PROSPECTUS OF THE SHARES OF LÍNEA DIRECTA ASEGURADORA SOCIEDAD ANÓNIMA COMPAÑÍA DE SEGUROS Y REASEGUROS

1,088,416,840 SHARES OF €0.04 NOMINAL VALUE EACH

*This document relating to Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros, a limited liability company (sociedad anónima) incorporated under the laws of Spain (“**Linea Directa**” or the “**Company**”) and its subsidiaries (altogether, the “**Group**”) constitutes a prospectus (the “**Prospectus**”) for the purposes of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the “**Prospectus Regulation**”) and its implementing measures. This Prospectus comprises a registration document prepared in accordance with Annex 1 of Commission Delegated Regulation (EU) 2019/980 of March 14, 2019, supplementing the Prospectus Regulation as regards the format, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004 (“**Delegated Regulation 2019/980**”) (the “**Registration Document**”) and a securities note for equity securities prepared in accordance with Annex 11 of Delegated Regulation 2019/980 (the “**Securities Note**”). This Prospectus has also been prepared in accordance with Annex I of Commission Delegated Regulation (EU) 2019/979 of March 14, 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council with regard to regulatory technical standards on key financial information in the summary of a prospectus, the publication and classification of prospectuses, advertisements for securities, supplements to a prospectus, and the notification portal, and repealing Commission Delegated Regulation (EU) No 382/2014 and Commission Delegated Regulation (EU) 2016/301.*

*This Prospectus has been approved by the Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores, the “**CNMV**”), in its capacity as the competent authority under the Prospectus Regulation and its implementing measures, and under the restated text of the Securities Market Law approved by Royal Legislative Decree 4/2015 of 23 October (texto refundido de la Ley del Mercado de Valores aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre, the “**Securities Market Law**”) and relevant implementing measures in Spain, on 15 April 2021.*

I. IMPORTANT NOTICES

NO INCORPORATION OF WEBSITES

The contents of the Company's website (*www.lineadirectaaseguradora.com*), any website of any Group company and the contents of any website accessible from hyperlinks on such websites (other than the information set out in section 21 "*Documents Available*" of the Registration Document) do not form part of this Prospectus, have not been examined or approved by the CNMV, and should not be relied upon by anyone.

FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus relate to the future, including forward-looking statements relating to the Group's business, risks, opportunities, financial position and strategy. These statements, including the explanatory wording related to the future impact of the Covid-19 pandemic, relate to future events or the future performance of the Company. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms 'intend', 'aim', 'project', 'predict', 'anticipate', 'estimate', 'plan', 'believe', 'expect', 'may', 'seek', 'should', 'will', 'would', 'continue', 'forecast' or, in each case, their negative and other variations or other similar or comparable words and expressions. These statements discuss future expectations concerning the Group's results of operations or financial condition, or provide other forward-looking statements.

Forward-looking statements are not guarantees or predictions of future performance, and are subject to known and unknown risks, uncertainties and other factors, including the risk factors set out in the section entitled "Risk Factors", many of which are beyond the Group's control, and which may cause the Group's actual results of operations, financial condition and the development of the business sectors in which the Group operates to differ materially from those suggested by the forward-looking statements contained in this Prospectus. In addition, even if the Group's actual results of operations, financial condition and the development of the business sectors in which it operates are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Recipients of this Prospectus are cautioned not to put undue reliance on forward-looking statements.

Other than as required by Spanish law, none of the Company, its officers, advisers or any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Prospectus will actually occur, in part or in whole.

Additionally, statements of the intentions of the Board of Directors and/or the Directors reflect the present intentions of the Board of Directors and/or the Directors, respectively, as at the date of this Prospectus and may be subject to change as the composition of the Board of Directors alters, or as circumstances require.

The forward-looking statements speak only as at the date of this Prospectus. To the extent required by applicable law or regulation, the Company will update or revise the information in this Prospectus. Otherwise, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this Prospectus to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

NO FORECASTS OR ESTIMATES

The Company has not published any profit forecasts or estimates that are still outstanding and valid. Furthermore, this Prospectus does not include profit forecasts or profit estimates or future results as defined in section Article 1 of the Delegated Regulation 2019/980.

Nothing in this Prospectus is intended as a profit forecast or estimate for any period and no statement in this Prospectus should be interpreted to mean that earnings or earnings per share or dividend per share for the Company for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share or dividend per share for the Company.

ROUNDING

Certain numerical figures contained in this Prospectus, including financial information, market data and certain operating data, have been subject to rounding adjustments for ease of presentation. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables may not conform exactly to the total figure given for that column or row or the sum of certain numbers presented as a percentage may not conform exactly to the total percentage given.

II. SUMMARY

Prepared in compliance with article 7 of the Prospectus Regulation.

SECTION A – INTRODUCTION AND WARNINGS

Name and international securities identification number ('**ISIN**') of the securities	The admission to trading will be of 1,088,416,840 ordinary shares, with a par value of €0.04 (respectively, the "**Admission**" and the "**Shares**"), which will be traded on the Madrid, Barcelona, Valencia and Bilbao stock exchanges (the "**Spanish Stock Exchanges**"). The Shares have the ISIN code ES0105546008.
Identity and contact details of the issuer, including its legal entity identifier ('**LEI**')	The Company's Spanish tax identification number is A-80871031 and its LEI number is 95980079E2NBJT967T79. The Company's registered office is at Isaac Newton, 7, Tres Cantos, Madrid, P.C. 28760, and its phone number is +34 91 807 48 88. Any notice or other communication in connection with this Prospectus shall be sent to the Company's registered office.
Date of approval of the prospectus	This summary is a summary which, together with the Registration Document of the Company and the Securities Note included below, constitutes a prospectus for the purposes of article 10 of the Prospectus Regulation. The Prospectus was approved and registered by the CNMV on 15 April 2021.
Warnings	This summary should be read as an introduction to the Prospectus. Any decision to invest in the Shares of the Company should be based on the consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, a plaintiff investor may, under the national legislation of the member state of the European Economic Area, have to bear the costs of translating the Prospectus before legal proceedings are initiated. Civil liability attaches only to those who have tabled this summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether or not to invest in the Shares.

SECTION B— KEY INFORMATION ON THE ISSUER

Who is the issuer of the securities?

Legal form, law under which it operates and its country of incorporation	The Company was incorporated for an indefinite term under the laws of the Kingdom of Spain on 13 April 1994, under the corporate name Bankinter Seguros Directos, S.A., Compañía de Seguros y Reaseguros as a limited liability company (*sociedad anónima*). The Company is subject to, among others, Royal Legislative Decree 1/2020, of 2 July, approving the restated text of the Capital Companies Act (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*), to Royal Legislative Decree 4/2015, of 23 October, approving the Securities Markets Law (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*), and to the specific legislation applicable to insurance entities (entidades aseguradoras) and, specifically, to the supervision of the Directorate General of Insurance and Pension Funds (*Dirección General de Seguros y Fondos de Pensiones,* "**DGSFP**").
Principal activities	The corporate purpose of the Company is the execution of non-life direct insurance activities, and its main current operations are focused on Motor insurance (84.0% of premium income), followed by Home (13.4% of premium income), Health (2.4% of premium income) and other insurance businesses (0.2% of premium income)[1]. The Company's insurance activity is limited to the Spanish and Portuguese markets, operating under the "Linea Directa" brand for the Motor, Home and other insurance lines of business and under the "Vivaz" brand for the Health business line. The Company's total number of clients as at 31 December 2020 amounted to 3,224,003, with total earned premiums, net of reinsurance amounting to €878,177 thousand. The Company's total revenues were also driven by, among others, its income from property and financial investments, amounting to €76,613 thousand as at 31 December 2020.
Controlling shareholder(s), including whether it is directly or indirectly controlled	As at the date of this Prospectus, the Company's share capital amounts to €43,536,673.60 and its principal shareholder is Bankinter, S.A. ("**Bankinter**"), holding 99.999% of its share capital. Nevertheless, on 30 April 2021 (i.e., following Admission, which is expected to occur on 29 April 2021), approximately 82.6% of the Company's Shares, representing Bankinter's share premium for the amount of €1,184,265,000, are expected to be distributed to the shareholders of Bankinter through a dividend in kind which was authorised by the General Shareholder's Meeting of Bankinter on 19 March 2020. The principal shareholders of the Company upon distribution to the shareholders of Bankinter of the Company's shares, and their expected shareholding, together with the expected shareholding of the free float, are as follows:

[1] This business line includes various products such as travel assistance insurance for holders of Bankinter and Bankinter Consumer Finance credit cards.

	Shareholder	**Number of shares**	**Direct and indirect percentage in the share capital of the Company**
	Cartival, S.A. [(1)]	**208,410,131**	**19.15%**
	Bankinter, S.A.	**189,550,686**	**17.40%**
	Fernando Masaveu Herrero [(2)]	**47,568,636**	**4.37%**
	Línea Directa Aseguradora, S.A. (treasury stock) [(3)]	**239,678**	**0.02%**
	Free Float	**642,647,709**	**59.06%**
	Total	**1,088,416,840**	**100%**

(1) Cartival, S.A. is the vice-president of the Board of Directors of Bankinter, where it is duly represented by Mr. Alfonso Botín-Sanz de Sautuola y Naveda. In addition, Mr. Botín-Sanz de Sautuola is the Chairman of the Board of Directors of the Company.

(2) Mr. Fernando Masaveu Herrero is a member of the Board of Directors of Bankinter. In adidtion, upon registration of the Prospectus, Mr. Masaveu will be a member, in his condition of proprietary director, of the Board of Directors of the Company. Mr. Masaveu is expected to directly hold 776,330 Linea Directa's Shares upon Admission, while he will indirectly hold 46,792,306 Shares. Mr. Masaveu is expected to indirectly hold the Company's shares through (i) Corporación Masaveu, S.A. (44,959,730 shares), (ii) Fundación María Cristina Masaveu Peterson (1,555,560 shares), (iii) Fundación San Ignacio de Loyola (186,028 shares), (iv) Flicka Forestal, S.L. (67,648 shares), and (v) family members (23,340 shares).

(3) Línea Directa currently holds 239,678 shares in Bankinter, and, therefore, upon the distribution of the shares of the Company by Bankinter, it is expected to receive 239,678 shares in the Company.

Altogether, the Company's Board of Directors and the members of Senior Management are expected to directly hold a total of 994,320 shares (0.09%) and they indirectly hold a total of 46,792,306 shares (4.30%). Altogether, major shareholders hold, direct and indirectly, a total of 445,529,453 shares (40.92%).

Key managing directors	Following and subject to the registration of this Prospectus with the CNMV, the Company's Board of Directors will comprise, in accordance with the provisions established in the Bylaws, seven directors (the "**Directors**"). Of such Directors, Mr. Miguel Ángel Merino González is an executive Director ("*consejero ejecutivo*"), Mrs. Elena Otero-Novas Miranda, Mrs. Rita Estévez Luaña, Mr. John de Zulueta Greenebaum and Mrs. Ana María Plaza Arregui are independent Directors ("*consejeros independientes*"), and Mr. Alfonso Botín-Sanz de Sautuola y Naveda and Mr. Fernando Masaveu Herrero are proprietary Directors ("*consejeros dominicales*").
Auditors	PricewaterhouseCoopers Auditores, S.L. is the auditor of Linea Directa, with its address for these purposes at Torre PwC, Paseo de la Castellana 259 B, 28046 Madrid, Spain. The consolidated financial statements relating to the annual financial years ended on 31 December 2020, 2019 and 2018 (the "**Consolidated Financial Statements**"), have been prepared according to International Financial Reporting Standards as implemented in the European Union based on Regulation (EC) Nº 1606/2002, of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards as amended from time to time, and audited by PricewaterhouseCoopers Auditores, S.L., not containing any qualifications, modifications of opinion or disclaimers. The Spanish GAAP Individual Statutory Annual Accounts relating to the annual financial years ended on 31 December 2020, 2019 and 2018 have also been audited by PricewaterhouseCoopers Auditores, S.L. and do not contain any qualifications, modifications of opinion or disclaimers.

What is the key financial information regarding the issuer?

Income Statement

The following table presents the selected financial information of the Company from the audited Consolidated Financial Statements, consisting of the consolidated non-life profit and loss statements of the Group as at 31 December 2020, 2019 and 2018, respectively:

NON-LIFE PROFIT AND LOSS ACCOUNT	12/31/2020	12/31/2019	12/31/2018
Earned premiums, net of reinsurance	**878,177**	**854,762**	**816,289**
Year-on-year growth	*2.7%*	*4.7%*	*7.2%*
Claims incurred, net of reinsurance	**(540,064)**	**(580,987)**	**(528,029)**
Technical result[2]	**145,939**	**103,650**	**117,812**
Financial result[3]	**29,253**	**31,570**	**33,474**
Profit before tax	**179,624**	**142,837**	**155,963**
Profit after tax	**134,846**	**107,295**	**117,211**
Earnings per share[4]	**0.12**	**0.10**	**0.11**

Figures in thousand euro

[2] Technical result is an APM. See "*Alternative Performance Measures*".

[3] Financial result is an APM. See "*Alternative Performance Measures*".

[4] Considering 1,088,416,840 shares as at the date of Admission.

Balance Sheet

The following table presents the selected financial information of the Company from the audited Consolidated Financial Statements, consisting of the main items of the consolidated balance sheet of the Group as at 31 December 2020, 2019 and 2018, respectively:

ASSETS	12/31/2020	12/31/2019	12/31/2018
Available-for-sale financial assets	**917,074**	**834,498**	**782,715**
Debt securities at amortised cost	**9,990**	**2,987**	**2,993**
Investment property	**65,948**	**66,670**	**67,458**
Total assets	**1,436,533**	**1,336,626**	**1,300,749**

LIABILITIES AND EQUITY	12/31/2020	12/31/2019	12/31/2018
Technical provisions	**716,491**	**725,860**	**725,891**
Financial liabilities	**-**	**-**	**-**
Total liabilities	**969,174**	**1,011,566**	**1,012,545**
Equity	**422,727**	**287,881**	**273,634**
Valuation adjustments	**44,632**	**37,179**	**14,570**
Total equity	**467,359**	**325,060**	**288,204**
Solvency II Ratio[5]	**213%**	**211%**	**209%**
Loss ratio[6]	**61.5%**	**68.0%**	**64.7%**
Combined ratio[7]	**83.4%**	**87.9%**	**85.6%**

Figures in thousand euro

What are the key risks that are specific to the issuer?

The business prospects, results of operation and financial condition of the Company are subject to different risks, mainly risks related to its business and the industries in which it operates; financial risks; legal regulatory and compliance risks.

Herein below are detailed the principal risks that the Group actually considers specific to itself, organized considering their probability and materiality or negative impact, in the event that any of those risks occur:

A) Risks relating to the Company

1. The Group is exposed to the risks of insufficient technical provisions (underwriting risk)

Underwriting risk is the risk which may arise from an inaccurate assessment of the risks associated with insurance policy's writing, which may result in the Company's costs exceeding earned premiums.

Under 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) ("**Solvency II Directive**" or "**Solvency II**"), the Company is required to maintain certain levels of solvency capital in order to cover underwriting risk. As at 31 December 2020, such solvency capital amounted to €161,004 thousand (representing 55.0% out of the Basic Solvency Capital Required for the Company (before diversification benefits) as at 31 December 2020).

From an accounting standpoint, the Company must establish technical provisions in order to meet the obligations assumed towards its policyholders. As at 31 December 2020, technical provisions represented 73.9% of the Company's total liabilities (71.8% and 71.7% as at 31 December 2019 and 2018, respectively).

In order to estimate its risk exposure, determine the value of premiums and calculate the amounts of the provisions it must record, the Company makes assumptions in respect of a variety of factors, including, amongst others, social, economic and demographic trends, timing, loss frequency and severity, policyholder behaviour, court decisions, changes in laws and regulations, or inflation and underwriting expenses.

Adverse experience in relation to such assumptions may result in an increase in the premiums of the Group's insurance products or in the need to strengthen its provisions for claims, which may in turn have an adverse effect on its results and financial condition.

The Company's sensitivity to underwriting risk can be measured by observing the impact that a variation in its main components - premiums, cost of claims and expenses – would have on its net result, and consequently, on equity:

- As at 31 December 2020, a 5% decrease in overall gross written premiums, assuming all other variables remain constant, would have resulted in a decrease of €32,963 thousand on net result and equity;
- An increase of 5% in the cost of claims, assuming all other variables remain constant, would have resulted in a decrease of €20,272 thousand on net result and equity; and
- An increase of 5% in net operating expenses, assuming all other variables remain constant, would have resulted in a decrease of €7,868 thousand on net result and equity.

5 Solvency II Ratio as at 31 December 2020 includes the extraordinary dividend of €120 million paid to Bankinter prior to Admission.

6 Loss ratio is an APM. See "*Alternative Performance Measures*".

7 Combined ratio is an APM. See "*Alternative Performance Measures*".

2. Global and domestic macroeconomic conditions could have a material adverse effect on the Group's business, financial condition and results of operations

The current macroeconomic scenario is marked by the Covid-19 pandemic, which has produced a significant economic shock at a global level. The Covid-19 pandemic and its related confinement measures have caused an unprecedented contraction in the economic activity of Spain.

As at 31 December 2020, Spanish GDP presented an annual contraction of 11% (in contrast to the 2% increase registered in 2019) (*Source: INE*). As regards to GDP evolution in 2021 and 2022, GDP is expected to return to positive territory following the severe contraction experimented as a result of the Covid-19 pandemic. In particular, increases of 6.8% and 4.2% are expected for 2021 and 2022, respectively (*Source: Bank of Spain and INE*).

The purchase of new vehicles is highly correlated with general economic conditions and unemployment rates. As at 31 December 2020, the annual registration of new vehicles in the automotive sector registered a decrease of 32.3% with respect to the previous year. As for 2021, the purchase of new vehicles is expected to increase 19.6% yet the number of insured vehicles is expected to remain below that of 2019 (*Source: MSI*).

As at 31 December 2020, the Group's new business premiums in motor insurance decreased by 3.2% compared to the previous year (€135,285 thousand in 2020 against €139,713 thousand in 2019). Consolidated premiums stood at €898,614 thousand as at 31 December 2020, a modest increase of 0.8% when compared to the previous year (€891,295 thousand at the close of 2019). Therefore, and given the Company's strong links to the Spanish economy, its business volumes may be adversely affected by the current slowdown in economic activity.

3. Fluctuations in financial markets may have a significant adverse effect on the value of the Company's investment portfolio and its return

Investment income is a significant contributor to the Group's results. As at 31 December 2020, the Group's financial result* amounted to €29,253 thousand and represented 16.3% of profit before taxes (22.1% as at 31 December 2019). The investment portfolio (cash and cash equivalents, debt securities, equity instruments and property investments) amounted to €1,155,512 thousand, 80.4% of total assets.

The entire equity portfolio (shares and equity mutual funds) and almost all debt securities (98.8% or €791,219 thousand of the fixed income portfolio) are held as "available for sale" ("**AFS**"). These investments are reported at fair value, and changes in their market value are included under the item "Available for sale valuation adjustments" in the equity section of the Company's balance sheet, thus reducing the volatility of the profit and loss statement. In general, the Company does not engage in actively trading its portfolio, but holds securities until their maturity provided they still comply with the expected performance at the time of their acquisition. As at 31 December 2020, securities most exposed to market risk (corporate bonds, equity instruments, equity mutual funds and property investments) accounted for 48.0% of the Group's total investment portfolio (48.6% and 44.7% as at 31 December 2019 and 2018).

A commonly used metric to measure market risk is the Value at Risk "VaR". The VaR (expected maximum potential loss for the Group, under normal market conditions, over a one-month time horizon and with a confidence level of 99.5%) of fixed income, equities and mutual funds exposed to market risk amounted to 1.4% of the value of the Company's portfolio corresponding to €13,090 thousand as at 31 December 2020.

As at 31 December 2020, the average return[8] for equity and equity mutual funds was 0.37% (2.39% and 6.84% as at 31 December 2019 and 2018, respectively).

As at 31 December 2020, the average return[9] for debt securities was 2.62%, compared to 3.23% in 2019 and 3.46% in 2018.

Had interest rates as at 31 December 2020 been 100 basis points higher, with all other variables remaining constant, the fair value of the fixed-income portfolio would have decreased by €18,831 thousand. Had interest rates as at 31 December 2020 been 100 basis points lower, with all other variables remaining constant, the fair value of the fixed-income portfolio would have increased by €29,349 thousand.

A 10% fall in the market value of property would have resulted in a 3% decrease in the Company's Solvency II Ratio for financial year 2020. A 10% fall in the market value of both equities and property would have resulted in a 6% decrease in the Solvency II Ratio of the Company for financial year 2020.

The allocated capital for market risk in accordance with Solvency II Directive (as defined herein) amounted to €113,510 thousand as at 31 December 2020, representing a 38.8% of the Company's Basic Solvency Requirements (before diversification benefits) (€104,548 thousand and €94,357 thousand as at 31 December 2019 and 2018, respectively).

4. Operational and cybersecurity risks

The Company's operations are highly dependent on the integrity of its technology systems. The Company's relationships with clients are built around technological solutions, with 78.2% of active clients interacting with the Company through digital means as at 31 December 2020. Also claims management is becoming increasing digital: 47.2% of tow trucks are requested online and 46% and 27.8% of claims are initiated online in the Motor and Home lines of business, respectively. Furthermore, Vivaz, the Company's health line of business is a pure digital player with 100% digital policy management and other features via App.

The economic capital required for Operational Risk for 2020 under Solvency II Directive (as defined herein) amounts to €26,935 thousand (€26,092 thousand and €24,796 thousand as of 31 December 2019 and 2018, respectively).

5. The Group is exposed to counterparty risk in relation to third parties in various ways related to its ordinary activities, including risk mitigation techniques such as reinsurance

Linea Directa is exposed to counterparty risk mainly due to its investment portfolio, through the acquisition of any type of security that implies the obligation from the issuer to return the amount invested at a certain date, as well as to pay an explicit or implicit rate of return. As at 31 December 2020, the Group's fixed income portfolio amounted to €801,209 thousand or 69.3% of total investment portfolio and cash.

92.9% of the Group's fixed income investment portfolio is rated "BBB" or higher. In particular, "BBB" rated instruments accounted, as at 31 December 2020, for 47.5%, while "A" rated instruments accounted for 44.1%, and "AA" and "AAA" rated instruments account for 0.9% and 0.4% of the Group's fixed income investment portfolio, respectively. 3.3% (€26,532 thousand) is rated below BBB and 3.8% (€30,360 thousand) of the Group's debt securities are not rated.

Furthermore, the risk mitigation techniques used by Linea Directa such as reinsurance contracts also expose the Company to risks arising from its counterparty's potential insolvency. The Company's reinsurance main panel is composed of six reinsurers for the XL protection in the Motor, Home and Health lines of businesses with an average rating of AA-. In the Health line of business, the quota share reinsurance agreement for this segment is a multi-year contract with a single Tier 1 AA reinsurer.

The allocated capital for counterparty risk in accordance with Solvency II Directive (as defined herein) amounted to €15,291 thousand as at 31 December 2020, which accounted for a 5.2% of the Basic Solvency Requirements (before diversification).

6. Motor insurance constitutes a large percentage of the Company's premium income and is largely concentrated in Spain

As at 31 December 2020, the Motor insurance business line represented 84.0% of the Company's premium income, exposing the Company to a risk of segment concentration in the Spanish motor insurance market. The Spanish Motor insurance is a competitive market and subject to shifts in consumers demands.

As at December 2020, three companies accounted for 43.2% of Spanish motor market's share, Mapfre España, Mutua Madrileña Automovilista SSPF and Allianz (*Source: ICEA*).

The Company's Health insurance business line has only been operated for three years. As at 31 December 2020, Vivaz recorded a technical loss of €7,809 thousand (€16,346 thousand and €7,042 thousand as at 31 December 2019 and 2018, respectively).

The Company's inability to carry out the necessary actions to effectively compete with its competitors in the home and health insurance market may impact its capacity to achieve growth in the Home and Health insurance business lines and, therefore, reduce its exposure to concentration in the Spanish motor insurance market.

B) Risk Factors inherent to the insurance industry

7. Potential structural developments affecting the insurance sector and consumer demand

In a mature and highly competitive market such as the insurance sector, the Group's continued success depends, in part, upon its ability to effectively anticipate, identify and respond to evolving factors and consumer trends in the market, and to translate those into appropriate, saleable products.

Digitalisation and new technologies have constituted a real revolution in the insurance sector and especially in the Motor insurance class. While digital engagement is critical for any modern business, consumers continue to rate caring, competent and accessible customer services, as a key differentiator among insurance companies.

It is also expected that many policyholders will welcome the opportunity to lower their premiums on the back of telematic devices, leveraging their safe driving habits. Pricing pressures may harm the Group's ability to maintain its current margin on its most profitable segments.

The upsurge of teleworking would also contribute to substantial lower frequency of car use and hence pricing pressures. If such scenario were to materialise, an unceasing improvement of efficiency will be key to maintain a competitive edge and there is no assurance that the Company will be able to successfully carry out all necessary actions to effectively adapt to such new developments.

Environmental policies enacted or applied by public authorities increasingly penalise less energy-efficient vehicles. If a generalization of the use and ownership of electric cars were to take place, such event is likely to have a considerable impact in the post-sale services of car manufacturers and dealers (no check-ups, no engine oil changes, filters, engine repairs nor replacement parts, amongst other). Such players could seek other sources of income and/or services to retain their customers. It is also possible that these players, who possess significant amounts customer data (100% customers are connected), could seek to enter into the insurance arena (e.g. Tesla) through insurance brokers.

Micro-mobility is surging in popularity and has quickly become a characteristic in main Spanish cities. This trend could result in the need for the Company to invest significant resources to build new risk models and adapt the Group's product offering.

Renting companies frequently offer their own insurance and/or offer generic brands in which case they have strong negotiating power. Additionally, renting is frequently used by companies to fund its car fleet, in which case, they have higher bargaining power than individual customers, which can lower the Company's premiums and, therefore, affect the Company's income and results of operations.

Moreover, overseas influence with temporary, on-and-off and pay-as-you drive auto insurance could land in the Spanish market.

8. The Spanish non-life insurance market in which the Group operates is very mature and extremely competitive

The Company faces significant competition from long established, traditional domestic players, international insurance groups and direct new entrants that currently offer or may in the future offer the same or similar products and services as Linea Directa, including its digital offering.

Average premiums have decreased by 13.9% (*Source: Own elaboration as per figures from ICEA and FIVA*) over the last ten years driven by the overall decrease in loss experience.

Non-traditional competitors are penetrating the Motor insurance market, increasing competition and applying pressures for digitalisation. New insurtech companies in Spain digitise the interaction between insurance companies and policyholders, although the market is incipient and tremendously fragmented. Other market players such as Price Comparison Websites have been present in Spain for over a decade yet they still hold a less relevant position than in other European countries such as the UK. In addition, the demand for car renting is growing and such companies are typically enclosing their own insurance in the terms of the renting.

9. Solvency and capital requirements

Solvency II establishes capital requirements for insurance companies. Such capital requirements are determined taking into account several factors related to the Company's risk exposure, such as, among others, its exposure to underwriting and market risk. If the

[8] Equity portfolio average return is an APM. It measures the return of the equity securities held in the investment portfolio during a specific period of time. See "*Alternative Performance Measures*".

[9] Fixed income portfolio average return is an APM. It measures the return of the fixed income securities held in the investment portfolio during a specific period of time. See "*Alternative Performance Measures*".

Company fails to meet its regulatory capital requirements in the future, it would have to take appropriate measures to adjust and comply with such requirement by limiting its dividend distributions and/or variable remuneration policies, reducing exposure to risk or increase its eligible capital. As at 31 December 2020, the Company complies with all the regulatory Solvency II capital requirements and its Solvency II Ratio stood at 213%. Prior to the spin-off, pursuant to the resolution passed by the Company's General Shareholders' Meeting on 5 April 2021 and as authorized by the General Directorate of Insurance and Pension Funds on 18 March 2021, the Company paid an extraordinary dividend of €120 million to Bankinter. The Company's Solvency II Ratio considers such distribution.

The European Insurance and Occupation Pensions Authority has provided a comprehensive review and technical advice of Solvency II in form of an Opinion on 17 December 2020. Even though the Company does not expect to be materially affected by these changes, there is no assurance that the Company will be able to timely and effectively adapt to such changes, or that such changes will not result in higher costs of compliance or general expenses.

SECTION C—KEY INFORMATION ON THE SECURITIES

What are the main features of the securities?

Their type and class, currency, denomination, the number of securities issued and the term of the securities	The Shares will consist of a single series of 1,088,416,840 ordinary shares traded on the Spanish Stock Exchanges, each with an ISIN code ES0105546008. The Shares are denominated in Euro, with an issued capital stock consisting of €43,536,673.60 divided into a single series of 1,088,416,840 ordinary shares, with a nominal value of €0.04 each.
The rights attached to the securities	The Shares being admitted to trading are ordinary shares, of the same class and series, conferring their holders the same voting and economic rights, as set forth under the Capital Companies Act and the Company's Bylaws.
The relative seniority of the securities in the event of insolvency	The Shares do not carry any rights to participate in a distribution of capital (including on a winding-up) other than those provided under Spanish law and the Company's Bylaws. The Shares will rank *pari passu* in all respects. Upon liquidation of a company, shareholders are entitled to any remaining assets in proportion to their respective shareholdings, once the company's debts, taxes and any expenses related to the liquidation have been paid.
Possible restrictions on the free transferability of securities	The Company's Bylaws do not contain statutory restrictions on the free transferability of the Shares. Nevertheless, by virtue of article 85.2 of Law 20/2015 of 14 July on the management, supervision and solvency of insurers and reinsurers (*Ley 20/2015, de 14 de julio, de ordenación, supervisión y solvencia de las entidades aseguradoras y reaseguradoras*), any natural or legal person that, alone or acting together with another natural or legal person, decides to acquire, directly or indirectly, even in the event of a capital increase or reduction, mergers and spin-offs, a significant stake in an insurance or reinsurance company or to increase such significant stake so that the proportion of the voting or economic rights held by such person or persons reaches or exceeds the limit of twenty per cent (20%), thirty per cent (30%) or fifty per cent (50%) and, as well, in the event that the acquisition of such stake could imply the acquisition of a controlling interest in such company, such person or persons shall previously notify the DGSFP in writing.
Where applicable, the dividend or payout policy	Upon Admission, the Company has established a new dividend policy by virtue of which the Board of Directors will agree a distribution of dividends provided that the Solvency II Ratio remains above 180%. Therefore, the Company currently expects to be able to distribute all its ordinary net profits to shareholders so long as the Solvency II Ratio remains above 180%, regardless of the fact that, ultimately, it will be the Board of Directors of the Company who will propose to the General Shareholders' Meeting the final distribution amount based on the Company's solvency position and in compliance with its dividend policy.

Where will the securities be traded?

The Company will apply to have its Shares listed on the Madrid, Barcelona, Valencia and Bilbao stock exchanges and quoted on the Automated Quotation System or "*Mercado Continuo*" of the Spanish Stock Exchanges (the "**AQS**"). The Shares will be admitted to trading on the Spanish Stock Exchanges through the AQS on 29 April 2021.

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What are the key risks that are specific to the securities?

Risks Factors inherent to the Securities and the Admission

10. *There is no established trading market for the Shares and an active trading market for the Shares may fail to develop after the admission to trading, and the market price of the Shares following admission could be volatile and subject to sudden and significant declines*
11. *Substantial future sales of Shares after Admission, or the perception that such sales could occur, could affect their market price and cause dilution of ownership interests*
12. *The Company's ability to pay its shareholders dividends is uncertain and may be restricted*
13. *Overseas shareholders may have only limited ability to bring actions or enforce judgments against the Company or its directors.*
14. *Shareholders in countries with currencies other than the Euro face additional investment risk from currency exchange rate fluctuations in connection with their holding of Shares.*
15. *Future acquisitions of the Shares could be affected by a financial transactions tax (Spanish FTT) after 1 January 2022.*

According to the Law 5/2020, of 15 October, approving the Financial Transaction Tax (*Ley 5/2020, de 15 de octubre, del Impuesto sobre las Transacciones Financieras*) (the "**Spanish FTT Law**"), the Spanish FTT applies, at a rate of 0.2 per cent., to certain acquisitions of listed shares issued by Spanish companies whose market capitalization exceeds €1,000 million on 1 December of the preceding year, regardless of the jurisdiction of residence of the parties involved in the transaction. The Spanish FTT Law applies to the acquisition of shares in Spanish resident entities listed on a regulated market, with the exemptions for transactions related to the primary market and those carried out by entities managing stock markets.

SECTION D — KEY INFORMATION ON THE ADMISSION OF SECURITIES TO THE PUBLIC

Under which conditions and timetable can I invest in this security?

Bankinter will distribute to holders of Bankinter shares, as a distribution of share premium, one Linea Directa share for every Bankinter share that such shareholders hold as of the close of business on 30 April 2021 (the "**Record Date**"), according to the following calendar:

Event	Date
Approval of the Prospectus by the CNMV	15 April 2021
Last day of trading of Bankinter shares giving the right to receive Linea Directa shares (***ex-date- 1***)	28 April 2021
First day in which Bankinter shares will trade without the right to receive Linea Directa shares (***ex date***)	29 April 2021
Expected admission to trading of the Shares in the Spanish Stock Exchanges	29 April 2021
The number of Bankinter shares held in Iberclear accounts as of closing on this date will be the positions taken into account to effect the distribution of shares of the Company (Record Date)	30 April 2021
Date of settlement of the Company's shares distributed as a consequence of the transaction (***payment date***)	3 May 2021

Who is the person who is expected to ask for admission to trading?

The Company.

Why is this prospectus being produced?

Reasons for the Admission	This Prospectus has been prepared in connection with the application for the Admission to trading of the Company's Shares on the Spanish Stock Exchanges, having them quoted on the AQS of the Spanish Stock Exchanges. The Admission is being requested in order for the shares of the Company to be distributed to the shareholders of Bankinter, a transaction which will allow both companies to implement their own strategies independently in the future, even though Bankinter and Linea Directa already operate separately from an operational point of view. The Admission will be requested so that the Shares which will be distributed to Bankinters' shareholders have sufficient liquidity, as established by the bylaws of Bankinter. Additionally, Bankinter expects its capital and solvency requirements to be less burdensome once it no longer controls the Company.
The use and estimated net amount of the proceeds	Not applicable.
Where the Admission is subject to an underwriting agreement on a firm commitment basis, state any portion not covered	Not applicable.
A description of any material conflict of interest pertaining to the admission to trading that are described in the prospectus	Not applicable.

III. DESCRIPTION OF THE TRANSACTION

In order to split its direct insurance business from its banking business, on 18 December 2019 the Board of Directors of Bankinter, S.A. ("**Bankinter**") resolved to bring forward to Bankinter's general shareholders' meeting the distribution in kind to its shareholders of its entire share premium by delivery of 82.6% of the shares Bankinter held, directly or indirectly, in the Company. The shares to be delivered, representing 82.6% of the Company's share capital, were valued by Bankinter at €1,184,265,000 (which implies a valuation of €1,434,000,000 for the Company's entire share capital).

This transaction will allow both companies to implement their own strategies independently in the future, even though Bankinter and Linea Directa already operate separately from an operational point of view.

The Admission will be requested so that the Shares which will be distributed to Bankinters' shareholders have sufficient liquidity, as established by the bylaws of Bankinter. Additionally, Bankinter expects its capital and solvency requirements to be less burdensome once it no longer controls the Company.

On 19 March 2020, the general shareholders' meeting of Bankinter, in compliance with article 41 of its bylaws, passed a resolution approving the distribution in kind to its shareholders of its entire share premium by delivering part of its shares in the Company, subject to the pertinent regulatory authorisations, and instructing Bankinter's competent bodies to process the submission of an application for admission to trading of Linea Directa's shares on the Madrid, Barcelona, Valencia and Bilbao stock exchanges (the "**Spanish Stock Exchanges**") and quoted on the Automated Quotation System or "*Mercado Continuo*" of the Spanish Stock Exchanges (the "**AQS**") (the "**Transaction**").

The Transaction required (i) the authorization of the European Central Bank pursuant to article 77 of Regulation (EU) no. 575/2013, of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 which was granted on 22 March 2021; and (ii) the non-opposition from the Spanish General Directorate of Insurance and Pension Funds (*Dirección General de Seguros y Fondos de Pensiones*, "**DGSFP**"), given that Cartival, S.A., Bankinters' biggest shareholder, would acquire a direct stake in the Company (the DGSFP confirmed its non-opposition on 26 March 2021). Therefore, as of the date of this Prospectus no authorizations are pending for the Transaction other than those required from the CNMV and the Spanish Stock Exchanges. On 30 April 2021, the Company's shares are expected to be distributed as a dividend in kind to the existing shareholders of Bankinter, on the basis of an exchange rate of one Company share for every share of Bankinter.

The securities being admitted to trading constitute the entirety of the ordinary shares of the Company, *i.e.*, 1,088,416,840 shares of four euro cents (€0.04) each, of the same class and series, fully subscribed and paid for, that confer their holders full and identical voting and economic rights (the "**Shares**"). The Company expects the Shares to commence trading on the Spanish Stock Exchanges on or about 29 April 2021 (the "**Admission**").

Additionally, in the United States, American Depositary Receipts representing shares in Bankinter ("**ADRs**") are traded over-the-counter (OTC). Since 13 August 2007, one ADR represents one share of Bankinter. Accordingly, ADR holders are attributed one share in the Company for every ADR they hold. The deposit agreement between Bankinter, The Bank of New York Mellon as depositary (the "**Depositary**") and all registered holders from time to time of ADRs (the "**Deposit Agreement**") provides that, in the case of any distribution on deposited securities other than cash, shares of Bankinter or rights upon deposited securities, the Depositary will cause such distribution to be distributed in any manner that the Depositary may deem equitable and practicable, provided that, to the extent the Depositary deems such distribution not to be feasible, the Depositary may adopt such method as it may deem equitable and practicable for the purpose of effecting such distribution, including the sale of the securities or property thus received and the distribution of the net proceeds of the sale of such distributions to the ADR holders.

The Depositary will receive Shares on behalf of the ADR holders, sell them upon commencement of the trading of the Shares on the Spanish Stock Exchanges and distribute the net cash proceeds from the sale of the Shares to the ADR holders.

The Shares shall be represented by book-entries and are recorded in the relevant accounting records by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. ("**Iberclear**"), with registered office at Plaza de la Lealtad, 1 (28014 - Madrid), and its authorised participating entities.

The Spanish Stock Exchange (*Sociedad de Bolsas*), pursuant to article 5.1 of its Circular 1/2017, on the rules which govern the Spanish interconnected system, has agreed to establish the admission reference price at €1.3175 (the "**Admission Reference Price**"). The Admission Reference Price will be used to adjust the negotiation systems and prepare them for the opening auction (*subasta de apertura*). This price has been established pursuant to the valuation report issued on 18 December 2019 and updated on 14 December 2020 by Citigroup Global Markets Limited, and the subsequent determination made by the Board of Directors of Bankinter, which valued the Company at €1,434,000,000.

Given the characteristics of the Transaction (i.e., the admission to trading of the Shares without a prior public offer nor an underwriting of the Company's Shares) the market price will be determined by the market upon commencement of trading of the Shares.

IV. RISK FACTORS

The business prospects, results of operation and financial condition of the Company are subject to different risks, mainly risks related to its business and the industries in which it operates; financial risks; legal regulatory and compliance risks. Furthermore, the Shares are subject to risks relating to their nature and their Admission to trading on the Spanish Stock Exchanges. Herein below are detailed the risks that the Company actually considers specific to itself and the Shares, in accordance with the Prospectus Regulation, but may not be the only ones applicable to itself and/or the Shares.

If any of the following risks actually materialises, the Company's business, financial condition, results of operations and business prospects could be materially adversely affected and/or the price of the Shares may decline and, as a result, an investor in the Shares may lose all or part of its investment.

The following risk factors and the other information contained in this Prospectus should be carefully considered before making an investment decision. The risks described below are not the only ones the Company faces or applicable to the Shares. Additional risks not presently known to the Company, which it currently believes to be immaterial or other risks that can be considered generic but not specific to the Company may also adversely affect its business. Other general country, political or economic risks may affect the Company, but have not been included herein below in accordance with the Prospectus Regulation. Furthermore, additional risks that are not known to the Company at this time, or that it currently considers to be immaterial or not specific, could, individually or cumulatively, significantly impair the price of the Shares or their effective Admission. Before investing in the Shares, investors should consult with their own legal, regulatory, tax, financial and accounting advisors to the extent they consider necessary in order to determine whether an investment in the Shares is a fit, proper and suitable investment for them with a view to their financial situation, constitutional documents, internal policies and guidelines, the laws and regulations applicable to it, particularly the specific insurance laws and regulations, and the impact an investment in the Shares will have on their overall investment portfolio.

Investirs should carefully review this entire Prospectus and should conform their own views and reach their own decisions on the merits and risks of investing in Linea Directa's securities. Investors should only consider engaging in transactions of this type if they are fully aware of the risks associated with an investment in the Shares and financially able to bear any losses that may arise.

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Risks Factors relating to the Company

1. ***The Group is exposed to the risks of insufficient technical provisions (underwriting risk)***

Underwriting risk is the risk which may arise from an inaccurate assessment of the risks associated with insurance policy's writing, which may result in the Company's costs exceeding earned premiums. Underwriting risk can be further divided into premium risk and reserve risk.

Premium risk is the risk of insufficient premium, i.e., the risk which may arise if the tariffs applied by the Company are not enough to cover the claims and expenses for all of the Company's outstanding contracts until their expiry date. Therefore, premium risk reflects the risk derived from claims that have not yet been made, more specifically, from future claims which may be made when the relevant accounting period has ended. Premium risk arises when the sum of expenses plus the cost of claims is higher than the premiums received. Such imbalance results from fluctuations in the timing, frequency and severity of insured events.

Reserve risk is the risk of insufficient claims' provision and refers to the risk associated to losses or injuries that have been incurred during the relevant accounting period. Reserve risk can be defined as the risk that the absolute level of provisions destined to claim-related payments is underestimated, which is also affected by the random nature of claim-related payments.

Under 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) ("**Solvency II Directive**" or "**Solvency II**"), the Company is required to maintain certain levels of solvency capital in order to cover underwriting risk. As at 31 December 2020 such solvency capital amounted to €161,004 thousand (representing 55.0% out of the basic Solvency Capital Required for the Company (before diversification benefits) as at 31 December 2020) (see *"Information concerning the Company's capital resources – Company's Solvency*").

From an accounting standpoint, the Company must establish technical provisions in order to meet the obligations assumed towards its policyholders. As at 31 December 2020, technical provisions represented 73.9% of the Company's total liabilities (71.8% and 71.7% as at 31 December 2019 and 2018, respectively). Technical provisions are further divided into provisions for premiums and provisions for claims.

The provisions that the Company records with respect to premiums include the unearned premium reserve and the unexpired risk reserve. The unearned premium reserve reflects the amount of premiums written but not yet earned, i.e., the portion of the premium corresponding to the period elapsing from the relevant closing period until the end of the coverage period, while the unexpired risk reserve complements the unearned premium reserve in order to cover any insufficient premiums ascertained at the end of each financial year. Provisions for unearned premium reserve amounted to €446,423 thousand as at 31 December 2020 (€443,115 thousand and €428,118 thousand as at 31 December 2019 and 2018, respectively) whereas provisions for unexpired risk reserve amounted to €4,622 thousand as at 31 December 2020 (€6,115 thousand as of 31 December 2019 and nil for 2018). The unearned premium reserve and unexpired risk reserve represented 46.5% of the Group's liabilities as at 31 December 2020 (44.4% and 42.3% at 31 December 2019 and 2018, respectively).

The provisions that the Company records with respect to claims cover the estimated cost of future claims payments and claim-related expenses with respect to losses or injuries which have been incurred but have not been fully settled at the date of the balance sheet. The provisions for claims represent estimates of all expected future payments, including related administrative expenses, to bring every claim which has occurred prior to the balance sheet date to final settlement. Provisions for claims are calculated on the basis of the estimates made in relation to such claims' final costs. These estimates are based on actuarial and statistical models in addition to individually assessed provisions, which, in turn, are based on the facts and circumstances known at a specific time. Nevertheless, the actual development of these facts and circumstances depends on a variety of factors and could be affected by changes in the legal regulations applicable as well as by the general economic environment. The provision for claims amounted to €265,446 thousand as at 31 December 2020 (€276,630 thousand and €297,773 thousand as at 31 December 2019 and 2018, respectively). The provision for claims represented 27.4% of the Group's liabilities as at 31 December 2020 (27.3% and 29.4% as at 31 December 2019 and 2018, respectively).

The development of claims of direct insurance by year of occurrence is presented in "*Operating and financial review – Key factors affecting results of operations*".

In order to estimate its risk exposure, determine the value of premiums and calculate the amounts of the abovementioned provisions, the Company makes assumptions in respect of a variety of factors, including, amongst others, social, economic and demographic trends, timing, loss frequency and severity, policyholder behaviour, court decisions, changes in laws and regulations, or inflation and underwriting expenses.

Adverse experience in relation to such assumptions, the use of and reliance on inaccurate or incomplete models, or inherent product defects may result in an increase in the premiums of the Group's insurance products or in the need to strengthen its provisions for claims, which may in turn have an adverse effect on its results and financial condition.

As part of underwriting risk, the Company is additionally exposed to catastrophe risk (accidents which do not happen with a regular or usual frequency) which materializes upon the occurrence of both natural events (i.e., amongst other, wind and hail storms, earthquakes) and man-made catastrophe events (i.e. mass motor vehicle accidents and other fires or explosions).

Over the past years, changing weather patterns and climatic conditions have increased the unpredictability, frequency and severity of natural disasters during certain seasons, and have created additional uncertainty as to future trends and exposures. In particular, it is possible that the consequences of climate change significantly impact the insurance industry in terms of risk perception, pricing and modelling assumptions, and the need for new insurance products, all of which may cause unforeseen risks not currently known to the Company to materialize. Adverse weather conditions and catastrophic events have had and will continue to have a significant impact on the size and frequency of claims and the Company's results, particularly with respect to the Home line of business. A part of this risk is hedged by the Company through an excess of loss insurance contract under which the reinsurer indemnifies the Company for losses that exceed a specified retention (priority) and partly through the coverage granted by the *Consorcio de Compensación de Seguros* (See "*Business overview – Reinsurance*").

The Company withstood adverse atmospheric events in the Home line of business (amounts net of reinsurance's share) of €5,927.2 thousand as at 31 December 2020 (€4,816.5 thousand and €4,566.0 thousand as at 31 December 2019 and 2018, respectively).

The Company's sensitivity to underwriting risk can be measured by observing the impact that a variation in its main components - premiums, cost of claims and expenses – would have on its net result, and consequently, on equity:

– As at 31 December 2020, a 5% decrease in overall gross written premiums (caused by a decrease in average premium or a reduction of the number of policies formalised with customers and/or a combination of both), assuming all other variables remain constant, would have resulted in a decrease of €32,963 thousand on net result and equity;

- An increase of 5% in the cost of claims, assuming all other variables remain constant, would have resulted in a decrease of €20,272 thousand on net result and equity;
- An increase of 5% in net operating expenses, assuming all other variables remain constant, would have resulted in a decrease of €7,868 thousand on net result and equity.

The sensitivities above are linear for other percentages of premiums, claims and operating expenses.

2. *Global and domestic macroeconomic conditions could have a material adverse effect on the Group's business, financial condition and results of operations*

The Group's business and results, insofar as they depend, to a certain extent, on the acquisition of goods like motor vehicles or real estate and the wider public's need and disposable income to insure such goods (or other intangibles covered by, amongst other, health insurance policies), are dependent on the global and domestic macroeconomic scenario. The current macroeconomic scenario is marked by the Covid-19 pandemic, which has produced a significant economic shock at a global level.

The worsening of the global and Spanish economic scenarios raises concerns over certain specific factors which may impact the Group's profitability such as, among others, levels of economic growth, consumer confidence, unemployment rates, current market conditions (including asset valuation and volatility, which may lead to an abrupt and significant repricing in financial markets), the availability and cost of credit, fuel prices or the stability or the solvency of certain financial institutions and other companies, including related systemic credit risk concerns.

The Covid-19 pandemic and its related confinement measures have caused an unprecedented contraction in the economic activity of Spain. As at 31 December 2020, Spanish GDP presented an annual contraction of 11% (in contrast to the 2% increase registered in 2019) (*Source: INE*). The country has become highly indebted with public debt above 117.1% of GDP (95.5% in 2019) (*Source: Bank of Spain*). Unemployment rates rose to 16.13% as at 31 December 2020, from 13.78% as at 31 December 2019, portraying the sharp worsening in labour market conditions provoked by the deterioration of general economic conditions in Spain due to the Covid-19 pandemic (*Source: EPA, Q4*).

As regards to GDP evolution in 2021 and 2022, GDP is expected to return to positive territory following the severe contraction experimented as a result of the Covid-19 pandemic. In particular, increases of 6.8% and 4.2% are expected for 2021 and 2022, respectively. Conversely, unemployment is expected to further rise to 18.3% at the close of 2021, and to narrow to 15.6% in 2022. On another note, fiscal deficit as a percentage of GDP is expected to remain at 117.1% in 2021 and to reach 116.8% in 2022 (*Source*: *Bank of Spain, INE, November 2020*).

The purchase of new vehicles is highly correlated with general economic conditions and unemployment rates. As at 31 December 2020, the annual registration of new vehicles in the automotive sector registered a decrease of 31.3% with respect to the previous year (*Source: AER*). As for 2021, the purchase of new vehicles is expected to increase 19.6% yet the number of insured vehicles is expected to remain below that of 2019 (*Source: MSI*).

Within this context, as at 31 December 2020, the Group's new business premiums in motor insurance decreased by 3.2% compared to the previous year (€135,285 thousand in 2020 against €139,713 in 2019). Consolidated premiums stood at €898,614 thousand as at 31 December 2020, a modest increase of 0.8% when compared to the previous year (€891,295 thousand at the close of

2019). Therefore, and given the Company's strong links to the Spanish economy, its business volumes may be adversely affected by the current slowdown in economic activity.

On the other hand, during the lockdown period and due to the mobility restrictions which have been imposed by Spanish public authorities, accidents and therefore claims frequency in the Motor line of business have decreased significantly. Loss ratio[10] in the Motor insurance line, which measures incurred claims by premiums earned (all items net of reinsurance) dropped by 7.6p.p to 61.8% as at 31 December 2020 (motor loss ratio* stood at 69.4% and 66.3% as at 31 December 2019 and 2018, respectively). Conversely, the Company's loss ratio* increased in the Home line of business, on the back of greater time spent at home by the general public. Loss ratio* in Home business line increased 5.3p.p to 57.1% as at 31 December 2020 (51.8% and 52.2% as at 31 December 2019 and 2018, respectively). Overall, as at 31 December 2020, the Company's consolidated loss ratio* stood at 61.5%, presenting a 6.5p.p. decrease when compared to the previous year (consolidated loss ratio* stood at 68.0% and 64.7% as at 31 December 2019 and 2018, respectively).

Additionally, the economic turmoil associated with the Covid-19 pandemic has had and is likely to continue to have a wide ranging and severe impact in global financial markets, including stock, bonds and commodity markets, and could severely affect the Company's investments, solvency or access to capital markets in the future. The mark-to-market of the Group's investment portfolio had dropped €47 million (before taxes) as of 31 March 2020, when it suffered its maximum loss. As of 31 December 2020, such loss had been reverted and the fixed income and equity portfolio stood at €927,064 (€837,485 thousand and €785,709 thousand as at 31 December 2019 and 2018, respectively). Therefore, at the close of 2020, the market value of the Company's investment portfolio was not negatively affected nor were the Company's financial result[11]. Nevertheless, it is not clear if and how future developments in the financial markets may affect the Company's investment portfolio and results from operations. Further, on December 2020, a correction of €851 thousand was accounted in the Company's carrying amount of the property portfolio as a consequence of the Covid-19 pandemic and the related drop in economic activity (See "*Risk Factors - Fluctuations in financial markets may have a significant adverse effect on the value of our investment portfolio and its return*" and "*Business Overview – Investments*").

Furthermore, given the global nature of the financial system, financial institutions and markets are interdependent and the failure of a significant financial institution could disrupt markets with a systemic effect, as was the case during the 2008 global financial crisis. The European Systemic Risk Board ("**ESRB**"), on 27 May 2020, issued recommendation for all financial institutions (including insurers) to refrain from making dividends distributions until 1 January 2021, hence maintaining a sufficiently high amount of capital to mitigate systemic risk and contribute to economic recovery.

Additionally, the mobility restrictions and confinement measures imposed in relation to the Covid-19 pandemic may also derive in increased operational and technological risk, particularly as a result of enforced teleworking. A disruption involving the Company's communications could harm the way it conducts business, both internally and externally with clients and providers. A negative evolution and development of the Covid-19 pandemic could also result in widespread sickness, work absences or a reduction in working hours of the Company's employees.

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[10] Loss ratio is an APM. Loss ratio measures the efficiency in the claims' experience as it includes incurred claims as a percentage over the volume of earned premiums, net of reinsurance. Loss ratio is calculated on a consolidated basis and by line of business. See "*Alternative Performance Measures*".

[11] Financial result is an APM. See "*Alternative Performance Measures*".

Potential limitations in relation to the pandemic and related Governmental measures may hinder the Company's ability to achieve its growth plans and/or the launching of new products and services may need to be postponed due to inadequate timing. The Company may also be forced to incur in unforeseen expenditures.

3. ***Fluctuations in financial markets may have a significant adverse effect on the value of our investment portfolio and its return***

Investment income is a significant contributor to the Group's results. As at 31 December 2020, the Group's financial result* amounted to €29,253 thousand and represented 16.3% of profit before taxes (22.1% and 21.5% as at 31 December 2019 and 2018, respectively). The investment portfolio (cash and cash equivalents, debt securities, equity instruments and property investments) amounted to €1,155,512 thousand, 80.4% of total assets (78.5% and 78.4% as at 31 December 2019 and 2018, respectively).

The entire equity portfolio (shares and equity mutual funds) and almost all debt securities (98.8% or €791,219 thousand of the fixed income portfolio) are held as "available for sale" ("**AFS**"). These investments are reported at fair value, and changes in their market value are included under the item "*Available for sale valuation adjustments*" in the equity section of the Company's balance sheet, thus reducing the volatility of the profit and loss statement. In general, the Company does not engage in actively trading its portfolio, but holds securities until their maturity provided they still comply with the expected performance at the time of their acquisition. There is no trading portfolio.

As at 31 December 2020, 69.3% of the Company's portfolio was comprised of debt securities and securities most exposed to market risk (corporate bonds, equity instruments, equity mutual funds and property investments) accounted for 48.0% of the Group's total investment portfolio (48.6% and 44.7% as at 31 December 2019 and 2018).

As at 31 December 2020, corporate bonds amounted to €362,446 thousand, which represented 31.4% of the Company's total investment portfolio and cash (€326,141 thousand or 31.1% as at 31 December 2019 and €299,378 or 29.4% as at 31 December 2018). Equities, equity mutual funds and investment property amounted to €60,536 thousand, €65,319 thousand and €65,948 thousand as at 31 December 2020, representing, respectively, 5.2%, 5.7%, and 5.7% of the Company's investment portfolio (5.6%, 5.5% and 6.4% at 31 December 2019 and 4.4%, 4.3% and 6.6% at 31 December 2018) (see "*Business overview*" – "*Investments*").

A commonly used metric to measure market risk is the Value at Risk "VaR". The expected maximum potential loss for the Group, under normal market conditions, over a one-month time horizon and with a confidence level of 99.5% of fixed income, equities and mutual funds exposed to market risk amounted to 1.4% of the value of the Company's portfolio corresponding to €13,090 thousand as at 31 December 2020 (0.60% as at 31 December 2019 and 0.60% as at 31 December 2018). As at 31 December 2020, the average return for equity and equity mutual funds[12] was 0.37% (2.39% and 6.84% as at 31 December 2019 and 2018, respectively).

The level of and changes in interest rates (including changes in the difference between short and long term interest rates) can affect the value of assets, levels of investment income and gains and

[12] Equity portfolio average return is an APM. It measures the return of the equity securities held in the investment portfolio during a specific period of time. See "*Alternative Performance Measures*".

losses on investments. Interest rates are highly sensitive to a variety of factors, including European monetary policies, domestic and international economic and political conditions, and other factors.

On this point, as regards the fixed income investment portfolio of the Group, the current low interest rate (or even negative) environment has affected the Company's financial income. As at 31 December 2020, the average return for debt securities[13] was 2.62%, compared to 3.23% in 2019 and 3.46% in 2018. The fixed income portfolio (held as "AFS") amounted to €791,219 thousand (68.5% of Company's investment portfolio and cash as at 31 December 2020), of which €692,578 corresponded to fixed interest rate securities and €98,641 to floating interest rate.

A scenario of very low interest rates such as the current one has reduced the returns on fixed income securities invested in by the Company and increased the value of purchases in new fixed income, even though it has also increased the value of the fixed income portfolio for the purposes of Linea Directa's regulatory ratios. In the 2018-2020 period, decreasing interest rates have led to an overall positive impact in shareholders' equity, given that the increase in the value of the securities offsets the reduction in the incomes of the portfolio. The available for sale reserve increased in such period by more than €30 million net of taxes.

In turn, in periods of increasing interest rates, the estimated fair value of certain of the Company's fixed-income investments may decrease, which could negatively affect the Company's regulatory ratios. In this sense, given the Company's current fixed income portfolio's duration[14] if interest rates were to rise (and depending on the amount of such raise) the increase in the portfolio's income may not be enough to offset in the loss of value the whole portfolio.

Interest rate sensitivity is measured by "Modified Duration[15]", which represents the percentage change in the market value of the Group's fixed income portfolio for every 1% increase in interest rates. As at 31 December 2020, the modified duration* of the fixed income investment portfolio was 3.26% (3.79% and 3.75% as at 31 December 2019 and 2018, respectively).

Had interest rates as at 31 December 2020 been 100 basis points higher, with all other variables remaining constant, the fair value of the fixed-income portfolio would have decreased by €18,831 thousand (€20,737 thousand as at 31 December 2019 and €20,435 thousand as at 31 December 2018).

Had interest rates as at 31 December 2020 been 100 basis points lower, with all other variables remaining constant, the fair value of the fixed-income portfolio would have increased by €29,349 thousand (€27,645 thousand as at 31 December 2019 and €30,392 thousand as at 31 December 2018).

Additionally, a 10% decrease in the market value of equity instruments would have resulted in a decrease of 3% in the Company's Solvency II Ratio for financial years 2020, 2019 and 2018. Furthermore, a 30% decrease in the market value of equity instruments would have resulted in a drop of 8% in the Company's Solvency II Ratio for financial years 2020, 2019 and 2018. A 10% fall in the market value of property would have resulted in a 3% decrease in the Company's Solvency II Ratio for financial years 2020, 2019 and 2018. A 10% fall in the market value of both

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13 Fixed income portfolio average return is an APM. It measures the return of the fixed income securities held in the investment portfolio during a specific period of time. See "*Alternative Performance Measures*".

14 Duration is an APM. Duration makes it possible to measure the degree of volatility or risk in the Group´s fixed income portfolios. See "*Alternative Performance Measures*".

15 Modified Duration is an APM. Modified duration makes it possible to measure an approximate value of the percentage variation of financial securities for each percentage point (100 basis points) change in interest rates. See "*Alternative Performance Measures*".

equities and property would have resulted in a 6% decrease in the Solvency II Ratio of the Company for financial years 2020, 2019 and 2018.

The allocated capital for market risk in accordance with Solvency II Directive (as defined herein) amounted to €113,510 thousand as at 31 December 2020, representing a 38.8% of the Company's Basic Solvency Capital Requirements before diversification benefits (€104,548 thousand and €94,357 thousand as at 31 December 2019 and 2018, respectively) (see "*Information concerning the Company's capital resources – Company's Solvency").*

4. ***Operational and cybersecurity risks***

As a direct and digital player, the Company relies on complex IT and could suffer financial losses, a disruption of its businesses, liabilities to clients, regulatory interventions or reputational damages in case of events such as operational errors, software and hardware errors, power blackouts, damage, computer viruses, or other acts of sabotage as well as other internal or external threats.

The Company's operations are highly dependent on the integrity of its technology systems. Pricing and underwriting rely on complex IT and its success depends, in a great part, on its ability to use increasingly rich databases, price correctly the risks to be underwritten based on that information and make timely decisions connected to industry changes, shifts in consumer demands and sophisticated client requirements. The Company's relationships with clients are built around technological solutions, with 78.2% of active clients interacting with the Company through digital means as at 31 December 2020. Also claims management is becoming increasing digital: 47.2% of tow trucks are requested online and 46% and 28.0% of claims are initiated online in the Motor and Home lines of business, respectively. Furthermore, Vivaz, the Company's health line of business is a pure digital player with 100% digital policy management and other features via App.

Should IT risks and other operational risks materialise, they could have a material adverse effect on the business, operational results and financial position of the Group, as well as in its reputation. Any of the above could also lead to increased regulatory supervision, affect the Company's ability to attract and retain customers or have other adverse effects on Linea Directa which are not predictable.

The economic capital required for Operational Risk for 2020 under Solvency II Directive (as defined herein) amounts to €26,935 thousand (€26,092 thousand and €24,796 thousand as of 31 December 2019 and 2018, respectively) (see "*Information concerning the Company's capital resources*").

Cyber security threats

Cyber-attacks or other security breaches of our computer systems, technologies or networks, or those of our third-party providers, could disrupt our businesses, result in damage to our reputation or significant financial losses, and expose us to potential regulatory sanctions.

The increasing frequency and sophistication of hacking incidents and other cyber security threats directed to corporations has recently made clear the significance of these cyber risks and the damage, both financial and reputational, they can potentially inflict.

Despite the Company's implementation of a variety of security measures, the Company's computer systems, technologies and networks, as well as the services the Company provides or relies on (including mobile and cloud services), may in the future be subject to unauthorized intrusions, such as physical or electronic break-ins, cyber-attacks, unauthorized tampering or other security breaches.

In addition to the security measures established within the Company and to periodic testing, the Company has a specific Cyber-risks insurance policy providing cover against the possible consequences of an event of this type.

No assurance can be provided, however, that these controls, procedures and risk mitigant measures will be sufficient, properly implemented or effective to prevent all attempted intrusions into the Company's systems, technologies and networks. Any such intrusion could result in operational disruption, financial losses, unauthorized access to or loss of sensitive personal data and/or proprietary information and lead to regulatory actions, proceedings or sanctions against the Company. In addition, due to the Company's reliance on certain infrastructures and interconnectivity with third-party providers, exchanges, clearing houses, financial institutions and other third parties, we could also be adversely impacted by any successful cyber-attack or other security event affecting any of them.

Interruptions or disruptions of Linea Directa's systems, technologies and networks, or those of the Company's third-party providers (including third-party providers deemed critical to the Company's principal activities), or a failure to maintain the availability, integrity or confidentiality of sensitive data residing on such systems or technologies, or transmitted through these networks, could potentially result in financial loss, impairment to the Company's liquidity, a disruption of its business, legal claims, regulatory sanctions or damage to its reputation, any of which could materially adversely affect Linea Directa's results of operations or financial condition.

5. ***The Group is exposed to counterparty risk in relation to third parties in various ways related to its ordinary activities, including risk mitigation techniques such as reinsurance***

Linea Directa is exposed to counterparty risk mainly due to its investment portfolio, through the acquisition of any type of security that implies the obligation from the issuer to return the amount invested at a certain date, as well as to pay an explicit or implicit rate of return. As at 31 December 2020, the Group's fixed income portfolio amounted to €801,209 thousand or 69.3% of total investment portfolio and cash (68.7% and 68.3% as at 31 December 2019 and 2018, respectively).

92.9% of the Group's fixed income investment portfolio is rated "BBB" or higher. In particular, "BBB" rated instruments accounted, as at 31 December 2020, for 47.5%, while "A" rated instruments accounted for 44.1%, and "AA" and "AAA" rated instruments account for 0.9% and 0.4% of the Group's fixed income investment portfolio, respectively. 3.3% (€26,532 thousand) is rated below BBB and 3.8% (€30,360 thousand) of the Group's debt securities are not rated. As at 31 December 2020, 2019 and 2018, there were no due balances which were not impaired. (see "*Business overview*" – "*Investments*").

Furthermore, the risk mitigation techniques used by Linea Directa such as reinsurance contracts also expose the Company to risks arising from its counterparty's potential insolvency (see "*Description of the nature of the Company's operations and its principal activities*" – "*Reinsurance*").

The Company's reinsurance panel is composed of six reinsurers for the XL protection in the Motor, Home and Health lines of businesses with an average rating of AA-. Given the small business volumes in the Health line of business, the quota share reinsurance agreement for this segment is a multi-year contract with a single Tier 1 AA reinsurer.

Whilst a minimum credit rating of "A" is required for the inclusion of reinsurance companies in the Company's reinsurance programme, current market conditions have significantly increased the pressure on reinsurance companies' business, which could potentially lead to rating downgrades, change in reinsurance prices or, in extreme circumstances, to financial difficulties and even insolvency of some reinsurance companies. If any of such scenarios were to materialise, the

Company may encounter difficulties to continue contracting with reinsurance companies in order to mitigate risk in acceptable commercial terms or at all. At the close of 2020, the reinsurance market overall presented rising prices as a consequence of lesser capacity in reinsurers' balance sheets, yet Linea Directa has remained largely unaffected by renegotiating its contracts.

The allocated capital for counterparty risk in accordance with Solvency II Directive (as defined herein) amounted to €15,291 thousand as at 31 December 2020, which accounted for a 5.2% of the Basic Solvency Capital Requirements before diversification benefits (€15,886 thousand and €15,833 thousand as at 31 December 2019 and 2018, respectively) (see "*Information concerning the Company's capital resources – Company's Solvency").*

6. *Motor insurance constitutes a large percentage of the Company's premium income and it is largely concentrated in Spain*

As at 31 December 2020, the Motor insurance business line represented 84.0% of the Company's premium income, exposing the company to a risk of segment concentration in the Spanish motor insurance market. The Spanish Motor insurance is a competitive market (see "*The Spanish non-life insurance market in which the Group operates is very mature and extremely competitive"*), and subject to shifts in consumers demands (*See "Potential structural developments affecting the insurance sector and consumer demand").*

As at December 2020, three companies accounted for 43.2% of Spanish motor market's share, Mapfre España, Mutua Madrileña Automovilista SSPF and Allianz (*Source: ICEA*). Notwithstanding the fact that the Company displays superior combined ratios[16] as those of the market (See "*Business overview – Linea of business – Motor insurance*"), the Group's business is concentrated in Spain and its future development is expected to be largely framed within the Spanish market, highly impacted by the Covid-19 pandemic. (See "*Global and domestic macroeconomic conditions could have a material adverse effect on the Group's business, financial condition and results of operations").* This concentration is particularly material in the regions of Andalucía (23.1%), Cataluña (20.6%), Comunidad Valenciana and Murcia (jointly, 17.2%) and Madrid (13.0%). The number of new motor insurance premiums underwritten by the Company is highly correlated with the number of new car registrations, which in the financial year ended on 31 December 2020 decreased by 31.3% (*Source: AER*).

As at 31 December 2020, Home and Health insurance business lines represented 13.4% and 2.4% of the Company's total premiums, respectively. Both markets display a high degree of concentration, as at 31 December 2020, 31.1% of the home insurance market share was concentrated in its top three players, namely, Mapfre España, SegurCaixa Adeslas and Grupo Caser, whereas 64.35% of the health sanitary assistance insurance market share was concentrated in its top three players, namely, SegurCaixa Adeslas, Sanitas and Asisa. (*Source: ICEA and Company's own information*). Achieving growth in the Company's Home line of business also represents a challenge in terms of market penetration, particularly taking into account that the home insurance market generally presents a high degree of dependence on bancassurance agreements for product distribution given that insurance policies are usually marketed in the context of mortgage formalisations. Currently, 37.0% of the home insurance portfolio is formalised via bancassurance channels in the Spanish home insurance market (*Source: ICEA, data as at 2019*).

[16] Combined ratio is an APM. Combined ratio measures the loss experience and technical expenses as a percentage over premium volume. Combined ratio APM is calculated on a consolidated level "Consolidated combined ratio", and per line of business "Motor combined ratio", "Home combined ratio" and "Other insurance business combined ratio". See "*Alternative Performance Measures*".

The Company's Health insurance business line has only been operated for three years. Under the brand Vivaz, the Company offers direct insurance in a highly intermediated market. The subscription process, when compared to that of the Motor and Home lines of business presents a higher degree of complexity in risk selection, pricing and in the establishment of proper mechanisms to mitigate high frequencies of medical visits and treatments that would result in higher pricing. A failure to adequately measure the health insurance business' inherent risks and capture a sizeable portion of such market could negatively affect the Company's business volumes and profitability, and render its investments in marketing, personnel and technology for this business line unsuccessful, as well as its capacity to achieve growth in this business line and reduce its dependency on its Motor business line. At as 31 December 2020, Vivaz recorded a technical loss of €7,890 thousand (€16,346 thousand and €7,042 thousand as at 31 December 2019 and 2018, respectively). (See "*Operating and financial review – A fair review of the development and performance of the issuer's business*").

The Company's inability to carry out the necessary actions to effectively compete with its competitors in the home and health insurance market may impact its capacity to achieve growth in the Home and Health insurance business lines and, therefore, reduce its exposure to concentration in the Spanish motor insurance market.

Risk Factors inherent to the insurance industry

7. ***Potential structural developments affecting the insurance sector and consumer demand***

In a mature and highly competitive market such as the insurance sector (see "*The Spanish non-life insurance market in which the Group operates is very mature and extremely competitive"*), the Group's continued success depends, in part, upon its ability to effectively anticipate, identify and respond to evolving factors and consumer trends in the market, and to translate those into appropriate, saleable products.

The public in general and especially potential young customers have different expectations for the insurance brands they choose than previous generations, preferring companies that prioritise digital engagement, social and environmental commitment, and a combination of human and digital solutions at every touch point of the customer journey. Hyper-personalisation is becoming a baseline expectation.

Digitalisation and new technology

In particular, digitalisation and new technologies have constituted a real revolution in the insurance sector and especially in the Motor insurance class, where new targets such as driving technology or artificial intelligence could materially alter the way motor vehicle liability insurance policies are marketed and could put downward pressure on insurance premiums. While digital engagement is critical for any modern business, consumers continue to rate caring, competent and accessible customer services, as a key differentiator among insurance companies.

Telematic devices

It is also expected that many policyholders will welcome the opportunity to lower their premiums on the back of telematic devices, leveraging their safe driving habits. Such devices collect data relating to driving habits, which includes, amongst other, acceleration, abrupt braking, and distance travelled. Such data is subsequently utilised by insurance companies to adapt the premiums charged to customers. Pricing pressures may harm the Group's ability to maintain its current margin on its most profitable segments.

Teleworking

The upsurge of teleworking would also contribute to substantial lower frequency of car use and hence pricing pressures. If such scenario were to materialise, an unceasing improvement of efficiency will be key to maintain a competitive edge and there is no assurance that the Company will be able to successfully carry out all necessary actions to effectively adapt to such new developments.

Environmental trends and electric cars

Environmental policies enacted or applied by public authorities increasingly penalise less energy-efficient vehicles, for example, by limiting their access to main cities, and are likely to lead to a progressive decrease of sales of gasoline and diesel automobiles. On the other hand, until the use and purchase of electric cars is generally embraced by the wider public, the costs of repair for such vehicles may increase. A damaged, bumped electric battery (the cost of which is significant) cannot usually be repaired and claims related to such repairs are likely to be labeled as total losses. Furthermore, larger environmental requirements for the repair and treatment of those vehicles (workshops' waste handling or wires, amongst other) may lead to increased costs, which could also impact the cost of claims for insurance companies.

According to the *Asociación Española de Renting (AER)* the number of electric and hybrid vehicles registered in Spain increased by 24.0% in 2020, representing 19% of total registrations. Fuel vehicles continue being the most sold (42% of total registrations) ahead of diesel vehicles (39%).

The final development of entirely electric cars will only foreseeably happen when the necessary infrastructure is fully developed. This milestone will certainly lead to major changes in the automobile market. If a generalization of the use and ownership of electric cars were to take place, such event is likely to have a considerable impact in the post-sale services of car manufacturers and dealers (no check-ups, no engine oil changes, filters, engine repairs nor replacement parts, amongst other). Such players could seek other sources of income and/or services to retain their customers. It is also possible that these players, who possess significant amounts customer data (100% customers are connected), could seek to enter into the insurance arena (e.g. Tesla) through insurance brokers.

Micro-mobility

Micro-mobility, a term encompassing non-car personal transportation methods, such as manually and electrically powered scooters and bikes is surging in popularity and has quickly become a characteristic in main Spanish cities. Some city councils and private companies now provide a fleet of micro mobility vehicles for community use.

In 2019, more than 20,000 electrically-powered scooters circulated in Spain, of which approximately 5,000 were located in Madrid and more than 600,000 users were making use of micro mobility vehicles on a daily basis. Furthermore, almost 11 million people would be willing to use micro-mobility as ordinary means of transport (*Source: Own elaboration based on Informe Strava, INE, El País, El Mundo, Asociación de Usuarios de Vehículos de Movilidad Personal*). This trend could result in the need for the Company to invest significant resources to build new risk models and adapt the Group's product offering to cater for this growing community built around electric, hybrid and environmentally-friendly vehicles. Further, the Company may be forced to face substantial and volatile indemnities above those covered by the insurance contracts as a result of court decisions protecting the most vulnerable until some indemnity standardisation is achieved.

Renting

Additionally, the sense of ownership is evolving. The number of vehicle registrations through renting companies (held by individuals and by companies) stood at 743,388 in 2020 (representing 20.4% of total registrations) with a compounded average growth rate ("**CAGR**") of 10.7% over the last five years. Moreover, in 2020, the number of rented vehicles by individuals stood at 111,479, with a CAGR of 60.2% over the last five years (*Source: AER*). In relation to rental vehicles, it must be highlighted that the rental firm is commonly the vehicle owner and policyholder of the insurance contract. Through an assignment, rental companies transfer a set of terms and conditions to final customers, which include the insurance conditions. Renting companies frequently offer their own insurance and/or offer generic brands in which case they have strong negotiating power. Additionally, renting is frequently used by companies to fund its car fleet, in which case, they have higher bargaining power than individual customers, which can lower the Company's premiums and, therefore, affect the Company's income and results of operations.

Likewise, not only the renting model is on the increase nowadays, but also the financing of vehicles is becoming more flexible. The purchase of a vehicle currently includes financing varieties in which the owner pays lower monthly instalments in the first few years of the financing, and after a 2-4 year period owners may decide to refinance/change/maintain the vehicle. The automobile market is experiencing a slowdown in the ownership/financing model towards preferences that include renting and pay-per-use. At the point of sale, the insurance is typically attached to the financing of the vehicle for the first year, after which the client is able to freely choose its insurance. A failure to capture a sizeable portion of this market could negatively affect the Company's business volumes.

Temporary, on-and-off and pay-as-you drive

Moreover, overseas influence with temporary, on-and-off and pay-as-you drive[17] auto insurance, could land in the Spanish market and entail a substantial risk of anti-selection. Driver based insurance could mean lower premiums for policyholders, as they will only pay per usage and could entail increasing frequency of claims (e.g. drivers are most likely to use their vehicles under poor weather conditions).

The market overall is experiencing a change in the frequency of use and type of vehicle, yet traditional means of transport must remain insured. The challenge is to adapt insurance to those new practices and maintain a competitive edge as pricing pressures and the complexity of risk calibration increase. The Company's inability to recognise, respond to and effectively manage changing consumer trends may render its investments in research, marketing initiatives and the development of new products (new insurance classes or services etc.) unsuccessful to satisfy consumer demands. The failure of these initiatives may lead to revenue and profit reductions and significant losses of market share and invested capital in marketing and research. While the Group dedicates significant efforts in order to accommodate to continuously evolving consumer preferences, there is no assurance that it will be able to accurately predict shifting consumer preferences going forward and respond to those shifts in a timely and effective manner.

[17] Refers to car insurance in which the insurance policy "switches on" when the driver starts the car.

8. ***The Spanish non-life insurance market in which the Group operates is very mature and extremely competitive***

The Company faces significant competition from long established, traditional domestic players, international insurance groups and direct new entrants that currently offer or may in the future offer the same or similar products and services as Linea Directa, including its digital offering. The Group faces a more competitive market now than ten years ago given that traditional companies, which previously relied on exclusive agency networks and other intermediaries, have now developed or included a direct offering. The Group's competitors have in the past implemented and may in the future implement various strategies to improve their market position or increase their market share, such as the launch of new products and increased activity in mergers and acquisitions.

