

Y 2020 Earnings Call

Company Participants

- Antonio Huertas, Chairman and Chief Executive Officer
- Eduardo Perez de Lema, Chief Executive Officer, MAPFRE RE
- Felipe Navarro, President and Chief Executive Officer, MAPFRE Middlesea PLC
- Fernando Mata, Chief Financial Officer
- Natalia Nunez, Investor Relations & Capital Markets Director

Presentation

Natalia Nunez {BIO 19480994 <GO>}

Good morning everyone and welcome to MAPFRE's results presentation for full year 2020. This is Natalia Nunez. As usual, the presentation includes the main figures to give you an overview of MAPFRE's performance. The MD&A and additional information, including the usual spreadsheets, are available on our website.

On this occasion, it is a pleasure to have Mr. Antonio Huertas here with us, our Chairman and CEO. He will give us a brief overview of results and the status of the pandemic and will later wrap up the presentation. It is also a pleasure to introduce Fernando Mata, MAPFRE's CFO, who will take you through the main trends and figures of the year. We also have another guest with us today, Felipe Navarro, taking on my current role, as I will be taking on new responsibilities at MAPFRE ASSET MANAGEMENT. We will comment more on this at the end of the presentation.

As usual, at the end of the call we will answer all questions received at the Investor Relations email address during the Q&A. The IR team will be available afterwards to answer any pending questions you might have regarding this disclosure.

Now let me turn the call over to our CEO. Antonio, the floor is yours.

Antonio Huertas {BIO 15896108 <GO>}

Thank you Natalia, and thank you everyone for being here with us today. First of all, I hope your families are coping well during the pandemic and staying safe and healthy.

Okay, so let's get started. Everybody says, and I would like to highlight, that no one was able to predict the magnitude of what happened in 2020 and, therefore, no company was fully prepared. Nevertheless what everyone agrees on is that the companies and institutions that best reacted to the pandemic are those that started with solid financial positions, sustainable business models, and advanced digital transformation processes in all their structures, as was our case.

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In addition to the problems caused by the pandemic, in August, MAPFRE suffered a big cyber-attack in Spain, but despite this, we were able to get our operations up and running again within a couple of days, while also ensuring that all of our branches were providing services to our clients. In just two weeks, we took full control of all of our systems, restored them and avoided the loss of any data.

I do believe that if 2020 had been a stress test, MAPFRE would have passed it with an excellent score. In response to the pandemic MAPFRE focused on three main lines of actions: people, business continuity and protecting our balance sheet. Our first priority was the activation of our business continuity plan in all countries and units, with nearly 90% of all employees worldwide working remotely at the peak of the crisis, while maintaining essential service levels including many branches, tow trucks, repair shops, et cetera. Currently, we are still continuing to focus on the health and safety of our people, employees, agents, collaborators and clients.

In 2020, we mobilized resources and transferred funds to the real economy, via direct donations through our Foundation and premium discounts for clients, as well as extra financing and aid for agents and service providers. In addition, we put a special focus on the self-employed and SMEs, which we considered a more vulnerable client segment. On top of this, we executed a portfolio retention plan for our main business lines and, fortunately, we are observing relatively stable churn rates, especially in Spain.

In relation to efficiency, we implemented a cost-cutting plan of over EUR100 million in all countries and business units, in order to compensate for the unprecedented drop in business. This involved postponing certain strategic initiatives, calling off many non-strategic projects and reducing general expenses. These savings have exceeded by far the non-budgeted expenses related to COVID-19.

Regarding investments, we additionally carried out an extensive review of equity, fixed income and real estate portfolios, goodwill and other intangibles. As a result of this review, we concluded that there was no evidence of any fixed income or equity impairments throughout the year, nevertheless a goodwill impairment was booked at year end. Fernando will go through the main impacts of this later in the presentation. I do not have any doubt that MAPFRE will come out of this crisis even stronger than before and with more opportunities for organic and profitable growth.

Please turn to the next slide. Before we go into the details, I would like to point out that it was a good quarter, with a Group profit of EUR208 million excluding write-offs, and overall we are quite happy with the results this year. Insurance units continue consolidating profitability trends, with an attributable result of over EUR790 million. IBERIA continues outperforming the market in key segments, growing both in policies and in clients, while also delivering excellent profitability metrics. Furthermore, improvements are notable in Brazil, the US, Mexico and other Latin American markets, as well as in Turkey and Italy.

The largest impact from the pandemic continues to be on the top-line due to confinement measures and economic slowdown. Currency depreciation has been a headwind, with all main currencies depreciating against the euro, although we saw some

stabilization during the fourth quarter. The current environment is still complicated for Life Savings products.

Regarding direct COVID claims, impacts at insurance units, mainly from Burial in Spain, and Life Protection in LATAM, have been mitigated by lower frequency in Motor across all markets. The cost of COVID related claims at MAPFRE RE had an EUR80 million impact on the attributable result. COVID-related travel assistance business was hit mainly in the first half of the year.

Another important effect has been on financial income, with yield compression, lower dividend income, and a difficult scenario for capital gains. On the other hand, we have made the most of our opportunities in the real estate market, with two relevant sales, which helped us to offset provisions for undeveloped land in Spain.

We booked EUR132 million in intangible write-offs, which was mainly goodwill, at operations in Turkey, Indonesia and Verti Italy. We also booked EUR26 million in write-downs for software at MAPFRE USA, related to the implementation of a new operating system in the second half of the year.

Concerning large events, we had various earthquakes in Puerto Rico during the first half of the year, with a EUR68 million net impact, and the second half of the year was also active in terms of large losses. Despite this, MAPFRE continues to boast an excellent capital position and a high degree of financial flexibility.

At this point, I would like to comment on the Board's decision regarding dividends. As you know, in order to allow investors to share in MAPFRE's profits, we aim to pay out a sustainable dividend based on a 50% minimum payout approved at the AGM. For 2020, the final dividend to be proposed to the AGM stands at 7.5-euro cents, therefore, the total dividend against 2020 results will amount to 12.5-euro cents, equivalent to a 73% payout ratio, or 58% when adjusting for write-offs. In 2020, the year of the global pandemic and despite everything that has happened, we have been able to pay our shareholders EUR416 million. This decision is proof of our commitment to shareholders, without compromising our balance sheet, while also following the recommendations from regulators.

I will now hand the floor over to Fernando, to go into the details of the results.

Fernando Mata {BIO 18226084 <GO>}

Thank you, Antonio and good morning, everybody. On this slide, the chart on the left includes the full year figures, while on the right you can see the H2 standalone figures, which has been quite stable in terms of premiums and recurring results. Premiums are down around 11%, equivalent to EUR2.5 billion on the year affected by, first, currency depreciation, with a EUR1.6 billion impact. Second, life savings premiums are down over EUR750 million in Iberia. Finally as a reminder, last year there was a two-year policy issued in Mexico for PEMEX for around EUR450 million.

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Non-life premiums are down 8%, but at constant exchange rates and excluding the PEMEX policy, there has been modest growth of 0.6%. The net result reached around EUR527 million impacted by the already mentioned goodwill write-off. And excluding these, the net result was nearly EUR660 million, down a little over 2%. The combined ratio improved nearly 3 points to under 95%, driven by the insurance units. And main variations in balance sheet items are due to the reclassification of all Bankia-related assets and liabilities to the lines held for sale.

Assets under management are down around EUR8 billion to EUR55 billion, of which EUR7.4 billion is Bankia's investment portfolio. Shareholders' equity is down 3.6% due to currency depreciation, but recovery in Middle East EUR700 million from the first quarter.

Just as a reminder, the Solvency II ratio at September stood at 180% within our tolerance range with a reduction in the quarter, mainly due to the interim dividend which was paid in December.

