# LÍNEA DIRECTA ASEGURADORA S.A.

Compañía de Seguros y Reaseguros (C0720)

# Solvency and Financial Condition Report

## at 31 December 2024

Tres Cantos, 25 March 2025

# CONTENTS

## EXECUTIVE SUMMARY

This **Solvency and Financial Condition Report (SFCR)** for the year ended 31 December 2024 is an annual report issued by the Company under the requirements of the Solvency II regime (EU regulations under Articles 292 to 298 and Annex XX of Delegated Regulation (EU) 2015/35, as well as national legislation, mainly Chapter III of Royal Decree 1060/2015 of 20 November on the regulation, supervision and solvency of insurance and reinsurance companies).

The **structure** required by these regulations is as follows:

| Topics | Content |
|---|---|
| Activity and results | Basic information about the Company with a summary of the results of its activity broken down by business line in the reporting period. |
| Governance system | Information about the Company's organisational structure, with a description of its committee structure and the responsibilities of each of these committees for risk management. |
| Risk profile | Information about the Company's risk profile and qualitative and quantitative information about the risks it faces. |
| Valuation for solvency purposes | Description of the valuation differences in the solvency balance sheet and the financial statements. The assumptions and methodologies used to obtain the balance sheet for solvency purposes are also reported. |
| Capital management | Information about the capital required for solvency purposes and a comparison with eligible funds to determine the Company's solvency position. |

The SFCR report is a report published on the Company's website for anyone wishing to read it.

### Activity and results

### Developments on the Spanish insurance market

In the third quarter of the year, the global economy grew at a similar rate to previous quarters, with different sectors and geographical areas varying significantly in their behaviour.

| GDP growth in 2024 | 2024 | 2023 |
|---|---|---|
| Eurozone | +0.7% | +0.4% |
| Spain | +3.2% | +2.7% |
| United States | +2.5% | +2.5% |
| China | +5.0% | +5.2% |

Source: Eurostat, Spanish National Institute of Statistics (INE), US Federal Reserve, Reuters

The disinflation trend has continued worldwide, although the services sector has remained relatively unaffected.

Most of the world's economies are moving towards easing their monetary policies. Compared to market expectations from three months ago, a more significant easing of monetary policy is now expected in the eurozone, with a milder version of the same effect expected in the United States.

**Extraordinary flooding due to extreme rainfall (from 26 October to 4 November 2024)**

Between 26 October and 4 November 2024, the isolated high-level depression leading to extreme rainfall led to severe damage from flooding and atypical cyclonic storms across vast areas of eastern and southern parts of the Spanish mainland, as well as the Balearic Islands. The most devastating floods occurred in Valencia and Albacete on 19 October.

The Spanish insurance sector prepared to handle the most serious climate-related disaster faced by the country in over 40 years. In this case, most of the damage will be covered by the Spanish Insurance Compensation Consortium, a body affiliated to the Spanish Ministry of Economy, Trade and Enterprise that seeks to address disasters such as this.

In its latest communication on this matter published on 30 January, the Consortium reported receiving and recording close to 240,000 claims, including 140,240 in the Motor segment and 78,078 Home and Community claims.

Línea Directa set up a special response unit and provided policyholders with a priority helpline (918 079 990) with extended operating hours from Monday to Sunday to provide customers with guidance and assistance in handling their claims before the Insurance Compensation Consortium.

The Company also increased its service to affected parties through its X (formerly Twitter) account Línea Directa te Atiende (@LineaDirectaATC).

Línea Directa also joined the public-private partnership agreement in the insurance sector, through UNESPA, the Ministry of Economy, Trade and Enterprise and the Insurance Compensation Consortium, under which insurers agreed to assist policyholders in the Valencia region affected by the weather event expedite their claims before the Consortium.

Under this agreement, which aims to ensure that victims receive compensation as quickly as possible, Línea Directa has already registered customer claim reports, assessed damages and handled compensation proposals submitted to the Consortium, all this on behalf of the public body itself, which will then take over the claims and decide on the amounts of compensation to be paid.

In addition, Línea Directa Aseguradora offered policyholders mobility and legal assistance services free of charge.

The Company provided affected customers, as a matter of urgency and free of charge, with an initial fleet of over 100 replacement vehicles. Self-employed customers whose vehicles needed repairs or had been declared a total loss were offered these first, to ensure they could continue to travel and to help them go back to work as soon as possible.

The Company also offered all its customers, including private individuals, self-employed professionals and businesses, free access to its personalised legal support helpline. This service provides policyholders with legal assistance and advice from a legal expert on matters such as compensation claims, the public aid available and how to apply for it, landlord and tenant rights in these circumstances, and tax measures.

Furthermore, the Company is giving affected customers, on request, flexibility in the payment of insurance premiums, helping ease their financial burden at this challenging time.

Línea Directa continues to keep its customers regularly informed through periodic digital updates and on its website, providing advice on what to do in this situation, helping customers check the status of their claims and addressing any other queries.

The Company is also offering affected customers a free psychological and emotional support service.

At the same time, Línea Directa has launched various solidarity initiatives to support those affected by the disaster. In partnership with the Red Cross, it has launched a donation campaign among employees, customers and the general public to help those in need of urgent assistance due to this natural disaster. The Company will match all financial donations.

In addition, Línea Directa has held a campaign for employees to collect essential supplies such as shovels, buckets, work gloves and face masks for those helping with the cleanup efforts in the affected area, as well as clothing, food and hygiene products. The items were distributed in coordination with the special unit put in place by Madrid City Council.

### Insurance context

In the non-life insurance sector, premium volume reached 42,990 million euros, following a 7.78% increase.

The Motor segment, which accounts for 28% of the total non-life business line, grew by 8.88%, mainly due to the increase in average premiums in the industry as a whole in response to strong inflation, which resulted in a higher cost of claims in 2023. The insured vehicle fleet experienced had a more modest effect on this, with a year-on-year growth of 1.7%, up to 33.99 million vehicles, according to data from the Insured Vehicle Information File (FIVA).

Vehicle sales performed remarkably well, particularly in the young-used-car segment, which drove an 8.6% growth in the second-hand market. The new-vehicle segment also saw an increase (7.2%) (source: MSI).

However, the Motor segment continued to yield reduced profit, technically still in deficit with a combined ratio of 100.2% in the first nine months of the year (source: ICEA, latest available data). The Motor segment was seriously affected by sharp increases in repair costs (spare parts, paint, glass and labour) and in the injury scale, which saw general rises of 8.5% in 2023 and 3.8% in 2024 and is set to increase by 2.8% in 2025.

The Home segment experienced strong growth, recording a 9.24% increase (source: ICEA).

In real estate, figures from the Spanish National Institute of Statistics (INE) confirm a sharp increase in residential property sales in November. According to this body, the number of transactions recorded was up 15.8% compared to November 2023. So far this year, this growth results in a year-on-year increase of 7.5% in total number of transactions.

The Home segment yielded excellent profits, with a combined ratio of 91.1% at the end of September 2024, 6.7 percentage points lower than at the end of 2023 (source: ICEA, latest available data).

The Health segment grew by 7.40%, slightly more than the 6.62% recorded in 2023.

This segment now accounts for more than 26% of total non-life turnover, second only to Motor. The Health segment experienced very significant growth, partly due to rate adjustments in the industry in response to rising medical expenses and hospital charges. As for profit, the combined ratio stood at 94.7% (source: ICEA, latest available data as of September 2024).

### Trends in the Company's business performance

In 2024, the Company saw a gradual recovery in its results, partly due to lower inflation compared to the start of the previous year. This improvement was reflected in the cost of claims item of the profit and loss account. The Company's business volume continued to increase, achieving premiums earned net of reinsurance for the year of 967 million euros, up 3.29% on the previous year.

The number of policyholders is recovering compared to last year, reaching 3.4 million following a 1.8% increase since 2023.

Turnover in the Motor segment was 826.2 million euros, an increase of 4.23% compared to the previous year.

Premium turnover for the Home segment amounted to 157.9 million euros in 2024, an increase of 5.64% compared to the previous year. The Health segment generated premium income of 33.9 million euros.

The technical result showed a profit of 69.2 million euros, showing a very clear recovery of the business considering that the previous year had ended in losses. A key factor in this turnaround was the fall in the loss ratio during the year, dropping to 77.31% in 2024 compared to 85.94% in 2023.

The average rate of return in 2024 was 2.79% on fixed-income securities (2.60% in 2023) and 5.62% on equities (5.01% in 2023).

The financial result amounted to 31 million euros, an increase of 5.5% compared to the previous year.

## Governance system

The organisational structure of risk management and control is based upon the principles of independence and segregation of duties between business units and risk monitoring and control units. The Company's risk governance system is configured around three lines of defence. The first of these is the operational areas. The second line is made up of three key functions: Risk Management and Internal Control, the Actuarial function and Regulatory Compliance. The third line of defence is Internal Audit, a key function. The **Board of Directors** determines the risk control and management policy, supervises its internal information and control systems and exercises its administration and control functions for the Company, in accordance with the Spanish Corporate Enterprises Law and through its two advisory committees: the **Audit and Compliance Committee** and the **Appointments, Remuneration and Corporate Governance Committee**.

The governance system implemented within the Company, which is made up of the organisational structure and risk management, internal control and compliance systems, is considered to be effective. It provides optimal support for the Company's strategic objectives, ensuring that the Board makes business decisions with a comprehensive understanding of their impact on risk exposure and within the limits set by its risk appetite.

## Risk profile

The Company has maintained its distinctive personality based on organic growth, commitment to technology and innovation and its use of the direct channel since it started operations in 1995. Its pursuit of business growth over these years has led to a volume of over 1,019 million euros in premiums and more than 3.4 million in risks. This volume growth target has been pursued hand in hand with a profitability target, which has been achieved through rigorous underwriting, prudent investment and the containment of operating expenses, among other strategies.

The Company was authorised to apply a specific parameter for premium risk in the Other motor insurance business line in 2016, which it uses to calculate its solvency capital requirement (SCR). This was as follows as at 31 December 2024 and 2023:

| Solvency capital requirement (SCR) | | |
|---|---|---|
| *(in thousand euro)* | 31.12.2023 | 31.12.2024 |
| Underwriting risk | 192,387 | 201,179 |
| Market risk | 91,493 | 106,446 |
| Counterparty risk | 6,076 | 5,273 |
| Health insurance underwriting risk | 3,499 | 4,123 |
| Diversification | (57,125) | (63,787) |
| **Basic solvency capital requirement (BSCR)** | **236,330** | **253,234** |
| Operational risk | 28,812 | 29,749 |
| Deferred tax adjustment | (66,286) | (70,746) |
| **Solvency capital requirement (SCR)** | **198,856** | **212,237** |

## Valuation for solvency purposes

The following table presents a comparison of the assets, liabilities and funds in the solvency balance sheet and financial statements as at 31 December 2024 and 2023.

At 31 December 2024:

| ASSETS AND LIABILITIES | | |
|---|---|---|
| *(in thousand euro)* | Solvency | Financial statements |
| Total assets | 1,281,571 | 1,395,966 |
| Total liabilities | 873,029 | 1,075,875 |
| **Excess assets over liabilities** | **408,542** | **320,091** |

At 31 December 2023:

| ASSETS AND LIABILITIES | | |
|---|---|---|
| *(in thousand euro)* | Solvency | Financial statements |
| Total assets | 1,175,394 | 1,281,464 |
| Total liabilities | 817,392 | 1,004,898 |
| **Excess assets over liabilities** | **358,002** | **276,566** |

The main differences that caused the funds available for solvency purposes to increase by 88,450 thousand euros and 81,436 thousand euros in 2024 and 2023, respectively, compared to own funds in the financial statements are as follows:

There are no significant valuation differences for **assets**, as the investment portfolio, which is the largest category on the asset side of the balance sheet, is valued at market value in both cases. Intangible assets and acquisition expenses are eliminated from the asset side of the solvency balance sheet, while, in the opposite direction, capital gains on property and holdings in subsidiaries, which are not included in the balance sheet in the financial statements, are included. Premiums paid in instalments in the economic balance sheet are included in liabilities netting the premium provision.

The differences for **liabilities** arise mainly from the valuation of technical provisions:

- The provision for unearned premiums in the financial statements is eliminated from the solvency balance sheet and replaced by the provision for premiums.
- The provisions for claims in the financial statements are calculated in the solvency balance sheet on a best estimate basis, discounting the flows using the risk-free interest rate structure.
- The solvency balance sheet includes a risk margin. This concept is not used in the balance sheet in the financial statements.

In January 2019, the IFRS 16 lease rule entered into force, recognising on the balance sheet the right to use a leased property as a new asset and the obligation to pay leases as a new liability. Both the asset and the liability must be valued in accordance with this criterion.

In addition, the previous system did not allow the stabilisation reserve to be included as eligible own funds for the solvency capital requirement, whereas under the new system it qualifies as eligible own funds. As of 31 December 2024, this amounted to 51,634 thousand euros, net of taxes (43,839 thousand euros as at 31 December 2023).

This Solvency and Financial Condition Report was reviewed and approved by the Board of Directors at its meeting of 25 March 2025.

## Capital management

The Company's capital planning reflects its projected own-funds requirements over a three-year period for its solvency capital requirement (SCR) calculated as its overall solvency requirements (economic capital) estimated through its own risk and solvency assessment (ORSA), with a minimum solvency threshold set by the Board of Directors, which is always above 120% (with a risk appetite of 150%). The Company calculates its solvency capital requirement on a quarterly basis, broken down by risk category and available funds, in order to assess its solvency ratio.

The solvency ratio is a risk indicator that is monitored and considered by the Company's Board of Directors when implementing its capital management policy (such as setting the dividend policy for shareholders and making decisions on the Investment Policy) and its strategy for the business (such as launching new products or business lines, or acquiring risk mitigators). The solvency ratio at 31 December 2024 and 2023 was as follows:

| ***(in thousand euro)*** | **31.12.2023** | **31.12.2024** |
|---|---|---|
| Eligible own funds | 358,002 | 393,542 |
| Solvency capital requirement (SCR) | 198,857 | 212,237 |
| **Ratio of eligible own funds to SCR** | **180%** | **185%** |

In 2024, the Board of Directors of the Company proposed an interim dividend of 30 million euros and a final dividend of 15 million euros. This was proposed to the Board of Directors on 27 February 2025.

The final dividend of 15 million euros is included in eligible own funds (393,542 thousand euros) in the reconciliation reserve, and it is therefore not included in excess assets over liabilities (408,542 thousand euros).

The decision to distribute dividends is based on a thorough and thoughtful analysis of the Company's situation, which does not compromise either its future solvency or the protection of the interests of policyholders and insured persons and is made taking the regulators' recommendations into account.

All available funds are classified as Tier 1, i.e., they are of the highest quality and are eligible to cover both the SCR and the MCR (minimum capital requirement).

# A. ACTIVITY AND RESULTS

## A.1. ACTIVITY

### Company details

Línea Directa Aseguradora, S.A. de seguros y reaseguros is an insurance company, head of the Línea Directa Group and under the supervision of the Directorate General of Insurance and Pension Funds, with reference code C0720.

Its registered office is at Calle Isaac Newton 7, Tres Cantos, Madrid, Spain.

### Supervisory authority

The Company is supervised by the Spanish regulator:

Directorate General of Insurance and Pension Funds
Calle de Miguel Angel, 21
28010 Madrid, Spain

The Company operates under the reference code C0720.

### External auditor

The external auditor of the Company's financial statements and this report on its financial position is:

PricewaterhourseCoopers, auditores, S.L.
Paseo de la Castellana, 259, B
28046 Madrid, Spain.

### Corporate and solvency structure

The Company is the parent company of the Línea Directa Group, which was listed on the Spanish stock market on 29 April 2021.

The main shareholders as at the end of 2024 are as follows:

| Shareholder | % Shareholding |
|---|---|
| Cartival, S.A. | 20.06% |
| Bankinter, S.A. | 17.42% |
| Fernando Masaveu | 5.46% |
| Brandes Investment Partners, L.P | 5.06% |
| Norbel Inversiones, S.L. | 5.00% |
| Indumenta Pueri, S.L. | 5.00% |
| Wellington Management Group | 3.33% |
| Lazard Asset Management | 3.20% |
| Other | 35.47% |

The Company is required to draw up consolidated financial statements in accordance with International Financial Reporting Standards adopted by the European Union.

The tax and financial years of both the Company and the consolidated group of which it is the parent company end on 31 December.

The Company is the parent of several ancillary insurance and investment subsidiaries, none of which are involved in insurance or reinsurance activity. It is not treated as a supervised group under Article 132.1 of Law 20/2015, of 14 July 2015, on the regulation, supervision and solvency of insurance and reinsurance companies.

| Subsidiary companies | Corporate purpose | Shareholding |
|---|---|---|
| Línea Directa Asistencia, S.L.U. | Vehicle inspections and travel assistance | 100% |
| Centro Avanzado de Reparaciones CAR, S.L.U. | Provision of vehicle repair services | 100% |
| LD Activos, S.L.U. | Asset management on behalf of insurance companies | 100% |
| Ambar Medline, S.L.U. | Insurance brokerage | 100% |
| Moto Club LDA S.L.U.* | Provision of various services related to motorcycles | 100% |

*Moto Club LDA S.L.U. was dissolved pursuant to a resolution passed on 14 November 2024, which was registered in the Madrid Trade and Companies Register on 3 December 2024.

## Business lines and geographical distribution

The corporate purpose of Línea Directa Aseguradora S.A. Compañía de Seguros y Reaseguros is the provision of insurance and reinsurance services in the Motor, Home and other non-life segments. It is authorised to perform these activities by the Spanish Directorate General of Insurance and Pension Funds.

The Company operates **entirely in Spanish territory,** except for the Assistance business line, for which it is authorised to operate in Portugal (premiums in Portugal amounted to 74 and 87 thousand euros in 2024 and 2023, respectively). Its business distribution channels are mainly telephone and internet sales.

## A.2. UNDERWRITING RESULTS

The Company's business lines and the main figures for its technical account are set out in the following table:

2024:

| 2024 TECHNICAL ACCOUNT BY BUSINESS LINES | | | | | | | |
|---|---|---|---|---|---|---|---|
| | *(in thousand euro)* | TOTAL | Motor, third-party liability | Other motor insurance | Fire and other damage to property | Assistance | Medical expenses |
| 1 | Premiums earned, net of reinsurance | 967,415 | 375,710 | 423,518 | 149,109 | 1,088 | 17,990 |
| 2 | Investment income | 51,363 | 28,333 | 14,970 | 5,034 | 74 | 2,952 |
| 3 | Other technical income | - | - | - | - | - | - |
| 4 | Claims incurred net of reinsurance | 747,919 | 343,661 | 297,810 | 91,675 | 102 | 14,671 |
| 5 | Profit sharing | 310 | - | - | - | 310 | - |
| 6 | Net operating expenses | 208,807 | 70,440 | 85,030 | 41,691 | 1,012 | 10,634 |
| 7 | Other technical expenses | (22,429) | (26,776) | 4,347 | - | - | - |
| 8 | Investment expenses | 14,993 | 9,771 | 5,222 | - | - | - |
| | **Technical account result (1+2+3-4-5-6-7-8)** | **69,177** | **6,947** | **46,078** | **20,777** | **(262)** | **(4,364)** |

2023:

| 2023 TECHNICAL ACCOUNT BY BUSINESS LINES | | | | | | | |
|---|---|---|---|---|---|---|---|
| | *(in thousand euro)* | TOTAL | Motor, third-party liability | Other motor insurance | Fire and other damage to property | Assistance | Medical expenses |
| 1 | Premiums earned, net of reinsurance | 936,617 | 362,373 | 415,409 | 141,956 | 773 | 16,105 |
| 2 | Investment income | 48,004 | 26,922 | 14,401 | 4,028 | 23 | 2,629 |
| 3 | Other technical income | - | - | - | - | - | - |
| 4 | Claims incurred net of reinsurance | 804,948 | 384,527 | 308,637 | 97,244 | 84 | 14,457 |
| 5 | Profit sharing | 393 | - | - | - | 393 | - |
| 6 | Net operating expenses | 208,003 | 65,521 | 87,923 | 41,866 | 58 | 12,635 |
| 7 | Other technical expenses | (22,094) | (27,538) | 5,441 | - | - | 3 |
| 8 | Investment expenses | 18,574 | 12,101 | 6,473 | - | - | - |
| | **Technical account result (1+2+3-4-5-6-7-8)** | **(25,204)** | **(45,315)** | **21,337** | **6,874** | **261** | **(8,361)** |

The business lines for solvency purposes are directly equivalent to the segments reported by the Company in its financial statements. The "Fire and other damage to property" business line includes the Home insurance segment.

## A.3. INVESTMENT PERFORMANCE

The Company's investment activity follows the guidelines in its Investment Policy. The Investment Committee is responsible for monitoring and oversight.

