MAPFRE

RE

2022
ANNUAL REPORT

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GOVERNING BODIES

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VICE PRESIDENT & CEO Eduardo Pérez de Lema	PRESIDENT
VOCALS	
Alfredo Castelo	
Ana Isabel Fernández	
Javier Fernández-Cid	VOCAL
Antonio Gómez	VICE PRESIDENT
Montserrat Guillén	
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José Manuel Inchausti	
Jean-Daniel Laffely • Vaudoise Assurances Holding	
Katsuhiko Kaneyoshi	
Pedro López	VOCAL
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José Luis Perelli	
Daniel Quermia	VOCAL
NON-VOCAL SECRETARY Juan Martín Sanz	NON-MEMBER SECRETARY

01.01.2023

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CONSOLIDATED MANAGEMENT REPORT

A. INTRODUCTION

In recent years, the reinsurance industry has recorded a significant impairment of its technical margins. One of the causes was the progressive increase in the reinsurance offer, which was reinforced by the entry of additional capital from financial markets at a time when low interest rates encouraged them to seek alternative investment opportunities, with the consequent increase in competition in the reinsurance sector. Another reason was the high loss ratio recorded, due to both catastrophic events that have traditionally been more present in the statistics for insured catastrophes (earthquakes, hurricanes, floods) and other hazards that have hitherto been less frequent or intense (COVID-19, frost, forest fires, hail, droughts), for which the market has not received sufficient premiums but which have also had an impact on the industry's accounts.

At the beginning of this market softening, the reinsurance industry (with its strong capitalization and with the help of financial gains) could absorb the higher loss ratio and offset the insufficient technical result. But as the cycle deepened, the industry moved towards a point of maximum technical tension.

Since mid-2022, however, there has been a strong change of direction in the cycle for several reasons:

- A reduction in the supply of reinsurance and retrocession due to capital outflows from financial markets, which impacted by an unexpected loss ratio and encouraged by the recent upturn in interest rates, are more attracted to alternative investments than to reinsurance activities.

- A severe decrease in the capitalization of the reinsurance industry in general, due to the depreciation of its investments at increasing interest rates, with the resulting negative impact on its equity.

- The high loss ratio in recent years (including COVID-19 and natural disasters, which kept the industry's technical margins well below the expected level) continued throughout 2022. Key events included Storm Eunice in Europe; Hurricane Ian, which impacted Cuba and the southeast of the US; Hurricane Fiona in Puerto Rico and the Dominican Republic, which even reached Canada with hurricane winds; the drought in the Parana River basin; flooding in Australia and South Africa; and hail storms in France in May and June at a record cost for this type of event in that country.

- In addition, the unexpected war in Ukraine that broke out at the beginning of 2022, with the subsequent imposition of economic sanctions, quickly adopted by global insurance, is a new conflict that alters the global geopolitical scenario. This has a direct economic impact on not only the countries involved but also on a global level, due to the rising cost of numerous raw materials and the uncontrolled increase in energy prices.

- The increase in demand for reinsurance by insurers, due to the strong inflation that is being recorded in most economies, which results in an upward revision of insured values and the subsequent greater reinsurance capacity required.

MAPFRE RE (hereinafter the "Company") generated before-tax earnings of 192.8 million euros (193.8 million euros in 2021). The catastrophic loss ratio, which was once again higher than the average recorded in the last decade, was offset by an improvement in the base loss ratio following adjustments in reinsurance prices and conditions over the last two years.

The attributed net result reached 143.4 million euros in 2022, 5.4 % less than the previous year, with 122.6 million euros corresponding to the Reinsurance Unit. As in previous years, the Global Risks Unit also contributed to the Company's consolidated result, adding a pretax profit of 20.8 million euros.

The rating agencies maintained their respective ratings on MAPFRE RE's financial strength in 2022, maintaining an A+ with a stable outlook (Standard & Poor's) and an A with a stable outlook (A.M. Best).

On January 1, 2023, EU-IFRS 17 "Insurance Contracts" came into force, replacing EU-IFRS 4 and EU-IFRS 9 "Financial Instruments," which will replace EU-IAS 39. Both standards will be applied retrospectively to MAPFRE RE's consolidated accounts for fiscal year 2023, offering a comparison with the figures for fiscal year 2022.

The Controlling Company has availed itself of the option provided for in Law 11/2018 of December 28 to not prepare the statement of non-financial information, as it is included as a subsidiary in the consolidated management report of MAPFRE, S.A.

The Controlling Company is a subsidiary of MAPFRE, S.A., which files its Consolidated annual accounts with the Commercial Register 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

Income Statement

IFRS income statement	2022	2021	Var. % 22/21
ASSUMED REINSURANCE			
Assumed premiums	7,221.3	6,274.6	15.09 %
Earned premiums for the fiscal year	6,953.2	6,010.1	15.69 %
Loss experience (including claims-related expenses)	(4,870.1)	(4,004.4)	21.62 %
Operating expenses and other technical expenses	(1,500.0)	(1,409.7)	6.41 %
ASSUMED REINSURANCE RESULT	583.1	596.0	(2.16 %)
RETROCEDED REINSURANCE			
Premiums and variations in unearned premium reserves	(3,054.5)	(2,577.5)	18.51 %
Benefits paid and variation in outstanding claims reserves	2,049.4	1,569.5	30.58 %
Commissions and holdings	489.7	460.6	6.32 %
RETROCEDED REINSURANCE RESULT	(515.4)	(547.4)	(5.85 %)
Other technical revenue and expenses	(12.3)	(8.7)	41.38 %
LIFE AND NON-LIFE TECHNICAL ACCOUNT RESULT	55.4	39.9	38.85 %
Net revenue from investments	137.4	153.9	(10.72 %)
Unrealized gains and losses on investments			
Other non-technical revenue and expenses			
Results from non-controlling interests			
LIFE AND NON-LIFE BUSINESS RESULT	192.8	193.8	(0.52 %)
RESULT FROM OTHER ACTIVITIES			
RESULT BEFORE TAX AND NON-CONTROLLING INTERESTS	192.8	193.8	(0.52 %)
Tax on profits	(49.4)	(42.1)	17.30 %
Result after tax from discontinued activities			
RESULT AFTER TAX	143.4	151.7	(5.46 %)
Non-controlling interests			
RESULT AFTER TAX AND NON-CONTROLLING INTERESTS	143.4	151.7	(5.46 %)

Millions of euros

Non-Life Ratios	2022	2021	Var. % 22/21
Loss ratio for assumed reinsurance	70.3 %	68.1 %	3.23 %
Expense ratio for assumed reinsurance	26.5 %	29.0 %	(8.62 %)
Combined ratio net of retroceded reinsurance	96.8 %	97.1 %	(0.31 %)

Millions of euros

Breakdown of assumed premiums	2022	2021	Var. % 22/21
Non-Life	6,528.8	5,644.6	15.66 %
Life	692.5	630.0	9.92 %
TOTAL	**7,221.3**	**6,274.6**	**15.09 %**

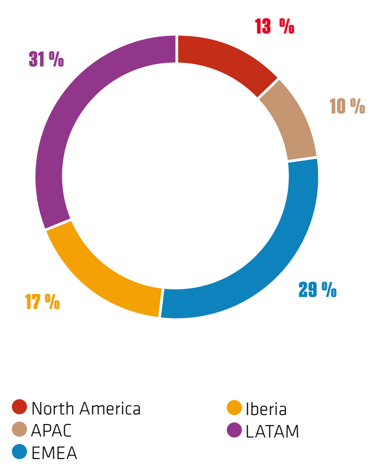
Millions of euros

B.2. Balance sheet

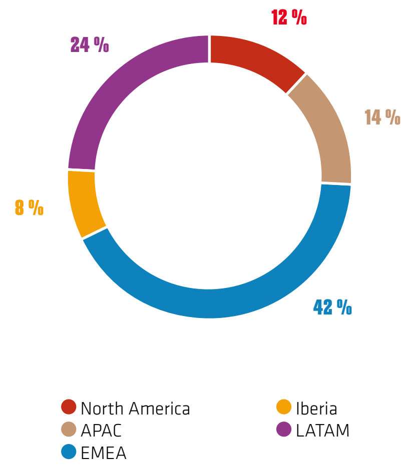
Key figures from the Balance Sheet (IFRS)	2022	2021	Var. % 22/21
Investments and cash	6,242.5	5,787.0	7.87 %
Total assets	11,321.7	9,982.3	13.42 %
Net technical provisions	4,677.8	4,190.7	11.62 %
Equity	1,891.6	1,797.1	5.26 %
ROE	7.8 %	8.5 %	(8.24 %)

Millions of euros

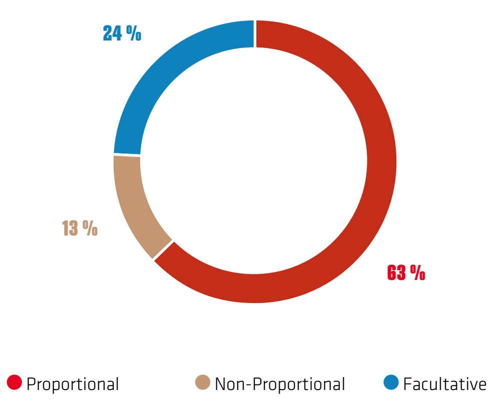
GROSS PREMIUMS BY GEOGRAPHIC AREA



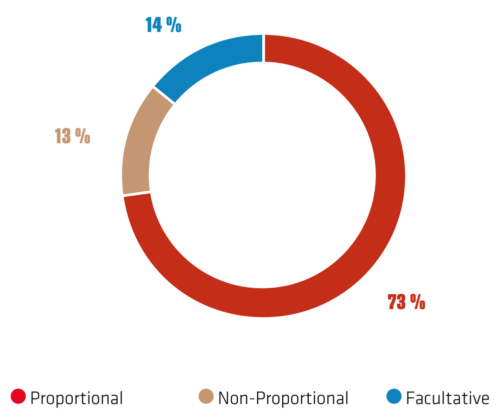
NET PREMIUMS BY GEOGRAPHIC AREA



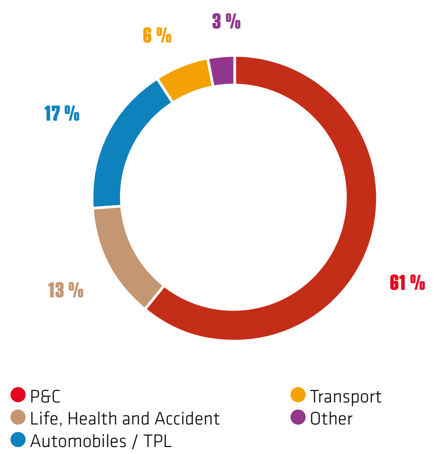
GROSS PREMIUMS BY BUSINESS TYPE



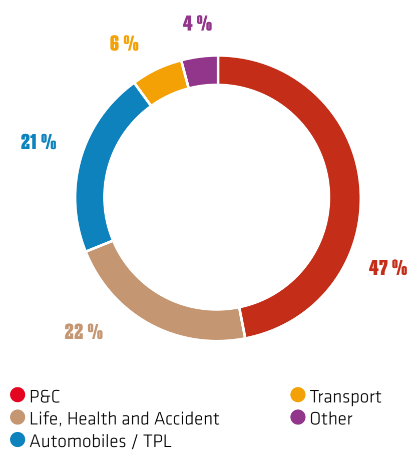
NET PREMIUMS BY BUSINESS TYPE



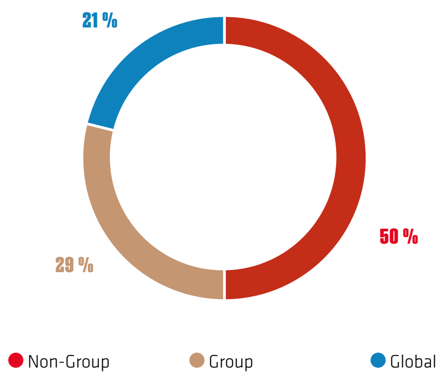
GROSS PREMIUMS BY BUSINESS LINE



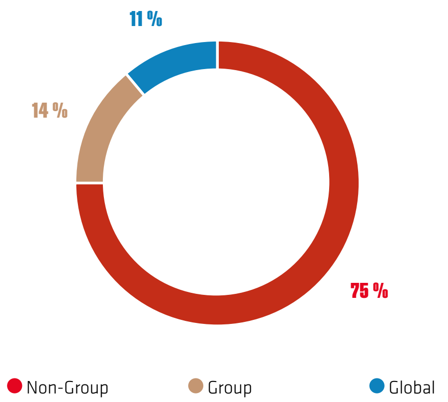
NET PREMIUMS BY BUSINESS LINE



GROSS PREMIUMS BY CEDENT TYPE



NET PREMIUMS BY CEDENT TYPE



C. MAIN ACTIVITIES

MAFPRE RE's accepted reinsurance premiums in 2022 amounted to 7,221 million euros, 15.1 % higher than in the previous year. Income before taxes and non-controlling interests amounted to 193 million euros, lower (-0.5 %) than in 2021. Shareholders' equity at the end of the current financial year amounted to 1,892 million euros, and the Non-Life net combined ratio was 96.8 % (0.3 percentage points lower than in 2021).

BUSINESS ACTIVITY

Commercial actions gradually recovered pre-pandemic activity levels in a year marked by MAPFRE RE's 40th Anniversary, with celebrations in different countries.

More than 2,600 commercial actions were carried out in all markets, reflecting this return to normality, which has allowed close contact with clients and brokers and the efficient preparation of renewal campaigns.

Among the events to be highlighted, the company participated for another year in the Baden Baden Reinsurance Meeting 2022, with 44 meetings, and in the *Rendez-Vous de Septembre* in Montecarlo, holding more than 150 meetings with ceding companies and global brokers, the first time this forum was held in person after the pandemic.

It also participated in different market events, such as the National Day of Spain at the Spanish Embassy in Buenos Aires and the Spanish Embassy in France; the Reinsurance Meetings held in Estoril; the 135th Anniversary of the Chamber of Commerce in the United Kingdom; and the 18th edition of the Singapore International Reinsurance Conference (SIRC) in Singapore. These included events in which MAPFRE RE was a sponsor, such as the Inter-European Reinsurance Meetings-ENTRE 2022 (Spain), the International Insurance Convention (FASECOLDA) in Colombia, IRUA in the USA, the ALASA International Congress in Mexico, and the AIAG Congress in Turkey, among others.

TECHNICAL MANAGEMENT AND CLIENT SERVICES

In 2022, MAPFRE RE organized or participated in different technical reinsurance meetings with clients, including Life underwriting workshops held in Madrid, Portugal and Buenos Aires, a technical workshop on the loss of profits in the renewable energy sector (Madrid), and several technical meetings on reinsurance with clients for the damages, engineering, third-party liability, life, agricultural, surety and credit lines.

It continues to support the use of new technologies and tools in the sector for greater efficiency and agility in reinsurance accounting transactions, and of particular note are the seminars on Acord's Rüschlikon Initiative.

Throughout the year, visits to the MAPFRE RE headquarters were organized for different delegations from Brazil, the Dominican Republic and Turkey, among others.

INFORMATION AND TECHNOLOGY SYSTEMS

In 2022, the Technology Area continued with the technological changes under the System Transformation Plan, reinforcing all security aspects of both the corporate data processing center and the workstations.

The first year of implementation of the MAPFRE RE transformation plan, launched in June 2021, was completed, with some of the most obsolete systems being renewed.

To meet the needs of the business areas, the projects completed during the year included the implementation of the document manager in the Cloud, the ExpoCat solution for the geolocation and visualization of portfolios in the geographic information system (GIS), the upgrade of the MARESEL online selection manual for Personal Risks and the adaptation to the IFRS 17 requirements.

During 2022, work environment solutions and collaboration tools continued to be implemented, with the addition of new features and the development, in collaboration with HR, of information sessions to introduce the existing solutions to users.

Apart from the completed projects, the most work-intensive projects were related to the upgrade of the main business system: Condor. In this application, the team continued to construct the claims module as well as the Portfolio module, which currently represents one of the most challenging projects for the IT Area.

The IFRS 17 project required an extraordinary effort by all the company's internal teams, including the Technology Area, and MAPFRE RE was the first company in the group to send the transition information to the SAP FPSL environment.

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	2022	2021
Board Directors	2	2
Senior Managers	0	0
Managers	138	136
Technicians	291	276
Administration	26	32
TOTAL	**457**	**446**

The Corporate Persons 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 the development of employee knowledge, skills, and careers. It performs all those tasks in a flexible, inclusive, and diverse work environment that promotes collaboration and innovation and encourages well-being and health.

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

The Human Rights Policy guarantees the right to freedom of opinion, information and expression, respecting the diversity of opinions in the company and promoting dialogue and communication, as well as the right to a safe and healthy working environment in which any display of harassment and violent or offensive behavior toward the rights and dignity of people is rejected. 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 present in all relationships between employees and in relationships between employees and providers, clients, collaborators, and other stakeholders. Furthermore, it also extends to all the organizations with which MAPFRE works.

MAPFRE is a diverse, egalitarian and inclusive company with a Global Diversity and Equal Opportunity Policy approved by the MAPFRE, S.A. Board of Directors on July 23, 2015, and a Diversity, Inclusion and Equity Strategy called Inclusion for Sustainable Growth.

With regard to gender diversity, to promote its positioning as an inclusive company, since February 2020 MAPFRE has been a signatory of the United Nations Women's Empowerment Principles. In 2021, MAPFRE was included in the Bloomberg GEI (Gender Equality Index), which distinguishes companies around the world that stand out for promoting equality and for their transparency in information related to gender issues.

In terms of functional diversity, MAPFRE promotes the integration of people with disabilities into the workforce and committed to ensuring that 3.5 % of its employees are people with disabilities. Since October 2021, the Group has been a part of the International Labour Organization (ILO) Global Business and Disability Network, which aims to help make corporate employment policies and practices more inclusive of people with disabilities worldwide, as well as to increase awareness of the positive relationship between disability inclusion and business growth.

During the fiscal year, the expansion of the Global Disability Program continued apace, and at the year-end, there were eight people with a disability in the workforce (eight people with a disability in 2021).

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 a Capability Transformation plan which main objective is to identify and develop the necessary knowledge for the business in the short and medium term, in addition to improving employability with development plans, career plans, training itineraries, upskilling, reskilling and retention plans.

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 2022 was 52 (27 processes in 2021).

At MAPFRE, transfers remain essential for employee development and employability. In 2022, 10.29 % of employees were transferred, representing 47 employees. In addition, 100 % of managerial positions were filled internally, and of the total vacancies published, 20.8 % were filled by internal mobility and 0 % involved promotion.

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 2022 was 99.1 % (99.1 % in 2021).

With regard to the DIGITAL CHALLENGE, our global strategic initiative, we are working to enable the organization to manage resources quickly and efficiently, focusing on productivity and adopting more flexible structures, project execution, knowledge management, collaborative environments, and a more personalized employee experience. MAPFRE has a global knowledge management technology platform called Eureka, where all employees can connect to share knowledge and best practices.

The situation created in previous years by the pandemic led to the adaptation of training plans to digital and mixed modes. Technical training is key for MAPFRE. In 2022, a total of 548,312.78 euros was invested in workforce training (655,674 euros in 2021).

Since MAPFRE is a company that cares for people, it establishes appropriate and competitive remuneration according to function/job position, merits and performance. This remuneration is based on applicable regulations while guaranteeing equality and non-discrimination. The remuneration model focuses on productivity and the generation of added value, with flexibility to adapt to the different groups and circumstances of an increasingly demanding talent market.

Its guiding principle is a transparent Remuneration Policy, known to all employees, that makes remuneration an element of motivation and satisfaction, enabling the targets to be met and the strategy to be fulfilled within the framework of the company's long-term interests.

Following the extraordinary success of the 2022 Share Remuneration Plan in Spain, a new flexible Remuneration Plan for Group employees in Spain was launched for 2023, with the aim of increasing their link to the company's strategy and future profit. Like the previous one, this plan offers the possibility of voluntarily allocating an annual amount of remuneration to the purchase of MAPFRE, S.A. shares, although in this new edition there will be no delivery of additional shares. These shares will be delivered monthly throughout 2023.

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 inside and outside the workplace. The Global Healthy Company Management Model, implemented worldwide, includes five areas of action: labor environment, health promotion, physical activity and nutrition, and mental well-being and work environment.

To facilitate well-being and work-life balance for employees, a wide range of social benefits are offered for an investment of 3,192,089 euros in 2022 (3,809,407 euros in 2021).

D.2. Environment

In November 2021, COP 26 came to an end in Glasgow after giving rise to the Net-Zero Alliance, which challenged members to achieve net-zero insurance portfolios by 2050. MAPFRE joined this initiative in 2022 and is currently working with other alliance members to define a protocol for setting targets.

In 2022, progress continued on the targets established for 2024 under the Environmental Footprint Plan. These objectives, as well as the actions necessary to achieve them, are included in the '22–'24 Sustainability Plan to guarantee the aligned and coordinated action of all MAPFRE Group companies in this area.

In accordance with the neutrality strategy, MAPFRE's carbon footprint in Spain and Portugal has been offset through reforestation projects. Compensation projects are chosen according to the Corporate Greenhouse Gas Compensation Strategy, which defines the selection criteria to encourage biodiversity recovery and ensure ecosystem services and natural capital, going a step beyond the creation of carbon sinks.

The Environmental Policy was updated in 2021 to include key aspects, such as the circular economy and natural capital, in the Group's environmental management strategy. MAPFRE has a strategic model based on an integrated management system, certifiable under various ISO standards, to include all aspects associated with environmental, energy, greenhouse gas emissions, and circular economy sustainability. The model enables plans and programs to be defined, minimizing the risks identified and paving the way to exploiting the opportunities that arise.

To date, MAPFRE has continued to collect environmental certifications.

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

In addition, and in the current context, the circular economy continues to be a necessary solution to the economic and climate crisis, making companies more competitive and resilient. In this area, MAPFRE has certified its Data Processing Centers located in Alcalá de Henares in accordance with the AENOR Zero Waste Regulation, while the Group's headquarters in Majadahonda (Madrid) has maintained the certificate it already obtained.

With regard to natural capital, the UN Conference on Biological Diversity (COP 15) was held in 2022 with the aim of devising a new global framework to transform society's relationship with biodiversity and ensure that the shared vision of living in harmony with nature is fulfilled by 2050. Together with Fundación Biodiversidad, MAPFRE is analyzing its current commitment to biodiversity and natural capital to define the new challenges and objectives aligned with this new global framework.

D.3 Environmental, Social, and Governance Factors and Risks

MAPFRE constantly analyzes factors that, should they arise, can or could impact business (referring to investment and underwriting). 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.

A proper analysis of ESG factors, and how they might affect the business in the short, medium and long term, shows their relationship to the company and possible inclusion in the list of risks drawn up by the company and in the adoption of prevention and mitigation measures.

With regard to investment processes, since 2017 MAPFRE has adhered to the United Nations Principles for Responsible Investment (PRI) and has a framework for action in responsible investment.

The application of the United Nations principles coexists with the company's assumed obligation as custodian of clients' savings and investments and the strength of its own balance sheet. For this reason, criteria are applied for the creation of long-term value, and ESG factors are incorporated.

MAPFRE has an Investment Policy approved by the MAPFRE, S.A. Board of Directors.

The Corporate Investment Area is the guarantor of compliance with the established responsible investment principles at the organization and must report annually on their fulfillment to the Sustainability Committee. Likewise, MAPFRE has a Risk Committee that regularly analyzes the composition of portfolios, their ESG evaluation and any disputes that may arise from the application of the causes of exclusion approved by MAPFRE, as well as the carbon footprint of the investment portfolio.

Regarding the integration of ESG aspects into underwriting processes, in 2012, MAPFRE signed on to the Principles for Sustainable Insurance (PSI) promoted by the United Nations Environment Programme Finance Initiative (UNEPFI).

This commitment is defined in the Underwriting Policy, approved by the Board of Directors of MAPFRE, S.A., applicable to all insurance and reinsurance entities and aligned with the corporate business strategy. In addition to a Global Business Committee that meets monthly, MAPFRE has an Underwriting Policy Committee that meets weekly and that, among other functions, is responsible for the correct application of this policy and analyzes and proposes operational exclusion rules on ESG matters.

E. FURTHER 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; 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.

The majority of investments are represented by fixed income securities, accounting for 82.8 % of the total financial investment portfolio in 2022 (79.3 % in 2021).

Investments in equity securities and mutual funds have a limited weight on the balance sheet, representing approximately 17.2 % of total financial investments in 2022 (20.7 % in 2021).

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 9.8 million euros in 2022 (-7.4 million euros in 2021).

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, 2022, the cash balance stood at 653 million euros (289 million euros in 2021), equivalent to 12.5 % of total investment and liquid funds (5.90 % in 2021). In addition, most fixed-income investments are investment grade and are traded in organized markets, thus providing significant scope for action in the event of potential liquidity strains.

Regulatory risk

The Group works in a complex environment under increasing regulatory pressure, not only in the insurance sector, but also in matters of technology, corporate governance, corporate criminal responsibility and sustainability, with special attention to the fight against climate change.

Insurance companies are subject to special laws and regulations in the countries where they operate, and various local authorities are responsible for ensuring compliance therewith.

