



Alternative Performance Measures

APMs | 12M 2021 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>	2021	2020	2019
Incurred claims, net of reinsurance	(597,820)	(540,064)	(580,987)
Premiums earned, net of reinsurance	882,728	878,177	854,762
Loss ratio	67.7%	61.5%	68.0%

Motor Segment

<i>Thousand euro</i>	2021	2020	2019
Incurred claims, net of reinsurance	(518,866)	(465,382)	(519,666)
Premiums earned, net of reinsurance	747,292	752,605	748,309
Loss ratio	69.4%	61.8%	69.4%

Home Segment

<i>Thousand euro</i>	2021	2020	2019
Incurred claims, net of reinsurance	(66,003)	(63,678)	(53,137)
Premiums earned, net of reinsurance	119,067	111,546	102,660
Loss ratio	55.4%	57.1%	51.8%

Health Segment

<i>Thousand euro</i>	2021	2020	2019
Incurred claims, net of reinsurance	(12,951)	(10,712)	(7,856)
Premiums earned, net of reinsurance	14,981	12,020	748
Loss ratio	86.4%	89.1%	1,050.3%

Other Insurance Businesses

<i>Thousand euro</i>	2021	2020	2019
Incurred claims, net of reinsurance	-	(292)	(328)
Premiums earned, net of reinsurance	1,388	2,006	3,045
Loss ratio	0.0%	14.6%	10.8%

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>	2021	2020	2019
Operating expenses, net of reinsurance	(203,458)	(209,603)	(199,919)
Other technical income and expenses, profit sharing and returns	22,185	17,429	29,794
Premiums earned, net of reinsurance	882,728	878,177	854,762
Expense ratio	20.5%	21.9%	19.9%

Motor Segment

<i>Thousand euro</i>	2021	2020	2019
Operating expenses, net of reinsurance	(154,310)	(159,468)	(152,748)
Other technical income and expenses, profit sharing and returns	22,877	18,726	30,638
Premiums earned, net of reinsurance	747,292	752,605	748,309
Expense ratio	17.6%	18.7%	16.3%

Home Segment

<i>Thousand euro</i>	2021	2020	2019
Operating expenses, net of reinsurance	(39,888)	(40,873)	(37,209)
Other technical income and expenses, profit sharing and returns	(5)	(311)	33
Premiums earned, net of reinsurance	119,067	111,546	102,660
Expense ratio	33.5%	36.9%	36.2%

Health Segment

<i>Thousand euro</i>	2021	2020	2019
Operating expenses, net of reinsurance	(9,147)	(8,920)	(9,085)

Other technical income and expenses, profit sharing and returns	(93)	(278)	(153)
Premiums earned, net of reinsurance	14,981	12,020	748
Expense ratio	61.7%	76.5%	1,235.0%

Other Insurance Businesses

<i>Thousand euro</i>	2021	2020	2019
Operating expenses, net of reinsurance	(113)	(342)	(877)
Other technical income and expenses, profit sharing and returns	(594)	(708)	(724)
Premiums earned, net of reinsurance	1,388	2,006	3,045
Expense ratio	50.9%	52.3%	52.6%

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>	2021	2020	2019
Loss ratio	67.7%	61.5%	68.0%
Expense ratio	20.5%	21.9%	19.9%
Combined ratio	88.3%	83.4%	87.9%

Motor Segment

<i>(%)</i>	2021	2020	2019
Loss ratio	69.4%	61.8%	69.4%
Expense ratio	17.6%	18.7%	16.3%
Combined ratio	87.0%	80.5%	85.8%

Home Segment

<i>(%)</i>	2021	2020	2019
------------	-------------	-------------	-------------

¹ 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	55.4%	57.1%	51.8%
Expense ratio	33.5%	36.9%	36.2%
Combined ratio	88.9%	94.0%	88.0%

Health Segment

<i>(%)</i>	2021	2020	2019
Loss ratio	86.4%	89.1%	1,050.3%
Expense ratio	61.7%	76.5%	1,235.0%
Combined ratio	148.1%	165.6%	2,285.3%

Other Insurance Businesses

<i>(%)</i>	2021	2020	2019
Loss ratio	0.0%	14.6%	10.8%
Expense ratio	50.9%	52.3%	52.6%
Combined ratio	50.9%	66.9%	63.3%

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>	2021	2020	2019
Net result for the period	110,137	134,846	107,295
Average equity at the beginning and closing of the period	362,817	396,210	306,632
<i>Total equity at beginning of the period</i>	<i>347,359¹</i>	<i>325,060</i>	<i>288,204</i>
<i>Total equity at closing of the period</i>	<i>378,275</i>	<i>467,359</i>	<i>325,060</i>
RoAE	30.4%	34.0%	35.0%

DPS (Dividend per share)

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

$$\text{DPS} = \frac{\text{Total dividends for the year}}{\text{Average outstanding shares}}$$

	2021	2020	2019
Total dividends for the year (thousand euro)	99,123 ²	148.344 ³	103,824
Outstanding shares ⁴ (thousand)	1,087,621	1,088,177	1,088,177
DPS	0.091	0.136	0.095

Dividend payout ratio

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

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

Thousand euro	2021	2020	2019
Total dividends paid	99,123 ²	148.344 ³	103,824
Net result for the period	110,137	134,846	107,295
Payout ratio	90.0%	110.0%	96.8%

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.

