



Investor &
analyst call –
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transcript

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Company participants

- Fernando Mata Verdejo, MAPFRE SA, Vice Chairman & Chief Financial Officer
- José Luis Jiménez Guajardo-Fajardo, MAPFRE SA, Deputy CFO
- Felipe Navarro López de Chicherí, MAPFRE SA, Deputy General Manager – Finance Area
- Leandra Elizabeth Clark, MAPFRE SA, Head of Investor Relations

Presentation

Leandra Clark

Good morning, and welcome to MAPFRE's Activity Presentation for the first half of 2024. This is Leandra Clark, Head of Investor Relations, and we want to thank you all for being here with us today. It is a pleasure to have here with us Fernando Mata, Vice Chairman and Group CFO; Jose Luis Jimenez, Deputy CFO; as well as Felipe Navarro, Deputy General Manager in the Finance Area. As a reminder, we report the IFRS financial information twice a year and we reported the half year results to the CNMV this morning.

The information in this activity update is prepared under the accounting policies applicable in each country unless stated otherwise. At the end of the presentation, we will go through the main IFRS KPIs. You can use the ask a question link at any point during the call and we will open up the question-and-answer session at the end of the presentation.

Let me turn the call over to Fernando. The floor is yours.

Fernando Mata Verdejo

Thank you, Leandra. Good morning, everyone. Thank you all for being here with us. The figures we released this morning confirm the strong trends that we saw in the first quarter, which have gained momentum supported by our profitable growth strategy. We're growing strong in almost all markets and continue working to correct imbalances with visible improvements, especially in underperforming businesses.

We're leveraging our proven business model with high levels of diversification as we continue growing in the most profitable segments. LATAM, especially BRAZIL, continues to be the largest contributor to earnings for the Group with EUR203 million. Regarding lines of business, Life and General P&C are showing excellent performance. There has been a strong turnaround in Motor in NORTH AMERICA and across Latin America.

However, in IBERIA and EMEA, we're still seeing pressure on claims costs, although behavior in recent months suggests that we should begin to see a change in trend. Regarding main regions and business units, IBERIA maintains leading market shares in the main lines of business with a 37% increase in the result. In NORTH AMERICA, the result is up EUR58 million thanks to the already implemented technical measures.

MAPFRE RE continues to grow its profit, supported by solid business growth and the absence of relevant Nat Cat impacts, with increased prudence in our reserves. We're proud to say that all financial KPIs are in line with the targets set at the AGM in March.

Premiums are up 5.5%, over 6% excluding Life Savings, reaching more than EUR15.1 billion, with solid growth in LATAM, IBERIA and NORTH AMERICA, as well as reinsurance. The net result, which stands at EUR462 million, is up 46%. This strong performance is based on first, a relevant improvement in Non-Life with a 1.3 point reduction in the combined ratio, to 95.7%. Second, the Life business, especially in LATAM and IBERIA, which continues to contribute very positively to profitability. Lastly, the growing contribution of financial income, which for Non-Life reached EUR401 million, up 11.6%, and is also an important driver for the Life business.

With this result, we have delivered an ROE of 10.6%, 11.6% -- almost 12 -- excluding the 2023 goodwill write-down. Regarding Solvency II, the ratio was 197.7% at March 2024 and we're no longer including transitional measures.

That's all for me; now I will hand the floor over to José Luis to run us through the main figures.

José Luis Jiménez

Thank you, Fernando, and thank you all for being here today. First, I would like to go over the main premium figures. Non-Life premiums are up 6.5% to nearly EUR12 billion with General P&C up over 4%, Accident and Health 8% and Auto 5.5%. Life premiums are growing around 2%, with Savings flat after a really strong first half in Iberia last year, Life Protection is growing well over 10% with excellent performance in Mexico. The reinsurance segment is growing close to 9%.

As you can see on this chart, our business mix is well diversified with around 79% in Non-Life and 21% in Life, with an important share in high margin businesses like Life Protection and General P&C.

The main figures by region are displayed on this slide and I will comment on the main trends. In IBERIA, net profit stands at EUR168 million with a return on equity of 13.5%. This includes EUR21 million from the sale of a property in Madrid due to regular portfolio rotation. Non-Life is up 6.4% with strong trends in Homeowners, Condominiums and Health. Life Savings premiums are down due to an extraordinary 2023, while Protection is growing around 4%.

LATAM continues to generate a large share of profit with EUR203 million and a return on equity of 17%. Non-Life profitability has improved across the region and the Life business and financial income continue performing very positively. Regarding BRAZIL, profitability has been exceptional with a return on equity of 23% and the net result is up to EUR121 million, including a EUR6 million loss from the floods in Rio Grande do Sul.