Please turn to the next slide. On this slide, we will discuss the different components of the adjusted attributable result. Due to the offsetting nature of the different impacts of COVID on insurance operation, we have not considered this in the adjusted result, or the final effect should be almost neutral. Also mid-sized storms in Spain have not been considered extraordinary, because they are recurring in 2019-2020 and this year again 2021, we had Filomena storm.

Regarding large claims events during the year, earthquakes in Puerto Rico had an impact of EUR68 million, only slightly up versus September by EUR2 million. And regarding COVID losses, the impact at MAPFRE RE has increased on the quarter by EUR23 million following a prudent approach based on information for incidence [ph]. We booked write-off of goodwill at ASISTENCIA for EUR65.6 million. And this year, as the Chairman mentioned, we carried out a review of all intangibles in line with ESMA's recommendations and applying more prudent assumptions due to the economic outlook. Write-off reached EUR132 million at year end.

Regarding the reorganization of operations, last year, there was a positive EUR13 million impact in the US, the positive tax impact in Spain for EUR13 million, as well as provision at MAPFRE ASISTENCIA for another EUR10 million. This year, there had been several restructuring expenses in the Assistance business in the US and Spain, but the most of them were due to a need to adjust our cost structure to the new COVID environment.

Financial gains and losses are down over EUR90 million mainly due to lower equity sales, as well as higher real estate provisions, which offset most of the gains from property sales. In the fourth quarter, we booked a gain from the sale of MAQUAVIT, another strategy business, and we also realized gains in the life business. Excluding all these impacts, the adjusted net result reached EUR763 million, up EUR110 million.

Please turn to the next slide. Regarding the goodwill write-offs at year-end, as you are aware, we are currently facing a very uncertain economic context as a result of the COVID. Within the framework of our strategic planning process, we have lowered our forecast for

medium and long-term growth on earnings and the related cash flows, mainly in those markets that we consider are more exposed to these risk factors.

We have also increased the risk premiums, a component of discount rates, applying public and commonly used data updated at year end. Regarding other units, we currently have EUR1.4 billion of remaining goodwill in our balance sheet, of which take the largest is from MAPFRE USA, with a little under EUR600 million. A full disclosure of assumptions and values are available in our annual accounts.

On this slide, I would like to go through the main trends and by business unit. Performance at insurance units has been remarkable with a combined ratio below 93%. We are reporting better performance based on technical measures implemented in previous year, mainly in Brazil and USA, and improved profitability is coinciding with lower frequency from the pandemic effect. Iberia continues to perform very well. The attributable result is down due to extraordinary tax effects last year. And regarding premiums in Spain, we outperformed the market in most retail business lines. We have finished this year with healthy growth in policies. In motor, premiums are down due to discounts made to policyholders at renewal, but insured vehicles are up by over 90,000 units.

We are outperforming the market in Life Protection as well, which is a higher margin segment with premiums up 1.5%. Life savings premiums are down over EUR750 million due to a difficult environment for these products. In the other regions, currency movements continued to have a strong impact both on premiums and results.

In LATAM, results are up EUR15 million and all three regions are reporting excellent ROEs with LATAM North around 16%, the highest of the group. The combined ratio for the region is standing under 90%. And despite the economic situation, results have improved in Brazil, Mexico, the Dominican Republic and across Central America, especially Panama.

Regarding the international business, results are up by around EUR14 million. There were several large impacts in North America, the real estate gain, the capital gain in the US and earthquakes in Puerto Rico, both in the first quarter, as well as the EUR26 million software writedown already mentioned booked in H2.

Results continue to improve in Italy, due to a decrease in motor frequency and Turkey is benefiting from underwriting discipline. Regarding reinsurance and global risks, results were extremely resilient and considering the quite active second half of the year in terms of non-COVID attritional-related losses.

In the Assistance business, the largest hit was from travel cancellation claims and it was in the first half of the year. We have been prudently reducing exposures and we have also taken further steps in our restructuring process. Finally, the other -- the line 'other' apart from holding expenses includes the goodwill impairments booked at year end.

Please turn to the next slide. On this slide, we disclose life business by region. We have already covered the main variations in premiums. Brazil, despite the current situation, showed a solid local currency growth with premiums up 12% in the bancassurance channel.

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Regarding results, the performance in Iberia was strong, thanks to improved Life Protection technical ratios and also resilient growth, together with capital -- it is very important to mention as well, together with capital gains booked at both Bankia MAPFRE VIDA, which didn't completely offset the extraordinary positive tax impacts booked in 2019. The pre-tax result at MAPFRE VIDA was up 1%.

In Brazil, the largest impact was from the previously mentioned currency depreciation, but there was also a drag from lower financial income and some COVID-related claims, especially in the second half of the year.

Please turn to the next slide. In relation to the Iberia Life business at this point, I would like to comment on Bankia's bancassurance agreement. As you are aware, in December 2020, CaixaBank and Bankia's AGMs approved the merger of both entities and the remaining regulatory and legal aspects are expected to be completed in the first quarter of 2021. Once the Bankia change of control is completed, this will trigger the process to transfer operations, as established in the MAPFRE Bankia bancassurance agreement. Consequently, we expect to have all the processes completed during the year. On the right, you can see the main figures for Bankia MAPFRE VIDA. This is the first time we disclose this information, which includes Bankia's Life business, of which MAPFRE which holds 51%. The 2020 numbers include CAJA GRANADA and CAJAMURCIA, the two acquisitions made a couple of years ago, which were merged with Bankia MAPFRE VIDA at the end of the 2020. We also included the pro forma 2019 figures for comparison reasons.

The Non-Life business, is included within the MAPFRE ESPANA unit, is run as an independent distribution channel. So therefore, the figures are not publicly disclosed. Bankia's total premiums were EUR392 million at 2020 year end, of which EUR179 million is Life and EUR213 is Non-Life, this is equivalent to 1.9 total premiums for MAPFRE.

This slide includes a full disclosure of the breakdown and variations of the investment portfolio and total assets under management. The largest changes in asset allocation have been driven by the reclassification of the Bankia financial investments as assets held for sale, which has led to a strong reduction in government bonds, mainly Spain and Italy, as well as smaller fall in corporate bonds. Spanish sovereign debt continues to be our largest exposure, but now a little under EUR13 billion, and Italian debt around EUR2.4 billion. As I mentioned before, both of these are mainly allocated to immunized portfolios.

Please turn to the next slide. On the top left are the yields and durations of our euro area actively managed fixed-income portfolios. The market value of these portfolios are down from EUR14 billion to EUR13 billion, mainly as a result of the already mentioned reclassification of Bankia-related assets as held for sale.

Accounting yields in non-life are fairly in line with yields at September, although down year-on-year by nearly 30 basis points. Yields in Brazil are up due to a lengthening of duration and a change in asset allocation moving from inflation-linked bonds to fixed-rate notes. And regarding realized gains and losses in these portfolios, gains reached around EUR79 million, down nearly EUR100 million compared to the previous year.

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On the bottom left are the details of the portfolios in other main geographies. Despite falling interest rates in several markets, accounting yields LATAM are still well above those in Europe.

Please turn to the next slide. Shareholders' equity stood at EUR8.5 billion, down around 4% during the year. The most relevant changes are first a EUR676 million decrease from currency conversion differences during the year, mainly due to the depreciation of the Brazilian real, our second largest exposure, which is down 29%, as well as the US dollar, our largest exposure with at 8% fall. Negative currency conversion differences increased by only EUR26 million in the fourth quarter. On the right, you can see the breakdown of currency conversion differences and changes during the period as well as sensitivities.

