial investments:	**124,097**	**46,689**	**58,652**	**102,541**	**35,460**	**245,323**	**612,672**
- Debt securities	124,097	46,689	58,652	102,541	35,460	245,323	612,672
- Deposits with credit institutions	-	-	-	-	-	-	-
31 December 2022	**126,835**	**65,352**	**59,015**	**102,904**	**35,460**	**245,323**	**634,811**

	Financial assets						
	2022	2023	2024	2025	2026	Subsequent periods	Total
Investments in group companies and associates	**3,229**	**363**	**18,663**	**363**	**363**	**-**	**22,981**
- Loans to group companies (Note 15)	3,229	363	18,663	363	363	-	22,981
- Debt securities (Note 15)	-	-	-	-	-	-	-
Other financial investments:	**42,999**	**112,349**	**50,679**	**58,554**	**104,634**	**334,745**	**703,960**
- Debt securities	42,999	112,349	50,679	58,554	104,634	334,745	703,960
- Deposits with credit institutions	-	-	-	-	-	-	-
31 December 2021	**46,228**	**112,712**	**69,342**	**58,917**	**104,997**	**334,745**	**726,941**

Receivables on insurance operations for December 2022 and 2021 mature in 2023 and 2022, respectively.

Debts included under financial liabilities at 31 December 2022 and 2021 mature in 2023 and 2022, respectively.

8.1.1.1 Available-for-sale financial assets

At the end of 2022 and 2021, this heading showed € 38,760 thousand and € 49,514 thousand in shares, respectively, together with units and interests in investment and private equity funds amounting to € 46,339 thousand and € 76,226 thousand, respectively.

The total investment in equities included the sum of € 10,175 thousand at 31 December 2022 (€ 9,950 thousand in 2021) in two listed real estate investment trusts in which a Bankinter Group financial institution holds a stake.

It also includes € 612,672 thousand and € 703,960 thousand, respectively, in fixed-income securities, of which € 3,474.98 thousand related to group companies in 2022 and € 3,316 thousand in 2021 (see Note 15).

At the end of 2022 and 2021, there were no impairment losses due to credit risk or the impairment of assets under this heading.

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The amount of accrued and non-overdue interest on fixed income assets under this heading amounts to € 6,119 thousand at the end of 2022 (€ 7,058 thousand at the end of 2021) and is included under the heading "Other assets – Prepayments" on the assets side of the accompanying balance sheet. The average return on the fixed income portfolio in 2022 was 2.48% (2.69% in 2021).

8.1.1.2 Loans and receivables

a) Loans to group companies and associates

This heading breaks down as follows at 31 December 2022 and 2021:

	2022	2021
Loans to companies		
Loan to LDActivos, S.L.U.	18,300	18,300
Loan to Centro Avanzado de Reparaciones, CAR, S.L.U.	1,454	1,817
Loans to LD Asistencia, S.L.U.	1,180	1,578
Loans to LDActivos, S.L.U.	1,088	1,040
Créditos Ámbar Medline, S.L.U.	(2)	(3)
Loans to Moto Club LDA, S.L.U.	11	12
Loans to Centro Avanzado de Reparaciones, CAR, S.L.U.	33	133
Loans to LDA Reparaciones, S.L.U.	76	104
Balance at 31 December	**22,139**	**22,981**

In July 2014, the Company granted its subsidiary LDActivos, S.L.U. a loan of € 19,300 thousand for the acquisition in cash of a property the latter company intended to lease out as part of its corporate purpose. In November 2020, the partial repayment of this loan was carried out for an amount of € 4,000 thousand, leaving the principal at € 15,300 thousand. In December 2021 the loan was extended by € 3,000 thousand, leaving a new principal amount of € 18,300 thousand bearing interest at three per cent per annum, payable monthly, with a repayment period of up to ten years, and the lender may repay the loan early. The Company's directors consider that this loan will be repaid in full before the contract expires, as the Company, as sole shareholder, had undertaken to provide its subsidiary with all the liquidity needed to repay the loan.

In 2022, the interest income on this loan amounted to € 549 thousand (€ 466 thousand in 2021), as recognised under "Income from property, plant and equipment and investments – Income from investment property" in the accompanying technical account for non-life insurance. All such interest had been collected at 31 December 2022.

The loan granted to Centro Avanzado de Reparaciones CAR, S.L.U. is a participation loan signed on 21 July 2011, with a principal of € 1,232 thousand. On 19 April 2018, an agreement was signed to extend this loan by a further € 600 thousand. The loan was then ended for a further € 1,560 thousand in May 2020. A total balance of € 1,454 thousand remained outstanding at 31 December 2022, subject to the same 10-year term with interest consisting of a fixed component (Euribor + 1 percentage point) and a variable component (8% of pre-tax profits obtained by the borrower, payable from when there is no impairment). A fixed amount of € 363 thousand in principal will be repaid at the end of each year.

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Changes in the balances of this loan in 2022 and 2021 are as follows:

	2022	2021
Balance at the beginning of the year	**1,817**	2,181
Additions	-	-
Repayments	(363)	(364)
Balance at the end of the year	**1,454**	**1,817**

At 31 December 2022 there was a total of € 14 thousand in outstanding accrued interest (€ 4 thousand at 31 December 2021).

The loans to LD Asistencia, S.L.U., LDActivos, S.L.U., Ámbar Medline, S.L.U., Moto Club LDA, S.L.U., Centro Avanzado de Reparaciones CAR, S.L.U. and LDA Reparaciones, S.L.U. relate to the balances payable by these companies to Tax Consolidation Group 485/15, of which Línea Directa Aseguradora is the Parent (see Note 17). These amounts do not accrue interest and will be settled after final settlement of corporate income tax for the Tax Consolidation Group.

b) Receivables on direct insurance business

This heading shows loans to policyholders for premium receipts that are overdue and for premium fractions yet to be issued.

The correction for impairment of the premiums pending collection is calculated according to the criteria established by the Accounting Plan of Insurance Entities in its second section "recognition and measurement rules", taking into account the age of the outstanding payments and the experience for the tranche between zero and three months. Outstanding payments with an age of between three and six months are provisioned for impairment at 50% of their value, while those over six months are provisioned at 100%. The amount of outstanding payments with an age of more than three months has a non-significant amount.

Details of the items under this heading at year-end 2022 and 2021 are as follows:

	Receivable from policyholders	Impairment adjustment	Total
Balance at 31 December 2022	59,485	(961)	58,524
Balance at 31 December 2021	54,472	(934)	53,538

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c) Receivables and payables on reinsurance business

This heading shows claims and debts with reinsurers at year end, broken down by type of reinsurance (see Note 13 to these financial statements for further information on debts and payables):

	2022		2021	
	Receivable	Payable	Receivable	Payable
Reinsurance – Penalties and other guarantees	-	1,363	-	827
Reinsurance XL	2,401	-	-	417
Quota share reinsurance	9,889	-	7,969	-
	12,290	**1,363**	**7,969**	**1,244**

The receivables and payables for the Reinsurance Quota Part correspond to the health business.

d) Other receivables

	2022	2021
Tax and social security receivable	1,040	1,040
Bonds and deposits	17	17
Receivables from recoveries and claims	42,551	42,920
Receivables under claim settlement agreements	2,690	1,743
Sundry receivables	262	144
Receivable from group companies and associates (Note 15)	588	529
	47,148	**46,393**

The sub-heading "Receivables from recoveries and claims" corresponds to the balances to be recovered for claims whose recoverability is sufficiently guaranteed at the end of the year. The analysis to establish the guarantee of the balance to be recovered is carried out individually for each claim taking into account the objective circumstances that occurred in the processing of the same, such as: acceptance of fault by the other insurer, favourable court rulings, etc. The amount recognised in 2022 amounted to € 42,551 thousand (€ 42,920 thousand in 2021).

This sub-heading shows both the recoveries that come from recoveries of agreement claims modules in which the insured party of the Company is non-culpable (€ 24,808 thousand in 2022 and € 22,372 thousand in 2021) and recoveries that come from non-claims settlement claims (€ 17,743 thousand in 2022 and € 20,548 thousand in 2021).

8.1.1.3 Holdings in group companies and associates

At 31 December 2022 and 2021, the Company owned 100% of the share capital of its subsidiaries. This heading of the accompanying balance sheets at 31 December 2022 and 2021, including the relevant carrying amounts, breaks down as follows:

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Subsidiary	2022 Carrying amount of the holding	Capital and share premium	Reserves	Profit/(loss) for the year	Dividends paid
Línea Directa Asistencia, S.L.U.	418	30	4,650	2,450	16,000
Moto Club LDA, S.L.U.	3	3	117	19	-
Centro Avanzado de Reparaciones CAR, S.L.U.	2,103	600	1,184	110	-
Ambar Medline, S.L.U.	303	303	109	2	-
LDActivos, S.L.U.	67,234	67,234	15,553	2,193	-
LDA Reparaciones, S.L.U.	300	300	335	142	-
Impairment on holdings in related parties	(867)	-	-	-	-
Total	**69,494**	**68,470**	**21,948**	**4,916**	**16,000**

Subsidiary	2021 Carrying amount of the holding	Capital and share premium	Reserves	Profit/(loss) for the year	Dividends paid
Línea Directa Asistencia, S.L.U.	418	30	16,178	2,472	2,500
Moto Club LDA, S.L.U.	3	3	98	20	-
Centro Avanzado de Reparaciones CAR, S.L.U.	2,103	600	1,016	167	-
Ambar Medline, S.L.U.	303	303	105	5	-
LDActivos, S.L.U.	63,634	63,634	12,705	1,848	-
LDA Reparaciones, S.L.U.	300	300	168	166	-
Impairment on holdings in related parties	(976)	-	-	-	-
Total	**65,785**	**64,870**	**30,270**	**4,678**	**2,500**

On 15 July 2022, the General Shareholders' Meeting of LDA Activos S.L.U., of which the Company is the Sole Shareholder, approved a capital increase amounting to € 3,600 thousand, bringing Capital and Issue premium to € 67,234 thousand at year-end 2022 (€ 63,634 thousand in 2021). On 24 September 2021, the Sole Shareholder of Ambar Medline, S.L.U decided to make a capital reduction with the aim of partially returning the capital contributions made by the Sole Shareholder through the proportional cancellation of shares. Following the reduction, the company's share capital stood at € 303 thousand.

A provision for impairment of the investment held in Centro Avanzado de Reparaciones CAR, S.L.U. was recognised at 31 December 2022 for a total of € 867 thousand (€ 976 thousand at 31 December 2021). Changes in the provision were as follows:

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	2022	2021
Balance at the beginning of the year	977	1,144
Allowances	-	-
Amounts utilised	(110)	167
Balance at the end of the year	**867**	**977**

In 2022, the subsidiary Línea Directa Asistencia, S.L.U. granted a dividend of € 14,000 thousand charged to its freely available reserves and € 2,000 thousand as an interim dividend charged to profit for 2022 (€ 2,500 thousand in 2021). These dividends are recorded under the heading "Income from property, plant and equipment and investments – Income from investment property" in the accompanying non-technical account.

8.1.1.4 Hedging derivatives

The Company has included one swap under this heading, the value of which amounted € 7,844 thousand at 31 December 2022 (€ -8,922 thousand at 31 December 2021).

			2022			
Item	**Initial value**	**Accumulated impairment**	**Impairment adjustment**	**Valuation adjustment**	**Purchases/Sales**	**Final value**
SWAP	(5,970)	-	-	13,814	-	7,844
SWAP	(2,952)	-	-	3,602	(650)	-
Total	**(8,922)**	**-**	**-**	**17,416**	**(650)**	**7,844**

			2021			
Item	**Initial value**	**Accumulated impairment**	**Impairment adjustment**	**Valuation adjustment**	**Purchases/Sales**	**Final value**
SWAP	(15,167)	-	-	6,245	-	(8,922)
Total	**(15,167)**	**-**	**-**	**6,245**	**-**	**(8,922)**

The fair value has been provided by the financial institution, which acts as counterparty.

The following table shows the type of contracts guaranteed:

Type of asset	Counterparty	Number of contracts	Carrying amount	Market value	Nominal value	Rate	Currency
Current account	BBVA S.A.	1	(4,077)	(4,077)	(4,077)	**ESTR**	**EUR**
Subtotal – Current Account			**(4,077)**	**(4,077)**	**(4,077)**	**ESTR**	**EUR**
Swaps	BBVA S.A.	1	7,844	7,844	7,844		**EUR**
Subtotal – Swaps			**7,844**	**7,844**	**7,844**		**EUR**
Total			**3,767**	**3,767**	**3,767**		**EUR**

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The risk of these swaps arises from the interest rate or market risk of the swapped securities' own underlyings, as well as from the credit risk of the issuing institutions. The derivative product associated with the underlying is also exposed to these same risks.

At 31 December 2022, a total of € 7,844 thousand was recognised under "Hedging derivatives" on the assets side of the balance sheet (31 December 2021: € 8,922 thousand on the liabilities side), in relation to swaps. The Company with which this contract has been signed relies on the clearing house to calculate the current value of the outstanding flows between the two parties.

The hedged item consists of coupon payments of 2.45% on a BTPS bond on 50,000 thousand until maturity on 1 September 2033. In exchange, the Company receives payments of Euribor 6M + 1.03% on € 50,000 thousand of the BTPS bond until maturity on 1 September 2033. At 31 December 2021, the Company also had a hedged item consisting of coupon payments of 2.35% on a SPGB bond of € 25,000 thousand per annum through to maturity on 30 July 2033, which was cancelled in 2022.