In local currency, premiums are up 1% and in euros reflect the slight depreciation of the BRAZILian real. The Non-Life combined ratio is down significantly to 77% with Motor

improving 2.5 points and General P&C at an excellent 68.6%. The Life Protection business also had a strong contribution to results. The rest of the countries in LATAM maintain their strong profitability, contributing EUR82 million.

Regarding NORTH AMERICA, the net result is up nearly EUR60 million, reaching EUR41 million compared to losses of EUR18 million the previous year. Underwriting measures and strong tariff increases are the main drivers, with premiums up almost 5% which continue feeding into P&L. The combined ratio is down over 8 points, now under 100. In Puerto Rico, premium volume is slightly up with a net profit of nearly EUR10 million.

In EMEA, the losses have improved by EUR6 million, down to EUR8 million. In Turkiye, financial income is boosting results with a profit of over EUR15 million. On the other hand, Auto remains challenging in Germany and Italy.

In MAPFRE RE, premiums are up 5.5%. The combined ratio is down to 95%, supported by tariffs, especially for CAT covers. As a reminder, this is a traditional formula ratio. Other reinsurers that are now reporting under IFRS may treat reinsurance commissions differently, typically posting lower ratios. The flooding in Rio Grande do Sul had a EUR41 million net impact. There have been no other relevant catastrophic events, but we're seeing an increase in secondary perils. Net profit is nearly EUR140 million, up 15%, and return on equity is over 12%.

MAWDY continues growing and posted a net result of EUR3 million. I would also like to comment on two specific items. Hyperinflation had a EUR36 million impact, mainly from Argentina, and positive tax adjustments from previous years had a EUR25 million impact. On the right, you can see the combined ratios by segment.

General P&C had an extraordinary performance. Premiums are up over 4% and the combined ratio is down almost 3 points to around 83%. The net result was nearly EUR189 million, up EUR54 million. In BRAZIL, premiums are down 2% with Agro temporarily lower due to the subsidy allocation calendar. We expect premiums to catch up during the year. The net result of EUR70 million reflects a limited impact from Rio Grande do Sul flooding. The combined ratio stands at an excellent 68.6%.

In IBERIA, premiums are up 7% driven by Homeowners and Condominiums. The result is up 40% to almost EUR74 million and the combined ratio is down 8 points to 95%.

NORTH AMERICA reported a result of EUR21 million compared to EUR2 million in 2023, with an excellent combined ratio of 89.7% on the back of tariff adjustments in Homeowners. Other LATAM also increased its contribution to the result by EUR17 million. In summary, General P&C, our largest line of business, is highly profitable and diversified.

In Auto, we are starting to see some green shoots, with a strong reduction in net losses,

down from nearly EUR36 million last year to just EUR19 million. IBERIA is still experiencing volatility while tariff increases are gradually feeding into results. The turnaround in the US was noteworthy, with BRAZIL and NORTH AMERICA now reporting profits. Other markets in Latin America are performing quite well, mitigating the complicated situation in Germany and Italy.

The Group's strategy is to focus on profitable growth. Premiums are up 5.5% with insured units down around 6% as a result of selective underwriting. In IBERIA, premiums were up 5.7%. The portfolio stands at around 6 million vehicles, down under 3%. We are focusing more on retail than fleets, in line with our risk appetite. There has been a relevant increase in the average premium, around 8.4%, with the market only up 7.8%. We are confident that we are now pricing above expected claims inflation. In NORTH AMERICA, premiums grew almost 8% with units down 5.6%. In BRAZIL, premiums are down 4.4%. The portfolio of vehicles is down 1%, where we also have a lower appetite for fleets.

The Group Auto combined ratio was 104.8%, improving 1.4 percentage points. IBERIA reached 106% in the first half of the year. We're seeing some pressure on claims costs, especially in bodily injury, while material damage claims are very well controlled. Premiums earned are up 4.5%, still below the 6% growth rate, and will continue to catch up.

In NORTH AMERICA, the ratio improved over 7.5 points and should also continue to come down based on tariffs. Just this quarter we put through an additional 5% increase. BRAZIL's combined ratio is down 2.5 points to 101.6%. We are committed to continue adjusting pricing as much as necessary while defending our portfolio.

Tariffs still need to earn through P&L in certain markets. BRAZIL and the US have already improved, while Spain and EMEA will need some time to reach optimal profitability levels. Data in recent months makes us more confident that we are on track.

Now we move into the Life business which is another relevant profit contributor. Direct insurance premiums are up nearly EUR130 million. Savings is slightly down because of the extraordinary issuance in IBERIA in 2023, but it still stands at over EUR1.5 billion, while Protection is growing over 10%.

In IBERIA, Life Protection is up 4%, outperforming the market with a combined ratio improving over 1 point to 67.9%. The financial result was strong with net realized gains up from EUR2 million to EUR30 million due to the sale of real estate as well as recurring financial gains.

