Financial Statements and Management Report

Línea Directa Aseguradora, S.A.

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2021 individual financial statements(in thousand euros)

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Report of the external auditors

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

Audit report
Annual accounts for the year ended 31 December 2021
Management report

This version of our report is a free translation from the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor's report on the annual accounts

To the shareholders of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros:

Report on the annual accounts

Opinion

We have audited the annual accounts of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros (the Company), which comprise the balance sheet as at 31 December 2021, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2021, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in note 2 of the notes to the annual accounts), and in particular, with the accounting principles and criteria included therein.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, www.pwc.es

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
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Key audit matters	How our audit addressed the key audit matters
Valuation of the motor insurance provision for claims	
The Company engages in non – life insurance activities, mainly in the motor, home and medical assistance lines of business. The Company recognizes insurance contract liabilities that amount for the unearned premiums and provision for claims. The provision for claims includes the estimated cost of claims pending settlement or payment and for claims not reported as of the date of preparing the annual accounts. Calculations related to the provision for claims are a complex estimation, given its nature. For the motor insurance line of business, this estimate is significantly impacted by the projection techniques used, the settlement periods and the assumptions selected by management, as well as the individual valuation of the personal claims following the relevant regulations. For these reasons, the valuation of motor insurance provision for claims is considered as a key audit matter. See Notes 2.c), 4.g) and 10 to the 2021 annual accounts.	We gained an understanding of the Company's process for estimating and registering the motor insurance provision for claims, which included understanding and evaluating the internal control process, the relevant IT systems, and the most relevant assumptions. We have engaged a team of actuarial specialists to perform the following procedures: • Understanding the methodology used for calculating this provision. • Checking the completeness, accuracy and reconciliation of the data used as inputs for the calculations. • Checking the sufficiency of the motor insurance provision for claims recognised as of the end of the previous reporting period. • Selecting a sample of claims to evaluate the reasonableness of its individual valuation considering the available information. • Performing an actuarial contrast test to evaluate the reasonableness of the motor insurance provision for claims calculated by a statistical methodology recognized as of the end of the reporting period. • Checking the adequacy of the disclosures in the attached annual accounts. In our procedures above, we obtained sufficient appropriate audit evidence to support the estimates of management regarding this matter.

Other information: Management report

Other information comprises only the management report for the 2021 financial year, the formulation of which is the responsibility of the Company's directors and does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the management report. Our responsibility regarding the management report, in accordance with legislation governing the audit practice, is to:

a) Verify only that the statement of non-financial information, certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as referred to in the Auditing Act, has been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the management report and the annual accounts as a result of our knowledge of the Company obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the management report is consistent with that contained in the annual accounts for the 2021 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit and compliance commission for the annual accounts

The directors are responsible for the preparation of the accompanying annual accounts, such that they fairly present the equity, financial position and financial performance of the Company, in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as the aforementioned directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit and compliance commission is responsible for overseeing the process of preparation and presentation of the annual accounts.

Auditor’s responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity's audit and compliance commission regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's audit and compliance commission with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the aforementioned those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the entity’s audit and compliance commission, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital file of the European single electronic format (ESEF) of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros for the 2021 financial year that comprises an XHTML file of the annual accounts for the financial year, which will form part of the annual financial report.

The directors of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros are responsible for presenting the annual financial report for 2021 financial year in accordance with the formatting requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation). In this regard, the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration have been incorporated by reference in the management report.

Our responsibility is to examine the digital file prepared by the Company's directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the annual accounts included in the aforementioned file completely agrees with that of the annual accounts that we have audited, and whether the format of these accounts has been affected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital file examined completely agrees with the audited annual accounts, and these are presented, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Report to the audit and compliance commission

The opinion expressed in this report is consistent with the content of our additional report to the audit and compliance commission of the Company dated 18 February 2022.

Appointment period

The General Ordinary Shareholders' Meeting held on 18 March 2022 appointed us as auditors for a period of one year, for the year ended 31 December 2021.

Previously, we were appointed by resolution of the General Ordinary Shareholders' Meeting for a period of 3 years and we have audited the accounts continuously since the year ended 31 December 2016.

Services provided

Services provided to the audited entity for services other than the audit of the accounts are disclosed in note 21.d) to the annual accounts.

In relation to the services provided to the subsidiary companies of the Company for services other than the audit of the accounts, refer to the audit report dated 18 February 2022 on the consolidated annual accounts of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros and its subsidiary companies, where these subsidiary companies have been consolidated.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Enrique Anaya Rico (23060)

18 February 2022

Original signed in Spanish

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Financial statements

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

Annual financial statements and management report
for the year ended 31 December 2021

Prepared in accordance with the Chart of Accounts of Insurance Entities

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

Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros
Balance sheet at 31 December 2021 and 2020
(in thousand euro)

	ASSETS	Notes	2021	2020 (*)
A.1	**Cash and cash equivalents**	Notes 8 and 9	**98,911**	**141,646**
A.2	**Financial assets held for trading**		**-**	**-**
	I. Equity instruments		-	-
	II. Debt securities		-	-
	III. Derivatives		-	-
	IV. Other		-	-
A.3	**Other financial assets at fair value through profit or loss**		-	-
	I. Equity instruments		-	-
	II. Debt securities		-	-
	III. Hybrid instruments		-	-
	IV. Investments for the benefit of life-assurance policyholders who bear the investment risk		-	-
	V. Other		-	-
A.4	**Available-for-sale financial assets**	Note 8	**829,700**	**891,533**
	I. Equity instruments		125,740	109,673
	II. Debt securities		703,960	781,860
	III. Investments for the benefit of life-assurance policyholders who bear the investment risk		-	-
	IV. Other		-	-
A.5	**Loans and receivables**	Note 8	**130,881**	**124,461**
	I. Debt securities		-	-
	II. Loans		22,981	26,033
	1. Advance payments on policies		-	-
	2. Loans to group companies and associates	Notes 8 and 15	22,981	26,033
	3. Loans to other related parties		-	-
	III. Deposits with credit institutions		-	-
	IV. Deposits posted on accepted reinsurance		-	-
	V. Receivables from insurance operations direct	Note 8	53,538	54,413
	1. Policyholders		53,538	54,413
	2. Agents, brokers and intermediaries		-	-
	VI. Receivables on reinsurance business		7,969	5,086
	VII. Receivables on coinsurance business		-	-
	VIII. Payments called up		-	-
	IX. Other receivables		46,393	38,929
	1. Tax and social security receivable		1,040	1,118
	2. Other receivables	Notes 8 and 15	45,353	37,811
A.6	**Held-to-maturity investments**		**-**	**-**
A.7	**Hedging derivatives**		**-**	**-**
A.8	**Reinsurers' share of technical provisions**	Note 10	**20,153**	**12,477**
	I. Provision for unearned premiums		4,280	3,705
	II. Life assurance provision		-	-
	III. Provision for claims		15,873	8,772
	IV. Other technical provisions		-	-
A.9	**Property, plant and equipment and investment property**	Note 5	**43,497**	**43,407**
	I. Tangible fixed assets		41,574	41,456
	II. Investment property		1,923	1,951
A.10	**Intangible assets**	Note 6	**14,061**	**12,562**
	I. Goodwill		-	-
	II. Economic rights arising from policy portfolios acquired from intermediaries		-	-
	III. Other intangible assets		14,061	12,562
A.11	**Holdings in group companies and associates**	Notes 8 and 15	**65,785**	**60,064**
	I. Holdings in associates		-	-
	II. Holdings in jointly controlled companies		-	-
	III. Holdings in group companies		65,785	60,064
A.12	**Tax assets**	Note 17	**27,315**	**19,926**
	I. Current tax assets		18,896	10,424
	II. Deferred tax assets		8,419	9,502
A.13	**Other assets**	Note 7	**95,777**	**92,569**
	I. Assets and reimbursement rights on long-term staff remuneration		-	-
	II. Prepaid fees and other acquisition costs		87,219	83,055
	III. Accruals	Notes 7 and 8	8,558	9,514
	IV. Other assets		-	-
A.14	**Assets held for sale**		-	-
	TOTAL ASSETS		**1,326,080**	**1,398,645**

(*) Presented for comparison purposes only.
The accompanying Notes 1 to 24 form an integral part of the balance sheet at 31 December 2021.

Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros
Balance sheet at 31 December 2021 and 2020
(in thousand euro)

	LIABILITIES	Notes	2021	2020 (*)
A.1	**Financial liabilities held for trading**		**-**	**-**
A.2	**Other financial liabilities at fair value through profit or loss**		**-**	**-**
A.3	**Debt and accounts payable**	Note 13	**159,871**	**162,101**
	I. Subordinated liabilities		-	-
	II. Deposits received from ceded reinsurance		-	-
	III. Due on direct insurance business	Note 8	2,526	2,921
	1. Due to policyholders		1,939	1,893
	2. Due to agents, brokers and intermediaries		587	1,028
	3. Conditional claims		-	-
	IV. Due on reinsurance business	Note 8	1,244	981
	V. Due on coinsurance business		-	-
	VI. Bonds and other negotiable securities		-	-
	VII. Due to credit institutions		-	-
	VIII. Debts arising from activities to draw up insurance contracts		-	-
	IX. Other debts:	Note 13	156,101	158,199
	1. Taxes and social security payable		16,694	13,719
	2. Due to group companies and associates		364	1,262
	3. Other debts		139,043	143,218
A.4	**Hedging derivatives**	Note 8	**8,922**	**15,167**
A.5	**Technical provisions**	Note 10	**744,677**	**722,586**
	I. Provision for unearned premiums		449,740	446,423
	II. Provision for unexpired risks		3,280	4,622
	III. Life assurance provision		-	-
	IV. Provision for claims		291,657	271,541
	V. Provision for profit sharing and premium refunds		-	-
	VI. Other technical provisions		-	-
A.6	**Non-technical provisions**		**22,118**	**16,849**
	I. Provisions for taxes and other legal contingencies		-	492
	II. Provision for pensions and similar obligations		-	-
	III. Provisions for settlement agreements	Note 12	21,915	16,174
	IV. Other non-technical provisions		203	183
A.7	**Tax liabilities**	Note 17	**44,456**	**44,989**
	I. Current tax liabilities		-	-
	II. Deferred tax liabilities		44,456	44,989
A.8	**Other liabilities**		**1,109**	**1,154**
	I. Accruals		452	477
	II. Liabilities due to accounting mismatches		-	-
	III. Commissions and other acquisition expenses on ceded reinsurance		-	-
	IV. Other liabilities		657	677
A.9	**Liabilities associated with assets held for sale**		**-**	**-**
	TOTAL LIABILITIES		**981,153**	**962,846**
B.	**EQUITY**			
B.1	**Own funds**	Note 14	**301,561**	**391,402**
	I. Capital or mutual fund		**43,537**	**37,512**
	1. Subscribed capital or mutual fund		43,537	37,512
	2. (Uncalled capital)		-	-
	II. Share premium		-	-
	III. Reserves		228,820	228,183
	1. Legal and bylaw reserves		9,046	9,046
	2. Equalisation reserve		107,582	107,582
	3. Other reserves		112,192	111,555
	IV. (Own shares)		(1,247)	-
	V. Profit/(loss) carried forward		-	-
	1. Surplus		-	-
	2. (Losses carried forward)		-	-
	VI. Other contributions from owners and mutual members		-	-
	VII. Profit/(loss) for the year		108,115	132,671
	VIII. (Interim dividend and interim equalisation reserve)		(77,664)	(6,964)
	IX. Other equity instruments		-	-
B.2	**Valuation adjustments:**	Note 14	**43,366**	**44,397**
	I. Available-for-sale financial assets		43,366	44,397
	II. Hedging arrangements		-	-
	III. Foreign exchange and conversion differences		-	-
	IV. Correction of accounting mismatches		-	-
	V. Other adjustments		-	-
B.3	**Grants, gifts and legacies received**		**-**	**-**
	TOTAL EQUITY		**344,927**	**435,799**
	TOTAL LIABILITIES AND EQUITY		**1,326,080**	**1,398,645**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 24 form an integral part of the balance sheet at 31 December 2021.

Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros
Income statement for the years ended December 2021 and 2020.
(in thousand euro)

				Notes	2021	2020 (*)
I.	**NON-LIFE INSURANCE TECHNICAL ACCOUNT**					
	I.1	**Earned premiums, net of reinsurance**			**882,728**	**878,177**
		a)	Written premiums			
			a.1) Direct Insurance		907,189	898,614
			a.2) Accepted reinsurance		-	-
			a.3) Change due to impairment of outstanding premiums receivable	Note 8.1.1.2	331	1,024
		b)	Premiums from ceded reinsurance		(23,392)	(20,675)
		c)	Change in the provision for unearned premiums and unexpired risks		-	-
			c.1) Direct insurance	Note 10	(1,975)	(1,815)
			c.2) Accepted reinsurance		-	-
		d)	Change in the provision for unearned premiums, reinsurers' share	Note 10	575	1,029
	I.2	**Income from property, plan and equipment and from investments**		Note 8.1.2	**54,402**	**73,173**
		a)	Income from investment property		164	116
		b)	Income from financial investments		31,918	36,116
		c)	Application of impairment adjustments for property, plant and equipment, and investments			
			c.1) Property, plant and equipment and investment property		167	23
			c.2) Financial investments	Note 8.1.2	-	-
		d)	Gains on realisation of property, plant and equipment and investments			
			d.1) Property, plant and equipment and investment property		21	-
			d.2) Financial investments		22,131	36,918
	I.3	**Other technical income**			**-**	**-**
	I.4	**Claims incurred, net of reinsurance**			**600,459**	**555,292**
		a)	Claims and other expenses paid			
			a.1) Direct Insurance		542,962	518,663
			a.2) Accepted reinsurance		-	-
			a.3) Reinsurers' Share		(9,960)	(6,667)
		b)	Change in the provision for claims			
			b.1) Direct Insurance	Note 10	20,116	(12,015)
			b.2) Accepted Reinsurance		-	-
			b.3) Reinsurers' Share	Note 10	(7,101)	(1,931)
		c)	Claims-related expenses		54,442	57,242
	I.5	**Change in Other Technical Provisions, net of reinsurance**			**-**	**-**
	I.6	**Profit sharing and premium refunds**			**594**	**708**
		a)	Claims and expenses relating to profit sharing and premium refunds		594	708
		b)	Change in the provision for profit sharing and premium refunds		-	-
	I.7	**Net operating expenses**			**202,913**	**209,239**
		a)	Acquisition costs		181,770	186,657
		b)	Administration expenses		26,167	26,414
		c)	Reinsurance commissions and profit participation		(5,024)	(3,832)
	I.8	**Other technical expenses**		Note 21	**(22,778)**	**(18,137)**
		a)	Change in impairment due to insolvencies		-	-
		b)	Change in impairment on property, plant and equipment		-	-
		c)	Change in claims paid under settlement agreements		(24,489)	(23,593)
		d)	Other		1,711	5,456
	I.9	**Expenses from property, plant and equipment and investments**			**21,896**	**47,134**
		a)	Management expenses from property, plant and equipment and investments			
			a.1) Expenses from property, plant and equipment and investment property	Note 8.1.2	1,961	1,884
			a.2) Expenses from financial investments and accounts	Note 8.1.2	4,483	4,987
		b)	Valuation adjustments for property, plant and equipment and investments			
			b.1) Depreciation of property, plant and equipment and investment property		28	28
			b.2) Impairment of property, plant and equipment and investment property	Note 5	-	851
			b.3) Impairment of financial investments		-	585
		c)	Losses on property, plant and equipment and investments			
			c.1) Property, plant and equipment and investment property		7	508
			c.2) Financial investments	Note 5	15,417	38,291
Profit/(loss) from the non-life technical account					**134,046**	**157,114**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 24 form an integral part of the statement of profit or loss for 2021.

(in thousand euro)

					2021	**2020 (*)**
III.	**NON-TECHNICAL ACCOUNT:**					
	III.	**Profit/(loss) on the non-life technical account**			**134,046**	**157,114**
	III.1	**Income from property, plan and equipment and from investments**		Note 8	**2,500**	**12,000**
		a)	Income from investment property		-	-
		b)	Income from financial investments		2,500	12,000
		c)	Application of impairment adjustments for property, plant and equipment, and investments			
			c.1) Property, plant and equipment and investment property		-	-
			c.2) Financial investments		-	-
	III.2	**Expenses from property, plant and equipment and investments**				
		a)	Investment management expenses			
			a.1) Expenses from financial investments and accounts		-	-
			a.2) Expenses from investments in property, plant and equipment		-	-
		b)	Valuation adjustments for property, plant and equipment and investments			
			b.1) Depreciation of property, plant and equipment and investment property		-	-
			b.2) Impairment of property, plant and equipment and investment property		-	-
			b.3) Impairment of financial investments		-	-
		c)	Losses on property, plant and equipment and investments			
			c.1) Property, plant and equipment and investment property		-	-
			c.2) Financial investments		-	-
	III.3	**Other income**		Note 21	**5,541**	**5,211**
		a)	Income from pension fund management activity			
		b)	Other income		5,541	5,211
	III.4	**Other expenses**		Note 21	**390**	**1,401**
		a)	Expenses from pension fund management activity			
		b)	Other expenses		390	1,401
	III.5	**Subtotal (Profit/(loss) on the non-Technical Account)**			**7,651**	**15,810**
	III.6	**Profit/(loss) before tax**			**141,697**	**172,924**
	III.7	**Income tax**		Note 17	**33,582**	**40,253**
	III.8	**Profit/(loss) for the year**			**108,115**	**132,671**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 24 form an integral part of the statement of profit or loss for 2021.

