

# S1 2021 Earnings Call

## Company Participants

- Felipe Navarro Lopez de Chicheri, Head of Capital Markets & Investor Relations and Treasurer
- Fernando Mata Verdejo, Chief Financial Officer
- Jose Manuel Inchausti Perez, Third Vice Chairman; CEO MAPFRE IBERIA

## Presentation

### Felipe Navarro Lopez de Chicheri {BIO 3737558 <GO>}

Good afternoon, everyone, and welcome to MAPFRE's Results Presentation for the First Half of 2021. This is Felipe Navarro, Head of Investor Relations, Capital Markets and Treasurer.

As usual Fernando Mata, our CFO will walk us through the main figures and highlights of the quarter. We also have the pleasure of having here with us Jose Manuel Inchausti, CEO of Iberia who will give us an overview on the main highlights and outlook for the Spanish business.

As a reminder, additional information can be found on our website, including the MD&A as well as the usual spreadsheets. As requested by many of you, we have included further quarterly standalone figures in our financial supplement.

At the end of the presentation, we will open the Q&A session. You can submit your questions using the ask a question link on the bottom of your screen. We will try to answer all the 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 you an update regarding the pandemic situation for our markets. On the positive side, European markets including Spain continued to improve, thanks to the constant increase in vaccination rates. The new variants have had a strong impact, especially in the UK and the Iberian Peninsula. Although the increase in cases has not led to the increase in the death rates.

In Latin America, the situation is still quite complicated. Although most countries seem to have passed the peak, however, there is still a high level of stress in the hospital systems in some countries including Colombia and Guatemala. We are also carefully monitoring the pandemic and social political situation in Peru and taking adequate mitigating measures.

As vaccination rates accelerate, we continue to implement gradual return to the office, always keeping in mind the highest health standards. Currently around 94% of the employees in Spain are working on the pandemic situation, which is still complicated, sorry, on the premises with rotations and 54% of employees in the United States are back in the office.

In Brazil, the pandemic situation is still complicated and 99% of the workers are currently working remotely. We will continue adapting to the changes in conditions in every country.

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

### **Fernando Mata Verdejo** {BIO 19676348 <GO>}

Thank you, Felipe, and thank you everyone for being here with us today. Before I go into the details, let me start by saying that, we are very satisfied with our second quarter results. We showed that we are on track to meet the guidance announced at our AGM underpinned by improving trends and successful restructuring measures.

We have successfully adapted our operations to the new market context with COVID. Regarding P&L impacts direct claims at insurance units, mainly in the Life Protection and Health in Latin America should be offset by lower auto frequency across regions although there may be some volatility from one quarter to another.

The pandemic situation in Latin America remains challenging especially impacting MAPFRE in our largest operations like in Brazil, Mexico, Peru, Colombia and the Dominican Republic with April being the peak. On the other hand, the outlook seems more positive for markets more advanced in the vaccination process.

Topline performance is strong and premiums have reached a turning point, returning to growth in the second quarter, which is outstanding, considering the impact of the pandemic and the drag from currency movements. While vaccination rates are advancing quickly in mature countries. There is some lag in emerging countries leading to an asymmetrical economic recovery.

In any case, we should see further consolidation of recovery trends and we should expect more premium growth in the second half of the year. In Iberia, we continued to outperform the market in key non-life segments with a return to growth in life while maintaining strong underlying technical margins.

Reinsurance and global risks are also consolidating positive trends on the back of tariff increases with limited impact from large events. In the United States, underwriting results are strong, especially in the Northeast, thanks to the streamlining process over the last few years and Brazil is also well positioned to bear the fruits of the restructuring process.

Finally, I would like to highlight our strong capital position with the Solvency II ratio over 200% at the end of March and our equity base has been stable in 2021 at around EUR8.5

billion. Furthermore Standard & Poor's recently affirmed our financial strength rating at A+.

Now, I will take you through the main figures of the first half of the year. Before we discuss the topline, I should mention that we renewed the large multi-year PEMEX policy in Mexico for \$563 million, equivalent to EUR469 million. Currency movements were still a drag compared to last year although to a lesser extent than in the first quarter.

In Euros premiums are up over 6%. At constant exchange rates premiums are up over 11%, 7% excluding in this large policy. Non-life premiums continued to consolidate the strong trends and life premiums are up nearly 10% with good performance in local currency in Spain and Brazil.

The Group combined ratio of 95% is in line with our guidance with a similar result at insurance units. There was a provision for early retirement in Iberia booked in the second quarter and excluding this the combined ratio will have been around 94% and the expense ratio would have improved proportionately. Jose Manuel will comment on this in more detail later in the presentation. MAPFRE's net result is EUR364 million, up over 34% and in line with our guidance for 2021. The ROE excluding goodwill write-downs is close to 9% and assets under management are up over 1% with the investment portfolio slightly down compensated by the strong growth in pension and mutual funds nearly 9% in total.

On this slide, I will take you through the breakdown of the adjusted attributable result. As many of you have requested, we have included quarterly standalone figures as well. As a reminder, in line with previous quarters and due to the offsetting nature of the different COVID impacts at insurance operations, we have not considered this in the adjusted result, as the final effect should be roughly neutral.

Although there could be some volatility from one quarter to the next. Regarding other NatCat claims, it has been a quiet quarter with nothing relevant to report. As a reminder last year there was a 61 million net impact from the earthquake in Puerto Rico.

And regarding COVID claims at MAPFRE RE there was a EUR14 million impact, mainly related to claims occurring in 2021. There have been two large impacts in Iberia during the quarter. There was a EUR56 million negative impact from an early retirement provision and a EUR22 million gain from the release of an earn-out provision.

Financial gains and losses are relatively stable on the year. Finally, other impacts include a net gain of EUR25.2 million due to the market valuation of a building transfer to a new joint investment vehicle with Swiss Life. There were also realized gains from several asset sales including Rastreator, Preminen and Industrial RE for a little under EUR17 million.

In 2020 other items included a provision for restructuring. Excluding these impact, the adjusted net result was EUR352 million, down around 9.8% mainly as a result of lower financial income and absence of EUR11 million profit contribution from Bankia in the second quarter.

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The adjusted result is up over EUR19 million compared to the first quarter due to seasonality. On this slide, we show the main trends this quarter. The drivers are continuous improvements in technical management as well as still lower mobility levels affecting mainly motor.

I would like to highlight the positive performance in Iberia which Jose Manuel will discuss in more detail later. In Brazil, currency headwinds are still relevant with average Real exchange rates down 14%, but much less than in the first quarter. Premiums are up over 15% in local currency with strong growth in Agro and improving motor issuance.

