
# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Línea Directa Aseguradora, S.A., Compañía de seguros y Reaseguros y sociedades dependientes.

June 2023

# 1

# Condensed consolidated interim financial statements

June 2023

linea directa

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

Condensed consolidated interim financial statements and consolidated interim management report at 30 June 2023.

The English version is a translation of the original in Spanish made by Linea Directa Aseguradora, S.A on his sole responsibility and shall not be considered official. In case of discrepancy, the Spanish version shall prevail

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

## Condensed consolidated balance sheets at 30 June 2023 and 31 December 2022
(in thousand euro)

| ASSETS | Notes | 2023 | 2022 |
|---|---|---|---|
| **A-1) Cash and cash equivalents** | | **40,104** | **51,661** |
| **A-2) Financial assets at fair value through profit or loss** | **8 a)** | **54,629** | **48,818** |
| I. Equity instruments | | 54,629 | 48,818 |
| **A-3) Financial assets at fair value through equity** | **8 a)** | **740,374** | **690,846** |
| I. Equity instruments | | 65,202 | 72,068 |
| II. Debt securities | | 675,172 | 618,778 |
| **A-4) Financial assets at amortised cost** | **8 a)** | **33,756** | **32,403** |
| III. Deposits with credit institutions | | 6,564 | 4,515 |
| V. Receivables on direct insurance business | | 14,345 | 10,030 |
| 1. Policyholders | | 14,345 | 10,030 |
| VI. Receivables on reinsurance business | | 6,344 | 12,290 |
| IX. Other receivables | | 6,503 | 5,568 |
| 1. Tax and social security receivable | | 1,142 | 1,265 |
| 2. Other receivables | | 5,361 | 4,303 |
| **A-5) Hedging derivatives** | **8 a)** | **7,777** | **7,808** |
| **A-6) Assets under reinsurance contracts** | **12** | **27,908** | **21,956** |
| II. Non-life | | 27,908 | 21,956 |
| 2. Simplified approach (PAA) | | 27,908 | 21,956 |
| 2.1. Provisions for remaining coverage | | 8,859 | 6,466 |
| 2.2. Provisions for claims incurred | | 19,049 | 15,490 |
| **A-7) Property, plant and equipment and investment property** | **9** | **109,650** | **110,044** |
| I. Tangible fixed assets | | 44,102 | 45,368 |
| II. Investment property | | 65,548 | 64,676 |
| **A-8) Intangible assets** | **11** | **15,308** | **14,482** |
| III. Other intangible assets | | 15,308 | 14,482 |
| **A-10) Tax assets** | | **25,699** | **26,861** |
| I. Current tax assets | | 7,902 | 3,397 |
| II. Deferred tax assets | | 17,797 | 23,464 |
| **A-11) Any other assets** | | **9,619** | **7,577** |
| III. Accruals | | 6,323 | 3,326 |
| IV. Other assets | | 3,296 | 4,251 |
| **TOTAL ASSETS** | | **1,064,824** | **1,012,456** |

Notes 1 to 17 of the accompanying condensed consolidated financial statements form an integral part of these condensed consolidated interim financial statements at 30 June 2023.

## Condensed consolidated balance sheets at 30 June 2023 and 31 December 2022
(in thousand euro)

| LIABILITIES | Notes | 2023 | 2022 |
|---|---|---|---|
| **A-2) Financial liabilities at amortised cost** | | **55,457** | **59,288** |
| III. Due on direct insurance business | | 2,963 | 2,490 |
| 1. Due to policyholders | | 2,629 | 2,009 |
| 2. Due to agents, brokers and intermediaries | | 332 | 481 |
| 3. Conditional claims | | 2 | - |
| IV. Due on reinsurance business | | 1,060 | 1,363 |
| IX. Other debts | | 51,434 | 55,435 |
| 1. Taxes and social security payable | | 13,516 | 15,520 |
| 3. Other debts | | 37,918 | 39,915 |
| **A-4) Liabilities under insurance contracts** | **12** | **682,669** | **620,312** |
| II. Non-life | | 682,669 | 620,312 |
| 2. Simplified approach (PAA) | | 682,669 | 620,312 |
| 2.1. Provisions for remaining coverage | | 342,801 | 335,087 |
| 2.2. Provisions for claims incurred | | 339,868 | 285,226 |
| **A-5) Non-technical provisions** | | **666** | **780** |
| III. Provisions other than technical provisions | | 666 | 780 |
| **A-6) Tax liabilities** | | **32,063** | **31,459** |
| II. Deferred tax liabilities | | 32,063 | 31,459 |
| **A-7) Other liabilities** | | **61** | **286** |
| III. Any other liabilities | | 61 | 286 |
| **TOTAL LIABILITIES** | | **770,915** | **712,125** |
| **B-1) Equity** | | **318,424** | **324,243** |
| I. Share capital | | 43,537 | 43,537 |
| 1. Subscribed capital | | 43,537 | 43,537 |
| III. Reserves | | 290,752 | 271,079 |
| 1. Legal and bylaw reserves | | 9,046 | 9,045 |
| 2. Other reserves | | 281,706 | 262,034 |
| IV. (Own shares) | | (772) | (1,018) |
| VII. Profit/(loss) for the year | | (15,093) | 63,126 |
| VIII. (Interim dividend) | **5** | - | (52,481) |
| **B-2) Valuation adjustments** | | **(24,516)** | **(23,912)** |
| I. Financial assets at fair value through equity | | (30,275) | (29,856) |
| II. Changes in fair value of liabilities for insurance and reinsurance contracts | | 5,759 | 5,944 |
| **TOTAL EQUITY** | | **293,908** | **300,331** |
| **TOTAL LIABILITIES AND EQUITY** | | **1,064,824** | **1,012,456** |

Notes 1 to 17 of the accompanying condensed consolidated financial statements form an integral part of these condensed consolidated interim financial statements at 30 June 2023.

## Condensed consolidated statements of profit or loss at 30 June 2023 and 2022
(in thousand euro)

| NON-LIFE STATEMENT OF PROFIT OR LOSS | Notes | 2023 | 2022 |
|---|---|---|---|
| **INCOME FROM ORDINARY INSURANCE BUSINESS** | | **473,663** | **454,195** |
| **Income from contracts measured under the premium allocation approach (PAA)** | | 473,663 | 454,195 |
| 1. Premiums earned in the period. | | 473,818 | 454,217 |
| 2. Change in impairment of outstanding premiums receivable | 12 | (155) | (22) |
| **EXPENSES OF ORDINARY INSURANCE BUSINESS** | | **(507,903)** | **(405,221)** |
| **Expenses for claims incurred** | 12 | (507,903) | (405,221) |
| 1. Claims incurred | | (295,764) | (252,088) |
| 2. Change in provision for claims incurred (+ / -) | 4 | (47,308) | 8,135 |
| 3. Expenses incurred | | (164,831) | (161,268) |
| **REINSURANCE RECOVERABLES** | | **(2,267)** | **(3,165)** |
| **Income from reinsurance recoverables** | | 9,403 | 9,408 |
| 1. Recoverables for claims incurred | | 5,363 | 5,696 |
| 2. Change in provision for claims incurred | | 3,926 | 1,248 |
| 3. Commissions and profit participation in ceded and retroceded reinsurance | 4 | 114 | 2,463 |
| 4. Change in reinsurer default risk | | - | 1 |
| **Reinsurance expenses** | | (11,670) | (12,573) |
| 2. Premium allocation under premium allocation approach (PAA) | 12 | (11,670) | (12,573) |
| **INSURANCE TECHNICAL RESULT** | | **(36,507)** | **45,809** |
| | | | |
| **FINANCE INCOME** | | **18,403** | **20,082** |
| 1. Income from financial investments | | 12,607 | 12,467 |
| 2. Application of value adjustments for investments | 12 | 1,691 | 408 |
| 3. Gains/(losses) on realisation of investments | | 4,105 | 6,512 |
| 6. Positive exchange rate and conversion differences | | - | 695 |
| **FINANCE COSTS** | | **(4,591)** | **(1,652)** |
| 1. Accrued interest on direct insurance and accepted reinsurance | | (1,319) | 403 |
| 2. Accrued interest on ceded reinsurance | | 41 | (14) |
| 3. Value adjustments for investments | | (2) | - |
| 4. Losses on investments | | (3,246) | (2,041) |
| 6. Negative exchange rate and conversion differences | | (65) | - |
| **FINANCIAL RESULT** | | **13,813** | **18,430** |
| | | | |
| **INCOME FROM PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY** | 4 | **2,333** | **2,172** |
| 1. Income from investment property | | 2,333 | 2,172 |
| **EXPENSES FROM PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY** | | **(612)** | **(647)** |
| 1. Management expenses from property, plant and equipment and investment property | | (206) | (241) |
| 2. Depreciation of property, plant and equipment and investment property | | (406) | (406) |
| **NET INCOME FROM INSURANCE AND INVESTMENTS** | | **(20,973)** | **65,764** |

Notes 1 to 17 of the accompanying condensed consolidated financial statements form an integral part of these condensed consolidated interim financial statements at 30 June 2023.

## Condensed consolidated statements of profit or loss at 30 June 2023 and 2022
(in thousand euro)

| OTHER ACTIVITIES | Notes | 2023 | 2022 |
|---|---|---|---|
| **Other income** | | **2,893** | **3,927** |
| Other income | | 2,893 | 3,927 |
| **Other expenses** | | **(1,803)** | **(2,176)** |
| Other expenses | | (1,803) | (2,176) |
| **Subtotal (Profit or loss from other activities)** | | **1,090** | **1,751** |
| **Profit/(loss) before tax** | | **(19,883)** | **67,516** |
| **Income tax** | | 4,790 | (16,841) |
| **Profit/(loss) for the year** | | **(15,093)** | **50,675** |
| Profit/(loss) attributable to the Parent Company | | (15,093) | 50,675 |
| Profit/(loss) attributable to non-controlling interests | | - | - |
| Basic earnings/losses per share (in euros) | 6 | (0.01) | 0.05 |
| Diluted earnings/losses per share (in euros) | 6 | (0.01) | 0.05 |

Notes 1 to 17 of the accompanying condensed consolidated financial statements form an integral part of these condensed consolidated interim financial statements at 30 June 2023.

## Condensed consolidated statements of other comprehensive income at 30 June 2023 and 2022

(in thousand euro)

| | Notes | 30/06/2023 | 30/06/2022 |
|---|---|---|---|
| **Profit/(loss) for the year** | | **(15,093)** | **50,675** |
| **Items that can be reclassified to profit or loss** | | **(604)** | **(51,889)** |
| IFRS 9 transition adjustment | | **8,265** | **-** |
| **Items that can be reclassified to profit or loss** | | **(8,869)** | **(51,889)** |
| **Financial assets at fair value through equity** | | **(10,899)** | **(73,241)** |
| Gains/(losses) on valuation adjustments | | (8,712) | (67,028) |
| Amounts transferred to the consolidated statement of profit or loss | | (2,187) | (6,203) |
| **Allocation of adjustments to equity due to interest rates** | | **(184)** | **3,034** |
| Gains/(losses) on valuation adjustments | | (184) | 3,034 |
| Amounts transferred to the consolidated statement of profit or loss | | | |
| **Income tax** | | **2,214** | **18,308** |
| **Other comprehensive income** | 8 | **(604)** | **(51,889)** |
| **Total comprehensive income for the year, net of tax** | | **(15,697)** | **(1,214)** |

Notes 1 to 17 of the accompanying condensed consolidated financial statements form an integral part of these condensed consolidated interim financial statements at 30 June 2023.

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

## Condensed consolidated statements of changes in equity for the six months ended 30 June 2023 and 2022

(in thousand euro)

| | Notes | Subscribed capital | Reserves | Own shares | Consolidated profit or loss for the period | (Interim dividend) | Valuation adjustments | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2022** | | **43,537** | **260,146** | **(1,247)** | **110,137** | **(77,664)** | **43,366** | **378,275** |
| **IFRS 17 transition adjustments** | | **-** | **285** | **-** | **-** | **-** | **-** | **285** |
| **Adjusted balance at 1 January 2022** | | **43,537** | **260,431** | **(1,247)** | **110,137** | **(77,664)** | **43,366** | **378,560** |
| **Total recognised income/(expense)** | | **-** | **-** | **-** | **50,675** | **-** | **(54,944)** | **(4,269)** |
| **Transactions with owners or mutual members** | | **-** | **-** | **248** | **(21,459)** | **(21,770)** | **-** | **(42,981)** |
| Capital increases or mutual fund | | - | - | - | - | - | - | **-** |
| Transactions with own shares or holdings (net) | | - | - | 248 | - | - | - | 248 |
| Capital increases or mutual fund | | - | - | - | (21,459) | (21,770) | - | (43,229) |
| **Other changes in equity** | | **-** | **10,935** | **-** | **(88,678)** | **77,664** | **3,055** | **2,976** |
| Payments based on equity instruments | | - | (366) | - | - | - | - | (366) |
| Transfers between equity items | | - | 11,014 | - | (88,678) | 77,664 | - | - |
| Other changes | | - | - | - | - | - | 3,055 | 3,055 |
| **Balance at 30 June 2022** | | **43,537** | **280,126** | **(999)** | **50,675** | **(21,770)** | **(8,523)** | **333,999** |
| | | | | | | | | |
| **Adjusted balance at 1 January 2023** | | **43,537** | **271,079** | **(1,018)** | **63,126** | **(52,481)** | **(23,912)** | **300,332** |
| **IFRS 9 transition adjustments** | | **-** | **8,082** | **-** | **-** | **-** | **(8,265)** | **285** |
| **Adjusted balance at 1 January 2023** | | **43,537** | **279,162** | **(1,018)** | **63,126** | **(52,481)** | **(32,178)** | **300,148** |
| **Total recognised income/(expense)** | | **-** | **-** | **-** | **(15,093)** | **-** | **7,661** | **(7,432)** |
| **Transactions with owners or mutual members** | | **-** | **-** | **246** | **(1,090)** | **-** | **-** | **(844)** |
| Distribution of dividends or payments due to mutual members | 5 | - | - | - | (1,090) | - | - | **(1,090)** |
| Transactions with own shares or holdings (net) | | - | - | 246 | - | - | - | 246 |
| **Other changes in equity** | | **-** | **11,591** | **-** | **(62,036)** | **52,481** | **-** | **2,036** |
| Payments based on equity instruments | | - | (293) | - | - | - | - | (293) |
| Transfers between equity items | | - | 9,555 | - | (62,036) | 52,481 | - | - |
| Other changes | | - | 2,329 | - | - | - | - | 2,329 |
| **Balance at 30 June 2023** | | **43,537** | **290,752** | **(772)** | **(15,093)** | **-** | **(24,516)** | **293,908** |

## Condensed consolidated cash flow statements for the six months ended 30 June 2023 and 2022

(in thousand euro)

| | 30/06/2023 | 30/06/2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | **18,694** | **46,268** |
| **Insurance activities:** | **16,390** | **49,460** |
| Cash proceeds from insurance activities | 499,301 | 483,100 |
| Cash payments from insurance activities | (482,911) | (433,640) |
| **Other operating activities:** | **2,304** | **4,748** |
| Cash proceeds from other operating activities | 3,288 | 4,984 |
| Cash payments from other operating activities | (984) | (236) |
| **Income tax collected/(paid)** | **-** | **(7,940)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | **(28,907)** | **29,821** |
| **Proceeds from investing activities:** | **281,906** | **119,406** |
| Property, plant and equipment | - | - |
| Investment property | 2,522 | 2,189 |
| Intangible assets | 1,028 | |
| Financial instruments | 262,368 | 102,918 |
| Interest received | 13,893 | 12,364 |
| Dividends collected | 2,095 | 1,935 |
| **Payments for investing activities:** | **(310,813)** | **(89,585)** |
| Property, plant and equipment | (786) | (943) |
| Investment property | (392) | (434) |
| Intangible assets | (3,974) | (2,242) |
| Financial instruments | (303,820) | (82,782) |
| Other payments for investing activities | (1,841) | (3,184) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | **(1,573)** | **(90,055)** |
| **Proceeds from financing activities:** | 394 | **-** |
| Disposal of own shares | 394 | |
| Other proceeds from financing activities | - | - |
| **Payments for financing activities:** | **(1,967)** | **(90,055)** |
| Dividends to shareholders | (1,090) | (43,229) |
| Acquisition of own and parent company securities | (442) | (364) |
| Other payments for financing activities | (435) | (46,462) |
| **EFFECT OF EXCHANGE RATE CHANGES** | 229 | 695 |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | **(11,557)** | **(13,271)** |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** | 51,661 | 115,788 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | **40,104** | **102,517** |

Notes 1 to 17 of the accompanying condensed consolidated financial statements form an integral part of these condensed consolidated interim financial statements at 30 June 2023.

# 2

## Notes to the consolidated interim financial statements

June 2023

linea directa

# 1. Overview of the Group and its activities

## a) Overview of the Group

The Línea Directa Group consists of Línea Directa Aseguradora S.A., Compañía de Seguros y Reaseguros and its subsidiaries. Línea Directa Aseguradora S.A., Compañía de Seguros y Reaseguros (the "Parent") was incorporated in Madrid on 13 April 1994 under the name of "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".

The Parent engages in insurance and reinsurance activities in the motor, home 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 health line of the healthcare segment. The Parent started selling health insurance products in October 2017.

Its registered office is at calle Isaac Newton 7, Tres Cantos, Madrid, Spain. The Parent operates entirely in Spain and Portugal.

With respect to Portugal, the Group was authorised to operate in the Other insurance segment on 25 September 2017. As this line of activity was residual and immaterial in 2023 and 2022, it has not been deemed relevant to break down the information by geographical area.

The Parent directs and manages its stakes in other entities by organising human and material resources accordingly. The Parent operates in the Motor, Home, Health and Other insurance segments, as described in Note 4. 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 17.42% stake in the Parent, while the remaining 82.58% 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).

The subsidiaries of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros are as follows: Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros, Línea Directa Asistencia, S.L.U., Motoclub LDA, S.L.U., Centro Avanzado de Reparaciones, S.L.U., Ambar Medline, S.L.U. LDActivos, S.L.U. and LDA Reparaciones, S.L.U, as described in Note 4, all of which are non-insurance support or investment companies.

The consolidated financial statements for 2022 were approved at the Annual General Meeting held on 30 March 2023 and then filed with the Companies Registry of Madrid. The consolidated financial statements can be found on the Company's corporate website: www.lineadirectaaseguradora.com.

### b) Risk environment

The Group does not believe that there were any significant changes in the risks to which it is exposed during the first half of 2023. There is a risk in relation to the increase in average costs and how this impacts on claims incurred in the motor business. A number of measures have been taken in response to restore the technical balance.

## 2. Basis of presentation of the condensed consolidated interim financial statements

### a) Regulatory financial reporting framework applicable to the Group

These interim financial statements have been prepared in accordance with the applicable regulatory framework for financial reporting, which is as follows:

- The International Financial Reporting Standards adopted by the European Union in the form of EU Regulations, in accordance with Regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002 and its subsequent amendments (EU-IFRS).

- On the IFRS Interpretations Committee (IFRS-IC).

- Regulatory provisions prescribed by the Spanish Directorate General of Insurance and Pension Funds, including the Framework Document in relation to the accounting regime for insurance entities relating to IFRS 4: Insurance Contracts, published on 22 December 2004.

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

- The Law and Regulations on the Organisation, Supervision and Solvency of Insurance and Reinsurance Companies (hereinafter referred to by its Spanish acronym of "ROSSEAR" when referring to the Regulations), as enacted by Law 20/2015 and Royal Decree 1060/2015, respectively, and other provisions issued by the Spanish Directorate General for Insurance and Pension Funds.

- 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.

- Formatting and marking requirements set out in the European Commission Delegated Regulation EU 2018/815.

These condensed consolidated interim financial statements are presented in accordance with IAS 34: Interim Financial Reporting and were drawn up by the directors on 21 July 2023, all in accordance with the provisions of Article 12 of Royal Decree 1362/2007 and taking into account the provisions of Circular 3/2018 of the Spanish Securities Market Regulator (CNMV) of 28 June.

In accordance with IAS 34, interim financial information is prepared for the sole purpose of updating the content of the consolidated financial statements drawn up at 31 December 2022, focusing on new activities, events and circumstances that occurred during the six-month period without duplicating information previously disclosed in the aforementioned financial statements.

Therefore, these condensed consolidated interim financial statements do not include all the disclosures required of a full set of consolidated financial statements prepared in accordance with International Financial Reporting Standards. Therefore, these half-year financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022 for full understanding of the information included herein.

The accounting policies and methods used in the preparation of these condensed consolidated interim financial statements have not changed significantly from those applied in the consolidated financial statements for the year ended 31 December 2022, with the exception of those relating to assets and liabilities for insurance and reinsurance contracts, and financial instruments, detailed in section (f) of this note.

## b) True and fair view

The accompanying condensed consolidated interim financial statements 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 Group's consolidated equity, consolidated financial position, consolidated earnings and consolidated cash flows for the six-month period ended 30 June 2023.

## c) Functional currency and presentation currency

The condensed consolidated interim financial statements are presented in thousands of euro, rounded off to the nearest thousand, which is the functional and presentation currency of the Parent and its subsidiaries.

## d) Basis of presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis, with the following exceptions:

- Derivative financial instruments and financial assets at fair value through other comprehensive income.

– Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs of disposal.

There has been no early adoption of any standards or interpretations that have been approved by the European Commission but that were not yet in effect during the first half of 2023.

## e) Critical aspects regarding the valuation and estimation of uncertainty

The preparation of condensed consolidated interim financial statements in accordance with IFRS-EU requires significant accounting estimates, judgments and assumptions to be made during the process of applying the Group's accounting policies. These estimates are made on the basis of the best information available and relate mainly to insurance contract liabilities, impairment losses on certain assets, the useful life of intangible assets, property, plant and equipment, investment property and the fair value of certain non-listed assets and liabilities. They also relate to the income tax expense, which, in accordance with IAS 34, is recognised in interim periods on the basis of the best estimate of the weighted average tax rate that the Group expects for the annual period.

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 consolidated statements of profit or loss and under the heading "Valuation adjustments" in the Group's equity.

There were a number of changes with respect to the estimates made at the end of the 2022 financial year during the six months ending 30 June 2023 due to the entry into force of IFRS 17. These changes are discussed extensively in section f) of this note.

## f) Comparison of information

### Aspects deriving from the entry into force of IFRS 17 and IFRS 9 on 1 January 2023.

The Group applied IFRS 17 and IFRS 9 for the first time on 1 January 2023. These new standards have led to certain changes in the recognition and measurement of insurance and reinsurance contracts, and financial instruments. However, given the business segments in which the Group operates, and the nature and duration of the insurance contracts it markets and sells, these changes have not had a material impact on the Group’s consolidated financial statements, or on the management of the business or the Group’s dividend policy.

## IFRS 9: Financial Instruments

The effective date of IFRS 9 was 1 January 2018. However, the Group elected to take advantage of the temporary exemption from the effective date of IFRS 9: Financial Instruments, as provided for in paragraphs 20A – 20N of IFRS 4: Insurance Contracts, as it met the criteria in that standard for this.

By availing itself of this exemption, the date of application of IFRS 9 is the effective date of IFRS 17: Insurance Contracts, which, according to the decision of the International Accounting Standards Board (IASB), is 1 January 2023.

The Group has conducted the necessary analysis to be able to apply this deferral and has determined its eligibility by confirming that the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90%, and that the Group does not engage in significant activity unconnected with insurance, as indicated in paragraph 20D of IFRS 4. This analysis was performed on the basis of information for the years ended 31 December 2021 and 2022.

The disclosure requirements for financial assets required under IFRS 4 when applying this temporary exemption are set out in Note 8 a) iii).

IFRS 9 replaces IAS 39, but has a similar scope. IFRS 9 contains principles for the financial reporting of financial assets and financial liabilities in order to present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of future cash flows.

### Classification

IFRS 9 establishes a business model system based on how financial assets are used and the characteristics of their cash flows.

Under IFRS 9 there are three measurement categories, each suited to different instruments:

- Financial assets at amortised cost: for financial assets held by the company to collect contractual cash flows; and where the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  Interest, impairment and exchange differences generated by the financial assets classified in this portfolio are recognised in the statement of profit or loss.

- Financial assets at fair value through other comprehensive income: for those financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and where the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest, impairment and exchange differences generated by the financial assets classified in this portfolio are recognised in the statement of profit or loss.

Gains and losses arising from the revaluation of these assets are recognised in equity, though they may be recycled to profit or loss at the time of sale.

Financial assets at fair value through profit or loss: a financial asset will be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. This category would include all financial assets that do not pass the SPPI (solely payments of principal and interest) test.

In view of the definition of these categories, an analysis of the impact of IFRS 9 was carried out at 31 December 2022. It was found that the impact is not significant due to the characteristics of the Group's investment portfolio.

The Group's financial assets are predominantly debt securities, which currently pass the SPPI test.

As regards other financial assets, the most significant change is the recognition of changes in the valuation of equity instrument not considered shares under IFRS 9 (such as investment funds and private equity holdings), which will be made through the consolidated statement of profit or loss due to the characteristics of such assets, whereas under IAS 39 this was carried out through adjustments through changes of value in equity.

However, IFRS 9 states that shares may be measured at fair value through other comprehensive income without recycling to profit or loss (irrevocable option), or alternatively at fair value through profit or loss, depending on the choice of business model. The Group has assessed the impact of this choice and has decided to apply the irrevocable option in the case of shares.

Lastly, there will be no change in the measurement of derivatives. As a result, changes will continue to be recognised in the consolidated statement of recognised income and expense.

### Measurement of financial instruments

IFRS 9 will have no significant impact in terms of the valuation methods compared to those used under IAS 39, with the exception of impairment.

At initial measurement, the Group measures the financial asset or financial liability at fair value, including transaction costs directly attributable to the acquisition or issue of the instrument.

The Group subsequently measures the financial asset in accordance with the three alternatives provided for under IFRS 9:

- Amortised cost.
- Fair value through other comprehensive income.
- Fair value through profit or loss.

The Group also follows the guidelines for the calculation of impairment of financial assets measured at amortised cost and at fair value through other comprehensive income.

## Expected loss

The only significant impact for the Group when transitioning to IFRS 9 is the expected impairment loss resulting from the new methodology provided for in the standard, which was recognised in other comprehensive income at the transition date. The Group performed this calculation for the transition date, finding that the impact is not significant.

The impairment method is applied to all financial assets classified under the "hold to collect cash flows" or "hold to collect cash flows and sell" business models that pass the SPPI test. The Group's entire portfolio is assigned to the second type of business model.

The estimated expected loss comprises three risk parameters:

- Probability of default (PD)
- Loss given default (LGD) and
- Exposure at default (EAD)

Investments are classified into "stages" using the criteria established in the standard, with a calculation based on the parameters and "stage" of each position.

