Call for Analysts and Investors

Transcription

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Speakers:

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Presentation

Beatriz Izard: Good morning everybody, my name is Beatriz Izard, I am Head of Investor Relations at Linea Directa. We published our full year results earlier this morning. I have here with me Carlos Rodríguez-Ugarte, our CFO. Carlos, over to you.

Carlos Rodríguez-Ugarte: Thank you, Beatriz, and welcome from my side as well.

As usual we start on slide 5, where we show the financial highlights of 2021:

- Policyholders grew by 4% and premiums by 1%. The year was remarkable for Home. In the Motor line of business, the market is extremely competitive displaying strong pressure on premiums.
- Combined ratio was strong at 88.3%, mainly driven by the Motor segment. I would like to stress that the combined ratio for this line of business is more than 7 points below that for the market as a whole.

  (i) Loss ratio is back at 2019 levels;

  (ii) As with regards expenses, we are showing, once again, our commitment to efficiency with an improvement in the expense ratio. This fact is further protecting our technical performance.

- Net result stood at €110 million and return on equity at 30.4%.
- This year the Company paid 3 interim dividends for a total amount of €77.6 million. Additionally, the Board is proposing to the AGM a final dividend of €21.5 million. Total dividends therefore amount to €99.1 million, representing a compelling dividend yield of 5.7% and a payout of 90%.
- Finally, our solvency ratio remains robust at 186% and is already counting with the final dividend to be paid in March, as I just explained.

Moving on, slides 7 to 10 provide an update on the Spanish Motor market, which is still displaying a complex environment:

- Rising frequency and notably severity, up 15% as compared to 2020.
- Turning to slide 8, the slump in new car sales further impacted by the serious supply crisis that the car industry is enduring has affected the turnover of the insurance business, as the used car market typically has more basic and lower average premiums.
- Slide 9 shows that while insured cars continue to grow, average premiums were down 2.7% overall. Considering these last couple of years (2020 and 2021), average premiums were down by 5,5%.
- Lastly, the update of the injuries scale in Spain was finally confirmed last week, up 4.1%. This figure includes 2.5% corresponding to 2021 pensions revaluation index plus an additional 1.6%. Cost inflation is also reflected in property damage, with parts up 4.4% and paint up 13%.

Let´s turn to page number 10, Home continues with a very dissimilar development. Housing sales climbed almost 35% to 565 thousand in 2021, the highest figure in 14 years. Home insurance sees further growth with revenues up 4.9%.

On the negative side, the market was hardly hit by atmospheric events and the sector combined ratio now stands very near 97%, yet was above 100% in the 1Q.

For its part, sanitary assistance retains remarkable growth in premiums and policyholders. The market is growing at 5.2%. Health costs and tariffs are also on the rise however, the market seems to be passing the increase.

Now I'll take you through the main figures for the year.

In the context I just described, the Company continues to grow in policies and displays robust profitability metrics:

- Premiums were up 1%, reflecting an increase of 4% in clients while price pressure persist in the Motor segment.
- Technical margin decreased reflecting loss ratio reaching 2019 levels. Expenses had a remarkable performance. Once again, our technical profitability displays a solid delta with the market that I will detail by line of business later.
- Financial result, up 18%, includes realised gains of €6.7 million, on account of some issuers of securities buying-back our venture capital shares.

So, all things considered led to a profit after tax of €110 million, down 18% vs. the atypical 2020, and up 2.6% vs. 2019.

Please turn to next slide, page 14, where you see the breakdown of policyholders and Gross Written Premiums by line of business. The portfolio as a whole increased by 4.0%, supported by higher retention ratios.

Quality measures are strong: Motor NPS stood at 41.99%, up 0.9 percentage points. Total Net Satisfaction Score and Net Promoter Score stood at 42.87 and 37.94%, respectively.

Premiums grew 1%, with the Home and Health line of business outperforming. Home rose by almost 9% and Health by 21%. The Home segment is steadily increasing its weight in the Company's overall figures.

More specifically, if we turn to next page, the Motor line of business decreased premiums in line with the market, 0.9%. Excluding a fleet of unprofitable motorcycles that was cancelled in the 4th quarter, premiums would have decreased by 0.5%. The portfolio recorded a solid growth in this extremely competitive environment.

On the technical front, combined ratio stood at a remarkable 87%, which is more than 7 percentage points below that of the sector:

- Expense ratio was excellent
- Loss ratio was equal to that of 2019. It is worthwhile to highlight the fact the Company was prudent in its provisioning for the Baremo update.