Linea Directa is particularly exposed to the Motor insurance market, which represented 84.0% of the Company's premiums in 2020 (85.4% in 2019). This market has been traditionally cyclical, and its supply is related to prevailing prices, the degree of industry profitability and its general capital position. Average premiums have decreased by 13.9% (*Source: Own elaboration as per figures from ICEA and FIVA*) over the last ten years driven by the overall decrease in loss experience[18] (according to the *Dirección General de Tráfico* there are significantly fewer accidents), vehicle pool average aging[19] and increased competition (*Source. ICEA*). While at present the Motor insurance market is profitable overall, competitors may decrease prices seeking to capture larger market shares, specifically in the direct and digital segment in which Linea Directa's presence is strong. As a result, the Group may need to take steps to address competitive pressures, including those derived from increased marketing efforts and price reductions.

Also, non-traditional competitors are penetrating the Motor insurance market, increasing competition and applying pressures for digitalisation. In particular, in recent years, many variations of fintech that draw on cutting-edge technologies specifically tailored for certain sectors, such as insurance, have emerged. Customers are expecting higher quality digital experiences similar to those provided by Amazon, Google, Apple, and other heavy-hitters. New insurtech companies in Spain digitise the interaction between insurance companies and policyholders, offering solutions that span from automatic policy subscription to the digitalisation of claims management through automatic damage detection, although the market is incipient and tremendously fragmented. These companies enter the market either by setting up their own insurance company or by charging pre-existing insurance companies for the provision of certain services. While the education and contribution to the modernisation of the sector is positive for Linea Directa, the Company may face in the future more competition arising from new technological participants. The market share of these players is at the moment negligible and the market is enormously fragmented.

Other market players such as Price Comparison Websites ("**PCW**") have been present in Spain for over a decade yet they still hold a less relevant position than in other European countries such as the UK. Positioning in such websites is price driven, albeit recent amendments have resulted in the inclusion of additional criteria attached to those rankings (such as whether companies offer a final price[20] on not, customers opinions). PCWs request quotes and information to insurance companies and decide how to display the information provided to them, hence the Company's position in the categorisation of such engines follows PCW's criteria and does not depend on the Company.

[18] Severe and minor accidents have dropped by 48.5% and 31.1%% for the period 2010 – 2020 (*Source: Dirección General de Tráfico and UNESPA*).

[19] Average age of car park in Spain increased from 9.2 years to 13.2 years for the period 2010 – 2020 *(Source: Faconauto, ACEA*).

[20] Final refers to a price (premium) that is not linked to any further conditions and/or additional information requirements for price setting.

Although the real competitors for Linea Directa are insurance companies, the rise of such players could entail pressures on pricing, margins and bring down customer loyalty.

In addition, the demand for car renting is growing and such companies are typically enclosing their own insurance in the terms of the renting (see "*Potential structural developments affecting the insurance sector and consumer demand*"). Furthermore, bancassurance distribution agreements are expanding their presence particularly in home insurance and other non-life lines of business as well. As a result, the Company may face in the future pressures on pricing and/or competition of new distributions channels where margins are small.

Brand recognition, the quality of customer service, product price, distribution and communication channels with the customer, flexibility and innovation are of the utmost importance for any insurance company to effectively compete, especially in the motor insurance market. Should the Company not be able to deliver high levels of customer satisfaction and retention, keep up with the digital advances of its non-conventional competitors, or compete with the new products and/or services offered by conventional competitors, such circumstances could materially adversely affect the Company's business, financial condition and results of operations.

Furthermore, greater social awareness (points-based driving licence), the evolution and upgrade in vehicle security measures and improved road infrastructure have led and are expected to continue to lead in the future to continuous reductions in claims. Irrespective of the industry development, loss experience is most likely to further decrease, thus adding downward pressure on pricing. If the Company is not able to continuously improve its efficiency levels, this downward pressure on premiums may harm its ability to maintain or increase its current profitability.

9. *Solvency and capital requirements*

Solvency II establishes capital requirements for insurance companies. Such capital requirements are determined taking into account several factors related to the Company's risk exposure, such as, among others, its exposure to underwriting and market risk (see "*Capital Resources*").

If the Company fails to meet its regulatory capital requirements in the future, it would have to take appropriate measures to adjust and comply with such requirement by limiting its dividend distributions and/or variable remuneration policies, reducing exposure to risk or increase its eligible capital. The funds ultimately necessary to raise and increase capital may not be available on commercially favourable terms or at all and the Company may need to adjust its business operations to reduce its capital consumption (e.g. through sale of riskier assets). Furthermore, if the Company does not comply with the Minimum Capital Requirement (for an explanation on the Minimum Capital Requirement, see "*Capital Resources*"), this circumstance could lead to the removal of its authorisation to operate as an insurance company.

Additionally, changes in the capital requirements or instructions by supervisors intended to ensure insurance companies meet such requirements may affect the Company's ability to pay dividends or manage its own resources. In this sense, on 29 January 2021 the DGSFP issued a report on the application of European Insurance and Occupation Pensions Authority's ("**EIOPA**") opinion on variable remuneration policies and dividend distributions establishing the need to follow prudent dividend and other distribution policies, including variable remuneration, and ensure that assessments of overall solvency needs are forward-looking and factor in the current level of uncertainty on the depth, magnitude and duration of the impacts of the Covid-19 pandemic in financial markets and on the economy (*see* "*Risk Factors – Global and domestic macroeconomic conditions could have a material adverse effect on the Group's business, financial condition and results of operations*"). According to such report, the DGSFP does not prohibit the possibility of distributing dividends, nor specifies quantitative restrictions. However, there are qualitative implications which the Board of Directors of the Company shall consider prior to any proposal for the distribution of dividends, on the basis of an extremely prudent analysis.

In particular, the Board's analysis shall verify the following elements: (i) that the distribution does not imply a detriment to either the patrimonial, financial and solvency situation nor the necessary liquidity position of the Company; (ii) that a prospective assessment of the Company's global solvency needs is carried out, taking into account the uncertainty about the depth, severity and duration that the impacts of COVID-19 could have both in the financial markets and in the economy as well as in the business models and financial, patrimonial and solvency position; and (iii) that a dialogue with the supervisor is to be initiated well in advance in order to ensure an appropriate assessment and decision-making process and to facilitate the analysis on a case-by-case basis.

As at 31 December 2020, the Company complies with all the regulatory Solvency II capital requirements and its Solvency II Ratio stood at 213% (211% and 209% as at 31 December 2019 and 2018, respectively) (see *"Information concerning the Company's capital resources – Company's Solvency*"). Prior to the spin-off, pursuant to the resolution passed by the Company's General Shareholders' Meeting on 5 April 2021 and as authorized by the General Directorate of Insurance and Pension Funds on 18 March 2021, the Company paid an extraordinary dividend of €120 million to Bankinter. The Company's Solvency II Ratio considers such distribution.

Solvency II capital requirements also have an impact in the way in which the liquidity obtained by the Company through insurance premiums is invested. This may have a cost of opportunity for the Company, as investing assets which tend to be more profitable, such as real estate, equity and non-euro securities, also implies higher capital requirements for the Company (for more information on the relationship between the Company's investments and its capital requirements, see "*Investments"* and "*Capital Resources"*).

However, future regulatory requirements will depend on many factors, including the Company's operational results, financial markets developments, the volume of newly generated business and underwriting regulatory developments including changes to, amongst other, capital requirements.

In addition, EIOPA has provided a comprehensive review and technical advice of Solvency II in form of an Opinion on 17 December 2020. Overall, three broad themes emerged from the prudential and economic context:

(i) the need for proper recognition of the economic situation, notably with respect to the capital requirement for interest rate risk. The current interest rate requirement does not reflect the steep fall of interest rates experienced during the least years and ignores the existence of negative interest rates. Further, risk calibration (interest rate shock) is adjusted;

(ii) balanced updating of the current regulatory framework. EIOPA proposes changes in several areas but with a balanced overall impact on insurers, consistent with the belief that the Solvency II framework has been effective so far;

(iii) the need to supplement the current micro prudential framework with the macroprudential perspective (a toolbox completion including the introduction of specific tools and measures) as well as the need to develop a minimum and harmonised recovery an resolution framework in order to contribute to ensuring similar level of protection to policyholders across the European Union.

The latter is specifically reflected in the requirement to prepare an Own Risk and Solvency Assessment report ("**ORSA**") which must expand in such a view, by which (re)insurance undertakings must be able to facilitate information in regards to macroprudential concerns to regulators.

Such review may lead to further regulatory changes and the European Commission is likely to public a proposal on such review in the third quarter of 2021. The implementation date is not certain yet. Even though the Company does not expect to be materially affected by this changes, there is no assurance that the Company will be able to timely and effectively adapt to such changes, or that such changes will not result in higher costs of compliance or general expenses.

Risk Factors inherent to the Securities and the Admission

10. ***There is no established trading market for the Shares and an active trading market for the Shares may fail to develop after the admission to trading, and the market price of the Shares following admission could be volatile and subject to sudden and significant declines***

The stock price of the Company's Shares may be volatile and subject to sudden declines.

The Admission constitutes the initial trading of the Shares in a regulated market and no public market for the Shares currently exists. The Company will apply to list the Shares on the Spanish Stock Exchanges of Madrid, Barcelona, Valencia and Bilbao and it expects the Shares to be quoted on the AQS on or about 29 April 2021, subject to the completion of the appropriate customary procedures in Spain. Any delay in the Admission would impair the liquidity of the market for the Company's Shares, and make it more difficult for existing shareholders to sell their Shares. Given the current shareholding structure of Bankinter, the Company's free float after Admission is expected to be of 59.06%.

Additionally, given that the Transaction does not involve the sale of new or existing shares, the reference price for the Shares will not be determined by acquisitions made prior to Admission, but by value which Bankinter has assigned to the Shares, taking into account a report issued by Citigroup Global Markets Limited. For more information on the reference price, please see Section 5 of the Securities Note.

The Admission does not imply that an active trading market for the Shares will develop or, if one does develop, that it will be sustained after the Admission is completed. The initial price of the Shares may not be indicative of the market price of the Shares after Admission, and following Admission. The price of Shares after Admission is commonly subject to increased volatility for a period of time following Admission.

The value of the Shares may, in addition to being affected by the Company's actual or forecast operating results, fluctuate significantly as a result of numerous factors outside its control such as, amongst other, stock market analyst recommendations, developments affecting the insurance and reinsurance industry and changes in conditions in the financial markets. In addition, during the past few years and especially since the Covid-19 outbreak occurred in the early stages of 2020, the securities markets in Spain and worldwide have experienced significant volatility in prices and trading volumes. This volatility could have a negative impact on the market price of the Shares, irrespective of the Company's financial condition, results of operations and prospects. Consequently, the trading price of the Shares could fluctuate significantly and may result in investors being unable to sell the Shares at or above their initial price, or at all.

11. ***Substantial future sales of Shares after Admission, or the perception that such sales could occur, could affect their market price and future issuances could cause dilution of ownership interests***

Sales of a substantial number of Shares in the public market following Admission, or the perception that such sales could occur, could adversely affect the market price of the Shares. Such a decline in the market price of the Shares may also make it more difficult for the Company to issue equity securities in the future.

Given that part of the Shares have been distributed as part of Bankinter's distribution of its entire share premium to its shareholders, which implies that their acquisition has not been voluntary, and that the Company has no knowledge of any Bankinter shareholder having entered into lock-up agreements over the shares they will acquire in the Company, following Admission, the holders of the Shares may elect to make substantial sales of their Shares, which could cause the market price of the Shares to decline. Similarly, in the future, the Company could also issue substantial amounts of ordinary shares if it needs to raise additional capital, including in connection with acquisitions. In addition, if a share capital increase or the issue of any instruments convertible into the Company's ordinary shares is approved excluding pre-emptive rights, the issuance of the new ordinary shares could also dilute the ownership interests of the Company's then-existing shareholders. Such future sales could materially adversely affect the trading price of the Shares.

12. *The Company's ability to pay its shareholders dividends is uncertain and may be restricted*

Payments of dividends must be approved by the Company's shareholders and will depend on several factors, such as satisfactory management of the business, operating results, or limitations contained in the Company's current or future financing agreements, which may limit the maximum amount of distributions that it is allowed to make or which may make such distributions contingent upon adherence to certain financial ratios, although, currently, the Company has no bank liabilities or issuances outstanding.

Additionally, the ability of the Company to pay dividends may be limited by the solvency requirements set forth in the regulations which govern solvency of insurance companies, among others, Solvency II Directive and by its commitment to follow any instructions or recommendations issued by European and national regulators, namely, EIOPA, the ESRB and the DGSFP. On this regard, on 29 January 2021 the DGSFP issued a report on the application of EIOPA's opinion on variable remuneration policies and dividend distributions establishing the need to follow prudent dividend and other distribution policies, including variable remuneration, and ensure that assessments of overall solvency needs are forward-looking and factor in the current level of uncertainty on the depth, magnitude and duration of the impacts of the Covid-19 pandemic in financial markets and on the economy (see "*Risk Factors*" - "*Solvency and capital requirements*"). This requires the Company to send its proposal of dividends to the DGSFP, together with a summary of its solvency and liquidity position, well in advance any dividend distribution. There are no specific objections from the DGSFP to dividend distributions as long as their insurance companies' future level of solvency is not impaired and policyholders' rights are protected.

Consequently, the Company can provide no assurance that it will be able to pay dividends to its shareholders, or in the event it does pay dividends in the future, that they will be maintained or increased thereafter.

13. *Overseas shareholders may have only limited ability to bring actions or enforce judgments against the Company or its directors.*

The ability of an overseas shareholder to bring an action against the Company or its directors may be limited under law. The Company is a *sociedad anónima* incorporated in Spain, and the majority of its assets are located in Spain. The rights of holders of the Company's ordinary shares are governed by Spanish law and by its bylaws. These rights differ in certain respects from the rights of shareholders in comparable U.S. corporations and some other non-Spanish corporations. In addition, all of the Company's directors and executive officers are residents in Spain and a substantial part of their assets are located in Spain. Consequently, it may not be possible for an overseas shareholder to effect service of process upon the Company or its directors and executive officers within the overseas shareholder's country of residence or to enforce against the Company, its directors or executive officers, judgments of courts of the overseas shareholder's country of residence based on civil liabilities under that country's securities laws. An overseas shareholder may not be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than Spain against the Company's directors or executive officers who are residents of Spain or countries other than those in which judgment is made. In addition, Spanish or other courts may not impose civil liability on the directors or executive officers in any original action based solely on foreign securities laws brought against the Company or its directors or executive officers in a court of competent jurisdiction in Spain or other countries.

14. *Shareholders in countries with currencies other than the Euro face additional investment risk from currency exchange rate fluctuations in connection with their holding of Shares*

The Shares will be quoted only in euro, and any future payments of dividends on the Company's ordinary shares, if any, will be denominated in euro. The euro has recently fluctuated significantly in value against many major world currencies, including the U.S. dollar. The U.S. dollar or other currency equivalent of any dividends paid on the Shares or received in connection with any sale of the Shares could be adversely affected by the depreciation of the euro against the U.S. dollar or other currencies. Accordingly, any investment in the Shares by a shareholder whose main currency is not the euro will be exposed to foreign currency exchange risk so that any depreciation of the euro *vis-a-vis* such shareholder's main currency will reduce the value of his or her equity investment and the value of any dividends received from the Company.

15. *Future acquisitions of the Shares could be affected by a financial transactions tax (Spanish FTT) after 1 January 2022*

On 16 October 2020, Law 5/2020, of 15 October, approving the Financial Transaction Tax (*Ley 5/2020, de 15 de octubre, del Impuesto sobre Transacciones Financieras*) (the "**Spanish FTT Law**") was published on the Spanish Official State Gazette. The new Spanish FTT entered into force last 16 January 2021.

According to the Spanish FTT Law, the Spanish FTT applies, at a rate of 0.2 per cent, to certain acquisitions of listed shares issued by Spanish companies whose market capitalization exceeds €1,000 million on 1 December of the preceding year, regardless of the jurisdiction of residence of the parties involved in the transaction. The Spanish FTT act applies, on a general basis, to any investor, except for those specifically set out in article 3 of the Spanish FTT Law, acquiring shares in Spanish resident entities listed on a regulated market, with the exemptions for transactions related to the primary market, including issuance of new shares and acquisitions arising from a sale public offer, and acquisitions arising from purchases or loans and other transactions carried out by entities managing stock markets.

As the Company will be listed in the Spanish Stock Exchanges upon Admission, the Spanish FTT may apply to the acquisitions of Linea Directa listed shares as from 1 January 2022 if its market capitalization exceeds €1,000 million on 1 December 2021.

For the avoidance of doubt, the Spanish Tax Authorities have confirmed that the Spanish FTT shall not apply during 2021 to the shares that are admitted to trading for the first time during that year (question 1.2 of the frequently asked questions published on the Spanish Tax Authorities webpage, version dated 4 January 2021).

16. ***Shareholders in certain jurisdictions other than Spain, including the United States, may not be able to exercise their pre-emptive rights to acquire further ordinary shares and as a result may experience substantial dilution upon future issuances of shares***

Under Spanish corporate law, holders of the Company's ordinary shares generally have the right to subscribe and pay for a sufficient number of ordinary shares to maintain their relative ownership percentages prior to the issuance of any new ordinary shares by the Company. Holders of the Company's ordinary shares in certain jurisdictions other than Spain may not be able to exercise pre-emptive rights unless applicable securities laws requirements are complied with or exemptions are available. The Company may determine that it is not in its best interests to comply with such formalities, and there can be no assurance that such exemptions will be available, such that the pre-emptive rights of affected shareholders may lapse and their proportional interests may be reduced. If shareholders in such jurisdictions are unable to exercise their pre-emptive rights, their ownership interest in the Company would be diluted.

V. REGISTRATION DOCUMENT

This Registration Document has been prepared in accordance with Annex 1 of Delegated Regulation 2019/980.

1. PERSONS RESPONSIBLE, THIRD PARTY INFORMATION, EXPERTS' REPORTS AND COMPETENT AUTHORITY APPROVAL

1.1 Identity of the persons responsible for the Registration Document

Mr. Carlos Rodríguez Ugarte, chief financial officer of Línea Directa Aseguradora, Sociedad Anónima Compañía de Seguros y Reaseguros, acting in the name and on behalf of the Company as a duly empowered representative of the Company by means of the power of attorney granted to him by the Company on 18 March 2021, accepts responsibility for the information contained in this Registration Document.

1.2 Statement of responsibility of the persons responsible for the Registration Document

Mr. Carlos Rodríguez Ugarte hereby declares that, to the best of his knowledge, the information contained in this Registration Document is factually correct and contains no omissions likely to affect its import.

1.3 Statements or reports included in this Registration Document attributed to persons as an expert

This Registration Document does not include statements or reports attributed to persons as an expert.

1.4 Statement on information which has been sourced from a third party

Where information has been sourced from a third party, it has been accurately reproduced and as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. When such information is used, the corresponding source is identified.

1.5 Statement on the approval of this Registration Document by the CNMV

It is hereby expressly stated that:

– this Registration Document has been approved by the CNMV, as the competent authority under the Prospectus Regulation, on 15 April, 2021;

– the CNMV only approves this Registration Document as it meets the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation; and

– such approval should not be considered as an endorsement of the Company and the quality of the securities that are subject of this Registration Document.

This Registration Document may be used for the purposes of an offer to the public of securities or admission of securities to trading on a regulated market if completed by amendments, if applicable, and a securities note and summary are approved in accordance with the Prospectus Regulation.

2. STATUTORY AUDITORS

The consolidated financial statements relating to the annual financial years ended as at 31 December 2020, 2019 and 2018 (with 2017 figures included for comparative purposes), which have been prepared according to International Financial Reporting Standards as implemented in the European Union based on Regulation (EC) Nº 1606/2002, of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, as amended from time to time ("**IFRS-EU**"), have been audited by PricewaterhouseCoopers Auditores, S.L. ("**PwC**") (the "**Consolidated Financial Statements**"). The Consolidated Financial Statements have been prepared for the purposes of the admission to trading of the Company's Shares, and will be published on an annual basis once the Admission is completed.

The Company also prepares its Spanish GAAP Individual and Consolidated Statutory Annual Accounts relating to the annual financial years ended on 31 December 2018, 2019 and 2020, which have also been audited by PwC and that have been prepared according to the insurance sectoral adjustment of the Royal Decree 1514/2007 of 16 November 2007, approving the General Accounting Plan (*Real Decreto 1514/2007, de 16 de noviembre, por el que se aprueba el Plan General de Contabilidad*), and the Standards on the Formulation of Consolidated Financial Statements (NOFCAC).

PwC has also been appointed as the Company's auditor for the annual financial year ended at 31 December 2021.

PwC has its address for these purposes at Torre PwC, Paseo de la Castellana 259 B, 28046 Madrid, Spain, and is registered with the Official Registry of Auditors (ROAC) under the number S0242, and in the Madrid Commercial Registry under book 8,054, Section 3, Sheet 75, Page 87,250-1.

2.1 Additional information regarding the appointment of the Company's auditors

PwC has not resigned or been removed as the Company's auditor during the period covered by the historical financial information included in this Registration Document.

3. RISK FACTORS

3.1 A description of the material risks that are specific to the issuer, in a limited number of categories, in a section headed 'Risk Factors'

See section "*IV. RISK FACTORS*" of this Prospectus.

4. COMPANY INFORMATION

4.1 Legal and commercial name of the Company

The corporate name of the Company is "Línea Directa Aseguradora Sociedad Anónima Compañía de Seguros y Reaseguros" and it operates under the commercial name "Línea Directa", since 1995.

4.2 Place of registration of the Company, registration number and legal entity identifier (LEI)

The Company, with tax identity number (NIF) A-80871031, is registered at the Madrid Commercial Registry, under book 7,902, sheet 41 and page M-127697.

It is registered in the corresponding public registry of insurance entities of the DGSFP under number C0720.

Its Legal Entity Identifier (LEI Code) is 95980079E2NBJT967T79.

4.3 Date of incorporation and length of the life of the Company

The Company was incorporated for indefinite term on 13 April 1994 by means of a public deed granted before the Notary of Madrid, Mr. Agustín Sánchez Jara with number 1,224 of his protocol, under the corporate name Bankinter Seguros Directos, S.A. Compañía de Seguros y Reaseguros. On 6 July 1994 the Company's corporate name changed to Bankinter Aseguradora Directa S.A Compañía de Seguros y Reaseguros, and on 7 February 1995, adopted its current corporate name of Línea Directa Aseguradora S.A Compañía de Seguros y Reaseguros by means of a public deed granted before the Notary of Madrid, Mr. Agustín Sánchez Jara with number 2,545 of his protocol.

The Company began its operations on the date of its incorporation. The corporate bylaws of the Company can be accessed at the following link (www.lineadirectaaseguradora.com).

4.4 Legal form, applicable legislation, country of incorporation, registered office, telephone number and webpage of the Company

The Company has its registered office at Isaac Newton, 7, Tres Cantos, Madrid, C.P. 28760.

Linea Directa is a company incorporated under Spanish legislation as a limited liability company (*sociedad anónima*). The Company is subject to, among others, Royal Legislative Decree 1/2020, of 2 July, approving the restated text of the Capital Companies Act (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*), to Royal Decree 4/2015, of 23 October, approving the restated text of the Securities Market Law (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*), and to the specific legislation applicable to insurance entities (*entidades aseguradoras*) and, specifically, to the supervision of the DGSFP.

The corporate website of the Company is www.lineadirectaaseguradora.com and the telephone number for shareholders and investors is +34 91 807 48 88.

The information available in the Company's website, as well as any other information available in the other websites which may be referred to in this Prospectus (other than the information which has been incorporated by reference to this Prospectus) are not part of this Prospectus and have not been examined nor approved by the CNMV.

5. BUSINESS OVERVIEW

5.1 Principal activities

5.1.1 Description of the nature of the Company's operations and its principal activities

History

Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros is a leading direct insurance Spanish company founded in 1994 as a joint venture between Bankinter, S.A., a listed Spanish financial entity, and Direct Line Plc, a United Kingdom based insurer, with each shareholder owning 50% of the Company's business. The Company was incorporated in Madrid on 13 April

1994 as "Bankinter Seguros Directos, S.A. Compañía de Seguros y Reaseguros" and adopted its current corporate name on 7 February 1995.

Throughout its history, the Company has shaken up the Spanish insurance sector with a direct business model, which, by dispensing of agents and office networks, enabled it to offer far more competitive prices than those offered, on average, in the market.

It initially operated solely in the Motor insurance business and in 2003 it began to underwrite motorcycle insurance policies as well.

In 2008, Linea Directa started to operate in the Home insurance line, offering self-customisable insurance in which clients could individually choose the types of coverage they needed.

After the nationalisation of the Royal Bank of Scotland (RBS) as a result of the 2008 global financial crisis, Bankinter purchased RBS's 50% stake of the Company in 2009 for a consideration of €426 million. Since 2009, the Company has distributed dividends for an amount of €1,087 million[21].

In 2017, in order to diversify its portfolio, Linea Directa was authorised to operate in the health insurance business (insurance line 2), in the health care area, marketing its products under the Vivaz brand, which the Company's management team believes has already become a benchmark in innovation, digitisation, simplicity and excellence in its value-for-money ratio.

Since its beginnings, Linea Directa's business model has been characterised by its disruption of the traditional way of doing business in the non-life insurance sector. The Company has relied upon rigorous underwriting, efficient operations backed by advanced technology and a high level of prudence regarding solvency and claims handling. In addition, Linea Directa has marketed its products through direct channels, such as over the phone, internet and, more recently, mobile phone apps.

With a direct selling approach, the Company operates under a range of commercial brands with strong market recognition, generated through ongoing advertising investments.

As at 31 December 2020, Linea Directa was the second largest company in the direct Spanish Motor insurance market by Gross Written Premiums ("**GWP**") sales volume, and had a market share of 6.81%, ranking fifth in the Motor insurance market as a whole. Moreover, Linea Directa had a market share of 2.59% in the Home insurance market, ranking in twelfth place. In the Health insurance market[22], the Company had a market share of 0.24%, ranking twenty-fourth as at 31 December 2020. In the non-life insurance market overall, the Company had a market share of 2.43%, ranking in twelfth place (*Source: ICEA and Company information*).

In December 2019, the board of directors of Bankinter, as Linea Directa's majority shareholder, announced its intention to take the Company public, and its Shareholders' Meeting, held on 19 March 2020, approved the distribution in kind of all of Bankinter's share premium reserve through the delivery to its shareholders of the shares of Linea Directa, subject to the obtainment of all appropriate regulatory authorisations. As at the date of this Prospectus, both Bankinter and the Company have obtained all appropriate regulatory authorisations from all necessary and competent

[21] Excludes the €120 million of extraordinary dividend the Company will pay to Bankinter prior to the listing.

[22] Sanitary assistance (*Source: ICEA*).

bodies including, amongst other, the European Central Bank and the DGSFP (as defined in "*Regulatory Environment*") to carry out the aforementioned Transaction.

Spin-off Overview

Bankinter and Linea Directa's relationship can be framed as a long-standing partnership of two independent businesses. Linea Directa operates with a high level of independence having its own functions and processes. The Company's Audit Department (*función de auditoría*), which used to be outsourced to the Internal Audit division of Bankinter, constituted the only exception to the Company's independence and, since 16 January 2020, it has been separated and made completely independent from Bankinter, having been managed internally within Linea Directa ever since. Furthermore, sales and customer-facing teams are in-house and IT is a separate, proprietary infrastructure.

As regards business volumes, 12.1% of new business in the Home business line is linked to Bankinter's mortgage loans as at 31 December 2020 (14.8% or €17,848 thousand of the Home business line portfolio) by virtue of the bancassurance distribution agreement formalized with Bankinter on 1 June 2010. Linea Directa, however, has no exclusivity and competes with other competitors on equal footing. The Company's bancassurance distribution agreement with Bankinter is still in force and is renewed automatically every 1 June. The conditions will remain unchanged following the Admission. (*See "Material Contracts"* and "*Related Party Transactions*").

Furthermore, the subsidiary Linea Directa Asistencia, includes in its portfolio travel assistance insurance for holders of Bankinter and Bankinter Consumer Finance credit cards. As at 31 December 2020, said revenues amounted to €1,289 thousand (*See "Related Party Transactions"*).

Company's operations

The corporate purpose of Linea Directa is the execution of non-life insurance activities, and its main operations are focused on Motor insurance, followed by Home, Health and other insurance businesses.

An insurance agreement is a contract under which, in exchange for a premium, the insurer undertakes to indemnify the contract's insured or beneficiary upon the occurrence of a certain event specified in the insurance contract. Therefore, Linea Directa's business, as an insurance company, is based on covering the potential occurrence of the risks[23] specified in the contract in exchange for a premium from its clients, which are prudently invested to cover for future insurance claims and expenses and generate a return.

The Company's business model aims to collect more in premiums than what is paid out in claims and expenses, while offering a competitive price that consumers will accept. Through underwriting, Linea Directa selects and analyses the risks to insure and decides how much premium to charge (price setting) individually to each customer. Linea Directa stands out for consistently achieving positive underwriting results and maintains a prudent investment approach aimed at preserving capital and attaining adequate returns. Pricing lies within in the Technical Department, whilst asset

[23] In insurance terminology, this concept is used to express indistinctly two different ideas: on the one hand, risk as the insured object; on the other hand, risk as the possible occurrence by chance of an event that produces an economic need and whose actual occurrence or existence is foreseen and guaranteed in the policy and binds the insurer.

management is carried out by the Investment Department, which falls under the Finance Department's umbrella.

GWP's represent all premium revenues written by the Company during the year, before deducting ceded reinsurance. As at 31 December 2020, the Company had business volumes, as measured by GWP amounting to €898,614 thousand (€891,295 thousand and €853,119 thousand as at 31 December 2019 and 2018, respectively). The Group uses GWP to assess the overall size and growth in volume of its business and to compare the size of its business with that of its competitors. The breakdown by line of business is provided below:

	12/31/2020		12/31/2019		12/31/2018	
Motor	754,656	84.0%	761,158	85.4%	741,178	86.9%
Home	120,654	13.4%	111,357	12.5%	100,690	11.8%
Health	21,826	2.4%	15,744	1.8%	7,518	0.9%
Other insurance business	1,478	0.2%	3,036	0.3%	3,733	0.4%
Total	**898,614**	**100.0%**	**891,295**	**100.0%**	**853,119**	**100.0%**

Figures in thousand euro

The Company has a relevant market share in the Spanish Motor and Home insurance markets, where it has managed to quickly grow its positions, and an increasing presence in the Health insurance market, setting the steps to become a competitive contender. Between 2016 and 2020, the market share of Linea Directa in Motor and Home insurance grew by approximately 59 basis points and 66 basis points, respectively (*Source: ICEA*). Thanks to its pricing strategy and quality of service, Linea Directa has been able to achieve these growth levels while maintaining its competitive pricing position.

Overall, Linea Directa had 3,224 thousand customers as at 31 December 2020 (3,170 thousand and 3,023 thousand as at 31 December 2019 and 2018, respectively), broken down as follows by line of business:

	12/31/2020		12/31/2019		12/31/2018	
Motor	2,463,171	76.4%	2,419,544	76.3%	2,335,568	77.2%
Home	662,393	20.5%	622,912	19.6%	568,157	18.8%
Health	89,163	2.8%	69,460	2.2%	32,947	1.1%
Other insurance business	9,276	0.3%	58,952	1.9%	87,219	2.9%
Total	**3,224,003**	**100.0%**	**3,170,868**	**100.0%**	**3,023,891**	**100.0%**

Number of policyholders

The main key financial figures for the years ended on 31 December 2020, 2019 and 2018 are shown in the following table (for more information on APMs, see "*Alternative Performance Measures*" and "*Information concerning the Company's capital resources – Company's Solvency*"):

	12/31/2020	12/31/2019	12/31/2018
GWP	**898,614**	**891,295**	**853,119**
Profit after tax	**134,846**	**107,295**	**117,211**
Loss ratio*(1)	61.5%	68.0%	64.7%

	12/31/2020	12/31/2019	12/31/2018
Expense ratio*[24](1)	21.9%	19.9%	20.9%
Combined ratio*(1)	**83.4%**	**87.9%**	**85.6%**
RoAE*[25](1)	**34.0%**	**35.0%**	**39.4%**
Solvency II Ratio[26]	**213%**	**211%**	**209%**

Figures in thousand euro except ratios
(1) APMs are unaudited figures

Despite the unprecedented market conditions, GWP stood at €898,614 thousand as at 31 December 2020, an increase of 0.8% compared to 2019 (GWP grew 4.5% in 2019 when compared to 2018). The Company has been able to outperform the market on a regular basis regardless of sustained periods of uncertainty in Spanish macroeconomic conditions. Particularly in the 2018-2020 period, the Group's GWP grew 5.3% whilst the Spanish non-life insurance sector grew by 4.6% (*Source: ICEA*).

The combined ratio* is a key management ratio in non-life insurance and measures management expenses and claims costs as a percentage of earned premiums for a given year, net of reinsurance. It is the sum of the loss ratio* (incurred claims / net premiums earned) and the expense ratio* ((net operating expenses +/- other technical revenue and expenses[27]) / net premiums earned). See "*Operating and financial review – Description of key ratios used by industry practitioners*" and "*Alternative Performance Measures".*

The Company has historically displayed better combined ratios* than the market, (*Source: ICEA. See "Business Overview - Business lines"*). The consolidated combined ratio* in 2020 stood at 83.4%. In particular, the Group's Motor business line, which accounted for more than 84% of the Group's business in 2020, displayed combined ratio* of 80.5%, whilst the Motor insurance market as a whole stood at 87.8% (*Source: ICEA*).

Profit after tax as at 31 December 2020 amounted to €134,846 thousand, a 25.7% increase when compared to 2019. Additionally, as of that date, the Group's return on average equity ("***RoAE****") stood at 34.0%, whilst the RoAE* of the Spanish insurance market as a whole stood at 14.9% (*Source: ICEA, data as at December 2020*). The Group has maintained very high RoAE*, decoupled from Spanish macroeconomic conditions and well above Spanish competitors (*see "Operating and financial review – Key factor affecting results of operations"*). While achieving said RoAEs*, the Group's financial strength has also been historically robust. The Solvency II Ratio (in accordance with applicable Solvency II regulations) was 213% in 2020, taking into consideration the €120 million extraordinary dividend paid to Bankinter prior to Admission. The Solvency II Ratio for the Spanish non-life insurance market as a whole (including mutual companies) stood at 204% at 31 December 2019 (*Source: ICEA*) (*see "Information concerning the Company's capital resources – Company's Solvency*"). The Group has no financial leverage.

24 Expense ratio is an APM. Expense ratio measures the efficiency in expenses as it includes operating and other technical income and expenses as a percentage over the volume of earned premiums, net of reinsurance. Expense ratio is calculated on a consolidated basis and by line of business. See "*Alternative Performance Measures*".

25 RoAE is an APM. RoAE is an indicator used to measure the relationship between the financial earnings and the resources necessary to obtain them. See "*Alternative Performance Measures*".

26 Taking into consideration the extraordinary dividend distribution of €120 million paid to Bankinter prior to Admission of the Company's Shares.

27 Other technical revenue and expenses is an APM. See "*Alternative Performance Measures*".

Distribution channels

In 1995, Linea Directa transformed the insurance sector as the first Spanish insurance company to use the telephone for the mass distribution of insurance products, avoiding agents and brokers. A commitment that four years later was redoubled with the opening of the on-line sales channel, which is now leading in the insurance sector.

The business distribution systems used are basically direct sale by telephone and by digital means. This conveys the fact that, among other things, 100% of the policies in the portfolio are owned by the Company and is therefore not subject to the pressure associated with the negotiation of renewals with intermediaries. The pricing and underwriting systems are also managed in house, allowing for a much more refined risk profiling, based on daily information on purchases/cancellations and the manner in which they have taken place, through an extensive system of review of the process and of the way in which operators execute it.

As at 31 December 2020, 53% of the Group's business was initiated by digital means, while the remaining 47% was originated through the telephone (*Source: Company information*). The percentage of business origination by digital means for each line of business is shown below:

	2020	**2019**	**2018**
Motor	57%	56%	56%
Home	30%	29%	29%
Health	51%	44%	40%

% of digital origination

As at 31 December 2020, Motor represented 85% of all digital origination, with Home and Health growing in importance (*Source: Company information*):

	2020	**2019**	**2018**
Motor	85%	85%	87%
Home	8%	8%	8%
Health	7%	7%	5%
Total	**100%**	**100%**	**100%**

Line of business % over digital

Price Comparison Websites ("**PCW**") have been present in Spain for over a decade, yet they still hold a less relevant position than in other European markets such as the United Kingdom. Linea Directa is present in these channels, which report a relevant number of potential sales.

Two players currently dominate the Spanish PCW market, "Rastreator" and, to a lesser extent, "Acierto". Price is the key driver behind PCW engine categorisations and the companies' products are ranked accordingly when searches are carried out by the wider public. Nevertheless, PCW also recently factored in other variables such as the scope of the insurance coverage offered under each insurance policy, customer feedback following communications with insurance companies, or whether each insurance company offers a final price[28] in those websites. Therefore, the Company's position in the rankings of PCW engines does not depend on the Company but it is based on the criteria established by such websites. PCW do not typically charge users for using their website,

[28] Final refers to a price (premium) that is not linked to any further conditions and/or additional information required by the Company for price setting.

but instead achieve monetisation through payments from insurers who are listed on such websites. In general terms, PCWs redirect customers to each insurer's website in order to close the quote and, therefore, policies sold through PCWs are owned by the insurance companies who underwrite them, not by PCWs.

Digitalisation, omnichannel strategy and the direct business model

The Company's commitment to technology and digital services means moving forward in its omnichannel strategic positioning, serving each customer through their preferred channel. While the telephone could be more suitable to deliver more value to customers in certain cases such as, amongst other, severe injuries, other channels like bots, virtual assistants, apps or mobile devices constitute a more agile and digitally friendly means of serving customer needs. The Group considers that its direct approach, involving a high degree of disintermediation, coupled with its technological nature, constitutes a competitive advantage with respect to traditional players and fosters the deepening of its customer relationships.

Such a commitment to technology allows Linea Directa to provide a differential customer journey, which incorporates last-generation technological solutions and places the customer and its needs at the centre of all business decisions. In this sense, the Company's relationships with its customers are built around flexibility and ease of use, with customers choosing how and when to communicate with the Company, without schedules or unnecessary movements.

With regards to the Company's Motor and Home insurance lines, claims management is becoming increasingly digital thanks to a precise and user-friendly claim communication system. The notification process enables a swift and precise categorisation of damage, real-time notifications of repair status and the arrangement of appointments with garages and other professionals. As at 31 December 2020, 47.2% of tow trucks are requested online, allowing customers to enjoy top-notch navigation and visualisation of their exact live location, and 46% and 28% of claims are initiated online in the Motor and Home lines of business, respectively.

With regards to Vivaz, the Company's Health line of business, policy management is 100% digital, eliminating traditional features such as, for example, physical health insurance cards, which are fully digital and available via App. Digital services offered by Vivaz include a 24/7 online chat where customers are served by specialists. The search of doctors, appointment management, handling of receipts and feedback are available features via App.

Additionally, and thanks to the digitalisation process, the Company promotes and values the job of its telephone operators and specialists who, being released from more administrative tasks such as the opening of less complex claims, the assessment of a damage or the arrangement of appointments with doctors, can focus on more critical processes and satisfy the needs of our more than 3.200 thousand customers. The number of calls[29] has been reduced by 345 thousand throughout 2020. Furthermore, in only three years, the posting of paper documentation has been reduced by 64% and 20% of administrative policy procedures[30] are managed completely by the client online.

As at 31 December 2020, 78.2%[31] of Linea Directa's customers interacted with the Company through digital means.

[29] Reduction in the number of calls based on the increase of tow trucks digital requests and claims opened by digital means.

[30] Refers to changes in payment methods.

[31] Clients accessing digitals channels over the last twelve months. Excludes inactive clients.

Brands

The Company, through its external communications area, maintains a constant presence in media and social networks. Marketing and advertising expenditure stood at €45,906 thousand as at 31 December 2020 (€45,995 thousand and €45,260 as at 31 December 2019 and 2018, respectively), which constitutes 5.1%, 5.2% and 5.3% of GWP for financial years ended on 31 December 2020, 2019 and 2018, respectively. As at 31 December 2020, Linea Directa had registered over 4,500 publications in the media and 420,455 followers on social networks. Such actions provide advertising value on an ongoing basis and increase brand awareness, both of which are essential to the Company's marketing process.

For Linea Directa, its marketing strategy is essential to generate demand and pursue the growth of its customer portfolio. Through marketing investments and media presence, Linea Directa is able to generate a high level of demand for information on its products and services. This demand leads to personalised quotes for potential customers and, ultimately, to the contracting of products and services. The Company has a multi-brand strategy by which it seeks to adapt to the insurance needs of each type of customer, in relation to whom it develops specific communication channels both for advertising and corporate communications purposes.

In light of the Group's lack of intermediaries, its marketing strategy is designed to enhance direct contact with customers. Advertising channels include TV, radio, press (newspapers and magazines), display media and digital advertising, such as YouTube advertising campaigns. In some cases, the Company carries out outdoor marketing campaigns that include advertising through traditional means such as billboards, urban buses and the like. On sporadic cases, the Group sponsors selected broadcasted sports or cultural events.

Demand generation is also carried out through agreements with certain Price Comparison Websites that bring a relevant numbers of leads to the Company, online marketing (Search Engine Optimisation and Search Engine Marketing), social media (in platforms such as Facebook or Instagram), affiliate marketing and emailing campaigns to external databases.

The Linea Directa brand brings together values such as trust, distinction in its value-for-money ratio, digitalisation and sustainability, and has become one of the Company's main assets. In 2020, Linea Directa has remained committed to a high level of investment in marketing and advertising which, once again, has made it the insurance company whose advertising is best known in the insurance sector in Spain, with the highest level of spontaneous recognition (*Source: IOPE).* In 2020, Linea Directa was Spain's sixth advertiser (*Source: Infoadex*) and ranked second in the Finance category by Gross Rating Points (GRPs), which are used to measure the performance of TV advertising campaigns (*Source: Kantar, GRP Format, target audience adults +16*) (see *"Operating and financial review – Key factors affecting results of operations"*).

In addition to the registered brand Linea Directa, the company owns and operates the following brands: Penélope Seguros (insurance designed by women); Aprecio (a brand which specialises in two-wheeler insurance); and Vivaz Seguros (the Company's Health insurance brand).

Linea Directa	Linea Directa is the brand under which the company distributes insurance products in respect to cars, motorcycles, company car fleets, as well as Home insurance products. Thanks to its powerful advertising - which has made it one of Spain's most important advertisers in terms of investment volumes (*Source: Infoadex*), and its communication strategy, based on visibility, reputation and sustainability, Linea Directa is one of the most recognisable brands among consumers. According to the main tracking studies in the market (*Source: TNS*), Linea Directa is the leading brand in the insurance sector in terms of advertising recall, and is identified by attributes as diverse as flexibility, innovation or the its value-for-money ratio, among others, all of which make it one of the Company's main assets.
Penélope Seguros	In 2012, Linea Directa created Penélope Seguros, a brand designed especially by female drivers. Penélope Seguros' product and service offering is unique as its design and set-up was carried out with contributions from more than 500 women. Penelope Seguros was born with a defined customer-centred strategy, unique product customisations in the insurance sector and with the aim to fill a growing market niche market based on the specific demand of a population segment.
Aprecio	Aprecio is the Company brand specialising in insurance for motorcycles, mopeds and scooters. Aprecio was conceived to achieve the capture of a significant market share in the two-wheeler segment and to compete directly with other companies in this sector, in which price is a key driver.
Vivaz Seguros	Launched in 2017, Vivaz is the Company's Health insurance brand, and it is the first brand in the sector that rewards customers for maintaining a more active and healthier lifestyle. Vivaz is a flexible, technological and digital-native brand focusing on the comprehensive care of people's health and it seeks to consolidate its position in the market as a brand of reference for its innovation, simplicity and competitive prices, providing an excellent service and full medical care.

The Linea Directa brand accounted for 79.4% of total GWPs of the Company as at 31 December 2020, whilst Penélope Seguros, Aprecio and Vivaz accounted for 11.7%, 6.4% and 2.4%, respectively (*Source: Company Information*):

	Linea Directa	Penelope	Aprecio	Vivaz	Total
% over total GWP	79.4%	11.7%	6.4%	2.4%	100.0%

Business lines

Motor insurance business

The Motor insurance business launched operations in 1995 at the Company's inception, consisting on the insurance of liability arising out of the use of motor vehicles operating on land, including cars, motorbikes and commercial vehicles (including both private individuals and professionals). The Motor insurance business includes (i) private car insurance with various products, such as comprehensive insurance products, with and without franchises, extended third-parties or third-parties, road assistance, theft, lightning strike, comprehensive medical treatment and psychological assistance to the driver and vehicle occupants, among others; (ii) motorcycle insurance with products such as comprehensive with franchises, third-parties with theft and fire or third parties expanded, among others; or (iii) business/fleet insurance, mainly comprising self-employed workers and small and medium enterprises, covering an average of fifteen vehicles.

For clarification purposes, extended third-parties products provide insurance coverage for personal injuries and damage to property of third parties, coupled with regular coverage for windshield repairs, fire and theft. Comprehensive insurance products with franchises include third-parties coverage as well as own damage to the insured vehicle. Extended third-parties and comprehensive insurance products accounted for 77% of the Group's overall Motor underwritten policies as at 31 December 2020.

The Motor business line of Linea Directa is the Group's core business. In 2020, it accounted for 84% of the Company's total volume of premiums, with a portfolio of 2,463 thousand customers, 1.8% higher than in 2019. Its success is based on offering personalised products and services and a firm commitment to the digitalisation of customer service. The retention rate[32] stood at 91.3%, which compares to an average of 88% for the market as a whole (*Source: Gain Dynamics*).

Linea Directa ranks second in direct business and holds the fifth place in the Spanish Motor insurance market by GWPs in 2020, with a 6.81% market share (*Source: ICEA*).

This business line registered a turnover of €754,656 thousand in the year ended on 31 December 2020, presenting a 0.9% decrease with respect to the year ended on 31 December 2019. In a year marked by the Covid-19 pandemic, Linea Directa was able to once again outperform the Motor market as a whole, which decreased by 2.0% in terms of GWPs as at 31 December 2020, when compared to the year ended on 31 December 2019 (*Source: ICEA)* (See "*Operating and financial review*"). The distribution channels employed by the Company in its Motor business line consist primarily of telephonic and digital means. As at 31 December 2020, Linea Directa's average premium in the Motor line of business (€306) is on average 11.6% lower than that of the market as a whole (€346) (*Source: Own elaboration as per figures from ICEA and FIVA),* also backed by a lower weight of full comprehensive polices.

Linea Directa has consistently beaten the Spanish Motor insurance market in terms of growth, while retaining high profitability levels. GWP growth for the 2015-2020 period stood at 24%, whilst peers[33] grew by 9%, thus outperforming competitors by approximately 15p.p. (S*ource: ICEA*). The Company believes this increase in the volume of premiums consolidates it as one of the fastest-growing companies in the top-10 Spanish Motor Insurance market.

The Company's Motor business line includes the car for private individuals division, the motorcycle business line, the businesses division and the international businesses line, among others. The different divisions of the Company's Motor insurance business line registered consistent growth in the 2015-2020 period. In particular:

– The *car for private individuals division* (the Company's core division, which accounts for 65% of motor premiums) presented, in terms of GWPs, an 18.9% increase in such period; clients stand in the 30 to 50 age range, with men and women representing two thirds and one third of policyholders, respectively;

– The *motorcycle business line* grew by 24.0% in such period; this segment aims at attracting the majority of a very heterodox public, through a product which is conceived for the most diverse typologies of customers and motorcycles. This is a segment where price is of the utmost relevance. Men account for 85% of clients;

– *Penélope seguros* grew by 80.5% in the 2015-2020 period. Penelope was born with a focused strategy round the client, with personalised coverages which are unique in the sector (roadside assistance for pregnant women and purse theft are just two examples); 89% of clients are women;

[32] Calculated as (100% - loss of clients to the competition).

[33] Includes Mutua Madrileña (34%), Generali (14%), Liberty Seguros (15%) Reale (15%), Allianz (4%), Catalana Occidente (5%), Mapfre (6%), Axa (32%) and Zurich (-11%).

– The *business division* grew by 31.2% in such period; it mainly consists of small and medium size companies comprising all sectors, including retail traders, shops and providers, that use the fleet of vehicles for professional use; and

– The *international businesses division* (which refers to the expatriate community living in Spain) grew by 0.7% in such period, yet margins are superior when compared to other divisions. (*Source: Company information*).

Pricing capabilities and the ability to efficiently manage the cost of claims with high customer satisfaction are at the core of the Group's competitive offering (see "*Operating and financial review – Key factors affecting results from operations*"). Premiums are highly customised, intended to assign the best possible price for a given risk, monitoring new and existing customers and insurance policies in place to adequately adjust prices at renewal. The underwriting of new products or customers is based on class tailored ratings and premiums are carefully adjusted to risk. Subsequently, the Group's customer portfolio is filtered at renewal based on customer-specific claims experience. The existence of direct channels, which entail the absence of brokers or agents, also allows for a full control of the underwriting process.

Such an underwriting discipline and the effective handling of claims processes allows the Company to achieve loss ratios* well below the motor industry as a whole (see "*Operating and financial review – Key factors affecting results of operations*"):

Loss ratio*	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020[34]**
Sector average	79.5%	78.5%	78.3%	78.1%	77.6%	79.0%	79.4%	77.0%	75.7%	75.8%	65.0%
Linea Directa	76.6%	76.1%	71.4%	70.2%	69.1%	68.5%	70.5%	68.3%	66.3%	69.4%	61.8%
Delta	**-2.9%**	**-2.4%**	**-7.0%**	**-7.9%**	**-8.5%**	**-10.5%**	**-8.9%**	**-8.7%**	**-9.3%**	**-6.3%**	**-3.2%**

Source: ICEA *Motor insurance loss ratio*

The discipline applied in underwriting and claims management is also reflected in the management of operating expenses. The efficiency in the Company's processes, the direct distribution without intermediaries and the ongoing monitoring of expenses by management enables to produce much lower expense ratios* than those of the industry, as shown in the following table:

Expense ratio*	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Sector average	17.5%	18.2%	19.0%	20.3%	20.3%	20.4%	19.5%	18.6%	19.1%	18.9%	22.8%
Linea Directa	13.9%	14.0%	16.5%	16.9%	17.0%	16.6%	16.2%	16.7%	17.7%	16.3%	18.7%
Delta	**-3.6%**	**-4.2%**	**-2.5%**	**-3.4%**	**-3.3%**	**-3.8%**	**-3.3%**	**-1.9%**	**-1.4%**	**-2.6%**	**-4.1%**

Source: ICEA *Motor insurance expense ratio*

Lastly, due to the favourable trend in the loss ratio* and in expenses, the Company's combined ratio* is one of the best in the industry, as can be seen in the following comparison:

Combined ratio*	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Sector average	97.0%	96.7%	97.3%	98.4%	97.9%	99.5%	98.9%	95.6%	94.8%	94.7%	87.8%
Linea Directa	90.5%	90.1%	87.8%	87.0%	86.1%	85.1%	86.7%	85.0%	84.0%	85.8%	80.5%
Delta	**-6.5%**	**-6.6%**	**-9.5%**	**-11.4%**	**-11.8%**	**-14.4%**	**-12.2%**	**-10.6%**	**-10.8%**	**-8.9%**	**-7.3%**

Source: ICEA *Motor insurance combined ratio*

[34] 2020 has been an exceptional year in the Motor insurance industry as a consequence of the Covid-19 pandemic confinement measures, with overall significant reductions in the loss ratio (See "*A fair review of the development and performance of the issuer's business and of its position*").

These figures reflect the sustained and profitable growth that Linea Directa has been able to maintain over the years.

Home insurance business

Linea Directa began operating in the Home insurance business in the last quarter of 2007, led by (i) the opportunity to enter into an outgrowing market whose size has significantly increased over the last ten years (*Source: ICEA*) (ii) a large untapped growth opportunity for Linea Directa with more than 7 million uninsured Homes in Spain (*Source: Company analysis as per figures from Ministerio de Transportes, Movilidad y Agenda Urbana and ICEA*) and (iii) a strong brand recognition attributable to its Motor insurance business line which favoured cross selling. Nevertheless, the launch of the Group's Home insurance business line also represents a challenge in terms of market penetration, particularly taking into account that the home insurance market generally presents a high degree of dependence on bancassurance agreements for product distribution as insurance policies are usually marketed in the context of mortgage formalisations. Currently, 37.0% of the home insurance portfolio is formalised via bancassurance channels (with agents representing 41%, brokers 14% and other channels, which also include direct channels representing no more than 8%) (*Source: ICEA*).

This business primarily consists on the insurance of damages and losses to individual's homes, along with furnishings and other assets in the home and liability coverage against accidents in the home or property. The Home insurance business includes multi-risk home insurance with various products that include coverage such as theft damage, civil liability, fire damage or cosmetic damage (this is, amongst other, damage to fixed mirrors, fixed marble pieces, sanitary ware or glass fibre), among others.

Since its launch, the Company's Home insurance business has consolidated its position as one of the Group's main drivers of growth and diversification, thanks to its offering of flexible products that are adapted to the needs of each customer at a highly competitive price. Linea Directa has been able to increase its market share while maintaining a stable operating performance in a competitive market, with a retention rate of over 86% (*Source: Company information*). Linea Directa's average premium in the Home line of business (€182) is on average 19.5% lower than that of the market as a whole (€226) (*Source: Own elaboration as per figures from ICEA).*

In 2020, the volume of premiums written for the Home line of business exceeded €120,654 thousand (an increase of 8.3% with respect to 2019), a rate of growth that triples the rate recorded by the industry, which stood at 2.7% (*Source: ICEA*). This momentum, sustained over the years, has enabled Linea Directa, in a completely organic manner and in little more than a decade, to consolidate its ranking as the twelfth insurer in this line of insurance by volume of premiums (*Source: ICEA and Company information*). As in the Motor business, Linea Directa is outgrowing its peers through competitive pricing yet displaying higher profitability than the industry average. As of 31 December 2020, Linea Directa had a market share in the Home insurance market of 2.6% (*Source: ICEA*).

Motor insurance business' approach is also applied to the management of the Company's Home insurance business, by targeting low risk profiles, following a conservative underwriting discipline and an efficient claims handling. Notwithstanding the fact that the Company's Home insurance business line is still in its early stages of development, the Company believes that, through this strategy, this business line has been made increasingly profitable, achieving a combined ratio* that has beaten or matched the market from 2015 onward, as shown in the chart below:

*Combined ratio**	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Sector average	98.8%	89.9%	90.5%	92.2%	90.1%	90.9%	89.3%	93.4%	96.1%	94.2%	94.0%
Linea Directa	157.0%	105.4%	103.3%	97.6%	94.4%	88.1%	84.6%	84.3%	90.6%	88.0%	94.0%
Delta	**58.2%**	**15.5%**	**12.7%**	**5.4%**	**4.3%**	**-2.8%**	**-4.7%**	**-9.1%**	**-5.5%**	**-6.2%**	**0.0%**

Source: ICEA *Home insurance combined ratio*

These products are distributed through telephone and online channels. As at 31 December 2020, 61.1% of premiums written came from cross-selling to Motor insurance customers. Retention rate increases by 7 p.p when the client is insured in both Motor and Home.

Another relevant distribution channel is Bankinter through its mortgage loans to clients, which accounted for around 12.1% of new Home insurance sales as of the year ended on 31 December 2020 (14.8% or €17,848 thousand of the Home portfolio). As consideration for its sales channel, Bankinter receives a sales commission and a portfolio commission during the life of the policies underwritten, all of which allows Linea Directa to compete on a level playing field with other insurance companies in the distribution of Home insurance policies through the banking channel. The Company's master bancassurance distribution agreement with Bankinter is currently in force and is automatically renewed on a yearly basis on the 1 of June of each year. Its conditions will remain unchanged following Admission and, currently, the Company expects to renew it for an additional one year period on 1 June 2021 (see *"Material Contracts"* and *"Related Party Transactions*").

Health insurance business

The Company provides health care insurance to its policyholders directly through its collaborative medical and hospital network, and/or through the payment of specified amounts and expenses for medical and pharmaceutical assistance, via Vivaz, its Health insurance brand. This line of business follows an approach consistent with that of the Company's Motor and Home insurance business lines, focusing on providing best value for money products and leveraging its existing client base to further diversify business into this segment.

In the development of this line of business, special attention was given to (i) its compatibility with the Groups' direct positioning, (ii) its market size, particularly taking into account that the Health insurance market is second by GWP behind the Motor within the Spanish non-life insurance market as a whole (*Source: ICEA*), (iii) the ability of the Group to expand and diversify in a segment displaying profitable metrics (the market as a whole has a 90.2% combined ratio*) (*Source: ICEA*) (iv) the access to a growing market (a faster growing market than Motor over the last 10 years) (*Source: ICEA*), and (v) Spanish healthcare trends which favour health insurance, like an aging society[35], public spending constrains[36] and health awareness driving increasing healthcare outlays[37]. Vivaz is the only pure digital and direct player in Spain and aims to achieve a competitive edge over its peers by offering direct insurance in a highly intermediated market. Nevertheless, the Health insurance market, where the Company is entering with a fresh and radically simple value proposition, presents significant degrees of concentration as three players account for 59.1% of the market share as at 31 December 2020 (*Source: ICEA*). Furthermore, the insurance policy subscription process, when compared to that of the Motor and Home lines of business, presents a

[35] Spain displays the highest life expectancy (83.7 years) in Europe compared to peers (Italy 83.7; France 82.8; Germany 81.5 and UK 81.4) (*Source: World Health Organisation)*

[36] Public healthcare spending as a % of GDP increased from 6.8% in 2000 to 10.3% in 2020 (*Source: Fitch Solutions*)

[37] Private healthcare expenditure in Spain stands at 28% vs. 26% in Italy, 20% in the UK, 15% in France and 15% in Germany (*Source: World Health Organisation)*

higher degree of complexity in terms of risk selection, pricing and the establishment of the proper mechanisms to mitigate high frequencies that would result in much higher pricing.

In just over three years of operations, Vivaz has built up a portfolio of almost 90,000 customers, placing the Company within the top 24 Health insurers in Spain and a market share of 0.24% (*Source: ICEA. Sanitary Health assistance*). Further, Vivaz is characterised by the flexibility, simplicity and digital native nature of its offering, which has enabled it to energise a very mature and concentrated market.

Products are designed to be modular, simple and customer friendly, specifically tailored for sale through direct channels. Health policies are marketed in three forms: comprehensive (offering several additional services such as hospitalisation and emergency services), specialist (basic insurance) and dental, depending on the types of coverage purchased and are mainly distributed both online and through telephonic means, as well as cross-selling through existing Motor and Home insurance customers, which accounted for 71% of new policies underwritten for the year ended on 31 December 2020.

The simplicity and ease of use of the Company's insurance proposal is evidenced by the fact that only 5% of the medical interventions performed by the Company in this line in the past year required prior authorisation, which Linea Directa undoubtedly considers to be a great asset when it comes to building a differential customer journey.

In order to reduce and keep under control the cost of medical services (which are by nature considerably variable and linked to volumes), on 30 September 2016 Linea Directa entered into a five-year agreement with DKV Seguros y Reaseguros, S.A. ("**DKV**"), and its subsidiary DKV Servicios, S.A., a health provider with recognised service quality and nationwide scale (more than 40,000 specialists and 1,000 medical healthcare centres). This third party agreement provides flexibility and scale through the outsourcing of non-core capabilities, while the Company will continue to perform its core insurance functions of risk analysis, premium subscription and customer service. This agreement entails the provision of certain services and performance of certain functions by DKV including, amongst others: the management of the medical network (*cuadro médico*) involving the accreditation and maintenance of professionals, medical centers and other providers and the negotiation of economic conditions, thus Linea Directa may conduct its healthcare assistance with full guarantees; the management of rendered services involving performing validation and payment processes; the management of authorisations of services; and the provision of call centre assistance services (See "*Material Contracts – DKV Agreement*"). Indeed, in 2020, in the quality surveys completed by over 11,756 customers of Vivaz, the brand's medical service scored 68.8% in the Net Satisfaction Score (NSS) scale, which equates to an overall mark of 8.97 out of 10, i.e. close to excellent (*Source*: *MDK Investigación de mercados*).

As of the date of this Prospectus the Company intends to maintain a contract with a health provider to be able to outsource the services referred to above, although it has not yet decided whether to renew the contract with DKV or with a different health provider.

Vivaz lean structure and digital approach enable it to offer "more for less": policy management is 100% digital and direct, with 24/7 online doctor and chat with specialists, search of doctors, receipts and feedback available via App. Also embedded in its value proposition is the promotion of a healthy lifestyle, by focusing on prevention (activity, balance diet and resting time) which entails that clients may achieve significant saving pers annum. Vivaz's main clients are young families and the average age of the portfolio is 36 years. Further, 70% of clients are the first time acquiring health insurance.

As at 31 December 2020, this line of business generated premiums of €21,826 thousand, a 38.6% increase with respect to 2019. Retention rate for the new business stood at 79% (*Source: Company information*). This line of business is still in ramp up mode and technical result[38] was a loss of €7,890 thousand, equivalent to a combined ratio of 165.6%. The combined ratio of the health market as a whole stood at 90.2% in 2020 (*Source: ICEA*).

Other insurance businesses

This business line includes various products such as travel assistance insurance for holders of Bankinter and Bankinter Consumer Finance credit cards. This line of business has allowed the Company to enter the Portuguese market through the marketing in that country of Bankinter and Bankinter Consumer Finance credit cards. A profit sharing commission is in place by which Linea Directa pays Bankinter a pre-established percentage on the business profit.

As at 31 December 2020, GWPs in this business together with a residual discontinued product amounted to €1,478 thousand, representing 0.2% of total premiums.

Reinsurance

Reinsurance is used by the Company as a tool to mitigate potential risks resulting from its insurance business. The Company purchases reinsurance to provide cover against substantial individual claims or an accumulation of claims arising from a catastrophe and atmospherics events such as strong rain, wind or storm.

A reinsurance agreement is a contract under which an insurer (the ceding company) transfers part of its risks under one or several insurance agreements to another insurer (the reinsurer).

Reinsurance is a continuous process, and it is used to maintain Linea Directa's risk tolerance within the limits approved by the Company's Board of Directors. A performance analysis is made so the most significant risks are documented. The primary objectives of the Group's reinsurance programmes are to reduce the volatility of the overall underwriting result, improve the stability of earnings for its business lines and transfer out of the Group those risks that fall outside of its risk appetite and tolerance limits.

The Company uses two different kinds of reinsurance to mitigate its risk exposure. Thus, Linea Directa has different types of reinsurance contracts for different lines of business:

(i) proportional or "quota share" ("**Quota Share**") contracts, construed as pro-rata reinsurance agreements in which the ceding company and reinsurer's shared premiums and losses are fixed pursuant to a set percentage and the ceding company receives a commission. Proportional reinsurance is used in Health insurance where the Group launched this line of business at the end of 2017; and

(ii) non-proportional or excess of loss ("**XL**") contracts, which are non-proportional agreements in which the reinsurer indemnifies the Company for losses that exceed a

[38] Technical result is an APM. See "*Alternative Performance Measures*".

specified retention (priority). The Company makes use of XL per risk[39] and per event[40] reinsurance.

The Group's reinsurance strategy is mainly designed through an XL structure that is complemented by a Quota Share proportional reinsurance agreement for the Health business line as follows (figures as of 31 December 2020):

- Motor vehicle liability is covered by XL reinsurance per risk[41] contract: the Company retains claims up to an amount of €2 million, while the XL reinsurance covers that amount up to a limit of €135 million. Beyond €135[42] million, the cost is assumed by the Company;
- Fire and other damage to property insurance is covered by an XL reinsurance per risk and event contract: the Company retains €0.1 million per risk and €0.2 million per event. The reinsurer covers from that to a limit of €3 million per risk and €10 million per event. Beyond such limits, the cost would be assumed by the Company;
- Medical expense insurance has one proportional reinsurance contract (for the first ten years of this line of business) and an XL reinsurance contract. Under the XL agreement, the Company retains €0.05 million per risk[43]. The reinsurer covers from that up to a limit of €1 million. Beyond such limit, the cost is assumed by the Company; and
- Other insurance business is covered by XL reinsurance; the Company retains €0.025 million. The reinsurer covers from such amount up to a limit of €0.15 million. Beyond that limit, the cost is assumed by the Company.

In addition, there are guarantees covered by proportional reinsurance contracts in the lines of other motor, fire and other damage to property, medical expense and assistance (e.g. legal assistance, fines and home maintenance assistance, among others).

XL contracts are currently entered for a period from 1 January to 31 December of each year and are renewed (including terms and conditions) on an annual basis, during the last quarter of the year. The Company's reinsurance panel is fairly stable and at present is composed of six reinsurers with an average rating of AA-. The Quota Share reinsurance agreement is a multi-year contract with one Tier 1 AA reinsurer.

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[39] Per risk excess reinsurance, refers to reinsurance protection against losses on an individual risk (see risk definition above) in excess of a specified loss retention.

[40] Per event excess reinsurance, refers to reinsurance coverage against the cost of accumulated losses from a loss event in excess of specific retention. A "loss event" includes all losses occurring on the insured risks, directly or indirectly, having the same cause and occurring during the same period of time and in the same area (area in which the catastrophe or accident takes place). Thus, it includes all losses regardless of the number of properties, insurance policies and guarantees covered by this contract. Examples of events include heavy rainfalls or hailstorms, which may affect several lines of business simultaneously.

[41] Per risk reinsurance in the Motor line of business specifically refers to the reinsurance protection against losses arising from single claims related to damage to vehicles and related guarantees insured by the Company.

[42] Compensation in civil liability compulsory insurance reaches up to €70 million in the case of damage to persons and €15 million in the case of damage to property and vehicles. Voluntary civil liability, complementary to the above, covers €50 million.

[43] Per risk XL reinsurance in the health line of business specifically refers to the Company's reinsurance protection against a single insured person's medical expenses arising from any pathology.

Reinsurance is also used to hedge catastrophe risk, which materialises upon the occurrence of both natural events[44] (i.e. wind and hailstorms or heavy rainfalls, amongst other) and man-made catastrophe events (i.e. mass motor vehicle accidents and other fires or explosions).

In Spain many potential catastrophe risks are covered by the *Consorcio de Compensación de Seguros*, ("**CCS**") (See "*Principal Markets - Idiosyncrasies of the Spanish Motor Market*"). The events that are covered include (i) natural events, such as earthquakes and tidal waves, extraordinary flooding, volcanic eruptions, atypical cyclonic storms (including tornadoes and heavy winds above 120 km/h) and the falling of sidereal and airborne bodies; (ii) damages caused violently as a consequence of terrorism, rebellion, sedition, mutiny and popular tumult; and (iii) events or actions of the Armed Forces or the Security Forces in times of peace.

The following are excluded from CSS' coverage: (i) goods which are not insured or which, are insured under an insurance tranch to which the Extraordinary Risk System (*Sistema de Riesgos Extraordinarios*) does not extend its coverage (and, therefore, which does not include a surcharge); and (ii) direct rainfall over the insured risk or the rainfall over a rooftop, its draining system or its courtyard, non-extraordinary winds (with bursts below 120 kilometers per hour), hail, snow, leaks or humidities, among others. For any natural or man-made disasters not covered by the CCS *(See "Principal Markets - Idiosyncrasies of the Spanish Motor Market")*, Linea Directa has a reinsurance Excess-of-Loss contract (XL) covering rain, hail storms, strong winds under 120 kilometers per hour, rock falls and fire damages, among others, as follows:

– In the case of motor vehicle business, XL reinsurance covers the following events: rain, hail storms, wind under 120 km/h[45], snow weight, sinking earth, landslides, rock falls and erosions. The Company retains claims up to an amount of €2 million per event while XL reinsurance covers from that up to a limit of €30 million. Above €30 million, the cost is assumed by the Company.

– For fire and other damages to property, XL reinsurance covers fire damages, natural catastrophe, impact damages and water damages. The Company retains €2 million per event, while XL reinsurance covers from that amount up to a limit of €10 million of sum insured per event and €50 million of sum insured per man-made event (SCR Cat). Beyond €10 million and €50 million, respectively, the cost is assumed by the Company.

Overall, the Company ceded premiums for an amount of €20,675 thousand as at 31 December 2020 (or 2.3% of GWP), of which €9,815 thousand refers to the QS health agreement, €3.259 thousand to the XL protection and €7,485 thousand to the additional reinsured guarantees covered by QS reinsurance contracts. Ceded premiums amounted to €14,920 thousand (1.7% of GWP) and €11,813 thousand (1.4% of GWP) as at 31 December 2019 and 2018, respectively. See "*Reinsurance Account*".

As regards catastrophic events, the Company experienced the following adverse atmospheric events in the Home line of business:

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[44] A natural event of catastrophe is defined as any sudden, severe, unexpected and fortuitous happening of natural origin causing a great damage to property and/or loss of life. It is not delimited to specific geography. For reinsurance purposes, per event reinsurance provides coverage for 2 or more losses caused by the same event.

[45] Higher amounts are covered by the CSS and therefore it does not overlap with such coverage, as it refers to different events.

- 2 events amounting to €7,419 thousand as at 31 December 2020, representing 1.7% of claims for the year before reinsurance. Of such amount, €1,491 thousand was ceded to the XL reinsurance.
- 3 events totalling €6,607 thousand as at 31 December 2019, representing 1.4% of claims incurred in the year, before reinsurance. Of such amount, €1,791 thousand was ceded to the XL protection; and
- A total amount of €4.566 thousand of atmospheric events as at 31 December 2018, representing 1.1% of claims incurred, entirely assumed by the Company, without the XL's priority being triggered.

The technical provisions and reinsurance department (the latter belonging to the Finance Department) manages the Company's reinsurance responsibility strategy. The processes of calculating the optimal reinsurance program, preparing the information to be sent to reinsurers, quotation, behaviour and evolution analysis reports and statistical accounting documentation to report to the regulator are carried out by the Manager and the analysts of this department.

Sustainability management

A commitment to the environment and to the society in which the Company has developed its business model have formed part of the Group's principles since its inception. In 2011, Linea Directa drew up its first Corporate Social Responsibility Master plan, which has since then been renewed every three years to reflect the different lines of action in which the Company and its stakeholders have an interest.

In 2020, the Company approved its 2020-2022 fourth Sustainability Master Plan, under the motto "We care for what matters". The approval of the Sustainability Master Plan has entailed the abandonment of the concept of corporate social responsibility and the commitment to a more global concept of sustainability, based on three main areas of action: environmental, social and good governance, which it has incorporated into its risk management policy. The Company has embedded the concept of sustainability within its corporate strategy, subjecting the coordination of the Sustainability Master Plan to the Company's Communication and Sustainability Management and the monitoring of its evolution to a specific Committee made up of the Company's Senior Management team its entirety, including its Chairman and Chief Executive Officer. This Committee meets twice a year, always under the direct supervision of the Chairman. The Sustainability Master Plan is ultimately presented to the Company's Board of Directors, in charge of supervising the Company's sustainability strategy and practices, evaluating their progress and level of compliance.

The fundamental purpose of the Sustainability Master Plan is the comprehensive care and protection of people - a concept very closely related to the function of insurance -, as well as sustainability in a broad sense, linked to the United Nations Sustainable Development Goals (SDGs). The actions envisaged in the Sustainability Master Plan are linked to SDGs such as health and wellbeing; decent employment and economic growth; industry, innovation and infrastructures; climate action; peace, justice and sound institutions; and alliances to achieve objectives.

The actions of the fourth Sustainability Master Plan primarily apply to eight (8) big goals. Within each SDG, a number of specific objectives and corresponding activities to achieve them are identified and are taken into action. These SDGs' include, among others:

- SDG 3 “Health and wellbeing” is endorsed through (i) Vivaz, our health insurance brand that rewards clients with a healthy lifestyle; (ii) the promotion of a healthy lifestyle for employees and society and (iii) the prevention of home accidents.

- SDG 5 “Gender equality” is endorsed through the Company’s Equality Plan, the Human rights’ policy and social action activities (international women’s day and activities for the education and prevention of gender based violence. among others).

- SDG 8 “Decent work, and economic growth” is supported by the creation of high-quality employment and actions for talent development, among others.

- SDG 9 “Industry, Innovation and Infrastructure” is sustained through the Company’s digital innovation, IT collaborations and donations.

- SDG 13 “Climate action” is reinforced through environmental management measures.

- SDG 16 “Peace, justice and solid institutions” is promoted through the fight against fraud, prudent investment principles and compliance (ethics code, prevention of money laundering, equality, etc…).

Further, Linea Directa is also committed to the application of best international reporting and transparency practices. Since 2008, it has issued annual reports setting out information on its performance in relation to financial, commercial and sustainability aspects. Since 2012, this report has been drawn up in accordance with international reporting standards, and specifically, within the parameters of the Global Reporting Initiative (GRI).

As part of its sustainability commitments and initiatives, the Company has its own non-for-profit foundation, which is, in its own right, one of the main players in Spanish road safety. In 2014, the Company set up Fundación Línea Directa (the “**Foundation**”) with the objective of building a better and safer society through different initiatives, focusing on road safety. The Foundation was created to go a step further in Linea Directa’s commitment to prevent road traffic accidents and the Group donates over €0.5 million per year for the Foundation to carry out its mandate.

The Foundation aims to reduce the number of victims in Spanish roads around four lines of action: (i) dissemination of information, (ii) investigation, (iii) training, and (iv) social action. All of them share the common goal of reducing road victims to zero and promoting good habits behind the wheel.

The Foundation’s Journalism Awards are held each year, their purpose being to highlight the value of journalism in the field of road safety and promote it by recognising the best pieces of work communicating such issues.

The members of Board of Trustees include persons of prestige in the field of road safety. Its Chairman is Alfonso Botín-Sanz de Sautuola and its Deputy Chairman is Miguel Ángel Merino González, Chief Executive Officer of the Company. The other trustees are: Pedro Guerrero (Chairman of Bankinter), Pere Macias i Arnau (Former Chairman of the Spanish Parliament’s Road Safety and Sustainable Mobility Committee), María Seguí Gómez (Former Director General of Traffic), Juan José Matarí Sáez, Matías Prats Luque (Journalist) and Pierre-Yves Sachet (Commercial Products Manager of CEPSA).

Its General Counsel is the General Counsel of Linea Directa.

Customer relations and consumer protection

Quality is one of the pillars of Linea Directa's business model. The Company's competitive pricing policy makes it attractive to consumers, but this must be accompanied by a policy of service quality for the model to be effective. The Company therefore tests customer satisfaction levels thoroughly in all its processes and at all points of contact: from sale, through to retention, repair services or claims management.

Linea Directa has developed a scorecard that enables it to monitor on an ongoing and systematic basis the main indicators of customer experience, satisfaction (NSS) and recommendation (NPS), and to receive feedback in real time regarding the customer experience, which enables it to identify the strengths and weaknesses of each procedure. This monitoring also enables the Company to take specific action in relation to customers who are at risk of leaving the Company, increasing the probability of renewal, of satisfaction and of reducing the negotiation costs linked to renewal. This speed and flexibility are supported by various artificial intelligence processes such as speech to text and text analytics, which are used to transcribe audio recordings and the texts of customer comments, which can then be grouped into a common codes plan.

The complaints and grievances[46] service has implemented an ambitious plan of action aimed at reducing the number of incidents involving customers ("the **Complaints and Grievances Service**"). This plan has served to reduce complaints from insured individuals by 47.4% in the last year (a reduction of 34.3% in 2019 when compared to 2018) driven by the application of exceptional retention measures applied to good risk profile customers. It is based on relaying data and analyses of complaints and grievances to the different business areas, and on improving management tools and reducing the average resolution period, which has dropped to less than 30 days. The Company's customers submit their complaints or grievances to the Complaints and Grievances Service of the Company (binding for the Company), and then to the customer ombudsman (binding for the Company) (the "**Customer Ombudsman**") and/or to the DGSFP (non-binding for the Company).

The complaints and grievances system begins with first compulsory stage through the Complaints and Grievances Service of the Company. Customers who are not satisfied with the Company's Complaints and Grievances Service resolution[47] can optionally bring their complaint or grievance either to (i) the Customer Ombudsman asking for a review of the complaint or grievance and then to the DGSFP, or (ii) attend directly to the DGSFP. The Customer Ombudsman, acts independently and with total autonomy in terms of the criteria and guidelines to be applied in the exercise of his functions.

A total of 7,717 complaints and grievances (665 and 7,052, respectively) were received during 2020 in the Complaints and Grievances Service of the Company. Of these total number of complaints and grievances received in 2020, 30.92% refer to pertinent complaints (33.76% and 23.05% in 2019 and 2018, respectively). The highest volume of incidents was attributable, in the following order, to: (i) refusal of damages in claims; (ii) delays in the provision of services; and (iii) return of unearned premium. The average cost of complaints and grievances in 2020 was €125.02, with a total cost of €964,764, including accepted complaints that were not justified.

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[46] Complaints are those referring to the functioning of financial services, such as delays or lack of attention, while grievances are those that show the intention to obtain the restitution of an interest or right.

[47] Resolutions refer to the administrative act through which the competent body (the Complaints and Grievances Service of the Company, the Customer Ombudsman and/or the DGSFP) resolves a complaint or a grievance.

