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

Consolidated financial statements and consolidated management report for the year ended 31 December 2020

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

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

Consolidated balance sheets at 31 December 2020 and 2019

(in thousand euro)

	ASSETS	Notes	2020	2019 (*)
A.1	**Cash and cash equivalents**	Note 9	**162,500**	**144,937**
A.2	**Financial assets held for trading**		-	-
	I. Equity instruments		-	-
	II. Debt securities		-	-
	III. Derivatives		-	-
	IV. Other		-	-
A.3	**Other financial assets at fair value through profit or loss**		-	-
	I. Equity instruments		-	-
	II. Debt securities		-	-
	III. Hybrid instruments		-	-
	IV. Investments for the benefit of life-assurance policyholders who bear the investment risk		-	-
	V. Other		-	-
A.4	**Available-for-sale financial assets**	Note 8	**906,655**	**825,187**
	I. Equity instruments		124,796	116,688
	II. Debt securities		781,859	708,499
	III. Investments for the benefit of life-assurance policyholders who bear the investment risk		-	-
	IV. Other		-	-
A.5	**Loans and receivables**	Note 8	**110,368**	**106,758**
	I. Debt securities		9,985	2,985
	II. Loans		-	-
	1. Advance payments on policies		-	-
	2. Loans to group companies and associates	Note 15	-	-
	3. Loans to other related parties		-	-
	III. Deposits with credit institutions		-	-
	IV. Deposits posted on accepted reinsurance		-	-
	V. Receivables on direct insurance business		54,413	51,196
	1. Policyholders		54,413	51,196
	2. Agents, brokers and intermediaries		-	-
	VI. Receivables on reinsurance business		5,086	4,175
	VII. Receivables on coinsurance business		-	-
	VIII. Payments called up		-	-
	IX. Other receivables		40,884	48,402
	1. Tax and social security receivable		1,126	1,305
	2. Other receivables		39,758	47,097
A.6	**Held-to-maturity investments**		-	-
A.7	**Hedging derivatives**		-	-
A.8	**Reinsurers' share of technical provisions**	Note 10	**12,477**	**9,517**
	I. Provision for unearned premiums		3,705	2,676
	II. Life assurance provision		-	-
	III. Provision for claims		8,772	6,841
	IV. Other technical provisions		-	-
A.9	**Property, plant and equipment and investment property**	Note 5	**111,282**	**114,588**
	I. Property, plant and equipment		45,334	47,918
	II. Investment property		65,948	66,670
A.10	**Intangible assets**	Note 6	**12,688**	**11,845**
	I. Goodwill		-	-
	II. Economic rights arising from policy portfolios acquired from intermediaries		-	-
	III. Other intangible assets		12,688	11,845
A.11	**Holdings in group companies and associates**	Note 8	**747**	-
	I. Holdings in associates		-	-
	II. Holdings in jointly controlled companies		-	-
	III. Holdings in group companies		747	-
A.12	**Tax assets**	Note 17	**24,003**	**24,857**
	I. Current tax assets		14,388	504
	II. Deferred tax assets		9,615	24,353
A.13	**Other assets**	Note 7	**92,775**	**95,121**
	I. Assets and reimbursement rights on long-term staff remuneration		-	-
	II. Prepaid fees and other acquisition expenses		83,055	84,469
	III. Accrued income	Note 8	9,545	10,463
	IV. Other assets		175	189
A.14	**Assets held for sale**		-	-
	TOTAL ASSETS		**1,433,495**	**1,332,810**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 24 form an integral part of the consolidated balance sheet at 31 December 2020.

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

Consolidated balance sheets at 31 December 2020 and 2019
(in thousand euro)

	LIABILITIES	Notes	2020	2019 (*)
A.1	**Financial liabilities held for trading**		**-**	**-**
A.2	**Other financial liabilities at fair value through profit or loss**		**-**	**-**
A.3	**Debt and accounts payable**	Note 13	**171,679**	**203,727**
	I. Subordinated liabilities		-	-
	II. Deposits received from ceded reinsurance		-	-
	III. Due on direct insurance business		2,862	4,165
	1. Due to policyholders		1,893	2,435
	2. Due to agents, brokers and intermediaries		969	1,730
	3. Conditional claims		-	-
	IV. Due on reinsurance business		981	1,584
	V. Due on coinsurance business		-	-
	VI. Bonds and other negotiable securities		-	-
	VII. Due to credit institutions		-	-
	VIII. Debts arising from activities to draw up insurance contracts		-	-
	IX. Other debts:		167,836	197,978
	1. Taxes and social security payable		14,489	14,097
	2. Due to group companies and associates		839	32,955
	3. Other debts		152,508	150,926
A.4	**Hedging derivatives**	Note 8	**15,167**	**13,584**
A.5	**Technical provisions**	Note 10	**716,491**	**725,860**
	I. Provision for unearned premiums		446,423	443,115
	II. Provision for unexpired risks		4,622	6,115
	III. Life assurance provision		-	-
	IV. Provision for claims		265,446	276,630
	V. Provision for profit sharing and premium refunds		-	-
	VI. Other technical provisions		-	-
A.6	**Non-technical provisions**		**16,849**	**22,816**
	I. Provisions for taxes and other legal contingencies		492	492
	II. Provision for pensions and similar obligations		-	-
	III. Provisions for settlement agreements	Note 12	16,174	21,968
	IV. Other non-technical provisions		183	356
A.7	**Tax liabilities**	Note 17	**44,989**	**39,986**
	I. Current tax liabilities		-	(1,537)
	II. Deferred tax liabilities		44,989	41,523
A.8	**Other liabilities**		**1,156**	**1,712**
	I. Accruals		477	645
	II. Liabilities due to accounting mismatches		-	-
	III. Commissions and other acquisition expenses on ceded reinsurance		-	-
	IV. Other liabilities		679	1,067
A.9	**Liabilities associated with assets held for sale**		**-**	**-**
	TOTAL LIABILITIES		**966,331**	**1,007,685**
B.	**EQUITY**			
B.1	**Equity**	Note 14	**422,767**	**287,946**
	I. Capital or mutual fund		37,512	37,512
	1. Subscribed capital or mutual fund		37,512	37,512
	2. (Uncalled capital)		-	-
	II. Share premium		-	-
	III. Reserves		257,398	243,278
	1. Legal and bylaw reserves		9,046	9,046
	2. Equalisation reserve		107,582	100,619
	3. Other reserves		140,770	133,613
	IV. (Own shares)		-	-
	V. Profit/(loss) carried forward		-	-
	1. Surplus		-	-
	2. (Losses carried forward)		-	-
	VI. Other contributions from owners and mutual members		-	-
	VII. Profit/(loss) for the year		134,821	107,316
	VIII. (Interim dividend and interim equalisation reserve)		(6,964)	(100,160)
	IX. Other equity instruments		-	-
B.2	**Valuation adjustments**	Note 14	**44,397**	**37,179**
	I. Available-for-sale financial assets		44,397	37,179
	II. Hedging arrangements		-	-
	III. Foreign exchange and conversion differences		-	-
	IV. Correction of accounting mismatches		-	-
	V. Other adjustments		-	-
B.3	**Grants, gifts and legacies received**		**-**	**-**
	TOTAL EQUITY		**467,164**	**325,125**
	TOTAL LIABILITIES AND EQUITY		**1,433,495**	**1,332,810**

(*) Presented for comparison purposes only.
The accompanying Notes 1 to 24 form an integral part of the consolidated balance sheet at 31 December 2020.

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

Consolidated statement of profit or loss for the years ended 31 December 2020 and 2019 (in thousand euro)

				Notes	2020	2019 (*)
I.	NON-LIFE INSURANCE TECHNICAL ACCOUNT					
	I.1	**Earned premiums, net of reinsurance**			**878,177**	**854,762**
		a)	Written premiums			
			a.1) Direct insurance		898,614	891,295
			a.2) Accepted reinsurance		-	-
			a.3) Change due to impairment of outstanding premiums receivable		1,024	(442)
		b)	Premiums from ceded reinsurance		(20,675)	(14,920)
		c)	Change in the provision for unearned premiums and unexpired risks		-	-
			c.1) Direct insurance	Note 10	(1,815)	(21,112)
			c.2) Accepted reinsurance		-	-
		d)	Change in the provision for unearned premiums, reinsurers' share	Note 10	1,029	(59)
	I.2	**Income from property, plan and equipment and from investments**		**Note 8.1.2**	**76,613**	**70,687**
		a)	Income from investment property		4,121	4,206
		b)	Income from financial investments		35,550	31,676
		c)	Application of impairment adjustments for property, plant and equipment, and		-	-
			c.1) Property, plant and equipment and investment property		23	1,180
			c.2) Financial investments		-	-
		d)	Gains on realisation of property, plant and equipment and investments		-	-
			d.1) Property, plant and equipment and investment property		1	212
			d.2) Financial investments		36,918	33,413
	I.3	**Other technical income**			-	-
	I.4	**Claims incurred, net of reinsurance**			**540,976**	**581,870**
		a)	Claims and other expenses paid			
			a.1) Direct insurance		447,987	498,245
			a.2) Accepted reinsurance		-	-
			a.3) Reinsurers' share		(6,667)	(5,318)
		b)	Change in the provision for claims			
			b.1) Direct insurance	Note 10	(11,184)	(21,143)
			b.2) Accepted reinsurance		-	-
			b.3) Reinsurers' share	Note 10	(1,931)	(2,258)
		c)	Claims-related expenses		112,771	112,344
	I.5	**Change in Other technical provisions, net of reinsurance**			-	-
	I.6	**Profit sharing and premium refunds**			**708**	**724**
		a)	Claims and expenses relating to profit sharing and premium refunds		-	-
		b)	Change in the provision for profit sharing and premium refunds		708	724
	I.7	**Net operating expenses**			**208,718**	**199,120**
		a)	Acquisition expenses		186,136	179,726
		b)	Administration expenses		26,414	23,178
		c)	Reinsurance commissions and profit participation		(3,832)	(3,784)
	I.8	**Other technical expenses**		**Note 21**	**(18,137)**	**(30,518)**
		a)	Change in impairment due to insolvencies		-	-
		b)	Change in impairment on property, plant and equipment		-	-
		c)	Change in claims paid under settlement agreements		(23,593)	(34,019)
		d)	Other		5,456	3,501
	I.9	**Expenses from property, plant and equipment and investments**			**47,366**	**39,005**
		a)	Management expenses from property, plant and equipment and investments			
			a.1) Expenses from property, plant and equipment and investment property	Note 8.1.2	2,668	2,278
			a.2) Expenses from financial investments and accounts	Note 8.1.2	4,987	4,880
		b)	Valuation adjustments for property, plant and equipment and investments			
			b.1) Depreciation of property, plant and equipment and investment property		27	28
			b.2) Impairment of property, plant and equipment and investment property	Note 5	851	-
			b.3) Impairment of financial investments		-	-
		c)	Losses on property, plant and equipment and investments			
			c.1) Property, plant and equipment and investment property	Note 5	542	6
			c.2) Financial investments		38,291	31,813
Profit/(loss) from the non-life technical account					**175,159**	**135,248**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 24 form an integral part of the consolidated statement of profit or loss for 2020.

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

Consolidated statement of profit or loss for the years ended 31 December 2020 and 2019 (in thousand euro)

		Notes	2020	2019 (*)
III.	NON-TECHNICAL ACCOUNT:			
III.	**Profit/(loss) on the non-life technical account**		**175,159**	**135,248**
III.1	**Income from property, plan and equipment and from investments**		**-**	**-**
	a) Income from investment property		-	-
	b) Income from financial investments		-	-
	c) Application of impairment adjustments for property, plant and equipment, and investments			
	c.1) Property, plant and equipment and investment property		-	-
	c.2) Financial investments		-	-
III.2	**Expenses from property, plant and equipment and investments**		**-**	**-**
	a) Investment management expenses			
	a.1) Expenses from financial investments and accounts		-	-
	a.2) Expenses from investments in property, plant and equipment		-	-
	b) Valuation adjustments for property, plant and equipment and investments			
	b.1) Depreciation of property, plant and equipment and investment property		-	-
	b.2) Impairment of property, plant and equipment and investment property		-	-
	b.3) Impairment of financial investments		-	-
	c) Losses on property, plant and equipment and investments			
	c.1) Property, plant and equipment and investment property		-	-
	c.2) Financial investments		-	-
III.3	**Other income**	**Note 21**	**10,750**	**14,511**
	a) Income from pension fund management activity		-	-
	b) Other income		10,750	14,511
III.4	**Other expenses**	**Note 21**	**6,319**	**6,894**
	a) Expenses from pension fund management activity		-	-
	b) Other expenses		6,319	6,894
III.5	**Subtotal (Profit/(loss) on the non-technical account)**		**4,431**	**7,617**
III.6	**Profit/(loss) before tax**		**179,590**	**142,865**
III.7	**Income tax**	**Note 17**	44,769	35,549
III.8	**Profit/(loss) for the year**		**134,821**	**107,316**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 24 form an integral part of the consolidated statement of profit or loss for 2020.

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

Consolidated statement of changes in equity for the years 2020 and 2019
(in thousand euro)

a) Consolidated statement of recognised income and expense

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE	2020	2019 (*)
I) PROFIT OR LOSS FOR THE PERIOD	**134,821**	**107,316**
II) OTHER RECOGNISED INCOME AND EXPENSE	**7,217**	**22,610**
II.1. Available-for-sale financial assets	**9,623**	**30,146**
Gains/(losses) on valuation adjustments	7,981	31,828
Amounts transferred to the consolidated statement of profit or loss	1,642	(1,682)
Other reclassifications	-	-
II.2. Cash flow hedges	-	-
Gains/(losses) on valuation adjustments	-	-
Amounts transferred to the consolidated statement of profit or loss	-	-
Amounts transferred to the initial value of the hedged items	-	-
Other reclassifications	-	-
III.3. Hedging of net investments in foreign operations	-	-
Gains/(losses) on valuation adjustments	-	-
Amounts transferred to the consolidated statement of profit or loss	-	-
Other reclassifications	-	-
II.4. Foreign exchange and conversion differences	-	-
Gains/(losses) on valuation adjustments	-	-
Amounts transferred to the consolidated statement of profit or loss	-	-
Other reclassifications	-	-
II.5. Correction of accounting mismatches	-	-
Gains/(losses) on valuation adjustments	-	-
Amounts transferred to the consolidated statement of profit or loss	-	-
Other reclassifications	-	-
II.6. Assets held for sale	-	-
Gains/(losses) on valuation adjustments	-	-
Amounts transferred to the consolidated statement of profit or loss	-	-
Other reclassifications	-	-
II.7. Actuarial Gains/(losses) on long-term staff remuneration	-	-
II.8. Other recognised income and expense	-	-
II.9. Income tax	**(2,406)**	**(7,536)**
III) CONSOLIDATED TOTAL RECOGNISED INCOME AND EXPENSE	**142,038**	**129,926**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 24 form an integral part of the consolidated statement of changes in equity (consolidated statement of recognised income and expense) for 2020.

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

Consolidated statement of changes in equity for the years 2020 and 2019 (in thousand euro)

b) Consolidated statement of changes in equity

	Share capital capital	Reserves	Consolidated profit or loss for the period	(Interim dividend and equalisation reserve)	Valuation adjustments	Total
D. ADJUSTED BALANCE AT BEGINNING OF 2019 (*)	**37,512**	**220,528**	**117,233**	**(101,595)**	**14,570**	**288,248**
I. Total recognised income/(expense)	**-**	**-**	**107,316**	**-**	**22,610**	**129,925**
II. Transactions with owners or mutual members	**-**	**-**	**-**	**(93,048)**	**-**	**(93,048)**
1. Capital increases or mutual fund	-	-	-	-	-	-
2. (-) Capital reductions or mutual funds	-	-	-	-	-	-
3. Conversion of financial liabilities into equity	-	-	-	-	-	-
4. (-) Distribution of dividends or payments due to mutual members	-	-	-	(93,048)	-	(93,048)
5. Transactions with own shares or holdings (net)	-	-	-	-	-	-
6. Increase (decrease) in equity resulting from a business combination	-	-	-	-	-	-
7. Other transactions with owners or mutual members	-	-	-	-	-	-
III. Other changes in equity	**-**	**22,750**	**(117,233)**	**94,483**	**-**	**-**
1. Payments based on equity instruments	-	-	-	-	-	-
2. Transfers between equity items	-	15,638	(117,233)	101,595	-	-
3. Other changes	-	7,112	-	(7,112)	-	-
E. BALANCE AT END OF 2019 (*)	**37,512**	**243,278**	**107,316**	**(100,160)**	**37,179**	**325,125**
D. ADJUSTED BALANCE AT BEGINNING OF 2020	**37,512**	**243,278**	**107,316**	**(100,160)**	**37,179**	**325,125**
I. Total recognised income/(expense)	**-**	**-**	**134,821**	**-**	**7,218**	**142,039**
II. Transactions with owners or mutual members	**-**	**-**	**-**	**-**	**-**	**-**
1. Capital increases or mutual fund	-	-	-	-	-	-
2. (-) Capital reductions or mutual funds	-	-	-	-	-	-
3. Conversion of financial liabilities into equity	-	-	-	-	-	-
4. (-) Distribution of dividends or payments due to mutual members	-	-	-	-	-	-
5. Transactions with own shares or holdings (net)	-	-	-	-	-	-
6. Increase (decrease) in equity resulting from a business combination	-	-	-	-	-	-
7. Other transactions with owners or mutual members	-	-	-	-	-	-
III. Other changes in equity	**-**	**14,120**	**(107,316)**	**93,196**	**-**	**-**
1. Payments based on equity instruments	-	-	-	-	-	-
2. Transfers between equity items	-	7,156	(107,316)	100,160	-	-
3. Other changes	-	6,964	-	(6,964)	-	-
E. BALANCE AT END OF 2020	**37,512**	**257,398**	**134,821**	**(6,964)**	**44,397**	**467,164**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 24 form an integral part of the consolidated statement of changes in equity for 2020.