Second, net unrealized gains on the available for sale portfolio have had a EUR275 million positive impact during the year improving by over EUR240 million during the fourth quarter, driven by strong performance of Spanish and Italian sovies, whose 10-year bonds narrowed by 20 and 30 basis points respectively in the last quarter, as well as the rally in equity markets. And third, a reduction of EUR416 million as a result of the 2019 final dividend paid in June and the 2020 interim dividend paid in December. At the bottom, there is a breakdown of net unrealized gains as well as a Iberia's available for sale portfolio which has reduced significantly, mainly immunized portfolios, due to the reclassification of Bankia's held for sale and now represents around two-thirds of MAPFRE's total available for sale portfolio.

Please turn to next page. In the chart of the left, you can see the breakdown of the capital structure, which amounted to EUR12.8 billion. Very changes compared to previous year. On the right, you can see the developments of our Solvency position this year. The SCR has been fairly stable throughout the year and the ratio has moved within our tolerance range. And regarding Solvency II, the ratio was 180% at the close of September, the main driver of the move in the quarter was the effect on the -- of the interim dividend paid in December.

In the same chart are the updated pro forma impacts from potential and regulatory developments, written in line with previous calculations. The Board has already approved all necessary steps for regulatory authorization for the longevity internal model. We expect to receive approval in time to apply this to 2020 year end calculations. This will imply roughly 10 percentage points uplift to the Solvency II ratio. The process for diversification benefits of the matching adjustments, which is included in the Solvency II ratio, will take a little bit longer.

Please turn to the next slide. At this point, I would like to emphasize the resilient evolution of our capital position and credit metrics. Shareholders' equity and total equity were only down 3.6% and 2.7% respectively, despite market volatility and currency depreciation and is supported by a high degree of diversification by geography, currency and asset class. Intangibles are down by around 16%, driven by a prudent approach to asset valuation with write offs made this year as well as currency movements.

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Regarding leverage, it is only slightly up 23% with debt closing the year at similar levels to the previous year and the increase mainly driven by the fall in our equity base. The Solvency II ratio is down under 7 percentage points at 180% within our tolerance range and with a pro forma ratio of nearly 200%.

MAPFRE's current ratings are in an excellent position and were recently affirmed by all three agencies. And last of all, dividends paid were down 7%, optimizing shareholder return without compromising our balance sheet strength. All in all, we are seeing very -- a slight variation in our capital position and solvency ratios. But market capitalization is well below our book value, reflecting some uncertainty obviously in the market.

We understand that some of these could be justified in the current context. However, some of these factors like the dividend, which is more important, the stability of results in the third and fourth quarters have already been clarified at the end of this year. And we are confident that the rest of uncertainties will be resolved with time in a positive direction.

Now, I will hand things back over to Antonio.

Antonio Huertas {BIO 15896108 <GO>}

Thank you, Fernando. And before wrapping up, I would like to say a couple of words regarding sustainability. The slide you can see the main global ESG commitments that MAPFRE is signatory to. Regarding the ESG indexes, MAPFRE is already included in the main ones, and in January 2021, we were also included in Bloomberg's General Equality Index in recognition of our successful diversity and equality policies. Also, please let me briefly mention on our key ESG targets for the three-year period. At least 45% of vacancies in positions of responsibility are going to be covered by women, an objective that was already achieved reaching 46.3%. At least, 3% of our workforce will comprise people with disabilities, having reached 3.3% high success. Another one, carbon neutrality will be achieved in all MAPFRE companies with headquarters in Spain and Portugal by 2021 and worldwide in 2030. We will not invest in companies deriving 30% or more on the revenues from the coal-fired energy sources. We will not insure the construction of new electricity generation plants that are coal-fired nor insure new mines.

Please turn to the next slide. Despite current headwinds, MAPFRE is thriving with a net result of EUR208 million in the fourth quarter, excluding write-offs thus confirming our profit generation capacity. Performance of the insurance units has been outstanding reaching a net result of EUR790 million and a combined ratio below 93%. Although some of this improvement is due to lower frequency as a result of confinement measures, there are also underlying improvements and a strong profitable trend in our main markets, particularly Iberia, United States and Brazil.

In Iberia, growth has been resilient in several key Non-Life segments, with strong underwriting results despite quite a competitive market. This is helping to mitigate the pressure on financial income, as well as a challenging market for Life Savings. We continue to strengthen the MAPFRE brand with growth in clients. In LATAM, we are seeing

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improving results in Brazil, Mexico, Panama and Colombia, despite currency headwinds. The top line in this market has been hurt by the economic slowdown. Results also continue to improve in the US, Turkey and Italy, thanks to profitability initiatives, as well slower claims frequency as a result of lower activity levels. Regarding MAPFRE RE, results have proven resilient in a challenging time for reinsurance. MAPFRE RE maintains a strong financial position and a prudent approach to underwriting.

Now, let me say a few words about our bancassurance agreement with Bankia. I do believe we are well protected under the terms and conditions of the contract, especially in the exit clauses for change of control and we expect the transaction to close in the first half of the year. As for net proceeds, any potential capital gain will be included in the attributable result, and, therefore, could be a source of dividends, if decided by the Board of Directors. In any case, a significant amount will be retained for business development. With the help of this sale, we expect to distribute a dividend as we used to before the pandemic.

Turning to the financial targets, with respect to our three-year strategic plan, we are outperforming the 96% to 97% range for combined ratio and the average ROE is near to lower end of the 8% to 9% range. We're not adjusting for write-offs. However, given the current market context, premium growth will be the most challenging target. We will give more color on this at our AGM in March.

In conclusion, we are satisfied with MAPFRE's performance in an extremely difficult year. The group has a solid capital base, flexibility and a high level of liquidity, supported by strong cash generation from operating units, which allows us to pay sustainable dividends. The COVID-19 related economic crisis is not over, but MAPFRE has proven able to adapt to this difficult scenario. If in such worst circumstances, the Group has been able to maintain profits although slightly lower, we are convinced that we have the necessary business strength to drive from MAPFRE to relevant growth and profitability as soon as conditions minimally improve. Even so, we must be very cautious at this time, because although we have high hopes of the effects that the vaccination can achieve and the ability of countries to reinstate normality, the reality is that we still do not know the true depth and the scope of the economic crisis we are experiencing. We are, of course, absolutely confident in MAPFRE's ability to cope with the complications that we may encounter as we did in 2020.

Thank you for your attention. And now we hand the floor to Natalia to begin the Q&A session. Please, Natalia.

Questions And Answers

A - Natalia Nunez {BIO 19480994 <GO>}

Thank you very much, Antonio. So yes, we are going to start the Q&A session. First question is regarding Bankia. Almost all our analysts have sent us questions on the bancassurance agreement with Bankia, so we are going to try to summarize them all. Paz Ojeda at Sabadell, Jonathan Denham at Morgan Stanley, Marina Massuti at JB Capital, Ivan Bokhmat at Barclays, Paco Riquel at Alantra and Sofia Barallat at Caixa BPI. The questions

are the following. How close are you to the agreement with Caixa Bankia on the sale of the bancassurance JV? And do you consider the EUR500 million that the combined entity has set aside for JV restructuring to be the accurate reflection of the value of the business? Yeah, we have more questions, but if you want --

A - Antonio Huertas {BIO 15896108 <GO>}

Let me start, Fernando, with the process. As you know, once things -- is the execution of the Bankia integration and another integration of the position of insurance companies. In this case, I think probably the Bankia integration is close to the end in a few weeks, CaixaBank and Bankia will merge and so this will be one single bank, CaixaBank, because this is an acquisition.