8.1.2 Information relating to the statement of profit or loss and equity

The following table shows the breakdown of financial income and expenses, as per the category to which each asset has been assigned:

Investment income	Cash and cash equivalents	Loans and receivables	Available-for-sale assets	Property, plant and equipment and investment property	Group companies and associates	Other	Total
Interest on fixed-income securities	-	-	17,301	-	-	-	17,301
Income on equity instruments	-	-	7,908	-	-	-	7,908
Derivatives revenue	-	-	573	-	-	-	573
Interest on loans with group companies (Note 15)	-	567	-	-	-	-	567
Interest on current accounts	10	-	-	-	-	-	10
Interest on bank deposits	-	280	-	-	-	-	280
Effect of change in investment value, group	-	-	-	-	110	-	110
Income from premium instalments	-	4,571	-	-	-	-	4,571
Income from investment in property, plant and equipment	-	-	-	127	-	-	127
Income from investments in group companies (Note 15)	-	-	-	-	16,000	-	16,000
Gains/(losses) on realisation of investments	-	-	12,647	-	-	-	12,647
Positive exchange differences	-	-	3,269	-	-	-	3,269
Derivative valuation	-	-	-	-	-	20,843	20,843
Other	-	-	-	-	-	223	223
Balance at 31 December 2022	**10**	**5,418**	**41,698**	**127**	**16,110**	**21,066**	**84,429**

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Expenses from property, plant and equipment and investments	Available-for-sale assets	Property, plant and equipment and investment property	Non-current dividends payable	Other	Total
Investment costs					
Fixed income valuation	1,982	-	-	-	1,982
Realisation of equity instruments	2,540	-	-	-	2,540
Realisation of fixed-income instruments	2,924	-	-	-	2,924
Depreciation of investment property	-	28	-	-	28
Provision for investment impairment	-	-	-	-	-
Bank charges	-	-	-	131	131
Long-term discounting of interest and dividends	-	-	-	-	-
Negative exchange difference	(498)	-	-	-	(498)
Derivative financial expenses	-	-	-	1,376	1,376
Investment management expenses and other	-	-	-	2,062	2,062
Derivative valuation	-	-	-	20,843	-
Other	-	-	-	-	-
Balance at 31 December 2022	**6,948**	**28**	**-**	**24,412**	**31,388**

Investment income	Cash and cash equivalents	Loans and receivables	Available-for-sale assets	Property, plant and equipment and investment property	Group companies and associates	Total
Interest on fixed-income securities	-	-	18,774	-	-	18,774
Income on equity instruments	-	-	7,159	-	-	7,159
Interest on loans with group companies (Note 15)	-	-	374	-	-	374
Interest on current accounts	-	475	-	-	-	475
Interest on bank deposits	-	-	-	-	-	-
Effect of change in investment value	-	-	-	-	167	167
Income from premium instalments	-	4,503	-	-	-	4,503
Income from investment in property, plant and equipment	-	-	-	164	-	164
Income from investments in group companies (Note 15)	-	-	-	-	2,500	2,500
Gains/(losses) on realisation of investments	-	-	8,652	21	-	8,673
Profits from the valuation of derivatives	-	-	13,480	-	-	13,480
Positive exchange differences	-	-	42	-	-	42
Balance at 31 December 2021	**-**	**5,569**	**48,481**	**185**	**2,667**	**56,902**

Expenses from property, plant and equipment and investments	Available-for-sale assets	Property, plant and equipment and investment property	Non-current dividends payable	Other	Total
Investment costs					
Fixed income valuation	3,530	-	-	-	3,530
Equity valuation	748	-	-	-	748
Derivative valuation	-	-	-	13,480	13,480
Depreciation of investment property	-	28	-	-	28
Provision for investment impairment	-	-	-	-	-
Long-term discounting of interest and dividends	-	-	-	-	-
Negative exchange difference	191	-	-	-	191
Derivative financial expenses	-	-	-	1,807	1,807
Investment management expenses and other	-	6	-	2,106	2,112
Balance at 31 December 2021	**4,469**	**34**	**-**	**17,393**	**21,896**

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The "fixed income valuation" heading under Assets Available for Sale includes the monthly valuation differences of the hedge derivative operation during the year. The positive monthly differences are shown in the Income from investments table and the negative differences in the Expenditure for property, plant and equipment and investments table.

At 31 December 2022, the balance of “Income from investments in property, plant and equipment” in the above table included € 107 thousand in income from the lease arranged with group company Centro Avanzado de Reparaciones CAR, S.L.U. (see Note 15) (31 December 2021: € 100 thousand).

8.1.3 Information on the nature and level of risk associated with financial instruments

Market risk

The level of assumible risk for the financial investments undertaken by the Company is explained in the Investment Guidelines approved by the Board of Directors. This document describes the types of permitted assets for investment purposes, along with the maximum proportion of these assets within the portfolio, and authorises the Company's Investment Committee to undertake investments.

The Investment Committee, which meets monthly, is responsible for analysing the portfolio's performance, approving new lines of investment, verifying compliance with the investment guidelines and keeping the Board of Directors regularly informed.

Credit risk

The counterparties with which the Company acquires or may acquire significant positions must invariably undergo a prior scoring process. These counterparties include companies that provide insurance for large vehicle fleets and, in particular, reinsurance companies. For the latter, a minimum credit rating of "A" is required as a prerequisite for inclusion within the reinsurance programme. Exceptions to this solvency threshold, together with the reinsurance table for each year, are expressly approved by the Board of Directors.

The rating of the debt securities classified in the "available for sale" portfolio is an average rating of that assigned to the issuer by three of the main rating agencies (Moody's, Fitch and DBRS) and presents the following classification at the end of 2022 and 2021:

RATING – "Available for sale" portfolio	2022	2021
AAA	13,152	6,235
AA	11,207	10,031
A	269,331	288,382
BBB	298,083	359,858
BB	10,298	27,803
B	985	-
N/R	9,616	11,561
Total	**612,672**	**703,960**

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In 2022, positions without a rating largely related to representative securities whose issuer does not have a rating, but which nevertheless have an issue rating consistent with the Group's investment policies. In 2021, most of the amount related to a promissory note worth € 6,891 thousand.

Liquidity risk

The Company treats liquidity risk as the potential temporary inability to honour its payment obligations within the agreed timeframes, due to such obligations maturing before receivables from customers fall due or before financial investments reach maturity. The Company generates daily liquidity from premium income.

The Company manages liquidity risk prudently. The Company is firmly committed to having sufficient liquidity to be able to honour its payments to suppliers, policyholders and counterparties in due course. Consequently, cash management is always carried out with the utmost prudence, avoiding at all times any possible overdraft or overlimit situation. Therefore, forecasts are systematically drawn up of expected cash generation and cash requirements, which enable the Company's liquidity position to be determined and monitored on an ongoing basis.

Currency risk

At 31 December 2022, the Company had a foreign currency position of € 47,890 thousand (31 December 2021: € 47,674 thousand). They relate to direct investments in financial instruments quoted in those currencies and there is no currency hedging whatsoever.

9. Cash and cash equivalents

The composition of cash and cash equivalents at credit institutions, cheques and cash on hand at 31 December 2022 and 2021 is as follows:

	2022	2021
Cash at credit institutions (Note 8.1.1)	28,061	98,910
Cash on hand (Note 8.1.1)	1	1
Financial instruments maturing within 3 months	15,978	-
	44,040	**98,911**

Of the total balance of cash at banks at 31 December 2022 and 2021, a total of € 20,500 thousand and € 63,334 thousand, respectively, was held at Bankinter, S.A. (see Note 15).

At 31 December 2022 and 2021 a current account had been pledged to a reinsurer for a total of € 2,100 thousand to secure compliance with certain contractual obligations. The remaining amount of cash and cash equivalents is subject to no further restriction on its use and disposal.

The interest rate on the Company's current accounts is negotiated with each bank. In 2022, the current account in dollars accrued an average yield of 1.98% for 2022

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(0.18% in 2021) and the current account with Bankinter began to accrue interest of 0.30% from November 2022.

10. Technical provisions

The following table shows changes in 2022 and 2021 in each of the technical provisions shown in the accompanying balance sheets.

	Provision for unearned premiums	Provision for claims (*)	Provision for unexpired risks
Direct insurance			
Balance at 31 December 2021	449,740	291,657	3,280
Allowances	470,783	325,029	2,378
Amounts utilised	(449,740)	(291,657)	(3,280)
Balance at 31 December 2022	**470,783**	**325,029**	**2,378**
Ceded and retroceded reinsurance			
Balance at 31 December 2021	4,280	15,873	-
Allowances	4,554	14,709	-
Amounts utilised	(4,280)	(15,873)	-
Balance at 31 December 2022	**4,554**	**14,709**	**-**

	Provision for unearned premiums	Provision for claims (*)	Provision for unexpired risks
Direct insurance			
Balance at 31 December 2020	446,423	271,541	4,622
Allowances	449,740	291,657	3,280
Amounts utilised	(446,423)	(271,541)	(4,622)
Balance at 31 December 2021	**449,740**	**291,657**	**3,280**
Ceded and retroceded reinsurance			
Balance at 31 December 2020	3,705	8,772	-
Allowances	4,280	15,873	-
Amounts utilised	(3,705)	(8,772)	-
Balance at 31 December 2021	**4,280**	**15,873**	**-**

(*) At the end of 2022 and 2021, this provision included € 6,837 thousand and € 6,239 thousand, respectively, as the provision for outstanding other insurance claims, a service provided by Línea Directa Asistencia, S.L.U. (see Note 15).

The provision for unexpired risks is there to supplement the provision for unearned premiums, if the latter is not enough to cover the cost of all the risks and expenses for which the insurance company is responsible over the period of coverage that has not elapsed upon reaching the end date of the financial year. In 2022, the Company recognised a total of € 2,378 thousand for this item in the Health segment (€ 3,280 thousand in 2021).

The development of the Company's benefit provision in 2022 without the reinsured and travel assistance guarantees, corresponding only to claims outstanding as at 31 December 2021, broken down by line of business, is as follows:

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	Provision at 31/12/2021	Net payments	Provision at 31/12/2022	Surplus (Deficit)
Motor, general liability insurance	193,587	105,237	83,656	4,694
Motor, other coverage	52,360	32,089	14,545	5,726
Home	21,252	15,126	5,112	1,014
Health	4,163	2,525	689	949
Total	**271,362**	**154,977**	**104,002**	**12,383**

Incurred but not reported (IBNR) claims are included in the provision at year-end 2022 and 2021.

The development of the Company's benefit provision in 2021 without reinsured guarantees and travel assistance, corresponding only to claims outstanding as at 31 December 2020, broken down by line of business, is as follows:

	Provision at 31.12.2020	Net payments	Provision at 31/12/2021	Surplus (Deficit)
Motor, general liability insurance	173,104	94,571	72,978	5,555
Motor, other coverage	55,828	25,390	15,493	14,946
Home	20,492	14,218	6,267	7
Health	3,223	1,718	233	1,273
Total	**252,647**	**135,897**	**94,971**	**21,781**

Claims incurred but not reported (IBNR) are included in the provision at the end of 2022 and 2021 for all segments, as the provision for outstanding, reported and unreported claims is calculated jointly using statistical methods.

11. Pension commitments

Under the terms of the collective bargaining agreement for the industry, the Company is required to take out a collective life insurance policy for all of its employees. This policy has been externalised in the form of a risk insurance policy renewable annually. This agreement resulted in total accrued insurance premiums of € 511 thousand in 2022 (€ 289 thousand in 2021).

The undertaking is also obligated to pay a retirement bonus, though only if the employee retires at the normal age of retirement while an active employee at the undertaking. This obligation is externalised in the form of a machete policy and therefore the Company does not recognise any provision in its financial statements.

At present, only those employees hired before 1 January 2017 who have decided not to migrate to the new system provided for under the agreement remain adhered to the existing system. This agreement resulted in total accrued insurance premiums of € 13 thousand in 2022 (€ 42 thousand in 2021). The mathematical provision amounted to € 212 thousand at 31 December 2022 (€ 214 million at 31 December 2021). Policy surrenders in 2022 amounted to € 14 thousand (2021: € 10 thousand).

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For employees hired on or after 1 January 2017 and those who have decided to avail themselves of the new system, the Company has externalised its obligations by arranging a defined contribution insurance policy covering more contingencies than the old system. Premiums accrued under this new policy totalled € 739 thousand during the period (€ 708 thousand in 2021), while a mathematical provision was € 5,602 thousand (€ 4,845 thousand in 2021). There were no bailouts in 2022 and 2021. The mobilisation of the rights of employees who decided to take advantage of the new system became effective in 2020.

The Company also has a collective insurance policy in effect to formalise its retirement pension commitments with certain members of Senior Management. These defined contribution policies are also externalised and regular contributions are made for the different members of the group. In 2022, this policy accrued premiums of € 626 thousand and its mathematical provision amounted to € 9,554 thousand. A surrender totalling € 1,102 thousand also took place during the period. In 2021, the policy accrued premiums of € 1,118 thousand and its mathematical provision at year-end was € 11,677 thousand. The contributions made to this policy are entirely voluntary for the Company and are made at the discretion of the Board of Directors.

The Company also has a defined contribution savings and retirement insurance policy in effect for members of Senior Management. This policy accrued premiums of € 62 thousand in 2022 and its mathematical provision at year-end came to € 664 thousand. In 2021, the policy accrued premiums of € 99 thousand and its mathematical provision at year-end was € 595 thousand.

12. Provision for payments under claim settlement agreements

This heading shows the estimated amount due to policyholders from the insurer of the injured party and the recoveries made by the latter upon enforcing the settlement agreements.

