Telefónica Seguros

Solvency and Financial Condition Report

For the financial year ended on 31 December 2023

Telefónica Seguros y Reaseguros Compañía Aseguradora, S.A.U.

25 March 2024

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INTRODUCTION:

This document is framed within the requirements established in Law 20/2015 of 14 July on the Regulation, Supervision and Solvency of Insurance and Reinsurance Entities, and implements the Solvency and Financial Condition Report (SFCR) of Telefónica Seguros y Reaseguros Compañía Aseguradora, S.A.U., hereinafter Telefónica Seguros, the Insurer or the Entity, as of 31 December 2023, which has been sent to the Directorate General of Insurance and Pension Funds (DGSFP) and published on the Insurer's website.

To address the content in accordance with the current regulations, this report is set out in the following sections:

A. ACTIVITY AND RESULTS
B. GOVERNANCE SYSTEM
C. RISK PROFILE
D. ASSESSMENT FOR SOLVENCY PURPOSES
E. CAPITAL MANAGEMENT

ANNEX: QUANTITATIVE INFORMATION

EXECUTIVE SUMMARY:

Telefónica Seguros is wholly owned by the Telefónica Group, which holds its stake through the parent company, Telefónica Luxembourg Holding Group.

The Spanish-based insurer has 14 years of experience and currently has a portfolio of 1.6 million policyholders. It operates in Spain, the United Kingdom, Germany and Brazil, in the Non-Life business, and is authorised in the branches of Other Damage to Property, Fire and other damage to property insurance, Miscellaneous Pecuniary Losses, General Liability, Accidents, Legal Defence and Assistance.

The Entity's main line of business is the insurance of mobile devices, which covers accidental damage, theft of insured terminals and the cost of fraudulent calls in the event of theft.

The key figures of Telefónica Seguros as at 31 December 2023 are set out below:

- The entity saw an increase of 4.4% in Gross Earned Premium and accepted reinsurance premiums earned compared to 2022, which at year-end 2023 amounted to €161,192,000 (€154,410,000 in 2022). Mobile device insurance business accounts for 96% of premiums earned (97% in 2022), and the Entity's main market is the UK, which accounts for 64% of total premiums earned in 2023 (69% in 2022).

Item	Spain*	Germany	United Kingdom	Total
Premium Accrued	29.552	28.333	103.306	161.192
% Breakdown	18%	18%	64%	100%

* Includes the Brazil business as Accepted Reinsurance (3,871).

In thousands of Euros

- The entity mitigates much of its underwriting risk through reinsurance agreements with various reinsurance entities. The ceding percentage has decreased compared to 2022 and was 54% by the end of 2023.

Reinsurance Ceding Ratio	2023	2022	Change
Ceding to Reinsurance of Premiums	54%	63%	-9%

- The Loss Ratio for 2023 increases slightly compared to the previous year:

Claims Ratio	2023	2022	Change	%
Net Allocated Reinsurance Premiums	68.025	54.345	13.680	25%
Net Reinsurance Claims	24.837	18.178	6.659	37%
Claims Ratio	**37%**	**33%**	**3%**	

In thousands of Euros

Net income from financial investments amounted to €1,548,000, an increase of €1,521,000 over the previous year, mainly due to the good performance of the financial markets, while the net exchange differences borne by the company amounted to €454,000, in line with the previous year.

Investment income	2023	2022	Change
Net Income from Financial Investments	1.548	27	1.521
Net Exchange Rate Income	-454	-433	-17
Total	**1.094**	**-406**	**1.504**

In thousands of Euros

- The expense ratio decrease slightly compared to the previous year, the strong increase in earned premiums being offset by an increase in expenses and commissions:

Expenses Ratio	2023	2022	Change	%
Net Allocated Reinsurance Premiums	68.025	54.345	13.680	25%
Costs and fees	39.935	30.477	9.459	31%
Expenses Ratio	**59%**	**56%**	**3%**	

In thousands of Euros

- The Entity's combined ratio stands at 95% for 2023, with an increase of 5% compared to the end of 2022.

Combined Ratio	2023	2022	Change
(Claims + Expenses) / Allocated Premiums	95%	90%	5%

- The Entity’s pre-tax profit for the 2023 financial year stands at €4,782,000 compared to €5,285,000 for the 2022 financial year, which is a fall of €503,000.

Result	2023	2022	Change	%
Profit before Tax	4.782	5.285	-503	-10%

In thousands of Euros

The Entity’s Governance System has been designed taking into account the insurance regulations and the nature, complexity and volume of the business operations, ensuring the sound and prudent management of the Entity.

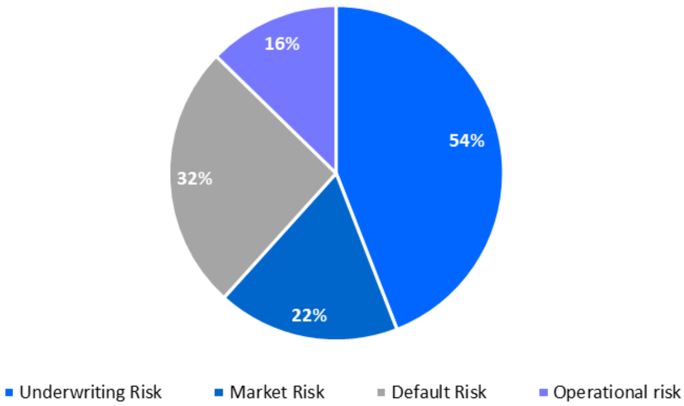
The structure encompasses the company’s supervisory, management and administrative bodies, which are made up of its governing bodies: General Meeting of Shareholders, Board of Directors, Audit Committee, Governance Committee, Executive Committee, Investment Committee, Product Committee, Operational Resilience and Crisis and Change Management Committee, responsible for the distribution function, all responsible for ensuring sound and prudent management and compliance with the Company's Policies.

The Risk Management system of Telefónica Seguros is in keeping with the principles defined in the Telefónica Group's Risk Management System. The Group's Risk Management Framework is in keeping with the recommended practices of Internal Control (COSO1 II Report and BS311002 Draft Code of Risk Management Practices) and it implements the Telefónica Group's Business Principles concerning risk management. In addition, the recommendations on Good Corporate Governance relating to risk management have been taken into account.

Telefónica S.A. and its operating companies must implement a process for the early identification, management and notification of risks, with management responsibility for the identification and management of risks in their business areas.

Telefónica Seguros calculates the capital requirements (SCR) as per the standard formula. The Solvency Capital Requirement calculation is in the amount of €30,416,000 (€28,219,000 in 2022). The Entity's risk profile is characterised by the predominance of the underwriting risk, followed by default risk and market risk.

A summary of the risk profile of Telefónica Seguros before correlations appears below:



The Entity complies with the Solvency II regulation in the drawing up of the Economic Balance Sheet, which requires the assets to be valued at the amount for which they could be exchanged between willing and duly informed parties in an arm's length transaction. The financial statements are valued in accordance with the rules of the Chart of Accounts of Insurance Companies.

A summary of the values of the assets and the liabilities in accordance with the Solvency principles is provided below:

Economic Balance Sheet	2023	2022	Change	%
Assets	166.436	160.496	5.940	4%
Passive agents	87.329	88.983	-1.654	-2%
Available Capital and Reserves	**79.107**	**71.513**	**7.594**	**11%**

In thousands of Euros

Telefónica Seguros implements a Capital Management Policy which sets out the main goals to ensure adequate management of its capital and reserves and the items that constitute them. At the end of 2023, the Entity has a Solvency ratio of 260%, which complies with the risk appetite thresholds approved by the Board of Directors.

Solvency Ratio	2023	2022	Change
Available Capital and Reserves	79.107	71.513	11%
SCR	30.416	28.219	8%
Mandatory Solvency Ratio	**260%**	**253%**	**7%**
Available Capital and Reserves for MCR	79.496	70.952	12%
MCR	7.690	7.055	9%
Minimum Solvency Ratio	**1034%**	**1014%**	**20%**

In thousands of Euros

A. ACTIVITY AND RESULTS:

A.1. ACTIVITY:

Telefónica Seguros was incorporated in Luxembourg on 15 December 2004 as a public limited company and it was registered in the "Registre de Commerce et des Sociétés de Luxembourg" in section B, under number 105162. The company, initially called Altair Assurances S.A., changed its name to Telefónica Insurance S.A. in December 2011.

On 9 April 2021, the company's registered office was relocated to Spain and it changed its name to Telefónica Seguros y Reaseguros Compañía Aseguradora S.A.U., entered in the Mercantile Register of Madrid.

The registered office was relocated without any loss or dissolution of the company's legal personality and without the creation of a new legal entity, ceasing to be a Société Anonyme governed by Luxembourg law and continuing its activities as a public limited company under Spanish law.

The object of the company is to carry out insurance and reinsurance operations for all types of risks except life insurance. The registered office is located at Ronda de la Comunicación S/N, Edificio Oeste 2, 2ª Planta, 28050, Madrid, Spain.

In addition to Spain, Telefónica Seguros operates in the UK, Germany and Brazil, through its head office and branches in the UK and Germany.

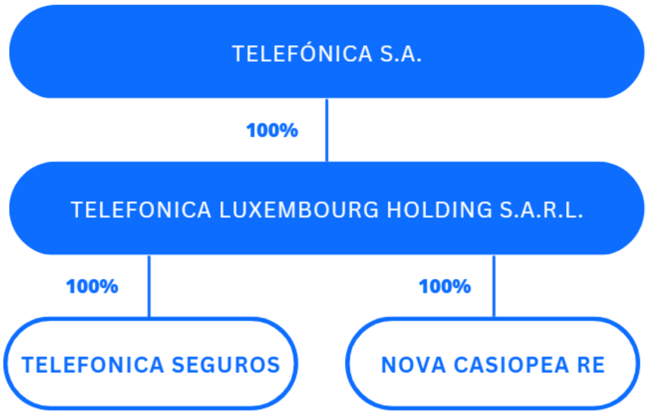
- United Kingdom:
  Telefonica Insurance UK Branch, 120 New Cavendish Street, London, W1W 6XX, registered in the United Kingdom under foreign company registration number FC029774 and UK incorporation number BR014757. The Company is regulated by the Financial Conduct Authority (FCA), which oversees the conduct of all financial firms in the UK, and by the Prudential Regulation Authority (PRA), which primarily assesses its financial soundness, and resilience to adverse scenarios, under code FRN 430933.

- Germany:
  Telefónica Insurance S.A., Georg-Brauchle-Ring 50, 80992 Munich, HRB No. 198107. The Company is regulated by the Federal Financial Supervisory Authority (BaFin), which regulates the conduct of companies in Germany. (BaFin Reg. No. 5157).

The company's appointed auditor is PricewaterhouseCooper Auditores, S.L., domiciled at Paseo de la Castellana 259, B, 28046 Madrid.

The annual accounts of Telefónica Seguros are included in the financial statements of Telefónica S.A., the parent company of the Telefónica Group, domiciled at Gran Vía 28, 28013 Madrid, Spain.

Telefónica Seguros forms part of the Telefónica Group, a diversified telecommunications group that offers a wide range of digital services through one of the largest and most modern telecommunications networks in the world, the purpose of which is to provide telecommunications services and operate chiefly in Europe and Latin America. The organisation chart is as follows:



Telefónica Seguros offers innovative insurance policies linked to the telecommunications and digital services provided by the Telefónica Group. The company specialises in the insurance of mobile devices, with more than 1.6 million mobile phones and tablets insured in Europe. The company also participates in the Telefónica Group's Risk Management, taking out insurance policies to cover the Group's subsidiaries domiciled in the European Union.

The business principles of Telefónica Seguros seek to establish, foster and maintain high standards of corporate responsibility in everything the company performs by means of its operations, including promoting and ensuring good product standards. Telefónica Seguros believes that this makes sense from a commercial standpoint, but also that it has the potential to put the customer centre stage, with the aim of offering services and solutions to achieve its full satisfaction and contribute to sustainable development.

Telefónica Seguros applies a set of general principles based on honesty, integrity, trust and respect for the law, that define the way in which the company conducts its activities and relationships. The entity firmly abides by and supports the principles of the United Nations Universal Declaration of Human Rights, as well as the declarations of the International Labour Organisation, and it does not tolerate, either directly or indirectly, any type of child labour, forced labour, threats, coercion, abuse, violence or intimidation in its working environment.

A.2. UNDERWRITING RESULTS:

Telefónica Seguros operates in the Non-Life branch and in the following lines of business:

- Fire and other damage to property.
- Other property damage.
- Miscellaneous financial loss.
- General liability.
- Assistance.
- Accidents.
- Legal defence

Telefónica Seguros has more than 14 years' experience in the insurance of mobile devices, insuring mobiles and tablets, grouped together in the "Other damage to property" line of business.

The premiums earned from direct insurance and accepted reinsurance in the 2023 financial year total €161,192,000, an increase of 4% compared with 2022. 96% of the premiums earned come from the mobile device insurance business (97% in 2022).

	2023	2022	Change	%
Premiums earned	161.192	154.410	6.782	4%

In thousands of Euros

As mentioned above, in addition to Spain, Telefónica Seguros operates in the UK, Germany and Brazil. The entity has branches in Germany and the United Kingdom and it operates in accepted (proportional) reinsurance in Brazil.

Quantitative information regarding the underwriting results for the 2023 financial year by geographical areas is presented below:

Thousands of €	Spain*	Germany	United Kingdom	Total
Premiums earned	29.552	28.333	103.306	161.192
% Breakdown	18%	18%	64%	

* Includes the Brazil business as Accepted Reinsurance (€4,325.000).

In 2023, the UK accounted for 64% of total direct premiums earned (69% in 2022), Germany 18% (14% in 2022) and Spain 18% (20% in 2022).

The reinsurance ceding rate for 2023 was 54% compared with 63% ceding in the previous year. Telefónica Seguros is characterised by a very active reinsurance policy, which optimises reinsurance contracts on the basis of the underwriting risk set by the entity.

Reinsurance Ceding Ratio	2023	2022	Change
% Ceding to Reinsurance of Premiums	54%	63%	-9%

The allocated premiums net of reinsurance ceded in 2023 amount to €68,025,000, representing an increase of 25% compared to the previous year (€54,345,000 in 2022).

In thousands of €	2023	2022	Change	%
Net Allocated Reinsurance Premiums	68.025	54.345	13.680	25%

In thousands of Euros

The figure for net reinsurance imputed premiums for 2023 increases mainly due to higher retention.