Of the previous 7,717 initial complaints and grievances received during 2020 in the Complaints and Grievances Service of the Company, a total of 1,107 were then registered in the Customer Ombudsman, where 1,045 resolutions were solved. The Customer Ombudsman is understood as the organisational external structure for handling customers' complaints and grievances, as established in the Code of Regulatory Compliance in Financial Institutions by Order ECO/734/2004, of 11 March, on customer service departments and services and the customer ombudsman of financial institutions (*Orden ECO/734/2004, de 11 de marzo, sobre los departamentos y servicios de atención al cliente y el defensor del cliente de las entidades financieras*). The following table depicts the outcome of the resolutions registered during 2020 by the Customer Ombudsman:

Outcome[48]	
Unfavourable for the Company	254
Favourable for the Company	769
Other	22
Total	**1,045**

Additionally, during 2020, a number of complaints and grievances were registered before the DGSFP. The following table depicts the outcome of the 396 resolutions registered during 2020 by the DGSFP, which include complaints and grievances effectively solved during 2020 but registered during that year or previous ones:

Outcome[49]	
Unfavourable for the Company	85
Favourable for the Company	88
Acquittals[50]	30
Expert T.[51]	112
Judicial[52]	75
Other[53]	6
Total	**396**

The DGSFP has a complaints and grievances service which publishes an annual report including the number of complaints and grievances presented against every insurance company. In 2019, 316 complaints and grievances were filed against the Company before the DGSFP (a reduction of 14.13% when compared with 2018). In 2019 a 36.77% of the complaints and grievances presented

48 Not all complaints and grievances submitted are resolved in the calendar year. This is why there are differences between those submitted and those resolved.

49 Not all complaints and grievances submitted are resolved in the calendar year. This is why there are differences between those submitted and those resolved.

50 "Acquittals" refers to the cases in which the Company itself settles and accepts the insured's claim in favour of the customer.

51 "Expert T." refers to the expert procedure regulated in article 38 of the Insurance Contract Law and on which there is no outcome as such at this stage. On very few occasions, it ends up in a judicial procedure.

52 "Judicial" refers to the judicial procedures in progress and on which there is no outcome as such at this stage.

53 "Other" refers to those cases in which neither the Customer Ombudsman nor the DGSFP can issue a decision because it is not entitled to it as is outside its scope of action, e.g. claims from uninsured third parties.

to the DGSFP were solved in the customer´s favour. (*Source: DGSFP Complaints Annual Report 2019*).

As a general strategy, the Company didn´t take any commercial measures related to premium refunds as a result of the state of alarm and lock-down as a consequence of the Covid-19 pandemic. The Company has received a very limited number of complaints requesting the devolution of premiums. In accordance with the current insurance laws, the Company does not expect such complaints to be successful and, if they were, the amount which the Company would have to pay would not be material.

Responsible supply chain

Under the Company's direct business model, suppliers and partners play a fundamental role in its strategy. Linea Directa has a demanding supplier selection procedure based on service quality, alignment with corporate values and principles of action, absolute respect for the law, and responsible practices.

The Company has a supplier ethics conduct code, approved by its Board of Directors, which is based on the principles of ethical conduct and transparency; regulatory compliance and respect for free competition; confidentiality and respect for intellectual property; respect for employment legislation and human rights and, finally, protection of the environment. This code determines the existing relationships between the Company and its collaborators, who are required to expressly accept it as the framework for their agreement with the Company.

Suppliers are also registered in the Group's Purchasing Platform and required to report their sustainability practices based on ESG criteria to the Company, which play an important part in the selection process.

Data protection, data security and cyber-security

The increasing frequency and sophistication of hacking incidents and other cyber security threats directed to corporations has recently highlighted the significance of these cyber risks and the damage, both financial and reputational, that they can potentially inflict.

The Company is firmly committed to protecting the data of its customers, employees and suppliers, and adheres rigorously to the provisions of the Regulation (EU) 2016/679 of the European Parliament and of the Council, of 27 April 2016, on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC and Organic Law 3/2018, of 5 December, on Data Protection and digital rights guarantee (*Ley Orgánica 3/2018, de 5 de diciembre, de Protección de Datos Personales y garantía de los derechos digitales*) (see *"Regulatory Environment*").

In order to guarantee cyber-security and the continuity of the business, Linea Directa has strengthened considerably its corporate security department, by increasing the size of both its budget and its team, which has seen 60% growth in relation to the previous year. Its objective is to design, monitor and manage the Company's security system, for which purpose all defensive lines have been maintained and developed, and important alliances have been formed with leading companies in the cyber-security sector. No assurance can be provided, however, that these controls, procedures and risk mitigating measures will be sufficient, properly implemented or effective to prevent all attempted intrusions into the Company's systems, technologies and networks.

5.1.2 *New important products and/or services which have been introduced*

In several occasions the Company has, in order to provide for the growth and diversification of its business, launched new lines of insurance, such as Home insurance in 2007 or Health insurance in 2017. In the past, the Company has also launched new brands such as Penélope, designed by female customers; or Aprecio, for motorcycle insurance.

In relation to the Motor insurance sector, mention should be made to the Company's commitment to pioneering products in the Spanish market. In September 2020, Linea Directa changed dramatically the market launching "Llámalo X" ("*you name it*"), the first "*packaged*" insurance incorporating a car with the modality of renting within the same product (as opposed to the car to which the client attaches the insurance). Such product stands out for its extremely competitive price for a comprehensive insurance (*todo riesgo*) of €249 per month, and no additional payments or expenses. Llámalo X involves a paradigm shift in the insurance sector, moving from insurance additions to a vehicle, the vehicle (through a renting programme) becoming an addition to the insurance policy, this is, as non-core component of the product.

This product falls within the scope of the "Mobility Plan" of the Company, whose main objective is to ensure the mobility in the broadest sense of the word by tailoring solutions to changing consumer trends such as decreasing traditional vehicle ownership rates and the use of new mobility solutions and vehicles. This way, the Company markets, among others, its "Respira" policy, with a fixed yearly premium of €199 in the first year. The Respira policy is a comprehensive insurance policy with a €300 deductible (*franquicia*) for electric cars that is unique in Spain, with exclusive guarantees and coverages (such as the theft of the integrated recharging cable), representing a firm commitment to sustainable transportation.

In line with the Company's DNA and culture, Linea Directa is continuously evolving and adapting in order to retain its position at the forefront of technological development within the Spanish motor insurance market. The Company is trying to achieve an increased digitalisation of its business to unlock improved customer experience and an integrated underwriting structure that minimises human intervention and removes the use of paper, thus simplifying overall processes. The Company has already achieved a strong progress on digitisation with statistics showing positive feedback from customer use. As at December 2020, 78.2% of the Company's active clients interacted with it through digital means (*Source: Company information*). Customers will still have full flexibility when choosing their preferred communication channel.

The real-time updates of vehicle reparations are also worth noting, as well as the introduction of video-loss-adjusting (by which the client sends pictures in incidents relating to minor or simple claims, and the Company skips the intervention of an adjuster), the initiation of claims processes via the Internet, vehicle collection and delivery services linked to the repair service, management of the road assistance service through a mobile phone application with service geolocation, night-time assistance for young people, or the ability to quote a price for a new Motor insurance policy upon receipt of just a photo of the interested party's driving license and another of the registration plate of the vehicle to be insured.

In these unparalleled times, Linea Directa launched, in February 2021, a new campaign which groups its largest advantages for motor and home insurance under the same umbrella, including (i) a very competitive offering aimed at attracting new clients; (ii) the fractioning of premium payments; (iii) the reimbursement of up to €100 to clients with lesser driving mileage than the limits specified in their contract and (iv) the exemption from due payments for the self-employed that had been forced to close their business as a result of the Covid-19 pandemic.

As for specific market segments, Penélope's offering of products and services is unique, and over 500 women were involved in its design and launch. The coverage provided includes, among other, purse theft, roadside assistance for pregnant women, and the management of vehicle servicing schedules, among many others. Other coverages are specifically designed for company fleets, including a variety of vehicles (vehicles, vans, lorries...) with a guaranteed replacement vehicle or other kinds of modalities such as industrial and farm machinery.

As for the Health insurance business line, Vivaz is clearly committed to digitalisation and to the use of new technologies as a means of creating a user experience that is more enriching, more comfortable and more flexible. Indeed, the Vivaz App, which allows users to complete all formalities relating to the insurance policy from their smartphones, has been downloaded almost 140 thousand times as at the date of this Prospectus. Through the App, clients have carried out searches for medical professionals for over half a million times; this is 80% of all searches made via all channels. This is thanks to the different solutions that the application offers, such as the wizard or the geolocation of centres. Other digital changes introduced by the brand include the 100% digital health card, which can be downloaded on Smartphones, and voice assistants, through the launching of an application which enables customers to interact with Vivaz through Google Assistant. Furthermore, with the App Ecosystem, Vivaz is the first health insurer to reward clients for having a healthy lifestyle (by providing a discount of up to 30% if WHO recommendations of 10,000 steps each day and 7 hours of sleep are attained).

In the Home business line, the Company implemented throughout 2019 intelligent routing of telephone calls in relation to documentation processes, whereby the telephone service system identifies and responds to calls regarding customer documentation requests, reducing errors and eliminating all human intervention. This is just one example of its use, currently involving a small number of calls, although the Company intends to implement it more broadly, as required.

Also in 2019 Linea Directa presented to the media its digital development road map, entitled "More Digital, More Useful", which includes innovations such as the possibility of ascertaining the price of a policy by sending photos of your vehicle and driving license, of loss-adjustment taking place at home based on a video of the damaged asset, or of requesting a doctor's appointment using a voice assistant, without human intervention of any kind.

Linea Directa also presented in 2019 its new App, aimed at promoting a new model for relations with its customers. The new App. seeks to build a relationship with insureds based on flexibility and an omni-channel approach, thus optimising the customer's experience by reducing by up to 50% the time it takes to complete insurance-related formalities (*Source: Company information*).

Linea Directa, in its efforts to innovate, has also developed initiatives over the last few years linked to activities auxiliary to insurance, such as the launching of a subsidiary with its own motor vehicle repair workshops, a services subsidiary for the repair of damages in the home, vehicle collection and delivery services, etc., the purpose of which is to increase the group's profitability and improve the customer's experience.

5.2 Principal markets

The Company's insurance activity is limited to the Spanish market, although it operates in Portugal under a free provision of services regime since September 2017.

The Spanish non-life insurance market displays superior growth than the European average, led by the Motor and Home lines of business, which are more profitable than in other large European markets. As of December 2019, the Spanish non-life insurance market was the fifth largest in

Europe, behind UK, Germany, France and Netherland (*Source: EIOPA*). The size of the non-life Spanish insurance market stood at €37,000 million, measured by GWP, with a CAGR of 3.4% over the last five years (2.1%, 2.1% and 0.4% for Germany, France and Italy, respectively) (*Source: ICEA, GDV, FFA, ANIA, BMI Research*).

Regarding policies, the Spanish market comprises around 32.0 million Motor policies (31.8 million policies in 2019) and 20.6 million Home insurance policies, (20.2 million policies in 2019) (*Source: ICEA*).

Spain has a mature non-life insurance market with GWP as a percentage of GDP of 3.3% (non-life insurance penetration stands at 4.6% in the UK, 4.0%, in Germany, 4.0% in France and 2.2% in Italy) (*Source: ICEA, FFA, ANIA, IMF, GDV, BMI Research*).

At a national level, GWP for the Motor business decreased by 2.0% in 2020 (1.6% increase in 2019), whilst for the Home insurance business it increased by 2.7% (4.2% in 2019) (*Source: ICEA*). The Company outperformed the market in both lines of businesses: the Motor business decreased by 0.9% whereas the Home business line grew 8.3%. For its part, in 2020 the Spanish Health insurance market[54] increased by 5.1%, whilst the Company's GWP grew 38.6%. The evolution of GWP of the Spanish Medical Assistance market presented a Compounded Average Growth Rate ("CAGR") of 5.0% in the period 2015-2020, driven by an aging society (*Source: ICEA).* The insurance penetration of Health insurance is estimated at 21.7%[55].

Severe and minor accidents in Spain have dropped by 48.5% and 31.1% respectively for the period 2010 – 2020[56] (40.4% and 4.9% for the period 2009 – 2019), driven by increased awareness (points-based driver's license), upgraded vehicle safety measures, and improved road infrastructure (*Source: Dirección General de Tráfico. UNESPA*).

Correspondingly, average premiums in motor insurance have decreased by 13.9% over the last ten years driven by the overall decrease in loss experience, vehicle pool average aging and increased competition (*Source: Own elaboration as per figures from ICEA and FIVA*). Lower average premiums are making it more important for companies to reduce expenses to maintain profitable levels.

The insurance market is overall profitable and the non-life combined ratio* stood at 90.5% for the Spanish non-life sector as at 31 December 2020 (*Source: ICEA, EIOPA*) (vs. 93.9% in the European Union as at 31 December 2019). Spanish non-life combined ratio* in the Motor and Home lines of business in 2020 was 87.8% and 94.0%, respectively (*Source: ICEA*). Linea Directa's combined ratios* in the Motor and Home lines of business in 2020 were 80.5% and 94.0%, respectively. As with regards Health insurance, the market as a whole displayed a combined ratio of 90.2% as the close of 2020 *(Source: ICEA).*

The Non-life Spanish market displays a high degree of concentration. As at 31 December 2020, 65.73% of the non-life insurance market was concentrated in its top ten insurance players[57]. In the

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54 Sanitary assistance (*Source: ICEA*).

55 Total Sanitary Assistance insurees at the close of 2020 of 10,292,369 (*Source: ICEA*) divided by total Spanish population of 47,351,567 *(Source: INE)*

56 2020 figures reflect the improvement in loss experience as a result of confinement measures imposed by the Government.

57 Grupo Mutua Madrileña (14.62%), Mapfre (13.93%), Allianz (6.39%), Grupo Axa (6.06%), Grupo Catalana Occidente (6.02%), Generali (4.26%), Sanitas (3.89%), Grupo Helvetia (3.84%), Asisa (3.40%) and Santalucía (3.32%).

non-life insurance market overall, the Company had a market share of 2.43%, ranking in twelfth place (*Source: ICEA).* Specifically:

– In Motor insurance, three companies accounted for 43.2% of Spanish motor market's share, Mapfre España, Mutua Madrileña Automovilista SSPF and Allianz (*Source: ICEA*). Linea Directa was the second largest company in the direct Spanish Motor insurance market by GWP sales volume, and had a market share of 6.81%, ranking fifth in the Motor insurance market as a whole.

– In the home insurance market, 31.1% of such market share was concentrated in its top three players, namely, Mapfre, SegurCaixa Adeslas and Grupo Caser. Linea Directa had a market share of 2.59% in the Home insurance market, ranking in twelfth place; and

– 64.3% of the Health insurance market[58] share was concentrated in its top three players (SegurCaixa Adeslas, Sanitas and Asisa) (*Source: ICEA and Company's own information*). The Company had a market share of 0.24%, ranking twenty-fourth as at 31 December 2020.

The Spanish non-life insurance market is also highly intermediated, with exclusive agents representing 36.60% of total premiums as at 31 December 2019, brokers accounting for 33.40% and insurance companies' offices 5.70%.

The Spanish insurance landscape has long recognised traditional domestic players, international insurance groups and new direct players which mainly take the form of subsidiaries within larger Groups. Changes in consumer trends and digital engagement have benefitted Linea Directa's competitive offering.

Price Comparison Websites have been present in Spain for over a decade yet they still hold a less relevant position than in other European countries such as the UK. Positioning in those websites is price driven although they recently factored other variables attached to those rankings. In general terms, PCWs redirect customers to each insurer's website in order to close the quote and therefore, policies sold through PCWs are owned by the insurance companies who underwrite them, not by PCWs.

Additionally, new insurtech companies are starting to enter into the Spanish market, digitising the interaction between insurance companies and policyholders, offering solutions that span from automatic policy subscription to the digitalisation of claims management through automatic damage detection.

Idiosyncrasies of the Spanish Motor Market

There are certain differentiating factors to be considered in relation to the Spanish Motor insurance market:

– The existence of the *Consorcio de Compensación de Seguros* (CCS), the Spanish state-owned insurer of last resort, which plays an important part in mitigating natural catastrophe risks by covering extraordinary risks (see "*Regulatory Environment*") through charges added to the insurance premiums paid by the insurers and collected by insurance companies.

[58] Sanitary assistance (*Source: ICEA*).

The CCS makes the sector more stable and allows for greater certainty in pricing. In Spain many potential catastrophe risks (natural events and man-made catastrophe events) are covered by the CCS. The events that are covered include, among others, natural events such as earthquakes and tidal waves, extraordinary flooding, wind above 120km/hour, volcanic eruptions and the falling of sidereal and airborne bodies; damages caused violently as a consequence of terrorism, rebellion, sedition, mutiny and popular tumult; additionally any events or actions of the Armed Forces or the Security Forces in times of peace.

– The settlement conventions applicable in the handling of vehicle property damage. There are a number of such conventions in Spain (the main ones being CICOS and SDM) which cover a large percentage of the damage claims occurring in the sector. These conventions, by setting out pre-established modules, reduce volatility in the payments to be made in respect of material damages of this type, speeding up the settlement of claims and making their handling more efficient.

  The reduction in volatility is due to the fact that, as long as a friendly settlement report is filed, each Company handles the claims and pays the repair for its policyholders. Once a year, companies keep and offset accounts, by paying /receiving pre-established modules to/from the other party. 70% of damage of vehicle property damage claims in Spain are handled through this system.

– Application of an injuries scale for personal injury ("*Baremo*"). The existence of a scale establishing the compensation payable for personal damage provides greater stability and predictability, since judges tend to adhere to a system of appraisal that makes future compensation payments easier to quantify, reducing significantly the possibility of incurring unforeseen claims costs. The *Baremo* sets forth compensation distinguishing between temporal or permanent injuries and death with different levels of granularity to calculate the final payment.

– The form of payment traditionally used in Spain is direct debit, and payment is generally annual, making the renewal process automatic.

– Considerable importance has been attached to road safety education campaigns, accompanied by new measures such as the points-based driving license, which have made a significant contribution to the reduction in accident rates.

– Over recent years, digitalisation has brought about a veritable revolution in insurance, and in Motor insurance in particular, and this process of reinvention of the insurance industry is set to continue into the future. Connected devices have become a part of peoples' daily lives and the relationships between the insurance industry and insureds are becoming ever deeper (See *"Risk factors"* - "*Potential structural developments affecting the insurance sector and consumer demand").*

From a geographic point of view, Andalucia, Cataluña and Madrid account for 56.7% of the Company's GWP's, with Comunidad Valenciana and Murcia accounting for 12.4% and 4.9%, respectively. These percentages have remained stable over past three years, as shown in the table below (*Source: Company information*):

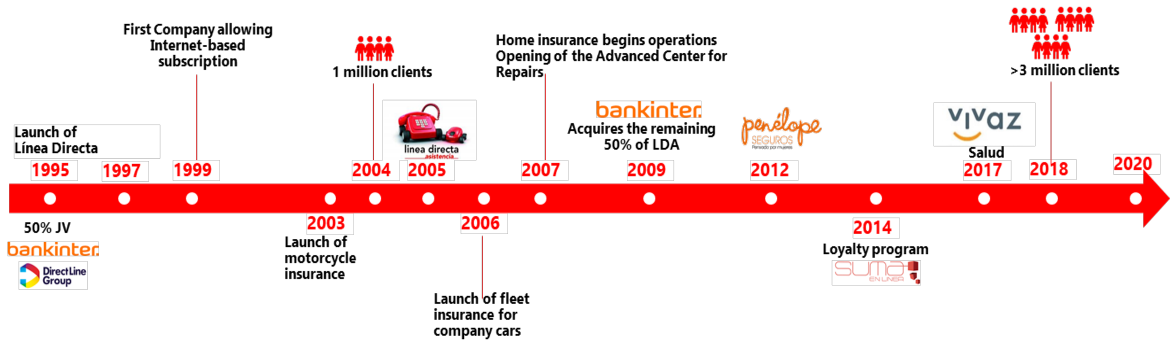
	2020		2019		2018	
Andalucía	207,695	23.1%	206,619	23.2%	196,398	23.0%
Cataluña	184,816	20.6%	182,273	20.5%	170,913	20.0%

	2020		2019		2018	
Madrid	116,751	13.0%	112,826	12.7%	109,817	12.9%
Comunidad Valenciana	111,050	12.4%	112,015	12.6%	108,751	12.7%
Murcia	43,779	4.9%	44,559	5.0%	43,442	5.1%
País Vasco	36,231	4.0%	36,707	4.1%	36,287	4.3%
Castilla y León	35,711	4.0%	35,250	4.0%	33,672	3.9%
Galicia	28,294	3.1%	28,492	3.2%	27,981	3.3%
Castilla la Mancha	27,769	3.1%	27,132	3.0%	26,112	3.1%
Canarias	23,115	2.6%	22,740	2.6%	20,941	2.5%
Baleares	20,685	2.3%	20,424	2.3%	18,747	2.2%
Asturias	15,611	1.7%	15,547	1.7%	15,227	1.8%
Aragón	14,395	1.6%	14,299	1.6%	13,773	1.6%
Cantabria	12,892	1.4%	12,942	1.5%	12,571	1.5%
Extremadura	9,755	1.1%	9,567	1.1%	9,095	1.1%
Navarra	6,624	0.7%	6,700	0.8%	6,518	0.8%
La Rioja	2,306	0.3%	2,246	0.3%	2,106	0.2%
Ceuta y Melilla	1,091	0.1%	925	0.1%	752	0.1%
Portugal	44	0.0%	32	0.0%	16	0.0%
Total	**898,614**	**100.0%**	**891,295**	**100.0%**	**853,119**	**100.0%**

Figures in thousand euro

5.3 Important Events in the development of the Company's Business

The main milestones in the Company's history are reflected in the following chart:



1995	Linea Directa is incorporated, being the first Spanish company to distribute insurance without intermediation.
1999	Linea Directa becomes the first insurance company to sell policies via the Internet.
2004	Linea Directa's customers in Spain reach 1 million.
2005	Línea Directa Asistencia, the travel Assistance subsidiary, is set up.
2007	Linea Directa starts operating in the Home insurance line.
2009	Bankinter becomes the major shareholder of the Company.
2013	Linea Directa's customers in Spain reach 2 million.
2014	Incorporation of Fundación Línea Directa, which campaigns for road safety in Spain.
2017	Linea Directa launches Vivaz, the Group's Health insurance brand.

2018	Linea Directa's customers in Spain reach 3 million.
2019	Linea Directa presents its Digital Transformation plan.
2020	The Shareholders' Meeting of Bankinter approves the listing of the Company.

5.4 Strategy and objectives

The Company's track record reflects the sustained and profitable growth that Linea Directa has been able to maintain over the years. Notwithstanding the Group's intention to continue developing such a business model, the Group has the purpose to base its strategy in a profound digital transformation with the aim to (i) adapt to current customers' requirements, ensuring customer may interact with us in the same way as they do with other more digitally mature industries (retail, travel, etc); (ii) attract younger generations, by renewing our brand to be attractive to younger potential customers; and (iii) improve our cost structure, by slashing down our operational costs to ensure profitability in a decreasing premium scenario.

Rather than pursuing a wide variety of business lines, the Group is focused on a digital ecosystem of products and services, which supports the core objective of offering the best possible price with the best possible services in the lines of business of its choice. As a pure direct insurer, the Company believes it is well positioned to adapt to new trends in the insurance industry. Direct insurance is embedded in Linea Directa's DNA, reinforcing its capacity to adapt to digitalisation with greater agility than competitors, without any impediment from agency networks.

With such a view, and irrespective of market developments, the Company's objectives are to (i) continue gaining market share across all three lines of business; (ii) become more efficient thanks to the cost savings arising from its digital strategy, and (iii) strengthen the position of its Health insurance business line in the market.

As regards the Motor line of business, Línea Directa is rapidly adapting and leading new developments in motor insurance. Linea Directa intends to launch its Usage Based insurance ("UBI") App ("*ConducTOP*") in 2021. The App will measure personal driving habits (i.e. routes, heavy breaking, etc.) as a first step to understand how this information may improve its risk assessing models.

In December 2019, the Company became the official insurance Company of "*Autonomous Ready*", the Spanish commitment for the connected vehicle and the future autonomous vehicle, a project sponsored by the "*Dirección General de Tráfico*" and the Barcelona council, city where the project was launched. With the aim of reaching 5,000 connected vehicles, "*Autonomous Ready*" incorporates a device in each vehicle adhered to the programme which gathers data about driving, the environment and road characteristics. All this information allows for the identification of the main points of danger in the city, particularly those related to the most vulnerable drivers. The project strives to promote the connected vehicle and the Assistance Systems for Driving (*Sistemas de Ayuda a la Conducción* ("ADAS")) as a means of fighting traffic accidents and set the basis for the future autonomous vehicle. In particular, the company intends to adapt to changes in the motor insurance sector, through, among others, initiatives such as the investment of significant resources to build new risk models and adapt the Group's product offering to cater for this growing community built around electric, hybrid and environmentally-friendly vehicles.

As for the Home line of business, its future strategy will involve (i) continuing with the cross-selling through the 2 million of untapped motor clients; (ii) the implementation of a growth strategy via partnerships with utility providers (gas, water and electric providers) for the mutual promotion of services and leads (e.g. the agreement reached with Naturgy[59]); (iii) the cross-selling of home insurance products with home automation products, through the sale of bundled products (e.g. alarm and home insurance); (iv) the tapping of the 5.6 million of uninsured homes potential client base in Spain, and (v) the developpping of other insurance products (such as second home insurance or unpaid rent products).

As for Vivaz, future strategy involves following the steps experienced in the Home business line (launched in 2008) by continuing cross selling with the Motor business line and the incrementation of market share. Vivaz is somewhat "democratising" the insurance sector in Spain, as 70% of the Company's clients for this line of business are new to health insurance. Given that no pure direct health competitors are present in Spain, Vivaz faces an attractive market opportunity. Through the health App Ecosystem, the Company believes Vivaz will even deepen the direct relationship with the customer around health, wellbeing, technology, bioscience and data (by the further promotion of healthy habits, profile treatment reports, prevention, analysis or genomics). Finally, within the framework of Vivaz's strategy, the Company aims at developing its offering of de-seasonalised health insurance, where the contracting of insurance takes place along the year (and not at year-end, which is common practice in the present).

5.5 Summary information regarding the extent to which the issuer is dependent, on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes

In the development of its business and activities, Linea Directa is not materially dependent on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes, other than the agreements under which it operates Linea Directa and Vivaz brands (see "*Material Contracts*").

5.6 The basis for any statements made by the Company regarding its competitive position

This Prospectus includes market, competitive position and industry data which the Company has obtained from industry publications, reports and surveys, industry reports from governments, regulators and consultants; internal surveys; customer feedback and other information prepared by third parties; and/or the Company based on its own information and information derived from such third-party sources (together "**Third-Party/Company Analysis**"). Market and industry data are mainly based on, where available, official government or industry bodies. Third-party industry publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. In particular, the Group has included market and industry data from the following third-party sources, among others:

– Investigación Cooperativa entre Entidades Aseguradoras y Fondos de Pensiones (ICEA).

– The European Insurance and Occupational Pensions Authority (EIOPA).

– Unión Española de Entidades Aseguradoras y Reaseguradoras (UNESPA).

– Dirección General de Tráfico (DGT).

[59] Under this agreement, the Company receives contacts of potential customers (so-called "prospects" or "leads") interested in acquiring home insurance with Linea Directa while providing Naturgy with potential customers interested in acquiring Naturgy's gas/electricity distribution.

- Market System Intelligence (MSI).
- IOPE tracking by Kantar.
- Infoadex.
- Encuesta de Población Activa (EPA).
- Asociación Española de Renting (AER).
- Gain Dynamics.
- Fichero Informativo de Vehículos Asegurados (FIVA).
- Instituto Nacional de Estadística (INE).
- Bank of Spain (*Banco de España*).
- El País.
- El Mundo.
- Asociación de Usuarios de Vehículos de Movilidad Personal.
- European Automobile Manufacturers' Association (ACEA).
- Faconauto.
- TNS reporting by Kantar.
- MDK Investigación de mercados.
- BMI Research.
- International Monetary Fund (IMF).
- French Insurance Federation (FFA).
- Italian National Association of Insurance Companies (ANIA).
- German Insurance Association (GDV).
- Google.
- World Health Organization (WHO).
- Fitch Solutions.

All third-party information, as outlined above, has, to the Company's knowledge, been accurately reproduced and, as far as the Company is aware and has been able to ascertain, no facts that could render the information inaccurate or misleading have been omitted. However, the Company has not independently verified the information and cannot guarantee its accuracy. As the Company does not have access to all of the underlying facts and assumptions of such market and industry data, it is unable to verify such information and cannot guarantee its accuracy or completeness. Therefore, while the Company reasonably believes that each of these publications, studies and surveys has been prepared by a reputable source, neither the Company nor any other third-party source or any other person has independently verified the data contained therein or accepts any liability.

Accordingly, it is cautioned that undue reliance shall not be placed on them. While the Company is not aware of any misstatements regarding the industry, market share or similar data presented in this Prospectus, such data involve risks and uncertainties and are subject to change based on various factors, including those discussed under the headings *"Risk Factors"* and "*Business Overview*" in this Registration Document.

5.7 Investments

5.7.1 A description, (including the amount) of the Company's material investments for each financial year for the period covered by the historical financial information up to the date of the Prospectus

As described above, (see "*Description of the nature of the Company's operations and its principal activities – Company's operations*"), Linea Directa earns an investment return from the premiums collected upfront but not yet paid out in claims.

The Company's investment portfolio (which includes cash and equivalents, equity and debt securities and property investments) represented 80.4% of total assets as at 31 December 2020 (78.5% and 78.4% of total assets as at 31 December 2019 and 2018, respectively). The following table shows the significance of the Company's investment portfolio on Linea Directa's total assets as at 31 December 2020, 2019 and 2018, respectively:

	12/31/2020	12/31/2019	12/31/2018
Total Investment portfolio	**1,155,512**	**1,049,092**	**1,019,943**
% over total assets	80.4%	*78.5%*	*78.4%*
TOTAL ASSETS	**1,436,533**	**1,336,626**	**1,300,749**

Figures in thousand euro

Furthermore, the financial results* represented 16.3% of profit before tax as at 31 December 2020 (22.1% and 21.5% as at 31 December 2019 and 2018, respectively). The table below shows the materiality of net financial income on Linea Directa's profit before tax:

	12/31/2020	12/31/2019	12/31/2018
Financial result*	**29,253**	**31,570**	**33,474**
% over profit before tax	16.3%	*22.1%*	*21.5%*
PBT (profit before tax)	**179,624**	**142,837**	**155,963**

Figures in thousand euro

As at 31 December 2020, debt securities amounted to €801,209 thousand, which represented 69.3% of the total portfolio (€720,797 thousand or 68.7% as at 31 December 2019 and €696,945 or 68.3% as at 31 December 2018).

Additionally, the Company holds investments in equities, mutual funds and real estate which amounted to €60,536 thousand, €65,319 thousand and €65,948 thousand as at 31 December 2020 2019 and 2018, representing, respectively, 5.2%, 5.7%, and 5.7% of its investment portfolio.

The table below shows the investment portfolio breakdown as at 31 December 2020, 2019 and 2018, respectively:

	12/31/2020		12/31/2019		12/31/2018	
Cash and cash equivalents	**162,500**	**14.0%**	**144,937**	**13.8%**	**166,776**	**16.4%**
Debt securities	**801,209**	**69.3%**	**720,797**	**68.7%**	**696,945**	**68.3%**
Governments	***438,763***	***38.0%***	***394,656***	***37.6%***	***397,567***	***39.0%***
Spain	*216,812*	*18.8%*	*247,394*	*23.6%*	*263,899*	*25.9%*
Italy	*157,271*	*13.6%*	*91,854*	*8.8%*	*80,203*	*7.9%*
Portugal	*57,671*	*5.0%*	*48,972*	*4.7%*	*47,497*	*4.7%*
Norway	-	-	*4,649*	*0.4%*	*4,214*	*0.4%*
United States	*1,629*	*0.1%*	*1,787*	*0.2%*	*1,754*	*0.2%*
Rest of world[60]	*5,380*	*0.5%*	-	-	-	-
Corporate	**362,446**	***31.4%***	***326,141***	***31.1%***	***299,378***	***29.4%***
Spain	*199,091*	*17.2%*	*169,934*	*16.2%*	*137,461*	*13.5%*
Rest of Europe	*137,084*	*11.9%*	*123,472*	*11.8%*	*130,336*	*12.8%*
Rest of world	*26,271*	*2.3%*	*32,735*	*3.1%*	*31,581*	*3.1%*
Shares	**60,536**	**5.2%**	**59,231**	**5.6%**	**45,094**	**4.4%**
Equity mutual funds	**65,319**	**5.7%**	**57,457**	**5.5%**	**43,669**	**4.3%**
Investment property	**65,948**	**5.7%**	**66,670**	**6.4%**	**67,458**	**6.6%**
TOTAL	**1,155,512**	**100.0%**	**1,049,092**	**100.0%**	**1,019,943**	**100.0%**

Figures in thousand euro

As at 31 December 2020, the entire equity portfolio (shares and equity mutual funds) and almost all debt securities (98.8% or €791,219 thousand of the fixed income portfolio) are held as "available for sale" ("**AFS**"). These investments are reported at fair value, and changes in their market value are included under item "*Available for sale valuation adjustments*" in the equity section of the Company's balance sheet, thus reducing the volatility of the profit and loss statement. Two promissory notes[61] with an aggregate value of €9,990 thousand are held at amortised cost under item "*Loans and receivables – Debt securities*" of the balance sheet (€2,987 thousand and €2,993 thousand as at 31 December 2019 and 2018, respectively). There is no trading portfolio.

The average return of the Company's investment portfolio[62] as at 31 December 2020 (including cash and cash equivalents, debt securities, shares, equity mutual funds and property investments) stood at 2.21% (3.05% and 3.40% as at 31 December 2019 and 2018, respectively).

The Company carries out a prudent investment strategy aimed at balancing financial returns with its financial strength and solvency position. In general, the Company does not engage in actively trading its portfolio, but it carefully invests and holds securities until their maturity provided they still comply with the expected performance at the time of their acquisition.

[60] South Korea and supranational.

[61] *Pagarés.*

[62] Total average return (including cash and cash equivalents) is an APM. Total average return (including cash and cash equivalents) measures the return of both fixed and property income securities held in the investment portfolio during a specific period of time, including cash and cash equivalents for its calculation. See "*Alternative Performance Measures*".

The Group's guidelines specify investments shall be euro denominated, with a maximum limit of 3% of the Company's total investment portfolio denominated in other currencies. All fixed income securities shall have a fixed or variable coupon referenced to a well-recognised market benchmark. Options and futures are not allowed for speculation purposes. For hedging purposes, derivatives must be carefully considered and expressly approved by the investment committee.

Equity securities and equity mutual funds (excluding securities representing investments in the real estate market "SOCIMIs" or "REITs") shall not account for more than 15% and 10%, respectively, of the Company's total investment portfolio. Real estate investments shall be limited to a maximum of 15%.

There are no overall limits for debt securities, although limits per issuer and credit rating are established.

- €90 million or 10% of the total portfolio for an issuer rated "AAA";
- €70 million or 7% for a "AA";
- €50 million or 5% for an "A";
- €40 million or 4% per issuer "BBB+"; and
- For an issuer rated BBB or "BBB-" €25 million or 2%.

Furthermore, in accordance with the Company's guidelines, Linea Directa shall invest in debt securities with a minimum required rating of BBB- ("*investment grade*"). All investments falling below the investment grade rating category shall be expressly approved by the investment committee. Notwithstanding this, the Company may invest in debt securities issued by Spanish issuers whose ratings fall below the BBB- ("*investment grade*") but remain above BB-, provided that their rating does not fall three or more notches below that assigned to the Kingdom of Spain, and they shall be limited to €30 million or 3% of the Company's total investment portfolio.

As part of its internal policies, Linea Directa strives to maintain constant levels of cash and cash equivalents that are sufficient to cover any contingency arising in connection with its obligations towards policyholders and/or creditors, despite the fact that no specific floor levels are set. The Company complied at all times with its liquidity policy for the 2018-2020 three-year period. The vast majority of the Company's investment portfolio is invested in liquid assets and 92.9% of its debt securities have ratings of BBB (or equivalent) or higher and are listed on organised markets.

Solvency II is contrary to limit investments (as opposed to the former Solvency I Regulation). The new regime eliminates prior restrictions imposed by member estates across the European Union on the composition of insurers' investment portfolios. Instead, insurers will be free to invest according to the "prudent person principle"[63] and capital requirements will depend on the actual risk of investments. Liquidity risk is thus integrated under the Solvency II framework and capital charges on the investment portfolio reflect the risks associated with liquidity and Asset Liability Management ("ALM") constraints. (see "*Capital resources - Capital position and Company's solvency*").

[63] With respect to the whole portfolio of assets, insurance and reinsurance undertakings shall only invest in assets and instruments whose risks the undertaking concerned can properly identify, measure, monitor, manage, control and report, and appropriately take into account in the assessment of its overall solvency needs. All assets, in particular those covering the Minimum Capital Requirement and the Solvency Capital Requirement, shall be invested in such a manner as to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In addition the localisation of those assets shall be such as to ensure their availability.

As regards the Solvency II calculation for market risk, it is sufficiently detailed to cater for different asset classes, featuring different risk profiles. The equity risk charge is equal to 39% of the market value of equities for Type 1 equities[64]s and 49% for Type 2 equities. The equity risk charge reduces to 22% of the market value where these investments are of a strategic nature. The interest rate risk charge is determined by stressing the yield curve by specified percentages, varying by the term to maturity. Spread risk is calculated by a function of the duration* of the assets and the credit rating of the underlying bonds, with lower requirements for public sector and mortgage covered bonds (to give an indication, from a nil capital charge for AAA rated government bonds to 20% for BBB - 10 year corporate). The concentration risk charge applies to holdings in excess of a specified threshold, and is based on exposure, rating and total assets held. The property risk charge is equal to 25% of the market value of properties.

The Company's internal investment committee is in charge of the supervision and control of Linea Directa's investments and their financial results*, as well as of the truthfulness, objectivity and transparency of the Company's accounts. Following Admission, the investment committee will be headed by the Company's Chief Executive Officer, it has experts on capital markets and meets on a monthly basis in order to analyse the profitability of Linea Directa's portfolio, approve new investments, verify compliance with the Company's investment guidelines and report to the Board of Directors on a quarterly basis.

Debt securities

The Company reached €801,209 thousand in debt securities as at 31 December 2020 (€720,797 and €696,945 thousand as at 31 December 2019 and 2018, respectively). Interest payments received by the Company for its debt securities were €21,187 thousand as at 31 December 2020 (€22,101 and €23,986 as at 31 December 2019 and 2018, respectively).

The following table includes the Company's debt securities' market value, the interests received for income securities and its average return* as at 31 December 2020, 2019 and 2018:

	12/31/2020	**12/31/2019**	**12/31/2018**
Debt securities	801,209	720,797	696,945
Interest received	21,187	22,101	23,986
Realised gains/(losses) and impairments	*(187)*	*1.192*	*107*
Average return*	**2.6%**	**3.2%**	**3.5%**

Figures in thousand euro

The average return attributable to the Company's fixed income portfolio* stood at 2.6% as at 31 December 2020 (3.2% and 3.5% as at 31 December 2019 and 2018, respectively). The aforementioned percentages include net realised gains (losses) in debt securities of €(187) thousand as at 31 December 2020 (€1,192 and €107 thousand as at 31 December 2019 and 2018, respectively). No impairment losses have been recorded for any year.

Unrealised gains (before tax) accounted for in shareholders' equity amounted to €49,629 thousand as at 31 December 2020 (€45,545 thousand and €27,300 thousand as at 31 December 2019 and 2018, respectively).

[64] Equities listed in regulated markets in countries which are members of the EEA or the OECD or shares of alternative investment funds authorised as European Long-term Investment Fund.

The investment portfolio is not actively-traded, and securities are mostly held until maturity, with an average portfolio duration* (see "*Alternative Performance Measures*") of 3.04 years as at 31 December 2020 (2.52 years and 2.51 years as at 31 December 2019 and 2018, respectively) (*Source: Company data*).

As at 31 December 2020, the Company recorded two swap agreements with BBVA, entered into in 2018, by which the company exchanges fixed interest rate of €75 million nominal value in two Spanish and Italian government bonds for Euribor 6m + spread until maturity of such treasuries in 2033. The difference between the fair value of the swap and the covered cash flows is contained within the parameters indicated as efficient hedging. The duration* of the swapped fixed income portfolio was 0.5 years as at 31 December 2020 (0.5 years as at 31 December 2019 and 2018, respectively).

The following table shows the breakdown of Linea Directa's fixed income investment portfolio as at 31 December 2020, 2019 and 2018, respectively:

	2020		**2019**		**2018**	
	Governments	**Corporate**	**Governments**	**Corporate**	**Governments**	**Corporate**
AAA	3,072	-	1,787	-	1,754	-
AA	-	7,382	-	3,784	-	11,947
A	220,749	132,371	247,394	53,633	263,899	53,790
BBB	214,942	165,801	145,475	208,904	84,417	175,495
Below BBB	-	26,532	-	21,374	47,497	40,865
Not rated	-	30,360	-	38,446	-	17,281
Total	**438,763**	**362,446**	**394,656**	**326,141**	**397,567**	**299,378**

Figures in thousand euro

Equity securities and mutual equity funds

Jointly, shares and mutual equity funds accounted for 10.9% of the total investment portfolio as at 31 December 2020 (11.1% and 8.7% as at 31 December 2019 and 2018, respectively). The portfolio is entirely held as available for sale[65].

– Shares reached €60,536 thousand as at 31 December 2020 (€59,231 thousand and €45,094 thousand as at 31 December 2019 and 2018, respectively). Shares held by the Company as at 31 December 2020 include €19,795 thousand in listed real estate investment companies (SOCIMIs or REITs) (€19,416 thousand and €10,300 thousand as at 31 December 2019 and 2018, respectively), of which €10,000 thousand are SOCIMIs sponsored by Bankinter (€10,400 thousand and €10,300 thousand as at 31 December 2019 and 2018, respectively) (see *"Related Party Transactions"*)

– Mutual equity funds stood at €65,319 thousand as of 31 December 2020 (€57,457 thousand and €43,669 thousand as at 31 December 2019 and 2018).

– Of the above, non-listed equity instruments stood at €39,880 thousand as at 31 December 2020 (€44,696 thousand and €19,960 thousand as at 31 December 2019 and 2018, respectively), mainly corresponding to venture equity funds and other non-listed shares.

[65] In addition to the AFS equity portfolio, 14,000 shares of Astrum Assistance Alliance AG amounting to €28 thousand are held by subsidiary Linea Directa Asistencia at amortised cost.

Income from equity investments amounted to €1,649 thousand as at 31 December 2020 (€2,383 thousand and €2,465 thousand as at 31 December 2019 and 2018, respectively).

	12/31/2020	12/31/2019	12/31/2018
Equity instruments	125,855	116,688	88,763
Dividends	*1,649*	*2,383*	*2,465*
Realised gains/(losses) and impairments	*(1,186)*	*407*	*3,609*
Average return*	**0.4%**	**2.4%**	**6.8%**

Figures in thousand euro

The average return of the Company's equity portfolio* (shares and equity mutual funds) was 0.4% (2.4% and 6.8% as at 31 December 2019 and 2018, respectively). The aforementioned percentages include net realised gains (losses) of €(1,186) thousand as at 31 December 2020 (€407 thousand and €3,609 thousand gains as at 31 December 2019 and 2018, respectively).

Unrealised gains accounted for in equity amounted to €9,567 thousand as at 31 December 2020 (€4,027 thousand and €7,873 thousand as at 31 December 2019 and 2018, respectively).

Property investments

All real estate the Group holds (both for own use and property investments) is free from mortgage charges.

The carrying amount[66] of property investments accounted for €65,948 thousand, translatable into 5.7% of the total investment portfolio as at 31 December 2020 (6.4% and 6.6% as at 31 December 2019 and 2018, respectively). Rental income amounted to €4,121 thousand euros as at 31 December 2020 (€4,206 thousand and €4,514 thousand as at 31 December 2019 and 2018, respectively):

	12/31/2020	12/31/2019	12/31/2018
Investment property, carrying amount	**65,948**	**66,670**	**67,458**
Income from investment property	***4,121***	*4,206*	*4,514*
Realised gains (losses)	**-**	*1,655*	-
Rental return	**6.2%**	**8.8%**	**6.7%**

Figures in thousand euro

The property investment portfolio is composed of three buildings:

– Office building in Madrid, Chamberí district. The tenant is a public entity;

– Office building in Madrid, Las Rozas district. The tenant is a domestic mid corporate;

– Office building in Madrid, Alcobendas district. The tenants are an international car manufacturer and an international cyber security company.

– The last two tenants are rated AA and A+, respectively.

Building:	**Square meters**

66 Includes Land, Buildings and Plan.

Plaza Chamberí, 1, Madrid	12,841
José Echegaray, 8, Las Rozas	6,098
Avd Bruselas, 22, Alcobendas	11,739

All the square meters of the property investment portfolio are leased, and the Company has registered a 100% occupancy rate for each building as of 31 December 2020.

As at 31 December 2020, the Group did not sell (nor acquire) any investment property. The Group sold commercial premises in 2019 for a net amount of €4,576 thousand, generating a profit of €1,443 thousand as at 31 December 2019. Likewise, two buildings were transferred to "Assets held for sale" for a net amount of €1,871 thousand, the sale of which generated a profit of €212 thousand.

Property for own use (land and buildings)

Additionally, Linea Directa owns the four (4) buildings in Tres Cantos, Madrid, that are currently used as the Company's main offices and a fifth building where the Advance Repair Centre (CAR) is based:

Own use	**Square meters**
Tres Cantos 1	5,668
Tres Cantos 2	3,039
Tres Cantos 3	3,726
Tres Cantos 4	13,736
Avd del Sol (CAR)	2,430

The carrying amount of property for own use stood at €33,855 thousand at 31 December 2020 (€28,980 thousand and €28,229 thousand as at 31 December 2019 and 2018, respectively).

The market value for both real estate investments and property for own use amounted to €120,556 thousand and unrealised gains amounted to €20,800 thousand as at 31 December 2020.

Changes in property, plant and equipment, investment property, rights of use assets and intangible assets.

The additions as at 31 December 2018, 2019 and 2020 are shown in the following table:

	12/21/2020	**12/31/2019**	**12/31/2018**
Property, plant and equipment	2,621	7,028	8,576
Property investments	62	-	-
Rights-of-use assets	466	772	2,646
Intangible assets	5,621	9,354	5,197
Total additions	**8,770**	**17,154**	**16,419**

Figures in thousand euro

As at 31 December 2020, main additions to property, plant and equipment correspond to IT equipment (i.e. laptops) related to teleworking measures implemented by the Company as a consequence of the Covid-19 pandemic. Main additions as at 31 December 2019 and 2018 reflect "Property, Plant and Equipment in Progress" corresponding to the new building, fully capitalised as at 31 December 2020.

For its part, main retirements in property, plant and equipment amounted to €3,803 thousand, €22 and €296 thousand as at 31 December 2020, 2019, and 2018, respectively.

As at 31 December 2020, and as a consequence of the severe drop in economic activity as a result of the Covid-19 sanitary crisis, €851 thousand of property for own use was impaired in the profit and loss statement.

As with regards investment property, retirements in 2018 amounted to €6,895 thousand (nil in 2019 and 2018). Intangible fixed assets retirements amounted to €5,824 thousand as at 31 December 2020 (€839 thousand and €(6) thousand as at 31 December 2019 and 2018, respectively), driven by the asset retirements carried out by subsidiary Ambar Medline, SLU (see "*Organisational structure*") on the back of discontinued products.

Changes in financial instruments of the investment portfolio.

	12/21/2020	**12/31/2019**	**12/31/2018**
Financial instruments			
Additions	(276,945)	(259,572)	(288,377)
Maturities / retirements	207,284	258,062	219,139
Total	**(69,661)**	**(1,510)**	**(69,238)**

Figures in thousand euro

As with regards the financial portfolio, the Company acquired financial securities net of maturities and disposals amounting €(69,661) thousand in 2020 €(1,510) thousand in 2019 and €(69,238) thousand in 2018.

5.7.2 *Any material investments of the Company that are in progress or for which firm commitments have already been made, including the geographic distribution of these investments (home and abroad) and the method of financing (internal or external)*

Other than the investments included in section 5.7.1, the Company has no committed material investments.

5.7.3 *Information relating to the joint ventures and undertakings in which the Company holds a proportion of the capital likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses*

Not applicable.

5.7.4 *Description of any environmental issues that may affect the Company's utilisation of the tangible fixed assets*

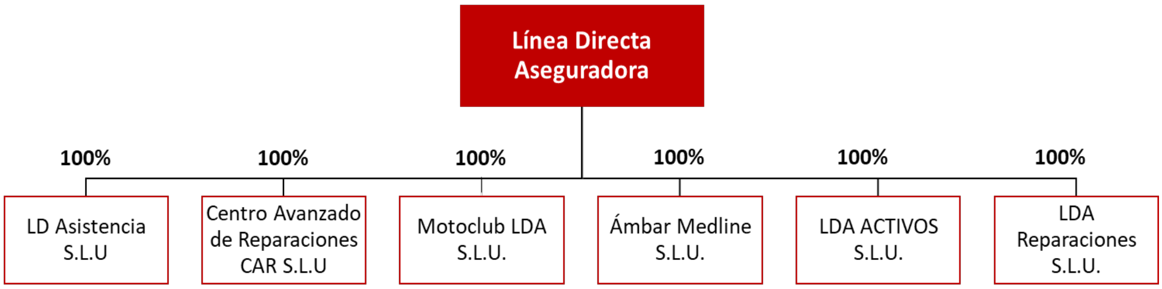
There are no environmental issues that may affect the Company's utilisation of tangible fixed assets.

6. ORGANISATIONAL STRUCTURE

6.1 Brief description of the group and the Company's position within the group. This may be in the form of, or accompanied by, a diagram of the organisational structure if this helps to clarify the structure

Linea Directa is the holding company of a group of companies which offer products and services related to Linea Directa's insurance activities and that constitute, together with Linea Directa, the Company's group.

The following diagram illustrates the organisational structure of the Company (Fundación Línea Directa does not consolidate within the Group's perimeter):



6.2 List of the Company's subsidiaries

Linea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros is the parent company of the Group, whose subsidiaries are integrated within the consolidating perimeter by the global integration method. As at 31 December 2020, the Company is the direct owner of 100% of the share capital of the subsidiaries that form the Group, whose carrying amount stood at €90,756 thousand at such date.

The following table includes all of the Company's subsidiaries as at the date of this Prospectus:

Corporate name	Tax identification number	Registered office	Main activity
Línea Directa Asistencia, S.L.U.	B-80136922	C/ Ochandiano, 12, Floors 1-2, 28023, Madrid	Technical examination (*appraisal*) and verification of motor vehicles and travel Assistance.
Moto Club LDA, S.L.U.	B-83868083	C/ Isaac Newton 7 28760 Tres Cantos (Madrid)	Services to motorbike owners.
Centro Avanzado de Reparaciones CAR, S.L.U.	B-84811553	Avenida del Sol 9 28850 Torrejon de Ardoz (Madrid)	Repair of motor vehicles
Ambar Medline, S.L.U.	B-85658573	Avenida Ronda de Europa, 7 28760 Tres Cantos (Madrid)	Insurance intermediary.
LDActivos, S.L.U.	B-86322880	Avenida Ronda de Europa, 7 28760 Tres Cantos (Madrid)	Asset management on behalf of insurance entities.
LDA Reparaciones, S.L.U.	B87619961	Avenida Ronda de Europa, 7 28760 Tres Cantos (Madrid)	Management and repair of home related accidents.

For the years ended 31 December 2020 and 2019, all of the Company's subsidiaries annual results were positive except for the 2020 results of Centro Avanzado de Reparaciones CAR, S.L.U., affected by the severe drop in vehicle repairs as a consequence of the Covid-19 related confinement measures.

Those Group subsidiaries provide ancillary services to the Company's insurance products such as vehicle or home repairs and contribute to lower the Company's cost of claims, while improving the quality of service received by consumers. The income generated by such subsidiaries, except in those cases where services are provided to independent third parties, is eliminated upon accounting consolidation. The income generated by Linea Directa Asistencia's provision of services to independent third parties amounted to €5,374.86 thousand as at 31 December 2020 (€6,962.7 thousand as at 31 December 2019). The income generated by Centro Avanzado de Reparaciones CAR, S.L.U. for reparations to individuals not insured by the Company amounted to €123.6 thousand as at 31 December 2020 (€171.6 thousand as at 31 December 2019).

7. OPERATING AND FINANCIAL REVIEW

The section that follows should be read in conjunction with sections "Business Overview", and ''Financial Information'' and the Company's IFRS-EU Consolidated Financial Statements for financial years ended on 31 December 2020, 2019 and 2018 included as addenda to this Prospectus. Investors should read the entire document and not just rely on the summary information set out below. The financial information considered in this section is extracted from the Group's IFRS-EU audited Consolidated Financial Statements.

The Company's Management uses a number of key indicators when making financial, operational and planning decisions, as they provide useful financial information in addition to the one contained in the audited financial statements included herein (IFRS-EU). Moreover, Linea Directa believes that the APMs, other key indicators and commonly used aggregations presented below may contribute to a better understanding of its results of operations by providing additional detail on what the Company considers to be some of the drivers of its financial and operational performance. In addition, these indicators are in line with the main indicators used by the majority of the analysts and investor community in the insurance sector and capital markets.

Overview

Linea Directa is a leading direct insurance Spanish company, ranking second in the direct Motor insurance market (behind hybrid traditional-direct mutual company Mutua Madrileña Automovilista, SSPF). As at 31 December 2020, Linea Directa's overall market shares in the Motor and Home insurance businesses were 6.81% (ranking fifth), and 2.59% (ranking twelfth), respectively (*Source*: *ICEA*).

The Company relies on an efficient and risk-adjusted business model, based on underwriting excellence, direct channels and streamlined operations backed by advanced technology. On the technical and pricing front, both the analytical power and robust online monitoring (closely following the business, wherever there are tensions and opportunities) has allowed the Company to achieve consistent combined ratios* well below the sector average (see "*Business overview – Business lines*").

The Company achieved GWP of €898,614 thousand as at 31 December 2020, of €891,295 thousand as at 31 December 2019 and of €853,119 thousand as at 31 December 2018, broken down as follows by line of business:

	12/31/2020		12/31/2019		12/31/2018	
Motor	754,656	84.0%	761,158	*85.4%*	741,178	*86.9%*
Home	120,654	13.4%	111,357	*12.5%*	100,690	*11.8%*
Health	21,826	2.4%	15,744	*1.8%*	7,518	*0.9%*
Other insurance business	1,478	0.2%	3,036	*0.3%*	3,733	*0.4%*
Total GWP	**898,614**	**100.0%**	**891,295**	***100.0%***	**853,119**	***100.0%***

Figures in thousand euro

For the years ended 31 December 2020, 2019 and 2018, profit before taxes ("**PBT**") stood at €179,624 thousand, €142,837 thousand, and €155,963 thousand, respectively, with the technical*, financial* and non-technical results[67]* (see "*Operating and Financial Review - Description of key line items*") representing 81.2%, 16.3% and 2.5% in 2020, respectively, 72.6%, 22.1% and 5.3% in 2019, respectively, and 75.5%, 21.5% and 3.0%% in 2018, respectively:

	12/31/2020		12/31/2019		12/31/2018	
Result from the non-life insurance business	**175,192**	***97.5%***	**135,220**	***94.7%***	**151,286**	***97.0%***
Of which:						
Technical result*	145,939	*81.2%*	103,650	*72.6%*	117,812	*75.5%*
Financial result*	29,253	*16.3%*	31,570	*22.1%*	33,474	*21.5%*
Result from the non-technical account	4,432	*2.5%*	7,617	*5.3%*	4,677	*3.0%*
Profit before taxes ("*PBT*")	**179,624**	***100.0%***	**142,837**	***100.0%***	**155,963**	***100.0%***

Figures in thousand euro

Key factors affecting results of operations

The Group's operating results are generally affected by a number of external and internal factors. Macroeconomic trends and developments in the insurance industry, such as the impact of competition, newer distribution channels or changes to consumer appetite for particular insurance products, among others, affect the Group and the insurance industry as a whole. Furthermore, the Group's underwriting result and profitability are affected by its ability to price the risk with technical accuracy, adjust in a timely manner to market pricing dynamics and manage the cost of claims, operations and financial income efficiently.

The key factors below are a description of the most important drivers affecting the Group's results of operations:

Brand and business generation

The volume of insurance premiums collected depend on the general economic situation, the Group's brand strength and recognition and the quality and customer perception of our products (see "*Risks factors – Potential structural developments affecting the insurance sector and consumer demand*"). Our brands and related marketing strategy are essential to generate demand and pursue the growth of the Group's portfolio of customers.

[67] The **technical result*** is the result of the insurance activity and it is the sum of the aforementioned premiums earned, claims, operating and other technical income and expenses for the period, all these items net of reinsurance; the **financial result*** is the result of the financial investments and it is the sum of income from financial assets (interest, coupons, dividends and rental income,) and realised gains and losses, net of financial expenses; the **non-technical result** reflects the activities that cannot be assigned in its entirety to the insurance business and mainly comprises auxiliary business to the insurance activity (see *"Operating and Financial Review - Description of key line items"*).

The Company's marketing approach is built on four levers: (i) a strong off and on-line advertising investment (the brand Linea Directa's ranks 6th on advertising investment in Spain) (*Source: Infoadex, 2020 figures*); (ii) a diversified media approach with targeted advertising, through the presence in most media, including emerging ones (see "*Business overview - Brands*") and advanced automation tools to personalise advertising; (iii) a compelling advertising message, simple, persuasive and memorable, with a bit of humour; and (iv) a top rated prescriber, the Spanish TV presenter Matias Prats, rated 98% in the top 10 celebrity recall in Spain (*Source:* "*Personality media – Top 10*"). Matias Prats scores 98% together with Rafael Nadal and Pau Gasol and 1 p.p below Antonio Banderas (99%).

Furthermore, the Brand Linea Directa ranks 1st place in advertising recall in the insurance sector and it is the most searched insurance brand in Google (*Source: "Kantar tracking IOPE and Google"*).

Also the brand Vivaz is gaining space in the health market, targeting younger families and singles without a previous health insurance and adapting to Linea Directa's marketing best practices.

In addition, the Company's commitment for technology and digital services means moving forward in the omnichannel strategy and the positioning of the Company, as well as attending each customer through his/her preferred channel (see "*Business Overview – Distribution channels, Digitalisation, omnichannel strategy and the direct business model and Brands*").

Over the last ten years, the Company's year-on-year growth of business volumes (measured by GWP) has been regularly above the Spanish Motor market (*Source: ICEA*). Despite the unprecedented market conditions, GWP stood at €898,614 thousand in 2020, representing a 0.8% increase compared to 2019. The Company has been able to outperform the market on a regular basis regardless of sustained periods of turmoil in Spanish macroeconomic conditions. Particularly in the period 2018-2020, the Company's GWP grew 5.3% whilst the Spanish Non-life insurance sector remained with a 4.6% growth.

The Group's results of operations are shaped by its ability to price the risk with technical accuracy and adjust in a timely manner to market pricing dynamics.

Pricing capabilities are at the core of the Group's competitive offering. Premiums are highly customised, assigning the best possible price for a given risk. Mass reach and maximum customer profiling allows for a "cherry picking" risk selection. The Group considers as key strengths both its analytical power and concurrent control and monitoring. The direct channels with the absence of brokers or agents also allows for a full command of the underwriting process.

Analytical power is supported by highly developed models, including big data as another operating system within the Company. Data quality is considered by Linea Directa of the utmost importance and a key driver of its decision making processes, as: (i) the Company grew with a strong emphasis on data since its inception; (ii) data is not polluted by M&A integrations nor portfolio acquisitions and (iii) is not dependent on brokers or other intermediation networks.

Having full command of the monitoring is also considered by the Company to be crucial. The Group continuously monitors the business with a system of alerts that allows to detect where opportunities or tensions may arise. Extremely agile processes are in place adapting continuously, through testing and analysis.

The Company is firmly committed with technology and the application of advanced analytical techniques that enables it to adapt immediately, and on a daily basis where necessary, to the changing price situation in the market, by applying all its technical capacity to the large volume of data it handles, in respect of both the customers themselves and their environment, the quality and quantity of such data having been one of the pillars of the Company's success. This agility is based on the speed with which it is able to identify deviations, such information being provided to the Company by its predictive and monitoring models, which range from the management KPIs to the application of the most sophisticated "machine learning" techniques covering the different aspects of the business. Yet this ability to quickly spot the need for changes would be of no use if the Company did not have the technological capacity and the operating processes review capacity required for the speedy development of responses to any new needs identified, whether in the form of new products or new forms of communication. This speed in the detection of needs and rapid implementation with a system of continuous testing of new measures is what enables the Company to identify possible opportunities/needs in the market, rather than remaining anchored to structures/process/products that have become outdated.

This continuous champion/challenger methodology is applied not only in relation to the design of the Company's pricing and processes. It is also applied in the IT and analytical areas, where there is continuous testing of the various new developments being offered on the market, to ensure that the Company is well placed at all times to face the challenges presented by a changing market, and that it has the very best technology available.

Over the last ten years, the Company has maintained an average combined ratio* 10.0p.p. below the sector's average (86.2% vs. 96.2%, see "*Business overview – Business lines*") (*Source: ICEA*).

Reserving and claims management

In addition, the Group's technical result* and profitability are affected by its ability to manage the cost of claims efficiently.

The Company keeps technical provisions to cover the estimated future costs payments (and related administrative expenses) with respect to losses or injuries that have been incurred but not fully settled at the balance sheet date. The technical provisions maintained by the Company represent estimates of all expected future claims payments, including claim related expenses, to bring every claim (reported or not) which has occurred prior to the balance sheet date to its ultimate costs (final settlement).

A range of actuarial and statistical projections and assumptions result in the Company's ability to maintain appropriate technical provisions. Original assumptions about future claims are factored into the Company's pricing. The claims function uses a number of different metrics to evaluate claims performance and inform assumptions about future claims, including but not limited to severity, claims cost and settlement rates and timing. Assumptions about future claims may change as claims develop, however, and the Company responds to those claims developments through changes in its provisioning.

The development of claims (total cost, including payments and the outstanding provision for claims) of direct insurance by year of occurrence until 2020 is shown in the following table:

Year of occurrence	**2010 and before**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Initial	3,521,741	470,120	426,525	414,9,38	398,690	408,615	438,090	462,571	473,381	523,857	433,036
1 year later	3,470,449	434,414	388,815	365,339	346,765	357,069	385,068	415,987	436,054	504,183	-
2 years later	3,445,226	419,702	375,943	352,008	333,123	342,200	370,745	398,927	439,160	-	-
3 years later	3,427,602	411,924	369,315	347,769	328,837	336,637	358,054	395,330	-	-	-
4 years later	3,417,265	408,055	367,743	345,787	326,158	334,480	358,006	-	-	-	-
5 years later	3,411,099	405,689	367,281	345,809	325,917	332,755	-	-	-	-	-

6 years later	3,409,359	403,876	366,040	345,706	325,728	-	-	-	-	-	-
7 years later	3,407,827	403,385	365,108	344969	-	-	-	-	-	-	-
8 years later	3,404,818	403,037	364,904	-	-	-	-	-	-	-	-
9 years later	3,404,641	403,222	-	-	-	-	-	-	-	-	-
10 or more years	3,403,530	-	-	-	-	-	-	-	-	-	-
Actual	3,403,530	403,222	364,904	344,969	325,728	332,755	358,006	395,330	439,160	504,183	433,036
Initial minus Actual	**118,211**	**66,898**	**61,621**	**69,969**	**72,962**	**75,860**	**80,084**	**67,241**	**34,221**	**19,674**	**-**

Figures in thousand euro

As it is shown in the table above, the Company has maintained recurring positive run-offs, which reflects the prudence of the Company's reserving. For instance, the sum of claims paid and the provision for claims pending settlement by year of occurrence 2010 stood initially at €3,521,741 thousand. Ten years later, in 2020, the sum of claims paid and the outstanding provision for claims stood at €3,403,530 thousand, €118,211 thousand less than initially estimated. Otherwise, bottom line item "Initial minus Actual" would be negative.

In addition, it should be noted that, claims management is becoming increasingly digital, thus making innovation the cornerstone of the claims handling process. Linea Directa customers can choose the most convenient communication channel to manage their claims, maximising the customer experience.

In Motor insurance, there are real-time updates of the repair status and replacement vehicles can be delivered to the location of choice. As with regards to the replacement car fleet, it is now one of the largest premium car fleets in Europe (more than 1,000 Audi and Mini units). Replacement car is free of charge if the client's vehicle is repaired at a workshop within the Linea Directa network. The Group has partnerships with more than 500 garages, including two owned mega garages ("**CAR**") that act as test labs, which have a 25.6% lower repair costs that the repair workshops outside of the Linea Directa network. Leading rate[68] to Linea Directa's own network stood at 47% in 2020 of the total repairs, while leading rates exclusively to CAR workshops represented 5.7% and 12.2% of (i) the total repairs, and of (ii) Linea Directa's own network, respectively.

Further, the Company offers the client compensation of damage in cases when the vehicle is old and/or could be of mutual interest for the client and the Company to receive a compensation (instead of repair). The overall rate of redirection of claims (including both leading rates to own network and a cash compensation solution) stood at 67% (including windshields) and 60% (excluding windshields) in 2020.

Overall, such measures mean that average cost of claims for the Company are on average €307 or 32% lower than the market (*Source: Audatex*). As with regards the evolution of claims under the CICOS agreement (*See "Businesss overview - Idiosyncrasies' of the Spanish Motor market*") it is meaningful to mention that 59% of those claims result in the Company's policyholders being innocent. This fact underscores the good risk profile of the Company's Motor portfolio.

Average loss ratio* in Motor insurance for the period 2018-2020 was 65.9% whilst for the sector as a whole was 72.2% (*Source: ICEA*), reflecting a loss ratio* advantage of 6.3 p.p. for Linea Directa over the period (see *"Business Overview – Business lines*").

With regards to Home insurance, the claims management process is also eminently digital, thanks to a precise and user-friendly claim communication process. The notification process enables a swift and precise categorisation of damage. As a pure direct player, Linea Directa is able to manage

[68] Leading rate refers to the percentage of claims redirected to Linea Directa's own network, which includes claims redirected to CAR workshops and those redirected to the garages with whom Linea Directa has partnerships.

claims faster than its competitors. The determination of damage is verified through videos and pictures, with a digital connection with experts in order to determine which professionals need to be contacted. Customers also have the flexibility to choose the most convenient communication channel with the company (phone or digital), with real-time notifications of repair status and the arrangement of appointments with professionals.

Average loss ratio* in Home insurance for the period 2018-2020 was 53.7% whilst for the sector as a whole was 62.8% (*Source: ICEA*), reflecting a loss ratio* advantage of 9.1 p.p. for Linea Directa over the period (see *"Business Overview – Business lines"*).

Lastly, Linea Directa's savings from fraud detection are noteworthy. In Motor insurance, of 14% of investigated cases 80% resulted in actual fraud. Savings from fraud detection stood at €38.6 million or 15.4% out of a total of €249.9 million for the industry as a whole (*Source: ICEA, figures for 2019*). As with regards Home insurance, of 5% of investigated cases, 73% result in actual fraud. Savings stood at €3.3 million, or 8.9% out of a total of €36.9 million for the industry as a whole (*Source: ICEA, figures for 2019*).

Business expenses

The operating efficiency also affects results of operations.

In relation to expenses, the Group's low-cost structure is based on a continuous process review, an agile organisation and an innovative approach. On a consolidated level, operating expenses detailed by item (operating expenses by nature) as at 31 December 2020, 2019 and 2018 respectively, are shown below:

	12/31/2020	***% over total***	**12/31/2019**	***% over total***	**12/31/2018**	***% over total***
Operating expenses by nature						
Fees and other portfolio expenses	(42,128)	*12.2%*	(49,323)	*14.8%*	(51,944)	*15.9%*
Personnel	(117,314)	*34.0%*	(113,664)	*34.2%*	(105,929)	*32.5%*
External services	(155,447)	*45.1%*	(152,533)	*45.8%*	(149,936)	*46.0%*
Leases	(97)	*0.0%*	(144)	*0.0%*	(105)	*0.0%*
Repairs and maintenance	(2,349)	*0.7%*	(2,089)	*0.6%*	(1,969)	*0.6%*
Other IT services	(29,183)	*8.5%*	(23,931)	*7.2%*	(23,219)	*7.1%*
Supplies	(3,638)	*1.1%*	(1,466)	*0.4%*	(1,165)	*0.4%*
Marketing & Advertising	(45,906)	*13.3%*	(45,995)	*13.8%*	(45,260)	*13.9%*
Public relations	(394)	*0.1%*	(412)	*0.1%*	(196)	*0.1%*
Independent professional serevices	(575)	*0.2%*	(689)	*0.2%*	(611)	*0.2%*
Other external services	(73,305)	*21.3%*	(77,807)	*23.4%*	(77,411)	*23.8%*
Taxes	(656)	*0.2%*	(738)	*0.2%*	(566)	*0.2%*
Depreciation	(7,073)	*2.1%*	(10,954)	*3.3%*	(10,717)	*3.3%*
Expenses directly attributable by purpose	(22,099)	*6.4%*	(5,617)	*1.7%*	(6,839)	*2.1%*
Total operating expenses by nature	**(344,717)**	***100.0%***	**(332,829)**	***100.0%***	**(325,931)**	***100.0%***

Figures in thousand euro

– The heading "*fees and other portfolio expenses*" relates to:

(i) Sales and retention campaigns, such as gift cards, that clients, at renewal, can exchange with third party partners of Linea Directa;

(ii) Commissions paid to Bankinter under the home bancassurance agreement and fees to PCW.

(iii) Fees paid to call centres that operate as mediators, focused on generating leads and sales amongst potential clients. These intermediaries serve the Motor, Home, and Health lines of businesses.

As at 31 December 2020, this item amounted to €42,128 thousand, a 14.6% decrease with respect to the close of 2019, following the reduction in commercial activity due to deteriorating economic conditions in Spain as a result of the Covid-19 pandemic.

– *Personnel* expenses' sustained evolution is the result of business growth, with new recruitments needed for Vivaz and new staff required for the listing of the Company, with 108 new employees hired in 2020. Personnel expenses reached €117,314 thousand as at 31 December 2020, an increase of 3.2% with respect to 2019.

– The main items under the heading "*External services*" are "*marketing and advertising expenses"* across various channels, such as media advertising (TV, ratio, press and the like) and demand generation expenses (such as internet search engines, social media, etc.). By the end of 2020, marketing and advertising expenses amounted to €45,906 thousand. These figures have remained quite stable over the last 3 years.

– *"Other IT services"* relate to licences, licences' maintenance, software and IT developments. The item grew €5,252 thousand (from €23,931 to €29,183 for the years ended 2019 and 2020, respectively). The increase is explained by new developments, IT security investments and network bandwidth investments.

– *"Other external services"* mainly relate to subsidiary Linea Directa Assistance (i.e. tow truck drivers and external claims adjusters). Also included under this item are call centres providing customer services, mailing, banking related expenses, consultancy fees, and donations to the Linea Directa Foundation. As at 31 December 2020, this heading amounted to €73,305 thousand, a 5.8% decrease driven by lower claims frequency as a result of the Covid-19 related lock-down measures.

– *"Expenses directly attributable by purpose"* reflect claims related expenses, such a call centre and verification fees. Additionally, it includes fees paid to health provider DKV, the annual fee paid to the fire brigade for the assistance in case of fire and Audatex expenses (a damage appraisal specialised company). It also includes the variation in the accrual/deferral of the costs related to the issuance of a policy which are fully expensed in the following year at the end of the policy (i.e. the variation in the asset heading "*Prepaid fees and other acquisitions expenses*" See "*Historical financial information- Consolidated balance sheet for the Group – Other assets").*

Expenses directly attributable by purpose reached €22,099 thousand (€5,617 in 2019). The variation mainly reflects the change in accrual/deferral of acquisition costs (an expense of €1,413 thousand in 2020 vs. €9,001 thousand accrued in 2019).

In 2020, total expenses stood at €344,717 thousand (a 3.6% or €11,888 thousand increase with respect to the same period of the previous year). Its development was driven by the increase in IT expenses of €5,252 thousand, marketing retention campaigns amounting to €2,418 thousand, expenses associated with the listing of the Company of €2,031 thousand and Covid-related donations and expenses amounting to €921 thousand.

Total expenses as at 31 December 2019 increased by only 2.1%, whilst the Company's business volumes grew by 4.5%, reflecting the continuous attention, cost containment and efficiency measures put in place by the Company.

Additionally, expenses broken down by function over the operating cycle of the Company (operating expenses by purpose) are provided below:

	12/31/2020	*% over total*	12/31/2019	*% over total*	12/31/2018	*% over total*
Operating expenses by purpose						
Claims related expenses	(111,859)	*32.4%*	(111,461)	*33.5%*	(102,639)	*31.5%*
Acquisition expenses	(186,745)	*54.2%*	(180,474)	*54.2%*	(178,999)	*54.9%*
Administration expenses	(26,690)	*7.7%*	(23,229)	*7.0%*	(21,055)	*6.5%*
Expenses from investments	(7,649)	*2.2%*	(7,270)	*2.2%*	(7,656)	*2.3%*
Other technical expenses	(5,456)	*1.6%*	(3,501)	*1.1%*	(6,186)	*1.9%*
Other non-technical expenses	(6,318)	*1.8%*	(6,894)	*2.1%*	(9,396)	*2.9%*
Total operating expenses by purpose	**(344,717)**	***100.0%***	**(332,829)**	***100.0%***	**(325,931)**	***100.0%***

Figures in thousand euro

It should be noted that only expenses attributable to policy's acquisition, administration expenses (linked to policy's administration plus general expenses) and other technical expenses are factored into the expense ratio* (*See "Alternative performance measures*"). Claims related expenses are included into the Company's loss ratio*. Investment expenses are included in the investment result* of the profit and loss account and other non-technical expenses are included in the non-technical account.

Average expense ratio* in the Motor insurance line for the period 2018-2020 was 17.6% whilst for the sector as a whole was 20.3% (*Source: ICEA*), reflecting an expense ratio* advantage of 2.7 p.p. for Linea Directa over the period (see "*Business Overview – Business lines*").

*Financial result**

Additionally, fluctuations in financial markets from which the Group generates its investment income, as well as the composition and management of its investment portfolio, affect the Company's profitability. The Company follows a cautious investment policy in order to preserve its capital and guarantee the security, liquidity and profitability of its investment portfolio (see "*Business Overview - Investments*").

The Group has been able to achieve stable investment income. As at 31 December 2020, overall investment return[69] (excluding cash and cash equivalents[70] and property for own use) stood at 2.6% (3.5% and 4.1% as at the close of 2019 and 2018, respectively) (*Source: Company information*). For its part, investment return for the Motor insurance market as a whole stood at 2.4% (3.4% and 3.4% in 2019 and 2018, respectively) (*Source: ICEA*).

69 Total average return (excluding cash and cash equivalents) is an APM. Total average return (excluding cash and cash equivalents) measures the return of both fixed and property income securities held in the investment portfolio during a specific period of time, excluding cash and cash equivalents for its calculation. See "*Alternative Performance Measures*".

70 Average investment returns including cash stood at 2.2% in 2020 (3.0% and 3.4% as at 31 December 2019 and 2018, respectively) (see "*Business overview – Investments*").

Description of key line items

	12/31/2020	12/31/2019	12/31/2018
Gross Written Premiums (GWP)	**898,614**	**891,295**	**853,119**
Earned premiums, net of reinsurance	878,177	854,762	816,289
Claims incurred, net of reinsurance	(540,064)	(580,987)	(528,029)
Net operating expenses	(209,603)	(199,919)	(196,176)
Other technical revenues and expenses*	17,429	29,794	25,728
Technical result*	**145,939**	**103,650**	**117,812**
Financial result*	29,253	31,570	33,474
Profit/(loss) from non-life insurance	**175,192**	**135,220**	**151,286**
Result of the non-technical account	4,432	7,617	4,677
Profit/(loss) before tax	179,624	142,837	155,963
Profit/(loss) after tax	**134,846**	**107,295**	**117,211**

Figures in thousand euro

Gross Written Premiums

GWP represents all premium revenues written by the Company during the year, before deducting ceded reinsurance. The Group uses GWP to assess the overall size and growth in volume of its business and to compare the size of its business with that of its competitors.

GWP stood at €898,614 thousand as at 31 December 2020, an increase of 0.8% (€891,295 thousand or 4.5% increase at the close of 2019).

Earned premiums, net of reinsurance

Premiums earned represent the part of the premiums written used to provide insurance coverage in a given year (i.e. net of variation in the unearned premium reserve, the one corresponding to the part of the premiums written but not earned) after deducing the risks ceded to reinsurance companies.