(in thousand euro)

Statements of recognised income and expense

STATEMENT OF RECOGNISED INCOME AND EXPENSE		2021	2020 (*)
I) PROFIT OR LOSS FOR THE PERIOD	Note 3	**108,115**	**132,671**
II) OTHER RECOGNISED INCOME AND EXPENSE		**(1,031)**	**7,218**
II.1. Available-for-sale financial assets	Note 8	**(1,375)**	**9,624**
Gains/(losses) on valuation adjustments		5,191	7,982
Amounts transferred to the statement of profit or loss		(6,566)	1,642
Other reclassifications		-	-
II.2. Cash flow hedges		**-**	**-**
Gains/(losses) on valuation adjustments		-	-
Amounts transferred to the statement of profit or loss		-	-
Amounts transferred to the initial value of the hedged items		-	-
Other reclassifications		-	-
III.3. Hedging of net investments in foreign operations		**-**	**-**
Gains/(losses) on valuation adjustments		-	-
Amounts transferred to the statement of profit or loss		-	-
Other reclassifications		-	-
II.4. Foreign exchange and conversion differences		**-**	**-**
Gains/(losses) on valuation adjustments		-	-
Amounts transferred to the statement of profit or loss		-	-
Other reclassifications		-	-
II.5. Correction of accounting mismatches		**-**	**-**
Gains/(losses) on valuation adjustments		-	-
Amounts transferred to the statement of profit or loss		-	-
Other reclassifications		-	-
II.6. Assets held for sale		**-**	**-**
Gains/(losses) on valuation adjustments		-	-
Amounts transferred to the statement of profit or loss		-	-
Other reclassifications			
II.7. Actuarial Gains/(losses) on long-term staff remuneration		**-**	**-**
II.8. Other recognised income and expense		**-**	**-**
II.9. Income tax		**344**	**(2,406)**
III) TOTAL RECOGNISED INCOME AND EXPENSE		**107,084**	**139,888**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 24 form an integral part of the statement of changes in equity (statement of recognised income and expense) for 2021.

Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros
Statement of changes in equity for the years 2021 and 2020
(in thousand euro)

Statement of changes in total equity

	Share capital capital	Reserves	Own shares	Profit/(loss) for the year	Interim dividend and interim equalisation reserve	Valuation adjustments	Total
E. BALANCE AT END OF 2019 (*)	**37,512**	**206,378**	**-**	**115,001**	**(100,160)**	**37,179**	**295,910**
D. ADJUSTED BALANCE AT BEGINNING OF 2020 (*)	**37,512**	**206,378**	**-**	**115,001**	**(100,160)**	**37,179**	**295,910**
I. Total recognised income and expense (note 8)	**-**	**-**	**-**	**132,671**	**-**	**7,218**	**139,889**
II. Transactions with owners or mutual members	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Capital increases or mutual fund (nota 14)	-	-	-	-	-	-	-
2. (-) Capital reductions or mutual funds	-	-	-	-	-	-	-
3. Conversion of financial liabilities into equity	-	-	-	-	-	-	-
4. (-) Distribution of dividends or payments due to mutual members (nota 3 y 8)	-	-	-	-	-	-	-
5. Transactions with own shares or holdings (net) (note 14 and 22)	-	-	-	-	-	-	-
6. Increase (decrease) in equity resulting from a business combination	-	-	-	-	-	-	-
7. Other transactions with owners or mutual members	-	-	-	-	-	-	-
III. Other changes in equity	**-**	**21,805**	**-**	**(115,001)**	**93,196**	**-**	**-**
1. Payments based on equity instruments	-	-	-	-	-	-	-
2. Transfers between equity items	-	14,841	-	(115,001)	100,160	-	-
3. Other changes	-	6,964	-	-	(6,964)	-	-
E. BALANCE AT END OF 2020 (*)	**37,512**	**228,183**	**-**	**132,671**	**(6,964)**	**44,397**	**435,799**
D. ADJUSTED BALANCE AT BEGINNING OF 2021	**37,512**	**228,183**	**-**	**132,671**	**(6,964)**	**44,397**	**435,799**
I. Total recognised income and expense (note 8)	**-**	**-**	**-**	**108,115**	**-**	**(1,031)**	**107,084**
II. Transactions with owners or mutual members	**6,025**	**(126,025)**	**(1,247)**	**-**	**(77,664)**	**-**	**(198,911)**
1. Capital increases or mutual fund (note 14)	6,025	(6,025)	-	-	-	-	-
2. (-) Capital reductions or mutual funds	-	-	-	-	-	-	-
3. Conversion of financial liabilities into equity	-	-	-	-	-	-	-
4. (-) Distribution of dividends or payments due to mutual members (note 3 y 8)	-	(120,000)	-	-	(77,644)	-	(197,664)
5. Transactions with own shares or holdings (net) (note 14 and 22)	-	-	(1,247)	-	-	-	(1,247)
6. Increase (decrease) in equity resulting from a business combination	-	-	-	-	-	-	-
7. Other transactions with owners or mutual members	-	-	-	-	-	-	-
III. Other changes in equity (note 14)	**-**	**126,663**	-	**(132,671)**	**6,964**	**-**	**956**
1. Payments based on equity instruments	-	955	-	-	-	-	955
2. Transfers between equity items	-	125,707	-	(132,671)	6,964	-	-
3. Other changes	-	-	-	-	-	-	-
E. BALANCE AT END OF 2021	**43,537**	**228,820**	**(1,247)**	**108,115**	**(77,664)**	**43,366**	**344,927**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 24 form an integral part of the statement of changes in equity for 2021.

Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros
Cash Flow Statements for the years 2021 and 2020
(in thousand euro)

		2021	2020(*)
A)	**CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES**		
A.1	**Insurance activities**		
	1. Proceeds from premiums on direct insurance, coinsurance and accepted reinsurance	908,396	896,421
	2. Payments for direct insurance, coinsurance and accepted reinsurance	576,145	551,081
	3. Proceeds from ceded reinsurance	769	6,667
	4. Payments for ceded reinsurance	11,797	18,356
	5. Reimbursements of claims	31,816	28,916
	6.- Payments for intermediaries	20,041	20,715
	7.- Other proceeds from operating activities	-	115,003
	8.- Other payments for operating activities	237,029	246,936
	9.- Total proceeds from insurance activities (1+3+5+7) = I	**940,981**	**1,047,007**
	10.- Total payments for insurance activities (2+4+6+8) = II	**845,012**	**837,088**
A.2	**Other operating activities**		
	3.- Proceeds from other operating activities	7,000	25,339
	4.- Payments for other operating activities	610	117,518
	5.- Total proceeds from other operating activities (1+3) = III	**7,000**	**25,339**
	6.- Total payments for other operating activities (2+4) = IV	**610**	**117,518**
	7.- Income tax collected/(paid) (V)	**(20,202)**	**(25,980)**
	Total net cash flows from operating activities (I-II+III-IV + - V)	**82,157**	**91,760**
B)	**CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES**		
B.1)	**Proceeds from investing activities**		
	1.- Property, plant and equipment	-	13,066
	2.- Investment property	164	145
	3.- Intangible assets	-	890
	4.- Financial instruments	192,412	203,161
	5.- Holdings in group, jointly controlled and associate companies	700	-
	6.- Interest received	27,203	22,163
	7.- Dividends collected	4,724	13,745
	8.- Business unit	-	-
	9.- Other proceeds from investing activities	-	-
	10.- Total proceeds from investing activities (1+2+3+4+5+6+7+8+9) = VI	**225,203**	**253,170**
B.2)	**Payments for investing activities**	-	
	1.- Property, plant and equipment	3,138	15,458
	2.- Investment property	-	51
	3.- Intangible assets	6,204	6,484
	4.- Financial instruments	129,926	270,904
	5.- Holdings in group, jointly controlled and associate companies	7,000	-
	6.- Business unit	-	-
	7.- Other payments for investing activities	4,342	464
	8.- Total payments for investing activities (1+2+3+4+5+6+7) = VII	150,610	**293,361**
	Total net cash flows from investing activities (VI - VII)	**74,593**	**(40,191)**
C)	**CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES**		
C.1)	**Proceeds from financing activities**		
	1. Subordinated liabilities	-	-
	2. Proceeds from the issuance of equity instruments and capital increase	-	-
	3.- Payments due to mutual members and contributions from owners or mutual members	-	-
	4. Disposal of own shares	-	-
	5. Other proceeds from financing activities	4,007	-
	6. Total proceeds from financing activities (1+2+3+4+5) = VIII	**4,047**	**-**
C.2)	**Payments for financing activities**		
	1. Dividends to shareholders	197,664	28,344
	2. Interest paid	-	-
	3. Subordinated liabilities	-	-
	4. Payments on return of contributions to shareholders	-	-
	5. Supplementary members' calls and return of contributions to mutual members	-	-
	6. Acquisition of own shares	1,247	-
	7. Other payments for financing activities	4,472	-
	8. Total payments for financing activities (1+2+3+4+5+6+7) = IX	**203,383**	**103,824**
C.3)	**Total net cash flows from/(used in) financing activities (VIII - IX)**	**(199,336)**	**(28,344)**
	Effects of exchange rate changes (X)	**(149)**	**(269)**
Total increase/(decrease) in cash and cash equivalents (A.3 + B.3 + C.3 + - X)		**(42,735)**	**22,956**
Cash and cash equivalents at beginning of year		**141,646**	**118,690**
Cash and cash equivalents at end of year		**98,911**	**141,646**
Components of cash and cash equivalents at end of year			
	1. Cash and banks	98,811	141,646
Total cash and cash equivalents at end of year (1 + 2 - 3)		**98,911**	**141,646**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 24 form an integral part of the statement of cash flows for 2021.

1. Overview of the Company and its activities

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

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

Its registered office is located at calle Isaac Newton, 7, in the municipality of Tres Cantos (Madrid). The Company operates entirely in Spain and Portugal.

With respect to Portugal, the Group was authorised to operate in the Assistance segment on 25 September 2017. As this line of activity was residual and immaterial in both 2021 and 2020, it has not been deemed relevant to break down the information by geographical area. Its business distribution channels are mainly telephone and internet sales.

The Parent's shares have been listed and traded on the continuous market of the Madrid Stock Exchange since 29 April 2021. Bankinter, S.A. holds a 17.4% stake in the Parent, while the remaining 82.6% was distributed among its shareholders by delivering one share in Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros for each Bankinter share held (Note 14).

2. Basis of preparation of the annual accounts

a) Regulatory financial reporting framework applicable to the Company

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

- The Spanish Commercial Code (Código de Comercio) and other commercial legislation.
- The Accounting Plan for Insurance Companies enacted by Royal Decree 1317/2008, of 24 July, and subsequently modified by Royal Decree 1736/2010, of 23 December.
- The Law and Regulations on the Organisation, Supervision and Solvency of Insurance and Reinsurance Companies (hereinafter referred to by its

Spanish acronym of "LOSSEAR" when referring to the Law and "ROSSEAR" when referring to the Regulations), as enacted by Law 20/2015 and Royal Decree 1060/2015, respectively.

- The non-repealed articles of the Regulation on the Organisation and Supervision of Private Insurance (hereinafter, "ROSSP", or the "Regulation"), enacted by Royal Decree 2486/1998, including all partial modifications thereto.
- The mandatory rules approved by the Accounting and Auditing Institute, as well as the rules published by the Directorate General of Insurance and Pension Funds to implement the Accounting Plan for Insurance Companies and all related and complementary rules.
- All other applicable Spanish accounting regulations.

b) True and fair view

The accompanying annual accounts have been prepared from the Company's accounting records and are presented in accordance with the applicable financial reporting framework, especially the accounting principles and criteria contained therein, to provide a true and fair view of the Company's equity, financial position, operating results and cash flows for the year.

These annual accounts, which were authorised for issue by the Company's directors at the meeting held on 17 February 2021, will be submitted for approval by shareholders at their Annual General Meeting and are expected to be approved without any changes made. The Group's financial statements for 2020 were approved at the Annual General Meeting held on 18 March 2021.

Given that the Company is the parent company of the Línea Directa Aseguradora Group, together with these financial statements, the Board of Directors of the Company has also prepared the 2021 consolidated financial statements of the Línea Directa Aseguradora Group. The effect of applying consolidation criteria, in relation to the individual annual accounts of that year attached, implies an increase in assets and net worth, at the end of 2021 of 42,398 thousand euros and 33,347 thousand euros (34,850 thousand euros and 31,365 thousand euros in 2020) and an increase in the results of the year 2021 of 2,021 thousand euros (2,150 thousand euros in 2020).

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

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

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

c) Critical aspects regarding the valuation and estimation of uncertainty

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

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

The main estimates made by the Company's directors are as follows.

- Provisions for insurance contracts (Note 4 g)):

Assets and liabilities relating to insurance contracts are recognised in accordance with the accounting policies set out in Note 4.g) to these Notes.

2021 individual financial statements (Expressed in thousands of euros)

The Company also makes judgments and estimates approved by the Directorate-General for Insurance to calculate the technical provisions of the motor insurance branches. Statistical methods are used to determine these provisions. For the other lines of business in which the Company operates, an estimate is made on a case-by-case basis for non-life insurance technical provisions.

On 29 December 2021, the Directorate-General for Insurance and Pension Funds sent a resolution of the application file for a change in the statistical methodology used in the automotive sector, in which it authorises Línea Directa Aseguradora to calculate the technical provisions of benefits in the motor sector using the Merz & Wüthrich stochastic methodology, and the deterministic methodology of average cost as a contrast methodology. The methodological change was begun to be applied at the end of 2021and did not have a very significant impact.

- Income tax and recovery of tax credits (Note 4 f)):

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

- Impairment losses on certain assets (Note 3 a), b) and d)):

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

- Useful life of intangible assets, property, plant and equipment, investment property (Note 3 a) and b)):

The useful life of these assets has been calculated on the basis of the best estimate of the Company directors for the period over which they will produce income, taking into account the depreciation actually incurred from their operation, use and enjoyment.

- The fair value of certain non-listed assets and liabilities (Note 3 d)):

To determine the fair value of financial instruments when there is no price in an active market, the Company's directors request the price of the instrument from the depositary Entity.

- Impact of covid-19 on judgments and estimates (note 5 y 8)

As mentioned in Note 5 a) of these notes to the consolidated financial statements, new property valuations were carried out during the period due to the uncertainty of the possible loss in value of the properties owned by the Company in the wake of the COVID-19 health crisis and the general downturn in the real estate market. As a result, an impairment provision of 851 thousand euros was recognised at 31 December 2020. No new appraisals were carried out in 2021 as there are no signs of depreciation due to the performance of the real estate market.

Faced with the economic crisis caused by the pandemic, the Company took various initiatives in 2020 to make it easier for policyholders to pay their instalments, such as deferring payment to consecutive months without additional surcharges, offering cheaper products, etc. These measures, which were initiated in 2020, and the policy of containing renewal prices applied in 2021 resulted in an improvement in the retention of policies for the year.

Potential impairment of outstanding premiums pending collection has been analysed more closely in the case of vehicle-sharing fleet insurance, which has been particularly affected by the pandemic. The impact has not been significant, as this insurance still accounts for a relatively small portion of the total business. In 2020, an impairment provision of approximately 300 thousand was set aside to cover possible future defaults, which was included as an increase in the provision for outstanding premiums , and which were maintained at the end of 2021.

In the health sector, the effect of the postponement of consultations, treatments and non-urgent surgeries in the framework of the pandemic in 2020 was corrected in 2021, and visits and treatments resumed their usual rhythm.

The judgements and estimates described in the preceding paragraphs were made on the basis of the best information available at the end of the current financial year. However, future events may make it necessary to adjust them after the end of financial year 2021 or in subsequent financial years.

d) Accounting principles

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

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

e) Comparison of information

The figures for 2020 included in these Notes are presented for comparison purposes only.

f) Grouping of items

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

g) Error correction

The process of drawing up these annual accounts did not reveal any material errors that would have led to the restatement of the amounts included in the annual accounts for 2020.

h) Changes in accounting standards

There were no significant changes in accounting criteria in 2021 when compared to those applied in 2020.

i) Income and expense recognition criteria

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

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

3. Distribution of earnings

The proposed distribution of earnings for 2021, which the Company's Board of Directors will lay before the General Shareholders' Meeting for approval, is as follows:

	Thousand euro	
	2021	**2020**
Distribution basis (Profit)	108,115	132,671
Distributed:		
To interim dividends (Note 14.c)	77,664	-
To the interim equalisation reserve (Note 14.c)	-	6,964
To the voluntary reserve	8,992	125,707
A Final dividend	21,459	-

Below is a breakdown of the liquidity statements of each interim dividend for 2021:

		Resolution of	
	29.06.2021	**23.09.2021**	**13.12.2021**
Net profit at date of resolution	29,596	58,211	86,293
Less:			
Other reserves	(1,634)	-	-
Unrestricted profit	**27,962**	**58,211**	**86,293**

2021 individual financial statements (Expressed in thousands of euros)

Proposal to pay interim dividends	**26,636**	**25,754**	**25,274**
Total dividend to be paid	**26,636**	**25,754**	**25,274**
Cash liquidity prior to payment	**61,410**	**84,669**	**144,460**
Expected receipts less expected payments	63,888	(17,561)	(12,634)
Remaining cash	**125,298**	**67,108**	**131,826**

4. Recognition and measurement standards

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

a) Intangible assets

Intangible assets are recognised at acquisition expense or, where applicable, at production cost, less the corresponding amortisation.

Software

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

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

The Society recognises the derecognition of an intangible asset on disposal or when it does not expect to receive future economic benefits from its use or disposal. The date of disposal of an intangible asset is the date on which the buyer acquires control of the asset.

b) Property, plant and equipment and investment property

Land, natural assets and buildings that are held to obtain income, capital gains or both qualify as real estate investments. Land, natural assets and buildings held for the provision of services or for administrative purposes for own use are treated as property, plant and equipment.

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

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

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

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

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

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

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

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

Recoverable amount must be determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the cash-generating unit (CGU) to which it belongs.

Losses related to the impairment of the CGU initially reduce, where applicable, the value of the goodwill allocated to the CGU and subsequently to the other assets of the CGU, pro rata on the basis of the carrying amount of each asset, subject to the limit for each asset of the higher of its fair value less costs of disposal, its value in use and zero.

At each reporting date, the Group assesses whether there is any indication that the impairment loss recognised in prior periods no longer exists or may have decreased. Impairment losses are reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. The reversal of the impairment loss is credited to profit or loss.

However, the reversal of the loss cannot have the effect of increasing the carrying amount of the asset above the carrying amount it would have had, net of depreciation, had the impairment not been recognised.

2021 individual financial statements (Expressed in thousands of euros)

The amount of the reversal of the impairment loss of a CGU is allocated to the assets of the CGU pro rata on the basis of the carrying amount of the assets, with the limit per asset being the lower of its recoverable amount and the carrying amount it would have had, net of depreciation, had the loss not been recognised.

c) Prepaid commissions and other capitalised acquisition expenses

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

d) Financial instruments

d.1) Financial assets

Note 8 to these statements shows financial assets at 31 December 2021, by type and classified in accordance with the following criteria:

Cash and cash equivalents

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

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

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

Loans and receivables

They are non-derivative financial assets with fixed or determinable charges that are not listed on an active market, such as bank deposits, receipts of insurance premiums pending collection, etc. This category includes receivables from third parties on reinsurance operations, as well as from intermediaries and policyholders, subject to adequate provisions for impairment.