## Transition

Commission Regulation (EU) 2022/1491 of 8 September 2022, amending Regulation (EC) No 1126/2008 as regards International Financial Reporting Standard 17, allows companies applying IFRS 9 and IFRS 17 for the first time to apply the classification overlay provided for in paragraphs C28B to C28E of IFRS 9. This means that companies may present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset. However, the impairment requirements in Section 5.5 of IFRS 9 need not be applied and any difference between the carrying amount of the previous financial asset and the carrying amount at the date of transition resulting from applying the classification overlay is recognised in equity at the date of transition.

The Group has chosen to apply the classification overlay for financial instruments under IFRS 9 and to avail itself of the option not to restate its financial assets, and therefore not to include the effects of IFRS 9 in the financial statements for year 2022 for comparison with 2023, pursuant to paragraph 7.2.15. of IFRS 9.

In relation to the suspension of the deferral of the application of IFRS 9 for insurance activity, the Group has decided not to restate comparative information for financial assets from prior periods, as provided for under the standard. However, as the transition date to IFRS 17 for the Group is 1 January 2022, the Group has presented its financial assets using the IFRS 9 naming conventions to improve comparative information for users of the financial statements. This approach allows comparative information for financial instruments to be presented in the initial application of IFRS 17 and IFRS 9 based on the expected classification under IFRS 9, as if the classification and measurement requirements of IFRS 9 had been applied. This presentation approach can only be applied in comparative periods that have been restated for IFRS 17. In the case of the Group, this is only 2022. This has led to some changes in the classification of certain items in the consolidated financial statements (as explained in the section on transition adjustments).

## IFRS 17: Insurance contracts

This standard replaces IFRS 4: Insurance Contracts, which allows for the continued use of local accounting practices and has resulted in insurance contracts being accounted for differently across jurisdictions. This standard, endorsed by the International Accounting Standards Board (IASB), was published on 23 November 2021 in the Official Journal of the European Union (OJEU). IFRS 17 sets out principles for the recognition, presentation and disclosure of insurance contracts so that an entity provides relevant and reliable information to enable users of financial information to assess the effect that these contracts have on the entity's financial statements.

The adoption of IFRS 17 implies amendments to the following standards or interpretations of standards: IFRS 1: First-time Adoption of International Financial Reporting Standards, IFRS 3: Business Combinations, IFRS 5: Non-current Assets Held for Sale and Discontinued Operations, IFRS 7: Financial Instruments: Disclosures, IFRS 9: Financial Instruments, IFRS 15: Revenue from Contracts with Customers, International Accounting Standard (IAS) 1: Presentation of Financial Statements, IAS 7: Statement of Cash Flows, IAS 16: Property, Plant and Equipment, IAS 19: Employee Benefits, IAS 28: Investments in Associates and Joint Ventures, IAS 32: Financial Instruments: Presentation, IAS 36: Impairment of Assets, IAS 37: Provisions, Contingent Liabilities and Contingent Assets, IAS 38: Intangible Assets, IAS 40: Investment Property, and SIC Interpretation 27: Evaluating the Substance of Transactions in the Legal Form of a Lease.

IFRS 17 provides a comprehensive approach to accounting for insurance contracts. It seeks to ensure that companies disclose, in their financial statements, relevant information that fairly represents insurance contracts. This information provides users of financial statements with a sound basis for assessing the effect of insurance contracts on the company's financial position, financial performance and cash flows.

IFRS 17 applies to insurance contracts, reinsurance contracts and investment contracts with discretionary participation for periods beginning on or after 1 January 2023, which is the date of first application, although comparative information with a transition date of 1 January 2022 is required.

In 2022, the Group completed the definition of the accounting policies to be applied under IFRS 17 and the installation and adaptation of the tools needed to apply them correctly. In 2022, the Group performed monthly closes under IFRS 17 in parallel with IFRS 4, to enable it to prepare consolidated financial statements for comparative purposes in 2023.

### Separation of components

The Group analyses the products it sells to determine whether any of these components are non-insurance and whether they need to be separated and accounted for using other standards, such as IFRS 9 for investment components and IFRS 15 for service components. The Group has not identified any components that should be separated, meaning that all components are identified as insurance and will therefore be accounted for under IFRS 17.

### Level of aggregation of insurance contracts

The standard requires entities to identify portfolios of insurance contracts separately, such that a portfolio comprises contracts subject to similar risks and managed together. Contracts within a product line can be assumed to have similar risks and, therefore, to be in the same portfolio if they are managed together.

The Group determines that similar risks exist based on the characteristics of the coverage of each product, in view of the boundaries of the contracts. The Group considers that a group of contracts is jointly managed in a manner consistent with the segment grouping envisaged in IFRS 8: Segment Information.

Likewise, at initial recognition, the Group does not include contracts issued more than one year apart in the same group. Therefore, if necessary, the Group will separate contracts on the basis of the year of issue, i.e. into annual cohorts. As the Group does not sell mutualised contracts on an intergenerational basis, or contracts with cash flow matching, it does not qualify for the exemption from the annual cohort requirement allowed by the standard for EU entities.

Each contract portfolio is further broken down into three groups of contracts:

- Onerous contracts on initial recognition
- Contracts that at initial recognition have no significant possibility of becoming onerous subsequently.

- Other contracts

Each group of contracts in the portfolio is assigned a measurement model based on its characteristics and the criteria set out in applicable regulations.

The Group assesses whether contracts that are not onerous at initial recognition have no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in relevant facts and circumstances.

In the case of reinsurance, the groups of contracts consists of each individual reinsurance contract.

The Group, based on an analysis of the level of aggregation required by the standard, has segmented the portfolios of contracts into Motor, Home, Health and Other insurance business. This segmentation is in line with the segmentation reported so far under the criteria set out in IFRS 8 for both direct insurance and reinsurance.

Based on the prevailing circumstances at the date of transition and the current date, the Group has only opted to treat the Health contract portfolio as onerous. For motor business, it is estimated that the technical branch will be balanced at the close with the new measures. It is therefore currently considered non-onerous.

### Recognition of future cash flows and contract boundaries

The Group recognises groups of insurance contracts it issues from the earliest of the following dates:

a) The start of the coverage period for the group of contracts;
b) The date on which the first payment is due from a policyholder in the group; and
c) In the case of onerous groups of contracts, the date on which the group becomes onerous.

If there is no contractual due date, the policyholder's first payment is considered due when it is received.

When measuring a group of insurance contracts, the Group counts all future cash flows within the boundaries of each contract in the group.

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums or in which the Group has a substantive obligation to provide the policyholder with insurance contract services, i.e. has the practical ability to reassess the risks of the particular policyholder.

## Measurement models for contracts issued

The implementation of IFRS 17 has required consistent accounting for all insurance contracts based on the measurement models provided for in the standard, which will use calculation assumptions updated at each reporting date (such as the discount rate, actuarial assumptions and other financial variables).

With the aim of standardising international insurance accounting practices, IFRS 17 envisions three measurement models for insurance contracts:

- General measurement model (Building Block Approach, or BBA), which is the default method.
- Variable Fee Approach (VFA), which is a variant of the general model (BBA) and should be applied to contracts with significant direct participation features.
- Premium Allocation Approach (PAA), which is essentially a simplification of the general model.

## Measurement method for contracts under the Premium Allocation Approach

The standard simplifies the measurement of a group of insurance contracts through the Premium Allocation Approach if, and only if, at the beginning of the group:

a) The Group reasonably expects that such simplification will result in a measurement of the group's remaining coverage liability that is not materially different from that which would be obtained by applying the requirements of the general model; or

b) the coverage period of each group contract is one year or less.

The Group's insurance contracts currently have a duration of one year or less, thus allowing the Group to apply the Premium Allocation Approach (PAA) measurement model to all groups of insurance contracts issued.

### a) Liability for remaining coverage

Under the Premium Allocation Approach, at initial recognition, the liability for remaining coverage consists of:

- Premiums received on initial recognition, i.e. premiums written less the effect of premium receipts receivable.
- Less cash flows from the acquisition of the insurance at that date.

- Plus or minus any amount arising from the derecognition at that date of the asset or liability recognised for the cash flows from the acquisition of the insurance.

The components that make up the liability for remaining coverage are not adjusted for the time value of money and the effect of financial risk, as the cash flows to be paid or received are less than one year.

As all insurance contracts issued have a coverage period not exceeding one year, the Group may elect to recognise insurance acquisition cash flows as an expense when such costs are incurred or capitalised. The Group has chosen to allocate insurance acquisition cash flows to groups of insurance contracts using a systematic method over the period of coverage of the contracts.

This criterion has had no impact on the Group's results with respect to that applied under IFRS 4, although its classification in the consolidated balance sheet will be as a reduction of the liability for remaining coverage, rather than being shown as an asset for the portion of deferred acquisition expenses.

If, at any time during the coverage period, the prevailing circumstances indicate that a group of insurance contracts has become onerous in nature, the Group shall calculate the difference between the carrying amount of the liability for remaining coverage and the cash flows arising from performance related to the remaining coverage of the group. If the cash flows from compliance exceed the carrying amount, the Group recognises a loss in profit or loss and increases the liability for remaining coverage.

The application of the Premium Allocation Approach means that the measurement and recognition of the liability for remaining coverage will be performed in a substantially similar manner as under the previous IFRS 4 framework and will not, therefore, have a material impact on the Group's results.

### b) Liability for claims incurred

The liability for claims incurred comprises cash flows from the fulfilment of claims incurred that have not been paid. It also includes incurred but not reported claims. These flows are adjusted for the time value of money and the effect of financial risk. The non-financial risk adjustment is also incorporated into this liability for claims incurred. The calculation of liability for claims incurred under the Premium Allocation Approach is equivalent to the calculation made under the general method. However, the effect of changes in the discount curve and part of the credit of interest will be recognised in equity.

In the case of the Group, the calculation of the liability for claims incurred plus risk margin does not differ significantly from the calculation of the claims provision under the current IFRS 4.

## Reinsurance contracts held

The Group evaluates and measures reinsurance contracts held separately from the related underlying insurance contracts.

The Group divides portfolios of reinsurance contracts based on whether or not they are onerous, applying the same criteria as for direct insurance contracts, except that references to onerous contracts in those paragraphs are replaced by references to contracts with a net gain on initial recognition.

The Group recognises a group of reinsurance contracts held as of the earliest of the following dates:

a) the beginning of the coverage period for the group of reinsurance contracts held; and

b) the date on which the entity recognises an onerous group of underlying insurance contracts, if the entity entered into the related reinsurance contract held in the group of reinsurance contracts held on or before that date.

However, the Group defers recognition of a group of held reinsurance contracts that provide proportionate coverage until the date of initial recognition of any underlying contract, if that date is after the beginning of the coverage period of the group of reinsurance contracts held.

The measurement methods for reinsurance contracts held are the same as for insurance contracts, as are the requirements for applying the simplified Premium Allocation Approach. With the exception of one proportional reinsurance contract in the health segment, all reinsurance contracts held have a duration of one year or less and the Group has therefore decided to apply the simplified model in their case. The Group has performed an eligibility test for that multi-year proportionate contract, confirming that the application of the simplified model generates a measurement of the Group's liability for remaining coverage that does not differ significantly from that which would be obtained by applying the general approach. Therefore, the Group has decided to apply the PAA model also to this reinsurance contract.

The entity includes the effect of any risk of default by the issuer in its estimates of the present value of the future cash flows of the group of reinsurance contracts held, including the effects of collateral and losses resulting from litigation.

## Reinsurance contracts held measured under the Premium Allocation Approach

As discussed above, all reinsurance contracts are measured using the Premium Allocation Approach.

Under this method, the initial measurement of the asset is equal to the reinsurance premium paid. The Group measures the amount relating to the remaining coverage by allocating the premium paid over the period of the group's coverage.

When reinsurance contracts held cover a group of onerous underlying insurance contracts, the Group adjusts the asset value for the remaining coverage and recognises a gain when, in the same period, it reports a loss on initial recognition of an onerous group of underlying insurance contracts, or on additional losses on a previously onerous group of underlying contracts. The recognition of this gain results in the recognition of the loss recovery component of the asset for the remaining coverage of a group of reinsurance contracts held. This component is subsequently adjusted for any applicable changes.

### Discount rate

The Group measures the financial effect by the time effect, using discount rates that reflect the liquidity characteristics of the insurance contracts and the characteristics of the cash flows, consistent with current market prices and excluding any factors that could influence the market prices of the reference assets but do not affect the flows of the insurance contracts.

The Group calculates the discount rate using the bottom-up approach based on the risk-free curve, and relying on the curve published monthly by EIOPA (European Insurance and Occupational Pensions Authority).

The components of the remaining coverage provision are not discounted using the discount rate as they are less than one year, while the cash flows and risk adjustment that make up the liability for claims incurred are discounted using the discount rate because they have a time horizon of more than one year.

The Group has opted to recognise financial expenses or income from insurance contracts arising from the application of the discount rate in "other comprehensive income" under "Valuation adjustments" in equity in the consolidated balance sheet.

### Risk adjustment for non-financial risk

The Group adjusts its estimation of the present value of future cash flows through risk adjustment to compensate for any uncertainty regarding the amount and timing of cash flows arising from non-financial risk.

In the case of the liability risk adjustment for the remaining coverage, it is currently not applicable since, as mentioned above, the Group relies on the Premium Allocation Approach (PAA) measurement method for all insurance and reinsurance contracts.

In the case of the risk adjustment for the liability for claims incurred, the Value-at-Risk methodology is used with a given confidence interval. In these interim financial statements, the Group has applied a 95% percentile for the motor sector, due to the variability and seasonality of the provision at present, while an 85% percentile has been applied for the home and health sectors. This decision anticipates subsequent impacts on the provision, with the objective that all the Group's lines will be in a percentile close to 85% at the end of the year.

## Amendment and derecognition of an insurance contract

If the terms of an insurance contract are amended, the Group derecognises the original contract and recognises the modified contract as a new contract, applying IFRS 17 or other applicable standards, if, and only if, any of the following conditions are satisfied:

a) If the amended terms were foreseen at inception of the contract:

I. The amended contract would have been outside the scope of IFRS 17.
II. Different components of the main insurance contract would have been separated, resulting in a separate insurance contract to which IFRS 17 would have been applied.
III. the boundaries of the amended contract would have been substantially different.
IV. the amended contract would have been included in a different group of contracts.

b) The original contract met the definition of an insurance contract with direct participation features, but the amended contract no longer meets that definition, or vice versa; or

c) The Premium Allocation Approach was applied to the terms of the original contract, but, as a result of the amendments, the contract no longer meets the conditions for the application of that criterion.

Therefore, the Group shall derecognise an insurance contract when the obligation indicated in the insurance contract expires, has been satisfied or cancelled, or when the contract is substantively amended by any of the circumstances described in the preceding paragraph.

## Aspects deriving from the transition

IFRS 17 applies for annual periods beginning on or after 1 January 2023, although comparative disclosures will be mandatory. This means that:

- Each group of contracts must be identified, recognised and measured as if IFRS 17 had always been applied.
- Items that would not exist if IFRS 17 had always been applied should be derecognised from the financial statements.
- Any net difference that may arise in application of the above items shall be recorded in equity.

In this respect, the Group has applied the changes retrospectively, for both insurance contracts in direct business and ceded reinsurance contracts.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2023 (in thousand euro)

## Impacts relating to the transition

The Group has analysed the impacts of the application of IFRS 17. The impacts identified for the transition at 1 January 2022 can be grouped into:

a) Impacts resulting from the recognition of onerous contracts, the amount of which does not differ significantly from the current calculation under IFRS 4 of the provision for unexpired risks. The net reinsurance impact of the recalculation is €912 thousand.

b) Impacts due to the calculation of the provision for claims incurred, an analysis of which yields results that are within a similar confidence interval to the provision for claims currently calculated under IFRS 4. The impact of the recalculation of the provision for direct insurance and ceded reinsurance is €2,318 thousand, mainly due to the calculations of the home and health segments at the level of confidence for the motor segment.

c) Impacts due to the exclusion of the accrual of the security surcharge due to the equalisation provision currently made under IFRS 4, but which will not be counted under IFRS 17. The net impact of the deferral due to the increase in the provision is -€2,851 thousand.

The impact on the transition date of 1 January 2022 is as follows:

| Thousand euros | **1 January 2022** |
|---|---|
| Adjustments due to the adoption of IFRS 17 | 379 |
| Deferred tax liabilities | (95) |
| Estimated after-tax transition impact | (285) |

The impact after the tax effect of -€285 thousand is recognised under "III. Reserves. 2. Other Reserves" in comparative equity at 31 December 2022.

## Aspects deriving from the transition and comparative balance sheet at 31 December 2022

There are certain differences between the standards (IFRS 17 and IFRS 4) in the way that information is presented on the balance sheet and, to a lesser extent, in the statement of profit or loss. However, as mentioned above, as the Group applies the Premium Allocation Approach (PAA) to all insurance and reinsurance contracts, the changes are less significant than they would have been had it applied the General Approach or the Variable Fee Approach. Note:

In respect of insurance liabilities on the balance sheet:

a) For future services, as the Group has opted to apply the simplified PAA method, the treatment is similar to the previous regulatory framework, consisting of the accrual of the premium through the unearned premium provision.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2023 (in thousand euro)

b) In respect of past services, future cash flows are discounted and a non-financial risk adjustment is included when measuring the liability for claims incurred. In the above framework, this methodology is similar to the one the Group had been using for the motor segment, as it applies a statistical methodology approved by the regulator, based on the projection of future flows at a percentile always above the best estimate, although flows are not discounted over time and there is no explicit risk adjustment. With respect to the home and health segments where the Group had been applying a case-by-case claim valuation method, the new valuation model will signify a change in the measurement approach, although no material effects are expected. The method for calculating the liability for claims incurred is the same under both the general model (BBA) and the Premium Allocation Approach (PAA).

c) The criteria used for direct insurance are also used for reinsurance contracts held, for both the liability for remaining coverage and the liability for claims incurred.

d) Therefore, in terms of presentation in assets and liabilities on the balance sheet, the changes in the previous sections mean that the headings "Reinsurers' share of technical provisions" and "Technical provisions" have been renamed "Assets/liabilities under reinsurance contracts held" and "Assets/liabilities under insurance contracts issued", respectively.

## Consolidated balance sheet at 31 December 2022 under IFRS 4 and restated under IFRS 17

A reconciliation of the balance sheet at 31 December 2022 under IFRS 4 and IFRS 17 is provided below with explanatory notes. As previously mentioned, the transition from IAS 39 to IFRS 9 on financial instruments has no quantitative effect on the restatement of the transition balance sheet, but does have a quantitative effect on the classifications of the headings.

| **IFRS 4 ASSETS** | **Note** | | **Difference** | | **IFRS 17 ASSETS** |
|---|---|---|---|---|---|
| **Cash and cash equivalents** | | **51,661** | **-** | **51,661** | **A-1) Cash and cash equivalents** |
| | | | **48,918** | **48,818** | **A-2) Financial assets at fair value through profit or loss** |
| | | | 48,818 | 48,818 | I. Equity instruments |
| **Available-for-sale financial assets** | | **739,664** | **(48,818)** | **690,846** | **A-3) Financial assets at fair value through equity** |
| I. Equity instruments | a) | 120,886 | (48,818) | 72,068 | I. Equity instruments |
| II. Debt securities | | 618,778 | - | 618,778 | II. Debt securities |
| **Loans and receivables** | | **123,448** | **(91,045)** | **32,403** | **A-4) Amortised cost** |
| II. Deposits with credit institutions | | 4,515 | - | 4,515 | III. Deposits with credit institutions |
| III. Receivables on direct insurance business | b) | 58,524 | (48,494) | 10,030 | V. Receivables on direct insurance business |

The English version is a translation of the original in Spanish made by Linea Directa Aseguradora, S.A on his sole responsibility and shall not be considered official. In case of discrepancy, the Spanish version shall prevail.

**Línea Directa Aseguradora S.A., Compañía de Seguros y Reaseguros and subsidiaries**
**Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2023 (in thousand euro)**

| | | | | | |
|---|---|---|---|---|---|
| 1. Policyholders | | 58,524 | (48,494) | 10,030 | 1. Policyholders |
| IV. Receivables on reinsurance business | | 12,290 | - | 12,290 | VI. Receivables on reinsurance business |
| V. Other receivables | c) | 48,119 | (42,551) | 5,568 | IX. Other receivables |
| 1. Tax and social security receivable | | 1,265 | - | 1,265 | 1. Tax and social security receivable |
| 2. Other receivables | | 46,854 | (42,552) | 4,302 | 2. Other receivables |
| **Hedging derivatives** | | **7,808** | **-** | **7,808** | **A-5) Hedging derivatives** |
| **Reinsurers' share of technical provisions** | **d)** | **19,263** | **2,693** | **21,956** | **A-6) Reinsurers' share. Non-life. Simplified approach (PAA)** |
| I. Provision for unearned premiums | | 4,554 | 1,912 | 6,466 | 2.1. Provisions for remaining coverage |
| II. Provision for claims | | 14,709 | 781 | 15,490 | 2.2 Provisions for claims incurred |
| **Property, plant and equipment and investment property** | | **110,044** | - | **110,044** | **A-7) Property, plant and equipment and investment property** |
| **Right-of-use assets** | **e)** | **3,739** | **(3,739)** | | |
| **Intangible assets** | | **14,482** | - | **14,482** | **A-8) Intangible assets** |
| **Tax assets** | | **26,861** | - | **26,861** | **A-10) Tax assets** |
| I. Current tax assets | | 3,397 | - | 3,397 | I. Current tax assets |
| II. Deferred tax assets | | 23,464 | - | 23,464 | II. Deferred tax assets |
| **Any other assets** | | **98,445** | **(90,868)** | **7,577** | **A-11) Any other assets** |
| I. Prepaid fees and other acquisition expenses | f) | 94,608 | (94,608) | - | |
| II. Accruals | | 3,326 | - | 3,326 | III. Accruals |
| III. Other assets | e) | 511 | 3,740 | 4,251 | IV. Other assets |
| **TOTAL ASSETS** | | **1,195,415** | **(182,959)** | **1,012,456** | **TOTAL ASSETS** |

| **IFRS 4 LIABILITIES** | **Note** | | **Difference** | | **IFRS 17 LIABILITIES** |
|---|---|---|---|---|---|
| **Debt and accounts payable** | | **59,288** | **-** | **59,288** | **A-2) Amortised cost** |
| I. Due on direct insurance business | | 2,490 | - | 2,490 | III. Due on direct insurance business |
| 1. Due to policyholders | | 2,009 | - | 2,009 | 1. Due to policyholders |
| 2. Due to agents, brokers and intermediaries | | 481 | - | 481 | 2. Due to agents, brokers and intermediaries |
| II. Due on reinsurance business | | 1,363 | - | 1,363 | IV. Due on reinsurance business |
| III. Lease liabilities | g) | 3,768 | (3,768) | - | |
| IV. Other debts: | g) | 51,667 | 3,768 | 55,434 | IX. Other debts |
| 1. Taxes and social security payable | | 15,520 | - | 15,520 | 1. Taxes and social security payable |
| 3. Other debts | | 36,147 | 3,768 | 39,915 | 3. Other debts |
| **Technical provisions** | | **791,040** | **(170,728)** | **620,312** | **A-4) Technical provisions. Non-life (simplified approach)** |
| I. Provision for unearned premiums | h) | 470,783 | (135,696) | 335,087 | 2.1. Provisions for remaining coverage |
| | | 470,783 | (140,149) | 330,634 | 2.1.1. Unearned premiums |
| | | | 4,453 | 4,453 | 2.1.2. Loss component |
| II. Provision for unexpired risks | h) | 2,378 | (2,378) | - | |
| III. Provision for claims | i) | 317,879 | 32,654 | 285,225 | 2.2. Provisions for claims incurred |
| | | | | 264,741 | 2.2.1. Present value of cash flows |
| | | | | 20,484 | 2.2.1. Adjustment for non-financial risk |
| **Non-technical provisions** | | **26,118** | **(25,338)** | **780** | |
| II. Provisions for settlement agreements | j) | 25,338 | (25,338) | - | |
| III. Provisions other than technical provisions | | 780 | - | 780 | III. Provisions other than technical provisions |
| **Tax liabilities** | **m)** | **28,182** | **3,277** | **31,459** | **A-6) Tax liabilities** |

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2023 (in thousand euro)

| | | | | | |
|---|---|---|---|---|---|
| I. Deferred tax liabilities | | 28,182 | 3,277 | 31,459 | II. Deferred tax liabilities |
| **Other liabilities** | | **287** | **-** | **287** | **A-7) Other liabilities** |
| **TOTAL LIABILITIES** | | **904,915** | **(144,296)** | **712,125** | **TOTAL LIABILITIES** |
| **EQUITY** | | | | | **EQUITY** |
| **Equity** | **k)** | **320,356** | **(3,867)** | **324,243** | **B-1) Equity** |
| I. Capital or mutual fund | | 43,537 | - | 43,537 | I. Capital or mutual fund |
| III. Reserves | | 270,795 | 285 | 271,080 | III. Reserves |
| 1. Legal and bylaw reserves | | 9,046 | - | 9,046 | 1. Legal and bylaw reserves |
| 2. Other reserves | | 261,749 | - | 261,749 | 4. Reserves at consolidated companies |
| | | | 285 | 285 | 6. First application reserve |
| IV. (Own shares) | | (1,018) | - | (1,018) | IV. (Own and parent company equities) |
| VII. Profit/(loss) for the year | | 59,523 | 3,603 | 63,126 | VII. Profit/(loss) for the year attributable to the parent company |
| VIII. (Interim dividend) | | (52,481) | - | (52,481) | VIII. (Interim dividend) |
| **Valuation adjustments:** | | **(29,856)** | **5,964** | **(23,913)** | **B-2) Valuation adjustments** |
| I. Available-for-sale financial assets | | (29,856) | | (29,856) | I. Financial assets at fair value through equity |
| | l) | - | 5,943 | 5,943 | II. Other comprehensive income |
| | | - | 6,241 | 6,240 | 1. Valuation adjustments for insurance contracts |
| | | - | (297) | (297) | 2. Valuation adjustments for ceded reinsurance contracts |
| **TOTAL EQUITY** | | **290,500** | **9,831** | **300,331** | **TOTAL EQUITY** |
| **TOTAL LIABILITIES AND EQUITY** | | **1,195,415** | **(182,959)** | **1,012,456** | **TOTAL LIABILITIES AND EQUITY** |

Notes describing the reconciliation and reclassification adjustments for assets and liabilities between IFRS 4 (previous balance sheet) and IFRS 17 (restated balance sheet) are provided below.

a) The heading "Available-for-sale financial assets. I Equity instruments" on the asset side of the previous balance sheet has been split and reclassified under the headings:

1) A-2) Financial assets at fair value through profit or loss, grouping equity instruments as private equity that are not classified as equities under IFRS 9, in the amount of €48,818 thousand.

