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6M 2021 Results

Presentation for analysts and investors

21 July 2021

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1



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Highlights for the period

Results – 6M 2021

At a glance



Commercial drive

Positive performance of the business within a still complex environment

+4.5%

PORTFOLIO OF
POLICYHOLDERS¹

+1.0%

PREMIUMS



Profitability

Excellent technical performance and profitability

85.5%

COMBINED RATIO

58.2MN

PROFIT BEFORE TAX

34.9%

RETURN ON EQUITY



Financial strength

- Strong cash flow generation, enabling the first interim dividend for 2021 to reach €26.6 million
- Solid solvency ratio

203%

SOLVENCY II RATIO

1. Excludes clients from the Other Insurance Businesses in run-off. Including such figures the client portfolio would have increased by 3.8%

2



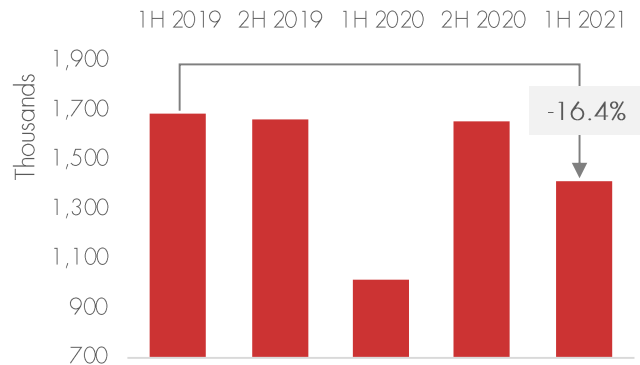
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Context

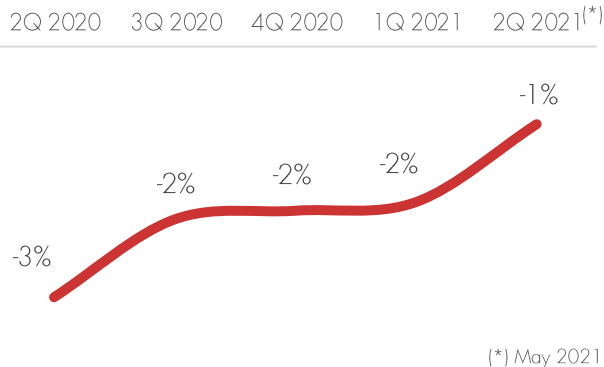
Motor Segment

Demand for Motor products still below 2019 levels

Vehicles sold (annual chg.)



Segment turnover



- > Slow recovery in vehicle sales, with greater weight of used cars, thus increasing the age of the fleet
- > Migration of all-risk with deductible to third party and extended third party, leading to a reduction in the average premium
- > Increase in accident frequency and severity

INSURED FLEET

32.4M

+1.2%

(Jun 2021 / Dec 2020)

AVERAGE AGE OF FLEET

13.2 years

+0.5 years

(Dec 2020 / Dec 2019)

AVERAGE PREMIUM

€336

-2.8%

(Jun 2021 / Dec 2020)

FATAL ACCIDENTS

+34%

(Jun 2021 / Jun 2020)

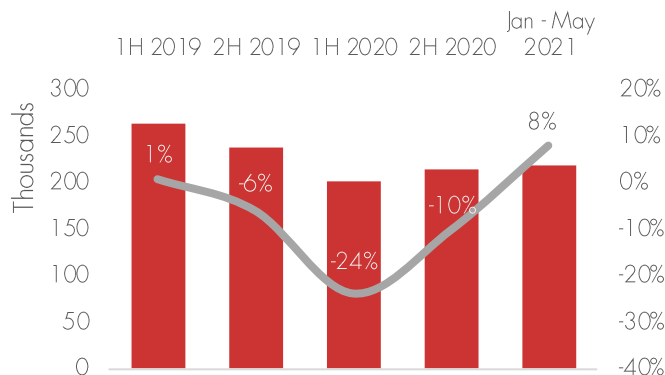
Sources: Faconauto, ICEA (latest figures available at May 2021), FIVA and DGS

Home Segment

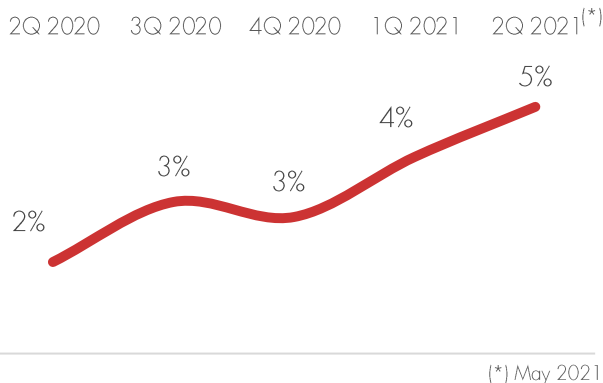
House sales pick up and homes uninsured are opportunities



House sales (annual chg.)



