



# Alternative Performance Measures

APMs | 12M 2022 Results

## ALTERNATIVE PERFORMANCE MEASURES

In addition to the financial information presented and prepared under IFRS-EU, the Company uses, throughout its financial publications, period-to-period comparison of certain financial measures and alternative performance measures as defined in the guidelines issued by the European Securities and Markets Authority on 5 October 2015 on alternative performance measures (the “ESMA Guidelines” and the “APMs”). These APMs are derived from the Company’s consolidated income statement, consolidated balance sheet, consolidated statement of cash flows or accounting records.

The Company has presented these APMs, which are unaudited, as supplemental information because they are used by the Company’s management in making financial, operational and planning decisions, and they provide useful financial information that should be considered in addition to the financial statements prepared in accordance with the applicable accounting regulations (IFRS-EU), in assessing the Group’s performance. In addition, Linea Directa believes that the APMs presented herein may contribute to a better understanding of its results of operations by providing additional information on what the Company considers to be some of the drivers of its financial performance and because these APMs are in line with the main indicators used by the majority of the community of analysts and investors in capital markets.

APMs are not defined under and have not been prepared in accordance with IFRS-EU and should not be considered in isolation as they may be presented on a different basis than the financial information included in the Consolidated Financial Statements. In addition, the APMs presented may differ significantly from information reported by other companies under similar or analogous titles and may not always be comparable.

It is cautioned not to place undue reliance on these measures, which should be considered as supplemental to, and not a substitute for, the financial information prepared in accordance with IFRS-EU herein included. The APMs herein included have not

been audited by the Company or any independent expert.

Some limitations of these APMs are:

- The fact that other companies in the industry may calculate loss, expense and combined ratios differently than the Company does, might limit their usefulness as comparative measures.
- Moreover, the usefulness of the loss, expense and combined ratio is inherently limited by the fact that these are ratios and thus do not provide information on the absolute amount of incurred claims for the year, operating and other technical expenses or the underwriting result.
- The usefulness of the Payout ratio and the RoAE is also inherently limited by the fact that they represent ratios and thus do not provide any detail as to the absolute amount of net income, dividends paid or shareholders’ equity.
- Modified duration is limited in that it assumes a linear relationship between interest rates and bond price. Such relationship is likely to be curvilinear. The more convex the relationship between interest rates and bond price, the more inaccurate duration is for measuring interest rate sensitivity and the variation of the financial securities.
- Average return is limited by the fact that other companies in the industry may calculate it differently than the Company does, thus limiting its usefulness as a comparative measure. Moreover, the composition of the investment portfolio varies significantly from company to company, making the risk-return comparison more complex.

## DEFINITIONS AND PURPOSES

### Loss ratio

The loss ratio measures the efficiency in the claims' experience as it includes incurred claims as a percent over the volume of premiums earned, net of reinsurance.

This ratio makes it possible to establish comparisons between companies.

$$\text{Loss ratio} = \frac{\text{Incurred claims, net of reinsurance}}{\text{Premiums earned, net of reinsurance}}$$

#### Consolidated

<i>Thousand euro</i>	2022	2021	2020
Incurred claims, net of reinsurance	(681,500)	(597,820)	(540,064)
Premiums earned, net of reinsurance	900,647	882,728	878,177
<b>Loss ratio</b>	<b>75.7%</b>	<b>67.7%</b>	<b>61.5%</b>

#### Motor Segment

<i>Thousand euro</i>	2022	2021	2020
Incurred claims, net of reinsurance	(585,329)	(518,866)	(465,382)
Premiums earned, net of reinsurance	753,278	747,292	752,605
<b>Loss ratio</b>	<b>77.7%</b>	<b>69.4%</b>	<b>61.8%</b>

#### Home Segment

<i>Thousand euro</i>	2022	2021	2020
Incurred claims, net of reinsurance	(81,840)	(66,003)	(63,678)
Premiums earned, net of reinsurance	129,799	119,067	111,546
<b>Loss ratio</b>	<b>63.1%</b>	<b>55.4%</b>	<b>57.1%</b>

#### Health Segment

<i>Thousand euro</i>	2022	2021	2020
Incurred claims, net of reinsurance	(14,321)	(12,951)	(10,712)
Premiums earned, net of reinsurance	16,505	14,981	12,020
<b>Loss ratio</b>	<b>86.8%</b>	<b>86.4%</b>	<b>89.1%</b>

#### Other Insurance Businesses

<i>Thousand euro</i>	2022	2021	2020
Incurred claims, net of reinsurance	(10)	-	(292)
Premiums earned, net of reinsurance	1,065	1,388	2,006
<b>Loss ratio</b>	<b>0.9%</b>	<b>0.0%</b>	<b>14.6%</b>

### Expense ratio

The expense ratio measures the Company's efficiency in expenses as it includes net operating expenses and other technical expenses as a percentage over the volume of earned premiums, net of reinsurance.

