

Solvency and Financial Condition Report

For the financial year ended on 31 December 2022

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

28 March 2023

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INTRODUCTION:

This report 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 (hereinafter, SFCR) of Telefónica Seguros y Reaseguros Compañía Aseguradora, S.A.U., hereinafter Telefónica Seguros, the Insurer or the Entity, as of 31 December 2022, 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 fully owned by the Telefónica Group, which holds its stake through the parent company, Telefónica Luxembourg Holding Group.

The Spanish-based insurer has 13 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 Natural Elements, 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 at 31 December 2022 are listed below:

- Gross Earned Premium has decreased 5% compared to 2021, which at year-end 2022 amounted to €154,410 thousand (€162,392 thousand in 2021).
- Mobile device insurance business accounts for 97% of premiums earned (99% in 2021), and the Entity's main market is the UK, which accounts for 69% of total premiums earned in 2022 (65% in 2021).

Item	Spain*	Germany	United Kingdom	Total
Gross Earned Premium	27,624	20,056	106,729	154,410
% Breakdown	18%	13%	69%	100%

* Includes the Brazil business as Accepted Reinsurance (4,325).

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 2021 and was 63% by the end of 2022.

% Ceded Reinsurance	2022	2021	Var.
% Ceded Reinsurance (Premium)	63%	71%	-9%

- The Claims Ratio for the 2022 financial year remains constant compared to the previous year:

Claims Ratio	2022	2021	Var.	%
Net Earned Premium	54.345	42.486	11.859	28%
Net Claims	18.178	14.179	3.999	28%
Claims Ratio	33%	33%	0%	

In thousands of Euros

- Net income from financial investments amounted to €27 thousand, 76% less than in the previous year, while net exchange differences borne by the company amounted to €-433 thousand.

Investment income	2022	2021	Var.
Net Income from Financial Investments	27	112	-85
Exchange Rate Gains or Losses	-433	230	-663
Total	-406	342	-748

In thousands of Euros

- The expenses ratio improved by 1% with respect to the previous year, chiefly due to the higher contribution of reinsurance to covering costs.

Expenses Ratio	2022	2021	Var.	%
Net Earned Premium	54.345	42.486	11.859	28%
Costs and fees	30.477	22.756	7.720	34%
Expenses Ratio	56%	54%	3%	

In thousands of Euros

- The combined ratio of the Entity stands at 90% for the year 2022, worsening by 3% compared to year-end 2021.

Combined Ratio	2022	2021	Var.
(Claims + Expenses)/ Net Earned Premium	90%	87%	3%

- The Entity's pre-tax profit for the 2022 financial year stands at 5,285 thousands of € compared to 5,893 thousands of € for the 2021 financial year, which is a fall of €608 thousands of €.

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.

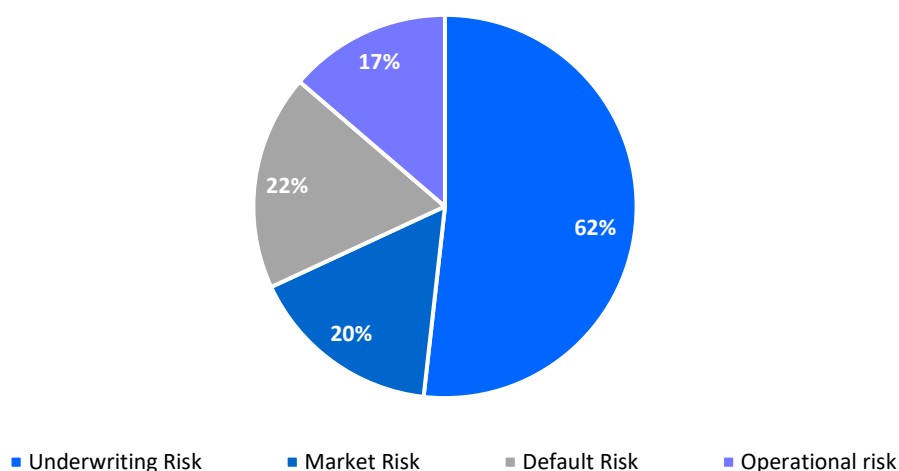
The structure encompasses the company's supervisory, management and administrative bodies, which are made up of its governing bodies: The General Shareholders' Meeting, the Board of Directors, the Audit Committee, the Governance Committee, the Executive Committee, the Investment Committee, the manager of the distribution function and the person responsible for sound 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 considered.

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) under the standard formula. The Solvency Capital Requirement calculation is in the amount of €28,219,000 (€23,807,000 in 2021). 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	2022	2021	Var.	%
Asset	160.496	131.766	28.731	22%
Liability	88.983	61.453	27.531	45%
Available Capital and Reserves	71.513	70.313	1.200	2%

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 2022, the Entity has a Solvency ratio of 256%, which complies with the risk appetite thresholds approved by the Board of Directors.

Solvency Ratio	2022	2021	Var.
Available Capital and Reserves	71.513	70.313	2%
SCR	28.219	23.807	19%
Solvency Ratio	253%	295%	-42%
Available Capital and Reserves for MCR	70.952	69.654	2%
MCR	7.055	5.952	19%
Minimum Solvency Ratio	1014%	1170%	-157%

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. The company’s purpose is to perform insurance and reinsurance transactions for all kinds of risks, except life insurance.

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 company’s 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.

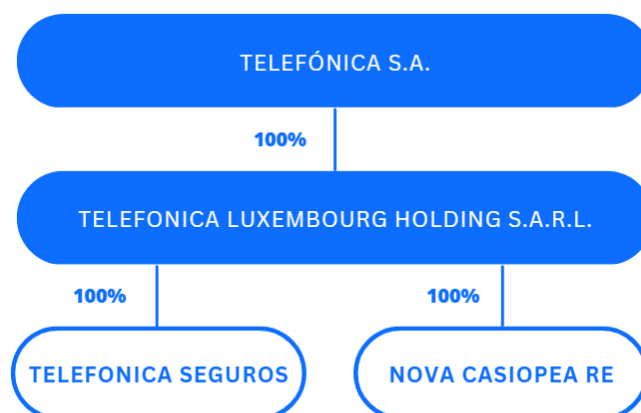
- United Kingdom:
Telefonica Insurance UK Branch, 120 New Cavendish Street, London, W1W 6XX, registered in the United Kingdom under foreign company registration number FC029774 and UK incorporation number BR014757. The Company is regulated by the Financial Conduct Authority (FCA), which regulates the conduct of business in the UK, and by the Prudential Regulation Authority (PRA), code FRN 430933.
After having been under the Temporary Permit Regime (TPR), on 31 January 2021, the company submitted to the PRA the necessary documentation to obtain authorisation to operate in the country as a Third Country Branch. Authorisation was received from the regulator on 26 July 2022.
- 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 approximately 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 natural elements.
- Other property damage.
- Miscellaneous pecuniary losses.
- General civil liability.
- Assistance.
- Accidents.

- Legal defence

Telefónica Seguros has more than 13 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 2022 financial year total 154,410 thousands of €, a decrease of 5% compared with 2021. 97% of the premiums earned come from the mobile device insurance business (99% in 2021).

	2022	2021	Var.	%
Gross Earned Premium	154.410	162.392	- 7.983	-5%
<i>In thousands of Euros</i>				

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 2022 financial year by geographical areas is presented below:

Thousands of €	Spain*	Germany	United Kingdom	Total
Gross earned Premium	27.624	20.056	106.729	154.410
% Breakdown	18%	13%	69%	
* Includes the Brazil business as Accepted Reinsurance (€4,325.000).				

In 2022, the UK accounted for 69% of total direct premiums earned (65% in 2021), Germany 13% (14% in 2021) and Spain 18% (20% in 2021).

The reinsurance ceding rate for financial year 2022 was 63% compared with 71% 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.

% Ceded Reinsurance	2022	2021	Var.
% Ceded Reinsurance (Premium)	63%	71%	-9%

The allocated premiums net of reinsurance ceded in the 2022 financial year come to 54,345 thousands of €, an increase of 28% compared to 2020. (€42,486 thousands in 2021).