The second step is the acquisition of the insurance company. It depends on the regulators and we are ready to do it. It's a matter of process that we know well. The contract reflects well the condition of the change of control. So it's perfect. The first phase is going to have an end in a few weeks and authorization for regulators in terms of final insurance integration will be probably in the second part of the year. Fernando?

A - Fernando Mata {BIO 18226084 <GO>}

Thank you, Antonio, for giving us a more color regarding the current process. Regarding your question, as I mentioned before, thank you, Paz, and the rest of persons. This EURO.5 billion assessment was one side estimation. It was only made for Caixa and we haven't published any estimation from our side. What I mean is that in this amount wasn't agreed before being published. It was only Caixa's side, and we have been published any. And we have to wait and also see the different -- it is very well disclosed in the bancassurance agreement, the different steps, different procedures that have to be taken. And one is obviously the final valuation.

We have to wait, but we are not in a position to say how accurate is this value. I mean this question should be taking to the other side, to Caixa and Bankia. Next, please the second.

A - Natalia Nunez {BIO 19480994 <GO>}

Yeah. The second question is also regarding Bankia. What are your plans for the users of the proceeds from the Bankia JV? Why to retain a significant amount for business development? Would you consider paying a special dividend once the transaction involved with the Bankia bancassurance JV is completed? Now you said that might take it into account for the -- now you say that, yeah, okay, this is the question.

A - Antonio Huertas {BIO 15896108 <GO>}

Okay. It's about the potential increase of our dividends, if we have -- the net gain coming from the sale of Bankia business. So as I said before, any potential capital gain will be included in the attributable result. It's obvious, and, therefore, can be a source of dividends, but it needs the approval of the Board. In any case, we want to continue investing in new areas, but not in surplus. So we'll retain a part of this income for business development. But we know that we can increase our dividend and recover the situation before the pandemic. We have the help of this sale.

A - Natalia Nunez {BIO 19480994 <GO>}

Okay. Thank you, Antonio. Next question is what potential partners in Spain do you consider to replace the Bankia JV, taking into account that --

A - Antonio Huertas {BIO 15896108 <GO>}

Yeah.

A - Natalia Nunez {BIO 19480994 <GO>}

-- most of the Spanish banks already have bancassurance agreements and what could be the timeline for new bancassurance distribution agreement?

A - Antonio Huertas {BIO 15896108 <GO>}

As you know, we have already other partnerships in Spain with other banks. Bankinter, CCM, and recently Banco Santander, all of us are very successful agreements. We are happy with them. And we obviously have always a plan to increase our sales through the network. Nevertheless, we know that it's the loss of Bankia is a hit, because we are losing, not in terms of premium, because it's small due to the size of MAPFRE revenues, but it's important in terms of profits. So we would like to increase our relationship with the current partners of MAPFRE. We think we have room for growth with them and we are preparing new plans to develop more businesses. The partnership with Banco Santander is still in the first phase, but has been very fruitful in the first year. So there are good news coming from this alliance in the years to come.

A - Natalia Nunez {BIO 19480994 <GO>}

Thank you very much. We have another question it comes from Sofia. She will also like to have an update on the agreement with Liberbank.

A - Antonio Huertas {BIO 15896108 <GO>}

Yeah, we are happy with our alliance with Liberbank through CCM, is an old SME banking in the central region in Spain. We have been -- we have had a very productive alliance with Liberbank. And Liberbank has been a very loyal partner. We haven't received any noticeable possible consolidation. We know that Liberbank is going to be absorbed by Unicaja integrated in a new bank. So if they want, we can continue with this alliance, because it doesn't compete with other parts of this bank in this area -- in this regional area. Also, CCM has branches, so it's an isolated area. And it has been very, very successful working together MAPFRE and Liberbank.

A - Natalia Nunez {BIO 19480994 <GO>}

Thank you very much. Now we have some questions regarding dividend and strategy. Paco Riquel at Alantra has the following question regarding the strategy and targets. Can you update on your strategy in the US, the exit strategy in some states and their profitability outlook in this region? And also can you update on your 12% ROE target in Brazil?

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A - Antonio Huertas {BIO 15896108 <GO>}

Okay, can I start with our strategy. You know, Paco, we have deployed the strategy, trying to reduce our footprint in the US. The first stage in this huge country 10 years ago or more, we decided to spread out our presence, but after some years work in that scene, the size of each state and the complexity of this market, we decided to reduce our presence in some states. Now, we are concentrated mainly in New England state, with the leadership in Massachusetts. Massachusetts represents 90% of our current presence in the US, and the other states close to this one are relevant also. But with three, four more, it's enough. We are finalizing our process of exit in some of states. And probably, we -- not probably, we are sure that we can improve our results with the new strategy having less presence in the number of states. Fernando?

A - Fernando Mata {BIO 18226084 <GO>}

Yeah, if I may add something, Paco, here regarding Assistance, probably you didn't ask about our business, but we got rid of that also, Assistance business in the US as well and with small profit. Regarding Brazil, we're pretty close, nearly 12%, what 11.3%, if I'm not wrong in our ROE. Probably you're right saying that it was due to the depreciation of the currency and also smaller in net equity. But we're quite happy with Brazil. I mean, we exceeded this magic amount of 100 and it was one of the targets. And the only thing we have to fix is automobile, as you know, but our premiums practically is half last year, but now we have a more prudent, let's say, probably the portfolio we wanted to have. And the economy in Brazil is pretty dynamic and hopefully, I mean, we will keep on with this improvement during April next year.

A - Natalia Nunez {BIO 19480994 <GO>}

Okay. Thank you, Fernando. Next question Alex Evans at Credit Suisse also had a question on the dividend. How should we think about the dividend going forward? Is EURO.125 a new base? And Jonathan Denham at Morgan Stanley will also like to know you weren't able to grow the prior dividend for a number of years. Do you expect to be able to grow the dividend from this lower base?

A - Fernando Mata {BIO 18226084 <GO>}

Yeah, thank you, Alex and Jonathan. For MAPFRE, as I mentioned as well at the presentation, dividend is key and also for you as investors and analysts. If you look back, I mean, it has been quite stable trend in dividends and we mentioned in previous presentations as well there were three years in a row with EURO.145. And the year before was EURO.14, so probably it was the most stable in terms of dividend period for MAPFRE. I know that many, many years ago and due to the previous crisis there was a significant drop in dividends. And it was, I guess, EURO.11 [ph] per share, but this one is just to avoid this volatility. So we know that this a period for uncertain things and what we did is just to increase the pay for you today, payout ratio, which was similar to last year. And consider as well that the goodwill impairment is a non-cash transaction, so it doesn't affect -- doesn't have any impact on our cash position or in our cash generation. Base, we will see in the future and that there is uncertainties regarding the pandemic, and also the recovery in LATAM, which is guess, for me, I mean, is by far the largest uncertainty. I mean, Spain is performing very well, the US as well, and the insurance has to see a different year after three years in a row with suffering a lot of cat losses. Probably, it is difficult to go back out

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to see at those years in which we were reporting over EUR200 million on net profit. But they're probably in a range to close to EUR150 million, I mean, it will be better.

So let's say that our intention is to go to this trend, to go back this pattern, but the base is net income. If there is an increase in net income, it will be higher dividend for sure. Our expectations are good, more positive, but we have to see how 2020 -- 2021 performs particularly in the first quarter. I have -- we have included in the presentation as you probably have realized, I mean the H2 main numbers. And you have a look to this, I mean, combined ratio is 92% for these two last quarters of the year. We know that this combined ratio probably is not sustainable in the long run. But if there is no changes to 2021, it will be, we guess, similar to this previous trend of the third and fourth quarters. So we don't close the door to future increases of dividends, but there will be base in an increase of net income as well. MAPFRE has a strong position. We got a lot of cash and the proceeds raised from Bankia, as the Chairman said, we have to devote a part, a significant part to future development. It won't affect our dividend policy significantly.