Segment turnover



- > House sales pick up
- > Heightened awareness of the need to insure the home, as more time was spent at home during the pandemic
- > Segment turnover up 4.9%
- > Severe weather events: Storms Filomena and Gloria

HOMES INSURED

25.9M

+0.3%

(Dec 2020 / Dec 2019)

HOMES UNINSURED

5.3M

20% of total

(Dec 2020)

AVERAGE PREMIUM

€226

+0.8%

(Dec 2020 / Dec 2019)

CLAIM FREQUENCY

43.2%

+5.5p.p

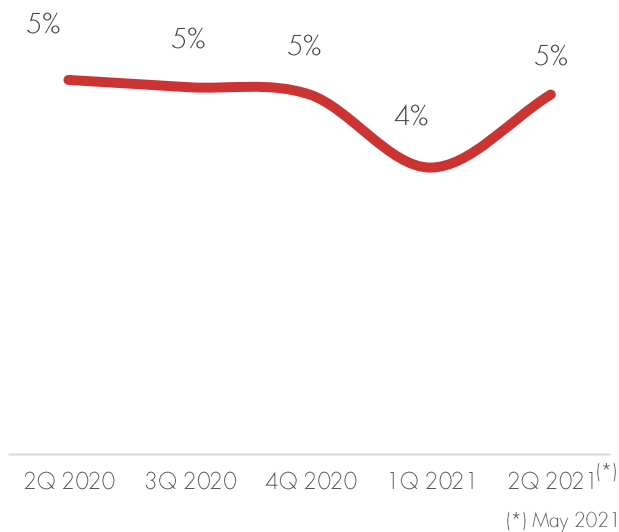
(1Q 2021 / 1Q 2020)

Sources: INE, ICEA (latest figures available at May 2021), Ministry of Transport, Mobility and Urban Agenda

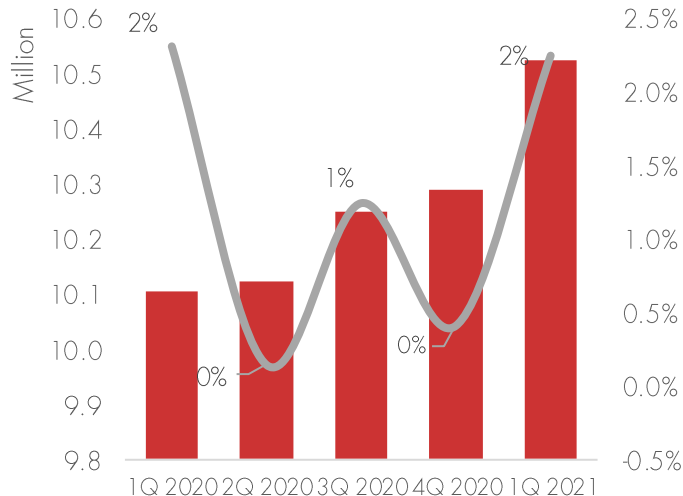
Health Segment

Health retains remarkable growth in premiums and policyholders in a context of increased awareness for health care insurance

Segment turnover



Policyholders



- Recovery of health activity, which came to a halt during the crisis
- Rising health care costs
- Increase in hospital tariffs ("baremo")

Source: ICEA, (healthcare, latest figures available at May 2021)

3



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Results – 6M 2021

Group earnings and results

Disciplined growth and operational resilience



Thousand euro	6M 2021	6M 2020	% var.
Gross written premiums (GWP)	456,465	451,910	1.0%
Earned premiums, net of reinsurance	435,993	434,400	0.4%
Technical result	63,139	62,034	1.8%
Financial result	12,795	13,042	-1.9%
Profit/(loss) before tax	77,618	78,520	-1.1%
Profit/(loss) after tax	58,210	58,889	-1.2%
EPS (euro)	0.053	0.054	-1.2%

	6M 2021	6M 2020	p.p. var.
Loss ratio	65.3%	64.4%	1.0 p.p
Expense ratio	20.2%	21.3%	-1.2 p.p
Combined ratio	85.5%	85.7%	-0.2 p.p

	6M 2021	6M 2020	% var.
Clients (thousands)	3,300	3,160	4.5%

1. Excludes clients from the Other Insurance Businesses in run-off. Including such figures the client portfolio would have increased by 3.8%

Disciplined growth

Premiums written

Reveal growth in the number of customers +4.5%¹ and increased pressure on premiums in the Motor segment

Technical result

Ongoing technical strength
Cost discipline

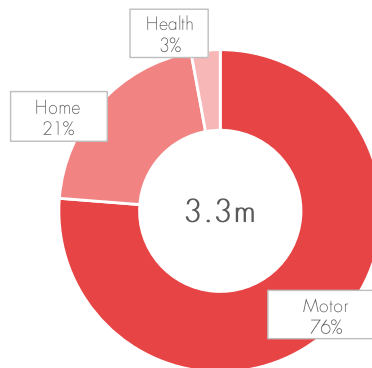
Financial result

Lower fixed income portfolio reinvestment rates

Premiums and policyholders

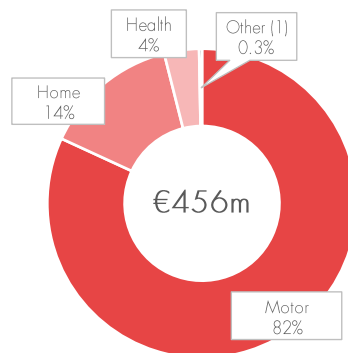
Policyholders

Thousands	6M 2021	6M 2020	% var.
Motor	2,516	2,442	3.0%
Home	688	643	7.1%
Health	96	75	27.8%
Total	3,300	3,160	4.5%



Gross written premiums

Thousand euro	6M 2021	6M 2020	% var.
Motor	373,700	377,491	-1.0%
Home	64,779	59,706	8.5%
Health	16,622	13,258	25.4%
Other ⁽¹⁾	1,363	1,456	-6.4%
Total	456,465	451,910	1.0%

