



Investor &  
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Company participants

- Fernando Mata Verdejo, MAPFRE SA, Vice Chairman & Chief Financial Officer
- José Luis Jiménez, CIO & 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 afternoon. Welcome to MAPFRE's Earnings Call for the September 2024 Results. This is Leandra Clark, Head of Investor Relations at MAPFRE. Joining us today are key members of our management team, Fernando Mata, CFO, and Third Vice Chairman; Jose Luis Jimenez, Deputy CFO; and Felipe Navarro, Deputy General Manager of the Finance area and Treasurer. We appreciate you joining us for today's call. We will provide an overview of our financial performance for the third quarter and business trends. And after, we will open the floor for Q&A. You can use the Ask a Question link at any point during the call.

I will now hand the floor over to Fernando Mata.

### **Fernando Mata Verdejo**

Good morning, everyone. Thank you, Leandra. Thank you all for joining us today. I'm pleased to present our results for the third quarter. Net income is up 39% and stands at EUR654 million after a EUR90 million impairment on goodwill in Verti Germany. Without this effect, we would have posted an excellent EUR744 million for the first nine months, over EUR280 million in the third quarter, and an adjusted ROE of 12%.

Growth remains strong, although we're facing a drag from currencies, and tariffs are normalizing in some markets. Premiums are up 4.6%, and 6% at constant exchange rates. Profitability was driven by improvements in technical management across all markets. The balance sheet is stronger both on the asset side with the goodwill write-down, as well as the liability side with an even more prudent approach to reserving. The write-down of the Verti Germany goodwill, 70% of its book value, was a result of the challenging situation in Motor in Germany and Verti's lack of diversification. MAPFRE continuously monitors and reviews the goodwill of its different operations, writing down over EUR800 million through P&L or reserves over the last six years.

Our balance sheet is now much stronger, with only EUR1.2 billion of goodwill remaining, of which EUR600 million is from the US business and EUR400 million from Spanish Life and bancassurance businesses. We're confident in the future of the German business and we will further invest in its digital capabilities. A EUR30 million capital increase was approved by the Board and will be dedicated to IT as well as strengthening the capital base.

Non-Life continues to improve with a combined ratio of 94.8%, 92.9% in the third quarter. General P&C contributed the most to this reduction in the absence of relevant CAT events. In addition, there was a significant contribution from recurring financial results. Our capital base remains strong with shareholders' equity up 4.5% to over EUR8.4 billion and the Solvency II ratio at 197% at June. These robust results have allowed us to increase the interim dividend to EUR0.065 per share, representing an increase of over 8% compared to last year.

Our diversified business model allows us to leverage the most profitable segments. Life and General P&C lines are performing exceptionally well. We have seen a significant turnaround in the Motor segment in North America and across LatAm.

In Iberia, recent figures are showing the changing trend, although not as fast as expected, and the business is clearly on the right path. In EMEA, we're still facing pressure on claims costs in Germany, which was mitigated by the significant improvement in Türkiye. In Iberia, profit is up 15% to EUR283 million, over 30% when excluding extraordinary impacts. In North America, results have improved by EUR89 million on the back of technical measures. LatAm, including Brazil, remains the largest contributor to the Group's profit, providing EUR305 million, a nearly 8% increase, with technical improvements as well as strong contribution from financial income. Lastly, our Reinsurance and Global Risks business delivered a solid result of EUR207 million, up 9%, supported by premium growth and the absence of significant Nat Cat impacts.

Now I will hand the floor over to Jose Luis to walk us through the main figures.

### **José Luis Jiménez**

Thank you, Fernando. As Fernando mentioned, premiums were up 4.6% supported by the Non-Life tariff updates and the positive performance of the Life business, but with headwinds from the Brazilian Real and other Latin American currencies. The US Dollar is also slightly down. By market, Iberia, LatAm, and Reinsurance continue performing positively.

Non-Life premiums, which are 80% of our business, are growing at 4.3%, reaching nearly EUR17 billion. There is noteworthy performance in the Accident & Health line, +6.4%, and a significant improvement in Auto, +4.4%. The General P&C business is up 1.1% due to the slowdown of Agro in Brazil and the depreciation of the Real. The Life business, which is 20% of premiums, has grown by 5.6%. In Life Savings, premiums are up 8.2% supported by Iberia and Other LatAm. Life Protection is up 6.8% with notable growth in Mexico and Spain. At constant exchange rates, premiums are up 6.1%, with Non-Life and Life up 5.7% and 7.3%, respectively.

