



9M 2020 Results

Analyst & Investor
presentation

October 30th, 2020



MAPFRE

Your trusted global insurance company

EDIFÍCIO MAPFRE

11711

Key highlights

Insurance units performing well >

- Lower frequency in P&C lines, mainly in Motor, offsetting COVID-19 related losses and a fall in financial results

COVID-19 P&L impacts >

- Largest impact is on the top-line due to confinement measures, lower economic activity, currency depreciation and an unfavorable environment for Life Savings products
- Direct impacts at insurance units, mainly in Burial in Spain, and Life Protection in Brazil and the rest of LATAM
- COVID-19 related claims at MAPFRE RE (-€57 mn net impact)
- Travel assistance business, but with main impact in the first quarter of the year
- Savings in operating costs offset COVID-19 related expenses
- Fall in financial income in main markets as a result of yield compression, lower income from dividends and real estate, and a decrease in realized capital gains

COVID-19 balance sheet impacts >

- Extensive review of equity, fixed income and real estate portfolios, intangibles and accounts receivable
- Investments in undeveloped land valuations adapted accordingly in Q2
- Writedown of IT intangibles at MAPFRE USA in Q3 (-€14.6 mn net impact)

NatCat events >

- Various earthquakes in Puerto Rico during H1 (-€65.5 mn net impact)
- Active third quarter regarding NatCat and large man-made losses

Strong capital position >

- Solvency ratio proven to be resilient, in a challenging environment
- Ratings recently reaffirmed by main agencies

Key Figures > 9M 2020

	9M 2020	Δ	Δ at constant exchange rates
Revenue	19,051	-11.9%	-6.2%
Total written and accepted premiums	15,550	-11.9%	-5.5%
- Non-Life	12,439	-8.3%	-2.6%
- Life	3,111	-23.8%	-15.1%
Non-Life Combined Ratio - MAPFRE S.A.	95.2%	-1.1 p.p	
Non-Life Loss Ratio	66.3%	-1.6 p.p	
Non-Life Expense Ratio	28.9%	0.5 p.p	
Non-Life Combined Ratio - Insurance units	93.0%	-2.9 p.p	
Attributable result	450.4	-2.7%	
ROE ⁽¹⁾	6.9%	-0.4 p.p	
Balance sheet ⁽¹⁾			
Assets under management	61,388	-3.5%	
Shareholders' equity	8,412	-5.0%	
	6M 2020	Δ	
Solvency ratio ⁽¹⁾	183.8%	-3.0 p.p	

(1) Variation calculated against data at December 31st, 2019

Adjusted attributable result

	9M 2019	9M 2020	Δ (mn)	Δ (%)
Attributable result	462.9	450.4	(12.5)	-2.7%
NatCat claims	(30.0)	(65.5)	(35.5)	
<i>Direct insurance operations</i> ⁽¹⁾		(25.6)	(25.6)	
<i>MAPFRE RE</i> ⁽²⁾	(30.0)	(39.9)	(9.9)	
COVID-related claims (MAPFRE RE)		(57.0)	(57.0)	
Goodwill writedowns ⁽³⁾	(65.6)		65.6	
Attributable result (adjusted for NatCat, COVID-related claims and goodwill writedowns)	558.5	572.9	14.4	2.6%
Reorganization of operations ⁽⁴⁾	(5.8)	(15.0)	(9.2)	
Financial Gains & Losses	62.8	11.5	(51.3)	
<i>Real estate</i> ⁽⁵⁾	0.9	(6.8)	(7.7)	
<i>Financial investments</i> ⁽⁶⁾	61.9	18.2	(43.7)	
Attributable result (adjusted)	501.5	576.4	74.9	14.9%

(1) Puerto Rican earthquakes in 2020

(2) Puerto Rican earthquakes in 2020; impact from Typhoon Faxai in 2019

(3) At MAPFRE ASISTENCIA in 2019 (from entities in the United Kingdom, United States & Canada)

