

## 6M 2022 Results

Analyst & Investor  
presentation  
July 28<sup>th</sup>, 2022



**MAPFRE**

We care about what matters to you

# 2022-24 Strategic Plan on track and commitment to sustainable dividend path

Robust growth trends in main markets with tailwinds from currencies

**PREMIUMS +7.7%\***

IBERIA +2%\*

MAPFRE RE +14%

BRAZIL +19%\*

**Disciplined growth** in profitable lines of business, leveraging **multi-channel approach**

Focus on **organic growth** with extremely **prudent M&A strategy**

Benefitting from diversification and restructuring, focused on profitability

**Resilient profitability** in core operations

High level of **business diversification** with negligible exposure to Ukraine conflict

**Improved combined ratios in General P&C and Life Protection**, mitigating pressure on Motor and Health

Reaching final stages of

**restructuring processes**

Executing Motor profitability initiatives across all regions

**Challenging context** > impact from inflation, changes in driving patterns and frequency at pre-Covid levels or even higher

**Tariffs** > rate increases on both new business and renewals

**Cost contention** > especially claims costs (i.e. spare parts and provider network management)

**Strict underwriting measures** > portfolio pruning

Financial strength and flexibility

**Strong Solvency II ratio** (205%) as of **March 2022**

April **Tier 3 issuance** to boost ratio by **over 10 p.p.**, mitigating the **fall in shareholders' equity** in Q2

**High level of liquidity** and comfortable with **current debt levels**

**Prudent approach to investments** > low credit risk and decreasing portfolio duration

\* Adjusted at constant exchange rates and excluding the impact of the multi-year policy in Mexico and the exit of BANKIA Vida in 2021, as applicable

# Key Figures > 6M 2022

	6M 2022	Δ	Δ on a like for like basis <sup>(1)</sup>											
<b>Total written and accepted premiums</b>	<b>12,510</b>	<b>7.3%</b>	<b>7.7%</b>	<table border="1"> <tr> <td><b>Premium growth</b></td> <td><b>7.3%</b></td> </tr> <tr> <td>Currency movements</td> <td>-4.9%</td> </tr> <tr> <td>Multi-year policy (Mexico)</td> <td>4.5%</td> </tr> <tr> <td>BANKIA</td> <td>0.8%</td> </tr> <tr> <td><b>Premium growth (like for like)</b></td> <td><b>7.7%</b></td> </tr> </table>	<b>Premium growth</b>	<b>7.3%</b>	Currency movements	-4.9%	Multi-year policy (Mexico)	4.5%	BANKIA	0.8%	<b>Premium growth (like for like)</b>	<b>7.7%</b>
<b>Premium growth</b>	<b>7.3%</b>													
Currency movements	-4.9%													
Multi-year policy (Mexico)	4.5%													
BANKIA	0.8%													
<b>Premium growth (like for like)</b>	<b>7.7%</b>													
- Non-Life	10,106	8.1%	9.2%											
- Life	2,404	3.8%	1.7%											
<b>Non-Life Combined Ratio - MAPFRE S.A.</b>	<b>98.3%</b>	<b>3.2 p.p</b>												
Non-Life Loss Ratio	71.2%	5.2 p.p												
Non-Life Expense Ratio	27.1%	-2.0 p.p												
<b>Non-Life Combined Ratio - Insurance units</b>	<b>99.1%</b>	<b>3.9 p.p</b>												
<b>Attributable result</b>	<b>337.6</b>	<b>-7.3%</b>												
<b>ROE <sup>(2)</sup></b>	<b>9.2%</b>	<b>0.2 p.p</b>	<b>8.4%</b>	<div style="border: 1px solid red; padding: 5px; display: inline-block;">                     Excluding non-operating items                 </div>										
<b>Balance sheet <sup>(2)</sup></b>														
Assets under management	53,075	-8.5%												
Shareholders' equity	7,629	-9.9%												
	<b>3M 2022</b>	<b>Δ</b>												
<b>Solvency ratio <sup>(2)</sup></b>	<b>205.3%</b>	<b>-1.0 p.p</b>												

(1) At constant exchange rates and excluding the impact of the multi-year policy in Mexico and the exit of BANKIA Vida in 2021, as applicable

