



Investor &
analyst call –
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Company participants

- Fernando Mata Verdejo, MAPFRE SA, Chief Financial Officer and Member of the Board
- Felipe Navarro López de Chicheri, MAPFRE SA, Head of Capital Markets & Investor Relations and Treasurer

Presentation

Felipe Navarro López de Chicheri

Good afternoon, everyone, and welcome to Mapfre's Results Presentation for the first nine months of 2021. This is Felipe Navarro, Head of Investor Relations and Capital Markets, as well as Corporate Treasurer. Fernando Mata, our CFO, will walk us through the main figures and highlights of the quarter.

As a reminder, additional information can be found on our website, including the MD&A, as well as the usual spreadsheets. At the end of the presentation, we will open up the Q&A session. You can submit your questions using the “Ask a question” link at the bottom of your screen. We will try to answer all questions as time allows. The IR team will be available to answer any pending questions after the call.

Before we start the presentation, I would like to give an overview on how the pandemic is developing in our main markets. As you are aware, infection and mortality numbers are coming down at global level. This allows us to feel optimistic about the outlook of the pandemic, with more countries close to reaching some form of normality as vaccination rates should continue to increase, but at a slower rate. At the end of September, around 96% of employees in Spain were working from the premises, 78% in the US, and 89% in Brazil. We will continue adapting to changes in conditions in every country.

Now let me turn the call over to our CFO. Fernando, the floor is yours.

Fernando Mata Verdejo

Thank you, Felipe, and thank you everyone for being here with us. Before I go into the details, let me start by saying that we are very satisfied with our third quarter results.

Performance at insurance units was in line with expectations, showing that we are on track to meet the guidance announced at our AGM. Top line performance was excellent and it is worth highlighting strong local currency growth in Spain, Brazil, and also Mexico. The normalization of economic activity and lifting of restrictions should continue to support premium trends.

There were three main elements impacting third quarter results. One, regarding COVID claims, there has been a normalization in mature markets and the reinsurance business. Life Protection and Health Claims in Latin America continue at high levels, but improving compared to previous quarters. We expect these improvements to feed into results in the coming quarters.

Two, in general, the normalization of economic activity has led to an over-reaction in mobility, causing the Motor combined ratio to increase.

On the other hand, we are also seeing positive trends in other lines like Homeowners and

Health. In the end, we should expect these ratios to normalize in the coming quarters.

Last, in terms of NatCat losses, it has been an active quarter, with the Bernd storm in Germany and Central Europe being the most relevant event. In order to offset these Cat losses, we opportunistically took advantage of market conditions, realizing a significant amount of capital gains, fundamentally in equity. In Iberia, we continue to outperform the market in premiums in key Non-Life segments with very good growth in Life, while maintaining strong underlying technical margins.

Reinsurance and Global Risks are also consolidating positive trends on the back of tariff increases. Despite the active NatCat quarter, the combined ratio is still down over four points year-on-year. In the United States, results are resilient, thanks to the streamlining process over the last few years. And the Northeast continues to be the largest contributor to profits. Brazil is also well positioned to improve metrics as the economy recovers.

Finally, I would like to highlight our strong capital position with the Solvency II ratio of 195% at the end of June, which is in line with our risk appetite. Dividend upstreaming continues to be strong at subsidiaries and the Board has approved an increase of EUR0.01 to reach a EUR0.06 interim dividend to be paid on November 30, one month earlier than usual, in line with the group's commitment to returning to a sustainable dividend.

Now I will comment on some of the main figures. We are on track to meet our guidance. Premiums are up 7% in euros. At constant exchange rates, growth was over 10%, with strong trends in both Life and Non-Life. Currency movements reduced growth by approximately 3 percentage points, but have been less of a drag than the previous quarter. On the other hand, the renewal of the multi-year policy in Mexico added approximately 3% of growth.

The Group combined ratio was 96.5%, slightly above guidance, and 95.7% at insurance units, mainly due to the high NatCat activity during this quarter.

