



Investor &  
analyst call –  
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**Company participants**

- Antonio Huertas Mejías, MAPFRE SA, Chief Executive Officer
- Fernando Mata Verdejo, MAPFRE SA, Chief Financial Officer
- Felipe Navarro López de Chicheri, MAPFRE SA, Deputy General Manager – Finance Area
- Leandra Elizabeth Clark, MAPFRE SA, Head of Investor Relations

## Presentation

### **Leandra Clark**

Buenos días, good afternoon, and welcome to MAPFRE's full year 2023 Activity Update. This is Leandra Clark, Head of Investor Relations.

We want to especially welcome those of you who have joined us here today in person, and we would also like to thank those who have taken the time to connect online.

It's a pleasure to have here with us Antonio Huertas, MAPFRE's CEO. He will share some opening remarks and walk us through business trends. It's also a pleasure to have Fernando Mata, the Group CFO, who will go over the main financials. Felipe Navarro, Deputy General Manager of the Finance Area, will give an update on capital and investments.

As you're aware, the new IFRS 17 and 9 Accounting Standards entered in force just January 1st of last year. Given the lack of a long track record, in addition to the transition impacts, comparisons can still be quite challenging, which is why it's important to continue presenting our local homogenized figures as well.

We have reported very detailed disclosures of these different sets of accounts, just this morning. They have very different sensitivities. You'll see when you look at them. And that's why it's important that we continue giving this dual reporting in detail.

And we are going to continue to do so, in order to meet the different needs of all our stakeholders. Local accounting results will be presented first, and then Fernando will provide a deep dive of the IFRS 17 and 9 figures.

Before we begin, just a few reminders. Interpretation services are available, both here and at home. So feel free to choose the language you prefer, either English or Spanish. Some of the Q&A session will be free to answer questions in Spanish, and it will be translated for those of you online.

And now let me turn the call over to Antonio. The floor is yours.

### **Antonio Huertas Mejías**

Thank you, Leandra. Good afternoon, everyone. It's a great pleasure to be here with you once again after the closing of accounting for 2023.

Let me begin by giving you a brief overview of last year. Overall, 2023 was an excellent year for MAPFRE. We are growing more than ever, despite the high level of global uncertainty, thanks to diversification of our business, both by product and geography.

We closed the year with the highest level of premiums and revenue ever. This record is even more remarkable when considering how challenging 2023 was, with wars, political and economical challenges and more issues, as you already know.

Without a doubt, increasing prices had a lot to do with the higher premiums and earnings, but we are also seeing very solid underlying business growth. Although inflation boosted revenue, it was also a headwind for technical profitability.

Nevertheless, despite this challenge, we were able to substantially improve our results, with relevant steps forward in most businesses and markets, with Life business, Brazil and reinsurance leading the profitable growth. Our main KPIs are further proof of these advantages.

The net result, ROE and combined ratio are improving, even though we are still working on returning to profitability in Auto. Furthermore, after suffering many years with low interest rates, financial income is now a tailwind.

And, of course, I would like to highlight the firm commitment to MAPFRE's more than 200,000 shareholders with an attractive and sustainable dividend remuneration. We are especially proud to announce that this year we have raised the final dividend to EUR0.09 to reach the highest level in the last five years.

Now I'll move on to look at the figures for the year. MAPFRE total premiums at the end of 2023 were just under EUR27 billion, up nearly 10%, the highest figure ever. Revenues are growing at a similar rate, up around 9%, reaching over EUR32 billion, another historical record for MAPFRE.

MAPFRE is a group that manages its business with a focus on prudence and financial strength. I would like to remind you that in the third quarter, we partially wrote down EUR75 million of goodwill in the U.S., undoubtedly strengthening our balance sheet.

Excluding the write-down, net income was an excellent EUR767 million, an increase of more than 19%. Reported profit was EUR692 million, 7.7% higher than last year. This is a significant improvement, given the challenging economic environment. This good result is a consequence of the improvement in the combined ratio, which stood at 97%, one point lower than last year. However, it's still higher than we would like.

The ROE is 9%, within our target range, up 1 point in the year. Excluding the goodwill write-down, it would be almost 10%. Finally, the Solvency II ratio was 198% in September, reflecting MAPFRE's strength and resilience.

Now let's look at some of the highlights of the year. Our diversification, the essence of well-managed insurance, is helping us, again, thanks to the large profit contribution from Life and General P&C, in addition to reinsurance and large commercial businesses.

In Life, premiums grew by more than 14%, accompanied by a 12% improvement in the result, and supported by strong technical performance and robust financial income, especially in Latin America. In Non-Life, premium growth exceeded 8%. The figure reflects diverging trends, with technical margins under pressure and investment income growing strongly.

Rising interest rates, particularly Latin America, together with active investment management, led to an increase in recurring financial income of EUR160 million, up 26%.

On the underwriting side, the profitability of some lines of business is being constrained by higher frequency and cost inflation. We are gradually recovering the premium shortfalls, but it will take a few more months before this is reflected in the profit and loss account. This is the case for Auto, which is reporting high losses, with a combined ratio of 106%, despite ongoing tariff adjustments. Quarterly developments continue to show volatility, with positive trends in Brazil and the U.S., while rate increases in Spain will take more time.

It's important to highlight that half of our operations have combined ratios below 100%, and most of them have improved during the year. Brazil, Reinsurance, Latin America, and to a lesser extent, Spain also posted very positive results. So our territorial diversification also helps us not to depend exclusively on one or two large operations, which enables us to consolidate our confidence in our global, multi-branch, multi-channel, and geographically diversified model.

I'd like to highlight a strong performance in Iberia, leading the Group's growth with premiums up close to 16%, as well as the excellent year for Latin America, which is now the main contributor to profit, earning over EUR370 million. It's also worth noting that Brazil contributed more than EUR230 million, thanks to improvements in both the technical and financial results.

MAPFRE RE, which includes the Reinsurance business as well as Global Risks, continues consolidating positive trends with a EUR245 million result, up 70% despite the impacts from the Turkish earthquake, Hurricane Otis and other weather-related events. It's important to say that we have recorded the highest level of reinsurance premiums ever and even the highest profit figure.

Moving now to our dividend payment, I am proud to announce that the MAPFRE Board of Directors has decided to propose to the General Shareholder Meetings a final dividend of EUR0.09 for 2023, half a cent higher than last year.

Together with the interim dividend, the total will be EUR0.15 per share. This increase is underpinned by our solid results and very strong financial position, and reaffirms our commitment to shareholders by achieving a payout ratio of 67%. During 2023, MAPFRE had a dividend yield of 7.7%, one of the highest among the largest European insurers.

Thank you. And I will now hand the floor over to Fernando, please.

### **Ferenando Mata Verdejo**

Thank you, Antonio. Good morning, everybody. Now I will walk you through the key figures. Here we have on the screen the breakdown of premiums. Non-Life premiums are up over EUR1.6 billion, with almost 11% growth in General P&C, 10% in Accident and Health, and a little over 3% in Auto. Life premiums are up close to EUR760 million, driven by Savings, which is growing 35%, mainly in Spain, while Protection is up over 7% on the back of strong trends in both Brazil and Mexico.

As you can see on this chart on the right, our business mix is well diversified with around 80% in Non-Life and 20% in Life. Within the Life business, it is evenly split between Savings and Protection. General P&C is our largest line of business with around 30%, which includes Homeowners, Commercial, Agricultural and Burial expenses. Motor represents 23% of total premiums, while Accident and Health represents 7%.

Now I would like to discuss the key trends in our main business units. Net result reached EUR692 million. I would like to comment on a few singular events during the year. As Antonio said, there were two relevant Cat events, the earthquake in Turkey and Hurricane Otis in Mexico with a EUR159 million combined impact, mainly for MAPFRE RE. Additionally, the impact of attritional weather-related events, particularly in Europe, was EUR115 million higher than in 2022. These storms affected the insurance units in Spain, Italy, and Germany, as well as Reinsurance.

