2020
Annual Report

MAPFRE
RE

Contents

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1 Governing bodies

Board of Directors	Executive Committee
PRESIDENT Esteban Tejera	
VICE PRESIDENT & CEO Eduardo Pérez de Lema	PRESIDENT
VOCALS	
Alfredo Castelo	
Ana Isabel Fernández	
Javier Fernández-Cid	VOCAL
Antonio Gómez	VICE PRESIDENT
Jean-Daniel Laffely	
• *Vaudoise Assurances Holding*	
Mark Hews	
• *Ecclesiastical Insurance*	
José Manuel Inchausti	
Katsuhiko Kaneyoshi	
Pedro López	VOCAL
Jesús Martínez	
Daniel Quermia	VOCAL
NON-VOCAL SECRETARY Juan Martín Sanz	NON-MEMBER SECRETARY

01.01.2021

2 Consolidated Management Report


CONFIDENCE

A. INTRODUCTION

The year 2020 will go down in history as an exceptional year.

Despite its good capitalization, the global reinsurance sector began the fiscal year with the aim of improving its technical margins, after successive years of declining investment returns and insufficient technical results, partly resulting from increased catastrophic claim activity and a long period of deteriorating conditions (soft market).

The emergence of the COVID-19 pandemic and its rapid spread plunged the entire planet into a severe humanitarian, economic and social crisis. The loss of millions of lives and the health crisis were accompanied by lockdown and social distancing measures, with support programs from governments and central banks that helped to minimize and/or ease the consequences of the pandemic, but that could not avoid a deep recession, which is still ongoing.

The most immediate consequences in the reinsurance sector were the effect on balance sheets of the volatility in financial markets resulting from the uncertainty surrounding the pandemic and its evolution—which was particularly marked in the first quarter—as well as the challenge of maintaining activity during lockdown phases. Similarly, the loss experience associated with the pandemic has had a very significant impact on some markets and segments of reinsured business, although the market as a whole has been able to absorb the impact without compromising its solvency.

For MAPFRE RE (hereinafter referred to as the "Company"), fiscal year 2020 closed with a positive result, greatly influenced by the provision of reserves for COVID-19 claims, but also by the depreciation of most currencies against the euro, the fall in financial returns, the still insufficient improvement in technical margins and the occurrence of other severe events such as the earthquake in Puerto Rico in January, or the derecho storms in the US and the explosion in the port of Beirut in August. The Company's profit before tax for reinsurance operations was 2.3 million euros, while the MAPFRE GLOBAL RISKS operation recorded a result of 20.2 million euros. The Company's consolidated result before tax was 22.5 million euros.

Looking ahead to the coming fiscal years, there are positive signs that allow us to be optimistic about the performance of the sector in general and of the Company in particular. The recent evolution of the sector's results, exacerbated by the pandemic, has helped to consolidate an improvement in the terms and conditions of reinsurance in general during the various 2020 renewal campaigns, which should favor increased technical profitability and greater clarification on the exclusion of pandemic coverage in the event of similar events in the future.

Rating agencies have recognized MAPFRE RE's solvency even in the current context of the pandemic; Standard & Poor's renewed the Company's **A+** rating with a **stable** outlook on financial strength, and A.M. Best also affirmed its **A** rating with a **stable** outlook.

The Controlling Company is a subsidiary of MAPFRE S.A., the company that files its Consolidated Annual Accounts with the Commercial Registry of Madrid, together with the Consolidated Management Report and the Integrated Report, which include the Group's non-financial information.

B. KEY FIGURES

Below are the main figures from the Controlling Company's financial statements:

B.1. IFRS INCOME STATEMENT

IFRS Income statement	2020	2019	Var, % 20/19
ASSUMED REINSURANCE			
ASSUMED PREMIUMS	**5,686.5**	**5,580.5**	**1.90%**
Earned premiums for the fiscal year	5,544.5	5,529.6	0.27%
Loss experience (including claims-related expenses)	(3,486.7)	(3,976.0)	-12.31%
Operating expenses and other technical expenses	(1,365.5)	(1,232.8)	10.76%
ASSUMED REINSURANCE RESULT	**692.3**	**320.8**	**115.80%**
RETROCEDED REINSURANCE			
Premiums and variations in unearned premium reserves	(2,372.9)	(2,085.3)	13.79%
Claims paid and variation in outstanding claims reserves	1,193.9	1,366.8	-12.65%
Commissions and holdings	414.7	324.9	27.64%
RETROCEDED REINSURANCE RESULT	**(764.3)**	**(393.6)**	**94.18%**
Other technical revenue and expenses	(2.5)	(3.0)	-16.67%
LIFE AND NON-LIFE TECHNICAL ACCOUNT RESULT	**(74.5)**	**(75.8)**	**-1.72%**
Net revenue from investments	104.9	160.7	-34.72%
Unrealized gains and losses on investments			
Other non-technical revenue and expenses	(7.9)	(8.2)	-3.66%
Results from non-controlling interests			
LIFE AND NON-LIFE BUSINESS RESULT	**22.5**	**76.7**	**-70.66%**
RESULT FROM OTHER ACTIVITIES			
RESULT BEFORE TAX AND NON-CONTROLLING INTERESTS	**22.5**	**76.7**	**-70.66%**
Tax on profits	(5.6)	(19.2)	-70.83%
Result after tax from discontinued activities			
RESULT AFTER TAX	**16.9**	**57.5**	**-70.61%**
Non-controlling interests			
RESULT AFTER TAX AND NON-CONTROLLING INTERESTS	**16.9**	**57.5**	**-70.61%**

Million euros,

Non-Life insurance ratios	2020	2019	Var, % 20/19
Loss ratio for assumed reinsurance	70.1%	70.5%	-0.6%
Expense ratio for assumed reinsurance	30.6%	30.6%	0.0%
COMBINED RATIO NET OF RETROCEDED REINSURANCE	100.7%	101.1%	-0.4%

Million euros

Breakdown of assumed premiums	2020	2019	Var. % 19/18
Non-Life	5,132.9	4,986.8	2.90%
Life	553.6	593.7	-6.80%
TOTAL	5,686.5	5,580.5	1.90%

Million euros

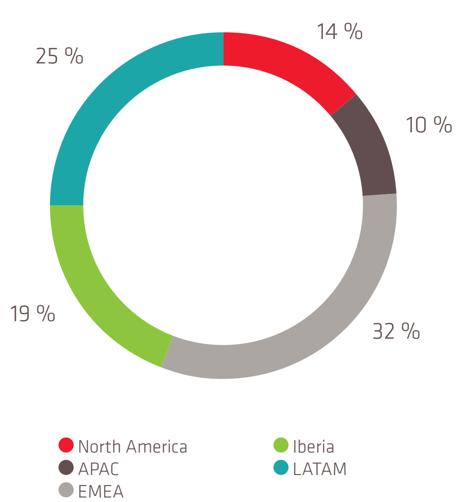
B.2. BALANCE SHEET

Key figures from the balance sheet (IFRS)	2020	2019	Var, % 20/19
Financial investments and cash	5,249.6	5,020.0	4.60%
Total assets	9,235.9	9,061.9	1.80%
Net technical provisions	3,684.3	3,569.5	3.20%
Equity	1,770.9	1,746.2	1.40%
ROE	1.0%	3.8%	-73.70%

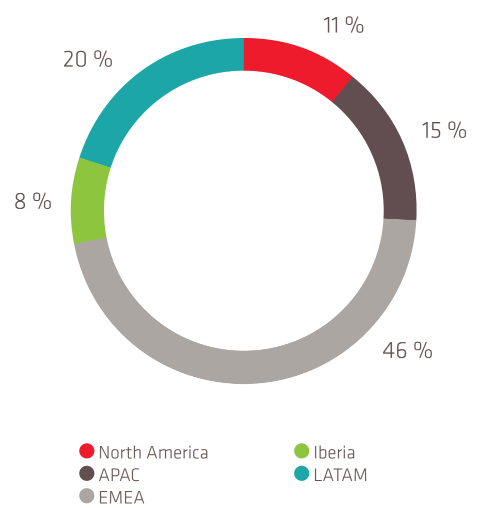
Million euros

FISCAL YEAR 2020

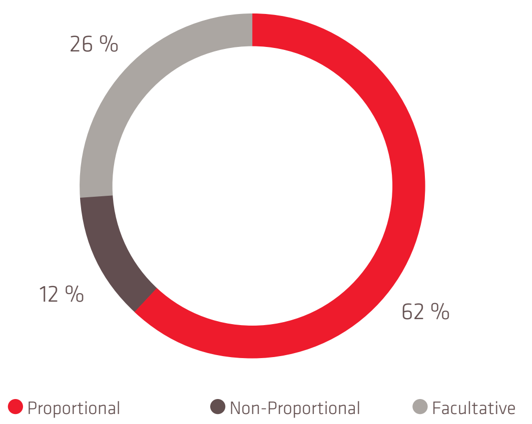
GROSS PREMIUMS BY GEOGRAPHIC AREA



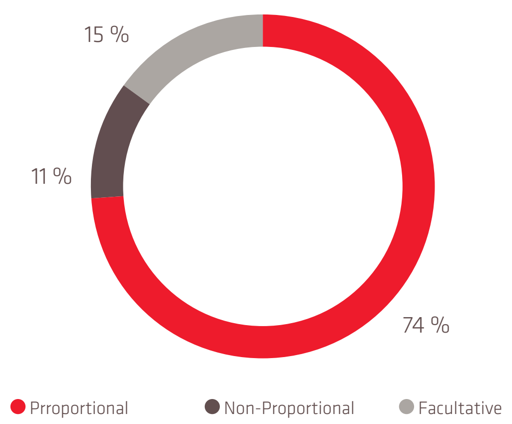
NET PREMIUMS BY GEOGRAPHIC AREA



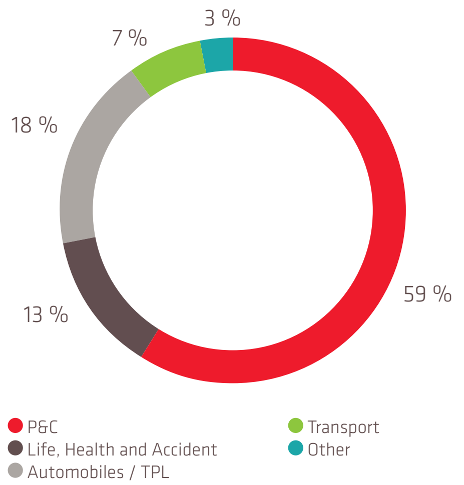
GROSS PREMIUMS BY BUSINESS TYPE



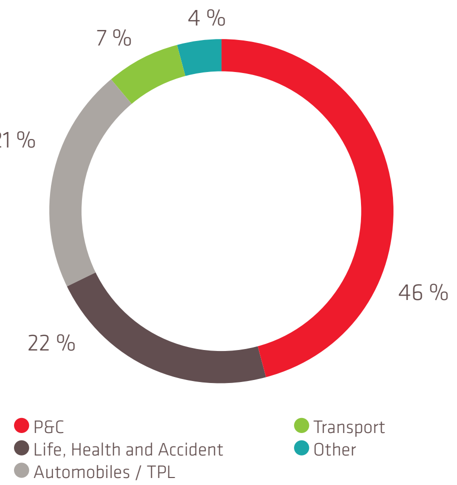
NET PREMIUMS BY BUSINESS TYPE



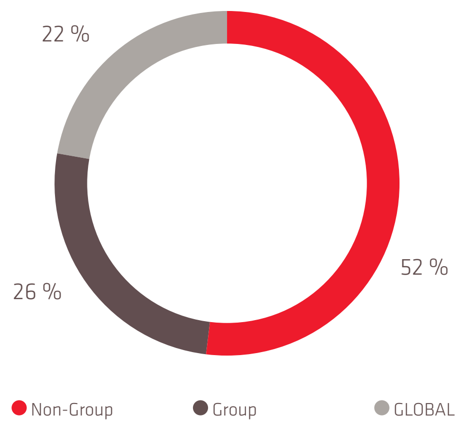
GROSS PREMIUMS BY BUSINESS LINE



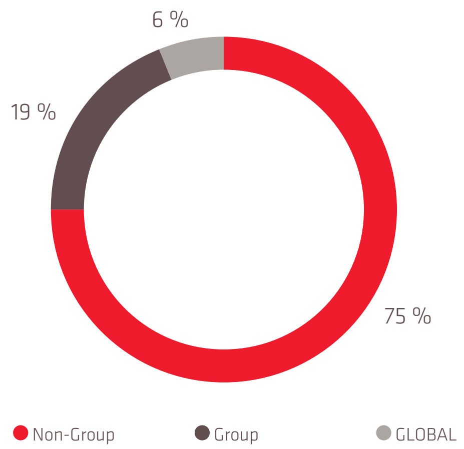
NET PREMIUMS BY BUSINESS LINE



GROSS PREMIUMS BY CEDENT TYPE



NET PREMIUMS BY CEDENT TYPE



C. MAIN ACTIVITIES

MAPFRE RE's revenue reached 5,286.4 million euros, making for an increase of 1.9 percent on the previous fiscal year. The result before tax and non-controlling interests came to 22.5 million euros, 70.7 percent less than the figure recorded in 2019, with shareholders' equity at fiscal year-end standing at 1,770.9 million euros. The Non-Life net combined ratio stood at 100.7 percent. Figures are generally lower than those from the previous fiscal year due to the influence of the Covid-19 loss experience and severe events, as well as low financial returns persisting throughout the year.

BUSINESS ACTIVITY

The pandemic has had a clear impact on the business activity that could be conducted throughout the year. Lockdown and travel restrictions have reduced or eliminated the possibility of visiting clients and organizing professional events, business activities or providing services that require the physical presence of those involved.

Before the health crisis erupted, in order to be prepared for the challenge of the new digital age, MAPFRE professionals were already making use of collaborative work tools, knowledge management and technologies for working remotely. MAPFRE RE has therefore been able to develop intense activity in all markets, maintaining close contact with its cedants and brokers despite the lockdown measures, successfully completing the various different renewal campaigns during the year, thanks also to intensive planning operations prior to said measures.

The third anniversary of the representative office in Tokyo and the opening of new offices in Bogota were celebrated in early 2020, attended by the main clients of each market.

Later, during lockdown itself, various MAPFRE RE executives participated as speakers in online conferences and seminars such as the International Insurance Conference of Fasecolda (Colombia), the Association of Risk Selectors for Personal Insurance (Mexico), The International Union of Marine Union, the Lujiazui International Reinsurance Conference — LIRC (China), the Inter-European Reinsurance Meeting — ENTRE (Spain) or the ESRI Annual Conference (Spain).

The traditional annual meetings at which the majority of the global insurance and reinsurance market converges—Montecarlo (Monaco), Baden Baden (Germany)—are especially key due to the time at which they are held, just before the main renewal campaign of the year. Due to the circumstances of 2020, these meetings were transformed into virtually organized events, during which meetings with more than 70 major MAPFRE RE clients and brokers were able to be held.

Sponsorship has continued for important sector events such as ENTRE (Spain), Fides (Ibero-America) and Expoestrategas (Argentina).

Risk Med Solutions, S.L., formed in 2019 by MAPFRE RE as an automated online underwriting service for personal insurance, continued its activity in 2020, providing its services and signing firm agreements with several insurers in nine countries.

TECHNICAL MANAGEMENT AND CLIENT SERVICES

MAPFRE RE has also continued to provide service to its clients by organizing various training activities. Courses in engineering, fire and loss of profits, credit and surety, and agricultural insurance have been taught by Central Services. Using videoconferencing tools and teamwork, more than 800 professionals from the Company's cedants have benefited from these courses.

Support continues to be provided to innovative projects for start-up companies that—authorized to operate as insurers—provide alternative and novel insurance proposals. Practices and technologies for the best operational efficiency of the sector are also promoted. In 2020, the Company increased its investment in the B3i sector initiative for using Blockchain technology in reinsurance transactions and participated in the ENTRE 2020 (Spain) conference, sharing its vision on digitizing operations with shared platforms and standards.

Pilots have been completed in collaboration with the start-up ecosystem to jointly identify potential areas of development that could lead to opportunities in new lines of business or greater efficiency in traditional and core processes in reinsurance activity.

INFORMATION AND TECHNOLOGY SYSTEMS

This year's pandemic and changing work environment habits have forced the IT and Processes Area—in collaboration with other key areas of the organization—to make a great effort to adapt the systems to the new reality it has sought to address.

At the organizational level, the IT Area was restructured in early 2020 to serve global reinsurance and risk operations, generating a shared work model for project management and participating in the development and implementation of 38 projects.

The first version has been completed of the Expocat project for geolocation and representation in GIS (Geographic Information System) of MAPFRE companies' catastrophe exposures, in order to have a more detailed view of the catastrophic risk assumed and to facilitate its management.

Other major advances have also been made, such as the automation of closings of accounting periods, the control of cyber risk clauses, the implementation of reinsurance portfolio management analysis, and improvements have been made to BI (Business Intelligence) systems.

With regard to infrastructure, the excellent work to minimize the impacts of the remote working situation caused by COVID-19, with the successful activation of Business Continuity Plans, has been particularly notable. We have worked intensely with the corporate areas to restore activity efficiently and quickly following the cyber attack in August.

Finally, the collaborative environment Office365 has also been deployed both nationally and internationally throughout the Company.

D. SOCIAL AND ENVIRONMENTAL MATTERS

D.1. PERSONNEL

The workforce in service at the close of the last two fiscal years has had the following structure, classified according to professional category.

CATEGORIES	2020	2019
Directors	2	2
Senior managers	0	0
Managers	104	100
Technicians	315	304
Administrative Staff	38	44
TOTAL	**459**	**450**

The Corporate People and Organization Area supports the business in its transformation and is in charge of adapting the organization to new social requirements, utilizing new technologies and digital solutions to do so. It is also responsible for identifying and retaining the talent required by the company, as well as employee development. It performs those tasks in a flexible, inclusive and diverse work environment that promotes collaboration and innovation.

MAPFRE applies a Code of Ethics and Conduct that is inspired by its Institutional and Business Principles, and which is conceived to reflect corporate values and the basic principles that should guide the conduct of the organization and its people.

The Human Resources Policy guarantees a workplace in which any harassment or violent or offensive behavior threatening the rights and dignity of others is not accepted. The Group expressly opposes, and does not tolerate, any harassment in the workplace, regardless of who the victim or perpetrator is. This commitment must be complied with in all relationships between employees, and in those relationships between employees and providers, clients, collaborators and other stakeholders, and it also extends to all the organizations with which MAPFRE works.

The Diversity and Equal Opportunities Policy is based on respect for everyone's individuality, recognizing their diversity, and ending any exclusionary or discriminatory behavior.

With regard to gender diversity, MAPFRE undertakes to ensure that by 2021, 45 percent of the managerial vacancies that arise in the company will be filled by women.

Functional diversity includes championing the integration of people with disabilities in the workplace. To that end, MAPFRE is committed to ensuring that 3 percent of the workforce is made up of people with disabilities by 2021.

During the fiscal year, the expansion of the Corporate Disability Program continued apace, and at year-end, there were nine people with a disability in the workforce (eight people with a disability in 2019).

The Promotion, Selection and Mobility Policy encourages professional development opportunities for employees in order to increase their employability, their professional satisfaction and their commitment to the company.

MAPFRE has defined a selection procedure that guarantees objectivity, maximum rigor and non-discrimination throughout all procedures. Furthermore, the tests used during selection are standardized worldwide with a view to finding the candidate with the most appropriate profile for each job position. The number of selection processes carried out in 2020 was 13 (26 processes in 2019).

In 2020, 49 employees were involved in internal mobility (71 employees in 2019), and 15 percent of selection processes were covered by internal mobility (9 percent in 2019).

The Company's employment policy favors permanent rather than temporary contracts, seeking a stable environment and a continuous working relationship. The percentage of the workforce in permanent positions in 2020 was 99.1 percent (98.2 percent in 2019).

The Digital Challenge strategic initiative has continued to be developed through the adoption of new capacities and collaborative tools, the development of more dynamic and flexible structures and the customization of the experience used to continue supporting their professional growth and talent development, adapting processes to employees' needs.

The situation created in the fiscal year by the COVID-19 pandemic led to the transformation of all training plans, replacing on-site programs with digital programs.

In 2020, a total of 225,254 euros was invested in workforce training (628,881.55 euros in 2019).

The Compensation Policy is intended to set appropriate remuneration levels for each function and job position and for performance by professionals, and serves as a source of motivation and satisfaction for staff, thus encouraging them to reach their objectives and deliver on MAPFRE's strategy. The policy guarantees equality and external competitiveness in each market and forms part of the in-house development of employees.

The objective of the Policy on Health, Well-being and Prevention of Occupational Risks is to protect and promote a safe and healthy workplace and improve the health of our employees and their families, both in and outside the workplace.

To facilitate well-being and work-life balance for employees, a wide range of social benefits are offered, which involved an investment of 3,246,540 euros in 2020 (2,179,637 euros in 2019).

From the outset, MAPFRE was aware of the impact that COVID-19 could generate, and contingency plans were quickly deployed under the governance of the Corporate Crisis Committee, making the health of employees its top priority. The first step, which was implemented swiftly, was remote working and reducing the density of occupancy in all buildings.

D.2. ENVIRONMENT

MAPFRE is committed to environmentally sustainable development, most notably the fight against climate change. Its determination to play a relevant part in these issues requires a short-, medium- and long-term strategy, for which it is constantly analyzing the climate scenario and the global context.

The Group has an Environmental Policy that was approved by the Board of Directors of MAPFRE S.A., which was deployed in all Group companies.

In the context of designing ambitious green reconstruction plans, in 2020 and following the successful completion of the Corporate Energy Efficiency and Climate Change Plan 2014–2020, work was done on defining the new Corporate Environmental Footprint Plan 2020–2030, which will guide the process by which the Group will adapt to the push for a low carbon economy, making its activity more sustainable and resilient.

In addition to issues associated with carbon footprint and climate change, the Corporate Environmental Footprint Plan covers water management, the circular economy and green purchasing, as well as other emerging risks such as natural capital and biodiversity. It also includes transversal and facilitating aspects such as construction and sustainable mobility.

With regard to the carbon footprint, further progress has been made under the UNE-EN-ISO 14064 standard, having verified the inventories of several countries.

With regard to climate change mitigation and adaptation, the implementation of the actions defined in the Sustainability Plan 2019–2021 continued. This Plan defines the short-term action strategy and encompasses the neutrality objective for greenhouse gas (GHG) emissions generated by MAPFRE in Spain and Portugal in 2021. The actions carried out will also prepare the Group for its objective of carbon neutrality by 2030.

In order to determine the financial impact of climate change, both from a risk and opportunity perspective, the adoption of the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) of the Financial Stability Board (FSB) has been further analyzed. For this reason, MAPFRE, along with other global insurers and reinsurers, is part of the UNEP-FI Working Group. The main objective of this United Nations group is to analyze scenarios that allow metrics and financial models to be developed in order to adequately estimate the possible implications of climate change on business.

Throughout 2020, this Working Group has focused on understanding the potential change of the climate threat according to different scenarios and time scales.

In addition, and in the current context, the circular economy is proving to be a necessary solution to the economic and climate crisis, making companies more competitive and resilient. In this area, MAPFRE is the first insurer to sign the Pact for a Circular Economy and thus undertakes to meet the commitments provided for in this initiative, which seek to drive, support, promote and disseminate the transition to a circular economy.

In addition, MAPFRE participates in a Natural Capital Working Group of the Spanish Group for Green Growth and the Biodiversity Foundation, in which companies from different sectors share their experiences and difficulties and seek solutions regarding the integration of Natural Capital into their businesses and projects, using the Natural Capital Protocol as a guide.

D.3.ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS AND RISKS

MAPFRE constantly analyzes factors that, should they arise, can or could impact business. This analysis considers environmental, social and governance (ESG) factors, as these enable additional information to be gathered on social movements and transformations, and the expectations of stakeholders and the market that affect the organization.

The analysis of these ESG factors, and how they may affect the business in the short-, medium- and long-term, will determine their relationship and inclusion in the typology of established risks and in the adoption of prevention and mitigation measures.

The ESG Integration Framework includes various aspects related to underwriting and investment processes, among others.

The Group has an Underwriting Policy, approved by the Board of Directors of MAPFRE S.A., applicable to all insurance and reinsurance companies. It also has a Global Business Committee and an Underwriting Policy Committee that, among other functions, is responsible for the correct application of said Policy, and analyzes and proposes operational exclusion rules on ESG matters. In addition, for the underwriting of global risks, it relies on an internal ESG evaluation model whereby the decision-making process considers a company's ESG risk exposure with the ESG risk exposure of the countries and sectors in which said company has been exposed and the reputational risk analysis.

With regard to investment processes, in 2017, MAPFRE committed to the United Nations Principles for Responsible Investment (PRI) and established the framework for action of the Group on Socially Responsible Investment (SRI), which focuses on key aspects that must accompany the organization in the scope, implementation, process of integration of the ESG aspects and that are complemented by those determined by MAPFRE in each case.

The United Nations SRI principles coexist with the assumed obligation as custodian of clients' savings and investments and the strength of the balance sheet. Prudent investment criteria are therefore applied, long-term value creation is sought, and ESG factors are incorporated alongside traditional information.

The Investment Risk Committee regularly reviews the composition of portfolios, their ESG assessment, any disputes that may arise and the application of approved grounds for exclusion.

The Corporate Investment Area is responsible for ensuring that the established responsible investment principles are complied with at the organization and for reporting annually on their compliance to the Sustainability Committee.

E. OTHER INFORMATION

E.1. FINANCIAL RISKS

MARKET AND INTEREST RATE RISKS

Fluctuations in market prices can reduce the value of or revenue generated from the investment portfolio, and in turn, this can have a negative effect on the financial position.

The Controlling Company and its subsidiaries mitigate exposure to this type of risk by means of a prudent investment policy characterized by a high proportion of investment-grade, fixed income securities.

Most investments are fixed income securities, accounting for 87.8 percent of the total financial investment portfolio in 2020 (87.1 percent in 2019).

Investments in equities and mutual funds have a limited weight in the balance sheet, accounting for approximately 12.2 percent of total financial investments in 2020 (12.9 percent in 2019).

EXCHANGE RATE RISK

Fluctuations in the value of the euro compared with other currencies may, in the future, affect the value of the Controlling Company's assets and liabilities and, consequently, its shareholders' equity, as well as its operating results and cash flow. Currency conversion differences registered involved the recognition of 1.3 million euros in 2020 (-5.8 million euros in 2019).

CREDIT RISK

Returns on investments are also sensitive to changes in general economic conditions, including changes in the general credit ratings of debt security issuers. Exposure to credit risk is mitigated by means of a policy based on the prudent selection of security issuers and counterparties according to their solvency; seeking a high degree of geographic correspondence between issuers of assets and commitments taken on; the maintenance of a suitable level of diversification; and obtaining, where appropriate, guarantees, collateral and other hedges.

The credit risk management policy establishes limits by issuer in line with the risk profile of the counterparty or of the investment instrument, as well as exposure limits related to the counterparty's rating.

LIQUIDITY RISK

The liquidity risk is mainly managed by keeping sufficient cash balances to cover any need arising from commitments made to third parties. As on December 31, 2020, the cash balance stood at 303 million euros (321 million euros in 2019), equivalent to 6.66 percent of total investment and liquid funds (7.26 percent in 2019). In addition, most fixed income investments are of investment grade and are negotiable on organized markets, affording great capacity to act against potential liquidity strains.

E.2. OTHER RISKS AND UNCERTAINTIES

During August 2020, MAPFRE detected a malfunction in its computer systems due to a cyber attack. Following the established procedures, the technology and security teams commenced an investigation and detected that malware, specifically ransomware, had infiltrated its systems, which affected part of the servers and systems in Spain.

From the outset, the protocols set out in the business continuity plan were activated, with the priority being to protect information and block any possible attempts by third parties to access the systems, as well as to ensuring the provision of services to both clients and providers, which was maintained at all times thanks to the alternative procedures provided for.

The MAPFRE Group has an insurance policy that covers damage and loss of profits resulting from these types of events; damage is therefore limited by the terms of the policy.

E.3. TREASURY STOCK

During fiscal year 2020, the Controlling Company did not perform any operations with treasury stock.

E.4. RESEARCH, DEVELOPMENT AND INNOVATION

Innovation is one of the main levers in the Group for generating differentiated value propositions for clients. The lines of action are both strategic and disruptive, covering the whole cycle from the idea and contact with insurtech companies to the practical implementation, keeping the client at the center of the process, as always.

In 2020, multiple initiatives were undertaken in its different lines of action, notably the launch of the third call for acceleration and adoption in Insur_space with more than 400 startups, that of the first collaboration in the field of innovation and entrepreneurship with universities (IE Tech Lab) and 12 new Venture Capital investments in startups, in addition to the eight in 2019.

In this way, the Group is offering solutions and proposals to clients that take advantage of the latest technologies, such as the Internet of Things (Leakbot), artificial intelligence applied to images, text and voice (damage assessment using images, verbatim analysis, claim automation), Blockchain (digital identity, B3i consortium for reinsurance) and next-generation products and services (on-demand insurance, on/off policies).

In addition, the change needed to adapt the organization to the new digital requirements continues to be managed through the Digital Challenge initiative, providing the flexible and agile work environment and tools that foster collaborative work and knowledge-sharing.

The MAPFRE Quality Observatory is responsible for performing all measurements of perceived and delivered quality, through client surveys, in all countries where the Group operates. This is performed by analyzing the Net Promoter Score (NPS®) to evaluate client satisfaction and critical client touchpoints. Recommendations are then drawn up regarding the main areas that could be improved.

The reports drawn up by the Quality Observatory provide data on the client experience, assisting with the decision-making process in the different business areas.

In 2020, the 11th relational NPS® measurement wave was carried out, involving a representative sample of MAPFRE's portfolio.

As part of this study, each year the Observatory measures the client experience level of MAPFRE's major competitors in each country and business line. Approximately 80 companies are analyzed around the world. In 2020, the NPS of MAPFRE's clients is greater than the average NPS® of the competitors analyzed.

To complement these measurements of relational NPS®, the Quality Observatory defined a Global Model for transactional NPS®, which allows MAPFRE to find out a client's perception in real time after interacting with us. This model is currently already in place in Brazil and Spain, and was launched in the USA, Puerto Rico, Mexico, Peru and Chile throughout 2020.

E.5. AVERAGE PROVIDER PAYMENT PERIOD

The average payment period for service providers during the fiscal year was 2.02 days (1.29 days in fiscal year 2019) for fully consolidated Spanish companies.

F. CORPORATE ASPECTS

F.1. RELEVANT CORPORATE ASPECTS

In 2020, Esteban Tejera, Eduardo Pérez de Lema, Aristóbulo Bausela Sánchez, Antonio Gómez, Daniel Quermia and Jaime Tamayo were re-elected directors at the ordinary Annual General Meeting held on April 3, 2020.

Eduardo Pérez de Lema was also re-elected as Managing Director at the meeting of the Board of Directors on April 3, 2020, at which Mr. Pérez de Lema and Mr. Quermia were re-elected as members of the Management Committee.

On May 11, 2020, Philippe Hebeisen submitted his resignation as a Board Member of MAPFRE RE, and was replaced by Jean Daniel Laffely by agreement of the Extraordinary General Meeting of September 21, 2021.