En miles de €	2022	2021	Variación	%
Primas Imputadas Netas de Reaseguro	54.345	42.486	11.859	28%
<i>Miles de euros</i>				

The net imputed reinsurance premiums figure for the financial year 2022 increases due to higher retention.

The net ceded reinsurance loss ratio is €18,178 thousand at the end of 2022, an increase of 28% compared to 2021 (€14,179 thousand).

The claims ratio for the financial year 2022 is 33%, which remains constant compared with the financial year 2021.

Claims Ratio	2022	2021	Var.	%
Net Earned Premium	54.345	42.486	11.859	28%
Net Claim	18.178	14.179	3.999	28%
Net Claims Ratio	33%	33%	0%	

In thousands of Euros

The expense ratio is 58 % at year-end 2022. There was an increase of 7% compared to the previous year, which is explained by an increase in fee and commission expense.

Expenses Ratio	2022	2021	Var.	%
Net Earned Premium	54.345	42.486	11.859	28%
Costs and fees	30.477	22.756	7.720	34%
Expenses Ratio	56%	54%	3%	5%

In thousands of Euros

The net combined ratio stands at 90% in the 2022 financial year, a fall of 3% compared to the figure for financial year 2021.

Combined Ratio	2022	2021	Var.
ms + Expenses)/ Net Earned Premium	90%	87%	3%

The pre-tax profit for the year amounts to €5,285 thousand, a decrease of 10% compared to year-end 2021 (€5,893 thousand).

	2022	2021	Var.	%
Profit before Tax	5.285	5.893	-608	-10%

In thousands of Euros

Quantitative information regarding the underwriting results for the 2022 financial year by countries is presented below:

TECHNICAL ACCOUNT-NON-LIFE INSURANCE	SPAIN	GERMANY	UNITED KINGDOM	BRAZIL	TOTAL
Net Earned Premium	7.417	5.661	36.942	4.325	54.345
Net Operating Costs	-4.061	-877	-22.917	-2.622	-30.477
Net Claims	-1.662	-2.191	-13.648	-677	-18.178
Technical-Financial Result	-422	-11	27	0	-406
Results of the Non-Life Technical Account	1.272	2.583	404	1.027	5.285
<i>In thousands of Euros</i>	24%	49%	8%	19%	100%

As mentioned above, 97% 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 €5,285 thousand.

A.3. RETURN ON INVESTMENTS:

The year 2022 has been marked by the war in Ukraine and monetary tightening by central banks with rate hikes in an attempt to control high inflation rates.

Even so, excess liquidity in the markets and rising energy prices have led to year-on-year inflation above 9% in the eurozone, far beyond the 2% target set by the European Central Bank's policy. However, Spain ended 2022 with the lowest inflation rate in the eurozone, at 5.7%. Its economy recorded 5.5% growth, allaying fears of a GDP downturn in the latter part of the year. This figure is similar to that of 2021 but, in this case, with a strong first half of the year and a more moderate second half.

Volatility in financial markets has been quite evident. The MSCI World closed the year with a fall of more than 19%, while the Eurostoxx 50 fell by just under 12%. The Spanish 10-year bond yielded over 3.50% during the last quarter of the year.

The performance of the Telefónica Seguros portfolio.

Asset Type	Portfolio 31/12/2022	%
Monetary and Fixed Income	44,82	81,52%
Equity Instruments	8,62	15,68%
Alternative Investment	0,01	0,01%
Real Estate and Infrastructure	1,54	2,80%
TOTAL PORTFOLIO	54,98	100%
<i>Millions of euros</i>		

Of the total Financial Investments, which amount to EUR 64.98 million, EUR 10 million is allocated to Working Cash.

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 2022.

A.5. ANY OTHER INFORMATION:

There is no other relevant information, except:

Statement on COVID-19 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 aim of the Governance System is to ensure sound and prudent management. Its two core principles are effectiveness and proportionality within the framework of an Internal Control structure that ensures compliance with regulations, the efficiency and effectiveness of its operations and the availability and reliability of the 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 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.

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.

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. FITNESS AND PERSONAL INTEGRITY 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 A RISK AND SOLVENCY SELF-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.
- Monitoring the policies and procedures and the respective owners of the risks to guarantee their alignment and coordination.
- 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 implemented an internal control system that applies the following fundamental principles:

- The application of the Telefónica Group's Business Principles.
- The application of the General Controls: control environment, risk assessment, reporting and communication, follow-up.
- The implementation of Specific Controls by business cycles: the processes affecting the financial reporting were examined with a view to compliance with the requirements of Section 404 of the Sarbanes-Oxley Act.

Within the Company's policies and procedures, its Internal Control System establishes a control point mechanism. The most important control points cover the following aspects:

- Decision-making within the company.
- Payments made by the company to third parties, customers and employees.

- The process of variations in the submission of reports within the company.
- Invoicing of customers, group companies and third parties that cause damage or harm to the company.
- Conducting financial transactions.
- Unfair competition and control situations to avoid irregular activities.

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:

Pillar 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.

Pillar 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.

Pillar 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 2021, 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.



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 2022, the main risks to which the entity is exposed include:

- The Underwriting Risk, accounting for 63% of the SCR before correlations between modules, down from the previous year (54%).
- The Market Risk, accounting for 20% of the SCR before correlations between modules, down from the previous year (12%).
- The Default Risk, accounting for 22% of the SCR before correlations between modules, down from the previous year (34%).
- The Operational Risk, accounting for 17% of the SCR before correlations between modules, down from the previous year (19%).

SCR	2022	2021	Var.
Underwriting Risk	62%	54%	9%
Market Risk	20%	12%	7%
Default Risk	22%	34%	-12%
Operational risk	17%	19%	-2%
Diversification	-21%	-19%	-2%

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

The underwriting risks are identified in the Company's Risk Register under risk 15, "Underwriting and new product development 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 (500,000 - 1,000,000 euros)

The underwriting risk for the financial year 2022 amounts to €17,620 thousand compared with €12,793 thousand in the previous year. This increase is explained by lower premium cessions to reinsurance:

Underwriting Risk	2022	2021	Var.
Premiums and Reserves	17.351	12.121	5.230
Lapses	1.410	540	871
Catastrophic	784	2.033	-1.249
SCR Underwriting before diversification	19.545	14.694	4.851
Diversification	-1.925	-1.900	-25
Underwriting SCR	17.620	12.793	4.826

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 63% in 2022, a figure slightly lower than in the previous year. The level of this reinsurance cover is reviewed and approved on an annual basis.

% Ceded Reinsurance	2022	2021	Var.
% Ceded Reinsurance (Premium)	63%	71%	-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.

- Equity 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 2022, 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 (500,000 - 1,000,000 euros)

1.2. Equity risk

In financial year 2022, 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: Low (0.5 - 1 million euros)

1.3. Currency risk

In the 2022 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.

1.4. 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. It is identified in the Company's Risk Map in Record No. 15, "Market 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)

The concentration risk is minimal for Telefónica Seguros (12% of the market risk).

2. Standard Formula

The market risk is defined in accordance with the standard formula of the Solvency II directive. In the 2022 financial year it stands at €5,551 thousand, above the previous year's result (€2,933 thousand); this increase is chiefly due to the lower exposure to fixed return and variable return investments, while the exchange rate risk diminished:

Market Risk	2022	2021	Var.
Interest rate risk	1.414	146	1.269
Equity risk	3.008	1.439	1.569
Concentration Risk	1.018	353	665
Spread risk	2.113	364	1.749
Currency risk	515	1.766	-1.251
Property risk	384	101	283
SCR market before diversification	8.452	4.168	4.284
Diversification	-2.901	-1.235	-1.666
Market SCR	5.551	2.933	2.618

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 the 2022 financial year, the credit risk is identified on the Company's Risk Map under Record No. 16, "Credit Risk", Record No. 9, "Default", and Record No. 18, "Reinsurance Risk". The risks were measured by means of 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:

- Nº 16 Credit risk
 - Likelihood: Possible (11% - 30%)
 - Impact: Low (0.5 - 1 million euros)
- No. 9 Default Risk
 - Likelihood: Very Likely (31% - 50%)
 - 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 of 31 December 2022 are shown below:

Default Risk	2022	2021	Var.
Default Risk type 1	2.576	5.003	-2.428
Default Risk type 2	4.021	3.647	374
Counterparty SCR before diversification	6.597	8.650	-2.053
Diversification	-405	-544	140
Counterparty SCR	6.192	8.106	-1.914

In thousands of Euros

Risk concentrations

The most valuable individual possessions are cash at the banks:

- Commezbank: 12.58 million euros.
- BNP: 4.94 million euros.
- Societe Generale: 3.1 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 2022 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.