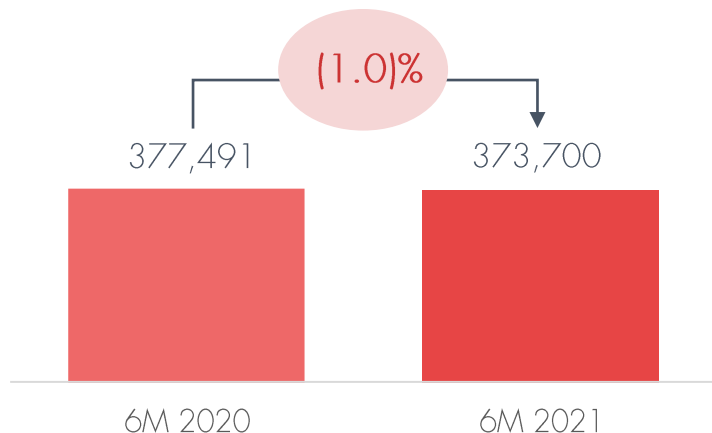


Highlights

- Portfolio of 3.3 million policyholders, up 4.5%¹
- Moderate premium growth, with the Home and Health segments outperforming
- Pressure on average premiums in the Motor segment

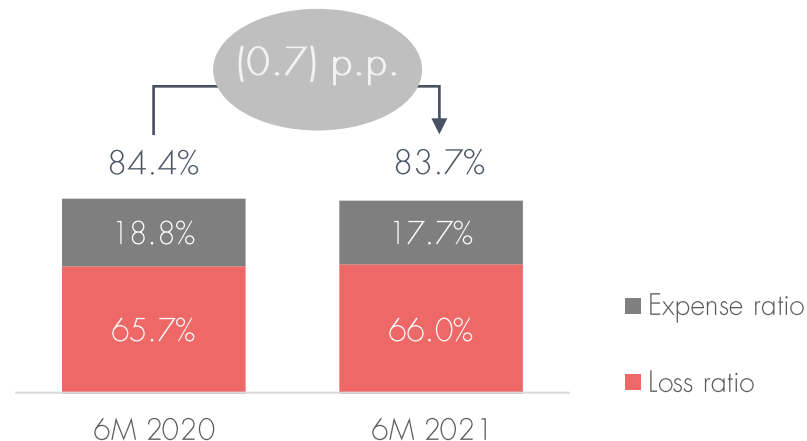
1. Customers in the "Other" segment amount to 5 and 25 thousand as of June 2021 and 2020, respectively. Including the clients of these run-off businesses, the number of clients would increase by 3.8%

PREMIUMS



- Solid portfolio growth within a competitive pricing environment
- Premium performance in line with the market¹

COMBINED RATIO



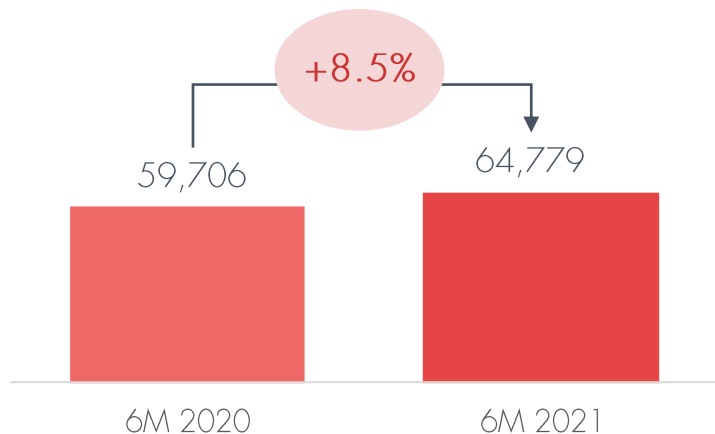
- Combined ratio 4.1 p.p. below the sector²
- Cost discipline
- Claim frequency and severity rising

1. The Motor segment for the market as a whole was down 1%. Source: ICEA (latest figures available at May 2021)

2. Combined ratio for the Motor segment for the market as a whole: 87.8%. Source: ICEA (latest figures available at March 2021)

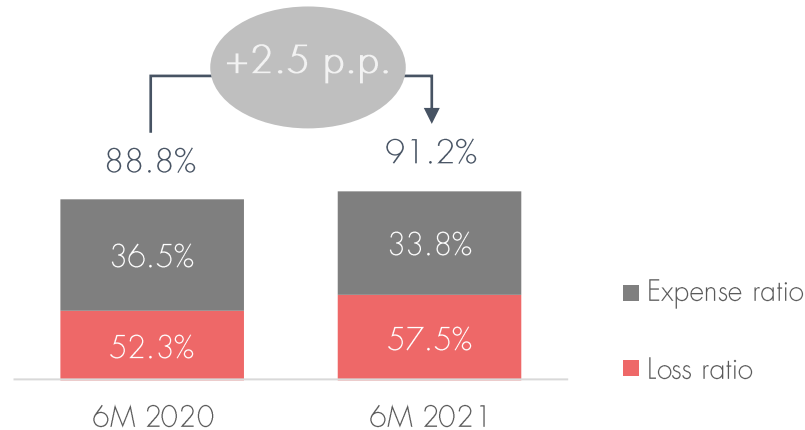


PREMIUMS



- Growth 3.6 p.p. above the market¹
- Notable performance of new policy origination at higher average premiums