Finally, Messrs. Bausela and Tamayo submitted their resignation as Board Members with effect from December 31, 2020, and the Company's General Meeting, meeting extraordinarily on December 22, 2020, approved the appointment of Alfredo Castelo and Jesús Martínez as Board Members, effective January 1, 2021, for a term of four years.

F.2. PROPOSAL FOR AGREEMENTS

Proposals for agreements to be submitted to the Annual General Meeting:

1. To approve the individual annual accounts corresponding to the 2020 fiscal year, as well as the following proposal to use the results contained in the annual report:

Bases of Distribution	Amount 2020
Profit and loss	7,492,719.76
Retained earnings	603,182,597.37
Total	**610,675,317.13**
Distribution	**Amount 2020**
To Dividends	7,474,019.36
To Retained earnings	603,201,297.77
Total	**610,675,317.13**

This proposal involves the distribution of a dividend for a total amount of 7,474,019.36 euros (0.079 euros per share for share numbers 1 to 94,607,840 both inclusive), payable between April 7 and 30.

2. To approve the consolidated annual accounts for fiscal year 2020.

3. To approve the management of the Board of Directors in the 2020 fiscal year.

4. To reelect Mark Hews as company board director for a new term of four years.

5. To reelect the firm KPMG Auditores S.L. as auditors of the company's accounts, both for the Individual Annual Accounts and, as applicable, for the Consolidated Accounts, if the company should be obliged to prepare such or decide to do so voluntarily, for a new three-year period, i.e. for fiscal years 2021, 2022 and 2023; this is without prejudice to the fact that the appointment may be revoked by the Annual General Meeting before the end of this period, if there is just cause to do so.

6. To delegate full powers to the Chairman of the Board of Directors and its Secretary so that either of them may proceed with the implementation of the agreements adopted at the Annual General Meeting and make them public when necessary.

7. To thank those involved in managing the Company for their loyal collaboration over the course of this fiscal year.

G. COVID-19

The year 2020 was marked by the outbreak of the coronavirus (COVID-19) and its spread, together with the measures aimed at containing and mitigating its effects, has led to a slowdown in economic activity for which the final impact is difficult to quantify. Under these circumstances, a set of actions has been developed that were guided by two main priorities: to ensure the health safety of the entire workforce and to ensure the continuity of operations in a way that would maintain the level of service to clients.

The most significant measures taken were:

- Activation of the business continuity plan, adapting it to the uniqueness of the COVID-19 crisis, through remote working, to the extent that it is operational, and the maintenance of essential services.
- Assessment of the risks arising from the crisis and adoption of a strategy to protect the balance sheet, especially investments, and to preserve capital, with the necessary liquidity and financing to neutralize any monetary stress.
- Mobilization of resources and transfer of funds to the economy, through the provision of additional aid and financing to agents, direct providers and clients.

From the outset, the health and safety of employees and collaborators has been the top priority, such that, from the first weeks of the pandemic's impact, operations were begun on a remote working model. Subsequently, a partial, gradual, orderly and prudent return to our facilities has occurred, pursuant to a model based on incremental waves and always in accordance with instructions from health authorities.

From the perspective of crisis management as a result of the pandemic, despite its impact and restrictions on mobility, continuity of operations has been maintained and service has continued to be provided to clients, always pursuant to the regulations in force.

Practically all commercial activity has recovered, all while maintaining strict prevention and control measures due to concerns associated with outbreaks and eventual changes in trend.

Furthermore, in order to protect the balance sheet and the level of solvency, the MAPFRE Group has made the necessary liquidity and adequate financing available to neutralize any monetary tension. As a result, the Group has maintained high levels of liquidity in all its companies, having duly met payment obligations in a timely manner, with no evidence of significant delays in collections.

The year 2020 reflects sharp declines in global GDP, with a partial recovery foreseen for 2021, albeit still marked by considerable uncertainty in the evolution of indicators due to the health crisis and containment measures.

Future prospects are particularly uncertain and the future effects of the crisis on business volume, financial situation and solvency cannot be accurately estimated. However, the Group's sound balance sheet, high levels of capital and solvency, liquidity position and availabilities of funding allow us to conclude that the effects will be limited.

H. SIGNIFICANT EVENTS FOR THE COMPANY THAT OCCURRED AFTER THE YEAR-END

No material events took place after the fiscal year's close that may affect the results or future evolution of the Controlling Company

I. OUTLOOK

Economies are expected to recover a significant portion of GDP lost in 2020, as vaccine administration allows countries to overcome the COVID-19 crisis and return to a degree of normality. However, the pace at which this will happen will vary greatly among countries, and there will be countries that will take a long time to overcome it.

Meanwhile, the need to improve the technical margin in the reinsurance sector will persist, due to profitability that still remains insufficient and declining financial returns. Renewal campaigns for reinsurance agreements throughout 2020 have shown signs of improvement in terms and conditions, but this trend must continue in the coming years in order to overcome the soft cycle it is currently experiencing.

The development of the loss experience associated with COVID-19 remains uncertain, but the reinsurance community has more than enough solvency to assume it, and the 2020 renewals have further clarified the exclusion of pandemic, so this risk should not have the same impact if a similar episode occurs.

3

Consolidated Annual Accounts

A

Consolidated balance

A) CONSOLIDATED BALANCE SHEET AS ON DECEMBER 31, 2020 AND 2019

Assets	NOTES	2020	2019
A) INTANGIBLE ASSETS		**59,672**	**61,302**
I. Goodwill	6,1	54,138	54,138
II. Other intangible assets	6,1	5,534	7,164
B) PROPERTY, PLANT AND EQUIPMENT		**59,619**	**62,643**
I. Property for own use	6,2	53,477	56,133
II. Other property, plant and equipment	6,2	6,142	6,510
C) INVESTMENTS		**4,947,106**	**4,698,904**
I. Property investments	6,2	2,639	2,480
II. Financial investments		3,868,382	3,870,895
1. Held-to-maturity portfolio			
2. Available-for-sale portfolio	6,4	3,842,721	3,845,501
3. Trading portfolio	6,4	25,661	25,394
III. Equity-accounted investments		291,436	170,372
IV. Deposits established for assumed reinsurance		703,923	596,206
V. Other investments		80,726	58,951
D) PARTICIPATION OF REINSURANCE IN TECHNICAL PROVISIONS	**6,9**	**2,712,396**	**2,749,723**
E) DEFERRED TAX ASSETS	**6,17**	**15,185**	**12,949**
F) RECEIVABLES	**6,5**	**940,614**	**955,599**
I. Receivables on reinsurance operations	6,5	922,070	826,415
II. Tax receivables	6,5	13,933	23,424
1. Tax on profits receivable		12,263	16,008
2. Other tax receivables		1,670	7,416
III. Corporate and other receivables	6,5	4,611	105,760
G) CASH	**6,7**	**302,540**	**321,126**
H) ALLOCATION ADJUSTMENTS	**6,15**	**198,256**	**199,119**
I) OTHER ASSETS		**482**	**515**
TOTAL ASSETS		**9,235,870**	**9,061,880**

(Figures in thousands of euros)

A) CONSOLIDATED BALANCE SHEET AS ON DECEMBER 31, 2020 AND 2019

	NOTES	2020	2019
A) EQUITY		**1,770,918**	**1,746,174**
I. Paid-up capital	6,8	293,284	293,284
II. Share premium	6,8	554,393	554,393
III. Reserves		815,484	758,509
IV. Interim dividends	4,2		
V. Treasury stock			
VI. Result for the period attributable to the controlling Company		16,851	57,502
VII. Other equity instruments			
VIII. Valuation change adjustments	6,8	116,574	90,626
IX. Currency conversion differences	6,19	(25,694)	(8,160)
Equity attributable to the controlling Company		**1,770,892**	**1,746,154**
Non-controlling interests		**26**	**20**
B) SUBORDINATED LIABILITIES			
C) TECHNICAL PROVISIONS	**6,9**	**6,396,741**	**6,319,200**
I. Provisions for unearned premiums and unexpired risks	6,9/7C	1,505,116	1,478,207
II. Provisions for Life insurance	6,9/7C	406,673	320,544
III. Provision for outstanding claims	6,9/7C	4,484,952	4,520,449
IV. Provisions for profits and returned premiums			
D) PROVISIONS FOR RISKS AND EXPENSES	**6,10**	**10,495**	**10,393**
E) DEPOSITS RECEIVED ON CEDED AND RETROCEDED REINSURANCE	**6,11**	**63,350**	**58,558**
F) DEFERRED TAX LIABILITIES	**6,17**	**7,751**	
G) DEBT	**6,12**	**868,066**	**833,600**
I Other financial debts	6,12	9,633	10,964
II Due on reinsurance operations	6,12/7C	840,928	766,785
III. Tax debts	6,12 /6,17	6,609	25,902
1. Tax on profits to be paid		1,623	1,151
2. Other tax liabilities		4,986	24,751
IV. Other debts	6,12	10,896	29,949
H) ALLOCATION ADJUSTMENTS	**6,15**	**118,549**	**93,955**
TOTAL EQUITY AND LIABILITIES		**9,235,870**	**9,061,880**

(Figures in thousands of euros)

B

Consolidated income statement

B) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR FISCAL YEARS ENDING DECEMBER 31, 2020 AND 2019

B.1) CONSOLIDATED INCOME STATEMENT

Item	NOTES	2020	2019
I. REVENUE FROM INSURANCE BUSINESS			
1. Premiums earned for the period, net		3,171,579	3,444,285
a) Written premiums, direct insurance			
b) Premiums from assumed reinsurance	7. A2	5,686,520	5,580,495
c) Premiums from ceded reinsurance	6.16	(2,413,066)	(2,263,312)
d) Variations in provisions for unearned premiums and unexpired risks, net		(101,875)	127,102
Direct insurance			
Assumed reinsurance		(142,003)	(50,867)
Ceded reinsurance	6.16	40,128	177,969
2. Share in profits from equity-accounted companies			
3. Income from investments	6.14	171,854	223,309
a) From operations	6.14	171,730	207,436
b) From equity	6.14	124	15,873
4. Unrealized gains on investments on behalf of Life insurance policyholders bearing the investment risk			
5. Other technical revenues		59	
6. Other non-technical revenues		58	1,129
7. Positive foreign exchange differences	6.19	1,942,855	1,519,300
8. Reversal of the Asset impairment provision	6.6/6.5	1	5
TOTAL REVENUE FROM INSURANCE BUSINESS		**5,286,406**	**5,188,028**

(Figures in thousands of euros)

Item	NOTES	2020	2019
II. EXPENSES FROM INSURANCE BUSINESS			
1. Loss ratio for the period, net		(2,295,485)	(2,610,638)
a) Claims paid and variation in provision for outstanding claims, net		(2,294,705)	(2,610,528)
Direct insurance			
Assumed reinsurance		(3,488,594)	(3,977,294)
Ceded reinsurance	6.16	1,193,889	1,366,766
b) Claims-related expenses		(780)	(110)
2. Variation in other technical provisions, net		2,629	1,340
3. Profit sharing and returned premiums			
4. Net operating expenses	6.15	(950,743)	(907,804)
a) Acquisition expenses	6.15	(1,348,110)	(1,216,505)
b) Administration expenses	6.15	(17,323)	(16,246)
c) Commissions and participation in reinsurance	6.16	414,690	324,947
5. Share in losses from equity-accounted companies			
6. Expenses from investments	6.14	(67,602)	(56,821)
a) From operations	6.14	(67,248)	(53,264)
b) From equity and financial accounts	6.14	(354)	(3,557)
7. Unrealized losses on investments on behalf of Life insurance policyholders bearing the investment risk			
8. Other technical expenses	6.15	(2,578)	(2,777)
9. Other non-technical expenses	6.15	(7,914)	(9,313)
10. Negative foreign exchange differences	6.19	(1,941,562)	(1,525,109)
11. Allowance to the asset impairment provision	6.6	(638)	(180)
TOTAL EXPENSES FROM INSURANCE BUSINESS		**(5,263,893)**	**(5,111,302)**
III. RESULT FROM THE INSURANCE BUSINESS		**22,513**	**76,726**
IV. RESULT BEFORE TAXES FROM ONGOING OPERATIONS	**6.17**	**22,513**	**76,726**
V. TAX ON PROFITS FROM ONGOING OPERATIONS	**6.17**	**(5,660)**	**(19,224)**
VI. RESULT AFTER TAX FROM ONGOING OPERATIONS		**16,853**	**57,502**
VII. RESULT AFTER TAX FROM DISCONTINUED ACTIVITIES			
VIII. RESULT FOR THE PERIOD		**16,853**	**57,502**
1. Attributable to non-controlling interests		2	1
2. Attributable to controlling company		16,851	57,502

(Figures in thousands of euros)

B.2) CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Gross amount		Income Tax		Attributable to non-controlling interests		Attributable to the controlling company	
Item	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
A) CONSOLIDATED RESULT FOR THE PERIOD								
A.1) Ongoing operations	22,513	76,726	(5,660)	(19,224)	2	1	16,851	57,502
A.2) Discontinued operations								
B) OTHER RECOGNIZED REVENUE (EXPENSES)	17,637	111,745	(9,223)	(29,055)			8,414	82,690
B.1) Ongoing operations								
1. Financial assets for sale	35,167	114,610	(9,221)	(28,934)			25,946	85,676
a) Valuation gains (losses)	56,376	167,228	(14,523)	(42,089)			41,853	125,139
b) Amounts transferred to the income statement	(21,209)	(52,618)	5,302	13,155			(15,907)	(39,463)
c) Other reclassifications								
2. Currency conversion differences	(17,530)	(2,865)	(2)	(121)			(17,532)	(2,986)
a) Valuation gains (losses)	(17,530)	(2,865)	(2)	(121)			(17,532)	(2,986)
b) Amounts transferred to the income statement								
3. Shadow accounting								
a) Valuation gains (losses)								
b) Amounts transferred to the income statement								
4. Equity-accounted entities								
a) Valuation gains (losses)								
b) Amounts transferred to the income statement								
c) Other reclassifications								
5. Other recognized revenue and expenses								
B.2) Discontinued operations (Net of disposal)								
TOTALS	**40,150**	**188,471**	**(14,883)**	**(48,279)**	**2**	**1**	**25,265**	**140,192**

(Figures in thousands of euros)

All the items included in the consolidated statement of other comprehensive income may be reclassified to the consolidated income statement in line with EU-IFRS.

C

Consolidated statement of changes in equity

C) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS ON DECEMBER 31, 2020 AND 2019

	Equity	
Item	Capital	Share premium
BALANCE AS ON JANUARY 1, 2019	293,284	554,393
I. Changes in accounting policies		
II. Correction of errors		
ADJUSTED BALANCE AS ON JANUARY 1, 2019	293,284	554,393
VARIATIONS FOR PREVIOUS FISCAL YEAR		
I. Result recognized directly in equity		
1. Revaluation of property, plant and equipment and intangible assets		
2. Available-for-sale investments		
3. Cash flow hedging		
4. Currency conversion differences		
5. Other results recognized directly in equity		
Total result recognized directly in equity		
II. Other results for previous period		
III. Distribution of the result for the period before the previous period		
IV. Interim dividends for previous period		
V. Capital increase [Note 6.8 from the Annual Report]		
VI. Pending paid-up capital		
VII. Capital decrease		
VIII. Other increases		
IX. Other decreases		
TOTAL VARIATIONS IN FISCAL YEAR 2019		
BALANCE AS ON DECEMBER 31, 2019	293,284	554,393

(Figures in thousands of euros)

attributable to controlling company's shareholders						
Reserves	Interim dividends	Result attributable to the controlling company	Valuation change adjustments	Currency conversion differences	Non-controlling interests	Total equity
762,554	(100,401)	158,869	4,950	(5,174)	19	1,668,494
762,554	(100,401)	158,869	4,950	(5,174)	19	1,668,494
			85,676			85,676
				(2,986)		(2,986)
			85,676	(2,986)		82,690
		57,502				57,502
58,468	100,401	(158,869)				
(72,848)						(72,848)
10,335					1	10,336
(4,045)	100,401	(101,367)			1	(5,010)
758,509		57,502	90,626	(8,160)	20	1,746,174

Item	Equity	
	Capital	Share premium
I. Changes in accounting policies		
II. Correction of errors		
ADJUSTED BALANCE AS ON JANUARY 1, 2020, UPDATED	293,284	554,393
VARIATIONS FOR FISCAL YEAR 2020		
I. Result recognized directly in equity		
1. Revaluation of property, plant and equipment and intangible assets		
2. Available-for-sale investments		
3. Cash flow hedging		
4. Currency conversion differences		
5. Other results recognized directly in equity		
Total result recognized directly in equity		
II. Other results for current period		
III. Distribution of the result for the previous period		
IV. Dividends [Note 4.2 from the Annual Report]		
V. Capital increase		
VI. Pending paid-up capital		
VII. Capital decrease		
VIII. Other increases		
IX. Other decreases		
TOTAL VARIATIONS IN FISCAL YEAR 2020		
BALANCE AS ON DECEMBER 31, 2020	293,284	554,393

(Figures in thousands of euros)

attributable to controlling company's shareholders						
Reserves	Interim dividends	Result attributable to the controlling company	Valuation change adjustments	Currency conversion differences	Non-controlling interests	Total equity
758,509		57,502	90,626	(8,160)	20	1,746,174
			25,946			25,946
				(17,532)		(17,532)
			25,946	(17,532)		8,414
		16,851				16,851
57,502		(57,502)				
			2		6	8
(527)				(2)		(529)
56,975		(40,651)	2	(2)	6	16,330
815,484		16,851	116,574	(25,694)	26	1,770,918

D

Consolidated cash flow statement

D) CONSOLIDATED CASH FLOW STATEMENT FOR FISCAL YEARS ENDED DECEMBER 31, 2020 AND 2019

ITEMS	2020	2019
Collections for premiums		
Payments for claims		
Collections for reinsurance operations	1,188,959	1,090,206
Payments for reinsurance operations	(1,001,048)	(928,099)
Collections for co-insurance operations		
Payments for co-insurance operations		
Payments for commissions		
Collections for clients for other activities		
Payments to providers of other activities		
Other operating collections	3,134	5,006
Other operating payments	(97,815)	(103,044)
Tax payments or collections on companiess	(6,573)	(36,844)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**86,657**	**27,225**
Acquisitions of intangible fixed assets	(861)	(4,458)
Acquisitions of property, plant and equipment	(22,011)	(7,715)
Acquisitions of investments and payment of capital increases	(172,772)	(105,535)
Net cash paid by companies removed from scope		
Net cash collected by companies removed from scope		(2,380)
Disposals of fixed assets	2,993	193
Investment disposals	2,222	5,231
Interest collected	81,919	109,957
Other payments		
Proceeds from dividends	9,214	15,935
Proceeds from loans granted and other financial instruments		
Payments for loans granted and other financial instruments		

(Figures in thousands of euros)

Items	2020	2019
NET CASH FLOW FROM INVESTMENT ACTIVITIES	(99,296)	11,228
Dividends and donations paid		(72,848)
Proceeds from capital increases		
Payments on return of shareholders' contributions		
Proceeds from issuance of debentures		
Payments for interests and amortization of debentures		
Payments for interest and amortization of other financing activities		
Proceeds from other financing activities		
NET CASH FLOW FROM FINANCING ACTIVITIES		(72,848)
NET INCREASE (DECREASE) IN CASH FLOW	(12,639)	(34,395)
Conversion differences in cash flow and cash balances	(5,946)	705
OPENING CASH BALANCE	321,126	354,817
CLOSING CASH BALANCE	302,540	321,126

Figures in thousands of euros

E

Financial information by segment

E) FINANCIAL INFORMATION BY SEGMENT – CONSOLIDATED BALANCE SHEET FOR FISCAL YEARS ENDED DECEMBER 31, 2020 AND 2019

	LIFE REINSURANCE		NON-LIFE REINSURANCE		TOTAL	
	2020	2019	2020	2019	2020	2019
I. REVENUE FROM INSURANCE BUSINESS						
1. Premiums allocated to the fiscal year, net	427,447	839,125	2,744,132	2,605,159	3,171,579	3,444,285
a) Written premiums, direct insurance						
b) Premiums from assumed reinsurance	553,645	593,742	5,132,874	4,986,753	5,686,520	5,580,495
c) Premiums from ceded reinsurance	(34,259)	(28,060)	(2,378,807)	(2,235,252)	(2,413,066)	(2,263,312)
d) Variations in provisions for unearned premiums and unexpired risks, net	(91,939)	273,443	(9,936)	(146,341)	(101,875)	127,102
Direct Insurance						
Assumed reinsurance	(93,188)	273,918	(48,814)	(324,785)	(142,003)	(50,867)
Ceded reinsurance	1,250	(475)	38,878	178,444	40,128	177,969
2. Share in profits from equity-accounted companies						
3. Revenue from investments	55,115	69,177	116,739	154,132	171,854	223,309
a) From operations	54,991	67,641	116,739	139,795	171,730	207,436
b) From equity	124	1,536		14,337	124	15,873
4. Unrealized gains on investments on behalf of Life insurance policyholders bearing investment risk						
5. Other technical revenue			59		59	
6. Other non-technical revenue	16	79	42	1,050	58	1,129
7. Positive foreign exchange differences	101,537	71,437	1,841,318	1,447,863	1,942,855	1,519,300
8. Reversal of the asset impairment provision	1	5			1	5
TOTAL REVENUE FROM INSURANCE BUSINESS	**584,116**	**979,823**	**4,702,290**	**4,208,204**	**5,286,406**	**5,188,028**

(Figures in thousands of euros)

	LIFE REINSURANCE		NON-LIFE REINSURANCE		TOTAL	
	2020	2019	2020	2019	2020	2019
II. EXPENSES FROM INSURANCE BUSINESS						
1. Loss ratio for the period, net	(371,749)	(774,110)	(1,923,736)	(1,836,528)	(2,295,485)	(2,610,638)
a) Benefits paid and variation in provision for outstanding claims, net	(371,663)	(774,100)	(1,923,042)	(1,836,428)	(2,294,705)	(2,610,528)
Direct insurance						
Assumed reinsurance	(391,380)	(802,956)	(3,097,214)	(3,174,338)	(3,488,594)	(3,977,294)
Ceded reinsurance	19,717	28,856	1,174,172	1,337,910	1,193,889	1,366,766
b) Claims-related expenses	(86)	(10)	(694)	(100)	(780)	(110)
2. Variation in other technical provisions, net	2,629	1,340			2,629	1,340
3. Profit sharing and returned premiums						
4. Net operating expenses	(113,786)	(113,053)	(836,956)	(794,751)	(950,743)	(907,804)
a) Acquisition expenses	(119,231)	(117,320)	(1,228,880)	(1,099,185)	(1,348,110)	(1,216,505)
b) Administration expenses	(2,875)	(2,398)	(14,449)	(13,848)	(17,323)	(16,246)
c) Commissions and participation in reinsurance	8,319	6,665	406,371	318,282	414,690	324,947
5. Share in losses from equity-accounted companies						
6. Expenses from investments	(9,382)	(8,576)	(58,220)	(48,245)	(67,602)	(56,821)
a) From operations	(9,221)	(8,128)	(58,027)	(45,136)	(67,248)	(53,264)
b) From equity and financial accounts	(161)	(448)	(193)	(3,109)	(354)	(3,557)
7. Unrealized losses on investments on behalf of Life insurance policyholders bearing investment risk						
8. Other technical expenses	(444)	(961)	(2,135)	(1,816)	(2,578)	(2,777)
9. Other non-technical expenses	(1,757)	(1,026)	(6,158)	(8,287)	(7,914)	(9,313)
10. Negative foreign exchange differences	(98,366)	(68,621)	(1,843,196)	(1,456,488)	(1,941,562)	(1,525,109)
11. Allowance to the asset impairment provision			(638)	(180)	(638)	(180)
TOTAL EXPENSES FROM INSURANCE BUSINESS	**(592,855)**	**(965,007)**	**(4,671,037)**	**(4,146,295)**	**(5,263,893)**	**(5,111,302)**
RESULT FROM THE INSURANCE BUSINESS	**(8,739)**	**14,816**	**31,252**	**61,909**	**22,513**	**76,725**
III. OTHER ACTIVITIES						
IV. RESULT BEFORE TAXES FROM ONGOING OPERATIONS	**(8,739)**	**14,816**	**31,253**	**61,909**	**22,514**	**76,725**
V. TAX ON PROFITS FROM ONGOING OPERATIONS	**2,227**	**(4,272)**	**(7,888)**	**(14,952)**	**(5,660)**	**(19,224)**
VI. RESULT AFTER TAX FROM ONGOING OPERATIONS	**(6,512)**	**10,544**	**23,365**	**46,957**	**16,853**	**57,502**
VII. RESULT AFTER TAX FROM DISCONTINUED ACTIVITIES						
VIII. RESULT FOR THE PERIOD	**(6,512)**	**10,544**	**23,365**	**46,957**	**16,853**	**57,502**
1. Attributable to non-controlling interests	2	1	0	0	2	1
2. Attributable to controlling company	(6,514)	10,545	23,365	46,957	16,851	57,502

(Figures in thousands of euros)

F

Financial information by geographic area

FINANCIAL INFORMATION BY GEOGRAPHIC AREA. BREAKDOWN AS ON DECEMBER 31, 2020 AND 2019

The breakdown of ordinary revenue and non-current assets by country is presented below:

GEOGRAPHIC AREA	ORDINARY REVENUES FROM EXTERNAL CLIENTS	ORDINARY REVENUES FROM EXTERNAL CLIENTS	NON-CURRENT ASSETS	NON-CURRENT ASSETS
	2020	2019	2020	2019
SPAIN	1,020,143	1,076,080	53,294	158,958
UNITED STATES OF AMERICA	580,255	682,079	1,234	1,548
BRAZIL	339,592	272,987	4,017	6,095
MEXICO	240,596	225,444	722	478
VENEZUELA	6,746	5,179	252	269
COLOMBIA	112,396	118,926	262	314
ARGENTINA	77,432	82,615	1,834	6,584
TURKEY	87,879	126,041		
CHILE	224,179	203,101	5,976	4,370
OTHER COUNTRIES	2,997,303	2,788,043	19,228	23,371
TOTAL	**5,686,520**	**5,580,495**	**86,819**	**201,987**

(Figures in thousands of euros)

Non-current assets include intangible assets other than goodwill, property, plant and equipment, property investments, tax receivables, corporate receivables and other assets.

Assumed reinsurance premiums are considered ordinary revenues.

There is no client contributing, on an individual basis, more than 10 percent of the Group's ordinary revenue.

The variation in non-current assets in Spain derives from the liquidation of amounts from the MGR spin-off with MAPFRE ESPAÑA and the balance of Corporate Tax with MAPFRE S.A.

Consolidated Annual Report

1. GENERAL INFORMATION REGARDING THE COMPANY AND ITS ACTIVITIES

MAPFRE RE, Compañía de Reaseguros S.A. (hereinafter referred to as the Controlling Company) is a reinsurance company, and the parent company of a number of subsidiaries engaged in reinsurance activities.

The Controlling Company was incorporated in Spain, and its registered office is at Paseo de Recoletos no. 25, Madrid.

The Controlling Company has central services located in Madrid and four subsidiaries, nine branches and seven representative offices with a direct presence in seventeen countries. Its scope of operation includes Spain, European Union countries and other countries, mainly in Latin America. This scope of operation encompasses all types of business and reinsurance lines.

The Controlling Company is a subsidiary of MAPFRE S.A. and forms part of the MAPFRE Group, made up by MAPFRE S.A. and several companies operating in the insurance, financial, movable assets and services industries.

MAPFRE S.A. is a subsidiary of CARTERA MAPFRE, S.L. Sociedad Unipersonal (hereinafter, CARTERA MAPFRE), fully controlled by Fundación MAPFRE.

The separate and consolidated annual statement were prepared by the Board of Directors on February 25, 2021. They are expected to be approved at the Annual General Meeting. Spanish regulations provide for the possibility of modifying the annual statement in the event that these are not approved by the aforementioned governing body.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED ANNUAL ACCOUNTS

2.1 BASIS OF PRESENTATION

The Group's consolidated annual accounts were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (EU-IFRS), with all companies having carried out the requisite standardization adjustments.

The consolidated annual accounts have been prepared on the cost model basis, except for financial assets for sale, financial assets for trading, and derivative instruments, which are registered at their fair value.

There was no early application of the rules and interpretations which, having been approved by the European Commission, had not entered into force at the close of 2020. However, their early adoption would have had no effect on the Group's financial situation and results, with the exception of what is indicated in Section 2.5 below.

2.2 FINANCIAL INFORMATION BY SEGMENT

The controlling Company voluntarily includes financial information by segment in Section E of the consolidated annual accounts. The main segments by line of business of the Company are Life Reinsurance and Non-Life Reinsurance.

For the identification of the main segments, the main activities and insurance lines managed by the Group have been taken into consideration, as well as the qualitative thresholds established by regulations.

The Consolidated Management Report details additional information on business performance and characteristics.

2.3 FINANCIAL INFORMATION BY GEOGRAPHIC AREA

Section F) of the consolidated annual accounts provides additional financial information by geographic area.

The established geographic areas are: Spain, United States of America, Brazil, Mexico, Venezuela, Colombia, Argentina, Turkey, Chile and Other Countries

2.4 CHANGES IN ACCOUNTING POLICIES, CHANGES IN ESTIMATES AND ERRORS

The application of the New Standards and Interpretations applicable from January 1, 2020 has had no effect on the accounting policies, financial position or results of the Controlling Company.

As a result of the entry into force on January 1, 2019 of EU IFRS 16 "Leases," there was a change in accounting policy in the 2019 fiscal year, with implications mainly for lease agreements in which the Group is a lessee. In accordance with the transitional provision of the standard, the Group took the modified retrospective approach, recognizing the cumulative effect net of taxes as a negative adjustment of the balance of reserves and non-controlling interests, amounting to 8.04 and 7.71 million euros, respectively.

No significant errors were detected in the annual accounts of previous fiscal years.

2.5 COMPARISON OF THE INFORMATION

There is nothing preventing the comparison of the consolidated annual accounts from the fiscal year with those of the previous fiscal year, and the consolidated annual accounts have been prepared in line with the international standards approved by the European Commission and that were effective as at fiscal year-end.

On the date when these annual accounts were prepared, the following applied:

- The Group continues to make progress in analyzing the significant impact expected from EU IFRS 17 "Insurance Contracts," presumably applicable to fiscal years starting from January 1, 2023, which has been approved by the International Accounting Standards Board (IASB) but have not yet been adopted by the European Union.

- With regard to EU IFRS 9 "Financial Instruments," which is also expected to have a significant impact, the Group, pursuant to the provisions of EU IFRS 4 "Insurance Contracts," is taking advantage of the temporary option for exemption from applying EU IFRS 9 for companies predominantly engaged in insurance activities (more than 90 percent of its liabilities are in relation to insurance activity). Said temporary exemption can be applied until fiscal years starting from January 1, 2023, the date on which the new EU IFRS 17 "Insurance Contracts" is expected to enter into force.

In order to analyze any possible impacts from the effective application of IFRS-EU 9 "Financial Instruments," and improve the comparability of information between companies applying this standard and those that have chosen to defer its application, the modification of IFRS-EU 4 "Insurance Contracts" requires specific information related to cash flow from financial assets registered at amortized cost or as assets available for sale.

