LÍNEA DIRECTA ASEGURADORA, S.A., COMPAÑÍA DE SEGUROS Y REASEGUROS (C0720)

Solvency and financial condition report at 31 December 2019

Tres Cantos, 16 April 2020

INDEX

1. EXECUTIVE SUMMARY

This **Solvency and Financial Condition Report (SFCR)** for the year ended 31 December 2019 is an annual report issued by the undertaking under the requirements of the Solvency II regime (EU regulations under Articles 292 to 298 and Annex XX of Delegated Regulation (EU) 2015/35, as well as national legislation, mainly Chapter III of Royal Decree 1060/2015 of 20 November on the management, supervision and solvency of insurance companies and reinsurance companies.

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

Topics	Content
Activity and results	Basic information on the undertaking with a summary of the results of its activity detailed by lines of business in the reporting period.
Governance system	Information on the undertaking's organisational structure, with a description of its structure of committees and their responsibilities for risk management.
Risk profile	Information on the undertaking's risk profile and qualitative and quantitative information on the risks it faces.
Valuation for solvency purposes	A description of the valuation differences in the solvency balance sheet and the financial statements. The assumptions and methodologies used to obtain the balance sheet for solvency purposes are also reported.
Capital management	Information on the capital required for solvency purposes and a comparison with eligible funds to determine the undertaking's solvency position.

The undertaking publishes its SFCR report on its website.

Activity and results

In the 2019 financial year, the undertaking earned net reinsurance premiums of 855 million euros, an increase of 4.8% on the previous financial year.

The number of policyholders in the portfolio increased by 4.9% compared to 2018, to 3.2 million.

The technical account for non-life insurance made a profit of 117.5 million euros. In 2019, net reinsurance claims incurred stood at 69.77%, compared to 66.41% in 2018.

Turnover was 761.2 million euros in the motor vehicle business line, an increase of 2.7% compared to the previous year.

Premium turnover for the home business line amounted to 111.4 million euros in 2019, an increase of 10.6% compared to the previous year. The turnover for health assistance in the Health line of business amounted to 15.8 million euros in 2019, while turnover for Assistance was 3 million euros.

Governance system

The undertaking's risk governance system is organised around three lines of defence. This means that the **board of directors** understands and manages the risks and exercises the management, administration and control functions for the undertaking, in accordance with the provisions of the Spanish Limited Liability Companies Law. It also acts through the **audit committee, the internal control and compliance committee** and the **appointments and remuneration committee**. The first line of defence, consisting of the operational areas, is backed up by the second line comprising three of the four key functions (Internal Control, Compliance and the Actuarial function). It should be noted that operational risk managements is **decentralised** to the undertaking's areas and based on a structure of committees. The third line of defence is the Internal Audit function, which is outsourced to the Internal Audit area of the Bankinter Group, the undertaking's sole shareholder.

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

Risk profile

The undertaking has maintained its distinctive personality based on organic growth, commitment to technology and innovation, and use of the direct channel, since the start of its activity in 1995. Its pursuit of business growth over these years has led to a volume of over 890 million premiums and more than 3 million risks. This objective of volume growth has been pursued hand-in-hand with a profitability target. It has been achieved through rigorous underwriting, prudent investment and a policy of containing operating expenses.

The undertaking was authorised to apply a specific parameter for premium risk in the other motor insurance business line in 2016, which it uses in calculating its solvency capital requirement (SCR). This was as follows at 31 December 2019 and 2018.

Solvency Capital Requirement (SCR)		
(thousands of euros)	**31.12.2018**	**31.12.2019**
Underwriting risk	167,878	161,007
Market risk	94,357	104,548
Counterparty risk	15,833	15,886
Health insurance underwriting risk	1,436	2,233
Diversification	(58,725)	(62,201)
Basic Solvency Capital Requirement (BSCR)	**220,779**	**221,473**
Operational risk	24,796	26,092
Deferred tax adjustment	(61,394)	(61,891)
Solvency Capital Requirement (SCR)	**184,181**	**185,674**

Valuation for solvency purposes

The following table presents a comparison of the assets, liabilities and funds in the solvency balance sheet and financial statements at 31 December 2019 and 2018.

31 December 2019:

ASSETS, LIABILITIES AND AVAILABLE FUNDS		
(thousands of euros)	**Solvency**	**Financial statements**
Total assets	1,236,478	1,304,751
Total liabilities	845,316	1,008,842
Total own funds available	**391,162**	**295,909**

31 December 2018:

ASSETS, LIABILITIES AND AVAILABLE FUNDS		
(thousands of euros)	**Solvency**	**Financial statements**
Total assets	1,180,028	1,258,325
Total liabilities	794,758	1,006,978
Total own funds available	**385,270**	**251,347**

The main differences that caused the funds available for solvency purposes to increase by 95.252 million euros and 133.923 million euros in 2019 and 2018, respectively, compared to the own funds in the financial statements correspond to:

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

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

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

The previous regime did not allow the calculation of the stabilisation reserve as eligible own funds for the solvency capital requirement. At 31 December 2019 and 2018, this amounted to 100.619 million euros and 93.506 million euros, respectively, net of taxes.

This Solvency and Financial Condition Report was reviewed and approved by the board of directors at its meeting on 16 April 2020.

Capital management

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

The solvency ratio is a risk indicator that is monitored and considered by the undertaking's board of directors when implementing its capital management policy (setting the dividend policy for shareholders, decisions on investment policy, etc.) and its strategy for the business (launch of new products or lines of business, acquisition of risk mitigators, etc.). The solvency ratio at 31 December 2019 and 2018 was as follows:

(thousands of euros)	31.12.2018	31.12.2019
Available funds	385,270	391,162
Solvency Capital Requirement (SCR)	184,181	185,674
Ratio of eligible own funds to the SCR	**209%**	**211%**

All of the available funds are classified as Tier 1, i.e. they are of the highest quality and are eligible for coverage of both the SCR and the MCR (Minimum Capital Requirement).

2. ACTIVITY AND RESULTS

2.1. ACTIVITY

Identification of the undertaking

Línea Directa Aseguradora, S.A. de Seguros y Reaseguros (LDA) is an insurance undertaking whose majority shareholder is Bankinter S.A. It is under the supervision of the Directorate General of Insurance and Pension Funds, with reference C0720.

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

Supervisory authority

The undertaking is under the supervision of the Spanish regulator:

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

The undertaking operates under the code C0720.

External auditor

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

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

Corporate and solvency structure

The undertaking falls within the scope of consolidation of the Bankinter Group, of which Bankinter, S.A., with registered offices at Paseo de la Castellana 29, Madrid, is the direct and ultimate parent.

The tax and financial year of both the undertaking and the consolidated group of which it is a member ends on 31 December.

For solvency purposes, the parent of the undertaking is a mixed activity insurance holding company. It is therefore part of a group subject to supervision under Article 132(1)(d) of Law 20/2015 of 14 July, on the management, supervision and solvency of insurance and reinsurance companies, with the group reference and name: GRS0014 - BANKINTER, S.A.

The undertaking is the parent of several ancillary insurance and investment subsidiaries, none of which are involved in insurance or reinsurance activity. It is not considered a group subject to supervision under Article 132.1 of Law 20/2015, of 14 July 2015, on the management, supervision and solvency of insurance and reinsurance companies.

Dependent entities	Activity	Holding
Línea Directa Asistencia, S.L.U.	Vehicle inspections and assistance	100%
Moto Club LDA S.L.U.	Provision of services for motorcycles	100%
Centro Avanzado de Reparaciones CAR, S.L.U.	Provision of vehicle repair services	100%
LD Activos, S.L.U.	Asset management on behalf of insurance companies	100%
Ambar Medline, S.L.U.	Insurance brokerage	100%
LD Reparaciones, S.L.U.	Provision of home repair services.	100%

Lines of business and geographical distribution

The corporate purpose of Línea Directa Aseguradora S.A. Compañía de Seguros y Reaseguros is the provision of insurance and reinsurance for motor vehicles, the home and other non-life segments. It is authorised to perform this activity by the Spanish Directorate General of Insurance and Pension Funds.

The undertaking operates **entirely in Spanish territory, with the exception of the Assistance sector,** in which the undertaking is authorised to operate in Portugal (premiums in Portugal amounted to 32 thousand euros in 2019). Its main business distribution channels are telephone and internet sales.

2.2. UNDERWRITING RESULTS

The undertaking's lines of business and the main figures for its technical account are shown in the following table:

2019:

TECHNICAL ACCOUNT BY BUSINESS LINES 2019							
	(thousands of euros)	TOTAL	Motor vehicle liability	Other motor insurance	Fire and other damage to property	Other insurance	Medical expenses
1	Premiums earned, net of reinsurance	854,763	353,091	395,220	102,660	3,045	747
2	Investment income	67,167	38,871	23,814	3,174	113	1,195
3	Other technical revenues	-	-	-	-	-	-
4	Claims incurred net of reinsurance	596,364	290,565	244,396	53,254	294	7,855
5	Profit sharing	724	-	-	-	724	-
6	Net operating expenses	199,630	70,203	82,198	37,209	935	9,085
7	Other technical expenses	(30,519)	(37,188)	6,549	(33)	-	153
8	Investment expenses	38,212	23,695	14,517	-	-	-
	Technical account result (1+2+3-4-5-6-7-8)	**117,519**	**44,687**	**71,374**	**15,404**	**1,205**	**(15,151)**

2018:

TECHNICAL ACCOUNT BY BUSINESS LINES 2018							
	(thousands of euros)	TOTAL	Motor vehicle liability	Other motor insurance	Fire and other damage to property	Assistance	Medical expenses
1	Premiums earned, net of reinsurance	816,289	344,061	374,463	92,406	3,214	2,145
2	Investment income	46,506	27,033	15,850	3,097	135	391
3	Other technical revenues	-	-	-	-	-	-
4	Claims incurred net of reinsurance	542,078	259,032	231,783	48,173	225	2,865
5	Profit sharing	751	-	-	-	751	-
6	Net operating expenses	196,051	72,991	80,883	35,037	1,057	6,083
7	Other technical expenses	(26,480)	(37,881)	10,701	460	-	240
8	Investment expenses	17,625	11,111	6,514	-	-	-
	Technical account result (1+2+3-4-5-6-7-8)	**132,770**	**65,841**	**60,432**	**11,833**	**1,316**	**(6,652)**

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

2.3. INVESTMENT PERFORMANCE

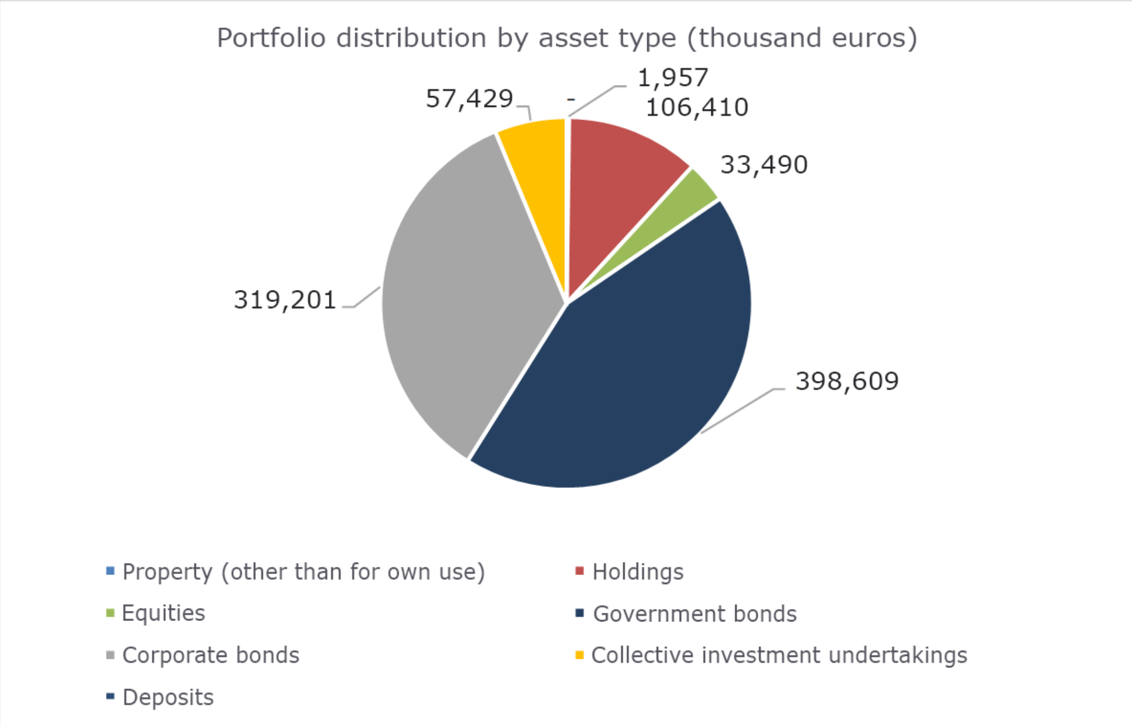
The undertaking's investment activity follows the guidelines in its investment policy. The investment committee is responsible for monitoring and oversight.

The undertaking has continued its investment policy with the aim of ensuring the security, liquidity and profitability of its investments, applying principles of dispersion, diversification and adequacy of maturities to the technical liabilities to be covered, in order to offset market, credit, liquidity and cash-flow risks, considering the economic backdrop of very low (or even negative) rates of return on fixed income assets.