Risk measures:

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

On 31 December 2022 the operational risk stands at €4.66 million, a slight increase with respect to the previous year.

SCR	2022	2021	Var.
Operational risk	4.664	4.511	153

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 three risks that may 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 of Brexit in the following manner:

- Likelihood: Possible (11% - 30%)
- 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)

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 2022 and 31 December 2021 is listed below:

Assets	2022			2021		
	Accounting	Economic	Difference	Accounting	Economic	Difference
Investments	41.342	41.371	29	9.237	9.237	0
Reinsurance Recoverables	21.694	16.595	-5.099	21.858	18.169	-3.688
Credits	67.896	67.896	0	36.250	36.250	0
Other Assets	33.421	34.634	1.214	68.762	68.109	-653
Direct Fees	4.288	0	-4.288	3.095	0	-3.095
Total	168.641	160.496	-8.144	139.201	131.766	-7.436

In thousands of Euros

The asset valuation on the Entity's economic balance sheet is in the amount of €160,496 thousand, compared to €168,461 thousand of the carrying amount, due to the lower value of the recoverable reinsurance and the cancellation of both intangible assets and fees prepaid under the Solvency II criteria.

As at 31 December 2022, all the assets are recognised at fair value for accounting and solvency purposes 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 2022 and 31 December 2021 are listed below:

Financial Assets	2022			2021		
	Accounting	Economic	Difference	Accounting	Economic	Difference
Participations	0	0	0	0	0	0
Equity	0	0	0	0	0	0
Bonds	8.726	8.755	29	0	0	0
Investment funds	32.545	32.545	0	9.230	9.230	0
Deposits	1.608	1.608	0	8	8	0
Cash and cash equivalents	22.694	22.694	0	59.913	59.913	0
Total	65.573	65.602	29	69.150	69.150	0

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.

The amount of the Deferred Tax Assets recognised on the Solvency II balance sheet arising from the accounting Deferred Tax Assets and those generated by the valuation differences between the accounting and Solvency II will be accounted for by means of the reversal of the Deferred Tax Liabilities, leaving a surplus of €561 thousand at 31 December 2022 and €495 thousand at 31 December 2021, as shown below:

Deferred Taxes	2022			2021		
	Assets	Liabilities	Difference	Assets	Liabilities	Difference
Local Balance	168.641	95.445	73.195	139.201	66.910	72.291
Economic Balance	157.781	86.829	70.952	131.766	61.453	70.313
Solvency II Impact	-10.859	-8.616	-2.243	-7.436	-5.457	-1.978
Deferred Taxes	2.715	2.154	561	1.859	1.364	495
Total Economic Balance	160.496	88.983		132.260	61.453	

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).

Pasivos y Fondos Propios	2022			2021		
	Contable	Económico	Diferencia	Contable	Económico	Diferencia
Fondos Propios	73.195	71.513	-1.682	72.291	70.313	-1.978
Provisiones Técnica	35.018	27.929	-7.089	30.071	26.413	-3.658
Cuentas a Pagar	51.625	51.625	0	31.475	31.475	0
Prov. No técnicas	4.062	4.062	0	3.440	3.440	0
Otros Pasivos	4.740	5.367	627	1.925	125	-1.800
Total	168.641	160.496	-8.145	139.201	131.766	-7.436

Miles de euros

Liabilities and Own funds	2022			2021		
	Accounting	Economic	Difference	Accounting	Economic	Difference
Own Funds and Reserves	73.195	71.513	-1.682	72.291	70.313	-1.978
Technical Provisions	35.018	27.929	-7.089	30.071	26.413	-3.658
Accounts Payable	51.625	51.625	0	31.475	31.475	0
Prov. Non-technical	4.062	4.062	0	3.440	3.440	0
Other Liabilities	4.740	5.367	627	1.925	125	-1.800
Total	168.641	160.496	-8.145	139.201	131.766	-7.436

In thousands of Euros

The valuation of the liabilities together with equity in the Entity's economic balance sheet amounts to €160,496 thousand, compared with the book value of €168,641 thousand. This difference is explained by a lower value of provisions and the cancellation of anticipated reinsurance commissions under Solvency II criteria.

The list of the Technical Provisions under Statutory and Solvency II rules as at 31 December 2022 is as follows:

2022	Accounting Balance	Solvency II Balance Sheet	Difference
Best Estimate Liability	35.018	26.467	-8.551
Best Estimate - Premium Provision	27.263	18.498	-8.765
Best Estimate - Claim Provision	7.755	7.969	214
Risk Margin	0	1.462	1.462
Total Technical Provisions Direct Ins.	35.018	27.929	-7.089
Reinsurance Recoverables	21.692	16.593	-5.099
Premium Recoverables	16.553	11.314	-5.238
Claim Recoverables	5.139	5.279	140
Technical Provisions net of Reinsurance	13.325	11.335	-1.990

In thousands of Euros

The Technical Provisions under Solvency II at 31 December 2022 amount to €27,929 thousand, with a difference of minus €7,089 thousand compared with the carrying amount. 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. This impact of a lower provision of €8,765 thousand is offset by a higher claims provision of €214 thousand and the constitution of the risk margin of €1,462 thousand.

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.

No future premiums are currently projected, and, for the time being, 2022 is as follows:

$$PP = CR \cdot UPR$$

BE Claims:

- For Mobile Handsets, a product that accounts for 97% of premiums:

The Entity has calculated the Best Estimate of Claims, without costs attributable to provisions, using the Mack Chain Ladder and Credibility Mack stochastic methods, taking into account a historical experience of 1 year. The IBNR is calculated as follows:

- Creation of the frequencies triangle by months.
- Projection of the number of claims triangle applying the Mack Chain Ladder and Credibility Mack methodologies to arrive at the latter.
- Calculation of the expected number of claims or expected frequency for each of the months as the difference between the latest and the observed frequency on the diagonal.
- Calculation of the average observed cost per month of occurrence. Zero-cost claims are not taken into account in the calculation of this figure.
- The Best Estimate or Expected Ultimate Claims Cost is calculated by multiplying the expected frequency by the average observed cost per month of occurrence.
- 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 estimated reserve settlement pattern, 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 2022.
- The Best Estimate of Costs attributable to provisions is regarded as the accounting data of the Internal Claims Settlement Expense Provision, which is also financially updated to the EIOPA Rate Curve without a Volatility Adjustment at 31 December 2022, in accordance with the estimated reserve settlement pattern.

- For the remaining products, which account for 1 % 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 2022.

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 2022, are listed below:

Other accounting liabilities amount to €8,803 thousand, of which €9,429 thousand is in Solvency II.

Other Liabilities	2022			2021		
	Local	Economic	Difference	Local	Economic	Difference
Non-technical provisions	4.062	4.062	0	3.440	3.440	0
Other Liabilities	4.740	5.367	627	1.925	125	-1.800
Total	8.803	9.429	627	5.364	3.565	-1.800

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 2022 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 (CSO or 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 (CMR or 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 CSO 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: <ul style="list-style-type: none"> • The business position. • The ability to generate capital. • Relevant risks and volatilities.

At 31 December 2022, the Entity has Eligible Own Funds in the amount of €71,513 thousand.

Eligible Own Funds 2022	TOTAL	TIER 1	TIER 2	TIER 3
Shareholders' Equity (Local IFRS)	73.195			
Reconciliation Reserve	-1.682			
Eligible Own Funds	71.513	70.952	0	561

In thousands of Euros

At 31 December 2021, the Entity had Eligible Own Funds in the amount of €70,313 thousand.