I will now discuss the key trends by region. In Iberia, net profit has reached EUR283 million, up 15%, with an ROE of 13%. Last year results included a net impact of EUR46.5 million due to the arbitration following the breakup of the alliance with Bankia as well as higher net realized gains. Excluding these extraordinary impacts, profit growth was more than 30%. Non-Life premiums have grown over 6% driven by Homeowners, Condominiums, and Health. Life premiums are up 6% with a recovery in Savings and solid trends in Protection.

LatAm continues to be a significant contributor to profit, generating EUR305 million with an ROE of slightly under 18%. Non-Life profitability has improved across the region and both the Life business and financial income are performing very well. In Brazil, we continue to see exceptional profitability with an ROE of 24% and the net result has risen to EUR188 million despite the drag from the Brazilian real. The Non-Life combined ratio improved nearly 4

points to 74% with improvements in General P&C and Motor.

Life Protection has also made a strong contribution to these figures. The rest of LatAm continued to show strong profitability, contributing EUR118 million with improvements in technical results in most markets and tailwinds from financial income.

In North America, the net result was EUR71 million, up nearly EUR90 million compared to losses the previous year. This is driven by underwriting measures and significant tariff increases which will continue to positively impact our P&L. The combined ratio has decreased by over 8 points, now at 98.5%. In Puerto Rico, net profit was nearly EUR15 million.

In EMEA, Türkiye posted a profit of EUR24 million with a strong improvement in the combined ratio, down over 13 points, and high financial income. The Auto sector remained challenging in Germany and Italy, bringing the losses in the region to around EUR19 million by showing a EUR12 million improvement compared to last year.

Net profit at MAPFRE RE is excellent, up over 9% to EUR207 million. The combined ratio remains stable at 95.5%. The most significant event in the third quarter were the storms in Europe, with no other major catastrophes. However, we continue to reinforce our prudence in reserves due to the ongoing rise in secondary perils and the recurrence of CAT events due to an atypical hurricane season. This reserving exercise added 1.5 points to the combined ratio. MAWDY continues to grow, posting a net result of EUR5 million.

I would like to address two specific items. First, the positive tax adjustment had a EUR35 million impact and second, the EUR90 million goodwill write down for Verti Germany is recorded in the holding and adjustments line. Last year, in the same line, was the EUR75 million from the write-down of the US business.

On the right, you can see the combined ratios by segment.

General P&C, our main line of business, both by premiums as well as profit, has delivered outstanding performance. Premiums are up over 1% and the combined ratio has improved 6 points to 81%. The net result stands at EUR307 million, a EUR136 million increase. In Brazil, premiums have decreased by 7% with nearly 6 points from currency depreciation and the rest due to the slowdown in Agriculture issuance, as a result of the high interest rate environment. The net result is EUR117 million, and the combined ratio remains excellent under 65% with no relevant events during the quarter.

In Iberia, premiums have risen by 6.6%, fueled by ongoing tariff adjustment in Homeowners and Condominiums. The result has more than doubled to EUR121 million and the combined ratio has improved by nearly 5 points to 93.4%. It has been a benign year so far regarding weather, as more events were covered by the Spanish consortium compared to last year. In North America, the net result reached EUR37 million compared to breakeven in 2023, with an excellent combined ratio of 85% supported by tariff adjustment in Homeowners and benign weather. Other LatAm has also increased its contribution to the result by nearly EUR40 million. In summary, General P&C continues to be highly profitable and diversified.

The third quarter results for the Motor segment confirmed the trend seen in previous

quarters, already reaching breakeven during the last three months. At the Group level, the average premium is increasing more than 11%. Premiums are up 4.4% with some drag from currencies, especially in LatAm. And insured units are down by nearly 7% due to selective underwriting. The losses year-on-year have been reduced by more than EUR25 million to EUR17 million, with the combined ratio around 104%. This reflects an outstanding turnaround in North America, while Brazil and the rest of Latin America are operating at combined ratios near 100% or below, which is satisfactory given the interest rate environments in this market.