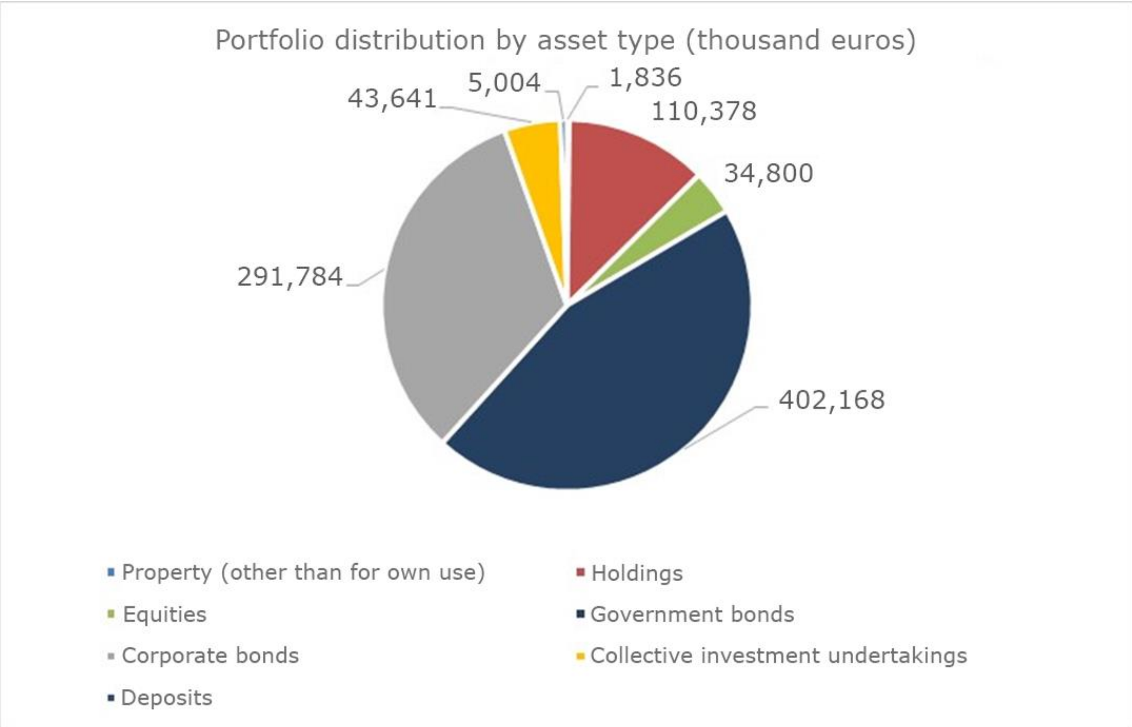
The average rate of return on fixed income securities was 3.63% (3.14% in 2018), while the return on the equity portfolio was 3.70% (7.65% in 2018).

The distribution of the investment portfolio at 31 December 2019 and 2018 is shown in the following table:

2019:


Portfolio distribution by asset type (thousand euros)
57,429
-
1,957
106,410
33,490
319,201
398,609
Property (other than for own use)
Holdings
Equities
Government bonds
Corporate bonds
Collective investment undertakings
Deposits

2018:


Portfolio distribution by asset type (thousand euros)
43,641
5,004
1,836
110,378
34,800
291,784
402,168
Property (other than for own use)
Holdings
Equities
Government bonds
Corporate bonds
Collective investment undertakings
Deposits

2019:

Investment income and expenses by asset type		
(thousands of euros)	Technical account	Non-technical account
Net financial income from accounts and deposits	**485**	**-**
Coupon income from government bonds and corporate bonds	19,697	-
Gains on sales of government bonds and corporate bonds	1,582	-
Losses on sales of government bonds and corporate bonds	(390)	-
Net financial income from government bonds and corporate bonds	**20,889**	**-**
Reversal of impairment of holdings	213	-
Dividend income from equities	2,383	-
Holding dividend income	-	22,000
Gains from sales of equities	3,377	-
Losses from sales of equities	(2,969)	-
Net financial income from equities and holdings	**3,004**	**22,000**
Loan interest income	**584**	**-**
Income from premium instalments	**4,313**	
Income from investments in property, plant and equipment	**1,298**	**-**
Hedging transactions	**(1,610)**	
Other revenues	**1,482**	**-**
Deferral costs for dividend payments to shareholders	**-**	**-**
Internal investment management expenses	**1,490**	**-**
TOTAL INVESTMENT INCOME AND EXPENSE	**28,955**	**22,000**

2018:

Investment income and expenses by asset type		
(thousands of euros)	Technical account	Non-technical account
Net financial income from accounts and deposits	**362**	**-**
Coupon income from government bonds and corporate bonds	20,894	-
Gains on sales of government bonds and corporate bonds	413	-
Losses on sales of government bonds and corporate bonds	(303)	-
Net financial income from government bonds and corporate bonds	**21,005**	**-**
Reversal of impairment of holdings	(239)	-
Dividend income from equities	2,465	-
Holding dividend income	-	250
Gains from sales of equities	4,188	-
Losses from sales of equities	(581)	-
Net financial income from equities and holdings	**5,832**	**250**
Loan interest income	**583**	**-**
Income from premium instalments	**3,850**	
Income from investments in property, plant and equipment	**82**	**-**
Hedging transactions	**(1,367)**	
Other revenues	**(147)**	**-**
Deferral costs for dividend payments to shareholders	**-**	**-**
Internal investment management expenses	**1,318**	**-**
TOTAL INVESTMENT INCOME AND EXPENSE	**28,881**	**250**

All financial income and expenses are allocated to the technical account by business line, except 22.0 million euros from a dividend received for the holding in the Línea Directa Asistencia, S.L.U. subsidiary, which was allocated to the non-technical account. (250 thousand euros from a dividend from the holding in the subsidiary Motoclub in 2018).

2.4. PROFIT/(LOSS) FROM OTHER ACTIVITIES

The non-technical account includes income and expenses from other activities, mainly from brokerage of credit cards and policies from other insurance companies, with income of 7.464 million euros (7.113 million euros in 2018) and an expense of 1.132 million euros (3.550 million euros in 2018).

2.5. OTHER INFORMATION

At its meeting on 18 December 2019, the board of directors of Bankinter, S.A. agreed to submit a proposal to the next general shareholders' meeting, which was held on 19 March 2020, for the distribution in kind of the entire share premium (amounting to 1.184 million euros), by delivering to its shareholders 82.6% of the share capital of Línea Directa Aseguradora S.A. Compañía de Seguros y Reaseguros, with the bank only retaining a minority financial stake of 17.4% in the company.

The effectiveness of the resolution approving the distribution in kind of Bankinter's share premium reserve is subject to compliance with a condition precedent, involving obtaining authorisation from the Ministry of Economic Affairs and Digital Transformation and the European Central Bank, and there being no objection from the Directorate-General for Insurance.

The undertaking has also decided to integrate the policies marketed under the Nuez brand and underwritten by Línea Directa Aseguradora S.A that were distributed exclusively through digital channels and social networks. This means that the insurance policies will be renewed under the Línea Directa brand from 13 January 2020, offering customers products with similar characteristics.

The undertaking has analysed the possible impacts that the latest worldwide developments caused by COVID-19 could have at the operational and solvency levels. The undertaking is continuing its operations and serving its customers as normal. This is due to its effective and efficient implementation of its contingency plans within four days of the authorities declaring the state of emergency. The business is being closely monitored to anticipate any incidents that might occur. As could be expected with the measures taken by the Government, we are seeing a decrease in claims incurred in March, in both the motor vehicle and home segments. This will not lead to sudden changes in the solvency ratio.

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. The overall impact on results at present is therefore positive.

The undertaking does not consider that the target solvency ratio set by its governing body of 150% will be jeopardised.

The undertaking has analysed the possible impact on the solvency ratio of the latest developments related to COVID-19. Once the effects of the movements in the capital markets in March 2020 on the group's investment portfolio have been discounted, the additional deterioration in solvency needed for this ratio to fall below the minimum set by the governing bodies is around 45%. We therefore consider that the current situation does not put this target ratio at risk.

3. GOVERNANCE SYSTEM

3.1. GENERAL INFORMATION ABOUT THE GOVERNANCE SYSTEM

The undertaking's highest governing body is its **board of directors**. The composition of the board ensures compliance with the requirements of Articles 13, 38 and 65 and subsequent articles of Law 20/2015, of 14 July, on the management, supervision and solvency of insurance and reinsurance companies, and Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance, such that its members have the required professional qualifications, competence and experience, and meet the supervisor's fit and proper person requirements, which are included in the undertaking's Fit and Proper Person Policy.

The board of directors understands and manages the undertaking's risks and exercises its management, administration and control functions within the limits set by the Spanish Limited Liability Companies Law, and through the **audit, internal control and compliance committee**, supported by the **appointments and remuneration committee**.

These committees have decision-making powers in matters within their remits, as regulated by the Rules and Regulations of the Board of Directors, and facilitate the preparation of resolutions and their proposal to the board on such matters.

The **audit, internal control and compliance committee** exercises powers related to the supervision and control of the undertaking's risks, the veracity, objectivity and transparency of its accounting, business and financial information, and compliance with legal and regulatory requirements. It is also responsible for oversight of the undertaking's risk functions and the four key functions that report directly to it, as described below.

The **appointments and remuneration committee** makes proposals and reports on remuneration and appointments and dismissal of directors, the chairman and the chief executive officer, members of the management team and the heads of key functions, ensuring they meet the conditions and have the capabilities to perform their roles, as required by current regulations.

Although its is not a board committee in terms of its composition and functions, the **investment committee** exercises powers relating to the supervision and control of investments and their financial results, economic and financial information, and compliance with the investment guidelines to which the undertaking is subject. The investment committee is chaired by the chairman of the board of directors who, in turn, reports on the investment committee's conclusions and decisions to the board of directors.

As required by insurance regulations, the undertaking has an Internal Audit function, which is outsourced to the **Internal Audit function** of the Bankinter S.A. group. This is an Independent function that continuously analyses, evaluates and oversees the procedures, practices and activities involved in the internal control system for the undertaking's risks, ensuring the reasonable efficiency and effectiveness of the use of resources, the reliability and consistency of accounting and management information, and compliance with current regulations.

The Internal Audit function **reports to the audit, internal control and compliance committee** and reports functionally to the chairman of the board of directors, coordinated by the Office of the General Secretary, without prejudice to the powers of the chief executive officer. This guarantees the independence, autonomy and universal scope of the Internal Audit function in the Línea Directa group at all times.

The **Actuarial function** is part of the Corporate Governance and Risk division and reports to the audit, internal control and compliance committee. Its functions are detailed in section 3.5 of this report.

The **Risk Management function** is responsible for the principles of independence and ring-fencing of functions between business units and risk monitoring and control units. It is decentralised in various areas of the undertaking, with the Risk Management and Internal Control unit, which is part of the Corporate Governance and Risk division, being responsible for collating and integrating all risk information for the undertaking, and for applying risk control policies and verifying compliance with these.

The **Compliance function** is part of the Office of the General Secretary and reports regularly, like the other key functions, to the audit, internal control and compliance committee. It advises administrative, management and supervisory bodies on compliance with the legal rules and obligations applicable to the undertaking and its activities, and on the voluntary rules and obligations arising from relationships with third parties and from sector and self-imposed standards whose compliance is legitimately expected by stakeholders in the communities where it operates.

The Compliance function is responsible for ensuring the functioning of and compliance with the Criminal Compliance Policy, ensuring it is adapted at all times to the needs and circumstances of the companies in the Línea Directa group. The Compliance function also has powers for the prevention, detection and investigation of potential criminal activities. It has led the redrafting of the company's Ethical Code to reflect obligations to prevent crimes that have been imposed on companies in relation to the criminal liability of legal persons, as well as the general duty of all employees to comply with current legislation and internal regulations.

Compliance also assesses the possible impact of any changes in the legal backdrop on the company's operations, and identifies and assesses compliance risk.

The Compliance function acts under the Compliance Policy and the Compliance Management System Policy, which are approved by the audit, internal control and compliance committee, with the most recent review and update being approved on 16 July 2019.

The activity of the Compliance function includes:

1. Advising the governing body and management on new legislative developments that might affect the undertaking and in relation to compliance.
2. Active participation in public consultation phases for the development of standards, either directly or through sector associations.
3. Informing and advising the business areas of approved legislative changes that might impact their operations or results, so they can adapt their processes to the new regulatory requirements.
4. Ongoing analysis and monitoring of legal and compliance risks, reporting to the audit, internal control and compliance committee.
5. Preparing the annual compliance report.
6. Participating in the undertaking's product approval process and product committee meetings.

Remuneration policy

The **main objective** of the undertaking's remuneration policy is alignment with the undertaking's interests, promoting its corporate values and culture. The remuneration system aims to foster the long-term profitability and sustainability of the undertaking, rewarding behaviour and attitudes consistent with its culture and values, and incorporating the precautions needed to avoid excessive risk-taking and rewards for adverse outcomes.

The **fixed remuneration** system considers the type of functions of each person, the impact of each person on the organisation and the knowledge and skills needed for their functions. This management model is consistent with the professional categories in the Collective Agreement for the Insurance Sector.

The remuneration policy also includes **variable remuneration** linked to the degree to which the undertaking's strategic objectives are met. The remuneration policy therefore considers the appropriate instruments for linking remuneration to the undertaking's results.

The undertaking does not currently consider the delivery of shares or share options.

The **variable remuneration** system is based on the premise of a direct relationship between the undertaking's results and the amount of variable remuneration, considering the degree to which objectives are met.

To achieve the best results for the undertaking, variable remuneration is linked not only to performance at the individual level, but also to the achievement of objectives at the corporate, area and department levels.

The undertaking has a group insurance policy covering the supplementary pension and early retirement plans for members of the administrative, management and supervisory body and other persons who play a key role, through which it meets its retirement pension commitments with certain senior management employees. In financial years 2019 and 2018, this policy accrued premiums of 1.031 million euros (1.298 million euros in 2018), with mathematical provision of 8.287 million euros and 6.206 million euros, respectively.

Information on significant transactions with shareholders and people who exercise significant influence

The undertaking was involved in the following transactions with its shareholder Bankinter S.A. and its subsidiaries, distinguishing between insurance activity and other services provided and received:

2019:

Direct insurance	Premiums	Fees	Claims
Dominant entity of the company			
Bankinter, S.A.	273	5,192	-
Bankinter Consumer Finance, S.L.U.	1,018	-	-
Bankinter Consumer Finance, S.L.U. (Sucursal en Portugal)	32	3	-
Total	**1,323**	**5,195**	**-**

	Expenses		Income	
Services rendered and received	Services received	Interest and financial services	Services rendered	Finance income and leases
Bankinter, S.A.	857	341	-	469
Bankinter Consumer Finance, S.L.U.	673	-	3,770	-
Bankinter, S.A. Sucursal en Portugal	13	-	-	-
Total	**1,543**	**341**	**3,770**	**469**

2018:

Direct insurance	Premiums	Fees	Claims
Dominant entity of the company			
Bankinter, S.A.	231	4,663	-
Bankinter Consumer Finance, S.L.U.	977	-	-
Bankinter Consumer Finance, S.L.U. (Sucursal en Portugal)	16	2	-
Total	**1,224**	**4,665**	**-**

	Expenses		Income	
Services rendered and received	Services received	Interest and financial services	Services rendered	Finance income and leases
Bankinter, S.A.	951	355	-	134
Bankinter Consumer Finance, S.L.U.	616	-	5,207	-
Total	**1,567**	**355**	**5,207**	**134**

3.2. FIT AND PROPER PERSON REQUIREMENT

The undertaking has had an Ethical Code since 2010, the latest version of which was approved in October 2018. This Code applies to the company and the companies in the Group and establishes the general guidelines governing the conduct of all employees and the subsidiaries in the performance of their functions and their commercial and professional relations, in accordance with the law and respecting ethical principles.

