AGM21
Annual General
Meeting
MAPFRE

FERNANDO MATA PRESENTATION

Good morning, ladies and gentlemen.

MAPFRE's 2020 annual statement has again highlighted our group's ability to adapt to the most difficult contexts.

We have had to manage the company in a global pandemic that has led to an economic crisis of historic dimensions. In this scenario, MAPFRE has finished the year with a very strong capital and solvency position, and with an excellent technical result that gives us reason to be optimistic.

These are the strengths of MAPFRE and are summarized in the financial indicators shown here.

Fitch and Standard & Poor's have reaffirmed the Group's A+ rating of financial strength, based on the Group's exceptional capital levels and significant cash flows.

The solvency ratio was above 180% in September, with 86% of highest quality or Tier 1 capital. Provisional end-of-year data anticipate a slight improvement in this solvency ratio.

The debt ratio remains at an absolutely comfortable level of 23%. We have cash on hand totaling €2.5 billion, which shows the prudence of the Group's liquidity management.

Meanwhile, the combined ratio of the insurance business has been reduced from 96.5% to 92.9%. This improvement comes on the back of both lockdown mobility restrictions and reduced economic activity and the technical rigor with which we manage our portfolio of risks.

In short, financial flexibility, solvency and liquidity are the levers of MAPFRE's resilience.

We can now see the evolution of the Group's revenues in detail.

Total revenues came in at €25.42 billion.

There are three very determining factors that explain the approximately €2.6 billion fall in premiums:

- First of all, the devaluation of currencies, which accounts for more than €1.6 billion, equivalent to 7% of the premiums.

- Secondly, the fall in Life Savings issuing in IBERIA, which totals €755 million, with an effect of 3.3%.

- Finally, the €445 million two-year PEMEX policy, last issued in 2019, which subtracts 1.9% from premiums

Taking these three effects into account, underlying premium growth is slightly higher than 1%.

Non-Life premiums fell by 8.3%, but they would have grown slightly at constant exchange rates and excluding the PEMEX effect. The Automobile line volume dropped, due to the currency effect in Brazil and the United States, the reduction in sales of new vehicles in all countries and the premium rebates applied mainly in Spain and the United States.

Life premiums fell by 20.3%, resulting from the aforementioned fall in the issuing of Savings products and the currency effect in Brazil.

Financial income is down 26%. The sharp drop in interest rates in all markets, especially in LATAM, as well as declines in dividends and equity capital gains, all related to the context of the COVID crisis, continues.

On the screen you have the different elements of our profit figure, which amounts to €527 million, as well as the adjusted result that, by eliminating extraordinary circumstances, would amount to €807 million, very similar to the previous year.

I remind you of the catastrophic events of 2020: €68 million for the earthquake in Puerto Rico and €80 million for COVID loss experience in the reinsurance unit, both impacting the Non-Life result. With regard to the goodwill impairment, a prudent decision was taken at the end of the fiscal year to strengthen the balance sheet, and aligned with the recommendations of the European supervisors to assess intangible assets conservatively, which has resulted in the total impairment of goodwill in insurance operations in Italy, Turkey and Indonesia, amounting to €132 million. This has no impact on the group's financial and solvency position, nor does it affect its liquidity.

Life profits amount to €464 million, with a decrease in Iberia and Brazil, and due to the fall in financial results and exchange differences.

Other items, including the result from "Other Activities and Holding Expenses," improved, thanks to the reduction of Asistencia losses, as well as the operational expense savings plan.

You also see the tax details here, with an effective tax rate for the Group of in excess of 26%.

"Non-controlling Interests" lists the share of the result for partners in the banking and insurance subsidiaries, and its variation comes mainly from Brazil.

This is the breakdown of premiums and earnings for the main business units. On the premiums side, the development of MAPFRE RE including reinsurance and GLOBAL RISKS stands out, reaching almost €5.7 billion in premiums, with growth of 2%.

With regard to profits, again we can see the very strong contribution of the insurance unit, thanks to the good performance of the three main markets: Spain, Brazil and the USA. Reinsurance has been affected by extraordinary events, and it is worth highlighting the earnings figure for Global Risks, which after several years of profitability difficulties, is now delivering positive results that reflect the wisdom of pivoting the business model.

Finally, Asistencia is showing a loss as a result of the effect of travel cancelation insurance related to COVID.

In terms of ROE (return on equity), the ratio stands at 7.6%, slightly lower than the previous year, discounting the goodwill impairment already discussed.

LATAM North's ROE stands out, which is at about 16% and is the Group's most profitable region. Overall, performance throughout Latin America is very positive; Brazil is above 11%, and LATAM South is 10%.