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

Consolidated statement of cash flows for the years 2020 and 2019 (in thousand euro)

		2020	2019 (*)
A)	**CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES**		
A.1	**Insurance activities**		
	1. Proceeds from premiums on direct insurance, coinsurance and accepted reinsurance	896,421	890,572
	2. Payments for direct insurance, coinsurance and accepted reinsurance	532,496	589,444
	3. Proceeds from ceded reinsurance	6,667	5,318
	4. Payments for ceded reinsurance	18,356	11,911
	5. Reimbursements of claims	28,916	25,493
	6. Payments for intermediaries	20,187	23,311
	7. Other proceeds from operating activities	115,003	107,210
	8. Other payments for operating activities	251,842	319,146
	9. Total proceeds from insurance activities (1+3+5+7) = I	**1,047,007**	**1,028,593**
	10. Total payments for insurance activities (2+4+6+8) = II	**822,881**	**943,812**
A.2	**Other operating activities**		
	3. Proceeds from other operating activities	33,248	38,203
	4. Payments for other operating activities	126,690	19,059
	5. Total proceeds from other operating activities (1+3) = III	**33,248**	**38,204**
	6. Total payments for other operating activities (2+4) = IV	**126,690**	**19,059**
	7. Income tax collected/(paid) (V)	**25,980**	**27,244**
A.3	**Total net cash flows from operating activities (I-II+III-IV-V)**	**104,705**	**76,681**
B)	**CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES**		
B.1)	**Proceeds from investing activities**		
	1. Property, plant and equipment	13,072	6,495
	2. Investment property	145	146
	3. Intangible assets	890	4,115
	4. Financial instruments	207,284	253,933
	5. Holdings in group, jointly controlled and associate companies	-	-
	6. Interest received	21,843	23,389
	7. Dividends collected	1,745	2,491
	8. Business unit	-	-
	9. Other proceeds from investing activities	-	-
	10. Total proceeds from investing activities (1+2+3+4+5+6+7+8+9) = VI	**244,979**	**290,569**
B.2)	**Payments for investing activities**		
	1. Property, plant and equipment	15,657	11,295
	2. Investment property	51	205
	3. Intangible assets	6,484	13,474
	4. Financial instruments	280,851	259,572
	5. Holdings in group, jointly controlled and associate companies	-	-
	6. Business unit	-	-
	7. Other payments for investing activities	464	802
	8. Total payments for investing activities (1+2+3+4+5+6+7) = VII	**303,507**	**285,348**
B.3)	**Total net cash flows from investing activities (VI - VII)**	**(58,528)**	**5,221**
C)	**CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES**		
C.1)	**Proceeds from financing activities**		
	1. Subordinated liabilities	-	-
	2. Proceeds from the issuance of equity instruments and capital increase	-	-
	3. Payments due to mutual members and contributions from owners or mutual members	-	-
	4. Disposal of own shares	-	-
	5. Other proceeds from financing activities	-	-
	6. Total proceeds from financing activities (1+2+3+4+5) = VIII	-	-
C.2)	**Payments for financing activities**		
	1. Dividends to shareholders	28,344	103,824
	2. Interest paid	-	-
	3. Subordinated liabilities	-	-
	4. Payments on return of contributions to shareholders	-	-
	5. Supplementary members' calls and return of contributions to mutual members	-	-
	6. Acquisition of own shares	-	-
	7. Other payments for financing activities	-	-
	8. Total payments for financing activities (1+2+3+4+5+6+7) = IX	**28,344**	**103,824**
C.3)	**Total net cash flows from/(used in) financing activities (VIII - IX)**	**(28,344)**	**(103,824)**
	Effects of exchange rate changes (X)	**(269)**	**82**
Total increase/(decrease) in cash and cash equivalents (A.3 + B.3 + C.3 + - X)		**17,563**	**(21,839)**
Cash and cash equivalents at beginning of year		**144,937**	**166,776**
Cash and cash equivalents at end of year		**162,500**	**144,937**
Components of cash and cash equivalents at end of year			
	1. Cash and banks	162,500	144,937
	2. Other financial assets	-	-
	3. Bank overdrafts repayable on demand	-	-
Total cash and cash equivalents at end of year (1 + 2 - 3)		**162,500**	**144,937**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 24 form an integral part of the consolidated statement of cash flows for 2020.

1. General information about the Parent and its Subsidiaries

a) Parent

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

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

Its registered office is located at calle Isaac Newton, 7, in the municipality of Tres Cantos (Madrid). The Parent operates entirely in Spain and Portugal. With respect to Portugal, the Group was authorised to operate in the Assistance segment on 25 September 2017. As this line of activity was residual and immaterial in both 2020 and 2019, it has not been deemed relevant to break down the information by geographical area. Its business distribution channels are mainly telephone and internet sales.

The Parent falls within the consolidation perimeter of the Bankinter Group, of which Bankinter, S.A., with registered office at Paseo de la Castellana 29, Madrid, is the direct and ultimate parent company. The consolidated financial statements of the Bankinter Group for 2019 were approved by shareholders at the general meeting held on 19 March 2020 and are filed at the Madrid Companies Registry. The consolidated annual accounts of the Bankinter Group will be drawn up on 22 February 2021.

The year 2020 was marked by the COVID-19 health crisis. The crisis was declared a pandemic by the WHO and its rapid spread, together with the measures aimed at containing and mitigating its effects, led to a widespread interruption of economic activity, which has had various impacts on the Group’s business. On 14 March 2020, the Spanish government decreed a State of Alarm, with the effect of limiting people’s mobility until June. Soon after, we witnessed a number of border closures between municipalities and autonomous regions, which have continued to restrict mobility.

The Parent has analysed the possible impacts that these events around the globe may have in terms of both operating results and solvency. The Parent continued to operate and serve its customers as normal, thanks to the effective and efficient roll-out of its contingency plans within four days of the authorities declaring the state of alarm.

This extraordinary situation has led to lower commercial capacity in the production of new business, although this has been mitigated by improved retention in the customer portfolio. However, the potential negative effects on the company’s short-term revenues have been more than offset by the reduction of costs from claims incurred.

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

b) Subsidiaries

The definition of consolidated group is provided in Article 84 of Royal Legislative Decree 20/2015, of 14 July, on the regulation, supervision and solvency of insurance and reinsurance entities (known by its Spanish acronym of "LOSSEAR"), repealing, effective 1 January 2016, Royal Legislative Decree 6/2004, of 29 October, which enacted the consolidated text of the Law on the regulation and supervision of private insurance, with the exception of certain articles. The rules of consolidation are set out in Royal Decree 1159/2010 of 17 September, as subsequently amended by Royal Decree 602/2016 of 2 December, which enacted the rules on the preparation of consolidated financial statements and subsequent implementations.

Subsidiaries are all companies over which the Parent exercises control, or may exercise control, whether directly or indirectly, meaning the power to steer the financial and operating policies of a business in order to obtain economic benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when determining whether there is effective control over an entity. Subsidiaries are considered from the date on which control is transferred to the Parent and are excluded from consolidation on the date on which consolidation ceases. The list of entities included in the scope of consolidation is as follows:

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

(*) Limited review of condensed annual accounts.

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

The key financial figures of subsidiary companies at the end of 2020 and 2019 were as follows:

2020:

Subsidiary	Carrying amount of the holding	At 31 December 2020			
		Capital and share premium	Reserves	Profit/(loss) for the year	Dividends paid
Línea Directa Asistencia, S.L.U.	418	30	6,623	12,055	12,000
Moto Club LDA, S.L.U.	3	3	82	16	-
Centro Avanzado de Reparaciones CAR, S.L.U.	2,103	600	1,016	(585)	-
Ambar Medline, S.L.U.	1,003	1,003	99	6	-
LDActivos, S.L.U.	56,634	56,634	10,788	1,917	-
LDA Reparaciones, S.L.U.	300	300	13	156	-
Impairment of holdings in group companies	(1,144)	-	-	-	-
Total	**59,317**	**58,570**	**18,621**	**13,565**	**12,000**

2019:

Subsidiary	Carrying amount of the holding	At 31 December 2019			
		Capital and share premium	Reserves	Profit/(loss) for the year	Dividends paid
Línea Directa Asistencia, S.L.U.	418	30	6,189	12,434	22,000
Moto Club LDA, S.L.U.	3	3	62	20	-
Centro Avanzado de Reparaciones CAR, S.L.U.	2,103	600	1,016	137	-
Ambar Medline, S.L.U.	1,003	1,003	89	10	-
LDActivos, S.L.U.	56,634	56,634	8,949	1,839	-
LDA Reparaciones, S.L.U.	300	300	-	89	-
Impairment of holdings in group companies	(559)	-	-	-	-
Total	**59,902**	**58,570**	**16,305**	**14,529**	**22,000**

The companies forming the Línea Directa Aseguradora Group are, in turn, consolidated entities at the Bankinter Group, of which Bankinter, S.A., the ultimate parent company, holds a 99,999% stake in the Parent.

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

There were no changes in the scope of consolidation in 2020 or 2019.

2. Basis of presentation of the consolidated financial statements

a) Regulatory financial reporting framework applicable to the Group

These consolidated financial statements have been authorised for issue by the directors of the Parent in accordance with the regulatory financial reporting framework applicable to the Group, as set out in:

- The Spanish Commercial Code (*Código de Comercio*) and other commercial legislation.
- The Accounting Plan for Insurance Companies enacted by Royal Decree 1317/2008, of 24 July, and subsequently modified by Royal Decree 1736/2010, of 23 December.
- The Law and Regulations on the Organisation, Supervision and Solvency of Insurance and Reinsurance Companies (hereinafter referred to by its Spanish acronym of "LOSSEAR" when referring to the Law and "ROSSEAR" when referring to the Regulations), as enacted by Law 20/2015 and Royal Decree 1060/2015, respectively.
- The non-repealed articles of the Regulation on the Organisation and Supervision of Private Insurance (hereinafter, "ROSSP", or the "Regulation"), enacted by Royal Decree 2486/1998, including all partial modifications thereto.
- The mandatory rules approved by the Accounting and Auditing Institute, as well as the rules published by the Directorate General of Insurance and Pension Funds to implement the Accounting Plan for Insurance Companies and all related and complementary rules.
- The Rules on the Preparation of Consolidated Annual Accounts
- All other applicable Spanish accounting regulations.

b) True and fair view

The accompanying consolidated financial statements have been prepared from the accounting records of the Parent and the Subsidiaries and are presented in accordance with the applicable consolidated financial reporting framework and, in particular, with the accounting principles and criteria contained therein, so as to provide a true and fair view of the Group's consolidated equity, consolidated financial position, consolidated earnings and consolidated cash flows for the year. These consolidated annual accounts, which were authorised for issue by the directors of the Parent at the meeting held on 18 February 2021, will be submitted for approval by shareholders at the Annual General Meeting of the Parent and are expected to be approved without any changes made. The consolidated annual accounts for 2019 were approved at the Annual General Meeting of the Parent at its meeting of 18 March 2020. The 2019 consolidated financial statements of the Línea Directa Group have been filed with the Companies Registry of Madrid.

c) Critical aspects regarding the valuation and estimation of uncertainty

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

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

The main estimates made by the Parent's directors are as follows:

Tax matters

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

Impairment of assets

The Group analyses annually whether there are any indications of impairment on its assets, which are tested for impairment if and when any such indications exist. In particular, the provision for bad debts is calculated on the basis of the age of the invoices, with a different ratio applied for each age bracket. These brackets been determined on the basis of the Group's experience and the mandatory accounting standards binding on all insurance companies.

Insurance contracts

Assets and liabilities relating to insurance contracts are recognised in accordance with the accounting policies set out in Note 4.h) to these Notes. The Group also makes judgements and estimates to calculate the technical provisions for its various motor insurance segments. Statistical methods are used to determine these provisions. For the other segments in which the Parent operates, an individual estimate is made of the technical provisions for non-life insurance.

Useful life of intangible assets, property, plant and equipment and investment property

The useful life of these assets has been calculated on the basis of the Group's directors' best estimate of the period over which they will generate income, taking into account the depreciation and amortisation effectively incurred in their operation, use and enjoyment.

Fair value of certain non-listed assets and liabilities

To determine the fair value of financial instruments when no price can be found on any active market, the Group's directors request the price of the instrument from the depositary entity and the Group itself attempts no price estimation.

Impact of COVID-19 on judgments and estimates

As mentioned in Note 5 a) of these notes to the consolidated financial statements, new property valuations were carried out during the period due to the uncertainty of the possible loss in value of the properties owned by the Group in the wake of the COVID-19 health crisis and the general downturn in the real estate market. As a result, an impairment provision of € 851 thousand was recognised at 31 December 2020.

In view of the economic crisis caused by the pandemic, the Group has undertaken various initiatives to make it easier for policyholders to pay their insurance premiums, such as the option of deferring the bill to later months without incurring any surcharge, or offering more economical products. The steps already taken in 2020 and the new campaigns to be launched in early 2021 have led to an improvement in policy retention for the year and in the estimated level of retention for the coming financial year.

Potential impairment of outstanding premiums pending collection has been analysed more closely in the case of vehicle-sharing fleet insurance, which has been particularly affected by the pandemic. The impact has not been significant, as this insurance still accounts for a relatively small portion of the total business. An impairment provision of approximately € 300 thousand has been set aside to cover possible future non-payments and has been recognised as an increase in the provision for outstanding premiums.

In the health segment, the impact of the postponement of non-urgent consultations, treatments and surgeries amid the pandemic has been taken into account when estimating the provision for claims. The impact is not considered significant because visits and treatments got back to normal during the last quarter of the year.

The judgements and estimates described in the preceding paragraphs were made on the basis of the best information available at the end of the current financial year. However, future events may make it necessary to adjust them after the end of financial year 2020 or in subsequent financial years.

d) Accounting principles

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

e) Comparison of information

The figures for financial year 2019 included in this consolidated report are presented solely and exclusively for comparative purposes with the information given for financial year 2020.

f) Grouping of items

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

g) Error correction

The process of drawing up these consolidated annual accounts did not reveal any material errors that would have led to the restatement of the amounts included in the consolidated annual accounts for 2019.

h) Changes in accounting standards

There were no significant changes in accounting criteria in 2020 when compared to those applied in 2019.

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

i) Income and expense recognition criteria

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

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

3. Distribution of earnings

The proposed distribution of profit of the Parent for financial year 2020, which the Board of Directors will submit to the Annual General Meeting for its approval, is presented comparatively together with the distribution of profit for financial year 2019, as follows:

	Thousand euro	
	2020	**2019**
Distribution basis (Individual profit/(loss) of Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros)	132,671	115,001
Distributed:		
To interim dividends (Note 14.c)	-	93,048
To the interim equalisation reserve (Note 14.c)	6,964	7,112
To the voluntary reserve	125,707	14,841

4. Recognition and measurement standards

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

a) Subsidiaries

a.1) Acquisition of control

Acquisitions by the Parent (or another Group company) of control over a subsidiary constitute a business combination accounted for using the acquisition method. This method requires the acquirer to account for, at the acquisition date, the identifiable assets acquired and the liabilities assumed in a business combination and, if any, the related goodwill or badwill on consolidation. Subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from consolidation on the date on which control ceases.