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

- their professional qualifications, knowledge and experience are adequate to enable sound and prudent management (fit); and
- they are of good repute and integrity (proper).

The recommendations of the EIOPA Guidelines on the System of Governance have also been followed, in addition to the requirements under Law 20/2015 of 14 July, on the management, supervision and solvency of insurance and reinsurance entities, and Royal Decree 1060/2015 of 20 November on the management, supervision and solvency of insurance and reinsurance companies, in relation to the implementation and development of a fit and proper person policy to ensure that the persons subject to this policy have adequate qualifications and experience to ensure that the entities are professionally managed and supervised.

The fit and proper person requirement is assessed through a study performed by Compliance with the help of the HR department. This covers a wide range of criteria, focusing on three major blocks:

a) Commercial and professional repute and integrity: this is evaluated considering the professional and personal experience of the person being assessed for the role performed, any convictions or other penalties for crimes, misdemeanours or administrative offences, and the existence of well-founded investigations into business or financial offences.
b) Knowledge and experience: this considers theoretical training and development, which must be of the right level and have the correct profile, particularly in relation to insurance and financial services.
c) Good governance: this is only applicable to members of the board of directors and senior management, and includes assessment of any conflicts of interest.

3.3. RISK MANAGEMENT SYSTEM

Risk function

The Risk Management function is **decentralised** in LDA's areas, with the Internal Control and Risk Management unit, which reports to the Corporate Governance and Risk division, being responsible for unifying and integrating all of the undertaking's risk reporting, and for applying and verifying compliance with risk control policies.

The undertaking's departments provide the Internal Risk Management and Control unit with the information it needs to monitor the undertaking's risks and apply the risk policies.

The Internal Risk Management and Control unit collates all information on Línea Directa’s risks and integrates it into the corporate risk map. It monitors changes in risk through the key risk indicators (KRIs) scorecard and reports to the standing risk committee.

The undertaking has established various levels of management or defence to ensure adequate management and control of each risk, ensuring each type of risk identified has:

- A **management unit** directly responsible for its day-to-day or current management, acting as the first line of defence.
- A **structure of committees**, each of which is responsible for identifying, managing and reporting risks to the organisation's governing bodies, to which the management units report and submit specific decisions. Because of their composition and functions, these committees are executive committees, as they take decisions on the risks they manage.
- A **person responsible for managing and coordinating the undertaking's risks**; i.e. the head of Corporate Governance and Risk.
- **Control functions** as the second line of defence; i.e. the Risk Management, Actuarial and Compliance functions.
- An **oversight function** as the third line of defence, i.e. the Internal Audit function.

Integration into the organisational structure and decision-making

The purpose of the undertaking's risk management system is to ensure that the main risks that the undertaking faces in its normal business activities are always identified and monitored so they can be managed appropriately.

The risks are dealt with in the company's committees and regularly reported to the audit, internal control and compliance committee and the board of directors.

Figure 1: Línea Directa risk management system

This structure ensures:

1. Adequate control, management and reporting of all risks at various levels of defence.

2. Risks are monitored and reported in a vertical and transversal manner, by both dependent bodies and independent control functions.

3. Adequate escalation of reporting, control and decision-making.

4. There are various levels of responsibility for and knowledge and control of risks, up to the undertaking's highest governance level.

The Internal Risk Management and Control unit collates all information on Línea Directa’s risks and integrates it into the corporate risk map. It monitors changes in risk through the key risk indicators (KRIs) scorecard and reports to the standing risk committee.

Internal assessment of risks and solvency

The undertaking conducts an annual **own risk and solvency assessment (ORSA)**, which is approved by the board of directors and filed with the supervisor. This is performed in accordance with the undertaking's ORSA policy, which is approved by the board of directors and reviewed and updated regularly.

This exercise entails self-assessment of the risks to which the undertaking will be exposed over a three-year time horizon, considering the outlook for developments in the undertaking's business and the market, historical experience of the size and type of risks to which the undertaking has been exposed in the past, and the risk appetite and limits set by the board of directors.

As a first step, once the main guidelines of the plan have been agreed by the board of directors based on the strategic objectives and market conditions, the financial statements for the undertaking and its subsidiaries are projected with local valuations as a baseline scenario. These financial statements are approved by the board of directors.

In addition to the baseline scenario, various **stress scenarios** are also considered, in which the solvency of the undertaking and the capital requirements it might have in extreme situations are tested by stressing key parameters for the business. These stress scenarios are approved by the board of directors through the audit, internal control and compliance committee.

In parallel, the local balance sheets are adjusted and reclassified for the baseline and stress scenarios for the projection period, to obtain the economic balance sheets for solvency purposes. This determines the **available funds** (excess of assets over liabilities) in each of the years for each scenario.

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

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

If the solvency position in any of the projection exercises in any scenario is below the minimum threshold set by the board of directors or less than 100%, management options are presented to return solvency to a position above the minimum required levels.

Finally, the board of directors approves the projected financial statements for solvency purposes and the solvency position projected for all of the years and scenarios, together with the management measures that might be necessary to restore the solvency position.

3.4. INTERNAL CONTROL SYSTEM

Under Article 46 of the Solvency Directive and Article 66 of Law 20/2015 on the management, supervision and solvency of insurance companies, the undertaking is required to have an effective internal control system. That system shall include administrative and accounting procedures, an internal control framework, appropriate reporting arrangements at all levels of the undertaking and a compliance function.

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

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

Internal control framework

The undertaking has the processes necessary for identifying, measuring, controlling, managing and reporting the risks to which it is exposed or may be exposed in the future on a continuous basis, at both the individual and aggregate level, always considering the principle of proportionality.

The undertaking has a **risk map** of the business processes that include all of its potentially serious inherent risks, with the residual risk level based on the effectiveness of existing controls. This covers specific transactions that are significant and the risks associated with each process.

Through the **risks identified** and the **key risk indicators** (KRIs) defined, the risk management system underpins the undertaking's process for defining strategies and decision-making, as these KRIs are included in the undertaking's scorecard, enabling proactive management of these risks. This report is made available to the board on a monthly basis through reporting to the audit, internal control and compliance committee, the standing risk committee and the management committee.

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

The board has set the **risk profile and overall risk tolerance limits** and supervises the committees established to monitor and manage potentially serious risks, through the audit, internal control and compliance committee.

The internal control environment is therefore considered to have the control and notification mechanisms required to provide the board of directors with relevant and accurate information for decision-making. The controls are proportional to the risks and cover all of the undertaking's areas and lines of business.

The degree to which the risk culture and risk management system have been embedded facilitates understanding of the implications of decisions taken by the board and management, depending on the risk it is willing to assume.

The annual **Internal Audit Activity Report**, which is presented to the audit, internal control and compliance committee, issued the following opinion on the undertaking's control environment in 2019:

*"Based on the conclusions of the audit work and the tests performed during the year, and the conclusions of the reviews by the external auditor of Línea Directa Aseguradora, S.A., we consider that the company's governance framework is adequate and its general internal control, risk management and compliance environment is **satisfactory."***

Risk reporting and information mechanisms

The Risk Management and Internal Control unit collates all of the undertaking's risk information for regular reporting to the audit, internal control and compliance committee. It also reports the status of the key risk indicators **(KRI scorecard**) facilitating oversight by the undertaking's management bodies.

The regular risk reports are as follows:

- The Corporate Governance and Risk division reports the status of the undertaking's risks, as well as the possibility of risks materialising and the status of all recommendations arising from testing, to the undertaking's management committee each month and to the standing risk committee every quarter.

- The audit, internal control and compliance committee is informed by the head of Corporate Governance and Risk of the most significant risks in the undertaking's risk map, the status of recommendations issued in testing of Línea Directa and the performance of the key risk indicators.

- The Internal Audit function reports to the audit, internal control and compliance committee every quarter.

Other internal control aspects

The undertaking's internal control framework and information mechanisms are set out in the previous sections. As the compliance verification function is detailed in section 6 of this report, on the Compliance function, all that remains is to mention the **administrative and accounting procedures** to cover all of the aspects under Article 46 of the Directive.

Línea Directa Aseguradora applies the Insurance Company Chart of Accounts. International accounting standards are applied to the consolidated financial statements of the Bankinter group, for which the undertaking and its subsidiaries fall within the consolidation perimeter. Under the regulations of Spain's National Securities Market Commission (CNMV), the Internal Control over Financial Reporting System (**ICFRS**) for listed companies is a set of processes that the board of directors, the audit committee, senior management and the personnel involved in the undertaking perform to provide reasonable assurance regarding the reliability of the financial information published and disclosed to the markets and stakeholders. Therefore, the relevant financial information, and the processes required for its preparation, must be identified and determined under a defined materiality criterion for ICFRS purposes, considering all the financial information reported and published. As a Bankinter Group entity, Línea Directa is involved in the ICFRS process, with the undertaking's Financial area being responsible for reporting the financial controls performed at the end of each month.

The undertaking's Finance area also has the following internal control functions:

- **The undertaking's planning**, developing an annual plan approved by the board of directors and monitoring monthly compliance with that plan
- **Cost control**, by monitoring and managing costs in all organisational areas, with regular verification of developments in strategic operational improvement projects, making specific proposals to rationalise expenditure
- Monitoring and control of the **financial statements** of companies in the Línea Directa group.

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

3.5. ACTUARIAL FUNCTION

The Actuarial function was created in 2014 and is part of the Corporate Governance and Risk division. It is part of the second line of defence in the risk management system, which guarantees independence between the areas that perform actuarial and operational work (first line of defence) and those that review the consistency of this work with the procedures and policies defined in the company, also proposing recommendations (second line of defence).

Its functions are to: coordinate the calculation of technical provisions; evaluate the adequacy and quality of data: validate the methodologies used to calculate technical provisions; compare the best estimates with previous experience through backtesting; inform the audit, internal control and compliance committee of the reliability and adequacy of the technical provisions; give an opinion on the underwriting policy and reinsurance agreements; and contribute to the effective implementation of the risk management system, with regard to the calculation of capital requirements, internal risk assessment and solvency.

It also prepares annual actuarial reports for the governing body, documenting all significant tasks performed during the year and their results, identifying any weaknesses and making recommendations on how these should be corrected.

The 2019 report was submitted to the audit, internal control and compliance committee on 14 January 2020, presenting the tasks performed during the year, namely:

- **Assessment of the adequacy and quality of the data** used in calculating provisions for premiums and claims and in the SCR for underwriting with data for the end of December 2018.
- **Analysis of the company's reserves**. The calculation of technical provisions at the end of December 2018 and June 2019 was reviewed to ensure the adequacy of the methodologies and assumptions, and to compare the best estimates with previous experience.
- **Assessment of the management of reinsurance risk,** including analysis of the company's risk profile, the reinsurance providers and the contracts signed

with them, and the reinsurance policy. The optimal reinsurance (priority/coverage) programme was also studied in terms of capital consumption for 2020.

- **Participation in the 2019 ORSA,** reviewing the outputs obtained by the areas to correct the weaknesses identified and propose improvements prior to approval by the audit, internal control and compliance committee (09/05/2019).
- ***Assessment of the feasibility of applying specific parameters*** to the risks and business lines for which the company currently does not have approval**.** In particular, this involved the feasibility of applying specific parameters for home insurance premium risk, and for the reserve risk for motor and home insurance, using the two methods proposed in Annex XVII to Commission Delegated Regulation (EU) 2015/35.
- **Assessment of underwriting risk management,** with a general review of the underwriting policy that includes the underwriting rules, the adequacy of the premiums, changes and adjustments to premiums, and capital consumption.

3.6. INTERNAL AUDIT FUNCTION

On 11 April 2014, the board of directors of Línea Directa Aseguradora agreed to outsource the undertaking's Internal Audit function to that of the parent company.

Internal Audit performs independent and objective assessment and assurance activity, and evaluates the effectiveness of risk control and management processes, internal control, compliance and corporate governance, adding value and flagging needs for modifications, as appropriate, and detecting aspects for improvement in the undertaking's operations.

The Internal Audit function is performed in accordance with the **Internal Audit Charter**, which was updated and approved by the Bankinter Group's audit and compliance committee in May 2018. This Charter defines the principles for action, responsibilities, dependencies and competences of the Internal Audit function.

In line with best good governance practices and with the provisions of the current regulatory framework, Internal Audit is an independent area within the organisation, acting objectively and independently of the operational units. The Internal Audit function reports to the undertaking's audit, internal control and compliance committee and reports functionally to the chairman of the board of directors, coordinated by the Office of the General Secretary, without prejudice to the powers of the chief executive officer. The hierarchical reporting to the chairman of the committee and functional reporting to the chairman of the undertaking ensures the independence, autonomy and universality of the Internal Audit function at all times.

The undertaking's Internal Audit Policy was updated and approved by Línea Directa's audit, internal control and compliance committee at its meeting in July 2017. This policy defines the framework for action to fulfil Internal Audit's objectives and mission in the Línea Directa Group.

The Internal Audit function was certified by the Institute of Internal Audit (IAI) as being compliant with International Internal Audit Standards (QA) in July 2013. Internal Audit complies with the International Standards for the Professional Practice of Internal Audit, which is essential for the exercise of the responsibilities of internal auditors.

Functions

Internal Audit analyses the Línea Directa Group's processes, procedures and activities, the control environment, risk identification and management, and the corporate governance and compliance framework.