The net loss ratio of the ceded reinsurance stands at €24,837,000 at the end of 2023, which represents an increase of 37% compared to 2022 (€18,178,000).

The claims ratio for the financial year 2023 is 37%, increasing by 4% compared to 2022.

Claims Ratio	2023	2022	Change	%
Net Allocated Reinsurance Premiums	68.025	54.345	13.680	25%
Net Reinsurance Claims	24.837	18.178	6.659	37%
Claims Ratio	**37%**	**33%**	**3%**	
In thousands of Euros				

The expense ratio is 59 % at year-end 2023. This was 3% higher than the previous year, mainly due to the increase in fees and commissions.

Expenses Ratio	2023	2022	Change	%
Net Allocated Reinsurance Premiums	68.025	54.345	13.680	25%
Costs and fees	39.935	30.477	9.459	31%
Expenses Ratio	**59%**	**56%**	**3%**	
In thousands of Euros				

The net combined ratio stands at 95% in the 2023 financial year, an increase of 5% compared to the figure for financial year 2022.

Combined Ratio	2023	2022	Change
(Claims + Expenses) / Allocated Premiums	95%	90%	5%

The profit for the year, before tax, amounts to €4,782,000, which represents a decrease of 10% compared to the end of the 2022 financial year (€5,285,000).

Result	2023	2022	Change	%
Profit before Tax	4.782	5.285	-503	-10%
In thousands of Euros				

Quantitative information regarding the underwriting results for the 2023 financial year by countries is presented below:

TECHNICAL ACCOUNT-NON-LIFE INSURANCE	SPAIN	GERMANY	UNITED KINGDOM	BRAZIL	TOTAL
Premiums allocated to the year, net of reinsurance	10.346	7.953	45.855	3.871	68.025
Net Operating Costs	-5.684	-340	-22.363	-2.498	-30.885
Other Income and Technical Expenses	-3.698 -	3.362	-1.554	0	-8.614
Net Reinsurance Claims	-2.630	-2.111	-19.510	-586	-24.837
Financial Results	927	0	167	0	1.094
Results of the Non-Life Technical Account	**-740**	**2.140**	**2.595**	**787**	**4.782**
In thousands of Euros	-15%	45%	54%	16%	100%

As mentioned above, 96% of the business comes from the mobile device insurance business. Together with the other businesses, the company has obtained a pre-tax profit for the year of €4,782 thousand.

A.3. RETURN ON INVESTMENTS:

The year 2023 has been marked by central banks raising interest rates in order to reduce the high inflation coming out of the year 2022, as well as the increase of geopolitical fronts in the Middle East in addition to those already existing in Eastern Europe.

Thus, in September, interest rates for the euro reached 4.50%, levels not reached for more than 20 years. This behaviour has been similar to that of the Federal Reserve in the United States, setting an annual high of 5.25%, also unseen for more than 20 years. As a result, aggressive central bank policies have led to a reduction in inflation by 2023. In the case of Spain, inflation fell from 5.80 per cent to 3.10 per cent, while in the euro area it has fallen from 9.20 per cent to 2.90 per cent. On the other hand, the United States has achieved a reduction from 6.50% to 3.40%.

Volatility in financial markets has been quite evident. The MSCI World closes the year with a performance of more than 15%, while the Eurostoxx 50 grows more than 19% during the year. Fixed income, on the other hand, has also benefited from the macroeconomic context where the curves have been inverted, with shorter maturities benefiting, and the increase in yields on Investment Grade bonds. For reference, Spain's 10-year bond yields were as high as 4.00%.

The performance of the Telefónica Seguros portfolio.

Asset Type	Portfolio 31/12/2023	%
Monetary and Fixed Income	51,97	85,53%
Variable Income	6,53	10,75%
Alternative Investment	13	0,01%
Real Estate and Infrastructure	2,13	3,51%
TOTAL PORTFOLIO	**60,76**	**100%**
Millions of euros		

Of the total Financial Investments, which amount to 71.33 million euros, 10 million euros are assigned to Operational Treasury and 0.55 million euros belong to the valuation of the derivative.

The company's Investment Policy seeks to secure the financial assets and deploy allocations to instruments that offer limited volatility and risks and high liquidity. Investment in fixed income and money markets may not be less than 50% of the total portfolio, with a total duration not exceeding 2 years. Besides, the maximum investment in equities is 40%, a maximum of 5% in alternative investments, the same goes for real estate and infrastructure.

A.4. RESULTS OF OTHER ACTIVITIES:

No other activity was recorded in 2023.

A.5. ANY OTHER INFORMATION:

There is no other relevant information, except:

Consequences of the war in the Middle East and the war in Ukraine.

As at the date of approval of the SFCR, the entity's Board of Directors considers that there are no material uncertainties that may cast doubt on the company's ability to continue as a going concern, but it recognises that future developments are uncertain.

B. GOVERNANCE SYSTEM:

B.1. GENERAL INFORMATION ON THE GOVERNANCE SYSTEM:

The objective of the Governance System is to ensure healthy and prudent management of the entity. Its two fundamental principles are effectiveness and proportionality within the framework of an Internal Control structure that guarantees compliance with policies, the efficiency and effectiveness of operations, and the availability and reliability of financial and non-financial information. To achieve the above with reasonable certainty, the objectives are strategic: operational control and monitoring, information, communication and compliance.

The Company's governance system is aligned with the Guidelines of the European Insurance and Occupational Pensions Authority (EIOPA).

1. Management and administration of the company:

Telefónica Seguros, as an insurance and reinsurance company, has a system of governance that guarantees the sound and prudent management of its activity, which is appropriate to the nature, volume and complexity of its operations. The structure encompasses the company's supervisory, management and administrative bodies, as outlined below:

General Shareholders' Meeting. This is the highest deliberative body of the Company, through which the corporate will is expressed, and the shareholders exercise their right to take part in the Company's decision-making. The shareholders acting at the General Shareholders' Meeting have the power to deliberate and adopt resolutions on all matters reserved to them by law and the Articles of Association and, in general, all matters that fall within the scope of the powers vested by law in the shareholders, as submitted to the General Shareholders' Meeting at the request of the Board of Directors and the shareholders themselves, in the cases and in the manner provided for in the law and the Articles of Association.

Board of Directors. In accordance with the provisions of the law and the Articles of Association, this is the highest administrative and representative body of the Company. It is thus empowered to carry out, within the scope of the corporate purpose as defined in the Articles of Association, any legal acts or transactions of administration and disposal, on any legal basis, except for those reserved by law or the Articles of Association to the exclusive competence of the General Shareholders' Meeting. The powers reserved exclusively by law or the Articles of Association to the Board of Directors, and any other powers required for the responsible exercise of its basic supervisory and control functions, may not be delegated. Specifically, the Board of Directors of the company approves its general policies and strategies, in particular:

- Strategic plans and annual management and budget targets.
- Definition of the general risk structure of the Company Group.
- Investment Policy.
- Underwriting Plan.
- Product Management Policy.
- Corporate Governance Policy.

The Board of Directors organises the implementation of the Company's policies and strategies through the following bodies:

- The Audit and Control Committee. It monitors the effectiveness of the company’s internal control, governance systems and risk management.
- Governance Committee. The Governance Committee is in charge of the overall governance of the company.
- The Executive Committee. This makes all the decisions relevant to the implementation of the company’s strategic plan.
- The Investment Committee. This is responsible for the management of the investment portfolio in compliance with the company’s Investment Policy.

This organisation provides the Board of Directors with greater efficiency in the performance of its functions, providing it with the necessary support through the work it carries out and ensuring the appropriate separation of functions and responsibilities.

Audit and Control Committee. Its functions include:

- To monitor the effectiveness of the Entity’s internal control, the internal audit and the governance and risk management systems and to discuss any significant weaknesses of the internal control system with the external auditor.
- To supervise the process for the drawing up and presentation of the mandatory financial information and to submit recommendations or proposals aimed at safeguarding its integrity to the management body.
- To submit proposals for the selection, appointment, re-election and replacement of the account auditor to the Board of Directors, taking responsibility for the selection process.
- To establish the appropriate relations with the external auditor in order to receive information on any matters that may threaten the auditor's independence, for examination by the committee, and any other matters related to the process of carrying out the auditing of the accounts.
- Prior to the submission of the accounts audit report, to submit an annual report expressing an opinion on whether the independence of the account auditor or auditing company has been compromised. In any event, this report must contain the assessment resulting from the provision of each and every one of the additional services referred to in the point above, individually and as a whole, for services other than the statutory audit and with regard to the independence requirements or the regulatory standards on the account auditing activity.
- To receive regular information on the activities of the Internal Audit Function and check that Management takes into account the findings and recommendations of the Internal Audit reports.

Without detriment to the other functions assigned to it, the Audit and Compliance Committee must receive a report from the external auditors demonstrating the state of independence required of them for the performance of the audit.

Governance Committee:

The Solvency II Directive stipulates that insurance companies may create an Administrative, Management or Supervisory Body for matters relating to the governance of the company.

The Governance Committee meets whenever it deems it appropriate or suitable to do so to ensure the timely monitoring of Solvency II-related matters, and, in any event, at least twice a year.

The activities and assessments carried out by the Governance Committee shall be recorded in the relevant minutes, which shall be distributed and made constantly available to the directors.

The main competences of this Committee shall be as follows:

- Through its members, to interact with the established functional committees and the key functions of the company in order to compile adequate knowledge of the company's structure and business model.
- To participate in the development and maintenance of the ORSA model.
- To review the annual actuarial report and take the appropriate measures to remedy any identified deficiencies.
- To ensure that the company complies with the policies set out in the Solvency II Directive by reviewing them at least once a year.
- To discuss and approve the internal review of the Governance System.

Executive Committee. The Executive Committee makes all the decisions relevant to the implementation of the company's strategic plan. It meets twice a month and its main topics of discussion include:

- Updates on legal issues.
- Updates of Business Development and Operations issues.
- Reviews of Objectives.
- Submission of results and forecasts.
- Submission of budgets.
- Submission of the Strategic Plan.
- Submission and monitoring of the Internal Audit Remedial Action Plan.
- Approval of budget items.
- Reviews of business model projects.
- Approval of the company's internal regulations.
- Approval of business projects.

Investment Committee. This is responsible for the management of the investment portfolio in compliance with the company's Investment Policy. It meets at least quarterly. The Committee is responsible for the implementation of the company's investment policy. Its functions include:

- Collaborating in the definition and establishment of the Telefónica Seguros investment policy.
- Making investment and divestment decisions within the framework established by the investment management policy and the management policy approved by the Board of Directors.

- Supervising the correct fulfilment or execution of the different strategies and investment/disinvestment orders.
- Keeping the Board of Directors duly and regularly informed of the investment strategies, their degree of achievement, the level of risk assumed, the results obtained in relation to those expected and any other aspects which are significant for whatever reason.

Product Committee. Delegated committee of the Executive Committee whose main mission is to analyse the viability of new products, as well as monitor and review existing ones, prior to their presentation and approval by the Executive Committee.

The main functions of this Committee are:

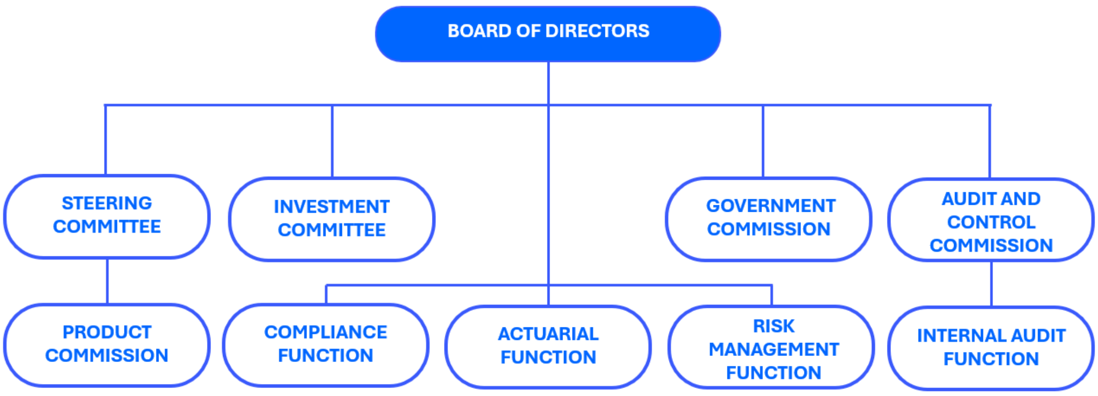
- Carrying out feasibility analyses of new products and their impact on all the company's processes.
- Monitoring of the products to check for any deviation from the Business Plan and to detect any event that could substantially affect the main characteristics of the products.
- Annual product review.

Documentation of the decisions made by the Supervisory, Administrative and Management bodies:

Telefónica Seguros adequately documents the decisions made by the company's Governance Committee and the way in which the information in the risk management system has been taken into account.

Organisation chart:

Telefónica Seguros constantly maintains an updated organisation chart. In accordance with Solvency II requirements, this organisation chart identifies the key functions and outlines the responsibility of each department in relation to the risk management and the internal control system.



Internal review of the governance system:

Telefónica Seguros determines the scope and frequency of the internal reviews of the governance system, taking into account the specific features of the entities (nature, scale, complexity of the business) in individual and group terms.

The scope, findings and conclusions of the review are duly documented and reported to the Governance Committee.

Suitable feedback loops are necessary to ensure that the follow-up actions are carried out and recorded.

Policies:

Telefónica Seguros aligns all the policies required as part of the governance system with each other and with its business strategy. These include, among others, a transparent and appropriate organisational structure with a clear and adequate distribution and separation of functions, as well as effective mechanisms to guarantee the transmission of the information and remuneration practices suited to the characteristics of the entity.

Telefónica Seguros implements the following policies:

- Governance System Framework.
- Fitness and Personal Integrity Policy.
- Actuarial Function Policy.
- Risk Management Function Policy.
- Compliance Verification Function Policy.
- Internal Audit Function Policy.
- Internal Control System Policy.
- Remuneration Policy.
- Product Governance Policy.
- Investment Policy.
- Reinsurance Policy.
- Reserves Risk Policy.
- Underwriting Policy.
- Activity Outsourcing Management Policy.
- Data Quality Policy.
- Information and Reporting Policy.
- Accounting Closure Policy.
- Liquidity and Concentration Policy.
- Information Security Policy
- Privacy Policy

Key functions of the governance system:

The operational structure of the governance system is responsible for identifying any processes involving significant risks, assessing them and establishing how they should operate, including the responsibilities and information flows, in order to ensure that they are adequately monitored and controlled.

