



**LORETO MUTUA,
MUTUALIDAD
DE PREVISIÓN SOCIAL**

**Annual Accounts and Management Report
2020**





Informe de auditoría de cuentas anuales emitido por un auditor independiente

A los Mutualistas de LORETO MUTUA, MUTUALIDAD DE PREVISIÓN SOCIAL:

Opinión

Hemos auditado las cuentas anuales de LORETO MUTUA, MUTUALIDAD DE PREVISIÓN SOCIAL (en adelante, la Mutualidad), que comprenden el balance a 31 de diciembre de 2020, la cuenta de pérdidas y ganancias, el estado de cambios en el patrimonio neto, el estado de flujos de efectivo y la memoria, correspondientes al ejercicio terminado en dicha fecha.

En nuestra opinión, las cuentas anuales adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio y de la situación financiera de la Mutualidad a 31 de diciembre de 2020, así como de sus resultados y flujos de efectivo correspondientes al ejercicio terminado en dicha fecha, de conformidad con el marco normativo de información financiera que resulta de aplicación (que se identifica en la nota 2 de la memoria) y, en particular, con los principios y criterios contables contenidos en el mismo.

Fundamento de la opinión

Hemos llevado a cabo nuestra auditoría de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España. Nuestras responsabilidades de acuerdo con dichas normas se describen más adelante en la sección *Responsabilidades del auditor en relación con la auditoría de las cuentas anuales* de nuestro informe.

Somos independientes de la Mutualidad de conformidad con los requerimientos de ética, incluidos los de independencia, que son aplicables a nuestra auditoría de las cuentas anuales en España según lo exigido por la normativa reguladora de la actividad de auditoría de cuentas. En este sentido, no hemos prestado servicios distintos a los de la auditoría de cuentas ni han concurrido situaciones o circunstancias que, de acuerdo con lo establecido en la citada normativa reguladora, hayan afectado a la necesaria independencia de modo que se haya visto comprometida.

Consideramos que la evidencia de auditoría que hemos obtenido proporciona una base suficiente y adecuada para nuestra opinión.

Cuestiones clave de la auditoría

Las cuestiones clave de la auditoría son aquellas cuestiones que, según nuestro juicio profesional, han sido de la mayor significatividad en nuestra auditoría de las cuentas anuales del periodo actual. Estas cuestiones han sido tratadas en el contexto de nuestra auditoría de las cuentas anuales en su conjunto, y en la formación de nuestra opinión sobre éstas, y no expresamos una opinión por separado sobre esas cuestiones.



Cuestiones clave de la auditoría

Provisión matemática

La provisión matemática recogida en el pasivo es el área más significativa del balance y asciende a 1.182.569 miles de euros, y representa el valor actual actuarial de las obligaciones futuras que la Entidad mantiene con sus mutualistas, tanto activos, que son los colectivos que aportan las primas directamente y a través de sus empleadores, y los colectivos pasivos, a los que se les paga una prestación.

La Mutualidad, en base a la legislación vigente, a sus estatutos y reglamentos internos, define y establece los criterios de cálculo actuariales de la provisión matemática. El proceso de cálculo está externalizado, y contiene un grado de juicio e incertidumbre para el que se utilizan unas estimaciones sobre diferentes parámetros. Adicionalmente, la función clave actuarial de la Entidad, comprueba y verifica dicho cálculo realizado por el actuario externo.

Dada la complejidad, el grado de estimación en las hipótesis y la significatividad de este área, hemos considerado este área una cuestión clave de auditoría.

Activos financieros

Los activos financieros son un área significativa en el balance de la Mutualidad. La Entidad dispone de procedimientos escritos para definir sus políticas de inversión en cuanto al riesgo, liquidez, etc. La Mutualidad realiza la valoración de dichos activos conforme a la normativa que es de aplicación, tanto en el momento de adquisición como en su valoración posterior. Dispone de una aplicación informática para el cálculo de la valoración posterior, así como para las implicaciones que las inversiones financieras tienen en el balance económico de solvencia.

Dado lo significativo del importe de activos financieros, así como la complejidad de su valoración, en función de la clasificación de las carteras, hemos considerado que es una cuestión clave de auditoría.

Tratamiento en la auditoría

Hemos revisado el cálculo de la provisión matemática realizado por la Entidad con la participación de nuestro equipo actuarial.

Una vez entendidos los procesos internos, se han revisado las hipótesis realizadas y los métodos que la Entidad ha utilizado para la valoración a efectos contables, para los diferentes colectivos de activos y de pasivos, incluyendo para este último colectivo, la revisión de los casamientos realizados.

Se han realizado pruebas sustantivas de recálculo, tomando como base los datos de mutualistas de dichos colectivos de activos y pasivos. Asimismo, se han realizado pruebas sobre la integridad y exactitud de la base de datos utilizada.

Se ha obtenido respuesta a nuestra carta de confirmación al actuario externo de la Entidad, sobre la naturaleza del servicio, y los posibles riesgos que pudiera conocer.

Hemos revisado que la información relativa a las provisiones matemáticas en los estados financieros y memoria contienen los desgloses y datos requeridos en la normativa que es de aplicación.

En el desarrollo de nuestro trabajo hemos leído y comprendido las políticas de control interno relativas a los activos financieros.

Hemos revisado que las inversiones financieras se encuentran correctamente clasificadas en los diferentes tipos de carteras. Asimismo, hemos realizado pruebas sustantivas sobre una muestra de operaciones de compra y venta de activos financieros y pruebas de comprobación de su valoración posterior en función del tipo de cartera, incluyendo el análisis del posible deterioro que se pudiera devengar al cierre del ejercicio, así como del registro contable de las variaciones de valor en el ejercicio 2020, de las mencionadas carteras de activos financieros.

Hemos contrastado la información con los depositarios de las inversiones financieras y revisado que la información contenida en la memoria cumple con los requisitos de información aplicables.



Otra información: Informe de gestión

La otra información comprende exclusivamente el informe de gestión del ejercicio 2020, cuya formulación es responsabilidad de los administradores de la Mutualidad y no forma parte integrante de las cuentas anuales.

Nuestra opinión de auditoría sobre las cuentas anuales no cubre el informe de gestión. Nuestra responsabilidad sobre el informe de gestión, de conformidad con lo exigido por la normativa reguladora de la actividad de auditoría de cuentas, consiste en evaluar e informar sobre la concordancia del informe de gestión con las cuentas anuales, a partir del conocimiento de la Mutualidad obtenido en la realización de la auditoría de las citadas cuentas, así como en evaluar e informar de si el contenido y presentación del informe de gestión son conformes a la normativa que resulta de aplicación. Si, basándonos en el trabajo que hemos realizado, concluimos que existen incorrecciones materiales, estamos obligados a informar de ello.

Sobre la base del trabajo realizado, según lo descrito en el párrafo anterior, la información que contiene el informe de gestión concuerda con la de las cuentas anuales del ejercicio 2020 y su contenido y presentación son conformes a la normativa que resulta de aplicación.

Responsabilidad de los administradores y de la comisión de auditoría en relación con las cuentas anuales

Los administradores son responsables de formular las cuentas anuales adjuntas, de forma que expresen la imagen fiel del patrimonio, de la situación financiera y de los resultados de la Mutualidad, de conformidad con el marco normativo de información financiera aplicable a la Mutualidad en España, y del control interno que consideren necesario para permitir la preparación de cuentas anuales libres de incorrección material, debida a fraude o error.

En la preparación de las cuentas anuales, los administradores son responsables de la valoración de la capacidad de la Mutualidad para continuar como empresa en funcionamiento, revelando, según corresponda, las cuestiones relacionadas con la empresa en funcionamiento y utilizando el principio contable de empresa en funcionamiento excepto si los administradores tienen intención de liquidar la Mutualidad o de cesar sus operaciones, o bien no exista otra alternativa realista.

La comisión de auditoría es responsable de la supervisión del proceso de elaboración y presentación de las cuentas anuales.

Responsabilidades del auditor en relación con la auditoría de las cuentas anuales

Nuestros objetivos son obtener una seguridad razonable de que las cuentas anuales en su conjunto están libres de incorrección material, debida a fraude o error, y emitir un informe de auditoría que contiene nuestra opinión.

Seguridad razonable es un alto grado de seguridad pero no garantiza que una auditoría realizada de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España siempre detecte una incorrección material cuando existe. Las incorrecciones pueden deberse a fraude o error y se consideran materiales si, individualmente o de forma agregada, puede preverse razonablemente que influyan en las decisiones económicas que los usuarios toman basándose en las cuentas anuales.



Como parte de una auditoría de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España, aplicamos nuestro juicio profesional y mantenemos una actitud de escepticismo profesional durante toda la auditoría. También:

- Identificamos y valoramos los riesgos de incorrección material en las cuentas anuales, debida a fraude o error, diseñamos y aplicamos procedimientos de auditoría para responder a dichos riesgos y obtenemos evidencia de auditoría suficiente y adecuada para proporcionar una base para nuestra opinión. El riesgo de no detectar una incorrección material debida a fraude es más elevado que en el caso de una incorrección material debida a error, ya que el fraude puede implicar colusión, falsificación, omisiones deliberadas, manifestaciones intencionadamente erróneas, o la elusión del control interno.
- Obtenemos conocimiento del control interno relevante para la auditoría con el fin de diseñar procedimientos de auditoría que sean adecuados en función de las circunstancias, y no con la finalidad de expresar una opinión sobre la eficacia del control interno de la Mutuality.
- Evaluamos si las políticas contables aplicadas son adecuadas y la razonabilidad de las estimaciones contables y la correspondiente información revelada por los administradores.
- Concluimos sobre si es adecuada la utilización, por los administradores, del principio contable de empresa en funcionamiento y, basándonos en la evidencia de auditoría obtenida, concluimos sobre si existe o no una incertidumbre material relacionada con hechos o con condiciones que pueden generar dudas significativas sobre la capacidad de la Mutuality para continuar como empresa en funcionamiento. Si concluimos que existe una incertidumbre material, se requiere que llamemos la atención en nuestro informe de auditoría sobre la correspondiente información revelada en las cuentas anuales o, si dichas revelaciones no son adecuadas, que expresemos una opinión modificada. Nuestras conclusiones se basan en la evidencia de auditoría obtenida hasta la fecha de nuestro informe de auditoría. Sin embargo, los hechos o condiciones futuros pueden ser la causa de que la Mutuality deje de ser una empresa en funcionamiento.
- Evaluamos la presentación global, la estructura y el contenido de las cuentas anuales, incluida la información revelada, y si las cuentas anuales representan las transacciones y hechos subyacentes de un modo que logran expresar la imagen fiel.

Nos comunicamos con la comisión de auditoría de la Mutuality en relación con, entre otras cuestiones, el alcance y el momento de realización de la auditoría planificados y los hallazgos significativos de la auditoría, así como cualquier deficiencia significativa del control interno que identificamos en el transcurso de la auditoría.

También proporcionamos a la comisión de auditoría de la Mutuality una declaración de que hemos cumplido los requerimientos de ética aplicables, incluidos los de independencia, y nos hemos comunicado con la misma para informar de aquellas cuestiones que razonablemente puedan suponer una amenaza para nuestra independencia y, en su caso, de las correspondientes salvaguardas.

Entre las cuestiones significativas que han sido objeto de comunicación a la comisión de auditoría de la Mutuality, determinamos las que han sido de la mayor significatividad en la auditoría de las cuentas anuales del periodo actual y que son, en consecuencia, las cuestiones clave de la auditoría.

Describimos esas cuestiones en nuestro informe de auditoría salvo que las disposiciones legales o reglamentarias prohíban revelar públicamente la cuestión.



Informe adicional para la comisión de auditoría

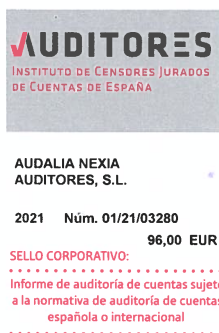
La opinión expresada en este informe es coherente con lo manifestado en nuestro informe adicional para la comisión de auditoría de la Mutualidad de fecha 7 de abril de 2021.

Periodo de contratación

La Asamblea General Ordinaria de Mutualistas celebrada el 29 de octubre de 2020 nos nombró auditores por un periodo de tres años, para los ejercicios 2020, 2021 y 2022.

Madrid, 7 de abril de 2021

Santiago Alió – ROAC Nº 16088
Audalia Nexia Auditores, S.L.
ROAC Nº S0200





LORETO MUTUA, MUTUALIDAD DE PREVISIÓN SOCIAL

ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The following documents form a single unit:

- **Balance Sheet.**
- **Profit & Loss Account.**
- **Statement of Changes in Equity.**
- **Cash Flow Statements.**
- **Notes to the Financial Statements.**



BALANCE SHEETS AS OF 31 DECEMBER 2020 AND 2019 (NOTES 1, 2, 3 and 4)

(Amounts in Euros)

ASSETS	2020	2019
CASH AND OTHER EQUIVALENT LIQUID ASSETS (Note 7):	197,351,117.47	209,704,883.55
FINANCIAL ASSETS HELD FOR TRADING (Note 7):		
Derivatives	0.00	0.00
OTHER FINANCIAL ASSETS AT FAIR VALUE WITH CHANGES IN PROFIT AND LOSS (Note 7):		
Equity instruments	182,007,303.39	105,702,361.78
FINANCIAL ASSETS AVAILABLE FOR SALE (Note 7):		
Equity instruments	243,919,495.87	345,214,035.51
Debt securities	165,305,689.43	205,212,360.64
	409,225,185.30	550,426,396.15
LOANS AND RECEIVABLES (Note 7):		
Debt securities	6,977,287.49	9,044,292.17
Loans		
Loans to group companies and associates	30,831.49	30,654.97
Deposits with credit institutions	28,121,337.20	26,166,284.49
Credits for insurance transactions		
Policyholders	2,112,790.30	13,457.39
Other credits		
Remaining credits	2,448,065.33	754,170.21
	39,690,311.81	36,008,859.23
INVESTMENTS HELD-TO-MATURITY (Note 7)	242,469,070.77	259,578,856.01
TANGIBLE FIXED ASSETS AND INVESTMENTS IN REAL ESTATE (Note 6):		
Tangible fixed assets	11,882,536.85	12,187,619.73
Real estate investments	57,605,223.88	65,612,285.34
	69,487,760.73	77,799,905.07
INTANGIBLE FIXED ASSETS (Note 5):		
Other intangible asset	143,810.37	164,600.78
SHAREHOLDINGS IN GROUP AND ASSOCIATED ENTITIES (Note 7):		
Shares in associated companies	424,201.38	424,201.38
Shares in group companies	10,826,104.65	11,556,218.75
	11,250,306.03	11,980,420.13
TAX ASSETS (Note 14):		
Current tax assets	8,051,136.99	2,312,070.92
Deferred tax assets	4,794,921.54	7,646,198.02
	12,846,058.53	9,958,268.94
OTHER ASSETS:		
Assets and refund rights for long-term compensations to staff	207,000.00	172,500.00
Accruals (Note 9)	8,410,111.97	9,448,124.65
	8,617,111.97	9,620,624.65
TOTAL ASSETS	1,173,088,036.37	1,270,945,176.29



BALANCE SHEETS AS OF 31 DECEMBER 2020 AND 2019 (NOTES 1, 2, 3 and 4)

(Amounts in Euros)

	2020	2019
LIABILITIES		
LOANS AND RECEIVABLES (Note 7):		
Other payables		
Public Administrations payables (Note 14)	5,748,135.19	3,648,867.93
Other debts with group and associated entities	25,936.27	-
Remaining payables	1,048,889.83	1,445,388.40
	6,822,961.29	5,094,256.33
TECHNICAL PROVISIONS (Note 11):		
Life insurance provision		
Mathematical provision	1,182,569,267.43	1,204,936,735.48
Provision for benefits	0.00	1,810,902.67
Profit sharing and rebates provision	-41,635,259.92	22,399,186.05
	1,140,934,007.51	1,229,146,824.20
NON-TECHNICAL PROVISIONS (Note 13):		
Provisions for pensions and similar obligations	265,499.01	287,829.93
TAX LIABILITIES:		
Deferred tax liabilities (Note 14)	5,331,568.22	9,926,353.55
REMAINING LIABILITIES:		
Accrual Calculations	22,759.25	91,820.39
Accounting asymmetry liabilities (Note 12)	0.00	1,610,836.96
	22,759.25	1,702,657.35
TOTAL LIABILITIES	1,153,376,795.28	1,246,157,921.36
EQUITY		
EQUITY (Note 10):		
Mutual fund	7,014,202.20	6,873,689.82
Reserves		
Other reserves	-1,469,850.00	-1,469,850.00
Profit or loss carried forward-		
Retained Earnings	1,527,034.98	1,508,336.66
Profit/loss for the year	100,216.43	104,914.43
ADJUSTMENTS FOR CHANGE IN VALUE:		
Financial assets available for sale	13,856,053.50	18,501,374.48
Currency translation differences	-1,316,416.02	476,917.26
Correction of accounting asymmetries	0.00	-1,208,127.72
	12,539,637.48	17,770,164.02
TOTAL NET EQUITY	19,711,241.09	24,787,254.93
TOTAL LIABILITIES AND NET EQUITY	1,173,088,036.37	1,270,945,176.29



INCOME STATEMENTS FOR FINANCIAL YEARS ENDED ON 31 DECEMBER 2020 AND 2019 (NOTES 1, 2, 3 and 4)

(Amounts in Euros)

TECHNICAL ACCOUNT – LIFE INSURANCES

	2020	2019
PREMIUMS EARNED IN THE FINANCIAL YEAR, NET OF REINSURANCE:		
Premiums accrued		
Direct insurance	41,912,477.98	37,634,486.00
INCOME FROM FIXED ASSETS AND INVESTMENTS:		
Income from real estate investments	3,682,329.63	4,006,345.64
Income from Financial investments	25,518,413.29	32,889,633.24
Valuation adjustments due to fixed assets and investments impairment		
of fixed assets and real estate investments	0.00	4,331,722.86
Financial investments	0.00	182,862.83
Profits on the realisation of fixed assets and investments		
of fixed assets and real estate investments	451,536.93	4,154.92
Financial investments	143,888,072.39	66,455,697.19
	173,540,352.24	107,870,416.68
OTHER TECHNICAL INCOME	1,169,257.59	83.76
CLAIMS INCURRED IN THE FINANCIAL YEAR, NET OF REINSURANCE:		
Benefits and expenses paid		
Direct insurance	-113,993,507.81	-75,339,250.82
Variation in the Benefits provision		
Direct insurance	1,810,902.67	-20,726.95
Expenses attributable to Benefits	-1,491,541.95	-1,541,148.35
	-113,674,147.09	-76,901,126.12
VARIATION IN OTHER TECHNICAL PROVISIONS, NET OF REINSURANCE:		
Life insurance provisions	22,367,468.05	34,868,133.12
PROFIT SHARING AND REBATES:		
Variation in the profit sharing and rebates provision	64,034,445.97	-52,961,925.38
NET OPERATING COSTS:		
Acquisition costs	-989,155.15	-1,030,539.56
Administration expenses	-1,203,383.45	-1,243,406.00
	-2,192,538.60	-2,273,945.56
OTHER TECHNICAL EXPENSES	33,873.75	-78,484.06
EXPENSES FROM FIXED ASSETS AND INVESTMENTS:		
Fixed assets and investment management costs		
Fixed assets and real estate investments	-2,191,235.46	-2,570,248.61
Investment and financial accounts expenses	-8,261,208.84	-7,311,792.48
Fixed assets and investment impairment losses		
Depreciation of fixed assets and real estate investments	-760,354.10	-756,026.09
Fixed assets and real estate investments impairment	-1,760,024.83	0.00
Financial investments impairment	-730,114.10	-1,058,539.92
Losses from fixed assets and investments		
of fixed assets and real estate investments	-48,557.36	-71,124.49
Financial investments	-173,577,515.26	-36,678,151.44
	-187,329,009.95	-48,445,883.03
PROFIT & LOSS OF THE TECHNICAL ACCOUNT - LIFE INSURANCE	-137,820.06	-131,276.47
NON-TECHNICAL ACCOUNT		
OTHER INCOME:		
Income from Pensions fund management	100,216.43	104,914.43
Other income	212,328.03	186,779.57
	312,544.46	291,694.00
OTHER EXPENSES:		
Income from Pensions fund management	-48,571.70	-50,187.10
Other expenses	0.00	-5,316.00
	-48,571.70	-55,503.10
PROFIT & LOSS OF THE NON-TECHNICAL ACCOUNT	263,972.76	236,190.90
PROFIT & LOSS BEFORE TAX	126,152.70	104,914.43
Tax on profits	-25,936.27	0.00
PROFIT/LOSS FOR THE YEAR	100,216.43	104,914.43