The attributable result of EUR36 million is down, mainly due to COVID related life protection claims and currency movements. The combined ratio remains strong at 86% down nearly three points with improvements in General P&C. The economic outlook has slightly improved with SELIC rates up and the currency improving, but with high volatility.

Premiums in LATAM South grew 4% in euros offsetting currency effects. In addition, premiums in LATAM North are up over 50%, this is driven by the large multi-year policy in Mexico as well as a strong trends in most segments. Excluding this policy, premiums in the region would have been slightly down due to currency depreciation. Local currency growth was also remarkable in Colombia up 33% and Peru up over 14%.

Combined ratio in both regions remained at good levels with a slight deterioration in LATAM North, but still under 94% due to COVID related claims. Performance in North America has been affected by currency depreciation with average dollar exchange rates down around 7%.

The combined ratio has improved year-on-year at 97% mainly due to the earthquake in Puerto Rico last year. The region shows remarkable stability with recurring profits after restructuring, with the combined ratio in the US Northeast at 96.5%.

In the US, new business is still being hurt by a lack of economic activity, but both the economy and mobility are starting to recover and this trend should accelerate in the second half of the year. In Eurasia, premiums are up, sorry, are down due to the non-renewal of the dealership channel in Italy as well as the depreciation of the Turkish lira.

All countries have contributed positively to results except Italy where expenses as we mentioned as of March still need to be adapted to the new business model. At MAPFRE RE, premiums are also up supported by positive pricing trends. The combined ratio was below 95% with excellent performance both in reinsurance and global risks. It was a quiet quarter for large losses. In the assistance business, results are up over EUR11 million as last year was strongly affected by travel cancellation claims. Volumes are down 27% and we continue with our streamlining process.

Regarding results, we're close to the breakeven point and it's remarkable, finally that we have reported a small profit in the second quarter. On this slide, I would like to comment on the life business at insurance units. In Iberia, premium performance has been outstanding.

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Thanks to successful sales campaigns and rollover of product maturities. I will leave the numbers for Jose Manuel's presentation. In Brazil, premiums have been affected by currency depreciation. There has been a return to local currency growth up 4% in the bancassurance channel with improved trends in the second quarter and sales campaigns.

In other markets, premiums are up in Malta offsetting a small decline in Mexico. The life attributable result is down by EUR22 million mainly due to a strong impact from COVID related claims in Latam, where the life protection attributable result is down by EUR50 million.

Average cases and number of the death figures are beginning to come down, and we seem to have passed the peak, particularly April was the hardest month. It was mitigated by improving results in Iberia that Jose Manuel will comment on now. Jose Manuel, the floor is yours.

### **Jose Manuel Inchausti Perez** {BIO 19141743 <GO>}

Thank you very much, Fernando. Good morning to everyone. I start saying that premiums are up 6.9% year-on-year, thanks to a strong performance both in life and non-life. I would like to highlight the growth in health at 10% and in commercial lines where premiums are up nearly 9%.

Motor is growing 2.7%. It is worth mentioning the strong performance in both Verti and Santander businesses. Life premiums are up nearly 13% with strong trends in retail lines both in life protection up 6% and in savings up 34%.

The net result is EUR206 million down 7% on the year explained by an increase in claims experience in motor, health and homeowners due to a pickup in economic activity. It also reflects a provision for our voluntary early retirement scheme for EUR75 million, which was compensated with other positive one-offs with an overall neutral impact.

The combined ratio is 96.3%, 2.4 points higher than June 2020, reflecting the impact of the voluntary early retirement scheme. The ratio would be half with three points, sorry, three points lower excluding this an increase in motor claims due to higher vehicle use during the quarter. The ratio in general property & casualty has improved six points with lower average claim cost in the burial segment compared to 2020.

This was partially offset by homeowners and condominiums where claims continue at high levels due to an increase in frequency from people spending more time at home as a result of the COVID crisis, affecting water, glass and handyman covers. The data for the Spanish market as of June 2021 was recently published and is proof of MAPFRE's outstanding performance.

MAPFRE is growing two percentage points above the total market, outperforming in most key business lines. Life and health are worth highlighting, which are growing six points more than the market. Also business lines are growing five points more than the market.

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MAPFRE places clients at the center of our strategy, designing products covering new needs with excellent service quality and digital capabilities, giving clients the power to act whenever and wherever they want.

Our differential value proposition has been designed for our main clients, based on these pillars, in order to foster long-term loyalty. These strategies have helped build the best insurance loyalty program in Spain with more than three million members.

MAPFRE is also designing tools to improve retention from the moment the policy is sold and increasing year after year the net promoter score from our clients, which is now the best in the market higher than 38. Iberia now has more than 7.1 million clients who are even more loyal with record low churn rates.

MAPFRE recognizes the importance of families. So we have become the reference insurer for Spanish households with more than 400,000 families allowing us to offer personalized products and value propositions.

Our strategy is focused on growing the number of policies and MAPFRE is now giving health insurance coverage to more than one million people and with over 6.1 million vehicles insured. One of our main targets is to continue fostering and accelerating our digital transformation in Spain. To reach this goal, we have created a Client Digital Experience Area and a Digital Transformation Office to foster digitalization and leverage synergies within the group. The most relevant KPIs for the digital business reflect the success of this strategy.

The online transaction ratio has improved continuously over the last two years, five points and nine points for MAPFRE and Verti, respectively. New policies captured through digital channels have grown 21% as of June.

Verti continuous outperforming the market with policies up over 11% reaching a total of 338,000 policies. And lastly, after lockdown there was higher demand for health services offered by Savia, which are complementary to our insurance products.

Going to the next slide, our priorities for 2021 are gaining market share across key line of businesses defending our portfolio and cost containment. Trends are improving both on non-life and life. Frequency trends will depend on mobility and economic recovery. However we are already very close to normalized level.

New vehicle sales will remain at low levels due to the economic situation and a lack of government subsidies, but with an improving outlook. And as long as rates remain low, the life savings environment will continue to be challenging. The non-life combined ratio is expected to be around 95% with motor between 91% and 93% for 2021.

We will continue managing the low interest rate environment and continue to implement our alternative investment plan. Lastly, Iberia continues to boast extremely strong solvency levels while providing a recurring high level of dividends to the group.

MAPFRE Iberia has carried out a careful analysis to adapt our operating model to changes in our clients, channels and the market context. This new model is the result of advances in digitalization and automation across the company as well as the need to centralize several operations.