But just giving you more color regarding Bankia, I mean, we studied, as the Chairman said, 20 years ago this business with Bankia. I mean it grew not artificially, it was a successful process made by two partners. I look back at the numbers and 10 years ago, I mean, the profit was -- the net income was just the half of the current, which is approximately EUR500 million -- the net equity, sorry. And net profit, which amounts now EUR225 million, 10 years ago it was EUR50 million. It means that any new business, and we have to replace Bankia because it's relevant, takes time. So we're going to do is organic and inorganic, it depends on the opportunities that we will see in the market, we have to replace this business.

Obviously, and I have to say and quite clear, we're going to apply, I mean, the strictest capital discipline in this situation. I mean, everybody knows that there are different potential opportunities in the market, but we're not going to take the first to see, unless the capital discipline from (inaudible) as it was in the past, it will be in the future, a key for our strategy.

A - Natalia Nunez {BIO 19480994 <GO>}

Thank you very much, Fernando. We have another question from Marina Massuti at JB Capital Markets. She would like to know if there is -- if there could be additional goodwill writedowns from other regions.

A - Fernando Mata {BIO 18226084 <GO>}

Well, we mentioned at the presentation, first of all, Marina, and as I stated in previous presentations, at the end of the third quarter, we had no evidence on any potential goodwill impairment applying, I mean, the standard assumptions that we applied last year. We mentioned that there were a couple of entities that were close to border line. It was particularly Turkey and -- because of their social economic environment and also Italy, because, I mean, the performance of the car dealership distribution channel wasn't working very well. What we did is -- we proposed to the Board is according to ESMA's recommendation suggestions, this applies the strictest prudent assumptions to our goodwill impairment analysis.

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So basically in two different situations. First, we lower financial projections. In the past, we used 10 years and now we're down to five years. And also then we apply our perpetuity more prudent basically equal to the inflection -- inflation rate forecast. And also regarding discount rates, we were waiting in order to see or in order to (inaudible) which is public information everybody knows, everybody uses to be public at year end. And so we apply discount rates with this new premium risk and also we were even more conservative regarding Turkey. And annual increase, I guess, I don't remember very well, I guess, it was like 200 basis points, I mean, the risk premium in Turkey. Because at that point, we assess additional country risk due to the current uncertainty regarding the regulatory motor situation.

So we were prudent in both things, discount rates and also business projections. We mentioned that there is not any goodwill near the border line currently, and the largest by far is the US. And it was close to the border line three years ago due to the different discount rates. Currently, with the situation in the US, we are pretty comfortable.

And then Bankia's agreements, I mean, it will be out of the balance sheet due to the transaction. Bankinter is performing very well. MAPFRE VIDA, which comes from the delisting like 15 years ago, and this -- I mean, MAPFRE VIDA, there is nothing like -- there is no doubt of the good performance. And the remaining, they're pretty, I mean, they're safe. I mean, so we practically -- I mean, I know this is hard to say after three years in a row with a goodwill impairment, but now we are pretty comfortable. What we left in the balance sheet, they're pretty safe.

A - Natalia Nunez {BIO 19480994 <GO>}

Thank you very much, Fernando. Now we have a set of questions regarding MAPFRE RE, the business in MAPFRE. Sofia Barallat at Caixa BPI, Paco Riquel at Alantra would like to have an update on the business interruption losses at MAPFRE RE and what is left for 2021? How much has been already provisioned or booked? Also Alex Evans at Credit Suisse asks there was an increase in accepted reinsurance in the quarter. Is that related to new business interruption claims coming in or is that a reassessment of previous claims? Should we forecast this increase to continue as lockdowns and restrictions persist?

A - Antonio Huertas {BIO 15896108 <GO>}

If you allow me, Natalia, we've got Eduardo Perez de Lema, MAPFRE RE CEO in the backstage of this presentation. I guess there is no one better than Eduardo MAPFRE group has to answer. So please, Eduardo, the mic is yours.

A - Eduardo Perez de Lema {BIO 20385404 <GO>}

Hello, good morning, everyone, again. On this particular question on COVID and how the things have evolved in the fourth quarter. And we had mentioned already that there was a high degree of uncertainty on COVID claims. And there is still a high degree of uncertainty on what is going on that side. I would separate the answer in two parts. Do we expect to have new claims on the Non-Life side in 2021 related to COVID? I would say the possibility is very limited, because already since March last year, we have been, across the industry, trying to clarify the scope of coverage and, of course, in this renewals as well. So now in

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most of the countries where we had the claims in the past, it's very clear that we are not providing coverage for pandemics in the Non-Life sector pretty much everywhere.

Concerning our reserve evolution, we have been reviewing the information, and, of course, during the treaty renewals, we got a lot of information from our clients and going into much more detail than before. What we have decided is to go -- to be more conservative and try to reduce uncertainty for 2021 and being very conservative in what we reserve. So we have decided to increase reserves in some instances that still are unclear what the outcome will be both on the insurance side and on the reinsurance side. And we now closed at the best estimate of what the outcome will be. There is potential of evolution in that upside and downside, but we think we are in a comfortable figure to not have meaningful impacts or additional impacts in 2021, specifically on the Non-Life portfolio.

A - Natalia Nunez {BIO 19480994 <GO>}

Okay. Thank you, Eduardo. Also Sofia Barallat at Caixa BPI wanted to know have you booked any impact related to the Hurricanes Eta and Iota in the Caribbean in the quarter?

A - Fernando Mata {BIO 18226084 <GO>}

Well, we have, of course, both the hurricanes were significant in Central America, and we have booked the claims that we are aware of. Mostly in our case concentrated in group companies. The figure we haven't disclosed, but it's relatively modest. I have the figure here before tax. It's -- for Eta, it's 11.4 million in MAPFRE RE, plus a small additional on the local company. And in terms of Iota, it was 2.8 million or so. Manageable claims that are within the normal frequency, of course, didn't help in the last quarter, but nothing to be really worried about. Yes, if I may add, yes, including LATAM, Northern LATAM, some of them were affected as well and after taxes net income, I mean, the net effect will be the same, 11 million. So an important hurricane, but you know something affordable of course.

A - Natalia Nunez {BIO 19480994 <GO>}

Thank you very much. Now, we move to Iberia. Ivan Bokhmat and Andrew Sinclair at Barclays, Bank of America, respectively, ask about the Spanish Life business. Spanish Life business continues to generate very attractive margins, despite the negative top line impact of the pandemic. Does the 4Q result include any one-offs that may not be recurring?

A - Fernando Mata {BIO 18226084 <GO>}

Yeah, well, thank you, Ivan, for the question. Very interesting, because as you noticed, there was a big increase in profit in the fourth quarter. It was due to realized gains from Bankia MAPFRE VIDA made at year end particularly. I mean, it was like EUR13 million and before taxes and minorities in December. We aimed, at that point, just to have a more neutral balance sheet in order to avoid any potential problem at the transaction date, considering it could be December or perhaps first quarter of 2021. And it was both, I mean, equity and also in fixed income bonds. Just one thing as well and that we haven't commented, we haven't discussed during the presentation. I'm talking about risk profile. I mean, we're pretty happy, I mean, with Bankia MAPFRE VIDA that you know once we get

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rid of these assets, it will be somehow de-risked in transaction. Because as I mentioned practically over EUR6 million of Spanish debt which for MAPFRE top executives is not at risk, but for some investors and analysts. We're looking at some peripheral risk will be out of the balance, of the balance, and also like EUR5 billion -- sorry, EURO.5 billion of Italian sovies will be as well of the balance. So let's say, all in all, it's like one-third, let's say, peripheral risk in MAPFRE VIDA balance sheet.

