

Investor &
analyst call –
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transcript

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- José Manuel Inchausti Pérez, MAPFRE S.A., First Vice Chairman of the Board of Directors
- José Luis Jiménez, MAPFRE S.A., CFO
- Felipe Navarro López de Chicheri, MAPFRE S.A., Deputy General Manager – Finance Area
- Leandra Elizabeth Clark, MAPFRE S.A., Head of Investor Relations and Capital Markets

Presentation

Leandra Clark

Good morning and welcome to MAPFRE's Activity Update for the Third Quarter of 2025. This is Leandra Clark, Head of Investor Relations and Capital Markets. Thank you for joining us today. We are pleased to have here with us José Manuel Inchausti, Vice President of MAPFRE, who will provide some opening remarks and an overview of recent business trends. Following that, José Luis Jimenez, our Group CFO, will discuss the main financials and Felipe Navarro, Deputy General Manager of the Finance area, will walk us through the balance sheet.

As a reminder, we report IFRS financial information on a half year basis. The information in this activity update is prepared under the accounting policies applicable in each country which generally do not apply IFRS 17 and 9. You can use the Ask a Question link at any point during the call and we will open the Q&A session at the end of the presentation.

I will now hand the floor over to José Manuel Inchausti.

José Manuel Inchausti

Thank you, Leandra. Hello, everyone, and thank you for your time today. Let me share some highlights of the quarter before José Luis and Felipe walk you through the details. Results have been excellent with higher profitability in all regions and in our main business units. We are outperforming almost all updated targets announced at the AGM. However, if we look at the macroeconomic context, the world economy is continuing to slow down with fiscal tensions, trade wars, and higher geopolitical risk. This is creating exchange rate volatility that is affecting our top line, especially the US dollar and Latin American currencies.

Premiums have grown 3.5%, reaching over EUR22 billion, and at constant exchange rates, this would more than double, reaching nearly 8%. Non-Life, which is more than 75% of our business, continues to benefit from improved technical management. Premiums in this segment are growing over 6% at constant exchange rates, almost 2% in euros, reaching over EUR17 billion. The Life business is up around 10% in euros, nearly 14% at constant exchange rates, reaching over EUR5 billion. The Non-Life combined ratio is now 92.6, down more than 2 points, with a strong reduction in the claims ratio to 65% and an excellent expense ratio at 27.5%.

The net result is up nearly 27%, reaching EUR829 million, with a return on equity of 12.4%. This result includes extraordinary impacts of EUR79 million from the partial goodwill write-down in Mexico and the derecognition of tax credits in Italy and Germany. This is the result of an ongoing review of our balance sheet with a prudent approach to valuation. The adjustments have had no impact on our cash flow positions nor our capacity to pay dividends. Without these one-offs, the result would stand at an excellent EUR908 million and the return on equity over 13%.

Our capital base remains strong despite market volatility, with shareholders' equity up 5% during the year, reaching EUR8.9 billion and the Solvency Ratio close to 209% at the end of June, in line with our target range. These robust results have allowed us to increase the interim dividend to EUR0.07 per share, up nearly 8% compared to last year. Core businesses are performing extremely well, supported by the progress in the implementation of our strategic plan.

Overall, IBERIA has an excellent contribution to results with almost EUR350 million, up over 22%, thanks to its diversified business mix with the Motor result up more than EUR80 million, consolidating its recovery. There were also strong contributions from General Property and Casualty and Accident and Health. We continue to see the positive effects of our technical management with the Motor combined ratio improving by 6 points to 98.5% and Accident and Health improving 4.5 points to 95%.

In LATAM, performance has been outstanding with a combined ratio of 83% and almost all countries below 100%. The largest challenge we are facing in the region right now is currency volatility. We have been operating in this market for many years and are confident that our diversified business model will continue to prove resilient. While currencies are affecting the top line, results are strong across the region. BRAZIL has had an excellent quarter with a net result of almost EUR200 million, up 6% with very strong margins.

In addition, Mexico, Peru, and Colombia together contribute over EUR100 million to the results. Both the Non-Life and Life businesses remain highly profitable with improvements in the combined ratio across most lines and financial income continues to be an important tailwind. The region reported a total result of EUR340 million, up 11%. NORTH AMERICA is delivering an excellent result of nearly EUR100 million, up 40%. Technical measures continue to pay off with relevant improvements in Motor and General Property and Casualty.