It prepares the annual Audit Plan for the Línea Directa Group, covering the processes considered essential in the undertaking, its risk map, suggestions or concerns raised by management, and the conduct of internal audits requested by external supervisors and regulators.

The Audit Plan is approved annually by the undertaking's audit, internal control and compliance committee and the Bankinter Group's audit and compliance committee, which approves all the work of all Bankinter Group entities.

Internal Audit informs the undertaking's governing bodies, through the undertaking's audit, internal control and compliance committee, of the result of the work carried out, and the status of the observations issued and aspects pending implementation.

Composition

The Bankinter Group's Internal Audit function had 43 members in 2019.

The Línea Directa Group assigns an experienced insurance specialist to the function on a full-time basis, who coordinates the work done for each planned audit and the specialists in the financial risk, corporate governance, operational risk and technology risk teams.

3.7. OUTSOURCING

The objective of the Outsourcing Policy is to comply with Article 49 of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II), Law 20/2015 of 14 July, on the management, supervision and solvency of insurance and reinsurance companies, and Royal Decree 1060/2015 of 20 November on the management, supervision and solvency of insurance companies and reinsurance companies, and its implementing regulations, under which insurance companies must ensure that the outsourcing of critical or important functions or operational activities cannot be carried out in such a way that it might:

materially impair the quality of the system of governance of the undertaking concerned;

- unduly increase operational risk;
- impair the ability of the supervisory authorities to monitor the compliance of the undertaking with its obligations;
- or affect continuous and satisfactory service to policyholders.

This Policy summarises the requirements and conditions required of entities in the outsourcing of functions, and in particular sets out:

a) the criterion for determining whether a function or activity is critical or important;

b) how to select a supplier with appropriate quality, and how and on what basis its performance and results can be evaluated;

c) the details to be included in the contract with the service provider; and

(d) business contingency plans, including the conditions for termination or revocation of contracts for critical or important outsourced functions or activities.

In 2019, the undertaking's internal audit function was performed under an outsourcing agreementby the Internal Audit function of the Bankinter S.A Group, an undertaking domiciled in Spain. Management of the assistance network for the health line of business, which the undertaking markets under the Vivaz brand, has also been outsourced.

3.8. OTHER INFORMATION

Adequacy of the governance system

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

4. RISK PROFILE

4.1. RISK APPETITE, LIMIT AND EXPOSURE

Risk appetite and limit

The **board of directors** has ultimate responsibility for **defining and setting the risk appetite**. It is also responsible for the existence of **limits** for identified risks and ensuring they are properly monitored and managed. This means that the board of directors is responsible for establishing and updating the undertaking's annual risk appetite and monitoring the effective risk profile, and ensuring they are consistent.

Prudence principle

The undertaking manages its investments in accordance with the regulations and guidelines set by the undertaking's governing bodies regarding the solvency margin and coverage of the technical provisions.

The undertaking manages market risk and reduces its exposure to it through an **Investment Policy** that is proposed by the chief financial officer and approved by the board of directors. This is reviewed annually.

This policy contains the terms of reference for the investment committee. Following the prudence principle, these include the following objectives:

- "Develop and maintain an appropriate investment strategy for the LDA Group's investment objectives and developments in the market that meets the requirements of all regulators."
- "Analyse the appointment and separation of all investment advisers and the suitability of their recommendations, considering the investment guidelines and the undertaking's circumstances".

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

- "Report to the undertaking's board of directors and ensure that it is immediately aware of any irregularities or breaches of the investment objectives and investment guidelines".

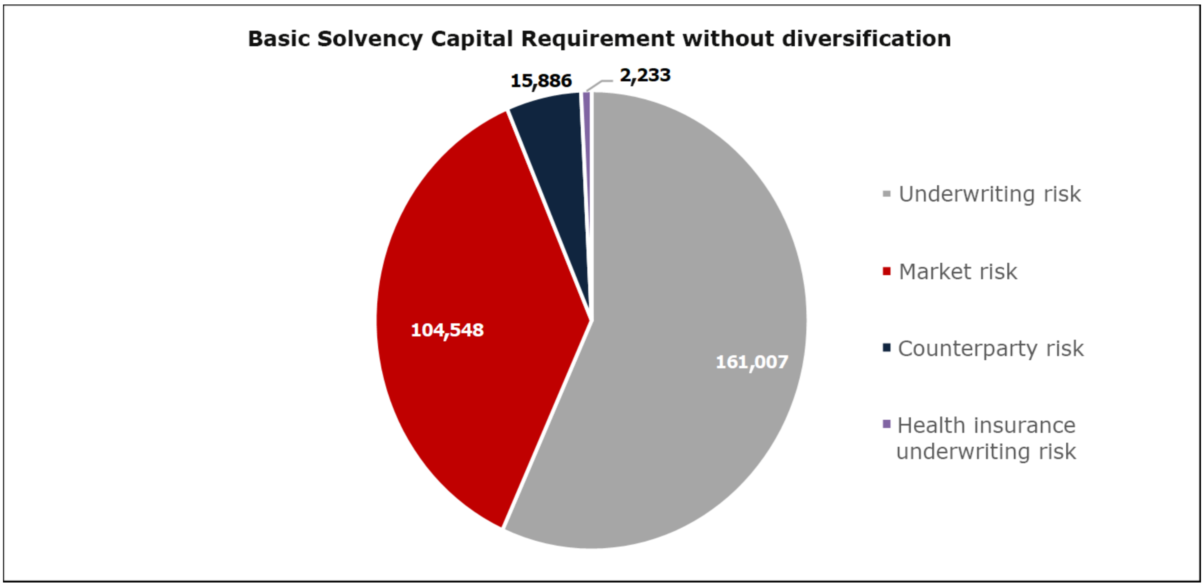
The limits set by the investment guidelines demonstrate that this is a very conservative policy in terms of investment risks. Derivatives can only be used for hedging market risk, never for speculative purposes. Approval from the investment committee is required, when appropriate, and the regulatory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

Finally, the Investment Policy also sets down the authorisation limits for transactions, requiring authorisation from the board of directors for the largest investments.

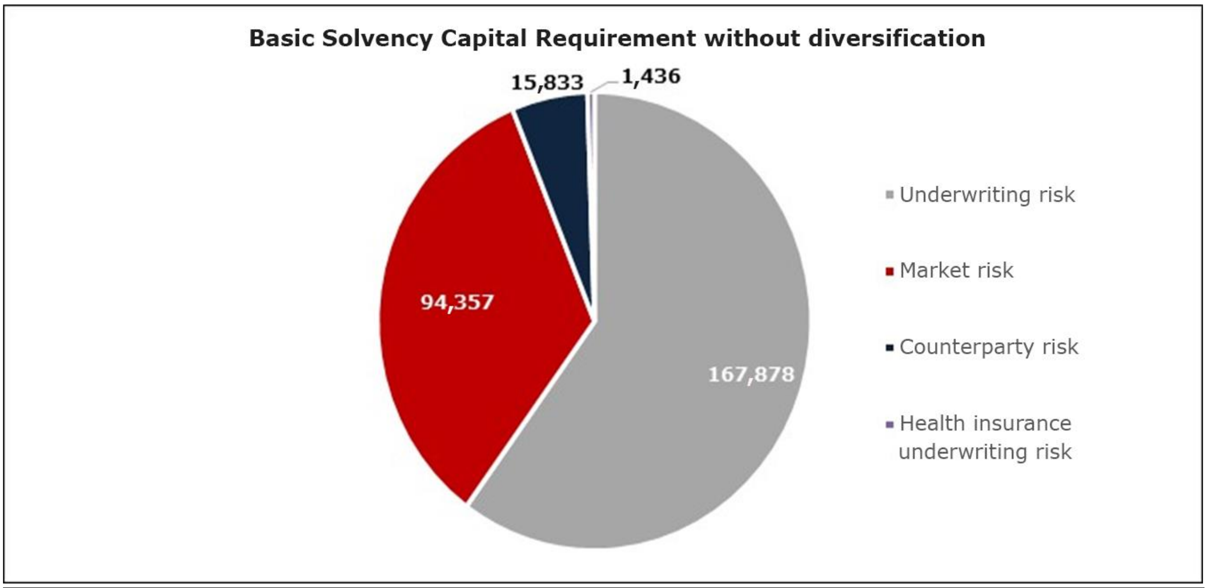
Risk exposure

The undertaking's risk exposure, measured by the **basic solvency capital requirement** risk categories, without diversification and calculated using the standard formula, at 31 December 2019 and 2018 is shown in the chart below:

31 December 2019:



31 December 2018:



As the chart shows, the main risk to which the undertaking is exposed is underwriting risk, followed by market risk and counterparty risk.

Risk sensitivity

As discussed, the undertaking conducts stress and sensitivity analysis on its most significant risks as part of the annual ORSA exercise.

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

Strategies, objectives and processes by risk category

The undertaking conceptualises the establishment of the risk profile through self-assessment of **quantitative** and **qualitative** aspects of each risk category. The overall risk profile derives from the absolute and relative positions of each of these risks in terms of these aspects.

The undertaking has an effective risk management system that determines how to manage each risk category and area, and any potential risk aggregation. Specific policies are in place that define the risk categories and risk measurement methods.

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

The risks covered by the undertaking's Risk Policy, established according to the estimate of the materiality of the undertaking's exposure, are defined below. These risks are related and defined, with a manager being assigned for each risk, as the person with ultimate responsibility for their management and control in the first line of defence.

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

4.2. UNDERWRITING RISK

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

Premium risk involves future claims during and after the period, to the time horizon for measuring solvency. The risk is that the expenses and costs of the claims might exceed the premiums received. Exposure to this risk, measured by the volume of premiums, is 884.609 million euros (874.212 million euros in 2018).

There are two sources of **reserve risk**: underestimation of the absolute level of provisions and the random nature of claims payouts. Both of these risks cover claims with regular frequency, as extreme events fall within the realm of catastrophe risk, which, with lapse risk, completes the underwriting risk. Exposure to this risk, measured by the volume of technical provisions for claims, is 211.046 million euros (232.537 million euros in 2018).

The solvency capital requirement for premium and reserve risk is 159.467 million euros (163.909 million euros in 2018).

Assessing the undertaking's risk profile requires us to consider some circumstances specific to the Spanish insurance market and some intrinsic to the undertaking that influence the risks to which it is exposed, such as the circumstances in which it faces them:

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

1. **Existence of the Consorcio de Compensación de Seguros (Insurance Compensation Consortium)**

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

2. **Settlement agreements in claims management**

   In Spain, there are several agreements covering a large percentage of the material damage claims in the sector. The agreement setting standard compensation modules provides **lower payment volatility** for such material claims, while streamlining the settlement period for claims and increasing management efficiency, and limiting the maximum cost that the undertaking has to pay for claims under an agreement in which the undertaking's policyholder is responsible.

3. **Application of the injury scale**

   The existence of a scale setting the amounts of compensation provides much greater **stability and predictability** for the cost of claims for injuries than in other nearby countries, as judges generally respect this appraisal system, making future compensation more easily quantifiable, significantly limiting possible surprises in claims costs.

b) Features of the undertaking in the Spanish market

1. **A business based on organic growth**

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

2. **Commitment to technology**

   The undertaking is committed to **centralising and automating its business processes,** with particular emphasis on information and pricing systems. This facilitates monitoring of the development of the policy portfolio and claims costs, enabling tactical business decision-making that can be implemented nimbly.

3. **Use of the direct channel**

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

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

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

In **catastrophe risk**, LDA is exposed both to natural risks (wind and hailstorms) and to man-made risks (civil liability for motor vehicles and fire), with a net capital charge for the mitigation effect of 5.061 million euros (12.619 million euros in 2018).

Lapse risk relates to exposure to premiums for tacit renewals of policies in the portfolio at the end of the reference period. The net capital burden of the mitigation effect is 8.019 million euros (11.100 million euros in 2018).

Underwriting risks are managed and monitored in LDA's **business and reserves committees**.

4.3. HEALTH UNDERWRITING RISK

LDA began marketing policies in the health sector in 2017. This resulted in health underwriting risk being included in the calculation of the solvency capital requirement (SCR) in the last financial year. The most significant risk here is premium risk.

The solvency capital requirement for health underwriting risk is 2.233 million euros (1.436 million euros in 2018).

4.4. MARKET RISK

LDA manages market risk through its **investment policy** guidelines, which are approved by the board of directors and reviewed annually. This policy is managed and monitored through the **investment committee** and implemented operationally by LDA's Finance division.

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

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

The investment policy expressly prohibits the use of futures or options for speculative purposes.

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

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

Property

The undertaking is exposed to property risk through the properties it owns for its own use for its insurance activity and for investment. The exposure to this risk is 147.472 million euros (39.976 million euros in 2018).

The increase in exposure is due to the amendment of Commission Delegated Regulation 2019/981 of 8 March 2019 amending Delegated Regulation 2015/35, indicating that the transparency approach should ensure that the risks to which the insurance or reinsurance undertaking is exposed are duly taken into account, whatever its investment structures. This approach therefore applies to undertakings linked to insurance or reinsurance undertakings whose main purpose is holding or managing assets on behalf of that insurance or reinsurance undertaking.

Therefore, the properties owned by the subsidiary LD Activos, S.L.U. have been included as property risk.

The undertaking's investment policy sets a limit on property investment in the asset portfolio.

Interest rates

LDA is exposed to the sensitivity of the values of assets, liabilities and financial instruments to changes in the term structure of interest rates and their volatility. Historically, given the excess of the asset portfolio (mainly comprising fixed income instruments) over the technical provisions and the maturities of such assets and liabilities, the capital charge under the standard formula has been determined by the stress of interest rate increases.

The current backdrop of very low and even negative interest rates in the early years of the risk-free interest rate curve makes the capital requirements for this risk module less demanding. However, in turn, the yields on the fixed income assets in which the profits generated by the undertaking are invested and the maturities of the portfolio assets are also lower, with the corresponding impact on the undertaking's profits.

The exposure to this risk is 705.048 million euros for assets and 475.632 million euros for liabilities (719.216 million euros for assets and 460.554 million euros for liabilities in 2018).

Equities

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

The exposure to equities is 134.009 million euros (197.905 million euros in 2018), including exposure to the equities of Group entities.