COMBINED RATIO

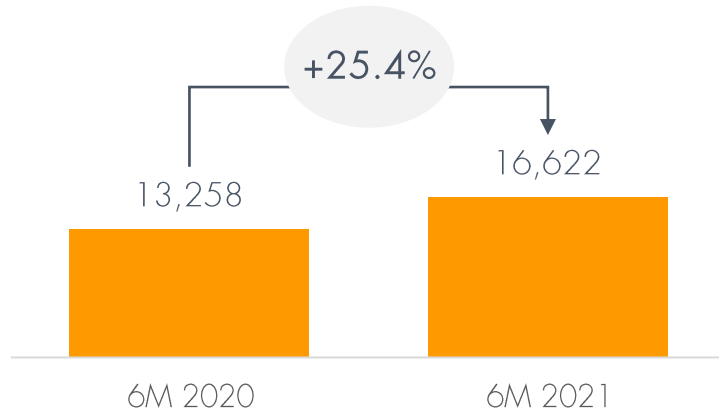


- Combined ratio 10.1 p.p. below the market²
- Cost discipline
- Increased frequency of claims

1. Growth of the Home segment: 4.9%. Source: ICEA (latest figures available at May 2021)

2. Combined ratio for the Home segment for the market as a whole: 101.3%. Source: ICEA (latest figures available at March 2021)

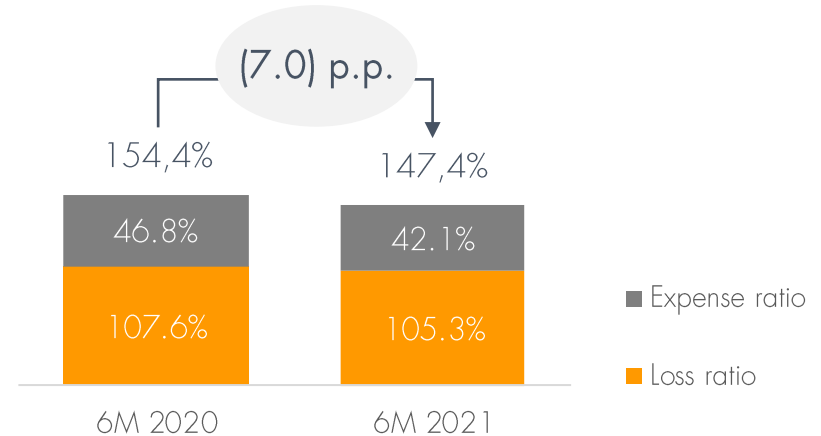
PREMIUMS



- Growth of 20,863 policyholders +27.8%
- Growth 20.5 p.p. above the market¹
- Average premiums slightly below market due to the mix

1. Growth in the Health segment: + 4.9%. Source: ICEA (latest figures available at May 2021)

COMBINED RATIO



- Strict risk selection
- Claim frequency up due to the “return to normal” and recovery of health care activity

Management ratios



	Loss ratio			Expense ratio			Combined ratio		
	6M 2021	6M 2020	p.p. var.	6M 2021	6M 2020	p.p. var.	6M 2021	6M 2020	p.p. var.
Motor	66.0%	65.7%	0.3 p.p	17.7%	18.8%	-1.1 p.p	83.7%	84.4%	-0.7 p.p
Home	57.5%	52.3%	5.2 p.p	33.8%	36.5%	-2.7 p.p	91.2%	88.8%	2.5 p.p
Health	105.3%	107.6%	-2.3 p.p	42.1%	46.8%	-4.7 p.p	147.4%	154.4%	-7.0 p.p
Other	4.7%	30.3%	-25.6 p.p	26.9%	46.6%	-19.7 p.p	31.6%	77.0%	-45.4 p.p
Total	65.3%	64.4%	1.0 p.p	20.2%	21.3%	-1.2 p.p	85.5%	85.7%	-0.2 p.p

Loss ratio

- Excellent performance of Motor amid the “return to normal” and recurring impacts of weather events on Home

Expense ratio

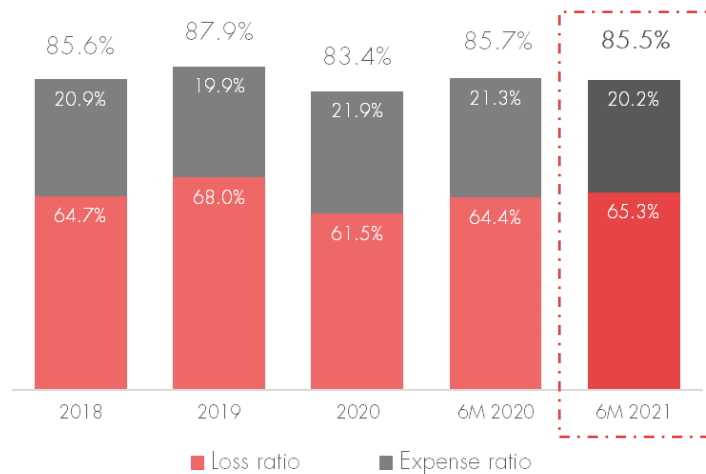
- Cost discipline across all business lines

Combined ratio

- Excellent technical performance, showing the strict ongoing control of risk underwriting and expenses