The reinsurance contracts entered into by the Group transfer a proportion of the insurance risk to the reinsurers (see "*Business overview – Reinsurance*").

Premiums ceded amounted to €20,675 thousand, €14,920 thousand and €11,813 thousand as at 31 December 2020, 2019 and 2018, respectively.

Changes in the provision for unearned premiums and unexpired risks for direct insurance and changes in the provision for unearned premiums, reinsurers' sharestood at €(1,815) and €1,029 thousand, respectively, as at 31 December 2020 (€ (21,112) thousand and €(59) thousand as at 31 December 2019 and €(25,981) and €1,560 thousand as at 31 December 2018).

Premium earned, net of reinsurance had an increase of 2.7% in 2020 (an increase of 4.7% in 2019).

Claims incurred, net of reinsurance

Claims incurred, net of reinsurance represent an estimate of the amount of outstanding liabilities for a policyholder over a given year. It includes all paid claims during the period plus a sensible estimate of unpaid liabilities (which comprise the provision for claims entry) (See "*Financial Information - Historical Financial Information*"). It is calculated as (i) claims and other expenses paid, plus (ii) the variation in the provision for claims, and (iii) claims related expenses (mainly personnel claims handling expenses). The amounts are net of losses assumed by reinsurance.

Incurred claims are also used by insurance companies to calculate the loss ratio* (see "*Alternative Performance Measures"*).

Claims incurred, net of reinsurance stood at €540,064 thousand, a drop of 7.0% as at 31 December 2020 (€580,987 thousand or 10.0% increase in 2019):

(i) Claims and other expenses paid stood at €(441,320) thousand, a drop of 10.5% as at 31 December 2020, of which €(447,987) thousand correspond to direct insurance and €6,667 thousand to reinsurer's share (€(492,927) thousand in 2019, of which €(498,245) related to direct insurance and €5,318 thousand to reinsurers' share and €(439,200) thousand in 2018, of which €(440,457) thousand relates to direct insurance and €1,257 to reinsurers' share).

(ii) Change in the provision for claims stood at €13,115 thousand, of which direct insurance amounts to €11,184 and reinsurers' share €1,931 thousand (€23,401 thousand in 2019, of which direct insurance amounts to €21,143 thousand and €2,258 thousand to reinsurers' share and €13,810 thousand in 2018, of which direct insurance accounted for €13,771 and €39 thousand reinsurers' share);

(iii) Claims related expenses grew 0.4% to €111,859 thousand in 2020 (€111,461 thousand in 2019 and €102,639 thousand in 2018)

Net operating expenses

Operating or underwriting expenses are the costs that an insurance company must pay to remain in operation. Operating expenses include a wide variety of costs. It is the sum of (i) acquisitions expenses (primarily consists on marketing and call centre expenses as Linea Directa does not rely on intermediaries, such as agents or brokers); (ii) administration expenses (which typically consists of staff costs, depreciation of fixed assets and other operating expenses); and (iii) net commissions received by reinsurers.

Under the quota share reinsurance agreement for the health line of business (see "*Business overview – Reinsurance"*), the reinsurer pays the Company a commission, the purpose of which is to compensate the Company for the expenses it bears to acquire and manage ceded policies.

Net operating expenses grew 4.8% as at 31 December 2020, reaching €209,603 thousand (€199,919 thousand and €196,176 thousand in 2019 and 2018, respectively).

*Other technical revenues and expenses**

This item mainly reflects claims paid, the variation of the provisions for claims for the Company's policyholders under agreements with other insurance companies and the net pre-established modules collections for settlement agreements "CICOS" [71] applicable in Spain for vehicle property damage in the handling Motor of claims (*see "Business Overview – Principal markets - Idiosyncrasies of the Spanish Motor Market*").

Settlements agreements for vehicle property damage work as follows: being agreed between the parties that Linea Directa's client is innocent, Linea Directa repairs the vehicle damage to its policyholder and receives the pre-established module for such a damage. If Linea Directa's client is culpable, the opposing party repairs the damage for its client and Linea Directa pays the module.

[71] Communication between insurers takes place telematically (through an Electronic Data Interchange system), via standardised messaging following the guidelines outlaid in the CICOS Regulation.

Other technical income and expenses stood at €17,429 thousand or 41.5% decrease as at 31 December 2020 (€29,794 thousand and €25,728 thousand in 2019 and 2018, respectively).

"Net operating expenses" and "Other technical revenues and expenses*" are used by insurance companies to calculate the expense ratio* (see "*Alternative Performance Measures*").

*Technical result**

Is the result of the insurance activity and it is the sum of the aforementioned premiums earned, claims, operating and other technical revenues and expenses* for the period, all these items net of reinsurance.

Technical result increased 40.8% in 2020, reaching €145,939 thousand (€103,650 thousand and €117,812 thousand in 2019 and 2018, respectively).

*Financial result**

This is the result of the financial investments and it is the sum of income from financial assets (interest, coupons, dividends, rental income and other financial income) and realised gains and losses, net of financial expenses.

Financial result dropped 7.3% in 2020 to €29,253 thousand (€31,570 thousand and €33,474 thousand in 2019 and 2018, respectively).

For the full composition and breakdown of the Group's investment portfolio (see "*Business Overview – Investments*")

Profit/(loss) from the non-life insurance

Corresponds to the sum of technical result and financial result.

Profit from the non-life insurance stood at €175,192 thousand, an increase of 29.6% as at 31 December 2020 (€135,220 and €151,286 thousand in 2019 and 2018, respectively).

Result of the non-technical account (or other business activities)

The non-technical account reflects the activities that cannot be assigned in its entirety to the insurance business and mainly comprises auxiliary business to the insurance activity. Other non-technical income and expenses correspond to auxiliary insurance services such as the repair of vehicles carried out by subsidiaries to third parties (and as such not eliminated upon consolidation) and commissions for sale or readdressing of potential clients, among others. Income from such activities constitute c.1.2% of premium income.

Result from the non-technical account stood at €4,432 thousand or 2.5% of profit before tax as at 31 December 2020 (5.3% and 3.0% as at 31 December 2019 and 2018, respectively). The Group has no reliance on non-core income streams[72], such as income from premiums financing or sale of ancillary products.

Description of key ratios commonly used in the insurance industry

	12/31/2020	12/31/2019	12/31/2018
Loss ratio*(1)	61.5%	68.0%	64.7%

[72] Refers to income not associated with the pricing and underwriting of risks.

	12/31/2020	12/31/2019	12/31/2018
Expense ratio*(1)	21.9%	19.9%	20.9%
Combined ratio*(1)	83.4%	87.9%	85.6%
Average return of the investment portfolio*(1)	2.6%	3.5%	4.1%
RoAE*(1)	34.0%	35.0%	39.4%
Solvency II Ratio[73]	213%	211%	209%
Earnings per share (euro/share)	56.18	44.71	48.84
Dividends per share (euro/share)*(1)	11.81	43.26	41.98
Pro-forma[74] Earnings per share (euro/share)	**0.12**	**0.10**	**0.11**
Pro-forma Dividends per share (euro/share)*(1)	**0.03**	**0.10**	**0.09**
Dividend payout ratio[75]*(1)	21.0%	96.8%	86.0%

(1) APMs are unaudited figures

*Loss ratio**

Loss ratio* is calculated by dividing (i) claims incurred, net of reinsurance; by (ii) earned premiums, net of reinsurance; and it is expressed as a percentage. Loss ratio* is a common key performance indicator for insurance companies and measures the efficiency in the claims' experience. The lower the ratio the better. It also makes it possible to establish comparisons between companies' performance.

*Expense ratio**

Expense ratio* is calculated by dividing (i) operating expenses, net of reinsurance, plus other technical revenues and expenses*; by (ii) earned premiums, net of reinsurance. Expense ratio* is also a common key performance indicator for insurance companies and measures the Company's efficiency in the management of its expenses. The lower the ratio the better. Expense ratio* makes it possible to establish comparisons between companies.

*Combined ratio**

The combined ratio* is a key management ratio in non-life insurance and measures management expenses and claims costs for a given year as a percentage of premiums for the same year, net of reinsurance.

It is the sum of the loss and expense ratios* and equivalent to the technical result*. The Group uses combined ratio* as a key ratio to measure its profitability. The lower the ratio the better. The Company is characterised for maintaining combined ratios* significantly below the average for the market in the Motor and Home lines of business on the back of its pricing, underwriting, claims handling and efficiency capabilities (see "*Business overview – Business lines*" and "*Financial and operational review - Key factors affecting results of operations*").

[73] Taking into consideration the extraordinary dividend distribution of €120 million paid to Bankinter prior to Admission of the Company's shares.

[74] On 18 March 2021 the Company executed a share split to accommodate to 1:1 the distribution in kind of one Linea Directa share for each Bankinter share. The number of the outstanding shares of the Company will reach 1,088,416,840 shares. On the basis of these new outstanding shares, a pro-forma calculation of the earnings and dividends per share has been carried out.

[75] Dividend payout ratio is an APM. Dividend payout ratio is an indicator used to indicate the part of the result distributed among investors through dividends. See "*Alternative Performance Measures*".

The combined ratio* does not include any financial income or expense, which is accounted for in the financial result*.

*Average return of the investment portfolio (excluding cash and cash equivalents)**

Average return of the investment portfolio* is calculated by dividing investment income by the total investment portfolio at the balance sheet date and expressed as a percentage. Average return* comprises interest income on debt securities, dividend income from equities, mutual funds, rental income from property investments, other financial income and realised gains/losses and impairments. The Group uses investment income return to measure the overall performance of its investment portfolio.

The Company sets forth a prudent investment strategy aimed at balancing financial returns with its financial strength and solvency position (see "*Business Overview – Investments*" and "*Financial and operational review – Key factors affecting results of operations*").

Return on average equity "RoAE"*

RoAE* is measured by the profit after tax for the year as a percentage of average shareholders' equity at the beginning and end of a one-year period. The Group uses return on equity as a measure of its overall performance and to compare the Group's efficiency at generating profits from its shareholders' equity with that of its competitors.

	12/31/2020	**12/31/2019**	**12/31/2018**
Net result for the period	134,846	107,295	117,211
Average equity at the beginning and closing of the period	396,210	306,632	297,677
Return on average equity (RoAE*)	**34.0%**	**35.0%**	**39.4%**

Figures in thousand euro

The Group has historically maintained very high RoAE*, decoupled from Spanish macroeconomic conditions. The average return on equity* for the period 2018-2020 stood at 36.1% (34.0%, 35.0% and 39.4% as at 31 December 2020, 2019 and 2018 respectively). Spanish average RoAE* for the period 2018 – 2020 stood at 13.8% (14.9%, 13.5% and 13.0% as at 31 December 2020, 2019 and 2018, respectively) (*Source: ICEA*).

While achieving said RoAEs*, the Group's financial strength has also been historically robust. The *Solvency II Ratio* (in accordance with applicable Solvency II regulations) was 213% in 2020[76] (211% and 209% as at 31 December 2019 and 2018, respectively, well above regulatory requirements (see "*Information concerning the Company's capital resources – Company Solvency*")).

	12/31/2020	**12/31/2019**	**12/31/2018**
Solvency capital required (SCR)	**190,725**	**185,674**	**184,181**
Total eligible own funds	**406,011**	**391,162**	**385,270**
of which Tier I unrestricted[77]	*100%*	*100%*	*100%*
Solvency II Ratio (SCR)	**213%**	**211%**	**209%**

76 Includes the extraordinary dividend of €120 million paid to Bankinter prior the Admission.

77 See "*Capital Resources - Information concerning the Company's capital resources – Own funds*".

Figures in thousand euro

The Company had 2,400 thousand shares outstanding as at 31 December 2020. Earnings per share ("**EPS**") and dividends per share ("**DPS**[78]") are shown in the table below. DPS* are defined as total dividends paid in the period divided by the number of outstanding ordinary shares.

Additionally, prior the Admission, the Company is executing a share split to accommodate for the distribution in kind of one Linea Directa share per one Bankinter share. Therefore, the Company will have 1,088,416,840 shares when the Admission takes place. Pro-forma EPS and DPS[79] according to the new outstanding shares are shown in the following table:

	12/31/2020	**12/31/2019**	**12/31/2018**
Profit after tax for the period	134,846	107,295	117,211
Total dividends paid	28,344	103,824	100,750
Number of shares outstanding	*2,400,000*	*2,400,000*	*2,400,000*
Earnings per share (EPS)	**56.19**	**44.71**	**48.84**
Dividends per share (DPS*)	**11.81**	**43.26**	**41.98**
Number of shares outstanding at Admission	*1,088,416,840*	*1,088,416,840*	*1,088,416,840*
Pro-forma earnings per share (EPS)	**0.12**	**0.10**	**0.11**
Pro-forma dividends per share (DPS*)	**0.03**	**0.10**	**0.09**

Figures in thousand euro except EPS and DPS

Payout ratio

Payout ratio is defined as total dividends paid in the period dividend by the profit after tax. The Company pays dividends on a quarterly basis and traditionally has a very high payout ratio.

Total dividends paid amounted to €28,344 thousand, €103,824 thousand and €100,750 thousand as at 31 December 2020, 2019 and 2018, respectively, corresponding to a payout of 21.0%, of 96.8% and of 86.0%, respectively.

	12/31/2020	**12/31/2019**	**12/31/2018**
Consolidated Net result	**134,846**	**107,295**	**117,211**
Interim dividends paid	28,344	89,400	97,856
Final dividend paid	-	-	2,894
Extraordinary dividend paid	-	14,424	-
Total Dividends paid	**28,344**	**103,824**	**100,750**
Dividend pay out ratio*	**21.0%**	**96.8%**	**86.0%**

Figures in thousand euro except ratios

The Company pays dividends on a quarterly basis. A full reconciliation of interim, final and extraordinary dividends approved and paid is provided below:

[78] DPS is an APM. DPS (dividends per share) is an indicator used to show the relationship existing between the dividends paid with the average shares outstanding as at 31 December 2020. See "*Alternative Performance Measures*".

[79] Pro-forma DPS is an APM. DPS (dividends per share) is an indicator used to show the relationship existing between the dividends paid with the average shares outstanding as at the date of Admission. See "*Alternative Performance Measures*".

- The Company approved an extraordinary dividend of €120 million to Bankinter prior to Admission, which will be paid in April 2021.
- Dividends paid in 2020 correspond to 4Q2019 interim dividend of €28,344 paid in January 2020.
- Dividends paid in 2019 include:
  (i) €24,696 thousand 4Q2018 interim dividend paid in 2019;
  (ii) €19,272 thousand, €21,432 thousand and €24,000 thousand interim dividends corresponding to 1Q, 2Q and 3Q 2019 results, respectively;
  (iii) Extraordinary dividend of €14,424 thousand charged against unrestricted reserves of Linea Directa Asistencia, S.L.U.
- Dividends paid in 2018 include:
  (i) €28,008 thousand 4Q2017 interim dividend paid in 2018;
  (ii) €21,800 thousand, €20,808 thousand and €27,240 thousand corresponding to 1Q, 2Q and 3Q 2018 results interim dividends, respectively: and
  (iii) final dividend amounting to €2,894 thousand.

The Group's average paid out ratio for the period 2017-2019 stood at 108.6% (providing a three-year average until 2019 as there were no dividends approved in 2020). Listed national peers Mapfre and Catalana Occidente had an average payout ratio for the same period of 40.2%.

The definition, explanation, use and reconciliation of APMs is set out in section "*Alternative Performance Measures*", together with other key items and indicators.

7.1 A fair review of the development and performance of the issuer's business and of its position for each year and interim period for which historical financial information is required, including the causes of material changes

Full year IFRS-EU results for the financial years ended on 31 December 2020 and 2019

Year 2020 was marked by the Covid-19 pandemic. The coronavirus crisis has caused an unprecedented contraction in economic activity. In Spain, GDP decreased by 11%, public debt as a percentage of GDP reached 117.1% and unemployment rose 2.35 p.p. to 16.1% (*Source: INE, Bank of Spain, EPA 4Q*).

On the insurance front, in 2020, the Spanish Motor, Home and Health lines of business had a mixed behaviour. Business volumes in terms of GWP in the Motor insurance sector as a whole decreased by 2.0% whilst Home and Healthcare insurance grew by 2.7% and 5.1%, the latter reflecting the fear to new collapses in the public sanitary system. In addition, claims frequency had diverse performance. Fatalities and material damages[80] in the Motor line of business dropped significantly by 21.1% and 30.0% respectively, (*Source: Dirección General de Tráfico, UNESPA*) yet Home insurance claims increased on the back of increased time spent by policyholders at home during the lock-down measures imposed by the Government (*Source: ICEA).*

[80] "Material damages" refers to material damages to the vehicles (minor accidents), while "fatalities" refers to victims in traffic accidents.

In this context, the Group has carried out different activities, of which the most relevant were: (i) measures aimed at guaranteeing the protection of its staff as well as ensuring our business continuity plan and smooth operations; (ii) the mobilisation of resources to society[81]; and (iii) the preservation of our balance sheet and capital position.

Even during this unfavourable market conditions Linea Directa has had a robust operating and financial performance. Overall GWP had a modest increase of 0.8% reaching €898,614 thousand, supported by the Home and Health lines of business, which grew 8.3% and 38.6%, respectively:

	12/31/2020	**12/31/2019**	***19/20 % change***
Gross written premiums (GWP)	**898,614**	**891,295**	0.8%
Earned premiums, net of reinsurance	878,177	854,762	2.7%
Claims incurred, net of reinsurance	(540,064)	(580,987)	-7.0%
Net operating expenses	(209,603)	(199,919)	4.8%
Other technical revenues and expenses*	17,429	29,794	-41.5%
Technical result*	**145,939**	**103,650**	40.8%
Financial result*	**29,253**	**31,570**	-7.3%
Profit/(loss) from non-life insurance	**175,192**	**135,220**	29.6%
Result of the non-technical account	4,432	7,617	-41.8%
Profit/(loss) before tax	**179,624**	**142,837**	25.8%
Tax on profits	(44,778)	(35,542)	26.0%
Profit/(loss) after tax	**134,846**	**107,295**	25.7%

Figures in thousand euro

	12/31/2020	**12/31/2019**	***p.p. var.***
Loss ratio*	61.5%	68.0%	-6.5
Expense ratio*	21.9%	19.9%	2.0
Combined ratio*	**83.4%**	**87.9%**	-4.5

APM, unaudited ratios

Premiums allocated for the year, net of reinsurance grew 2.7% reaching €878,177 thousand (€854,762 thousand as at 31 December 2019). Conversely, technical result* grew in 2020 by 40.8% reaching €145,939 thousand (€103,650 thousand as at 31 December 2019). Such an improvement in technical result* when compared to the change in premiums reflects:

- Significant decrease in the loss experience driven by the Motor line of business, due to the reduction in the use of vehicles as a result of the confinement measures imposed by public authorities in Spain and, to a lesser extent, in Health insurance, due to the profitability improvement in this line of business and owing to the postponement of non-urgent medical services. This was partially offset by the increase in incurred claims in the Home line of

[81] During 2020, the Company participated in a public/private project for the purchase of 17 robots allowing the realisation of 1 million Covid tests per month, for which it allocated €200 thousand (included in the €921 thousand Covid-related donations and expenses previously mentioned when referring to key factors affecting results of operations); as part of its social action measures, Linea Directa also ceded 80 vehicles of its own fleet for the use of health professionals in Madrid and Barcelona; more than 50 call centre professionals volunteered to attend the Covid-19 information services in both cities, attending more than 10,000 calls; additionally, the Company implemented measures at easing the relationship with the insurance by instalment payments and disinfections of vehicles and homes following repair and assistance measures to Vivaz clients.

business. Overall, consolidated incurred claims for the year dropped 7.0% to €540,064 thousand.

– Net operating expenses reached €209,603 thousand, a 4.8% increase. This is manly explained by an increase of IT expenses of €5,252 thousand (from €23,931 to €29,183 for the years ended 2019 and 2020, respectively). The increase is supported by new developments, IT security investments and network bandwidth; and extraordinary expenses linked to the Company's listing (€2,031 thousand) and Covid-19 donations and other expenses amounting to €931 thousand.

– Other technical revenues and expenses* dropped to €17,429 thousand, a decrease of 41.5% driven by the drop in claims payments collected under settlement agreements, also due to the decrease in loss experience.

– As a result, loss ratio*, expense ratio* and combined ratio* stood at 61.5% (an improvement of 6.5 p.p with respect to prior year), 21.9% (reflecting a 2.0 p.p increase) and 83.4%, respectively.

Financial result* amounted to €29,253 thousand, a decrease of 7.3% reflecting lower investment returns of the portfolio:

(i) The average return jointly for shares and mutual funds* was 0.4% as at 31 December 2020 (2.4% as at 31 December 2019). Dividends received amounted to €1,649 in 2020 (€2,383 in 2019);

(ii) Lower income of some debt securities, being replaced at maturity by securities of similar risk but lower returns given the current historically low interest rates scenario. Average return for the fixed income portfolio* stood at 2.6% (3.2% in 2019) and interest received amounted to €21,187 (€22,101 in 2019).

The figures above include net realised gains (losses) for the equity and debt securities portfolio of €(1,373) thousand loss as at 31 December 2020 (a gain of €1,600 as at 31 December 2019).

(iii) Largely stable rental income of €4,121 thousand (€4,206 in 2019).

– Additionally, as at 31 December 2020, and as a consequence of the Covid-19 sanitary crisis and lower economic activity, property for own use was adjusted for an amount of €851 thousand (a gain of the property investment portfolio of €1,655 thousand in 2019) (*see "Business overview - Investments*");

– The mark to market of the hedging interest rate swap recording a loss of €1,578 thousand, on the back of lower interest rates. The Company has two interest rate swap agreements outstanding in 2018 by which the Company exchanges fixed interest rate for floating (see "*Business Overview - Investments*"). The difference between the fair value of the swap and the covered cash flows is contained within the parameters indicated as efficient hedging. Both variations are recorded in the profit and loss account with opposite signs that are set off against each other.

For a full description, composition and breakdown of the Group's Investment portfolio see "*Business Overview - Investments*". For all lines of business, the financial portfolio is managed at a consolidated level.

The non-technical account contributed with €4,432 thousand, driven by the lesser activity corresponding to the auxiliary insurance services such as assistance business to third parties, the repair of vehicles carried out by CAR subsidiary to third parties and income from the commissions for sale or readdressing of potential clients.

All this made it possible for the Company to close the year with a profit after tax of €134,846 thousand, an increase of 25.7% with respect 2019.

The following tables show the key items and management ratios by line of business as at 31 December 2020 and 2019:

Motor insurance

	12/31/2020	12/31/2019	*20/19 % change*	*2020 over total*	*2019 over total*
GWP	**754,656**	**761,158**	-0.9%	*84.0%*	*85.4%*
Earned premiums, net of reinsurance	752,605	748,309	0.6%	*85.7%*	*87.5%*
Claims incurred, net of reinsurance	(465,382)	(519,666)	-10.4%	*86.2%*	*89.4%*
Net operating expenses	(159,468)	(152,748)	4.4%	*76.1%*	*76.4%*
Other technical revenues and expenses*	18,726	30,638	-38.9%	*107.4%*	*102.8%*
Technical result*	**146,481**	**106,533**	37.5%	*100.4%*	*102.8%*
Financial result*	**24,083**	**26,720**	-9.9%	*82.3%*	*84.6%*
Profit/(loss) from non-life insurance	**170,564**	**133,253**	28.0%	*97.4%*	*98.5%*

Figures in thousand euro

	12/31/2020	12/31/2019	p.p. var.
Loss ratio*	61.8%	69.4%	*-7.6 p.p*
Expense ratio*	18.7%	16.3%	*2.4 p.p*
Combined ratio*	**80.5%**	**85.8%**	*-5.3 p.p*

APM, unaudited figures

The Motor line of business had a discreet decrease in GWP of 0.9% outperforming the sector as a whole, which decreased by 2.0% (*Source*: *ICEA*). New vehicles' registration, a key indicator in Motor insurance fell by 32.3% in Spain (*Source: MSI*). In this context, new business suffered concurrently with a decrease in average premium. The number of policies increased by 1.8% or 43.6 thousand policies, whereas average premium decreased by 2.9% for the portfolio as a whole, with the Company applying loyalty measures at renewal.

Premiums allocated for the year, net of reinsurance stood at €752,605 thousand, a 0.6% increase:

– Conversely, incurred claims for the year decreased by 10.4% to €465,382 thousand, driven by lower frequency with reduction in the use of vehicles as a result of the confinement measures;

– Net operating expenses reached €159,468 thousand, an increase of 4.4%, mainly driven by the extraordinary expenses related to the listing of the Company and IT expenses. Other technical revenues and expenses* stood at €18,726 thousand, a decrease of 38.9% reflecting the decrease in claims payments collected under settlement agreements, as a result of lower claims frequency.

As a result, loss ratio* and expense ratio* stood at 61.8% (an improvement of 7.6p.p with respect to 2019) and 18.7% (an increase of 2.4 p.p).

Technical profit reached €146,481 thousand, an increase of 37.5%, a figure equivalent to a combined ratio* of 80.5%.

Home insurance

	12/31/2020	12/31/2019	*20/19 % change*	*2020 over total*	*2019 over total*
GWP	120,654	111,357	8.3%	*13.4%*	*12.5%*
Earned premiums, net of reinsurance	111,546	102,660	8.7%	*12.7%*	*12.0%*
Claims incurred, net of reinsurance	(63,678)	(53,137)	19.8%	*11.8%*	*9.1%*
Net operating expenses	(40,873)	(37,209)	9.8%	*19.5%*	*18.6%*
Other technical revenues and expenses*	(311)	33	n.m.	*-1.8%*	*0.1%*
Technical result*	**6,684**	**12,347**	-45.9%	*4.6%*	*11.9%*
Financial result*	**3,349**	**3,527**	-5.0%	*11.4%*	*11.2%*
Profit/(loss) from non-life insurance	**10,033**	**15,874**	-36.8%	*5.7%*	*11.7%*

Figures in thousand euro

	12/31/2020	12/31/2019	*p.p. var.*
Loss ratio*	57.1%	51.8%	*5.3 p.p*
Expense ratio*	36.9%	36.2%	*0.7 p.p*
Combined ratio*	**94.0%**	**88.0%**	*6.0 p.p*

APM, unaudited figures

Home insurance GWP increased by 8.3%, a growth rate that triples that of the sector, which grew 2.7%, (*Source: ICEA*). Linea Directa continues to gain market share in this line of business from 2.5% in 2019 to 2.6% in 2020. Besides the noteworthy cross-selling with Motor policyholders, Linea Directa is offering both a very competitive pricing and high-quality service. These two aspects are causing such outperformance. The number of policies increased by 6.3% or 39.4 thousand policies, whereas average premium for the portfolio as a whole increased 1.7% to €182.

2020 was again marked by high impact rainfall events "*DANAS*" ("*Depresiones Aisladas en Niveles Altos"* or *"the Cold Drop"*), triggering an increase in the Company's loss ratio* due to the increased frequency and average cost of claims.

Premiums allocated for the year, net of reinsurance stood at €111,546 thousand, an increase of 8.7%:

– Incurred claims for the year increased by €10,541 thousand or 19.8%, reaching €63,678 thousand, driven by: (i) increased time spent by policyholders at home during the lock-down measures imposed by the Spanish Government, and (ii) atmospheric events amounting to €7,419 thousand, of which €1,791 thousand were absorbed by the XL reinsurers. As a result, loss ratio* increased to 57.1% or 5.3p.p with respect to 2019;

– Net operating expenses reached €40,873 thousand, an increase of 9.8% driven by IT expenses and the costs associated with the listing of the Company. Other technical revenues and expenses* stood at €311 thousand. Thus, expense ratio* increased by 0.7p.p to 36.9%.

Health insurance

	12/31/2020	12/31/2019	*20/19 % change*	*2020 over total*	*2019 over total*
GWP	**21,826**	**15,744**	38.6%	*2.4%*	*1.8%*
Change due to impairment of outstanding premiums receivable	(28)	(38)	-24.8%	-	-
Ceded reinsurance				-	-
- *Quota Share*	*(9,815)*	*(7,014)*	*39.9%*	-	-
- XL	*(86)*	*(63)*	*35.7%*	-	-
- *Foreign ceded premiums*	*(116)*	*(81)*	*43.5%*	-	-
Change in the provision for unexpired risks	**1,493**	**(6,115)**	*n.m*	-	-
Change in the provision for unearned premiums				-	-
- *Direct insurance*	(2,283)	(2,743)	-16.8%	-	-
- *Ceded reinsurance*	1,029	1,057	-2.6%	-	-
Earned premiums, net of reinsurance	**12,020**	**748**	1507.0%	*1.4%*	*0.1%*
Claims incurred, net of reinsurance	(10,712)	(7,856)	36.4%	*2.0%*	*1.4%*
Net operating expenses	(8,920)	(9,085)	-1.8%	*4.3%*	*4.5%*
Other technical revenues and expenses*	(278)	(153)	81.7%	*-1.6%*	*-0.5%*
Technical result*	**(7,890)**	**(16,346)**	-51.7%	*-5.4%*	*-15.8%*
Financial result*	**1,779**	**1,199**	48.4%	*6.1%*	*3.8%*
Profit/(loss) from non-life insurance	**(6,111)**	**(15,147)**	-59.7%	*-3.5%*	*-11.2%*

Figures in thousand euro

	12/31/2020	12/31/2019	*p.p. var.*
Loss ratio*	89.1%	1050.3%	*n.m*
Expense ratio*	76.5%	1235.0%	*n.m.*
Combined ratio*	**165.6%**	**2285.3%**	*n.m.*

APM, unaudited figures

GWP grew 38.6% in the Health line of business (5.4% for the sector as a whole[82]). The number of policies increased by 28.4%, whereas average premium decreased by 7.7% for new business and 1.7% at renewal, respectively.

The provision for unexpired risks recorded a release of €1.493 thousand (which compares to the provisioning of €6,115 thousand in 2019) on the back of improved technical result*. Change in the provision for unearned premiums for direct insurance and ceded reinsurance stood at €(2,283) thousand and €1,029 thousand, respectively. As a result, earned premiums, net of reinsurance reached €12,020 thousand, reflecting business growth and the variation of the provision for unexpired risks.

Incurred losses, expenses and technical result* translates into claims, expense and combined ratio* of 89.1%, 76.5% and 165.6%, respectively. This line of business is still in ramp up mode and technical result* is a loss. The Company expects to break-even in 2024.

[82] For comparative purposes, Health insurance for the sector as a whole refers to the sanitary assistance business line only.

Other insurance lines of businesses

	12/31/2020	12/31/2019	*20/19 % change*	*2020 over total*	*2019 over total*
GWP	1,478	3,036	-51.3%	*0.2%*	*0.3%*
Earned premiums, net of reinsurance	2,006	3,045	-34.1%	*0.2%*	*0.4%*
Claims incurred, net of reinsurance	(292)	(328)	-11.0%	*0.1%*	*0.1%*
Profit sharing and premium refunds	(708)	(724)	-2.2%	*100.0%*	*100.0%*
Net operating expenses	(342)	(877)	-61.0%	*0.2%*	*0.4%*
Other technical revenues and expenses*	-	-	-	-	-
Technical result*	**664**	**1,116**	**-40.5%**	*0.5%*	*1.1%*
Financial result*	**42**	**124**	**-66.1%**	*0.1%*	*0.4%*
Profit/(loss) from non-life insurance	**706**	**1,240**	**-43.1%**	*0.4%*	*0.9%*

Figures in thousand euro

	12/31/2020	12/31/2019	*p.p. var.*
Loss ratio*	14.6%	10.8%	*3.8 p.p*
Expense ratio*	52.3%	52.6%	*-0.3 p.p*
Combined ratio*	**66.9%**	**63.3%**	*3.6 p.p*

APM, unaudited figures

As of 31 December 2020, this line of business basically accounts for travel assistance insurance for holders of Bankinter and Bankinter Consumer Finance credit cards.

GWP stood at €1,478 thousand as at 31 December 2020, representing a 51.3% decrease with respect to 2019, driven by the discontinued product "*Seguro bienestar*". Likewise, earned premiums, net of reinsurance decreased to €2,006 thousand or a 34.1% decrease. Earned premiums, net of reinsurance for the year 2020, amounting to €(2,006) thousand, is greater than GWP for that same year €(1,478) thousand as it includes premiums written but not earned in 2019 (i.e. earned in 2020). This is due to lowering business volumes written as a result of the discontinuation of the "*Seguro bienestar*".

Technical result* stood at €664 thousand and essentially reflects the travel assistance business for holders of Bankinter's credit cards, the business of which worsened this year as a consequence of trip cancellations.

Given the small volumes of this line of business, any event may trigger large variations in the loss and expense ratios*.

For all lines of business, the financial portfolio is managed at a consolidated level.

For the main items of the consolidated assets, liabilities and equity of the Company as at 31 December 2020 and 2019, see *"Financial Information – Historical Financial Information for financial years 2020, 2019 and 2018"*.

Full year IFRS-EU results for the financial years ended 31 December 2019 and 2018

The financial information contained in this section has been obtained from the Company's consolidated audited financial statements relating to the financial years ended on 31 December 2019 and 2018 (see "*Financial Information*" – "*Historical Financial Information*").

	12/31/2019	12/31/2018	*19/18 % change*
Gross written premiums (GWP)	**891,295**	**853,119**	***4.5%***
Earned premiums, net of reinsurance	**854,762**	**816,289**	***4.7%***
Claims incurred, net of reinsurance	(580,987)	(528,029)	*10.0%*
Net operating expenses	(199,919)	(196,176)	*1.9%*
Other technical revenues and expenses*	29,794	25,728	*15.8%*
Technical result*	**103,650**	**117,812**	***-12.0%***
Financial result*	**31,570**	**33,474**	***-5.7%***
Technical-financial result	**135,220**	**151,286**	***-10.6%***
Result of the non-technical account	7,617	4,677	*62.9%*
Profit before tax	**142,837**	**155,963**	***-8.4%***
Tax on profits	(35,542)	(38,752)	*-8.3%*
Profit after tax	**107,295**	**117,211**	***-8.5%***

Figures in thousand euro

	12/31/2019	12/31/2018	*p.p. var.*
Loss ratio*	68.0%	64.7%	*3.3 p.p*
Expense ratio*	19.9%	20.9%	*-1.0 p.p*
Combined ratio*	**87.9%**	**85.6%**	*2.3 p.p*

APM, unaudited ratios

GWP grew 4.5% on a consolidated basis, reaching €891,295 thousand as at 31 December 2019 (€853,119 as at 31 December 2018) and reflecting the different development in the Motor, Home, and Health lines of business, which increased by 2.7%, 10.6% and 109.4%, respectively. Premiums allocated for the year, net of reinsurance, stood at €854,762 thousand, a 4.7% increase.

The technical result* stood at €103,650 thousand as at 31 December 2019 (representing a decrease of 12.0% compared to 31 December 2018), which reflects:

– An increase of claims incurred for the year of €52,958 thousand, reaching €580,987 thousand as at 31 December 2019. Such an increase is mainly explained by the Motor line of business as a consequence of (i) the mid-year update of the injuries scale ("*Baremo*") relating to whiplash injuries and the rise of the minimum wage salary that affected compensation for lost benefits and (ii) a 1% decrease in average premium that was accompanied by a 4.9% growth in underwritten risks. As a result, the consolidated claims ratio increased from 64.7% in 2018 to 68.0% in 2019.

– Net operating expenses stood at €199,919 thousand, a rate of growth below that of premiums incurred for the year (4.7%) and leading to a 1 percentage point improvement in the expense ratio*. Expense ratio* stood at 19.9% as at 31 December 2019 (20.9% as at 31 December 2018). This reflects continuous cost containment and efficiency measures that are being implemented. Essentially, those are the result of efficiencies arising from innovation and investments over the last couple of years that have allowed many manual activities to be switched to online services. Other technical revenues and expenses* are driven by the account of claims' settlement agreements.

Financial result* as at 31 December 2019 amounted to €31,570 thousand, a 5.7% decrease with respect to the previous year (€33,474 as at 31 December 2018), reflecting:

– Lower average returns* in the financial portfolio, given that:

(i) The average return for shares and mutual funds* was 2.4% as at 31 December 2019 (6.8% as at 31 December 2018). Although the evolution of equity markets in 2019 was positive, its return was lower than in previous years;

(ii) Lower income of some debt securities (3.2% as at 31 December 2019 against 3.5% in 2018), being replaced at maturity by securities of similar risk but lower returns given the current historically low interest rates scenario.

The above figures include net realised gains and losses for debt and equity securities of €1,600 thousand as at 31 December 2019 (€3,716 as at 31 December 2018); and

(iii) Rental income amounted to €4,206 as at December 2019 equivalent to a 6.3% rental return (€4,514 thousand in 2018 or 6.7%). The Company sold commercial premises registering a gain €1,443 thousand in 2019 and €212 thousand. Including such gains, rental income stood at 8.8% (*see "Business overview – Investments – Property investments"*).

– The mark to market of the hedging interest rate swap recording a loss of €1,612 thousand, on the back of lower interest rates. The company entered into three interest rate swap agreements in 2018 by which the Company exchanges fixed interest rate for floating (see "*Investments*"). The difference between the fair value of the swap and the covered cash flows is contained within the parameters indicated as efficient hedging. Both variations are recorded in the profit and loss account with opposite signs that are set off against each other.

For a full description, composition and breakdown of the Group's Investment portfolio see "*Business Overview* - *Investments*". The Financial portfolio is managed at a consolidated level for all lines of business.

The non-technical account* grew 62.9%, reaching €7,617 thousand as at December 2019 (€4,677 and as at 31 December 2018) driven by the increase in the repairs carried out by subsidiary CAR to third parties.

The following tables show the key items and management ratios by line of business as of 31 December 2019 and 2018:

Motor insurance

	12/31/2019	12/31/2018	*19/18 % change*	*2019 over total*	*2018 over total*
GWP	761,158	741,178	2.7%	*85.4%*	*86.9%*
Earned premiums, net of reinsurance	748,309	718,521	4.1%	*87.5%*	*88.0%*
Claims incurred, net of reinsurance	(519,666)	(476,725)	9.0%	*89.4%*	*90.3%*
Net operating expenses	(152,748)	(154,001)	-0.8%	*76.4%*	*78.5%*
Other technical revenues and expenses*	30,638	27,179	12.7%	*102.8%*	*105.6%*
Technical result*	**106,533**	**114,974**	-7.3%	*102.8%*	*97.6%*
Financial result*	**26,720**	**29,318**	-8.9%	*84.6%*	*87.6%*
Profit/(loss) from non-life insurance	**133,253**	**144,292**	-7.7%	*98.5%*	*95.4%*

Figures in thousand euro

	12/31/2019	12/31/2018	*p.p. var.*
Loss ratio*	69.4%	66.3%	*3.1 p.p*
Expense ratio*	16.3%	17.7%	*-1.3 p.p*
Combined ratio*	**85.8%**	**84.0%**	*1.8 p.p*

APM, unaudited figures

After years of positive development in the registration of new vehicles, potential buyers are delaying their purchase decisions due to the slowdown of the domestic economy and environmental aspects as regards the use of vehicles in major cities. Registrations of new cars decreased by 11.4% in 2019, particularly affecting diesel vehicles which plummeted by 26% in 2019 and by 46% over the last three years (*Source: MSI ANESDOR*).

Despite this adverse environment, Linea Directa's GWP grew 2.7%. The number of policies increased by 3.6% or 84 thousand policies, whereas average premium decreased by 0.6% for the portfolio as a whole.

Premiums allocated for the year increased by 4.1%, reaching €748,309 thousand, whereas technical result* in the Motor insurance business decrease by 7.3% as at 31 December 2019, reflecting:

– A 9.0% increase in incurred claims, reaching €519,666 thousand, driven by the aforementioned increase in average costs due to regulatory measures and the decrease in average premiums concurrent with the increase of exposed risks; and

– Net operating expenses of €152,748 thousand, an improvement of 0.8% due to lowering operating expenses;

As a consequence, loss, expense and combined ratio* stood at 69.4%, 16.3% and 85.8%, respectively.

Home insurance

	12/31/2019	12/31/2018	*19/18 % change*	*20219 over total*	*2018 over total*
GWP	111,357	100,691	10.6%	12.5%	11.8%
Earned premiums, net of reinsurance	102,660	92,406	11.1%	12.0%	11.3%
Claims incurred, net of reinsurance	(53,137)	(48,215)	10.2%	9.1%	9.1%
Net operating expenses	(37,209)	(35,037)	6.2%	18.6%	17.9%
Other technical revenues and expenses*	33	(460)	n.m.	0.1%	-1.8%
Technical result*	**12,347**	**8,694**	42.0%	11.9%	7.4%
Financial result*	**3,527**	**3,598**	-2.0%	11.2%	10.7%
Profit/(loss) from non-life insurance	**15,874**	**12,292**	29.1%	11.7%	8.1%

Figures in thousand euro

	12/31/2019	12/31/2018	*p.p. var.*
Loss ratio*	51.8%	52.2%	*-0.4 p.p*
Expense ratio*	36.2%	38.4%	*-2.2 p.p*
Combined ratio*	**88.0%**	**90.6%**	*-2.6 p.p*

APM, unaudited figures

GWP reached €111,357 thousand as at 31 December 2019, a 10.6% increase, a rate of growth that doubles that of the Home insurance market as a whole, which grew 4.16%. The number of policies increased by 9.6% or 54.8 thousand policies, whereas average premium increased by 1.1% for the portfolio as a whole.

Premiums earned for the year, net of reinsurance increased 11.1%, reaching 102,660 thousand. Technical result*, for its part, stood at €12,347 thousand, a 42% increase:

– Incurred claims for the year increased 10.2%, below the growth rate of premiums despite the aforesaid rainfall events, with the XL reinsurance protection also absorbing part of the losses; and

– Net operating expenses reached €37,209 thousand, a 6.2% increase, displaying the on-going technological investments to automatise Home business processes.

As a result, loss, expense and combined ratio* stood at 51.8%, 36.2% and 88.0%, respectively (the latter presenting an improvement of 2.6p.p).

Health insurance

	12/31/2019	12/31/2018	*19/18 % change*	*20219 over total*	*2018 over total*
GWP	**15,744**	**7,518**	109.4%	*1.8%*	*0.9%*
Change due to impairment of outstanding premiums receivable	(38)	(64)	-40.8%	-	-
Ceded reinsurance				-	-
- *Quota Share*	*(7,014)*	*(3,577)*	96.1%	-	-
- XL	*(63)*	*(85)*	-25.4%	-	-
- *Foreign ceded premiums*	*(81)*	*(23)*	257.8%	-	-
Change in the provision for unexpired risks	**(6,115)**	**-**	*n.m*	-	-
Change in the provison for unearned premiums				-	-
- *Direct insurance*	(2,743)	(3,063)	-10.5%	-	-
- *Ceded reinsurance*	1,057	1,439	-26.6%	-	-
Earned premiums, net of reinsurance	**748**	**2,147**	-65.2%	*0.1%*	*0.3%*
Claims incurred, net of reinsurance	(7,856)	(2,866)	174.1%	*1.4%*	*0.5%*
Net operating expenses	(9,085)	(6,083)	49.4%	*4.5%*	*3.1%*
Other technical revenues and expenses*	(153)	(240)	-36.3%	*-0.5%*	*-0.9%*
Technical result*	**(16,346)**	**(7,042)**	132.1%	*-15.8%*	*-6.0%*
Financial result*	**1,199**	**405**	196.0%	*3.8%*	*1.2%*
Profit/(loss) from non-life insurance	**(15,147)**	**(6,637)**	128.2%	*-11.2%*	*-4.4%*

Figures in thousand euro

	12/31/2019	12/31/2018	*p.p. var.*
Loss ratio*	1050.3%	133.5%	*n.m.*
Expense ratio*	1235.0%	294.5%	*n.m.*
Combined ratio*	**2285.3%**	**428.0%**	*n.m.*

APM, unaudited figures

GWP reached €15,744 thousand as at 31 December 2019, a 109.4% increase over the previous year. In only two years of activity, Vivaz, Linea Directa's new Health insurance brand, has reached almost 70,000 clients (a 111% increase) and it is already a dynamic player in a mature and very concentrated market, despite being subject to minimum necessary economies of scale. The number of policies increased by 110.8%, whereas average premium decreased by 25.9% for new business yet with an increase of 10.1% at renewal.

The Company provisioned for the first time to unexpired risks in an amount of €6,115 thousand in 2019, by means of a regulatory reserve that covers any insufficient premiums known at the end of each financial year. It is considered for premium to be insufficient when technical results* are negative for two consecutive years. Changes in the provision for unearned premiums for direct insurance and ceded reinsurance stood at €(2,743) thousand and € 1,057 thousand, respectively. As per the above, premiums allocated for the year, net of reinsurance, decreased to €748 thousand.

Incurred claims for the year reached €7,856 thousand, an increase of 174.1%, whereas net operating expenses increased by 49.4% reaching €9,085 thousand. Technical result* resulted in a loss of €16,346 thousand (a loss of €10,231 excluding the aforementioned provisioning).

Other insurance lines of business

	12/31/2019	12/31/2018	*19/18 % change*	*20219 over total*	*2018 over total*
GWP	3,036	3,733	-18.7%	*0.3%*	*0.4%*
Earned premiums, net of reinsurance	3,045	3,215	-5.3%	*0.4%*	*0.4%*
Claims incurred, net of reinsurance	(328)	(223)	47.1%	*0.1%*	*0.0%*
Profit sharing	(724)	(751)	-3.6%	*100.0%*	*100.0%*
Net operating expenses	(877)	(1,055)	-16.9%	*0.4%*	*0.5%*
Other technical revenues and expenses*	-	-	-	-	-
Technical result*	**1,116**	**1,186**	**-5.9%**	*1.1%*	*1.0%*
Financial result*	**124**	**153**	**-19.0%**	*0.4%*	*0.5%*
Profit/(loss) from non-life insurance	**1,240**	**1,339**	**-7.4%**	*0.9%*	*0.9%*

Figures in thousand euro

	12/31/2019	12/31/2018	*p.p. var.*
Loss ratio*	10.8%	6.9%	*3.8 p.p*
Expense ratio*	52.6%	56.2%	*-3.6 p.p*
Combined ratio*	**63.3%**	**63.1%**	*0.2 p.p*

APM, unaudited figures

GWP reached €3,036 thousand as at 31 December 2019, which represents a decrease of 18.7% with respect to 2018. Lower business volumes were driven by an unprofitable and discontinued product in 2019 (*seguro bienestar*). Technical result* was €1,116 thousand as at December 2019. Given the small volumes of this line of business, any event may trigger large variations in the loss and expense ratios*.

For the main items of the consolidated assets, liabilities and equity of the Company as at 31 December 2019 and 2018, see *"Financial Information – Historical Financial Information for financial years 2020, 2019 and 2018"*.

Reinsurance results for financial years ended 31 December 2020, 2019 and 2018

As explained above (see "*Business Overview - Description of the nature of the Company's operations and its principal activities - Reinsurance*") the Group's reinsurance strategy is mainly designed through an XL structure that is complemented by a 50% Quota Share proportional reinsurance agreement for the Health business.

The following table shows the reinsurance account as at 31 December 2020, 2019 and 2018, respectively:

	12/31/2020	12/31/2019	12/31/2018
Premiums from ceded reinsurance	(20,675)	(14,920)	(11,813)
Change in the provision for unearned premiums – ceded reinsurance	1,029	(59)	1,560
Claims paid – reinsurance share	6,667	5,318	1,257
Change in the provision for claims – reinsurance share	1,931	2,258	39
Reinsurance comission and profit participation	3,832	3,784	3,878
Result of the reinsurance account	**(7,216)**	**(3,619)**	**(5,079)**

Figures in thousand euro

Premiums from ceded reinsurance stood at € (20,675) thousand, corresponding to 2.3% of GWP for the year ended 2020 (€ (14,920) or 1.7% and € (11,813) thousand or 1.4% of GWP for financial years ended 2019 and 2018, respectively). Ceded premiums as at 31 December 2020 increased by €5,755 thousand with respect to 2019 (a year-on year increase of €3,107 and €5,024 thousand as at 31 December 2019 and 2018, respectively).

Of said increase of €5,755 thousand at the close of 2020, €2,801 thousand correspond to the health proportional reinsurance agreement, in line with business growth. Ceded premiums under the QS health agreement stood at €9,815 thousand, €7,014 thousand and €3,577 thousand in 2020, 2019 and 2018, respectively (see "*A fair review of the development and performance of the issuer's business and of its position – Health insurance*").

Additionally, in 2019, the company changed its reinsurance agreements from subscription year to accident year (i.e., by year of occurrence). As such, premiums ceded in 2019 only reflect half of 2019 (as part of claims occurred in 2019 were already covered under the 2018 agreement[83]). This change distorts accounting figures for 2019 and 2020 for comparative purposes. Notwithstanding the above, terms and conditions remain stable as it only had an accounting effect.

The change in the provision for unearned premiums - ceded reinsurance stood at €1,029 thousand, as at 31 December 2020 (€(59) thousand as at 31 December 2019 and €1,560 thousand as at 31 December 2018). The allocation of ceded premiums for 2019 also reflect the abovementioned impact.

Reinsurance share in claims attributable for the year amounted to €8,598 thousand in 2020, of which €6,667 thousand refer to claims paid and €1,931 thousand to the change in the provision for ceded claims. Incurred claims – reinsurance share, represented 1.6% of incurred claims gross of reinsurance in 2020 (€7,576 thousand or 1.3% and €1,296 thousand or 0.2% at 31 December 2019 and 2018, respectively).

[83] Until 2019, the Company had reinsurance contracts by subscription year, meaning that claims were associated to the date of subscription of the policy (as opposed to the date when a claim occurred). As an example, if a claim occurred in February 2019, and the contract was to be renewed in March 2019, said claim corresponded to the 2018 contract.

The resulting loss ratios* for the reinsurer (calculated as incurred claims – reinsurance share / ceded premiums earned for the year) stood at 43.8%, 50.6% and 12.6% for the years ended 2020, 2019 and 2018, respectively.

For its part, the Company received a reinsurance commission from the health line of business Quota Share agreement of €3,832 thousand in 2020 (€3,784 and €3,878 thousand in 2019 and 2018).

Result of the reinsurance account was €(7,216) thousand as at 31 December 2020 (€(3,619) thousand and €(5,079) thousand as at 31 December 2019 and 2018, respectively).

7.1.2 Likely future development of the Company and research and development activities.

Not applicable.

7.2 Operating results

See "*Operating and financial review – Key factors affecting results of operations*".

7.2.1 Information regarding significant factors, including unusual or infrequent events or new developments, materially affecting the issuer's income from operations and indicate the extent to which income was so affected.

It is uncertain how the COVID-19 outbreak will further impact the world's and the Spanish economic environment, and specifically, the Group's underwriting and investment portfolios.

As at 31 December 2020, the Company had a solvency position of 213% taking into consideration the extraordinary dividend of €120 million paid to Bankinter prior to the listing of the Company, which has been distributed on 5 April 2021 after the General Shareholders' Meeting approval and the DGSFP authorization received on 18 March 2021. The Group expects to be proving again its resilient business model to economic shocks.

7.2.2 Where the historical financial information discloses material changes in net sales or revenues, provide a narrative discussion of the reasons for such changes.

Not applicable.

8. CAPITAL RESOURCES

8.1 Information concerning the Company's capital resources

Under the **Solvency II Directive**, transposed in Spain by Law 20/2015, of 14 July, on the regulation, supervision and solvency of insurance and reinsurance companies (*Ley 20/2015, de 14 de julio, de ordenación, supervisión y solvencia de las entidades aseguradoras y reaseguradoras*) ("**Law 20/2015**") the Company is obliged to maintain a minimum level of assets in excess of its liabilities, established through the so called Solvency Capital Requirement and the Minimum Capital Requirement. Commission Delegated Regulation (EU) No. 2015/35 ("**Solvency II Delegated Regulation**") is particularly relevant. The Solvency II Delegated Regulation aims to set out more detailed requirements for insurance undertakings based on the provisions set out in the Solvency II Directive.

For purposes of this section, the Solvency II Directive, the Solvency II Delegated regulation and any further implementing and interpreting measures both at EU and member States' level shall be referred as "**Solvency II**" (see "*Risk Factors – Solvency and capital requirements*").

Solvency II is divided in three pillars:

– *Pillar 1* sets out quantitative requirements, including the rules to value assets and liabilities (in particular technical provisions) to calculate capital requirements and to identify eligible own funds to cover those requirements.

– *Pillar II* sets out the requirements for risk management, governance, as well as the details of the supervisory process with competent authorities; this is intended to ensure that the regulatory framework is combined with each undertaking's own risk management system and informs business decisions. Insurers are required to carry out an Own Risk and Solvency Assessment ("**ORSA**"), which shall be reviewed by the supervisor, i.e. the DGSFP. Pillar 2 includes "prudent person" investment principles. Supervisors can also impose capital additions for governance failings.

– *Pillar III* addresses transparency, reporting to supervisory authorities and disclosure to the public, thereby enhancing market discipline and increasing comparability. Includes a public Solvency and Financial Condition Report ("**SFCR**") and a private Regulatory Supervisory Report (RSR). The aim of these public disclosures is to harness market discipline by requiring firms to publish certain details of their risks, capital and risk management.

Capital requirements

Capital requirements are forward looking and tailored to the specific risks borne by each undertaking. They are defined along a two-step ladder:

– The Solvency Capital Required ("**SCR**"), which corresponds to the value at risk of the eligible basic own funds of an insurance undertaking subject to a confidence level of 99.5% over a one-year period. The SCR is the level of financial resources that enables an insurance undertaking to absorb significant losses, it can be considered as a prudent amount of assets to be held in excess of liabilities and it is a warning mechanism if breached.

  Generally, the SCR is to be calculated at least once a year, monitored on a continuous basis, and recalculated as soon as the risk profile of the undertaking deviates significantly using either a standard formula or, with regulatory approval, an internal model. Linea Directa calculates and monitors SCR on a quarterly basis. If the level of own funds is not sufficient to cover the SCR, the supervisory authority may require the insurance or reinsurance undertaking to take appropriate measures to restore the level of capital (e.g. raising own funds through capital increase or reduction of risk profile through sale of riskier assets).

  Based on the standard formula, the SCR is determined as follows: SCR = Basic Solvency Capital Required ("**BSCR**") + operational SCR + Adjustment:

  1. The BSCR combines capital requirements for major risk categories: (i) non-life underwriting risk; (ii) health underwriting risk; (iii) life underwriting risk (not applicable for Linea Directa); (iv) market risk and (v) counterparty risk. Such modules are factored into a correlation matrix.
  2. Operational risk is the risk of loss arising from inadequate or failed internal processes, or from personnel and systems, or from external events. Operational risk should include legal risks, and exclude risks arising from strategic decisions, as well as reputation risks. The operational risk module is designed to address operational risks to the extent that these have not been explicitly covered in other risk modules.

3. An adjustment, which may include, for example, the loss absorbing capacity of deferred taxes. This could comprise a reduction in a balance sheet deferred tax liability, as this would no longer be fully payable in a stressed scenario.

- The Minimum Capital Required ("**MCR**") corresponds to an amount of eligible basic own funds below which policyholders and beneficiaries would be exposed to an unacceptable level of risk if the insurance undertakings were allowed to continue operations. The MCR is a minimum level of eligible basic own funds below which the amount of insurance undertakings financial resources should not fall, otherwise supervisory authorities may withdraw authorisation (if those undertakings are unable to re-establish the amount of eligible basic own funds at the level of the MCR within a short period of time).

- The MCR is calculated as a linear function of specified variables calibrated to the value-at-risk of the basic own funds of an insurance undertaking subject to a confidence level of 85%, over a one-year period., it cannot fall below 25% or exceed 45% of the insurance undertaking's SCR and it is subject to an absolute floor. Attending to this linear function, the Company's MCR as at 31 December 2020 corresponds to 45% of the SCR.

Valuation approach

The fulfilment of the primary objective of valuation requires the effective implementation of an economic, market-consistent approach to the valuation of assets and liabilities. According to the risk-based approach of Solvency II, when valuing balance sheet items on an economic basis, undertakings need to consider the risks that arise from a particular balance sheet item, using assumptions that market participants would use in valuing the asset or the liability.

According to this approach, insurance and reinsurance undertakings value assets and liabilities as follows: (i) assets should be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction; (ii) liabilities should be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction.

IFRSs do not always require an economic valuation as envisaged by Article 75 of Solvency II. For those cases, specific guidance is provided for the application of IFRSs as the default valuation framework. Special mention is needed for technical provisions.

Technical provisions

Technical provisions comprise premium provisions and claims provisions and are equal to the sum of a best estimate and a risk margin.

Best estimate

The best estimate is the probability-weighted average of future discounted cash flows. All assumptions utilised should be best estimate assumptions, with no prudential margins. Insurance companies must take into account all relevant available data, both internal and external, when arriving at assumptions that best reflect the characteristics of the underlying insurance portfolio. For each currency and maturity, the basic risk-free interest rates used to discount future cash flows are derived from interest rate swap rates, adjusted for credit risk.

Risk margin

The risk margin is intended to ensure that the value of the technical provisions is equivalent to the amount that insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations. It is calculated by estimating the cost of capital equal to the SCR necessary to support the insurance and reinsurance obligations over their lifetime in respect of those risks which cannot be hedged – these include underwriting risk, reinsurance credit risk, operational risk and "unavoidable market risk".

Own funds

Under Solvency II, a capital undertaking is defined as "own funds". Basic own funds broadly refers to capital that already exists within such undertaking. Ancillary own funds refers to capital that may be called upon in certain adverse circumstances, but which does not currently exist within the undertaking (e.g. unpaid share capital). Basic own funds, as a concept, is further divided into three Tiers reflecting permanence and the ability to absorb losses:

- Unrestricted Tier 1 items offer maximum loss-absorption capacity. It includes paid-in ordinary share capital plus the related share premium account. It also includes surplus funds meeting the full requirements for subordination and permanence, and a reconciliation reserve (i.e. the total excess of the market value of assets minus liabilities reduced by own shares held by the insurance undertaking, foreseeable dividends, distributions and charges, and basic own funds included above). These items must at least absorb loses in the event of non-compliance with the SCR.

  Restricted Tier 1 own funds include Tier 1 items which are not suitable to be included as unrestricted, such as fully paid-in undated subordinated preference shares and undated paid-in subordinated liabilities.

  The loss absorption mechanism consist on (i) an automatic writing down of the liability (principal and dividend or coupon) into ordinary shares, and (ii) a use of an equivalent mechanism.

  Tier 1 items would be converted into capital in the event of any of the following events:

  1. There is a default on the SCR (i.e. the Solvency II Ratio falls below 100%) for more than three consecutive months.
  2. There is a fall in the Solvency II Ratio below 75% of the SCR.
  3. A breach of the MCR occurs.

- Tier 2 own funds are defined as basic own funds items that do not fulfil the criteria for unrestricted or restricted Tier 1 own funds. This includes cumulative preference shares, called-in share capital and subordinated liabilities with a shorter duration. Unlike Tier 1 instruments, the principal need not be written down or converted following a serious breach of the solvency requirement (e.g. the 'loss absorption mechanism' referred to above). All distributions/coupons on Tier 2 own funds must be suspended following a breach of the SCR.

- Any basic own funds that do not meet the requirements to be categorised as Tier 1 or Tier 2 own funds, are categorised as Tier 3 own funds. This includes deferred net tax assets.

The list of own funds and the features determining their classification as such are contained in the Solvency II Delegated Regulation.

100% of Linea Directa's own funds are classified as unrestricted Tier 1 capital.

Eligibility of own funds

At least 50% of the SCR must be covered by Tier 1 capital and no more than 15% of the SCR can be covered by Tier 3. In addition, at least 80% of the MCR has to be met by Tier 1 items and the remainder must be covered by Tier 2 capital. Tier 3 basic own funds items and ancillary own funds items are not eligible for the purposes of covering the MCR.

Unrestricted Tier 1 own funds shall make up at least 80% of total Tier 1 funds.

Own Risk and Solvency Assessment

Insurance undertakings are required to regularly conduct an ORSA through which they review their overall solvency needs, risk tolerance limits, business strategy, compliance with capital requirements and the significance with which the risk profile of the undertaking concerned deviated from the assumptions underlying the SCR. The ORSA is also a monitorisation tool for the supervisory authorities, which must be informed about its results. The ORSA does not require an undertaking to develop or apply a full or partial internal model. However, if the undertaking already uses an approved internal partial or full model for the calculation of the SCR, the output of the model should be used in the ORSA.

Solvency II is not just a reporting framework, but a risk management framework with implications for capital allocation, risk mitigation activities and performance management. The Solvency II regime may also have an impact on the optimal product mix for the Company, since some asset classes may become relatively more or less attractive as a result of their lower or higher capital requirements, and on product design.

Capital position

Consolidated total equity amounted to €467,359 thousand as at 31 December 2020 (€325,060 thousand and €288,204 thousand as at 31 December 2019 and 2018, respectively):

	12/31/2020	12/31/2019	12/31/2018
Equity	**422,727**	**287,881**	**273,634**
Share capital	37,512	37,512	37,512
Subscribed capital	37,512	37,512	37,512
Reserves	250,369	236,122	213,455
Legal and bylaw reserves	9,046	9,046	9,046
Other reserves	241,323	227,076	204,409
Result for the year	134,846	107,295	117,211
Less (Interim dividend)	-	(93,048)	(94,544)
Valuation change adjustments	**44,632**	**37,179**	**14,570**
Available-for-sale adjustments	44,632	37,179	14,570
TOTAL EQUITY	**467,359**	**325,060**	**288,204**

Figures in thousand euro

The evolution of consolidated shareholders' equity includes:

– available for sale adjustments amounting to €44,632 thousand as at 31 December 2020, an increase of €7,453 thousand when compared to the previous year, reflecting the resilience and prudent nature of the investment portfolio (available for sale adjustments stood at €37,179 thousand at the close of 2019, an increase of €22,609 thousand compared to 2018 on the back of lower interest rates, which increased the value of the Group's fixed income portfolio) (see "*Operational and Financial review*" and "*Business Overview – Investments*");

– the result for the year amounting to €134,846 (107,295 thousand and 117,211 thousand as at 31 December 2019 and 2018, respectively); (see "*Operational and Financial Review*")

– no dividends were approved in 2020 following EIOPA's restriction on dividend payments and €93,048 and €94,544 thousand on account of 2019 and 2018 results (see "*Financial Information"*).

Furthermore, the Company has no subordinated liabilities nor financial debt.

Company's solvency

Company's Solvency Capital Requirement (SCR)

The following tables shows the SCR calculation, broken down into is different modules. SCR as at 31 December 2020 amounted to €190,725 thousand:

	12/31/2020	**12/31/2019**	**12/31/2018**
Non-life Underwriting risk	161,004	161,007	167,878
Market risk	113,510	104,548	94,357
Counterparty risk	15,291	15,886	15,833
Health risk	2,778	2,233	1,436
Diversification[84]	(65,218)	(62,201)	(58,725)
Basic solvency capital requirement (BSCR)	**227,365**	**221,473**	**220,779**
Operational risk	26,935	26,092	24,796
Adjustment for the loss-absorbing capacity of taxes[85]	(63,575)	(61,891)	(61,394)
Solvency capital required (SCR)	**190,725**	**185,674**	**184,181**

Figures in thousand euro

Company's own funds

When valuing assets and liabilities for the purposes of Solvency II, the Company employs different criteria from those used by it when elaborating its financial statements under certain relevant headings (See "*Valuation approach*"). These differences in valuation lead to certain discrepancies between the IFRS book equity and the surplus of assets over liabilities for Solvency II.

No significant valuation differences arise in the valuation of assets, as the investment portfolio is valued at market value in both cases (an exception to this are unrealised gains on property). Further,

[84] Underwriting, market, counterparty and health risks modules are factored into a correlation matrix.

[85] The loss-absorbing capacity of deferred taxes adjustment is meant to reflect the fact that new deferred tax assets would have to be booked arising from the stresses applied in the SCR calculation, hence resulting in the increase of Own Funds on the Solvency II balance sheet.

the heading "prepaid fees and commissions" is included under the provision for premiums in Solvency II. Intangible assets are valued at zero. On the liability side, the major difference is the adjustment in technical provisions, the amount of which is lower for Solvency II and it is valued at the market value of this liability (see *"Best estimate and Risk margin*").

Eligible own funds for Solvency II purposes amounted to €406,011 thousand as at 31 December 2020, of which 100% are unrestricted Tier 1. The Company's own funds as at 31 December 2020 were also adjusted by the extraordinary dividend of €120 million paid to Bankinter prior to Admission and approved on 5 April 2021.

	12/31/2020	12/31/2019	12/31/2018
Minimum capital required (MCR)	**85,826**	**83,553**	**82,881**
Solvency capital required (SCR)	**190,725**	**185,674**	**184,181**
Total eligible own funds	**406,011**	**391,162**	**385,270**
of which Tier 1 unrestricted	*100%*	*100%*	*100%*
Coverage ratio (MCR)	**473%**	**468%**	**465%**
Solvency II Ratio (SCR)	**213%**	**211%**	**209%**

Figures in thousand euro

Solvency II Ratio is calculated by dividing eligible own funds by the SCR, thus resulting in a Solvency II Ratio of 213% and a surplus of €215,286 thousand. The Solvency II Ratio more than doubles the SCR requirements as at 31 December 2020 (211% and 209% as at December 2019 and 2018, respectively).

The Solvency II Ratio was calculated:

– excluding Linea Directa Aseguradora's subsidiaries, as their corporate purposes are auxiliary insurance services (see "*Organisational Structure*") whose recipient is almost entirely the parent company. Not being any insurance or reinsurance undertaking, there is no obligation to present the solvency reports at a Group level;

– applying the standard formula in accordance with the Commission Delegate Regulation (EU) 2015/35 and its subsequent modifications;

– applying its own Undertaking Specific Parameters ("**USP**") in the Premium risk, Motor-other guarantees module, pursuant to the authorisation received by Linea Directa on April 18th 2016 from the DGSFP to use its own USPs in the abovementioned segment (see "*Regulatory Environment*"). Such USPs allow the Company to use its own data to calibrate the parameters in the underwriting risk module and have been used ever since. The Company reviews the value of said parameters on a yearly basis with up-to-date data and according to the stablished methodology.

This Solvency II Ratio is a risk indicator that is monitored and taken into account by the Company's Board of Directors for the execution of the capital management policy (establishment of a shareholder dividend policy, investment policy decisions, etc.) and on the business strategy (launch of new products or business lines, acquisition of risk mitigators, etc.).

8.2 Explanation of the sources, amounts of and a narrative description of the Company's cash flows

The Company sources of cash mainly consist of premiums collected upfront, investment income and proceeds from the sale and redemption of investments. The Group uses cash to pay claims, claim related and other operational expenses, acquire new securities and to pay dividends. The cash flow statement as at 31 December 2020, 2019 and 2018 is shown in the table below:

	12/31/2020	12/31/2019	12/31/2018
Total net cash flows from operating activities	**106,320**	**65,641**	**93,508**
Total net cash flows from investing activities	**(54,622)**	**9,350**	**(47,769)**
Total net cash flow used in financing activities	**(33,866)**	**(96,913)**	**(27,704)**
Effect of changes in exchange rates	(269)	83	(176)
Total increase/(decrease) in cash and cash equivalents	**17,563**	**(21,839)**	**17,859**
Cash and cash equivalents at beginning of year	**144,937**	**166,776**	**148,917**
Cash and cash equivalents at end of year	**162,500**	**144,937**	**166,776**

Figures in thousand euro

Cash flows from operating activities

The Group has consistently generated positive cash flow from operations given its underwriting strength and positive technical results*. Cash flows from operating activities consist of:

(i) premiums collected (€896,421 thousand, €890,572 thousand and €847,226 thousand for the years ended 2020, 2019 and 2018, respectively) and claims payments (€532,496 thousand), €589,444 thousand and €521,547 thousand in 2020, 2019 and 2018, respectively;

(ii) inflows from the QS reinsurance commissions (€3,832 thousand, €3,784 thousand and €3,878 thousand as at 31 December 2020, 2019 and 2018, respectively) and reinsurance covered claims (€6,667 thousand, €5,318 thousand and €1,257 thousand as the close of 2020, 2019 and 2018, respectively) and outflows from the purchase of reinsurance protection (€18,356 thousand, €11,911 thousand and €9,110 thousand as at 31 December 2020, 2019 and 2018, respectively);

(iii) other operational cash inflows, such as the reimbursement of claims from property damage settlements agreements' (see "*Historical financial information for financial years 2020,2019 and 2018"*) amounting to €28,916 thousand, €25,493 thousand and €23,196 thousand in 2020, 2019 and 2018, respectively;

(iv) Other operational cash outflows, such as marketing and call centre payments, general expenses and taxes paid.

Cash flow from operating activities increased in 2020 by €40,679 thousand (62.0% YoY), on the back of lower accident frequency as a result of the mobility restrictions which were imposed. Premium income remained stable.

The operating cash flow as at 31 December 2019 was driven by the increase in the Motor loss experience compared to the previous years and also reflects improved speed in claim-related payments.

Cash flow from investment activities

Cash flows from investment activities reflect the activities of the investment portfolio and consist of (i) investment income (coupons, dividends, rental income and other investment income); (ii) the redemption of securities and, (iii) the sale and purchase of new securities in accordance with the Group's guidelines also considering appropriate windows of opportunity (see "*Business Overview – Investments*").

2020 reflects lower proceeds from debt securities and dividends collected, and a lesser amount of security redemptions as compared to the prior year while larger amounts were invested with the supplemental liquidity of the Company.

During 2019 investment income developed according to investment volumes following the business development. The cash provided by the maturities of the fixed income portfolio was reinvested with no exceptional movements.

Larger cash balances kept for an expected increase in interest rates were invested in 2018 with the supplemental liquidity provided by the assigned repo position (where the Company pays a negative interest rate).

Cash flows used in financing activities

Cash flows used in financing activities mainly consist of (i) dividend payments to Bankinter amounting to €28,344 thousand paid in January 2020, corresponding to the interim dividend of 4Q 2019, €103,824 thousand as at 31 December 2019 and €100,750 thousand as at 31 December 2018 (see "*Operating and financial review- Payout ratio"*). No dividends were approved in 2020, following EIOPA's restrictions on dividends distribution (see "*Regulatory Environment"*); (ii) leasing liabilities related to Linea Directa's replacement cars, amounting to €1,616 thousand, €1,583 thousand and €1,291 thousand as at 31 December 2020,2019 and 2018, respectively; and (iii) other payments related to financing activities, the amounts of which correspond to the repo position.

The increase (or decrease) in cash as at 31 December 2020 amounted to €17,563 thousand (€ (21,839) and €17,859 thousand as at 31 December 2019 and 2018, respectively).

Liquidity management

The Company's activities generate liquidity on a daily basis through income obtained from premiums. The Group follows a prudent management of liquidity risk. As a policy, Linea Directa aims at keeping at all times an amount of cash and cash equivalents sufficient to cover any contingency derived from its obligations with policyholders and creditors. Cash balances are monitored on a daily basis, with systematic estimates on the cash generation and cash needs that allow to determine and follow up the cash position of the Group.

As at 31 December 2020, the consolidated cash balances of the company amounted to €162,500 thousand (€144,937 thousand and €166,776 thousand as at 31 December 2019 and 2018, respectively), which represented 14.0% of the Company's consolidated equity and debt securities and property investments and cash (13.8% and 16.4% as of 31 December 2019 and 2018, respectively).

The cash flow is monitored by the Company's Treasury Area and the Investment Committee.

8.3 Information on the borrowing requirements and funding structure of the Company

The Company's capital structure consists of 100% eligible Tier I capital and has never issued debt or entered into any financing agreements in order to finance its operations.

Sections 7.1 and 8.1 provide information on the absence of borrowing and the funding structure of the Company, as at 31 December 2020, 2019 and 2018.

8.4 Restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly, the Company's operations

The main restrictions on the use of capital resources that materially affect the Company's operations are contained in the "*Risk Factors*" - "*Solvency and capital requirements"* and in Section 9 of this Registration Document.

8.5 Information regarding the anticipated sources of funds needed to fulfil commitments referred to in item 5.7.2

All investments made by the Company are funded through the cash flows it obtains from the insurance premiums it receives.

9. REGULATORY ENVIRONMENT

The Company's operations are subject to a wide variety of insurance and other laws and regulations, both from a national and from a European perspective, including regulatory capital and solvency requirements. In general, this regulation schemes are designed to protect the interests of policyholders rather than shareholders (see section "*Risk Factors"* – "*Solvency and capital requirements*").

Linea Directa's principal regulator in Spain is the General Directorate of Insurance and Pension Funds (*Dirección General de Seguros y Fondos de Pensiones*) ("**DGSFP**"), which is Spain's insurance regulator. The DGSFP may at any time conduct regular or unexpected examinations of Linea Directa's operations and accounts and request additional information from the Company, all of which could lead to the DGSFP imposing several sanctions, which include, among others, fines, public admonishments or, in the most serious cases, the revocation of the Company's authorisations to develop its activities.

Additionally, once its Shares are admitted to trading, the Company will be subject to the supervision of the CNMV.

The sections below present a brief outline on the main laws and regulations applicable to Linea Directa on its activity, although, given that the insurance sector is heavily regulated, there are many other laws and regulations applicable to the Company which have not been included and which may affect Linea Directa's operations.

Insurance operations

There are many European and purely Spanish laws and regulations that govern distribution practices, standards of solvency, levels of capital and reserves, permitted types and concentration of investments and business conduct to be followed by Spanish insurance companies.

Specifically, among others, Law 20/2015 and Royal Decree 1060/2015, of 20 November, on planning, supervision and solvency of the insurance and reinsurance entities (*Real Decreto 1060/2015, de 20 de noviembre, de ordenación, supervisión y solvencia de las entidades aseguradoras y reaseguradoras*) establishes the regulatory framework for the Company's operations as an insurance company in Spain.

In order to conduct its business, Linea Directa is authorised for the following insurance classes: (i) accidents; (ii) sickness (solely for the health assistance subclass); (iii) land vehicles (other than railway rolling stock); (iv) fire and natural forces; (v) other damage to property; (vi) motor vehicle liability; (vii) general liability; (viii) miscellaneous financial loss; (ix) legal expenses; and (x) assistance.

In its insurance distribution and commercialisation activity the Company is also subject to several laws and regulations. Such regulations include Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution, as transposed to the Spanish legislation by Royal Decree-Law 3/2020, of 4 February, of urgent measures by which several directives of the European Union in the sphere of public contracting in certain sectors; private insurance; pension plans and funds; and tax and tax litigation are incorporated to the Spanish legislation (*Real Decreto-ley 3/2020, de 4 de febrero, de medidas urgentes por el que se incorporan al ordenamiento jurídico español diversas directivas de la Unión Europea en el ámbito de la contratación pública en determinados sectores; de seguros privados; de planes y fondos de pensiones; del ámbito tributario y de litigios fiscales*).

Regulatory capital and solvency requirements

Linea Directa is subject to the regulatory capital requirements established in Spanish legislation, specifically, in Solvency II Directive and in Law 20/2015, which incorporates to Spanish legislation Solvency II Directive's regulatory system (see "*Capital Resources*").

In the event of a failure by the Company to meet the applicable regulatory capital requirements (including the MCR and the SCR), the DGSFP has broad authority to require or take various regulatory actions, including limiting or prohibiting the issuance of new business, prohibiting payment of dividends or other shareholder distributions, and/or putting a company into rehabilitation or insolvency proceedings.

The DGSFP exercises a wide range of supervisory powers over Linea Directa including, among others and in general, those established in article 113 of Law 20/2015, which would be fully applicable to prevent, control and reverse the situation of non-compliance with the solvency capital requirement. It must be noted that, other than the consequences which the investment strategy has in the capital requirements of the Company, Solvency II does not establish any limitations on the investments which an insurance company may make. Instead, insurers will be free to invest according to the "prudent person principle"[86] and capital requirements will depend on the actual risk of investments. For instance, a greater proportion of equity securities would entail augmented capital requirements under the "market risk" module.

Actions in situations of financial impairment are managed by the DGSFP on the basis of the provisions contained in articles 155 and subsequent of Law 20/2015 which, among other matters, provide for:

– Linea Directa´s obligations to implement procedures aimed at detecting the deterioration of its financial situation and to inform the DGSFP within a maximum period of ten days of the occurrence of such deterioration, as well as when there is a risk that such a deterioration may occur within the following three months (article 155 of Law 20/2015).

[86] With respect to the whole portfolio of assets, insurance and reinsurance undertakings shall only invest in assets and instruments whose risks the undertaking concerned can properly identify, measure, monitor, manage, control and report, and appropriately take into account in the assessment of its overall solvency needs. All assets, in particular those covering the Minimum Capital Requirement and the Solvency Capital Requirement, shall be invested in such a manner as to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In addition the localisation of those assets shall be such as to ensure their availability.

- If Linea Directa observes a breach of the Solvency Capital Requirement or the risk of it occurring within the following three months, it is obliged to submit a recovery plan to the DGSFP for approval. The DGSFP shall require the institution to adopt and implement, within six months of the observation of the non-compliance or risk of non-compliance, the necessary measures to restore the situation (article 156 of Law 20/2015).