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A - Natalia Nunez {BIO 19480994 <GO>}

Thank you very much. Now, Paco Riquel and Sofia Barallat wanted to know about the Filomena storm. Can you please give us an indication of the potential losses from Filomena? How does it compare to Gloria in 2020?

A - Antonio Huertas {BIO 15896108 <GO>}

Yeah. Antonio speaking. Today, there are a relevant number of claims based on the assessments performed. And considering region on protection, this event is expected to have an impact of MAPFRE Group net of taxes between EUR20 million or EUR25 million. EUR16.1 million net impact coming from Gloria in 2020 in Q1. Taking into account both the impacts in the Spanish insurance and the reinsurance units.

A - Natalia Nunez {BIO 19480994 <GO>}

Thank you very much, Antonio. Also, Paco Riquel asks about the BI ruling in Spain. What is your view on the recent ruling in Spain regarding business interruption losses for SMEs related to the COVID lockdown without any property damage?

A - Antonio Huertas {BIO 15896108 <GO>}

Eduardo, do you want to go?

A - Eduardo Perez de Lema {BIO 20385404 <GO>}

Well, thank you again. I would say that our general view is unchanged, so in Spain we don't see much exposure of having business interruption claims without material damage. The policies are clear in most of the cases and the fact is that the coverage isn't there. If we talk about this particular case, first of all, it's not a MAPFRE case and it's not a case where MAPFRE RE is also involved directly we know from what we have read so far. Our view is that the ruling is not correct. It's relatively small amount, but we consider that the arguments are questionable and we don't see that it should be a broadband approach in other rules, because we have seen other ruling, where the outcome has been the opposite. In fact, in all of the rulings that we have seen so far, the decision made by the judges were in favor of the insurance companies providing that the business interruption coverage is linked to a material damage that doesn't exist in this case. So well, it's a ruling, but we don't expect it to be the general rule for the industry.

A - Fernando Mata {BIO 18226084 <GO>}

If I may add, Eduardo, I guess, Paco had been in the presentation, the first presentation in the morning, but some of the people they told me that UNESPA has the public

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experiment giving further information regarding this situation, so probably it's available for you as well.

A - Natalia Nunez {BIO 19480994 <GO>}

Thank you, Fernando and Eduardo. Now we have questions regarding COVID impact. Ivan Bokhmat and Andrew Sinclair would like to know the next question, they have the next question. Could you please try to quantify the COVID impact on the business growth and net of the frequency benefit? Specifically for the motor business, could you provide the positive COVID impact and indicate whether you are still seeing the benefit of lower driving or is this now being passed on via pricing?

A - Antonio Huertas {BIO 15896108 <GO>}

Yeah, Antonio again. The impact of our numbers has been largely neutral with negative impact from COVID-related claims IBNR and premium discounts largely offset by the improvements in frequency motor has. The impact on expenses has been neutral, as I said, savings upset COVID relating expenses. It is true that the mobility -- the lack of mobility in many countries has changed the scenario regarding frequency we have had, the frequency benefits. Going forward, the mobility has increased in our main markets, but with significant developments depending on the country, for example, in Spain or Brazil or even Mexico, we have seen higher mobility and activity levels since the beginning of the pandemic. Whereas in other markets such as the US and Germany where they applied more strict regulation in terms of mobility witnessed lower recovery in mobility trends.

Regarding pricing, our tariffs are always adapted to the situation and they are reflecting the risk profile in each individual clients. So we're applying the benefits of this -- fall of the frequency in the current renewals to lower the prices in the current insurance policy. So it's an automatic process that we are always applying.

A - Natalia Nunez {BIO 19480994 <GO>}

Thank you very much, Antonio. Now, the next question comes from Andrew Sinclair. Kindly you update us on your COVID provisions for future claims in 2021.

A - Fernando Mata {BIO 18226084 <GO>}

Well, I guess that you're referring to the 2020 accident year, Andrew. As we said during the quarter presentation, we booked significant IBNR provisions to cover this gap or delay in reporting claims. Finally, we disclose at year end the amount, it's like EUR44 million IBNR for direct business, mainly allocated in Spain health and also in Latin America. Regarding rate, there is no IBNR because we book these individual cases, case by case, and according to the communications made by civil entities, and applying obviously because the majority of them, there are doubts or there is still discussion regarding we apply or not, I mean, the coverage, and applying a percentage of probability of a good rate in the end.

Regarding 2021, if there is more burial, I mean, it's still to be seen so far. I mean, the number of fatalities in Spain is pretty high, but not the one we had in April, and March and

April. So let's say, there is a sort of contention in this line of business. But we have to say, I mean, the last communications and statements made by Department of Health Spain said that the curve of the third wave is coming down. So probably the worst is over. But it is still -- we are still at an earlier stage to conclude that everything is over. But we are quite confident that in the end there is sufficiency in the burial tariffs and burial technical provisions in order to cover any volatility in this loss ratio.

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A - Natalia Nunez {BIO 19480994 <GO>}

Thank you very much, Fernando. Now Jonathan Denham wanted to know if we can provide a quick update on how we see -- you see COVID impacting profits in LATAM in 2021?

A - Antonio Huertas {BIO 15896108 <GO>}

Thank you, Jonathan. I think that the impact of the COVID has been strong in Latin America, the first and the second waves. But we think that the process of vaccination is going to improve in many countries the situation. Even the process of supporting the economy during the last months in many countries has been less aggressive than in Europe. And we're maintaining a very positive outlook about the economy in many countries, mainly Brazil. In terms of how we have seen the development of (inaudible) in this country, for example, I can say that in the last two quarters -- last year, we observed a big increase in like production, up EUR27 million on the quarter in Brazil, as well in LATAM North, the pandemic has had a late development so it has less impact than other markets. Future development will depend on the evolution of the pandemic, but I can say that we maintain a positive outlook in the main markets. It's very important as Brazil and Mexico and others like, Colombia, even Peru, are very, very important to MAPFRE and we are maintaining this positive expectation.

A - Natalia Nunez {BIO 19480994 <GO>}

Okay, thank you very much, Antonio. Now, we are moving to talk about investments. Andrew Sinclair at Bank of America would like to have more details on the real estate portfolio. Can you provide us an update on real estate disposals? Was there anything in the quarter and is there anything pending we should be aware of?

A - Fernando Mata {BIO 18226084 <GO>}

Particularly, the only transactions made in the fourth quarter was the sale of MAQUAVIT. MAQUAVIT was a standalone entity, I mean, it was a shelter holding for residences for elderly people across Spain. It was obviously -- it came from the former business we had with the Bankia as well in the past. Obviously, it was a non-strategic asset for MAPFRE, so we put in the market and also due to the COVID scenario. It wasn't the best asset to be held under. So, a potential buyer came across and we agreed on the price. And we booked this EUR10 million net profit, which was extremely satisfactory for MAPFRE.

Regarding the year-end, yeah, the 30 of December, if I remember well, I mean, we signed an agreement with (inaudible) it was published on the press and the underlying investor was Germany, a mutual and pension fund. You know they are acquiring a right to buy of plot of lands in the south Madrid for an amount of EUR106 million, which by the way

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was the book value at year-end. So, probably, I mean, the most likely timeline to materialize this transaction is 2021 with different dates, because there are different plot of lands and with no capital gains, because the transaction is same price and it's actually the same as the book value. Other assets, what we're seen is that the -- well, another thing regarding real estate and is in the financial accounts practically the unrealized gains, that's the same amount at year-end and more or less like EUR800 million before taxes. So there is no change in realized, because as a reminder, I mean the real estate are stated as acquisition cost in our balance sheet. There -- with this plot of land as sale, we're getting rid of one-third of our non-performing assets and basically plots acquired 10 years ago when MAPFRE more or less was operating in the residential business.

