

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

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

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

Balance sheet at 31 December 2020 and 2019

(in thousand euro)

ASSETS	Notes	2020	2019 (*)
A.1 Cash and cash equivalents	Notes 8 and 9	141,646	118,690
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	891,533	809,818
I. Equity instruments		109,673	101,319
II. Debt securities		781,860	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	124,461	129,865
I. Debt securities		-	-
II. Loans		26,033	28,507
1. Advance payments on policies		-	-
2. Loans to group companies and associates	Notes 8 and 15	26,033	28,507
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		38,929	45,987
1. Tax and social security receivable		1,118	1,205
2. Other receivables		37,811	44,782
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	43,407	45,725
I. Property, plant and equipment		41,456	43,768
II. Investment property		1,951	1,957
A.10 Intangible assets	Note 6	12,562	11,582
I. Goodwill		-	-
II. Economic rights arising from policy portfolios acquired from intermediaries		-	-
III. Other intangible assets		12,562	11,582
A.11 Holdings in group companies and associates	Notes 8 and 15	60,064	59,902
I. Holdings in associates		-	-
II. Holdings in jointly controlled companies		-	-
III. Holdings in group companies		60,064	59,902
A.12 Tax assets	Note 17	19,926	24,733
I. Current tax assets		10,424	504
II. Deferred tax assets		9,502	24,229
A.13 Other assets	Note 7	92,569	94,919
I. Assets and reimbursement rights on long-term staff remuneration		-	-
II. Prepaid fees and other acquisition expenses		83,055	84,469
III. Accrued income	Notes 7 and 8	9,514	10,450
IV. Other assets		-	-
A.14 Assets held for sale		-	-
TOTAL ASSETS		1,398,645	1,304,751

(*) Presented for comparison purposes only.

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

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

Balance sheet at 31 December 2020 and 2019

(in thousand euro)

	Notes	2020	2019 (*)
LIABILITIES			
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	162,101	190,152
I. Subordinated liabilities		-	-
II. Deposits received from ceded reinsurance		-	-
III. Due on direct insurance business	Note 8	2,921	4,569
1. Due to policyholders		1,893	2,435
2. Due to agents, brokers and intermediaries		1,028	2,134
3. Conditional claims		-	-
IV. Due on reinsurance business	Note 8	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:	Note 13	158,199	183,999
1. Taxes and social security payable		13,719	13,363
2. Due to group companies and associates		1,262	29,628
3. Other debts		143,218	141,008
A.4 Hedging derivatives	Note 8	15,167	13,584
A.5 Technical provisions	Note 10	722,586	732,785
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		271,541	283,555
V. Provision for profit sharing and premium refunds		-	-
VI. Other technical provisions		-	-
A.6 Non-technical provisions		16,849	22,733
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	273
A.7 Tax liabilities	Note 17	44,989	47,877
I. Current tax liabilities		-	6,354
II. Deferred tax liabilities		44,989	41,523
A.8 Other liabilities		1,154	1,710
I. Accruals		477	644
II. Liabilities due to accounting mismatches		-	-
III. Commissions and other acquisition expenses on ceded reinsurance		-	-
IV. Other liabilities		677	1,066
A.9 Liabilities associated with assets held for sale		-	-
TOTAL LIABILITIES		962,846	1,008,841
B. EQUITY			
B.1 Equity	Note 14	391,402	258,731
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		228,183	206,378
1. Legal and bylaw reserves		9,046	9,046
2. Equalisation reserve		107,582	100,619
3. Other reserves		111,555	96,713
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		132,671	115,001
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		435,799	295,910
TOTAL LIABILITIES AND EQUITY		1,398,645	1,304,751

(*) Presented for comparison purposes only.

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

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

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	Note 8.1.1.2	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	73,173	67,168
a) Income from investment property		116	117
b) Income from financial investments		36,116	32,244
c) Application of impairment adjustments for property, plant and equipment, and investments			
c.1) Property, plant and equipment and investment property		23	1,180
c.2) Financial investments	Note 8.1.2	-	213
d) Gains on realisation of property, plant and equipment and investments			
d.1) Property, plant and equipment and investment property		-	-
d.2) Financial investments		36,918	33,414
I.3 Other technical income		-	-
I.4 Claims incurred, net of reinsurance		555,292	596,364
a) Claims and other expenses paid			
a.1) Direct insurance		518,663	574,944
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	(12,015)	(21,312)
b.2) Accepted reinsurance		-	-
b.3) Reinsurers' share	Note 10	(1,931)	(2,258)
c) Claims-related expenses		57,242	50,308
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		708	724
b) Change in the provision for profit sharing and premium refunds		-	-
I.7 Net operating expenses		209,239	199,630
a) Acquisition expenses		186,657	180,236
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		47,134	38,211
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	1,884	1,490
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		28	28
b.2) Impairment of property, plant and equipment and investment property	Note 5	851	-
b.3) Impairment of financial investments		585	-
c) Losses on property, plant and equipment and investments			
c.1) Property, plant and equipment and investment property		508	-
c.2) Financial investments	Note 5	38,291	31,813
Profit/(loss) from the non-life technical account		157,114	117,519

(*) Presented for comparison purposes only.

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

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

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

		2020	2019 (*)
III.	NON-TECHNICAL ACCOUNT:		
III.	Profit/(loss) on the non-life technical account	157,114	117,519
III.1	Income from property, plant and equipment and from investments	12,000	22,000
a)	Income from investment property	-	-
b)	Income from financial investments	12,000	22,000
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	5,211	7,464
a)	Income from pension fund management activity		
b)	Other income	5,211	7,464
III.4	Other expenses	1,401	1,132
a)	Expenses from pension fund management activity		
b)	Other expenses	1,401	1,132
III.5	Subtotal (Profit/(loss) on the non-technical account)	15,810	28,332
III.6	Profit/(loss) before tax	172,924	145,851
III.7	Income tax	40,253	30,380
III.8	Profit/(loss) for the year	132,671	115,001

(*) Presented for comparison purposes only.

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

Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros
Statement of changes in equity for the years 2020 and 2019
(in thousand euro)

a) Statement of recognised income and expense

STATEMENT OF RECOGNISED INCOME AND EXPENSE	2020	2019 (*)
I) PROFIT OR LOSS FOR THE PERIOD	132,671	115,001
II) OTHER RECOGNISED INCOME AND EXPENSE	7,217	22,609
II.1. Available-for-sale financial assets	9,623	30,145
Gains/(losses) on valuation adjustments	7,981	31,828
Amounts transferred to the statement of profit or loss	1,642	(1,683)
Other reclassifications	-	-
II.2. Cash flow hedges	-	-
Gains/(losses) on valuation adjustments	-	-
Amounts transferred to the 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 statement of profit or loss	-	-
Other reclassifications	-	-
II.4. Foreign exchange and conversion differences	-	-
Gains/(losses) on valuation adjustments	-	-
Amounts transferred to the statement of profit or loss	-	-
Other reclassifications	-	-
II.5. Correction of accounting mismatches	-	-
Gains/(losses) on valuation adjustments	-	-
Amounts transferred to the statement of profit or loss	-	-
Other reclassifications	-	-
II.6. Assets held for sale	-	-
Gains/(losses) on valuation adjustments	-	-
Amounts transferred to the 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) TOTAL RECOGNISED INCOME AND EXPENSE	139,888	137,610

(*) Presented for comparison purposes only.

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

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

Statement of changes in equity for the years 2020 and 2019

(in thousand euro)

b) Statement of changes in total equity

	Subscribed capital	Reserves	Profit/(loss) for the year	Interim dividend and interim equalisation reserve	Valuation adjustments	Total
E. BALANCE AT END OF 2018 (*)	37,512	198,272	102,589	(101,595)	14,570	251,348
D. ADJUSTED BALANCE AT BEGINNING OF 2019 (*)	37,512	198,272	102,589	(101,595)	14,570	251,348
I. Total recognised income/(expense)	-	-	115,001	-	22,609	137,610
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	-	8,106	(102,589)	94,483	-	-
1. Payments based on equity instruments	-	-	-	-	-	-
2. Transfers between equity items	-	994	(102,589)	101,595	-	-
3. Other changes	-	7,112	-	(7,112)	-	-
E. BALANCE AT END OF 2019 (*)	37,512	206,378	115,001	(100,160)	37,179	295,910
D. ADJUSTED BALANCE AT BEGINNING OF 2020	37,512	206,378	115,001	(100,160)	37,179	295,910
I. Total recognised income/(expense)	-	-	132,671	-	7,218	139,889
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	-	21,805	(115,001)	93,196	-	-
1. Payments based on equity instruments	-	-	-	-	-	-
2. Transfers between equity items	-	14,841	(115,001)	100,160	-	-
3. Other changes	-	6,964	-	(6,964)	-	-
E. BALANCE AT END OF 2020	37,512	228,183	132,671	(6,964)	44,397	435,799

(*) Presented for comparison purposes only.