The acquisition cost is determined as the sum of the acquisition-date fair values of the assets given, the liabilities incurred or assumed and the equity instruments issued by the acquirer and the fair value of any contingent consideration that is contingent on future events or the fulfilment of certain conditions being met and that is required to be recognised as an asset, liability or equity according to its nature.

Expenses related to the issuance of the equity instruments or financial liabilities delivered are not part of the cost of the business combination and are recognised in accordance with the rules governing financial instruments. Fees paid to legal counsel or other professionals involved in the business combination are expensed as incurred. The cost of the combination does not include the expenses generated internally for these concepts, nor any such expenses incurred by the acquired entity.

Any excess, at the acquisition date, of the cost of the business combination above and beyond the proportionate share of the value of the identifiable assets acquired less the liabilities assumed representing the equity interest in the acquired entity is recognised as goodwill. In the exceptional case that this amount exceeds the cost of the business combination, the excess is recognised as income in the consolidated technical statement of profit or loss.

a.2) Method of consolidation

The assets, liabilities, income, expenses, cash flows and other items in the financial statements of the Parent and Subsidiaries are included in the Group's consolidated financial statements using the full consolidation method. This method requires the following:

- *Consistency in timing*: consolidated annual accounts must relate to at the same date and period as the annual accounts of the company to be consolidated. Companies whose year-end is different to the consolidated year-end are included through the use of interim accounts referring to the same date and period as the consolidated accounts. The financial year of all Group companies ends on 31 December 2020.

- *Consistency in valuation:* the assets and liabilities, income and expenses and other items contained in the annual accounts of the Group companies have been valued using uniform methods. Any assets or liabilities, or items of income or expense that were measured on a basis inconsistent with that applied on consolidation have been remeasured and any necessary adjustments have been made solely for consolidation purposes.

- *Aggregation:* the different items of the previously standardised separate annual accounts have been aggregated by type.

- *Elimination of equity investment:* the carrying amounts of the equity instruments of subsidiaries held directly or indirectly by the Parent are offset against the proportionate share of the equity items of those subsidiaries attributable to those interests, typically on the basis of the values obtained by applying the acquisition method described above. In consolidations subsequent to the year in which control was acquired, the excess or deficit in equity generated by the subsidiary since the date of acquisition that is attributable to the Parent is presented in the consolidated balance sheet under reserves or valuation adjustments, depending on the nature or type. The portion attributable to minority interests is recognised under the heading "Minority interests" of the consolidated balance sheet.

- *Minority interests:* minority interests are valued on the basis of their effective stake or interest in the net assets of the subsidiary after making the above adjustments. Goodwill on consolidation is not attributed to minority interests. Any excess between the losses attributable to a subsidiary's minority shareholders and their proportionate share of the equity is attributed to those shareholders, even if this results in a debit balance under the relevant heading. At the end of 2020, the Group had no minority shareholders.

– *Eliminations of intra-group items:* receivables and payables, income and expenses and cash flows between Group companies are eliminated in full. In addition, all results of internal transactions are eliminated and deferred until they are realised vis-à-vis third parties outside the Group.

a.3) Change in shareholding without loss of control

Once control over a subsidiary has been obtained, subsequent transactions that result in a change in the Parent's stake in the subsidiary, but without entailing loss of control over the subsidiary, are recognised in the consolidated financial statements as a transaction with own equity instruments, subject to the following rules:

1. No change is made to the amount of goodwill or negative goodwill recognised, nor to the amount of other assets and liabilities recognised;

2. The profit or loss recognised in the separate accounts is eliminated on consolidation, with a corresponding adjustment made to the reserves of the company whose shareholding is reduced;

3. The amounts of "Valuation adjustments" and "Grants, gifts and legacies received" are adjusted accordingly to reflect the equity interest held by Group companies in the subsidiary;

4. Minority interests in the net assets of the subsidiary are shown on the basis of the percentage interest held by the non-Group third parties in the subsidiary after the transaction, which includes the percentage interest in the goodwill recognised in the consolidated accounts as a result of the shareholding change to have taken place;

5. The necessary adjustment resulting from points 1, 2 and 3 above shall be accounted for in reserves.

b) Intangible assets

Intangible assets are recognised at acquisition expense or, where applicable, at production cost, less the corresponding amortisation.
In particular, the following criteria apply:

- Software

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

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

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

c) Property, plant and equipment and investment property

This heading also shows the property owned by the Parent and subsidiary company LDActivos, S.L.U. for their own use or investment.

Land, natural assets and buildings that are held to earn income, capital gains or both and that are not occupied by any Group company qualify as investment property. Land, natural assets and buildings held for the provision of services or for administrative purposes for own use are treated as property, plant and equipment.

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

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

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

Property, plant and equipment and investment property	**Rate**
Furniture and installations	4 - 12%
IT equipment	20 - 25%
Vehicles	25%
Other property, plant and equipment	12 - 15%
Buildings for own use	2%
Buildings for property investment	2%

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

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

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

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

d) Prepaid fees and other capitalised acquisition expenses

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

e) Financial instruments

e.1) Financial assets

Note 8 to these consolidated statements shows financial assets at 31 December 2020, by type and classified in accordance with the following criteria:

Cash and cash equivalents

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

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

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

Loans and receivables

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

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

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

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

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

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

Available-for-sale financial assets

Group companies use this heading to recognise debt securities, swaps of certain or predetermined flows and equity instruments that were not previously classified as assets held for trading, as other assets at fair value through profit or loss, or as loans or receivables.

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

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

For investments in equity instruments, the non-recoverability of the asset's carrying amount, evidenced by, for example, a prolonged or significant decline in its fair value, will warrant a value adjustment. On this point, there is a presumption that impairment exists (on a permanent basis) if there has been a decline of more than 40% in the listed value of the asset, or if there has been a prolonged decline in the value of the asset over a period of one and a half years without seeing any recovery in its value. Valuation allowance is the difference between cost or amortised cost less, where applicable, any valuation allowances previously recognised in the consolidated statement of profit or loss and the fair value at time of valuation.

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

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

The fair value of a financial instrument on a given date means the amount for which it could be bought or sold between knowledgeable, willing buyers and sellers on an arm's length basis.

The fair values of listed investments are based on current purchase prices. If the market for a financial asset is not active (and for unlisted securities), the Group companies determine fair value by reference to other substantially similar instruments and estimated future cash flow discounting methods. The Group companies may use these models directly or the counterparty who acted as seller may do so.

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

Dividend and interest income is recognised as income in the consolidated statement of profit or loss when the right to receive payment is established. However, if dividends are distributed from profits generated prior to the acquisition date, they are not recognised as income, but rather as a reduction in the carrying amount of the investment.

System for measuring financial instruments for accounting and supervisory purposes

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

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

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

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

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

e.2) Financial liabilities

Debt and accounts payable

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

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

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

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

Derecognition of financial liabilities

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

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

f) Hedge accounting

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

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

<u>Fair value hedges</u>

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

Hedging instruments are measured and recorded in accordance with their nature to the extent that they are not, or cease to be, effective hedges.

<u>Interest rate hedges</u>

Interest rate hedging cover exposure to changes in interest flows attributable to a specific risk associated with interest rate fluctuations.

Measuring hedge effectiveness

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

g) Income tax

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

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

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

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

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

h) Technical provisions

– Provision for unearned premiums

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

– Provision for unexpired risks

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

– Provisions for claims

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

The Parent recognises this provision for an amount that enables it to cover the cost of the claims; i.e. the amount that includes all external and internal claims management and processing expenses, irrespective of their origin, produced and to be produced up until the full settlement and payment of the claims, less the cost for amounts already paid.

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

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

The provision for internal expenses for the settlement of claims is recognised for an amount that is sufficient to cover the expenses necessary for the full completion of the outstanding claims at the end of the period.

The provision for Home, Other insurance and Health segment claims has been estimated on the basis of an individual analysis of each claim (according to the best information available at the end of the reporting period), calculated in accordance with the Spanish Regulation on the Organisation and Supervision of Private Insurance.

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

– Equalisation reserve

This reserve, unlike those mentioned above, is recognised in the Company's consolidated equity and is not available for distribution. Each year the Parent determines the amount by which this reserve should be increased, taking into account the loading for contingencies included in the rate premiums for certain insurance contracts, as well as the other terms of the Regulation. It then posts the reserve by charging the relevant amount to earnings for the year. Upon approval of such distribution of earnings by the Parent's shareholders at the Annual General Meeting, the resulting amount is credited to consolidated equity. This reserve can only be used to offset deviations in the loss ratio for retained insurance activities. If the Group reports losses in the year on a consolidated basis, it reports the amount of the equalisation reserve, which, together with the debit balance shown in the consolidated statement of profit or loss for the year, shows the amount of the final earnings to be included under "Prior year losses".

i) Reinsurers' share of technical provisions

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

j) Termination benefits

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

k) Employee benefits

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

The Group's obligations with its employees with regard to retirement or similar pension plans were fully externalised at year-end 2020 and 2019, in compliance with the legislation in force regarding the externalisation of pension obligations (Royal Decree 1588/1999, of 15 October, approving the Regulations on the externalisation of company pension obligations with employees and beneficiaries).

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

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

<u>Defined contributions</u>

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

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

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

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

Defined benefit plans

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

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

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

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

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

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

m) Non-technical income and expenses – reclassification of expenses by purpose

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

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

- Purpose-specific costs incurred have been classified directly as such.
- Staff expenses are distributed according to the percentage of estimated dedication to each of the purposes.

- Costs that cannot be charged directly are distributed according to the estimated percentage of staff dedication to each purpose.

n) Related-party transactions

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

o) Provisions and contingencies

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

Provisions are recognised for obligations such as litigation in progress, indemnities or other obligations of undetermined amount or timing, for which it is probable that the obligation will eventually have to be met.

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

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

Following the routine labour inspection carried out by the administrative bodies attached to the Social Security system, Línea Directa Asistencia, S.L.U. was informed of certain discrepancies in relation to the percentages it pays for accident risk, considering it more appropriate to pay contributions in accordance with Spanish NACE for certain professional groups. In the 2016 financial year, the tax settlement report was communicated and promptly appealed and in February 2017 the resolutions contained in the tax settlement reports were annulled by the court with jurisdiction over adversary public law disputes. The General Treasury of the Social Security (TGSS) subsequently lodged an appeal against that judgment and in July 2018 the Company opposed the suit. In April 2019, the appeal lodged by Línea Directa Asistencia was upheld and by virtue of a final judgment the amount in question was returned to the company, plus the corresponding amount of interest.

p) Income and expenses

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

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

q) Leases

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

Income and expenses arising from operating lease agreements are charged to the consolidated statement of profit or loss in the year in which they accrue.
Any collection or payment that may be made on entering into an operating lease is treated as a collection or advance payment to be charged to profit and loss over the lease term, as the benefits and rewards of the leased asset are transferred or received.

r) Foreign currency transactions

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

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

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

s) Inventories

Inventories are stated at the lower of cost and net realisable value. When the net realisable value of inventories is lower than their cost, the appropriate valuation adjustments are made and recognised as an expense in the consolidated statement of profit or loss. If the circumstances to have caused the impairment cease to exist, the amount of the impairment is reversed and recognised as income in the consolidated statement of profit or loss. The balance of inventories is shown under "A-13 Other Assets – IV. Other assets" on the consolidated balance sheet.

t) Accrued income (assets)

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

u) Equity

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

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

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

5. Property, plant and equipment and investment property

a) Property, plant and equipment

At 31 December 2020 and 2019, the balances of these headings of the accompanying consolidated balance sheets and changes during 2020 and 2019 are as follows:

	Land	Buildings	Plant	IT equipment	Furniture and other property, plant and equipment	Assets in course of construction	Total property, plant and equipment
Cost at 31.12,2019	**15,083**	**21,446**	**17,121**	**24,479**	**7,058**	**8,900**	**94,086**
Additions	-	234	274	1,544	61	507	2,620
Retirements	-	-	(66)	(2,849)	(886)	-	(3,801)
Transfers	2,822	3,147	2,297	-	634	(8,900)	-
Cost at 31.12,2020	**17,905**	**24,827**	**19,626**	**23,174**	**6,867**	**507**	**92,905**
Accumulated depreciation at 31.12,2019	**-**	**(6,126)**	**(13,169)**	**(21,691)**	**(3,759)**	**-**	**(44,744)**
Additions	-	(500)	(1,285)	(1,736)	(311)	-	(3,832)
Retirements	-	-	48	3,181	27	-	3,256
Transfers	-	-	-	-	-	-	-
Accumulated depreciation at 31.12,2020	**-**	**(6,626)**	**(14,405)**	**(20,246)**	**(4,043)**	**-**	**(45,320)**
Impairment allowances at 31.12,2019	**(1,423)**	**-**	**-**	**-**	**-**	**-**	**(1,423)**
Allowance in the period	(851)	-	-	-	-	-	(851)
Amounts utilised in the period	23	-	-	-	-	-	23
Impairment allowances at 31.12,2020	**(2,251)**	**-**	**-**	**-**	**-**	**-**	**(2,251)**
Carrying amount at 31.12,2020	**15,654**	**18,201**	**5,221**	**2,928**	**2,824**	**507**	**45,334**

	Land	Buildings	Plant	IT equipment	Furniture and other property, plant and equipment	Assets in course of construction	Total property, plant and equipment
Cost at 31.12,2018	**15,083**	**21,446**	**17,017**	**22,908**	**7,025**	**3,601**	**87,079**
Additions	-	-	115	1,581	33	5,299	7,028
Retirements	-	-	(11)	(11)	-	-	(22)
Transfers	-	-	-	-	-	-	-
Cost at 31.12,2019	**15,083**	**21,446**	**17,121**	**24,479**	**7,058**	**8,900**	**94,086**
Accumulated depreciation at 31.12,2018	**-**	**(5,697)**	**(12,082)**	**(19,838)**	**(3,474)**	**-**	**(41,090)**
Additions	-	(429)	(1,098)	(1,856)	(285)	-	(3,668)
Retirements	-	-	11	3	-	-	14
Transfers	-	-	-	-	-	-	-
Accumulated depreciation at 31.12,2019	**-**	**(6,126)**	**(13,169)**	**(21,691)**	**(3,759)**	**-**	**(44,744)**
Impairment allowances at 31.12,2018	**(2,603)**	**-**	**-**	**-**	**-**	**-**	**(2,603)**
Application (allowance) in the period	1,003	-	-	-	-	-	1,003
Reclassifications	177	-	-	-	-	-	177
Impairment allowances at 31.12,2019	**(1,423)**	**-**	**-**	**-**	**-**	**-**	**(1,423)**
Carrying amount at 31.12,2019	**13,660**	**15,320**	**3,952**	**2,788**	**3,299**	**8,900**	**47,918**

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

At 31 December 2019 the Parent had recognised € 8,900 thousand in relation to a new building acquired by the Group. The asset was capitalised in 2020.

In 2020, the Group derecognised fully depreciated items of property, plant and equipment amounting to € 1,300 thousand (€ 14 thousand in 2019).

In 2020, impairment losses of € 851 thousand were recognised under "Impairment of property, plant and equipment and investment property" in the accompanying consolidated statement of profit or loss. No negative valuation adjustments were recognised in 2019.

Fully depreciated items of property, plant and equipment assets still in use at 31 December 2020 and 2019 amounted to:

	2020	**2019**
Plant	8,659	8,020
IT equipment	18,096	17,697
Furniture and other property, plant and equipment	2,965	2,703
	29,720	**28,420**

The Group companies have taken out insurance policies with third parties to cover risks that could affect their property, plant and equipment. The coverage provided under these policies is considered sufficient.

The fair value of property, plant and equipment was as follows at 31 December 2020 and 2019:

	2020				
Description	**Cost value**	**Accumulated depreciation**	**Impairment**	**Net carrying amount**	**Market value**
Land and buildings at I. Newton, 7 (Tres Cantos)	4,958	(1,737)	-	3,221	11,231
Land and buildings at I. Newton, 9 (Tres Cantos)	7,371	(1,268)	(734)	5,369	5,369
Land and buildings at Ronda Europa, 7 (Tres Cantos)	21,853	(3,291)	(1,275)	17,287	17,287
Land and buildings at Torres Quevado, 1 (Tres Cantos)	6,203	(72)	(104)	6,027	6,027
Land and buildings at Avda. El Sol, 9 (Torrejón de Ardoz)	2,347	(258)	(138)	1,951	1,951
	42,732	(6,626)	(2,251)	33,855	41,865

	2019				
Description	**Cost value**	**Accumulated depreciation**	**Impairment**	**Net carrying amount**	**Market value**
Land and buildings at I. Newton, 7 (Tres Cantos)	4,958	(1,651)	-	3,307	11,581
Land and buildings at I. Newton, 9 (Tres Cantos)	7,371	(1,191)	(615)	5,565	5,566
Land and buildings at Ronda Europa, 7 (Tres Cantos)	21,853	(3,053)	(649)	18,151	18,151
Land and buildings at Avda. El Sol, 9 (Torrejón de Ardoz)	2,347	(230)	(160)	1,957	1,957
	36,529	(6,125)	(1,424)	28,980	37,255

The valuations of the properties owned by the Group have been updated in the wake of the COVID-19 health crisis and due to the decline in economic activity. As a result, an impairment provision totalling € 851 thousand was recognised at 31 December 2020.

b) Investment property

The Group's investment property comprises property assets held for lease or rental. In 2020, rental income from investment property owned by the Group amounted to € 4,093 thousand (2019: € 4,188 thousand), recognised under "Income from property, plant and equipment and from investments" in the accompanying consolidated statement of profit or loss.