As a reminder, in the third quarter, we recorded a EUR46.5 million net gain as a result of the arbitration from the end of the Bankia agreement in Iberia. The EUR75 million goodwill write-down of insurance operations in the United States in the third quarter had no impact - it's a very good to remember - on cash generation, solvency, or the Group's capacity to pay dividends. Realized gains were around EUR90 million, compared to EUR100 million last year. And finally, the hyperinflation adjustments in the three countries, Venezuela, Argentina and Turkey, had a EUR47 million net impact, compared to EUR41 million in 2022.

Let's move to the units. In Iberia, we're growing above the market in our main lines of business. We're also proud of our continuous transformation with more than 2.4 million digital clients, up over 25% during the year. The Non-Life business is growing nearly 8%, with General P&C and Accident and Health growing at higher rates than Motor. The result and combined ratio have been affected by Auto and General P&C, which I will explain later. Finally, the Life business is up 40%, and continues to perform well. The Protection business had an excellent combined ratio of 69%. The financial result continuous improving, and the net result stands all in all at EUR361 million.

Let's move to LatAm. Business is consolidating strong trends, with a result of EUR373 million, the largest contributor to Group earnings. Brazil continues showing strong growth and its result was up over 60%. Premiums are growing almost 6%, driven by Agro-business and Life Protection, which grew 7% and 5%, respectively. The combined ratio is down significantly to 78.6% with a Motor and General P&C both improving. The Life Protection business also had a solid combined ratio of 79%. Obviously, high-interest rates have been a tailwind, but reinvestment rates are expected to trend downward. The rest of LatAm showed strong trends with relevant contributions from Mexico and Peru, our core businesses, core countries, with premiums up 43% and 8% respectively.

Regarding North America, premiums have increased 3.6%, despite some dollar depreciation, and on the back of relevant Motor and Homeowners tariff increases, which should start to feed into P&L. The Auto combined ratio stood at 107%, down 2.5%, with better performance during the second half of the year. In General P&C, the combined ratio stands at 100.8%,

affected by several weather-related events during the year, as well as the relevant increase in the cost of reinsurance Cat protection. The North America region recorded a EUR2 million net loss, aggregated, due to the challenges in Motor and lower realized gains. Puerto Rico, which is included in this region, is growing at 10.8%, reaching over EUR400 million in premiums, and contributing a relevant EUR28 million to results.

In EMEA, premiums reached nearly EUR1.3 billion with a 2% decrease, due to the fall, as we reported in the previous quarter, in the Malta Life business. The region recorded EUR47 million in losses, concentrated in Italy and Germany as a result of the complicated Auto environment, and also the weather-related events. In Turkey, the positive performance of the Euro-denominated financial investments has offset the impact of the first quarter earthquake, allowing the country to report profit. And Malta finally continues with a stable contribution to earnings.

Let's move to MAPFRE RE. MAPFRE RE includes the Reinsurance and Global Risks business, and both operations are consolidating excellent growth and profitability trends. Premiums were up nearly 9%, reaching EUR7.9 billion. The combined ratio was down 1.2 points to 95.6%, supported by improving tariffs, especially for Cat covers. The two relevant Cat events that we already mentioned, had a combined impact of EUR153 million. In any case, other events, including the storms in Europe, were offset by the absence, thank goodness, of Atlantic Hurricanes during the year. The financial results also grew with EUR128 million gross contribution to the Non-Life result on the back of higher realized gains and ordinary income. All in all, the net result reached EUR245 million, up 71%.

MAWDY, formerly Asistencia, continues to focus on strategic markets for the Asistencia business with a focus on digital.

On the right, you can see main ratios: combined ratio and also ROE.

Now let's move on to the Motor business. Given the current context, we focused on adapting tariffs and protecting our current portfolio. We already mentioned that in previous presentations and I have to remark this is an ongoing process. As a result, during the year, premiums are up over 3% Group-wide, and Insured units are down over 3%. So 3% plus, 3% minus.

In Iberia, premiums increased 5.3%. The portfolio is pretty stable, standing at over EUR6.1 million vehicles, basically the same level of vehicles that we had in June. And the reduction in terms of percentage is a 1.8 percent reduction, due to risk-selection measures. In Brazil, the Auto business is up 0.9% and the portfolio of insured vehicles is down over 10%, a significant reduction in units, which is related to less appetite, particularly in fleets. In North America, premiums grew 3.1%, with insured units also down over 5%.

The Motor segment is still reporting a net loss of around EUR57 million, mainly coming from the U.S. On the other hand, Brazil is consolidating the positive trends in profitability, supported by high investment yields, and an improving combined ratio. The Group's Auto combined ratio was 106%, similar to 2022.

Brazil's combined ratio is down 12 points year-on-year to 102%. Iberia was hit by an uptick in the combined ratio in the fourth quarter. It was due to weather-related events, reaching 105% in the fourth quarter stand-alone, and 103.6% for the full year.

In North America, the ratio improved by 2.6%. The frequency is pretty stable, but severity is still rising. The already-implemented tariff increases, more than 29% since January 2022 in Massachusetts, should offset expected claims inflation over time.

Other markets in Latin America are performing quite well, mitigating the complicated situation in Italy and Germany. Conclusion – we're committed to adapting tariffs as much as necessary across the Group. It is pretty clear. Brazil is already performing, while the measures taken in the U.S. and Spain will need some time to bear their fruits.

Let's move on to General P&C. In that case, this line is just the opposite, showing extraordinary performance. Premiums are growing, up almost 11%, with a solid combined ratio of 87.6%, down 3 points.

We will make a few comments on the most relevant geographies for this segment, Brazil and Iberia, which represent over two-thirds of premiums and 85% of the net result.

In Brazil, premiums are growing 7.6% and the net result is up EUR27 million. The combined ratio stood at an excellent 70%, down over 5 points, supported by Agro with a lower level of weather-related events during the year. Remember that last year we had the drought in the Parana River.

In Iberia, premiums were up 9.5%, driven by Commercial lines, but results were affected as well by the heavy storms in Spain in the second half of the year, especially Homeowners and Condominiums. I have to remind you that only a third of these claims were covered by the Consortium. So in the end, a lot of events went to the private insurance entities. As you know, we are discussing with the Consortium in order to increase the coverages due to significant events that hit the Spanish insurance entities.

So the combined ratio in Iberia stood at 100%, up more than six points from the previous year. In this situation, tariffs, in particular in MAPFRE, are being updated in order to offset this, what we call, new paradigm of weather-related losses. Call it global warming or whatever, but the reality is the new paradigm on those attritional weather-related events.

In conclusion, despite the complicated context, the well-diversified General P&C is performing well, with a significant contribution to MAPFRE's net result.

Let's move to the other extraordinary line of business. I want to comment now on the Life business, which is a relevant profit contributor. Premiums at insurance units are up close to 890 million, driven by Savings in Spain. The Protection business as well is growing well, over 7%, and with very good performance in Latin America.

In Iberia, volumes are up 40%, reaching nearly EUR2.7 billion, of which EUR2.3 billion correspond to Life Savings. Profitability trends continue, and the Protection business boasts an excellent 69% combined ratio.

In Brazil, the Life Protection business also had a solid combined ratio, standing at 79%. The financial results also improved, supported by the high interest yields. In the rest of LatAm, the Life business and financial income continued improving and contributing very, very positively.

In general, the Life result reflects both solid technical performance, and also a strong financial income. With the total Protection combined ratio at an excellent level, under 83%, and a 12% improvement in the technical financial result, including in that case the reinsurance business, and up over 10% at insurance units before tax and minority interests.

Now I will hand the floor over to Felipe to discuss our financial and capital position and also the investment portfolio.

### **Felipe Navarro López de Chicheri**

Thank you very much, Fernando. Here we have the capital position and credit metrics. So, on the left, you can see the breakdown of our financial resources. Shareholders' equity increased by EUR780 million during the year, reaching over EUR8 billion. This strong improvement was driven by the fall in interest rates, which led to unrealized gains of over 560 million on the available for sale portfolio during the year. The largest improvements were in Iberia, followed by Latam and MAPFRE RE.