Also, I have to remind you about the provision for early retirement booked in the second quarter. Excluding this provision, the combined ratio would be 95.8% for the Group, 94.8% at Insurance Units. And the expense ratio would be 28%, with a nearly 1 percentage point reduction. In conclusion, we are on track to meet the 95% guidance, assuming normal Cat activity in the fourth quarter.

Mapfre's net result is EUR524 million, up over 16%, in line with the EUR700 million guidance for year-end. The ROE excluding goodwill write-downs is 8.6%, slightly above the guidance of 8.5%. And finally, shareholders' equity is slightly down on the year, mainly due to the reduction of unrealized capital gains on the available for sale portfolio.

On this slide, I will take you through the breakdown of the adjusted attributable result. Regarding NatCat claims, it was an active quarter. We had smaller impacts from storm Volker and hurricane Ida, but we have considered these claims business as usual. On the other hand, storm Bernd in Central Europe in July, which was initially considered as a mid-sized event, has

become one of the largest Cat events in Europe with a EUR92 million impact for Mapfre. We have reached the priority limit of EUR125 million, so we will not be affected by any potential negative loss development from this claim.

Furthermore, a second layer of Cat coverage, what we call the frequency cover, has also been triggered. Therefore, potential impact from any single relevant event would have a quite limited impact on P&L. In previous quarters, we didn't consider the different COVID impacts at insurance operations as extraordinary due to their offsetting nature. This year, most of the COVID impacts in Non-Life lines remain neutral, but COVID-related Life Protection claims are being considered as a large loss, particularly in Latin America. So we are disclosing the effect for both years.

The impact of COVID claims, including insurance and reinsurance, reached EUR107 million as of September, EUR23 million higher than last year, but lower on the quarter. Our investment portfolio was well-positioned to take advantage of the favorable financial markets to offset these losses. As a result, realized gains are up over EUR76 million.

The line "Other" has contributed positively, mainly due to asset sales and the release of an earn-out provision in Spain, which were communicated in the second quarter. You can see the details on the slide. In 2020, "Other items" included a provision for restructuring.

Excluding these impacts, the adjusted net result was EUR623 million, slightly higher than last year. And regarding the third quarter, the EUR210 million adjusted result is down compared to the second quarter due to the uptick in Motor frequency.

Finally, I would like to mention that this quarter reflects a EUR20 million contribution from Bankia second and third quarter results, stemming from the change in accounting treatment following conversations with regulators. The changes are a consequence of the length of the process and the majority voting rights still held by Mapfre.

On this slide, we show the main trends this quarter. I would like to highlight the positive performance in Iberia. Premiums are up over 7% and we are outperforming the market in both in Life and key Non-Life segments, recovering the leading position. We are growing 1% in Motor, while the market is down by a similar amount. And the number of units continues strong, up 3.6%. Growth is also robust in other segments. Health is growing nearly 10%. Condominiums is up 6%, and Commercial lines nearly 10%.

The combined ratio remains strong at 96%, despite an uptick in mobility and Motor frequency during the quarter. In Brazil, currency headwinds are still relevant, but improving significantly, with average real exchange rates down 8%. Premiums are up over 16% in local currency, with healthy growth trends in Agro, Motor and Life Protection. The EUR31 million decrease in the attributable result is mainly due to still high COVID-related Life Protection claims. The combined ratio remains strong at 87%, slightly higher than last year, driven by the uptick in Motor frequency. The economic outlook continues to improve with growth in consumption and exports and SELIC rates up. The currency is improving, but with high volatility while we're

keeping an eye on inflation trends.

Premiums in LATAM South grew around 7% in euros and premiums in LATAM North are up over 44%, 5% excluding the large multi-year policy in Mexico. Local currency growth was solid in most segments, and it is worth mentioning Colombia, up 30%, Peru, up over 15%, and Panama, up 8%. Combined ratios in both regions remain at good levels with some deterioration in LATAM North due to COVID-related claims affecting Health, as well as the uptick in Motor frequency.

Performance in North America has been affected by currency depreciation, with average dollar exchange rates down around 5%. The combined ratio is in line with the previous year, and investment results have been strong. In the US, we should expect new business to catch up as the economy continues to recover.