In view of the above, the Group has analyzed fixed income securities classified under the heading "Available-for-sale portfolio," providing the information required by the standard in Note 6.4. "Financial investments." The Group will adopt any other applicable standards, amendments and interpretations when they enter into force. The initial application of such is not expected to have a significant impact on the Group's financial situation or result.

2.6 CHANGES IN THE CONSOLIDATION SCOPE

The companies that were added to the consolidation scope and the changes that have occurred in this scope are listed in Annex 1, reflecting their equity figures and results.

The overall effect on the Group's consolidated equity, financial situation and results in fiscal years 2020 and 2019, derived from other changes in the consolidation scope with respect to the previous fiscal year, is described in the corresponding notes from the consolidated report.

2.7 ACCOUNTING JUDGMENTS AND ESTIMATES

In the preparation of the consolidated annual accounts under EU-IFRS, the controlling Company's Board of Directors has made judgments and estimates based on assumptions about the future and uncertainties that basically refer to:

- Technical provisions (Note 6.9).

- Losses due to asset impairment (Notes 6.2, 6.4 and 6.5). .

- The calculation of provisions for risks and expenses (Note 6.10).

- The actuarial calculation of post-employment remuneration commitments and liabilities (Note 6.18).

- The useful life of intangible assets and property, plant and equipment items (Notes 5.1 and 5.2).

- The fair value of certain non-listed assets (Note 6.4).

- The fair value of assets and liabilities arising from lease contracts (Note 6.3)

The estimates and assumptions used are reviewed regularly, and are based on past experience and on other factors that have been deemed most reasonable in each instance. If these reviews lead to changes in estimates in a given period, their effect shall be applied during that period and, as the case may be, in subsequent periods.

3. CONSOLIDATION

3.1. SUBSIDIARIES AND ASSOCIATED COMPANIES

The identification of subsidiaries and associated companies included in the consolidation, with specification of the consolidation method, are detailed in the interests in associated undertakings table, which forms part of the consolidated annual report as Annex 1.

Companies are configured as subsidiaries when the controlling Company holds a controlling interest over the investee company, and receives or has the right to variable returns, and the ability to influence said returns through the power that it exercises in said companies.

Subsidiaries are consolidated from the date when the Group acquires control, and are excluded from the consolidation on the date when it ceases to have such control.

Associated companies are companies in which the controlling Company exercises a significant influence, but which are neither subsidiaries nor joint ventures.

Significant influence is understood as the power to intervene in decisions on financial and operating policies of the investee company, but without controlling or jointly controlling these policies, presuming that there is significant influence when, either directly or indirectly through its subsidiaries, at least 20 percent of the voting rights of the investee company is owned.

Interests in associated companies are consolidated by the equity method, including, in the value of the interests, the net goodwill identified at the date of acquisition.

When the Group's interest in the losses of an associated undertaking is equal to or greater than the book value of its stake, including any unsecured receivable, the Group does not record additional losses, unless obligations have been incurred or payments have been made on behalf of the associated undertaking.

To determine if an investee company is a subsidiary or an associated company, the purpose and design of the investee company have been taken into account to ascertain the relevant activities, the way that decisions are made on these activities, who has the current capacity to direct these activities, and who receives their financial returns. The potential voting rights held and exercisable as purchase options on shares, debt instruments convertible into shares or other instruments giving the controlling Company the possibility to increase their voting rights have also been considered.

The financial statements of the subsidiaries and associated companies used for consolidation correspond to the fiscal years that ended on December 31, 2020 and 2019.

3.2. MUTUAL FUNDS

Mutual funds managed by Group companies in which the participation is greater than 20 percent were consolidated by global integration method.

3.3.CONVERSION OF ANNUAL ACCOUNTS OF FOREIGN COMPANIES INCLUDED IN THE CONSOLIDATION

The Group's functional and operating currency is the euro. For this reason, the balances and operations of Group companies with a different functional currency are translated into euros using the closing exchange rate for account balances at the average exchange rate weighted by the volume of transactions. Reinsurance operations are converted at the exchange rate corresponding to the month of their accounting.

The exchange differences resulting from applying this procedure, as well as those arising from the conversion of loans and other foreign currency instruments covering investments in foreign activities, are presented as a separate component in the "Statement of Recognized Revenues and Expenses" and are shown under equity in the "Currency conversion differences" account, deducting the part of the difference that corresponds to non-controlling acquisitions of controlled companies.

Fair value adjustments of assets and liabilities that arose from the acquisition of Group companies whose operating currency is not the euro are treated as assets and liabilities of overseas business. As such, they are stated in the functional currency of the overseas business and converted at the closing exchange rate.

With the exception of reinsurance operations, all other transactions in foreign currencies are initially converted into euros at the exchange rate in force on the transaction date.

Adjustments to opening balance

The adjustments to opening balance columns in the different tables of the notes on the consolidated annual statement include the variations that occurred as result of applying a different conversion exchange rate for data on overseas subsidiaries.

The variations in the technical provisions shown in the consolidated income statement differ from those obtained due to the discrepancy in the consolidated balance sheets for this fiscal year and the previous year. This is due to the use of a different conversion exchange rate for the overseas subsidiaries.

4. EARNINGS PER SHARE AND DIVIDENDS

4.1. EARNINGS PER SHARE

The calculation of the basic earnings per share -which matches the diluted gains per share, since there is no ordinary potential share- is shown below:

Item	2020	2019
Net profit attributable to the shareholders of the controlling Company (thousands of euros)	16,851	57,502
Average weighted number of outstanding ordinary shares (thousands of shares)	94,608	94,608
BASIC EARNINGS PER SHARE (euro cents)	**0.18**	**0.61**

4.2. DIVIDENDS

The breakdown of the dividends paid by the controlling Company in the last two fiscal years is shown below:

	TOTAL DIVIDEND (in euros)		DIVIDEND PER SHARE (in euros)	
Item	**2020**	**2019**	**2020**	**2019**
Interim dividend				
Charged to reserves		72,848,037		0.77
TOTAL		**72,848,037**		**0.77**

The dividends per share indicated in the table above correspond to the amount for each share in circulation at the date on which the dividend is paid.

The total dividend for the 2019 fiscal year was approved by the Extraordinary General Meeting on December 31, 2019.

The planned distribution of dividends complies with the requirements and limitations that are set out in the legal regulations and the corporate bylaws.

The controlling Company did not distribute dividends during the 2020 fiscal year.

5. ACCOUNTING POLICIES

The accounting policies applied to the following entries are indicated below:

5.1 INTANGIBLE ASSETS

GOODWILL

This represents the excess of cost paid on a business combination over the fair value of the identifiable assets and liabilities at the date of the merger.

Goodwill impairment

After its initial recognition and allocation to a cash-generating unit, its possible loss in value is assessed at least once a year. When the recoverable amount of a cash-generating unit is below the net book value, the loss in value is recognized immediately in the consolidated income statement.

OTHER INTANGIBLE ASSETS

- Other intangible assets from an independent acquisition
  The intangible assets acquired by third parties in a market transaction are valued at cost. If their useful life is finite, they are amortized and, if their useful life is indefinite, the value impairment tests are conducted at least once a year.

- Internally generated intangible assets
  Investigation expenses are recognized directly on the consolidated income statement for the year in which they are incurred. Development expenses are recorded as an asset when their probability, feasibility and future recoverability can be reasonably ensured. They are valued by the payments made.

  The capitalized development expenses are amortized during the period in which revenue or yields are expected to be obtained, without prejudice to the valuation that would be carried out if impairment occurs.

- Amortization of definite useful life intangible assets
  The useful life and amortization ratios used for the main intangible assets, for which a linear method of amortization has been applied in all cases, are indicated below:

ITEM GROUP	USEFUL LIFE (years)	AMORTIZATION RATIO (annual)
Computer applications	4	25%

These are amortized based on their useful life following a linear method. The amortization has been registered in the expense account under "Amortization provisions."

5.2 PROPERTY, PLANT AND EQUIPMENT AND PROPERTY INVESTMENTS

Property, plant and equipment and property investments are valued at their net acquisition cost minus their cumulative amortization and, if applicable, accumulated losses due to impairment.

Investments classified as property investments are those non-current real estate assets intended to obtain rental income, gains or both.

Costs incurred after their acquisition are recognized as an asset only when the future financial profits related to them are likely to revert to the Group and the cost of the item may be accurately determined. All other expenses associated with maintenance and repair are charged to the consolidated income statement during the fiscal year in which they are incurred.

Depreciation of these items is calculated on a straight-line basis on the cost of the asset less its residual value and the value of land according to the following periods of useful life:

ITEM GROUP	Years	Annual Coefficient
Buildings and other structures	50-25	2%-4%
Transportation vehicles	6.25	16%
Furniture	10	10%
Fittings	20-10	5%-10%
Data processing equipment	4	25%

The residual value and the useful life of assets are reviewed and adjusted if necessary at the close of each fiscal year.

These assets are written off in the accounts when they are transferred or future economic profit derived from their continuous use is not expected to be obtained. The gains or losses resulting from writing off the aforementioned elements are included on the consolidated income statement.

5.3 LEASING

According to the Company, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a set period of time in exchange for consideration.

A lease is classified as a finance lease if it transfers substantially all the risks and benefits incidental to ownership of a rented asset.

A lease is classified as an operating lease if it does not transfer substantially all the risks and benefits incidental to ownership of an underlying asset.

On the initial date of application of EU-IFRS 16- "Leases," the Company adopted the practical solution of not reassessing whether a contract is or contains a lease.

LEASE TERM

The lease term is the non-cancelable period, together with both the periods covered by an option to extend or terminate the lease, when it is reasonably certain that the lessee will exercise that option.

However, an entity will revise the lease term if there is a change in the non-cancelable period of a lease.

RECOGNITION AND MEASUREMENT

As a lessee, the Company recognizes a right-of-use asset and lease liabilities on the commencement date of the lease, according to the payments set out in the contract and its estimated duration. The initial assessment of the asset is made at cost and the initial assessment of lease liabilities is determined by the present value of the lease payments that are not paid at that date discounted using the lessee's incremental borrowing rate.

The right-of-use asset is subsequently assessed at cost less amortization and accumulated impairment losses, and adjusted, where appropriate, by the reassessment of liabilities. In the case the contracts are reviewed, the liabilities will be reassessed discounting the payments for amended leases.

The amortization costs, the interest on liabilities and, where appropriate, the variable lease payments not included in the initial assessment are recognized in the result of the period.

As a lessor, the Company shall recognize assets held under a finance lease at an amount equal to the net investment in the lease, which is measured by the interest rate implicit in the lease, and present them as a receivable. Subsequently, financial income during the lease term is recognized by reflecting a constant periodic rate of return on net investment. In the case of operating leases, income from lease payments will be recognized on either a straight-line basis or another systematic basis that is more representative.

EXEMPTIONS

As a lessee, the Company may apply the exemptions referred to and not consider short-term contracts (for particular classes of underlying assets) or leases for which the underlying asset is of low value (on a contract-by-contract basis) to be leases. The lessee shall then recognize the lease payments associated with those leases as expenses on either a straight-line basis over the lease term, or apply another systematic basis if that basis is more representative.

5.4 FINANCIAL INVESTMENTS

RECOGNITION

Financial assets traded on secondary securities markets are generally recognized on the settlement date.

CLASSIFICATION

Financial investments are classified in the following portfolios:

- Available-for-sale portfolio

This includes debt securities not classified under other portfolios and capital instruments of companies that are not subsidiaries or associated companies and are not included in the "Trading portfolio."

- Trading portfolio

This includes financial assets originating or acquired with the objective of selling them in the short-term, which are part of a portfolio of financial instruments identified and managed together, for which there is proof of recent actions to obtain gains in the short-term.

Derivative instruments not assigned to a hedging operation and hybrid financial assets completely valued at their fair value are also part of this portfolio.

In hybrid financial assets that include, at the same time, a main contract and a financial derivative, both components are separated and treated independently for the purpose of classifying and valuing them. When this separation is not possible, they are valued at their fair value.

ASSESSMENT

In their initial recognition on the balance sheet, all financial investments are recognized at the fair value of the provided compensation plus, in the case of financial investments not classified in the "Trading portfolio," the transaction costs that are directly attributable to their acquisition. Fair value is the price that would be received for the sale of a financial asset through a transaction ordered between market participants on the date of valuation.

Thereafter, the financial investments are assessed at their fair value, without deducting any transaction costs that may be incurred in their sale or any other form of disposal, with the following exceptions: financial assets that are capital instruments whose fair value cannot be reliably estimated, as well as derivatives that have these instruments as underlying assets and are settled through the delivery of said assets, which are valued at cost.

The fair value of financial investments, included in the available-for-sale portfolio and the trading portfolio, are classified according to the levels of the variables used in their assessments:

Level 1. Quotation price: Unadjusted price quoted on active markets.

Level 2. Observable data: Prices quoted in active markets for instruments similar to the one being assessed, or other assessment techniques in which all the significant variables are based on observable market data. The assessment is conducted via a model that discounts future financial flows, including the reimbursement value, using a rate curve with two main components:

1. Zero coupon swap curve of the currency of the issuance, which is considered to be the best approximation to the risk-free interest rate

2. Spread of the additional risk, which will be the spread added to or subtracted from the zero coupon swap curve that reflects the risks inherent to the issuance valued, such as credit, liquidity or optionality risk.

Level 3. Other assessments: Specific variables on a case-by-case basis. For these purposes, it is possible to distinguish between:

- Variable income assets, where in general the sale value is estimated according to the individual characteristics of the asset..
- Fixed income assets with complex future flow structures (interest rates linked to financial variables, with caps and/or floors) and one or more early amortizations, and in which the issuer has no similar issuances on the market or any unquoted issuances from an issuer with no similar issuances. In these cases, the assets are usually valued by requesting an assessment from a benchmark third party.

IMPAIRMENT

The book value of financial investments is corrected via a charge to the consolidated income statement when there is objective evidence that an event that entails a negative impact on its future cash flows has occurred or in any other circumstance that would indicate the inability to recover the investment cost of the financial instrument. The amount of losses due to impairment is equal to the difference between its book value and the current value of its future estimated cash flows.

For fixed income securities in which there is a defaulted interest and/or principal, the potential loss is estimated according to the situation of the issuer. For all other fixed income securities, an analysis is undertaken based on their credit quality and the degree of solvency of the issues, proceeding to record the impairment if the risk of non-payment is considered to be likely.

For equity instruments, an analysis of the investments is undertaken to determine whether or not they are impaired. Furthermore, it is considered that there is a sign of impairment when the market value decreases for a long time (18 months) or significantly (40 percent) in terms of its cost.

The amount of estimated losses due to impairment is recognized on the consolidated income statement, also including any reduction of the fair value of the investments previously recognized in "Valuation change adjustments." The reversal is recognized in the consolidated income statement, except for in the case of equity instruments. In this case, the valuation adjustment registered in previous fiscal years is not recognized in the income statement, but rather any increase in value is taken directly to equity.

5.5 IMPAIRMENT OF OTHER ASSETS

At the close of each fiscal year, the Group assesses whether there are any signs that the asset items may have suffered a loss in value. If such evidence exists, the recoverable amount of the asset is estimated.

For assets that are not in a fit state of repair and intangible assets with an indefinite useful life, the recoverable value is estimated whether or not there are signs of impairment.

If the book value exceeds the recoverable amount, a loss is recognized for this excess, reducing the book value of the asset to its recoverable amount.

If there is an increase in the recoverable amount of an asset other than goodwill, any previously recognized impairment loss is reversed, increasing the book value of the asset to its recoverable amount. This increase never exceeds the net amortization book value that would have been registered if an impairment loss had not been recognized in previous years. The reversal is recognized in the consolidated income statement, unless the asset has already been revalued against "Valuation change adjustments," in which case the reversal is treated as a revaluation increase. After this reversal, the amortization cost is adjusted in the following periods.

5.6 CREDITS

These assets are generally valued using the amortized cost, calculated according to the effective interest rate method, deducting, if applicable, the provisions for losses due to noted impairment of the value.

When there is objective evidence that a loss was incurred due to impairment, the corresponding provision is constituted for the amount estimated not to be recoverable. This amount is equivalent to the difference between the book value of the asset and the current value of the future cash flows, discounted at the original effective interest rate of the financial asset, and the loss is recognized on the year's consolidated income statement.

The Group calculates and provides the insolvency provision through an individualized system for monitoring balances with reinsurance companies. The basis of calculation are the balances pending collection with each reinsurance company and, depending on the corresponding time period, the provision is 50 percent for six-month balances and 100 percent for balances due more than nine months ago. Similarly, the balances with reinsurance companies in the settlement process are taken into account. The impairment is recognized in the consolidated income statement.

5.7 CASH

Cash consists of cash (cash in hand and bank deposits) and cash equivalents, which correspond to highly liquid short-term investments (maximum three months) that can easily be converted into fixed amounts of cash and which have an insignificant risk of change in value.

5.8 ALLOCATION ADJUSTMENTS

The fees and other acquisition expenses corresponding to the earned premiums that can be applied to the period between the closing date and the end of coverage of the contracts are essentially included under the heading of the asset. The expenses allocated to the results correspond to those actually incurred in the period in accordance with the provisions in Note 5.9.B.1.

At the same time, under this liabilities heading, commissions and other acquisition expenses for the ceded reinsurance that have to be allocated to the fiscal year or following fiscal years in accordance with the coverage period of the ceded policies are included.

5.9 REINSURANCE OPERATIONS

A) PREMIUMS

Assumed and retroceded reinsurance

These are recorded based on the accounts received from the ceding companies and additionally, in retroceded reinsurance operations, underwritten retrocession contracts are considered.

B) TECHNICAL PROVISIONS

B.1) Assumed reinsurance

Provision for unearned premiums

Proportional reinsurance

Proportional assumed reinsurance transactions are accounted for based on the accounts received from the ceding companies; when the information is provided by the cedants, unearned premium provisions are allocated based on the information provided by the cedant, with allocation on a per contract basis.

If they are not available, the amount of the premium deposit retained for this item will be posted as the provision for unearned premiums, and in the final analysis a premium allocation statistical method is used.

The acquisition expenses indicated by the assignors are allocated and included in the consolidated balance sheet under the heading "Allocation adjustments" for the consolidated balance sheet asset, with these expenses corresponding to those actually incurred in the period.

In the case of facultative and Global Risks business, allocations are carried out on a risk-by-risk basis.

Non-proportional reinsurance

Non-proportional reinsurance operations are accounted for based on the accounts received from the ceding companies, and the provision for unearned premiums is estimated by funding the recorded unearned premium based on the average policy coverage period.

Provision for unexpired risks

This is calculated by business line, and complements the provision for unearned premiums to the extent that the latter is not sufficient to reflect the valuation of risks and expenses to be covered that correspond to the coverage period that has not elapsed as on the closing date

Provision for outstanding claims

Proportional reinsurance

Provisions for outstanding claims are provided for the amounts communicated by the assignor or, in the lack thereof, for the withheld deposits, and include additional provisions for claims that were incurred but not reported (IBNR) as well as for deviations of the existing ones based on own experience.

Non-proportional reinsurance

For non-proportional reinsurance, the final cost is estimated and provisioned based on experience and through the use of actuarial methods, provided the historic information is available.

For facultative and Global Risks business, outstanding obligations are estimated using calculations based on the available information, this being the cedent's information or the best estimate.

B.2) Retroceded reinsurance

Retroceded reinsurance operations and their corresponding technical provisions are registered using the same criteria as those used for assumed reinsurance, and according to the underwritten retrocession contracts.

B.3) Liability adequacy test

The technical provisions registered are regularly subject to adequacy testing to determine whether they are sufficient. This is conducted using the most current estimates of future cash flow under insurance in force, considering the time value of money and using assumptions (economic, biometric, etc.) based on the experience of each company. If the result of this test indicates the inadequacy of the provisions, they are adjusted and charged to the result for the period.

C) LOSS EXPERIENCE

Claims on assumed reinsurance are accounted for based on the accounts received from the ceding companies, estimating the final expected cost in the case of contracts.

Losses on ceded and retroceded reinsurance are registered according to the underwritten contracts and under the same criteria applied for assumed reinsurance.

D) MOST SIGNIFICANT ASSUMPTIONS AND OTHER SOURCES FOR ESTIMATING UNCERTAINTIES

For assets, liabilities, revenue and expenses arising from reinsurance contracts, as a general rule, the assumptions that served as a basis for issuing these contracts, and that are specified therein, are used.

In general, the estimates and assumptions used are reviewed regularly and are based on past experience and other factors that might have been deemed more reasonable. If these reviews lead to changes in estimates in a given period, their effect shall be applied during that period and, as the case may be, in subsequent periods.

The main assumption is based on the behavior and development of the claims, using their frequency and costs in recent fiscal years. Likewise, delays in paying claims and any other external factors that could affect the estimates are taken into account in the estimates, along with assumptions about interest rates and foreign currency exchange rates.

For liabilities, assumptions are based on the best possible estimate when issuing the contracts, and if an insufficiency became evident, the provisions required to cover it would be constituted.

In the calculation of the technical provisions, discount techniques are not used for the valuation of future cash flows.

There were no material changes made to the assumptions arising to assess the insurance contracts throughout the fiscal year.

E) IMPAIRMENT

When there is objective evidence that a loss has been incurred due to impairment of the assets derived from reinsurance contracts, the general valuation criterion indicated in Note 5.7 Receivables is applied.

5.10 PROVISIONS FOR RISKS AND EXPENSES

These are recognized when there is a current obligation (whether legal or implicit) as a result of a past event and a reliable estimate of the obligation amount can be made.

If it is highly likely that part or all of a provision will be reimbursed, the reimbursement is recognized as a separate asset.

5.11 DEBT

Assessments are generally carried out at the amortized cost using the effective interest rate method.

Debts maturing past one year where the parties have not expressly agreed on the applicable interest rate are discounted using the current market rate for public debt instruments of the same or similar term, without disregarding the corresponding risk premium.

5.12 GENERAL CRITERIA FOR REVENUE AND EXPENSES

Ordinary revenue from operations other than insurance is recognized when the transfer of goods or performance of client services is satisfied in accordance with the agreed contract, with a good or service considered to be transferred when the client obtains control thereof (whether over a period of time or at a specific moment). The amount recognized as revenue corresponds to the compensation considered to be due for the transferred goods or services.

5.13 REMUNERATION FOR EMPLOYEES

Remuneration for employees may be short-term, post-employment benefits, compensation for termination, other medium- and long-term remuneration, and share-based payments.

a. Short-term remuneration

This is recorded according to the services provided by employees on an accruals basis.

b.Post-employment benefits

These essentially consist of defined contribution plans and defined benefit plans, as well as Life insurance covering death between ages 65 and 77.

Defined contribution plans

These are those in which the Company makes pre-determined contributions to a separate company (whether linked to the Group or external) and has no legal or implicit obligation to make any additional contributions in the event of an insufficiency of assets to honor the payment of benefits.

The amount of benefits to be received by employees is determined by the contributions made plus the yield obtained by the investments in which the fund was materialized.

Defined benefit plans

These are plans that establish the benefit to be received by employees at the time of retirement, normally based on factors such as remuneration.

The liability recognized on the balance sheet for defined benefit pension plans is equal to the present value of the defined benefits obligation on the balance sheet date less, where applicable, the fair value of plan assets.

The defined benefit obligation is determined separately for each plan using the projected credit unit actuarial valuation method.

Actuarial gains and losses are recognized in equity accounts.

The obligations for defined benefit plans that remain on the balance sheet correspond exclusively to retired personnel.

c. Compensation for termination

This is recognized as a liability and expense when there is clearly an agreement to rescind the work relationship before the normal date of employee retirement or when there is an offer to encourage voluntary rescission of contracts.

d. Other medium- and long-term remuneration and share-based payments

Other long-term remuneration, besides what is described in the preceding paragraphs and referring specifically to the award for years of service or time with the Company, are recorded in line with the aforementioned principles. The only exception is the cost of past services, which is recognized immediately and registered as an offsetting entry under the heading “Provisions for risks and expenses,” and actuarial gains and losses which are registered on the consolidated income statement.

5.14 REVENUES AND EXPENSES FROM INVESTMENTS

These are classified according to the allocation of the investments that generate them, from operations if they are allocated to cover technical provisions and from equity if they involve shareholders' equity.

Changes in fair value are recorded according to the portfolio in which financial investments are classified:

a) Trading portfolio

These are recorded directly in the consolidated income statement, distinguishing between the part attributable to returns-which is recorded as interest or, if applicable, as dividends- and the part that is registered as realized and unrealized results.

b) Available-for-sale portfolio

These are recognized directly in the Company's equity until written off or impairment is perceived, at which time they are registered in the consolidated income statement.

In all cases, the interest of financial instruments is recorded on the consolidated income statement by applying the effective interest rate method.

5.15 RECLASSIFICATION OF EXPENSES BY TYPE, PURPOSE AND ALLOCATION TO AREAS OF ACTIVITY

The criteria to follow for reclassifying expenses by purpose are mainly based on the position held by each of the employees, distributing their direct and indirect cost according to this position.

For expenses directly or indirectly related to personnel, individual studies are undertaken, allocating them to the purpose according to the position held for these expenses.

The established purposes are as follows:

- Claims-related expenses: In proportion to average loss ratio.
- Investment-related expenses: In proportion to the average technical provisions.
- Other technical expenses: Direct allocation
- Other non-technical expenses: Direct allocation.
- Acquisition expenses: In proportion to average premiums
- Administration expenses: In proportion to average premiums.

Expenses have been allocated to different segments, according to the business line that generated them:

- Assumed Life reinsurance
- Assumed Non-Life reinsurance

5.16 TRANSACTIONS AND BALANCES IN FOREIGN CURRENCY

With the exception of reinsurance activities, transactions in foreign currencies are translated into each Group company's functional currency at the exchange rate in force on the transaction date.

Reinsurance operations in foreign currency are registered at the exchange rate established at the beginning of each month of the fiscal year. Subsequently, at the end of each month, they are all treated as if they were a single operation, being converted at the exchange rate in force at that time and recording the resulting difference in the consolidated income statement.

At year end, the existing balances in foreign currencies are translated at the exchange rate of the functional currency prevailing on that date, and all exchange differences are recorded in the consolidated income statement, the only exception being those which are directly allocated to "Foreign exchange conversion differences," i.e. those arising from the monetary items that form part of the net investment in a foreign operation and from the non-monetary ones measured at fair value, where changes in value are directly recognized in equity.

5.17 TAX ON PROFITS

Tax on profits is treated as a fiscal-year expense and is recorded as such in the consolidated income statement, including both the tax charge for the current tax and the effect corresponding to the movement in deferred tax.

In order to determine this, the balance sheet method is followed, whereby the corresponding assets and deferred tax liabilities necessary to correct the effect of temporary differences are recorded. These are differences that may exist between the book amount of an asset or liability and its valuation for tax purposes.

Temporary differences may be "Taxable temporary differences," which result in higher tax payments in the future and which generally entail the recognition of a deferred tax liability, or "Deductible temporary differences," which result in lower tax payments in the future and, to the extent to which it is returnable, the registration of a deferred tax asset.

Meanwhile, tax on profits related to items where modifications to their value are recognized directly in equity is not allocated to the consolidated income statement but to equity, and the changes in value are recorded net of the tax effect.

(i) Recognition of deferred tax liabilities

The Group recognizes deferred tax liabilities in all cases except where:

• They arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that is not affected by the accounting result or the taxable income on the date of the transaction.

• They correspond to differences relating to investments in controlled, associated or joint arrangement companies over which the Group controls the moment of reversal and it is not probable that a reversal occurs in the foreseeable future.

(ii) Recognition of deferred tax assets

The Group recognizes deferred tax assets as long as:

• It is probable that there are sufficient future taxable profits to offset them. However, those assets that arise from the initial recognition of assets or liabilities, in a transaction that is not a business combination and that is not affected by the accounting result or the taxable income on the date of the transaction, are not recognized.

• They correspond to temporary differences relating to investments in subsidiaries or associated or joint arrangement companies to the extent that the temporary differences revert in the foreseeable future and positive future taxable profits are expected to be generated to offset the differences;

(iii) Compensation

The Group only offsets income tax assets and liabilities against current earnings if there is a legal right to them with regard to the tax authorities, and it intends to liquidate the debt resulting for the net amount or realize the assets and liquidate the liabilities simultaneously.

(iv) Assessment of deferred tax assets and liabilities

Deferred tax assets and liabilities are measured by tax types as shall apply in the fiscal years in which it is hoped that the assets will be realized or liabilities paid.

The Group reviews the book value of the deferred tax assets at the fiscal year-end and evaluates if conditions are fulfilled for recognizing deferred tax assets that had not previously been recognized.

6.BREAKDOWN OF THE FINANCIAL STATEMENTS

6.1 INTANGIBLE ASSETS

The difference in this heading is detailed in the following tables:

Fiscal year 2020

Item	Opening balance 2020	Adjustments to opening balancel	Changes in the consolidation scope	Additions or Provisions	Disposals, write-offs or reductions	Closing balance 2020
GOODWILL	54,138					54,138
OTHER INTANGIBLE ASSETS	17,125			3,534	(2,680)	17,979
Portfolio acquisition expenses						
Computer applications	17,125			3,534	(2,680)	17,979
Other						
COST	**71,263**			**3,534**	**(2,680)**	**72,117**
CUMULATIVE AMORTIZATION						
OTHER INTANGIBLE ASSETS	(9,961)			(2,491)	7	(12,445)
Portfolio acquisition expenses						
Computer applications	(9,961)			(2,491)	7	(12,445)
Other						
CUMULATIVE AMORTIZATION	**(9,961)**			**(2,491)**	**7**	**(12,445)**
IMPAIRMENT						
GOODWILL						
OTHER INTANGIBLE ASSETS						
Portfolio acquisition expenses						
Computer applications						
Other						
TOTAL IMPAIRMENT						
TOTAL GOODWILL	**54,138**					**54,138**
TOTAL OTHER INTANGIBLE ASSETS	**7,164**			**1,043**	**(2,673)**	**5,534**
TOTAL INTANGIBLE ASSETS	**61,302**			**1,043**	**(2,673)**	**59,672**

(Figures in thousands of euros)

Fiscal year 2019

Item	Opening balance 2019	Adjustments to opening balance	Changes in the consolidation scope	Additions or Provisions	Disposals, write-offs or reductions	Closing balance 2019
GOODWILL	54,138					54,138
OTHER INTANGIBLE ASSETS	12,666			4,458		17,125
Portfolio acquisition expenses						
Computer applications	12,666			4,458		17,125
Other						
COST	**66,805**			**4,458**		**71,263**
CUMULATIVE AMORTIZATION						
OTHER INTANGIBLE ASSETS						
Portfolio acquisition expenses						
Computer applications	(8,656)			(1,304)		(9,961)
Other						
CUMULATIVE AMORTIZATION	**(8,656)**			**(1,304)**		**(9,961)**
IMPAIRMENT						
GOODWILL						
OTHER INTANGIBLE ASSETS						
Portfolio acquisition expenses						
Computer applications						
Other						
TOTAL IMPAIRMENT						
TOTAL GOODWILL	**54,138**					**54,138**
TOTAL OTHER INTANGIBLE ASSETS	**4,010**			**3,154**		**7,164**
TOTAL INTANGIBLE ASSETS	**58,148**			**3,154**		**61,302**

(Figures in thousands of euros)

The main “entries” in fiscal years 2020 and 2019 correspond to the development of the new SAP/4 HANA accounting application.