Finally, in MAPFRE RE, prudent underwriting, diversification, and adequate retrocession are delivering solid results. We continued increasing prudence during the quarter with reserves still in the upper end of our confidence interval. Hurricane season has been very quiet. However, we prefer to maintain a conservative approach. Performance was outstanding with a net result of EUR256 million and a combined ratio under 94%.

In conclusion, we are extremely satisfied with this year's results. The Board of Directors approved an interim dividend of EUR0.07, an almost 8% increase, to be paid on November 28. It was the fourth consecutive increase bringing total dividends paid in 2025 to EUR0.165, EUR508 million fully in cash. This is the highest dividend ever paid in a year. During the last five years, MAPFRE has paid out EUR2.3 billion to shareholders. The average dividend yield for this year is over 5% and more than 7% for the last five years.

I will now hand the floor over to José Luis to walk us through the details of the quarter.

José Luis Jimenez

Good morning to everyone. I will now discuss the key trends by region complementing the figures already provided by José Manuel. In IBERIA, total premiums are growing over 9% with solid growth in most lines of business. Non-Life is up nearly 5% and Life premiums are up 20%. The combined ratio has improved 2.5 points to 95.9% and investment portfolio continue to boost profit. The return on equity is now up almost 2 points to 13%.

Profitability in LATAM has been excellent. BRAZIL continues to see excellent results, posting a return on equity of over 27% with improved technical ratios and high investment returns. The Non-Life combined ratio is around 72%. In local currency, business volumes were down slightly with lending linked segment still affected by high interest rates and the macro and geopolitical context. Premiums in euros are down 11.5% with a 9-point exchange rate impact.

OTHER LATAM continues to deliver strong profitability, contributing over EUR140 million, up 19% with technical improvements across all lines, leading to a 3-point reduction in the combined ratio to 96%.

Premiums have been very affected by exchange rates with strong local currency growth in key markets like Mexico, Colombia, and Peru. In NORTH AMERICA, premiums are down 4% in euros with a 3-point drag from the US dollar. The combined ratio is well under 96%, improving around 3 points.

In EMEA, losses in Germany and Italy are going down significantly. The region is reporting its second consecutive quarter of positive numbers with a EUR7 million profit, compared to almost EUR19 million in losses last year, with a 6.5-point reduction in the combined ratio.

Regarding MAPFRE RE, José Manuel has already commented on the reserving strategy and the bottom line. In terms of growth, premiums are growing around 1%. The US dollar is relevant for this business and premiums will be up over 6% at constant exchange rates. Additionally, reserve reinforcements have been around EUR165 million year-to-date, with a 5 point impact on the combined ratio, which means the ratio will have been below 90% without this one-off. MAWDY continues to contribute positively with a net result of EUR3 million.

Lastly, I would like to address a few specific items. First, hyperinflation adjustments have improved from around EUR47 million last year to EUR24 million this year, mainly due to Argentina and Turkey. And second, the extraordinary impact of EUR79 million recorded in the holding expense line, of which EUR38 million correspond to the partial goodwill write-down in Mexico and the rest to the derecognition of deferred taxes in Italy and Germany with EUR31 million and EUR9 million, respectively. As a reminder, in September 2024, there was the partial goodwill write-down in Verti Germany for EUR90 million as well as extraordinary income of EUR35 million from various tax adjustments.

General P&C lines continue benefiting from technical discipline, strong market positions, and diversification. Premiums are slightly down affected by currencies. The combined ratio remained excellent below 81%. In IBERIA, premiums increased by 7%, with improvements in key segments, especially commercial lines. The combined ratio stands at an excellent 94%, thanks to diversification and a prudent underwriting approach, as well as comprehensive reinsurance Protection.

In BRAZIL, premiums declined 10% in euros while the drop in local currency was just 1%. Agro insurance is still affected by high interest rates as well as the geopolitical and macroeconomic situation, while other retail and industrial lines are experiencing notable growth. The combined ratio has improved to 63%, supported by Agro, which remains in the low 50s with a lack of relevant events as well as a strong performance in other retail lines. NORTH AMERICA premiums are impacted by the dollar depreciation, while the combined ratio has improved 2 points to 83%, during a traditionally quiet quarter weather-wise.

Regarding Motor, the third quarter confirms previous trends, with significant advances in most markets. The combined ratio is now below 100%, with around a 5-point improvement year-on-year. The net result is almost EUR96 million compared to EUR17 million in losses last year.