Taking advantage of new technology, this will allow us to work with more efficient structures and centralized management that can be accessed from everywhere in Spain. These developments have also helped streamline processes and require new strategic employee profiles.

The end of the agreement with Bankia has also accelerated this process. In order to implement these necessary changes, we have set aside a EUR75 million provision for the voluntary early retirement for employees from different business areas in 2021.

MAPFRE is not only focused on digital transformation, but we are also carrying out an important operational transformation plan geared to increasing operating efficiency with more than 12 million transaction optimized with a total cost saving for more than EUR7 million this year-to-date. The main pillars of this plan are digitalization, process automation, using technologies like robotics and artificial intelligence and the change in the operating model that I already mentioned.

Improving technical management is also a priority for MAPFRE Iberia. The main initiatives include market pricing, which is focused on adapting the final price to each customer. This is currently being used in Auto homeowners and multirisk and advances have been made in other segments.

Progress has been made in the use of artificial intelligence with digital verification for our clients and distributors. In the case of motor, this allows for automatic underwriting and loss adjustment and allowing for a policy to be taken out even with a smartphone.

During the pandemic this helped streamline the loss adjustment process for homeowners and condominium claims. Another important challenge has been the use of data for decision making and the possibility of creating new products and services using advanced analytics. The main actions have been optimization of sales activity and process automation.

In Iberia, we are also expanding our product offering, adapting it to our clients' changing needs with a focus on electric and personal mobility service vehicles as well as the development of on-off motor products. In life savings, we are focused on unit linked products and successfully boosting the asset management business.

On the next slide, I would like to comment on the current status of our main bancassurance agreements. The company is making positive advances in the Bankia exit process. The independent appraiser was appointed at the beginning of July and we expect a transaction to be completed by year-end, but the final timeline will depend on the pertinent, regulatory and administrative approvals.

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We have also implemented our portfolio retention plans in our MAPFRE network. Regarding our agreement with Santander, it has been a great success with high growth potential, while leveraging several opportunities for further collaboration, for example, Portugal, Cyberinsurance and Assurbanking.

MAPFRE continues to meet important milestones reaching over 100,000 policies as of June and over EUR24 million in premiums in Spain. In conclusion, in Iberia, we continue outperforming the market with strong underlying technical margins. Our leading position, a strong competitive advantage and leaner business model will help us come out even stronger as the economy gradually normalizes and we will continue to leverage opportunities for growth and improve profitability.

Thank you for your time and I will now hand the call back over to Fernando.

### **Fernando Mata Verdejo** {BIO 19676348 <GO>}

Thank you, Jose Manuel. A pretty comprehensive presentation and a quite clear explanation. Thank you again. 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 with a little over EUR12 billion and Italian debt with EUR2.7 billion is the second largest. Both sovereigns are mainly allocated to immunize portfolios.

The fall in the investment portfolio is due to higher yields with the Spanish sovereign up over 35 basis points year-to-date and pension and mutual funds have had a strong performance both due to market movements as well as positive net contributions of EUR70 million in pension funds and EUR212 million in investment funds at the end of June.

On the top left are of the details of our Euro area actively managed fixed income portfolios. The market value of this portfolio is a little under EUR13 billion. The accounting yield is around 1.6% in non-life and 3.5% in life. The fall in yields is consistent with the reduction in duration. As a reminder, non-life includes burial expense business, which is a long tail business. Excluding this portfolio non-life duration would be down closer to four years.

On the bottom left, you can see the details of the fixed-income portfolios in other markets with portfolio yields significantly up in Brazil, now at 6.5%, and relative stability in North America. Realized gains and losses in these portfolios were around EUR14 million down EUR14.5 million compared to the previous year.

At the end of June -- and this is very relevant, very important, there were EUR161 million of unrealized gains in equity and investment funds in our actively managed portfolio in Iberia and MAPFRE RE. So it's a big cushion for MAPFRE for the second half of the year. Right now we prefer to accumulate unrealized gains in order to compensate the fall in value of

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fixed income portfolios. Shareholders equity stood at EUR8.5 billion up EUR217 million on the quarter.

The main driver for this increase was the net profit for the quarter with stability in conversion differences and unrealized capital gains in the available for sale portfolio. The most relevant changes during the year are a decrease in net unrealized gains on the available for sale portfolio with a EUR281 million negative impact due to rising rates, with only a EUR10 million deterioration on the quarter. And conversion differences had a positive net impact of EUR120 million during the period, improving around EUR40 million on the quarter, mainly due to the appreciation of the US dollar and the Brazilian real.

The breakdown of currency conversion differences and currency movements are shown in the table on the right, along with the current 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 stable in the quarter at slightly under 24%.

After closing the transaction with Bankia, we could reevaluate our financial needs, but for the time being, we are quite comfortable with the current debt levels. On the right you can see the Solvency II figures for March 2021, which were released last month.

The ratio sits at over 200% at the midpoint of our range. The improvement during the year is due to a lower mathematical provision due to higher risk free rates in Turkey and Latin America especially in Colombia and Panama.

Before moving on to the Q&A session, I would like to make a few closing remarks. First of all as Jose Manuel has already explained quite in-depth, in Iberia, we continuously well positioned for profitable growth. Underwriting results are robust in the United States especially in the Northeast and we are also beginning to see the fruits of a successful restructuring process.

In Latin America, the pandemic and economic outlook remains I will say challenging and we have adapted our business model to the new environment and we are monitoring the situation closely. MAPFRE RE continues to consolidate normalized profitability trends, thanks to tariff increases, prudent underwriting and the absence of significant cat loss so far. And for Bankia as Jose Manuel already mentioned, right now we're focused on completing the exit process. Regarding capital allocation, we are moving ahead with restructuring and transformation with significant advances during this quarter. We sold Rastreator and Preminen price comparison business as well as Industrial RE.

At MAPFRE ASISTENCIA we have exited 13 countries since 2016 and have recently classified several insurance and assistance operations in Europe and Asia as held for sale. This includes the InsureandGo operations in Australia and the UK, which are both in final stages.

We will continue to simplify the assistance business to improve profitability with a focus on countries where MAPFRE has insurance business. Regarding business expansion, we have a preliminary agreement to buy the minority stakes in Peru Life, which will be a 32% stake.

This is an excellent growth opportunity with an operation that has proven successful for more than 30 years contributing to premium growth, profit and dividends.

In conclusion, it has been another positive quarter showing growth in premiums and results in a more positive scenario, but not without COVID-related uncertainties. We are on the right path to meet our 2021 commitments and return to a sustainable dividend path.