The cost of fully amortized intangible fixed assets at fiscal year-end 2020 came to 9,407,000 euros (7,490,000 euros at fiscal year-end 2019).

Intangible assets with an indefinite useful life

The useful life of goodwill is considered indefinite, since it is expected to contribute to future revenue for the Group indefinitely.

The following table details information about the cash-generating units to which the different goodwill items are assigned, as well as their book value and, if applicable, the amount of impairment for the last two fiscal years.

Item	Cash-generating unit	Balance as on 12/31/2019	Fiscal year 2020			Balance as on 12/31/2020
			Additions/ Write-offs	Impairment	Amortization	
GOODWILL						
MAPFRE GLOBAL RISKS	NON-LIFE GLOBAL RISKS PORTFOLIO - SPAIN	54,138				54,138
TOTAL		54,138				54,138

(Figures in thousands of euros)

The goodwill generated in the 2018 fiscal year arises from the acquisition of assets and liabilities from the reinsurance activity of MAPFRE GLOBAL RISKS, S.A. The recognized amount was 54,138,000 euros, corresponding to the excess of the business combination costs over the amount of identifiable assets less assumed liabilities on the acquisition date. This goodwill is attributed to the GLOBAL RISKS cash-generating unit corresponding to the “Global Risks” reinsurance activity.

The net book value of the possible impairment of the goodwill described above is equal to or less, in all cases, than the amount that can be recovered from the cash-generating unit to which it is assigned, which has been determined according to the value in use, calculated on the basis of cash flow projections.

The country risk rate corresponds to the actual yield of the 10-year Treasury bonds in local currency issued in Spain, increased by the risk premium of the equity market estimated for the insurance industry. The market risk premium for the insurance industry is calculated by modulating the generic premium for the equity market by the Beta ratio for listed insurance companies compared with the region in which the cash-generating unit operates.

The perpetuity growth rate applied to said projections is based on the interest rate of the geographic market in which the cash-generating unit operates, which was 1.62 percent in 2020 (1.77 percent in 2019). This is based on the long-term inflation forecasts included in the International Monetary Fund’s “World Economic Outlook Database.”

The discount rate used to calculate the recoverable value was 3.93 percent in 2020 (4.20 percent in 2019). The cash flow projections for the first five years consider growth rates based on past experience, while in subsequent years the residual value is calculated, establishing perpetual revenues based on the cash flows of the last period of the estimates, with a perpetuity growth rate calculated as described above.

The rates used to calculate the recoverable value from cash-generating units are after taxes, as they apply to cash flows that are also net of the tax effect.

In the event of reasonable variations in any of the key assumptions, the book value is unlikely to be significantly higher than the recoverable value of the cash-generating unit.

6.2 PROPERTY, PLANT AND EQUIPMENT AND REAL ESTATE INVESTMENTS

Property, plant and equipment

The difference in this heading is detailed in the following tables:

Fiscal year 2020

Item	Opening balance	Adjust-ments to opening balance	Changes in the con-solidation scope	Additions or provisions	Disposals, write-offs or reduc-tions	Closing balance	Market value
COST							
PROPERTY FOR OWN USE	**63,504**	**47**		**1,362**	**(4,590)**	**60,323**	**58,837**
Land and natural resources	30,216	(1,338)				28,878	28,878
Buildings and other structures	20,531	2,906			(3,091)	20,346	20,592
Lease use rights	12,757	(1,521)		1,362	(1,499)	11,099	9,367
OTHER PROPERTY, PLANT AND EQUIPMENT	**14,246**	**68**		**1,011**	**(2,695)**	**12,630**	**6,142**
Vehicles	373	(1)		173	(79)	466	224
Furniture and fittings	8,709	(66)		801	(1,422)	8,022	3,869
Other property, plant and equipment	4,633	135		17	(1,194)	3,591	1,714
Advances and fixed assets in progress	468			20		488	235
Lease use rights	63					63	100
TOTAL COST	**77,750**	**115**		**2,373**	**(7,285)**	**72,953**	**64,979**
CUMULATIVE AMORTIZATION							
PROPERTY FOR OWN USE	(6,147)	2,532		(2,007)		(5,622)	
OTHER PROPERTY, PLANT AND EQUIPMENT	(7,736)	1,086		(1,137)	1,299	(6,488)	
TOTAL CUMULATIVE AMORTIZATION	**(13,883)**	**3,618**		**(3,144)**	**1,299**	**(12,110)**	
IMPAIRMENT							
PROPERTY FOR OWN USE	(1,224)					(1,224)	
Land and natural resources							
Buildings and other structures	(1,224)					(1,224)	
OTHER PROPERTY, PLANT AND EQUIPMENT							
Vehicles							
Furniture and fittings							
Other property, plant and equipment							
Advances and fixed assets in progress							
TOTAL IMPAIRMENT	**(1,224)**					**(1,224)**	
TOTAL PROPERTY FOR OWN USE	**56,133**	**2,579**		**(645)**	**(4,590)**	**53,477**	**58,837**
TOTAL OTHER PROPERTY, PLANT AND EQUIPMENT	**6,510**	**1,154**		**(126)**	**(1,396)**	**6,142**	**6,142**
TOTAL PROPERTY, PLANT AND EQUIPMENT	**62,643**	**3,733**		**(771)**	**(5,986)**	**59,619**	**64,979**

(Figures in thousands of euros).

Fiscal year 2019

Item	Opening balance	Adjust-ments to opening balance	Changes in the consolida-tion scope	Additions or provisions	Disposals, write-offs or reductions	Closing balance	Market value
COST							
PROPERTY FOR OWN USE	52,249	(49)	(3,086)	12,758	(6)	63,504	60,884
Land and natural resources	30,216					30,216	30,367
Buildings and other structures	22,033	(49)	(3,086)	1,639	(6)	20,531	20,017
Lease use rights				12,757		12,757	10,500
OTHER PROPERTY, PLANT AND EQUIPMENT	13,395	(35)	(1,163)	2,330	(244)	14,283	6,510
Vehicles	563				(190)	373	170
Furniture and fittings	7,414	(17)		1,318	(6)	8,709	3,972
Other property, plant and equipment	5,418	(18)	(1,163)	444	(48)	4,633	2,092
Advances and fixed assets in progress				468		468	213
Lease use rights				100		63	63
TOTAL COST	65,644	(84)	(4,249)	16,726	(250)	77,750	67,394
CUMULATIVE AMORTIZATION							
PROPERTY FOR OWN USE	(2,575)	(25)	10	(3,561)	4	(6,147)	
OTHER PROPERTY, PLANT AND EQUIPMENT	(6,885)	(63)	4	(821)	29	(7,736)	
TOTAL CUMULATIVE AMORTIZATION	(9,460)	(88)	14	(4,419)	33	(13,883)	
IMPAIRMENT							
PROPERTY FOR OWN USE	(1,224)					(1,224)	
Land and natural resources							
Buildings and other structures	(1,224)					(1,224)	
OTHER PROPERTY, PLANT AND EQUIPMENT							
Vehicles							
Furniture and fittings							
Other property, plant and equipment							
Advances and fixed assets in progress							
TOTAL IMPAIRMENT	(1,224)					(1,224)	
TOTAL PROPERTY FOR OWN USE	48,450	(74)	(3,076)	10,835	(2)	56,133	60,884
TOTAL OTHER PROPERTY, PLANT AND EQUIPMENT	6,510	(98)	(1,159)	1,472	(215)	6,510	6,510
TOTAL PROPERTY, PLANT AND EQUIPMENT	54,960	(172)	(4,235)	12,307	(217)	62,643	67,394

(Figures in thousands of euros).

In the 2020 fiscal year, the main additions originated from the works to remodel the representative offices of Colombia and Mexico, and from the increase in the value of the rights to use rented properties. In 2019, this was due to the change in accounting policy in relation to leases, as described in Notes 5.3 and 6.3.

In the 2019 fiscal year, the main additions produced were due to the renewal of computer equipment, as well as the refurbishment of the head office and the permanent establishment in the United Kingdom.

In the 2020 fiscal year, the main "disposals" produced were due to the write-off of fully depreciated furniture and information processing equipment.

In the 2019 fiscal year, the main "disposals" produced were due to the write-off for the sale of vehicles.

The changes in the consolidation scope reflected in the 2019 fiscal year were due to the disposal of the building belonging to the company CIAR.

The cost of fully depreciated property, plant and equipment items at the close of the 2020 and 2019 fiscal years reached 3,365,000 euros and 3,630,000 euros respectively, of which 2,002,000 euros and 1,535,000 euros respectively correspond to elements outside Spanish territory.

Real estate investments

The difference in this heading is detailed in the following tables:

Fiscal year 2020

Item	Opening balance	Adjustments to opening balance	Changes in the consolidation scope	Additions or provisions	Disposals, write-offs or reductions	Closing balance	Market value
COST							
REAL ESTATE INVESTING	6,814	(101)		442		7,155	6,803
Land and natural resources	2,080	1				2,081	1,898
Buildings and other structures	4,734	(102)		442		5,074	4,905
OTHER REAL ESTATE INVESTMENTS							
TOTAL COST	6,814	(101)		442		7,155	6,803
CUMULATIVE AMORTIZATION							
REAL ESTATE INVESTING	(4,334)	17		(199)		(4,516)	
OTHER REAL ESTATE INVESTMENTS							
TOTAL CUMULATIVE AMORTIZATION	(4,334)	17		(199)		(4,516)	
IMPAIRMENT							
REAL ESTATE INVESTING							
Land and natural resources							
Buildings and other structures							
OTHER REAL ESTATE INVESTMENTS							
TOTAL IMPAIRMENT							
TOTAL REAL ESTATE INVESTMENT	2,480	(84)		243		2,639	6,803

(Figures in thousands of euros).

Fiscal year 2019

Item	Opening balance	Adjust-ments to opening balance	Changes in the consolida-tion scope	Additions or provisions	Disposals, write-offs or reductions	Closing balance	Market value
COST							
REAL ESTATE INVESTING	**10,212**	**(314)**	**(3,084)**			**6,814**	**5,959**
Land and natural resources	2,079	1				2,080	1,635
Buildings and other structures	8,133	(315)	(3,084)			4,734	4,324
OTHER REAL ESTATE INVESTMENTS							
TOTAL COST	**10,212**	**(314)**	**(3,084)**			**6,814**	**5,959**
CUMULATIVE AMORTIZATION							
REAL ESTATE INVESTING	(4,333)	(11)	10			(4,334)	
OTHER REAL ESTATE INVESTMENTS							
TOTAL CUMULATIVE AMORTIZATION	**(4,333)**	**(11)**	**10**			**(4,334)**	
IMPAIRMENT							
REAL ESTATE INVESTING							
Land and natural resources							
Buildings and other structures							
OTHER REAL ESTATE INVESTMENTS							
TOTAL IMPAIRMENT							
TOTAL REAL ESTATE INVESTMENT	**5,879**	**(325)**	**(3,074)**			**2,480**	**5,959**

(Figures in thousands of euros)

The market value of real estate investment and of real estate for own use basically represents the value determined by an independent appraiser based on the variables observed in the market (Level 2). The valuation methods commonly used are the cost method, the comparison method, the future rental income method and the abbreviated residual method, depending on the characteristics of the asset being appraised.

Moreover, most property corresponds to assets assigned to technical provisions and valuations are performed on a regular basis, as established for valuation reviews by the supervisory bodies of insurance activities.

The changes in the 2019 consolidation scope were due to the disposal of furniture and the building of the CIAR subsidiary, due to its deconsolidation as a result of its sale.

Real estate investment revenue and expenses from the last two fiscal years are detailed in the following table:

	Investments in					
	Operations		Equity		Total	
Item	2020	2019	2020	2019	2020	2019
INCOME FROM PROPERTY						
From rentals	176	167	14	14	190	181
Gains on disposals						
TOTAL INCOME FROM INVESTMENTS	176	167	14	14	190	181
PROPERTY INVESTMENT EXPENSES						
Direct operating expenses	(37)	(60)			(37)	(60)
Other expenses	(120)	(189)			(120)	(189)
TOTAL EXPENSES FROM PROPERTY INVESTMENTS	(158)	(248)			(158)	(248)

(Figures in thousands of euros)

6.3 LEASING

The information concerning lease contracts has been drawn up pursuant to EU IFRS 16, the standard in force as on January 1, 2019.

The Group is the lessee of real estate for its own use and other property, plant and equipment. These leases have an average duration of between one and five years, with renewal clauses stipulated in the contracts. There is no restriction on the lessee whatsoever regarding the prerogative to sign these leases.

The financial statements at the close of last two fiscal years include the following amounts:

Fiscal year 2020

ITEM	REAL ESTATE FOR OWN USE	OTHER PROPERTY, PLANT AND EQUIPMENT	TOTAL
Right of use (net book value)	9,367	26	9,393
Other financial liabilities: lease payment obligations	9,632		9,632
Amortization	(1,779)		(1,779)
Interest expenditure	(196)		(196)

(Figures in thousands of euros)

Fiscal year 2019

ITEM	REAL ESTATE FOR OWN USE	OTHER PROPERTY, PLANT AND EQUIPMENT	TOTAL
Right of use (net book value)	11,119	63	11,182
Other financial liabilities: lease payment obligations	10,964		10,964
Amortization	(1,675)		(1,675)
Interest expenditure	(248)		(248)

(Figures in thousands of euros)

Interest expenditure is recorded in the consolidated income statement under the headings “Expenses from operating investments” for the insurance business and “financial expenses” for other activities. The amortization expense recorded is reclassified by purpose according to the criteria reflected in Note 5.16.

Total payments for the period amount to 1.8 million euros (1.7 million euros in 2019).

The minimum future payments for non-cancelable leases at the close of the last two fiscal years are as follows:

Item	Real estate for own use		Other property, plant and equipment		Total	
	2020	2019	2020	2019	2020	2019
Less than one year	158	248			158	248
More than one year and less than five years	631	744			631	744
More than five years						
TOTAL	**788**	**992**			**788**	**992**

(Figures in thousands of euros).

The applied rate for the calculation of indebtedness follows a methodology based on interest rate curves by country and currency, applied individually.

The weighted average rate of real estate and other fixed assets is 1.90 percent and 6.91 percent respectively (2.01 percent and 6.87 percent in 2019).

The Group has made use of the option to not apply IFRS-EU 16 to short-term lease contracts and/or those with a low-value underlying asset.

The Group is the lessee of operating leases on real estate. These leases have an average duration of one year, with renewal clauses stipulated in the contracts. There is no restriction on the lessee whatsoever regarding the prerogative to sign these leases.

The following table reflects the amounts corresponding to operating lease contracts as a lessor at the close of the last two fiscal years:

TYPE OF ASSET	Net book value	
	2020	2019
Chile property	1,419	1,245
Mansardas R-25	1,220	1,235
TOTAL	**2,639**	**2,480**

(Figures in thousands of euros).

The maturity of the operating lease charges for the last two fiscal years are as follows::

Item	2020	2019
Less than one year	190	181
More than one year and less than five years	760	724
More than five years	570	543
TOTAL	**1,520**	**1,448**

(Figures in thousands of euros)

6.4. FINANCIAL INVESTMENTS

The breakdown of financial investments at fiscal year-end is as follows::

Item	Book value	
	2020	2019
AVAILABLE-FOR-SALE PORTFOLIO		
Projects	191,283	225,801
Fixed income	3,464,388	3,371,553
Mutual funds	187,050	248,147
Other		
TOTAL AVAILABLE-FOR-SALE PORTFOLIO	**3,842,721**	**3,845,501**
TRADING PORTFOLIO		
Other investments		
Shares	3,065	103
Fixed income		
Mutual funds	22,596	25,291
Other		
TOTAL TRADING PORTFOLIO	**25,661**	**25,394**

(Figures in thousands of euros).

The process for the valuation of financial assets is as follows:

a) When the asset is acquired, it is assigned to a specific portfolio (held-to-maturity, available-for-sale or trading) depending on the characteristics of the liabilities to which it is going to be assigned and on the local and international legislation on accounting and insurance.

b) The accounting nature of the portfolios dictates the type of valuation performed. However, at least once a month all assets are valued against the market using the valuation methods mentioned in Note 5.4 “Financial investments” (Level 1, Level 2 and Level 3).

c) The assesments are performed directly by the Group companies, although in some countries an independent financial institution conducts these valuations in line with the local regulations.

The assessment policy is decided by the Investment Committees and/or Risk Committees, and is reviewed at least once a quarter.

Furthermore, the MAPFRE S.A. Executive Committee analyzes the value of all investments, gains and losses on a regular basis.

With regard to the sensitivity of fair value assessments, changes in the non-observable variables used in the aforementioned individual valuations would not significantly alter the fair value obtained.

Quoted prices are monitored and verified on a regular basis in order to decide whether any transfers between levels are required:

1. If the quotation source for a particular asset is no longer representative, it is transferred from Level 1 to Level 2.

2. Assets are transferred from Levels 2 and 3 to Level 1 if a reasonable quotation source is verified.

3. Assets are transferred to Level 3 when there are no longer any observable market data.

SPPI test

At the close of the 2020 and 2019 fiscal years, the Group conducted an analysis of fixed income securities classified in the held-to-maturity portfolio and available-for-sale portfolio, in order to determine which securities receive contractual cash flow solely from principal and interest, in other words if they pass the “SPPI” test.

The results of this analysis are described below, with the book values and fair values broken down as on December 31, 2020 and 2019, as well as the variation in fair value during these fiscal years:

Fiscal year 2020

RESULT	BOOK VALUE	FAIR VALUE	
		AMOUNT	VARIATION
Pass the SPPI test	3,348,723	3,348,723	(10,677)
Don't pass the SPPI test	115,665	115,665	(1,194)
TOTAL ANALYZED	**3,464,388**	**3,464,388**	**(11,871)**

(Figures in thousands of euros)

Fiscal year 2019

RESULT	BOOK VALUE	FAIR VALUE	
		AMOUNT	VARIATION
Pass the SPPI test	3,212,085	3,212,085	7,617
Don't pass the SPPI test	159,468	159,468	20,412
TOTAL ANALYZED	**3,371,553**	**3,371,553**	**28,029**

(Figures in thousands of euros)

In addition, the following table details the credit rating of the financial assets that pass the "SPPI" test:

CREDIT RATING	PASS THE "SPPI" TEST	
	Book value	Fair value
AAA	731,687	731,687
AA	832,288	832,288
A	1,135,587	1,135,587
BBB	515,896	515,896
BB or LOWER	133,265	133,265
No rating		
TOTAL	**3,348,723**	**3,348,723**

(Figures in thousands of euros)

A) Available-for-sale portfolio

The investments allocated to the available-for-sale portfolio, as on December 31, 2020 and 2019 are shown below:

ITEM	BOOK VALUE (fair value)						TOTAL		IMPAIRMENT			
	Level 1. Quotation price		Level 2. Observable data		Level 3. Other valuations				Recorded loss		Reversal gains	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Shares	191,283	223,301		2,500			191,283	225,801				
Fixed income	2,998,127	2,905,179	466,261	466,374			3,464,388	3,371,553			1	5
Mutual funds	12,964	210,105			174,086	38,042	187,050	248,147				
TOTAL AVAILABLE-FOR-SALE PORTFOLIO	**3,202,374**	**3,338,585**	**466,261**	**468,874**	**174,086**	**38,042**	**3,842,721**	**3,845,501**			**1**	**5**

(Figures in thousands of euros)

The impairment in 2020 and 2019 includes the reversal gains on investments available for sale in Chile.

The change in valuation adjustments of portfolio investments amounted to 25.95 million and 85.68 million euros as on December 31, 2020 and 2019 respectively, which have been registered as equity net of tax.

Transfers to the consolidated income statement of valuation adjustments of portfolio investments in previous fiscal years, undertaken during the 2020 and 2019 fiscal years, amount to (15.91) and (39.46) million euros, respectively.

There were no asset transfers between Levels 1 and 2.

There were no variations in valuation techniques at Levels 2 and 3.

B) Trading portfolio

The investments allocated to the trading portfolio are detailed below:

ITEM	BOOK VALUE (fair value)						TOTAL		GAINS (LOSSES) ALLOCATED TO RESULTS			
	Level 1. Quotation price		Level 2. Observable data		Level 3. Other valuations				UNREALIZED		REALIZED	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
OTHER TRADING PORTFOLIO INVESTMENTS												
Shares	65	57		46	3,000		3,065	103			8	662
Fixed income												
Mutual funds	19,839	25,291			2,757		22,596	25,291			425	
Other												
TOTAL OTHER INVESTMENTS	**19,904**	**25,348**			**5,757**		**25,661**	**25,394**			**433**	**662**
TOTAL TRADING PORTFOLIO	**19,904**	**25,348**			**5,757**		**25,661**	**25,394**			**433**	**662**

(Figures in thousands of euros)

The gains and losses of the trading portfolio are registered in the income statement, information on which is available in Note 6.14 “Revenue and expenses from investments.”

Note 7 “Risk management” details the maturity of fixed income securities.

6.5 RECEIVABLES

The breakdown of the "Receivables" heading as on December 31, 2020 and 2019, as well as impairment losses and reversal gains recorded in the last two fiscal years, are as follows:

ITEM	GROSS AMOUNT		IMPAIRMENT		NET BALANCE ON BALANCE SHEET		IMPAIRMENT				GUARANTEES RECEIVED	
							RECORDED LOSSES		REVERSAL GAINS			
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
I. Receivables on reinsurance operations	934,783	838,490	(12,713)	(12,075)	922,070	826,415	(638)	(180)				
II. Tax receivables	13,933	23,424			13,933	23,424						
III. Corporate and other receivables	4,611	105,760			4,611	105,760						
TOTAL	**953,327**	**967,674**	**(12,713)**	**(12,075)**	**940,614**	**955,599**	**(638)**	**(180)**				

(Figures in thousands of euros)

The balances included in the "Receivables" heading do not accrue interest and generally their liquidation is executed the following fiscal year.

Outstanding balances arising from "Ceded, retroceded and assumed reinsurance operations" are included in the "Receivables on reinsurance operations" entry.

The calculation and, if applicable, recognition of impairments is performed as detailed in Note 5.7 "Receivables" in this report.

The breakdown of the "Corporate and other receivables" heading is as follows:

CORPORATE AND OTHER RECEIVABLES	Amount	
	2020	2019
Balance receivables from personnel	2	383
Other debtors	4.609	105.377
Total	**4.611**	**105.760**

(Figures in thousands of euros)

In the 2019 fiscal year, outstanding balances were collected from the spin-off of MAPFRE GLOBAL RISKS under "Other debtors."

6.6 ASSET IMPAIRMENT

The following tables show asset impairment for the last two fiscal years:

Fiscal year 2020

IMPAIRMENT IN:	OPENING BALANCE	ADJUST-MENTS TO OPENING BALANCE	CHANGES IN THE CONSOLIDATION SCOPE	RECORDING IN RESULTS		DIRECT RECORDING IN EQUITY (*)		WRITE -OFF OF ASSET	CLOSING BALANCE
				INCREASE	DECREASE	PROVISIONS	DEDUCTIONS		
A) INTANGIBLE ASSETS (I+II)									
I. Goodwill									
II. Other intangible assets									
B) PROPERTY, PLANT AND EQUIPMENT (I+II)	**1,224**								**1,224**
I. Real estate for own use	1,224								1,224
II. Other property, plant and equipment									
C) INVESTMENTS (I+II+III+IV+V)									
I. Property investments									
II.Financial investments (1+2+3)									
1. Held-to-maturity portfolio									
2. Available-for-sale portfolio									
3. Trading portfolio									
III. Investments recorded by applying the equity method									
IV. Deposits made for assumed reinsurance									
V. Other investmentss									
E) INVENTORIES									
H) RECEIVABLES (I+II+III+IV+V)	**12,075**			**638**					**12,713**
I. Receivables on direct insurance and co-insurance operations									
II. Receivables on reinsurance operations	12,075			638					12,713
III. Tax receivables									
IV. Corporate and other receivabless									
V. Shareholders, called capital									
K) OTHER ASSETS									
TOTAL IMPAIRMENT (A+B+C+H+K)	**13,299**			**638**					**13,937**

(Figures in thousands of euros)

Fiscal year 2019

IMPAIRMENT IN:	OPENING BALANCE	ADJUST-MENTS TO OPENING BALANCE	CHANGES IN THE CONSOLIDATION SCOPE	RECORDING IN RESULTS		DIRECT RECORDING IN EQUITY (*)		WRITE-OFF OF ASSET	CLOSING BALANCE
				INCREASE	DECREASE	PROVISIONS	REDUCTIONS		
A) INTANGIBLE ASSETS (I+II)									
I. Goodwill									
II. Other intangible assets									
B) PROPERTY, PLANT AND EQUIPMENT (I+II)	**1,224**								**1,224**
I. Real estate for own use	1,224								1,224
II. Other property, plant and equipment									
C) INVESTMENTS (I+II+III+IV+V)		**5**			**(5)**				
I. Property investments									
II.Financial investments (1+2+3)		5			(5)				
1. Held-to-maturity portfolio									
2. Available-for-sale portfolio		5			(5)				
3. Trading portfolio									
III. Investments recorded by applying the equity method									
IV. Deposits made for assumed reinsurance									
V. Other investmentss									
E) INVENTORIES									
H) RECEIVABLES (I+II+III+IV+V)	**11,895**			**180**					**12,075**
I. Receivables on direct insurance and co-insurance operations									
II. Receivables on reinsurance operations	11,895			180					12,075
III. Tax receivables									
IV. Corporate and other receivabless									
V. Shareholders, called capital									
K) OTHER ASSETS									
TOTAL IMPAIRMENT (A+B+C+H+K)	**13,119**	**5**		**180**	**(5)**				**13,299**

(Figures in thousands of euros)

6.7 CASH

There are no significant non-cash transactions related to investment and financing activities that were excluded from the cash flow statement.

The cash balance breakdown for the last two fiscal years is as follows:

ITEM	2020	2019
Cash deposited in banks	272,940	242,265
Cash equivalents in banks	29,600	78,861
TOTAL	302,540	321,126

(Figures in thousands of euros)

6.8 EQUITY

Share capital:

Share capital is registered by the face value of paid-up shares or whose payment was demanded.

The controlling Company's share capital at the close of fiscal years 2020 and 2019 was 94,607,840 registered shares, with a face value of 3.10 euros each, fully subscribed and paid-up.

All shares carry the same political and economic rights.

The Annual General Meeting of the Controlling Company held on April 3, 2020 authorized the Board of Directors to increase the share capital one or several times during the five years following the date of the resolution, up to a maximum of 146,642,152 euros, equivalent to 50 percent of the share capital on the date of said meeting, in accordance with the provisions of Article 297 of the Corporation Law.

MAPFRE S.A. has a 93.77 percent stake in the capital as on December 31, 2020 and 2019.

The shares representing the share capital of the Controlling Company are not admitted to official trading.

Valuation change adjustments

This includes the equity reserves arising as a consequence of revenue and expenses recognized during each fiscal year which, pursuant to IFRS, must be recorded in the Group's equity accounts.

The following table presents the "Valuation change adjustments" recorded under the "Equity" heading at the close of the last two fiscal years:

ITEM	Amount 2020	Amount 2019
Fixed income		
Gains	115,466	83,278
Losses	(4,518)	(251)
Equities and mutual funds		
Gains	10,089	7,598
Losses	(4,463)	
Shadow accounting		
Other adjustments		
Total	116,574	90,626

(Figures in thousands of euros)

Restrictions on the availability of reserves:

The "Reserves" heading includes the Controlling Company's legal reserve, amounting to 58.7 million euros in 2020 and in 2019, which may not be distributed to shareholders, except in the event of the Controlling Company's liquidation, and may only be used to offset potential losses.

The same restriction applies to the legal reserves established by the subsidiaries and reflected in their balance sheets.

There are no other restrictions on the availability of reserves for any significant amount.

Capital management:

Capital management is focused on ensuring stability and maintaining adequate remuneration, which are achieved through robust solvency margins, financial flexibility, the generation of cash flows, and the creation of value for shareholders.

Managed capital refers to the eligible own funds in line with the regulations currently in force and other management models used. The Group's solvency ratio offers great strength and stability, bolstered by high diversification, strict investment policies and asset and liability management.

In line with the Group's risk appetite, which corresponds to the level of risk that the Group is prepared to assume to achieve its business objectives without any significant deviations (even in adverse circumstances), each Business Unit operates according to a series of risk tolerance levels based on the capital assigned.

MAPFRE has an internal capitalization and dividend policy that is designed to provide the Business Units with the capital necessary to cover the risks that have been assumed, all in a rational and objective way. The amount of dividends for distribution is established in line with the estimated results and shareholders' equity. If actual performance deviates from the estimates made, the assigned capital is revised.

Shareholders' remunerations are linked to the profits, solvency, liquidity and investment plans of the Group, as well as shareholders' expectations.

As a general rule, at the Annual General Meeting the Board of Directors proposes a distribution of dividends of between 45 percent and 65 percent of the attributable result for the period in its consolidated income statement. Both the estimation of risks and the allocation of capital to each of the Units are detailed in Note 7 of the annual report titled "RISK MANAGEMENT."

The items that form part of the Group's available equity conform to the requirements of current regulations.

The company belongs to a consolidated group of insurance companies headed by MAPFRE S.A. This company is required to submit statistical and accounting information on solvency to the General Directorate for Insurance and Pension Funds for regulatory purposes.

In the field of supervision, the calculation of the Group's solvency is carried out through a combination of the consolidation-based method, which is applied for all companies except for those domiciled in countries that are considered equivalent or provisionally equivalent, to which the deduction and aggregation method is applied. Similarly, those companies outside the European Economic Area that have little material effect on the Group's solvency are excluded from this calculation.

The companies included within the consolidation scope are detailed in Annex 1, indicating the methods used for their accounting integration and the calculation of solvency.

6.9 TECHNICAL PROVISIONS

1. Breakdown of the composition of technical provisions balance

The following table shows the balance composition of each of the technical provisions listed in the balance sheet of the last two fiscal years.

	Assumed reinsurance		Ceded and retroceded reinsurance	
Item	**2020**	**2019**	**2020**	**2019**
1 - Provisions for Non-Life unearned premiums and unexpired risks	**1,505,116**	**1,478,207**	**790,156**	**762,224**
1.1 Provision for unearned premiums	1,505,116	1,478,207	790,156	762,224
1.2 Provision for unexpired risks				
2 - Provisions for Life insurance	**406,673**	**320,544**	**35,517**	**101,926**
2.1 Provisions for unearned premiums and unexpired risks	337,487	246,629	6,199	4,978
2.1.1 Provisions for unearned premiums	337,487	246,629	6,199	4,978
2.1.2 Provisions for unexpired risks				
2.2 Mathematical reserves	69,186	73,915	29,318	96,948
2.3 Provisions for share in profits				
3 - Provisions for outstanding claims	**4,484,952**	**4,520,449**	**1,886,723**	**1,885,573**
3.1 Pending settlement or payment	4,484,952	4,455,887	1,886,723	1,885,573
3.2 Claims incurred but not reported (IBNR)				
3.3 For claim settlement internal expenses				
4 - Other technical provisions				
4.1 Burial				
4.2 Other				
TOTAL	**6,396,741**	**6,319,200**	**2,712,396**	**2,749,723**

(Figures in thousands of euros).