In IBERIA, the combined ratio has improved over 6 points reaching 98.5% and we expect to see further improvements. Premiums are growing 3% and reflect average premium growth of over 7%, almost 1 point higher than the market. The result has grown by over EUR80 million, reaching EUR52 million compared to losses last year.

In BRAZIL, premiums are down mainly due to the currency depreciation. The combined ratio remains stable in line with higher interest rates.

Performance has been outstanding in NORTH AMERICA with a EUR52 million profit, almost double

compared to last year, with the combined ratio down more than 3 points.

Regarding other regions, in OTHER LATAM, almost all units are now reporting combined ratios below 100%.

In EMEA, the combined ratio is also down 8 points from around 120% to 112%.

In conclusion, technical management remains solid, and the measures implemented continue paying off.

Regarding the Life business, premiums are up almost 10% with strong trends in IBERIA and OTHER LATAM, especially Mexico. Furthermore, the Life business is very profitable, adding EUR180 million to the result.

In IBERIA, total premiums are growing 20% due to strong performance in savings products. Excluding special transactions, growth in IBERIA will be around 17%. This very strong underlying performance is supported by our extraordinary distribution capacity, adapting to the individual needs of our clients.

The Protection business is growing in line with previous trends. The net result was EUR92 million, down year-on-year. About half of the decrease is explained by lower financial gains.

In BRAZIL, premiums are 14% lower impacted by the currency as well the high-interest rate environment which affect lending and related Life Protection product demand. Profitability remains strong with a combined ratio of 82%, down 2 points year-on-year.

Regarding the rest of the countries, volumes were up almost 16%, led by OTHER LATAM in particular Mexico. Performance in both Mexico and Malta has been noteworthy, growing more than 40% and 10%, respectively.

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

Felipe Navarro

Thank you, José Luis. Shareholders equity stands strong at over EUR8.9 billion, up 5% during the year, on the back of the excellent result we are reporting. The improved valuation of the available-for-sale portfolio offsets the negative currency conversion differences, mainly from the US dollar, which is down 12% year-to-date. Leverage is at 21%, reflecting our disciplined approach to capital and debt management.

Regarding our capital structure, we don't expect any major changes in the near future. The upcoming maturity of our Senior bond in May 2026 will most likely be refinanced by Senior debt. We hope to go to market sometime early 2026.

Total assets under management stand at more than EUR63 billion. Third-party assets, which are now over EUR15 billion, are up more than 14%, with outstanding performance in BRAZIL.

We maintain our position as one of the leading non-bank players in the asset management business.

Our own investment portfolio amounts to EUR47.5 billion, with asset allocation stable. We remain convinced that our portfolio's defensive nature, focus on quality and diversification, and high liquidity is well prepared to face market volatility.

On the top left you can see our main fixed income portfolios. Regarding the euro area, duration is down year-to-date, but relatively stable on the quarter and portfolio yields overall are slightly higher.

In other markets, portfolio yields in BRAZIL substantially increased nearly 240 basis point year-to-date, reaching 12.7%. In OTHER LATAM, yields are stable while they are moving up in NORTH AMERICA.

On the bottom left you can see Non-Life net financial income is up around 9%. OTHER LATAM continues to be affected by Argentina, where investment returns are lower than prior years which is offsetting the hyperinflation adjustments which are also lower.

On the right, you can see net financial gains at around EUR29 million. IBERIA remains the largest contributor, the majority coming from Non-Life.

Now, I will hand the floor over to José Manuel to make a few closing remarks.

José Manuel Inchausti

Before moving on to the Q&A, I would like to reiterate that we continue consolidating significant improvements across all region and business lines, especially in the Motor business. This is thanks to one of our strongest assets, our high level of diversification, both by geography and by product, which not only mitigates risks, but allow us to leverage opportunities.

We continue executing our strategic initiatives with focus on profitable growth and continuous technical improvements as we move forward in our internal transformation. Financial income is still a relevant tailwind, and our balance sheet remains resilient. Despite the geopolitical and macroeconomic uncertainty, we have a very positive outlook. We are prepared to face the headwinds from currency depreciation, inflation and economic slowdown. And we are confident in the direction we are heading in. The increased interim dividend we announced this morning is proof of that.