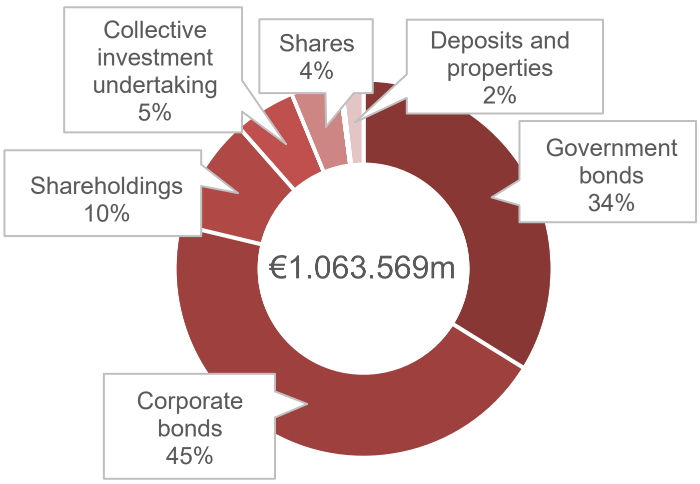
The Company has continued with its Investment Policy with the aim of ensuring the security, liquidity and profitability of its investments, applying principles of dispersion, diversification and adjustment of maturities in accordance with the technical liabilities to be covered, in order to offset market, credit, liquidity and cash-flow risks, taking into account the economic backdrop, with rising rates of return on fixed-income assets.

The average rates of return on fixed-income securities were 2.79%, while the return on the equity portfolio was 5.62%.

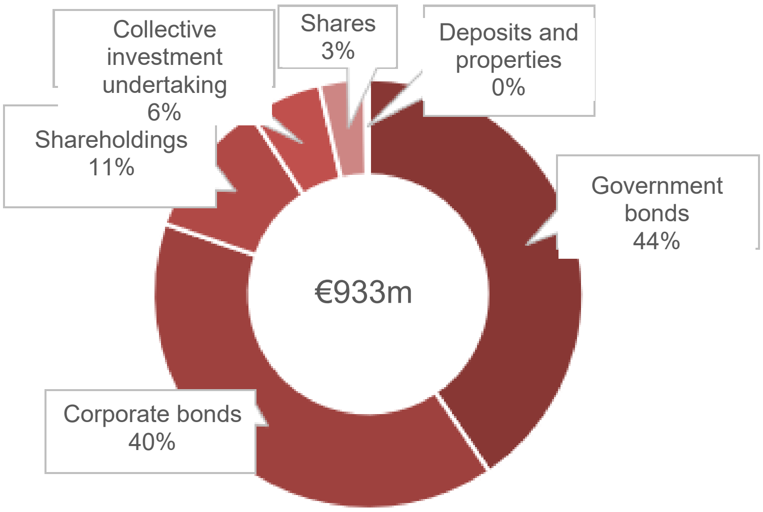
All financial income and expenses are allocated to the technical account by business line, except 6,000 thousand euros from a dividend received for the Company's shareholding in the subsidiary Línea Directa Asistencia, S.L.U., which was recorded in the non-technical account.

The distribution of the portfolio, based on the economic balance sheet and including shareholdings, as at 31 December 2024 and 2023, is set out in the following table:

2024:



2023:




2024:

| Breakdown of investment income and expenses by asset type | | |
|---|---|---|
| *(in thousand euro)* | Technical account | Non-technical account |
| **Net financial income from accounts and deposits** | **1,208** | **-** |
| Coupon income from government bonds and corporate bonds | 21,795 | - |
| Realised gains on sales of government bonds and corporate bonds | 1,569 | - |
| Realised losses on sales of government bonds and corporate bonds | (2,828) | - |
| **Net financial income from government bonds and corporate bonds** | **20,536** | |
| Reversal of shareholding impairments | (282) | - |
| Share dividend income | 3,625 | - |
| Shareholding dividend income | - | 6,147 |
| Realised gains from sales of shares | 3,683 | - |
| Realised losses from sales of shares | (478) | - |
| **Net financial income from shares and holdings** | **6,549** | **6,147** |
| **Income from loan interest** | **592** | **-** |
| **Income from premium instalments** | **7,606** | **-** |
| **Income/Expenses from property, plant and equipment or investment property** | **69** | |
| **Hedges** | **1,077** | |
| **Other income** | **287** | **-** |
| **Deferral costs for dividend payments to shareholders** | **-** | **-** |
| **Internal investment-management expenses** | **1,494** | **-** |
| **TOTAL INVESTMENT INCOME AND EXPENSES** | **36,429.527** | **6,147** |

2023:

| Breakdown of investment income and expenses by asset type | | |
|---|---|---|
| *(in thousand euro)* | Technical account | Non-technical account |
| **Net financial income from accounts and deposits** | **1,208** | **-** |
| Coupon income from government bonds and corporate bonds | 16,854 | - |
| Realised gains on sales of government bonds and corporate bonds | 2,743 | - |
| Realised losses on sales of government bonds and corporate bonds | (2,519) | - |
| **Net financial income from government bonds and corporate bonds** | **17,077** | |
| Reversal of shareholding impairments | (290) | - |
| Share dividend income | 3,184 | - |
| Shareholding dividend income | - | 3,229 |
| Realised gains from sales of shares | 5,276 | - |
| Realised losses from sales of shares | (2,412) | - |
| **Net financial income from shares and holdings** | **5,758** | **3,229** |
| **Income from loan interest** | **603** | **-** |
| **Income from premium instalments** | **4,738** | **-** |
| **Income/Expenses from property, plant and equipment or investment property** | **68** | |
| **Hedges** | **954** | |
| **Other income** | **676** | **-** |
| **Deferral costs for dividend payments to shareholders** | **-** | **-** |
| **Internal investment-management expenses** | **1,653** | **-** |
| **TOTAL INVESTMENT INCOME AND EXPENSES** | **29,429** | **3,229** |

All financial income and expenses are allocated to the technical account by business line, except 6,147 thousand euros from a dividend received for the Company's shareholding in the subsidiary Línea Directa Asistencia, S.L.U., and the effect of the dissolution of the subsidiary Moto Club LDA S.L.U., which was allocated to the non-technical account.

## A.4. RESULTS FROM OTHER ACTIVITIES

The non-technical account includes income and expenses from other activities, mainly from brokerage of credit cards and policies from other insurance companies, with an income of 3,679 thousand euros (3,914 thousand euros in 2023) and an expense of 80 thousand euros (362 thousand euros in 2023).

## A.5. OTHER INFORMATION

### Outlook for 2025

The effect of geopolitical tensions on global economic activity remains generally contained, with adjusted inflation rates, decreasing interest rates and stable growth expectations worldwide.

The performance of the Spanish economy in the next few months will unfold amid an international situation marked by the start of the new Republican administration in the United States and the uncertainty linked to some of the policies announced by its new president, particularly those aimed at greater protectionism.

The year 2025 is expected to bring risks such as greater fragmentation in global trade, concerns regarding the possible escalation of some geopolitical tensions and the possibility of a sudden change in financial asset prices. The potential rate of disinflation and future trends in business investment and household consumption, which remains at pre-pandemic levels, add to this uncertainty.

Regarding the Company's outlook, in the Motor segment the Company forecast to increase sales growth and substantially grow the customer base. Although the cost of claims is more contained, it will still be affected by various factors, including the 2.8% increase in the injury scale set to take place in 2025.

The Company also expects substantial growth in the Home segment. The evolution of the cost of claims will continue to be affected by the frequency and severity of weather events.

Accelerated growth is also expected in the Health segment. The inclusion of this segment under the Línea Directa brand for sales to private individuals and cross-selling yields a positive outlook for 2025. The cost of claims will continue to reflect the rising cost of healthcare and hospital fees.

Expenditure will remain contained, with moderate increases managed through an ongoing control of costs and efficient internal processes.

The investment portfolio will grow in volume and yield higher average returns, resulting in higher financial income than in 2024.

# B. GOVERNANCE SYSTEM

## B.1. GENERAL INFORMATION ABOUT THE GOVERNANCE SYSTEM

The Company has a Corporate Governance Policy that sets out the corporate and governance structure of the Línea Directa Group, its underlying principles, its bodies and the essential rules of its internal operations.

Línea Directa Aseguradora's shares have been listed on the Spanish stock market (Madrid, Barcelona, Bilbao and Valencia Stock Exchanges) since 29 April 2021. The Company has been listed on the IBEX Medium Cap since 20 September of the same year.

Línea Directa Aseguradora's corporate bodies are as follows:

### I. General Shareholders' Meeting

The General Shareholders' Meeting is the Company's sovereign body. The duly convened shareholders meet there to deliberate and decide, by the majorities required in each case, on the matters within its remit.

### II. Board of Directors

**Duties**

The Board of Directors is the body responsible for the Company's administration, governance and representation, in accordance with the duties assigned to it by law, the Bylaws and the Rules and Regulations of the Board of Directors.

One of these functions for the purposes of this document is the determination of the risk control and management policy, including tax risks and financial and non-financial risks, and the supervision of internal information and control systems. To this end, it is responsible for approving the risk control and management policy, along with regularly monitoring the risk appetite level and internal information and control systems, including the risks associated with the marketing of products and transparency with customers, as well as compliance with professional ethics and securities market conduct standards.

According to the provisions of the Bylaws, the Board of Directors must be composed of a minimum of five and a maximum of 15 directors and must be made up in a way that ensures compliance with the requirements of the Spanish Corporate Enterprises Law and Articles 13, 38 and 65 et seq. of Law 20/2015, of 14 July, on the regulation, supervision and solvency of insurance and reinsurance companies, and Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance in such a way that its members have the appropriate professional qualifications, competence and experience and fulfil the requirements of good repute required by the Regulator and included in the Company's Fitness and Good Repute Policy.

As of the date of this report, the Company's Board of Directors is made up of the following seven directors:

| Board members | Legal category | Position |
|---|---|---|
| Alfonso Botín-Sanz de Sautuola y Naveda | Proprietary | Chairman |
| Fernando Masaveu Herrero | Proprietary | Member |

| Board members | Legal category | Position |
|---|---|---|
| Ana María Plaza Arregui | Independent | Member<br>*Chairwoman of the Audit and Compliance Committee |
| Elena Otero-Novas | Independent | Member |
| Rita Estévez | Independent | Member |
| John de Zulueta | Independent | Member<br>*Chairman of the Appointments, Remuneration and Corporate Governance Committee |
| Patricia Ayuela de Rueda | Executive | Member |

Pablo González-Schwitters is the non-director Secretary of the Board of Directors.

## III. Committees

The Board of Directors has two advisory committees:

**The Audit and Compliance Committee**

It is made up of the following members:

| Member | Position | Legal category |
|---|---|---|
| Ana María Plaza Arregui | Chairwoman | Independent |
| Elena Otero-Novas | Member | Independent |
| Alfonso Botín-Sanz de Sautuola | Member | Proprietary |
| Pablo González-Schwitters | Non-Director Secretary | |

The members of the **Audit and Compliance Committee** as a whole, and in particular its Chairwoman, have been appointed on the basis of their knowledge and experience in accounting, auditing and risk management, both financial and non-financial. Comprehensive information about the Committee's members can be found on the corporate website.

The main responsibilities of the Audit and Compliance Committee include:

- Reporting to the General Shareholders' Meeting, through its Chairman, about the control status for the Company and the Committee's activities during the year.

- Proposing to the Board, for submission to the General Shareholders’ Meeting, the appointment, re-appointment or replacement of the external auditors and the sustainability information verifier and the terms and conditions under which they are contracted. Ensuring the external auditor's independence, and monitoring compliance with the audit contract.
- Learning about, monitoring and assessing the preparation process and integrity of financial and non-financial information, control and management systems for the financial and non-financial risks related to the Company and, where applicable, the Group (including operational, technological, cybersecurity, legal, social, environmental, political, reputational and corruption risks). Concerning sustainability risks, it submits all appropriate reports to the Appointments, Remuneration and Corporate Governance Committee, and a joint meeting of the two committees may be held.
- Regarding non-financial information: (i) overseeing the preparation and presentation of non-financial information relating to the Company and its Group, evaluating whether the Company has implemented the applicable reporting policies and regulations correctly; (ii) assessing the quality, clarity, consistency and integrity of the non-financial information disclosed by the Company; (iii) managing the selection and recruitment of the independent provider of verification services tasked with validating the sustainability information, and proposing the appointment of such service provider to the Board of Directors; and (iv) liaising with the independent verifier to monitor the progress of their work.
- Reporting to the Board of Directors in advance on all matters required by law, such as related-party transactions to be approved by the Board of Directors.
- Monitoring the implementation of the general policy on disseminating economic-financial, non-financial and corporate information, as well as communicating with shareholders and investors, proxy advisors and other stakeholders.
- Monitoring and promoting compliance with the Company's Internal Rules of Conduct for the Securities Market, the Code of Ethics and, in general, its internal rules of conduct, as well as monitoring and promoting the confidential whistleblowing procedure by stakeholders.
- Monitoring the performance of the following functions by the Company and, where appropriate, its subsidiaries: (i) risk management and internal control; (ii) regulatory compliance verification; and (iii) the actuarial function.

**The Appointments, Remuneration and Corporate Governance Committee**

The Appointments, Remuneration and Corporate Governance Committee is made up of the following members:

| Member | Position | Legal category |
|---|---|---|
| John de Zulueta | Chairman | Independent |
| Rita Estévez | Member | Independent |
| Alfonso Botín-Sanz de Sautuola | Member | Proprietary |
| Pablo González-Schwitters | Non-Director Secretary | |

The main responsibilities of the Appointments, Remuneration and Corporate Governance Committee include the following:

- Proposing the appointment, confirmation, re-election and removal of independent directors and reporting on the remaining directors.
- Assessing the balance of skills, capacity, knowledge, diversity and experience needed on the Board of Directors.
- Reporting to the General Shareholders' Meeting, through its Chairman, on the Committee's activities during the year, as appropriate.
- Proposing to the Board of Directors the directors' Remuneration Policy and their individual remuneration, the individual remuneration of the Executive Directors and, where appropriate, of the external Directors, for performing duties other than those a Director, and other terms of their contracts.
- Proposing the Remuneration Policy for senior management, including the General Managers or those who perform senior management duties under the direct supervision of the Board of Directors.
- Monitoring the Company's corporate governance.
- Establishing guidelines, criteria and reference standards for the preparation of the annual sustainability report, and reporting to the Board accordingly. In relation to this reporting obligation, reviewing, validating and reporting to the Board of Directors before drawing the report, incorporating insights from the Audit and Compliance Committee on the preparation process and information integrity.
- Monitoring the Company's sustainability strategy and practices by assessing their level of compliance and reviewing the Company's sustainability policies to ensure that they are aimed at the creation of value.

## IV. Management Team

- As of the date of this report, the structure of the Management Team is as follows:

| Name | Position(s) |
|---|---|
| Patricia Ayuela | Chief Executive Officer |
| Pablo González-Schwitters | General Secretary |
| Carlos Rodríguez Ugarte | Chief Financial Officer |
| Diego Ferreiro | Commercial Director |
| Mar Garre | Head of People, Communications and Sustainability |
| Eva del Mazo | Portfolio Director |
| Olga Moreno | Quality Director |
| María Ana Sánchez<br>*from 1 February 2025 | Head of Technology |
| Antonio Valor | Head of Marketing |

| Name | Position(s) |
|---|---|
| Juan José Álvarez | Chief Technical Officer |
| Inmaculada Aldea | Chief Risk Officer |
| Isabel Guzmán Lillo | Head of Claims and Services |
| Maria Ángeles Gómez Roig*<br>*from 1 February 2025 | Head of Transformation |
| José Luis Díaz | Head of Internal Audit |

### V. Internal committees

Notwithstanding the functions attributed to the Board of Directors and its committees in the Board Regulations, Línea Directa Aseguradora has established a system of committees intended to support the Company's strategic objectives and provide the Board of Directors, either directly or through its committees, with all the information they need to make well-informed decisions.
The various committees are responsible for ensuring the proper implementation, maintenance and monitoring of the risk management system in accordance with the guidelines set by the Board of Directors.

The most important committees for risk management are as follows:

**Standing Risk Committee**: It is responsible for facilitating and monitoring the implementation of effective risk management practices at the Línea Directa Aseguradora Group through the reporting of risks by the first lines of defence. It is tasked with controlling and monitoring risks by ensuring that Línea Directa has a suitable level of internal control compatible with the Group's standards and compliant with the applicable laws and regulations.

**Reserves and Claims Committee:** The Reserves and Claims committee is a body for information, discussion and decision-making in all areas relating to claims management and the adequacy of reserves as determined by the Board and its committees. It reports to the Audit and Compliance Committee on a regular basis.

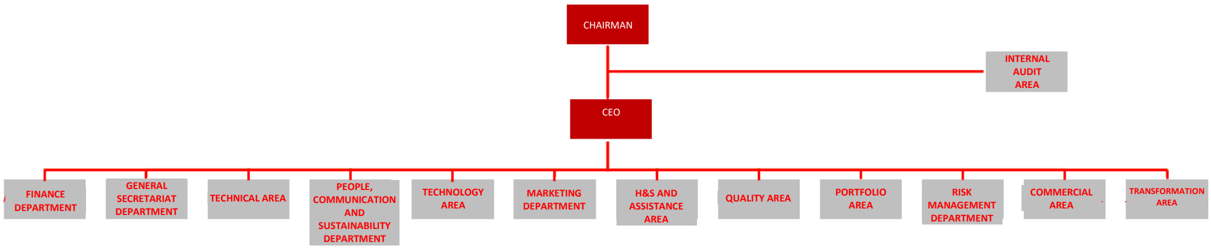
The **Investment Committee** is governed by the Investment Policy as approved by the Board of Directors. It is chaired by the Chief Executive Officer, and its functions include, among others, ensuring that investments are made in accordance with the Investment Objectives approved by Línea Directa's Board of Directors and with the Investment Policy.

The Investment Committee reports to the Board of Directors through the Chief Financial Officer. In any case, the Audit and Compliance Committee is regularly informed of all investment transactions approved by the Investment Committee or, as the case may be, by the Chief Financial Officer, thereby contributing to the fulfilment of the Committee's role of overseeing the process of drawing up and ensuring the integrity of financial and non-financial information.

### Organisational changes

A new strategic direction for Transformation was established in January 2025. This will be led by multidisciplinary teams, who will manage all technological business projects, thus providing a comprehensive and coordinated perspective on each of them.

The organisational chart is as follows:




## Remuneration Policy and Practices

The Company has a general Remuneration Policy approved by the Board of Directors that applies to Company employees as a whole and contains specific mechanisms applicable to specific individuals whose professional activities have a significant impact on the Company's risk profile and who are part of the Identified Staff.

The **main objective** of Línea Directa's Remuneration Policy is to align it with the Company's interests, promoting its corporate values and culture. The remuneration system must aim to promote the Company's long-term profitability and sustainability, reward behaviour and attitudes consistent with its culture and values, and incorporate the precautions required to avoid excessive risk-taking and rewards for adverse outcomes.

In order to achieve these objectives, Línea Directa establishes the following general principles that guide how its Remuneration Policy is shaped:

- Equanimity and coherence (Internal Equity): Both the applicable policy and the remuneration amounts will be defined based on the content of the positions, aiming at uniform treatment for positions in the organisation with similar content based on the following aspects:
  - The level of demand and responsibility of the position undertaken;
  - The impact on the results contributed to the organisation; and
  - The knowledge, experience and skills necessary to perform the functions.
- Sustainability and persistence over time: Remuneration will be designed with a medium- and long-term vision, seeking to drive the actions of the Company's executives towards achieving the strategic objectives set by Línea Directa in the medium and long terms, without overlooking the achievement of short-term results.
- Measures to prevent conflicts of interest: The Company will establish suitable controls and mitigating measures internally, in accordance with the relevant regulations in force, in order to prevent potential conflicts of interest to customers' detriment.
- Flexibility: The variable components of the remuneration of all staff will be sufficiently flexible to allow for modulation to the point that payment of the variable remuneration can be discontinued if the targets set by the Company are not met. In particular, under no circumstances will any type of variable remuneration be paid if the Company targets to which it is linked are not fulfilled.
- Variability and alignment with Línea Directa's interests: The remuneration will include a variable amount, which must be linked to the performance and degree of achievement of the strategic objectives set by Línea Directa from time to time. The Remuneration Policy will therefore consider the appropriate instruments for linking remuneration to the Company's results.
- Balance: Línea Directa's Remuneration Policy must present a balanced relationship between its fixed and variable components. The benchmark variable remuneration as

a percentage of fixed remuneration will vary based on whether targets are achieved and by how much.

The Remuneration Management strategy applies to all Línea Directa employees, ensuring sufficient fixed remuneration to ensure that the Company's employees do not make decisions that put the Company at risk in order to achieve a target for the purpose of earning an incentive.

- No guaranteed variable remuneration: Under no circumstances will variable remuneration be treated as guaranteed, as it is conditional upon the individual staff member achieving the targets.
- Transparency: The remuneration management rules for the entire workforce must be explicit and irrefutably known by the employees covered by them. They must also know the requirements to be met to achieve the objectives that will entitle them to receive the variable remuneration.
- Simplicity: Remuneration management rules shall be drafted clearly and concisely, simplifying, as far as possible, both their description and the calculation methods and the conditions that must be met to obtain the remuneration.
- Equity and external competitiveness: Both the applicable policy and the corresponding remuneration amounts shall take market trends and market positions into account in order to ensure that Línea Directa has the best professionals in the sector.
- Equality and diversity: The Remuneration Policy shall prevent any discrimination based on gender, race, religion or disability.

Under the terms of the collective bargaining agreement for the sector, the Company is required to take out a collective life insurance policy for all its employees. This policy has been outsourced in the form of an annually renewable risk insurance policy.

The Company must also pay a retirement bonus, although only if the employee retires at the normal retirement age while being an active employee at the Company. This obligation is outsourced in the form of a matched policy. Therefore, the Company does not have any provisions in its financial statements.