Eligible Own Funds 2021	TOTAL	TIER 1	TIER 2	TIER 3
Shareholders' Equity (Local IFRS)	72.291			
Reconciliation Reserve	-1.978			
Eligible Own Funds	70.313	69.654	0	659

In thousands of Euros

As at 31 December 2022 Telefónica Seguros:

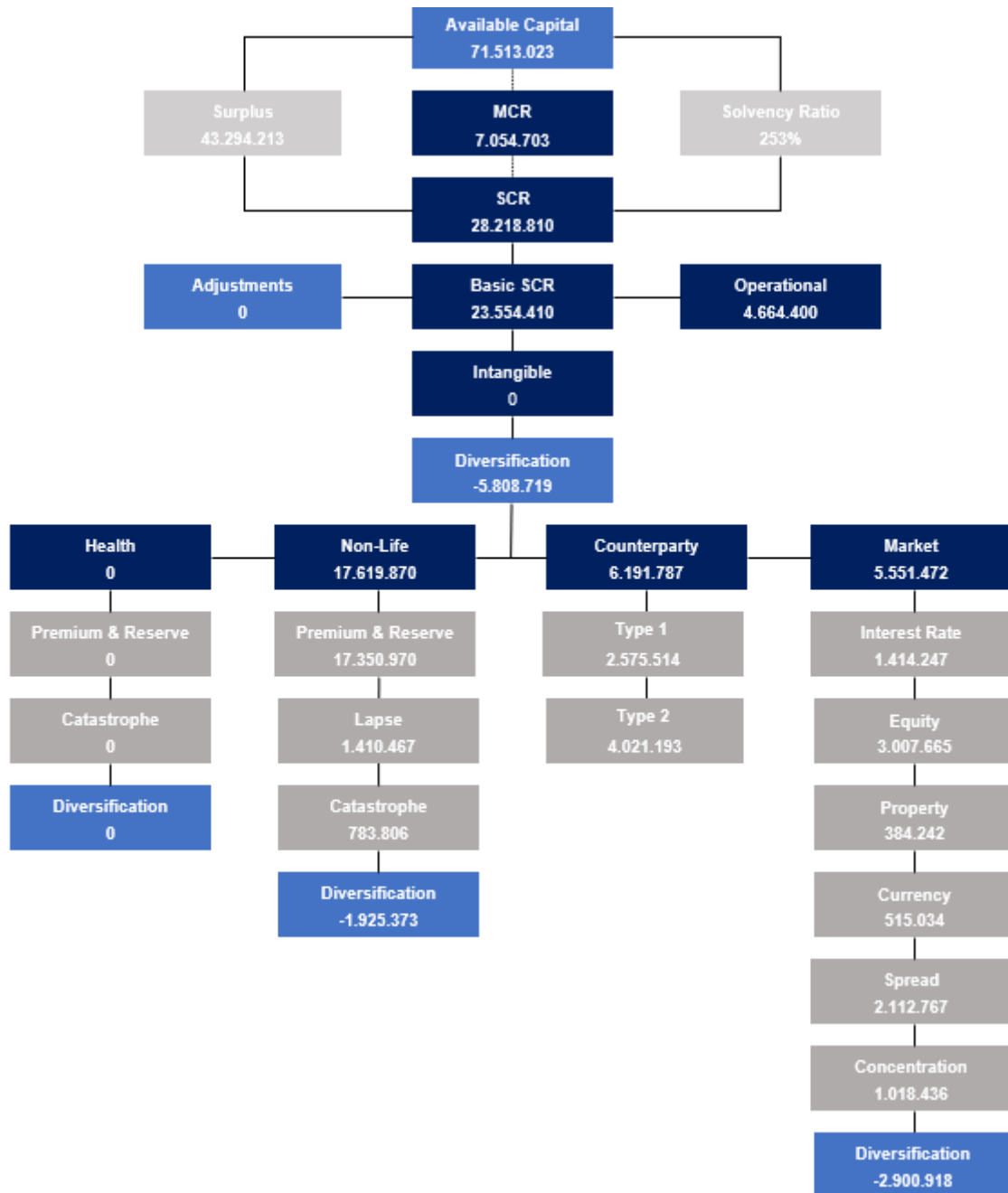
- It has no Supplementary Capital and Reserves.
- There have been no significant movements in the shareholder's equity.

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 2022 is as follows:



SCR	2022	2021	Var.
Underwriting Risk	17.620	12.793	4.826
Premiums and reserves	17.351	12.121	5.230
Portfolio Loss	1.410	540	871
Catastrophe	784	2.033	-1.249
Diversification	-1.925	-1.900	-25
Market Risk	5.551	2.933	2.618
Interest rate risk	1.414	146	1.269
Equity risk	3.008	1.439	1.569
Concentration risk	1.018	353	665
Spread Risk	2.113	364	1.749
Currency Risk	515	1.766	-1.251
Property risk	384	101	283
Diversification	-2.901	-1.235	-1.666
Default risk	6.192	8.106	-1.914
Default Risk type 1	2.576	5.003	-2.428
Default Risk type 2	4.021	3.647	374
Diversification	-405	-544	140
BSCR (before correlation between modules)	29.363	23.832	5.531
Diversification profit	-5.809	-4.537	-1.272
BSCR	23.554	19.296	4.259
Operational risk	4.664	4.511	153
SCR	28.219	23.807	4.412

In thousands of Euros

The total amount of the SCR at the end of 2022 amounts to €28,219 thousand, compared with €23,807 thousand last year.

SCR composition	2022	2021	Var.
BSCR	23.554	19.296	4.259
Operational risk	4.664	4.511	153
SCR	28.219	23.807	4.412

In thousands of Euros

At 31 December 2022, the SCR is 256% (295% at 31 December 2021). This ratio measures the relationship between the Eligible Capital and Reserves and the Solvency Capital Requirement (SCR).

Solvency Ratio	2022	2021	Var.
Eligible Own Funds	71.513	70.313	1.200
Solvency Capital Requirement	28.219	23.807	4.412
Solvency Ratio	253%	295%	-42%

In thousands of Euros

At 31 December 2022 the MCR amounts to €7,055 thousand (€5,952 thousand at 31 December 2021) and the Entity's Minimum Solvency Ratio is 1006% (1170% at 31 December 2021). This ratio measures the relationship between the Eligible Capital and Reserves and the Minimum Capital Requirement (MCR).

Minimum Solvency Ratio	2022	2021	Var.
Minimum Capital Requirement	7.055	5.952	1.103
Eligible Own Funds	70.952	69.654	1.299
Minimum Solvency Ratio	1006%	1170%	-165%
<i>In thousands of Euros</i>			