- Also, the insufficiency of eligible own funds to cover the Solvency Capital Requirement is a cause for the adoption of the so-called "special control measures" as regulated in articles 159 and subsequent of Law 20/2015, which allow for a variety of supervisory tools, which will take effect, in Spain and, where appropriate, in accordance with the provisions of its legislation, in all EU Member States. The special control measures that can be adopted are diverse, including the possibility to request the Company to prepare a short-term financing plan, to have a recovery plan to restore its financial situation, prohibiting the disposal of the assets of Linea Directa and its subsidiaries, or prohibiting them from performing acts of management and disposal, assuming new debts, distributing dividends, taking out new insurance or admitting new members. Furthermore, if the shortfall of eligible own funds to cover the Solvency Capital Requirement exceeds twenty percent, the regulations provide for an extended catalogue of additional special control measures which could even go as far as temporarily replacing the management bodies of the institution (article 161 of Law 20/2015).

- In addition, as a special control measure complementary to those provided for in Article 160 and 161 of Law 20/2015, the DGSFP may agree to the intervention of the institution to ensure proper compliance.

- Non-compliance with the obligation to hold eligible own funds to cover the Solvency Capital Requirement may be considered a very serious, serious or minor infringement, when this non-compliance results in a deviation equal to or greater than 20 per cent, between 20 and 10 per cent, or less than 10 per cent respectively (articles 194 to 196 Law 20/2015). The penalties applicable in each of these cases to the Company, as well as to those who, under any title, exercise effective management and those who perform the functions that make up the governance system, are regulated in articles 198 and following Law 20/2015.

Solvency II does not provide for a harmonized recovery and resolution framework (as does Basilea II for financial entities), although EIOPA, in its review of Solvency II (see "*EIOPA's opinion on Solvency II*"), is considering whether a minimum recovery and resolution framework would contribute to ensuring similar level of protection to policyholders across the European Union.

The solvency requirements and regulations do not establish limitations on the investment strategy of the Company other than the consequences which such investment strategy can have in the solvency capital requirements of each insurance company.

The Company plans its capital needs for a three-year horizon. Further, the Board of Directors establishes a risk appetite at a solvency ratio of 150%. Should the solvency ratio fall below that minimum threshold, the Company may take some measures in order to restore such a solvency ratio, such as (i) reducing the dividend (ii) reducing its exposure to equities and currency risk (iii) reducing counterparty risk (by diversifying deposits and instruments) (iv) issuing "hybrid" capital instruments (eligible as capital, Tier 1 or Tier 2) or (v) increase capital.

Dividends and variable remuneration policies in the context of Covid-19.

With regards to dividends and variable remuneration policies of insurance companies, on 30 June 2020 the DGSFP published a report on the application of the EIOPA opinion on variable remuneration policies and dividends distribution.

As regards EIOPA's opinion on variable remuneration policies, EIOPA considers there is an appropriate balance between fixed and variable remuneration when the variable component does not exceed 100% of the fixed component of the total remuneration of each member of what is called the Identified Group (including, among other and as a way of example, the Directors and the Senior Management), or as otherwise provided by the supervisory entity from time to time. EIOPA considers that the measurement of performance of this kind of variable remuneration has to include downward adjustment such as *malus* and clawback clauses.

According to such report, the DGSFP does not prohibit the possibility of distributing dividends, nor specifies quantitative restrictions. However, there are qualitative implications which the Board of Directors of the Company shall consider prior to any proposal for the distribution of dividends, on the basis of an extremely prudent analysis.

In particular, the Board's analysis shall verify the following elements: (i) that the distribution does not imply a detriment to either the patrimonial, financial and solvency situation nor the necessary liquidity position of the Company, (ii) that a prospective assessment of the Company's global solvency needs is carried out, taking into account the uncertainty about the depth, severity and duration that the impacts of COVID-19 could have both in the financial markets and in the economy as well as in the business models and financial, patrimonial and solvency position, and (iii) that a dialogue with the supervisor is to be initiated well in advance in order to ensure an appropriate assessment and decision-making process and to facilitate the analysis on a case-by-case basis.

On this regard, and in relation with the EIOPA statement of 2 April 2020 on dividend distribution and variable compensation policies, the DGSFP has established that in the context of the COVID-19 crisis, all (re)insurers should take measures to preserve their capital position in balance with the protection of the insured, following prudent dividend and other distribution policies, including variable remuneration.

In exercising this prudence, (re)insurers should ensure that their assessment of the overall solvency needs is forward-looking, taking due account of the current level of uncertainty on the depth, magnitude and duration of the impacts of COVID-19 in financial markets and on the economy and the repercussions of that uncertainty in their solvency and financial position (see *"Risk factors – Solvency and capital requirements*").

In addition, the ESRB, on 27 May 2020, issued recommendation for all financial institutions (including insurers) to refrain from making dividends distributions until 1 January 2021, hence maintaining a sufficiently high amount of capital to mitigate systemic risk and contribute to economic recovery.

EIOPA's opinion on Solvency II

EIOPA provided its technical advice of Solvency II in form of an opinion on 17 December 2020. EIOPA's opinion on the Solvency II directive is part of the process to review the Solvency II Directive. The measures proposed aim at keeping the regime fit for purpose by introducing a balanced update of the regulatory framework, reflecting better the economic situation and completing the missing elements from the regulatory toolbox. EIOPA's approach focuses on improving the existing regulation based on the prudential experience during the first years of application and taking into account the changes in the economic context. In this sense, EIOPA advises to change the way capital requirements for interest rate risk are calculated, presenting a standard formula with a relative shift approach and parameters that may vary in function of maturity.

From a prudential perspective, EIOPA is of the view that overall, the Solvency II framework is working well and no fundamental changes are needed at this point in time, but a number of amendments are required to ensure that the regulatory framework continues as a well-functioning risk-based regime. Such opinion may lead to further regulatory changes, mainly centered in life-insurance measures with minor impact on the Company.

Overall, three broad themes emerged from the prudential and economic context:

(i) the need for proper recognition of the economic situation, notably with respect to the capital requirement for interest rate risk. The current interest rate requirement does not reflect the steep fall of interest rates experienced during the least years and ignores the existence of negative interest rates. Further, risk calibration (interest rate shock) is adjusted;

(ii) balanced updating of the current regulatory framework. EIOPA proposes changes in several areas but with a balanced overall impact on insurers, consistent with the belief that the Solvency II framework has been effective so far;

(iii) the need to supplement the current micro prudential framework with the macroprudential perspective (a toolbox completion including the introduction of specific tools and measures) as well as the need to develop a minimum and harmonised recovery an resolution framework in order to contribute to ensuring similar level of protection to policyholders across the European Union.

    The latter is specifically reflected in the requirement to prepare an Own Risk and Solvency Assessment report ("**ORSA**") which must expand in such a view, by which (re)insurance undertakings must be able to facilitate information in regards to macroprudential concerns to regulators.

For further information regarding EIOPA's main terms and opinions on Solvency II review, see *"Risk Factors – Solvency and capital requirements"*.

International Financial Reporting standards

International Financial Reporting Standards, as implemented in the European Union based on Regulation (EC) Nº 1606/2002, of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, as amended from time to time ("**IFRS-EU**"), apply for the consolidated accounts of the EU listed companies. IFRS-EU may lead to significant changes in the requirements for presenting financial information, as well as data on business, operating results and equity.

In particular, the Group's financial results* may be affected by changes to IFRS17 (Insurance Contracts). The main impact identified will be due to the change in the valuation of provision for claims, as IFRS17 is more similar to Solvency II Directive valuation (including the risk adjustment) than the current accounting standards. The adjustment is expected to have a positive effect in the Company's own funds as regulated in Solvency II Directive.

The impacts in the future profit and loss accounts are not expected to be significant, being the two main differences, the timing in the recognition of onerous contracts and the redistribution between operational and financial results*.

Spanish insurance clearinghouse (Consorcio de Compensación de Seguros)

The Spanish insurance clearinghouse (*Consorcio de Compensación de Seguros (CCS)*), regulated by Royal Decree 300/2004, of 20 February, approving the Regulation on insurance of extraordinary risks (*Real Decreto 300/2004, de 20 de febrero, por el que se aprueba el Reglamento del seguro de riesgos extraordinarios*) ("**Royal Decree 300/2004**") covers extraordinary risks and plays an important part in mitigating natural catastrophe risks in the Spanish insurance sector.

The CCS covers principally the following scenarios:

– Damages caused by natural phenomena such as extraordinary floods, earthquakes, tidal waves, volcanic eruptions, atypical cyclonic storms and falling sidereal bodies and aerolites.

– Those caused violently as a consequence of terrorism, rebellion, sedition, riot and civil commotion.

– Acts or actions of the Armed Forces or of the Security Forces and Corps in peacetime.

However, the CCS does not cover the following scenarios.

– Regarding insurance fields: lacking an insurance policy for the claimed goods, or that although it is held, it belongs to a branch to which the Extraordinary Risks system does not extend its cover (or charge any surcharge for it). This would be the case of insurance for freighting of goods, for construction and assembly, for civil liability, for legal defence and travel assistance. The same exclusion may be applied to the policies that cover agricultural productions that may be insured using the Combined Agricultural Insurance (article 4.a of the Regulation for Extraordinary Risk insurance).

– Regarding the direct cause of the claim: there will be no cover for extraordinary risks if the cause of the damages is due to an extraordinary risk that is not included in the different covers for extraordinary risk, mentioned under the covered scenarios above.

– Regarding the damaged goods, there will be no cover of the damages if these were produced as a result of a defect or fault of the article in question and not due to any of the extraordinary risk covers.

– Regarding the type of damages: whereas they are indirect damages or losses of any type derived from direct or indirect damages other than the loss of profit included in the extraordinary risk cover, laid down in the Regulation. For example, those caused by alterations in the supply of any type of energy are not covered. The loss of profits as a result of the damages suffered by other articles or by the damages suffered by other individuals or corporate bodies than the policy holder, due to, amongst others, the goods or services that they are owing and cannot supply to the policy holder as a result of an extraordinary event.

As a consequence of the role played by the CCS, the insurance premiums for personal and material damages of the policies issued in Spain include a surcharge intended to provide the CCS with resources. This surcharge is paid solely by the insurer, while the insurance companies are merely in charge of collecting them upon the billing of each premium. The surcharges collected by the

Company as at 31 December 2020 were of €17,195,156.17 (€16,291,205.26 and €16,090,455 as at 31 December 2019 and 31 December 2018, respectively).

The surcharges in favour of the CCS are divided into three categories: (i) surcharge for the coverage of Extraordinary Risks, direct damage to persons and property (life and accidents), and pecuniary losses, (ii) surcharge on Compulsory Motor Vehicle Liability Insurance (SOA) and (iii) surcharge for the financing of the Clearing and Settlement Activity of Insurance Entities (CLEA).

As a way of example, for a Motor policy with all-risk coverage, the surcharges in favour of the CCS would include (i) the surcharge for the coverage of direct damages to persons and property, amounting to €2.10 and 0.003‰ of the insured capital, respectively, (ii) the SOA surcharge, corresponding to a 1.5% of the premium amount covered by the Compulsory Motor Vehicle Liability Insurance, and (iii) the CLEA surcharge, corresponding to a 1.5‰ of the commercial premium.

10. TREND INFORMATION

10.1 A description of (i) the most significant recent trends in production, sales and inventory, and costs and selling prices since the end of the last financial year to the date of this Prospectus; and (ii) any significant change in the financial performance of the Company since the end of the last financial period for which financial information has been published to the date of the Prospectus, or provide an appropriate negative statement

The most significant recent trends in premiums, claims and expenses until 31 December 2020 are included in section 18.2 of this Registration Document. There are no additional significant recent trends in production, sales and inventory, and costs and selling prices until the date of this Prospectus worth noting.

Since 31 December 2020 and until the date of this Prospectus, there have been no significant changes in the financial performance of the Group.

10.2 Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for at least the current financial year

As the date of this Prospectus, the specific impact of the Covid-19 pandemic on the Company's business going forward is difficult to ascertain and will depend on future economic developments.

Notwithstanding this, the main impact of the Covid-19 pandemic on the Company's operations as at 31 December 2020 include (i) lower new business volumes (yet the Company's consolidated premiums had a modest increase of 0.8% at year-end); (ii) a significant decrease in the loss experience in the motor line of business and (iii) a strong loss, in the investment portfolio as at March 2020, however this drop has been completely recovered at the close of 2020 (See: "*Risk factors - Global and domestic macroeconomic conditions could have a material adverse effect on the Group's business, financial condition and results of operations*" and section "*Operating and financial review – A fair review of the development and performance of the issuer's business").*

11. PROFIT FORECASTS OR ESTIMATES

As at the date of this Prospectus, there are no profit forecasts or estimates, outstanding and valid or otherwise, published by the Company.

12. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

12.1 **Names, business addresses and functions within the issuer, and additional information, of the members of the administrative, management or supervisory bodies of the Company and members of senior management**

12.1.1 ***Members of the administrative, management or supervisory bodies of the Company***

The Company's Bylaws (*estatutos sociales*) provide, in accordance with Capital Companies Act, that the Board of Directors will be responsible for the representation and management of the Company, subject to the provisions of the Company's Bylaws, which provided for certain matters expressly reserved to the Shareholders' Meetings.

The Company's Bylaws provide for a board of directors that consists of between five and fifteen members (both inclusive), elected to serve for a term of up to four years with no limits with respect to their re-election (except for independent directors, who, according to Royal Decree-Law 1/2010, of 2 July, approving the restated text of the Capital Companies Act –the "**Capital Companies Act**", cannot be considered as independent directors when they have held the position of director for a continuous term of more than twelve years). Following and subject to the registration of this Prospectus with the CNMV, the Company's Board of Directors will be comprised of seven members. If a Director does not serve out his or her term, the Board of Directors may fill the vacancy by appointing a replacement director (who, pursuant to Article 529 *decies* 2.a) of the Capital Companies Act, does not necessarily need to be a shareholder) to serve until the next shareholders' meeting is held (*nombramiento por cooptación*). Any natural or legal person may serve on the Board of Directors, except for persons specifically prohibited by applicable law, the Company's Bylaws and the Board of Directors Regulations. A Director may be removed from office by the shareholders at a shareholders' meeting even if such removal is not included on the agenda for that shareholders' meeting. In accordance with article 529 bis. 1 of the Capital Companies Act as amended by Law 5/2021, of 12 April, which amends the Capital Companies Act and other financial regulations as regards to the encouragement of long-term shareholder engagement (the "**Law on Encouragement of Long-term Shareholder Engagement")**, the directors cannot be legal entities.

The Chairman of the Board of Directors is appointed among its members. As at the date of this Prospectus, Mr. Alfonso Botín-Sanz de Sautuola is the Chairman of the Board of Directors, who will represent the Company at the highest level and is responsible for the effective functioning of the Board of Directors.

Prior the registration of this Prospectus, Mr. Alfonso Botín-Sanz de Sautuola has executive responsibilities in the Company and therefore has the condition of executive director but, upon the registration of this Prospectus, he has abandoned such executive responsibilites and will therefore have the condition of proprietary director in representation of Cartival, S.A.

The Deputy-Chairman of the Board of Directors, if any, shall be elected from among the members of the Board of Directors.

According to Article 529 *septies* 2 of the Capital Companies Act and section II of Title III of the Bylaws and Title VII of the Board of Directors Regulations, if the Chairman of the Board of Directors is an executive Director, an independent coordinating Director (*consejero independiente coordinador*) (the "**Lead Independent Director**") shall be appointed from among the independent Directors of the Board of Directors with the abstention of the executive Directors. The Lead

Independent Director is empowered; (i) to request the call of the meetings of the Board of Directors; (ii) to include new items on the agenda for a Board of Directors meeting already called; (iii) to coordinate and meet with the non-executive Directors and communicate their concerns to the Chairman, (iv) to act as chairman at the Board of Directors' meetings in the absence of the Chairman of the Board of Directors and, if any, the Deputy-Chairman of the Board of Directors; (v) to keep in touch with investors and shareholders in order to know their views and form an opinion on their concerns, in particular with regard to the Company's corporate governance; (vi) to coordinate the plan for the succession of the Chairman of the Board of Directors; and (vii) to lead the regular evaluation of the Chairman of the Board of Directors. Upon registration of this Prospectus with the CNMV, no independent coordinating Director will be appointed given that the President of the Board of Directors will not be an executive director.

The Secretary and, where appropriate, the Deputy-Secretary of the Board of Directors, do not need to be Directors, in which case they will have the right to voice their views but not the right to vote decisions.

The Board of Directors shall be responsible (unless it falls to the General Shareholders' Meeting) for approving the non-delegable matters provided for in the law and, in all cases, pursuant to articles 249 *bis* and 529 *ter* of the Capital Companies Act, the Company's Bylaws and the Board of Directors Regulations, the following non-delegable matters:

(i) The determination of the Company's general policies and strategies, and in particular, the approval of the strategic or business plan, the annual management objectives and budget, the investment and financing policy and the dividend policy, both at individual and group level.

(ii) Determining the risk control and management policy, including tax, risks and supervising internal information and control systems. To this end, to approve the risk control and management policy, as well as the periodic monitoring of internal information and control systems, including the risks associated with the marketing of products and transparency with customers, as well as compliance with the rules of professional ethics and conduct of the securities market.

(iii) The determination of the fiscal strategy of the Company.

(iv) The determination of the corporate governance policy of the Company and of the group of which it is controlling entity, its organisation and operation and, in particular, the approval and amendment of its own regulations.

(v) Supervision of the effective functioning of any Board Committees created and of the actions of any delegate bodies and executives designated by it.

(vi) The determination of the structure of the group of companies of which the Company is the controlling entity.

(vii) Approval of the financial information to be published periodically by the Company due to its listed status.

(viii) Preparation of the financial statements and management report and their presentation to the general shareholders' meeting, together with any recommendations or proposals directed at safeguarding their integrity.

(ix) Preparation of any kind of report required by law from the managing body, provided that the Transaction referred to in the report cannot be delegated.

(x) The approval of investments or operations of all kinds which, due to their high amount or special characteristics, are of a strategic nature or have a special fiscal risk, unless their approval corresponds to the Shareholders Meeting.

(xi) The approval of the creation or acquisition of shares in special purpose vehicles or entities domiciled in countries or territories considered tax havens, as well as any other transactions or operations of a similar nature which, due to their complexity, could undermine the transparency of the Company and its group.

(xii) The approval, following a report from the Audit and Compliance Committee, of transactions that the Company or companies in its group carry out with directors, under the terms established by law, in the Articles of Association or in Board Regulations, or with shareholders holding, individually or in concert with others, a significant stake, including shareholders represented on the Board of Directors of the Company or of other companies forming part of the same group or with persons related thereto. The directors affected or who represent or are related to the shareholders affected must abstain from participating in the deliberation and voting on the resolution in question. Only transactions that simultaneously meet the following three characteristics shall be exempted from this approval.

(xiii) Authorisation or dispensation from the obligations deriving from the duty of loyalty and to avoid conflicts of interest in accordance with the provisions of the Board of Directors Regulations, where such authorisation or dispensation does not correspond to the general shareholders’ meeting.

(xiv) The appointment and dismissal of the Company´s Chief Executive Officer, as well as the establishment of the terms of their.

(xv) The appointment and dismissal of executives who report directly to the Board of Directors or any of its members, as well as the establishment of the basic conditions of their contracts, including their remuneration.

(xvi) Decisions relating to directors’ remuneration, within the framework of the Articles of Association and, where appropriate, the remuneration policy approved by the Shareholders Meeting.

(xvii) Call of the general shareholders’ meeting, preparation of the agenda and the proposed resolutions.

(xviii) The powers delegated to the Board of Directors by the Shareholders’ Meeting, unless expressly authorised by the Shareholders’ Meeting to sub-delegate them.

(xix) Interpreting, correcting, implementing and developing the resolutions adopted by the Shareholders Meeting and appointing the persons who must execute the corresponding public or private documents, under the terms and conditions established, where appropriate, by the Shareholders Meeting and resolving any doubts that may arise as a result of the interpretation and application of the Articles of Association and the Board Regulations.

(xx) Any powers delegated to the board of Directors by the General Shareholders’ Meeting, unless the Board has been expressly authorised to further delegate them.

The Company's Board of Directors Regulations state that the Board of Directors, at the proposal of its Chairman and with the vote in favour of, at least, two-thirds of its members, may appoint a Chief Executive Officer (*consejero delegado*), with the powers it deems appropriate and that may be delegated pursuant to the law, the Company's Bylaws and the Board of Directors Regulations. Respecting in all cases the matters reserved to the Board of Directors detailed above, the Chief Executive Officer shall assume responsibility for supervising and coordinating the activities and businesses of the Company and of the Group, as well as its profitable operation, in accordance at all times with the instructions, policies, strategies and objectives established by the Board of Directors.

The exercise of the powers granted to the Chief Executive Officer shall require express and specific authorisation from the Board of Directors of the Company where they involve matters reserved to the decision of the Board of Directors according to the law, the Bylaws or the Board of Directors Regulations. Furthermore, in all cases, the exercise of the powers conferred on the Chief Executive Officer is limited to the scope of the ordinary course of business of the Company.

As at the date of this Prospectus, Mr. Miguel Ángel Merino has been appointed as Chief Executive Officer and will be re-elected following and subject to the registration of this Prospectus with the CNMV. In this regard, on 17 January 2014 the Company, in accordance with article 249 of the Capital Companies Act and following the approval of the Board of Directors, entered into a director's service agreement with the Chief Executive Officer, which will be amended following and subject to the registration of this Prospectus with the CNMV and will remain in force until Mr. Miguel Ángel Merino ceases to be a Director of the Company, or otherwise terminated pursuant to the terms of the agreement.

Pursuant to article 245 of the Capital Companies Act and article 35 of the Board of Directors Regulations, the Board of Directors shall meet at least eight times a year and a minimum of once per quarter and any other time the Chairman considers convenient for the Company. The meetings scheduled may be amended by the Board of Directors or the Chairman, informing the Directors about this as soon as possible. The Chairman of the Board of Directors is also required to call a meeting at the request of three Board members or the Lead Independent Director, if any.

The Company's Bylaws state that the Board of Directors shall be validly assembled provided that the majority of its members are present in person or by valid proxy. Board resolutions shall be adopted by an absolute majority of votes from among the directors present at the meeting, in person or by valid proxy, other than in the events in which the law, the Company's Bylaws or the Board of Directors Regulations require, for the validity of certain resolutions, the vote in favour of a higher number of directors. Except for the appointment of the Chief Executive Officer, the permanent delegation of faculties reserved for the Board of Directors, the appointment of members of the Executive Committee and for the approval or amendment of the Board of Directors Regulations, the current Company's Bylaws and the Board of Directors Regulations do not contain any special majorities to pass any resolution different from those that are established by the legislation in force as at the date of this Prospectus.

As at 31 December 2020, the Company's Board of Directors comprised nine members, including Gonzalo de la Hoz Lizcaino, Alfonso Saez Alonso Muñumer, Miguel Ángel Merino González, Alfonso Botín Sanz de Sautuola y Naveda, María Dolores Dancausa Treviño, Rafael Mateu de Ros Cerezo, Pedro Guerrero Guerrero, John de Zulueta Greenebaum and Antonio Muñoz Calzada.

On 18 March 2021, both John de Zulueta Greenebaum and Ana María Plaza Arregui were respectively re-elected and appointed as members of the Company's Board of Directors by the

General Shareholders' Meeting for a four-year period, the Company's Board of Directors being comprised of ten members from 18 March 2021 until the Prospectus' registration.

Following and subject to the registration of this Prospectus with the CNMV, the Company's Board of Directors will comprise, in accordance with the provisions established in the Bylaws, seven directors (the "**Directors**"). Of such Directors, one will be an executive Director ("*consejero ejecutivo*"), four will be independent Directors ("*consejeros independientes*") and two will be proprietary Directors ("*consejeros dominicales*"). Further information on the members of the Company's Board of Directors following registration is provided below:

Name and Position	Date of appointment/ last re-election (1)	End of office term	Title	Category	Other internal positions within the Company
Alfonso Botín-Sanz de Sautuola y Naveda	16 March 2005 / 15 April 2021	15 April 2025	Chairman	Proprietary (2)	Chairman of the Company / Audit and Compliance & Nominating, Compensation and Corporate Governance Committees member
Miguel Ángel Merino González	16 January 2014 / 15 April 2021	15 April 2025	Chief Executive Officer(3)	Executive	N.A.
Fernando Masaveu Herrero	15 April 2021	15 April 2025	Director	Proprietary (4)	N.A.
Elena Otero-Novas Miranda	15 April 2021	15 April 2025	Director	Independent	Audit and Compliance Committee member
Rita Estévez Luaña	15 April 2021	15 April 2025	Director	Independent	Nominating, Compensation and Corporate Governance Committee member
John de Zulueta Greenebaum	14 January 2015 / 18 March 2021	18 March 2025	Director	Independent	Nominating, Compensation and Corporate Governance Committee Chairman
Ana María Plaza Arregui	18 March 2021	18 March 2025	Director	Independent	Audit and Compliance Committee Chairman

(1) The appointment or re-election of the Board Members, was approved by the General Shareholders' Meeting of the Company held on 18 March 2021, following and subject to the registration of this Prospectus with the CNMV, (except for Mr. John de Zulueta Greenebaum and Mrs. Ana María Plaza Arregui, whose re-election and appointment, respectively, are effective as of 18 March 2021).

(2) Representing Cartival, S.A.

(3) Mr. Miguel Ángel Merino was initially appointed as General Manager on October 21, 2010. He was appointed as Chief Executive Officer on 16 January 2014.

(4) Representing Corporación Masaveu, S.A.

Pursuant to article 38 of Law 20/2015, the Company ensures that, in appointing its effective members of the administrative, management or supervisory bodies of the Company, it takes into account their knowledge and experience relating to the industry to which the Company belongs and that they have a proven track record in the insurance sector. Likewise, the Company verifies it complies with the requirements of commercial honourability regulated in article 18 of Royal Decree 1060/2015, of 20 November, on planning, supervision and solvency of the insurance and reinsurance entities (*Real Decreto 1060/2015, de 20 de noviembre, de ordenación, supervisión y solvencia de las entidades aseguradoras y reaseguradoras*). The Company shall inform the DGSFP, Spain's insurance regulator, of the appointment and changes in the identity of the persons exercising the effective management of the Company or the Group, verifying compliance with the fit and proper requirements laid down in the insurance legislation.

The Secretary of the Board of Directors is Mr. Pablo González-Schwitters.

The Corporate address of the above-referred persons is Isaac Newton, 7, Tres Cantos, 28760 (Madrid).

– **Details of the nature of any family relationship between any Members of the administrative, management or supervisory bodies of the Company.**

As of the date of this Prospectus, the Company is not aware of any family relationship between any members of the administrative, management or supervisory bodies of the Company.

– **Relevant management expertise and experience of the Members of the administrative, management or supervisory bodies of the Company: professional profile.**

Directors' biographical information:

Alfonso Botín-Sanz de Sautuola y Naveda

Date of Birth: 1970

Date of incorporation to the Board of Directors: 16 March 2005

Academic profile: Degree in Economy and classical civilizations in Boston University.

Professional profile: He started his career working for Salomon Brothers in the areas of corporate finance and M&A until 1995. Since 1995, he has been managing different areas in Bankinter in the corporate banking division and has been in charge of the private equity division. He is currently the president of Linea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros and Chief Executive Officer of Cartival, S.A., acting as its representative in the Board of Directors of Bankinter.

Miguel Ángel Merino González

Date of Birth: 13 May 1959

Date of incorporation to the Board of Directors: 16 January 2014

Date of incorporation to the Management Committee: 13 February 1995

Academic profile: Diploma in Insurance, higher degree, with specialisation in Reinsurance. Master's Degree in Motor Insurance and Personal Insurance (M.S.A.) from the *Instituto de Estudios Superiores de Seguros* (INESE).

Professional profile: more than 40 years of experience in the insurance sector, occupying different positions in La Equitativa, S.A de Seguros y Reaseguros, including that of Technical Director of Automobiles. In 1994, he worked as a consultant in Segumex-Inbursa, S.A. in Mexico City until he joined Linea Directa in 1995 as Claims Director.

He was Managing Director of Línea Directa Asistencia between 2007 and 2010, and was subsequently appointed Managing Director of Linea Directa from 2010 to 2014. From this date, he has held the position of Chief Executive Officer of Linea Directa.

Fernando María Masaveu Herrero

Date of Birth: 21 May 1966

Date of incorporation to the Board of Directors: 15 April 2021

Academic profile: Law Degree from the University of Navarra.

Professional profile: He started to work at Masaveu Group in 1993 where he played various roles. Currently, Mr. Masaveu is the Chairman of Masaveu Corporation Group and, within the Group plays, among others, the positions of Chairman of Cementos Tudela Veguín, S.A., Chairman of the Board of Oppidum Capital, S.L. and Chairman of the American companies Masaveu Real Estate US Delaware LLC, Oppidum Renewables USA Inc. and Oppidum Green Energy USA LLC. He is also member of the Board of Directors of American Cement Advisors Inc., Egeo International, Egeo SGPS and Bankinter, where he is also member of its Executive and Remunerations Committees. Finally, he acts as Joint Manager at Flicka Forestal, S.L.

Additionally, he is the Chairman of Fundación María Cristina Masaveu Peterson and of Fundación San Ignacio de Loyola, Patron and Member of the Executive Committee and Heritage Committee of Fundación Princesa de Asturias and International patron of Asociación de Amigos Museo del Prado.

Elena Otero-Novas Miranda

Date of Birth: 6 November 1968

Date of incorporation to the Board of Directors: 15 April 2021

Academic profile: Law Degree in Universidad Complutense of Madrid in 1991. Certificate in Banking and Finance from the London Polythechnic in 1988. Corporate Finance Program and Boards of Directors Program, both from IESE Business School in 2013 and 2016, respectively. First Promotion of the Women to Watch Program from PwC in 2017.

Professional Profile: She started her career as State Attorney between 1993 and 2012. During this period, she compatibilized her job as State Attorney with legal advice in the private sphere. Between 2004 and 2012 she was Director of a Spanish foundation which holds and runes a group in the education field, Fundación Universitaria San Pablo CEU, as well as of this Group Foundation in Catalonia, Fundación Universitaria Abat Oliba between 2012 and 2019. She has also been General Counsel and Secretary of the Board of Directors and its Committees at Sacyr, S.A., a Spanish listed infrastructure and services group from June 2012 to September 2017. She is currently Legal, Regulatory and Corporate Security Director as well as Secretary of the Board of Directors of several companies within the Vodafone Group in Spain.

Rita Estévez Luaña

Date of Birth: 10 January 1973

Date of incorporation to the Board of directors: 15 April 2021

Academic profile: Joint Bachelor's degree in Business Administration and Law in Universidad Pontificia Comillas - Icade (Graduated in Law in 1996 and Business Administration in 1997). Executive Management Program in IESE Business School (PADE).

Professional profile: She has more than 25 years of management experience. Among other management positions, she has been Board member of Deustche Bank OSI (Operational Services Italy) between 2014 and 2016. She has also acted as independent Board member of Telefónica Consumer Finance between 2018 and 2020, and independent Board member of Mutua de Propietarios untill January 2020. She is currently president of the Board of Experian Bureau de Crédito, a position for which she was appointed in 2018.

John de Zulueta Greenebaum

Date of Birth: 23 February 1947

Date of incorporation to the Board of directors: 14 January 2015

Academic profile: Business Administration Degree in Stanford University in 1968. Master in Business Administration in Columbia University in 1976 (Dean's Honours List).

Professional profile: He started his career as consultant at Boston Consulting Group, Inc. between 1976 and 1978, moving into PepsiCo, Inc. in 1979 until 1985. During this period, he was Chief Executive Officer of La Vienesa and Productos PepsiCo. Between 1985 and 1991 he worked for Cadbury Schweppes, as Chief Executive Officer of Schweppes, S.A., Vicepresident of Cadbury Beverages Southern Europe and Chairman of Cadbury Schweppes Spain. Then, between 1991 and 2009, he worked for Sanitas (part of Bupa Group) first as Chief Executive Officer between 1991 and 2005 and then as Chairman. Immediately after, he was Chief Executive Officer of USP Hospitales between 2010 and 2012. Since 2009, he has been Managing Partner of Point Lobos. He currently is the Chairman of the Business Roundtable (*Círculo de Empresarios*), a think tank representing over 200 companies based in Spain, which develops studies in order to advance the Spanish economy.

He has been member of the Board of Directors of Linea Directa since 2015, in which he is also Chairman of the Audit Committee.

Ana María Plaza Arregui

Date of Birth: 21 May 1967

Date of incorporation to the Board of Directors: 18 March 2021

Academic profile: Business and Economics Degree in University of Cordoba. Management Development Program at IESE Business School. Global leadership and Public Policy for the 21st Century in Harvard Kennedy School. Digital Business Program for Senior Management at The Valley Digital Business School and Board of Directors Program in ESADE Business School.

Professional profile: She is a financial expert with more than 25 years' experience as a Chief Financial Officer and a Chief Executive Officer in different companies. She worked as an auditor in PwC from 1991 and in 1995 she moved into the internal audit and consolidation fields of Abengoa. In 1999 she was appointed as CFO of Telvent (IT company), in which she participated in the IPO in 2004, where she was in charge of the Investor Relations and the company's expansion Plan. She was later appointed as CFO of Microsoft in Spain, where she worked for four years. In 2012, she joined the CEOE as the Chief Operating Officer and was later appointed Chief Executive Officer. In 2019, she launched and led a start-up in the technological and education area (Immune Technology Institute).

On the Board practice, she joined the Loyola University Foundation in 2013 and acted as independent Director and President of the Audit Committee of Isolux Corsán, S.L. for one year (July 2016 – July 2017). She is currently serving on two Boards: one listed company (Corporación Financiera Alba, S.A.) and one multinational (Grupo Renault). She's also member of the Board of a Non-profit organization (*Asociación Española Contra el Cáncer* (AECC)) and several Advisory Boards.

<u>Directors' managerial positions and shareholdings:</u>

The table below sets out all entities (except (i) family-owned and asset-holding companies, (ii) holdings in listed companies which are not relevant, (iii) companies within the Group and (iv) any other companies without relevance for the activities of the Company) in which the members of the Board of Directors have been appointed as members of the administrative, management or supervisory bodies or in which they have held shareholdings at any time during the five year period preceding the date of this Prospectus, indicating whether or not each person is still a member of such bodies or holds any shares in any such entities.

Director	Company	Position/Title	Sector	In office
Alfonso Botín-Sanz de Sautuola y Naveda	Cartival, S.A.(1)	Chief Executive Officer	Finance	Yes
	Bankinter, S.A.	Representative of Cartival, S.A. as Board member	Banking	Yes
Miguel Ángel Merino González	-	-	-	-
Fernando Masaveu Herrero	Corporación Masaveu, S.A.	Chairman	Finance	Yes
	Energías de Portugal, S.A.	Board member	Energy	Yes
	Hidroeléctrica del Cantábrico, S.A.	Board member	Energy	Yes
	Naturgas Energía Grupo, S.A.	Board member	Energy	Yes
	Cementos Tudela Veguín, S.A.	Chairman	Infrastructures	Yes
	Oppidum Capital, S.L.	Chairman of the Board of Directors	Private Equity	Yes
	Masaveu Real Estate US Delaware LLC	Chairman of the Board of Directors	Real Estate	Yes
	Oppidum Renewables USA Inc.	Chairman of the Board of Directors	Private Equity	Yes
	Oppidum Green Energy USA LLC	Chairman of the Board of Directors	Energy	Yes
	American Cement Advisors Inc.	Board member	Infrastructures	Yes
	Egeo International Inc.	Board member	-	Yes
	Egeo SGPS, S.A.	Board member	Waste Management	Yes

Director	Company	Position/Title	Sector	In office
	Bankinter, S.A.	Board and Executive and Remunerations Committees member	Banking	Yes
	Flicka Forestal, S.L.	Joint Manager	Timber harvesting	Yes
	Fundación María Cristina Masaveu Peterson	Chairman	Foundation	Yes
	Fundación San Ignacio de Loyola	Chairman	Foundation	Yes
	Fundación Princesa de Asturias	Patron and member of the Executive and Heritage Committees	Foundation	Yes
	Asociación Amigos Museo del Prado	International patron	Association	Yes
Elena Otero-Novas Miranda	Vodafone Holdings Europe, S.L.U.	Secretary of the Board of Directors	Telecommunicat ions	Yes
	Vodafone España, S.A.U.	Secretary of the Board of Directors	Telecommunicat ions	Yes
	Vodafone ONO, S.A.U.	Secretary of the Board of Directors	Telecommunicat ions	Yes
	Vodafone Servicios, S.L.U.	Secretary of the Board of Directors	Telecommunicat ions	Yes
	Sacyr, S.A.	Secretary of the Board of Directors and the Audit and Remunerations Committees	Infrastructures	No
	Corte Española de Arbitraje	Chairman	Law	Yes
	Fundación Universitaria San Pablo CEU	Trustee	Education	No
	Club Español de Arbitraje	Chairman	Law	No
Rita Estévez Luaña	Deutsche Bank (Operational Services Italy)	Board member	Banking	No
	Telefónica Consumer Finance	Board member	Telecommunicat ions	No
	Mutua de Propietarios Seguros y Reaseguros a Prima Fija	Board member	Insurance	No
	Experian Bureau de Crédito, S.A.U.	Chief Executive Officer, Managing Director and President of the Board of Directors	Consulting	Yes
Ana María Plaza Arregui	Corporación Financiera Alba, S.A.	Board member and President of the Audit Committee	Private Equity	Yes
	Asociación Española Contra el Cáncer (AECC)	Board member and President of the Audit Committee	Foundation	Yes
	Grupo Renault	Board member and President of the Audit Committee	Automobile	Yes
	Universidad Loyola	Board of trustees	Education	Yes

Director	Company	Position/Title	Sector	In office
	Immune Coding Institute, S.L.	Managing Director	Education	No
	Confederación Española de Organizaciones Empresariales (CEOE)	Chief Executive Officer	Organization	No
	Isolux Corsán, S.A.	Board member and President of the Audit Committee	Infrastructures	No
John de Zulueta Greenebaum	Círculo de Empresarios	Chairman	Organization	Yes
	Point Lobos, S.L.	Managing Partner	Consulting and Private Equity	Yes
	Candesic	Senior Advisor	Consulting	Yes
	Universidad Europea	Board member	Education	No
	Fundación Exit	Chairman	Organization	No

(1) He holds management positions in other companies of the same Group.

As of the date of this Prospectus, none of the Directors of the Company have, during the five year period preceding the date of this Prospectus (i) incurred in any convictions in relation to fraudulent offences, (ii) been appointed as members of the administrative, management or supervisory bodies or have held shareholdings at any time in companies that have suffered from bankruptcies, receiverships, liquidations or companies put into administration, nor (iii) been part of any official public incrimination and/or sanctions involving the Director by statutory or regulatory authorities (including designated professional bodies) nor disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

- **Board of Directors Committees**

In accordance with the Capital Companies Act, the Company's Bylaws and the Board of Directors Regulations, the Board of Directors of the Company has an Audit and Compliance Committee (*Comisión de Auditoría y Cumplimiento*) and a Nominating, Compensation and Corporate Governance Committee (*Comisión de Nombramientos, Retribuciones y Gobierno Corporativo*). Additionally, the Company has other relevant committes, including the management committee, the business committee, the reserve committee, the reputation and CSR committee, the digital transformation committee, the standing risk committee and the investment committee. A brief description of each committee is presented below.

<u>Audit and Compliance Committee</u>

In accordance with the Company's Bylaws and the Board of Directors Regulations, which were approved on 18 March 2021 by the Board of Directors, subject to the registration of this Prospectus with the CNMV, the Audit and Compliance Committee shall be comprised of a minimum of three (3) and a maximum of five (5) Directors appointed by the Board of Directors. The Capital Companies Act and the Board of Directors Regulations require all members of the Audit and Compliance Committee to be non-executive Directors and to be appointed taking into account their knowledge and experience in accounting, auditing or both, as well as in risk management, and the majority of them must be independent Directors.

The Chairman of the Audit and Compliance Committee is appointed by the Board of Directors from amongst the independent Directors that are members of the Audit and Compliance Committee to serve for a maximum term of four (4) years, and may be re-elected as Chairman only after one year since his or her removal has elapsed, irrespective of his/her continuity or re-election as a member of the Audit and Compliance Committee. The Secretary of the Audit and Compliance Committee is appointed by the Audit and Compliance Committee and it is not required that such Secretary is a Director or a member of the Audit and Compliance Committee.

The Audit and Compliance Committee will meet periodically in accordance with the Company's corporate needs and a minimum of four (4) times per year. The Audit and Compliance Committee may also meet at the request of the Chairman whenever it is necessary to perform the duties for which the Audit and Compliance Committee was established. A quorum for the Audit and Compliance Committee shall be validly established with the attendance, in person or by proxy, of at least one half of the members thereof, and the Committee shall adopt resolutions by a majority of those present at the meeting in person or by proxy. In the event of a tie, the Chairman of the Committee shall cast the deciding vote.

Following and subject to the registration of this Prospectus with the CNMV (except for Mrs. Ana María Plaza Arregui, whose appointment is effective from 18 March 2021), the Audit and Compliance Committee will be comprised of three (3) members appointed by the Board of Directors. The members of the Audit and Compliance Committee after Admission will be:

Name	**Date of appointment**	**Title**	**Category**
Ana María Plaza Arregui	18 March 2021	Chairman	Independent
Alfonso Botín-Sanz de Sautuola y Naveda	15 April 2021	Member	Proprietary
Elena Otero-Novas Miranda	15 April 2021	Member	Independent

Any manager or employee of the Company required by the Audit and Compliance Committee to attend to any of its meetings is obliged to attend such meeting and to collaborate, assist and provide the Committee with any information available. The Audit and Compliance Committee shall also request the Company's external auditors to attend any of its meetings, or the advice of any external professionals for the performance of its functions.

Without prejudice to any other tasks that the Bylaws or the Board of Directors may assign thereto, the primary duty of the Audit and Compliance Committee shall be to support the Board of Directors in its supervisory duties. Specifically, it shall have at least the following fundamental powers and duties:

(i) Report to the Shareholders' Meeting, through its Chairman, regarding the control exercised over the Company and the Committee's activities during the year, and on any matters raised during such Meeting by the shareholders that fall within the scope of the Committee's competence.

(ii) Present to the Board of Directors, for submission to the Shareholders' Meeting, its proposal regarding the appointment, re-appointment or replacement of the external auditors, as well as the terms of their hiring, the scope of their professional mandate, the supervision of activities falling outside the scope of the actual accounting audit, and the guarantees as to the external auditor's independence.

(iii) In relation to the external auditor:

a) Examine, in the event of resignation by the external auditor, the circumstances which have given rise to such resignation;

b) Ensure that the remuneration corresponding to the external auditor for its work does not compromise its quality or independence;

c) Ensure that the Company notifies any change of auditor to the National Securities Market Commission (CNMV) as a communication of either inside information o, accompanied by a statement regarding any disagreements with the outgoing auditor and the nature thereof;

d) Ensure that the external auditor holds a yearly meeting with the Board of Directors in plenary session, to inform it of the work undertaken and of developments in the Company's risk and accounting positions;

e) Monitor compliance with the audit agreement, ensuring that the opinion on the annual accounts and the main content of the audit report are drafted in a clear and precise manner; and

f) Ensure that the Company and the external auditor adhere to current rules on the provision of non-audit services, limits on the concentration of the auditor's business and, in general, all other rules concerning auditor independence, for which purpose the Committee must issue annually, prior to the issue of the audit report, a report expressing an opinion on the independence of the auditors or audit firms.

(iv) Establish and maintain the pertinent relations with the external auditor in order to receive information on any matters that could pose a threat to its independence, for the examination thereof by the Committee, and any other information related to the audit process and, where appropriate, the authorisation of services other than prohibited services, on the terms set forth in the Law, as well as any other communications provided for in audit legislation and in audit standards. In any case, the Audit and Compliance Committee must receive an annual declaration of independence from the auditor in relation to the entity or entities directly or indirectly related to it, as well as detailed and itemised information on additional services of any kind provided and the corresponding fees received from these entities by the auditor or by persons or entities related to the auditor, pursuant to the provisions of the applicable legislation.

(v) Issue on an annual basis, prior to the issue of the audit report, a report expressing an opinion on the independence of the auditors or audit firms. This report must in all cases include an opinion on the provision of the additional services referred to above.

(vi) Propose to the Board of Directors the approval of the Audit and Compliance Committee's annual report.

(vii) Be familiar with and supervise the process for the drafting of financial reports and the completeness thereof, and the Company's internal control systems.

(viii) Receive information from the external auditor on those matters that could affect its independence for the consideration of the Committee, and any others related to the process of implementation of the audit accounts, as well as those other communications foreseen in the audit legislation and in the audit technical rules. In any case, it must receive written confirmation on an annual basis from the auditors of their independence from the entity or entities directly or indirectly related to it, as well as information on additional services of any kind provided to these entities by the auditors or firms, or by persons or entities related to them in accordance with the provisions of audit legislation.

(ix) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and, generally, all other rules on auditor independence, for which purpose the Committee must issue annually, prior to the issue of the audit report, a report expressing an opinion on the independence of the accounting auditors or audit firms. This report must in all cases include an opinion on the provision of the additional services, other than statutory audit services, referred to in the previous point, considered individually and as a whole, and in relation to the rules on independence or rules regulating audits.

(x) Report in advance to the Board of Directors on all matters provided for in the law, the Bylaws and in these Regulations and, in particular, on:

a) The financial information to be published periodically by the company;

b) The creation or acquisition of holdings in special-purpose vehicles or entities domiciled in countries or territories considered to be tax havens; and

c) Transactions with related parties.

(xi) Analyse any structural or corporate modifications that the Company plans to undertake, in order to subsequently report to the Board of Directors on their economic conditions and accounting impact and, in general, on any exchange ratio proposed.

(xii) Serve as a communication channel between the Board of Directors and the external and internal auditors, assessing the findings set out in audit reports and compliance with the observations made and conclusions reached.

(xiii) Supervise the application of the general policy regarding the communication of economic-financial, non-financial and corporate information, as well as communication with shareholders and invertors, proxy advisors and other stakeholders.

(xiv) Report to the Board of Directors, prior to adoption by the Board of the relevant decisions, on the incorporation of companies, businesses, associations, foundations, or any other type of legal entity (including special-purpose entities), and on any other transactions or operations of a similar nature which, given their complexity, could be detrimental to the Company's transparency.

(xv) Examine the reports on the Company issued by supervisory bodies, and in particular by the Directorate-General of Insurance and Pension Funds and the CNMV, as a result of inspection proceedings, and oversee compliance with the actions and measures resulting from such inspection reports.

(xvi) Oversee the reliability and transparency of internal and external information on the Company's results and activities and, in particular, oversee the completeness and consistency of the Company's financial statements, and the annual accounts, notes to the annual accounts and management report, prior to the approval or proposal thereof by the Board of Directors and to their publication, and oversee the Company's policy in relation to issue prospectuses and other published information.

(xvii) Ensure that the annual accounts submitted by the Board of Directors to the General Shareholders' Meeting are drawn up in accordance with accounting regulations. In those cases in which the auditor has included a qualification in its audit report, the chairman of the Audit and Compliance Committee shall clearly explain to the General Shareholders' Meeting the Committee's opinion on its content and scope, making a summary of said opinion available to the shareholders at the time of publication of the call to the General Shareholders' Meeting, together with the rest of the proposals and reports of the Board of Directors.

(xviii) Promote compliance with the Company's Code of Ethics and other internal rules on regulatory compliance approved by the Board of Directors. It shall examine the reports and proposals presented to it by such units and areas.

(xix) Oversee compliance with the Internal Code of Conduct in the Securities Market, with the Code of Ethics.

(xx) Supervise the performance of the functions attributed to the Company's Regulatory Compliance Unit and to the areas responsible for the protection of personal data, and the Company's internal codes of conduct. As well as the confidential whistle-blowing procedure in place to enable employees and suppliers to communicate any potentially significant irregularities that they may detect at the Company, and ensure that such procedure functions effectively.

(xxi) Receive information on any disciplinary measures affecting executives of the Company that result from breaches of employment law or internal rules of conduct, relay the pertinent policies and instructions to the competent company bodies and, in cases that the Committee considers to be of particular importance, ultimately decide upon such matters.

(xxii) Guarantee the independence, autonomy and universality of the internal audit function and propose its budgets. Propose the selection, appointment and dismissal of the head of the internal audit service, ensuring that its activity is primarily focused on relevant risks (including reputational risks) and receive regular information on its activities, verifying that senior management takes into account the conclusions and recommendations of its reports.

(xxiii) Supervise the activities of the Company's internal audit service and, where appropriate, that of its subsidiaries, approve its annual work plan and the annual activities memorandum or report, and ensure that the main risk areas and internal control systems and procedures are reviewed.

(xxiv) Oversee the development by the Company and, where appropriate, its subsidiaries, of the following functions: (i) internal risk assessment and solvency; (ii) verification of regulatory compliance; and (iii) actuarial.

The Audit and Compliance Committee shall carry out this supervisory function on the basis of the information provided by the supervisors responsible for each of these functions, who shall appear before the Audit and Compliance Committee periodically and, in any case, at the request of the Commission itself. The Audit and Compliance Committee shall also be empowered to propose, where it deems appropriate or relevant, the appearance of any of the aforementioned persons responsible before the Board of Directors of the Company.

The Audit and Compliance Committee will also support and periodically review the functioning of adequate internal control systems that guarantee correct risk management:

(i) Discuss with the auditors significant weaknesses in the internal risk and solvency assessment system that may have been detected in the course of the audit.

(ii) Review the Company's general risk map and present the corresponding proposals to the Board of Directors.

(iii) Report on related-party transactions of directors and significant shareholders with the power, where appropriate, to authorise them under the terms established in Board of Directors Regulations.

(iv) Oversee and guarantee the adequacy of the means and resources allocated to the Internal Audit and Compliance functions.

(v) Approve or amend the internal policies that relate to the functions and powers of the Audit and Compliance Committee, setting out its functions or competencies.

(vi) Be informed of any irregularities, non-compliances or relevant risks detected in the course of the control activities of the competent areas of the Company.

(vii) Review any other matter falling within the scope of its competence that is submitted to it by the Board of Directors, the Chairman, the Deputy Chairman, or the Chief Executive Officer.

(viii) All other functions attributed to it by virtue of these Regulations or by the Board of Directors.

The Chairman of the Audit and Compliance Committee shall inform the Board of Directors of any matters discussed and resolutions adopted in its meetings in the first meeting of the Board of Directors immediately after the Committee's meeting and it will provide the members of the Board of Directors with a copy of the minutes of such meetings.

For the purposes of the functioning of the Audit and Compliance Committee, the rules established under the Board of Directors Regulations and the Audit and Compliance Committee Regulations are directly applicable. In any case, the application of such rules should enhance the Audit and Compliance Committee's independence.

The Audit and Compliance Committee has access to all information and documents necessary for the performance of its functions and, as previously stated, it may request the assistance of advisers, consultants, experts and other independent professionals to that effect.

Nominating, Compensation and Corporate Governance Committee

The Nominating, Compensation and Corporate Governance Committee shall be comprised of a minimum of three (3) and a maximum of five (5) Directors appointed by the Board of Directors. The Capital Companies Act and the Board of Directors Regulations require all members of the Nominating, Compensation and Corporate Governance Committee to be non-executive Directors, and the majority of them must be independent Directors.

The Chairman of the Nominating, Compensation and Corporate Governance Committee is appointed by the Board of Directors from amongst the independent Directors that are members of the Nominating, Compensation and Corporate Governance Committee. The Secretary of the Nominating, Compensation and Corporate Governance Committee is appointed by the Nominating, Compensation and Corporate Governance Committee and it is not required that such Secretary is a Director or a member of the Nominating, Compensation and Corporate Governance Committee.

The Nominating, Compensation and Corporate Governance Committee will meet upon request of the Board of Directors or its Chairman of any reports or adoption of proposals and, in any case, whenever it is necessary for the correct performance of its functions. In any case, the Nominating, Compensation and Corporate Governance Committee shall meet a minimum of one (1) time per year in order to produce the information on the remuneration of the Company's Directors that the Board of Directors shall approve and include as part of its annual public information, and to exercise its specific functions. A quorum for the Nominating, Compensation and Corporate Governance Committee shall be validly established with the attendance, in person or by proxy, of at least one half of the members thereof, and the Committee shall adopt resolutions by a majority of those present at the meeting in person or by proxy. In the event of a tie, the Chairman of the Committee shall cast the deciding vote.

Following and subject to the registration of this Prospectus with the CNMV, the Nominating, Compensation and Corporate Governance Committee will be comprised of three (3) members appointed by the Board of Directors. The members of the Nominating, Compensation and Corporate Governance Committee are:

Name	**Date of appointment**	**Title**	**Category**
John de Zulueta Greenebaum	15 April 2021	Chairman	Independent
Rita Estévez Luaña	15 April 2021	Member	Independent
Alfonso Botín-Sanz de Sautuola y Naveda	15 April 2021	Member	Proprietary

The Nominating, Compensation and Corporate Governance Committee shall always take into account any suggestions or directions provided by the Board of Directors, its Chairman and the Company's managers or shareholders. In particular, any Director may request that the Committee takes into account any recommendation made by him/her regarding any potential candidates to fill in any vacancies in the Board of Directors. Furthermore, the Nominating, Compensation and Corporate Governance Committee shall consult with and seek advice from the Chairman of the Board of Directors and the Company's Chief Executive Officer in relation to any matters related to executive Directors and Senior Managers.

Without prejudice to any other tasks that the Bylaws or the Board of Directors may assign thereto, the Nominating, Compensation and Corporate Governance Committee shall have at least the following fundamental powers and duties:

(i) Make proposals for the appointment, ratification, re-election and removal of independent directors, and report regarding the other directors.

(ii) Submit to the Board of Directors proposals for the appointment of independent directors for their designation by co-option or for submission to the decision of the Shareholders' Meeting, as well as proposals for the re-election or removal of such directors by the Shareholders' Meeting.

(iii) Ensure that, in covering vacancies, the selection procedures do not suffer from implicit bias and do not hinder the selection of female directors, endeavouring, when there are very few female directors or none at all, to seek out and include among the potential candidates women who match the professional profile being sought.

(iv) Make proposals for the appointment, re-election and removal of the Chairs and members of the Board of Directors' Committees.

(v) Evaluate the balance of competences, skills, knowledge, diversity and experience required on the Board of Directors. For these purposes, define the functions and skills required of the candidates who are to fill each vacancy and evaluate the time and level of dedication necessary to enable them to effectively discharge their remit, ensuring that nonexecutive directors have enough time available to them to properly perform their functions.

(vi) Periodically, and at least annually, assess the suitability of the various members of the Board of Directors and of the Board as a whole, and report to the Board of Directors accordingly;

(vii) Establish a target for the representation of the least represented gender on the Board of Directors and prepare guidelines on how to achieve this target.

(viii) Analyse annually the existence and updating of succession plans in respect of the Chairman, Deputy Chairman, where appropriate, and Chief Executive Officer, and, where appropriate, present to the Board of Directors the findings of this assessment to ensure that the handover takes place in a planned and orderly fashion.

(ix) Report on the proposed appointments of the other directors of the Company for their designation by co-option or for submission to the decision of the Shareholders' Meeting, as well as proposals for their re-election or removal by the Shareholders' Meeting.

(x) In accordance with the provisions of the Shareholders' Meeting Regulations, report where appropriate to the Shareholders' Meeting, through its Chairman, on the Committee's activities during the year, and on any questions the shareholders may have raised prior to the holding of the Meeting on matters falling within the scope of the Committee's competence.

(xi) Report on appointments and removals of directors or executives of subsidiaries or investees who act as representatives of the Company or are proposed by it.

(xii) Propose to the Board of Directors, in light of the particular characteristics of new directors, an orientation program to provide them with what is considered to be adequate knowledge of the Company, its functioning and its corporate governance rules, and the possible organisation of refresher programs to update the knowledge of serving directors when the circumstances make this advisable.

(xiii) Report to the Board of Directors on candidates for appointment as trustees of *Fundación Línea Directa* whose designation corresponds to the Company.

(xiv) Propose to the Board for its approval the directors' remuneration policy and their individual remuneration, and the corresponding annual report on directors' remuneration that the Board will submit to the Shareholders' Meeting to be voted upon on an advisory basis.

(xv) Propose to the Board the individual remuneration corresponding to executive directors and, where appropriate, to non-executive directors, for the performance of functions beyond those corresponding to board membership, and other terms of their contracts.

(xvi) Propose the remuneration policy for senior management, including general managers or those performing senior management functions who report directly to the board of directors, executive committees or chief executive officers, as well as their individual remuneration and other basic terms of their contracts.

(xvii) The remuneration of members who are not classed as senior management and whose professional activities could have a significant impact on the assumption of risks by the Company.

(xviii) Oversee the level of application of the remuneration policy generally during the year, and ensure that it is adhered to.

(xix) Report on the approval of and substantial changes to the general rules on remuneration received by the Company's executives and the basic terms of their contracts. It shall also be responsible for supervising the remuneration system applicable to executives in charge of risk management (audit function, internal control and actuarial function) and with compliance functions.

(xx) Periodically review remuneration programs, considering their suitability and results and seeking to ensure that directors' remuneration is based on the principles of moderation and alignment with the Entity's results.

(xxi) Oversee the transparency of remuneration and the inclusion thereof in the notes to the annual accounts and any other annual reports containing information on directors' remuneration and, in this respect, submit all pertinent information to the Board.

(xxii) Report on incentive schemes aimed at executives or employees that are linked to the Company's share price or other variable indices, and on any remuneration systems applicable to the Company's senior management team which are based on collective insurance schemes or deferred remuneration schemes.

(xxiii) Supervise and review the Company's compliance system.

(xxiv) Report on the company's main corporate governance projects and regulations, prior to approval thereof by the Board of Directors.

(xxv) Propose to the Board of Directors the approval of the annual corporate governance report of the Company in the sections of its competence.

(xxvi) Oversee the corporate governance of the Company in order to supervise compliance with the rules adopted by the Company and to guarantee the balance of powers, the proper functioning of the Company's administrative and management bodies, the independence of the directors and the adaptation of the system to the new standards and recommendations and to the best national and international practices.

(xxvii) Supervise that the conditions guaranteeing the effective independence of the independent directors are maintained and to ensure this independence in substantive aspects such as the attitude, capacity for debate and effective participation of the independent directors.

(xxviii) Ensure that the climate of the Board of Directors and the relations between directors are conducive to debate and free intervention by all members of the Board and that matters are discussed and resolved at Board meetings, giving them the weight and depth they require.

(xxix) Ensure that the annual agenda of meetings of the Board of Directors and the Committees includes the matters of greatest interest to the company.

(xxx) Propose to the Board of Directors any practices it considers contribute to the development of the Company's Corporate Governance and to advise the Chairman of the Board of Directors in this matter.

(xxxi) Review the Company's corporate social responsibility policy, ensuring that it is geared towards the creation of value and monitor the corporate social responsibility strategy and practices and the evaluation of its degree of compliance.

(xxxii) Review any matter within its competence submitted to it by the Board of Directors, the Chairman or the Managing Director.

(xxxiii) Any other functions attributed to it by the Board of Directors Regulations.

The Chairman of the Nominating, Compensation and Corporate Governance Committee shall inform the Board of Directors of any matters discussed and resolutions adopted in its meetings and it will provide the members of the Board of Directors with a copy of the minutes of such meetings.

12.1.2 Senior Managers of the Company relevant to establishing that the Company has the appropriate expertise and experience for the management of its business

The following table sets out the key members of the Company's management, aside from the Chief Executive Officer, which includes the Managing Director of Internal Audit and those managers reporting to the Chief Executive Officer (the "**Senior Management**"), and their respective positions as at the date of this Prospectus:

Name	**Date of appointment**(1)	**Position**
Carlos Rodríguez Ugarte	1 September 2016	Chief Financial Officer
Patricia Ayuela de Rueda	22 February 2008	Managing Director of Motor and Digital Transformation
Olga Moreno Sanguino	13 October 2015	Managing Director of Home
David Pérez-Renovales	21 December 2010	Managing Director of Health
José María Maté Rubio	22 February 2008	Managing Director of Pricing & Underwriting
José Antonio Egido Sancho	15 June 2009	Managing Director of Claims & Services
Ana Sánchez Galán	13 December 2010	Managing Director of Technology
Mar Garre del Olmo	22 February 2008	Chief HHRR, Internal Communication and Sustainability
Pablo González-Schwitters Grimaldo	13 December 2012	General Counsel
Antonio Valor García	29 June 2016	Managing Director of Marketing
José Luis Díaz Fernández	16 January 2020(2)	Managing Director of Internal Audit

(1) Although the formalisation of the employment contracts may have taken place at a prior date, the date expressed is the one which they were assigned the indicated roles.

(2) Mr. José Luis Díaz was initially appointed as Motor Director and member of the senior management on June 7, 1999.

The Corporate address of the above-referred persons is Isaac Newton, 7, Tres Cantos, 28760 (Madrid).

– **Details of the nature of any family relationship between any Senior Managers.**

Not applicable.

- **Relevant management expertise and experience of the Senior Managers: professional profile.**

Senior Management biographical information

Carlos Rodríguez Ugarte

Date of Birth: 17 June 1969

Incorporation date in Linea Directa: 1 September 1996

Date of incorporation to the Management Committee: 1 September 2016

Academic profile: MBA in Finance at Houston University. Management Program at ESADE Business School and PDG at IESE Business School.

Professional profile: until he joined Linea Directa, since 1995 he developed his professional career at Bankinter, performing the following functions: director of Syndicated Operations, director of the International area, director of the Development area, director of the purchase process of the additional 50% of Linea Directa in 2009, director of the Purchasing and Budgetary Control area and director of Internal Audit of the Group.

He subsequently joined Linea Directa, taking over the management of the Finance Department.

Patricia Ayuela de Rueda

Date of Birth: 7 January 1975

Incorporation date in Linea Directa: 11 March 2003

Date of incorporation to the Management Committee: 22 February 2008

Academic profile: Industrial Engineering from the Universidad Pontificia de Comillas ICAI-ICADE and Executive MBA at IESE Business School from the University of Navarra. Training in Digital Strategy at Harvard Business School, in Corporate Finance at Wharton Business School and in Corporate Governance and Global Strategy at the Ross School of Business (University of Michigan).

Professional profile: her professional career began at BBVA, in the project management of internet banking services from 1998 until 2000, when she joined Banco Santander as E-Business development manager involved in the project management of new internet banking services for customers with a particular focus of marketing campaigns. In 2003, she joined Linea Directa where she has assumed the following responsibilities: director of strategy and co-ordination of global projects within the company, director of the corporate quality area and director of the household business line. She is currently director of the Motor and Digital Transformation area of Linea Directa.

Olga Moreno Sanguino

Date of Birth: 5 May 1965

Incorporation date in Linea Directa: 29 April 1996

Date of incorporation to the Management Committee: 13 October 2015

Academic profile: Degree in Business Administration and Management at Complutense University of Madrid.

Professional profile: she has developed her entire professional career at Linea Directa since 1996, occupying the following positions: Director of Control, Analysis, Auditing, Quality and Processes in the area of Services and Provisions; Director of Cost Control at the General Secretary; Director of Purchasing, with the function of creating the Purchasing Department and centralising and directing all the company's purchasing processes, until she assumed the management of the Home Business Line.

David Pérez Renovales

Date of Birth: 8 November 1965

Incorporation date in Linea Directa: 21 December 2010

Date of incorporation to the Management Committee: 21 December 2010

Academic profile: Degree in Law and Business Economics at the Universidad Pontificia Comillas-ICADE. PMD from Harvard Business School and Executive Program from Singularity University. Professor of Corporate Finance at Universidad Pontificia Comillas - ICADE.

Professional profile: he has developed his professional career in banking during 21 years, 18 of them in Bankinter, occupying different responsibilities (Director of Capital Market, Director of Products and SME Divisions, Director of Investor Relations, Director of Risks and Finance, General Deputy Director and member of the Management Committee). He has been director of different companies -10- both individually and representing Bankinter. Since joining Linea Directa in 2010, he has ran the Finance Department before taking up his current position to launch the company's Health business.

He is currently a member of the Board of Directors of Harvard Club in Spain and of the Executive Committee of ICADE Business Club.

José María Maté Rubio

Date of Birth: 26 Febrerury 1967

Incorporation date in Linea Directa: 6 July 1998

Date of incorporation to the Management Committee: 22 February 2008

Academic profile: Degree in Economics at the Complutense University of Madrid. Master's degree in General Statistics and Mathematics at the Operations Research Institute at the Complutense University of Madrid and PDG at IESE Business School.

Professional profile: Associate professor in the Department of Statistics and Econometrics at the Universidad Carlos III de Madrid until 2005. He was part of the research team of the Savings Bank Foundation (FUNCAS) where he made different publications.

He has developed his professional career in Linea Directa, since 1998, holding various positions of responsibility in the technical area directing Business Analysis, Insured Risks and Premium Control.

José Antonio Egido Sancho

Date of Birth: 21 July 1962

Incorporation date in Linea Directa: 23 January 1997

Date of incorporation to the Management Committee: 15 June 2009

Academic profile: Degree in Law from the Universidad Nacional de Educación a Distancia (U.N.E.D.) and PDG at IESE Business School. Master in Civil Liability and Insurance at INESE.

Professional profile: his professional career has been developed in the insurance sector in companies such as Apolo (1988-1992), FIATC Mutua de Seguros (1994-1995) and Pelayo (1995-1996). Since he joined Linea Directa in 1997, he has held various positions of responsibility in the Services and Benefits area, most notably as Director of Personal Injuries, contributing to the growth and digitalisation of the company. His duties also include managing Linea Directa's own garages and home repair companies.

Ana Sánchez Galán

Date of Birth: 9 April 1974

Incorporation date in Linea Directa: 10 June 2002

Date of incorporation to the Management Committee: 13 December 2010

Academic profile: Superior Industrial Engineer, specialisation in Business Organisation at the Escuela Superior de Ingenieros Industriales e Informáticos de Gijón and PDG at IESE Business School.

Professional profile: she has developed her professional career in different companies such as Accenture (1999-2002), where she was a team manager, and EDP Spain (2005-2007), where she was responsible for the Quality and Processes area. In 2002, she joined Linea Directa and directed the Quality and Processes area and later took over the direction of the Technology area.

Mar Garre del Olmo

Date of Birth: 1 November 1964

Incorporation date in Linea Directa: 2 February 1998

Date of incorporation to the Management Committee: 22 February 2008

Academic profile: Degree in Law at the Autonomous University of Madrid, Master's Degree in Tax Advice from CEU University and PDG at IESE Business School. Certification in Dialogical Coaching and Team Coaching by IDDI at the Francisco de Vitoria University.

Professional profile: she has developed his professional career in different sectors with diverse responsibilities in areas of Legal Advice, Logistics, and Operations; in multinationals such as quality manager at TNT Express Worldwide (1990-1994), as quality manager, or DHL International (1994-1998), as customer service manager. Since joining Linea Directa she has managed the areas of Quality, Internal and External Communication and Human Resources.

Pablo González-Schwitters Grimaldo

Date of Birth: 13 November 1966

Incorporation date in Linea Directa: 6 May 1996

Date of incorporation to the Management Committee: 6 December 2010

Academic profile: Degree in Law from the Complutense University of Madrid. Master's Degree in Legal Advice for Companies at IE University. Manager Skills Development at IESE Business School. International Executive Program of Innovative Leadership and PDG at IESE Business School.

Professional profile: He began his career as general counsel at Molinare, S.A. and Inversiones Madrid, S.A. (1985-1992), practicing as a lawyer at the law firm J. &B. Cremades for the following 5 years (1992-1996). Since 1996, he has developed his professional career at Linea Directa, occupying various positions of responsibility in the Legal Advice area where he has led the Litigation and Legal Defence team, director of the Purchasing area and the position of General Counsel. He is a practicing member of the Madrid bar association with number 46,106.

Antonio Valor García

Date of Birth: 16 December 1970

Incorporation date in Linea Directa: 29 June 2016

Date of incorporation to the Management Committee: 29 June 2016

Academic profile: Degree in Economics and Business Administration (specialising in finance). Special seminar in Economics. Member of the special group created to complement the degree of the current King of Spain.

Professional profile: he has worked in the consumer goods, telecommunications and insurance sectors, and in different European markets. He has held different positions in companies such as Kimberly-Clark, Telefónica España, ONO (CABLEUROPA) and Vodafone España, where he was the Marketing Director of the Residential Business Unit. He became the Group Head of Fixed/converged sales & distribution at Vodafone in the United Kingdom, and in 2016 he joined Linea Directa.

José Luis Díaz Fernández

Date of Birth: 20 September 1961

Incorporation date in Linea Directa: 7 June 1999

Date of incorporation to the Management Committee: 7 June 1999

Academic profile: Degree in Economics and Business Studies from the Complutense University of Madrid and a degree in Law from the UNED. Executive MBA at IE Business School.

Professional profile: He was part of Ernst & Young for thirteen years, managing Audit and Consulting projects where he got specialised in the Insurance Sector.

He has developed most of his professional career in Linea Directa, a group he joined in 1999 as Financial Director and member of the Management Committee. In 2003, he was entrusted with the implementation of a strategic area of the company: the Motorcycle business line, in which he actively contributed to its success. In 2007, the management of Linea Directa once again relied on him to create the Home area, which he managed until 2009. In 2010, he was appointed as director of Nuez.

He is currently the Director of the Internal Audit Area at Linea Directa, where he was appointed in 2020.

Senior Managements' managerial positions and shareholdings:

The table below sets out all entities (except (i) family-owned and asset-holding companies, (ii) holdings in listed companies which are not relevant, (iii) companies within the Group and (iv) any other companies without relevance for the activities of the Company) in which the members of the Senior Management have been appointed as members of the administrative, management or supervisory bodies or in which they have held shareholdings at any time during the five year period preceding the date of this Prospectus, indicating whether or not each person is still a member of such bodies or holds any shares in any such entities.

Director	Company	Position/Title	Sector	In office
Mr. David Pérez-Renovales	Alfund Bank, S.A.U.	Board member and Chairman of the Audit and Risk Commission	Banking	Yes
Mrs. Olga Moreno Sanguino	Lombok Capital, S.L.	Shareholder and Board member	Private Equity	Yes
	Roatan Real Estate	Shareholder and Board member	Real Estate	Yes
Mrs. Patricia Ayuela de Rueda	Bankinter Consumer Finance, E.F.C., S.A.	Board member	Banking	Yes
	Lonepine, S.L.	Shareholder	Real Estate	Yes

As of the date of this Prospectus, none of the members of the Senior Management of the Company have, during the five year period preceding the date of this Prospectus (i) incurred in any convictions in relation to fraudulent offences, (ii) been appointed as members of the administrative, management or supervisory bodies or have held shareholdings at any time in companies that have suffered from bankruptcies, receiverships, liquidations or companies put into administration, and (iii) being part of any official public incrimination and/or sanctions involving the senior manager by statutory or regulatory authorities (including designated professional bodies) nor disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

As of the date of this Prospectus, the Company is not aware of any family relationship between any members of the senior management and the administrative, management or supervisory bodies of the Company.

<u>**Other relevant Committees**</u>

The Management Committee is responsible for monitoring the business and its key indicators and information on the other business areas, their initiatives, actions and decisions. It is made up of the Management Team and is chaired by the Chief Executive Officer and assisted by the Chairman of the Board of Directors.

The Business Committee actively monitors the business and its key indicators, as well as the performance of the business plan approved by the Board of Directors. It is chaired by the Chief Executive Officer and is assisted by the Chairman of the Board and the Chief Financial Officer, along with the Chief Technical Officer and the heads of the company's lines of business and the Chief Marketing Officer.

The Reserve Committee is the body responsible for managing the reserve risk at Línea Directa, as well as the reinsurance credit risk. It is chaired by the Chief Financial Officer and is made up of the Chief Technical Officer, the Chief Services and Benefits Officer and the head of the Actuarial Function.

The reputation and CSR committee is tasked with managing corporate reputation and responsibility throughout the organization based on conduct that is responsible and creates value for stakeholders, and with designing Reputation and CSR strategy and implementing actions. It is chaired by the Chairman of the Board of Directors and is made up of the Chief Executive Officer and the Management Team.

The Digital Transformation Committee, which is chaired by the Company's Chief Executive Officer and is made up of the Management Committee, is tasked with reviewing progress in the Company's digitization process.

The Standing Risk Committee is the body responsible for managing operational risks and monitoring legal risks (both regulatory and compliance-related) and reputational risks. It has functions in the area of decision-making, control and monitoring of risks thereby ensuring that Línea Directa has an adequate level of internal control consistent with the group's standards and that it complies with applicable regulations. It is also tasked with monitoring internal and external audits. It is chaired by the Chief Executive Officer and is assisted by both the Chief Audit Officer and the heads of the Company's risk management functions (operational risk, Compliance and Actuarial Function).

The Investment Committee exercises powers relating to the supervision and control of investments and their financial results*, as well as the truthfulness, objectivity and transparency of social accounting, economic and financial reporting and compliance with the investment guidelines to which the Company is subject. Upon Admission, the Investment Committee is expected to be chaired by the Chief Executive Officer of the Company who in turn will report in board meetings on the conclusions and decisions adopted by the Investment Committee.

12.2 Administrative, management and supervisory bodies and Senior Management conflicts of interests

As at the date of this Prospectus, the Company is not aware of any conflict of interest affecting its Directors or Senior Managers vis-à-vis the Company and/or the Group.

Pursuant to article 229 of the Capital Companies Act, directors are required to report all circumstances that may give rise to a conflict of interests to the Board of Directors as soon as they become aware of such circumstances. Directors should refrain from voting on matters in which they may have a personal interest, whether directly or indirectly.

Additionally, according to article 529 ter (h) of the Capital Companies Act, the Board of Directors will be responsible for authorising, where appropriate, after the issue of a report from the Audit and Compliance Committee, in accordance with the terms of articles 229 and 230 of the Capital Companies Act, any transactions between the Company (or any of its group companies) and any of the Directors of the Company or any of the significant shareholders of the Company (including, as the case may be, Bankinter), any of their corresponding group companies or any party related to such significant shareholders. Such authorisation shall not be necessary if all the following conditions are met in respect of the relevant transaction: (a) the transaction is performed pursuant to an agreement with standard conditions and which are applied to large number of customers (*contratos de adhesión*); (b) the transaction is performed for a price generally applied by the party acting as the supplier; and (c) the transaction does not exceed 1% of the Company's annual turnover. Those Directors directly affected or representing significant shareholders must also refrain from participating in the debate and voting of decisions relating to conflict of interests between the Company and the significant shareholder.

Nevertheless, it must be noted that once two (2) months have elapsed upon the entry into force of the Law on Encouragement of Long-term Shareholder Engagement, any transactions to be entered by the Company with shareholders that hold 10% or more of the Company's voting rights or which are represented in the Board of Directors of the Company or with any other persons that may be considered related persons pursuant to the international accounting standards approved by Regulation (EC) Nº 1606/2002, of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards shall be authorised (i) if they represent more than 10% of the assets included in the balance sheet of the annual accounts of the Company, by its General Shareholders' Meeting; and (ii) in any other case, by the Company's Board of Directors.

In this regard, according to the recommendations of the Spanish Corporate Governance Code, the Board of Directors Regulations set forth that the Directors should refrain from engaging in commercial or professional transactions with the Company, without having first informed and received approval for the transaction from the Board of Directors, which shall request a report from the Audit and Compliance Committee, pursuant to article 529.ter (h) of the Capital Companies Act.

The Company is not aware of any agreement or arrangement between significant shareholders, clients, suppliers or any others by virtue of which any of the above mentioned Directors and members of the Senior Management team have been so appointed, without prejudice to the appointment of proprietary directors proposed by Bankinter.

Finally, it is hereby stated that, according to the information available to the Company, none of the above-mentioned Directors or Senior Managers holding any shares or other securities of the Company has assumed any temporary restriction for their free transfer, sale or disposal.

13. REMUNERATION AND BENEFITS

13.1 Remuneration and benefits of the members of the Company's Board of Directors and Senior Management

Directors' remuneration as at 31 December 2020

The total remuneration perceived by the members of the Company's Board of Directors during the year ended on 31 December 2020 (nine members) amounted to €979 thousand. From this amount, €896 thousand corresponded to the remuneration of the executive directors existing on 2020, including Mr. Alfonso Botín-Sanz de Sautuola y Naveda and the current Chief Executive Officer, Mr. Miguel Angel Merino González. The executive directors received, as stated in the table below, both a base and a variable remuneration, which were complemented with a remuneration in kind and a social welfare compensation only to Mr. Miguel Ángel Merino González as Chief Executive Officer.

The remaining Company's Directors did not receive any base, variable nor in kind remuneration from the Company for their role in the Company's Board of Directors, except for the assistance allowances perceived by the Directors Mr. Gonzalo de la Hoz Lizcano, Mr. John de Zulueta Greenebaum and Mr. Rafael Mateu de Ros Cerezo, amounting in total to €82 thousand.