Combined ratio: claims incurred

Solid technical margins



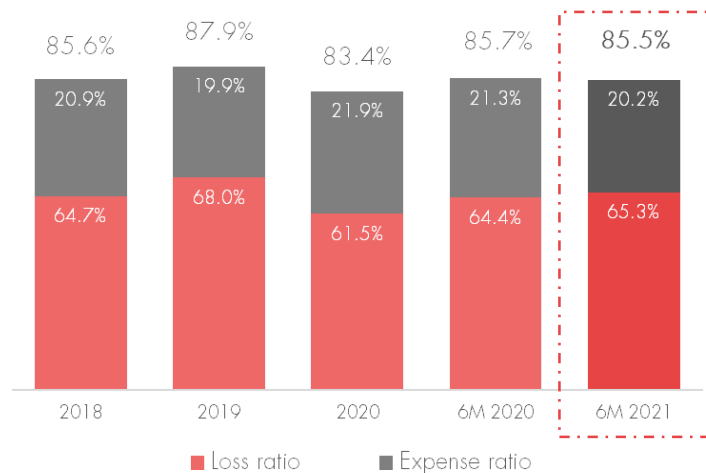
Loss ratio

% over earned premiums net of reinsurance	6M 2021	6M 2020	var.
Claims incurred in the year (ex-atmospherics)	(282,830)	(277,049)	2.1%
Atmospherics	(2,055)	(2,575)	-20.2%
Claims incurred for the year	(284,885)	(279,624)	1.9%
Loss ratio	65.3%	64.4%	1.0 p.p

- Stable claims ratio across various competitive and macroeconomic environments
- Atmospheric perils of €2.1 million net of reinsurance (€3.9 million before reinsurance) add 0.5 p.p. to the claims ratio

Combined ratio: expenses

Sound technical margins



Expense ratio

% over earned premiums net of reinsurance	6M 2021	6M 2020	% var
Net operating expenses	(97,485)	(101,365)	-3.8%
Acquisition expenses	(86,582)	(90,548)	-4.4%
Administrative expenses	(13,708)	(12,954)	5.8%
Reinsurance commissions and profit participation	2,805	2,137	31.3%
Profit sharing	(172)	(417)	-58.8%
Other technical revenue and expenses	9,688	9,040	7.2%
Expense ratio	20.2%	21.3%	-1.2 p.p

- Ongoing cost control
- Lower customer acquisition and retention costs
- Increased personnel costs following the Company's listing (back office)
- Other technical expenses and income mainly show the amounts paid and received under claims settlement agreements

Financial result

Positive financial result against an adverse rates environment

Thousand euro	6M 2021	6M 2020	% var.
Investment income ¹	22,769	34,974	-34.9%
Investment expenses ¹	(9,974)	(21,932)	-54.5%
Financial result	12,795	13,042	-1.9%
<i>of which realised gains (losses):</i>	<i>74</i>	<i>201</i>	<i>-63.0%</i>
<i>Fixed income</i>	<i>(456)</i>	<i>76</i>	<i>-698.6%</i>
<i>Equity instruments</i>	<i>531</i>	<i>125</i>	<i>326.0%</i>
<i>Impairments</i>	<i>-</i>	<i>-</i>	<i>-</i>

Highlights

Lower reinvestment rates into fixed income and increased exposure to equities

Fixed income revenue of 8.6 million euros down (9.2%)

Equities revenue of 1.7 million euros up 47.8%²

Income of 2.2 million euros from investment properties up +5.6%

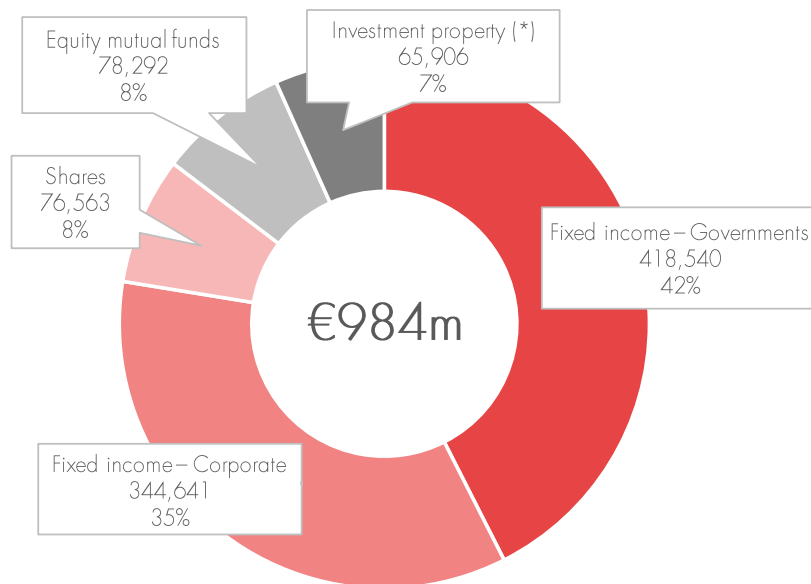
1. The interest rate swap and the underlying government bonds with a nominal value of 75 million euros are recognised under income and expense on investments, with opposite sign, and are netted against each other

2. In the first half of year 2020, there were cancelled dividend payments of a number of equities in our portfolio as a consequence of the pandemic

Investment portfolio

Low risk profile

Slight increase in the weight of equities



(*) Capital gains on properties not recognised in the balance sheet under investment property and property for own use amount to 21.2 million euros.