Currency conversion differences were stable with the appreciation of the Brazilian real offsetting the dollar depreciation.

Leverage decreased to 22.7%, just below the lower limit of our reference framework. The fall is driven by the increase in our equity base and the reduction of bank financing, with total debt down over EUR200 million. The solvency ratio remains close to the midpoint of our reference framework, nearly 190% when excluding transitional measures, which is always an excellent level.

Now, I will take some time to comment on the cash flow upstreaming in MAPFRE Group, which was over EUR630 million in 2023. The decrease is mainly due to the extraordinary dividends that Iberia in 2022 distributed related to the sale of Bankia.

As you can see, Iberia continues to be the most important contributor with EUR345 million. LatAm contributed with EUR148 million, adding a new layer of diversification to the Group's strength as it's less dependent on Spanish entities. MAPFRE RE upstreamed EUR86 million this year. These cash flows were allocated to pay EUR447 million in 2023 dividends, as well as to cover overhead payments, interest expenses, and other capital needs.

Regarding the investment portfolio, we reduced our equity and mutual funds position during the year to reduce the volatility in the P&L, related to IFRS 9, while at the same time allocating more to fixed income. We also lowered duration of assets covering Non-Life insurance liabilities. The changes on the quarter also reflect higher fixed income valuation from lower interest rates.

Spanish sovereign debt continues to be the largest exposure with EUR9.7 billion. A large



share of those positions are allocated to immunized portfolios, mitigating the interest rate risk.

Regarding asset management, we are confident moving forward with strong growth during the year. Pension funds are up over 12%, and mutual funds nearly 20% during the year. We have now reached around EUR13 billion in assets under management, placing us among the leading non-bank players in Spain.

On the screen, you have information regarding our EUR31 billion fixed income portfolio. First of all, I would like to remind you that a large share of our portfolio is immunized or matched, so we will focus on the actively managed portfolios, which is the main contributor to the net income.

At the top, there are details on the Euro-area portfolios, with a market value of over EUR12 billion. Duration overall is down and yields are increasing at a steady pace. The accounting yields in Iberia Non-Life and RE are both around 2.5%, up during the year.

On the bottom, there are other main markets amounting to around EUR8 billion. Duration is slightly down in Brazil and North America, but up over 1 point in the rest of LatAm, to close the duration gap in long-tail liabilities in run-off Life business. Regarding portfolio yields, in North America they are slightly up, while in Latin America they have come down a little.

Non-Life financial income is up EUR80 million, impacted by the goodwill write-down in the United States. Excluding this, the financial income is growing 26% over EUR160 million. The largest improvement is MAPFRE RE, up EUR48 million from higher gains in ordinary income. LatAm, including Brazil, is up EUR39 million. EMEA is up almost EUR28 million, with an important share coming from positive exchange rate impacts in Turkey, where 70% to 80% of the assets were in Euro. The EUR28 million fall in North America is due to the lower realized gains.

As a reminder, the goodwill write-down is reflected on the consolidation and corporate area lines. Gross realized gains in Non-Life are up EUR30 million, due to the sale of an important property in Iberia. Gains in financial assets in MAPFRE RE are up on the year, which helped to offset the fall in North America.

I will now hand back the floor to Fernando.

### **Fernando Mata Verdejo**

Thank you, Felipe. We're going to discuss the new IFRS accounting standards. Our approaches are aligned with what we reported in our June accounts.

Here you can see the main KPIs under IFRS 17 and 9, compared to local GAAP figures. I will comment on the most relevant ones. In insurance revenue, we reached a little under EUR25 billion, up over 9%, in line with premium growth. The net result stands at EUR677 million under the new IFRS, slightly down, EUR15 million, compared to local GAAP.

Shareholder's equity amounts to EUR8.4 billion under IFRS, EUR400 million higher than local

GAAP. It means that there is an early recognition of income in IFRS, when we compare to GAAP, obviously. The new concept, CSM – contractual service margin – was EUR2.6 billion, and the 96.6% combined ratio under IFRS is similar to local GAAP. Finally, the ROE stood at 8.3% under IFRS, mainly due to a different equity base, higher in case of IFRS.

Here you can see the main figures by region and further details of P&L can be found in the annual accounts. The consolidated accounts were released this morning, and they are available on our web and also at the CNMV.

Figures are not fully comparable, because there are some changes in financial assets that we implemented in 2022. So there are some changes in the results, particularly in results by units. Just to comment, because of this, Iberia and the holding and elimination line were the main areas affected by this in 2022. This is a technicality; the overlay approach impact applied upon transaction. This approach was applied to avoid P&L volatility in total from the application of the new IFRS 9, which entered in force January 1, 2022. So IFRS 9 adjustments were applied in full in 2022 in each region's accounts – that's why there's so many differences – while the overlay adjustment was applied to the holding company line. So in the end, in total, there is a neutral effect, but there is a significant change in the units, and compensated with an adjustment in holding, eliminations and other.

The total of these adjustments for 2022 was around EUR150 million of which around EUR100 million were from the unrealized losses in mutual funds, around EUR44 million from realized gains in equities, and an additional EUR5.6 million from expected losses in fixed income.

Here, you can see the reconciliation of the net result between both accounting standards. You can see the impacts of the risk margin and loss component were negative, so there is a minor result under IFRS, but they were offset by the discounting effect and other adjustments.

So, in the end, you put together the discount, the loss component, the risk margin and the adjustment to total criteria, and this is the net effect regarding discount on criteria.

And finally, IFRS 9 had two significant impacts - realized capital gains on equity that were recorded under OCI, while changes in the value of mutual funds were booked in P&L.

On the left, you have the evolution of the IFRS shareholders' equity. Main movements are the EUR680 million change in the market value of financial assets, which is largely BBA fixed income portfolios, as well as our own funds portfolio. This was partially offset by the EUR320 million impact from discount rates on BBA insurance liabilities, mainly for the Life Savings and Burial business. Currency conversion differences were positive in the year, as positive trends in the Brazilian real and other Latin American currencies offset the fall in the dollar.

On the right, you have the reconciliation on net equity between the two Accounting Standards; I would like to give some economic sense to the movements, instead of focusing on specific accounting line items. The total impact resulted in the recognition of an additional nearly EUR400 million in shareholders' equity, reaching nearly EUR8.5 billion.

On the asset side, the impact from IFRS 9 is pretty small. On the other hand, impacts from

IFRS 17 are relevant. The first main impact is from the different valuation of provisions, showing a positive adjustment of EUR769 million, due to the reserve discounting, together with different criteria for the pattern of profit recognition through the CSM, affecting particularly Life business and also Burial expenses.

Under IFRS, there are also two new liability concepts, the risk margin and the loss component, which had a negative impact of EUR256 and EUR212 million, respectively, which I will cover in the next slide. The loss component reflects the present value of future losses from onerous loss-making contracts or portfolios, which amounts to EUR287 million. As you can see, the largest share is in PAA in various geographies, which is largely related to the Motor business. BBA portfolios in Other LatAm also have a relevant share with EUR92 million, mainly corresponding to annuity run-off portfolios, mainly booked in 2023.

Regarding the risk margin, it has been estimated in line with Solvency II capital requirements and industry standards, and also are disclosed on the left of the slide. During 2023, it increased over 20% with the ratio of risk margin over the provisions quite stable year-on-year. The increase is due to higher technical provisions, resulting from the fall in interest rates which increased the base for calculating the risk margin.

On the screen, you can see the variation of the CSM, the contractual service margin, during the year, which amounted to EUR296 million, equivalent to 10% of the CSM. Before the release, the CSM increased by EUR650 million, the main contributors being new business and changes in experience and assumptions, bringing the CSM to EUR2.9 billion.

Regarding the EUR222 million positive variation from changes in experience and assumptions, this is the result of lower expense assumptions in BBA, particularly Spain and Brazil, as well as a better evolution of mortality, affecting Life Protection and Burial business. Just for reference, these changes were around 1% of the total liability.