The following table sets forth a summary of the global remuneration and benefits perceived, if applicable, by each of the members of the Company's Board of Directors as at the year ended on 31 December 2020:

FY 2020 (Euros)	**Base Remuneration**	**Variable Remuneration**[(1)]	**Remuneration in kind**	**Social Welfare**	**Assistance Allowances**	**Total**
Alfonso Botín-Sanz de Sautuola y Naveda	201,000	43,000	-	-	-	244,000
Miguel Angel Merino González	382,482	81,000	26,000	163,393[(2)]	-	652,975
Executive directors	**583,482**	**124,000**	**26,000**	**163,393**	**-**	**896,875**
Gonzalo de la Hoz Lizcano	-	-	-	-	37,000	37,000
John de Zulueta Greenebaum	-	-	-	-	32,000	32,000
Rafael Mateu de Ros Cerezo	-	-	-	-	14,000	14,000
Directors (not including executive directors)	**-**	**-**	**-**	**-**	**82,000**	**82,000**
Total	**583,482**	**124,000**	**26,000**	**163,393**	**82,000**	**978,875**

(1) Corresponds to the amounts which were accrued in 2019 and paid in 2020.

(2) Corresponding to (i) €152,993 of a contribution to the Chief Executive Officers' unit link programme and (ii) €10,400 of a cash payment which is paid to the Chief Executive Officer for him to invest it in its own pension plan.

The remaining Directors as at 31 December 2020 did not perceive any compensation nor benefits from the Company.

Director's remuneration for their position as such upon registration of this Prospectus

Pursuant to article 31 of the Company's Bylaws, the position of Director of the Company is remunerated. The Directors' compensation policy approved in the General Shareholders' Meeting held on 18 March 2021 and applicable upon the registration of this Prospectus with the CNMV (the "**Directors' Compensation Policy**") aims to remunerate the members of the Board of Directors for their status as such, including the performance of the duties of supervision and collective decision-making inherent within the Board of Directors and the Committees of which they are members, in an appropriate and sufficient manner for their dedication, qualifications and responsibilities, without compromising their independence of judgement. The Company's Directors' Compensation Policy already complies with article 529 *septdecies* to article 529 *novodecies* of the Capital Companies Act as amended by the Law on Encouragement of Long-term Shareholder Engagement. The Director's Compensation Policy will be reviewed and consequently approved by the shareholders at the General Shareholders' Meeting every three years, remaining unchanged until and unless the shareholders decide to modify the Director's Compensation Policy accordingly.

Upon registration of this Prospectus, Directors' compensation for the office of director shall mainly consist of a fixed annual base remuneration and a specific remuneration per meeting given their membership to the Board of Directors and/or to its Board Committees, as applicable, according to the Directors' Compensation Policy.

Upon registration of this Prospectus, the maximum compensation amount that the Company may annually pay to all of its Directors, as remuneration for their membership to the Board of Directors and/or to its Board Committee shall not exceed, in accordance with the Director's Compensation Policy, €1,500,000. In this sense, the Directors' Compensation Policy establishes a determined remuneration scheme for 2021 which is included in the following table together with the remuneration received by the Executive Director as such, which, nevertheless, is not included within the limit established in the Director's Compensation Policy:

Estimated FY 2021 (Euros)	Board of Directors' remuneration scheme (after listing)			Executive Directors' Remuneration scheme [(1)]					Total[(7)]
	Base Remuneration[(2)]	Assistance Allowance per Board[(3)]	Assistance Allowance per Committee[(4) (5)]	Fixed remuneration	Social Benefits	Unit link contribution	Pension plan	Annual Variable Remuneration[(6)]	
As Chairman of the Board of Directors	85,000	24,000	-	59,567.38[(8)]	-	-	-	75,984[(9)]	244,551.38
As member of the Board of Directors (excluding Chairman and Chief Executive Officer)	42,500	12,000	-	-	-	-	-	-	272,500
Non-executive Directors	***297,500[(10)]***	***84,000[(11)]***	**-**	***59,567.38***	**-**	**-**	**-**	***75,984***	***517,051.38[(12)]***
Chief Executive Officer	63,750	18,000	-	388,602	28,631.22	155,441	10,570	144,000	808,994.22
Executive Director	***63,750***	***18,000***	**-**	***388,602***	***28,631.22***	***155,441***	***10,570***	***144,000[(13)]***	***808,994.22***
Total Board of Directors	**361,250[(14)]**	**102,000[(15)]**	**-**	**448,169.38**	**28.631.22**	**155,441**	**10,570**	**219,984**	**1,326,045.6**
Chairman of a Committee	-	-	8,000	-	-	-	-	-	8,000
Member of a Committee	-	-	4,000	-	-	-	-	-	4,000
Total Committees	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**32,000[(16)]**

(1) Excluding the contributions to the LTIP 2019-2021 (as defined below).

(2) These amounts correspond to the expected base remuneration to be accrued by the Board of Directors during the period elapsing from 15 April 2021 to 31 December 2021.

(3) Assuming eight meetings of the Board of Directors and per Director. Pursuant to the Directors' Compensation Policy, the following amounts will be paid as assistance allowance (i) to the Chairman of the Board of Directors, €3,000 per Board; (ii) to the Chief Executive Officer, 2,250 per Board; and (iii) to the remaining Board members, 1,500 per Board.

(4) Assuming four meetings per Board Committee and per member of the Committee, the following amounts will be paid as assistance allowance (i) to the Chairman of the Committee, €2,000 per Committee; and (ii) to the remaining Committee members, €1,000 per Committee.

(5) Although it has not been included in the table above given it refers to prior members of the Board of Directors, it shall be noted that, until registration of this Prospectus, the prior members of the Board of Directors of the Company received: (i) in the case of Mr. Gonzalo de la Hoz Lizcano, €20,601; (ii) in the case of Mr. John de Zulueta, €20,600; and (iii) in the case of Mr. Rafael Mateu de Ros, €9,156. Additionally, Ms. Ana María Plaza Arregui, who was appointed as a member of the Board of Directors and of the Audit and Compliance Committee on 18 March 2021, received €5,500.

(6) Corresponds to the amounts which were accrued in 2020 and paid in 2021.

(7) Assuming eight meetings of the Board of Directors and four meetings of each Board Committee.

(8) This amount corresponds to the fixed remuneration accrued by the Chairman during the period elapsing from 1 January 2021 to 15 April 2021 for the exercise of his executive duties.

(9) The €75,984 correspond to the annual variable remuneration accrued by the Chairman of the Board of Directors as executive director as at the registration of this Prospectus and that will be paid in 2021. However, it must be noted that upon registration of this Prospectus, the Chairman of the Board of Directors will cease to be executive and, therefore, will not receive any variable remuneration.

(10) The non-Executive Directors' total base remuneration includes the Chairman's base remuneration and the individualized base remuneration of each of the other non-executive Directors (i.e., excluding the Chief Executive Officer, a total of five Board members).

[11] The non-Executive Directors' total assistance allowances per Board includes the Chairman's assistance allowance and the individualized assistance allowances of each of the other non-executive Directors (i.e., excluding the Chief Executive Officer, a total of five Board members).

[12] The non-Executive Directors' total remuneration comprises the total base remuneration for the Chairman and the other non-Executive Directors plus the assistance allowance per Board for the Chairman and the other non-Executive Directors (i.e. excluding the Chief Executive Officer).

[13] Assuming that 100% of the variable remuneration is perceived.

[14] The Board of Directors total base remuneration includes the non-Executive Directors total base remuneration plus the Executive Director's total base remuneration.

[15] The Board of Directors total assistance allowances include the non-Executive Directors total assistance allowances plus the Executive Director's total assistance allowances.

[16] The Committees total remuneration comprises the total assistance allowances (assuming four meetings) for the three members (Chairman and two members) of the Audit and Compliance Committee plus the total assistance allowances (assuming minimum assistance as per the Board of Directors Regulation) for the three members (Chairman and two members) of the Nominating, Compensation and Corporate Governance Committee.

The amounts from the Board of Director's remuneration scheme included above for their membership to the Board of Directors and/or to its Board Committees have been determined by the Board of Directors within the limit established in the Director's Compensation Policy, taking into account the duties and responsibilities assigned to each director, their membership on the Board Committees within the Board of Directors and other objective circumstances that it deems relevant.

It must be noted that, given that the Chairman of the Board of Directors was executive until the registration of this Prospectus, the remuneration which is expected to be paid for the exercise of his executive duties until the registration of the Prospectus is as follows:

– An amount of €59,567.38 as fixed annual remuneration; and

– An amount of €75,984 as annual variable remuneration.

Additionally, assuming a 100% level of achievement of the strategic objectives to be met to receive the annual variable remuneration, an amount of €21,455 is expected to be paid in 2022 to the Chairman as annual variable remuneration accrued during the financial year 2021 for the exercise of his executive duties during the period elapsing from 1 January to 15 April 2021. In 2022, the Chairman may also receive, if the applicable targets are met, the amount corresponding to the LTIP 2019-2021 (see "*Variable Remuneration – Long term variable remuneration*"). For the exercise of his executive duties, the Chairman of the Board of Directors does not receive (and has never received) contributions to any unit link instruments nor cash payments for him to invest it in its own pension plan.

For the sake of clarity, the Chairman of the Board of Directors will not receive any further remuneration (neither fixed nor variable, including social benefits, unit link contributions and cash payments for him to invest it in its own pension plan) for the exercise of executive duties as he will no longer be executive director.

Moreover, Directors shall be entitled to payment or refund of the reasonable expenses they may have incurred adequately for their attendance to meetings and performance of other tasks related directly to the discharge of their duties as Director, such as travel, accommodation, restaurant and any other expenses that they may incur.

In addition, independently of the compensation established as per the above, the Company's Bylaws include the possibility for the establishment of Director's compensation systems that are linked to the listing price of the shares or that entail the delivery of shares or of stock options. The application of such compensation systems must be approved by the Company's shareholders at the General Shareholders' Meeting. As at the date of Admission, neither the Company's General Shareholders' Meeting nor the Director's Compensation Policy has approved or contemplated any compensation system of such type.

Non-executive Directors will not perceive variable remuneration, but pursuant to the Director's Compensation Policy, they may receive, as members of the management bodies of other Group companies, the statutory remuneration to which they are entitled for membership of such bodies. As at the date of this Prospectus, the Company's Directors do not perceive any remuneration from other entities within the Group.

This same remuneration system shall be applicable to any new director who joins the Board of Directors during the term of the Director's Compensation Policy.

Executive Director's remuneration upon registration of this Prospectus

According to the Director's Compensation Policy, the Executive Director (Mr. Miguel Ángel Merino), in addition to the remuneration mentioned above for his membership to the Board, shall be entitled to receive for the exercise of his executive duties and within the framework of the commercial agreement that links him to the Company, an annual remuneration comprising a fixed and a variable remuneration based on the fulfilment of previously established objectives under his commercial agreement, aligned with prudent risk management and adjusted to the long-term interests of the Company.

In addition, the Executive Director may receive remuneration in cash, shares or stock options for his executive duties when the Company deems it necessary to reward and incentivise his performance in certain transactions or exceptional circumstances, subject to approval in accordance with applicable legislation and pursuant to article 31.3 of the Company's Bylaws. These exceptional incentives shall, where appropriate, be additional to the items and amounts provided for in this section and, in the event that an incentive in shares or referenced to the value of the share is granted, the application of such remuneration systems must be agreed by the General Shareholders' Meeting in accordance with the terms established by law.

The different components covered by the executive director remuneration system, which will be applicable both to the current Executive Director and to those who may be appointed as such during the term of the Director's Compensation Policy, are detailed below.

Fixed remuneration

The fixed remuneration of the Company's Executive Director for the exercise of his executive duties is established on the basis of the level of responsibility of the position held, the experience, performance and training of the person holding the position.

The fixed part of the remuneration of the Executive Director for the exercise of his executive duties will be an established amount which will be annually reviewed by the Board of Directors.

A table of the evolution of the fixed remuneration of the Executive Director and the estimated fixed remuneration to be accrued in 2021 is included:

	Fixed Remuneration 2021	**Dif. % 2021 vs. 2020**	**Fixed Remuneration 2020**
Chief Executive Officer	388,602	1.6%	382,482

These amounts shall be understood to be referred to the full calendar year, so that if the Executive Director leaves the company on a date other than the end of the calendar year, he/she shall receive the amounts actually accrued, in proportion to the time worked in the aforementioned year.

In accordance with the market studies and analyses prepared by external third parties and the average increases in the remuneration of Linea Directa's Senior Management, the Board of Directors, at the proposal of the Nominating, Compensation and Corporate Governance Committee, will agree to update the amounts of fixed remuneration, in order to establish an appropriate compensation for the duties of the Executive Director, so that the Executive Director's compensation is competitive in the market and in line with Linea Directa's peers, reporting on these updates in the corresponding annual report on Directors' remuneration to be submitted to the General Shareholders' Meeting of the Company.

Social benefits

The Executive Director will be entitled to receive and access to all advantages and social benefits generally available to the Senior Management of the Company and to those included in the general Company's collective bargain applicable to all Linea Directa employees. These social benefits refer to health insurance, life insurance or vehicle entitlement, including the costs arising therefrom.

The Company maintains a civil liability policy covering the contractual contingencies that the Executive Director may incur as a result of the activities inherent to his duties.

The following table contains the detail of the social benefits received by the Executive Director in 2020, which are expected to remain materially unchanged for 2021:

	Christmas compensation	**Renting**	**Life insurance**	**Fuel**	**Health insurance**	**Total**
Chief Executive Officer	92.61	9,684.84	11,795	1,218.78	2,920.12	25,711.35(1)

(1) This table includes the exact figure, The difference with the amount included in the table appearing at the beginning of this section (€26,000), which coincides with the amount included in the Consolidated Financial Statements of the Company, is that the amount in such table has been rounded up.

Social welfare

The Board of Directors, at the proposal of the Nominating, Compensation and Corporate Governance Committee approved in 2018, a "Supplementary social welfare system for executive directors and management committee", compatible with the business strategy, objectives, values and long-term interests of the Company, which provides for mechanisms that allow the adjustment of the corresponding contributions of the Company depending on results or adverse circumstances.

Within this social welfare system, the Company currently distinguishes the following:

1. Unit-link

The Executive Director maintains the rights recognised due to its position in a group life insurance policy of the unit-linked group type, taken out by Linea Directa, through which the pension commitments of the Company are instrumented. The rights derived from the aforementioned insurance policy in favour of the Executive Director are consolidated unless certain circumstances arise, including voluntary resignation, unless there is an express written agreement to the contrary or a breach of the non-competition and non-recruitment of executives.

This social welfare compensation consists on a defined contribution system in which the Company contributes 40% of the fixed remuneration of the Executive Director each year. In this sense, €152,993 were contributed in 2020 (which conveyed a total amount of €1,120,276 as at 31 December 2020) and €155,441 euros are expected to be contributed in 2021 for the Executive Director. The economic scheme and terms of the unit-link plan are as follows:

1. An initial contribution is €350,000, to be contributed in the annuity of each beneficiary's appointment (the "**Initial Contribution**").

2. Four years after the first contribution, a second contribution of €350,000 is made (the "**Second Contribution**").

3. Beginning on the fifth year after the initial contribution, an annual contribution will be made equal to a percentage of the fixed annual remuneration, consisting of 20% of the fixed remuneration of the senior manager, if he/she was appointed before 2010 or 10% of the fixed remuneration of the senior manager, if he/she was appointed after 2010. In the case of the Executive Director, as previously mentioned, the annual contribution consists on a 40% of his fixed annual remuneration (as applicable, the "**Periodical Contributions**").

4. The benefits accrued from the plan become a vested right upon (i) retirement, (ii) death, or (iii) permanent disability.

Given that the Executive Director has been involved in the unit link plan since 2011, he currently only expects to receive Periodical Contributions.

2. <u>Pension plan</u>

Annually, the Executive Director receives an amount equivalent to 2% of his fixed remuneration with the commitment to allocate this amount to a pension plan. On 2020, the 2% that the Executive Director received in cash to allocate to a pension plan amounted to €10,403 and it is estimated it will amount to €10,570 for 2021.

The amounts of the annual contribution made on behalf of the Executive Director will be disclosed in future Directors' Remuneration Reports to be submitted to the General Shareholders' Meeting each year. Thus, the contribution made for 2021 will be disclosed in the Directors' Remuneration Report to be made available to shareholders for voting at the Ordinary General Shareholders' Meeting in 2022.

Variable remuneration

The main objective of variable remuneration is to incentivise performance by orienting it towards the objectives set by the Company, while promoting appropriate and effective risk management that prevents variable remuneration from creating incentives for individual behaviour involving excessive risk-taking, and to effectively align the remuneration of the Executive Director with the long-term interests of the Company and its stakeholders.

The variable remuneration of the Executive Director may be partially paid in shares in accordance with best market practice, subject to prior approval by the General Shareholders' Meeting in compliance with article 219 of the Capital Companies Act.

According to Linea Directa's general remuneration policy, the setting of the variable components of the Executive Director's remuneration will be in accordance with the following principles:

1. A direct relationship is established between the results of the Company and the amount of variable remuneration, taking into account the degree of compliance with the objectives.

2. The achievement of variable remuneration is linked to work at the individual level, to the achievement of corporate, area or departmental objectives at optimum levels, including both financial and non-financial objectives. These criteria should be appropriately balanced.

3. Variable remuneration shall encourage appropriate and effective risk management and shall not lead to or generate situations that increase the Company's risk profile.

4. The incentive policy shall be completely flexible, including the possibility of not paying any variable component.

5. In the total remuneration, the fixed and variable components shall be balanced in such a way that the fixed or guaranteed component represents a sufficiently high proportion of the total remuneration, in order to prevent employees from being overly dependent on the variable components and to enable the company to use a fully flexible incentive policy, including the possibility of not paying any variable component. As stated by EIOPA, an appropriate balance between fixed and variable remuneration shall be deemed to exist if the variable component does not exceed 100% of the fixed component of total remuneration, or as otherwise provided by the supervisor from time to time (see "*Regulatory Environment*").

The variable remuneration components that apply to the Executive Director are identified below:

1. Annual variable remuneration

The variable remuneration perceived by the Executive Director is made up of an annual variable remuneration linked to the fulfillment of certain strategic objectives. Such objectives shall be of financial or non-financial nature, yet they shall always be linked to indicators that convey improvements in the management, profitability and/or growth of the Company.

Among others, according to the Director's Remuneration Policy, the achievement of the annual variable remuneration will be linked to a business target (i.e. net premiums earned) representing a 40% of the annual variable remuneration, and to a financial target (i.e. profit before tax) with a weight of 60%. For both targets, the possibility of over-achievement could arise, which would result in the incentive being increased by 10%.

Pursuant to these principles, each year the Company approves a variable remuneration plan. The annual variable remuneration plan approved for the financial year 2021 is as follows:

2021 Annual Incentive Plan
Variable remuneration targets

Indicator	2021 target	Weight
Net premiums underwritten in 2020 (€Mn)	911,799	40%
Profit before tax 2020 (€Mn)	154,979	60%

Therefore, under the variable remuneration plan, the Executive Director will receive a certain percentage of its variable remuneration (level of achievement) depending on the level of compliance of with the targets, as follows:

Level of compliance of the targets and achievement of the variable remuneration		
Level of compliance of the targets[1]		**Level of achievement of the variable remuneration**
More than 110		125%
102	110	115%
99	101	100%
95	98	75%
90	94	50%

[1] If both targets are achieved with more than a 100% compliance, the resulting incentive will be increased in a 10%.

The model is based on the premise of establishing a direct relationship between the Company's results and the amount of variable remuneration, taking into account the objectives' degree of achievement. Assuming a scenario of 100% compliance with the objectives, the annual variable remuneration will represent 36% of the fixed remuneration of the Executive Director.

The evolution of the annual variable remuneration accrued by the Executive Director in 2020 (which will be paid to the Executive Director in 2021) and potentially accruing in 2021 (which would be paid to the Executive Director in 2022), assuming that 100% of the variable remuneration is perceived, is detailed below:

	Expected Annual Variable Remuneration 2021	**Dif. % 2021 vs. 2020**	**Annual Variable Remuneration 2020**
Chief Executive Officer	139,897 (36% of the fixed remuneration)	1.6%	137,694 (36% of the fixed remuneration)

In 2020, while 100% of the variable remuneration amounted to €137,694, the actual amount accrued was €144,578, as the final achievement was 105%.

Any payments corresponding to annual variable remuneration shall be adjusted and settled (or postponed, as the case may be) on an annual basis.

2. <u>Variable remuneration's common provisions</u>

The variable remuneration earned by the Executive Director (other than the ILP 2019-2021, which was agreed before the approval of the current Directors' Remuneration Policy) is subject to the following clauses:

a) Settlement and payment of variable remuneration

From 2021 onwards, at least 40% of the variable remuneration received by the Executive Director shall be paid on a deferred basis over a period of not less than 3 years. During the deferral period, the deferred remuneration shall be paid on a pro-rata basis.

b) Adjustments to variable remuneration

Variable remuneration will only be paid or vested if it is sustainable in accordance with the financial situation of the Company as a whole, and if it is justified on the basis of the results of the Company, of the business unit and of the individual to whom may apply. Either the deferred variable remuneration and the fully paid one are subject to *malus* and clawback clauses, respectively, which comprise the following terms:

– Under the *malus* clause, deferred variable remuneration pending payment may be reduced by up to 100% if, during the vesting period, any of the following circumstances occur:

  ▪ A restatement of annual accounts that does not arise from a regulatory change and provided that, in accordance with the aforementioned restatement, it resulted in a variable remuneration to be settled that is lower than that initially accrued or if no payment of any remuneration had been due in accordance with Línea Directa's variable remuneration system.

  ▪ When a requirement or recommendation by the competent authority to the Company to restrict its dividend distribution policy is in force.

  ▪ If the Executive Director has contributed significantly to the poor financial results* of the Company or the business unit of which it forms part.

  ▪ The level of solvency or liquidity, or both, falls or is expected to fall below the limit set in the Solvency II regulations.

  ▪ The Executive Director has caused serious negligent damages to the Company.

  ▪ That the Executive Director has been sanctioned for a serious and wilful breach of any of Linea Directa's internal rules that may be applicable.

  ▪ When there are regulatory sanctions or court convictions for acts that may be attributable to the unit or personnel responsible for those acts or conduct. Likewise, when there is a breach of the internal codes of conduct of the Entity by the executive director.

  The cases of application of the *malus* clause may be modified, extended or adapted in accordance with the regulations in force at any given time or if deemed appropriate by the Board of Directors, at the proposal of the Nominating, Compensation and Corporate Governance Committee.

– Under the clawback clause, the variable remuneration already paid to the Executive Director, whether deferred or not, will be subject to partial or total recovery by Linea Directa when, during the two years immediately following its payment, it becomes apparent that the payment has been made in whole or in part on the basis of information whose falsity or serious inaccuracy is proven, a posteriori, to be manifest, or risks assumed during the conditional period come to light, or other circumstances not foreseen or assumed by the Company that have a material negative effect on the income statements of any of the years in which it is applicable and, in any case, when, during the aforementioned two-year period, any of the situations described in the cases of reduction clauses ("*malus*") occur which, if they had occurred, would have generated the application of the aforementioned "*malus*" clause.

The Board of Directors, at the proposal of the Nominating, Compensation and Corporate Governance Committee, shall be responsible for determining or proposing, as appropriate, the application of the reduction or loss of the right to collect the deferred amounts, or their total or partial recovery, depending on the characteristics and circumstances of each particular case.

c) Prohibition of personal hedging strategies

Personal hedging strategies or any insurance related to remuneration and liability that undermines the risk-adaptation effects implicit in its remuneration system may not be used.

3. Shares' extraordinary variable remuneration plan

Additionally, the Executive Director (as well as the Senior Management, as described below), will participate in a shares' extraordinary variable remuneration plan as a result of the listing of Linea Directa's shares on the Spanish Stock Exchanges (the "**Shares' Extraordinary Plan**").

The purpose of this Shares' Extraordinary Plan, approved by the General Shareholders' Meeting on 18 March 2021, will be to serve as a tool for retaining and motivating the members of the Company's Senior Management, including the Executive Director, granting them the possibility of receiving a certain number of shares during the three years following the date of Admission of the Company.

This Shares' Extraordinary Plan was submitted for approval by the General Shareholders' Meeting of the Company under a separate item on the meeting's agenda, detailing, among other aspects:

- Number of shares to be delivered: The total number of Línea Directa shares to be delivered to the Executive Director and the other members of the management team will be the result of dividing 100,000 euros by the weighted average price of the shares of Línea Directa on the thirty (30) trading days following the date of Admission.

- Duration and delivery: The plan grants the possibility of receiving a certain number of shares during the three years following the date of Admission. The shares will be delivered according to the following schedule:

  – 33 per cent of the shares will be delivered on the date of the first anniversary of the admission to trading of the Línea Directa shares.

  – 33 per cent of the shares will be delivered on the date of the second anniversary of the admission to trading of the Línea Directa shares.

  – 34 per cent of the shares will be delivered on the date of the third anniversary of the admission to trading of the Línea Directa shares.

- Eligibility: Shares will be issued to members of the Senior Management as long as they remain in the service of the Company (except in the event of death, disability, retirement or unfair dismissal).

- Taxation: The Shares will be delivered after deduction of the corresponding personal income tax payments or withholdings.

This same remuneration system shall be applicable to any new executive director who joins the Board of Directors during the term of the Director's Compensation Policy.

4. Long-term variable remuneration

The Executive Director currently participates in the Extraordinary Long-Term Incentive Plan 2019-2021 (the "**LTIP 2019-2021**"), whose vesting period started on 1 January 2019 and ends on 31 December 2021.

The LTIP 2019-2021, in accordance with the provisions of the Directors' Compensation Policy, seeks to incentivise the degree of motivation and loyalty of the "key" executives and employees, and align "key" executives and employees with the LTIP 2019-2021, conveying to them a long-term vision of the Company in order to generate a culture of sustainability.

The participants in this LTIP 2019-2021 are the Executive Director, the Senior Management, and other key people of the Company, comprising a total of 45 people from the Company. The maximum amount the Company's Senior Management and the Executive Director may perceive in accordance with the LTIP 2019-2021 amounts to €8,671,848 (including €1,092,083 for the Executive Director and €579,630 for the Chairman for the exercise of his executive duties up to the registration of this Prospectus), whereas including the Company's key people this amount would amount to a total of €16,673,640.

The amount granted for the entire period is equivalent to two (2) times the fixed remuneration of December 2018 (€728,122 in the case of the Executive Director) assuming receival of a 100% of the incentive (the "**Scheduled Incentive**"), and may be increased up to 150% (maximum incentive), which would be equivalent to three (3) times the fixed remuneration of December 2018 (€1,092,183 in the case of the Executive Director). The entire plan will be considered accrued at the end of 2021 and settled, if applicable, in the first quarter of 2022, and therefore no amounts have been accrued for 2019 and 2020 and no payments have been made, even though the established objectives and parameters have to be met annually (without deferral). There are no other currently approved multiannual plans of a similar nature.

For the LTIP 2019-2021 to be fully received, a certain financial turnover linked to Linea Directa's business must be met at the end of the plan, consisting on an aggregate amount of €1,016 million in Gross Written Premiums ("**GWP**") by the Group (the "**Final Objective**"), provided that the annual objectives, as defined below, have also been met. Depending on the Group's aggregate GWP amount reached, a percentage of achievement of the Final Objective in a scale from 0% to 150% for the 2019-2021 period is established, as shown in the table below:

Group's aggregate GWP 2021	% of achievement of the Final Objective
966	0%
976	20%
986	40%
996	60%
1,006	80%
1,016	100%
1,026	110%
1,036	120%

Group's aggregate GWP 2021	% of achievement of the Final Objective
1,046	130%
1,056	140%
1,066	150%

The Group's aggregate GWP by the end of 2021 must be greater than €966 million in order for the Senior Managers' to receive the incentive according to the level of achievement of the Final Objective. If the Group's aggregate GWP is within the GWP amounts included in the table, the percentage of achievement will be calculated proportionally.

If the Final Objective is met, the amount the participants will receive under the LTIP 2019-2021 will be determined depending on the fulfilment of two annual objectives (strategic and financial objectives), which are defined with a weighting of 50% each (the "**Annual Objectives**"). Depending on the annual degree of achievement of the Annual Objectives, an average percentage of achievement of both Annual Objectives will be calculated, with a maximum of one third of the Scheduled Incentive accrued each year. The Annual Objectives consist on the following:

– A financial objective consisting on achieving an annual combined ratio target which will determine the percentage of achievement of the objective according to the following table:

Combined Ratio 2019	% of achievement of the financial objective	Combined Ratio 2020	% of achievement of the financial objective	Combined Ratio 2021	% of achievement of the financial objective
92.5%	0%	93.5%	0%	92.5%	0%
92.1%	20%	93.1%	20%	92.1%	20%
91.7%	40%	92.7%	40%	91.7%	40%
91.5%	50%	92.5%	50%	91.5%	50%
91.3%	60%	92.3%	60%	91.3%	60%
91.0%	80%	92.0%	80%	91.0%	80%
90.5%	100%	91.5%	100%	90.5%	100%

– A strategic objective consisting on achieving an annual growth in net written premiums, net of reinsurance higher than the average growth of the top 20 companies in the non-life insurance sector according to the benchmark table of the corresponding year.

At the end date of the LTIP 2019-2021 on 31 December 2021, the average percentage derived from the achievement of the Annual Objectives for the three years will be calculated and multiplied by the percentage of achievement of the Final Objective. The result will vary between 0% and 150% of the Scheduled Incentive, but shall in no case exceed the maximum amount.

As an example, if the percentage of achievement of both Annual Objectives reaches 80%, 90% and 85% for the years 2019, 2020 and 2021, respectively, the average percentage achievement of the Annual Objectives will result in 85%. On this percentage, the Final Objective achievement percentage will be applied, so if the GWPs do not reach 966 million, this amount will be multiplied by zero, while if for example GWPs reach 976, the 85% corresponding to the Annual Objectives would be multiplied by 0.20 (as indicated Final Objective's table above), and therefore, the final achievement of the Scheduled Incentive would be 17%.

The remuneration in kind and social benefits, as well as any other type of variable remuneration received during the financial year 2018, are expressly excluded from the calculation.

In the case of full (100%) achievement of the strategic and financial objectives set, the amount called for the Chief Executive Officer and the President (for his executive duties up to the registration of this Prospectus) amounts to €1,114,542, which remains below the maximum possible amount to be received by both of them (€1,671,813).

For the years 2019 and 2020, the Company provisioned €2.9 million and €0.8 million, respectively, for potential payments to be made under the LTIP 2019-2021. Even though the achievement of the financial turnover for 2021 is still uncertain yet not likely to be met, as of the date of this Prospectus the Company has chosen to follow a prudent approach and maintain the already registered €3.7 million provision for this concept.

Settlement of the LTIP 2019-2021 would take place, once the targets have been measured, in February 2022.

Additionally, the Executive Director may participate in any extraordinary multi-annual variable remuneration plan approved by the Board of Director's within the Director's Compensation Policy duration, and which intend to retain and promote key employees and improve the Company's financial statements and sustainability.

Senior Management remuneration

The total remuneration perceived by the members of the Company's Senior Management during the year ended on 31 December 2020 (corresponding to fourteen (14) members), amounted to €5,844 thousand (including the €896 corresponding to the remuneration of the executive directors existing on 2020, that is Mr. Alfonso Botín-Sanz de Sautuola y Naveda and the current Chief Executive Officer, Mr. Miguel Angel Merino González). As at 31 December 2020 and as at the date of this Prospectus the Senior Management of the Company may benefit from a (i) fixed remuneration, (ii) variable remuneration, (iii) remuneration in kind, and (iv) social welfare compensations.

The following table sets forth a summary of the remunerations perceived by the members of the Company's Senior Management as at the year ended on 31 December 2020 (other than the executive directors as at 31 December 2020):

FY 2020 (Euros)	Base Remuneration	Variable Remuneration	Remuneration in kind	Social Welfare		Total
				Unit link	Savings and pension insurance	
Senior Management (other than the executive directors as at 31 December 2020)	2,474,000	924,000	195,000	1,268,000[1]	87,000	**4,948,000**
				1,355,000		

[1] These amount arises from (i) €700,000 corresponding to two Initial Contributions; (ii) €350,000 corresponding to a Second Contribution; and (iii) €217,449 corresponding to Periodical Contributions.

The Company's remuneration scheme for its Senior Management has been adapted to the regime applicable to listed companies. In this sense, the Company adapted the Senior Management's remuneration policy for the year 2021 under the Company's amended remuneration policy (*política de retribuciones*) (the "**Company's amended Remuneration Policy**") approved by the Company's Board of Directors on 3 December 2020 and entered into force on 1 January 2021.

As at the date of this Prospectus, the Senior Management's composition is described in detail in section 12.1.2 above, comprised of eleven members aside the Executive Director. Accordingly, the estimated remuneration to be received by the Senior Management for the year 2021 is the following:

Estimated FY 2021 (Euros)	**Base Remuneration**	**Variable Remuneration**	**Remuneration in kind**	**Social Welfare**		**Total**
				Unit link	**Savings and pension insurance**	
Senior Management (as identified in section 12.1.2, other than the executive director)	2,338,000	866,000	195,000	962,000[1]	64,000	**4,425,000**
				1,026,000		

[1] These amount arises from (i) €350,000 corresponding to one Initial Contribution; (ii) €350,000 corresponding to a Second Contribution; and (iii) €262,293 corresponding to Periodical Contributions.

The description of the different components covered by the Senior Management's remuneration system, which will be applicable both to the current senior managers and to those who may be appointed as such during the term of the Company's amended Remuneration Policy, are detailed below.

Fixed remuneration

The fixed part of the remuneration of each of the members of the Senior Management will be an established amount, which will be annually reviewed according to the expertise and skills for the specific position.

The amounts contributed to the Senior Management's Unit link programme are treated further in section 13.2 below and follow the same payment scheme, form of payment and terms described for the Executive Director.

In addition, the Senior Management benefits from a retirement and savings insurance policy which is further described in section 13.2 below to which the Senior Management contributes annually an amount equivalent to 2% of each Senior Manager's fixed remuneration.

Variable remuneration

1. <u>Annual variable remuneration</u>

The Company's variable remuneration for the Senior Management corresponding to the year ended on 31 December 2020 has been fully settled in cash, on a quarterly basis and without deferred payments, in accordance with the Company's prior remuneration policy.

Regarding the Senior Managements' variable remuneration for the financial year 2021, in accordance with the current Company's remuneration policy for the Senior Management, its achievement will be linked to the following targets:

2021 Senior Managements' Annual Incentive Plan Variable remuneration targets		
Indicator	**2021 target**	**Weight**
Net premiums underwritten in 2020 (€Mn)	911,799	30%
Profit before tax 2020 (€Mn)	154,979	30%
Net Promoter Score	37.4	10%
Strategic objectives per area (%)	70%	30%

The Senior Management's variable remuneration can range from 35% to 38% of the Senior Manager's fixed remuneration (the "**Potential Incentive Amount**"). Afterwards, the final amount to be received by each Senior Manager will range from 60% to 140% of the Potential Incentive Amount, depending on the degree of accomplishment of the targets set for each Senior Manager. If the accomplishment of the targets is below the limits established to receive a 60% of the Potential Incentive Amount, the Senior Manager will not receive any annual variable remuneration.

The target structure set out above does not apply to the internal audit officer, whose targets are as follows:

2021 Internal Audit Officers' Annual Incentive Plan Variable remuneration targets		
Indicator	**2021 target**	**Weight**
Number of internal audit reports	5	33.34%
Key Risk Indicators	95% of KRI shall be "green"	33.33%
Recommendations implemented in time, out of total recommendations established for the year	40 recommendations implemented	33.33%

The Internal Audit Officers' variable remuneration can range from 32% to 140% depending on the degree of accomplishment for each of the targets.

2. Long-term variable remuneration

Currently the Senior Management has access to the LTIP 2019-2021, as described above. In the case of full (100%) achievement of the Final and Annual Objectives set, the Scheduled Incentive for the Senior Management amounts to €4,666,690, with a maximum possible amount to be received amounting to €7,000,036. However, and given the current circumstances, the current expectations is that the LTIP 2019-2021 will not be made.

3. Shares' extraordinary variable remuneration plan

Finally, the Senior Management may also participate in the Shares' Extraordinary Plan, in the same terms as described for the Executive Director.

Remuneration in kind

The members of the Group's Senior Management also benefit from a medical insurance policy and a vehicle renting scheme that includes an insurance policy and fuel limited to €1,500 per year.

Finally, it must be stated that EIOPA delivered an opinion on the supervision of remuneration principles in the insurance and reinsurance sector on 30 June 2020, where in the framework of Solvency II measures, the authority provided for provisions on remuneration for the purposes of the sound and prudent management of the business in order to prevent remuneration arrangements which encourage excessive risk. In line with this, the opinion states that where remuneration schemes have fixed and variable components, these should be in such a proportion that the employees do not become overly dependent on the variable component, maintaining a threshold of a 1:1 fixed/variable remuneration ratio (see *"Regulatory Environment"*). Currently the Company does not exceed the threshold of a 1:1 fixed/variable remuneration ratio neither for the Board of Directors nor the Senior Management, and is therefore within the limits set by EIOPA.

13.2 Total amounts set aside or accrued by the issuer or its subsidiaries to provide for pension, retirement or similar benefits

During 2020, the Group had carried out contributions to the Senior Management's retirement and savings insurance policy (*Seguro de Ahorro y Jubilación*) amounting to €87,244, excluding the Chief Executive Officer and the Chairman. The accrued total amounts contributed by the Group to the Senior Management's retirement and savings insurance policy (*Seguro de Ahorro y Jubilación*), including those contributed during 2020, amounted to €374,327 as at 31 December 2020.

The contributions to the retirement and savings insurance policy apply for the whole Senior Management of the Group, excluding both the Chief Executive Officer and the Chairman of the Board of Directors, and are annually accrued.

Moreover, during 2020, the Group had carried out contributions to the Senior Management's Unit Link programme amounting to €1,420,442, including the contributions by the Executive Directors. The accrued total amounts contributed by the Company to the Company's Unit Link, including those contributed during 2020, amount to €7,831,569 as at 31 December 2020, including the ones referred to the Executive Directors, which as previously established, amounted to €153,000.

The contributions to the Unit-link plan apply for the whole Senior Management of the Group, including the Chief Executive Director but excluding the Chairman of the Board of Directors, and are annually accrued from the fifth after the initial contribution, according to the economic scheme and terms set off for the Executive Director in the previous section.

14. BOARD PRACTICES

14.1 Expiration of current term of office for the members of the administrative, management or supervisory bodies of the Company

For information on the expiration of current term of office for the members of the administrative, management or supervisory bodies of the Company please see the table in *Section 12.1.1* above reflecting, amongst other, the expiration date of the current term of office and the aggregate period during which each Director has served in his/her office.

14.2 Service contracts of Directors with the Company or any of its subsidiaries providing for benefits upon termination of employment

As at the date of this Prospectus, there are no service contracts of any member of the administrative, management or supervisory bodies of the Company with the Company or any of its subsidiaries that provide for benefits upon termination of employment, apart from the applicable compensation established in the Spanish labour legislation that apply to the Chief Executive Officer as a consequence of his previous labour relationship with the Company.

14.3 Information about the Company's Audit and Compliance Committee and Nominating, Compensation and Corporate Governance Committee

For information on the Company's Audit and Compliance Committee and Nominating, Compensation and Corporate Governance Committee please see *Section 12.1.1 – Sub-section "Board of Directors Committees", "Audit and Compliance Committee" and "Nominating, Compensation and Corporate Governance Committee".*

14.4 Applicable corporate governance regime

The Capital Companies Act sets out certain mandatory legal provisions applicable to Spanish companies whose shares are listed on Spanish Stock Exchanges (*sociedades cotizadas*). In addition, the Spanish Corporate Governance Code sets out certain recommendations on corporate governance to be considered (on a "comply or explain" basis) by companies whose shares are listed on Spanish Stock Exchanges.

In this sense, on 13 April 2021 the Law on Encouragement of Long-term Shareholder Engagement was published in the Spanish Official State Gazette and it will enter into force 20 days after such date. The aim of the law is to incorporate in the Spanish legal system Directive (EU) 2017/828, of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement (SRD II) in both listed and private companies, and to this end it amends different pieces of Spanish legislation. However, the text goes beyond what is required for transposition purposes, proposing further amendments to, among others, the Companies Act and the Spanish Securities Market Law.

The Law on Encouragement of Long-term Shareholder Engagement will impact the Company in different aspects including, but not limited:

- In accordance with amended articles 182 and 521 and new article 182.bis of the Capital Companies Act, shareholders' meetings can be held by exclusively electronic means, i.e., without the physical presence of shareholders and representatives if the bylaws expressly allow this type of meetings and certain requirements are met. The Company's Bylaws and the Shareholders' Meetings Regulations already foresee the celebration of meetings by exclusively electronic means, provided that the applicable Spanish legislation allows it and the relevant requirements are complied with;

- The Capital Companies Act already establishes the right of a listed company to know the identity of its shareholders and now, amended article 497 of the Capital Companies Act, recognises the shareholders right themselves (holding 3% of the share capital) and their associations (representing 1% of the share capital) to know the identity of any shareholders. Further, upon enactment of the Law on Encouragement of Long-term Shareholder Engagement, the introduction of a new article 497 bis of the Capital Companies act will entail that the right to know the identity of shareholders will also entail the recognition of the right to know beneficial owners. For these purposes, beneficial owners are defined under point 2 of the above-referred new article 497 *bis* of the Capital Companies as the person on whose behalf the intermediary entity registered as shareholder in the book-keeping record acts, whether directly or through a chain of intermediaries;

– Certain adjustments have been included on article 503 to article 508 of the Capital Companies Act, which include special rules regarding subscription of shares. With similar purposes, certain adjustments have been included on articles 510 and 511 of the Capital Companies Act in respect of the issuance of convertible securities. The Company will need to comply with such amended articles in regards to the exercise of subscription rights or the exclusion of such subscription rights.

  In particular, pursuant to the amendments made by the Law on Encouragement of Long-term Shareholder Engagement (i) the exclusion of the shareholders' preferential subscription right in the cases of capital increases and issuances of convertible securities will no longer require an independent expert report; and (ii) when authorising the Company's Board of Directors to increase the Company's share capital or issue convertible securities the General Shareholders' Meeting of the Company may only confer the Board of Directors the authority to exclude the preferential subscription rights up to a 20% of the Company's share capital

– A new subsection to Title XIV, Chapter VI, Section 3 of the Companies Act under the heading "Shares with loyalty votes" (Arts. 527 *ter* to 527 *undecies*) has been included. This new subsection regulates loyalty shares in listed companies. Pursuant to the new article 527 *ter* of the Capital Companies Act, the bylaws of a Spanish listed company may confer a double vote to the shares of any shareholder who requests to be included in an special shareholders' registry created by the Company, as long as those shares remain in such registry for at least two consecutive years. Upon registration in such registry, the shareholder shall indicate the number of shares in respect of which he intends the recognition of the double vote.

  Regardless of the above, the inclusion of the loyalty shares in the Company's bylaws by the General Shareholders' Meeting will require the attendance of at least 25% of the Company's total share capital with voting rights and (i) if 50% or more of the Company's total share capital with voting rights attends the General Shareholders' Meeting, the vote in favour of, at least, 60% of the share capital present or represented in the General Shareholders' Meeting; and (ii) if less than 50% but more than 25% of the Company's total share capital with voting rights attends the General Shareholders' Meeting, the vote in favour of, at least, 65% of the share capital present or represented in the General Shareholders' Meeting.

  The Company does not intend to implement such loyalty shares in the near future;

– Certain amendments to articles 529 *septdecies* to 529 *novodecies* of the Capital Companies Act regulating the compensation policy for directors have been included. The Director's compensation policy approved by the Company's shareholders in the General Shareholders' Meeting held on 18 March 2021 already complies with the Law on Encouragement of Long-term Shareholder Engagement and should not be reviewed for such purposes;

– A new chapter VII *bis* to Title XIV of the Capital Companies Act under the heading "Related party transactions" (Arts. 529 *vicies* to 529 *tervicies*) has been included. This new chapter regulates the obligations on related party transactions in terms of publicity and approval. The Company will comply with this new Chapter and will further analyse if additional adjustments are required on its corporate governance regulations.

Pursuant to the amendments made by the Law on Encouragement of Long-term Shareholder Engagement, once two (2) months have elapsed upon its entry into force, any related-party transactions entered into by the Company which represent more than 10% of the assets included in the balance sheet of the annual accounts of the Company shall be approved by the Company's General Shareholders' Meeting. Any related-party transactions below such amount shall be approved by the Board of Directors of the Company, unless they are entered into within companies of the same group in the ordinary course of business and on an arms length basis or refer to agreements with standardised conditions which apply to a high number of clients, in which case the Board of Directors may delegate its approval.

In both cases, if the related-party transaction exceeds 5% of the Company's assets or 2.5% of its annual revenues (*cifra de negocios*) the Company shall publicly announce the transaction and publish the corresponding report from the Audit and Compliance Committee;

– The Company will comply with the new requirements introduced in respect of the annual compensation report on article 541 of the Capital Companies Act. In this sense, the first annual compensation report to be approved and published by the Company will be the one corresponding to the financial year ended on December 31, 2021;

– In accordance with amended article 529 *bis*. 1 of the Capital Companies Act, listed companies are now longer authorised to appoint legal entities as directors. The Company's directors are all individuals and therefore this new limitation does not affect the current composition of the Board of Directors.

The Company, as a non-listed company, was not obliged to publish the corporate governance report required by the Capital Companies Act and whose template is established by Circular 1/2020, of 6 October, of the CNMV, modifying Circular 5/2013, of 12 June, establishing the templates for the annual corporate governance report to be published by companies listed on Spanish Stock Exchanges, savings banks (*cajas de ahorro*) and other entities that issue securities in official securities' markets. As at the date of this Prospectus, the Company believes that it substantially complies with these recommendations.

However, some of the Company's corporate practices currently vary from the recommendations set forth by the Spanish Corporate Governance Code in certain respects. Nevertheless, the Company is committed to observe strict corporate governance policies and adapt its practices as appropriate to all of the above mentioned principles of good governance, as soon as possible after Admission.

As of the date of this Prospectus, the Company's corporate practices vary from the recommendations in the following ways:

(a) Recommendation 4: The Company does not currently have a communication with shareholders policy nor a general policy for the communication of economic-financial, non-financial and corporate information. The Company will define and promote such policies upon Admission.

(b) Recommendation 16: The Company's proprietary Directors exceeds the proportion between the ownership stake of the shareholders they represent and the remainder of the Company's capital given that the Company believes it is important for two of its main shareholders to participate in its Board of Directors.

(c) Recommendation 48: The Company does not consider separating nomination and compensation committees are necessary given its current structure.

The Board of Directors, at the proposal of the Nominating, Compensation and Corporate Governance Committee, will issue an annual corporate governance report and such report will be submitted to the Company's shareholders for information purposes. The report will be announced through the publication by the Company of a relevant fact notice (*otra información relevante*) and published in the Company's website. The first report to be prepared by the Company will be the report in respect of the year ended 31 December 2021.

Pursuant to article 529 *decies* of the Capital Companies Act, the proposal of appointment or re-election of members of the board of listed companies corresponds to the Nominating, Compensation and Corporate Governance Committee, in the case of independent directors, and to the board itself in other cases and such proposal of appointment or re-election must be preceded, in the case of non-independent directors, by a report by the Nominating, Compensation and Corporate Governance Committee. Upon registration of the Prospectus, the Board of Directors and the Nominating, Compensation and Governance Committee will ratify the appointment of the new directors of the Company.

As set forth in the Board of Directors Regulations, the Nominating, Compensation and Corporate Governance Committee is required to periodically review the level of compliance by the Company and, where appropriate, its subsidiaries, submitting its proposals and recommendations to the Board of Directors in order to improve such rules.

14.5 Potential impacts on the Company's corporate governance

No further changes in the composition of the Board of Directors or its committees have been approved by the Board of Directors or the General Shareholders' Meeting.

15. EMPLOYEES

15.1 Number of Employees

People and corporate culture are what really sets Linea Directa apart. The Company has implemented a comprehensive people management model which reflects its firm commitment to policies in relation to equality, diversity, respect for human rights, and the digital disconnect, among others, in line with the recommendations of the leading international bodies in these areas, such as the United Nations Sustainable Development Goals or the European Diversity Charter.

The Company currently has 2,561 employees in its workforce, which has grown in a sustainable and efficient manner over the 25 years of the Company's life. The Company promotes a culture favourable to diversity, its employees including nationals from over 30 countries, and is firmly committed to equal opportunities, with 51% of senior positions held by women. Linea Directa is also firmly committed to providing quality employment and 94% of its employment contracts are of indefinite term, always seeking to foster internal talent through professional development initiatives aimed at its workforce.

The following table reflects the average number of employees of the Group divided by their category and gender for financial years ended on 31 December 2020, 2019 and 2018, respectively.

Category	2020			2019			2018		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Management	28	26	54	29	26	55	33	26	59
Executive	88	80	168	86	74	160	80	79	159
Senior Operations	114	123	237	112	130	242	121	130	251
Junior Operations	340	338	678	335	322	657	296	297	593
Staff	516	855	1,371	479	806	1,285	429	782	1,211
Total	**1,086**	**1,422**	**2,508**	**1,041**	**1,358**	**2,399**	**959**	**1,314**	**2,273**

Source: Company data

The average number of employees of the Group with a disability of 33% or above for financial years 2020, 2019 and 2018 was 40, 38 and 34 respectively.

The table below sets forth the average number of employees of the Group divided by temporary and total average employees for financial years 2020, 2019 and 2018:

Category	2020			2019			2018		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Temporary Employees	66	70	136	94	78	172	82	89	171
Total Average Employees	1,086	1,422	2,508	1,041	1,358	2,399	959	1,314	2,273
% Temporary Employees	6.1%	4.9%	**5.4%**	9.0%	5.7%	**7.2%**	8.6%	6.8%	**7.5%**

Source: Company data

15.2 Shareholdings and Stock options

As at the date of this Prospectus, none of the directors of the Company hold any shares or stock options in Linea Directa.

15.3 Arrangements involving employees in the capital of the Company

As at the date of this Prospectus, no arrangements involving the employees in the capital of the Company are in force.

16. MAJOR SHAREHOLDERS

16.1 Significant interests in the Company's share capital of non-members of the Company's administrative, management or supervisory bodies or Senior Management

As at the date of this Prospectus, the Company's principal shareholder is Bankinter, holding 99.999% of its share capital. Nevertheless, on 30 April 2021 (i.e. following Admission, which is expected to occur on 29 April 2021), approximately 82.6% of the Company's Shares, representing Bankinter's share premium for the amount of €1,184,265,000, are expected to be distributed to the shareholders of Bankinter through a dividend in kind which was authorised by the General Shareholder's Meeting of Bankinter on 19 March 2020.

The following table sets forth the shareholding and voting rights in the Company of the persons different to those that are members of the Company's administrative, management or supervisory bodies or Senior Management which, given the current shareholding structure of Bankinter and according to the publicly available information on significant interests over the Company's share capital, are expected to become, due to holding significant interests over the Company's share capital, the major shareholders of the Company upon the distribution to the shareholders of Bankinter of the Company's Shares, and their expected shareholding, together with the expected shareholding of the free float:

Shareholder	Number of shares	Direct and indirect percentage in the share capital of the Company
Cartival, S.A.[87]	**208,410,131**	19.15%
Bankinter, S.A.	**189,550,686**	17.40%
Fernando Masaveu Herrero[88]	**47,568,636**	4.37%
Línea Directa Aseguradora, S.A. (treasury stock)[89]	**239,678**	0.02%
Free Float	**642,647,709**	59.06%
Total	**1,088,416,840**	100%

All the relevant information regarding any significant interests in the Company will be available after Admission at the CNMV's website (https://www.cnmv.es/). The floating stock of the Company amounts to 59.06%, understood as the part of the Company's capital stock not controlled by major shareholders, members of the Company's administrative, management or supervisory bodies or held by the Company as treasury stock.

Altogether, the Company's Board of Directors and the members of Senior Management are expected to directly hold a total of 994,320 shares (0.09%) and they indirectly hold a total of 46,792,306 Shares (4.30%). Altogether, major shareholders hold, direct and indirectly, a total of 445,529,453 shares (40.92%).

16.2 Major Shareholders' voting rights

All of the Company's Shares representative of the Company's share capital are of the same class and series, and they all enjoy the same voting and economic rights. Every share gives its shareholder a right to one vote, no privileged shares or otherwise having special voting rights attached to them exist.

16.3 Control of the Company

As at the date of this Prospectus, the Company's principal shareholder is Bankinter, holding 99.999% of its share capital. For more information on the Company's control upon the distribution of the Company's Shares to Bankinter's shareholders please see Section 16.1 above.

[87] Cartival, S.A. is the vice-president of the Board of Directors of Bankinter, where it is duly represented by Alfonso Botín-Sanz de Sautuola y Naveda. In addition, upon registration of the Prospectus, Alfonso Botín-Sanz de Sautuola y Naveda will be the Chairman of the Board of Directors of the Company.

[88] Fernando Masaveu Herrero is member of the Board of Directors of Bankinter. In adittion, upon registration of the Prospectus, Fernando Masaveu will be member, in his condition of proprietary director, of the Board of Directors of the Company. Mr. Masaveu is expected to directly hold 776,330 Linea Directa's Shares upon Admission, while he will indirectly hold 46,792,306 Shares. Mr. Masaveu will indirectly hold the Company's shares thorugh (i) Corporación Masaveu, S.A. (44,959,730 shares), (ii) Fundación María Cristina Masaveu Peterson (1,555,560 shares), (iii) Fundación San Ignacio de Loyola (186,028 shares), (iv) Flicka Forestal, S.L. (67,648 shares), and (v) family members (23,340 shares).

[89] Línea Directa currently holds 239,678 shares in Bankinter, and, therefore, upon the distribution of the shares of the Company by Bankinter, it is expected to receive 239,678 shares in the Company.

16.4 Arrangements that may result in a change of control of the Company

It is hereby stated that there are currently no agreements whose application could in the future entail the change of control of the Company.

17. RELATED PARTY TRANSACTIONS

17.1 Details of related party transactions of the Company for financial years 2020, 2019 and 2018

The Company has entered and may continue to enter into transactions with certain related parties or its affiliates from time to time and in the ordinary course of its business. The related party transactions represent transactions under market conditions implying the transfer of resources, services or obligations between the Company and/or the companies of the Group and other related parties, and have been and will continue to be approved by the Board of Directors previous report of the Audit and Compliance Committee. For the purposes of this Prospectus, the Company's related party transactions were expressly ratified by the Board of Directors meeting held on 23 March 2021.

Material related-party transactions entered into with its shareholder Bankinter, S.A. and its subsidiaries are provided below, distinguishing between (i) insurance activity and (ii) other services provided and received.

Operations from direct insurance

Linea Directa and Bankinter entered into a non-exclusive bancassurance agreement under which Bankinter distributes Linea Directa's Home insurance policies acting as insurance agent relying on Bankinters' network itself. Linea Directa accounts for premium income under the "Home line of business segment"[90]. Linea Directa pays an agency commission to Bankinter as bancassurance operator, while the Company itself is the one who effectively performs the Home insurance services. 55,792 policies are intermediated by Bankinter out of a total of 662,393 in Linea Directa's Home line of business. The Company's bancassurance distribution agreement with Bankinter is in force and its conditions will remain unchanged following the Admission (see *"Material Contracts"*).

Furthermore, Linea Directa provides travel assistance insurance for holders of Bankinter, Bankinter Portuguese branch and Bankinter Consumer Finance credit cards, covering usual risks as regards credit cards related insurances. These policies are accounted under the "Other insurance business" segment. Under a number of collective policies, policyholders are Bankinter, Bankinter Portuguese branch and Bankinter Consumer Finance themselves. Linea Directa receives premium income and until 2019 paid an intermediation commission. Lastly, a profit sharing is in place by which Linea Directa pays a percentage of the business profit to Bankinter, Bankinter Portuguese branch and Bankinter Consumer Finance, respectively.

Brokerage commissions

Brokerage commissions refers to the commissions paid by the Company under the following:

[90] For clarifications purposes, premium income is not disclosed in this section as Home policyholders are Linea Directa clients themselves.

- Commissions paid under the bancassurance agreement, which amounted to €5,355 thousand as at 31 December 2020 (€5,192 and €4,663 thousand in 2019 and 2018, respectively).

- Intermediation commission paid to Bankinter Portuguese branch under the travel assistance insurance business amounting to €3 thousand and 2 thousand in 2019 and 2018, respectively.

	12/31/2020	12/31/2019	12/31/2018
Bankinter, S.A.	5,355	5,192	4,663
Bankinter, S.A. Sucursal en Portugal	-	3	2
Total	**5,355**	**5,195**	**4,665**

Figures in thousand euro

Issuing of insurance premiums

As at 31 December 2020, premium income referring to the travel assistance business[91] amounted to €1,289 thousand (€1,323 thousand and €1,244 thousand in 2019 and 2018, respectively):

	12/31/2020	12/31/2019	12/31/2018
Bankinter, S.A.	398	273	231
Bankinter Consumer Finance, S.L.U.	847	1,018	997
Bankinter, S.A. Sucursal en Portugal	44	32	16
Total	**1,289**	**1,323**	**1,244**

Figures in thousand euro

Services received and provided

- Expenses from services received include (i) the commissions paid to Bankinter by the management of direct debit insurance receipts, credit card commissions and a profit sharing commission for the travel assistance business amounting to €1,059 thousand, €464 thousand and €14 thousand for Bankinter S.A, Bankinter Consumer Finance and Bankinter Sucursal en Portugal, respectively, for the year ended 2020) and, (ii) to a lesser extent, interest and financial expenses relating to custody and management fees (€285 thousand, €341 thousand and €355 thousand as at 31 December 2010, 2019 and 2018, respectively).

- Income from services provided consist of (i) commissions for sale or readdressing of potential clients to Bankinter amounting to €2,826 thousand in 2020 (3,770 thousand and €5,207 thousand in 2019 and 2018, respectively) and (ii) financial income from investments in Bankinter's sponsored real estate vehicles (SOCIMIs) and other Bankinter's sponsored investments and bank interests (€408 thousand, 469 thousand and €134 thousand in 2020, 2019 and 2018)

	Expenses		Income	
Services Received and Provided	**Services Received**	**Interest and Financial Services**	**Services Provided**	**Financial Income**
12/31/2020				

[91] The travel assistance business comprises the group policies where the policyholder is the Bankinter group, where Linea Directa provides travel assistance insurance for holders of Bankinter, Bankinter Portuguese branch and Bankinter Consumer Finance credit cards.

Bankinter, S.A.	1,059	285	-	408
Bankinter Consumer Finance, E.F.C., S.A.	464	-	2,826	-
Bankinter, S.A. Sucursal en Portugal	14	-	-	-
12/31/2019				
Bankinter, S.A.	857	341	-	469
Bankinter Consumer Finance, E.F.C., S.A.	673	-	3,770	-
Bankinter, S.A. Sucursal en Portugal	13	-	-	-
12/31/2018				
Bankinter, S.A.	951	355	-	134
Bankinter Consumer Finance, E.F.C., S.A.	616	-	5,207	-

Figures in thousand euro

As provided for in the Board of Directors Regulations, any transactions that the Company enters into with members of the Board of Directors or shareholders, who hold, individually or together with others, a significant holding, or with persons related thereto, must be approved by the Board of Directors, following a mandatory report from the Audit and Compliance Committee. For groups of related party transactions carried out in the ordinary course of business a general authorisation for the group of transactions and their conditions from the Board of Directors, following a mandatory report from the Audit and Compliance Committee will suffice. No authorisation from the Board of Directors is required in the event that the following three conditions are met: that the contracts pursuant to which the transactions are carried out are standardised contracts applied to a large number of clients[92], that the price at which the services are provided is the standard market price at which similar transactions are carried out and that the magnitude of such transactions does not go over 1% of the Company's yearly revenues, in accordance with the financial statements for the preceding financial year.

After the registration of this Prospectus and before Admission it is expected that the Board of Directors, with a report from the Audit Committee, ratifies the terms and conditions of all the related-party transactions entered into by the Company.

In addition, in the years ended 31 December 2020, 2019 and 2018, the Company's shareholders, Directors and senior managers and their related parties did not carry out any transactions other than ordinary business with the Group or applying terms that differ from market conditions.

All related-party transactions, including those carried out from 1 January 2021 until the Prospectus registration date, have been carried out at arm's length within the ordinary course of the Company's business.

The Company's details of related party transactions follow those set out in the standards adopted in accordance with the Regulation (EC) Nº 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, including:

a) figures included for comparative purposes;

b) the Company's remuneration policy; and

[92] Number of clients is an APM. Number of clients measures the total number of clients for Motor, Home, Health and Other lines of business. See *"Alternative Performance Measures"*.

c) the financial statements that have been prepared in accordance with the IFRS-EU.

The Company will also comply with new chapter VII *bis* to Title XIV under the heading "Related party transactions" (Arts. 527 *ter* to 527 *undecies*) from the Law on Encouragement of Long-term Shareholder Engagement.

18. FINANCIAL INFORMATION

18.1 Historical Financial Information

18.1.1 Historical financial information for financial years 2020, 2019 and 2018

Below are detailed the most material consolidated figures regarding the Group for financial years 2020, 2019 and 2018, which have been prepared according to IFRS-EU as per the Admission to trading of the Shares. The figures shown below have been extracted from the audited Consolidated Financial Statements, which have been prepared based on the Spanish GAAP Individual Statutory Annual Accounts relating to years ended on 31 December 2020, 2019 and 2018 and approved by the Company's shareholders on their meeting on 18 March 2021. Only the Spanish GAAP Individual Statutory Annual Accounts have been approved by the Company's General Shareholders' Meeting, while the audited Consolidated Financial Statements have been prepared and authorized for issuance by the Board of Directors but have not been subject to any other additional approval by any corporate body within the Company.

The Consolidated Financial Statements have been prepared in accordance with IFRS-EU. The Group has applied IFRS-EU since 1 January 2017 and, therefore, the years ended 31 December 2020, 2019 and 2018 are comparable. There has been no change in accounting criteria during the years 2020, 2019 and 2018, and these Consolidated Financial Statements have been prepared by applying the standards in force at 31 December 2020.

There are no mandatory accounting principles that have a significant effect on the Consolidated Financial Statements. Furthermore, no standards or interpretations approved by the European Commission but not yet into force as at 31 December 2020 have been applied in advance.

As regards the future application of IFRS17 (Insurance Contracts), the Group has performed an impact analysis on its application. As a result of this analysis, it has been concluded that the first application of the IFRS17 standards will not have a significant financial impact on the Group since the contracts marketed are mainly short-term, whose calculation methodology is very similar to the current one under IFRS4. The greatest impact identified by the Group will be due to the methodology change in the valuation of claims provisions, since the provisions under the new standard will be much more similar to the current Solvency II provisions, including the risk adjustment, and are expected to be lower than the current claims provisions under IFRS4. Impacts on future results are also expected to be immaterial, differing from current ones mainly because of the pattern of recognition of contracts with initial loss, as well as the redistribution between operating results and net interest income.

As of the date of this Prospectus, the Company does not apply IFRS9 (Financial Instruments) standards. The date of application shall correspond to the implementation of IFRS17 as regards insurance contracts, mandatory from 1 January 2023.

The Consolidated Financial Statements are incorporated by reference and can be consulted on the Company's corporate website www.lineadirectaaseguradora.com and on the CNMV's website https://www.cnmv.es/.

Consolidated balance sheet for the Group as at December 31 2020, 2019 and 2018, respectively.

ASSETS	**12/31/2020**	**12/31/2019**	**12/31/2018**
Cash and cash equivalents	**162,500**	**144,937**	**166,776**
Available-for-sale financial assets	**917,074**	**834,498**	**782,715**
Equity instruments	125,855	116,688	88,763
Debt securities	791,219	717,810	693,952
Loans and receivables	**110,373**	**106,760**	**115,951**
Debt securities	9,990	2,987	2,993
Deposits with credit institutions	-	-	15,000
Receivables on direct insurance business	54,413	51,196	50,914
Policyholders	54,413	51,196	50,914
Receivables on reinsurance business	5,086	4,175	2,828
Other receivables	40,884	48,402	44,216
Tax and social security receivables	1,126	1,305	167
Other receivables	39,758	47,097	44,049
Reinsurers' share of technical provisions	**12,477**	**9,517**	**7,318**
Provisions for unearned premiums	3,705	2,676	2,735
Provisions for claims	8,772	6,841	4,583
Property, plant and equipment and investment property	**111,282**	**114,588**	**110,844**
Property, plant and equipment	45,334	47,918	43,386
Investment property	65,948	66,670	67,458
Right-of-use assets	**2,713**	**3,794**	**4,527**
Intangible assets	**12,688**	**11,845**	**7,593**
Other intangible assets	12,688	11,845	7,593
Tax assets	**24,016**	**24,879**	**27,441**
Current tax assets	14,388	504	549
Deferred tax assets	9,628	24,375	26,892
Other assets	**83,410**	**85,808**	**75,713**
Prepaid fees and other acquisition costs	83,055	84,469	75,468
Accrual income	180	1,150	14
Other assets	175	189	231
Assets held for sale	**-**	**-**	**1,871**
TOTAL ASSETS	**1,436,533**	**1,336,626**	**1,300,749**

Figures in thousand euro

Main items of the asset side of the balance sheet are explained below:

Cash and cash equivalents

Cash and cash equivalents stood at €162,500 thousand as at 31 December 2020, a 12.1% increase with respect to 2019 reflecting the cash generating activity of the company and the absence of approved dividends during 2020. In January 2020, the Company paid dividends of €28,344 thousand to Bankinter, corresponding to the 4Q2019 interim dividend (*see "Capital resources*").

Available for sale financial assets

The available for sale portfolio stood at €917,074 thousand in 2020, a 9.9% increase with respect the close of 2019. The mark-to-market of the Group's investment portfolio dropped by €47 million at the close of the first quarter of 2020, where it suffered its maximum loss as a consequence of the financial turmoil associated with the Covid-19 pandemic. As at 31 December 2020, such loss had been reverted mainly driven by the correction in the equity and corporate bond portfolios. Unrealised gains stood at €44,632 thousand at the end of 2020.

Available for sale financial assets comprise the equity and equity mutual fund portfolio, which amounted to €125,855 thousand and the debt securities portfolio, amounting to €791,219 thousand, as of 31 December 2020. These investments are reported at fair value, and changes in their market value are included in "*Valuation adjustments*" in the equity section of the balance sheet.

Loans and receivables

(i) *Debt securities receivables*: the fixed income investment portfolio additionally comprises two promissory notes held by Linea Directa Asistencia amounting to €9,990 thousand, that are held at amortised cost under this heading. This subsidiary has increased its position driven by the liquidity generated over financial year 2020;

(ii) *Receivables on direct insurance business*: accounts primarily for premiums pending collection from policyholders and from instalments. Of such amount, almost €10 million corresponds to Health insurance that is mainly sold through monthly instalments;

(iii) *Receivables on reinsurance business*: includes outstanding balances from ceded reinsurance operations. The Company attends the claims and repairs the damage, and informs the reinsurer about the claims in which it participates according to the conditions established and that have been attended. This line item accounts for the amounts receivable from the reinsurer;

(iv) *Other receivables* mainly account for amounts due collection under the claims settlement agreements applicable in Spain (see "*Business Overview – Idiosyncrasies of the Spanish Motor Market*") and other recoveries.

Reinsurer's share of technical provisions

Reinsurers' share of technical provisions is shown on the asset side of the balance sheet (conversely, a liability for reinsurers) and are calculated according to written reinsurance agreements and under the same criteria as those used for direct insurance.

Property, plant and equipment:

Property, plant and equipment is valued at cost net of depreciation and impairment and consists of:

(i) Fixed assets, the carrying amount of which amount €45,334 thousand, including five buildings of property for own use amounting to €33,855 thousand book value; (See "Business overview – Investments – Real estate for own use") and furniture, fitting and other fixed assets; and

(ii) Property investments, the carrying amount of which amounted to €65,948 thousand and consists of three buildings (see "*Business overview – Investments – Property investments*").

Right-of-use assets

The Group is applying IFRS 16 on leases. This heading mainly reflects the fleet of vehicles Linea Directa leases and utilises as replacement cars for Motor policyholders. As a lessee, the Group recognises at the date the lease enters into force a right-of-use asset and a lease liability, in line with the payments established in the contract and its estimated term. Subsequently, the right-of-use asset will be measured at cost minus amortisation.

Other intangible assets

Correspond to IT applications, amortised over their useful life. The Group has no goodwill.

Tax assets

Deferred tax assets correspond to temporary differences between accounting and for tax purposes. Deferred tax assets are expected to be fully recovered with taxable future profits.

Other assets

This entry includes the acquisition expenses corresponding to the unearned premiums that can be allocated to the twelve-month period between the balance sheet closing date and the end of coverage of the contracts. They primarily consist on advertising (TV, radio, press and the like) and demand generation expenses (search engines, social media and PCW fees, among others) and call centre expenses. Such amounts are expensed as premiums are earned in the profit and loss statement.

LIABILITIES	12/31/2020	12/31/2019	12/31/2018
Debt and accounts payable	**174,445**	**207,608**	**211,889**
Due on direct insurance business	2,862	4,165	2,023
Due to policyholders	1,893	2,435	1,961
Due to intermediaries	969	1,730	62
Due on reinsurance business	981	1,584	1,011
Lease liabilities	2,766	3,881	4,586
Other debts	167,836	197,978	204,269
Taxes and social security payable	14,489	14,097	15,547
Due to group companies and associates	839	32,955	44,882
Other debts	152,508	150,926	143,840
Hedging derivatives	**15,167**	**13,584**	**3,385**
Technical provisions	**716,491**	**725,860**	**725,891**
Provision for unearned premiums	446,423	443,115	428,118
Provision for unexpired risks	4,622	6,115	-
Provision for claims	265,446	276,630	297,773
Non-technical provisions	**16,849**	**22,816**	**24,652**
Provisions for taxes and other legal contingencies	492	492	2,700
Provisions for settlement agreements	16,174	21,968	21,708
Other non-technical provisions	183	356	244
Tax liabilities	**45,066**	**39,986**	**44,534**
Current tax liabilities	-	(1,537)	8,777
Deferred tax liabilities	45,066	41,523	35,757

LIABILITIES	12/31/2020	12/31/2019	12/31/2018
Other liabilities	**1,156**	**1,712**	**2,194**
Accruals	477	645	1,331
Other liabilities	679	1,067	863
TOTAL LIABILITIES	**969,174**	**1,011,566**	**1,012,545**
Equity	**422,727**	**287,881**	**273,634**
Share capital	37,512	37,512	37,512
Subscribed capital	37,512	37,512	37,512
Reserves	250,369	236,122	213,455
Legal and bylaw reserves	9,046	9,046	9,046
Reserves in consolidated companies and other reserves	241,323	227,076	204,409
Profit /(loss) for the year	134,846	107,295	117,211
(Interim dividend)	-	(93,048)	(94,544)
Valuation adjustments	**44,632**	**37,179**	**14,570**
Available-for-sale financial assets	44,632	37,179	14,570
TOTAL EQUITY	**467,359**	**325,060**	**288,204**
TOTAL LIABILITIES AND EQUITY	**1,436,533**	**1,336,626**	**1,300,749**

Figures in thousand euro

The main headings of the liability side of the balance sheet are explained below:

Debt and accounts payable

– *Debt due on direct insurance business.* This item comprises amounts due to policyholders (marketing discounts and policy returns) and amounts due to intermediaries (which in the case of the Group are external call centres and commissions due to Bankinter under the Home bancassurance distribution agreement)*;*

– *Debt due on reinsurance business,* corresponding to payments due to XL reinsurers;

– *Leasing liabilities* (See the heading "*Right-of-use assets*");

– *Other debts:*

  - *taxes and social security payable*, corresponding to corporate income tax and VAT;
  - *due to other Group companies and associates*, which mainly comprises the dividends due payment to Bankinter. The decrease in 2020 is driven by the absence of dividends in said year;
  - *other debts*, which mainly account for the repo transactions the Company entered into. The Company receives 0.47% on the ceded amount. The figure at the close of 2020 stood at €152,508 thousand.

Hedging derivatives

Hedging derivatives accounts for the market value of the interest rate swaps used for hedging purposes (*See* "*Business Overview – Investments*" and "*Operating and financial review*"). Lower interest rates have led to an increasing market value of the liability.

Technical provisions

The consolidated variation in technical provisions from 2019 to 2020 is negative (i.e., a significant improvement in the result), and is mainly explained by the fall in the claims ratio in 2020 in the Motor line of business. The technical provisions are comprised of:

– the *Provision for unearned premium*, which captures the amount of premiums written but not yet earned (the portion of the premium applicable from the closing period until the end of the coverage period);

– the *Provision for unexpired risks*, a regulatory reserve which complements the unearned premium reserve to cover for any insufficient premiums known at the end of each financial year and which are typical in recently launched new lines of business in the sector. €6,115 thousand provision was recorded in Health insurance at the close of 2019, of which €1,493 thousand has been released in 2020 on the back of improved technical result* in this line of business; and

– the *Provision for claims*, which accounts for the difference between claims paid and the estimated amounts for losses or injuries which have been incurred at the balance sheet date. Provisions for claims are calculated on the basis of the claims' final costs estimates and according to applicable regulations. For the Company's Motor insurance business line, these estimates are based on actuarial and statistical studies, as was approved by the DGSFP. For the Home and Health lines of business, these provisions are individually assessed (case by case).

Non-technical provisions

This heading mainly reflects the amounts due for Motor claims settlements agreements (See "*Business overview – Principal markets – Idiosyncrasies of the Spanish Market*" and *"Operating and Financial Review – Description of key line items"*). Such a distinct provision is regulated by the DGSFP and includes the provisions for claims under agreements with insurance companies. This non-technical provision accounts for the estimation of claims under the agreement where the policy holder is innocent. Estimations are based on actual repair costs. On the other hand, an asset is recognised for an amount equal to pre-established modules when collection is certain (the other company accepts its policyholder's culpability).

The main headings and variations in equity are explained in section "*Capital Resources – Information concerning the Company's Capital resources - Capital position*".

Consolidated non-life profit and loss statements of the Group as at 31 December 2020, 2019 and 2018, respectively.