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

The breakdown of this heading in 2020 and 2019 is as follows:

	Land	Buildings	Plant	Total property, plant and equipment
Cost at 31.12.19	**32,409**	**38,241**	**95**	**70,745**
Additions	-	-	62	-
Retirements	-	-	-	-
Reclassifications	-	-	-	-
Cost at 31.12.20	**32,409**	**38,241**	**157**	**70,745**
Accumulated depreciation at 31.12.19	**-**	**(3,984)**	**(91)**	**(4,075)**
Additions	-	(765)	(19)	(784)
Retirements		-	-	-
Reclassifications	-	-	-	-
Accumulated depreciation at 31.12.20	**-**	**(4,749)**	**(110)**	**(4,859)**
Impairment allowances at 31.12.19	**-**	**-**	**-**	**-**
Allowance in the period	-	-	-	-
Amounts utilised in the period	-	-	-	-
Impairment allowances at 31.12.20	**-**	**-**	**-**	**-**
Carrying amount at 31.12.20	**32,409**	**33,492**	**47**	**65,948**

	Land	Buildings	Plant	Total property, plant and equipment
Cost at 31.12.18	**32,409**	**38,241**	**95**	**70,745**
Additions	-	-	-	-
Retirements	-	-	-	-
Reclassifications	-	-	-	-
Cost at 31.12.19	**32,409**	**38,241**	**95**	**70,745**
Accumulated depreciation at 31.12.18	**-**	**(3,219)**	**(68)**	**(3,287)**
Additions	-	(765)	(23)	(788)
Retirements		-	-	-
Reclassifications	-	-	-	-
Accumulated depreciation at 31.12.19	**-**	**(3,984)**	**(91)**	**(4,075)**
Impairment allowances at 31.12.18	**-**	**-**	**-**	**-**
Allowance in the period	-	-	-	-
Amounts utilised in the period	-	-	-	-
Impairment allowances at 31.12.19	**-**	**-**	**-**	**-**
Carrying amount at 31.12.19	**32,409**	**34,257**	**4**	**66,670**

At year-end 2020, there were no restrictions whatsoever on the realisation of new investment property or on the collection of income therefrom, or on the proceeds from any possible sale or disposal. Furthermore, no investment property was subject to guarantees or reversion.

The depreciation rates used are described in Note 4.c of these notes to the consolidated financial statements.

No investment property was sold or disposed of in 2020. In 2019, the Company disposed of investment property (recognised under the balance sheet heading "Non-current assets held for sale" in the 2018 annual accounts) with a net carrying amount of € 1,871 thousand. The gain on these sales totalled € 211 thousand.

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

All properties were insured against the risk of fire and third-party liability in 2020 and 2019.

The following table provides a comparison between the carrying amount and fair value of investment property (excluding fixtures and fittings) at 31 December 2020 and 2019.

2020

Property	Cost of purchase	Accumulated depreciation	Impairment allowances	Carrying amount	Value in use
C/ José Echegaray, 9 Madrid	6,902	(733)	-	6,169	8,077
C/ Chamberí 8, Madrid	41,867	(2,260)	-	39,607	45,050
Avenida de Bruselas, 22 Madrid	21,881	(1,756)	-	20,125	25,564
	70,650	**(4,749)**	**-**	**65,901**	**78,691**

2019

Property	Cost of purchase	Accumulated depreciation	Impairment allowances	Carrying amount	Value in use
C/ José Echegaray, 9 Madrid	6,902	(634)	-	6,268	8,570
C/ Chamberí 8, Madrid	41,867	(1,908)	-	39,959	48,572
Avenida de Bruselas, 22 Madrid	21,881	(1,442)	-	20,439	23,475
	70,650	**(3,984)**	**-**	**66,666**	**80,617**

The state of alarm proclaimed by the Spanish government in response to the COVID-19 pandemic led to the closure of all non-essential businesses. As a result, lease payments for some of the properties were renegotiated, thus leading to a reduction in income for the Company in 2020.

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

6. Intangible assets

At 31 December 2020 and 2019 the balance of this heading related entirely to software. Changes in 2020 and 2019 are as follows:

	Software	Assets in course of construction	Total intangible assets
Cost at 31.12,2019	**96,540**	**102**	**96,642**
Additions	5,621	4	5,625
Retirements	(5,824)	-	(5,824)
Cost at 31.12,2020	**96,337**	**106**	**96,443**
Accumulated amortisation at 31.12,2019	**(84,797)**	**-**	**(84,797)**
Additions	(910)	-	(910)
Retirements	1,952	-	1,952
Accumulated amortisation at 31.12,2020	**(83,755)**	**-**	**(83,755)**
Accumulated impairment losses	-	-	-
Carrying amount at 31.12,2020	**12,582**	**106**	**12,688**

	Software	Assets in course of construction	Total intangible assets
Cost at 31.12,2018	**88,025**	**-**	**88,025**
Additions	9,354	102	9,456
Retirements	(839)	-	(839)
Cost at 31.12,2019	**96,540**	**102**	**96,642**
Accumulated amortisation at 31.12,2018	**(80,432)**	**-**	**(80,432)**
Additions	(4,993)	-	(4,993)
Retirements	628	-	628
Accumulated amortisation at 31.12,2019	**(84,797)**	**-**	**(84,797)**
Accumulated impairment losses	-	-	-
Carrying amount at 31.12,2019	**11,743**	**102**	**11,845**

Fully amortised intangible assets at 31 December 2020 and 2019 amounted to € 74,632 thousand and € 75,072 thousand, respectively.

Retirements of computer software in 2020 were largely due to the disposal of all intangible assets carried out by subsidiary company Ambar Medline, S.L.U., following the stoppage of business at Nuez.

At 31 December 2020 and 2019, there were no intangible assets subject to guarantees or reversals.

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

7. Other assets

The following table provides a breakdown of this heading at 31 December 2020 and 2019.

	2020	2019
Acquisition expenses	83,055	84,469
Accruals	9,545	10,463
Inventories	175	189
	92,775	**95,121**

Deferred acquisition expenses are recognised in accordance with the accounting principles explained in Note 4 c). Changes in 2020 and 2019 are as follows:

	2020	2019
Balance at the beginning of the year	84,469	75,468
Additions	83,055	84,469
Retirements	(84,469)	(75,468)
Balance at the end of the year	**83,055**	**84,469**

The "Accrued income" subheading mainly shows explicit interest accrued and not yet due on available-for-sale bank deposits and fixed-income investments totalling € 9,365 thousand (€ 9,321 thousand in 2019), of which a total of € 34 thousand (€ 34 thousand in 2019) relates to securities for which the issuer is a Group company. It also shows the cost of certain services prepaid by the Parent that will accrue in 2021, for a total of € 180 thousand (€ 1,142 thousand in 2019).

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

8. Financial instruments

8.1 Information on the significance of financial instruments in relation to the financial position and results of Group companies

8.1.1 Information related to the consolidated balance sheet

Financial assets and liabilities fell into the following categories at the end of 2020 and 2019:

<u>2020</u>

Financial assets	Cash and cash equivalents	Available-for-sale financial assets		Loans and receivables	Holdings in group companies and associates	Total
		At fair value	At cost			
Equity instruments:	**-**	**124,768**	**28**	**-**	**747**	**125,543**
- Financial investments in capital	-	59,449	28	-	747	60,224
- Units/interests in mutual funds	-	65,319	-	-	-	65,319
- Units/interests in private equity funds	-	-	-	-	-	-
- Other equity instruments	-	-	-	-	-	-
Debt securities:	**-**	**781,859**	**-**	**9,985**	**-**	**791,844**
- Fixed-income securities	-	781,859	-	9,985	-	791,844
- Other debt securities	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
Loans:	-	-	-	-	-	-
- Loans and advances on policies	-	-	-	-	-	-
- Loans to group companies	-	-	-	-	-	-
- Mortgage loans	-	-	-	-	-	-
- Other loans	-	-	-	-	-	-
Deposits with credit institutions	-	-	-	-	-	.
Deposits posted on accepted reinsurance	-	-	-	-	-	-
Receivables on direct insurance business:	**-**	**-**	**-**	**54,413**	**-**	**54,413**
Policyholders:	-	-	-	54,413	-	54,413
- Premium payments outstanding	-	-	-	55,678	-	55,678
- Provision for outstanding premiums	-	-	-	(1,265)	-	(1,265)
Receivables on reinsurance business:	**-**	**-**	**-**	**5,086**	**-**	**5,086**
- Outstanding balances with reinsurers	-	-	-	5,086	-	5,086
- Provision for impairment of balances subject to reinsurance	-	-	-	-	-	-
Receivables on coinsurance business:	-	-	-	-	-	-
- Outstanding balances with coinsurers	-	-	-	-	-	-
- Provision for impairment of balances subject to coinsurance	-	-	-	-	-	-
Called up share capital	-	-	-	-	-	-
Other receivables:	**-**	**-**	**-**	**40,884**	**-**	**40,884**
- Tax and social security receivable	-	-	-	1,126	-	1,126
- Other receivables	-	-	-	39,758	-	39,758
Other financial assets	-	-	-	-	-	-
Cash	**162,500**	**-**	**-**	**-**	**-**	**162,500**
Balance at 31 December 2020	**162,500**	**906,627**	**28**	**110,368**	**747**	**1,180,270**

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

2019

Financial assets	Cash and cash equivalents	Available-for-sale financial assets		Loans and receivables	Holdings in group companies and associates	Total
		At fair value	At cost			
Equity instruments:	**-**	**116,660**	**28**	**-**	**-**	**116,688**
- Financial investments in capital	-	59,231	28	-	-	59,259
- Units/interests in mutual funds	-	57,429	-	-	-	57,429
- Units/interests in private equity funds	-	-	-	-	-	-
- Other equity instruments	-	-	-	-	-	-
Debt securities:	**-**	**708,499**	**-**	**2,985**	**-**	**711,484**
- Fixed-income securities	-	708,499	-	2,985	-	711,484
- Other debt securities	-	-	-	-	-	-
Derivatives	**-**	**-**	**-**	**-**	**-**	**-**
Loans:	**-**	**-**	**-**	**-**	**-**	**-**
- Loans and advances on policies	-	-	-	-	-	-
- Loans to group companies	-	-	-	-	-	-
- Mortgage loans	-	-	-	-	-	-
- Other loans	-	-	-	-	-	-
Deposits with credit institutions	**-**	**-**	**-**	**-**	**-**	**-**
Deposits posted on accepted reinsurance	**-**	**-**	**-**	**-**	**-**	**-**
Receivables on direct insurance business:	**-**	**-**	**-**	**51,196**	**-**	**51,196**
- Policyholders:	-	-	-	51,196	-	51,196
Premium payments outstanding	-	-	-	53,486	-	53,486
Provision for outstanding premiums	-	-	-	(2,290)	-	(2,290)
Receivables on reinsurance business:	**-**	**-**	**-**	**4,175**	**-**	**4,175**
- Outstanding balances with reinsurers	-	-	-	4,175	-	4,175
- Provision for impairment of balances subject to reinsurance	-	-	-	-	-	-
Receivables on coinsurance business:	**-**	**-**	**-**	**-**	**-**	**-**
- Outstanding balances with coinsurers	-	-	-	-	-	-
- Provision for impairment of balances subject to coinsurance	-	-	-	-	-	-
Called up share capital	**-**	**-**	**-**	**-**	**-**	**-**
Other receivables:	**-**	**-**	**-**	**48,402**	**-**	**48,402**
- Tax and social security receivable	-	-	-	1,305	-	1,305
- Other receivables	-	-	-	47,097	-	47,097
Other financial assets	**-**	**-**	**-**	**-**	**-**	**-**
Cash	**144,937**	**-**	**-**	**-**	**-**	**144,937**
Total	**144,937**	**825,159**	**28**	**106,758**	**-**	**1,076,882**

Financial liabilities	Debt and accounts payable		Hedging derivatives	
	2020	2019	2020	2019
Due on direct insurance business	**2,862**	**4,165**	-	-
- Due to policyholders	1,893	2,435	-	-
- Due to agents, brokers and intermediaries	969	1,730	-	-
- Conditional claims	-	-	-	-
Due on reinsurance business:	**981**	**1,584**	-	-
Other debts	**167,836**	**197,978**	-	-
- Tax and social security payable	14,489	14,097	-	-
- Other payables to group companies	839	32,955	-	-
- Other debts	152,508	150,926	-	-

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

Hedging derivatives	**-**	**-**	**15,167**	**13,584**
Total	**171,679**	**203,727**	**15,167**	**13,584**

The classification of financial assets and liabilities by maturity, for those with a given or determinable maturity for each asset category, was as follows at 31 December 2020 and 2019:

2020

	Financial assets						
	2021	**2022**	**2023**	**2024**	**2025**	**subsequent periods**	**Total**
Investments in group companies and associates	**-**	**-**	**-**	**-**	**-**	**3,316**	**3,316**
- Loans to group companies (Note 15)	-	-	-	-	-	-	-
- Debt securities (Note 15)	-	-	-	-	-	3,316	3,316
Other financial investments:	**99,960**	**41,051**	**117,151**	**52,320**	**45,845**	**432,201**	**788,528**
- Debt securities	99,960	41,051	117,151	52,320	45,845	432,201	788,528
- Deposits with credit institutions	-	-	-	-	-	-	-
Total	**99,960**	**41,051**	**117,151**	**52,320**	**45,845**	**435,517**	**791,844**

2019

	Financial assets						
	2020	**2021**	**2022**	**2023**	**2024**	**subsequent periods**	**Total**
Investments in group companies and associates	**-**	**-**	**-**	**-**	**-**	**3,241**	**3,241**
- Loans to group companies (Note 15)	-	-	-	-	-	-	-
- Debt securities (Note 15)	-	-	-	-	-	3,241	3,241
Other financial investments:	**62,505**	**80,695**	**37,566**	**110,650**	**36,788**	**380,039**	**708,265**
- Debt securities	**62,505**	80,695	37,566	110,650	36,788	380,039	708,265
- Deposits with credit institutions	-	-	-	-	-	-	-
Total	**62,505**	**80,695**	**37,566**	**110,650**	**36,788**	**383,280**	**711,506**

The debts and payables shown under financial liabilities mature within one year for both 2020 and 2019.

8.1.1.1 Available-for-sale financial assets

At the end of 2020 and 2019, this heading showed € 59,449 thousand and € 59,231 thousand in shares, respectively, together with units and interests in investment and private equity funds amounting to € 65,319 thousand and € 57,429 thousand, respectively. Of the total investment in shares and equities, a total of € 10,000 thousand is included in two listed real estate investment companies in which a Bankinter Group financial institution holds a stake.

It also includes € 791,844 thousand and € 708,499 thousand, respectively, in fixed-income securities, of which € 3,316 thousand related to group companies in 2020 and € 3,241 thousand in 2019 (see Note 15).

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

At 31 December 2020 and 2019, there were no impairment losses due to credit risk or the impairment of assets under this heading.

Accrued and unmatured interest on fixed-income assets under this heading amounted to € 9,365 thousand at 31 December 2020 (€ 9,321 thousand at 31 December 2019), of which € 34 thousand (€ 34 thousand in 2019) related to investments in group companies (see Note 15) and is included under "Other assets – Accrued income" on the assets side of the accompanying balance sheet. The average return on the fixed income portfolio in 2020 was 2.34% (3.63% in 2019).