2) A-3) Financial assets at fair value through equity, including all equity instruments classified as equities under IFRS 9, in the amount of €72,068 thousand, and debt securities.

b) The balance of the heading "Loans and receivables. III. Receivables on direct insurance business" from the previous balance sheet is partially reclassified to heading "2.1 Provision for remaining coverage" on the liability side in the amount of €48,494 thousand, as detailed in note h). This reclassified amount relates to credits corresponding to premium fractions yet to be issued.

c) The balance of the heading "Loans and receivables. V. Other receivables 2. Other receivables" from the previous balance sheet has been reclassified to

"2.2. Provisions for claims incurred" on the liabilities side of the balance sheet in the amount of €42,551 thousand under IFRS 9 and IFRS 17. This amount includes the rights for certain claims recoveries that are implicitly included in the calculation of the present value of cash flows in the provision for claims incurred under IFRS 17.

d) The heading "Reinsurers' share of technical provisions" in the previous balance sheet corresponds to heading A-6) Reinsurers' share. Non-life. Simplified approach (PAA).

   i. The "Provision for unearned premiums", with a balance of €4,554 thousand, has been restated to "2.1 Provision for remaining coverage" for €6,466 thousand. This involves an increase of €1,912 thousand, mainly corresponding to assignment to reinsurance of the direct insurance loss component recognised on the liabilities side of the restated balance sheet. Under IFRS 4, the provision for unexpired risks, equivalent to the loss component, was not ceded to reinsurance.

   ii. The "Provision for claims", with a balance of €14,709 thousand, is restated under "Provision for claims incurred" in the amount of 15,490 thousand. This includes an increase of €781 thousand due to the impact of the present value of the flows of the provision for claims ceded to reinsurance, using the best estimate and discounting the corresponding flows

e) The heading "Right-of-use assets" has been reclassified to "A-11) Any other assets. IV. Other assets" in the amount €3,739 thousand. This includes assets arising from the valuation of lease agreements under IFRS 16.

f) The heading “Any other assets. I. Prepaid fees and other acquisition costs” from the previous balance sheet, which recognised the deferred acquisition expenses associated with the unearned premium provision, has been reclassified in its entirety, in the amount of €94,608 thousand, to the heading on the liability side “2.1. Provisions for remaining coverage" as set out in note h).

g) The heading "Debt and accounts payable. III. Lease liabilities" from the liabilities side of the previous balance sheet, which includes liabilities relating to the valuation of lease contracts under IFRS 16, has been reclassified in its entirety to the heading "A-2) Amortised cost. IX Other debts. 3 Other debts”.

h) The heading "Technical provisions. I. Provision for unearned premiums" from the liabilities side of the previous balance sheet has been transferred to the liabilities side of the new balance sheet under the heading "A-4) Technical provisions. Non-life (simplified approach). 2.1 Provisions for remaining coverage". A reconciliation of these two headings is provided in the following table:

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2023 (in thousand euro)

| | |
|---|---|
| 470,783 | I. Provision for unearned premiums |
| (94,608) | I. Prepaid fees and other acquisition expenses |
| (48,494) | Receivables on insurance business. Policyholders |
| 2,952 | Security surcharge |
| 4,453 | 2.1.2. Loss component |
| **383,580** | **2.1. Provisions for remaining coverage** |

i. The section "Prepaid fees and other acquisition costs" is the result of the reclassification described in note e).

ii. The section "Receivables on direct insurance business. Policyholders" relates to receivables for premium fractions yet to be issued, which have been reclassified from the asset side of the previous balance sheet, as set out in note b)

iii. The Security Surcharge that decreases the provision for unearned premiums under IFRS 4 has been eliminated in IFRS 17, increasing the provision for remaining coverage.

iv. Section "2.1.2 Loss component" is conceptually similar to the "Ongoing risk provision" in the previous balance sheet, which recorded an amount of 2,378 thousand corresponding to projected losses on future exposure in the health segment. This has been derecognised on the liabilities side of the new balance sheet.

i) The heading "Technical provisions. I. Provision for claims" on the liabilities side of the previous balance sheet has been renamed "A-4) Technical provisions. Non-life (simplified approach). Provision for claims incurred" in the new balance sheet. A reconciliation of these two headings is provided in the following table:

| | |
|---|---|
| 317,879 | III. Provision for claims |
| (317,879) | III. Provision for claims |
| 264,741 | 2.2.1. Present value of cash flows |
| 20,484 | 2.2.1. Adjustment for non-financial risk |
| 285,226 | 2.2. Provisions for claims incurred |

i. The "Provision for claims" under IFRS 4 that is calculated with a prudential margin is derecognised in IFRS 17 and replaced by the best estimate of the "Present value of cash flows" corresponding to past services.

ii. Section "2.2.1 Adjustment for non-financial risk" of the restated balance sheet is an adjustment to an IFRS 17 concept to compensate for uncertainty about the amount and timing of cash flows arising from non-financial risk.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2023 (in thousand euro)

iii. As mentioned in sections c) and j), the provisions for claims incurred include both rights for certain claims recoveries, in the amount of -€42,551 thousand, and provisions for settlement agreements, amounting to €25,338 thousand.

j) The heading "Non-technical provisions. II. Provision for settlement agreements" on the liabilities side of the previous balance sheet, amounting to €25,338 thousand, has been removed from the liabilities side of the new balance sheet, being implicitly included in the calculation of the present value of the cash flows included in the "Provision for claims incurred" described in note h).

k) The heading "Equity" on the previous balance sheet, with a balance of €320,356 thousand, increases by €3,887 thousand to €324,243 thousand, due to:

i. The heading "III. Reserves" is increased by 285 thousand due to the adjustment of the first application reserve at 1 January 2022, as described above for the transition.

ii. The heading "VII. Profit/(loss) for the year" is increased by €3,603 thousand, from €59,523 thousand to €63,126 thousand, due to the following effects in 2022:

| | |
|---|---|
| Provision for claims incurred, gross | (6,039) |
| Provision for claims incurred, ceded | 59 |
| Gross loss component | 77 |
| Ceded loss component | 997 |
| Impact of security surcharge and deferral | 102 |
| **Total gross impact** | **(4,804)** |
| Deferred tax | 1,201 |
| **Total net impact** | **(3,603)** |

l) Equity on the new balance sheet includes the heading "B-2) Valuation adjustments. II. Other comprehensive income", which includes the effect of the change in the discount curve for the year with respect to the curve for the year of occurrence of the claims in the calculation of technical provisions, for both direct insurance, in the amount of €6,240 thousand, and for ceded reinsurance, at -€297 thousand, with a net effect of €5,943 thousand. The tax effect is €1,982 thousand.

m) The balance of the heading "Tax liabilities. I. Deferred tax liabilities" increases by €3,277 thousand compared to the same heading on the previous balance sheet, due to:

i. The tax effect of the transition reserve at 1 January 2022, amounting to €94 thousand, as described in the transition section.
ii. The tax effect of IFRS 17 adjustments for 2022 through profit or loss in the amount of €1,201 thousand, as described in note k) ii.
iii. The tax effect of IFRS 17 adjustments for 2022 through other comprehensive income in equity rather than profit or loss, in the amount of 1,982 thousand, as indicated in note l).

## Aspects deriving from the income statement and comparison at 31 December 2022

The consolidated statement of profit or loss under IFRS 17 presents, in summary form, the following items that apply to the Group based on the nature of its business and the applicable valuation models (refer to the Annexes for more details):

Revenue from the insurance service

This heading will show the provision of services arising from the group of insurance contracts, the amount of consideration to which the Group expects to be entitled in exchange for those services, i.e. the amount of premiums received.

Amounts related to changes in the liability for the remaining coverage and the allocation of the portion of the premium that relates to the recovery of the cash flows from the purchase of the insurance.

The Group applies the PAA, whereby the revenue from the insurance service measured under the PAA is similar to the earned premium concept under IFRS 4.

Insurance service expenses

Insurance service expenses include claims and other attributable insurance service expenses incurred; amortisation of cash flows from the acquisition of insurance; changes that relate to past service (i.e. changes in cash flows relating to the liability for claims incurred); and losses on groups of contracts and reversals of those losses.

Under IFRS 4, this heading would include claims incurred and operating expenses.

Notably, the above revenue and expense headings of the insurance service:

Do not include investment components
Do not include revenue and expenses related to reinsurance, as they have their own specific heading.

Income associated with reinsurance contracts held

This heading shows income under ceded reinsurance contracts, counting ceded insurance premiums, ceded claims incurred and reinsurance commission, which under IFRS 4 were shown net of the direct insurance result under net earned premium, net claims incurred and net operating expenses, respectively.

Income from the insurance service

Income from the insurance service less insurance service expense and income associated with reinsurance contracts held comprises total profit/(loss) from the insurance service. Due to the Group's decision to apply the PAA valuation method, this insurance service result is expected to be similar to the technical result without the current financial part under IFRS 4.

Net gains/(losses) from investments

This sub-heading shows income obtained from the Group's financial instrument portfolio in the form of interest, dividends, changes in the fair value of financial assets measured at fair value through other comprehensive income, and realised gains/(losses) on assets measured at fair value through profit or loss, measured in accordance with IFRS 9.

Insurance financial income and expenses

This sub-heading shows the effect of the time value of money on the calculation of insurance liabilities. More precisely, as regards the effect of updating the discount rate for the purpose of calculating the liability for claims incurred, which includes the present value of the associated future cash flows and the non-financial risk adjustment pertaining to the portfolios of contracts measured using the PAA, the Group has preliminarily opted to disaggregate this effect between other comprehensive income and the statement of profit or loss.

Other income and other expenses

This heading shows income and expenses not attributable to insurance contracts.

Profit before tax

This heading will be the sum of profit from the insurance service, net gains/(losses) from investments, insurance financial income and expenses, and other income and other expenses.

Post-tax profit comprises pre-tax profit less the income tax expense (see note 4).

### Main parallels and differences with regard to the Solvency II framework

The implementation within the Group of the Solvency II framework, which came into force on 1 January 2016, has facilitated the implementation of IFRS 17 by unlocking synergies in the organisation of the reporting databases and the common approach of cash flow projections at present value on which both frameworks are based, in order to obtain a balance sheet at market value (both for assets and liabilities) and avoid accounting asymmetries. It should not be forgotten that the IFRS are of supplementary use for the measurement of assets and liabilities under Solvency II.

Given the segments in which the Group operates and the nature of the groups of insurance and reinsurance contracts that make up its portfolio, the granularity, level of aggregation and contract boundaries under IFRS 17 are very similar to those used under Solvency II.

The Solvency II balance sheet is calculated for LDA standalone, as the Group is not required to present solvency information at the consolidated level, whereas under IFRS 17 information is presented at the consolidated level only.

The balance sheet is similar under both measurement standards, although in relation to insurance liabilities:

a) The IFRS 17 liability for claims incurred is similar to the Solvency II claims provision, although the former includes an explicit risk adjustment that would be equivalent to the Solvency II risk margin. However, they are different in their meaning and calculation methodology.

b) The liability for remaining coverage under the PAA is equivalent to the premium provision, although the former is similar to the provisions for unearned premiums, while under Solvency II it is estimated through projected expected cash flows discounted to present value of future exposure, taking into account contract boundaries.

### Alternative performance measures (APMs)

As the Group will be measuring all of its insurance and reinsurance contracts under the PAA, the main alternative performance measures will remain the same as under IFRS 4.

The combined ratio, adapted to IFRS 17, is not significantly different to that under IFRS 4.

## g) Materiality

When determining the information to be disclosed under the various line items of the financial statements or other business, the Group has, in accordance with IAS 34, considered materiality in relation to the interim consolidated financial statements for the six-month period.

## h) Seasonality of the Group's transactions

Given the nature of the business activities carried out by the various Group companies, the Group's transactions are not considered heavily cyclical or seasonal. As a result, no specific disclosures are included in these explanatory notes to the condensed consolidated financial statements for the six months ended 30 June 2023.

## i) Changes in accounting standards

There were no changes in accounting criteria during the six months ended 30 June 2023 compared to the consolidated financial statements for the year ended 31 December 2022, other than the entry into force of IFRS 17 and IFRS 9, as described in section f).

## j) Mandatory standards, amendments and interpretations for all annual periods beginning on or after 1 January 2023

**IFRS 17: Insurance Contracts[1]":** IFRS 17 replaces IFRS 4: Insurance Contracts, which permitted a wide variety of accounting practices. The new standard fundamentally changes the accounting of all entities that issue insurance contracts and investment contracts with discretionary participation features. In June 2020, the IASB amended the standard, developing specific amendments and clarifications to facilitate the implementation of the new standard, although without changing the core principles of the standard.

The standard applies to annual periods beginning on or after 1 January 2023, allowing early application if IFRS 9: Financial Instruments is applied on or before the date of initial application of IFRS 17.

The impact of this is discussed in section f) of this note.

**IFRS 17 (Amendment): Initial application of IFRS 17 and IFRS 9: Comparative information:** The IASB has published an amendment to IFRS 17 that introduces modifications with limited scope to the transition requirements of IFRS 17: Insurance Contracts. This does not affect any other requirements of IFRS 17. The transition requirements for IFRS 17 and IFRS 9: Financial Instruments are different. These differences could lead to one-off accounting mismatches between financial assets and insurance contract liabilities for some insurers in the comparative information they disclose in their financial statements when they apply IFRS 17 and IFRS 9 for the first time. This amendment will help insurers avoid these mismatches, improving the usefulness of the comparative information for investors.

This amendment is effective for annual periods beginning on or after 1 January 2023. For Línea Directa, this amendment would involve reclassifying capital gains on equity instruments to equity, as it has opted for the irrevocable option of considering such instruments as instruments whose changes in value are recognised in equity. Changes in the value during the year of investment funds classified as instruments whose valuation changes are recognised through profit or loss would also be reclassified.

**IAS 1 (Amendment): Disclosure of accounting policies:** IAS 1 has been amended to improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements. These amendments are effective as of 1 January 2023.

[1] The IASB issued IFRS 17 in 2017, with entry into force due on 1 January 2021. The IASB amended IFRS 17 in June 2020 with some clarifications to facilitate its implementation, changing the date it came into effect to 1 January 2023. In November 2021, the European Union adopted the amended IFRS 17 and its updated date of entry into force.

The impact of this amendment on the preparation of these financial statements is not significant.

**IAS 8 (Amendment): Definition of accounting estimates:** IAS 8 has been amended to help distinguish between changes in accounting estimates and changes in accounting policy. These amendments are effective as of 1 January 2023.

The impact of this amendment on the preparation of these financial statements is not significant.

### k) Standards and interpretations issued but not applied

**IAS 12 (Amendment): Deferred tax related to assets and liabilities arising from a single transaction:** Under IAS 12, in certain circumstances companies are exempt from recognising deferred taxes when they first recognise assets or liabilities ("initial recognition exemption"). Previously, there was some uncertainty as to whether the exemption applied to transactions such as leases and decommissioning obligations, these being transactions for which both an asset and a liability are recorded at initial recognition. The amendments clarify that the exemption does not apply and that there is therefore an obligation to recognise deferred taxes on such transactions.

This amendments is effective for years beginning on or after 1 January 2023, although earlier adoption is permitted.

This amendment had no impact on the preparation of these financial statements.

### l) Standards, amendments and interpretations of existing standards that cannot be adopted early or that have not been endorsed by the European Union.

At the date of authorisation for issue of these consolidated interim financial statements, the IASB and IFRS Interpretations Committee had issued the following standards, amendments and interpretations that have yet to be adopted by the European Union:

**IFRS 10 (Amendment) and IAS 28 (Amendment): Sale or contribution of assets between an investor and its associate or joint venture** These amendments clarify the accounting treatment for sales and contributions of assets between an investor and its associates and joint ventures, which will depend on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business'. Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss. If the assets do not meet the definition of a business, the investor will recognise the gain or loss only to the extent of the other investors' interest. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture.

Originally, these amendments to IFRS 10 and IAS 28 were prospective and effective for annual periods beginning on or after 1 January 2016. However, at the end of 2015 the IASB decided to postpone the effective date of these amendments (without setting a new specific date), as it is currently planning a broader review that may ultimately simplify the accounting treatment of these transactions and other accounting aspects for associates and joint ventures.

This amendment is not expected to have any impact on the Group.

**IFRS 16 (Amendment): Lease liability in a sale and leaseback:** IFRS 16 includes requirements on how to account for a sale and leaseback at the date the transaction takes place. However, it does not specify how to record the transaction after that date. This amendment explains how a company should account for a sale and leaseback after the date of the transaction.

The amendment is effective from 1 January 2024, although early application is permitted. This amendment is subject to endorsement by the European Union.

This amendment is not expected to have a significant impact on the Group.

**IAS 1 (Amendment): Classification of liabilities as current or non-current:** These amendments issued in January 2020 clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. The classification is unaffected by the expectations of the entity or events after the reporting period (e.g. the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. These effective date for these amendments is 1 January 2022, although early application was permitted.

An amendment was issued in July 2020 changing the effective date of the amendment to 1 January 2023. A further amendment was issued in October 2022, changing, among other things, the effective date of this modification to 1 January 2024. If, after October 2022, this amendment is applied early for an earlier period, the amendment to IAS 1 issued in October 2022 must also be applied.

These amendments are pending approval by the European Union.

Considering the Group's activity, this modification will not have any impact.

**IAS 1 (Amendment): Non-current liabilities with covenants:** In October 2022,the IASB issued an amendment to IAS 1: Presentation of financial statements, in response to concerns about the application of earlier amendments (from January and July 2020) relating to the classification of liabilities as current or non-current.

The new amendment seeks to improve the information disclosed when the right to defer payment of a liability is subject to the fulfilment of covenants within 12 months of the reporting period.

This amendment is effective for fiscal years beginning on or after 1 January 2024, although early implementation is permitted. The amendment is pending approval by the European Union.

Considering the Group's activity, this modification will not have any impact.

**IAS 12 (Amendment): International Tax Reform Pillar Two Model Rules:** In October 2021, more than 130 countries, representing over 90% of global GDP, agreed to implement a minimum tax regime for multinational companies, known as "Pillar Two". In December 2021, the Organisation for Economic Cooperation and Development (OECD) released the Pillar Two model rules for reforming international corporate taxation. The large multinational companies affected by this model must calculate their GloBE (*Global Anti-Base Erosion)* effective tax rate for each jurisdiction in which they operate. These companies will be required to pay an additional tax for the difference between their effective GloBE tax rate in each jurisdiction and a minimum rate of 15%.

In May 2023, the IASB issued amendments with limited scope to IAS 12, providing a temporary exception to the requirement to recognise and disaggregate deferred taxes arising from an approved or substantially approved tax law implementing the Pillar Two model rules published by the OECD.

These amendments also introduce the following specific breakdown requirements for companies:

- The fact of having applied the temporary exception to recognition and breakdown of information on deferred tax assets and liabilities related to corporate income tax arising from Pillar Two;
- Their current tax expense (if any) for corporate income tax arising from Pillar Two; and
- During the period between approval or substantial approval of the legislation and its entry into force, entities are required to disclose known or reasonably estimable information that would assist users of the financial statements in understanding the entity's exposure to corporate income tax arising from Pillar Two.

The amendment to IAS 12 must be applied immediately (subject to any local approval process) and retrospectively in accordance with IAS 8 (Accounting policies, changes in accounting estimates and errors), including the requirement to disclose that the temporary exception has been applied, if this is the case. Breakdowns of the current tax expense and known or reasonably estimable exposure to Pillar Two corporate income tax are mandatory for annual periods starting on or after 1 January 2023. However, breakdowns of this information are not required in the interim financial statements for any interim period ending on or before 31 December 2023.

This amendment is subject to endorsement by the European Union.

This amendment is not expected to have any impact on the Group.

**IAS 7 (Amendment) and IFRS 7 (Amendment): Supplier finance arrangements ("confirming")":** The IASB has amended IAS 7 and IFRS 7 to improve disclosures of supplier finance arrangements ("confirming") and their effects on the company's liabilities, cash flows and exposure to liquidity risk. The amendment meets investor concerns that some companies' supplier finance arrangements are not sufficiently transparent.

This amendment is effective for fiscal years beginning on or after 1 January 2024, although early implementation is permitted. The amendment is pending approval by the European Union.

This amendment is not expected to have any impact on the Group.

## 3. Scope of consolidation

Subsidiaries are all companies over which the Parent exercises direct or indirect control (see Note 3 a). Subsidiaries are considered from the date on which control is transferred to the Parent and are excluded from consolidation on the date on which consolidation ceases.

The list of entities included in the scope of consolidation is as follows:

| Company name | % direct holding | Relationship | Method of consolidation | Activity | Address | Auditor |
|---|---|---|---|---|---|---|
| Línea Directa Asistencia, S.L.U. | 100% | Subsidiary | Fully consolidated | Valuations, vehicle inspections and roadside assistance | Madrid | PricewaterhouseCoopers Auditores S.L. |
| Moto Club LDA, S.L.U. | 100% | Subsidiary | Fully consolidated | Services for motorcycle users | Tres Cantos, Madrid | PricewaterhouseCoopers Auditores S.L.(*) |
| Centro Avanzado de Reparaciones, S.L.U. | 100% | Subsidiary | Fully consolidated | Vehicle repairs | Torrejón de Ardoz, Madrid | PricewaterhouseCoopers Auditores S.L. |
| Ambar Medline, S.L.U. | 100% | Subsidiary | Fully consolidated | Insurance brokerage | Tres Cantos, Madrid | PricewaterhouseCoopers Auditores S.L.(*) |
| LDActivos, S.L.U. | 100% | Subsidiary | Fully consolidated | Asset management on behalf of insurance companies | Tres Cantos, Madrid | PricewaterhouseCoopers Auditores S.L.(*) |
| LDA Reparaciones, S.L.U. | 100% | Subsidiary | Fully consolidated | Management and repair of claims, specialising in home repairs | Tres Cantos, Madrid | PricewaterhouseCoopers Auditores S.L.(*) |

(*) Limited review of condensed annual accounts.

All significant balances and transactions between consolidated companies have been eliminated in the consolidation process.

There were no changes in the scope of consolidation in 2023 or 2022.

## 4. Segment information

The Group is structured internally into operating segments, which have been defined according to the different categories of products and services provided by the Group. The earnings and results of these segments are regularly reviewed as part of the decision-making process to decide on the resources to be allocated to the segment and to assess its performance. The Group's Board of Directors, which includes the Chief Executive Officer, identifies the segments from a business perspective and is the supreme decision-making body when it comes to defining these segments.

The Group comprises the following operating segments within the meaning of IFRS 8, with the principal products, services and operations being as follows:

- Motor
- Home
- Health
- Other insurance businesses
- Other activities

These segments related to insurance activity are the same accounting units defined under IFRS 17.

All segments are directly or indirectly related to the insurance business. The motor, home, health and other insurance business segments correspond to insurance-only activities.

- The motor segment includes private motor insurance through a range of products including comprehensive, with and without excess, extended third party and standard third party, among others, motorbike insurance with products such as comprehensive with excess, third party with theft and fire, and extended third party, and fleet insurance.

- The home segment includes a variety of multi-risk home insurance products that include coverage such as theft damage, civil liability, fire damage and aesthetic damage.

- The health segment includes health insurance products under the Vivaz brand in the health care segment.

- The other insurance segment includes various products with stand-alone policies that are not linked to motor, home or health insurance, such as travel insurance for holders of credit cards and wellness insurance.

- The other activities segment mainly relates to auxiliary insurance businesses and commission from the sale of insurance products of other insurers. It also includes roadside assistance and vehicle repair services that Group subsidiaries provide to third parties outside the Group and that are not, therefore, eliminated on consolidation. The income and expenses of this segment are shown in the headings "Other income" and "Other expenses" in the consolidated statement of profit or loss in relation to other activities. These activities do not meet the quantitative criteria for separate presentation.

There are no differences in accounting policies, nature of activities, valuation and measurement of assets and liabilities between each of the operating segments and there have been no changes from previous years in relation to their management.