2. Change in each of the technical provisions

2.1. Provisions for unearned premiums, unexpired risks, benefits, share in profits and other technical provisions

A) ASSUMED REINSURANCE

Fiscal Year 2020

Item	Opening balance	Adjustments to opening balance	Changes in the consolidation scope	Provisions	Applications	Closing balance
I. Provisions for Non-life unearned premiums and unexpired risks	**1,478,207**			**1,505,116**	**(1,478,207)**	**1,505,116**
1. Provisions for unearned premiums	1,478,207			1,505,116	(1,478,207)	1,505,116
2. Provisions for unexpired risks						
II. Provisions for Life insurance	**320,544**			**406,673**	**(320,544)**	**406,673**
1. Provisions for unearned premiums	246,629			337,487	(246,629)	337,487
2. Provisions for unexpired risks						
3. Mathematical reserves	73,915			69,186	(73,915)	69,186
4. Provision for share in profits						
III. Provision for outstanding claims	**4,520,449**			**4,484,952**	**(4,520,449)**	**4,484,952**
Assumed reinsurance	4,520,449			4,484,952	(4,520,449)	4,484,952
IV. OTHER TECHNICAL PROVISIONS						
TOTAL	**6,319,200**			**6,396,741**	**(6,319,200)**	**6,396,741**

(Figures in thousands of euros) .

Fiscal Year 2019

Item	Opening balance	Adjustments to opening balance	Changes in the consolida-tion scope	Provisions	Applications	Closing balance
I. Provisions for Non-life unearned premiums and unexpired risks	**1,159,272**	**(247)**		**1,478,207**	**(1,159,025)**	**1,478,207**
1. Provisions for unearned premiums	1,159,272	(247)		1,478,207	(1,159,025)	1,478,207
2. Provisions for unexpired risks						
II. Provisions for Life insurance	**597,854**			**320,544**	**(597,854)**	**320,544**
1. Provisions for unearned premiums	517,996			246,629	(517,996)	246,629
2. Provisions for unexpired risks						
3. Mathematical reserves	79,858			73,915	(79,858)	73,915
4. Provision for share in profits						
III. Provision for outstanding claims	**4,458,055**			**4,520,449**	**(4,470,351)**	**4,520,449**
Assumed reinsurance	4,458,055			4,520,449	(4,470,351)	4,520,449
IV. OTHER TECHNICAL PROVISIONS						
TOTAL	**6,215,181**	**(247)**		**6,319,200**	**(6,148,712)**	**6,319,200**

(Figures in thousands of euros) .

The amounts of the provisions and applications of the technical provisions reflected in the tables above are recorded under the "Variation in provisions for premiums and unexpired risks," "Benefits paid and variation in provision for claims, net" and "Variation in other technical provisions" headings of the consolidated income statement.

B) RETROCEDED REINSURANCE

Fiscal year 2020

Item	Opening balance	Adjustments to opening balance	Changes in the consolidation scope	Provisions	Applications	Closing balance
Provision for unearned premiums	762,224			790,156	(762,224)	790,156
Provision for Life insurance	101,926			35,517	(101,926)	35,517
Provision for outstanding claims	1,885,573			1,886,723	(1,885,573)	1,886,723
Other technical provisions						
TOTAL	**2,749,723**			**2,712,396**	**(2,749,723)**	**2,712,396**

(Figures in thousands of euros).

Fiscal year 2019

Item	Opening balance	Adjustments to opening balance	Changes in the consolidation scope	Provisions	Applications	Closing balance
Provision for unearned premiums	584,964	240		762,224	(585,204)	762,224
Provision for Life insurance	8,312	1		101,926	(8,313)	101,926
Provision for outstanding claims	1,926,835	3,661		1,885,573	(1,930,496)	1,885,573
Other technical provisions						
TOTAL	**2,520,111**	**3,902**		**2,749,723**	**(2,524,013)**	**2,749,723**

(Figures in thousands of euros)

2.2. Mathematical provisions

Item	Assumed reinsurance 2020	Assumed reinsurance 2019
Mathematical provisions at the beginning of the fiscal year	**73.915**	**79.858**
Adjustments to opening balance	(2.100)	(4.604)
Consolidation (reserve balance on consolidation date)		
Premiums	265	265
Technical interest		
Allocation of profit sharing		
Claim payments/collections	(2.629)	(1.340)
Provision adequacy test		
Shadow accounting adjustments	(265)	(264)
Other		
Deconsolidation (balance of provision on deconsolidation date)		
Mathematical provisions at fiscal year-end	**69.186**	**73.915**

(Figures in thousands of euros).

3. Other information

3.1 Provision for unexpired risks

The provision for unexpired risks has been made by the Group's insurance companies in line with the criteria explained in Note 5.10.

3.2 Loss development by occurrence year

No information regarding loss development by occurrence year is provided for accepted reinsurance, as generally speaking, ceding companies do not inform the Company of the date of occurrence of the claims.

Using data from 2020 and 2019, a study has been conducted on the adequacy of technical provisions constituted as of the close of the aforementioned fiscal years. Said study was conducted by a specialized and reputable independent firm, and has affirmed the adequacy of these technical provisions.

6.10 PROVISIONS FOR RISKS AND EXPENSES

The following tables show the differences of provisions for risks and expenses in the last two fiscal years.

Fiscal year 2020

			ADDITIONS		DISPOSALS			
ITEM	**Opening balance**	**Adjust-ments to opening balance**	**Allocated provisions**	**Increased value on discount**	**Applied provisions**	**Reversed provisions**	**Closing balance**	**Maximum reversal period**
Provision for taxes	1,200						1,200	
Provisions for employee incentives	2,588		198	(992)	(795)		1,794	
Other provisions	6,605		5,963	(5,067)	(2,220)		7,501	
TOTAL BOOK VALUE	**10,393**		**4,810**	**(4,708)**	**(3,015)**		**10,495**	

(Figures in thousands of euros)

Fiscal year 2019

			ADDITIONS		DISPOSALS			
ITEM	**Opening balance**	**Adjust-ments to opening balance**	**Allocated provisions**	**Increased value on discount**	**Applied provisions**	**Reversed provisions**	**Closing balance**	**Maximum reversal period**
Provision for taxes			1,200				1.200	
Provisions for employee incentives	3,358		27		(795)		2,588	
Other provisions	5,136		3,340	349	(2,220)		6,605	
TOTAL BOOK VALUE	**8,492**		**4,574**	**349**	**(3,015)**		**10,393**	

(Figures in thousands of euros)

The "Provisions for risks and expenses" entry mainly includes: the defined benefits plans established for fiscal years 2020 and 2019 for the amount of 1,655,000 euros and 2,253,000 euros respectively; the medium-term incentive plan for an amount of 139,000 and 335,000 euros in the 2020 and 2019 fiscal years; the annual variable incentive for fiscal years 2020 and 2019 for the amount of 3,840,000 euros and 3,693,000 euros respectively; the years of service bonus for an amount of 1,757,000 euros and 1,516,000 euros respectively; and the Life insurance coverage for death between the age of 65 and 77 for an amount of 799,000 euros (711,000 euros in 2019) and scholarships for an amount of 265,000 euros (304,000 in 2019).

6.11 DEPOSITS RECEIVED ON CEDED AND RETROCEDED REINSURANCE

Deposits on ceded and retroceded reinsurance represent guarantees provided to reinsurers based on reinsurance coverage contracts signed within normal business practices. These mostly accrue a payable interest average of 0.78 percent and the average renewal period is generally annual. Settlement of the aforementioned interest is performed quarterly

6.12 DEBT

The balances included in the "Due on reinsurance operations," "Tax liabilities" and "Other debts" headings do not accrue payable interest, and generally they are settled in the following fiscal year.

6.13 GUARANTEE COMMITMENTS WITH THIRD PARTIES

The Company has provided letters of credit in guarantee reserves for premiums and outstanding claims against official bodies amounting to 92.4 and 124.4 million euros in 2020 and 2019 respectively. Likewise, fixed income securities have been pledged in favor of ceding companies through these letters of credit in the available-for-sale portfolio, amounting to 683.2 million and 708.3 million euros in fiscal years 2020 and 2019 respectively, as well as deposits at banking institutions for 80.2 and 74.2 million euros in 2020 and 2019.

6.14 REVENUE AND EXPENSES FROM INVESTMENTS

The breakdown of revenue and expenses from investments for fiscal years 2020 and 2019 is shown below:

Revenue from investments

Item	Revenue from investments in				Total	
	Operations		Equity			
	2020	2019	2020	2019	2020	2019
REVENUE FROM INTEREST, DIVIDENDS AND SIMILAR						
Property investments:	176		14	195	190	195
- Rentals	176		14	195	190	195
Revenue from the held-to-maturity portfolio:						
- Fixed income						
- Other investments						
Revenue from the available-for-sale portfolio	65,448	77,710		2,709	65,448	80,419
Revenue from the trading portfolio	717	2,070			717	2,070
Dividends of Group companies						
Other financial returns	42,680	54,389	110	331	42,790	54,720
TOTAL REVENUE	**109,021**	**134,169**	**124**	**3,235**	**109,145**	**137,404**
REALIZED AND UNREALIZED GAINS						
Net realized gains:	62,709	73,267		12,638	62,709	85,905
Property investments						
Held-to-maturity portfolio financial investments						
Available-for-sale portfolio financial investments	62,276	72,605		6,391	62,276	78,996
Trading portfolio financial investments	433	662			433	662
Other				6,247		6,247
Unrealized gains:						
Trading portfolio fair value increase						
Other						
TOTAL GAINS	**62,709**	**73,267**		**12,638**	**62,709**	**85,905**
TOTAL REVENUE FROM INVESTMENTS	**171,730**	**207,436**	**124**	**15,873**	**171,854**	**223,309**

(Figures in thousands of euros)

Expenses from investments

	Expenses from investments in				Total	
	Operations		Equity			
Item	2020	2019	2020	2019	2020	2019
FINANCIAL EXPENSES						
Real estate investments:	(158)				(158)	
- Direct operating expenses	(38)				(38)	
- Other expenses	(120)				(120)	
Expenses from held-to-maturity portfolio:						
- Fixed income						
- Other investments						
Expenses from available-for-sale portfolio	(14,508)	(17,755)	(140)	(1,092)	(14,648)	(18,847)
Expenses from trading portfolio						
Other financial expenses	(11,513)	(11,378)	(214)	(218)	(11,727)	(11,596)
TOTAL EXPENSES	**(26,179)**	**(29,133)**	**(354)**	**(1,310)**	**(26,533)**	**(30,443)**
REALIZED AND UNREALIZED LOSSES						
Net realized losses:	(41,069)	(24,131)		(2,247)	(41,069)	(26,378)
Real estate investments						
Held-to-maturity portfolio financial investments						
Available-for-sale portfolio financial investments	(41,069)	(24,131)		(2,247)	(41,069)	(26,378)
Trading portfolio financial investments						
Other						
Unrealized losses:						
Trading portfolio fair value decrease						
Other						
TOTAL LOSSES	**(41,069)**	**(24,131)**		**(2,247)**	**(41,069)**	**(26,378)**
TOTAL EXPENSES FROM INVESTMENTS	**(67,248)**	**(53,264)**	**(354)**	**(3,557)**	**(67,602)**	**(56,821)**

(Figures in thousands of euros)

6.15 OPERATING EXPENSES

A breakdown of net operating expenses by purpose and type for the last two fiscal years is shown below:

Operating expenses by purpose

Item	2020	2019
Claims-related expenses	(780)	(110)
Acquisition expenses	(1,348,110)	(1,216,505)
Administration expenses	(17,323)	(16,246)
Expenses from investments	(67,602)	(56,821)
Other technical expenses	(2,578)	(2,777)
Other non-technical expenses	(7,913)	(9,313)
Operating expenses from other activities		
TOTAL	**(1,444,307)**	**(1,301,773)**

(Figures in thousands of euros)

Operating expenses by type

Item	2020	2019
Commissions and other portfolio expenses	(1,284,998)	(1,144,915)
Personnel expenses	(45,144)	(45,853)
External services	(52,767)	(57,103)
- Leasing (property and buildings)	(968)	(699)
- Repairs and upkeep (property and buildings)	(1,530)	(1,696)
- Leasing and repairs (computer equipment)	(406)	(27)
- Leasing and repairs (computer applications)	(1,893)	(1,765)
- Other services (computer applications)	(4,919)	(2,815)
- Supplies (communications)	(803)	(664)
- Advertising and marketing	(106)	(76)
- Public relations	(777)	(2,731)
- Independent professional services	(37,931)	(44,641)
- Other services	(3,432)	(1,989)
Taxes	2,500	1,127
Financial expenses		
Provisions for amortizations	(3,999)	(4,569)
Expenses allocated directly to purpose	(59,899)	(50,459)
TOTAL	**(1,444,307)**	**(1,301,773)**

(Figures in thousands of euros)

The income statement reflects expenses by purpose, i.e. based on the function the expenses fulfill in the operational cycle of the insurance activity (claims-related expenses, the acquisition of insurance contracts, administration, investments or other technical items).

Expenses are initially recorded based on their type, and are reclassified according to their purpose in those cases in which the two do not coincide. The reclassification performed in the following headings is indicated below:

1) Claims-related expenses

Includes expenses for personnel assigned to claims management, amortization of fixed assets assigned to this activity, fees paid for claims management and expenses incurred for other services necessary for processing claims.

2) Net operating expenses

Included in this heading are:

- Acquisition expenses. Includes commissions, expenses for personnel assigned to production, amortization of fixed assets assigned to this activity, expenses for analyzing and processing policy applications and formalizations, as well as advertising, publicity and commercial organization expenses directly related to the acquisition of insurance contracts.

  The fees and other acquisition expenses corresponding to the earned premiums that can be allocated to the period between the closing date and the end of coverage of the contracts are essentially included under the "Accrual adjustments" heading of the asset. The expenses allocated to the results correspond to those actually incurred in the period in accordance with the provisions in Note 5.9.

  In parallel, the amounts of fees and other acquisition expenses for ceded reinsurance that must be allocated to the fiscal year or following years in accordance with the coverage period of the ceded policies are included under the "Accrual adjustments" heading of the liability

- Administration expenses. These primarily include expenses for personnel assigned to these functions and the amortization of fixed assets assigned to this activity, as well as expenses arising from contentious matters related to premiums and expenses from processing refunds and from ceded and accepted reinsurance.

- Commissions and shares in reinsurance. Includes compensation from reinsurers to the ceding companies for acquisition and administration expenses incurred by the latter, as well as their share in the profits of the reinsurer.

3) Expenses from investments

Includes expenses for personnel assigned to managing investments, provisions for amortization of fixed assets assigned to this activity, and other internal and external expenses for managing investments, with external expenses including the fees, commissions and brokerage fees accrued.

Expenses from investments are classified as from operations or from equity depending on whether they arise from investments corresponding to technical provisions (operating investments) or from investments corresponding to the Company's equity (equity investments).

6.16 RESULT FROM CEDED AND RETROCEDED REINSURANCE

The result from ceded and retroceded reinsurance operations for fiscal years 2020 and 2019 is the following:

	Non-life		Life		Total	
Item	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Premiums (-)	(2,378,807)	(2,235,252)	(34,259)	(28,060)	(2,413,066)	(2,263,312)
Change in the provision for unearned premiums and unexpired risks	38,878	178,444	1,250	(475)	40,128	177,969
Claims paid (+) Variation in provision for outstanding claims	1,174,172	1,337,910	19,717	28,856	1,193,889	1,366,766
Variation in mathematical provision						
Variation in other technical provisions						
Share of reinsurance in fees and expenses (+)	406,371	318,282	8,319	6,665	414,690	324,947
Other						
RESULT FROM CEDED AND RETROCEDED REINSURANCE	**(759,386)**	**(400,616)**	**(4,973)**	**6,986**	**(764,359)**	**(393,630)**

(Figures in thousands of euros)

6.17 FISCAL SITUATION

a) Consolidated tax scheme

Tax on profits

Since fiscal year 2002, MAPFRE RE has been one of the companies included in Fiscal Group 9/85 for corporate tax purposes. This Group consists of MAPFRE S.A., as controlling Company, and its subsidiaries that are eligible for this tax scheme.

Therefore, the amounts receivable or payable for the tax on profits are registered under the headings "Corporate and other receivables" and "Other debts" in the consolidated balance sheet.

Value added tax

Since fiscal year 2010, and for the purposes of value added tax, some of the consolidated companies with registered office in Spain have been included in VAT Group no. 87/10, formed by MAPFRE S.A., as the controlling Company, and its subsidiaries that agreed to join the Group when it was created.

b) Elements of tax on profits expenses and reconciliation of the book result with ongoing operation tax expenses

Shown below for the fiscal years ending on December 31, 2020 and 2019 are the main elements of the tax on profit expenses from ongoing operations, and the reconciliation between the tax on profits expenses and the product of multiplying the book results by the applicable tax rate.

The Group has reconciled the amounts by aggregating reconciliations made separately using the national rates of each country.

	Amount	
Item	**Fiscal year 2020**	**Fiscal year 2019**
Tax expense		
Result before taxes from ongoing operations	22,514	76,726
25% of the result before taxes from ongoing operations	(5,629)	(19,182)
Tax incentive for the fiscal year	6,130	4,255
Tax effect of the permanent differences	(1,824)	(43)
Tax effect of tax rates other than 25 percent	(2,394)	(3,159)
Total expense from current tax originating in the fiscal year	(3,717)	(18,129)
Expense from current tax originating in previous fiscal years	(1,943)	(1,095)
Previously unrecognized credits on negative tax bases from prior periods, deductions pending application or temporary differences, use of negative tax bases		
Total tax expenses from ongoing operations	**(5,660)**	**(19,224)**
Tax on profits to be paid		
Taxes withheld and payments on account	3,353	35,051
Temporary differences and currency conversion differences	(6,621)	86
Tax receivables and incentives recorded in previous fiscal years and applied to the current fiscal year		
Tax on profits from discontinued operations		
Total tax on profits to be paid or receivable originating in the fiscal year	**(8,928)**	**15,913**
Tax on profits receivable from previous fiscal years		(174)
Net total tax on profits to be paid or receivable	**(8,928)**	**15,739**

(Figures in thousands of euros).

With respect to Spanish companies, the tax rate applicable in fiscal years 2020 and 2019 was 25 percent.

c) Deferred tax assets and liabilities

As on December 31, 2020 and 2019, deferred tax assets and liabilities were shown on the consolidated balance sheet for the net amount corresponding to each of the Group's tax-paying companies. They currently stand as follows:

Item	2020	2019
Deferred tax assets	54,387	59,833
Deferred tax liabilities	(46,953)	(46,884)
NET ASSETS (LIABILITIES)	**7,434**	**12,949**

(Figures in thousands of euros).

The following tables show the detail of the net deferred tax balance for fiscal years 2020 and 2019, breaking down the amount of deferred tax by items charged or paid directly against equity in each of the fiscal years.

Fiscal year 2020

Item	Opening balance	Adjust-ments to opening balance	Changes in the consolidation scope	Originating from: Results	Originating from: Equity	Write-offs	Closing balance
Valuation difference of financial investments	(25,893)				(7,416)		(33,109)
Implicit derivatives							
Other recognized revenue and expenses							
Stabilization and catastrophe provision							
Other technical provisions							
Portfolio acquisition expenses and other acquisition expenses							
Other	38,842			1,901			40,743
TOTAL DEFERRED TAXES	**12,949**			**1,901**	**(7,416)**		**7,434**

(Figures in thousands of euros)

Fiscal year 2019

Item	Opening balance	Adjust-ments to opening balance	Changes in the consolidation scope	Originating from: Results	Originating from: Equity	Write-offs	Closing balance
Valuation difference of financial investments	16,292				(42,185)		(25,893)
Implicit derivatives							
Other recognized revenue and expenses							
Stabilization and catastrophe provision							
Other technical provisions							
Portfolio acquisition expenses and other acquisition expenses							
Other	23,584			15,258			38,842
TOTAL DEFERRED TAXES	**39,876**			**15,258**	**(42,185)**		**12,949**

(Figures in thousands of euros)

At fiscal year-end 2020, deferred tax assets and liabilities maturing within 12 months amounted to 32,000 euros (36,000 euros in 2019).

d) Tax incentives

The tax incentives of the fully consolidated companies for fiscal years 2020 and 2019 are as follows:

MODALITY	Fiscal year to which they correspond	Amount applied in the fiscal year		Amount pending application		Amount not recorded		Term for application	
		2020	2019	2020	2019	2020	2019	2020	2019
Double tax deduction	2020	6,127	4,252					6,127	
Decrease for capitalization reserve									
Other	2020	3	3					3	
TOTAL		**6,130**	**4,255**					**6,130**	

(Figures in thousands of euros)

e) Verification by tax authorities

In accordance with current legislation, the statements made for the different taxes may not be considered final until they have been inspected by the tax authorities or until the expiration period has elapsed (four years for Spanish companies).

During the 2020 and 2019 fiscal years, the verification proceedings were conducted, which were initiated on December 4, 2017 in relation to the Corporate Tax for fiscal years 2013 to 2016, referring to Tax Consolidation Group no. 9/85, of which MAPFRE S.A. is the controlling company. Likewise, and in reference to Value Added Tax (hereinafter VAT), the Company was informed, as representative of VAT Group no. 87/10, of the initiation of the verification activity for fiscal years 2014 to 2016.

As a result of said actions with regard to MAPFRE RE, the certificate of compliance has been drawn up concerning fiscal years 2014/15 on employee work deductions amounting to 296,000 euros (mainly with regard to exemptions from severance pay). In addition, the Company signed a certificate of compliance for fiscal year 2016 on withholding taxes in payments to non-residents for a negligible amount.

Certificates of non-compliance were also signed in relation to the Corporate Tax for the fiscal years 2013 to 2016 that affect the Tax Group. With regard to the MAPFRE RE group, these certificates are mainly related to the allocation of costs to subsidiaries and permanent establishments and the rating of certain income from Brazilian subsidiaries (Brazilian interest). On May 30, 2020, allegations were made against the certificates of non-compliance, which have been dismissed by the Technical Office of the Central Office of High-Income Taxpayers, whose resolutions have been appealed to the TEAC (Tribunales Económico-Administrativos de España – Spanish central economic-administrative court). The proceeding before the TEAC is pending resolution. In this regard, a specific provision for this item was recorded in the fiscal year 2019 for an amount of 1,200,000 euros, as shown in Note 6.10. No other significant impacts are expected as a result of these inspections.

Once these inspections have been completed, the fiscal years from 2017 to 2020 inclusive will be subject to review.

6.18 REMUNERATION OF EMPLOYEES AND ASSOCIATED LIABILITIES

1. Personnel expenses

The personnel expenses breakdown for the last two fiscal years is shown in the table below:

Item	Amount 2020	Amount 2019
a) Short-term remunerations	(46,547)	(44,005)
a.1) Wages and salaries	(39,172)	(36,821)
a.2) Social security	(6,408)	(6,225)
a.3) Other remuneration	(967)	(959)
b) Post-employment benefits	1,454	(1,787)
b.1) Defined contribution commitments	1,608	(1,633)
b.2) Defined benefit commitments	(154)	(154)
c) Compensation for termination	(51)	(61)
d) Share-based payments		
e) Other long-term remunerations		
TOTAL	**(45,144)**	**(45,853)**

(Figures in thousands of euros)

Main post-employment benefits and other compensation

Defined benefit plans

The defined benefit plans are those where the benefit is determined according to end salaries, with the benefit paid in the form of an annuity, subject to review according to the annual consumer price index (CPI).

The obligations for defined benefit plans that remain in the balance sheet correspond exclusively to retired personnel. The main plans are implemented through insurance policies, which are measured as described in the accounting policies.

With regard to the amounts recognized in the balance sheet, obligations for benefit plans are defined for the personnel of the Company's Permanent Establishment in Belgium, amounting to 1,655,000 and 2,253,000 euros as on December 31, 2020 and 2019, respectively. The sum of assets allocated was 1,144,000 and 1,702,000 euros at the close of fiscal years 2020 and 2019.

The main actuarial assumptions used at the close of the last two fiscal years are the following: PERM/F-2000 mortality tables and annual CPI of 1.72 percent and 2.13 percent in 2020 and 2019, respectively, while the discount rates and expected return on allocated assets are identical, as they involve products with matching cash flows.

The net effect on the equity and results of actuarial fair value gains or losses, interest costs and the return on allocated assets to the plan is null and void because the amounts corresponding to obligations and assets allocated to the plan or reimbursement rights are net.

Other post-employment benefits

At fiscal year-end 2020 and 2019, a provision was made corresponding to Life insurance with coverage for death between the age of 65 and 77 years for an amount of 799,000 and 711,000 euros respectively. Furthermore, the provision for the Years of Service Bonus for the fiscal years 2020 and 2019 amounted to 1,757,000 euros and 1,516,000 euros respectively.

Other medium- and long-term remuneration and share-based payments

The Board of Directors approved a medium-term incentive plan in 2019, which was valued and recognized in the income statement pursuant to Note "5.14 Employee remuneration." No amount has been provided for this item in the event that the objectives set out in the plan are not achieved.

During the 2020 fiscal year, the former medium-term incentive plan approved in 2016 was partially settled for 196,000 euros. At fiscal year-end, an amount of 106,000 euros to be paid in cash and 33,000 euros to be settled by means of equity instruments remained outstanding for the 2021–2022 period, recognized at fiscal year-end in liabilities (296,000 euros and 39,000 euros respectively as on December 31, 2019 for the 2020–2022 period).

Number of employees

The table below details the average and final number of employees in the last two fiscal years, classified by category, gender and geographic distribution.

Average number of employees:

2020

Country	Board directors		Senior management		Management		Technicians		Administrative		Total	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Spain	2				33	21	94	93		12	129	126
United States of America					2	2	2	6			4	8
Brazil					4	2	8	4	1	1	13	7
Chile					3		4	4		2	7	6
Rest of the Americas					8	7	14	14	7	6	29	27
Europe					15	4	27	29		7	42	40
Philippines					1		1	6	1	1	3	7
Rest of Asia					4		3	5		1	7	6
TOTAL AVERAGE NUMBER OF EMPLOYEES	**2**				**70**	**36**	**153**	**161**	**9**	**30**	**234**	**227**

Average number of employees:

2019

Country	Board directors		Senior management		Management		Technicians		Administrative		Total	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Spain	2				30	19	84	85		12	116	116
United States of America					1	2	2	6			3	8
Brazil					4	2	8	4	1	1	13	7
Chile					2	1	5	4		2	7	7
Rest of the Americas					8	6	15	11	6	9	29	26
Europe					16	4	27	30		8	43	42
Philippines					1			5	1	2	2	7
Rest of Asia					3		3	3		3	6	6
TOTAL AVERAGE NUMBER OF EMPLOYEES	**2**				**65**	**34**	**144**	**148**	**8**	**37**	**219**	**219**

Number of employees at fiscal year-end:

2020

Country	Board directors		Senior management		Management		Technicians		Administrative		Total	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Spain	2				33	22	96	90	1	11	132	123
United States of America					2	2	2	6			4	8
Brazil					4	2	8	3	1	1	13	6
Chile					3		5	4		2	8	6
Rest of the Americas					8	6	14	16	6	6	28	28
Europe					13	4	25	31		7	38	42
Philippines					1		1	6	1	1	3	7
Rest of Asia					4		3	5		1	7	6
TOTAL AVERAGE NUMBER OF EMPLOYEES	**2**				**68**	**36**	**154**	**161**	**9**	**29**	**233**	**226**

Number of employees at fiscal year-end:

2019

Country	Board directors		Senior management		Management		Technicians		Administrative		Total	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Spain	2				31	19	84	90		12	117	121
United States of America					1	2	3	6			4	8
Brazil					4	2	8	5	1	1	13	8
Chile					3		4	4		2	7	6
Rest of the Americas					8	6	15	15	6	7	29	28
Europe					16	4	29	29		9	45	42
Philippines					1			5	1	2	2	7
Rest of Asia					3		4	3		3	7	6
TOTAL AVERAGE NUMBER OF EMPLOYEES	**2**				**67**	**33**	**147**	**157**	**8**	**36**	**224**	**226**

The number of employees in Spain with a degree of disability greater than or equal to 33 percent at the close of the last two fiscal years is detailed below, indicating the categories to which they belong.

Item	2020	2019
Senior Management	2	2
Technicians	4	3
Administrative		
TOTAL	**6**	**5**

6.19 NET RESULTS FOR FOREIGN EXCHANGE DIFFERENCES

Positive foreign exchange differences, other than those arising from financial instruments assessed at fair value and allocated to the consolidated income statement, amounted to 1,942.86 million and 1,519.30 million euros in fiscal years 2020 and 2019 respectively.

Negative foreign exchange differences, other than those arising from financial instruments assessed at fair value and allocated to the consolidated income statement, amounted to 1,941.56 million and 1,525.11 million euros in fiscal years 2020 and 2019 respectively.

The reconciliation of the exchange differences recognized in equity at the beginning and end of fiscal years 2020 and 2019 is shown below:

Description	Amount	
	2020	2019
Foreign exchange differences at the beginning of the fiscal year	(8,160)	(5,174)
Net foreign exchange differences on conversion of financial statements	(17,534)	(3,342)
Net foreign exchange differences on valuation of non-monetary items		356
FOREIGN EXCHANGE DIFFERENCES AT THE END OF THE FISCAL YEAR	**(25,694)**	**(8,160)**

(Figures in thousands of euros).

The following table shows, as on December 31, 2020 and 2019, the net currency differences arising from the conversion into euros of the financial statements for Group companies whose functional currency is not the euro:

Fully consolidated companies	Geographic area	Currency conversion differences					
		Gains		Losses		Net	
		2020	2019	2020	2019	2020	2019
MAPFRE RE CHILE	CHILE			(5,549)	(4,383)	(5,549)	(4,383)
MAPFRE RE BRAZIL	BRAZIL			(37,287)	(25,107)	(37,287)	(25,107)
MAPFRE RE VERMONT	UNITED STATES		839	(3,655)		(3,655)	839
RMI	UNITED STATES		24	(26)		(26)	24
MAPFRE RE	SPAIN	20,823	20,467			20,823	20,467
TOTAL		**20,823**	**21,329**	**(46,517)**	**(29,490)**	**(25,694)**	**(8,160)**

(Figures in thousands of euros)

The directly recognized result in equity derived from the revaluation of non-monetary items in the last two fiscal years is indicated below.

Company	Geographic area	Currency conversion differences					
		Gains		Losses		Net	
		2020	2019	2020	2019	2020	2019
MAPFRE RE	SPAIN			(329)	(685)	(329)	(685)
TOTAL				**(329)**	**(685)**	**(329)**	**(685)**

(Figures in thousands of euros)

6.20 CONTINGENT ASSETS AND LIABILITIES

As on the closing date of the annual accounts, there are contingent assets arising from the positive business performance of MAPFRE Reinsurance Corporation (MRC), the financial effect of which is estimated at 0.87 million US dollars (0.95 million in fiscal year 2019).

6.21 RELATED-PARTY TRANSACTIONS

All transactions with related parties have been conducted under market conditions.