Moving to next slide, Home had a brilliant performance during the year and particularly during the 4Q:

- premiums were up 8.8%, a growth rate that beats the market by almost 4 points.
- combined ratio dropped by 5.1 percentage points and stood at 88.9%, beating again the market by almost 8 points. The expense ratio had a notable improvement. Also, claims experience behaved extremely well in the 4Q.

Moving now into next slide, the message here is that Health remains on track. Premiums grew more than 21% and both loss and expense ratio displayed further reductions. We continue with a prudent subscription policy and a careful risk selection.

Please let's move now to slide number 18, where we breakdown loss and expense ratios by line of business:

- Loss ratio had notable marks across all lines of business. Motor loss ratio stood at 69.4%, the same figure as in 2019. Severity and a prudent provisioning as with regards the Baremo mainly explain this figure. We had excellent performance across the remaining segments.
- Expense ratio was down 1.4 percentage points showing the strict ongoing control of expenses and operational excellence, protecting our technical performance. In the Motor segment, expense ratio was 4.7 points below that of the sector. In the Home line of business, expense ratio was marginally better than the sector for the first time.
- All things considered resulted in a solid combined ratio of 88.3%.

If we move to the next slide, consolidated claims ratio stood at 67.7%. Key drivers were: (i) the very competitive environment in Motor insurance; (ii) claims frequency on the rise; (iii) increased severity in the 4Q; and (iv) prudence in our provisioning, as we started to anticipate the impact of the injury scale update. Loss ratio is back to 2019 levels.

On the next slide we elaborate on the expense ratio. Expense ratio was 20.5%, down 1.4 percentage point. This is our DNA: the Company has a recurrent focus on cost control and innovation, which protects our combined ratio.

Expense ratio is explained by lower acquisition costs: less significant negotiation campaigns, lower personnel outsourced and telephone outlays as a result of the digitalisation of processes and lower IT charges.

Let's please now move to slide 21. Financial result was up 18.5% reflecting realised gains for an amount of €6,7 million. Adjusting for this effect, financial result is 8.8% down. We don't trade with our portfolio and realised gains are explained by the issuer of securities repurchasing our venture capital shares. The fixed income portfolio reflects lower reinvestment yields yet equities and investment property had a remarkable performance.

Please turn to slide 22. The asset allocation has remained pretty much stable since last quarter. We reported good returns from equities, properties, and corporate bonds. The overall return of the total portfolio stands at 3.4% (2.7 excluding realised gains).

Moving on to our solvency position, the Company's solvency margin is robust and stands at 186%. As I mentioned before, the Board has proposed a final dividend for an amount of €21.5 million to be paid in March. This ratio is already counting for that.

The decrease in eligible own funds is driven by the best estimate for claims and premiums. For its part, SCR increases for the whole year by 16 million however drops by 5 million in the last quarter. Main drivers are:

- Higher exposure to equities and the symmetric adjustment standing at almost 7% (it was negative at 0,48% in 2020).
- The increase in the best estimate for claims.
- The fine-tuning of the specific parameter which now stands at 4.95 (5.95 in September)

As always, I would like to close this presentation by very briefly going through some other topics to highlight. Let's move to section 4.

At the close of 2021, all metrics on digital transformation are improving:

- Customers who interact digitally with the Company already add up 85% (up 1% since September).
- 50% and 33% of claims were opened digitally in Motor and Home, respectively, the former increasing by 3 points this quarter.
- 60% of customers have requested towing via the app, up 5 percentage points as compared to September.

Moving to slide 27, on the marketing front, we are renewing our advertising campaign and strategy. Top rated ambassador Matías Prats ends his time as the face of our brand after 10 years and begins the search for his successor in the ads.

We display what we stand for: the most complete coverage and services at competitive prices.

Finally, on slide 28 we are launching our third "You name it". A comprehensive insurance with the car included. This was a fresh and pioneering product of 2020. With each launch we sold out in a few days. We are making progress in exploring this line of business.

Thank you. I will now hand the call over to Beatriz to begin the Q&A session.

Q&A

Beatriz Izard: Thank you very much for this presentation Carlos. First, we'll begin with the questions received from the conference call.

Conference call operator: Thank you. If you would like to ask a question, please press star-1 on your telephone keypad now. If you wish to withdraw your question, please press star-2. The first question today comes from Maksym Mishyn from JB Capital. Please go ahead.