In Eurasia, premiums are down due to the non-renewal of the dealership channel in Italy as well as some depreciation of the Turkish lira. All countries have contributed positively to results, except Italy, which was affected by hailstorms during the quarter and also high expenses that still need to be adapted, as we mentioned in previous results presentations, to the new business model.

At MAPFRE RE, premiums are also up, supported by positive pricing trends. The combined ratio is down over 4 percentage points year-on-year at 98.5%, despite the high NatCat activity. The net result is up significantly, and the unit has shown a high level of financial flexibility, realizing investment gains to offset these impacts. Furthermore, the turnaround in Global Risks is evident, with results up over EUR20 million year-on-year.

In the Assistance business, volumes are down 18% as we continue with our streamlining process. Regarding results, we're very close to breakeven, reporting a slight profit during the last two quarters. As a reminder, last year was strongly affected by travel cancellation claims, and this quarter, there was a positive EUR5 million impact from the closing of InsureandGo in the UK.

On this slide, I would like to comment on the Life business at Insurance Units. In Iberia, premium performance has been outstanding, thanks to the rollover of product maturities, with a focus on unit-linked and also several large single premium policies that were issued during the quarter. In Brazil, premiums were affected by currency depreciation, while local currency growth was healthy, with improving trends throughout the year in both channels. The Life attributable result is down, mainly due to strong impact from COVID claims in LATAM. Mortality in Brazil has declined continuously since June, and is now at the lowest level since November 2020. The situation in Mexico, Colombia, and Peru is also improving. Just as a reminder, the result in Iberia is up significantly, due to the already mentioned release of an earn-out provision.

On the right you can see the quarterly evolution of the impact of COVID-related Life Protection claims in the region. There was a total impact of EUR92 million, of which, EUR43 million were in Brazil. Mexico, Colombia, and Peru were also strongly affected. The third-quarter impact was lower than the previous quarter, and with September data, it seems -- it seems that we have passed the peak. Average cases and death figures are beginning to come down, which makes us more optimistic about the outlook for the coming quarters.

Now I will move on to the balance sheet and capital. This slide includes a full disclosure of the breakdown and variation of the investment portfolio and total assets under management. Spanish sovereign debt continues to be our largest exposure, now EUR12.4 billion, and Italian debt with EUR2.8 billion is the second largest. Both sovies are mainly allocated to immunized portfolios. The investment portfolio is slightly up, mainly due to the rally in equity markets, which helped mitigate the fall in fixed income investments due to higher yields, with the Spanish sovereign up over 40 basis points year-to-date.

Pension and mutual funds have had strong performance, growing 7% and 14% respectively, both due to market movements as well as a positive net contribution of EUR104 million in pension funds and EUR290 million in mutual funds at the end of September.

On the top left are the details of our Euro-area actively-managed fixed-income portfolios. Market value of these portfolios is around EUR12.6 billion. The Non-Life portfolio has an accounting yield of around 1.5%, down only 15 basis points year-to-date. The Life portfolio has a yield of a little under 3.5%, down 20 basis points. The fall in yields is consistent with the reduction in duration in both portfolios. Duration in Non-Life is now at 7.8, around 4.5 years excluding the Burial segment, which as you know, is a long tail business, while in the Life portfolio, duration is 6.8.

On the bottom left, you can see the details of the fixed-income portfolios in other markets, with portfolio yields up around 50 basis points in Brazil, now at 6.6%, and relative stability in North America. Realized gains and losses in actively-managed portfolios in the Euro-area were around EUR96 million, significantly up year-on-year and on the quarter as well, as we took advantage of favorable equity markets to realized gains, to compensate NatCat losses. At the end of September, there were still EUR85 million of unrealized gains in equity and mutual funds in our actively managed portfolio in Iberia and MAPFRE RE.

Shareholders' equity stood at a little under EUR8.5 billion, slightly down on the quarter. Currency conversion differences were relatively stable in the quarter, but up EUR113 million on the year, stemming from a notable appreciation of the US dollar, together with stability in the Brazilian real. Net unrealized gains on the available for sale portfolio were down EUR397 million on the year, due to rising yields.