(2) Variation calculated against data at December 31<sup>st</sup>, 2021

## Adjusted attributable result & non-operating & operating extraordinary impacts

	6M 2021	6M 2022	Δ (mn)	Δ (%)
<b>Attributable result</b>	<b>364.0</b>	<b>337.6</b>	<b>(26.4)</b>	<b>-7.3%</b>
<i>Non-operating extraordinary impacts</i> <sup>(1)</sup>		<b>7.8</b>	<b>7.8</b>	
<b>Attributable result (adjusted for non-operating extraordinary impacts)</b>	<b>364.0</b>	<b>329.8</b>	<b>(34.2)</b>	<b>-9.4%</b>
<i>Operating extraordinary impacts</i>	<i>(49.1)</i>	<i>(60.2)</i>	<i>(11.1)</i>	
NatCat claims <sup>(2)</sup>		(88.0)	(88.0)	
COVID-related claims (Life Protection LATAM & MAPFRE RE)	(75.0)	(22.4)	52.6	
Financial Gains & Losses <sup>(3)</sup>	18.5	22.2	3.7	
Other <sup>(4)</sup>	7.4	28.0	20.6	
<b>Attributable result (adjusted for operating &amp; non-operating extraordinary impacts)</b>	<b>413.1</b>	<b>390.0</b>	<b>(23.2)</b>	<b>-5.6%</b>

(1) Includes net gains (€8.9 mn) from the sale of operations in Australia, Turkey and the Middle East and the impact from a restructuring provision (-€1.1 mn)

(2) The total includes impacts at MAPFRE RE (-€51 mn), and insurance units in Brazil (-€28 mn) and Paraguay (-€9 mn)

(3) Net of writedowns, in actively managed financial investment portfolios in euro area and MAPFRE USA and other financial income & expenses, as well as real estate

(4) 2022 figures include various non-recurring tax impacts; 2021 figures include the impacts from the voluntary retirement scheme in IBERIA, a release of an earnout provision and the contribution of real estate to a joint venture vehicle and various asset sales

## Key figures > by business unit

	Premiums		Attributable result			Combined ratio	
	6M 2022	Δ %	6M 2022	Δ mn	Δ %	6M 2022	Δ p.p.
<b>IBERIA</b>	<b>4,236</b>	<b>-0.4%</b>	<b>183.7</b>	<b>(22.4)</b>	<b>-10.9%</b>	<b>97.4%</b>	<b>1.1 p.p</b>
<b>BRAZIL</b>	<b>2,240</b>	<b>40.4%</b>	<b>44.2</b>	<b>7.8</b>	<b>21.6%</b>	<b>94.1%</b>	<b>8.0 p.p</b>
<b>LATAM NORTH</b>	<b>1,127</b>	<b>-16.3%</b>	<b>21.9</b>	<b>2.1</b>	<b>10.8%</b>	<b>96.5%</b>	<b>3.0 p.p</b>
<b>LATAM SOUTH</b>	<b>963</b>	<b>26.1%</b>	<b>47.0</b>	<b>18.6</b>	<b>65.4%</b>	<b>103.5%</b>	<b>9.2 p.p</b>
<b>NORTH AMERICA</b>	<b>1,269</b>	<b>23.8%</b>	<b>32.8</b>	<b>(18.0)</b>	<b>-35.5%</b>	<b>102.1%</b>	<b>4.9 p.p</b>
<b>EURASIA</b>	<b>708</b>	<b>-4.0%</b>	<b>(8.2)</b>	<b>(22.2)</b>	<b>-158.9%</b>	<b>114.9%</b>	<b>13.1 p.p</b>
<b>TOTAL INSURANCE</b>	<b>10,543</b>	<b>8.5%</b>	<b>321.3</b>	<b>(34.1)</b>	<b>-9.6%</b>	<b>99.1%</b>	<b>3.9 p.p</b>
<b>MAPFRE RE</b>	<b>3,693</b>	<b>13.9%</b>	<b>70.9</b>	<b>(11.9)</b>	<b>-14.4%</b>	<b>96.4%</b>	<b>1.6 p.p</b>
Reinsurance	2,735	11.4%	54.3	(14.7)	-21.3%	97.4%	1.8 p.p
Global Risks	958	21.7%	16.6	2.8	19.9%	82.2%	-2.2 p.p
<b>ASISTENCIA</b>	<b>104</b>	<b>-57.7%</b>	<b>8.2</b>	<b>10.1</b>	<b>--</b>	<b>96.9%</b>	<b>-2.7 p.p</b>
<b>OTHER <sup>(1)</sup></b>	<b>(1,831)</b>	<b>-18.4%</b>	<b>(62.7)</b>	<b>9.5</b>	<b>13.1%</b>	<b>--</b>	<b>--</b>
<b>TOTAL</b>	<b>12,510</b>	<b>7.3%</b>	<b>337.6</b>	<b>(26.4)</b>	<b>-7.3%</b>	<b>98.3%</b>	<b>3.2 p.p</b>