In addition to the transactions described in the other notes accompanying the consolidated annual accounts, the balances and transactions between Group companies are explained below.

Operations with Group companies

The operations conducted between Group companies, with a zero effect on results because they have been eliminated in the consolidation process, are detailed below:

Item	Expenses		Revenue	
	2020	2019	2020	2019
Received/provided services and other expenses/revenue	4,330	4,708	4,330	4,708
Expenses/revenue from property investment				
Expenses/revenue from investments and financial accounts				
Dividends distributed			1,222	3,693
TOTAL	**4,330**	**4,708**	**5,552**	**8,671**

(Figures in thousands of euros).

The amounts included in the consolidated income statement as a result of transactions conducted during the fiscal year with higher consolidated groups are:

Item	EXPENSES	
	2020	2019
Expenses and revenue from property investments	283	283
Expenses and revenue from investments and financial accounts	4,446	4,582
External services and other non-technical expenses/revenue	27,486	34,483
Dividends paid		
TOTAL	**32,215**	**39,348**

(Figures in thousands of euros).

Reinsurance operations

Reinsurance operations conducted between consolidated Group companies, which have been eliminated in the consolidation process, are detailed below:

Item	Expenses		Revenue	
	2020	2019	2020	2019
Ceded/assumed premiums	14,228	8,936	(13,465)	(12,240)
Benefits	16,109	14,239	(15,960)	(14,662)
Changes in technical provisions	532	(5,171)	(141)	6,266
Fees	(2,001)	(908)	2,397	1,095
Other technical revenue and expenses				
TOTAL	**28,868**	**17,096**	**(27,169)**	**(19,541)**

(Figures in thousands of euros)

Reinsurance operations with the higher consolidated Group (MAPFRE S.A.) are as follows:

Item	Revenue/Expenses			
	Assumed reinsurance		Ceded reinsurance	
	2020	2019	2020	2019
Premiums	2,476,850	2,619,894	(25,760)	(44,116)
Claims	(1,483,525)	(1,491,981)	14,482	9,529
Fees	(536,056)	(468,942)	831	8,428
TOTAL	**457,268**	**658,972**	**(10,447)**	**(26,159)**

(Figures in thousands of euros)

The following table shows the balances with reinsurers and ceding companies, deposits constituted, and technical provisions on reinsurance operations with consolidated Group companies, all of which have been eliminated in the consolidation process, just as for those with the consolidated Group (MAPFRE S.A.):

Item	Eliminated balances				Balances not eliminated			
	Assumed reinsurance		Ceded reinsurance		Assumed reinsurance		Ceded reinsurance	
	2020	2019	2020	2019	2020	2019	2020	2019
Receivables and debt	893	770			261,373	288,820	(19,510)	(23,662)
Deposits	(10)	(9)	(10)	(9)	57,464	56,342	15	36
Technical provisions	(26,513)	(25,331)	(25,334)	(21,590)	(2,953,885)	(3,049,819)	6,385	18,050
TOTAL	**(25,630)**	**(24,570)**	**(25,344)**	**(21,599)**	**(2,635,048)**	**(2,704,657)**	**(13,110)**	**(5,576)**

(Figures in thousands of euros)

Remuneration of key management personnel:

The table below details the remuneration earned for the last two fiscal years by the members of the Board of Directors.

Item	Amount 2020	Amount 2019
Short-term remuneration		
Salaries	844.20	840.21
Fixed allowances	399.32	454.00
Life insurance	18.13	19.21
Other items	112.20	43.36
TOTAL	**1,373.85**	**1,356.78**

Figures in thousands of euros

The basic remuneration of the members of the Board of Directors consists of a fixed assignment of 48,000 euros, which increases to 100,000 euros for those who chair the Board, and of 11,000 euros to members of its Management Committees in 2020 and 2019.

Life insurance is also established in case of death, with an insured capital of 150,253 euros, as well as some benefits granted to personnel, such as illness insurance.

Executive directors (meaning both executives of the Company and others receive the remuneration established in their contracts, including fixed salary, variable incentives linked to results, Life and disability insurance, and other general benefits established for the Group's personnel. They also receive certain pension allowances in the event of retirement, externalized through a Life insurance policy. All of these payments are included in the compensation policy established by the Group for its senior executives, whether or not they are directors. As a contribution to defined contribution plans, 281,210 euros have been recorded as expenses for fiscal year 2020 (285,740 euros in 2019), with accumulated economic rights amounting to 1,805,049 euros and 1,492,487 euros as on December 31, 2020 and 2019 respectively.

Executive Directors do not receive the fixed remuneration established for external directors.

During the 2019 fiscal year, the former medium-term incentive plan approved in 2016 was partially settled. At fiscal year-end, an amount of 51,990 euros to be paid in cash and 32,530 euros to be settled by means of equity instruments remained outstanding for the 2021–2022 period. In 2019, 77,990 euros to be paid in cash and 90,120 euros in shares remained outstanding.

On February 11, 2020, the Board of Directors of MAPFRE S.A., as proposed by the company's Appointments and Remuneration Committee, approved for a certain key group of the company, an additional short-term element for the 2020 fiscal year jointly linked to the Return on Equity (ROE) and the Global Non-Life Combined Ratio of the fiscal year, amounting to 120,000 euros.

The remunerations for senior management in the fiscal year are detailed below;

Item	2020	2019
No. of senior management members	1	1
Salary	301.84	266.09
Life insurance	1.86	1.58
Other items	7.16	8.08
TOTAL	**310.86**	**275.75**

Figures in thousands of euros

During the 2019 fiscal year, the former medium-term incentive plan approved in 2016 was partially settled. At fiscal year-end, an amount of 9,000 euros to be paid in cash and 5,630 euros to be settled by means of equity instruments remained outstanding for the 2021–2022 period. At 2019 year-end, 13,500 euros to be paid in cash and 15,590 euros in shares remained outstanding.

On February 11, 2020, the Board of Directors of MAPFRE S.A., as proposed by the company's Appointments and Remuneration Committee, approved for a certain key group of the company, an additional short-term element for the 2020 fiscal year jointly linked to the Return on Equity (ROE) and the Global Non-Life Combined Ratio of the fiscal year, amounting to 40,000 euros.

Furthermore, as a contribution to defined contribution plans, 52,690 euros have been recorded as expenses for fiscal year 2020 (45,460 euros in 2019), with accumulated economic rights amounting to 169,581 euros and 115,196 euros as on December 31, 2020 and 2019 respectively.

Subsidies

In 2020 and 2019, a government subsidy was received for subsidized contracts (social security) and continuing education (Fundación Tripartita), attributed entirely to results for the period.

	Subsidy	
Item	**2020**	**2019**
As on January 1		
Received during the fiscal year	33	63
Transferred to results	33	63
As on December 31		

(Figures in thousands of euros).

There is no non-compliance with any of the conditions or contingencies associated with these subsidies.

6.22 SUBSEQUENT EVENTS

There were no significant events subsequent to fiscal year-end.

7. RISK MANAGEMENT

The MAPFRE RE, Compañía de Reaseguros, S.A. Board of Directors establishes the risk level that the company is prepared to assume in order to achieve its business objectives without any significant deviations, even in adverse situations. This level, which establishes limits and sub-limits by risk type, constitutes the company's Risk Appetite.

MAPFRE's structure is based on Units and Companies with a high degree of management autonomy. In addition to the Group structure, of which the company forms part, there are several individual governing bodies. The Group's governing and management bodies approve the risk management actions to be taken by the Units and Companies and constantly supervise their exposure to risk using indicators and ratios.

To guarantee effective risk management, the Group has developed a series of policies. The Risk Management Policy provides the framework for managing risks and, in turn, for developing specific risk policies. They all:

- Set down general guidelines, basic principles and a general action framework for the type of risk concerned, ensuring coherent application in the Group.

- Assign responsibilities and define the strategies, processes and reporting procedures required to identify, measure, monitor, manage and report the risks included within their scope.

- Define the reporting guidelines and the communication duties of the area responsible for risk

The Group Risk Office handles significant aspects related to risk management corresponding to the Group as well as relevant aspects of the various different legal entities belonging to it, establishing benchmark directives and criteria to be taken on, with any adaptations necessary, by the risk areas of the individual companies.

The Governing Bodies regularly receive information relating to the quantification of the main risks to which the Group is exposed and the capital resources available to cover them, as well as information relating to compliance with the established Risk Appetite limits.

Assigned capital is established in general based on estimates in accordance with the budgets from the preceding fiscal year, and it is reviewed periodically throughout the year in line with the development of risks in order to ensure compliance with the established Risk Appetite limits.

Exposure to the risk types relating to the Company's financial instruments and insurance contracts, as well as the processes and methods used for its measurement and management, are described in sections A), B), C) and D) of these notes.

A) INSURANCE RISK

1. SENSITIVITY TO INSURANCE RISK

This sensitivity analysis measures the effect on capital fluctuations upward and downward of the determining factors of insurance risk (number of insured risks, the average premium value, frequency and cost of claims). One measure of sensitivity to the Non-Life insurance risk is the impact that a one percentage point change in the combined ratio would have on the result for the period and, consequently, on equity.

The following table shows this effect and the volatility index of the ratio, calculated according to the standard deviation in a five-year time horizon.

Item	Effect on variation of 1 percent of the combined ratio on result		Combined ratio volatility index	
	2020	2019	2020	2019
Main activity outside Spain:				
- Reinsurance	20,543	19,523	3.47	2.68

(Figures in thousands of euros)

2. CONCENTRATED INSURANCE RISK

MAPFRE RE has a high degree of insurance risk diversification, as it operates in virtually all insurance business lines in Spain and has an extensive presence in the international markets.

The Company applies a system of procedures and limits which enable the level of concentration of insurance risk to be controlled. It is standard practice to use reinsurance contracts to mitigate the insurance risk arising from the concentration or accumulation of guarantees exceeding the maximum acceptance levels.

2. a) Premium amounts by risk

The following tables show the breakdown of written premiums for accepted reinsurance classified by type of business underwritten for the last two fiscal years:

Fiscal year 2020

Item	Assumed Reinsurance			
	Life	Non-Life		Total
		Catastrophic risk	Other risks	
Written premiums, accepted reinsurance	553,645	682,081	4,450,794	5,686,520

(Figures in thousands of euros)

Fiscal year 2019

Item	Assumed Reinsurance			
	Life	Non-Life		Total
		Catastrophic risk	Other risks	
Written premiums, accepted reinsurance	593,742	708,495	4,278,258	5,580,495

(Figures in thousands of euros)

2. b) Premiums by operating segment and geographic area

The following tables show the breakdown of written premiums for accepted reinsurance by segment and geographic area in the last two fiscal years:

Fiscal year 2020

Geographic area	Reinsurance		Total
	Life	Non-Life	
SPAIN	45,143	975,000	1,020,143
UNITED STATES OF AMERICA	15,942	564,314	580,255
BRAZIL	18,008	321,584	339,592
MEXICO	14,756	225,840	240,596
VENEZUELA		6,746	6,746
COLOMBIA	7,496	104,900	112,396
ARGENTINA	4,466	72,966	77,432
TURKEY	824	87,055	87,879
CHILE	4,662	219,516	224,179
OTHER COUNTRIES	442,348	2,554,955	2,997,303
TOTAL	**553,645**	**5,132,875**	**5,686,520**

(Figures in thousands of euros)

Fiscal year 2019

Geographic area	Reinsurance		Total
	Life	Non-Life	
SPAIN	42,528	1,045,677	1,088,205
UNITED STATES OF AMERICA	9,452	672,626	682,078
BRAZIL	22,065	250,922	272,987
MEXICO	16,506	208,937	225,443
VENEZUELA		5,177	5,177
COLOMBIA	10,895	108,031	118,926
ARGENTINA	4,089	78,526	82,615
TURKEY	567	125,474	126,041
CHILE	5,593	197,508	203,101
OTHER COUNTRIES	482,047	2,293,875	2,775,922
TOTAL	**593,742**	**4,986,753**	**5,580,495**

(Figures in thousands of euros)

2.c) Premium amounts by currency

The following table shows the breakdown of written premiums for accepted reinsurance by currency in the last two fiscal years:

	Written premiums	
Currency	**2020**	**2019**
Euros	2,060,619	2,087,707
US dollar	2,063,706	2,132,567
Mexican peso	99,451	78,115
Brazilian real	212,643	202,287
Turkish lira	67,303	107,038
Chilean peso	83,708	79,180
Venezuelan bolivar		
Argentine peso	21,039	17,883
Colombian peso	69,963	74,646
Pound sterling	288,903	274,246
Canadian dollar	23,689	22,589
Philippine peso	18,758	12,271
Other currencies	676,740	491,966
TOTAL	**5,686,520**	**5,580,495**

(Figures in thousands of euros)

B) CREDIT RISK

1. CREDIT RISK ARISING FROM REINSURANCE CONTRACTS

The following table shows the breakdown of receivables against reinsurers in the last two fiscal years:

ITEM	BOOK VALUE OF COMPANIES					
	COMPANIES				TOTAL	
	GROUP		NON-GROUP			
	2020	2019	2020	2019	2020	2019
Provision for Life insurance	47	76	35,470	4,902	35,517	4,978
Provision for outstanding claims	485,824	251,799	1,400,899	1,730,720	1,886,723	1,982,519
Receivables on ceded and retroceded reinsurance operations	16,430	93,441	141,401	107,135	157,831	200,576
Due on ceded and retroceded reinsurance operations	(4,171)	(52,734)	(443,991)	(356,706)	(448,162)	(409,440)
TOTAL NET POSITION	**498,130**	**292,582**	**1,133,779**	**1,486,051**	**1,631,909**	**1,778,633**

(Figures in thousands of euros)

The following table shows the breakdown of receivables against reinsurers based on the financial solvency margin:

LEVEL	BOOK VALUE					
	COMPANIES				TOTAL	
	GROUP		NON-GROUP			
	2020	2019	2020	2019	2020	2019
AAA						
AA		14,317	704,137	705,691	704,137	720,008
A	497,932	277,604	114,871	364,437	612,803	642,041
BBB		79	148,983	211,105	148,983	211,184
BB or lower			64,726	111,070	64,726	111,070
No rating	198	582	101,062	93,748	101,260	94,330
TOTAL	**498,130**	**292,582**	**1,133,779**	**1,486,051**	**1,631,909**	**1,778,633**

(Figures in thousands of euros)

2. CREDIT RISKS ARISING FROM OTHER FINANCIAL INSTRUMENTS

The breakdown of the portfolio of fixed income securities and cash, based respectively on the payment capacity of issuers of fixed income securities and financial institutions, is shown below for the last two fiscal years:

	Book value							
	Portfolio at maturity		Available-for-sale portfolio		Trading portfolio		Cash	
Payment capacity of issuers	**2020**	**2019**				**2019**	**2020**	**2019**
Maximum			836,429	824,644				
Very high			850,230	732,190			1,891	3,014
High			1,190,865	1,385,860			260,014	260,716
Adequate			534,664	409,561			32,856	32,094
Weak			52,200	19,298			5,796	17,007
Not available							1,983	8,295
TOTAL			**3,464,388**	**3,371,553**			**302,540**	**321,126**

(Figures in thousands of euros).

There are no fixed income securities in default for fiscal years 2020 and 2019.

3. RECEIVABLES

The following table shows the composition of the receivables heading as on December 31, 2020 and 2019, as well as impairment losses, recorded impairment reversal gains, and received amounts for guarantees in the last two fiscal years:

			Impairment				Guarantees received	
	Net balance on balance sheet		Recorded losses		Reversal gains			
Item	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
I. Receivables on reinsurance operations	922,070	826,415	(638)	(180)				
II. Tax receivables	13,933	23,424						
III. Corporate and other receivables	4,611	105,760						
TOTAL	**940,614**	**955,599**	**(638)**	**(180)**				

(Figures in thousands of euros)

C) LIQUIDITY RISK

With regard to liquidity risk, MAPFRE RE has a Liquidity Risk Management Policy and an Asset and Liability Management Policy, which together comprise the benchmark framework for acting in this regard. In MAPFRE RE, the general practice is based on maintaining cash balances sufficient to comfortably cover the commitments arising from its obligations to insured parties and creditors. Thus, as on December 31, 2020 and 2019, the cash and equivalent liquid assets balance amounted to 303 million euros and 321 million euros respectively, equivalent to 7.08 percent of total financial investments and cash in 2020 (7.51 percent in 2019).

Exposure to liquidity risk is considered to be low, taking into account the prudent investment strategy established in the Investment Policy, which is characterized by a high proportion of highly rated fixed income securities that are listed on liquid markets. Liquidity risk in extreme events is minimized through the use of reinsurance as a technique for reducing the concentration of underwriting risk and the selection of highly rated reinsurers.

Assets with maturity exceeding one year are described in the "Interest rate risk" section.

1. LIQUIDITY RISK ARISING FROM INSURANCE CONTRACTS

The estimated payment schedule of insurance liabilities recorded as on December 31, 2020 and 2019 is detailed below. These amounts have not been updated in the case of provisions for Life insurance:

Fiscal year 2020

Item	Estimated cash outflows in years							Closing balance
	1st Year	2nd Year	3rd Year	4th Year	5th Year	6th to 10th Year	Subsequent	
Provision for unearned premiums	1,157,068	127,757	32,476	21,889	13,018	25,261	127,647	1,505,116
Provision for unexpired risks								
Provisions for Life insurance	301,614	27,485	4,557	5,523	6,699	25,179	35,616	406,673
Provision for outstanding claims	2,247,303	1,003,257	427,978	226,081	143,178	254,031	183,124	4,484,952
Other technical provisions								
Due on reinsurance operations	840,928							840,928
TOTAL	**4,546,913**	**1,158,499**	**465,011**	**253,493**	**162,895**	**304,471**	**346,387**	**7,237,669**

(Figures in thousands of euros).

Fiscal year 2019

Item	Estimated cash outflows in years							Closing balance
	1st Year	2nd Year	3rd Year	4th Year	5th Year	6th to 10th Year	Subsequent	
Provision for unearned premiums	1,150,242	167,778	51,733	30,139	16,510	32,928	28,877	1,478,207
Provision for unexpired risks								
Provisions for Life insurance	174,885	28,770	9,152	9,657	10,164	39,257	48,659	320,544
Provision for outstanding claims	2,251,773	956,487	400,151	214,171	138,186	292,697	266,984	4,520,449
Other technical provisions								
Due on reinsurance operations	766,785							766,785
TOTAL	**4,343,685**	**1,153,035**	**461,036**	**253,967**	**164,860**	**364,882**	**344,520**	**7,085,985**

(Figures in thousands of euros).

D) MARKET RISK

The Risk Department carries out resilience and sensitivity tests regarding the impact of financial and market variables on its solvency position.

The Corporate Investment Area regularly conducts various analyses of the sensitivity of the investment portfolio's value to market risk.

Among others, the most common indicators are modified duration for fixed income securities and VaR, or value at risk, for equity.

1. INTEREST RATE RISK

The following table details the material information of the last two fiscal years with regard to the level of interest rate risk exposure of the financial assets:

PORTFOLIO	Amount of assets exposed to interest rate risk at fair value							
	Fixed interest rate		Variable interest rate		Not exposed to risk		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Held to maturity								
Available for sale	2,917,457	3,116,640	97,899	25,773	827,365	788,010	3,842,721	3,930,423
Trading	12,990	14,032			12,671	11,362	25,661	25,394
Other investments	10,833	10,517			69,893	48,434	80,726	58,951
TOTAL	**2,941,280**	**3,141,189**	**97,899**	**25,773**	**909,929**	**847,806**	**3,949,108**	**4,014,768**

(Figures in thousands of euros).

The following tables display the breakdown of financial investments by maturity, average interest rate and modified duration, for fiscal years 2020 and 2019

Fiscal year 2020

Item	Closing balance	Maturity in: 1 Year	2 Years	3 Years	4 Years	5 Years	Subsequent or without maturity	Interest rate %	Modified duration %
Available-for-sale portfolio									
Fixed income	3,464,388	359,158	509,966	303,298	407,470	397,912	1,486,583	2	5
Other investments									
Total available-for-sale	3,464,388	359,158	509,966	303,298	407,470	397,912	1,486,583		
Trading portfolio									
Fixed income									
Total trading portfolio									

(Figures in thousands of euros)

Fiscal year 2019

Item	Closing balance	Maturity in: 1 Year	2 Years	3 Years	4 Years	5 Years	Subsequent or without maturity	Interest rate %	Modified duration %
Available-for-sale portfolio									
Fixed income	3,371,555	403,454	352,949	688,585	210,449	324,561	1,391,557	2	5
Other investments									
Total available-for-sale	3,371,555	403,454	352,949	688,585	210,449	324,561	1,391,557		
Trading portfolio									
Fixed income									
Total trading portfolio									

(Figures in thousands of euros)

The average interest rate and modified duration of fixed income investments in 2020 and 2019 are shown below:

Item	2020	2019
Average interest rate (%)	2	2
Modified duration (%)	5	5

The modified duration reflects the sensitivity of the value of the assets to movements in interest rates, and represents an approximation of the percentage variation that the value of financial assets would experience for every percentage point (100 bps) of variation of interest rates.

The balances included in the “Receivables” heading of the balance sheet assets, and in the “Debts” heading of the balance sheet liabilities, do not accrue interest and, generally, their payment is produced in the following fiscal year.

Exchange rate risk

The following table shows the breakdown of assets and liabilities in terms of the currencies in which they are denominated at the end of the last two fiscal years.

	Assets		Liabilities		Net total	
Currency	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Euros	3,870,629	3,693,284	2,242,281	2,144,386	1,628,348	1,548,898
US dollar	3,829,717	3,916,615	3,616,076	3,504,638	213,641	411,977
Mexican peso	64,973	39,273	75,552	50,928	(10,579)	(11,655)
Brazilian real	330,629	358,891	296,220	337,749	34,409	21,142
Turkish lira	70,022	88,281	83,528	112,050	(13,506)	(23,769)
Chilean peso	175,735	151,219	163,127	95,091	12,608	56,128
Venezuelan bolivar		7,028		5		7,023
Argentine peso	21,958	22,974	14,879	26,363	7,079	(3,389)
Colombian peso	30,760	31,436	113,753	121,462	(82,993)	(90,026)
Pound sterling	237,375	248,831	227,210	217,234	10,165	31,597
Canadian dollar	85,095	57,644	18,980	14,667	66,115	42,977
Philippine peso	21,369	19,684	22,255	19,723	(886)	(39)
Other currencies	497,608	426,720	591,091	671,410	(93,483)	(244,690)
TOTAL	**9,235,870**	**9,061,880**	**7,464,952**	**7,315,706**	**1,770,918**	**1,746,174**

(Figures in thousands of euros)

The sensitivity of the Company's equity to changes in euro exchange rates against the different currencies in which assets are stated is determined by the net total amount shown in the previous table, having deducted the amount for the non-monetary items. Similarly, the effect of these exchange rate variations on future results of the Company is determined by the volume of earnings obtained in each currency. Annex 1 provides a breakdown of the result obtained by each Group company and the country where its operations are located.

Stock market risk

The following table shows the book value of equities and mutual funds exposed to stock market risk and value at risk (VaR) (maximum variation expected in a time horizon of one year and a confidence level of 99 percent) for the last two fiscal years:

Portfolio	Book value		VaR	
	2020	2019	2020	2019
Available for sale	348,257	385,034	275,560	140,780
Negotiation	20,834	2,947		
TOTAL	369,091	387,981	275,560	140,780

(Figures in thousands of euros).

Real estate risk

As on December 31, 2020, the Company has, in its consolidated group, real estate assets representing approximately 1.25 percent of total investments and cash (1.33 percent as on December 31, 2019), of which approximately 1.12 percent corresponds to its own-use offices (1.21 percent as on December 31, 2019). These assets serve the dual function of providing administrative and sales support as well as generating revenue from investments and diversifying investments. The breakdown of these property assets is shown in the following table:

Item	Net book value		Market value	
	2020	2019	2020	2019
Real estate investments	2,639	2,480	6,803	5,959
Real estate for own use	53,477	56,133	58,837	60,884
TOTAL	56,116	58,613	65,640	66,843

(Figures in thousands of euros).

Unrealized gains would offset a fall in the price of real estate equivalent to approximately 1.78 percent of their market value as at fiscal year-end 2020 (1.36 percent at fiscal year-end 2019).

8. COVID-19

The year 2020 was marked by the outbreak of COVID-19. The WHO declared the crisis a pandemic, and its spread, together with the measures aimed at containing and mitigating its effects, has led to a slowdown in economic activity for which the final impact is difficult to quantify. Under these circumstances, MAPFRE developed a set of actions from the outset that were guided by two main priorities: to ensure the health safety of the entire workforce and to ensure the continuity of operations in a way that would maintain the level of service to clients.

The most significant measures taken were:

- Activation of the business continuity plan in all countries and units, adapting it to the uniqueness of the COVID-19 crisis, with about 90 percent of employees worldwide working remotely, and maintaining essential services (roadside recovery, repair shops, home repairs, medical centers, funeral homes, etc.).

- Assessment of the risks arising from the crisis and adoption of a strategy to protect the balance sheet, especially investments, and to preserve the Group's capital, with the necessary liquidity and financing to neutralize any monetary stress, especially in operations in emerging countries.

- Mobilization of resources and transfer of funds to the economy, through the granting of additional aid and financing to agents, direct providers and clients, particularly focused on the self-employed and SME sector.

The coronavirus crisis has led to a sharp decline in global economic activity resulting from lockdown measures, with significant impacts on turnover and business results, increased volatility in financial markets, and sharp depreciation of emerging-country currencies.

IMPACTS ON THE CONSOLIDATED INCOME STATEMENT

Loss ratio

The gross loss ratio of accepted reinsurance amounted to 113.4 million euros as on December 31, 2020, mainly corresponding to business interruption coverage..

Expenses

MAPFRE has mobilized resources and taken relief measures to ensure that personnel are protected against the COVID-19 pandemic, as well as to ensure business continuity. The amount of the expenses incurred associated with these measures amounted to 14,600 euros at fiscal year-end.

9. OTHER INFORMATION

During the last two fiscal years, no conflicts of interest have occurred, either direct or indirect, between the directors or individuals associated with them and the controlling Company.

In the last two years, the controlling Company's directors did not carry out any operations with the controlling Company itself or with any other Group company either outside the scope of the companies' ordinary trading activities or outside normal market conditions.

The liability insurance premium paid on behalf of administrators for damages was 86,000 euros in 2020 and 59,000 euros in 2019 respectively

9.1. FEES PAID TO AUDITORS

The annual accounts of MAPFRE RE and the main companies of the Group corresponding to the 2020 and 2019 fiscal years have been audited by the firm KPMG.

The remuneration accrued by the main auditor is shown below. It is deemed that these fees do not compromise the independence of the auditors.

Concepto	2020	2019
Audit services	380,320	398,993
Other verification services	72,898	95,768
Tax services		23,402
Other services		
TOTAL SERVICES OF MAIN AUDITOR	**453,218**	**518,163**

(Figures in thousands of euros)

The above amounts include those paid to KPMG Auditores, S.L., which amounted to 169,526 euros in 2020 for audit services (165,000 euros in 2019) and 53,555 euros for other verification services (53,130 euros in 2019). The latter refer to services for regulatory compliance and involve the review of Solvency reports.

Information regarding the services provided by KPMG Auditores, S.L. to companies controlled by MAPFRE S.A. during the fiscal year ending December 31, 2020 can be found in the consolidated annual accounts of MAPFRE S.A. and subsidiaries of December 31, 2020.

9.2 ENVIRONMENTAL INFORMATION

The Group companies do not have any environment-related items in the last two fiscal years that might be significant or specifically included in these consolidated annual accounts.