The breakdown by region, which is new information we're disclosing, is as follows: LATAM with a fall off EUR151 million; Iberia with EUR136 million; MAPFRE RE with EUR57 million and North America with EUR50 million. As you can see, Iberia's impact has been limited due to the high degree of immunization of Life portfolios as well as a profit-sharing. There was also a EUR92

million negative adjustment against reserves due to the acquisition of minorities in MAPFRE Peru Vida in the third quarter, which is reflected in the line Other. The breakdown of currency conversion differences and currency movements are shown in the table on the right, along with the standard sensitivity analysis.

On the chart on the left, you can see the breakdown of the capital structure, which amounted to EUR13 billion, of which over three-quarters is equity. Leverage is slightly up on the quarter around 24%. The slight increase is mainly due to seasonality. The upstream of dividend forecast for the fourth quarter should lower leverage and financial needs by year-end.

On the right, you can see the Solvency II figures for June 2021 which were released last month. The ratio sits at 195%, comfortably near the midpoint of our range. The main moves in the quarter were related to the investment portfolio, including the rating downgrade of Colombia as well as the symmetric adjustment which increased the capital charge for equity.

Before moving on to the Q&A session, I would like to make a few closing remarks. First of all, we are very satisfied with the results in Iberia, our largest operation. We have recovered our position as market leader, with a strong premium performance and we are well-positioned for profitable growth. We are moving ahead with our transformation and digitalization plans to have leaner and more efficient operations.

Profitability is robust in the United States, especially in the Northeast, and we are benefiting from a successful restructuring process. The new agreement with the AAA club will strengthen our position in this distribution channel. In Latin America, we successfully adapted our business model to the new environment. The pandemic and economic situation remains challenging, but with a significantly improved outlook. It was a tough quarter for the reinsurance industry from a NatCat perspective. MAPFRE RE still reported resilient results, underpinned by its investment approach and a strong contribution from Global Risks.

As for Bankia, the exit process is moving forward, and the approval from the Competition Authority was already granted. Furthermore, we are expecting to receive the independent appraisal value by November. So if everything goes as planned, the transaction should close by year end. As usual, we will keep you updated with any further developments.

In conclusion, it has been another positive quarter, showing growth in premiums and results in a more positive scenario, but not without uncertainties coming from the economic environment. Volatility in combined ratios will remain in the short-term across different segments and geographies as activity continues to normalize, with an expected neutral impact on the underwriting results. In the medium and long-term, future tariffs will be adapted to reflect changes in underwriting trends and risk profiles.

We are on the right path to meet our 2021 commitments, and so far, we haven't seen any evidence that jeopardizes this guidance. The interim dividend of EURO.06 is proof that we're committed to return to a sustainable dividend path.

Thank you, again. I will now hand the call over to Felipe to begin the Q&A.

Q&A

Felipe Navarro López de Chicheri

Thank you very much, Fernando, for this very complete and deep explanation of the results. So we move now to the Q&A. The first one is from Maksym Mishyn from JB Capital. “Do you see risks on the Non-Life claims if inflation persists and logistics costs remain high? Which segments could be the most impacted?”

Fernando Mata Verdejo

Well, we have to analyze this inflationary risk for both lines of business. Regarding Auto, as we already mentioned, we are very well-protected. We've got a wonderful preferred garage network, with a significant reduction in cost when we compare it to standard garages. And also, we have a bargaining agreement which is fixed for this year. There is no adaptation to inflation rate at year end. We are directing most of these claims to these preferred garages. According to the data from the last month, I think around 90% of car crashes are directed to the preferred garage network. So from this side, I don't see any inflationary risk affecting the Motor line.

Other lines, such as Health, as we mentioned at the June presentation, we really notice a significant increase in hospital bills. The increase due to the COVID scenario, and also the average cost from medical services increased as well due to the additional tests carried out in this COVID environment. Fortunately, this trend has changed, and average costs are coming to normality. Even though we should expect a significant increase in Health for renewals – as you probably read in the (Spanish) paper – affecting civil servants, which is by far is the largest policy in Spain, but also affecting normal personal policies too. For the remaining lines, particularly Commercial lines, I don't see any inflationary risk. And just as a conclusion, if you look back for the last 10 years, the Motor line has been extremely competitive. And there is a lot of transparency basically derived from price comparison sites. So for the last 10 years, most of the efficiencies in cost were automatically transferred to prices. And so in relative terms there has been a reduction in the average premium for Auto for the last 10 years. So we should see a similar trend. And as a general rule, we expect the sector to absorb part of inflation costs and transfer only a small part of inflation to rates.

