

# Mapfre, S.A. BME:MAP

## FQ2 2021 Earnings Call Transcripts

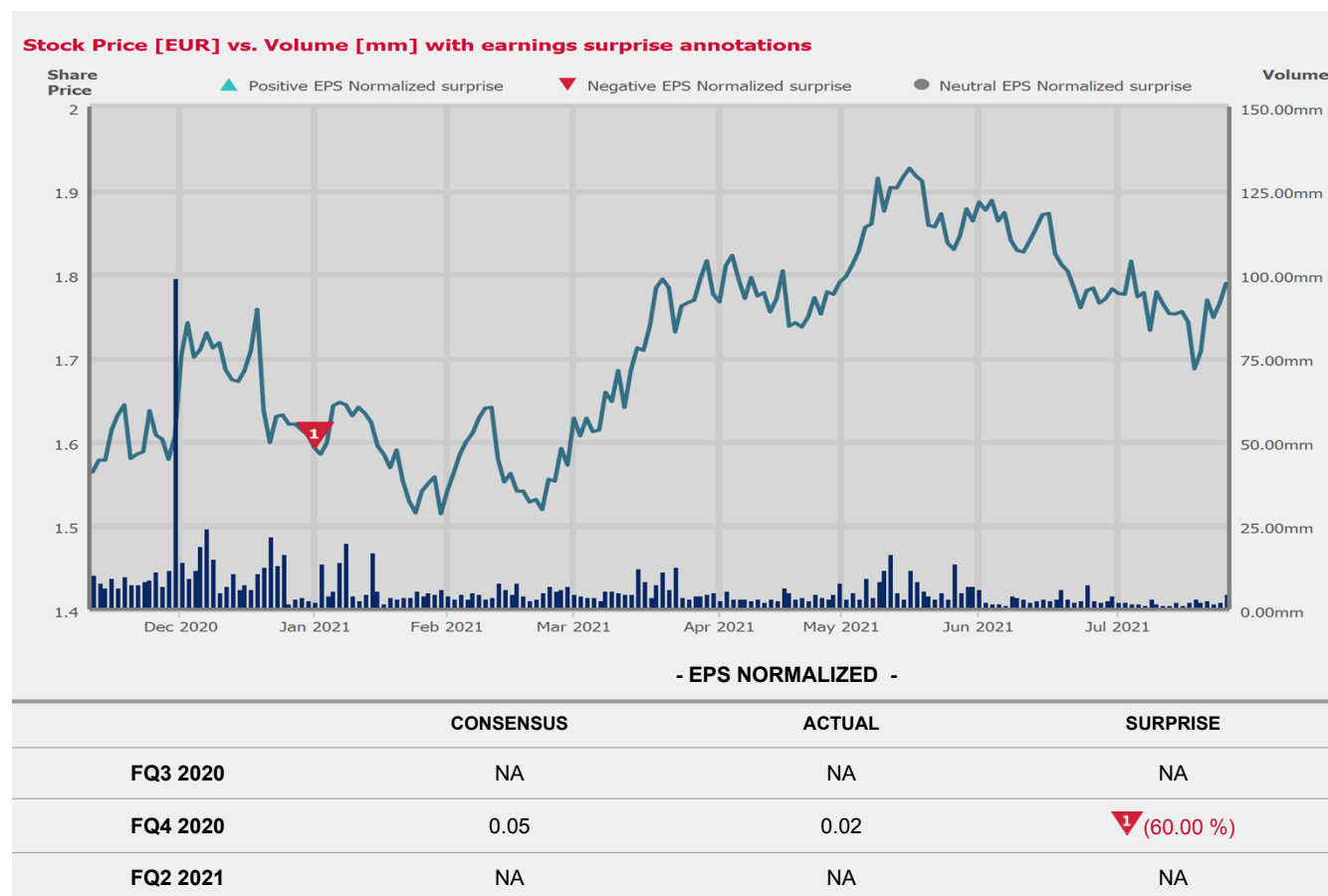
**Monday, July 26, 2021 11:30 AM GMT**

S&P Global Market Intelligence Estimates

	-FQ2 2021-			-FY 2021-		-FY 2022-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	GUIDANCE	CONSENSUS
EPS Normalized	NA	NA	NA	0.23	NA	NA
Revenue (mm)	1035.00	NA	NA	20857.29	NA	NA