The basic functions of the Telefónica Seguros governance system include:

- The risk management function;
- The compliance officer function;
- The internal audit function;
- The actuarial function.

Similarly, the current legislation on Insurance Distribution establishes a new function to replace the Technical Director:

- Manager of the Insurance Distribution activity.

Each of the above functions includes a fundamental and strategic activity, area or function within Telefónica Seguros that is implemented in a cross-disciplinary manner by the different elements that make up the organisation (bodies, departments, people) and which, due to their importance, are included and regulated in its corresponding policies.

B.2. FIT AND PROPER REQUIREMENTS:

Telefónica Seguros has the procedures in place required to ensure that the persons who effectively manage the company or perform other key functions (not limited to the four key functions mentioned in the Solvency II Directive), including the members of the Board of Directors and all the executive and management bodies, meet the fitness and honourability requirements defined by law.

The company takes into account the respective duties assigned to each person to guarantee the appropriate diversity of qualifications, knowledge and relevant experience, in such a way that the company is managed and supervised in a professional manner. In short, the fitness is related to professional competence.

Telefónica Seguros guarantees that the members of the Board of Directors and the members of the executive and management bodies collectively possess the qualifications and experience and knowledge of at least the subjects listed below to enable them to carry out sound and prudent management of the company:

- Financial and insurance markets
- Business strategy and model
- Governance system
- Financial and actuarial analysis
- Regulatory framework requirements

When assessing whether an individual is “suitable”, the company makes an assessment of said person’s honesty and financial integrity based on the relevant evidence concerning his/her character, personal behaviour and business conduct, including criminal, financial and supervisory aspects, regardless of the jurisdiction. The appropriate requirement is formulated as a person of good character and integrity.

Telefónica Seguros keeps an updated register of compliance with the suitability requirements, including the relevant records of all the board members and the company's executives and directors. The register is regularly reviewed by the Governance Committee, which reports on the status of the review to the Board of Directors.

B.3. RISK MANAGEMENT SYSTEM, INCLUDING OWN RISK SOLVENCY ASSESSMENT:

The Risk Management system of Telefónica Seguros is in keeping with the principles defined in the Telefónica Group's Risk Management System. The Group's Risk Management Framework is in keeping with the recommended practices of Internal Control (COSO1 II Report and BS311002 Draft Code of Risk Management Practices) and it implements the Telefónica Group's Business Principles concerning risk management. In addition, the recommendations on Good Corporate Governance relating to risk management have been taken into account. Telefónica S.A. and its operating companies must implement a process for the early identification, management and notification of risks, with management responsibility for the identification and management of risks in their business areas.

From an organisational standpoint, the Risk Management Function plays a fundamental role in the identification of the risks and it will be the coordinator and promoter of the Telefónica Seguros Risk Map.

The Risk Function, constantly in keeping with the provisions of the Telefónica Group's Risk Management policy, will carry out the following activities:

- Coordinating and standardising the risk identification, measurement and reporting methodologies.
- Analysing and aggregating the risk reports.
- Providing the necessary support to the management of Telefónica Seguros in its risk identification, assessment and management function while acting as the local risk management function within the Telefónica Group, as defined in the corporate risk management policy.
- Promoting the building of a risk management culture.
- Assisting the Governance Committee in defining the company's risk appetite.
- Monitoring the risks to check that they lie within the approved tolerance levels and reporting and proposing corrective actions in the event of any deviations.
- Developing, implementing, reviewing and proposing the necessary improvements to the Risk Management process.
- Providing the necessary assistance and support to the relevant departments in the drawing up of the risk information to be included in the Company's reports.
- Providing the Board of Directors, at least once a year, with an overview of the company's main risks and the mitigation strategies related thereto.
- Reporting on the potential material risks to the Governance Committee (convening an emergency meeting if it is deemed necessary to do so).
- Reporting on other risk areas on its own initiative and meeting any requests from the Governance Committee.

The Board of Directors is ultimately responsible for ensuring the effectiveness of the risk management system, establishing the company's risk appetite and overall risk tolerance limits and approving the main risk management strategies and policies, guaranteeing that they are consistent with the structure, size and specific features of the company. It also has to ensure that specific operations which are material and associated risks are covered. Finally, it must guarantee that integrated, coherent and efficient risk management is put in place.

Effective risk management is not only a key component of the internal control system, it also supports and complements the achievement of the business objectives and underpins the commitment of organisations to their shareholders and customers.

Telefónica Seguros implements a risk management procedure that contains the following elements:

- Risk categories and methods for measuring the risks
- An outline of how the company will manage each risk category
- Risk tolerance limits within all the risk categories in line with the company's risk appetite
- Reinsurance and other risk mitigation techniques
- Description of the connection with the solvency requirements assessment (based on the company's ORSA)
- The content and frequency of the regular stress tests
- Heat maps
- Process for the submission of annual reports
- Specific treatment of the materialised risks

The main outcome of the Risk Management Procedure is the company's Risk Map, which is updated at least once a year and reviewed and ratified by the Governance Committee and the Board of Directors.

Own Risk Solvency Assessment

Telefónica Seguros assesses its own short and long-term risks and the amount of funds required to cover them. This assessment, defined as an ORSA (Own Risk Solvency Assessment), is approved by the company's management, administrative and supervisory bodies and reported to the regulator. The ORSA can be defined as "the entirety of the processes and procedures used to identify, assess, monitor, manage and report on the short and long-term risks that a (re)insurance company faces or may face and to determine the capital and reserves required to ensure that the company's overall solvency requirements are met at all times".

The ORSA offers a forward-looking view (typically with a 3 to 5 year time frame adjusted to the Business Plan) of the adequacy of its capital and reserves to cover all the risks to which the entity is or may be exposed. It is updated annually. The results of the ORSA and the underlying assumptions are documented in a specific report. The analysis covers the overall profile of the risks facing the local entity (i.e. those that are subject to SCR, such as underwriting and market, and any other relevant risks, such as strategic reputation and liquidity). The ORSA is approved by the Board of Directors.

B.4. INTERNAL CONTROL SYSTEM:

In line with the Telefónica Group's regulatory framework, Telefónica Seguros has an internal control system that provides reasonable confidence to the company's management and the

Board of Directors in the achievement of its objectives, following the guidelines established by the Group in accordance with the "Internal Control - Integrated Framework" defined by the Committee of Sponsoring Organizations (COSO).

In addition, and in order to address the requirements of the Solvency II regulations, specific to insurance entities, following the recommendations of the Global Institute of Internal Auditors (Global IIA) and the European Confederation of Institutes of Internal Auditors (ECIIA), an Assurance Lines model is established, as a framework aligned with the required Governance System model, given that it defines the different roles that the key control functions (Risk Management Function, Actuarial Function, Compliance Function and Internal Audit Function) must perform within Corporate Governance, as well as the interaction between them.

In this way, internal control is defined as the process carried out by the Board of Directors, Senior Management, Key Functions and the rest of the company's personnel, designed with the aim of providing a reasonable degree of assurance for the achievement of objectives related to operations, information and compliance; through the following fundamental components:

- **Control environment:** set of rules, processes and structures that form the basis of the internal control system.
- **Risk assessment**: process of identification and management of the main risks that may affect the achievement of the company's objectives, determining the action to be taken regarding these risks.
- **Control activities**: actions established to guarantee the execution of the management's instructions and mitigate the risks that may affect the objectives. It includes activities at the different stages of the business processes and at in technological terms.
- **Information and communication**: activities for obtaining and communicating the necessary information so that the organisation can exercise its responsibilities and controls in line with the established objectives.
- **Monitoring activities:** the adequate functioning of the components of the company's internal control system are determined through continuous and/or independent assessments, reporting the most relevant issues to the Board and upper management.

In accordance with applicable corporate governance frameworks, Internal Control and Risk Management considers both financial and non-financial aspects, including operational, technological, legal, social, environmental, reputational and compliance.

As a relevant part of the Internal Control, the Company has established the function of a compliance officer. His/her primary mission is to ensure that the Company, in the course of its activities, abides by and complies with the relevant legislation and regulations of the countries in which it operates and to provide warning of the risk of regulatory weaknesses.

The scope of the Telefónica Seguros Compliance Verification Officer function is as follows:

- To propose the Telefónica Seguros compliance policy. In compliance with the general principles established in the Regulatory Compliance Policy within the framework of the Governance System of Telefónica Seguros.
- To draw up and fulfil an annual compliance plan.

- To identify the applicable regulations in force, those emanating both from the different legal and jurisprudential provisions and from the company's own self-regulation, which affect the operational tasks of Telefónica Seguros, and to assess and anticipate their impact on the processes and procedures.
- To propose the organisational and procedural changes required to ensure adequate management and control of the regulatory compliance risk.
- To maintain updated knowledge of the internal and external regulations that may be applicable to the Entity.
- To maintain an updated regulatory map that will be brought to the attention of the other relevant areas of Telefónica Seguros.
- To monitor the regulatory compliance risks (within the framework of the entity's risk management system) and their associated controls and to keep the monitoring updated.
- To promote personnel training on compliance issues.
- To drive a culture of compliance within the Entity.
- To ensure coordination with the other units and departments of Telefónica Seguros with a view to obtaining and using the information and documentation generated by them.
- To guarantee an adequate structure of the regulatory compliance department of Telefónica Seguros.
- To inform the Board of Directors and the other units and departments of the Entity of the conclusions of each review carried out within the field of regulatory compliance.
- To report any relevant issues to the reviewed units and departments within the Entity and to inform them of any changes in this area owing to which they need to implement adaptations.
- To keep a record of the incidents detected at Telefónica Seguros and its branches with respect to the regulatory compliance function, reporting, at least on an annual basis, to the Board of Directors. In particular, any incident that must be reported to the Board due to its relevance shall be registered, as well as any information to third parties whenever required.
- To regularly report to the Entity's Board of Directors on regulatory compliance issues in relation to the prospective management of the non-compliance risk management with regard to the relevant regulatory projects that are underway.
- To immediately report any attempt to obstruct the performance of his/her duties.
- To make a proposal to review and update (as appropriate) the compliance policy on an annual basis, for submission to the Board of Directors and its subsequent approval.

The Compliance Officer draws up an annual report that includes a checklist outlining the regular reports required by the general and sectoral legislation. The report is submitted to the Governance Committee and ultimately approved by the Board of Directors.

B.5. INTERNAL AUDIT FUNCTION:

Telefónica Seguros outsources the internal audit function to the Telefónica Group's Corporate Audit.

Telefónica, S.A. has a modern concept of the internal audit, conceived as the body that advises the management in the search for the best way of achieving greater efficiency by improving the organisation's policies, methods, processes and procedures. The Internal Audit should act independently and without any hierarchical authority or functional link to the audited units. The "Internal Audit Corporate Function Statute" states that: "The Internal Audit will appear in the organisational structure as a body under the General Secretariat that will report hierarchically and functionally to the Audit and Control Committee of the directors, to whom it will report on the results of its work. It shall not have any hierarchical or functional link to the audited units."

The primary objective of Internal Audit shall be to provide support to the Board of Directors and the Management in their responsibilities related to ensuring the governance, risk management and internal control system of the Group and its companies. Internal Control consists of all the processes that provide reasonable assurance of:

- Compliance with laws, regulations and internal rules;
- The reliability of the information;
- The effectiveness and efficiency of the operations;
- The integrity of the company's assets;

Each year the Audit and Control Committee shall approve a Work Plan for the Corporate Internal Audit Directorate in which the strategy of the Telefónica Group as a digital telecommunications company shall be considered: This will include, among others, the following responsibilities:

- The drawing up of an annual internal audit work plan for the Telefónica Group, taking into account the new businesses and the evolution of the digital area and using an adequate methodology based on an assessment of the risks in order to define the priorities of the internal audit activity.
- A regular review of the different Group functions and companies in order to verify that they comply with the internal regulations and procedures (regarding management, organisation, and quality) approved by the Management, and that said functions are performed in an effective and efficient manner.
- Verification and analysis of the correction of the accounting and operational Internal Control Systems.
- Review of controls aimed at the protection of the assets of the Group's companies.
- Identification of the problems and improvement opportunities in the course of the operational audit examinations performed.
- Verification of the existence of adequate controls in the information systems.
- Review of the compliance with the internal corporate governance regulations and the Group's Code of Ethics.
- Provision of the consultancy services requested by the Management that fall within the function of the Internal Audit activity, in accordance with the "International Standards for the Professional Practice of Internal Auditing".

- At any time, within the remit of the Internal Audit function, any other specific issues/investigations of interest to the Board of Directors or Management: legal compliance, reports and lawsuits (litigation, theft, etc.), attention to the complaints channel, analyses of suppliers, customers, problems of fraud, etc.

The internal audit activity shall comply with the "International Standards for the Professional Practice of Internal Auditing" and its Code of Ethics. For this reason, the internal auditors, in addition to the Company's Code of Ethics, shall also comply with the principles and standards of conduct that are mandatory for internal auditors, namely: Integrity, Objectivity, Confidentiality and Diligence.

In the audit of Telefónica Seguros, the internal audit department shall pay particular attention to the policies and procedures listed in the Solvency II Directive and the Company's general adaptation to this Directive. In this respect, the internal audit function monitors the following aspects:

Tier 1:

The Internal Audit function assesses the design and effectiveness of the controls existing in the process for obtaining the quantitative items that form part of Pillar I: Balance Sheet, Solvency Capital Requirements and Minimum Capital Requirements.

Tier 2:

The Internal Audit function assesses the following aspects of the governance system:

- The decision-making process and the organisational structure.
- The flow of information and communication between the different tiers of the company.
- The written policies on risk management, internal control, outsourcing and any other policies required by the Solvency II Directive.
- The means verifying compliance with the objectives of the governance system and the means to identify and assess the emerging risks.
- Verification of the existence of suitable controls in the information systems, an examination of the existing measures and assurance of continuity and regularity in the performance of the company's activities.
- Identification of problems and opportunities for improvement when conducting the internal audit of the governance system.
- An assessment of the risk management system and the procedures in place within the company to ensure compliance with the applicable regulations.
- The monitoring of the internal control systems to guarantee the quality of the data used in the company's important processes

Tier 3:

The Internal Audit function oversees compliance with the obligations to submit reports to the competent Supervisory Authority and to publish the annual report on the company's solvency and financial position, as well as the quantitative models, as appropriate.