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

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	551,081	607,796
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	20,715	23,662
7. Other proceeds from operating activities	115,003	107,210
8. Other payments for operating activities	246,936	312,837
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	837,088	956,206
A.2 Other operating activities		
3. Proceeds from other operating activities	25,339	30,947
4. Payments for other operating activities	117,518	13,442
5. Total proceeds from other operating activities (1+3) = III	25,339	30,947
6. Total payments for other operating activities (2+4) = IV	117,518	13,442
7. Income tax collected/(paid) (V)	25,980	27,244
A.3 Total net cash flows from operating activities (I-II+III-IV + - V)	91,760	62,648
B) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
B.1) Proceeds from investing activities		
1. Property, plant and equipment	13,066	4,364
2. Investment property	145	146
3. Intangible assets	890	4,115
4. Financial instruments	203,161	244,060
5. Holdings in group, jointly controlled and associate companies	-	-
6. Interest received	22,163	23,967
7. Dividends collected	13,745	24,491
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	253,170	301,142
B.2) Payments for investing activities		
1. Property, plant and equipment	15,458	11,027
2. Investment property	51	205
3. Intangible assets	6,484	13,400
4. Financial instruments	270,904	244,060
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	293,361	269,494
B.3) Total net cash flows from investing activities (VI - VII)	(40,191)	31,649
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)	22,956	(9,445)
Cash and cash equivalents at beginning of year	118,690	128,135
Cash and cash equivalents at end of year	141,646	118,690
Components of cash and cash equivalents at end of year		
1. Cash and banks	141,646	118,690
Total cash and cash equivalents at end of year (1 + 2 - 3)	141,646	118,690

(*) Presented for comparison purposes only.

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

Notes to the financial statements for the year ended

31 December 2020 (in thousand euro)

1. Overview of the Company and its activities

The Company 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 Company” or “Línea Directa”).

The Company engages in insurance and reinsurance activities in the motor, home, other insurance 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 medical assistance line of the wider healthcare segment. Línea Directa began marketing and selling health insurance in October 2017.

Its registered office is located at calle Isaac Newton, 7, in the municipality of Tres Cantos (Madrid). The Company 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 Company 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 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 global events relating to COVID-19 may have in terms of both operating results and solvency. On the operational front, the Company 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.

2. Basis of preparation of the annual accounts

a) Regulatory financial reporting framework applicable to the Company

These annual accounts have been drawn up by the directors in accordance with the regulatory financial reporting framework applicable to the Company, 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.

Notes to the financial statements for the year ended

31 December 2020 (in thousand euro)

- 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.
- All other applicable Spanish accounting regulations.

b) True and fair view

The accompanying annual accounts have been prepared from the Company’s accounting records and are presented in accordance with the applicable financial reporting framework, especially the accounting principles and criteria contained therein, to provide a true and fair view of the Company’s equity, financial position, operating results and cash flows for the year. These annual accounts, which were authorised for issue by the Company’s directors at the meeting held on 18 February 2021, will be submitted for approval by shareholders at their Annual General Meeting and are expected to be approved without any changes made. The Group’s financial statements for 2019 were approved at the Annual General Meeting held on 18 March 2020.

As the Company is the parent of the Línea Directa Aseguradora Group, the Company’s Board of Directors has also drawn up, together with these annual accounts, the consolidated annual accounts for 2020 of the Línea Directa Aseguradora Group. The effect of applying consolidation criteria in relation to the accompanying separate annual accounts for that year is an increase in assets and equity of € 34,850 thousand and € 31,365 thousand at year-end 2020 and an increase in earnings for 2020 of € 2,150 thousand.

The subsidiaries at which the Company holds a direct interest and that are included in the scope of consolidation are as follows:

Subsidiaries (see Note 8.1.1.3)	Registered office	Activity	Stake
Línea Directa Asistencia, S.L.U.	Ochandiano 12, 28023, Madrid	Vehicle inspections and roadside assistance	100%
Moto Club LDA, S.L.U.	Isaac Newton 7, 28760, Tres Cantos	Sundry services related to motorcycles	100%
Centro Avanzado de Reparaciones CAR, S.L.U.	Avenida del Sol, 9, 28850, Torrejón de Ardoz	Provision of vehicle repair services	100%
Ambar Medline, S.L.U.	Ronda de Europa 7, 28760, Tres Cantos	Insurance brokerage	100%
LDActivos, S.L.U.	Ronda de Europa 7, 28760, Madrid	Asset management on behalf of insurance companies	100%
LDA Reparaciones, S.L.U.	Ronda de Europa 7, 28760, Tres Cantos	Claims management, claims- related repair work and other specialised household services	100%

Investments in subsidiaries are recognised at cost of acquisition or issue, less any accumulated impairment losses.

c) Critical aspects regarding the valuation and estimation of uncertainty

When drawing up the annual accounts, the Company’s directors must make certain forward-looking estimates and judgements that are continuously assessed and based on past experience and other

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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 statements of profit or loss.

The main estimates made by the Company'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 Company's directors, there are no contingencies that might result in any further significant liabilities for the Company.

Impairment of assets

The Company analyses annually whether there are any indications of impairment on its assets, which are tested for impairment if and when any such indications exist.

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 Company 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 Company 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 Company's directors request the price of the instrument from the depositary entity and the Company 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 Company 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 Company 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

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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

The Company's annual accounts have been drawn up in accordance with the generally accepted accounting principles set out in Royal Decree 1317/2008 of 24 July and subsequent amendments, which enacted the Accounting Plan for Insurance Companies.

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

e) Comparison of information

The figures for 2019 included in these Notes are presented for comparison purposes only.

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f) Grouping of items

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

g) Error correction

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

i) Income and expense recognition criteria

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

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3. Distribution of earnings

The proposed distribution of earnings for 2020, which the Company's Board of Directors will lay before the General Shareholders' Meeting for approval, is as follows:

	Thousand euro	
	2020	2019
Distribution basis (Profit)	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 annual accounts are described below:

a) Intangible assets

Intangible assets are recognised at acquisition cost 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.

b) Property, plant and equipment and investment property

This heading also shows property owned by the Company for its own use or for investment.

Land, natural assets and buildings that are held to obtain income, capital gains or both qualify as real estate investments. 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.

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

Property, plant and equipment and investment property	Rate
Furniture and installations	4 – 12%
IT equipment	20 - 25%
Other property, plant and equipment	12 - 15%
Buildings	2%

At year-end, the relevant valuation adjustments are made to property, plant and equipment, if any. 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.

c) 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 for each product and/or segment and the maturity of the policies.

d) Financial instruments

d.1) Financial assets

Note 8 to these 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 Company's normal cash management policy.

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

Loans and receivables

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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 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 Company. The amount is recognised at nominal value.

Holdings in group companies and associates

The Company uses this category to show investments in the equity of group, jointly controlled and associate companies, as such terms are defined under current law and regulations.

They are initially measured at cost, which is equivalent to the fair value of the consideration delivered plus transaction costs. The initial measurement includes the amount of any pre-emptive subscription rights that may have been acquired.

Fees paid to legal advisors or other professionals in relation to the acquisition of investments in the assets of group companies that confer control over those companies are charged directly to the statement of profit or loss.

Following the initial measurement, they are measured at cost less any accumulated impairment losses. However, when there is an investment prior to its classification as a group, jointly controlled or associate company, the cost of the investment is treated as its carrying amount before acquiring that classification. Valuation adjustments previously recognised directly in equity remain there until they are derecognised.

If there is objective evidence that the carrying amount is not recoverable, the appropriate valuation adjustments are made for the difference between the carrying amount and the

**Notes to the financial statements for the year ended
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recoverable amount, the latter being the higher of fair value less costs to sell and the present value of the cash flows 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. The value adjustment and, as the case may be, its reversal are recorded in the statement of profit or loss for the year in which they occur. 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.