In BRAZIL, Life Protection premiums are up over 6% in local currency and the combined ratio stand at 82.4%, up 2 points, reflecting higher commissions but still at excellent levels. In the rest of LATAM, Life issuance is up 35%. Mexico stands out with 60% growth in Life Protection.

The attributable result for the Life business reached EUR167 million, up 37.

Now, I will hand the floor over to Felipe to discuss the main balance sheet items.

Felipe Navarro López de Chicheri

Thank you very much, José Luis. On the left of the slide you can see our capital structure. Shareholders' equity is over EUR8 billion, quite stable throughout the year. Currency conversion differences have been limited with the US dollar and Latin American currency appreciation offsetting the 10% depreciation of Brazilian Real.

Leverage is stable at 23%.

Regarding investments, the main changes in asset allocation are related to a reduction in government bonds in BRAZIL for dividend upstreaming as well as currency depreciation, and to lower cash and equivalent instruments, switching into short duration bonds. Spanish sovereign debt continues to be the largest exposure with EUR9.5 billion. We have more than EUR13 billion in assets under management through pension and mutual funds, placing us among the leading non-bank players in Spain.

As a reminder, a large share of our EUR31 billion fixed income portfolio is immunized or matched, so we will focus on the actively managed portfolios which are the main contributors to the net income. The euro-area portfolios have a market value of over EUR12 billion. During the year duration is down and yields are steadily increasing.

Yields on IBERIA Non-Life and RE continue their upward trend, reaching 2.6% and 2.7% respectively, with reinvestment rates still above the portfolio yields. The other main markets amount to around EUR7.6 billion. We have increased duration by 60 basis points in BRAZIL and 10 basis points in the US. Other LATAM is down by 30 basis points. Yields are relatively unchanged in both NORTH AMERICA and Other LATAM. In BRAZIL, our portfolios are well positioned. Although yields are down by over 1 point, the market yield of nearly 10% is now well above the current portfolio.

Non-Life financial income is up EUR42 million, growing 12%, IBERIA is up mainly due to the real estate gains that we already mentioned. MAPFRE RE and Other LATAM also continue growing, while NORTH AMERICA and BRAZIL have been stable.

In EMEA, we have been tactically reducing our exposure to euro-denominated investments in Turkiye and we are now investing at higher rates while currency gains are down. We realized EUR33 million net financial gains over the year, proof of MAPFRE's ability to generate alternative sources of income.

Here you can see the main KPIs under IFRS 17&9 compared to our local GAAP. Insurance

revenue is up over 6%, in line with premium growth excluding Life Savings, reaching EUR12.7 billion. The net result stands at EUR494 million, up 65%, with an ROE of 10.4%.

The main differences are related to the discounting impacts as well as changes in the interest rates. The combined ratio was 93.6%, down 2.5 points year-on-year. We are calculating both ratios under the same methodology, treating reinsurance commissions as a lower expense. Shareholder's equity amounts to over EUR8.5 billion under IFRS and is relatively stable under both standards.

The CSM was EUR2.5 billion, down over 3%, mainly due to the currency depreciation with a EUR60 million total impact, mainly from the Real as well as higher Life Protection commissions in BRAZIL. The CSM net of tax and minorities was EUR1.5 billion, slightly up compared to the year-end.

I will now hand the floor to Fernando for a few closing remarks. Fernando?

Fernando Mata

Thank you, José Luis, thank you, Felipe, for your quite comprehensive presentations. To wrap up, we have now reported two quarters with excellent results that confirm what we are aiming for with our new strategic plan, and all financial KPIs are on track. We continue growing above inflation as tariffs are being updated to the new economic context. The Group is well focused on profitable growth, concentrating on high margin businesses like Life Protection and General P&C or other strategic segments like Health. We keep setting new premium and revenue records and this should continue in the second half of the year.

Once again, our proven business model based on high levels of diversification both by geography and product mix allows us to face the challenges from the geopolitical context with a sustainable result. This puts us in a strong position to leverage growth opportunities and overcome any headwinds that come our way.

The Auto business is getting back on track in most countries and we're turning around loss-making segments in the countries that are facing the biggest challenges. We did it already in BRAZIL; the US is now showing excellent performance, and we're sure in the near future IBERIA will do the same.

We're managing our investment portfolio prudently, and as long as market rates stay above portfolio yields we expect financial income to continue growing in the coming quarters.

Finally, our financial strength will continue to underpin future growth and our commitment to value creation for shareholders. 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, Fernando. Although most of you are already familiar with the process, just as a reminder, you can use the Q&A tool at the bottom of your screen and we will organize the questions by topic and answer them as time allows.