Iberia also maintains a very strong return above 10%.

Also very relevant is the improvement in the combined ratios in the Insurance Companies, all with a ratio of less than 100%. Brazil's 87.6% ratio stands out, with an improvement of more than 4 points, and IBERIA drops to 92%.

It also highlights the significant improvement, more than 30 percentage points, in the Global Risks business.

Furthermore, both COVID and catastrophic events place the reinsurance combined ratio slightly above 100%.

If we look at the balance sheet, total assets are slightly over €69 billion, and show a decline in currency depreciation of almost 5%.

With regard to shareholders' equity, the improvement continues from the low of €7.86 billion at the end of the first quarter, just as the markets suffered a strong correction due to the outbreak of the pandemic.

Among the elements impacting the reduction in shareholders' equity, what is notable here is the decrease of €675 million due to currency conversion differences, i.e. currency depreciation, and the decrease of €416 million due to the dividend paid in 2020, equivalent to 13.5 cents per share.

Among the positive factors, in addition to the profit for the period there is the increase of €275 million in unrealized gains in the available-for-sale investment portfolio, resulting both from the active management of the portfolio and from the decrease in interest rates.

Investments are of course also affected by negative currency developments, although in this case the significant decline is caused by an accounting reclassification: the investment portfolio of Bankia MAPFRE Vida, which exceeds €7.4 billion, is not included under the investment heading of the balance sheet, but on the line relating to assets held for sale, in accordance with the NIF rules and the current status of this subsidiary.

The largest element of the portfolio is fixed income and other similar assets, with 81% of the total. The cash position stands out at 5%, and also includes fixed income investments with maturities of less than three months.

On the right, you have the position of MAPFRE in terms of public debt, which stands at more than €23 billion, of which €12.76 billion is invested in Spanish public debt. Once again, the decrease from €18 billion the previous year corresponds to Spanish public debt held in the balance sheet of Bankia MAPFRE Vida.

Here you can see the capital structure, which is similar to that of previous years. The debt ratio stands at 23%, a comfortable level for the Group.

And with regard to Solvency II, we are at 180%, as per September data. 86% of the capital elements are Tier 1, i.e., of the highest quality.

The ratio maintains strong and stable: it is still within the MAPFRE target range, which is 200% with a margin of plus/minus 25 tolerance points.

Next, I will refer to MAPFRE's stock structure, dividend policy and stock exchange information.

As on December 31, 2020, MAPFRE had 219,341 shareholders, owners of the 3.08 billion shares outstanding. Of these shares, MAPFRE held 30.3 million units in treasury stock at fiscal year-end, equivalent to 0.98% of total equity.

With regard to financial indicators, earnings per share amounted to 17 cents. The price to book value ratio of the stock stood at 0.58, meaning that MAPFRE's market capitalization at the close of 2020 is equivalent to 58% of its shareholders' equity.

As you know, MAPFRE's majority shareholder is Fundación MAPFRE, with 69.8% of equity. Of the rest, approximately 19% belong to institutional shareholders, mainly foreign shareholders, while private shareholders, which represent 10.2%, are held practically entirely by Spanish investors. Finally, the treasury stock is just below 1%.

I would now like to refer to the dividend situation. COVID has not modified our commitment to our shareholders, based on a cash dividend and with a payout of more than 50%. In 2020, MAPFRE disbursed €416 million, a much-needed cash injection at the time. There are tens of thousands of small shareholders who trust MAPFRE and for whom our dividend is an expected and necessary income stream. The strength and solvency of the Group enables us to make good on our commitment, and only the uncertainties of circumstance and the prudence recommended by the supervisors has led us to propose a slightly lower remuneration than in previous years.

Dividend yield, calculated on the 2020 average stock market quote, is above 8%, and payout is 73%, both of which are among the highest in the market. We are a company that shows great commitment to our shareholders, and in the past five years alone you can see that we have paid almost €2.2 billion in dividends.

I would now like to address the behavior of the markets.

It has been a year of uncertainty, and the stock market was the first to recognize, with sudden declines, the difficulties of the moment. We have continuously communicated to the markets the known impacts, and conveyed confidence in the strength and sustainability of our business model. MAPFRE's exposure to COVID and asset valuation risks has always been limited, and has never compromised our business bases. In addition, in the second half of the year, we have shown great stability in generating recurring profits and cash.

And all this while maintaining an excellent financial-equity and solvency position, with very slight variations in their values, but far from the market capitalization value that they see on the screen: €4.9 billion, representing 58% of our equity value.

Our business model is strong, even at times as difficult as this, and we trust that the market will eventually recognize this potential of the Group.

And that is all I have to say. Thank you very much for your attention and for your confidence in MAPFRE.