STATEMENTS OF CHANGES IN EQUITY CORRESPONDING TO YEARS ENDED ON 31 DECEMBER 2020 AND 2019 (NOTES 1, 2, 3 and 4)

(Amounts in Euross)

A) STATEMENT OF RECOGNISED INCOME AND EXPENSES

	2020	2019
PROFIT/LOSS FOR THE YEAR	100,216.43	104,914.43
OTHER RECOGNISED INCOME AND EXPENSES		
Financial assets available for sale		
Valuation gains and losses	-38,041,240.18	40,091,587.66
Amounts transferred to the profit and loss account	31,847,478.87	-28,052,544.05
Currency translation differences		
Valuation gains and losses	-2,391,111.04	186,873.88
Correction of accounting asymmetries		
Valuation gains and losses	1,610,836.96	-553,861.95
Tax on profits	1,743,508.85	-2,918,013.89
	-5,230,526.54	8,754,041.66
TOTAL RECOGNISED INCOME AND EXPENSES	-5,130,310.11	8,858,956.09

B) STATEMENT OF TOTAL CHANGES IN EQUITY

	Mutual fund	Other reserves	Retained Earnings	Profit/loss for the year	Adjustments for change of value	Total
ADJUSTED BALANCE, BROUGHT FORWARD TO 2019	6,745,478.77	-1,469,850.00	1,501,450.54	99,499.22	9,016,122.36	15,892,700.89
Total recognized incomes and expenses	-	-	-	104,914.43	8,754,041.66	8,858,956.09
Transactions with members or mutualists -						
Other transactions with members or mutualists	28,711.83	-	-28,711.83	-	-	0.00
Other equity transactions -						
Transfers between equity items	99,499.22	-	-	-99,499.22	-	0.00
Other variations	-	-	35,597.95	-	-	35,597.95
BALANCE, END OF 2019	6,873,689.82	-1,469,850.00	1,508,336.66	104,914.43	17,770,164.02	24,787,254.93
ADJUSTED BALANCE, BROUGHT FORWARD TO 2020	6,873,689.82	-1,469,850.00	1,508,336.66	104,914.43	17,770,164.02	24,787,254.93
Total recognized incomes and expenses	-	-	-	100,216.43	-5,230,526.54	-5,130,310.11
Transactions with members or mutualists -						
Other transactions with members or mutualists	35,597.95	-	-35,597.95	-	-	0.00
Other equity transactions -						
Transfers between equity items	104,914.43	-	-	-104,914.43	-	0.00
Other variations	-	-	54,296.27	-	-	54,296.27
BALANCE, END OF 2020	7,014,202.20	-1,469,850.00	1,527,034.98	100,216.43	12,539,637.48	19,711,241.09



CASH FLOW STATEMENTS FOR FINANCIAL YEARS ENDED ON 31 DECEMBER 2020 AND 2019 (NOTES 1, 2, 3 and 4)

(Amounts in Euros)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Insurance activity:		
Direct insurance, co-insurance and accepted reinsurance (received)	39,778,012.21	37,470,787.60
Direct insurance, co-insurance and accepted reinsurance (paid)	111,790,012.56	75,413,547.82
Other operating payments	5,897,311.65	5,616,940.92
Total receipts from insurance activity	39,778,012.21	37,470,787.60
Total payments from insurance activity	117,687,324.21	81,030,488.74
Other operating activities:		
Receipts from pension fund management activities	104,914.43	99,499.22
Receipts from other activities	13,814,978.75	14,064,686.28
Payments of other activities	13,507,961.10	13,955,936.41
Total receipts from other operating activities	13,919,893.18	14,164,185.50
Total payments from other operating activities	13,507,961.10	13,955,936.41
Income tax receipts and payments	2,134,285.06	4,110,770.39
Total net cash flows from operating activities	-75,363,094.86	-39,240,681.66
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Receipts from investment activities:		
Real estate investments	9,629,802.33	4,711,873.93
Financial Instruments	1,163,845,494.20	854,724,426.01
Shareholdings in group and multigroup companies and associates	407,978.16	5,339,536.83
Interests received	9,851,364.77	9,764,852.48
Dividends received	3,113,257.69	6,038,513.52
Total receipts of investment activities	1,186,847,897.15	880,579,202.77
Investment activities payments:		
Tangible fixed assets	26,133.97	176,419.14
Real estate investments	1,974,842.62	2,602,304.42
Intangible assets	75,451.22	82,542.61
Financial Instruments	1,120,395,276.71	724,028,868.37
Shareholdings in group and multigroup companies and associates	939,936.72	3,338,557.94
Total receipts of investment activities	1,123,411,641.25	730,228,692.48
Total cash flows of investment activities	63,436,255.90	150,350,510.29
CASH FLOWS FROM FINANCING ACTIVITIES		
Effect of exchange rate changes	-426,927.12	755,914.40
Total cash flows of financing activities	-426,927.12	755,914.40
Total increases in cash and cash equivalents	-12,353,766.08	111,865,743.03
Cash and equivalents by the beginning of the period	209,704,883.55	97,839,140.52
Cash and equivalents by period-end	197,351,117.47	209,704,883.55
Cash components and equivalents by period-end:		
Depository and banks	197,351,117.47	209,704,883.55
Total cash and equivalents by period-end	197,351,117.47	209,704,883.55



REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

(1) General Information about the Mutual Society and its Activity:

LORETO MUTUA, MUTUALIDAD DE PREVISION SOCIAL (hereinafter referred to as the Mutual Society) was incorporated under the name of MONTEPÍO LORETO, MUTUALIDAD DE PREVISION SOCIAL, in accordance with the provisions of Article 7-2 of the Order issued by the Ministry of Labour of 25th August 1970. It was set up as a Social Welfare Institution, whose purpose was to provide its members with social welfare means complementary to the public protection system. The Mutual Society is authorized to operate in the life insurance field, covering the relevant risks in accordance with the current regulations, and since 14th December 2001 (Spanish Official Gazette – BOE – of 11th January 2002) it is authorized to extend Benefits without the qualitative and quantitative limitations imposed under Sections 1 and 2, Article 44 of Act 20/2015 of 14th July on the Management, Supervision and Solvency of Insurance and Reinsurance Companies.

The Mutual Society's corporate purpose is to exercise a type of voluntary insurance complementary to the compulsory Social Security system, through the payment of contributions by its members and protecting companies, which are intended to cover foreseen people risks. The risks covered within the life insurance are those derived from the instrumentalization of pension commitments, that is, retirement, disability and decease; with the possibility of an early retirement pension and exceptional redemption for long-term unemployment, as described in the Mutual Society's Contributions and Benefits Regulations.

On 13th July 2015, the company executed a Public Deed for converting into a public instruments the corporate resolutions adopted by the Extraordinary General Meeting held on 25th June 2015, which resolved to change the Mutual Society's name to Loreto Mutua, Mutualidad de Previsión Social, and amend the Articles of Association and the company purposes to include the conduction of activities related to pension funds management in accordance with the provisions of Article 20.2 of Royal Decree 1/2002 of 29th November, under which the Consolidated Text of the Regulatory Law on Pension Schemes and Funds, is approved, as well as the amendment of the Contributions and Benefits Regulations, introducing the long-term unemployment as a new liquidity case in certain scenarios which were left out from the applicable requirements for the lay-offs recovery.

The Mutual Society carries out its activity within the Spanish territory exclusively.

The Mutual Society is governed by Act 20/2015 of 14th July and Royal Decree 1060/2015 of 20th November on the Management, Supervision and Solvency of Insurance and Reinsurance Companies, which are the basic legislation regulating, among others, the requirements of the Solvency Regime II; by the Mutual Provident Society Regulations, approved by Royal Decree 1430/2002 of 27th December; by Act 50/1980 of 8th October on Insurance Contracts, and its subsequent complementary legislative provisions, and by its own Articles of Association and Regulations.



The abovementioned regulations on the Solvency Regime II establish, among other aspects, the standard share capital requirement (SCR) and a minimum capital requirement (MCR), which shall be covered with sufficient equity capital. To determine the SCR and MCR, the risks actually assumed by the Company are considered, and to determine the equity, the assets and liabilities are valued, in general, at market value, with the purpose of creating what the regulation calls as “financial balance sheet”. Therefore, the acknowledgement and assessment criteria for assets and liabilities, for the purposes of determining solvency, are substantively different to those used to show the company’s financial and capital position in the attached annual accounts, which are prepared in accordance with the financial information regulations applicable to the Mutual Society.

The main purpose of the Regulation of Solvency II is to protect the policyholder through an improvement in the control and measurement of market, operational, credit and liquidity risks to which insurance companies are exposed through three pillars:

- Pillar I: Quantitative requirements aimed at establishing the compulsory solvency capital by previously determining the “financial balance sheet” focused on risks and valued at market prices.
- Pillar II: Qualitative requirements including requisites regarding companies’ governance (supervision processes) that affects the organization and management of companies forced to face identification, measurement and active risks management, as well as the prospective assessment of risks and solvency capital.
- Pillar III: Transparency requirements for the information needed, on the one hand, by the supervisor (General Directorate of Insurances and Pension Funds) and, on the other hand, by the market, and whose aim is to encourage market’s discipline and contribute to transparency and financial stability.

In certain areas, the Mutual Society’s activities may be affected by the provisions of the Consolidated Text of the Regulatory Law on Pension Schemes and Funds, as approved by Royal Legislative Decree 1/2002 of 29th November, and its subsequent amendments; by Royal Decree 304/20014 of 20th February, which approves the Regulations on Pension Schemes and Funds and its subsequent amendments; and by the governing regulations on personal income tax and other provisions established by the Spanish General Directorate of Insurances and Pension Funds or other complementary regulations.

According to the Articles of Association, the members of the Society are employees belonging to the workforce of companies whose main and usual activity is related to the commercial operation of air traffic, and who have established their membership through collective negotiation. Likewise, any members who have left the Company may keep their membership upon request and by paying the respective contributions. Employees from other partners or spin-off companies may also become members upon request. The Society’s employees could also become members upon request.



Since the Mutual Society's members are workers and employees of companies whose main and usual activity is the commercial operation of air traffic, and their membership is mainly established by collective agreements in each of them, there is no distribution channel.

The Society is authorised since 29th May 1989, in compliance with the Pension Plans and Funds Regulations, to operate as management entity of the said funds, having set up the following Funds:

- FONDLORETO PENSIONES, FONDO DE PENSIONES, incorporated on 19th November 1998. As of 31 December 2020 and 2019, the Fund's assets amount to 34,671,824.56 and 35,954,705.75 euros respectively; having 1,035 and 1,089 members as of 31 December 2020 and 2019 respectively. The Pension Plan integrated in the Fund is the Individual Pension Plan "Loreto Óptima", which is promoted by the Society.
- FONDLORETO EMPLEO, FONDO DE PENSIONES, incorporated on 22nd November 2000 as Fondloreto Pensiones I, Fondo de Pensiones, and whose name was changed on 20th February 2015. As of 31 December 2020 and 2019, the Fund's assets amount to 331,876.86 and 319,880.83 euros respectively; having 4 members as of 31 December 2020 and 2019. After the agreements reached on 24th February 2015, the Pension Plan integrated in the Fund is the Pension Plan "Loreto Empresas", promoted by the Spanish Confederation of Mutual Provident Societies.

(2) Basis for Presentation of the Annual Accounts:

a) Financial Information Legal Framework that applies to the Mutual Society

The annual accounts for financial years 2020 and 2019 have been prepared by the Mutual Society's Board of Directors in accordance with the financial information legal framework that applies to the Mutual Society, which is the one established in:

- The Commercial Code and other commercial legislation.
- Royal Decree 1317/2008 of 24 July, which approves the Accounting Plan for Insurance and Reinsurance Companies and the Regulations on the Presentation of Consolidated Annual Accounts for Insurance and Reinsurance Companies, as amended by Royal Decrees 1736/2010 of 23 December and 583/2017 of 12 June; and on the general regulations for those companies.
- Regulatory provisions set forth by the General Directorate of Insurances and Pension Plans.
- Mandatory regulations approved by the Institute of Accounting and Accounts Audits.
- Any other Spanish regulation that might be applicable.



b) Accounting principles

In the preparation of these annual accounts we have followed the accounting principles and assessment criteria stated in Note 4. There are no mandatory accounting principles nor any assessment rule which, having a significant effect on the annual accounts, have not been applied in their preparation.

c) Critical Aspects of the Uncertainty Assessment and Estimation

In the annual accounts, we have occasionally used estimations to quantify some of the assets, liabilities, incomes, expenses and obligations that are registered in them. These estimations refer to the assessment of potential losses for impairment of certain assets and the fair value of certain financial instruments.

Estimations are based on historical experience and other different factors that are considered fair in the current circumstances, and whose results are the basis for determining the book value of the assets and liabilities that are difficult to determine through other sources. Estimations are continuously revised. Nevertheless, the uncertainty inherent in estimations could lead to results that might require a future adjustment of book values for the affected assets and liabilities.

Main assumptions related to future facts and other uncertain estimation sources at the time of preparing these annual accounts, which may cause any corrections in assets and liabilities in the next financial year, are the following:

Lease obligations:

Lessor:

The Mutual Society has lease contracts on properties the Mutual Society rents out, as stated in Note 8. The Mutual Society has determined that, based on the assessment of the terms and conditions of these contracts, the Mutual Society retains all risks and benefits from the investment properties, recognizing therefore these contracts as operating leases.

Taxation:

In accordance with the current legislation, taxes cannot be considered finally settled until the filed tax returns have been reviewed by tax authorities, or until the prescribed four-year period to do so has expired. In the Board of Directors' opinion, there are no contingencies that could result in significant additional liabilities for the Mutual Society in case of tax inspection.

Pensions:

The cost of pension commitments to its workers assumed by the Mutual Society is determined through actuarial valuations.



Actuarial valuations require the use of hypotheses on discount rates, salary increases, mortality tables, increases in Social Security contribution bases and increases in the Consumer Price Index. These estimations are subject to uncertainty due to the long settlement period of these commitments. Liabilities corresponding to these commitments as of 31 December 2020 amounted to 58 thousand euros, compared to 115 thousand euros for financial year 2019 (Note 13).

Impairment of Non-Financial Assets:

The Mutual Society puts these assets to the impairment test when there is evidence for it.

Deferred Tax Assets:

The recognition of deferred tax assets is carried out on the grounds of future estimations done by the Mutual Society on the eventual availability of future taxable profits.

Other Non-Technical Provisions:

The Mutual Society recognizes risks provisions, according to the accounting policy stated in Note 13 of the Financial Statements. The Mutual Society has made judgements and estimations on the probability that those risk events will occur, as well as on their amount, and it has registered a provision when the risk has been deemed likely to occur, estimating the cost such commitment would imply.

Calculation of Fair Values, Values in Use and Present Values:

The calculation of fair values, values in use and present values implies the calculation of future cash flows and the assumption of hypotheses relating to future flows values and discount rates applicable to them. The related estimations and assumptions are based on historical experience and other factors that are considered fair according to the circumstances.

In any event, the Mutual Society's investments, whatever its investment policy might be, are subject to market fluctuations and other risks inherent to security investments.

Impact of the situation caused Covid-19

On 11 March 2020, the World Health Organization declared a global pandemic amid the public health emergency caused by the coronavirus (COVID-19). In turn, through Royal Decree 463/2020, the Spanish government announced a state of alarm throughout the nation due to the magnitude and speed of the virus' spread. The measure remained force until 21 June 2020, going through different phases depending on the autonomous region. Due to the persistence of the pandemic, on 25 October 2020, the government passed Decree 926/2020 declaring a second state of alarm, which was later extended until 9 May 2021, and whereby the autonomous regions themselves, by delegation of the government, adapt the specific measures to be applied to their specific circumstances.



The states of alarm and the health crisis itself have significantly impacted people's freedom of movement and assembly, as well as economic activity in general, with a wide range of activities being completely suspended for part of the first state of alarm. They have included commercial activity, hotels and restaurants, which remain affected during the second state of alarm by restricted hours and capacity and even total suspension.

This situation is having a significant impact on the economy as a whole, both nationally and internationally, generating a high degree of uncertainty and a dramatic decline in certain sectors, with the subsequent ripple effect on others.

The Mutual Society's activity has been affected in the following respects:

- Cancellation of all face-to-face meetings of the Mutual Society's Governing Bodies since March (investment committees, benefit committees, meetings of the audit committee, board of directors), which were held online on the usual dates for the remainder of 2020, under the provisions of Article 40 of Royal Decree-Law 8/2020 of 17 March, on extraordinary urgent measures to address the economic and social impact of COVID-19.
- The Ordinary General Meeting was held on 29 October, also online (Article 40 of Royal Decree-Law 8/2020) but after the usual deadline, as authorised by Article 40.5 of Royal Decree-Law 8/2020 of 17 March, subsequently amended, which allowed board or general meetings to be held until 1 November 2020. Additionally, Section 1 of this Article allowed board or general meetings to be held by electronic means that guarantee the rights of all attendees, even if not provided for in the Articles of Association.
- Holding all these meetings online made it necessary to set up a remote advanced electronic signature system.

The directors and the management have continuously analysed the situation, always taking the appropriate measures to minimise as much as possible the crisis' impact on the company's operations and performance, especially financial. The most significant measures adopted are as follows:

- The Business Continuity Plan, in force since 2017, did not contemplate the possibility of a global pandemic, so it was successfully adapted in the days prior to the declaration of the state of alarm (14/03/2020). As a result, using computer resources that were already implemented, the company was able to guarantee employees' health and safety through teleworking, as well as the continuity of member services.
- Temporary closure of our facilities from Thursday, 12 March until 9 July, the date on which we resumed in-person member services, following a de-escalation plan designed to minimise the risk of contagion to both employees and members. A rotation system was established in some jobs, but always with a very low level of presence.