This ratio makes it possible to establish comparisons between companies.

#### Expense ratio

$$\text{Expense ratio} = \frac{\text{Net operating expenses} + \text{Other technical expenses} + \text{Profit sharing and returns}}{\text{Premiums earned, net of reinsurance}}$$

#### Consolidated

<i>Thousand euro</i>	2022	2021	2020
Operating expenses, net of reinsurance	(202,182)	(203,458)	(209,603)
Other technical income and expenses, profit sharing and returns	16,385	22,185	17,429
Premiums earned, net of reinsurance	900,647	882,728	878,177
<b>Expense ratio</b>	<b>20.6%</b>	<b>20.5%</b>	<b>21.9%</b>

#### Motor Segment

<i>Thousand euro</i>	2022	2021	2020
Operating expenses, net of reinsurance	(150,800)	(154,310)	(159,468)
Other technical income and expenses, profit sharing and returns	17,506	22,877	18,726
Premiums earned, net of reinsurance	753,278	747,292	752,605
<b>Expense ratio</b>	<b>17.7%</b>	<b>17.6%</b>	<b>18.7%</b>

#### Home Segment

<i>Thousand euro</i>	2022	2021	2020
Operating expenses, net of reinsurance	(41,989)	(39,888)	(40,873)
Other technical income and expenses, profit sharing and returns	(241)	(5)	(311)
Premiums earned, net of reinsurance	129,799	119,067	111,546
<b>Expense ratio</b>	<b>32.5%</b>	<b>33.5%</b>	<b>36.9%</b>

#### Health Segment

<i>Thousand euro</i>	2022	2021	2020
Operating expenses, net of reinsurance	(9,327)	(9,147)	(8,920)

Other technical income and expenses, profit sharing and returns	(243)	(93)	(278)
Premiums earned, net of reinsurance	16,505	14,981	12,020
<b>Expense ratio</b>	<b>58.0%</b>	<b>61.7%</b>	<b>76.5%</b>

#### Other Insurance Businesses

<i>Thousand euro</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Operating expenses, net of reinsurance	(66)	(113)	(342)
Other technical income and expenses, profit sharing and returns	(637)	(594)	(708)
Premiums earned, net of reinsurance	1,065	1,388	2,006
<b>Expense ratio</b>	<b>66.0%</b>	<b>50.9%</b>	<b>52.3%</b>

#### Combined ratio

The combined ratio measures the technical profit ability of Non-Life insurance.

A combined ratio below 100% indicates that the technical result is positive, while a combined ratio above 100% indicates that said result is negative.

This ratio makes it possible to establish comparisons between companies in the insurance sector, since it measures the loss experience and technical expenses as a percentage over premium volume.

$$\text{Combined ratio} = \text{Loss ratio} + \text{Expense ratio}$$

#### Consolidated

<i>(%)</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Loss ratio	75.7%	67.7%	61.5%
Expense ratio	20.6%	20.5%	21.9%
<b>Combined ratio</b>	<b>96.3%</b>	<b>88.3%</b>	<b>83.4%</b>

#### Motor Segment

<i>(%)</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Loss ratio	77.7%	69.4%	61.8%
Expense ratio	17.7%	17.6%	18.7%
<b>Combined ratio</b>	<b>95.4%</b>	<b>87.0%</b>	<b>80.5%</b>

#### Home Segment

<i>(%)</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>
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<sup>1</sup> Equity as at the beginning of 2021 takes into account the €120 million dividend paid to Bankinter prior to the listing of the Company

Loss ratio	63.1%	55.4%	57.1%
Expense ratio	32.5%	33.5%	36.9%
<b>Combined ratio</b>	<b>95.6%</b>	<b>88.9%</b>	<b>94.0%</b>

#### Health Segment

<i>(%)</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Loss ratio	86.8%	86.4%	89.1%
Expense ratio	58.0%	61.7%	76.5%
<b>Combined ratio</b>	<b>144.8%</b>	<b>148.1%</b>	<b>165.6%</b>

#### Other Insurance Businesses

<i>(%)</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Loss ratio	0.9%	0.0%	14.6%
Expense ratio	66.0%	50.9%	52.3%
<b>Combined ratio</b>	<b>66.9%</b>	<b>50.9%</b>	<b>66.9%</b>

#### RoAE (Return on average equity)

The RoAE is an indicator used to measure the relationship between the financial earnings and the resources necessary to obtain them.