The profit contribution from Motor in Brazil and Other LatAm has exceeded EUR30 million. In Iberia, premiums have increased by 6%. Our portfolio is down 3.2%. We are focusing more on retail, in line with our risk appetite, and half of the portfolio reduction during 2024 is due to the fleet pruning. The average premium has risen by over 9%, outpacing the market's 7.2% increase. We are confident that the pricing is now ahead of expected claims inflation. The combined ratio improved nearly 2 points during the third quarter, reaching 102%. This was slightly higher than we were expecting in order to achieve the 100% for the second half of this year that we have guided to in June. However, the trend is clearly positive, and further improvements will be visible in the coming months.

In North America, premiums are up 6% with units down 5.5%. In local currency, the average premium is up nearly 12%. During 2024, we have filed over 11 increases, including the most recent one that will come through in December. This adjustment, together with prior year hikes, will continue to feed into P&L and improve the combined ratio. In 2025, rate hikes will converge with expected claims inflation. The combined ratio is down by over 6 points, reaching 100.8% in September and close to 100% in the third quarter, which was excellent considering the mileage and frequency increase during the summer months. The turnaround has been noteworthy with a net profit of EUR28 million, improving over EUR50 million compared to 2023.

In Brazil, premiums are down 7.6%, around 2% in local currency. The vehicle portfolio is relatively flat year-on-year as the fleet pruning has already been executed. In Brazil, the combined ratio has decreased 1.7 points to 101.1%. In conclusion, LatAm and North America are already consolidating profitability trends, while Iberia is on the right path. And we expect the strong third-quarter reduction in the combined ratio to continue in future quarters.

The Life business remains a key driver of profitability. Direct insurance premiums are up 7.5%. Both Savings and Protection have contributed significantly, growing near 8% and 7% respectively, especially in LatAm and Iberia. In Iberia, Life Protection premiums are up 4.3% outpacing the market with a combined ratio standing under 68%. The financial result was strong, with net realized gains up from EUR1.6 million to EUR31.1 million, supported by real estate sales mainly in the second quarter.

In Brazil, Life Protection premiums are down 1% but growing almost 5% in local currency. There is some slowdown in investment and lending in the economy due to the recent rate hikes. This is a very profitable business and the combined ratio stands at an excellent 84%,

although up 4.5 points due to higher acquisition expenses. Across the rest of LatAm, volumes are up by over 30%. Mexico is noteworthy, growing 49% in Life Protection. The attributable result for the Life business has reached over EUR233 million, in line with the previous year.

And now I will hand things over to Felipe to discuss the main balance sheet items.

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

Thank you very much, Jose Luis. Shareholders' equity stands strong at over EUE8.4 billion, up 4.5%, on the back of the excellent result achieved in this third quarter. The strong revaluation of the investment portfolio has partially mitigated the negative currency conversion differences from the depreciations of the Brazilian Real and the Mexican peso, 11.6% and 14.5%, respectively.

Net unrealized losses in the portfolio were reduced by EUR194 million in the year. Leverage remains stable at 22%, reflecting our disciplined approach to capital and debt management. At the beginning of the month, we renegotiated and renewed our revolving credit facility, which was set to mature in February next year, reducing from EUR1 billion to EUR500 million with identical conditions as the previous one. The cost is linked to the fulfillment of ESG targets.

Asset allocation has been relatively stable during the year, increasing corporate bonds and reducing govies. The reduction in government was mainly due to Brazil, as a result of the dividend upstreaming and currency depreciation. The Spanish sovie remains our largest exposure with EUR9.7 billion. Our portfolio is defensive and well-diversified. Falling yields have reduced the unrealized losses in our portfolio, giving us more flexibility.

We have over EUR13 billion in third-party assets, making us one of the leading non-bank players in Spain with an exceptional increase in pension funds this year, up 7%. Our EUR45 billion investment portfolio together with the AM business brings total assets under management to nearly EUR59 billion up 3%.

On the right, you can see our main fixed-income portfolios. As a reminder, a large portion is immunized or matched. I will focus on the actively managed portfolios which are the main profit contributors. Regarding the Euro-area, yields are up over 25 basis points during the year at MAPFRE RE and 10 to 15 basis points in Iberia. If we exclude linkers, yields are even 20 basis points higher. All portfolio yields are still significantly below current market levels. In other markets, yields are up nearly 30 basis points in Other LatAm and over 10 basis points in North America. In Brazil, they are down around 90 basis points during the year but with a high portfolio yield - over 9% - and a 30-basis points improvement in the quarter due to rate hikes which are expected to continue next year. Duration was stable during the quarter.