Available-for-sale financial assets

The Company uses 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 equity until the asset is sold or impaired, whereupon the cumulative gains and losses in equity are taken to the 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 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 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 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 Company determines fair value by reference to other substantially similar instruments and estimated future cash flow discounting

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methods. The Company may use these models directly or the counterparty who acted as seller may do so.

Financial assets are derecognised 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 income is recognised as income in the 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.

d.2) Financial liabilities

Debt and accounts payable

The Company 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 Company 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.

e) 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.

Fair value hedges

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.

Interest rate hedges

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%).

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f) 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 statement of profit or loss. However, the tax effect related to items that are recorded directly in equity is recognised in 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 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 Company is 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.

g) 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.

**Notes to the financial statements for the year ended
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– 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 Company recognises this provision for an amount that enables it to cover the cost of the claims; i.e. an amount sufficient to cover all external expenses, including late-payment interest and any penalties provided for at law, and internal expenses in managing and processing claims, irrespective of their origin, occurring up until the full settlement and payment of the claims, less any 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.

Provisions for claims are calculated for each separate insurance segment.

On 18 January 2008, the Company was authorised by the Directorate-General for Insurance and Pension Funds to apply a statistical approach in 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 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 equity and is not available for distribution. Each year the Company 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 posts the reserve by charging the relevant amount to earnings for the year. Once this distribution of earnings has been approved at the General Shareholders' Meeting, the amount is taken to equity. This reserve can only be used to offset deviations in the loss ratio for retained insurance activities. If the Company reports losses in the year, it reports the amount of the equalisation reserve, which, together with the debit balance shown in the statement of profit or loss for the year, shows the amount of the final earnings to be included under "Prior year losses".

h) 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 for each modality or segment.

i) Termination benefits

In accordance with current legislation, the Company is 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

**Notes to the financial statements for the year ended
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the relevant decision is reached and a valid expectation is created vis-à-vis third parties regarding the dismissal.

j) Employee benefits

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

The Company'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 Company, rather by a separate legal entity that is not a related party, as they are only available to pay or finance employee remuneration and cannot return to the Company, 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.

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Defined contributions

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

The Company 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 Company 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.

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k) 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.

l) 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 personnel dedication for each of the purposes.

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m) Related-party transactions

As a general rule, transactions between the Company 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.

n) 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 Company'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 Company 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.

o) 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 Company'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 Company 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.

**Notes to the financial statements for the year ended
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p) 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 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.

q) Foreign currency transactions

The Company'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 balance sheet date. The profit or loss for the year is taken to the 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.

r) 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.

s) 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 Company's own shares are acquired, the consideration paid, including any directly attributable incremental costs, is deducted from 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 equity.

5. Property, plant and equipment and investment property

a) Property, plant and equipment

Details of property, plant and equipment on the accompanying balance sheets for 2020 and 2019 and changes during both periods 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 31.12.19	14,143	20,039	14,338	22,972	5,618	8,900	86,010
Additions	-	231	239	1,377	61	507	2,415
Retirements	-	-	-	(2,572)	(841)	-	(3,413)

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Notes to the financial statements for the year ended

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Transfers	2,822	3,147	2,297	-	634	(8,900)	-
Cost at 31.12.20	16,965	23,417	16,874	21,777	5,472	507	85,012
Accumulated depreciation at 31.12.19	-	(5,896)	(11,328)	(20,436)	(3,319)	-	(40,979)
Additions	-	(468)	(984)	(1,609)	(307)	-	(3,368)
Retirements	-	-	-	2,905	-	-	2,905
Accumulated depreciation at 31.12.20	-	(6,364)	(12,312)	(19,137)	(3,626)	-	(41,442)
Impairment allowances at 31.12.19	(1,263)	-	-	-	-	-	(1,263)
Application (allowance) in the period	(851)	-	-	-	-	-	(851)
Impairment allowances at 31.12.20	(2,114)	-	-	-	-	-	(2,114)
Carrying amount at 31.12.2020	14,851	17,053	4,562	2,637	1,846	507	41,456

	Land	Buildings	Plant	IT equipment	Furniture and other property, plant and equipment	Assets in course of construction	Total property, plant and equipment
Cost at 31.12.18	14,143	20,039	14,337	21,462	5,587	3,601	79,169
Additions	-	-	1	1,510	31	5,299	6,841
Retirements	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Cost at 31.12.19	14,143	20,039	14,338	22,972	5,618	8,900	86,010
Accumulated depreciation at 31.12.18	-	(5,495)	(10,553)	(18,707)	(3,040)	-	(37,795)
Additions	-	(401)	(775)	(1,729)	(279)	-	(3,184)
Retirements	-	-	-	-	-	-	-
Accumulated depreciation at 31.12.19	-	(5,896)	(11,328)	(20,436)	(3,319)	-	(40,979)
Impairment allowances at 31.12.18	(2,266)	-	-	-	-	-	(2,266)
Application (allowance) in the period	1,003	-	-	-	-	-	1,003
Impairment allowances at 31.12.19	(1,263)	-	-	-	-	-	(1,263)
Carrying amount at 31.12.2019	12,880	14,143	3,010	2,536	2,299	8,900	43,768

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

The Company did not derecognise any items of property, plant and equipment in 2020 or 2019. Negative valuation adjustments of € 851 thousand were recognised in 2020 (€ 1,003 thousand of positive valuation adjustments 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	8,656	8,020
IT equipment	16,357	15,913
Furniture and other property, plant and equipment	2,391	2,161
	27,404	26,094

The Company has taken out insurance policies with third parties to cover risks that could affect its property, plant and equipment. The coverage provided under these policies is considered sufficient.

There is no property, plant and equipment subject to guarantees or reversion events. The depreciation rates used are described in Note 4.b of these notes to the financial statements.

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

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

Description	2020				
	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)	6,200	(68)	(105)	6,027	6,026
	40,382	(6,364)	(2,114)	31,904	39,913

Description	2019				
	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
	34,182	(5,895)	(1,264)	27,023	35,292

The valuations of the properties owned by the Company 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

This item corresponds to the net cost of a property that the Company leases from another Group company, namely Centro Avanzado de Reparaciones, CAR. S.L.U. The Company has operated its business out of this property since December 2011.

The following table shows changes in this heading in 2020 and 2019.

	Land	Buildings	Total investment property
Cost at 31.12.19	940	1,407	2,347
Additions	-	-	-
Retirements	-	-	-
Cost at 31.12.20	940	1,407	2,347
Accumulated amortisation at 31.12.19	-	(230)	(230)
Additions	-	(29)	(29)
Retirements	-	-	-
Accumulated amortisation at 31.12.20	-	(259)	(259)
Impairment allowances at 31.12.19	(160)	-	(160)
Allowance in the period	-	-	-
Amounts utilised in the period	23	-	23
Impairment allowances at 31.12.20	(137)	-	(137)
Carrying amount at 31.12.2020	803	1,148	1,951

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

	Land	Buildings	Total investment property
Cost at 31.12.18	940	1,407	2,347
Additions	-	-	-
Retirements	-	-	-
Cost at 31.12.19	940	1,407	2,347
Accumulated depreciation at 31.12.18	-	(202)	(202)
Additions	-	(28)	(28)
Retirements	-	-	-
Accumulated depreciation at 31.12.19	-	(230)	(230)
Impairment allowances at 31.12.18	(337)	-	(337)
Allowance in the period	-	-	-
Amounts utilised in the period	177	-	177
Impairment allowances at 31.12.19	(160)	-	(160)
Carrying amount at 31.12.2019	780	1,177	1,957

Details of fair value at 31 December 2020 and 2019 are as follows:

2020					
Description	Cost value	Accumulated depreciation	Impairment	Net carrying amount	Market value
Land and buildings at Avda. El Sol, 9 (Torrejón de Ardoz)	2,347	(259)	(137)	1,951	1,951
	2,347	(259)	(137)	1,951	1,951

2019					
Description	Cost value	Accumulated depreciation	Impairment	Net carrying amount	Market value
Land and buildings at Avda. El Sol, 9 (Torrejón de Ardoz)	2,347	(230)	(160)	1,957	1,957
	2,347	(230)	(160)	1,957	1,957

The rent paid to subsidiary company Centro Avanzado de Reparaciones CAR, S.L.U. for the lease of this property amounted to € 99 thousand in 2020 (€ 99 thousand in 2019), as recognised under “Income from investment property” in the technical statement of profit or loss.