Legislative changes can (i) involve a risk if the Group is unable to adapt to them or (ii) affect the operations of the Group to the extent that the supervisory authorities have broad administrative control over various aspects of the insurance business.

E.2 Other risks and uncertainties

In the analysis of the main risks faced by the Group, Cyber Risk and ICT system failures stand out. The continuous increase in the volume and sophistication of malicious cybernetic activity to which MAPFRE is exposed when conducting business in a digital environment poses a high operational risk, requiring the company to constantly update and reinforce its cybersecurity measures.

Secondly, persistent inflation stands out, with a direct impact on the energy component and the price of all supplies and products, affecting all companies and clients across the board.

The Group also analyzes risks with a significant potential impact that could affect the longer-term (5-10 years). In this regard, climate change risk management essentially focuses on increasing our understanding of the greater catastrophic hazards derived from climate change and improving our management of exposures.

The avalanche of sustainability regulations, marked by great fragmentation, extensive ambiguity and disparate criteria in the different regulatory provisions, generates uncertainty in insurance companies as to the continuity and management of their existing product and service portfolios, as well as the assets that will be considered unsustainable and the impact that such treatment may have on their valuation.

Another identified risk with a potentially significant impact concerns the challenge of adapting products and services to changes in the environment, society and the markets. The speed of changes and the solutions demanded by clients, who are increasingly aware of sustainable products and new ways of operating with companies, require products and services to be constantly adapted; unless this is done properly, it could lead to a loss of competitiveness.

Meanwhile, the risk of financial instability and crises due to conflicts and scarcity of resources has been identified. The Group has long-term exposure to the triggering effects of sociopolitical risk, where drastic and very rapid changes are taking place, with a trend toward increased protectionism.

MAPFRE is reasonably protected against the risks described by maintaining a strategic approach based on:

- Technical rigor in risk underwriting and claims management, and a lower expense level than the market average.
- A conservative investment management policy that applies sustainability criteria.
- Maintenance of a reasonable level of indebtedness and liquid assets.
- Continuous analysis of clients needs.

In turn, the Group is subject to the requirements of the Solvency II regulation. This regulation establishes the minimum amount of capital resources and the types of admissible capital resources. Therefore, maintaining a high solvency ratio is its main protection measure against the risks it faces.

E.3 Treasury Stock

During fiscal year 2022, the Controlling Company did not perform any operations with treasury stock.

E.4 Research, development and innovation

MAPFRE Open Innovation (MOi) is MAPFRE's strategic commitment to boost client-centered transformation. With it, the company aims to foster innovation carried out by and for people.

Created as an open innovation platform, MOi uses partnerships with other stakeholders and emerging technologies to make a positive impact on the business and on society. For MOi, accelerating the creation of value is as important as contributing to the progress toward a more prosperous, just and egalitarian society. Since 2019, more than two million clients of the MAPFRE Group have benefited from solutions originating from this model, in terms of both insurance operations (contracting or benefits) and relational and aspirational aspects. These solutions address major social issues, such as the democratization of medical care, support for the independence of the elderly or services designed with a gender perspective.

In addition, the Group has analyzed proposals from more than 2,500 startups, of which more than 40 have gone through insur_space, MAPFRE's fast-track-to-market program for startups, which has consolidated our relationship with entrepreneurs in the insurance industry and role as a benchmark for the insurtech environment.

In 2022, initiatives were launched in the areas identified as priorities: cyberprotection, climate risk, emerging risks, new mobility, health and well-being. In addition, progress was made in the deployment, scaling and export of critical solutions to transform operations: image-based assessment, claims automation and voice automation.

With regard to cyberprotection, MAPFRE has been working to develop new products and solutions for companies, especially SMEs (small and medium enterprises).

The activity of MAPFRE Open Innovation is perfectly aligned with the Group's purpose and the United Nations Sustainable Development Goals.

Ultimately, with the consolidation of MOi, MAPFRE aims to accelerate transformation from within and reinforce our leadership position. By adapting faster to the changing circumstances and moving toward the new business models and innovative solutions that arise from digital and technological changes, the ultimate goal is to offer the best solutions and services to clients.

Digital Business

During this period, progress was made in extracting more value from existing digital capabilities, gaining maturity in digital attraction processes and operations, online pricing, digital client management and advanced fraud detection, among other areas. New scalable digital capabilities were also provided, mainly focused on improving digital acquisition and sales, developing new digital distribution channels with a focus on digital partners, and improving profitability. Much emphasis has been placed on the use and activation of digital data and client knowledge as transversal themes.

Quality

To evaluate the quality perceived by clients, the MAPFRE Quality Observatory applies a global model for measuring the client experience.

The MAPFRE Quality Observatory is responsible for defining the models and carrying out comprehensive measurements of the client experience. This is performed by analyzing the Net Promoter Score (NPS®) to evaluate how the customer perceives the company and critical touchpoints. Recommendations are then drawn up regarding the main areas that could be improved.

In 2022, two relational NPS® measurement waves were carried out, involving a representative sample of MAPFRE's portfolio. As part of this study, the observatory also measures the client experience level at MAPFRE's major competitors in each country and line of business.

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.

When analyzing the results of the measurements in the relational and transactional NPS® programs, the distributor client has been observed to play an important role in the end client's experience. Therefore, it is essential to determine this group's perception of MAPFRE. To meet this objective, the Global Distributor Client Relational NPS® model was defined in 2022.

Likewise, in 2022 the Quality Observatory carried out the fifth measurement of the experience of internal clients (iNPS®) and of the cedents and brokers of the reinsurance services provided by MAPFRE RE.

Based on the results obtained in the surveys, the Business and Clients Area coordinates all transformation actions and plans. In this way, MAPFRE is able to better understand its clients and adapt processes to their needs.

E.5 Average provider payment period

The average payment period for service providers during the fiscal year was 1.6 days (2.0 days in fiscal year 2021) for fully consolidated Spanish companies.

Furthermore, when the average provider payment period is greater than the established maximum (generally 60 days), the measures to be applied in the following fiscal year to reduce it to that maximum must be indicated.

E.6 Further information

COVID-19

During fiscal year 2022, despite the arrival of new variants of the virus, MAPFRE RE's loss ratio derived from COVID-19 decreased due to progress on vaccination and the return to normality after the elimination of health and mobility restrictions. The company's loss ratio in 2022 was 27.8 million euros for this reason.

F. CORPORATE ASPECTS

F.1 Key corporate aspects

In 2022, Ms. Ana Isabel Fernández, Mr. Katsuhiko Kaneyoshi and Mr. Pedro López were reelected as board directors for a new four-year term at the Ordinary Annual General Meeting held on April 7, 2022. In addition, Pedro López was reelected as a member of the Management Committee at the meeting of the Board of Directors held on April 7, 2022. And at the Extraordinary Annual General Meeting held on November 30, 2022, the appointment of Ms. Montserrat Guillén and Mr. José Luis Perelli as new board directors at the company was approved for a four-year term.

At the Extraordinary Annual General Meeting on November 30, 2022, an increase in the company's share capital was also approved in the amount of 48,880,716.30 euros, by issuing 15,767,973 new registered common shares, each with a face value of 3.10 euros and a share premium of 12.75492314 euros per share. This capital increase was fully subscribed and paid up in December 2022, with the deposit of 250,000,000.00 euros into the company's account, of which 48,880,716.30 euros correspond to the face value, and 201,119,283.70 euros correspond to the share premium.

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F.2 Proposed Resolutions

1. 1.To approve the individual annual accounts corresponding to the 2022 fiscal year, as well as the following proposal to use the results contained in the annual report:

Basis of distribution	Amount 2022
Profit and loss	125,470,625.99
Retained earnings	666,100,785.52
Total	**791,571,411.51**
Distribution	**Amount 2022**
Dividends	9,776,143.19
To retained earnings	781,795,268.32
Total	**791,571,411.51**

Figures in euros

2. To approve the consolidated annual accounts for fiscal year 2022.
3. To approve the management of the Board of Directors in the 2022 fiscal year.
4. To reelect Javier Fernández-Cid and José Manuel Inchausti as Board Directors of the company for a new four-year term.
5. To delegate broader powers to the chairman of the Board of Directors and its Secretary so that either of them may proceed with the implementation of the resolutions adopted at the Annual General Meeting and make them public when necessary.
6. To thank those involved in managing the Company for their loyal collaboration over the course of this fiscal year.

G. SIGNIFICANT EVENTS FOR THE COMPANY OCCURRING AFTER THE END OF THE FINANCIAL YEAR

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

H. OUTLOOK

Reinsurance conditions, which significantly tightened in 2022, are expected to remain present during the upcoming renewal campaigns, offering reinsurance an opportunity to recover the technical margins lost in previous years.

In any case, several factors will remain present that entail a high degree of uncertainty about how the industry in general and each participant in particular will behave.

The higher cost of reinsurance and retrocession and the tightening of its coverage conditions could lead some participants to make changes in the structures and levels of the protections acquired, with a higher assumption of risk than in the past and therefore greater volatility in results.

The persistently high catastrophic loss ratio, influenced by the greater frequency and severity of climatological events that also impact increasingly populated, developed and insured societies, could once again affect the reinsurance industry. Faced with this increased risk, the industry must continue to make progress in acquiring knowledge to better calculate its pricing and offer solutions that are sustainable over time.

If high inflation continues to be recorded globally, reinsurance needs in nominal terms will continue to increase; however, restrictive monetary policies deployed by central banks to try to curb the rise in prices could contribute to economic slowdown and greater instability in this reinsurance demand.

03
CONSOLIDATED ANNUAL ACCOUNTS

A) CONSOLIDATED BALANCE SHEET AS ON DECEMBER 31, 2022 AND 2021

Asset	Notes	2022	2021
A) INTANGIBLE ASSETS		**59,383**	**58,747**
I. Goodwill	6.1	54,138	54,138
II. Other intangible assets	6.1	5,245	4,609
B) PROPERTY, PLANT, AND EQUIPMENT		**57,346**	**58,531**
I. Property for own use	6.2	52,581	52,995
II. Other property, plant and equipment	6.2	4,765	5,536
C) INVESTMENTS		**5,588,674**	**5,496,924**
I. Property investments	6.2	2,498	2,466
II. Financial investments		4,309,143	4,491,525
1. Held-to-maturity portfolio			
2. Available-for-sale portfolio	6.4	4,288,596	4,467,721
3. Trading portfolio	6.4	20,547	23,804
III. Equity-accounted investments			
IV. Deposits established for assumed reinsurance		1,019,344	890,361
V. Other investments		257,689	112,572
D) PARTICIPATION OF REINSURANCE IN TECHNICAL PROVISIONS	**6.9**	**3,872,941**	**3,165,249**
E) DEFERRED TAX ASSETS	**6.17**	**151,149**	**52,087**
F) RECEIVABLES	**6.5**	**653,821**	**603,973**
I. Receivables on reinsurance operations	6.5	618,526	586,535
II. Tax receivables	6.5	10,607	12,607
1. Tax on profits receivable		9,472	12,230
2. Other tax receivables		1,135	377
III. Corporate and other receivables	6.5	24,688	4,831
G) CASH	**6.7**	**652,781**	**288,564**
H) ALLOCATION ADJUSTMENTS		**284,929**	**257,780**
I) OTHER ASSETS		**648**	**490**
TOTAL ASSETS		**11,321,672**	**9,982,345**

Figures in thousands of euros

A) CONSOLIDATED BALANCE SHEET AS ON DECEMBER 31, 2022 AND 2021

Liabilities and equity	Notes	2022	2021
A) EQUITY		**1,891,575**	**1,797,119**
I. Paid-up capital	6.8	342,165	293,284
II. Share premium	6.8	755,511	554,393
III. Reserves	6.8	896,413	824,086
IV. Interim dividends	4.2		(50,142)
V. Treasury Stock			
VI. Result for the period attributable to controlling company		143,400	151,651
VII. Other equity instruments			
VIII. Valuation change adjustments	6.8	(230,919)	50,023
IX. Currency conversion differences	6.19	(15,014)	(26,189)
Equity attributable to the controlling company		**1,891,557**	**1,797,106**
Non-controlling interests		**18**	**13**
B) SUBORDINATED LIABILITIES			
C) TECHNICAL PROVISIONS	**6.9**	**8,550,732**	**7,355,943**
I. Provisions for unearned premiums and unexpired risks	6.9/7C	1,826,132	1,673,236
II. Provisions for Life insurance	6.9/7C	615,668	480,043
III. Provision for outstanding claims	6.9/7C	6,108,932	5,202,664
IV. Provisions for profits and returned premiums			
D) PROVISIONS FOR RISKS AND EXPENSES	**6.10**	**7,588**	**9,023**
E) DEPOSITS RECEIVED ON CEDED AND RETROCEDED REINSURANCE	**6.11**	**66,841**	**71,763**
F) DEFERRED TAX LIABILITIES	**6.17**	**1,912**	**1,602**
G) DEBT	**6.12**	**642,283**	**598,828**
I Other financial debts	6.12	9,699	10,236
II Due on reinsurance operations	6.12/7C	600,925	547,707
III. Tax debts	6.12 /6.17	16,493	15,393
1. Tax on profits to be paid		681	741
2. Other tax liabilities		15,812	14,652
IV. Other debts	6.12	15,166	25,492
H) ALLOCATION ADJUSTMENTS		**160,742**	**148,067**
TOTAL LIABILITIES AND EQUITY		**11,321,672**	**9,982,345**

Figures in thousands of euros

B) GLOBAL CONSOLIDATED INCOME STATEMENT FOR YEARS ENDING DECEMBER 31, 2022 AND 2021

B.1) Consolidated income statement

Item	Notes	2022	2021
I. REVENUE FROM INSURANCE BUSINESS			
1. Premiums earned for the period, net		3,898,654	3,432,560
a) Written premiums, direct insurance			
b) Premiums from assumed reinsurance	7. A2	7,221,335	6,274,582
c) Premiums from ceded reinsurance	6.16	(3,111,290)	(2,617,129)
d) Variations in provisions for unearned premiums and unexpired risks, net		(211,391)	(224,893)
Direct insurance			
Assumed reinsurance		(268,137)	(264,521)
Ceded reinsurance	6.16	56,746	39,628
2. Share in profits from equity-accounted companies			
3. Income from investments	6.14	187,152	203,520
a) From operations	6.14	186,137	203,385
b) From equity	6.14	1,015	135
4. Unrealized gains from investments on behalf of Life insurance policyholders bearing the investment risk			
5. Other technical revenue	6.20	282	695
6. Other non-technical revenues			
7. Positive foreign exchange differences	6.19	1,565,228	1,492,207
8. Reversal of the asset impairment provision	6.5/6.6	3,049	2,715
TOTAL REVENUE FROM INSURANCE BUSINESS		**5,654,365**	**5,131,697**

Figures in thousands of euros

Item	Notes	2022	2021
II. EXPENSES FROM INSURANCE BUSINESS			
1. Loss experience for the period, net		(2,820,555)	(2,463,518)
a) Claims paid and variation in provision for outstanding claims, net		(2,819,680)	(2,462,708)
Direct insurance			
Assumed reinsurance		(4,870,251)	(4,032,214)
Ceded reinsurance	6.16	2,050,571	1,569,506
b) Claims-related expenses	6.15	(875)	(810)
2. Variation in other technical provisions, net		(1,048)	28,633
3. Profit sharing and returned premiums			
4. Net operating expenses	6.15	(1,009,324)	(949,069)
a) Acquisition expenses	6.15	(1,472,841)	(1,387,108)
b) Administration expenses	6.15	(26,185)	(22,618)
c) Commissions and participation in reinsurance	6.16	489,702	460,657
5. Share in losses from equity-accounted companies			
6. Expenses from investments	6.14	(54,772)	(44,464)
a) From operations	6.14	(51,674)	(44,280)
b) From equity and financial accounts	6.14	(3,098)	(184)
7. Unrealized losses from investments on behalf of Life insurance policyholders bearing the investment risk			
8. Other technical expenses	6.15	(12,619)	(9,433)
9. Other non-technical expenses	6.15		
10. Negative foreign exchange differences	6.19	(1,555,424)	(1,499,645)
11. Allowance to the asset impairment provision	6.5/6.6	(7,836)	(435)
TOTAL EXPENSES FROM INSURANCE BUSINESS		**(5,461,578)**	**(4,937,931)**
III. RESULT FROM THE INSURANCE BUSINESS		**192,787**	**193,766**
IV. RESULT BEFORE TAXES FROM ONGOING OPERATIONS	6.17	**192,787**	**193,766**
V. TAX ON PROFIT FROM ONGOING OPERATIONS	6.17	**(49,385)**	**(42,109)**
VI. RESULT AFTER TAX FROM ONGOING OPERATIONS		**143,402**	**151,657**
VII. RESULT AFTER TAX FROM DISCONTINUED ACTIVITIES			
VIII. RESULT FOR THE PERIOD		**143,402**	**151,657**
1. Attributable to non-controlling interests		2	6
2. Attributable to controlling company		143,400	151,651

Figures in thousands of euros

B.2 Consolidated statement of other comprehensive income

Item	Gross amount		Income Tax	
	2022	2021	2022	2021
A) CONSOLIDATED RESULT FOR THE PERIOD				
A.1) Ongoing operations	192,787	193,766	(49,385)	(42,109)
B) OTHER RECOGNIZED REVENUE (EXPENSES)	**(361,921)**	**(88,651)**	**92,154**	**21,603**
B.1) Ongoing operations				
1. Financial assets for sale	(373,096)	(88,158)	92,154	21,605
a) Valuation gains (losses)	(371,119)	(20,642)	91,130	5,799
b) Amounts transferred to the income statement	(1,977)	(67,516)	1,024	15,806
c) Other reclassifications				
2. Currency conversion differences	11,175	(493)		(2)
a) Valuation gains (losses)	11,175	(493)		(2)
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 divestment				
TOTALES	**(169,134)**	**105,115**	**42,769**	**(20,506)**

Figures in thousands of euros

Attributable to non-controlling interests		Attributable to the controlling company	
2022	2021	2022	2021
2	6	143,400	151,651
		(269,767)	**(67,048)**
		(280,942)	(66,553)
		(279,989)	(14,843)
		(953)	(51,710)
		11,175	(495)
		11,175	(495)
2	**6**	**(126,367)**	**84,603**

C) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS ON DECEMBER 31, 2022 AND 2021

Item	Capital	Share premium	Reserves
BALANCE AS ON JANUARY 1, 2021	293,284	554,393	815,484
1. Changes in accounting policies			
2. Correction of errors			
ADJUSTED BALANCE AS ON JANUARY 1, 2021	293,284	554,393	815,484
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 from previous period			
III. Distribution of the result of the previous period			16,851
IV. Interim dividends for previous period			(7,474)
V. Capital increase (Note 6.8 from the Annual Report)			
VI. Pending paid-up capital			
VII. Capital decrease			
VIII. Other increases			
IX. Other decreases			(775)
TOTAL VARIATIONS IN FISCAL YEAR 2021			8,602
BALANCE AS ON DECEMBER 31, 2021	**293,284**	**554,393**	**824,086**

Figures in thousands of euros

Attributable to controlling company's shareholders					
Interim dividends	Result attributable to the controlling company	Valuation change adjustements	Currency conversion differences	Non-controlling interests	Total equity
	16,851	**116,574**	**(25,694)**	**26**	**1,770,918**
	16,851	**116,574**	**(25,694)**	**26**	**1,770,918**
		(66,553)			(66,553)
			(495)		(495)
		(66,553)	**(495)**		**(67,048)**
	151,651				151,651
	(16,851)				
(50,142)					(57,616)
		2			2
				(13)	(788)
(50,142)	134,800	2		(13)	93,249
(50,142)	**151,651**	**50,023**	**(26,189)**	**13**	**1,797,119**

Item	Capital	Share premium	Reserves
1. Changes in accounting policies			
2. Correction of errors			
ADJUSTED BALANCE AS ON JANUARY, 1, 2023	293,284	554,393	824,086
VARIATIONS FOR FISCAL YEAR 2022			
I. Results 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			101,509
IV. Dividends (Note 4.2 from the Annual Report)			(25,686)
V. Capital increase	48,881	201,119	
VI. Pending paid-up capital			
VII. Capital decrease			
VIII. Other increases			
IX. Other decreases			(3,496)
TOTAL VARIATIONS IN FISCAL YEAR 2022	48,881	201,119	72,327
BALANCE AS ON DECEMBER 31, 2022	**342,165**	**755,511**	**896,413**

Figures in thousands of euros

In fiscal year 2022, the amount under “Other decreases” in the “Reserves” column is due to the change in the adjustment for reinsurance standardization for (2.9) million, the change in the adjustment for IFRS 16 for (0.6) million, and a positive adjustment of 0.1 million euros arising from actuarial gains on non-technical provisions for commitments to employees.

Attributable to controlling company's shareholders					
Interim dividends	Result attributable to the controlling company	Valuation change adjustements	Currency conversion differences	Non-controlling interests	Total equity
(50,142)	**151,651**	**50,023**	**(26,189)**	**13**	**1,797,119**
		(280,942)			(280,942)
			11,175		11,175
		(280,942)	**11,175**		**(269,767)**
	143,400				143,400
50,142	(151,651)				
					(25,686)
					250,000
				5	(3,491)
50,142	**(8,251)**			**5**	**364,223**
	143,400	**(230,919)**	**(15,014)**	**18**	**1,891,575**

In fiscal year 2021, the amount under "Other decreases" in the "Reserves" column is due to the reversal of a valuation adjustment on mutual funds made in the previous year of EUR 1.1 million and a positive adjustment of EUR 0.3 million arising from actuarial gains on non-technical provisions for commitments to employees.

D) CONSOLIDATED CASH FLOW STATEMENT FOR FISCAL YEARS ENDED DECEMBER 31, 2022 AND 2021

Items	2022	2021
Collections for premiums		
Payments for claims		
Collections for reinsurance operations	1,764,957	1,573,065
Payments for reinsurance operations	(1,248,306)	(1,090,370)
Collections for co-insurance operations		
Payments for co-insurance operations		
Payments for commissions		
Collections for clients for other activities		
Payments to providers for other activities		
Other operating proceeds	1,950	1,487
Other operating payments	(138,380)	(60,261)
Tax payments or collections on companies	(83,102)	(41,437)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**297,119**	**382,484**
Acquisitions of intangible fixed assets		(2,607)
Acquisitions of property, plant, and equipment	(22,587)	(24,941)
Acquisitions from investments and payment of capital increases	(241,549)	(359,907)
Net cash paid by companies removed from scope		
Net cash collected by companies removed from scope		
Disposals of fixed assets		3,016
Investment disposals	14,162	5,073
Interest collected	83,712	24,519
Other payments		
Proceeds from dividends	8,722	13,580
Proceeds from loans granted and other financial instruments		
Payments for loans granted and other financial instruments		

Figures in thousands of euros

Items	2022	2021
NET CASH FLOWS FROM INVESTMENT ACTIVITIES	(157,540)	(341,267)
Dividends and donations paid	(25,686)	(57,616)
Proceeds from capital increases	250,000	
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	224,314	(57,616)
NET INCREASE/(DECREASE) IN CASH FLOW	363,893	(16,399)
Conversion differences in cash flow and cash balances	323	2,423
OPENING CASH BALANCE	288,564	302,540
CLOSING CASH BALANCE	**652,781**	**288,564**

Figures in thousands of euros

E) FINANCIAL INFORMATION BY SEGMENT - CONSOLIDATED INCOME STATEMENT FOR FISCAL YEARS ENDED DECEMBER 31, 2022 AND 2021

	LIFE REINSURANCE		NON-LIFE REINSURANCE		TOTAL	
	2022	2021	2022	2021	2022	2021
I. REVENUE FROM INSURANCE BUSINESS						
1. Premiums allocated to the financial year, net	529,251	490,231	3,369,403	2,942,329	3,898,654	3,432,560
a) Written premiums, direct insurance						
b) Premiums from assumed reinsurance	692,548	630,010	6,528,787	5,644,572	7,221,335	6,274,582
c) Premiums from ceded reinsurance	(31,071)	(32,643)	(3,080,219)	(2,584,486)	(3,111,290)	(2,617,129)
d) Variations in provisions for unearned premiums and unexpired risks, net	(132,226)	(107,136)	(79,165)	(117,757)	(211,391)	(224,893)
Direct insurance						
Assumed reinsurance	(131,702)	(107,261)	(136,435)	(157,260)	(268,137)	(264,521)
Ceded reinsurance	(524)	125	57,270	39,503	56,746	39,628
2. Share in profits from equity-accounted companies						
3. Revenue from investments	67,313	65,513	119,839	138,007	187,152	203,520
a) From operations	66,979	65,378	119,158	138,007	186,137	203,385
b) From equity	334	135	681		1,015	135
4. Unrealized gains on investments on behalf of Life insurance policyholders bearing investment risk						
5. Other technical revenue			282	695	282	695
6. Other non-technical revenues						
7. Positive foreign exchange differences	94,006	59,732	1,471,222	1,432,475	1,565,228	1,492,207
8. Reversal of the asset impairment provision		11	3,049	2,704	3,049	2,715
TOTAL REVENUE FROM INSURANCE BUSINESS	**690,569**	**615,487**	**4,963,796**	**4,516,210**	**5,654,365**	**5,131,697**