These growing portfolio yields are contributing to financial incomes. The EUR576 million contribution to Non-Life excluding goodwill write-downs increased 1.7%. Iberia is up 14% despite lower realized gains. MAPFRE RE continues to grow while North America has been stable. In Brazil, financial income is down over 5% due to currency depreciation. In EMEA,

financial income is sharply down compared to 2023 as there were high ForEx differences due to the Lira depreciation in the second half of last year. The financial result is expected to remain stable due to high interest rates. There were over EUR34 million of net financial gains between Life and Non-Life portfolios, proof of MAPFRE's ability to generate alternative sources of income.

I will now hand the floor over to Fernando to make a few closing remarks.

### **Fernando Mata**

Thank you, Felipe. MAPFRE SA Board of Directors approved a EURO.065 interim dividend for 2024, 8% higher than last year, to be paid on November 29th. This was the second increase in the year, bringing total dividends paid to EUR15.5 cents, over EUR477 million, fully in cash. This is the highest dividend paid in the calendar year ever. During the last five years, MAPFRE has paid out more than EUR2.2 billion to our shareholders. The average dividend yield for 2024 was 6.6% and close to 8% over the last six years.

To wrap up, we have now reported three quarters in a row of excellent results, confirming the success of our new strategic plan. Financial targets are on track, although we're seeing a slowdown in growth in some markets due to the normalization of tariff increases and currency movements. The adjusted ROE was 12% compared to a target range of 10% to 11%. The combined ratio was 94.8% compared to a target of 95% to 96%. Premium growth, excluding Life Savings was 4.2% and 5.8% at constant exchange rates in line with the target. These already strong figures will continue to be supported by the ongoing recovery of the Auto business, especially in Spain and the US, as well as the already strong contributions from Latin America and reinsurance. Furthermore, financial income should continue to support results. The interim dividend announced this morning is proof of these solid results, our confidence in the future and our commitment to shareholders.

Thank you 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. As a reminder, you can use the Q&A tool at the bottom of your screen. As usual, we will organize questions by topic, and the IR team will be available for any pending questions after the call. So now let's start with the first question, which comes from Juan Pablo at Banco Santander, regarding investment income. He sees the accounting yield has increased quarter-on-quarter and would like to know how we see this evolving in a lower-rate environment in Europe and the US.

### **José Luis Jiménez**

Thank you. Regarding the accounting yield, I think we still have some margin to improve. If you look at the book yield of our portfolio and the market yield, there is some, I would say, trend that we would like to cover. So, we expect that it will increase in the coming quarters, perhaps not as much as it did in the past, but we still have some margin to continue improving on the income side. Regarding the interest rates, we don't have this view. I think that interest rates in Europe should probably stay in levels around 3% to 3.5%. So, for insurance and especially for us, that's very good news.

### **Leandra Clark**

Thank you, Jose Luis. The next question comes from David Barma at Bank of America. He would like to know what we've done to strengthen the balance sheet in the quarter, referring to both the reinsurance business as well as the Spanish business.

### **José Luis Jiménez**

Thank you, David, for your question. Well, we have done two things. One, at MAPFRE RE, we have increased reserves, which has added 1.5 points to the combined ratio. And this is because for Nat Cat we are below budget but for secondary perils we are slightly up compared to budget. This is something that we are seeing on a regular basis as secondary perils are growing. So, we have decided to increase prudence levels. The other point is related to Spanish Auto insurance, where we have increased reserves equivalent to around 1 percentage point on the combined ratio, in order to cover the cost of the bodily injury claims.

### **Fernando Mata**

If I may add, in order to clarify the impact on MAPFRE RE, it was approximately EUR50 million gross, before taxes and minority, and it's equivalent to a 1.5% impact on the combined ratio, the net combined ratio. Is that right, Felipe?



**Felipe Navarro López de Chicherí**

That's correct. In fact, there was a two-fold effect on this reinforcement of the balance sheet, as Jose Luis and Fernando have already mentioned. There was a reinforcement of the reserves, and there was the write-down of the goodwill as well that makes our balance sheet more clear, more accurate, and more adequate to the business that we are underwriting right now.