The Group's management strategy is to analyse the performance of each segment by its profit after tax. The Group performs virtually all of its business activities in Spain. During 2023, being the first year of implementation of IFRS 17, the group's management continued to manage the segments in accordance with the results under IFRS 4, assessing the adjustments due to the regulatory change to IFRS 17 separately. The results are, therefore, presented by segments under both standards, with explanations of the main differences between them, which are not significant in any case.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2023 (in thousand euro)

Set out below is a breakdown of segment income and expenses and segment profit/(loss) for the year, a performance measure used by Group management in accordance with the requirements of IAS 34, for the six-month periods ended 30 June 2023 and 2022 under both IFRS 4 and IFRS 17.

| | 30/06/2023 | | | | |
|---|---|---|---|---|---|
| IFRS 17 | Motor | Home | Health | Other insurance businesses | Consolidated |
| Income from ordinary insurance business | 386,201 | 72,264 | 14,775 | 423 | 473,663 |
| Expenses of ordinary insurance business | (422,907) | (66,184) | (18,575) | (237) | (507,903) |
| Reinsurance recoverables | 1,510 | (2,961) | (806) | (10) | (2,267) |
| **Insurance technical result** | **(35,196)** | **3,119** | **(4,606)** | **176** | **(36,507)** |
| Finance income | 14,822 | 2,155 | 1,347 | 14 | 18,338 |
| Finance costs | (4,396) | (108) | (21) | - | (4,526) |
| **Financial result** | **10,426** | **2,047** | **1,326** | **14** | **13,813** |
| Income from property, plant and equipment and investment property | 1,943 | 348 | 40 | 2 | 2,333 |
| Expenses from property, plant and equipment and investment property | (511) | (90) | (10) | (1) | (612) |
| **Net income from insurance and investments** | **(23,338)** | **5,424** | **(3,250)** | **191** | **(20,973)** |

| | 30/06/2023 | | | | |
|---|---|---|---|---|---|
| IFRS 4 | Motor | Home | Health | Other insurance businesses | Consolidated |
| Total premiums earned, net of reinsurance | 383,701 | 69,841 | 8,062 | 412 | 462,016 |
| Total claims incurred in the period, net of reinsurance | (356,828) | (46,179) | (7,551) | (43) | (410,601) |
| Profit sharing | - | - | - | (151) | (151) |
| Total net operating expenses | (73,729) | (20,875) | (5,169) | (43) | (99,816) |
| Other income and expense for the non-life insurance business | 9,172 | - | - | - | 9,172 |
| **Technical profit/(loss)** | **(37,684)** | **2,787** | **(4,658)** | **175** | **(39,380)** |
| Total investment income | 23,536 | 2,464 | 1,384 | 16 | 27,400 |
| Total investment expenses | (10,378) | (90) | (10) | (1) | (10,479) |
| **Income from the non-life insurance business account** | **(24,526)** | **5,161** | **(3,284)** | **190** | **(22,459)** |

The difference between the two technical accounts is €1,486 thousand. This is mainly due to:

- Under IFRS 17, a number of expenses that were recognised in the technical account under operating expenses have been reclassified as non-attributable expenses in accordance with the definition in the standard. These expenses mainly relate to non-business related training and aid. This reclassification amounts to €865 thousand.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2023 (in thousand euro)

- The other differences are caused by measurement and classification changes introduced by both IFRS 17 and IFRS 9. These changes are discussed in detail in the information comparison note. The breakdown of these impacts is as follows:

| | |
|---|---|
| Gross provision for claims incurred | 3,616 |
| Provision for claims incurred ceded | (634) |
| Provision for remaining coverage | (14) |
| Credit of interest | (1,278) |
| **Impact of IFRS 17 before tax** | **1,690** |
| | |
| Realised capital gains on equities | (2,379) |
| Change in expected loss on fixed income securities | (4) |
| Change in valuation of equity investment funds | 1,314 |
| **Impact of IFRS 9 before tax** | **(1,069)** |

| | |
|---|---|
| **Total difference** | **621** |

| | | | **30/06/2022** | | |
|---|---|---|---|---|---|
| IFRS 17 | **Motor** | **Home** | **Health** | **Other insurance businesses** | **Consolidated** |
| Income from ordinary insurance business | 372,600 | 66,901 | 13,923 | 771 | 454,195 |
| Expenses of ordinary insurance business | (330,336) | (56,405) | (18,148) | (331) | (405,220) |
| Reinsurance recoverables | (1,461) | (3,529) | 1,859 | (34) | (3,165) |
| **Insurance technical result** | **40,803** | **6,967** | **(2,366)** | **406** | **45,810** |
| Finance income | 16,336 | 2,369 | 1,351 | 26 | 20,082 |
| Finance costs | (1,699) | 39 | 8 | - | (1,652) |
| **Financial result** | **14,637** | **2,408** | **1,359** | **26** | **18,430** |
| Income from property, plant and equipment and investment property | 1,831 | 301 | 36 | 4 | 2,172 |
| Expenses from property, plant and equipment and investment property | (545) | (91) | (11) | (1) | (648) |
| **Net income from insurance and investments** | **56,726** | **9,585** | **(982)** | **435** | **65,764** |

| | | | **30/06/2022** | | |
|---|---|---|---|---|---|
| IFRS 4 | **Motor** | **Home** | **Health** | **Other insurance businesses** | **Consolidated** |
| Total premiums earned, net of reinsurance | 370,371 | 63,021 | 7,610 | 737 | 441,739 |
| Total claims incurred in the period, net of reinsurance | (266,484) | (36,183) | (7,530) | (21) | (310,218) |
| Profit sharing | - | - | - | (235) | (235) |

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2023 (in thousand euro)

| | | | | | |
|---|---|---|---|---|---|
| Total net operating expenses | (71,468) | (20,405) | (2,330) | (76) | (94,279) |
| Other income and expense for the non-life insurance business | 7,286 | (121) | (121) | - | 7,044 |
| **Technical profit/(loss)** | **39,705** | **6,312** | **(2,371)** | **405** | **44,051** |
| Total investment income | 32,781 | 2,604 | 1,379 | 30 | 36,794 |
| Total investment expenses | (18,312) | (90) | (11) | (1) | (18,414) |
| **Income from the non-life insurance business account** | **54,174** | **8,826** | **(1,003)** | **434** | **62,431** |

The difference between the two technical accounts is €3,333 thousand. This is mainly due to:

- Under IFRS 17, a number of expenses that were recognised in the technical account under operating expenses have been reclassified as non-attributable expenses in accordance with the definition in the standard. These expenses mainly relate to non-business related training and aid. This reclassification amounts to €1,069 thousand.

- The other differences are caused by measurement and classification changes introduced by both IFRS 17 and IFRS 9. These changes are discussed in detail in the information comparison note. The breakdown of these impacts is as follows:

| | |
|---|---|
| Gross provision for claims incurred | 1,823 |
| Provision for claims incurred ceded | 139 |
| Provision for remaining coverage | (60) |
| Credit of interest | 389 |
| **Impact of IFRS 17 before tax** | **2,291** |

The following table provides a breakdown of investment income and expenses of the consolidated non-life insurance business by segment for the six-month periods ended 30 June 2023 and 2022 under IFRS 4 and IFRS 17.

30/06/2023

| IFRS 17 | Motor | Home | Health | Other insurance businesses | Consolidated |
|---|---|---|---|---|---|
| Income from financial investments | 9,091 | 2,155 | 1,347 | 14 | 12,607 |
| Application of value adjustments for investments | 1,691 | - | - | - | 1,691 |
| Gains/(losses) on realisation of investments | 4,105 | - | - | - | 4,105 |
| **Total finance income** | **14,886** | **2,155** | **1,347** | **14** | **18,403** |
| Accrued interest from direct insurance | (1,163) | (111) | (44) | - | (1,319) |
| Accrued interest on ceded reinsurance | 14 | 3 | 24 | - | 41 |
| Investment valuation adjustments | (2) | - | - | - | (2) |
| Losses on investments | (3,246) | - | - | - | (3,246) |
| Exchange differences | (64) | | - | - | (64) |
| **Total finance expenses** | **(4,461)** | **(107)** | **(21)** | **-** | **(4,589)** |

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**Línea Directa Aseguradora S.A., Compañía de Seguros y Reaseguros and subsidiaries**
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| | | | | | |
|---|---|---|---|---|---|
| **Total income from property, plant and equipment and investment property** | **1,943** | **347** | **40** | **2** | **2,333** |
| **Total expenses from property, plant and equipment and investment property** | **(511)** | **(90)** | **(10)** | **(1)** | **(612)** |
| **Financial income + income from property, plant and equipment and investments** | **11,858** | **2,305** | **1,356** | **15** | **15,534** |

| | 30/06/2023 | | | | |
|---|---|---|---|---|---|
| IFRS 4 | Motor | Home | Health | Other insurance businesses | Consolidated |
| **Income from investments in property, plant and equipment** | **1,935** | **355** | **41** | **2** | **2,333** |
| **Income from financial investments** | **11,169** | **2,109** | **1,343** | **14** | **14,635** |
| **Gains/(losses) on realisation of investments** | **10,432** | **-** | **-** | **-** | **10,432** |
| On investments in property, plant and equipment | - | - | - | - | - |
| Financial investments | 10,432 | - | - | - | 10,432 |
| **Total investment income** | **23,536** | **2,464** | **1,384** | **16** | **27,400** |
| **Investment management expenses** | **(2,955)** | **(90)** | **(10)** | **(1)** | **(3,056)** |
| Expenses from managing investments in property, plant and equipment | (1,427) | (90) | (10) | (1) | (1,528) |
| Expenses from managing financial investments | (1,528) | - | - | - | (1,528) |
| **Investment valuation adjustments** | **(14)** | **-** | **-** | **-** | **(14)** |
| Depreciation of investments in property, plant and equipment | (14) | - | - | - | (14) |
| **Losses on investments** | **(7,409)** | **-** | **-** | **-** | **(7,409)** |
| Losses on investments in property, plant and equipment | - | | - | - | - |
| Losses on financial investments | (7,409) | - | - | - | (7,409) |
| **Total investment expenses** | **(10,378)** | **(90)** | **(10)** | **(1)** | **(10,479)** |

The differences between the two income figures for investments in 2023 relate to the entry into force of both IFRS 9 and IFRS 17:

| | |
|---|---|
| Realised capital gains on equities recognised in equity | (2,379) |
| Change in expected loss on fixed income securities | (4) |
| Change in valuation of equity investment funds recognised in the statement of profit or loss | 1,314 |
| **Impact of IFRS 9 before tax** | **(1,069)** |
| Reclassification of expenses to other expenses and operating expenses | (318) |
| **Impact of IFRS 17 before tax** | **(318)** |

| | 30/06/2022 | | | | |
|---|---|---|---|---|---|
| IFRS 17 | Motor | Home | Health | Other insurance businesses | Consolidated |
| **Income from financial investments** | **8,717** | **2,373** | **1,351** | **27** | **12,467** |

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2023 (in thousand euro)

| | | | | | |
|---|---|---|---|---|---|
| **Application of value adjustments for investments** | **408** | **-** | **-** | **-** | **408** |
| **Gains/(losses) on realisation of investments** | **4,471** | **-** | **-** | **-** | **4,471** |
| **Exchange differences** | **695** | **-** | **-** | **-** | **695** |
| **Total investment income** | **16,331** | **2,372** | **1,351** | **27** | **18,041** |
| **Accrued interest from direct insurance** | **353** | **39** | **11** | **-** | **403** |
| **Accrued interest on ceded reinsurance** | **(10)** | **(1)** | **(3)** | **-** | **(14)** |
| **Investment valuation adjustments** | **-** | **-** | **-** | **-** | **-** |
| **Losses on investments** | **(2,041)** | **-** | **-** | **-** | **(2,041)** |
| **Total investment expenses** | **(1,699)** | **38** | **8** | **-** | **(1,652)** |
| **Total income from property, plant and equipment and investment property** | **1,831** | **301** | **36** | **4** | **2,172** |
| **Total expenses from property, plant and equipment and investment property** | **(545)** | **(90)** | **(10)** | **(1)** | **(648)** |
| **Financial income + income from property, plant and equipment and investments** | **15,922** | **2,618** | **1,385** | **29** | **19,955** |

| | 30/06/2022 | | | | |
|---|---|---|---|---|---|
| IFRS 4 | **Motor** | **Home** | **Health** | **Other insurance businesses** | **Consolidated** |
| **Income from investments in property, plant and equipment** | **1,823** | **308** | **37** | **4** | **2,172** |
| **Income from financial investments** | **10,728** | **2,296** | **1,342** | **26** | **14,392** |
| **Gains/(losses) on realisation of investments** | **20,230** | **-** | **-** | **-** | **20,230** |
| On investments in property, plant and equipment | - | - | - | - | - |
| Financial investments | 20,230 | - | - | - | 20,230 |
| **Total investment income** | **32,781** | **2,604** | **1,379** | **30** | **36,794** |
| **Investment management expenses** | **(3,577)** | **(90)** | **(11)** | **(1)** | **(3,679)** |
| Expenses from managing investments in property, plant and equipment | (1,452) | (90) | (11) | (1) | (1,554) |
| Expenses from managing financial investments | (2,125) | - | - | - | (2,125) |
| **Investment valuation adjustments** | **(14)** | **-** | **-** | **-** | **(14)** |
| Depreciation of investments in property, plant and equipment | (14) | - | - | - | (14) |
| **Losses on investments** | **(14,721)** | **-** | **-** | **-** | **(14,721)** |
| Losses on investments in property, plant and equipment | - | - | - | - | - |
| Losses on financial investments | (14,721) | - | - | - | (14,721) |
| **Total investment expenses** | **(18,312)** | **(90)** | **(11)** | **(1)** | **(18,414)** |

As stated in note 2, IFRS 9 was not applied until 1 January 2023, so all the differences in 2022 related to the entry into force of IFRS 17:

| | |
|---|---|
| Credit of interest under IFRS 17 | 389 |
| Reclassification of expenses to other expenses and operating expenses | (1,186) |
| **Impact of IFRS 17 before tax** | **(797)** |

## 5. Dividends

At its meeting on 30 March 2023, the General Shareholders' Meeting agreed to approve a final dividend charged to 2022 profit amounting to €1,090 thousand. This dividend was paid on 11 April 2023.

The legally required accounting statement drawn up by the Parent in relation to the last available accounting close at the date of the dividend proposal shows sufficient liquidity for the distribution of the interim dividend, as follows:

Liquidity statement for the period:

| | Resolution of 30.03.2023 |
|---|---|
| **Net profit at date of resolution** | 59,523 |
| Less: | |
| Other reserves | - |
| Interim dividends charged to profit or loss for the year | (52,481) |
| **Unrestricted profit** | **7,042** |
| **Proposal to pay interim dividends** | **1,090** |
| **Total dividend to be paid** | **1,090** |
| **Cash liquidity prior to payment** | **28,741** |
| Expected receipts less expected payments | 75,378 |
| **Remaining cash** | **104,119** |

## 6. Earnings per share

### Basic:

Basic earnings per share are calculated by dividing the profit for the year attributable to shareholders of the Parent by the weighted average number of ordinary shares outstanding during the year:

| | **30/06/2023** | **30/06/2022** |
|---|---|---|
| Profit/(loss) for the year attributable to the owners of the Parent | (15,094) | 48,976 |
| Weighted average of shares issued (thousands of shares) | 1,088,417 | 1,088,417 |
| Weighted own shares (thousands of shares) (*) | (2,290) | (536) |
| Weighted average number of common shares outstanding (thousands of shares) | 1,087,881 | 1,087,881 |
| **Basic earnings/losses per share (in euros)** | **(0.01)** | **0.05** |

(*) Refers to own shares held in treasury and weighted according to the period in which they were issued (Note 16-b).

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2023 (in thousand euro)

At 30 June 2023, there were 494 thousand treasury shares, making the weighted average number of ordinary shares outstanding lower than the weighted average number of shares issued at that date.

At 30 June 2022, there were 638 thousand treasury shares, making the weighted average number of ordinary shares outstanding lower than the weighted average number of shares issued at that date.

Diluted:

Diluted earnings per share are calculated by adjusting the profit for the year attributable to shareholders of the Parent and the weighted average number of ordinary shares outstanding for all dilutive potential ordinary shares. The dilutive effect on earnings per share at 30 June 2023 and 2022 was not material.

## 7. Remuneration and other benefits of the Board of Directors

Remuneration received by the Group's directors and executives amounted to €563 thousand and €1,254 thousand, respectively, during the first half of 2023, and €1,050 thousand and €2,751 thousand, respectively, during the first half of 2022, as follows:

**2023**

| | Fixed salary | Variable salary | Remuneration in kind | Per diems/allowances | Consolidated social security | Total |
|---|---|---|---|---|---|---|
| Senior management | 1,021 | - | 233 | - | - | 1,254 |
| Directors | 411 | - | 47 | 105 | - | 563 |
| **Total** | **1,432** | **-** | **280** | **105** | **-** | **1,817** |

**2022**

| | Fixed salary | Variable salary | Remuneration in kind | Per diems/allowances | Consolidated social security | Total |
|---|---|---|---|---|---|---|
| Senior management | 2,387 | - | 364 | - | - | 2,751 |
| Directors | 830 | - | 77 | 143 | - | 1,050 |
| **Total** | **3,217** | **-** | **441** | **143** | **-** | **3,801** |

Senior management is defined as the Group's Management Committee comprising eleven executives. This group, together with the Chief Executive Officer, participates in the share-based remuneration programme described in Note 16-c.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2023 (in thousand euro)

At 30 June 2023 and 2022, 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.

## 8. Financial instruments

### a) Financial assets

#### i. Balances of financial assets

The classification of financial assets by category and class at 30 June 2023 and 31 December 2022 is as follows:

| | 30/06/2023 | 31/12/2022 |
|---|---|---|
| **Financial assets at fair value through profit or loss** | | |
| Available-for-sale financial assets | | |
| Equity instruments | | |
| Listed | 9,095 | 9,039 |
| Non-listed | 45,534 | 39,767 |
| **Total financial assets at fair value through profit or loss** | **54,629** | **48,806** |
| **Financial assets at fair value through other comprehensive income** | | |
| Available-for-sale financial assets | | |
| Equity instruments | | |
| Listed | 49,050 | 55,859 |
| Non-listed | 16,152 | 16,221 |
| Debt securities | | |
| Listed | 675,172 | 618,778 |
| **Total financial assets at fair value through other comprehensive income** | **740,374** | **690,858** |
| **Financial assets at amortised cost** | | |
| Loans and receivables | | |
| Debt securities | - | - |
| Deposits with credit institutions | 6,564 | 4,515 |
| Receivables on direct insurance business – policyholders | 14,345 | 10,030 |
| Receivables on reinsurance business | 6,344 | 12,290 |
| Other receivables | 5,361 | 4,303 |
| **Total financial assets at amortised cost** | **32,614** | **31,138** |
| **Total financial assets** | **827,617** | **770,802** |

The main changes in the balances of financial assets at fair value through other comprehensive income at 30 June 2023 compared to the end of 2022 consist of the increase in the balance of debt securities resulting from the purchase of new positions during the year, despite the falls in the values of such assets due to the rise in interest rates, which continued during the year.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2023 (in thousand euro)

The increase in unlisted equities was due to the entry into a new programme of a fund of the Partners fund manager, amounting to €1,500 thousand, the disbursement of €1,500 thousand in a KKR fund that the Group was committed to and that was already in the portfolio at 31 December. Capital contributions were also made to funds already in the portfolio, with a positive valuation of these instruments with an increase of €1,000 thousand.

Under Financial assets at amortised cost:

- The sub-heading "Deposits in credit institutions" includes deposits with various banks. The increase in this balance is due to the decision of some entities to remunerate such instruments with higher returns,

- The sub-heading "Receivables on direct insurance business" shows insurance policy receipts pending collection, both those relating to earned premium receipts and unearned split payments of premium receipts. The increase in the balance at 30 June 2023 compared to December 2022 relates largely to split payments of premium receipts in the Health segment, most of which are annual policies with split monthly payments running from 1 January to 31 December of each year. At year-end there were no split payment receipts pending issue and at the end of June they included the split payments still payable over the second half of the year.

### ii. Income and expenses from financial assets

The amount of net gains and losses by category of financial asset at 30 June 2023 and 31 December 2022 is as follows:

| | 30/06/2023 | | | |
|---|---|---|---|---|
| | Financial assets at amortised cost | Financial assets at fair value through other comprehensive income | Financial assets at fair value through profit or loss | Other financial assets |
| Interest on bank deposits | 514 | - | - | - |
| Income from premium instalments | 2,280 | - | - | - |
| Effect of change in investment value | - | - | 1,314 | 376 |
| Net losses on swap valuation | - | - | - | 4,201 |
| Losses on realisation of investments | - | -3,245 | - | - |
| Interest on fixed-income securities | - | 7,460 | - | - |
| Income on equity instruments | - | 2,352 | - | - |

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| | | | | |
|---|---|---|---|---|
| Net valuation gains on fixed income securities covered by swap | - | - | | -4,201 |
| Gains/(losses) on realisation of investments | - | 4,105 | - | - |
| Positive exchange differences | - | - | - | - |
| Negative exchange differences | - | -63 | - | - |
| Other expenses | - | - | - | - |
| Other income | - | - | - | - |
| Fixed income expected loss | - | - | - | -2 |
| Accrued interest on direct insurance and ceded reinsurance | - | - | - | -1,278 |
| **Net result in profit and loss** | **2,794** | **10,610** | **1,314** | **-904** |
| Change in fair value | - | 9,140 | - | - |
| Effect of discount under IFRS 17 | - | -184 | - | - |
| IFRS 9 transition | - | -8,265 | - | - |
| Capital gains reclassified to profit or loss under IFRS 9 | - | - | -1,294 | - |
| **Net result in other comprehensive income** | - | **691** | **-1,294** | - |

| | **31/12/2022** | | |
|---|---|---|---|
| | **Financial assets at amortised cost** | **Financial assets at fair value through other comprehensive income** | **Other financial assets** |
| Interest on bank deposits | 185 | - | - |
| Income from premium instalments | 4,571 | - | - |
| Effect of change in investment value | - | - | - |
| Gains/(losses) on realisation of investments | - | - | - |
| Positive exchange differences | - | - | - |
| Net losses on swap valuation | - | - | 20,843 |
| Losses on realisation of investments | - | (5,464) | - |
| Interest on fixed-income securities | - | 15,343 | - |
| Income on equity instruments | - | 8,248 | - |
| Net valuation gains on fixed income securities covered by swap | - | - | (20,843) |
| Gains/(losses) on realisation of investments | - | 12,647 | - |
| Positive exchange differences | - | 3,269 | - |
| Negative exchange differences | - | 498 | - |
| Other expenses | - | - | (645) |
| **Net result in profit and loss** | **4,756** | **34,541** | **(645)** |
| Change in fair value | - | (73,221) | - |
| **Net result in other comprehensive income** | - | **(73,221)** | - |

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2023 (in thousand euro)

### iii. Fair value breakdown

Financial assets at fair value with changes in other comprehensive income are as follows, by valuation level:

| | | 30/06/2023 | | |
|---|---|---|---|---|
| | Carrying amount | Fair value | | |
| | | Level 1 | Level 2 | Level 3 |
| **Financial assets at fair value through equity** | | | | |
| Equity instruments | | | | |
| Listed | 49,050 | 49,050 | - | - |
| Non-listed | 16,152 | - | 28 | 16,124 |
| Debt securities | | | | |
| Listed | 675,172 | 658,714 | 16,458 | - |
| Non-listed | - | - | - | - |
| **Total** | **740,374** | **707,764** | **16,486** | **16,124** |

| | | 30/06/2023 | | |
|---|---|---|---|---|
| | Carrying amount | Fair value | | |
| | | Level 1 | Level 2 | Level 3 |
| **Financial assets at fair value through profit or loss** | | | | |
| Equity instruments | | | | |
| Listed | 9,095 | 9,095 | - | - |
| Non-listed | 45,534 | - | - | 45,534 |
| Debt securities | | | | |
| Listed | - | - | - | - |
| Non-listed | - | - | - | - |
| **Total** | **54,629** | **9,095** | **-** | **45,534** |

| | | 31/12/2022 | | |
|---|---|---|---|---|
| | Carrying amount | Fair value | | |
| | | Level 1 | Level 2 | Level 3 |
| **Financial assets at fair value through equity** | | | | |
| Equity instruments | | | | |
| Listed | 55,859 | 55,859 | - | - |
| Non-listed | 16,221 | - | 28 | 16,193 |
| Debt securities | | | | |
| Listed | 618,778 | 617,793 | 985 | - |
| Non-listed | - | - | - | - |
| **Total** | **690,858** | **673,652** | **1,013** | **16,193** |

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| | | 31/12/2022 | | |
|---|---|---|---|---|
| | Carrying amount | | Fair value | |
| | | Level 1 | Level 2 | Level 3 |
| **Financial assets at fair value through profit or loss** | | | | |
| Equity instruments | | | | |
| Listed | 9,039 | 9,039 | - | - |
| Non-listed | 39,767 | - | - | 39,767 |
| Debt securities | | | | |
| Listed | - | - | - | - |
| Non-listed | - | - | - | - |
| **Total** | **48,806** | **9,039** | **0** | **39,767** |

To determine Level 2 fair values at 30 June 2023 and 31 December 2022, a model has been used in which discounted future cash flows, including the redemption value, are discounted from a yield curve with two main components:

- Zero coupon swap curve of the currency in which the issue is denominated, which is considered to be the best approximation of the risk-free interest rate.

- Additional risk spread, which will be the spread added or deducted from the zero-coupon swap curve reflecting the risks inherent in the issuance being assessed, such as: credit, illiquidity and optionality risks.

The following table sets out the valuation methods used at 30 June 2023 and 31 December 2022 to determine Level 3 fair values, along with the unobservable inputs used and the interrelationship between key inputs and fair value.

| Type | Valuation method | Variables used (non-observable) | Interrelationship between key variables and fair value |
|---|---|---|---|
| Net asset value of investments in private equity funds with renewable energy generating assets as the underlying | Discounted cash flows: the most widely accepted method, which treats the investment as a cash flow generator. To obtain its value, this method calculates the present value of the future cash flows by taking into account the implicit risk of achieving them. Thus, the discounted cash flow method estimates the cash flows that the asset/investment will generate in the future, and then discounts them at an appropriate discount rate, depending on the risk associated with achieving those cash flows.<br><br>The expected flows are determined on the basis of the following key assumptions: Regulated income – return on investment and operation in accordance with Spanish Order ETU/130/2017, Pool price, Production – number of hours, Inflation, OPEX of each facility, CAPEX, Residual value and decommissioning cost.<br><br>Cash flows are discounted at a discount rate representing the average of the various sources of financing for each asset, weighted by the market value of each source of financing, reflecting in each case the risk assumed in financing the assets. The rates were updated on 30 June 2022,<br>Helia II:<br>Cinca project (mini-hydro): 6.2% - 6.7%.<br>Tharsis project (photovoltaic): 5.6% - 6.1%.<br>General photovoltaic: 5.1% - 5.6%.<br>Rest of the portfolio: 5.6% - 6.1%.<br><br>Helia III:<br>The whole portfolio: 5.9% - 6.4%. | WACC and return on investment | The higher the WACC the lower the fair value, and the higher the return on investment the higher the fair value (bearing in mind that income depends on prevailing regulations) |

The English version is a translation of the original in Spanish made by Linea Directa Aseguradora, S.A on his sole responsibility and shall not be considered official. In case of discrepancy, the Spanish version shall prevail.

**Línea Directa Aseguradora S.A., Compañía de Seguros y Reaseguros and subsidiaries**
**Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2023 (in thousand euro)**

| | | | |
|---|---|---|---|
| | Helia IV:<br>Dean project (photovoltaic): 4.9% - 5.4%.<br>Rest of the portfolio: 5.1% - 5.6%.<br>Merchant: 5.6%-6.1% | | |
| Net asset value of the underlying funds | As funds of funds, the value of each unit is calculated as the sum of the net asset values provided by each of the underlying funds. Valuation as per the amounts communicated by the fund management companies, which are compared with the net asset values included in the annual accounts. These fund management companies are filed and registered with the CNMV.<br>In each fund the fair value is calculated according to the valuation reports and financial statements provided by each of the investee entities. | Net asset value of each fund<br>% holding in the portfolio of each fund | The higher the net asset value of the underlying funds, the higher the value of these funds.<br>The higher the percentage holding in the underlying funds, the greater the proportional value of that fund to the investing funds. |
| Net asset value of shares | Relates to shares held in SOCIMIs (Spanish REITs). The valuation methodology is based on the standards and techniques recommended by RICS, using the relevant comparison methods (comparable transactions) and cash flow discounts (based on the estimated income and expenses of the asset over a 10-year period). | Market data on returns, discount rates and annual valuation by an independent expert. | The higher the value of the property investments, the higher the net asset value of the company. |
| Net asset value of loans | The manager of the BNY Mellon fund conducts a daily valuation of the fund. In carrying out its calculation, the fund manager relies on public sources to retrieve the daily price of the loans. These public sources are independent price providers, such as Bloomberg, Markit and Reuters. These price providers generate their information from actual transactions supplied to them by the trading desks of the main financial institutions, on the basis of cross-trading during the day and the level of supply and demand for each loan during the day. | Quotations provided by the trading desks of the main financial institutions.<br>Specialist sources, Markit Partners/LoanX and IDC/Reuters | Prices calculated on the basis of the information supplied by the trading desks of the main financial institutions. |

Changes in financial assets measured in accordance with valuation techniques based on unobservable data (Level 3) are as follows:

| | 30/06/2023 |
|---|---|
| **Equity instruments** | **Non-listed** |
| **Balance at 31 December 2022** | **55,960** |
| Purchases | 5,486 |
| Sales | (1,053) |
| Statement of profit or loss | 366 |
| Other comprehensive income | 899 |
| **Balance at 30 June 2023** | **61,658** |

| | 31/12/2022 |
|---|---|
| **Equity instruments** | **Non-listed** |
| **Balance at 31 December 2021** | **56,476** |
| Purchases | 6,107 |
| Sales | (3,202) |
| Transfers to level 1 | (7,000) |
| Statement of profit or loss | 1,125 |
| Other comprehensive income | 2,452 |
| **Balance at 31 December 2022** | **55,960** |

There were no transfers of financial assets between the levels during the first half of 2023.