During the 2022 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 2022 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		Valor Solvencia II	Valor en las cuentas obligatorias
		C0010	C0020
ACTIVO			
Fondo de comercio	R0010	0,00	0,00
Costes de adquisición diferidos	R0020	0,00	4.287.955,43
Activos intangibles	R0030	0,00	1.501.212,31
Activos por impuestos diferidos	R0040	2.714.834,00	0,00
Superavit de las prestaciones de pensión	R0050	0,00	0,00
Inmovilizado material para uso propio	R0060	24.506,45	24.506,45
Inversiones (distintas de los activos mantenidos a efectos de contratos vinculados a índices y fondos de inversión)	R0070	42.907.765,06	42.879.164,99
Inmuebles (distintos a los destinados al uso propio)	R0080	0,00	0,00
Participaciones en empresas vinculadas	R0090	0,00	0,00
Acciones	R0100	0,00	0,00
Acciones — cotizadas	R0110	0,00	0,00
Acciones — no cotizadas	R0120	0,00	0,00
Bonos	R0130	8.754.790,67	8.726.190,60
Bonos públicos	R0140	6.437.592,61	6.433.961,22
Bonos de empresa	R0150	2.317.198,06	2.292.229,38
Bonos estructurados	R0160	0,00	0,00
Valores con garantía real	R0170	0,00	0,00
Organismos de inversión colectiva	R0180	31.682.474,73	31.682.474,73
Derivados	R0190	862.999,66	862.999,66
Depósitos distintos de los equivalentes a efectivo	R0200	1.607.500,00	1.607.500,00
Otras inversiones	R0210	0,00	0,00
Activos mantenidos a efectos de contratos vinculados a índices y fondos de inversión	R0220	0,00	0,00
Préstamos con y sin garantía hipotecaria	R0230	0,00	0,00
Préstamos sobre pólizas	R0240	0,00	0,00
Préstamos con y sin garantía hipotecaria a personas físicas	R0250	0,00	0,00
Otros préstamos con y sin garantía hipotecaria	R0260	0,00	0,00
Importes recuperables de reaseguro de:	R0270	16.593.430,74	21.692.197,75
No vida y enfermedad similar a no vida	R0280	16.593.430,74	21.692.197,75
No vida, excluida enfermedad	R0290	16.593.430,74	21.692.197,75
Enfermedad similar a no vida	R0300	0,00	0,00
Vida y enfermedad similar a vida, excluidos enfermedad y vinculados a índices y fondos de inversión	R0310	0,00	0,00
Enfermedad similar a vida	R0320	0,00	0,00
Vida, excluidos enfermedad y vinculados a índices y fondos de inversión	R0330	0,00	0,00
Vida vinculados a índices y fondos de inversión	R0340	0,00	0,00
Depósitos en cedentes	R0350	1.307,67	1.307,67
Cuentas a cobrar de seguros e intermediarios	R0360	61.058.870,21	61.058.870,21
Cuentas a cobrar de reaseguro	R0370	1.839.818,83	1.839.818,83
Cuentas a cobrar (comerciales, no de seguros)	R0380	4.997.547,87	4.997.547,87
Acciones propias (tenencia directa)	R0390	0,00	0,00
Importes adeudados respecto a elementos de fondos propios o al fondo mutual inicial exigidos pero no desembolsados aún	R0400	0,00	0,00
Efectivo y equivalente a efectivo	R0410	22.693.902,60	22.693.902,60
Otros activos, no consignados en otras partidas	R0420	7.664.142,53	7.664.142,53
TOTAL ACTIVO	R0500	160.496.125,97	168.640.626,63

SE.02.01.01

		Valor Solvencia II	Valor en las cuentas obligatorias
		C0010	C0020
PASIVO			
Provisiones técnicas — no vida	R0510	27.928.548,17	35.017.502,70
Provisiones técnicas -no vida (excluida enfermedad)	R0520	27.928.548,17	35.017.502,70
Provisiones técnicas calculadas como un todo	R0530	0,00	0,00
Mejor estimación	R0540	26.466.779,76	0,00
Margen de riesgo	R0550	1.461.768,41	0,00
Provisiones técnicas — enfermedad (similar a no vida)	R0560	0,00	0,00
Provisiones técnicas calculadas como un todo	R0570	0,00	0,00
Mejor estimación	R0580	0,00	0,00
Margen de riesgo	R0590	0,00	0,00
Provisiones técnicas — vida (excluidos vinculados a índices y fondos de inversión)	R0600	0,00	0,00
Provisiones técnicas — enfermedad (similar a vida)	R0610	0,00	0,00
Provisiones técnicas calculadas como un todo	R0620	0,00	0,00
Mejor estimación	R0630	0,00	0,00
Margen de riesgo	R0640	0,00	0,00
Provisiones técnicas -vida (excluidos enfermedad y vinculados a índices y fondos de inversión)	R0650	0,00	0,00
Provisiones técnicas calculadas como un todo	R0660	0,00	0,00
Mejor estimación	R0670	0,00	0,00
Margen de riesgo	R0680	0,00	0,00
Provisiones técnicas — vinculados a índices y fondos de inversión	R0690	0,00	0,00
Provisiones técnicas calculadas como un todo	R0700	0,00	0,00
Mejor estimación	R0710	0,00	0,00
Margen de riesgo	R0720	0,00	0,00
Otras provisiones técnicas	R0730	0,00	0,00
Pasivos contingentes	R0740	0,00	0,00
Otras provisiones no técnicas	R0750	4.062.418,82	4.062.418,82
Obligaciones por prestaciones de pensión	R0760	0,00	0,00
Depósitos de reaseguradores	R0770	0,00	0,00
Pasivos por impuestos diferidos	R0780	2.154.092,00	0,00
Derivados	R0790	0,00	0,00
Deudas con entidades de crédito	R0800	0,00	0,00
Pasivos financieros distintos de las deudas con entidades de crédito	R0810	0,00	0,00
Cuentas a pagar de seguros e intermediarios	R0820	816.415,48	816.415,48
Cuentas a pagar de reaseguro	R0830	43.087.841,32	43.087.841,32
Cuentas a pagar (comerciales, no de seguros)	R0840	7.720.872,43	7.720.872,43
Pasivos subordinados	R0850	0,00	0,00
Pasivos subordinados que no forman parte de los fondos propios básicos	R0860	0,00	0,00
Pasivos subordinados que forman parte de los fondos propios básicos	R0870	0,00	0,00
Otros pasivos, no consignados en otras partidas	R0880	3.212.914,00	4.740.328,27
TOTAL PASIVO	R0900	88.983.102,21	95.445.379,01
Excedente de los activos respecto a los pasivos	R1000	71.513.023,75	73.195.247,62