Finally, the release in the year amounted to EUR355 million, around 12% of the CSM pre-release. And the main contributor to the CSM and the release of the year are Iberia and Brazil, which are basically the regions that are running those businesses.

Now let me hand the floor back to Antonio.

### **Antonio Huertas Mejías**

Yes, thank you, Fernando. Before the Q&A session, I'd like to make some additional comments about our performance. The close of 2023 marks the end of a cycle, and the beginning of a new one. In 2024, we have just implemented structural changes to simplify and improve the efficiency of the Group, renewing leadership positions and preparing the Group for a new phase that will continue to focus on growth and results.

As a result of this, and having considered the current context and MAPFRE's potential, we are reviewing our current strategic plan ahead of time. Although we have been able to meet most of our commitments, some minor changes were clearly necessary to adapt to the

changing market reality.

An updated three-year plan for 2024 to 2026 will be presented to the General Shareholders' Meeting in March, which will allow us to increase technical efficiency, productivity and flexibility, making the most of MAPFRE's potential in all the markets in which we operate.

We are very satisfied with the fulfillment of the targets in the current plan, including financial, transformation and ESG KPIs, despite the tremendous volatility and uncertainty that we have faced. Just to give you an idea, we presented this plan at the AGM in 2022, just days before the beginning of the Ukrainian War. As you can see, we have met all of our main financial targets, with the exception of the combined ratio, which was heavily impacted by inflation.

We had updated the target to 96%, which we still expect to achieve, but it will take longer than we initially anticipated. We are continuing to adjust tariffs, and it will take more time for this to feed through to the P&L.

Premiums have grown by almost 10%, which is well above the target of 5% to 6% for 2023 to 2024. And ROE, excluding the goodwill impairment in the U.S., reached 9.9%. Even excluding the impact of this one-off, ROE was 9%, still within the target range.

In terms of ESG targets, we have already achieved our goal of reducing the gender pay gap to below 1%. And we have significantly exceeded the target of having 90% of our MAPFRE AM's investment portfolio rated according ESG criteria, with 96.6% of the portfolio currently ESG rated.

Regarding our reference framework, you can see our Solvency ratio is comfortable at the midpoint of the range, even excluding transitionals, as we mentioned. The payout was 67% and leverage is still below the reference range.

The current scenario remains highly unstable and volatile. The next few years will be challenging, but we are optimistic. In this difficult context MAPFRE continues to hold leading positions in most of our markets. We have a solid, profitable business model that allows us to grow consistently, supported by a sound financial position and low debt.

The return to profitability in the Auto business is definitely among the most notable challenges due to the sharp rise in inflation. For a group like MAPFRE, providing a quality service to clients in Non-Life and Health sectors requires a very efficient and powerful infrastructure, and human and material logistics.

In inflationary periods, since tariffs are calculated long before the service is provided, this leads to significant deviations in the claims experience if rising costs persist. That is what happened in 2023. We faced the situation with strength and determination, applying strategies to contain costs and adapt tariffs at a different pace in each country, depending on our market position, the type of product and distribution channel, and also depending on the need for supervisory approval, like in the U.S. This is why the results show varying degrees of success, with a significant improvement in Brazil, the positive development in Spain, and the slow but steady improvement in the U.S. We still have room to increase organic growth, and

as always, we will continue to be on the lookout for any opportunities that could arise in the market.

MAPFRE is a resilient and solvent company with the strength and flexibility to face today's global challenges. We will continue working to transform the company as much as possible with an even more resilient and diversified business model.

The recent increase in 2023 dividend to EUR0.15 is a strong demonstration of MAPFRE's commitment to our shareholders and our confidence in our ability to continue generating value for them in the future. We will provide you more color at the General Shareholders Meeting on March the 15. Thank you very much for your attention.

I will now hand the floor over to Leandra to begin the Q&A session.

## **Q&A**

### **Leandra Clark**

Thank you, Antonio. As most of you are familiar with the process, let us just remind you of the details of this Q&A session. Those of you who are here in person can raise your hand and we will give you the floor. Please introduce yourselves before asking your questions. It is possible to ask questions both in Spanish or English at your convenience. For those connected online, you can use the Q&A tool on the bottom of your screen, and we will try to answer them all as time allows. The IR team will be available for any pending questions after the call.

### **Francisco Riquel, Alantra**

Well, first question, about the combined ratio in Spain, 104% in Q4, it sounds like too big a leap for the type of weather events you've mentioned. So I wonder if you could give us a bit more color about this trend in the quarter, what has happened, and your certainty that you haven't been under-provisioning in the year and are having to catch up now? And in this context, can you give us some guidance about the combined ratio for 2024? And update where you are in tariffs and inflation costs for claims, particularly Auto.

And then I have a second question. Should I wait until you answer this first one?

### **Fernando Mata Verdejo**

Up to you, Paco. Well, there hasn't been any change with regards to tariffs. We've continued in Q4 to apply some tariff increases. The earned premiums are still feeding into our P&L. We had 7% unearned premiums by risk. Let's say in December it's the same, so pretty stable.

And what we've had is a slight increase in the frequency, and obviously, also higher insurance costs, which were a bit unexpected, that's true. But there hasn't been any change in reserves or in the catch-up you referred to, or in premiums.

As for our guidance, we will continue to raise tariffs, clearly, with a 103% combined ratio. The goal is to keep bringing it down, and the goal is to be at 100 as soon as possible. We're not going to grow in policies at the expense of our profitability. That's very clear.

And as for 2024, and the guidance and the inflation. Well, we're assuming inflation will be more under control, but this sector, transport and auto shops and parts, as well as wage increases here in Spain, will mean increasing costs between 3.5 and 5. So, the only way to catch up with inflation at that rate will be to raise tariffs on average above that amount.

We are optimistic in the sense that we've acted correctly, perhaps we need to accelerate a bit, but to have that 7% growth in earned premiums, which will continue in 2024, makes us feel quite hopeful.

If inflation is at 4%, 4.5%, and our premiums increase by 7%, we will, of course, clearly improve. But there's not been any change other than the usual update in provisions. We've had -- we've increased the BI claims, which are the ones related to the Baremo, as we do every year.

Clearly, weather events have been significant, as Antonio will probably discuss in more detail. And only about a third were covered by the Consortium, and we're talking to them to see how we might improve the level of coverage by them.

Ultimately, it's raining more, we're having more floods and more hailstorms, and that is a new paradigm, which means we're going to get more attritional claims, and the only way is to increase tariffs and also to have stricter underwriting criteria for these risks. But I think we should be optimistic about 2024.

Digital channels will provide additional savings. Not huge, but definitely additional savings. We're working on data processing and artificial intelligence tools, and everything that comes out we test, and if they work, we deploy them. But of course, here we're talking about tariffs mostly and about catching up with inflation.

### **Antonio Huertas Mejías**

Yes, in any case, if I may, Fernando, it's important to consider that since we are the biggest Auto insurer, also Homeowners' insurer, one of the top in Health insurance and many other segments, insurance clients are not clients that have just one policy with us.

They are clients in many segments, and our sensitivity analysis is clear to protect the client, not just the Auto client. So when we raise tariffs, we have to consider how many products that client has with MAPFRE, and the profitability overall of that client.

Even if we do have less profitability in one segment or another with one client, we're not going to apply sudden sharp increases in tariffs for those types of clients, but only to gradually improve profitability. This might explain why you see a slower increase in tariffs in Spain than in Brazil or the U.S. or other markets, where we have been able to increase tariffs more quickly, because clients don't tend to have as many different products with us.

Here we try and maintain, of course, the sufficiency of the tariff, which is our responsibility as insurers, but also to maintain customer loyalty. And we have been successful. We are managing to retain more customers than we expected. And that, short, medium-term, has a positive impact. Although, of course, in the very short term, it's negative because we haven't been able to offset the excess or the increase by raising tariffs more.