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:

Thousand euro	Software	Assets in course of construction	Total intangible assets
Cost at 31.12.19	92,449	102	92,551
Additions	5,591	4	5,595
Retirements	(3,805)	-	(3,805)
Cost at 31.12.20	94,235	106	94,341
Accumulated amortisation at 31.12.19	(80,969)	-	(80,969)
Additions	(813)	-	(813)
Retirements	3	-	3
Accumulated amortisation at 31.12.20	(81,779)	-	(81,779)
Accumulated impairment losses	-	-	-
Carrying amount at 31.12.2020	12,456	106	12,562

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Notes to the financial statements for the year ended
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Thousand euro	Software	Assets in course of construction	Total intangible assets
Cost at 31.12.18	84,105	-	84,105
Additions	9,183	102	9,285
Retirements	(839)	-	(839)
Cost at 31.12.19	92,449	102	92,551
Accumulated amortisation at 31.12.18	(76,853)	-	(76,853)
Additions	(4,744)	-	(4,744)
Retirements	628	-	628
Accumulated amortisation at 31.12.19	(80,969)	-	(80,969)
Accumulated impairment losses	-	-	-
Carrying amount at 31.12.2019	11,480	102	11,582

Fully amortised intangible assets at 31 December 2020 and 2019 amounted to € 72,792 thousand and € 71,363 thousand, respectively. At 31 December 2020 and 2019, there were no intangible assets subject to guarantees or reversion events.

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	9,514	10,450
	92,569	94,919

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 € 9,360 thousand (€ 9,311 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 prepaid services that will accrue in 2020, for a total of € 149 thousand (€ 1,136 thousand in 2019).

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

8. Financial instruments

8.1 Information on the relevance of financial instruments to the Company's equity and earnings

8.1.1 Information related to the balance sheet

Financial assets and liabilities fell into the following categories at the end of 2020 and 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:	-	109,667	6	-	60,064	169,737
- Financial investments in capital	-	44,348	6	-	60,064	104,418
- Units/interests in mutual funds	-	65,319	-	-	-	65,319
- Units/interests in private equity funds	-	-	-	-	-	-
- Other equity instruments	-	-	-	-	-	-
Debt securities:	-	781,860	-	-	-	781,860
- Fixed-income securities	-	781,860	-	-	-	781,860
- Other debt securities	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
Loans:	-	-	-	26,033	-	26,033
- Loans and advances on policies	-	-	-	-	-	-
- Loans to group companies	-	-	-	26,033	-	26,033
- 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:	-	-	-	38,929	-	38,929
- Tax and social security receivable	-	-	-	1,118	-	1,118
- Other receivables	-	-	-	37,811	-	37,811
Other financial assets	-	-	-	-	-	-
Cash	141,646	-	-	-	-	141,646
Balance at 31 December 2020	141,646	891,527	6	124,461	60,064	1,217,704

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Notes to the financial statements for the year ended

31 December 2020 (in thousand euro)

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:	-	101,313	6	-	59,902	161,221
- Financial investments in capital	-	43,884	6	-	59,902	103,792
- Units/interests in mutual funds	-	57,429	-	-	-	57,429
- Units/interests in private equity funds	-	-	-	-	-	-
- Other equity instruments	-	-	-	-	-	-
Debt securities:	-	708,499	-	-	-	708,499
- Fixed-income securities	-	708,499	-	-	-	708,499
- Other debt securities	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
Loans:	-	-	-	28,507	-	28,507
- Loans and advances on policies	-	-	-	-	-	-
- Loans to group companies	-	-	-	28,507	-	28,507
- 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:	-	-	-	45,987	-	45,987
- Tax and social security receivable	-	-	-	1,205	-	1,205
- Other receivables	-	-	-	44,782	-	44,782
Other financial assets	-	-	-	-	-	-
Cash	118,690	-	-	-	-	118,690
Balance at 31 December 2019	118,690	809,812	6	129,865	59,902	1,118,275

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

Financial liabilities	Debt and accounts payable		Hedging derivatives	
	2020	2019	2020	2019
Due on direct insurance business	2,921	4,569	-	-
- Due to policyholders	1,893	2,435	-	-
- Due to agents, brokers and intermediaries	1,028	2,134	-	-
- Conditional claims	-	-	-	-
Due on reinsurance business:	981	1,584	-	-
Other debts	158,199	183,999	-	-
- Tax and social security payable	13,719	13,363	-	-
- Due to group companies and associates (Notes 5, 13 and 15)	1,262	29,628	-	-
- Other payables (Note 13)	143,218	141,008	-	-
Hedging derivatives	-	-	15,167	13,584
Total	162,101	190,152	15,167	13,584

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

	Financial assets						
	2021	2022	2023	2024	2025	Subsequent periods	Total
Investments in group companies and associates	8,918	363	363	363	15,663	3,679	29,349
- Loans to group companies (Note 15)	8,918	363	363	363	15,663	363	26,033
- Debt securities (Note 15)	-	-	-	-	-	3,316	3,316
Other financial investments:	94,968	36,059	117,151	52,320	45,845	432,201	778,544
- Debt securities	94,968	36,059	117,151	52,320	45,845	432,201	778,544
- Deposits with credit institutions	-	-	-	-	-	-	-
31 December 2020	103,886	36,422	117,514	52,683	61,508	435,880	807,893

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

	Financial assets						Subsequent periods	Total
	2020	2021	2022	2023	2024			
Investments in group companies and associates	8,525	137	137	137	19,434	3,378		31,748
- Loans to group companies (Note 15)	8,525	137	137	137	19,434	137		28,507
- Debt securities (Note 15)	-	-	-	-	-	3,241		3,241
Other financial investments:	62,505	77,710	37,566	110,650	36,788	380,039		705,258
- Debt securities	62,505	77,710	37,566	110,650	36,788	380,039		705,460
- Deposits with credit institutions	-	-	-	-	-	-		-
31 December 2019	71,030	77,847	37,703	110,787	56,222	383,417		737,006

Debts included under financial liabilities at 31 December 2020 and 2019 mature in 2021 and 2020, respectively.

8.1.1.1 Available-for-sale financial assets

At the end of 2020 and 2019, this heading showed € 44,354 thousand and € 4,380 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.

The total investment in equities included the sum of € 10,000 thousand at 31 December 2020 (€ 10,400 thousand in 2019) in two listed real estate investment trusts in which a Bankinter Group financial institution holds a stake.

It also includes € 781,860 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).

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 € 9,360 thousand at 31 December 2020 (€ 9,311 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).

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

8.1.1.2 Loans and receivables

a) Loans to group companies and associates

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

	2020	2019
Loans to companies		
Loan to LDActivos, S.L.U.	15,300	19,300
Loan to Centro Avanzado de Reparaciones, CAR, S.L.U.	2,181	820
Loans to LD Asistencia, S.L.U.	7,486	7,304
Loans to LDActivos, S.L.U.	1,145	1,149
Créditos Ámbar Medline, S.L.U.	11	(80)
Loans to Moto Club LDA, S.L.U.	11	13
Loans to Centro Avanzado de Reparaciones, CAR, S.L.U.	(198)	(28)
Loans to LDA Reparaciones, S.L.U.	97	29
Balance at 31 December	26,033	28,507

In July 2014, the Company granted its subsidiary LDActivos, S.L.U. a loan of € 19,300 thousand for the acquisition in cash of a property the latter company intended to lease out as part of its corporate purpose. In November 2020, € 4,000 thousand of this loan was repaid, leaving the outstanding principal at € 15,300 thousand, bearing interest at 3% per annum, payable monthly and with a maximum repayment period of 10 years, with the lender having the option to demand early acceleration of the loan. The Company's directors consider that this loan will be repaid in full before the contract expires, as the Company, as sole shareholder, had undertaken to provide its subsidiary with all the liquidity needed to repay the loan.

In 2020, the interest income on this loan amounted to € 567 thousand (€ 579 thousand in 2019), as recognised under "Income from property, plant and equipment and investments – Income from investment property" in the accompanying non-life insurance technical account. All such interest had been collected at 31 December 2020.

The loan granted to Centro Avanzado de Reparaciones CAR, S.L.U. is a participation loan signed on 21 July 2011, with a principal of € 1,232 thousand. On 19 April 2018, an agreement was signed to extend this loan by a further € 600 thousand. The loan was then ended for a further € 1,560 thousand in May 2020. A total balance of € 2,181 thousand remained outstanding at 31 December 2020, subject to the same 10-year term with interest consisting of a fixed component (Euribor + 1 percentage point) and a variable component (8% of pre-tax profits obtained by the borrower, payable from when there is no impairment). A fixed amount of € 363 in principal will be repaid at the end of each year.