There are a couple of units that we will like to sell as well. It is difficult market, but we are reducing our exposure to and a base obviously, but we are an active buyer as well. Because our position in real estate is still lower than the one we had in 2012, because there were more disposals than acquisitions. So quite simply, the Board approval has to be presented as well, but we approve at the Board to increase our position in real estate with the same pattern we did in the past. I mean, we've got investment with our current partners, DLL [ph] which is a unit pertaining to Macquarie and also to Swiss Life, and perhaps some more potentially partners that they will join, I mean, this strategy with MAPFRE.

Another thing regarding real estate, in this -- let's say, in this -- in the wake of the first wave, I mean, we negotiated rents with most of the tenants and the reduction was not significant. So we are -- I mean, it was like a 20% reduction and also it was some agreement as well in order to delay some payments, but we are quite positive with the strategy applied, I mean, at this business and at this time. So please, Natalia, next question.

A - Natalia Nunez {BIO 19480994 <GO>}

Thank you, Fernando. Andrew Sinclair and Ashik Musaddi of Bank of America and JPMorgan, who would like to have more details of the investment income. Can you provide any guidance on investment income in 2021? What is normalized base investment income and what is the annual drag we should expect going forward from a normalized base?

A - Fernando Mata {BIO 18226084 <GO>}

Yes, difficult to say what's going to be our accounting till next year, because it will depend on the obviously the interest rate and reimbursement rate. And also, I mean, there is some assets that are linked to -- with provisions and therefore -- but anyway, we have seen in the past and we should expect similar trend. It is a 30-basis point reduction every year on Non-Life fixed income portfolio. You see that our balance sheet practically halfway with once the exit of Bankia is being completed, approximately EUR20 billion of our investments are allocated to Non-Life, another EUR20 billion to Life. And also we bought this as well, our accounting yield currently is like 1.7% and 1.70% more or less for MAPFRE RE and MAPFRE ESPANA, which by the way they are the main contributors. So let's say that we should expect perhaps lower, but a decline in the accounting yield perhaps between 25 and 30 basis points. We are trying to replace with another wave of alternate

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investment, as I mentioned, focus on real estate investment and also alternative as well, mainly infrastructure with Macquarie and also perhaps new markets -- sorry, new partners. Our exposure in equity will remain quite similar, but the focus on more cyclical -- cyclical entities and also we're pretty far from financial institutions and also oil entities. But in any way -- any case, our equity portfolio is extremely prudent and will remain the same. Regarding rated entities and our policy hasn't changed, a sovereign BBB or higher, and then those that are BB is because there was a downgrade, the ones that are in our portfolio.

A - Natalia Nunez {BIO 19480994 <GO>}

Okay, thank you, Fernando. Now we have some questions regarding solvency. Marina Massuti at JB capital has the following question. How do you see the Solvency II ratio evolving in the fourth quarter of 2020?

A - Fernando Mata {BIO 18226084 <GO>}

Yeah, I mean, it was one of the questions raised by the Spanish regulator before the non-objections to our dividend. We're keeping our quite frequent dialogue, conversations with the supervisor and it should be quite similar. If you consider both things, I mean in terms of profit contribution and more or less for the fourth quarter, it's EUR208 million. And the dividend approved is like EUR230 million more or less. So let's say that they're both at the same level. So let's say, they should be quite similar. There is no -- no, we shouldn't expect a significant change in our SCR. And so the only thing we published as well in the report and then MD&A is the sensitivity analysis in our Solvency II ratio regarding the Bankia exit. And assuming that there is no change in our equity base, which is very unlikely, we can say we should expect a capital gain. The exit of Bankia from our balance sheet will add a 5-percentage point increase to our Solvency II ratio.

Regarding approval, we are in contact with the supervisor. I know that the approval has to come to MAPFRE by February in order to be applied to the 2020 calculation, we are pretty optimistic and we are in a permanent contact with the Spanish supervisor. The Board has done so far everything that we had to do. So it is on the regulator side and so, let's say that the only thing we have to wait. But any case, if there is no -- the approval doesn't come in February, I mean, the pro forma and the proxy, it is pretty clear. Because the supervisory body has told us that there is not any -- they don't see any problem in order to get the approval on time or just in the second quarter. But it will be in any case, I mean, a significant uplift to our Solvency II ratio.

A - Natalia Nunez {BIO 19480994 <GO>}

Okay. You mentioned that -- because Alex Evans at Credit Suisse wanted to know, if you could give more details on the 5-percentage points uplift due to the exit of Bankia MAPFRE VIDA, is it due to premiums or what?

A - Fernando Mata {BIO 18226084 <GO>}

Is due to -- is the combined effect on the SCR, assuming that eligible funds are flat. So let's say that we haven't included any potential gain, because we don't know it in our equity base. And so, yes, basically the change in SCR.

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A - Natalia Nunez {BIO 19480994 <GO>}

Okay, thank you.

A - Fernando Mata {BIO 18226084 <GO>}

As I mentioned, I mean, it's a big amount of -- a big chunk of assets that they will be of the balance in probably this year. So it's again, this is a derisk in transaction for our balance sheet, very, very important.

A - Natalia Nunez {BIO 19480994 <GO>}

Good, thank you. And now, again, regarding Bankia, Paco Riquel at Alantra would like us to give an indication of the P&L contribution from Bankia JV in Non-Life. Also Ashik Musaddi at JPMorgan asks what are the moving parts of earning loss from Bankia and any positives from acquisitions that are indeed contributing to earnings?

A - Fernando Mata {BIO 18226084 <GO>}

Yeah, thank you both of you. What I said is what I can say. And you, analysts, and we at, Mapfre, is doing is just to put on the financial -- during the financial reporting information we can't make it public. And there is a full disclosure of business Life. Probably it's a surprise for some of you, I mean, there is some net equity and also the profit contribution pretty strong. And for Non-Life, what we can say is, well, we rocked. I mean, it's the amount of premiums, they're benchmarking the Spanish market further that are interesting, because there are entities with a similar risk profile as well, bancassurance entities. So it's easy to get the combined ratio if you want, but we can't publish this information. As I mentioned for MAPFRE, this business is being run as an independent distribution channel, but is MAPFRE ESPANA books. And so we can't give you the profit contribution for Non-Life business in MAPFRE ESPANA, sorry about that.

A - Natalia Nunez {BIO 19480994 <GO>}

Good. Thank you very much. Now, we have, -- I think three or five more questions. Sofia Barallat asks in your adjustments to attributable results, the slide five of the presentation, the EUR50 million provision for restructuring booked in the second quarter of 2020 has been excluded. Was this provision released?

A - Fernando Mata {BIO 18226084 <GO>}

Well, thank you for -- very important Sofia, because I haven't mentioned during the presentation. If I -- as I reminder, I mean, this is a general provision. It wasn't covered in a particular result at that point. But during the fourth quarter, we booked first the US software deterioration. It was covered for this provision. And also, as we mentioned, I mean, there are restructuring expenses that we didn't consider extraordinary, part of them during this fourth quarter, part of them in the early retirement scheme that we have practically every year in large operations, such as the US and also Spain. And also there is a downsize as well in some operations, particularly principally contact centers in the large countries as well is due to the current COVID situation. We have to adapt to our structure to the current volume and activity of this contract center. So let's say that what we did is

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we reversed this provision, because those deliveries that, in theory, they will -- it was covered. They were already in the profit and loss account at the fourth quarter.