In conclusion, these solid results are proof of the strength of MAPFRE's business model, our ability to adapt in a constantly changing environment, and our ongoing commitment to profitability, solvency, and a client focus. These achievements allow us to be optimistic about the coming years, continuing with the prudent approach that defines us.

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

Q&A

Leandra Elizabeth Clark

Thank you, José Manuel. Although most of you are already familiar with the process, as a reminder, you can use the Q&A tool on the bottom of your screen. We will organize the questions by topic and answer them as time allows. And now let's start with the first question.

We've received several questions surrounding the reinsurance business. Juan Pablo López from Banco Santander would like to ask if there's been any impact from the recent hurricanes in the Caribbean.

José Luis Jiménez Guajardo-Fajardo

Okay. Good morning, and thanks for your question, Juan Pablo. To be honest to you, I mean, the impact so far is negligible and we have to say that MAPFRE RE has no exposure to Cuba and Jamaica. And in the case of Global, it's a minimum exposure that probably wouldn't affect the result.

Leandra Elizabeth Clark

We've also received several questions regarding the reserve strengthening at MAPFRE RE during the quarter. Max Mishyn would like to know what was behind these reserves. And Alessia would like us to quantify the impact both at nine months and on the third quarter standalone and what businesses they affected, if they affected any particular line of business.

José Luis Jiménez Guajardo-Fajardo

Okay. I will say that probably following our prudent approach to reserving, I mean, reserve reinforcements has been around EUR165 million year to date, which means more or less a 5 point impact on the combined ratio. Otherwise, it would have been below 90% without this one-off. In terms of the quarter, we did a reserve around EUR60 million.

Leandra Elizabeth Clark

Thank you. Paz Ojeda also would like to know if we've finished with this reserve strengthening or will this continue in the coming quarters?

José Luis Jiménez Guajardo-Fajardo

Probably, I think it's too soon to say. I mean, we are just in the middle of the hurricane season. Apart, we have all the kind of Nat Cat events that could happen at any time around the world. So I would say that until the 1st of January it's quite difficult to comment. But of course, I mean, we are prudent by nature and if we think that there is secondary perils increase, whatever it could happen, we are more on the prudent side.

Leandra Elizabeth Clark

Thank you, José Luis. Max also had a question regarding our outlook for the fourth quarter. As we've seen that the hurricane season remains mild, if that continues into the fourth quarter, what could we expect for an underlying combined ratio?

José Luis Jiménez Guajardo-Fajardo

Once again, I would say, it's too difficult to say. Hopefully the quarter could end as it has started. But during the last few weeks we have Melissa, and everything was a little bit concerned. Finally, it's not a big issue, but still we have to deal with the end of October and November.

Leandra Elizabeth Clark

Thank you. Moving on to another topic, still in MAPFRE RE, Juan Pablo from Banco Santander asked about the loss ratio, which he said was very low in the quarter. Was there any release or extraordinary impact? And he also asked for the expense ratio which has increased quarter-on- quarter and is wondering if there's been any other extraordinary impacts in either of these lines.

José Luis Jiménez Guajardo-Fajardo

Well, as we have mentioned before, there is no release at all. It's the other way around. We have received reinforcements as we have pointed out. Maybe the good figures come from low Nat Cat events during the quarter. And regarding the expenses, it's just the profit-sharing adjustment that we have in some policies

that explains the difference.

Leandra Elizabeth Clark

Thank you. We have one last question from Max Mishyn regarding the reinsurance business. In particular, he's asking about the profitability of the Life business. I believe there may have been some volatility on the quarter, although this is a business that tends to have high volatility.

Felipe Navarro López de Chicheri

There is as well reserves in the Life business being reinforced during the year. And we can mention that the Life business, which is an area that we want to grow in the future is being observed and developed in a very prudent way. So this is what we may expect on the year. I mean, we are looking at this business very closely and I think that year-on-year it evolves quite swiftly.

Leandra Elizabeth Clark

Great. Thank you. We're going to move on to the next block of questions. Moving on to IBERIA. Juan Pablo from Banco Santander has some questions regarding the Motor gross written premiums that are growing 3% versus the sector which is growing around 9% and that we've seen some loss of policyholders during the quarter. How do you see the competitive environment? Are you expecting an inflection point in terms of market share in the short term?