The following changes occurred during the year:

	Carrying amount	
	2022	**2021**
Balance at the beginning of the year	21,915	16,174
Allowances (Note 21)	25,338	21,915
Amounts utilised (Note 21)	(21,915)	(16,174)
Balance at the end of the year	**25,338**	**21,915**

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13. Debt and accounts payable

The heading "Debts and accounts payables" breaks down as follows at 31 December 2022 and 2021:

	2022	2021
Due on direct insurance business	**2,526**	**2,526**
Due to policyholders	2,009	1,939
Due to agents, brokers and intermediaries	481	587
Conditional claims	-	-
Due on reinsurance business (Note 8.1.1.2)	**1,363**	**1,244**
Other debts:	**14,835**	**16,694**
Personal income tax withholdings payable	1,960	1,964
VAT payable	77	396
Social security payable	2,676	2,759
Insurance Compensation Consortium payable	1,596	1,496
Tax payable on insurance premiums	6,288	5,938
Other taxes payable	2,238	4,141
Due to group companies and associates (Note 15)	**276**	**364**
Other debts	**25,713**	**139,043**
On goods delivered and services rendered	21,039	20,054
On securities lending	-	115,306
Outstanding remuneration	4,674	3,683
	44,677	**159,871**

As at 31 December 2022 and 2021, there were no debts with Ambar Medline, S.L.U (see Note 15).

Below is the breakdown of receivables with group companies:

	2022	2020
Dividend payable	-	-
Trade payables to group companies	252	340
Deposit with Centro Avanzado de Reparaciones, CAR, S.L.U.	24	24
Total	**276**	**364**

As at 31 December 2021, the sub-heading "On securities lending" showed the monetary guarantee received for a public debt repo transaction (assignment of government bonds with repurchase agreement) with a total carrying amount of € 115,305 thousand, including uncollected accrued interest and comprising two repos, one for Spanish Government securities and the other for Italian Government securities that matured on 10 January 2022. The counterparty to the transactions is Banco BBVA. Guarantees on the transactions amounted to € 115,305 thousand. On 10 January 2022, the two repo transactions were renewed with the same Spanish and Italian government securities, although in November 2022 the Group ultimately agreed to settle the repo definitively.

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Under the repo transactions described above, the Group retains both the risks and the rights of ownership of the asset. It therefore retains the contractual rights to receive the cash flows from the financial asset, but assumes the contractual obligation to pay the cash flows to BBVA under the terms of the agreement signed with the bank.

Therefore, the "Outstanding remuneration" sub-heading does not include any provision for the triannual bonus but does include other recurring incentives, of an annual, quarterly and monthly nature pending payment for € 4,170 thousand as at 31 December 2022 (€ 3,683 thousand at December 2021).

Information on the average payment period to suppliers. Final Provision Two of Law 31/2014, of 3 December

The following table provides the information required under Final Provision Two of Law 31/2014, of 3 December.

	2022 Days	2021 Days
Average supplier payment period	20.82	17.94
Ratio of transactions paid	20.84	18.66
Ratio of transactions outstanding	20.24	8.82
	Amount (in thousand euro)	**Amount (in thousand euro)**
Total payments made	254,386	251,168
Total payments outstanding	6,288	6,722

(*) When a figure is shown in brackets, it means that the amount is negative, representing either a faster average payment in relation to the maximum payment period prescribed by law, or otherwise that the outstanding transactions are, on average, at a point in time prior to reaching that maximum period.

	2022
	Days
Invoices paid within the legal limit	9,017
Percentage of total invoices	68.64%
Total invoices	13,136
	Amount (in thousand euro)
Monetary volume within legal limit	208,383
Percentage of total monetary value of payments to suppliers	79.94%
Total monetary value of invoices	260,674

The data shown in the table above on the average payment period to suppliers relate to trade payables on debts with suppliers of goods and services, excluding payments of claims in 2022 and 2021.

The term "average payment period to suppliers" means the time taken in paying, or the delay in paying, trade payables. This "average payment period to suppliers' is calculated as a ratio where the numerator is the sum of the ratio of transactions paid divided by the total amount of payments made plus the ratio of transactions outstanding divided by the total amount of payments outstanding, while the denominator is the total amount of payments made divided by the amount of payments outstanding.

The ratio of transactions paid is calculated as a ratio where the numerator is the sum of the products corresponding to the amounts paid divided by the number of days of payment (difference between the calendar days running from the end of the maximum legal payment period through to effective payment of the transaction), while denominator is the total amount of payments made.

Meanwhile, the ratio of transactions pending payment is a ratio where the numerator is the sum of the products corresponding to the amounts pending payment, divided by the number of days pending payment (difference between the calendar days running from the end of the maximum legal payment period through to the end date of the annual accounts), and the denominator is the total amount of payments pending.

In September 2022, Law 18/2022 amended Additional Provision Three, on the duty to disclose information contained in Law 15/2010, which in turn amended Law 3/2004, on measures to combat late payment in commercial transactions. This amendment states that listed companies must publish on their website, in addition to the average payment period, the monetary volume and the number of invoices paid in a period shorter than the legal maximum period, as well as the ratio of those invoices to the total number of invoices and the total monetary amount of payments made to suppliers.

Operating leases

The Company has several operating leases with third parties, mainly related to vehicle leasing. The total amount of expected future payments for the years 2021 and 2022 are as follows:

	2022	2021
Less than a year	1,422	1,334
Between 1 and 5 years	1,040	1,785
More than 5 years	-	-
Total future payments	**2,462**	**3,119**

14. Own Funds

The breakdown of the Company's equity in 2022 and 2021 and changes therein are shown in the accompanying statements of changes in equity.

On 19 March 2020, the Board of Directors of Bankinter, S.A. approved the distribution in kind of the entire share premium —amounting to 1.184 billion euros— through the delivery to its shareholders of 82.6% of the share capital of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros, with the bank retaining a non-controlling financial interest of 17.4% in the Company. The Transaction was cleared on 22 March 2021 by the European Central Bank and by the Spanish Directorate General for Insurance and Pension Funds.

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Prior to the admission of the Parent's shares to trading, on 5 April the General Shareholders' Meeting approved an extraordinary dividend of € 120 million payable to Bankinter. The Management Centre attached to the Directorate General for Insurance and Pension Funds analysed the proposal to distribute the extraordinary dividend and raised no objection to its implementation as it will have no material effect on the Company's future solvency or its ability to protect the rights and interests of policyholders.

On 15 April 2021, the National Securities Market Commission ("CNMV") approved and registered the prospectus relating to the shares of the Parent Company ("Informative Prospectus") in the corresponding official registry, with registration number 11157. Following the aforementioned distribution and approval of the prospectus, the Company's shares were subsequently admitted to trading on the continuous market on 29 April 2021 (Note 1).

Following the aforementioned distribution, the Company's shares were admitted to trading on the continuous market on 29 April 2021 (see Note 1).

On 19 March 2020, the Board of Directors of Bankinter, S.A. approved the distribution in kind of the entire share premium —amounting to 1,184 million euros— through the delivery to its shareholders of 82.6% of the share capital of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros, with the bank retaining a non-controlling financial interest of 17.4% in the Company. Following the aforementioned distribution, the Company's shares were admitted to trading on the continuous market on 29 April 2021 (see Note 1).

On 18 March 2021, the Shareholders' Meeting of Línea Directa Aseguradora, S.A. resolved in a single act:

i. Changing the number of shares into which the share capital of the Company is divided, so that the share capital becomes divided into 1,088,416,840 shares.

ii. In accordance with the provisions of article 296 of the Capital Companies Law, increasing the share capital of the Company, charged to Voluntary and Free Disposal Reserves, on the basis of the consolidated financial statements closed on 31 December 2020, duly audited and approved by the general shareholders' meeting in resolution 1, for the amount of € 6,024,673.60, meaning that the share capital of the Company will be increased to 43,536,673.60 euros by increasing the nominal value of the shares to € 0.005535263126 per share (taking into account the new number of shares approved, at the same time as this capital increase in the previous paragraph, resulting in a total of 1,088,416,840 with a nominal value of € 0.04).

The Company went from having 2,400,000 registered shares with a nominal value of 15.63 euros to 1,088,416,840 shares with a nominal value of 0.04 euros.

Name of shareholder	Amount of voluntary reserve to be netted	Shares that increase in par value	Numbering (both inclusive)			Final par value per share
Bankinter, S.A.	6,024,671.09 €	1,088,416,386.00 €	1	to	1,088,416,386	0.04 €
Hispamarket, S.A.	2.51 €	454.00 €	1,088,416,386	to	1,088,416,840	0.04 €
	6,024,673.60 €	1,088,416,840.00 €	-	to	-	

At 31 December 2022, the Parent's share capital amounted to € 43,537 thousand and was represented by 1,088,416,840 registered shares, each having a par value of € 0.04, all fully subscribed for and paid up and conferring the same rights and obligations.

The shareholders of the Parent Company holding a stake equal to or greater than 3% of the share capital as at 31 December 2022 and 2021 and considered significant shareholders according to prevailing law and regulations governing the securities market are as follows:

2022

	Number of shares	%
Cartival	212,277,276	19.50%
Bankinter	189,555,907	17.42%
Fernando Masaveu Herrero	57,919,846	5.32%
Lazard Asset Management	34,778,950	3.20%

2021

	Number of shares	%
Cartival	208,426,443	19.15%
Bankinter	189,550,907	17.42%
Fernando Masaveu Herrero	50,905,871	4.68%
Lazard Asset Management	34,778,950	3.20%

At 31 December 2022 and 2021, the Company had posted the minimum capital required under the Law on the Organisation and Supervision of Private Insurance to operate in authorised insurance segments.

a) Legal reserve

In accordance with prevailing commercial legislation, companies that obtain profits during the financial year must allocate 10% of these profits to the legal reserve until this reaches at least 20% of share capital. The legal reserve may be used to increase share capital but only in respect of the part of the reserve that exceeds 10% of share capital already increased. Aside from this purpose, and until the legal reserve exceeds 20% of share capital, it may only be used to offset losses and provided that no other reserves are available for this purpose.

At 31 December 2022 and 2021 the balance of this reserve was above the minimum requirement.

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b) Voluntary reserves

As at 31 December 2022 and 2021, the balance of these reserves was freely available and amounted to € 141,925 thousand and € 112,192 thousand, respectively.

c) Equalisation Reserve and interim dividend

The equalisation reserve is a mandatory reserve prescribed by law and may only be used to cover deviations in terms of claims incurred.

As at 31 December 2022, the balance of this reserve was € 93,608 thousand, net of the tax effect (€ 107,582 thousand, net of the tax effect in 2021). In 2022, EUR 28,127 of the equalisation reserve was used due to the high number of claims incurred during the year compared to the estimated net reinsurance risk premium. In 2022, an interim reserve of EUR 7,120 thousand was posted, while in 2021 no interim reserve was posted or applied.

The equalisation reserve must be provided in each financial year for the amount of the security surcharge included in the premiums written, with the minimum limit provided for in the technical bases of the relevant insurance segments. In the case of the Company, the endowment is mandatory in the third-party liability insurance segment for motor land vehicles for 2% of the premium written in this segment until the reserve reaches at least 35% of the risk premiums for retained insurance activities.

The limit will be increased as and when necessary in accordance with the Company's own loss experience. For this purpose, the limit of the equalisation reserve within each risk or class shall be taken.

Changes in the equalisation reserve during the year were as follows:

	Equalisation reserve	Tax effect	Interim Equalisation Reserve
Balance at 31 December 2021	117,552	9,970	-
Allowances	7,120	-	(7,120)
Amounts utilised	(28,127)	(7,032)	-
Balance at 31 December 2022	**96,546**	**2,938**	**(7,120)**

	Equalisation reserve	Tax effect	Interim Equalisation Reserve
Balance at 31 December 2020	117,552	9,970	(6,964)
Allowances	-	-	-
Amounts utilised	-	-	6,964
Balance at 31 December 2021	**117,552**	**9,970**	**-**

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With regard to interim dividends: The Board of Directors, at its meetings held on 21 April 2022, 20 September 2022 and 13 December 2022, agreed to distribute interim dividends out of 2022 profits for a total amount of € 59,601 thousand. At 31 December 2022, there were no outstanding amounts.

d) Treasury shares

Since 29 April 2021, the date of the IPO, on which the Company was awarded 239,678 own shares in the exchange of Bankinter shares, it has made successive acquisitions, all disclosed to the CNMV to complete the full remuneration plan. More precisely, the Parent Company acquired a total of 795,643 treasury shares in 2021, at an average price of € 1.57 per share, representing 0.11% of the total number of shares issued (see Note 20).

In November 2022, the Group offered its employees a flexible share-based remuneration plan. Under this agreement, a total of 224,000 shares were purchased at an average price of € 0.99 per share, of which 204,676 were ultimately delivered.