8.1.1.2 Loans and receivables

a) Loans to group companies and associates

At 31 December 2020 and 2019, no loans had been granted to Group companies.

b) Debt securities

The balance of "debt securities" includes investments in commercial paper issued by local credit institutions and maturing in 2021. No accrued and unmatured interest was recognised on these investments in 2020 or 2019.

c) Receivables on direct insurance business

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

Adjustments due to impairment of outstanding premiums receivable are calculated in accordance with the criteria set out in the Accounting Plan for Insurance Companies in its section two "Measurement and valuation standards", based on the age of the pending receipts and the loss experience for the period between zero and three months.

This heading breaks down as follows at 31 December 2020 and 2019:

	Receivable from policyholders	Impairment adjustment	Total
Balance at 31 December 2020	55,678	(1,265)	54,413
Balance at 31 December 2019	53,486	(2,290)	51,196

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

d) Receivables and payables on reinsurance business

This heading shows claims and debts with reinsurers at year end, broken down by type of reinsurance (see Note 13 to these consolidated notes on the subject of debts and payables):

	2020		2019	
	Receivable	**Payable**	**Receivable**	**Payable**
Reinsurance – Penalties and other guarantees	-	682	-	1,279
Reinsurance XL	-	299	-	305
Reinsurance QS	5,086	-	4,175	-
	5,086	**981**	**4,175**	**1,584**

e) Other receivables

	31.12,2020	31.12,2019
Tax and social security receivable	1,126	1,305
Bonds and deposits	295	300
Receivables from recoveries and claims	34,956	40,358
Receivables under claim settlement agreements	1,661	2,379
Sundry receivables	2,153	2,590
Receivable from group companies and associates (Note 15)	754	1,521
Impairment allowances on other receivables	(61)	(51)
Total	**40,884**	**48,402**

The "Receivables from recoveries and claims" sub-heading shows the amount of outstanding claims that will be recovered under the modules governed by agreement and claims not subject to agreement. A total of € 34,956 thousand was recognised in 2020 (€ 40,358 thousand in 2019), notably down on the previous year following a reduction in claims incurred due to the COVID-19 pandemic (see Note 18).

8.1.1.3 Holdings in group companies and associates

In 2020, the Company acquired 239,678 shares in Bankinter S.A. at an average price of € 3.12, with a par value of € 747 thousand. As a result of this acquisition, a reserve of € 747 thousand was set aside under voluntary reserves (see Note 14.b).

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

8.1.1.4 Hedging derivatives

The Company included two swaps under this category (three swaps at 31 December 2019), the value of which at 31 December 2020 came to € 15,167 thousand (31 December 2019: € 13,584 thousand).

		At 31 December 2020				
Item	**Initial value**	**Accumulated impairment**	**Impairment adjustment**	**Valuation adjustment**	**Purchases/Sales**	**Final value**
SWAP	13,584	-	-	1,583	-	15,167
Total	**13,584**	**-**	**-**	**1,583**	**-**	**15,167**

		At 31 December 2019				
Concept	**Initial value**	**Accumulated impairment**	**Impairment adjustment**	**Valuation adjustment**	**Purchases/Sales**	**Final value**
SWAP	3,385	-	-	10,199	-	13,584
Total	**3,385**	**-**	**-**	**10,199**	**-**	**13,584**

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

The following table shows the type of contracts guaranteed:

Type of asset	Counterparty	Number of contracts	Carrying amount	Market value	Nominal value	Rate	Currency
Current account	BBVA S.A.	1	20,099	20,099	20,099	**Eurostr**	**EUR**
Subtotal – Current Account			**20,099**	**20,099**	**20,099**	**Eurostr**	**EUR**
Swaps	BBVA S.A.	1	(10,140)	(10,140)	(10,140)		**EUR**
	BBVA S.A.	1	(5,027)	(5,027)	(5,027)		**EUR**
Subtotal – Swaps			**(15,167)**	**(15,167)**	**(15,167)**		**EUR**
Total			**4,932**	**4,932**	**4,932**		**EUR**

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

At 31 December 2020, a total of € 15,167 thousand was recognised under "Hedging derivatives" on the liabilities side of the balance sheet (€ 13,584 thousand at 31 December 2019), corresponding to two swaps. The entity with which this contract has been signed relies on the clearing house to calculate the current value of the outstanding flows between the two parties.

The hedged item consists of the payment of coupons of 2.35% on one SPGB bond worth € 25,000 thousand per annum through to its maturity on 30 July 2033; and of 2.45% on one BTPS bond worth € 50,000 thousand through to its maturity on 1 September 2033. In exchange, the Parent receives collections of Euribor 6M+0.94% and Euribor6M+1.11% on € 25,000 thousand of the SPGB bond through to its maturity on 30 July 2033; and of Euribor 6M+1.03% on € 50,000 thousand of the BTPS bond through to its maturity on 1 September 2033.

When compared to 31 December 2019, the hedged SPGB position maturing 30 July 2033 fell by € 25,000 thousand during the period, including the swap associated with that position.

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

8.1.2 Information on the consolidated statement of profit or loss and consolidated equity

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

2020

	Cash and cash equivalents	Loans and receivables	Available-for-sale assets	Property, plant and equipment and investment property	Total
Investment income					
Interest on fixed-income securities	-	-	28,770	-	28,770
Income on equity instruments	-	-	1,494	-	1,494
Interest on current accounts	1	-	-	-	1
Interest on bank deposits	-	512	-	-	512
Income from premium instalments	-	4,537	-	-	4,537
Effect of change in investment value	-	-	-	23	23
Income from investment in property, plant and equipment	-	-	-	4,121	4,121
Gains on realisation and valuation of investments	-	-	36,918	1	36,919
Positive exchange differences	-	-	236	-	236
Total income from property, plan and equipment and from investments	**1**	**5,049**	**67,418**	**4,145**	**76,613**

	Available-for-sale assets	Property, plant and equipment and investment property	Non-current dividends payable	Other	Total
Investment costs					
Fixed income valuation	38,291	-	-	-	38,291
Depreciation of investment property	-	27	-	-	27
Long-term discounting of interest and dividends	-	-	-	-	-
Property impairment allowances	-	851	-	-	851
Losses on property, plant and equipment	-	542	-	-	542
Negative exchange difference	-	-	-	-	-
Investment management expenses and other	4,987	-	-	2,668	7,655
Total expenses from property, plant and equipment and from investments	**43,278**	**1,420**	**-**	**2,668**	**47,366**

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

2019

	Cash and cash equivalents	Loans and receivables	Available-for-sale assets	Property, plant and equipment and investment property	Total
Investment income					
Interest on fixed-income securities	-	-	24,383	-	24,383
Income on equity instruments	-	-	2,233	-	2,233
Interest on current accounts	28	-	-	-	28
Interest on bank deposits	-	459	-	-	459
Income from premium instalments	-	4,313	-	-	4,313
Effect of change in investment value	-	-	-	-	-
Income from investment in property, plant and equipment	-	-	-	4,206	4,206
Gains on realisation and valuation of investments	-	-	33,420	1,392	34,812
Positive exchange differences	-	-	253	-	253
Total income from property, plan and equipment and from investments	**28**	**4,772**	**60,289**	**5,598**	**70,687**

	Available-for-sale assets	Property, plant and equipment and investment property	Non-current dividends payable	Other	Total
Investment costs					
Fixed income valuation	34,217	-	-	-	34,217
Depreciation of investment property	-	788	-	-	788
Long-term discounting of interest and dividends	-	-	-	-	-
Property impairment allowances	-	-	-	-	-
Losses on property, plant and equipment	-	-	-	-	-
Negative exchange difference	2,475	-	-	-	2,475
Investment management expenses and other	-	-	-	1,525	1,525
Total expenses from property, plant and equipment and from investments	**36,692**	**788**	**-**	**1,525**	**39,005**

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

Market risk

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

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

Credit risk

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

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

Debt securities had the following ratings at the end of 2020 and 2019:

RATING	2020	2019
AAA	3,057	1,778
AA	7,329	3,760
A	347,918	296,496
BBB	376,996	350,345
BB	20,451	20,585
B	5,886	700
N/R	30,207	37,820
Total	**791,844**	**711,484**

Liquidity risk

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

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

Currency risk

At 31 December 2020, the Group had a foreign currency position of € 27,942 thousand (31 December 2019: € 19,895 thousand). They relate to direct investments in financial instruments quoted in those currencies and there is no currency hedging whatsoever.

9. Cash and cash equivalents

The composition of unrestricted cash and cash equivalents at credit institutions, cheques and cash on hand at 31 December 2020 and 2019 is as follows:

	Balance at 31.12,2020	Balance at 31.12,2019
Cash at credit institutions	161,005	144,934
Cash in hand	3	3
Financial instruments maturing within 3 months	1,492	-
	162,500	**144,937**

Of the total balance of cash at banks at 31 December 2020 and 2019, a total of € 68,946 thousand and € 62,843 thousand, respectively, was held at Bankinter, S.A. (see Note 15).

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

At 31 December 2020, the Group had a current account pledged to a reinsurer for a total of € 2,100 thousand to secure the performance of certain contractual obligations. The remaining amount of cash and cash equivalents is subject to no further restriction on its use and disposal.

The interest rate on the Company's current accounts is negotiated with each bank and did not yield any return in 2020 and 2019, except for the current account in US dollars, which yielded a return of between 0.17% and 1.65% in 2020 (between 1.91% and 2.45% in 2019).

10. Technical provisions

The following table shows changes in 2020 and 2019 in each of the technical provisions shown in the accompanying consolidated balance sheets.

2020

	Provision for unearned premiums	**Provision for claims**	**Provision for unexpired risks**
Direct insurance			
Balance at 31 December 2019	443,115	276,630	6,115
Allowances	446,423	265,446	4,622
Amounts utilised	(443,115)	(276,630)	(6,115)
Balance at 31 December 2020	**446,423**	**265,446**	**4,622**
Ceded and retroceded reinsurance			
Balance at 31 December 2019	2,676	6,841	-
Allowances	3,705	8,772	-
Amounts utilised	(2,676)	(6,841)	-
Balance at 31 December 2020	**3,705**	**8,772**	**-**

2019

	Provision for unearned premiums	**Provision for claims**	**Provision for unexpired risks**
Direct insurance			
Balance at 31 December 2018	428,118	304,868	-
Allowances	443,115	276,630	6,115
Amounts utilised	(428,118)	(304,868)	-
Balance at 31 December 2019	**443,115**	**276,630**	**6,115**
Ceded and retroceded reinsurance			
Balance at 31 December 2018	2,735	4,583	-
Allowances	2,676	6,841	-
Amounts utilised	(2,735)	(4,583)	-
Balance at 31 December 2019	**2,676**	**6,841**	**-**

The provision for unexpired risks is there to supplement the provision for unearned premiums, if the latter is not enough to cover the cost of all the risks and expenses for which the insurance company is responsible over the period of coverage that has not elapsed upon reaching the end date of the financial year. In 2020, the Company recognised a total of € 4,622 thousand for this item in the Health segment (€ 6,115 thousand in 2019).

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

The change in 2020 in the Parent's provision for claims (excluding insurance for fines and other insurance) pertaining only to claims pending at 31 December 2019, by segment, is as follows:

	Provision at 31.12,2019	Net payments	Provision at 31.12,2020	Surplus (Deficit)
Motor, general liability insurance	174,763	119,730	80,138	(25,105)
Motor, other coverage	67,236	35,409	21,818	10,009
Home	21,175	15,203	5,563	409
Total	**263,174**	**170,342**	**107,519**	**(14,687)**

The provision increased in the last quarter of the year due to various factors: slower management of the new injury scale has generated an increase in contributions in serious claims from previous years. This management slowdown has also delayed the cost releases that need to occur for this type of claims. There is therefore a time effect, as the largest cost inputs occur in the short term, while cost releases are spread out over time.

In what was an exceptional and highly atypical year, the most serious outstanding claims were handled with extra prudence due to the difficulty of maintaining normal management processes amid the current pandemic.

The changes in 2019 in the Parent's provision for claims without coverage for fines and other insurance, corresponding only to claims outstanding at 31 December 2018, and excluding claims incurred but not reported, is as follows, by segment:

	Provision at 31.12,2018	Net payments	Provision at 31.12,2019	Surplus (Deficit)
Motor, general liability insurance	195,793	118,652	57,540	19,601
Motor, other coverage	68,873	35,990	20,840	12,043
Home	20,199	13,150	4,065	2,984
Total	**284,865**	**167,792**	**82,445**	**34,628**

Claims incurred but not reported (IBNR) are not included in the provision at the end of 2020 and 2019 for the Home segment but are included in the Motor segment, as the provision for outstanding, reported and unreported claims is calculated jointly using statistical methods (Note 4.h).

11. Pension commitments

Under the terms of the collective bargaining agreement for the industry, the Parent is required to take out a collective life insurance policy for all of its employees. This policy has been externalised in the form of a risk insurance policy renewable annually. This agreement resulted in total accrued insurance premiums of € 448 thousand in 2020 (€ 265 thousand in 2019).

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

At present, only those employees hired before 1 January 2017 who have decided not to migrate to the new system provided for under the agreement remain adhered to the existing system. This agreement resulted in total accrued insurance premiums of € 21 thousand in 2020 (€ 14 thousand in 2019). The mathematical provision amounted to € 180 thousand at 31 December 2020 (€ 2,828

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

thousand at 31 December 2019). In 2020, there were policy surrenders totalling € 3,357 thousand due to mobilisation between pension plans (2019: no surrenders).
For employees hired on or after 1 January 2017 and those who have decided to avail themselves of the new system, the Company has externalised its obligations by arranging a defined contribution insurance policy covering more contingencies than the old system. Premiums accrued under this new policy totalled € 3,088 thousand during the period (€ 609 thousand in 2019), while a mathematical provision was € 4,139 thousand (€ 609 thousand in 2019). No policy surrenders took place in 2020 or 2019. The mobilisation of the rights of employees who have decided to adhere to the new system became effective in 2020.

The Parent also has a collective insurance policy in effect to formalise its retirement pension commitments with certain members of Senior Management. These defined contribution policies are also externalised and regular contributions are made for the different members of the group. In 2020, this policy accrued premiums of € 1,420 thousand and a mathematical provision of € 10,299 thousand. In 2019, the policy accrued premiums of € 1,031 thousand and its mathematical provision at year-end was € 8,287 thousand. The contributions made to this policy are entirely voluntary for the Company and are made at the discretion of the Board of Directors.

The Parent also has a defined contribution savings and retirement insurance policy in effect for members of Senior Management. This policy accrued premiums of € 111 thousand in 2020 and its mathematical provision at year-end came to € 489 thousand. In 2019, the policy accrued premiums of € 93 thousand and its mathematical provision at year-end was € 371 thousand.

12. Provision for payments under claim settlement agreements

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

The following changes occurred during the year:

	Carrying amount	
	2020	**2019**
Balance at the beginning of the year	21,968	21,708
Allowances (Note 21)	16,174	21,968
Amounts utilised (Note 21)	(21,968)	(21,708)
Balance at the end of the year	**16,174**	**21,968**

13. Debt and accounts payable

The heading "Debts and accounts payables" breaks down as follows at 31 December 2020 and 2019:

	Balance at 31.12,2020	**Balance at 31.12,2019**
Due on direct insurance business	**2,862**	**4,165**
Due to policyholders	1,893	2,435
Due to agents, brokers and intermediaries	969	1,730
Conditional claims	-	-

Due on reinsurance business (Note 8.1.1.2)	**981**	**1,584**
Other debts:	**14,489**	**14,097**
Personal income tax withholdings payable	2,109	2,003
VAT payable	619	544
Social security payable	2,851	2,739
Insurance Compensation Consortium payable	1,427	1,390
Tax payable on insurance premiums	4,360	4,371
Other taxes payable	3,123	3,050
Due to group companies and associates (Note 15)	**839**	**32,955**
Other debts	**152,508**	**150,926**
On goods delivered and services rendered	30,023	25,484
On securities lending	115,730	119,637
Outstanding remuneration	6,755	5,805
	171,679	**203,727**

At 31 December 2020, the sub-heading “Due to group entities and associates” did not include dividends payable by the Parent to Bankinter S.A. (31 December 2019: € 28,344 thousand) (see Note 14.e).

At 31 December 2020, the sub-heading “On securities lending” showed the monetary collateral received on a public debt repurchase transaction (assignment with repurchase agreement of government bonds) with a total carrying amount of € 115,730 thousand, including uncollected accrued interest and comprising three repos on Spanish government securities maturing on 18 January 2021. The counterparty to the transactions is Banco BBVA. Guarantees on the transactions amount to € 115,730 thousand. On 18 January 2021, the three repo operations with the same Spanish government securities were renewed, resulting in a new maturity date of 18 February 2021 at an average negative interest rate of 0.47% per annum. The counterparty to these transactions is Banco Santander S.A.