Changes in the balances of this loan in 2020 and 2019 are as follows:

	2020	2019
Balance at the beginning of the year	820	956
Additions	1,560	-
Repayments	(199)	(137)
Balance at the end of the year	2,181	820

At 31 December 2020 there was a total of € 5 thousand in outstanding accrued interest (€ 2 thousand at 31 December 2019).

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Notes to the financial statements for the year ended

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The loans to LD Asistencia, S.L.U., LDActivos, S.L.U., Ámbar Medline, S.L.U., Moto Club LDA, S.L.U., Centro Avanzado de Reparaciones CAR, S.L.U. and LDA Reparaciones, S.L.U. relate to the balances payable by these companies to Tax Consolidation Group 485/15, of which Línea Directa Aseguradora is the Parent (see Note 17). These amounts do not accrue interest and will be settled after final settlement of corporate income tax for the Tax Consolidation Group.

b) Deposits with credit institutions

This heading of the accompanying balance sheet at 31 December 2020 and 2019 was as follows, including the net value of the deposits:

Deposits with credit institutions		
	2020	2019
Balance at the beginning of the year	-	5,000
Additions	-	-
Retirements	-	(5,000)
Balance at the end of the year	-	-
Market value	-	-

At 31 December 2020 and 2019, no amount was recognised for deposits with credit institutions. In 2019, a fixed-term deposit of € 5,000 thousand, held at Banco Sabadell, S.A., matured and accrued interest at a rate of 0.1%. Accrued and unmatured interest at 31 December 2019 amounted to € 4 thousand, as recognised under “Other assets – Accrued income” on the assets side of the accompanying balance sheet.

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

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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 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
Quota share reinsurance	5,086	-	4,175	-
	5,086	981	4,175	1,584

e) Other receivables

	2020	2019
Tax and social security receivable	1,118	1,205
Bonds and deposits	17	17
Receivables from recoveries and claims	34,955	40,357
Receivables under claim settlement agreements	1,661	2,379
Sundry receivables	278	585
Receivable from group companies and associates (Note 15)	900	1,444
	38,929	45,987

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 € 34,955 thousand was recognised in 2020 (€ 40,357 thousand in 2019), notably down on the previous year following a reduction in claims incurred due to the COVID-19 pandemic (see note 18).

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8.1.1.3 Holdings in group companies and associates

At 31 December 2020 and 2019, the Company owned 100% of the share capital of its subsidiaries. This heading of the accompanying balance sheets at 31 December 2020 and 2019, including the relevant carrying amounts, breaks down as follows:

At 31 December 2020					
Subsidiary	Carrying amount of the holding	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 on holdings in related parties	(1,144)	-	-	-	-
Total	59,317	58,570	18,621	13,565	12,000

At 31 December 2019					
Subsidiary	Carrying amount of the holding	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 on holdings in related parties	(559)	-	-	-	-
Total	59,902	58,570	16,305	14,529	22,000

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).

Aside from Bankinter, S.A., none of the Group companies in which the Company holds a stake is listed on the stock market. A provision for impairment of the investment held in Centro Avanzado de Reparaciones CAR, S.L.U. was recognised at 31 December 2020 for a total of € 1,144 thousand (€ 559 thousand at 31 December 2019). Changes in the provision were as follows:

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	2020	2019
Balance at the beginning of the year	559	772
Allowances	585	-
Amounts utilised	-	(213)
Balance at the end of the year	1,144	559

In 2020, subsidiary company Línea Directa Asistencia, S.L.U. paid a dividend of € 12,000 thousand charged to its unrestricted reserves (€ 22,000 thousand in 2019, also charged to its unrestricted reserves). These dividends are recorded under the heading “Income from property, plant and equipment and investments – Income from financial property” in the accompanying non-technical account.

8.1.1.4 Hedging derivatives

The Company has included two swaps under this category (three swaps at 31 December 2019), with a value of € 15,167 thousand at 31 December 2020 (three swaps with a value of € 13,584 thousand at 31 December 2019).

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						
Item	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 recorded under “Hedging derivatives” on the liabilities side of the balance sheet (€ 13,584 thousand at 31 December 2019), corresponding to

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31 December 2020 (in thousand euro)

two swaps. The Company 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 Company 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.

8.1.2 Information relating to the statement of profit or loss and equity

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

Investment income	Cash and cash equivalents	Loans and receivables	Available-for-sale assets	Property, plant and equipment and investment property	Group companies and associates	Total
Interest on fixed-income securities	-	-	28,759	-	-	28,759
Income on equity instruments	-	-	1,494	-	-	1,494
Interest on loans with group companies (Note 15)	-	576	-	-	-	576
Interest on current accounts	1	-	-	-	-	1
Interest on bank deposits	-	512	-	-	-	512
Effect of change in investment value	-	-	-	23	-	23
Income from premium instalments	-	4,537	-	-	-	4,537
Income from investment in property, plant and equipment	-	-	-	116	-	116
Income from investments in group companies (note 15)	-	-	-	-	12,000	12,000
Gains on realisation of investments	-	-	36,918	1	-	36,919
Positive exchange differences	-	-	236	-	-	236
Balance at 31 December 2020	1	5,625	67,407	140	12,000	85,173

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Expenses from property, plant and equipment and investments	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	-	28	-	-	28
Provision for investment impairment	-	851	-	585	1,436
Long-term discounting of interest and dividends	-	-	-	-	-
Negative exchange difference	-	-	-	-	-
Investment management expenses and other	4,987	508	-	1,884	7,379
Balance at 31 December 2020	43,278	1,387	-	2,469	47,134

Investment income	Cash and cash equivalents	Loans and receivables	Available-for-sale assets	Property, plant and equipment and investment property	Group companies and associates	Total
Interest on fixed-income securities	-	-	24,377	-	-	24,377
Income on equity instruments	-	-	2,233	-	-	2,233
Interest on loans with group companies (Note 15)	-	584	-	-	-	584
Interest on current accounts	27	-	-	-	-	27
Interest on bank deposits	-	457	-	-	-	457
Effect of change in investment value	-	-	-	-	213	213
Income from premium instalments	-	4,314	-	-	-	4,314
Income from investment in property, plant and equipment	-	-	-	117	-	117
Income from investments in group companies (note 15)	-	-	-	-	22,000	22,000
Gains on realisation of investments	-	-	33,413	1,180	-	34,593
Positive exchange differences	-	-	253	-	-	253
Balance at 31 December 2019	27	5,355	60,276	1,297	22,213	89,168

Expenses from property, plant and equipment and investments	Available-for-sale assets	Property, plant and equipment and investment property	Non-current dividends payable	Other	Total
Investment costs					
Fixed income valuation	31,813	-	-	-	31,813
Depreciation of investment property	-	28	-	-	28
Provision for investment impairment	-	-	-	-	-
Long-term discounting of interest and dividends	-	-	-	-	-
Negative exchange difference	-	-	-	-	-
Investment management expenses and other	4,880	-	-	1,490	6,370
Balance at 31 December 2019	36,693	28	-	1,490	38,211

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**Notes to the financial statements for the year ended
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At 31 December 2020 and 2019, the balance of “Income from investments in property, plant and equipment” in the above table included € 99 thousand in income from the lease arranged with group company Centro Avanzado de Reparaciones CAR, S.L.U. (see Note 15).

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 Company 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 Company’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 Company 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.

The rating of debt securities classified as “available for sale” was as follows at the end of 2020 and 2019:

RATING – “Available for sale” portfolio	2020	2019
AAA	3,057	1,778
AA	7,329	3,760
A	337,933	293,511
BBB	376,997	350,345
BB	20,451	20,585
B	5,886	700
N/R	30,207	37,820
Total	781,860	708,499

Liquidity risk

The Company 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 Company generates daily liquidity from premium income.

The Company manages liquidity risk prudently. The Company is firmly committed 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 Company’s liquidity position to be determined and monitored on an ongoing basis.