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

## Questions And Answers

### A - Felipe Navarro Lopez de Chicheri {BIO 3737558 <GO>}

Thank you very much, Fernando. Thank you very much, Jose Manuel. We have a number of questions coming now from the different analysts asking letting I mean the first ones are related with the COVID situation. Paco Riquel from Alantra asks for the net impact of -- the net attributable profit for the COVID losses in the life protection business for both Q1 and Q2. Fernando?

### A - Fernando Mata Verdejo {BIO 19676348 <GO>}

Thank you, Paco. Good interesting question. I don't have the proper disclosure of both effects. I will tell you in terms of the gross value of the claims -- approximately it's one-third during the first quarter and two-thirds in the second quarter. And the total in Latin America was like 50 million for both quarters, but unfortunately we can't disclose I mean bear in mind that the -- a significant impact has been allocated to Banco do Brasil and they haven't published their results yet. So we should be very prudent in this respect, but let's say that the one-third was the first quarter and two-thirds was for the second quarter, roughly talking.

### A - Felipe Navarro Lopez de Chicheri {BIO 3737558 <GO>}

Okay, thank you very much, Fernando. Next question is related with the losses that we recognized in the second quarter of 2021 related with the COVID. And this is coming from Ivan Bokhmat at Barclays and Paz Ojeda from Banco de Sabadell is asking a similar question. Is that given the scale of the pandemic, how do you see that playing on the second half 2021?

### A - Fernando Mata Verdejo {BIO 19676348 <GO>}

Well, I will discuss on the first half of the year because what is going to happen in the second half of the year is still unknown, but let's say that out of this two-thirds impact in the second quarter that I already commented, the peak was April, the month of April with a gross value for incurred losses of close to EUR65 million. But let's say that the curve is flattening and with lower impact in claims in May, and also the outstanding amount coming down in July, sorry, in June. So I wouldn't like to extrapolate this flattening of the curve I mean we know that there is a lot of uncertainty regarding the COVID in Latam, but the outlook remains challenging, but as I mentioned I mean we are quite positive. And let's

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say that we had to be optimistic I mean the pace of vaccination is moving ahead, particularly in the largest countries, Mexico, Brazil, Peru and Colombia. And also our operation is very well adapted I mean to this tough context and even working from home I mean we are able to provide and to deliver the best quality for our clients and also just to try to mitigate the potential impact in our accounts.

**A - Felipe Navarro Lopez de Chicheri {BIO 3737558 <GO>}**

Thank you. Thank you very much, Fernando. We have now some questions related with this early retirement scheme. This is coming from Andrew Sinclair from Bank of America Merrill Lynch. And he is asking for the Iberia early retirement scheme you have completed, what will be the longer term impact on the expense ratio? Should we expect a reduction? A similar question is coming from Paco Riquel from Alantra. Can you give us an indication of the expense of the expected payback in years of EUR75 million restructuring program in Spain?

**A - Fernando Mata Verdejo {BIO 19676348 <GO>}**

Well, Jose Manuel will take this question, yes.

**A - Jose Manuel Inchausti Perez {BIO 19141743 <GO>}**

Yes, of course, Paco. It will be depending on the profile that we are speaking at. We could calculate between three and five years they're returning.

**A - Felipe Navarro Lopez de Chicheri {BIO 3737558 <GO>}**

Okay, thank you. Thank you very much. There were similar questions related with this question coming from Alex Evans that was very similar and there's another extension of the question coming from Ivan Bokhmat from Barclays. He is asking he wants to know what is the rationale on the voluntary retirement scheme in the non-life? What impact should we have in the ongoing combined ratio next year?

**A - Jose Manuel Inchausti Perez {BIO 19141743 <GO>}**

Okay. I have talked a little about the rationale. On one side we are streamlining our processes. I think that technology allows a different distribution of the work load which cannot be the same than years ago. And last I think centralized operations give us more flexibility, and more efficiency as a company. And the impact on the expense ratio nowadays are three points and in the future we expect of course a lesser, minor, expense ratio, but we are calculating it in the next strategic planning.

**A - Fernando Mata Verdejo {BIO 19676348 <GO>}**

See that's very important and we already mentioned -- for Iberia business, this expense is impacting dramatically our combined ratio and as Jose Manuel said the net impact on the combined ratio is three percentage points reduction, sorry, increase. So, if you adjust the current combined ratio, eliminating this impact from the redundancy scheme it would be a little bit higher than 93%. It's an outstanding combined ratio in the current circumstances for Iberia.

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### **A - Felipe Navarro Lopez de Chicheri {BIO 3737558 <GO>}**

Okay, thank you. Thank you very much Jose Manuel and Fernando. There is more questions related with this scheme. Next one related with how many people are involved in this scheme. That is coming from Mario Roperro from Bestinver. And Paz Ojeda would like to from Banco de Sabadell would like to know which is the time frame of this operation?

### **A - Jose Manuel Inchausti Perez {BIO 19141743 <GO>}**

Thank you. It will be more or less 250 people and everybody these people will leave the company until the end of the year.

### **A - Fernando Mata Verdejo {BIO 19676348 <GO>}**

Yeah, that's very important. I mean the number, the final number we will know in the future I mean because the probably I mean the pace of the employees that they are become eligible I mean is growing, I mean has been very well accepted I mean we are quite generous for our employees. And with the numbers what we are seeing currently in July, probably we will hit this number of 250 employees that Jose Manuel has mentioned. We are happy I mean, let me tell you that it's not the first -- it wasn't a redundancy scheme, but for the last five years has been early retirement plans, not that size. I mean this is very important, what is relevant that is affecting a big group of employees, but MAPFRE, as other large entities I mean we are trying to give, I mean and also to reduce our payroll particularly for those employees that have devoted more of his professional time -- lifetime I mean to MAPFRE. So let's say it's nothing new, but the size let's say that it is very important. So in this transparency commitment that MAPFRE has I mean we decided just to make it public and that's basically my view.

### **A - Felipe Navarro Lopez de Chicheri {BIO 3737558 <GO>}**

Thank you. Thank you very much. We go back to the COVID and now Paco Riquel from Alantra is asking about the impact of the losses in MAPFRE RE in the second quarter and what is left for the second half. I mean I think that the question was almost answered. Yes, he is interested as well with what could be the potential losses for the extraordinary floods in Germany and Belgium in July as MAPFRE RE and MAPFRE Germany. And Ashik Musaddi from JPMorgan is asking a similar question of the outlook of reinsurance business given the recent floods in Europe?