At 31 December 2019 the subheading “On securities lending” shows monetary collateral received under a government debt repo arrangement (sale and repurchase agreement of government bonds), with a total carrying amount of € 119,637 thousand, including accrued unpaid interest and comprising two repurchase agreements involving Spanish government securities maturing on 17 January 2020 and a further transaction involving Portuguese government securities maturing on 17 January 2020. The counterparty to all such transactions is Banco BBVA. Guarantees on the transactions amount to € 119,637 thousand. On 17 January 2020, all three repo operations (the two Spanish government debt contracts and the Portuguese government debt contract) were renewed, with the new maturity set for 17 March 2020 at an average negative interest rate of 0.40% per annum.

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

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

	2020	**2019**
	Days	**Days**
Average supplier payment period*	24.27	24.12
Ratio of transactions paid*	22.86	24.12
Ratio of transactions outstanding*	61.56	24.00
	Amount (thousand euro)	**Amount (thousand euro)**
Total payments made	304,372	327,812
Total payments outstanding	11,489	14,543

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

The data shown in the table above on the average payment period to suppliers relate to trade payables on debts with suppliers of goods and services, excluding payments of claims in 2020 and 2019.

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

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

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

14. Equity

Changes in the consolidated equity in 2020 and 2019 are shown in the accompanying consolidated statements of changes in total equity.

At 31 December 2020 and 2019, the Parent's share capital amounted to € 37,512 thousand and was represented by 2,400,000 registered shares, each having a par value of € 15.63, all fully subscribed for and paid up and conferring the same rights and obligations. There are no restrictions on their free transferability and they are not listed on any stock exchange.

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

At 31 December 2020 and 2019, the Parent's shareholders were as follows:

	Number of shares
Bankinter, S.A.	2,399,999
Hispamarket, S.A. (Bankinter Group)	1

The Annual General Meeting of Bankinter S.A. held on 19 March 2020 resolved to distribute in kind the entire share premium (amounting to € 1,184 million) by delivering 82.6% of the share capital of Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros to its shareholders, with the bank retaining a non-controlling financial stake of 17.4% in the Company.

Following the approval of the Annual General Meeting, the requisite regulatory clearance was requested. Once this is obtained, the Company's share premium will be apportioned accordingly and its shares will be admitted to trading on the continuous market. This is expected to take place in the first half of 2021.

At 31 December 2020 and 2019, the Parent had posted the minimum capital required under the Law on the Organisation and Supervision of Private Insurance to operate in authorised insurance segments.

In 2020, the Group acquired 239,678 shares of Bankinter S.A. at an average price of € 3.12, with a par value of € 747 thousand. As a result of this acquisition, a reserve of € 747 thousand was set aside under voluntary reserves (see Note 14.b).

a) Legal reserve

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

At 31 December 2020 and 2019 the balance of this reserve was above the minimum requirement.

b) Voluntary reserves

At 31 December 2020 and 2019 the balance of these reserves was unrestricted and included reserves for shares in the Group's Parent (Bankinter, S.A.) amounting to € 747 thousand at 31 December 2020.

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

c) Contributions made by Group companies to the consolidated statement of profit or loss:

Company	2020	2019
Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros.	132,671	115,001
Línea Directa Asistencia, S.L.U.	12,055	12,434
LDActivos, S.L.U.	1,917	1,839
Moto Club LDA, S.L.U.	16	20
Ambar Medline, S.L.U.	6	10
Centro Avanzado de Reparaciones CAR, S.L.U.	(585)	137
LDA Reparaciones, S.L.U.	156	89
Consolidated profit/(loss) for the year before adjustments	**146,236**	**129,530**

The 2020 earnings of Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros, the Parent, were adjusted on consolidation by € 11,415 thousand (€ 22,214 thousand in 2019) to eliminate the effect of applying the provision for impairment on investments in group companies and the dividend income received from Línea Directa Asistencia, S.L.U.

d) Reserves at fully consolidated companies

The breakdown of this reserve by company at 31 December 2020 and 2019 is as follows:

Company	2020	2019
Línea Directa Asistencia, S.L.U.	110,233	97,800
LDActivos, S.L.U.	11,788	9,949
Moto Club LDA, S.L.U.	1,332	1,312
Ambar Medline, S.L.U.	99	89
Centro Avanzado de Reparaciones CAR, S.L.U.	-	-
LDA Reparaciones, S.L.U.	13	-
	123,465	**109,150**

e) Equalisation Reserve and interim dividend

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

At 31 December 2020, this reserve amounted to € 107,582 thousand, net of the tax effect (€ 100,619 thousand, net of the tax effect, in 2019). An interim reserve of € 6,964 thousand was recognised in the year (€ 7,113 thousand in 2019), which will be charged to profit for the year (see Note 3).

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

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

2020:

	Equalisation reserve	Tax effect	Interim Equalisation Reserve
Balance at 31 December 2019	110,588	9,970	(7,113)
Allowances	6,964	-	(6,964)
Amounts utilised	-	-	7,113
Balance at 31 December 2020	**117,552**	**9,970**	**(6,964)**

2019:

	Equalisation reserve	Tax effect	Interim Equalisation Reserve
Balance at 31 December 2018	103,476	9,970	(7,051)
Allowances	7,112	-	(7,112)
Amounts utilised	-	-	7,051
Balance at 31 December 2019	**110,588**	**9,970**	**(7,112)**

Pursuant to Articles 40.6 *bis* and 41.3 of Royal Decree-Law 8/2020, of 17 March, on extraordinary and urgent measures to address the economic and social impact of COVID-19, and within the framework of the recommendations of the European Insurance and Occupational Pensions Authority and the Spanish Directorate General for Insurance and Pension Funds —as per their respective notes of 2 and 8 April 2020— the Board of Directors of the Parent resolved not to distribute interim dividends out of profit for the year.

f) Valuation adjustments

The main item recognised off the consolidated statement of profit or loss is the valuation adjustments made to available-for-sale assets to reflect the amount of capital gains net of tax. Capital gains net of tax came to € 44,397 thousand at 31 December 2020 (€ 37,179 thousand in net gains at 31 December 2019).

g) Solvency

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

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

The Parent's directors do not expect to encounter any significant obstacles that might impede the Company's compliance with regulatory solvency and minimum capital requirements and that might affect the application of the going concern principle and the continuity of its operations. The directors of the Parent have yet to draw up the solvency and financial condition report for 2020. The report for 2019 was approved by the Board of Directors of the Parent at a meeting held on 14 April 2020.

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

15. Related party transactions

The following transactions were carried out with Bankinter Group entities:

a) Direct insurance transactions

In 2020 and 2019, a total of € 5,355 thousand € 5,192 thousand in insurance brokerage commissions accrued in favour of Bankinter S.A., respectively. No brokerage commissions accrued in favour of Bankinter S.A., Sucursal en Portugal in 2020 (€ 3 thousand in 2019). In addition, a total of €398 thousand in insurance premiums was issued in favour of Bankinter S.A. (€ 273 thousand in 2019), € 847 thousand in favour of Bankinter Consumer Finance, S.L.U. (€ 1,018 thousand in 2019) and € 44 thousand in favour of Bankinter S.A., Sucursal en Portugal (€ 32 thousand in 2019).

b) Transactions due to services rendered and received

	Expenses		**Income**	
Services rendered and received	**Services received**	**Interest and financial services**	**Services rendered**	**Finance income and leases**
2020				
Bankinter, S.A.	1,059	285	-	408
Bankinter Consumer Finance, S.L.	464	-	2,826	-
Bankinter, S.A. Sucursal en Portugal	14	-	-	-
2019				
Bankinter, S.A.	857	341	-	469
Bankinter Consumer Finance, S.L.U.	673	-	3,770	-
Bankinter, S.A. Sucursal en Portugal	13	-	-	-

In addition, and as indicated in Note 14 e), no interim dividends have been declared for 2020 (2019: € 93,048 thousand of interim dividends).

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

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

c) Balances with related parties shown on the consolidated balance sheet

The following table shows balances with related parties as shown on the consolidated balance sheet at 31 December 2020 and 2019.

2020

	Notes	Group companies	Jointly controlled companies	Associates	Total
Assets					
Debt securities					
Available-for-sale assets – Equity instruments	**8.1.1.1**	10,000	-	-	10,000
Fixed-income securities	**8.1.1.2**	3,316	-	-	3,316
Cash and cash equivalents	**9**	68,946	-	-	67,968
Other receivables					
Other receivables	**8.1.1.2**	754	-	-	754
Other assets					
Accruals	**8.1.1.1**	34	-	-	34
Total asset balances		**83,050**	**-**	**-**	**83,050**
Liabilities					
Due to group companies and associates	**13**	839	-	-	839
Total liability balances		**839**	**-**	**-**	**839**

2019

	Notes	Group companies	Jointly controlled companies	Associates	Total
Assets					
Debt securities					
Available-for-sale assets – Equity instruments	**8.1.1.1**	10,400	-	-	10,400
Fixed-income securities	**8.1.1.2**	3,241	-	-	3,241
Cash and cash equivalents	**9**	62,843	-	-	62,843
Other receivables					
Other receivables	**8.1.1.2**	1,521	-	-	1,521
Other assets					
Accruals	**8.1.1.1, 8.1.1.2**	36	-	-	36
Total asset balances		**78,041**	**-**	**-**	**78,041**
Liabilities					
Due to group companies and associates	**13**	32,955	-	-	32,955
Total liability balances		**32,955**	**-**	**-**	**32,955**

16. Territorial distribution of the business

The Parent operates entirely in Spain and Portugal. With respect to Portugal, the Group was authorised to operate in the Assistance segment on 25 September 2017. As this line of activity was residual and immaterial in both 2020 and 2019, it has not been deemed relevant to break down the information by geographical area.

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

17. Tax position

The Boards of Directors of both Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros and its subsidiary, Línea Directa Asistencia S.L.U., agreed that the two companies would avail themselves of the special tax regime provided for in Chapter IX of Law 37/1992, on value added tax, effective 1 January 2010, thus joining VAT Group 128/09, whose parent company is Bankinter, S.A. In 2011, subsidiary company Centro Avanzado de Reparaciones, CAR, S.L.U. also joined the same VAT Group. Subsequently, the integration of subsidiary Ambar Medline, S.L.U. to the VAT Group, effective 1 January 2012, was formally notified. Lastly, LDA Reparaciones joined the tax group effective from 1 January 2018.

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

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

Law 27/2014 of 27 November, on income tax, sets, inter alia, the tax rate payable by the Group in 2020 and 2019 at 25%.

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

The reconciliation between accounting profit and taxable income for income tax purposes for 2020 and 2019 is as follows:

	2020		2019	
	Statement of profit or loss	**Income and expenses recognised directly in equity**	**Statement of profit or loss**	**Income and expenses recognised directly in equity**
Accounting profit/(loss) for the year	**134,821**	-	**107,316**	-
Income tax	44,769	-	35,549	-
Permanent differences:				
- Increases	3,458	-	2,385	-
- Reductions	-		-	
Taxable profit/(loss)	**183,048**	-	**145,250**	-
Temporary differences:				
Originating in the year				
- Increases	2,963	-	62,008	-
- Reductions	(6,964)	(9,624)	(7,112)	(30,145)
Originating in previous years				
- Increases	11	-	51	-
- Reductions	(59,631)	-	(82,688)	-
Tax losses carried forward	-	-	-	-
Tax base	**119,428**	**(9,624)**	**117,509**	**(30,145)**

Details of current and deferred income tax expense recognised in the consolidated statement of profit or loss for 2020 and 2019 are as follows:

	2020	**2019**
Current tax expense	29,012	28,614
Adjustments to deferred taxes	15,758	6,935
Corporate income tax expense	**44,769**	**35,549**

Income tax expense recognised in 2020 and 2019 was calculated on the basis of the taxable profit/(loss) shown in the above table, as follows:

	2020	**2019**
Accounting profit/(loss) before tax	**179,590**	**142,865**
Tax rate	**25%**	**25%**
Tax payable	44,897	35,716
Deductions on tax payable	(1,110)	(1,080)
Adjustment for settlement of previous year CIS	174	115
Non-deductible expenses	717	649
Non-taxable income	-	-
Deductions and amounts utilised, net	91	156
Tax losses carried forward	-	(7)
Corporate income tax expense	**44,769**	**35,549**

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

Contingent tax liabilities may exist due to possible differences in the interpretation of tax legislation applicable to the transactions. The Company's directors estimate these contingencies to amount to € 492 thousand, for which a provision has been recognised under "Provision for taxes and other legal contingencies" in the balance sheet.

Consolidated statement of profit or loss

The increases in permanent differences in 2020 arise from various transactions that are not deductible for income tax purposes, relating specifically to the contributions made by the Parent for contingencies under pension plans, which are not tax deductible in accordance with Article 14.2 of the Corporate Income Tax Law, and to the donations made by the Parent to Fundación Línea Directa and certain other entities.

The reductions originating in prior years relate mainly to the adjustment resulting from prior year reversals for the provision for claims calculated through the use of statistical methods, as set out in Additional Provision Three of the Regulation on the Organisation and Supervision of Private Insurance.

Income and expenses recognised directly in consolidated equity

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

Tax assets and liabilities

Tax assets and liabilities were as follows at 31 December 2020 and 2019:

	2020	2019
Tax assets		
Current tax		
Withholdings for the year	1,109	504
Corporate income tax – Tax Consolidation Group	14,388	-
Deferred tax		
Temporary differences	9,615	24,353
Tax liabilities		
Current tax		
Corporate income tax debt	-	(1,537)
Deferred tax		
Temporary differences	44,989	41,523

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

Tax assets due to temporary differences relate to temporary differences arising in the year and the tax effect on capital losses sustained on the "available-for-sale" investment portfolio of the Parent. Temporary differences existing at 31 December 2020 will be reversed from 2021 onwards, and deferred income tax is therefore calculated by applying a tax rate of 25% to the deductible temporary differences arising at the end of the year (increases) and the reversal of deductible temporary differences from the prior year (reductions).

At 31 December 2020 and 2019, deferred tax liabilities relate to the tax effect on:

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

1. The balance arising from the equalisation reserve at year-end of € 29,388 thousand (€ 27,647 thousand in 2019), which will be paid to the tax authorities in the year in which that provision is posted.

2. The tax impact of capital gains on the "available-for-sale" investment portfolio amounting to € 15,597 thousand (€ 13,869 thousand in 2019).

3. The tax impact of the carrying amount of certain assets acquired in 2012, 2011, 2010 and 2009, which are fully depreciated for tax purposes, in accordance with Additional Provision 11 of the Corporate Income Tax Law, amounting to € 4 thousand (€ 7 thousand in 2019).

The following table shows changes in deferred tax assets and liabilities in 2020.

		Originating in profit and loss		Originating in equity		
	Balance at 31.12,2019	**Additions**	**Retirements**	**Additions**	**Retirements**	**Balance at 31.12,2020**
Deferred assets						
Positive temporary differences in assets	16,590	887	(14,904)	-	-	2,573
Capital losses on available-for-sale assets	1,476	-	-	-	(678)	798
Taxes deferred	6,161	-	-	-	-	6,161
Rights to deductions and rebates	125	-	-	30	(74)	81
Total	**24,353**	**887**	**(14,904)**	**30**	**(752)**	**9,614**
Deferred liabilities						
Tax effect of the equalisation reserve	(27,647)	-	(1,741)	-	-	(29,388)
Capital gains on the portfolio of available-for-sale assets	(13,869)	-	-	-	(1,728)	(15,597)
Liabilities – temporary differences from tax deduction for maintaining jobs	(6)	-	3	-	-	(3)
Total	**(41,522)**	**-**	**(1,738)**	**-**	**(1,728)**	**(44,988)**

Inspections in progress

On 14 September 2016, the Parent was notified of the commencement of inspection proceedings by the Central Delegation of Large Taxpayers attached to the Spanish Tax Agency, for the verification and general investigation of the following taxes and periods:

- Corporate income tax for 2011 to 2013.
- Value added tax from July 2012 to December 2013.
- Withholdings/payments on account of investment income from July 2012 to December 2013.
- Withholdings/income on account of work/professional earnings from July 2012 to December 2013.
- Withholdings/income on account of property leases from July 2012 to December 2013.
- Non-resident withholding tax from July 2012 to December 2013.
- Annual statement of transactions for the years 2012 and 2013.
- Tax on insurance premiums from July 2012 to December 2013.

In relation to corporate income tax for 2011, 2012 and 2013, these inspection proceedings had been completed by 31 December 2020 and the final report signed in acceptance of the findings.

Those signed under protest have been appealed before the Central Tax Appeals Board (TEAC). In any event, this situation will not give rise to any contingency that has not already been considered and adequately provisioned for. For the other taxes subject to inspection, the findings have been verified and accepted.