(1) "Other" includes Corporate Areas and consolidation adjustments

# Key figures > Motor business

## Key figures

	Premiums		Attributable result		Combined Ratio		Δ in insured units
	6M 2021	6M 2022	6M 2021	6M 2022	6M 2021	6M 2022	6M 2022
MAPFRE GROUP	2,701	2,944	129.4	0.1	95.7%	105.1%	+105,000 (+0.9%)
IBERIA	1,115	1,113	62.0	15.9	93.1%	100.1%	+32,953 (+0.5%)
NORTH AMERICA	654	737	37.5	2.9	96.0%	104.2%	+11,174 (+1.4%)
BRAZIL	222	312	3.3	-24.4	102.8%	120.3%	-44,788 (-2.8%)

### IBERIA

- **Tariffs** > increases for new business implemented in Q4 2021 and gradual increase for existing portfolio as of January 1st, 2022
- **Average premium** > stable during 2022 after several years of declines, and evidence of clients adapting covers to mitigate tariff increases
- **Expenses** > reduction especially in claims costs (i.e. active management of spare parts and provider network)
- **Underwriting** > focus on more profitable regions and cancellation of non-performing portfolios (i.e. by vehicle type)

### BRAZIL

- **Tariffs** > multiple increases, but still need to catch up with growing inflation
- **Underwriting** > cancellation of non-performing brokers with higher risk portfolios (i.e. commercial trucks and buses)

### USA

- **Tariffs** > two 3% average increases put through already during 2022, and one additional increase pending approval
- **Expenses** > increasing adjusters on payroll and redirecting more clients to preferred repair shops

# Key figures > Life business > insurance units

## Key figures

	6M 2022	Δ mn YoY	Δ YoY
<b>Life Premiums</b>	<b>2,403.5</b>	<b>87.5</b>	<b>3.8%</b>
<b>IBERIA</b>	<b>879.7</b>	<b>(122.0)</b>	<b>-12.2%</b>
<b>BRAZIL</b>	<b>669.4</b>	<b>118.1</b>	<b>21.4%</b>
<b>OTHER <sup>(1)</sup></b>	<b>854.4</b>	<b>91.5</b>	<b>12.0%</b>
<b>Life Attributable Result</b>	<b>135.3</b>	<b>65.7</b>	<b>94.4%</b>
<b>IBERIA</b>	<b>77.4</b>	<b>(9.3)</b>	<b>-10.7%</b>
<b>LATAM</b>	<b>55.6</b>	<b>74.5</b>	<b>---</b>
BRAZIL	26.7	34.5	---
LATAM NORTH	2.4	7.5	---
LATAM SOUTH	26.5	32.5	---
<b>OTHER <sup>(2)</sup></b>	<b>2.3</b>	<b>0.4</b>	<b>22.3%</b>

## COVID claims – Life Protection – breakdown <sup>(3)</sup>

	6M 2021	Q1 2022	Q2 2022	6M 2022	Δ mn YoY
<b>TOTAL LATAM</b>	<b>(61.2)</b>	<b>(10.0)</b>	<b>(5.1)</b>	<b>(15.1)</b>	<b>46.1</b>
<b>BRAZIL</b>	<b>(30.0)</b>	<b>(3.2)</b>	<b>(1.9)</b>	<b>(5.1)</b>	<b>24.9</b>
<b>LATAM NORTH</b>	<b>(22.6)</b>	<b>(5.1)</b>	<b>(2.5)</b>	<b>(7.6)</b>	<b>15.0</b>
<b>LATAM SOUTH</b>	<b>(8.7)</b>	<b>(1.7)</b>	<b>(0.7)</b>	<b>(2.4)</b>	<b>6.3</b>

(1) Mainly LATAM NORTH, EURASIA (Malta) and LATAM SOUTH

(2) Mainly EURASIA (Malta)