At present, only those employees hired before 1 January 2017 who have decided not to migrate to the new system established under the agreement remain under the existing system.

For employees hired on or after 1 January 2017 and those who have decided to transfer to the new system, the Company has outsourced the obligations by arranging a new insurance contract. This new contract is for a defined-contribution policy covering more contingencies than the old system. The transfer of the rights of employees who have decided to migrate to the new system took effect in 2020.

The Company also has a number of collective insurance policies in effect to formalise its retirement pension commitments with certain members of Senior Management. These defined-contribution policies have also been outsourced, and regular contributions are made for the various members of the group. The contributions made to this policy are entirely voluntary for the Company and are made at the discretion of the management body.

The Company also has a defined-contribution savings and retirement insurance policy, in the form of a savings policy, for members of the Management Team.

In 2024, as in previous years, employees were given the opportunity to take part in a share-purchase plan for Línea Directa shares as part of its flexible remuneration plan.

In addition, the General Shareholders' Meeting held on 30 March 2023 approved the 2023-2025 Long-Term Incentive Plan. The Beneficiaries of the Multi-Year Plan are the members of the Company's Management Team on the date of approval of the Incentive, including the Chief Executive Officer, and certain key or relevant persons at the Company.

The Plan aims to motivate and retain certain people considered key or relevant to the achievement of the Company's medium- and long-term strategic objectives, helping to retain and encourage the key staff of Línea Directa Aseguradora, and improving the Company's profit and loss account in the medium-to-long term, as well as its sustainability.

The remuneration applicable to the members of the Board of Directors is governed by the Remuneration policy for Línea Directa Directors, which was approved by the General Shareholders' Meeting and published on the corporate website.

### Information about significant transactions with shareholders and individuals who exercise significant influence

As at 31 December 2024, Bankinter had a stake of 17.42%, and it has had no seat on the Group's Board of Directors since the IPO date.

The Company was involved in the following transactions with its significant shareholder Bankinter, S.A. or any of its subsidiaries, distinguishing between the insurance activity and other services rendered and received:

2024:

| Direct insurance | Premiums | Fees and commissions |
|---|---|---|
| Bankinter, S.A. | 618 | 4,767 |
| Bankinter Consumer Finance, E.F.C, S.A. | 9 | 11 |
| Bankinter Consumer Finance, E.F.C., S.A. (Sucursal em Portugal) | 74 | - |
| EvoBanco, S.A. | - | 104 |
| **Total** | **701** | **4,882** |

| | Expenses | | Income | |
|---|---|---|---|---|
| **Services rendered and received** | **Services received** | **Interest and financial services** | **Services rendered** | **Financial income and leases** |
| Bankinter, S.A. | 1,208 | 337 | - | 2,584 |
| Bankinter Consumer Finance, S.L.U. | 15 | - | 545 | - |
| Bankinter, S.A. Sucursal em Portugal | 30 | - | - | - |
| **Total** | **1,253** | **337** | **545** | **2,584** |

2023:

| Direct insurance | Premiums | Fees and commissions |
|---|---|---|
| Bankinter, S.A. | 626 | 5,224 |
| Bankinter Consumer Finance, E.F.C, S.A. | 12 | 13 |
| Bankinter Consumer Finance, E.F.C., S.A. (Sucursal em Portugal) | 87 | - |
| EvoBanco, S.A. | - | 107 |
| **Total** | **725** | **5,344** |

| | Expenses | | Income | |
|---|---|---|---|---|
| **Services rendered and received** | **Services received** | **Interest and financial services** | **Services rendered** | **Financial income and leases** |
| Bankinter, S.A. | 1068 | 338 | - | 1,291 |
| Bankinter Consumer Finance, S.L.U. | 173 | - | 769 | - |
| Bankinter, S.A. Sucursal em Portugal | 43 | - | - | - |
| **Total** | **1,284** | **338** | **769** | **1,291** |

## B.2. FITNESS AND GOOD REPUTE REQUIREMENT

The Company has had a Code of Ethics since 2010, the latest version of which was approved in March 2021, which applies to the Company and all the Companies in the Group. The purpose of this Code is to establish the general guidelines that must govern the conduct of its employees and subsidiaries in the performance of their functions and in their business and professional relationships, in accordance with the law and ethical principles.

The Board of Directors approved the current Director Selection Policy applicable to the Company on 18 March 2021, and it was updated in October 2022. One of the main objectives of this Policy is to promote diversity of gender, experience and knowledge on the Board of Directors, avoiding any implicit bias that could entail discrimination and, in particular, any that hinders the selection of female directors, encouraging the Company to have a significant number of female directors.

In line with this policy, the Company's Board of Directors also aims to have a Board that is made up in a way that ensures a healthy diversity of opinions, perspectives, skills, experience and professional backgrounds, in accordance with the latest recommendations on good corporate governance for listed companies. A summary of all the Board members' professional profiles and career histories can be found on the corporate website.

Similarly, one of the Company's fundamental principles is that the number of independent directors should be an overwhelming majority on the Board and the number of Executive Directors should be kept to a minimum.

Board members serve for four-year terms and may be re-elected for the same term.

As of the date of this report, the figures on independence and diversity on the Board of Directors exceed the ratios recommended by the Code of Good Governance.

The Company also complies with Article 38 of Law 20/2015 of 14 July and Article 42 of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009, on life insurance and the taking-up and pursuit of the business of insurance and reinsurance, and its implementing regulations, under which insurance companies must ensure that the persons who effectively manage them or perform other key functions, including members of the Board of Directors and the Management Team, meet the following requirements:

- Their professional qualifications, knowledge and experience are adequate for sound and prudent management (fitness); and
- They are of good repute and integrity (good repute).

The recommendations of the EIOPA Guidelines on the System of Governance have also been followed, in addition to the requirements under Law 20/2015 of 14 July, on the regulation, supervision and solvency of insurance and reinsurance companies, and Royal Decree

1060/2015 of 20 November on the regulation, supervision and solvency of insurance and reinsurance companies, in relation to the implementation and development of a fitness and good repute policy to ensure that the persons subject to this policy have adequate qualifications and experience to ensure that companies are professionally managed and supervised.

In September 2022, the Board of Directors updated the Company's Fitness and Good Repute Policy, which sets out the requirements that must be met by individuals who perform key functions covered by the "suitability" analysis.

The fitness and good repute requirement is made up of a broad set of criteria, structured around three main pillars:

- Good commercial and professional repute and integrity: For this assessment, the professional and personal background of the person being assessed for the function undertaken, as well as any convictions or other penalties for crimes, misdemeanours or administrative offences, and the existence of well-founded investigations into business or financial offences, will be considered.
- Knowledge and experience (fitness): This considers theoretical training and development, which must be of the right level and have the correct profile, relating to insurance and financial services in particular.
- Good governance: This only applies to members of the Board of Directors and the Management Team and includes the assessment of any conflicts of interest.

## B.3. RISK MANAGEMENT SYSTEM

Línea Directa Aseguradora has internal control processes and an effective risk management system that complies with applicable regulations and is in line with best practices for the sector.

In order to ensure effective risk management, the Company has a set of **risk management policies** that define responsibilities and determine the framework for action for each type of risk, ensuring uniform application across all Group divisions and subsidiaries.

The organisational structure of risk management and control is based upon the principles of independence and segregation of duties between business units and risk monitoring and control units.

The Company's governing bodies and parties involved in the risk control and management process have the following main roles and responsibilities:

The **Board of Directors** of Línea Directa Aseguradora is responsible for establishing the General Risk Policy, which will serve as a framework for the specific policies applicable to each risk to which the Company is exposed.

The **Audit and Compliance Committee** is responsible for monitoring the effectiveness of the Company's internal control, internal audit and risk management systems. The heads of the Risk and Internal Audit functions report to this Committee on the most significant risks included in the Company's Risk Map, as well as on the status of recommendations issued and changes in the Key Risk Indicators (KRI).

The aim of the **Internal Audit function**, which is the third line of defence, is to enhance and safeguard the organisation's value by delivering impartial assurance, advice and risk-focused information, supporting the Board of Directors and the Executive Directors of the Group in safeguarding the organisation's assets, reputation and sustainability and shareholders' interests.

The **functions in the second line of defence (Risk Management, Actuarial, Compliance and ICFR)** have the following responsibilities:

- Ensuring the proper functioning of the risk management and control systems and, in particular, ensuring that all significant risks affecting the Company are properly identified, managed and quantified.
- Playing an active role in drawing up the risk strategy and in important decisions around risk management.
- Ensuring that the risk control and management systems properly mitigate risks within the framework of the policy defined by the Board of Directors.
- Regularly assessing the adequacy and effectiveness of controls (defined as measures for mitigating the impact of identified risks), and making recommendations to those responsible for risk management, which will be turned into action plans.
- Regularly reporting to the Management Committee – and, as often as deemed appropriate, to the Audit and Compliance Committee and the Standing Risk Committee – on the status of the Company's risks and on any possible risks that could emerge, on the results of tests on controls and on the status of all recommendations arising from testing.

The risk management functions are equipped with adequate reporting systems and controls to ensure compliance with this policy, and its operation is described in the specific policies for each type of risk.

The **Standing Risk Committee** is responsible for facilitating and monitoring the implementation of effective risk management practices, monitoring all risks. It receives regular reports from the first line of defence. The operation of the specific committees, with their structure and powers, is outlined in Línea Directa Aseguradora S.A.'s Governance System.

The **Senior Management** is responsible for creating a culture and organisational structure that promotes effective risk management. The heads of the Business and Support departments must be aware of the risks in their area of activity and manage them in a way that is consistent with their functions, powers and responsibilities, while also implementing the necessary risk-management measures. The Corporate Risk Management department coordinates the functions of the second line of defence (Risk Management, Actuarial, Compliance, ICFR, ICSR and Fraud Management) and forwards their reports to the Group's governing bodies.

The **first line of defence** consists of the Business and Support departments, which are tasked with identifying and reporting potential risks that may arise in their work to the Standing Risk Committee and for managing them in collaboration with the Risk Management department. Its aim is to establish effective controls and manage risks in its daily operations, ensuring that the organisation’s goals are achieved and activities are carried out efficiently and in accordance with the applicable laws and regulations and ethical standards.

### Acceptable risk level

The Board of Directors has ultimate responsibility for defining and setting the risk appetite. It is also responsible for the limits for identified risks and ensuring they are properly monitored and managed. It is also responsible for updating the Company's Risk Appetite Framework annually, monitoring the effective risk profile and ensuring that there is consistency between the two.

The Board of Directors has set a **target solvency ratio of at least 150%**, enabling the Company to maintain an adequate capital surplus to cover any possible future fluctuations, and the minimum tolerance level is established at 120%.

| | Appetite | Tolerance | Capacity |
|---|---|---|---|
| Available capital / Solvency capital requirement | >150% | 120%-150% | 120% |

**Limits for each sub-risk** have also been defined: 75% of the solvency capital requirement prior to tax absorption for non-life underwriting risk; 5% for health underwriting risk; 45% for market risk; and 15% for counterparty and operational risk. The risk appetite for non-regulatory risks has been set at 5%.

| | Appetite | Tolerance | Capacity |
|---|---|---|---|
| Underwriting | 75.00% | 80.00% | 85.00% |
| Health | 5.00% | 10.00% | 15.00% |
| Markets | 45.00% | 50.00% | 55.00% |
| Counter party | 15.00% | 20.00% | 25.00% |
| Operational | 15.00% | 20.00% | 25.00% |

*Risk / SCR prior to tax absorption

Any risks above these limits must be addressed through actions aimed at bringing them back within the desired levels, to the extent that the risk in question is manageable and its mitigation cost is justified by the potential impact of the risk on the Company were it to materialise.

In addition, the Línea Directa Group has formulated policies and established procedures and controls to integrate ESG criteria into investment decision-making. Thus, for issues with ESG risk, the portfolio value is limited to 8% of the Group's total assets, as outlined in the Sustainable Investment Policy published in the Corporate Governance section of the Company website.

Each of the risk categories identified has one or more key risk indicators (KRIs). These are monitored using a scorecard with three threshold levels: green, indicating that the risk is manageable; amber, indicating that it requires monitoring; and red, meaning that the risk exceeds tolerance limits and requires action plans.

In 2024, the Company tracked 108 risk indicators and identified 15 as the most representative. These are regularly reported to the Audit Committee, regardless of their value.

The Board of Directors or the Audit and Compliance Committee set the risk tolerance thresholds on an annual basis. They also approve changes to the KRI (Key Risk Indicator) thresholds, which are reviewed annually.

### Integration into the organisational structure and decision-making

The purpose of the risk management system is to ensure that the main risks to which the Company is exposed in its normal business activities are always identified and monitored.

The risks are addressed by the Company's committees and regularly reported to the Audit and Compliance Committee and the Board of Directors.

The Línea Directa Group has various levels of defence:

- **A management unit** with direct responsibility for the day-to-day management or with knowledge of such risks, as a **first line** of defence.
- **Control functions** as the **second line** of defence. These are the Risk Management, Actuarial and Compliance functions and ICFR. The control functions, together with the Company's departments, regularly analyse the factors that could impact the business if they were to occur. Based on this analysis, an assessment of the Company's key risks is performed, taking into account prevention and mitigation measures and leading to an assessment of the residual risk. Risks are monitored by assessing the effectiveness of controls through evidence-gathering and the analysis of weaknesses, and suitable remediation strategies are put in place if any weakness are identified.
- **A structure of committees**, each responsible for identifying, managing and reporting on risks. As a result of their membership and functions, these committees have executive functions in that they make decisions relating to the risks they manage.
- **A supervisory function** as the **third line** of defence. This is the Internal Audit function.

This structure fulfils four critical objectives:

1. To ensure that there is **adequate control, management and reporting** of all risks at the various levels of defence.
2. To ensure that control and reporting are carried out **vertically and transversally** through both dependent bodies and independent control functions.
3. To ensure that there is adequate **scalability of reporting**, control and decision-making.
4. To ensure that **responsibility, knowledge and control of risks** are carried out at different levels, including the **highest level** of governance.

The Company's governing bodies receive information at least every quarter on the main risks to which the Company is exposed and the capital resources available to address them, as well as information on compliance with the limits set in the risk appetite.

Finally, the **Good Corporate Governance** area highlights the approval mechanisms for suppliers, the Company's corporate governance structure aligned with all regulatory requirements and best practices, the Company's zero tolerance for bribery and any other illegal acts reflected in the Code of Ethics and other internal policies and, of course, all data and information security protection measures in place at the organisation.

### Internal risk and solvency assessment

The Company performs **an annual own risk and solvency assessment** (ORSA), which is approved by the Board of Directors and presented to the Regulator. This is performed in accordance with the Company's ORSA policy, which is approved by the Board of Directors and reviewed and updated regularly.

This exercise involves a self-assessment of the risks to which the Company will be exposed over a three-year time horizon, considering the expected performance of the Company's business and the market, historical experience of the size and type of risks to which the Company has been exposed in the past, and the risk appetite and limits set by the Board of Directors.

As a first step, once the main guidelines of the plan have been agreed by the Board of Directors based on the strategic objectives and market conditions, a projection of the financial statements for the Company and its subsidiaries is produced with local valuations as a baseline scenario. These financial statements are approved by the Board of Directors.

In addition to the baseline scenario, various **stress scenarios** are also considered. In these, the Company's solvency and any potential capital requirements are tested in extreme situations by stressing key parameters for the business. These stress scenarios are approved by the Board of Directors through the Audit and Compliance Committee.

At the same times, the local balance sheets are adjusted and reclassified for the baseline and stress scenarios for the projection period in order to obtain the financial balance sheets for solvency purposes. This determines the **available funds** (excess assets over liabilities) in each year and for each scenario.

The solvency capital requirement (SCR) and initial economic capital are then projected for a three-year time horizon for each scenario.

This is used to obtain the **solvency position for each financial year and projection scenario**, in terms of the available and eligible funds for both the SCR and economic capital.

If the solvency position in any of the projections for any scenario is below the minimum threshold set by the Board of Directors or less than 100%, management options are presented to return solvency to a position above the minimum required levels.

Finally, the Board of Directors approves the projected financial statements for solvency purposes and the solvency position projected for all the years and scenarios, along with the management measures that may be required to restore the solvency position if necessary.

## B.4. INTERNAL CONTROL SYSTEM

Under Article 46 of the Solvency Directive and Article 66 of Law 20/2015 on the regulation, supervision and solvency of insurance companies, the Company is required to have an effective internal control system. This system must include, as a minimum, administrative and accounting procedures, an internal control framework, suitable reporting arrangements at all Company levels and a compliance function.

The control activities must be proportionate to the risks arising from the activities and the processes being controlled.

It must ensure that the control and reporting mechanisms of the internal control system provide the administrative, management and control body with the information needed for decision-making processes.

### Internal Control Framework

The Company has the necessary processes to identify, measure, control, manage and report the risks to which it is exposed or may be exposed in the future on a continuous basis, at both individual and aggregate levels and always taking into account the principle of proportionality.

Firstly, the Company has a **risk map** of the business processes setting out all its potentially serious inherent risks and the residual risk level based on the effectiveness of existing controls. This covers specific significant transactions and the risks associated with each process.

In addition, the **risk management system** described above determines how to manage each risk category and area, as well as any risk aggregation. The risk management system assesses the overall solvency needs identified in the Company's prospective assessment of its own risks (based on the ORSA principles), its legal capital requirements and risk tolerance limits, as well as the description of the frequency and content of the regular stress tests and situations that require specific stress tests. Policies defining the risk categories and measurement methods are in place.

The **Board of Directors** has established the risk profile and overall risk tolerance limits and supervises the committees established to monitor and manage potentially serious risks through the Audit and Compliance Committee.

In view of all this, the Company is deemed to **have an effective internal control environment** with the control and notification mechanisms required to provide the Board of Directors and the Management Team with relevant and accurate information for decision-making. The controls are proportional to the risks and cover all of the Company's departments and business lines.

The degree to which the risk culture and risk management system have been embedded makes it easier to understand the implications of decisions taken by the Board of Directors and the Management Team, depending on the level of risk they are willing to assume.

### Risk reporting mechanisms

Línea Directa has established a quarterly reporting procedure under which the first line of defence informs the Risk Management department about any risk-related events or incidents. This has the following aims:

- To provide comprehensive information on risk and control developments in the area during that quarter.
- To identify those cases that, due to their impact or significance, require special monitoring and will be included in the Risk Committee's agenda.
- To maintain a detailed record of the actions carried out by the first line of defence, which will be reviewed and integrated into the management tool if appropriate.
- To conduct internal benchmarking on risk management.
- To streamline Risk Committee activities by focusing on the issues that are of most concern to the organisation or that require further clarification.

The Corporate Risk Management department collates all of the Company's risk information so that it can report regularly to the Audit and Compliance Committee.

Each of the risk categories identified has one or more **key risk indicators (KRIs)**. These are monitored using a scorecard with three threshold levels: green, indicating that the risk is manageable; amber, indicating that it requires monitoring; and red, meaning that the risk exceeds tolerance limits and requires action plans.

In 2024, the Company tracked 108 risk indicators and identified 15 as the most representative. These are regularly reported to the Audit Committee, regardless of their value.

The regular risk reports are as follows:

- The Corporate Risk Management department reports monthly to the Company's Management Committee on the status of the Company's risks, the results of control tests and any key risk indicators (KRIs) that exceed the set thresholds.
- The Corporate Risk Management department reports to the Audit and Compliance Committee on the most significant risks on the Company's risk map, the results of the control tests performed, the status of the recommendations issued and KRI performance.
- The Internal Audit function reports to the Audit and Compliance Committee every quarter.

## Compliance function

The Compliance function is managed from the Compliance department, with the Chief Compliance Officer as the most senior officer, and is located in the Company's Corporate Risk Management department; and, like the rest of the key functions, it regularly reports to the Audit and Compliance Committee through the Risk Management department. It advises the Company on all legal matters (such as labour, commercial, tax and corporate law), providing guidance that will help define the legal risk management strategy, ensuring compliance with regulations and policies covering risks arising from positive laws, including not only regulations and policies arising from relationships with third parties but also self-imposed ones and sector-specific or ethical ones that stakeholders in the communities in which it operates legitimately expect to be complied with.

The Compliance department is responsible for ensuring the proper functioning of and compliance with the Criminal Compliance Policy, ensuring that it is adapted at all times to the needs and circumstances of the companies in the Línea Directa Group.

It is also responsible for fostering a culture of Compliance within the Company, working with the Communications department to put together and roll out dissemination, awareness and communication programmes in relation to Compliance and the Group's commitment to ethical behaviours and conduct that comply with the applicable laws and regulations in order to guarantee that it will be rolled out effectively.

Together with specialised departments such as the Data Protection Office or the Tax Advice department, the Compliance department also assesses the potential impact of any legal change affecting the Company's operations and determines and assesses compliance risk.

The Compliance function performs its tasks in accordance with the Compliance Policy, which has been approved by the Board of Directors, and with the Compliance Management System.

The Compliance department's operations and powers include:

1. Providing support and advice for all functions to the Chief Compliance Officer.
2. Assessing the potential impact of any legal changes affecting the organisation's operations.
3. Designing and rolling out the Company's compliance plan, including the identification and analysis of regulatory risks and controls, the management and implementation of verification plans and the identification and approval of new measures and action plans.
4. Drawing up the Annual Compliance Report to be presented by the Chief Compliance Officer to the Company's governing bodies.