In 2022, a five-year audit plan for 2020-2024 was submitted as a result of a risk assessment. The Internal Audit Department regularly reports to the Audit and Internal Control Committee.

B.6. ACTUARIAL FUNCTION:

The Actuarial Function at Telefónica Seguros is carried out by people with sufficient knowledge and experience of actuarial and financial mathematics and statistics.

Their responsibilities include:

- Validating the work related to the design and technical feasibility of the insurance products and the technical notes,
- Coordination of the calculation of the technical provisions,
- Verifying the adaptation of the methodologies to the risk profile of Telefónica Seguros and the applicable legislation, as well as the assumptions used in the calculation of the technical provisions,
- Conducting analyses of the estimates with the prior experience.
- Reporting to the Board of Directors on the reliability and fitness for purpose of the calculations of the technical provisions, in legal terms and in accordance with the risk profile of Telefónica Seguros,
- Verifying that Telefónica Seguros y Reaseguros has internal processes and procedures in place to ensure the fitness for purpose, completeness and accuracy of the data used in the calculations of the technical provisions,
- Support for the calculation of the Solvency Capital Requirement (SCR) for underwriting.
- Making a statement on the general underwriting policy, in terms of:
    - The sufficiency of the premiums to be allocated to cover future claims and expenses, bearing in mind, in particular, the underlying risks (including underwriting risks) and the impact of the options and guarantees included in the insurance and reinsurance contracts regarding the sufficiency of the premiums;
    - The effect of inflation, the legal risk, changes in the composition of the company’s portfolio and systems that adjust the premiums paid by the policyholders upwards or downwards depending on their claims history (bonus-malus systems) and similar systems applied in specific homogeneous risk groups;
    - The progressive tendency of a portfolio of insurance contracts to attract or retain insured persons with a higher risk profile (anti-selection).
- To make a statement on the adequacy of the reinsurance arrangements whenever they are applicable, with regard to:
    - The company’s risk profile and underwriting policy.
    - The reinsurance providers, taking into account their solvency.
    - The expected coverage in stress scenarios in relation to the underwriting policy.
    - The calculation of the amounts recoverable from reinsurance contracts and special purpose vehicles.
- Coordinating the calculations of the technical provisions and the review of the quality of the data, assessing their adequacy and methodology and the assumptions for their calculation, providing recommendations to the Governing Body in its Actuarial Function

Report. It will therefore review the defined procedures related to data quality compliance.

- At least on an annual basis, the Actuarial Function shall draw up a report including the suitability of the data quality for the calculations of the technical provisions.

The company outsources part of the work outlined above to authorised independent actuarial consultants. Telefónica Seguros contracts the services of PRS to provide support in the calculation of the MCR and SCR, and the services of Área XXI S.A. to support the work of calculating product prices.

B.7. OUTSOURCING:

Under Solvency II, (re)insurance companies remain fully liable for the fulfilment of all their obligations when they outsource functions and activities, including cloud services. All the functions and activities can be outsourced, both internally (to a parent or sister company) and externally, taking into account the suitability requirements and the need for independence (internal audit). The only function that cannot be outsourced is the direction and management of the company, i.e. the Board of Directors. The supervisory authorities must be notified prior to the outsourcing of critical or important functions or activities, as well as of any subsequent significant developments in relation to such functions or activities.

Any decision to outsource critical or important operational functions, or activities to service providers in the cloud is based on a comprehensive risk assessment, including all the relevant risks involved in the agreement, such as information and communication technology (ICT), business continuity, legal matters and compliance, concentration, other operational risks and risks associated with the data migration and/or the implementation phase, as appropriate.

Functions cannot be outsourced if the outsourcing could:

- Materially impair the quality of the Telefónica Seguros governance system;
- Unduly increase the operational risk;
- Affect or impair the ability of the supervisory authorities to verify Telefónica's compliance with its obligations;
- Affect the provision of a continuous and satisfactory service to the policyholders.

The service provider may be a supervised entity, an entity belonging to the same group as Telefónica Seguros or otherwise, and it may be located in the EU or outside it (United Kingdom). The selection process for a supplier must meet the requirements outlined below.

Telefónica Seguros shall determine whether the activity or function to be outsourced is regarded as critical or important and, if so, this policy would be applied.

In the assessment, it should be taken into account:

- Whether the outsourced operational function or activity (or part thereof) is performed on a recurring or ongoing basis;
- Whether this operational function or activity (or part thereof) would normally fall within the scope of the operational functions or activities that would or could be performed by the company in the ordinary course of its activities, even if the company has not performed this operational function or activity in the past.

The managers of the critical function or activity shall be responsible for its monitoring and the assessment of the service provider's performance and results. Outsourcing does not exempt the person responsible for the function or activity from carrying it out successfully and meeting its goals.

The activities subject to outsourcing have been assessed as Critical or Important in accordance with the internal Outsourcing Policy, corresponding to the following considerations:

Critical functions/activities subcontracted:

The following functions or activities may be regarded as critical:

- Risk management.
- Compliance.
- Internal audit.
- The actuarial function.
- Investments and portfolio management.
- Any other function or activity that affects the governance system, increases the operational and/or financial risk or changes the provision of a continuous and satisfactory service to the policyholders of Telefónica Seguros.

Important functions/activities subcontracted:

Important activities shall be all those identified in the Business Contingency Plan and, in particular, those related to:

- Underwriting.
- Claims management.
- Distribution.
- Accounting and financial reporting.

Risk assessment:

Subject to compliance with the standards and instructions of Telefónica Seguros on the procurement of services, the process of selecting service providers must be carried out in accordance with the following rules:

The manager of the outsourced function or activity has to draw up an outsourcing assessment plan that includes, at least, the following elements:

- Due diligence:

The provider of the due diligence should perform it before outsourcing any operational function or activity. It should include:

- A clear definition and description of the functions and activities;
- Financial data on the function or activity;
- A profile of the provider, its technical and financial capacity to perform the outsourced service and the authorisations required by law to perform the outsourced function or activity;

As appropriate, the company may use evidence, certifications based on international standards, audit reports by recognised third parties and internal audit reports to support the due diligence performed.

- Risk assessment:

Telefónica Seguros shall identify the main risks that may arise from the outsourcing. In the assessment, the company shall take into account, at least, together with the result of the risk assessment, the following factors:

a) The potential impact of any major disruption of the outsourced operational function or activity or the inability of the provider to deliver the services at the company's agreed service levels:
    - Ongoing compliance with its regulatory obligations;
    - Resilience and financial viability and solvency in the short and long terms;
    - Business continuity and operational resilience;
    - Operational risk, including conduct, ICT and legal risks;
    - Reputational risks.
b) The potential impact of the subcontracting agreement on the company's capacity:
    - Identifying, monitoring and managing all the relevant risks;
    - Complying with all the legal and regulatory requirements;
    - Conducting the relevant audits of the outsourced operational function or activity.
c) The aggregate exposure of the company (and/or the group, as appropriate) to the same supplier/provider and the potential cumulative impact of the outsourcing agreements in the same business area;
d) The size and complexity of the company's business divisions affected by the outsourcing agreement;
e) The capacity, if necessary or desirable, to transfer the proposed outsourcing agreement to another cloud service provider or to reintegrate the services ("substitutability");
f) The protection of personal and non-personal data and the potential impact on the company, policyholders or other relevant parties in the event of a breach of confidentiality or failure to ensure data availability and integrity based, inter alia, on Regulation (EU) 2016/6797. The company should pay particular attention to:
    - The strategies to mitigate or manage these risks and the internal control and risk assessment mechanisms of a similar scope and nature that already existed within the company prior to the outsourcing and the identification of the person responsible for them;
    - A detailed examination of each supplier's capacity and an analysis of any potential conflicts of interest, e.g. between the service provider and the Company or any agreements that the supplier may enter into with the Company's competitors.

- Risk assessment of outsourcing in the cloud;

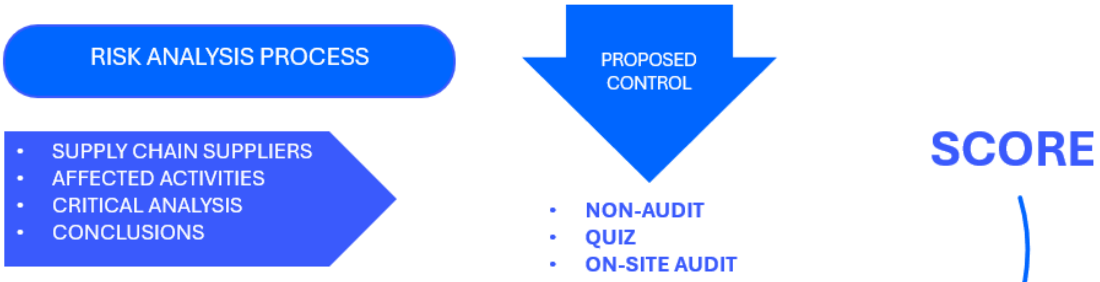
In the event of the outsourcing of critical or important operational functions or activities to cloud service providers, Telefónica Seguros shall:

- Take into account the expected benefits and costs of the proposed cloud outsourcing agreement, including:
- weighing up any significant risks that may be reduced or better managed against any significant risks that may arise as a result of the proposed cloud outsourcing agreement.
- assessing, whenever relevant and appropriate, the risks, including the legal, ICT, compliance and reputational risks that arise:
    - the selected cloud service and the proposed deployment models (i.e. public/private/hybrid/community);

- the migration and/or the application;
- the activities and the related data and systems under consideration for outsourcing (or already outsourced) and their sensitivity and the required security measures;
- the political stability and the security situation in the countries (inside or outside the EU) in which the outsourced services are or may be provided and in which the data are or may be stored.

  The assessment should take into account:
  - the current legislation, including any related to data protection;
  - the law enforcement provisions currently in force;
  - the provisions of the insolvency law that would apply in the event of the bankruptcy of a service provider and the limitations that would arise with respect to the urgent recovery of the company's data;
  - the outsourcing, including the additional risks that may arise if the subcontractor is located in a third country or in a country different from that of the cloud service provider, and the risk of the long and complex chains of outsourcing reducing the company's ability to monitor its critical or important operational functions or activities and the capacity of the supervisory authorities to supervise them effectively;
  - the risk of the global concentration of the companies in the same cloud service provider, including the outsourcing of a cloud service provider that is not easily replaceable.
  - multiple outsourcing agreements with the same cloud service provider. When assessing the concentration risk, the company (and/or the group, as appropriate) should take into account all its cloud outsourcing agreements with the cloud provider in question.

The company regularly carries out inspections and audits of the established third-party providers in a risk-based approach, as outlined in the diagram below.



RATING	DESCRIPTION
UNSATISFACTORY	Some controls do not exist or are not properly implemented; there is significant room for improvement. Deficient control environment
IMPROVABLE	Moderate risk improvement opportunities have been identified that require corrective actions. The control environment is adequate in most areas.
SATISFACTORY	Minor risk improvement opportunities have been identified that require corrective actions. Overall control environment is satisfactory.

Telefónica Seguros outsources certain functions to the Telefónica Group which, in accordance with the Group's Corporate Governance System, are centralised in corporate services such as Internal Audit.

B.8. ANY OTHER INFORMATION:

Apart from the above, no other information has a relevant impact on the governance system.

C. RISK PROFILE:

The company has a process in place for the early identification, management and reporting of risks, with management responsibility for the identification and management of the risks in all the company's divisions. The process is the responsibility of the company's Risk Management function, which reports to the Governance Committee and, ultimately, to the Board of Directors.

The process starts with the identification of the risks. This process is carried out by the Risk Management function and the Processes and Compliance area of Telefónica Seguros by means of workshops with the managers of the company's business areas. The risks identified are included in the company's risk records. At the same time, the Risk Owners assess each of the risks and define the appropriate controls and the action plan to eliminate, transfer or mitigate them.

The risk assessment is carried out in accordance with the following principles: The level of inherent risk is determined by means of a combination of the likelihood of the risk occurring and its impact, i.e. the estimated economic value of the risk in the event that it materialises.

The main result of the risk management is the company's Risk Map, which includes a detailed sheet for each of the risks included in the records. Each sheet includes a description and assessment of the risk and the controls and the action plan. The overall results are displayed on the Heat Map, which represents the resulting qualitative and quantitative assessments of the likelihood of a risk occurring and the impact of each risk.

The company's Risk Profile is presented in accordance with the categories defined by the prudential regulation; Article 309 of Commission Delegated Regulation (EU) 2015/35. For each category, the different risks resulting from the application of the standard formula, as appropriate, are outlined and quantified, including those determined on the company's Risk Map and, as appropriate, by the Solvency Capital Requirement.

In 2023, the main risks to which the entity is exposed include:

- The Underwriting Risk, accounting for 62% of the SCR before correlations between modules, down from the previous year (54%).
- The Market Risk, accounting for 12% of the SCR before correlations between modules, down from the previous year (20%).
- The Default Risk, accounting for 32% of the SCR before correlations between modules, down from the previous year (22%).
- Operational Risk, represented 16% of the SCR before correlations between modules, above the previous year (17%).

SCR	2023	2022	Change
Underwriting Risk	54%	62%	-8%
Market Risk	22%	20%	2%
Default Risk	32%	22%	10%
Operational risk	16%	17%	-1%
Diversification	-24%	-21%	-3%

C.1. UNDERWRITING RISK:

The underwriting risk is the risk of loss or an adverse change in the value of the insurance liabilities due to inappropriate pricing and provisioning assumptions. The non-life underwriting risk includes the premium and reserve risk, the risk of falls and the catastrophe risk.

The underwriting risk tolerance of Telefónica Seguros is established by two metrics:

- Underwriting capacity: defined as the maximum aggregate liability that the company can underwrite. Telefónica Seguros establishes its underwriting capacity upon the basis of the maximum overall risk exposure. In this respect, the company may underwrite any business as long as the SCR coverage ratio remains at 120% or higher.
- Combined ratio: this is a measurement of the profitability. It is calculated by taking the sum of the incurred losses and expenses and dividing them by the earned premium. As an underwriting target, Telefónica Seguros sets profitability that achieves an average combined ratio of 95%, with an upper threshold of 110% per business line. Whenever the combined ratio of a single business line reaches 110%, the Company's executive bodies shall immediately take the appropriate remedial action to correct the deviation.