Felipe Navarro López de Chicheri

Okay, thank you very much. We have another question coming from Ivan Bokhmat from Barclays. “We have seen a deterioration in the combined ratio in Iberia in the third quarter

2021 - the same trend some of your peers have experienced already. How much of that comes from the accident frequency normalizing? Can you update us on claims inflation and pricing in Motor and other P&C lines?

Fernando Mata Verdejo

I'm going to take the last one first. Regarding trends in pricing and also talking about the Motor line business, as you remember, last year we implemented a sort of individual discount policy for good policyholders, in order to retain clients and reduce any potential churn among the COVID scenario. These discounts came to an end at the end of 2020, but obviously this reduction in premiums is also being carried over for earned premiums in 2021, also affecting the combined ratio.

As a general rule, rates have come to normality, and we should expect this reduction in earned premiums to phase out over the coming months. And regarding loss ratio, I know that some of the peers already commented on that topic. We are a little bit different. Regarding average cost, we haven't seen any change in previous metrics. So practically we're close to zero in terms of variation.

Regarding frequency, you're right, it is quite similar to the increase in mobility, but I would like to give an additional comment on this. Most of the increase in the frequency on the reported claims are on smaller crashes, small scratches affecting physical damage for full cover policies. What we understand is that they're being filed with the company due to some reduction in coverage. It is a trend that we've seen in the past in times of restriction or economic unrest, and we are seeing some change from full cover to full cover with deductibles, or from full cover to more basic policies, only TPL.

So it seems to be a sort of catch-up effect as some of these claims are coming from previous months and from the clients before switching coverage or to other carriers. What they want is just to leave the car in perfect condition before reducing coverage in their policies. So, my conclusion is that part of this increase in frequency is temporary and it should phase out in the coming quarter, but obviously, there is an increase in frequency as we've seen in other peers.

Felipe Navarro López de Chicheri

Okay. Thank you very much, Fernando. Now we have a question from Maksym from JB Capital. "Do you continue to see pressure in premiums in Motor insurance in Spain? Are they easing?"

Fernando Mata Verdejo

More than pressure on premiums, which has existed forever in the Spanish Motor market, what we're seeing is a reduction in coverage. And also switching to other carriers, which is

normal in economic scenarios like the one we are living. I guess, it is also related to the age of the Spanish fleet, which is almost 13 years old, if I remember well, and it's basically due to the reduction in new car sales. It's extremely uncommon to see full cover policies for cars older than seven years. So even our policyholders who remain within MAPFRE change to lower and simpler policies in order to reduce the bill. This is the basic new trend that we see in this quarter, and it probably will remain for the fourth quarter as well, and several months.

Felipe Navarro López de Chicheri

Okay. Basically, this is not a softening in the market that we can translate into a pricing war?

Fernando Mata Verdejo

I don't see a price war. Currently a lot of pressure on coverage, switching from full cover to simpler policies.

Felipe Navarro López de Chicheri

Okay. There is a question from Mario Roperero from Bestinver, asking about what we can expect from the La Palma eruption – this volcano that erupted in the Canary Islands and which is covered by the Consorcio here. So, any other consequence from that?

Fernando Mata Verdejo

Not really. It's part of the social aid that we granted some of our policyholders with properties insured by Mapfre; we granted them a EUR9 thousand indemnity for those that have lost their properties. Mapfre has a quite significant market share in the Canary Islands, and as we have done in other Cat events, Mapfre will be close to the policyholders in order to provide the help they need.

Felipe Navarro López de Chicheri

Okay. Thank you very much, Fernando. Farquhar Murray from Autonomous has a question on COVID. In broad terms, what is the net balance of COVID impacts in the primary insurance business, between positives from frequency versus negatives from mortality? He says that he thinks that previously the suggestion was that they were around almost balanced. And now it feels that these are presumably a net negative for the nine months 2021. We can have some kind of color on this effect?