Lower reinvestment rates into fixed income, strong performance by equities and properties

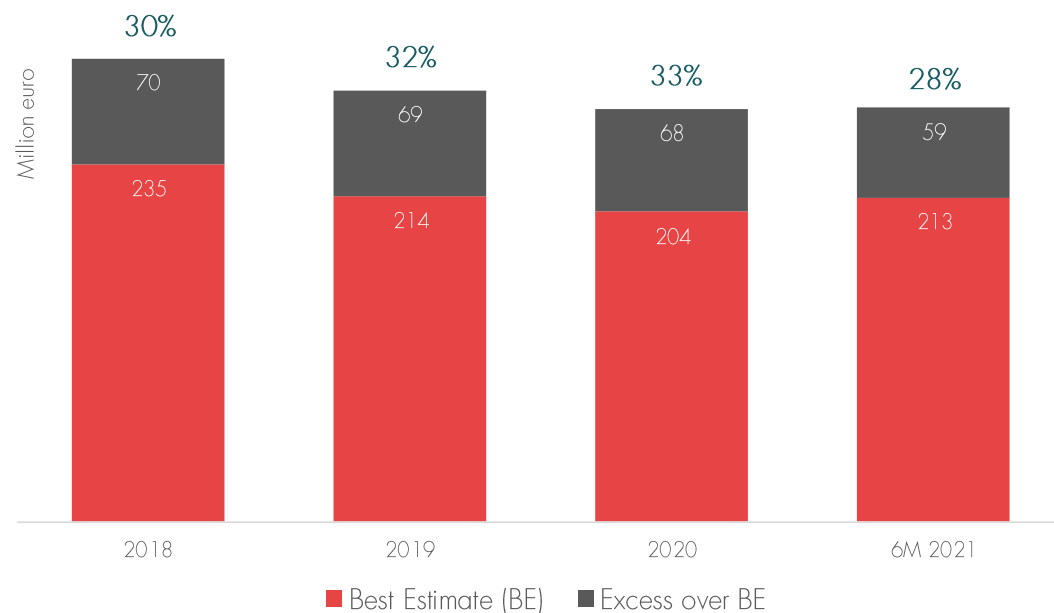
(%)	6M 2021	6M 2020	var. p.p
Fixed income	2.16%	2.50%	-0.34 p.p
Equity instruments	1.17%	2.09%	-0.92 p.p
Investment property	6.36%	6.51%	-0.15 p.p
Total average return (excluding cash)	2.30%	2.74%	-0.44 p.p

Longer durations in sovereign fixed income

Other metrics	6M 2021	6M 2020
Duration	4.04	3.39
Modified duration	4.01%	4.13%
VaR	0.85%	1.74%

Provisions for claims

Surplus book provision to Best Estimate¹



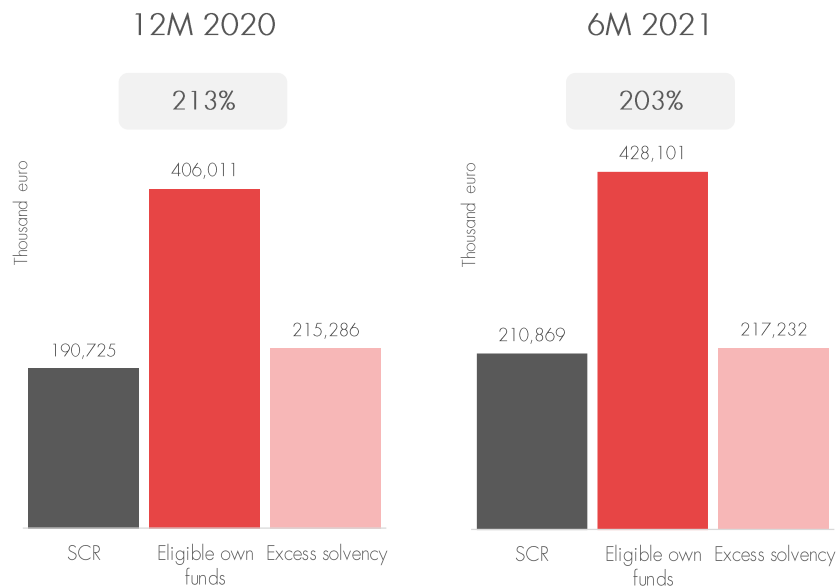
Highlights

Prudent provisioning activity at the Company

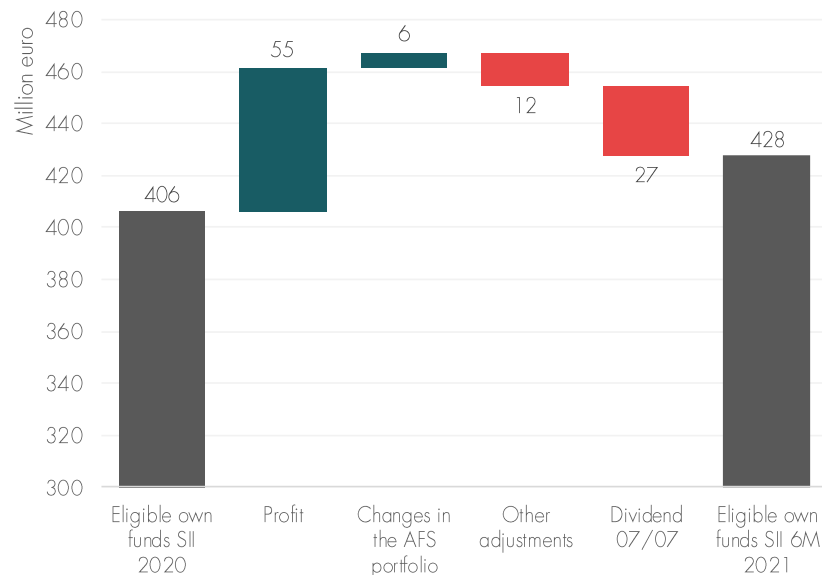
2020 and 2021 reveal an atypical claims management pattern due to the pandemic