Makysm Mishyn: Hi good morning, thank you for the presentation and the opportunity to ask questions. I have two ones. The first one is on motor insurance. I was wondering if you could share your view on the pricing cycle. Do you think that the update in the injury scale can help pushing the sector to increase prices faster than you previously expected? And also, I was wondering if you see inflationary pressures accelerating in the fourth quarter comparing to the third quarter? And then the second question is on dividends. Your solvency is now at 186%. I was wondering what are your expectations for 2022 and what will happen to dividend payouts if solvency goes below 180% in the next quarters. Thank you.

Carlos Rodríguez-Ugarte: Well, the situation in the motor segment is very complex as I tried to explain over the presentation. I mean, it's been a couple of years with the average premiums going down by 5.5% in two years. Now we have a situation where combined ratios are picking up and they are getting to normalise there and that will put pressure on the on the market. On top of that you have the inflation on the cost side of the of the repairs. So, all things together, I think the market is gonna have some pressure to start raising average premiums. I don't think it's gonna be something that you will see in the, you know, first couple of months of the year, but I expect you know that average premiums at least will maintain more or less on a level, on the same level as we are now, I don't see, you know, a further pressure downwards on average premiums. Regarding the solvency ratio, I mean we closed the year with 186%, including the dividend that we will be paying in March this year. We have always said the same thing, I mean, we are very comfortable in levels of 180%, that I think is a level that we should maintain. And as far as we are above that we will keep on paying dividends on the same grounds we are doing nowadays. If we reach below 180, which I don't think we'll be the case, we'll see what happens. But I'm kind of confident that our levels will be always about 180. It is true that in 2021 we have a little bit more investments on the equity side of the portfolio. It is something that we did in the third quarter, and it's something that on the fourth quarter, more or less we have the same position on equity, so my perception is that we will be able to be closed at 180 and therefore my perception is that we will be on that dividend payout around 90% on the on this coming year.

Makysm Mishyn: Thank you.

Conference call operator: Next question is from Francisco Riquel from Alantra. Please go ahead

Francisco Riquel Yes, morning. Thank you and for taking my questions. I would like to ask two questions on motor insurance. First on the loss ratio. If you can please quantify how much you have allocated to the update of the Baremo in the fourth quarter and if you are frontloading costs from 22 into 21 or if you are catching up with this Baremo issue in the fourth quarter. And then also with the high number of serious accidents that you mentioned in the fourth quarter. If you can elaborate on this because we have not seen that for other peers, so how can you reassure about your underwriting risk? If you would need to change your risk-taking model or not, you have also mentioned that you have cancelled a portfolio from loss making premiums and um, if you are changing the subscription model here or not. Thank you

Carlos Rodríguez-Ugarte: I will start with the last question. Hello Paco, nice to talk to you. On the severity grounds, it is true that for the year it has not been a very good year on severity grounds. I mean, the lack of mobility, you know at the beginning of the year has made the company to have some more severe claims that we are used to. I'm not concerned. I think we didn't, we didn't change our risk profiling, we didn't change our subscription underwriting. Uh, you know, 2021 has not been a very good year. 2018 was a wonderful year so sometimes you know these things happen. The good part is that, those severe claims are more on the portfolio and in new clients. So that tells you a little bit that we are not changing our risk profiling. So, in that regard, will see what happens in 2022. First couple of months in 2022 have been very good in terms of severity, so we will hope that we will see a turn around there and in terms of the Baremo, I cannot give you a number because it's not something that we have calculated a number and we decide to you know more or less provision in advance. What we did taking into account that the was Baremo was coming, what we did is we did a more, if you wish, slow down in the management of claims. We were more prudent in our releases on some claims, expecting that that some of those claims would be affected by the new Baremo update. So, it's not a matter of how much we have provision in advance it's a matter of the management of some claims that we were more prudent in releases' grounds.

Conference call operator: Our next question is from Thomas Bateman from Berenberg. Please go ahead

Thomas Bateman: Hi, good morning, everybody and thank you for taking my question. Um, just following up on the last question a little bit. I'm just trying to understand the prudency in the reserves because you say that you've been prudent in provisioning Baremo. The margin on best estimate has gone down a in regard to solvency. Um, so I don't know if you could just give a little bit more background around that, that would be really helpful. Um, and secondly, I was hoping to hear from Patricia later this morning, um, could you just give us a little bit of color around the changing CEO decision? And finally just going back to motor once again, um, there's also been a lot of moving parts over the last two years, and I don't know, for example, if you could give some guidance in terms of the 22 combined ratio, you know if pricing was to stay flat, for example, what do you think the most combined ratio would look like for 2022? Thank you.

