

MASTERS IN FINANCE

MASTERS FINAL WORK PROJECT

**EQUITY VALUATION OF A COMPANY FROM THE INSURANCE
INDUSTRY: THE CASE OF MAPFRE S.A.**

DIOGO CASIMIRO MONTEIRO

OCTOBER 2023

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SUPERVISOR:

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Abstract

This venture represents an equity research report performed on MAPFRE SA, following the guidelines of the CFA Institute in conjunction with the framework proposed by ISEG.

MAPFRE SA is a globally renowned enterprise in the insurance industry. The group offers a comprehensive array of insurance solutions ranging from Life to Non-Life products. Furthermore, MAPFRE presents a conspicuous worldwide presence, holding interests in more than 45 countries.

The group classifies its operations within a hybrid approach. Both product and geographical based methods were employed. The core focus of this project is to estimate the growth perspectives of each individual segment, bearing in mind the consolidated ability of the company for value creation, within a short to medium term timeframe (2023E-2027E).

To enable an adequate assessment of the value creation capacity held by MAPFRE, several valuation methods, considering the specificity of the insurance industry, were performed. The Residual Income model, deemed as the primary valuation method applied, produced a Price Target for 2023E of €2.45 per share, concluding an upside potential of 23.6%, in contrast to the €1.98 price per share registered in 12th of October 2023. The scenario analysis and Montecarlo simulation were applied to further reinforce the results achieved. The Montecarlo simulation risk assessment resulted in a price per share of €2.42, whilst the scenario analysis displayed a €2.48 Price Target.

Therefore, a BUY recommendation was issued, within a medium risk of investment assigned to the company, due to the moderate exposure of the company to market and underwriting risks that could hinder future earnings.

JEL Classification: G10; G32; G34.

Keywords: Equity Research; Valuation; MAPFRE S.A.; Insurance Industry; Residual Income Model; DDM; P/E; P/B.

Resumo

Este projeto engloba uma Equity Research aplicada à MAPFRE SA, seguindo as diretrizes do Instituto CFA em conjugação com a estrutura proposta pelo ISEG.

A MAPFRE SA é uma empresa que possui uma reputação mundial na indústria de seguros na qual está inserida. O grupo oferece um vasto leque de soluções, desde seguros de vida a não vida.

A empresa classifica as suas operações recorrendo a uma abordagem híbrida. A MAPFRE segmenta-se tanto através duma divisão geográfica como por produto. O cerne deste projeto é a projeção das perspetivas de crescimento futuro de cada segmento, englobando-as na capacidade geral da empresa de criar valor.

Para possibilitar uma avaliação robusta da rentabilidade da MAPFRE, foram utilizados diversos modelos que consideram a especificidade da indústria de seguros. O modelo de Avaliação de Rendimentos Residuais, considerado o principal modelo de avaliação deste relatório, culminou num Preço Alvo de €2.45 por ação, representando um potencial de crescimento de 23.6%, enquanto comparado com o valor de €1.98 por ação, em vigor no dia 12 de outubro de 2023. Adicionalmente, foram executadas uma simulação de Montecarlo e uma análise de cenários. A simulação de Montecarlo forneceu um preço alvo por ação de €2.42, enquanto a análise de cenários originou um preço alvo de €2.48 por ação.

Concluindo, uma recomendação de investimento de BUY foi publicada, considerando um nível médio de risco no investimento, devido a uma exposição moderada da MAPFRE a riscos de mercado e de underwriting que poderão minar a rentabilidade futura da empresa.

Classificação JEL: G10; G32; G34.

Palavras-Passe: Equity Research; Avaliação de Empresas; Método de Desconto de Dividendos; Avaliação de Rendimentos Residuais; Indústria de Seguros; MAPFRE S.A.

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MAPFRE SA: Stable profitability in a volatile conjecture

(2023E Price Target of € 2.45 (+23.6%); recommendation is to BUY with Medium Risk)

1. Research Snapshot

A BUY recommendation was obtained for MAPFRE, within a medium investment risk framework, (Figure 1) with a Price Target of € 2.45 for 2023E. A Residual Income Valuation Model was deployed for the forecasting time frame of 2023E to 2027E. Thus, representing a 23.6% upside potential (Table 1) when compared to the €1.98 price per share in place for 12th of October 2023. (Figure 2)

MAPFRE relies on a robust and diverse international presence. In its current strategic plan in place from 2022YE to 2024E, the company further reiterated its commitment to solidify its positions in both LATAM and Europe, in detriment to the disposal of non-profitable operations in both the Eurasia and the Assistance segments. To achieve this, MAPFRE acquired Insignia Life, a Mexican Life Insurance company in 2023, and discontinued its businesses in both Indonesia and the Philippines during 2022. Consequentially, the Eurasia Net Earned Premiums are expected to decrease at a 4.9% CAGR from 2022YE to 2027E, whilst North LATAM life insurance premiums are expected to grow at a 14.5% CAGR during the same period.