- Renegotiation of contracts with various Mutual Society tenants under Royal Decree-Law 15/2020 of 21 April, on urgent measures to support the economy and employment.
- Creation of a weekly delegate committee to approve benefit requests due to the exceptional assumption of liquidity enabled by Royal Decree 11/2020 of 17 March, in order to meet the legal payment deadlines.
- Monitoring and control of liquid assets since the beginning of March in the face of a possible stress scenario, studying and adopting measures to ensure sufficient liquidity in the event of a significant increase in benefit requests.

Regarding the valuation of main assets and liabilities and future contributions, the Mutual Society believes that it could be affected by the COVID-19 crisis at the end of the year as follows:

- Reduction in member contributions in 2021, the amount of which will depend on the airline sector's evolution in the coming months.

As of the date on which these annual accounts were prepared, the pandemic and state of emergency continue, making it impossible to estimate the future impact of this crisis on the Mutual Society. This will depend on uncontrollable circumstances, such as the pandemic's duration and or additional restrictive measures that the Spanish government and autonomous regions are forced to take, in line with those adopted by the governments of neighbouring countries and the World Health Organization's recommendations.

Therefore, and in view of the above, the Mutual Society is taking the appropriate steps to address the situation and minimise its impact, considering that it is a temporary situation that, based on the most recent estimates, its cash position to date and its reasonable prospects, does not compromise the application of the going concern principle.

d) Comparison of information

In compliance with the provisions of Royal Decree 1317/2008, which approves the Accounting Plan for Insurance Companies, apart from the figures for financial year 2020, the balance sheet, the Profit & Loss account, the statement of changes in equity and the cash flow statement for financial year 2017 are shown for comparison purposes, except when any accounting rule specifically states that this is not necessary.

On September 5th 2018, a deed was signed for the dissolution of the society Instituto Español Fomento Inmobiliario, S.L., in accordance with a resolution adopted by the General Extraordinary Meeting of Shareholders held on August 30th 2018. The settlement was registered with the Companies Registry on November 26th 2019. As a result of this liquidation, Prius Inversiones Generales, S.L., assigns and transfers to Loreto Mutua, as sole member, all of its assets amounting to 23,145,617.61 euros; the Mutual Society included in its accounts for the financial year 2019 the following items, whose corresponding amount for the financial year 2018 was included in the item "Holdings in group companies":



	Euros
A-1) Cash and other cash equivalent assets	4.854.691,06
A-5) Loans and receivables	
Deposits with credit institutions	17.175.596,89
Remaining credits	1.981,47
A-9) Tangible Fixed Assets and Real Estate Investments	
Real estate investments	1.108.652,12
A-12) Tax assets	
Current tax assets	4.696,07
	23.145.617,61

e) Expense and Income Allocation Criteria

The Mutual Society only operates in the life insurance field, so expenses and incomes have been allocated to that field. Likewise, since all suitable investments are affected by technical provisions, their full returns have been included in the life insurance technical account. Note 4 shows the criteria for reclassification of expenses by destination.

f) Grouping of items

Certain items in the balance sheet, income statement, statement of changes in equity and statement of cash flows are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down in the related Notes to the Financial Statements.

(3) Profit & Loss Distribution:

In accordance with Article 10 of the Society's Contributions and Benefits Regulations, net accumulated gains are distributed to mutualists as profit sharing.

Fees received by the Society as Pension Funds Manager for financial years 2020 and 2019, which amount to 100,216.43 and 104,914.43 euros respectively, are not subject to distribution, but used to increase the Mutual Fund.

(4) Accounting Policies and Measurement Bases:

The most significant registration and valuation standards that have been applied to the preparation of these annual accounts are the following:

a) Intangible Fixed Assets

The intangible fixed assets include software applications, which are accounted for by the amount paid for the property or right of use thereof, provided that their use is intended for several years. They are presented in the Balance Sheet at their cost value less depreciations.



Recurring expenses arising from the amendment or updating of software applications or computer systems, staff training, system review and maintenance are registered in the profit and loss account, as more expenses in the financial year in which they occur. Software applications are amortised on a straight-line basis over their service life, estimated at 4 years.

b) Tangible Fixed Assets and Real Estate Investments

Tangible fixed assets:

Tangible fixed assets include furniture, facilities, computer hardware, buildings and premises for the Mutual Society's own use. Furniture, facilities and computer hardware are valued at their cost of acquisition less depreciation.

Acquisition costs include any additional expenses incurred until the operation of the good. Any financial expenses that may arise are not part of those costs.

Real estate investments:

Real Estate investments appear in the balance sheet at their acquisition cost less depreciation. The fair value of real state corresponds to the appraisal value given by an appraisal company with license to assess property in the real estate market.

All major improvements that extend lifespan are accounted for in the account of technical facilities or in the building constructions, whatever is appropriate. Repair and maintenance expenses are charged to the outcome account of the period in which they occur.

Impairment of Non-Financial Assets:

An impairment loss in the value of any fixed asset and real estate investment will take place when its book value exceeds its recoverable amount, being this the higher of its fair value less the costs of disposal and its value in use. The value in use of any asset is the present value of expected future cash flows updated at a market interest rate with no risk, adjusted by the specific risks of the asset that have not been adjusted by estimations of future cash flows. Cash flow forecasts will be based on reasonable and founded assumptions.

Impairment losses of fixed assets or real estate investments, as well as their reversal upon ceasing the circumstances that caused them, will be recognized as an expense or an income, respectively, in the profit and loss account. The limit for the impairment reversal will be the asset book value that would be recognized in the reversal date, in case the impairment value was not registered.

Impairment losses are recognized for all those assets, or cash-generating units that include them, and they are reverted if there are changes in the estimations used for determining the recoverable amount.



Annual depreciation is calculated on a straight-line basis according to the estimated service life, as follows:

	Years of estimated service life
Real estate (excluding land value)	75
Furniture	10
Facilities	10
Information processing equipment	5

c) Leases

All leases signed by the Mutual Society are operating leases.

The operating lease is an agreement where lessor and lessee agree on the right to use an asset during a certain period of time upon paying monthly instalments. Collections and payments made under operating leases are registered as income or expenses in the profit and loss account of the financial year in which they are accrued.

d) Financial Instruments

d.1) Classification and valuation of financial assets:

In general, a financial asset is any asset that is: ready money, an equity instrument issued by another entity or an asset implying a right to get cash or another financial asset, or to exchange financial assets or liabilities with third parties under potentially favourable conditions.

The initial valuation of financial assets is made at their fair value. Unless there is evidence to the contrary, the fair value is the transaction price, which is equal to the fair value of the consideration provided plus any transaction costs that are directly attributable, with the exception of financial assets held-for-trading and other financial assets at fair value with change in the profit and loss account, for which transaction costs are charged to the profit and loss account of the financial year in which the acquisition of the financial asset occurs. Additionally, for financial assets held-for-trading and held-for-sale, the amount of any preferential subscription rights and similar rights that have been acquired, if any, is part of the initial valuation.

For purposes of presentation and valuation, financial assets are broken down in the following categories:

Cash and other cash equivalent assets:

This group comprises the cash in hand, bank deposits available on demand and financial instruments that can be converted into cash and whose maturity at the acquisition time was not longer than three months, provided that there is no significant risk of change in value and they are part of the general management policy of the Mutual Society's liquid assets.



Loans and receivables:

This category includes trade and non-trade receivables, debt securities and certain or pre-determined flows swap, which had not been classified when they were first recognised in the category of financial assets available for sale.

Loans for non-commercial transactions are those financial assets that, not being equity or derivative instruments, do not have a commercial origin, have fixed or determinable payments and are not traded in an active market. This category does not include those financial assets for which the Mutual Society cannot recover the initial investment, for any reason other than credit impairment.

After initial recognition at their fair value, the financial assets included in this category are valued at their depreciated cost. Interest accrued are accounted for in the profit and loss account, by applying the effective interest rate method.

Nevertheless, those credits from commercial transactions with a maturity of no more than one year and with no contractual interest rate, as well as credits and advances to staff, dividends receivable and payments required on equity instruments, whose amount is expected to be received in the short-term, are valued at their nominal value, both in the initial and subsequent valuations, provided that the effect of not updating the cash flows is not relevant.

Impairment losses recognised and reversed are registered at the end of the financial year by recognizing an expense or income, respectively, in the profit and loss account.

Investments held-to-maturity:

These are financial assets such as debt securities, with a fixed maturity date, whose collections are a determined or ascertainable amount, that are traded in an active market, and there is positive intention and ability to hold them to maturity.

After the initial recognition of financial assets included in this category, they are valued at their depreciated cost. Interest accrued are accounted for in the profit and loss account, by applying the effective interest rate method.

Financial assets held-to-trade:

It is considered that a financial asset is held to trade when:

- a) It is originated or acquired with the purpose of selling it in the short term.
- b) It is a derivative financial instrument, provided that it is not a financial guarantee contract or is designated as a hedging instrument.

After their initial recognition, these assets are valued at their fair value, without any deduction for transaction costs they may incur on disposal. Changes in their fair value are charged to the profit and loss account.



Other financial assets at fair value with changes in profit and loss:

This category includes hybrid financial instruments when their features and financial risks inherent to the implicit derivative are not closely linked to those of the main contract.

After their initial recognition, these assets are valued at their fair value, without any deduction for transaction costs they may incur on disposal. Changes in their fair value are charged to the profit and loss account.

Equity investments in group companies, associates and jointly-controlled entities:

After the initial recognition, these assets are valued at their cost, less any accumulated impairment losses.

When a value needs to be assigned to these assets, because they have been removed from the balance sheet or for any other reason, the method applied is the average weighted price by homogeneous group. In the event of selling any preferential subscription rights and similar rights, or in case of segregation to exercise them, the book value of the said assets is decreased by the amount of such rights.

Financial assets available for sale-

This category includes other company's debt securities and equity instruments that have not been included in any of the previous categories.

After their initial recognition, these assets are valued at their fair value, without any deduction for transaction costs they may incur on disposal. Changes in fair value will be recorded directly in the equity, until the financial asset is removed from the balance sheet or depreciates, when the recognized amount is charged to the profit and loss account. However, impairment losses and variations in exchange rates for monetary financial assets in a foreign currency will be registered in the profit and loss account. Interests, calculated by the effective interest rate method, and accrued dividends are also registered in the profit and loss account.

Investments in equity instruments whose fair value cannot be reliably determined are valued at their cost, less any accumulated impairment losses. When a value needs to be assigned to these assets, because they have been removed from the balance sheet or for any other reason, the method applied is the average weighted price by homogeneous group. In the event of selling any preferential subscription rights and similar rights, or in case of segregation to exercise them, the book value of the said assets is decreased by the amount of such rights. This amount is equal to the fair value or the cost of such rights, in a consistent way with the valuation of associated financial assets.

At least at year-end, value adjustments are carried out, whose amount is recognized in the profit and loss account. Their reversal is added to the profit and loss account.



d.2) Impairment of Non-Financial Assets:

The Mutual Society assesses at year end if any financial assets or group of financial assets are impaired.

Financial assets carried at depreciated cost (receivables and investments held to maturity):

Value adjustments will be carried out if there is any objective evidence showing that the value of a financial asset, or group of financial assets, carried at depreciated cost, is impaired as a result of one or more events that might have happened after their initial recognition and which might cause an increase or delay in the estimated future cash flow.

The impairment loss of these financial assets is the difference between their book value and the present value of future cash flow that is expected to be generated, discounted at the effective interest rate at the moment of their initial recognition. As of 31 December 2020 and 2019, the Mutual Society has not registered any impairment for this concept.

For financial assets at variable interest rate, the interest rate effective on the annual accounts closing date, in accordance with contractual terms, will be used. In the calculation of impairment losses for a group of assets, statistics methods or methods based in formulas are used. For the category of investments held-to-maturity as a substitute of the present value of future cash flow, the instrument market value might be used, provided that it is reliable enough to be considered representative of the value that could be recovered by the Mutual Society.

Impairment losses, and their reversal when the amount of such loss is reduced for any reasons related to any subsequent event, are recognised as an expense or income, respectively, in the profit and loss account. The limit for impairment reversal is the book value of the credit that would be recognised at the reversal date, if the impairment has not been recorded.

Financial assets available for sale:

In the case of debt instruments, the impairment would be identified by a reduction or delay in the estimated future cash flows, which could be caused by the debtor's insolvency.

In the case of equity instruments, there is evidence that these have been impaired when, after their initial recognition, an event or series of events occur involving that their book value is not going to be recovered, because of a significant or long-lasting reduction in their fair value. As of 31 December 2020 and 2019, the Mutual Society has not registered any impairment for this concept.

Impairment losses will be the difference between their cost or depreciated cost less their fair value at year end.



Equity investments in group companies, associates and jointly-controlled entities:

Investments in the equity of group companies, associates and jointly controlled entities are valued after initial recognition at their cost, less accumulated impairment losses, where appropriate.

The amount of the impairment losses is the difference between their book value and the recoverable amount, being the latter the highest of their fair value less costs of disposal, and the present value of future cash flows derived from the investment. Unless there is better evidence of the recoverable investments, in the impairment estimation of these assets, the equity of the investee, as amended by the unrealised gains or losses that might exist at the valuation date, has been taken into consideration.

Impairment losses, and their reversal when the loss amount has been reduced for reasons related to a subsequent event, are recognised as an expense or income, respectively, in the profit and loss account. The limit for impairment reversal is the book value of the credit that would be recognised at the reversal date, if the impairment has not been recorded.

d.3) Interests and dividends accrued from financial assets:

Interest and dividends from financial assets accrued after their acquisition are registered as incomes in the profit and loss account. Interests shall be registered using the effective interest rate method, and dividends shall be registered when the right to accrue them is declared.

To this effect, in the initial valuation of financial assets, the amounts of explicit interests accrued but not due and payable then, are registered independently according to their maturity, as well as the amount of dividends resolved by the competent body at the time of acquisition. For this purpose, we understand explicit interests as those that are obtained after applying the contractual interest rate of the financial instrument.

Likewise, when distributed dividends come unequivocally from results generated prior to the acquisition date, because any amounts distributed exceed the profits generated by the investee from the acquisition date, these will not be recorded as incomes, but these will reduce the book value of the investment.

d.4) Derecognition of Non-Financial Assets:

The Mutual Society derecognises a financial asset, or part of it, when contractual rights over such financial asset's cash flows expire or are transferred. Risks and profits inherent to the holding thereof shall be substantially transferred under circumstances that shall be assessed by comparing the Mutual Society's exposure before and after the transfer, to the variation in the amounts and the net cash-flow calendar of the transferred asset..



d.5) Classification and valuation of financial liabilities:

For valuation purposes, the Mutual Society has classified all its financial liabilities as “Debts and payables”, which are initially valued at their fair value (transaction price including transaction costs that are directly attributable). In subsequent valuations, financial liabilities included within this category are valued at their depreciated cost. Interest accrued are accounted for in the profit and loss account, by applying the effective interest rate method.

However, debts derived of commercial transactions with a maturity of no more than one year and with no contractual interest rate, as well as payments called by third parties on any shares or stock, whose amount is expected to be paid in the short term, are valued, both in the initial and subsequent valuations, at their nominal value, when the effect of not updating cash flows is not relevant.

d.6) Derecognition of Financial Liabilities:

The Mutual Society derecognises financial liabilities when the obligation inherent to them expires.

The difference between the book value of the financial liabilities, or of the part that has been derecognised, and the consideration paid, including attributable transaction costs, and which also includes any asset transferred other than cash or assumed liability, is recorded in the profit and loss account of the year when it occurs.

e) Foreign Currency Transactions

Monetary items:

Foreign currency transactions are initially recorded at the exchange rate in force on the date of the transaction.

Assets and liabilities in foreign currency will be converted at the exchange rate in force on the date of the balance sheet. Exchange differences, both negative and positive, that may arise in this process, as well as those caused by the liquidation of those assets and liabilities, are recorded in the profit and loss account of the tax year in which they occur. Exchange differences, both positive and negative, that may arise from valuations subsequent to the purchase of financial assets available for sale are recorded in the Mutual Society's Equity.

Non-monetary items:

- Non-monetary items valued at historical cost: these are valued by applying the exchange rate in force on the date of the transaction.
- Non-monetary items valued at fair cost: they are valued by applying the exchange rate in force on the date of determining the fair cost, recognizing the loss or profit arising from such valuation in the net equity or the profit and loss account, depending on the nature of the relevant item.

There are currently no non-monetary items in foreign currency on the Mutual Society balance sheet.



f) Credits for Insurance and Reinsurance Transactions

The Mutual Society's credits for insurance transactions are valued at the outstanding nominal amount. There are no reinsurance transactions in the Mutual Society.

g) Technical Provisions

For life insurances:

They represent the value of the Mutual Society's obligations, net after discounting mutualists' obligations, at the end of the year.

Mathematical provision

This section includes the mathematical provisions, which represent the surplus of the present value of the Mutual Society's future obligations over the present value of future estimated contributions that should be paid by mutualists. These provisions have been determined by the Mutual Society for each allowance category separately, through adequate actuarial calculations made by independent professionals, in accordance with the relevant techniques.

Provision for benefits:

For benefits to be settled or paid

These provisions represent the estimated valuation of outstanding obligations at the year end, as a consequence of claims which have not been settled or paid yet, that were declared until the year end.

As of 31 December 2020 and 2019, the valuation of these provisions has been made taking into account the expected or final amounts of each claim individually, applying the most prudent valuation criteria and considering any kind of liability arising from claims to be paid or settled from the said date.

For benefits pending declaration

The provision for benefits pending declaration includes the estimated amount for claims that happened before the year end and that were notified to the Mutual Society after the 31 December. It is estimated by applying a percentage of 15% to the provision for claims pending settlement or payment, in accordance with Article 140 of Royal Decree 1060/2015, of 20 November, on the regulation, supervision and solvency of insurance and reinsurance companies.

For internal expenses of claims settlements

This provision shall have sufficient funds to cover internal expenses required to settle the claims that have to be included in the provision for benefits.



In order to quantify it, the relation between internal expenses attributable to benefits and their amount is taken into account, considering the reclassification of expenses by destination established in the Insurance Companies Accounting Plan.

For profit sharing and rebates:

It represents the accumulated net incomes as surplus or shortage over technical provisions as of 31 December 2020 and 2019, provided that these have not been individually allocated to mutualists.

h) Provisions for pensions and similar obligations

The provision for pensions and obligations includes the amount of future obligations of the Mutual Society towards its own employees who are in early retirement, as regulated by the Mutual Society's collective agreement. Its amount, that is to say, the liability for definite benefits registered in the balance sheet is calculated actuarially and corresponds to the present value of the commitments acquired by the end of the year. The Mutual Society would register as recognised incomes and expenses, where appropriate, any actuarial profit and losses in the tax year when they occur.

i) Correction of Accounting Asymmetries

When the financial instruments assigned to insurance transactions are valued at their fair value, in accordance with the provisions on the recording and valuation standards for financial instruments, and the changes are recorded in the net equity or in the profit and loss account, in order to give a true and faithful view of the Mutual Society's net equity and profit and loss account, the said variation shall be symmetrically recognised through the net equity or the profit and loss account, in a liability account, even if its balance is negative, for the change in value attributable to policyholders and not registered as life insurance provision. Financial instruments assigned to insurance transactions are those that the Mutual Society deems appropriate to cover the commitments it has with its liabilities, always complying with the relevant regulations in force.