The first set of questions that we have is regarding the business in IBERIA. We received a question from Banco Santander, where they're asking about the strong performance in IBERIA Life profitability, especially in Life Savings. Any reason, any one offs? Is this sustainable?

José Luis Jiménez

Thank you. Juan Pablo. Life is performing well and we also expect that Life Savings continues to do so in the second half of the year. The reason to say this is because there is not too much competition in terms of Savings products. And I think that in insurance we have an important role to play. So we are working on that and we expect to launch new products in the coming months.

Leandra Clark

Thank you. Also, just as a reminder, we did have one-off in the financial income which mainly affected the Life business, which was EUR21 million from the sale of real estate in Madrid. If you need further information, it's in the disclosure.

We also received another set of questions for the Non-Life business overall. Carlos Peixoto from CaixaBank would like to know about the drivers for the uptick in the P&C combined ratio in IBERIA and our outlook for 2025. Paz Ojeda has a similar question and would like to know the reasons for the different trend in our ratio compared to other market players, in particular in General P&C.

Felipe Navarro López de Chicherí

Carlos, Paz, the main reasons for this uptick in the General P&C is related mainly with Commercial lines that had an excellent performance during the first quarter. In any case, taking into account this kind of business, I think that we need to look on a half-year basis since there could be some volatility and some changes between one quarter and the other.

The general trend is still positive and we think that that is going to continue and it's going to be underpinning the good performance of the business in IBERIA overall.

Leandra Clark

Paz also has another question regarding the Health business. She notes that the seasonal improvement in the Health business that we usually see in 2Q has been less than other quarters. Is there anything we need to comment specifically regarding the Health business?

Felipe Navarro López de Chicherí

I think that this mainly captures the same trend as we had in previous years. It's showing a better second quarter than the first quarter and we will continue improving during the year because of the way this business has been accounted and how the premiums are earned by the beginning of the year. So we expect that it's going to continue improving during the rest of the year and we don't see any special threats in this line of business.

Leandra Clark

Thank you, Felipe. Paz also has one more question on the Spanish business regarding the tax rate in the second quarter standalone. The rate in Spain was quite low. Could you explain this please, and can we extrapolate this to the rest of the year?

Felipe Navarro López de Chicherí

I think that we cannot extrapolate this to the rest of the year. There was this allocation and this review of the taxes that usually happens in the month of July and happened in the month of June. This is the main impact; it is just a calendar adequation, just for this year. There is nothing that is going to change the tax rate in Spain and it's going to continue quite stable during the rest of the year.

Leandra Clark

Thank you, Felipe. We can also give you more specific data regarding the tax impacts after the analyst call. We have another question from Carlos Peixoto and actually several analysts regarding the General P&C business in BRAZIL. David Barma and Ivan Bokhmat would like to know if the current levels of profitability are sustainable over the medium term. What would be needed for this to be reversed and what are the drivers of the outperformance in this line

of business - in the General P&C and, I guess, Agro business in BRAZIL?

José Luis Jiménez

Well, we have to say that the performance of the business in BRAZIL has been outstanding and we will keep those levels of great profitability. But it's clear that at some point it could deteriorate a bit, but not too much. So we are confident that the levels in BRAZIL will continue for the time being.

Felipe Navarro López de Chicherí

Just for the sake of repeating something that was already said during the presentation, there was a certain calendar mismatch between the different subsidy allowances were made on the BRAZIL Agro business. So we expect that it's going to catch up during the rest of the year; nothing to be scared of or nothing to threaten the increase of the levels of premiums in the business in BRAZIL for General P&C.

Leandra Clark

Thank you, Felipe. I think the next question from Paz Ojeda was asking about the sharp slowdown in the second quarter in premiums. And again, like Felipe said, it was regarding the calendar of subsidy allocation for the Agro business. Thank you.

Carlos Peixoto from CaixaBank has a question regarding the Auto business in BRAZIL. He noticed a slight uptick on the quarter and would like to know whether we could expect it to fall below 100% this year. And what is our outlook for 2025?

José Luis Jiménez

Well, I will say in the case of BRAZIL, the combined ratio is very close to 100%. We also should bear in mind that interest rates in BRAZIL are around 10%. This is a rate that we would like to see in the rest of the markets as well. But as we are doing in the case of Spain, we are trying to be more selective in the customer base. We are reducing our exposure to fleets and putting more focus on retail customers. So we expect that the ratio will continue improving in the coming quarters as well.

Leandra Clark

Thank you. We're going to move on to another business region. We have questions regarding EMEA. Ivan Bokhmat has commented that the business has turned around quite nicely. Should we assume a positive result moving forward or have there been any one-offs in the second quarter?

