



Investor &
analyst call –
Edited
transcript

12M
2022

February 9th, 2023

Company participants

- Antonio Huertas Mejías, MAPFRE SA, Chief Executive Officer
- Fernando Mata Verdejo, MAPFRE SA, Chief Financial Officer
- Eduardo Pérez de Lema Holweg, MAPFRE RE, Chief Executive Officer
- Felipe Navarro López de Chicheri, MAPFRE SA, Head of Capital Markets & Investor Relations and Treasurer

Presentation

Felipe Navarro López de Chicheri

Good afternoon, everyone, and welcome to MAPFRE results presentation for the full year 2022.

This is Felipe Navarro, Head of Investor Relations, Capital Markets and Corporate Treasurer. We want to welcome especially those who have joined us in person at MAPFRE FUNDACIÓN's Auditorium, but we also want to thank all those connected online.

It's a pleasure to have Mr. Antonio Huertas here with us, MAPFRE's CEO. He will give us the key highlights of the year, as well as a quick overview of performance during the first year of our 2022-2024 Strategic Plan, on an updated outlook. Although for detailed information regarding our Strategic Plan, you will have to wait for our next AGM to be held on March 10th. The AGM agenda, together with a full year disclosure and annual reports that have been published today are all available on our website. It's also a pleasure to introduce Fernando Mata, the Group CFO, who will walk us through the main financial trends, as well as Eduardo Perez de Lema, CEO of MAPFRE RE, who will provide us with an overview of this business.

Before we start, let me explain some organizational details. Interpretation services are available, both here and at home, so please feel free to choose the language that better suits you, either English or Spanish. As usual, at the end of the presentation, we will open the Q&A. The questions can be asked either in English or Spanish. For those of you who are here with us today, you will have the opportunity to ask your questions in person. For those of you connected online, you can participate with the "Ask a Question" link on the bottom of your screen. We will try to answer all questions as time allows. The IR team will be available for any pending questions after the call.

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

Antonio Huertas Mejías

Thank you, Felipe. Good morning, everyone and thank you for joining us today. I would like to start today expressing our deepest solidarity with the Turkish people. They are suffering a massive humanitarian tragedy with several earthquakes that have happened during the last few days. We don't have enough words to express our feelings.

Turkey is a lovely country with extraordinary people and now they are going through a very painful situation. We have a relevant market position in Turkey in both insurance and

reinsurance business. At this moment, it's not easy to make a valuation of the insured damages. But as far as we know, considering the large area affected and our market position there, we believe that it will be considered a medium-sized event, which will not be very relevant in our yearly accounts neither in the insurance nor reinsurance unit. Nevertheless, we have to be very prudent at this early stage. We will release more information as soon as we can, in the next few weeks or even at our AGM.

Now, I would like to start with a few introductory remarks. As you already know with the figures released this morning, we have delivered very satisfactory results. Fernando and Eduardo will walk you through the details of the key figures later in the presentation, but I would like to take some time to highlight a few of our main KPIs.

Growth was an exceptionally strong. Premiums were up almost by 9 percent on a like-for-like basis, adjusting for exchange rates and changes in scope. Despite a challenging market context, we have delivered a net result of EUR642 million and an ROE of 8.2 percent. The combined ratio was 98 percent, due to the pressure from Motor throughout the year, although we saw a change in trend in most units in the fourth quarter.

Furthermore, I would like to highlight the efforts we have made to streamline and improve productivity. We closed 2022 with an expense ratio of 27.4 percent, down nearly 2 points during the year. Moreover, cash generation and dividends are strong at subsidiaries, with almost EUR1 billion upstreamed during the year.

On top of that, we boast a solid capital position and financial flexibility. Our Solvency II ratio was 217 percent in September, boosted by the Tier 3 bond issued in April, which helped mitigate the fall in shareholders' equity. It is worth mentioning that this fall was much lower in comparison to other European insurers in a highly volatile environment, thanks to diversification and a prudent investment approach. Available liquidity is high, which provides us with a flexibility to weather any potential uncertainty, as well as take advantage of growth opportunities.

Finally, we are also proud to announce that the Board has proposed to the AGM a final dividend of EURO.085. Together with the EURO.06 paid in November, this brings the total dividend paid against the 2022 fiscal year to EURO.145 with a payout ratio of 70 percent. This is proof of the strength of our commitment to our shareholders.

MAPFRE faced many challenges throughout 2022, and was able to weather the storm thanks to our solid business model and balance sheet. The impact from COVID claims, especially in LATAM, improved quarter after quarter, and is now business as usual.

However, we are still facing other effects as we move out of the pandemic, including higher

mobility and changes in driving patterns, which are mainly impacting Motor. There were already signs of rising inflation at the end of 2021 and the outbreak of the Ukraine conflict, together with supply chain disruption, created the perfect storm for the Motor business.

As central banks moved quickly to control the situation, we have seen a sharp increase in interest rates and market volatility, which has been an opportunity to improve the financial result, to reinvest at higher levels, and to launch new, more attractive Life savings products.

Unfortunately, there has been no quick solution to the Ukrainian conflict, and it seems to be at a standstill. Many uncertainties remain, such as: the risk of a deep recession, China's reopening, the supply of energy and raw materials, as well as political instability in many countries. This challenging context has put pressure on margins in Motor markets which is especially hurting monoline carriers. However, as I have already mentioned, we have several competitive advantages which, together with our strong balance sheet, have allowed us to manage this situation.

MAPFRE's diversification is based on three pillars: geographical, by product and a resilient balance sheet. MAPFRE is also a global player and holds a leading position in most of our markets. We are currently the number one global Spanish insurer. We're also the leading group in Latin America and we are among the top 10 groups in Europe by non-life premiums. MAPFRE RE is also consistently among the top 20 reinsurers worldwide.

Our insurance product mix is quite diversified, with a balance between: Life and Non-Life, personal and commercial lines, and Motor and Non-Motor. MAPFRE RE, including Global Risks, provides other reliable sources of income to the group. Technical excellence is a priority for us, and we are not willing to write business at any price. Our disciplined approach has helped us to implement tariff increases successfully, as well as execute ongoing portfolio and footprint pruning. Efficiency improvements have been supported by advances in Transformation and Innovation.

Furthermore, after several years of restructuring and streamlining, our business is leaner than ever, which is key to compete in the current market. We continue creating value for our shareholders, delivering attractive dividends while continuing to invest in business growth, on the back of our financial strength and cash generation. Our balance sheet has proven to be resilient despite market volatility. Diversification, a prudent investment strategy, and Asset and Liability matching have been crucial.

We have reached significant milestones in 2022. Premium growth was quite spectacular, with resilient trends in Spain. Performance also was exceptional in Latin America, especially in Brazil. We are also seeing high double-digit growth in reinsurance and global risks on the back of the supportive pricing environment. Currency movements have also been a positive driver.

Profit contribution from IBERIA was strong, reaching EUR375 million. In Spain, positive trends in lines other than motor helped to offset the pressure in Motor. The turnaround in Latin America has been excellent, with profit reaching more than EUR300 million, double that of last year. There has been a significant fall in COVID claims as well as a sharp increase in financial income. It's worth mentioning the EUR144 million coming from Brazil, with excellent performance, both in Agro and Life Protection, while Motor trends are improving little by little.