Changes in treasury shares are as follows:

Thousand euro	Cost of purchase	Nominal value	Number of shares
Balance at 1 January 2021	**-**	**-**	**-**
Additions	1,247	32	795,643
Balance at 31 December 2021	**1,247**	**32**	**795,643**
Balance at 1 January 2021	**1,247**	**32**	**795,643**
Additions	221	**9**	224,000
Disposals	(450)	(18)	(362,732)
Balance at 31 December 2022	**1,018**	**24**	**656,911**

The breakdown of own shares at year-end 2021 and 2022 is as follows:

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Acquisition date	Type of acquisition	Instruments	Price	Market value (thousand euro)	Acquisition cost (thousand euro)
29/04/2021	Exchange	239,678	1.32	316	316
04/05/2021	Purchase	186,570	1.61	300	300
06/05/2021	Purchase	94,700	1.58	150	150
21/07/2021	Purchase	64,332	1.77	114	114
22/07/2021	Purchase	85,957	1.73	150	150
23/07/2021	Purchase	59,702	1.74	104	104
26/07/2021	Purchase	27,293	1.76	48	48
27/07/2021	Purchase	23,183	1.75	41	41
28/07/2021	Purchase	14,228	1.75	24	24
01/05/2022	Delivery	-157,593	1.57	-247	-247
11/05/2022	Sale	-463	1.26	-1	-1
26/05/2022	Sale	-1	1.32	0	0
15/11/2022	Purchase	214,000	0.99	212	212
16/11/2022	Purchase	10,000	0.94	9	9
22/11/2022	Delivered to employees	-104,529	0.99	-103	-103
22/12/2022	Delivered to employees	-100,147	0.99	-99	-99
Total		**656,911**	**1.44**	**1,018**	**1,018**

e) Valuation adjustments

The main item recognised off the statement of profit or loss is the valuation adjustments made to available-for-sale assets to reflect the amount of capital gains net of tax. Capital gains/(losses) net of tax came to € -30,362 thousand at 31 December 2022 (€ 43,366 thousand in net gains at 31 December 2021).

f) Solvency

At the date of authorisation for issue of these annual accounts, the Company's directors can confirm that an internal assessment of risks and solvency has been carried out and that Línea Directa Aseguradora is compliant with overall solvency requirements based on its risk profile, approved risk tolerance limits and business strategy.

The Company has implemented proceses that are commensurate with the nature, scale and complexity of the risks inherent in its business and that enable it to properly identify and assess all existing or potential risks to which it may be exposed in the short and long run.

The directors do not expect to encounter any significant obstacles that might impede the Company's compliance with regulatory solvency and minimum capital requirements and that might affect the application of the going concern principle and the continuity of the Company's operations. The directors have yet to draw up the solvency and financial condition report for 2022. The report on the financial position and solvency of Línea Directa Aseguradora for 2022 was approved by the Board of Directors at its meeting held in March 2023.

15. Related party transactions

"Related parties", in addition to the dependent and associated entities, are considered the "key personnel" of the Management of the Group (members of its Board of Directors and the Management Committee), as well as the shareholders who may directly or indirectly exercise control of the Group, as well as those or a significant influence on financial and operational decision-making as mentioned in ORDER EHA/3050/2004, of 15 September, on the information of the related transactions to be provided by companies issuing securities admitted to trading on official secondary markets.

Following the admission to listing of Línea Directa Aseguradora on 29 April 2021, the Bankinter Group and all the companies comprising that group are considered Significant Shareholders. Prior to that date, the Línea Directa Group was part of the Bankinter Group, which held a 99.99% stake. From the day of admission to trading until 30 June 2021, and as indicated in Note 14, Bankinter's percentage of participation has been reduced to 17.42%, with no representative on the Group's Board of Directors since the date of IPO.

For the purposes of a better comparison of the information with related parties, Bankinter Group companies have been considered as significant shareholders in both 2022 and 2021.

The following transactions were carried out with related parties:

a) Direct insurance transactions

2022

Direct insurance	Premiums	Committees	Claims
Subsidiaries of the Company			
Línea Directa Asistencia, S.L.U.	-	-	76,229
Centro Avanzado de Reparaciones CAR, S.L.U.	-	-	11,353
Ambar Medline, S.L.U.	-	158	-
LDA Reparaciones, S.L.U.	-	-	2,812
Significant shareholders			
Bankinter, S.A.	596	5,783	-
Bankinter S.A., Sucursal en Portugal	80	-	-
Bankinter Consumer Finance, S.L.U.	361	16	-
Evo Banco, S.A.U	-	110	
Total at 31 December 2022	**1,037**	**6,067**	**90,394**

2022 individual financial statements (Expressed in thousand euro)

2021

Direct insurance	Premiums	Committees	Claims
Subsidiaries of the Company			
Línea Directa Asistencia, S.L.U.	-	-	66,572
Centro Avanzado de Reparaciones CAR, S.L.U.	-	-	11,192
Ambar Medline, S.L.U.	-	155	-
LDA Reparaciones, S.L.U.	-	-	2,808
Significant shareholders			
Bankinter, S.A.	381	6,017	-
Bankinter S.A., Sucursal en Portugal	67	-	-
Bankinter Consumer Finance, S.L.U.	884	15	-
Evo Banco, S.A.U	-	7	
Total at 31 December 2021	**1,332**	**6,194**	**80,572**

Claims-related transactions mainly relate to vehicle inspection services arranged with subsidiary company Línea Directa Asistencia, S.L.U., as well as roadside assistance and vehicle repair services by Centro Avanzado de Reparaciones CAR, S.L.U., a company that is also wholly owned by the Company.

Commission-based transactions accrue on the sale of Company policies through Bankinter, S.A., Bankinter S.A., Sucursal en Portugal, Evo Banco, S.A. and Ámbar Medline, S.L.U, the Company's exclusive agent.

b) Transactions due to services rendered and received

2022

	Expenses		Income	
Services rendered and received	**Services received**	**Interest and financial services**	**Services rendered**	**Finance income and leases**
Subsidiaries of the Company				
Línea Directa Asistencia, S.L.U.	2,606	-	173	16,000
Moto Club LDA, S.L.U.	-	-	3	-
Centro Avanzado de Reparaciones CAR, S.L.U.	29	-	57	125
LDA Reparaciones, S.L.U.	-	-	8	-
Ambar Medline, S.L.U.	-	-	8	-
LDActivos, S.L.U.	-	-	29	550
Significant shareholder				
Bankinter, S.A.	1,233	479	-	801
Bankinter Consumer Finance, S.L.U.	270	-	880	-
Bankinter, S.A. Sucursal en Portugal	43	-	-	-
Total at 31 December 2022	**4,181**	**479**	**1,158**	**17,476**

2022 individual financial statements (Expressed in thousand euro)

	2021			
	Expenses		Income	
Services rendered and received	Services received	Interest and financial services	Services rendered	Finance income and leases
Subsidiaries of the Company				
Línea Directa Asistencia, S.L.U.	2,754	-	144	2,500
Moto Club LDA, S.L.U.	-	-	3	-
Centro Avanzado de Reparaciones CAR, S.L.U.	28	-	1	109
LDA Reparaciones, S.L.U.	-	-	1	-
Ambar Medline, S.L.U.	-	-	8	-
LDActivos, S.L.U.	-	-	29	467
Significant shareholder				
Bankinter, S.A.	1,140	391	-	677
Bankinter Consumer Finance, S.L.U.	318	-	1,573	-
Bankinter, S.A. Sucursal em Portugal	20	-	-	-
Total at 31 December 2021	**4,260**	**391**	**1,759**	**3,753**

Transactions on services received from the subsidiary Línea Directa Asistencia, S.L.U. mainly relate to vehicle inspection services carried out prior to the arrangement of policies with policyholders, while financial income relates entirely to dividends charged to reserves distributed by this company (see Note 8.1.1.3).

Financial income received from LDActivos, S.L.U. is a product of the loan granted to that subsidiary by the Company, as described in Note 8.1.2) to these financial statements.

All transactions with Group companies were carried out at arm's length.

c) Balance sheet accounts with related parties

The following table shows balances with related parties at 31 December 2022 and 2021.

2022 individual financial statements (Expressed in thousand euro)

	Notes	Group companies	Jointly controlled companies	Associates	Significant shareholders	Total
Assets						
Equity instruments						
Holdings in group companies	8.1.1.3	69,494	-	-	-	69,494
Available-for-sale assets – Equity instruments	8.1.1.1	-	-	-	10,175	10,175
Debt securities						
Fixed-income securities	8.1.1.1	-	-	-	3,475	3,475
Loans	8.1.1.2	22,502	-	-		22,502
Cash and cash equivalents	9	-	-	-	20,500	20,500
Other receivables						
Other receivables	8.1.1.2	142	-	-	447	589
Other assets						
Accruals	8.1.1.1 and 8.1.1.2	14	-	-	34	48
At 31 December 2022		**92,152**	**-**	**-**	**34,631**	**126,783**
Liabilities						
Due to agents, brokers and intermediaries	13	-	-	-	-	0
Dividend outstanding	13 and 14	-	-	-	-	0
Due to group companies and associates	13	276	-	-	470	746
Provision for claims	10	6,837	-	-	-	6,837
At 31 December 2022		**7,113**	**0**	**0**	**470**	**7,583**

	Notes	Group companies	Jointly controlled companies	Associates	Significant shareholders	Total
Assets						
Equity instruments						
Holdings in group companies	8.1.1.3	65,785	-	-	-	65,785
Available-for-sale assets – Equity instruments	8.1.1.1	-	-	-	9,950	9,950
Debt securities						
Fixed-income securities	8.1.1.1	-	-	-	4,181	4,181
Loans	8.1.1.2	22,981	-	-		22,981
Cash and cash equivalents	9	-	-	-	63,334	63,334
Other receivables						
Other receivables	8.1.1.2	529	-	-	-	529
Other assets						
Accruals	8.1.1.1 and 8.1.1.2	4	-	-	34	38
At 31 December 2021		**89,229**	**-**	**-**	**77,499**	**166,798**
Liabilities						
Due to agents, brokers and intermediaries	13	-	-	-	-	0
Dividend outstanding	13 and 14	-	-	-	-	0
Due to group companies and associates	13	388	-	-	791	1,179
Provision for claims	10	6,239	-	-	-	6,239
At 31 December 2021		**6,627**	**0**	**0**	**791**	**7,418**

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16. Territorial distribution of the business

The Company operates entirely in Spain and Portugal. With respect to Portugal, the Group was authorised to operate in the Assistance segment on 25 September 2017. As this line of activity was residual and immaterial in both 2022 and 2021, it has not been deemed relevant to break down the information by geographical area.

17. Tax position

Following the IPO of Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros in April 2021, Bankinter, S.A. ceased to be the Parent for VAT purposes of the Insurance Group, comprising Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros, and several of its subsidiaries (Línea Directa Asistencia S.L.U., Centro Avanzado de Reparaciones, CAR, S.L.U., Ambar Medline, S.L.U. and LDA Reparaciones), leading to the departure of this Insurance Group from the VAT Group 128/09. Simultaneously and uninterruptedly, the Boards of Directors of these Companies agreed to re-qualify themselves with effective date 1 April 2021 for the Special Regime of Chapter IX of the Title of Law 37/1992 on Value Added Tax, thus forming the new VAT Group 0130/21, whose Parent Company is Línea Directa Aseguradora, S.A. Insurance and Reinsurance Company.

On 22 April 2015, Línea Directa Aseguradora, S.A. notified the tax authorities of its decision to file consolidated tax returns, as permitted under the Spanish Corporate Income Tax Law, thus forming and becoming the parent of a new consolidated tax group (Tax Consolidation Group No. 486/15) comprising the following companies:

	Tax no.
Parent	
Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros	A80871031
Subsidiaries	
LDActivos, S.L.U.	B86322880
Línea Directa Asistencia, S.L.U.	B80136922
Centro Avanzado de Reparaciones CAR, S.L.U.	B84811553
Ambar Medline, S.L.U.	B85658573
Moto Club LDA, S.L.U.	B83868083
LDA Reparaciones, S.L.U.	B87619961

Law 27/2014 of 27 November, on income tax, sets, inter alia, the tax rate payable by the Group in 2022 and 2021 at 25%.

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The reconciliation between accounting profit and taxable income for corporate income tax purposes in 2022 and 2021 is as follows:

	2022		2021	
	Statement of profit or loss	Income and expenses recognised directly in equity	Statement of profit or loss	Income and expenses recognised directly in equity
Accounting profit/(loss) for the year	**70,681**	-	**108,115**	-
Corporate income tax	17,652	-	33,582	-
Permanent differences:				
- Increases	2,108	-	2,768	-
- Reductions	(17,116)	-	(6,432)	-
Taxable profit/(loss)	**73,325**	**-**	**138,032**	**-**
Temporary differences:				
Originating in the year				
- Increases	22,314	98,305	1,818	1,375
- Reductions	-	-	-	-
Originating in previous years				
- Increases	4	-	2	-
- Reductions	(1,600)	-	(5,893)	-
Tax base	**94,043**	**98,305**	**133,959**	**1,375**

Details of current and deferred income tax expense recognised in the statement of profit or loss for 2022 and 2021 are as follows:

	2022	2021
Current tax expense	22,754	32,577
Adjustments to deferred taxes	(5,102)	1,005
Corporate income tax expense	**17,652**	**33,582**

Income tax expense recognised in 2022 and 2021 was calculated on the basis of the taxable profit/(loss) shown in the above table, as follows:

	2022	2021
Accounting profit/(loss) before tax	88,333	141,697
Tax rate	25%	25%
Tax payable	22,083	35,424
Deductions on tax payable	(756)	(1,072)
Adjustment for settlement of previous year CIS	(24)	146
Non-deductible expenses	527	692
Non-qualifying income	(4,279)	(1,608)
Other deductions and amounts utilised, net	100	-
Corporate income tax expense	**17,652**	**33,582**

In 2021, it was decided to reverse the contingent tax liabilities recognised under the heading "Provision for taxes and other legal contingencies" of the balance sheet, which, at 31 December 2020, amounted to 492 because the Company's directors estimated that there was only a remote possibility of being fined or sanctioned as a result of the different interpretations of the tax regulations applicable to the transactions.

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Statement of profit or loss

The permanent increases in 2022 are due to various transactions that are not deductible for corporate income tax purposes, specifically the contributions made by the company, linked to contingencies similar to pension plans, which are not tax deductible under article 14.2 of the Corporate Income Tax Act and the donations made by the company to the Línea Directa Foundation or other entities. The decreases in permanent differences in 2022 have their origin in the distribution of dividends made by Línea Directa Asistencia and the profits derived from repayments of shares for investments in companies and venture capital funds.