José Luis Jiménez

Well, in the case of EMEA, we have four countries. Turkiye is performing extremely well. The profit during the first half of the year has been around EUR15 million. It is true that we have one one-off in the selling of the Life unit in Turkiye, but the company is performing extremely well. And once again, with rates around 50% in our reinvestment, I think the financial contribution is great.

So in Turkiye, we expect as well that the outlook for the country will improve in the second half of the year, if inflation continues going down as everybody has seen in the country right now, we see that the performance of the unit will continue.

Malta is performing well, selling mainly Life Saving products. We also expect growth in the second half of the year with new products on the shelf. And Italy is performing in line with our expectations. The main issue has been Germany, but we are putting all the focus on trying to reduce the combined ratio in Auto.

Leandra Clark

Thank you, José Luis. We have another question, moving on to NORTH AMERICA. Max from JB Capital would like to know if we could get the 100% combined ratio in NORTH AMERICA Motor ahead of 4Q year-end.

José Luis Jiménez

Yes, we're working on that, being below 100. Probably we are just around the corner and if we see the trend continue as we've seen in the last month, I'm sure that we will be below 100.

Leandra Clark

Thank you, José Luis. Moving on to the next set of questions, Ivan Bokhmat has commented on the impact in the Group from the losses from the flooding in BRAZIL. Given the industry estimate, it seems that we had a low impact. What is our expectation going forward?

Felipe Navarro López de Chicherí

I think that we are excellently protected. From the direct insurance point of view, I think that we've been booking the maximum loss that we can have from this event, which is under EUR6 million. From the reinsurance perspective, I think that we've already been commenting on our policy, how our retention is limited in this kind of business. And I think that we've been extremely prudent with the reserves that we are putting on this event. In any case, it is not higher than EUR40 million. I think that we are accounting for EUR37 million, net. S

o I think that we are quite confident that it is going to have a limited impact on the numbers of the Group. In any case, I think that we need to continue seeing the development of the claim, but we are quite confident that our reserves are more than enough.

Leandra Clark

Thank you, Felipe. We have some questions regarding NORTH AMERICA and the rest of Latin America, especially in the P&C business. Juan Pablo from Banco Santander would like to know what was behind the significant drop in the combined ratio. Was there anything extraordinary? Is the improvement in other LATAM and NORTH AMERICA sustainable?

Felipe Navarro López de Chicherí

I think that we need to divide this question between the two regions. I think that NORTH AMERICA has experienced an excellent first half of the year. It was related with two main drivers. The first one was related with the increase in premiums that we have been doing since last year. And together with this, there was quite benign weather during this first half of the year. So that put us in a very, very nice situation for General P&C, and mainly the Homeowners business, in NORTH AMERICA.

LATAM is still performing well and moving swiftly into the profitability for General P&C. This combined ratio should be totally adequate for running for this line of business. So, there is nothing extraordinary that we need to mention on the combined ratios in LATAM or NORTH AMERICA, apart from these two comments that we've been announcing since the beginning

of the year. I think that what we are doing is collecting the fruits that we've been planting during last year.

Leandra Clark

Thank you, Felipe. Going back to BRAZIL, we received a question from Max at JB Capital regarding if we have any actions in place in order to protect ourselves from future depreciation of the Brazilian real.

José Luis Jiménez

Not yet. I mean, the real depreciation probably has been a shock during the last, I would say, two months, which is mostly related to two issues. One is the fiscal adjustment from the government, and the second one is the new or potential candidate to run the central bank in BRAZIL. But we are confident that these two events could be resolved in the coming months. And probably we will see some improvements on the FX from now till the end of the year.

Leandra Clark

Thank you, Jose Luis. I don't know if anyone wants to something else.

Felipe Navarro López de Chicherí

Yeah, there's something that we need to mention as well. I think that the way we are protecting our exposure to this kind of depreciation is that we are distributing dividends as frequently and as often as we can in order to bring back the different monies into euros as fast as possible. And this is the best way to protect the regular business from this devaluation.

Leandra Clark

Thank you, Felipe. We've received some questions regarding the outlook for the Life business for the rest of this year and for next year, from Carlos Peixoto from Caixa BPI. He would like to know specifically the outlook for premium volumes in IBERIA and in BRAZIL.

José Luis Jiménez

Well, in Life in IBERIA, we hope, in terms of Savings, that we will continue with the trend. Last year, during the first half, we had some kind of extraordinary policies for around EUR400 million. So we have to catch up from now till the end of the year in order to improve our premiums in Savings. But in terms of risk, we think that we will continue with a positive trend and growth will be from now till the end of the year.

Leandra Clark

Thank you, José Luis.

Felipe Navarro López de Chicherí

Just to comment on the performance of the Life business in BRAZIL. As we mentioned, during the first quarter, there was a change in the commissions for the Life Protection business in BRAZIL. And it was related with the performance of this line of business during COVID.