¹. Figures for Linea Directa Aseguradora stand-alone

Sturdy solvency position: 203%



Own funds walk - DEC 2020 – JUN 2021



1. The solvency ratio and own eligible own funds refer to Línea Directa Aseguradora stand-alone

3



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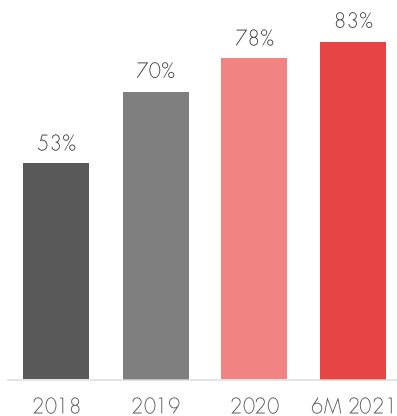
Strategic initiatives

Further progress towards strategic initiatives

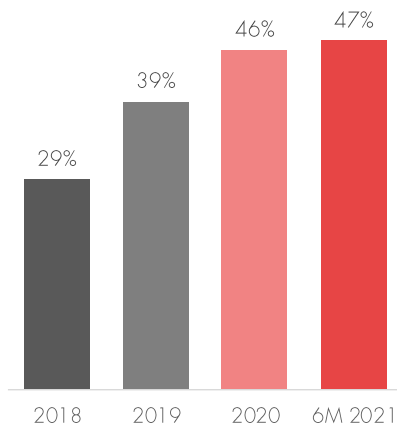
Focusing on digital transformation



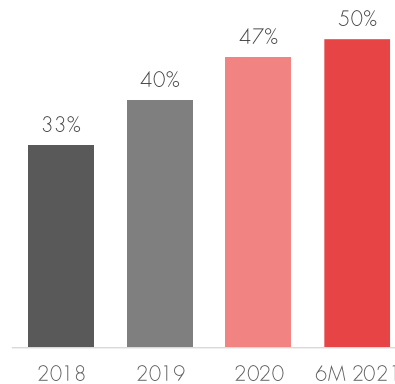
% Digital clients



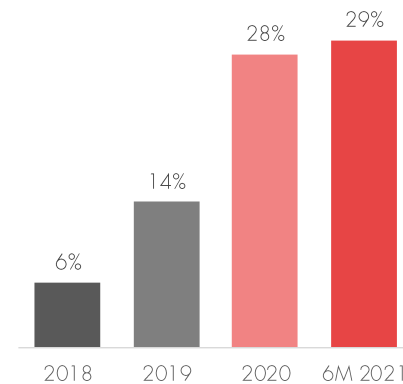
Motor claims



Tow truck requests



Home claims



Further progress towards strategic initiatives

Leading the digital transformation within the insurance industry



Artificial intelligence

- Valuation and indemnification system for minor damage and injury
- In real time and without human intervention
- Time savings: if the customer prefers indemnification as opposed to traditional repair, the transfer can be made in seconds
- 2022 target: to reach 30% of claims for which indemnification is now paid through AI

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Mercedes-Benz C 200 (204) K ELE...

ACTIVA

Mi póliza Sinistros Asistencia Mult...

Daños

¿Qué daños tiene tu coche?

Frontal

✓ Aleta delantera derecha

✓ Parachoques delantero

✓ Faro delantero derecho

Editar

Siguiente

Volver

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ACTIVA

Mi póliza Sinistros Asistencia Mult...

Daños de mi vehículo

Daños en el frontal

Parachoques

Aletas

Puertas

Capó

Faros

Espejo exterior

Riñón

Faldones

Llantas

Intermitentes

Matrícula

Neumáticos

Cerraduras

Anagrama

Bloque

Siguiente

Volver

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C/ JUAN JOSÉ MARTÍNEZ... Nº47. 6C

ACTIVA

Mi póliza Partes Asi...

Finalización de parte

100%

Has abierto el parte correctamente

¿Algo más que nos quieras decir?

Incluye aquí más información que pueda ser de interés para gestionar el parte.

Te quedan 350 caracteres

¿Podemos comunicarnos contigo por WhatsApp en relación a la tramitación de este parte?

○ Sí ○ No

Continuar

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Mercedes-Benz C 200 (204) K ELE...

ACTIVA

Mi póliza Sinistros Asistencia Mult...

Te indemnizamos

¿Te interesa que te pagemos a ti la reparación y que tú decidas que hacer?

Es muy sencillo:

✓ El perito se desplazará a la dirección donde tú prefieras para valorar los daños.

✓ Recibirás una oferta económica en la que se contemplará el coste de la reparación, piezas y mano de obra.

✓ En el caso de que aceptes, recibirás la indemnización de forma inmediata.

✓ Y tú decides que hacer con la reparación.

Me interesa

No me interesa

Volver

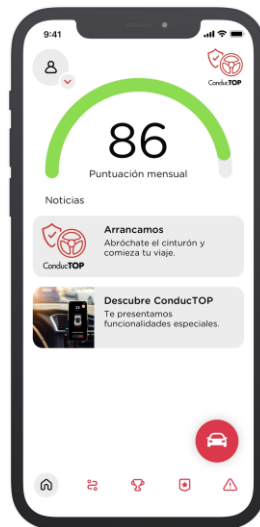
Further progress towards strategic initiatives

Testing and learning in new propositions and key skills for the future



ConducTop

- App that rewards customers for good driving habits
- ConducTop automatically analyses each trip taken by the driver, assessing how gently they take corners, brake, accelerate and stick to the right speed, as well as levels of concentration at the wheel



Further progress towards strategic initiatives

MARKET BENCHMARK WITH THE
ELECTRIC CAR

“Respira” policy

POLICIES
UNDERWRITTEN

2,468

MARKET
SHARE

14%

COMMITTED TO SUSTAINABILITY

IV Sustainability Plan (2020-2022)

92%

ACHIEVED
IN 2020

45%

ACHIEVED
AS OF JUNE 2021

95%

ACHIEVEMENT
FORECAST
FOR 2021

NOTABLE ACHIEVEMENTS

- Integration of ESG risk management in the organizational structure of the company.
- Calculating the total carbon footprint of the Línea Directa Aseguradora Group.
- 25% annual reduction in paper communications sent out to customers.