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

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

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the reduction can be objectively attributed to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit quality), the reversal of the previously recognised impairment is recognised in the consolidated statement of profit or loss.

Claims recovery receivables are capitalised when its The insured is sufficiently guaranteed once the insurer acknowledges the guilt of its insured, thus the insurer acknowledges the debt it owes to the company. The amount is recognised at nominal value.

Holdings in group companies and associates

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

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

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

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

If there is objective evidence that the carrying amount is not recoverable, the appropriate valuation adjustments are made for the difference between the carrying amount and the recoverable amount, the latter being the higher of fair value less costs to sell and the present value of the cash flows from the investment. Unless there is better evidence of the recoverable amount, the process of estimating the impairment of these investments is based on the equity of the investee, adjusted by any unrealised gains existing at the measurement date. The value adjustment and, as the case may be, its reversal are recorded in the statement of profit or loss for the year in which they occur. Reversal of impairment is limited to the carrying amount of the investment that would have been recognised at the date of reversal had no impairment been recorded.

Available-for-sale financial assets

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

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

At each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired, considering those situations that generate such evidence, whether individually or in combination with others. The Group considers evidence of possible impairment to be a significant or prolonged decline in the market value of equity or fixed income securities, individually considered, to below their cost or amortised cost.

When there is a significant or prolonged decline in the fair value of an available-for-sale financial asset, the cumulative loss previously recognised in equity is removed from equity and recognised in the statement of profit or loss for the year, even if the financial asset has not been derecognised. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale are not reversed through profit or loss for the year. Meanwhile, reversals associated with debt instruments are recognised in the statement of profit or loss. Reversal of impairment is limited to the carrying amount of the investment that would have been recognised at the date of reversal had no impairment been recorded.

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

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

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

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

The fair value of a financial instrument on a given date means the amount for which it could be bought or sold between knowledgeable, willing buyers and sellers on an arm's length basis. The fair values of listed investments are based on current purchase prices. If the market for a financial asset is not active (and for unlisted securities), the Company determines fair value by reference to other substantially similar instruments and estimated future cash flow discounting methods. The Company may use these models directly or the counterparty who acted as seller may do so.

Derecognition of financial assets

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

Conversely, the Group does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received, on transfers of financial assets in which substantially all the risks and rewards of ownership are retained.

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

Dividend distribution

Dividend income is recognised as income in the statement of profit or loss when the right to receive payment is established.

System for measuring financial instruments for accounting and supervisory purposes

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

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

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

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

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

d.2) Financial liabilities

The Group classifies its financial liabilities according to the purpose for which they were acquired. Management determines the classification of its financial liabilities at initial recognition.

Debt and accounts payable

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

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

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

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

Derecognition of financial liabilities

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

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

e) Hedge accounting

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

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

Fair value hedges

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

Interest rate hedges

Interest rate hedging cover exposure to changes in interest flows attributable to a specific risk associated with interest rate fluctuations. The Company did not designated these types of hedges in 2021.

Measuring hedge effectiveness

In relation to derivatives held by the Group that are classified as fair value hedges, the following steps are taken to measure the effectiveness of the hedge:

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

f) Income tax

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

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

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

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

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

g) Technical provisions

Provision for unearned premiums

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

Provision for unexpired risks

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

Provisions for claims

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

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

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

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

On December 29, 2021, the General Directorate of Insurance and Pension Funds sent a resolution of the application file for a change in the statistical methodology used in the automotive sector, in which it authorizes Línea Directa Aseguradora to calculate the technical provisions of benefits in the motor sector using the Merz & Wüthrich stochastic methodology and as a contrast methodology the deterministic methodology of average cost. The methodological change began to be applied at the end of 2021.

In the provision for benefits in the household, care and health branches, for the provision for claims pending settlement or payment, estimates were made on the basis of an individual analysis of each case (based on the best information available at year-end) and calculated in accordance with the provisions of the Regulations on the Administration and Supervision of Private Insurance. For the provision of claims pending declaration, the calculation was made according to the formula established by the Regulations on the Administration and Supervision of Private Insurance.

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

Equalisation reserve

This reserve, unlike the previous ones, is recognised in Company equity and is non-transferable. Once a year, the Company shall determine the amount by which this reserve for the Motor Third Party Liability line shall be increased, taking into account the security surcharge included in the tariff premiums for certain insurance contracts, as well as the other provisions laid down in the Regulation, which shall be charged to the distribution of profits for the financial year. Once this distribution of earnings has been approved at the General Shareholders' Meeting, the amount is taken to equity. This reserve can only be used to offset deviations in the loss ratio for retained insurance activities. If the Company reports losses in the year, it reports the amount of the equalisation reserve, which, together with the debit balance shown in the statement of profit or loss for the year, shows the amount of the final earnings to be included under "Prior year losses".

According to the second paragraph of article 45 of the ROSSP, the Company is obliged to constitute this reserve for the risk derived from civil liability insurance in motor land vehicles, establishing 35% as an upper limit of constitution of the risk premiums of own retention. This limit has been exceeded, so from 2021 the stabilization reserve is no longer provided.

h) Reinsurers' share of technical provisions

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

i) Termination benefits

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

j) Benefits to employees

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

The Company's obligations with its employees with regard to retirement or similar pension plans were fully externalised at year-end 2021 and 2020, in compliance with the legislation in force regarding the externalisation of pension obligations (Royal Decree 1588/1999, of 15 October, approving the Regulations on the externalisation of company pension obligations with employees and beneficiaries).

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

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

Defined contributions

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

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

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

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

Defined benefit plans

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

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

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

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

Payments for share-based services and goods

The Company's Chief Executive Officer and Management Committee participate in a Group remuneration plan of which the Company is the parent, based on shares as a consequence of the listing of the Company. The purpose of this Plan approved by the General Shareholders' Meeting on 18 March 2021 is to offer its members the possibility of receiving a certain number of shares in the next three years of the Entity's IPO date (note 22).

The Company acknowledges services received in a transaction with share-based payments, at the time such services are received. Since services are settled in equity instruments, an increase in net worth is recognised.

The Company recognises transactions with share-based payments settled by the Company's equity instruments for the fair value of the goods or services received, unless such fair value cannot be reliably estimated, in which case the value is determined by reference to the fair value of the equity instruments distributed.

Deliveries of equity instruments in consideration of services provided by Employees of the Group or third parties providing similar services are valued by reference to the fair value of the equity instruments offered.

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

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

l) Non-technical income and expenses

The Company has other revenue not derived from the insurance business, such as roadside assistance services or vehicle repairs and appraisals, all of which are provided to third parties outside the Group, as well as commissions on the sale of insurance products of other entities, remuneration for call forwarding and income from credit card surcharges.

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

m) Related-party transactions

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

n) Provisions and contingencies

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

Provisions are recognised for obligations such as litigation in progress, indemnities or other obligations of undetermined amount or timing when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation based on a reliable estimate of the amount of the obligation.

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

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

o) Income and expenditure - reclassification of expenditure by purpose

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

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

Financial income and expenses arising from investments related to insurance activity are recognised in the statement of profit or loss for the non-life insurance business. The remainder is recorded in the statement of profit or loss for other activities.

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

Direct insurance

Business premiums are recognised as income over the term of the contracts on an accruals basis and are accrued by posting the provision for unearned premiums.

Reinsurers' share

Premiums from ceded reinsurance are recognised on the basis of the reinsurance contracts underwritten and by applying the same criteria used for direct insurance.

Reclassification of expenses by purpose

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

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

- Costs that cannot be charged directly are distributed according to the estimated percentage of personnel dedication for each of the purposes.

The following purposes have been established:

- Claims-related expenses
- Investment-related expenses
- Acquisition expenses
- Administration expenses
- Other technical expenses
- Other non-technical expenses

Expenses have been allocated to the different segments based on the Business Unit at which the activity originated.

p) Leases

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

Income and expenses arising from operating lease agreements are charged to the statement of profit or loss in the year in which they accrue.

Any collection or payment that may be made on entering into an operating lease is treated as a collection or advance payment to be charged to profit and loss over the lease term, as the benefits and rewards of the leased asset are transferred or received.

q) Foreign currency transactions

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

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

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

r) Accrued income (assets)

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

s) Equity

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

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

The Company's capital management policy aims to maintain a strong capital position.

The Board of Directors is ultimately responsible for the control and management of the Group's risks and solvency, and therefore monitors the Group's capital position, solvency requirements and available solvency.

Capital management is based on ensuring that the Company has sufficient capitalisation to meet financial obligations; optimising the capital structure through an efficient allocation of resources and managing capital adequacy taking into account the economic, accounting, capital requirements and capital targets set in the risk appetite.

To achieve this, the Company carries out an annual Own Risk and Solvency Assessment (ORSA), based on the outlook for the Group's business and the market. This allows the Group to prospectively project its assets and liabilities and earnings, which in turn can be used to evaluate the likely future performance of the various risks under management, quantify them and estimate changes in solvency and available solvency requirements.

The Parent is required to quantify its solvency ratio, meaning the ratio between available own funds and the solvency capital requirement.

The calculation of the Solvency Capital Requirement is regulated by Directive 2009/138 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), as implemented by Commission Delegated Regulation 2015/35 of 10 October 2014 supplementing Directive 2009-138 EC and its subsequent amendments.

The Solvency Capital Requirement is calculated for the following sub-risks which are the main sub-risks of an insurance company: underwriting risk, market risk, counterparty risk and operational risk.

The aim is to maintain an adequate level of solvency. When determining the adequate level of solvency, the risk profile, the results of capital planning for the coming years at the Company at an individual level, the minimum levels required by the regulations and the existing criteria and regulations for optimal capital management were all taken into consideration. The Company's solvency ratio was 186% in 2021 and 213% in 2020, taking into account the distribution of the extraordinary dividend charged to reserves of 120 million euros.

5. Property, plant and equipment and investment property

a) Property, plant and equipment

At 31 December 2021 and 2020, the balances of property, plant and equipment in the accompanying balance sheets and the changes therein the years mentiones break down as follows:

	Land	Buildings	Plant	IT equipment	Furniture and other property, plant and equipment	Assets in course of construction	Total property, plant and equipment
Cost at 31.12.20	**16,965**	**23,417**	**16,874**	**21,777**	**5,472**	**507**	**85,012**
Additions	-	-	856	2,134	70	98	3,158
Retirements	-	-	-	(9,208)	-	-	(9,208)
Transfers	-	394	113	-	-	(507)	-
Cost at 31.12.21	**16,965**	**23,811**	**17,844**	**14,703**	**5,472**	**98**	**78,962**
Accumulated depreciation at 31.12.20	**-**	**(6,364)**	**(12,312)**	**(19,137)**	**(3,629)**	**-**	**(41,442)**
Additions	-	(471)	(945)	(1,296)	(321)	-	(3,033)
Retirements	-	-	-	9,202	-	-	9,202
Accumulated depreciation at 31/12/21	**-**	**(6,835)**	**(13,257)**	**(11,231)**	**(3,950)**	**-**	**(35,273)**
Impairment allowances at 31.12.20	**(2,115)**	**-**	**-**	**-**	**-**	**-**	**(2,115)**
Application (allowance) in the period	-	-	-	-	-	-	-
Impairment allowances at 31.12.21	**(2,115)**	**-**	**-**	**-**	**-**	**-**	**(2,115)**
Carrying amount at 31/12/2021	**14,850**	**16,976**	**4,586**	**3,472**	**1,592**	**98**	**41,574**

	Land	Buildings	Plant	IT equipment	Furniture and other property, plant and equipment	Assets in course of construction	Total property, plant and equipment
Cost at 31.12.19	**14,143**	**20,039**	**14,338**	**22,972**	**5,618**	**8,900**	**86,010**
Additions	-	231	239	1,377	61	507	2,415
Retirements	-	-	-	(2,572)	(841)	-	(3,413)
Transfers	2,822	3,147	2,297	-	634	(8,900)	-
Cost at 31.12.20	**16,965**	**23,417**	**16,874**	**21,777**	**5,472**	**507**	**85,012**
Accumulated depreciation at 31.12.19	**-**	**(5,896)**	**(11,328)**	**(20,436)**	**(3,319)**	**-**	**(40,979)**
Additions	-	(468)	(984)	(1,609)	(307)	-	(3,368)
Retirements	-	-	-	2,905	-	-	2,905
Accumulated depreciation at 31.12.20	**-**	**(6,364)**	**(12,312)**	**(19,137)**	**(3,626)**	**-**	**(41,442)**
Impairment allowances at 31.12.19	**(1,263)**	**-**	**-**	**-**	**-**	**-**	**(1,263)**
Application (allowance) in the period	**(851)**	-	-	-	-	-	(851)
Impairment allowances at 31.12.20	**(2,114)**	**-**	**-**	**-**	**-**	**-**	**(2,114)**
Carrying amount at 31.12.2020	**14,851**	**17,053**	**4,562**	**2,637**	**1,846**	**507**	**41,456**

As of 31 December 2020, the Company had registered 507 thousand euros as assets under construction, corresponding to a new building acquired by the Company. The asset was capitalised in 2021.

2021 individual financial statements (Expressed in thousands of euros)

During the 2021 financial year, 9,208 euros of equipment for information processing were derecognised. In 2020, the Company derecognised certain fixed assets.

At 31 December 2021 no impairment losses had been recognised.

At year-end 2020, the Group ran the corresponding impairment test, taking into consideration the changes in assumptions due to the uncertainties caused by the spread of COVID-19 and its impact on the recoverable amount of the assets. As part of this valuation, the Group assumed that the current situation, and therefore business indicators, would return to normality or near normality in 2021.

At 31 December 2020, as a result of the COVID-19 health crisis and the downturn in economic activity, impairment losses of € 851 thousand were recognised on property assets under "Impairment of property, plant and equipment and investment property" in the consolidated statement of profit or loss.

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

Fully depreciated items of property, plant and equipment assets still in use at 31 December 2021 and 2020 amounted to:

	2021	2020
Plant	9,299	8,656
IT equipment	8,265	16,357
Furniture and other property, plant and equipment	2,416	2,391
	19,980	**27,404**

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

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

The fair value of property, plant and equipment was as follows at 31 December 2021 and 2020 as determined by an authorised property valuation company (see Note 4 b):

	2021				
Description	**Cost value**	**Accumulated depreciation**	**Impairment**	**Net carrying amount**	**Market value**

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Land and buildings at I. Newton, 7 (Tres Cantos)	4,958	1,823	-	3,135	11,231
Land and buildings at I. Newton, 9 (Tres Cantos)	7,371	1,345	-734	5,292	5,369
Land and buildings at Ronda Europa, 7 (Tres Cantos)	21,853	-3,528	-1,275	17,050	17,287
Land and buildings at Torres Quevedo, 1 (Tres Cantos)	6,593	-137	-105	6,351	6,026
	40,775	**-6,833**	**-2,114**	**31,828**	**39,913**

			2020		
Description	**Cost value**	**Accumulated depreciation**	**Impairment**	**Net carrying amount**	**Market value**
Land and buildings at I. Newton, 7 (Tres Cantos)	4,958	(1,737)	-	3,221	11,231
Land and buildings at I. Newton, 9 (Tres Cantos)	7,371	(1,268)	(734)	5,369	5,369
Land and buildings at Ronda Europa, 7 (Tres Cantos)	21,853	(3,291)	(1,275)	17,287	17,287
Land and buildings at Torres Quevedo, 1 (Tres Cantos)	6,200	(68)	(105)	6,027	6,026
	40,382	**(6,364)**	**(2,114)**	**31,904**	**39,913**

The market value is based on the comparison method (based on the replacement principle), which values property assets by comparison with other property values on the market and, on the basis of concrete information on actual transactions and firm offers, derives current cash purchase prices for these properties on the basis of homogenisation coefficients.

b) Investment property

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

The following table shows changes in this heading in 2021 and 2020.

	Land	**Buildings**	**Total investment property**
Cost at 31.12.20	**940**	**1,407**	**2,347**
Additions	-	-	-
Retirements	-	-	-
Cost at 31/12/21	**940**	**1,407**	**2,347**
Accumulated amortisation at 31.12.20	**-**	**(259)**	**(259)**
Additions	-	(28)	(28)
Retirements	-	-	-
Accumulated amortisation at 31/12/21	**-**	**(287)**	**(287)**
Impairment allowances at 31.12.20	**(137)**	**-**	**(137)**
Allowance in the period	-	-	-
Amounts utilised in the period	-	-	-
Impairment allowances at 31/12/21	**(137)**	**-**	**(137)**
Carrying amount at 31/12/2021	**803**	**1,120**	**1,923**

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

Details of fair value at 31 December 2021 and 2020 are as follows:

			2021		
Description	**Cost value**	**Accumulated depreciation**	**Impairment**	**Net carrying amount**	**Market value**
Land and Constructions in Avda. El Sol, 9 (Torrejón de Ardoz)	2,347	(287)	(137)	1,923	1,951
	2,347	**(287)**	**(137)**	**1,923**	**1,951**

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

The rent paid to the subsidiary Centro Avanzado de Reparaciones CAR, S.L.U. for the lease of this property amounted to 100 thousand euros in 2021 (99 thousand euros in 2020), as recognised under "Income from investment property" in the technical statement of profit or loss.. The last appraisal of the property was carried out on November 19, 2020.

All properties were insured against the risk of fire and third-party liability in 2021 and 2020.

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6. Intangible assets

At 31 December 2021 and 2020 the balance of this heading related entirely to software. Changes in 2021 and 2020 are as follows:

Thousand euro	Software	Assets in course of construction	Total intangible assets
Cost at 31.12.20	**94,319**	**22**	**94,341**
Additions	4,042	2,304	6,346
Retirements	(5,709)	-	(5,709)
Transfers	22	22	-
Cost at 31/12/21	**92,675**	**2,304**	**94,979**
Accumulated amortisation at 31.12.20	**(81,779)**	**-**	**(81,779)**
Additions	(4,705)	-	(4,705)
Retirements	5,566	-	5,566
Accumulated amortisation at 31/12/21	**(80,918)**	**-**	**(80,918)**
Accumulated impairment losses	**-**	**-**	**-**
Carrying amount at 31/12/2021	**11,757**	**2,304**	**14,061**

Thousand euro	Software	Assets in course of construction	Total intangible assets
Cost at 31.12.19	**92,449**	**102**	**92,551**
Additions	5,591	4	5,595
Retirements	(3,805)	-	(3,805)
Transfers	84	(84)	-
Cost at 31.12.20	**94,319**	**22**	**94,341**
Accumulated amortisation at 31.12.19	**(80,969)**	**-**	**(80,969)**
Additions	(813)	-	(813)
Retirements	3	-	3
Accumulated amortisation at 31.12.20	**(81,779)**	**-**	**(81,779)**
Accumulated impairment losses	**-**	**-**	**-**
Carrying amount at 31.12.2020	**12,456**	**22**	**12,562**

The additions recognised in 2021 and 2020 mainly relate to technological developments and the purchase of software licences.