Furthermore, in a volatile market environment, marked by surging inflation, through robust adjustments in policy pricing, thus originating a 10% YoY growth in Net Premiums Earned in 2022YE, MAPFRE was able to offset the rise of inflation related expenses. Consequently, resulting in an encouraging 7.3% EBIT Margin for 2022YE. Due to the company's focus on core business segments aligned with the expected normalization of market conditions, MAPFRE will attain a reassuring EBIT Margin average of 8.1% for the forecasted period between 2023E to 2027E. Additionally, the company's current commitment to integrate insurtech innovations on its operations, highlighted by the group's presence in three investment funds valued at a total €470 mln, will enable the sustainability of the optimistic developments in the EBIT margins. The abovementioned outlooks are a direct consequence of improved efficiency in its risk mitigation and cyber-security policies regarding incurred claims.

Lastly, during the period ranging from 2017YE to 2022YE, MAPFRE implemented a stable dividend policy, characterized by a stable payment of €0.145 dividends per share, excluding 2020YE, due to the deterioration of the company's results that hindered the payment of the benchmark value for dividends. (Figure 3) This pattern is expected to proceed between 2023E to 2027E, providing robust and stable expectations in terms of value creation for investors. (Figure 3).

Figure 1. Risk level.



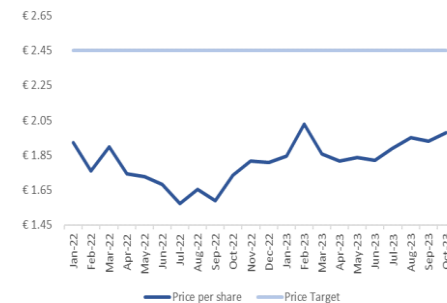
Source: Author Analysis.

Table 1- Investment Recommendation.

Investment Recommendation	
Target Price	€ 2.45
Upside Potential	23.6%
Closing Price (12/10/2023)	€ 1.98
Industry	Insurance
Ticker	MAP.MC
52 W range (€)	1.54-2.06
Shares	
Outstanding	3079.553 (mln)
Market cap (bln)	€ 6.06

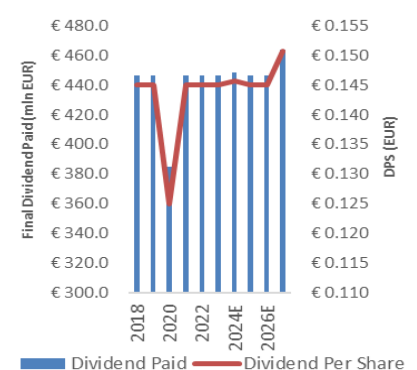
Source: Author Analysis and Yahoo Finance.

Figure 2- Relative Pricing.



Source: Author Analysis and Yahoo Finance.

Figure 3- MAPFRE'S dividend's policy.



Source: Author Analysis.

2. Business Description

MAPFRE S.A. has a compelling international presence and reputation. The company operates in more than 45 countries worldwide (Figure 4), ranging from North America, Europe, Asia and Latin America, offering a vast array of products in insurance. These services include Property & Casualty, Health, Life and Reinsurance options, through a diverse distribution channel, comprised of more than 83 thousand delegates and brokers, in cooperation with several bancassurance agreements.

The company is based in Madrid, Spain and currently holds a diverse portfolio of 37 million clients and 36 thousand employees. (MAPFRE,2023).

Figure 4- MAPFRE's worldwide presence.



Source: Company's Website.

2.1 History

The “Mutual Association of Owners of Rural Properties in Spain” (MAPFRE S.A.) was founded in 1933 in Spain, with the intent of providing insurance for agricultural farm workers. A process of diversification to life, accident and transport insurance began in 1955. During the 70's, the company further expanded its business to Latin America and founded “Fundación MAPFRE”. In 1988, the company expanded to reinsurance and began to operate within the same molds as it does currently. Lastly, the company transitioned from a mutual company to a stock company in 2006.