2022 was a costly NatCat year for reinsurers. However, thanks to MAPFRE RE's excellent diversification and prudent approach, this unit recorded a net profit of EUR140 million. The hard market is providing us with an excellent opportunity, which is why we increased capital here by EUR250 million. Eduardo will give us more color on this later on.

Our product mix has been key in many markets and also technical performance in Non- Motor, including Life, helped to offset the margin pressure in Motor. Underlying financial income is improving, especially in LATAM, boosted by rising rates and effective portfolio management.

We have also made important advances in our transformation process in 2022. We have achieved our main restructuring goals: a streamlined footprint and leaner organization that will help us leverage future opportunities. We are now allocating capital to the most attractive business. MAPFRE RE's recent capital increase is an example of this. With the sale of insurance units in the Philippines and Indonesia, the EURASIA region will now become strictly EMEA. In Italy, we executed the restructuring plan in the second half of 2022, which should be a turning point. We have also completed several exits in the Assistance business, which has been relaunched as MAWDY with a much leaner structure, focusing mainly on the most profitable segments. Most recently, we announced the decision to reorganize LATAM, including Central America and the Dominican Republic within the LATAM region, while keeping Brazil and Mexico separate. This new structure should further improve efficiencies.

We're proud of these achievements, but we are aware that this is not enough. We will continue leveraging the following profitability drivers: firstly, the implementation of the initiatives of our current Strategic Plan, to keep moving the organization forward. Secondly, improving Motor profitability. Measures have already been implemented including rate increases, together with ongoing cost contention and underwriting discipline. However, this will take time to feed through our Profit and Loss account. In Brazil, portfolio repricing was carried out extremely quickly, and we also canceled large portfolios of non-performing business, and as a result, we're already seeing the improvement in this country. In Spain, the combined ratio seems to have stabilized, with some

improvement in the fourth quarter. In the U.S, due to the complexity of this market, it could take a little longer.

Finally, we will be leveraging profitable growth opportunities. We would like to enlarge our bancassurance channel and we will also continue growing the digital business while providing technological solutions to the MAPFRE network.

I will now hand the floor over to Fernando to run through the main financials. Thank you.

Fernando Mata Verdejo

Thank you, Antonio, thank you, Felipe, and thank you, everybody, for joining us today. It's great to see faces in real life in this online world.

Let's go to the key figures. Premiums are up nearly 11 percent. If we eliminate the impacts from currency movements, as well as other changes in the scope, premiums would have been up nearly 9 percent with very strong trends in Non-Life. The most relevant average variations for currency were the U.S. dollar, up around 13 percent, and the Brazilian real, up over 18 percent. There was also double-digit appreciation in many other Latin American currencies.

The combined ratio was 98 percent with the loss ratio up over 2.4 points, mainly driven by the pressure in Motor, as well as NatCat events. The 27 percent expense ratio is noteworthy and down around 2 points, supported by very strict cost control, an increasing topline and the 2021 IBERIA early retirement plan. The Life Protection combined ratio reached 83 percent, down 11 points, back practically to pre-pandemic levels.

The pressure on the combined ratio was partially mitigated by improving financial income. The Non-Life financial result was relatively stable, but when adjusting for realized gains it was up by over EUR120 million. The attributable results reached EUR642 million with an ROE of over 8 percent. Excluding non-operating items, the adjusted ROE stands at 8.4 percent, stable compared to the previous year, on a like-for-like basis. Finally, shareholders' equity is down around 14 percent, reaching EUR7.3 billion.

As usual, on this slide, we explain the main extraordinary items. First of all, we would like to comment on the impact from hyperinflationary economies. We restated the financial statements of our subsidiary in Turkey for 2022 in September, disclosing pre-tax figures. After adjusting for the fiscal impact, which we considered more correct, these adjustments reached EUR40 million at year end for all the three hyperinflationary countries. The EUR18.5 million of other non-operating impacts include the sale and restructuring of the Assistance operations, as well as the sale of insurance subsidiaries in Asia. Last year, there was a EUR63 million net gain from the

termination of the BANKIA agreement after restructuring costs.

Regarding operating impacts during the year, the EUR144 million for NatCat includes the drought in the Parana river region, with a total of EUR113 million. The impact from Hurricane Fiona in Puerto Rico was EUR31 million, with some increase on the quarter, mostly in MAPFRE RE's accounts.

Financial gains and losses are down by EUR65 million. We were able to partially compensate the fall in financial investment with higher gains from real estate transactions. We were opportunistic at year end, realizing capital gains in equity markets with a positive impact of almost EUR27 million. Finally, the line Other for 2022 includes the tax impacts in Spain and Peru reported in previous quarters.

During 2022, insurance operations contributed over EUR20.5 billion in premiums and over EUR630 million in results. In IBERIA, premiums are up 0.4 percent, and 2.5 percent excluding BANKIA. The combined ratio is down 1.3 points to 96.8 percent. We've seen positive trends in General P&C with a ratio under 94 percent, which is mitigating the pressure in Motor. IBERIA reported a net result of EUR375 million, down EUR165 million. As a reminder, last year's contribution from BANKIA, including gains and restructuring, was EUR92 million. In Brazil, premiums were up 45 percent, driven by Agro, Motor and Life Protection. Brazil was the second largest contributor to net profit reaching EUR144 million, up over EUR69 million. The overall combined ratio was excellent, under 87 percent, with very strong trends in Agro. The improvements in Life Protection and financial income mitigated pressure in Motor. Currency appreciation has also been a positive driver.

Premiums in LATAM North were up nearly 24 percent when adjusting for the multi-year policy in Mexico, and LATAM South grew 23 percent in euros. Local currency growth was solid in most segments, and it's worth mentioning Mexico, up 8 percent on a like-for-like basis and Peru, up 20 percent. The net result was EUR46 million in LATAM North, and over EUR110 million in LATAM South, improving as a result of lower COVID claims and also higher financial income.

Premiums in North America are up nearly 25 percent, supported by dollar appreciation. On a like-for-like basis, premiums were relatively flat. Performance continues to be affected by rigid tariff regulation, growing mobility trends and increased severity. There was also a EUR20 million net loss from Hurricane Fiona affecting Puerto Rico.

In EURASIA, premiums are slightly down. Turkey is very affected by the hyperinflationary environment, with premiums growing 20 percent and a net loss of EUR40million. In Assistance, the streamlining effort is evident with volumes down over 56 percent. We have come to the end of our restructuring process, as the Chairman mentioned. The unit reported a profit of EUR7 million, mainly due to these sales.

As Antonio mentioned, we have already executed Motor profitability initiatives across all regions. These measures, especially pricing, take time to affect the bottom line. As you can see, the fleet is down by over 1 million vehicles year-to-date. This is partially explained by the sale of Indonesia and the Philippines, which contributed over 700,000 units in 2021. The reduction also reflects the cancellation of loss-making portfolios and, as Antonio said, we do not want to grow at any price.