Currency: EUR

Consensus as of Jul-20-2021 9:42 AM GMT



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# Call Participants

## EXECUTIVES

Felipe Navarro López de Chicheri

**Fernando Mata Verdejo**  
*Group CFO & Director*

José Manuel Inchausti Perez  
*Third Vice Chairman & CEO of Iberia  
Regional Area*

# Presentation

Felipe Navarro López de Chicheri

Good afternoon, everyone, and welcome to MAPFRE's results presentation for the first half 2021. This is Felipe Navarro, Head of Investor Relations, Capital Markets and Treasury. As usual, Fernando Mata, our CFO, will walk us through the main figures and highlights of the quarter. We have also -- we also have the pleasure of having here with us José 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 stand-alone figures in our financial supplement.

At the end of the presentation, we will open the Q&A session. [Operator Instructions] 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 U.K. and the Iberian Peninsula, although the increase in cases has not led to an 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 workforce are currently working remotely. We will continue adapting to the changes and conditions in every country.

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

## **Fernando Mata Verdejo**

*Group CFO & Director*

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. And regarding P&L impacts, direct claims at the 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.

Top line 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 continue 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 EUR 8.5 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 top line, I should mention that we renewed the large multiyear PEMEX policy in Mexico for \$563 million, equivalent to EUR 469 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 as Insurance units. There was a provision for early retirement in Iberia booked in the second quarter. And excluding this, the combined ratio would have been around 94%, and the expense ratio will have improved proportionately. José Manuel will comment on this in more detail later in the presentation.

MAPFRE's net result is EUR 364 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 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 results. As many of you have requested, we have included quarterly stand-alone figures as well. As a reminder, in line with previous quarters, due to the offsetting nature of the different COVID impacts at Insurance operations, we have not considered this in the adjusted result. The final effect should be roughly neutral, although there could be some volatility from one quarter to the next.

Regarding other, natcat claims has been a quiet quarter with nothing relevant to report. As a reminder, last year, there was a EUR 61 million net impact from the earthquake in Puerto Rico. And regarding COVID claims at MAPFRE RE, there was a EUR 14 million impact mainly related to claims occurring in 2021.

There have been 2 large impacts in Iberia during the quarter: there was EUR 56 million negative impact from an early retirement provision and a EUR 22 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 EUR 25.2 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 EUR 17 million. In 2020, other items included a provision for restructuring.

Excluding these impacts, the adjusted net result was EUR 352 million, down around 9.8% mainly as a result of lower financial income and absence of EUR 11 million profit contribution from Bankia in the second quarter. The adjusted result is up over EUR 19 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 José 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 EUR 36 million is down mainly due to COVID-related life protection claims and currency movements. The combined ratio remains strong at 86%, down nearly 3 points, with improvements in General P&C. The economic outlook has slightly improved with SELIC rates are -- 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%, in that case driven by the large multiyear policy in Mexico as well as strong trends in most segments. Excluding this policy, premiums in the region will 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 U.S. Northeast at 96.5%. In the U.S., 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 nonrenewal 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.

In 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 ASISTENCIA business, results are up over EUR 11 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 its 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, thanks to successful sales campaigns and rollover of product maturities. I will leave the numbers for José 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 EUR 22 million mainly due to a strong impact from COVID-related claims in LATAM, where the Life Protection attributable result is down by EUR 50 million, EUR 5-0 million. Average cases and number of death figures are beginning to come down, and we seem to have passed the peak. Particularly in April was the hardest month. It was mitigated by improving results in Iberia that José Manuel will comment on now. José Manuel, the floor is yours.

José Manuel Inchausti Perez  
*Third Vice Chairman & CEO of Iberia Regional Area*

Thank you very much, Fernando, and 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 and 6% and in savings up 34%.

The net result is EUR 206 million, down 7% on the year, explained by an increase in claims experienced in Motor, Health and Homeowners due to a pickup in economic activity. It also reflects a provision for a voluntarily early retirement scheme for EUR 75 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 will be 1/2 -- will be 3 points, I'm sorry, 3 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 6 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's is growing 2 percentage points above the total market, outperforming in most key business lines. Life and Health are worth highlight, which are growing 6 points more than the market. These also business lines are growing 5 points more than the market.