You might remember that during COVID, the performance of the Life Protection business in BRAZIL was extremely poor. And there was a decision to reduce and to reshape the performance of these line of business in order to compensate for this period of time. Now we are going back to normal business and we are moving into higher commissions for this line of business.

So what we should expect is that there will be an excellent performance on this kind of business in the future. This change in commissions has already been done. So what we are seeing right now, the trend that we are seeing right now in the combined ratios for the Life Protection business, should continue and is going to be maintained during the future quarters.

Leandra Clark

Thank you, Felipe. Now we're going to move on to the Motor business in IBERIA. We've received quite a few questions. So first we'll start with the evolution of insured units and policyholders. Juan Pablo Lopez from Banco Santander has mentioned that he's seen a fall in number of units in the year, and asks how we are seeing competition.

David Barma would also like to know if we're comfortable losing more volume going forward and what our expectations for retention in general for the year are.

Felipe Navarro López de Chicherí

Thank you very much for the questions. I think there is something that we need to bear in mind when you're looking at these kind of figures. I think that we've mentioned already that our appetite is to perform better. And following this idea, what we are doing is to try to affect the lines of business or the parts of the business that are less performing. So what we are seeing right now is that on this reduction of the number of units, two-thirds of it account for non-performing fleets that are being restructured or adapted to the profitability that we need in the market.

Only 1% is coming from individual risks. So it is totally compatible with what we've been mentioning in the past. We are quite comfortable with these levels and if we continue in this trend, we are going to see a much better performance on the Motor business in the future quarters.

Leandra Clark

Thank you, Felipe. Regarding Motor, we've received from -- I'm not going to name the analysts because I think we've received from all the analysts that cover us -- three main questions. The first one is what were the drivers for the quarter-on-quarter deterioration in the Motor combined ratio? Number two, what have we seen in average tariff increases and do we expect it to continue at the same rate in coming quarters? And three, what is the outlook for the combined ratio for next year?

José Luis Jiménez

Okay, thank you, Leandra. Starting with the first question, regarding the Q-on-Q deterioration, it's quite difficult to guess what's going to happen next quarter. But the important thing here is that we know how to sort it out, just as we did first in BRAZIL and afterwards in the US. Now is the time for Spain.

And in Spain, we know that, as our Chairman has said, probably by the end of the year there will be one month where we will reach 100% or even below. So that's what we are working on right now.

In terms of the relevant increase in the average premium, it's around 8.4% with the market only up 7.8%.

And there is another question that I can't remember.

Leandra Clark

What is our outlook on tariffs for going forward and the outlook for the combined ratio for year-end and 2025?

José Luis Jiménez

Well, I think we have to adjust the tariff to the inflation. If inflation continues high and we are seeing a trend in bodily injury that is increasing, we have no doubt that we will continue raising tariffs in order to try to balance the new situation. So looking forward, obviously we're trying to adapt to the market conditions in order to try to make it profitable.

Felipe Navarro López de Chicherí

Just, if I may, I would like to mention a couple of things. Just to give you some depth on how inflation is behaving during this first half of the year. There was -- it is mainly driven by this -- what Jose Luis mentioned about bodily injuries that had a very high increase year on year, above 20%. And you have to bear in mind that this accounts for more than 30% of the cost of our claims. The rest of the material damage and the assistance business has really, really moderate inflation. So that is moving in the right way. What we can see in the future, and taking into account that probably this impact has already been adopted in this first half because there was a reinforcement of reserves during the first half of the year, the evolution of the combined ratio during the rest of the year should be better, moving into the area of 103%.

What we mentioned in the first quarter was that we would probably be hitting this below 100% combined ratio in one month of the last quarter this year. And I think that we already saw this level in the month of June. So we are quite confident that there are a lot of signs that there should be a changing trend in the Motor business in Spain in the rest of the year. So that puts us in a quite solid position to improve the combined ratios in this line of business.

Leandra Clark

Thank you, Felipe. We've received two questions on the reinsurance business. The first one is from Ivan Bokhmat. What would our view be on a potential impact from a hurricane that reaches US\$50 billion at an industry level? And Carlos Peixoto from CaixaBank would like to know our outlook on the evolution of the combined ratio in reinsurance for the second half of the year and going forward.

Felipe Navarro López de Chicherí

On the impact of a hurricane in the US of \$50 billion, it depends very much on where it impacts, how it impacts and how our exposure is. As you know, we've been very much reducing our direct exposure in the US, in the south. Florida is a region where we are not present anymore.

We have indirect exposure for groups that we've reinsured globally in the US, and there will be no main concern from us on the face value for this – for an impact in this region. What could be more important for us would be an impact of a heavy winds or a hurricane in the Northeast, where we have presence in direct insurance and the reinsurance covers are higher, obviously, because of exposure in this region, and there will be higher impacts there.