2.2 Drivers of Profitability

Underwriting margins

Underwriting Margins encompass the returns generated between the premiums earned and claims incurred. These margins are deeply connected with the company's future strategy. If the company is trying to expand within a market and harvest new clients, pricing decreases will occur that could severely affect future profit. Even though new policies issued might increase profitability a poor assessment of future claims and pricing schemes might hinder possible growth.

Legal Requirements and litigation procedures

The assessment of what poses as a claim covered within an insurance policy might result in legal procedures that deeply affect profitability. For the company to address this issue, and legally avoid incurring in expenses motivated by bad faith of policyholders, the existence of a strong legal network is crucial. The importance of a robust litigation team is highlighted by MAPFRE SA's current dispute with the Peruvian government, regarding an oil spill that developed to a collective lawsuit valued at 4.5 bln US\$ against the company and six other parties.

Investment Returns

As a vast insurance group, MAPFRE SA is posed to reinvest premiums earned on several investments. Due to risk mitigation strategies and to guarantee the fulfilment of future claims, the company currently invests primarily in fixed income portfolios. Consequentially, a change of interest rates causes a fluctuation of the yields earned by the company.

Exchange Rates

MAPFRE holds interests in a vast set of subsidiaries spread around the globe. Latin American economies have displayed historically a significant degree of volatility concerning GDP growth and inflation, thus hindering currency appreciation. Furthermore, due to the absence of a strong currency in the region, MAPFRE's subsidiaries' results are deeply impacted by currency valuation fluctuations upon consolidation.

2.3 Operational Segments

An insurance group can divide its operations by two standards, a product-based or a geographic classification.

As of FY2022 MAPFRE S.A. opted for a mixed approach, a product base approach dividing its operations into Insurance, Reinsurance, Global Risks and Assistance. Furthermore, the company implemented a region-based classification, consisting of six geographical segments, North America, Iberia, South LATAM, North LATAM, Brazil and Eurasia. Starting in 2023, MAPFRE S.A. will shift its reporting standards to a product-based criteria.

Iberia

MAPFRE offers in the Iberian segment both non-life and life insurance solutions through direct insurance and several bancassurance agreements. In FY2022, this region comprised 27% of the company's revenues. (Figure 5). Furthermore, premiums in this segment rose 0.4% YoY, bolstered by an increase in the non-life line of 3.8%, due to excellent results in homeowners, health and commercial lines. (Figure 6)

Life premiums written depreciated 8.7% due to the ending of a bancassurance agreement with Bankia Vida. Without the effect of this event, life written premiums would have dropped 1.2% YoY, mainly due to the negative developments in the Spanish disposable income. (Figure 6) Lastly, Iberia represented 58% of the company's attributable income, as of FY2022.

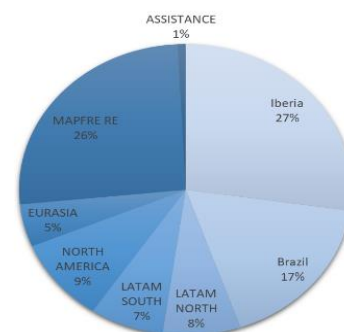
Brazil

its operations in Brazil, the company offers a wide array of products in both life and non-life segments. During FY2022, the company's written premiums in this business unit represented 17% of all premiums (Figure 5). In 2022FY MAPFRE's premiums grew 45% YoY, from 3340.1 mln EUR to 4851.5 mln EUR (Figure 8), due to the appreciation of the Brazilian Real in addition to positive results in the agro insurance segment, fomented by record breaking soybean harvests.

Lastly, the attributable income from this segment appreciated 93.5% from 74.3mln EUR to 143.7 mln EUR, representing 22.4% of the company's total. (Figure 7) Besides the strong underwriting performance previously mentioned, the company strongly profited from higher yields in fixed income instruments in the area.

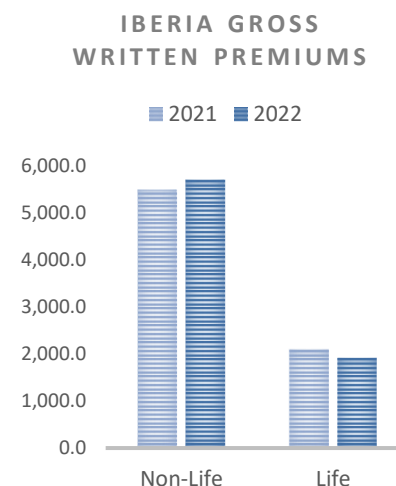
Latin America North

Figure 5- MAPFRE's Gross Written Premiums distribution.