### **A - Fernando Mata Verdejo {BIO 19676348 <GO>}**

Well, as I mentioned, Paco and thank you Ashik for the question. I mean, it's extremely difficult to extrapolate any conclusion for the second half of the year. But let's say that the curve is flattening and also it's flattening as well for MAPFRE RE because there is some accepted business from Latam that has been in the MAPFRE RE accounts. Let's say that most of the impact was in April and the amount, net of taxes, is EUR16 million that was affecting MAPFRE RE was basically due to 2021 occurrence year. So let's say that the -- it was reported an amount last year approximately 60 million. This half of the year is 16 as a net impact in the result. Let's say that the second half should be a smaller amount for sure but it is difficult to foresee. Regarding Germany losses, you're right, it was the extraordinary floods in Germany and in Belgium and just last week we saw on TV as well

again flooding in Belgium. We are in a very early stage and we have not received any written or oral communication from the ceding entities. But for an top-down analysis for MAPFRE RE let's say that it would be probably a mid-size NatCat event for Europe.

### **A - Felipe Navarro Lopez de Chicheri {BIO 3737558 <GO>}**

Okay, thank you. Thank you very much, Fernando. Coming back to Spain. Alex Evans asking about motor. Please could you talk about the Spanish motor market as vehicle growth, premium growth looks strong, but you are now missing your 91%-93% combined ratio target with the 93.1% in first half and 97.8% in Q2? How do you think about the provision between the different MAPFRE Spanish business lines. Mario Roperro from Bestinver would like to update you -- an update sorry on how you see the motor insurance price competition for the rest of the year. Paz Ojeda from Banco de Sabadell as well, he is asking about the combined ratio, this 93% underlying in Iberia and what can we expect on the second half 2021?

### **A - Jose Manuel Inchausti Perez {BIO 19141743 <GO>}**

Okay. Regarding the first question. Our combined ratio of the first half of the year is influenced by three points as well as the general combined ratio. So it's the underlying combined ratio is three point less. It's very difficult to estimate a combined ratio for the second half of the year. The first half of the year will be fulfilled if we eliminate the early retirement program and for the second what we have seen is a very big increase on competence between companies in the market. Companies are decreasing prices, reducing prices and are investing more in marketing. So it is not easy to estimate how far will go this process, but it will be perfectly, we could see that at the end of the year.

### **A - Fernando Mata Verdejo {BIO 19676348 <GO>}**

Okay, if I may add something I mean we are pretty happy with the current or the underlying combined ratio for automobile in Spain. I mean it's like] 93%, if we apply proportionally this three percentage point reduction, it will be in the lower 90s. So I mean this is a fantastic combined ratio. And the same for the non-life combined ratio of Iberia, it will be in the lower 93. So they're very good and in the proper line in order to meet the guidance for both MAPFRE Group and also for MAPFRE ESPANA. Regarding the allocation of the 75. Jose Manuel, you got the numbers?

### **A - Jose Manuel Inchausti Perez {BIO 19141743 <GO>}**

Yeah, it's 65 million in MAPFRE ESPANA and 10 million goes to MAPFRE VIDA.

### **A - Fernando Mata Verdejo {BIO 19676348 <GO>}**

Yeah, and the question from Mario Roperro, the motor insurance price is -- Mario it's as usual. I mean there is nothing new in this country. Extremely competitive. Perhaps Jose Manuel can give us more color, but nothing has changed in Spain I mean everybody wants to get the largest piece of the cake and the piece of the pie and MAPFRE is defending our position and with the help of MAPFRE Santander, which is very good in new business and we are extremely competitive too.

**A - Jose Manuel Inchausti Perez** {BIO 19141743 <GO>}

Yes, especially in the direct business in the digital business, we have seen an increase in competency because we have a special sensitivity when we are competing with other companies in comparison webs. And it is very difficult to be one of the top three prices best prices for our digital company, which is Verti. Nevertheless I would like to say that Verti is increasing its premiums by 7%. So much more than the market and other digital companies.

**A - Felipe Navarro Lopez de Chicheri** {BIO 3737558 <GO>}

Thank you very much, Jose Manuel. Now we have a question related with the proceeds of the Bankia sale. Andrew Sinclair is asking what options would you consider and Ashik Musaddi from JPMorgan as well is asking is there an update on the cash flows from Bankia. Fernando?

**A - Fernando Mata Verdejo** {BIO 19676348 <GO>}

Yeah, thank you, Andrew. We haven't changed our statement regarding future allocation of the consideration to be collected from Caixa. I mean we will decide on this particular transaction when we finish and we get the money I mean from Caixa. So meanwhile I mean we are analyzing different opportunities, but so far we haven't reached any conclusion. We'll try to allocate more capital to our strategic distribution channel particularly bancassurance in Spain, where there is a lack of power. I already mentioned I mean there has been two relevant transactions that we lost because of the restructuring of financial institution in Spain. And also on the digital business. And regarding our geographical footprint again Spain is key and also the United States. And in that case as we mentioned and perhaps on the states that we operating close to AAA the motor club and also Brazil. We mentioned some in a couple of meetings as well that Mexico could be -- could join the list of strategic countries as well. But so far I mean we haven't reached as I mentioned any conclusion regarding the future allocation of the consideration from Bankia.

**A - Felipe Navarro Lopez de Chicheri** {BIO 3737558 <GO>}

Thank you very much, Fernando. Mario Roperio from Bestinver is on the same subject. How fast do you plan to substitute your joint venture with Bankia if you're planning to do so?

**A - Fernando Mata Verdejo** {BIO 19676348 <GO>}

Yeah I know Mario, that there are people gossiping particularly in Spain with entities. I'm not going to name any potential future development from MAPFRE. They're in the papers and but the decision will be made once we finish what we are involved in, which is the exit of the current discussions with Caixa. That's it.

**A - Felipe Navarro Lopez de Chicheri** {BIO 3737558 <GO>}

Okay, thank you.

**A - Jose Manuel Inchausti Perez** {BIO 19141743 <GO>}

I would like to add that part of the loss of a part of the Bankia loss will be covered with other distribution channels. We have implemented homeowners especially a homeowners increase program in other -- in different channels. And I also want to highlight that the cooperation with Banco Santander is increasing. We have some products in our pipeline. We will be launching an important business line product by the end of the year and we have other products to be launched in the 2022.

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**A - Fernando Mata Verdejo** {BIO 19676348 <GO>}

Yeah, that's very good. I mean we usually discuss on M&A growth, but then we forget the organic growth, which is very important, particularly on the digital side, as Jose Manuel mentioned. We put in some of the money and having I know I mean the Bankia money in the future on the digital business and particularly homeowners. Homeowners will be the line of business, the most hurt because of the Bankia exit because it was key I mean for homeowners new business.