NON-LIFE PROFIT AND LOSS ACCOUNT	12/31/2020	% var 20/19	12/31/2019	% var. 19/18	12/31/2018	% var. 18/17
Earned premiums, net of reinsurance	**878,177**	*2.7%*	**854,762**	*4.7%*	**816,289**	*7.2%*
Written premiums	899,638	*1.0%*	890,853	*4.5%*	852,523	*6.9%*
Written premiums, direct insurance	898,614	*0.8%*	891,295	*4.5%*	853,119	*7.0%*
Change due to impairment of outstanding premiums receivables	1,024	*-331.7%*	(442)	*-25.8%*	(596)	*151.5%*
Premiums from ceded reinsurance	(20,675)	*38.6%*	(14,920)	*26.3%*	(11,813)	*74.0%*
Change in the provision for unearned premiums and unexpired risks	(1,815)	*-91.4%*	(21,112)	*-18.7%*	(25,981)	*-11.7%*
Direct insurance	(1,815)	*-91.4%*	(21,112)	*-18.7%*	(25,981)	*-11.7%*

Change in the provision for unearned premiums, reinsurers' share	1,029	*-1,844.1%*	(59)	*-103.8%*	1,560	*384.5%*
Income from property, plant and equipment and investments	**76,613**	***8.4%***	**70,687**	***35.9%***	**52,021**	***21.8%***
Income from investment property	4,121	*-2.0%*	4,206	*-6.8%*	4,514	*2.7%*
Income from financial investments	35,550	*12.2%*	31,676	*0.6%*	31,483	*-2.0%*
Application of impairment adjustments for property, plant and equipment, and investments	23	*-98.1%*	1,180	-	-	*n.m.*
Property, plant and equipment, and investment property	23	*-98.1%*	1,180	-	-	*n.m.*
Gains on realisation of property, plant and equipment and investments	36,919	*9.8%*	33,625	*109.8%*	16,024	*204.8%*
Property, plant and equipment, and investment property	1	*-99.5%*	212	*-85.3%*	1,443	*n.m.*
Financial Investments	36,918	*10.5%*	33,413	*129.2%*	14,581	*117.5%*
Claims incurred, net of reinsurance	**(540,064)**	***-7.0%***	**(580,987)**	***10.0%***	**(528,029)**	***5.3%***
Claims and other expenses paid	(441,320)	*-10.5%*	(492,927)	*12.2%*	(439,200)	*13.0%*
Direct insurance	(447,987)	*-10.1%*	(498,245)	*13.1%*	(440,457)	*13.3%*
Reinsurers' share	6,667	*25.4%*	5,318	*323.1%*	1,257	*n.m.*
Change in the provision for claims	13,115	*-44.0%*	23,401	*69.4%*	13,810	*-171.7%*
Direct insurance	11,184	*-47.1%*	21,143	*53.5%*	13,771	*-166.1%*
Reinsurers' share	1,931	*-14.5%*	2,258	*5,689.7%*	39	*-97.5%*
Claims-related expenses	(111,859)	*0.4%*	(111,461)	*8.6%*	(102,639)	*9.6%*
Profit sharing and premium refunds	**(708)**	***-2.2%***	**(724)**	***-3.6%***	**(751)**	***98.2%***
Change in the provisions for profit sharing and premium refunds	(708)	*-2.2%*	(724)	*-3.6%*	(751)	*98.2%*
Net operating expenses	**(209,603)**	***4.8%***	**(199,919)**	***1.9%***	**(196,176)**	***13.8%***
Acquisition expenses	(186,745)	*3.5%*	(180,474)	*0.8%*	(178,999)	*15.3%*
Administration expenses	(26,690)	*14.9%*	(23,229)	*10.3%*	(21,055)	*12.7%*
Reinsurance commissions and profit participation	3,832	*1.3%*	3,784	*-2.4%*	3,878	*141.6%*
Other technical expenses	**18,137**	***-40.6%***	**30,518**	***15.3%***	**26,479**	***6.3%***
Change in claims paid under settlement agreements	23,593	*-30.6%*	34,019	*4.1%*	32,665	*3.5%*
Other	(5,456)	*55.8%*	(3,501)	*-43.4%*	(6,186)	*-7.0%*
Expenses from property, plant and equipment and investments	**(47,360)**	***21.1%***	**(39,117)**	***110.9%***	**(18,547)**	***143.0%***
Management expenses for property, plant and equipment and investments	(7,649)	*5.2%*	(7,270)	*-5.0%*	(7,656)	*27.5%*
Expenses from property, plant and equipment and investment property	(2,627)	*15.0%*	(2,284)	*7.9%*	(2,117)	*60.7%*
Expenses from financial investments and accounts	(5,022)	*0.7%*	(4,986)	*-10.0%*	(5,539)	*18.1%*
Valuation adjustments for property, plant and equipment and investments	(878)	*3,035.7%*	(28)	*3.7%*	(27)	*-97.5%*
Depreciation of property, plant and equipment and investment property	(27)	*-3.6%*	(28)	*3.7%*	(27)	*-96.8%*
Impairment of property, plant and equipment and investment property	(851)	-	-	-	-	*-100.0%*
Losses on property, plant and equipment and investments	(38,833)	*22.0%*	(31,819)	*192.9%*	(10,864)	*1,816.0%*
Property, plant and equipment and investment property	(542)	*8,933.3%*	(6)	*200.0%*	(2)	-

Financial assets	(38,291)	*20.4%*	(31,813)	*192.9%*	(10,862)	*1,815.7%*
Profit/(loss) from non-life insurance	**175,192**	***29.6%***	**135,220**	***-10.6%***	**151,286**	***3.0%***

Figures in thousand euro

For a full description of the development of the consolidated profit and loss statement and the main lines of business, see "*Operating and Financial Review – Operating Results*".

The main headings of the profit and loss account are explained below:

Earned premiums, net of reinsurance

Premiums are recognised as revenues throughout the one-year time-span of the contracts, in accordance with the period of time elapsed, and accrued by means of the allowance to the provision for unearned premiums. Premiums ceded are recorded in accordance with underwritten reinsurance contracts and under the same criteria as those used for direct insurance. Premiums ceded represented 2.3%, 1.7% and 1.4% of GWP as at 31 December 2020, 2019 and 2018, respectively.

Premium earned, net of reinsurance had an increase of 2.7% in 2020 (an increase of 4.7% in 2019 and 7.2% in 2018).

Income and expenses from property, plant and equipment and investments

This heading reflects income and expenses from the investment portfolio of the Group. It comprises income from equity, fixed income and real estate investments, and realised gains of the investment portfolio. The expenditure sub-heading accounts for investment expenses, realised losses and impairments.

Additionally under this item, €75 million nominal value of Government bonds hedged through an interest rate swap are recorded. The entry "*Gains on realisation of property, plant and equipment and financial assets"* accounts for the increase in value of such Government bonds. Conversely, the entry "*Losses on property, plant and equipment and investments"* records the decrease in the market value of the swap. Both movements offset against each other, and the net mark-to-market of the hedge stood at (€1,578) thousand as at 31 December 2020 (€1,612 thousand and €1,369 thousand as at 31 December 2019 and 2018, respectively) (See "*Business overview - Investments*" and "*Operational and financial review*").

Claims incurred, net of reinsurance

This entry reflects an estimate of the amount of outstanding liabilities for a policyholder over a given year. It includes all paid claims during the period plus a sensible estimate of unpaid liabilities. It is calculated as (i) claims and other expenses paid, plus (ii) the change in the provision for claims, and (iii) claims related expenses (mainly personnel claims handling expenses, experts and legal expenses). The amounts are net of the losses assumed by reinsurance.

Incurred claims before reinsurance (corresponding to claims paid, change in the provision for claims and claims related expenses, all items gross of reinsurance) stood at €548,662 or 61.1% of earned premiums before reinsurance for the year ended 2020 (€588,563 thousand or 66.0% and €529,325 thousand or 62.0% in 2019 and 2018, respectively).

For its part, reinsurers' share in claims incurred stood at €8,598 thousand as at 31 December 2020, representing 43.8% of ceded premiums attributable for the year (€7,576 thousand or 50.6% and €1,296 thousand or 12.6% as at 31 December 2019 and 2018, respectively).

The significant improvement in the loss experience as at 31 December 2020 (with a decrease of 7.0%) is mainly driven by the Motor line of business, due to the reduction in the use of vehicles on the back of the lock-down measures adopted as a result of the Covid-19 pandemic (see *"Operating and Financial Review – Description of key line items"* for further detail on each segment's key line items).

Profit sharing and premium refunds

The "*Other insurance*" segment mainly includes travel assistance insurance for holders of Bankinter and Bankinter Consumer Finance credit cards (*See "Business overview – Description of the nature of the Company's operation and its principal activities – Business lines*"). Under such agreements, a profit sharing is in place based on the business' claims ratio. This heading accounts for payments under such type of agreements.

This heading decreased to €708 thousand or 2.2% in 2020, on the back of lower profit sharing paid to Bankinter linked to a lower business result.

Net operating expenses

– Since Linea Directa does not depend on intermediaries (such as agents or brokers), *Acquisition expenses* primarily consist on marketing and call centre expenses and commission fees regarding these marketing needs.

– *Administration expenses* consists of staff costs, depreciation of fixed assets and other operating expenses. Its sustained evolution is the result of business growth, with new recruitments needed for Vivaz and staff required for the listing of the Company.

– *Commissions and participation in reinsurance* accounts for the commissions received by reinsurers on the quota-share agreement in Health insurance. Its development accompanies Vivaz's business growth.

As at 31 December 2020, the Company received commissions from reinsurance amounting to €3,832 (€3,784 thousand and €3,878 thousand, for the years ended 2019 and 2018, respectively).

Net operating expenses grew 4.8% in 2020, driven by the increase in administration expenses. Such an increase is mainly related to the hiring of new staff needed for the Company's listing and IT expenses explained by new developments, IT security investments and network bandwidth expenses.

Other technical expenses

This heading mainly includes (i) the change in claims paid under settlements agreements amounting to €23,593, €34,019 and €32,665 thousand for the years ended 2020, 2019 and 2018, respectively (see "*Non-technical provisions"* above and "*Business overview – Principal markets – Idiosyncrasies of the Spanish Motor Market"*) and (ii) other technical expenses consisting of salaries and benefits for the Senior Management of the Company, amounting to €5,456, €3,501 and €6,186 thousand as at 31 December 2020, 2019 and 2018, respectively.

Other technical expenses dropped to €18,137 thousand or 40.6%, driven by the drop in claims payments collected under settlements agreements, also due to the decrease in loss experience.

As at 31 December 2020, technical result* (see "*Operating and financial review - Description of key line items*") amounted to €145,939 thousand, representing 16.6% of net premiums earned for the year, net of reinsurance (€103,650 thousand or 12.1% and 117,812 thousand or 14.4% as at 31 December 2019 and 2018, respectively).

For its part, as at 31 December 2020, financial result* (see "*Operating and financial review - Description of key line items")* amounted to €29,253 thousand or 3.3% of earned premiums, net of reinsurance (€31,570 thousand or 3.7% and €33,474 thousand or 4.1% for the years ended 31 December 2019 and 2018, respectively).

Financial result decreased by 7.3% in 2020, reflecting lower investment returns of the investment portfolio and net realised gains (losses) for the equity and debt securities portfolio of €(1,373) thousand (a gain of €1,600 in 2019). Additionally, property for own use was impaired for an amount of €851 thousand (See *"Business overview – Investments*").

The profit (loss) from the non-life insurance business stood at €175,192 thousand or 19.9% earned premiums, net of reinsurance, as at 31 December 2020 (€135,220 thousand or 15.8% and €151,286 thousand or 18.5% as at 31 December 2019 and 2018, respectively). For a full explanation of the Company's results please refer to "*Operating and financial review*".

The profit (loss) from the non-life insurance business increased by 29.6% in 2020, explained by the decrease in loss experience as a result of the Covid-19 pandemic confinement measures.

Non-technical account as at 31 December 2020, 2019 and 2018

OTHER ACTIVITIES	12/31/2020	12/31/2019	12/31/2018
Result on non-life insurance business	**175,192**	**135,220**	**151,286**
Other income	**10,750**	**14,511**	**14,073**
Other income	**10,750**	14,511	14,073
Other expenses	**(6,318)**	**(6,894)**	**(9,396)**
Other expenses	**(6,318)**	(6,894)	(9,396)
Sub-total (earnings from the non-technical account)	**4,432**	**7,617**	**4,677**
Profit/(loss) before tax	**179,624**	**142,837**	**155,963**
Income tax	**(44,778)**	(35,542)	(38,752)
Profit/(loss) after tax	**134,846**	**107,295**	**117,211**

Figures in thousand euro

The non-technical account reflects the activities that can not be assigned in its entirety to the insurance business and mainly comprises auxiliary business to the insurance activity.

Other non-technical income and expenses mainly correspond to (i) auxiliary insurance services such as repair of vehicles carried out by our subsidiaries to third parties, and as such not eliminated upon consolidation (ii) commissions and expenses for readdressing of potential clients to Bankinter (see "*Related Party Transactions*") and (iii) commission received from the Insurance Compensation Consortium (CCS) for the collection management they carry out on behalf of this body.

The result from the non-technical account stood at €4,432 thousand, €7,617 thousand and €4,677 thousand as at 31 December 2020, 2019 and 2018, respectively, representing 0.5%, 0.9% and 0.6% of net premiums earned for the years ended 2020, 2019 and 2018, respectively. In 2019, the non-technical account* grew 62.9% driven by the increase in repairs carried out by CAR to third parties, which was not maintained during 2020.

Corporate tax

The statutory corporate tax rate applicable to the Group during 2020, 2019 and 2018 was 25.0%.

Profit after tax stood at €134,846 thousand, €107,295 and €117,211 thousand as at 31 December 2020, 2019 and 2018, respectively. Such amounts represented 15.4%, 12.6% and 14.4% of net earned premiums, net of reinsurance, for the years ended 2020, 2019 and 2018.

For a full review and explanation of the development and performance of the Company's business and results of operations please see section *"Operating and financial review*".

Other comprehensive income of the Group as at 31 December 2020, 2019 and 2018

	12/31/2020	12/31/2019	12/31/2018
Profit /(loss)after tax	**134,846**	**107,295**	**117,211**
Items that can be reclassified to profit or loss	**7,453**	**22,609**	**(24,295)**
Financial assets available for sale	**9,859**	**30,146**	**(32,393)**
Gains (losses) due to valuation adjustments	8,217	31,828	(30,068)
Amounts transferred to the consolidated income statement	1,642	(1,682)	(2,325)
Income tax	**(2,406)**	**(7,537)**	**8,098**
Total comprehensive profit/(loss)	**7,453**	**22,609**	**(24,295)**
Total comprehensive profit/(loss), net of income tax	**142,299**	**129,904**	**92,916**

Figures in thousand euro

In a year marked by a strong turbulence in the financial markets, the available for sale portfolio increased by €7,453 thousand at the close of 2020, reflecting the resilience of the fixed income portfolio and the Group's prudent investment policy (*see "Business Overview – Investments"*). As at 31 December 2019, the growth of €22,609 was driven by lower interest rates in that year, which increased the value of the fixed-income portfolio.

Statement of changes in equity of the Group as at 31 December 2020, 2019 and 2018, respectively

	Subscribed capital	Legal Reserves	Consolidated reserves and other	Consolidated profit for the year	(Interim dividend)	Valuation change adjustments	Total
Adjusted opening balance as of 01/01/2018	**37,512**	**9,046**	**209,396**	**111,979**	**(99,649)**	**38,865**	**307,149**
Total recognised income / (expenses)	**-**	**-**	**-**	**117,211**	**-**	**(24,295)**	**92,916**
Operations with owners or mutual members	**-**	**-**	**(14,424)**	**-**	**(94,544)**	**-**	**(108,968)**
Distribution of dividends	-	-	(14,424)	-	(94,544)	-	(108,968)
Other changes in equity	**-**	**-**	**9,437**	**(111,979)**	**99,649**	**-**	**(2,893)**
Transfers between equity items	-	-	12,330	(111,979)	99,649	-	-
Other changes	-	-	(2,893)	-	-	-	(2,893)

	Subscribed capital	Legal Reserves	Consolidated reserves and other	Consolidated profit for the year	(Interim dividend)	Valuation change adjustments	Total
Closing balance as of 12/31/2018	**37,512**	**9,046**	**204,409**	**117,211**	**(94,544)**	**14,570**	**288,204**
Adjusted opening balance as of 01/01/2019	**37,512**	**9,046**	**204,409**	**117,211**	**(94,544)**	**14,570**	**288,204**
Total recognised income / (expenses)	**-**	**-**	**-**	**107,295**	**-**	**22,609**	**129,906**
Operations with owners or mutual members	**-**	**-**	**-**	**-**	**(93,048)**	**-**	**(93,048)**
Distribution of dividends	-	-	-	-	(93,048)	-	(93,048)
Other changes in equity	**-**	**-**	**22,667**	**(117,211)**	**94,544**	**-**	**-**
Transfers between equity items	-	-	22,667	(117,211)	94,544	-	-
Other changes	-	-					-
Closing balance as of 12/31/2019	**37,512**	**9,046**	**227,076**	**107,295**	**(93,048)**	**37,179**	**325,060**
Adjusted opening balance as of 01/01/2020	**37,512**	**9,046**	**227,076**	**107,295**	**(93,048)**	**37,179**	**325,062**
Total recognised income / (expenses)	**-**	**-**	**-**	**134.846**	**-**	**7.453**	**142.287**
Other changes in equity	**-**	**-**	**14.247**	**(107.295)**	**93.048**	**-**	**-**
Transfers between equity items	-	-	14.247	(107.295)	93.048	-	-
Closing balance as of 12/31/2020	**37,512**	**9,046**	**241.323**	**134.846**	**-**	**44.632**	**467.359**

Figures in thousand euro

For an explanation of the Company's result and dividends approved and paid for the financial years ended 2020, 2019 and 2018 See "*Operating and financial review*".

As at 1 January 2020, the opening balance of valuation adjustments in equity stood at €37,179 thousand. The available for sale portfolio increased by €7,453 thousand in 2020, reflecting the prudent nature of the Company's investment portfolio and the complete offsetting of the maximum losses recorded in March 2020 as a consequence of the financial turbulence related to the Covid-19 (See "*Global and domestic macroeconomic conditions could have a material adverse effect on the Group's business, financial condition and results of operations").* As at 31 December 2020 the available for sale reserve reached €44,632 thousand.

As at 1 January 2019, the opening balance of valuation adjustments in equity stood at €14,570 thousand. The available for sale portfolio increased its value by €22,609 thousand on the back of lower interest rates. As a result, the ending balance as at 31 December 2019 reached €37,179 thousand.

Finally, as at 1 January 2018, the opening balance of valuation adjustments in equity stood at €38,865 thousand. The available for sale portfolio decreased its value by €24,295 thousand. As a result, the ending balance as at 31 December 2018 reached €14,570 thousand.

Consolidated cash flow statements of the Group as of 31 December 2020, 2019 and 2018

	12/31/2020	12/31/2019	12/31/2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Insurance activities			
Inflows from direct insurance, coinsurance and accepted reinsurance	896,421	890,572	847,226
Inflows from ceded reinsurance	6,667	5,318	1,257
Reimbursements of claims	28,916	25,493	23,196
Other operating inflows	115,003	107,210	85,554
Total inflows from insurance activities	**1,047,007**	**1,028,593**	**957,233**
Payments from direct insurance, coinsurance and accepted reinsurance	(532,496)	(589,444)	(521,547)
Payments from ceded reinsurance	(18,356)	(11,911)	(9,110)
Payments to intermediaries	(20,187)	(23,311)	(27,599)
Other operating payments	(344,890)	(319,146)	(266,207)
Total outflows from insurance activities	**(915,929)**	**(943,812)**	**(824,463)**
Other operating activities			
Inflows from other operating activities	11,295	25,580	24,571
Total inflows from other operating activities	**11,295**	**25,580**	**24,571**
Payments related to other operating activities	(10,073)	(17,476)	(30,922)
Total outflows related to other operating activities	**(10,073)**	**(17,476)**	**(30,922)**
Income tax			
Collection and payments from income tax	(25,980)	(27,244)	(32,911)
Total inflows and outflows from income tax	**(25,980)**	**(27,244)**	**(32,911)**
Total net cash flows from operating activities	**106,320**	**65,641**	**93,508**

	12/31/2020	12/31/2019	12/31/2018
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Inflows from investment activities			
Property, plant and equipment	13,072	6,495	6,445
Investment property	145	146	135
Intangible assets	890	4.115	-
Financial instruments	207,284	258,062	219,139
Interest received	21,843	23,389	26,404
Dividends collected	1,745	2,491	2,465
Total inflows from investment activities	**244,979**	**294,698**	**254,588**
Payments related to investment activities			
Property, plant and equipment	(15,657)	(11,295)	(8,717)
Investment property	(51)	(205)	(28)
Intangible assets	(6,484)	(13,474)	(5,038)
Financial instruments	(276,945)	(259,572)	(288,377)
Other payments related to investment activities	(464)	(802)	(197)
Total outflows related to investment activities	**(299,601)**	**(285,348)**	**(302,357)**
Total net cash flows from investing activities	**(54,622)**	**9,350**	**(47,769)**

	12/31/2020	12/31/2019	12/31/2018
CASH FLOWS FROM INVESTMENT ACTIVITIES			
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES			
Inflows from financing activities			
Other inflows relating to financing activities	6,098	89,866	99,612
Total inflows related to financing activities	**6,098**	**89,866**	**99,612**
Payments related to financing activities			
Dividends to shareholders	(28,344)	(103,824)	(100,750)
Leased liabilities	(1,616)	(1,583)	(1,291)
Other payments relating to financing activities	(10,004)	(81,372)	(25,275)
Total outflows related to financing activities	**(39,964)**	**(186,779)**	**(127,316)**
Total net cash flow used in financing activities	**(33,866)**	**(96,913)**	**(27,704)**
Effect of changes in exchange rates	(269)	83	(176)
Total increase/(decrease) in cash and cash equivalents	**17,563**	**(21,839)**	**17,859**
Cash and cash equivalents at beginning of year	**144,937**	**166,776**	**148,917**
Cash and cash equivalents at end of year	**162,500**	**144,937**	**166,776**
Components of cash and cash equivalents at end of year			
Cash and banks	161,008	144,937	166,776
Other financial assets	1,492	-	-
Total cash and cash equivalents at end of year	**162,500**	**144,937**	**166,776**

Figures in thousand euro

Main headings and variations in cash flows are explained in "*Capital Resources – Information concerning the Company's Capital resources – Explanation of the sources, amounts of and a narrative description of the Company's cash flows*".

18.1.2 Change of accounting reference date

The Company has not changed its accounting reference date during the period of time covered by the historical financial information included in the present Prospectus.

18.1.3 Accounting Standards

The Company's historical financial information included in the present Prospectus has been prepared in accordance with IFRS-EU.

18.1.4 Change of Accounting Framework

The Company does not intend to adopt a new accounting framework or standards in the following financial statements to be published by it.

18.1.5 References to national accounting standards

As expressed in Section 18.1.3 of the present Registration Document, the Company's historical financial information included in this Prospectus has been prepared in accordance with IFRS-EU.

18.1.6 Consolidated Financial Statements

The Consolidated Financial Statements are incorporated by reference and they can be consulted at the Company's corporate website www.lineadirectaaseguradora.com and on the CNMV's website https://www.cnmv.es.

18.1.7 Age of Financial Information

The closing date of the Company's audited balance sheet, this is, financial year 2020, does not precede the present Prospectus in more than 16 months.

18.2 Intermediate Financial Information

Not applicable.

18.3 Auditing of historical financial information

18.3.1 Statement regarding the auditing of financial information

It is hereby stated that the Consolidated Financial Statements of the Company corresponding to financial years 2020, 2019 and 2018 have been audited by PwC with an unqualified opinion.

The Consolidated Financial Statements of the Company and the Spanish GAAP Individual Statutory Annual Accounts do not contain any qualifications, modifications of opinion or disclaimers.

18.3.2 Indication of other information in the Registration Document audited by the auditors

Not applicable.

18.3.3 Other sources of unaudited information

The financial information regarding the Company that has not been extracted from the Consolidated Financial Statements has been gathered from internal accounting and management information systems of the Company. Such information has not been audited.

18.4 Pro forma financial information

Not applicable.

18.5 Dividend Policy

18.5.1 Description of the Company's Dividend Policy and any restrictions thereon

The Company has historically applied a dividend policy entailing quarterly distributions in cash (See "*Operating and financial review – Payout ratio*").

Dividends paid in 2020 stood at €28,344 thousand, corresponding to the interim dividend relating to the fourth quarter of 2019, which was paid in January 2020. No dividend payments were approved in 2020. By the end of 2020, 2019 and 2018, dividend payments represented 21.0%, 96.8% and 86.0% of the Company's ordinary profits for those same years.

Prior to the spin-off, the Company paid an extraordinary dividend to Bankinter of €120 million, which was approved by the DGSFP on 18 March 2021 and by the General Shareholders' Meeting on 5 April 2021.

Upon Admission, the Company has established a new dividend policy by virtue of which the Company may agree a dividend distribution provided that the Solvency II Ratio remains above 180%. Therefore, the Company currently expects to be able to distribute all its ordinary net profits to shareholders so long as the Solvency ratio remains above 180%, regardless of the fact that, ultimately, it will be the Board of Directors of the Company who will propose to the General Shareholders' Meeting the final distribution amount based on the Company's solvency position and in compliance with its dividend policy.

If the Solvency II Ratio is exceeded, the body in charge of approving the dividend distribution will determine the payout ratio based on the specific circumstances affecting the Company, including, in particular, legal, tax and regulatory requirements applicable from time to time, distributable net profit or the availability of available reserves, the evolution of the Company's business and its growth strategy, opportunities for inorganic growth, general economic and business conditions, market returns, creditworthiness and such other factors as the Board of Directors may deem appropriate to take into account from time to time in the best interests of the Company.

The distribution of dividends is approved by the General Shareholders' Meeting, or in the case of dividends paid on account, by the Company's Board of Directors. As of the date of this Prospectus, there are no dividends corresponding to previous financial years pending distribution.

In addition, given the current situation, the DGSFP expects that both the insurance institutions and their groups subject to its supervision, initiate dialogue with the supervisor sufficiently in advance in order to ensure an appropriate assessment and decision-making process that facilitates their analysis on a case-by-case basis of any potential dividend distribution (see "*Operating and financial review – Description of key ratios commonly used in the insurance industry*").

On 29 January 2021 the DGSFP issued a report on the application of EIOPA's opinion on variable remuneration policies and dividend distributions establishing the need to follow prudent dividend and other distribution policies, including variable remuneration, and ensure that assessments of overall solvency needs are forward-looking and factor in the current level of uncertainty on the depth, magnitude and duration of the impacts of the Covid-19 pandemic in financial markets and on the economy. Authorisations on the above will be given on a case by case discussion with the supervisor (See "Risk factors – Solvency and capital requirements"). Following DGSFP's recommendations, as at 31 December 2020, Q12020 dividends have not been yet paid out nor approved.

18.5.2 Dividend distributions per share for the financial years covered in the historical financial information

The table below shows the dividend distributions per share for the years ended 2019 and 2018, including the €28,344 thousand 4Q2019 interim dividend paid in January 2020 and the Pro-forma DPS* as Admission:

	12/31/2020	**12/31/2019**	**12/31/2018**
Profit /(loss) for the year (*thousand euro)*	134,846	107,295	117,211
Total dividends paid (*thousand euro)*	28,344	103,824	100,750
Dividend payout ratio* (%)	**21.0%**	**96.8%**	**86.0%**

Number of shares outstanding as at 12/31/2020	2,400	2,400	2,400
Dividends per share (DPS*) (*Euro)*	**11.81**	**43.26**	**41.98**
Number of shares outstanding at Admission	1,088,416,840	1,088,416,840	1,088,416,840
Pro-forma Dividends per share (DPS*) (*Euro)*	**0.03**	**0.10**	**0.09**

On 18 March 2021 the Company carried out a share split and capital increase to accommodate Bankinter's dividend in-kind distribution resulting in one Linea Directa share per one Bankinter share.

18.5.3 Legal and arbitration proceedings

Upon the Admission date, and within the course of normal operations of its business, the Group or any of the Group companies are not party to material litigation or arbitration proceedings.

19. ADDITIONAL INFORMATION

19.1 Share capital

19.1.1 The amount of issued capital and additional information

As at the date of this Prospectus, the issued share capital of the Company is of €43,536,673.60, consisting of 1,088,416,840 ordinary and nominative shares of €0.04 par value each and a single class.

The Company has the minimum capital required by the Law of Regulation and Supervision of Private Insurance to operate in the authorised insurance classes.

19.1.2 If there are shares not representing capital, state the number and main characteristics of such shares

As at the date of this Prospectus, there are no shares not representing capital nor there are loyalty shares issued in accordance with the Law on Encouragement of Long-term Shareholder Engagement.

19.1.3 The number, book value and face value of shares in the issuer held by or on behalf of the issuer itself or by subsidiaries of the issuer

As at the date of this Prospectus, the Company holds 239,678 shares of Linea Directa representing approximately 0.02% of the Company's share capital. Linea Directa's treasury stock occurs as a result of the holding of 239,678 shares in Bankinter, and, therefore, upon the distribution of the shares of the Company by Bankinter, it is expected to receive 239,678 shares in the Company.

19.1.4 The amount of any convertible securities, exchangeable securities or securities with warrants, with an indication of the conditions governing and the procedures for conversion, exchange or subscription

As at the date of this Prospectus, there are no convertible or exchangeable debt securities or warrants issued by the Company.

19.1.5 Information about and terms of any acquisition rights and or obligations over authorised but unissued capital or an undertaking to increase the capital

Pursuant to the Capital Companies Act, shareholders have pre-emptive rights to subscribe for newly issued shares in consideration to cash contributions or newly issued notes that are convertible into shares. Such pre-emptive rights may be waived under special circumstances by a resolution passed by the general shareholders' meeting or the Board of Directors (in case the general shareholders' meeting of a listed company delegates the decision to increase the company's capital stock or issue convertible notes waiving pre-emptive rights to the Board of Directors), in accordance with the provisions of the Capital Companies Act.

In such cases, the resolution authorising the waiver of pre-emptive rights will only be valid if, amongst other requirements: (i) a report is issued by an independent expert appointed by the Commercial Registry (*Registro Mercantil*) stating, amongst other elements, the reasonable market value (*valor razonable*) of the shares (quotation price in case of listed companies unless other arrangements can be justified) and determining the theoretical value (*valor teórico*) of the pre-emptive rights and, in case of listed companies, also the net book value (*valor neto patrimonial*) of the shares; and (ii) the nominal value and issue premium of the newly issued shares is equivalent to the reasonable value assigned to such shares in the aforementioned independent expert's report, provided, however, that pursuant to article 505 of the Capital Companies Act, listed companies are entitled to issue shares at a value equal or higher than their net book value, as determined by the independent expert's report. However, according to new article 504 of the Capital Companies Act, as amended by the Law on Encouragement of Long-term Shareholder Engagement, the report from the independent expert will not be mandatory in case the issuance is not above 20% of the company's share capital.

Furthermore, pre-emptive rights will not be exercisable by shareholders in case of a capital stock increase that is required for the purposes of issuing convertible notes, completing a merger, acquiring all or part of another company's assets or capital increases in-kind contributions (*ampliaciones de capital no dinerarias*) or offsetting of credit rights. Pre-emptive rights are transferable, may be traded on the SIBE and may be of value to existing shareholders since new shares may be offered for subscription at prices lower than prevailing market prices.

As at the date of this Prospectus, there are no acquisition rights and/or obligations over authorised but unissued capital or an undertaking to increase the capital and there are no members of the Company, the share capital of which is under option or agreed conditionally or unconditionally to be put under option.

19.1.6 Information about any capital of any member of the group which is under option or agreed conditionally or unconditionally to be put under option and details of such options including those persons to whom such options relate

As at the date of this Prospectus, any member of the group is under any option or agreed conditionally or unconditionally to be put under option.

19.1.7 A history of share capital, highlighting information about any changes, for the period covered by the historical financial information

The Company was incorporated on 13 April 1994 under the corporate name "Bankinter Seguros Directos, Sociedad Anónima, Compañía de Seguros y Reaseguros", modified on 6 July 1994 to "Bankinter Aseguradora Directa, Compañía de Seguros y Reaseguros, S.A." and, subsequently, on 7 February 1995 to its current corporate name "Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros". Its initial share capital amounted to 1,500,000,000 Spanish pesetas and was represented by 300,000 ordinary nominative shares, each with a nominal value of 5,000 Spanish pesetas.

After several capital modifications from its incorporation, on 5 July 1999 the Company executed a capital reduction and redenomination deed relating to the resolutions adopted by the Company's General Shareholders' Meeting held on 23 June 1999, by virtue of which it was resolved to redenominate the Company's share capital to euros (€) and reduce it by 2,758,528,368 Spanish pesetas, equivalent to €16,579,089.39 at that date, through a reduction of the nominal value of all issued shares in circulation to 2,600.61318 Spanish pesetas. The Company's share capital after this capital reduction amounted to 6,241,471,632 Spanish pesetas, equivalent to €37,512,000 at that date. Following the redenomination to euros (€) of the Company's share capital, its total share capital amounted to €37,512,000 and was represented by a total of 2,400,000 ordinary nominative shares of €15.63 of nominal value each.

On 18 March 2021 the Company executed its latest capital increase by virtue of which the Company's share capital was increased by an amount of €6,024,673.60, so that the share capital of the Company increased from €37,512,000 to €43,536,673.60, all by increasing the nominal value of the shares by an amount of €0.005535263126 per share, resulting in a total of 1,088,416,840 shares with a par value of €0.04.

No changes have taken place in relation to the Company's share capital since the aforementioned capital increase and, consequently, no more changes to the Company's share capital have been registered up to the date of this Prospectus.

19.2 Memorandum and Articles of Association

19.2.1 The register and the entry number therein, if applicable, and a brief description of the issuer's objects and purposes and where they can be found in the up to date memorandum and articles of association

Section 4 of this Registration Document includes Linea Directa's registration data in the Madrid Commercial Registry.

The Company's objects and purposes are is described in Article 3 of the Articles of Association, which English translation determines the following:

"1. The purpose of the Company is to carry out insurance and reinsurance operations in the general insurance branches for which it has obtained the corresponding administrative authorisation, as well as to collaborate with non-insurance companies for the distribution of the services produced by them. The Company may accept risk coverage and take out reinsurance without the intervention of a private insurance intermediary. The corresponding CNAE Code is 6512, corresponding to non-life insurance.

2. The scope of the company's business shall cover the whole of Spain, without prejudice to the possibility of carrying on insurance business abroad, under the terms laid down in the legislation governing private insurance. The company has been carrying out its activity since 1994 under the brand names, among others, LINEA DIRECTA and LINEA DIRECTA ASEGURADORA and with the logos, word and mixed marks and brand elements associated with them.

3. The activities comprising the corporate purpose may be carried out, in whole or in part, indirectly, in any of the ways permitted by law and, in particular, by holding shares or stakes in companies or other legal entities with an identical or similar purpose."

19.2.2 A brief description of any provision of the issuer's articles of association, statutes, charter or bylaws that would have an effect of delaying, deferring or preventing a change in control of the issuer

There are no statutory or regulatory provisions that would have the effect of delaying, deferring or preventing a change in control of Linea Directa.

20. MATERIAL CONTRACTS

The following is a summary of the main terms of all those contracts to which the Company and certain of its subsidiaries are a party and which are considered material for the purposes of this document.

20.1 License Agreement

Linea Directa, as licensee, and Direct Line Insurance PLC (the "**Licensor**") entered in 1994 into a perpetual trademark license agreement under English Law under which the "Linea Directa" brand was licensed in favour of Linea Directa, as a consequence of the joint venture between Bankinter and Direct Line Plc, with each shareholder owning 50% of the Company's business (see "*Business Overview – Principal Activities – History*"). This trademark license agreement was amended and restated on 20 January 2010 in order to, among others, include all licensed trademarks used by the Company and, therefore, be able to register them with the Spanish Patent and Trademark Office (*Oficina Española de Patentes y Marcas – OEPM*) (as amended and restated from time to time, the "**License Agreement**").

Scope and structure

The License Agreement, as amended and restated from time to time, constitutes the framework agreement whereby the Company operates under the "Linea Directa" brand. The License Agreement is a master agreement under which the Licensor grants Linea Directa an exclusive, perpetual license to use certain trademarks, including "Linea Directa" as denominative and graphic trademark, in the Spanish and Portuguese territories, for marketing and provision of motor insurance policies (including car, motorbike and fleet insurance policies) and household insurance policies. The license includes the use of the Linea Directa trademark with also optional additional benefits or services normally offered with motor and household insurance policies, using direct telephone sales, internet sales, sales through third party operated aggregator websites on behalf of Linea Directa and sales through brokers on behalf of Linea Directa, together with any other sales channels or techniques that may be agreed in writing with the Licensor from time to time.

Linea Directa has the right to grant sub-licenses of the licensed rights granted to certain entities of the Group, as long as they remain as wholly owned subsidiaries of Linea Directa or companies that wholly own Linea Directa (see *"Sub-license Consent Letter"*).

Duration and early termination

The License Agreement grants Linea Directa perpetual rights in relation to the trademarks. There are no rights for the Licensor to terminate for convenience. The only rights for the Licensor to terminate the License Agreement are limited to the following events:

- Linea Directa failing to pay sums owed under the License Agreement, as applicable (noting that the only payment required under the License Agreement is the reimbursement of trademark related costs for registration, renewal or enforcement);

- Linea Directa committing a material breach of any obligation under the License Agreement and failing to remedy such breach within 30 days of notice requiring it to do so;

- Linea Directa entering into liquidation, being declared bankrupt or ceasing or threatening to cease to carry on the whole or any material part of its business or;

- Linea Directa challenging the validity of proprietorship of the trademarks or doing any act or thing which might impair the rights of the Licensor in the trademarks.

As of the date of this Prospectus, no material breaches have occurred under the License Agreement, as the Company conducts its business within the undertakings under the License Agreement (i.e. use of the Trade Marks in connection with the business or not selling or advertising Linea Directa products outside Spain and Portugal).

Fees

The License Agreement does not establish any fee or royalty for the license of trademarks. However, Linea Directa shall reimburse the costs incurred by the Licensor on applications, registrations, renewal fees and associated professional charges of the trademarks. When costs relate to a European Union trademark, Linea Directa shall reimburse to the Licensor 10% of such cost.

20.2 Sub-license Consent Letter

On 18 February 2014, and with effectiveness from 3 March 2014, Direct Line Insurance PLC consented Linea Directa to sub-license the rights granted under the License Agreement to the Foundation.

The Foundation operates in support of Linea Directa's Motor and household insurance business and promotes health and safety and reduces risk to people and property on roads or at home.

In accordance with the License Agreement, the consent was granted for activities of the Foundation which are charitable and non-profit making, limited to Spain and Portugal, and for activities which are a technique to promote the business and reputation of Linea Directa's Motor and household insurance business, insofar as the Foundation was created by Linea Directa and their day-to-day activities benefit the Company under the supervision of a board of trustees.

20.3 Co-Existence Agreement relating to the trademarks VIVUS and VIVAZ

On 19 March 2019, Linea Directa's subsidiary Ambar Medline, S.L. ("**Ambar**") and AS 4finance ("**4finance**") entered into a co-existence agreement relating to the trademarks VIVUS and VIVAZ (the "**Co-Existence Agreement**"), to coexist and resolve their disputes arising from Ambar's use and registration of such trademarks in a number of European jurisdictions.

As part of the Group's Health insurance business strategy, Ambar, on behalf of any company of Linea Directa's Group, made several trademark applications for the registration of trademarks containing or comprising the term Vivaz for insurance services. Afterwards, 4finance opposed to Ambar's registration of such trademarks and filed a number of opposition proceedings against Ambar's trademark applications. On account of the situation, the parties entered into this Co-Existence Agreement.

Scope and structure

Pursuant to the Co-Existence Agreement, Ambar solved its disputes with 4finance arising from Ambar's use and registration of trademark containing or comprising the term Vivaz. The Co-Existence Agreement only has validity between the parties and, in particular, contains the following obligations:

1. Ambar agreed to:

   (i) Limit the specification of the trademark applications to insurance services from class 36 from the International Nice Classification of Goods and Services. The conflicting trademarks were registered for all insurance services except from loan insurance, banking insurance, credit risk insurance, mortgage insurance, deposit insurance, credit insurance, insurance services related to credit, insurance against loss of credit, insurance services relating to pension funds, insurance services relating to credit cards, and insurance services relating to financial products (the "**Permitted Insurance Services**");

   (ii) Not to apply for trademark protection for signs containing or comprising the term Vivaz, unless covered under the Permitted Insurance Services;

   (iii) Not to use any trademark containing or comprising the term Vivaz, unless covered under the Permitted Insurance Services or a series of additional permitted insurance services related to certain financial products listed under the Co-Existence Agreement (the "**Additional Permitted Insurance Services**"); and

   (iv) Not to challenge or oppose, regardless of the ground, to the use, registration or application of any trademark containing or comprising, the term VIVUS, regardless of the class or the countries designated around the world.

2. 4finance agreed:

   (i) To withdraw the filed oppositions against Ambar's registration of trademarks containing or comprising the word Vivaz if the trademark is limited to the Permitted Insurance Services and the Additional Permitted Insurance Services;

   (ii) Not to challenge or oppose to the registration or application for any trademark containing or comprising the word Vivaz owned or filed by or on behalf of Ambar and/or any of the Group's companies in relation with the Permitted Insurance Services and the Additional Permitted Insurance Services; and

   (iii) Not to challenge or oppose to the use of any trademark containing or comprising the word Vivaz owned or filed by or on behalf of Ambar and/or any of the Group's companies in relation with the Permitted Insurance Services and the Additional Permitted Insurance Services.

Therefore, by virtue of the Co-Existence Agreement, the Group may use the word Vivaz in relation to the Permitted Insurance Services and the Additional Permitted Insurance Services to provide its Health insurance services.

Duration and early termination

The Co-Existence Agreement was executed for an indefinite term and all provisions shall apply worldwide.

20.4 Bancassurance Agreement

On 1 June 2016, Linea Directa and Bankinter entered into a bancassurance agreement under which Bankinter committed to act as insurance broker for Linea Directa's home multirisk insurance policies (the "**Bancassurance Agreement**"). Under the Bancassurance Agreement, Linea Directa shall offer Bankinter's customers a price for all insurance policies included in its scope, although certain risks are subject to prior written authorisation by the Company.

The Bancassurance Agreement is subject to automatic renewals for annual periods so long as none of the parties objects to such a renewal within thirty days from its expiration date. Accordingly, it has been renewed every 1 June since its execution and is therefore currently in force until 1 June 2021. The Bancassurance Agreement was signed at market conditions, and was ratified by the Board of Directors on the meeting held on 23 March 2021.

Under the Bancassurance Agreement, Linea Directa pays Bankinter (i) a percentage of net premiums paid by the policyholders of insurance policies underwritten with Bankinter's mediation, unless the policyholder is a Bankinter employee, and (ii) a portfolio fee for a percentage of all net received premiums which have been renewed at the end of the year.

As at 31 December 2020, 12.1% of the new Home business caught by Linea Directa was linked to Bankinter's mortgage loans (€17,848 thousand or 14.8% of the Home business portfolio or 2.0% of the Company's total GWP). The consequent premium revenues and claim expenses are joined under the Home line of business segment.

The Bancassurance Agreement has been entered at arm's length and is non-exclusive and, therefore, both Bankinter and Linea Directa may enter into other bancassurance agreements with any other third party without any limitation whatsoever. As provided for in the Board of Directors Regulations, as a transaction that the Company has entered into with a shareholder, who holds, individually, a significant holding, any amendment or renewal must be approved by the Board of Directors, following a mandatory report from the Audit and Compliance Committee. Upon the registration of the Prospectus, the Audit and Compliance Committee is expected to ratify the terms of the Bancassurance Agreement.

After the registration of this Prospectus and before Admission it is expected that the Board of Directors, with a report from the Audit Committee, ratifies the terms and conditions of the Bancassurance Agreement, as a related-party transaction.

Furthermore, on 1 January 2012 Linea Directa and Bankinter, S.A. Operador Banca Seguros Vinculado entered into an insurance agency agreement by virtue of which Bankinter, S.A. Operador Banca Seguros Vinculado markets Linea Directa's travel assistance and legal assistance insurance products for holders of Bankinter, Bankinter Portuguese branch and Bankinter Consumer Finance credit cards, covering usual risks as regards credit cards related insurances. Under a number of collective policies entered into with Bankinter, Bankinter Portuguese branch and Bankinter

Consumer Finance, holders of certain credit cards from these Bankinter companies as well as their spouses (or common-law partners), ascendants or descendants in the first degree who live with the cardholder will be insured whenever they travel and under certain established conditions. Linea Directa receives premium income and until 2019 paid an intermediation commission, while a profit sharing is in place by which Linea Directa pays a percentage of the business profit to Bankinter, Bankinter Portuguese branch and Bankinter Consumer Finance, respectively.

20.5 DKV Agreement

On 30 September 2016, the Company and DKV entered into an agreement for the management of insurance coverages in the health insurance tranche branch which DKV undertook to allow for the holders of Linea Directa's health insurance policies to make use of DKV's medical assistance network (the "**DKV Agreement**"). The services provided under the DKV Agreement include all of Linea Directa's health insurance policies in Spain and, when involving services in the autonomous region of Cantabria, management will be carried out by DKV Servicios, S.A.U. ("**DKV Servicios**") due to the complexity of the medical provider network in such geographic location, and any data obtained from management in such region will not be factored in with respect to pensalisations and/or breaches. Nevertheless, the parties to the DKV Agreement will, through a specific committee (*Comisión Mixta*), be informed of the prices for services from time to time in accordance with the conditions set forth by providers.

For the purposes of the DKV Agreement, the assistance network will comprise the medical network (cuadro médico), hospitals, polyclinics, diagnosis centres, treatment centres, laboratories or any other medical services centres, as well as the professionals integrating the assistance network and in relation to which DKV Servicios holds contractual rights in force. In light of the dynamic nature of the assistance network, which may suffer modifications from time to time, any modifications will be communicated by DKV or DKV Servicios to the Company three months prior to their effectuation.

Under the DKV Agreement, DKV Servicios, a specialised subsidiary of DKV, will render certain services and perform certain functions, including, amongst others, the following:

(i) **Management of the medical network (cuadro medico)**: DKV Servicios will obtain, develop and manage a network of assistance providers for the Company that will involve functions such, amongst others, the accreditation and maintenance of professionals, medical centers and other providers, the negotiation of favourable economic conditions (given that fees payable by the Company will only encompass those referred to below). The Company will be able to request additional professionals to be included in or excluded from such network or, subject to certain joint criteria and agreement on such criteria, to establish preferences amongst providers.;

(ii) **Management of rendered services**: DKV Servicios will carry out the necessary validation and payment processes related to services rendered by assistance providers, incorporating advanced fraud-detection techniques and its medial division will carry out quality and cost/efficiency controls in accordance with best-practices, thereafter communicating the results of such controls to the Company. The Company will be able to carry out inspections of the medical centres included in the medical network in order to verify compliance with the quality standards agreed with its clients;

(iii) **Management of authorisations**: DKV Servicios will authorise those services requiring previous authorisation as agreed with the Company and, for such purpose, will incorporate fraud-detection and quality control techniques. DKV Servicios will promote the utilisation of self-service and authorising centre tools amongst medical network professionals in order to facilitate customer experience without endangering operational controls; and

(iv) **Call centre services**: DKV Servicios will make a call centre available for the Company's clients in which they can obtain authorisations for services, information on the medical network and any other information necessary, as well as 24/7 assistance on telephonic triage, home emergency management, ambulance transportation, psychological or other matters and services of international second medical opinion (segunda opinión médica internacional). The call centre will be channeled through the Company's call centre or specific telephone line.

The DKV Agreement is in force since 1 January 2017 and has an initial term of five years since September 2017 (as the date in which the first medical service was provided), after which it is subject to automatic renewals for annual periods so long as none of the parties objects to such a renewal within six months from its expiration date. As at the date of this Prospectus, the Company intends to maintain a contract with a health provider to be able to outsource the services referred to above, although it has not yet decided whether to renew the agreement with DKV or with a different health provider. The Company will always assess whether there is an option to create its own care network.

The fees payable by Linea Directa to DKV under the DKV Agreement include (i) a fixed amount paid throughout the first three years of the term of the DKV Agreement; (ii) a management canon dependant on Linea Directa's number of policyholders; and (iii) a variable amount dependant on Linea Directa's average annual expense per policyholder.

The DKV Agreement is subject to a series of early termination clauses agreed in market term conditions.

Under the DKV Agreement, Línea Directa grants DKV the exclusivity in the management of Linea Directa's health insurance coverages.

21. DOCUMENTS AVAILABLE

The following documents (or copies thereof) are available to the general public during the term of validity of the present Prospectus:

a) The Company's Bylaws in force;

b) The Company's Consolidated Financial Statements for financial years ended on 31 December 2020, 2019 and 2018;

c) The Spanish GAAP Individual Statutory Annual Accounts for financial years ended on 31 December 2020, 2019 and 2018; and

d) The Spanish GAAP Consolidated Statutory Annual Accounts for financial years ended on 31 December 2020, 2019 and 2018.

The documents referred to in letters b), c) and d) above, are incorporated by reference to the present Prospectus.

All of the above documents are available to the general public at:

- The Company's registered office:

Isaac Newton, 7

28760, Tres Cantos, Madrid (Spain)

- The Company's website:

  www.lineadirectaaseguradora.com

- The CNMV's website:

  http://www.cnmv.es

ALTERNATIVE PERFORMANCE MEASURES, OTHER INDICATORS AND SOLVENCY II RATIO

In addition to the financial information presented herein and prepared under IFRS-EU, the Company has included in this Prospectus a period-to-period comparison of certain financial measures and alternative performance measures as defined in the guidelines issued by the European Securities and Markets Authority on 5 October 2015 on alternative performance measures (the "**ESMA Guidelines**" and the "**APMs**"). These APMs are derived from the Company's consolidated income statement, consolidated balance sheet, consolidated statement of cash flows or accounting records. Linea Directa believes that the presentation of the APMs included herein complies with the ESMA Guidelines.

The Company has presented these APMs, which are unaudited, as supplemental information because they are used by the Company's management in making financial, operational and planning decisions, and they provide useful financial information that should be considered in addition to the financial statements prepared in accordance with the applicable accounting regulations (IFRS-EU), in assessing the Group's performance. In addition, Linea Directa believes that the APMs presented herein may contribute to a better understanding of its results of operations by providing additional information on what the Company considers to be some of the drivers of its financial performance and because these APMs are in line with the main indicators used by the majority of the community of analysts and investors in capital markets.

APMs are not defined under and have not been prepared in accordance with IFRS-EU, and should not be considered in isolation as they may be presented on a different basis than the financial information included in the Consolidated Financial Statements. In addition, the APMs presented may differ significantly from information reported by other companies under similar or analogous titles, and may not always be comparable.

It is cautioned not to place undue reliance on these measures, which should be considered as supplemental to, and not a substitute for, the financial information prepared in accordance with IFRS-EU herein included. The APMs herein included have not been audited by the Company or any independent expert.

Some limitations of these APMs are:

– The fact that other companies in the industry may calculate loss, expense and combined ratios differently than the Company does, might limit their usefulness as comparative measures.

– Moreover, the usefulness of the loss, expense and combined ratio is inherently limited by the fact that these are ratios and thus do not provide information on the absolute amount of incurred claims for the year, operating and other technical expenses or the underwriting result.

– The usefulness of the Payout ratio and the RoAE is also inherently limited by the fact that they represent ratios and thus do not provide any detail as to the absolute amount of net income, dividends paid or shareholders' equity.

– Modified duration is limited in that it assumes a linear relationship between interest rates and bond price. Such relationship is likely to be curvilinear. The more convex the relationship between interest rates and bond price, the more inaccurate duration is for measuring interest rate sensitivity and the variation of the financial securities.

– Average return is limited by the fact that other companies in the industry may calculate it differently than the Company does, thus limiting its usefulness as a comparative measure. Moreover, the composition of the investment portfolio varies significantly from company to company, making the risk-return comparison more complex.

In light of the limitations of these APMs, prospective investors are cautioned not to place undue reliance on them. Such measures should be reviewed by investors in conjunction with the section titled "*Financial Information*".

The APMs herein included have not been audited and, for clarification purposes, they appear with an asterisk (*) along this Prospectus to allow investors to identify each APM.

The terms and definitions of the Company´s APM and other indicators are:

APMs (Alternative performance measures)					
		12/31/2020	**12/31/2019**	**12/31/2018**	*References to Financial Statements*
Consolidated Loss ratio	**Claims incurred, net of reinsurance / Earned premiums, net of reinsurance**	**61.5%**	**68.0%**	**64.7%**	**-**
	Claims incurred, net of reinsurance	(540,064)	(580,987)	(528,029)	*Non-life profit and loss account*
	Earned premiums, net of reinsurance	878,177	854,762	816,289	*Non-life profit and loss account*
	Purpose: Measures the efficiency in the claims' experience as it includes incurred claims as a percentage over the volume of earned premiums, net of reinsurance. Loss ratio makes it possible to establish comparisons between companies				
Consolidated Expense ratio	**(Net operating expenses + Other technical expenses + Profit sharing and premium refunds) Earned premiums, net of reinsurance**	**21.9%**	**19.9%**	**20.9%**	**-**
	Net operating expenses	(209,603)	(199,919)	(196,176)	*Non-life profit and loss account*
	Other technical expenses	18,137	30,518	26,479	*Non-life profit and loss account*
	Profit sharing and premium refunds	(708)	(724)	(751)	*Non-life profit and loss account*
	Earned premiums, net of reinsurance	878,177	854,762	816,289	*Non-life profit and loss account*
	Purpose: Measures the Company's efficiency in expenses as it includes net operating expenses and other technical expenses as a percentage over the volume of earned premiums, net of reinsurance Expense ratio makes it possible to establish comparisons between companies.				
Consolidated Combined ratio	**Loss ratio + Expense ratio**	**83.4%**	**87.9%**	**85.6%**	**-**
	Purpose: Measures the technical profit ability of Non- Life insurance A combined ratio below 100% indicates that the technical result is positive, while a combined ratio above 100% indicates that said result is negative.				

APMs (Alternative performance measures)					
		12/31/2020	**12/31/2019**	**12/31/2018**	*References to Financial Statements*
	Combined ratio makes it possible to establish comparisons between companies in the insurance sector, since it measures the loss experience and technical expenses as a percentage over premium volume.				
Motor loss ratio	**Claims incurred, net of reinsurance / Earned premiums, net of reinsurance**	**61.8%**	**69.4%**	**66.3%**	**-**
	Claims incurred, net of reinsurance	(465,382)	(519,666)	(476,725)	*Note 19: Financial information by segment - Motor*
	Earned premiums, net of reinsurance	752,605	748,309	718,521	
Motor expense ratio	**(Net operating expenses + Other technical revenues and expenses*) / Earned premiums, net of reinsurance**	**18.7%**	**16.3%**	**17.7%**	**-**
	Net operating expenses	(159,468)	(152,748)	(154,001)	
	Other technical expenses	18,726	30,638	27,179	*Note 19: Financial information by segment - Motor*
	Profit sharing and premium refunds	-	-	-	
	Earned premiums, net of reinsurance	752,605	748,309	718,521	
Motor combined ratio	**Loss ratio + Expense ratio** (Motor line of business)	**80.5%**	**85.8%**	**84.0%**	**-**
Home loss ratio	**Claims incurred, net of reinsurance / Earned premiums, net of reinsurance**	**57.1%**	**51.8%**	**52.2%**	**-**
	Claims incurred, net of reinsurance	(63,678)	(53,137)	(48,215)	*Note 19: Financial information by segment - Home*
	Earned premiums, net of reinsurance	111,546	102,660	92,406	
Home expense ratio	**(Net operating expenses + Other technical revenues and expenses*) / Earned premiums, net of reinsurance**	**36.9%**	**36.2%**	**38.4%**	**-**
	Net operating expenses	(40,873)	(37,209)	(35,037)	
	Other technical expenses	(311)	33	(460)	*Note 19: Financial information by segment - Home*
	Profit sharing and premium refunds	-	-	-	
	Earned premiums, net of reinsurance	111,546	102,660	92,406	
Home combined ratio	**Loss ratio + Expense ratio** (Home line of business)	**94.0%**	**88.0%**	**90.6%**	**-**

APMs (Alternative performance measures)

		12/31/2020	12/31/2019	12/31/2018	*References to Financial Statements*
Health combined ratio		**n.m.**	**n.m.**	**n.m.**	*Note 19: Financial information by segment - Health*
Other insurance business loss ratio	**Claims incurred, net of reinsurance / Earned premiums, net of reinsurance**	**14.6%**	**10.8%**	**6.9%**	**-**
	Claims incurred, net of reinsurance	(292)	(328)	(223)	*Note 19: Financial information by segment – Other insurance*
	Earned premiums, net of reinsurance	2,006	3,045	3,215	
Other insurance business expense ratio	**(Net operating expenses + Other technical revenues and expenses*) / Earned premiums, net of reinsurance**	**52.3%**	**52.6%**	**56.2%**	
	Net operating expenses	(342)	(877)	(1,055)	*Note 19: Financial information by segment – Other insurance*
	Other technical expenses	-	-	-	
	Profit sharing and premium refunds	(708)	(724)	(751)	
	Earned premiums, net of reinsurance	2,006	3,045	3,215	
Other insurance business combined ratio	**Loss ratio + Expense ratio** (Other insurance businesses)	**66.9%**	**63.3%**	**63.1%**	**-**
RoAE (return on average equity)	**Profit /(loss) for the year / (average equity at the beginning and closing of the period)**	**34.0%**	**35.0%**	**39.4%**	**-**
	Profit/(loss) for the year	134,846	107,295	117,211	*Other activities profit and loss account*
	Average equity at the beginning and closing of the period	396,210	306,632	297,677	
	Total equity at the beginning of period	*325,060*	*288,204*	*307,149*	*Statement of changes in Equity*
	Total equity at the closing of period	*467,359*	*325,060*	*288,204*	*Statement of changes in Equity*
	Purpose: The RoAE is an indicator used to measure the relationship between the financial earnings and the resources necessary to obtain them.				

APMs (Alternative performance measures)					
		12/31/2020	**12/31/2019**	**12/31/2018**	*References to Financial Statements*
	It makes it possible to measure the return the shareholders obtain from the funds invested in the Company, i.e. the company's capacity to remunerate its shareholders.				
DPS (dividends per share)	**Total dividend paid (thousand euro) / average outstanding shares as at 31 December 2020**	**11.81**	**43.26**	**41.98**	**-**
	Total dividends paid (thousand euro)	28,344	103,824	100,750	*Cash flow statement – Dividends to shareholders*
	Average number of shares outstanding	2,400,000	2,400,000	2,400,000	*Note 17: Shareholder's equity*
	Purpose: DPS (dividends per share) is an indicator used to show the relationship existing between the dividends paid with the average shares outstanding as at 31 December 2020.				
Pro Forma DPS (dividends per share)	**Total dividends paid (thousand euro)/ average outstanding shares as at the date of Admission**	**0.03**	**0.10**	**0.09**	**-**
	Total dividends paid (thousand euro)	28,344	103,824	100,750	*Cash flow statement – Dividends to shareholders*
	Average number of shares outstanding at Admission	1,088,416,840	1,088,416,840	1,088,416,840	*Note 26: post balance sheet events*
	Purpose: DPS (dividends per share) is an indicator used to show the relationship existing between the dividends paid with the average shares outstanding as at the date of Admission.				
Dividend payout ratio	**Total dividends paid (thousand euro) / Profit /(loss) for the yearNet**	**21.0%**	**96.8%**	**86.0%**	**-**
	Total dividends paid (thousand euro)	28,344	103,824	100,750	*Cash flow statement – Dividends to shareholders*
	Profit /(loss) for the year	134,846	107,295	117,211	*Other activities profit and loss account*
	Purpose:				

APMs (Alternative performance measures)					
		12/31/2020	**12/31/2019**	**12/31/2018**	*References to Financial Statements*
	Dividend payout ratio is an indicator used to indicate the part of the result distributed among investors through dividends				
Duration	**A composite measure of the timing of a bond´s cash flow characteristics taking into consideration its coupon and term to maturity** It refers to the weighted average of time until cash flows (coupons and principal) are received, and it is measured in years. **Purpose:** This ratio makes it possible to measure the degree of volatility or risk in the Group´s fixed income portfolios. The higher the duration of the portfolio, the greater the volatility of the prices of the securities when there are changes in interest rates.	**3.04**	**2.52**	**2.51**	*Internal accounting*
Modified duration	**Modified duration** It is the weighted average of time until cash flows (coupons and principal) are received, divided by 1 plus the yield to maturity divided by the number of payments in a year **Purpose:** This ratio makes it possible to measure an approximate value of the percentage variation of financial securities for each percentage point (100 basis points) change in interest rates. The higher the modified duration of the portfolio, the greater the volatility of the prices of the securities when there are changes in interest rates.	**3.26%**	**3.79%**	**3.75%**	*Internal accounting*
Fixed income portfolio average return	**(Interest received + Realised gains/(losses) and impairments)/Debt securities** Income earned, recognised through the profit and loss statement during the period divided by the fixed income portfolio. This includes realised gains/losses and impairments.	**2.62%**	**3.23%**	**3.46%**	-

APMs (Alternative performance measures)					
		12/31/2020	**12/31/2019**	**12/31/2018**	*References to Financial Statements*
	Excludes fair value adjustments.				
	Interest received	21,187	22,101	23,986	*Note 8: financial securities – a) financial assets – iii) Income and expenses from financial assets*
	Realised gains/(losses) and impairments	(187)	1,192	107	*Internal accounting*
	Debt securities	801,209	720,797	696,945	*Note 6: Credit risk*
	Purpose: Measures the return of the fixed income securities held in the investment portfolio during a specific period of time				
Equity portfolio average return	**(Dividends + Realised gains/(losses) and impairments)/ Equity instruments** Income earned, recognised through the profit and loss statement during the period divided by the equity portfolio. This includes realised gains/losses and impairments. Excludes fair value adjustments.	**0.37%**	**2.39%**	**6.84%**	**-**
	Dividends	1,649	2,383	2,465	*Note 8: financial securities – a) financial assets – iii) Income and expenses from financial assets*
	Realised gains/(losses) and impairments	(1,186)	407	3,609	*Internal accounting*
	Equity instruments	125,855	116,688	88,763	*Balance sheet – Assets – equity instruments; and Note 6: Market risk – equity instruments*
	Purpose: Measures the return of the equity securities held in the investment portfolio during a specific period of time				

APMs (Alternative performance measures)					
		12/31/2020	**12/31/2019**	**12/31/2018**	*References to Financial Statements*
Property investments average return	**(Income from investment property** + Realised gains (losses))**/Investment property**	**6.25%**	**8.79%**	**6.69%**	**-**
	Rental income earned, recognised through the profit and loss statement during the period divided by the property investments portfolio. This includes realised gains/losses and impairments. Excludes fair value adjustments.				
	Income from investment property	4,121	4,206	4,514	*Non-life profit and loss account – Income from investment property*
	Realised gains (losses)	-	1,655	-	*Note 9: property investments – movements on property investments*
	Investment property	65,948	66,670	67,458	*Balance sheet – Assets – Property, plant and equipment and investment property – investment property*
	Purpose: Measures the return of the property investments during a specific period of time				
Total average return *(including cash and cash equivalents)*	**Total investment income + net realised gains (losses) / Total investments and cash**	**2.21%**	**3.05%**	**3.40%**	**-**
	Income earned, recognised through the profit and loss statement during the period divided by the assets under management (cash and cash equivalents, fixed income and equity portfolios and property investments). This includes realised gains/losses and impairments. Excludes fair value adjustments				

APMs (Alternative performance measures)	12/31/2020	12/31/2019	12/31/2018	*References to Financial Statements*
Total investments	**1,155,512**	**1,049,092**	**1,019,943**	**-**
Debt securities	801,209	720,797	696,945	*Note 6: Credit risk*
Equity instruments	125,855	116,688	88,763	*Balance sheet – Assets – Equity instruments*
Investment property	65,948	66,670	67,458	*Balance sheet – Assets – Property, plant and equipment and investment property – investment property*
Cash and cash equivalents	162,500	144,937	166,776	*Balance sheet – Assets – Cash and cash equivalents*
Total investment income and realised gains (losses)	**25,585**	**31,972**	**34,691**	-
Interest received from Debt securities	21,187	22,101	23,986	*Note 8: financial securities – a) financial assets – iii) Income and expenses from financial assets – fixed income interest*
Realised gains (losses) on Debt securities	*(187)*	*1,192*	*107*	*Internal accounting*
Dividends received from Equity instruments	1,649	2,383	2,465	*Note 8: financial securities – a) financial assets – iii) Income and expenses from financial assets – fixed income interest*
Realised gains/(losses) and impairments on Equity instruments	*(1,186)*	*407*	*3,609*	*Internal accounting*
Income from investment property	4,121	4,206	4,514	*Non-life profit and loss account – Income from investment property*
Realised gains (losses) on Investment property	-	1,655	-	*Note 9: property investments – movements on property investments*

APMs (Alternative performance measures)

		12/31/2020	12/31/2019	12/31/2018	*References to Financial Statements*
	Interest on cash and cash equivalents	1	28	10	*Note 7: Cash and cash equivalents*
	Purpose: Measures the return of the financial securities held in the investment portfolio and cash during a specific period of time				
Total average return *(excluding cash and cash equivalents)*	**(Total investment income plus + realised gains (losses))/ Total investments**	**2.58%**	**3.53%**	**4.07%**	-
	Income earned, recognised through the profit and loss statement during the period divided by the assets under management (fixed income and equity portfolios and property investments). This includes realised gains/losses and impairments. Excludes fair value adjustments				
	Total investments	**993,012**	**904,155**	**853,167**	-
	Debt securities	801,209	720,797	696,945	*Note 6: Credit risk*
	Equity instruments	125,855	116,688	88,763	*Balance sheet – Assets – Equity instruments; and Note 6: Market risk – equity instruments*
	Investment property	65,948	66,670	67,458	*Balance sheet – Assets – Property, plant and equipment and investment property – investment property*
	Total investment income and net realised gains (losses)	**25,584**	**31,945**	**34,681**	-

APMs (Alternative performance measures)					
		12/31/2020	**12/31/2019**	**12/31/2018**	*References to Financial Statements*
	Interest received from Debt securities	21,187	22,101	23,986	*Note 8: financial securities – a) financial assets – iii) Income and expenses from financial assets*
	Realised gains (losses) on Debt securities	*(187)*	*1,192*	*107*	*Internal accounting*
	Equity instruments	1,649	2,383	2,465	*Note 8: financial securities – a) financial assets – iii) Income and expenses from financial assets*
	Realised gains/(losses) and impairments on Equity instruments	*(1,186)*	*407*	*3,609*	*Internal accounting*
	Income from investment property	4,121	4,206	4,514	*Profit and loss statement – Income from investment property*
	Realised gains (losses) on Investment property	-	1,655	-	*Note 9: property investments – movements on property investments*
	Purpose: Measures the return of the financial securities held in the investment portfolio during a specific period of time				
Other technical revenues and expenses	**Other technical revenues + other technical expenses + profit sharing and returns**	**17,429**	**29,794**	***25,728***	**-**
	Other technical income	-	-	-	*Non-life profit and loss account*
	Other technical expenses	18,137	30,518	*26,479*	*Non-life profit and loss account*
	Profit sharing and premium refunds	(708)	(724)	*(751)*	*Non-life profit and loss account*
	Purpose: Brings together other technical income, expenses and profit sharing and returns				

APMs (Alternative performance measures)					
		12/31/2020	**12/31/2019**	**12/31/2018**	*References to Financial Statements*
	"Other technical revenues and expenses" together with profit and loss item "Net operating expenses" are used by insurance companies to calculate the expense ratio				
Technical result	**Earned premiums, net of reinsurance + net claims incurred + net operating expenses + other technical income and expenses**	**145,939**	**103,650**	***117,812***	-
	Earned premiums, net of reinsurance	878,177	854,762	*816,289*	*Non-life profit and loss account*
	Claims incurred, net of reinsurance	(540,064)	(580,987)	*(528,029)*	*Non-life profit and loss account*
	Net operating expenses	(209,603)	(199,919)	*(196,176)*	*Non-life profit and loss account*
	Other technical expenses	18,137	30,518	*26,479*	*Non-life profit and loss account*
	Profit sharing and premium refunds	(708)	(724)	*(751)*	*Non-life profit and loss account*
	Purpose It is the result of the underwriting activity				
Financial result	**Income and expenses from investments**	**29,253**	**31,570**	***33,474***	-
	Income from property, plant and equipment and investments	76,613	70,687	*52,021*	*Non-life profit and loss account*
	Expenses from property, plant and equipment and investments	(47,360)	(39,117)	*(18,547)*	*Non-life profit and loss account*
	Purpose It is the result of the investment activity				

Figures in thousand euro except ratios

Other Indicators					
		12/31/2020	**12/31/2019**	**12/31/2018**	*Reference to financial statements*
Gross written premiums (GWP)	**Gross written premiums**	**898,614**	**891,295**	**853,119**	*Non-life profit and loss account*
	Written premiums, direct insurance	898,614	891,295	853,119	*Non-life profit and loss account*
	Premiums from accepted reinsurance	-	-	-	*Non-life profit and loss account*
Earned premiums, net of reinsurance	**Premium allocated to the period, net of accepted and ceded reinsurance**	**878,177**	**854,762**	**816,289**	*Non-life profit and loss account*
	Written premiums, direct insurance	898,614	891,295	853,119	*Non-life profit and loss account*
	Change due to impairment of outstanding premiums receivables	1,024	(442)	(596)	*Non-life profit and loss account*
	Premiums from ceded reinsurance	(20,675)	(14,920)	(11,813)	*Non-life profit and loss account*
	Change in the provision for unearned premiums and unexpired risks				*Non-life profit and loss account*
	Direct insurance	(1,815)	(21,112)	(25,981)	*Non-life profit and loss account*
	Accepted reinsurance	-	-	-	*Non-life profit and loss account*
	Change in the provision for unearned premiums, reinsurers' share	1,029	(59)	1,560	*Non-life profit and loss account*
Claims incurred, net of reinsurance	**Claims for the period + Change in the provision for claims**	**(540,064)**	**(580,987)**	**(528,029)**	*Non-life profit and loss account*
	Claims and other expenses paid	(441,320)	(492,927)	(439,200)	*Non-life profit and loss account*
	Change in the provision for claims	13,115	23,401	13,810	*Non-life profit and loss account*
	Claims related expenses	(111,859)	(111,461)	(102,639)	*Non-life profit and loss account*
Net operating expenses	**Operating expenses + Reinsurance commissions and profit participation**	**(209,603)**	**(199,919)**	**(196,176)**	*Non-life profit and loss account*
	Acquisition expenses	(186,745)	(180,474)	(178,999)	*Non-life profit and loss account*
	Administration expenses	(26,690)	(23,229)	(21,055)	*Non-life profit and loss account*
	Reinsurance commissions and profit participation	3,832	3,784	3,878	*Non-life profit and loss account*
Result of the non-life business	**Technical + financial result**	**175,192**	**135,220**	**151,286**	**-**

Other Indicators					
	Technical result	145,939	103,650	117,812	-
	Financial result	29,253	31,570	33,474	-
Result from non-technical account	**Other income + other expenses**	**4,432**	**7,617**	**4,677**	*Non-life profit and loss account*
	Other income	10,750	14,511	14,073	*Non-life profit and loss account*
	Other expenses	(6,318)	(6,894)	(9,396)	*Non-life profit and loss account*
Number of clients	**Total number of clients**	**3,224,003**	**3,170,868**	**3,023,891**	*Internal accounting*
	Motor	2,463,171	2,419,544	2,335,568	*Internal accounting*
	Home	662,393	622,912	568,157	*Internal accounting*
	Health	89,163	69,460	32,947	*Internal accounting*
	Other insurance	9,276	58,952	87,219	*Internal accounting*

Figures in thousand euro

VI. SECURITIES NOTE FOR EQUITY SECURITIES

This Securities Note has been prepared in accordance with Annex 11 of Delegated Regulation 2019/980.

1. PERSONS RESPONSIBLE, THIRD PARTY INFORMATION, EXPERTS' REPORTS AND COMPETENT AUTHORITY APPROVAL

1.1 Identity of the persons responsible for the Securities Note

Mr. Carlos Rodríguez Ugarte, chief financial officer of Linea Directa Aseguradora, Sociedad Anónima, Compañía de Seguros y Reaseguros, acting in the name and on behalf of the Company as a duly empowered representative by means of the power of attorney granted to him by the Company on 18 March 2021, accepts responsibility for the information contained in this Securities Note.

The format of the present Securities Note is consistent with that established by Annex 11 of Delegated Regulation 2019/980.

1.2 Statement of responsibility of the persons responsible for the Securities Note

Mr Carlos Rodríguez Ugarte, chief financial officer hereby declares that, to the best of his knowledge, the information contained in this Securities Note is factually correct and contains no omissions likely to affect its content.

1.3 Statements or reports included in this Securities Note attributed to persons as an expert

This Securities Note does not include statements or reports attributed to persons as an expert.

1.4 Statement on information which has been sourced from a third party

Where information has been sourced from a third party, it has been accurately reproduced and as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. When such information is used, the corresponding source is identified.

1.5 Statement on the approval of this Securities Note by the CNMV

It is hereby expressly stated that:

- this Securities Note has been approved by the CNMV, as the competent authority under the Prospectus Regulation on 15 April 2021;
- the CNMV only approves this Securities Note as it meets the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation;
- such approval should not be considered as an endorsement of the quality of the securities that are subject of this Securities Note; and
- investors should make their own assessment as to the suitability of investing in the securities.

2. RISK FACTORS

2.1 A description of the material risks that are specific to the securities being admitted to trading

See section "*III. RISK FACTORS – Risk Factors inherent to the Securities and the Admission*" of this Prospectus.

3. ESSENTIAL INFORMATION

3.1 Working Capital

Based on the information available at the date of the present Securities Note, the Company deems that its working capital is sufficient for its present requirements for at least the next twelve months.

3.2 Capitalisation and Indebtedness

From 31 March 2021 until the date of approval of this Securities Note no significant variation in the Company's capitalisation and indebtedness has taken place in respect of the information provided herein.

3.2.1 Capitalisation

The following table reflects the Company's own resources included in its IFRS-EU consolidated balance sheet as at 31 March 2021:

	As at 31 March 2021	
	Unaudited	
	Actual	**As adjusted after dividend payment (*)**
Guaranteed	-	-
Secured	-	-
Unguaranteed/unsecured	-	-
Total Current Indebtedness	-	-
Guaranteed	-	-
Secured	-	-
Unguaranteed/Unsecured	-	-
Total Non-Current debt	-	-
Equity	**422,724**	**422,724**
Share Capital	43,537	43,537
Reserves	379,188	379,188
Legal and bylaw reserves	*9,046*	*9,046*
Other Reserves	*370,142*	*370,142*
Dividends	**-**	**(120,000)**
Total Equity	**422,724**	**302,724**

Figures in thousand euro

(*) Prior to the spin-off, pursuant to the resolution passed by the Company's General Shareholders' Meeting on 5 April 2021 and as authorized by the General Directorate of Insurance and Pension Funds on 18 March 2021, the Company paid an extraordinary dividend of €120 million to Bankinter on 8 April 2021.

As at 31 March 2021, the consolidated profit after tax stood at €29,596 thousand and valuation adjustments related to the available for sale (AFS) portofolio amounted to €47,060 thousand (unaudited figures).

3.2.2 *Indebtedness*

The following table reflects the Company's indebtedness included in its IFRS-EU consolidated balance sheet as at 31 March 2021:

	As at 31 March 2021	
	Unaudited	
	Actual	**As adjusted after dividend payment (*)**
Cash	**193,179**	**73,179**
Cash equivalents	**-**	**-**
Trading securities	-	-
Liquidity	**193,179**	**73,179**
Current Financial Debt	**-**	**-**
Non-Current financial debt	**-**	**-**
Other debt	**6,070**	**6,070**
Lease liabilities	*2,370*	*2,370*
Long term incentive plan	*3.700*	*3.700*
Total Indebtedness	**6,070**	**6,070**

Figures in thousand euro

(*) Prior to the spin-off, pursuant to the resolution passed by the Company's General Shareholders' Meeting on 5 April 2021 and as authorized by the General Directorate of Insurance and Pension Funds on 18 March 2021, the Company paid on 8 April 2021 an extraordinary dividend of €120 million to Bankinter.

As at 31 March 2021, total indebtedness comprises (i) lease liabitities mainly related to the fleet of vehicles Linea Directa leases and utilises as replacement cars for Motor policyholders, and (ii) a LTIP 2019-2021 for the Senior Management provisioned at €3,700 thousand (with a maximum compensation of €16,673.6 thousand, see section *"Remuneration and Benefits"*).

As at 31 March 2021, the Company's liquidity corresponds to cash accounts and bank deposits with a maturity of less than 3 months. All of the Company's accounts payable are due in less than 12 months. The Company has no trading securities portfolio. The Company does not have financial debt.

3.3 Interest of natural and legal persons involved in the Admission

The Company has no knowledge of the existence of any significant interest or conflict of interest that is material to the Admission to trading of the entirety of the Shares on the Spanish Stock Exchanges, through the continuous market (*Sistema de Interconexión Bursátil*).

3.4 Reasons for Admission

The Admission is being made given that, on 18 December 2019, the Board of Directors of Bankinter resolved to bring forward to Bankinter's general shareholders' meeting the distribution in kind to its shareholders of its entire share premium by delivering approximately 82.6% of the shares Bankinter held, directly or indirectly, in the Company. The Shares to be delivered, representing approximately 82.6% of the Company's share capital, were valued at €1,184,265,000 (See section "*Description of the Transaction*"). The purpose of the Transaction is to split Bankinter's insurance business from its banking business, allowing both Bankinter and Linea Directa to develop their own independent strategies in the future. This will allow Bankinter to exclude Linea Directa from its scope of consolidation, which, according to the information provided by Bankinter, as at 31 December 2020, it will increase its consolidated CET1 capital ratio by 8 basis points, decrease its net shareholders' equity by €269.7 million and an income of €959.2 million due to the increase in the value of its stake in Linea Directa.

4. INFORMATION CONCERNING THE SECURITIES TO BE ADMITTED TO TRADING

4.1 Description of the type and class of the securities being admitted to trading, including the international security identification number ('ISIN')

The Shares being admitted to trading constitute the entirety of the ordinary shares of the Company, this is, 1,088,416,840 shares of €0.04 of nominal value each, of the same class and series, fully subscribed and paid for, and that confer their holders the same voting and economic rights.

The National Numbering Agency (*Agencia Nacional de Codificación*), directly dependent of the CNMV, has assigned the following international security identification number ("**ISIN**") ES0105546008 to the Shares.

4.2 Legislation under which the securities have been created

The Shares being admitted to trading are subject to Spanish legislation and, in particular, the provisions included under the restated text of the Capital Companies Act and the Securities Market Law, as well as Royal Decree 1310/2005, of 4 November, concerning the admission to trading of securities on official secondary markets, public offers for sale or subscription and the prospectus required for that purpose (*Real Decreto 1310/2005, de 4 de noviembre, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*) and Royal Decree 878/2015, of 2 October, on the clearing, settlement and registration of book-entry securities, on the legal regime for central securities depositories and central counterparties and on transparency requirements for issuers of securities admitted to trading on an official secondary market (*Real Decreto 878/2015, de 2 de octubre, sobre compensación, liquidación y registro de valores negociables representados mediante anotaciones en cuenta, sobre el régimen jurídico de los depositarios centrales de valores y de las entidades de contrapartida central y sobre requisitos de transparencia de los emisores de valores admitidos a negociación en un mercado secundario official*).