Figures in thousands of euros

	LIFE REINSURANCE		NON-LIFE REINSURANCE		TOTAL	
	2022	2021	2022	2021	2022	2021
II. EXPENSES FROM INSURANCE BUSINESS						
1. Loss experience for the period, net	(450,655)	(459,290)	(2,369,900)	(2,004,228)	(2,820,555)	(2,463,518)
a) Benefits paid and variation in provision for outstanding claims, net	(450,553)	(459,216)	(2,369,127)	(2,003,492)	(2,819,680)	(2,462,708)
Direct insurance						
Assumed reinsurance	(471,612)	(483,644)	(4,398,639)	(3,548,570)	(4,870,251)	(4,032,214)
Ceded reinsurance	21,059	24,428	2,029,512	1,545,078	2,050,571	1,569,506
b) Claims related expenses	(102)	(74)	(773)	(736)	(875)	(810)
2. Variation in other technical provisions, net	(1,048)	28,633			(1,048)	28,633
3. Profit sharing and returned premiums						
4. Net operating expenses	(126,024)	(101,886)	(883,300)	(847,183)	(1,009,324)	(949,069)
a) Acquisition expenses	(129,694)	(107,340)	(1,343,147)	(1,279,768)	(1,472,841)	(1,387,108)
b) Administration expenses	(3,844)	(2,315)	(22,341)	(20,303)	(26,185)	(22,618)
c) Commissions and participation in reinsurance	7,514	7,769	482,188	452,888	489,702	460,657
5. Share in losses from equity-accounted companies						
6. Expenses from investments	(12,711)	(7,351)	(42,061)	(37,113)	(54,772)	(44,464)
a) From operations	(12,129)	(7,205)	(39,545)	(37,075)	(51,674)	(44,280)
b) From equity and financial accounts	(582)	(146)	(2,516)	(38)	(3,098)	(184)
7. Unrealized losses on investments on behalf of Life insurance policyholders bearing investment risk						
8. Other technical expenses	(2,367)	(1,858)	(10,252)	(7,575)	(12,619)	(9,433)
9. Other non-technical expenses						
10. Negative foreign exchange differences	(88,720)	(67,128)	(1,466,704)	(1,432,517)	(1,555,424)	(1,499,645)
11. Allowance to the asset impairment provision			(7,836)	(435)	(7,836)	(435)
TOTAL EXPENSES FROM INSURANCE BUSINESS	**(681,526)**	**(608,880)**	**(4,780,052)**	**(4,329,051)**	**(5,461,578)**	**(4,937,931)**
RESULT FROM THE INSURANCE BUSINESS	**9,043**	**6,607**	**183,744**	**187,159**	**192,787**	**193,766**
III. OTHER ACTIVITIES						
IV. RESULT BEFORE TAXES FROM ONGOING OPERATIONS	**9,043**	**6,607**	**183,744**	**187,159**	**192,787**	**193,766**
V. TAX ON PROFIT FROM ONGOING OPERATIONS	**1,328**	**(4,322)**	**(50,713)**	**(37,787)**	**(49,385)**	**(42,109)**
VI. RESULT AFTER TAX FROM ONGOING OPERATIONS	**10,371**	**2,285**	**133,031**	**149,372**	**143,402**	**151,657**
VII. RESULT AFTER TAX FROM DISCONTINUED ACTIVITIES						
VIII. RESULT FOR THE PERIOD	**10,371**	**2,285**	**133,031**	**149,372**	**143,402**	**151,657**
1. Attributable to non-controlling interests			2	6	2	6
2. Attributable to controlling company	10,371	2,285	133,029	149,366	143,400	151,651

Figures in thousands of euros

F) FINANCIAL INFORMATION BY GEOGRAPHIC AREA. BREAKDOWN AS ON DECEMBER 31, 2022 AND 2021

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

GEOGRAPHIC AREA	ORDINARY REVENUE FROM EXTERNAL CLIENTS 2022	ORDINARY REVENUE FROM EXTERNAL CLIENTS 2021	NON-CURRENT ASSETS 2022	NON-CURRENT ASSETS 2021
SPAIN	1,177,293	1,070,082	70,117	50,372
UNITED STATES OF AMERICA	716,968	602,602	1,300	1,168
BRAZIL	758,792	504,363	4,909	4,567
MEXICO	307,205	238,669	381	685
VENEZUELA			314	236
COLOMBIA	162,671	139,436	233	244
ARGENTINA	103,462	67,855	1,770	2,604
TURKEY	105,148	99,472		
CHILE	310,262	208,525	6,325	6,424
OTHER COUNTRIES	3,579,534	3,343,578	15,683	17,234
TOTAL	**7,221,335**	**6,274,582**	**101,032**	**83,534**

Figures in thousands of euros

Non-current assets include intangible assets other than goodwill; property, plant, and equipment; real estate 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 % of the Group's ordinary revenue.

CONSOLIDATED ANNUAL REPORT

1. GENERAL INFORMATION ON THE COMPANY AND ITS ACTIVITIES

MAPFRE RE, Compañía de Reaseguros S.A. (hereinafter, 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 individual and consolidated annual accounts were prepared by the Board of Directors on February 28, 2023. 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 have been 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 2022. 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.

The figures shown in the consolidated annual accounts have been rounded to facilitate their presentation. Consequently, the totals of the rows or columns in the tables shown may not coincide with the arithmetical sum of the amounts that comprise them.

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, the 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

In fiscal years 2022 and 2021, there were no changes in accounting policies, estimates, or material errors that could have had an effect on the Group's financial position or results.

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 which were effective as at fiscal year-end.

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

- EU-IFRS 17 "Insurance Contracts," which will replace EU-IFRS 4 "Insurance Contracts," approved by the International Accounting Standards Board (IASB), will be applicable to fiscal years beginning on or after January 1, 2022.
- The consolidated annual accounts for fiscal year 2023 will be presented under this new regulation, including the comparative data for fiscal year 2022 restated. The differences arising from measurement under the two standards will be recorded in the transition reserve.

IFRS-EU 17 "Insurance Contracts" and EU-IFRS 9 "Financial Instruments" require a significant change in accounting processes, information systems and internal controls, on which the Group has been working in recent years. It is now in the final phase of evaluation and verification of the new controls and systems implemented.

This note includes the most relevant judgments and estimates used to date, considering that the new regulations allow for certain accounting options that the Group is still evaluating and that may affect the impacts in transition.

Transition

The fair value approach will be used, as the application of the full retrospective method is unfeasible. This approach includes the determination of the Contractual Service Margin (CSM) or loss component at the transition date for a group of contracts based on the difference between the fair value and the group's fulfillment cash flows at that date. The Group measures the fair value of insurance contracts as the sum of the current value of fulfillment cash flows of EU-IFRS 17 adjusted to reflect the perspective of a market participant, plus an additional margin that a market participant would require to provide coverage.

In an effort to standardize insurance accounting practices at the international level, EU-IFRS 17 provides for three valuation methods for insurance contracts:

1. Building Block Approach (BBA). This is the default method. This method will encompass:

2. Variable Fee Approach (VFA). This method is a variant of the BBA and should be applied to contracts with significant direct participation components.

3. Premium Allocation Approach (PAA). This method is a simplification of the BBA and can be used optionally for contracts with coverage equal to or less than one year, or in specific cases in which, although the contract has a duration of more than one year, it is not expected to produce a valuation materially different from that of the BBA. This method is similar to the current unearned premium provision method.

MAPFRE RE and its subsidiaries will apply the default method (BBA) for the valuation of their contracts.

Under EU-IFRS 17, if it is estimated that a group of contracts will generate losses, this must be recognized in full on the income statement at the time it is known.

Building Block Approach (BBA)

The amount recognized in the balance sheet for each group of insurance/reinsurance contracts valued by this method consists of the liability for remaining coverage (LFRC) and the liability for incurred claims (LFIC). Liability for remaining coverage includes cash flows arising from fulfillment of the assigned future services and the CSM.

The valuation of a group of insurance contracts includes all future cash flows, using current information to make estimates of these flows, as well as discount rates and the non-financial risk adjustment.

Liability for incurred claims includes fulfillment cash flows relating to incurred claims that have not been paid. It also includes incurred claims that have not been reported. These cash flows are adjusted by the time value of money and the effect of the financial risk. Non-financial risk adjustment is also included in this liability for incurred claims. Under this method, insurance contract groups are valued at their initial recognition for the total of:

A. Fulfillment cash flows, which include:

- Estimates of future cash flows arising from contract fulfillment;
- An adjustment to reflect the time value of money and financial risks related to future cash flows, to the extent that financial risks have not been included in the estimates of future cash flows.
- A risk adjustment for non-financial risks.

B. Contractual Service Margin (CSM).

CSM is a component of the liabilities or, where applicable, assets for the group of insurance or reinsurance contracts that represents the unearned profit to be recognized as services are provided in the future. The accrued part of this CSM is recognized on the income statement as income from the insurance service in each period to reflect the services provided.

At the end of each fiscal year, the CSM is the book amount determined at the beginning of the fiscal year, adjusted by:

- The effect of new added contracts;
- Interest accredited to the CSM, calculated according to the discount rates determined on the date of initial recognition;
- Changes in fulfillment cash flows, to the extent that the change relates to the future service, unless it arises from a change in fulfillment cash flows assigned to a group of underlying insurance contracts that does not adjust the CSM.
- The effect of exchange rate differences on CSM; and
- The amount recognized in the result for the period due to services rendered in that period.

The general criterion for release of the CSM will be based mainly on the insured benefits, depending on the type of product, considering that the approach reflects the insurance coverage provided in each period. The amount of benefits provided for policyholders at any given time will be considered in accordance with the different coverage levels.

The general BBA method is used for retroceded reinsurance. The assumptions used to measure the estimates of the present value of the future cash flows for these contracts are consistent with the assumptions used for current value estimates of the future cash flows for the groups of underlying insurance contracts, including the effect of any risk of default by the issuer of the reinsurance contract and the effects of possible collaterals and losses from litigation.

In the initial recognition of the retroceded reinsurance contract, an asset or liability is recorded by the CSM or the recovery of the loss component, respectively, depending on whether it is estimated that it will generate a profit or loss.

Insurance service result

Revenue from ordinary insurance activities includes amounts related to changes in liabilities for the remaining coverage and the allocation of the portion of the premium related to the recovery of cash flows from the purchase of the insurance.

Insurance service expenses include claims and other incurred insurance service expenses, amortization of cash flows from insurance acquisition, changes related to past services (i.e. changes in cash flows related to liability for incurred claims), and losses in groups of contracts and reversals of these losses.

The loss component corresponds to losses attributable to each group of contracts, both those with losses in the initial recognition and those that go into losses at a later date.

The loss component is released according to the systematic allocation of fulfillment cash flows. It is also updated due to subsequent changes in the estimates of the fulfillment cash flows related to the future service.

Ordinary insurance revenue and insurance service expenses exclude any investment component, understood as the amounts that, under an insurance contract, must be reimbursed to the policyholder even if an insured event does not occur.

Insurance financial result

Financial expenses or income from insurance comprise the change in the book value of the group of insurance contracts arising from the effect of the time value of money and changes therein; and the effect of the financial risk and changes therein. Any of these changes are excluded for groups of insurance contracts with direct participation features that would adjust the CSM but that do not do so in the circumstances included in the insurance service expenses.

In the recognition of financial expenses or income from insurance contracts due to the change in the discount rate (from the effect of both the time value of money and its changes as well as the effect of the financial risk and its changes), under the criterion adopted by the Group, for product portfolios valued with the default approach (BBA), the accounting policy option to separate other comprehensive income from the fiscal-year result will be chosen.

Furthermore, the Group has chosen to separate changes in the risk adjustment by financial and non-financial, so the change in the value of the risk adjustment from the effect of the time value of money and changes therein is recorded as the insurance financial result.

Discount rate
Estimated cash flows are discounted at a risk-free rate, adjusted, in the case of businesses under BBA, to reflect the characteristics of the flows of the liabilities and the reference investments that cover them.

To this end, the Group will take a top down approach to determine a spread between asset reference portfolios and the corresponding risk-free yield curves. In the first stage, these spreads will be adjusted to eliminate credit risk, similar to the volatility adjustment in Solvency II. At a later stage, an adjustment will be made to reflect the differences between the characteristics of the insurance contracts and the asset reference portfolios.

In the recognition of financial expenses and income from reinsurance contracts, which arise as a result of a change in the discount rate (both due to the effect of the time value of money and its changes and the effect of the financial risk and its changes), the standard allows the option of:

- Including all said financial expenses or income in the result for the period.

- Disaggregating said financial expenses or income between fair value gains or losses and equity.

The option chosen must be applied to all groups of contracts within a portfolio.

As a result of the analysis carried out, it is clear that most of the Group's financial investments could continue to be valued at market value with an impact on other comprehensive income. Therefore, the option of disaggregating the financial income and expenses of insurance between fair value gains or losses and equity might be most appropriate to avoid asymmetries in the valuation and recognition of financial investments and insurance contracts. Thus, in principle, this is the treatment that will be used for long-term products, i.e. those valued under the BBA.

Calculation of risk adjustment for non-financial risk
Risk adjustment for non-financial risk represents the compensation required to withstand the uncertainty regarding the amount and schedule of the associated cash flows.

Risk adjustment has been estimated using a methodological percentile approach based on Value at Risk (VaR) calculations for the obligations associated with the Life and Non-Life businesses, taking advantage of the Solvency II calibration. An 85 % is used for the Life insurance business and an 80 % for Non-Life insurance businesses.

Risk adjustment for each segment and country is calculated consistently with the non-financial risks managed and is distributed consistently between contract groups using methodologies based on a rational and systematic distribution, considering the benefits of diversification only within each company.

Main changes in the financial statements derived from EU-IFRS 17
The entry into force of EU-IFRS 17 represents a very significant change in the valuation and presentation of reinsurance contracts on the balance sheet and the income statement. Below, we outline the most significant changes:

Balance sheet
At the balance sheet level, changes entail the elimination of insurance assets and liabilities, such as reinsurance technical provisions, as well as all receivables and payables related to the reinsurance activity. Under the new insurance contract valuation standard, all flows derived from the above items will be integrated into two headings: one for liabilities or assets for insurance contracts and another identical heading for reinsurance.

The breakdown of liabilities for reinsurance contracts to be reflected on the balance sheet is shown below:

INSURANCE CONTRACT LIABILITIES
I. BBA Valuation of Liabilities for remaining coverage
Estimates of the present value of future cash flows
Present value of future cash flows
Present value of future cash flows Loss component
Non-financial risk adjustment
Contractual service margin
II. BBA Valuation Liabilities for benefits incurred
Estimates of the present value of future cash flows
Non-financial risk adjustment

In the case of the BBA method, all its components will be detailed separately in the liabilities for remaining coverage:

a. Present value of future cash flows, separating those corresponding to onerous contracts.

b. Non-financial risk adjustment amount, and

c. Contractual Service Margin.

The presentation of ceded reinsurance contracts will be very similar.

Income statement

In relation to the income statement, revenue from premiums is eliminated and replaced by revenue from the insurance service. This will include the release of liabilities for the remaining coverage, which will essentially consist of the release of the CSM in the contracts valued by BBA as well as the non-financial risk adjustment.

The presentation of insurance contracts in the income statement will be as follows:

REINSURANCE SERVICE REVENUE (+)
1. Amount recoverable from reinsurers
1.1 Amount recoverable for benefits and other expenses
1.2. Changes in amounts recoverable due to changes in liabilities for benefits incurred
1.3. Changes in cash flows related to underlying onerous contracts
TOTAL REINSURANCE SERVICE REVENUE
REINSURANCE SERVICE EXPENSES (-)
1. Release of liabilities for remaining coverage
1.1 Amount recoverable from expected expenses
1.2. Changes in risk adjustment
1.3. Revenue/Expenses recognized in the Income Statement
2. Cost of reinsurance contract coverage
3. Assignment of reinsurance premiums
TOTAL REINSURANCE SERVICE EXPENSES
REINSURANCE SERVICE RESULT

Alternative performance measures

The implementation of the standard entails significant changes in the valuation and presentation of financial statements, including:

- The replacement of premiums with real figures for insurance service revenue that includes estimated amounts.

- Technical provisions disappear, being replaced by assets and liabilities from insurance contracts, excluding investment components.

- Presentation of results by both financial and insurance business margins against income and expenses from the insurance business and other activities.

In addition, the changes also modify the composition and result of the ratios and the alternative performance measures used by the company.

The main changes in the indicators are detailed below

NIF-UE 4	NIF-UE 17
Premiums	Insurance service income
Technical provisions net of deferred acquisition costs and unpaid accrued premiums	Insurance assets and liabilities
ROE Annualized average net attributable profit / Average shareholders' equity	ROE Annualized average net attributable profit / Average shareholders' equity *The result is modified in its assessment
Combined Ratio Non-Life Claims Ratio Non-Life + Non-Life Expense Ratio	Combined Ratio Insurance service expenses / Insurance service revenues

New EU-IFRS 17 Indicators
Contractual Service Margin (CSM) Unearned gain that the entity recognizes as the service is rendered
CSM release pattern Revenue recognition criteria based on the coverage units defined for each fiscal year and the portion of the service already rendered.
Importance of the new business (%) CSM of insurance contracts issued / Total CSM

- On January 1, 2023, EU-IFRS 9 "Financial Instruments" will apply, as the Group has availed itself of the optional temporary exemption from the application of EU-IFRS 9 for entities whose activities are predominantly connected with insurance. This standard will replace EU-IAS 39 "Financial Instruments: Recognition and Measurement," in relation to the classification and measurement of financial assets and liabilities, impairment of financial assets and accounting for coverage.

For the 2023 financial statements, the Group expects comparative figures from the 2022 fiscal year to be presented using the overlay approach, so comparative information on financial assets will be presented applying only the EU-IFRS 9 measurement and classification criteria to avoid accounting asymmetries.

EU-IFRS 9 entails a new approach to the classification and measurement of financial assets reflecting the business model in which assets and their cash flow characteristics are managed. It includes three categories for classification of financial assets: measured at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss. It also eliminates the existing EU-IAS 39 categories of investments held to maturity, loans and receivables, and available for sale.

In order for financial instruments to be classified in a category of amortized cost or fair value through other comprehensive income, they must pass two tests: the business model and the evaluation of contractual cash flow, commonly known as the "criterion of solely payments of principal and interest" (hereinafter SPPI Test).

The purpose of the SPPI Test is to determine whether, according to the instrument's contractual characteristics, its cash flows represent solely the return of its principal and interest, essentially understood as compensation for the time value of money and the debtor's credit risk.

The Group has reviewed the existing business models and contractual characteristics of the portfolios to establish their classification in accordance with IFRS-EU 9, defining criteria to determine the acceptable frequency and reasons for sales so that the instrument can remain in the category of held to collect contractual cash flows.

Portfolio reclassifications will represent an insignificant amount in the transition reserve, according to the first analyses performed.

As was the case with EU-IAS 39, most of the portfolio is classified in the portfolio of financial assets at fair value through other comprehensive income, given that 97 % of the securities pass the SPPI Test. Therefore, the existing measurement can be almost entirely maintained, and there is hardly any change in equity due to the change in regulations.

Some portfolio reclassifications will also be carried out, but they do not represent a significant volume.

As established by the standard, gains and losses from equity instruments classified at fair value through other comprehensive income will be recorded in reserves. Impairment losses will not be recognized in results, and gains or losses occurring at the time of disposal will not be reclassified in the income statement.

EU-IFRS 9 replaces the EU-IAS 39 “incurred loss” model with an “expected loss” model. The new impairment model applies to financial assets valued at amortized cost and financial assets valued at fair value through other comprehensive income, except for investments in equity instruments, since recycling to gains and losses is not carried out. Likewise, all financial instruments measured at fair value with a change in results are excluded from the impairment model. It can be seen from the estimates that there will be no significant equity impact.

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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 Appendix 1.

Companies are configured as subsidiaries when the Controlling Company holds a controlling interest over the investee company, receives or has the right to variable returns, and has the ability to influence said returns through the power that it exercises in said companies. Subsidiaries are consolidated from the date on which the Group acquires control, and they are excluded from the consolidation on the date when it ceases to have such control.

When control of a subsidiary is lost, the assets and liabilities of the subsidiary are derecognized at their carrying amounts on the date control is lost, and the fair value of the consideration received is recognized, recording the resulting difference as a gain or loss in profit or loss for the period.

Non-controlling interests are shown in consolidated equity separately from the equity attributable to the Controlling Company’s shareholders. Non-controlling interests in the consolidated results for the period (and in the total consolidated overall result for the period) are also shown separately in the consolidated income statement (overall consolidated income statement).

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 % 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, 2022 and 2021.

3.2. 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 columns of adjustments to opening balance 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 technical provisions in the consolidated income statement differ from those that are obtained from the difference in the consolidated balance sheet of the current and previous fiscal year as a result of applying a different conversion exchange rate in the case of 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	2022	2021
Net profit attributable to the shareholders of the Controlling Company (thousands of euros)	143,400	151,657
Average weighted number of outstanding ordinary shares (thousands of shares)	110,375	94,608
Basic earnings per share (euro cents)	**1.30**	**1.60**

4.2. Dividends

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

Item	Total dividend (in euros)		Dividend per share (in euros)	
	2022	2021	2022	2021
Interim dividend		50,142,155		
Final dividend		25,686,028		
TOTAL		**75,828,183**		**0.80**

The planned distribution of dividends in the distribution of fiscal-year profits complies with the requirements and limitations established under legal regulations and the corporate bylaws. It is based on an exhaustive and careful analysis of the company's situation. This distribution does not compromise the future solvency of the company or the protection of the interests of the reinsured, and it is done in the context of the supervisors' recommendations on this matter. The requirements and limitations related to restricted reserves are set out in Note 6.8 "Equity."

During the fiscal year, the Company did not distribute an interim dividend (it distributed 50,142,155.20 euros in 2021), an item recorded in equity under the heading "Interim dividend and stabilization reserve."

The distribution of profits for fiscal year 2021, carried out during 2022, is presented in the Statement of Total Changes in Equity.

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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 of acquisition 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.

- **Intangible assets generated internally**
  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, and 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 Intangible assets with a definite useful life

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 %

They are amortized on the basis of their useful life in the expense account "Amortization provisions."

5.2 Property, plant, and equipment and real estate investments

Property, plant, and equipment and real estate 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 any 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.

Amortization 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 %
Vehicles	6,25	16 %
Furniture	10	10 %
Facilities	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 items are included on the consolidated income statement.

5.3 Leasing

According to the Group, 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.

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 valuation

As a lessee, the Group 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 measurement 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 Group 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.

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Exemptions

As a lessee, the Group 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 the case of financial swaps involving the exchange of cash flows, the amounts accrued by the main operations are recognized, accounting for the amount resulting from the cash flows under the headings "Other financial liabilities" or "Corporate and other receivables," as applicable.

In hybrid financial assets that include a main contract and a financial derivative at the same time, 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 measurement.

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. Quote value: Unadjusted price quoted in active markets.

- Level 2. Observable data: Prices quoted in active markets for instruments similar to the one being valued or other measurement 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 less the zero coupon swap curve that reflects the risks inherent to the issue measured, such as: Credit, Liquidity, and Optionality Risk.

- Level 3. Other valuations: Specific variables for each case. 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 rating 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 %) in terms of its cost.

The amount of estimated losses due to impairment is recognized on the consolidated income statement, 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 indications exist, 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, the previously recognized impairment loss is reversed, increasing the carrying amount 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 future cash flows, discounted at the original effective interest rate of the financial asset. 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 % for six-month balances and 100 % 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.

Contingent assets are not recognized in the financial statements. However, when the revenue is virtually certain, the corresponding asset is not considered contingent and will therefore be recognized.

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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. Additionally, in retroceded reinsurance operations, underwritten retrocession contracts are considered.

B) TECHNICAL PROVISIONS

B.1) Assumed reinsurance

Provision for unearned premiums

Proportional Reinsurance

Assumed proportional reinsurance operations 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 cedants are allocated and included in the consolidated balance sheet under the heading "Accrual 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, accruals 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
These are recorded for the amounts declared by the ceding company or, in the absence of them, for the deposits retained, and include supplementary provisions for claims incurred and not declared, as well as for deviations from those existing based on 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 cedant's information or the best estimate.

For business accepted from MAPFRE Group companies, a provision is made for the amount communicated with the cedant.

B.2) Retroceded reinsurance
Retroceded reinsurance operations and their corresponding technical provisions are registered using the same criteria as those used for accepted 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 provisions are inadequate, they are adjusted and charged to the result for the period.

C) LOSS EXPERIENCE

Losses 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 accepted 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.

The estimates and assumptions used are generally regularly reviewed and are based on historical experience and other factors that may have been considered as 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 evolution of claims, using the frequency and costs of claims in recent years. The estimates also take into account interest and exchange rate assumptions, delays in the payment of claims and any other external factors that may affect the estimates.

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.

When calculating 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 5.6 "Credits" 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 Debts

Valuations 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 Revenues 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.

5.14 Employee Remuneration

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

a. Short-term remuneration

These are accounted for on the basis of the services rendered by the employees on an accrual basis.

b. Post-employment benefits

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

Defined contribution plans

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 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 benefit 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.