## Other internal control aspects

The Company's internal control framework and information mechanisms are set out in the previous sections. All that remains to be mentioned to cover all the aspects under Article 46 of the Directive are the **administrative and accounting procedures**.

The Company applies the Accounting Plan for Insurance Companies. The consolidated financial statements are drawn up in accordance with international accounting standards. Under the regulations of the Spanish National Securities Market Commission (CNMV), the Internal Control over Financial Reporting System **(ICFR)** for listed companies is a set of processes performed by the Board of Directors, the Audit Committee, Senior Management and the personnel involved in the Company to provide reasonable assurance regarding the reliability of the financial information published and disclosed to the markets and stakeholders.

Following the IPO, the Línea Directa Group must ensure compliance with European Union regulations by adopting **International Financial Reporting Standards**. To this end, the Internal Control over Financial Reporting department was created in 2021 with the aim of identifying and determining which information in this area should be subject to the Internal Control System (ICFR).

The **ICFR** is part of the Company's internal control and is configured as a set of processes performed by the Board of Directors, the Audit Committee, Senior Management and the personnel involved in the Company to provide reasonable assurance regarding the reliability of the financial information published on the markets. In this regard, the Internal Control over Financial Reporting department, which falls under the Corporate Risk Management department, is responsible for effectively implementing and properly monitoring the ICFR, and it promotes the identification, review and documentation of the relevant information processes included in the ICFR. It also designs and implements the controls in this area, reports regularly to the Audit and Compliance Committee for the quarterly closings for each year, and establishes an external auditor review process.

The Company's Finance department has the following internal control functions, among others:

- **The Company's planning**, which involves developing an annual plan approved by the Board of Directors and monitoring monthly compliance with that plan.
- **Cost control**, which involves monitoring and managing costs in all organisational areas, with regular checks on developments in strategic operational improvement projects and making specific proposals to streamline expenditure.
- Monitoring and control of the **financial statements** of Línea Directa group companies.

The Company draws up the annual **Solvency and Financial Condition Report** (SFCR) in accordance with the Solvency II requirements (Articles 292 to 298 of Delegated Regulation (EU) 2015/35 and its Annex XX, as well as national legislation, mainly Chapter III of Royal Decree 1060/2015 of 20 November on the regulation, supervision and solvency of insurance and reinsurance companies). This report is signed by the members of Línea Directa's Board of Directors and filed with the Regulator.

## B.5. INTERNAL AUDIT FUNCTION

The Internal Audit department conducts an independent and objective assessment and assurance of processes, adding value and identifying any potential areas for improvement in Línea Directa's operations.

The Internal Audit function performs its duties in accordance with the Internal Audit Policy reviewed and approved by Línea Directa's Audit and Compliance Committee at its meeting of April 2023, which regulates the Internal Audit operating statute and defines, among other aspects, the function's principles of action, attributes, responsibility, authority and position within the organisation.

In line with best good governance practices and current regulations, Internal Audit is an independent area within the organisation and acts objectively.

In accordance with the provisions of the Corporate Bylaws and the Rules and Regulations of the Board of Directors, the Internal Audit function operates under and reports to the Audit and Compliance Committee and is administratively subordinate to the Chairman of the Board of Directors.

This guarantees the independence, proportionality, autonomy and universal scope of the Internal Audit function at the Línea Directa Group at all times.

### Functions

Within the scope of its powers, and always within the scope of the approved audit plan, the Internal Audit function reviews the Línea Directa Group's processes, procedures and activities, the control environment, risk identification and management, and its corporate governance and regulatory compliance framework.

Every year, the Internal Audit function draws up the Audit Plan for the Línea Directa Group. This covers the Company's key processes as determined on the basis of the following aspects, among others: the Línea Directa Group risk map; the suggestions or concerns conveyed by the Management Team, the Chief Executive Officer, the Audit and Compliance Committee and the Chairman of the Board of Directors; the supervision suggestions or priorities of the external regulator; and its own experience from performing its role.

The Audit Plan is approved annually by the Línea Directa Group's Audit and Compliance Committee.

Internal Audit reports mainly to the Línea Directa Group's governing bodies, through the Audit and Compliance Committee, on the results of the work carried out, the status of the observations issued or action plans awaiting implementation and the main indicators included in the continuous quality assurance and improvement programme for the function.

In addition, the Internal Audit function draws up and submits its annual activity report for approval by the Audit and Compliance Committee.

### Membership

In 2024, the Internal Audit function of the Línea Directa Group consisted of four people, including the head of Internal Audit.

## B.6. ACTUARIAL FUNCTION

Línea Directa's Actuarial function is an independent function located organically in the Corporate Risk Management department that reports to the Audit and Compliance Committee.

It is part of the second line of defence, together with the Risk Management and Regulatory Compliance functions and the ICFR, thereby ensuring that the review of the tasks entrusted to it is fully independent.

Its responsibilities include: coordinating the calculation of technical provisions; evaluating the adequacy and quality of data; validating the methodologies used to calculate technical provisions; comparing the best estimates with previous experience through backtesting; informing the Audit and Compliance Committee of the reliability and adequacy of the technical provisions; giving an opinion on the underwriting policy and reinsurance agreements; and contributing to the effective implementation of the SFCI management system in relation to calculating capital requirements, internal risk assessment and solvency.

It also draws up annual actuarial reports for the governing body, documenting all significant tasks performed during the year and their results, identifying any weaknesses and making recommendations to correct them. At the beginning of the year, it presents the plan for its year-long activities to the governing body, structured into six large blocks:

• Technical provisions.

• Underwriting Policy, including the impact of sustainability risks on it.

• Reinsurance.

• Quality of data relating to technical provisions.

• The Risk Management System, particularly in relation to the underwriting risk modelling on which the calculation of capital requirements is based, and the internal risk and solvency assessment.

• Internal models and specific parameters.

It presents a quarterly report to the Audit Committee on the progress of the planned activity and the findings and possible incidents that require correction or remediation arising from the analyses carried out.

## B.7. OUTSOURCING

The Company has an outsourcing policy, updated in 2025, designed to establish appropriate mechanisms to ensure that all activities outsourced by Línea Directa comply with applicable regulations. Specifically:

I. Directive 2009/138/EC and its implementing regulations (Solvency II), applicable to the outsourcing of services related to insurance or reinsurance activities.
II. The European Digital Operational Resilience Act (DORA), applicable to any outsourcing of ICT services.

The partial or full outsourcing of services must adhere to the following action principles:

- It must be aligned with Línea Directa's customer service quality standards, with service levels and other supplier oversight clauses formalised in contracts.
- It may not result in Línea Directa Aseguradora delegating or losing control of the management of the outsourced activity or service.
- It may not unduly elevate or negatively impact the organisation's risk profile.

In addition, and in accordance with the principle of proportionality, any decision to outsource a service, activity or operation must take into account its nature and its criticality or importance. The total or partial outsourcing of key functions or activities or services that are critical to Línea Directa Aseguradora must not compromise the DGSFP's ability to oversee compliance with the Company's obligations under its administrative authorisation.

In 2024, the Company kept outsourced its outsourcing services in the area of information technology, as well as some claims processing procedures.

The management of the assistance network for the Health segment is also outsourced.

With Línea Directa Asistencia S.L.U., a subsidiary of Línea Directa Aseguradora S.A., the travel assistance service is outsourced for policyholders who have taken out this cover.

## B.8. OTHER INFORMATION

### Suitability of the governance system

The governance system implemented at the Company, which is made up of the organisational structure and risk management and internal control systems, is considered effective. It provides optimal support for the Company's strategic objectives, ensuring that the Board of Directors makes business decisions with a comprehensive understanding of their impact on risk exposure and within the limits set by its risk appetite.

# C. RISK PROFILE

## C.1. RISK APPETITE, LIMIT AND EXPOSURE

### Risk appetite and limit

The Board of Directors has ultimate responsibility for defining and setting the risk appetite. It is also responsible for establishing limits for identified risks and ensuring that they are properly monitored and managed. This means that the Board of Directors is responsible for establishing and updating the Company's risk appetite on an annual basis and monitoring the effective risk profile, as well as ensuring that they are consistent.

### Prudence principle

The Company manages its investments in accordance with the regulations and guidelines set by the Company's governing bodies in relation to the Solvency Margin and coverage of the Technical Provisions.

The Company manages market risk and reduces its exposure to it through an **Investment Policy** proposed by the Chief Financial Officer and approved by the Board of Directors and reviewed annually.

This policy contains the terms of reference for the Investment Committee. Following the prudence principle, it includes the following objectives:

- Applying the investment strategy approved by the Board of Directors that fulfils the requirements of all regulators and aligns with the Línea Directa Group's Investment Objectives and market trends.

- Analysing the desirability of having external advice on investments, approving (where appropriate) the hiring of investment advisors and considering the suitability of all their recommendations, in line with the Línea Directa Group's Investment Guidelines and circumstances.

In addition to establishing obligations to report to the governing body in the event of irregularities:

- "To report to the Línea Directa Board of Directors and, where applicable, to its Committees, and ensure that the Board of Directors is immediately aware of any irregularities or breaches of the Investment Objectives and Investment Guidelines".

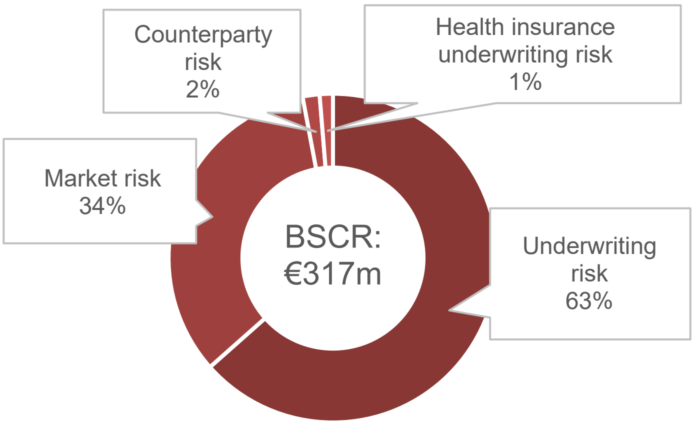
The limits set by the Investment Guidelines demonstrate that this is a very conservative policy in terms of investment risks. Derivatives can only be used for hedging market risk, to efficiently manage the portfolio, and never for speculative purposes. Approval from the Investment Committee is required where appropriate, and the regulatory body's eligibility criteria must be met.

Finally, the Investment Policy also lays down the authorisation thresholds for transactions, requiring authorisation from the Board of Directors for the largest investments.

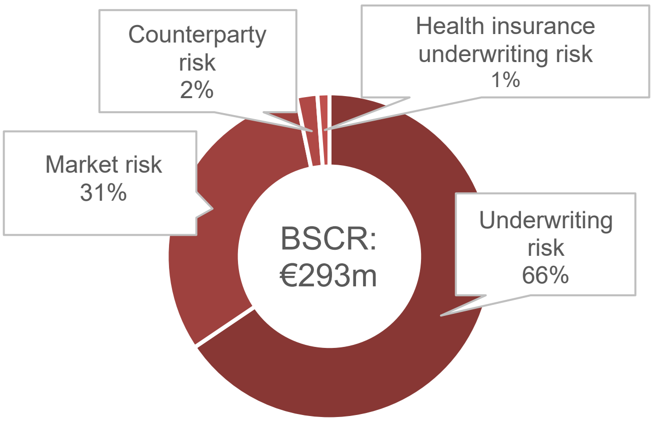
### Risk exposure

The Company's risk exposure, measured by the **basic solvency capital requirement** risk categories, without diversification and calculated using the standard formula, at 31 December 2024 and 2023, is shown in the chart below:

31 December 2024:




31 December 2023:




As shown in the chart, the main risk to which the Company is exposed is underwriting risk, followed by market risk and counterparty risk.

## Risk sensitivity

The Company conducts a stress and sensitivity analysis on its most significant risks as part of the annual ORSA.

Based on the Company's experience and the types of risks to which it is exposed due to its business activity, the most significant risks are those associated with underwriting risk, with the most important parameters being the frequency and severity of claims, which are subject to stress separately and simultaneously.

### Strategies, objectives and processes by risk category

The Company conceptualises the establishment of the risk profile through a self-assessment of **quantitative** and **qualitative** aspects of each risk category. The overall risk profile is obtained from the absolute and relative positions of each of these risks based on these aspects.

The Company has a risk management system that determines how to manage each risk category and area and any potential risk aggregation. Specific policies defining the risk categories and measurement methods are in place.

The risk management system assesses the overall solvency needs identified in the Company's prospective assessment of its own risks (based on the ORSA principles), its legal capital requirements and risk tolerance limits and the description of the frequency and content of the regular stress tests and situations that require specific stress tests.

The risks covered by the Company's Risk Policy, established based on the estimated materiality of its exposure, are set out below.

The methods for measuring each risk, details of how each risk is managed and any risk aggregation are described in the prospective risk assessment documents.

## C.2. UNDERWRITING RISK

Underwriting risk, particularly the premium and reserve risk module, is the most significant risk for the Company.

**Premium risk** involves future claims during and after the period, up to the horizon for solvency valuations. The risk is that the sum of expenses plus the costs of those claims may exceed the premiums received. Exposure to this risk, measured by premium volume, is 1,021,584 thousand euros (955,154 thousand euros in 2023).

There are two sources of **reserve risk**: underestimation of the absolute level of provisions and the random nature of claims pay-outs. Both these risks cover claims made with regular frequency, as extreme events fall within the realm of catastrophe risk which, together with lapse risk, make up underwriting risk. Exposure to this risk, which is measured by the volume of technical provisions for claims, is 354,069 thousand euros (325,266 thousand euros in 2023).

The solvency capital requirement for premium and reserve risk is 199,396 thousand euros (190,730 thousand euros in 2023).

Assessing the Company's risk profile requires us to consider some specific circumstances of the Spanish insurance market and some intrinsic circumstances of the Company that influence the risks to which it is exposed and the circumstances in which it encounters them:

### a) Idiosyncrasies of the Spanish market compared to the European market

#### 1. Existence of the Spanish Insurance Compensation Consortium

This body gives the sector greater stability and certainty in its pricing. It is a very important mitigating factor for nature-related catastrophe risk. For risks arising from the natural world that are not covered by the Consortium, the Company has arranged renewable, annual excess-loss reinsurance with a priority established by event that also has a mitigating effect on catastrophe risk from the accumulation of sums insured due to fire events. The Company also has excess-loss reinsurance with claim priority for man-made risks. This is also renewable annually.

### 2. Settlement agreements in claims management

In Spain, there are several agreements covering a large percentage of the material damage claims in the sector. The agreement setting standard compensation modules provides **lower payment volatility** for such material claims, while streamlining the settlement period for claims and increasing management efficiency, as well as limiting the maximum cost to be borne by the Company for claims covered by an agreement for which the Company's policyholder is at fault.

### 3. Application of the injury scale

The existence of a scale that sets compensation amounts provides **stability and predictability** for the cost of claims for injuries, as the cost of claims usually adheres to an appraisal system that makes future compensation more easily quantifiable, significantly limiting possible nasty surprises in claims costs.

## b) Specific characteristics of the Company in the Spanish market

### 1. A business based on organic growth

The Company was launched in 1994 and began its activity the following year. This makes it a comparatively young company in the Spanish insurance market. Since then, it has achieved sustained growth without mergers or acquisitions of other companies or portfolios. This provides **consistency, quality and information** for its risk portfolio.

### 2. Commitment to technology

The Company is committed to **centralising and automating its business processes,** with particular emphasis on information and pricing systems. Among other benefits, this helps monitor the performance of its policy portfolio and claims costs, enabling tactical business decision-making and agile implementation.

The business model developed by the Company is also a lever that drives the **culture of innovation** in the organisation. The Company's organisational structure and centralised operations provide the alignment and agility that, together with direct contact with customers at all stages of the business, improve the Company's ability to adapt to ever-changing customer needs with specific products and to improve customer service and the customer experience.

### 3. Use of the direct channel

The Company operates without offices or intermediaries, using exclusively **telephone and digital channels,** centralising all its operations at its headquarters in Tres Cantos (Madrid). Together with a flat organisational structure, technical excellence and the advanced digitalisation of its processes, this makes it more efficient and competitive than if it used the more traditional intermediary-based model, as it passes on these internal savings to customers in the form of complete products and an extraordinary quality of service at more competitive prices.

This means, among other things, that the policies are owned by the Company and there is centralisation and control of the **pricing and underwriting systems.** All the specific characteristics set out in the preceding paragraphs, which define the Company's own underwriting profile, have led it to request the **specific parameter for premium risk in the "Other motor insurance" business line.** The Company received authorisation for this from the DGSFP (Directorate General of Insurance and Pension Funds) in writing on 18 April 2016 and has used this specific parameter to calculate its solvency capital requirement for the year of this report. The Company reviews the value of this parameter every year using the latest data and applying the established methodology.

For all other underwriting risks (premium risk for business lines for which the specific parameter has not been authorised, reserve risk, lapse risk and catastrophe risk), the solvency capital requirement (SCR) is quantified using the **standard formula** on a quarterly basis.

The Company uses two internal models to quantify economic capital for the planning time horizon for premium and reserve risks for the Motor business lines.

In **catastrophe risk**, the Company is exposed to both natural risks (wind and hailstorms) and man-made risks (third-party liability for motor vehicles and fire), with a net capital charge for the mitigation effect of 6,230 thousand euros (5,858 thousand euros in 2023).

**Lapse risk** relates to exposure to premiums for tacit renewals of policies in the portfolio at the end of the reference period. The net capital charge of the mitigation effect is 7,357 thousand euros (6,492 thousand euros in 2023).

Underwriting risks are managed and monitored by the Company's **Business Committee and Reserves Committee.**

## C.3. HEALTH UNDERWRITING RISK

In 2017, the Company started marketing healthcare policies. The most significant risk is premium risk.

The solvency capital requirement for the health underwriting risk is 3,938 thousand euros (3,300 thousand euros in 2023).

## C.4. MARKET RISK

The Company manages market risk through the guidelines in its **Investment Policy**, which has been approved by the Board of Directors and is reviewed annually. This policy is managed and monitored through the **Investment Committee** and implemented operationally by the Company's Finance department.

The profitability objectives for the investment portfolio consider primarily the risk constraints in the policy for the establishment of concentration limits by issuers, concentration limits by type of financial assets and concentration by rating levels, in addition to the minimum credit rating required for each issue.

The investment portfolio is segmented into funds for long-term funds and transactions in order to set these limits.

The Investment Policy explicitly prohibits the use of futures or options for speculative purposes.

Internally, the market risk of the portfolio is measured using the value at risk (VaR) methodology with historical simulation. This enables the Company to measure the maximum expected loss in the portfolio's value for a given period of time and for a specific level of confidence under normal market conditions. This estimated loss depends mainly on the total exposure and the volatility of the risk factors associated with the securities or assets.

The portfolio's value at risk (VaR) is estimated for monitoring purposes every month with a horizon of one month at a 95% confidence level, based on historical data for three years. The solvency capital requirement (SCR) for market risk is quantified using the **standard formula** on a quarterly basis.

### Property

The Company is exposed to property risk through the properties it owns, which it uses itself for its insurance activity and for investment purposes. The exposure to this risk is 118,052 thousand euros (109,637 thousand euros in 2023).

Due to the amendment of Commission Delegated Regulation 2019/981 of 8 March 2019 amending Delegated Regulation 2015/35, the Company uses a transparency approach for its subsidiary LDActivos, S.L.U., as this approach should ensure that the risks to which the insurance or reinsurance company is exposed are duly taken into account regardless of its investment structures. This approach therefore applies to companies linked to insurance or reinsurance companies whose main purpose is to hold or manage assets on behalf of that insurance or reinsurance company.

The Company's Investment Policy sets a limit on property investment in the asset portfolio.

### Interest rates

The Company is exposed to the sensitivity of the values of assets, liabilities and financial instruments to changes in the term structure of interest rates and their volatility. Historically, given the excess in the asset portfolio (mainly made up of fixed-income instruments) over the technical provisions and the maturities of these types of assets and liabilities, the capital charge under the standard formula was determined by the stress of interest rate increases.

The exposure to this risk is 870,749 thousand euros for assets and 620,858 thousand euros for liabilities (764,253 thousand euros for assets and 583,783 thousand euros for liabilities in 2023).

### Equities

The equity risk to which the Company is exposed is the sensitivity of the value of assets, liabilities and financial instruments to changes in the level or volatility of stock market prices, including investment funds investing in equities.

The Company's equity risk is 133,489 thousand euros (120,651 thousand euros in 2023), including exposure to shareholdings in Group companies.

As indicated for property risk, equity risk does not take the investee LD Activos, S.L.U. into account.

### Spread

This risk results from the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or volatility of credit spreads in relation to the risk-free term structure of interest rates.

The Company's Investment Policy sets portfolio limits per rating level with a minimum required credit rating. The securities outside these limits are mainly securities issued or guaranteed by European Economic Area governments.

The exposure to this risk is 881,379 thousand euros (768,930 thousand euros in 2023).

### Exchange rates

This risk measures the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or volatility of exchange rates. Due to the limits in its Investment Policy, the Company's exposure to this risk is not material.

Exposure to this type of risk was 25,250 thousand euros in 2024 (23,185 thousand euros in 2023).

### Concentration

This risk results either from a lack of diversification in the asset portfolio or from significant exposure to the risk of default by a single issuer of securities or a group of linked issuers.

The Company's Investment Policy sets portfolio limits per issuer based on their credit ratings.