Pursuant to Inspection Order 51/2016 of 14 November 2016, inspection proceedings were initiated in relation to the surcharges payable to the Insurance Compensation Consortium (CSS) in 2016. On 22 December 2017, the Parent was notified of the findings and the corresponding arguments were then lodged by the Company on 25 January. On 21 June 2018, a resolution was received from the Directorate General of Insurance and Pension Funds. On 27 May 2019, a lawsuit was filed with the High Court of Justice in Madrid.

Meanwhile, on 23 November 2016, the Parent received notification of inspection proceedings regarding market practices, with further information requested for 31 December 2015. On 27 March 2018, the Company was notified of the findings and the corresponding counter arguments were lodged by the Company on 27 April 2018. On 25 September 2018, a decision was received from the Directorate General of Insurance and Pension Funds and in December 2018 a document was received evidencing compliance with the requirements imposed by that regulatory body. Subsequently, the Company received notification of the closure of inspection proceedings on 30 December 2020, having fulfilled all requirements prescribed by the regulator.

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

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

Details of technical income and expenses for 2020 and 2019 are as follows for each of the main segments:

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

2020:

	Total	Motor, general liability insurance	Motor, other coverage	Home	Other insurance	Health
I.1.1. Direct insurance	898,614	348,179	406,477	120,654	1,478	21,826
I.1.3. Change in provision for outstanding premiums	1,024	186	634	117	115	(28)
I.2. Premiums from ceded reinsurance	(20,675)	(1,604)	(3,933)	(4,930)	(191)	(10,017)
I.3. Change in the provision for unearned premiums	(1,815)	2,655	11	(4,295)	604	(790)
I.3.1. Direct insurance	(1,815)	2,655	11	(4,295)	604	(790)
I.4. Change in the provision for unearned premiums on reinsurance	1,029	-	-	-	-	1,029
I. Total premiums earned, net of reinsurance	**878,177**	**349,416**	**403,189**	**111,546**	**2,006**	**12,020**
II.1. Income from investments in property, plant and equipment	4,121	1,667	1,881	509	9	55
II.2. Income from financial investments	35,550	19,451	11,386	2,943	35	1,735
II.3. Application of value adjustments for investments	23	15	8	-	-	-
II.3.2.Investments in property, plant and equipment	23	15	8	-	-	-
II.3.2.Financial investments	-	-	-	-	-	-
II.4. Gains/(losses) on realisation of investments	36,919	23,192	13,727	-	-	-
II.4.1.Investments in property, plant and equipment	1	-	1	-	-	-
II.4.2.Financial investments	36,918	23,192	13,726	-	-	-
II. Total investment income	**76,613**	**44,325**	**27,002**	**3,452**	**44**	**1,790**
III. Other technical income	-	-	-	-	-	-
IV.1. Claims paid	441,320	230,376	147,260	56,162	330	7,192
IV.1.1. Direct insurance	447,987	230,376	147,260	56,162	330	13,859
IV.1.3. Reinsurers' share	(6,667)	-	-	-	-	(6,667)
IV.2. Change in the provision for claims	(13,115)	(541)	(10,022)	(3,189)	4	633
IV.2.1. Direct insurance	(11,184)	(1,500)	(10,091)	(736)	(42)	1,185
IV.2.3. Reinsurers' share	(1,931)	959	69	(2,453)	46	(552)
IV.3. Claims-related expenses	112,771	36,373	62,803	10,705	3	2,887
IV. Total claims incurred in the period, net of reinsurance	**540,976**	**266,208**	**200,041**	**63,678**	**337**	**10,712**
B.V. Changes in technical provisions	-	-	-	-	-	-
B.VI. Profit sharing	**708**	-	-	-	**708**	-
VII.1. Acquisition expenses	186,136	64,485	74,180	35,420	192	11,859
VII.2. Administration expenses	26,414	7,569	12,419	5,453	80	893
VII.3. Reinsurance commissions and profit sharing	(3,832)	-	-	-	-	(3,832)
VII. Total net operating expenses	**208,718**	**72,054**	**86,599**	**40,873**	**272**	**8,920**
VIII. Change in equalisation provision	-	-	-	-	-	-
IX.1. Change in provision for insolvencies	-	-	-	-	-	-
IX.3. Change in provision for payments under claims settlement agreements	(23,593)	(24,805)	1,212	-	-	-
IX.4. Other technical expenses	5,456	1,843	3,024	311	-	278
IX. Other technical expenses	**(18,137)**	**(22,962)**	**4,236**	**311**	**-**	**278**
X.I. Investment management expenses	7,655	4,629	2,914	99	2	11
X.1.1.Expenses from managing investments in property, plant and equipment	2,668	1,496	1,060	99	2	11
X.1.2. Expenses from managing financial investments	4,987	3,133	1,854	-	-	-
X.2. Investment valuation adjustments	878	552	326	-	-	-
X.2.1. Depreciation of investments in property, plant and equipment	27	18	9	-	-	-
X.2.2. Impairment of investments in property, plant and equipment	851	534	317	-	-	-
X.2.3. From provisions for financial investments	-	-	-	-	-	-
X.3. Losses on investments	38,833	24,387	14,442	4	-	-
X.3.1. Losses on investments in property, plant and equipment	542	333	205	4	-	-
X.3.2. Losses on financial investments	38,291	24,054	14,237	-	-	-
X. Total investment expenses	**47,366**	**29,568**	**17,682**	**103**	**2**	**11**
Result of the non-life insurance technical account (I+II+III-IV-V-VI-VII-VIII-IX-X)	**175,159**	**48,873**	**121,633**	**10,033**	**731**	**(6,111)**

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

2019:

	Total	Motor, general liability insurance	Motor, other coverage	Home	Other insurance	Health
I.1.1. Direct insurance	891,295	355,625	405,533	111,357	3,036	15,744
I.1.3. Change in provision for outstanding premiums	(442)	(204)	(149)	(19)	(32)	(38)
I.2. Premiums from ceded reinsurance	(14,920)	(834)	(3,018)	(3,356)	(555)	(7,157)
I.3. Change in the provision for unearned premiums	(21,112)	(383)	(7,145)	(5,322)	596	(8,858)
I.3.1. Direct insurance	(21,112)	(383)	(7,145)	(5,322)	596	(8,858)
I.4. Change in the provision for unearned premiums on reinsurance	(59)	(1,116)	-	-	-	1,057
II. Total premiums earned, net of reinsurance	**854,762**	**353,088**	**395,221**	**102,660**	**3,045**	**748**
II.1. Income from investments in property, plant and equipment	4,206	1,761	1,935	491	15	4
II.2. Income from financial investments	31,676	16,981	10,283	3,106	111	1,195
II.3. Application of value adjustments for investments	1,180	732	448	-	-	-
II.3.2.Investments in property, plant and equipment	1,180	732	448	-	-	-
II.3.2.Financial investments	-	-	-	-	-	-
II.4. Gains/(losses) on realisation of investments	33,625	20,806	12,793	25	1	-
II.4.1.Investments in property, plant and equipment	212	88	98	25	1	-
II.4.2.Financial investments	33,413	20,718	12,695	-	-	-
II. Total investment income	**70,687**	**40,280**	**25,459**	**3,622**	**127**	**1,199**
III. Other technical income	-	-	-	-	-	-
IV.1. Claims paid	492,927	280,438	162,209	45,365	193	4,722
IV.1.1. Direct insurance	498,245	280,303	162,794	45,798	193	9,157
IV.1.3. Reinsurers' share	(5,318)	135	(585)	(433)	-	(4,435)
IV.2. Change in the provision for claims	**(23,401)**	**(22,961)**	**(1,000)**	**(284)**	**69**	**775**
IV.2.1. Direct insurance	(21,143)	(23,144)	(919)	1,326	51	1,543
IV.2.3. Reinsurers' share	(2,258)	183	(81)	(1,610)	18	(768)
IV.3. Claims-related expenses	112,344	33,090	68,808	8,056	31	2,359
IV. Total claims incurred in the period, net of reinsurance	**581,870**	**290,567**	**230,017**	**53,137**	**293**	**7,856**
B.V. Changes in technical provisions	-	-	-	-	-	-
B.VI. Profit sharing	**724**	-	-	-	**724**	-
VII.1. Acquisition expenses	179,726	63,587	70,794	32,363	887	12,095
VII.2. Administration expenses	23,178	6,615	10,895	4,846	48	774
VII.3. Reinsurance commissions and profit sharing	(3,784)	-	-	-	-	(3,784)
VII. Total net operating expenses	**199,120**	**70,202**	**81,689**	**37,209**	**935**	**9,085**
VIII. Change in equalisation provision	-	-	-	-	-	-
IX.1. Change in provision for insolvencies	-	-	-	-	-	-
IX.3. Change in provision for payments under claims settlement agreements	(34,019)	(38,465)	4,446	-	-	-
IX.4. Other technical expenses	3,501	1,277	2,104	(33)	-	153
IX. Other technical expenses	**(30,518)**	**(37,188)**	**6,550**	**(33)**	**-**	**153**
X.I. Investment management expenses	7,158	4,276	2,784	95	3	-
X.1.1.Expenses from managing investments in property, plant and equipment	2,278	1,250	930	95	3	-
X.1.2. Expenses from managing financial investments	4,880	3,026	1,854	-	-	-
X.2. Investment valuation adjustments	27	17	10	-	-	-
X.2.1. Depreciation of investments in property, plant and equipment	27	17	10	-	-	-
X.2.2. Impairment of investments in property, plant and equipment	-	-	-	-	-	-
X.2.3. From provisions for financial investments	-	-	-	-	-	-
X.3. Losses on investments	31,820	19,727	12,093	-	-	-
X.3.1. Losses on investments in property, plant and equipment	7	-	7	-	-	-
X.3.2. Losses on financial investments	31,813	19,727	12,086	-	-	-
X. Total investment expenses	**39,005**	**24,020**	**14,887**	**95**	**3**	**-**
Result of the non-life insurance technical account (I+II+III-IV-V-VI-VII-VIII-IX-X)	**135,248**	**45,767**	**87,537**	**15,874**	**1,217**	**(15,147)**

As a result of the COVID-19 crisis and the state of alarm imposed by the Spanish government, which confined the population to their homes from March to June, claims incurred dropped significantly in the Motor segment as fewer people were using their vehicle. Conversely, there was an increase in the number of claims incurred in the Home segment, again due to these measures, because policyholders were spending more time at home.

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

19. Non-life insurance technical result by year of occurrence

Technical results by year of occurrence for non-life segments for the years ended 31 December 2020 and 2019 are as follows:

2020:

		Motor	Home	Health
I.	**Premiums earned (Direct)**	**768,179**	**118,190**	**19,603**
	Premiums net of cancellations	764,693	122,369	21,914
	+/- Change in provisions for unearned premiums	2,666	(4,296)	(2,283)
	+/- Change in provisions for outstanding premiums	820	117	(28)
II.	**Premiums from ceded reinsurance**	**5,538**	**4,930**	**8,988**
	Premiums net of cancellations	5,538	4,930	10,017
	+/- Change in provisions for unearned premiums	-	-	(1,029)
	A. Total premiums earned, net of reinsurance (I-II)	**762,641**	**113,260**	**10,615**
III.	**Claims incurred (Direct)**	**504,469**	**66,373**	**18,332**
	Benefits and expenses paid for claims incurred during the year, including attributable claims-related expenses	503,585	66,382	18,205
	Technical provisions for claims incurred during the year	884	(9)	127
IV.	**Claims incurred from reinsurance (ceded)**	**9**	**1,751**	**7,419**
	Benefits and expenses paid on claims incurred during the year	9	1,751	7,356
	Technical provisions for claims incurred during the year	-	-	63
	B. Total net reinsurance claims incurred (III-IV)	**504,460**	**64,622**	**10,913**
V.	**Acquisition expenses**	**139,186**	**35,420**	**11,859**
VI.	**Administration expenses**	**19,988**	**5,453**	**893**
VII.	**Other technical expenses and income**	**(18,306)**	**311**	**278**
VIII.	**Commissions on ceded reinsurance**	**-**	**-**	**(3,832)**
IX.	**Technical financial income net of the same expenses**	**21,245**	**3,015**	**1,743**
	Profit/(loss)	**138,558**	**10,469**	**(7,753)**

2019:

		Motor	Home	Health
X.	**Premiums earned (Direct)**	**764,109**	**107,827**	**13,044**
	Premiums net of cancellations	771,990	113,168	15,825
	+/- Change in provisions for unearned premiums	(7,528)	(5,322)	(2,743)
	+/- Change in provisions for outstanding premiums	(353)	(19)	(38)
XI.	**Premiums from ceded reinsurance**	**4,966**	**3,356**	**6,101**
	Premiums net of cancellations	3,851	3,356	7,158
	+/- Change in provisions for unearned premiums	1,115	-	(1,057)
	A. Total premiums earned, net of reinsurance (I-II)	**759,143**	**104,471**	**6,943**
XII.	**Claims incurred (Direct)**	**604,420**	**57,377**	**13,471**
	Benefits and expenses paid for claims incurred during the year, including attributable claims-related expenses	606,467	57,108	13,213
	Technical provisions for claims incurred during the year	(2,047)	269	258
XIII.	**Claims incurred from reinsurance (ceded)**	**412**	**2,172**	**5,410**
	Benefits and expenses paid on claims incurred during the year	412	2,172	5,281
	Technical provisions for claims incurred during the year	-	-	129
	B. Total net reinsurance claims incurred (III-IV)	**604,008**	**55,205**	**8,061**
XIV.	**Acquisition expenses**	**134,891**	**32,363**	**12,095**
XV.	**Administration expenses**	**17,510**	**4,846**	**774**
XVI.	**Other technical expenses and income**	**(25,711)**	**(33)**	**153**
XVII.	**Commissions on ceded reinsurance**	**-**	**-**	**(3,784)**
XVIII.	**Technical financial income net of the same expenses**	**23,044**	**3,174**	**1,195**
	Profit/(loss)	**51,489**	**15,264**	**(9,161)**

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

In the Health segment, a provision of € 4,622 thousand was posted in 2020 to cover unexpired risks (€ 6,115 thousand in 2019) (see Note 10).

In the Other insurance segment, claims are settled at the time they occur and there are therefore no claims incurred from previous periods. As such, there is no difference between the technical account and the account by occurrence, meaning it is not necessary to post provisions for unexpired risks.

20. Remuneration and other benefits of the Board of Directors

Remuneration received by the directors and Senior Management of Group companies in 2020 amounted to € 82 thousand and € 4,337 thousand, respectively (€ 86 thousand and € 8,724 thousand, respectively, in 2019), broken down as follows:

2020:

	Fixed salary	Variable salary	Remuneration in kind	Per diems/allowances	Total
Senior Management	3,068	1,048	221	-	4,337
Directors	-	-	-	82	82
	3,068	**1,048**	**221**	**82**	**4,419**

2019:

	Fixed salary	Variable salary	Remuneration in kind	Per diems/allowances	Total
Senior Management	2,985	5,530	209	-	8,724
Directors	-	-	-	86	86
	2,985	**5,530**	**209**	**86**	**8,810**

The variable salary received in 2019 included, in addition to the annual variable salary, the payment under the 2016-2018 Three-Year Plan, which was delivered in cash in 2019.

The Parent also has a collective insurance policy in effect to formalise its retirement pension commitments with certain members of Senior Management. These defined contribution policies are also externalised and regular contributions are made for the different members of the eligible staff. In 2020, this policy accrued premiums of € 1,420 thousand and no policy surrenders took place during the period (premiums of € 1,031 thousand and no surrenders in 2019). The mathematical provision for Senior Management pensions amounted to € 10,299 thousand at 31 December 2020 (€ 8,287 thousand at 31 December 2019) and has been externalised (see Note 11).

The Parent has also arranged a defined contribution pension plan for members of Senior Management, in the form of a savings policy. This policy accrued premiums of € 111 thousand in 2020 and its mathematical provision at year-end came to € 489 thousand.

In 2020 and 2019, the Company paid € 13 thousand in civil liability insurance premiums for members of Senior Management and other executives with decision-making powers at the Parent.