9.3 PAYMENT DEFERMENTS

The characteristics of payments made by the fully consolidated Spanish companies to providers, in fiscal years 2020 and 2019, are:

	Days	
Item	**Fiscal year 2020**	**Fiscal year 2019**
Average provider payment period	2.02	1.29
Ratio of paid operations	3.94	4.67
Ratio of operations pending payment	19.81	21.02

Item	Amount (thousands of euros)	Amount (thousands of euros)
TOTAL PAYMENTS MADE	**23,399**	**23.930**
TOTAL PENDING PAYMENTS	**137**	**207**

Datos en miles de euros.
h

TABLE OF SUBSIDIARIES AND ASSOCIATED COMPANIES 2020 (APPENDIX 1)

Name	Country	Efective tax rate	Activity	Shareholding %		Data as at close of fiscal year 2020				Method or procedure of consolidation
				Title	In share capital	Assets	Equity net	Revenue	Result the fiscal year	
MAPFRE CHILE REASEGUROS S.A.	Avda Apoquindo 4499-8° Santiago (Chile)	20%	Holding	MAPFRE RE	99.9900%	44,377	42,960	2,485	1,393	A
F. ALCORTA, S.A.	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Real estate (in liquidation)	MAPFRE RE	99.9985%	0	0	0	0	C
MAPFRE RE DO BRASIL COMPAÑÍA DE REASEGUROS	Rua Olimpiadas 242 5° Andar Sao Paulo (Brazil)	15%	Reinsurance	MAPFRE RE	99.9999%	244,070	31,410	67.760	4,264	A
MAPFRE RE COMPAÑÍA DE REASEGUROS ESCRITORIO DE REPRESENTAÇAO NO BRASIL LTDA	Rua Olimpiadas 242 5° Andar Sao Paulo (Brazil)	15%	Representation services	MAPFRE RE	99.9999%	47	47			C
MAPFRE MANDATOS Y SERVICIOS, S.A.	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Services	MAPFRE RE MAPFRE Argentina	95.0000% 5.0000%	20	20		(4)	C
MAPFRE INTERNET S.A. (TECH)	Ctra de Pozuelo a Majadahonda, No. 52, Madrid (Spain)	25%	Computing	MAPFRE RE	0.8002%	78,382	18,845	199.236	779	C
VENEASISTENCIA, S.A.	Avda. Libertador Penthouse A y B Caracas (Venezuela)	34%	Travel assistance	MAPFRE RE	0.0020%	53	6	65		C
REINSURANCE MANAGEMENT INC.	100 Campus Drive 07932 New Jersey (USA)	35%	Reinsurance	MAPFRE RE	100.0000%	2,007	584	3.523	176	A
CAJA REASEGURADORA DE CHILE	Ava. Apoquindo 4499-8° Santiago (Chile)	20%	Reinsurance	M. Chile RE	99.8467%	104,646	16,547	6.098	999	A
INMOBILIARIA COSTA DE MONTEMAR, S.A.	Ava. Apoquindo 4499-8° Santiago (Chile)	24%	Real estate	M. Chile RE	31.4400%					B
C R ARGENTINA, S.A.	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Services, Consulting	M. Chile RE	99.9960%	127	125			A
MAPFRE RE VERMONT CORPORATION	122 Cherry Tree Hill Road 05651 East Montpellier Vermont (USA)		Reinsurance	MAPFRE RE	100.0000%	344,249	55,325	109.189	2,789	A
RISK MED SOLUTIONS S.L.	Paseo de Recoletos, 25. Madrid (Spain)		Life and health underwriting services	MAPFRE RE	100.0000%	2,647	2,617		(1,023)	A
MAPFRE EURO BONDS FUND			Asset management	MAPFRE RE	100.0000%	157,596	157,596			A
FONDMAPFRE RENTADOLAR F.I.			Asset management	MAPFRE RE	24.0000%	13,117	13,117			B
FONDMAPFRE BOLSA EUROPA FI			Asset management	MAPFRE RE	23.0000%	32,817	32,817			B
MAPFRE AM – SHORT-TERM EURO-I			Asset management	MAPFRE RE	31.0000%	17,902	17,902			B
MAPFRE AM – BEHAVIORAL FUND-I			Asset management	MAPFRE RE	23.0000%	12,771	12,771			B
MAPFRE AM – INCLUSION RESPONSA			Asset management	MAPFRE RE	19.0000%	6,164	6,164			B
MAPFRE AM – US FORGOTTEN VALUE			Asset management	MAPFRE RE	21.0000%	6,107	6,107			B
STABLE INCOME			Asset management	MAPFRE RE	22.0000%	104,412	104,412			B
MAPFRE PRIVATE EQUITY I FCR			Asset management	MAPFRE RE	36.0000%	14,751	14,751			B
MAPFRE MULTI-ASSET STRATEGY			Asset management	MAPFRE RE	44.0000%	83,395	83,395			B

(Figures in thousands of euros)

Consolidation method or procedure

A. Fully consolidated subsidiaries

B. Associated and investee companies consolidated by the equity method

C. Associated and investee companies excluded from consolidation

D. Companies incorporated into the consolidation scope in fiscal year 2020

TABLE OF SUBSIDIARIES AND ASSOCIATED COMPANIES 2019 APPENDIX 1)

Name	Country	Efective tax rate	Activity	Shareholding %		Data as at close of fiscal year 2020				Method or procedure of consolidation
				Title	In share capital	Assets	Equity net	Revenue	Result the fiscal year	
MAPFRE CHILE REASEGUROS S.A.	Avda Apoquindo 4499- 8° Santiago (Chile)	20%	Holding	MAPFRE RE	100.0000%	149,894	42,468	22.254	4,203	A
F. ALCORTA, S.A.	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Real estate (in liquidation)	MAPFRE RE	99.9985%					C
MAPFRE RE DO BRASIL COMPAÑÍA DE REASEGUROS	Rua Olimpiadas 242 5° Andar Sao Paulo (Brazil)	15%	Reinsurance	MAPFRE RE	99.9999%	196,166	42,598	53.317	8,187	A
MAPFRE RE COMPAÑÍA DE REASEGUROS ESCRITORIO DE REPRESENTAÇAO NO BRASIL LTDA	Rua Olimpiadas 242 5° Andar Sao Paulo (Brazil)	15%	Representation services	MAPFRE RE	99.9999%	47	47			C
MAPFRE MANDATOS Y SERVICIOS S.A	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Services	MAPFRE RE MAPFRE Argentina	95.0000% 5.0000%	20	20		(4)	C
MAPFRE INTERNET S.A. (TECH)	Ctra de Pozuelo a Majadahonda, No. 52, Madrid (Spain)	25%	Computing	MAPFRE RE	0.8002%	64,544	20,849	180.881	726	C
VENEASISTENCIA, S.A.	Avda. Libertador Penthouse A y B Caracas (Venezuela)	34%	Travel Assistance	MAPFRE RE	0.0020%	28	56	14	45	C
REINSURANCE MANAGEMENT INC.	100 Campus Drive 07932 New Jersey (USA)	35%	Reinsurance	MAPFRE RE	100.0000%	1,388	436	3.935	472	A
CAJA REASEGURADORA DE CHILE	Ava. Apoquindo 4499- 8° Santiago (Chile)	20%	Reinsurance	MAPFRE Chile RE	99.8467%	117,730	11,587	19.151	2,315	A
INMOBILIARIA COSTA DE MONTEMAR, S.A.	Ava. Apoquindo 4499- 8° Santiago (Chile)	24%	Real estate	MAPFRE Chile RE	31.4400%		1,091			B
C R ARGENTINA, S.A.	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Services, Consulting	MAPFRE Chile RE	99.9960%	348	264			A
MAPFRE RE VERMONT CORPORATION	122 Cherry Tree Hill Road 05651 East Montpellier Vermont (USA)			MAPFRE RE	100.0000%	43,641	43,641			AD
MAPFRE EURO BONDS FUND	Ctra de Pozuelo a Majadahonda, No. 50, Madrid (Spain)		Asset management	MAPFRE RE	100.0000%	99,794	99,710			A
SIEREF MAPFRE STABLE INC R ESTATE	Ctra de Pozuelo a Majadahonda, No. 50, Madrid (Spain)		Asset management	MAPFRE RE	33.6000%	70,340	70,340			B D
SIEREF GLL STABLE INC REAL ESTATE	Ctra de Pozuelo a Majadahonda, No. 50, Madrid (Spain)		Asset management	MAPFRE RE	19.9000%	14,582	14,582			B D
MAPFRE MULTI-ASSET STRATEGY	Ctra de Pozuelo a Majadahonda, No. 50, Madrid (Spain)		Asset management	MAPFRE RE	43.5891%	85,450	85,450			B

(Figures in thousands of euros)

Consolidation method or procedure

A. Fully consolidated subsidiaries

B. Associated and investee companies consolidated by the equity method

C. Associated and investee companies excluded from consolidation

D. Companies incorporated into the consolidation scope in fiscal year 2019

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Audit Report for the Annual Consolidated Financial Statements

KPMG

Mapfre RE, Compañía de Reaseguros S.A.

Consolidated Annual Accounts

31 December 2020

Directors' Report

2020

(With Independent Auditor's Report Thereon)

(Free translation from the originals in Spanish. In the event of discrepancy, the Spanish-language versions prevail.)

KPMG Auditores, S.L.
Paseo de la Castellana, 259
28046 Madrid

Independent Auditor's Report on the Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the shareholders of Mapfre RE, Compañía de Reaseguros S.A.

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of Mapfre RE, Compañía de Reaseguros S.A. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated balance sheet at 31 December 2020, and the consolidated income statement, consolidated statement of recognised income and expense, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2020 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated annual accounts in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG Auditores S.L., sociedad española de responsabilidad limitada y firma miembro de la red KPMG de firmas independientes afiliadas a KPMG International Cooperative ("KPMG International"), sociedad suiza.
Paseo de la Castellana, 259C – Torre de Cristal – 28046 Madrid

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N.I.F. B-78510153

KPMG

Key Audit Matters

Valuation of claims provisions reinsurance accepted (Euros 4,484.9 million)

See notes 5.9 and 6.9 to the consolidated annual accounts

Key audit matter	*How the matter was addressed in our audit*
The Group recognises technical provisions for accepted reinsurance based on the accounts received from the ceding companies and the terms and conditions of the accepted reinsurance contracts. Estimating these provisions is complex and requires actuarial methods and calculations based on judgement and significant assumptions. These estimates include assumptions related to the amount of the expected settlement and historical payment patterns for accepted reinsurance claims. Due to their nature, there is a significant degree of uncertainty, and a change in assumptions could significantly impact the annual accounts.	Our audit procedures included testing the design, implementation and effectiveness of key controls established by the Company for estimating technical provisions, including controls on the definition of key assumptions and on the completeness and accuracy of the populations used when estimating these provisions. Our substantive procedures on the technical provisions basically consisted of the following: • Tests of the completeness and accuracy of the databases used to estimate technical provisions and from which the calculation assumptions were derived, based on a sample of accepted reinsurance contracts. • Confirmation of balances pending settlement from reinsurance accepted companies at 31 December 2020, for a sample of contracts. • Based on our experience and knowledge of the sector, assessment of the claims reserve booked at year end for a sample of claims. • Estimation of the claims provision for a sample of contracts groups, and based on our experience and knowledge, determination of a range to evaluate its reasonableness. We also assessed whether the information disclosed in the consolidated annual accounts complies with the requirements of the regulatory framework for financial reporting applicable to the Group.

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Other Information: Consolidated Directors' Report

Other information solely comprises the 2020 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility as regards the content of the consolidated directors' report is defined in the legislation regulating the audit of accounts, which consists of assessing and reporting on the consistency of this information with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have verified that information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2020 and the content and presentation are in accordance with applicable legislation.

Directors' Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent's Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

KPMG

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.
- Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance of the Company with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated to those charged with governance of the Company, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report Pursuant to Article 36 of Audit Law 22/2015

The opinion expressed in this report is consistent with our additional report dated 10 march 2020, issued pursuant to article 36 of Audit Law 22/2015.

Contract Period

We were appointed as auditor of Mapfre RE, Compañía de Reaseguros S.A. by the shareholders at the ordinary general meeting on 20 March 2018 for a period of three years, from the year commenced 1 January 2018.

Previously, we were appointed by agreement of the shareholders at the ordinary general meeting for a period of three years, and we have been carrying out the audit work on an uninterrupted basis since the fiscal year ended on 31 December 2015.

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KPMG Auditores, S.L.
On the Spanish Official Register of
Auditors (“ROAC”) with No. S0702

(Signed on original in Spanish)

Jorge Segovia
On the Spanish Official Register of Auditors (“ROAC”) with No. 21.903

10 march 2021

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Individual Management Report

A. INTRODUCTION

MAPFRE RE, Compañía de Reaseguros, S.A. (the "Company") registered a positive result of 7.5 million euros in 2020. This reduction in profit was mainly caused by the reserves allocated for loss experience related to COVID-19, the depreciation of most currencies against the euro, the fall in financial returns and the increased loss experience sustained in severe events. Severe events have been recorded for both natural hazards (such as the Puerto Rico earthquake in January or the derecho storms in the US in August) and unnatural (namely the explosion in the port of Beirut).

The Company is a subsidiary of MAPFRE S.A., the company that files its Consolidated Annual Accounts with the Commercial Registry of Madrid, together with the Consolidated Management Report and the Integrated Report, which include the Group's non-financial information.

B. KEY FIGURES

Below are the main figures from the Company's financial statements:

B.1. INCOME STATEMENT:

Income statement	2020	2019	Var. % 20/19
ASSUMED REINSURANCE			
ASSUMED PREMIUMS	5,293.8	5,122.8	3.34%
Allocated premiums for the fiscal year	5,170.8	5,245.0	-1.41%
Loss experience (including claims-related expenses)	(3,278.7)	(3,825.3)	-14.29%
Operating expenses and technical expenses	(1,243.8)	(1,138.3)	9.27%
ASSUMED REINSURANCE RESULT	648.3	281.4	130.38%
RETROCEDED REINSURANCE			
Premiums and variations in unearned premium reserves	(2,152.3)	(1,963.3)	9.63%
Claims paid and variation in outstanding claims reserves	1,078.9	1,315.4	-17.98%
Commissions and holdings	347.0	289.5	19.86%
RETROCEDED REINSURANCE RESULT	(726.4)	(358.4)	102.68%
Other technical revenues			
Net revenue from investments	96.1	138.0	-30.36%
LIFE AND NON-LIFE TECHNICAL ACCOUNT RESULT	18.0	61.0	-70.49%
Revenues from property, plant and equipment and investments	1.3	29.6	-95.61%
Expenses for property, plant and equipment and investments	(0.2)	(15.4)	-98.70%
Other non-technical revenues and expenses	(7.5)	(8.6)	-12.79%
NON-TECHNICAL RESULT	(6.4)	5.6	-214.29%
RESULT BEFORE TAX	11.6	66.6	-82.58%
Tax on profits	(4.1)	(17.9)	-77.09%
RESULT AFTER TAX	7.5	48.7	-84.60%

Million euros

B.2. BALANCE SHEET FIGURES

Key figures from the balance sheet	2020	2019	Var. % 20/19
Financial investments and cash	4,198.9	4,073.7	3.10%
Total assets	8,618.0	8,461.2	1.90%
Net technical provisions	3,434.6	3,302.7	4.00%
Equity	1,687.6	1,656.8	1.90%
ROE	1.0%	3.8%	-73.70

Million euros

C. MAIN ACTIVITIES

The result before tax came to 11.6 million euros, 82.6 percent less than the figure recorded in 2019, with shareholders' equity at fiscal year-end standing at 1,587.9 Million euros. The Non-Life net combined ratio stood at 100.8 percent. The result is lower than in the previous fiscal year due to the influence of the loss experience associated with COVID-19 and severe events, as well as the persistence of low financial returns throughout the year.

BUSINESS ACTIVITY

The pandemic has had a clear impact on the business activity that could be conducted throughout the year. Lockdown and travel restrictions have reduced or eliminated the possibility of visiting clients and organizing professional events, business activities or providing services that require the physical presence of those involved.

Before the health crisis erupted, in order to be prepared for the challenge of the new digital age, MAPFRE professionals were already making use of collaborative work tools, knowledge management and technologies for working remotely. MAPFRE RE has therefore been able to develop intense activity in all markets, maintaining close contact with its cedants and brokers despite the lockdown measures, successfully completing the various different renewal campaigns during the year, thanks also to intensive planning operations prior to said measures.

The third anniversary of the representative office in Tokyo and the opening of new offices in Bogotá were celebrated in early 2020, attended by the main clients of each market.

Later, during lockdown itself, various MAPFRE RE executives participated as speakers in online conferences and seminars such as the International Insurance Conference of Fasecolda (Colombia), the Association of Risk Selectors for Personal Insurance (Mexico), The International Union of Marine Union, the Lujiazui International Reinsurance Conference — LIRC (China), the Inter-European Reinsurance Meeting — ENTRE (Spain) or the ESRI Annual Conference (Spain).

The traditional annual meetings at which the majority of the global insurance and reinsurance market converges—Montecarlo (Monaco), Baden Baden (Germany)—are especially key due to the time at which they are held, just before the main renewal campaign of the year. Due to the circumstances of 2020, these meetings were transformed into virtually organized events, during which meetings with more than 70 major MAPFRE RE clients and brokers were able to be held.

Sponsorship has continued for important sector events such as ENTRE (Spain), Fides (Ibero-America) and Expoestrategas (Argentina).

Risk Med Solutions, S.L., formed in 2019 by MAPFRE RE as an automated online underwriting service for personal insurance, continued its activity in 2020, providing its services and signing firm agreements with several insurers in nine countries.

TECHNICAL MANAGEMENT AND CLIENT SERVICES

MAPFRE RE has also continued to provide service to its clients by organizing various training activities. Courses in engineering, fire and loss of profits, credit and surety, and agricultural insurance have been taught by Central Services. Using videoconferencing tools and teamwork, more than 800 professionals from the Company's cedants have benefited from these courses.

Support continues to be provided to innovative projects for start-up companies that—authorized to operate as insurers—provide alternative and novel insurance proposals. Practices and technologies for the best operational efficiency of the sector are also promoted. In 2020, the Company increased its investment in the B3i sector initiative for using Blockchain technology in reinsurance transactions and participated in the ENTRE 2020 (Spain) conference, sharing its vision on digitizing operations with shared platforms and standards.

Pilots have been completed in collaboration with the start-up ecosystem to jointly identify potential areas of development that could lead to opportunities in new lines of business or greater efficiency in traditional and "core" processes in reinsurance activity.

INFORMATION AND TECHNOLOGY SYSTEMS

This year's pandemic and changing work environment habits have forced the IT and Processes Area—in collaboration with other key areas of the organization—to make a great effort to adapt the systems to the new reality it has sought to address.

At the organizational level, the IT Area was restructured in early 2020 to serve global reinsurance and risk operations, generating a shared work model for project management and participating in the development and implementation of 38 projects.

The first version has been completed of the Expocat project for geolocation and representation in GIS (Geographic Information System) of MAPFRE companies' catastrophe exposures, in order to have a more detailed view of the catastrophic risk assumed and to facilitate its management.

Other major advances have also been made, such as the automation of closings of accounting periods, the control of cyber risk clauses, the implementation of reinsurance portfolio management analysis, and improvements have been made to BI (Business Intelligence) systems.

With regard to infrastructure, the excellent work to minimize the impacts of the remote working situation caused by COVID-19, with the successful activation of Business Continuity Plans, has been particularly notable. We have worked intensely with the corporate areas to restore activity efficiently and quickly following the cyber attack in August.

Finally, the collaborative environment Office365 has also been deployed both nationally and internationally throughout the Company.

SUBSIDIARIES AND INVESTEE COMPANIES

MAPFRE RE DO BRASIL reported 67.8 million euros in revenue and a result before tax of 3.2 million euros, with a shareholders' equity of 31.4 million euros at the end of the fiscal year.

MAPFRE CHILE REASEGUROS obtained revenue of 8.6 million euros, a result before tax of 2.4 million euros, closing the fiscal year with shareholders' equity of 49.7 million euros.

D. SOCIAL AND ENVIRONMENTAL MATTERS

D.1. PERSONNEL

The workforce in service at the close of the last two fiscal years has had the following structure, classified according to professional category.

CATEGORIES	2020	2019
Directors	2	2
Senior managers	0	0
Managers	95	88
Technicians	295	274
Administrative staff	34	40
TOTAL	**426**	**404**

The Corporate People and Organization Area supports the business in its transformation and is in charge of adapting the organization to new social requirements, utilizing new technologies and digital solutions to do so. It is also responsible for identifying and retaining the talent required by the company, as well as employee development. It performs those tasks in a flexible, inclusive and diverse work environment that promotes collaboration and innovation.

MAPFRE applies a Code of Ethics and Conduct that is inspired by its Institutional and Business Principles, and which is conceived to reflect corporate values and the basic principles that should guide the conduct of the organization and its people.

The Human Resources Policy guarantees a workplace in which any harassment or violent or offensive behavior threatening the rights and dignity of others is not accepted. The Group expressly opposes, and does not tolerate, any harassment in the workplace, regardless of who the victim or perpetrator is. This commitment must be complied with in all relationships between employees, and in those relationships between employees and providers, clients, collaborators and other stakeholders, and it also extends to all the organizations with which MAPFRE works.

The Diversity and Equal Opportunities Policy is based on respect for everyone's individuality, recognizing their diversity, and ending any exclusionary or discriminatory behavior.

With regard to gender diversity, MAPFRE undertakes to ensure that by 2021, 45 percent of the managerial vacancies that arise in the company will be filled by women.

Functional diversity includes championing the integration of people with disabilities in the workplace. To that end, MAPFRE is committed to ensuring that 3 percent of the workforce is made up of people with disabilities by 2021.

During the fiscal year, the expansion of the Corporate Disability Program continued apace, and at the year-end, there were eight people with a disability in the workforce (seven people with a disability in 2019).

The Promotion, Selection and Mobility Policy encourages professional development opportunities for employees in order to increase their employability, their professional satisfaction and their commitment to the company.

MAPFRE has defined a selection procedure that guarantees objectivity, maximum rigor and non-discrimination throughout all procedures. Furthermore, the tests used during selection are standardized worldwide with a view to finding the candidate with the most appropriate profile for each job position. The number of selection processes carried out in 2020 was 10 (24 in 2019).

In 2020, 47 employees were involved in internal mobility (70 employees in 2019), and 20 percent of the selection processes were covered by internal mobility (9.1 percent in 2019).

The Company's employment policy favors permanent rather than temporary contracts, seeking a stable environment and a continuous working relationship. The percentage of the Company's workforce in permanent positions in 2020 was 99.3 percent (98.3 percent in 2019).

The Digital Challenge strategic initiative has continued to be developed through the adoption of new capacities and collaborative tools, the development of more dynamic and flexible structures and the customization of the experience used to continue supporting their professional growth and talent development, adapting processes to employees' needs.

The situation created in the fiscal year by the COVID-19 pandemic led to the transformation of all training plans, replacing on-site programs with digital programs.

In 2020, a total of 210,613 euros was invested in workforce training (600,248 euros in 2019).

The Compensation Policy is intended to set appropriate remuneration levels for each function and job position and for performance by professionals, and serves as a source of motivation and satisfaction for staff, thus encouraging them to reach their objectives and deliver on MAPFRE's strategy. The policy guarantees equality and external competitiveness in each market and forms part of the in-house development of employees.

The objective of the Policy on Health, Well-being and Prevention of Occupational Risks is to protect and promote a safe and healthy workplace and improve the health of our employees and their families, both in and outside the workplace.

To facilitate well-being and work-life balance for employees, a wide range of social benefits are offered, which involved an investment of 3,031,155 euros in 2020 (2,157,307 euros in 2019).

From the outset, MAPFRE was aware of the impact that COVID-19 could generate, and contingency plans were quickly deployed under the governance of the Corporate Crisis Committee, making the health of employees its top priority. The first step, which was implemented swiftly, was remote working and reducing the density of occupancy in all buildings.

D.2. ENVIRONMENT

MAPFRE is committed to environmentally sustainable development, most notably the fight against climate change. Its determination to play a relevant part in these issues requires a short-, medium- and long-term strategy, for which it is constantly analyzing the climate scenario and the global context.

The Group has an Environmental Policy that was approved by the Board of Directors of MAPFRE S.A., which was deployed in all Group companies.

In the context of designing ambitious green reconstruction plans, in 2020 and following the successful completion of the Corporate Energy Efficiency and Climate Change Plan 2014–2020, work was done on defining the new Corporate Environmental Footprint Plan 2020–2030, which will guide the process by which the Group will adapt to the push for a low carbon economy, making its activity more sustainable and resilient.

In addition to issues associated with carbon footprint and climate change, the Corporate Environmental Footprint Plan covers water management, the circular economy and green purchasing, as well as other emerging risks such as natural capital and biodiversity. It also includes transversal and facilitating aspects such as construction and sustainable mobility.

With regard to the carbon footprint, further progress has been made under the UNE-EN-ISO 14064 standard, having verified the inventories of several countries.

With regard to climate change mitigation and adaptation, the implementation of the actions defined in the Sustainability Plan 2019–2021 continued. This Plan defines the short-term action strategy and encompasses the neutrality objective for greenhouse gas (GHG) emissions generated by MAPFRE in Spain and Portugal in 2021. The actions carried out will also prepare the Group for its objective of carbon neutrality by 2030.

In order to determine the financial impact of climate change, both from a risk and opportunity perspective, the adoption of the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) of the Financial Stability Board (FSB) has been further analyzed. For this reason, MAPFRE, along with other global insurers and reinsurers, is part of the UNEP-FI Working Group. The main objective of this United Nations group is to analyze scenarios that allow metrics and financial models to be developed in order to adequately estimate the possible implications of climate change on business.

Throughout 2020, this Working Group has focused on understanding the potential change of the climate threat according to different scenarios and time scales.

In addition, and in the current context, the circular economy is proving to be a necessary solution to the economic and climate crisis, making companies more competitive and resilient. In this area, MAPFRE is the first insurer to sign the Pact for a Circular Economy and thus undertakes to meet the commitments provided for in this initiative, which seek to drive, support, promote and disseminate the transition to a circular economy.

In addition, MAPFRE participates in a Natural Capital Working Group of the Spanish Group for Green Growth and the Biodiversity Foundation, in which companies from different sectors share their experiences and difficulties and seek solutions regarding the integration of Natural Capital into their businesses and projects, using the Natural Capital Protocol as a guide.

D.3.ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS AND RISKS

MAPFRE constantly analyzes factors that, should they arise, can or could impact business. This analysis considers environmental, social and governance (ESG) factors, as these enable additional information to be gathered on social movements and transformations, and the expectations of stakeholders and the market that affect the organization.

The analysis of these ESG factors, and how they may affect the business in the short-, medium- and long-term, will determine their relationship and inclusion in the typology of established risks and in the adoption of prevention and mitigation measures.

The ESG Integration Framework includes various aspects related to underwriting and investment processes, among others.

The Group has an Underwriting Policy, approved by the Board of Directors of MAPFRE S.A., applicable to all insurance and reinsurance companies. It also has a Global Business Committee and an Underwriting Policy Committee that, among other functions, is responsible for the correct application of said Policy, and analyzes and proposes operational exclusion rules on ESG matters. In addition, for the underwriting of global risks, it relies on an internal ESG evaluation model whereby the decision-making process considers a company's ESG risk exposure with the ESG risk exposure of the countries and sectors in which said company has been exposed and the reputational risk analysis.

With regard to investment processes, in 2017, MAPFRE committed to the United Nations Principles for Responsible Investment (PRI) and established the framework for action of the Group on Socially Responsible Investment (SRI), which focuses on key aspects that must accompany the organization in the scope, implementation, process of integration of the ESG aspects and that are complemented by those determined by MAPFRE in each case.

The United Nations SRI principles coexist with the assumed obligation as custodian of clients' savings and investments and the strength of the balance sheet. Prudent investment criteria are therefore applied, long-term value creation is sought, and ESG factors are incorporated alongside traditional information.

The Investment Risk Committee regularly reviews the composition of portfolios, their ESG assessment, any disputes that may arise and the application of approved grounds for exclusion.

The Corporate Investment Area is responsible for ensuring that the established responsible investment principles are complied with at the organization and for reporting annually on their compliance to the Sustainability Committee.

E. OTHER INFORMATION

E.1. FINANCIAL RISKS

MARKET AND INTEREST RATE RISKS

Fluctuations in market prices can reduce the value of or revenue generated from the investment portfolio, and in turn, this can have a negative effect on the financial position.

The Controlling Company and its subsidiaries mitigate exposure to this type of risk by means of a prudent investment policy characterized by a high proportion of investment-grade, fixed income securities.

Most investments are fixed income securities, accounting for 71.0 percent of the total financial investment portfolio in 2020 (71.0 percent in 2019).

Investments in equities and mutual funds have a limited weight in the balance sheet, accounting for approximately 9.3 percent of total financial investments in 2020 (10.2 percent in 2019).

EXCHANGE RATE RISK

Fluctuations in the value of the euro compared with other currencies may, in the future, affect the value of the Company's assets and liabilities and, consequently, its shareholders' equity as well as its opening results and cash flow. Currency conversion differences registered involved the recognition of -1.6 million euros in 2020 (-6.6 million euros in 2019).

CREDIT RISK

Returns on investments are also sensitive to changes in general economic conditions, including changes in the general credit ratings of debt security issuers. Exposure to credit risk is mitigated by means of a policy based on the prudent selection of security issuers and counterparties according to their solvency; seeking a high degree of geographic correspondence between asset issuers and the commitments undertaken; maintaining a suitable level of diversification; and obtaining, where appropriate, guarantees, collateral and other hedges.

The credit risk management policy establishes limits by issuer in line with the risk profile of the counterparty or of the investment instrument, as well as exposure limits related to the counterparty's rating.

LIQUIDITY RISK

The liquidity risk is mainly managed by keeping sufficient cash balances to cover any need arising from commitments made to third parties. As on December 31, 2020, the cash balance stood at 278.1 million euros (284.4 million euros in 2019), equivalent to 6.6 percent of total investment and liquid funds (7.0 percent in 2019). In addition, most fixed income investments are of investment grade and are negotiable on organized markets, affording great capacity to act against potential liquidity strains.

E.2. OTHER RISKS AND UNCERTAINTIES

The outbreak of the coronavirus pandemic (COVID-19) and its spread worldwide throughout 2020 has affected practically all sectors of the global economy.

The Group faces the above risks and uncertainties resulting from the pandemic with high levels of solvency and a wide margin over regulatory requirements, which will allow the most adverse effects that may emerge to be weathered. This also enables the necessary steps to be taken for the Group to fulfill its role of providing coverage and protection to clients.

Furthermore, the pandemic has added a special dimension to cyber risks. The accelerated and mass adoption of web-based technology to ensure continuity of service, the general increased vulnerability of domestic equipment and the significant increase in the use of technology by all actors has facilitated exposure and accelerated the digital transformation of companies.

During August 2020, MAPFRE detected a malfunction in its computer systems due to a cyber attack. Following the established procedures, the technology and security teams commenced an investigation and detected that malware, specifically ransomware, had infiltrated its systems, which affected part of the servers and systems in Spain.

From the outset, the protocols set out in the business continuity plan were activated, with the priority being to protect information and block any possible attempts by third parties to access the systems, as well as to ensuring the provision of services to both clients and providers, which was maintained at all times thanks to the alternative procedures provided for.

The MAPFRE Group has an insurance policy that covers damage and loss of profits resulting from these types of events; damage is therefore limited by the terms of the policy.

E.3. TREASURY STOCK

During fiscal year 2020, the Company did not perform any operations with treasury stock.

E.4. RESEARCH, DEVELOPMENT AND INNOVATION

Innovation is one of the main levers in the Group for generating differentiated value propositions for clients. The lines of action are both strategic and disruptive, covering the whole cycle from the idea and contact with insurtech companies to the practical implementation, keeping the client at the center of the process, as always.

In 2020, multiple initiatives were undertaken in its different lines of action, notably the launch of the third call for acceleration and adoption in Insur_space with more than 400 startups, that of the first collaboration in the field of innovation and entrepreneurship with universities (IE Tech Lab) and 12 new Venture Capital investments in startups, in addition to the eight in 2019.

In this way, the Group is offering solutions and proposals to clients that take advantage of the latest technologies, such as the Internet of Things (Leakbot), artificial intelligence applied to images, text and voice (damage assessment using images, verbatim analysis, claim automation), Blockchain (digital identity, B3i consortium for reinsurance) and next-generation products and services (on-demand insurance, on/off policies).

In addition, the change needed to adapt the organization to the new digital requirements continues to be managed through the Digital Challenge initiative, providing the flexible and agile work environment and tools that foster collaborative work and knowledge-sharing.

The MAPFRE Quality Observatory is responsible for performing all measurements of perceived and delivered quality, through client surveys, in all countries where the Group operates. This is performed by analyzing the Net Promoter Score (NPS®) to evaluate client satisfaction and critical client touchpoints. Recommendations are then drawn up regarding the main areas that could be improved.

The reports drawn up by the Quality Observatory provide data on the client experience, assisting with the decision-making process in the different business areas.

In 2020, the 11th relational NPS® measurement wave was carried out, involving a representative sample of MAPFRE's portfolio.

As part of this study, each year the Observatory measures the client experience level of MAPFRE's major competitors in each country and business line. Approximately 80 companies are analyzed around the world. In 2020, the NPS of MAPFRE's clients is greater than the average NPS® of the competitors analyzed.

To complement these measurements of relational NPS®, the Quality Observatory defined a Global Model for transactional NPS®, which allows MAPFRE to find out a client's perception in real time after interacting with us. This model is currently already in place in Brazil and Spain, and was launched in the USA, Puerto Rico, Mexico, Peru and Chile throughout 2020.

E.5. AVERAGE PROVIDER PAYMENT PERIOD

The average payment period for service providers during the fiscal year was 2.02 days (1.29 days in fiscal year 2019).

F. CORPORATE ASPECTS

F.1. CORPORATE ASPECTS

In 2020, Esteban Tejera, Eduardo Pérez de Lema, Aristóbulo Bausela, Antonio Gómez, Daniel Quermia and Jaime Tamayo were re-elected board members at the ordinary Annual General Meeting held on April 3, 2020.

Eduardo Pérez de Lema Holweg was also re-elected as Managing Director at the meeting of the Board of Directors on April 3, 2020, at which Mr. Pérez de Lema and Mr. Quermia were re-elected as members of the Management Committee.

On May 11, 2020, Philippe Hebeisen submitted his resignation as a board member of MAPFRE RE, and was replaced by Jean Daniel Laffely by agreement of the Extraordinary General Meeting of September 21, 2021.

Finally, Messrs. Bausela and Tamayo submitted their resignation as board members with effect from December 31, 2020, and the Company's General Meeting, meeting extraordinarily on December 22, 2020, approved the appointment of Alfredo Castelo and Jesús Martínez as board members, effective January 1, 2021, for a term of four years.