Fully amortised intangible assets at 31 December 2021 and 2020 amounted to 70,764 thousand euros and 72,792 thousand euros, respectively. At 31 December 2020 and 2019, there were no intangible assets subject to guarantees or reversion events.

At 31 December 2021 and 2020 there were no intangible assets subject to guarantees or reversals.

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7. Other assets

The following table provides a breakdown of this heading at 31 December 2021 and 2020.

	2021	2020
Aquisition expenses	87.219	83.055
Accruals	8.558	9.514
	95.777	**92.569**

Deferred acquisition expenses relate to expenses directly attributable to the collection of premiums that accrue annually over the term of the policy, mainly commission expenses and marketing expenses.

Deferred acquisition expenses are recognised in accordance with the accounting principles explained in Note 4 c). Changes in 2021 and 2020 are as follows:

	2021	2020
Balance at the beginning of the year	83,055	84,469
Additions	87,219	83,055
Retirements	(83,055)	(84,469)
Balance at the end of the year	**87,219**	**83,055**

Additions shows acquisition expenses for the year that are to be accrued in the following year, in correlation with the income earned from premiums written in each year. Unearned premium income corresponds to the unearned premium provision at that date. Retirements for each year relate to the derecognition of accrued acquisition expenses from the previous year.

The "Accruals" subheading mainly includes accrued and unexpired explicit interest on bank deposits and fixed income investments available for sale for 7,059 thousand euros (9,360 thousand euros in 2020). It also includes the cost of certain services paid in advance and that will accrue during the year 2021 for an amount of 1,499 thousand euros (149 thousand euros in 2020).

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8. Overview of the Company and its activities

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

8.1.1 Information related to the balance sheet

Financial assets and liabilities fell into the following categories at the end of 2021 and 2020:

Financial assets	Cash and cash equivalents	Available-for-sale financial assets		Loans and receivables	Holdings in group companies and associates	Total
		At fair value	At cost			
Equity instruments:	**-**	**125,734**	**6**	**-**	**65,785**	**191,525**
- Financial investments in capital	-	49,508	6	-	65,785	115,299
- Units/interests in mutual funds	-	76,226	-	-	-	76,226
- Units/interests in private equity funds	-	-	-	-	-	-
- Other equity instruments	-	-	-	-	-	-
Debt securities:	**-**	**703,960**	**-**	**-**	**-**	**703,960**
- Fixed-income securities	-	703,960	-	-	-	703,960
- Other debt securities	-	-	-	-	-	-
Derivatives	-	-	-	-	-	**-**
Loans:	**-**	**-**	**-**	**22,981**	**-**	**22,981**
- Loans and advances on policies	-	-	-	-	-	-
- Loans to group companies	-	-	-	22,981	-	22,981
- Mortgage loans	-	-	-	-	-	-
- Other loans	-	-	-	-	-	-
Deposits with credit institutions	**-**	**-**	**-**	**-**	**-**	**.**
Deposits posted on accepted reinsurance	-	-	-	-	-	**-**
Receivables on direct insurance business:	**-**	**-**	**-**	**53,538**	**-**	**53,538**
Policyholders:	-	-	-	53,538	-	53,538
- Premium payments outstanding	-	-	-	54,472	-	54,472
- Provision for outstanding premiums	-	-	-	(934)	-	(934)
Receivables on reinsurance business:	**-**	**-**	**-**	**7,969**	**-**	**7,969**
- Outstanding balances with reinsurers	-	-	-	7,969	-	7,969
- Provision for impairment of balances subject to reinsurance	-	-	-	-	-	-
Receivables for operations from coinsurance:	-	-	-	-	-	**-**
- Outstanding balances with co-insurers	-	-	-	-	-	-
- Provision for impairment of balances subject to coinsurance	-	-	-	-	-	-
Called up share capital	-	-	-	-	-	**-**
Other receivables:	**-**	**-**	**-**	**46,393**	**-**	**46,393**
- Tax and social security receivable	-	-	-	1,040	-	1,040
- Other receivables	-	-	-	45,353	-	45,353
Other financial assets	-	-	-	**-**	**-**	**-**
Cash	**98,911**	**-**	**-**	**-**	**-**	**98,911**
Balance at 31 December 2021	**98,911**	**829,694**	**6**	**130,881**	**65.785**	**1,125,277**

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Financial assets	Cash and cash equivalents	Available-for-sale financial assets		Loans and receivables	Holdings in group companies and associates	Total
		At fair value	At cost			
Equity instruments:	**-**	**109,667**	**6**	**-**	**60,064**	**169,737**
- Financial investments in capital	-	44,348	6	-	60,064	104,418
- Units/interests in mutual funds	-	65,319	-	-	-	65,319
- Units/interests in private equity funds	-	-	-	-	-	-
- Other equity instruments	-	-	-	-	-	-
Debt securities:	**-**	**781,860**	**-**	**-**	**-**	**781,860**
- Fixed-income securities	-	781,860	-	-	-	781,860
- Other debt securities	-	-	-	-	-	-
Derivatives	-	-	-	-	-	**-**
Loans:	**-**	**-**	**-**	**26,033**	**-**	**26,033**
- Loans and advances on policies	-	-	-	-	-	-
- Loans to group companies	-	-	-	26,033	-	26,033
- Mortgage loans	-	-	-	-	-	-
- Other loans	-	-	-	-	-	-
Deposits with credit institutions	**-**	**-**	**-**	**-**	**-**	**.**
Deposits posted on accepted reinsurance	-	-	-	-	-	**-**
Receivables on direct insurance business:	**-**	**-**	**-**	**54,413**	**-**	**54,413**
Policyholders:	-	-	-	54,413	-	54,413
- Premium payments outstanding	-	-	-	55,678	-	55,678
- Provision for outstanding premiums	-	-	-	(1,265)	-	(1,265)
Receivables on reinsurance business:	**-**	**-**	**-**	**5,086**	**-**	**5,086**
- Outstanding balances with reinsurers	-	-	-	5,086	-	5,086
- Provision for impairment of balances subject to reinsurance	-	-	-	-	-	-
Receivables on co-insurance business:	-	-	-	-	-	**-**
- Outstanding balances with coinsurers	-	-	-	-	-	-
- Provision for impairment of balances subject to coinsurance	-	-	-	-	-	-
Called up share capital	-	-	-	-	-	**-**
Other receivables:	**-**	**-**	**-**	**38,929**	**-**	**38,929**
- Tax and social security receivable	-	-	-	1,118	-	1,118
- Other receivables	-	-	-	37,811	-	37,811
Other financial assets	-	-	-	**-**	**-**	**-**
Cash	**141,646**	**-**	**-**	**-**	**-**	**141,646**
Balance at 31 December 2020	**141,646**	**891,527**	**6**	**124,461**	**60,064**	**1,217,704**

Financial liabilities	Debt and accounts payable		Hedging derivatives	
	2021	2020	2021	2020
Due on direct insurance business	**2,526**	**2,921**	**-**	**-**
- Due to policyholders	1,939	1,893	-	-
- Due to agents, brokers and intermediaries	587	1,028	-	-
- Conditional claims	-	-	-	-
Due on reinsurance business:	**1,244**	**981**	**-**	**-**
Other debts	**156,101**	**158,199**	**-**	**-**
- Tax and social security payable	16,694	13,719	-	-
- Due to group companies and associates (Notes 5, 13 and 15)	364	1,262	-	-
- Other payables (Note 13)	139,043	143,218	-	-
Hedging derivatives	**-**	**-**	**8,922**	**15,167**
Total	**159,871**	**162,101**	**8,922**	**15,167**

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The classification of financial assets by maturity, for those with a given or determinable maturity for each asset category, was as follows at 31 December 2021 and 2020:

	Financial assets						
	2022	2023	2024	2025	2026	Subsequent periods	Total
Investments in group companies and associates	**3,229**	**363**	**18,663**	**363**	**363**	**-**	**22,981**
- Loans to group companies (Note 15)	3,229	363	18,663	363	363	-	22,981
- Debt securities (Note 15)	-	-	-	-	-	-	-
Other financial investments:	**42,999**	**112,349**	**50,679**	**58,554**	**104,634**	**334,745**	**703,960**
- Debt securities	42,999	112,349	50,679	58,554	104,634	334,745	703,960
- Deposits with credit institutions	-	-	-	-	-	-	-
31 December 2021	**46,228**	**112,712**	**69,342**	**58,917**	**104,997**	**334,745**	**726,941**

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

Receivables on insurance operations for December 2021 and 2020 mature in 2022 and 2021, respectively.

The debts shown under financial liabilities as at 31 December 2021 and 2020 mature in 2022 and 2021, respectively.

8.1.1.1 Available-for-sale financial assets

At the end of 2021 and 2020, this heading showed 49,514 thousand euros and 44,354 thousand euros in shares, respectively, together with units and interests in investment and private equity funds amounting to 76,226 thousand euros and 65,319 thousand euros, respectively.

The total investment in equities included the sum of 9,950 thousand euros at 31 December 2021 (10,000 thousand euros in 2020) in two listed real estate investment trusts in which a Bankinter Group financial institution holds a stake.

It also includes 703,960 and 781,860 thousand euros, respectively, corresponding to fixed income securities.

At the end of 2021 and 2020, there were no impairment losses due to credit risk or the impairment of assets under this heading.

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The amount of accrued and non-overdue interest on fixed income assets under this heading amounts to 7,058 thousand euros at the end of 2021 (9,360 thousand euros at the end of 2020) and is included under the heading "Other assets -Accruals" of the assets of the attached balance sheet. The average return on the fixed income portfolio in 2021 was 2.06% (2.34% in 2020).

8.1.1.2 Loans and receivables

a) Loans to group companies and associates

This heading breaks down as follows at 31 December 2021 and 2020:

	2021	2020
Loans to companies		
Loan to LDActivos, S.L.U.	18,300	15,300
Loan to Centro Avanzado de Reparaciones, CAR, S.L.U.	1,817	2,181
Loans to LD Asistencia, S.L.U.	1,578	7,486
Loans to LDActivos, S.L.U.	1,040	1,145
Créditos Ámbar Medline, S.L.U.	(3)	11
Loans to Moto Club LDA, S.L.U.	12	11
Loans to Centro Avanzado de Reparaciones, CAR, S.L.U.	133	(198)
Loans to LDA Reparaciones, S.L.U.	104	97
Balance at 31 December	**22,981**	**26,033**

In July 2014, the Company granted its subsidiary LDActivos, S.L.U. a loan of 19,300 thousand euros for the acquisition in cash of a property the latter company intended to lease out as part of its corporate purpose. In November 2020, the partial repayment of this loan was carried out for an amount of 4,000 thousand euros, leaving the principal at 15,300 thousand euros. In December 2021 the loan was extended by 3,000 thousand euros, leaving a new principal amount of 18,300 thousand euros bearing interest at three per cent per annum, payable monthly, with a repayment period of up to ten years, and the lender may repay the loan early. The Company's directors consider that this loan will be repaid in full before the contract expires, as the Company, as sole shareholder, had undertaken to provide its subsidiary with all the liquidity needed to repay the loan.

In 2021, the interest income on this loan amounted to 466 thousand euros (567 thousand euros in 2020), as recognised under "Income from property, plant and equipment and investments – Income from investment property" in the accompanying technical account for non-life insurance. All such interest had been collected at 31 December 2021.

The loan granted to Centro Avanzado de Reparaciones CAR, S.L.U. is a participation loan signed on 21 July 2011, with a principal of 1,232 thousand euros. On 19 April 2018, an agreement was signed to extend this loan by a further 600 thousand euros. The loan was then ended for a further 1,560 thousand euros in May 2020. A total balance of 1,817 thousand euros remained outstanding at 31 December 2021, subject to the same 10-year term with interest consisting of a fixed component

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(Euribor + 1 percentage point) and a variable component (8% of pre-tax profits obtained by the borrower, payable from when there is no impairment). A fixed amount of 363 thousand euros in principal will be repaid at the end of each year.

Changes in the balances of this loan in 2021 and 2020 are as follows:

	2021	2020
Balance at the beginning of the year	**2,181**	820
Additions	-	1,560
Repayments	(364)	(199)
Balance at the end of the year	**1,817**	**2,181**

At 31 December 2021 there was a total of 4 thousand euros in outstanding accrued interest (5 thousand euros at 31 December 2020).

Loans to LD Asistencia, S.L.U., LDActivos, S.L.U., Ámbar Medline, S.L.U., Moto Club LDA, S.L.U., Centro Avanzado de Reparaciones CAR, S.L.U. and LDA Reparaciones, S.L.U., correspond to the outstanding balances of these entities with the Tax Consolidation Group 485/15 of which Línea Directa Aseguradora is the Parent Company, see note 17. These amounts do not accrue interest and will be settled after the final corporate income tax settlement of the tax consolidation group.

b) Receivables on direct insurance business

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

The correction for impairment of the premiums pending collection is calculated according to the criteria established by the Accounting Plan of Insurance Entities in its second section "registration and valuation rules" taking into account the age of the outstanding payments and the experience for the tranche between zero and three months, the outstanding payments with an age of between three and six months are provisioned for impairment at 50% of their value, while those over six months are provisioned at 100%. The amount of outstanding payments with an age of more than three months has a non-significant amount.

Details of the items under this heading at year-end 2021 and 2020 are as follows:

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	Receivable from policyholders	Impairment adjustment	Total
Balance at 31 December 2021	54,472	(934)	53,538
Balance at 31 December 2020	55,678	(1,265)	54,413

c) Receivables and payables on reinsurance business

This heading contains the receivables from and payables to reinsurers at year-end, broken down by type of reinsurance as follows (see note 13 of these notes in relation todebts):

	2021		2020	
	Receivable	Payable	Receivable	Payable
Reinsurance – Penalties and other guarantees	-	827	-	682
Reinsurance XL	-	417	-	299
Quota share reinsurance	7,969	-	5,086	-
	7,969	**1,244**	**5,086**	**981**

The receivables and payables for the Reinsurance Quota Part correspond to the health business.

d) Other receivables

	2021	2020
Tax and social security receivable	1,040	1,118
Bonds and deposits	17	17
Receivables from recoveries and claims	42,920	34,955
Receivables under claim settlement agreements	1,743	1,661
Sundry receivables	144	278
Receivable from group companies and associates (Note 15)	529	900
	46,393	**38,929**

The sub-heading "Receivables from recoveries and claims" corresponds to the balances to be recovered for claims, whose recoverability is sufficiently guaranteed at the end of the year. The analysis to establish the guarantee of the balance to be recovered is carried out individually for each claim taking into account the objective circumstances that occurred in the processing of the same, such as: Acceptance of fault by the opposing company, favourable court rulings, etc. The amount recorded in 2021 amounts to 42,920 thousand euros (34,955 thousand euros in 2020) and is significantly higher than the previous year due to the decrease in accidents caused by the effects of covid-19 during 2020 (see note 18) returning to balances similar to pre-pandemic years.

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This sub-heading includes both the recoveries that come from recoveries of agreement claims modules, in which the insured party of the Company is innocent (22,372 thousand euros in 2021 and 15,623 thousand euros in 2020) and the recoveries that come from claims that are not of agreement for the amount of (20,548 thousand euros in 2021 and 19,332 thousand euros in 2020).

8.1.1.3 Holdings in group companies and associates

At 31 December 2021 and 2020, the Company owned 100% of the share capital of its subsidiaries. This heading of the accompanying balance sheets at 31 December 2021 and 2020, including the relevant carrying amounts, breaks down as follows:

		2021			
Subsidiary	**Carrying amount of the holding**	**Capital and share premium**	**Reserves**	**Profit/(loss) for the year**	**Dividends paid**
Línea Directa Asistencia, S.L.U.	418	30	16,178	2,472	2,500
Moto Club LDA, S.L.U.	3	3	98	20	-
Centro Avanzado de Reparaciones CAR, S.L.U.	2,103	600	1,016	167	-
Ambar Medline, S.L.U.	303	303	105	5	-
LDActivos, S.L.U.	63,634	63,634	12,705	1,848	-
LDA Reparaciones, S.L.U.	300	300	168	166	-
Impairment on holdings in related parties	(976)	-	-	-	-
Total	**65,785**	**64,870**	**30,270**	**4,678**	**2,500**

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

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On 12 May 2021, the General Shareholders' Meeting of LDA Activos S.L.U., of which the Company is the Sole Shareholder, approved a capital increase amounting to 7,000 thousand euros, leaving the Capital and Issue Premium at 63,634 thousand euros at the end of 2021 (56,634 in 2020). On 24 September 2021, the Sole Partner of Ambar Medline, S.L.U decided to make a capital reduction with the aim of partially returning the contributions of said Sole Partner through the proportional amortisation of shares, leaving the share capital after the reduction at 303 thousand euros.

A provision for impairment of the investment held in Centro Avanzado de Reparaciones CAR, S.L.U. was recognised at 31 December 2021 for a total of 976 thousand euros (1,144 thousand euros at 31 December 2020). Changes in the provision were as follows:

	2021	2020
Balance at the beginning of the year	1,144	559
Allowances	-	585
Amounts utilised	167	-
Balance at the end of the year	**977**	**1,144**

In 2021, the subsidiary Línea Directa Asistencia, S.L.U. granted a dividend of 2,500 thousand euros charged to its unrestricted reserves (12,000 thousand euros in 2020). These dividends are recorded under the heading "Income from property, plant and equipment and investments – Income from financial property" in the accompanying non-technical account.

8.1.1.4 Hedging derivatives

The Company has included two swaps under this heading, the value of which amounted 8,922 thousand euros at 31 December 2021 (15,167 thousand euros at 31 December 2020).