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 3 million members. MAPFRE's 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 insurance 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 1 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. Online transaction ratio has improved continuously over the last 2 years, 5 and 9 points for MAPFRE and VERTI, respectively. New policies captured through digital channels have grown 21% as of June. VERTI continues to outperform in 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 lines of businesses, defending our portfolio and cost containment. Trends are slowing both on Non-Life and Life. Frequency trends will depend on mobility and economic recovery. However, we are already very close to a 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' channel 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 required 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 EUR 75 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 EUR 7 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 multi-risk, and advances are being made in other segments. Progress is being 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 action 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 the transaction to be completed by year-end. But the final time line will depend on the pertinent regulatory and administrative approvals. 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, cyber insurance and assurbanking banking. MAPFRE continues to meet important milestones, reaching over 100,000 policies as of June and over EUR 24 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 linear 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**  
*Group CFO & Director*

Thank you, José Manuel, and a pretty comprehensive presentation, 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 EUR 12 billion, and Italian debt with EUR 2.7 billion is the second largest, both sovies are mainly allocated to immunized 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 strong performance both due to market movements as well as positive net contributions of EUR 70 million in pension funds and EUR 212 million in investment funds at the end of June.

On the top left are the details of our Euro actively -- Euro area actively managed fixed income debt portfolios. The market value of these portfolios is a little under EUR 13 billion. The accounting yield is around 1.6% in Non-Life 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 will be closer -- pretty down -- closer to 4 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 EUR 14 million, down EUR 14.5 million compared to the previous year. At the end of June, and this is very important, there were EUR 161 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. And right now, we prefer to accumulate unrealized gains in order to compensate the fall in value of fixed income portfolios.

Shareholders' equity stood at EUR 8.5 billion, up EUR 217 million in 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 EUR 281 million negative impact due to rising rates, with only a EUR 10 million deterioration in the quarter. And conversion differences had a positive net impact of EUR 120 million during the period, improving around EUR 40 million in the quarter mainly due to the appreciation of the U.S. 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, with -- which amounted to EUR 13 billion, of which over 3/4 is equity. Leverage is stable in the quarter, 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 figure 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 José Manuel has already explained quite in-depth, in Iberia, we continue extremely 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. As for Bankia, as José 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 U.K., 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 almost -- 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, and we'll now hand the call over to Felipe to begin the Q&A session.

# Question and Answer

Felipe Navarro López de Chicheri

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

**Fernando Mata Verdejo**  
Group CFO & Director

Thank you, Paco, and 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 1/3 during the first quarter and 2/3 in the second quarter. And the total in Latin America was like EUR 50 million for both quarters. But unfortunately, we can't disclose -- I mean, bear in mind that the -- a significant impact is being 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 1/3 was the first quarter and second third was for the second quarter, roughly talking.

Felipe Navarro López de Chicheri

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

**Fernando Mata Verdejo**  
Group CFO & Director

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 2/3 impact in the second quarter, as I already commented, the peak was in April, the month of April, with gross value for incurred losses of close to EUR 65 million.

And -- but let's say that the curve is flattening and with a lower impact in claims in May and also a descending 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 uncertainties regarding the COVID in LATAM, but the outlook remains challenges.

But as I mentioned, I mean, we are quite positive. And let's say that we have 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're 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.

Felipe Navarro López de Chicheri

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's asking, "For the Iberia early retirement scheme you have completed, what will be -- will -- 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 EUR 75 million reconstruction program in Spain?"

**Fernando Mata Verdejo**  
Group CFO & Director

Well, José Manuel will take this question.

Felipe Navarro López de Chicheri

José Manuel?

**Fernando Mata Verdejo**  
*Group CFO & Director*

Yes.

José Manuel Inchausti Perez  
*Third Vice Chairman & CEO of Iberia Regional Area*

Yes, of course, Paco, it will be -- depending on the profile that we are speaking at, we could calculate between 3 and 5 years the return.

Felipe Navarro López de Chicheri

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's asking -- he's -- 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?"

José Manuel Inchausti Perez  
*Third Vice Chairman & CEO of Iberia Regional Area*

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 workload, which cannot be the same than years ago. And last, I think centralized operations give us more flexibility and more efficiency in -- as a company. And the impact on the ratio -- the expense ratio nowadays are 3 points. And in the future, we expect, of course, a less -- a minor expense ratio, but we are calculating it in the next strategic planning.