In any case, we need to evaluate how it is going to impact, how it is going to affect the regions and how it's going to move. What I can say is that MAPFRE RE is much better prepared for all those kind of events. Their reserves are still high for those kind of events. The premiums have been adapted and are adequate to the risk of the market.

I think that in the long-term business, and we need to look the CAT business as a long-term business, we are in a much healthier position than we were in the past.

Regarding the evolution of the combined ratio in the second half of 2024 in the reinsurance business, we've been quite prudent for the first half of the year. Looking at our confidence intervals on the reserves, we are on the high side and we are very well equipped for the second half. In any case, it will depend very much on the behavior of strong winds and hurricanes in the second half. We need to wait and see if the hurricane season is going to be as bad as they say, and where the hurricanes are going to hit, if they ever happen. So I would be prudent. I think that the combined ratio levels that MAPFRE RE has are totally compatible for a good performance during the second half of the year. And those levels should be seen in the rest of the year.

If you compare the combined ratios, as we mentioned, between MAPFRE RE and other reinsurance companies, is that that we are discussing the combined ratios under local accounting GAAPs. And that is why we are posting higher combined ratios. If we were looking on a like-for-like basis with other competitors, under IFRS it would be at least five points lower than what we are showing right now under local GAAP.

So we are quite positive about this line of business. I think that the capital increase in this unit was the right decision two years ago. And we continue being very, very confident that this line of business is going to contribute on the profitability, on the combined ratio and on the ROE of the Group in the next year and a half. Yes, of course.

Leandra Clark

Thank you. Max from JB Capital has another question, moving on to solvency and excess capital. Given this excess solvency, could you consider inorganic opportunities to deploy it?

Felipe Navarro López de Chicherí

I think that our Chairman already said that we are happy with the footprint that we have. In any case, I think that we are strategically looking at certain opportunities that could be built in the -- not in the next six months, but in the future, in the different areas. We want to rebuild our bancassurance distribution in Spain, that is mainly driving the new business for Life.

We want to enforce and reinforce certain regions. I think that BRAZIL is an area where we could grow if we find something compatible with the agreement with Banco do Brasil. Mexico, being an economy that is very much linked to the US, could be an excellent opportunity to reinforce our capabilities. The last acquisition that we made was in the Life business in Mexico. And Mexico has an excellent growth potential in the near future.

We could see the US with other lines of business and other states, something very limited with no exposure in the full country. And if we want to look at European markets, I think that on top of Spain, Germany, where we have a presence only in Motor business and direct Motor business, could be a good fit for complementing other insurance business.

Those are the main areas where we could see some inorganic growth. In any case, there is nothing on the table right now that should be mentioned. And we are, as I said, very, very happy with the footprint that we have at present. So we don't want to expand to other regions, other countries or to other areas.

Leandra Clark

Thank you, Felipe. We've received a few follow-up questions on the Motor business in IBERIA from David Barma. I think they're very much related. The first one is, can you explain the comparison of your loss ratio and its evolution compared to your peers? And is this possibly explained by a different geographical footprint in Spain compared to them regarding claims frequency?

Felipe Navarro López de Chicherí

There are different things that we need to bear in mind when we are looking at peers compared to our company. I don't like to speak about how the different companies are putting in place or moving or behaving. I mentioned that we have a policy that is taking into account how we are reducing or adapting the fleet business in Spain. That is going to change a little bit how we are exposed in the future.

Also, if we look into the IFRS evolution, it's going to be totally different from the local GAAP. Local GAAP in this case is taking more time in order to show the evolution. Under IFRS, we see a quarterly improvement that is faster and it's been adapted in a faster way. And the portfolio is definitely changing a little bit and adapting to the new situation.

The gain or the premiums that are going to be allocated during the second half of the year are higher than the ones that we had in the previous year. We are quite comfortable on the level of tariffs that we are posting for renewals and new business, and we are very much confident that this is going to be changing the shape of the Motor business in the medium term.

As I said, there were some extra reserves this first half of the year related mainly to bodily injuries, and the behavior of this kind of claims is unfortunately is not going to change. This is something that is partly because of the changes in the baremo, partly because of some kind of social inflation related with how the magistrates look at different bodily injury claims. In any case, it's going to be there and for the future. But on the other hand, we are quite confident that we are putting into renewal premiums that are going to be providing us with a much better combined ratio for the rest of the year and of course for 2025.

Leandra Clark

Thank you. We have two final questions. The first one is from Paz Ojeda, a follow-up on the outlook for insured vehicles in Spain. Is the portfolio cleaning already done? And when can we expect a return to growth?