Fernando Mata Verdejo

Thank you, Farquhar. This is a quite interesting question. As we've mentioned in previous presentations, it is still difficult to isolate those improvements in combined ratio due to efficiencies or better underwriting policies implemented in the Auto lines and differentiate them from the lockdown or the confinement or the lack of mobility. As we mentioned in previous presentations, we understand that negative and positive effects from the pandemic were neutral in 2020. And also during the first half of 2021 they were sort of neutral.

I wouldn't say that in the third quarter, as we presented the numbers and we expected an uptick in Life Protection, particularly in LATAM, because of the slow pace of vaccination and the lack of vaccines. But the third quarter was a surprise; there weren't symmetric effects, and it is a little bit negative from Life Protection.

Felipe Navarro López de Chicheri

We could define that third quarter as transitional quarter between normality and...

Fernando Mata Verdejo

Yeah, it is quite different from different geographies. In LATAM South, there are still some countries, if you see the financial report, with combined ratios below 90, which is amazing in these conditions, even recovering mobility. In other countries such as Brazil and Spain, the combined ratio in Automobile is around 100. There are a lot of moving parts affecting different geographies and different lines as well. This is a transitional quarter, as Felipe said, and we've seen a recovery in mobility, and a reduction in other lines as well, and increases particularly in Life Protection. But as I mentioned in the wrap up, we should expect those lines and those combined ratios to converge into standard in the coming quarter.

Felipe Navarro López de Chicheri

Thank you very much, Fernando. The next question is related with the dividend. Ivan Bokhmat from Barclays is asking, "Can you remind us your intention regarding the dividend? Is it to return to 2019 level?"

Fernando Mata Verdejo

Well, Ivan, at this moment, it is a difficult question and it can't be answered. We returned to the same interim dividend of EUR0.06. This is the first step to return to the sustainable dividend path. And once we finish this year and we meet the guidance, I think it will be a big

push and probably another step to return to this dividend path. For the final amount, we have to wait for the Board at the beginning of next year, just to know the final decision. But we are pretty committed with investors and we will come back to the sustainable path as soon as possible. That's what we mentioned and we stick to this policy.

Felipe Navarro López de Chicheri

Okay. Thank you very much, Fernando. Maksym from JB Capital asks, “Could you update us on how you plan to replace the business volumes lost due to the end of the Bankia-Mapfre JV?”

Fernando Mata Verdejo

Organic growth, a big push from Santander. Any potential market opportunity we can get. Mapfre is growing very well – 7% in Spain. I think with this growth, we offset any lack of new business from Bankia. And we're not worried about the situation. We know that it was a very important channel, but what Mapfre has shown with this extraordinary performance in premium growth is that we are able to offset any potential lack of premiums or any distribution channel that could lower expectations.

Felipe Navarro López de Chicheri

It's very important to speak about the extreme resilience of the organic business of Iberia, that is ready to offset any other big effect like the one of closing the Bankia's network.

Fernando Mata Verdejo

Absolutely. You can have a look into the financial report about Mapfre VIDA. You see this extraordinary premium growth in Mapfre's network compared to the bancassurance distribution channel. So this is a very important distribution channel that we have to optimize in this situation and also put in value, which is very important.

Felipe Navarro López de Chicheri

Thank you very much, Fernando. We have another question for you related with MAPFRE RE activities, coming from Philip Ross from Mediobanca. “Can you recap on reinsurance, please? You mentioned 125 million limit with the reference to the 92 million storm Bernd loss?”

And secondly, “Have you recognized some benefit on third quarter from frequency cover? Do you anticipate an impact on your reinsurance retro buying next year?” It's quite a complex question.

Fernando Mata Verdejo

We hit the priority limit which is EUR125 million with storm Bernd. So we booked a recovery from reinsurance for this particular event. Regarding the impact in our cost of protection next year, we can probably see an increase, but in any case, if we get an increase for our retroceded business, we will pass it to our ceding entities. So --

Felipe Navarro López de Chicheri

It's normal, with a hardening of the reinsurance market, that we will be able to pass this kind of --

Fernando Mata Verdejo

In the end, it will be neutral.