**Fernando Mata Verdejo**  
*Group CFO & Director*

So that's very important, and we already mentioned in -- that for the Iberia business, these expenses is impacting dramatically our combined ratio. And as José Manuel said, the net impact in the combined ratio is a 3 percentage points reduction -- sorry, increase. So if you adjust the current combined ratio, eliminating this impact from the redundancy scheme, it will be a little bit higher than 93%. It's a quite -- an outstanding combined ratio in the current circumstances for Iberia.

Felipe Navarro López de Chicheri

Okay. Thank you. Thank you very much, José Manuel and Fernando. There's more questions related with this scheme, next one related with how many people are involved in this scheme. That is coming from Mario Roperio from Bestinver. And Paz Ojeda would like to -- from Banco Sabadell would like to know which is the time frame of this operation.

José Manuel Inchausti Perez  
*Third Vice Chairman & CEO of Iberia Regional Area*

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

**Fernando Mata Verdejo**  
*Group CFO & Director*

Yes. 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 are becoming eligible, I mean, is growing. I mean it has been very well accepted. I mean we're quite generous and -- for our employees. And with the number that we're seeing currently in July, probably we will hit this number of 250 employees that José Manuel has mentioned. We're happy. I mean let me tell you that it's not the first redundancy scheme. But for the last 5 years, it has been early retirement plans not that size. I mean this is very important, is what is relevant that is affecting a big group of employees.

But MAPFRE has other large entities. I mean we are trying to give, I mean -- and also to reduce our payroll, particularly for those employees that has devoted more of his professional time -- lifetime, I mean, to MAPFRE. So let's say it's nothing new. But this size, let's say, that is very important. So in this transparency commitment that MAPFRE has, I mean, we decided just to making them public, and that's basically my view.

Felipe Navarro López de Chicheri

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. He has -- he's interested as well with what could be the potential losses for the extraordinary floods in Germany and Belgium in July as a 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.

**Fernando Mata Verdejo**  
*Group CFO & Director*

Well, as I mentioned, Paco, 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 flattened as well for MAPFRE RE and -- because there is some affected business from LATAM that there has been -- is in the MAPFRE RE accounts.

Let's say that most of the impact was in April, and the amount that -- net of taxes, EUR 16 million, that was affected MAPFRE RE was basically due to 2021 occurrence year. So let's say that we reported an amount last year approximately EUR 60 million. This half of the year is EUR 16 million as a net impact in the result. Let's say that the second half should be a smaller amount for sure. But it's 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, flood in Belgium. This is -- we are in a very early stage, and we have not received any written and oral communication from the said entities. But from a top-down analysis from MAPFRE RE, let's say that it would be probably a mid-sized natcat event there for Europe.

Felipe Navarro López de Chicheri

Okay. Thank you. Thank you very much, Fernando. Coming back to Spain, Alex Evans asking about Motor. "Please you could -- 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 a 93.1% in first half and 97.8% in Q2? How do you think about the provision between the different MAPFRE RE España business lines?"

Mario Ropero 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 Sabadell as well is asking about the combined ratio, this 93% of underlying in Iberia, and what can we expect on the second half 2021?

**José Manuel Inchausti Perez**  
*Third Vice Chairman & CEO of Iberia Regional Area*

Okay. Regarding the first question, the -- our combined ratio of the first half of the year is influenced by the 3 points as well as the general combined ratio. So it's -- the underlying combined ratio is 3 points 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 have -- see that at the end of the year.

**Fernando Mata Verdejo**  
*Group CFO & Director*

Yes. If I may add something. I mean we're 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 3 percentage point reduction, it will be in the lower 90s. So, I mean, this is a fantastic combined ratio. The same for the Non-Life combined ratio of Iberia, it will be in the lower 93%. So they're very good and in proper line in order to meet the guidance for both MAPFRE Group and also for MAPFRE España.

Regarding the allocation of the EUR 75 million, José Manuel, you got the numbers?

José Manuel Inchausti Perez

*Third Vice Chairman & CEO of Iberia Regional Area*

Yes, yes, yes. It's EUR 65 million in MAPFRE España and EUR 10 million goes to MAPFRE VIDA.