(3) After reinsurance, tax and minorities

# Assets under management

	Market value			Breakdown by Asset Class	
	12.31.2021	06.30.2022	% Δ	12.31.2021	06.30.2022
<b>Government fixed income</b>	<b>22.9</b>	<b>21.0</b>	<b>-8.2%</b>	<b>49.6%</b>	<b>49.7%</b>
<i>Spain</i>	12.0	9.9	-18.0%	26.1%	23.4%
<i>Italy</i>	2.8	2.6	-9.9%	6.2%	6.1%
<i>Rest of Europe</i>	1.9	1.9	1.7%	4.0%	4.5%
<i>United States</i>	1.5	1.5	-2.8%	3.3%	3.5%
<i>Brazil</i>	2.2	2.5	14.7%	4.7%	5.9%
<i>Rest of LATAM</i>	1.8	2.0	12.8%	3.8%	4.7%
<i>Other</i>	0.7	0.7	4.9%	1.4%	1.7%
<b>Corporate fixed income</b>	<b>7.6</b>	<b>7.1</b>	<b>-6.6%</b>	<b>16.5%</b>	<b>16.9%</b>
<b>Real Estate*</b>	<b>2.3</b>	<b>2.4</b>	<b>2.0%</b>	<b>5.1%</b>	<b>5.6%</b>
<b>Equity</b>	<b>3.1</b>	<b>2.5</b>	<b>-18.5%</b>	<b>6.6%</b>	<b>5.9%</b>
<b>Mutual Funds</b>	<b>1.9</b>	<b>1.7</b>	<b>-10.6%</b>	<b>4.1%</b>	<b>4.0%</b>
<b>Cash</b>	<b>2.9</b>	<b>2.5</b>	<b>-12.4%</b>	<b>6.3%</b>	<b>6.0%</b>
<b>Unit-Linked</b>	<b>3.0</b>	<b>2.9</b>	<b>-1.7%</b>	<b>5.4%</b>	<b>7.0%</b>
<b>Other investments</b>	<b>2.6</b>	<b>2.1</b>	<b>-17.0%</b>	<b>6.4%</b>	<b>4.9%</b>
<b>Total Investment Portfolio</b>	<b>46.2</b>	<b>42.2</b>	<b>-8.5%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Pension Funds</b>	<b>6.4</b>	<b>5.6</b>	<b>-12.7%</b>		
<b>Mutual Funds &amp; Other</b>	<b>5.4</b>	<b>5.2</b>	<b>-2.9%</b>		
<b>Total AuM</b>	<b>58.0</b>	<b>53.1</b>	<b>-8.5%</b>		



# Investment portfolios

## Euro area – fixed income portfolios – actively managed

		Market value (€bn)	Accounting Yield (%)	Market yield (%)	Modified duration (%)
IBERIA NON-LIFE	12.31.2021	3.97	2.08	0.69	10.93
	06.30.2022	3.37	1.90	2.24	8.90
	06.30.2022*	3.21	2.14	2.42	9.16
MAPFRE RE NON-LIFE	12.31.2021	3.18	1.28	0.69	3.78
	06.30.2022	3.14	1.14	2.27	3.47
	06.30.2022*	2.98	1.35	2.48	3.48
IBERIA LIFE	12.31.2021	5.18	3.38	0.21	6.60
	06.30.2022	4.54	3.23	1.80	5.95
	06.30.2022*	4.51	3.27	1.81	5.96

Total inflation-linked  
bonds (Euro area) =  
€349 mn

## Other main regions and units – fixed income portfolios

		Market value (€bn)	Accounting Yield (%)	Market yield (%)	Modified duration (%)
BRAZIL - MAPFRE SEGUROS	12.31.2021	1.13	7.05	8.73	3.07
	06.30.2022	1.30	10.59	11.62	3.06
LATAM NORTH	12.31.2021	0.99	5.48	5.39	3.48
	06.30.2022	0.95	6.49	7.05	3.11
LATAM SOUTH	12.31.2021	1.66	6.85	6.06	6.24
	06.30.2022	1.49	7.55	8.78	5.19
NORTH AMERICA	12.31.2021	1.98	2.47	1.74	5.63
	06.30.2022	1.86	2.50	4.10	4.99

\* Excluding inflation-linked bonds

# Shareholders' equity

## Change in shareholders' equity

	Δ Year to Date
<b>Balance at beginning of period</b>	<b>8,463</b>
Result for the period	338
Dividends	-262
Net unrealized capital gains of AFS portfolio*	-1,348
Currency conversion differences	412
Other	26
<b>Balance at period end</b>	<b>7,629</b>

\*Net of shadow accounting adjustments

## Currency conversion differences

	06.30.2022	Δ	% Δ currency	Sensitivity to +1 pp move in currency
<b>Total</b>	<b>-1,365 **</b>	<b>412</b>		
<i>of which:</i>				
US dollar	650	191	8.8%	21
Brazilian real	-827	113	16.0%	7
Turkish lira	-395	-9	-13.5%	1
Mexican peso	-102	27	10.4%	3