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Currency risk

At 31 December 2020, the Company 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 cash and cash equivalents at credit institutions, cheques and cash on hand at 31 December 2020 and 2019 is as follows:

	2020	2019
Cash at credit institutions (Note 8.1.1)	140,154	118,690
Cash on hand (Note 8.1.1)	1	-
Financial instruments maturing within 3 months	1,491	-
	141,646	118,690

Of the total balance of cash at banks at 31 December 2020 and 2019, a total of € 53,606 thousand and € 37,009 thousand, respectively, was held at Bankinter, S.A. (see Note 15).

At 31 December 2020 and 2019 a current account had been pledged to a reinsurer for a total of € 2,100 thousand to secure compliance with 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 balance sheets.

	Provision for unearned premiums	Provision for claims (*)	Provision for unexpired risks
Direct insurance			
Balance at 31 December 2019	443,115	283,555	6,115
Allowances	446,423	271,541	4,622
Amounts utilised	(443,115)	(283,555)	(6,115)
Balance at 31 December 2020	446,423	271,541	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	-

	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	283,555	6,115

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Amounts utilised	(428,118)	(304,868)	-
Balance at 31 December 2019	443,115	283,555	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	-

(*) At the end of 2020 and 2019, this provision included € 6,620 thousand and € 7,065 thousand, respectively, as the provision for outstanding other insurance claims, a service provided by Línea Directa Asistencia, S.L.U. (see Note 15).

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).

The change in 2020 in the Company'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 Company's provision for claims without insurance 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.

11. Pension commitments

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

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Under the terms of the collective bargaining agreement for the industry, the Company 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 € 447 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 machete policy and therefore the Company does not recognise any provision 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 thousand at 31 December 2019). In 2020, there were policy surrenders totalling € 3,357 thousand due to mobilisation between 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 Company 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 Company 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

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13. Debt and accounts payable

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

	2020	2019
Due on direct insurance business	2,921	4,569
Due to policyholders	1,893	2,435
Due to agents, brokers and intermediaries	1,028	2,134
Conditional claims	-	-
Due on reinsurance business (Note 8.1.1.2)	981	1,584
Other debts:	13,719	13,363
Personal income tax withholdings payable	1,900	1,785
VAT payable	374	320
Social security payable	2,535	2,447
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)	1,262	29,628
Other debts	143,218	141,008
On goods delivered and services rendered	20,733	15,800
On securities lending	115,730	119,637
Outstanding remuneration	6,755	5,571
	162,101	190,152

At 31 December 2020 and 2019, the account “Due to agents, brokers and intermediaries” in the above table included € 35 thousand and € 393 thousand payable to Ámbar Medline, S.L.U., respectively (see Note 15).

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

The following table provides a breakdown of this item:

	2020	2019
Dividend payable	-	28,344
Trade payables to group companies	1,238	1,260
Deposit with Centro Avanzado de Reparaciones, CAR, S.L.U.	24	24
Total	1,262	29,628

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

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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.

	Days – 2020	Days – 2019
Average supplier payment period	21.45	24.72
Ratio of transactions paid	22.06	26.47
Ratio of transactions outstanding	20.47	36.38
	Amount (thousand euro)	Amount (thousand euro)
Total payments made	253,749	265,583
Total payments outstanding	3,666	7,547

(*) 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.

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 annual accounts), and the denominator is the total amount of payments pending.

14. Equity

Changes in the Company’s equity in 2020 and 2019 are shown in the accompanying statements of changes in total equity.

At 31 December 2020 and 2019, 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 the transferability of the shares and they are not listed on the stock exchange.

At 31 December 2020 and 2019, the Company’s shareholders were as follows:

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

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

	Number of shares
Bankinter, S.A.	2,399,999
Hispamarket, S.A.	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 Company 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 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).

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 Parent amounting to € 747 thousand at 31 December 2020.

c) 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 (€ 7,112 thousand in 2019), which will be charged to profit for the year (see Note 3).

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

	Equalisation reserve	Tax effect	Interim equalisation reserve
Balance at 31 December 2019	110,588	9,970	(7,113)

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

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

Allowances	6,964	-	(6,964)
Amounts utilised	-	-	7,113
Balance at 31 December 2020	117,552	9,970	(6,964)

	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 Company’s Board of Directors has resolved not to distribute interim dividends out of the profit for the year.

d) Valuation adjustments

The main item recognised off the 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).

e) Solvency

At the date of authorisation for issue of these annual accounts, the Company’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 Company 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 it may be exposed in the short and long run.

The 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 the Company’s operations. The directors have yet to draw up the solvency and financial condition report for 2020. The 2019 report was approved by the Board of Directors at its meeting of 14 April 2020.

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

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

15. Related party transactions

The following transactions were carried out with related parties:

a) Direct insurance operations

Direct insurance	Premiums	Commissions	Claims
Subsidiaries of the Company			
Línea Directa Asistencia, S.L.U.	-	-	73,230
Centro Avanzado de Reparaciones CAR, S.L.U.	-	-	8,399
Ambar Medline, S.L.U.	-	312	-
LDA Reparaciones, S.L.U.	-	-	2,498
Parent of the Company			
Bankinter, S.A.	398	5,355	-
Bankinter S.A., Sucursal en Portugal	44	-	-
Bankinter Consumer Finance, S.L.U.	847	-	-
Total at 31 December 2020	1,289	5,667	84,127

Direct insurance	Premiums	Commissions	Claims
Subsidiaries of the Company			
Línea Directa Asistencia, S.L.U.	-	-	78,192
Centro Avanzado de Reparaciones CAR, S.L.U.	-	-	9,268
Ambar Medline, S.L.U.	-	4,259	-
LDA Reparaciones, S.L.U.	-	-	1,813
Parent of the Company			
Bankinter, S.A.	273	5,192	-
Bankinter S.A., Sucursal en Portugal	32	3	-
Bankinter Consumer Finance, S.L.U.	1,018	-	-
Total at 31 December 2019	1,323	9,454	89,273

Claims-related transactions mainly relate to vehicle inspection services arranged with subsidiary company Línea Directa Asistencia, S.L.U., as well as roadside assistance and vehicle repair services by Centro Avanzado de Reparaciones CAR, S.L.U., a company that is also wholly owned by the Company.

Commission-based transactions accrue on the sale of Company policies through Bankinter, S.A., Bankinter S.A., Sucursal en Portugal and Ámbar Medline, S.L.U, the Company's exclusive agent.

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

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

b) Transactions due to services rendered and received

Services rendered and received	Expenses		Income	
	Services received	Interest and financial services	Services rendered	Finance income and leases
Subsidiaries of the Company				
Línea Directa Asistencia, S.L.U.	2,472	-	99	12,000
Moto Club LDA, S.L.U.	-	-	18	2
Centro Avanzado de Reparaciones CAR, S.L.U.	147	-	1	108
LDA Reparaciones, S.L.U.	-	-	1	-
Ambar Medline, S.L.U.	-	-	24	-
LDActivos, S.L.U.	-	-	16	568
Parent of the Company				
Bankinter, S.A.	1,059	285	-	408
Bankinter Consumer Finance, S.L.U.	464	-	2,826	-
Bankinter, S.A. Sucursal en Portugal	14	-	-	-
Total at 31 December 2020	4,156	285	2,985	13,086

Services rendered and received	Expenses		Income	
	Services received	Interest and financial services	Services rendered	Finance income and leases
Subsidiaries of the Company				
Línea Directa Asistencia, S.L.U.	3,107	-	136	22,000
Moto Club LDA, S.L.U.	-	-	15	2
Centro Avanzado de Reparaciones CAR, S.L.U.	28	-	-	104
LDActivos, S.L.U.	-	-	16	580
Parent of the Company				
Bankinter, S.A.	857	341	-	469
Bankinter Consumer Finance, S.L.U.	673	-	3,770	-
Bankinter, S.A. Sucursal en Portugal	13	-	-	-
Total at 31 December 2019	4,678	341	3,937	23,155

Transactions on services received from the subsidiary Línea Directa Asistencia, S.L.U. mainly relate to vehicle inspection services carried out prior to the arrangement of policies with policyholders, while financial income relates entirely to dividends charged to reserves distributed by this company (see Note 8.1.1.3).

Finance income from subsidiary company Línea Directa Asistencia, S.L.U. mainly relates to the dividend charged to reserves paid out by the company (see Note 8.1.1.3).

Financial income received from LDActivos, S.L.U. is a product of the loan granted to that subsidiary by the Company, as described in Note 8.1.2) to these financial statements.

In addition, and as indicated in Note 14 c), 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.