But I think since the pandemic, we have had worse traffic figures, more accidents, higher costs, and therefore, in every segment, as Fernando mentioned, connected to Auto, but also to Health, repairs, everything, all of these costs have increased, and it's hard to pass them on to tariffs beforehand. You have to do it afterwards, which means there's always a delay. But we haven't changed anything, we just hope and trust that we have sufficient knowledge and tools, so that within a reasonable time span, we can catch up with the tariffs, to a reasonable sufficiency level. It will take longer to have a highly profitable level with the Auto business, so we don't lose competitiveness.

### **Francisco Riquel, Alantra**

Perfect. Thank you. And my second question, also for Antonio. In spite of the combined ratio, which is still high, you've increased your payout for the first time in many years, which of course sends a positive sign to the markets, of your confidence in the future, in contrast with the price the share is trading at today, down 5%.

Can you give us some indication about the sustainability of your profit and your ROE? You're saying that in the AGM, you're going to present a new strategic plan, but could you tell us at least qualitatively what your outlook is?

And also I've noticed that when you adjust by one-offs in '23, it was just the impairment of the goodwill in the U.S., but there were also some positive impacts, like the Bankia compensation, capital gains on some real estate in Spain. So could you give us a bit more color on the sustainability of the profits?

### **Antonio Huertas Mejías**

Well, in that sense, I have to say that discussions in the Board are very focused. We're all familiar with the situation of the Group and the sustainability of our profit and our payout ratio. For a global multinational like MAPFRE, working in every segment, it's hard, if not impossible, to have every year all segments perform excellently or poorly.

Diversification is precisely about that, about offsetting our losses with profit. Before the pandemic, we had significant impairments in financial assets, from the low interest rate environment then, which hit us hard. And we survived, thanks to our technical excellence.

Then during the pandemic, we had huge impacts on Life insurance and Health too, and Burial insurance, which were offset by the excellent performance of Auto. Not just because people were using their cars less during the lockdown, but also because we had gone through a

process of lowering our combined ratios overall in MAPFRE in Spain.

And now, of course, we're seeing exactly the opposite; interest rates are much higher. Our portfolios have been mostly repriced and are generating not just short, but also medium-term, very significant yields. There's also been a substantial improvement in the profitability of Life Protection insurance with a combined ratio at about 82%, which is excellent, certainly.

And we're also obtaining and seeing very good growth and excellent profitability from Commercial insurance, and lower, but also very good in retail P&C, but all of it offsets everything else. So what can we expect for the next three years? Well, first of all, this revised plan is not going to mean we're going to downgrade our forecast. Quite the opposite. We're going to revise upwards those where we think there's more positive outlook. And we will focus a bit more on the elements or drivers that we'll be using – or levers that we'll be using – to manage that result.

And if Auto, within the next 6 to 12 months, starts contributing more profit to the P&L instead of a loss of EUR70 million – a reasonable profit, not what we had, of course, in the previous years – but as long as we assume that everything else continues to perform as it has in Commercial, in Life, the results will not just be sustainable, but actually even better than they have been. And as for the dividend, as earnings improve, so will the dividend, as we have we discussed in the Board.

### **Fernando Mata Verdejo**

And as for one-offs, just a couple of comments. MAPFRE, generally, what we have is the goodwill. And it's true that we have been gradually provisioning, and if there was a macro impact in any of the regions, we modified that. But as for capital gains, we usually earn between EUR90 million and EUR100 million. EUR100 million last year, EUR90 million this year. And depending on the markets, we're more into real estate or more into equity. This year, approximately, it's 50/50, more or less, roughly. That's where it is.

Next year, we will continue to rotate assets, and there will be some capital gains. Or we'll do something with equities, as we do every year. And as for positive impacts, it's true that this year, we've had Bankia, which has come in very handy. We had earned it in previous years, let me put it that way. But the cash flow one-offs are always positive, generally, for MAPFRE.

You can't really find negative ones, and next year we'll have another, luckily. We appealed the Montoro Law, and the rule of the Constitutional Court will mean we'll get a few million. And so we're always very prudent. I won't tell you how many, but we're always very prudent for one-offs.

We won't book them until they actually happen. So next year, you can be sure that there will be some one-offs as well, and we will realize those capital gains, depending on the markets, more into equities or real estate. But with our exposure at MAPFRE, we do need to manage our assets very actively.



**Leandra Clark**

Maybe we can do a few of the questions that we have online.

Okay, we're going to switch to the questions that have come in through the platform. And so first we're going to talk about the Auto business, and I think that Ivan Bohkmat from Barclays is asking, Mr. Huertas spoke about the possibility of returning to a 100% combined ratio within the next 6 to 12 months, and whether you would be satisfied with that goal?

**Antonio Huertas Mejías**

Well, yes, absolutely. Because of the analysis of customers that I've just mentioned. We cannot just penalize our customers who are highly loyal and with many products with us, which are the majority of clients, and raise their tariffs too quickly or too sharply, simply to improve the profitability of the Auto segment, because these customers may have Health insurance with us, Homeowners' insurance, as well as Auto. And we analyze the overall situation of the client.

And in the past, there have been other segments where we had losses with those clients, when Auto was so profitable. But I think we're comfortable to think that between now, 6 and 12 months from now, the combined ratio for Spain should be below 100.

**Leandra Clark**

Okay, thank you. And Thomas Bateman is also asking about the impact of the Baremo, whether you've provisioned everything in the last quarter of 2023, or whether you'll have to provision something more in 2024?

**Fernando Mata Verdejo**

Well, thank you for asking that question. What we have done, as always, is our best estimate based on the tables that are already available. We have updated all the claims that have happened in previous years to those tables, and we expect an increase in line with the hike in pensions, which is what applies in Spain, with some small adjustments, based on certain characteristics.

Deviations, well, let's hope not many. When we do those estimations, we hope for zero deviations, but we have, of course, updated our provisions, as we always do, at closing with the new tables. And as for the amount, I don't have it at hand, but I can look for it and let you know.

**Leandra Clark**

Thank you. And Max from JB Capital would like to know what we're seeing with the customer numbers and vehicles insured for 2024? What kind of average premium raises are we applying in Iberia Auto?

**Fernando Mata Verdejo**

Okay, well, since this whole inflationary crisis started, we said we would protect our portfolio and not make the mistake of the previous crisis, where we lost 700,000 vehicles.

As Antonio has said, we raise tariffs, looking at profitability for that segment, and also of the customer overall. We have lost maybe 100,000 units, of 6.1 million vehicles, so 1.5%, 1.7%. Given that the sector has grown 1.5%, there is a piece of the pie that we've decided we didn't want, to protect our portfolio.

We will continue to monitor developments in the units. Luckily, we are seeing growth in new vehicles, which is always the most attractive part of the business, and where we have a higher market share.

And, well, we wouldn't be too sad if we lost a similar number as this year but we improved the points to reach the combined ratio we want, because we're focused on profitability, so we will retain for loyal customers, who have many products with MAPFRE, and we will price appropriately, given inflation, but we might have to sacrifice part of the growth, clearly, in order to return to the right level of profitability.

**Leandra Clark**

Thank you, Fernando. We have other questions, Ivan Bokhmat from Barclays, still about Auto, but focused on other geographies. Basically, he'd like to know about increases in combined ratios, in Iberia, which you've already answered, and also Brazil and North America.

**Fernando Mata Verdejo**

If I'm not mistaken, it's not an increase, it's a decrease in both. Brazil, it's stable, 101-something. Although MAPFRE always tries to reach technical equilibrium, in the Brazilian sector, in Latin America, while there is this underwriting cash flow – because you place premiums at 9, 10% – the industry feels very comfortable being at levels slightly above 100%. Not MAPFRE; we want 100%. But we're reasonably satisfied with our performance in Brazil.

In the U.S., we're very optimistic. A few years ago, we said it was very difficult, because of the regulation and prior authorizations necessary in some states. Now, after two years, we've seen an increase of 30% in tariffs.

The unearned premiums at the end of the year have grown 18%, compared to the beginning

of the year, so that's going to go into the P&L. So inflation has to be really, really high, so as not to have a very significant reduction of the combined ratio, because it's, as I say, plus 18%.