The exposure to this risk is 1,132,920 thousand euros (999,218 thousand euros in 2023).

## C.5. CREDIT RISK

Counterparty risk relates to possible losses or adverse changes in the Company's financial position resulting from changes in the solvency of issuers of securities, counterparties and any debtors to which the Company is exposed.

In addition to the credit risk linked to the investment portfolio (spread and concentration), there is also counterparty risk for unpaid insurance premiums, counterparties in the accounts receivable from reinsurers, counterparties in treasury positions and other non-material items on the asset side of the balance sheet.

The capital charge for counterparty risk is calculated using the **standard formula** and is monitored on a quarterly basis.

Specifically, non-payment of insurance premiums is monitored by the Business Committee, receivables from reinsurance companies are monitored by the Reserves Committee, and positions with treasury and liquid asset counterparties are monitored by the Investment Committee.

The exposure to this risk is 44,708 thousand euros (73,608 thousand euros in 2023).

## C.6. LIQUIDITY RISK

This non-regulatory risk (i.e. it does not have a capital requirement) is due to the potential temporary inability of the Company to pay its debts as they become due, due to such debts maturing before the maturity dates of receivables from customers or financial investments.

Given the nature of its activities, with daily generation of liquidity from premium income, liquidity risk is not viewed as critical for the continuity of the Company's activities. The capital required is therefore not quantified.

The expected profit from future premiums at the end of 2024 was 41,666 thousand euros (42,914 thousand euros in 2023).

This risk is managed and monitored by the Company's Finance department and the Investment Committee.

## C.7. OPERATIONAL RISK

Operational risk results from mismatches or failures in internal processes, personnel and systems, as well as from external events. This risk is assessed, for the purpose of calculating solvency, using the **standard formula** methodology, with the capital charge being monitored on a quarterly basis, and is monitored by the Standing Risk Committee. The volume of exposure is measured by the premiums earned, and it amounted to 991,645 thousand euros in 2024 (960,412 thousand euros in 2023).

## C.8. REPUTATIONAL RISK

This non-regulatory risk (i.e. it does not have a capital requirement) consists of the possible loss of customers, decreases in income or legal proceedings for the Company that may result from its image being tarnished or from negative publicity in the eyes of stakeholders (customers, employees, suppliers, institutions, shareholders, society, the community, consumers, the media and the insurance sector).

As it is a non-regulatory risk (it is not included in the calculation of solvency capital requirement under the standard formula), it is estimated in the ORSA by the External Communication department using an in-house methodology based on expert judgement.

## C.9. LEGAL RISK

Compliance risk includes both the possibility that the Company's processes and operations may become obsolete or not comply with current legislation in the event of a possible change or new developments in the specific applicable regulations and the possibility of non-compliance with the Company's own ethical rules and standards.

As these are both non-regulatory risks (i.e., they are not part of the solvency capital calculation under the standard formula), they are estimated in the ORSA using an in-house methodology based on expert judgement for regulatory risks and through a qualitative analysis and a quantitative valuation based on the legal compliance risk map for compliance risks.

## C.10. SUSTAINABILITY RISK

**Sustainability risk** is defined as follows:

- In relation to investments, any environmental, social or governance event or state that, if it occurred, could have an actual or potential negative material effect on the value of the investment.
- In relation to liabilities, an environmental, social or governance event or condition that, if it occurred, could have a significant actual or potential negative impact on the value of liabilities.

The Company has approved a sustainability plan based on the three pillars (environment, social and governance).

For environmental issues, the Company has published its environmental management and climate change policy, its ESG Investment Policy and its Responsible Procurement Policy, has assessed the investment portfolio based on these criteria and has adhered to the TCFD (Task

Force on Climate Related Disclosure), among others. It has also continued to promote insurance for electric vehicles through its Respira Policy, launched in 2016, which it expanded to plug-in hybrid vehicles in 2022. In relation to social issues, it has published the Health, Safety and Well-Being Policy, the Talent Policy, an equality plan and an anti-harassment protocol, and it has joined the United Nations Road Safety scheme.

In the governance area, it has published the Product Control and Governance Policy and the Internal Fraud Policy and updated the Compliance Policy and the Criminal Compliance Policy, the Information Security Policy, the Privacy Policy and the Tax Strategy Policy, and the Company has been listed in the IBEX Gender Equality Index (promoted by BME).

The Corporate Risk Management Team, together with the Company's departments, regularly analyses the factors that could impact the business if they were to occur, including environmental, social and governance (ESG) factors. Based on this analysis, an assessment of the key risks to which the Company is exposed is performed, taking into account prevention and mitigation measures.

The ESG risk map shows the risks to which Línea Directa is exposed, linking each of them to the Sustainable Development Goals (SDGs) and other reporting frameworks (GRI or Spanish Law 11/2018 on non-financial information).

As this is a non-regulatory risk (i.e., it is not part of the solvency capital calculation under the standard formula), the Company has performed a qualitative analysis and a quantitative valuation based on the ESG risk map for the ORSA.

## C.11. CYBERSECURITY RISK

The **cybersecurity risk** is the risk arising from technology that can affect data, confidentiality, misuse of information and system outages that can affect business, among other things.

The Company's Security Policy is the reference framework for ensuring the definition, management, administration and implementation of the security measures and procedures needed to achieve a suitable level of protection for the criticality of Línea Directa Aseguradora's physical and information assets.

The Company has implemented a Business Continuity Policy, which was drawn up and will continue to be monitored by the Group's Corporate Security department. Its aim is to ensure the continuity of business operations in response to events that affect the normal functioning of the Group's processes and to comply with Article 41.4 of Directive 2007/138/EC of the European Parliament and of the Council of 25 November 2009 (Solvency II) and its implementing regulations, under which insurance companies must ensure continuity and regularity in the performance of their activities.

In response to the current digital environment and the growing threat of cyber-attacks, the Company has a powerful cybersecurity strategy in place that aims to protect the Company's processes and operations from this threat. This strategy includes the implementation, assessment and improvement of mechanisms to prevent, detect and respond to cyber-attacks on the Group's systems and networks, together with cybersecurity awareness-raising actions and training for all employees.

As this is a non-regulatory risk (i.e. it is not part of the solvency capital calculation under the standard formula), the Company has performed a quantitative valuation based on the cybersecurity risk map in the ORSA.

## C.12. SUITABILITY OF INVESTMENTS

### Credit rating

The Company uses credit ratings from external rating agencies for positions in bond, equity, securitisation, treasury and other liquid asset portfolios included in the solvency capital requirement calculation for spread, concentration and counterparty risks. These are always issued by an ECAI (External Credit Assessment Institution) pursuant to Regulation No 1060/2009 of the European Parliament and of the Council.

There are two ECAI-issued credit ratings for reinsurance recoverables for the calculation of counterparty risk, and the Company has used the one provided by Standard & Poor's consistently over time.

There is no dependence on a single external rating, as the valuation is obtained from the average of the ratings assigned by several ECAIs.

### Concentration

Any positions exceeding the concentration limits in the Investment Guidelines, which have been approved by the Board of Directors, are treated as high exposure. These limits prevent the Company from holding significant positions in a single item. As a result, it does not need to perform its own internal credit assessment, in accordance with Article 4 of the Delegated Regulation. The Investment Committee ensures that day-to-day investment management complies with these Investment Guidelines.

### Sustainability

The Sustainable Investment Policy aims to integrate ESG (environmental, social and corporate governance) criteria into investment decision-making. In accordance with this preventive approach and long-term vision, the Company avoids investing in any organisations, projects or products that may cause, or otherwise be conducive to, serious violations or breaches in these areas.

The Company has had an ESG Investment Policy since 2022.

The Línea Directa Group's purpose in defining and implementing this policy is to maximise the risk-return balance, also taking into account ESG risks in its investments, and thus enabling a more sustainable operation, supporting specific activities with a positive impact and avoiding or limiting activities with an adverse impact and that may affect the confidence of its stakeholders.

It also performs a quarterly quantitative assessment of ESG risks calculated using a tool endorsed by an independent third party that is an expert in this area.

### Complex exposures

Under Article 4(5) of the Delegated Regulation, complex exposures are exposures that require a high degree of knowledge of financial products. They usually also have the following features:

- They are traded on OTC markets;
- They are not listed;
- They are domiciled in non-OECD countries;
- The underlying asset is a structured product with limited liquidity.

The Company's Investment Guidelines limit these types of exposures.

## C.13. OTHER INFORMATION

At an operational level, the Corporate Risk Management department has produced a risk map identifying the **10 most significant risks** for the Company. Regardless of their residual criticality, these risks are the subject of **intensive monitoring, and the level of mitigation within their control environments is constantly under review**. This is because, if they were to materialise, they could jeopardise the Company's strategy and the achievement of its goals.

- Cybersecurity
- Missed opportunities due to failure to take advantage of AI
- Adverse weather events and climate change
- Legal and regulatory changes
- Adverse selection and claims management
- Business continuity, operational resilience and disaster response
- Talent retention and attraction
- Failure to adapt to the emerging needs of customers and the competitive environment
- Third parties, outsourcing and supply chains
- Insufficient business diversification

The Company also performs various sensitivity analyses of the solvency ratio for different market risks:

| | 31/12/2024 | Change |
|---|---|---|
| **Solvency Ratio** | **185%** | |
| Interest rates +100 bps | 169% | (16.75) p.p. |
| Interest rates -100 bps | 197% | 11.56 p.p. |
| Equity markets +10% | 189% | 3.63 p.p. |
| Equity markets -10% | 184% | (1.75) p.p. |
| Equity markets +30% | 194% | 8.61 p.p. |
| Equity markets -30% | 178% | (7.56) p.p. |
| Real estate +10% | 189% | 3.66 p.p. |
| Real estate -10% | 182% | (3.22) p.p. |
| Credit spreads +100 bps | 181% | (4.66) p.p. |
| Credit spreads -100 bps | 190% | 5.01 p.p. |

# D. VALUATION FOR SOLVENCY PURPOSES

The general valuation rule for assets and liabilities under Article 75 of the Directive, and as a general valuation rule, is that the solvency regime is based on international accounting standards. If the valuation methods in these standards are not consistent, temporarily or permanently, with the valuation approach under Article 75 above, other valuation methods that are deemed consistent will be used. In any case, the Company has applied the principle of proportionality.

The following sections provide details of the most significant items on the asset and liability sides of the balance sheet, comparing the balance sheet for solvency purposes and the balance sheet in the financial statements as at 31 December 2024 and 2023, as well as differences in the valuation methodologies.

## D.1. ASSETS

The asset side of the balance sheet, compared as at 31 December 2024 and 2023, grouped into the most significant items, is as follows:

31 December 2024:

| COMPARISON OF HEADINGS ON THE ASSET SIDE OF THE BALANCE SHEET | | |
|---|---|---|
| *(in thousand euro)* | **Solvency** | **Financial statements** |
| Intangible assets and deferred acquisition costs | - | 135,661 |
| Deferred tax assets | 74,892 | 8,805 |
| Property, land and equipment held for own use | 49,170 | 38,161 |
| Investments and loans | 1,087,264 | 1,043,942 |
| Reinsurance recoverables | 31,851 | 31,002 |
| Reinsurance receivables | 3,890 | 3,890 |
| Other receivables | 22,186 | 114,588 |
| Cash and any other assets | 12,318 | 19,917 |
| **TOTAL ASSETS** | **1,281,571** | **1,395,966** |

31 December 2023:

| COMPARISON OF HEADINGS ON THE ASSET SIDE OF THE BALANCE SHEET | | |
|---|---|---|
| *(in thousand euro)* | **Solvency** | **Financial statements** |
| Intangible assets and deferred acquisition costs | - | 117,876 |
| Deferred tax assets | 75,274 | 13,164 |
| Property, land and equipment held for own use | 47,901 | 38,612 |
| Investments and loans | 958,654 | 923,204 |
| Reinsurance recoverables | 30,993 | 29,214 |
| Reinsurance receivables | 7,019 | 7,019 |
| Other receivables | 18,974 | 109,950 |
| Cash and any other assets | 36,579 | 42,425 |
| **TOTAL ASSETS** | **1,175,394** | **1,281,464** |

The following sections provide details of the valuation criteria and differences between the financial statements and solvency for each heading on the asset side of the balance sheet.

## Intangible assets and deferred acquisition costs

The Company has valued the intangible assets and deferred acquisition costs in accordance with Article 12 of the Delegated Regulation.

Deferred acquisition costs have been valued at zero, considering that, as goodwill, no value can be assigned to them.

Intangible assets have also been valued at zero, as it is not considered that they could be sold separately and it cannot be demonstrated that similar assets exist with a value obtained in accordance with Article 10(2), in which case the asset would be valued in accordance with that Article. These assets are mainly made up of software licences and software developments, which are valued in the financial statements at their net book value.

31 December 2024:

| Goodwill, deferred acquisition costs and intangible assets | | |
|---|---|---|
| ***(in thousand euro)*** | **Solvency** | **Financial statements** |
| Goodwill | | - |
| Deferred acquisition costs | | 91,269 |
| Intangible assets | - | 44,392 |

31 December 2023:

| Goodwill, deferred acquisition costs and intangible assets | | |
|---|---|---|
| ***(in thousand euro)*** | **Solvency** | **Financial statements** |
| Goodwill | | - |
| Deferred acquisition costs | | 88,690 |
| Intangible assets | - | 29,186 |

## Deferred tax assets

This heading in the solvency balance sheet includes the tax assets heading of the financial statements, which amounted to 74,892 thousand euros and 75,275 thousand euros at the end of 2024 and 2023, respectively, due to temporary differences.

31 December 2024:

| Deferred tax assets | | |
|---|---|---|
| ***(in thousand euro)*** | **Solvency** | **Financial statements** |
| Deferred tax assets | 74,892 | 8,805 |

31 December 2023:

| Deferred tax assets | | |
|---|---|---|
| *(in thousand euro)* | Solvency | Financial statements |
| Deferred tax assets | 75,275 | 13,166 |

The valuation of this heading for solvency purposes differs from the financial statements due to valuation adjustments between the accounting regulations and Solvency II that generate a deferred tax asset. In particular, it complies with the requirement under **Article 15(3) of the Delegated Regulation** on deferred taxes, which allows the application of tax credits *"where it is probable that future taxable profit will be available against which the deferred tax asset can be utilised, taking into account any legal or regulatory requirements on the time limits relating to the carry-forward of unused tax losses or the carry-forward of unused tax credits".*

### Property, plant and equipment held for own use

This balance sheet heading includes IT equipment, facilities, furniture, etc. and property for the Company's own use in its insurance activity. Property investments are included under investments and loans in the following section.

31 December 2024:

| Property, land and equipment held for own use | | |
|---|---|---|
| *(in thousand euro)* | Solvency | Financial statements |
| Property for own use | 42,872 | 30,449 |
| Other property, plant and equipment | 6,298 | 7,712 |
| | **49,170** | **38,161** |

31 December 2023:

| Property, land and equipment held for own use | | |
|---|---|---|
| *(in thousand euro)* | Solvency | Financial statements |
| Property for own use | 42,045 | 30,926 |
| Other property, plant and equipment | 5,856 | 7,686 |
| | **47,901** | **38,612** |

For the purposes of the financial statements, property, plant and equipment and investment property are recorded at their acquisition price, which includes, in addition to the purchase price, all additional expenses incurred in bringing the asset into operation, including financial expenses. These assets are depreciated systematically on a straight-line basis over their estimated lifespan, taking into account the depreciation effectively sustained from their operation, use and enjoyment. At year-end, any relevant valuation adjustments are made to property, plant and equipment.

For solvency purposes, the net book value of the items that make up property, plant and equipment are used as their fair value, while the last appraisal value is used for property held for own use. In this latter case, the solvency value exceeds the value in the financial statements by 12,423 thousand euros and 11,119 thousand euros as at 31 December 2024 and 2023, respectively.

The Other property, plant and equipment heading has taken the provisions of international regulations concerning leases (IFRS 16) into account.

### Investment and loan portfolio

The assets in the investment portfolio as at 31 December 2024 and 2023 are presented in the following table, with comparative valuations:

31 December 2024:

| *(in thousand euro)* | Solvency | Financial statements |
|---|---|---|
| **Investments (other than index-linked and unit-linked assets)** | **1,068,222** | **1,024,915** |
| Property (other than for own use) | 1,996 | 1,839 |
| Shareholdings | 103,866 | 68,621 |
| Equities | 44,149 | 44,149 |
| Listed shares | 44,143 | 44,143 |
| Non-listed shares | 6 | 6 |
| Bonds | 837,380 | 829,795 |
| Government bonds | 359,806 | 357,660 |
| Corporate bonds | 477,574 | 472,135 |
| Structured notes | - | - |
| Collateralised securities | - | - |
| Collective investment undertakings | 56,179 | 56,179 |
| Derivatives | 4,652 | 4,332 |
| Deposits (other than cash equivalents) | 20,000 | 20,000 |
| Other investments | - | - |
| **Loans and mortgages** | **19,042** | **19,027** |
| To private individuals | - | - |
| Other | 19,042 | 19,027 |

31 December 2023:

| *(in thousand euro)* | Solvency | Financial statements |
|---|---|---|
| **Investments (other than index-linked and unit-linked assets)** | **939,237** | **903,814** |
| Property (other than for own use) | 1,910 | 1,867 |
| Shareholdings | 98,048 | 68,905 |
| Equities | 32,158 | 32,158 |
| Listed shares | 32,152 | 32,152 |
| Non-listed shares | 6 | 6 |

| | | |
|---|---|---|
| Bonds | 749,504 | 743,684 |
| Government bonds | 377,817 | 375,568 |
| Corporate bonds | 371,687 | 368,116 |
| Structured notes | - | - |
| Collateralised securities | - | - |
| Collective investment undertakings | 51,708 | 51,708 |
| Derivatives | 5,909 | 5,492 |
| Deposits (other than cash equivalents) | - | - |
| Other investments | - | - |
| **Loans and mortgages** | **19,417** | **19,390** |
| To private individuals | - | - |
| Other | 19,417 | 19,390 |

Some noteworthy points about the main headings are outlined below:

### Shareholdings

Holdings in the Company's subsidiaries are recognised in the financial statements at their acquisition value corrected for any impairment, while in the solvency balance sheet they are recorded at the net book value of each company, which includes the unrealised gains corresponding to accumulated profits that have not been distributed as dividends, amounting to 35,246 thousand euros and 29,144 thousand euros as at 31 December 2024 and 2023, respectively, as well as the adjustments to the Solvency regulations.

### Listed shares

There are no major differences in valuations for this asset category between the financial statements and for solvency purposes, as in both cases they are valued at the listed prices in active markets.

### Government and corporate bonds

This asset category is valued at fair value in the financial statements and for solvency purposes. Unless there is evidence to the contrary, this is the transaction price, recognising any changes directly in equity until the asset is sold or impaired. For debt securities, value adjustments are made if there is objective evidence that their value is impaired due to a reduction or delay in estimated future cash flows, which may be down to the debtor's insolvency.

Accrued and unmatured interest from financial investments, when this is not part of their redemption value in the financial statements, is classified as an increase in value for the investment portfolio for solvency purposes, while in the financial statements it is classified under "Any other assets, not recorded elsewhere", amounting to 7,585 thousand euros and 5,820 thousand euros at 31 December 2024 and 2023, respectively.

### Collective investment undertakings

This balance sheet item includes holdings in investment and venture capital funds that are valued at their last net asset value both for the financial statements and for solvency purposes.

## Deposits

Deposits are valued at acquisition cost plus the interest accrual/deferral for the date considered, both for the financial statements and for solvency purposes.

Accrued and unmatured interest from financial investments that is not part of the redemption value in the financial statements is classified as increased value of the investment portfolio for solvency purposes, while in the financial statements it is classified as "Any other assets, not recorded elsewhere". At 31 December 2024, the Company had deposits worth 20,000 thousand euros.

## Loans and mortgages

This solvency balance sheet heading amounted to 19,042 thousand euros and 19,417 thousand euros at 31 December 2024 and 2023, respectively, corresponding to two loans granted by the Company to two subsidiaries and various accounts receivable, also with subsidiaries, for corporation tax prepayments made by the Company as head of the tax group on their behalf, which it subsequently adjusts with them.

## Reinsurance recoverables

The "reinsurance recoverables" heading of the solvency balance sheet corresponds to the "reinsurers' share of technical provisions" heading of the financial statements.

31 December 2024:

| Reinsurance recoverables: | | |
|---|---|---|
| *(in thousand euro)* | Solvency | Financial statements |
| **Reinsurance recoverables:** | **31,851** | **31,002** |
| Non-life and health similar to non-life | 31,851 | 31,002 |
| Non-life excluding health | 29,447 | 20,986 |
| Health similar to non-life | 2,404 | 10,016 |

31 December 2023:

| Reinsurance recoverables: | | |
|---|---|---|
| *(in thousand euro)* | Solvency | Financial statements |
| **Reinsurance recoverables:** | **30,993** | **29,214** |
| Non-life and health similar to non-life | 30,993 | 29,214 |
| Non-life excluding health | 28,054 | 20,535 |
| Health similar to non-life | 2,939 | 8,679 |

The main differences between the valuation criteria in the financial statements and for solvency purposes are:

- The reinsurers' share of the unearned premium provision in the financial statements has been replaced in the solvency balance sheet by the recoverable amount corresponding to the provision for direct insurance premiums.
- Reinsurance recoverables have been calculated using the same methodology as the best estimate of the technical provisions on the liability side of the solvency balance sheet, considering the reinsurance programme in force during the exposure period.