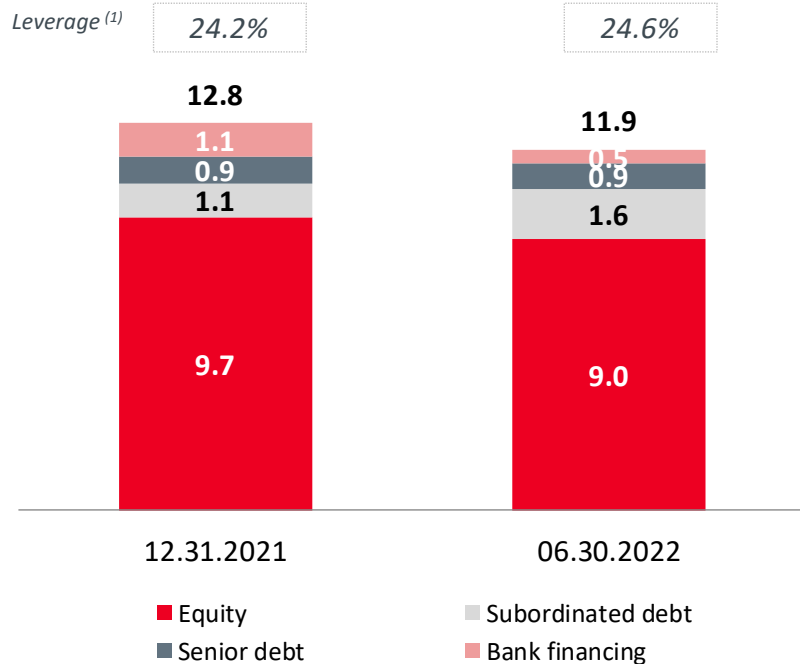
\*\*Currency conversion differences include -€518mn of adjustments in Venezuelan and Argentine currencies (hyperinflationary economies)

## Change in net unrealized capital gains - AFS portfolio

	06.30.2022	Δ Year to Date
IBERIA	41	-736
LATAM	-189	-122
NORTH AMERICA	-165	-209
EURASIA	-67	-66
MAPFRE RE & OTHERS	-165	-216
<b>MAPFRE S.A.</b>	<b>-545</b>	<b>-1,349</b>

# Capital position & credit metrics

## Capital structure (€ bn)



## Solvency II position (€ mn)

Eligible Own Funds (EOF)	9,273
Solvency Capital Requirement (SCR)	4,517
<b>EOF-SCR</b>	<b>4,756</b>
<b>Solvency II ratio</b>	<b>205.3%</b>
<i>Fully loaded <sup>(2)</sup></i>	<i>195.3%</i>

03.31.2022

(1) Total Debt / (Total Equity + Total Debt)

(2) Excluding impacts of transitional measures for technical provisions and equity

## Closing remarks

Geographical and business diversification continue to be a differentiating strength

- Robust growth and resilient profitability in core operations in a difficult market context
- MAPFRE RE with strong contribution to results, despite NatCat impact
- Strong premium performance in LATAM with relevant local currency growth and improved profitability
- Motor profitability plan in place across all geographies

2022-24 Strategic Plan has been launched and is on track

Sustainable dividend path, underpinned by solid financial strength and flexibility

Strong commitment to shareholders and society as a whole

Moving forward with transformation, and reaching final stages of restructuring processes

# Annex

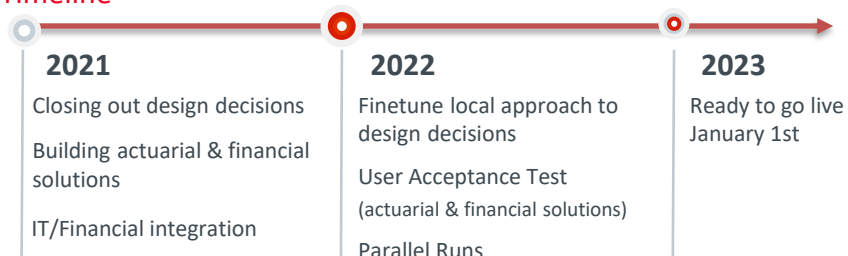
# Annex: breakdown adjusted attributable result