				2021		
Item	**Initial value**	**Accumulated impairment**	**Impairment adjustment**	**Valuation adjustment**	**Purchases/Sales**	**Final value**
SWAP	15,167	-	-	(6,245)	-	8,922
Total	**15,167**	**-**	**-**	**(6,245)**	**-**	**8,922**

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

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

The following table shows the type of contracts guaranteed:

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Type of asset	Counterparty	Number of contracts	Carrying amount	Market value	Nominal value	Rate	Currency
Current account	BBVA S.A.	1	15,565	15,565	15,565	**ESTR**	**EUR**
Subtotal – Current Account			**15,565**	**15,565**	**15,565**	**ESTR**	**EUR**
Swaps	BBVA S.A.	1	(5,970)	(5,970)	(5,970)		**EUR**
	BBVA S.A.	1	(2,952)	(2,952)	(2,952)		**EUR**
Subtotal – Swaps			**(8,922)**	**(8,922)**	**(8,922)**		**EUR**
Total			**6,643**	**6,643**	**6,643**		**EUR**

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

At 31 December 2021, 8,922 thousand euros are recognised under "Hedging derivatives" on the liability side of the balance sheet (15,167 thousand euros at 31 December 2020), corresponding to two swaps. The Company with which this contract has been signed relies on the clearing house to calculate the current value of the outstanding flows between the two parties.

The hedged element consists of the payment of coupons for 2.35% of an SPGB bond for 25,000 thousand euros per year until their maturity on 30 July 2033 and 2.45% of a BTPS bond over 50,000 thousand until its maturity on 1 September 2033. In return, the Company receives collections of euribor6m+0.94% on 25,000 thousand euros from the SPGB bond until its maturity on 30 July 2033 and the Euribor6m+1.03% on 50,000 thousand euros from the BTPS bond until its maturity on 1 September 2033.

The positions have not been reduced or increased during the period.

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

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

Investment income	Cash and cash equivalents	Loans and receivables	Available-for-sale assets	Property, plant and equipment and investment property	Group companies and associates	Total
Interest on fixed-income securities	-	-	18,774	-	-	18,774
Income on equity instruments	-	-	7,159	-	-	7,159
Derivatives revenue	-	-	374	-	-	374
Interest on loans with group companies (Note 15)	-	475	-	-	-	475
Interest on current accounts	-	-	-	-	-	-
Interest on bank deposits	-	591	-	-	-	591
Effect of change in investment value	-	-	-	-	167	167
Income from premium instalments	-	4,503	-	-	-	4,503
Income from investment in property, plant and equipment	-	-	-	164	-	164
Income from investments in group companies (note 15)	-	-	-	-	2,500	2,500
Gains on realisation of investments	-	-	8,652	21	-	8,673
Profits from the valuation of derivatives	-	-	13,480	-	-	13,480
Positive exchange differences	-	-	42	-	-	42
Balance at 31 December 2021	**-**	**5,569**	**48,481**	**185**	**2,667**	**56,902**

Expenses from property, plant and equipment and investments	Available-for-sale assets	Property, plant and equipment and investment property	Non-current dividends payable	Other	Total
Investment costs					
Fixed income valuation	3,530	-	-	-	3,530
Equity valuation	748	-	-	-	748
Derivative valuation	-	-	-	13,480	13,480
Depreciation of investment property	-	28	-	-	28
Provision for investment impairment	-	-	-	-	-
Long-term discounting of interest and dividends	-	-	-	-	-
Negative exchange difference	191	-	-	-	191
Derivative financial expenses	-	-	-	1,807	1,807
Investment management expenses and other	-	6	-	2,106	2,112
Balance at 31 December 2021	**4,469**	**34**	**-**	**17,393**	**21,896**

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

Expenses from property, plant and equipment and investments	Available-for-sale assets	Property, plant and equipment and investment property	Non-current dividends payable	Other	Total
Investment costs					
Fixed income valuation	38,291	-	-	-	38,291
Depreciation of investment property	-	28	-	-	28
Provision for investment impairment	-	851	-	585	1,436
Long-term discounting of interest and dividends	-	-	-	-	-
Negative exchange difference	-	-	-	-	-
Investment management expenses and other	4,987	508	-	1,884	7,379
Balance at 31 December 2020	**43,278**	**1,387**	**-**	**2,469**	**47,134**

The "fixed income valuation" heading under Assets Available for Sale includes the monthly valuation differences of the hedge derivative operation during the year. The positive monthly differences are shown in the Income from investments table and the negative differences in the Expenditure for property, plant and equipment and investments table.

At 31 December 2021 and 2020, the balance of "Income from investments in property, plant and equipment" in the above table included 100 thousand euros in income from the lease arranged with group company Centro Avanzado de Reparaciones CAR, S.L.U. (see Note 15).

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

Market risk

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

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

Credit risk

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

The rating of the debt securities classified in the "available for sale" portfolio is an average rating of that assigned to the issuer by three of the main rating agencies (Moody's, Fitch and DBRS) and presents the following classification at the end of 2021 and 2020:

RATING – "Available for sale" portfolio	2021	2020
AAA	6,325	3,057
AA	10,031	7,329
A	288,382	337,933
BBB	359,858	376,997
BB	27,803	20,451
B	-	5,886
N/R	11,561	30,207
Total	**703,960**	**781,860**

The non-rated positions are mainly composed of promissory notes amounting to 900 thousand euros (19,686 thousand euros) and representative securities whose issuer does not have a rating, but which nevertheless have an issue rating appropriate to the Group's investment policies.

Liquidity risk

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

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

Currency risk

At 31 December 2021, the Company had a foreign currency position of 47,674 thousand euros (31 December 2020: 27,942 thousand euros). They relate to direct investments in financial instruments quoted in those currencies and there is no currency hedging whatsoever.

9. Cash and cash equivalents

The composition of cash and cash equivalents at credit institutions, cheques and cash on hand at 31 December 2021 and 2020 is as follows:

	2021	2020
Cash at credit institutions (Note 8.1.1)	98,910	140,154
Cash on hand (Note 8.1.1)	1	1
Financial instruments maturing within 3 months	-	1,491
	98,911	**141,646**

Of the total balance of cash at banks at 31 December 2021 and 2020, a total of 63,334 thousand euros and 53,606 thousand euros, respectively, was held at Bankinter, S.A. (see Note 15).

As at 31 December 2021 and 2020, a current account is pledged in favour of a reinsurer for the amount of 2,100 thousand euros to guarantee the fulfilment of contractual obligations. The remaining amount of cash and cash equivalents is subject to no further restriction on its use and disposal.

The interest rate on the Company's current accounts is negotiated with each bank, and did not accrue yields for 2021 and 2020, except for the US dollar current account, which yielded 0.18% for 2021 (between 0.17% and 1.65% in 2020).

10. Technical provisions

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The following table shows changes in 2021 and 2020 in each of the technical provisions shown in the accompanying balance sheets.

	Provision for unearned premiums	Provision for claims (*)	Provision for unexpired risks
Direct insurance			
Balance at 31 December 2020	446,423	271,541	4,622
Allowances	449,740	291,657	3,280
Amounts utilised	(446,423)	(271,541)	(4,622)
Balance at 31 December 2021	**449,740**	**291,657**	**3,280**
Ceded and retroceded reinsurance			
Balance at 31 December 2020	3,705	8,772	-
Allowances	4,280	15,873	-
Amounts utilised	(3,705)	(8,772)	-
Balance at 31 December 2021	**4,280**	**15,873**	**-**

	Provision for unearned premiums	Provision for claims (*)	Provision for unexpired risks
Direct insurance			
Balance at 31 December 2019	443,115	283,555	6,115
Allowances	446,423	271,541	4,622
Amounts utilised	(443,115)	(283,555)	(6,115)
Balance at 31 December 2020	**446,423**	**271,541**	**4,622**
Ceded and retroceded reinsurance			
Balance at 31 December 2019	2,676	6,841	-
Allowances	3,705	8,772	-
Amounts utilised	(2,676)	(6,841)	-
Balance at 31 December 2020	**3,705**	**8,772**	**-**

(*) At the end of 2021 and 2020, this provision included 6,239 thousand euros and 6,620 thousand euros, respectively, as the provision for outstanding other insurance claims, a service provided by Línea Directa Asistencia, S.L.U. (see Note 15).

The provision for unexpired risks is there to supplement the provision for unearned premiums, if the latter is not enough to cover the cost of all the risks and expenses for which the insurance company is responsible over the period of coverage that has not elapsed upon reaching the end date of the financial year. In 2021, the Company recognised a total of 3,280 thousand euros for this item in the Health segment (4,622 thousand euros in 2020).

The development of the Company's benefit provision in 2021 without the reinsured and travel assistance guarantees, corresponding only to claims outstanding as at 31 December 2020, broken down by line of business, is as follows:

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	Provision at 31.12.2020	Net payments	Provision at 31/12/2021	Surplus (Deficit)
Motor, general liability insurance	173,104	94,571	72,978	5,555
Motor, other coverage	55,828	25,390	15,493	14,946
Home	20,492	14,218	6,267	7
Health	3,223	1,718	233	1,273
Total	**252,647**	**135,897**	**94,971**	**21,781**

Claims incurred but not reported (IBNR) are not included in the provision at the end of 2021 and 2020 for the Home segment but are included in the Motor segment, as the provision for outstanding, reported and unreported claims is calculated jointly using statistical methods.

The development of the Company's benefit provision in 2020 without reinsured guarantees and travel assistance, corresponding only to claims outstanding as at 31 December 2019, broken down by line of business, is as follows:

	Provision at 31.12.2019	Net payments	Provision at 31.12.2020	Surplus (Deficit)
Motor, general liability insurance	174,763	119,730	80,138	(25,105)
Motor, other coverage	67,236	35,409	21,818	10,009
Home	21,175	15,203	5,563	409
Total	**263,174**	**170,342**	**107,519**	**(14,687)**

Claims incurred but not reported (IBNR) are not included in the provision at the end of 2021 and 2020 in all the segments, as the provision for outstanding claims, reported and unreported claims is calculated jointly using statistical methods.

11. Pension commitments

Under the terms of the collective bargaining agreement for the industry, the Company is required to take out a collective life insurance policy for all of its employees. This policy has been externalised in the form of a risk insurance policy renewable annually. This agreement resulted in total accrued insurance premiums of 306 thousand euros in 2021 (447 thousand euros in 2020).

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

At present, only those employees hired before 1 January 2017 who have decided not to migrate to the new system provided for under the agreement remain adhered to the existing system. This agreement resulted in total accrued insurance premiums of 42 thousand euros in 2021 (21 thousand euros in 2020). The mathematical provision amounted to 214 thousand euros at 31 December 2021 (180 million euros at 31 December 2020). In 2021 there were rescues amounting to 10 thousand euros (3,357 in 2020), due to the mobilisation between plans.

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For employees hired on or after 1 January 2017 and those who have decided to avail themselves of the new system, the Company has externalised its obligations by arranging a defined contribution insurance policy covering more contingencies than the old system. Premiums accrued under this new policy totalled 708 thousand euros during the period (3,088 thousand euros in 2020), while a mathematical provision was 4,845 thousand euros (4,139 thousand euros in 2020). There were no bailouts in 2021 and 2020. The mobilisation of the rights of employees who decided to take advantage of the new system became effective in 2020.

The Company also has a collective insurance policy in effect to formalise its retirement pension commitments with certain members of Senior Management. These defined contribution policies are also externalised and regular contributions are made for the different members of the group. In 2021, this policy accrued premiums of 1,118 million euros and a mathematical provision of 11,677 million euros. In 2020, the policy accrued premiums of 1,420 thousand euros and its mathematical provision at year-end was 10,299 thousand euros. The contributions made to this policy are entirely voluntary for the Company and are made at the discretion of the Board of Directors.

The Company also has a defined contribution savings and retirement insurance policy in effect for members of Senior Management. This policy accrued premiums of 99 thousand euros in 2021 and its mathematical provision at year-end came to 595 thousand euros. In 2020, the policy accrued premiums of 111 thousand euros and its mathematical provision at year-end was 489 thousand euros.

12. Provision for payments under claim settlement agreements

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

The following changes occurred during the year:

	Carrying amount	
	2021	**2020**
Balance at the beginning of the year	16,174	21,968
Allowances (Note 21)	21,915	16,174
Amounts utilised (Note 21)	(16,174)	(21,968)
Balance at the end of the year	**21,915**	**16,174**

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13. Debt and accounts payable

The heading "Debts and accounts payables" breaks down as follows at 31 December 2021 and 2020:

	2021	2020
Due on direct insurance business	**2,526**	**2,921**
Due to policyholders	1,939	1,893
Due to agents, brokers and intermediaries	587	1,028
Conditional claims	-	-
Due on reinsurance business (Note 8.1.1.2)	**1,244**	**981**
Other debts:	**16,694**	**13,719**
Personal income tax withholdings payable	1,964	1,900
VAT payable	396	374
Social security payable	2,759	2,535
Insurance Compensation Consortium payable	1,496	1,427
Tax payable on insurance premiums	5,938	4,360
Other taxes payable	4,141	3,123
Due to group companies and associates (Note 15)	**364**	**1,262**
Other debts	**139,043**	**143,218**
On goods delivered and services rendered	20,054	20,733
On securities lending	115,306	115,730
Outstanding remuneration	3,683	6,755
	159,871	**162,101**

As at 31 December 2020, the balance of the "Debts with mediators" account of the previous table included an amount of 35 thousand euros with Ámbar Medline, S.L.U. As at 31 December 2021, there are no debts owed to Ambar Medlinea, S.L.U (see note 15).

Below is the composition of group company receivables:

	2021	2020
Dividend payable	-	-
Trade payables to group companies	340	1,238
Deposit with Centro Avanzado de Reparaciones, CAR, S.L.U.	24	24
Total	**364**	**1,262**

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As at 31 December 2021, the sub-caption "On securities lending" refers to the monetary guarantee received for a Public Debt repo transaction (assignment of Government Bonds with repurchase agreement) with a total carrying amount of 115,305 thousand euros including uncollected accrued interest and comprising two repos, one of Spanish Government securities and the other of Italian Government securities maturing on 10 January 2022. The counterparty to the transactions is BBVA bank. Guarantees on the transactions amount to 115,305 thousand euros. On 10 January 2022, the three repo operations with the same Spanish government securities were renewed, resulting in a new maturity date of 10 February 2022 at an average negative interest rate of 0.51% per annum. The counterparty to these transactions is Banco Santander S.A.

At 31 December 2020, the sub-heading "On securities lending" showed the monetary collateral received on a public debt repurchase transaction (assignment with repurchase agreement of government bonds) with a total carrying amount of 115,730 thousand euros, including uncollected accrued interest and comprising three repos on Spanish government securities maturing on 18 January 2021. The counterparty to the transactions is Banco BBVA. Guarantees on the transactions amount to 115,730 thousand euros. On 18 January 2021, the three repo operations with the same Spanish government securities were renewed, resulting in a new maturity date of 18 February 2021 at an average negative interest rate of 0.47% per annum. The counterparty to these transactions is Banco Santander S.A. . The carrying value of the transferred assets amounted to € 115,322 thousand.

Under the repo transactions described above, the Group retains both the risks and the rights of ownership of the asset. It therefore retains the contractual rights to receive the cash flows from the financial asset, but assumes the contractual obligation to pay the cash flows to BBVA under the terms of the agreement signed with the bank.

The “Outstanding remuneration” as at 31 December 2020 sub-heading includes a provision for the 2019-2021 three-year remuneration programme accrued from 1 January 2019 through to 31 December 2021. This remuneration programme includes the Group's senior management and key executives and aims to incentivise and motivate them to achieve medium-term strategic targets. The final target is based on net income from premiums written in 2020, on a scale of 0% to 150% achievement (from minimum income of 966 million euros to maximum income of 1,036 million euros). If the final target is met, the amount payable will be based on the degree of achievement of two objectives: the combined ratio and growth in written premium income above the average of the 20 largest non-life companies operating in the Spanish market. The maximum amount to be received was 16,673 thousand euros for the highest degree of achievement and the minimum would be zero.

As at 31 December 2020, the amount provisioned was 3,773 thousand euros, taking into account the performance of the indicators described in the previous paragraph and the possible updating of these indicators by the Appointments and Remuneration Committee before the end of the year, taking into account the exceptional circumstances generated by the pandemic, especially in premium income in general in the sector. Given that the aforementioned Appointments and Remuneration Committee has not changed the pre-established thresholds and that premium income in 2021 was 907 million euros, the achievement of the three-year bonus was 0%. Therefore, the 3,773 thousand euros provisioned at the end of 2020 have been reversed as lower expenses at the end of 2021.

Therefore, the "Outstanding remuneration" sub-heading does not include any provision for the triannual bonus but does include other recurring incentives, of an annual, quarterly and monthly nature pending payment for 3,683 thousand euros as at 31 December 2021 (2,512 thousand euros at December 2020).

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

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

	2021 Days	2020 Days
Average supplier payment period	17.94	21.45
Ratio of transactions paid	16.66	22.06
Ratio of transactions outstanding	8.82	20.47
	Amount (in thousand euro)	**Amount (in thousand euro)**
Total payments made	251,168	253,749
Total payments outstanding	6,722	3,666

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

The data shown in the table above on the average payment period to suppliers relate to trade payables on debts with suppliers of goods and services, excluding payments of claims in 2021.

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

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

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

14. Own Funds

Changes in the Company's equity in 2021 and 2020 are shown in the accompanying statements of changes in total equity.

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On 19 March 2020, the Board of Directors of Bankinter, S.A. approved the distribution in kind of the entire share premium —amounting to 1.184 billion euros— through the delivery to its shareholders of 82.6% of the share capital of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros, with the bank retaining a non-controlling financial interest of 17.4% in the Company. The Transaction was cleared on 22 March 2021 by the European Central Bank and by the Spanish Directorate General for Insurance and Pension Funds.

Prior to the admission of the Parent Company's shares to trading, on 5 April, the General Shareholders' Meeting approved an extraordinary dividend of 120 million euros payable to Bankinter. The Management Centre attached to the Directorate General for Insurance and Pension Funds analysed the proposal to distribute the extraordinary dividend and raised no objection to its implementation as it will have no material effect on the Company's future solvency or its ability to protect the rights and interests of policyholders.

On 15 April 2021, the National Securities Market Commission ("CNMV") approved and registered the prospectus relating to the shares of the Parent Company ("Informative Prospectus") in the corresponding official registry, with registration number 11157. Following the aforementioned distribution and approval of the prospectus, the Company's shares were subsequently admitted to trading on the continuous market on 29 April 2021 (Note 1).

Following the aforementioned distribution, the Company's shares were admitted to trading on the continuous market on 29 April 2021 (see Note 1).

On 19 March 2020, the Board of Directors of Bankinter, S.A. approved the distribution in kind of the entire share premium —amounting to 1,184 million euros— through the delivery to its shareholders of 82.6% of the share capital of Línea Directa Aseguradora, S.A., Compañía de Seguros y Reaseguros, with the bank retaining a non-controlling financial interest of 17.4% in the Company. Following the aforementioned distribution, the Company's shares were admitted to trading on the continuous market on 29 April 2021 (see Note 1).