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

c. Termination compensation

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

Incentive plans

On February 9, 2022, at the proposal of the Company's Appointments and Remuneration Committee, the Board of Directors of MAPFRE, S.A. approved an extraordinary and non-consolidated Incentive Plan for the 2022–2026 period consisting of three overlapping cycles, each with an objective measurement period of three years. This new Plan is intended for certain key executives and professionals of the Company and of Group companies, including executive directors of the Company, and subject to the fulfillment of objectives established in the MAPFRE Group's strategic plan as well as to the executive remaining in the Company or Group. It will be partially paid in cash and through the delivery of MAPFRE, S.A. shares and is subject to reduction or recovery clauses as well as to retention periods for the shares.

During the 2019 fiscal year, a medium-term incentive plan was approved for certain members of the MAPFRE executive team. The plan was extraordinary, non-cumulative, and multi-year, commencing January 1, 2019, and ending March 31, 2022, with payment of part of the incentives deferred to the 2023–2025 period. The payment of incentives was dependent on fulfilling certain corporate and specific objectives, as well as remaining a member of the Group's managerial staff. It will be paid partly in cash (50 %) and partly in MAPFRE, S.A. shares (50 %) and is subject to reduction or recovery.

At the close of each fiscal year, the fulfillment of objectives will be evaluated and the amount accrued will be recorded in the consolidated income statement under a liability account for the part of the remuneration paid in cash and under an equity account for the part corresponding to equity instruments. The valuation of the part of the incentive paid in MAPFRE, S.A. shares takes into account the fair value of the equity instruments assigned at the transfer date, based on the terms and conditions of the plan. Each year, until the vesting period date, the number of equity instruments included in the calculation of the transaction amount is adjusted. No further adjustments are made after said date.

Share-Based Remuneration Plan

In 2021, MAPFRE launched a MAPFRE, S.A. Share-Based Remuneration Plan for employees in Spain with the aim of strengthening their bond to the company's strategy and future profit. The plan allows them to voluntarily allocate a portion of their remuneration annually to MAPFRE, S.A. shares, issued on a monthly basis throughout 2022. Additionally, shares held by the participant until March 31, 2023, will grant the right to receive additional shares free of charge.

In 2022, a new MAPFRE, S.A. Share-Based Remuneration Plan was launched for employees in Spain, which will be implemented in 2023. This plan does not include the issuing of additional shares free of charge.

The transactions derived from the Plan are measured at the fair value of the equity instruments assigned at the date of the concession agreement.

During the share delivery period, the Company registers the expense of employee remuneration derived from share delivery on a monthly basis.

Where appropriate, during the share holding period, a provision is made monthly for the amount of the additional shares that will be delivered to the employee free of charge.

At the end of the share holding period, the provision recorded for the additional shares delivered is canceled.

5.15 Income 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.

5.16 Reclassification of Expenses by Type, Destination, and Allocation to Activity Segments

The criteria followed for the reclassification of expenses by destination are mainly based on the function performed by each employee, distributing their direct and indirect cost in accordance with this function.

For expenses not 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.
- Investment-related expenses.
- Other technical expenses.
- Other non-technical expenses.
- Acquisition expenses.
- Administration expenses.

Expenses have been allocated to different segments, according to the business line that generated them:
- Accepted Life reinsurance.
- Accepted Non-Life reinsurance.

5.17 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 "Currency 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.

5.18 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 does not affect the accounting result or the taxable income on the transaction date;
- 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, assets that arise from the initial recognition of assets or liabilities in a transaction that is not a business combination and does not affect the accounting result or the taxable income on the transaction date, are not recognized.
- They correspond to temporary differences relating to investments in controlled, 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) Measurement of deferred tax assets and liabilities

Deferred tax assets and liabilities are measured by tax rates 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 FINANCIAL STATEMENTS

6.1 Intangible assets

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

Fiscal year
2022

Item	Opening balance 2022	Adjustments to opening balance	Changes in scope	Additions or Provisions	Disposals, write-offs or reductions	Closing balance 2022
GOODWILL	54,138					54,138
OTHER INTANGIBLE ASSETS	19,165			2,457	(2,582)	19,040
Portfolio acquisition expenses						
Computer applications	19,165			2,457	(2,582)	19,040
Other						
COST	**73,303**			**2,457**	**(2,582)**	**73,178**
CUMULATIVE AMORTIZATION						
OTHER INTANGIBLE ASSETS	(14,556)			(1,821)	2,582	(13,795)
Portfolio acquisition expenses						
Computer applications	(14,556)			(1,821)	2,582	(13,795)
Other						
CUMULATIVE AMORTIZATION	**(14,556)**			**(1,821)**	**2,582**	**(13,795)**
IMPAIRMENT						
GOODWILL						
OTHER INTANGIBLE ASSETS						
Portfolio acquisition expenses						
Computer applications						
Other						
TOTAL IMPAIRMENT						
TOTAL GOODWILL	**54,138**					**54,138**
TOTAL OTHER INTANGIBLE ASSETS	**4,609**			**636**		**5,245**
TOTAL INTANGIBLE ASSETS	**58,747**			**636**		**59,383**

Figures in thousands of euros

Fiscal year
2021

Item	Opening balance 2021	Adjustments to opening balance	Changes in scope	Additions or Provisions	Disposals, write-offs or reductions	Closing balance 2021
GOODWILL	54,138					54,138
OTHER INTANGIBLE ASSETS	17,979			1,809	(623)	19,165
Portfolio acquisition expenses						
Computer applications	17,979			1,809	(623)	19,165
Other						
COST	**72,117**			**1,809**	**(623)**	**73,303**
CUMULATIVE AMORTIZATION						
OTHER INTANGIBLE ASSETS	(12,445)			(2,734)	623	(14,556)
Portfolio acquisition expenses						
Computer applications	(12,445)			(2,734)	623	(14,556)
Other						
CUMULATIVE AMORTIZATION	**(12,445)**			**(2,734)**	**623**	**(14,556)**
IMPAIRMENT						
GOODWILL						
OTHER INTANGIBLE ASSETS						
Portfolio acquisition expenses						
Computer applications						
Other						
TOTAL IMPAIRMENT						
TOTAL GOODWILL	**54,138**					**54,138**
TOTAL OTHER INTANGIBLE ASSETS	**5,534**			**(925)**		**4,609**
TOTAL INTANGIBLE ASSETS	**59,672**			**(925)**		**58,747**

Figures in thousands of euros

The main “additions” for fiscal year 2022 corresponded to the startup of the Expocat application and the activation of the Cash Management and New Condor Cloud Portfolio and Condor Claims projects; and in fiscal year 2021, they corresponded to the startup of the Acord Cloud application and the activation of the Expocat and Condor Claims projects.

The main “disposals” in fiscal years 2022 and 2021 correspond to the removal of fully amortized computer applications.

The cost of fully amortized intangible assets at year-end 2022 amounts to 8,474 thousand euros (10,137 thousand euros at year-end 2021).

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 12/31/2021	Fiscal year 2022 Additions/ Write-offs	Impairment	Amortization	Balance as on 12/31/2022
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 thousand 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.

Recoverable value from CGUs

NON-LIFE BUSINESS

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 and calculated on the basis of cash flow projections. The following table shows the recoverable value of the cash-generating unit from the Non-Life business to which the main intangible assets are assigned at the end of the last two fiscal years.

Cash-generating unit	Contrast value		Recoverable value	
	2022	2021	2022	2021
NON-LIFE GLOBAL RISKS PORTFOLIO	270,834	334,566	318,507	904,038

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 each cash-generating unit operates, which was 1.7 % in 2022 and 2021. This is based on the long-term inflation forecasts included in the International Monetary Fund's "World Economic Outlook Database."

The resulting discount rate applied was 8.52 % in 2022 (4.00 % in 2021). 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.

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.

Specifically, the studies conducted for the-cash generating unit analyzed show the following sensitivity ranges in the event of unfavorable variations in the key assumptions. An increase of 1 percentage point in the discount rate applicable to the cash-generating unit would imply a reduction of 12.7 % in the recoverable value for fiscal year 2022 (27 % in 2021). A reduction of 0.25 percentage points in the perpetuity growth rate applicable to the cash-generating unit would imply reductions in the recoverable value of 1.17 % (6.52 % in 2021).

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

2022

Item	Opening balance	Adjustments to opening balance	Changes in the scope	Additions or provisions	Disposals, write-offs or reductions	Closing balance	Market value
COST							
PROPERTY FOR OWN USE	61,863	1,392		258	(507)	63,006	58,381
Land and natural resources	28,878	5,916			(203)	34,591	30,409
Buildings and other structures	20,346	(1,196)			(114)	19,036	18,593
Lease use rights	12,639	(3,328)		258	(190)	9,379	9,379
OTHER PROPERTY, PLANT, AND EQUIPMENT	11,119			736	(1,198)	10,657	4,765
Vehicles	402				(111)	291	107
Furniture and fittings	7,453			568	(635)	7,386	4,104
Other property, plant, and equipment	2,966			118	(435)	2,649	444
Advances and fixed assets in progress	69					69	
Lease use rights	229			50	(17)	262	110
TOTAL COST	**72,982**	**1,392**		**994**	**(1,705)**	**73,663**	**63,146**
CUMULATIVE AMORTIZATION							
PROPERTY FOR OWN USE	(7,644)			(1,998)	441	(9,201)	
OTHER PROPERTY, PLANT, AND EQUIPMENT	(5,583)			(1,230)	921	(5,892)	
TOTAL CUMULATIVE AMORTIZATION	**(13,227)**			**(3,228)**	**1,362**	**(15,093)**	
IMPAIRMENT							
REAL ESTATE 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 construction in progress							
TOTAL IMPAIRMENT	(1,224)					(1,224)	
TOTAL PROPERTY FOR OWN USE	52,995	1,392		(1,740)	(66)	52,581	58,381
TOTAL OTHER PROPERTY, PLANT, AND EQUIPMENT	5,536			(494)	(277)	4,765	4,765
TOTAL PROPERTY, PLANT & EQUIPMENT	**58,531**	**1,392**		**(2,234)**	**(343)**	**57,346**	**63,146**

Figures in thousands of euros

Fiscal year
2021

Item	Opening balance	Adjustments to opening balance	Changes in the scope	Additions or provisions	Disposals, write-offs or reductions	Closing balance	Market value
COST							
PROPERTY FOR OWN USE	60,323			1,719	(179)	61,863	58,442
Land and natural resources	28,878					28,878	26,125
Buildings and other structures	20,346					20,346	23,007
Lease use rights	11,099			1,719	(179)	12,639	9,310
OTHER PROPERTY, PLANT AND EQUIPMENT	12,630			1,154	(2,665)	11,119	5,536
Vehicles	466			88	(152)	402	214
Furniture and fittings	8,022			644	(1,213)	7,453	4,721
Other property, plant, and equipment	3,591			256	(881)	2,966	472
Advances and fixed assets in progress	488				(419)	69	
Lease use rights	63			166		229	129
TOTAL COST	**72,953**			**2,873**	**(2,844)**	**72,982**	**63,978**
CUMULATIVE AMORTIZATION							
PROPERTY FOR OWN USE	(5,622)			(2,022)		(7,644)	
OTHER PROPERTY, PLANT AND EQUIPMENT	(6,488)			(1,245)	2,150	(5,583)	
TOTAL CUMULATIVE AMORTIZATION	**(12,110)**			**(3,267)**	**2,150**	**(13,227)**	
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	**53,477**			**(303)**	**(179)**	**52,995**	**58,442**
TOTAL OTHER PROPERTY, PLANT & EQUIPMENT	**6,142**			**(91)**	**(515)**	**5,536**	**5,536**
TOTAL PROPERTY, PLANT & EQUIPMENT	**59,619**			**(394)**	**(694)**	**58,531**	**63,978**

Figures in thousands of euros

In fiscal year 2022, the main "additions" correspond to refurbishment work at the permanent establishment in Belgium.

In fiscal year 2021, the main "additions" correspond to refurbishments of the head office in Madrid and the permanent establishment in the United Kingdom.

The main "disposals" in fiscal years 2022 and 2021 were due to the removal of furniture and fully depreciated information processing equipment.

The cost of fully depreciated property, plant and equipment items at the end of fiscal years 2022 and 2021 reached 492,000 euros and 920,000 euros, respectively, of which 277,000 euros and 402,000 euros respectively correspond to elements outside Spanish territory.

Real Estate Investments

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

Fiscal year
2022

Item	Opening balance	Adjustments to opening balance	Changes in the scope	Additions or provisions	Disposals, write-offs or reductions	Closing balance	Market value
COST							
REAL ESTATE INVESTING	7,155					7,155	6,787
Land and natural resources	2,081					2,081	1,889
Buildings and other structures	5,074					5,074	4,898
OTHER REAL ESTATE INVESTMENTS							
TOTAL COST	**7,155**					**7,155**	**6,787**
CUMULATIVE AMORTIZATION							
REAL ESTATE INVESTING	(4,689)	231		(199)		(4,657)	
OTHER REAL ESTATE INVESTMENTS							
TOTAL CUMULATIVE AMORTIZATION	**(4,689)**	**231**		**(199)**		**(4,657)**	
IMPAIRMENT							
REAL ESTATE INVESTING							
Land and natural resources							
Buildings and other structures							
OTHER REAL ESTATE INVESTMENTS							
TOTAL IMPAIRMENT							
TOTAL REAL ESTATE INVESTMENTS	**2,466**	**231**		**(199)**		**2,498**	**6,787**

Figures in thousands of euros

Fiscal year
2021

Item	Opening balance	Adjustments to opening balance	Changes in the scope	Additions or provisions	Disposals, write-offs or reductions	Closing balance	Market value
COST							
REAL ESTATE INVESTING	7,155					7,155	6,791
Land and natural resources	2,081					2,081	1,892
Buildings and other structures	5,074					5,074	4,899
OTHER REAL ESTATE INVESTMENTS							
TOTAL COST	**7,155**					**7,155**	**6,791**
CUMULATIVE AMORTIZATION							
REAL ESTATE INVESTING	(4,516)			(173)		(4,689)	
OTHER REAL ESTATE INVESTMENTS							
TOTAL CUMULATIVE AMORTIZATION	**(4,516)**			**(173)**		**(4,689)**	
IMPAIRMENT							
REAL ESTATE INVESTING							
Land and natural resources							
Buildings and other structures							
OTHER REAL ESTATE INVESTMENTS							
TOTAL IMPAIRMENT							
TOTAL REAL ESTATE INVESTMENTS	**2,639**			**(173)**		**2,466**	**6,791**

Figures in thousands of euros

The market value of real estate investments 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 appraisal 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 real estate 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.

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

Item	Operations 2022	Operations 2021	Investments in Equity 2022	Investments in Equity 2021	Total 2022	Total 2021
INCOME FROM PROPERTY INVESTMENTS						
From rentals	103	101	15	15	118	116
Gains on disposals						
TOTAL INCOME FROM INVESTMENTS	**103**	**101**	**15**	**15**	**118**	**116**
PROPERTY INVESTMENT EXPENSES						
Direct operating expenses	(40)	(35)			(40)	(35)
Other Expenses	(228)	(156)			(228)	(156)
TOTAL EXPENSES FROM REAL ESTATE INVESTMENTS	**(268)**	**(191)**			**(268)**	**(191)**

Figures in thousands of euros

6.3 Leasing

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 are no restrictions on the lessee in connection with these leases.

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

Fiscal year
2022

Item	Real estate for own use	Other property, plant, and equipment	Total
Right of use (net book value)	9,379	110	9,489
Other financial liabilities: lease payment obligations	9,717	(18)	9,700
Amortization	(1,807)	(67)	(1,875)
Interest expenditure	(182)	(5)	(187)

Figures in thousands of euros

Fiscal year
2021

Item	Real estate for own use	Other property, plant, and equipment	Total
Right of use (net book value)	9,310	129	9,439
Other financial liabilities: lease payment obligations	10,234		10,234
Amortization	(1,855)		(1,855)
Interest expenditure	(261)		(261)

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 1.9 million euros (1.9 million euros in 2021).

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

	Real estate for own use		Other property, plant, and equipment		Total	
Item	2022	2021	2022	2021	2022	2021
Less than one year	268	191			268	191
More than one year and less than five years	1,072	763			1,072	763
More than five years						
TOTAL	**1,340**	**954**			**1,340**	**954**

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 2.69 % and 6.04 %, respectively (4.71 % and 6.07 % in 2021).

The Group continues to use the option to not apply EU-IFRS 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 are no restrictions on the lessee in connection with 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:

Asset type	Net book value	
	2022	2021
Chile property	1,506	1,240
Mansardas R-25	1,211	1,226
TOTAL	**2,717**	**2,466**

Figures in thousands of euros

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

Item	2022	2021
Less than one year	118	116
More than one year and less than five years	612	760
More than five years	730	570
TOTAL	**1,460**	**1,446**

Figures in thousands of euros

6.4 Financial investments

The breakdown of financial investments at December 31 of the last two fiscal years, is as follows:

Item	Book value	
	2022	2021
AVAILABLE-FOR-SALE PORTFOLIO		
Shares	205,701	190,093
Fixed income	3,569,931	3,563,522
Mutual funds	512,964	714,106
Other		
TOTAL AVAILABLE-FOR-SALE PORTFOLIO	**4,288,596**	**4,467,721**
TRADING PORTFOLIO		
Other investments		
Shares	84	67
Fixed income		
Mutual funds	20,463	23,737
Other		
TOTAL TRADING PORTFOLIO	**20,547**	**23,804**

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 valuations 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 valuation policy is decided by the Investment Committees and/or Risk Committees, and it 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 2022 and 2021 fiscal years, the Group conducted an analysis of fixed income securities classified in the available-for-sale portfolio, in order to determine which securities receive contractual cash flow solely from principal and interest, i.e., 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, 2022 and 2021, as well as the variation in fair value during these fiscal years:

Fiscal year
2022

Result	Book Value	Fair Value	
		Amount	Variation
Pass the "SPPI test"	3,478,864	3,478,864	29,237
Don't pass the "SPPI test"	91,067	91,067	(22,828)
TOTAL ANALYZED	**3,569,931**	**3,569,931**	**6,409**

Figures in thousands of euros

Fiscal year
2021

Result	Book Value	Fair Value	
		Amount	Variation
Pass the "SPPI test"	3,449,627	3,449,627	(9,008)
Don't pass the "SPPI test"	113,895	113,895	(1,770)
TOTAL ANALYZED	**3,563,522**	**3,563,522**	**(10,778)**

Figures in thousands of euros

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

Fiscal year
2022

Credit rating	Pass the "SPPI" test	
	Book value	Fair value
AAA	674,586	674,586
AA	1,001,032	1,001,032
A	950,974	950,974
BBB	666,242	666,242
BB or LOWER	186,030	186,030
No rating		
TOTAL	**3,478,864**	**3,478,864**

Figures in thousands of euros

Fiscal year
2021

Credit rating	Pass the "SPPI" test	
	Book value	Fair value
AAA	687,048	687,048
AA	770,547	770,547
A	1,092,530	1,092,530
BBB	833,654	833,654
BB or LOWER	65,848	65,848
No rating		
TOTAL	**3,449,627**	**3,449,627**

Figures in thousands of euros

A) AVAILABLE-FOR-SALE PORTFOLIO

The investments allocated to the available-for-sale portfolio as on December 31, 2022 and 2021 are shown below:

Item	Book value (fair value)								Impairment			
	Level 1. Market value		Level 2. Observable data		Level 3. Other valuations		Total		Recorded loss		Reversal gains	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Shares	205,701	188,580				1,513	205,701	190,093	3,233			
Fixed income	2,757,447	2,662,881	812,484	893,454		7,187	3,569,931	3,563,522	4,603			11
Mutual funds	374,132	446,323			138,832	267,783	512,964	714,106				
TOTAL AVAILABLE-FOR-SALE PORTFOLIO	**3,337,280**	**3,297,784**	**812,484**	**893,454**	**138,832**	**267,783**	**4,288,596**	**4,467,721**	**7,836**			**11**

Figures in thousands of euros

The impairment in 2021 includes the reversal gains on investments available for sale in Chile.

The change in valuation adjustments of portfolio investments amounted to (280.94) million and (65.39) million euros as on December 31, 2022 and 2021, 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 2022 and 2021 fiscal years, amount to (0.95) and (51.71) million euros, respectively.

In fiscal year 2022, Level 1 asset transfers to Level 2 amounted to 21.6 million euros (21.7 million euros in 2021), and Level 2 to 1 transfers amounted to 24.9 million euros (4.2 million in 2021).

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

At the close of fiscal year 2022, the impairment analyses performed for each value of the equity portfolios determined an impairment of 3.23 million euros, and 4.60 million euros for fixed income portfolios. At the close of 2021, there was no significant impairment, or any indication of impairment, in any of the investments valued at their market value, as the objective situations that determine this did not occur.

B) TRADING PORTFOLIO

The investments allocated to the trading portfolio at December 31, 2022 and 2021 are shown below:

	Book value (fair value)								Impairment			
	Level 1. Market value		Level 2. Observable data		Level 3. Other valuations		Total		Recorded loss		Reversal gains	
Item	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
OTHER TRADING PORTFOLIO INVESTMENTS												
Shares	84	67					84	67			12	9
Fixed income												
Mutual funds	20,463	13,809				9,928	20,463	23,737			1,459	522
Other												
TOTAL OTHER INVESTMENTS	**20,547**	**13,876**				**9,928**	**20,547**	**23,804**			**1,471**	**532**
TOTAL TRADING PORTFOLIO	**20,547**	**13,876**				**9,928**	**20,547**	**23,804**			**1,471**	**532**

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 "Income and expenses from investments."

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

During 2022 and 2021 no significant transactions were carried out involving Level 3 financial assets held for trading, and no transfers were made from/to this level.

6.5 Receivables

The breakdown of the "Receivables" heading as on December 31, 2022 and 2021, as well as impairment losses and reversal gains recorded in the last two fiscal years, are as follows:

							Impairment					
	Gross amount		Impairment		Net balance		Losses recorded		Reversal gains		Guarantees received	
Item	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
I. Receivables on reinsurance operations	625,920	596,978	(7,394)	(10,443)	618,526	586,535		(435)	3,049	2,704		
II. Tax receivables	10,607	12,607			10,607	12,607						
III. Corporate and other receivables	24,688	4,831			24,688	4,831						
TOTAL	**661,215**	**614,416**	**(7,394)**	**(10,443)**	**653,821**	**603,973**		**(435)**	**3,049**	**2,704**		

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 “Credits on reinsurance operations” entry.

The calculation and, if applicable, recognition of impairments is performed as detailed in Note 5.6 “Credits” in this report.

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

Corporate and other receivables	Amount	
	2022	2021
Balance receivables from personnel	278	248
Other debtors	24,410	4,583
Total	**24,688**	**4,831**

Figures in thousands of euros

6.6 Asset Impairment

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

Fiscal year
2022

Impairment in:	Opening balance	Adjustments to opening balance	Recorded in results		Write-off of asset		Closing balance
			Provisions	Deductions	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. Property for own use	1,224						1,224
II. Other property, plant, and Equipment							
C) INVESTMENTS (I+II+III+IV+V)	**(11)**	**11**	**7,836**	**0**			**7,836**
I. Property investments							
II. Financial investments (1+2+3)	(11)			0			
1. Held-to-maturity portfolio							
2. Available-for-sale portfolio	(11)	11	7,836	0			7,836
3. Trading portfolio							
III. Investments recorded by applying the equity method							
IV. Deposits made for assumed reinsurance							
V. Other investments							
E) INVENTORIES							
H) RECEIVABLES (I+II+III+IV+V)	**10,443**			**(3,049)**			**7,394**
I. Receivables on direct insurance and co-insurance op.							
II. Receivables on reinsurance op.	10,443			(3,049)			7,394
III. Tax receivables							
IV. Corporate and other receivables							
V. Shareholders, called capital							
K) OTHER ASSETS							
TOTAL IMPAIRMENT (A+B+C+H+K)	**11,656**	**11**	**7,836**	**(3,049)**			**16,454**

Figures in thousands of euros

Fiscal year
2021

Impairment in:	Opening balance	Adjustments to opening balance	Recorded in results		Write-off of asset		Closing balance
			Provisions	Reductions	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. Property for own use	1,224						1,224
II. Other property, plant, and Equipment							
C) INVESTMENTS (I+II+III+IV+V)				**(11)**			**(11)**
I. Property investments							
II. Financial investments (1+2+3)				(11)			(11)
1. Held-to-maturity portfolio							
2. Available-for-sale portfolio				(11)			(11)
3. Trading portfolio							
III. Investments recorded by applying the equity method							
IV. Deposits made for assumed reinsurance							
V. Other investments							
E) INVENTORIES							
H) RECEIVABLES (I+II+III+IV+V)	**12,713**	**(1)**	**435**	**(2,704)**			**10,443**
I. Receivables on direct insurance and co-insurance op.							
II. Receivables on reinsurance op.	12,713	(1)	435	(2,704)			10,443
III. Tax receivables							
IV. Corporate and other receivables							
V. Shareholders, called capital							
K) OTHER ASSETS							
TOTAL IMPAIRMENT (A+B+C+H+K)	**13,937**	**(1)**	**435**	**(2,715)**			**11,656**

Figures in thousands of euros

6.7 Cash Flows

There are no significant non-cash transaction entries 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	2022	2021
Cash deposited in banks	480,183	238,357
Cash equivalents in banks	172,599	50,207
TOTAL	**652,781**	**288,564**

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 Company's share capital as of December 31, 2022, was represented by 110,375,813 shares (94,607,840 shares in 2021) with a face value of 3.10 euros each, fully subscribed and paid-up. All shares carry the same political and economic rights. The shares representing the share capital of the Controlling Company are not admitted to official trading.