Risk measures

Underwriting risks are identified in the Company's Risk Register in risk 19 "Customer risk". The risks were measured by the submission of the company's Risk Map report. In accordance with the tolerance threshold defined by the company, these risks were classified as follows:

- Likelihood: Possible (11% - 30%)
- Impact: Low (0.5 - 1,000,000 euros)

The underwriting risk for 2023 stands at €16,783,000 compared with €17,620,000 in the previous year. This decrease is justified by increased diversification:

Underwriting Risk	2023	2022	Change
Premiums and Reserves	16.554	17.351	-797
Lapses	707	1.410	-704
Catastrophic	786	784	2
SCR Underwriting before diversification	**18.047**	**19.545**	**-1.499**
Diversification	-1.264	-1.925	662
Underwriting SCR	**16.783**	**17.620**	**-837**

In thousands of Euros

Risk concentrations:

The Entity's main line of business is mobile handset insurance. The insurances are underwritten in Spain and in its branches abroad (Germany and the United Kingdom) giving rise to a quite significant diversification of the underwriting risks, due to the independence of the insured risks, mobile phones.

Risk mitigation:

The main element of the company's underwriting risk mitigation is the procurement of reinsurance. Telefónica Seguros assigns significant underwriting risks through proportional reinsurance agreements. The average ceded risk was 54% in 2023, a figure slightly lower than in the previous year. The level of this reinsurance cover is reviewed and approved on an annual basis.

Reinsurance Ceding Ratio	2023	2022	Change
Ceding to Reinsurance of Premiums	54%	63%	-9%

Other additional elements of mitigation include the pricing guidelines that ensure the accurate and consistent pricing of the premiums across the company, an examination and evaluation of the reserves and the management's regular reviews of the underwriting results by line of business, with the actions taken to expand or reduce business based on performance.

Sensitivity:

The main sensitivity for the underwriting risks is defined and assessed in accordance with the ORSA analysis.

C.2. MARKET RISK:

The market risk can be defined as the potential loss of economic capital stemming from adverse movements in the financial markets. This risk arises from financial assets and liabilities whose values are subject to such movements.

It's the risk of the fair value or future cash flows of a financial instrument fluctuating due to changes in the market prices. As defined in the Solvency II legal framework, the market risk is divided into the following sub-module. The main elements of the market risk defined in the Solvency II legal framework include:

- Interest rate risk:

  The interest rate risk affects all the assets and liabilities whose net value is sensitive to changes in the temporary structure or the volatility of the interest rates, provided that they are not related to policies in which the policyholder bears the investment risk.

  Direct investments in property, investments in shares and investments in related companies should not be regarded as sensitive to interest rates. Assets sensitive to interest rate movements include fixed income investments, financing instruments (e.g. loans), policy loans, interest rate derivatives and insurance assets.

- Variable return risk:

  The risk measured is that of the market prices of securities and property moving adversely, leading to unexpected losses. Exposure to these risks arises from ownership of ordinary shares and mutual funds, as well as from the direct ownership of property and investments in publicly traded property companies and property funds.

- Property risk:

The risk measured is that of the market prices of property moving adversely, leading to unexpected losses.

Exposure to these risks arises from direct ownership of property and investments in publicly traded property companies and property funds.

- Credit Risk:

This risk is analysed in section C.3, “Credit Risk”.

- Foreign currency exchange rate risk:

The foreign exchange risk is the financial risk of the value of an investment changing due to changes in the foreign currency risk.

- Concentration risk:

The concentration risk provides for the allocation of capital risk to cover either a lack of asset diversification or significant exposure to the default risk of one or more counterparties.

Risk measures:

1- Risk map

1.1. Interest rate risk

In financial year 2023, the interest rate risk is identified on the Company’s Risk Map under Record no. 14, “Interest rate risk”. In accordance with the tolerance threshold defined by the company, these risks were classified as follows:

- Likelihood: Possible (11% - 30%)
- Impact: Low (0.5 - 1,000,000 euros)

1.2. Equity risk

In financial year 2023, the variable return risk is identified on the Company’s Risk Map under Record no. 15, “Market risks”.

In accordance with the tolerance threshold defined by the company, these risks were classified as follows:

- Likelihood: Possible (11% - 30%)
- Impact: Medium (1 - 5 million euros)

1.3. Property Risk

Risk that market prices of real estate will move adversely, resulting in unexpected losses.
Exposure to these risks arises from the direct ownership of real estate and from investments in publicly traded real estate companies and real estate funds.

Real estate risk is not identified in the risk map as the company does not have any relevant real estate assets on its balance sheet.

1.4. currency

In the 2023 financial year, the exchange rate risk is identified on the Company's Risk Map under Record no. 14: "Interest rate and exchange rate risk". In accordance with the tolerance threshold defined by the company, these risks were classified as follows:

- Likelihood: Possible (11% - 30%)
- Impact: Low (500,000 - 1,000,000 euros)

However, as a mitigating factor for this risk by corporate mandate, all the currency risk exposure is permanently covered.

1.5. Concentration risk

This is the risk arising from a lack of diversification of the asset portfolio or significant exposure to the default risk of a single issuer of securities or a group of related issuers. Concentration risk is not identified in the Company's Risk Map as the Investment Policy prescribes strict concentration limits by asset type, counterparty and credit rating.

2. Standard Formula

The market risk is defined in accordance with the standard formula of the Solvency II directive. In 2023 it stands at €6,709,000, above the result of the previous year (€5,551,000), this increase is fundamentally due to an increase in currency risk, and a greater exposure to variable income:

Market Risk	2023	2022	Change
Interest rate risk	1.497	1.414	83
Equity risk	3.558	3.008	550
Concentration Risk	1.198	1.018	179
Spread risk	2.016	2.113	-97
Currency risk	1.743	515	1.228
Property risk	532	384	148
SCR market before diversification	**10.544**	**8.452**	**2.092**
Diversification	-3.835	-2.901	-934
Market SCR	**6.709**	**5.551**	**1.158**

In thousands of Euros

Risk mitigation

The main mitigation elements of the market risk are set out in the company's Investment Policy. This is governed by the general prudent person investment principle and guarantees the security, quality, liquidity and profitability of the investment portfolio. The Strategic Asset Allocation defined in the investment policy includes exposure thresholds for each type of asset class. The Investment Committee is responsible for the implementation of the company's investment policy. The Investment Committee meets on a quarterly basis to monitor the company's investment portfolio. The Investment Department draws up monthly reports to monitor the evolution and compliance with the quantitative asset and exposure thresholds of the portfolio. The company enters into a forward currency risk contract with the Group to cover the currency risk exposure.

Sensitivity

The sensitivities to the market risk may include macro and micro-economic trends, the political framework, environmental factors and a wide range of other factors. The Investment Committee tracks and monitors the market sensitivities by means of the slant of the reports drawn up by the Telefónica Group's Capital Markets and Economic Development research departments and the financial institutions that provide services to the company.

C.3. CREDIT RISK:

Credit risk is defined in Solvency II, with a dual focus on spread risk and default risk. The extension risk represents a change in the volatility of the credit extensions over the term structure of the risk-free interest rates. Default risk is defined as the potential loss of economic capital arising from the failure of the counterparties to meet their financial obligations. The financial assets exposed to the counterparty are divided into three main groups.

1. Reinsurance assets.

   The exposures to this risk are balances due under existing reinsurance contracts. These contracts have been concluded in accordance with the reinsurance strategy.

   The counterparties are reinsurance companies and the risk that is measured is that of these counterparties defaulting on their obligations. The potential loss of value due to the risk of the migration of the rating is also measured; this is the potential reduction in the value of reinsurance assets if the counterparty ratings are downgraded.

2. Receivables of policyholders, agents and brokers and other insurance companies.

   The risks are the premiums due from counterparties and the amounts due under insurance agreements and other contractual obligations. The counterparties are policyholders, brokers, intermediaries and other insurance companies and the risk measured is that of counterparties defaulting on their obligations.

3. Cash at bank, deposits with ceding companies and other legally binding commitments, ordinary share capital and preferential shares called up but not paid, legally binding commitments to subscribe to and pay subordinated liabilities that are called up but not paid, initial funds called up but not paid, members' contributions or the equivalent item of basic capital and reserves for mutual and mutual-type companies, guarantees called up but not paid, letters of credit called up but not paid and claims called up but not paid that mutual and mutual-type associations may have in respect of their members by way of a requirement for supplementary contributions.

Risk measures

In 2023, credit risk is identified in the Company's Risk Map in Register No. 16 "Credit Risk", and Register No. 18 "Reinsurance Risk" "The risks were measured by the presentation of the report Society's Risk Map. In accordance with the tolerance threshold defined by the company, these risks were classified as follows:

- Nº 16 Credit risk
  - Likelihood: Possible (11% - 30%)
  - Impact: Low (0.5 - 1 million euros)
- No. 18 Reassurance Risk
  - Likelihood: Very Unlikely (0% - 10%)
  - Impact: High (5 - 10 million euros)

The credit risk is defined in the Solvency II directive standard formula in two separate risk sub-modules, the extension risk and the default risk. The results of the counterparty default risk in thousands of euros as at 31 December 2023 are shown below:

Default Risk	2023	2022	Change
Default Risk type 1	3.955	2.576	1.380
Default Risk type 2	6.427	4.021	2.406
Counterparty SCR before diversification	**10.382**	**6.597**	**3.785**
Diversification	-631	-405	-226
Counterparty SCR	**9.751**	**6.192**	**3.559**

In thousands of Euros

Risk concentrations

The most valuable individual possessions are cash at the banks:

- Societe Generale: 4.7 million euros.
- Commezbank: 2.1 million euros.
- BBVA: 1.8 million euros.

Risk mitigation

The main mitigation elements of the credit risk are set out in the company's Investment Policy. This is governed by the general prudent person investment principle and guarantees the security, quality, liquidity and profitability of the investment portfolio. The Strategic Asset Allocation defined in the investment policy includes exposure thresholds for each type of asset class. The Investment Committee is responsible for the management of the investment portfolio in compliance with the company's Investment Policy and meets on a quarterly basis to supervise the Company's investment portfolio. The Investment Department draws up monthly reports to monitor the evolution and compliance with the quantitative asset and exposure thresholds of the portfolio.

C.4. LIQUIDITY RISK:

The liquidity risk is defined as the risk of not having sufficient realisable financial resources to meet the company's financial obligations.

The company defines the following elements of the liquidity risk management:

- The process for determining the level of misalignment between the cash inflows and outflows relating to both assets and liabilities, including the expected cash flows from direct insurance and reinsurance, such as claims, expiries and waivers.
- Consideration of the total short and mid-term liquidity needs, including an adequate liquidity buffer for protection against a liquidity shortfall.
- Consideration of the level and supervision of the liquid assets, including a quantification of the potential financial costs or losses arising from forced realisation.
- The identification and assessment of the costs of the alternative financing instruments.
- Consideration of the effect of the planned new businesses on the liquidity position.

Risk measures

The Liquidity Risk is identified in the Company's Risk Register in chapter 17, "Liquidity Risk". The risks were measured by the submission of the company's Risk Map report. In accordance with the tolerance threshold defined by the company, these risks were classified as follows:

- Likelihood: Possible (11% - 30%)
- Impact: Low (0.5 - 1 million euros)

The Liquidity Risk is not explicitly defined in accordance with the standard formula of the Solvency II directive.

Risk mitigation

The company uses the following elements to monitor and mitigate the liquidity risk:

- The cash flow position is supervised and a monthly report is submitted to the Company's management and the Group's Financial Office.
- Minimum available cash threshold.
- Analysis of the Credit Risk of the Financial Institutions in which the cash and financial assets are held.
- The premium collection cycle and the disbursement of the claims and expenses are regularly monitored.

Sensitivity

The company performs an annual stress test of the liquidity risk in the financial investment portfolio. Among other elements, the methodology takes into account the market depth and the variation of the bid-ask spread for each asset category.

No relevant liquidity risk exposures were identified by means of the 2023 stress test.

C.5. OPERATIONAL RISK:

The operational risk is defined as the potential loss of economic capital resulting from inadequate or failed internal processes or systems, personnel shortages or the impact of external events, such as failures in the outsourcing agreements, changes in the legislation or tax laws or external fraud, including cyberattacks.

The company defines the following elements of the operational risk management:

- The identification and quantification of the operational risks to which it is or may be exposed and an assessment of how to mitigate them.
- The internal activities and processes for the operational risk management, including the IT system that supports them.
- The risk tolerance thresholds with respect to the company's main operational risk areas.

Telefónica puts processes in place to identify, analyse and report on operational risk events. To this effect, a process will be developed to compile and monitor the operational risk incidents and the monitoring of the resolutions.

The Company's Risk Register identifies a few risks that may be included in the Operational Risks category as defined by Solvency II. The following table presents these risks evaluated under the Company's Risk Map.

No.	Description of the Risk	Probability	Impact
6	Cybersecurity	Very possible (31%-50%)	High (5-10 million euros)
7	Dependency – Suppliers in the supply chain	Possible (11% - 30%)	Medium (1-5 million euros)
8	Risk of external fraud	Very possible (31%-50%)	Low (0.5-1 million euros)
9	Delinquency	Very possible (31%-50%)	Low (0.5-1 million euros)
10	Pandemic Risk	Very Unlikely (0%-10%)	Low (0.5-1 million euros)
11	HR Risk – Insufficient Resources	Very possible (31%-50%)	Low (0.5-1 million euros)

Risk measures:

The operational risk is defined in accordance with the standard formula of the Solvency II directive.

As of 31 December 2023 the operational risk stands at 4.84 million euros, a slight increase with respect to the previous year.

SCR	2023	2022	Change
Operational risk	4.836	4.664	171

In thousands of Euros

Risk mitigation

The company's Risk Management function monitors and reports on the operational risk mitigation measures.

The different mitigation elements include the business continuity plans, the insurance, the SLA and KPI definitions and the outsourced services, etc.

C.6. OTHER MATERIAL RISKS:

The Company's Risk Register identifies four risks that can be included in the Other Material Risks category.

1. Business model risk. The risk is defined as the negative impact on the company's activities caused by high dependence on the Telefónica Group's strategy. The Risk Map assesses the risk in the following manner:

- Likelihood: Very Unlikely (0%-10%)
- Impact: Very High (> 10 million euros)

2. Competition/ Market environment. The risks are defined as the negative impact on the company's activities caused by the increased competition in the insurance market, chiefly due to the digitalisation of the economy and the emergence of new players, broadly defined as InsurTech.