Primas, siniestros y gastos por línea de negocio

		Línea de negocio para: obligaciones de seguro y reaseguro de no vida (negocio directo y reaseguro proporcional aceptado)											Línea de negocio para: reaseguro no proporcional aceptado				Total	
		Seguro de gastos médicos	Seguro de protección de pagos	Seguro de indemnización para trabajadores	Seguro de responsabilidad civil para vehículos de	Otros seguros de auto móviles	Seguros marítimos, de aviación y de transporte	Seguro de incendio y otros daños materiales	Seguro de responsabilidad civil	Seguro de crédito y caución	Seguro de protección jurídica	Asistencia	Pérdidas económicas diversas	Salud	Accidentes	Marítimo, aviación, transporte		Daños Materiales
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150		C0160
Primas Devengadas																		
Importe bruto, seguro directo	R0110	0	0	0	0	0	0	148.466.095	0	0	0	0	618.101					150.084.196
Importe bruto, RPA	R0120	0	0	0	0	0	0	4.325.476	0	0	0	0						4.325.476
Importe bruto, RNP	R0130																	0
Cuota de reaseguradores	R0140	0	0	0	0	0	0	96.583.943	0	0	0	0	23.766	0	0	0	0	96.607.710
Importe Neto	R0200	0	0	0	0	0	0	57.207.628	0	0	0	0	594.335	0	0	0	0	57.801.963
Primas Imputadas																		
Importe bruto, seguro directo	R0210	0	0	0	0	0	0	148.966.487	0	0	0	0	600.918					149.567.405
Importe bruto, RPA	R0220	0	0	0	0	0	0	4.325.476	0	0	0	0						4,325,476
Importe bruto, RNP	R0230																	0
Cuota de reaseguradores	R0240	0	0	0	0	0	0	99.356.648	0	0	0	0	190.858	0	0	0	0	99,547,506
Importe Neto	R0300	0	0	0	0	0	0	53.935.316	0	0	0	0	410.060	0	0	0	0	54,345,376
Siniestralidad																		
Importe bruto, seguro directo	R0310	0	0	0	0	0	0	48.774.122	0	0	0	0	292.181					50,066,303
Importe bruto, RPA	R0320	0	0	0	0	0	0	0	0	0	0	0						0
Importe bruto, RNP	R0330																	0
Cuota de reaseguradores	R0340	0	0	0	0	0	0	33.169.795	0	0	0	0	199.019	0	0	0	0	33,362,814
Importe Neto	R0400	0	0	0	0	0	0	16.604.327	0	0	0	0	99.162	0	0	0	0	16,703,489
Variación de otras provisiones técnicas																		
Importe bruto, seguro directo	R0410	0	0	0	0	0	0	0	0	0	0	0						0
Importe bruto, RPA	R0420	0	0	0	0	0	0	0	0	0	0	0						0
Importe bruto, RNP	R0430																	0
Cuota de reaseguradores	R0440	0	0	0	0	0	0	0	0	0	0	0						0
Importe Neto	R0500	0	0	0	0	0	0	0	0	0	0	0						0
Gastos Incurridos	R0550	0	0	0	0	0	0	31.062.358	0	0	0	0	211.613	0	0	0	0	31,273,971
Gastos administrativos																		
Importe bruto, seguro directo	R0610	0	0	0	0	0	0	14.956.028	0	0	0	0						14,956,028
Importe bruto, RPA	R0620	0	0	0	0	0	0	253.344	0	0	0	0						253,344
Importe bruto, RNP	R0630																	0
Cuota de reaseguradores	R0640	0	0	0	0	0	0	0	0	0	0	0						0
Importe Neto	R0700	0	0	0	0	0	0	15.209.373	0	0	0	0						15,209,373
Gastos de gestión de inversiones																		
Importe bruto, seguro directo	R0710	0	0	0	0	0	0	0	0	0	0	0						0
Importe bruto, RPA	R0720	0	0	0	0	0	0	0	0	0	0	0						0
Importe bruto, RNP	R0730																	0
Cuota de reaseguradores	R0740	0	0	0	0	0	0	0	0	0	0	0						0
Importe Neto	R0800	0	0	0	0	0	0	0	0	0	0	0						0
Gastos de gestión de siniestros																		
Importe bruto, seguro directo	R0810	0	0	0	0	0	0	794.895	0	0	0	0	2.505					797,400
Importe bruto, RPA	R0820	0	0	0	0	0	0	0	0	0	0	0						0
Importe bruto, RNP	R0830																	0
Cuota de reaseguradores	R0840	0	0	0	0	0	0	0	0	0	0	0						0
Importe Neto	R0900	0	0	0	0	0	0	794.895	0	0	0	0	2.505	0	0	0	0	797,400
Gastos de adquisición																		
Importe bruto, seguro directo	R0910	0	0	0	0	0	0	66.653.664	0	0	0	0	209.108					66,862,772
Importe bruto, RPA	R0920	0	0	0	0	0	0	2.368.320	0	0	0	0						2,368,320
Importe bruto, RNP	R0930																	0
Cuota de reaseguradores	R0940	0	0	0	0	0	0	53.963.893	0	0	0	0						53,963,893
Importe Neto	R1000	0	0	0	0	0	0	15.058.090	0	0	0	0	209.108	0	0	0	0	15,267,198
Gastos Generales																		
Importe bruto, seguro directo	R1010	0	0	0	0	0	0	0	0	0	0	0						0
Importe bruto, RPA	R1020	0	0	0	0	0	0	0	0	0	0	0						0
Importe bruto, RNP	R1030																	0
Cuota de reaseguradores	R1040	0	0	0	0	0	0	0	0	0	0	0						0
Importe Neto	R1100	0	0	0	0	0	0	0	0	0	0	0						0
Otros Gastos	R1200																	3,794,936
Total Gastos	R1300																	35,068,906

S.05.02.01

S.05.02.01.01 País de origen - obligaciones de No Vida			País de origen
			C0080
Primas emitidas	Bruto - Negocio directo	R0110	23.298.951
	Bruto - Reaseguro proporcional aceptado	R0120	0
	Bruto - Reaseguro no proporcional aceptado	R0130	0
	Cuota de reaseguradores	R0140	14.424.136
	Importe Neto	R0200	8.874.815
Primas devengadas	Bruto - Negocio directo	R0210	22.922.306
	Bruto - Reaseguro proporcional aceptado	R0220	0
	Bruto - Reaseguro no proporcional aceptado	R0230	0
	Cuota de reaseguradores	R0240	15.505.798
	Importe Neto	R0300	7.416.509
Siniestros incurridos	Bruto - Negocio directo	R0310	5.419.458
	Bruto - Reaseguro proporcional aceptado	R0320	0
	Bruto - Reaseguro no proporcional aceptado	R0330	0
	Cuota de reaseguradores	R0340	4.370.833
	Importe Neto	R0400	1.048.625
Cambios en otras provisiones técnicas	Bruto - Negocio directo	R0410	0
	Bruto - Reaseguro proporcional aceptado	R0420	0
	Bruto - Reaseguro no proporcional aceptado	R0430	0
	Cuota de reaseguradores	R0440	0
	Importe Neto	R0500	0
Gastos incurridos	Gastos incurridos	R0550	4.674.183
Otros gastos	Otros gastos	R1200	0
Total gastos	Total gastos	R1300	0

S.05.02.01.02

S.05.02.01.02 Los 5 primeros países (por importe de las primas brutas emitidas) - obligaciones de No Vida			País (por importe de primas brutas emitidas) - obligaciones de No Vida			
			ESPAÑA	ALEMANIA	REINO UNIDO	BRASIL
Primas emitidas	Bruto - Negocio directo	R0110	23.298.951	20.056.483	106.728.762	0
	Bruto - Reaseguro proporcional aceptado	R0120	0	0	0	4.325.476
	Bruto - Reaseguro no proporcional aceptado	R0130	0	0	0	0
	Cuota de reaseguradores	R0140	14.424.136	12.642.357	69.541.217	0
	Importe Neto	R0200	8.874.815	7.414.127	37.187.545	4.325.476
Primas devengadas	Bruto - Negocio directo	R0210	22.922.306	19.838.349	106.806.750	0
	Bruto - Reaseguro proporcional aceptado	R0220	0	0	0	4.325.476
	Bruto - Reaseguro no proporcional aceptado	R0230	0	0	0	0
	Cuota de reaseguradores	R0240	15.505.798	14.177.425	69.864.284	0
	Importe Neto	R0300	7.416.509	5.660.925	36.942.466	4.325.476
Siniestros incurridos	Bruto - Negocio directo	R0310	5.419.458	5.550.307	39.096.538	0
	Bruto - Reaseguro proporcional aceptado	R0320	0	0	0	0
	Bruto - Reaseguro no proporcional aceptado	R0330	0	0	0	0
	Cuota de reaseguradores	R0340	4.370.833	3.543.544	25.448.438	0
	Importe Neto	R0400	1.048.625	2.006.764	13.648.101	0
Cambios en otras provisiones técnicas	Bruto - Negocio directo	R0410	0	0	0	0
	Bruto - Reaseguro proporcional aceptado	R0420	0	0	0	0
	Bruto - Reaseguro no proporcional aceptado	R0430	0	0	0	0
	Cuota de reaseguradores	R0440	0	0	0	0
	Importe Neto	R0500	0	0	0	0
Gastos incurridos	Gastos incurridos	R0550	4.674.183	1.060.628	22.917.495	2.621.664
Otros gastos	Otros gastos	R1200	0	0	0	0
Total gastos	Total gastos	R1300	0	0	0	0

S.05.02.01.03

S.05.02.01.03 Total Top 5 y país de origen - obligaciones de No Vida			Total Top 5 y país de origen
			C0140
Primas emitidas	Bruto - Negocio directo	R0110	150.084.196
	Bruto - Reaseguro proporcional aceptado	R0120	4.325.476
	Bruto - Reaseguro no proporcional aceptado	R0130	0
	Cuota de reaseguradores	R0140	96.607.710
	Importe Neto	R0200	57.801.963
Primas devengadas	Bruto - Negocio directo	R0210	149.567.406
	Bruto - Reaseguro proporcional aceptado	R0220	4.325.476
	Bruto - Reaseguro no proporcional aceptado	R0230	0
	Cuota de reaseguradores	R0240	99.547.506
	Importe Neto	R0300	54.345.376
Siniestros incurridos	Bruto - Negocio directo	R0310	50.066.303
	Bruto - Reaseguro proporcional aceptado	R0320	0
	Bruto - Reaseguro no proporcional aceptado	R0330	0
	Cuota de reaseguradores	R0340	33.362.814
	Importe Neto	R0400	16.703.489
Cambios en otras provisiones técnicas	Bruto - Negocio directo	R0410	0
	Bruto - Reaseguro proporcional aceptado	R0420	0
	Bruto - Reaseguro no proporcional aceptado	R0430	0
	Cuota de reaseguradores	R0440	0
	Importe Neto	R0500	0
Gastos incurridos	Gastos incurridos	R0550	31.273.971
Otros gastos	Otros gastos	R1200	3.794.936
Total gastos	Total gastos	R1300	35.068.906