	2021	2020	2019
Duration	4.14	3.13	3.29

Modified duration

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

² Including final dividend that the Board of Directors has agreed to propose to the General Shareholder's Meeting for a total consideration of €21,459 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.

	2021	2020	2019
Modified duration	4.87%	3.26%	3.79%

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 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.

$$\text{Fixed income portfolio average return} = \frac{\text{Interest received} + \text{Realised gains (losses) and impairments}}{\text{Debt securities}}$$

Thousand euro	2021	2020	2019
Interest received	18,774	21,187	22,101
Realised gains/(losses) and impairments	(1,093)	(187)	1,192
Debt securities	722,005	801,209	720,797
Fixed income portfolio average return	2.45%	2.62%	3.23%

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 equity portfolio. This includes realised gains/losses and impairments.

Excludes fair value adjustments.

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

⁴ Excludes treasury stock

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

Equity portfolio average return

$$= \frac{\text{Dividends + Realised gains (losses) and impairments}}{\text{Shares and equity mutual funds}}$$

<i>Thousand euro</i>	2021	2020	2019
Dividends received	2,380	1,649	2,383
Realised gains/(losses) and impairments	7,808	(1,186)	407
Shares and equity mutual funds	153,963	125,855	116,688
Equity portfolio average return	6.62%	0.37%	2.39%

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 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.

Property investments average return

$$= \frac{\text{Rental income} + \text{Realised gains (losses)}}{\text{Property investments}}$$

<i>Thousand euro</i>	2021	2020	2019
Rental income	4,203	4,121	4,206
Realised gains/(losses) and impairments	-	-	1,655
Property investments	65,457	65,948	66,670
Property investments average return	6.42%	6.25%	8.79%

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 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.

Total average return

$$= \frac{\text{Total investment income + Net realised gains (losses) and impairments}}{\text{Total investments}}$$

<i>Thousand euro</i>	2021	2020	2019
Total investments	941,425	993,012	904,155
<i>Debt securities</i>	<i>722,005</i>	<i>801,209</i>	<i>720,797</i>
<i>Shares and equity mutual funds</i>	<i>153,963</i>	<i>125,855</i>	<i>116,688</i>
<i>Property investments</i>	<i>65,457</i>	<i>65,948</i>	<i>66,670</i>
Total investment income and net realised gains/(losses)	32,072	25,584	31,944
<i>Debt securities</i>	<i>18,774</i>	<i>21,187</i>	<i>22,101</i>
<i>Realised gains/(losses) on debt securities</i>	<i>(1,093)</i>	<i>(187)</i>	<i>1,192</i>
<i>Shares and equity mutual funds</i>	<i>2,380</i>	<i>1,649</i>	<i>2,383</i>
<i>Realised gains/(losses) on equities</i>	<i>7,808</i>	<i>(1,186)</i>	<i>407</i>
<i>Rental income</i>	<i>4,203</i>	<i>4,121</i>	<i>4,206</i>
<i>Realised gains/(losses) on investment property</i>	<i>-</i>	<i>-</i>	<i>1,655</i>
Total average return (exc. cash and cash equivalents)	3.41%	2.58%	3.53%

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.

Other technical revenue and expenses

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

<i>Thousand euro</i>	2021	2020	2019
Other technical income	-	-	-
Other technical expenses	22,779	18,137	30,518
Profit sharing and returns	(594)	(708)	(724)
Other technical revenue and expenses	22,185	17,429	29,794

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>	2021	2020	2019
Premiums earned, net of reinsurance	882,728	878,177	854,762
Incurred claims, net of reinsurance	(597,820)	(540,064)	(580,987)
Net operating expenses	(203,458)	(209,603)	(199,919)
Other technical income and expenses	22,185	17,429	29,794
Technical result	103,635	145,939	103,650

Financial result

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

Financial result

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

<i>Thousand euro</i>	2021	2020	2019
Financial investments and property revenues	57,904	76,613	70,687
Financial investments and property expenses	(23,243)	(47,360)	(39,117)
Financial result	34,661	29,253	31,570

OTHER INDICATORS

Number of clients

	2021	2020	2019
Motor	2,528,077	2,463,171	2,419,544
Home	712,052	662,393	622,912
Health	104,753	89,163	69,460
Other insurance	4,756	9,276	58,952
Number of clients	3,349,638	3,224,003	3,170,868