- The possibility of non-payment by counterparties has been considered when estimating reinsurance recoverables.

### Reinsurance receivables

This heading contains the outstanding balance for reinsurance policies. There are no valuation differences between the financial statements and Solvency II, as they are valued at fair value.

### Receivables (trade, not insurance)

This heading in the local balance sheet contains the premium receipts, both issued and pending issuance, that are pending collection from policyholders. It also includes recoveries for claims that are considered certain and have not yet been settled or collected, which account for almost the entire balance of the heading. Historically, these recoveries have occurred satisfactorily and very rapidly, and they are usually settled through claims settlement agreements.

A less significant part is made up of positions with debtors for various transactions.

In the solvency balance sheet, the amounts of unissued premiums are reclassified to the liabilities side of the balance sheet (premium provision) in the amount of 48,550 thousand euros as of December 2024 (46,570 thousand euros in 2023), and the amount of all recoveries for claims that are certain are reclassified to the claims provision under liabilities in the solvency balance sheet, in the amount of 40,827 thousand euros as of December 2024 (41,255 thousand euros in 2023).

### Cash and cash equivalents

This heading in the solvency balance sheet contains the same items and applies the same valuation criteria as the equivalent in the financial statements.

The balance corresponds to current account positions and short-term liquid assets. The counterparties for almost all of the balance is Bankinter, and the balance amounts to 8,076 thousand euros (31,757 thousand euros in 2023).

### Any other assets, not recorded elsewhere

This heading in the solvency balance sheet contains items not classified under other headings on the asset side of the balance sheet.

31 December 2024:

| Any other assets, not elsewhere shown | | |
|---|---|---|
| *(in thousand euro)* | Solvency | Financial statements |
| Any other assets, not elsewhere shown | 4,242 | 11,842 |

31 December 2023:

| Any other assets, not elsewhere shown | | |
|---|---|---|
| *(in thousand euro)* | Solvency | Financial statements |
| Any other assets, not elsewhere shown | 4,822 | 10,668 |

The valuation difference between the solvency balance sheet and the financial statements is due to the accrual of interest amounting to 7,600 thousand euros (5,846 thousand euros in 2023), which in the financial statements is included under "Other assets" but in the Solvency balance sheet is reclassified to the headings where the assets giving rise to the interest are recognised (mainly in Bonds, under Investments).

## D.2. TECHNICAL PROVISIONS

The most important heading on the liability side of the solvency balance sheet at 31 December 2024 and 2023 is Technical provisions, as shown in the following table:

31 December 2024:

| COMPARISON OF BALANCE SHEET LIABILITY HEADINGS | | |
|---|---|---|
| *(in thousand euro)* | **Solvency** | **Financial statements** |
| Technical provisions | 683,780 | 955,649 |
| Deferred tax liabilities | 114,578 | 19,007 |
| Other liabilities | 74,672 | 101,219 |
| **TOTAL LIABILITIES** | **873,030** | **1,075,875** |

31 December 2023:

| COMPARISON OF BALANCE SHEET LIABILITY HEADINGS | | |
|---|---|---|
| *(in thousand euro)* | **Solvency** | **Financial statements** |
| Technical provisions | 648,500 | 898,007 |
| Deferred tax liabilities | 104,995 | 15,742 |
| Other liabilities | 63,897 | 91,149 |
| **TOTAL LIABILITIES** | **817,392** | **1,004,898** |

The technical provisions heading of the solvency balance sheet compares to the equivalent in the financial statements as at 31 December 2024 and 2023 as follows:

31 December 2024:

| TECHNICAL PROVISIONS | | |
|---|---|---|
| *(in thousand euro)* | **Solvency** | **Financial statements** |
| **Technical provisions, non-life (excluding health)** | **675,282** | **931,223** |
| TP calculated as a whole | - | |
| Best estimate | 648,090 | |
| Risk margin | 27,192 | |
| **Technical provisions, non-life (health similar to non-life)** | **8,498** | **24,426** |
| TP calculated as a whole | - | |
| Best estimate | 8,241 | |
| Risk margin | 257 | |

31 December 2023:

| TECHNICAL PROVISIONS | | |
|---|---|---|
| *(in thousand euro)* | **Solvency** | **Financial statements** |
| **Technical provisions, non-life (excluding health)** | **638,385** | **876,141** |
| TP calculated as a whole | - | |
| Best estimate | 607,857 | |
| Risk margin | 30,528 | |
| **Technical provisions, non-life (health similar to non-life)** | **10,115** | **21,866** |
| TP calculated as a whole | - | |
| Best estimate | 9,756 | |
| Risk margin | 359 | |

The technical provisions on the liability side of the solvency balance sheet have been valued in accordance with the methodologies for calculating technical provisions under Section 3 of Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 and the EIOPA Guidelines on Valuation of Technical Provisions, as set out in document EIOPA-BoS-14/166 ES.

The technical provisions in the financial statements have been valued in accordance with the Regulations on the regulation, supervision and solvency of insurance companies (ROSSEAR).

The breakdown of the technical provisions by business line on the liability side of the solvency balance sheet is provided in the following table:

31 December 2024:

| TECHNICAL PROVISIONS BY BUSINESS LINE | | | | | | |
|---|---|---|---|---|---|---|
| *Technical provisions calculated as the sum of a best estimate and a risk margin (in thousand euro)* | **Motor, third-party liability** | **Other motor insurance** | **Fire and other damage to property insurance** | **Assistance insurance** | **Medical expense insurance** | **TOTAL** |
| **Best estimate:** | | | | | | |
| **Premium provisions** | | | | | | |
| Gross | 120,264 | 118,343 | 35,266 | (55) | (817) | 273,001 |
| Total reinsurance recoverables | 7,151 | - | 2,182 | (88) | (2,051) | 7,194 |
| Net best estimate of premium provisions | 113,113 | 118,343 | 33,084 | 33 | 1,234 | 265,807 |
| **Claims provisions** | | | | | | |
| Gross | 272,992 | 73,283 | 27,804 | 194 | 9,058 | 383,331 |
| Total reinsurance recoverables | 13,566 | 655 | 5,981 | 2 | 4,454 | 24,658 |
| Net Best Estimate of Claims Provisions | 259,426 | 72,628 | 21,823 | 192 | 4,604 | 358,673 |
| **Total Best Estimate - gross** | 393,256 | 191,626 | 63,070 | 139 | 8,241 | 656,332 |
| **Total Best Estimate - net** | 372,539 | 190,971 | 54,907 | 225 | 5,838 | 624,480 |
| **Risk margin:** | 16,374 | 8,394 | 2,413 | 10 | 257 | 27,448 |
| **TECHNICAL PROVISIONS - TOTAL:** | | | | | | |
| Technical provisions - total | **409,630** | **200,020** | **65,483** | **149** | **8,498** | **683,780** |
| Total reinsurance recoverables | **20,717** | **655** | **8,163** | **(86)** | **2,403** | **31,852** |
| Total technical provisions minus reinsurance recoverables | **388,913** | **199,365** | **57,320** | **235** | **6,095** | **651,928** |

31 December 2023:

| *Technical provisions calculated as the sum of a best estimate and a risk margin (in thousand euro)* | Motor, third-party liability | Other motor insurance | Fire and other damage to property insurance | Assistance insurance | Medical expense insurance | TOTAL |
|---|---|---|---|---|---|---|
| **TECHNICAL PROVISIONS BY BUSINESS LINE** | | | | | | |
| **Best estimate:** | | | | | | |
| **Premium provisions** | | | | | | |
| Gross | 110,755 | 121,638 | 30,724 | (185) | 1,894 | 264,826 |
| Total reinsurance recoverables | 7,262 | - | 1,282 | (147) | (973) | 7,424 |
| Net best estimate of premium provisions | 103,493 | 121,638 | 29,442 | (38) | 2,867 | 257,402 |
| **Claims provisions** | | | | | | |
| Gross | 246,212 | 70,857 | 27,671 | 183 | 7,862 | 352,785 |
| Total reinsurance recoverables | 8,810 | 2,287 | 8,559 | 0 | 3,912 | 23,568 |
| Net Best Estimate of Claims Provisions | 237,402 | 68,570 | 19,112 | 183 | 3,950 | 329,217 |
| **Total Best Estimate - gross** | 356,967 | 192,495 | 58,395 | (2) | 9,756 | 617,611 |
| **Total Best Estimate - net** | 340,895 | 190,208 | 48,554 | 145 | 6,817 | 586,619 |
| **Risk margin:** | 17,949 | 10,015 | 2,556 | 8 | 359 | 30,887 |
| **TECHNICAL PROVISIONS - TOTAL:** | | | | | | |
| Technical provisions - total | **374,916** | **202,510** | **60,951** | **6** | **10,115** | **648,498** |
| Total reinsurance recoverables | **16,072** | **2,287** | **9,841** | **(147)** | **2,939** | **30,992** |
| Total technical provisions minus reinsurance recoverables | **358,844** | **200,223** | **51,110** | **153** | **7,176** | **617,506** |

## A) Bases, methodologies and assumptions used in calculating pending claims provisions

For the provision for pending claims in the motor and fire insurance and other property damage business lines, the Company uses a statistical methodology known as "Chain Ladder". This is actuarially accepted and used for projecting claims incurred. It is one of the methods based on "run-off" triangles, using the best estimate for all business lines. The Merz-Wüthrich stochastic methodology is used for IFRS financial statements, motor-vehicle insurance and home multi-risk. For health assistance in the Health segment, the provision is on a case-by-case basis, as the Company does not have the necessary experience to use a statistical method.

The provision for claims for unreported claims in the health insurance segment is calculated in accordance with the provisions of Article 41.2 of the Regulation on the Organisation and Supervision of Private Insurance, approved by Royal Decree 2486/1998 and amended on the basis of Royal Decree 239/2007 of 16 February.

With **guarantees that are fully reassured**, which belong to the other motor insurance and fire and other damage to property business lines and health assistance in the Health segment, the provision for pending claims is estimated according to the exposed policies containing the guarantee, with a sector claims module equivalent to the risk premium, with no significant valuation differences.

For **travel assistance cover,** the valuation methodology used to calculate provisions for claims pending settlement is on an individual claim-by-claim basis for both the financial statements and solvency purposes, as the claims for the period are settled and pending payment and there is no uncertainty about their future cost.

The provision for unreported claims is calculated as 5% of the provision for pending claims, with no significant valuation differences either for the financial statements or for solvency purposes.

For the **provision for claims settlement expenses** (which is part of the claims provision), the Company calculates the provision for internal claims settlement expenses in accordance with Article 42 of the Regulations on the organisation and supervision of private insurance approved by Royal Decree 2486/1998 and amended by Royal Decree 239/2007 of 16 February.

### B) Bases, methodologies and assumptions used in calculating the premium provision

The provision for premiums in the solvency balance sheet replaces the unearned premium provision in the balance sheet in the financial statements.

For the **premium provision in the motor and fire insurance and other property damage business lines in the solvency balance sheet,** the Company considers the expected present value of future cash flows when calculating the best estimate of the premium provision for current contracts at the reference date plus tacit renewals. The portfolio of contracts subject to the projection is assessed in accordance with Article 18 of Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 and the response to the DGSFP consultation (4/2016), which clarifies that tacit renewals at 31 December include renewals in January and February of the following year, as the Company cannot oppose the extension of such contracts. This also includes a lapse assumption based on the Company's experience.

The cash flow projections used consider all expenses related to the recognised insurance and reinsurance obligations of insurance and reinsurance companies referred to in Article 78(1) of Directive 2009/138/EC.

The best estimate of the cash flows resulting from future claims is projected based on the Company's historical claims samples to obtain cost forecasts for each of the motor and fire insurance and other property damage business lines. A simulation procedure is used to generate a final annual aggregated distribution of claims costs, the average value of which is the best estimate of the cash flows of future claims costs.

Claims management expenses and projected current management expenses are estimated based on the planning exercise.

Cash flows are discounted to their present value by applying the risk-free interest rate curve published by EIOPA each quarter. Technical provisions are estimated considering future management decisions, which mostly stem from the annual planning exercise, where various scenarios and actions by the Management Team are considered in order to achieve the Company's strategic, financial and solvency objectives.

The Company uses the simplification described in Technical Annex III to the Guidelines on Valuation of Technical Provisions published by EIOPA in its calculation of the best estimate of the **premium provision for the assistance and medical expenses insurance business lines.** This simplification is based on applying the planned combined ratio to the unearned premium at the calculation date and releasing the profit margin or loss implicit in tacit renewals at that date.

### C) Other considerations relating to technical provisions

The Company does not apply the **matching adjustment** envisaged in Article 77 ter of Directive 2009/138/EC.

The Company does not apply the **volatility adjustment** envisaged in Article 77 quinquies of Directive 2009/138/EC.

The Company does not apply the **term structure of interest rates without transitional risk** envisaged in Article 308 quater of Directive 2009/138/EC or the **transitional deduction** envisaged in Article 308 quinquies of Directive 2009/138/EC.

### D) Bases, methodologies and assumptions used for calculating the Risk Margin

The Company uses a simplified calculation to obtain the risk margin for each business line. Based on guideline 62 on the hierarchy of methods for calculating the risk margin, when valuating the technical provisions, the Company uses method 3 to approximate the discounted sum of all future solvency capital requirements in a single step, without estimating the solvency capital required for each future year separately, as described in Article 58(b) of the Implementing Measures, by (among other ways) using the amended duration of insurance liabilities as a proportionality factor.

This method considers the maturity and run-off pattern of obligations net of reinsurance.

## D.3. OTHER LIABILITIES

### Tax liabilities

This solvency balance sheet heading includes the same valuation concepts and criteria as the financial statements, except for the tax liability included in the solvency balance sheet for adjustments between the accounting regulations and the Solvency II regulations, which generates a deferred tax liability.

31 December 2024:

| Tax liabilities | | |
|---|---|---|
| *(in thousand euro)* | Solvency | Financial statements |
| Current corporate tax liabilities | 5,437 | 5,437 |
| Temporary differences in liabilities | 19,007 | 19,007 |
| Deferred tax liability arising from the reconciliation reserve | 95,571 | - |
| | **120,015** | **24,444** |

31 December 2023:

| Tax liabilities | | |
|---|---|---|
| *(in thousand euro)* | Solvency | Financial statements |
| Current corporate tax liabilities | 11,384 | 11,384 |
| Temporary differences in liabilities | 15,742 | 15,742 |
| Deferred tax liability arising from the reconciliation reserve | 89,253 | - |
| | **116,379** | **27,126** |

Liabilities for temporary differences between assets and liabilities marked as credit arise from past tax payments and payments on account for the current year. In 2015, the Company informed the Tax Administration of its decision to pay tax under the tax consolidation regime laid down in the Spanish Corporation Tax Law, forming a consolidated tax group of which it is the parent company.

The deferred tax liability under the Solvency II regulations is estimated as the valuation difference between the accounting and Solvency II regulations of those adjustments that generate a deferred tax liability.

### Other liabilities

There are no valuation differences between the solvency balance sheet and the financial statements for the other liability items, with the exception of "provisions other than technical provisions" and "other payables" (payables are included under IFRS 16), as detailed in the following table:

31 December 2024:

| COMPARISON OF HEADINGS ON THE REST OF THE LIABILITY SIDE OF THE BALANCE SHEET | | |
|---|---|---|
| *(in thousand euro)* | Solvency | Financial statements |
| Provisions other than technical provisions | 3,594 | 32,678 |
| Payables with brokers and insurance business | 3,491 | 3,491 |
| Reinsurance payables | 346 | 346 |
| Derivatives | - | - |
| Other payables (other than payables arising from insurance business) and any other liabilities | 67,241 | 64,704 |
| | **74,672** | **101,219** |

31 December 2023:

| COMPARISON OF HEADINGS ON THE REST OF THE LIABILITY SIDE OF THE BALANCE SHEET | | |
|---|---|---|
| *(in thousand euro)* | Solvency | Financial statements |
| Provisions other than technical provisions | 357 | 28,931 |
| Payables with brokers and insurance business | 2,818 | 2,818 |
| Reinsurance payables | 1,351 | 1,351 |
| Derivatives | - | - |
| Other payables (other than payables arising from insurance business) and any other liabilities | 59,371 | 58,049 |
| | **63,897** | **91,149** |

The following concepts are included:

- The change under the heading "provisions other than technical provisions" corresponds to the estimated payments for repairs for insured persons who are not at fault in claims under settlement agreements that are included in the calculation of the best estimate for the claims provision under the Solvency II regulations. Most of the balance with brokers under the "payables with brokers and insurance business" heading relates to Ámbar Medline, an exclusive agent of the Company that brokers policies directly and through its insurance agents.

- The "Due on reinsurance business" heading includes the cash accounts with various reinsurance companies arising from reinsurance contracts.
- "Other payables and other liabilities" includes various balances payable to suppliers, public administrations and other counterparties.

## D.4. OTHER INFORMATION

In 2021, the Company stopped using the simplified method in the best estimate of premiums for the **"fire and other property damage" business line** outlined in Technical Appendix III of the Guidelines for Valuation of Technical Provisions published by EIOPA.

# E. CAPITAL MANAGEMENT

## E.1. OWN FUNDS

The Company's capital planning reflects its projected own-funds requirements over a three-year period for its solvency capital requirement calculated as its overall solvency requirements (economic capital) estimated through its own risk and solvency assessment (ORSA), with a minimum solvency threshold set by the Board of Directors, which is always above 120% (with a risk appetite of 150%).

### Reconciliation of the valuation of own funds for solvency purposes and according to the financial statements

**Article 70** of the Delegated Regulation stipulates the general content of the reconciliation reserve.

The Company's reconciliation reserve as at 31 December 2024 and 2023 is:

31 December 2024:

| Reconciliation reserve | |
|---|---|
| *(in thousand euro)* | **Total** |
| Excess assets over liabilities | 408,542 |
| Own shares (included as assets on the balance sheet) | - |
| Foreseeable dividends and distributions | 15,000 |
| Other own funds items (share capital) | 43,537 |
| Adjustment of own funds items due to limited available funds | - |
| **Total reconciliation reserve** | **350,005** |

31 December 2023:

| Reconciliation reserve | |
|---|---|
| *(in thousand euro)* | **Total** |
| Excess assets over liabilities | 358,002 |
| Own shares (included as assets on the balance sheet) | - |
| Foreseeable dividends and distributions | - |
| Other own funds items (share capital) | 43,537 |
| Adjustment of own funds items due to limited available funds | - |
| **Total reconciliation reserve** | **314,465** |

The composition of **excess assets over liabilities in the reconciliation reserve** is detailed in the following table:

31 December 2024:

| Reconciliation of excess assets over liabilities and equity in the financial statements | | |
|---|---|---|
| *Notes* | *(in thousand euro)* | **Total** |
| | **Own funds according to the financial statements** | **320,090** |

| | | |
|---|---|---|
| 1 | Share capital | 43,537 |
| 1 | Retained earnings and earnings for the year | 260,003 |
| 1 | Equalisation reserve net of tax | 51,634 |
| 1 | Own shares (held directly) | (217) |
| 1 | Dividends and interim equalisation | (37,795) |
| 1 | Portfolio capital gains net of tax | 2,928 |
| | **Asset valuation differences** | **(153,934)** |
| 2 | Intangible fixed assets | (44,392) |
| 3 | Reinsurers' share of technical provisions | 849 |
| 4 | Property, plant and equipment and investment property | 8,950 |
| 5 | Shareholdings in group and associated companies | 35,246 |
| 6 | Any other assets. Prepaid fees and other acquisition costs | (154,587) |
| | **Liability valuation differences** | **271,869** |
| 7 | Premium-provision effect on unearned premium | 241,209 |
| 8 | Provision for claims | 58,108 |
| 9 | Risk margin | (27,448) |
| **10** | **Tax effect on previous valuation differences** | **(29,484)** |
| | **Total excess assets over liabilities** | **408,541** |

<u>31 December 2023:</u>

| Reconciliation of excess assets over liabilities and equity in the financial statements | | |
|---|---|---|
| ***Notes*** | ***(in thousand euro)*** | **Total** |
| | **Own funds according to the financial statements** | **276,566** |
| 1 | Share capital | 43,537 |
| 1 | Retained earnings and earnings for the year | 205,250 |
| 1 | Equalisation reserve net of tax | 43,839 |
| 1 | Own shares (held directly) | (618) |
| 1 | Dividends and interim equalisation | (7,430) |
| 1 | Portfolio capital gains net of tax | (8,012) |
| | **Asset valuation differences** | **(140,928)** |
| 2 | Intangible fixed assets | (29,186) |
| 3 | Reinsurers' share of technical provisions | 1,779 |
| 4 | Property, plant and equipment and investment property | 8,426 |
| 5 | Shareholdings in group and associated companies | 29,144 |
| 6 | Any other assets. Prepaid fees and other acquisition costs | (151,091) |
| | **Liability valuation differences** | **249,509** |
| 7 | Premium-provision effect on unearned premium | 221,290 |
| 8 | Provision for claims | 59,106 |
| 9 | Risk margin | (30,887) |
| **10** | **Tax effect on previous valuation differences** | **(27,145)** |
| | **Total excess assets over liabilities** | **358,002** |

The asset and liability valuation chapter of this report explains the main valuation differences for each item of the solvency balance sheet and the financial statements. Details of the reason and justification for each item in the reconciliation reserve based on the notes of the table above are given below:

1. These headings make up the Company's **net equity according to the financial statements.**
2. The full balance for **intangible assets** is eliminated from the asset side of the solvency balance sheet on the basis that there are no market prices for the items which make them up (mainly software licences and software developments at net book value) that can be objectively justified.
3. **Reinsurers' share of technical provisions** has risen by 849 thousand euros (1,779 thousand euros in 2023) on the asset side of the solvency balance sheet by measuring reinsurance recoverables at best estimate.
4. **Properties for own use and for investment** are valued at acquisition cost, net of depreciation and impairment, if applicable, on the balance sheet of the financial statements; while they are valued at market value on the solvency balance sheet. The reconciliation reserve includes the unrealised gains between the appraisal values and the local net book value. The international standard IFRS 16 was applied in Solvency II.
5. **Shareholdings in group and associated companies** in the balance sheet of the financial statements are valued at acquisition cost corrected for impairment, while the market value is treated as the book value of each share for solvency purposes. The reconciliation reserve is increased by the unrealised gains of 35,246 thousand euros (29,144 thousand euros in 2023), which is the difference between these two values.
6. **Prepaid fees and deferral of acquisition expenses** on the asset side of the balance sheet in the financial statements are eliminated from the solvency balance sheet, reducing the reconciliation reserve and reclassifying the **outstanding premiums awaiting issue** to the best-estimate calculation of the premium provision. **Recoveries from claims** are also eliminated, as they are accounted for in the best-estimate calculation of claims.
7. The **unearned premium provision** is eliminated from the liability side of the solvency balance sheet and is replaced by the **premium provision** calculated as a best estimate.
8. When calculated on the liability side of the solvency balance sheet at best estimate, the **provision for claims**, which is made up of the provision for claims, the provision for claims that have been incurred but not reported (IBNR) and the provision for claims settlement expenses, contributes 58,108 thousand euros (59,106 thousand euros in 2023) to the reconciliation reserve.
9. The **risk margin** is an item on the liability side of the solvency balance sheet that does not exist on the liability side of the local balance sheet.
10. The **tax effect on all these adjustments** is calculated at 25%, which is the current corporation tax rate in Spain.