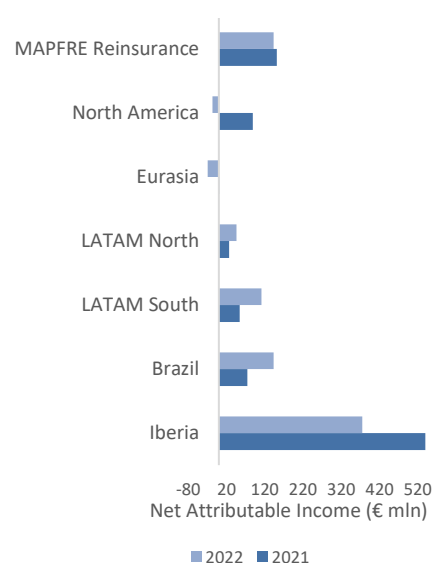
Source: Author Analysis.

Figure 6- Iberia Gross Written Premiums. (Values in € mln)



Source: Author Analysis.

Figure 7- Attributable Income by Segment.



Source: Author Analysis.

The company offers several products in both life and non-life sectors in this segment, focusing specially on the Mexican market. The gross written premiums in this unit represented 8% of the company's total. (Figure 5) During FY2022, premium generation diminished 3.2% from 2187.7 mln EUR to 2117.1 mln Eur, predominantly due to the ending of a multiyear policy with the Mexican government. (Figure 9) Barring the implications of this deal, premiums grew 23% YoY from FY2021 to FY2022. Additionally, the net attributable income of this region grew 71.4% from 26.8 mln EUR to 45.9 mln EUR, representing 7% of the company's profit (FY2022). (Figure 7)

Lastly, during 2023 the company is expected to acquire Insignia Life, a Mexican life insurance company, for 86 mln EUR. This company is forecasted to create 105 mln EUR in net earned premiums in 2023E. (MAPFRE,2023)

Latin America South

MAPFRE's interests in this region are well distributed, including countries such as Peru, Colombia, Argentina and Chile. The capacity of premium generation displayed potential in this area, having established a 23% YoY increase, from a volume of 1631 mln EUR in FY2021 to 2006.5 mln EUR in FY2022. Moreover, this performance was influenced by the appreciation of the currencies in the area, as well as the further consolidation of the company's excellent performance in the region. (Figure 5)

Therefore, in coalition with the higher yields in fixed income instruments, the company's attributable result in LATAM South appreciated 103%, from 54,8 mln EUR to 111.3 mln Eur. This segment currently represents 17% of the company's consolidated attributable income. (Figure 7)

North America

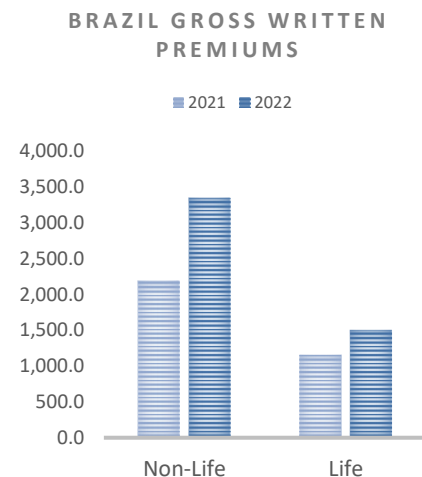
The focus of the company's operation in North America lies on the non-life segment based in Massachusetts. This segment encompassed 9% of the company's GWP. (Figure 5). During FY2022, MAPFRE, following the ongoing restructuring process in the Assistance sector, inserted Century in this segment. Hence, the gross written premiums (GWP) grew 24.9% YOY in FY2022, from 2073.1 mln EUR in FY2021 to 2589.5 mln EUR in FY2022.

Lastly, this business unit generated a loss of 16.9 mln EUR in FY2022, an 119% YoY decrease from the 88.8 mln EUR result generated in FY2021. (Figure 7) This result was severely impacted by the surging inflation in synergy with a government limitation on the increase of auto tariffs.