The correction of accounting asymmetries shall be consistently applied to the financial instruments assigned to the different insurance transactions.

j) Tax on Profits

The income tax expense for the tax year is calculated by adding the current tax, which results from the application of the corresponding tax rate to the taxable base for the year after applying any relevant reliefs and credits, and the variation of assets and liabilities for any accounted deferred taxes. It is recognised in the profit and loss account, except in those cases where this tax is directly related to items stated in the net equity. In this case, the tax is recognised in that section.

Assets and liabilities for current taxes are the estimated amounts to be paid to or collected from the Public Administration, according to the tax rates in force at the balance sheet data and including any other tax adjustment corresponding to previous tax years.

The deferred income tax is accounted for following the liability registry method, for all temporary differences between the taxable base of the assets and liabilities and their book value in the annual accounts.



The Mutual Society recognises a deferred tax liability for all temporary differences and recognises deferred tax assets for all deductible temporary differences, unused tax credits and non-applied tax losses, to the extent that it is probable that the Mutual Society holds future tax incomes allowing the application of these assets.

At the end of each year, the Mutual Society assesses the recognised deferred tax assets and those that have not been previously recognised. According to that assessment, the Mutual Society derecognises an asset that was previously recognised if its recovery is not likely to happen or records any previously unrecognised deferred tax assets if it is probable that the Mutual Society holds tax incomes that allow their application.

Deferred tax assets and liabilities are valued at the expected tax rates upon reversal, in accordance with the approved current regulations, and according to the way in which it is reasonably forecast to recover or pay the deferred tax asset or liability. Adjustments to deferred tax assets and liabilities are charged to the profit and loss account, unless the affected deferred tax assets or liabilities have been charged or paid directly to the net equity.

Deferred tax assets and liabilities are valued without having into account the effect of financial discount.

k) Income and Expenses

The most significant criteria used by the Mutual Society to recognise its incomes and expenses are summarized below:

Income from Interests and Dividends:

Interest and dividends from financial assets accrued after their acquisition are registered as incomes in the profit and loss account. Interests shall be registered using the effective interest rate method, and dividends shall be registered when the right to accrue them is declared.

To this effect, in the initial valuation of financial assets, the amounts of explicit interests accrued but not due and payable then, are registered independently according to their maturity, as well as the amount of dividends resolved by the competent body at the time of acquisition. For this purpose, we understand explicit interests as those that are obtained after applying the contractual interest rate of the financial instrument.

Likewise, when distributed dividends come unequivocally from results generated prior to the acquisition date, because any amounts distributed exceed the profits generated by the investee from the acquisition date, these will not be recorded as incomes, but these will reduce the book value of the investment.

Other Income and Expenses:

They are recognised for accounting purposes according to accrual criteria.



I) Related Party Transactions

Related party transactions are linked to the Mutual Society's normal operation, and they are carried out in market conditions and registered according to the abovementioned valuation standards.

m) Reclassification of expenses by Destination Criteria

The Mutual Society has reclassified expenses by nature, taking into account their own organization and the internal distribution costs structure.

The criterion followed for this reclassification is the following:

- Community fees, maintenance, consultancy, utilities, insurance premiums, real estate taxes, depreciations, etc. incurred by each building are reclassified to expenses from material investments.
- Securities consultants, bank charges, custody fees, etc. are reclassified to expenses from financial investments.
- All other expenses that are not included in the above sections and expenses incurred by the offices in Paseo de la Castellana no. 40, the Mutual Society's headquarters, are reclassified by the relevant percentage depending on the staff allocated to each area and each specific activity, as detailed below:

	Porcentaje
Acquisition costs	17.17%
Expenses attributable to benefits	27.33%
Expenses attributable to financial investments	17.61%
Expenses attributable to material investments	14.95%
Administration expenses	22.05%
Other non-technical expenses	0.89%

- "Other non-technical expenses" are the Pension Fund Administration Expenses.

(5) Intangible Fixed Assets:

The balance of this section as of 31 December 2020 and 2019 refers to the purchase of software applications, and the movements during financial years 2020 and 2019 have been as follows:

**COST:****Euros**

Balances at 31 December 2018	603,375.18
Additions	84,550.07
Withdrawals	-181,332.53
Balances at 31 December 2019	506,592.72
Additions	74,796.48
Withdrawals	-322,661.76
Balances at 31 December 2020	258,727.44

ACCUMULATED AMORTIZATION:

Balances at 31 December 2018	-380,148.13
Provisions	-143,176.34
Drawdowns	181,332.53
Balances at 31 December 2019	-341,991.94
Provisions	-95,586.89
Drawdowns	322,661.76
Balances at 31 December 2020	-114,917.07

NET VALUE:

At 31 December 2019	164,600.78
At 31 December 2020	143,810.37

(6) Real Estate Investments and Tangible Fixed Assets:

The Mutual Society has classified the lands and constructions it holds as tangible fixed assets if these are for private use and as real estate investments if their purpose is to get income and capital.

a) Real estate investments

Detail and movements for financial years 2020 and 2019 is as follows:



	Euros				
	Land and Natural Assets	Constructions	Technical Facilities	Other Material Investments	Total
COSTES:					
Balances at 31 December 2018	21,339,951.24	41,506,405.94	1,238,292.86	16,011,539.00	80,096,189.04
Additions	221,730.42	1,003,887.77	154,210.20	-	1,379,828.39
Withdrawals	-	-116,966.07	-37,061.18	-	-154,027.25
Balances at 31 December 2019	21,561,681.66	42,393,327.64	1,355,441.88	16,011,539.00	81,321,990.18
Additions	-	-	121,582.43	-	121,582.43
Withdrawals	-169,118.77	-358,705.43	-91,076.67	-16,011,539.00	-16,630,439.87
Balances at 31 December 2020	21,392,562.89	42,034,622.21	1,385,947.64	0.00	64,813,132.74
ACCUMULATED AMORTIZATION:					
Balances at 31 December 2018	-	-2,944,175.47	-349,788.15	-	-3,293,963.62
Provisions	-	-555,978.09	-128,731.21	-	-684,709.30
Drawdowns	-	64,981.15	37,061.18	-	102,042.33
Balances at 31 December 2019	0.00	-3,435,172.41	-441,458.18	0.00	-3,876,630.59
Provisions	-	-562,757.70	-133,633.60	-	-696,391.30
Drawdowns	-	40,869.85	91,076.67	-	131,946.52
Balances at 31 December 2020	0.00	-3,957,060.26	-484,015.11	0.00	-4,441,075.37
DETERIORATIONS::					
Balances at 31 December 2018	-	-3,604,057.05	-	-10,826,265.59	-14,430,322.64
Provisions	-	-	-	-	0.00
Drawdowns	-	2,597,248.39	-	-	2,597,248.39
Balances at 31 December 2019	0.00	-1,006,808.66	0.00	-10,826,265.59	-11,833,074.25
Provisions	-	-1,760,024.83	-	-	-1,760,024.83
Drawdowns	-	-	-	10,826,265.59	10,826,265.59
Balances at 31 December 2020	0.00	-2,766,833.49	0.00	0.00	-2,766,833.49
NET VALUES:					
At 31 December 2019	21,561,681.66	37,951,346.57	913,983.70	5,185,273.41	65,612,285.34
At 31 December 2020	21,392,562.89	35,310,728.46	901,932.53	00.00	57,605,223.88

As of 31 December 2020 there are fully depreciated items registered as real estate investments in the amount of 120,293.45 euros.

On 5 March 2020, the deed of sale of premises B located on the ground floor of number 2, calle Río Guadiana, in Torrejón de Ardoz in Madrid, owned by the Mutual Society, was formalised. Loreto Mutua, Mutualidad de Previsión Social sells and transfers the property to Society Domus Capital, S.L, for 550,000 euros.

An impairment charge of 1,760,024.83 euros has been made for the property located in Valencia due to differences between the book value and the value of the appraisal carried out by an appraisal company authorised by the Bank of Spain.



Additionally, on November 5th 2020, the deed of sale was signed for the residing home number 64C with parking space number 98 and storage room 46, in the Fuente Aloha residential complex, located in Urbanización Nueva Andalucía, in Marbella (Málaga), owned by the Mutual Society. Loreto Mutua, Mutuality de Previsión Social, sold and transferred the aforementioned properties, for a total of 276,000 euros, to two private individuals.

On September 5th 2018, a deed was signed for the dissolution of the society Instituto Esphenial Fomento Inmobiliario, S.L., in accordance with a resolution adopted by the General Extraordinary Meeting of Shareholders held on August 30th 2018. The settlement was registered with the Companies Registry on November 26th 2019.

Of this settlement, 4 business premises and 11 parking spaces (8 for car and 3 for motorbike) of a total amount of 1,108,652.12 euros were transferred as "Real State Investments" to Loreto Mutua, Mutuality de Previsión Social in the year 2019.

The detail of impairment at 31 December 2020 and 2019, amounting to 2,766,833.49 and 11,833,074.25 euros respectively, is as follows:

Location	Euros	
	2020	2019
Paseo de la Castellana, nº 40, Madrid	1,006,808.66	1,006,808.66
Perales del Río (*)	-	10,826,265.59
Calle Antigua Senda de Senent, nº 11, Edificio Alameda (Valencia)	1,760,024.83	-
	2,766,833.49	11,833,074.25

(*) The urban development rights that the Mutual Society acquired in 2006 have been in litigation with the Getafe City Council during previous years and their book value has been impaired in accordance with the successive appraisals made throughout this period. Following the ruling of the Provincial Court of Madrid of 4 May 2019 sentencing Getafe City Council to pay the Mutual Society the principal and interest, in June 2020 an amount of 4,441,323.68 euros was received from Getafe City Council and the net book value of these urban development rights (acquisition value and impairment) was cancelled. On 12 January 2021 a transfer was received from the City Council for the interests of which an amount of €1,731,707.32 has been recognised as a debt pending collection on the assets side at the year end.

b) Tangible fixed assets

Details and movements for financial year 2020 are as follows:



Euros

	Balances at 31/12/2019	Registrations	Leaves	Balances at 31/12/2020
COSTS:				
Furniture	710,563.99			710,563.99
Technical Facilities	505,768.32		-60,717.78	445,050.54
Other facilities	112,434.57		-16,946.45	95,488.12
Information processing equipment	653,341.19	27,175.08	-135,911.19	544,605.08
Sites Paseo de la Castellana 40	6,792,584.40			6,792,584.40
Constructions Paseo de la Castellana 40	5,751,151.27			5,751,151.27
	14,525,843.74	27,175.08	-213,575.42	14,339,443.40
ACCUMULATED AMORTIZATION:				
Furniture	-226,843.46	-71,056.41		-297,899.87
Technical Facilities	-233,161.38	-47,127.05	60,717.78	-219,570.65
Other facilities	-76,898.50	-10,018.33	16,946.45	-69,970.38
Information processing equipment	-356,322.16	-129,136.57	135,911.19	-349,547.54
Constructions Paseo de la Castellana 40	-814,224.40	-74,919.60		-889,144.00
	-1,707,449.90	-332,257.96	213,575.42	-1,826,132.44
DETERIORATIONS:				
Constructions	-630,774.11			-630,774.11
NET VALUES	12,187,619.73	-305,082.88	0.00	11,882,536.85

Details and movements for financial year 2019 are as follows:

Euros

	Balances at 31/12/2018	Registrations	Leaves	Balances at 31/12/2019
COSTS:				
Furniture	704,938.94	5,625.05		710,563.99
Technical Facilities	579,334.39	3,419.97	-76,986.04	505,768.32
Other facilities	120,941.50		-8,506.93	112,434.57
Information processing equipment	539,743.17	166,149.39	-52,551.37	653,341.19
Sites Paseo de la Castellana 40	6,792,584.40			6,792,584.40
Constructions Paseo de la Castellana 40	5,751,151.27			5,751,151.27
	14,488,693.67	175,194.41	-138,044.34	14,525,843.74
ACCUMULATED AMORTIZATION:				
Furniture	-156,234.71	-70,608.75		-226,843.46
Technical Facilities	-257,616.59	-52,530.83	76,986.04	-233,161.38
Other facilities	-73,503.60	-11,901.83	8,506.93	-76,898.50
Information processing equipment	-284,975.36	-123,898.17	52,551.37	-356,322.16
Constructions Paseo de la Castellana 40	-739,304.80	-74,919.60		-814,224.40
	-1,511,635.06	-333,859.18	138,044.34	-1,707,449.90
DETERIORATIONS:				
Constructions	-2,365,248.58		1,734,474.47	-630,774.11
NET VALUES	10,611,810.03	-158,664.77	1,734,474.47	12,187,619.73



Appraisal values of properties owned by the Mutual Society as of 31 December 2020 and 2019 are as follows:

Location	Euros	
	2020	2019
Paseo de la Castellana, nº 40, Madrid	17,078,215.26	17,115,874.70
Paseo de la Castellana, nº 40, Madrid (Headquarters)	11,385,476.84	11,410,583.13
Glorieta de Quevedo, nº 9, Madrid	17,953,892.55	18,009,527.47
Calle Isaac Peral, nº 4, planta baja, Madrid	2,494,870.44	2,501,555.33
Avenida del Prado, Fuente Aloha Residential Complex, s/n, Marbella (Málaga)	5,107,807.37	5,383,164.53
Calle Alberto Aguilera, nº 1 and calle Santa Cruz de Marcenado, nº 2, Premises C-1, B-4, B-5 y C-8, Madrid	5,960,929.81	5,981,065.01
Parking spaces from Company Settlement Instituto Esphenial Fomento Inmobiliario, S.L.	89,981.20	90,929.94
Commercial premises and parking spaces from the settlement of Prius Inversiones Generales, S.L.	842,399.70	1,106,251.29
Calle Antigua Senda de Senent, nº 11, Edificio Alameda (Valencia)	31,206,773.78	33,531,384.68
	92,120,346.95	95,130,336.08

On the other hand, in 2019 the mutual society owned urban development rights in Perales del Río amounting to 5,185,273.41 euros. In 2020 the group no longer holds such rights.

(7) Financial Instruments:

Information about the relevance of financial instruments regarding the Mutual Society's financial situation and profit and loss is given below:

7.1) Balance-related information:

A. Financial assets categories

As of 31 December 2020 and 2019, the composition and classification of the Mutual Society's financial assets is the following:



At 31 December 2020

Euros

	Cash and other cash equivalent means	Other financial assets at fair value with changes in loss and profits	Financial Assets Available for sale		Loans and receivables	Held-to-maturity investment portfolio	Shareholdings in group and multigroup companies and associates	Total
			Fair value	Cost				
Equity instruments								
Capital financial investments	-	182,007,303.39	-	-	-	-	10,880,808.75	192,888,112.14
Sharing in investment funds	-	-	195,886,404.61	195,065,321.19	-	-	-	195,886,404.61
Sharing in venture capital funds	-	-	48,033,091.26	36,523,222.15	-	-	369,497.28	48,402,588.54
Debt securities								
Fixed Income Securities	-	-	165,305,689.43	160,917,125.32	6,977,287.49	242,469,070.77	-	414,752,047.69
Loans								
Loans to group companies and associates	-	-	-	-	30,831.49	-	-	30,831.49
Deposits in credit institutions	-	-	-	-	28,121,337.20	-	-	28,121,337.20
Credits for direct insurances activities								
Policyholders:								
Receipts pending	-	-	-	-	2,112,790.30	-	-	2,112,790.30
Other credits								
Remaining credits	-	-	-	-	2,448,065.33	-	-	2,448,065.33
Treasury	197,351,117.47	-	-	-	-	-	-	197,351,117.47
	197,351,117.47	182,007,303.39	409,225,185.30	392,505,668.66	39,690,311.81	242,469,070.77	11,250,306.03	1,081,993,294.77

At 31 December 2019

Euros

	Cash and other cash equivalent means	Other financial assets at fair value with changes in loss and profits	Financial Assets Available for sale		Loans and receivables	Held-to-maturity investment portfolio	Shareholdings in group and multigroup companies and associates	Total
			Fair value	Cost				
Equity instruments								
Capital financial investments	-	105,702,361.78	117,804,498.60	120,392,818.62	-	-	11,610,922.85	235,117,783.23
Sharing in investment funds	-	-	180,844,514.17	180,207,276.93	-	-	-	180,844,514.17
Sharing in venture capital funds	-	-	46,565,022.74	33,160,352.10	-	-	369,497.28	46,934,520.02
Debt securities								
Fixed Income Securities	-	-	205,212,360.64	191,361,559.51	9,044,292.17	259,578,856.01	-	473,835,508.82
Loans								
Loans to group companies and associates	-	-	-	-	30,654.97	-	-	30,654.97
Deposits in credit institutions	-	-	-	-	26,166,284.49	-	-	26,166,284.49
Credits for direct insurances activities								
Policyholders:								
Receipts pending	-	-	-	-	13,457.39	-	-	13,457.39
Other credits								
Remaining credits	-	-	-	-	754,170.21	-	-	754,170.21
Treasury	209,704,883.55	-	-	-	-	-	-	209,704,883.55
	209,704,883.55	105,702,361.78	550,426,396.15	525,122,007.16	36,008,859.23	259,578,856.01	11,980,420.13	1,173,401,776.85

B. Financial Liabilities categories

As of December 31, 2020 and 2019, the composition of the financial liabilities of the Mutual Society, classified as "Accounts Payable", for amounts respectively of 1,074,826.10 and 1,445,388.40 euros, corresponds to other debts.

C. Maturity Classification

The breakdown by year of maturity of the Mutual Society's financial assets and liabilities at December 31, 2020, is as follows:



Financial Assets

	Euros						Total
	2021	2022	2023	2024	2025	Further	
Fixed Income Securities	59,514,368.62	33,265,938.52	57,058,740.17	46,688,060.91	25,988,271.92	192,236,667.55	414,752,047.69
Loans to group companies and associates	30,831.49	-	-	-	-	-	30,831.49
Deposits in institutions credit	28,121,337.20	-	-	-	-	-	28,121,337.20
Policyholders	2,112,790.30	-	-	-	-	-	2,112,790.30
Remaining credits	2,292,792.21	-	-	-	-	-	2,292,792.21
Cash	197,506,390.59	-	-	-	-	-	197,506,390.59
	289,578,510.41	33,265,938.52	57,058,740.17	46,688,060.91	25,988,271.92	192,236,667.55	644,816,189.48

Financial liabilities

	Euros						Total
	2021	2022	2023	2024	2025	Further	
Deposits	132,787.86	19,908.00	170,833.66	31,637.27	18,000.00	128,497.76	501,664.55
Sundry payables	547,225.28	-	-	-	-	-	547,225.28
Other debts with group companies	25,936.27	-	-	-	-	-	25,936.27
	705,949.41	19,908.00	170,833.66	31,637.27	18,000.00	128,497.76	1,074,826.10

The breakdown by year of maturity of the Mutual Society's financial assets and liabilities at December 31 2019 is as follows

Financial Assets

	Euros						Total
	2020	2021	2022	2023	2024	Further	
Fixed Income Securities	64,985,065.40	50,100,975.88	42,643,658.81	54,200,563.73	38,313,195.27	223,592,049.73	473,835,508.82
Loans to group companies and associates	30,654.97	-	-	-	-	-	30,654.97
Deposits in institutions credit	26,166,284.49	-	-	-	-	-	26,166,284.49
Policyholders	13,457.39	-	-	-	-	-	13,457.39
Remaining credits	754,170.21	-	-	-	-	-	754,170.21
Cash	209,704,883.55	-	-	-	-	-	209,704,883.55
	301,654,516.01	50,100,975.88	42,643,658.81	54,200,563.73	38,313,195.27	223,592,049.73	710,504,959.43

Financial liabilities

	Euros						Total
	2020	2021	2022	2023	2024	Further	
Deposits	99,671.98	92,882.55	19,908.00	159,453.76	17,637.27	146,303.09	535,856.65
Sundry payables	909,531.75	-	-	-	-	-	909,531.75
	1,009,203.73	92,882.55	19,908.00	159,453.76	17,637.27	146,303.09	1,445,388.40



At 31 December 2020, the entity has open positions in financial derivatives corresponding to futures contracts, which are detailed below:

Contract	Detail					
	Net position	Currency	Number of contracts	Last due date	Nominal committed	Profit/ Loss
FUTURE EURO BUND MARCH 2021	Short	EUR	150	08/03/2021	15,000,000.00	-58,500.00
FUTURE US 10 YEARS NOTE (CBT) 21	Short	USD	300	31/03/2021	25,176,000.00	-19,266.00
					40,176,000.00	-77,766.00

At 31 December 2019, the entity had open positions in financial derivatives corresponding to futures contracts, which are detailed below:

Contract	Detail					
	Net position	Currency	Number of contracts	Last due date	Nominal committed	Profit/ Loss
FUTURE EURDOLLAR MARCH 2020	Long	USD	342	16/03/2020	43,240,518.29	124,186.02
FUTURE BOBL MAR 20	Short	EUR	350	06/03/2020	35,000,000.00	273,000.00
					78,240,518.29	397,186.02

D. Assets assigned as a guarantee

At 31 December 2020, Loreto Mutua had within its assets for an amount of 1,782,851.40 fixed-term deposits in Banco Santander, which were pledged in favour of this bank to guarantee payment of up to 20% of the amount of the mortgages taken out by various owners to purchase property in a building developed by Prius Inversiones Generales, S.L.U., which was dissolved and settled in October 2019. As a result of this settlement, Loreto Mutua was awarded, among other assets, the amounts of these fixed-term deposits. These deposits are fully impaired at year-end.