José Manuel Inchausti Perez

Okay. The first thing is that MAPFRE IBERIA has dropped 6 points its combined ratio in Motor insurance, which was the main objective and now it's in a good 98.5%. That was the first objective, and we were very focused on profitability. And in spite of that that, the growth is 3%. It's true that it's less than the market but it is still a positive growth of 3%. In the next quarters, once we have improved, I would say, radically the combined ratio, we will be a little bit more focused on growth, not only in premiums, but in insured units. Regarding the market, what we could say is that the market has entered in a very soft market in the Motor insurance in Spain. But we will be more pendant on our technical results than these movements in the market.

Leandra Elizabeth Clark

Thank you. We've also received some questions that affect more the General P&C line. The first one is from Paz Ojeda, Banco Sabadell. She mentions that it's been a quite benign year in general for weather from a weather event point of view and that she'd like to know what part of the improvement in the combined ratio in general P&C is due to this very benign weather environment.

Felipe Navarro López de Chicheri

I mean, there's definitely some kind of impact of this benign weather. I mean, this is something that we are experiencing lately. It is true that General P&C has as well other exposures that are affecting the situation. And once again, we want to mention that there is a very prudent approach on the reserving of this line of business. So even though this prudent approach that we are taking, we are still posting excellent combined ratios and we should continue if nothing happens otherwise.

Leandra Elizabeth Clark

Thank you, Felipe. Moving on also into General P&C. Max Mishyn from JB Capital would like to know what has been the impact of the wildfires in Spain on your claims during the quarter.

José Luis Jiménez Guajardo-Fajardo

I will say that despite the tragedy of these wildfires, we all have in mind those images about the countryside, small village, and the fire and so on. We have to say that many of these properties were not insured and probably the impact will be negligible on the accounts.

Leandra Elizabeth Clark

Great, thank you. Moving back to Motor, we've received several questions which I'm actually going to summarize I think from a few analysts. I think in general the question is, number one, what can we expect for the combined ratio in Motor in the coming quarters? And number two, how do we feel about this slowdown in premium growth, and do we think this can also improve in the coming quarters?

José Manuel Inchausti Perez

What I would say is that the combined ratio in MAPFRE Motor insurance is 99.6%, which is a good improvement of 5 points over the last year and it will continue improving and in the next quarters. Growth has been 2.3% affected by exchange rates and it should be better in the next quarter as well.

Leandra Elizabeth Clark

Thank you. And Max Mishyn has a follow-up question on that and he'd like to know what type of tariff increases are you implementing in Motor and when do you expect to normalize churn and start growing the client portfolio.

José Luis Jiménez Guajardo-Fajardo

Well, in this case, as we had said in different presentations, the premium, I mean, the increase in tariff is more related to inflation to cover the costs slightly above inflation. But it's true that during the last quarters, I mean, year-to-date, we prefer to come back to profit and to resolve the crisis on the active business. Right now, I think we are in a very good position to try to put the focus on growing in terms of customers and that's where we are focused for the coming quarters.

Leandra Elizabeth Clark

Thank you. We're moving on to the IBERIA Life business. Alessia at Barclays commented that Life gross written premiums came down by 17% in the third quarter. Can you please give us some details of the drivers of why the business volumes in Life came down between the third and the second quarter?

José Luis Jiménez Guajardo-Fajardo

Linear growth in Life savings, I mean, is not regular. I mean, we cannot get the same amount every quarter. So, it is true that during the first and the second quarter we have a real extraordinary growth. Probably the third quarter has been more flat. But as well we have plans. You all know we tried to become a leader on financial planning in the Spanish market. We have more than 3,000 branches. More than 10,000 people specialized in Life and savings and we are really focused in continue growing on the coming quarters.

Leandra Elizabeth Clark

Thank you. We have two more questions or one more I believe for IBERIA. Juan Pablo from Banco Santander, he asks why financial income was down and would like to know if we can expect a stabilization at the current levels.

José Luis Jiménez Guajardo-Fajardo

At the group level, I mean, financial income has grown around 9% if I'm not wrong with the figure. In the case of IBERIA, it is true that we have to come back to last year because last year we sold a real estate property, and we did an important capital gain. But we have to say that we expect a stabilization, even maybe why not increasing a bit the financial income. I think that the book yield is something that probably could continue growing slightly. And it is true as well that this year we have less capital gains compared to last year despite the incredible performance on the financial markets. But we have no concern about that and probably we believe it could be a tailwind in the coming quarters.