- Likelihood, Possible (11% - 30%)
- Impact: Very low (0 - 0.5 million euros)

3. UK Branch risk. As a consequence of BREXIT and the UK's exit from the European Economic Area, the UK Branch is required to comply with various rules and regulations in order to adapt to the new situation.

Entry into force of the new FCA "Consumer Duty" principle (31 July 2023), making it necessary for the UK Branch to comply with various FCA rules and regulations in order to adapt to the new rules.

The Risk Map evaluates the UK Branch Risk as follows:

- Likelihood, Possible (11% - 30%)
- Severity, high (5-10 million euros)

22. Sustainability Risk. Is defined as any environmental, social or governance event or state that, if it occurs, could have an actual or possible negative effect on the value of the investment or the value of the liability.

The Risk Map assesses the Sustainability Risk in the following manner:

- Likelihood, Possible (11% - 30%)
- Severity, low (0.5-1 million euros)

C.7. ANY OTHER INFORMATION:

There is no other relevant information in this section.

D. VALUATION FOR SOLVENCY PURPOSES:

D.1. ASSETS:

Telefónica Seguros recognises and values its Economic Balance Sheet assets for Solvency II purposes in accordance with the international accounting standards adopted by the Commission, pursuant to Regulation (EC) no. 1606/2002, provided that these standards include valuation methods that are consistent with the valuation approach set out in article 75 of Directive 2009/138 EC.

As stipulated in article 68.1 of Law 20/2015 on the regulation, supervision and solvency of insurance and reinsurance companies, the assets of Telefónica Seguros, in general terms, have been valued within the framework of Solvency II at the amount for which they could be exchanged between willing and duly informed parties in an arm's length transaction.

Telefónica Seguros recognises and values its assets in the annual accounts in accordance with the PCEA (Chart of Accounts for Insurance Companies). An asset is recognised on the balance sheet when future profits or returns are likely for Telefónica Seguros, provided that they are reliably measured. The valuation criteria shall be in accordance with the provisions of the second part of the above-mentioned Plan, depending on the asset in question.

The quantitative information (Accounting and Solvency II) on the Entity's Assets as at 31 December 2023 and 31 December 2022 is listed below:

Assets	2023			2022		
	Accounting	Economic	Difference	Accounting	Economic	Difference
Investments	71.337	71.468	131	65.573	65.602	29
Reinsurance Recoverables	23.432	21.816	-1.616	21.694	16.595	-5.099
Credits	54.652	54.652	0	67.896	67.896	0
Direct Fees	42.083	0	-42.083	4.288	0	-4.288
Other Assets	8.627	18.501	9.873	9.190	10.403	1.214
Total	**200.131**	**166.436**	**-33.695**	**168.641**	**160.496**	**-8.144**

In thousands of Euros

The asset valuation in the Entity's economic balance sheet amounts to €166,436,000, compared to €200,130,000 in the accounting balance sheet, mainly due to the write-off of both intangible assets and prepaid commissions under Solvency II criteria as well as a lower value of the reinsurance recoverable.

As of 31 December 2023, all the assets are recognised at fair value for accounting purposes and Solvency II. Whenever possible, the prices quoted in active markets are used. If these prices are not available, valuation techniques are used.

The financial assets as at 31 December 2023 and 31 December 2022 are listed below:

Financial Assets	Accounting	2023 Economic	Difference	Accounting	2022 Economic	Difference
Participations	0	0	0	0	0	0
Equity	0	0	0	0	0	0
Bonds	17.770	17.901	131	8.726	8.755	29
Investment funds	30.269	30.269	0	32.545	32.545	0
Deposits	1.258	1.258	0	1.608	1.608	0
Cash and cash equivalents	22.041	22.041	0	22.694	22.694	0
Total	**71.337**	**71.468**	**131**	**65.573**	**65.602**	**29**

In thousands of Euros

The deferred Tax Assets result from applying the tax rate to the valuation differences between the Solvency II value and the carrying amount representing a decrease in assets or an increase in liabilities.

Deferred Taxes	Assets	2023 Liabilities	Difference	Assets	2022 Liabilities	Difference
Accounting Balance	200.131	122.191	77.940	168.641	95.445	73.195
Economic Balance before DT	155.205	75.709	79.496	157.781	86.829	70.952
Economic Balance Impact	-44.926	-46.482	1.556	-10.859	-8.616	-2.243
Deferred Taxes	**11.232**	**11.620**	**-389**	**2.715**	**2.154**	**561**
Total Economic Balance Sheet	166.436	87.329		160.496	88.983	

In thousands of Euros

D.2. LIABILITIES:

The Entity values the liabilities at the amount at which they could be transferred or settled between willing and duly informed parties in an arm’s length transaction (market to model).

Liabilities and Capital and	Accounting	2023 Economic	Difference	Accounting	2022 Economic	Difference
Capital and Reserves	77.940	79.107	1.167	73.195	71.513	-1.682
Technical Provisions	45.073	-1.271	-46.344	35.018	27.929	-7.089
Accounts Payable	71.327	71.327	0	51.625	51.625	0
Prov. Non-technical	4.079	4.079	0	4.062	4.062	0
Other Liabilities	1.712	13.195	11.483	4.740	5.367	627
Total	**200.131**	**166.436**	**-33.695**	**168.641**	**160.496**	**-8.145**

In thousands of Euros

The valuation of the liabilities together with equity in the Entity's economic balance sheet amounts to €166,436,000, compared with the book value of €200,131,000. This difference is mainly explained by a lower value of provisions under Solvency II criteria.

The list of the Technical Provisions under Statutory and Solvency II rules as at 31 December 2023 is as follows:

2023	Accounting Balance	Solvency II Balance Sheet	Difference
Best Estimate Provisions	**45.073**	**-2.655**	**-47.728**
Best Estimate Premiums	36.201	-11.251	-47.452
Claims Best Estimate	8.872	8.595	-277
Risk Margin	**0**	**1.384**	**1.384**
Total Technical Provisions Direct Ins.	**45.073**	**-1.271**	**-46.344**
Reinsurance Recoverables	**23.432**	**21.816**	**-1.616**
Premium Recoverables	18.714	17.311	-1.403
Claim Recoverables	4.718	4.505	-212
Technical Provisions net of Reinsurance	**21.641**	**-23.087**	**-44.728**

In thousands of Euros

Technical Provisions under Solvency II as of 31 December 2023 amount to -€1,271,000, €45,073,000 less compared to the book value. This difference is mainly due to the better estimation of premiums, as the Solvency II regulation methodology allows part of the future result of in-force contracts to be incorporated into the provision.

The Best Estimate of Premiums and Claims is calculated in accordance with the following methodology:

BE Premiums:

The best estimate of the premium reserves should be calculated as the expected present value of the future incoming and outgoing cash flows, constituting a combination, among others, of:

- The cash flows stemming from future premiums.
- The cash flows stemming from future claims.
- The cash flows stemming from expenses.
- The cash flows stemming from the ongoing administration of policies currently in force.

The following formula is used to mathematically translate the principles, as dictated by EIOPA. The best estimate of the premium reserves is calculated as follows:

$$PP = CR \cdot UPR + (CR - 1 + AER) \cdot PVFP$$

Where:

CR: Represents the combined ratio.

UPR: Unused premium reserve.

AER: The procurement expenditure ratio.

$PVFP$: The present value of the cash flows explained above.

Depending on the combined ratios and the present value of the cash flows, the differences between the statutory and Solvency II premium reserves may be significant.

The claim and premium reserves are calculated upon a gross and net basis, applying the same formula and procedure to determine the part of the reserves assigned to reinsurance (which is shown as an asset on the balance sheets) as well.

Future bonuses are currently projected for the UK business only.

BE Claims:

- For Mobile Handsets, a product that accounts for 96% of premiums:

The Entity has calculated the Best Estimate of Claims using the stochastic Mack Chain Ladder methodology, considering a historical experience of 1 year. The IBNR is calculated as follows:

The following actions are taken upon the basis of the incremental payment triangles:

- Creation of the accumulated payment triangle by years.
- Calculation of the Age to Age Factors for each of the occurrences as "Cumulative payments in t+1/Cumulative payments in t" for each of the implementation periods.
- Calculation of averages for the Age to Age Factors, final selection of the Age to Age Factors and Tail Factor and expert judgement considerations.
- The Best Estimate or Estimated Ultimate Cost of the claims is calculated for each of the occurrences. Subsequently, as a difference from the payments accrued at the closing date, the reserves required for the full settlement of the claims occurring until the closing date are obtained.
- Based on the adjusted reserve settlement pattern obtained by means of the Chain Ladder methodology, the future payment flows until the full settlement of the reserves are obtained and financially discounted on the EIOPA Rate Curve without a Volatility Adjustment at 31 December 2023.

For the remaining products, which account for 4 % of premiums:

The entity considers the best estimate to be equal to the book estimate. Based on the reserve settlement pattern, the future payment flows until the full settlement of the reserves are obtained and financially updated on the EIOPA Rate Curve without a Volatility Adjustment at 31 December 2023.

Risk Margin:

The Entity calculates the Risk Margin in accordance with method 2, as specified in Guideline 62 of the Guidelines on the Valuation of Technical Provisions (EIOPA-BoS-14/166 ES).

D.4. OTHER LIABILITIES:

The valuations of liabilities other than the technical provisions for Solvency II purposes, as well as the qualitative explanations of the main differences in their valuation between the Solvency II criteria and those used for the drawing up of the annual accounts (carrying amount) at 31 December 2023, are listed below:

Other accounting liabilities amount to €5,791,000, of which €17,274,000 is in solvency.

Other Liabilities	2023			2022		
	Accounting	Economic	Difference	Accounting	Economic	Difference
Non-technical provisions	4.079	4.079	0	4.062	4.062	0
Other Liabilities	1.712	13.195	11.483	4.740	5.367	627
Total	**5.791**	**17.274**	**11.483**	**8.803**	**9.429**	**627**

In thousands of Euros

D.5. ALTERNATIVE VALUATION METHODS:

The Entity does not apply any alternative valuation methods.

D.6. ANY OTHER INFORMATION:

During the 2023 financial year, no other relevant circumstances have arisen that would significantly affect the information set out in this section.

E. CAPITAL MANAGEMENT:

E.1. CAPITAL AND RESERVES:

The items of the capital and reserves shall be classified on three tiers, as laid down in the Solvency II Directive, for the purposes of their capacity to meet the different capital requirements.

Telefónica Seguros has mainly tier-one capital and reserves, consisting of its Share Capital and any reserves that may be set up in the future, and it may also have tier-three capital and reserves in respect of deferred taxes.

Telefónica Seguros, as part of the execution of the ORSA (internal risk and solvency assessment process), also carries out a projection exercise on the capital reserves and solvency capital to analyse the evolution of the solvency ratio.

- With regard to the projection of the capital and reserves, an expected evolution of the capital reserves of the Entity is performed under stressed conditions during the period for the planning of its activity in accordance with its business plan.
- With regard to the solvency capital projection, an estimate of the mandatory solvency capital is made under stressed conditions for each of the risk modules to which the Entity is exposed and the capital required at a global level, during the period for the planning of its activity in accordance with its business plan.

These projections are based on the capital plans, duly subjected to stressed conditions, taking into account any expected actions that could affect their amount or composition. For example, if any capital and reserve items are to be repaid or redeemed or plans to obtain additional capital reserves are made, etc.

Telefónica Seguros calculates the solvency capital in accordance with the methodology established by the standard formula.

- Solvency Capital Requirement (SCR). This is the capital that insurance companies must have at all times in order to financially guarantee their commitments to their policyholders, the calculation methodology of which is defined by the standard formula.
- Minimum Capital Requirement (MCR). This is the level of capital below which Telefónica Seguros would be subject to an investigation; it is configured as a minimum level of security below which the financial resources must not fall. Its calculation methodology is defined on the basis of the SCR by the standard formula.

The financial capacity of Telefónica Seguros is measured by the ratio between the level of capital and reserves and the solvency capitals.

This ratio measures the capacity of Telefónica Seguros to cover the solvency capitals. The following points with regard to capital and reserves must be taken into account for the analysis and management of the capital of Telefónica Seguros:

Item	Description
Minimum Level	Lower threshold for the capitalisation of Telefónica Seguros. This is the solvency capital requirement. This is the lowest level of capital and reserves that Telefónica Seguros should have.
Level of Security	The level of capitalisation considered suitable for the balance sheet of Telefónica Seguros in a stable business environment. In this case, the Entity's capital and reserves should be able to cover the mandatory solvency capital plus a safety margin.
Target Level	This is the level of capital and reserves desired by Telefónica Seguros, by means of which the solvency capital requirement and future contingencies can be covered. Its level shall be determined, at least annually, upon the basis of: • The business position. • The ability to generate capital. • Relevant risks and volatilities.

At 31 December 2023, the Entity has capital and reserves in the amount of €79,107,000.

Available Capital and Reserves 2023	TOTAL	TIER 1	TIER 2	TIER 3
Statutory Capital and Reserves	77.940			
Reconciliation Reserve	1.167			
Total	**79.107**	**79.496**	**0**	**-389**

In thousands of Euros

At 31 December 2022, the Entity had capital and reserves in the amount of €70,313,000.