In Motor, premiums are up at Group level with the strongest growth in Brazil, up 35 percent. Around half is explained by currency appreciation, however double-digit tariff increases implemented over the last year are also fueling this growth. As you can see, insured units in Brazil are down 15 percent as a result of portfolio pruning, especially in trucks and buses.

In North America, Motor premiums were up over 16 percent, with 12 percent as a result of currency movements. The 2022 tariff increases which were over 6 percent in total, only partially phased in, and insured units were moderately up. As a reminder, total tariff increases including the most recent filing which entered into effect on January 1st this year, reach over 13 percent.

In IBERIA, Motor premiums are up 0.4 percent with insured vehicles relatively flat. Average premiums are stabilizing during 2022, after several years of declines. Rate increases in new business were implemented quite quickly, while increases on renewals were gradually implemented through the year to converge with current cost increases. This accelerated in the second half of the year. We're still seeing a reduction in coverage and other underwriting measures are being implemented to maintain the portfolio stable, since it was one of the main targets for 2022.

The Group's Motor combined ratio was up 1.4 points in the fourth quarter, reaching 107.8 percent, but with different trends by region. IBERIA's performance improved almost one point from Q3 to Q4, reaching 101.3 percent. Brazil continued improving to around 109 percent and in North America, the combined ratio reached 118 percent in the fourth quarter, in line with the market. It is worth mentioning that the combined ratio could be near its peak as the 2023 tariff increases will still take some time to be reflected on the P&L and be fully earned.

On this slide, I would like to comment on the Life business. In IBERIA, premiums were down 9 percent. This reflects the exit from BANKIA last year. Excluding this impact, premiums would have been down around 1 percent. In Brazil, the Life Protection business is showing healthy growth, up 30 percent, boosted by the significant appreciation of the real and also the commercial power of our partner. The Life result has more than doubled, due to the lower COVID impact in LATAM, and also because of the strong financial income, especially in Colombia. On the right you can see that the total COVID impact in LATAM in the quarter was just EUR2 million. In 2023, we do not expect to consider COVID-19 claims as extraordinary and as a consequence we're going to stop the disclosure of this claim.

I will now hand the floor over to Eduardo.

Eduardo Pérez de Lema Holweg

Thank you very much, Fernando. As always, it's a great pleasure for me to have the opportunity to update you on the developments of MAPFRE RE, particularly at this point when we are very confident on the future of the company.

Let me start with a review of the final figures of 2022. We have seen very strong premium growth in 2022 of over 15 percent, with all segments growing nicely. Of course, we had some tailwinds coming from exchange rates at the beginning of the year, but we also benefitted from an already hardening market in the last 18 months for the reinsurance business, which allowed us to grow our portfolio profitably. Additionally, Global Risks maintained the very positive pricing momentum and was able to build on the existing portfolio, but also saw increases in Sums Insured and Premiums, driven by inflation.

The result was slightly down compared to the previous year, mainly affected by lower realized investment gains and again a very high large loss burden, that materially exceeded the large loss budget. In spite of that, we were able to improve the combined ratio to 96.8 percent, which shows the quality and diversification of our reinsurance portfolio and the first signs of the improved pricing momentum. On the MAPFRE Global Risks portfolio, we managed to keep a very good combined ratio of 90 percent.

As already announced, we identified this moment in time as a good timing to reinforce the capital position, allowing us to take advantage of the hardening market, but also giving us additional flexibility to structure our retrocession protections more efficiently, given the current market environment.

This brings me to the next slide where I want to update you on our January renewal outcomes and outlook. As anticipated, the January renewals were extremely complex, but also late, with big uncertainties during the whole process. After a very long period of underperformance and increased large loss activity across the world, we saw an accelerated change in the market that had positive implications across all lines of business and geographies. Unlike other hard markets, the changes have been very widespread and not only affecting pricing, but also structure and scope of coverage and treaties. Even in that environment, and with limitations in capacity for business exposed to natural perils and some specialty lines, if terms and conditions were adequate, the reinsurance industry has responded providing required coverage to clients.

For MAPFRE RE the outcome of this renewal has been very positive. Firstly, we reinforced our market profile by being proactively one of the few reinsurers that were providing quotes to the

market and solutions of viable reinsurance structures to obtain coverage. Additionally, MAPFRE has shown great commitment to its reinsurance business and clients with its capital increase.

Secondly, the quality and expected margin of the portfolio has substantially improved, both through program and portfolio restructuring, that complements very substantial risk-adjusted price increases. For example, we estimate the risk-adjusted price increase on our catastrophe portfolio to be in excess of 35 percent after this renewal. In terms of nominal premiums, the price increases offset the planned non-renewal of very substantial blocks of certain high volume proportional transactions which presented much lower margins, allocating additional risk capital to better remunerated transactions.

Thirdly, we were successful in obtaining retrocession support based on a very long-term oriented strategic risk management policy, where we had designed protection structures and partnerships in order to be sustainable across market cycles. In this environment, the outlook is very positive. The firm market is to remain in place for the upcoming renewal periods and we count on a good capital position, market profile and a very well defined risk appetite for seizing this market momentum.

Finally, we want to inform you that with the growth in renewals in a hard market we have increased our large loss budget to be in the range of EUR300 million to EUR400 million for 2023.

With this, I now I hand the floor back to Fernando and look forward to the questions later on.

Fernando Mata Verdejo

Thank you, Eduardo. Now I will continue with the asset disclosure. The uncertain geopolitical and macroeconomic context has affected the value of our investment portfolio as well as pension & mutual funds, bringing assets under management down by over 9 percent.

Rate increases have been significant across regions, mainly in Spain, Italy and the U.S. Spanish sovereign debt continues to be the largest exposure in our portfolio, with nearly EUR9 billion. A large share of these positions are allocated to immunized portfolios, reducing our exposure to higher rates.

Now I would like to go over the breakdown of our EUR27 billion fixed income portfolio. On the top are the details of our euro-area actively managed fixed income portfolios, which have a market value of around EUR10.5 billion. On the bottom are the details of the fixed income portfolios in other main markets, with a total value of around EUR5 billion. The largest share of the remaining EUR11.5 billion are Life portfolios in Spain with some type of ALM policy.

The largest move in this year was the strong reduction in duration, as well as the investment of around EUR350 million in inflation-linked bonds in IBERIA and MAPFRE RE. Carving out these bonds, the accounting yield is higher in the main euro-area portfolios, as you can see on the right. On the bottom, you can see the details of the fixed income portfolios in other markets with duration also significantly down and portfolio yields up in all markets and regions.

The increases have been noteworthy across LATAM, with more than EUR1.8 billion invested in previous quarters in bonds with yields linked to inflation or central bank rates. Our guidance is that these trends should continue in coming quarters as long as inflation remains high. As we mentioned before, we have already seen an over EUR120 million increase in underlying Non-Life financial income.

Shareholders' equity stood at EUR7.3 billion, down 14 percent. Net unrealized gains on the available for sale portfolio were down EUR1.7 billion, mainly due to the increase in interest rates. The largest impact was in IBERIA, down nearly EUR1 billion, of which around half corresponds to the Burial expense portfolio with modified duration of around 18.