F.2. PROPOSAL FOR AGREEMENTS

Proposals for agreements to be submitted to the Annual General Meeting:

1. To approve the individual annual accounts corresponding to the 2020 fiscal year, as well as the following proposal to use the results contained in the annual report:

Bases of Distribution	Amount 2020
Fair value gains or losses	7,492,719.76
Retained earnings	603,182,597.37
Total	**610,675,317.13**
Distribution	**610,675,317.13**
To Dividends	7,474,019.36
To Retained earnings	603,201,297.77
Total	**610,675,317.13**

This proposal involves the distribution of a dividend for a total amount of 7,474,019.36 euros (0.079 euros per share for share numbers 1 to 94,607,840 both inclusive), payable between April 7 and 30.

2. To approve the consolidated annual accounts for fiscal year 2020.

3. To approve the management of the Board of Directors in the 2020 fiscal year.

4. To reelect Mark Hews as company board director for a new term of four years.

5. To reelect the firm KPMG Auditores S.L. as auditors of the company's accounts, both for the Individual Annual Accounts and, as applicable, for the Consolidated Accounts, if the company should be obliged to prepare such or decide to do so voluntarily, for a new three-year period, i.e. for fiscal years 2021, 2022 and 2023; this is without prejudice to the fact that the appointment may be revoked by the Annual General Meeting before the end of this period, if there is just cause to do so.

6. To delegate broader powers to the Chairman of the Board of Directors and their Secretary so that either of them may proceed with the implementation of the agreements adopted at the Annual General Meeting and make them public when necessary.

7. To thank those involved in managing the Company for their loyal collaboration over the course of this fiscal year.

G. COVID-19

The year 2020 was marked by the outbreak of the coronavirus (COVID-19) and its spread, together with the measures aimed at containing and mitigating its effects, has led to a slowdown in economic activity for which the final impact is difficult to quantify. Under these circumstances, a set of actions has been developed that were guided by two main priorities: to ensure the health safety of the entire workforce and to ensure the continuity of operations in a way that would maintain the level of service to clients.

The most significant measures taken were:

- Activation of the business continuity plan, adapting it to the uniqueness of the COVID-19 crisis, through remote working, to the extent that it is operational, and the maintenance of essential services.

- Assessment of the risks arising from the crisis and adoption of a strategy to protect the balance sheet, especially investments, and to preserve capital, with the necessary liquidity and financing to neutralize any monetary stress.

- Mobilization of resources and transfer of funds to the economy, through the provision of additional aid and financing to agents, direct providers and clients.

From the outset, the health and safety of employees and collaborators has been the top priority, such that, from the first weeks of the pandemic's impact, operations were begun on a remote working model. Subsequently, a partial, gradual, orderly and prudent return to our facilities has occurred, pursuant to a model based on incremental waves and always in accordance with instructions from health authorities.

From the perspective of crisis management as a result of the pandemic, despite its impact and restrictions on mobility, continuity of operations has been maintained and service has continued to be provided to clients, always pursuant to the regulations in force.

Practically all sales activity has recovered, all while maintaining strict prevention and control measures due to concerns associated with outbreaks and eventual changes in trend.

Furthermore, in order to protect the balance sheet and the level of solvency, the MAPFRE Group has made the necessary liquidity and adequate financing available to neutralize any monetary tension. As a result, the Group has maintained high levels of liquidity in all its companies, having duly met payment obligations in a timely manner, with no evidence of significant delays in collections.

The year 2020 reflects sharp declines in global GDP, with a partial recovery foreseen for 2021, albeit still marked by considerable uncertainty in the evolution of indicators due to the health crisis and containment measures.

Future prospects are particularly uncertain and the future effects of the crisis on business volume, financial situation and solvency cannot be accurately estimated. However, the Group's sound balance sheet, high levels of capital and solvency, liquidity position and availabilities of funding allow us to conclude that the effects will be limited.

H. SIGNIFICANT EVENTS FOR THE COMPANY THAT OCCURRED AFTER THE YEAR-END

No material events took place after the fiscal year close that may affect the results or future evolution of the Company

I. OUTLOOK

Economies are expected to recover a significant portion of GDP lost in 2020, as vaccine administration allows countries to overcome the COVID-19 crisis and return to a degree of normality. However, the pace at which this will happen will vary greatly among countries, and there will be countries that will take a long time to overcome it.

Meanwhile, the need to improve the technical margin in the reinsurance sector will persist, due to profitability that still remains insufficient and declining financial returns. Renewal campaigns for reinsurance agreements throughout 2020 have shown signs of improvement in terms and conditions, but this trend must continue in the coming years in order to overcome the soft cycle it is currently experiencing.

The development of the loss experience associated with COVID-19 remains uncertain, but the reinsurance community has more than enough solvency to assume it, and the 2020 renewals have further clarified the exclusion of pandemic, so this risk should not have the same impact if a similar episode occurs.

6

Individual annual Accounts

A

Balance

BALANCE SHEET AS AT DECEMBER 31, 2020 AND 2019

ASSETS	Notes from the Annual report	2020	2019
A) ASSETS			
A-1) Cash and other equivalent liquid assets	9	**278,123**	**284,357**
A-2) Financial assets held for trading	9	**9,671**	**11,316**
I. Equity instruments	9	9,671	11,316
II. Debt securities			
III. Derivatives			
IV. Others			
A-3) Other financial assets at fair value with changes ingains or losses	9	**3,000**	**46**
I. Equity instruments	9	3,000	46
II. Debt securities			
III. Hybrid instruments			
IV. Investments on behalf of Life insurance policyholders bearing the investment risk			
V. Other			
A-4) Financial assets for sale	9	**3,359,985**	**3,299,655**
I. Equity instruments	9	378,650	405,405
II. Debt securities	9	2,981,335	2,894,250
III. Investments on behalf of Life insurance policyholders bearing the investment risk			
IV. Other			
A-5) Loans and receivables		**1,586,738**	**1,466,762**
I. Debt securities			
II. Loans			
1. Policy pre-payments			
2. Loans to Group and associated companies			
3. Loans to other related companies			
III. Deposits with credit institutions	9	80,248	58,535
IV. Deposits established for accepted reinsurance	9	703,933	596,215
V.Receivables on direct insurance operations			
1. Policyholders			
2. Intermediaries			
VI. Receivables on reinsurance operations	9	798,799	723,658
VII.Receivables on co-insurance operations			
VIII. Called capital			
IX. Other receivables		3,758	88,354
1. Receivables from public agencies		592	5,629
2.Other receivables	9	3,166	82,725

ASSETS	**Notes from the Annual report**	**2020**	**2019**
A) ACTIVO			
A-6) Investments held to maturity			
A-7) Hedging derivatives			
A-8) Participation of reinsurance in technical provisions	11	**2,516,608**	**2,586,730**
I. Provision for unearned premiums		689,962	660,962
II. Provision for Life insurance		5,620	4,904
III. Provision for outstanding claims		1,825,026	1,920,864
IV. Other technical provisions			
A-9) Property, plant and equipment and real estate investments		**36,238**	**36,901**
I. Property, plant and equipment	5	35,018	35,666
II. Real estate investments	6	1,220	1,235
A-10) Intangible fixed assets		**31,644**	**36,624**
I. Goodwill	7	28,114	32,132
II. Financial rights arising from policy portfolios acquired from intermediaries			
III. Other intangible assets	7	3,530	4,492
A-11) Shareholdings in Group, multi-group and associated companies	9 & Annex 1	**548,189**	**478,355**
I. Shareholdings in associated companies	9		200
II. Shareholdings in multi-group companies			
III. Shareholdings in Group companies	9	548,189	478,155
A-12) Tax assets		**62,395**	**70,619**
I. Current tax assets		8,888	10,823
II. Deferred tax assets	12	53,507	59,796
A-13) Other assets		**185,482**	**189,890**
I. Assets and long-term reimbursement rights for personnel		1,144	1,702
II. Prepaid commissions and other acquisition costs			
III. Accruals		184,338	188,188
IV. Other assets			
A-14) Assets held for sale			
TOTAL ASSETS		**8,618,073**	**8,461,255**

(Figures in thousands of euros)

BALANCE SHEET AS AT DECEMBER 31, 2020 AND 2019 (CONTINUED)

LIABILITIES AND EQUITY	Notes from the Annual report	2020	2019
A) LIABILITIES			
A-1) Financial liabilities held for trading			
A-2) Other financial liabilities at fair value with changes in gains or losses			
A-3) Debits and payables		**830,935**	**782,127**
I. Subordinated liabilities			
II. Deposits received for ceded reinsurance	9	63,360	58,567
III. Debt for insurance operations			
1. Debt with insured parties			
2. Debt with intermediaries			
3. Conditional debt			
IV. Due on reinsurance operations	9	755,553	694,547
V. Debts owed to co-insurance operations			
VI. Debentures and other negotiable securities			
VII. Debts owed to credit institutions			
VIII. Payables for preparatory operations of insurance contracts			
IX. Other debts:		12,022	29,013
1. Payables due to public agencies		4,735	24,583
2. Other payables to Group and associated companies	9	3,457	2,356
3. Remaining other debts	9	3,830	2,074
A-4) Hedging derivatives			
A-5) Technical provisions	11 & 22	**5,951,275**	**5,889,470**
I. Provision for unearned premiums		1,319,202	1,189,398
II. Provision for unexpired risks			
III. Provision for Life insurance		331,733	238,548
1. Provision for unearned premiums		331,733	238,548
2. Provision for unexpired risks			
3. Mathematical provision			
4. Provisions for Life insurance when the policyholder bears the investment risk			
IV. Provision for outstanding claims		4,300,340	4,361,524
V. Provision for profit sharing and returned premiums			
VI. Other technical provisions			
A-6) Non-technical provisions	14	**10,495**	**10,393**
I. Provisions for taxes and other legal contingencies		1,200	1,200
II. Provision for pensions and similar obligations	14	1,794	2,588
III. Provision for payments of settlement agreements			
IV. Other non-technical provisions	14	7,501	6,605

LIABILITIES AND EQUITY	Notes from the Annual report	2020	2019
A-7) Tax liabilities		**39,326**	**41,248**
I. Current tax liabilities		124	
II. Deferred tax liabilities	12	39,202	41,248
A-8) Other liabilities		**98,486**	**81,227**
I. Accruals		98,486	81,122
II. Liabilities for accounting mismatches			
III. Commissions and other acquisition costs for ceded reinsurance			
IV. Other liabilities			105
A-9) Liabilities linked to assets held for sale			
TOTAL LIABILITIES		**6,930,517**	**6,804,465**
B) EQUITY			
B-1) Shareholders' equity		**1,587,939**	**1,579,471**
I. Capital or mutual fund	10	293,284	293,284
1. Structured capital or mutual fund		293,284	293,284
2. (Uncalled capital)			
II. Share premium		554,392	554,392
III. Reserves		129,991	129,016
1. Legal and statutory	10	58,657	58,657
2. Stabilization reserve			
3. Other reserves		71,334	70,359
IV. (Treasury stock)			
V. Results from previous fiscal years		602,779	554,054
1. Retained earnings	3	603,183	554,458
2. (Negative results from previous fiscal years)		(404)	(404)
VI. Other contributions from shareholders and mutual policyholders			
VII. Result for the period	3	7,493	48,725
VIII. (Interim dividend and equalization reserve)			
IX. Other equity instruments			
B-2) Valuation change adjustments:	9	**99,617**	**77,319**
I. Financial assets for sale		99,733	77,791
II. Hedging operations			
III. Currency conversion and exchange differences	11	(116)	(472)
IV. Correction of accounting asymmetries			
V. Other adjustments			
B-3) Subsidies, donations and endowments received			
TOTAL EQUITY		**1,687,556**	**1,656,790**
TOTAL LIABILITIES AND EQUITY		**8,618,073**	**8,461,255**

(Figures in thousands of euros)

Income statement

INCOME STATEMENT FOR FISCAL YEARS ENDED DECEMBER 31, 2020 AND 2019

INCOME STATEMENT	Notes from the Annual report	2020	2019
I. TECHNICAL ACCOUNT - NON-LIFE INSURANCE			
I.1. Premiums allocated to the fiscal year, net of reinsurance	22	2,608,151	2,457,282
a) Earned premiums		4,758,861	4,549,409
$a_{.1}$) Direct insurance			
$a_{.2}$) Assumed reinsurance	22 & 23	4,758,861	4,549,409
$a_{.3}$) Variation of the impairment correction for premiums pending collection (+ or -)			
b) Premiums from ceded reinsurance (-)	23	(2,145,538)	(2,016,997)
c) Variation of the provisions for unearned premiums and unexpired risks (+ or -)	23	(29,805)	(157,247)
$c_{.1}$) Direct insurance			
$c_{.2}$) Assumed reinsurance		(29,805)	(157,247)
d) Variation of the provision for unearned premiums, ceded reinsurance (+ or -)	23	24,633	82,117
I.2 Revenue from property, plant and equipment and investments		2,588,167	1,769,329
a) Revenue from property investments			
b Revenue from financial investments	9	2,534,518	1,709,281
c) Application of value corrections for the impairment of property, plant and equipment and investments			
$c_{.1}$) From property, plant and equipment and real estate investments			
$c_{.2}$) From financial investments			
d Profits from the sale of property, plant and equipment and investments		53,649	60,048
$d_{.1}$) From property, plant and equipment and real estate investments			
$d_{.2}$) From financial investments	9	53,649	60,048
I.3. Other technical revenues		59	
I.4. Loss ratio for the period, net of reinsurance		**1,844,527**	**1,751,980**
a) Paid claims and expenses		1,851,841	1,759,584
$a_{.1}$) Direct insurance			
$a_{.2}$) Assumed reinsurance	23	3,006,756	3,036,464
$a_{.3}$) Ceded reinsurance (-)	23	(1,154,915)	(1,276,880)
b) Variation in the provision for outstanding claims (+ or -)		(8,008)	(7,704)
$b_{.1}$) Direct insurance			
$b_{.2}$) Assumed reinsurance	23	(103,250)	10,905
$b_{.3}$) Ceded reinsurance (-)	23	95,242	(18,609)
c) Claims-related expenses	23	694	100
I.5. Variation in other technical provisions, net of reinsurance (+ or -)			

INCOME STATEMENT	Notes from the Annual report	2020	2019
I.6. Profit sharing and returned premiums			
a) Outstanding claims and expenses for profit sharing and returned premiums			
b) Variation in the provision for profit sharing and returned premiums (+ or -)			
I.7. Net operating expenses		**785,483**	**738,641**
a) Acquisition expenses	23	1,106,545	1,003,358
b) Administration expenses	23	17,772	18,145
c) Commissions and participation in ceded and retroceded reinsurance	23	(338,834)	(282,862)
I.8. Other technical expenses (+ or -)	**23**	**912**	**747**
a) Variation of impairment for insolvencies (+ or -)	9	639	180
b) Variation of impairment of fixed assets (+ or -)			
c) Variation of outstanding claims settlement agreements (+ or -)			
d) Other		273	567
I.9. Expenses from property, plant and equipment and investments		**2,531,424**	**1,685,685**
a) Expenses from investment management	9	2,496,185	1,665,808
a.1) Expenses from the sale of property, plant and equipment and real estate investments			
a.2) Expenses from investments and financial accounts	9	2,496,185	1,665,808
b) Value corrections for property, plant and equipment and investments			327
b.1) Amortization of property, plant and equipment and real estate investments			327
b.2) Impairment of property, plant and equipment and real estate investments			
b.3) Impairment of financial investments			
c) Losses resulting from property, plant and equipment and investments	9	35,239	19,550
c.1) From property, plant and equipment and real estate investments		14	
c.2) From financial investments	9	35,225	19,550
I.10. Subtotal (Result from Non-Life insurance technical account)		**34,031**	**49,558**

(Figures in thousands of euros).

INCOME STATEMENT FOR FISCAL YEARS ENDED DECEMBER 31, 2020 AND 2019 (CONTINUED)

INCOME STATEMENT	Notes from the Annual report	2020	2019
II. TECHNICAL ACCOUNT - LIFE INSURANCE			
II.1. Premiums allocated to the fiscal year, net of reinsurance	22	410,322	824,434
a) Earned premiums		534,974	573,370
$a._1$) Direct insurance			
$a._2$) Assumed reinsurance	22 & 23	534,974	573,370
$a._3$) Variation of the impairment correction for premiums pending payment (+ or -)			
b) Premiums from ceded reinsurance (-)	23	(32,550)	(27,883)
c) Variation of the provision for unearned premiums and unexpired risks (+ or -)		(93,184)	(279,448)
$c._1$) Direct insurance			
$c._2$) Assumed reinsurance	23	(93,184)	279,448
d) Variation of the provision for unearned premiums, ceded reinsurance (+ or -)	23	1,082	(551)
II.2. Revenue from property, plant and equipment and investments		**141,054**	**121,110**
a) Revenue from property investments			
b) Revenue from financial investments	9	132,426	108,575
c) Application of value corrections for the impairment of property, plant and equipment and investments			
$c._1$) From property, plant and equipment and real estate investments			
$c._2$) From financial investments			
d) Profits from the sale of property, plant and equipment and investments		8,628	12,535
$d._1$) From property, plant and equipment and real estate investments			
$d._2$) From financial investments	9	8,628	12,535
II.3. Revenue from investments subject to insurance in which the policyholder bears the investment risk			
II.4. Other technical revenues			
II.5. Incurred claims for the period. Net of reinsurance		**355,230**	**757,987**
a) Paid claims and expenses		312,483	765,426
$a._1$) Direct insurance			
$a._2$) Assumed reinsurance	23	332,347	784,380
$a._3$) Ceded reinsurance (-)	23	(19,864)	(18,954)
b) Variation in the provision for outstanding claims (+ or -)		42,661	(7,449)
$b._1$) Direct insurance			
$b._2$) Assumed reinsurance	23	42,065	(6,537)
$b._3$) Ceded reinsurance (-)	23	596	(912)
c) Claims-related expenses	23	86	10

INCOME STATEMENT	Notes from the Annual report	2020	2019
II.6. Variation in other technical provisions, net of reinsurance (+ or -)			
a) Provisions for Life insurance			
$a._1$) Direct insurance			
$a._2$) Assumed reinsurance			
$a._3$) Ceded reinsurance (-)			
b) Provisions for Life insurance in which the policyholder bears the investment risk			
c) Other technical provisions			
II.7. Profit sharing and returned premiums			
a) Outstanding claims and expenses for profit sharing and returned premiums			
b) Variation in the provision for profit sharing and returned premiums (+ or -)			
II.8. Net operating expenses		**110,411**	**109,210**
a) Acquisition expenses	23	116,260	114,531
b) Administration expenses	23	2,322	1,311
c) Commissions and holdings in ceded and retroceded reinsurance	23	(8,171)	(6,632)
II.9. Other technical expenses	23	**(6)**	**117**
a) Variation of impairment for insolvencies (+ or -)			
b) Variation of impairment of fixed assets (+ or -)			
c) Other		(6)	117
II.10. Expenses from property, plant and equipment and investments		**101,714**	**66,756**
a) Management expenses from property, plant and equipment and investments	9	95,867	62,147
$a._1$) Expenses from property, plant and equipment and real estate investments			
$a._2$) Expenses from investments and financial accounts	9	95,867	62,147
b) Value corrections for property, plant and equipment and investments			27
$b._1$) Amortization of property, plant and equipment and real estate investments			27
$b._2$) Impairment of property, plant and equipment and real estate investments			
$b._3$) Impairment of financial investments			
c) Losses resulting from property, plant and equipment and investments	9	5,847	4,582
$c._1$) From property, plant and equipment and real estate investments		3	
$c._2$) From financial investments	9	5,844	4,582
II.11. Expenses from investments subject to insurance in which the policyholder bears the investment risk			
II.12. Subtotal (Result from Life insurance technical account)		**(15,973)**	**11,474**

(Figures in thousands of euros)

INCOME STATEMENT FOR FISCAL YEARS ENDED DECEMBER 31, 2020 AND 2019 (CONTINUED)

INCOME STATEMENT	Notes from the Annual report	2020	2019
III. NON-TECHNICAL ACCOUNT			
III.1. Revenue from property, plant and equipment and investments		1,286	29,599
a) Revenue from property investments		15	14
b) Revenue from financial investments	9	1,271	18,715
c) Application of value corrections for the impairment of property, plant and equipment and investments			
$c._1$) From property, plant and equipment and real estate investments			
$c._2$) From financial investments			
d) Profit from the sale of property, plant and equipment			10,870
$d._1$) From property, plant and equipment and real estate investments	5		16
$d._2$) From financial investments	9		10,854
III.2. Expenses from property, plant and equipment and investments		214	15,371
a) Expenses from investment management	9	214	13,121
$a._1$) Expenses from investments and financial accounts	9	214	13,121
$a._2$) Material investment expenses			
b) Value corrections for property, plant and equipment and investments			
$b._1$) Amortization of property, plant and equipment and real estate investments			
$b._2$) Impairment of property, plant and equipment and real estate investments			
$b._3$) Impairment of financial investments			
c) Losses resulting from property, plant and equipment and investments			2,250
$c._1$) From property, plant and equipment and real estate investments	5		3
$c._2$) From financial investments	9		2,247
III.3. Other revenue		35	699
a) Revenue from pension fund management			
b) Other revenue		35	699
III.4. Other expenses		7,546	9,332
a) Expenses from pension fund management			
b) Other expenses		7,546	9,332
III.5. Subtotal, (Result from non-technical account)		(6,439)	5,595
III.6. Result before tax (I.10 + II.12 + III.5)		11,619	66,627
III.7. Tax on profits	12	4,126	17,902
III.8. Result from ongoing operations (III.6 + III.7)	3	7,493	48,725
III.9. Result from discontinued operations, net of tax (+ or -)			
III.10.Result for the period (III.8 + III.9)		7,493	48,725

(Figures in thousands of euros).

Statement of changes in equity

STATEMENT OF CHANGES IN EQUITY FOR FISCAL YEARS ENDED DECEMBER 31, 2020 AND 2019

A) STATEMENTS OF RECOGNIZED REVENUE AND EXPENSES

STATEMENT OF RECOGNIZED REVENUE AND EXPENSES	2020	2019
I. RESULT FOR THE PERIOD	**7.493**	**48.725**
II. OTHER RECOGNIZED REVENUE AND EXPENSES	**22.298**	**82.111**
II.1. Financial assets for sale	**29.256**	**109.006**
Valuation gains and losses	50.653	161.601
Amounts transferred to the income statement	(21.397)	(52.595)
Other reclassifications		
II.2. Cash flow hedging		
Valuation gains and losses		
Amounts transferred to the income statement		
Amounts transferred to the initial value of hedged items		
Other reclassifications		
II.3. Hedging of overseas business net investments		
Valuation gains and losses		
Amounts transferred to the income statement		
Other reclassifications		
II.4. Currency conversion and exchange differences	**475**	**475**
Valuation gains and losses	475	475
Amounts transferred to the income statement		
Other reclassifications		
II.5. Correction of accounting mismatches		
Valuation gains and losses		
Amounts transferred to the income statement		
Other reclassifications		
II.6. Assets held for sale		
Valuation gains and losses		
Amounts transferred to the income statement		
Other reclassifications		
II.7. Actuarial gains/(losses) for long-term personnel remuneration		
II.8. Other recognized revenue and expenses		
II.9. Tax on profits	**(7.433)**	**(27.370)**
III. TOTAL RECOGNIZED REVENUE AND EXPENSES	**29.791**	**130.836**

(Figures in thousands of euros)

STATEMENT OF CHANGES IN EQUITY FOR THE FISCAL YEAR ENDED AS ON DECEMBER 31, 2020 AND 2019.

B) TOTAL STATEMENT OF CHANGES IN EQUITY

Item	Capital or mutual fund		Share premium	Reserves	(Treasury stock and own equity holdings)	Result from previous fiscal years	Other shareholder contributions	Result for the period	(Interim dividend and stabilization reserve)	Other equity instruments	Valuation change adjustments	Subsidies, donations and endowments received	TOTAL
	Authorized	Uncalled											
C. CLOSING BALANCE 2018	293,284		554,392	116,202		584,794		156,383	(100,401)		(4,792)		1,599,862
I. Valuation change adjustments 2018													
II. Correction of errors 2018													
D. ADJUSTED OPENING BALANCE 2019	293.284		554,392	116,202		584,794		158,383	(100,401)		(4,792)		1,599,862
I. Total recognized revenue and expenses.								48,725			82,111		130,836
II. Operations with shareholders or mutual policyholders.				13,874		(30,740)		(156,383)	100,401				(72,848)
1. Increases in capital or mutual fund.													
2. (-) Reductions in capital or mutual fund.													
3. Conversion of financial liabilities into equity (conversion of debentures, debt write-offs).													
4. (-) Distribution of dividends or active apportionments (note 3).						(72,848)							(72,848)
4.bis (-) Distribution of earnings.				13,874		42,108		(156,383)	100,401				
5. Operations with treasury stock or own equity (net).													
6. Increase (decrease) of equity resulting from a business combination.													
7. Other operations with shareholders or mutual policyholders.													
III. Other variations in equity.				(1,060)									(1,060)
1. Payments based on equity instruments.													
2. Transfers among equity items.													
3. Other variations.				(1,060)									(1,060)
E. CLOSING BALANCE 2019	293.284		554,392	129,016		554,054		48,725			77,319		1,656,790

Item	Capital or mutual fund		Share premium	Reserves	(Treasury stock and own equity holdings)	Result from previous fiscal years	Other shareholder contributions	Result for the period	(Interim dividend and stabilization reserve)	Other equity instruments	Valuation change adjustments	Subsidies, donations and endowments received	TOTAL
	Authorized	Uncalled											
C. CLOSING BALANCE 2019	**293,284**		**554,392**	**129,016**		**554,054**		**48,725**			**77,319**		**1,656,790**
I. Valuation change adjustments 2019													
II. Correction of errors 2019													
D. ADJUSTED OPENING BALANCE 2020	**293,284**		**554,392**	**129,016**		**554,054**		**48,725**			**77,319**		**1,656,790**
I. Total recognized revenue and expenses.								7,493			22,298		29,791
II. Operations with shareholders or mutual policyholders.						48,725		(48,725)					
1. Increases in capital or mutual fund.													
2. (-) Reductions in capital or mutual fund.													
3. Conversion of financial liabilities into equity (conversion of debentures, debt write-offs).													
4. (-) Distribution of dividends or active apportionments (note 3).													
4.bis (-) Distribution of earnings.						48,725		(48,725)					
5. Operations with treasury stock or own equity (net).													
6. Increase (decrease) of equity resulting from a business combination.													
7. Other operations with shareholders or mutual policyholders.													
III. Other variations in equity.				975									975
1. Payments based on equity instruments.													
2. Transfers among equity items.													
3. Other variations.				975									975
E. CLOSING BALANCE 2020	**293,284**		**554,392**	**129,991**		**602,779**		**7,493**			**99,617**		**1,687,556**

(Figures in thousands of euros)

Cash flow statement

CASH FLOW STATEMENT FOR FISCAL YEARS ENDED DECEMBER 31, 2020 AND 2019

CASH FLOW STATEMENT	2020	2019
A) CASH FLOWS FROM OPERATIONS		
A.1.) Insurance activity	**74,970**	**(2,970)**
1. Direct insurance, co-insurance and assumed reinsurance proceeds	741,219	306,423
2. Direct insurance, co-insurance and assumed reinsurance payments	(392,686)	(198,854)
3. Ceded reinsurance proceeds	256,610	142,339
4. Ceded reinsurance payments	(438,651)	(158,664)
5. Outstanding claims recovery		
6. Payment of remuneration to intermediaries		
7. Other operating proceeds		
8. Other operating payments	(91,522)	(94,214)
9. Total cash proceeds from insurance activities (1 + 3 + 5 + 7) = I	997,829	448,762
10. Total cash payments from insurance activities (2 + 4 + 6 + 8) = II	(922,859)	(451,732)
A.2.) Other operating activities	**(2,408)**	**(37,228)**
1. Proceeds from pension fund management activities		
2. Payments from pension fund management activities		
3. Proceeds from other activities		
4. Payments from other activities		
5. Total cash proceeds from other operating activities (1 + 3) = III		
6. Total cash payments from other operating activities (2 + 4) = IV		
7. Proceeds and payments for tax on profits (V)	(2,408)	(37,228)
A.3.) Total net cash flow from operations (I - II + III - IV - V)	**72,562**	**(40,198)**
B) CASH FLOW FROM INVESTMENT ACTIVITIES		
B.1) Proceeds from investment activities	**3,041,258**	**3,357,848**
1. Property, plant and equipment		164
2. Real estate investments		
3. Intangible assets		
4. Financial instruments	2,951,654	3,223,269
5. Shareholdings in Group, multi-group and associated companies	1,222	13,899
6. Interest collected	79,365	102,363
7. Dividends collected	9,017	18,153
8. Business unit		
9. Other proceeds from investment activities		
10. Total cash proceeds for investment activities (1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9) = VI	3,041,258	3,357,848
B.2.) Payments from investment activities	**(3,120,054)**	**(3,259,159)**
1. Property, plant and equipment	(2,310)	(2,263)
2. Real estate investments		

CASH FLOW STATEMENT	2020	2019
3. Intangible assets	(861)	(1,785)
4. Financial instruments	(3,116,883)	(3,255,111)
5. Shareholdings in Group, multi-group and associated companies		
6. Business unit		
7. Other payments related to investment activities		
8. Total cash payments from investment activities (1 + 2 + 3 + 4 + 5 + 6 + 7) = VII	(3,120,054)	(3,259,159)
B.3.) Total cash flow from investment activities (VI + VII)	**(78,796)**	**98,689**
C) CASH FLOW FROM FINANCING ACTIVITIES		
C.1) Proceeds from financing activities		
1. Subordinated liabilities		
2. Proceeds from issuing of equity instruments and capital increases		
3. Active apportionments and contributions from shareholders or mutual policyholders		
4. Proceeds from sale of treasury stock		
5. Other proceeds related to financing activities		
6. Total cash proceeds from financing activities (1 + 2 + 3 + 4 + 5) = VIII		
C.2) Payments from financing activities		**(72,848)**
1. Dividends paid to shareholders		(72,848)
2. Interest paid		
3. Subordinated liabilities		
4. Payments on return of shareholders' contributions		
5. Passive apportionments and return of mutual policyholders' contributions		
6. Purchase of treasury stock		
7. Other payments related to financing activities		
8. Total cash payments from financing activities (1 + 2 + 3 + 4 + 5 + 6 + 7) = IX		(72,848)
C.3) Total net cash flow from financing activities (VIII + IX)		**(72,848)**
Effect of exchange rate variations (X)		
Total increase / decrease in cash and cash equivalents (A.3 + B.3 + C.3 + - X)	**(6,234)**	**(14,357)**
Cash and cash equivalents at beginning of the period	**284,357**	**298,714**
Cash and cash equivalents at end of the period	**278,123**	**284,357**
1. Banks and savings banks	248,523	205,496
2. Other financial assets	29,600	78,861
3. Bank overdrafts repayable on sight		
TOTAL	**278,123**	**284,357**

(Figures in thousands of euros)


7
Companies making up the Reinsurance Unit

Companies making up the Reinsurance Unit

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8

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8

Offices, Geographic distribution and Supervisors

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