It makes it possible to measure the return the shareholders obtain from the funds invested in the Company.

$$\text{RoAE} = \frac{\text{Net result for the year}}{\text{Average equity at the beginning and closing of the period}}$$

<i>Thousand euro</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Net result for the period	59,523	110,137	134,846
Average equity at the beginning and closing of the period	334,388	362,817	396,210
<i>Total equity at beginning of the period</i>	<i>378,275</i>	<i>347,359<sup>1</sup></i>	<i>325,060</i>
<i>Total equity at closing of the period</i>	<i>290,500</i>	<i>378,275</i>	<i>467,359</i>
<b>RoAE</b>	<b>17.8%</b>	<b>30.4%</b>	<b>34.0%</b>

#### DPS (Dividend per share)

DPS (dividends per share) is an indicator used to show the relationship existing between the dividends charged to the results of the financial year with outstanding shares.

$$\text{DPS} = \frac{\text{Total dividends charged to the financial year}}{\text{Outstanding shares}}$$

	2022	2021	2020
Total dividends charged to the financial year (thousand euro)	53,571 <sup>2</sup>	99,123	148.344 <sup>3</sup>
Outstanding shares <sup>4</sup> (thousand)	1,087,759	1,087,621	1,088,177
DPS	0.049	0.091	0.136

## Dividend payout ratio

Dividend payout ratio is an indicator used to indicate the part of the result distributed among investors through dividends.

$$\text{Payout ratio} = \frac{\text{Total dividends charged to the financial year}}{\text{Net result for the year}}$$

Thousand euro	2022	2021	2020
Total dividends charged to the financial year	53,571 <sup>2</sup>	99,123	148.344 <sup>3</sup>
Net result for the period	59,523	110,137	134,846
Payout ratio	90.0%	90.0%	110.0%

## Duration

Duration is a composite measure of the timing of a bond's cash flow characteristics taking into consideration its coupon and term to maturity.

It refers to the weighted average of time until cash flows (coupons and principal) are received, and it is measured in years.

This ratio makes it possible to measure the degree of volatility or risk in the Group's fixed income portfolios. The higher the duration of the portfolio, the greater the volatility of the prices of the securities when there are changes in interest rates.

	2022	2021	2020
Duration	3.62	4.14	3.13

## Modified duration

Modified duration is the weighted average of time until cash flows (coupons and principal) are received, divided by 1

<sup>2</sup> Including final dividend that the Board of Directors has agreed to propose to the General Shareholder's Meeting for a total consideration of €1,090 thousand

plus the yield to maturity divided by the number of payments in a year.

This ratio makes it possible to measure an approximate value of the percentage variation of financial securities for each percentage point (100 basis points) change in interest rates.

The higher the modified duration of the portfolio, the greater the volatility of the prices of the securities when there are changes in interest rates.

	2022	2021	2020
Modified duration	3.81%	4.87%	3.26%

## Fixed income portfolio average return

Fixed income portfolio average return is calculated from income earned, recognised through the profit and loss statement during the period divided by the average fixed income portfolio. This includes realised gains/losses and impairments.

Excludes fair value adjustments.

Measures the return of the fixed income securities held in the investment portfolio during a specific period of time.

$$\text{Fixed income portfolio average return} = \frac{\text{Interest received} + \text{Realised gains (losses) and impairments}}{\text{Average debt securities at the beginning and closing of the period}}$$

Thousand euro	2022	2021	2020
Interest received	14,811	15,591	17,792
Realised gains/(losses) and impairments	1,706	(1,087)	(187)
Average debt securities	618,778	722,005	801,209
Fixed income portfolio average return	2.46%	1.90%	2.30%

## Equity portfolio average return

Equity portfolio average return is calculated from income earned, recognised through the profit and loss statement during the period divided by the average equity portfolio. This includes realised gains/losses and impairments.

Excludes fair value adjustments.

<sup>3</sup> Including €120,000 thousand of extraordinary dividend paid to Bankinter prior the listing

<sup>4</sup> Excludes treasury stock

Measures the return of the equity securities held in the investment portfolio during a specific period of time.

$$\text{Equity portfolio average return} = \frac{\text{Dividends + Realised gains (losses) and impairments}}{\text{Average shares and equity mutual funds at the beginning and closing of the period}}$$

<i>Thousand euro</i>	2022	2021	2020
Dividends received	3,465	2,395	1,649
EIG income	4,784	4,779	4,533
Realised gains/(losses) and impairments	9,051	7,825	(1,186)
Average shares and equity mutual funds	120,886	153,963	125,855
<b>Equity portfolio average return</b>	<b>12.59%</b>	<b>10.72%</b>	<b>4.63%</b>

### Property investments average return

Property investments average return is calculated from rental income earned, recognised through the profit and loss statement during the period divided by the average property investments portfolio. This includes realised gains/losses and impairments.