Leandra Elizabeth Clark

Thank you. We have one additional question in IBERIA. General P&C, the combined ratio performed very well, down again during this quarter. And Juan Pablo from Banco Santander would like to know, has there been anything extraordinary or a release of provisions.

Felipe Navarro López de Chicheri

As I said before, I mean, General P&C is performing extremely well. There was no release during the quarter. In fact, it was otherwise. I mean we were prepared after a very benign quarter to have some reinforcement of reserves in this line of business as well. So things are performing well and there is nothing extraordinary that we should mention.

Leandra Elizabeth Clark

Thank you. Well, we finished with IBERIA unless there's any follow-up questions. We're moving on to BRAZIL. Our first question is from Juan Pablo at Banco Santander and he's asking about growth. He comments that we're seeing a fall in gross written premiums. What is our outlook for this business and what is the impact from this struggling Agro business in BRAZIL?

José Luis Jiménez Guajardo-Fajardo

Well, in the case of BRAZIL, I would say, several things. The first one is that the business is performing extremely well and results are growing another quarter. It is true that we have an important headwind there which is the high interest rates. The SELIC right now is around 15% and where you are selling insurance products linking to credit is quite difficult to grow in such market conditions. I would say the good news is that probably next year we have elections in BRAZIL. Inflation is coming down very close to the target of the central bank. We believe it could be reasonable to think that probably interest rates could come down in BRAZIL significantly.

In the short term, we have the advantage, we have the pros of high interest rates for our investment portfolio. In fact, the book yield of the investment portfolio has increased almost 3 percentage points which is not bad. But on the other hand, it's suffering a bit in terms of premium growth. Next year we could see a reverse on this function. So probably we have lower interest rates. We expect to see more premiums coming for the business. So, we are optimistic about the future of the business in BRAZIL.

Leandra Elizabeth Clark

Thank you. Following up on the Agro business, well, I would say the combined ratio in general Non-Life which is very much supported by Agro. Juan Pablo from Santander asks, your combined ratio increased quarter-on-quarter after a very strong second quarter. In the past, you mentioned you expected a lower structural combined ratio in BRAZIL. Could you update us on this structural level around mid-70s combined ratio?

José Luis Jiménez Guajardo-Fajardo

I think 70s is a wonderful combined ratio and we would like to see that ratio in many other businesses. And it doesn't matter if from one quarter to another you move slightly up. I mean, if I remember properly, second quarter was around 68. Right now, it's 71. I will be more than happy to see 71 for the coming future. But this is an extraordinary business for us. We think we have a quite competitive advantage in the marketplace and it doesn't matter if the combined ratio moves around the 70s up or down. So we are very happy with that.

Leandra Elizabeth Clark

Thank you. Regarding the Life business in BRAZIL, there's been a fall year-on-year in the premiums. Is there any reason different to forex? And how do you see the trend of the Life Protection business going forward?

Felipe Navarro López de Chicheri

I mean, as José Luis has mentioned already, I mean, this is very much related with interest rates. SELIC at 15% is a deterrent on the increasing of the credit in the market. We should expect that if, as José Luis mentioned, we are going to have lower SELIC during the next year, there will be an increase of lending in BRAZIL that will help us to increase the level of premiums in the market. I mean, there is as well the FX that has been affecting us, but I think that all in all, there is a solid position on the Life Protection business that will continue during the next year.

Leandra Elizabeth Clark

Moving on to the rest of Latin America, on a similar note, Life business is actually doing quite well and growing year-on-year, but the P&C business seems to be a little weaker. Is there any other reason again different from foreign exchange? What are the trends you're seeing in Non-Life in the rest of Latin America outside of Brazil?

José Luis Jiménez Guajardo-Fajardo

As we have pointed out before, I mean, high interest rates is really a driver of this in the sense it's quite difficult to sell insurance-linked to credit and it's the same trend in Mexico. It could be in Colombia and Peru. As we have a more positive view regarding interest rates in the future, we have seen this week as the Fed has reduced by 25 basis points, probably this could continue in the coming months. So, this could help as well that Latin American central banks could reduce as well rates. So, this is a very good trend for the business.

Apart from that, I mean, we have the FX effect, but once again we tend to believe this has stabilized so far and in the last, I would say, two months we have seen how some Latin American currencies have strengthened rather than deteriorate compared to previous quarters. And so far, year-to-date we see a slight appreciation on the real, a slight appreciation on the Mexican peso. So I don't know, I think probably

this mean reversion probably could affect us positively from now till next year.