On 18 March 2021, the Shareholders' Meeting of Línea Directa Aseguradora, S.A. resolved in a single act:

i. Changing the number of shares into which the share capital of the Company is divided, so that the share capital becomes divided into 1,088,416,840 shares.

ii. In accordance with the provisions of article 296 of the Capital Companies Law, increasing the share capital of the Company, charged to Voluntary and Free Disposal Reserves, on the basis of the consolidated financial statements closed on 31 December 2020, duly audited and approved by the general shareholders' meeting in resolution 1, for the amount of 6,024,673.60 euros, meaning that the share capital of the Company will be increased to 43,536,673.60 euros by increasing the nominal value of the shares to 0.005535263126 euros per share (taking into account the new number of shares approved, at the same time as this capital increase in the previous paragraph, resulting in a total of 1,088,416,840 with a nominal value of 0.04 euros).

The Company went from having 2,400,000 registered shares with a nominal value of 15.63 euros to 1,088,416,840 shares with a nominal value of 0.04 euros.

Name of shareholder	Amount of voluntary reserve to be netted	Shares that increase in par value	Numbering (both inclusive)			Final par value per share
Bankinter, S.A.	6,024,671.09 euros	1,088,416,386.00 euros	1	to	1,088,416,386	0.04 euros
Hispamarket, S.A.	2.51 euros	454.00 euros	1,088,416,386	to	1,088,416,840	0.04 euros
	6,024,673.60 euros	1,088,416,840.00 euros	-	to	-	

At 31 December 2021, the Parent's share capital amounted to 43,537 thousand euros and was represented by 1,088,416,840 registered shares, each having a par value of 0.04 euros, all fully subscribed for and paid up and conferring the same rights and obligations.

The shareholders of the Parent Company with a stake equal to or greater than 3% of the share capital as at 31 December 2021 and considered significant shareholders according to the regulations of the Securities Market are the following:

	Number of shares	%
Cartival	208,426,443	19.15%
Bankinter	189,550,907	17.42%
Fernando Masaveu Herrero	50,905,871	4.68%
Lazard Asset Management	34,778,950	3.20%

At 31 December 2021 and 2020, the Company had posted the minimum capital required under the Law on the Organisation and Supervision of Private Insurance to operate in authorised insurance segments.

a) Legal reserve

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

At 31 December 2021 and 2020 the balance of this reserve was above the minimum requirement.

b) Voluntary reserves

As at 31 December 2021 and 2020, the balance of these reserves is freely available and amounts to 112,192 and 111,555 thousand euros respectively.

c) Equalisation Reserve and interim dividend

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

As at 31 December 2021, the balance of this reserve was 107,582 thousand euros, net of the tax effect (107,582 thousand euros, net of the tax effect in 2020). No interim reserves were provided in 2021 (6,964 thousand euros in 2020).

The equalisation reserve must be provided in each financial year for the amount of the security surcharge included in the premiums written, with the minimum limit provided for in the technical bases in the branches of insurance that is mandatory. In the case of the Company, the endowment is mandatory in the field of Civil Liability Insurance in motor land vehicles for 2% of the premium written in this branch until reaching at least 35% of the risk premiums of own retention. At the end of 2020, the Company exceeded the regulatory limit and, based on historical experience, it was not considered necessary to increase this minimum limit.

This last limit will be increased when this is derived from the entity's own experience. For these purposes, within each risk or class, the buffer stock shall be taken as the limit.

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

	Equalisation reserve	Tax effect	Interim Equalisation Reserve
Balance at 31 December 2020	117,552	9,970	(6,964)
Allowances	-	-	-
Amounts utilised	-	-	6,964
Balance at 31 December 2021	**117,552**	**9,970**	**-**

	Equalisation reserve	Tax effect	Interim Equalisation Reserve

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

With regard to the dividends on account: The Board of Directors, at its meetings held on 29 June 2021, 23 September 2021 and 13 December 2021, agreed to the distribution of interim dividends of 2021 profits for a total amount of 77,664 thousand euros. As at 31 December 2021 there were no outstanding amounts.

d) Own shares

Since 29 April 2021, the date of the IPO, on which the Company was awarded 239,678 own shares in the exchange of Bankinter shares, it has made successive acquisitions, communicated to the CNMV to complete the full remuneration plan. As such, the number of treasury shares acquired by the Parent Company in 2021 was 795,643 shares at an average price of 1.57 euros, representing 0.11 % of the total number of shares issued (see Note 20). There were no own shares in 2020.

Changes in treasury shares are as follows:

Miles de euros	Coste de adquisición	Valor Nominal	Número de Acciones
Saldo a 1 de enero de 2021	**-**	**-**	**-**
Adiciones	1.247	32	795.643
Saldo a 31 de diciembre de 2021	**1.247**	**32**	**795.643**

The breakdown of own shares at the end of 2021 is as follows:

Fecha de adquisición	Tipo de adquisición	Títulos	Precio	Valor mercado (miles de euros)	Coste de adquisición (miles de euros)
29/04/2021	Canje	239.678	1,32	316	316
04/05/2021	Compra	186.570	1,61	300	300
06/05/2021	Compra	94.700	1,58	150	150
21/07/2021	Compra	64.332	1,77	114	114
22/07/2021	Compra	85.957	1,73	150	150
23/07/2021	Compra	59.702	1,74	104	104
26/07/2021	Compra	27.293	1,76	48	48
27/07/2021	Compra	23.183	1,75	41	41
28/07/2021	Compra	14.228	1,75	24	24
Total		**795.643**	**1,57**	**1.247**	**1.247**

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e) Valuation adjustments

The main item recognised off the statement of profit or loss is the valuation adjustments made to available-for-sale assets to reflect the amount of capital gains net of tax. Capital gains net of tax came to 43,366 thousand euros at 31 December 2021 (44,397 thousand euros in net gains at 31 December 2020).

f) Capital adequacy

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

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

The directors do not expect to encounter any significant obstacles that might impede the Company's compliance with regulatory solvency and minimum capital requirements and that might affect the application of the going concern principle and the continuity of the Company's operations. The directors have yet to draw up the solvency and financial condition report for 2021. The report for the financial year 2020 was approved by the Board of Directors at its meeting on 23 March 2021.

15. Related party transactions

"Related parties", in addition to the dependent and associated entities, are considered the "key personnel" of the Management of the Group (members of its Board of Directors and the Management Committee), as well as the shareholders who may directly or indirectly exercise control of the Group, as well as those or a significant influence on financial and operational decision-making as mentioned in ORDER EHA/3050/2004, of 15 September, on the information of the related transactions to be provided by companies issuing securities admitted to trading on official secondary markets.

Following the admission to listing of Línea Directa Aseguradora on 29 April 2021, the Bankinter Group and all the companies comprising that group are considered Significant Shareholders. Prior to that date, the Línea Directa Group was part of the Bankinter Group, which held a 99.99% stake. From the day of admission to trading until 30 June 2021, and as indicated in note 14, Bankinter's percentage of participation has been reduced to 17.42%, with no representative on the Group's Board of Directors since the date of IPO.

For the purposes of a better comparison of the information with related parties, the Bankinter Group companies have been considered as significant shareholders in both 2021 and 2020.

The following transactions were carried out with related parties:

a) Direct insurance transactions

2021

Direct insurance	Premiums	Committees	Claims
Subsidiaries of the Company			
Línea Directa Asistencia, S.L.U.	-	-	66,572
Centro Avanzado de Reparaciones CAR, S.L.U.	-	-	11,192
Ambar Medline, S.L.U.	-	155	-
LDA Reparaciones, S.L.U.	-	-	2,808
Significant shareholders			
Bankinter, S.A.	381	6,017	-
Bankinter S.A., Sucursal en Portugal	67	-	-
Bankinter Consumer Finance, S.L.U.	884	15	-
Evo Banco, S.A.U	-	7	
Total at 31 December 2020	**1,332**	**6,194**	**80,572**

2020

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

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

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

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b) Transactions due to services rendered and received

2021

	Expenses		Income	
Services rendered and received	**Services received**	**Interest and financial services**	**Services rendered**	**Finance income and leases**
Subsidiaries of the Company				
Línea Directa Asistencia, S.L.U.	2,754	-	144	2,500
Moto Club LDA, S.L.U.	-	-	3	-
Centro Avanzado de Reparaciones CAR, S.L.U.	28	-	1	109
LDA Reparaciones, S.L.U.	-	-	1	-
Ambar Medline, S.L.U.	-	-	8	-
LDActivos, S.L.U.	-	-	29	467
Significant shareholder				
Bankinter, S.A.	1,140	391	-	677
Bankinter Consumer Finance, S.L.U.	318	-	1,573	-
Bankinter, S.A. Sucursal em Portugal	20	-	-	-
Total at 31 December 2021	**4,260**	**391**	**1,759**	**3,753**

2020

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

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

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

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

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c) Balance sheet accounts with related parties

The following table shows balances with related parties at 31 December 2021 and 2020.

	Notes	Group companies	Jointly controlled companies	Associates	Significant shareholders	Total
Assets						
Equity instruments						
Holdings in group companies	8.1.1.3	65,785	-	-	-	65,785
Available-for-sale assets – Equity instruments	8.1.1.1	-	-	-	9,950	9,950
Debt securities						
Fixed-income securities	8.1.1.1	-	-	-	4,181	4,181
Loans	8.1.1.2	22.981	-	-		22,981
Cash and cash equivalents	9	**-**	**-**	**-**	63,334	63,334
Other receivables						
Other receivables	8.1.1.2	529	-	-	-	529
Other assets						
Accruals	8.1.1.1 and 8.1.1.2	4	-	-	34	38
At 31 December 2021		**89,229**	**-**	**-**	**77,499**	**166.7984**
Liabilities						
Due to agents, brokers and intermediaries	13	-	-	-	-	0
Dividend outstanding	13 and 14	-	-	-	-	0
Due to group companies and associates	13	388	-	-	791	1,179
Provision for claims	10	6,239	-	-	-	6,239
At 31 December 2021		**6,627**	**0**	**0**	**791**	**7,418**

	Notes	Group companies	Jointly controlled companies	Associates	Significant shareholders	Total
Assets						
Equity instruments						
Holdings in group companies	8.1.1.3	60,064	-	-	-	60,064
Available-for-sale assets – Equity instruments	8.1.1.1		-	-	10,000	10,000
Debt securities						
Fixed-income securities	8.1.1.1		-	-	3,316	3,316
Loans	8.1.1.2	26,033	-	-		26,033
Cash and cash equivalents	9		**-**	**-**	0	0
Other receivables						
Other receivables	8.1.1.2	900	-	-		900
Other assets						
Accruals	8.1.1.1 and 8.1.1.2	39	-	-	0	39
At 31 December 2020		**87,036**	**-**	**-**	**13,316**	**100,352**
Liabilities						
Due to agents, brokers and intermediaries	13	35	-	-	-	35
Dividend outstanding	13 and 14	0	-	-	-	0
Due to group companies and associates	13	428	-	-	834	1,262
Provision for claims	10	6,620	-	-	-	6,620
At 31 December 2020		**7,083**	**0**	**0**	**834**	**7,917**

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16. Territorial distribution of the business

The Company operates entirely in Spain and Portugal. With respect to Portugal, on 25 September 2017, the Group was authorised to operate in the Assistance branch, these operations are residual and insignificant in 2021 and 2020, therefore, it has not been considered relevant to disclose information by geographic area.

17. Tax position

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

As a result of the Company's IPO in April 2021, Bankinter, S.A. ceased to be the parent company of the Insurance Group, formed by Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros, and several of its subsidiaries (Línea Directa Asistencia S.L.U., Centro Avanzado de Reparaciones, CAR, S.L.U., Ambar Medline, S.L.U. and LDA Reparaciones), implying the departure of this Insurance Group from the VAT Group 128/09. Simultaneously and uninterruptedly, the Boards of Directors of these Companies agreed to re-qualify themselves with effective date 1 April 2021 for the Special Regime of Chapter IX of the Title of Law 37/1992 on Value Added Tax, thus forming the new VAT Group 0130/21, whose Parent Company is Línea Directa Aseguradora, S.A. Insurance and Reinsurance Company.

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

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

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Law 27/2014 of 27 November, on income tax, sets, inter alia, the tax rate payable by the Group in 2021 and 2020 at 25%.

The reconciliation between accounting profit and taxable income for corporate income tax purposes in 2021 and 2020 is as follows:

	2021		2020	
	Statement of profit or loss	Income and expenses recognised directly in equity	Statement of profit or loss	Income and expenses recognised directly in equity
Accounting profit/(loss) for the year	**108,115**	-	**132,671**	-
Corporate income tax	33,582	-	40,253	-
Permanent differences:				
- Increases	2,768	-	3,359	-
- Reductions	(6,432)	-	(12,000)	-
Taxable profit/(loss)	**138,032**	**-**	**164,282**	**-**
Temporary differences:				
Originating in the year				
- Increases	1,818	1,375	3,476	-
- Reductions	-	-	(6,964)	(9,624)
Originating in previous years				
- Increases	2	-	11	-
- Reductions	(5,893)	-	(59,497)	-
Tax base	**133,959**	**1,375**	**101,309**	**(9,624)**

Details of current and deferred income tax expense recognised in the statement of profit or loss for 2021 and 2020 are as follows:

	2021	2020
Current tax expense	32,577	24,507
Adjustments to deferred taxes	1,005	15,746
Corporate income tax expense	**33,582**	**40,253**

Income tax expense recognised in 2021 and 2020 was calculated on the basis of the taxable profit/(loss) shown in the above table, as follows:

	2021	2020
Accounting profit/(loss) before tax	141,697	172,924
Tax rate	25%	25%
Tax payable	35,424	43,231
Deductions on tax payable	(1,072)	(1,038)
Adjustment for settlement of previous year CIS	146	127
Non-deductible expenses	692	840
Non-qualifying income	(1,608)	(3,000)
Other deductions and amounts utilised, net	-	94
Corporate income tax expense	**33,582**	**40,253**

in 2021 it was decided to defund the contingent tax liabilities registered under the heading "Provision for taxes and other legal contingencies" of the balance sheet that, at 31 December 2020, amounted to 492 because the Directors of the

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Company estimate that the possibility of having to face a sanction as a result of the different interpretations of the tax regulations applicable to operations is scarce.

Statement of profit or loss

The permanent increases in 2021 are due to various transactions that are not deductible for corporate income tax purposes, specifically the contributions made by the company, linked to contingencies similar to pension plans, which are not tax deductible under article 14.2 of the Corporate Income Tax Act and the donations made by the company to the Línea Directa Foundation or other entities. The decreases in permanent differences in 2021 have their origin in the distribution of dividends made by Línea Directa Asistencia and the profits derived from repayments of shares for investments in companies and venture capital funds.

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

Income and expenses recognised directly in equity

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

Tax assets and liabilities

Tax assets and liabilities were as follows the end of 2021 and 2020:

	2021	2020
Receivable from the Tax Consolidation Group	**2,518**	**8,552**
Tax assets		
Current tax		
Corporate income tax – Tax Consolidation Group (Note 15)	3,855	9,315
Corporate income tax – Tax Consolidation Group 2020 (Note 15)	14,381	
Withholdings for the year	668	1,107
Deferred tax		
Temporary differences	8,419	9,502
Tax liabilities		
Current tax		
Income tax payable – Tax Consolidation Group (Note 15)	-	-
Deferred tax		
Temporary differences	44,456	44,989

Current tax assets correspond to the amount of corporate income tax payable (receivable) for 2021 and 2020, net of payments on account and income tax withholdings for the year that will be settled in the following year.

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Tax assets due to temporary differences relate to temporary differences arising in the year and the tax effect on capital losses sustained on the "available-for-sale" investment portfolio. The temporary differences existing at 31 December 2021 will be reversed from 2022 onwards. Therefore, deferred corporate income tax is calculated by applying a tax rate of 25% to the deductible temporary differences arising at the end of the year (increases) and the reversal of deductible temporary differences from the previous year (reductions).

The deferred assets include an amount of 6,161 thousand euros that was registered as a result of the Corporate Tax Inspection for the years 2011 to 2013 and which refers to contingencies of a temporary nature.

At 31 December 2021 and 2020, deferred tax liabilities relate to the tax effect on:

1. The balance arising from the equalisation reserve at year-end of 29,388 thousand euros (29,388 thousand euros in 2020), which will be paid to the tax authorities in the year in which that provision is posted.

2. The tax impact of capital gains on the "available-for-sale" investment portfolio amounting to 15,066 thousand euros (15,597 thousand euros in 2020).

3. The tax impact of the carrying amount of certain assets acquired in 2012, 2011, 2010 and 2009, which are fully depreciated for tax purposes, in accordance with Additional Provision 11 of the Corporate Income Tax Law, amounting to 0.9 thousand euros (3 thousand euros in 2020).

The following table shows changes in deferred tax assets and liabilities in 2021.

		Originating in profit and loss		Originating in equity		
	Balance at 31.12.2020	**Additions**	**Retirements**	**Additions**	**Retirements**	**Balance at 31.12.2021**
Deferred assets						
Prepaid income tax	2,461	466	(1,473)	-	-	1,453
Capital losses on available-for-sale assets	798	-	-	-	(187)	611
Taxes deferred	6,161	-	-	-	-	6,161
Rights to deductions and rebates	81	-	-	85	(72)	94
Tax deductions and bonuses to be credited	-	-	-	100	-	100
Total	**9,502**	**466**	**(1,473)**	**185**	**(259)**	**8,419**
Deferred liabilities						
Tax effect of the Equalisation Reserve	(29,388)	-	-	-	-	(29,388)
Capital gains on the portfolio of available-for-sale assets	(15,597)	-	-	531	-	(15,066)
Liabilities – temporary differences from tax deduction for maintaining jobs	(3)	-	3	-	-	-
Total	**(44,988)**	**-**	**3**	**531**	**-**	**(44,455)**

Inspections in progress

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The statute of limitations of the Company's taxes are open for the last four years.

As at 31 December 2021 and in relation to the last Inspection of the Tax Agency (Corporation Tax, 2011, 2012, and 2013), the minutes that were signed in disagreement are currently being appealed before the TEAC.