North America and MAPFRE RE also had strong falls of around EUR270 million each. On the right, currency conversion differences are up over EUR340 million, on the back of the appreciation of the U.S. dollar, as well as the Brazilian real and other Latin America currencies.

On the left, you can see the breakdown of the capital structure, which is down to EUR11.3 billion, mainly due to the fall in shareholders' equity. Total debt is down EUR157 million, reaching EUR2.9 billion. During the year we issued EUR500 million of Tier 3 debt, which as a consequence led to a reduction in the credit facility. Leverage is now 26 percent, exceeding the upper limit of our reference framework by 1 percent as a result of the decrease in equity. We expect the ratio to converge to our range, and if not, actions could be taken as there is an excess of available cash.

On the right, you can see a Solvency II ratio of nearly 217 percent as of September. This is up over 10 points during the year largely due to the Tier 3 debt. The fully loaded ratio was also pretty strong at 207 percent.

Now, let's talk about cash flow upstreaming in MAPFRE Group, which was almost EUR1 billion in 2022, a new record high. As you can see, Spain is the most important contributor, due to the extraordinary dividends coming from the bancassurance agreement terminations. The reduction of MAPFRE RE's dividend is consistent with the already mentioned capital increase to improve its Solvency II ratio and also finance organic growth.

Moving forward, the Group should continue lowering its dependence on upstreaming from Spanish entities, as other units such as Brazil, LATAM and MAPFRE RE gain importance on the

total share. Regarding outflow, EUR447 million were used to pay 2022 calendar year dividends, EUR250 million to MAPFRE RE's capital increase and around EUR150 million allocated to cover overhead payments and interest expense.

We would like to give you an update on the IFRS 17&9 approach. With the entry in force of the new IFRS as of January 1, MAPFRE Group will be subject to different levels of regulation and accounting standards, at least for the medium term. Local insurance supervisors will continue to request local accounting standards, while the Spanish Securities and Exchange Commission will require IFRS on a consolidated level, this also applies to Malta, since Malta is a listed company in this market.

This duality of accounting standards will have no impact on strategy, management of operations and cash generations. We expect accounting standards to converge in the medium term. Meanwhile, for Group management purposes, business performance analysis will be carried out both under local accounting and under IFRS, with periodic reconciliation of main KPIs. Therefore, MAPFRE will report IFRS figures at a consolidated level twice a year in line with the current regulation. In parallel, an Activity Report with KPIs for subsidiaries under local accounting will be made public on a quarterly basis. Hence the first financial accounts under the new IFRS will be for half year 2023 figures.

As we have already mentioned in previous presentations, we're not expecting any major impact at transition. Shareholders' equity should be broadly stable, with changes in specific line items offsetting one another. Regarding the CSM, contractual service margin, we expect this to reflect the economic value of our in-force insurance business, which we've been reporting for many years through the Embedded Value calculation, which follows a very similar methodology.

Group earnings power should be similar at transition as a large share of our business, around 70 percent, will be measured under the PAA. We expect to see an improvement in disclosure and visibility on profit recognition for Life and Burial business which will be measured under BBA.

Regarding IFRS 9, there will be a change in the accounting treatment of some investments. Mutual funds will be classified as fair value with all changes now through P&L, including unrealized gains. This means both realized and unrealized gains will go through P&L. In addition, listed equity investments will be classified as fair value through OCI, with no impact from realized gains in P&L. Finally, solvency, dividends, cash generation and capital management will remain unchanged.

Now I will hand the floor back to Antonio.

Antonio Huertas Mejías

Thank you very much, Fernando. Before entering our Q&A session, I would like to share a few additional remarks. Despite the extremely challenging market environment, we continue to implement the 2022-24 Strategic Plan, while adapting it to the current context. I would like to give you a quick update on our progress during the first year.

As you have seen, premium growth, our solvency ratio, and payout targets have performed very well so far. However, as we have mentioned in other quarters, the combined ratio target is more challenging given the current context, as it is being heavily impacted by inflation. The ROE target at year end was below expectations, but should converge to the target. As for leverage, we have also slightly exceeded the reference framework of 23-25 percent, due to the sharp fall in our equity base, but we expect it to gradually converge within our tolerance range. If needed, we have strong liquidity at Group level and could use it to reduce leverage, but this is not necessary in the short term.

Regarding ESG targets, we are on the way to achieving the +/- 1 percent gender pay gap by 2024, and we have already exceeded the objectives of having 90 percent of our investment portfolio rated according to the ESG criteria.

Here you can see our updated aspirational target for 2023-2024, which have just been approved by the Board of Directors. It is worth mentioning that the original ones were set before the war in Ukraine, which led to unexpected higher energy prices, weaker real household income growth, falling confidence and tighter financial conditions.

All targets remain valid, except for the ones inside the white boxes, one of which, namely premium growth is more positive and the other, which is the Non-Life combined ratio, is being slightly relaxed. We expect premiums to grow on average between 5 percent to 6 percent during the two remaining year of the plan. The combined ratio target has been increased to 96 percent since we strongly believe the new target better reflects the current inflationary and high interest rate environment.

All in all, we remain committed to our Strategic Plan, as we believe that it is the roadmap the company needs to move forward in terms of growth and profitability. We do believe that 2022 has been a good year for MAPFRE, with robust growth and resilient profitability, while we continue executing our strategic plan. Looking forward, diversification will continue to set us apart from our peers in this challenging market.

Regarding our main business, we can assure you that IBERIA, we will continue to be an important contributor to profitability. Positive trends in Latin America will consolidate LATAM's important contribution to the Group's premium growth and results. MAPFRE RE will continue being an

important driver for the Group's bottom line. During the presentation, we have shared with you the details of MAPFRE RE's promising outlook.

Moreover, Motor profitability initiatives are already delivering results and should gradually improve margins in the coming quarters. In addition to that, our new streamlined organization and footprint will be the foundation for the future achievements of the Strategic Plan. Finally, our excellent solvency ratio and capital base, together with a strong cash generation, will continue to support our dividend policy, proving our long-term commitment to shareholders.

Thank you for your attention. I'll now hand the floor over to Felipe to begin the Q&A session.

Q&A

Felipe Navarro López de Chicheri

Thank you very much, Antonio. Please let me remind everyone briefly of the details of the Q&A session. Those of you who are here in person can raise your hand and we'll give you the floor. We kindly ask to you to introduce yourselves before asking questions. For those of you at home or in the office, you can use the platform. It is possible to ask questions both in Spanish or English, at your convenience. Don't forget to use the interpretation services at your disposal, so you don't miss any details.

And now let's start with the first question. I already have some coming from the platform, so we'll start there. Carlos Peixoto is asking a question regarding the Spanish Life business, considering the rise in interest rates, in yields, and the fact that the deposit remuneration has not picked up materially, do you see an opportunity for growth in this segment, competing with the banks?

Antonio Huertas Mejías

It is true, Carlos; it's more difficult for us to compete in the new market environment with no big bank agreements now. So, in this environment, we are continuing what we have been doing – establishing new agreements with smaller banks and other organizations, and we are also preparing our own network – tied sales network – in order to be ready with the right licenses that we need to sell this Life business.