Felipe Navarro López de Chicheri

And just one comment on the EUR125 million – EUR92 million is the net retention of the same claim.

Fernando Mata Verdejo

That's correct. The EUR92 million effect is after taxes and minorities. So in the end, it is the net effect of the gross EUR125 million.

Felipe Navarro López de Chicheri

Okay. We have another question coming from JB Capital. Maksym is asking, “How should we see premiums of MAPFRE RE evolving in 2022 after this excellent increase during 2021?”

Fernando Mata Verdejo

At this moment, we are at an early stage to give you more color regarding 2022. But we should expect a moderate increase. Renewals for mid-year were pretty good in terms of rates, and we should expect a similar scenario for next year.

Felipe Navarro López de Chicheri

Ivan from Barclays is asking another question related with Bankia. “Was the EUR20.4 million one-off from the inclusion of Bankia second quarter and third quarter result in the third quarter included in the Life business results during these quarters?”

Okay. I'm going to try to explain this. As Fernando said, we made an adjustment in the third quarter on the result of Bankia because of the change in the way that we were recognizing these results. There is a full disclosure of the figures in the financial report, on page 22. That says that the EUR20.4 million figure is after tax and minorities, considering our 51% stake. So you need to gross it up and to add the minorities in order to get the total figures. Throughout the entire year, the result of the Life business included 100% of the result of these entities. So if you look at the total profit and loss account on the balance sheet, you see 100% of this entity before taxes and minorities. So it was only on the last line that you will see the adjustment.

Fernando Mata Verdejo

Felipe, if I may add something regarding this, just to give some additional clarity to the situation. We booked following the accounting policy that we were told to. And before presenting results as of June, we called the regulators and we presented the shareholder agreement with Bankia. And we concluded that the attributable result for the 51% shareholding of Mapfre should be fully allocated to Caixa. But then due to the length of the process and also because the members of the Board representing Mapfre didn't step down, and so we still held the majority of votes on the Board, the issue was raised that we should again book and reflect the 51% shareholding of Mapfre as a profit contribution in attributable results. With the agreement of the external auditors, we went back to the regulators to say that we should change the profit contribution from Bankia at the end of third quarter and they fully agreed. So, sorry for the confusion, but we did what we were told to, and that was pretty clear.

Felipe Navarro López de Chicheri

Thank you very much Fernando. Carlos Peixoto from CaixaBank has a question on Spanish combined ratio. “What are the expectations of the evolution of the combined ratios in the different Spanish business lines?”

Fernando Mata Verdejo

Well, Carlos, that's extremely difficult to answer. We should expect a lot of moving parts, as I already mentioned. The third quarter has been a transitional quarter. We should wait for some increase in frequency particularly in Auto in the coming quarter, but we should reflect as well an increase in premiums earned from the increase in rates or the absence of discounts and

rebates. And the remaining lines, I guess, we should not expect significant changes. That's basically my view.

Felipe Navarro López de Chicheri

Okay, thank you. Ivan Bokhmat from Barclays asks, “Can you provide an update on the Bankia MAPFRE Vida joint venture. Is the deal completion still expected for 2021?”

I think that Fernando was quite clear during the presentation. He said that we were expecting the final appraisal from the external appraiser in November and that would give us to expect that everything will be completed by end 2021. I don't know. Fernando, if you want to add anything?

Fernando Mata Verdejo

This is the expectation from our side. A similar statement was made by Gortázar, the CEO of Caixa saying that this deal completion should be expected by year-end.

Felipe Navarro López de Chicheri

Okay, thank you. We have one more question from Carlos Peixoto from CaixaBank, who asks about the expectation on NatCat losses on the fourth quarter?

Fernando Mata Verdejo

Well, nobody knows what is going to happen. So far in the Atlantic it has been a quiet season from hurricanes. Regarding earthquakes, there is still a risk in any territory that we are operating. But since the frequency cover has already been triggered, as I said at the presentation, the net effect of any individual Cat event would be pretty reduced.