S.17.01.01
Provisiones Técnicas No vida

		Negocio directo y reaseguro proporcional aceptado			Total de la obligación de no vida
		Seguro de incendio y otros daños materiales	Seguro de responsabilidad civil	Pérdidas económicas diversas	
		C0080	C0090	C0130	
Provisiones técnicas calculadas como un todo	R0010	0	0	0	0
Seguro directo	R0020	0	0	0	0
Reaseguro proporcional aceptado	R0030	0	0	0	0
Reaseguro no proporcional aceptado	R0040				0
Provision de primas					
Mejor estimación provisión de primas, importe bruto total	R0060	18.299.094	0	199.110	18.498.203
Seguro directo	R0070	18.299.094	0	199.110	18.498.203
Reaseguro proporcional aceptado	R0080	0	0	0	0
Reaseguro no proporcional aceptado	R0090				0
Recuperables reaseguro y entidades cometido especial y reaseguro limitado, antes del ajuste por impago	R0100	11.303.425	0	11.048	11.314.473
Recuperables reaseguro excepto entidades cometido especial y reaseguro limitado, antes del ajuste por impago	R0110	11.303.425	0	11.048	11.314.473
Recuperables de entidades con cometido especial antes del ajuste por pérdidas	R0120	0	0	0	0
Recuperables de reaseguro limitado antes del ajuste por pérdidas	R0130	0	0	0	0
Recuperables reaseguro y entidades cometido especial y reaseguro limitado, despues del ajuste por impago	R0140	11.303.425	0	11.048	11.314.473
Mejor estimación neta de las provisiones de primas	R0150	6.995.669	0	188.061	7.183.730
Provisión de siniestros					
Mejor estimación provisión de siniestros, importe bruto total	R0160	7.737.398	18.096	213.083	7.968.576
Seguro directo	R0170	7.737.398	18.096	213.083	7.968.576
Reaseguro proporcional aceptado	R0180	0	0	0	0
Reaseguro no proporcional aceptado	R0190				0
Recuperables reaseguro y entidades cometido especial y reaseguro limitado, antes del ajuste por impago	R0200	5.102.276	17.191	159.491	5.278.958
Recuperables reaseguro excepto entidades cometido especial y reaseguro limitado, antes del ajuste por impago	R0210	5.102.276	17.191	159.491	5.278.958
Recuperables de entidades con cometido especial antes del ajuste por pérdidas	R0220	0	0	0	0
Recuperables de reaseguro limitado antes del ajuste por pérdidas	R0230	0	0	0	0
Recuperables reaseguro y entidades cometido especial y reaseguro limitado, despues del ajuste por impago	R0240	5.102.276	17.191	159.491	5.278.958
Mejor estimación neta de las provisiones de siniestros	R0250	2.635.122	905	53.592	2.689.619
Mejor estimación total, importe bruto	R0260	26.036.492	18.096	412.192	26.466.780
Mejor estimación total, importe neto	R0270	9.630.791	905	241.653	9.873.349
Margen de riesgo	R0280	1.425.857	134	35.777	1.461.768
Importe de la medida transitoria sobre provisiones técnicas					
Provisiones calculadas como un todo	R0290	0	0	0	0
mejor estimación	R0300	0	0	0	0
margen de riesgo	R0310	0	0	0	0
Total de provisiones despues de deducir la medida transitoria, importe bruto	R0320	27.462.349	18.230	447.970	27.928.548
Recuperables reaseguro y entidades cometido especial y reaseguro limitado, despues del ajuste por impago	R0330	16.405.700	17.191	170.539	16.593.431
Importe total provisiones técnicas, neto	R0340	11.056.649	1.039	277.430	11.335.117
Numero de grupos homogéneos de riesgo para el calculo de la provisión de primas	R0350	0	0	0	
Numero de grupos homogéneos de riesgo para el calculo de la provisión de siniestros	R0360	0	0	0	
Flujos de caja para el calculo del BE primas					
Flujos de salida					
Valor Actual de flujos de caja correspondientes a prestaciones y siniestros	R0370	11.196.670	0	115.588	11.312.259
Valor Actual de flujos de caja correspondientes a gastos y otras salidas	R0380	7.102.423	0	83.521	7.185.945
Flujos de entrada					
Valor Actual de flujos de caja correspondientes a primas futuras	R0390	0	0	0	0
Valor Actual de otros flujos de caja	R0400	0	0	0	0
Flujos de caja para el calculo del BE Siniestros					
Flujos de salida					
Valor Actual de flujos de caja correspondientes a prestaciones y siniestros	R0410	7.737.398	18.096	213.083	7.968.576
Valor Actual de flujos de caja correspondientes a gastos y otras salidas	R0420	0	0	0	0
Flujos de entrada					
Valor Actual de flujos de caja correspondientes a primas futuras	R0430	0	0	0	0
Valor Actual de otros flujos de caja	R0440	0	0	0	0
Porcentaje de BE calculado mediante aproximaciones	R0450	0	0	0	0
Porcentaje de BE calculado con medida transitoria de tipos de interés	R0460	0	0	0	0
Provisiones técnicas calculadas sin medida transitoria de tipos, correspondientes a líneas de negocio que tienen autorizada la medida transitoria de tipos de interés	R0470	0	0	0	0
Importe de BE sujeta a ajuste por volatilidad	R0480	0	0	0	0
Provisiones técnicas sin ajuste por volatilidad ni otras medidas transitorias	R0490	0	0	0	0

		Total	Nivel 1 No restringido	Nivel 1 Restringido	Nivel 2	Nivel 3
		C0010	C0020	C0030	C0040	C0050
Fondos propios básicos						
Capital social de acciones ordinarias (incluidas las acciones propias)	R0010	9.015.000	9.015.000		0	
Prima de emisión de las acciones ordinarias	R0030	27.525.000	27.525.000		0	
Fondo mutual inicial	R0040	0	0		0	
Cuentas mutuales subordinadas	R0050	0		0	0	0
Fondos excedentarios	R0070	0	0			
Acciones preferentes	R0090	0		0	0	0
Primas de emisión de acciones y participaciones preferentes	R0110	0	0	0	0	0
Reserva de Conciliación	R0130	34.412.282	34.412.282			
Pasivos subordinados	R0140	0		0	0	0
Importe equivalente al valor de los activos por impuestos diferidos netos	R0160	560.741				560.741
Otros elementos aprobados por la autoridad supervisora como fondos propios básicos no especificados anteriormente	R0180	0	0	0	0	0
Fondos propios de los estados financieros que no deben representarse mediante la reserva de conciliación y no satisfacen los criterios para su clasificación como fondos propios de Solvencia II						
Fondos propios de los estados financieros que no deben representarse mediante la reserva de conciliación y no satisfacen los criterios para su clasificación como fondos propios de Solvencia II	R0220	0				
Deducciones no incluidas en la reserva de conciliación						
Deducción por participaciones en entidades financieras y de crédito	R0230	0	0	0	0	0
Total fondos propios básicos después de ajustes	R0290	71.513.023	70.952.282	0	0	560.741
Fondos Propios Complementarios						
Capital social ordinario no desembolsado ni exigido	R0300	0			0	
Fondo mutual inicial no desembolsado ni exigido	R0310	0			0	
Capital social de acciones preferentes no desembolsado ni exigido	R0320	0			0	0
Compromiso jurídico para suscribir y pagar los pasivos subordinados a instancia del tenedor	R0330	0			0	0
Cartas de crédito y garantías establecidas en el artículo 96(2) de la Directiva 2009/138/EC	R0340	0			0	
Otras cartas de crédito y garantías guardadas en depósito distintas de las establecidas en el artículo 96(2) de la Directiva 2009/138/EC	R0350	0			0	0
Derramas futuras exigibles a las mutuas y sociedades mutualistas de navieros establecidas en el parrafo primero punto 3 del art. 96 de la Directiva 2009/138/EC	R0360	0			0	0
Derramas futuras exigibles a las mutuas y sociedades mutualistas de navieros distintas a las establecidas en el parrafo primero punto 3 del art. 96 de la Directiva 2009/138/EC	R0370	0			0	0
Otros fondos propios complementarios	R0390	0			0	0
Total de Fondos Propios Complementarios	R0400	0			0	0
Fondos propios disponibles y admisibles						
Total de Fondos propios disponibles para cubrir el CSO	R0500	71.513.023	70.952.282	0	0	560.741
Total de fondos propios disponibles para cubrir el CMO	R0510	70.952.282	70.952.282	0	0	0
Total de fondos propios admisibles para cubrir el CSO	R0540	71.513.023	70.952.282	0	0	560.741
Total de fondos propios admisibles para cubrir el CMO	R0550	70.952.282	70.952.282	0	0	
CSO	R0580	28.218.810				
CMO	R0600	7.054.703				
Ratio Fondos propios admisibles sobre CSO	R0620	253%				
Ratio Fondos propios admisibles sobre CMO	R0640	1006%				