**Leandra Clark**

Thank you, Felipe. Thank you, Jose Luis. I think we're going to continue on the reinsurance business. We have another question from several analysts, at Bank of America, JB Capital, and Sabadell. They would like to know how active the fourth quarter is so far at MAPFRE RE from a Nat Cat perspective. They make reference to the Hurricane Milton as well as French floods. And how do we see this market developing in pricing?

**José Luis Jiménez**

In terms of pricing, we have just come from the last beat of reinsurance. I think prices will stay flat or probably slightly up, depending on the regions. In those regions where they had severe Nat Cat events, prices could increase. But in those parts of the world where there were no major catastrophes, they will probably stay as they are. But regarding the events that you have mentioned before, I think for us, as we said, we are below budget, we have had no big impacts, and these are secondary events for us.

**Felipe Navarro López de Chicherí**

For the fourth quarter, there's no major event reflected in our accounts on top of the ones that you were mentioning, and none of them has had a significant impact. As we mentioned before, there was this reinforcement of the reserves at MAPFRE RE, based mainly on hurricane season being below what we expected and secondary perils being slightly above budget. All in all, the trend is quite positive. And as we said, MAPFRE RE is keeping a very, very prudent approach on the reserving. So, these 1.5 percentage points on the combined ratio are going to be enough for these events for the moment.

**Leandra Clark**

Thank you. We had just a few more questions requesting just a little more color on if we are within the Nat Cat budget for the year overall, and if we could remind them how much the total Nat Cat budget is.

**Felipe Navarro López de Chicherí**

Okay. As I just said, for the moment and as far as we know, no major impacts from the hurricanes or even the floods that we saw in Europe during this year. What we can say is that once again what we are seeing with the evolution of the reserves is that we should be on the high side of the confidence margins. So, if we should be reserving up to a 90% of confidence level, we are right now at this level already. And we are going to continue taking this approach. But for the moment, as I said, nothing significant that we should mention for Nat Cat events. So, for the moment, we're quite well.

**Fernando Mata**

If I may add as well, there were only two events, and I would qualify both as a mid-size event. One was the heavy rains in the South of Brazil that was already reported in the second quarter. And in the third quarter, the only perhaps remarkable event – because it's a mid-size event, obviously - was the heavy rains as well in Western Europe. But both are similar events. Regarding Nat Cat in the US, both of the most relevant events for the market, Helene and Milton, for MAPFRE exposure will be in the high single digit, frankly talking. So, fortunately, we avoided this season. There is still one month ahead, but the Atlantic basin is quite quiet. Fortunately, this year there has been practically nothing regarding large Nat Cat events.

**Leandra Clark**

Thank you. We're going to move on to the Iberia business. The first question is regarding the Life business in Iberia. It comes from Max at JB Capital. What is the reason for such a boost to Life Savings premiums in Iberia in the third quarter of 2024? Do you expect this growth to continue in coming quarters?

**José Luis Jiménez**

Yeah. Thank you. The growth in the Life business was related to what we call Millon Vida. We are very active in providing Savings solutions to our customer base. We probably have less competition from banks right now, so we want to seize this opportunity in order to offer competitive prices to our customers. Also, we had some corporate pensions. We were very competitive as well in that business line. And this is a trend that we trust will continue in coming quarters.

**Leandra Clark**

Thank you, Jose Luis. We've also received some questions from David Barma at Bank of America. Continuing with Iberia, regarding the General P&C lines that had an excellent third quarter with an 86% combined ratio compared to the mid-90% in all the recent quarters, he

asks, “Was this due just to a lack of bad weather or is there anything else we need to flag?”

**José Luis Jiménez**

Nothing to flag to be honest. The only thing is that this year we have more events covered by the Consortium compared to previous years, but nothing significant, and probably this will continue.

**Leandra Clark**

Thank you, Jose Luis. Moving on to Motor in the Iberia business, our first question is from Max at JB Capital. He would like to know our expectations for the evolution of the Motor portfolio in Iberia. And both Max and David Barma from Bank of America would like to know whether this acceleration in average Motor premiums will continue or if the price increases will revert in line with inflation to protect our portfolio.