Pursuant to Inspection Order 51/2016 of 14 November 2016, inspection proceedings were initiated in relation to the surcharges payable to the Insurance Compensation Consortium (CSS) in 2016. On 22 December 2017, the Parent was notified of the findings and the corresponding arguments were then lodged by the Company on 25 January. On 21 June 2018, a resolution was received from the Directorate General of Insurance and Pension Funds. On 27 May 2019, a lawsuit was filed with the High Court of Justice in Madrid. The Court's ruling was received on 23 April 2021, in which the allegations presented by the Company were partially upheld. On 9 June 2021, the Company filed an appeal in cassation before the Supreme Court for the part of the ruling that was not upheld, having been admitted for processing on 21 December 2021 and specifying that the issue does present cassational interest and opening the deadline to present allegations.

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

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

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

Technical income and expenses for 2021 and 2020 are as follows:

2021

	Total	Motor, general liability insurance	Motor, other coverage	Home	Other insurance	Health
I.1.1. Direct insurance	907,189	341,746	406,354	131,243	1,397	26,449
I.1.3. Change in provision for outstanding premiums	331	220	92	(7)	-	26
I.2. Premiums from ceded reinsurance	(23,392)	(1,457)	(3,266)	(6,707)	(41)	(11,921)
I.3. Change in the provision for unearned premiums	(1,975)	3,229	374	(5,462)	32	(148)
I.3.1. Direct insurance	(1,975)	3,229	374	(5,462)	32	(148)
I.4. Change in the provision for unearned premiums on reinsurance	575	-	-	-	-	575
I. Total premiums earned, net of reinsurance	**882,728**	**343,738**	**403,554**	**119,067**	**1,388**	**14,981**
II.1. Income from investments in property, plant and equipment	164	103	61	-	-	-
II.2. Income from financial investments	31,918	15,677	9,263	4,511	51	2,416
II.3. Application of value adjustments for investments	167	105	62	-	-	-
II.3.2.Investments in property, plant and equipment	-	-	-	-	-	-
II.3.2.Financial investments	167	105	62	-	-	-
II.4. Gains/(losses) on realisation of investments	22,153	13,925	8,228	-	-	-
II.4.1.Investments in property, plant and equipment	21	13	8	-	-	-
II.4.2.Financial investments	22,132	13,912	8,220	-	-	-
II. Total investment income	**54,402**	**29,810**	**17,614**	**4,511**	**51**	**2,416**
III. Other technical income	-	-	-	-	-	-
IV.1. Claims paid	533,002	237,448	228,806	56,871	64	9,813
IV.1.1. Direct insurance	542,962	237,412	228,806	57,528	64	19,152
IV.1.3. Reinsurers' share	(9,960)	36	-	(657)	-	(9,339)
IV.2. Change in the provision for claims	13,015	5,611	7,896	(1,055)	(64)	627
IV.2.1. Direct insurance	20,116	9,622	7,839	1,402	(81)	1,334
IV.2.3. Reinsurers' share	(7,101)	(4,011)	57	(2,457)	17	(707)
IV.3. Claims-related expenses	54,442	33,861	7,660	10,410	-	2,511
IV. Total claims incurred in the period, net of reinsurance	**600,459**	**276,920**	**244,362**	**66,226**	**-**	**12,951**
V. Changes in technical provisions	-	-	-	-	-	-
VI. Profit sharing	**594**	**-**	**-**	**-**	**594**	**-**
VII.1. Acquisition expenses	181,770	61,599	72,635	34,368	98	13,070
VII.2. Administration expenses	26,167	7,137	12,394	5,521	14	1101
VII.3. Reinsurance commissions and profit sharing	(5,024)	-	-	-	-	(5,024)
VII. Total net operating expenses	**202,913**	**68,736**	**85,029**	**39,889**	**112**	**9,147**
VIII. Change in equalisation provision	-	-	-	-	-	-
IX.1. Change in provision for insolvencies	-	-	-	-	-	-
IX.3. Change in provision for payments under claims settlement agreements	(24,489)	(25,344)	855	-	-	-
IX.4. Other technical expenses	1,711	590	1023	5	-	93
IX. Other technical expenses	**(22,778)**	**(24,754)**	**1,878**	**5**	**-**	**93**
X.I. Investment management expenses	6444	4051	2393	-	-	-
X.1.1.Expenses from managing investments in property, plant and equipment	1,961	1233	728	-	-	-
X.1.2. Expenses from managing financial investments	4,483	2818	1665	-	-	-
X.2. Investment valuation adjustments	28	18	10	-	-	-
X.2.1. Depreciation of investments in property, plant and equipment	28	18	10	-	-	-
X.2.2. Impairment of investments in property, plant and equipment	-	-	-	-	-	-
X.2.3. From provisions for financial investments	-	-	-	-	-	-
X.3. Losses on investments	15,424	9,695	5,729	-	-	-
X.3.1. Losses on investments in property, plant and equipment	7	4	3	-	-	-
X.3.2. Losses on financial investments	15,417	9691	5726	-	-	-
X. Total investment expenses	**21,896**	**13,764**	**8,132**	**-**	**-**	**-**
Result of the non-life insurance technical account (I+II+III-IV-V-VI-VII-VIII-IX-X)	**134,046**	**38,882**	**81,767**	**17,458**	**733**	**(4,794)**

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2020

	Total	Motor, general liability insurance	Motor, other coverage	Home	Other insurance	Health
I.1.1. Direct insurance	898,614	348,179	406,477	120,654	1,478	21,826
I.1.3. Change in provision for outstanding premiums	1,024	186	634	117	115	(28)
I.2. Premiums from ceded reinsurance	(20,675)	(1,604)	(3,933)	(4,930)	(191)	(10,017)
I.3. Change in the provision for unearned premiums	(1,815)	2,655	11	(4,295)	604	790
I.3.1. Direct insurance	(1,815)	2,655	11	(4,295)	604	(790)
I.4. Change in the provision for unearned premiums on reinsurance	1,029	-	-	-	-	1,029
II. Total premiums earned, net of reinsurance	**878,177**	**349,416**	**403,189**	**111,546**	**2,006**	**12,020**
II.1. Income from investments in property, plant and equipment	116	73	43	-	-	-
II.2. Income from financial investments	36,116	19,676	11,646	3,015	36	1,743
II.3. Application of value adjustments for investments	23	15	8	-	-	-
II.3.2.Investments in property, plant and equipment	23	15	8	-	-	-
II.3.2.Financial investments	-	-	-	-	-	-
II.4. Gains/(losses) on realisation of investments	36,918	23,192	13,726	-	-	-
II.4.1.Investments in property, plant and equipment	-	-	-	-	-	-
II.4.2.Financial investments	36,918	23,192	13,726	-	-	-
II. Total investment income	**73,173**	**42,956**	**25,423**	**3,015**	**36**	**1,743**
III. Other technical income	-	-	-	-	-	-
IV.1. Claims paid	511,996	230,376	217,365	56,733	330	7,192
IV.1.1. Direct insurance	518,663	230,376	217,365	56,733	330	13,859
IV.1.3. Reinsurers' share	(6,667)	-	-	-	-	(6,667)
IV.2. Change in the provision for claims	(13,946)	(541)	(10,853)	(3,189)	4	633
IV.2.1. Direct insurance	(12,015)	(1,500)	(10,922)	(736)	(42)	1,185
IV.2.3. Reinsurers' share	(1,931)	959	69	(2,453)	46	(552)
IV.3. Claims-related expenses	57,242	36,373	7,636	10,343	3	2,887
IV. Total claims incurred in the period, net of reinsurance	**555,292**	**266,208**	**214,148**	**63,887**	**337**	**10,712**
V. Changes in technical provisions	-	-	-	-	-	-
VI. Profit sharing	**708**	-	**-**	-	**708**	**-**
VII.1. Acquisition expenses	186,657	64,485	74,701	35,420	192	11,859
VII.2. Administration expenses	26,414	7,569	12,419	5,453	80	893
VII.3. Reinsurance commissions and profit sharing	(3,832)	-	-	-	-	(3,832)
VII. Total net operating expenses	**209,239**	**72,054**	**87,120**	**40,873**	**272**	**8,920**
VIII. Change in equalisation provision	-	-	-	-	-	-
IX.1. Change in provision for insolvencies	-	-	-	-	-	-
IX.3. Change in provision for payments under claims settlement agreements	(23,593)	(24,805)	1,212	-	-	-
IX.4. Other technical expenses	5,456	1,843	3,024	311	-	278
IX. Other technical expenses	**(18,137)**	**(22,962)**	**4,236**	**311**		**278**
X.I. Investment management expenses	6,871	4,316	2,555	-	-	-
X.1.1.Expenses from managing investments in property, plant and equipment	1,884	1,183	701	-	-	-
X.1.2. Expenses from managing financial investments	4,987	3,133	1,854	-	-	-
X.2. Investment valuation adjustments	1,464	920	544	-	-	-
X.2.1. Depreciation of investments in property, plant and equipment	28	18	10	-	-	-
X.2.2. Impairment of investments in property, plant and equipment	851	534	317	-	-	-
X.2.3. From provisions for financial investments	585	368	217	-	-	-
X.3. Losses on investments	38,799	24,373	14,426	-	-	-
X.3.1. Losses on investments in property, plant and equipment	508	319	189	-	-	-
X.3.2. Losses on financial investments	38,291	24,054	14,237	-	-	-
X. Total investment expenses	**47,134**	**29,609**	**17,525**	**-**	**-**	**-**
Result of the non-life insurance technical account (I+II+III-IV-V-VI-VII-VIII-IX-X)	**157,114**	**47,463**	**105,583**	**9,490**	**725**	**(6,147)**

In the wake of the Covid-19 crisis and the state of emergency imposed by the Spanish government, which led to a lockdown between March and June 2020, the claims incurredreduced by a significant amount in the motor insurance branch due to a drop in the use of cars. On the other hand, there was an increase in the claims incurred ratio in the home insurance business, as policyholders spent more time at home as a result of these measures.

In 2021 the situation has normalised, even registering a greater accident rate within the Car sector.

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19. Non-life technical result by year of occurrence

Technical results by year of occurrence for non-life segments for the years ended 31 December 2021 and 2020 are as follows:

2021

		Motor	Home	Health
I.	**Premiums earned (Direct)**	**761,668**	**127,603**	**25,146**
	Premiums net of cancellations	757,753	133,072	26,610
	+/- Change in provisions for unearned premiums	3,603	(5,462)	(1,490)
	+/- Change in provisions for outstanding premiums	312	(7)	26
II.	**Premiums from ceded reinsurance**	**4,722**	**6,707**	**11,346**
	Premiums net of cancellations	4,722	6,707	11,921
	+/- Change in provisions for unearned premiums	-	-	(575)
	A. Total premiums earned, net of reinsurance (I-II)	**756,946**	**120,896**	**13,800**
III.	**Claims incurred (Direct)**	**586,931**	**69,206**	**23,199**
	Benefits and expenses paid for claims incurred during the year, including attributable claims-related expenses	586,099	68,709	22,805
	Technical provisions for claims incurred during the year	832	497	394
IV.	**Claims incurred from reinsurance (ceded)**	**3,787**	**2,813**	**10,148**
	Benefits and expenses paid on claims incurred during the year	3,787	2,813	9,951
	Technical provisions for claims incurred during the year	-	-	197
	B. Total net reinsurance claims incurred (III-IV)	**583,144**	**66,393**	**13,051**
V.	**Acquisition costs**	**134,233**	**34,368**	**13,070**
VI.	**Administration expenses**	**19,531**	**5,521**	**1,101**
VII.	**Other technical expenses and income**	**(22,837)**	**5**	**93**
VIII.	**Commissions on ceded reinsurance**	**-**	**-**	**(5,024)**
IX.	**Technical financial income net of the same expenses**	**25,528**	**4,511**	**2,416**
	Profit/(loss)	**68,403**	**19,120**	**(6,075)**

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2020

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

In the Health segment, a provision of 3,280 thousand euros was posted in 2021 to cover unexpired risks (4,622 thousand euros in 2020) (see Note 10).

In the assistance branch, claims are settled at the time of occurrence and there are no claims arising from previous periods, so there is no difference between the technical account, which shows a positive result, and the occurrence account, so it is not necessary to make a provision for ongoing risks.

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20. Remuneration and other benefits payable to the Bank's board of directors and senior management

a) Remuneration and benefits

The remuneration accrued by the Company's directors and senior management in 2021 amounts to 1,133 thousand euros and 2,848 thousand euros, respectively, (92 thousand euros and 4,204 thousand euros, respectively, in 2020) as follows:

2021	Fixed salary	Variable salary	Remuneration in kind	Per diems/allowances	Consolidated social security	Total
Senior Management	2,191	417	177	-	63	2,848
Directors	816	74	26	209	8	1,133
Total	**3,007**	**491**	**203**	**209**	**71**	**3,981**

2020	Fixed salary	Variable salary	Remuneration in kind	Per diems/allowances	Consolidated social security	Total
Senior Management	2,335	860	182	-	83	3,460
Directors	594	124	26	82	10	836
Total	**2,929**	**984**	**208**	**82**	**93**	**4,296**

Senior management is considered the Management Team, without taking into account the CEO and Chairman who are listed as Directors, along with the rest of the Board.

The Directors section includes the remuneration of the members of the Board of Directors in their capacity as such and for their executive functions. With regard to these functions, in particular, the remuneration for executive functions of the CEO is included, as well as the remuneration of the current Chairman of the Board for his executive functions from 1 January 2021 to 14 April 2021. As at 15 April, the date of registration with the CNMV of the prospectus of the Company's listing, the Chairman of the Board has no executive functions.

The variable salary concept for the 2021 does not include the amounts accrued in the year that are subject to deferral to other subsequent years and that are subject to malus and clawback clauses. The variable salary not included in the previous table that differs in the following 3 years supposes 278 thousand euros for senior management and 39 thousand euros in the case of directors. Both amounts were provisioned as expenditure in 2021. In 2020 there was no concept of deferred remuneration.

In the concept of Allowances corresponding to 2021, the amount of 209 thousand euros includes the allowances received by all the people who have held the position of member of the Board of Directors of the Company in the year 2021, including 26 thousand euros received by two directors who ceased to be so from the registration in the CNMV of the prospectus of the IPO.

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The concept of consolidated social security in the previous table includes, on the one hand, a savings and retirement insurance, of defined contribution, instrumented in a savings policy in favor of Senior Management. This policy accrued premiums of 63 thousand euros in 2021 and its mathematical provision at year-end came to 595 thousand euros. In 2020, the policy accrued premiums of 83 thousand euros and its mathematical provision at year-end was 489 thousand euros. On the other hand, the monetary contribution received by the CEO for his contribution to a pension plan is included, for 8 thousand euros in 2021 (10 thousand in 2020).

The Company has a collective insurance policy in effect to formalise its retirement pension commitments with certain members of Senior Management and the CEO. These defined contribution policies are also externalised and regular contributions are made for the different members of the group. In 2021, this policy accrued premiums of 1,118 thousand euros and no policy surrenders took place during the period (premiums of 1,420 thousand euros and no surrenders in 2020). The mathematical provision for Senior Management and the CEO pensions amounted to 11,677 thousand euros at 31 December 2021 (10,299 thousand euros at 31 December 2020) and has been externalised (see Note 11). The contributions made are not included in the table above because they are unconsolidated remuneration, since there are facts and circumstances that may imply their non-payment in the future.

In 2021 and 2020, the Company paid 13 thousand euros in civil liability insurance premiums for members of Senior Management and other executives with decision-making powers at the Company.

21. Other expenses and other income

Expenses shown on the technical account for 2021 and 2020 are as follows:

	2021	**2020**
Change in provision for payments under settlement agreements (Note 12)	5,741	(5,794)
Change in certain recoveries due to settlement agreements	(7,448)	4,851
Payments and recoveries under claim settlement agreements	(22,782)	(22,650)
Expenses recognised at destination	1,711	5,456
Total other technical expenses	**(22,778)**	**(18,137)**

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

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	2021	2020
Costs of sending documentation to customers	247	929
Costs of distributing policies of other insurers	143	472
Total Other non-technical expenses	**390**	**1,401**
Intermediation income from credit cards and other insurers' policies	613	655
Commission payment for Insurance Compensation Consortium	596	563
Income from bank branch management	868	858
Income from management expenses passed on	230	928
Income from profit sharing in businesses delivered to Bankinter	957	1,291
Other sundry income	2,277	916
Total Other non-technical income	**5,541**	**5,211**

22. Other information

a) Guarantees with third parties

Guarantees provided to third parties amounted to 1,874 thousand euros at 31 December 2021, mainly in the form of guarantees for investments in advertising (2,204 thousand euros at 31 December 2020), and 362 thousand euros in the form of court guarantees and deposits due on legal claims (494 thousand euros at 31 December 2020).

b) Staff expenses and average number of employees

The breakdown of staff expenses in 2021 and2020 is as follows:

	2021	2020
Wages and salaries	75,815	77,669
Termination benefits	1,574	809
Other staff expenses	25,904	25,180
	103,293	**103,658**

The average number of employees on the payroll in 2021 and 2020, broken down by job category, is as follows:

	2021			2020		
	Total	Female	Male	Total	Female	Male
Managers	64	34	30	64	34	30
Expert professionals	343	168	175	372	186	187
Professionals	635	385	250	534	315	219
Staff	1,187	767	420	1,182	758	424
Total	**2,229**	**1,354**	**875**	**2,152**	**1,292**	**860**

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Meanwhile, at the end of 2021 and 2020, the distribution by gender of the Company's employees and directors, broken down by both category and gender, was as follows:

	2021			2020		
	Total	Female	Male	Total	Female	Male
Directors	6	3	3	9	1	8
Managers	64	34	30	66	35	31
Expert professionals	347	168	179	331	159	172
Professionals	643	388	255	617	376	241
Staff	1,173	762	411	1,190	765	425
Total	**2,233**	**1,355**	**875**	**2,152**	**1,292**	**860**

The average number of employees with a degree of disability greater than or equal to 33% is 34 (33 employees in 2020).

c) Share-based remuneration plan

The Chief Executive Officer as well as the Management Committee of the Company participate in a Group remuneration plan of which the Company is the parent company, based on shares as a consequence of the listing of the Company. The purpose of this Plan, approved by the General Shareholders' Meeting on 18 March 2021, offers its members the possibility of receiving a certain number of shares in the three years following the date of IPO. Twelve of the thirteen participants in the Remuneration Plan are employees of the Company, while one of them is employed by another Company of the Group, Línea Directa Asistencia. The main features of the plan are as follows:

i. The number of shares to be delivered per participant is the result of dividing 100 thousand euros by the average share price over the thirty trading days following the date of the IPO. As this average price was 1.6339 euros, the number of shares to be delivered is 61,203 shares per participant. As there are thirteen participants in the Group's program, the remuneration plan would consist of the total distribution of 795,639 shares with a value of 1,300 thousand euros, corresponding 734,436 shares to the twelve employees of the Company for a value of 1,200 thousand euros.

ii. Term and vesting conditions: The plan guarantees the possibility of receiving 33% of the shares on the date of the first anniversary since the IPO (29 April 2022), the second batch of 33% on the second anniversary (29 April 2023), and the remaining 34% on the third anniversary (29 April 2024). The vesting condition for delivery of each batch of shares is that the participant must continue to serve at the Company on the date of each of the three anniversaries.