Available Capital and Reserves 2022	TOTAL	TIER 1	TIER 2	TIER 3
Statutory Capital and Reserves	73.195			
Reconciliation Reserve	-1.682			
Total	**71.513**	**70.952**	**0**	**561**

In thousands of Euros

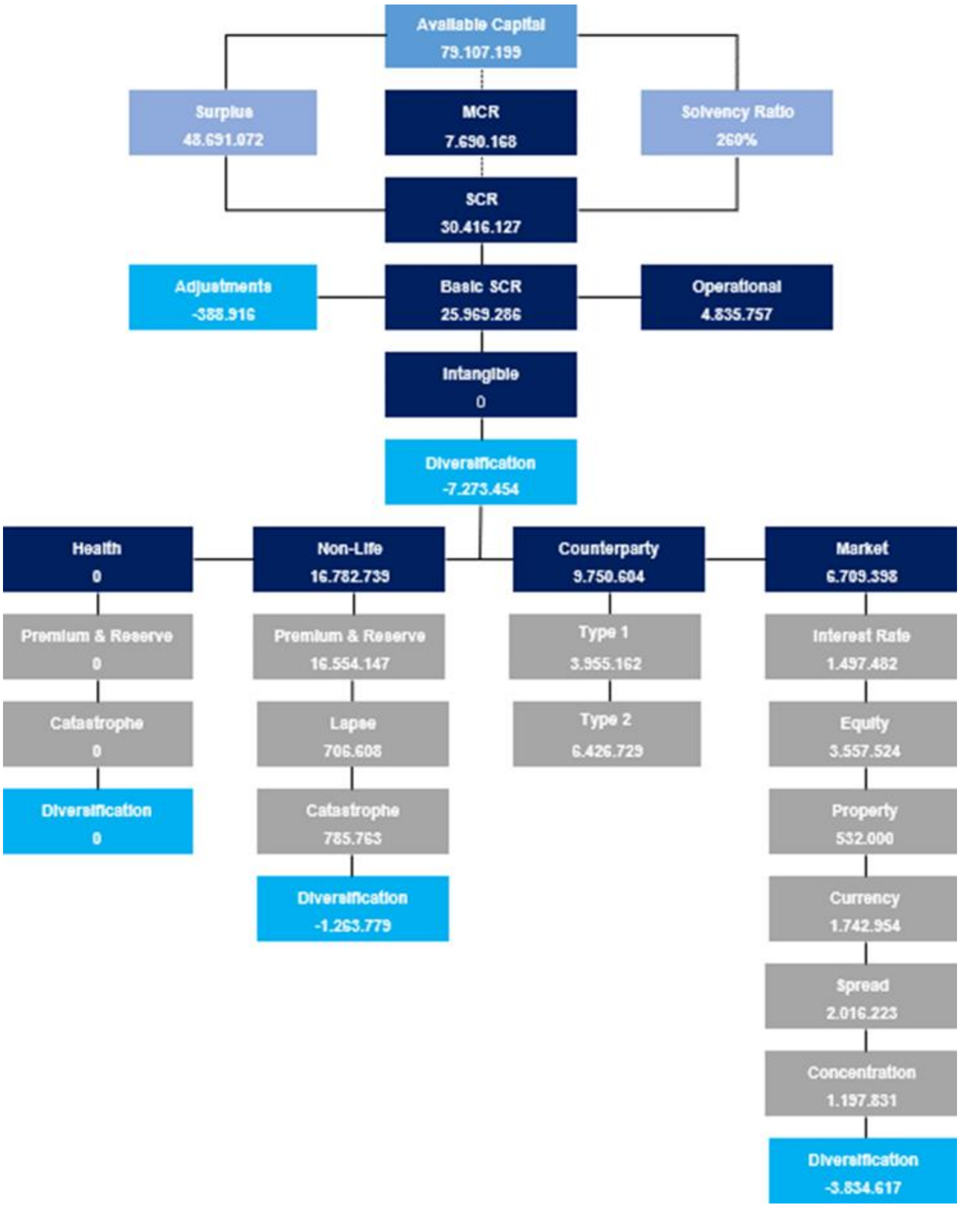
As at 31 December 2023 Telefónica Seguros:

- It has no Supplementary Capital and Reserves.
- There have been no significant movements in the Capital and Reserves.

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

The Entity uses the Standard Formula for the determination of the Solvency Capital Requirement. The SCR follows a modular approach, whereby the amount of the capital requirements will be approximated by aggregating the individualised requirements of each risk module/sub-module.

The composition of the solvency risk at 31 December 2023 is as follows:



SCR	2023	2022	Change
Underwriting Risk	**16.783**	**17.620**	**-837**
Premiums and reserves	16.554	17.351	-797
Portfolio Loss	707	1.410	-704
Catastrophe	786	784	2
Diversification	-1.264	-1.925	662
Market Risk	**6.709**	**5.551**	**1.158**
Interest rate risk	1.497	1.414	83
Equity risk	3.558	3.008	550
Concentration risk	1.198	1.018	179
Spread Risk	2.016	2.113	-97
Currency Risk	1.743	515	1.228
Property risk	532	384	148
Diversification	-3.835	-2.901	-934
Default risk	**9.751**	**6.192**	**3.559**
Default Risk type 1	3.955	2.576	1.380
Default Risk type 2	6.427	4.021	2.406
Diversification	-631	-405	-226
BSCR (before correlation between modules)	**33.243**	**29.363**	**3.880**
Diversification profit	-7.273	-5.809	-1.465
BSCR	**25.969**	**23.554**	**2.415**
Operational risk	4.836	4.664	171
Aj. Deferred Tax	-389	0	-389
SCR	**30.416**	**28.219**	**2.197**

In thousands of Euros

The total amount of the SCR at the end of 2023 amounts to €30,416,000, compared to €28,219,000 last year.

SCR composition	2023	2022	Change
BSCR	25.969	23.554	2.415
Operational risk	4.836	4.664	171
Aj. Deferred Tax	-389	0	-389
SCR	**30.416**	**28.219**	**2.197**

In thousands of Euros

Composición SCR	2023	2022	Variación
BSCR	25.969	23.554	2.415
Riesgo Operacional	4.836	4.664	171
Aj. Impuesto Diferido	-389	0	-389
SCR	**30.416**	**28.219**	**2.197**

Miles de euros

At 31 December 2023, the SCR is 260% (253% at 31 December 2022). This ratio measures the relationship between the Eligible Capital and Reserves and the Solvency Capital Requirement (SCR).

Solvency Ratio	2023	2022	Change
Available Capital and Reserves	79.107	71.513	7.594
SCR	30.416	28.219	2.197
Mandatory Solvency Ratio	**260%**	**253%**	**7%**

In thousands of Euros

At 31 December 2023 the MCR amounts to €7,690,000 (€7,055,000 at 31 December 2022) and the Entity's Minimum Solvency Ratio is 1034% (1006% at 31 December 2022). This ratio measures the relationship between the Eligible Capital and Reserves and the Minimum Capital Requirement (MCR).

Minimum Solvency Ratio	2023	2022	Change
MCR	7.690	7.055	635
Available Capital and Reserves for MCR	79.496	70.952	8.544
Minimum Solvency Ratio	**1034%**	**1006%**	**28%**

In thousands of Euros

During the 2023 financial year there has been no capital increase applied to the SCR.

E.3. USE OF THE DURATION-BASED STOCK RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT:

Neither this heading nor any of its sections apply, as Telefónica Seguros does not make use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement.

E.4. DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED:

Neither this heading nor any of its sections apply, as Telefónica Seguros does not use any partial or complete Internal Model and, instead, calculates the Solvency Capital Requirement in accordance with the standard formula.

E.5. NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND THE SOLVENCY CAPITAL REQUIREMENT:

The Entity has not breached the MCR and SCR during the period of reference of this report.

E.6. ANY OTHER INFORMATION:

During the 2023 financial year, no other relevant circumstances have arisen that would significantly affect the information set out in this section.

ANNEX - TEMPLATES -

SE.02.01.01

		Solvency II value	Statutory accounts value
		C0010	C0020
ASSETS			
Goodwill	R0010	0	0
Deferred acquisition costs	R0020	0	42.083
Intangible assets	R0030	0	1.358
Deferred tax assets	R0040	11.232	0
Pension benefit surplus	R0050	0	0
Property, plant & equipment held for own use	R0060	61	61
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	49.427	49.296
Property (other than for own use)	R0080	0	0
Holdings in related undertakings, including participations	R0090	0	0
Equities	R0100	0	0
Equities - listed	R0110	0	0
Equities - unlisted	R0120	0	0
Bonds	R0130	17.901	17.770
Government Bonds	R0140	12.493	12.396
Corporate Bonds	R0150	5.408	5.374
Structured notes	R0160	0	0
Collateralised securities	R0170	0	0
Collective Investments Undertakings	R0180	29.717	29.717
Derivatives	R0190	552	552
Deposits other than cash equivalents	R0200	1.258	1.258
Other investments	R0210	0	0
Assets held for index-linked and unit-linked contracts	R0220	0	0
Loans and mortgages	R0230	0	0
Loans on policies	R0240	0	0
Loans and mortgages to individuals	R0250	0	0
Other loans and mortgages	R0260	0	0
Reinsurance recoverables from:	R0270	21.816	23.432
Non-life and health similar to non-life	R0280	21.816	23.432
Non-life excluding health	R0290	21.816	23.432
Health similar to non-life	R0300	0	0
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	0	0
Health similar to life	R0320	0	0
Life excluding health and index-linked and unit-linked	R0330	0	0
Life index-linked and unit-linked	R0340	0	0
Deposits to cedants	R0350	0	0
Insurance and intermediaries receivables	R0360	53.924	53.924
Reinsurance receivables	R0370	0	0
Receivables (trade, not insurance)	R0380	728	728
Own shares (held directly)	R0390	0	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0	0
Cash and cash equivalents	R0410	22.041	22.041
Any other assets, not elsewhere shown	R0420	7.209	7.209
Total assets	**R0500**	**166.436**	**200.131**

SE.02.01.01		Solvency II value	Statutory accounts value
		C0010	C0020
LIABILITIES			
Technical provisions - non-life	R0510	-1.271	45.073
Technical provisions - non-life (excluding health)	R0520	-1.271	45.073
Technical provisions calculated as a whole	R0530	0	0
Best Estimate	R0540	-2.655	0
Risk margin	R0550	1.384	0
Technical provisions - health (similar to non-life)	R0560	0	0
Technical provisions calculated as a whole	R0570	0	0
Best Estimate	R0580	0	0
Risk margin	R0590	0	0
Technical provisions - life (excluding index-linked and unit-linked)	R0600	0	0
Technical provisions - health (similar to life)	R0610	0	0
Technical provisions calculated as a whole	R0620	0	0
Best Estimate	R0630	0	0
Risk margin	R0640	0	0
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650	0	0
Technical provisions calculated as a whole	R0660	0	0
Best Estimate	R0670	0	0
Risk margin	R0680	0	0
Technical provisions - index-linked and unit-linked	R0690	0	0
Technical provisions calculated as a whole	R0700	0	0
Best Estimate	R0710	0	0
Risk margin	R0720	0	0
Other technical provisions	R0730	0	0
Contingent liabilities	R0740	0	0
Provisions other than technical provisions	R0750	4.079	4.079
Pension benefit obligations	R0760	0	0
Deposits from reinsurers	R0770	0	0
Deferred tax liabilities	R0780	11.620	0
Derivatives	R0790	0	0
Debts owed to credit institutions	R0800	0	0
Financial liabilities other than debts owed to credit institutions	R0810	0	0
Insurance & intermediaries payables	R0820	45.456	45.456
Reinsurance payables	R0830	17.898	17.898
Payables (trade, not insurance)	R0840	7.972	7.972
Subordinated liabilities	R0850	0	0
Subordinated liabilities not in Basic Own Funds	R0860	0	0
Subordinated liabilities in Basic Own Funds	R0870	0	0
Any other liabilities, not elsewhere shown	R0880	1.575	1.712
Total liabilities	**R0900**	**87.329**	**122.191**
Excess of assets over liabilities	**R1000**	**79.107**	**77.940**

Telefónica Seguros

S.05.01.01

Premiums, claims and expenses by LoB

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of Business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct Business	R0110	0	0	0	0	0	0	156.450	0	0	0	0	871	0	0	0	0	157.321
Gross - Proportional reinsurance accep	R0120	0	0	0	0	0	0	3.871	0	0	0	0	0	0	0	0	0	3.871
Gross - Non-proportional reinsurance	R0130	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reinsurers' share	R0140	0	0	0	0	0	0	86.299	0	0	0	0	91	0	0	0	0	86.390
Net	R0200	0	0	0	0	0	0	74.022	0	0	0	0	780	0	0	0	0	74.802
Premiums earned		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross - Direct Business	R0210	0	0	0	0	0	0	147.631	0	0	0	0	752	0	0	0	0	148.382
Gross - Proportional reinsurance accep	R0220	0	0	0	0	0	0	3.871	0	0	0	0	0	0	0	0	0	3.871
Gross - Non-proportional reinsurance	R0230	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reinsurers' share	R0240	0	0	0	0	0	0	84.136	0	0	0	0	92	0	0	0	0	84.229
Net	R0300	0	0	0	0	0	0	67.366	0	0	0	0	659	0	0	0	0	68.025
Claims incurred		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross - Direct Business	R0310	0	0	0	0	0	0	47.079	0	0	0	0	235	0	0	0	0	47.314
Gross - Proportional reinsurance accep	R0320	0	0	0	0	0	0	548	0	0	0	0	0	0	0	0	0	548
Gross - Non-proportional reinsurance	R0330	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reinsurers' share	R0340	0	0	0	0	0	0	25.144	0	0	0	0	-80	0	0	0	0	25.064
Net	R0400	0	0	0	0	0	0	22.484	0	0	0	0	315	0	0	0	0	22.798
Variation of other technical provisions		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross - Direct Business	R0410	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accep	R0420	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance	R0430	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reinsurers' share	R0440	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net	R0500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Expenses incurred	R0550	0	0	0	0	0	0	41.825	0	0	0	0	232	0	0	0	0	42.057
Administrative expenses		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross - Direct Business	R0610	0	0	0	0	0	0	7.625	0	0	0	0	6	0	0	0	0	7.631
Gross - Proportional reinsurance accep	R0620	0	0	0	0	0	0	379	0	0	0	0	0	0	0	0	0	379
Gross - Non-proportional reinsurance	R0630	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reinsurers' share	R0640	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net	R0700	0	0	0	0	0	0	8.003	0	0	0	0	6	0	0	0	0	8.009
Investment management expenses		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross - Direct Business	R0710	0	0	0	0	0	0	9.132	0	0	0	0	0	0	0	0	0	9.132
Gross - Proportional reinsurance accep	R0720	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance	R0730	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reinsurers' share	R0740	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net	R0800	0	0	0	0	0	0	9.132	0	0	0	0	0	0	0	0	0	9.132
Claims management expenses		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross - Direct Business	R0810	0	0	0	0	0	0	1.997	0	0	0	0	5	0	0	0	0	2.002
Gross - Proportional reinsurance accep	R0820	0	0	0	0	0	0	37	0	0	0	0	0	0	0	0	0	37
Gross - Non-proportional reinsurance	R0830	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reinsurers' share	R0840	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net	R0900	0	0	0	0	0	0	2.035	0	0	0	0	5	0	0	0	0	2.040
Acquisition expenses		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross - Direct Business	R0910	0	0	0	0	0	0	67.339	0	0	0	0	221	0	0	0	0	67.559
Gross - Proportional reinsurance accep	R0920	0	0	0	0	0	0	2.120	0	0	0	0	0	0	0	0	0	2.120
Gross - Non-proportional reinsurance	R0930	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reinsurers' share	R0940	0	0	0	0	0	0	46.803	0	0	0	0	0	0	0	0	0	46.803
Net	R1000	0	0	0	0	0	0	22.655	0	0	0	0	221	0	0	0	0	22.876
Overhead expenses		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross - Direct Business	R1010	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accep	R1020	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance	R1030	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reinsurers' share	R1040	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net	R1100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Balance - other technical expenses/inc	R1210	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	9.050
Total technical expenses	R1300	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	51.106