**José Luis Jiménez**

Let me say a few words regarding the Auto business in Spain. Frequency is still moderate, but also, we have seen an increase in gas consumption, and road fatalities have risen during the year. We see that smaller claims are decreasing. Meanwhile, severe claims involving bodily injuries are up. So, these are the trends that we are seeing right now. And bodily injury claims, which account for around 30% of total claims costs, will continue to have an impact on the combined ratio. So, for this reason, I wouldn't say that we will reduce tariff; we will continue with the current trend trying to adjust the tariff to the cost. And I see as well that the competition remains high and moving in the same direction. It's important to say that we are confident that the 4-point reduction in the combined ratio between Q2 and Q3 is proof that we are taking the right measures and going in the right direction. So, we will continue in the same line.

**Leandra Clark**

Thank you, Jose Luis. We have another question in the same line from Juan Pablo at Santander. He would like to know if we confirm the 100% combined ratio guidance for Motor in Iberia for the second half of 2024 or are we seeing anything that could change our outlook.

**José Luis Jiménez**

We are working hard to achieve that goal. If it happens in November, December, or January, I would say it doesn't matter. The important thing here is the trend and the trend is quite positive to achieve the goal.

**Leandra Clark**

Thank you, Jose Luis. We also have another follow-up question in Iberia regarding the previous question in General P&C, “Do we expect the current level to be a normalized level going forward, or was this last quarter in General P&C in Iberia an exceptionally good quarter?”

**José Luis Jiménez**

I think it's a stable rate. We do not expect big swings one way or the other. So, if nothing happens, we will continue with the current trend.

**Leandra Clark**

Thank you, Jose Luis. Moving on, so we have one more question that just came in on Spanish Motor. It's from Alex MacKenzie, at BNP Exane. I think it's been more or less answered, but I'm going to read it out loud and you can decide. The question is “How do you feel about the trade-off between profitability and growth? You're still shrinking while some peers show willingness to grow. And how easy has it been to pass on price increases with the combined ratio target you want?” I think we could elaborate on how we're seeing our clients' reaction to the price increases.

**José Luis Jiménez**

I would like to say that our retention and conversion rates remain high, and we are seeing a very low impact from coverage reductions, which makes us confident that we can continue with adjustments. This is a general trend that we are seeing in the market. It is important to remark that when we look at the vehicle portfolio, we have reduced fleets from 10% to around 6.6% of our total portfolio which could also be a tailwind for profitability as the fleet business has combined ratios as much as 15 or 20 points higher than individuals. So that's what we see and probably we will continue with the same.

**Leandra Clark**

Thank you, Jose Luis. We're going to move on to a different region. We've received a few questions regarding Brazil. The first comes from Carlos Peixoto at CaixaBank. He's asking about the Life insurance business in Brazil. “The margin seems to have deteriorated. Could you give a reason for this? And how do you see it evolving in the end of this year into 2025?”

**José Luis Jiménez**

As we have said before, when we have an economy with high interest rates, almost 11%, we

have pros and cons. On the pros side, we see more financial income coming quarter-after-quarter. But on the business side, we see a reduction in premiums because with these high interest rates, credit is not flowing as well as it did in the past. So, what's the trend? Probably in the short term, we will see more hikes coming from the Central Bank from now till the end of the year. And for the next year, we will see. Some kind of rate reductions are expected from the SELIC and this will help the business as well. But in the short term, this trend will probably continue.

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

If I may add something, regarding the Life Protection business in Brazil, we already mentioned that we increased the commissions that were paid for the distribution of this business to our partner, Banco do Brasil. So, what we saw in the first half of this year should continue because this composition of the combined ratio that is going to include higher acquisition costs is going to continue. Nevertheless, I think that we are still posting excellent combined ratios for the Life Protection business in Brazil. And they're going to continue delivering at the same levels, as Jose Luis said, maybe with more or less success in distributing this kind of business, because of the high interest rates that are going to reduce the activity in Brazil. In any case, this is going to continue being an excellent source of profit with combined ratios that are going to continue to be excellent in the future.

#### **Leandra Clark**

Thank you. We have two more questions regarding the Brazil business, in particular, one related to the slowdown in gross written premiums and another one related to the historically low combined ratio. I think both of these are very much driven by the agricultural insurance business. I'm going to ask the first question. "What was behind the slowdown in 3Q, and could you expect a recovery in the fourth quarter?"