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The cost of the programme to the Company is recorded as a personnel expense and is offset by a reserve for treasury shares in equity in the balance sheet, which will be cancelled on the three anniversaries when the shares are distributed to the employees.

At 31 December 2021, the staff expense accrued and recognised in the Company amounted to 956 thousand euros. This allocation is on the assumption that all plan members will meet the tenure condition on each anniversary.

As at 31 December 2021, the Company has 795,463 own shares to meet the Group's remuneration plan, so it will not be necessary to make new acquisitions of shares to comply with the total distribution of the plan. Since 29 April 2021, the date of the IPO, on which the Company was awarded 239,678 own shares in the exchange of Bankinter shares, it has made successive acquisitions, communicated to the CNMV to complete the complete remuneration plan. The average purchase price of these shares was 1.566 euros per share. These own shares appear in the net worth for an amount of 1,247 thousand euros with debtor sign. Details of treasury shares are as follows:

Acquisition date	Type of acquisition	Titles	Price	Thousands of euros (fair value)	Acquisition cost (thousands of euros)
29/04/2021	Exchange	239,678	1.32	316	316
04/05/2021	Purchase	186,570	1.61	300	300
06/05/2021	Purchase	94,700	1.58	150	150
21/07/2021	Purchase	64,332	1.77	114	114
22/07/2021	Purchase	85,957	1.73	150	150
23/07/2021	Purchase	59,702	1.74	104	104
26/07/2021	Purchase	27,293	1.76	48	48
27/07/2021	Purchase	23,183	1.75	41	41
28/07/2021	Purchase	14,228	1.75	24	24
Total		**795,643**	**1.57**	**1,247**	**1,247**

The Company will deliver the corresponding shares to the employee of the subsidiary Línea Directa Asistencia on the three anniversaries, with the cost being borne by the subsidiary and the Entity receiving cash as consideration for the fair value of the shares delivered.

d) Audit fees

Below are the fees accrued by the auditor, PricewaterhouseCoopers Auditores, S.L., and the other entities in its network for services provided to the company (fees without expenses or VAT):

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	2021	2020
Audit services	231	538
Other audit-related services	134	136
Total audit and related services	**365**	**674**
Tax services	-	-
Other services	-	-
Total professional services	**365**	**674**

The fees accrued in 2021 provided to the parent company for other audit-related services correspond to the review of the 2021 Financial and Solvency Position Report; the limited review of the consolidated interim financial statements as of 30 June 2021; the report on the Internal Control System on Financial Reporting (SCIIF) for 2021; and the independent verification of the Statement of Consolidated Non-Financial Reporting for 2021.

The fees accrued in 2020 for audit services include 428 thousand euros corresponding to the audit of special purpose consolidated financial statements for 2018, 2019 and 2020 for the purposes of their inclusion in the Prospectus of admission to trading of the shares of Línea Directa S.A. de Seguros y Reaseguros, under the International Financial Reporting Standards adopted by the European Union.

The other services related to the 2020 audit correspond to the review of the Report on the Financial and Solvency Situation of the parent companyrequired by the regulatory body, corresponding to 2020.

e) Financial structure

At 31 December 2021 and 2020, the Company was the head of the Línea Directa Aseguradora Group, whose subsidiaries are as follows:

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

In turn, Línea Directa Aseguradora S.A., Compañía de Seguros y Reaseguros, was part of the Bankinter Group and was consolidated commercially by global integration until the company's IPO on 29 April 2021.

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On 17 July 2014, Fundación Línea Directa was founded through a non-refundable donation to the foundation's endowment fund. The Foundation strives to improve road safety by preventing and reducing road accidents, promoting responsible behaviour at the wheel, fostering education in road safety, getting involved in post-accident prevention, intervention and care activities for victims, while also carrying out whatever other actions may be conducive to the best achievement of its goals.

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

The Company did not make any investments or incur any expenses in relation to environmental protection activities in 2021 and 2020.

The Company's directors consider that no significant contingencies exist when it comes to the environmental protection and improvement and do not consider it necessary to post any provision for environmental risks and expenses at 31 December 2021.

No amount has been allocated to these items, nor was there any changes in expenses or provisions in 2021, and nor were any forward contracts signed or grants received in relation to greenhouse gas emission allowances.

Information on conflicts of interest affecting directors and their related persons

At the end of 2021 and 2020, none of the Company's directors, nor any person related to them within the meaning of Article 229 of the Capital Companies Law (Ley de Sociedades de Capital), notified the other directors of any conflict they may have, either directly or indirectly, with the Company's own interests.

g) Customer Service Department

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

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

In 2021, a total of 6,207 incidents were handled (7,717 incidents in 2020), 374 (6.03%) of which qualified as complaints (665 (8.62%) complaints in 2020) and 5,833 (93.97%) as claims (7,052 (91.38%) claims in 2020). Of the total, 23.23% related to Policy quoting and management, 68.52% to Accident management and 2.66% to the Roadside assistance service (2020: 28.75%, 61.32% and 9.93%, respectively).

Main issues raised by customers:

1. Rejection of damage claim following expert inspection.

2. Delays in handling cases, carrying out appraisals and valuations and repairing damage.
3. Policy exclusions.
4. Policy cancellation, in relation to processing and reimbursement of unearned premiums.

Of the total complaints and claims received in 2021, 73% (69% in 2020) have been considered estimated and 35.28% valid (30.92% in 2020).

Meanwhile, a total of 801 cases were heard by the Consumer Ombudsman in 2021 (1,045 cases in 2020).

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

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

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

Reinsurance policy

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

On 1 September 2017, the Parent entered into a quota share reinsurance contract for the health insurance business, which expires on 31 December 2029 and comes with a two-year renewal option. This contract includes an assignment of 50% of the premium income and claims cost of most of the policies of the Health segment.

The contract also includes a table of fixed and variable reinsurance commissions payable to the Group. The fixed commission is calculated as a % of the premium transferred and as a fixed amount until 2020. The variable commission is calculated based on the premiums assigned during the term of the contract of the year, and the performance of the accident rate ratio during the agreed years. These commissions are subject to a maximum limit.

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

In the case of the early termination, compensation will be paid due to cancellation by any of the parties if they are unable to reach an agreement or in any other situation that frustrates the continuation and normal performance of the contract.

However, early termination clauses that may pose a threat to the effective transfer of risks and rewards relate in all cases to extremely remote situations.

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

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

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

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

Premium sub-risk

The Technical Department of Línea Directa Aseguradora adjusts products and prices in accordance with the Company's general strategy. All these modifications are supported by actuarial analyses documented in the related technical notes and approved by the Technical Committee, which is the body responsible for managing this sub-risk. El ramo de Salud es monitorizado por el Área Técnica de Salud.

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

Reserve sub-risk

On 29 December 2021, the General Directorate of Insurance and Pension Funds sent a resolution of the application file for a change in the statistical methodology used in the automotive sector, in which it authorises Línea Directa Aseguradora to calculate the technical provisions of benefits in the motor sector using the Merz & Wüthrich stochastic methodology, and the deterministic methodology of average cost as a contrast methodology. The methodological change was begun to be applied at the end of 2021 and has not had a significant impact compared to the previous methodology.

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

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

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

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

- Performance of monthly and quarterly forecasts of claim costs

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

Concentrations of insurance risk

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

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

	2021				
	Total	**Risks – Motor**	**Home Risks**	**Risks – Other insurance**	**Risks – Health**
Premiums written	907,189	748,100	131,243	1,397	26,449
Premiums ceded	(23,392)	(4,723)	(6,707)	(41)	(11,921)

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

2021 individual financial statements (Expressed in thousands of euros)

24. Events after the reporting period

No significant events have occurred after the end of 2021 and up to the date of authorisation for issue of these annual accounts.

3

Management Report

1. Business performance

In 2021, the pre-pandemic level in social and economic activity was been recovered thanks to the sanitary measures of covid-19 vaccination and the elimination of mobility barriers. However, the emergence of new variants of the virus, such as the omicron variant, have continued to sow uncertainty about future prospects. To all this, other economic and commercial factors have been added that have had a negative impact on the supply chain, the increase in the price of energy, etc.

In terms of operations, the Company continued to provide continuity of operations and maintained normal customer service in 2021 as it did in 2020 thanks to the contingency plans in place, which were effectively and efficiently implemented within 4 days of the declaration of the state of alarm by the authorities.

As for the performance of the business, a lower commercial capacity has been observed in the new production, which has been caused by new registrations of private vehicles, which fell by 13% in 2021 compared to the previous year and 37% compared to 2019. In 2020, the fall in registrations was mitigated by the effect of anticipation of vehicle purchases in the face of the increase in registration taxes in 2021, which penalised registrations in 2021. However, this negative impact on policy sales has been mitigated by the improvement in customer retention.

Regarding accidents, the reduction of mobility barriers in 2021 caused the accident rate in the automotive sector to rebound significantly compared to 2020.

Despite the prevailing crisis environment affecting all sectors of the Spanish economy, in 2021 the Company reported net reinsurance premiums for the year of 883 million euros, up 0.5% on the previous year.

The number of customers gained 4.1% on 2020 to reach 3.3 million.

Earnings on the non-life insurance technical account shows a profit of 134.05 million euros, down 14.68% on the profit reported in 2020. Claimed incurred, net of reinsurance came to 68.02% in 2021, versus 63.23% in 2020.

The home insurance business in 2021, which was its fourteenth year of activity, reached a premium turnover of 131.2 million euros, which represents an increase of 8.82% compared to the previous year. The Other insurance segment contributed 0.73 million euros to the result of the technical account in 2021. In September 2017, Línea Directa Aseguradora launched the Vivaz brand to operate in the health insurance sector. The Health segment generated premium income of 26.4 million euros.

The average rate of return on fixed-income securities was 1.95%, while the return on the equity portfolio was 8.29%.

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

2. Financial position and equity

The solvency ratio, calculated in accordance with Solvency II regulations, is 196.03%.

3. Outlook for 2022

The outlook for 2022 is brighter than was the case a year ago. The rapid deployment of vaccines, together with the extraordinary economic support measures, has led to a significant improvement in the global economic situation and outlook. However, the return to normal is far from complete and uncertainty remains high, as indeed the emergence and rapid spread of infections caused by the Omicron variant has shown us.

The improvement in the economic climate can be illustrated using the most recent projections. Following the sharp decline in global GDP in 2020 (-3.1%), the International Monetary Fund forecasts a recovery of the world economy by 5.9% in 2021 and 4.9% in 2022. In the euro area, the latest Eurosystem forecasts also point to robust growth in 2022 of around 4.2%.

The Spanish economy has followed a similar timeline, but with the health crisis having a stronger initial impact on GDP followed by a slower recovery. This is largely due to our greater dependence on the tourism sector, though also to an increased weakness in household consumption and investment; the latter being heavily affected by the global supply crisis, particularly in the automobile sector, which has a high weight in the Spanish economy.

In the short run, however, the economic recovery will continue to be shackled by the continued threat posed by the Omicron variant. Further down the line, however, economic activity is expected to rally, as distortions along supply chains (known as bottlenecks, which are proving more persistent than expected), private consumption, inflationary pressures and tourism flows gradually return to normal. These problems are expected to ease from the second half of 2022, though once again this assumption is subject to a high degree of uncertainty. Another element of uncertainty is the extent of the lingering damage that the crisis may have caused to the productive fabric or to employment.

In a nutshell, COVID-19 will continue to impact the Company's business performance in 2022, especially in the early stages of the year.

In relation to premium growth, all lines of business are expected to exceed 2021 sales in 2022. In Motor, moderate growth is projected, with some pressure on average premiums and sales volumes due to the situation described above coupled with a competitive pricing environment. Meanwhile, real estate activity has exceeded growth expectations. In returned to pre-pandemic levels in 2021 and in 2022 the outlook is also promising, with a growing housing stock. As a result, more significant growth is expected in the Home segment in terms of volumes, with rising average premiums as well. The Health segment will continue to grow and we hope to maintain the same levels of growth as seen in previous years.

Turning to the loss ratio, the Motor segment is expected to see an increase in accident frequency to levels similar to 2019. The cost of claims will also be affected by the increase in the prices of spare parts and paint. As for the cost of victim indemnification, for 2022, the Scale includes an increase linked to the rate of revaluation of pensions (+2.5%), the update of the Minimum Interprofessional Wage and a revision of the indemnification tables (+3.9% in Corporal Civil Liability). The frequency and intensity of atmospheric events will continue to be the main factor shaping the performance of the loss ratio at the Home segment. In the Health segment, the cost of claims will face pressure from an increase in hospital fees.

With regard to average costs, we will continue to focus on efforts on efficiency in 2022. The Company's overhead expenses will remain largely on par with 2021 levels, and we do not expect to see major growth.

4. Information on deferred payments to suppliers

The Company settles payments to suppliers before the legal deadlines (30 days) and in certain specific cases as per the conditions explicitly agreed upon with the suppliers, without in any case exceeding 60 days. The average payment period to suppliers is 17.94 days.

5. Transactions with treasury shares

The Chief Executive Officer as well as the Management Committee of the Company participate in a Group remuneration plan of which the Company is the parent company, based on shares as a consequence of the listing of the Company. The Plan was approved at the Annual General Meeting held on 18 March 2021, which has been set as the award date of the Plan. It is intended to motivate and build the loyalty of plan members by offering them the option of receiving a certain number of shares within the three years following the date of the Company's stock market listing. Twelve of the thirteen participants in the Remuneration Plan are employees of the Company, while one of them is employed by another Company of the Group, Línea Directa Asistencia. The main features of the plan are as follows:

iii. The number of shares to be delivered per participant is the result of dividing 100 thousand euros by the average share price over the 30 trading days following the date of the IPO. As this average price was 1.6339, the number of shares to be delivered is 61,203 shares per participant. As there are thirteen participants in the Group's program, the remuneration plan would consist of the total delivery of 795,639 shares with a value of 1,300 thousand euros, corresponding 734,436 shares to the twelve employees of the Company for a value of 1,200 thousand euros.

iv. Term and vesting conditions: The plan guarantees the possibility of receiving 33% of the shares on the date of the first anniversary since the IPO (April 29, 2022), the second batch of 33% on the second anniversary (April 29, 2023), and the remaining 34% on the third anniversary (April 29, 2024). The vesting condition for delivery of each batch of shares is that the participant must continue to serve at the Company on the date of each of the three anniversaries.

The cost of the programme for the Company is recorded as a staff expense with a balancing entry in a reserve for own shares in equity in the consolidated balance sheet. This expense will be progressively written off on the three anniversaries as and when the shares are delivered to the employees.

At 31 December 2021, the staff expense accrued and recognised amounted to 956 thousand euros. This allocation is on the assumption that all plan members will meet the tenure condition on each anniversary.

As at 31 December 2021, the Company has 795,463 own shares to meet the Group's remuneration plan, so it will not be necessary to make new acquisitions of shares to comply with the total deliveries of the plan. Since 29 April 2021, the date of the IPO, on which the Company was awarded 239,678 own shares in the exchange of Bankinter shares, it has made successive acquisitions, communicated to the CNMV to complete the complete remuneration plan. The average purchase price of these shares was 1,566 euros per share. These own shares appear in the net worth for an amount of 1,246 thousand euros with debtor sign.

The Company will deliver the corresponding shares to the employee of the subsidiary Línea Directa Asistencia on the three anniversaries, being the cost borne by the subsidiary itself, receiving the Entity effective as consideration, for the fair value of the shares delivered.

6. Use of derivative financial instruments

At 31 December 2021, the Company had two Interest Rate Swaps (IRSs) in effect to hedge against interest rate rises over an initial period of 15 years (11 years at 31 December 2020). It has been confirmed that the hedge complies strictly with the effectiveness criteria for this type of financial instrument.

7. Events after the reporting date

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

8. Research and development

The Company continued to engage in research and development activities in 2021, involving the development of advanced IT applications applied to motor insurance management.

9. Information on employees

At 31 December 2021 the Company's workforce comprised 1,352 women and 875 men, of whom 34 were employees with a degree of disability equal to or greater than 33%.

10. Claims and Consumer Ombudsman

In accordance with Order ECO/734/2004 of 11 March, the Línea Directa Customer Service Department and the Consumer Ombudsman have drawn up reports to explain their activities and performance in 2021. These reports are summarised below:

a) Complaints and claims – 2021

In 2021, a total of 6,207 incidents were handled (7,717 incidents in 2020), 374 (6.03%) of which qualified as complaints (665 (8.62%) complaints in 2020) and 5,833 (93.97%) as claims (7,052 (91.38%) claims in 2020). Of the total, 23.23% related to Policy quoting and management, 68.52% to Accident management and 2.66% to the Roadside assistance service (2020: 28.75%, 61.32% and 9.93%, respectively).

Main issues raised by customers:

5. Rejection of damage claim following expert inspection.
6. Delays in handling cases, carrying out appraisals and valuations and repairing damage.
7. Policy exclusions.
8. Policy cancellation, in relation to processing and reimbursement of unearned premiums.

Of the total complaints and claims received in 2021, 73% (69% in 2020) have been considered estimated and 35.28% (30.92% in 2020).

b) Consumer Ombudsman:

In 2021, a total of 801 cases were heard by the Consumer Ombudsman (1,045 cases in 2020). A decision was handed down against the insured claimants in 5818% of these cases, which relate to the following main grievances:

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

The percentage of decisions delivered in favour of the policyholders was slightly down on the previous year, as 41.82% of decisions went with the policyholder in 2021, while in 2020 they were 24.30% respectively.

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

11. Other non-financial information

The Company is exempt from disclosing the non-financial information set out in Law 11/2018, of 28 December, as this information is included in a separate report, namely the "Statement of Consolidated Non-Financial Information – 2021" of the Bankinter Group, the scope of consolidation of which includes the Company. The consolidated annual accounts, together with the consolidated management report in which this statement is included, will be deposited in the Mercantile Registry of Madrid.