The fixed income investment portfolio and deposits with credit institutions by credit rating at 30 June 2023 and 31 December 2022 are as follows (in thousand euros):

**30/06/2023**

| Rating | AAA | AA | A | BBB | Below investment grade | No rating | Total |
|---|---|---|---|---|---|---|---|
| **Public fixed income** | | | | | | | |
| SPPI | 6,001 | 28,465 | 200,442 | 140,626 | 995 - | - | **376,528** |
| **Private fixed income** | | | | | | | |
| SPPI | 8,177 | 12,175 | 135,693 | 123,688 | 10,600 | 8,311 | **298,644** |
| **Total fixed income** | **14,178** | **40,639** | **336,134** | **264,314** | **11,594** | **8,311** | **675,172** |
| % fixed income | 2% | 6% | 50% | 39% | 2% | 1% | 100% |
| **Deposits with credit institutions** | | | | | | | |
| SPPI | 6,564 | - | - | - | - | - | 6,564 |

**31/12/2022**

| Rating | AAA | AA | A | BBB | Below investment grade | No rating | Total |
|---|---|---|---|---|---|---|---|
| **Public fixed income** | | | | | | | |
| SPPI | 5,082 | **2,927** | 171,476 | 177,011 | - | - | **356,496** |
| **Private fixed income** | | | | | | | |
| SPPI | 8,222 | 8,337 | 100,409 | 124,186 | 10,359 | 10,769 | **262,282** |
| **Total fixed income** | **13,304** | **11,264** | **271,885** | **301,197** | **10,359** | **10,769** | **618,778** |
| % fixed income | 2% | 2% | 44% | 49% | 2% | 2% | 100% |
| **Deposits with credit institutions** | | | | | | | |
| SPPI | 4,515 | - | - | - | - | - | 4,515 |

### iv. Expected loss

The group calculated expected loss at -€244 thousand on the transition date to IFRS 9. The changes in this expected loss during the first half of the year and the allocation of "stages" of debt securities (not including coupon accruals) were as follows:

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2023 (in thousand euro)

| | 30/06/2023 | | | | | |
|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Total | |
| | Market value | Expected loss | Market value | Expected loss | Market value | Expected loss |
| **Balance at 1 January 2023** | **612,672** | **(244)** | - | - | **612,672** | **-244** |
| Transfer to Stage 2 | - | - | - | - | - | - |
| Expected loss originated or due to purchases | 145,519 | (28) | - | - | 145,519 | -28 |
| Maturities or sales | (107,072) | 26 | - | - | (107,072) | 26 |
| New measurements | 19,691 | (2) | - | - | 19,691 | (2) |
| **Change in expected loss** | - | **(4)** | - | - | - | **(4)** |
| **Balance at 30 June 2023** | **670,811** | **(248)** | - | - | - | **(248)** |

## b) Financial liabilities

### i. Balances of financial liabilities

The classification of financial liabilities by category and class at 30 June 2023 and 31 December 2022 is as follows:

| | 30/06/2023 | 31/12/2022 |
|---|---|---|
| **Financial liabilities at amortised cost** | | |
| Debt and accounts payable | | |
| Due on insurance business with policyholders | 2,629 | 2,009 |
| Due on insurance business with brokers | 332 | 481 |
| Conditional claims on direct insurance business | 2 | - |
| Due on reinsurance business | 1,060 | 1,363 |
| Taxes and social security payable | 13,516 | 15,520 |
| Other debts | 37,917 | 39,915 |
| -Lease liabilities (Note 10-b) | 2,987 | 3,768 |
| -Other payables | 34,930 | 36,147 |
| **Total financial liabilities at amortised cost** | **41,941** | **43,768** |
| Hedging derivatives | - | - |
| **Total hedging derivatives** | **-** | **-** |
| **Total financial liabilities** | **41,941** | **43,768** |

#### Other debts

Details of the sub-heading "Other payables" at 30 June 2023 and 31 December 2022 are as follows:

| | 30/06/2023 | 31/12/2022 |
|---|---|---|
| On goods delivered and services rendered | 31,557 | 31,750 |
| On securities lending | - | - |

| | | |
|---|---|---|
| Outstanding remuneration | 3,373 | 4,397 |
| Lease liabilities (Note 10-b) | 2,987 | 3,768 |
| **Total other debts** | **37,917** | **39,915** |

The sub-heading "Outstanding remuneration" includes provisions for recurring annual, quarterly and monthly variable incentives, which amounted to €2,774 thousand and €4,397 thousand at 30 June 2023 and 31 December 2022, respectively.

## ii. Income and expense on financial liabilities

It was not necessary to recognise any amount for hedge ineffectiveness of derivatives in the consolidated statement of profit or loss for the first half of 2023 or 2022.

The amounts of fair value hedge adjustments made to the hedged item recognised in the statements of profit or loss are as follows:

| 30 June 2023 | Nominal | Carrying amount | Heading of the consolidated balance sheet | Changes in fair value used as the basis for recognising ineffectiveness in the period | Ineffectiveness reported |
|---|---|---|---|---|---|
| Hedging derivatives | 50,000 | 7,464 | Hedging derivatives (Asset) | (380) | - |
| Fixed-income instruments | 50,000 | 44,018 | Debt securities | 3,544 | (380) |

| 31 December 2022 | Nominal | Carrying amount | Heading of the consolidated balance sheet | Changes in fair value used as the basis for recognising ineffectiveness in the period | Ineffectiveness reported |
|---|---|---|---|---|---|
| Hedging derivatives | 50,000 | 7,808 | Hedging derivatives (Asset) | 14,303 | - |
| Fixed-income instruments | 50,000 | 40,884 | Debt securities | (15,817) | 13,813 |

## iii. Fair value breakdown

The fair value of derivatives is calculated through the use of valuation techniques. Valuation techniques maximise the use of available observable market data and rely as little as possible on entity-specific estimates.

As all significant inputs required to calculate their fair value are observable, the swaps are included in Level 2. The fair value has been calculated as the present value of estimated future cash flows based on estimated interest rate curves.

For current debts and payables, details of fair values have not been provided because their carrying amounts are a reasonable approximation of fair value.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2023 (in thousand euro)

There were no transfers of financial liabilities between the levels during the first half of 2023.

## 9. Property, plant and equipment and investment property

### a) Property, plant and equipment

The balances of these headings in the accompanying consolidated balance sheet were as follows at 30 June 2023 and 31 December 2022:

| | Property for own use | Other property, plant and equipment | Total |
|---|---|---|---|
| **Cost at 30 June 2023** | **44,601** | **42,276** | **86,877** |
| Accumulated amortisation at 30 June 2023 | (8,014) | (32,645) | (40,660) |
| Impairment losses | (2,251) | - | (2,115) |
| **Net carrying amount at 30 June 2023** | **34,472** | **9,630** | **44,102** |

| | Property for own use | Other property, plant and equipment | Total |
|---|---|---|---|
| **Cost at 31 December 2022** | **44,889** | **42,251** | **87,140** |
| Accumulated amortisation at 31 December 2022 | (7,625) | (31,896) | (39,521) |
| Impairment losses | (2,251) | - | (2,251) |
| **Net carrying amount at 31 December 2022** | **35,013** | **10,355** | **45,368** |

No significant activity in relation to property, plant and equipment was recognised in the first half of 2023 or in 2022.

The fair value of property assets as part of property, plant and equipment was as follows at 30 June 2023 and 31 December 2021:

| | | | 30/06/2022 | | |
|---|---|---|---|---|---|
| **Description** | **Cost value** | **Accumulated depreciation** | **Impairment** | **Net carrying amount** | **Market value** |
| Land and buildings at I. Newton 7, Tres Cantos | 5,394 | (1,967) | - | 3,426 | 11,314 |
| Land and buildings at I. Newton 9, Tres Cantos | 7,371 | (1,461) | (734) | 5,176 | 5,457 |
| Land and buildings at Ronda Europa 7, Tres Cantos | 21,853 | (3,885) | (1,275) | 16,693 | 17,413 |
| Land and buildings at Torres Quevedo 1, Tres Cantos | 6,212 | (235) | (105) | 5,872 | 7,860 |
| Land and buildings at Avda. El Sol 9, Torrejón de Ardoz | 2,347 | (328) | (137) | 1,881 | 1,911 |

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2023 (in thousand euro)

| | | | | | |
|---|---|---|---|---|---|
| C/ Einstein 1, Tres Cantos | 1,425 | - | - | 1,425 | 1,725 |
| Total | **44,601** | **(8,014)** | **(2,251)** | **34,473** | **45,680** |

| Description | Cost value | Accumulated depreciation | Impairment | Net carrying amount | Market value |
|---|---|---|---|---|---|
| | 31/12/2022 | | | | |
| 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 |
| Land and buildings at Avda. El Sol 9, Torrejón de Ardoz | 2,347 | (315) | (137) | 1,895 | 1,911 |
| C/ Einstein 1, Tres Cantos | 1,425 | - | - | 1,425 | 1,425 |
| Total | **44,889** | **(7,625)** | **(2,251)** | **35,013** | **45,680** |

## b) Investment property

The movements recorded under this heading at 30 June 2023 and 31 December 2022 are as follows:

| | Land | Buildings | Assets in course of construction | Plant | Total |
|---|---|---|---|---|---|
| **Cost at 30 June 2023** | **31,468** | **39,886** | **-** | **288** | **71,621** |
| Accumulated amortisation at 30 June 2023 | - | (6,997) | 1,205 | (144) | (5,936) |
| Impairment losses | - | (138) | - | - | (138) |
| **Net carrying amount at 30 June 2023** | **31,468** | **32,731** | **1,205** | **144** | **65,548** |

| | Land | Buildings | Plant | Total |
|---|---|---|---|---|
| **Cost at 31 December 2022** | **32,409** | **38,396** | **292** | **71,097** |
| Accumulated amortisation at 31 December 2022 | - | (6,284) | (137) | (6,421) |
| Impairment losses | - | - | - | - |
| **Net carrying amount at 31 December 2022** | **32,409** | **32,112** | **155** | **64,676** |

No significant activity in relation to investment property was recognised in the first half of 2023 and in the year ended 31 December 2022.

The comparison between the carrying amount and fair value of investment property (land and buildings) at 30 June 2023 and 31 December 2022 is as follows:

| Description | Cost value | Accumulated depreciation | Impairment | Net carrying amount | Fair value |
|---|---|---|---|---|---|
| | | 30/06/2022 | | | |
| C/ José Echegaray 9, Madrid | 6,902 | (980) | - | 5,922 | 8,023 |
| C/ Chamberí 8, Madrid | 43,228 | (3,146) | - | 40,082 | 52,574 |
| Avda. de Bruselas 22, Madrid | 21,881 | (2,542) | - | 19,339 | 25,345 |
| **Total** | **70,805** | **(6,668)** | **-** | **64,137** | **85,942** |

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2023 (in thousand euro)

| | | 31/12/2022 | | | |
|---|---|---|---|---|---|
| **Description** | **Cost value** | **Accumulated depreciation** | **Impairment** | **Net carrying amount** | **Fair value** |
| C/ José Echegaray 9, Madrid | 6,902 | (931) | - | 5,971 | 8,023 |
| C/ Chamberí 8, Madrid | 42,022 | (2,968) | - | 39,054 | 52,574 |
| Avda. de Bruselas 22, Madrid | 21,881 | (2,385) | - | 19,496 | 25,345 |
| **Total** | **70,805** | **(6,284)** | **-** | **64,521** | **85,942** |

## 10. Right-of-use assets and lease liabilities

### a) Right-of-use assets

Details of rights of use by asset class at 30 June 2023 and 31 December 2022 are as follows:

| | Buildings | Furniture and other property, plant and equipment | Total |
|---|---|---|---|
| **Cost at 30 June 2023** | **3,634** | **6,172** | **9,806** |
| Accumulated amortisation at 30 June 2023 | (2,594) | (4,306) | (6,901) |
| Impairment losses | - | - | - |
| **Net carrying amount at 30 June 2023** | **1,039** | **1,866** | **2,905** |

| | Buildings | Furniture and other property, plant and equipment | Total |
|---|---|---|---|
| **Cost at 31 December 2022** | **3,437** | **8,322** | **11,759** |
| Accumulated depreciation at 31 December 2022 | (2,366) | (5,772) | (8,138) |
| Impairment losses | - | - | - |
| **Net carrying amount at 31 December 2022** | **1,071** | **2,550** | **3,621** |

During 2023, derecognitions in the amount of €833 thousand were recognised, corresponding mainly to vehicle leasing contracts with an average duration of three years. These vehicles are used to offer a replacement vehicle service to policyholders through the Group's network of collaborating repair shops and have now expired.

During the first half of 2022, additions were recognised in the amount of €97 thousand, corresponding to the updating of lease contracts for buildings, furniture and other tangible fixed assets.

### b) Lease liabilities

The following table shows changes in lease liabilities at 30 June 2023 and 31 December 2022.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2023 (in thousand euro)

| | 30/06/2022 | 31/12/2022 |
|---|---|---|
| Balance at the beginning of the year | 3,768 | 4,534 |
| Additions | 182 | 1,495 |
| Finance costs | (24) | (63) |
| Payments | (939) | (2,198) |
| **Balance at the end of the year** | **2,987** | **3,768** |

The weighted average incremental borrowing rate was 1.39% for the first half of 2023 and 1.45% for 2022.

## 11. Intangible assets

As at 30 June 2023 and 31 December 2022, the balances of these headings in the accompanying consolidated balance sheet are as follows:

| | Software | Assets in course of construction | Total |
|---|---|---|---|
| **Cost at 30 June 2023** | **101,001** | **3,865** | **104,866** |
| Accumulated amortisation at 30 June 2023 | (89,558) | - | (89,558) |
| Impairment losses | - | - | - |
| **Net carrying amount at 30 June 2023** | **11,443** | **3,865** | **15,308** |

| | Software | Assets in course of construction | Total |
|---|---|---|---|
| **Cost at 31 December 2022** | **96,943** | **4,976** | **101,919** |
| Accumulated amortisation at 31 December 2022 | (87,437) | - | (87,437) |
| Impairment losses | - | - | - |
| **Net carrying amount at 31 December 2022** | **9,506** | **4,976** | **14,482** |

No significant activity in relation to intangible assets was recognised in the first half of 2023 or in 2022.

## 12. Insurance contract assets and liabilities

Activity in the first half of 2023 and 2022 in relation to each of the technical provisions shown in the accompanying consolidated balance sheets is as follows:

First half of 2023:

Direct insurance

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2023 (in thousand euro)

| Thousand euros | Balance at 1 January 2023 | Change in the statement of profit or loss | Change in equity | Change in adjustments and settlements in the statement of profit or loss | Balance at 30 June 2023 |
|---|---|---|---|---|---|
| **Liabilities under insurance contracts:** | | | | | |
| Provisions for remaining coverage | 330,633 | -7,715 | - | - | 338,348 |
| Loss component | 4,453 | - | - | - | 4,453 |
| Provisions for claims incurred | 285,226 | -47,146 | 162 | -7,335 | 339,868 |
| **Total** | **620,312** | **-54,861** | **162** | **-7,335** | **682,669** |

## Ceded and retroceded reinsurance

| Thousand euros | Balance at 1 January 2023 | Change in the statement of profit or loss | Change in statement of changes in equity | Balance at 30 June 2023 |
|---|---|---|---|---|
| **Assets under insurance contracts:** | | | | |
| Provisions for remaining coverage | 4,553 | 2,392 | - | 6,945 |
| Loss component | 1,913 | - | - | 1,913 |
| Provisions for claims incurred | 15,490 | 3,966 | (407) | 19,049 |
| **Total** | **21,956** | **6,358** | **(407)** | **27,907** |

## First half of 2022:

## Direct insurance

| Thousand euros | Balance at 1 January 2022 | Change in the statement of profit or loss | Change in equity | Change in adjustments and settlements in the statement of profit or loss | Balance at 30 June 2022 |
|---|---|---|---|---|---|
| **Liabilities under insurance contracts:** | | | | | |
| Provisions for remaining coverage | 306,985 | (13,010) | - | - | 319,995 |
| Loss component | 5,278 | - | - | - | 5,278 |
| Provisions for claims incurred | 263,053 | 935 | 4,242 | 7,142 | 250,734 |
| **Total** | **575,316** | **12,075** | **4,242** | **7,142** | **576,007** |

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2023 (in thousand euro)

## Ceded and retroceded reinsurance

| Thousand euros | Balance at 1 January 2022 | Change in the statement of profit or loss | Change in equity | Balance at 30 June 2022 |
|---|---|---|---|---|
| **Assets under insurance contracts:** | | | | |
| Provisions for remaining coverage | 4,281 | 2,317 | - | 6,597 |
| Loss component | 2,909 | - | - | 2,909 |
| Provisions for claims incurred | 17,110 | 1,235 | (196) | 18,149 |
| **Total** | **24,300** | **3,356** | **(196)** | **27,655** |

These provisions were estimated using the procedures set out in note 2.f).

# 13. Tax position

The calculation of income tax expense for the first half of 2023 is based on the best estimate of the average effective tax rate that would be applied to expected earnings for 2023. Therefore, the amounts calculated as the tax expense for the current interim period may be adjusted in subsequent periods should the estimates of the annual rate change.

## Inspections in progress

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 lodged a contentious-administrative appeal before the Audiencia Nacional on 1 February 2023 to continue appealing the part rejected by the TEAC. The Company was notified of the start of the period for filing the appeal on 15 June 2023.

On 14 November 2016, inspection proceedings were initiated in relation to the surcharges payable to the Insurance Compensation Consortium (CSS) in relation to 2016. The Company was notified of the findings of these proceedings on 22 December 2017. The Company presented the corresponding arguments in good time. On 21 June 2018, a resolution was received from the Directorate General of Insurance and Pension Funds (DGSFP). On 27 May 2019, an appeal was lodged with the High Court of Justice in Madrid. The Court's ruling was received on 23 April 2021, partially upholding the arguments made by the Company, which involved performing a specific test on particular files.

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. This appeal was accepted for consideration. On 23 September 2022, the Supreme Court ruled in favour of the Directorate's opinion. In January 2023, the DGSFP contacted the Company to perform the test, which took place in February and March. The Company received the report on the performance of the test on 22 June 2023, in which it was dismissed. The Company will submit further arguments within the period provided for this purpose.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2023 (in thousand euro)

In addition to the above, the Group has analysed each uncertain tax treatment separately by virtue of IFRIC 23. The analysis revealed that it is probable that the Spanish tax authorities will accept the current tax treatments considered uncertain. Therefore, no additional contingency was disclosed at 30 June 2023 relating to the calculation and presentation of the Group's income tax expense.

No new relevant events occurred during the first half of 2023 in relation to the inspections ongoing at the end of 2022.

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 Group's consolidated financial statements.

## 14. Equity

The composition of equity and changes therein in the first half of 2023 and 2022 are shown in the accompanying consolidated statements of changes in equity.

At 30 June 2023, 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 and paid up and conferring the same rights and obligations.

The shareholders of the Parent with a stake equal to or greater than 3% of the share capital as at 30 June 2023 and considered significant shareholders according to the regulations of the Securities Market are as follows:

| | Number of shares | % |
|---|---|---|
| Cartival | 213,277,276 | 19.60% |
| Bankinter | 189,555,907 | 17.42% |
| Fernando Masaveu Herrero | 58,170,346 | 5.34% |
| Norbel Inversiones, S.L. | 54,430,000 | 5.00% |
| Lazard AM | 34,778,950 | 3.20% |
| Invesco LTD | 33,720,437 | 3.10% |
| Brandes Investment Partners LP | 32,674,276 | 3.00% |

The entry into force of IFRS 17 has affected the Group's equity. A number of entries were made on 1 January 2022 for the transition between IFRS 4 and IFRS 17, with the following impact:

| Thousand euros | 1 January 2022 |
|---|---|
| Adjustments due to the adoption of IFRS 17 | 379 |
| Deferred tax liabilities | (95) |

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2023 (in thousand euro)

| | |
|---|---|
| **Estimated after-tax impact of IFRS 17 transition** | **(285)** |

The entry into force of IFRS 9 and the classification of financial instruments at the time of the transition led to the consolidation in reserves of tacit capital gains and losses on equities at 1 January 2023, with an impact on other reserves of €8,082 thousand. As set out in note 2.f), the Group has decided to apply the irrevocable option in the case of equities. This has caused the capital gains or losses from the sale of equities to be taken directly to reserves without going through the statement of profit or loss, resulting in an increase in reserves of €2,379 thousand.

## 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 with a significant influence on financial and operational decision-making as mentioned in ORDER EHA/3050/2004, of 15 September, on the information on related-party transactions to be disclosed by companies issuing securities admitted to trading on official secondary markets.

During the first half of 2023, there were no intercompany transactions between Group companies that were not eliminated on consolidation.

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 2023, and as indicated in Note 14, Bankinter's percentage of participation has been reduced to 17.42%, and the bank has no representative on the Group's Board of Directors since the date of the IPO.

For the purposes of better comparison of information on related parties, Bankinter Group companies have been considered as significant shareholders in both 2023 and 2022.

### a) Expenses and revenue

This heading includes the aggregate amount of income and expenses recognised in the consolidated statement of profit or loss or other consolidated comprehensive income that pertain to related party transactions.

This table does not include remuneration accrued by directors and executives, details of which are disclosed in Note 7 to these condensed consolidated financial statements.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2023 (in thousand euro)

| 30/06/2023 | | | | | |
|---|---|---|---|---|---|
| | **Significant shareholders** | **Directors and executives** | **Group employees, companies and entities** | **Other related parties** | **Total** |
| Finance costs | 169 | | | | **169** |
| Other expenses | 3,329 | | | | **3,329** |
| **Total expenses** | **3,498** | | | | **3,498** |
| Finance income | 746 | | | | **746** |
| Services rendered | 417 | | | | **417** |
| Other income | 393 | | | | **393** |
| **Total income** | **1,556** | | | | **1,556** |

| 30/06/2022 | | | | | |
|---|---|---|---|---|---|
| | **Significant shareholders** | **Directors and executives** | **Group employees, companies and entities** | **Other related parties** | **Total** |
| Finance costs | 277 | - | - | - | **277** |
| Other expenses | 3,716 | - | - | - | **3,716** |
| **Total expenses** | **3,993** | **-** | **-** | **-** | **3,993** |
| Finance income | 619 | - | - | - | **619** |
| Services rendered | 446 | - | - | - | **446** |
| Other income | 739 | - | - | - | **739** |
| **Total income** | **1,804** | **-** | **-** | **-** | **1,804** |

The amounts of expenses and income with significant shareholders relate to transactions with Bankinter Group companies that were carried out at arm's length.

The expenses mainly correspond to brokerage fees on the sale of insurance policies in the Home segment.

Income from services rendered largely relates to remuneration under collaboration agreements for the marketing, sale and issuance of "Affinity" cards and the provision of personalised offers of financial products and services intended for the Group's existing policyholders. Other income relates to income from insurance premiums whose policyholders are Bankinter Group companies.

## b) Other transactions

Details of other related-party transactions for the six months ended 30 June 2023 and 2022 are as follows:

| 30/06/2023 | | | | | |
|---|---|---|---|---|---|
| | **Significant shareholders** | **Directors and executives** | **Group employees, companies and entities** | **Other related parties** | **Total** |
| Dividends and other earnings distributed | 1,090 | - | - | - | **1,090** |

**30/06/2022**

The English version is a translation of the original in Spanish made by Linea Directa Aseguradora, S.A on his sole responsibility and shall not be considered official. In case of discrepancy, the Spanish version shall prevail.

**Línea Directa Aseguradora S.A., Compañía de Seguros y Reaseguros and subsidiaries**
**Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2023 (in thousand euro)**

| | Significant shareholders | Directors and executives | Group employees, companies and entities | Other related parties | Total |
|---|---|---|---|---|---|
| Dividends and other earnings distributed | 7,534 | - | - | - | **7,534** |

This heading shows the aggregate amount of related party transactions, whether or not they have had an impact on the consolidated statement of profit or loss or on the consolidated statement of other comprehensive income.

As explained in note 5, Dividends, the amount of €1,090 thousand corresponds to the final dividend charged to 2022 income.

## c) Balances at period-end

The following table shows the related party headings of the consolidated balance sheets at 30 June 2023 and 31 December 2022.

| | | Significant shareholders | |
|---|---|---|---|
| | Note | 2023 | 2022 |
| **Assets** | | | |
| **Financial assets at fair value through profit or loss** | | | |
| I. Equity instruments | 8 a) | 10,600 | 10,175 |
| II. Fixed-income securities | 8 a) | 3,514 | 3,475 |
| **Cash and cash equivalents** | | | |
| Cash and cash equivalents | | 35,375 | 26,362 |
| **Other receivables** | | | |
| Other receivables | 8 a) | 236 | 447 |
| **Any other assets** | | | |
| Accruals | | 21 | 34 |
| **Total asset balances** | | **49,746** | **40,493** |
| **Liabilities** | | | |
| Due to group companies and associates | 8 b) | 625 | - |
| **Total liability balances** | | **625** | **-** |

# Other information

## a) Average number of employees

The average number of Group employees on the payroll at 30 June 2023 and 2022, broken down by gender, is as follows:

| | 30/06/2023 | 30/06/2022 |
|---|---|---|
| Male | 1,056 | 1,089 |
| Female | 1,422 | 1,473 |

The Board of Directors of the Parent consists of seven individuals: four men and three women.

## b) Own shares

The balance of this sub-heading of equity in the consolidated balance sheet is shown net of equity in accordance with IAS 32: Financial Instruments: Presentation.

Since 29 April 2021, the date of the IPO, on which the Parent was awarded 239,678 own shares in the exchange of Bankinter shares, it has made successive acquisitions of shares, all duly communicated to the CNMV, to complete the remuneration plan. Thus, the number of own shares acquired by the Parent in 2021 was 795,643 shares, at an average price of €1.57, accounting for 0.11% of the total number of issued shares. During 2022 and 2023, some of the shares committed have been delivered at the vesting price in the agreements.