21. Other expenses and other income

Other income and other expenses in the technical account of the consolidated statement of profit or loss for 2020 and 2019 is as follows:

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

	2020	2019
Other technical expenses		
Change in provision for payments under settlement agreements (Note 12)	(5,794)	260
Change in certain recoveries due to settlement agreements	4,851	(616)
Payments and recoveries under claim settlement agreements	(22,650)	(33,663)
Expenses recognised at destination	5,456	3,501
	(18,137)	**(30,518)**

The breakdown of other income and other expenses in the consolidated non-technical statements of profit or loss is as follows:

	2020	2019
Other non-technical expenses		
Costs of sending documentation to customers	929	903
Costs of distributing policies of other insurers	472	229
Reclassified non-technical expenses	4,918	5,762
	6,319	**6,894**
Other non-technical income		
Intermediation income from credit cards and other insurers' policies	655	1,565
Commission payment for Insurance Compensation Consortium	563	537
Income from bank branch management	858	1,008
Income from management expenses passed on	928	3,088
Income from profit sharing in businesses delivered to Bankinter	1,291	1,015
Reclassified non-technical income	6,455	7,298
	10,750	**14,511**

The amount of "reclassified non-technical income" pertains to the income of subsidiaries obtained from third parties outside the Group (roadside assistance services, vehicle inspections and repairs). "Reclassified non-technical expenses" shows the expenses associated with this income.

22. Other information

a) Guarantees with third parties

Guarantees provided to third parties amounted to € 2,204 thousand at 31 December 2020, mainly in the form of guarantees for investments in advertising (€ 2,338 thousand at 31 December 2019), and € 494 thousand in the form of court guarantees and deposits due on legal claims (€ 1,637 thousand at 31 December 2019). The Group had likewise posted € 97 thousand as security for office leases at 31 December 2020 (31 December 2019: € 97 thousand), which expire annually.

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

b) Staff expenses and average number of employees

The breakdown of staff expenses in 2020 and 2019 is as follows:

	2020	2019
Wages and salaries	87,952	85,864
Termination benefits	872	1,757
Social security contributions and others	28,490	26,043
	117,314	**113,664**

The average number of employees at Group companies in 2020 and 2019, broken down by professional category, is as follows:

	2020			2019		
	Total	**Women**	**Men**	**Total**	**Women**	**Men**
Managers	54	26	28	55	26	29
Middle managers	168	80	88	160	74	86
Senior sales reps/technicians	237	123	114	242	130	112
Sales reps/technicians	678	338	340	657	322	335
Staff	1,371	855	516	1,285	806	479
Total	**2,508**	**1,422**	**1,086**	**2,399**	**1,358**	**1,041**

Meanwhile, the distribution by gender of the employees and directors of Group companies, broken down by category and gender, was as follows at 31 December 2020 and 2019:

	2020			2019		
	Total	**Women**	**Men**	**Total**	**Women**	**Men**
Directors	9	1	8	9	1	8
Managers	46	24	22	55	26	29
Middle managers	155	72	83	160	75	85
Senior sales reps/technicians	219	107	112	241	129	112
Sales reps/technicians	766	407	359	660	325	335
Staff	1,375	856	519	1,337	826	511
Total	**2,570**	**1,467**	**1,103**	**2,462**	**1,382**	**1,080**

The average number of employees with a degree of disability greater than or equal to 33% is 40 (38 employees in 2019).

c) Audit fees

The fees payable to PricewaterhouseCoopers Auditores, S.L. in 2020 for audit services and limited reviews provided to Group companies amounted to € 560 thousand, excluding expenses and VAT (€ 132 thousand in 2019), of which € 428 thousand related to the audit of the special purpose consolidated financial statements for financial years 2018, 2019 and 2020 for the purposes of their inclusion in the prospectus for admission to trading of the shares of Línea Directa S. A. de Seguros y Reaseguros, as required by the International Financial Reporting Standards adopted by the European Union. PricewaterhouseCoopers Auditores, S.L. also reviewed the separate solvency and financial condition report for 2019 required by the regulatory body, for which its fees amounted to € 62 thousand, excluding expenses and VAT.

d) Financial structure

At 31 December 2020 and 2019, the Parent was the head of the Línea Directa Aseguradora Group, whose subsidiaries are listed in Note 1 to these consolidated financial statements.

In turn, Línea Directa Aseguradora S.A., Compañía de Seguros y Reaseguros belongs to the Bankinter Group and is fully consolidated.

On 17 February 2014, the Línea Directa Foundation was set up through a non-refundable contribution of € 30 thousand to the founding endowment. The Foundation strives to improve road safety by preventing and reducing road accidents, promoting responsible behaviour at the wheel, fostering education in road safety, getting involved in post-accident prevention, intervention and care activities for victims, while also carrying out whatever other actions may be conducive to the best achievement of its goals.

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

The Group companies did not make any investment in, or incur any expenses from environmental protection activities in either 2020 or 2019.

The Parent's directors consider that no significant contingencies exist when it comes to the environmental protection and improvement and did not consider it necessary to post any provision for environmental risks and expenses at 31 December 2020 and 2019.

No amount was allocated to those items, nor was there any changes in expenses or provisions in 2020 and 2019, and nor were any forward contracts signed or grants received in relation to greenhouse gas emission allowances.

f) Information on conflicts of interest affecting directors and their related persons

At the end of 2020 and 2019, none of the Parent's directors, nor any person related to them within the meaning of Article 229 of the Capital Companies Law (*Ley de Sociedades de Capital*), notified the other directors of any conflict they may have, either directly or indirectly, with the Company's own interests.

g) Customer Service Department

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

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

In 2020, a total of 7,717 incidents were handled (7,663 incidents in 2019), 665 (8.62%) of which qualified as complaints (1,265 (16.51%) complaints in 2019) and 7,052 (91.38%) as claims (6,398 (83.49%) claims in 2019). Of the total, 28.75% related to Policy quoting and management and 61.32% to Accident management, while the remaining 9.93% related mainly to the Roadside assistance service and the share price (2019: 32.27%, 58.27% and 9.46%, respectively).

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

Main issues raised by customers:

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

Of the total complaints and claims received in 2020, 30.92% of decisions were delivered in favour of the claimant (33.76% in 2019).

Meanwhile, a total of 1,045 cases were heard by the Consumer Ombudsman in 2020 (491 cases in 2019).

h) Operating leases

The Group's operating lease receivables were as follows in 2020 and 2019:

	2020	**2019**
Within one year	4,093	4,177
Between 1 and 5 years	9,323	13,612
Beyond 5 years	-	-
	13,416	**17,789**

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

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

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

Reinsurance policy

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

On 1 September 2017, the Parent entered into a quota share reinsurance contract for the health insurance business, which expires on 31 December 2025 and comes with a two-year renewal option. This agreement includes the assignment of 50% of the majority of the policies of the business covered.

The contract also includes a table of fixed and variable reinsurance commissions for the Parent. The variable commission is calculated on the basis of the premiums ceded over the term of the agreement and changes in claims incurred (loss ratio) over the last three years. There is also a further variable commission based on the premium written over the first five years of the agreement. These commissions are subject to a maximum limit.

It also envisions profit sharing at the Parent based on whether positive technical results are obtained.

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

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

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

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

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

Premium sub-risk

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

The Technical Committee takes operational decisions that affect prices and risk underwriting terms for the products offered by Línea Directa Aseguradora, ensuring that they are consistent with the strategy and objectives established by the Board of Directors. To do so, it considers the proposals presented by the Technical Department, also taking into account data on the position of the business and the outlook provided by the different business areas.

Reserve sub-risk

To estimate the liabilities from insurance contracts, in auto insurance, the Company uses statistical methods based on the “chain ladder” methodology. Annually, it performs a comparison with the “average cost” method to ensure reasonableness.

Notes to the consolidated financial statements for the year ended 31 December 2020 (in thousand euro)

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

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

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

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

2. Performance of monthly and quarterly forecasts of claim costs

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

Concentrations of insurance risk

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

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

	2020				
	Total	Risks – Motor	Multi-risks – Home	Risks – Other insurance	Risks – Health
Premiums written	898,614	754,656	120,654	1,478	21,826
Premiums ceded	(20,675)	(5,537)	(4,930)	(191)	(10,017)

	2019				
	Total	Risks – Motor	Multi-risks – Home	Risks – Other insurance	Risks – Health
Premiums written	891,295	761,158	111,357	3,036	15,744
Premiums ceded	(14,920)	(3,852)	(3,356)	(555)	(7,157)

24. Events after the reporting period

No significant events have occurred after the end of 2020 and up to the date of authorisation for issue of these annual accounts.

Business performance

The year 2020 was marked by the COVID-19 health crisis. The crisis was declared a pandemic by the WHO and its rapid spread, together with the measures aimed at containing and mitigating its effects, led to a widespread interruption of economic activity, which has had various impacts on the business. On 14 March 2020, the Spanish government decreed a State of Alarm, with the effect of limiting people's mobility until June. Soon after, we witnessed a number of border closures between municipalities and autonomous regions, which have continued to restrict mobility.

The Parent has analysed the possible impacts that these events around the globe may have in terms of both operating results and solvency. The Parent continued to operate and serve its customers as normal, thanks to the effective and efficient roll-out of its contingency plans within four days of the authorities declaring the state of alarm.

This extraordinary situation has led to lower commercial capacity in the production of new business, although this has been mitigated by improved retention in the customer portfolio. However, the potential negative effects on the company's short-term revenues have been more than offset by the reduction of costs from claims incurred.

Despite the prevailing crisis environment affecting all sectors of the Spanish economy, the Group reported net reinsurance premiums of € 878 million in 2020, up 2.7% on the previous year.

The number of customers gained 3.3% on 2019 to reach 3.2 million.

Earnings on the non-life insurance technical account of the Parent reveal a profit of € 157.11 million, up 33.69% on the profit reported in 2019. Claimed incurred, net of reinsurance came to 63.23% in 2020, versus 69.77% in 2019.

Premium turnover for the Home segment, which has been operating for 13 years now, totalled € 120.6 million in 2020, marking an increase of 8.47% on the previous year. The Other insurance segment contributed € 0.7 million to the result of the technical account in 2020. In September 2017, Línea Directa Aseguradora launched the Vivaz brand to operate in the health insurance sector. The Health segment generated premium income of € 21.8 million.

The average rate of return on fixed-income securities was 2.34%, while the return on the equity portfolio was 0.74%.

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

Outlook for 2021

Uncertainty over how the COVID-19 pandemic will pan out will remain present throughout 2021. The current climate should begin to normalise as we move through the year, leading to a stabilisation of business indicators. Therefore, COVID-19 will continue to impact our business performance in 2021, especially in the early stages of the year.

As for premium performance, a year of moderate growth is expected in the Motor segment, with certain pressure on average premiums and sales volumes due to the situation described above and the resulting macro landscape. In the Home insurance segment, more significant growth is expected in terms of volumes, with less pressure on average premiums. The Health segment will continue to grow and we hope to maintain the same levels of growth as in previous years.

With regard to claims incurred (loss ratio), the first part of the year in the Motor segment is expected to be affected by the pandemic, which should keep the ratio in check. In the latter stages of the year, we could see similar ratios to those reported in previous years. In the Home segment, the weather will continue to be the factor shaping the loss ratio. Financial year 2019 was one such year in which this factor had a strong influence and a similar year is now expected. In health, we do not expect to see any major changes in the loss ratio.

With regard to average costs, we will continue to focus on efforts on efficiency in 2021.

The Company’s overhead expenses will under close control when compared with 2020, and we do not expect to see significant increases with the exception of technology-related expenses.

When it comes to financial investments, we will continue to operate within a near-zero interest rate environment. Therefore, our aim will be to maintain the levels reported a year earlier.

The Group will continue to focus on improving technical infrastructure, particularly information systems, while focusing on the need to promote the use of the Internet as a sales channel and ensuring the continuous improvement of risk selection processes and pricing policies in order to become more efficient.

The Annual General Meeting of Bankinter S.A. held on 19 March 2020 resolved to distribute in kind the entire share premium (amounting to € 1,184 million) by delivering 82.6% of the share capital of Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros to its shareholders, with the bank retaining a non-controlling financial stake of 17.4% in the Company.

Following the approval of the Annual General Meeting, the requisite regulatory clearance was requested. Once this is obtained, the Company’s share premium will be apportioned accordingly and its shares will be admitted to trading on the continuous market. This is expected to take place in the first half of 2021.

Information on deferred payments to suppliers

The Group settles payments to suppliers before the legal deadlines (30 days) and in certain specific cases as per the conditions explicitly agreed upon with the suppliers, without in any case exceeding 60 days. The average payment period to suppliers is 24.27 days.

Transactions with treasury shares

The Group does not engage in treasury share transactions.

Use of derivative financial instruments

At 31 December 2020, the Company had two Interest Rate Swaps (IRSs) in effect to hedge against interest rate rises over an initial period of 15 years (13 years at 31 December 2019). It has been confirmed that the hedge complies strictly with the effectiveness criteria for this type of financial instrument.

These investments adhere strictly to the Investment Policy approved by the Board of Directors. Compliance with the Investment Framework is regularly checked by the Group’s Internal Control Area.

Events after the reporting date

No material event has taken place since the end of the 2020 financial year.

Research and development

The Group continued to engage in research and development activities in 2020, involving the development of advanced IT applications applied to motor insurance management.

Claims and Consumer Ombudsman

In accordance with Order ECO/734/2004 of 11 March, the Línea Directa Customer Service Department and the Consumer Ombudsman have drawn up reports to explain their activities and performance in 2020. These reports are summarised below:

a) Complaints and claims – 2020

In 2020, a total of 7,717 incidents were handled (7,663 incidents in 2019), 665 (8.62%) of which qualified as complaints (1,265 (16.51%) complaints in 2019) and 7,052 (91.38%) as claims (6,398 (83.49%) claims in 2019). Of the total, 28.75% related to Policy quoting and management and 61.32% to Accident management, while the remaining 9.93% related mainly to the Roadside assistance service and the share price (2019: 32.27%, 58.27% and 9.46%, respectively).

Main issues raised by customers:

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

Of the total complaints and claims received in 2020, 30.92% of decisions were delivered in favour of the claimant (33.76% in 2019).

b) Consumer Ombudsman:

In 2020, a total of 1,045 cases were heard by the Consumer Ombudsman (491 cases in 2019). A decision was handed down against the insured claimants in 76% of these cases, which relate to the following main grievances:

- application/interpretation of insurance coverage; and
- valuation/compensation of claims.

The percentage of decisions delivered in favour of the policyholders was slightly down on the previous year, as 24.30% of decisions went with the policyholder in 2020, while in 2019 they were 31.61%.

In his report, the Consumer Ombudsman calls for prompter handling of claims so that, between LINEA DIRECTA and the Consumer Ombudsman, they can be resolved ahead of the maximum deadlines prescribed by applicable law and regulations on consumer affairs, pursuant to Royal Legislative Decree 1/2007, of 16 November. He also suggests that LINEA DIRECTA itself monitor and verify its compliance with the decisions handed down in favour of the policyholder.

Other non-financial information

The Group is exempt from disclosing the non-financial information set out in Law 11/2018, of 28 December, as this information is included in a separate report, namely the Statement of Consolidated Non-

Financial Information – 2020 of the Bankinter Group, of which the Línea Directa Aseguradora Group falls within the scope of consolidation.

AUTHORISATION FOR ISSUE BY THE BOARD OF DIRECTORS

The Board of Directors of LÍNEA DIRECTA ASEGURADORA, S.A. COMPAÑÍA DE SEGUROS Y REASEGUROS drew up the 2020 consolidated financial statements and consolidated management report of the LINEA DIRECTA ASEGURADORA GROUP at a meeting held on 18 February 2021, said meeting held in writing without the physical attendance of Board members, pursuant to Article 253 of the Spanish Companies Law (*Ley de Sociedades de Capital*) and Article 37 of the Code of Commerce (*Código de Comercio*). The statements and report are set out in this document, comprising ___ sheets of stamped paper, numbered ___________to , both inclusive.

Alfonso Botín-Sanz de Sautuola y Naveda
Chairman

María Dolores Dancausa Treviño
Director

Pedro Guerrero Guerrero
Director

Rafael Mateu de Ros Cerezo
Director

Antonio Muñoz Calzada
Director

Gonzalo de la Hoz Lizcano
Director

Alfonso Sáez Alonso-Muñumer
Director

Miguel Ángel Merino González
Director

John de Zulueta Greenebaum
Director

Statement to confirm that the above signatures correspond to those of all the members of the Board of Directors of the Parent, LINEA DIRECTA ASEGURADORA, S.A. COMPAÑÍA DE SEGUROS Y REASEGUROS, all of whom, at the meeting held by the Board of Directors on 18 February 2021, drew up and signed the consolidated financial statements and consolidated management report of the LINEA DIRECTA ASEGURADORA GROUP for the 2020 financial year, in accordance with Article 253 of the Spanish Companies Law.

Pablo González-Schwitters Grimaldo
Secretary to the Board of Directors