#### **José Luis Jiménez**

First, we have to comment on the currency which is on average down around 6%, but if we take it year-to-date, it is probably around 12%. So, in some of the business we are growing in local currency but when we convert this into Euros, it is lower. On the other hand, when we look at the future and see what the trend will be, the ratio is really, really good, and it will probably continue at the same level. It is difficult to be better off, in terms of combined ratio, but last year we had the same opinion and thought probably 2024 could be maybe slightly worse than 2023 and here we are. So probably we don't have anything indicating that this kind of business could deteriorate; unless something happens, which is not in the cards.

**Leandra Clark**

Great, thank you. I think we've answered these questions then. The next set of questions is regarding EMEA. Juan Pablo from Santander would like an update on our strategy in the region and if we have plans to grow the business either organically or inorganically.

**Felipe Navarro López de Chicherí**

EMEA is a very diverse region. We have four different companies in four different markets that could have a totally different behavior. If we look at Türkiye, right now it is going out from a situation that was hyperinflationary. The measures that have been taken by the government are positive and we think that they can feed into the full economy and move in the right direction. We are already seeing less volatility in the currency. We are seeing that the remuneration of the deposits is enough to cover the depreciation and the cost of the currency. And we are quite happy to continue in the market, as we said. Inorganically, we aren't looking to increase our exposure to Türkiye because it's not one of the key drivers that we mentioned already.

Looking at the rest of EMEA, we have Malta, which is performing very well and there's no news; it's still one of the best, but still very small, markets for MAPFRE. And looking at the two other companies that are monoline, or almost monoline, like Verti in Germany and Italy, we already mentioned that, first of all, we continue thinking that, organically, we are going to continue moving forward in our activity and, inorganically, that Germany could be a country that we could see with a better approach if needed it in the future, since it's one of the main markets in Europe and we already have a presence and have been known by the regulator for a long period of time.

We have a small company, a small activity that doesn't compete with other big companies in the market. We think that in the consolidation of the medium-sized companies we may find opportunities in the mid or long term. Nothing immediately, but this is something that we have been considering.

**Fernando Mata**

Yes, Felipe. If I may add, in both countries, Italy and Germany, we are fully focused on reverting the current situation in Auto. So, we do not have any appetite to grow our fleet, the number of units, but to focus on tariffs in order to achieve the turnaround in the operations, in both operations, as soon as possible.

**Leandra Clark**

Thank you, Fernando. Thank you, Felipe. The next set of questions is regarding the North American and US businesses. I would just like to clarify before we move into the questions that during the presentation we mentioned that the tariff increases that have taken place this year are an 11% accumulated increase, and the last approval will be coming into force at the end of the year.

David Barma from Bank of America asks about the US Motor business and about the improvement we've seen in recent quarters. He thought he would see the third quarter combined ratio already go below 100% due to these already mentioned price increases, and he would like to know whether there was anything in the claims experience that was unhelpful during the quarter.

**José Luis Jiménez**

David, thank you very much for your question. I think Motor in the US is behaving much better than expected. Although there is always some kind of volatility, the trend is clearly positive. The average Motor premium is up around 17.5% in local currency, considering premium growth in local currency is around 12% and vehicles are down 5.5%, as we said before. We are confident that the underwriting measures that we have taken in that market will continue to deliver in a new, more controlled, friendly environment, very good results. So that's what we see. It is true that we have originally guided to hit 100% in the last quarter of this year, and everything suggests that we should reach that level soon.

**Leandra Clark**

Thank you, Jose Luis. That was very clear. And the last question for the US business is regarding Home insurance. We reported in General P&C a very strong performance, 85% versus 90% in June. The question is, if this performance was driven by very favorable weather conditions and what could be a sustainable level?

**José Luis Jiménez**

Well, in this case, I think there are two factors. One is that we have increased tariffs. We have to adjust the tariff to the market situation. And secondly, it is true to say that the weather was more benign than expected.

**Leandra Clark**

Thank you. We finished with the questions regarding the business units and we're going to move into questions related to the dividend and strategy. The first question is from Max at JB Capital and he would like to know if we have any update on our M&A ambitions.