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

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

c) Balance sheet accounts with related parties

The following table shows balances with related parties at 31 December 2020 and 2019.

	Notes	Group companies	Jointly controlled companies	Associates	Total
Assets					
Equity instruments					
Holdings in group companies	8.1.1.3	60,064	-	-	60,064
Available-for-sale assets – Equity instruments	8.1.1.1	10,000	-	-	10,000
Debt securities					
Fixed-income securities	8.1.1.1	3,316	-	-	3,316
Loans	8.1.1.2	26,033	-	-	26,033
Cash and cash equivalents	9	53,606	-	-	53,606
Other receivables					
Other receivables	8.1.1.2	900	-	-	900
Other assets					
Accruals	8.1.1.1 and 8.1.1.2	39	-	-	39
At 31 December 2020		153,958	-	-	153,958
Liabilities					
Due to agents, brokers and intermediaries	13	35	-	-	35
Dividend outstanding	13 and 14	-	-	-	-
Due to group companies and associates	13	1,262	-	-	1,262
Provision for claims	10	6,620	-	-	6,620
At 31 December 2020		7,917	-	-	7,917

	Notes	Group companies	Jointly controlled companies	Associates	Total
Assets					
Equity instruments					
Holdings in group companies	8.1.1.3	59,902	-	-	59,902
Available-for-sale assets – Equity instruments	8.1.1.1	10,400	-	-	10,400
Debt securities					
Fixed-income securities	8.1.1.1	3,241	-	-	3,241
Loans	8.1.1.2	28,507	-	-	28,507
Cash and cash equivalents	9	37,009	-	-	37,009
Other receivables					
Other receivables	8.1.1.2	1,444	-	-	1,444
Other assets					
Accrued income	8.1.1.1 and 8.1.1.2	36	-	-	36
At 31 December 2019		140,539	-	-	140,539
Liabilities					
Due to agents, brokers and intermediaries	13	393	-	-	393
Dividend outstanding	13 and 14	28,344	-	-	28,344
Due to group companies and associates	13	1,284	-	-	1,284
Provision for claims	10	7,065	-	-	7,065
At 31 December 2019		37,086	-	-	37,086

16. Territorial distribution of the business

The Company 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

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

Notes to the financial statements for the year ended

31 December 2020 (in thousand euro)

immaterial in both 2020 and 2019, it has not been deemed relevant to break down the information by geographical area.

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%.

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

	2020		2019	
	Statement of profit or loss	Income and expense recognised directly in equity	Statement of profit or loss	Income and expense recognised directly in equity
Accounting profit/(loss) for the year	132,671	-	115,001	-
Corporate income tax	40,253	-	30,850	-
Permanent differences:				
- Increases	3,359	-	2,314	-
- Reductions	(12,000)	-	(22,000)	-
Taxable profit/(loss)	164,282	-	126,165	-
Temporary differences:				
Originating in the year				
- Increases	3,476	-	61,820	-
- Reductions	(6,964)	(9,624)	(7,112)	(30,145)
Originating in previous years				
- Increases	11	-	51	-
- Reductions	(59,497)	-	(81,495)	-

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

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

Tax base	101,309	(9,624)	99,429	(30,145)
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Details of current and deferred income tax expense recognised in the statement of profit or loss for 2020 and 2019 are as follows:

	2020	2019
Current tax expense	24,507	24,166
Adjustments to deferred taxes	15,746	6,684
Corporate income tax expense	40,253	30,850

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	172,924	145,851
Tax rate	25%	25%
Tax payable	43,231	36,463
Deductions on tax payable	(1,038)	(998)
Adjustment for settlement of previous year CIS	127	150
Non-deductible expenses	840	578
Non-qualifying income	(3,000)	(5,500)
Other deductions and amounts utilised, net	94	156
Corporate income tax expense	40,253	30,850

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.

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 Company 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 Company to Fundación Línea Directa and certain other entities. The reduction in permanent differences in 2020 was down to the distribution of dividends by Línea Directa Asistencia.

The amount of temporary differences arising in the year consists mainly of adjustments to provisions, which, according to Articles 13 and 14 of the Corporate Income Tax Act, are not deductible for tax purposes. Reductions arising in prior years relate mainly to the reversal of positive adjustments to the provision for claims.

Income and expenses recognised directly in 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
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Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros

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

Receivable from the Tax Consolidation Group	8,552	8,388
Tax assets		
Current tax		
Corporate income tax – Tax Consolidation Group (Note 15)	9,315	-
Withholdings for the year	1,107	504
Deferred tax		
Temporary differences	9,502	24,229
Tax liabilities		
Current tax		
Income tax payable – Tax Consolidation Group (Note 15)	-	6,354
Deferred tax		
Temporary differences	44,989	41,523

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

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. The temporary differences existing at 31 December 2020 will be reversed from 2021 onwards. Therefore, deferred corporate income tax is 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 previous year (reductions).

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

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).

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

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

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						
Prepaid income tax	16,466	869	(14,874)	-	-	2,461
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	24,229	869	(14,874)	30	(752)	9,502
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	(41,523)	-	(1,738)	-	(1,728)	(44,989)

Inspections in progress

On 14 September 2016, the Company 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 Company 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 Company 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

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

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 Company's separate annual accounts.

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

Technical income and expenses for 2020 and 2019 are as follows:

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

Notes to the 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	116	73	43	-	-	-
II.2. Income from financial investments	36,116	19,676	11,646	3,015	36	1,743
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	36,918	23,192	13,726	-	-	-
II.4.1. Investments in property, plant and equipment	-	-	-	-	-	-
II.4.2. Financial investments	36,918	23,192	13,726	-	-	-
II. Total investment income	73,173	42,956	25,423	3,015	36	1,743
III. Other technical income	-	-	-	-	-	-
IV.1. Claims paid	511,996	230,376	217,365	56,733	330	7,192
IV.1.1. Direct insurance	518,663	230,376	217,365	56,733	330	13,859
IV.1.3. Reinsurers' share	(6,667)	-	-	-	-	(6,667)
IV.2. Change in the provision for claims	(13,946)	(541)	(10,853)	(3,189)	4	633
IV.2.1. Direct insurance	(12,015)	(1,500)	(10,922)	(736)	(42)	1,185
IV.2.3. Reinsurers' share	(1,931)	959	69	(2,453)	46	(552)
IV.3. Claims-related expenses	57,242	36,373	7,636	10,343	3	2,887
IV. Total claims incurred in the period, net of reinsurance	555,292	266,208	214,148	63,887	337	10,712
V. Changes in technical provisions	-	-	-	-	-	-
VI. Profit sharing	708	-	-	-	708	-
VII.1. Acquisition expenses	186,657	64,485	74,701	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	209,239	72,054	87,120	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	6,871	4,316	2,555	-	-	-
X.1.1. Expenses from managing investments in property, plant and equipment	1,884	1,183	701	-	-	-
X.1.2. Expenses from managing financial investments	4,987	3,133	1,854	-	-	-
X.2. Investment valuation adjustments	1,464	920	544	-	-	-
X.2.1. Depreciation of investments in property, plant and equipment	28	18	10	-	-	-
X.2.2. Impairment of investments in property, plant and equipment	851	534	317	-	-	-
X.2.3. From provisions for financial investments	585	368	217	-	-	-
X.3. Losses on investments	38,799	24,373	14,426	-	-	-
X.3.1. Losses on investments in property, plant and equipment	508	319	189	-	-	-
X.3.2. Losses on financial investments	38,291	24,054	14,237	-	-	-
X. Total investment expenses	47,134	29,609	17,525	-	-	-
Result of the non-life insurance technical account (I+II+III-IV-V-VI-VII-VIII-IX-X)	157,114	47,463	105,583	9,490	725	(6,147)