Carlos Rodríguez-Ugarte: On the combined ratio for 2022 I mean, we are, we are very comfortable on the on the current combined ratio of the motor business has. I mean our combined ratio again is much better than that of the market, you know. So, my expectation looking forward, is that a more or less the combined ratio should stand close to what we have seen by the end of the year in the neighborhood of 87,88, 89. Of course, always we will try to be below that 90%. Taking that into account, keep in mind that the market is already on the 94-96%, and I think it will reach even higher. So, in that, our gap will still be very, very positive. On the best estimate question and on the, on the solvency and all that, it is true that the gap has shortened a little bit. I mean, again, I think it's a matter of the combination of two things severity. I mean we have a more severe claims that that we have had in the past, especially in the first half of the year, but also in the last quarter is what was not a very good quarter in terms of severity so that put a lot of pressure on the best estimate of our liabilities. And on top of that again I mean what we have tried to do is tried to anticipate a little bit the Baremo. Keep in mind that the Baremo not only affects a new claim coming into place in 2022, but also affects some of the claims that we have already opened, because if you do some development in those claims and you know the Baremo will come into place. So, what we have done is, you know, again, try to be very prudent and trying to avoid some releases on some claims that previously in the past we could do it. So, I think that is a combination of both, you know, more severe accidents during the year. Not a good year for the company in terms of severity as compared to 2019 for example and second being prudent on the releases from claims.

Regarding Patricia Ayuela, well, I must say I mean the new appointment of Patricia as CEO you know it's a wonderful news for the company, Patricia is a person that has been with the company for many, many years is, it's a CEO that knows very well the business. Indeed, you know Patricia was managing the home insurance business many years ago. It's been managing also the motor insurance business for the last years so she has a lot of experience, you know on the business and besides that I think one of the big sponsors of the digital process of the company's she's been in charge with all the transformation of the company and see the combination of all those, if you wish, assets, you know, uh will make you know that her presence as CEO of the company, I think it's gonna be very, very positive for the company looking forward, you know.

Thomas Bateman: OK, let's write just again on the reserving. It feels like you provisioned for the claims that happened in 2021, which are exposed to the higher tariff, but it doesn't necessarily give you much of a cushion for 2022, we still need price rises to help offset that in terms of if to keep the combined ratio steady. Is that fair? Or do you think that you have the additional permission in for claims in 2022?

Carlos Rodríguez-Ugarte: No, I will see what happened with it with the with the claims in 2022. I mean new claims they will be affected by this increase on the Baremo. I expect that existing claims, you know they will need, they will not need additional provisioning because well we have tried that, I mean, you know to anticipate that on the existing book of claims. I mean, uh, we'll see what happened with 2022, you know, frequency on January on frequency on February has been very good for the company and I hope, you know that that would be the norm or the standard for the rest of the year, but 2022 claims, new claims on 2022 will be affected by the Baremo, hopefully the oldest ones, they are already well provisioned in order to cope with the Baremo increase. And in terms of average premiums, of course, I think pressure on claims, pressure on inflation, and you know, and also the market going to combine ratio is close to 100%. Uh, my perception is that sooner or later you know average premiums will start to pick up. I was reading I think last weekend something on UK and on the first month of the year, average premiums they went up by more than 4%. Uh, so my perception is that, uh, uh we can anticipate, or we can look for a for a change in the cycle, we'll see. It won't, it won't happen on the on the first couple of months or it's not happening on the on the first couple of months, but I think looking forward during the year is something that it will happen.

Conference call operator: Thank you Carlos. Our next question is from Carlos Peixoto from Caixa Bank. Please go ahead.

Carlos Peixoto: Hi hello, good morning uh, I'm sorry if my questions may I may have already been answered as I joined a bit later, but I was just wondering if you're a bit if you could tell us or give us a bit your expectations on pricing evolution into 2022, so basically, um, we have seen in 2021 strong compression in average ratings, and how do you expect to see this evolving into in the next year? Um and then also on financial income, this year you had so extraordinary or some capital gains in the year. Next year, what type of expectations you have in terms of how much financial income on average you can get? Thank you very much.