4.3 Representation of the securities

The Shares shall be represented by book-entries and shall be recorded in the relevant accounting records by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear), with registered office at Plaza de la Lealtad, 1 (28014 - Madrid), and its authorised participating entities.

4.4 Currency of the securities issue

The Shares are denominated in euros (€).

4.5 A description of the rights attached to the securities, including any limitations of those rights and procedure for the exercise of those rights

The present section has been drafted in accordance with the provisions set forth by the Company's Bylaws, approved on 18 March 2021 and registered with the Commercial Registry of Madrid on 9 April 2021.

The Shares being admitted to trading are ordinary shares, of the same class and series, conferring their holders the same voting and economic rights, as set forth under the Capital Companies Act and the Company's Bylaws.

The Shares will be registered to the name of the corresponding shareholders in the book-keeping records of Iberclear and its participating entities. The expenses of the initial registration of the Shares will be satisfied by the Company in their entirety.

4.5.1 Dividend rights

<u>Fixed dates on which entitlement arises</u>

Given that the Shares are ordinary shares, they grant the right to participate in distributions of profits and proceeds from liquidation, proportionally to their paid up share capital, but they do not grant a right to receive a minimum dividend. They only confer the right to receive the dividends that the Company's competent bodies agree to distribute.

As of the date of this Securities Note, there are no dividends payable to the Company's shareholders.

<u>Time limit after which entitlement to dividend lapses and an indication of the person in whose favour the lapse operates</u>

The prescription period for the cash-in of dividends is of five (5) years from the first date signaled for the cash-in of such dividends in accordance with article 947 of the Spanish Commercial Code (*Código de Comercio*), and the Company will be the beneficiary of any prescribed dividends.

<u>Dividend restrictions and procedures for non-resident holders</u>

The Company is not aware of any restriction on the collection of dividends by non-resident shareholders. All shareholders will receive dividends through Iberclear and its participating entities, without prejudice to any potential withholdings on account of the Non Resident Income Tax that may apply.

<u>Rate of dividend or method of its calculation, periodicity and cumulative or non-cumulative nature of payments</u>

Holders of the Shares have the right to participate in distributions of profits and proceeds from liquidation, proportionally to their paid up share capital. However, there is no right to receive a minimum dividend nor fixed dates in which such entitlement arises.

4.5.2 Voting and attendance rights

Each Share entitles the holder to one vote and there is no limit as to the maximum number of voting rights that may be held by each shareholder or by companies of the same group, other than the requirement to obtain the non-opposition of the DGSFP in case of significant stakes, as described in section 4.8 below. Shareholders who at least hold 1,000 shares duly registered in the book-entry records maintained by Iberclear and its participating entities, five (5) days prior to the day on which a shareholders' meeting is scheduled and in the manner provided for in the notice for such meeting, are entitled to attend, either physically or through electronic means, be represented and to vote at such meeting. The notice calling the shareholders' meeting shall indicate the date on which the Shares must be held by a shareholder in order for the latter to participate in a shareholders' meeting and to vote in exercise of the rights appertaining to such shareholder's Shares.

The Company's shareholders who are entitled to attend the shareholders meeting may do so through electronic means so long as the Board of Directors agrees to allow such possibility and in the conditions established in the Company's bylaws. Additionally, so long as the applicable legislation from time to time allows it and in compliance with the legal requirements established in each moment, the Board of Directors may call a General Shareholders' Meeting to be held exclusively by electronic means and without the physical attendance of the shareholders.

Holders of Shares may vote by proxy at any shareholders' meeting. Proxies must be granted for each meeting in writing or in electronic form acceptable under the Bylaws, and are valid for a single shareholders' meeting. Proxies may be given to any person, whether or not that person is a shareholder. A proxy may be revoked by either giving the Company notice prior to the meeting or by the shareholder attending the meeting in person or by remote voting.

Proxy holders will be required to disclose any conflict of interest prior to their appointment. In the event a conflict of interest arises after the proxy holder's appointment, such conflict of interest must be immediately disclosed to the relevant shareholder. In both cases, the proxy holder shall not exercise the shareholder's rights unless the latter has given specific voting instructions for each resolution in respect of which the proxy holder is to vote on behalf of the shareholder. A conflict of interest in this context may in particular arise where the proxy holder is: (i) a controlling shareholder, or another entity controlled by such shareholder; (ii) a member of the Board of Directors, management or supervisory body, or of a controlling shareholder or another entity controlled by such shareholder; (iii) an employee or auditor of the Company, or employee or auditor of a controlling shareholder or another entity controlled by such shareholder; (iv) is a natural person related to those mentioned in (i) to (iii) above (*persona física vinculada*), as this concept is defined under the Spanish Capital Companies Act (i.e., the spouse or similar, at that time or within the two preceding years, as well as ascendants, descendants, siblings, and their respective spouses) and under the Spanish Ministry of Economy and Competitiveness Order ECC/3050/2004, of 15 September 2014 (*Orden EHA/3050/2004 de 15 de septiembre sobre información de las operaciones vinculadas que deben suministrar las sociedades emisoras de valores admitidos a negociación en mercados secundarios oficiales*).

A person acting as a proxy holder may hold a proxy from more than one shareholder without limitation as to the number of shareholders so represented. Where a proxy holder holds proxies from several shareholders, he or she will be able to cast votes for a shareholder differently from votes cast for another shareholder.

Entities appearing as holders of ordinary shares in the book-entry records but acting on behalf of different persons shall always be entitled to exercise voting rights in a divergent manner in order to comply with conflicting voting instructions received from their clients. These entities may also delegate voting rights to each of the indirect holders or their nominees, without limits on the number of delegations.

4.5.3 Pre-emptive rights and Increases of Share Capital

Pursuant to the Capital Companies Act and the Bylaws, shareholders have pre-emptive rights to subscribe for any new shares issued against monetary contributions and for any new bonds convertible into shares. Such pre-emptive rights may be excluded when so required by the corporate interest of the Company under special circumstances by a resolution passed at a shareholders' meeting or by the board of directors (when the company is listed and the shareholders at the shareholders' meeting delegate to the board of directors the right to increase the capital stock or issue convertible bonds and exclude pre-emptive rights), in accordance with the provisions of the Capital Companies Act. The Company has neither convertible nor exchangeable bonds outstanding and has not issued any warrants over the Shares.

Also, holders of Shares have the right of free allotment recognized in the Capital Companies Act in the event of capital increase against reserves.

Furthermore, the pre-emptive rights, in any event, will not be available in an increase in share capital against non-cash contributions, by means of capitalization of credit rights, or to honor the conversion into shares of convertible bonds or in a merger in which shares are issued as consideration.

Pre-emptive rights are transferable, may be traded on the *Sistema de Interconexión Bursátil* (SIB) and may be of value to existing shareholders because new shares may be offered for subscription at prices lower than prevailing market prices.

As of the date of this Securities Note, there are no acquisition rights and/or obligations over authorized but unissued capital or an undertaking to increase the capital and there are no members of the Group, the share capital of which is under option or agreed conditionally or unconditionally to be put under option.

4.5.4 Share in the Issuer's profits

These rights will be exercised in the manner described in section 4.5.1 above.

4.5.5 Rights to share in any surplus in the event of liquidation

Upon liquidation of a company, shareholders are entitled to any remaining assets in proportion to their respective shareholdings, once the company's debts, taxes and any expenses related to the liquidation have been paid, in accordance with Spanish legislation.

4.5.6 Amortization rights

Not applicable.

4.5.7 Exchange or conversion

Not applicable.

4.6 In case of new issues, resolutions, authorisations and approvals by virtue of which the securities have been created and issued

Not applicable.

4.7 In case of new issues, expected issue date of the securities

Not applicable.

4.8 Restrictions on the transferability of the securities

The Company's Bylaws do not contain statutory restrictions on the free transferability of the Shares.

Nevertheless, by virtue of article 85.2 of Law 20/2015 of 14 July on the management, supervision and solvency of insurers and reinsurers (*Ley 20/2015, de 14 de julio, de ordenación, supervisión y solvencia de las entidades aseguradoras y reaseguradoras*), any natural or legal person that, alone or acting together with another natural or legal person, decides to acquire, directly or indirectly, even in the event of a capital increase or reduction, mergers and spin-offs, a significant stake in an insurance or reinsurance company (as defined below) or to increase such significant stake so that the proportion of the voting or economic rights held by such person or persons reaches or exceeds the limit of twenty per cent (20%), thirty per cent (30%) or fifty per cent (50%) and, as well, in the event that the acquisition of such stake could imply the acquisition of a controlling interest in such company, such person or persons shall previously notify the DGSFP in writing, stating the amount of said stake, the terms and conditions of the acquisition and the maximum period in which it is intended to carry out the transaction and will provide the documentation required by applicable regulations. The DGSFP shall assess the suitability of the person proposing to acquire or increase the holding and the financial soundness of the proposed acquisition or increase in accordance with the criteria and procedure to be determined by regulation. The information supplied to it shall be relevant to the assessment and proportionate and appropriate to the nature of the proposed acquisition or increase of the holding and the proposed acquisition. The DGSFP may oppose or object to the acquisition.

This obligation also corresponds to the insurance or reinsurance company from which the significant holding is acquired or increased.

The acquisition of a stake which grants between 5% and 10% of the voting rights of the Company, and which does not grant control over the Company, is only subject to notification to the DGSFP.

Additionally, the reduction of a stake in the Company below the abovementioned thresholds (20%, 30% and 50%), the loss of control over the Company or the loss of a significant stake in the Company (as such term is defined above) shall be previously notified to the DGSFP.

4.9 National legislation on takeovers applicable to the issuer which may frustrate such takeovers if any

Tender offers are governed in Spain by articles 128 *et seq*. of the Spanish Securities Market Law and Royal Decree 1066/2007, of 27 July, on the legal regime of takeover bids (*Real Decreto 1066/2007, de 27 de julio, de régimen de las ofertas públicas de adquisición de valores*). Other than the referred tender offer regulation, there is no other special regulation in Spain, which may govern mandatory tender offers over the Shares.

Tender offers in Spain may qualify as either mandatory or voluntary.

Mandatory tender offers must be launched for all the shares of the target company and all other securities that might directly or indirectly entitle to acquire or subscribe such shares (including, without limitation, convertible and exchangeable notes) at an equitable price and not subject to any conditions when any person or entity acquires control of a Spanish company listed on the Spanish Stock Exchanges, whether such control is obtained:

– by means of the acquisition of shares or other securities that directly or indirectly entitle to subscribe or acquire voting shares in such company;

– through shareholder agreements with shareholders or other holders of said securities; or

– as a result of other situations of equivalent effect as provided in the applicable Spanish regulation on tender offers (i.e., indirect control acquired through mergers, share capital decreases, changes in the target's treasury stock, etc.).

A person or entity is deemed to have control over a target company, either individually or jointly with concerted parties, whenever:

– it acquires, directly or indirectly, a percentage of the company's voting rights equal to or greater than 30%; or

– it has acquired less than 30% of the voting rights and appoints, during the 24 month-period following the date of acquisition of said percentage of voting rights, a number of directors that, together with those already appointed by it (if any), represents more than one-half of the members of the target company's board of directors. The Spanish regulation on tender offers also sets forth certain situations where directors are deemed to have been appointed by the bidder or persons acting in concert therewith unless evidence to the contrary is provided.

Notwithstanding the above, Spanish regulations establish certain exceptional situations where control is obtained but no mandatory tender offer is required, including, among others:

– subject to the CNMV's approval. The approval of the CNMV will not be required if the acquisition takes place in the context of a refinancing agreement under Royal Legislative Decree 1/2020, of 5 May, approving the revised text of the Insolvency Act (*Real Decreto Legislativo 1/2020, de 5 de mayo, por el que se aprueba el texto refundido de la Ley Concursal*);

– acquisitions or other transactions resulting from the conversion or capitalisation of credit into shares of listed companies the financial feasibility of which is subject to serious and imminent danger, even if the company is not undergoing bankruptcy proceedings, provided that such transactions are intended to ensure the company's financial recovery in the long-term; or

– in the event of a merger, provided that those acquiring control did not vote in favour of the merger at the relevant general shareholders' meeting of the offeree company and provided also that it can be shown that the primary purpose of the transaction is not the takeover but an industrial or corporate purpose; and

when control has been obtained after a voluntary bid for all of the securities, if either the bid has been made at an equitable price or has been accepted by holders of securities representing at least 50% cent of the voting rights to which the bid was directed.

For the purposes of calculating the percentages of voting rights acquired, the Spanish regulation establishes the following rules:

– percentages of voting rights corresponding to: (i) companies belonging to the same group as the bidder; (ii) members of the board of directors of the bidder or of companies of its group (unless evidence to the contrary is provided); (iii) persons acting in concert with or on behalf of the bidder; (iv) voting rights which may be exercised freely and over an extended period by the bidder under proxy granted by the actual holders or owners of such rights, in the absence of their specific instructions with respect thereto; and (v) shares held by a nominee (such nominee being as a third-party whom the bidder totally or partially covers against the risks related to acquisitions or transfers of the shares or the possession thereof), will be deemed to be held by the bidder (including the voting rights attaching to shares that constitute the underlying asset or the subject matter of financial contracts or swaps when such contracts or swaps cover, in whole or in part, against the risks inherent in ownership of the securities and have, as a result, an effect similar to that of holding shares through a nominee);

– both the voting rights arising from the ownership of shares and those enjoyed under a usufruct or pledge or under any other contractual title, will also be deemed to be held by the bidder;

– the percentage of voting rights shall be calculated based on the entire number of the company's shares with voting rights, even if the exercise of such rights has been suspended. Treasury stock held directly or indirectly by the target company (according to the information available on the date of calculation of the percentage of voting rights held by the bidder) shall be excluded from the calculation. Non-voting shares shall be taken into consideration only when they carry voting rights pursuant to applicable law; and

– acquisitions of securities or other financial instruments which entitle the holder to the subscription, conversion, exchange or acquisition of shares which carry voting rights will not result in the obligation to launch a tender offer either until such subscription, conversion, exchange or acquisition occurs.

Notwithstanding the foregoing, upon the terms established in the applicable Spanish regulation on tender offers, the CNMV will conditionally exempt a person or entity from the obligation to launch a mandatory bid when another person or entity not acting in concert with the potential bidder, directly or indirectly holds an equal or greater voting percentage in the target company.

The price of the mandatory tender offer is deemed to be equitable when it is at least equal to the highest price paid or agreed by the bidder or any person acting in concert therewith for the same securities during the twelve months preceding the announcement of the tender offer. Other rules used to calculate such equitable price are set forth in the applicable Spanish regulation. However, the CNMV may change the price determined pursuant to said rules in certain circumstances (extraordinary events affecting the price, evidence of market manipulation, etc.).

Mandatory offers must be launched as soon as possible and at any event within one month from the acquisition of the control of the target company.

Voluntary tender offers may be launched in those cases in which a mandatory offer is not legally required. Voluntary offers are subject to the same rules established for mandatory offers except for the following:

- they might be subject to certain conditions (such as amendments to the bylaws or adoption of certain resolutions by the General Shareholders' Meeting of the target company, acceptance of the offer by a minimum number of shares of the target company, approval of the offer by the General Shareholders' Meeting of the bidder; and any other condition deemed by the CNMV to be in accordance with law), provided that the fulfilment of such conditions may be verified by the end of the offer acceptance period; and

- they may be launched at any price, regardless of whether it is lower than the abovementioned "equitable price". However, if they are not launched at an equitable price and if the tender offer shares representing at least 50% of the voting rights are tendered in the offer (excluding voting rights already held by the bidder and those belonging to shareholders who entered into an agreement with the bidder regarding the tender offer), the bidder may become obliged to launch a mandatory tender offer.

In any case, by virtue of an amendment to the Spanish Securities Markets Law operated by Law 1/2012, of 22 June, the price in a voluntary tender offer must be the higher of (i) the equitable price and (ii) the price resulting from an independent valuation report, and must at least consist of cash as an alternative if certain circumstances have occurred during the two years prior to the announcement of the offer (basically, the trading price for the shares being affected by price manipulation practices, market or share prices being affected by natural disasters, force majeure, or other exceptional events, or the target company being subject to expropriation or confiscation resulting in significant impair of the company's real value).

The Spanish regulation on tender offers sets forth further relevant provisions, including, amongst others:

- the board of directors of the target company will be exempt from the prohibition to carry out frustrating or defensive actions against a foreign bidder provided the latter's board of directors is not subject to equivalent passivity rules and subject to prior approval by the company's general shareholders' meeting within the 18 month period before the date of the public announcement of the tender offer;

- defensive measures included in a listed company's bylaws and transfer and voting restrictions included in agreements among a listed company's shareholders will remain in place whenever the company is the target of a tender offer, unless the shareholders decide otherwise (in which case any shareholders whose rights are diluted or otherwise adversely affected shall be entitled to compensation at the target company's expense); and

- squeeze-out and sell-out rights will apply provided that following a mandatory tender offer (or as a result of a voluntary offer for all the of the target's capital stock) the bidder holds shares representing at least 90% of the target company's voting capital stock and the tender offer has been accepted by the holders of securities representing at least 90% of the voting rights over which the offer was launched.

Exchange and foreign controls

Exchange controls and foreign investments are regulated under Law 19/2003, of July 4 ("**Law 19/2003**"), as amended pursuant to Royal Decree-Law 8/2020, of March 17, Royal Decree-Law 11/2020, of March 31 and Royal Decree-Law 34/2020, of November 17, of urgent measures to support companies' solvency and the energy sector, and tax matters ("**RDL 34/2020**"). Foreign investments were generally liberalized until article 7 bis of Law 19/2003 was enacted and amended in March and November 2020, respectively.

Article 7 bis of Law 19/2003 establishes a screening mechanism for certain investments made by non-EU and non-EFTA residents, or by EU and EFTA residents whose ultimate beneficial owner, this is, any natural or legal person holding, directly or indirectly, a stake higher than 25% in a company's share capital or voting rights or ultimately controlling, directly or indirectly, such investor, is a non-EU or non-EFTA resident, based on public order, public health and public security reasons (the "**Screening Mechanism**"). The Screening Mechanism aligns part of the Spanish foreign investment legal framework with Regulation (EU) 2019/452, of 19 March 2019, establishing a framework for the screening of foreign direct investments into the European Union. Certain provisions of Regulation (EU) 2019/452 ─ such as the list of sectors affecting public order and public security or the definition of state-owned enterprises and other similar investors ─ are mirrored in the regulations establishing the Screening Mechanism. Regulation (EU) 2019/452 is applicable since 11 October 2020, and further adjustments to the ones introduced by RDL 34/2020 to the Screening Mechanism could be required to comply with EU mandatory standards.

The Screening Mechanism can be summarized as follows:

(i) Under the ordinary procedure, prior authorization from the Spanish Council of Ministers (*Consejo de Ministros*) is required to execute foreign direct investments. The legal term to issue a decision is six months. If no express decision is reached and issued by the Spanish Council of Ministers in such term, the authorisation shall be deemed rejected.

(ii) On a transitional basis, until the Screening Mechanism is further developed, a fast-track 30-day procedure, whose resolution is to be issued by a lower-tier authority (the General Directorate for International Trade and Investments ─Dirección General de Comercio Internacional e Inversiones─), applies for investments (i) agreed but not closed prior to 18 March 2020; and (ii) those below €5 million. Investments below €1 million are not subject to the Screening Mechanism.

(iii) Under both the ordinary and fast-track procedures, the investment will be deemed unauthorized if the relevant authority does not respond to the authorization request within the corresponding legal term.

For the purposes of the Screening Mechanism, the following persons are deemed to be "**Foreign Investors**":

(i) non-EU and non-EFTA residents; and

(ii) EU or EFTA residents beneficially owned by non-EU and non-EFTA residents. This occurs when non-EU and non-EFTA residents ultimately possess or control, directly or indirectly, more than 25% of the share capital or voting rights of the investor, or otherwise exercise control, directly or indirectly, over the investor.

Foreign direct investments are deemed to exist when:

(i) investments result in a Foreign Investor reaching a stake of at least 10% of the share capital of a Spanish company; or

(ii) as a result of such corporate transaction, business action or legal transaction, such Foreign Investor acquires a controlling stake in accordance with the criteria set forth under article 7.2 of Law 15/2007, of July 3, of Competition Defence.

Not all foreign direct investments are subject to the Screening Mechanism, as this will depend on: (i) the sector in which the target carries out its business; and (ii) the personal circumstances of the Foreign Investor, regardless of the business of the target.

Foreign direct investments in the following sectors are subject to the Screening Mechanism:

(i) Critical infrastructure, whether physical or virtual, including energy, transport, water, health, communications, media, data processing or storage, aerospace, defence, electoral or financial infrastructure, and sensitive facilities, as well as land and real estate crucial for the use of such infrastructure;

(ii) Critical technologies and dual use items, key leadership and industrial training technologies, and technologies developed under the umbrella of programmes and projects of special interest for Spain, including telecommunications, artificial intelligence, robotics, semiconductors, cybersecurity, aerospace, defense, energy storage, quantum and nuclear technologies, nanotechnologies and biotechnologies, advanced materials and production systems;

(iii) Supply of critical inputs, in particular, energy. Critical inputs shall be understood as those regulated by Law 24/2013, of December 26, of the Electrical Sector and by Law 34/1998, of October 7, of the Hydrocarbons Sector, or those referred to strategic connectivity services or raw materials, as well as food security;

(iv) Sectors with access to sensitive information, including personal data, or the ability to control such information;

(v) Media, notwithstanding the fact that those audiovisual communication services in the terms set forth under Law 7/2010, of March 31, of General Audiovisual Communication, which remain regulated by such law; and

(vi) Other sectors designated by the Spanish government from time to time that may affect public security, order or health (currently none).

Foreign direct investments by the following foreign investors are also subject to the Screening Mechanism, regardless of the business of the target:

(i) Investors directly or indirectly controlled by the government, including state bodies or armed forces, of a non-EU/non-EFTA country, applying, for the purposes of determining the existence of such control, the criteria set forth under article 7.2 of Law 15/2007, of July 3, of Competition Defence;

(ii) Investors that have already made investments affecting national security, public order or public health in another EU Member State, and in particular those related to the above-mentioned sectors; and

(iii) Investors who pose a significant risk of carrying out illegal or criminal activities that affect public security, public order or public health in Spain.

(iv) Gun jumping the Screening Mechanism will render the transaction invalid and without any legal effect, until the required authorization is obtained. In addition, fines up to the value of the investment could be imposed.

Moreover, it must be noted that the abovementioned regime will be applied until 30 June 2021, to foreign direct investments in listed companies in Spain, or in unlisted companies if the value of the investment exceeds €500 million, made by residents of other European Union and European Free Trade Association countries. For these purposes, companies whose shares are wholly or partly admitted to trading on an official Spanish secondary market and which have their registered office in Spain will be deemed to be listed in Spain.

For the purposes of this transitional regime, foreign direct investments will be understood to be those investments as a result of which the investor becomes the holder of a holding equal to or greater than 10% of the capital stock of the Spanish company, or when, as a result of the corporate operation, act or legal transaction, control is acquired of the said company in accordance with the criteria established in Article 7.2 of Law 15/2007, of July 3, 2007, of Competition Defense, whether they are carried out by residents of European Union and European Free Trade Association countries other than Spain, or by residents in Spain whose beneficial ownership corresponds to residents of other European Union and European Free Trade Association countries. Such beneficial ownership will be deemed to exist when the latter ultimately own or control, directly or indirectly, a percentage of more than 25% of the investor's capital or voting rights, or when they exercise control, directly or indirectly, over the investor by other means. In addition, Royal Decree 664/1999, of April 23 establishes that non-Spanish foreign investors who are not resident in a tax haven are required to file a notification with the Spanish Registry of Foreign Investments following an investment or divestiture, if any, solely for statistical, economic and administrative purposes. Where the investment or divestiture is made in shares of Spanish companies listed on any of the Spanish Stock Exchanges, the duty to provide notice of a foreign investment or divestiture lies with the relevant entity with whom the shares (in book-entry form) have been deposited or which has acted as an intermediary in connection with the investment or divestiture.

4.10 Public takeover bids by third parties in respect of the issuer's equity, which have occurred during the last financial year and the current financial year

No takeover bids over the Shares have taken place during the current or previous financial year.

4.11 Warning on tax legislation

The tax legislation of the shareholders' territory and/or Spanish tax legislation may influence the revenues derived from the securities.

In any event, each investor should seek his own specific and personal professional tax advice in this respect and should not base his decisions on the contents of this summary. This summary is based on the tax regime currently in force at the date of preparation of this Note and does not refer to any possible changes that may occur.

In general terms, the distribution in kind of all of Bankinter's share premium reserve through the delivery to its shareholders of the shares of Linea Directa will have the following tax implications:

- Spanish resident individuals: According to article 25.1.e) of Law 35/2006, dated 28 November, on Personal Income Tax, the market value of the shares received in Linea Directa will reduce the acquisition value of the Bankinter shares for the purposes of their future transfer. The excess, if any, will be included as income from movable capital in the shareholder's savings taxable base (currently subject to 19%-26% progressive rates).

- Spanish resident entities or Spanish permanent establishments of non-resident entities: The accounting treatment should be analyzed following the criteria established by the Spanish Institute of Accounting and Auditing (ICAC) on its resolution dated 5 March 2019. That said, irrespectively of the accounting implications, for tax purposes, according to article 17.6 of Law 27/2014, dated 27 November, on Corporate Income Tax, only the excess of the market value of the shares received in Linea Directa over the carrying tax value of the shareholding in Bankinter shall be included in the taxable income of the shareholders. Any taxable amount would be subject, in general, to the 25% rate, unless the participation exemption regime established in article 21 of Law 27/2014 is applicable.

- Non-residents in Spain without a permanent establishment: the qualification of income will follow the criteria explained for Spanish resident individuals. Therefore, the market value of the shares received in Linea Directa will reduce the acquisition value of the Bankinter shares for the purposes of their future transfer. The excess, if any, would be taxed as income from movable capital, subject, in general, to the 19% rate (unless the shareholder is eligible for an exemption or reduced rate depending on his tax residence and the applicable Convention to avoid double taxation, if any).

The distribution in kind of Bankinter's share premium is not subject to withholding taxes, based on article 75.3.h) of the Personal Income Tax regulations, 61.g) of the Corporate Income Tax regulations and 31.4.b) of the Non-Resident Income Tax Law. The Directorate General of Taxes has also confirmed this conclusion on several rulings, such as binding rulings V1358-20, dated 12 May 2020 and V1809-20, dated 8 June 2020.

Future acquisitions of the Shares may be affected by the Spanish FTT after 1 January 2022 if the Company's market capitalization exceeds €1,000 million on 1 December 2021 (See "*Risk Factors*").

4.12 Potential impact on the investment in the event of resolution under Directive 2014/59/EU of the European Parliament and of the Council

Given that the Company is not a credit institution, Directive 2014/59/EU of the European Parliament and of the Council is not applicable.

Nevertheless, it must be noted that, in the event of a failure by the Company to meet the applicable regulatory capital requirements (including the SCR and aside of the MCR, as breaching the minimum can cost the insurer its authorization to write business), the DGSFP has broad authority to require or take various regulatory actions, including limiting or prohibiting the issuance of new business, prohibiting payment of dividends or other shareholder distributions, and/or putting a company into rehabilitation or insolvency proceedings. In particular, under Law 20/2015, and its various implementing measures, if Linea Directa does not comply with the solvency requirements set forth in the applicable laws and regulations (and, specifically, if it does not meet its minimum capital requirement) the Company may be resolved and liquidated by the CCS.

4.13 **If different from the issuer, the identity and contact details of the offeror of the securities and/or the person asking for admission to trading, including the legal entity identifier ('LEI') where the offeror has legal personality**

Not applicable.

5. TERMS AND CONDITIONS OF THE ADMISSION OF THE SECURITIES

The Admission of the Shares does not involve an offer of securities and, therefore, it is not subject to any specific terms and conditions. The objective of this Securities Note is the Admission of the Shares, that will be distributed on 30 April 2021 (*Record Date*) as part of Bankinter's distribution of its entire share premium to its shareholders, as reflected in the corresponding records, on the basis of an exchange rate of one Company shares for every share of Bankinter. Upon distribution, the Company's Shares will be delivered in the securities account where Bankinter's shareholders hold the Bankinter shares.

Bankinter will distribute to holders of Bankinter shares, as a distribution of share premium, a Linea Directa share for every Bankinter share that such shareholders hold as of the close of business on 30 April 2021 (the "**Record Date**"), according to the following calendar:

Event	Date
Approval of the Prospectus by the CNMV	15 April 2021
Last day of trading of Bankinter shares giving the right to receive Linea Directa shares (***ex-date-1***)	28 April 2021
First day in which Bankinter shares will trade without the right to receive Linea Directa shares (***ex date***)	29 April 2021
Expected admission to trading of the Shares in the Spanish Stock Exchanges	29 April 2021
The number of Bankinter shares held in Iberclear accounts as of closing on this date will be the positions taken into account in order to effect the distribution of shares of the Company (Record Date)	30 April 2021
Date of settlement of the Company's shares distributed as a consequence of the transaction (***payment date***)	3 May 2021

In this respect, and according to the information available to the Company by virtue of the corresponding communication of significant stakes received by Bankinter in application of Spanish law, the composition of the Company's share capital, as at the date of distribution to the shareholders of Bankinter of Linea Directa's Shares, will be as follows:

Shareholder	Number of shares	Direct and indirect percentage in the share capital of the Company
Cartival, S.A.[93]	208,410,131	19.15%
Bankinter, S.A.	189,550,686	17.40%
Fernando Masaveu Herrero[94]	47,568,636	4.37%

[93] Cartival, S.A. is the vice-president of the Board of Directors of Bankinter, where it is duly represented by Alfonso Botín-Sanz de Sautuola y Naveda. In addition, Alfonso Botín is the president of the Board of Directors of the Company.

[94] Fernando Masaveu Herrero is member of the Board of Directors of Bankinter. In adittion, upon registration of the Prospectus, Fernando Masaveu will be member, in his condition of proprietary director, of the Board of Directors of the Company. Mr. Masaveu is expected to directly hold 776,330 Linea Directa's Shares upon Admission, while he will indirectly hold 46,792,306 Shares. Mr. Masaveu will indirectly hold the Company's shares thorugh (i) Corporación Masaveu, S.A. (44,959,730 shares), (ii) Fundación María Cristina Masaveu Peterson (1,555,560

Shareholder	Number of shares	Direct and indirect percentage in the share capital of the Company
Línea Directa Aseguradora, S.A. (treasury stock)[95]	239,678	0.02%
Free Float	642,647,709	59.06%
Total	**1,088,416,840**	100%

The Spanish Stock Exchange (*Sociedad de Bolsas*), pursuant to article 5.1 of its Circular 1/2017, on the rules which govern the Spanish interconnected system, has agreed to establish the admission reference price at €1.3175 (the "**Admission Reference Price**"). The Admission Reference Price will be used to adjust the negotiation systems and prepare them for the opening auction (*subasta de apertura*).

This price has been established pursuant to the valuation report issued on 18 December 2019 and updated on 14 December 2020 by Citigroup Global Markets Limited, and the subsequent determination made by the Board of Directors of Bankinter, which valued the Company at €1,434,000,000.

Given the characteristics of the Transaction (i.e., the Admission to trading of the Shares without a prior public offer nor an underwriting of the Company's Shares) the market price will be determined by the market upon commencement of trading of the Shares.

The Company will apply to have its Shares listed on the Spanish Stock Exchanges and quoted on the AQS or "Mercado Continuo" of the Spanish Stock Exchanges (the "**AQS**"). The Shares will be admitted to trading on the Spanish Stock Exchanges through the AQS on 29 April 2021.

6. ADMISSION TO TRADING AND DEALING ARRANGEMENTS

6.1 An indication as to whether the securities offered are or will be the object of an application for admission to trading, with a view to their distribution in a regulated market

On 18 March 2021, the Company's Board of Directors agreed to apply for the Admission of the Shares on the Spanish Stock Exchanges, through the *Sistema de Interconexión Bursátil* (Continuous Market) and for their inclusion in the accounting records of Iberclear and its participating entities.

To this end, the Company will make the corresponding requests, prepare and present all the appropriate documents in the terms it considers appropriate and carry out any necessary actions.

Once the CNMV has verified the Admission of the Shares on the Spanish Stock Exchanges and their governing entities adopt the appropriate resolutions approving such admission pursuant to article 32 of the Securities Market Law, the Shares will be registered as book-entries by Iberclear and its participating entities, and the Admission to trading of the Shares will be processed immediately.

shares), (iii) Fundación San Ignacio de Loyola (186,028 shares), (iv) Flicka Forestal, S.L. (67,648 shares), and (v) family members (23,340 shares).

[95] Línea Directa currently holds 239,678 shares in Bankinter, and, therefore, upon the distribution of the shares of the Company by Bankinter, it is expected to receive 239,678 shares in the Company.

The Company is aware of the requirements and conditions for admission to trading, continued trading and exclusion of the Shares under current regulations and the requirements of its governing bodies, and undertakes to comply with them.

In this regard, the Company considers that, barring any unforeseen circumstances, the Shares will be admitted to trading on the Spanish Stock Exchanges through the *Sistema de Interconexión Bursátil* (Continuous Market) on 29 April 2021. In the event that there are any delays in the Admission, the Company undertakes to immediately publish the reasons for the delay in the Quotation Bulletins of the Spanish Stock Exchanges and to notify the CNMV of such circumstance.

6.2 All the regulated markets, third country markets, SME Growth Market or MTFs on which, to the knowledge of the issuer, securities of the same class of the securities to be offered or admitted to trading are already admitted to trading

Not applicable.

6.3 If simultaneously or almost simultaneously with the application for the admission of the securities to a regulated market, securities of the same class are subscribed for or placed privately or if securities of other classes are created for public or private placing, give details of the nature of such operations and of the number, characteristics and price of the securities to which they relate

Not applicable.

6.4 In case of an admission to trading on a regulated market, details of the entities which have given a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and a description of the main terms of their commitment

There are currently no entities which have given a firm commitment to act as intermediaries in secondary trading or to provide liquidity through bid and offer rates.

6.5 Details of any stabilisation in line with items 6.5.1 to 6.6 in case of an admission to trading on a regulated market, third country market, SME Growth Market or MTF, where an issuer or a selling shareholder has granted an over-allotment option or it is otherwise proposed that price stabilising activities may be entered into in connection with an offer

Not applicable.

6.6 Over-allotment and green shoe

Not applicable.

7. SELLING SECURITIES HOLDERS

7.1 Name and business address of the person or entity offering to sell the securities, the nature of any position office or other material relationship that the selling persons has had within the past three years with the issuer or any of its predecessors or affiliates

Not applicable.

7.2 The number and class of securities being offered by each of the selling security holders

Not applicable.

7.3 Where a major shareholder is selling the securities, the size of its shareholding both before and immediately after the issuance

Not applicable.

7.4 Lock-up agreements

The Company has no knowledge of any Bankinter shareholder having entered into lock-up agreements over the shares they will acquire in the Company.

8. EXPENSE OF THE ISSUE/OFFER

8.1 The total net proceeds and an estimate of the total expenses of the issue/offer.

8.1.1 Net Proceeds

Given that no offer is taking place, no net proceeds will be obtained from the Admission.

8.1.2 Total expenses

Given the difficulty of providing exact figures on the expenses derived from the Admission, the following table reflects an estimate of such figures:

Concept	Amount (€)
Iberclear Fees	115,500
Stock Exchanges Fees	159,240[96]
CNMV Fees	45,000
Legal, notarial, registry, publicity and marketing, agent banks, auditors and other.	2,000,000

9. DILUTION

Not applicable.

10. ADDITIONAL INFORMATION

10.1 If advisors connected with an issue are referred to in the Securities Note, a statement of the capacity in which the advisors have acted.

The following entities have advised the Company in relation with the admission to trade of its shares:

[96] This estimation is based on a calculation which takes into accountthe Admission Reference Price as included in this Prospectus, although this amount may vary given that, for the purposes of calculating the amounts due to the Stock Exchanges as fees, the price taken into account will be the price set after the close of the opening auction on the date of Admission.

- J&A Garrigues, S.L.P.: legal advisors to the Company and Bankinter.
- Bank of America Europe DAC (acting through its Spanish branch): lead financial advisor to the Company and Bankinter.
- Alantra Partners, S.A.: financial advisor to the Company and Bankinter.
- Banco Santander, S.A.: financial advisor to the Company and Bankinter.
- PricewaterhouseCoopers Auditores, S.L.: financial statements auditors of the Company and the Group.
- KPMG Asesores, S.L.: accounting and financial advisors to the Company and the Group.

10.2 An indication of other information in the securities note which has been audited or reviewed by statutory auditors and where auditors have produced a report. Reproduction of the report or, with permission of the competent authority, a summary of the report.

Not applicable.

TRADUCCIÓN AL CASTELLANO DE LA NOTA DE SÍNTESIS

Preparado de conformidad con el Artículo 7 del Reglamento (UE) 2017/1129 del Parlamento y del Consejo, de 14 de junio de 2017 (el "**Reglamento de Folletos**") y Reglamento Delegado (UE) 2019/979, de la Comisión de 14 de marzo de 2019

SECCIÓN A – INTRODUCCIÓN Y ADVERTENCIAS

Denominación y número internacional de identificación de valores ('**ISIN**', por sus siglas en inglés)	La admisión a negociación tendrá por objeto 1.088.416.840 acciones ordinarias, con un valor nominal de 0,04 € (en adelante, la "**Admisión**" y las "**Acciones**", respectivamente), que cotizarán en las bolsas de valores de Madrid, Barcelona, Valencia y Bilbao (las "**Bolsas Españolas**"). El código ISIN de las Acciones es ES0105546008.
Identidad y datos de contacto del emisor, incluyendo su identificador de identidad jurídica ('**LEI**', por sus siglas en inglés)	El número de identificación fiscal español (NIF) de la Sociedad es A-80871031 y su número LEI es 95980079E2NBJT967T79. El domicilio social de la Sociedad se encuentra en Isaac Newton, 7, Tres Cantos, Madrid, C.P. 28760, y su número de teléfono es +34 91 807 48 88. Cualquier notificación u otra comunicación relacionada con este Folleto se remitirá al domicilio social de la Sociedad.
Fecha de aprobación del folleto	Este resumen es una nota de síntesis que, junto con el Documento de Registro de la Sociedad y la Nota sobre los Valores que se incluyen más adelante, constituye un folleto a efectos del artículo 10 del Reglamento de Folletos. El Folleto fue aprobado y registrado por la CNMV el 15 de abril de 2021.
Advertencias	Esta nota de síntesis debe leerse como introducción al Folleto. Toda decisión de invertir en las Acciones de la Sociedad deberá basarse en la consideración del conjunto del Folleto por parte del inversor. En caso de que se presente ante un tribunal una demanda relacionada con la información contenida en el Folleto, es posible que el inversor demandante, con arreglo a la legislación nacional del Estado miembro del Espacio Económico Europeo en el que se presente la demanda, tenga que asumir los gastos de la traducción del Folleto antes de iniciar el procedimiento judicial. Solo habrá lugar a responsabilidad civil de las personas que han presentado esta nota de síntesis, incluida su traducción, si resultara engañosa, inexacta o incoherente con las demás partes del folleto o si, leída conjuntamente con el resto del Folleto, omitiera información fundamental para ayudar a los inversores a decidir deben invertir o no en las Acciones.

SECCIÓN B — INFORMACIÓN FUNDAMENTAL SOBRE EL EMISOR

¿Quién es el emisor de los valores?

Forma jurídica, legislación y país de constitución	La Sociedad fue constituida por duración indefinida con arreglo a la legislación del Reino de España el 13 de abril de 1994, bajo la denominación de Bankinter Seguros Directos, S.A., Compañía de Seguros y Reaseguros, como sociedad anónima. La Sociedad está sujeta, entre otros, al Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital, al Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores, y a la legislación específica aplicable a las entidades aseguradoras y, en particular, a la supervisión de la Dirección General de Seguros y Fondos de Pensiones (la "**DGSFP**").
Actividades principales	El objeto social de la Sociedad consiste en la realización de actividades de seguro directo no de vida, y actualmente sus principales operaciones se centran en los seguros de Motor (84,0% de los ingresos por primas), seguidos por los seguros de Hogar (13,4% de los ingresos por primas), seguros de Enfermedad (2,4% de los ingresos por primas) y otros ramos de seguro (0,2% de los ingresos por primas)[97]. La actividad aseguradora de la Sociedad se circunscribe a los mercados español y portugués, y opera con el nombre comercial "Línea Directa" en los ramos de seguro de Motor, Hogar y otros seguros, y con el nombre "Vivaz" en el seguro de salud. El 31 de diciembre de 2020, el número total de clientes de la Sociedad ascendía a 3.224.003, y las primas devengadas totales, netas de reaseguro, eran de 878.177 miles de euros. Los ingresos totales de la Sociedad se vieron impulsados también, entre otros, por sus ingresos del inmovilizado material y sus inversiones, suponiendo 76.613 miles de euros a 31 de diciembre de 2020.
Accionista(s) de control, incluyendo si ejercen un control directo o indirecto	En la fecha del presente Folleto, el capital social de la Sociedad es de 43.536.673,60 € y su principal accionista es Bankinter, S.A. ("**Bankinter**"), que es titular del 99,999% de su capital social. No obstante, el 30 de abril de 2021 (es decir, después de la Admisión, que se espera que ocurra el 29 de abril de 2021), aproximadamente el 82,6% de las Acciones de la Sociedad, equivalentes a los 1.184.265.000 € que Bankinter tiene registrados en su balance en concepto de prima de emisión, se distribuirán a los accionistas de Bankinter por medio de un dividendo en especie que fue autorizado por la Junta General de Accionistas de Bankinter celebrada el 19 de marzo de 2020.

[97] Esta línea de negocio comprende varios productos, como el seguro de asistencia en viaje para los titulares de tarjetas de crédito de Bankinter y Bankinter Consumer Finance.

	A continuación, se indican los principales accionistas de la Sociedad después de la distribución de acciones de la Sociedad a los accionistas de Bankinter, así como el *free float* (capital flotante) accionarial esperado:

Accionista	Número de acciones	Porcentaje directo e indirecto en el capital social de la Sociedad
Cartival, S.A. [(1)]	**208.410.131**	**19,15%**
Bankinter, S.A.	**189.550.686**	**17,40%**
Fernando Masaveu Herrero [(2)]	**47.568.636**	**4,37%**
Línea Directa Aseguradora, S.A. (acciones propias) [(3)]	**239.678**	**0,02%**
Free Float	**642.647.709**	**59,06%**
Total	**1.088.416.840**	**100%**

[(1)] Cartival, S.A. es vicepresidente del Consejo de Administración de Bankinter, en donde está debidamente representada por D. Alfonso Botín-Sanz de Sautuola y Naveda. Además, el Sr. Botín-Sanz de Sautuola es el Presidente del Consejo de Administración de la Sociedad.

[(2)] D. Fernando Masaveu Herrero es miembro del Consejo de Administración de Bankinter. Además, tras el registro del Folleto, el Sr. Masaveu será miembro, en su condición de consejero dominical, del Consejo de Administración de la Sociedad. Está previsto que el Sr. Masaveu sea titular directo de 776.330 acciones de Línea Directa en el momento de la Admisión, siendo titular indirecto de 46.792.306 Acciones. Es de esperar que el Sr. Masaveu ostente las acciones de la Sociedad a través de (i) Corporación Masaveu, S.A. (44.959.730 acciones); (ii) Fundación María Cristina Masaveu Peterson (1.555.560 acciones); (iii) Fundación San Ignacio de Loyola (186.028 acciones); (iv) Flicka Forestal, S.L. (67.648 acciones); y (v) miembros de la familia Masaveu (23.340 acciones).

[(3)] Actualmente Línea Directa posee 239.678 acciones de Bankinter y, por tanto, tras la distribución de las acciones de la Sociedad por Bankinter, se espera que recibirá 239.678 acciones de la Sociedad.

	En total, se prevé que el Consejo de Administración de la Sociedad y los miembros de la Alta Dirección posean directamente un total de 994.320 acciones (0,09%) y que posean indirectamente un total de 46.792.306 acciones (4,30%). En total, los principales accionistas poseen, directa e indirectamente, un total de 445.529.453 acciones (40,92%).
Consejeros ejecutivos principales	Una vez registrado este Folleto ante la CNMV y con sujeción a dicho registro, el Consejo de Administración de la Sociedad estará compuesto por siete consejeros (los "**Consejeros**"), de conformidad con lo previsto en los Estatutos Sociales. De ellos, don Miguel Ángel Merino González es consejero ejecutivo, doña Elena Otero-Novas Miranda, doña Rita Estévez Luaña, don John de Zulueta Greenebaum y doña Ana María Plaza Arregui son consejeros independientes, y don Alfonso Botín-Sanz de Sautuola y Naveda y don Fernando Masaveu Herrero son consejeros dominicales.
Auditores	PricewaterhouseCoopers Auditores, S.L. es el auditor de Línea Directa, y su domicilio está situado a los presentes efectos en Torre PwC, Paseo de la Castellana 259 B, 28046 Madrid, España. Los estados financieros consolidados correspondientes a los ejercicios financieros anuales finalizados a 31 de diciembre de 2020, 2019 y 2018 (los "**Estados Financieros Consolidados**") han sido formulados con arreglo a las Normas Internacionales de Información Financiera, adoptadas en la Unión Europea sobre la base del Reglamento (CE) n.º 1606/2002, del Parlamento Europeo y del Consejo, de 19 de julio de 2002, relativo a la aplicación de normas internacionales de contabilidad, en su versión modificada, y han sido auditados por PricewaterhouseCoopers Auditores, S.L., sin salvedades, modificaciones de opinión, exoneración de responsabilidad o párrafos de énfasis. Las Cuentas Anuales Legales Individuales conforme al PGC correspondientes a los ejercicios financieros anuales finalizados el 31 de diciembre de 2020, 2019 y 2018 han sido también auditadas por PricewaterhouseCoopers Auditores, S.L. y no contienen salvedades, modificaciones de opinión, exoneración de responsabilidad o párrafos de énfasis.

¿Cuál es la información financiera fundamental relativa al emisor?

Cuenta de resultados	En la tabla siguiente se presenta determinada información financiera de la Sociedad procedente de los Estados Financieros Consolidados, que consiste en las cuentas consolidadas de pérdidas y ganancias no de vida a 31 de diciembre de 2020, 2019 y 2018, respectivamente:

CUENTA DE RESULTADOS DEL NEGOCIO ASEGURADOR NO VIDA	31/12/2020	31/12/2019	31/12/2018
Primas imputadas al ejercicio, netas de reaseguro	**878.177**	**854.762**	**816.289**
Crecimiento interanual	*2,7%*	*4,7%*	*7,2%*
Siniestralidad del ejercicio, neta de reaseguro	**(540.064)**	**(580.987)**	**(528.029)**
Resultado técnico[98]	**145.939**	**103.650**	**117.812**

[98] El resultado técnico es una Medida Alternativa de Rendimiento ("**MAR**"). Véase "*Medidas alternativas de rendimiento*".

		2020	2019	2018
	Resultado financiero[99]	**29.253**	**31.570**	**33.474**
	Resultado antes de impuestos	**179.624**	**142.837**	**155.963**
	Resultado del ejercicio beneficio/ (pérdida)	**134.846**	**107.295**	**117.211**
	Beneficio por acción[100]	**0,12**	**0,10**	**0,11**

Miles de euros

Balance

En la tabla siguiente se presenta determinada información financiera de la Sociedad procedente de los Estados Financieros Consolidados, que consiste en las principales partidas del balance del Grupo a 31 de diciembre de 2020, 2019 y 2018, respectivamente:

ACTIVO	**31/12/2020**	**31/12/2019**	**31/12/2018**
Activos financieros disponibles para la venta	**917.074**	**834.498**	**782.715**
Valores representativos de deuda	**9.990**	**2.987**	**2.993**
Inversiones inmobiliarias	**65.948**	**66.670**	**67.458**
Activos totales	**1.436.533**	**1.336.626**	**1.300.749**

PASIVO Y PATRIMONIO NETO	**31/12/2020**	**31/12/2019**	**31/12/2018**
Provisiones técnicas	**716.491**	**725.860**	**725.891**
Pasivos financieros	**-**	**-**	**-**
Pasivos totales	**969.174**	**1.011.566**	**1.012.545**
Fondos propios	**422.727**	**287.881**	**273.634**
Ajustes por cambios de valor	**44.632**	**37.179**	**14.570**
Total patrimonio neto	**467.359**	**325.060**	**288.204**
Ratio de Solvencia II[101]	**213%**	**211%**	**209%**
Ratio de pérdidas[102]	**61,5%**	**68,0%**	**64,7%**
Ratio combinado[103]	**83,4%**	**87,9%**	**85,6%**

Miles de euros

¿Cuáles son los riesgos fundamentales específicos del emisor?

Las perspectivas de negocio, los resultados de las operaciones y la situación financiera de la Sociedad están sujetos a diferentes riesgos, principalmente los relacionados con su negocio y los sectores en los que opera, los riesgos financieros y los riesgos legales, regulatorios y de cumplimiento normativo.

A continuación, se indican los principales riesgos que el Grupo considera que le afectan específicamente, ordenados en función de su probabilidad y relevancia o impacto negativo en caso de que se materialicen:

A) Riesgos relativos a la Sociedad

1. El Grupo está expuesto a riesgos asociados a la insuficiencia de provisiones técnicas (riesgo de suscripción)

El riesgo de suscripción es el que puede derivarse de una evaluación incorrecta de los riesgos asociados a la suscripción de pólizas de seguros, que podría dar lugar a que los costes de la Sociedad superaran a las primas devengadas.

Con arreglo a la Directiva 2009/138/CE del Parlamento Europeo y del Consejo, de 25 de noviembre de 2009, sobre el seguro de vida, el acceso a la actividad de seguro y de reaseguro y su ejercicio (Solvencia II) (la "**Directiva de Solvencia II**" o "**Solvencia II**"), la Sociedad debe mantener determinados niveles de capital de solvencia con el fin de cubrir el riesgo de suscripción. El 31 de diciembre de 2020 dicho capital de solvencia era de 161.004 miles de euros (lo que representa el 55,0% del Capital de Solvencia Obligatorio Básico correspondiente a la Sociedad (pre beneficios de diversificación) a 31 de diciembre de 2020).

Desde un punto de vista contable, la Sociedad debe dotar provisiones técnicas para las obligaciones asumidas frente a los tomadores de las pólizas. A 31 de diciembre de 2020, las provisiones técnicas representaban el 73,9% de los pasivos totales de la Sociedad (un 71,8% y un 71,7% a 31 de diciembre de 2019 y 2018, respectivamente).

Con objeto de estimar su exposición al riesgo, determinar la cuantía de las primas y calcular el importe de las provisiones que debe dotar, la Sociedad formula hipótesis sobre diversos factores, entre ellos las tendencias sociales, económicas y demográficas, la secuencia cronológica, frecuencia y gravedad de los siniestros, el comportamiento de los tomadores de las pólizas, la jurisprudencia, modificaciones de leyes y reglamentos, la inflación y los gastos de suscripción.

[99] El resultado financiero es una MAR. Véase "*Medidas alternativas de rendimiento*".

[100] Considerando 1.088.416.840 acciones a la fecha de Admisión.

[101] El Ratio de Solvencia II a 31 de diciembre de 2020 incluye el dividendo extraordinario de 120 millones de euros repartido a Bankinter antes de la Admisión.

[102] El ratio de pérdidas es un MAR. Véase "*Medidas de rendimiento alternativas*".

[103] El ratio combinado es un MAR. Véase "*Medidas de rendimiento alternativas*".

Si los datos reales resultaran más negativos que dichas hipótesis, podría producirse un incremento de las primas de los productos de seguro del Grupo o podría ser necesario reforzar las provisiones para siniestros, lo que a su vez podría ocasionar un efecto adverso en sus resultados y situación financiera.

La sensibilidad de la Sociedad al riesgo de suscripción puede medirse observando el impacto que una variación de sus componentes principales –primas, coste de siniestros y gastos– tendría en su resultado neto y, en consecuencia, en sus fondos propios:

- A 31 de diciembre de 2020, un descenso del 5% en las primas emitidas brutas totales, suponiendo que todas las demás variables permanecen constantes, habría dado lugar a una reducción de 32.963 miles de euros en los resultados netos y fondos propios;
- Un aumento del 5% en el coste de los siniestros, suponiendo que todas las demás variables permanecen constantes, habría dado lugar a una reducción de 20.272 miles de euros en los resultados netos y fondos propios; y
- Un incremento del 5% en los gastos de explotación netos, suponiendo que todas las demás variables permanecen constantes, habría dado lugar a una reducción de 7.868 miles de euros en los resultados netos y fondos propios.

2. Las condiciones macroeconómicas mundiales y nacionales podrían producir un efecto adverso significativo en el negocio, situación financiera y resultados de explotación del Grupo

El escenario macroeconómico actual está marcado por la pandemia de Covid-19, que ha provocado un impacto económico significativo a nivel mundial. La pandemia de Covid-19 y las consiguientes medidas de confinamiento han causado una contracción sin precedentes de la actividad económica de España.

A 31 de diciembre de 2020, el PIB español había sufrido una caída anual del 11% (frente al incremento del 2% registrado en 2019) (*Fuente: INE*). En lo que respecta a la evolución del PIB en 2021 y 2022, se espera que el PIB vuelva a registrar un crecimiento positivo tras la fuerte contracción experimentada como consecuencia de la pandemia de Covid-19. En particular, se prevén unos incrementos del 6,8% en 2021 y del 4,2% en 2022 (*Fuente: Banco de España e INE*).

La compra de vehículos nuevos está muy correlacionada con la coyuntura económica general y la tasa de desempleo. A 31 de diciembre de 2020, la matriculación anual de vehículos nuevos en el sector automovilístico descendió un 32,3% con respecto al año anterior. Para 2021, se prevé que la compra de vehículos nuevos aumente un 19,6%, si bien se espera que el número de vehículos asegurados se mantenga por debajo del existente en 2019 (*Fuente: MSI*).

A 31 de diciembre de 2020, las primas de nuevo negocio de seguros de Motor del Grupo descendieron un 3,2% con respecto al año anterior (135.285 miles de euros en 2020 frente a 139.713 miles de euros en 2019). Las primas consolidadas se mantuvieron en 898.614 miles de euros a 31 de diciembre de 2020, un ligero incremento del 0,8% en comparación con el año anterior (891.295 miles de euros al cierre de 2019). Por lo tanto, habida cuenta de la intensa vinculación de la Sociedad con la economía española, su volumen de negocio puede verse afectado negativamente por la actual contracción de la actividad económica.

3. Las fluctuaciones de los mercados financieros pueden producir un efecto negativo significativo en el valor de la cartera de inversión de la Sociedad y su rentabilidad

Los ingresos de inversión suponen una aportación significativa a los resultados del Grupo. A 31 de diciembre de 2020, el resultado financiero* del Grupo era de 29.253 miles de euros y representaba el 16,3% de los beneficio antes de impuestos (el 22,1% a 31 de diciembre de 2019). La cartera de inversión (efectivo y activos líquidos equivalentes, valores de deuda, instrumentos de patrimonio e inversiones inmobiliarias) ascendía a 1.155.512 miles de euros, un 80,4% de los activos totales.

La totalidad de la cartera de renta variable (acciones y fondos de inversión en renta variable) y casi todos los valores de deuda (98,8% o 791.219 miles de euros de la cartera de renta fija) se mantienen como "disponibles para la venta" ("**DPV**"). Estas inversiones se contabilizan a valor razonable, y los cambios de su valor de mercado se incluyen en la partida "Ajustes por valoración disponible para la venta" en el epígrafe de fondos propios del balance de la Sociedad, reduciendo así la volatilidad de la cuenta de pérdidas y ganancias. Como norma general, la Sociedad no negocia activamente con su cartera en el mercado, sino que se limita a mantener los valores en su cartera hasta vencimiento siempre y cuando dichos valores cumplan con el rendimiento esperado en el momento de su adquisición. A 31 de diciembre de 2020, los valores más expuestos al riesgo de mercado (bonos corporativos, instrumentos de patrimonio, fondos de inversión en renta variable e inversiones inmobiliarias) representaban el 48,0% de la cartera de inversión total del Grupo (48,6% y 44,7% el 31 de diciembre de 2019 y 2018).

Una métrica comúnmente utilizada para medir el riesgo es el Valor en Riesgo o "VaR". El VaR (la pérdida potencial máxima esperada para el Grupo, en condiciones normales de mercado, en un horizonte temporal de un mes y con un nivel de confianza del 99,5%) de la cartera de renta fija, de renta variable y de fondos de inversión expuestos al riesgo de mercado asciende al 1,4% del valor de la cartera de la Sociedad correspondiente a 13.090 miles de euros a 31 de diciembre de 2020.

A 31 de diciembre de 2020, la rentabilidad media [104] de la renta variable y los fondos de inversión en renta variable fue del 0,37%.

A 31 de diciembre de 2020, la rentabilidad media [105] de los valores de deuda era de 2,62%, frente a un 3,23% en 2019 y un 3,46% en 2018.

Si el 31 de diciembre de 2020 los tipos de interés hubieran sido superiores en 100 puntos básicos, permaneciendo constantes todas las demás variables, el valor razonable de la cartera de renta fija se habría reducido en 18.831 miles de euros. Si el 31 de diciembre de 2020 los tipos de interés hubieran sido inferiores en 100 puntos básicos, permaneciendo constantes todas las demás variables, el valor razonable de la cartera de renta fija se habría incrementado en 29.349 miles de euros.

Una caída del 10% en el valor de mercado de los inmuebles habría ocasionado un descenso del 3% en el Ratio de Solvencia II de la Sociedad en el ejercicio financiero 2020. Una caída del 10% en el valor de mercado de la renta variable y de los inmuebles habría ocasionado un descenso del 6% en el Ratio de Solvencia II de la Sociedad en el ejercicio financiero 2020.

[104] La rentabilidad media de la cartera de renta variable es una MAR. Este parámetro mide la rentabilidad de los valores de renta variable mantenidos en la cartera de inversión durante un determinado período. Véase "*Medidas alternativas de rendimiento*".

[105] La rentabilidad media de la cartera de renta fija es una MAR. Este parámetro mide la rentabilidad de los valores de renta fija mantenidos en la cartera de inversión durante un determinado período. Véase "*Medidas alternativas de rendimiento*".

El capital asignado para el riesgo de mercado de acuerdo con la Directiva Solvencia II (tal y como se define en el presente documento) asciende a 113.510 miles de euros a 31 de diciembre de 2020, lo que representa un 38,8% de los Requisitos Básicos de Solvencia de la Sociedad (pre beneficios de diversificación) (104.548 miles de euros y 94.357 miles de euros a 31 de diciembre de 2019 y 2018, respectivamente).

4. Riesgos operacionales y de ciberseguridad

Las actividades de la Sociedad presentan una fuerte dependencia de la integridad de sus sistemas tecnológicos. Las relaciones de la Sociedad con los clientes se basan en soluciones tecnológicas; a 31 de diciembre de 2020, un 78,2% de los clientes activos interactúan con la Sociedad a través de medios digitales. La gestión de siniestros es también cada vez más digital: El 47,2% de las solicitudes relativas a los camiones remolque se tramitan online, mientras que el 46% y el 27,8% de los siniestros se inician online en las líneas de negocio de automóvil y hogar respectivamente. Por otra parte, Vivaz, la línea de negocio de enfermedad de la Sociedad, es un operador exclusivamente digital que ofrece gestión de pólizas 100% digital y otras funciones a través de App.

El capital económico obligatorio por Riesgo Operacional para 2020 con arreglo a la Directiva de Solvencia II (tal como se ha definido en este documento) es de 26.935 miles de euros (26.092 miles de euros y 24.796 miles de euros a 31 de diciembre de 2019 y 2018, respectivamente).

5. El Grupo está expuesto al riesgo de contraparte con respecto a los terceros relacionados de distintas formas con sus actividades ordinarias, incluyendo las técnicas de mitigación de riesgos como el reaseguro

Línea Directa está expuesta al riesgo de contraparte principalmente debido a su cartera de inversión, por la adquisición de cualquier tipo de valor que implique la obligación del emisor de devolver el importe invertido en una determinada fecha, así como de pagar una tasa de rentabilidad explícita o implícita. A 31 de diciembre de 2020, la cartera de renta fija del Grupo tenía un importe de 801.209 miles de euros, es decir, un 69,3% del total de la cartera de inversión y el efectivo.

Un 92,9% de la cartera de inversión de renta fija del Grupo tiene asignada una calificación “BBB” o superior. En particular, los instrumentos con calificación “BBB” representaban, a 31 de diciembre de 2020, un 47,5%, mientras que los instrumentos con calificación “A” representaban un 44,1%, y los instrumentos con calificación “AA” y “AAA” suponían un 0,9% y un 0,4% respectivamente de la cartera de inversión de renta fija del Grupo. Un 3,3% (26.532 miles de euros) tiene asignada una calificación inferior a BBB y un 3,8% (30.360 miles de euros) de los valores de deuda del Grupo no tienen asignada calificación.

Por otra parte, las técnicas de mitigación de riesgos utilizadas por Línea Directa, como los contratos de reaseguro, también exponen a la Sociedad a los riesgos asociados a la potencial insolvencia de su contraparte. El principal grupo de reaseguradores de la Sociedad está compuesto por seis reaseguradores de protección XL en las líneas de negocio de automóvil, hogar y enfermedad, con una calificación media de AA-. En la línea de negocio de seguros de enfermedad, el acuerdo de reaseguro de cuota para este segmento es un contrato multianual con un solo reasegurador de Nivel 1 AA.

El capital asignado para riesgo de contraparte conforme a la Directiva de Solvencia II (tal y como se define en este documento) era de 15.291 miles de euros a 31 de diciembre de 2020, lo que representaba un 5,2% de los Requisitos de Solvencia Básica (pre diversificación).

6. El seguro de Motor constituye un gran porcentaje de los ingresos por primas de la Sociedad y se concentra en gran medida en España

A 31 de diciembre de 2020, el negocio de seguro de automóvil representaba el 84,0% de los ingresos por primas de la Sociedad, lo que expone a la Sociedad a un riesgo de concentración de segmento en el mercado de seguros de automóvil de España. En España, el mercado de seguros de automóvil son un mercado competitivo que está sujeto a cambios de la demanda de los consumidores.

A diciembre de 2020, tres compañías ostentaban un 43,2% del mercado español de seguros de automóvil, a saber, Mapfre España, Mutua Madrileña Automovilista SSPF y Allianz (*Fuente: ICEA*).

La línea de negocio de seguro de salud de la Sociedad sólo lleva operando tres años. El 31 de diciembre de 2020, Vivaz registró unas pérdidas técnicas de 7.809 miles de euros (16.346 miles de euros y 7.042 miles de euros a 31 de diciembre de 2019 y 2018, respectivamente).

La incapacidad de la Sociedad para adoptar las medidas necesarias para competir de forma eficaz con sus rivales en el mercado de seguros de hogar y enfermedad podría incidir en sus posibilidades de crecimiento en las líneas de negocio de seguros de Hogar y Enfermedad, y reducir por tanto su exposición a la concentración en el mercado español de seguros de automóvil.

B) Factores de riesgo inherentes al sector de seguros

7. Potenciales novedades estructurales que afecten al sector de seguros y a la demanda de los consumidores

En un mercado maduro y altamente competitivo como el sector asegurador, el éxito continuado del Grupo depende en parte de su capacidad de anticipar, identificar y responder con eficacia a la evolución de los factores y tendencias de consumo del mercado, traduciendo los cambios en productos comercializables adecuados.

La digitalización y las nuevas tecnologías han supuesto una revolución en el sector asegurador y, en especial, en el ramo de seguro de automóvil. Aunque la interacción digital es decisiva en cualquier negocio moderno, los consumidores continúan valorando unos servicios al cliente atentos, competentes y accesibles, como elemento diferenciador clave entre las distintas compañías aseguradoras.

Se prevé asimismo que muchos tomadores de pólizas acojan con agrado la oportunidad de reducir sus primas a través de dispositivos telemáticos, aprovechando sus hábitos de conducción segura. Las presiones sobre los precios podrían menoscabar la capacidad del Grupo de mantener su margen actual en sus segmentos más rentables.

El auge del teletrabajo contribuiría también a reducir sustancialmente la frecuencia de uso del automóvil, ocasionando así presiones sobre los precios. Si este escenario se hiciera realidad, sería fundamental mejorar incesantemente la eficiencia para mantener una ventaja competitiva, y no cabe garantizar que la Sociedad podrá llevar a cabo todas las actuaciones necesarias para adaptarse eficazmente a estas novedades.

Las políticas medioambientales adoptadas o aplicadas por las autoridades públicas penalizan de forma creciente los vehículos menos eficientes energéticamente. Si se generalizase el uso y la propiedad de coches eléctricos, podría producirse un impacto considerable en los servicios post-venta de fabricantes y concesionarios de automóviles (los coches eléctricos no requieren, entre otros, ni revisiones, ni cambios de aceite del motor, ni filtros, ni reparaciones del motor ni piezas de recambio). Estos actores podrían buscar otras fuentes de ingresos y/o servicios para retener a sus clientes. Asimismo, es posible que estos actores, que poseen importantes cantidades de datos de clientes (el 100% de los clientes están conectados), intentaran entrar en el ámbito de los seguros (por ejemplo, Tesla) a través de corredores de seguros.

La popularidad de la micromovilidad está en auge y se ha convertido rápidamente en un elemento característico de las principales ciudades españolas. Esta tendencia podría obligar a la Sociedad a invertir recursos considerables para confeccionar nuevos modelos de riesgo y adaptar la oferta de productos del Grupo.

Las empresas de renting ofrecen con frecuencia sus propios seguros y/o marcas genéricas, consiguiendo así un fuerte poder negociador. Asimismo, las empresas recurren frecuentemente al renting para financiar su flota de vehículos, consiguiendo así mayor poder negociador que los clientes particulares, lo que puede hacer reducir las primas de la Sociedad y, por consiguiente, afectar a sus ingresos y resultados de explotación.

Además, las tendencias extranjeras de seguros de automóvil temporales, seguros *on-and-off* y seguros por kilometraje (*"pay-as-you drive"*) podrían llegar al mercado español.

8. El mercado español de seguros no de vida en el que el Grupo opera presenta un alto grado de madurez y es extremadamente competitivo

La Sociedad se enfrenta a una competencia intensa de operadores nacionales tradicionales de larga trayectoria, grupos aseguradores internacionales y nuevos entrantes directos que ofrecen actualmente o pueden ofrecer en el futuro productos y servicios idénticos o similares a los de Línea Directa, incluida su oferta digital.

Las primas medias han caído un 13,9% (*Fuente: Elaboración propia según cifras de ICEA y FIVA*) en los últimos diez años, debido al descenso global del historial de pérdidas.

Competidores no tradicionales están entrando en el mercado de seguros de automóvil, incrementando la competencia y ejerciendo presiones para la digitalización. Las nuevas compañías aseguradoras tecnológicas (*"insurtech"*) de España digitalizan la interacción entre las entidades aseguradoras y los tomadores de las pólizas, a pesar de que el mercado es todavía incipiente y se encuentra tremendamente fragmentado. Otros operadores del mercado, como los sitios web de comparación de precios, han estado presentes en España durante más de una década y todavía tienen una posición menos importante que en otros países europeos como el Reino Unido. Además, la demanda de renting de automóviles está creciendo y las empresas de renting normalmente incluyen su propio seguro en las condiciones de renting.

9. Requisitos de solvencia y de capital

La Directiva Solvencia II establece requisitos de capital para las compañías aseguradoras. Dichos requisitos de capital se determinan teniendo en cuenta varios factores relacionados con la exposición de la Sociedad al riesgo, tales como, entre otros, su exposición al riesgo de suscripción y al riesgo de mercado. Si en el futuro la Sociedad incumpliera los requisitos reglamentarios de capital, tendría que adoptar las medidas oportunas de ajuste para cumplir tales requisitos, limitando los repartos de dividendos y/o las políticas de remuneración variable, reduciendo la exposición al riesgo o aumentando su capital elegible. A 31 de diciembre de 2020, la Sociedad cumplía todos los requisitos reglamentarios de capital de la Directiva Solvencia II, y su Ratio de Solvencia II era del 213%. Antes de la escisión en virtud del acuerdo adoptado por la Junta General de Accionistas de la Sociedad de 5 de abril de 2021 y autorizado por la Dirección General de Seguros y Fondos de Pensiones el 18 de marzo de 2021, la Sociedad repartió un dividendo extraordinario de 120 millones de euros a Bankinter. El Ratio de Solvencia II de la Sociedad considera dicho reparto.

La Autoridad Europea de Seguros y Pensiones de Jubilación ha proporcionado un examen exhaustivo y asesoramiento técnico sobre Solvencia II mediante una Opinión de 17 de diciembre de 2020. Aunque la Sociedad no espera que estos cambios le afecten significativamente, no cabe garantizar que pueda adaptarse a los mismos de forma efectiva y en plazo, ni que dichos cambios no incrementen los costes de cumplimiento normativo o los gastos generales.

SECCIÓN C — INFORMACIÓN FUNDAMENTAL SOBRE LOS VALORES

¿Cuáles son las principales características de los valores?

Su tipo y clase, moneda, denominación, número de valores emitidos y condiciones de los valores	Las Acciones forman una serie única de 1.088.416.840 acciones ordinarias negociadas en las Bolsas Españolas, cada una con un código ISIN ES0105546008. Las Acciones están denominadas en euros, y el capital social emitido es de 43.536.673,60 € dividido en una serie única de 1.088.416.840 acciones ordinarias con un valor nominal de 0,04 € cada una.
Derechos inherentes a los valores	Las acciones objeto de admisión a negociación son acciones ordinarias, de la misma clase y serie, que confieren a sus titulares los mismos derechos de voto y económicos, conforme a lo previsto en la Ley de Sociedades de Capital y en los Estatutos Sociales de la Sociedad.
Rango de prioridad relativa de los valores en caso de insolvencia	Las Acciones no incorporan derechos a participar en una distribución de capital (incluso en caso de disolución) distintos de los previstos en la legislación española y los Estatutos Sociales de la Sociedad. Las Acciones tendrán el mismo rango de prelación *(pari passu*) en todos los aspectos. Con ocasión de la liquidación de una sociedad, los accionistas tienen derecho a los activos remanentes en proporción a sus respectivas participaciones accionariales, una vez que hayan sido satisfechos las deudas de la sociedad, los impuestos y los gastos relacionados con la liquidación.
Posibles restricciones a la libre transmisibilidad de los valores	Los Estatutos Sociales de la Sociedad no prevén restricciones estatutarias a la libre transmisibilidad de las Acciones. No obstante, en virtud del artículo 85.2 de la Ley 20/2015, de 14 de julio, de ordenación, supervisión y solvencia de las entidades aseguradoras y reaseguradoras, toda persona física o jurídica que, por sí sola o actuando de forma concertada con otras, haya decidido adquirir, directa o indirectamente, incluso en los supuestos de aumento o reducción de capital, fusiones y escisiones, una participación significativa en una entidad aseguradora o reaseguradora o bien incrementar su participación significativa, de modo que la proporción de sus derechos de voto o de participación en el capital llegue a ser igual o superior a los límites del veinte por ciento (20%), treinta por ciento (30%) o cincuenta por ciento (50%) y también cuando en virtud de la adquisición se pudiera llegar a controlar la entidad aseguradora o reaseguradora, lo notificará previamente por escrito a la DGSFP.

Cuando proceda, política de dividendos o repartos	A raíz de la Admisión, la Sociedad ha establecido una nueva política de dividendos en virtud de la cual el Consejo de Administración acordará un reparto de dividendos siempre que el Ratio de Solvencia II se mantenga por encima del 180%. En este sentido, la Sociedad prevé actualmente poder repartir la totalidad de sus beneficios ordinarios netos siempre y cuando su Ratio de Solvencia II supere el 180%, con independencia de que, en última instancia, será el Consejo de Administración de la Sociedad quien proponga a la Junta General de Accionistas el importe final de reparto en función de la situación de solvencia de la Sociedad y cumpliendo con su política de dividendos.

¿Dónde se negociarán los valores?

La Sociedad solicitará la admisión a negociación de sus Acciones en las bolsas de valores de Madrid, Barcelona, Valencia y Bilbao, a través del Sistema de Interconexión Bursátil o "Mercado Continuo" de las Bolsas Españolas. El 29 de abril de 2021 las Acciones serán admitidas a negociación en las Bolsas Españolas a través del Sistema de Interconexión Bursátil (Mercado Continuo).

¿Cuáles son los riesgos fundamentales específicos de los valores?

Factores de riesgo inherentes a los valores y a la Admisión:

10. *No existe un mercado de negociación establecido para las Acciones y cabe que no se desarrolle un mercado activo para la negociación después de la admisión a cotización; asimismo, el precio de mercado de las Acciones después de la admisión a negociación podría ser volátil y estar sujeto a caídas súbitas y significativas*
11. *Un volumen abultado de ventas de Acciones en el futuro después de la Admisión, o la creencia de que pudieran producirse tales ventas, podría afectar a su precio de mercado y diluir las participaciones accionariales*
12. *La capacidad de la Sociedad para repartir dividendos a sus accionistas es incierta y podría ser limitada*
13. *Es posible que la capacidad de los accionistas extranjeros para presentar demandas o ejecutar sentencias contra la Sociedad o sus consejeros sea limitada*
14. *Los accionistas de países cuya moneda sea distinta del euro soportan, en relación con la tenencia de las Acciones, un riesgo de inversión adicional derivado de las variaciones de los tipos de cambio*
15. *A partir del 1 de enero de 2022, las adquisiciones futuras de acciones podrían verse afectadas por el impuesto sobre las transacciones financieras (el ITF)*

Con arreglo a la Ley 5/2020, de 15 de octubre, del Impuesto sobre las Transacciones Financieras (la "**Ley del ITF**"), el Impuesto sobre Transacciones Financieras grava con un tipo del 0,2% determinadas adquisiciones de acciones cotizadas emitidas por sociedades españolas con una capitalización bursátil superior a 1.000 millones de euros a 1 de diciembre del año anterior a la adquisición, con independencia de la jurisdicción de residencia de las partes intervinientes en la transacción. La Ley del ITF se aplica a la adquisición de acciones de entidades residentes en España que se negocien en un mercado regulado, estando exentas las operaciones relacionadas con el mercado primario y las realizadas por las entidades que gestionan los mercados de valores.

SECCIÓN D — INFORMACIÓN FUNDAMENTAL SOBRE LA ADMISIÓN DE LOS VALORES A NEGOCIACIÓN

¿En qué condiciones y plazos puedo invertir en estos valores?

Bankinter repartirá a sus accionistas, como distribución de la prima de emisión, una acción de Línea Directa por cada acción de Bankinter que dichos accionistas posean al cierre de mercado del 30 de abril de 2021 (la "**Fecha de Corte**"), según el siguiente calendario:

Hecho	Fecha
Aprobación del Folleto por la CNMV	15 de abril de 2021
Último día de negociación de las acciones de Bankinter con el derecho a recibir acciones de Línea Directa (***ex date- 1***)	28 de abril de 2021
Primer día en que las acciones de Bankinter se negociarán sin el derecho a recibir acciones de Línea Directa (***ex date***)	29 de abril de 2021
Admisión prevista a negociación de las Acciones en las Bolsas Españolas	29 de abril de 2021
Saldos de acciones de Bankinter en cuentas de Iberclear a cierre de día de liquidación considerados para la distribución de acciones de Línea Directa. (Fecha de Corte)	30 de abril de 2021
Fecha de liquidación de las acciones de Línea Directa entregadas en ejecución de la Operación (***fecha de pago***)	3 de mayo de 2021

¿Qué persona se prevé que solicitará la admisión a negociación?

La Sociedad.

¿Por qué se elabora el Folleto?

Motivos de la Admisión	Este Folleto ha sido elaborado a efectos de la solicitud de admisión a negociación de las Acciones de la Sociedad en las Bolsas Españolas, a través del Sistema de Interconexión Bursátil (Mercado Continuo) de las Bolsas Españolas. La Admisión se solicita para distribuir acciones de la Sociedad a los accionistas de Bankinter, una operación que permitirá a ambas compañías ejecutar sus estrategias de manera independiente en el futuro, aunque Bankinter y Línea Directa ya operan separadamente desde un punto de vista operativo. La Admisión se solicitará para que las Acciones que se distribuirán a los accionistas de Bankinter tengan liquidez suficiente, conforme a lo previsto en los estatutos de Bankinter. Asimismo, Bankinter espera que sus requisitos de capital y solvencia sean menos gravosos una vez pierda el control de la Sociedad.

Aplicación e importe neto estimado de los fondos	No aplicable.
En caso de que la Admisión esté sujeta a un acuerdo de aseguramiento con compromiso firme, indíquese cualquier parte no cubierta	No aplicable.
Descripción de cualquier conflicto de intereses significativo relacionado con la admisión a negociación que se indica en el folleto	No aplicable.