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Thank you



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Appendices

Consolidated balance sheet



Assets

Thousand euro

Assets	6M 2021	12M 2020	% var.
Cash and cash equivalents	114,152	162,500	-29.8%
Available-for-sale financial assets	902,658	917,074	-1.6%
<i>Equity instruments</i>	154,855	125,855	23.0%
<i>Debt securities</i>	747,803	791,219	-5.5%
Loans and receivables	117,440	110,373	6.4%
Reinsurers' share of technical provisions	18,397	12,477	47.4%
Property, plant and equipment and investment property	111,009	111,282	-0.2%
<i>Investment property</i>	65,906	65,948	-0.1%
<i>Property, plant and equipment</i>	45,103	45,334	-0.5%
Intangible assets	12,859	12,688	1.3%
Other assets	112,847	110,139	2.5%
Total assets	1,389,362	1,436,533	-3.3%

Liabilities and Equity

Thousand euro

Liabilities and Equity	6M 2021	12M 2020	% var.
Debt and accounts payable	202,433	174,445	16.0%
Hedging derivatives	11,628	15,167	-23.3%
Technical provisions	726,457	716,491	1.4%
<i>Provision for unearned premiums</i>	456,151	446,423	2.2%
<i>Provision for unexpired risks</i>	4,622	4,622	0.0%
<i>Provision for claims</i>	265,684	265,446	0.1%
Nontechnical provisions	17,105	16,849	1.5%
Other liabilities	47,851	46,222	3.5%
Total liabilities	1,005,474	969,174	3.7%
Equity	333,668	422,727	-21.1%
Valuation adjustments	50,220	44,632	12.5%
Total equity	383,888	467,359	-17.9%

Statement of profit or loss by segment



Statement of profit or loss – Motor Segment



Thousand euro	6M 2021	6M 2020	% var.
Gross written premiums (GWP)	373,700	377,491	-1.0%
Premiums earned, net of reinsurance	370,806	374,155	-0.9%
Claims incurred, net of reinsurance	(244,740)	(245,650)	-0.4%
Net operating expenses	(75,358)	(79,437)	-5.1%
Other technical expenses and income	9,882	9,281	6.5%
Technical result	60,590	58,349	3.8%

	6M 2021	6M 2020	p.p. var.
loss ratio	66.0%	65.7%	0.3 p.p
Expense ratio	17.7%	18.8%	-1.1 p.p
Combined ratio	83.7%	84.4%	-0.7 p.p
Clients (thousands)	2,516	2,442	74

Statement of profit or loss – Home Segment



Thousand euro	6M 2021	6M 2020	% var.
Gross written premiums (GWP)	64,779	59,706	8.5%
Premiums earned, net of reinsurance	58,166	54,284	7.2%
Claims incurred, net of reinsurance	(33,435)	(28,390)	17.8%
Net operating expenses	(19,550)	(19,678)	-0.7%
Other technical expenses and income	(91)	(120)	-24.2%
Technical result	5,090	6,096	-16.5%

	6M 2021	6M 2020	p.p. var.
loss ratio	57.5%	52.3%	5.2 p.p
Expense ratio	33.8%	36.5%	-2.7 p.p
Combined ratio	91.2%	88.8%	2.5 p.p
Clients (thousands)	688	643	46

Statement of profit or loss by segment

Statement of profit or loss – Health Segment



Thousand euro	6M 2021	6M 2020	% var.
Gross written premiums (GWP)	16,622	13,258	25.4%
Premiums earned, net of reinsurance	6,342	4,885	29.8%
Claims incurred, net of reinsurance	(6,678)	(5,258)	27.0%
Net operating expenses	(2,567)	(2,166)	18.5%
Other technical expenses and income	(103)	(121)	-14.9%
Technical result	(3,006)	(2,660)	13.0%

	6M 2021	6M 2020	p.p. var.
loss ratio	105.3%	107.6%	-2.3 p.p
Expense ratio	42.1%	46.8%	-4.7 p.p
Combined ratio	147.4%	154.5%	-7.1 p.p
Clients (thousands)	96	75	21

Statement of profit or loss – Other Insurance Businesses¹

Thousand euro	6M 2021	6M 2020	% var.
Gross written premiums (GWP)	1,363	1,456	-6.4%
Premiums earned, net of reinsurance	679	1,076	-36.9%
Claims incurred, net of reinsurance	(32)	(326)	-90.2%
Profit sharing and premiums refunds	(172)	(417)	-58.8%
Net operating expenses	(10)	(84)	-88.1%
Other technical revenues and expenses	0	0	-
Technical result	465	249	86.7%

	6M 2021	6M 2020	p.p. var.
loss ratio	4.7%	30.3%	-25.6 p.p
Expense ratio	26.8%	46.6%	-19.8 p.p
Combined ratio	31.5%	76.9%	-45.3 p.p
Clients (thousands)	5	25	(20)

1. The Other insurance businesses segment mainly shows the travel insurance business for holders of Bankinter cards under 11 collective policies, as well as a payment protection policy in run-off