**Fernando Mata Verdejo**  
*Group CFO & Director*

Yes. And the question from Mario Roper, the motor insurance price, Mario, is as usual. I mean this is nothing new in this country. Extremely competitive, but perhaps José Manuel can give us more color. But nothing has changed in Spain. I mean the -- everybody wants to get the largest piece of the cake and the piece of the pie. And MAPFRE is -- we're defending our position. And with the help of MAPFRE SANTANDER (sic) [SANTANDER MAPFRE], which is very good in new business, and we are extremely competitive, too.

José Manuel Inchausti Perez  
*Third Vice Chairman & CEO of Iberia Regional Area*

Yes, especially in the direct business and 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 [indiscernible] (46:44). And it is very difficult to be one of the top 3 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.

Felipe Navarro López de Chicheri

Thank you very much, José 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?"

**Fernando Mata Verdejo**  
*Group CFO & Director*

Yes. Thank you, Andrew. We haven't changed our statement regarding future allocation of the consideration to be collected from CAIXA. I mean the -- we will decide on this particular transaction when we finish and we get the money, I mean, from CAIXA. So meanwhile, I mean, we're 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 we -- there is a lack of power. We -- I already mentioned, I mean, there has been 2 relevant transactions that we lost and -- because of the restructuring 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 thoughts -- states that we operate in close to the AAA debtor 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.

Felipe Navarro López de Chicheri

Thank you very much, Fernando. There's -- Mario Roper from Bestinver is on the same subject. "How fast do you plan to substitute the joint venture with Bankia, if you're willing to do so?" I mean...

**Fernando Mata Verdejo**  
*Group CFO & Director*

Yes. I know, Mario, that there are a lot of people gossiping, particularly in Spain, with entities. And I'm not going to name any potential future development for MAPFRE, they're -- on their papers, and -- but the decision will be made once we finish the -- where we will involve, which is the exit of the current discussion with CAIXA, and that's it..

Felipe Navarro López de Chicheri

Okay. Thank you.

**Fernando Mata Verdejo**  
*Group CFO & Director*

José Manuel?

José Manuel Inchausti Perez  
*Third Vice Chairman & CEO of Iberia Regional Area*

I would like to add that part of the loss or a part of the Bankia loss will be covered with other distribution channels. We have implemented a homeowners -- especially a homeowners increase program in other -- in our 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 another products to be launched in 2022.

**Fernando Mata Verdejo**  
*Group CFO & Director*

Yes, that's very good. I mean we usually discuss on M&A growth, but then we forgot the organic growth, which is very important, particularly on the digital side, as José Manuel mentioned. And we put in some of the money and, I mean, 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 and because it was key, I mean, for Homeowners new business.

José Manuel Inchausti Perez  
*Third Vice Chairman & CEO of Iberia Regional Area*

That's right.

Felipe Navarro López de Chicheri

Thank you very much. Thank you very much. Excellent answer. Mario Ropero from Bestinver, he's interested in the solvency ratio. We increased the solvency ratio in the second -- in the first quarter. And he's asking about our expectations by the end of the year.

**Fernando Mata Verdejo**  
*Group CFO & Director*

Well, let's say, that we -- well, 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 a, let's say, an upward movement of the free risk curve, particularly in some Latin American countries, and -- because the higher their movement is, the lower mathematical provision we 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. It means that we will have some idle capital -- additional capital in order to grow organic and inorganically our business. So that's a good situation.

Felipe Navarro López de Chicheri

Okay. Paco Riquel from Alantra has a similar question related with the unwinding of Bankia JV that has reduced the solvency impact from 6 percentage points to 4 percentage points. I think that you already explained why.

And there was another one we got related with capital requirements that are lower in proportion of the rest of the group and how it's going to be impacting this.

**Fernando Mata Verdejo**  
*Group CFO & Director*

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 region. 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.

Felipe Navarro López de Chicheri

Okay. Alexander Evans from Crédit Suisse is asking what internal dividends has a 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, well, distributed. And we are quite happy with the dividend streaming that we have received up to

now. So we don't see any kind of risks for the rest of the month and for the rest of the year, should be continuing going in the same direction.

There's another question related with -- coming from Ivan Bokhmat from Barclays. "Can you help us 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?"

**Fernando Mata Verdejo**  
*Group CFO & Director*

Well, I'll give you the number and then José Manuel can probably can give us more color. I guess the amount is EUR 11 million, as I disclosed, is the -- let's say, is the profit that was booked in the -- let's say, in 2020, and we missed in this quarter. And -- but what we've seen is a decrease in the business in Bankia MAPFRE VIDA probably because of the current situation and also the lower level of assets. Is that right José Manuel?