**A - Jose Manuel Inchausti Perez** {BIO 19141743 <GO>}

That's right.

**A - Felipe Navarro Lopez de Chicheri** {BIO 3737558 <GO>}

Thank you very much. Thank you very much. Excellent answer. Mario Roper from Bestinver. He is interested in the Solvency ratio. We increased the solvency ratio in the second in the first quarter and he is asking about our expectations by the end of the year.

**A - Fernando Mata Verdejo** {BIO 19676348 <GO>}

Well, let's say that we are quite, Mario, thank you, we are quite comfortable with the current position, and it's just the midpoint of the range. And we probably will see further improvements if there is an, let's say, upwards movement of the free risk curve, particularly in some Latin American countries, because the higher the movement is, the lower mathematical provision you have to book. So basically, it's an external factor affecting our Solvency II ratio, but it's fine I mean we can -- we should keep this 200% Solvency II ratio as a reference. This means that we will have some additional capital in order to grow -- organic and inorganic our business. So that is a good situation.

**A - Felipe Navarro Lopez de Chicheri** {BIO 3737558 <GO>}

Okay. Paco Riquel from Alantra has similar question related with the unwinding of Bankia JV that has reduced the Solvency impact from six percentage points to four percentage points. I think that you already explained why and there was another one, related with the capital requirements that are lower in proportion to the rest of the Group and how it's going to be impacting this?

**A - Fernando Mata Verdejo** {BIO 19676348 <GO>}

Yes, Paco as you can see I mean the Bankia weight on our SCR is lower because there is a reduction of both premiums and also assets compared to other units and regions. They're growing I mean significantly. So in the end, I mean, it will be a lower impact from the exit of Bankia. That's basically our understanding on this question.

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### **A - Felipe Navarro Lopez de Chicheri {BIO 3737558 <GO>}**

Okay, Alexander Evans from Credit Suisse. He is asking what internal dividends has the group received year-to-date?

I can tell you, Alexander, that we have received what was already projected and that these dividends are being booked on our accounts as they were distributed and we are quite happy with the dividend upstreaming that we have received up to now. So we don't see any kind of risks for the rest of the months and for the rest of the year, should be continuing going in the same direction.

There is another question related with coming from Ivan Bokhmat from Barclays. Can you help us to understand the underlying profitability of the Spanish life business after excluding the contribution of Bankia MAPFRE VIDA. What is the run rate and how does it compare with your expectations?

### **A - Fernando Mata Verdejo {BIO 19676348 <GO>}**

Well, I'll give you the number and then Jose Manuel can -- probably can give us more color. I guess the amount is EUR11 million as I disclosed. It's the let's say is the profit that was booked in the let's say in 2020 and we missed this quarter and but what we're seeing is a decrease in the business in Bankia MAPFRE VIDA probably because the current situation and also the lower level of assets. Is that right, Jose Manuel?

### **A - Jose Manuel Inchausti Perez {BIO 19141743 <GO>}**

Taking out any extraordinary results from life insurance, our life insurance results is growing at rate of 3% Bankia MAPFRE VIDA is not performing so well as the last year this year. So taking out Bankia MAPFRE VIDA our evolution will be much better even then the evolution I have said. And on the other side, I would like to highlight risk protection life combined ratio is 75%, which is a very good combined ratio. So we expect a good profitability from the life business.

### **A - Felipe Navarro Lopez de Chicheri {BIO 3737558 <GO>}**

Excellent answer. Jose Manuel, thank you very much. Sorry. Related, there is another question coming from Bank of America. You have talked about returning to sustainable dividend path, but not yet the level. Does this include a re-basing from the loss of Bankia JV or you think that you can get back to the historic EUR14.5 cents per share is a recurring question that we were receiving on how the dividend part is going to be in the future?

### **A - Fernando Mata Verdejo {BIO 19676348 <GO>}**

Yeah, thank you for the question. I mean the profit contribution of the Bankia JV is not that significant in order to force us to change our dividend policy. As I mentioned it's more or less between 10 and 11 million per quarter. So I'm pretty sure that we kind of said this decrease with other operations. And so let's say that they you should understand when I mentioned that we want to come back to the sustainable dividend path, it's for many, many years, it was, the dividend amount was EUR14.5 cents. And as the President, our Chairman said and also I mentioned as well in some meetings in the past, is that we



would like to come back to this dividend position of EUR14.5 cents as soon as possible. So -- and it won't depend I mean this return to this dividend path on the Bankia consideration. This is a completely different business. I mean we should come back to EUR14.5 cents by recurring profits, that's pretty clear from my side, yes.

### **A - Felipe Navarro Lopez de Chicheri {BIO 3737558 <GO>}**

Thank you very much, Fernando. We come back to MAPFRE RE, which is I think that the main the biggest change on the account is this year. Mario Roperro from Bestinver is asking let us know your views on the combined ratio for MAPFRE RE going forward. How is going to perform what could we expect from MAPFRE RE combined ratio?

### **A - Fernando Mata Verdejo {BIO 19676348 <GO>}**

Well let's say that so far has been a quiet quarter and also quiet half of the year in terms of big NatCat events. We have already reported two NatCat events. The one was the Snowstorm Uri in the Southern states of the US and the other was Filomena in the Central Spain and both they were, let's say, lower than mid-size NatCat events. And the other impact was as I already mentioned the COVID 2021 occurrence claims and it was the impact was EUR16 million net. Regarding the second half of the year, we know that the Germany heavy rains and flood will impact our combined ratio. We're not sure so far how big it will be this impact; probably a mid-size event. And but let's say that in the long run as we already mentioned, combined ratio from MAPFRE RE should be a little bit lower than MAPFRE Group. And so in this range between 94-95 in a normal standard year should be the underlying combined ratio for MAPFRE RE. On the global risk line of business let's say that we are quite happy. I mean it was a significant profit for the first half of the year, in absence of any man-made losses, significant losses. And let's keep our fingers crossed. I mean the retention has been reduced to practically 15% of premiums. So let's say that we had lower exposure on global risks. So let's say that the profitability level should remain quite unchanged for the second half of the year.

### **A - Felipe Navarro Lopez de Chicheri {BIO 3737558 <GO>}**

Okay. I don't know you just mentioned Filomena as a big claim and --

### **A - Fernando Mata Verdejo {BIO 19676348 <GO>}**

But it wasn't big -- I mean it wasn't that big.

### **A - Felipe Navarro Lopez de Chicheri {BIO 3737558 <GO>}**

No, I mean, but how do we serve this on a number of claims?