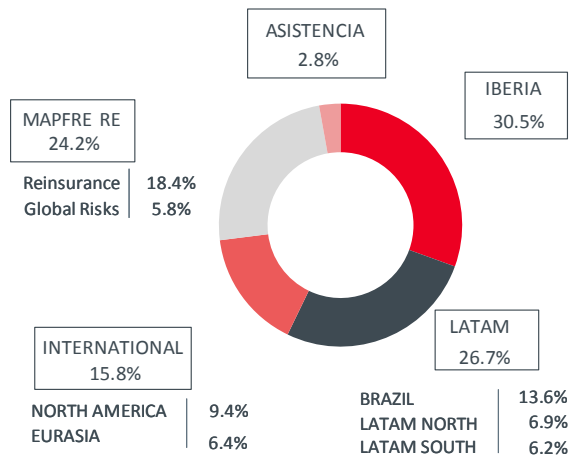
(4) Provision for restructuring (-€15 mn) in 2020; in 2019, organizational structure re-alignment (-€14.8 mn) and sale of related financial assets (€19.9 mn) at MAPFRE USA, as well as geographic reorganization at MAPFRE ASISTENCIA (-€10.9 mn)

(5) Mainly sale of real estate at MAPFRE USA (€14 mn) as well as real estate provisions in Spain (-€20.5 mn) in 2020; sale of real estate in the Philippines (€0.9 mn) in 2019

(6) Financial gains & losses, net of writedowns, in actively managed financial investment portfolios in the euro area (IBERIA & MAPFRE RE)

Key figures > by business unit

Premiums – Breakdown by business unit



	Attributable result			Premiums		Combined ratio		ROE ⁽²⁾	
	9M 2020	Δ mn	Δ %	9M 2020	Δ %	9M 2020	Δ p.p.	9M 2020	Δ p.p.
IBERIA	333.7	(15.5)	-4.4%	5,313	-10.9%	92.5%	-1.4 p.p	11.3%	-1.3 p.p
of which:									
MAPFRE ESPAÑA*	207.1	(3.2)	-1.5%	4,110	0.9%	93.2%	-1.4 p.p	10.0%	-1.2 p.p
MAPFRE VIDA	126.6	(12.7)	-9.1%	1,204	-36.3%	--	--	13.2%	-1.4 p.p
LATAM	178.9	28.4	18.9%	4,667	-20.4%	89.1%	-4.3 p.p	12.9%	2.3 p.p
BRAZIL	81.1	10.7	15.2%	2,374	-23.4%	86.8%	-4.3 p.p	12.3%	2.7 p.p
LATAM NORTH	54.7	12.8	30.5%	1,205	-23.3%	90.3%	-5.6 p.p	17.0%	1.8 p.p
LATAM SOUTH	43.1	4.9	12.9%	1,088	-8.6%	93.0%	-4.5 p.p	10.5%	0.7 p.p
INTERNATIONAL	97.3	29.5	43.4%	2,767	-11.3%	98.1%	-4.1 p.p	5.8%	1.1 p.p
NORTH AMERICA	65.9	1.3	2.0%	1,644	-9.6%	97.7%	-2.0 p.p	5.7%	-0.4 p.p
EURASIA	31.4	28.2	--	1,123	-13.7%	98.9%	-8.0 p.p	6.1%	3.9 p.p
TOTAL INSURANCE	609.9	42.4	7.5%	12,747	-14.7%	93.0%	-2.9 p.p	--	--
Reinsurance	(25.7)	(131.9)	-124.2%	3,209	-2.9%	103.2%	8.0 p.p	--	--
Global Risks	5.7	9.9	238.6%	1,010	30.0%	98.1%	-13.4 p.p	--	--
ASISTENCIA	(17.5)	68.0	79.5%	494	-27.9%	98.6%	-5.7 p.p	--	--
OTHER ⁽¹⁾	(122.0)	(0.8)	-0.7%	(1,909)	7.4%	--	--	--	--
TOTAL	450.4	(12.5)	-2.7%	15,550	-11.9%	95.2%	-1.1 p.p	6.9%	-0.4 p.p