José Manuel Inchausti Perez  
*Third Vice Chairman & CEO of Iberia Regional Area*

Taking out any extraordinary results from Life insurance, our Life insurance results is growing at a 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 than the evolution I have said. And on the other side, I would like to highlight that the risk -- the Protection Life (sic) [ Life Protection ] combined ratio is 75%, which is a very good combined ratio. So we expect a good profitability from the Life business.

Felipe Navarro López de Chicheri

Excellent answer, José Manuel. Thank you very much. Sorry, a related -- there's a question coming from Bank of America. "You've talked about returning to sustainable dividend path but not yet the level. Does this include a rebasing from the loss of Bankia JV? Or you think that you can get back to the historic EUR 0.045 per share" is a recurring question that we were receiving on how the dividend part is going to be in the future.

**Fernando Mata Verdejo**  
*Group CFO & Director*

Yes. 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. It's, as I mentioned, is more between EUR 10 million and EUR 11 million per quarter. So I'm pretty sure that we can offset this decrease with other operations. And so let's say that 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 EUR 0.145. 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 EUR 0.145 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 EUR 0.145 via recurring profits. That's pretty clear from my side, yes.

Felipe Navarro López de Chicheri

Thank you very much, Fernando. We come back to MAPFRE RE, which is, I think, that the main -- the biggest change of -- on the accounts this year. Mario Roperio from Bestinver is asking, "Let us know your views on the combined ratio for MAPFRE RE going forward. How is it going to perform? What should -- could we expect from MAPFRE RE combined ratio?"

**Fernando Mata Verdejo**  
*Group CFO & Director*

Well, let's say that so far, it has been a quiet quarter and also quite half of the year in terms of big natcat events. We have only reported 2 natcat events. The -- one was the snowstorm Uri on -- in the southern states of the U.S., and the other was Filomena in the Central Spain. And both -- they were, let's say, lower than midsized natcat events. And the other impact was, as I mentioned, the COVID 2021 occurrence claims, and it was -- the impact was EUR 16 million, net.

Regarding the second half of the year, we note that the Germany heavy rains and flood, will it impact our combined ratio? We're not sure. So far, how big it will be, this impact? Probably it's a midsized event. And -- but let's say that in the long

run, as we already mentioned, combined ratio for 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're 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 finger cross. I mean the retention has been reduced to practically 15% of premiums. So let's say that we had lower exposure on Global Risk. So let's say that the profitability level should remain quite unchanged for the second half of the year.

Felipe Navarro López de Chicheri

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

**Fernando Mata Verdejo**

*Group CFO & Director*

Well, it wasn't -- I mean, it was not big.

Felipe Navarro López de Chicheri

No. I mean -- but how did we service this on a year of [ strong ] number of claims?

**Fernando Mata Verdejo**

*Group CFO & Director*

Oh, yes. I mean -- that's correct. In terms of retention, it was, let's say, lower than mid-sized event. The cost was approximately EUR 20 million for the group. Most of the group -- most of the cost was split between MAPFRE España. It was like EUR 10 million before taxes. And the remaining was for MAPFRE RE. And let's say that Filomena is now the second largest natcat event ever in Spain after Klaus. It was a Hurricane 1 that entered Galicia in North Spain and exited Spain in Girona, I mean, in the Mediterranean coast. And -- but Filomena, in terms of claim adjusters and the additional resources that were allocated to this storm, has been huge with over 53,000 claims open. Most of them, they're already adjusted and paid. And in terms of the gross amount, it was EUR 80 million. But perhaps José Manuel is -- can give us more color, but it has been a claim that -- with a lot of work done in order to give better quality to our policyholders. Is that right, José Manuel?

José Manuel Inchausti Perez

*Third Vice Chairman & CEO of Iberia Regional Area*

Is 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 logistics with providers, et cetera, 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 -- attend our customers.

Felipe Navarro López de Chicheri

Thank you very much, José 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 would have -- we'd have responded to COVID losses in early 2020 still offers coverage after 2021 renewals? How has been changing the wording of these contracts and...