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Notes to the 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	117	72	45	-	-	-
II.2. Income from financial investments	32,244	17,216	10,546	3,174	113	1,195
II.3. Application of value adjustments for investments	1,393	864	529	-	-	-
II.3.2. Investments in property, plant and equipment	1,180	732	448	-	-	-
II.3.2. Financial investments	213	132	81	-	-	-
II.4. Gains/(losses) on realisation of investments	33,414	20,719	12,695	-	-	-
II.4.1. Investments in property, plant and equipment	1	1	-	-	-	-
II.4.2. Financial investments	33,413	20,718	12,695	-	-	-
II. Total investment income	67,168	38,871	23,815	3,174	113	1,195
III. Other technical income	-	-	-	-	-	-
IV.1. Claims paid	569,626	280,438	237,321	46,952	193	4,722
IV.1.1. Direct insurance	574,944	280,303	237,906	47,385	193	9,157
IV.1.3. Reinsurers' share	(5,318)	135	(585)	(433)	-	(4,435)
IV.2. Change in the provision for claims	(23,570)	(22,961)	(1,169)	(284)	69	775
IV.2.1. Direct insurance	(21,312)	(23,144)	(1,088)	1,326	51	1,543
IV.2.3. Reinsurers' share	(2,258)	183	(81)	(1,610)	18	(768)
IV.3. Claims-related expenses	50,308	33,090	8,241	6,587	31	2,359
IV. Total claims incurred in the period, net of reinsurance	596,364	290,567	244,393	53,255	293	7,856
V. Changes in technical provisions	-	-	-	-	-	-
VI. Profit sharing	724	-	-	-	724	-
VII.1. Acquisition expenses	180,236	66,449	74,513	26,745	835	11,694
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	199,630	70,202	82,199	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	6,370	3,950	2,420	-	-	-
X.1.1. Expenses from managing investments in property, plant and equipment	1,490	924	566	-	-	-
X.1.2. Expenses from managing financial investments	4,880	3,026	1,854	-	-	-
X.2. Investment valuation adjustments	28	17	11	-	-	-
X.2.1. Depreciation of investments in property, plant and equipment	28	17	11	-	-	-
X.2.2. Impairment of investments in property, plant and equipment	-	-	-	-	-	-
X.2.3. From provisions for financial investments	-	-	-	-	-	-
X.3. Losses on investments	31,813	19,727	12,086	-	-	-
X.3.1. Losses on investments in property, plant and equipment	-	-	-	-	-	-
X.3.2. Losses on financial investments	31,813	19,727	12,086	-	-	-
X. Total investment expenses	38,211	23,694	14,517	-	-	-
Result of the non-life insurance technical account (I+II+III-IV-V-VI-VII-VIII-IX-X)	117,519	44,684	71,377	15,403	1,206	(15,151)

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**Notes to the financial statements for the year ended
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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 the use of cars saw a notable reduction. 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.

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)

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

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)

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.

**Notes to the financial statements for the year ended
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20. Remuneration and other benefits of the Board of Directors

Remuneration received by the Company's directors and Senior Management in 2020 amounted to € 82 thousand and € 4,121 thousand, respectively (€ 86 thousand and € 8,301 thousand, respectively, in 2019), broken down as follows:

2020	Fixed salary	Variable salary	Remuneration in kind	Per diems/allowances	Total
Senior Management	2,929	984	208	-	4,121
Directors	-	-	-	82	82
Total	2,929	984	208	82	4,203

2019	Fixed salary	Variable salary	Remuneration in kind	Per diems/allowances	Total
Senior Management	2,849	5,255	197	-	8,301
Directors	-	-	-	86	86
Total	2,849	5,225	197	86	8,387

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 Company 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 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 Company 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 Company.

**Notes to the financial statements for the year ended
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21. Other expenses and other income

Expenses shown on the technical account for 2020 and 2019 are as follows:

	2020	2019
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
Total other technical expenses	(18,137)	(30,518)

Other income and other expenses on the non-technical accounts are as follows:

	2020	2019
Costs of sending documentation to customers	929	903
Costs of distributing policies of other insurers	472	229
Total Other non-technical expenses	1,401	1,132
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
Other sundry income	916	251
Total Other non-technical income	5,211	7,464

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).

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	77,669	74,925
Termination benefits	809	1,504
Other staff expenses	25,180	22,445
	103,658	98,874

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

The average number of employees on the payroll in 2020 and 2019, broken down by job category, is as follows:

	2020			2019		
	Total	Women	Men	Total	Women	Men
Managers	49	25	24	49	25	24
Middle managers	154	72	82	144	65	79
Senior sales reps/technicians	234	122	112	235	128	107
Sales reps/technicians	534	315	219	515	299	216
Staff	1,181	758	423	1,093	703	390
Total	2,152	1,292	860	2,036	1,220	816

Meanwhile, the distribution by gender of the Company's employees and directors, broken down by both 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	44	24	20	49	25	24
Middle managers	138	64	74	147	67	80
Senior sales reps/technicians	215	106	109	238	128	110
Sales reps/technicians	617	376	241	522	303	219
Staff	1,190	765	425	1,146	728	418
Total	2,213	1,336	877	2,111	1,252	859

The average number of employees with a degree of disability greater than or equal to 33% is 33 (32 employees in 2019).

c) Audit fees

The fees payable to PricewaterhouseCoopers Auditores, S.L. in 2020 for audit services amounted to € 538 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.

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

d) Financial structure

At 31 December 2020 and 2019, the Company was the head of the Línea Directa Aseguradora Group, whose subsidiaries are as follows:

Subsidiary	Activity	Stake
Línea Directa Asistencia, S.L.U.	Vehicle inspections and roadside assistance	100%
Moto Club LDA, S.L.U.	Sundry services related to motorcycles	100%
Centro Avanzado de Reparaciones CAR, S.L.U.	Provision of vehicle repair services	100%
Ambar Medline, S.L.U.	Insurance brokerage	100%
LDActivos, S.L.U.	Asset management	100%
LDA Reparaciones, S.L.U.	Repair of home insurance claims	100%

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

On 17 July 2014, Fundación Línea Directa was founded through a non-refundable donation to the foundation's endowment fund. 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 Company did not make any investments or incur any expenses in relation to environmental protection activities during 2020.

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

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

**Notes to the financial statements for the year ended
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f) Information on conflicts of interest affecting directors and their related persons

At the end of 2020 and 2019, none of the Company'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 Company, 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).

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).

Notes to the financial statements for the year ended

31 December 2020 (in thousand euro)

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 Company 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 Company 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 Company 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 Company. 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 Company based if 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 Company 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 Company.

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 Company'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.

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. Its 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.

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31 December 2020** (in thousand euro)

Concentrations of insurance risk

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

The Company's business focuses on non-life branches (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.

**Management report for the year ended
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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 global events relating to COVID-19 may have in terms of both operating results and solvency. On the operational front, the Company 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, in 2020 the Company reported net reinsurance premiums for the year of € 878 million, 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 shows 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 Company 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.

Financial position and equity

The solvency ratio, calculated in accordance with Solvency II regulations, is 275.8%.

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.

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

Management report for the year ended

31 December 2020 (in thousand euro)

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 losses 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.

Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros 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. to its shareholders. Compañía de Seguros y Reaseguros, 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 Company 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 21.45 days.

Transactions with treasury shares

The Company does not engage in transactions with own shares.

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 (11 years at 31 December 2020). It has been confirmed that the hedge complies strictly with the effectiveness criteria for this type of financial instrument.

Events after the reporting date

There have been no significant events subsequent to the closing date of the financial statements.

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

**Management report for the year ended
31 December 2020** (in thousand euro)

Research and development

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

Information on employees

At 31 December 2020 the Company's workforce comprised 1,336 women and 877 men, of whom 33 were employees with a degree of disability equal to or greater than 33%.

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

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

Management report for the year ended

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The Company 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, the scope of consolidation of which includes the Company.

AUTHORISATION FOR ISSUE BY THE BOARD OF DIRECTORS

The Board of Directors of LÍNEA DIRECTA ASEGURADORA, S.A. COMPAÑÍA DE SEGUROS Y REASEGUROS, at its meeting of 18 February 2021 held virtually and in writing, and in compliance with the requirements set out in Article 253 of the Revised Text of the Capital Enterprises Law and Article 37 of the Commercial Code, drew up the annual accounts of LINEA DIRECTA ASEGURADORA, S.A. COMPAÑÍA DE SEGUROS Y REASEGUROS, as well as its management report, which is attached hereto, for the 2020 financial year, such documents 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 LINEA DIRECTA ASEGURADORA, S.A. COMPAÑÍA DE SEGUROS Y REASEGUROS, all of whom, at the meeting of the Board of Directors held on 18 February 2021, drew up and signed the annual accounts and management report of LINEA DIRECTA ASEGURADORA, S.A. COMPAÑÍA DE SEGUROS Y REASEGUROS for 2020, in accordance with Article 253 of the Capital Enterprises Law.

Pablo González-Schwitters Grimaldo
Secretary to the Board of Directors