And this is possible in very dynamic markets. In Brazil, we lost 10% of the fleet. We cannot do that in Spain. Obviously. We're market leaders; we have clients that have many products; we have to protect this. In the U.S., they also separate between lines of business. You can segregate by risks better. But in Brazil and the U.S., we're more than pleased in the reaction of our executives there, the actuaries in defining prices, and how the market is performing.

#### **Leandra Clark**

Thank you, Fernando. We also received several questions on IFRS figures. The first one is from David Barma from Bank of America. And the question is, if we look at the underlying components, excluding exchange rate movements and other variables, the CSM hasn't grown that much during 2023. How do you expect the CSM to develop in the future?

#### **Fernando Mata Verdejo**

Well, what you're saying is right, David. We've been very prudent in our assumptions, especially mortality. The calculation base is very large. So one point in variation is more than 2 million difference in the CSM. Obviously, we would like the business that is coming into our portfolios to be as profitable as in previous years, but the scenario is very different now.

Now there's more focus on Savings products and Burial products that we sold 15 years ago in a different context. They're still in force and giving rise to a very high CSM. I think we will continue with these volumes of new business in the contribution of the CSM, but I have not been surprised. Of course, if we compare new business with new business in 2022, the figure would be more similar, because the margins that we're selling at now are not what they were 10 years ago.

Felipe?

#### **Felipe Navarro López de Chicherí**

I would like to call your attention to what we're releasing of CSM during the year. Apparently, it's more than what we create during the year, but we must take into account that in that CSM release, there is a part of the components that we mentioned earlier. So we mustn't see it on a like-for-like basis, but of all this creation, which is more than 600 million euros, 325 have developed this year.

The important thing at the end is to see the growth of volume of the total CSM, and what release we can expect in future years, because it's a very stable business with a very long tail.

**Fernando Mata Verdejo**

A similar metric that we've been publishing from some years now is embedded value, and unless there are changes in the perimeter, I haven't really seen any change in the embedded value. So we have had very good performance in our CSM.

**Leandra Clark**

Thank you to the both of you. We have two similar questions. One from Carlos Peixoto from CaixaBank. He asked if we're going to continue to report under local accounting standards in 2024 or only IFRS? I think we mentioned this at the beginning of the presentation. We will continue to report under both standards.

And the second question is from Ivan Bokhmat from Barclays who asks, are we going to focus in the future more in IFRS or local accounting in terms of targets, guidance, and a more detailed disclosure?

**Antonio Huertas Mejías**

This is a very intense debate that we've had with the Management and at Board level as well. The apparent complexity brought about by the IFRS perhaps doesn't make visible the drivers that the managers have to take into account every day in managing the business. The vision of IFRS 9 and 17 are more financial than insurance-related, and both complement each other and both are necessary, at least in the mid-term.

MAPFRE's Board will continue to receive both and will analyze the information mainly under local standards in order to understand what is happening in each one of our markets, because it's MAPFRE S.A. that consolidates under IFRS standards, but each of our operations has its local management principles.

We have homogenized this so that there aren't too many differences in the interpretation in the differences that exist between different countries. So we will keep it this way, and we will continue to maintain our targets and goals of the Group in terms of homogenized local standards. Of course, we will also refer to IFRS in consolidated terms.

**Fernando Mata Verdejo**

If I may, Antonio, I have to say that MAPFRE has a very singular structure. We don't have a huge insurance company with subsidiaries. What we have at the top is a holding company with no activity. The activity is to look for money and finance, and make those investments and bring in those dividends.

And the dividends of the subsidiaries are based on the financial situation and the results of every institution under the local principles. So we don't want to forget that. That is the only

guarantee that dividends will flow towards the holding. So, if there are merchant laws in Spain that are different from IFRS, we will have to look at the different companies, based on the local standards.

All our information is based on nominal accounting, and now in part on market value principle, but it is absolutely necessary to have both. Will we make them public? That will depend on you. When we talk to retail investors, they tell us, don't talk to me about IFRS. I don't understand it. They want to know our bases, what makes the dividend go up and what's the result. And that's still local accounting.

In the holding, in the solvency balance, which is at market value, it was similar. Now we have a different one, where everything is assessed and it's non-cash, because it's changes in value. We need to use both criteria to make the right decisions, otherwise we might get lost.

### **Antonio Huertas Mejías**

And just to add to that, Fernando, we are aware, moreover, that the implementation of IFRS standards in Europe in every country, different criteria have been followed for some of the concepts. So it might not even be useful to homogenize and compare the information of MAPFRE with that of other European groups that have international operations, because they have been interpreted, especially in reinsurance. But they have been applied differently in every country depending on their own local standards that the market supervisor uses in that market. So it's not really that relevant, how this is homogenized in Europe and for comparison purposes.

### **Leandra Clark**

Ivan Bokhmat has a question on the intervals of confidence, especially for the Non-Life business vis-a-vis the risk margin. Is it the same that is used to make your actuarial forecast? And why is it much lower in reinsurance than in Life insurance?

### **Fernando Mata Verdejo**

Well, no. For reserves, we use other intervals based on different factors, macro, actuarial, specific situations in every market, and we use different data. That there's a range doesn't mean that we move in that range, based on objective terms. The range means that I apply the higher end and lower end for different operations. One can be at 62.5 or 67.5. The same for reinsurance. And they're based on solvency II, as I mentioned earlier.

### **Felipe Navarro López de Chicherí**

And just to add to that, the confidence intervals have to do with the commitments of the different companies. Non-Life business are shorter term in general, so these intervals are a

bit lower. When we talk about Life insurance, which is longer term business, we use a much higher percentage to give more certainty to the business. And in reinsurance business, which is ultimately capital, the quality of reinsurance when covering risk, that is where we have a maximum level of confidence.

### **Leandra Clark**

The next question from David Barma is on Life results in Iberia. We've seen an increase in financial results that were better than expected during the fourth quarter standalone. How sustainable is this?

I would like to add that the quarter was affected by capital gains from selling property. And regarding the sustainability of the Life business, perhaps Fernando would like to respond to that.

### **Fernando Mata Verdejo**

This happens whenever we sell a relevant real estate unit. We don't know what quarter it will sell in. As you know, we had the CPD for sale. In the end, we closed the sale in December. About half of the realized gains were real estate and the other half was equity. So it was a very good deal. We think we did it at the right time. There was a lot of appetite for data centers, and we closed that in December.

Is it sustainable? We always have three or four units, which is the usual process of real estate rotation, because we keep them at acquisition price, and therefore, when we sell, we have capital gains, and it's always cash. And this year probably we'll also sell some property and there will be a contribution from that.

In equities, we are opportunistic, as we've always said. We didn't mention this, but it is important to point out that we lowered our exposure. In other presentations, we thought that IFRS 9 and 17 were not going to change our risk appetite. We were wrong, and we made some relevant changes in fixed income and mutual funds. We sold more than EUR500 million. For mutual funds, changes in unrealized gains go through the P&L, while investments in equity go through equity. But a mutual fund in equities, the unrealized gains have to go through the P&L. It doesn't make sense, but that's the IFRS rules. We wanted to protect the P&L from volatility, and we sold lots of mutual funds. We had a very strong exposure to mutual funds.

There was also a reclassification of the portfolio; you know that liabilities for LIC- for the Liability for Incurred Claims, need to be discounted, and we do it at a risk free curve plus spread. So this year, just to give you an idea, the curve in the 2-year duration -- three years -- lowered 70 points. If we don't match assets that can offset that movement, we lose. So there's a lot of volatility in the P&L.

So we did an allocation, if you will, of a portfolio of EUR7 billion in fixed income with a

duration similar to the liabilities that have to be paid. And as rates move up or down, that will have an effect on the combined ratio that will go up or down. And I will explain this, but it will have the same results or movements in the opposite direction in financial assets. That's very important.

The other fixed income assets that are matched with Life products or shareholders' equity follow changes in OCI. And we will continue to adapt to IFRS, which is important to have symmetry in movements in our insurance operations and prevent mismatches that we have in our P&L. You didn't ask about that, but it's something I wanted to add.