Taking into account that the current interest rate environment is very positive for insurers – we are even ahead of the bank industry – we are doing our best to have better products and higher distribution to reach our goals. Although we know that we are weaker, in terms of selling Life products, the opportunity to sell more savings products in the Spanish market is clear.

Felipe Navarro López de Chicheri

Thank you very much, Antonio. Carlos Peixoto also has a few questions regarding Spanish Non-Life business. The first one is related to the General P&C combined ratio, which showed strong improvement in the fourth quarter 2022. He is asking what our expectation is for the evolution of the combined ratio across the main business segments? He also has another question, related to Motor. “What's the expectation regarding the Baremo update impacts?”

Fernando Mata Verdejo

Thank you, Carlos. The fourth quarter was pretty mild in terms of severe weather. It was quite good in both the U.S. and also in Spain. So, we've seen a significant reduction in frequency, as we mentioned, on most of the General Insurance for Homeowners and Condominiums. There is also an update of rates due to the increase in value of the underlying asset; it's pretty clear. So at the end of the year, the increase in rates starting January 1 was fully earned. So, there is an increase in earned premiums and also lower frequency.

Expectations, broadly speaking, are that an 88 percent combined ratio in General Insurance won't be sustainable in the future, but neither will the 106 percent combined ratio in Auto. Both lines of business should converge to more sustainable ratios, probably the first between 90 and 95 percent and the second between 95 and 96 percent.

Regarding Motor and expectations on the Baremo update impacts, we already mentioned that there is no other way than to transfer the current increase on Baremo – which by the way is approximately 8 percent – to rates. The baremo is linked to the increase in pensions, which is 8.5 percent, so for the Baremo it would probably be 8 percent. And as we mentioned, for MAPFRE, this is a net effect on the loss ratio of approximately 2 percentage points. So there is no other way.

We did the same thing with the first implementation of the Baremo, and we've done this continuously as well in previous and current updates. I think the industry in general in Spain is very well adapted, very well familiar with transferring these increases to the rates.

Felipe Navarro López de Chicheri

Thank you very much, Fernando. I think that we have a question coming from the audience here.

Francisco Riquel

Thank you. Francisco Riquel from Alantra. My first question is regarding reinsurance. I wonder if you can give us more color on the capital injection? How do you plan to allocate these EUR250 million: by region, by business, by type of risk? Also, can you give us some guidance on the revenue growth expected for 2023, the average tariff that we should expect? And regarding volumes, you mentioned that you plan to have lower margin businesses as well. What's the net in terms of volumes? And if you had applied these risk adjusted tariffs retroactively to 2022 with the same frequency of claims, what type of impact would there have been on the combined ratio?

Eduardo Pérez de Lema Holweg

Well, thank you for the questions. If I forget to answer anything, please tell me. In general, the allocation of the capital has been across the portfolio. One of the key advantages that we have is to have a balanced and diversified portfolio. So we haven't allocated everything to one business line or one expectation. The idea is to develop the overall portfolio. And seeing what we have done during renewal, where we have been growing across the portfolio is pretty consistent. So, I think from a risk profile point of view, you shouldn't expect any change and it's just growing the portfolio.

In terms of allocation, there are two main parts. One of these is growing the business that we have – not necessarily in premium terms, because depending on the structure that we have changed, premium-wise we probably will grow less than margin-wise and exposure-wise. And the other part is by increasing our retentions. We were entering into a pretty hard retrocession and reinsurance market and we decided that certain structures and certain levels of coverage that we were buying before, now we are retaining them and using that capital, because from a risk/reward point of view, it was more efficient than buying certain structures and we are keeping a bit more of the business, net.

Exactly how the price increases will impact on combined ratio is very difficult because in the combined ratio there is a part that is pretty volatile, which is the large loss burden, which we have increased the allocation of, and also the capital increase has helped in that direction. In a normal year, we would expect to have a combined ratio that should be below 95 percent. That's a target that we need to have in this environment. And then how much below or higher will depend on how the large loss activity will work during the year. And that will be coming from a combination

of price increase, and part of the price is also commission reduction for proportional treaty. So it's a mix that is pretty complex to work around.

Premium growth will be lower than price increases for sure, because we have restructured treaties. And when we talk about risk-adjusted price increases, that is not immediately transferable into premiums, because as I mentioned we did on our own cessions, there are certain parts of the programs that we wouldn't buy any more.

Our clients are doing the same thing. So they would move up their retention levels, which put us more remote from the risk. So frequency will probably be lower in terms of large losses, or we will skip some of the frequency losses in the future.

Premium-wise, I can tell you what we have grown on the non-Group business. Non-Life, overall has been 3.8 percent in January. But this is not the whole picture because we have grown a lot in the last renewal periods. There is Group business coming in, there is the Life business segment. And so we will probably grow, but as a reference, this is the growth that we obtained in premiums. In margins, we expect much more improvement.

Felipe Navarro López de Chicheri

Thank you very much, Eduardo. Carlos Peixoto is asking for an update on the MAPFRE dividend policy.

Antonio Huertas Mejías

Carlos, we have shown clear commitment to our shareholders, establishing a stable dividend policy. With the current level of results, we have surpassed the 50 percent minimum payout level, reaching 60 percent or 70 percent like this year many times. We think that we should be very prudent. We have analyzed this topic, obviously, many times on the Board and we have already discussed the possibilities of MAPFRE increasing its dividend.

Saying that, we know that with the current level of results, we should be prudent, but we are now positive about the upcoming improvement of our results in the next two, three years. So if we are able to achieve our goals in terms of results, we think that we could increase our dividend. We could be able to meet both objectives and stay closer to the 50 percent payout, maintaining our stable dividend policy in terms of payout ratio, but at the same time increasing the dividend level, if we are able to increase the level of profits.

So, in conclusion, we would like to increase the dividend, but we have to reinforce our results, which is very, very possible, taking into account the Group's current development, the certain improvements coming from Motor insurance in the next two to three years – the next two years, mainly – and the diversification that MAPFRE is showing in terms of profits coming from different lines.

Fernando Mata Verdejo

And always in cash, if I can interrupt, and no buyback. Sorry about that.

Antonio Huertas Mejías

Yes, always in cash. We would like to review the dividend yield, having higher market cap. We know that it depends on us, and we have to do our best to improve our results.

Felipe Navarro López de Chicheri

Thank you very much, Antonio. We have some questions from the floor. Max?

Maksym Mishyn

Max Mishyn from JB Capital. I have a couple of questions. The first one is on your ROE target. Even though you expect a higher combined ratio, you reiterate the 9 to 10 percent ROE target and I was wondering what the reason behind this is? Are you more optimistic about financial income?

And the second is on Iberian Motor. I was wondering how price increases affect your customer portfolio? Have you noticed an increase in churn rates? And also your target for 2022 has been keeping the portfolio stable; what's the target for 2023? Thank you.

Fernando Mata Verdejo

I will go first to the second question. The main target for MAPFRE IBERIA was to keep -- as you mentioned -- to keep the fleet stable. And the number of units was practically the same, there was like 6,000 growth and basically what we reduced is new business. We significantly increased rates on new business, and practically all the new business in the portfolio was coming from MAPFRE Santander.