**Fernando Mata Verdejo**

*Group CFO & Director*

Well, let's say that we -- what we changed and we mentioned in the past, I mean, we're not working on 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 clear wording in order to say the red line to those -- to this coverage that are provided by the policy, and thus that they're not provided. So -- but we haven't changed our policy regarding those -- this coverage that are not in the risk appetite of MAPFRE RE.

Felipe Navarro López de Chicheri



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

**Fernando Mata Verdejo**

*Group CFO & Director*

Yes. We disclosed that we are at the final stage of -- to get the 2 operations sold. And the one in the U.K., we are currently at the end of the information process. I mean, we filed with the FCA and also with even -- we disclosed as well the name of the potential buyer. So let's say that there is just some formalities from the -- a regulatory perspective. But, I mean, the amount, the buyer and everything is in a proper way in order to complete this transaction, I mean, anytime soon.

Regarding Australia, currently we have 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 by year-end.

Other -- in the end -- and we mentioned that it's like 7 assistance operations across the globe that they currently categorized in the balance sheet as held for sale. Most of them, they're in nonstrategic countries. And some of them, they're generating profit or they're generating losses, particularly InsureandGo. And I guess it's the right decision probably at the right time as well and that -- because that's the moment that the market reacted to -- for these proposals. And hopefully, we'll finish this transaction by year-end. This is a very good news for MAPFRE and also for our shareholders.

Felipe Navarro López de Chicheri

Thank you. Thank you very much, Fernando. [ Jacques Houseff ] from UBS is asking about our ESG strategy. I mean, he's 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 or an opportunity? What is going to happen in the medium term?

**Fernando Mata Verdejo**

*Group CFO & Director*

Well, it's neither risk nor an opportunity, it's a reality in MAPFRE. And the first, let's say, ESG statement approved in MAPFRE was back in the 1950s and many, many years ago, when everybody was even thinking of just a business and at the point when the former executives of the MAPFRE Mutualidad has -- published a statement regarding corporate finance and corporate business. So let's say that this reality is very well rooted. It is part of our DNA and internal opportunity. I mean it's a necessity. We have to give back and give part of our business, part of our profit and part of the quality of the -- all the things that we've done to the society. So it's something very well rooted in MAPFRE.

Felipe Navarro López de Chicheri

Thank you very much, Fernando. I mean we reiterate this kind of commitment with the stakeholders and with the society every time that we are in public.

Carlos Peixoto was asking about our EUR 700 million net profit guidance for the full year 2021. Do we reiterate this guidance? These results?

**Fernando Mata Verdejo**

*Group CFO & Director*

I didn't hear you. Sorry, Felipe.

Felipe Navarro López de Chicheri

So yes, Carlos Peixoto from Caixa BPI is asking about the EUR 700 million net profit guidance for the full year 2021. And should we reiterate this after this 6 months results?

**Fernando Mata Verdejo**

*Group CFO & Director*

Yes. Thank you. I mean there is no evidence of any potential risk that could jeopardize the current EUR 700 million guidance that we published. We're pretty happy. But no, 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 that this plan is leaving, 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.

Felipe Navarro López de Chicheri

Okay. Thank you very much. We come back to Spain. I mean Paz Ojeda from Banco 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 -- or can there be more to come? And on severity, is inflation pickup impacting repair costs?"

José Manuel Inchausti Perez  
*Third Vice Chairman & CEO of Iberia Regional Area*

Okay. Regarding frequency, it's still lower than 2019 levels, but frequency is 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 don't have -- we haven't seen a significant increase. It's 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.

Felipe Navarro López de Chicheri

Thank you very much, José Manuel. Those are very good news. Paco Riquel from Alantra is asking, "Can you comment on the financial impact of the buyout of minorities in the Life business of Peru expected net profit contribution for 2021, 2022, and impact on solvency ratio?"

**Fernando Mata Verdejo**  
*Group CFO & Director*

Thank you, Paco. We shouldn't expect a significant impact on the Solvency II ratio. As you know, for the eligible capital, I mean, we consider for Solvency II purposes, I mean, also a minority interest. So let's say that the level of capital that we're holding in MAPFRE Peru Life is quite similar to the minimum. So let's say that the full amount of minority interest 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 VIDA. It has been -- MAPFRE VIDA has been a quite profitable entity for almost 35 years. I mean just -- I'll give you just one number.