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

(2) Variation calculated against data at 12M 2019

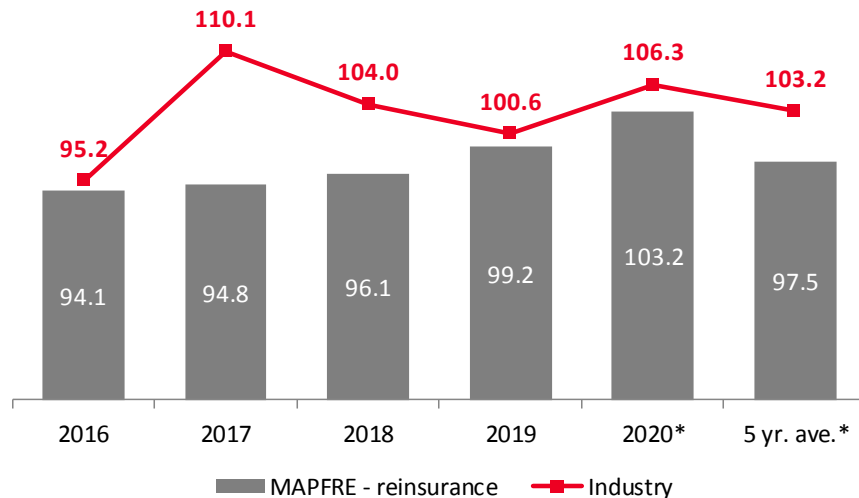
* MAPFRE ESPAÑA includes the business in Portugal

MAPFRE RE > Continuing to generate above market returns with lower volatility throughout the cycle

Q3 highlights

- Resilient standalone combined ratio of 95.3% in Q3, in a quarter marked by high NatCat and large claims activity, as well as some minor loss-creep from prior quarter events
- Stable valuation of Business Interruption and Credit Insurance potential COVID-19 losses
- Very strong result at global risks segment, supported by pricing improvements and very substantial underwriting measures adopted
- Very positive mid-year renewals

Combined ratio – MAPFRE RE vs. industry average (%)



Source: AM Best (2016-2018). MAPFRE estimates (2019-2020).

*Latest available data for 2020: MAPFRE figures at 9M 2020, Market figures at 6M 2020

MAPFRE RE > Resilient third quarter, despite high large and mid-sized claims frequency

Main large losses* – 9M 2020

NatCat claims	152.0
<i>of which:</i>	
Puerto Rican earthquakes	56.7
<i>of which: Global Risks</i>	<i>11.7</i>
<i>of which: Reinsurance</i>	<i>45.0</i>
"Derecho" storms in United States (Mid-west)	28.2
Man-made losses	68.5
<i>of which:</i>	
Explosion - Beirut	30.0
COVID-19 related losses	81.0
<i>of which: IBNR</i>	<i>49.0</i>
Business Interruption	71.0
Credit Insurance	10.0
Total large losses	301.5

* Net of reinsurance, before tax and non-controlling interests

Key highlights

- Large losses of €302 mn in 9M 2020 compared to €166 mn in 9M 2019, exceeding full year budget
- High frequency of mid-sized events during Q3
- COVID-19 impact includes claims incurred, consisting of:
 - Paid and reported losses
 - IBNR reserves
- Continued uncertainty surrounding final losses, due to ongoing litigation and development of the pandemic

MAPFRE RE > Strong underlying profitability, with the capacity and support in place to continue operating in a positive market environment

Complete review of the reinsurance portfolio during Q2 and Q3 >

- Very strong underlying portfolio quality and diversification, with no need for restructuring
- Very good client base and market presence
- Strength of our office network, particularly in a pandemic environment
- Key competitive advantages remain unchanged

Very positive moment for global risks business >

- Restructuring successfully completed

2021 renewal outlook >

- Clear hardening trend with industry consensus about the need to improve pricing
- Strong focus on clarifying and potentially limiting cover during reinsurance renewal discussions this year

Shareholders' equity

Change in shareholders' equity (€ mn)

Balance at 12/31 previous year	8,854
Result for the period	450
Dividends	-262
Net unrealized capital gains of AFS portfolio*	35
Currency conversion differences	-650
Other	-15
Balance at period end	8,412

*Net of shadow accounting adjustments

Net unrealized capital gains - AFS portfolio (€ bn)

	12.31.2019	09.30.2020
Net unrealized gains	1.0	1.0
Unrealized gains	3.6	3.7
Shadow accounting adjustments	-2.6	-2.6

Currency conversion differences (€ mn)

	09.30.2020	Δ	% Δ currency	Sensitivity to 1 pp move in currency
Total	-1,890**	-650	-	
<i>of which:</i>				
US dollar	389	-101	-4.3%	23
Brazilian real	-975	-327	-31.5%	10
Turkish lira	-350	-41	-26.3%	2
Mexican peso	-159	-55	-18.3%	3