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

Spread

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

LDA's investment policy sets portfolio limits per rating step with a minimum required credit rating. The securities outside these limits are, mainly, securities issued or guaranteed by European Economic Area governments.

The exposure to this risk is 718.632 million euros (719.216 million euros in 2018).

Exchange rates

This risk measures the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or volatility of exchange rates. LDA's exposure to this risk is not material, because of the limits in its investment policy.

Exposure to this type of risk was 33.626 million euros in 2019 (30.875 million euros in 2018)

Concentration

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

LDA's investment policy sets portfolio limits for issuers based on their credit ratings.

The exposure to this risk is 1.000113 billion euros (957.096 million euros in 2018).

4.5. CREDIT RISK

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

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

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

Specifically, non-payment of insurance premiums is monitored in the business committee, receivables from reinsurance companies are monitored in the reserves committee, and positions with treasury and liquid asset counterparties are monitored in the investment committee.

The exposure to this risk is 175.201 million euros (187.776 million euros in 2018).

4.6. LIQUIDITY RISK

This non-regulatory risk (i.e. it does not require regulatory capital) is due to the potential temporary inability of the undertaking to pay its obligations within the agreed timeframes, due to such obligations maturing before maturity dates for collections from customers or from financial investments.

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

The expected profit from future premiums at the end of 2019 was 22.919 million euros (30.272 million euros in 2018).

This risk is managed and monitored by the undertaking's Finance area and the investment committee.

4.7. OPERATIONAL RISK

Operational risk results from mismatches or failures in internal processes, personnel and systems, and from external events. This risk is assessed for the calculation of solvency using the **standard formula** methodology, with the capital charge being monitored on a quarterly basis. This risk is monitored in the standing risk committee. The volume of exposure is measured by the premiums earned and amounts to 869.742 million euros (826.542 million euros in 2018).

4.8. REPUTATIONAL RISK

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

As this is a non-regulatory risk (it is not included in the calculation of the solvency capital requirement under the standard formula), this is estimated in the ORSA exercise by the Corporate Governance/External Communication and Corporate Reputation area, using an in-house methodology based on expert judgment.

4.9. LEGAL RISK

Legal risk includes regulatory risk and compliance risk.

Regulatory risk is the possibility that the undertaking's processes and operations may become obsolete or non compliant with prevailing regulation in the event of changes or new developments in applicable regulations.

Compliance risk represents the possibility that the undertaking's processes and operations might not comply with current regulations.

As these are both non-regulatory risks (i.e. they are not part of the calculation of solvency capital under the standard formula), they are estimated in the ORSA exercise by the Compliance area, using an in-house methodology based on expert judgement.

4.10. SUITABILITY OF INVESTMENTS

Credit rating

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

There are two ECAI-issued credit ratings for reinsurance recoverables for calculating counterparty risk. LDA has continuously used the one provided by Standard & Poors consistently over time.

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

Concentration

Any positions exceeding the concentration limits in the Investment guidelines, which are approved by the board of directors, are considered high exposure. These limits prevent the undertaking from holding significant positions in a single item. This means that it does not need to carry out its own internal credit assessment, in accordance with Article 4 of the Delegated Regulation. The investment committee ensures that day-to-day investment management complies with the investment guidelines.

Complex exposures

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

- they are traded on OTC markets,
- they are not listed,
- they are domiciled in non-OECD countries,
- the underlying is a structured product with limited liquidity.

The undertaking's Investment Guidelines limit such exposures.

Risk mitigation techniques

Irrespective of the risk management described in this document in relation to counterparty, underwriting and reserve risks, the undertaking has a **reinsurance policy** that complies with the requirements of EIOPA Guideline 21, on risk management through reinsurance and other risk mitigation techniques.

This reinsurance policy includes detailed information on the undertaking's reinsurance procedure, selection criteria for counterparties, control over the cost of claims that exceed the priority set in the contracts and quarterly checks on the ratings of the reinsurance company.

The Reserves and Reinsurance area is responsible for conducting priority/optimal coverage studies, preparing the information necessary for the pricing and interacting with reinsurers.

Reinsurance proposals are shared, discussed and agreed with the business areas involved and the undertaking's management, depending on the scenario, levels of risk to be assumed, and the prices of different levels and forms of cover.

Once the negotiations with the reinsurance companies have been completed or are well advanced, the board of directors is informed so that it can proceed with approval.

The Actuarial function is responsible for issuing an opinion on the reinsurance policy and the reinsurance programme in its annual report.

5. VALUATION FOR SOLVENCY PURPOSES

The general valuation rules for assets and liabilities under Article 75 of the Directive and, as a general valuation rule, the solvency regime are based on international accounting standards. If the valuation methods in these are not consistent, temporarily or permanently, with the valuation approach under Article 75 above, other valuation methods that are considered consistent are used. The undertaking applies the principle of proportionality.

The following sections detail the most significant items on the asset and liability sides of the balance sheet, comparing the solvency and financial statement balance sheets at 31 December 2019 and 2018, as well as differences in the valuation methodologies.

5.1. ASSETS

The asset side of the compared balance sheets at 31 December 2019 and 2018, grouped into the most significant items, is as follows:

31 December 2019:

COMPARISON OF HEADINGS ON THE ASSET SIDE OF THE BALANCE SHEET		
(thousands of euros)	**Solvency**	**Financial statements**
Intangible assets and deferred acquisition costs	-	96,051
Deferred tax assets	72,733	24,229
Property, land and equipment held for own use	56,753	43,768
Investments and loans	937,218	891,797
Reinsurance recoverables	10,468	9,517
Reinsurance receivables	4,175	4,175
Other receivables	35,304	106,074
Cash and cash equivalents	119,827	129,140
TOTAL ASSETS	**1,236,478**	**1,304,751**

31 December 2018:

COMPARISON OF HEADINGS ON THE ASSET SIDE OF THE BALANCE SHEET		
(thousands of euros)	**Solvency**	**Financial statements**
Intangible assets and deferred acquisition costs	-	82,719
Deferred tax assets	34,898	26,500
Property, land and equipment held for own use	47,225	39,108
Investments and loans	918,785	868,039
Reinsurance recoverables	6,643	7,318
Reinsurance receivables	2,828	2,828
Other receivables	41,509	93,343
Cash and cash equivalents	128,140	138,470
TOTAL ASSETS	**1,180,028**	**1,258,325**

The following sections detail the valuation criteria and differences between the financial statements and solvency balance sheets for each heading on the asset side.

Intangible assets and deferred acquisition costs

The undertaking measures deferred acquisition costs and intangible assets in accordance with Article 12 of the Delegated Regulation.

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

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

31 December 2019:

Goodwill, deferred acquisition costs and intangible assets		
(thousands of euros)	**Solvency**	**Financial statements**
Goodwill		-
Deferred acquisition costs		84,469
Intangible assets	-	11,582

31 December 2018:

Goodwill, deferred acquisition costs and intangible assets		
(thousands of euros)	**Solvency**	**Financial statements**
Goodwill		-
Deferred acquisition costs		75,468
Intangible assets	-	7,252

Deferred tax assets

This heading of the solvency balance includes the tax assets heading of the financial statements, amounting to 72.733 million euros and 34.898 million euros at the end of 2019 and 2018, respectively, due to temporary differences.

31 December 2019:

Deferred tax assets		
(thousands of euros)	**Solvency**	**Financial statements**
Deferred tax assets	72,733	24,229

31 December 2018:

Deferred tax assets		
(thousands of euros)	**Solvency**	**Financial statements**
Deferred tax assets	34,898	26,500

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

Property, plant and equipment held for own use

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

31 December 2019:

Property, land and equipment held for own use		
(thousands of euros)	**Solvency**	**Financial statements**
Property for own use	44,198	35,924
Other property, plant and equipment	12,555	7,844
	56,753	**43,768**

31 December 2018:

Property, land and equipment held for own use		
(thousands of euros)	**Solvency**	**Financial statements**
Property for own use	38,139	30,022
Other property, plant and equipment	9,086	9,086
	47,225	**39,108**

For the purposes of the financial statements, 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 in bringing the asset into operation, including finance expenses. These assets are depreciated systematically on a straight-line basis over their estimated useful life, taking into account the depreciation effectively sustained from their operation, use and enjoyment. At year-end, any relevant valuation adjustments are made to property, plant and equipment.

For solvency purposes, the net carrying amounts of the elements comprising property, plant and equipment are used as their fair value, while the last appraisal value is used for property held for own use. In the latter case, the solvency value exceeds the value in the financial statements by 8.274 million euros and 8.117 million euros at 31 December 2019 and 2018, respectively.

The other property, plant and equipment heading considers the provisions of international regulations concerning leases (IFRS 16).

Investments and loans portfolio

The assets in the investment portfolio at 31 December 2019 and 2018 are presented in the following table, with comparative valuations:

31 December 2019:

(thousands of euros)	Solvency	Financial statements
Investments (other than index linked and unit linked assets)	**917,096**	**871,677**
Property (other than for own use)	1,957	1,957
Holdings	106,410	59,902
Equities	33,490	33,490
Equities — listed	29,468	29,468
Equities — unlisted	4,022	4,022
Bonds	717,810	708,499
Government bonds	398,609	393,337
Corporate bonds	319,201	315,162
Structured notes	-	-
Collateralised securities	-	-
Collective investment undertakings	57,429	67,829
Derivatives	-	-
Deposits (other than cash equivalents)	-	-
Other investments	-	-
Loans and mortgages	**20,122**	**20,120**
To individuals	**-**	**-**
Other	20,122	20,120

31 December 2018:

(thousands of euros)	Solvency	Financial statements
Investments (other than index linked and unit linked assets)	**889,612**	**838,868**
Property (other than for own use)	1,836	1,808
Holdings	110,379	59,689
Equities	34,800	34,800
Equities — listed	34,794	34,794
Equities — unlisted	4	6
Bonds	693,952	683,630
Government bonds	402,168	396,600
Corporate bonds	291,784	287,030
Structured notes	-	-
Collateralised securities	-	-
Collective investment undertakings	43,641	53,941
Derivatives	-	-
Deposits (other than cash equivalents)	5,004	5,000
Other investments	-	-
Loans and mortgages	**29,173**	**29,170**
To individuals	**-**	**-**
Other	29,173	29,170

Noteworthy points in relation to the main headings include:

Holdings

Holdings in the undertaking's subsidiaries are recognised in the financial statements at their acquisition value corrected for any impairment, while they are recognised at the net carrying amount of each undertaking in the solvency balance sheet, which includes the tacit gains corresponding to accumulated profits that have not been distributed as dividends, amounting to 36.107 million euros and 40.389 million euros at 31 December 2019 and 2018, respectively.

This asset category also includes 10.400 million euros for a listed private real estate investment company and a listed private hotel investment company in which two Bankinter Group financial institutions have interests. The valuations of these assets coincide for solvency and financial statement purposes.

Equities — listed

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

Government and corporate bonds

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

Accrued and unmatured interest from financial investments, when this is not part of their redemption value in the financial statements, is classified as an increase in value for the investment portfolio for solvency purposes, while in the financial statements this is classified under "Any other assets, not elsewhere shown", amounting to 9.311 million euros and 10.322 million euros at 31 December 2019 and 2018, respectively.

Collective investment undertakings

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

Deposits

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

Accrued and unmatured interest from financial investments that is not part of the redemption value in the financial statements is classified as increased value of the investment portfolio for solvency purposes, while in the financial statements this is classified| as "Any other assets, not elsewhere shown". The Company had no deposits at 31 December 2019. The undertaking had deposits amounting to 5.0 million euros at 31 December 2018.

Loans and mortgages

This heading of the solvency balance sheet comprises the same concepts and has the same valuation for both the financial statements and for solvency purposes. This item amounted to 20.122 million euros and 29.173 million euros at 31 December 2019 and 2018, respectively, corresponding to two loans extended by the undertaking to two subsidiaries and various accounts receivable, also with subsidiaries, for prepayments on account of corporation tax that the undertaking settles as the head of the tax group on their behalf and subsequently adjusts with them.

Reinsurance recoverables

The "Reinsurance recoverables" in the Solvency balance sheet correspond to the "Reinsurers' share of technical provisions" in the financial statements.

31 December 2019:

Reinsurance recoverables:		
(thousands of euros)	Solvency	Financial statements
Reinsurance recoverables:	**10,468**	**9,517**
Non-life and health similar to non-life	10,468	9,517
Non-life excluding health	5,535	5,535
Health similar to non-life	4,933	3,982

31 December 2018:

Reinsurance recoverables:		
(thousands of euros)	Solvency	Financial statements
Reinsurance recoverables:	**6,643**	**7,318**
Non-life and health similar to non-life	6,643	7,318
Non-life excluding health	4,273	5,161
Health similar to non-life	2,370	2,157

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

- The reinsurers' share of the unearned premium provision in the financial statements is replaced in the solvency balance sheet by the recoverable amount corresponding to the provision for direct insurance premiums.
- Reinsurance recoverables are calculated using the same methodology as that for the best estimate of the technical provisions on the liability side of the solvency balance sheet, considering the reinsurance programme in the exposure period.
- The possibility of non-payment by counterparties is considered in estimating reinsurance recoverables.

Reinsurance receivables

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

Other receivables

This heading contains premiums pending collection from policyholders, for both premiums written and unwritten premium instalments, corrected by the estimate of the provision for outstanding premiums. It also includes recoveries for claims that are considered certain and are pending settlement or collection, which account for almost the entire balance of the heading. Historically, these recoveries have occurred satisfactorily and very rapidly, usually being settled through claims settlement agreements.

A less significant part comprises positions with debtors for various transactions, with collection rights with Bankinter Group entities accounting for a significant portion of these.

The difference corresponds to the reclassification of premiums pending issue to the best estimate of premiums, amounting to 30.416 million euros (30.416 million euros in 2018), and the reclassification of recoveries to the best estimate of claims in the amount of 40.352 million euros.

Cash and cash equivalents

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

The balance corresponds to current account positions and short-term liquid assets, with the counterparties for almost all of the balance being Bankinter, the parent of the group to which the undertaking belongs, and Banco Santander, amounting to 118.690 million euros. (128.135 million euros in 2018).