### Structure and quality of own funds

As the Company had no subordinated liabilities as at the reference date, its basic own funds are made up solely of the difference between its assets and liabilities. The own funds in the financial statements are reconciled with basic own funds through the reconciliation reserve, as detailed in the following section.

The Company does not plan to use ancillary own funds and, therefore, does not plan to request authorisation for this from the regulator.

In summary, the Company's own funds as at 31 December 2024 and 2023 were fully classified as basic own funds.

## Classification of own funds into tiers

The items included in basic own funds are classified as Tier 1 where they substantially have the following characteristics:

a) The item is available, or callable on demand, to fully absorb losses both if the Company is still a going concern and in the event of winding up (permanent availability);

b) In the event of winding up, the total amount of the item is available to absorb losses, and repayment of the item is refused to its holder until all other obligations, including insurance and reinsurance obligations towards policy holders and beneficiaries of insurance and reinsurance contracts, have been met (subordination).

If these requirements are not met, the items are classified as Tier 2 or 3.

The Company considers that **all basic own funds** (disbursed share capital and components of the reconciliation reserve) meet the above requirements. They are therefore **classified as Tier 1.**

31 December 2024:

| Basic own funds | Total | Tier 1, unrestricted | Tier 1, restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|
| Share capital in ordinary shares | 43,537 | 43,537 | | | |
| Share issue premium | | | | | |
| Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings | | | | | |
| Subordinated mutual member accounts | | | | | |
| Surplus funds | | | | | |
| Preference shares | | | | | |
| Share premium account related to preference shares | | | | | |
| Reconciliation reserve | 350,005 | 350,005 | | | |
| Subordinated liabilities | | | | | |
| Amount equivalent to the value of deferred tax assets | | | | | |
| Other regulator-approved items | | | | | |
| **Total** | **393,542** | **393,542** | | | |

31 December 2023:

| Basic own funds | Total | Tier 1, unrestricted | Tier 1, restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|
| Share capital in ordinary shares | 43,537 | 43,537 | | | |
| Share issue premium | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Initial fund, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertaking | | | | | |
| Subordinated mutual member accounts | | | | | |
| Surplus funds | | | | | |
| Preference shares | | | | | |
| Share premium account related to preference shares | | | | | |
| Reconciliation reserve | 314,465 | 314,465 | | | |
| Subordinated liabilities | | | | | |
| Amount equivalent to the value of deferred tax assets | | | | | |
| Other regulator-approved items | | | | | |
| **Total** | **358,002** | **358,002** | | | |

As the Company considers, as mentioned above, that all its available own funds are Tier 1, the limits and restrictions of the Directive and the Delegated Regulation are met with respect to their **100% eligibility** to cover the solvency capital requirement (SCR) and the minimum capital requirement (MCR).

31 December 2024:

| Available and eligible basic own funds (in thousand euro) | Total | Tier 1, unrestricted | Tier 1, restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|
| Eligible own funds to cover the solvency capital requirement | 393,542 | 393,542 | - | - | - |
| Eligible own funds to cover the minimum capital requirement | 393,542 | 393,542 | - | - | - |

31 December 2023:

| Available and eligible basic own funds (in thousand euro) | Total | Tier 1, unrestricted | Tier 1, restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|
| Eligible own funds to cover the solvency capital requirement | 358,002 | 358,002 | - | - | - |
| Eligible own funds to cover the minimum capital requirement | 358,002 | 358,002 | - | - | - |

There are no basic own funds to which the **transitional provisions** in Article 308 ter (9) and (10) of Directive 2009/138/EC apply.

There are no **ancillary own funds** as referred to in Article 89(1)(a) to (c) of Directive 2009/138/EC.

### Deferred tax information

The breakdown of deferred taxes between the financial statements and Solvency II is as follows:

31 December 2024:

| Deferred taxes | Solvency | Financial statements | Difference |
|---|---|---|---|
| Deferred tax liabilities (DTA) | 74,892 | 8,805 | 66,087 |
| Deferred tax assets (DTL) | 114,578 | 19,007 | 95,571 |
| Deferred tax liabilities minus deferred tax assets | 39,686 | 10,202 | |
| Deferred tax absorption used in the SCR | (70,746) | | |
| Excess (shortage) loss absorption | (31,060) | | |

The Company's planned figures were used to calculate future taxable profits. These are prepared every year and approved by the Board of Directors.

The difference between the "Solvency II Value" and the value in the financial statements of deferred tax assets and liabilities is mainly due to valuation differences in the following headings:

| Deferred tax assets | |
|---|---|
| Reinsurance recoverables | 2,209 |
| Intangible fixed assets | 11,098 |
| Prepaid fees and other acquisition costs | 22,817 |
| Receivables (trade, not insurance) | 23,101 |
| Non-life risk margin | 6,798 |
| Health risk margin | 64 |
| **Deferred tax assets (DTA)** | **66,087** |

| Deferred tax liabilities | |
|---|---|
| Reinsurance recoverables | (2,421) |
| Property, plant and equipment and investment property | (2,238) |
| Shareholdings in group and associated companies | (8,812) |
| Non-life technical provisions (no RM) | (78,054) |
| Health technical provisions (no RM) | (4,046) |
| **Deferred tax liabilities (DTL)** | **(95,571)** |

31 December 2023:

| Deferred taxes | Solvency | Financial statements | Difference |
|---|---|---|---|
| Deferred tax liabilities (DTA) | 75,274 | 13,164 | 62,110 |
| Deferred tax assets (DTL) | 104,995 | 15,742 | 89,253 |
| Deferred tax liabilities minus deferred tax assets | 29,721 | 2,578 | |
| Deferred tax absorption used in the SCR | (66,286) | | |
| Excess (shortage) loss absorption | (36,565) | | |

The difference between the "Solvency II Value" and the "Book Value" of deferred tax assets and liabilities is mainly due to valuation differences in the following headings:

| Deferred tax assets | |
|---|---|
| Reinsurance recoverables | 2,174 |
| Intangible fixed assets | 7,296 |
| Prepaid fees and other acquisition costs | 22,172 |
| Receivables (trade, not insurance) | 22,746 |
| Non-life risk margin | 7,632 |
| Health risk margin | 90 |
| **Deferred tax assets (DTA)** | **62,110** |

| Deferred tax liabilities | |
|---|---|
| Reinsurance recoverables | (2,619) |
| Property, plant and equipment and investment property | (2,107) |
| Shareholdings in group and associated companies | (7,284) |
| Non-life technical provisions (no RM) | (74,216) |
| Health technical provisions (no RM) | (3,027) |
| **Deferred tax liabilities (DTL)** | **(89,253)** |

The Company's planned figures were used to calculate future taxable profits. These are put together every year and approved by the Board of Directors. The Company draws up a five-year plan that is approved by the Audit and Compliance Committee and provides the basis for putting together the post-stress business plan.
This post-stress test takes into account any management actions to adjust the business following the shock scenario.

## E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

The solvency capital requirement (SCR) broken down by risk module as at 31 December 2024 and 2023 is as follows:

| Solvency capital requirement (SCR) | | |
|---|---|---|
| *(in thousand euro)* | **31.12.2023** | **31.12.2024** |
| Underwriting risk | 192,387 | 201,179 |
| Market risk | 91,493 | 106,446 |
| Counterparty risk | 6,076 | 5,273 |
| Health insurance underwriting risk | 3,499 | 4,123 |
| Diversification | (57,125) | (63,787) |
| **Basic solvency capital requirement (BSCR)** | **236,330** | **253,234** |
| Operational risk | 28,812 | 29,749 |
| Deferred tax adjustment | (66,286) | (70,746) |
| **Solvency capital requirement (SCR)** | **198,856** | **212,237** |

Given the nature of the Company and its business lines, the minimum capital requirement is a minimum of 45% of the SCR and a maximum of the linear MCR and 25% of the SCR.

| ***Supporting data for calculating the MCR*** | **31.12.2023** | **31.12.2024** |
|---|---|---|
| Linear MCR | 125,975 | 132,913 |
| SCR | 198,856 | 212,237 |
| Maximum MCR (45% of the SCR) | 89,485 | 95,507 |
| Minimum MCR (25% of the SCR) | 49,714 | 53,059 |
| **Minimum capital requirement (MCR)** | **89,485** | **95,507** |

The solvency ratios for the solvency capital requirement and the minimum capital requirement are therefore as follows:

| **Solvency capital requirement (SCR) and minimum capital requirement (MCR)** | | |
|---|---|---|
| ***(in thousand euro)*** | **31.12.2023** | **31.12.2024** |
| Solvency capital requirement | 198,856 | 212,237 |
| Minimum capital requirement | 89,485 | 95,507 |
| Eligible own funds ratio for the SCR | 180% | 185% |
| Eligible own funds ratio for the MCR | 400% | 412% |

There were **no significant changes** in the solvency capital requirement or the minimum capital requirement during the reference period.

The Company does not use any **simplification** in its calculations of the risk modules for the solvency capital requirement.

On 16 April 2016, the Company received authorisation to apply the **specific premium risk parameter to the other motor insurance business line.**

This parameter was calibrated using standard methods with the Company's internal data or data that is directly relevant to its operations. The Company updates the specific parameter annually using the standard method approved by the regulator with its new applicable business figures, verifying that the required assumptions have been met.

The Company does not use **internal models** to calculate the capital requirement in any risk category.

The Company does not use the **duration-based equity risk sub-module** outlined in the option under Article 304 of Directive 2009/138/EC for calculating its solvency capital requirement.

There are **no breaches** of the minimum capital requirement or any significant breaches of the solvency capital requirement.

# F. APPENDICES

## F.1. MAIN CONCEPTS AND ABBREVIATIONS USED

| | |
|---|---|
| **Economic balance sheet** | The balance sheet for solvency purposes. |
| **Best estimate** | The value of the best estimate, mainly applied when valuing technical provisions on the solvency balance sheet. |
| **SCR** | The solvency capital requirement, i.e. the capital required as a result of applying the standard formula. |
| **MCR** | Minimum capital requirement. The minimum capital required to operate as an insurance company. This is calculated specifically for each Company. |
| **BSCR** | Basic solvency capital requirement. This covers the total capital required for all risks in a correlated way without considering operational risk and adjustments for absorption of deferred tax losses and technical provisions. |
| **DGSFP** | Spain's Directorate General of Insurance and Pension Funds. This is the national insurance regulator. |
| **The (Solvency) Directive** | DIRECTIVE 2009/138/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II). |
| **EIOPA** | The European Insurance and Occupational Pensions Authority. This is the European insurance regulator. |
| **RSR** | The Regular Supervisory Report that each Company must file with the regulator every three years. |
| **SFCR** | The annual Solvency and Financial Condition Report provided for the market. |
| **Risk margin** | An item on the liability side of the solvency balance sheet included under technical provisions that quantifies the margin to be paid to another Company for the transfer of the business. It does not exist on the liability side of the balance sheet in the financial statements. |
| **AMSB** | The Administrative, Management and Supervisory Body of the Company. |
| **ORSA** | The annual Own Risk and Solvency Assessment. |
| **The (Solvency) Regulation** | COMMISSION DELEGATED REGULATION (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II). |
| **ROSSEAR** | The Spanish Regulations on the regulation, supervision and solvency of insurance and reinsurance companies. |

## F.2. DISCLOSURE TEMPLATES

This section includes the templates that must be attached to this report, as required by Commission Implementing Regulation (EU) 2015/2452 of 2 December 2015 laying down implementing technical standards with regard to the procedures, formats and templates of the solvency and financial condition report in accordance with Directive 2009/138/EC of the European Parliament and of the Council.

The disclosure templates that are not applicable to the Company (mainly those relating to information on life insurance business activity information, companies that use partial or complete internal models, and those relating to groups) have not been included. As the Company carries out all its business activity in Spain, template S.05.02.01, which provides information on premiums, claims incurred and expenses by country, is not attached.

The figures in all the attached templates are in **thousands of euros**.

| Code | List of templates attached |
|---|---|
| S.02.01.02 | Solvency balance sheet |
| S.05.01.02 | Premiums, claims incurred and expenses according to the financial statements |
| S.17.01.02 | Non-life technical provisions by business lines |
| S.19.01.21 | Information on non-life insurance claims in the format of development triangles |
| S.23.01.01 | Own funds, including basic own funds and ancillary own funds |
| S.25.01.21 | Solvency capital requirement using the standard formula |
| S.28.01.01 | Minimum capital requirements for life and non-life insurance companies |

## **S.02.01.02** Solvency balance sheet information

| | | Solvency II value | Book value |
|---|---|---|---|
| **Assets** | X0010 | | |
| Goodwill | R0010 | | - |
| Prepaid fees and other acquisition costs | R0020 | | 91,269 |
| Intangible fixed assets | R0030 | - | 44,392 |
| Deferred tax assets | R0040 | 74,892 | 8,805 |
| Pension benefit surplus | R0050 | - | - |
| Property, plant & equipment held for own use | R0060 | 49,170 | 38,161 |
| Investments (other than assets held for index-linked and unit-linked contracts) | R0070 | 1,068,222 | 1,024,915 |
| Property (other than for own use) | R0080 | 1,996 | 1,839 |
| Holdings in related undertakings, including participations | R0090 | 103,866 | 68,620 |
| Equities | R0100 | 44,149 | 44,149 |
| Equities - listed | R0110 | 44,143 | 44,143 |
| Equities - unlisted | R0120 | 6 | 6 |
| Bonds | R0130 | 837,380 | 829,795 |
| Government bonds | R0140 | 359,806 | 357,660 |
| Corporate bonds | R0150 | 477,574 | 472,135 |
| Structured notes | R0160 | - | - |
| Collateralised securities | R0170 | - | - |
| Collective Investment Undertakings | R0180 | 56,179 | 56,179 |
| Derivatives | R0190 | 4,652 | 4,332 |
| Deposits other than cash equivalents | R0200 | 20,000 | 20,000 |
| Other investments | R0210 | - | - |
| Assets held for index-linked and unit-linked contracts | R0220 | - | - |
| Loans and mortgages | R0230 | 19,042 | 19,027 |
| Loans on policies | R0240 | - | - |
| Loans and mortgages to individuals | R0250 | - | - |
| Other loans and mortgages | R0260 | 19,042 | 19,027 |
| Reinsurance recoverables from: | R0270 | 31,851 | 31,002 |
| Non-life and health similar to non-life. | R0280 | 31,851 | 31,002 |
| Non-life excluding health | R0290 | 29,447 | 20,986 |
| Health similar to non-life | R0300 | 2,404 | 10,016 |
| Life and health similar to life, excluding health and index-linked and unit-linked | R0310 | - | - |
| Health similar to life | R0320 | - | - |
| Life excluding health and index-linked and unit-linked | R0330 | - | - |
| Life index-linked and unit-linked | R0340 | - | - |
| Deposits to cedants | R0350 | - | - |
| Insurance and intermediaries receivables | R0360 | 12,631 | 64,206 |
| Reinsurance receivables | R0370 | 3,890 | 3,890 |
| Receivables (trade, not insurance) | R0380 | 9,555 | 50,382 |
| Own shares (held directly) | R0390 | - | - |
| Amounts due in respect of own fund items or initial fund called up but not yet paid in | R0400 | - | - |
| Cash and cash equivalents | R0410 | 8,076 | 8,076 |
| Any other assets, not elsewhere shown | R0420 | 4,242 | 11,841 |
| **TOTAL ASSETS** | R0500 | **1,281,571** | **1,395,965** |

| | | Solvency II value | Book value |
|---|---|---|---|
| **Liabilities** | X0440 | | |
| Technical provisions – non-life | R0510 | 683,780 | 955,649 |
| Technical provisions - non-life (excluding health) | R0520 | 675,282 | 931,223 |
| TP calculated as a whole | R0530 | - | - |
| Best Estimate | R0540 | 648,090 | - |
| Risk margin | R0550 | 27,192 | - |
| Technical provisions - health (similar to non-life) | R0560 | 8,498 | 24,426 |
| TP calculated as a whole | R0570 | - | - |
| Best Estimate | R0580 | 8,241 | - |
| Risk margin | R0590 | 257 | - |
| Technical provisions – life (excluding index-linked and unit-linked) | R0600 | - | - |
| Technical provisions – health (similar to life) | R0610 | - | - |
| TP calculated as a whole | R0620 | - | - |
| Best Estimate | R0630 | - | - |
| Risk margin | R0640 | - | - |
| Technical provisions – life (excluding health and index-linked and unit-linked) | R0650 | - | - |
| TP calculated as a whole | R0660 | - | - |
| Best Estimate | R0670 | - | - |
| Risk margin | R0680 | - | - |
| Technical provisions – index-linked and unit-linked | R0690 | - | - |
| TP calculated as a whole | R0700 | - | - |
| Best Estimate | R0710 | - | - |
| Risk margin | R0720 | - | - |
| Other technical provisions | R0730 | - | - |
| Contingent liabilities | R0740 | - | - |
| Provisions other than technical provisions | R0750 | 3,594 | 32,678 |
| Pension benefit obligations | R0760 | - | - |
| Deposits from reinsurers | R0770 | - | - |
| Deferred tax liabilities | R0780 | 114,578 | 19,007 |
| Derivatives | R0790 | - | - |
| Debts owed to credit institutions | R0800 | - | - |
| Debts owed to credit institutions resident domestically | ER0801 | - | - |
| Debts owed to credit institutions resident in the euro area other than domestic | ER0802 | - | - |
| Debts owed to credit institutions resident in rest of the world | ER0803 | - | - |
| Financial liabilities other than debts owed to credit institutions | R0810 | - | - |
| Debts owed to non-credit institutions | ER0811 | - | - |
| Debts owed to non-credit institutions resident domestically | ER0812 | - | - |
| Debts owed to non-credit institutions resident in the euro area other than domestic | ER0813 | - | - |
| Debts owed to non-credit institutions resident in the rest of the world | ER0814 | - | - |
| Other financial liabilities (debt securities issued) | ER0815 | - | - |
| Insurance and intermediaries payables | R0820 | 3,491 | 3,491 |
| Reinsurance payables | R0830 | 346 | 346 |
| Payables (trade, not insurance) | R0840 | 66,785 | 64,568 |
| Subordinated liabilities | R0850 | - | - |
| Subordinated liabilities not in BOF | R0860 | - | - |
| Subordinated liabilities in BOF | R0870 | - | - |
| Any other liabilities, not elsewhere shown | R0880 | 455 | 136 |
| **TOTAL LIABILITIES** | R0900 | 873,029 | 1,075,875 |
| **EXCESS OF ASSETS OVER LIABILITIES** | R1000 | **408,542** | **320,090** |