	6M 2021	6M 2022	Δ (mn)	Δ (%)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
<b>Attributable result</b>	<b>364.0</b>	<b>337.6</b>	<b>(26.4)</b>	<b>-7.3%</b>	<b>173.3</b>	<b>190.7</b>	<b>160.4</b>	<b>240.8</b>	<b>154.5</b>	<b>183.1</b>
<b>Non-operating extraordinary impacts <sup>(1)</sup></b>		<b>7.8</b>	<b>7.8</b>					<b>62.6</b>		<b>7.8</b>
<b>Attributable result (adjusted for non-operating extraordinary impacts)</b>	<b>364.0</b>	<b>329.8</b>	<b>(34.2)</b>	<b>-9.4%</b>	<b>173.3</b>	<b>190.7</b>	<b>160.4</b>	<b>178.2</b>	<b>154.5</b>	<b>175.3</b>
<b>Breakdown of operating extraordinary impacts</b>	<b>(49.1)</b>	<b>(60.2)</b>	<b>(11.1)</b>		<b>6.0</b>	<b>(50.1)</b>	<b>(54.6)</b>	<b>14.4</b>	<b>9.5</b>	<b>(69.6)</b>
<b>NatCat claims <sup>(2)</sup></b>		<b>(88.0)</b>	<b>(88.0)</b>				<b>(92.4)</b>	<b>(0.4)</b>		<b>(88.0)</b>
<b>COVID-related claims</b>	<b>(75.0)</b>	<b>(22.4)</b>	<b>52.6</b>		<b>(25.9)</b>	<b>(49.1)</b>	<b>(31.8)</b>	<b>(37.0)</b>	<b>(11.8)</b>	<b>(10.6)</b>
<i>Direct insurance - Life Protection LATAM</i>	<i>(61.2)</i>	<i>(15.1)</i>	<i>46.1</i>		<i>(23.0)</i>	<i>(38.2)</i>	<i>(30.6)</i>	<i>(15.0)</i>	<i>(10.0)</i>	<i>(5.1)</i>
<i>MAPFRE RE</i>	<i>(13.8)</i>	<i>(7.3)</i>	<i>6.5</i>		<i>(2.9)</i>	<i>(10.9)</i>	<i>(1.2)</i>	<i>(22.0)</i>	<i>(1.8)</i>	<i>(5.5)</i>
<b>Financial Gains &amp; Losses</b>	<b>18.5</b>	<b>22.2</b>	<b>3.7</b>		<b>9.9</b>	<b>8.6</b>	<b>69.6</b>	<b>51.8</b>	<b>21.3</b>	<b>1.0</b>
<i>Real estate <sup>(3)</sup></i>	<i>(2.8)</i>		<i>2.8</i>			<i>(2.8)</i>				
<i>Financial investments <sup>(4)</sup></i>	<i>21.3</i>	<i>22.2</i>	<i>0.9</i>		<i>9.9</i>	<i>11.4</i>	<i>69.6</i>	<i>51.8</i>	<i>21.3</i>	<i>1.0</i>
<i>MAPFRE IBERIA - NON-LIFE</i>	<i>(1.2)</i>	<i>7.3</i>	<i>8.5</i>		<i>1.0</i>	<i>(2.2)</i>	<i>26.1</i>	<i>28.7</i>	<i>4.7</i>	<i>2.6</i>
<i>MAPFRE IBERIA - LIFE</i>	<i>2.5</i>	<i>1.7</i>	<i>(0.8)</i>		<i>1.6</i>	<i>0.9</i>	<i>(0.2)</i>	<i>3.9</i>	<i>9.0</i>	<i>(7.3)</i>
<i>MAPFRE RE - NON-LIFE</i>	<i>6.8</i>	<i>(1.2)</i>	<i>(8.0)</i>		<i>2.5</i>	<i>4.4</i>	<i>26.4</i>	<i>5.7</i>	<i>(0.3)</i>	<i>(0.9)</i>
<i>MAPFRE RE - LIFE</i>	<i>2.3</i>	<i>0.1</i>	<i>(2.2)</i>			<i>2.3</i>	<i>7.1</i>	<i>1.1</i>	<i>0.1</i>	<i>(0.0)</i>
<i>MAPFRE USA</i>	<i>10.8</i>	<i>14.4</i>	<i>3.5</i>		<i>4.9</i>	<i>5.9</i>	<i>11.0</i>	<i>11.9</i>	<i>7.8</i>	<i>6.6</i>
<b>Other <sup>(5)</sup></b>	<b>7.4</b>	<b>28.0</b>	<b>20.6</b>		<b>22.0</b>	<b>(9.6)</b>				<b>28.0</b>
<b>BANKIA VIDA contribution</b>	<b>11.4</b>		<b>(11.4)</b>		<b>11.4</b>		<b>20.4</b>	<b>(31.8)</b>		