Any other assets, not elsewhere shown

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

31 December 2019:

Any other assets, not elsewhere shown		
(thousands of euros)	**Solvency**	**Financial statements**
Any other assets, not elsewhere shown	1,136	10,450

31 December 2018:

Any other assets, not elsewhere shown		
(thousands of euros)	**Solvency**	**Financial statements**
Any other assets, not elsewhere shown	6	10,335

The valuation difference between the solvency balance sheet and the financial statements is due to the accrual of interest amounting to 9.314 million euros (10.329 million euros in 2018), which is included under "Other assets" in the financial statements but is reclassified to the headings where the assets originating the interest are recognised in the Solvency balance sheet (mainly in Bonds, under Investments).

5.2. TECHNICAL PROVISIONS

The most important heading on the liability side of the solvency balance sheet at 31 December 2019 and 2018 is Technical provisions, as shown in the following table:

31 December 2019:

COMPARISON OF BALANCE SHEET LIABILITY HEADINGS		
(thousands of euros)	Solvency	Financial statements
Technical provisions	506,262	732,785
Deferred tax liabilities	121,778	41,523
Other liabilities	217,276	234,534
TOTAL LIABILITIES	**845,316**	**1,008,842**

31 December 2018:

COMPARISON OF BALANCE SHEET LIABILITY HEADINGS		
(thousands of euros)	Solvency	Financial statements
Technical provisions	489,436	732,986
Deferred tax liabilities	88,796	35,757
Other liabilities	216,526	238,235
TOTAL LIABILITIES	**794,758**	**1,006,978**

The Technical provisions heading of the solvency balance sheet compares to the equivalent in the financial statements at 31 December 2019 and 2018 as follows:

31 December 2019:

TECHNICAL PROVISIONS		
(thousands of euros)	Solvency	Financial statements
Technical provisions, non-life (excluding health)	**495,044**	**717,859**
Technical provisions calculated as a whole	-	
Best estimate	475,138	
Risk margin	19,906	
Technical provisions, non life (health similar to non life)	**11,218**	**14,927**
Technical provisions calculated as a whole	-	
Best estimate	10,962	
Risk margin	256	

31 December 2018:

TECHNICAL PROVISIONS		
(thousands of euros)	**Solvency**	**Financial statements**
Technical provisions, non-life (excluding health)	**481,216**	**728,460**
Technical provisions calculated as a whole	-	
Best estimate	459,246	
Risk margin	21,970	
Technical provisions, non life (health similar to non life)	**8,220**	**4,526**
Technical provisions calculated as a whole	-	
Best estimate	7,951	
Risk margin	269	

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

The technical provisions in the financial statements were valued in accordance with the Regulations on the management, supervision and solvency of insurance companies (ROSSEAR)

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

31 December 2019:

TECHNICAL PROVISIONS BY BUSINESS LINE						
Technical provisions calculated as the sum of a best estimate and a risk margin (thousands of euros)	**Motor vehicle liability insurance**	**Other motor insurance**	**Fire and other damage to property insurance**	**Assistance insurance**	**Medical expense insurance**	**TOTAL**
Best estimate:						
Premium provisions						
Gross	123,767	109,431	30,545	(217)	8,338	271,864
Total recoverable from reinsurance	6,659	-	(1,676)	(15)	3,628	8,596
Net best estimate of premium provisions	117,108	109,431	32,221	(202)	4,710	269,268
Claims provisions						
Gross	136,532	59,309	15,305	467	2,624	214,237
Total recoverable from reinsurance	(667)	882	289	63	1,305	1,872
Net best estimate of claims provisions	137,199	58,427	15,016	404	1,319	212,365
Total best estimate, gross	260,299	168,740	45,850	250	10,962	486,101
Total best estimate, net	254,307	167,858	47,237	202	6,029	475,633
Risk margin:	10,780	7,115	2,002	9	256	20,162
TOTAL TECHNICAL PROVISIONS:						
Total technical provisions	**271,079**	**175,855**	**47,852**	**259**	**11,218**	**506,263**
Total recoverable from reinsurance	**5,992**	**882**	**(1,387)**	**48**	**4,933**	**10,468**
Total technical provisions minus recoverable reinsurance	**265,087**	**174,973**	**49,239**	**211**	**6,285**	**495,795**

31 December 2018:

TECHNICAL PROVISIONS BY BUSINESS LINE						
Technical provisions calculated as the sum of a best estimate and a risk margin (thousands of euros)	**Motor vehicle liability insurance**	**Other motor insurance**	**Fire and other damage to property insurance**	**Assistance insurance**	**Medical expense insurance**	**TOTAL**
Best estimate:						
Premium provisions						
Gross	91,285	104,591	29,607	(355)	6,869	231,997
Total recoverable from reinsurance	3,750	-	(872)	(187)	1,833	2,591
Net best estimate of premium provisions	87,535	104,591	30,479	(167)	5,036	229,406
Claims provisions						
Gross	158,344	60,639	14,720	415	1,082	235,200
Total recoverable from reinsurance	948	870	(318)	82	537	2,119
Net best estimate of claims provisions	157,396	59,769	15,038	333	545	233,081
Total best estimate, gross	249,629	165,230	44,327	61	7,951	467,197
Total best estimate, net	244,931	164,360	45,516	166	5,580	460,554
Risk margin:	11,827	7,937	2,198	8	269	22,239
TOTAL TECHNICAL PROVISIONS:						
Total technical provisions	**261,456**	**173,167**	**46,525**	**69**	**8,220**	**489,436**
Total recoverable from reinsurance	**4,698**	**870**	**(1,190)**	**(105)**	**2,370**	**6,643**
Total technical provisions minus recoverable reinsurance	**256,758**	**172,297**	**47,714**	**174**	**5,850**	**482,793**

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

With regard to the **Provision for pending claims** in the **motor vehicle and fire insurance and other property damage** business lines, the undertaking uses a statistical methodology known as "Chain Ladder". This is actuarially accepted and used for the projection of claims incurred. It is one of the methods based on "run-off" triangles, using the best estimate for all lines of business. The value of the provision used for motor vehicle insurance for the purposes of the financial statements is calculated using that method, applying expert judgment through consideration of atypical development factors. In the case of insurance for fire and other damage to property, as well as health assistance in the health segment, the provision is on a case-by-case basis, as the undertaking does not have authorisation from the regulator to use a statistical method.

The provision for unreported claims for fire and other property insurance is calculated as set out in Article 41.2 of the Regulations on the Management and Supervision of Private Insurance, as approved by Royal Decree 2486/1998 and amended by Royal Decree 239/2007 of 16 February. In health insurance, where the company does not have the necessary experience, this is calculated as 5% of the provision for pending claims, as provided for in Article 41.3.

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

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

The provision for unreported claims is calculated as 5% of the provision for outstanding claims, with no significant valuation differences for both the financial statements and solvency purposes.

With regard to the **provision for claims settlement expenses** (which is part of the claims provision), the undertaking calculates the provision for internal claims settlement expenses in accordance with Article 42 of the Regulations on the Management and Supervision of Private Insurance, as approved by Royal Decree 2486/1998 and amended by Royal Decree 239/2007 of 16 February.

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

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

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

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

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

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

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

The undertaking uses the simplification described in Technical Annex III to the guidelines on the valuation of technical provisions published by EIOPA in its calculation of the best estimate of the **premium provision for the fire and other damage to property, assistance and medical expense insurance business lines**. This simplification is based on applying the planned combined ratio to the unearned premium at the calculation date and release of the profit margin or loss implicit in tacit renewals at that date.

C) Other considerations regarding technical provisions

The undertaking does not apply the **matching adjustment** provided for under Article 77 ter of Directive 2009/138/EC.

The undertaking does not apply the **volatility adjustment** under Article 77 quinquies of Directive 2009/138/EC.

The undertaking does not apply the **temporary structure of interest rates without transitional risk** stipulated in Article 308 quater of Directive 2009/138/EC or **the transitional deduction** set out in Article 308 quinquies of Directive 2009/138/EC.

D) Bases, methodologies and assumptions used in calculating the risk margin

The undertaking uses a simplified calculation to obtain the risk margin for each business line. Based on guideline 62 on the hierarchy of methods for calculating the risk margin, when valuating the technical provisions, the undertaking uses method three to approximate the discounted sum of all future solvency capital requirements in a single step, without estimating the solvency capital required for each future year separately, as described in Article 58(b) of the Implementing Measures, using the amended duration of insurance liabilities as a proportionality factor.
This method considers the maturity and run-off pattern of obligations net of reinsurance.

5.3. OTHER LIABILITIES

Deferred tax liabilities

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

31 December 2019:

Deferred tax liabilities		
(thousands of euros)	**Solvency**	**Financial statements**
Temporary differences in liabilities	41,523	41,523
Deferred tax liability arising from the reconciliation reserve	80,255	-
	121,778	**41,523**

31 December 2018:

Deferred tax liabilities		
(thousands of euros)	**Solvency**	**Financial statements**
Temporary differences in liabilities	35,757	35,757
Deferred tax liability arising from the reconciliation reserve	53,039	-
	88,796	**35,757**

Liabilities for temporary differences between assets and liabilities with a creditor sign arise from past company tax settlements and payments on account for the current year. In 2015, the undertaking informed the Tax Administration of its decision to pay tax under the tax consolidation regime provided for in the Corporation Tax Law, forming a tax consolidation group of which it is the parent company.

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

Other liabilities

There are no valuation differences between the solvency balance sheet and the financial statements for the other liability elements, with the exception of "provisions other than technical provisions", as detailed in the following table:

31 December 2019:

COMPARISON OF HEADINGS ON THE REST OF THE LIABILITY SIDE OF THE BALANCE SHEET		
(thousands of euros)	**Solvency**	**Financial statements**
Provisions other than technical provisions	765	22,733
Due on insurance business with brokers	4,569	4,569
Derivatives	1,584	1,584
Reinsurance payables	13,584	13,584
Other payables (other than those arising from insurance business) and other liabilities	196,774	192,064
	217,276	**234,534**

31 December 2018:

COMPARISON OF HEADINGS ON THE REST OF THE LIABILITY SIDE OF THE BALANCE SHEET		
(thousands of euros)	**Solvency**	**Financial statements**
Provisions other than technical provisions	2,857	24,565
Due on insurance business with brokers	2,518	2,518
Derivatives	3,385	3,385
Reinsurance payables	1,011	1,011
Other payables (other than those arising from insurance business) and other liabilities	206,755	206,755
	216,526	**238,234**

The following concepts are included:

- The change under the heading "Provisions other than technical provisions" corresponds to the estimate of payments for repairs for insured persons who are not at fault in claims under settlement agreements that are included in the calculation of the best estimate of claims under the Solvency II regulations. Most of the balance with brokers under the "Due on insurance business with brokers" heading mostly relates to Ámbar Medline, an exclusive agent of the undertaking that brokers policies directly and through its insurance agents.
- The "Reinsurance payables" heading includes the cash accounts with various reinsurance companies derived from reinsurance contracts.
- "Other payables and other liabilities" includes various balances to be paid to suppliers, public administrations and other counterparties, including 28.344 million euros (39.120 million euros in 2018) for dividends payable to the shareholder, payment of which is not yet due. "Due on securities lending" refers to the monetary guarantee received under a government bond repo transaction (assignment of government bonds with a repurchase agreement) with a total carrying amount of 119.636 million euros, including unpaid accrued interest. This is composed of repos, two with Spanish government securities that mature on 17 January 2020, with a value of 21.307 million euros and 61.352 million euros, and one with Portuguese government securities that matures on 17 January 2020, with a value of 36.976 million euros. The counterparty in these transactions is Banco BBVA. The effect of the application of international regulations (IFRS 16) is also included.

6. CAPITAL MANAGEMENT

6.1. OWN FUNDS

The undertaking's capital planning shows its own fund requirements over a three-year period for regulatory capital requirements such as the overall solvency (economic capital) requirements estimated through the ORSA self-assessment process, with a minimum solvency threshold set by the board of directors, which is always greater than 120% (with a risk appetite of 150%).

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

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

The undertaking's reconciliation reserve at 31 December 2019 and 2018 is:

31 December 2019:

Reconciliation reserve	
(thousands of euros)	**Total**
Excess of assets over liabilities	353,650
Own shares (included as assets on the balance sheet)	-
Foreseeable dividends and distributions	-
Other element of own funds (share capital)	37,512
Adjustment of own fund elements due to limited available funds	-
Total reconciliation reserve	**391,162**

31 December 2018:

Reconciliation reserve	
(thousands of euros)	**Total**
Excess of assets over liabilities	385,270
Own shares (included as assets on the balance sheet)	-
Foreseeable dividends and distributions	-
Other element of own funds (share capital)	37,512
Adjustment of own fund elements due to limited available funds	-
Total reconciliation reserve	**347,758**

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

31 December 2019:

	Reconciliation of excess assets over liabilities and equity in the financial statements	
Notes	***(thousands of euros)***	**Total**
	Own funds according to the financial statements	**295,910**
1	Share capital	37,512
1	Retained earnings and earnings for the year	220,760
1	Stabilisation reserve net of tax	100,619
1	Dividends and stabilisation on account	(100,160)
1	Capital gains on the portfolio net of tax	37,179
	Asset valuation differences	**(99,520)**
2	Intangible assets	(11,582)
3	Reinsurers' share of technical provisions	951
4	Property, plant and equipment and investment property	8,274
5	Holdings in group companies and associates	36,107
6	Any other assets Prepaid fees and other acquisition costs	(133,270)
	Liability valuation differences	**226,523**
7	Premium provision effect on unearned premium	177,367
8	Provision for claims	69,318
9	Risk margin	(20,162)
10	**Tax effect on previous valuation differences**	**(31,751)**
	Total excess assets over liabilities	**391,162**

31 December 2018:

	Reconciliation of excess assets over liabilities and equity in the financial statements	
Notes	***(thousands of euros)***	**Total**
	Own funds according to the financial statements	**251,347**
1	Share capital	37,512
1	Retained earnings and earnings for the year	207,354
1	Stabilisation reserve net of tax	93,506
1	Dividends and stabilisation on account	(101,595)
1	Capital gains on the portfolio net of tax	14,570
	Asset valuation differences	**(64,986)**
2	Intangible assets	(7,252)
3	Reinsurers' share of technical provisions	(675)
4	Property, plant and equipment and investment property	8,145
5	Holdings in group companies and associates	40,389
6	Any other assets Prepaid fees and other acquisition costs	(105,593)
	Liability valuation differences	**243,550**
7	Premium provision effect on unearned premium	196,121
8	Provision for claims	69,668
9	Risk margin	(22,239)
10	**Tax effect on previous valuation differences**	**(44,641)**
	Total excess assets over liabilities	**385,270**

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

1. These headings comprise **equity according to the undertaking's financial statements**.
2. The full balance for **intangible assets** is eliminated from the asset side of the Solvency balance sheet, as there are no market prices for the elements of which it is comprised – mainly software licences at their net carrying amount – that can be objectively justified.
3. The share of **reinsurance in the technical provisions** decreases by 951 thousand euros (increase by 675 thousand euros in 2018) on the asset side of the solvency balance sheet by applying the best estimate of recoverable reinsurance.
4. **Properties for own use and for investment** are valued at acquisition cost on the financial statements balance sheet, net of depreciation and impairment, if applicable, while they are carried at market value on the solvency balance sheet. The reconciliation reserve includes the tacit gains between the appraisal values and the local net carrying amount. The international standard IFRS 16 is applied in Solvency II.