Details of own shares at 30 June 2023 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 | 149 | 149 |
| 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 | 25 | 25 |
| 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 | -102 | -102 |
| 22/12/2022 | Delivered to employees | -100,147 | 0.99 | -98 | -98 |
| 14/04/2023 | Delivered to CEO | -14,455 | 0.99 | -14 | -14 |
| 04/05/2023 | Delivered to directors, 2nd payment | -148,102 | 1.57 | -233 | -233 |
| **Total** | | **494,353** | **25** | **772** | **772** |

## c) Share-based remuneration plan

The Chief Executive Officer and the members of the Group's Management Committee participate in a share-based remuneration plan following the Bank's stock market listing. The Plan was approved at the Annual General Meeting held on

18 March 2021, which has been set as the award date of the Plan. It is intended to motivate and build the loyalty of plan members by offering them the option of receiving a certain number of shares within the three years following the date of the Company's stock market listing. 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 30 trading days following the date of the IPO. As this average price was €1.6339, the number of shares to be delivered is 61,203 shares per participant. With 13 participants, the plan will entail the delivery of a total of 795,639 shares, worth €1,300 thousand.

ii. Term and vesting conditions: Under the plan, participants may receive 33% of the shares on the first anniversary of the IPO, the second batch of 33% on the second anniversary, and the remaining 34% on the third anniversary. The vesting condition for delivery of each batch of shares is that the participant must continue to serve at the Company on the date of each of the three anniversaries.

The cost of the programme for the Company is recorded as a staff expense with a balancing entry in a reserve for own shares in equity in the consolidated balance sheet. This expense will be progressively written off on the three anniversaries as and when the shares are delivered to the employees.

A staff expense of €22 thousand was recognised in 2023 in relation to the 2023 delivery of such shares.

## 16. Events after the reporting period

No significant events have occurred following the end of the six-month period ended 30 June 2023 and through to the date of authorisation for issue of these condensed interim consolidated financial statements.

# 3

# Consolidated interim management report

June 2023

linea directa

# CONSOLIDATED INTERIM

# MANAGEMENT REPORT

## Línea Directa Aseguradora, S.A.

June 2023

The English version is a translation of the original in Spanish made by Linea Directa Aseguradora, S.A on his sole responsibility and shall not be considered official. In case of discrepancy, the Spanish version shall prevail.

# Table of contents

**The Group has been applying the new international financial reporting standards IFRS 17 and IFRS 9 since 1 January 2023**. These new standards introduce changes in the recognition and measurement of insurance and reinsurance contracts and financial instruments of insurance companies. However, given the nature and duration of the business segments in which the Group operates, no material impacts were recognised in the first half of the year in the condensed interim consolidated financial statements or on the management of the business.

Further information on the impacts and implications of these new regulations can be found in the **Condensed Interim Consolidated Financial Statements** accompanying this management report, and in the presentation published for this purpose on our corporate website:

https://www.lineadirectaaseguradora.com/en/accionistas-e-inversores/informacion-financiera/resultados-y-presentaciones/2023

In order to progressively accustom users of our financial statements and to ensure an orderly transition between standards, the business will continue to run in parallel under IFRS 4 during the year. Note also that this management report includes a specific section containing a reconciliation of results between IFRS 4, IFRS 17 and IFRS 9.

# 1. Main figures for the first half of the year

| Income Statement | 6M 2023 | 6M 2022 | % var. |
|---|---|---|---|
| Gross written premiums (GWP) | 491,948 | 474,789 | 3.6% |
| Profit/ (loss) after tax | (15,559) | 48,976 | -131.8% |
| Loss ratio | 88.9% | 70.2% | 18.6 p.p |
| Expense ratio | 19.7% | 19.8% | -0.1 p.p |
| Combined ratio | 108.5% | 90.0% | 18.5 p.p |

| Solvency | 6M 2023 | 12M 2022 | p.p var. |
|---|---|---|---|
| Solvency II ratio | 186% | 188% | -1.8 p.p |

| Clients | 6M 2023 | 6M 2022 | % var. |
|---|---|---|---|
| Number of clients (thousand) | 3,420 | 3,430 | -0.3% |

| The Línea Directa Aseguradora share | 6M 2023 | 12M 2022 | % var. |
|---|---|---|---|
| Market capitalisation (million €) | 898 | 1,123 | -20.1% |
| Share price (€) | 0.825 | 1.032 | -20.1% |
| Number of shares | 1,088,416,840 | 1,088,416,840 | - |

In the first half of 2023, premiums were up 3.6% compared to the same period of the previous year, reaching €491.9 million.

The technical result, which measures the difference between premium income and claims payments and expenses, recorded a loss of €39.4 million. The loss is entirely explained by the cost of claims, which reflects the inflationary pressures and the sharp increase in repair and replacement costs, along with a higher bodily injury expense. Meanwhile, expense items performed very well again and were below the first half of the previous year.

Net investment income amounted to €16.9 million, down 7.9% on the previous year. However, the recurring financial result was up 2.6%, excluding capital gains realised in the first half of 2023 and 2022 and amounting to €3.2 million and €5.0 million, respectively.

The Group ended June with an after-tax loss of €15.6 million, as a result of this sharp cost inflation.

Equity amounted to €282.9 million and the solvency ratio came to 186%, revealing a surplus of €162.5 million beyond the solvency capital requirement (SCR); well clear of minimum regulatory requirements.

As of the date of this management report, the Group had 3.4 million customers. During the first six months of 2023, Línea Directa made further progress with its ongoing process optimisation and digital acceleration. Customers who interact digitally with the Group already account for more than 86% of the total portfolio.

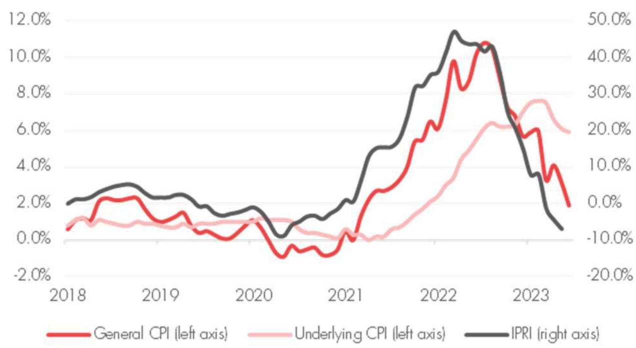
## 2. Macroeconomic conditions and financial markets

According to the Bank of Spain, global economic activity turned in a relatively strong performance in the first half of 2023. The positive features observed in the first half of the year included a sharp decline in energy prices and fewer disruptions along global value chains. The services sector also fared particularly well, as it continued to benefit from the return to normal following the end of the health crisis.

However, we also saw certain signs of weakness, especially in the most recent period. These signals have been particularly pronounced in manufacturing and in China and the euro area, where the latest available indicators have been consistently disappointing. In the particular case of the Economic and Monetary Union (EMU), the most recent national accounts figures published by Eurostat signal a gentle contraction in the region's GDP in the first three months of the year, while growth forecasts for the current quarter have been trending downwards in recent weeks. One possible explanatory factor for these developments could be the considerable tightening of monetary policy that we have been witnessing in recent quarters, and not only in Europe but around the world. As a result, financial conditions have become much tighter across the economy as a whole and this is already dulling economic activity (including the speed with which new credit is being granted in some countries), even though the adverse effects on economic activity are expected to peak in the coming quarters.

The **Spanish economy** held up remarkably well in the first half of the year. In the first quarter of 2023, Spanish GDP grew by 0.5% (3.8% year-on-year), compared to a 0.1% decline in the euro area. Spain's strong economic performance was aided, among other factors, by the recovery of tourism and substantial exports of other non-tourism services. These buoyant levels of activity continued throughout the second quarter of the year.

Inflation has continued to ease in recent months, mainly as the energy component steadily retreats. However, the other components of inflation have only just begun to show signs of relenting.




However, in the final stretch of this six-month period, we have seen signs of a slowdown, with a drop in private consumption and somewhat weaker figures of late on employment, confidence and investment in housing. As is happening on a global scale, they are quite possibly the manifestation of tighter monetary policy within the euro area, which is ultimately needed to bring inflation back on track.

| Spain | 3M '23 | 12M '22 | 12M '21 | 12M '20 |
|---|---|---|---|---|
| CPI % var. * | +1.9% | +5.7% | +6.5% | -0.5% |
| IPRI % var. * | -6.9% | +14.9% | +35.2% | -1.4% |
| GDP % var. | +3.8% | +5.5% | +5.5% | -11.3% |
| Unemployment | 13.3% | 12.9% | 13.3% | 16.1% |
| Debt-GDP ratio | 112.8% | 113.2% | 118.3% | 120.4% |

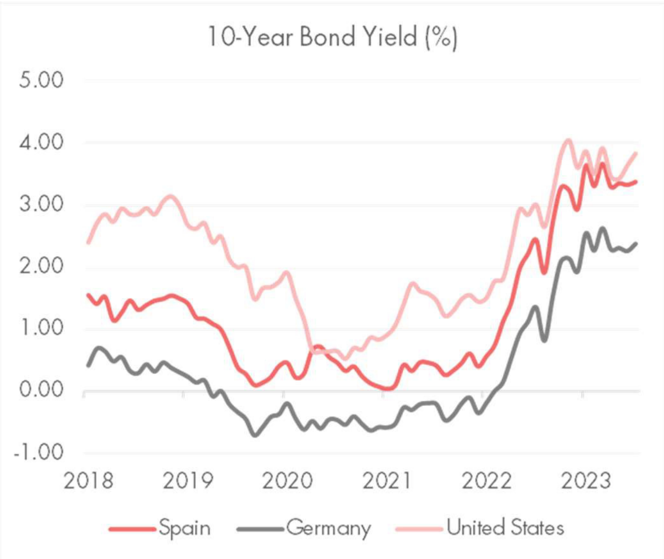
*Source: INE, EPA, Bank of Spain*

** CPI as of June '23 and IPRI as of May '23*

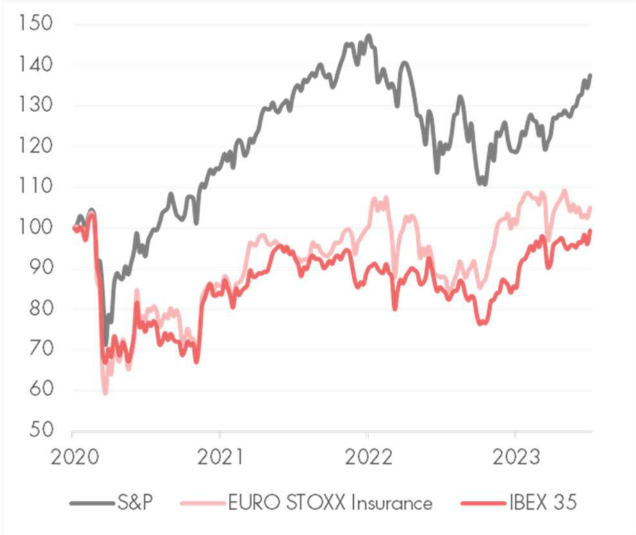
In the last few months, yields on long-term sovereign debt have been less volatile than during the first quarter of the year, although they have risen slightly since the end of March. For instance, in the second quarter, the Spanish and German 10-year bonds were up 8 and 9 basis points, to 3.4% and 2.4%, respectively.

| Country | Bond Yield (%) | | |
|---|---|---|---|
| | 1Y | 5Y | 10Y |
| Spain | 3.7 | 3.2 | 3.4 |
| Germany | 3.6 | 2.6 | 2.4 |
| United States | 5.4 | 4.2 | 3.8 |

*Source: Refinitiv*




Against a backdrop of persistent inflation, rising interest rates and fears of a recession, equities performed remarkably well in the first six months of the year, although certain indices reflect the lingering uncertainty regarding the situation of regional banks in the United States.




## 3. The Spanish insurance market

On the insurance front, the first six months of 2023 were dominated by the inflationary landscape.

The **Motor segment** delivered a positive performance in business volumes in the first half of 2023, with premiums written up 5.42% (source: ICEA, latest figures available as of May 2023), compared with a 2.3% drop as of June 2022.

In terms of total insured vehicles, there are currently more than 33 million vehicles insured in Spain, with year-on-year growth of 1.3%, equivalent to more than 415,000 new vehicles (source: FIVA). Vehicle sales and purchases are still well off pre-pandemic levels, thus resulting in an ageing fleet with an average vehicle age of 14 years.

Inflation has been passed on to repair costs (paints, parts and labour) and the injury scale. At the same time, average premiums in the sector, which had fallen for 20 years to an all-time low, began to grow timidly and with a certain lag behind the cost of claims. The combination of these two factors has led to a sharp decline in margins for the sector as a whole.

Meanwhile, **the Home and Health segments** reported solid gains of 5.58% and 7.30%, respectively, largely due to an increase in average premiums (source: ICEA, latest figures available at May 2023).

Rising interest rates are continuing to exert pressure on credit dynamics and home sales and purchases were down 6.8% year on year (source: INE (latest figures available at March 2023).

The upturn in prices has also translated into higher repair costs and higher healthcare costs in these segments, with hospital tariffs on the rise.

## 4. Corporate governance

In the first half of 2023, the General Shareholders' Meeting of Línea Directa Aseguradora was held both in person and remotely. All physical and electronic measures needed to enable and facilitate shareholder involvement in the event were made available. The event had a high attendance quorum of 77.81% and more than 94% of votes were cast in favour for all items on the agenda. Key resolutions to be passed included the approval of the annual financial statements for 2022 and the application of profit for the year, including the distribution of a final dividend, with more than 99% of votes in favor, as well as the resolutions relating to the compensation of the Chief Executive Officer and the approval of a Long-Term Incentive Plan, again with more than 99% of votes cast in favor. Shareholders were also informed that the Board of Directors had approved the 2023–2025 Sustainability Plan.

With regard to the composition of the Board, its independence and diversity are particularly noteworthy. It is made up of members possessing an adequate combination of training, experience and skills, as shown in the skills matrix prepared by the Group and published in the 2022 Non-Financial Information Statement. Notably, the Board is also composed of 57% women and 57% independent directors. In addition, the two advisory committees attached to the Board (Audit and Compliance Committee and Appointments, Remuneration and Corporate Governance Committee) are chaired by independent directors and composed of members who possess the necessary skills, in accordance with the functions ascribed to each committee, thus enhancing their effectiveness and independence. The operation of the Board and its committees is governed by the Regulations of the Board of Directors (https://www.lineadirectaaseguradora.com/en/corporate-governance/board-of-directors/rules-regulations-board-directors).

The Group maintains regular contact with shareholders, investors, proxy advisors and other stakeholders throughout the year, in order to gauge their opinions, requirements and policies on matters relating to good governance. The Group also makes information related to its governance system and practices permanently available to the market through its corporate website:

https://www.lineadirectaaseguradora.com/en/gobierno-corporativo

The Annual Corporate Governance Report, also available on the website https://www.lineadirectaaseguradora.com/en/gobierno-corporativo/informe-de-gobierno-corporativo, provides a particularly detailed breakdown of the ownership structure, composition and functioning of the governing bodies of Línea Directa Aseguradora, as well as the degree of compliance with the recommendations of the CNMV's Code of Good Governance for Listed Companies.

At the executive level, the Group's management team is led by the Chief Executive Officer and handles the day-to-day running of the Company. There are also various committees that work to achieve the strategic objectives in place and oversee specific matters that are particularly relevant to the Group, such as products, projects, reserves, risks, investments or sustainability.

# 5. Business performance

## 5.1 Relevant corporate events

The Group applied IFRS 17 and IFRS 9 for the first time on 1 January 2023. These new standards have led to certain changes in the recognition and measurement of insurance and reinsurance contracts and financial instruments. However, given the business segments in which the Group operates and the nature and duration of the insurance contracts it markets and sells, these changes have not had a material impact on the Group's consolidated financial statements, or on the management of the business and the Group's dividend policy.

## 5.2. Reconciliation between regulations IFRS 17 and IFRS 9 and regulation IFRS 4

The following table shows a summary of the consolidated statement of profit or loss as of June 2023 under IFRS 17 and 9:

| *Thousand euro* | **6M 2023** | 6M 2022 | *% var. 23/ 22* |
|---|---|---|---|
| **Ordinary insurance activities income** | **473,663** | **454,195** | ***4.3%*** |
| Ordinary insurance activities expenses | (507,903) | (405,221) | *25.3%* |
| **Ordinary insurance activities result** | **(34,240)** | **48,974** | ***-169.9%*** |
| Reinsurance recoverable amount | (2,267) | (3,165) | *-28.4%* |
| **Technical insurance result** | **(36,507)** | **45,809** | ***-179.7%*** |
| **Net investments result** | **15,534** | **19,955** | ***-22.2%*** |
| Result from other activities | 1,090 | 1,752 | *-37.8%* |
| **Profit/ (loss) before tax** | **(19,883)** | **67,516** | ***-129.4%*** |
| Income tax | 4,790 | (16,841) | *-128.4%* |
| **Profit/ (loss) after tax** | **(15,093)** | **50,675** | ***-129.8%*** |

| | | | |
|---|---|---|---|
| **Combined ratio** | **107.9%** | **89.6%** | ***18.3 p.p*** |

The heading **Revenues from insurance services** shows services rendered under insurance contracts and the amount the Group expects to receive in exchange for those services, i.e. the premiums is expects to receive.

Meanwhile, **insurance service expenses** include claims and other attributable insurance service expenses incurred; amortisation of cash flows from the acquisition of insurance; changes relating to past services (i.e. changes in cash flows relating to the liability for claims incurred); and losses on groups of contracts and reversals of those losses. Under NIIF 4, this heading would include claims incurred and operating expenses.

It should be noted that the above headings of revenues and expenses from insurance services do not include investment components, and nor do they take into account income and expenses related to reinsurance, which have their own specific headings.

Revenues from insurance services less expenses from insurance services and revenues from reinsurance contracts held make up **total profit/(loss) from insurance services**. Following the Group's decision to apply the PPA valuation method, this insurance service result is expected to be similar to the technical result under IFRS 4 without the current financial part.

**Net investment income** encompasses income obtained from the Group's portfolio of financial instruments in the form of interest, dividends, rentals, changes in the fair value of financial assets through profit or loss and realised gains/(losses) on assets measured at fair value through profit or loss, all measured in accordance with IFRS 9.

Other income and expenses shows income and expenses not attributable to insurance contracts.

**Profit after tax** will be the sum of the above results and other income and expenses, less corporate income tax expense.

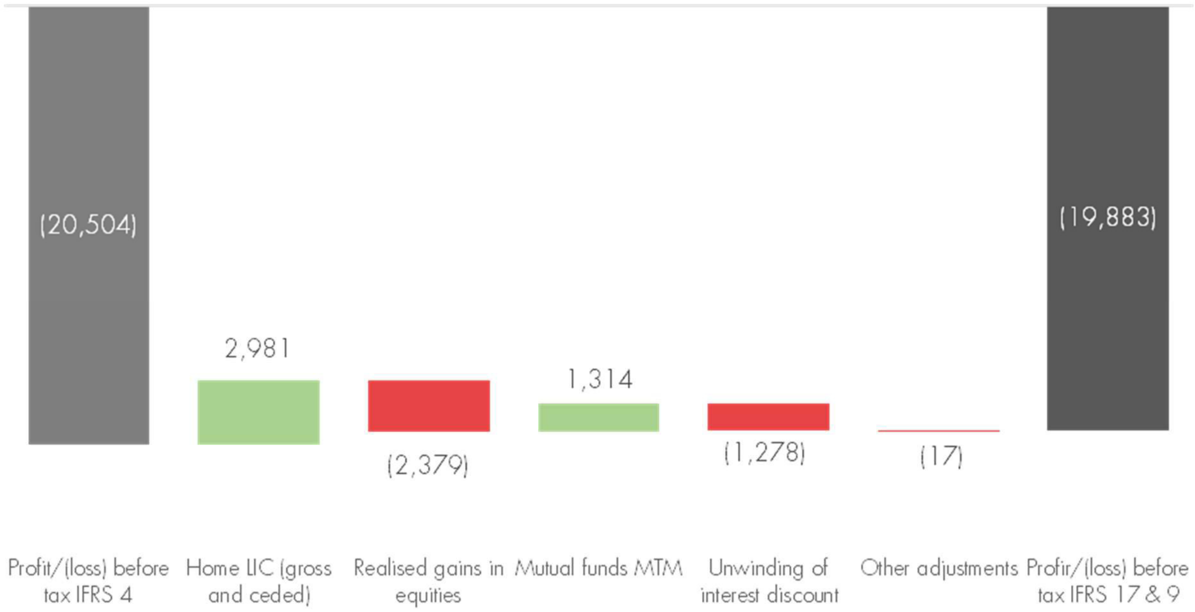
The condensed consolidated statement of profit or loss under IFRS 4 and its difference with earnings under IFRS 17 and IFRS 9 are shown below:

| *Thousand euro* | **6M 2023** | 6M 2022 | *% var. 23/22* |
|---|---|---|---|
| **Gross written premiums (GWP)** | **491,948** | **474,789** | ***3.6%*** |
| Earned premiums, net of reinsurance | 462,016 | 441,739 | *4.6%* |
| **Technical result** | **(39,380)** | **44,051** | ***-189.4%*** |
| Financial result | 16,921 | 18,380 | *-7.9%* |
| Non-technical result | 1,955 | 2,820 | *-30.7%* |
| Profit/ (loss) before tax | (20,504) | 65,251 | *-131.4%* |
| Income tax | 4,945 | (16,275) | *-130.4%* |
| **Profit/ (loss) after tax IFRS4** | **(15,559)** | **48,976** | ***-131.8%*** |
| **Profit/ (loss) after tax IFRS 17&9** | **(15,093)** | **50,675** | ***-129.8%*** |

| | **6M 2023** | 6M 2022 | *p.p. var. 23/22* |
|---|---|---|---|
| Loss ratio | 88.9% | 70.2% | *18.7 p.p* |
| Expense ratio | 19.7% | 19.8% | *-0.1 p.p* |
| **Combined ratio** | **108.5%** | **90.0%** | ***18.5 p.p*** |
| **Clients** (thousands) | 3,416 | 3,425 | *-0.3%* |

As can be seen, the difference is not very significant and is mainly explained by the following:

- The provision for claims incurred in the Home segment, which under IFRS 17 is calculated using the chain ladder methodology plus an adjustment and discounted to the risk-free curve compared to the local case-by-case provision.
- Realised capital gains on shares and other equity instruments, which are now recorded directly in equity (previously recognised in the statement of profit or loss under IAS 39).
- Investment funds, whose changes in fair value are recorded in the statement of profit or loss under IFRS 9; and
- The crediting of the temporary effect of the discount rate after one year under insurance liabilities.




## 5.3 Business performance

As indicated at the start of this report, the performance of the business is explained in accordance with IFRS 4.

### 5.3.1 Main figures

In an environment of persistent inflation, Línea Directa Aseguradora performed remarkably well in terms of premiums earned. Turnover amounted to €491.9 million, up 3.6%, reflecting rigour and prudence across all segments. The Group follows a strict, risk-adjusted underwriting approach given the current market conditions, with a focus on rebuilding the technical margin.

| | Gross written premiums | | |
|---|---|---|---|
| *Thousand euro* | **6M 2023** | 6M 2022 | *% var.* |
| Motor | 396,108 | 383,206 | *3.4%* |
| Home | 75,283 | 71,667 | *5.0%* |
| Health | 19,803 | 18,848 | *5.1%* |
| Other | 754 | 1,068 | *-29.4%* |
| **Total** | **491,948** | **474,789** | ***3.6%*** |

On the profitability front, the technical result showed a loss of €39.4 million. This result is reflected in the combined ratio, which was up 18.5 percentage points to 108.5%; a product of the sharp increase in repair and replacement costs and higher injury expense.

Net investment income amounted to €16.9 million, down 7.9% on the previous year. However, the recurring result was up 2.6%, excluding capital gains realised in the first half of 2023 and 2022 and amounting to €3.2 million and €5.0 million, respectively.

The return on the entire portfolio was 4.38% (4.28% at June 2022). Fixed income fetched a return of 2.56% (2.29% as of June 2022), supported by reinvestment at higher rates. The return on equities and mutual funds was 12.48% (13.05% as of June 2022). Income from the real estate portfolio amounted to €2.3 million in the first half of 2023, compared to €2.2 million for the same period in 2022, yielding a return of 7.09% and 6.41% as of June 2023 and 2022, respectively.

As a result, the result net of tax was a loss of €15.6 million, which was down to the deterioration in margins as a result of the sharp increase in the cost of claims and the gap with average premiums.

### 5.3.2 Management ratios

The combined ratio stood at 108.5% in the first six months of 2023, 18.5 percentage points higher than in the same period of 2022. Cost inflation persists and will continue to places pressure on margins, although we are now seeing the early signs of a slowdown. The Group is exercising the utmost prudence in its underwriting activity amid the current environment, and is focusing on rebuilding the technical margin.

| | Loss ratio | | | Expense ratio | | | Combined ratio | | |
|---|---|---|---|---|---|---|---|---|---|
| | **6M 2023** | 6M 2022 | *p.p. var.* | **6M 2023** | 6M 2022 | *p.p. var.* | **6M 2023** | 6M 2022 | *p.p. var.* |
| Motor | 93.0% | 72.0% | *21.0 p.p* | 16.8% | 17.3% | *-0.5 p.p* | 109.8% | 89.3% | *20.5 p.p* |
| Home | 66.1% | 57.4% | *8.7 p.p* | 29.9% | 32.6% | *-2.7 p.p* | 96.0% | 90.0% | *6.0 p.p* |
| Health | 93.7% | 98.9% | *-5.2 p.p* | 64.1% | 32.2% | *31.9 p.p* | 157.8% | 131.2% | *26.6 p.p* |
| Other | 10.4% | 2.8% | *7.6 p.p* | 47.1% | 42.2% | *4.9 p.p* | 57.5% | 45.0% | *12.5 p.p* |
| **Total** | **88.9%** | **70.2%** | ***18.7 p.p*** | **19.7%** | **19.8%** | ***-0.1 p.p*** | **108.5%** | **90.0%** | ***18.5 p.p*** |

The claims ratio reflects the rampant cost inflation affecting the Motor segment, coupled with greater prudence in posting reserves for claims. In the Home segment, the claims ratio performed remarkably well, considering the atmospheric events that took place in the first half of the year (€1.8 million compared with €0.9 million as of June 2022). The Health segment continues to pursue prudent risk underwriting.

The consolidated expense ratio was down by 0.1 percentage points to an excellent 19.7% in the first half of the year, demonstrating the Group's commitment to continuous process review, optimisation and digitalisation, as we look to become more efficient and ensure strict control of overhead expenses across all business lines.