When we bought these operations back in 1986, we bought a 62% current stake by EUR 16 million. So considering the current value that we apply, I mean, for the transaction, the increase in value has been huge. And also another thing. I mean we reviewed the number of dividends paid by the subsidiary. And for the last 5 years, the average was EUR 10 million of dividend. So let's say that the flow of dividend is pretty good.

Felipe Navarro López de Chicheri

That makes total sense. I mean, Carlos Peixoto from Caixa BPI was asking similar questions about Peru, telling that the 20x implied price/earnings for 2020 was -- seemed demanding. And could you elaborate on the rationale expecting on the return on investment, payback and its impacts in the solvency. Those are similar, and I think that you already answered those questions. I don't know if you want to elaborate something more or...

**Fernando Mata Verdejo**  
*Group CFO & Director*

Yes. One thing I forgot, Paco, I mean, for IFRS accounting purposes, I mean, the way we're going to treat this transaction is quite similar to the one in Brazil but 2 years ago. So the excess over equity that we pay for this transaction will be fully deducted from reserves. So it won't be any goodwill nor [ BOVA ] in our balance sheet out of this transaction. I mean, it will -- 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.

Felipe Navarro López de Chicheri

Carlos Peixoto from Caixa BPI is asking about the release of provisions on this quarter. Should we expect more releases in the coming quarters and...

**Fernando Mata Verdejo**

*Group CFO & Director*

Well, it was a one-off, definitely, Carlos, and perhaps José Manuel can give us more color. Let's say that we have some earn-out provision and other commissions to pay our partners for business plan fulfillment. And we've made -- I'm not going to disclose any name, as you may imagine. And -- but what we've 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 their business plan, and so we adjust -- we have adjusted the earn-outs and other contingent liabilities in that way.

Felipe Navarro López de Chicheri

Okay. Thank you. Thank you very much. Andrew Sinclair from Bank of America Merrill Lynch is asking on Brazil protection loss. And he's asking if -- on how much was this -- of this loss provisioning for future periods. And he was asking if the increase in the losses were just with --- to the quarter.

**Fernando Mata Verdejo**

*Group CFO & Director*

Yes. Thank you, Andrew. We're booking an IBNR reserve in the region in -- particularly in LATAM region and across the countries based on the number of days delay between the occurrence day and the 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 data, the claim is -- being reported to the financial institution and the subsequent reporting to the insurance operations. So let's say that we're booking. And as a conclusion, we're booking an IBNR in order to cover future reported losses based on triangles and also the loss estimate for this particular line of business.

Felipe Navarro López de Chicheri

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.

**Fernando Mata Verdejo**

*Group CFO & Director*

Yes. Thank you again for your presence. As I mentioned, it has been another robust quarter, quite stable. This is the good thing for MAPFRE. Let's say that for 3 quarters in a row, we're reporting and we delivered what we promised at the end of June 30, 2020, that we will adapt our operations to the current circumstances. So we're quite happy. And let's say the second half of the year, which is quite promising, but no COVID-related -- free of uncertainties. So thank you very much for your presence. And above all, we wish you the best for the summer holidays. And above all, please remain safe. And I'll -- Felipe, the word's for you.

Felipe Navarro López de Chicheri

Thank you. Thank you very much.

José Manuel Inchausti Perez

*Third Vice Chairman & CEO of Iberia Regional Area*

Thank you very much for your...

Felipe Navarro López de Chicheri

José Manuel, do you want to say something for the close?

**Fernando Mata Verdejo**

*Group CFO & Director*

Iberia for sure will report a similar performance in the second part of the year. I mean they're quite recurring business and is a region -- is the most relevant unit and region in terms of business and profit contribution.

Felipe Navarro López de Chicheri

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

José Manuel Inchausti Perez  
*Third Vice Chairman & CEO of Iberia Regional Area*

Thank you.

Felipe Navarro López de Chicheri

Before closing the call today and moving to the -- on to logistics, I'm sure that most of you have received the invitation that tomorrow, Tuesday, on the 27th, we will be hosting 2 group meetings. First, there will be a group in Spanish at 9:30 a.m., Central European Time, followed by another group in English at 2:30 p.m., Central European Time as well. Both meetings 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 your -- for being here and being with us and please stay safe. Thank you very much.

**Fernando Mata Verdejo**  
*Group CFO & Director*  
Thank you again and bye-bye.

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