### **A - Fernando Mata Verdejo {BIO 19676348 <GO>}**

I mean that's correct. In terms of retention and it was let's say lower than mid-side event, the cost was approximately EUR20 million for the Group, most of the Group. Most of the cost was split between MAPFRE ESPANA, it was like a EUR10 million before taxes and the remaining was for MAPFRE RE. Let's say that Filomena is now the second largest NatCat event in -- ever in Spain after Klaus. It was a Hurricane one, that entered Galicia in the North Spain, and exited Spain in Girona, I mean in the Mediterranean Coast. And but

Filomena in terms of claims adjusters and the additional resources that were allocated to this storm has been huge, with over 53,000 claims open most of them they already adjusted and paid. And in terms of the gross amount was 80 million. Perhaps Jose Manuel can give us more color, but it has been a claim with a lot of work done in order to give the better quality to our policyholders. Is that right, Jose Manuel?

**A - Jose Manuel Inchausti Perez {BIO 19141743 <GO>}**

Yes, that right. It has been in terms of gross losses the most important event that we have had in Spain and in terms of claims declared the second one after Klaus. And it has been a big a huge effort in terms of logistic providers etcetera of course to attend as best as possible the number of customers that will be that was affected by the storm. We are very happy with the results and fortunately we could increase our NPS Net Promoter Score figures during these months. So we are very extremely happy with the way in which we have attended our customers.

**A - Felipe Navarro Lopez de Chicheri {BIO 3737558 <GO>}**

Thank you very much, Jose Manuel. We have another question related with MAPFRE RE impact on the COVID losses that we booked on this event. Based on the 2021 events what percentage of the portfolio that would have responded to COVID losses in early 2020 still offers coverage after 2021 renewals. How has been changing the wording of these contracts?

**A - Fernando Mata Verdejo {BIO 19676348 <GO>}**

Well, let's say, that what we changed, and we mentioned in the past, I mean we are not working in this particular line of business. I mean, we don't give, I mean business interruption, other than those that are linked to property damage. And the only thing we made is that we put in the conditions I mean a clearer wording in order to set a red line to those covers that they are provided by the policy and those that are not provided. So but we haven't changed our policy regarding this coverage that they are not in the risk appetite of MAPFRE RE.

**A - Felipe Navarro Lopez de Chicheri {BIO 3737558 <GO>}**

Thank you very much. Philip Ross from Mediobanca is asking about MAPFRE ASISTENCIA. Can you say more on the InsureandGo disposals. Are UK and Australia the worst performing assistance segments?

**A - Fernando Mata Verdejo {BIO 19676348 <GO>}**

Yeah, we disclosed that we are at the final stage of to get the two operations sold. And the one in the UK, we are currently at the end of the information process. I mean we filed with the FCA and also even we disclosed as well the name of the potential buyer. So let's say that there is just some formalities from the regulatory perspective, but I mean the amount the buyer and everything is in a proper way in order to complete this transaction anytime soon. Regarding Australia, currently we have up a binding offer from a quite serious potential buyer. So, let's say that we are working on the final details in order to have it. First, we need to get approvals, as well from the supervisors, but let's say that everything is in the proper way and we believe that we can finish this transaction as well

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by year-end. Other, in the end and we've mentioned that is like seven assistance operations across the globe that are currently categorized in the balance sheet as held for sale. And most of them they are non-strategic countries and some of them they are generating profit and others there are losses, particularly InsureandGo. And I guess it's the right decision probably at the right time as well and because that's the moment that the market reacted for these proposals. And hopefully we will finish this transaction by year-end. This is a very good news for MAPFRE and also for our shareholders.

**A - Felipe Navarro Lopez de Chicheri {BIO 3737558 <GO>}**

Thank you. Thank you very much. Fernando. Jacques Loussert from UBS, he is asking about our ESG strategy. I mean, he is asking if we consider ESG as a risk or as an opportunity. And on the short and medium future. So is today going to be a risk on our own opportunity, what it was going to happen in the medium term?

**A - Fernando Mata Verdejo {BIO 19676348 <GO>}**

Well, it's neither risk, nor opportunity. It's a reality in MAPFRE. And then the first, let's say ESG statement approving MAPFRE was back in the 1950s many, many years ago. And when everybody was even thinking of just a business. And at that point the former executives of the MAPFRE mutualidad published a statement regarding corporate finance and corporate business. So let's say that it is a reality, it is very well rooted. It is part of our DNA. It's not an opportunity. I mean, it's a necessity. We have to give back and give a part of our business, part of a profit and part of the quality of all the things that we've done to the society. So, it's something very well rooted in MAPFRE.

**A - Felipe Navarro Lopez de Chicheri {BIO 3737558 <GO>}**

Thank you very much, Fernando. I mean we reiterate this kind of commitment with the stakeholders and with the society in every time that we are in public. Carlos Peixoto was asking about our 700 million net profit guidance for the full year 2021. Do we reiterate this guidance, these results?

**A - Fernando Mata Verdejo {BIO 19676348 <GO>}**

I didn't hear you, sorry, Felipe.

**A - Felipe Navarro Lopez de Chicheri {BIO 3737558 <GO>}**

Yes, Carlos Peixoto from CaixaBank BPI. He is asking about the EUR700 million net profit guidance for the full year 2021 and should we reiterate these after these six months results?

**A - Fernando Mata Verdejo {BIO 19676348 <GO>}**

Yeah. Thank you. I mean there is no evidence or any potential risk that could jeopardize the current 700 million guidance that we published. We are pretty happy, but not only for the performance of this first and second quarter I mean since June 30 2020 we're reporting quite stable and consistent quarters I mean, we said that MAPFRE has adapted very well to this scenario, we're not happy with the situation this planet is living, but fortunately MAPFRE recurring in terms of business profit and also premium growth I mean

is quite outstanding. So let's say that nothing is wrong, that nothing should be wrong. We will meet this guidance by year end.

**A - Felipe Navarro Lopez de Chicheri {BIO 3737558 <GO>}**

Okay, thank you very much. We come back to Spain. I mean Paz Ojeda from Banco de Sabadell is asking apart from competition, could you elaborate on frequency and average cost. For example is claims frequency already similar to the pre-COVID levels and can we and can there be more to come? And on severity is inflation pick up impacting repair costs.

**A - Jose Manuel Inchausti Perez {BIO 19141743 <GO>}**

Okay. Regarding frequency, it's still lower than 2019 levels, but frequency evolving quickly to the same level, especially from May as far the restrictions in mobility are lifted by the government. And regarding average cost, we haven't seen that significant increase. It is mainly because we are taking a bigger part of our claims redirected to our preferential repair shops. So we haven't seen any tension coming from inflation on this average cost.