Excludes fair value adjustments.

Measures the return of the property investments during a specific period of time.

$$\text{Property investments average return} = \frac{\text{Rental income + Realised gains (losses)}}{\text{Average property investments at the beginning and closing of the period}}$$

<i>Thousand euro</i>	2022	2021	2020
Rental income	4,465	4,203	4,121
Realised gains/(losses) and impairments	-	-	-
Average property investments	64,676	65,457	65,948
<b>Property investments average return</b>	<b>6.86%</b>	<b>6.40%</b>	<b>6.21%</b>

### Total average return

The total average return (excluding cash and cash equivalents) is calculated from income earned, recognised through the profit and loss statement during the period divided by the average assets under management (fixed

income and equity portfolios and property investments). This includes realised gains/losses and impairments. Excludes fair value adjustments.

Measures the return of the financial securities held in the investment portfolio during a specific period of time.

$$\text{Total average return} = \frac{\text{Total investment income + Net realised gains (losses) and impairments}}{\text{Average total investments at the beginning and closing of the period}}$$

<i>Thousand euro</i>	2022	2021	2020
<b>Total investments</b>	<b>804,340</b>	<b>941,425</b>	<b>993,012</b>
<i>Debt securities</i>	<i>618,778</i>	<i>722,005</i>	<i>801,209</i>
<i>Shares and equity mutual funds</i>	<i>120,886</i>	<i>153,963</i>	<i>125,855</i>
<i>Property investments</i>	<i>64,676</i>	<i>65,457</i>	<i>65,948</i>
<b>Total investment income and net realised gains/(losses)</b>	<b>38,281</b>	<b>33,707</b>	<b>26,722</b>
<i>Debt securities</i>	<i>14,811</i>	<i>15,591</i>	<i>17,792</i>
<i>Realised gains/(losses) on debt securities</i>	<i>1,706</i>	<i>(1,087)</i>	<i>(187)</i>
<i>Shares and equity mutual funds</i>	<i>3,465</i>	<i>2,395</i>	<i>1,649</i>
<i>EIG income</i>	<i>4,784</i>	<i>4,779</i>	<i>4,533</i>
<i>Realised gains/(losses) on equities</i>	<i>9,051</i>	<i>7,825</i>	<i>(1,186)</i>
<i>Rental income</i>	<i>4,465</i>	<i>4,203</i>	<i>4,121</i>
<i>Realised gains/(losses) on investment property</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>Total average return (exc. cash and cash equivalents)</b>	<b>4.39%</b>	<b>3.48%</b>	<b>2.84%</b>

### Other technical revenue and expenses

Brings together other technical income, expenses and profit sharing and returns.

"Other technical revenues and expenses" together with the profit and loss item "Net operating expenses" are used by insurance companies to calculate the expense ratio.

$$\text{Other technical revenue and expenses} = \text{Other technical revenue} + \text{Other technical expenses} + \text{Profit sharing and returns}$$

<i>Thousand euro</i>	2022	2021	2020
Other technical income	-	-	-
Other technical expenses	17,022	22,779	18,137

Profit sharing and returns	(637)	(594)	(708)
Other technical revenue and expenses	16,385	22,185	17,429

### Financial result

= Financial investments and property revenues  
+ Financial investments and property expenses

### Technical result

The technical result is the result of the underwriting activity.

**Technical result = Premiums earned, net of reinsurance  
+ Incurred claims, net of reinsurance  
+ Net operating expenses  
+ Other technical income and expenses**

<i>Thousand euro</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Financial investments and property revenues	72,406	57,904	76,613
Financial investments and property expenses	(32,633)	(23,243)	(47,360)
<b>Financial result</b>	<b>39,773</b>	<b>34,661</b>	<b>29,253</b>

<i>Thousand euro</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Premiums earned, net of reinsurance	900,647	882,728	878,177
Incurred claims, net of reinsurance	(681,500)	(597,820)	(540,064)
Net operating expenses	(202,182)	(203,458)	(209,603)
Other technical income and expenses	16,385	22,185	17,429
<b>Technical result</b>	<b>33,350</b>	<b>103,635</b>	<b>145,939</b>

### OTHER INDICATORS

#### Number of clients

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Motor	2,597,196	2,528,077	2,463,171
Home	752,170	712,052	662,393
Health	109,576	104,753	89,163
Other insurance	4,034	4,756	9,276
<b>Number of clients</b>	<b>3,462,976</b>	<b>3,349,638</b>	<b>3,224,003</b>

### Financial result

The financial result is the result of the financial investment activity of the Company.