5. **Holdings in group entities and associates** in the financial statements balance sheet are carried at acquisition cost corrected for impairment, while the market value is considered to be the carrying value of each share for solvency purposes. The reconciliation reserve is increased by the tacit gains of 36.107 million euros (40.389 million euros in 2018) which constitute the difference between these two values.
6. The **prepaid fees and deferral of acquisition expenses** from the asset side of the balance sheet in the financial statements are eliminated from the solvency balance sheet, reducing the reconciliation reserve and reclassifying the **outstanding premiums pending issue** to the best estimate calculation of the premium provision. **Recoveries from claims** are also eliminated as they are accounted for in the calculation of the best estimate for claims.
7. The **unearned premium provision** is eliminated from the liability side of the solvency balance sheet and replaced by the **premium provision** calculated as a best estimate.
8. When calculated on the liability side of the solvency balance sheet at best estimate, the **provision for all claims**, which comprises the provision for claims, the provision for claims that have been incurred but not reported (IBNR) and the provision for claims settlement expenses, contributes 69.318 million euros (69.668 million euros in 2018) to the reconciliation reserve.
9. The **risk margin** is an element from the liability side of the solvency balance sheet that does not exist on the liability side of the local balance sheet.
10. The **tax effect of these adjustments** is calculated at 25%, which is the current corporation tax rate in Spain.

Structure and quality of own funds

The undertaking had no subordinated liabilities on the reference date, so its basic own funds are composed exclusively of the difference between its assets and liabilities. The own funds in the financial statements are reconciled with basic own funds through the reconciliation reserve, as detailed in the following section.

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

In summary, the undertaking's own funds at 31 December 2019 and 2018 were fully classified as basic own funds.

Classification of own funds into tiers

The elements of basic own funds are classified as tier 1 where they substantially have the following characteristics:

a) the item is available, or callable on demand, to fully absorb losses on a going-concern basis and in the event of winding-up (permanent availability);

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

If these requirements are not met, they are classified as tier 2 or 3.

The undertaking understands that **all basic own funds** (disbursed share capital and components of the reconciliation reserve) meet the above requirements, so they are **classified as Tier 1.**

31 December 2019:

Basic own funds	Total	Tier 1, unrestricted	Tier 1, restricted	Tier 2	Tier 3
Share capital in ordinary shares	37,512	37,512			
Share premium					
Initial mutual fund					
Subordinated mutual accounts					
Excess funds					
Preference shares					
Share premiums for shares and preference shares					
Reconciliation reserve	353,650	353,650			
Subordinated liabilities					
An amount equivalent to the value of deferred tax assets					
Other supervisor-approved items					
Total	**391,162**	**391,162**	**-**	**-**	**-**

31 December 2018:

Basic own funds	Total	Tier 1, unrestricted	Tier 1, restricted	Tier 2	Tier 3
Share capital in ordinary shares	37,512	37,512			
Share premium					
Initial mutual fund					
Subordinated mutual accounts					
Excess funds					
Preference shares					
Share premiums for shares and preference shares					
Reconciliation reserve	347,758	347,758			
Subordinated liabilities					
An amount equivalent to the value of deferred tax assets					
Other supervisor-approved items					
Total	**385,270**	**385,270**	**-**	**-**	**-**

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

31 December 2019:

Available and eligible basic own funds (thousands of euros)	Total	Tier 1, unrestricted	Tier 1, restricted	Tier 2	Tier 3
Eligible own funds to meet the solvency capital requirement	391,162	391,162	-	-	-
Eligible own funds to meet the minimum capital requirement	391,162	391,162	-	-	-

31 December 2018:

Available and eligible basic own funds (thousands of euros)	Total	Tier 1, unrestricted	Tier 1, restricted	Tier 2	Tier 3
Eligible own funds to meet the solvency capital requirement	385,270	385,270	-	-	-
Eligible own funds to meet the minimum capital requirement	385,270	385,270	-	-	-

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

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

6.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

The solvency capital requirement (SCR) detailed by risk module at 31 December 2019 and 2018 is as follows:

Solvency Capital Requirement (SCR)		
(thousands of euros)	**31.12.2018**	**31.12.2019**
Underwriting risk	**167,878**	**161,007**
Market risk	**94,357**	**104,548**
Counterparty risk	**15,833**	**15,886**
Health insurance underwriting risk	**1,436**	**2,233**
Diversification	(58,725)	(62,201)
Basic Solvency Capital Requirement (BSCR)	**220,779**	**221,473**
Operational risk	**24,796**	**26,092**
Deferred tax adjustment	**(61,394)**	**(61,891)**
Solvency Capital Requirement (SCR)	**184,181**	**185,674**

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

Supporting data for calculating the SCR	**31.12.2018**	**31.12.2019**
Linear MCR	107,395	111,220
SCR	184,181	185,674
Maximum MCR (45% of SCR)	82,881	83,553
Minimum MCR (25% of SCR)	46,045	46,419
Minimum Capital Requirement (MCR)	**82,881**	**83,553**

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

Solvency capital requirement (SCR) and minimum capital requirement (MCR)		
(thousands of euros)	**31.12.2018**	**31.12.2019**
Solvency capital requirement	184,181	185,674
Minimum Capital Requirement	82,881	83,553
Eligible own funds ratio for the SCR	209%	211%
Eligible own funds ratio for the MCR	465%	468%

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

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

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

This parameter was calibrated using the undertaking's internal data, or data which is directly relevant for the operations of that undertaking using standard methods. The undertaking updates the specific parameter annually using the standard method approved by the supervisor with its new business data, verifying that the required assumptions are met.

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

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

The undertaking has not experienced **any breach** of the minimum capital requirement or any significant breach of the solvency capital requirement.

7. ANNEXES

7.1. MAIN CONCEPTS AND ABBREVIATIONS

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

7.2. INFORMATION TEMPLATES

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

The information templates that are not applicable to the undertaking - mainly relating to life insurance activity information, entities that use partial or complete internal models, and relating to groups - have not been included. All of the undertaking's activity is in Spain. Therefore, template S.05.02.01, with information on premiums, claims incurred and expenses by country, is not attached.

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

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

S.02.01.02 Solvency balance sheet information

		Solvency II value	Carrying amount
Assets	X0010		
Goodwill	R0010	-	-
Prepaid fees and other acquisition costs	R0020	-	84,469
Intangible assets	R0030	-	11,582
Deferred tax assets	R0040	72,733	24,229
Assets and redemption rights on long-term staff remuneration	R0050	-	-
Property, plant and equipment held for own use	R0060	56,753	43,768
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	917,096	871,677
Property (other than for own use)	R0080	1,957	1,957
Investments	R0090	106,410	59,902
Equities	R0100	33,490	33,490
Equities — listed	R0110	29,468	29,468
Equities — unlisted	R0120	4,022	4,022
Bonds	R0130	717,810	708,499
Government bonds	R0140	398,609	393,337
Corporate bonds	R0150	319,201	315,162
Structured notes	R0160	-	-
Collateralised securities	R0170	-	-
Collective investment undertakings	R0180	57,429	67,829
Derivatives	R0190	-	-
Deposits other than cash equivalents	R0200	-	-
Other investments	R0210	-	-
Assets held for index-linked and unit-linked contracts	R0220	-	-
Loans and mortgages	R0230	20,122	20,120
Loans on policies	R0240	-	-
To individuals	R0250	-	-
Other	R0260	20,122	20,120
Reinsurance recoverables	R0270	10,468	9,517
Non-life and health similar to non-life.	R0280	10,468	9,517
Non-life excluding health	R0290	5,535	5,535
Health similar to non-life	R0300	4,933	3,982
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	-	-
Health similar to life	R0320	-	-
Life excluding health and index-linked and unit-linked	R0330	-	-
Life index-linked and unit-linked	R0340	-	-
Deposits to cedants	R0350	-	-
Insurance and intermediaries receivables	R0360	20,779	51,197
Reinsurance receivables	R0370	4,175	4,175
Other receivables	R0380	14,526	54,878
Own shares	R0390	-	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-	-
Cash and cash equivalents	R0410	118,690	118,690
Any other assets, not elsewhere shown	R0420	1,136	10,449
TOTAL ASSETS	R0500	**1,236,478**	**1,304,751**

		Solvency II value	Carrying amount
Liabilities	X0440		
Technical provisions - non-life	R0510	506,262	-
Technical provisions — non-life (excluding health)	R0520	495,044	717,859
Technical provisions calculated as a whole	R0530	-	-
Best estimate (BE)	R0540	475,138	-
Risk margin (RM)	R0550	19,906	-
Technical provisions - health insurance (similar to non-life)	R0560	11,218	14,927
Technical provisions calculated as a whole	R0570	-	-
Best estimate (BE)	R0580	10,962	-
Risk margin (RM)	R0590	256	-
Technical provisions — life (excluding index-linked and unit-linked)	R0600	-	-
Technical provisions - health insurance (similar to life)	R0610	-	-
Technical provisions calculated as a whole	R0620	-	-
Best estimate (BE)	R0630	-	-
Risk margin (RM)	R0640	-	-
Technical provisions — life (excluding health and index-linked and unit-linked)	R0650	-	-
Technical provisions calculated as a whole	R0660	-	-
Best estimate (BE)	R0670	-	-
Risk margin (RM)	R0680	-	-
Technical provisions - index-linked and unit-linked	R0690	-	-
Technical provisions calculated as a whole	R0700	-	-
Best estimate (BE)	R0710	-	-
Risk margin (RM)	R0720	-	-
Other technical provisions	R0730	-	-
Contingent liabilities	R0740	-	-
Provisions other than technical provisions	R0750	765	22,733
Pension benefit obligations	R0760	-	-
Deposits from reinsurers	R0770	-	-
Deferred tax liabilities	R0780	121,778	41,523
Derivatives	R0790	13,584	13,584
Debts owed to credit institutions	R0800	-	-
Debts owed to credit institutions resident domestically	ER0801	-	-
Debts owed to credit institutions resident in the euro area other than domestic	ER0802	-	-
Debts owed to credit institutions resident in rest of the world	ER0803	-	-
Financial liabilities other than debts owed to credit institutions	R0810	-	-
Debts owed to non-credit institutions	ER0811	-	-
Debts owed to non-credit institutions resident domestically	ER0812	-	-
Debts owed to non-credit institutions resident in the euro area other than domestic	ER0813	-	-
Debts owed to non-credit institutions resident in rest of the world	ER0814	-	-
Other financial liabilities (debt instruments issued)	ER0815	-	-
Insurance & intermediaries payables	R0820	4,569	4,569
Reinsurance payables	R0830	1,584	1,584
Payables (trade, not insurance)	R0840	195,063	190,352
Subordinated liabilities	R0850	-	-
Subordinated liabilities not in basic own funds (BOF)	R0860	-	-
Subordinated liabilities in basic own funds (BOF)	R0870	-	-
Any other liabilities, not elsewhere shown	R0880	1,711	1,711
TOTAL LIABILITIES	R0900	**845,316**	**1,008,842**
EXCESS OF ASSETS OVER LIABILITIES	R1000	**391,162**	**295,909**

S.05.01.02 Premiums, claims and expenses according to the financial statements

		Non-life insurance and non-proportional reinsurance					
		Medical expense insurance	Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property insurance	Assistance	TOTAL
		C0020	C0040	C0050	C0070	C0110	C0200
Premiums written	X0010						
Gross - Direct Business	R0110	15,744	355,625	405,533	111,357	3,036	891,295
Gross - Proportional reinsurance accepted	R0120	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0130	-	-	-	-	-	-
Reinsurer's share	R0140	7,158	833	3,018	3,356	555	14,920
Net	**R0200**	**8,586**	**354,792**	**402,515**	**108,001**	**2,481**	**876,375**
Premiums earned	X0060						
Gross - Direct Business	R0210	6,848	355,039	398,239	106,016	3,600	869,742
Gross - Proportional reinsurance accepted	R0220	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0230	-	-	-	-	-	-
Reinsurer's share	R0240	6,101	1,948	3,018	3,356	555	14,978
Net	**R0300**	**747**	**353,091**	**395,221**	**102,660**	**3,045**	**854,764**
Claims incurred	X0010	-	-	-	-	-	-
Gross - Direct Business	R0310	10,700	257,159	236,819	48,711	244	553,633
Gross - Proportional reinsurance accepted	R0320	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0330	-	-	-	-	-	-
Reinsurer's share	R0340	5,204	(317)	664	2,043	(18)	7,576
Net	**R0400**	**5,496**	**257,476**	**236,155**	**46,668**	**262**	**546,057**
Changes in other technical provisions	X0160	-	-	-	-	-	-
Gross - Direct Business	R0410	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0430	-	-	-	-	-	-
Reinsurer's share	R0440	-	-	-	-	-	-
Net	R0500	-	-	-	-	-	-
Technical expenses	**R0550**	**11,597**	**105,494**	**93,109**	**43,762**	**966**	**254,928**
Administrative expenses		**-**	**-**	**-**	**-**	**-**	**-**
Gross - Direct Business	R0610	774	6,615	10,895	4,846	48	23,178
Gross - Proportional reinsurance accepted	R0620	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0630	-	-	-	-	-	-
Reinsurer's share	R0640	-	-	-	-	-	-
Net	R0700	774	6,615	10,895	4,846	48	23,178
Investment management expenses							
Gross - Direct Business	R0710	-	924	566	-	-	1,490
Gross - Proportional reinsurance accepted	R0720	**-**	**-**	**-**	**-**	**-**	**-**
Gross - Non-proportional reinsurance accepted	R0730	**-**	**-**	**-**	**-**	**-**	**-**
Reinsurer's share	R0740	**-**	**-**	**-**	**-**	**-**	**-**
Net	R0800	-	924	566	-	-	1,490
Claims management expenses							
Gross - Direct Business	R0810	2,359	33,090	8,241	6,586	31	50,307
Gross - Proportional reinsurance accepted	R0820	**-**	**-**	**-**	**-**	**-**	**-**
Gross - Non-proportional reinsurance accepted	R0830	**-**	**-**	**-**	**-**	**-**	**-**
Reinsurer's share	R0840	**-**	**-**	**-**	**-**	**-**	**-**
Net	R0900	2,359	33,090	8,241	6,586	31	50,307
Acquisition expenses							