The amount of temporary differences arising in the year mainly consists of adjustments to provisions, which, according to Articles 13 and 14 of the Corporate Income Tax Law, are not deductible for tax purposes, as well as the application of part of the equalisation reserve. Reductions arising in prior years relate mainly to the reversal of positive adjustments to non-tax deductible provisions.

Income and expenses recognised directly in equity

Temporary changes originating in the year include the depreciation or revaluation of investments classified as available for sale.

Tax assets and liabilities

Tax assets and liabilities were as follows the end of 2022 and 2021:

	2022	2021
Receivable from the Tax Consolidation Group	**2,297**	**2,518**
Tax assets		
Current tax		
Corporate income tax – Tax Consolidation Group (Note 15)	1,650	3,855
Corporate income tax – Tax Consolidation Group 2020 (Note 15)	-	14,381
Withholdings for the year	950	668
Deferred tax		
Temporary differences	23,371	8,419
Tax liabilities		
Current tax		
Income tax payable – Tax Consolidation Group (Note 15)	-	-
Deferred tax		
Temporary differences	28,006	44,456

Current tax assets correspond to the amount of corporate income tax payable (receivable) for 2022 and 2021, net of payments on account and income tax withholdings for the year that will be settled in the following year.

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Tax assets due to temporary differences relate to temporary differences arising in the year and the tax effect on capital losses sustained on the "available-for-sale" investment portfolio. The temporary differences existing at 31 December 2022 will be reversed from 2023 onwards. Therefore, deferred corporate income tax is calculated by applying a tax rate of 25% to the deductible temporary differences arising at the end of the year (increases) and the reversal of deductible temporary differences from the previous year (reductions).

The deferred assets include an amount of € 6,161 thousand that was registered as a result of the Corporate Tax Inspection for the years 2011 to 2013 and which refers to contingencies of a temporary nature.

At 31 December 2022 and 2021, deferred tax liabilities relate to the tax effect on:

1. The balance arising from the equalisation reserve at year-end of € 24,137 thousand (€ 29,388 thousand in 2021), which will be paid to the tax authorities in the year in which that provision is posted. The reduction in the amount is due to the application of part of the equalisation reserve in 2022.

2. The tax impact of capital gains on the "available-for-sale" investment portfolio amounting to € 3,870 thousand (€ 15,066 thousand in 2021).

3. The tax impact of the carrying amount of certain assets acquired in 2012, 2011, 2010 and 2009 and which are fully depreciated for tax purposes, in accordance with Additional Provision 11 of the Corporate Income Tax Law, amounted to € 0 thousand (€ 0.9 thousand in 2021), as they were fully reversed in 2022.

The following table shows changes in deferred tax assets and liabilities in 2022:

		Originating in profit and loss		Originating in equity		
	Balance at 31.12.2021	**Additions**	**Retirements**	**Additions**	**Retirements**	**Balance at 31.12.2022**
Deferred assets						
Prepaid income tax	1,453	327	(477)	-	-	1,303
Capital losses on available-for-sale assets	611	-	-	13,380	-	13,911
Taxes deferred	6,161	-	-	-	-	6,161
Rights to deductions and rebates	94	-	-	74	-	168
Deductions to be applied	-	-	-	1,749	-	1,749
Tax deductions and bonuses to be credited	100	-	-	133	-233	-
Total	**8,419**	**327**	**(477)**	**15,335**	**(233)**	**23,371**
Deferred liabilities						
Tax effect of the Equalisation Reserve	(29,388)	-	-	-	5,252	(24,137)
Capital gains on the portfolio of available-for-sale assets	(15,066)	-	-	-	11,197	(3,870)
Liabilities – temporary differences from tax deduction for maintaining jobs	-	-	-	-	-	-
Total	**(44,455)**	**-**	**-**	**-**	**16,448**	**(28,006)**

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Inspections in progress

The statute of limitations of the Company's taxes are open for the last four years.

In relation to the tax agency's last inspection (income tax for financial years 2011, 2012 and 2013), the assessments signed in protest were appealed before the Central Tax Appeals Board (TEAC) in 2019, which delivered its decision on 13 December 2022, partially upholding the Company's claim. The Company plans to lodge a contentious-administrative appeal before the Audiencia Nacional to continue appealing the part rejected by the TEAC.

Pursuant to Inspection Order 51/2016 of 14 November 2016, inspection proceedings were initiated in relation to the surcharges payable to the Insurance Compensation Consortium (CSS) in 2016. On 22 December 2017, the Parent was notified of the findings and the corresponding arguments were then lodged by the Company on 25 January. On 21 June 2018, a resolution was received from the Directorate General of Insurance and Pension Funds. On 27 May 2019, a lawsuit was filed with the High Court of Justice in Madrid. The Court's ruling was received on 23 April 2021, in which the allegations presented by the Company were partially upheld. On 9 June 2021, the Company filed an appeal in cassation before the Supreme Court for the part of the ruling that was not upheld, having been admitted for processing on 21 December 2021 and specifying that the issue does present cassational interest. On 23 September 2022, the Supreme Court ruled in favour of the Directorate's criteria.

The Board of Directors does not believe that these proceedings will ultimately result in any significant contingency, control measure or any other risks that might have a significant impact on the Company's separate annual accounts.

18. Income and technical expenses by non-life insurance segment

Technical income and expenses for 2022 and 2021 are as follows:

2022

	Total	Motor, general liability insurance	Motor, other coverage	Home	Other insurance	Health
I.1.1. Direct insurance	946,679	356,046	416,741	143,713	1,097	29,082
I.1.3. Change in provision for outstanding premiums	(26)	(20)	(13)	(6)	-	13
I.2. Premiums from ceded reinsurance	(26,139)	(1,593)	(3,153)	(8,234)	(35)	(13,124)
I.3. Change in the provision for unearned premiums	(20,141)	(8,140)	(6,590)	(5,673)	3	259
I.3.1. Direct insurance	(20,141)	(8,140)	(6,590)	(5,673)	3	259
I.4. Change in the provision for unearned premiums on reinsurance	274	-	-	-	-	274
I. Total premiums earned, net of reinsurance	**900,647**	**346,293**	**406,985**	**129,800**	**1,065**	**16,504**
II.1. Income from investments in property, plant and equipment	127	80	47	-	-	-
II.2. Income from financial investments	34,702	16,851	9,897	5,119	39	2,796
II.3. Application of value adjustments for investments	110	69	41	-	-	-
II.3.2.Investments in property, plant and equipment	-	-	-	-	-	-
II.3.2.Financial investments	110	69	41	-	-	-
II.4. Gains/(losses) on realisation of investments	33,490	21,099	12,391	-	-	-
II.4.1.Investments in property, plant and equipment	-	.	.	-	-	-
II.4.2.Financial investments	33,490	21,099	12,391	-	-	-
II. Total investment income	**68,429**	**38,099**	**22,376**	**5,119**	**39**	**2,796**
III. Other technical income	-	-	-	-	-	-
IV.1. Claims paid	592,098	257,478	262,420	61,287	111	10,802
IV.1.1. Direct insurance	606,536	258,037	262,420	64,878	111	21,090
IV.1.3. Reinsurers' share	(14,438)	(559)	-	(3,591)	-	(10,288)
IV.2. Change in the provision for claims	34,536	19,635	6,244	7,947	(101)	811
IV.2.1. Direct insurance	33,372	20,697	6,250	4,934	(101)	1,592
IV.2.3. Reinsurers' share	1,164	(1,062)	(6)	3,013	.	(781)
IV.3. Claims-related expenses	57,881	34,319	8,050	12,804	-	2,708
IV. Total claims incurred in the period, net of reinsurance	**684,515**	**311,432**	**276,714**	**82,038**	**10**	**14,321**
V. Changes in technical provisions	-	-	-	-	-	-
VI. Profit sharing	**637**	**-**	**-**	**-**	**637**	**-**
VII.1. Acquisition expenses	180,012	60,427	70,936	36,121	54	12,474
VII.2. Administration expenses	25,632	6,160	12,506	5,869	11	1,086
VII.3. Reinsurance commissions and profit sharing	(4,232)	-	-	-	-	(4,232)
VII. Total net operating expenses	**201,412**	**66,587**	**83,442**	**41,990**	**65**	**9,328**
VIII. Change in equalisation provision	-	-	-	-	-	-
IX.1. Change in provision for insolvencies	-	-	-	-	-	-
IX.3. Change in provision for payments under claims settlement agreements	(22,750)	(23,380)	630	-	-	-
IX.4. Other technical expenses	5,729	1,731	3,514	241	-	243
IX. Other technical expenses	**(17,021)**	**(21,649)**	**4,144**	**241**	**-**	**243**
X.I. Investment management expenses	5.053	3,183	1,870	-	-	-
X.1.1.Expenses from managing investments in property, plant and equipment	2,062	1,299	763	-	-	-
X.1.2. Expenses from managing financial investments	2,991	1,884	1,107	-	-	-
X.2. Investment valuation adjustments	28	18	10	-	-	-
X.2.1. Depreciation of investments in property, plant and equipment	28	18	10	-	-	-
X.2.2. Impairment of investments in property, plant and equipment	-	-	-	-	-	-
X.2.3. From provisions for financial investments	-	-	-	-	-	-
X.3. Losses on investments	26,307	16,573	9,734	-	-	-
X.3.1. Losses on investments in property, plant and equipment	-	-	-	-	-	-
X.3.2. Losses on financial investments	26,307	16,573	9,734	-	-	-
X. Total investment expenses	**31,388**	**19,774**	**11,614**	**-**	**-**	**-**
Result of the non-life insurance technical account (I+II+III-IV-V-VI-VII-VIII-IX-X)	**68,145**	**8,248**	**53,447**	**10,650**	**392**	**(4,592)**

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2021

	Total	Motor, general liability insurance	Motor, other coverage	Home	Other insurance	Health
I.1.1. Direct insurance	907,189	341,746	406,354	131,243	1,397	26,449
I.1.3. Change in provision for outstanding premiums	331	220	92	(7)	-	26
I.2. Premiums from ceded reinsurance	(23,392)	(1,457)	(3,266)	(6,707)	(41)	(11,921)
I.3. Change in the provision for unearned premiums	(1,975)	3,229	374	(5,462)	32	(148)
I.3.1. Direct insurance	(1,975)	3,229	374	(5,462)	32	(148)
I.4. Change in the provision for unearned premiums on reinsurance	575	-	-	-	-	575
II. Total premiums earned, net of reinsurance	**882,728**	**343,738**	**403,554**	**119,067**	**1,388**	**14,981**
II.1. Income from investments in property, plant and equipment	164	103	61	-	-	-
II.2. Income from financial investments	31,918	15,677	9,263	4,511	51	2,416
II.3. Application of value adjustments for investments	167	105	62	-	-	-
II.3.2.Investments in property, plant and equipment	-	-	-	-	-	-
II.3.2.Financial investments	167	105	62	-	-	-
II.4. Gains/(losses) on realisation of investments	22,153	13,925	8,228	-	-	-
II.4.1.Investments in property, plant and equipment	21	13	8	-	-	-
II.4.2.Financial investments	22,132	13,912	8,220	-	-	-
II. Total investment income	**54,402**	**29,810**	**17,614**	**4,511**	**51**	**2,416**
III. Other technical income	-	-	-	-	-	-
IV.1. Claims paid	533,002	237,448	228,806	56,871	64	9,813
IV.1.1. Direct insurance	542,962	237,412	228,806	57,528	64	19,152
IV.1.3. Reinsurers' share	(9,960)	36	-	(657)	-	(9,339)
IV.2. Change in the provision for claims	13,015	5,611	7,896	(1,055)	(64)	627
IV.2.1. Direct insurance	20,116	9,622	7,839	1,402	(81)	1,334
IV.2.3. Reinsurers' share	(7,101)	(4,011)	57	(2,457)	17	(707)
IV.3. Claims-related expenses	54,442	33,861	7,660	10,410	-	2,511
IV. Total claims incurred in the period, net of reinsurance	**600,459**	**276,920**	**244,362**	**66,226**	**-**	**12,951**
V. Changes in technical provisions	-	-	-	-	-	-
VI. Profit sharing	**594**	**-**	**-**	**-**	**594**	**-**
VII.1. Acquisition expenses	181,770	61,599	72,635	34,368	98	13,070
VII.2. Administration expenses	26,167	7,137	12,394	5,521	14	1,101
VII.3. Reinsurance commissions and profit sharing	(5,024)	-	-	-	-	(5,024)
VII. Total net operating expenses	**202,913**	**68,736**	**85,029**	**39,889**	**112**	**9,147**
VIII. Change in equalisation provision	-	-	-	-	-	-
IX.1. Change in provision for insolvencies	-	-	-	-	-	-
IX.3. Change in provision for payments under claims settlement agreements	(24,489)	(25,344)	855	-	-	-
IX.4. Other technical expenses	1,711	590	1,023	5	-	93
IX. Other technical expenses	**(22,778)**	**(24,754)**	**1,878**	**5**	**-**	**93**
X.I. Investment management expenses	6,444	4,051	2,393	-	-	-
X.1.1.Expenses from managing investments in property, plant and equipment	1,961	1,233	728	-	-	-
X.1.2. Expenses from managing financial investments	4,483	2,818	1,665	-	-	-
X.2. Investment valuation adjustments	28	18	10	-	-	-
X.2.1. Depreciation of investments in property, plant and equipment	28	18	10	-	-	-
X.2.2. Impairment of investments in property, plant and equipment	-	-	-	-	-	-
X.2.3. From provisions for financial investments	-	-	-	-	-	-
X.3. Losses on investments	15,424	9,695	5,729	-	-	-
X.3.1. Losses on investments in property, plant and equipment	7	4	3	-	-	-
X.3.2. Losses on financial investments	15,417	9,691	5,726	-	-	-
X. Total investment expenses	**21,896**	**13,764**	**8,132**	**-**	**-**	**-**
Result of the non-life insurance technical account (I+II+III-IV-V-VI-VII-VIII-IX-X)	**134,046**	**38,882**	**81,767**	**17,458**	**733**	**(4,794)**