A - Natalia Nunez {BIO 19480994 <GO>}

Thank you very much, Fernando. Now, we have a couple of questions regarding expectations. Marino Massuti, JB Capital Markets, would like to provide some guidance. How do you see the combined ratio for 2021 particularly for motor insurance. And also Ashik Musaddi at JPMorgan would like to know our opinion regarding premium growth in 2021 and ahead, following this large drop of 2020.

A - Antonio Huertas {BIO 15896108 <GO>}

It's not easy in the current environment to have any vision -- any clear vision about how that trends can evolve in next months. The situation with the pandemic is still heavy, so the limitations of the mobility are affecting all the economic activity, normally motor insurance. In terms of claims, combined ratio we have continued, consolidated strong underlying profitability trends. We have offset the increase in burial and life protection with the improvement in motor and health and other lines.

Regarding guidance about motor, as I said before, it's complicated. In a normal situation, once the pandemic is finished, we can sustain this -- the current frequency obviously. The claim ratio and the combined ratio have to increase. But in the last years, MAPFRE has introduced many new techniques to control this business, in some countries where we had poor development. So in normal conditions, I can say that combined ratio from 95% to 97% would be very positive in motor, but we are not still in this situation. And in upcoming months, we can see a lower combined ratio, not only in motor, also in other lines.

In terms of premium, this is also difficult because the recovery of the economy can be different depending on countries. The drop in car sales in Spain in January was huge. And we can't think about a quicker recovery, but in any way, our ways of distribution are doing well and we are observing month by month, little by little increase in our offers, also in our sales, in all the lines, including motor.

A - Natalia Nunez {BIO 19480994 <GO>}

Thank you very much, Antonio. And also regarding this guidance of these expectations, Paz Ojeda ask about the combined ratio. Fernando Mata said that 92% current combined ratio should be -- could be sustainable for the following quarters. I assume that combined ratio is still supported by lower frequency, mainly in motor. Could you give us a guidance regarding the underlying combined ratio or a normalized frequency basis? Are there any improvements in other areas, lines of business that may offset the expected pickup in frequency?

A - Fernando Mata {BIO 18226084 <GO>}

Paz, if I said that following quarters, I correct myself right away. What we've seen is during the first quarter, particularly January, I mean, a similar trend that we had in the fourth quarter, particularly for automobile. There is, let's say, frequency in Spain, because there is

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less mobility as well in Germany and in the US. On the other hand, Latin America is completely different particularly, I mean, mobility is back to normality. But, let's say that it will depend on basically our economic activities. I mean, there is -- if fortunately, I mean, the vaccination process will come to an end satisfactory, I mean, it will be obviously an increase of frequency and also has to be transferred to prices. Let's say that the first quarter, I mean, if nothing change, which is what we've seen during January, I mean, we should expect a similar trend that the last -- third and last quarters. But believe me, we are looking at only the yes, immediately quarter. I mean, had to see, extremely prudent on guidance and future outlook further than this current quarter.

A - Natalia Nunez {BIO 19480994 <GO>}

Okay, thank you very much, Fernando. Paz Ojeda at Sabadell asks about holding figures breakdown?

A - Fernando Mata {BIO 18226084 <GO>}

Sorry, repeat it again. Yeah.

A - Natalia Nunez {BIO 19480994 <GO>}

Holding figures breakdown. I think this is the last question. Could you provide more detail about holding and others line, both concerning premiums and attributable results? How much would this correspond to Iberia? I would like to say something, but Fernando is going to help you with this, I guess, but if there is any pending doubt or anything, just give us a call because perhaps it's more technical this question.

A - Fernando Mata {BIO 18226084 <GO>}

Yeah. But basically holding expenses in that particular year 2020 includes the goodwill impairment and the remaining overheads cost, let's say, the cost of the service of the debt, which (inaudible) the magnitude EUR16 million, if I'm wrong. And also some operating expenses regarding the central offices at Majadahonda. But then also there is a couple of provisions as well regarding IFRS future expenses that we booked this year amounting to EUR10 million, but nothing relevant and different from previous years. But we will work on our full disclosure of -- a breakdown of these holding expenses and we will give you this full detail, yeah.

A - Natalia Nunez {BIO 19480994 <GO>}

Okay, thank you very much, Fernando. There are no more questions. So, Antonio, you want to wrap up?

A - Antonio Huertas {BIO 15896108 <GO>}

Yeah, it's time to close. Thank you for your time today. As I mentioned, we are satisfied with MAPFRE's performance in a certainly difficult year. We have weathered the storm quickly adapting to a complex and unprecedented context. The COVID-19 related economic crisis is not over still, but we maintain high hopes about the vaccination and a return to some degree of normality. We are convinced that the future will continue offering MAPFRE excellent opportunities for profitable growth and we are fully prepared

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to take advantage of them. Now, more than ever, we are committed to our stakeholders and society at large and we'll continue to create value for our shareholders.

I would like to thank you, Natalia, for having made an excellent year of managing IR during many years. Now, Natalia, you hand over the call.

A - Natalia Nunez {BIO 19480994 <GO>}

Thank you very much, Antonio. As I announced at the beginning of the presentation, from now on, I will be taking on new responsibilities at MAPFRE Asset Management as Deputy General Manager of Strategic Development. First of all, I want to thank MAPFRE for trusting me to face this new challenge. I'm looking forward to it after more than 11 years in the Investor Relations team, seven of which I sat as a Head of IR. Overall, these years, we have learned a lot from our investors and the analysts community and I would like to thank you all for it.

This close communication and enhanced collaboration has been very rewarding for me. Thank you, again, and I'm sure this close relationship between MAPFRE and the investment community will continue. Felipe is an excellent professional with a solid track record. He will be leading a great and talented team. I will now hand the floor over to Felipe.

A - Felipe Navarro {BIO 19990761 <GO>}

Thank you very much, Natalia. I'm really excited for this new challenge at MAPFRE Group. I would like to take this opportunity to introduce myself. I joined MAPFRE in 2002 and have had different responsibilities within the organization. The last six years, I've been CEO of Malta, where I had the chance to be at the helm of a company that is the absolute market leader both in Life and Non-Life in a quite unique market. Previously, I coordinated the bancassurance activity of MAPFRE VIDA for eight years from the initial negotiations to the acquisition and later the management of the different operations. My first five years in MAPFRE were at the M&A department and before joining the Group, I had 10 years of experience in financial markets. I'm 54, happily married and father of four. Thank you very much. Now, Fernando, would you like to comment on upcoming events.

A - Fernando Mata {BIO 18226084 <GO>}

Yeah. Thank you. First of all, thank you, everybody, for joining this presentation. And thank you, Natalia and Felipe. Natalia, it has been a pleasure working with you all these years and we wish you success in your new position. Felipe, welcome to the team. I'm also convinced that you will be a positive addition. I know that MAPFRE is very complicated and we live in a quite complex scenario.

So moving on to logistics instead of our traditional in-person analyst breakfast, this week on the 15th, 17th and 18th, we will be arranging 15-minute one-on-one withdrawal meetings for those of you that are interested that will be hosted by myself, Felipe Navarro and also Leandra Clark. Please get in touch with Leandra or the IR team to reserve a slot. You have the contact details in the presentation.

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And also we are happy to announce that on March 16 after the AGM, we will be holding our first MAPFRE Management Insights Day where our President and CEO and key managers will give you their insights on recent business development. As well as the strategy update approval at the AGM. Further details will be announced later. We're looking forward to seeing you at these events. Thank you for your time and above all, stay safe. Bye-bye.

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