So we should be more optimistic. We believe that it's important to keep the fleet stable. We made a mistake during the previous crisis, and we lost 700,000 units. We protected margin, but we lost

fleet. And we need a minimum number of vehicles in order to see a substantial increase in our P&L, that's pretty clear.

Everybody would like to report lower combined ratio this year, frankly. Perhaps we were a little bit lazy – forgive me for saying lazy – in transferring prices into renewals, due to not being quite sure how persistent inflation would be. But actually, it's quite easy to say that we didn't do well and we probably reacted in the second half of the year, and also for this year.

We're managing, obviously, rate increases for renewals based on an individual basis, and with the artificial intelligence tools we have, it's easy to optimize retention and rate increases. So far the churn ratio is quite stable, fortunately, and we're going to keep the same pace for 2023.

Regarding the ROE target, we analyzed the numbers. We did the math and, believe me, it's really difficult to forecast the evolution of rates and currencies for a two year period – this is the remaining time in our current three-year plan. But considering our current Non-Life duration, excluding Burial expenses, is between three and four years, and we came from approximately EUR800 million in unrealized gains on our fixed income portfolio and bounced to EUR900 in losses, so the balance was approximately 1.7 bn in unrealized losses. Assuming ceteris paribus, rates remain stable and with the duration between three and four, we should be able to increase our capital base approximately EUR900 million, which is the current unrealized loss on fixed income. It means a big push on our net equity.

On the other hand, we should expect an increase in the negative differences from currency conversion. The number that we are expecting is around 114, Jose Luis will correct me if I'm wrong, which is the forward of the U.S. dollar for two years. The remaining currencies are linked to the dollar. We should expect approximately between a EUR150 million to EUR200 million drop in our capital base from currency differences, with the 50 percent minimum payout, and also an increase in earnings, we should expect in two years a much higher net equity than the current figure, in a range between EUR 0.8 billion and EUR 0.5 billion, more or less. So with increased earnings and also a moderate increase in the capital base, we believe that we will achieve the ROE target.

Antonio Huertas Mejías

I would like to add something about the combined ratio. We are convinced that we are living in the worst case scenario for Motor insurance in the whole world. We have established many

measures which have been implemented in the last 12 months in all markets and we have to be very optimistic regarding the improvement of the combined ratio.

Taking into account that one single point reduction in the Motor combined ratio can add between EUR40 million-EUR50 million to the profit and loss account, it's a huge opportunity to improve the combined ratio. We do believe in what we are doing to improve the line. We have probably seen the peak of inflation. So with changes in tariffs, the implementation of many new underwriting guidelines, cancelling non-performing portfolios in Brazil, in Spain and also applying the new tariff increase in the U.S., all of this is going to add more positive effects on the combined ratio and for that reason also in the ROE.

Felipe Navarro López de Chicheri

Thank you very much. I think that was a very complete answer on the ROE. Carlos Peixoto was asking as well about the ROE, on our own guidance for 2023. We give the guidance for the two years, not for the year.

So we'll go for the next question which is related to Brazil's combined ratio. How do you see the evolution in 2023?

Antonio Huertas Mejías

We strongly believe that Brazil is one of the main pillars of our good combined ratio, because it has had for many years excellent business in Agro; not in Motor especially, but in the past Motor hasn't been a problem in the general combined ratio for MAPFRE coming from Brazil. So if we are taking advantage of the measures we have already implemented in Brazil, we can get a sustainable combined ratio below 90 percent in Brazil every year.

We think that Brazil helps a lot to maintain our corporate combined ratio goal. Brazil and Spain both help. Also the U.S., but we need to wait a little bit more to see the improvements there. We think that we are playing the margin in Brazil and in Spain to lower this combined ratio. In Brazil it's very important, but with the information we have, we know that we are improving the combined ratio. The ratio has been promising in the last few months, and the trends is very positive.

Felipe Navarro López de Chicheri

Thank you very much, Antonio. I have another question coming from the platform. This one is coming from from Alessia Magni of Barclays. She's asking about the revised combined ratio target which she thinks is quite ambitious considering the current combined ratio level. "How do you plan to achieve it? What measures are you undertaking?"

Fernando Mata Verdejo

I think it's not that ambitious. The current combined ratio is pretty high, and there is a significant gap between lines of business. I have many years of experience in this industry and I haven't seen in my life a range like now, from 88 percent in General Insurance to 106 percent in Motor – 18 points difference in the combined ratio in two different lines. It's amazing. So both lines should converge. Fortunately, we've seen a significant reduction in Life Protection and also another win that should help MAPFRE is from financial income.

As we mentioned, last year we practically caught up with a 100 basis points in our accounting yield. And there is a significant gap between the current accounting yield and also the market yield. Ceteris paribus, if the rates remain flat, we will be able to catch up probably, I won't specify a number, but a big amount in terms of financial income.

So my view is that the combined ratio has very little room for additional expense reduction. We're working on it, but our structure is pretty lean, so we have to work on rates.

In terms of the macro situation, what we should expect is that the inflation linked to the supply chain disruption is practically over. So now we're going to see, let's keep our fingers crossed, we will probably see a reduction in mobility in the current scenario, with gas prices and also the mild recession – mild or deep, whatever. But probably we'll see a lower mobility as well. And we will keep the same, stricter underwriting guidelines on the other lines. So that's how we can forecast 96 percent, a sustainable combined ratio, very good guidance because coming from the past that's the guidance that we had, and this is the combined ratio we should focus on.

Felipe Navarro López de Chicheri

Thank you very much, Fernando. We have a question coming from the audience.

Jose Tamayo

Thank you. Jose Tamayo from GVC. Again on the Motor portfolio, you mention 100 basis points, EUR40 million-EUR50 million, the operating leverage is quite relevant. So in order to understand your assumptions, how long does it take for the total portfolio to re-appreciate? I don't know if in different regions it's different or not. What do you expect from inflation in terms of the maintenance and repair expenses? At the end of the process, what are the price increases that you are going to have? I don't know if it is something strategic and you can't say by region, but in order to understand your optimistic assumption and do our own model? And finally, on strategy, on page number 4 you are saying that you are having a more cautious approach in businesses. What do you expect and where are you having limited risk appetite? What are the businesses or regions that you consider that you have to apply a more cautious approaching and why?

Antonio Huertas Mejías

Let me say something about the repricing policy in MAPFRE. It's not a common policy across the board. We can't apply the same criteria, comparing the three main Motor markets in Brazil, Massachusetts and Spain. There is a common situation with a similar approach, but with different conclusions and different procedures to change the situation. In the U.S., in Massachusetts, we applied for tariffs changes twice last year. And the total was a 6.5 percent increase in Motor in Massachusetts last year. But we have started this year with a new 6.5 percent increase since 1st of January. And we are starting a new analysis to submit to the supervisor, a new increase by July. So it's a dynamic process.