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19. Non-life technical result by year of occurrence

Technical results by year of occurrence for non-life segments for the years ended 31 December 2022 and 2021 are as follows:

2022

		Motor	Home	Health
I.	**Premiums earned (Direct)**	**767,514**	**139,879**	**28,675**
	Premiums net of cancellations	782,277	145,558	29,305
	+/- Change in provisions for unearned premiums	(14,730)	(5,673)	(643)
	+/- Change in provisions for outstanding premiums	(33)	(6)	13
II.	**Premiums from ceded reinsurance**	**4,745**	**8,234**	**12,850**
	Premiums net of cancellations	4,745	8,234	13,124
	+/- Change in provisions for unearned premiums	-	-	(274)
	A. Total premiums earned, net of reinsurance (I-II)	**762,769**	**131,645**	**15,825**
III.	**Claims incurred (Direct)**	**649,343**	**82,647**	**25,460**
	Benefits and expenses paid for claims incurred during the year, including attributable claims-related expenses	648,635	81,657	25,527
	Technical provisions for claims incurred during the year	708	990	(67)
IV.	**Claims incurred from reinsurance (ceded)**	**2,061**	**386**	**11,104**
	Benefits and expenses paid on claims incurred during the year	2,061	386	11,137
	Technical provisions for claims incurred during the year	-	-	(33)
	B. Total net reinsurance claims incurred (III-IV)	**647,282**	**82,261**	**14,356**
V.	**Acquisition costs**	**131,363**	**36,121**	**12,474**
VI.	**Administration expenses**	**18,666**	**5,869**	**1,086**
VII.	**Other technical expenses and income**	**(17,503)**	**241**	**243**
VIII.	**Commissions on ceded reinsurance**	**-**	**-**	**(4,232)**
IX.	**Technical financial income net of the same expenses**	**29,086**	**5,119**	**2,796**
	Profit/(loss)	**12,050**	**12,272**	**(5,306)**

2021

		Motor	Home	Health
X.	**Premiums earned (Direct)**	**761,668**	**127,603**	**25,146**
	Premiums net of cancellations	757,753	133,072	26,610
	+/- Change in provisions for unearned premiums	3,603	(5,462)	(1,490)
	+/- Change in provisions for outstanding premiums	312	(7)	26
XI.	**Premiums from ceded reinsurance**	**4,722**	**6,707**	**11,346**
	Premiums net of cancellations	4,722	6,707	11,921
	+/- Change in provisions for unearned premiums	-	-	(575)
	A. Total premiums earned, net of reinsurance (I-II)	**756,946**	**120,896**	**13,800**
XII.	**Claims incurred (Direct)**	**586,931**	**69,206**	**23,199**
	Benefits and expenses paid for claims incurred during the year, including attributable claims-related expenses	586,099	68,709	22,805
	Technical provisions for claims incurred during the year	832	497	394
XIII.	**Claims incurred from reinsurance (ceded)**	**3,787**	**2,813**	**10,148**
	Benefits and expenses paid on claims incurred during the year	3,787	2,813	9,951
	Technical provisions for claims incurred during the year	-	-	197
	B. Total net reinsurance claims incurred (III-IV)	**583,144**	**66,393**	**13,051**
XIV.	**Acquisition costs**	**134,233**	**34,368**	**13,070**
XV.	**Administration expenses**	**19,531**	**5,521**	**1,101**
XVI.	**Other technical expenses and income**	**(22,837)**	**5**	**93**
XVII.	**Commissions on ceded reinsurance**	**-**	**-**	**(5,024)**
XVIII.	**Technical financial income net of the same expenses**	**25,528**	**4,511**	**2,416**
	Profit/(loss)	**68,403**	**19,120**	**(6,075)**

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In the Health segment, a provision of € 2,378 thousand was posted in 2022 to cover unexpired risks (€ 3,280 thousand in 2021) (see Note 10).

In the other insurance segment, claims are settled at time of occurrence and there are no claims incurred arising from previous periods. Therefore, there is no difference between the technical account, which shows a positive result, and the account by time of occurrence, meaning it is not necessary to assign a provision for unexpired risks.

20. Remuneration and other benefits payable to the Bank's board of directors and Senior Management

a) Remuneration and benefits

The remuneration accrued by the Company's directors and Senior Management in 2022 amounted to € 1,103 thousand and € 3,957 thousand, respectively (€ 1,133 thousand and € 3,029 thousand, respectively, in 2021), as follows:

2022	Fixed salary	Variable salary	Remuneration in kind	Per diems/allowances	Consolidated social security	Total
Senior Management	3,371	380	187	-	58	3,996
Directors	830	22	31	221	-	1,104
Total	**4,201**	**353**	**218**	**221**	**58**	**5,100**

2021	Fixed salary	Variable salary	Remuneration in kind	Per diems/allowances	Consolidated social security	Total
Senior Management	2,191	417	177	-	63	2,848
Directors	816	74	26	209	8	1,133
Total	**3,007**	**491**	**203**	**209**	**71**	**3,981**

Senior Management comprises the Group's Management Team, without counting the current CEO and the former Chairman, who are named as directors, along with their fellow directors.

The Directors section includes the remuneration of the members of the Board of Directors in their capacity as such and for their executive functions. Remuneration for executive functions includes, in particular, that paid to the former Chief Executive Officer for the period running from 1 January 2022 to 17 February 2022, as well as the remuneration paid to the current Chief Executive Officer for her current functions as of 17 February 2022. The table does not include the remuneration received by the former Chief Executive Officer upon leaving the Company, who in 2022 received € 405 thousand for this item, with a total of € 270 thousand outstanding over the following three years.

The "Fixed salary" item of Senior Management includes the amounts accrued for the departure of members of the Management Committee, in accordance with prevailing law and regulations.

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The item "Variable salary" does not include amounts accrued during the year that are to be deferred to future years and which are subject to malus and clawback clauses. In 2022, the variable salary to be deferred over the next three financial years amounted to € 127 thousand for Senior Management. In the case of the Chief Executive Officer, the portion shown in the table relates to the non-deferred accrued portion of their salary, having accrued another portion in shares. The amount to be deferred over the following three years amounts to € 29 thousand, half of which will be received in cash and the other half in kind. The variable salary not included in the table above for 2021 that is deferred over the following three years amounts to € 278 thousand for Senior Management and € 39 thousand for the directors.

The heading "Allowances" shows, in 2022 and 2021, the amounts received by all individuals that held the position of Board member during the year, including the € 26 thousand received by two directors who stood down following the filing of the IPO prospectus with the CNMV.

The item "Consolidated social security" includes a defined contribution savings and retirement scheme in the form of a savings policy for the Group's Senior Management. The savings policy for the Group's Senior Management accrued € 58 thousand in 2022 and its mathematical provision at year-end came to € 664 thousand. In 2021, it accrued premiums of 63 million euros and its mathematical provision at year-end was 595 million euros. These premiums do not include any voluntary contributions made by the executives.

The Group also has a collective insurance policy in effect to formalise its retirement pension commitments with certain members of Senior Management and the CEO. These defined contribution policies are also externalised and regular contributions are made for the different members of the group (Note 21). In 2022, this policy generated premium payments of € 591 thousand (€ 1,118 thousand in 2021) and € 1,102 thousand was surrendered, while in 2021 there were no surrenders. The mathematical provision for pensions for members of Senior Management amounted to € 9,246 thousand at 31 December 2022 (€ 11,677 thousand in 2021). The contributions made are not shown in the table above because they are non-vested remuneration, since there are events and circumstances that may entail their non-payment in the future.

In 2022 and 2021, the Group paid € 55 thousand in D&O insurance premiums for members of Senior Management and other executives with decision-making powers at the Group.

At 31 December 2022 and 2021, no advances or loans had been granted by the Parent to the members of its Board of Directors or Senior Management and no obligations had been assumed on their behalf as way of guarantee or collateral.

21. Other expenses and other income

Expenses shown on the technical account for 2022 and 2021 are as follows:

	2022	2021
Change in provision for payments under settlement agreements (Note 12)	3,423	5.741
Change in certain recoveries due to settlement agreements	(2,531)	(7.448)
Payments and recoveries under claim settlement agreements	(23,642)	(22.782)
Expenses recognised at destination	5,729	1.711
Total other technical expenses	**(17,021)**	**(22.778)**

Other income and other expenses on the non-technical accounts are as follows:

	2022	2021
Costs of sending documentation to customers	43	247
Costs of distributing policies of other insurers	-	143
Total Other non-technical expenses	**43**	**390**
Intermediation income from credit cards and other insurers' policies	547	613
Commission payment for Insurance Compensation Consortium	629	596
Income from bank branch management	1,069	868
Income from management expenses passed on	622	230
Income from profit sharing in businesses delivered to Bankinter	450	957
Other sundry income	914	2,277
Total Other non-technical income	**4,231**	**5,541**

22. Other information

a) Guarantees with third parties

Guarantees provided to third parties amounted to € 1,874 thousand at 31 December 2022, mainly in the form of guarantees for investments in advertising (€ 1,874 thousand at 31 December 2021), and € 701 thousand in the form of court guarantees and deposits due on legal claims (€ 362 thousand at 31 December 2021).

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b) Staff expenses and average number of employees

The breakdown of staff expenses in 2022 and 2021 is as follows:

	2022	2021
Wages and salaries	80,799	75,815
Termination benefits	4,921	1,574
Other staff expenses	22,171	25,904
	107,891	**103,293**

The average number of employees on the payroll in 2022 and 2021, broken down by occupational category, is as follows:

	2022			2021		
	Total	Female	Male	Total	Female	Male
Managers	66	35	31	64	34	30
Expert professionals	345	165	180	343	168	175
Professionals	636	387	249	635	385	250
Staff	1,151	751	400	1,187	767	420
Total	**2,198**	**1,338**	**860**	**2,229**	**1,354**	**875**

Meanwhile, the distribution by gender of the Company's employees and directors, broken down by category and gender, was as follows at 31 December 2022 and 2021:

	2022			2021		
	Total	Female	Male	Total	Female	Male
Directors	7	4	3	6	3	3
Managers	69	36	33	64	34	30
Expert professionals	340	163	177	347	168	179
Professionals	619	379	240	643	388	255
Staff	1,134	734	400	1,173	762	411
Total	**2,169**	**1,316**	**853**	**2,233**	**1,355**	**875**

The average number of employees with a degree of disability greater than or equal to 33% is 33 (34 employees in 2021).

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c) Share-based remuneration plan

The Company's Chief Executive Officer and members of the Management Committee are included in an extraordinary remuneration plan of the Group, consisting of the delivery of shares over the three years following the IPO. The purpose of this Plan, which was approved at the General Shareholders' Meeting held on 18 March 2021, is to offer the subjects the possibility of receiving a certain number of shares in the three years following the date of IPO. Of the 13 participants in the Remuneration Plan, 12 are employees of the Company, while one of them is employed by another Group company, namely Línea Directa Asistencia. The main features of the plan are as follows:

i. The number of shares to be delivered per participant is the result of dividing € 100 thousand by the average share price over the thirty trading days following the date of the IPO. As this average price was 1.6339 euros, the number of shares to be delivered is 61,203 shares per participant. As there are thirteen participants in the Group's program, the remuneration plan would consist of the total distribution of 795,639 shares with a value of € 1,300 thousand, corresponding 734,436 shares to the 12 employees of the Company for a value of € 1,200 thousand.

ii. Term and vesting conditions: The plan guarantees the possibility of receiving 33% of the shares on the date of the first anniversary since the IPO (29 April 2022), the second batch of 33% on the second anniversary (29 April 2023), and the remaining 34% on the third anniversary (29 April 2024). To be entitled to each batch of shares, the participant must remain at the Company on the date of each of the three anniversaries, unless otherwise agreed or where their shares are protected in accordance with applicable law and regulations. If they do leave the Company, they will be entitled to keep any shares already received, unless such shares must be returned under the terms of the clawback clause.

The cost of the programme to the Company is recorded as a personnel expense and is offset by a reserve for treasury shares in equity in the balance sheet, which will be cancelled on the three anniversaries when the shares are delivered to the employees.

At 31 December 2021 and 2022, the staff expense accrued and recognised at the Company amounted to € 956 thousand. This allocation was made on the assumption that all plan members would meet the tenure condition on each anniversary.

The value of the incentive to be received in shares of the Company is assessed on the basis of the fair value of the equity instruments allocated at the grant date, considering the terms and conditions of the Plan. The number of equity instruments included when determining the amount of the transaction is adjusted each year through to the vesting date.

The Company had 637,586 treasury shares at 31 December 2022 with which to honour the Group's remuneration plan. Since 29 April 2021, the date of the IPO, on which the Company was awarded 239,678 own shares in the exchange of Bankinter shares, it has made successive acquisitions, all disclosed to the CNMV to complete the complete remuneration plan. The average purchase price of these shares was € 1.57 per share. Some shares were delivered in 2022, while the rest remain in equity. Details of treasury shares corresponding to the remuneration plan are as follows:

Acquisition date	Type of acquisition	Instruments	Price	Market value (thousand euro)	Acquisition cost (thousand euro)
29/04/2021	Exchange	239,678	1.32	316	316
04/05/2021	Purchase	186,570	1.61	300	300
06/05/2021	Purchase	94,700	1.58	150	150
21/07/2021	Purchase	64,332	1.77	114	114
22/07/2021	Purchase	85,957	1.73	150	150
23/07/2021	Purchase	59,702	1.74	104	104
26/07/2021	Purchase	27,293	1.76	48	48
27/07/2021	Purchase	23,183	1.75	41	41
28/07/2021	Purchase	14,228	1.75	24	24
01/05/2022	Delivery	-157,593	1.57	-247	-247
11/05/2022	Sale	-463	1.26	-1	-1
26/05/2022	Sale	-1	1.32	0	0
Total		**637,586**	**1.60**	**998**	**998**

The Company will deliver the corresponding shares to the employee of the subsidiary Línea Directa Asistencia on the three anniversaries, with the cost being borne by the subsidiary and the Entity receiving cash as consideration for the fair value of the shares delivered.

d) Employee share plans under the Flexible Remuneration programme.