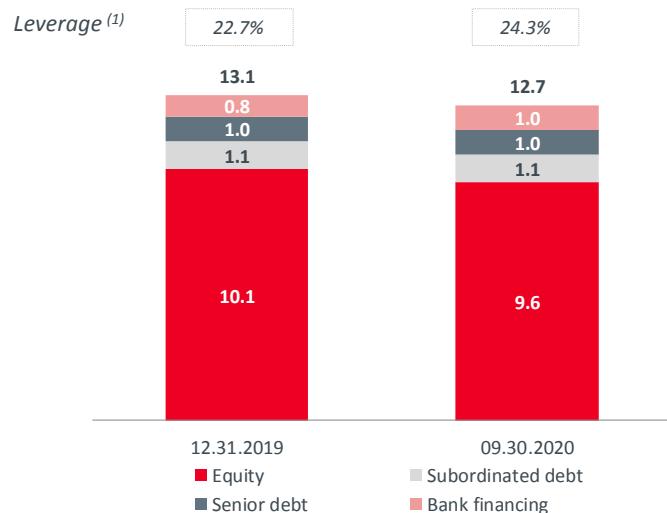
**Currency conversion differences include -€544 mn of adjustments in Venezuelan and Argentine currencies (hyperinflationary economies)

AFS portfolio – IBERIA – breakdown by portfolio type (€ bn)

	Immunized	Actively managed		Total
		Free	Conditioned	
Net unrealized gains	0.0	0.7	0.2	0.9
Unrealized gains	1.9	0.7	1.0	3.5
Shadow accounting adjustments	-1.9	0.0	-0.7	-2.7
Market Value	13.7	7.0	6.4	27.1

Capital structure & credit metrics

Capital structure (€ bn)



- (1) Total Debt / (Total Equity + Total Debt)
 (2) Excluding impacts of transitional measures for technical provisions and equity
 (3) Regulatory developments currently in progress:
 - Risk diversification benefit for matching adjustment portfolios
 - Spanish Life business internal model for longevity risk: approved by local regulator for MAPFRE VIDA and process underway for MAPFRE Group calculations
 (4) Details of main rated operating entities can be found at:
<https://www.mapfre.com/en/issuance-ratings/>

Solvency II position (€ mn)

	12.31.2019	06.30.2020
Eligible Own Funds (EOF)	8,976	8,692
Solvency Capital Requirement (SCR)	4,805	4,730
EOF-SCR	4,171	3,962
Solvency II ratio	186.8%	183.8%
<i>Fully loaded ⁽²⁾</i>	172.3%	170.6%
Solvency II ratio - Pro-forma with regulatory developments ⁽³⁾	203.9%	200.7%
Diversification benefit - matching portfolios	12.1%	11.9%
Longevity internal model	9.9%	10.2%
Combined pro-forma impacts from regulatory developments	17.1%	16.9%

Issuer and Financial Strength Ratings (FSR) ⁽⁴⁾

Agency	MAPFRE S.A. Issuer rating	FSR of operating entities	Outlook	Affirmed
S&P	A-	A+	Stable	10/15/2020
Fitch	A-	A+	Stable	9/21/2020
A.M. Best	-	A	Stable	10/20/2020

Assets under management - breakdown

	Market value			Breakdown by Asset Class	
	12.31.2019	09.30.2020	% Δ	12.31.2019	09.30.2020
Government fixed income	30.1	28.9	-4.1%	56.2%	55.9%
<i>Spain</i>	18.2	17.9	-1.4%	34.0%	34.7%
<i>Italy</i>	2.9	3.0	3.0%	5.4%	5.8%
<i>Rest of Europe</i>	2.2	2.0	-9.2%	4.1%	3.9%
<i>United States</i>	1.6	1.6	0.2%	3.0%	3.1%
<i>Brazil</i>	3.0	2.0	-32.4%	5.6%	4.0%
<i>Rest of LATAM</i>	1.8	1.6	-10.2%	3.4%	3.2%
<i>Other</i>	0.5	0.7	47.7%	0.8%	1.3%
Corporate fixed income	9.4	9.5	1.9%	17.5%	18.5%
Real Estate*	2.4	2.4	-1.8%	4.5%	4.6%
Equity	2.8	2.5	-10.7%	5.2%	4.8%
Mutual Funds	1.8	1.4	-21.0%	3.4%	2.8%
Cash	2.5	2.7	4.9%	4.7%	5.2%
Unit-Linked	2.5	2.3	-9.0%	4.7%	4.4%
Other investments	2.0	2.0	-1.3%	3.8%	3.8%
Total Investment Portfolio	53.5	51.6	-3.6%	100.0%	100.0%
Pension Funds	5.5	5.4	-1.1%		
Mutual Funds & Other	4.6	4.3	-6.2%		
Total AuM	63.6	61.4	-3.5%		