**A - Felipe Navarro Lopez de Chicheri {BIO 3737558 <GO>}**

Thank you very much, Jose Manuel. Those are very good news. Paco Riquel from Alandra is asking can you comment on the financial impact of the buyout of minorities in life business of Peru expected net profit contribution for 2021-2022 and impact on solvency ratio?

**A - Fernando Mata Verdejo {BIO 19676348 <GO>}**

Thank you Paco. We shouldn't expect a significant impact on the Solvency II ratio. As you know that the for the eligible capital, I mean we consider for Solvency II purposes I mean also minority interests, so let's say that the level of capital that we hold in MAPFRE Peru life is quite similar to the minimum. So let's say that the full amount of minority interests is fully booked for the Solvency II ratio. So let's say that we shouldn't expect any impact on our Solvency II ratio. Regarding the information, I mean at the subsequent events caption of the financial report there is a full disclosure of numbers and figures from MAPFRE Peru Vida. It has been a quite profitable entity for almost 35 years. I mean just I'll give you just one number. When we bought this operations back in 1986 we bought the 62% current stake by EUR16 million. So considering the current value that we apply, I mean for the transaction the increasing value has been a huge. And also another thing, I mean we review the number of dividends paid by this subsidiary and for the last five years the average was a 10 million of dividend. So let's say that the flow of dividend is pretty good.

**A - Felipe Navarro Lopez de Chicheri {BIO 3737558 <GO>}**

That makes totally sense. I mean Carlos Peixoto from CAIXABANK BPI was asking similar questions about Peru, turning that the 20 times implied price earnings for 2020 was seen demanding and could you elaborate on the rationale expecting on the return on investment, payback and it's impacts on the Solvency? Those are similar and I think that you already answer those question, I don't if you want to elaborate something more?

**A - Fernando Mata Verdejo {BIO 19676348 <GO>}**

Yeah, one thing I forgot. I mean for IFRS accounting purpose, I mean the way we are going to treat this transaction is quite similar to the one in Brazil back two years ago. So the excess of our equity that we paid for this transaction will be fully deducted from reserves. So it won't be any goodwill or VOBA in our balance sheet out of this transaction. I mean, we paid an extra amount above net equity, but they will be deducted from reserves. So that it will be neutral for Solvency II and also for IFRS net equity.

**A - Felipe Navarro Lopez de Chicheri {BIO 3737558 <GO>}**

Carlos Peixoto from CAIXABANK BPI, is asking about the release of provisions on this quarter? Should we expect more releases in the coming quarter, I think?

**A - Jose Manuel Inchausti Perez {BIO 19141743 <GO>}**

Well, it was a one-off definitely, Carlos, and perhaps as Jose Manuel can give us more color. Let's say that we have a some earn-out provision and other commissions to pay to our partners for business plan fulfillment. And what we've made, I'm not going to disclose any name as you may imagine, and but what we have done is just to adjust the current liabilities to the current circumstances. And due to the COVID, or whatever other circumstances, but let's say that some of our partners they're not going to meet the business plan. So we have adjusted the earn-outs and other contingent liabilities in that way.

**A - Felipe Navarro Lopez de Chicheri {BIO 3737558 <GO>}**

Okay, thank you. Thank you very much. Andrew Sinclair from Bank of America Merrill Lynch is asking on Brazil protection loss. He is asking if on how much was this loss provisioning for future periods? And he was asking if the increase in the losses just related to the quarter?

**A - Fernando Mata Verdejo {BIO 19676348 <GO>}**

Yeah. Thank you, Andrew. We are booking on IBNR reserves in the region in particularly in LatAm region, and across the countries, based on the number of days delay between our current day and reported day. Let's say that the range varies between 22 days and 1.5 months. So let's say that it's quite logical, I mean this range assuming that some of the business are coming from financial institutions and there is usually a lag between the day that the claim is being reported to the financial institution and the subsequent reporting to the insurance operations. So let's say that we are booking, and as a conclusion, we are booking an IBNR in order to cover future reported losses based on triangles and also the loss estimate for this particular line of business.

**A - Felipe Navarro Lopez de Chicheri {BIO 3737558 <GO>}**

Thank you. Thank you very much. It seems that there are no more questions. So we are going to close the session right now. I don't know if you want to say something?

**A - Fernando Mata Verdejo {BIO 19676348 <GO>}**

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Thank you again for your presence. As I mentioned, it has been another robust quarter, quite stable. This is the good thing of MAPFRE, let's say that for three quarters in a row, we are reporting and we're delivering what we promised at the end of June 30 2020 that we will adapt our operations to the current circumstances. So we are quite happy. And let's say the second half of the year, which is quite promising. But not COVID related free of uncertainties. So, thank you very much for your presence and above all, we wish you the best for this summer holidays and above all please remain safe and, Felipe, the words for you.

**A - Felipe Navarro Lopez de Chicheri** {BIO 3737558 <GO>}

Hi. Thank you. Thank you very much.

**A - Fernando Mata Verdejo** {BIO 19676348 <GO>}

Thank you very much for your presence.

**A - Felipe Navarro Lopez de Chicheri** {BIO 3737558 <GO>}

Jose Manuel, do you want to say something before the closing?

**A - Jose Manuel Inchausti Perez** {BIO 19141743 <GO>}

No, Iberia for sure will report similar performance in the second part of the year. Yeah, I mean they're quite recurrent business and this region is the most relevant unit and region in terms of business and profit contribution.

**A - Felipe Navarro Lopez de Chicheri** {BIO 3737558 <GO>}

Thank you very much both of you for being here, and especially for Jose Manuel who is not really -- usually present in this meeting. So, thank you very much Jose Manuel.

**A - Jose Manuel Inchausti Perez** {BIO 19141743 <GO>}

Thank you.

**A - Felipe Navarro Lopez de Chicheri** {BIO 3737558 <GO>}

Before closing the call today, I'm moving to logistics. I'm sure that most of you have received an invitation, but tomorrow Tuesday on the 27th, we will be hosting two group meetings. First, there will be a group in Spanish at 9:30 AM Central European Time. Followed by another group in English at 2:30 PM Central European Time as well. Both meeting should be lasting at around 45 minutes to an hour. Please get in touch with the IR team to confirm your attendance. You have the contact details in the presentation. Thank you for being here and being with us, and please stay safe. Thank you very much.

**A - Fernando Mata Verdejo** {BIO 19676348 <GO>}

Thank you, again, and bye-bye.

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