The share issue premium amounts to 755.511 thousand euros in 2022 (554.393 thousand euros in 2021) and is freely available.

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 % of the share capital on the date of said meeting, in accordance with the provisions of Article 297 of the Corporation Law.

On November 30, 2022, the Annual General Meeting resolved to increase capital by 48,881 thousand euros by issuing 15,767,973 new shares with a face value of 3.10 euros each, with a share premium of 201,119 thousand euros, corresponding to 12.75 euros per share. These shares were fully subscribed and paid-up.

This capital increase generated expenses of 45,000 euros.

MAPFRE, S.A. has a 94.21 % stake in the capital as on December 31, 2022 (93.77 % in 2021).

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	
	2022	2021
Fixed Income		
Gains	3,000	48,009
Losses	(204,336)	(12,082)
Equity and Mutual Funds		
Gains	18,675	25,243
Losses	(48,259)	(11,147)
Shadow accounting		
Other adjustments		
Total	**(230,919)**	**50,023**

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 2022 and 2021, 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 shareholders' equity 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' remuneration is 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 % and 65 % 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 registered 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 Appendix 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

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

Item	Assumed reinsurance		Ceded and retroceded reinsurance	
	2022	2021	2022	2021
1 - Provisions for Non-Life unearned premiums and unexpired risks	1,826,132	1,673,236	902,596	836,054
1.1 Provision for unearned premiums	1,826,132	1,673,236	902,596	836,054
1.2 Provision for unexpired risks				
2 - Provisions for Life insurance	615,668	480,043	44,916	30,680
2.1 Provisions for unearned premiums and unexpired risks	576,892	444,636	5,647	6,161
2.1.1 Provisions for unearned premiums	576,892	444,636	5,647	6,161
2.1.2 Provisions for unexpired risks				
2.2 Mathematical provisions	38,776	35,407	39,269	24,519
2.3 Provisions for share in profits				
3 - Provisions for outstanding claims	6,108,932	5,202,664	2,925,429	2,298,515
3.1 Pending settlement or payment	6,108,932	5,202,664	2,925,429	2,298,515
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	**8,550,732**	**7,355,943**	**3,872,941**	**3,165,249**

Figures in thousands of euros

2. Movement of each of the technical provisions

2.1 Provisions for unearned premiums, unexpired risks, claims, profit-sharing, and other technical provisions.

A) Assumed reinsurance

Fiscal year
2022

Item	Opening balance	Provisions	Applications	Closing balance
I. Provisions for Non-Life unearned premiums and unexpired risks	1,673,236	1,826,132	(1,673,236)	1,826,132
1. Provisions for unearned premiums	1,673,236	1,826,132	(1,673,236)	1,826,132
2. Provisions for unexpired risks				
II. Provisions for Life insurance	480,043	615,668	(480,043)	615,668
1. Provisions for unearned premiums	444,636	576,892	(444,636)	576,892
2. Provisions for unexpired risks				
3. Mathematical provisions	35,407	38,776	(35,407)	38,776
4. Provisions for profit sharing				
III. Provision for outstanding claims	5,202,664	6,108,932	(5,202,664)	6,108,932
Assumed reinsurance	5,202,664	6,108,932	(5,202,664)	6,108,932
IV. Other technical provisions				
TOTAL	**7,355,943**	**8,550,732**	**(7,355,943)**	**8,550,732**

Figures in thousands of euros

Fiscal year
2021

Item	Opening balance	Provisions	Applications	Closing balance
I. Provisions for Non-Life unearned premiums and unexpired risks	1,505,116	1,673,236	(1,505,116)	1,673,236
1. Provisions for unearned premiums	1,505,116	1,673,236	(1,505,116)	1,673,236
2. Provisions for unexpired risks				
II. Provisions for Life insurance	406,673	480,043	(406,673)	480,043
1. Provisions for unearned premiums	337,487	444,636	(337,487)	444,636
2. Provisions for unexpired risks				
3. Mathematical provisions	69,186	35,407	(69,186)	35,407
4. Provisions for profit sharing				
III. Provision for outstanding claims	4,484,952	5,202,664	(4,484,952)	5,202,664
Assumed reinsurance	4,484,952	5,202,664	(4,484,952)	5,202,664
IV. Other technical provisions				
TOTAL	**6,396,741**	**7,355,943**	**(6,396,741)**	**7,355,943**

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
2022

Item	Opening balance	Provisions	Applications	Closing balance
Provision for unearned premiums	836,054	902,596	(836,054)	902,596
Provision for Life insurance	30,680	44,916	(30,680)	44,916
Provision for outstanding claims	2,298,515	2,925,429	(2,298,515)	2,925,429
Other technical provisions				
TOTAL	**3,165,249**	**3,872,941**	**(3,165,249)**	**3,872,941**

Figures in thousands of euros

Fiscal year
2021

Item	Opening balance	Provisions	Applications	Closing balance
Provision for unearned premiums	790,156	836,054	(790,156)	836,054
Provision for Life insurance	35,517	30,680	(35,517)	30,680
Provision for outstanding claims	1,886,723	2,298,515	(1,886,723)	2,298,515
Other technical provisions				
TOTAL	**2,712,396**	**3,165,249**	**(2,712,396)**	**3,165,249**

Figures in thousands of euros

2.2 Mathematical provisions

Item	Assumed reinsurance	
	2022	2021
Mathematical provisions at the beginning of the fiscal year	**35,407**	**69,186**
Adjustments to opening balance	2,321	(5,146)
Consolidation (reserve balance on consolidation date)		
Premiums		
Technical interest		
Allocation of profit sharing		
Claim payments/collections	1,048	(28,633)
Provision adequacy test		
Shadow accounting adjustments		
Other		
Deconsolidation (balance of provision on deconsolidation date)		
Mathematical provisions at end of year	**38,776**	**35,407**

Figures in thousands of euros

3. Further 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 5.9.

3.2 Evolution of losses by year of occurrence

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

In 2022, a study was conducted on the sufficiency of the technical provisions constituted at the end of 2021. Said study was conducted by a specialized and reputable independent firm, which has affirmed the adequacy of these technical provisions. At the date of formulation of these annual accounts, the adequacy study of the technical provisions for the 2022 fiscal year is pending completion, although it is expected that the conclusion thereof will be similar to that of the previous fiscal year.

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
2022

Item	Opening balance	Adjust-ments to opening balance	Changes in scope	Additions: Allocated provisions	Additions: Increased value on discount	Disposals: Applied provisions	Disposals: Reversed provisions	Closing balance	Maximum reversal period
Provision for taxes	1,200					(1,200)			
Provisions for employee incentives	322			847		(1,082)		87	
Other provisions	7,501							7,501	
TOTAL BOOK VALUE	**9,023**			**847**		**(2,282)**		**7,588**	

Figures in thousands of euros

Fiscal year
2021

Item	Opening balance	Adjust-ments to opening balance	Changes in scope	Additions: Allocated provisions	Additions: Increased value on discount	Disposals: Applied provisions	Disposals: Reversed provisions	Closing balance	Maximum reversal period
Provision for taxes	1,200							1,200	
Provisions for employee incentives	1,794			7,559		(9,031)		322	
Other provisions	7,501							7,501	
TOTAL BOOK VALUE	**10,495**			**7,559**		**(9,031)**		**9,023**	

Figures in thousands of euros

The provisions for risks and expenses include the estimated amounts of tax debts, settlement agreement payments, restructuring, employee incentives and others derived from the activities and inherent risks of the Group companies, which will be paid in the coming years.

The item “Provisions for Risks and Expenses” includes mainly: the defined benefit plans for 2022 and 2021 in the amount of 1,504 thousand euros and 1,766 thousand euros, respectively; the medium-term incentive plan in the amount of 305,000 euros and 27,000 euros in 2022 and 2021; the annual variable incentive in 2022 and 2021 in the amount of 3,869 thousand and 3,731 thousand euros; the long-service bonus of 1,345 thousand euros and 1,680 thousand euros, respectively; the life insurance with coverage for death between the ages of 65 and 77 in 2022 and 2021 amounting to 299,000 euros and 439,000 euros, respectively; and the grants in 2022 and 2021 amounting to 158,000 euros and 180,000 euros, respectively.

6.11 Deposits received on ceded and retroceded insurance

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 0.62 %, and the average renewal period is generally annual. Settlement of the aforementioned interest is performed quarterly.

6.12 Debts

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 Group provided letters of credit in guarantee reserves for premiums and outstanding claims against official bodies amounting to 126.0 and 110.5 million euros in 2022 and 2021 respectively. Likewise, fixed income securities were pledged in favor of ceding companies through these letters of credit in the available-for-sale portfolio, amounting to 703.7 million and 781.0 million euros in fiscal years 2022 and 2021 respectively, as well as deposits at banking institutions for 39.8 and 112.1 million euros in 2022 and 2021, respectively.

6.14 Income and Expenses from Investments

The breakdown of revenue and expenses from investments for fiscal years 2022 and 2021 is shown below:

REVENUE FROM INVESTMENTS

Item	Revenue from investments in Operations 2022	Operations 2021	Equity 2022	Equity 2021	Total 2022	Total 2021
REVENUE FROM INTEREST, DIVIDENDS, AND SIMILAR						
Property investments:	103	101	15	15	118	116
Rentals	103	101	15	15	118	116
Revenue from the held-to-maturity portfolio:						
Fixed income						
Other investments						
Revenue from the available-for-sale portfolio	87,984	70,585			87,984	70,585
Revenue from the trading portfolio	2,998	1,327			2,998	1,327
Dividends of Group companies						
Other financial returns	71,493	48,064	1,000	120	72,493	48,184
TOTAL REVENUE	**162,578**	**120,077**	**1,015**	**135**	**163,593**	**120,212**
REALIZED AND UNREALIZED GAINS						
Net realized gains:	23,559	83,308			23,559	83,308
Property investments						
Held-to-maturity portfolio financial investments						
Available-for-sale portfolio financial investments	22,088	82,776			22,088	82,776
Trading portfolio financial investments	1,471	532			1,471	532
Other						
Unrealized gains:						
Trading portfolio fair value increase						
Other						
TOTAL GAINS	**23,559**	**83,308**			**23,559**	**83,308**
TOTAL REVENUE FROM INVESTMENTS	**186,137**	**203,385**	**1,015**	**135**	**187,152**	**203,520**

Figures in thousands of euros.

EXPENSES FROM INVESTMENTS

Item	Expenses from investments in: Operations 2022	Operations 2021	Equity 2022	Equity 2021	Total 2022	Total 2021
FINANCIAL EXPENSES						
Property investments:	(268)	(191)			(268)	(191)
Direct operating expenses	(40)	(35)			(40)	(35)
Other expenses	(228)	(156)			(228)	(156)
Expenses from held-to-maturity portfolio:						
Fixed income						
Other investments						
Expenses from available-for-sale portfolio	(20,704)	(16,424)	(141)	(142)	(20,845)	(16,566)
Expenses from trading portfolio						
Other financial expenses	(10,591)	(12,405)	(2,957)	(42)	(13,548)	(12,447)
TOTAL EXPENSES	**(31,563)**	**(29,020)**	**(3,098)**	**(184)**	**(34,661)**	**(29,204)**
REALIZED AND UNREALIZED LOSSES						
Net realized losses:	(20,111)	(15,260)			(20,111)	(15,260)
Property investments						
Held-to-maturity portfolio financial investments						
Available-for-sale portfolio financial investments	(20,111)	(15,260)			(20,111)	(15,260)
Trading portfolio financial investments						
Other						
Net realized losses:						
Trading portfolio fair value decrease						
Other						
TOTAL LOSSES	**(20,111)**	**(15,260)**			**(20,111)**	**(15,260)**
TOTAL EXPENSES FROM INVESTMENTS	**(51,674)**	**(44,280)**	**(3,098)**	**(184)**	**(54,772)**	**(44,464)**

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	2022	2021
Claims-related Expenses	(875)	(810)
Acquisition Expenses	(1,472,841)	(1,387,108)
Administration Expenses	(26,185)	(22,618)
Expenses from investments	(54,772)	(44,464)
Other Technical Expenses	(12,619)	(9,433)
Other Non-technical Expenses		
Operating expenses from other activities		
TOTAL	**(1,567,292)**	**(1,464,433)**

Figures in thousands of euros

OPERATING EXPENSES BY TYPE

Item	2022	2021
Commissions and other portfolio expenses	(1,405,990)	(1,326,708)
Personnel expenses	(49,501)	(43,370)
External services	(65,021)	(58,017)
- Leasing (property and buildings)	(313)	(904)
- Repairs and upkeep (property and buildings)	(1,651)	(1,432)
- Leasing and repairs (computer equipment)	(99)	(158)
- Leasing and repairs (computer applications)	(2,902)	(2,599)
- Other services (computer applications)	(7,925)	(7,501)
- Supplies (communications)	(612)	(783)
- Advertising and marketing	(201)	(106)
- Public relations	(2,049)	(600)
- Independent professional services	(45,203)	(40,373)
- Other services	(4,064)	(3,561)
Taxes	3,504	2,912
Financial expenses		
Provisions for amortizations	(3,363)	(3,627)
Expenses allocated directly to purpose	(46,920)	(35,623)
TOTAL	**(1,567,292)**	**(1,464,433)**

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 recognized according to their nature and are reclassified according to their use in those cases in which the nature and use are not the same. 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.

  On the liabilities side, the heading “Accrual adjustments” includes the amounts of fees and other acquisition expenses of ceded reinsurance that are to be allocated in the following year(s) pursuant to the coverage period of the ceded policies.

- 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 2022 and 2021 is the following:

Item	Non-Life		Life		Total	
	2022	2021	2022	2021	2022	2021
Premiums (-)	(3,080,219)	(2,584,486)	(31,071)	(32,643)	(3,111,290)	(2,617,129)
Change in the provision for unearned premiums and unexpired risks	57,270	39,503	(524)	125	56,746	39,628
Claims paid (+) Variation in provision for outstanding claims	2,029,512	1,545,078	21,059	24,428	2,050,571	1,569,506
Variation in mathematical provision						
Variation in other technical provisions						
Share of reinsurance in fees and expenses (+)	482,188	452,888	7,514	7,769	489,702	460,657
Other						
RESULT FROM CEDED AND RETROCEDED REINSURANCE	**(511,249)**	**(547,017)**	**(3,022)**	**(321)**	**(514,271)**	**(547,338)**

Figures in thousands of euros

6.17 Fiscal Situation

a) Fiscal consolidation regulations

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

DSince 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) Components of tax on profits expenses and reconciliation of the book result with the tax cost of ongoing activities.

Shown below for the fiscal years ending December 31, 2022 and 2021 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.

Item	Amount	
	Fiscal year 2022	Fiscal year 2021
Tax expense		
Result before taxes from ongoing operations	**192,787**	**193,766**
25 % of the result before taxes from ongoing operations	(48,197)	(48,442)
Tax incentive for the fiscal year	6,227	2,041
Tax effect of permanent differences	(6,557)	(3,044)
Tax effect of tax rates other than 25 %	(2,877)	7,641
Total expense from current tax originating in the fiscal year	(51,404)	(41,804)
Expense from current tax originating in previous fiscal years	2,019	(305)
Previously unrecognized receivables on negative tax bases from prior periods, deductions pending application or temporary differences, use of negative tax bases,		
Total tax expenses of ongoing operations	**(49,385)**	**(42,109)**
Tax on profits to be paid		
Taxes withheld and payments on account	60,290	51,307
Temporary differences and currency conversion differences	(16,076)	(87)
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 (receivable) originating in the fiscal year	**(5,171)**	**9,111**
Tax on profits receivable from previous fiscal years	**8,125**	
Net total tax on profits to be paid (receivable)	**2,954**	**9,111**

Figures in thousands of euros

With respect to Spanish companies, the tax rate applicable in fiscal years 2022 and 2021 was 25 %.

From fiscal year 2022, the Spanish Tax Group must calculate the minimum tax liability in accordance with the provisions of Article 30 bis of Law 27/2014 in order to determine its tax on profits to be paid.

In fiscal year 2022, the Tax Group was not affected by the minimum tax liability.

c) Deferred tax assets and liabilities

As on December 31, 2022 and 2021, 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	2022	2021
Deferred tax assets	151,149	51,700
Deferred tax liabilities	(1,912)	(1,602)
Net asset (liability)	**149,237**	**50,098**

Figures in thousands of euros

The following tables show the detail of the net deferred tax balance for fiscal years 2022 and 2021, breaking down the amount of deferred tax by items charged or paid directly against equity in each of the fiscal years.

Fiscal year
2022

Item	Opening balance	Adjustments to opening balance	Changes in the scope	Originating from: Results	Originating from: Equity	Write-offs	Closing balance
Valuation difference of financial investments	(16,841)				93,089		76,248
Implicit derivatives							
Other recognized revenue and expenses							
Stabilization and catastrophe provision							
Other technical provisions							
Portfolio acquisition expenses and other acquisition expenses							
- Other	66,939			6,050			72,989
TOTAL DEFERRED TAX	**50,098**			**6,050**	**93,089**		**149,237**

Figures in thousands of euros

Fiscal year
2021

Item	Opening balance	Adjustments to opening balance	Changes in the scope	Originating from: Results	Originating from: Equity	Write-offs	Closing balance
Valuation difference of financial investments	(33,309)	1,034			15,434		(16,841)
Implicit derivatives							
Other recognized revenue and expenses							
Stabilization and catastrophe provision							
Other technical provisions							
Portfolio acquisition expenses and other acquisition expenses							
Other	40,743	6,717		19,479			66,939
TOTAL DEFERRED TAX	**7,434**	**7,751**		**19,479**	**15,434**		**50,098**

Figures in thousands of euros

At fiscal year-end 2022, deferred tax assets and liabilities maturing within 12 months amounted to 14,000 euros (50,000 euros in 2021).

d) Tax incentives

The tax incentives of the fully consolidated companies for fiscal years 2022 and 2021 are as follows:

MODALITY	Fiscal Year To Which They Correspond	Amount Applied In The Fiscal Year 2022	Amount Applied In The Fiscal Year 2021	Amount Pending Application 2022	Amount Pending Application 2021	Non-Registered Amount 2022	Non-Registered Amount 2021
Double Tax Deduction	2022	5,938	1,757				
Deduction for R & D + i investments							
Reversal of temporary measures							
Other	2022	289	284				
TOTAL		**6,227**	**2,041**				

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).

At December 31, 2022, companies fully consolidated by global integration had open to inspection all taxes to which they are subject corresponding to the expiration period in each country in which they operate.

Some of the Group's companies carried out inspections that ended with the signing of the certificates of disagreement. 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). The decisions of the inspection procedure were appealed in an economic-administrative manner before the Spanish Tax Appeal Board (TEAC), which rejected the main allegations. An administrative appeal has been filed with the National Court.

In the opinion of the Directors and advisors of the consolidated companies, there is a remote possibility of tax liabilities occurring and significantly affecting the financial position of the Company at December 31, 2022.

6.18 Remuneration of Employees and Associated Liabilities

1. PERSONNEL EXPENSES

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

Item	Amount 2022	Amount 2021
a) Short-term remunerations	(48,635)	(42,642)
a.1) Wages and salaries	(41,285)	(35,949)
a.2) Social security	(6,829)	(6,277)
a.3) Other remuneration	(521)	(416)
b) Post-employment benefits	(741)	(659)
b.1) Defined contribution commitments	(599)	(481)
b.2) Defined benefit commitments	(142)	(178)
c) Termination compensation	(125)	(69)
d) Share-based payments		
e) Other long-term remunerations		
TOTAL	**(49,501)**	**(43,370)**

Figures in thousands of euros

2. 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 1,504 thousand and 1,766 thousand euros as on December 31, 2022 and 2021, respectively. The sum of assets allocated was 1,358 thousand and 1,308 thousand euros at the close of fiscal years 2022 and 2021.

The main actuarial assumptions used at the close of the last two fiscal years are the following: PERM/F-2020 mortality tables in 2022 and PERM/F-2000 in 2021 (PERM/F-2000 in 2020), pensions revalued with the annual CPI of the previous year in both fiscal years (revaluation percentage of 3 % for insured in the policy), 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 2022 and 2021, a provision was made corresponding to Life insurance with coverage for death between the age of 65 and 77 years for an amount of 299,000 and 439,000 euros respectively. The calculation of this provision in the past two years was made using the PASEM-2020 mortality tables.

Furthermore, the provision for the Years of Service Bonus for the fiscal years 2022 and 2021 amounted to 1,345 thousand and 1,680 thousand euros respectively.

Other medium- and long-term remuneration and share-based payments
On February 9, 2022, the Board of Directors of MAPFRE, S.A., at the proposal of the Company's Appointments and Remuneration Committee, approved a new long-term incentive plan, described in valuation regulation 5.14. The amount provisioned in the year for this Plan amounts to 305,000 euros.

The Board of Directors approved a medium-term incentive plan in 2019, which has been evaluated and recognized in the income statement in line with the indications of the “Personnel expenses” measurement standard. In the past two years, no amount has been provided for this item as the objectives set out in the plan have not been achieved.

During the 2022 fiscal year, the former medium-term incentive plan approved in 2016 was partially settled for 27,000 euros (112,000 euros in 2021). At the close of the fiscal year there is no outstanding amount, while at the close of 2021 an amount of 22,000 thousand euros to be paid in cash and 5,000 thousand euros to be settled through equity instruments, reported at the close of the fiscal year under liabilities, remained outstanding for 27,000 euros.

The MAPFRE, S.A. Share-Based Remuneration Plan for 2021, reflected in Note 5.14 of this report, was joined by 135 employees, 52.5 % of the workforce. At the close of fiscal year 2022, expenses derived from this Plan amounted to 108,000 euros.

3. 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:

2022

Country	Board directors		Senior management		Management		Technicians		Administrative		TOTAL	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Spain	2				50	35	78	89		10	130	134
United States of America					2	2	2	5			4	7
Brazil					4	2	7	4	1	1	12	7
Chile					3		5	3		2	8	5
Rest of the Americas					10	7	12	13	4	4	26	24
Europe					12	5	18	30		5	30	40
Philippines					1		1	6	1	1	3	7
Rest of Asia					3	1	2	6		1	5	8
TOTAL AVERAGE NUMBER OF EMPLOYEES	**2**				**85**	**52**	**125**	**156**	**6**	**24**	**218**	**232**

Average number of employees:

2021

Country	Board directors		Senior management		Management		Technicians		Administrative		TOTAL	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Spain	2				45	34	78	83		10	125	127
United States of America					2	2	2	5			4	7
Brazil					4	2	8	3	1	1	13	6
Chile					3		5	4		2	8	6
Rest of the Americas					11	7	13	12	4	6	28	25
Europe					14	5	21	30	1	5	36	40
Philippines					1		1	6	1	1	3	7
Rest of Asia					4		2	5		2	6	7
TOTAL FINAL NUMBER OF EMPLOYEES	**2**				**84**	**50**	**130**	**148**	**7**	**27**	**223**	**225**

Number of employees at fiscal year-end:

2022

Country	Board directors		Senior management		Management		Technicians		Administrative		TOTAL	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Spain	2				53	35	81	92		9	136	136
United States of America					2	2	2	5			4	7
Brazil					3	2	8	5	1	1	12	8
Chile					3		5	3		2	8	5
Rest of the Americas					9	7	12	15	3	2	24	24
Europe					12	5	15	33		5	27	43
Philippines					1		1	6	1	1	3	7
Rest of Asia					3	1	2	6		1	5	8
TOTAL AVERAGE NUMBER OF EMPLOYEES	**2**				**86**	**52**	**126**	**165**	**5**	**21**	**219**	**238**

Number of employees at fiscal year-end:

2021

Country	Board directors		Senior management		Management		Technicians		Administrative		TOTAL	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Spain	2				47	34	75	89		10	124	133
United States of America					2	2	2	5			4	7
Brazil					4	2	6	3	1	1	11	6
Chile					3		5	4		2	8	6
Rest of the Americas					10	7	13	13	4	4	27	24
Europe					14	5	20	27		7	34	39
Philippines					1		1	6	1	1	3	7
Rest of Asia					4	1	2	5		1	6	7
TOTAL AVERAGE NUMBER OF EMPLOYEES	**2**				**85**	**51**	**124**	**152**	**6**	**26**	**217**	**229**

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

Item	2022	2021
Management	3	3
Technicians	1	1
Administrative		
TOTAL	**4**	**4**

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 1,565.23 and 1,492.21 million euros in fiscal years 2022 and 2021 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 1,555.42 and 1,499.65 million euros in fiscal years 2022 and 2021 respectively.

The reconciliation of the exchange differences recognized in equity at the beginning and end of fiscal years 2022 and 2021 is shown below:

Description	Amount	
	2022	2021
Foreign exchange differences at the beginning of the year	**(26,189)**	**(25,694)**
Net foreign exchange differences on conversion of financial statements	11,175	(495)
Net exchange difference on valuation of non-monetary items		
Foreign exchange differences at the end of the year	**(15,014)**	**(26,189)**

Figures in thousands of euros

The following table shows, as on December 31, 2022 and 2021, the net currency differences arising from the conversion into euros of the financial statements for Group companies whose functional currency is not the euro:

		Currency conversion differences					
		Positive		Negative		Net	
Company	Geographic area	2022	2021	2022	2021	2022	2021
MAPFRE CHILE RE	CHILE			(6,999)	(10,839)	(6,999)	(10,839)
MAPFRE RE BRAZIL	BRAZIL			(33,435)	(37,227)	(33,435)	(37,227)
MAPFRE RE VERMONT	USA	3,934	573			3,934	573
RMI	USA	69	22			69	22
MAPFRE RE	SPAIN	21,418	21,282			21,418	21,282
TOTAL		**25,421**	**21,877**	**(40,435)**	**(48,066)**	**(15,014)**	**(26,189)**

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.