Investment portfolios – additional information

Euro area - fixed income portfolios - actively managed¹

		Market value (€bn)	Accounting Yield (%)	Market yield (%)	Modified duration (%)
NON-LIFE	12.31.2019	7.27	1.95	0.78	8.25
	09.30.2020	7.40	1.70	0.42	8.21
LIFE	12.31.2019	6.82	3.53	0.33	6.89
	09.30.2020	6.62	3.56	0.15	6.72

Other main regions & units - fixed income portfolios

		Market value (€bn)	Accounting Yield (%)	Modified duration (%)
BRAZIL - MAPFRE SEGUROS	12.31.2019	1.99	5.25	1.24
	09.30.2020	1.13	3.82	2.20
LATAM NORTH	12.31.2019	0.95	6.44	2.96
	09.30.2020	0.82	6.14	3.39
LATAM SOUTH	12.31.2019	1.89	7.09	7.06
	09.30.2020	1.70	6.40	6.88
NORTH AMERICA	12.31.2019	2.03	2.88	5.06
	09.30.2020	2.09	2.70	5.26

Financial gains & losses (€ mn)²

	Non-Life		Life		Total	
	9M 2019	9M 2020	9M 2019	9M 2020	9M 2019	9M 2020
IBERIA	36.2	6.1	24.4	7.4	60.6	13.5
MAPFRE RE	20.0	11.2	3.7	2.0	23.6	13.2
TOTAL	56.1	17.3	28.1	9.4	84.2	26.7

- 1) IBERIA & MAPFRE RE
- 2) Includes only actively managed available for sale portfolios in the Euro area, net of writedowns, before taxes and non-controlling interests

Closing remarks

Insurance units (€610 mn net result, +7.5%) > outstanding performance with combined ratio of 93%, with lower frequency in Motor in main regions and restructuring efforts, offsetting negative COVID-19 impacts and NatCat

- IBERIA (€334 mn, -4.4%) > resilient growth in key Non-Life segments and strong underwriting profitability, helping to mitigate lower financial income and a challenging Life Savings market context
- LATAM (€179 mn, +18.9%) > outstanding performance in Brazil, Mexico, Panama and Colombia, despite currency headwinds, but top-line affected by lower business activity
- INTERNATIONAL (€97 mn, +43.4%) > improving results in USA, Turkey, and Italy

MAPFRE RE > resilient results in a difficult quarter, with a combined ratio of 95.3% in Q3, supported by financial strength, as well as a prudent underwriting approach and reserving policy

Defensive business positioning > prudent strategy in a challenging environment, focused on portfolio retention, cost contention and streamlining of business units

Bancassurance agreement with Bankia >

- Well-protected under terms and conditions of the contract
- Transaction closing expected for mid-2021
- Proceeds to be invested in future market opportunities to complement and underpin our profitable growth strategy

Healthy balance sheet > conservative asset valuation approach, strong capital base, financial flexibility and liquidity

Commitment to shareholders > final dividend to be approved at AGM in 2021, aligned with current dividend policy

Investor Relations

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Upcoming events*:

2020

30 October

9M 2020 Results release

24-25 November

Foro Latibex

Q1 2021

11-13 January

Spain Investor Day

21 January – 10 February (TBC)

Blackout period

11 February (TBC)

12M 2020 Results release

16-18 March

Morgan Stanley European Financials Conference

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Terminology

Revenue	Top line figure which includes premiums, financial income, and revenue from non-insurance entities and other revenue
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
Result of Non-Life business	Includes technical result, financial result and other non-technical result of the Non-Life business
Result of Life business	Includes technical result, financial result and other non-technical result of the Life business
Corporate Areas and Consolidation Adjustments	Includes expenses from Corporate Areas, consolidation adjustments, as well the result attributable to MAPFRE RE and MAPFRE INTERNACIONAL's non-controlling interests and other concepts
Other business activities	Includes the Group's non-insurance activities undertaken by the insurance subsidiaries, as well as by other subsidiaries, including activities of the holding companies of MAPFRE S.A. and MAPFRE INTERNACIONAL
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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Certain numerical figures included in the Investor Presentation have been rounded. Therefore, discrepancies in tables between totals and the sums of the amounts listed may occur due to such rounding.