At 31 December 2019 Loreto Mutua had in its assets an amount of 1,903,351.40 in fixed-term deposits constituted in the entity Banco Santander for the same concept mentioned in the previous paragraph. These deposits were fully impaired at year-end 2019.

E. Corrections for impairment due to credit risk

During the years 2020 and 2019, impairment losses from credit risk have been recorded as follows:



	Euros	
	2020	2019
Loans to group companies and associates		
Provisions	-	-
Reversals	-	-148,873.89
Investments in group companies and associates		
Provisions	730,114.10	1,058,539.92
Reversals	-	-33,988.94
Traffic activities		
Provisions	42,716.14	30,333.61
Reversals	-19,758.97	-6,293.57
	753,071.27	899,717.13

7.2) Information Related to the Profit and Loss Account:

The detail of information relating to the profit and loss account for financial instruments during the financial year 2020 is as follows:

	Euros		
	Profits or net losses	Financial income or expense	Impairments and impairment applications
Financial Assets			
Fixed income	8,026,461.37	17,185,325.66	-
Loans to group companies and associates	-	-	-
Equity/IICC	-41,616,147.41	2,990,917.27	-
Equity instruments of group companies and associates	-	7,927.79	-730,114.10
Deposits	-	-402,018.79	-
Other Assets	-	-61,374.32	-
Derivatives	3,900,243.17	-	-
Reclassified expenses	-	-2,463,573.17	-
	-29,689,442.87	17,257,204.44	-730,114.10



The detail of information relating to the profit and loss account for financial instruments during the financial year 2019 is as follows:

	Euros		
	Profits or net losses	Financial income or expense	Impairments and impairment applications
Financial Assets			
Fixed income	1,810,540.81	19,972,163.90	-
Loans to group companies and associates	-	56,581.81	148,873.89
Equity/IICC	32,454,919.87	7,398,915.95	-
Equity instruments of group companies and associates	-	7,507.22	-1,024,550.98
Deposits	-	797,770.86	-
Other Assets	-	-61,268.22	-
Derivatives	-4,487,914.93	-1,922.90	-
Reclassified expenses	-	-2,591,907.86	-
	29,777,545.75	25,577,840.76	-875,677.09



7.3) Group entities and associates:

The detail of Group's companies and associates in 2020 is as follows:

Euros								
BUSINESS NAME	REGISTERED ADDRESS	CORPORATE PURPOSE	DIRECT SHARE	CAPITAL	RESERVES	PROFIT/LOSS FOR THE YEAR	NET BOOK BALANCE	SHARE VALUE
Assets in income Capital, S.L.	Serrano, 81 28006 Madrid	Asset Management	93.13%	6,115,470.00	-214,096.76	-58,645.83	5,441,363.36	5,441,363.36
Arcalia Private Equity, SCR	María de Molina,39 28006 Madrid	Venture capital company	17.81%	1,464,008.00	408,604.96	0.00 (*)	369,497.28	829,587.28
Piscina La Piovera, S.A.	Academos, s/n 28042 Madrid	Administración Piscina La Piovera	12.89%	424,326.57	-36,074.54	0.00 (*)	54,704.10	54,704.10
Loreto Inversiones SGIC, S.A.	Paseo de la Castellana 40- 5ª Planta 28046 Madrid	SGIC	100.00%	5,000,000.00	-1,139,761.79	-420,586.07	3,439,652.14	3,439,652.14
Haize Energías Renovables, S.L.	Paseo de la Castellana 40- 1ª Planta 28046 Madrid	Asset Management	100.00%	2,200,000.00	-1,667.89	-253,242.96	1,945,089.15	1,945,089.15
								11,250,306.03 11,710,396.03

*At the date of signing these notes to the consolidated financial statements, we do not have the results of Arcalia Private Equity, SCR and S.A. for the year.

The detail of Group's companies and associates in 2019 is as follows:

Euros								
BUSINESS NAME	REGISTERED ADDRESS	CORPORATE PURPOSE	DIRECT SHARE	CAPITAL	RESERVES	PROFIT/LOSS FOR THE YEAR	NET BOOK BALANCE	SHARE VALUE
Assets in income Capital, S.L.	Serrano, 81 28006 Madrid	Asset Management	93.13%	6,115,470.00	-127,173.63	-86,923.13	5,495,980.54	5,495,980.54
Arcalia Private Equity, SCR	María de Molina,39 28006 Madrid	Venture capital company	17.81%	1,464,008.00	427,174.72	896,435.24	369,497.28	1,045,653.98
Piscina La Piovera, S.A.	Academos, s/n 28042 Madrid	Administración Piscina La Piovera	12.89%	424,326.57	-48,517.82	12,443.28	54,704.10	54,704.11
Loreto Inversiones SGIC, S.A.	Paseo de la Castellana 40- 5ª Planta 28046 Madrid	SGIC	100.00%	5,000,000.00	-469,937.05	-669,824.74	3,860,238.21	3,860,238.21
Haize Energías Renovables, S.L.	Paseo de la Castellana 40- 1ª Planta 28046 Madrid	Asset Management	100.00%	2,200,000.00	0.00	-1,667.89	2,200,000.00	2,200,000.00
								11,980,420.13 12,656,576.84

On October 29, 2019, a deed was signed for the dissolution of the company Prius Inversiones Generales, S.L., in accordance with a resolution adopted by the General Extraordinary Meeting of Shareholders, of universal nature, held on October 25th, 2019, in which the settlement was approved. The settlement was registered with the Companies Registry on November 26th 2019.

Likewise, on November 21 2019, the Memorandum of Association of the Sole-Shareholder Company "Haize Energías Renovables, S.L." was signed. Loreto Mutua, Mutualidad de Previsión Social, by virtue of the agreements adopted by the Board of Directors of said Mutual Society, in its ordinary meeting held on October 22, 2019, elevated to public, as sole member, constitutes said Company. On 12 December 2019, it was registered in the Companies Register.



The Mutual Society has two contracts in force signed in June 2018, with Loreto Inversiones S.G.I.I.C, S.A., delegating the asset management of two of its managed Pension Funds, with a term of three years.

Additionally, the Mutual Society holds a discretionary management agreement of the investment portfolio, with Loreto Inversiones, S.G.I.I.C., S.A., dated 10th July 2018, which regulates the management services for the portfolio of securities, cash and other financial instruments, valid for three years.

Note 16 shows the balances and transactions with group and related companies.

7.4) Information about the Financial Instrument's Nature and Risk Level:

The Mutual Society's Board of Directors reviews the investment risk management policy at least once a year. This policy meets the requirements of the Solvency II legal framework. Likewise, a responsible person has been appointed for the Mutual Society's investment risk management. This person shall update the policy every year and shall submit it to the Board of Directors, who would be the ultimate responsible for the efficiency of the established investment policy.

The only purpose of the investment policy is to obtain an adequate complement to public allowances in accordance with the relevant contributions made by mutualists and the risk profile accepted. That is to say, to maximize profitability by minimizing the risks assumed and keeping the purchasing power of the contributions made throughout the mutualist's working life.

The Mutual Society's policy to reduce its exposure to these types of risks is based on a prudent investment management, with appropriate diversification, with the purpose of avoiding risk concentration and accumulation, establishing its own key risk indicators, which are adapted to the Investment Risk, Liquidity and Assets and Liabilities Management Policy (ALM).

Risks management is carried out as follows:

a) Market risk

It is the probability to suffer losses, whether total or relative, in the event of adverse movements in the prices of financial assets, including changes in exchange rates and prices of equity and debt instruments.

Risks management is carried out through the appropriate asset allocation and the analysis of the expected maximum monthly loss, by using risk statistics measurements, as the VaR (Value At Risk). The strategy followed in the Mutual Society's investments management is not limited to a VaR purpose of its portfolio, since it has a long-term nature. Risks measurement with VaR models, even though is useful, it has no reliable parameters to set investment strategies, whose results are used for pension payments, as it would render them procyclical and it would not allow the investment in any assets that would imply discounts on their ordinary value. The portfolio market risk (VaR), does not include real estate investments, since it does not offer a significant sample for its use to be consistent.

b) Credit risk



It is the probability to suffer losses because of any contractual breach by the counterpart as a consequence of any changes in its capacity or intention to comply with its obligations

Credit risk is managed by controlling the credit ratings of the assets issuers that are part of the Mutual Society's investment portfolio and establishing concentration limits at issuer's level.

The Mutual Society's exposure to credit risk, by rating and type of issuer as of 31 December, 2020, at book value, is as follows:

Credit rating of issuers	Portfolios (Euros)		
	Available for sale	Maturity	Total
AAA	-	24,822,249.34	24,822,249.34
AA	-	22,924,805.14	22,924,805.14
A *	41,367,169.98	191,218,916.93	232,586,086.91
BBB	71,069,665.14	2,817,692.57	73,887,357.71
BB	22,904,417.46	685,406.79	23,589,824.25
B	3,766,660.42	-	3,766,660.42
No rating**	26,197,776.43	-	26,197,776.43
Total	165,305,689.43	242,469,070.77	407,774,760.20

* Current rating of Spanish public debt.

** Notes and bonds for which an internal rating is calculated for the purpose of assessing the credit risk in these investments.

The Mutual Society's exposure to credit risk, by rating and type of issuer as of 31 December, 2019, at book value, is as follows:

Credit rating of issuers	Carteras (Euros)		
	Available for sale	Maturity	Total
AAA	-	67,092,316.74	67,092,316.74
AA	-	50,018,566.13	50,018,566.13
A *	72,797,504.50	111,660,081.77	184,457,586.27
BBB	72,719,022.17	20,292,357.26	93,011,379.43
BB	8,537,386.35	10,515,534.11	19,052,920.46
B	-	-	-
No rating**	51,158,447.62	-	51,158,447.62
Total	205,212,360.64	259,578,856.01	464,791,216.65

* Current rating of Spanish public debt.

** Notes and bonds for which an internal rating is calculated for the purpose of assessing the credit risk in these investments.



c) Liquidity risk

Likelihood of incurring losses by not being able to unwind the position in time without impacting the market price or not being able to unwind the positions to meet liquidity needs.

It is managed through the diversification of assets and an adequate management of cash forecasts. The liquidity ratio as of 31 December 2020 and 2019 is the following:

	Total portfolio (Thousands of Euros)	
	2020	2019
Liquid assets (*)	197,351	209,705
Financial investments at market value	973,507	1,056,852
Total investments and banks	1,170,858	1,266,556
% of liquidity at closing date	16.86%	16.56%

(*) Includes cash and money market assets

d) Interest rate risk

The probability of incurring losses due to interest rate movements uses the concept of modified duration, which reflects the sensitivity of the value of debt instruments to interest rate changes, and represents the percentage change in the value of financial assets for each percentage point of change in interest rates.

Information as of 31 December 2020 is as follows:

	Maturity (Thousands of Euros)			Modified duration
	< 1 year	2 to 5 years	> 5 years	
Available for sale	24,792	99,545	40,969	3.435

Su detalle al 31 de diciembre de 2019 es el siguiente:

	Maturity (Thousands of Euros)			Modified duration
	< 1 year	2 to 5 years	> 5 years	
Available for sale	41,581	107,132	56,499	3.298

e) Real estate investment value risk

Real estate investments entail the risk derived from the difficulty to diversify them, and the many economic-legal factors that affect them. To this end, each transaction is subject to several valuations by different methods and to specific planning analysis. On a general basis, before making the investments it is necessary to have a report issued by independent third parties including the investment market value, as well as the expected value increase. In this regard, the Mutual Society requests appraisals in accordance with the provisions of Order ECO 805/2003, that allow a correct valuation to be obtained, applying at least two valuation methods.



(8) Leases and transactions of similar nature:

The Mutual Society has various operating leases, in which it acts as the lessor, with clauses of increase in annual income in line with the rise in the consumer price index.

Community fees incurred by lessees are usually paid by them. The deposits are lodged with the Housing Institute of Madrid (as per initials in Spanish, I.V.I.M.A) and with the Institut Valencià d'Administració Tributària (IV/AT) for leases in Madrid and Valencia, respectively.

At the end of 2020 and 2019, the minimum amounts of future collections for subsequent years for non-cancellable operating leases are the following:

	Euros		
	Up to one year	Between one and five years	More than five years
Financial year 2020	2,626,529.72	2,827,872.29	487,521.42
Financial year 2019	3,145,372.11	4,457,763.17	603,285.87

During financial years 2020 and 2019, the Mutual Society has received incomes from operating leases of real estate investments for the amounts of 3,682,329.63 and 4,006,345.64 euros respectively; out of which contingent rents amount to 678,191.14 and 703,798.60, and operating expenses amount to 2,951,589.56 and 3,326,274.70 respectively.

(9) Accrual Calculations:

The detail for this section as of 31 December 2020 and 2019 is the following:

	Euros	
	2020	2019
Foreseen expenses	209,963.63	191,487.95
Accrued and uncollected interest	4,679,052.94	5,486,760.79
Unissued earned premiums	3,521,095.40	3,769,875.91
	8,410,111.97	9,448,124.65



(10) Net Equity:

The composition of the balances under this section of the balance sheet, as of 31 December 2020 and 2019, as well as the movements for those financial years, are disclosed in the statement of changes in equity.

Issued Mutual Fund

As of 31 December 2020 and 2019, the Mutual Society complies with current legal regulations on the minimum Mutual Fund required for Mutual Provident Societies, and it is authorised to extend benefits.

In addition, the Mutual Society, as a Pension Fund management entity, and in compliance with Article

20.1 a) of Royal Decree 1/2002, of 29 November, approving the recast text of the Pension Plans and Funds Regulation Law, has a mutual fund that exceeds the minimum amounts legally established at 31 December 2020 and 2019, which are 776,060.73 and 782,293.49 euros,

On November 25th 2020, a public deed was executed recording the Resolutions adopted by the Mutual Society's Ordinary General Meeting held on October 29th 2020, which resolved to increase the mutual fund up to 104,914.43 euros, from the application of the results of financial year 2019 and for an amount of 35,597.95 euros the outstanding contributions paid by the members, for which the mutual fund as of 31 December 2020 amounts to 7,014,202.20 euros. Such resolution was registered with the Companies Registry on November 29th, 2020.

On 10 July 2019, the Resolutions of the Ordinary General Meeting of the Mutual Society held on 27 June 2019 were made public, in which it was agreed to increase by 99,499.22 euros, from the application of the result of the 2018 financial year, and by the amount of 28,711.83 euros from the contribution of the members, so that the mutual fund at 31 December 2019 amounted to 6,873,689.82 euros. Such resolution was registered with the Companies Registry on August 5th 2019.

Retained Earnings

Balances of this item as of 31 December 2020 and 2019 amount to 1,527,034.98 and 1,508,336.66 euros respectively.

Other Reserves

This heading includes an amount of EUR-1,469,850, arising from the adjustments made by the first application of the Accounting Plan for Insurance Companies in 2008.

(11) Technical Provisions:

The movement during the year 2020 in each of the technical provisions included in the balance is as follows:



	Euros			
	Balances at 31/12/2019	Provisions	Implementations	Balances at 31/12/2020
Mathematical provision	1,204,936,735.48	1,182,569,267.43	-1,204,936,735.48	1,182,569,267.43
Provisions for benefits				
Pending payment	-	-	-	-
Pending declaration	1,788,819.11	-	-1,788,819.11	-
For internal expenses of claims settlements	22,083.56	-	-22,083.56	-
	1,810,902.67	-	-1,810,902.67	-
Profit sharing and rebates provision	22,399,186.05	-41,635,259.92	-22,399,186.05	-41,635,259.92
	1,229,146,824.20	1,140,934,007.51	-1,229,146,824.20	1,140,934,007.51

The movement during the year 2019 in each of the technical provisions included in the balance is as follows

	Euros			
	Balances at 31/12/2018	Provisions	Implementations	Balances at 31/12/2019
Mathematical provision	1,239,804,868.60	1,204,936,735.48	-1,239,804,868.60	1,204,936,735.48
Provisions for benefits				
Pending payment	-	-	-	-
Pending declaration	1,772,799.56	1,788,819.11	-1,772,799.56	1,788,819.11
For internal expenses of claims settlements	17,376.16	22,083.56	-17,376.16	22,083.56
	1,790,175.72	1,810,902.67	-1,790,175.72	1,810,902.67
Profit sharing and rebates provision	-30,562,739.33	22,399,186.05	30,562,739.33	22,399,186.05
	1,211,032,304.99	1,229,146,824.20	-1,211,032,304.99	1,229,146,824.20

The provisions for benefits established at the beginning of the year for claims outstanding at that date coincide with the amounts actually made effective. Similarly, those calculated at the end of each year are paid in the following year, if applicable.

Both the provision for benefits pending declaration and the provision for benefits pending payment are, if any, mostly compensated by the mathematical provision.

The provision for profit-sharing and rebates corresponds to the profitability obtained in the year above the technical interest rate- objective established in the Technical Base. In accordance with the provisions of Article 10 of the Society's Contributions and Benefits Regulations, this provision will be applied to the Regulatory Base of each member once the returns are known.



It was not necessary to make a provision for insufficient profitability because the technical-financial profitability obtained was higher.

The actual return obtained during the year on the investments relating to the commitments assumed with their mutualists has been higher than the technical interest rate used to calculate the mathematical provision.