**Felipe Navarro López de Chicherí**

No update. The ambitions of M&A are quite stable in the Group, and we are looking exactly for the same ambitions that we had in the past. So, the first point is to go back or rebuild the bancassurance exposure of MAPFRE in Iberia, mainly in Spain. The second would be to try to find a way of growing in Europe in the countries that we are already in. So that will be Germany, mainly. The third one should be to grow in a market that is already very important for us in LatAm, which is Brazil, which is, I remind you, two-thirds of the LatAm GDP and where we have an excellent presence and excellent partnership with Banco do Brasil. If we could find something that doesn't jeopardize our relationship with Banco do Brasil, we would be very happy to deploy some capital there.

Mexico is another opportunity for us. We think that we are underrepresented in the Mexican market and would be happy to increase our exposure. Last, and taking into account the stability of the US dollar, is to find a niche opportunity that could help us enter another state – nothing nationwide or nothing that would expose us to any kind of casualty perils, or similar in the US, but something that we could manage and we could add into our operations. And that is the last opportunity. I remind you that what we are seeing right now is that organic growth and delivery in the present operations is what we are concentrated on and what we want to continue moving forward.

**Leandra Clark**

Thank you, Felipe. We have a question from Paz Ojeda at Banco Sabadell regarding the underlying ROE at 12%. She comments that this is significantly above our 2026 target and asks if we think this is sustainable.

**José Luis Jiménez**

We are working hard to try to achieve that return on equity. And it is true that, as Fernando has said before, we are in the middle of the hurricane season, and we have to wait until the end of the year. But it is true that all the business and all the geographies are doing pretty well. So, if the trend continues, we expect to get around 11% or above.



**Leandra Clark**

Thank you, Jose Luis. And now we have several questions for the end of this Q&A session regarding the dividend. I think I'm going to include them together and then we can go over them again. Max from JB Capital wants to know, one, "Why increase the interim dividend and not the final dividend?" And two, "What kind of payout ratio should we expect in the coming years?"

Question three, from Farquhar, is "Does this increase of the interim suggest a similar increase for the final dividend?" And question four is "What would need to happen for MAPFRE to feel comfortable increasing the total dividend by a full cent for the full year?"

**Fernando Mata**

I'll take the first one. Max, what was taken to the Board and was approved was the increase of the interim dividend; it was the perfect timing. Whether or not it will be a stable dividend at the final will be approved at the Board in February and then at the AGM. It's not the time to discuss what the final dividend will be at the current moment.

**Felipe Navarro López de Chicherí**

On the rest, I think that our message has been quite clear in the past. First, that there will be at least a distribution of 50% of the profits of the company. Second, that there is an upper limit or there should be an upper limit that we already have broken several times, which is 65% distribution. But that was broken several times in the past. And I think that what is more important is that what the Board tries to send as a message is that there is some kind of comfort with the situation. I think that the Board is proud of the results that we are delivering already and it's a kind of a message of hope into the future of the company.

So, at the end of the day, what is going to happen in the month of February when the Board proposes to the AGM the new dividend is still unknown. It will depend very much on how the three months that remain for the annual profit and loss account move forward, and how the trends are going to be in the future. So, nothing to say about the future, but I think that we are quite clear on the appetite that this company has for the distribution of dividends.

**Leandra Clark**

Thank you, Felipe. We have no further questions. I'd just like to comment, we did receive a few questions through the platform that were quite technical, and we would prefer to look into them and get back to you after the call. If not, please contact us directly.

And just a few comments on upcoming events. We'll be holding two in-person meetings with analysts and investors, one in Madrid on November 5 and the other in London on November

11. You should have already received the invitation. We're also planning on being in Paris November 19th to 20th. If you're interested in meeting with us, please reach out and contact us directly. If you have any remaining questions, we're available after the call. Thank you for your time today. I'll hand the floor back to Fernando for him to make a few closing remarks.

**Fernando Mata**

Well, thank you, everybody, for your attendance. Thank you, Leandra, for your logistics, extremely helpful as usual. Thank you, Felipe, and Jose Luis, for your answers and comments, pretty clear and comprehensive as well.

I would like to conclude this presentation saying that again, MAPFRE is delivering. We have reported an extraordinary quarter in terms of profitable growth. The fundamentals of our results are pretty robust and there is still room for improvements in certain areas, particularly Auto in Spain. So, we remain pretty positive for the rest of the year. And that's all for me.

Thank you again for your attendance and goodbye.

**Leandra Clark**

Goodbye.

**José Luis Jiménez**

Thank you. Goodbye.

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