Carlos Rodríguez-Ugarte: Thank you Carlos. Well pricing evolution, I think I tried to explain before. You know the situation of the market, on the motor insurance is very complex. Again, it's been a couple of years that you know the situation has been very weird. 2020 with a great loss ratio for the market. I think most of those savings on the lower ratio on a what they were turned around in the average premiums of the sector. Looking forward to 2022, inflation, Baremo, the mix, you know, will give the idea that maybe the market is gonna turn around. In the case of Linea Directa is not something that we are saying we are gonna rise average premiums. I mean we are a company as you know that we try to make individual pricing for each client. It depends very much on the risk profiling of the client. So, this is not something that, as a general rule we will apply, but I think the market, if it's a rational market, it will reach combined ratios close to 100%, and then I think the market will try to turn around in terms of pricing.

And regarding the financial income, 2021 has been an extraordinary year. I mean, uh, if, uh, we didn't have those realized gains, you know, probably our financial income, not probably really, our financial income was almost 9% down. Looking forward. I mean, we'll see what happened with you know with interest rates, if they still they, they keep on going up. Linea Directa is a company that we don't do any trading on the portfolio, I mean we basically sit on coupons and on dividends and that is our intention. Uh, so 2022 numbers will not be probably as good as 2021 because we have almost 7,000,000 years of extraordinary, you know.

Conference call operator: So, we have no further questions on the phone line. I will hand back to the webcast questions.

Beatriz Izard: Thank you, Carlos. Now we continue with the questions received through the webcast.

The first question is coming from Mario Ropero from Bestinver. He's asking whether there's any Baremo pending hit. I think he refers to 2022. Going forward.

Carlos Rodríguez-Ugarte: Well, uh. I think now that is the situation of the Baremo is clear. I mean 4.1% increase and I think that you know all the rules are set. I mean the only thing is why we need to quantify how much impact has gonna have in the in the sector, and it depends very much on the on the severity and on the claim revolution on the market. I mean, uh I don't expect any more changes since the ones last week where the Baremo was increased from 2.5 to 4.1% so again, I don't think there will be no news on Baremo, but we need to wait and see how much is gonna be the impact for the market, which is going to be an important impact I think.

Beatriz Izard: Thank you, he's also asking, well, this was answered before, but he is also asking, please comment on the 2022 outlook for motor premiums and please comment also on average price expectations.

Carlos Rodríguez-Ugarte: Well, I think I already tried to explain that I already tried to explain how I how we see the market. You know in terms of average premiums after two years of a lot of pressure downwards, my perception is that we are we will see a more stable here at even picking up on average premiums. I mean it would depend very much on the evolution of the lower part of the P&L of companies. Combined ratios and expense ratios. Again, Linea Directa is very well prepared on those grounds and would have very competitive loans ratio with an excellent expense ratio. If you take a look at the at the technical margin of Linea Directa compared to the market, we are more than six points above the market, so we are well prepared, you know for any situation on the market, but my expectation is that we should start to see a change in cycle.

Beatriz Izard: Thank you and finally, he's asking whether you can guide us, guide them for a normalized combined ratio. Let's say if it can be around 86 or 87.

Carlos Rodríguez-Ugarte: Yeah, I think that is a that is a good number which would be again on the 87, 88, always below 90%. That is my perception and keep in mind that the market will be well above 95, 96 looking forward.

Beatriz Izard: So, the next question comes from again Mario Ropero from Bestinver. Um, he's asking about the solvency ratio, which is down. And what is the minimum level that we are comfortable with and what is the payout expectation for 2021?

Carlos Rodríguez-Ugarte: Ah well, we are comfortable on 180. I mean, I think it's something that we explained right from the beginning when we were listed that the company is comfortable on 180%, which on those on those numbers, if you exclude a mutualities and so on, it will, it will be one of the best solvency ratios of the market. So, a comfortable on a 180 and as long as we are on in 180 or above that we will be a higher dividend pay company

Beatriz Izard: Ok, we have another question from Mario, he's asking whether we can comment on the average premium for Vivaz. And how it compares to peers' average. And how these price should perform in 2022?

Carlos Rodríguez-Ugarte: Well, average premiums on the health insurance are picking up, I think it's something that that is happening in the market. The new Baremo update or the increase in the Baremo scale during 2021 as a result of the evolution of the 2020 pandemic, and so on. We have seen pressure upwards in the market. In the case of Vivaz we have also started to increase a little bit our average premiums, but of course we have positive gap as compared to the market. In our more common, you know a product I think the average gap is around 100 euros.