- (1) 2021 includes the result of Bankia transaction & restructuring in Q4 2021: the net extraordinary result from Bankia transaction (€167.1 mn), Phase II of the restructuring in Spain & Italy (-€94.9 mn) and the debt buyback (-€9.6 mn). 2022 includes net gains (€8.9 mn) from the sale of operations in Australia, Turkey and the Middle East and the impact from a restructuring provision (-€1.1 mn)
- (2) Storm Bernd in Germany and Central Europe in 2021; drought in Parana river in Brazil & Paraguay in 2022
- (3) Real estate provisions (-€2.8 mn) in 2021
- (4) Net of writedowns, in actively managed financial investment portfolios in euro area and MAPFRE USA and other financial income & expenses
- (5) 2022 figures include various non-recurring tax impacts; 2021 figures include the impacts from the voluntary retirement scheme in IBERIA, a release of an earnout provision and the contribution of real estate to a joint venture vehicle and various asset sales

# Annex: IFRS 17&9 – Ready to go live

## Timeline



## What's new?

- Disclosure of new insurance contract figures
- New valuation methods for insurance contract\*
  - Premium Allocation Approach for contracts representing ≈70% of total premiums at 12/31/2021
  - For rest of the contracts: Building Block Approach (≈ 25%) and Variable Fee Approach (≈ 5%)
- Mark to market liabilities: eliminating need for shadow accounting
- Potential losses in assets and liabilities will be brought forward:
  - Fixed income impairment: from incurred to expected loss approach
  - Onerous test for insurance contracts
- “Fair Value with changes in OCI” equity portfolios (PAA): realized capital gains & losses recorded directly in other comprehensive income (OCI), not P&L. These portfolios will not be subject to impairment tests.

*Entry into force of the new standards is expected to have the following implications:*

## Strategy and business management

- Group business strategy should be unaffected
- For management purposes current KPIs will be kept in parallel with new IFRS KPIs for the time being
- No major change expected in underwriting & investment risk appetite
- Investment policy and portfolio mix should remain unchanged (99% of total assets currently pass SPPI test), continuing with active ALM to avoid accounting mismatches
- Equity portfolio could be allocated to “Fair Value with changes in OCI”, balancing appetite for P&L volatility and capital gains

## Implications for capital management

- Dividend upstreaming should not be significantly impacted as they are regulated under local GAAP
- Cash generation and solvency position should not be affected
- No relevant fixed income impairments expected and credit risk exposure will continue to be actively managed

## Annex: IFRS 17 – Valuation approaches

IFRS 17, fulfilling its purpose of homogenizing international insurance accounting practices, includes three valuation approaches for insurance contracts:

### Building Block Approach (BBA)

General Assessment approach /Default approach

The objective of this method is to assess fulfillment cash flows using a dynamic calculation, updating hypotheses with each calculation, and recognizing expected profit from the contract or CSM, through its allocation to P&L as service is provided throughout the coverage period.

This approach comprises:

1. Fulfillment cash flows, which include:
  - Present value of expected future cash inflows and outflows that will arise over the length of the contract;
  - An adjustment to reflect the time value of money and other financial risks, like liquidity and exchange rates
  - An explicit adjustment for non-financial risk
2. Contractual Service Margin (CSM), which will represent unearned profit from contracts. If CSM is negative, the contract will be considered onerous and the balance sheet CSM will be zero, recording the loss in the income statement at the time of inception of the contract, as established by the standard.

### Variable Fee Approach (VFA)

Variation of the default approach (BBA) which is applicable to contracts with significant direct participation features.

### Premium Allocation Approach (PAA)

Simplification of the BBA and can be optionally used for contracts with coverage of one year or less, or in those specific cases in which, although the contract duration is greater than one year, the assessment is not expected to vary materially from the BBA. This approach has similarities with the current Unearned Premium Provision approach.