S.05.02.01

S.05.02.01.01 Home Country - non-life obligations			Home country
			C0080
Premiums written	Gross - Direct Business	R0110	23.298.951
	Gross - Proportional reinsurance accepted	R0120	0
	Gross - Non-proportional reinsurance accepted	R0130	0
	Reinsurers' share	R0140	14.424.136
	Net	R0200	8.874.815
Premiums earned	Gross - Direct Business	R0210	22.922.306
	Gross - Proportional reinsurance accepted	R0220	0
	Gross - Non-proportional reinsurance accepted	R0230	0
	Reinsurers' share	R0240	15.505.798
	Net	R0300	7.416.509
Claims incurred	Gross - Direct Business	R0310	5.419.458
	Gross - Proportional reinsurance accepted	R0320	0
	Gross - Non-proportional reinsurance accepted	R0330	0
	Reinsurers' share	R0340	4.370.833
	Net	R0400	1.048.625
Variation other technical provisions	Gross - Direct Business	R0410	0
	Gross - Proportional reinsurance accepted	R0420	0
	Gross - Non-proportional reinsurance accepted	R0430	0
	Reinsurers' share	R0440	0
	Net	R0500	0
Expenses incurred	Expenses incurred	R0550	4.674.183
Balance - other technical expenses/incom	Balance - other technical expenses/income	R1200	0
Total technical expenses	Total technical expenses	R1300	0

S.05.02.01.02

S.05.02.01.02 Top 5 countries (by amount of gross premiums written) - non-life obligations			Country (by amount of gross premiums written) - non-life			
			SPAIN	GERMANY	UNITED KINGDOM	BRASIL
Premiums written	Gross - Direct Business	R0110	23.298.951	20.056.483	106.728.762	0
	Gross - Proportional reinsurance accepted	R0120	0	0	0	4.325.476
	Gross - Non-proportional reinsurance accepted	R0130	0	0	0	0
	Reinsurers' share	R0140	14.424.136	12.642.357	69.541.217	0
	Net	R0200	8.874.815	7.414.127	37.187.545	4.325.476
Premiums earned	Gross - Direct Business	R0210	22.922.306	19.838.349	106.806.750	0
	Gross - Proportional reinsurance accepted	R0220	0	0	0	4.325.476
	Gross - Non-proportional reinsurance accepted	R0230	0	0	0	0
	Reinsurers' share	R0240	15.505.798	14.177.425	69.864.284	0
	Net	R0300	7.416.509	5.660.925	36.942.466	4.325.476
Claims incurred	Gross - Direct Business	R0310	5.419.458	5.550.307	39.096.538	0
	Gross - Proportional reinsurance accepted	R0320	0	0	0	0
	Gross - Non-proportional reinsurance accepted	R0330	0	0	0	0
	Reinsurers' share	R0340	4.370.833	3.543.544	25.448.438	0
	Net	R0400	1.048.625	2.006.764	13.648.101	0
Variation other technical provisions	Gross - Direct Business	R0410	0	0	0	0
	Gross - Proportional reinsurance accepted	R0420	0	0	0	0
	Gross - Non-proportional reinsurance accepted	R0430	0	0	0	0
	Reinsurers' share	R0440	0	0	0	0
	Net	R0500	0	0	0	0
Expenses incurred	Expenses incurred	R0550	4.674.183	1.060.628	22.917.495	2.621.664
Balance - other technical expenses/incom	Balance - other technical expenses/income	R1200	0	0	0	0
Total technical expenses	Total technical expenses	R1300	0	0	0	0

S.05.02.01.03

S.05.02.01.03 Total Top 5 and home country - non-life obligations			Total Top 5 and home country
			C0140
Premiums written	Gross - Direct Business	R0110	150.084.196
	Gross - Proportional reinsurance accepted	R0120	4.325.476
	Gross - Non-proportional reinsurance accepted	R0130	0
	Reinsurers' share	R0140	96.607.710
	Net	R0200	57.801.963
Premiums earned	Gross - Direct Business	R0210	149.567.406
	Gross - Proportional reinsurance accepted	R0220	4.325.476
	Gross - Non-proportional reinsurance accepted	R0230	0
	Reinsurers' share	R0240	99.547.506
	Net	R0300	54.345.376
Claims incurred	Gross - Direct Business	R0310	50.066.303
	Gross - Proportional reinsurance accepted	R0320	0
	Gross - Non-proportional reinsurance accepted	R0330	0
	Reinsurers' share	R0340	33.362.814
	Net	R0400	16.703.489
Variation other technical provisions	Gross - Direct Business	R0410	0
	Gross - Proportional reinsurance accepted	R0420	0
	Gross - Non-proportional reinsurance accepted	R0430	0
	Reinsurers' share	R0440	0
	Net	R0500	0
Expenses incurred	Expenses incurred	R0550	31.273.971
Balance - other technical expenses/incom	Balance - other technical expenses/income	R1200	3.794.936
Total technical expenses	Total technical expenses	R1300	35.068.906

S.17.01.01
Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance			Total Non-Life obligation
		Fire and other damage to property insurance	General liability insurance	Miscellaneous financial loss	
		C0080	C0090	C0130	C0180
Technical provisions calculated as a whole	R0010	0	0	0	0
Direct business	R0020	0	0	0	0
Accepted proportional reinsurance business	R0030	0	0	0	0
Accepted non-proportional reinsurance	R0040				0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	0	0	0	0
Gross - Total	R0060	-12.833	0	1.583	-11.251
Gross - direct business	R0070	-12.833	0	1.583	-11.251
Gross - accepted proportional reinsurance business	R0080	0	0	0	0
Gross - accepted non-proportional reinsurance business	R0090				0
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0100	16.580	0	731	17.311
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	R0110	16.580	0	731	17.311
Recoverables from SPV before adjustment for expected losses	R0120	0	0	0	0
Recoverables from Finite Reinsurance before adjustment for expected losses	R0130	0	0	0	0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	16.580	0	731	17.311
Net Best Estimate of Premium Provisions	R0150	-29.413	0	852	-28.561
Gross - Total	R0160	7.775	0	821	8.595
Gross - direct business	R0170	7.775	0	821	8.595
Gross - accepted proportional reinsurance business	R0180	0	0	0	0
Gross - accepted non-proportional reinsurance business	R0190				0
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0200	3.796	0	709	4.505
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	R0210	3.796	0	709	4.505
Recoverables from SPV before adjustment for expected losses	R0220	0	0	0	0
Recoverables from Finite Reinsurance before adjustment for expected losses	R0230	0	0	0	0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	3.796	0	709	4.505
Net Best Estimate of Claims Provisions	R0250	3.979	0	111	4.090
Total Best estimate - gross	R0260	-5.058	0	2.403	-2.655
Total Best estimate - net	R0270	-25.435	0	963	-24.471
Risk margin	R0280	1.317	0	67	1.384
Amount of the transitional on Technical Provisions					
TP as a whole	R0290	0	0	0	0
Best estimate	R0300	0	0	0	0
Risk margin	R0310	0	0	0	0
Technical provisions - total	R0320	-3.742	0	2.470	-1.271
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	20.376	0	1.440	21.816
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	-24.118	0	1.031	-23.087
Premium provisions - Total number of homogeneous risk groups	R0350	0	0	0	0
Claims provisions - Total number of homogeneous risk groups	R0360	0	0	0	0
Future benefits and claims	R0370	72.168	0	505	72.673
Future expenses and other cash-out flows	R0380	66.136	0	1.078	67.214
Future premiums	R0390	151.137	0	0	151.137
Other cash-in flows (incl. Recoverable from salvages and subrogations)	R0400	0	0	0	0
Future benefits and claims	R0410	7.775	0	821	8.595
Future expenses and other cash-out flows	R0420	0	0	0	0
Future premiums	R0430	0	0	0	0
Other cash-in flows (incl. Recoverable from salvages and subrogations)	R0440	0	0	0	0
Percentage of gross Best Estimate calculated using approximations	R0450	0	0	0	0
Best estimate subject to transitional of the interest rate	R0460	0	0	0	0
Technical provisions without transitional on interest rate	R0470	0	0	0	0
Best estimate subject to volatility adjustment	R0480	0	0	0	0
Technical provisions without volatility adjustment and without others transitional measures	R0490	0	0	0	0
Expected profits included in future premiums (EPIFP)	R0500	44.282	0	0	44.282

S.23.01.01

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	9.015	9.015	0	0	0
Share premium account related to ordinary share capital	R0030	27.525	27.525	0	0	0
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0	0	0	0	0
Subordinated mutual member accounts	R0050	0	0	0	0	0
Surplus funds	R0070	0	0	0	0	0
Preference shares	R0090	0	0	0	0	0
Share premium account related to preference shares	R0110	0	0	0	0	0
Reconciliation reserve	R0130	42.956	42.956	0	0	0
Subordinated liabilities	R0140	0	0	0	0	0
An amount equal to the value of net deferred tax assets	R0160	-389	0	0	0	-389
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0	0	0	0	0
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	0	0	0	0	0
Deductions						
Deductions for participations in financial and credit institutions	R0230	0	0	0	0	0
Total basic own funds after deductions	R0290	79.107	79.496	0	0	-389
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0	0	0	0	0
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0	0	0	0	0
Unpaid and uncalled preference shares callable on demand	R0320	0	0	0	0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0	0	0	0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0	0	0	0	0
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0	0	0	0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0	0	0	0	0
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0	0	0	0	0
Other ancillary own funds	R0390	0	0	0	0	0
Total ancillary own funds	R0400	0	0	0	0	0
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	79.107	79.496	0	0	-389
Total available own funds to meet the MCR	R0510	79.496	79.496	0	0	0
Total eligible own funds to meet the SCR	R0540	79.107	79.496	0	0	-389
Total eligible own funds to meet the MCR	R0550	79.496	79.496	0	0	0
SCR	R0580	30.416	0	0	0	0
MCR	R0600	7.690	0	0	0	0
Ratio of Eligible own funds to SCR	R0620	260%	0	0	0	0
Ratio of Eligible own funds to MCR	R0640	1034%	0	0	0	0

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		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	79.107
Own shares (held directly and indirectly)	R0710	0
Foreseeable dividends, distributions and charges	R0720	0
Other basic own fund items	R0730	36.151
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0
Reconciliation reserve	R0760	42.956
Expected profits	R0750	
Expected profits included in future premiums (EPIFP) - Life business	R0770	0
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	44.281,69
Total Expected profits included in future premiums (EPIFP)	R0790	44.282

SR.25.01.01

Z0010	A001

		Net Solvency Capital Requirement	Gross Solvency Capital Requirement	Asignación de los ajustes debidos a las carteras de RFF y Matching adjustments
		C0030	C0040	C0050
Market risk	R0010	6.709	6.709	0
Counterparty default risk	R0020	9.751	9.751	0
Life underwriting risk	R0030	0	0	0
Health underwriting risk	R0040	0	0	0
Non-life underwriting risk	R0050	16.783	16.783	0
Diversification	R0060	-7.273	-7.273	0
Intangible asset risk	R0070	0	0	0
Basic Solvency Capital Requirement	R0100	25.969	25.969	0

Calculation of Solvency Capital Requirement		C0100
Adjustment due to RFF/MAP nSCR aggregation	R0120	0
Operational risk	R0130	4.835,76
Loss-absorbing capacity of technical provisions	R0140	0,00
Loss-absorbing capacity of deferred taxes	R0150	-388,92
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0,00
Solvency Capital Requirement excluding capital add-on	R0200	30.416,10
Capital add-ons already set	R0210	0,00
Solvency capital requirement	R0220	30.416,10
Other information about Solvency capital requirement		
Capital requirement for duration-based equity risk sub-module	R0400	0,00
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0,00
Total amount of Notional Solvency Capital Requirements for ring-fenced funds	R0420	0,00
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0,00
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0,00
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450	No adjustment (s2c_AP:x38)
Net future discretionary benefits	R0460	0,00

Ajustment

S.28.01.01

Minimum Capital Requirement

S.28.01.01.01

Linear formula component for non-life insurance and reinsurance obligations

		MCR components
		C0010
MCRNL Result	R0010	7.690

S.28.01.01.02

Background information

		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	0	0
Income protection insurance and proportional reinsurance	R0030	0	0
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	0	0
Other motor insurance and proportional reinsurance	R0060	0	0
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	18.847	72.052
General liability insurance and proportional reinsurance	R0090	0	0
Credit and suretyship insurance and proportional reinsurance	R0100	0	0
Legal expenses insurance and proportional reinsurance	R0110	0	0
Assistance and proportional reinsurance	R0120	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	963	2.749
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

S.28.01.01.03

Linear formula component for life insurance and reinsurance obligations

		Result
		C0040
MCRL Result	R0200	0

S.28.01.01.05

Overall MCR calculation

		Value
		C0070
Linear MCR	R0300	7.690
SCR	R0310	30.416
MCR cap	R0320	13.687
MCR floor	R0330	7.604
Combined MCR	R0340	7.690
Absolute floor of the MCR	R0350	4.000
Minimum Capital Requirement	R0400	7.690

TELEFÓNICA SEGUROS Y REASEGUROS COMPAÑÍA ASEGURADORAS, SAU

The above Financial Position and Solvency Report, transcribed onto 66 pages, including the signature pages, numbered from 1 to 66, both inclusive, corresponds to TELEFÓNICA SEGUROS Y REASEGUROS COMPAÑÍA ASEGURADORA, SAU, and it has been approved by the Board of Directors at its meeting held on 25 March 2024 and signed below by the Chairman of the Board of Directors and the Non-Director Secretary. In addition, the Non-Director Secretary has initialled all the preceding pages in witness thereof.

Madrid, 25 March 2024

Mr Juan Antonio Mielgo Carrizo	Mr Omar Chelala Riva
Chairman of the Board	Non-Director Secretary