In Brazil, we are applying increases at any time, trying to better balance our portfolio and simultaneously making many changes in our underwriting processes. It's very similar with Spain. But in Spain, we don't depend on one single non-performing channel. We have a multichannel approach and traditionally the business coming from our tied agents is more profitable and we have more chance to apply the right prices. It doesn't mean we automatically increase the price. We are doing frequent analysis, trying to compensate. Part of our portfolio is going to have higher prices, and another, applying a bonus-malus system, we are reducing prices, so it's a combination. It's not possible to say what common percentage we are applying, but we know that we are doing the process, trying to maintain solvency and, at the same time, the sufficiency of tariff increases.

Fernando Mata Verdejo

I'm sorry, but I think that the guidance is not that ambitious now. We've done it. It's pretty realistic with assumptions. They're pretty conservative as well. Let's say that the financial income should fuel, quite well, the financial net result, the earnings. That's pretty clear.

And also, back to the combined ratio, in general, the 83 percent for Life Protection is probably not sustainable. We're probably going to see an increase in some regions. We frankly believe that we're going to see the results of our restructuring in Auto because we saw it in Brazil, and we're going to see it in Spain. The combined ratio in Spain is flattening. The hardest market by far is the U.S. and they will take some quarters to have the rate increase fully earned. But the financial income will give us a big push, frankly. Obviously, we haven't started the year well with the earthquake this February in Turkey, but this is business as usual. This is a mid-sized event, like we have had many during the year, and fortunately there is a significant increase in rates as well in MAPFRE RE and that will help us compensate any Cat event. That's my view.

Felipe Navarro López de Chicheri

There were some questions that were related to this statement about applying a cautious approach in business where we have limited risk appetite. What do you think about this business, which lines?

Fernando Mata Verdejo

We referred to the footprint and some lines of business that didn't perform well. We are reevaluating our position, particularly Health in some small countries or small portfolios, obviously not the Dominican Republic, which is key. Also, as you know, we used to be one of the largest Auto carriers, but we reduced our exposure, fortunately, in Italy, in Turkey, and also in Brazil. We reduced our exposure in Commercial auto, buses and trucks. We reduced our exposure in the U.S. as well. We're focused on profitable lines of business, then there could be an up and down situation that could perhaps jeopardize our combined ratio, but we're focused on those lines that we know how to manage. And in the end, in the long run, we're sure that we can make money. Otherwise, it doesn't make sense.

Felipe Navarro López de Chicheri

Thank you very much. I have a couple of questions related with the earthquake in Turkey. I know it's quite early to give any kind of deep information about this. Carlos Peixoto is asking about what the expected impacts from the earthquake in Turkey are. And Thomas Bateman from Berenberg is asking, first of all, what we understand by a mid-sized event in MAPFRE in terms of euros and with a minimum and a maximum, and if there would be any reinsurance protection on claims for the earthquakes in Turkey?

Eduardo Pérez de Lema Holweg

I can take this one. First of all, the focus of everyone in Turkey right now is not about claims, it's about many other things that come much earlier than that. So we don't have any actual information. As of yesterday, we don't have any single claim in Turkey because people are doing something different than filing claims. So right now, whatever we say about any cost is pure speculation. There is nothing there. And particularly, in earthquakes, it's very difficult, because we see that there are many collapsed buildings, but for an earthquake, there are many other damages that are not collapsing buildings, so structural damage, or whatever, and it's very, very difficult to assess.

Generally speaking, we'd say it's a highly populated region. And Turkey is one of the biggest exposures for MAPFRE, and is one of the biggest exposures to many other reinsurance and insurance groups. There are many subsidiaries of other insurance groups in the country. So it's an area of large exposures, no doubt. And this is a relatively big event.

Having said that, right now to provide any figures we could say it can go from 1 to 1,000; that's what other firms are saying right now and that doesn't give you any color. When we say that we expect a medium-sized event from that, there are two parts of that. First, the local company – the retention is relatively low. They are very well protected by their reinsurer. So there the retention is within, so it wouldn't unbalance the company at all. They're very well protected.

The loss in MAPFRE will concentrate in MAPFRE RE and that will be coming from our group reinsurance and from our non-group reinsurance. It's a meaningful market for us. And when we say this is a medium sized event for us, it's within our budget of large losses. We don't know how much it will bite into that budget, but it will take some part of this large loss budget. But we know that every year we will have Cat losses. So, I don't know if it will bite 10 percent, 15 percent or whatever the amount of that Cat budget, but it will be within that, knowing that exposures are

there. It's something that we will be able to swallow. And if we don't have many of these kind of events, it's within the budget of MAPFRE RE and the Group.

And, of course, there is reinsurance protection for Turkey in MAPFRE both for our insurance portfolio and for our reinsurance portfolio. It's a high exposure zone and there is reinsurance for that. If we will get into a loss level that will go into external reinsurance, I don't know; again it's pure speculation.

Felipe Navarro López de Chicheri

Thank you very much and thank you for the effort to give some kind of details at this moment of the claim because I think for the moment, we are concentrated in other aspects of the claim.

Fernando Mata Verdejo

We're going to be cautious.

Felipe Navarro López de Chicheri

Yes, absolutely, we need to. Carlos Peixoto is asking what kind of impact we should be expecting from the implementation of the IFRS 17&9 on solvency ratios, if any?

Fernando Mata Verdejo

Thank you, Carlos. Just a summary, we shouldn't expect any significant change in the Solvency II ratio. All the changes will be mainly in the way we present income expenses and income generation in general, but not affecting the Solvency II ratio. That's my view.

Felipe Navarro López de Chicheri

Okay. Thank you very much. Are there any questions from the audience?

Maria Paz Ojeda

Hello, this is Maria Paz Ojeda from Banco Sabadell. I have just one question on USA. It's regarding the deterioration in the fourth quarter we have seen, because the combined ratio was up 8 percentage points, inflation was down, economy and car sales were up. So, I don't know if there is an increase in reserves there. And then you mentioned that the combined ratio there is near its

peak, but it's not there yet. So what should we expect from that, in that sense, in the first half of the year? Maybe it could go up to 120 or what?

And just on the long term view, regarding the Motor insurance business, not only in North America, but also in Spain, I would say that the behavior is changing, because we are just going toward car as a service where insurance has a lower importance in the behavior of buying a car. So there is more business from corporates, from the ALD leasing company, the consumer finance companies. And this has lower margins for the insurance company. How do you see that and what are your views and the measures that you could implement, bearing in mind the high combined ratio you have already in Motor?

Fernando Mata Verdejo

I'll cover the U.S., if you don't mind, Antonio. We saw a significant deterioration in the combined ratio in the fourth quarter. There is no change in the way we're reserving, Paz. We have probably incorporated part of the inflation in our unpaid claims. That's pretty sure. You have to blame something and I will say that the premiums are not fully earned. As you remember, the first rate increase was January 1st, and then the second in July, and the third was in 2023. So let's say we have the peak of inflation's effect, but on the other hand the premiums were from previous years.

In any case, compared with the market, as Antonio mentioned, we are little bit lower than the average in the market. And also assuming that Massachusetts is a really tough and competitive market. But in any case, we think we're doing what we had to do. It's difficult to increase rates and we will be working quite closely with the insurance commissioner. And it will probably take longer than we expected and we have to wait probably more than two, three quarters, until the end of 2023, probably, We have to give a little bit more time in order to see the operation at a turnaround point. But the conclusion is we're a little bit better than average, that's important.