#### **Leandra Clark**

The next question is from David Barma from Bank of America, and we're going to go now from the Motor business to other lines of business. He asked about Iberia P&C, Property And Casualty, in the quarter and throughout the year. What were the drivers, the causes, for this impairment in the second half of the year, and when do you expect things to go back to normal?

#### **Fernando Mata Verdejo**

Well, this is not an excuse, but mainly it's due to the increase in frequency that we've seen in weather-related events, to put it more clearly. So what we're doing is changes in tariffs, which before were behind inflation, and now we have these anomalous impacts, but these are becoming more frequent, these adverse weather-related events. But that's not only happening in Iberia; it also happened in Italy and Germany, where there was a seasonality effect.

Are they sustainable or not? Well, we'll try to factor this in the calculation of the tariff. This new paradigm has to be included in the revenue. They're becoming more recurrent, and well, welcome to the world of insurance. That's what we need to deal with volatility, and trying to correct as we get more information to factor into our models.

#### **Leandra Clark**

And Max from JB Capital is asking about atmospheric-related events, and asks whether we can say what the impact in the Motor combined ratio and in P&C in Iberia is going to be from these impacts?

#### **Fernando Mata Verdejo**

We didn't publish the data, but we're talking about EUR115 million excess in the P&L, compared to 2022 in Europe. And we said about two-thirds would correspond to direct insurance operations, most of it in Iberia, and the remaining to MAPFRE RE. So we can give

you the data on a one-on-one basis, because I don't want to get the figures wrong. But we have broken that down. We do have the figures and we can let you know.

#### **Leandra Clark**

Carlos Peixoto from CaixaBank asks about targets for the Motor combined ratio in Iberia. Antonio already mentioned that. He is asking as well about the total Non-Life ratio.

#### **Antonio Huertas Mejías**

Well our target so far was to reach 96%, we are reviewing this. It's important to bear something in mind, Carlos. When we said 96% was going to be our target, and we had that target for many years, interest rates were at a very different level than they are now. So a group such as ours, where two-thirds of its business is in emerging markets, usually with Non-Life combined ratios of more than 100, despite the fact that our target, even in those markets, is always not to go over 100%.

And in these countries, in many of these markets, there are still very high interest rates. I'm not saying we have to relax underwriting policy, but we need to protect our competitiveness. So, in some of these markets, we may think that the requirement levels are not the same as in Europe or the U.S., taking into account that, despite everything else, Europe and the U.S. are still going to have reasonably high levels that can help us to offset. We are reviewing those figures. In any case, we're not going to make our forecast worse in our main markets, quite the opposite, but we need to wait until the AGM to see what ratio for Non-Life we expect for 2024, 2025, and 2026.

#### **Leandra Clark**

Thank you, Antonio. We received several questions on the business in Brazil. Carlos Peixoto from CaixaBank asked about combined ratio targets for Brazil.

And Thomas Bateman from Berenberg asked about our prospects regarding interest rates, as it is the first time that we've seen a change, a turning point in the portfolio yields.

#### **Fernando Mata Verdejo**

It is very difficult to say what the Brazil combined ratio is going to be. Without catastrophic events, like the one we had this year, and we hope this will be repeated in future years – and even when we've had natural disasters, droughts, et cetera, it's been just over 90%. Of course, then we have losses in MAPFRE RE, because we have a very important reinsurance coverage. But it's very difficult to say where Brazil will stand, because it depends so much on the weather events.

We're still optimistic in our expectations regarding interest rates and recurrent growth in



fixed income returns in 2024. Although the SELIC has fallen, we have a slight reduction in the accounting yield in Brazil, also in Mexico. But in MAPFRE RE and MAPFRE España, the accounting yield is very far from the market yield, so there are basis points that we can improve.

Now, at least in the first half, in the first 3 quarters even, we will see the financial income continue grow. On the mid-term, it's difficult to tell, but we're not too pessimistic. In the durations we have, we haven't seen huge reductions, and we're very well placed and we did it at the right moment. So, 2024-25, we don't think we're going to see a fall in financial income.

### **Leandra Clark**

Moving on to the reinsurance business, Max from JB Capital has a doubt on the possibility of extraordinary results in 2023, and what increase in premiums do we expect for 2024?

### **Fernando Mata Verdejo**

We haven't had any extraordinaries. Natural ones. We increased our tariffs a lot as we announced in London. We're riding the top part of the wave, so we placed more than EUR300 million in capital at the beginning of the year. We reached 95.5%, and the question is, what did you expect? We expected less than that. With the increase in tariffs, we should have had a better combined ratio, of 94%, 93%. In the end, with all these average sized events, we've had an excess of approximately EUR100 million.

### **Antonio Huertas Mejías**

It's been a record year for frequency, in MAPFRE RE.

### **Fernando Mata Verdejo**

Yes, we had about EUR100 million more in retained Cat claims in MAPFRE RE. We reached 95.5%; could it have been 93%, 94%? Yes, maybe. We've had an increase in the frequency though. But in capital gains we haven't done practically anything because MAPFRE RE has no real estate property; the majority is in IBERIA. And what we sold in the mutual funds, we sold at acquisition price at the beginning of 2023, and we got very little in capital gains.

For tariffs in 2024, we're still in a hard market and the territories that have suffered claims, there's been a significant increase in the rates. I'm referring specifically to Italy. We've always said that Europe was a bit underpriced. In Italy, as well as in Greece, in Turkey, with the earthquake, we had significant increases.

In other regions, the average, well, some are going up 5, others 15, but when we finish the

renewal period, if we stay between 8 to 10 – which is not premiums; it's risk adjusted increase of business; that's how we call it – If we stay there, we will be satisfied, and we will cover that increase in the level of claims related to weather-related events. But we're in a new paradigm, that's the truth. That's what's happening in Europe with the frequency.

**Leandra Clark**

Thank you. We have a question from Paz Ojeda on the U.S. business. You mentioned increases in tariffs, almost 30% since January 2022, and the average premium is going up only 8% for the time being, bearing in mind the fall in the number of insured vehicles. Is there still very strong competition? Is it because of this? Can you please tell us how you think the situation will evolve in 2024?

**Antonio Huertas Mejías**

Yes, that's true. There are still discrepancies between the increases in tariffs approved in the U.S., mainly in Massachusetts, which is the main state for our business, and what we see in increases in premiums. In part, that's because they have been successive increases. You know that the increases in tariff in Massachusetts need to be approved by the supervisor. So there's a time lag of a few months. They have been much faster recently, which we are grateful for, because we were able to react and we got those relevant increases in two years. But applying that to the actual tariff takes longer, but where we can see it better, is the unearned premium, where we see increases of 18%, which does reflect those increases that are being applied. And these are accrued premiums and will improve results in coming months in the U.S.

Our forecast, well, Auto insurance in the U.S. is currently having its greatest crisis of the past 50 years. All the major insurance companies in the U.S. have reflected the difficulties with underwriting restrictions, and we have pulled out of states and made the difficult decision of not continuing to underwrite if the tariffs were not the right ones. What is going to happen in the U.S. In terms of the economy and inflation? One thing is the average inflation, and another thing is actual inflation which affects the Motor industry, spare parts, supply chains, workshops, where it's greater. And that's already in tariffs.

I think further increases that we can ask for are going to be smaller, because there is enough premium that must be consumed, that must be earned in these next 12 months, and that will significantly help us to improve those results.

**Leandra Clark**

Thank you. We have more questions on the U.S., this time related to Homeowners' insurance. Max from JB Capital asks about the performance of the combined ratio in Homeowners' insurance in the last quarter of the year. Have there been any extraordinary

elements?

Max, after the call, we will give you the data for the standalone fourth quarter, but just to say to that in North America P&C, which is primarily Home insurance in the U.S., it ended the year with 100.8, compared to 108.3 the previous year.

Would you like to add anything to that about the weather-related events in the last quarter?