The information relating to the comparison of sufficient profitability for the year 2020 is as follows:

DGSFP PORTFOLIO (*)	BOOK BALANCE (Euros)	RACC	DURATION	% EXCLUDED FROM THE DURATION	IMPM	MATHEMATICAL PROVISION (Euros)	DURATION
Art. 33(1)(c)	122,185,467.91	2.68%	0.50	-	2.67%	121,242,233.42	0.50
Ant. 1999 DT	75,003,043.92	6.27%	6.59	-	5.21%	74,782,838.91	6.46
Art. 33.2	129,840,213.21	4.85%	4.20	-	4.85%	128,340,483.59	4.43

The information relating to the comparison of sufficient profitability for the year 2019 is as follows:

DGSFP PORTFOLIO (*)	BOOK BALANCE (Euros)	RACC	DURATION	% EXCLUDED FROM THE DURATION	IMPM	MATHEMATICAL PROVISION (Euros)	DURATION
Art. 33(1)(c)	47,189,318.19	5.10%	0.50	-	3.00%	65,656,490.20	0.50
Ant. 1999 DT	84,119,597.44	5.58%	6.69	-	5.37%	83,850,859.03	6.45
Art. 33.2	110,684,363.01	5.53%	4.54	-	5.15%	109,972,843.91	4.34

(*) Classification of portfolios according to internal inspection instruction 9/2009 of the General Directorate of Insurance and Pension Funds (DGSFP).

Article 10 of the Society's Contributions and Benefits Regulations of the Mutual Society clarifies that if the returns provided for in the Technical Base are not obtained, the regulatory base will be adjusted by the difference in the returns actually obtained, except for those that in that year would have caused the benefit.

(12) Liabilities for Accounting Asymmetries:

The liabilities due to accounting asymmetries, generated by the application of the Insurance Companies Accounting Plan, correspond in their entirety to losses and gains generated by the financial assets available for sale, and present balances in the attached balance sheets at December 31, 2019 and 2020, respectively, of 0.00 and 1,610,836.96 euros.

(13) Other Non-Technical Provisions:

The movement in the provision for liabilities and charges during 2020 was as follows:



	Euros			
	Balances at 31/12/2019	Provisions	Implementations	Balances at 31/12/2020
Provisions				
For pensions	115,329.93	58,499.01	-115,329.93	58,499.01
For similar obligations	172,500.00	34,500.00	-	207,000.00
	287,829.93	92,999.01	-115,329.93	265,499.01

The movement in the provision for liabilities and charges during 2019 was as follows:

	Euros			
	Balances at 31/12/2018	Provisions	Implementations	Balances at 31/12/2019
Provisions				
For pensions	217,854.03	115,329.93	-217,854.03	115,329.93
For similar obligations	138,000.00	34,500.00	-	172,500.00
	355,854.03	149,829.93	-217,854.03	287,829.93

The provision for pensions includes the amount of future obligations of the Mutual Society as of 31 December towards one of its employees who is in early retirement, as regulated by the collective agreement in force. Its amount is calculated actuarially. The financial-actuarial assumptions for its calculation are as follows:

	2020	2019
Interest rate	Time structure risk-free rates	Time structure risk-free rates
Consumer Price Index	1,8%	1,8%
Salary revaluation index	1,8%	1,8%
Increase in social security contribution bases	1,8%	1,8%
Asset Mortality Table	PER2020 Col. 1st Order	PER2012 to Col.1ºOrden

The provision for similar bonds includes the amount of future bonds to one of its employees under certain circumstances. This provision is covered by an insurance policy and, therefore, the liability reflected is offset on the asset side of the balance sheet under "other assets" until the end date of the contract.



(14) Tax Situation:

The details balance sheets as of 31 December 2020 and 2019 with Public Administrations is the following:

	Euros	
	2020	2019
Assets		
Current tax assets	8,051,136.99	2,312,070.92
Deferred Tax Assets	4,794,921.54	7,646,198.02
	12,846,058.53	9,958,268.94
Liabilities		
Social Security	37,231.67	36,292.77
Tax authorities, VAT creditors	101,036.61	85,502.86
Remaining taxes	5,609,866.91	3,527,072.30
Deferred tax liabilities	5,331,568.22	9,926,353.55
	11,079,703.41	13,575,221.48

Deferred Tax Assets and liabilities

The detail of deferred tax assets and liabilities at 31 December 2020 and 2019 is as as follows:

Tax assets:

In the year 2020, the Mutual Society has recognized deferred tax liabilities for an amount of 4,794,921.54 euros, with the following detail:



	Euros			
	Balances at 31/12/2019	Registrations	Leaves	Balances at 31/12/2020
Deferred tax due to the correction of accounting asymmetries generated by capital gains on financial investments.	402,709.24	1,182,012.51	1,584,721.75	-
Deferred tax on portfolio losses of financial investments.	3,600,256.30	39,758,960.56	42,207,527.80	1,139,387.83
Deferred tax arising from impairment provisions.	1,737,822.63	-	-	1,737,822.63
Deferred tax arising from retirement provisions.	354,565.62	14,207.73	14,207.73	354,565.62
Deferred tax on miscellaneous items.	1,550,844.23	749,550.73	749,550.73	1,550,844.23
	7,646,198.02	41,704,731.53	44,556,008.01	4,794,921.54

In the year 2019, the Mutual Society has recognized deferred tax assets for an amount of 7,646,198.02 euros, with the following detail:

	Euros			
	Balances at 31/12/2018	Registrations	Leaves	Balances at 31/12/2019
Deferred tax due to the correction of accounting asymmetries generated by capital gains on financial investments.	264,243.75	1,371,682.36	1,233,216.87	402,709.24
Deferred tax on portfolio losses of financial investments.	4,785,328.75	46,180,636.73	47,365,709.18	3,600,256.30
Deferred tax arising from impairment provisions.	1,737,822.63	7,213,627.57	7,213,627.57	1,737,822.63
Deferred tax arising from retirement provisions.	354,565.62	25,631.03	25,631.03	354,565.62
Deferred tax on miscellaneous items.	1,550,844.23	7,196,846.35	7,196,846.35	1,550,844.23
	8,692,804.98	61,988,424.04	63,035,031.00	7,646,198.02



Tax liabilities:

In the year 2020, the Mutual Society has recognized deferred tax liabilities for an amount of 5,331,568.22 euros, with the following detail:

	Euros			
	Balances at 31/12/2019	Registrations	Leaves	Balances at 31/12/2020
Deferred tax on portfolio gains for financial investments	9,926,353.55	94,269,106.40	98,863,891.73	5,331,568.22
	9,926,353.55	94,269,106.40	98,863,891.73	5,331,568.22

In the year 2019, the Mutual Society has recognized deferred tax liabilities for an amount of 9,926,353.55 euros, with the following detail:

	Euros			
	Balances at 31/12/2018	Registrations	Leaves	Balances at 31/12/2019
Deferred tax on portfolio gains for financial investments	8,054,946.63	138,358,992.26	136,487,585.34	9,926,353.55
	8,054,946.63	138,358,992.26	136,487,585.34	9,926,353.55

The Mutual Society has double taxation deductions pending for total amounts of €7,573 thousand and €7,143 thousand respectively accrued at 31 December 2020 and 2019.

The Directors of the Mutual Society consider that these debit balances with the Treasury are recoverable within the time limits set by the regulations in force at the time of their generation.

The deductions for international double taxation for 2020 and 2019 amounted to 459,155.36 and 670,743.06 euros, respectively.

The balances of deferred tax assets and liabilities are mainly determined by the valuation of the financial investments according to the Insurance Companies Accounting Plan, registered in equity.

Declarations submitted for the different taxes cannot be considered finally settled until the filed tax returns have been reviewed by tax authorities or until the prescribed period has expired. In accordance with current tax legislation, this period is four years from the date on which the obligation to submit each tax arises.

The Treasury, by means of a notification dated 23 July 2019, informed the Mutual Society of the commencement of the inspection procedure, with partial scope, in relation to the Corporate Tax for the year 2014, verification of the International Double Taxation Deduction, which is currently open. Following the Mutual Society's allegations against the provisional settlement proposal received, the Spanish Tax Agency received a communication dated 14 January 2021 partially accepting the allegations presented and



initiating complementary actions. The Directors of the Mutual Society do not estimate significant quantitative effects derived from the final result of such inspection.

On 19 June 2020, the Spanish Tax Agency issued two proposed rulings with provisional settlements for corporate income tax for 2015 and 2016, initiating a limited verification procedure. Once the provisional liquidation rulings have been received, which reduce the deductions for double taxation for those years. These resolutions have been appealed before the Central Economic-Administrative Court, which are pending processing.

The Entity has tax receivables that have not been recognised for more than the amount of the tax receivables subject to limited verification procedure.

The Mutual Society considers that it has adequately practiced the tax settlements applicable to it. However, in the event of inspection, discrepancies could arise in the Mutual Society's interpretation of current regulations regarding the tax treatment of certain operations and, therefore, result in additional tax liabilities, although it is not expected that such liabilities, if they materialise, would significantly affect the Mutual Society's annual accounts.

Tax on profits

The reconciliation between the result of the year of the Mutual Society and the taxable base of the tax at 31 December 2020, is as follows:

Concept	Euros	
	Increases	Total
Profit/Loss for the Accounting Year		100,216.43
Permanent Differences		
Corporate Income Tax	25,936.27	25,936.27
Tax on foreign profits	459,155.36	459,155.36
Others	-1,803,122.39	-1,803,122.39
	-1,318,030.76	-1,318,030.76
Temporary Differences		
Originating in the year	2,552,939.93	2,552,939.93
From previous years	-101,699.19	-101,699.19
	2,451,240.74	2,451,240.74
Pre-tax base		1,233,426.41
Offsetting of taxable income from previous years		1,000,000.00
Tax base		233,426.41
Total fee 25%		58,356.60
Deductions applied		32,420.33
Liquid fee		25,936.27



The reconciliation between the result of the year of the Mutual Society and the taxable base of the tax at 31 December 2019, is as follows:

Concept	Euros	
	Increases	Total
Profit/Loss for the Accounting Year		104,914.43
Permanent Differences-		
Tax on foreign profits	670,743.06	670,743.06
Others	-2,868,969.03	-2,868,969.03
	-2,198,225.97	-2,198,225.97
Temporary Differences-		
Originating in the year	704,324.74	704,324.74
From previous years	-29,001,902.64	-29,001,902.64
	-28,297,577.90	-28,297,577.90
Pre-tax base		-30,390,889.44
Offsetting of taxable income from previous years		-
Tax base (*)		-30,390,889.44
Total fee 25%		-
Deductions applied		-
Liquid fee		-

(*) The data for 2019 correspond to the final corporate income tax settlement submitted in July 2020

Law 27/2014, of 27 November, on Corporate Income Tax, does not provide for any special regime for Fund Management Companies. They will be taxed at a rate of 25%.

(15) Personnel expenses:

The Mutual Society has recorded personnel expenses in 2020 and 2019, as detailed below:

	Euros	
	2020	2019
Wages and salaries (*)	2,436,128.33	2,380,464.05
Social Security in charge of the company (*)	422,736.37	398,143.72
Other social expenses	117,160.38	135,552.50
	2,976,025.08	2,914,160.27

(*) Including staff costs in the building at Glorieta de Quevedo, nº 9 in Madrid.



The number of people employed by the Mutual Society in the course of the financial years 2020 and 2019, respectively, distributed by professional categories and sexes in accordance with the Convention, was as follows:

	2020		2019	
	Men	Women	Men	Women
Economist Level IV	3	3	3	2
Economist Level III	1	-	1	1
Economist Level II	1	-	1	-
Economist Level I	1	-	1	-
Lawyer Level IV	-	1	-	1
Lawyer Level III	-	1	-	1
Computer Technician Level IV	1	-	1	-
Computer Technician Level III	2	-	2	-
Computer Technician Level II	1	-	1	-
Administrative Level IV	2	1	2	1
Administrative Level III	-	2	-	2
Administrative Level II	1	6	1	5
Administrative Level I	-	-	-	2
Total	13	14	13	15

The Mutual Society has an accident insurance policy with Mapfre Vida, S.A. that covers part of the staff and members of the Board of Directors when they attend the Meetings, or when they travel on behalf of the Mutual Society. The annual bonus in 2020 and 2019 amounts to 15,427.38.

It has also taken out a collective insurance policy with Mapfre Vida, S.A. to cover the risks of death and permanent disability, as provided for in the collective agreement, which constitutes a pension commitment regulated by the First Additional Provision of Royal Legislative Decree 1/2002, of 29 November, approving the recast text of the Regulatory Law on Pension Schemes and Funds and Royal Decree 1588/1999, of 15 October, on the outsourcing of companies' pension commitments to employees.

(16) Related-Party Operations:

a) Related-Party Balances

The breakdown of balances by category in the Mutual Society's balance sheet at December 31, 2019 and 2020, is as follows:



	Euros	
	2020	2019
Assets		
Loans to group companies	30,831.49	30,654.97
Other credits	560.77	50,834.97
Total Assets	31,392.26	81,489.94

	Euros	
	2020	2019
Liabilities		
Commissions (Note 7)	367,416.34	462,003.12
Deposits	13,552.00	13,552.00
Debts with group entities	25,936.27	-
Total Liabilities	406,904.61	475,555.12

b) Transactions of the Mutual Society with Related Parties

The amounts of the transactions included in the profit and loss account for 2020 and 2019 with related parties are as follows:

	Euros	
	2020	2019
Expenses		
Commissions (Note 7)	768,417.70	923,164.20
Total expenses	768,417.70	923,164.20
Income		
Income from leases	122,364.77	114,404.79
Income from loans	-	56,581.81
Income from miscellaneous services	132,425.22	90,263.49
Income from contributions	47,732.85	43,966.59
Total income	302,522.84	305,216.68

All transactions with related parties have been conducted under market conditions.

The balances with the Board of Directors and Senior Management of the Mutual Society are detailed in Note 17.

(17) Other information:

a) Information regarding the Board of Directors and Senior Management

The Mutual Society's expenses during the 2020 and 2019 financial years, in terms of allowances for attendance at Board meetings or working committees, amounted to total gross amounts of 88,085.71 and 83,234.96 euros, respectively.



There is no advance or credit granted to the members of the Board of Directors, nor is there any obligation contracted in the area of pensions, nor in respect of the position held in the same, except for the corresponding pension as a member of the Mutual Society.

The amounts paid to senior management personnel in the financial years 2020 and 2019 are as follows:

	Euros	
	2020	2019
Total remuneration paid	585,283.81	574,468.80
Insurance bonus	39,636.83	37,903.40
Pension commitments	10,442.46	10,418.35

It has not been necessary to make any provision in relation to the above.

The Mutual Society has a professional liability insurance policy for insurance companies with the insurance company Liberty Mutual Insurance Europe Limited. The amount of the annual bonus paid is 66,237.60 euros (55,198 euros 2019), and the insurance period runs from 01 December 2020 to 30 November 2021.

On the other hand, the Mutual Society holds a civil liability insurance policy for directors and senior management with the insurance company Chubb Insurance Company of Europe SE (CHUBB). The amount of the annual bonus paid in 2020 is 41,929.25 euros (32,906.50 euros 2019), and the insurance period runs from 30 November 2020 to 30 November 2021.

Likewise, the Mutual Society holds a full insurance policy for financial institutions with the insurance company Liberty Mutual Insurance Europe Limited. The amount of the annual bonus paid is 34,365 euros (27,996 euros 2019), and the insurance period runs from 30 November 2020 to 30 November 2021.

On the other hand, the Mutual Society holds an insurance policy for cyber-risks coverage (CIBER) with the insurance company Chubb Insurance Company of Europe SE (CHUBB). The amount of the annual bonus paid is 19,266.23 euros same amount as in 2019, and the insurance period runs from 01 December 2020 to 30 November 2021.

b) Third-Party Guarantees and Commitments

At December 31, 2020 and 2019, in addition to those indicated in note 13, the Mutual Society has the following guarantees granted:

Guarantees granted by Banco Santander SA EUR 20,503.10 which are pending formal cancellation due to the expiry of the document and the guarantee obligations for which they were issued. The Mutual Society has signed a comfort letter with two financial institutions, undertaking to maintain its shareholding and control in Haize Energías Renovables S.L. for the duration of the guarantees granted by these institutions to Dos Grados S.L., a company in which Haize Energías Renovables S.L. has a 1% shareholding. In such letters the Mutual Society takes no responsibility for the guarantees.



As of December 31, 2020 and 2019, the Mutual Society has received guarantees that guarantee the alleged noncompliance of the lease contracts signed, in relation to any stipulation thereof, with the following detail:

Property	Lessee	Entity	Amount (Euro)	
			2020	2019
Quevedo, planta 7ªA	Incotec, S.L.	Banco Sabadell, S.A.	24,684.00	25,410.00
Quevedo, planta 7ª	Penguin Books, S.A.	Deutsche Bank, S.A.	15,972.00	15,972.00
Castellana, Local	Asana Way, S.L.	Caixabank, S.A.	72,600.00	68,970.00
Castellana, planta 8ª	Alpanu CN, S.L.	Bankinter, S.A	55,902.00	55,902.00
Alberto Aguilera C-1, C-8	Bernardofit, S.L.	Depósito.	87,500.00	87,500.00
Quevedo, planta 4ª	Click Naranja	Banco Santander, S.A.	67,216.00	67,216.00
Quevedo, planta 3ª	AgioGlobal Servicios Centrales, S.A	Banco Sabadell, S.A.	53,770.25	52,658.67
Quevedo, planta 6ª y 7ªB	Learnlight Administration, S.L	Bankinter, S.A.	77,040.07	77,040.07
Quevedo, planta 5ª	La Fábrica Coworking, S.L	Avalmadrid, S.G.R.	65,862.72	65,340.00
Quevedo, planta 1ª	Utopía 2013, S.L.	BBVA, S.A.	52,141.32	68,970.00
Castellana, planta 9ª	Globe Iberia, S.A.	Banco Sabadell, S.A.	57,020.04	57,020.04

c) Audit Fees

The agreed fees for the audit services for the year 2020 amount to 40,000 euros. Those for the financial year 2019 were 44,520 euros. None of them including the relevant value added tax.

d) Environmental Information

The Mutual Society's activities do not generate negative environmental impacts, complying with all applicable regulations, and therefore it is not considered necessary to make any additional provisions or expenses for possible contingencies for this reason. Nor is there any significant equipment, facilities or other systems incorporated into property, intended to protect and improve the environment.

e) Information on the Average Period of Payment to Suppliers. Third Additional Provision. information Obligation of Law 15/2010 of 5 July

The Second Final Provision of Law 31/2014, of 3 December, which modifies the Law on Corporate Enterprises, modifies the Third Additional Provision of Law 15/2010, of 5 July, which modifies Law 3/2004, of 29 December, which establishes measures to combat late payment in commercial transactions, requires all commercial companies to expressly include in the Annual Report their average period for payment to suppliers.



The information on the average period of payment to suppliers during the years 2020 and 2019, in accordance with the Resolution of January 29, 2016, of the Institute of Accounting and Accounts Audits, presents the following detail:

Concept	Días	
	2020	2019
Average period of payment to suppliers	15	15
Paid Transaction Ratio	15	15
Outstanding transactions ratio	25.10	23.95

Concept	Euros	
	2020	2019
Total payments made	4,545,632.01	4,998,497.52
Total pending payments	547,351.28	909,657.75

f) Inspection Actions of the General Directorate of Insurance and Pension Funds

On October 8, 2018, the General Directorate of Insurance and Pension Funds was notified of the commencement of an inspection file on the Mutual Society as a Pension Fund Management Company. The purpose of this inspection was to carry out the necessary assessments on the activity of the Management Entity, the investments of the funds managed by it and other matters which it was deemed appropriate to examine during the inspection.