		Currency conversion differences					
		Positive		Negative		Net	
Company	Geographic area	2022	2021	2022	2021	2022	2021
MAPFRE RE	SPAIN	266	130			266	130
TOTAL		**266**	**130**			**266**	**130**

Figures in thousands of euros

6.20 Contingent Assets and Liabilities

At the close of fiscal year 2022 there were no contingent assets. Contingent assets arising from the positive business performance of MAPFRE Reinsurance Corporation (MRC) were settled during 2021. The resulting profit from said operation was 508,000 euros, as recorded in the heading "Other technical revenues" of the income statement.

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 set out 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 set out below:

	Expenses		Revenue	
Item	2022	2021	2022	2021
Received/provided services and other expenses/revenue	5,249	4,528	5,249	4,528
Expenses/revenue from property investments				
Expenses/revenue from investments and financial accounts				
Dividends distributed			1,499	1,499
TOTAL	**5,249**	**4,528**	**6,748**	**6,027**

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:

	Expenses	
Item	2022	2021
Expenses and revenue from property investments	296	285
Expenses and revenue from investments and financial accounts	6,542	6,049
External services and other non-technical expenses/revenue	33,971	29,510
TOTAL	**40,809**	**35,844**

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:

	Expenses		Revenue	
Item	2022	2021	2022	2021
Ceded/assumed premiums	52,764	30,481	(52,589)	(30,002)
Benefits	61,776	18,831	(61,742)	(18,725)
Changes in technical provisions	6,929	21,289	(5,861)	(22,123)
Fees	9,963	(6,016)	(12,038)	4,962
Other technical revenue and expenses				
TOTAL	**131,432**	**64,585**	**(132,230)**	**(65,888)**

Figures in thousands of euros

The details of reinsurance operations with the higher consolidated Group (MAPFRE, S.A.) are as follows:

	Revenue/Expenses			
	Assumed Reinsurance		Ceded Reinsurance	
Item	2022	2021	2022	2021
Premiums	3,337,240	2,750,036	(30,162)	(27,779)
Losses	(1,693,732)	(1,397,474)	1,360	4,476
Commissions	(577,902)	(512,272)	2,566	1,042
TOTAL	**1,065,606**	**840,291**	**(26,236)**	**(22,261)**

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.):

	Eliminated balances				Non-eliminated balances			
	Assumed Reinsurance		Ceded Reinsurance		Assumed Reinsurance		Ceded Reinsurance	
Item	2022	2021	2022	2021	2022	2021	2022	2021
Receivables and payables		1,124	(573)		316,231	222,873	(13,842)	(12,139)
Deposits	(9)	(9)	(9)	(9)	65,691	59,541	25	21
Technical provisions	(56,054)	(48,917)	(56,641)	(48,448)	(3,724,857)	(3,055,709)	6,155	4,527
TOTAL	**(56,063)**	**(47,802)**	**(57,223)**	**(48,457)**	**(3,342,936)**	**(2,773,294)**	**(7,663)**	**(7,590)**

Figures in thousands of euros

Remuneration of key managerial staff:
The following table shows the remuneration paid out over the last two fiscal years to members of the Company's Board of Directors:

	Amount 2022	Amount 2021
Short-term remuneration	1,403	1,431
Salaries	887	960
Fixed allowances	416	410
Travel, subsistence and accommodation allowances		
Life Insurance	21	19
Other items	79	42
TOTAL	**1,403**	**1,431**

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 2022 and 2021.

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

Executive directors, understood as executives of the company itself, 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 Company's personnel. There are also pension supplements for retirement, externalized through life insurance. As a contribution to defined contribution plans (including occupational pension plans), 331,000 euros was recorded as the expenditure for the fiscal year 2022 (282,000 euros in 2021).

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

In 2022, the Board of Directors of MAPFRE, S.A., at the proposal of its Appointments and Remuneration Committee, approved on February 9 an annual and extraordinary bonus aimed at a certain group and linked to the motors combined ratio and jointly to the percentage of growth of earned premiums and the percentage of change in allocated expenses (excluding Life Savings). The amount accrued for this additional short-term component for the members of the Board of Directors in 2022 was 19,000 euros (120,000 euros in 2021 in relation to another bonus with different objectives).

In addition, and regarding incentive plans, the Board of Directors of MAPFRE, S.A., at the proposal of its Appointments and Remuneration Committee, approved at its meeting on February 9, 2022, the Long-term Incentive Plan 2022–2026. Consisting of three overlapping cycles, each with an objective measurement period of three years, it is aimed at certain key executives and professionals of the Company and Group companies. The amount provisioned for the members of the Board of Directors in 2022, corresponding to the first overlapping cycle (2022–2024), amounts to a total of 100 million euros in cash and equity instruments.

The remuneration for Senior Management for the fiscal year is set out below:

Item	2022	2021
No. of Senior Management members	1	1
Salaries	290	306
Life Insurance	7	5
Other items	58	98
TOTAL	**355**	**409**

Figures in thousands of euros

Additionally, as a contribution to defined contribution plans, 63,000 euros were recorded in fiscal year 2022 as expenses for the year (63,000 euros in 2021).

In 2022, the Board of Directors of MAPFRE, S.A., at the proposal of the company's Appointments and Remuneration Committee, approved on February 9, 2022, an annual and extraordinary bonus aimed at a certain group and linked to the motors combined ratio and jointly to the percentage of growth of earned premiums and percentage of change in allocated expenses (excluding Life Savings). The amount accrued for this additional short-term component for members of Senior Management in 2022 amounts to 6,000 euros (40,000 euros in 2021 in relation to another bonus with different objectives).

In addition, and regarding incentive plans, the Board of Directors of MAPFRE, S.A., at the proposal of the Appointments and Remuneration Committee, approved at its meeting on February 9, 2022, the Long-term Incentive Plan 2022–2026. Consisting of three overlapping cycles, each with an objective measurement period of three years, it is aimed at certain key executives and professionals of the Company and Group companies. The amount provisioned for members of Senior Management in the first year, 2022, corresponding to the first overlapping cycle (2022–2024), amounts to a total of 3,326 thousand euros in cash and equity instruments.

Subsidies

In 2022 and 2021, a government subsidy was received for subsidized contracts (Social Security) and continuing education (Fundación Tripartita), attributed entirely to results for the period.

Item	Subsidy 2022	Subsidy 2022
As on January 1		
Received during the fiscal year	16	22
Transferred to results	16	22
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

No significant events took place after the 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 for the management and control of major risks. 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 at 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.

Risk management is a local responsibility. 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. Respecting the action framework established by the Group, the companies have the autonomy and responsibility to structure their Risk Management System under the applicable regulations and the complexity of their risk profile.

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 following 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 this note.

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.

	Effect on results caused by a 1 % change in the Combined Ratio		Combined Ratio volatility index	
Item	2022	2021	2022	2021
Main activity outside Spain:				
- Reinsurance	25,062	23,030	2.4	2.99

Figures in thousands of euros

2. Concentrations of 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 it to control the level of concentration of insurance risk. 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 amount 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 2022

	Assumed reinsurance			
		Non-Life		
Item	Life	Catastrophic risk	Other risks	Total
Written premiums, assumed reinsurance	692,548	920,389	5,608,398	7,221,335

Figures in thousands of euros

Fiscal year 2021

	Assumed reinsurance			
		Non-Life		
Item	Life	Catastrophic risk	Other risks	Total
Written premiums, assumed reinsurance	630,010	765,663	4,878,909	6,274,582

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
2022

	Reinsurance		Total
Geographic area	Life	Non-Life	
Spain	51,573	1,125,720	1,177,293
United states of America	21,260	695,708	716,968
Brazil	28,038	730,755	758,792
Mexico	20,535	286,670	307,205
Venezuela	4	9,443	9,447
Colombia	6,434	156,237	162,671
Argentina	5,394	98,068	103,462
Turkey	2,072	103,075	105,148
Chile	5,057	305,205	310,262
Other countries	552,181	3,017,907	3,570,087
TOTAL	**692,548**	**6,528,787**	**7,221,335**

Figures in thousands of euros

Fiscal year
2021

	Reinsurance		Total
Geographic area	Life	Non-Life	
Spain	52,136	1,017,946	1,070,082
United states of America	13,498	589,103	602,601
Brazil	17,285	487,077	504,362
Mexico	14,991	223,677	238,668
Venezuela			
Colombia	4,640	134,795	139,435
Argentina	4,623	63,232	67,855
Turkey	756	98,716	99,472
Chile		208,525	208,525
Other countries	522,081	2,821,501	3,343,582
TOTAL	**630,010**	**5,644,572**	**6,274,582**

Figures in thousands of euros

2.c) Premiums amount by currency

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

	Gross written premiums	
Currency	2022	2021
Euros	2,353,648	2,249,397
US dollar	2,774,772	2,265,228
Mexican peso	118,348	71,904
Brazilian real	534,061	322,768
Turkish lira	79,727	75,417
Chilean peso	119,718	74,106
Venezuelan bolivar		
Argentine peso	17,855	17,829
Colombian peso	95,177	79,785
Pound sterling	223,560	279,055
Canadian dollar	32,904	29,733
Philippine peso	16,070	19,870
Other currencies	855,495	789,490
TOTAL	**7,221,335**	**6,274,582**

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:

	Book value of companies				Total	
	Group		Non-group			
Item	2022	2021	2022	2021	2022	2021
Provision for Life insurance	61	213	44,855	30,467	44,916	30,680
Provision for outstanding claims	299,545	361,170	2,625,884	1,937,345	2,925,429	2,298,515
Receivables on ceded and retroceded reinsurance operations	17,718	20,736	95,617	128,523	113,335	149,259
Due on ceded and retroceded reinsurance operations	(19,943)	(22,889)	(459,310)	(355,617)	(479,253)	(378,506)
TOTAL NET POSITION	**297,381**	**359,230**	**2,307,046**	**1,740,718**	**2,604,427**	**2,099,948**

Figures in thousands of euros

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

	Book value					
	Companies				Total	
	Group		Non-group			
Level (*)	2022	2021	2022	2021	2022	2021
AAA						
AA			783,621	744,788	783,621	744,788
A	201,199	359,230	794,341	722,818	995,540	1,082,048
BBB			565,725	140,486	565,725	140,486
BB OR LOWER	96,182		115,195	113,809	211,377	113,809
No rating			48,164	18,817	48,164	18,817
TOTAL	**297,381**	**359,230**	**2,307,046**	**1,740,718**	**2,604,427**	**2,099,948**

Figures in thousands of euros

(*) According to local criterion

2. Credit risks arising from other financial instruments.
The breakdown of the portfolio of fixed income securities, subordinated debt, and cash, based on the credit rating of issuers of fixed income securities and financial institutions, respectively, is shown below for the last two fiscal years:

	Book value							
	Held-to-maturity portfolio		Available-for-sale portfolio		Trading portfolio		Cash	
Credit rating of issuers	2022	2021	2022	2021	2022	2021	2022	2021
AAA			681,241	690,569				
AA			1,019,250	787,027			9,073	4,546
A			1,005,221	1,156,113			597,381	244,452
BBB			678,189	864,259			14,110	25,961
BB OR LOWER			186,030	65,553			14,588	11,993
NO CREDIT RATING							17,629	1,612
TOTAL			**3,569,931**	**3,563,521**			**652,781**	**288,564**

Figures in thousands of euros

There are no fixed income securities in default for fiscal years 2022 and 2021.

3. Receivables

The following table shows the composition of the receivables heading as on December 31, 2022 and 2021, as well as impairment losses, recorded impairment reversal gains, and received amounts for guarantees in the last two fiscal years:

	Net balance on balance sheet		Impairment				Guarantees received	
			Recorded Losses		Reversal gains			
Item	2022	2021	2022	2021	2022	2021	2022	2021
I. Receivables on reinsurance operations	618,526	586,535		(434)	3,049	2,704		
II. Tax receivables	10,607	12,607						
III. Corporate and other receivables	24,688	4,831						
TOTAL	**653,821**	**603,973**		**(434)**	**3,049**	**2,704**		

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. At 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, 2022 and 2021, the cash and equivalent liquid assets balance amounted to 654 million euros and 289 million euros respectively, equivalent to 13.16 % of total financial investments and cash in 2022 (6.74 % in 2021).

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, 2022 and 2021 is detailed below. These amounts have no financial discount in the case of provisions for Life insurance:

Fiscal year
2022

Item	1st year	2nd Year	3rd year	4th Year	5th Year	6th to 10th Year	Subsequent	Closing balance
	Estimated cash outflows in the years							
Provision for unearned premiums	1,422,504	162,898	38,901	26,023	15,437	29,759	130,610	1,826,132
Provision for unexpired risks								
Provision for life insurance	409,026	42,884	11,066	11,865	13,473	51,475	75,879	615,668
Provision for outstanding claims	3,005,367	1,394,632	588,583	301,769	192,567	353,823	272,191	6,108,932
Other technical provisions								
Due on reinsurance operations	600,925							600,925
TOTAL	**5,437,822**	**1,600,414**	**638,550**	**339,657**	**221,477**	**435,057**	**478,680**	**9,151,657**

Figures in thousands of euros

Fiscal year
2021

Item	1st year	2nd Year	3rd year	4th Year	5th Year	6th to 10th Year	Subsequent	Closing balance
	Estimated cash outflows in the years							
Provision for unearned premiums	1,293,167	147,094	35,422	23,869	14,278	27,567	131,839	1,673,236
Provision for unexpired risks								
Provision for life insurance	315,648	33,219	8,726	9,631	10,958	42,066	59,795	480,043
Provision for outstanding claims	2,588,828	1,193,158	494,983	249,694	160,686	284,323	230,992	5,202,664
Other technical provisions								
Due on reinsurance operations	547,707							547,707
TOTAL	**4,745,350**	**1,373,471**	**539,131**	**283,194**	**185,922**	**353,956**	**422,626**	**7,903,650**

Figures in thousands of euros

D) MARKET RISK

The Corporate 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.

Interest rate risk

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

Amount of assets exposed to interest rate risk at fair value

	Fixed interest rate		Variable interest rate		Not exposed to risk		Total	
Portfolio	2022	2021	2022	2021	2022	2021	2022	2021
Held to maturity								
Available for sale	3,200,109	3,225,307	369,822	164,488	718,665	1,077,926	4,288,596	4,467,721
Trading	10,265	13,876			10,282	9,928	20,547	23,804
Other investments	11,549	11,143			246,140	101,429	257,689	112,572
TOTAL	**3,221,923**	**3,250,326**	**369,822**	**164,488**	**975,087**	**1,189,283**	**4,566,832**	**4,604,097**

Figures in thousands of euros

The following tables show the breakdown of financial investments by maturity for 2022 and 2021:

Fiscal year
2022

		Maturity at:					
Item	Closing balance	1 Year	2 Years	3 Years	4 Years	5 Years	Subsequent or without maturity
AVAILABLE-FOR-SALE PORTFOLIO							
Fixed income	3,569,931	854,570	638,366	677,333	368,631	277,581	753,450
Other investments							
TOTAL PORTOFOLIO AVAILABLE FOR SALE	3,569,931	854,570	638,366	677,333	368,631	277,581	753,450
Trading portfolio							
Fixed Income							
TOTAL TRADING PORTFOLIO							

Figures in thousands of euros

Fiscal year

2021

Item	Closing balance	Maturity at: 1 Year	2 Years	3 Years	4 Years	5 Years	Subsequent or without maturity
AVAILABLE-FOR-SALE PORTFOLIO							
Fixed income	3,563,521	579,550	337,318	422,595	431,621	500,389	1,292,049
Other investments							
TOTAL PORTFOLIO AVAILABLE FOR SALE	3,563,521	579,550	337,318	422,595	431,621	500,389	1,292,049
Trading portfolio							
Fixed Income							
TOTAL TRADING PORTFOLIO							

Figures in thousands of euros

The average interest rate and modified duration of fixed income investments in 2022 and 2021 are shown below:

Item	2022	2021
Average interest rate (%)	1.3	1.1
Modified duration (%)	3.7	3.6

The modified duration reflects the sensitivity of the value of the assets to movements in interest rates, and it 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.

	Asset		Liabilities		Net total	
Currency	2022	2021	2022	2021	2022	2021
Euros	4,936,531	4,362,150	3,192,282	2,934,322	1,744,249	1,427,828
US dollar	4,326,121	3,897,202	4,059,986	3,390,938	266,135	506,264
Mexican peso	58,598	56,669	73,279	67,152	(14,681)	(10,483)
Brazilian real	704,598	462,448	703,188	480,812	1,410	(18,364)
Turkish lira	94,362	74,110	95,453	74,340	(1,091)	(230)
Chilean peso	181,939	93,107	164,988	44,878	16,951	48,229
Venezuelan bolivar	2		11		(9)	
Argentine peso	33,649	30,374	9,886	15,443	23,763	14,931
Colombian peso	33,983	33,374	104,806	111,100	(70,823)	(77,726)
Pound sterling	228,987	276,397	226,685	268,704	2,302	7,693
Canadian dollar	99,940	92,999	18,505	18,022	81,435	74,977
Philippine peso	25,873	23,103	32,386	24,358	(6,513)	(1,255)
Other currencies	597,089	580,412	748,642	755,157	(151,553)	(174,745)
TOTAL	**11,321,672**	**9,982,345**	**9,430,097**	**8,185,226**	**1,891,575**	**1,797,119**

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. Appendix 1 provides a breakdown of the result obtained by each Group company and the country where its operations are located.

Stock market risk

The VaR or value at risk (maximum variation expected in a one-year time horizon and for a confidence level of 99 %) of equities and mutual funds exposed to stock market risk amounted to 174.45 and 316.68 million euros at December 31, 2022 and 2021, respectively.

Real estate risk

As on December 31, 2022, the Company has, in its consolidated group, real estate assets representing approximately 1.04 % of total investments and cash (1.13 % as on December 31, 2021), of which approximately 0.94 % corresponds to its own-use offices (1.01 % as on December 31, 2021). 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:

	Net book value		Market value	
Item	2022	2021	2022	2021
Real estate investments	2,498	2,466	6,787	6,791
Real estate for own use	52,581	52,995	58,381	58,442
TOTAL	**55,079**	**55,461**	**65,168**	**65,233**

Figures in thousands of euros

Unrealized gains would offset a fall in the price of real estate equivalent to approximately 18.32 % of their market value as at fiscal year-end 2022 (17.62 % at fiscal year-end 2021).

E) ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) 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.

A proper analysis of these ESG factors, and how they might affect the business in the short, medium and long term, shows their relationship to the company and possible inclusion in the list of risks drawn up by the company and in the adoption of prevention and mitigation measures.

The strategy to combat climate change is articulated in MAPFRE through the Corporate Environmental Footprint Plan 2021-2030.

In addition, in September 2021, the Board of Directors of MAPFRE, S.A. approved a new update of the Group's Environment Policy, incorporating key aspects such as “Green Purchasing” and “Circular Economy” through zero waste and “Natural Capital.”

8. FURTHER 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.

During the last two fiscal years, the Controlling Company’s directors did not undertake any operations with the Company itself or with any other Group company outside the scope of the companies’ ordinary trading activities or not at arm’s length.

The liability insurance premium paid on behalf of administrators for damages was 141,000 euros in 2022 and 134,000 euros in 2021.

8.1. Fees earned by the auditors

The annual accounts of MAPFRE RE and the main companies of the Group corresponding to the 2022 and 2021 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.

	2022	2021
Audit services	468,620	397,644
Other verification services	74,995	72,455
Tax services		
Other services		
Total services of main auditor	**543,616**	**470,099**

Figures in euros

The above amounts include those paid to KPMG Auditores, S.L., which amounted to 214,111 euros in fiscal year 2022 for audit services (179,467 euros in 2021) and 57,036 euros for other verification services (53,555 euros in 2021). The latter refer to services for regulatory compliance and involve the review of Solvency reports. The amounts accrued by KPMG in countries other than Spain amount to 254,510 euros for audit services (218,177 euros in 2021) and 17,959 euros for other verification services (18,900 euros in 2021).

Information regarding the services provided by KPMG Auditores, S.L. to companies controlled by MAPFRE, S.A. during the fiscal year ending Saturday, December 31, 2022, can be found in the consolidated annual accounts of MAPFRE, S.A. and subsidiaries of December 31, 2022.

8.2 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.

8.3 Payment deferral

The characteristics of payments made by the fully consolidated Spanish companies to providers in fiscal years 2022 and 2021 are:

	Days	
Item	2022	2021
Average provider payment period	1.6	2.0
Ratio of paid operations	3.1	3.5
Ratio of operations pending payment	2.8	14.5
Item	Amount	Amount
Total payments made	33,754	27,797
Total pending payments	1,030	878

Figures in thousands of euros

The information on invoices paid in a period less than the maximum established in the default regulations is as follows:

Item	2022	2021
Monetary amount paid (thousands of euros)	33,754	27,797
Percentage of the monetary total of payments to providers	100.00 %	100.00 %
Percentage of the total number of invoices paid to providers	99.69 %	100.00 %

TABLE OF SUBSIDIARIES AND ASSOCIATED COMPANIES 2022 (APPENDIX 1)

				Shareholding %		Data as at close of fiscal year 2021				
Name	Country	Effective tax rate	Activity	Title	In share capital	Assets	Equity net	Revenue	Result for the fiscal year	Method of procedure of consolidation
MAPFRE CHILE REASEGUROS S. A.	Avda. Apoquindo 4499-8th Santiago de Chile (Chile)	20 %	Holding	MAPFRE RE	99.9900 %	47,593	46,527	5,671	4,092	A
F. ALCORTA S.A.	Bouchard 547 14th floor 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 5th Andar Sao Paulo (Brazil)	15 %	Reinsurance	MAPFRE RE	99.9999 %	450,740	42,959	158,308	8,971	A
MAPFRE RE COMPAÑÍA DE REASEGUROS ESCRITORIO DE REPRESENTAÇAO NO BRASIL LTDA.	Rua Olimpiadas 242 5th Andar Sao Paulo (Brazil)	15 %	Representation services	MAPFRE RE	99.9999 %	47	47			C
MAPFRE MANDATOS Y SERVICIOS S.A.	Bouchard 547 14th floor Buenos Aires (Argentina)	35 %	Services	MAPFRE RE MAPFRE Argentina	95.0000 % 5.0000 %	20	20		(4)	C
VENEASISTENCIA S.A.	Avda. Libertador Penthouse A & B Caracas (Venezuela)	34 %	Travel Assistance	MAPFRE RE	0.0020 %	524	276	659	131	C
REINSURANCE MANAGEMENT INC.	100 Campus Drive 07932 New Jersey (USA)	35 %	Reinsurance	MAPFRE RE	100.0000 %	2,039	976	4,184	169	A
CAJA REASEGURADORA DE CHILE	Avda. Apoquindo 4499-8th Santiago de Chile (Chile)	20 %	Reinsurance	MAPFRE Chile RE	99.8467 %	57,520	11,530	9,017	1,558	A
INMOBILIARIA COSTA DE MONTEMAR S.A.	Avda. Apoquindo 4499-8th Santiago de Chile (Chile)	24 %	Real estate	MAPFRE Chile RE	31.4400 %					B
C R ARGENTINA S.A.	Bouchard 547 14th floor Buenos Aires (Argentina)	35 %	Services, consulting	MAPFRE Chile RE	99.9960 %	(1,645)	(1,608)			A
MAPFRE RE VERMONT CORPORATION	122 Cherry Tree Hill Road 05651 East Montpellier Vermont (USA)		Reinsurance	MAPFRE RE	100.0000 %	388,572	47,652	102,440	(681)	A
RISK MED SOLUTIONS S.L.	Pº de Recoletos, 25. Madrid (Spain)		Life and Health underwriting services	MAPFRE RE	100.0000 %	3,304	3,270	194	(679)	A
MAPFRE EURO BONDS FUND			Asset management	MAPFRE RE	100.0000 %	193,098	192,981			A

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 2021.