Leandra Elizabeth Clark

Thank you. We're going to move on to NORTH AMERICA. We've received so far one question. Juan Pablo from Santander would like to know why is the combined ratio so low in P&C. Were there any release of provisions or was it weather-related?

José Luis Jiménez Guajardo-Fajardo

No, I mean, not release provision at all. Probably the best in the US in terms of weather-related events, but also all the hard work that our colleagues has done there in terms of efficiency, in terms of operational effectiveness and so on. But the weather has helped a bit. But we continue with the good trends of previous quarters.

Leandra Elizabeth Clark

Thank you. We're going to move on to a few questions we received regarding the balance sheet strengthening that took place with some extraordinary impacts this quarter. We received question from Antoine at AlphaValue. He would like us to give some background information regarding the goodwill write-down in Mexico. How is this business performing and what would have been the combined ratio in LATAM, excluding Mexico?

Felipe Navarro López de Chicheri

I don't have the figure about LATAM excluding Mexico. I mean we can send the answer to you after. But I mean it's going to be very detailed. Regarding the write-down in Mexico, I think that we need to be aware on what kind of transaction we were looking for in this area. We wanted to increase the network that we had in order to distribute better and reaching more the client in the Life business. In this case, I think that the acquisition of a network of more than 4,000 agents and related distributors of Life business is an extremely good acquisition.

The thing is that the business that was on back of it, there was something that we need to revise, review and to challenge in order to provide with sound information on this business. This is the reason about this partial write-down that we did in the goodwill in Mexico. There is part of it that has been preserved because we think that we continue thinking that the business should be profitable. There will be a lot of cross selling that is not included in this goodwill that is going to be captured from Mexico. And once again, this is part of a very prudent approach that we have from the balance sheet. And this is going to be the same approach that we have on the reinforcement of reserves and looking at a very strong balance sheet for the future of MAPFRE.

Leandra Elizabeth Clark

And just to follow-up, we're looking at the combined ratios for the region and Mexico's combined ratio is very much in line with the total of OTHER LATAM. So there's no large difference in the profitability across the region versus Mexico. Thank you.

We've received another question coming from Paz Ojeda, Banc Sabadell and she'd like to know what risks do we have remaining for additional write-downs in intangibles including goodwill, deferred tax assets or value of business acquired across the different subsidiaries that the group has.

Felipe Navarro López de Chicheri

I think that we look always with a very conservative eye all those intangible assets that we have. When we are looking at them, we have a very strong and very strict approach on how we analyze it. It is true that the goodwills that we have right now associated mainly to very strong operations. And I think that that is something that has been seen in the past. I mean, they're related with very strong businesses. But we are going to continue looking at the opportunity of approaching these with the most prudent way in a manner that things are going to be on the reinforcement of the balance sheet. There is nothing in the short term that let us think that we should continue with this, with any kind of write-down. But, I mean, in any case, we are going to continue looking at each and every line of the balance sheet in order to take the most prudent approach that has been taken in the last years.

Leandra Elizabeth Clark

Thank you, Felipe. Moving on, we have a question surrounding the dividend. Juan Pablo from Santander asks, we've seen your solvency ratio improved to 209% compared to 206% last quarter. This is the figure we have at the end of June. This is quite comfortable above the midpoint of your target range of 200% with a 25-point leeway. Could we expect any increase of dividend payout?

José Manuel Inchausti Perez

What I have to say, and then I will let José Luis speak about the Solvency ratio, any decision about dividend payout is taken by the board and they must be approved by the AGM. So that will be the procedure.

José Luis Jiménez Guajardo-Fajardo

Well, regarding the Solvency ratio, I mean, we are really happy with the level that we have achieved, 209%, which is in line with the margin that has been set up by the AGM, by the board of directors and nothing to comment in. I mean, probably if the trends continue, we could keep within the range on the high end and probably we are looking forward to continuing with such a strong balance sheet.

Leandra Elizabeth Clark

Thank you, José Luis. We're going to move on. We have two more questions. The next one is regarding M&A coming again from Banco Santander. He'd just like an update on what are our M&A plans in our strategy going forward.