On December 21, 2018, the General Directorate of Insurance and Pension Funds issued the final inspection report, against which allegations and various documents were presented.

On May 27, 2019, a Resolution of a non-punitive nature was notified, in which, in order to follow up on the recommendations of the Minutes, additional information was requested and periodic verifications were made by the Minutes Analysis Section throughout 2019.

g) Contractual contingencies

As of December 31, 2020, the following proceedings are underway:

As a result of the Mutual Society's participation in Banco de Valencia's Board of Directors.

Proceeding before the criminal jurisdiction at the request of a group of the Bank's minority shareholders, in which Loreto Mutua and other financial entities are asked to declare subsidiary civil liability. At year-end it was not possible to quantify the possible sentence for civil liability, which was pending determination in the evidence phase, the oral trial phase not having been opened.



At the date of preparation of the annual accounts, we are awaiting the dismissal and closure of these proceedings as the person representing Loreto Mutua on the Board of Directors has died and, therefore, there are no criminally imputable parties, which means that any possible subsidiary civil liability that could only arise from a criminal sanction automatically weakens.

On another note, as a result of the intervention of Banco de Valencia by the FROB (Fund for Orderly Bank Restructuring) in 2011, the Bank of Spain opened disciplinary proceedings by the Board of Directors, which have not been completed as they were suspended by criminal proceedings above-mentioned.

In verbal eviction proceedings for lack of payment by Juguetrónica, S.L., tenant of commercial premises owned by the Mutualidad, the eviction of the tenant was ordered in March 2020 and the sentence has been executed in relation to the rent owed, with a resolution pending at the end of 2020. At the time of the preparation of the accounts, the execution has been processed with the adoption of attachment measures against the executed party.

(18) Post-Closing Events:

From 31 December 2020 until the formulation of the Mutual Society's annual accounts, no event has occurred that could affect the true and fair view of the accounts on that date.

With regard to the proceedings against Juguetrónica, the seizure of the accounts of the latter has been ordered to pay the debt with the Mutualidad, by order of the Court.

(19) Segmented information:

The Mutual Society carries out all its activity in the life branch and declares all its operations in Spain.

(20) Technical Information:

Technical Conditions of the Main Modalities of Life Insurance

The main contingencies and benefits covered by the Mutual Society are as follows (see Note 1):

- Retirement.
- Total permanent disability.
- Absolute Permanent Disability and Severe Disability.
- Death.
- • Exceptional settlement for long-term unemployment.

Provisions are calculated in accordance with Technical Bases that incorporate financial-actuarial hypotheses in line with reality and with the application of asset mortality tables recommended by the independent external actuaries that provide technical advisory services to the Mutual Society.



In order to calculate the actuarial present value of future contributions to the system, a financial adjustment was made at the time of valuing the probable contributions, in accordance with the corresponding collective agreements of the protection companies, projected according to the financial-actuarial assumptions. These assumptions for 2020 and 2019 are as follows:

- Collectives of assets

Consumer Price Index (CPI)	0.5% (1.80% 2019)
Salary Revaluation Index (SRI)	0.8% (2.60% 2019)
Retirement Age	63/65 years
Mortality Tables	PER2020 Col 1st order in 2020 and PER2012 in 2019
Disability Tables	SS-2001 (Complete)
Interest Rate on Assets	1% (3% in 2019)

- Collectives of liabilities

For the group of liabilities caused, a flow matching operation has been carried out, except for the Complementary Social Security group, in which the future flows of some determined financial assets are matched with the future flow of the probable payments of the group of liabilities taking into account the liability mortality tables exposed in the Technical Bases.

Liabilities Mortality Table	PER2020 Col 1st order in 2020 and PER2012 in year 2019 SS-01 (Complete)
Disability Mortality Table	PER2020 Col 1st order in 2020 and PER2012 in year 2019 SS-01 (Complete)

The unhedged portion of the future benefits of these liabilities are discounted at the measurement date at the interest rate published each year by the Directorate General of Insurance and Pension Funds, and for 2020 and 2019 the risk-free interest rate term structure with no volatility 0.59% and 0.98%, respectively.

For beneficiaries known as Complementary Social Security, the curve of the temporary structure of risk-free interest rates, published by EIOPA (European Insurance and Occupational Pensions Authority) in 2020 and 2019, is used.



LORETO MUTUA, MUTUALIDAD DE PREVISIÓN SOCIAL

MANAGEMENT REPORT FOR THE YEAR 2020



MANAGEMENT REPORT

Balance sheet of the economic and financial environment in 2020

i. Global environment

The year 2020 has marked a turning point both economically and socially. The health crisis caused by COVID-19 has changed our lives, the way we relate, do business, work and have fun.

Novel coronavirus, which began in China at the end of 2019, ended up spreading rapidly to other countries. The situation has presented an economic, social and political challenge. Historically, the last health emergency like the current one happened at the beginning of the 20th century, with the misnamed Spanish flu.

The alarming spread and severity of the disease led the WHO to determine on 11 March that COVID-19 could be characterised as a pandemic.

The situation led to an unprecedented response from most governments. The virus' rapid spread caused the sudden saturation of the health systems of nearly all countries, forcing them to take drastic measures, such as restricting individual freedoms by confining the population, mobilising the armed forces to set up field hospitals, and using tourist accommodations as temporary hospitals to house the growing number of infected.

For the first time in history, global economic activity was brought to a standstill by the measures adopted by governments to contain the pandemic. As a result, most countries recorded unprecedented drops in GDP during the first half of the year, especially in the second quarter. In May, leaving the months of stricter confinements behind, activity began to recover as de-escalation plans progressed. The easing of restrictions caused an explosion in domestic demand, which had been stagnant during the previous months, and the resulting economic rebound in the third quarter exceeded analysts' expectations.

Despite the strong rebound in the third quarter, most countries recorded significant contractions in GDP in 2020. Furthermore, and although activity will recover in 2021, it will take time to return to the levels prior to the COVID-19 crisis. The difference in the decline of activity is related to the sectoral structure of economies. Countries with more dependence on the service sector (one directly affected by measures to curb contagion) will struggle the most, as is the case of Spain, which was the advanced economy with the largest GDP decrease in 2020 due to its dependence on the tourism sector.

This new crisis has brought us positive things. Both central banks and governments have reacted swiftly and proactively to the emergency, launching programmes to assist both families and businesses. Temporary layoff plans (ERTEs in Spain) have helped limit the deterioration of the labour market in advanced countries. Fiscal policy has recovered the prominence it lost in the last financial crisis, with innovative policies such as the promotion of loan guarantees by governments,



the vast European recovery plan known as Next Generation EU (NGEU), a milestone in the history of the European Union, and the historic stimulus packages passed in the US.

In the final months of the year, with the approval of the first COVID-19 vaccines, we witnessed an improvement in health and economic expectations. 2021 will centre on the effectiveness of the vaccines, whose distribution is already underway in different parts of the world, with high growth forecasted in nearly all the advanced economies. The economic situation is expected to evolve positively as a greater percentage of the population is vaccinated and immunised. However, the focus will also be on potential production and logistics problems encountered by pharmaceutical companies.

In the international arena, the change in the US presidency could mean a positive shift for trade relations between the European Union and the United States, which were greatly affected in the last four years of Donald Trump's presidency. Meanwhile, at the European level, the main focuses will be the final agreement with the United Kingdom on Brexit and, above all, the temporary implementation of the new NGEU and how effectively the member states use the funds in the coming years.

ii. Spanish Economic Background

The pandemic's outbreak at the end of the first quarter shattered the macroeconomic forecasts for 2020, diverting the economy from its growth path. At the end of 2019, the Spanish economy was expected to continue decelerating gently, as it had been doing since 2016, towards potential growth, and the output gap was estimated to be very close to neutral. However, the health crisis interrupted the maturity of the economic cycle and brought back the underutilisation of productive capacity.

The health crisis has caused unprecedented declines in activity, with the largest decrease recorded between March and May, months in which the country was practically paralysed. The monthly decline reached 40% in April and then began to recover gradually throughout the phases of the 'de-escalation plan', completed at the end of June.

Throughout 2020, the GDP declined 11% compared to 2019. Nationwide, domestic demand has been the most affected, and within it, private consumption has been hit the hardest. The fact that the restrictions have made consuming impossible has been the main cause of the consumption drop, coupled with the effect of lost income derived from the impact on the labour market. Investment has behaved unusually: although it is normally the most resilient component of GDP (it falls markedly in recessions and rises more during booms), its performance has been far more moderate in the current crisis, ending the year with a 12.4% decrease. The opposite was the case with private consumption, whose 12.6% drop was much more dramatic (in relative terms) than in the past.

Regarding the foreign sector, its contribution has been negative (-1.9%), due to the greater decline in exports than in imports. Here, the most relevant factor was the loss of the tourist season. In 2019, Spain had almost 83 million foreign visitors, while in 2020 there were just over 18 million, a drop of more than 80% with the associated loss of income.



In terms of employment, 2020 ended with the destruction of nearly 600,000 jobs on the annual average, a 2.9% decrease. The scope and economic impact of the outbreaks in the last quarter of 2020 were far more limited, since the restrictions introduced by the regional governments were laxer than in the spring.

When analysing the labour market's evolution in 2020, we must highlight the role that Temporary Layoff Plans (Spanish acronym: ERTes) have played, helping to alleviate the crisis' impact on labour. ERTes peaked in April, with almost 3.5 million people benefiting from this mechanism, which prevented workers in the affected sectors from being laid off due to the lack of demand because of the restrictions. Since the employment relationship with companies has been preserved, and due to the pandemic's temporary nature, most workers under the ERTE umbrella have been able to return to work. In October, the number of workers affected by ERTes stood slightly above 602,000, and although it increased again in November due to the further restrictions, the levels are still far from the spring highs.

The ERTE effect has had a noticeable impact on the unemployment rate. Despite the massive contraction in activity, the unemployment rate barely grew by more than two points (December to December) and finished 2020 with an annual average of 15.5%. However, even though this average is 1.4 points higher than in 2019, it hides an upward pattern that will continue during 2021, and given the difficulties absorbing job destruction (highly skewed towards the hotel and tourism industry), it is not expected to decrease significantly next year.

The only labour market indicator that captured the pandemic's true impact on the Spanish economy was number of hours worked. These did reflect both job destruction and the inability to work of many workers included in ERTes.

iii. Financial markets

The uncertainty generated by the health crisis in the overall economic context was also reflected in the financial markets throughout the year, with increased volatility impacting the prices of the main asset classes. However, after a general movement towards risk aversion in the first quarter, prices subsequently recovered overall.

At the beginning of the year, wariness about the pandemic's evolution and, above all, the complete halt in activity, led to a sharp rise in risk premiums on the stock exchanges and in lending. **As a result, stock indices accumulated falls of more than 30% in just a few sessions.** However, the swift response of central banks and governments with strong economic support measures, coupled with the fact that this crisis was caused by an exogenous, temporary factor as opposed to an economic/financial imbalance, allowed prices to recover rapidly, especially in the US and China. The S&P 500 finished 2020 with a 16.3% gain, which was more marked in the case of the Nasdaq technology index (+43.6%) due to the strong performance of the digital economy during confinements. For its part, the Chinese index rose 27.2%, while the European indices lagged behind with a 5.14% drop in the EuroStoxx 50.



A similar movement was observed in corporate bond spreads. The intense rebound in the first half was followed by gradual normalisation towards more moderate levels, supported by the measures taken by the central banks. 'Speculative grade' debt spreads finished the year with a rebound of 64bp in EUR and 47bp in USD (compared to the increase of over 400bp seen in March), while the 'investment grade' gain was just 6bps in EUR and 1bps in USD.

This situation led to a price increase for safe-haven assets: the Japanese yen appreciated almost 5% against the USD in 2020, while gold rallied more than 20%. The German and US 10-year bond yields, after starting the year at -0.18% and 1.90%, finished the year at -0.58% and 0.91% after hitting all-time lows of -0.84% and 0.49%, respectively.

In the foreign exchange market, the currencies of emerging countries finished 2020 undervalued against the USD in an environment of all-time highs. The general depreciation caused by COVID-19 was not completely corrected in the last months of the year, when expectations surrounding the vaccine and the potential return to normal activity led to a general recovery for cyclical risk assets.

The outlook for 2021 is positive in the financial markets, although the uncertainty created by the pandemic will remain present. The start of vaccination is generating optimism, with the return to normality on the horizon. The gradual recovery of the economy and, therefore, its support for corporate profits and prices, makes the outlook for risk assets positive for 2021. This is especially true in the case of equities, despite the high valuation they maintain.

iv. Loreto Mutua

The year 2020 will be remembered as one of the worst in recent decades. Great hardships were faced on many fronts: the global pandemic, mobility restrictions, worldwide economic downturn.

From the management perspective, in the first part of the year, we witnessed the collapse of the financial markets, which finished 2020 with significant gains following the introduction of vaccines against COVID-19. Asset performance was uneven across regions, countries and sectors, the winners being the technology sector, China and the United States.

As a dominant trend, we can say that the increase in volatility has affected all assets and the overall risk exposure of portfolios. Increases in risk premiums and credit spreads caused financial asset prices to fall sharply while benefitting safe-haven assets, such as gold and the yen, among others. Public debt benefited from a market intervened by the central banks.

With the rapid, widespread application of fiscal and monetary policy measures, governments and central banks ensured that the economy was not strangled by the prioritisation of health shown in the management of the pandemic.



After the approval of vaccines at the end of 2020, risk asset prices recovered significantly, and in some cases even managed to offset the falls recorded in the first quarter of the year.

The US indices showed increases ranging from 7.25% for the Dow Jones Industrial to 43.64% for the Nasdaq technology index. On the emerging side, Asia was the winner, led by China, whose stock index rallied 27.21%. In Europe, the Eurostoxx50 lost 5.14%, with the Spanish Ibex35 being the worst-performing index with a 15.45% decline.

This year has been a roller coaster ride for Loreto Mutua's portfolio in terms of volatility and returns. It bottomed out when the markets collapsed during the month of March. From then on, and especially in November, investments performed spectacularly well, partially offsetting the falls recorded at the beginning of the year.

The Mutual Society has a multi-asset portfolio in which the equity component at the end of 2020 represented 28.83% of assets at market value, compared to 26.75% in 2019. The equity portfolio's exposure was biased towards cyclical sectors with higher anticipated growth and towards Europe, circumstances that have been positive in the past but did not favour the overall results this year.

The rest of the assets comprising the portfolio moved with the adverse market circumstances. Fixed income represented 44.56% of assets in 2020 compared to 46.02% the previous year.

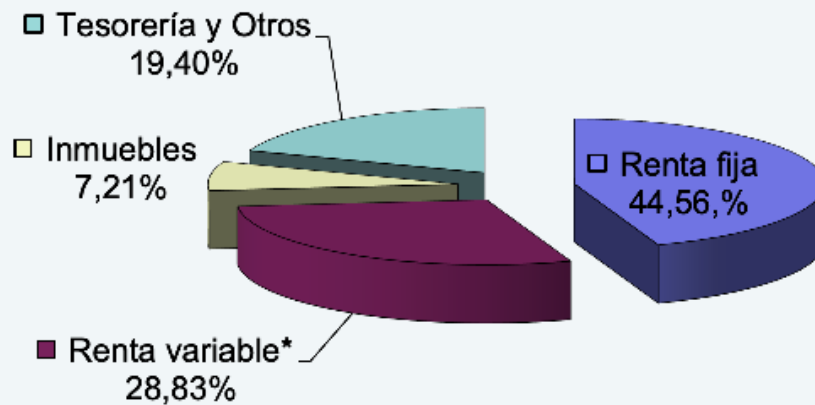
The real estate investment decreased from 7.32% to 7.21% at the end of 2020. It should be noted that the Spanish real estate sector has remained stable throughout this crisis, proving to have a better foundation than in other crises. The annual variation of the housing price index in 3Q20 was 1.7%. Despite this increase, the appraisal of the Alameda building in Valencia showed a reduction of 2.8 million euros in 2020 compared to the previous appraisal, carried out in 2018. The contribution of the Mutual Society's real estate investments to its financial performance was also impacted in 2020 by the economic downturn, which led to the renegotiation or postponement of agreed-on rents, in accordance with Royal Decree-Law 15/2020 of 21 April, on urgent measures to support the economy and employment.

The rest of the properties were appraised in 2019, in accordance with Order ECC/371/2013 of 4 March, which amends Order ECO/805/2003 of 27 March, on real estate property valuation standards and specific rights for certain financial purposes. Such order reduced to two years the maximum deadline to carry out subsequent valuations of immovable properties.

According to the appraisals conducted by an appraisal entity authorised by the Bank of Spain for these purposes, these tangible investments had a market value of 92.12 million euros, which represents an unrealised capital gain of 23.27 million euros, 66,000 euros less than the previous year. The Mutual Society has no real estate asset registered in its balance sheet in an amount higher than the current appraisals.



Regarding liquid assets and others, Loreto Mutua finished 2020 with 19.40%, compared to 19.91% in 2019. The cash flow is materialized in fixed term deposits and in current account balances both in euro and in other currencies, in Spanish credit institutions.



The breakdown of investments is based on management and not accounting criteria.

*Includes equity funds, alternative investments and equity ETFs

In a different vein, two new Patron Companies joined our Mutual Society in 2020: Iberia Express and Vueling. We ended the year with an increase of 157 members, for a total of 24,682 in 2020 compared to 24,525 in 2019. Vueling's entry as a Patron Company added 1,120 new members (29 in the case of Iberia Express), contributing to our growth in a year as complicated as 2020, which was especially challenging for the airline sector due to the sharp decline in business activity.

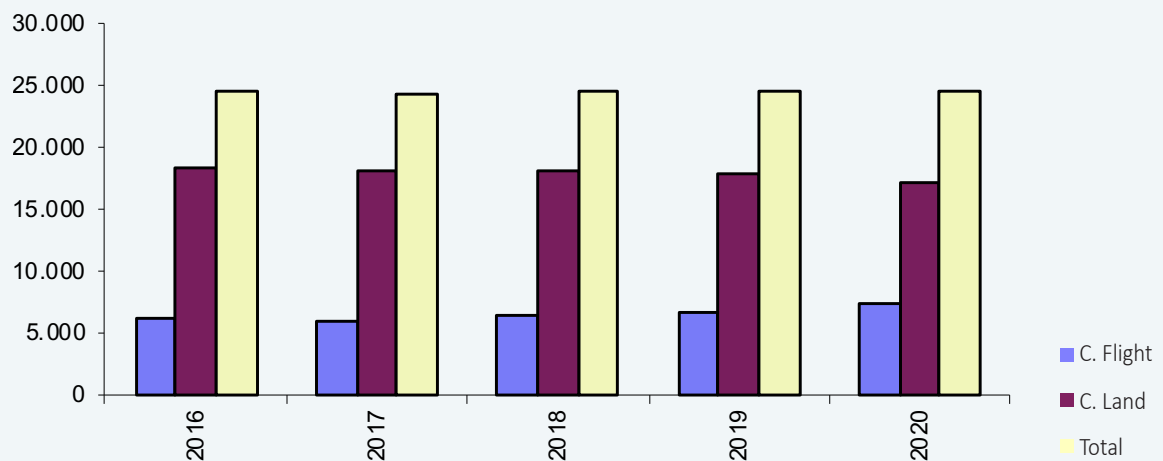
In addition, extraordinary contributions represented 7.62% of total payments for 2020 compared to 8.92% in 2019, shrinking from 3.36 million euros in 2019 to 3.19 million in 2020. The new contribution limits for pension plans, approved by Law 11/2020 on General State Budgets, will make this type of contribution significantly lower in 2021. Such contributions are limited to 2,000 euros per year, but may be increased by another 8,000, in the employment systems, if this amount originates from business contributions.