And the other question, how do we look at Vivaz in 2022? Well, 2021 Vivaz has been on track as I explained in the presentation, I think we are fulfilling the budget that we have for 2021. We have a plan for 2022 which is still, you know, on the rising side, you know with premiums going up, increasing our portfolio, trying to bring newcomers to the market and that is our intention and again we are over 100,000 clients already. Our first goal is to reach those 200,000 clients that it would be something that we will be able to do by the end of 2024 or beginning of 2025.

Beatriz Izard: Thank you and the last question comes from Jaime Pallares. Um, thank you for the presentation. In 2021, the combined ratio has increased up to 87% versus 2019. What is the main reason for this? And additionally, given the current inflation rate, how should we expect evolution of the motor combined ratio during 2022?

Carlos Rodríguez-Ugarte: Well, the main reason of the increase of the combined ratio up to 88 percent is being a, you know what I tried to explain on the motor side of the business. I mean I think we had a loss ratio of 61, 62% by the end of 2020 and we had reached a loss ratio of 69%. Uh, again, frequency is back to normal and normal is 2019. Severity for the year has not been very good, so that put pressure on the loss ratio which reached 69% and push up, you know, the combined ratio for the company as a whole. I would like to say that the evolution in the home business, uh, we didn't talk about the home business, but evolution in the home business in terms of loss ratio or combined ratio has been a very good. I mean the market, the home business market reached in the first quarter, 100% of combined ratio and now the Company is probably one of the most competitive companies in terms of combined ratio both in the loss ratio on the expense ratio you know.

Looking forward on 2022. I expect again a having a combined ratio as a whole in the company below that 90% that I explained before.

Beatriz Izard: Thank you, uh, we just received another question from Roberto Cassoni. He's asking: Uh, when you say to expect, a combined ratio for 22 in line with the 21 at 87, 89%, does it include expectations of rising premiums?

Carlos Rodríguez-Ugarte: Well, uh, when I when I try to explain that we will be in the 88, 89% that means, uh, uh, you know having taken into account everything you know. Again, uh, we don't have an approach of increasing average premiums in 2022. We have an approach of trying to put pricing on an individual way to each of the clients. What I do expect is that the market as a whole will not keep on a lowering average premiums. Also, we will see a first part of the year with average premiums more or less stable and a second part of the year you know, with average pricing, going up. In the case of Linea Directa, just to remind you, take a look at the history of the company, that when the cycle is upwards normally Linea Directa is able to gain market share because normally, we have a much more competitive pricing.

Beatriz Izard: Um, now we just received a question from Philip Ross from Mediobanca. He's asking whether, on average premium compression in Motor: Are you still seeing clients choosing third party cover over comprehensive cover as vehicles get older?

Carlos Rodríguez-Ugarte: Well, I what I see is that the that the mix of the portfolio has been changing in 2020 and 2021. I mean the car industry situation you know with 32% less cars sold in 2021 versus 2019, I think that has put pressure on the mix of the type of insurance clients are taking. And yes, I think that people are moving more toward third parties more than to comprehensive. I think it's something that happens to Linea Directa, but on the same grounds I think it happens to the entire sector.

Beatriz Izard: Um, Thomas Bateman is asking whether how much was the benefit of solvency driven by the specific parameter adjustment.

Carlos Rodríguez-Ugarte: Well, uh, I will have to check the number as, but of course in the third quarter you know the problem with the specific parameters was the, is when things are weird as 2020 was a so, we had an impact and we got an impact on the specific parameter. So again, I mean uh, putting into the historical series one year as 2020 has somewhat disrupt, you know basically all the calculation of the specific parameter and it was negative hit on September and some positive hit by the end of the year.

Beatriz Izard: Yes, the decrease was mainly driven by the adjustment of the specific parameter, the decrease that you see in the fourth quarter

Also, Thomas Bateman is asking whether we should expect more redemptions on venture capital securities in 2022. ¿Are there many more securities available for redemption?

Carlos Rodríguez-Ugarte: No, I don't expect any extraordinary income by 2022. I think 2021 was an extraordinary year, and we never see. But I mean, I don't expect that, but I think the portfolio will be stable and we should expect any additional redemptions

Beatriz Izard: Thank you, Carlos. OK, so it seems that there are no further questions, so this concludes our meeting. Thank you very much for your time, bye.

Carlos Rodríguez-Ugarte: Thank you. Have a nice day.