Felipe Navarro López de Chicheri

Okay. So that allows us to have some kind of visibility or peace of mind related with this kind of frequency cover that you were mentioning. There is another question from Philip Ross, about Global Risks contribution to profits.

Fernando Mata Verdejo

Yeah. Thanks, Phil. A couple of years ago, we implemented a change in order to lower retention in the Global Risks business, and also increased commissions. So the current quarter

and also the previous quarter reflect this change. So lower impact from losses and more stability in results. So we put a cap in order to reduce losses and also to increase gains. But we are quite comfortable with this reduction in exposure in Global Risks.

Felipe Navarro López de Chicheri

Okay. Thank you. It's a quite a successful operation right now.

Fernando Mata Verdejo

Absolutely.

Felipe Navarro López de Chicheri

Farquhar from Autonomous is asking about 2021 guidance. "Does this guidance include Bankia which is now in the headline figures a little longer. And are we still only adjusting for NatCat which would seem to imply that we are not adjusting for the COVID-related claims, in arriving to the guidance figure?"

Fernando Mata Verdejo

Thank you, Farquhar. This question has been raised many times, where we mentioned the guidance. The first and part of the second quarter results contributed by Bankia were included in the guidance. Obviously, the first quarter pertained to Mapfre. And regarding the second quarter, part of the second quarter was included, because at that point, when we published the guidance, we didn't know when the Board of Directors representing Mapfre would step down. So we assumed that part of the profit for the second quarter would be included in the quarter.

Actually with the new accounting policy -- if we originally assumed that only part of the second quarter was included in the guidance, the third quarter wasn't included in the guidance, what we're doing with this new accounting treatment is just anticipating part of the capital gain that we will book when the transaction is completed. And the net equity doesn't change. It's the same as at the transition date, which is March 31st. The only thing we're doing is adding the profit contribution from Mapfre to this net equity. That's pretty simple.

Felipe Navarro López de Chicheri

Okay. We have a question from Ivan Bokhmat from Barclays. "Can you offer any early thoughts on IFRS-17?"

Fernando Mata Verdejo

Yeah, we are working on this project with external advisors. The project has had a lot of ups and downs, and regarding provisional figures, they're not ready yet, Ivan. But we are working with Deloitte, EY and also with SAP, and we believe that by the end of the summer we will be able to give you more color on this topic.

Felipe Navarro López de Chicheri

Okay. Philip Ross from Mediobanca, together with Carlos Peixoto, have a similar interest in Global Risks. We already said that it was a good contributor to the results. "What could we expect going forward? Is this going to provide a lot of volatility to our results, the way managing Global Risks has changed?"

Fernando Mata Verdejo

No, we should be more normalized and with stabilization in the loss ratio. We reduced our risk appetite. We reduced retention as well, and increased commissions as we mentioned. So with that we are limiting losses and also gains in order to have a narrower variation for profit. So in the end, I guess that it will be a quite similar trend in the future. And also, we didn't renew some large policies with really bad experience in the past and they were loss making portfolios. So we should assume that the current trend for the Global Risks will remain in the near future.

Felipe Navarro López de Chicheri

Thank you very much, Fernando. It seems that there are no more questions. So thank you very much everybody. We've been almost an hour here in this presentation. But before we close the call, we should move to logistics. I'm sure that most of you have received an invitation, but next Wednesday, November 3rd, I will be hosting, together with the IR team, two group meetings. First, there will be a group in Spanish at 9:30 Central European Time, followed by another group in English at 3:00 PM, also Central European Time. Both meetings should last around 40 minutes to an hour. Please make sure that you confirm your attendance using the email invitation you received earlier this week or get in touch with the IR team if you have any kind of issue. You have the contact details in the presentation. Please stay safe and thank you very much for your time.

Fernando?

Fernando Mata Verdejo

Yeah, thank you everybody, again, for your presence. Hopefully you will hear from us by year end in order to give you more information regarding the Bankia deal completion as I'm very well sure we will finish this deal by year-end.

Felipe Navarro López de Chicheri

Okay. Thank you very much, Fernando. Thank you everybody. Bye.

Fernando Mata Verdejo

Bye.

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