### 5.3.3 Statement of profit or loss by segment

Below is a detailed summary of changes in the statement of profit or loss by line of business:

**Motor**

The Motor segment experienced solid premium growth of 3.4%, showing rigour and prudence. The number of policyholders was down 0.8%, equivalent to 19,833 customers, to reach 2.56 million at 30 June 2023.

| *Thousand euro* | 6M 2023 | 6M 2022 | *% var.* |
|---|---|---|---|
| **Gross written premiums (GWP)** | 396,108 | 383,206 | *3.4%* |
| **Premiums earned, net of reinsurance** | 383,701 | 370,371 | *3.6%* |
| Claims incurred, net of reinsurance | (356,828) | (266,484) | *33.9%* |
| Net operating expenses | (73,729) | (71,468) | *3.2%* |
| Other technical expenses and income | 9,173 | 7,286 | *25.9%* |
| **Technical result** | (37,683) | 39,705 | *-194.9%* |

| | 6M 2023 | 6M 2022 | *p.p. var.* |
|---|---|---|---|
| Loss ratio | 93.0% | 72.0% | *21.0 p.p* |
| Expense ratio | 16.8% | 17.3% | *-0.5 p.p* |
| **Combined ratio** | 109.8% | 89.3% | *20.5 p.p* |
| **Clients (thousands)** | 2,562 | 2,581 | *(20)* |

The change in the technical result is a result of:

- A claims ratio heavily impacted by strong inflation with rising indemnity and repair costs.
- An excellent expense ratio down 0.5 percentage points to 16.8%, reflecting the ongoing pursuit for efficiency and discipline in expenditure.

**Home**

The Home segment continues to grow, with premiums up 5.0% as of June 2023. The number of policyholders increased by 1.2%, or 8,753, to reach 746,000 as of 30 June 2023.

The trend in the technical result reflects a claims ratio of 66.1%, which was up due to an increase in claims frequency in the first three months of the year, although this effect has since reversed in the second quarter.

The expense ratio reflects a higher deferral of acquisition expenses incurred in the first quarter.

| *Thousand euro* | **6M 2023** | 6M 2022 | *% var.* |
|---|---|---|---|
| **Gross written premiums (GWP)** | 75,283 | 71,667 | *5.0%* |
| **Premiums earned, net of reinsurance** | 69,841 | 63,021 | *10.8%* |
| Claims incurred, net of reinsurance | (46,179) | (36,183) | *27.6%* |
| Net operating expenses | (20,875) | (20,405) | *2.3%* |
| Other technical expenses and income | 0 | (121) | *-100.0%* |
| **Technical result** | 2,787 | 6,312 | *-55.8%* |

| | **6M 2023** | 6M 2022 | *p.p. var.* |
|---|---|---|---|
| Loss ratio | 66.1% | 57.4% | *8.7 p.p* |
| Expense ratio | 29.9% | 32.6% | *-2.7 p.p* |
| **Combined ratio** | 96.0% | 90.0% | *6.0 p.p* |
| | | | |
| **Clients (thousands)** | 746 | 738 | *9* |

**Health**

Vivaz, the Group's health insurance brand, also performed well, with premiums up 5.1%. The number of policyholders reached 107,956, an increase of almost 1,667 policyholders (+1.6%).

In this business segment, the Group has proportional reinsurance in which it cedes 50% of the premium and claims.

The claims ratio was down 5.2 percentage points to 93.7%. The Group continues to exercise the utmost prudence in underwriting and risk selection.

Operating expenses, net of reinsurance, reflect the absence of proportional reinsurance commissions, which are longer received as of January 2023.

| *Thousand euro* | **6M 2023** | 6M 2022 | *% var.* |
|---|---|---|---|
| **Gross written premiums (GWP)** | 19,803 | 18,848 | *5.1%* |
| **Premiums earned, net of reinsurance** | 8,062 | 7,610 | *5.9%* |
| Claims incurred, net of reinsurance | (7,551) | (7,530) | *0.3%* |
| Net operating expenses | (5,169) | (2,330) | *121.8%* |
| Other technical expenses and income | (1) | (121) | *-99.2%* |
| **Technical result** | (4,659) | (2,371) | *96.5%* |

| | **6M 2023** | 6M 2022 | *p.p. var.* |
|---|---|---|---|
| Loss ratio | 93.7% | 98.9% | *-5.2 p.p* |
| Expense ratio | 64.1% | 32.2% | *31.9 p.p* |
| **Combined ratio** | 157.8% | 131.2% | *26.6 p.p* |
| | | | |
| **Clients (thousands)** | 108 | 106 | 2 |

## Other Insurance Businesses

This line of business includes various products, notably assistance insurance for holders of Bankinter and Bankinter Consumer Finance credit cards and the Vivaz Safe&Go insurance line launched in September 2021 as the first pay-as-you-go insurance for users of personal mobility vehicles.

| *Thousand euro* | 6M 2023 | 6M 2022 | *% var.* |
|---|---|---|---|
| **Gross written premiums (GWP)** | 754 | 1,068 | *-29.4%* |
| **Premiums earned, net of reinsurance** | 412 | 737 | *-44.1%* |
| Claims incurred, net of reinsurance | (43) | (21) | *104.8%* |
| Profit sharing and premiums refunds | (151) | (235) | *-35.7%* |
| Net operating expenses | (43) | (76) | *-43.4%* |
| Other technical revenues and expenses | - | - | - |
| **Technical result** | 175 | 405 | *-56.8%* |

This business segment, while modest in volume, delivers strong profitability, as evidenced by its excellent combined ratio of 57.5%.

| | 6M 2023 | 6M 2022 | *p.p. var.* |
|---|---|---|---|
| Loss ratio | 10.4% | 2.8% | *7.6 p.p* |
| Expense ratio | 47.1% | 42.2% | *4.9 p.p* |
| **Combined ratio** | 57.5% | 45.0% | *12.5 p.p* |
| | | | |
| **Clients (thousands)** | 4 | 4 | *(1)* |

## 5.4 Condensed consolidated balance sheet

### 5.4.1 Condensed balance sheet

The Group's balance sheet under IFRS 4 as of 30 June 2023 is as follows:

*Thousand euro*

| **Assets** | 6M 2023 | 12M 2022 | *% var.* |
|---|---|---|---|
| Cash and cash equivalents | 40,104 | 51,661 | *-22.4%* |
| Available-for-sale financial assets | 795,250 | 739,664 | *7.5%* |
| *Equity instruments* | 119,831 | 120,886 | *-0.9%* |
| *Debt securities* | 675,419 | 618,778 | *9.2%* |
| Loans and receivables | 125,032 | 123,448 | *1.3%* |
| Hedging derivatives | 7,777 | 7,808 | *-0.4%* |
| Reinsurers' share of technical provisions | 26,215 | 19,263 | *36.1%* |
| Property, plant and equipment and investment property | 109,650 | 110,044 | *-0.4%* |
| *Investment property* | 65,548 | 64,676 | *1.3%* |
| *Property, plant and equipment* | 44,102 | 45,368 | *-2.8%* |
| Intangible assets | 15,308 | 14,482 | *5.7%* |
| Other assets | 132,102 | 129,045 | *2.4%* |
| **Total assets** | 1,251,438 | 1,195,415 | *4.7%* |

*Thousand euro*

| **Liabilities and Equity** | **6M 2023** | 12M 2022 | *% var.* |
|---|---|---|---|
| Debt and accounts payable | 55,457 | 59,288 | *-6.5%* |
| Hedging derivatives | - | - | - |
| Technical provisions | 860,016 | 791,040 | *8.7%* |
| *Provision for unearned premiums* | 488,884 | 470,783 | *3.8%* |
| *Provision for unexpired risks* | 2,378 | 2,378 | *0.0%* |
| *Provision for claims* | 368,754 | 317,879 | *16.0%* |
| Non-technical provisions | 24,565 | 26,118 | *-5.9%* |
| Other liabilities | 28,487 | 28,469 | *0.1%* |
| **Total liabilities** | 968,525 | 904,915 | *7.0%* |
| Equity | 303,609 | 320,356 | *-5.2%* |
| Valuation adjustments | (20,696) | (29,856) | *-30.7%* |
| **Total equity** | 282,913 | 290,500 | *-2.6%* |
| **Total liabilities and equity** | 1,251,438 | 1,195,415 | *4.7%* |

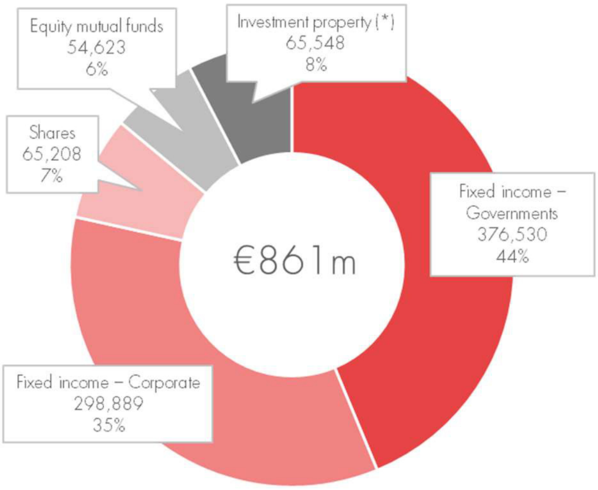
The most relevant changes include:

- The heading **Cash and cash equivalents** shows a lower balance in bank accounts, albeit invested in very short-term fixed income to profit from current yields.
- **Available-for-sale financial assets** includes, first, a lower exposure to equities (although this performed remarkably well in the first half), while the Group slightly shifted its portfolio towards a greater weighting in fixed income.
- **Technical provisions** reflect the growth in revenues, as shown in the change in the provision for unearned premiums and the increase in the provision for benefits, due to a higher cost of claims.
- **Adjustments for changes in the value** of equity show the reduction in unrealised losses, which were down 30.7% in the first half of the year.
- The Company has no subordinated liabilities or financial debt.

## 5.4.2 Investment portfolio

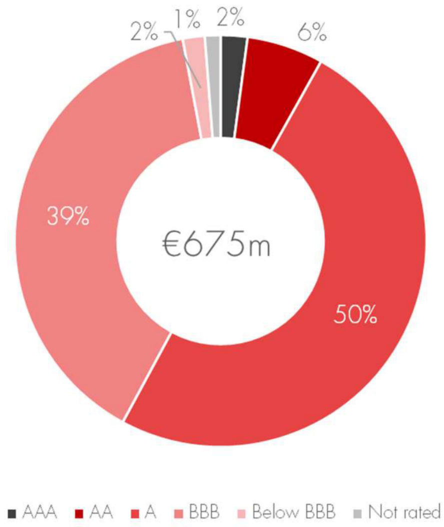
**The Group has a low-risk investment portfolio, based on a prudent investment strategy.**

At 30 June 2023, the investment portfolio amounted to €861 million (excluding cash and cash equivalents), broken down as follows:




- Fixed income amounting to €675.4 million, comprising €376.5 million in government bonds and €298.9 million in corporate bonds.
- Equities and equity funds for a total of €65.2 million and €54.6 million, respectively;
- Investment property amounting to €65.5 million.

The credit rating of fixed income investments is as follows. Of the total, 97% has a rating of BBB or higher.




The average maturity of the fixed income portfolio is 3.27 years.

Meanwhile, investment property comprises three properties, with an occupancy ratio of 100%. The Group also has four buildings for its own use. Off-balance sheet capital gains on investment property and properties for own use amounted to €32.6 million before tax.

### 5.4.3 Changes in equity

Consolidated equity amounted to €282.9 million, down 2.6% in the first six months of the year. The book value per share amounted to €0.26 at 30 June 2023 (€0.27 at 31 December 2022).

The trend in equity in the first six months of the year reflects:

- The loss for the first half of the year amounted to €15.6 million.
- The lower value of unrealised gains on the available-for-sale portfolio of €9.2 million as a result of prevailing market conditions.
- The delivery of 148,102 treasury shares to the management team under the Extraordinary Variable Remuneration Plan in shares on the occasion of the IPO.
- The delivery of 14,455 shares to the Chief Executive Officer for the accrual of the non-deferred portion of the annual variable remuneration for 2022.

## 6. Risks and uncertainties for the second half of the year

The macroeconomic outlook for the Spanish economy is still fraught with uncertainty. Among the various sources of uncertainty, it is hard to assess how much of an impact the monetary tightening introduced so far could have on GDP growth, price developments moving forwards and financial market performance, since, historically, the current episode of monetary tightening reveals some very unique features in several dimensions. In particular, it has taken place extremely rapidly and almost in a synchronised way across jurisdictions. It has also come after almost a decade-long period of highly accommodative monetary policy. Other major sources of uncertainty include the ongoing war in Ukraine and the possibility of significant second-round effects on inflation in Spain and/or in the EMU as a whole, which may require even further tightening of monetary policy than currently envisaged by the financial markets.

Inflation may pick up in the second half of the year and remain high throughout 2024 as the measures rolled out in response to the energy crisis are gradually withdrawn. Meanwhile, core and food inflation are expected to slowly head downward.

The prevailing environment in the insurance sector may lead to lower sales of new vehicles and lower take-up of motor insurance cover.

Yet another significant factor is the pass-through of inflation to the cost of claims, as it has already led to a sharp increase in repair and insurance indemnity prices.

Atmospheric perils will continue to be a determining factor shaping the claims ratio in the Home segment. In the Health segment, the pass-through of prices to hospital tariffs may also be relevant.

Lastly, the Group's overhead expenses will continue to follow the current trend of strict cost control.

## 7. Treasury shares

At 30 June 2023, Línea Directa Aseguradora held 494,354 treasury shares, representing 0.045% of its capital.

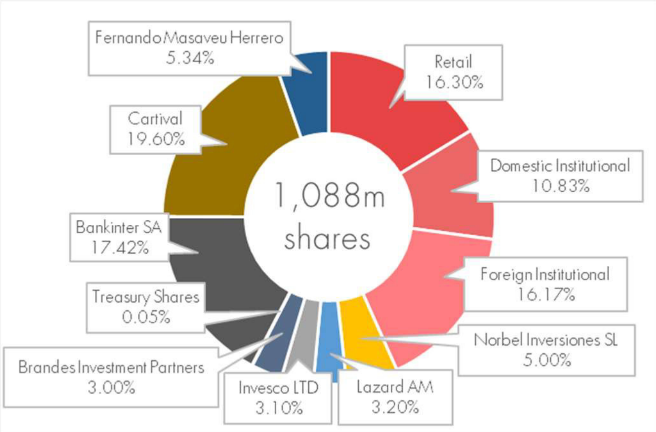
The second accrual of shares under the extraordinary 2021–2023 share-based Variable Remuneration Plan took place on 29 April 2023. The plan is aimed at members of the management team and coincides with the Group's IPO.

For this purpose, and in accordance with the plan approved at the Annual General Meeting, on 5 May 2023 the Group delivered such remuneration via the corresponding treasury shares acquired under the share buyback programme announced on 12 May 2021. On 17 April 2023, the shares pertaining to the Chief Executive Officer were delivered in relation to the accrual of the non-deferred portion of the 2022 annual variable remuneration, as approved at the General Shareholders' Meeting held on 30 March 2023. The circumstance was duly communicated to the CNMV.

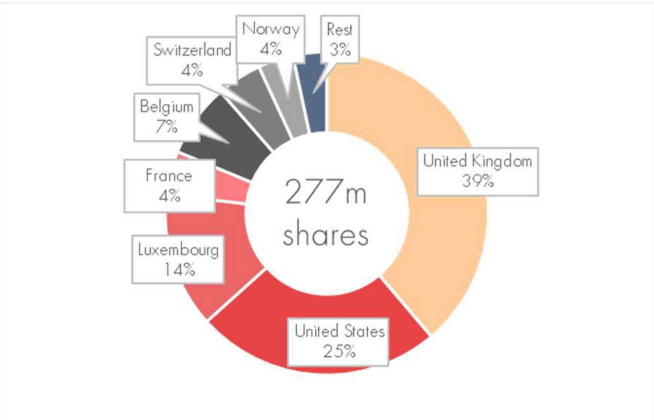
## 8. Shareholding structure

At the end of June 2023, Cartival held 19.595% of the shares, Bankinter 17.416%, Fernando Masaveu Herrero 5.344%, Norbel Inversiones SL 5.001%, Lazard Asset

Management 3.195%, Invesco Ltd. 3.098% and Brandes Investment Partners 3.002%. Línea Directa holds 0.045% as treasury stock. As a result, 43.304% is free float and is mainly in the hands of institutional investors.




The composition of the foreign institutional tranche (this time including Lazard AM, Invesco LTD and Brandes IP, broken down separately in the preceding graph by their significant holdings) is as follows:




## 9. Solvency II

The Solvency II ratio of Línea Directa Aseguradora stood at 186% in the first six months of 2023, compared to 188% as of December 2022.

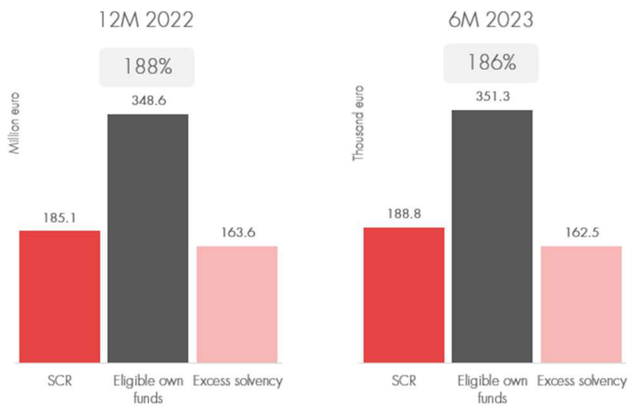
The table below shows the calculation of the SCR broken down into its different modules and its comparison with year-end 2022.

| | 6M 2023 | 12M 2022 |
|---|---|---|
| SCR Market | 94,199 | 91,899 |
| SCR Counterparty | 7,025 | 7,027 |
| SCR Health | 3,250 | 3,142 |
| SCR Non-Life | 175,966 | 172,651 |
| BSCR | 223,421 | 218,947 |
| SCR Operational | 28,377 | 27,795 |
| Deferred tax adjustment | (62,949) | (61,686) |
| SCR | 188,848 | 185,057 |
| Eligible own funds Solvency II | 351,306 | 348,621 |

*Thousand euro*

| | | |
|---|---|---|
| Solvency II ratio | 186% | 188% |

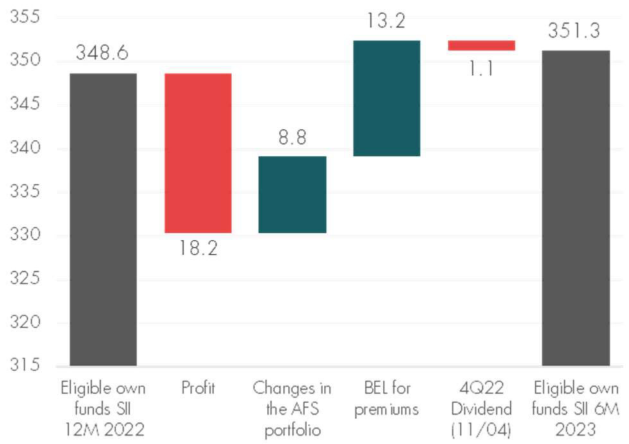
Eligible own funds amounted to €351.3 million, of which 100% is unrestricted Tier 1 capital of the highest quality.




The solvency ratio excludes the subsidiaries of Línea Directa Aseguradora, as their corporate objects are ancillary insurance services almost all of which are provided to the parent company. As they are not insurers or reinsurers, there is no obligation to submit solvency reports at Group level.

The change in eligible own funds for solvency purposes from December 2022 through to 30 June 2023 is largely a result of:

- the loss reported at the parent, Línea Directa Aseguradora, on a separate basis;
- the positive change in unrealised gains on the available-for-sale portfolio;
- the change in the best estimate of the solvency premium provision; and
- the final dividend for financial year 2022 to be paid on 11 April 2023.




## 10. Other non-financial information

The Board of Directors of Línea Directa Aseguradora approved the 2023–2025 Sustainability Plan in early 2023. It is the fifth three-year Sustainability Plan of the Company, which has been working hard to make sustainability part of its operations and corporate culture for more than a decade. The previous 2020–2022 Plan ended with a 92% achievement level.

The 2023–2025 plan aspires to "Lead the Línea Directa Group towards sustainable growth, by promoting the ESG dimensions from within and placing its direct model as the best asset for stakeholders in view of the opportunities and challenges in store over the next three years." This is the Company's way of linking and fully integrating its sustainability strategy with its business strategy.

The policy is essentially the roadmap when it comes to environmental, social and governance (ESG) matters and will continue to steer the Línea Directa Group's performance sustainability along the path followed in recent years.

It is also aligned with the sustainable development strategy championed by the United Nations through its Sustainable Development Goals (SDGs) and 2030 Agenda. While the Company was looking to contribute to eight of the SDGs under its previous plan, the current plan covers four more, bringing the total to 12 SDGs. This means that, in its various roles as an insurer, employer, investor, partner and collaborator of other entities, Línea Directa seeks to contribute to the achievement of these SDGs by making them part of the daily running of the business.

Línea Directa's 2023–2025 Sustainability Plan is built around six objectives:

1. Generate business by developing a range of sustainable products and services that cater to customer needs and new market opportunities linked to sustainability.

2. Attract and nurture talent and foster a culture of sustainability, thus promoting genuine well-being among people and raising awareness of sustainability in the workplace.

3. Generate value for shareholders and attract responsible investment, by making

Línea Directa a benchmark within the investment community for its commitment to sustainability and incorporating ESG criteria in the Group's investments.

4. Consolidate Línea Directa as a brand with a strong ESG reputation by more closely linking the brand to sustainability among all of the organisation's stakeholders.

5. Social and environmental contribution. The Group seeks to strengthen its social contribution through its Foundation, strategic alliances and internal initiatives, and in environmental matters it aims to define and make progress towards its roadmap for decarbonisation.

6. Stronger relations with stakeholders. Position the Línea Directa Group as the benchmark insurer for ESG concerns among its stakeholders.

As part of the Company's pledge to integrate best practices in ESG matters, in April 2023 Línea Directa Aseguradora adhered to the UN Principles for Sustainable Insurance (PSI), which are guiding framework for the industry as it strives to address environmental, social and governance risks and opportunities.

In recent years, the Group has joined other international initiatives such as the UN Global Compact and the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) in relation to climate risks promoted by the G20.

Another milestone for the year was the release of the Non-Financial Statement (NFS), thus not only complying with current law and regulations, but also making the Group more transparent by offering society and stakeholders detailed, reliable and objective information on our ESG performance.

The report can be found here on the Company's corporate website: [https://www.lineadirectaaseguradora.com/en/sustainability/non-financial-information-statement](https://www.lineadirectaaseguradora.com/en/sustainability/non-financial-information-statement)

## 11. Events after the reporting period

There have been no events following the end of the accounting period that may affect the half-yearly accounts or otherwise be of interest to users of the financial statements.

# Appendices

## Condensed consolidated balance sheet – IFRS 4

*Thousand euro*

| Assets | 6M 2023 | 12M 2022 |
|---|---|---|
| **Cash and cash equivalents** | **40,104** | **51,661** |
| **Available-for-sale financial assets** | **795,250** | **739,664** |
| Equity instruments | 119,831 | 120,886 |
| Debt securities | 675,419 | 618,778 |
| **Loans and receivables** | **125,032** | **123,448** |
| Debt securities | - | - |
| Deposits with credit institutions | 6,564 | 4,515 |
| Receivables on direct insurance business | 70,736 | 58,524 |
| Policyholders | 70,736 | 58,524 |
| Receivables on reinsurance business | 6,344 | 12,290 |
| Other receivables | 41,388 | 48,119 |
| Tax and social security receivable | 1,142 | 1,265 |
| Other receivables | 40,246 | 46,854 |
| **Hedging derivatives** | **7,777** | **7,808** |
| **Reinsurers' share of technical provisions** | **26,215** | **19,263** |
| Provision for unearned premiums | 6,946 | 4,554 |
| Provision for claims | 19,269 | 14,709 |
| **Property, plant and equipment and investment property** | **109,650** | **110,044** |
| Property, plant and equipment | 44,102 | 45,368 |
| Investment property | 65,548 | 64,676 |
| **Right-of-use assets** | **2,905** | **3,739** |
| **Intangible assets** | **15,308** | **14,482** |
| Other intangible assets | 15,308 | 14,482 |
| **Tax assets** | **25,371** | **26,861** |
| Current tax assets | 7,901 | 3,397 |
| Deferred tax assets | 17,470 | 23,464 |
| **Other assets** | **103,826** | **98,445** |
| Prepaid fees and other acquisition expenses | 97,111 | 94,608 |
| Accrued income | 6,323 | 3,326 |
| Other assets | 392 | 511 |
| **Assets held for sale** | **-** | **-** |
| **Total assets** | **1,251,438** | **1,195,415** |

*Thousand euro*

| **Liabilities and equity** | **6M 2023** | 12M 2022 |
|---|---|---|
| **Debt and accounts payable** | **55,457** | **59,288** |
| Due on direct insurance business | 2,963 | 2,490 |
| Due to policyholders | 2,629 | 2,009 |
| Due to agents, brokers and intermediaries | 332 | 481 |
| Conditional debt | 2 | - |
| Due on reinsurance business | 1,060 | 1,363 |
| Lease liabilities | 2,987 | 3,768 |
| Other debts | 48,447 | 51,667 |
| Taxes and social security payable | 13,516 | 15,520 |
| Due to group companies and associates | - | - |
| Other debts | 34,931 | 36,147 |
| **Hedging derivatives** | **-** | **-** |
| **Technical provisions** | **860,016** | **791,040** |
| Provision for unearned premiums | 488,884 | 470,783 |
| Provision for unexpired risks | 2,378 | 2,378 |
| Provision for claims | 368,754 | 317,879 |
| **Non-technical provisions** | **24,565** | **26,118** |
| Provisions for taxes and other legal contingencies | - | - |
| Provisions for settlement agreements | 23,899 | 25,338 |
| Other non-technical provisions | 666 | 780 |
| **Tax liabilities** | **28,425** | **28,182** |
| Current tax liabilities | - | - |
| Deferred tax liabilities | 28,425 | 28,182 |
| **Other liabilities** | **62** | **287** |
| Accruals | - | - |
| Other liabilities | 62 | 287 |
| **Total liabilities** | **-** | **-** |
| **Equity** | **303,609** | **320,356** |
| Share capital | 43,537 | 43,537 |
| Subscribed capital | 43,537 | 43,537 |
| Reserves | 276,403 | 270,795 |
| Legal and bylaw reserves | 9,046 | 9,046 |
| Other reserves | - | - |
| Reserves in consolidated companies | 267,357 | 261,749 |
| (Own shares) | (772) | (1,018) |
| Profit/ (loss) for the year | (15,559) | 59,523 |
| (Interim dividend) | - | (52,481) |
| **Valuation adjustments** | **(20,696)** | **(29,856)** |
| Available-for-sale financial assets | (20,696) | (29,856) |
| **Total equity** | **282,913** | **290,500** |
| **Total liabilities and equity** | **1,251,438** | **1,195,415** |