### **Fernando Mata Verdejo**

Well, in winter it's always colder, and it snows in Massachusetts. But bear in mind that as of June, Cat protection tariffs started to go up, and we will see that in the future quarters. This is happening with a bit of delay, but there has been a relevant increase in tariffs for reinsurance protection in Homeowners' owners' since June 1. So for a few quarters, we will be lagging behind the cost.

### **Leandra Clark**

Perfect. We have a question on capital from Panos Toscas from NatWest Markets. Your solvency ratio, which is in the mid range of your target, how do you see that ratio if central banks start to cut interest rates? What is your sensitivity to movements of 100 basis points in rates? Also regarding our level of leverage, which is slightly below the reference framework, are you thinking of using this margin to decrease your solvency ratio?

### **Fernando Mata Verdejo**

The solvency ratio at MAPFRE, after five or six years, has proven to be tremendously stable, regardless of the macro situation, and the sensitivity is not too high. At present, we have nothing to say regarding what the indicator is going to be. It's 198, 190 without transitionals. We will probably converge to 190. We've lowered the leverage. We're outside the lower end of the range, but we've done it because of the increase in the cost of the debt. It's as simple as that. And that proves the flexibility that we have in the debt movements. And when rates are low, we use the syndicated loan, and we did very good arbitration with fixed income. And when it increased, we left and the syndicated right now is at EUR200 million, I believe.

So, really very small. And we have no intention for now to do any new issues. We're comfortable with the maturities. We'll start to talk about it in 2025, right, Felipe? And for now, stable, both leverage and solvency II ratios. That's my conclusion.

### **Leandra Clark**

Great, Fernando. And I'm going to group several questions that have just come in about the dividend from Thomas Bateman, Max Mishyn, and David Barma. And the first question is,

what was the rationale underlying the Board's decision to raise this payout, and what would be the impact on future dividend payments? Is this a one-off, or has there been a change in the payout policy? Should we assume that these EURO.15 will be the new floor for MAPFRE's dividend?

### **Antonio Huertas Mejías**

Well, we have to think that we've always stated our commitment to pay a consistent dividend that would grow based on the growth of the company's earnings and that's what we've done, basically.

Now that we have exceeded a particular earnings target with over EUR700 million net profit, clearly that demonstrates how solid and resilient our earnings are, and that means we can take on, although we know that the payout is quite high, that we can afford to take that next step and expect even better results next year. Whether it's a floor or not, it will depend on the earnings we obtain over the next three years.

Our confidence in our ability to improve the earnings from Auto and considering the benefits of our diversification, which always helps to balance our P&L, make us feel that those earnings will be better still. And therefore, the dividend will be able to grow, not just in absolute terms, if our earnings grow, but also the Board will be open to improving the payout if there's sufficient profit growth without endangering our solvency ratios within the target ranges that the Board has approved. So it's not a one-off. It's a firm, well-thought-out decision. And so also, as I was saying, we're starting a new cycle with a dividend if earnings continue along these lines.

### **Leandra Clark**

Thank you, Antonio. And we have a few questions about the investment gains, Ivan Bokhmat is asking about the outlook for 2024. And Carlos Peixoto wants more details about the ones that have been realized in the quarter.

I can actually give you some general figures, and then after the call, Carlos, you can call us and we can give you all the details you want. To September, we had EUR22 million in accumulated capital gains, which in December went up to EUR91 million after taxes and minorities. And the main change is in Iberia from EUR10 million to EUR74 million, and that's from the divestment of that real estate asset we mentioned.

### **Fernando Mata Verdejo**

And as for the outlook for 2024, we cannot, of course, give you a list of the real estate that's for sale, because that would make the price go up. You know how the market works here in Spain. But it's the usual rotation of real estate assets we own, and so there will be two or

three units as we always have up for sale.

And the plan is to gradually, as we realize more capital gains in real estate, realize fewer in equities, although we do look for opportunities in equity too, when there's a good opportunity and we think the market might be about to correct. We do sell. In the pipeline right now, we do have a couple of large units. But it took us a year to close the CPD. So the fact that it's in the pipeline doesn't mean we're going to sell it in 2024. They're on the market. Generally, these are off-market transactions. But anyway, if we announce them, it's complicated.

#### **Leandra Clark**

Great, Fernando. There's two more questions about repatriation of dividends from subsidiaries. First from Paz Ojeda in Sabadell. You've had a pretty stable level of repatriation, 630 million, 650 million per year between 2021 and 2023. Are you planning to optimize capital in the subsidiaries and increase the rate of repatriation?

And the second question is from Thomas Bateman from Berenberg, who is asking, or saying that there was a low level of repatriation by MAPFRE España this year, EUR65 million in comparison with a long-term average of EUR250 million. Could you explain the reason why there's been this drop in the payout?

#### **Felipe Navarro López de Chicheri**

Okay, I think we need to explain the philosophy for dividend repatriation within the Group. MAPFRE S.A. is not an insurance company, it's a holding with different insurance companies, and so it does not benefit the solvency and the ability to underwrite business if we bring up a lot of capital to the holding level.

And so what we generally do is to let the companies themselves that are under the MAPFRE S.A. or MAPFRE International umbrella, build up enough capital to operate and work and grow their own business in solid and solvent fashion.

Capital repatriations or dividend payouts are based on the holding's needs. That is, we need to pay the costs of the holding and pay the costs of debt we have at that level, and pay out the dividend that we've approved to shareholders, and for acquisitions, if any. And we saw that last year, with parts of the surplus capital or the capital gains from the Bankia sale, we transferred part of that from MAPFRE España and MAPFRE Vida to MAPFRE RE.

In that way, depending on the capacity of each of the units, and the individual results of each of them, we redistribute the companies' capital, allocating it depending on needs, but without any desire to build up capital at the MAPFRE S.A. level, the holding level, or to accumulate liquidity at that level, because we are able to move capital pretty quickly if we need to, or cash from one to another if we need to.

**Leandra Clark**

Perfect. Thank you very much. Unless there are some final questions from the room, then that would be that.

**Antonio Huertas Mejías**

Okay, well, there are no more questions it seems. So I just want to say to close, well, I want to thank you for attending and for wanting to hear more about the company and its results. I think we're probably at a turning point, as I said at the beginning.

We're beginning a new cycle in which we expect that the economic impacts of the post-COVID period are now finished, and have not really caused any significant scars for MAPFRE. We have been able to gradually recover profitability for most of our business segments, although not for Auto just yet, even though half of MAPFRE's Auto businesses already have very good combined ratios, but not all. And two of the most important, U.S. and Spain, are not yet there. But the work is being done, and work well done will bring about an improvement in the profitability of the Auto business. If there's one thing that MAPFRE has proven it can do in the last 20 years before the pandemic, it was having an Auto combined ratio globally of around 100%. And in Spain, it had consistently and recurrently been at 94%, 95%. And in other markets like the U.S., 98%. And in Latin American countries with higher interest rates, also close 100%. So we have the ability to do that. We can fix it. And it's just about being a bit more patient. And we are, in MAPFRE. And we hope that investors will be also, because it's not going to take us very long. It's part of this natural process of managing our clients and improving profitability, because just like you have to adjust tariffs upwards in Auto, you also have to adjust tariffs downwards in other segments where the good performance is helping us do that.

So you have to balance all these things out, in order to get the right profitability and derive the greatest benefit from our diversification. I think our commitment to our shareholders has been proven once again, we have consistently paid out significant dividends, based on our earnings. And as those earnings grow, we will also continue to grow the dividend.

We're optimistic, we're confident, hugely confident in our business management model, and have very solid businesses in the countries that are really about over 90% of our business and our result, which are obviously, not many, but very solid and with wonderful management quality, because of our teams, and the tools, and the expertise we have.

So with that, I hope that 2024 will confirm these results, and that in the next AGM on March 15th, we'll announce these objectives, and these small upward revisions of our strategic targets for the next three years in this new cycle, which starting from Spain, we're calling a cycle of opportunities.

So let's see if we can really materialize those opportunities to the fullest. Thank you for attending and we'll see you soon. Bye.

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