TABLE OF SUBSIDIARIES AND ASSOCIATED COMPANIES 2021 (APPENDIX 1)

Name	Country	Effective tax rate	Activity	Shareholding % Title	Shareholding % In share capital	Data as at close of fiscal year 2021 Assets	Equity net	Revenue	Result for the fiscal year	Method of procedure of consolidation
MAPFRE CHILE REASEGUROS S. A.	Avda. Apoquindo 4499-8th Santiago de Chile (Chile)	20 %	Holding	MAPFRE RE	99.9900 %	40,781	40,114	3,233	2,163	A
F. ALCORTA S.A.	Bouchard 547 14th floor 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 5th Andar Sao Paulo (Brazil)	15 %	Reinsurance	MAPFRE RE	99.9999 %	355,377	33,213	89,937	4,327	A
MAPFRE RE COMPAÑÍA DE REASEGUROS ESCRITORIO DE REPRESENTAÇAO NO BRASIL LTDA.	Rua Olimpiadas 242 5th Andar Sao Paulo (Brazil)	15 %	Representation services	MAPFRE RE	99.9999 %	47	47			C
MAPFRE MANDATOS Y SERVICIOS S.A.	Bouchard 547 14th floor 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 nº52 Madrid (Spain)	25 %	Computing	MAPFRE RE	0.8002 %	88,724	20,854	212,337	1,522	C
VENEASISTENCIA S.A.	Avda. Libertador Penthouse A & B Caracas (Venezuela)	34 %	Travel Assistance	MAPFRE RE	0.0020 %	771	322	540	306	C
REINSURANCE MANAGEMENT INC.	100 Campus Drive 07932 New Jersey (USA)	35 %	Reinsurance	MAPFRE RE	100.0000 %	1,891	757	3,641	126	A
CAJA REASEGURADORA DE CHILE	Avda. Apoquindo 4499-8th Santiago de Chile (Chile)	20 %	Reinsurance	MAPFRE Chile RE	99.8467 %	52,405	8,200	(16,169)	3,854	A
INMOBILIARIA COSTA DE MONTEMAR S.A.	Avda. Apoquindo 4499-8th Santiago de Chile (Chile)	24 %	Real estate	MAPFRE Chile RE	31.4400 %					B
C R ARGENTINA S.A.	Bouchard 547 14th floor Buenos Aires (Argentina)	35 %	Services, consulting	MAPFRE Chile RE	99.9960 %	139	139			A
MAPFRE RE VERMONT CORPORATION	122 Cherry Tree Hill Road 05651 East Montpellier Vermont (USA)		Reinsurance	MAPFRE RE	100.0000 %	367,012	56,870	96,266	1,129	A
RISK MED SOLUTIONS S.L.	Pº de Recoletos, 25. Madrid (Spain)		Life and Health underwriting services	MAPFRE RE	100.0000 %	1,978	1,950	126	(667)	A
MAPFRE EURO BONDS FUND			Asset management	MAPFRE RE	100.0000 %	172,991	172,991			A

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 2021.

04
AUDIT REPORT FOR THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

KPMG

Mapfre RE, Compañía de Reaseguros S.A.

Consolidated Annual Accounts

31 December 2022

Management Report

2022

(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 2022, and the consolidated income statement, consolidated statement of other comprehensive income, 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 2022 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

Inscrita en el Registro Oficial de Auditores de Cuentas con el nº.S0702, y en el Registro de Sociedades del Instituto de Censores Jurados de Cuentas con el nº.10.
Reg. Mer Madrid, T. 11.961, F. 90, Sec. 8, H. M -188.007, Inscrip. 9
N.I.F. B-78510153

KPMG

Key Audit Matters

Valuation of claims provisions reinsurance accepted (Euros 6.108,9 million) See notes 5.9, 6.9 and 7C 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. • 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.

Other Information: Consolidated Management Report

Other information solely comprises the 2022 consolidated management 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 management report. Our responsibility as regards the content of the consolidated management report is defined in the legislation regulating the audit of accounts, which consists of:

a) Verifying solely that the non-financial information report has been provided in accordance with applicable legislation, and, if not, to report it.

b) 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, as well as, assessing and reporting on whether the content and presentation of this part of the consolidated management 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 mentioned in section a) is provided in accordance with applicable legislation and that the rest of the information contained in the consolidated management report is consistent with that disclosed in the consolidated annual accounts for 2022.

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.

- 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.

KPMG

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 8 March 2023, 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 7 April 2021 for a period of three years, from the year ended 31 December 2021.

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.

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

(Signed on original in Spanish)

Álvaro Vivanco
On the Spanish Official Register of Auditors ("ROAC") with No. 24.151

8 march 2023

05
INDIVIDUAL MANAGEMENT REPORT

A. INTRODUCTION

MAPFRE RE, Compañía de Reaseguros, S.A. ("the Company") recorded a positive result in 2022 of 125.5 million euros after tax, mainly due to the improved performance of the base loss ratio that partially absorbed the cost of the high loss ratio recorded in the year.

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

The Company has availed itself of the option provided for in Law 11/2018 of December 28 to not prepare the statement of non-financial information, as it is included as a subsidiary in the consolidated management report of MAPFRE, S.A.

B. KEY FIGURES

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

B.1 INCOME STATEMENT

Income statement	2022	2021	Var. % 22/21
ASSUMED REINSURANCE			
Assumed premiums	**6,702.4**	**5,855.6**	**14.46 %**
Allocated premiums for the fiscal year	6,437.6	5,609.2	14.77 %
Loss experience (including claims-related expenses)	(4,579.2)	(3,792.8)	20.73 %
Operating expenses and technical expenses	(1,359.4)	(1,285.9)	5.72 %
ASSUMED REINSURANCE RESULT	**499.0**	**530.5**	**(5.94 %)**
RETROCEDED REINSURANCE			
Premiums and variations in unearned premium reserves	(2,739.3)	(2,303.4)	18.92 %
Claims paid and variation in outstanding claims reserves	1,895.9	1,429.2	32.65 %
Commissions and holdings	410.3	387.7	5.83 %
RETROCEDED REINSURANCE RESULT	**(433.2)**	**(486.5)**	**(10.96 %)**
Other technical revenues	0.0	0.5	(100.00 %)
Net revenue from investments	112.6	139.0	(18.99 %)
LIFE AND NON-LIFE TECHNICAL ACCOUNT RESULT	**178.4**	**183.5**	**(2.78 %)**
Revenues from property, plant, and equipment and investments	3.8	1.5	153.33 %
Expenses from property, plant, and equipment and investments	(5.0)	0.0	100.00 %
Other non-technical revenue and expenses	(6.7)	(6.1)	9.84 %
NON-TECHNICAL RESULT	**(7.9)**	**(4.6)**	**71.74 %**
RESULT BEFORE TAX	**170.5**	**178.9**	**(4.70 %)**
Tax on profits	(45.1)	(40.2)	(12.19 %)
RESULT AFTER TAX	**125.5**	**138.7**	**(9.52 %)**

Millions of euros

B.2. BALANCE SHEET FIGURES

Key figures from the Balance sheet	2022	2021	Var. % 22/21
Investments and cash	4,903.35	4,528.80	8.27 %
Total assets	10,502.16	9,278.70	13.19 %
Technical Provisions	4,394.64	3,962.50	10.91 %
Equity	1,815.6	1,708.1	6.30 %
ROE	7.1 %	8.5 %	(16.20 %)

Millions of euros

C. MAIN ACTIVITIES

MAFPRE RE's assumed reinsurance premiums in 2022 amounted to 6,702 million euros, 14.5 % higher than in the previous year. Income before taxes and non-controlling interests amounted to 171 million euros, lower (-9.5 %) than in 2021. Shareholders' equity at the end of the current financial year amounted to 2,019 million euros, and the Non-Life net combined ratio was 96.8 %.

BUSINESS ACTIVITY

Commercial actions gradually recovered pre-pandemic activity levels in a year marked by MAPFRE RE's 40th Anniversary, with celebrations in different countries.

More than 2,600 commercial actions were carried out in all markets, reflecting this return to normality, which has allowed close contact with customers and brokers and the efficient preparation of renewal campaigns.

Among the events to be highlighted, the company participated for another year in the Baden Baden Reinsurance Meeting 2022, with 44 meetings, and in the *Rendez-Vous de Septembre* in Montecarlo, holding more than 150 meetings with ceding companies and global brokers, the first time this forum was held in person after the pandemic.

It also participated in different market events, such as the National Day of Spain at the Spanish Embassy in Buenos Aires and the Spanish Embassy in France; the Reinsurance Meetings held in Estoril; the 135th Anniversary of the Chamber of Commerce in the United Kingdom; and the 18th edition of the Singapore International Reinsurance Conference (SIRC) in Singapore. These included events in which MAPFRE RE was a sponsor, such as the *Inter-European Reinsurance Meetings*-ENTRE 2022 (Spain), the International Insurance Convention (FASECOLDA) in Colombia, IRUA in the USA, the ALASA International Congress in Mexico, and the AIAG Congress in Turkey, among others.

TECHNICAL MANAGEMENT AND CLIENT SERVICES

In 2022, MAPFRE RE organized or participated in different technical reinsurance meetings with clients, including Life underwriting workshops held in Madrid, Portugal and Buenos Aires, a technical workshop on the loss of profits in the renewable energy sector (Madrid), and several technical meetings on reinsurance with clients for the damages, engineering, third-party liability, Life, agricultural, surety and credit lines.

It continues to support the use of new technologies and tools in the sector for greater efficiency and agility in reinsurance accounting transactions, and of particular note are the seminars on Acord's Rüschlikon Initiative.

Throughout the year, visits to the MAPFRE RE headquarters were organized for different delegations from Brazil, the Dominican Republic and Turkey, among others.

INFORMATION AND TECHNOLOGY SYSTEMS

In 2022, the Technology Area continued with the technological changes under the System Transformation Plan and reinforced all security aspects of both the corporate data processing center and the workstations.

The first year of implementation of the MAPFRE RE transformation plan, launched in June 2021, was completed, with some of the most obsolete systems being renewed.

To meet the needs of the business areas, the projects completed during the year included the implementation of the document manager in the Cloud, the ExpoCat solution for the geolocation and visualization of portfolios in the geographic information system (GIS), the upgrade of the MARESEL online selection manual for Personal Risks and the adaptation to the IFRS 17 requirements.

During 2022, work environment solutions and collaboration tools continued to be implemented, with the addition of new features and the development, in collaboration with HR, of information sessions to introduce the existing solutions to users.

In addition to the completed projects, the most work-intensive projects were related to the upgrade of the main business system: Condor. In this application, the team continued to construct the claims module as well as the Portfolio module, which currently represents one of the the most challenging projects for the IT Area.

The IFRS 17 project required an extraordinary effort by all the company's internal teams, including the Technology Area, and MAPFRE RE was the first company in the group to send the transition information to the SAP FPSL environment.

Subsidiaries and investee companies

MAPFRE RE DO BRASIL reported 158.3 million euros in revenue and a result before tax of 13.2 million euros, closing the fiscal year with shareholders' equity of 43.0 million euros.

MAPFRE CHILE REASEGUROS reported revenue of 14.7 million euros and a result before tax of 6.0 million euros, closing the fiscal year with shareholders' equity of 46.7 million euros.

MAPFRE RE VERMONT reported revenue of 102.4 million euros and a negative result before tax of 0.9 million euros, closing the fiscal year with shareholders' equity of 47.6 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	2022	2021
Board Directors	2	2
Senior Managers	0	0
Managers	126	127
Technicians	263	258
Administrative	22	28
TOTAL	**413**	**415**

The Corporate Persons 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 the development of employee knowledge, skills, and careers. It performs all those tasks in a flexible, inclusive, and diverse work environment that promotes collaboration and innovation and encourages well-being and health.

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

The Human Rights Policy guarantees the right to freedom of opinion, information and expression, respecting the diversity of opinions in the company and promoting dialog and communication, as well as the right to a safe and healthy working environment in which any display of harassment and violent or offensive behavior toward the rights and dignity of people is rejected. 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 present in all relationships between employees and in relationships between employees and providers, clients, collaborators, and other stakeholders. Furthermore, it also extends to all the organizations with which MAPFRE works.

MAPFRE is a diverse, egalitarian and inclusive company with a Global Diversity and Equal Opportunity Policy approved by the MAPFRE, S.A. Board of Directors on July 23, 2015, and a Diversity, Inclusion and Equity Strategy called Inclusion for Sustainable Growth.

With regard to gender diversity, to promote its positioning as an inclusive company, since February 2020 MAPFRE has been a signatory of the United Nations Women's Empowerment Principles. In 2021, MAPFRE was included in the Bloomberg GEI (Gender Equality Index), which distinguishes companies around the world that stand out for promoting equality and for their transparency in information related to gender issues.

In terms of functional diversity, MAPFRE promotes the integration of people with disabilities into the workforce and committed to ensuring that 3.5 % of its employees are people with disabilities. Since October 2021, the Group has been a part of the International Labour Organization (ILO) Global Business and Disability Network, which aims to help make corporate employment policies and practices more inclusive of people with disabilities worldwide, as well as to increase awareness of the positive relationship between disability inclusion and business growth.

During the fiscal year, the expansion of the Global Disability Program continued apace, and at the year-end, there were eight people with a disability in the workforce (eight people with a disability in 2021).

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 a Capability Transformation plan which main objective is to identify and develop the necessary knowledge for the business in the short and medium term, in addition to improving employability with development plans, career plans, training itineraries, upskilling, reskilling and retention plans.

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 2022 was 45 (26 processes in 2021).

At MAPFRE, transfers remain essential for employee development and employability. In 2022, 9.91 % of employees were transferred, representing 42 employees. In addition, 100 % of managerial positions were filled internally, and of the total vacancies published, 17.1 % were filled by internal mobility and 0 % involved promotion.

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 2022 was 99.1 % (99.0 % in 2021).

With regard to the DIGITAL CHALLENGE, our global strategic initiative, we are working to enable the organization to manage resources quickly and efficiently, focusing on productivity and adopting more flexible structures, project execution, knowledge management, collaborative environments, and a more personalized employee experience. MAPFRE has a global knowledge management technology platform called Eureka, where all employees can connect to share knowledge and best practices

The situation created in previous years by the pandemic led to the adaptation of training plans to digital and mixed modes. Technical training is key for MAPFRE. In 2022, a total of 502,813.66 euros was invested in workforce training (641,242 euros in 2021).

Since MAPFRE is a company that cares for people, it establishes appropriate and competitive remuneration according to function/job position, merits and performance. This remuneration is based on applicable regulations while guaranteeing equality and nondiscrimination. The remuneration model focuses on productivity and the generation of added value, with flexibility to adapt to the different groups and circumstances of an increasingly demanding talent market.

Its guiding principle is a transparent Remuneration Policy, known to all employees, that makes remuneration an element of motivation and satisfaction, enabling the targets to be met and the strategy to be fulfilled within the framework of the company's long-term interests.

Following the extraordinary success of the 2022 Share Remuneration Plan in Spain, a new flexible Remuneration Plan for Group employees in Spain was launched for 2023, with the aim of increasing their link to the company's strategy and future profit. Like the previous one, this plan offers the possibility of voluntarily allocating an annual amount of remuneration to the purchase of MAPFRE, S.A. shares, although in this new edition there will be no delivery of additional shares. These shares will be delivered monthly throughout 2023.

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 inside and outside the workplace. The Global Healthy Company Management Model, implemented worldwide, includes five areas of action: labor environment, health promotion, physical activity and nutrition, and mental well-being and work environment.

To facilitate well-being and work-life balance for employees, a wide range of social benefits are offered for an investment of 2,879,714 euros in 2022 (3,578,298 euros in 2021).

D.2 ENVIRONMENT

In November 2021, COP 26 came to a close in Glasgow after giving rise to the Net-Zero Alliance, which challenged members to achieve net-zero insurance portfolios by 2050. MAPFRE joined this initiative in 2022 and is currently working with other alliance members to define a protocol for setting targets.

In 2022, progress continued on the targets established for 2024 under the Environmental Footprint Plan. These objectives, as well as the actions necessary to achieve them, are included in the '22–'24 Sustainability Plan to guarantee the aligned and coordinated action of all MAPFRE Group companies in this area.

In accordance with the neutrality strategy, MAPFRE's carbon footprint in Spain and Portugal has been offset through reforestation projects. Compensation projects are chosen according to the Corporate Greenhouse Gas Compensation Strategy, which defines the selection criteria to encourage biodiversity recovery and ensure ecosystem services and natural capital, going a step beyond the creation of carbon sinks.

The Environmental Policy was updated in 2021 to include key aspects, such as the circular economy and natural capital, in the Group's environmental management strategy. MAPFRE has a strategic model based on an integrated management system, certifiable under various ISO standards, to include all aspects associated with environmental, energy, greenhouse gas emissions, and circular economy sustainability. The model enables plans and programs to be defined, minimizing the risks identified and paving the way to exploiting the opportunities that arise.

To date, MAPFRE has continued to collect environmental certifications.

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

In addition, and in the current context, the circular economy continues to be a necessary solution to the economic and climate crisis, making companies more competitive and resilient. In this area, MAPFRE has certified its Data Processing Centers located in Alcalá de Henares in accordance with the AENOR Zero Waste Regulation, while the Group's headquarters in Majadahonda (Madrid) has maintained the certificate it already obtained.

With regard to natural capital, the UN Conference on Biological Diversity (COP 15) was held in 2022 with the aim of devising a new global framework to transform society's relationship with biodiversity and ensure that the shared vision of living in harmony with nature is fulfilled by 2050. Together with Fundación Biodiversidad, MAPFRE is analyzing its current commitment to biodiversity and natural capital to define the new challenges and objectives aligned with this new global framework.

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

MAPFRE constantly analyzes factors that, should they arise, can or could impact business (referring to investment and underwriting). 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.

A proper analysis of ESG factors, and how they might affect the business in the short, medium and long term, shows their relationship to the company and possible inclusion in the list of risks drawn up by the company and in the adoption of prevention and mitigation measures.

With regard to investment processes, since 2017 MAPFRE has adhered to the United Nations Principles for Responsible Investment (PRI) and has a framework for action in responsible investment.

The application of the United Nations principles coexists with the company's assumed obligation as custodian of clients' savings and investments and the strength of its own balance sheet. For this reason, criteria are applied for the creation of long-term value, and ESG factors are incorporated.

MAPFRE has an Investment Policy approved by the MAPFRE, S.A. Board of Directors.

The Corporate Investment Area is the guarantor of compliance with the established responsible investment principles at the organization and must report annually on their fulfillment to the Sustainability Committee. Likewise, MAPFRE has a Risk Committee that regularly analyzes the composition of portfolios, their ESG evaluation and any disputes that may arise from the application of the causes of exclusion approved by MAPFRE, as well as the carbon footprint of the investment portfolio.

Regarding the integration of ESG aspects into underwriting processes, in 2012, MAPFRE signed on to the Principles for Sustainable Insurance (PSI) promoted by the United Nations Environment Programme Finance Initiative (UNEPFI).

This commitment is defined in the Underwriting Policy, approved by the Board of Directors of MAPFRE, S.A., applicable to all insurance and reinsurance entities and aligned with the corporate business strategy. In addition to a Global Business Committee that meets monthly, MAPFRE has an Underwriting Policy Committee that meets weekly and that, among other functions, is responsible for the correct application of this policy and analyzes and proposes operational exclusion rules on ESG matters.

E. FURTHER INFORMATION

E.1 Financial Risk

Market and interest rate risks

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

The 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.

The majority of investments are represented by fixed income securities, accounting for 61.9 % of the total financial investment portfolio in 2022 (68.2 % in 2021).

Investments in equity securities and mutual funds have a limited weight on the balance sheet, representing approximately 8.2 % of total financial investments in 2022 (9.2 % in 2021).

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 5.6 million euros in 2022 (-9.5 million euros in 2021).

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, 2022, the cash balance stood at 608.3 million euros (267.7 million euros in 2021), equivalent to 12.43 % of total investment and liquid funds (5.9 % in 2021). In addition, most fixed-income investments are investment grade and are traded in organized markets, thus providing significant scope for action in the event of potential liquidity strains.

Regulatory risk

The Group works in a complex environment under increasing regulatory pressure, not only in the insurance sector, but also in matters of technology, corporate governance, corporate criminal responsibility and sustainability, with special attention to the fight against climate change.

Insurance companies are subject to special laws and regulations in the countries where they operate, and various local authorities are responsible for ensuring compliance therewith.

Legislative changes can (i) involve a risk if the Group is unable to adapt to them or (ii) affect the operations of the Group to the extent that the supervisory authorities have broad administrative control over various aspects of the insurance business.

E.2 OTHER RISKS AND UNCERTAINTIES

In the analysis of the main risks faced by the Group, Cyber Risk and ICT system failures stand out. The continuous increase in the volume and sophistication of malicious cybernetic activity to which MAPFRE is exposed when conducting business in a digital environment poses a high operational risk, requiring the company to constantly update and reinforce its cybersecurity measures.

Secondly, persistent inflation stands out, with a direct impact on the energy component and the price of all supplies and products, affecting all companies and customers across the board.

The Group also analyzes risks with a significant potential impact that could affect the longer-term (5-10 years). In this regard, climate change risk management essentially focuses on increasing our understanding of the greater catastrophic hazards derived from climate change and improving our management of exposures.

In the case of insurance companies, the following paragraph will be included:

The avalanche of sustainability regulations, marked by great fragmentation, extensive ambiguity and disparate criteria in the different regulatory provisions, generates uncertainty in insurance companies as to the continuity and management of their existing product and service portfolios, as well as the assets that will be considered unsustainable and the impact that such treatment may have on their valuation.

Another identified risk with a potentially significant impact concerns the challenge of adapting products and services to changes in the environment, society and the markets. The speed of changes and the solutions demanded by clients, who are increasingly aware of sustainable products and new ways of operating with companies, require products and services to be constantly adapted; unless this is done properly, it could lead to a loss of competitiveness.

Meanwhile, the risk of financial instability and crises due to conflicts and scarcity of resources has been identified. The Group has long-term exposure to the triggering effects of socio-political risk, where drastic and very rapid changes are taking place, with a trend toward increased protectionism.

MAPFRE is reasonably protected against the risks described by maintaining a strategic approach based on:

- Technical rigor in risk underwriting and claims management, and a lower expense level than the market average.
- A conservative investment management policy that applies sustainability criteria.
- Maintenance of a reasonable level of indebtedness and liquid assets.
- Continuous analysis of clients needs.

In turn, the Group is subject to the requirements of the Solvency II regulation. This regulation establishes the minimum amount of capital resources and the types of admissible capital resources. Therefore, maintaining a high solvency ratio is its main protection measure against the risks it faces.

E.3 TREASURY SHARES

During fiscal year 2022, the Company did not perform any operations with treasury stock.

E.4 RESEARCH, DEVELOPMENT AND INNOVATION

MAPFRE Open Innovation (MOi) is MAPFRE's strategic commitment to boost client-centered transformation. With it, the company aims to foster innovation carried out by and for people.

Created as an open innovation platform, MOi uses partnerships with other stakeholders and emerging technologies to make a positive impact on the business and on society. For MOi, accelerating the creation of value is as important as contributing to the progress toward a more prosperous, just and egalitarian society. Since 2019, more than two million clients of the MAPFRE Group have benefited from solutions originating from this model, in terms of both insurance operations (contracting or benefits) and relational and aspirational aspects. These solutions address major social issues, such as the democratization of medical care, support for the independence of the elderly or services designed with a gender perspective.

In addition, the Group has analyzed proposals from more than 2,500 startups, of which more than 40 have gone through insur_space, MAPFRE's fast-track-to-market program for startups, which has consolidated our relationship with entrepreneurs in the insurance industry and role as a benchmark for the insurtech environment.

In 2022, initiatives were launched in the areas identified as priorities: cyberprotection, climate risk, emerging risks, new mobility, health and well-being. In addition, progress was made in the deployment, scaling and export of critical solutions to transform operations: image-based assessment, claims automation and voice automation.

With regard to cyberprotection, MAPFRE has been working to develop new products and solutions for companies, especially SMEs (small and medium enterprises).

The activity of MAPFRE Open Innovation is perfectly aligned with the Group's purpose and the United Nations Sustainable Development Goals.

Ultimately, with the consolidation of MOi, MAPFRE aims to accelerate transformation from within and reinforce our leadership position. By adapting faster to the changing circumstances and moving toward the new business models and innovative solutions that arise from digital and technological changes, the ultimate goal is to offer the best solutions and services to clients.

Digital Business

During this period, progress was made in extracting more value from existing digital capabilities, gaining maturity in digital attraction processes and operations, online pricing, digital client management and advanced fraud detection, among other areas. New scalable digital capabilities were also provided, mainly focused on improving digital acquisition and sales, developing new digital distribution channels with a focus on digital partners, and improving profitability. Much emphasis has been placed on the use and activation of digital data and client knowledge as transversal themes.

Quality

To evaluate the quality perceived by clients, the MAPFRE Quality Observatory applies a global model for measuring the client experience.

The MAPFRE Quality Observatory is responsible for defining the models and carrying out comprehensive measurements of the client experience. This is performed by analyzing the Net Promoter Score (NPS®) to evaluate how the customer perceives the company and critical touchpoints. Recommendations are then drawn up regarding the main areas that could be improved.

In 2022, two relational NPS® measurement waves were carried out, involving a representative sample of MAPFRE's portfolio. As part of this study, the observatory also measures the client experience level at MAPFRE's major competitors in each country and line of business.

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.

When analyzing the results of the measurements in the relational and transactional NPS® programs, the distributor client has been observed to play an important role in the end client's experience. Therefore, it is essential to determine this group's perception of MAPFRE. To meet this objective, the Global Distributor Client Relational NPS® model was defined in 2022.

Furthermore, the Quality Observatory carried out in 2022 the fifth measurement of the experience of internal clients (iNPS®) and of the cedents and brokers of the reinsurance services provided by MAPFRE RE.

Based on the results obtained in the surveys, the Business and Clients Area coordinates all transformation actions and plans. In this way, MAPFRE is able to better understand its clients and adapt processes to their needs.

E.5 AVERAGE PROVIDER PAYMENT PERIOD

The average payment period for service providers during the fiscal year was 1.6 days (2.0 days in fiscal year 2021).