Felipe Navarro López de Chicheri

I mean, there is, there's no change in the strategy. We already mentioned that we have capacity to deploy more capital, but I think that we are not in a hurry right now. We are looking at any opportunity. There is nothing on the desk that we should look for a very immediate closing or in the next months. The opportunities that we are looking at or that we are looking with a very close attention are related with of course Spain where we want to increase our distribution power on the country, mainly for trying to rebuild the bancassurance agreements that we had in the past and try to distribute better on the Life business.

We should be keen on deploying more capital in the euro area. And we need to bear in mind that the only country mainly that we could do it would be Germany. Italy could be an opportunity, but I mean it's mainly Germany on this side. If we look at LATAM, I think that there are two economies that are the focus of our M&A strategies. First, Brazil and we are looking for any opportunity that could help us to increase our

importance there. It is important to mention that we don't want to jeopardize in any case our good agreement with Banco do Brasil. So we will be very careful in this area. And of course, Mexico, which is a country that is in the long term very linked to the US economy and is the second biggest economy in LATAM.

Looking at the US, I mean, we could think about some company that will present some business that will make complement to the one that we are distributing already in Massachusetts, which is maybe homeowners and Motor and try to look for an opportunity in a single state company that could help us to try to put a foot on another State that could help us to start developing mainly this new line of business in the area that we already present or the Motor and Home that we are already doing very well in Massachusetts in these other states.

I mean, those are the main points that we want to increase. I mean, the areas where we want to deploy more capital will be of course, Motor agreements, distribution agreements, Life business, which is one of our priorities. I mean, I think that there is nothing that changed from the from the past. So the same kind of strategy and nothing on the short term for the moment.

Leandra Elizabeth Clark

Thank you, Felipe. And moving on to our final question, Juan Pablo from Banco Santander has commented that our latest guidance in terms of ROE and combined ratio looks a little out of date. And do we plan to update these targets anytime soon?

José Manuel Inchausti Perez

As I said before, our current guidance was adopted in coherence with a strategic plan that ends in the next year. Fortunately, things seem to be better than expected. But we have to bear in mind that we are not in the end of the year. We are just in the third quarter on one side and on the other side, any change in any guidance of the company must be adopted by the Board previously.

Leandra Elizabeth Clark

Thank you. So we have no further questions. We did receive some through the platform that we think would be better answered after the call due to a very technical nature. We'll reach out to you between now and Monday. And just as a reminder, all the documents are available at our website. And now I'm going to hand the floor back to José Manuel for some closing remarks and after to José Luis Jimenez.

José Manuel Inchausti Perez

Yeah, if I may make some closing remarks, I would say that we are very satisfied with the company figures that we have presented. They are excellent results and the results are the consequence of three, four very hard years of work, especially to decrease the combined ratio and to grow up the ROE. Combined ratio is improving 2.2 points over the last year. That has been compatible with a very prudent approach which has led us to make some strongest provisions in some units, especially in reinsurance unit and to make the write-offs and the derecognition of fiscal assets that we have presented to the market. So overall, almost every country, almost every business line is improving its technical results.

So the whole team feels very rewarded for the work that has been done in the last year. Growth is 8% in a constant exchange rate and having this improvement on the balance sheet and on the results, we will be focusing on profitable growth over the next quarter, not only in premiums, this is something that we

already have, but in insured units and in terms of customers.

Another thing is that MAPFRE is having a very good year and we have good expectations for the end of the year, if nothing extraordinary happens. Just to remind that the dividends will surpass for the first time in our history EUR500 million, which is a very remarkable figure.

And just to put an end, talk just a second on the prudent deployment of AI and digitalization that is going on in the company. The company is improving a lot and I say with a prudent and humanistic approach to the AI, we are expanding it over the company. And the last part is to talk about very important system plans that are going on in Spain, Latin America, and USA. And so far they are giving results and they are on track as well. So that is my final conclusion.

And thank you very much for the attention and the questions.

Leandra Elizabeth Clark

Thank you.

José Luis Jiménez Guajardo-Fajardo

I think, José Manuel has said it all. We have had a wonderful quarter, and we are looking forward to a really good year for MAPFRE. Thank you so much for analysis, for your questions. And if you have any further question that we are able to give you proper answer, we are at your disposal in the coming hours or days. Thank you so much.

Leandra Elizabeth Clark

Thank you.

José Manuel Inchausti Perez

Thank you.

Felipe Navarro López de Chicheri

Thank you.

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