At the end of 2022, employees were offered the opportunity to participate in a share purchase plan as part of their flexible remuneration, which was aimed at all employees of the Company with at least six months' tenure at the Company, excluding members of the Board of Directors.

It was a one-off programme lasting two months (November and December 2022) aimed at facilitating the acquisition of Línea Directa shares among employees through a flexible remuneration programme subject to a beneficial tax regime. The conditions for being able to include the plan in the flexible remuneration programme were as follows: the amount to be allocated would be capped at € 12,000 per year, the shares must be held for three years, and the delivery may not exceed the upper limit for overall remuneration in kind of 30% of the total remuneration, nor may the minimum wage be affected in any way.

The Plan was launched at a 5% discount on the share price. The Plan was approved by the Board of Directors in September and October 2022, following a report by the Appointments, Remuneration and Corporate Governance Committee.

Changes in treasury shares under the employee share ownership plan are as follows:

Acquisition date	Type of acquisition	Instruments	Price	Market value (thousand euro)	Acquisition cost (thousand euro)
15/11/2022	Acquisition under the employee programme	214,000	0.99	211	211
16/11/2022	Acquisition under the employee programme	10,000	0.94	9	9
22/11/2022	Delivered to employees	-104,529	0.96	-100	-100
22/12/2022	Delivered to employees	-100,147	1.00	-100	-100
Total		**19,324**	**1.07**	**20**	**20**

e) Audit fees

The following is a breakdown of the audit fees and other services provided by PricewaterhouseCoopers Auditores, S.L. during the year for the consolidated and separate financial statements of the consolidated companies (fees excluding expenses and VAT):

	2022	2021
Audit services*	241	250
Other services required by law	111	100
Other attest services	45	43
Total audit and related services	**397**	**393**
Total professional services	**397**	**393**

*The amount of audit services accrued refers to the audit fees for the annual financial statements of the entire Línea Directa Group.

The heading “Other services required by law” mainly shows the fees for the review of the report on the financial position and solvency of the Group and its subsidiaries, as well as for the independent external attest service under limited assurance of the Non-Financial Statement (NFS).

The main items included under “Other attest services” relate to the issuance of the agreed-upon procedures report on the Group’s Internal Control over Financial Reporting (ICFR) system, the limited review of the condensed consolidated interim financial statements for the year and limited reviews of the Group’s subsidiaries.

f) Financial structure

At 31 December 2022 and 2021, the Company was the head of the Línea Directa Aseguradora Group, whose subsidiaries are as follows:

Subsidiaries	Activity	Stake
Línea Directa Asistencia, S.L.U.	Vehicle inspections and roadside assistance	100%
Moto Club LDA, S.L.U.	Sundry services related to motorcycles	100%
Centro Avanzado de Reparaciones CAR, S.L.U.	Provision of vehicle repair services	100%
Ambar Medline, S.L.U.	Insurance brokerage	100%
LDActivos, S.L.U.	Asset management	100%
LDA Reparaciones, S.L.U.	Repair of home insurance claims	100%

In turn, Línea Directa Aseguradora S.A., Compañía de Seguros y Reaseguros, was part of the Bankinter Group and was consolidated commercially by global integration until the company's IPO on 29 April 2021.

On 17 July 2014, Fundación Línea Directa was founded through a non-refundable donation to the foundation's endowment fund. The Foundation strives to improve road safety by preventing and reducing road accidents, promoting responsible behaviour at the wheel, fostering education in road safety, getting involved in post-accident prevention, intervention and care activities for victims, while also carrying out whatever other actions may be conducive to the best achievement of its goals.

g) Information on the environment and on greenhouse gas emission allowances

The Company did not make any investments or incur any expenses in relation to environmental protection activities in 2022 and 2021.

The Company's directors consider that no significant contingencies exist when it comes to the environmental protection and improvement and do not consider it necessary to post any provision for environmental risks and expenses at 31 December 2022.

No amount has been allocated to these items, nor was there any changes in expenses or provisions in 2022, and nor were any forward contracts signed or grants received in relation to greenhouse gas emission allowances.

Information on conflicts of interest affecting directors and their related persons

At the end of 2022 and 2021, none of the Company's directors, nor any person related to them within the meaning of Article 229 of the Capital Companies Law (Ley de Sociedades de Capital), notified the other directors of any conflict they may have, either directly or indirectly, with the Company's own interests.

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h) Customer Service Department

The Customer Service Department operates in compliance with Order ECO 734/2004, of 11 March, on customer care departments and services of financial institutions, which seeks to regulate the requirements all such departments and services must meet.

The aim of the Customer Service Department (CCS) and the Consumer Ombudsman is to address and resolve any complaints or claims that any individual or legal entity may submit to the Company, guided by the principles of impartiality, speed, economy, publicity, due process and efficiency, and acting with total autonomy in respect of the Company's other departments with regard to the criteria and guidelines to be applied in discharging its functions so as to ensure fully independent decision-making.

In 2022, a total of 5,809 incidents were handled (6,207 incidents in 2021), 398 (6.85%) of which qualified as complaints (374 (6.03%) complaints in 2021) and 5,411 (93.15%) as claims (5,833 (93.97%) claims in 2021). Of the total, 20.86% related to Policy quoting and management, 69.48% to Accident management and 3.10% to the Roadside assistance service (2021: 23.23%, 68.52% and 2.66%, respectively).

The breakdown by type of case managed by the Group in 2022 and 2021 is as follows:

	2022		2021	
	Number	% of total	Number	% of total
Complaints	398	7%	374	6%
Claims	5,411	93%	5,833	94%
Total cases handled	**5,809**	**100%**	**6,207**	**100%**

The breakdown by department of the cases generated by the Group in 2022 and 2021 is as follows:

	2022		2020	
	Number	**% of total**	**Number**	**% of total**
Quotations and Policy Management	1,212	21%	1,442	23%
Accident management	4,036	69%	4,253	68%
Roadside assistance service	180	3%	165	3%
Other	381	7%	347	6%
Total cases handled	**5,809**	**100%**	**6,207**	**100%**

Main issues raised by customers:

1. Rejection of damage claim following expert inspection.
2. Delays in processing and repairing damage.

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3. Policy exclusions.
4. Policy cancellation, in relation to processing and reimbursement of unearned premiums.

Of the total complaints and claims received in 2022, 82.10% (73% in 2021) have been considered estimated and 38.13% valid (35.28% in 2021).

In 2022, a total of 428 cases were heard by the Consumer Ombudsman (801 cases in 2021). A decision was handed down against the insured claimants in 32.94% of these cases, which relate to the following main grievances:

- Application/interpretation of insurance cover and
- Valuation/compensation of claims.

The percentage of decisions delivered in favour of policyholders was up on the previous year, as 67.06% of decisions went with the policyholder in 2022, while in 2021 this figure was 41.82%.

In his report, the Consumer Ombudsman calls for prompter handling of claims so that, between LINEA DIRECTA and the Consumer Ombudsman, they can be resolved ahead of the maximum deadlines prescribed by applicable law and regulations on consumer affairs, pursuant to Royal Legislative Decree 1/2007, of 16 November. It also suggests that the general terms and conditions of the policies, containing their delimitation of risks, exclusions and limitation of liability clauses, should be signed at the same time as the special terms and conditions, whether the product is arranged remotely or via traditional channels.

23. Objectives, policies and procedures for managing risks arising from insurance contracts

Insurance business risk attaches mainly to non-life insurance contracts, which in turn consists of premium sub-risk (risk of sufficiency of premiums) and reserve sub-risk (risk of sufficiency of technical provisions).

The Company manages reinsurance as a primary tool for mitigating the premium and reserve sub-risks. Reinsurance also forms part of counterparty risk due to the risk of default of the amounts recoverable from the reinsurance companies.

Reinsurance policy

The reinsurance system used by the Group is based mainly on an Excess of Loss (XL) structure for each segment, so as to achieve protection against serious losses or catastrophic losses and events caused by natural phenomena not covered by the Insurance Compensation Consortium, using reinsurance to provide stability against this type of random natural catastrophes, for both occurrence and amount, and a quota share reinsurance contract for the health insurance segment signed in 2017.

On 1 September 2017, the Company entered into a quota share reinsurance contract for the health insurance business, which expires on 31 December 2029 and comes with a two-year renewal option. This contract includes an assignment of 50% of the premium income and claims cost of most of the policies of the Health segment.

The contract also includes a table of fixed and variable reinsurance commissions payable to the Company. The fixed commission is calculated as a percentage of the premium ceded and as a fixed amount until 2022. The variable commission is calculated on the basis of the premiums assigned during the term of the contract of the year, and the performance of the claims ratio during the agreed years from 2022 onward. These commissions are capped.

It also envisions profit sharing at the Company if positive technical results are obtained.

In the case of the early termination, compensation will be paid due to cancellation by any of the parties if they are unable to reach an agreement or in any other situation that frustrates the continuation and normal performance of the contract. However, early termination clauses that may pose a threat to the effective transfer of risks and rewards relate in all cases to extremely remote situations.

The performance of the technical result and the credit recognised by the Company will depend on the changes in the main technical aggregates, such as premiums, claims incurred, and acquisition and administrative expenses. There may therefore be differences in respect of the business plan defined by the Group.

Reinsurers must be filed with the National Financial Services Commission, CNSF (Comisión Nacional de Servicios Financieros) and comply with strict security requirements. They must also possess outstanding ratings that demonstrate their financial solvency. Foreign entities must present a certificate of residence in Spain.

The criteria followed for establishing the reinsurance network requires at least an ‘A’ rating of reinsurance companies. However, a deposit clause will be included in contracts of reinsurance companies with an S&P of rating below AA-. Any exception is approved by the Board of Directors.

The ratings of the various entities that are included in the reinsurance network are reviewed on a quarterly basis, with monitoring of the credit risk ratings published by Standard & Poor's, to control any changes in probability of default of the commitments undertaken.

Premium sub-risk

The Technical Department of Línea Directa Aseguradora adjusts products and prices in accordance with the Company’s general strategy. All these modifications are supported by actuarial analyses documented in the related technical notes and approved by the Technical Committee, which is the body responsible for managing this sub-risk. The Health segment is monitored by the Health Technical Area.

The Technical Committee takes operational decisions that affect prices and risk underwriting terms for the products offered by Línea Directa Aseguradora, ensuring that they are consistent with the strategy and objectives established by the Board of Directors. To do so, it considers the proposals presented by the Technical

Department, also taking into account data on the position of the business and the outlook provided by the different business areas.

Reserve sub-risk

On 29 December 2021, the General Directorate of Insurance and Pension Funds sent a resolution of the application file for a change in the statistical methodology used in the automotive sector, in which it authorises Línea Directa Aseguradora to calculate the technical provisions of benefits in the motor sector using the Merz & Wüthrich stochastic methodology, and the deterministic methodology of average cost as a contrast methodology. The methodological change was first applied at year-end 2021 and has not had a significant impact compared to the previous methodology.

To estimate the provision for claims in the home, other insurance, health and medical assistance segments, the Company analyses each claim on its merits.

The Claims and Reserves Committee is responsible for managing the Company's reserve risk and reinsurance credit risk. It functions are to monitor the Company's reserves and provisions to ensure adequate coverage of claims, and to approve changes in the policies for the opening and provisioning of claims for all the different levels of coverage and guarantee, thus ensuring the adequacy of reserves, in accordance with the guidelines approved by the Company's Board of Directors.

Furthermore, to ensure that the Company complies with the obligations arising from Additional Provision 18 of Law 20/2015 of 14 July, and so that the technical provisions reflect the obligations arising from the contracts underwritten, the controls listed below have been put in place to post the provision for claims:

- Analysis of the trend in subsequent periods of cost deviations of claims occurring before the end of each period. The analysis is carried out on the basis of claims incurred and reported at the end of the reference period. Its purpose is to check and to correct possible cost deviations that occur in claims of those referred to as "long tail", which are caused as a result of not having sufficient information at the reporting date to properly assess them.

- Performance of monthly and quarterly forecasts of claim costs

- The Company's reserves position is also analysed by independent consultants at least once a year, which is submitted to the Board of Directors.

Concentrations of insurance risk

The Company's insurance business is mainly located in Spain, with no particularly significant concentration in any given geographical area.

The following table shows the premium concentration for those autonomous communities of Spain with a concentration of above 5% for 2022 and 2021:

	2022	2021
Andalusia	23.2%	23.2%
Catalonia	20.8%	20.9%
Madrid	12.7%	12.3%
Valencian Community	12.2%	12.3%
Murcia	4.8%	4.8%
Other	26.3%	26.6%
Total	**100%**	**100%**

The Company's business focuses on non-life segments (mainly motor risks), which, in terms of insurance premiums, show the following distribution:

2022

	Total	Risks – Motor	Home Risks	Risks – Other insurance	Risks – Health
Premiums written	946,679	772,787	143,713	1,097	29,082
Premiums ceded	(26,139)	(4,746)	(8,234)	(35)	(13,124)

2021

	Total	Risks – Motor	Home Risks	Risks – Other insurance	Risks – Health
Premiums written	907,189	748,100	131,243	1,397	26,449
Premiums ceded	(23,392)	(4,723)	(6,707)	(41)	(11,921)

24. Events after the reporting period

No significant events have occurred after the end of 2022 and up to the date of authorisation for issue of these annual accounts.