Based on technically defined directives, MAPFRE believes that, in general, it will assess insurance and reinsurance contracts as follows:

<b>Insurance contracts</b>	
Life and Non-Life lines with duration of <1 year(*)	PAA
Burial line	BBA
Life contracts with duration >1 year	BBA
Contracts with direct participation (Unit Linked and certain life products with profit-sharing)	VFA
<b>Reinsurance contracts</b>	
Ceded	PAA
Accepted	PAA/BBA
Retroceded	BBA

\*Non Life contracts with duration greater than one year but with no material difference from BBA expected will also be measured using PAA



## Annex: IFRS 17&9 – Valuation approaches and impact on asset and liability side

Valuation approach	Type of product	Liability	Asset	Remarks
<b>Building Block Approach (BBA)</b>	Burial	Variations in yield curve (risk-free curve + spread) reflected in OCI	≈100% Fixed Income portfolios measured at FVOCI with recycling in P&L	If durations and yields are matched, there will be no asymmetries or impact in OCI
	Life matched			
	Life Savings w/o PS > 1 year			
<b>Variable Fee Approach (VFA FVTPL)</b>	Unit Linked	Liability measured at FVTPL linked to the performance of underlying assets	Assets measured at FVTPL	No asymmetries or impact in OCI
<b>Variable Fee Approach (VFA disaggregating in OCI)</b>	Life with PS	Variations in yield curve (risk-free curve+spread) are reflected in OCI	Fixed income measured at FVOCI with recycling in P&L	If durations and yields are matched, there will be no asymmetries or impact in OCI
		Variations in Equity and Funds are adjusted by estimating the future PS in P&L	Equity measured at FVTPL	No asymmetries or impact in OCI
			Funds measured at FVTPL	
<b>Premium Allocation Approach (PAA)</b>	Own funds portfolios, Life and Non-Life < 1 year	Risk-free curve discount	Fixed income measured at FVOCI with recycling in P&L	Both the variation in the risk-free curve and the credit spread will be reflected in OCI
			Equity measured at FVOCI without recycling in P&L	No possibility to manage the impact in P&L
			Funds measured at FVTPL	Higher volatility in P&L

PS: Profit sharing

OCI: Other Comprehensive Income

FVTPL: Fair Value through P&L

FVOCI: Fair Value through Other Comprehensive Income

# Investor Relations

For further information, please contact or visit:

Email: [IR@mapfre.com](mailto:IR@mapfre.com)

Telephone: (+34) 91 581 23 18

Corporate website: [www.mapfre.com](http://www.mapfre.com)

Financial documentation center: [www.mapfre.com/en/financial-information/](http://www.mapfre.com/en/financial-information/)

## Felipe Navarro

Head of Capital Markets &  
Investor Relations and  
Treasurer  
[felipenavarro@mapfre.com](mailto:felipenavarro@mapfre.com)

## Leandra Clark

Assistant Head of Investor &  
Analyst Relations  
[clarkle@mapfre.com](mailto:clarkle@mapfre.com)

## Marta Sanchidrián

[sanchim@mapfre.com](mailto:sanchim@mapfre.com)

## Leslie Hoffman

[lhoffma@mapfre.com](mailto:lhoffma@mapfre.com)

## Upcoming events – H2 2022\*:

29 July	2022 H1 results release virtual roadshow
12-14 Sept	Barclays Global Financial Services
20-21 Sept	BofAML Annual Financials CEO Conference
07-27 Oct	Blackout Q3 results
28 Oct	2022 3Q results release
15-17 Nov	BNP Paribas MidCap CEO Conference
Nov	BME Foro Latibex

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# Terminology

Combined ratio – Non-Life	Expense ratio + Loss ratio
Expense ratio – Non-Life	(Operating expenses, net of reinsurance – other technical revenue + other technical expenses) / Net premiums earned
Loss ratio – Non-Life	(Net claims incurred + variation in other technical reserves + profit sharing and returned premiums) / Net premiums earned
Corporate Areas and Consolidation Adjustments	Includes expenses from Corporate Areas, consolidation adjustments, as well as the result attributable to MAPFRE RE and MAPFRE INTERNACIONAL's non-controlling interests and other concepts
Solvency II ratio	Eligible Own Funds (EOF) / Solvency Capital Requirement (SCR)
ROE (Return on Equity)	(Attributable result for the last twelve months) / (Arithmetic mean of equity attributable to the controlling company at the beginning and closing of the period (twelve months))
Other investments	Includes interest rate swaps, investments in associates, accepted reinsurance deposits and others

Alternative Performance Measures (APM) used in this report correspond to those financial measures that are not defined or detailed within the framework of the applicable financial information. Their definition and calculation can be consulted at the following link:

<https://www.mapfre.com/corporate/institutional-investors/financial-information/>

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