S.23.01.01.02

		C0060
Reserva de Conciliación		
Exceso de los activos respecto a los pasivos	R0700	71.513.023
Acciones propias (incluidas como activos en el balance)	R0710	0
Dividendos y distribuciones previsibles	R0720	0
Otros elementos de los fondos propios básicos	R0730	37.100.741
Ajuste de elementos de fondos propios restringidos respecto a fondos de disponibilidad limitada	R0740	0
Total reserva de conciliación	R0760	34.412.281,75
Beneficios previstos	R0750	
Beneficios previstos incluidos en primas futuras (BPIPF) - Actividades de seguros de vida	R0770	0
Beneficios previstos incluidos en primas futuras (BPIPF) - Actividades de seguros distintos del seguro de vida	R0780	0,00
Total BPIPF	R0790	0

Z0010	A001
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		Capital de solvencia obligatorio neto	Capital de solvencia obligatorio bruto	Asignación de los ajustes debidos a las carteras de RFF y Matching adjustments
		C0030	C0040	C0050
Riesgo de Mercado	R0010	5.551.472	5.551.472	
Riesgo de incumplimiento de la contraparte	R0020	6.191.787	6.191.787	
Riesgo de suscripción vida	R0030	0	0	
Riesgo de suscripción salud	R0040	0	0	
Riesgo de suscripción No vida	R0050	17.619.870	17.619.870	
Diversificación	R0060	-5.808.719	-5.808.719	
Riesgo de Activos intangibles	R0070	0	0	
Capital de Solvencia Obligatorio básico	R0100	23.554.410	23.554.410	

Cálculo del capital de Solvencia obligatorio		C0100
Ajuste debido a la agregación del RFF/MAP nSCR	R0120	0
Riesgo Operacional	R0130	4.664.400,32
Capacidad de absorción de pérdidas de las provisiones técnicas	R0140	0,00
Capacidad de absorción de pérdidas de los impuestos diferidos	R0150	0,00
Capital obligatorio para los negocios operados de acuerdo con el Art. 4 de la Directiva 2003/41/CE	R0160	0,00
Capital de solvencia obligatorio, excluido el suplemento de capital	R0200	28.218.810,01
Complemento de capital ya fijado	R0210	0,00
Capital de solvencia obligatorio	R0220	28.218.810,01
Otra información sobre el SCR		
Capital obligatorio para el submódulo de riesgo de renta variable basado en la duración	R0400	0,00
Importe total del capital de solvencia obligatorio nomenclal para la parte restante	R0410	0,00
Importe total del capital de solvencia obligatorio nomenclal para los fondos delimitados	R0420	0,00
Importe total del capital de solvencia obligatorio nomenclal para las carteras de ajuste de correspondencia	R0430	0,00
Efectos de diversificación debidos a la agregación del RFF nSCR para el artículo 304	R0440	0,00
Método utilizado para calcular el ajuste debido a la agregación RFF/MAP nSCR	R0450	No adjustment (s2c_AP:x38)
Beneficios discretionales futuros netos	R0460	0,00

Ajuste

S.28.01.01

Capital mínimo obligatorio (excepto para entidades de seguros mixtas)

S.28.01.01.01

Componente de la fórmula lineal para obligaciones de seguro o reaseguro distinto del seguro de vida vida

		Componentes del CMO	
		C0010	
Resultado CMO _{NL}	R0010		5.496.745

S.28.01.01.02

Información general

		Información general	
		Mejor estimación neta más provisiones calculadas en su conjunto	Primas emitidas netas
		C0020	C0030
Seguro de gastos médicos y su reaseguro proporcional	R0020	0	0
Seguro de protección de los ingresos y su reaseguro proporcional	R0030	0	0
Seguro de accidentes laborales y su reaseguro proporcional	R0040	0	0
Seguro de responsabilidad civil en vehículos automóviles y su reaseguro proporcional	R0050	0	0
Otros seguros de vehículos automóviles y su reaseguro proporcional	R0060	0	0
Seguro marítimo, de aviación y transporte de bienes y su reaseguro proporcional	R0070	0	0
Seguro de incendios y otros daños a los bienes y su reaseguro proporcional	R0080	9.630.791	59.818.442
Seguro de responsabilidad civil general y su reaseguro proporcional	R0090	905	0
Seguro de crédito y caución y su reaseguro proporcional	R0100	0	0
Seguro de defensa jurídica y su reaseguro proporcional	R0110	0	0
Seguro de asistencia y su reaseguro proporcional	R0120	0	0
Pérdidas pecuniarias diversas y su reaseguro proporcional	R0130	241.653	492.025
Reaseguro de enfermedad no proporcional	R0140	0	0
Reaseguro no proporcional de responsabilidad civil por daños	R0150	0	0
Reaseguro no proporcional marítimo, de aviación y de transporte	R0160	0	0
Reaseguro no proporcional de daños a los bienes	R0170	0	0

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Componente de la fórmula lineal para obligaciones de seguro y reaseguro de vida

		Componentes del CMO	
		C0040	
Resultado CMO _L	R0200		0

S.28.01.01.04

Capital total de riesgo para obligaciones de seguro y reaseguro de vida

		Información general	
		Mejor estimación neta más provisiones calculadas en su conjunto	Capital en riesgo
		C0050	C0060
Obligaciones con participación en beneficios - prestaciones garantizadas	R0210	0	
Obligaciones con participación en beneficios - prestaciones discrecionales futuras	R0220	0	
Obligaciones de "index-linked" y "unit-linked"	R0230	0	
Otras Obligaciones de (re)seguro vida	R0240	0	
Capital en riesgo respecto a la totalidad de obligaciones de (re)seguro de vida	R0250		0

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Cálculo global del Capital Mínimo Obligatorio (CMO)

		Cálculo global	
		C0070	
Capital Mínimo Obligatorio lineal	R0300		5.496.745
Capital de Solvencia Obligatorio	R0310		28.218.810,01
Límite superior del Capital Mínimo Obligatorio	R0320		12.698.465
Límite inferior del Capital Mínimo Obligatorio	R0330		7.054.703
Capital Mínimo Obligatorio combinado	R0340		7.054.703
Límite mínimo absoluto del Capital Mínimo Obligatorio	R0350		4.000.000
Capital Mínimo Obligatorio	R0400		7.054.703

TELEFÓNICA SEGUROS Y REASEGUROS COMPAÑÍA ASEGURADORA, SAU

The above Financial Position and Solvency Report, transcribed onto 63 pages, including the signature pages, numbered from 1 to 63, 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 28 March 2023 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, 28 March 2023

Mr Juan Antonio Mielgo Carrizo

Chairman of the Board

Mr Omar Chelala Riva

Non-Director Secretary