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linea directa

Management Report

1. Business performance

The year 2022 saw clear signs of a slowdown in global economic activity, due, among other factors, to the ongoing war in Ukraine, high inflation rates and the tightening of monetary policies. However, economic activity held up well, partly due to the buoyancy of the labour markets and the fiscal policy measures rolled out.

Despite the difficult economic conditions throughout the year, the Company achieved net earned reinsurance premiums for the year of 901 million euros, up 2.03% on the previous year. This premium growth was accompanied by a 3.41% increase in the number of customers compared to 2021, reaching 3.5 million customers on the books.

The technical result, however, showed a profit of 68.15 million euros, down 49.16% on the profit obtained in 2021. The main factor behind this decline is the increase in claims incurred during the year to 76.00%, compared to 68.02% in 2021 as a result of inflationary pressures on the cost of claims. The cost of claims was particularly impacted by the marked increase in repair and replacement costs, the higher injury expense and the 13% increase in fatal accidents, plus the ageing of the car population, with a higher claims frequency.

The financial result amounted to 37 million euros, up 13.9% on the previous year, mainly due to the increase in net realised capital gains. These capital gains mainly include gains on foreign currency profiting from the rise in the dollar and gains from the sale of investment funds prior to the introduction of IFRS 9, in order to avoid volatility in the result by recognising changes in valuation through the statement of profit or loss for this type of financial asset. The average rate of return was 2.48% for fixed income securities and 11.55% for equities.

The Company has continued to pursue its investment policy with the aim of guaranteeing the security, liquidity and profitability of its investments, applying principles of dispersion and diversification and ensuring a suitable mix of investment maturities (terms) in respect of the technical liabilities to be covered, in a bid to mitigate market, credit, liquidity and cash flow risks.

2. Financial position and equity

The solvency ratio, calculated in accordance with Solvency II regulations, was 188% at the end of 2022, compared to 186% in 2021.

3. Outlook for 2023

The outlook for 2023 points to a slowdown in growth globally due to high inflation, rising interest rates, reduced investment and disruptions caused by Russia’s invasion of Ukraine. The global economy is forecast to grow by 1.7% in 2023 and 2.7% in 2024.

The US Federal Reserve raised the interest rate to 4.5% in December, with the possibility of further hikes. Meanwhile, on 2 February 2023, the ECB increased rates for the fifth consecutive meeting, putting the price of money at 3%, the highest since November 2008. In addition, the ECB is likely to see the need for a further hike and thereafter it is probable that it will evaluate the pace of the increases, depending on macroeconomic data.

With regard to the Spanish market, the Bank of Spain has cut its forecast for GDP in 2023 by 0.1 p.p. to 1.3%, above all as a result of the worsening of the external backdrop. The bank has also revised average GDP growth in 2024 downwards by 0.2 p.p. to 2.7%. This is mainly due to the likely extension in 2023 of some of the measures in force during 2022 to ease the impact of the energy crisis, whose withdrawal at the beginning of 2024 will have a negative impact on activity in the year.

The weakness of consumption due to inflationary pressures and the high level of uncertainty is one of the main factors behind the modest growth in GDP forecast, although it is premature to rule out any scenario in such a volatile context.

The dynamics of Spanish economic activity are expected to remain very weak over the coming months. At the start of 2023 inflationary pressures are expected to remain high, with financial conditions continuing to tighten and confidence levels still low. These conditions are expected to improve in the second half of the year.

Initially, the reduction in inflation will be determined by the energy component. The easing in the pace of food price growth and the fall in the underlying inflation rate will take a little longer to occur.
In a nutshell, 2023 will be a year where the macroeconomic context will continue to impact the Company's business performance, especially in the early stages of the year.

In the Motor Segment, growth is expected to accelerate, although margin pressure will persist, especially in the first part of the year as a result of the inflationary shock. The cost of claims will continue to be impacted by the sharp increase in repair and replacement costs. For 2023 the injury scale includes an 8.5% increase linked to the pension revaluation index.

Real estate market activity continues to grow, although there are signs of slowdown in a context that has caused the Euribor to exceed 3% with the resulting increase in the cost of household mortgage loans. In the Home segment, the Company expects significant growth in its premiums with average premiums rising. The frequency and intensity of weather events will continue to be one of the factors shaping the performance of the ratio of claims incurred in this segment.

The Health segment will continue to consolidate and we expect it to continue to deliver significant growth. The cost of claims will still reflect the increase in healthcare costs and hospital fees.
Finally, the expense figure will be very contained and below the growth of revenues, within the Company's policy of maintaining strict control of overhead expenses.

4. Information on deferred payments to suppliers

The Company settles payments to suppliers before the legal deadlines (30 days) and in certain specific cases as per the conditions explicitly agreed upon with the suppliers, without in any case exceeding 60 days. The average payment period to suppliers is 20.82 days.

5. Transactions with treasury shares

a) Share-based remuneration plan

The Company's Chief Executive Officer and members of the Management Committee are included in an extraordinary remuneration plan of the Group, consisting of the delivery of shares over the three years following the IPO. The purpose of this Plan, which was approved at the General Shareholders' Meeting held on 18 March 2021, is to offer the subjects the possibility of receiving a certain number of shares in the three years following the date of IPO. Of the 13 participants in the Remuneration Plan, 12 are employees of the Company, while one of them is employed by another Group company, namely Línea Directa Asistencia. The main features of the plan are as follows:

iii. The number of shares to be delivered per participant is the result of dividing € 100 thousand by the average share price over the thirty trading days following the date of the IPO. As this average price was 1.6339 euros, the number of shares to be delivered is 61,203 shares per participant. As there are thirteen participants in the Group's program, the remuneration plan would consist of the total distribution of 795,639 shares with a value of € 1,300 thousand, corresponding 734,436 shares to the 12 employees of the Company for a value of € 1,200 thousand.

iv. Term and vesting conditions: The plan guarantees the possibility of receiving 33% of the shares on the date of the first anniversary since the IPO (29 April 2022), the second batch of 33% on the second anniversary (29 April 2023), and the remaining 34% on the third anniversary (29 April 2024). To be entitled to each batch of shares, the participant must remain at the Company on the date of each of the three anniversaries, unless otherwise agreed or where their shares are protected in accordance with applicable law and regulations. If they do leave the Company, they will be entitled to keep any shares already received, unless such shares must be returned under the terms of the clawback clause.

The cost of the programme to the Company is recorded as a personnel expense and is offset by a reserve for treasury shares in equity in the balance sheet, which will be cancelled on the three anniversaries when the shares are delivered to the employees.

At 31 December 2021 and 2022, the staff expense accrued and recognised at the Company amounted to € 956 thousand. This allocation was made on the assumption that all plan members would meet the tenure condition on each anniversary.

The value of the incentive to be received in shares of the Company is assessed on the basis of the fair value of the equity instruments allocated at the grant date, considering the terms and conditions of the Plan. The number of equity instruments included when determining the amount of the transaction is adjusted each year through to the vesting date.

The Company had 637,586 treasury shares at 31 December 2022 with which to honour the Group's remuneration plan. Since 29 April 2021, the date of the IPO, on which the Company was awarded 239,678 own shares in the exchange of Bankinter shares, it has made successive acquisitions, all disclosed to the CNMV to complete the complete remuneration plan. The average purchase price of these shares was € 1.57 per share. Some shares were delivered in 2022, while the rest remain in equity.

The Company will deliver the corresponding shares to the employee of the subsidiary Línea Directa Asistencia on the three anniversaries, with the cost being borne by the subsidiary and the Entity receiving cash as consideration for the fair value of the shares delivered.

b) Employee share plans under the Flexible Remuneration programme.

At the end of 2022, employees were offered the opportunity to participate in a share purchase plan as part of their flexible remuneration, which was aimed at all employees of the Company with at least six months' tenure at the Company, excluding members of the Board of Directors.

It was a one-off programme lasting two months (November and December 2022) aimed at facilitating the acquisition of Línea Directa shares among employees through a flexible remuneration programme subject to a beneficial tax regime. The conditions for being able to include the plan in the flexible remuneration programme were as follows: the amount to be allocated would be capped at € 12,000 per year, the shares must be held for three years, and the delivery may not exceed the upper limit for overall remuneration in kind of 30% of the total remuneration, nor may the minimum wage be affected in any way.

The Plan was launched at a 5% discount on the share price. The Plan was approved by the Board of Directors in September and October 2022, following a report by the Appointments, Remuneration and Corporate Governance Committee.

6. Use of derivative financial instruments

At 31 December 2022, the Company held an interest rate swap (IRS) to hedge against rising interest rates for an initial term of 11 years (two swaps at 31 December 2021 with a term of 15 years). It has been found to be fully compliant with the effectiveness criteria for this type of financial instrument.

7. Events after the reporting date

There have been no significant events subsequent to the reporting date.

8. Research and development

The Company continued to engage in research and development activities in 2022, involving the development of advanced IT applications applied to motor insurance management.

9. Information on employees

At 31 December 2022 the Company's workforce comprised 1,316 women and 853 men, of whom 32 were employees with a degree of disability equal to or greater than 33%.

10. Claims and Consumer Ombudsman

In accordance with Order ECO/734/2004 of 11 March, the Línea Directa Customer Service Department and the Consumer Ombudsman have drawn up reports to explain their activities and performance in 2022. These reports are summarised below:

a) Complaints and claims – 2022

In 2022, a total of 5,809 incidents were handled (6,207 incidents in 2021), 398 (6.85%) of which qualified as complaints (374 (6.03%) complaints in 2021) and 5,411 (93.15%) as claims (5,833 (93.97%) claims in 2021). Of the total, 20.86% related to Policy quoting and management, 69.48% to Accident management and 3.10% to the Roadside assistance service (2021: 23.23%, 68.52% and 2.66%, respectively).

Main issues raised by customers:

1. Rejection of damage claim following expert inspection.
2. Delays in handling cases, carrying out appraisals and valuations and repairing damage.
3. Policy exclusions.
4. Policy cancellation, in relation to processing and reimbursement of unearned premiums.

Of the total complaints and claims received in 2022, 82.10% (73% in 2021) have been considered estimated and 38.13% valid (35.28% in 2021).

b) Consumer Ombudsman:

In 2022, a total of 428 cases were heard by the Consumer Ombudsman (801 cases in 2021). A decision was handed down against the insured claimants in 32.94% of these cases, which relate to the following main grievances:

- application/interpretation of insurance cover and guarantees.
- valuation/compensation of claims.

The percentage of decisions delivered in favour of policyholders was up on the previous year, as 67.06% of decisions went with the policyholder in 2022, while in 2021 this figure was 41.82%.

In his report, the Consumer Ombudsman calls for prompter handling of claims so that, between LINEA DIRECTA and the Consumer Ombudsman, they can be resolved ahead of the maximum deadlines prescribed by applicable law and regulations on consumer affairs, pursuant to Royal Legislative Decree 1/2007, of 16 November. He also suggests that the general terms and conditions of the policies, containing their delimitation of risks, exclusions and limitation of liability clauses, should be signed at the same time as the special terms and conditions, whether the product is arranged remotely or via traditional channels.

11. Other non-financial information

The Company is exempt from disclosing the non-financial information set out in Law 11/2018, of 28 December, as this information is included in a separate report, namely the "Statement of Consolidated Non-Financial Information – 2022" of the Línea Directa Aseguradora Group, the scope of consolidation of which includes the Company. The consolidated annual accounts, together with the consolidated management report in which this statement is included, will be filed with the Mercantile Registry of Madrid.

12. Annual corporate governance report, ICFR and annual report on directors remuneration.

For the purposes of Article 538 of the Corporate Enterprises Act, the consolidated Management Report includes the Annual Corporate Governance Report (ACGR), Internal Control over Financial Reporting (ICFR) and the Annual Report on Director Remuneration (ARDR) of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros, all for the year ended 2022. Both reports are available and can be consulted in full on the website of the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores, or CNMV) and on the corporate website.

AUTHORISATION FOR ISSUE BY THE BOARD OF DIRECTORS

The Board of Directors of LÍNEA DIRECTA ASEGURADORA, S.A. COMPAÑÍA DE SEGUROS Y REASEGUROS, at its meeting of 23 February 2023, and in compliance with the requirements set out in Article 253 of the Revised Text of the Capital Enterprises Law and Article 37 of the Commercial Code, drew up and authorised for issue the annual financial statements of LINEA DIRECTA ASEGURADORA, S.A. COMPAÑÍA DE SEGUROS Y REASEGUROS and the Management Report contained herein, in relation to financial year 2022.

Alfonso Botín-Sanz de Sautuola y Naveda Chairman	Miguel Ángel Merino González Director
Rita Estevez Luaña Director	Elena Otero-Novas Miranda Director
John de Zulueta Greenebaum Director	Ana María Plaza Arregui Director
Fernando Masaveu Herrero Director	

Statement to confirm that the above signatures correspond to those of all the members of the Board of Directors of LINEA DIRECTA ASEGURADORA, S.A. COMPAÑÍA DE SEGUROS Y REASEGUROS, all of whom, at the meeting of the Board of Directors held on 23 February 2023, drew up and signed the annual financial statements and management report of LINEA DIRECTA ASEGURADORA, S.A. COMPAÑÍA DE SEGUROS Y REASEGUROS for financial year 2022, in accordance with Article 253 of the Capital Enterprises Law.

Pablo González-Schwitters Grimaldo
Secretary to the Board of Directors