E.6 FURTHER INFORMATION

COVID-19

During fiscal year 2022, despite the arrival of new variants of the virus, MAPFRE RE's loss ratio derived from COVID-19 decreased due to progress on vaccination and the return to normality after the elimination of health and mobility restrictions. The company's loss ratio in 2022 was 27.8 million euros for this reason.

F. CORPORATE ASPECTS

F.1 KEY CORPORATE ASPECTS

In 2022, Ms. Ana Isabel Fernández, Mr. Katsuhiko Kaneyoshi and Mr. Pedro López were reelected as Board Directors for a new four-year term at the Ordinary Annual General Meeting held on April 7, 2022. In addition, Pedro López was reelected as a member of the Management Committee at the meeting of the Board of Directors held on April 7, 2022. And at the Extraordinary Annual General Meeting held on November 30, 2022, the appointment of Ms. Montserrat Guillén and Mr. José Luis Perelli as new Board Directors at the company was approved for a four-year term.

At the Extraordinary Annual General Meeting on November 30, 2022, an increase in the company's share capital was also approved in the amount of 48,880,716.30 euros, by issuing 15,767,973 new registered common shares, each with a face value of 3.10 euros and a share premium of 12.75492314 euros per share. This capital increase was fully subscribed and paid up in December 2022, with the deposit of 250,000,000.00 euros into the company's account, of which 48,880,716.30 euros correspond to the face value, and 201,119,283.70 euros correspond to the share premium.

F.2 PROPOSED RESOLUTIONS

1. To approve the individual annual accounts corresponding to the 2022 fiscal year, as well as the following proposal to distribute profits contained in the annual report:

Basis of distribution	Amount 2022
Gains and losses	125,470,625.99
Retained earnings	666,100,785.52
Total	**791,571,411.51**
Distribution	**Amount 2022**
To legal reserve	9,776,143.19
To retained earnings	781,795,268.32
Total	**791,571,411.51**

Figures in euros

2. To approve the consolidated annual accounts for fiscal year 2022.

3. To approve the management of the Board of Directors in the 2022 fiscal year.

4. To reelect Javier Fernández-Cid and José Manuel Inchausti as Board Directors of the company for a new four-year term.

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

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

G. SIGNIFICANT EVENTS FOR THE COMPANY OCCURRING AFTER THE END OF THE FINANCIAL YEAR

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

H. OUTLOOK

Reinsurance conditions, which significantly tightened in 2022, are expected to remain present during the upcoming renewal campaigns, offering reinsurance an opportunity to recover the technical margins lost in previous years.

In any case, several factors will remain present that entail a high degree of uncertainty about how the industry in general and each participant in particular will behave.

The higher cost of reinsurance and retrocession and the tightening of its coverage conditions could lead some participants to make changes in the structures and levels of the protections acquired, with a higher assumption of risk than in the past and therefore greater volatility in results.

The persistently high catastrophic loss ratio, influenced by the greater frequency and severity of climatological events that also impact increasingly populated, developed and insured societies, could once again affect the reinsurance industry. Faced with this increased risk, the industry must continue to make progress in acquiring knowledge to better calculate its pricing and offer solutions that are sustainable over time.

If high inflation continues to be recorded globally, reinsurance needs in nominal terms will continue to increase; however, restrictive monetary policies deployed by central banks to try to curb the rise in prices could contribute to economic slowdown and greater instability in this reinsurance demand.

06
INDIVIDUAL ANNUAL ACCOUNTS

BALANCE SHEET AS ON DECEMBER 31, 2022 AND 2021

A) Assets	Notes from Annual Report	2022	2021
A-1) Cash and other equivalent liquid assets	**9**	**608,263**	**267,708**
A-2) Financial assets held for trading	**9**	**10,282**	**9,928**
I. Equity instruments	9	10,282	9,928
II. Debt securities			
III. Derivatives			
IV. Other			
A-3) Other financial assets at fair value with changes in gains and losses			
A-4) Financial assets for sale	**9**	**3,431,103**	**3,496,529**
I. Equity instruments	9	393,775	406,848
II. Debt securities	9	3,037,328	3,089,681
III. Investments on behalf of Life insurance policyholders bearing the investment risk			
IV. Other			
A-5) Loans and receivables		**1,591,925**	**1,516,761**
I. Debt securities			
II. Loans			
1. Policy pre-payments			
2. Loans to group and associated companies			
3. Loans to other related entities			
III. Deposits with credit institutions	9	39,747	112,104
IV. Deposits established for assumed reinsurance	9	1,019,353	890,369
VI. Receivables on reinsurance operations	9	509,991	510,690
VII. Receivables on co-insurance operations			
VIII. Called capital			
IX. Other receivables		22,834	3,598
1. Receivables from public agencies		771	238
2. Other receivables	9	22,063	3,360

Figures in thousands of euros

A) Assets	Notes from Annual Report	2022	2021
A-6) Investments held to maturity			
A-7) Hedging derivatives			
A-8) Participation of reinsurance in technical provisions	11	3,560,118	2,880,763
I. Provision for unearned premiums		766,814	706,514
II. Provisions for Life insurance		5,299	5,751
III. Provision for outstanding claims		2,788,005	2,168,498
IV. Other technical provisions			
A-9) Property, plant, and equipment and real estate investments		33,920	35,163
I. Property, plant, and equipment	5	32,709	33,937
II. Real estate investments	6	1,211	1,226
A-10) Intangible fixed assets	7	24,656	27,369
I. Goodwill		20,078	24,096
II. Financial rights arising from policy portfolios acquired from intermediaries			
III. Other intangible assets		4,578	3,273
A-11) Shareholdings in Group, multi-group, and associated companies	9 and Appendix 1	853,699	754,591
I. Shareholdings in associated companies	9		
II. Shareholdings in multi-group companies			
III. Shareholdings in group companies	9	853,699	754,591
A-12) Tax assets		153,811	85,202
I. Current tax assets		5,356	8,130
II. Deferred tax assets	12	148,455	77,072
A-13) Other assets		234,386	204,730
I. Assets and long-term reimbursement rights for personnel		1,358	1,308
II. Prepaid commisions and other acquisition costs			
III. Accrual		233,016	203,419
IV. Other assets		12	3
A-14) Assets held for sale			
TOTAL ASSETS		**10,502,163**	**9,278,744**

Figures in thousands of euros

BALANCE SHEET AS ON DECEMBER 31, 2022 AND 2021 (continued)

LIABILITIES AND EQUITY	Notes from Annual Report	2022	2021
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		**589.798**	**581.116**
I. Subordinated liabilities			
II. Deposits received for ceded reinsurance	9	66.850	71.772
IV. Due on reinsurance operations	9	511.897	486.143
VI. Debentures and other negotiable securities			
VII. Due to credit institutions			
IX. Other debts:		11.051	23.201
1. Payables to public administrations		2.532	2.570
2. Other payables to group companies and affiliates	9	3.652	16.431
3. Other payables	9	4.867	4.200
A-4) Hedging derivatives			
A-5) Technical provisions	**11 & 21**	**7.954.760**	**6.843.259**
I. Provision for unearned premiums		1.592.346	1.457.649
II. Provision for unexpired risks			
III. Provisions for Life insurance		569.781	439.704
1. Provision for unearned premiums		569.781	439.704
2. Provision for unexpired risks			
3. Mathematical Provision			
IV. Provision for outstanding claims		5.792.633	4.945.906
V. Provision for profit sharing and returned premiums			
VI. Other technical provisions			
A-6) Non-technical provisions	**14**	**7.588**	**9.023**
I. Provisions for taxes and other legal contingencies		0	1.200
II. Provision for pensions and similar obligations	14	1.891	1.792
III. Provision for payments of liquidation			
IV. Other non-technical provisions	14	5.697	6.031
A-7) Tax liabilities		**18.789**	**33.638**
I. Current tax liabilities		13.179	11.585
II. Deferred tax liabilities	12	5.610	22.053

Figures in thousands of euros

LIABILITIES AND EQUITY	Notes from Annual Report	2022	2021
A-8) Other liabilities		**115.586**	**103.624**
I. Accruals		**115.586**	**103.624**
A-9) Liabilities linked to assets held for sale			
TOTAL LIABILITIES		**8.686.521**	**7.570.660**
B) EQUITY			
B-1) Shareholders' Equity		**2.019.240**	**1.669.326**
I. Capital or mutual fund	10	342.165	293.284
1. Subscribed capital or mutual fund		342.165	293.284
2. (Uncalled capital)			
II. Share premium		755.511	554.392
III. Reserves		130.396	130.267
1. Legal and statutory	10	58.657	58.657
2. Stabilization reserve			
3. Other reserves		71.739	71.610
IV. (Treasury Stock)			
V. Results from previous years		665.697	602.797
1. Retained earnings	3	666.101	603.201
2. (Negative results from previous years)		(404)	(404)
VI. Other contributions from shareholders and mutual policyholders			
VII. Result for the period	3	125.471	138.728
VIII. (Interim dividend and equalization reserve)	3 & 10		(50.142)
IX. Other equity instruments			
B-2) Valuation change adjustments:		**(203.598)**	**38.758**
I. Financial assets for sale	9	(204.077)	38.415
II. Hedging operations			
III. Currency exchange and exchange differences	11	479	343
IV. Correction of accounting asymmetries			
V. Other adjustments			
B-3) Subsidies, donations, and endowments received			
TOTAL EQUITY		**1.815.642**	**1.708.084**
TOTAL LIABILITIES AND EQUITY		**10.502.163**	**9.278.744**

Figures in thousands of euros

INCOME STATEMENT FOR FISCAL YEARS ENDED DECEMBER 31, 2022 AND 2021

LIABILITIES AND EQUITY	Notes from Annual Report	2022	2021
I. TECHNICAL ACCOUNT - NON-LIFE INSURANCE			
I.1 Premiums allocated to the fiscal year, Net of Reinsurance	**22**	**3,192,949**	**2,806,886**
a) Earned premiums		6,036,287	5,216,660
a.1) Direct insurance			
a.2) Assumed reinsurance	21 & 22	6,036,287	5,216,660
a.3) Variation of the impairment correction for premiums pending collection (+ or -)			
b) Premiums from ceded reinsurance (-)	22	(2,768,996)	(2,291,911)
c) Variation of the provisions for unearned premiums and unexpired risks (+ or -)	22	(134,697)	(138,447)
c.1) Direct Insurance			
c.2) Assumed Reinsurance		(134,697)	(138,447)
d) Variation of the provision for unearned premiums, cede reinsurance (+ or-)		60,355	20,584
I.2 Revenue from property, plant, equipment and investments		**1,537,062**	**2,381,087**
a) Revenue from property investments			
b) Revenue from financial investments	9	1,518,011	2,313,333
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		19,051	67,754
d.1) From property, plant, and equipment and real estate investments			
d.2) From financial investments	9	19,051	67,754
I.3 Other Technical Revenues			**514**
I.4 Loss ratio for the year, Net Reinsurance		**2,267,670**	**1,917,616**
a) Paid claims and expenses		2,056,888	1,630,931
a.1) Direct insurance			
a.2) Assumed reinsurance	22	3,315,453	2,697,861
a.3) Ceded reinsurance (-)	22	(1,258,565)	(1,066,930)
b) Variation in the provision for outstanding claims (+ or -)		210,009	285,949
b.1) Direct insurance			
b.2) Assumed reinsurance	22	827,486	622,227
b.3) Ceded reinsurance (-)	22	(617,477)	(336,278)
c) Claims-related expenses		773	736

Figures in thousands of euros

LIABILITIES AND EQUITY	Notes from Annual Report	2022	2021
I.5 Variation in Other Technical Provisions, Net of Reinsurance (+ or -)			
I.6 Profit sharing and returned premiums			
I.7 Net Operating Expenses		**827,816**	**799,599**
a) Acquisition expenses	22	1,208,567	1,159,420
b) Administration expenses	22	22,095	20,176
c) Commissions and interests in ceded and retroceded reinsurance	22	(402,846)	(379,997)
I.8 Other Technical Expenses (+ or -)		**(3,162)**	**(2,306)**
a) Variation in impairment for insolvencies (+ or -)	9	(3,049)	(2,269)
b) Variation in impairment of fixed assets (+ or -)			
c) Variation in outstanding claims settlement agreements (+ or -)			
d) Other		(113)	(37)
I.9 Expenses from property, plant, and equipment and investments		**1,474,882**	**2,300,136**
a) Expenses from investment management	9	1,453,133	2,287,636
a.1) Expenses from property, plant, and equipment and real estate investments			
a.2) Expenses from investments and financial accounts	9	1,453,133	2,287,636
b) Value corrections for property, plant, and equipment and investments	9	6,065	0
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		6,065	
c) Losses from property, plant, and equipment and investments	9	15,684	12,500
c.1) From property, plant, and equipment and real estate investments		21	0
c.2) From financial investments	9	15,663	12,500
I.10 Subtotal (Result from Non-life Technical Account)		**162,805**	**173,442**

Figures in thousands of euros

INCOME STATEMENT FOR FISCAL YEARS ENDED DECEMBER 31, 2022 AND 2021 (continued)

INCOME STATEMENT	Notes from the Annual Report	2022	2021
II. TECHNICAL ACCOUNT - LIFE INSURANCE			
II.1 Premiums Allocated to the Period, Net of Reinsurance	**22**	**505,290**	**498,984**
a) Earned premiums		666,075	638,973
a.1) Direct insurance			
a.2) Assumed reinsurance	21 & 22	666,075	638,973
a.3) Variation of the impairment correction for premiums pending collection (+ or -)			
b) Premiums from ceded reinsurance (-)	22	(30,201)	(32,118)
c) Variation in provision for unearned premiums and unexpired risks (+ or -)		(130,077)	(107,971)
c.1) Direct insurance			
c.2) Assumed reinsurance	22	(130,077)	(107,971)
d) Variation of the provision for unearned premiums, ceded reinsurance (+ or -)	22	(507)	100
II.2 Revenue from property, plant, and equipment and investments		**140,348**	**163,824**
a) Revenue from property investments			
b) Revenue from financial investments	9	134,877	148,794
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		5,471	15,030
d.1) From property, plant, and equipment and real estate investments		38	1
d.2) From financial investments	9	5,433	15,029
II.3 Revenues from investments subject to insurance in which the policyholder bears the investment risk			
II.4 Other Technical Revenues			
II.5 Incurred claims for the fiscal year, Net of Reinsurance		**415,688**	**446,028**
a) Paid claims and expenses		398,375	429,809
a.1) Direct insurance			
a.2) Assumed reinsurance	22	416,166	448,581
a.3) Ceded reinsurance (-)	22	(17,791)	(18,772)

Figures in thousands of euros

INCOME STATEMENT	Notes from the Annual Report	2022	2021
b) Variation in the provision for outstanding claims (+ or -)		17,211	16,145
b.1) Direct insurance			
b.2) Assumed reinsurance	22	19,241	23,339
b.3) Ceded reinsurance (-)	22	(2,030)	(7,194)
c) Claims-related expenses		102	74
II.6 Variation in Other Technical Provisions, Net of Reinsurance (+ or -)			
II.7 Profit sharing and returned premiums			
II.8 Net Operating Expenses		**124,457**	**100,848**
a) Acquisition expenses	22	128,649	106,662
b) Administration expenses	22	3,224	1,931
c) Commissions and interests in ceded and retroceded reinsurance	22	(7,416)	(7,745)
II.9 Other Technical Expenses		**(18)**	**(3)**
a) Change in impairment for insolvencies (+ or -)			
b) Change in impairment of fixed assets (+ or -)			
c) Other		(18)	(3)
II.10 Expenses from property, plant, and equipment and investments		**89,935**	**105,791**
a) Management expenses from property, plant, and equipment and investments	9	83,710	103,030
a.1) Expenses from property, plant, and equipment and real estate investments			
a.2) Expenses from investments and financial accounts	9	83,710	103,030
b) Value corrections for property, plant, and equipment and investments		1,771	
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		1,771	
c) Losses from property, plant, and equipment and investments	9	4,454	2,761
c.1) From property, plant, and equipment and real estate investments		6	0
c.2) On financial investments	9	4,448	2,761
II.11 Expenses from investments subject to insurance in which the policyholder bears the investment risk			
II.12 Subtotal, (Results from the Life Insurance Technical Account)		**15,576**	**10,144**

Figures in thousands of euros

INCOME STATEMENT FOR FISCAL YEARS ENDED DECEMBER 31, 2022 AND 2021 (continued)

INCOME STATEMENT	Notes from the Annual Report	2022	2021
III. NON-TECHNICAL ACCOUNT			
III.1 Income from property, plant, and equipment and investments		**3,755**	**1,523**
a) Revenue from property investments	6	15	15
b) Revenue from financial investments	9	3,740	1,508
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		0	0
d.1) From property, plant, and equipment and real estate investments			
d.2) From financial investments			
III.2 Expenses from property, plant, and equipment and investments		**4,957**	**42**
a) Expenses from investment management	9	2,769	42
a.1) Expenses from investments and financial accounts	9	2,769	42
a.2) Material investments expenses			
b) Value corrections for property, plant, and equipment and investments		2,000	
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	9	2,000	
c) Losses from property, plant, and equipment and investments		188	0
c.1) From property, plant, and equipment and real estate investments			
c.2) From financial investments	9	188	
III.3 Other Revenue		**38**	**1**
a) Revenue from pension fund management			
b) Other revenues		38	1
III.4 Other Expenses		**6,688**	**6,111**
a) Expenses from pension fund management			
b) Other expenses		6,688	6,111
III.5 Subtotal (Result from non-technical account)		**(7,852)**	**(4,629)**
III.6 Result before Tax (I.10 + II.12 + III.5)		**170,529**	**178,957**
III.7 Tax on profits	12	**45,058**	**40,229**
III.8 Result from ongoing operations (III.6 + III.7)	3	**125,471**	**138,728**
III.9 Result from discontinued operations net taxes (+ or -)			
III.10. Result for the Period (III.8 + III.9)		**125,471**	**138,728**

Figures in thousands of euros

STATEMENT OF CHANGES IN EQUITY FOR FISCAL YEARS ENDED DECEMBER 31, 2022 AND 2021

A) STATEMENTS OF RECOGNIZED REVENUE AND EXPENSES

STATEMENTS OF RECOGNIZED REVENUE AND EXPENSES	2022	2021
I. RESULT FOR THE PERIOD	125,471	138,728
II. OTHER RECOGNIZED REVENUE AND EXPENSES	(242,356)	(60,859)
II.1 Financial assets for sale	(323,323)	(81,757)
Valuation gains and losses	(319,341)	(14,235)
Amounts transferred to the income statement	(3,982)	(67,522)
Other reclassifications		
II.2 Cash flow hedges		
Valuation gains and losses		
Amounts transferred to the income statement		
Amounts transferred at initial value of the 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 exchange and conversion differences	181	612
Valuation gains and losses	181	612
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	80,786	20,286
III. TOTAL RECOGNISED REVENUE AND EXPENSES	**(116,885)**	**77,869**

Figures in thousands of euros

STATEMENT OF CHANGES IN EQUITY FOR FISCAL YEARS ENDED DECEMBER 31, 2022 AND 2021.

B) Total statement of changes in equity

	Capital or mutual fund				
Item	Authorized	Uncalled	Share premium	Reserves	Treasury stock and own equity holdings
C. CLOSING BALANCE FOR 2020	293,284		554,392	129,991	
I. Valuation change adjustments 2020					
II. Correction of errors 2020					
D. ADJUSTED OPENING BALANCE 2021	293,284		554,392	129,991	
I. Total recognized revenue and expenses					
II. Operations with shareholders or mutual policyholders					
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					
4.bis (-) Distribution of earnings (note 3)					
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 members					
III. Other variations in equity				276	
1. Payments based on equity instruments					
2. Transfers between equity items					
3. Other variations				276	
E. CLOSING BALANCE 2021	**293,284**		**554,392**	**130,267**	

Figures in thousands of euros

Result from previous 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
602,779		**7,493**			**99,617**		**1,687,556**
602,779		**7,493**			**99,617**		**1,687,556**
		138,728			(60,859)		77,869
18		(7,493)	(50,142)				(57,617)
			(50,142)				(50,142)
18		(7,493)					(7,475)
							276
							276
602,797		**138,728**	**(50,142)**		**38,758**		**1,708,084**

(continued on next page)

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STATEMENT OF CHANGES IN EQUITY FOR FISCAL YEARS ENDED December 31, 2022 AND 2021.

B) Total statement of changes in equity

Item	Capital or mutual fund: Authorized	Capital or mutual fund: Uncalled	Share premium	Reserves	Treasury stock and own equity holdings
C. CLOSING BALANCE FOR 2021	293,284		554,392	130,267	
I. Valuation change adjustments 2021					
II. Correction of errors 2021					
D. ADJUSTED OPENING BALANCE 2022	293,284		554,392	130,267	
I. Total recognized revenue and expenses					
II. Operations with shareholders or mutual policyholders	48,881		201,119		
1. Increases in capital or mutual fund	48,881		201,119		
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					
4.bis (-) Distribution of earnings (note 3)					
5. Operations with treasury shares 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				129	
1. Payments based on equity instruments					
2. Transfers between equity items					
3. Other variations				129	
E. CLOSING BALANCE 2022	**342,165**		**755,511**	**130,396**	

Result from previous 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
602,797		**138,728**	**(50,142)**		**38,758**		**1,708,084**
602,797		**138,728**	**(50,142)**		**38,758**		**1,708,084**
		125,471			(242,356)		(116,885)
62,900		(138,728)	50,142				224,314
							250,000
			(25,686)				(25,686)
62,900		(138,728)	75,828				
							129
							129
655,697		**125,741**			**(203,598)**		**1,815,642**

CASH FLOW STATEMENT FOR YEARS ENDED DECEMBER 31, 2021 AND 2020

CASH FLOW STATEMENT	2022	2021
A) CASH FLOWS FROM OPERATIONS		
A.1.) Insurance activities	**390,703**	**381,833**
1. Direct insurance, coinsurance and assumed reinsurance receipts	1,066,469	1,003,635
2. Direct insurance, coinsurance and assumed reinsurance payments	(396,870)	(367,779)
3. Ceded reinsurance proceeds	384,133	296,842
4. Ceded reinsurance payments	(561,282)	(460,964)
7. Other operating proceeds		508
8. Other operating payments	(101,747)	(90,409)
9. Total cash receipts from insurance activities (1+3+7) = I	1,450,602	1,300,985
10. Total cash payments from insurance activities (2+4+8) = II	(1,059,899)	(919,152)
A.2.) Other operating activity	**(79,051)**	**(33,921)**
5. Total cash receipts from other operating activities = III	0	0
6. Total cash payments from other operating activities = IV	0	0
7. Proceeds and payments for tax on profits (V)	(79,051)	(33,921)
A.3.) Total net cash flow from operating activities (I - II + III - IV - V)	**311,652**	**347,912**
B) CASH FLOWS FROM INVESTMENT ACTIVITIES		
B.1) Proceeds from investment activities	**4,597,845**	**2,204,404**
1. Property, plant, and equipment	313	25
2. Property investments	15	
3. Intangible assets		
4. Financial instruments	4,537,331	2,147,867
5. Shareholdings in group, multi-group and associated companies	200	
6. Interest collected	45,635	43,330
7. Dividends collected	14,351	13,182
8. Business unit		
9. Other investment activities receipts		
10. Total cash receipts from investment activities (1+2+3+4+5+6+7+8+9) = VI	4,597,845	2,204,404
B.2.) Investment activities payments	**(4,773,562)**	**(2,496,607)**
1. Property, plant, and equipment	(481)	(412)
2. Property investments		
3. Intangible assets	(2,457)	(1,141)
4. Financial instruments	(4,768,624)	(2,495,054)
5. Shareholdings in group, multi-group and associated companies	(2,000)	
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	(4,773,562)	(2,496,607)

CASH FLOW STATEMENT	2022	2021
B.3.) Total cash flow from investment activities (VI + VII)	**(175,717)**	**(292,203)**
C) CASH FLOWS FROM FINANCING ACTIVITIES		
C.1) Proceeds from financing activities	**250,000**	**0**
1. Subordinated liabilities		
2. Income from issue of equity instruments and capital increase	250,000	
3. Active apportionments and contributions from shareholders or mutual policyholders		
4. Proceeds from sale of treasury stock		
5. Other receipts related to financing activities		
6. Total cash receipts from financing activities (1+2+3+4+5) = VIII	250,000	0
C.2) Payments from financing activities	**(25,686)**	**(57,617)**
1. Dividends paid to shareholders	(25,686)	(57,617)
2. Interest paid		
3. Subordinated liabilities		
4. Payments on return of shareholders' contributions		
5. Active apportionments and return of mutual companies' 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	(25,686)	(57,617)
C.3) Total net cash flow from financing activities (VIII + IX)	**224,314**	**(57,617)**
Effect of exchange rate variations (X)	(19,694)	(8,507)
Total increase / decrease in cash and cash equivalents (A.3 + B.3 + C.3 + - X)	**340,555**	**(10,415)**
Cash and cash equivalents at beginning of the period	**267,708**	**278,123**
Cash and cash equivalents at end of the period	**608,263**	**267,708**
1. Banks and savings banks	445,379	217,501
2. Other financial assets	162,884	50,207
3. Bank overdrafts repayable on demand		
TOTAL	**608,263**	**267,708**

Figures in thousands of euros

07
COMPANIES MAKING UP THE REINSURANCE UNIT

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08
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