**S.05.01.02** Premiums, claims incurred and expenses based on the financial statements

| | | Non-life insurance and non-proportional reinsurance | | | | | |
|---|---|---|---|---|---|---|---|
| | | Medical expense insurance | Motor-vehicle liability insurance | Other motor insurance | Fire and other damage to property insurance | Assistance insurance | TOTAL |
| | | C0020 | C0040 | C0050 | C0070 | C0110 | C0200 |
| **Premiums written** | X0010 | | | | | | |
| Gross - Direct Business | R0110 | 33,864 | 389,762 | 436,550 | 157,868 | 1,694 | 1,019,738 |
| Gross - Proportional reinsurance accepted | R0120 | - | - | - | - | - | - |
| Gross - Non-proportional reinsurance accepted | R0130 | - | - | - | - | - | - |
| Reinsurer's share | R0140 | 15,278 | 2,369 | 3,036 | 4,338 | 35 | 25,056 |
| **Net** | **R0200** | **18,586** | **387,393** | **433,514** | **153,530** | **1,659** | **994,682** |
| **Premiums earned** | X0060 | | | | | | |
| Gross - Direct Business | R0210 | 32,442 | 378,078 | 426,553 | 153,447 | 1,124 | 991,645 |
| Gross - Proportional reinsurance accepted | R0220 | - | - | - | - | - | - |
| Gross - Non-proportional reinsurance accepted | R0230 | - | - | - | - | - | - |
| Reinsurer's share | R0240 | 14,452 | 2,369 | 3,036 | 4,338 | 35 | 24,230 |
| **Net** | **R0300** | **17,990** | **375,709** | **423,517** | **149,109** | **1,089** | **967,414** |
| **Claims incurred** | X0010 | - | - | - | - | - | - |
| Gross - Direct Business | R0310 | 23,350 | 312,427 | 289,743 | 79,816 | 97 | 705,433 |
| Gross - Proportional reinsurance accepted | R0320 | - | - | - | - | - | - |
| Gross - Non-proportional reinsurance accepted | R0330 | - | - | - | - | - | - |
| Reinsurer's share | R0340 | 11,315 | 5,537 | -53 | 1,470 | 2 | 18,271 |
| **Net** | **R0400** | **12,035** | **306,890** | **289,796** | **78,346** | **95** | **687,162** |
| Changes in other technical provisions | X0160 | - | - | - | - | - | - |
| Gross - Direct Business | R0410 | - | - | - | - | - | - |
| Gross - Proportional reinsurance accepted | R0420 | - | - | - | - | - | - |
| Gross - Non-proportional reinsurance accepted | R0430 | - | - | - | - | - | - |
| Reinsurer's share | R0440 | - | - | - | - | - | - |
| Net | R0500 | - | - | - | - | - | - |
| **Expenses incurred** | **R0550** | **13,249** | **107,844** | **97,343** | **54,781** | **1,020** | **274,237** |
| **Administrative expenses** | | - | - | - | - | - | - |
| Gross - Direct Business | R0610 | 661 | 5,456 | 11,750 | 6,073 | 185 | 24,125 |
| Gross - Proportional reinsurance accepted | R0620 | - | - | - | - | - | - |
| Gross - Non-proportional reinsurance accepted | R0630 | - | - | - | - | - | - |
| Reinsurer's share | R0640 | - | - | - | - | - | - |
| Net | R0700 | 661 | 5,456 | 11,750 | 6,073 | 185 | 24,125 |
| **Investment management expenses** | | | | | | | |
| Gross - Direct Business | R0710 | - | 2,902 | 1,533 | - | - | 4,435 |
| Gross - Proportional reinsurance accepted | R0720 | - | - | - | - | - | - |
| Gross - Non-proportional reinsurance accepted | R0730 | - | - | - | - | - | - |
| Reinsurer's share | R0740 | - | - | - | - | - | - |
| Net | R0800 | - | 2,902 | 1,533 | - | - | 4,435 |
| **Claims management expenses** | | | | | | | |
| Gross - Direct Business | R0810 | 2,615 | 34,517 | 7,654 | 13,090 | 7 | 57,883 |
| Gross - Proportional reinsurance accepted | R0820 | - | - | - | - | - | - |
| Gross - Non-proportional reinsurance accepted | R0830 | - | - | - | - | - | - |
| Reinsurer's share | R0840 | - | - | - | - | - | - |
| Net | R0900 | 2,615 | 34,517 | 7,654 | 13,090 | 7 | 57,882 |
| **Acquisition expenses** | | | | | | | |
| Gross - Direct Business | R0910 | 11,114 | 64,984 | 73,309 | 35,618 | 828 | 185,853 |
| Gross - Proportional reinsurance accepted | R0920 | - | - | - | - | - | - |
| Gross - Non-proportional reinsurance accepted | R0930 | - | - | - | - | - | - |
| Reinsurer's share | R0940 | - | - | - | - | - | - |
| Net | R1000 | 11,114 | 64,984 | 73,309 | 35,618 | 828 | 185,853 |

| | | Non-life insurance and non-proportional reinsurance | | | | | |
|---|---|---|---|---|---|---|---|
| | | Medical expense insurance | Motor-vehicle liability insurance | Other motor insurance | Fire and other damage to property insurance | Assistance insurance | TOTAL |
| **Overhead expenses** | | | | | | | |
| Gross - Direct Business | R1010 | - | 1,910 | 4,114 | - | - | 6,024 |
| Gross - Proportional reinsurance accepted | R1020 | - | - | - | - | - | - |
| Gross - Non-proportional reinsurance accepted | R1030 | - | - | - | - | - | - |
| Reinsurer's share | R1040 | 1,141 | - | 29 | - | - | 1,170 |
| Net | R1100 | (1,141) | 1,910 | 4,085 | - | - | 4,854 |
| **Other expenses** | **R1200** | - | **(28,686)** | **233** | - | - | **(28,453)** |
| **Total expenses** | **R1300** | - | - | - | - | - | **248,697** |

## **S.17.01.02** Information about non-life technical provisions by business lines

| | | Direct insurance and proportional reinsurance | | | | | |
|---|---|---|---|---|---|---|---|
| | | Medical expense insurance | Motor-vehicle liability insurance | Other motor insurance | Fire and other damage to property insurance | Assistance insurance | TOTAL |
| | | C0020 | C0050 | C0060 | C0080 | C0120 | C0180 |
| **Technical provisions calculated as a whole** | R0010 | - | - | - | - | - | - |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole | R0050 | - | - | - | - | - | - |
| **Technical provisions calculated as a sum of BE and RM** | X0030 | - | - | - | - | - | - |
| **Best estimate** | X0030 | - | - | - | - | - | - |
| **Premium provisions** | X0030 | - | - | - | - | - | - |
| Gross | R0060 | (817) | 120,264 | 118,343 | 35,266 | (55) | 273,001 |
| Total recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0140 | (2,051) | 7,151 | - | 2,182 | (8) | 7,194 |
| Net Best Estimate of Premium Provisions | R0150 | 1,234 | 113,113 | 118,343 | 33,084 | 33 | 265,807 |
| **Claims provisions** | X0060 | - | - | - | - | - | - |
| Gross | R0160 | 9,058 | 272,992 | 73,283 | 27,804 | 194 | 383,331 |
| Total recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0240 | 4,454 | 13,566 | 655 | 5,981 | 2 | 24,658 |
| Net Best Estimate of Claims Provisions | R0250 | 4,604 | 259,426 | 72,628 | 21,823 | 192 | 358,673 |
| **Total Best Estimate - gross** | R0260 | **8,241** | **393,256** | **191,626** | **63,070** | **139** | **656,332** |
| **Total Best Estimate - net** | R0270 | **5,838** | **372,539** | **190,971** | **54,907** | **225** | **624,480** |
| **Risk margin** | R0280 | **257** | **16,374** | **8,394** | **2,413** | **10** | **27,448** |
| **Amount of the transitional on Technical Provisions** | X0120 | - | - | - | - | - | - |
| Technical Provisions calculated as a whole | R0290 | - | - | - | - | - | - |
| Best estimate | R0300 | - | - | - | - | - | - |
| Risk margin | R0310 | - | - | - | - | - | - |
| **TECHNICAL PROVISIONS - TOTAL:** | X0150 | - | - | - | - | - | - |
| Technical provisions - total | R0320 | 8,498 | 409,630 | 200,020 | 65,483 | 149 | 683,780 |
| Recoverables from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total | R0330 | 2,403 | 20,717 | 655 | 8,163 | (86) | 31,852 |
| Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total | R0340 | 6,095 | 388,913 | 199,365 | 57,320 | 235 | 651,928 |
| Expected profits included in future premiums (EPIFP) | R0500 | | 13,293,206 | 18,306,661 | 10,066,529 | | |

**S.19.01.21** Non-life insurance claims Total non-life business

Total non-life business Accident year

Gross claims paid (non-cumulative) (absolute amount)

| | Year | - | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 and up | In the current year | Sum of years (cumulative) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | C0170 | C0180 |
| Prior | R0100 | | | | | | | | | | | | | | | | 3,019,985 | 3,019,985 | 3,019,985 |
| N-14 | R0110 | 304,460 | 109,637 | 19,918 | 7,468 | 3,257 | 1,784 | 1,546 | 475 | 674 | 629 | 322 | (47) | - | (8) | 123 | | 6,454 | 450,237 |
| N-13 | R0120 | 296,215 | 93,753 | 14,446 | 6,650 | 3,545 | 2,302 | 483 | 764 | 729 | 114 | (48) | 56 | 213 | 473 | | | 473 | 419,697 |
| N-12 | R0130 | 272,780 | 81,976 | 13,440 | 5,805 | 2,763 | 2,228 | 329 | 711 | 160 | 415 | (20) | 99 | (85) | | | | -85 | 380,601 |
| N-11 | R0140 | 259,565 | 79,499 | 11,997 | 4,340 | 2,981 | 3,123 | 1,423 | (290) | (510) | 82 | (50) | 89 | | | | | 89 | 362,249 |
| N-10 | R0150 | 240,886 | 80,042 | 14,312 | 6,144 | 4,277 | 2,589 | 747 | 994 | (70) | (192) | 48 | | | | | | 48 | 349,776 |
| N-9 | R0160 | 247,882 | 81,549 | 16,241 | 6,802 | 4,697 | 1,906 | 670 | 621 | 1,652 | 174 | | | | | | | 174 | 362,195 |
| N-8 | R0170 | 254,659 | 82,956 | 21,838 | 14,066 | 6,591 | 3,300 | 2,178 | 2,786 | 1,439 | | | | | | | | 1,439 | 389,812 |
| N-7 | R0180 | 274,878 | 101,162 | 25,329 | 11,483 | 6,165 | 1,885 | 1,441 | 842 | | | | | | | | | 842 | 423,184 |
| N-6 | R0190 | 302,136 | 111,284 | 27,437 | 12,301 | 4,266 | 3,556 | 2,571 | | | | | | | | | | 2,571 | 463,551 |
| N-5 | R0200 | 338,329 | 115,365 | 24,914 | 12,415 | 5,478 | 9,481 | | | | | | | | | | | 9,481 | 505,982 |
| N-4 | R0210 | 279,694 | 85,906 | 18,735 | 8,734 | 5,274 | | | | | | | | | | | | 5,274 | 398,343 |
| N-3 | R0220 | 339,130 | 113,677 | 26,988 | 11,269 | | | | | | | | | | | | | 11,269 | 491,064 |
| N-2 | R0230 | 371,682 | 136,806 | 25,593 | | | | | | | | | | | | | | 25,593 | 534,080 |
| N-1 | R0240 | 407,128 | 148,168 | | | | | | | | | | | | | | | 148,168 | 555,296 |

| | | |
|---|---|---|
| N | R0250 | 394,926 |

| | | |
|---|---|---|
| N | 394,926 | 394,926 |
| Total | 3,626,699 | 9,500,978 |

## Gross undiscounted best estimate claims provisions (absolute amount)

### Performance year

| | Year | - | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 and up |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 | C0290 | C0300 | C0310 | C0320 | C0330 | C0340 | C0350 |
| Prior | R0100 | | | | | | | | | | | | | | | | - |
| N-14 | R0110 | 152,556 | 47,298 | 24,971 | 15,002 | 9,798 | 6,436 | 5,127 | 3,626 | 838 | (152) | (938) | 100 | 1 | - | | |
| N-13 | R0120 | 137,598 | 40,140 | 22,568 | 12,004 | 6,984 | 4,131 | 2,036 | 371 | (608) | (838) | 250 | (21) | (24) | | | |
| N-12 | R0130 | 119,920 | 31,993 | 14,891 | 6,733 | 4,805 | 3,043 | 1,861 | 362 | (247) | 248 | 46 | (2) | - | | | |
| N-11 | R0140 | 119,490 | 26,316 | 10,308 | 6,029 | 2,918 | 687 | (25) | (1,421) | 390 | 550 | 52 | 163 | | | | |
| N-10 | R0150 | 125,905 | 30,669 | 14,209 | 7,953 | 2,997 | 1,719 | 1,186 | 1,395 | 35 | 59 | 436 | | | | | |
| N-9 | R0160 | 124,883 | 34,935 | 14,980 | 6,980 | 2,942 | 298 | 904 | 333 | (57) | (358) | | | | | | |
| N-8 | R0170 | 141,748 | 53,765 | 29,838 | 9,213 | 4,854 | 3,329 | 661 | 342 | 2,275 | | | | | | | |
| N-7 | R0180 | 141,901 | 43,670 | 15,979 | 6,800 | 4,754 | 1,616 | 1,554 | 1,188 | | | | | | | | |
| N-6 | R0190 | 129,018 | 30,119 | 17,911 | 9,565 | 3,242 | 3,539 | 5,804 | | | | | | | | | |
| N-5 | R0200 | 136,224 | 51,395 | 24,845 | 6,406 | 7,405 | 8,289 | | | | | | | | | | |
| N-4 | R0210 | 109,237 | 39,154 | 14,363 | 11,341 | 7,918 | | | | | | | | | | | |
| N-3 | R0220 | 163,750 | 71,164 | 21,511 | 15,942 | | | | | | | | | | | | |
| N-2 | R0230 | 180,563 | 54,779 | 43,660 | | | | | | | | | | | | | |
| N-1 | R0240 | 221,286 | 112,538 | | | | | | | | | | | | | | |
| N | R0250 | 172,586 | | | | | | | | | | | | | | | |

| | | Year end (discounted data) |
|---|---|---|
| | | C0360 |
| Prior | R0100 | - |
| N-14 | R0110 | - |
| N-13 | R0120 | - |
| N-12 | R0130 | - |
| N-11 | R0140 | 153 |
| N-10 | R0150 | 412 |
| N-9 | R0160 | (339) |
| N-8 | R0170 | 2,159 |
| N-7 | R0180 | 1,136 |
| N-6 | R0190 | 5,545 |
| N-5 | R0200 | 7,933 |
| N-4 | R0210 | 7,602 |
| N-3 | R0220 | 15,347 |
| N-2 | R0230 | 42,135 |
| N-1 | R0240 | 109,131 |
| N | R0250 | 169,640 |
| Total | R0260 | 360,854 |

## **S.23.01.01** Own funds

| | | Total | Tier 1, unrestricted | Tier 1, restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 |
| **Basic own funds** | | | | | | |
| Ordinary share capital (gross of own shares) | R0010 | 43,537 | 43,537 | | - | |
| Share premium account related to ordinary share capital | R0030 | - | - | | - | |
| Initial fund, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertaking | R0040 | - | - | | - | |
| Subordinated mutual member accounts | R0050 | - | | - | - | - |
| Surplus funds | R0070 | - | - | | | |
| Preference shares | R0090 | - | | - | - | - |
| Share premium account related to preference shares | R0110 | - | | - | - | - |
| Reconciliation reserve | R0130 | 350,005 | 350,005 | | | |
| Subordinated liabilities | R0140 | - | - | - | - | - |
| An amount equal to the value of net deferred tax assets | R0160 | - | | | | - |
| Other own fund items approved by the supervisory authority as basic own funds not specified above | R0180 | - | - | - | - | - |
| **Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds** | | | | | | |
| Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds | R0220 | - | - | | | |
| **Deductions** | | | | | | |
| Deductions for participations in financial and credit institutions | R0230 | - | - | - | - | |
| **Total basic own funds after deductions** | R0290 | 393,542 | 393,542 | - | - | - |
| **Ancillary own funds** | | | | | | |
| Unpaid and uncalled ordinary share capital callable on demand | R0300 | - | | | - | |
| Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand | R0310 | - | | | - | |
| Unpaid and uncalled preference shares callable on demand | R0320 | - | | | - | - |
| A legally binding commitment to subscribe and pay for subordinated liabilities on demand | R0330 | - | | | - | - |
| Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC | R0340 | - | | | - | |
| Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC | R0350 | - | | | - | - |
| Supplementary members' calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC | R0360 | - | | | - | |
| Supplementary members' calls other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC | R0370 | - | | | - | - |
| Other ancillary own funds | R0390 | - | | | - | - |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Total ancillary own funds** | R0400 | - | | | - | - |
| **Available and eligible own funds** | | | | | | |
| Total available own funds to meet the SCR | R0500 | 393,542 | 393,542 | - | - | - |
| Total available own funds to meet the MCR | R0510 | 393,542 | 393,542 | - | - | |
| Total eligible own funds to meet the SCR | R0540 | 393,542 | 393,542 | - | - | |
| Total eligible own funds to meet the MCR | R0550 | 393,542 | 393,542 | - | - | |
| **SCR** | R0580 | 212,237 | | | | |
| **MCR** | R0600 | 95,507 | | | | |
| **Ratio of eligible own funds to SCR** | R0620 | 1.85 | | | | |
| **Ratio of eligible own funds to MCR** | R0640 | 4.12 | | | | |

| | | C0060 |
|---|---|---|
| **Reconciliation reserve** | | |
| Excess of assets over liabilities | R0700 | 408,542 |
| Own shares (held directly and indirectly) | R0710 | - |
| Foreseeable dividends, distributions and charges | R0720 | 15,000 |
| Other basic own fund items | R0730 | 43,537 |
| Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds | R0740 | - |
| **Reconciliation reserve** | **R0760** | **350,005** |
| Expected profits | | |
| Expected profits included in future premiums (EPIFP) – Life business | R0770 | - |
| Expected profits included in future premiums (EPIFP) – Non-life business | R0780 | 41,666 |
| **Total expected profits included in future premiums (EPIFP)** | **R0790** | **41,666** |

**S.25.01.21** Solvency capital requirement - for companies that use the standard formula

| | | Gross solvency capital requirement | Company-specific parameters | Simplifications |
|---|---|---|---|---|
| | | C0030 | C0040 | C0050 |
| Market risk | R0010 | 106,446 | - | - |
| Counterparty default risk | R0020 | 5,273 | - | - |
| Life underwriting risk | R0030 | - | - | - |
| Health underwriting risk | R0040 | 4,123 | - | - |
| Non-life underwriting risk | R0050 | 201,179 | Standard deviation of risk premium for non-life; | - |
| Diversification | R0060 | (63,786) | - | - |
| Intangible asset risk | R0070 | - | - | - |
| Basic Solvency Capital Requirement | R0100 | 253,234 | - | - |

| | | C0100 |
|---|---|---|
| Operational risk | R0130 | 29,749 |
| Loss-absorbing capacity of technical provisions | R0140 | - |
| Loss-absorbing capacity of deferred taxes | R0150 | (70,746) |
| Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC | R0160 | - |
| **Solvency capital requirement excluding capital add-on** | R0200 | **212,237** |
| Capital add-on already set | R0210 | - |
| **Solvency capital requirement** | R0220 | **212,237** |
| **Other information on SCR** | | |
| Capital requirement for duration-based equity risk sub-module | R0400 | - |
| Total amount of Notional Solvency Capital Requirements for remaining part | R0410 | 212,237 |
| Total amount of Notional Solvency Capital Requirements for ring-fenced funds | R0420 | - |
| Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios | R0430 | - |
| Diversification effects due to RFF nSCR aggregation for Article 304 | R0440 | - |

**S.28.01.01** Minimum capital requirement – Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

| | | C0010 |
|---|---|---|
| $MCR_{NL}$ result | R0010 | **132,913** |

| | | Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance) written premiums |
|---|---|---|---|
| | | C0020 | C0030 |
| Medical expense insurance and proportional reinsurance | R0020 | 5,837 | 18,582 |
| Income protection insurance and proportional reinsurance | R0030 | - | - |
| Workers' compensation insurance and proportional reinsurance | R0040 | - | - |
| Motor-vehicle liability insurance and proportional reinsurance | R0050 | 372,539 | 387,327 |
| Other motor insurance and proportional reinsurance | R0060 | 190,971 | 433,462 |
| Marine, aviation and transport insurance and proportional reinsurance | R0070 | - | - |
| Fire and other damage to property insurance and proportional reinsurance | R0080 | 54,907 | 153,520 |
| General liability insurance and proportional reinsurance | R0090 | - | - |
| Credit and suretyship insurance and proportional reinsurance | R0100 | - | - |
| Legal expenses insurance and proportional reinsurance | R0110 | - | - |
| Assistance and proportional reinsurance | R0120 | 226 | 1,659 |
| Miscellaneous financial loss insurance and proportional reinsurance | R0130 | - | - |
| Non-proportional health reinsurance | R0140 | - | - |
| Non-proportional casualty reinsurance | R0150 | - | - |
| Non-proportional marine, aviation and transport reinsurance | R0160 | - | - |
| Non-proportional property reinsurance | R0170 | - | - |

*I, Pablo González-Schwitters Grimaldo, in my capacity as secretary of the Board of Directors of LINEA DIRECTA ASEGURADORA S.A, COMPAÑÍA DE SEGUROS Y REASEGUROS, with tax ID number (CIF) A-80871031 (the "Company"), hereby CERTIFY that, according to the minutes for the meeting of the Board of Directors of the Company held on 25 March 2025, the Board of Directors has adopted the RESOLUTION to approve the Solvency and Financial Condition Report for financial year 2024 contained in this document, which comprises 89 pages (including this one), all of which I have endorsed.*

*Pablo González-Schwitters Grimaldo*

*Secretary to the Board of Directors*