		Non-life insurance and non-proportional reinsurance					
		Medical expense insurance	Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property insurance	Assistance	TOTAL
Gross - Direct Business	R0910	12,095	63,588	71,303	32,363	887	180,236
Gross - Proportional reinsurance accepted	R0920	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0930	-	-	-	-	-	-
Reinsurer's share	R0940	-	-	-	-	-	-
Net	R1000	12,095	63,588	71,303	32,363	887	180,236
Overhead expenses							
Gross - Direct Business	R1010	153	1,277	2,104	(33)	-	3,501
Gross - Proportional reinsurance accepted	R1020	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R1030	-	-	-	-	-	-
Reinsurer's share	R1040	3,784	-	-	-	-	3,784
Net	R1100	(3,631)	1,277	2,104	(33)	-	(283)
Other expenses	**R1200**						(34,019)
Total expenses	**R1300**						**220,909**

S.17.01.02 Information on non-life technical provisions by lines of business

		Direct business and accepted proportional reinsurance					
		Medical expense insurance	Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property insurance	Assistance	TOTAL
		C0020	C0050	C0060	C0080	C0120	C0180
Technical provisions calculated as a whole	R0010	-	-	-	-	-	-
Total recoverables from reinsurance/SPV and finite reinsurance after the adjustment for expected losses due to counterparty default associated with the technical provisions calculated as a whole	R0050	-	-	-	-	-	-
Technical provisions calculated as a sum of the best estimate and risk margin	X0030						
Best estimate:	X0030						
Premium provisions	X0030						
Gross	R0060	8,338	123,767	109,431	30,545	(217)	271,864
Total recoverable from reinsurance/SPV and finite reinsurance before the adjustment for expected losses due to counterparty default	R0110	3,630	6,666	-	(1,676)	(15)	8,605
Total recoverable from reinsurance/SPV and finite reinsurance after the adjustment for expected losses due to counterparty default	R0140	3,628	6,659	-	(1,676)	(15)	8,596
Net best estimate of premium provisions	R0150	4,710	117,108	109,431	32,221	(202)	263,268
Claims provisions	X0060						
Gross	R0170	2,624	136,532	59,309	15,305	467	214,237
Total recoverable from reinsurance/SPV and finite reinsurance before the adjustment for expected losses due to counterparty default	R0210	1,306	(667)	920	289	64	1,912
Total recoverable from reinsurance/SPV and finite reinsurance after the adjustment for expected losses due to counterparty default	R0240	1,305	(667)	882	289	63	1,872
Net best estimate of claims provisions	R0250	1,319	137,199	58,427	15,016	404	212,365
Total best estimate, gross	R0260	**10,962**	**260,299**	**168,740**	**45,850**	**250**	**486,101**
Total best estimate, net	R0270	**6,029**	**254,307**	**167,858**	**47,237**	**202**	**475,633**
Risk margin	R0280	**256**	**10,780**	**7,115**	**2,002**	**9**	**20,162**
Technical provisions for the application of transitional provisions	X0120						
Technical provisions calculated as a whole	R0290						
Best estimate	R0300						
Risk margin	R0310						
TOTAL TECHNICAL PROVISIONS:	X0150						
Total technical provisions	R0320	11,218	271,079	175,855	47,852	259	506,263
Total recoverable from reinsurance/SPV and finite reinsurance after the adjustment for expected losses due to counterparty default	R0330	4,933	5,992	882	(1,387)	48	10,468
Total technical provisions minus recoverables from reinsurance/SPV and finite reinsurance	R0340	6,285	265,087	174,973	49,239	211	495,795

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

Total non-life business Accident year

Gross claims paid (non cumulative) (absolute amount)

	Year	-	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160
Prior	R0100																1,128
N-14	R0110	197,487	104,165	16,751	7,277	2,941	955	1,342	394	219	134	1,421	539	2	(9)	(94)	
N-13	R0120	228,920	107,387	14,856	4,923	2,210	1,371	305	705	550	160	79	18	(17)	(6)		
N-12	R0130	261,219	116,150	14,938	4,538	3,801	1,315	839	(29)	280	9	95	(34)	7			
N-11	R0140	267,118	92,401	14,679	6,187	3,834	1,674	1,417	482	275	141	(116)	73				
N-10	R0150	291,646	96,841	21,619	7,435	3,736	1,253	647	151	1,019	101	87					
N-9	R0160	295,064	104,436	19,458	7,436	3,248	1,779	1,540	475	673	629						
N-8	R0170	285,823	88,575	14,105	6,620	3,525	2,300	485	760	725							
N-7	R0180	261,665	77,332	13,123	5,760	2,785	2,212	329	705								
N-6	R0190	246,531	74,201	11,768	4,479	2,985	3,120	1,421									
N-5	R0200	221,005	73,823	14,164	6,089	4,264	2,581										
N-4	R0210	225,627	74,628	15,985	6,783	4,673											
N-3	R0220	230,791	75,201	21,743	13,993												
N-2	R0230	250,649	93,001	25,189													
N-1	R0240	277,560	100,366														
N	R0250	315,092															

	In current year	Sum of years (cumulative)
	C0170	C0180
Prior	1,128	1,056,402
N-14	(94)	333,524
N-13	(6)	361,461
N-12	7	403,128
N-11	73	388,165
N-10	87	424,535
N-9	629	434,738
N-8	725	402,918
N-7	705	363,911
N-6	1,421	344,505
N-5	2,581	321,926
N-4	4,673	327,696
N-3	13,993	341,728
N-2	25,189	368,839
N-1	100,366	377,926
N	315,092	315,092
Total	466,568	6,566,494

Gross undiscounted Best Estimate Claims Provisions (absolute amount)

Development year

	Year	-	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0310	C0320	C0330	C0340	C0350
Prior	R0100																298
N-14	R0110				12,075	5,723	2,669	2,786	1,854	2,002	1,359	1,095	389	180	193	177	
N-13	R0120			20,164	10,610	4,348	3,377	3,453	3,026	1,946	1,657	1,081	750	693	582		
N-12	R0130		35,375	18,960	7,775	4,521	2,808	2,705	2,241	2,002	1,764	885	717	193			
N-11	R0140	150,646	40,549	17,782	11,893	8,728	6,505	4,032	3,132	2,314	948	27	(7)				
N-10	R0150	157,554	44,988	21,964	13,133	8,289	4,933	3,154	2,232	775	135	(221)					
N-9	R0160	152,556	47,298	24,971	15,002	9,798	6,436	5,127	3,626	838	(152)						
N-8	R0170	137,598	40,140	22,568	12,004	6,984	4,131	2,036	371	(608)							
N-7	R0180	119,920	31,993	14,891	6,733	4,805	3,043	1,861	362								
N-6	R0190	119,490	26,316	10,308	6,029	2,918	687	(25)									
N-5	R0200	125,905	30,669	14,209	7,953	2,997	1,719										
N-4	R0210	124,883	34,935	14,980	6,980	2,942											
N-3	R0220	141,748	53,765	29,838	9,213												
N-2	R0230	141,901	43,670	15,979													
N-1	R0240	129,123	30,119														
N	R0250	136,524															

		Year end (discounted data)
		C0360
Prior	R0100	302
N-14	R0110	178
N-13	R0120	583
N-12	R0130	196
N-11	R0140	(6)
N-10	R0150	(223)
N-9	R0160	(156)
N-8	R0170	(614)
N-7	R0180	353
N-6	R0190	(32)
N-5	R0200	1,712
N-4	R0210	2,943
N-3	R0220	9,241
N-2	R0230	16,046
N-1	R0240	30,259
N	R0250	136,906
Total	R0260	197,688

S.23.01.01 Own funds

		Total	Tier 1, unrestricted	Tier 1, restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds						
Ordinary share capital (gross of own shares)	R0010	37,512	37,512		-	
Share premium account related to ordinary share capital	R0030	-	-		-	
Initial mutual fund	R0040	-	-		-	
Subordinated mutual accounts	R0050	-		-	-	-
Excess funds	R0070	-	-			
Preference shares	R0090	-		-	-	-
Share premiums for shares and preference shares	R0110	-		-	-	-
Reconciliation reserve	R0130	353,650	353,650			
Subordinated liabilities	R0140	-		-	-	-
An amount equivalent to the value of net deferred tax assets	R0160	-				-
Other items approved by supervisory authority as basic own funds not specified above	R0180	-	-	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve	R0220	-	-			
Deductions not included in the reconciliation reserve						
Deductions for participations in financial and credit institutions	R0230	-	-	-	-	
Total basic own funds after deductions	R0290	391,162	391,162	-	-	-
Ancillary own funds						
Unpaid and uncalled ordinary share capital	R0300	-			-	
Unpaid and uncalled initial mutual funds	R0310	-			-	
Unpaid and uncalled preference shares	R0320	-			-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	-			-	-
Letters of credit and guarantees under Article 96(2)	R0340	-			-	
Other letters of credit and guarantees held on deposit	R0350	-			-	-
Supplementary members calls under first subparagraph of Article 96(3)	R0360	-			-	
Supplementary members calls — other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	-			-	-
Other ancillary own funds	R0390	-			-	-
Total ancillary own funds	R0400	-			-	-
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	391,162	391,162	-	-	-
Total available own funds to meet the MCR	R0510	391,162	391,162	-	-	
Total eligible own funds to meet the SCR	R0540	391,162	391,162	-	-	
Total eligible own funds to meet the MCR	R0550	391,162	391,162	-	-	
SCR	R0580	185,674				
MCR	R0600	83,553				
Ratio of eligible own funds to the SCR	R0620	2.11				
Ratio of eligible own funds to the MCR	R0640	4.68				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	391,162
Own shares (included as assets on the balance sheet)	R0710	-
Foreseeable dividends and distributions	R0720	-
Other basic own fund items	R0730	37,512
Adjustment for restricted own fund items in respect of ring-fenced funds	R0740	-
Total reconciliation reserve	**R0760**	**353,650**
Expected profits		
Expected profits included in future premiums (EPIFP) — Life business	R0770	-
Expected profits included in future premiums (EPIFP) — Non-life business	R0780	22,919
Total EPIFP	**R0790**	**22,919**

S.25.01.21 Solvency Capital Requirement — for undertakings on standard formula

		Gross solvency capital requirement	Undertaking Specific Parameter (USP)	Simplifications
		C0030	C0040	C0050
Market risk	R0010	104,548	-	-
Counterparty risk	R0020	15,886	-	-
Life underwriting risk	R0030	-	-	-
Health underwriting risk	R0040	2,233	-	-
Non-life underwriting risk	R0050	161,007	Standard deviation of risk premium for non-life insurance;	-
Diversification	R0060	(62,201)	-	-
Intangible asset risk	R0070	-	-	-
Basic solvency capital requirement	R0100	221,473	-	-

		C0100
Operational risk	R0130	26,092
Loss-absorbing capacity of technical provisions	R0140	-
Loss-absorbing capacity of deferred taxes	R0150	(61,891)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency Capital Requirement excluding capital add-on	R0200	185,674
Capital add-on already set	R0210	-
Solvency capital requirement	R0220	**185,674**
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	-
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	185,674
Total amount of Notional Solvency Capital Requirements for ring-fenced funds	R0420	-
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	-
Diversification effects due to ring-fenced funds notional SCR aggregation for article 304	R0440	-

S.28.01.01 Minimum Capital Requirement — Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} result	R0010	**111,220**

		Net best estimate and technical provisions calculated as a whole	Net premiums written
		C0020	C0030
Medical expenses insurance and proportional reinsurance	R0020	6,029	8,586
Income protection insurance and proportional reinsurance	R0030	-	-
Workers' compensation insurance and proportional reinsurance	R0040	-	-
Motor vehicle liability insurance and proportional reinsurance	R0050	254,306	354,792
Other motor insurance and proportional reinsurance	R0060	167,858	402,515
Marine, aviation and transport insurance and proportional reinsurance	R0070	-	-
Fire and other damage to property insurance and proportional reinsurance	R0080	47,237	108,001
General liability insurance and proportional reinsurance	R0090	-	-
Credit and suretyship insurance and proportional reinsurance	R0100	-	-
Legal expenses insurance and proportional reinsurance	R0110	-	-
Assistance and proportional reinsurance	R0120	201	2,481
Miscellaneous financial loss insurance and proportional reinsurance	R0130	-	-
Non-proportional health reinsurance	R0140	-	-
Non-proportional casualty reinsurance	R0150	-	-
Non-proportional marine, aviation and transport reinsurance	R0160	-	-
Non-proportional property reinsurance	R0170	-	-

I, Pablo González-Schwitters Grimaldo, in my capacity as secretary of the board of directors of LINEA DIRECTA ASEGURADORA S.A, COMPAÑÍA DE SEGUROS Y REASEGUROS, with tax ID number (CIF) A80871031 (the undertaking), hereby certify that, according to the minutes for the meeting of the board of directors of the undertaking held on 16 April 2020, the board of directors has adopted the resolution to approve the Solvency and Financial Condition Report for the financial year 2019 contained in this document, which comprises 70 pages (including this one) all of which I have endorsed.

Pablo González-Schwitters Grimaldo

Secretary of the board of directors