Felipe Navarro López de Chicherí

The portfolio cleaning is something that is ongoing, as I explained a lot of times. This is a question of how the behavior of the premiums or the renewals are happening. A large part of the portfolio is automatically renewed; the level of renewal in our portfolio is over 84%, 85%.

That means that we are putting into the market every year around 1 million cars that need to be renewed and we need to capture those million cars from other companies, from new

business, from new cars. And that is something that is continually happening. So I cannot say that there is a portfolio cleaning, except for the fleet business, which has already been addressed. But for the rest, I think that we are participating in the portfolio.

We are placing our renewals and renewal rates at levels that are very compatible with the levels that we have right now. As I was saying, there is only 1% impact for the individual business. So I think I'm quite confident that whenever we are profitable again, we can turn around this level of losing units in the future.

It's something that is already built, is already in the strategy, but it's going to take as much time as it needs in order to make this line of business profitable again.

Leandra Clark

Thank you, Felipe. The last question is a follow-up on the non-Motor General P&C business in BRAZIL. And specifically, David Barma would like to know what gives us the confidence that profitability will continue or, putting it another way, what you see as a trigger or a catalyst for margin normalization or an increase in competition.

Felipe Navarro López de Chicherí

It's quite a difficult question. Traditionally, General P&C in BRAZIL is mainly driven by Agro business. Agro business is moving ahead quite profitably. There are things that may happen that could affect part of the Agro business. As I mentioned in the past, Agro business is basically one-third related to Life Protection for the policyholder; one-third is on the protection of what is built on the premises, on the farms; and one-third is related with the crop business.

What we are seeing is that we're still managing a leading position in the Brazilian market; this is not changing or not dramatically changing in the short term. The capacity that MAPFRE has together with Banco do Brasil in terms of distribution is still very high. The way the market is behaving is very compatible with an extremely good profitability. What happened in the last year and the first half of this year is that there were no big events that were affecting this line of business that could be hindering this profitability. To give you an idea, on the floods in the Rio Grande do Sul, 70% of the crops had already been harvested. So that was a very limited impact in the farms on this line of business.

It should be normal that the combined ratio would grow a little bit to higher levels, that should be normal. But first we would need to have lower prices because of much higher competition and we don't see big changes in this line of business. And second, a much higher loss ratio coming from any of the three areas that I already mentioned.

I don't see main changes for the Life Protection side and the others will depend very much on the weather and the climate impacts at this moment. So for the moment, so far so good. BRAZIL is an excellent contributor to the profitability of the Group and we hope that it's going to continue for the second half of the year and beyond.

Leandra Clark

Thank you. We have no further questions. Just before I hand the floor over to Fernando for some closing remarks, as a reminder, we will be holding a virtual meeting with analysts and investors next Monday, July 29th at 12:30 CET. If you haven't received the invitation, please let us know. The team will be available after the call if you have any further questions or if you need help finding the information on our website. I also want to thank you all for being here with us today and also Fernando, José Luis and Felipe for joining the call.

Fernando Mata

Thank you, Leandra. A couple of minutes just to wrap up. First, thanks for your questions. The answers given by Felipe and José Luis – we appreciate it, Felipe and José Luis – were quite clear and very helpful, hopefully, for you. Just a couple of things. One is a reminder, as Felipe said, that when we compare with our peers, it's important to move to IFRS figures, which by the way we're pretty satisfied with. The extraordinary combined ratio stands at 93.6% and the net result is practically hitting EUR500 million. The difference between both accounting standards is mainly the valuation of insurance liabilities. For us, local figures are pretty important, in that they reflect cash generation in a better way.

Regarding other question, just to clarify, in BRAZIL, the flood in Rio Grande do Sul is going to be, in my view, a long-tail claim. Perhaps a single claim or perhaps different claims, but MAPFRE is very well reserved, very well prepared, and so far most of the cost is due to IBNR and very few claims has been reported.

BRAZIL and also MAPFRE RE, both divisions, performed extraordinarily well. We consider both as state of the art operations and we're pretty proud of the way that they are performing. We know that Auto in Spain is your main concern. We know that we're doing what we have to do. We focused in previous quarters on rates. Unfortunately, we're focus as well in 2024 on underwriting measures and we chopped some of the fleets that were heavily impacted by bodily injury claims, as Felipe said. This is the main reason for the drop in units that we presented.

In any case, we increased the prudence level in our reserves because there's some uncertainties in the near quarters due to the expected inflation on the baremo, mainly. But

all-in-all, we're quite satisfied with the results presented. The new strategic plan, the update that we made at the AGM is bearing fruits, and our view is that the outlook for the coming quarters is pretty positive.

So for those that they're taking some days off in August, hopefully, get some rest and enjoy your holidays. Thank you and bye-bye.

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