Regarding the changing behavior, obviously, the automobile business is extremely competitive because of pricing and because of different conditions, and also the role of leasing entities and as you mentioned changes in the drivers' behavior. But we've been preparing, Antonio, we're working quite close with every one of the different players that are active in this market. And the thing is, we have to adapt our business model to the new reality. That's pretty clear.

Margins will be lower obviously, but we have a power which is our MAPFRE network in Spain. Believe it or not, the number of visits to branches is quite stable. People are using MAPFRE's

outlets to get information and also to buy. And also online, as Antonio mentioned as well, MAPFRE is number one in online underwriting for both Verti and MAPFRE brand.

So the conclusion is that we have to adapt to the new reality and the coming scenarios and that's the only way. We have to do lower margins obviously, more technology, more artificial intelligence, better service in order to differentiate ourselves from our peers, but Auto is a key business for MAPFRE and we're going to run this business for the future, no doubt.

Antonio Huertas Mejías

Without correcting you, Fernando, I can say that instead of “we have to adapt”, that we are already adapting our business model. We are working heavily in the new trends of market pricing, trying to lower our expense ratio and to create more room for digital sales with a different level of expenses. It's true, Motor is our main line; more or less 30 percent of our portfolio is Motor insurance. So we are very positive with the line because we think that we have many solutions to serve different kinds of customers and different levels or kind of distributors. It has been a very profitable business in Spain and many countries. We can't deny that. And it's true that we have to adapt our margins to the current environment, on the digital side but also trying to reduce non-efficient processes inside the business.

In South America, also in the U.S., in a normal situation, they still have a lower claims ratio than in Europe. And in Europe, having this higher level of claims, we have made a lot of money during the last few years. So it's a different approach depending on the market, and we have to work more on the new trends and also at the same time, we need to diversify better. During the last three years, before 2022, we lost a huge amount of money with Life Protection, with Burial expenses, with Health and we made a lot of money coming from Motor business.

Now, we are experiencing the other side of this process, the consequence of the diversification. In this case, it is the positive consequence of diversification because currently we are losing money in our general global accounts in Motor for some markets such as U.S and Brazil, but not in Spain and not in many markets. We must take in consideration that at the same time, we are having a very positive result from Life Protection, from Commercial lines, from others. So our business model has been proven to be resilient. And we have to diversify better. Motor is not the only way for MAPFRE to make money.

Felipe Navarro López de Chicheri

Thank you very much. That was a very clear message. I have a very specific question coming from both Alessia Magni and Thomas Bateman. It's related to LATAM South. They are asking if we should expect the financial result to rise significantly in 2023 like in 2022. They're asking what the main drivers are, and if there were some one-off gains in 2022 investment income in LATAM South that they should exclude in order to project future valuation, and if not, if this level is sustainable?

Fernando Mata Verdejo

Well, basically it will depend on inflation and also the central bank rates. As you know, we've got EUR1.8 billion invested in bonds with yields linked to inflation or central bank rates. It's a pretty big number. Most of this is linked to Life runoff portfolios, particularly in Colombia. So let's say that we had a very good year in terms of financial income in Colombia. And frankly speaking, we should remove part of this financial income because it won't be sustainable. At least we should expect that the economy will be better and that central bank rates and inflation will go down at some point in the near future.

The decision that is in Jose Luis's hands is to decide to move from inflation and central bank rate-linked fixed income portfolios to plain vanilla, and also increase durations. We did it well a couple of years ago when we restructured our portfolio. And so far we're not going to implement changes in our current structure, but we know that probably in 2023, we have to look with a longer time horizon at what we're going to do with these bonds. But frankly, yes, the answer is we should consider some percentage points in our Life financial income as non-recurring.

Felipe Navarro López de Chicheri

Thank you very much, Fernando. We have another question related with MAPFRE RE. Thomas Bateman was asking for some color on the MAPFRE RE large loss budget of EUR300 million to EUR400 million that you mentioned, Eduardo. What was the budget previously?

Eduardo Pérez de Lema Holweg

Previously it was EUR250 million to EUR300 million, so you see a relatively big jump there. One thing I forgot to mention, this is pre-tax. It's not the final figure that we usually report. And the big jump is coming for two main reasons. One is we have grown our premium base on cat business

very substantially in the last two years. So that, of course, allows us to absorb more and retention levels have, as I've mentioned before, gone up, so we have a bigger retention than before.

Felipe Navarro López de Chicheri

Thank you very much. I have a last question coming from Carlos Peixoto. And it's related with M&A, "Which businesses and geographies would MAPFRE like to expand? What are the criteria used when accessing the potential operations? What kind of returns are we expecting, market share, solvency impacts, potential growth in that specific market?"

Antonio Huertas Mejías

Let's start with the business guidance, then the financial side will add some more comments. I can say that we don't have an active appetite for new acquisitions. We know that we have to be very prudent now, but we have already defined our strategic markets which are essentially Mexico, Germany and others, but we don't have any specific process to make any M&A operations there. We are open to that; we know that we have a lost bancassurance channel in Spain. So it's weak for MAPFRE future development in terms of Life insurance mainly, because for Non-Life we have enough capabilities to distribute our product. But talking about channels, I would say that bancassurance is very important in the future for the development of our business. And in terms of geography, we are not doing anything. But in terms of capital allocation, Fernando can say more because it's also important at this moment before making any specific process.

Fernando Mata Verdejo

Yes, as Antonio said, in the long run, we always consider the potential acquisition to be accretive. That's pretty clear. But in the long run, regarding Solvency II impacts, I will say, Carlos, there will be negative Solvency II impacts, because for any transaction we will have to pay goodwill or VOBA or whatever, and this has a negative impact on the Solvency II ratio. Potential growth in specific markets or market share is always considered. So, everything you mentioned in your question is being considered by MAPFRE.

Felipe Navarro López de Chicheri

Thank you very much. We don't have any more questions from the platform. If the audience doesn't have any more questions, Antonio, would you like to say some closing words?

Antonio Huertas Mejías

Yeah, I would like to start with our solidarity with the Turkish people because I think it's the most important topic that we have on the table now. And first we have to think about our customers there. Coincidentally, I am going to travel to Turkey this Sunday for a business trip that I had planned before the earthquake. So it's a good chance to get to know better what's happening in the country and how we can help.

In fact, MAPFRE Foundation has put in place today a plan to help this country with humanitarian aid, with a crowdfunding process to send money to the more affected areas, and by sending specific aids like coats and other things that these poor people need now. It is a difficult moment for them.

I can only say thank you for being here, for following us every quarter, and for having the opportunity to share our financial and business development with you. We are very positive, as I said, and we think if the macroeconomic environment is better, we can easily reach our main goals. Thank you very much.

Felipe Navarro López de Chicheri

Thank you very much. I'll just remind everyone that the IR team will be available if you have any further questions or any further remarks in following days. Thank you very much.

Fernando Mata Verdejo

Thank you very much for being here and enjoy the weekend. Bye.

Felipe Navarro López de Chicheri

Thank you. Bye.

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