# Condensed consolidated statement of profit or loss – Non-life insurance business – IFRS 4

*Thousand euro*

| Non-Life Profit and Loss Account | 6M 2023 | 6M 2022 |
|---|---|---|
| **Earned premiums in the period, net of reinsurance** | **462,016** | **441,739** |
| Written premiums | 491,790 | 474,768 |
| Written premiums, direct insurance | 491,948 | 474,789 |
| Change due to impairment of outstanding premiums receivable | (158) | (21) |
| Premiums from ceded reinsurance | (14,063) | (14,890) |
| Change in the provision for unearned premiums and unexpired risks | (18,104) | (20,455) |
| Direct insurance | (18,104) | (20,455) |
| Change in the provision for unearned premiums, reinsurers' share | 2,393 | 2,316 |
| **Income from property, plant and equipment and investments** | **27,400** | **36,794** |
| Income from investment property | 2,333 | 2,172 |
| Income from financial investments | 14,635 | 14,392 |
| Applications of value corrections due to impairment of property, plant and equipment and investments | - | - |
| Property, plant and equipment, and investment property | - | - |
| Financial investments | - | - |
| Gains on realisation of property, plant and equipment and investments | 10,432 | 20,230 |
| Property, plant and equipment, and investment property | - | - |
| Financial investments | 10,432 | 20,230 |
| **Claims incurred, net of reinsurance** | **(410,601)** | **(310,218)** |
| Claims and other expenses paid | (301,975) | (262,769) |
| Direct insurance | (307,338) | (268,465) |
| Reinsurers' share | 5,363 | 5,696 |
| Change in the provision for claims | (46,315) | 12,872 |
| Direct insurance | (50,875) | 11,762 |
| Reinsurers' share | 4,560 | 1,110 |
| Claims-related expenses | (62,311) | (60,321) |
| **Profit sharing and premium refunds** | **(151)** | **(235)** |
| Change in the provision for profit sharing and premium refunds | (151) | (235) |
| | - | |
| **Net operating expenses** | **(99,816)** | **(94,279)** |
| Acquisition expenses | (87,634) | (84,217) |
| Administrative expenses | (12,296) | (12,525) |
| Reinsurance commissions and profit participation | 114 | 2,463 |
| | - | |
| **Other technical expenses** | **9,172** | **7,044** |
| Change in claims paid under settlement agreements | 11,677 | 11,161 |
| Other | (2,505) | (4,117) |
| | - | |
| **Expenses from property, plant and equipment and investments** | **(10,479)** | **(18,414)** |
| Expenses from managing property, plant and equipment and investments | (3,056) | (3,679) |
| Expenses from property, plant and equipment and investment property | (1,528) | (1,554) |
| Expenses from financial investments and accounts | (1,528) | (2,125) |
| Valuation adjustments for property, plant and equipment and investments | (14) | (14) |
| Depreciation of property, plant and equipment and investment property | (14) | (14) |
| Impairment of property, plant and equipment and investment property | - | - |
| Losses on property, plant and equipment and investments | (7,409) | (14,721) |
| Property, plant and equipment and investment property | - | - |
| Financial assets | (7,409) | (14,721) |
| | - | |
| **Profit/ (loss) from the non-life insurance business** | **(22,459)** | **62,431** |

## Condensed consolidated statement of profit or loss – Other activities account – IFRS 4

| *Thousand euro* | | |
|---|---|---|
| **Non-Technical Account** | **6M 2023** | 6M 2022 |
| **Profit/ (loss) from the non-life insurance business** | **(22,459)** | **62,431** |
| **Other income** | **2,893** | **4,189** |
| Other income | 2,893 | 4,189 |
| **Other expenses** | **(938)** | **(1,369)** |
| Other expenses | (938) | (1,369) |
| **Subtotal (Profit/ (loss) from other activities)** | **1,955** | **2,820** |
| **Profit/ (loss) before tax** | **(20,504)** | **65,251** |
| **Income tax** | 4,945 | (16,275) |
| **Profit/ (loss) for the year** | **(15,559)** | **48,976** |
| Profit/ (loss) attributable to the Parent Company | (15,559) | 48,976 |
| Profit/ (loss) attributable to non-controlling interests | - | - |
| Basic earnings per share (euro) | (0.01) | 0.05 |
| Diluted earnings per share (euro) | (0.01) | 0.05 |

## Condensed consolidated balance sheet – IFRS 17 and IFRS 9

*Thousand euro*

| Assets | 6M 2023 | 12M 2022 |
|---|---|---|
| **Cash and cash equivalents** | **40,104** | **51,661** |
| **Financial assets at fair value with changes in profit and loss** | **54,629** | **48,818** |
| Equity instruments | 54,629 | 48,818 |
| **Financial assets at fair value with changes in equity** | **740,374** | **690,846** |
| Equity instruments | 65,202 | 72,068 |
| Debt securities | 675,172 | 618,778 |
| **Assets at amortized cost** | **33,756** | **32,403** |
| Deposits with credit institutions | 6,564 | 4,515 |
| Receivables on direct insurance business | 14,345 | 10,030 |
| Policyholders | 14,345 | 10,030 |
| Receivables on reinsurance business | 6,344 | 12,290 |
| Other receivables | 6,503 | 5,568 |
| Tax and social security receivable | 1,142 | 1,265 |
| Other receivables | 5,361 | 4,303 |
| **Hedging derivatives** | **7,777** | **7,808** |
| **Reinsurance contract assets** | **27,908** | **21,956** |
| Non Life | 27,908 | 21,956 |
| Premium Allocation Approach (PAA) | 27,908 | 21,956 |
| Provisions for remaining coverage | 8,859 | 6,466 |
| Provisions for incurred claims | 19,049 | 15,490 |
| **Property, plant and equipment and investment property** | **109,650** | **110,044** |
| Property, plant and equipment | 44,102 | 45,368 |
| Investment property | 65,548 | 64,676 |
| **Intangible assets** | **15,308** | **14,482** |
| Other intangible assets | 15,308 | 14,482 |
| **Tax assets** | **25,699** | **26,861** |
| Current tax assets | 7,902 | 3,397 |
| Deferred tax assets | 17,797 | 23,464 |
| **Other assets** | **9,619** | **7,577** |
| Accrued income | 6,323 | 3,326 |
| Other assets | 3,296 | 4,251 |
| **Total assets** | **1,064,824** | **1,012,456** |

*Thousand euro*

| **Liabilities and equity** | **6M 2023** | 12M 2022 |
|---|---|---|
| **Liabilities at amortized cost** | **55,457** | **59,288** |
| Due on direct insurance business | 2,963 | 2,490 |
| Due to policyholders | 2,629 | 2,009 |
| Due to agents, brokers and intermediaries | 332 | 481 |
| Conditional debt | 2 | - |
| Due on reinsurance business | 1,060 | 1,363 |
| Other debts | 51,434 | 55,435 |
| Taxes and social security payable | 13,516 | 15,520 |
| Other debts | 37,918 | 39,915 |
| **Reinsurance contract liabilities** | **682,669** | **620,312** |
| Non Life | 682,669 | 620,312 |
| Premium Allocation Approach (PAA) | 682,669 | 620,312 |
| Provisions for remaining coverage | 342,801 | 335,087 |
| Provisions for incurred claims | 339,868 | 285,226 |
| **Non-technical provisions** | **666** | **780** |
| Other non-technical provisions | 666 | 780 |
| **Tax liabilities** | **32,063** | **31,459** |
| Deferred tax liabilities | 32,063 | 31,459 |
| **Other liabilities** | **61** | **286** |
| Other liabilities | 61 | 286 |
| **Total liabilities** | **770,916** | **712,125** |
| **Equity** | **318,424** | **324,243** |
| Share capital | 43,537 | 43,537 |
| Subscribed capital | 43,537 | 43,537 |
| Reserves | 290,752 | 271,079 |
| Legal and bylaw reserves | 9,046 | 9,045 |
| Stabilisation reserve | | |
| Reserves in consolidated companies | | |
| Other reserves | 42,818 | 119,624 |
| (Own shares) | (772) | (1,018) |
| Profit/ (loss) for the year | (15,093) | 63,126 |
| (Interim dividend) | - | (52,481) |
| **Valuation adjustments** | **(24,516)** | **(23,912)** |
| Financial assets at fair value with changes in equity | (30,275) | (29,856) |
| Other comprehensive income | 5,759 | 5,943 |
| **Total equity** | **293,908** | **300,331** |
| **Total liabilities and equity** | **1,064,824** | **1,012,456** |

## Condensed consolidated statement of profit or loss – Non-life insurance business – IFRS 17 and IFRS 9

*Thousand euro*

| Non-Life Profit and Loss Account | 6M 2023 | 6M 2022 |
|---|---|---|
| **ORDINARY INSURANCE ACTIVITIES INCOME** | **473,663** | **454,195** |
| **Revenue from contracts measured using the Premium Allocation Approach (PAA)** | 473,663 | 454,195 |
| Earned premiums in the period | 473,818 | 454,217 |
| Impairment variation of premiums pending collection | (155) | (22) |
| **ORDINARY INSURANCE ACTIVITIES EXPENSES** | **(507,903)** | **(405,221)** |
| **Expenses for incurred claims** | (507,903) | (405,221) |
| Incurred claims | (295,764) | (252,088) |
| Variation of provision for incurred claims (+ or -) | (47,308) | 8,135 |
| Expenses incurred | (164,831) | (161,268) |
| **REINSURANCE RECOVERABLE AMOUNT** | **(2,267)** | **(3,165)** |
| **Income from reinsurance recoveries** | 9,403 | 9,408 |
| Recoveries of incurred claims | 5,363 | 5,696 |
| Change in provision for incurred claims | 3,926 | 1,248 |
| Commissions and shares in ceded and retroceded reinsurance | 114 | 2,463 |
| Reinsurer default risk variation | - | 1 |
| **Reinsurance expenses** | (11,670) | (12,573) |
| Premium allocation under the Premium Allocation Approach (PAA) | (11,670) | (12,573) |
| **TECHNICAL INSURANCE RESULT** | **(36,507)** | **45,809** |
| **FINANCIAL INCOME** | **15,130** | **18,041** |
| Income from financial investments | 12,607 | 12,467 |
| Applications of investment value corrections | 1,691 | 408 |
| Realised gains from investments | 897 | 4,471 |
| Positive exchange rate differences | (65) | 695 |
| **FINANCIAL EXPENSES** | **(1,317)** | **389** |
| Accrued interest from direct insurance and accepted reinsurance | (1,319) | 403 |
| Accrued interest on ceded reinsurance | 41 | (14) |
| Investment valuation corrections | (2) | - |
| Losses from investments | (37) | - |
| **FINANCIAL RESULT** | **13,813** | **18,430** |
| **PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY INCOME** | **2,333** | **2,172** |
| Income from investment property | 2,333 | 2,172 |
| **PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY EXPENSES** | **(612)** | **(647)** |
| Expenses from managing property, plant and equipment and investment property | (206) | (241) |
| Depreciation of property, plant and equipment and investment property | (406) | (406) |
| **RESULT OF THE NON-LIFE TECHNICAL ACCOUNT** | **(20,973)** | **65,764** |

# Condensed consolidated statement of profit or loss – Other activities account – IFRS 17 and IFRS 9

*Thousand euro*

| Non-Technical Account | 6M 2023 | 6M 2022 |
|---|---|---|
| **Profit/ (loss) from the non-life insurance business** | **(20,973)** | **65,764** |
| **Other income** | **2,893** | **3,927** |
| Other income | 2,893 | 3,927 |
| **Other expenses** | **(1,803)** | **(2,175)** |
| Other expenses | (1,803) | (2,175) |
| **Subtotal (Profit/ (loss) from other activities)** | **1,090** | **1,752** |
| **Profit/ (loss) before tax** | **(19,883)** | **67,516** |
| **Income tax** | 4,790 | (16,841) |
| **Profit/ (loss) for the year** | **(15,093)** | **50,675** |
| Profit/ (loss) attributable to the Parent Company | (15,093) | 50,675 |
| Profit/ (loss) attributable to non-controlling interests | - | - |
| Basic earnings per share (euro) | (0.01) | 0.05 |
| Diluted earnings per share (euro) | (0.01) | 0.05 |

## Statement of profit or loss at 30 June 2022 under IFRS 4 and restated under IFRS 17

Statement of profit or loss at 30 June 2022 under IFRS 4:

| | (thousands of euros) | heading |
|---|---|---|
| **Premiums earned, net of reinsurance** | **441,739** | |
| Direct insurance | 454,313 | a) |
| Reinsurers' share | (12,574) | m) |
| **Income from property, plant and equipment and from investments** | **36,794** | |
| Income from investment property | 2,172 | r) |
| Income from financial investments | 14,392 | n) |
| Gains on realisation of property, plant and equipment and investments | 20,230 | o) |
| **Claims incurred, net of reinsurance** | (310,218) | |
| Claims and expenses paid, direct insurance | (268,465) | b) |
| Change in the provision for claims, direct insurance | 11,762 | c) |
| Claims and expenses paid – reinsurers' share | 5,696 | j) |
| Change in the provision for benefits, reinsurers' share | 1,110 | k) |
| Claims-related expenses | (60,321) | e) |
| **Profit sharing and premium refunds** | **(235)** | **s)** |
| **Net operating expenses** | **(94,279)** | |
| Acquisition costs | (84,217) | f) |
| Administration expenses | (12,525) | g) |
| Reinsurance commissions and profit participation | 2,463 | l) |
| **Other technical expenses** | **7,044** | |
| Change in claims paid under settlement agreements | 11,161 | d) |
| Other | (4,117) | h) |
| **Expenses from property, plant and equipment and investments** | **(18,414)** | |
| Expenses from property, plant and equipment and investment property | (1,554) | i) |
| Expenses from financial investments and accounts | (2,125) | p) |
| Valuation adjustments for property, plant and equipment and investments | (14) | t) |
| Losses on investments | (14,721) | q) |
| **Profit/(loss) from non-life insurance** | **62,431** | |
| Other income | 4,189 | u) |
| Other expenses | (1,369) | v) |

| | | |
|---|---|---|
| **Subtotal (Profit or loss from other activities)** | **2,820** | |
| Profit/(loss) before tax | 65,251 | |
| **Income tax** | **(16,275)** | |
| **Profit/(loss) for the year** | **48,976** | |

Reconciliation of each heading of the new statement of profit or loss under IFRS 17 with the headings of the previous statement of profit or loss under IFRS 4 at 30 June 2022:

1) Heading "I. Income from ordinary insurance business" of the consolidated statement of profit or loss under IFRS 17 at 30 June 2022:

| | |
|---|---|
| **I. INCOME FROM ORDINARY INSURANCE BUSINESS** | **454,195** |
| **B) Income from contracts measured under the premium allocation approach (PAA)** | **454,195** |
| 1. Premiums earned in the period. | 454,217 |
| 2. Change in impairment of outstanding premiums receivable (+/-) | (21) |

This corresponds to heading a) of the previous consolidated statement of profit or loss

| | | |
|---|---|---|
| Premiums earned, net of reinsurance, direct insurance | 454,313 | a) |

The difference of €118 thousand (adjustment 1) corresponds to the adjustment for elimination of the effect of non-deferral of the security surcharge implicit in the unearned premium.

2) Heading "II. Expenses of ordinary insurance business" of the consolidated statement of profit or loss under IFRS 17 at 30 June 2022:

| | |
|---|---|
| **II. EXPENSES OF ORDINARY INSURANCE BUSINESS** | **(405,221)** |
| **A) Expenses for claims incurred** | **(405,221)** |
| 1. Claims incurred | (252,088) |
| 2. Change in provision for claims incurred (+/-) | 8,135 |
| 3. Expenses incurred | (161,267) |

i. Sub-headings 1 and 2 (Claims incurred and Change in provision for claims incurred) correspond to actual payments and recoveries of claims plus the effect of the change in the provision for claims incurred in the period, totalling (€243,953) thousand. Reconciliation with the headings of the statement of profit or loss under IFRS 4:

ii.

| | | |
|---|---|---|
| Claims and expenses paid, direct insurance | (268,465) | b) |
| Change in the provision for claims | 11,762 | d) |
| Change in claims paid under settlement agreements | 11,161 | d) |
| Profit sharing and premium refunds | (235) | s) |
| IFRS 17 valuation adjustment for the change in the provision for claims (adjustment 2) | 1,824 | |
| TOTAL | (243,953) | |

iii. Sub-heading 3,"Expenses incurred", corresponds to the expenses assignable to the insurance service beyond the claims incurred. Reconciliation with the headings of the previous statement of profit or loss:

| | | |
|---|---|---|
| Claims-related expenses | (60,321) | e) |
| Net operating expenses. Acquisition costs | (84,217) | f) |
| Net operating expenses. Administration expenses | (12,525) | g) |
| Other technical expenses. Other | (4,117) | h) |
| Expenses from property, plant and equipment and investment property | (1,554) | i) |
| Reclassification (1) to non-attributable expenses under IFRS 17 | 1,467 | |
| **3. Expenses incurred** | **(161,267)** | |

3) Heading "III. Reinsurance recoverables" of the consolidated statement of profit or loss under IFRS 17 at 30 June 2022 groups the combined result of reinsurance that was previously classified under various headings in the statement of profit or loss together with direct insurance. Details are as follows:

| | |
|---|---|
| **III. REINSURANCE RECOVERABLES** | **(3,165)** |
| **A) Income from reinsurance recoverables** | **9,408** |
| 1. Recoverables for claims incurred | 5,696 |
| 2. Change in provision for claims incurred (+/-) | 1,248 |
| 3. Commissions and profit participation in ceded and retroceded reinsurance | 2,463 |
| 4. Change in reinsurer default risk (+/-) | 1 |

| | |
|---|---|
| **B) Reinsurance expenses** | **(12,573)** |
| 2. Premium allocation under premium allocation approach (PAA) | (12,573) |

i. Reconciliation of **A) Income from reinsurance recoverables** with the **headings of the previous statement of profit or loss:**

| | | |
|---|---|---|
| Benefits paid under ceded reinsurance | 5,696 | j) |
| Change in claims | 1,110 | k) |
| Reinsurance commissions and profit participation | 2,463 | l) |
| Adjustment (3) IFRS 17 for valuation of LIC reinsurers' share | 139 | |
| **A) Income from reinsurance recoverables** | 9,408 | |

ii. Reconciliation of **B) Reinsurance expenses:**

| | | |
|---|---|---|
| Premiums earned, reinsurers' share | (12,574) | m) |
| **B) Reinsurance expenses** | (12,574) | |

4) The headings "I. Income from ordinary insurance business", "II. Expenses of ordinary insurance business" and "III. Reinsurance recoverables" in the new consolidated statement of profit or loss under IFRS 17 together comprise the "Insurance technical result", amounting to €45,810 thousand.

5) Heading "IV. Finance income" in the consolidated statement of profit or loss under IFRS 17 at 30 June 2022 reflects the net financial result of expenses corresponding to financial investments, not considering real estate investments.

| | |
|---|---|
| **IV. FINANCE INCOME** | **18,041** |
| 1. Income from financial investments | 12,467 |
| 2. Application of value adjustments for investments | 408 |
| 3. Gains/(losses) on realisation of investments | 4,471 |
| 6. Positive exchange rate and conversion differences | 695 |

Reconciliation with the headings of the previous statement of profit or loss:

| | | |
|---|---|---|
| Income from financial investments | 14,392 | n) |
| Gains/(losses) on realisation of investments | 20,230 | o) |
| Expenses from financial investments and accounts | (2,125) | p) |
| Losses on investments | (14,721) | q) |

| | | |
|---|---|---|
| Reclassification (2) to non-attributable expenses under IFRS 17 | 235 | |
| Adjustment (4) of expenses under IFRS 17 | 30 | |
| **IV. FINANCE INCOME** | 18,041 | |

6) Heading "V. Finance expenses" of the consolidated statement of profit or loss under IFRS 17 at 30 June 2022 includes the adjustment for the financial effect of the credit of interest in the updating of flows in the calculation of provisions for claims incurred in direct insurance and ceded reinsurance, which do not correspond to any heading in the consolidated statement of profit or loss under IRFS 4.

| | |
|---|---|
| **V. FINANCE EXPENSES (adjustment 5)** | **389** |
| 1. Accrued interest on direct insurance and accepted reinsurance | 403 |
| 2. Accrued interest on ceded reinsurance | (14) |

7) Headings "IV. Finance income" and "V. Finance expenses" together comprise the heading "Financial Result" in the new consolidated statement of profit or loss under IFRS 17.

8) Heading "VI. Income from property, plant and equipment and investment property".

| | |
|---|---|
| **VI. INCOME FROM PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY** | **2,172** |
| 1. Income from investment property | 2,172 |

This corresponds to the heading of the previous statement of profit or loss under **Income from property, plant and equipment and from investments:**

| | | |
|---|---|---|
| Income from investment property | 2,172 | r) |

Heading "VII. Property, plant and equipment and real estate investments" of the new statement of profit or loss under IFRS 17:

| | |
|---|---|
| **VII. EXPENSES FROM PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY** | **(648)** |
| 1. Management expenses from property, plant and equipment and investment property | (241) |
| 2. Depreciation of property, plant and equipment and investment property | (406) |

The details above correspond to the following headings of the previous account under IFRS 4:

| | | |
|---|---|---|
| Valuation adjustments for property, plant and equipment and investments | (14) | t) |
| Reclassification (3) to non-attributable expenses under IFRS 17 | (634) | |
| **VII. EXPENSES FROM PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY** | **(648)** | |

9) The sum of "Insurance technical result", "Financial result", "VI Income from property, plant and equipment and real estate investments", "VII Expenses from property, plant and equipment and real estate investments" together comprise the heading "Profit/(loss) on the non-life technical account".

The structure of the **"Non-technical account"** is practically the same as in the previous statement of profit or loss under IFRS 4:

| | |
|---|---|
| **A: Profit/(loss) on the non-life technical account** | **65,764** |
| **III. Other income** | **3,927** |
| 2. Other income | 3,927 |
| **IV. Other expenses** | **(2,176)** |
| 2. Other expenses | (2,176) |
| **V. Subtotal (Profit/(loss) on the non-technical account) (I - II + III - IV)** | **1,751** |
| **VI. Profit/(loss) before tax (A + B + V)** | **67,515** |
| **VII. Income tax** | **(16,841)** |
| **X. PROFIT OR LOSS FOR THE PERIOD (VIII + IX)** | **50,674** |

10) Heading **"III. Other income"**, which includes income not assignable to insurance services, corresponds to the "Other income" heading in the previous account of the non-technical account under IFRS 4:

| | | |
|---|---|---|
| Other income | 4,189 | u) |
| Reclassification (4) of income under IFRS 17 | (262) | |
| III. Other income | 3,927 | |

11) Heading "IV. Other expenses", which includes expenses not assignable to insurance services, corresponds to the "Other expenses" heading in the previous account of the non-technical account under IFRS 4:

| | | |
|---|---|---|
| Other expenses | (1,369) | v) |
| Reclassification (5) of expenses under IFRS 17 | (807) | |
| III. Other expenses | (2,176) | |

Breakdown of income and expenses reclassified under all the above headings:

| # reclassification | Description | |
|---|---|---|
| 1 | Reclassification of assignable expenses incurred | 1,467 |
| 2 | Reclassified financial income and expenses | 235 |
| 3 | Expenses from property, plant and equipment and investment property | (634) |
| 4 | Other non-technical income for the account | (262) |
| 5 | Other non-technical expenses for the account | (807) |
| | Effect on the statement of profit or loss | - |

12) As in the statement of profit or loss under IFRS4, Other income and Other expenses together comprise heading "V. Profit/(loss) on the non-technical account", which combines with the result of the technical account to give the heading "**VI. Profit/(loss) before tax". Profit(loss) before tax under IFRS 4.** The profit before tax at 30 June 2022 is €65,251 thousand euros IFRS 4 and €67,515 thousand under IFRS 17. The difference of €2,264 thousand is detailed in the following reconciliation based on the adjustments described in the previous sections (thousands of euros):

| # adjustment | Profit/(loss) before tax under IFRS 4 | 65,251 |
|---|---|---|
| 1 | security surcharge | (118) |
| 2 | Change in provision for claims incurred, direct insurance | 1,824 |
| 3 | Change in provision for claims incurred, ceded reinsurance | 139 |
| 4 | Miscellaneous income and expenses | 30 |
| 5 | Finance expenses | 389 |

| | | |
|---|---|---|
| | Profit/(loss) before tax under IFRS 17 | 67,515 |

13) Heading **"VII. Income tax"** the statement of profit or loss under IFRS 17 corresponds to the heading with the same name in the non-technical account under IFRS 4. The difference in the balance of €566 thousand corresponds to the difference in pre-tax profit of €2,262 thousand multiplied by the tax rate (25%)

14) The final heading, "**X. Profit/(loss) for the year"**, corresponds to Profit/(loss) before tax and the income tax expense in both statements of profit or loss.

# 4

## Auditor´s report

June 2023

# Report on limited review of condensed consolidated interim financial statements

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

## Introduction

We have performed a limited review of the accompanying condensed consolidated interim financial statements (hereinafter, the interim financial statements) of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros (hereinafter, the Parent company) and its subsidiaries (hereinafter, the Group), which comprise the balance sheet as at 30 June 2023, and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all condensed and consolidated, for the seis-month period then ended. The Parent company's directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of condensed interim financial statements, as provided in Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

## Scope of review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with legislation governing the audit practice in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

## Conclusion

Based on our limited review, that cannot be considered as an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the seis-month period ended 30 June 2023 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, as provided in Article 12 of Royal Decree 1362/2007, for the preparation of condensed interim financial statements.

## Emphasis of matter

We draw attention to note 2.a) of the condensed consolidated interim financial statements, in which it is mentioned that these condensed consolidated interim financial statements do not include all the information required in a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and therefore the accompanying condensed consolidated interim financial statements should be read together with the consolidated annual accounts of the Group for the year ended 31 December 2022. Our conclusion is not modified in respect of this matter.

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## Other matters

### *Consolidated interim management report*

The accompanying consolidated interim management report for the seis-month period ended 30 June 2023 contains the explanations which the Parent company's directors consider appropriate regarding the principal events of this period and their impact on the interim financial statements presented, of which it does not form part, as well as the information required under the provisions of Article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in this management report is in agreement with that of the interim financial statements for the seis-month period ended 30 June 2023. Our work as auditors is limited to checking the consolidated interim management report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros and its subsidiaries' accounting records.

### *Preparation of this review report*

This report has been prepared at the request of the General Shareholders´meeting in relation to the publication of the half-yearly financial report required by Article 100 of Law 6/2023, of March 17, on Securities Markets and Investment Services.

PricewaterhouseCoopers Auditores, S.L.

Enrique Anaya Rico

21 July 2023

*Original signed in Spanish*