CENSUS OF LAND AND FLIGHT NUMBER PARTNERS

	FLIGHT	LAND	TOTALS
2016	6,255	18,368	24,623
2017	6,093	18,271	24,364
2018	6,454	18,088	24,542
2019	6,677	17,848	24,525
2020	7,464	17,218	24,682

CENSUS OF LAND AND FLIGHT NUMBER PARTNERS





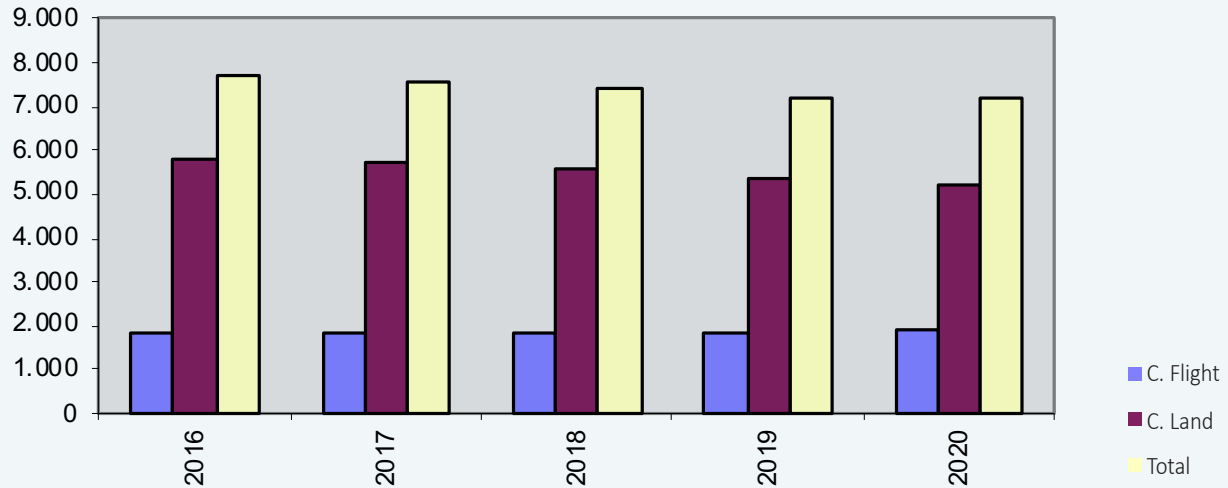
FULL MEMBERS

At 31 December 2020

Company	Land	Flight			Total	Total
		Pilots	Flight Engineers	Cabin Crew	Flight	
Iberia (L.A.E.) Operadora SU	10,590	1,293	0	3,325	4,618	15,208
Acciona Airport Services	15					15
Aerolíneas Argentinas	11					11
AGA Airlines	0					0
Air Europa Mallorca	1					1
Air France	54					54
Atlántica Handling SLU	344					344
Aviapartner	102					102
Easyjet Handling Spain	5					5
Eurotransmex	7					7
Ferronats Air Traf. Service	43					43
Groundforce	519					519
IAG cargo limited	59					59
KLM Holandesa de Aviación	44					44
Lesma	23					23
Loreto	28					28
Lufthansa	36					36
Menzies	15					15
Metssa	3					3
Red Handling Spain	7					7
Ryanair	45					45
S.A.S.	3					3
Swissport Handling	164					164
Worldwide Flight Service	62					62
Yellow Handling	6					6
Jet 2	3					3
Norwegian Air Resources Spain	0	3			3	3
Loreto Inversiones SGIC, S.A.	9					9
S.A.S. Ireland	1					1
Easyjet Airline Company	0					0
Iberia Express	1	28			28	29
Vueling	0	1120	0	0	1120	1.120
Individual Contracts	340	41	5	133	179	519
Suspended members	4,678	561	15	940	1516	6,194
TOTALES	17,218	3,046	20	4,398	7,464	24,682

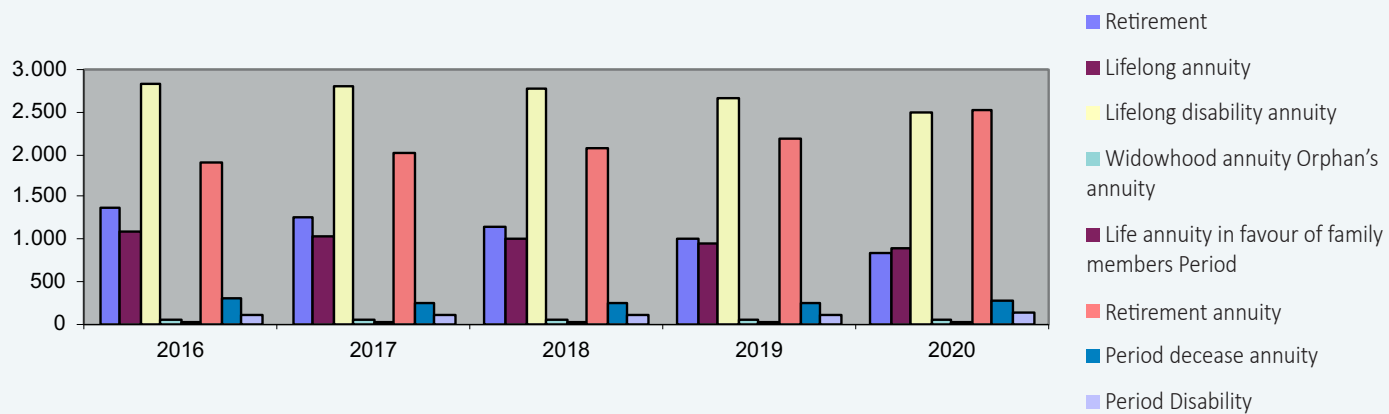


EVOLUTION TOTAL CENSUS OF BENEFICIARIES INCOME 2016 - 2020



	C. VUELO	C. TIERRA	TOTAL
2016	1.840	5.837	7.677
2017	1.825	5.723	7.548
2018	1.830	5.593	7.423
2019	1.847	5.352	7.199
2020	1.924	5.242	7.166

TOTAL EVOLUTION OF INCOME BENEFICIARIES BY TYPE OF BENEFIT 2016 - 2020

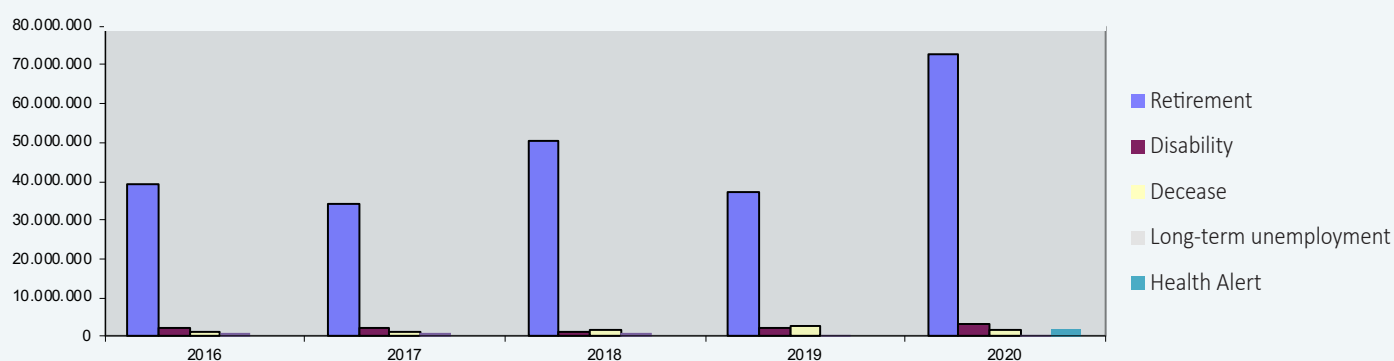




	2016	2017	2018	2019	2020
Retirement lifelong annuity	1,381	1,255	1,142	1,000	846
Disability lifelong annuity	1,089	1,038	1,012	939	884
Widowhood lifelong annuity	2,844	2,812	2,780	2,653	2,499
Orphan lifelong annuity	48	47	47	45	42
Lifelong annuity in favour of a family member	4	3	2	2	2
Retirement period annuity	1,911	2,028	2,084	2,191	2,514
Decease period annuity	287	254	245	253	259
Disability period annuity	113	111	111	116	120
TOTALS	7,677	7,548	7,423	7,199	7,166

The number of beneficiaries in the form of income decreased by 33 in 2020, down 0.46% from the previous year, shrinking from 7,199 beneficiaries at the end of 2019 to 7,166 in 2020. This reduction can be explained, on the one hand, by the decrease in life annuity beneficiaries by 366, and on the other hand, the increase in instalment payment beneficiaries by 333. It should be noted that COVID-19 had a significant impact on our group of life annuity beneficiaries, in which the average age is 82. In 2020, the mortality of this group increased 34% compared to 2019 and 38% with respect to all the Mutual Society's history.

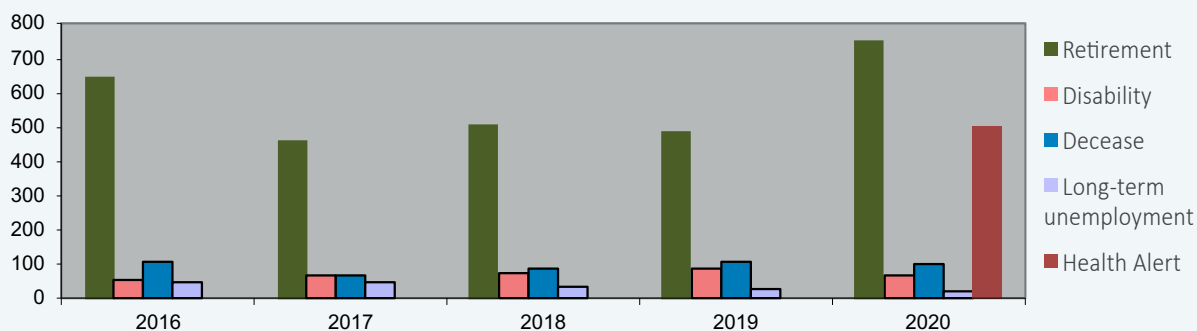
EVOLUTION OF BENEFITS AS A LUMP SUM 2016 - 2020 (amount in euros)



	Retirement	Disability	Decease	Long-term unemployment	Health Alert
2016	39,329,179	2,022,715	1,165,214	936,725	0
2017	34,046,302	2,120,817	1,108,215	916,227	0
2018	50,357,713	1,312,608	1,719,008	873,061	0
2019	37,147,799	2,111,107	2,845,589	500,916	0
2020	72,839,864	3,424,028	1,501,453	563,571	2,042,372



EVOLUTION NUMBER OF BENEFITS AS A LUMP SUM 2016- 2020



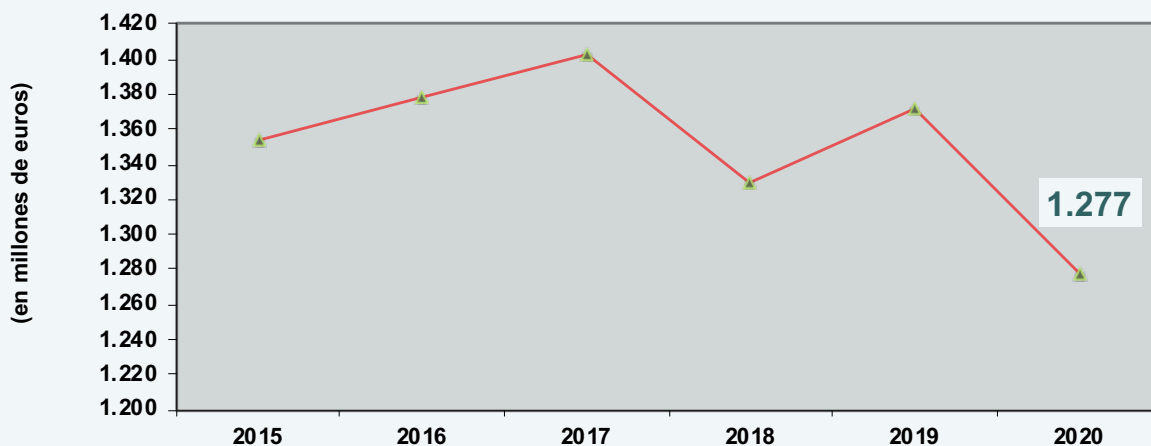
	2016	2017	2018	2019	2020
Retirement	648	464	508	488	752
Disability	54	69	75	86	68
Decease	107	66	85	107	101
Long-term unemployment	45	47	37	27	23
Health Alert	0	0	0	0	499
TOTALS	854	646	705	708	1,443

The number of beneficiaries in the form of capital increased by 103.81% in 2020, growing from 708 in 2019 to 1,443 at the end of 2020. Royal Decree 11/2020 of 31 March, which introduced urgent complementary measures in the social and economic sphere to address COVID-19, included in its 20th Additional Provision, expanded on by RD 15/2020 of 21 April, on urgent complementary measures to support the economy and employment, an exceptional assumption of liquidity for pension plans in certain situations derived from the health crisis, a measure that remained in force until 14 September 2020. Ultimately, 499 members availed themselves of this exceptional liquidity situation, for which 970 applications were processed and 2.04 million euros in benefits were paid, assisting these members amid such difficult times. Benefits paid in the form of capital in the 2020 financial year reached 80.37 million euros compared to 42.60 million paid in 2019.

Total benefits paid in 2020 increased by 38.65 million euros, from 75.34 million euros in 2019 to 113.99 million at the end of 2020. Total benefits paid from the start of individual capitalisation in 2001 until the end of 2020 reached 1.46927 billion euros. This represents 115% of the total assets currently managed and provides an excellent measure of how useful Loreto Mutua has been, and continues to be, as a tool for managing the airline sector's pension commitments towards its workers.



Market Value years 2015 to 2020



	2015	2016	2017	2018	2019	2020
MARKET VALUE EQUITY	1,354	1,378	1,403	1,329	1,371	1,277

The company's equity at market value fell from 1.37105 billion at the end of the previous year to 1.27716 billion at the end of 2020, representing a 6.85% decrease. This reduction reflects the impact on financial markets of the first few months of the pandemic and the significant increase in benefits paid.

MUTUALIST CUSTOMER SERVICE

Loreto Mutua's Customer Service is established at Group level. With regards Loreto Mutua, the purpose of its Customer Service is to receive and resolve complaints or claims presented by the members and/or beneficiaries, or injured third parties, regarding the services provided by the Mutual Society, and those submitted by the members and/or beneficiaries and injured third parties regarding the Pension Schemes managed by Loreto Mutua.

In application of article 17 of Order ECO/734/2004, of 11 March, on Customer Service Departments and Services and the Financial Institutions' Customer Ombudsman, an annual report has been issued stating that there has not been any complaints submitted to the Customer Service Department during the 2020 financial year related to the Mutual Society nor any of the managed Pension Funds.



ORDINARY BUDGET

In accordance with Article 48 of the Articles of Association, we attach to this report the ordinary budget of Income and Expenses for the year 2020.

Ordinary budget of income and expenses for the year 2021 of Loreto Mutua, Mutualidad de Previsión Social (Art. 48 of the Articles of Association)

EUROS		
ITEMS	INCOME	EXPENSES
CONTRIBUTIONS	30,900,000.00	
INVESTMENTS	64,200,000.00	
BENEFITS		84,370,000.00
ADMINISTRATION EXPENSES		9,927,300.00
ADMINISTRATION EXPENSES		5,412,800.00
OTHER OPERATING COSTS:		4,514,500.00
	95,100,000.00	94,297,300.00

The administrative expenses budgeted for 2021 are more than 3.5 times lower than the maximum that pension fund managers can charge under the legislation in force at the end of 2020.

SOCIALLY RESPONSIBLE INVESTING

Loreto Mutua is adhered to the Principles of Socially Responsible Investment promoted by the United Nations (UNPRI) and this implies assuming as signatories a series of commitments in this area.

As a Mutualidad de Previsión Social we have a duty to act in the best long-term interest of our members. As part of this fiduciary role, we understand that environmental, social and governance (ESG) issues can affect the performance of the investment portfolios (in different degrees, depending on the company, sector, region, type of assets and the moment in time). Thus, we also think that by applying these principles we may influence our investors to act more in line with the broader objectives of society. Therefore, to the extent compatible with our fiduciary responsibilities, we are committed to:

1. Incorporate environmental, social and governance (ESG) issues into investment analysis and decision-making processes.



2. Be active owners and incorporate ESG issues into our ownership policies and practices.
3. Seek appropriate disclosure on ESG issues by the entities in which we invest.
4. Promote acceptance and implementation of the principles within the investment industry.
5. Work together to enhance our effectiveness in implementing the principles.
6. Report on our activities and progress towards implementing the principles.

Following international guidelines and the PRI, Loreto Mutua has a socially responsible investing policy. Our goal is to prevent that Loreto's resources are not used in unacceptable activities and conducts that harm people or the planet and run contrary to our values. Nudges us toward collaboration that helps solves the social and environmental problems caused by the operations of companies and other entities we invest in.

Companies should contribute to sustainable development by playing a role in society beyond just making a short-term profit. They must also contribute to sustainable development. Including ESG aspects in the portfolio of investments implies questioning the social, environmental and good governance impact of the companies in which Loreto Mutua invests its managed assets.



<https://www.unpri.org/download?ac=10233>

Within the action plan for socially responsible investments, in 2020 Loreto Mutua carries on its activity in a company through which it channels investments in renewable energies. The purpose of this partnership, and investment in renewables, is to contribute in the achievement of the Paris Agreements and climate change objectives.

Thematic investment in financial inclusion and in an absolute return investment fund managed with ESG, environmental, social and good governance criteria, in which the Mutual Society acts as promoter and investor, is maintained.



Loreto Mutua, as a company with a social purpose, has the mission of offering and managing pensions, making society more equitable and contributing to the achievement of sustainable development goals.





PRESENTATION OF CONSOLIDATED ANNUAL ACCOUNTS

The Board of Directors of LORETO MUTUA, MUTUALIDAD DE PREVISIÓN SOCIAL at its meeting held on 24 March 2021, formulated the Annual Accounts, comprising the Balance Sheet, the Profit and Loss Account, the Statement of Changes in Equity, the Cash Flow Statement and the Annual Report, as well as the Management Report, all of which form an integral part of this document, corresponding to the financial year 2020. Said Annual Accounts and the Management Report on 79 consecutively numbered pages.

This document, signed electronically, serves for all purposes as a signature document for each and every one of those that make up the aforementioned Annual Accounts and Management Report.

This document is accompanied by a certificate issued by a qualified service provider (LLEIDANETWORKS Serveis Telemàtics S.A.), which guarantees the identification of the signatories and the integrity of the document and the signature process, in accordance with the regulations applicable to the electronic signature process.



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