MAPFRE Reinsurance

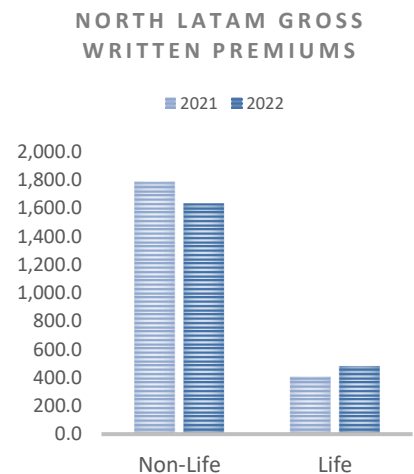
This segment covers both the global risk and reinsurance operations. The focus of action of this unit is in Eurasia, Iberia and LATAM, providing reinsurance for all life and non-life lines. During FY2022, GWP grew 15.1% YOY, from 6274.28 mln EUR in FY2021 to 7221.34 mln in FY2022 EUR, (Figure 10) representing 26% of the

Figure 8- Brazil Gross Written Premiums. (Values in € mln)



Source: Author Analysis.

Figure 9- North LATAM gross written premiums. (Values in € mln)



Source: Author Analysis.

company's premiums. (Figure 5) This appreciation of premiums occurred primarily due to positive exchange rates fluctuations and pricing adjustments.

Regarding profitability, this line of business generated 143.4 mln EUR of net attributable income, a 5.4% YoY deterioration from the value in force in FY2021. (Figure 7) The success of this line was deeply affected by the rising number of natural catastrophes during FY2022. Lastly, this unit comprised 22% of the company's total net attributable result in FY2022.

Eurasia

During 2022, this segment was restructured. MAPFRE's operations in both the Philippines and Indonesia have been discontinued due to underwhelming performances. In FY2022, the GWP declined 3.2% YOY, from 1360.8 mln EUR to 1317.2 mln EUR, therefore representing 5% of total premiums. (Figure 5) The key drivers for the negative development of the Eurasia business were new regulatory measures implemented in Malta and Italy, undermining the company's growth in this sector, resulting in a 29.6 mln EUR loss in FY 2022. (Figure 7)

Assistencia

This operational segment is currently undergoing a deep restructuring process and in FY2022 represented only 1% of the company's gross written premiums revenues. (Figure 5)

2.4 Strategy

During 2022, the executive committee and the board of directors approved a new strategic plan for the period 2022-2024, containing a framework based on three pillars: Growth and profitability, efficiency, and productivity and lastly transformation. (Figure 11)

Growth and Profitability

To achieve the aimed profitability and growth, a project to adapt the company's products and operations (channels of distribution and availability of products) to satisfy the clients' wishes and preferences is a priority for MAPFRE. To accomplish so, the company hopes to maintain an adequate scale, subsequently generating an appropriate expense ratio.

Efficiency

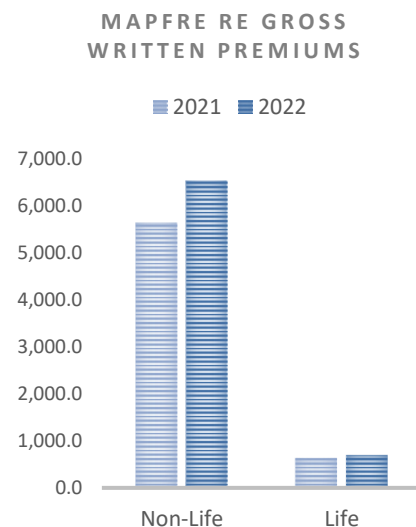
To allow the satisfaction of customers' needs, in terms of the speed and quality of the services offered, the company requires an efficient channel of distribution, which creates a dynamic and immersive experience for customers. In doing so, MAPFRE will consume the least number of resources possible, improving its competitiveness, enticing new investors and allowing a better pricing strategy.

Transformation

In order to recondition the company's business model and strategy, constant adjustments considering the new market trends and digital innovations are imperative.

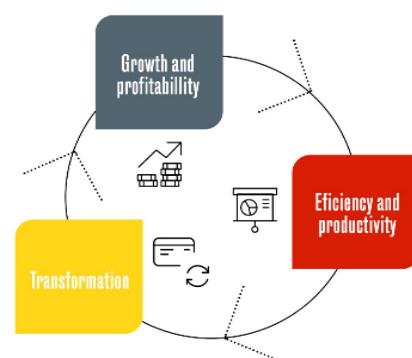
Additionally, new investments, geographic and products expansion opportunities may arise, facilitating the modernization of the company's operations.

Figure 10- MAPFRE RE Gross Written Premiums. (Values in € mln)



Source: Author Analysis.

Figure 11- MAPFRE strategic pillars.



Source: Company's Website.

Furthermore, MAPFRE inserted in its strategic framework several enablers to the attainment of the abovementioned strategic pillars:

Digitalization

To be competitive and efficient, is crucial for MAPFRE to integrate digitalization in every feature of its activities. Thus, creating improvements in the customer's experience as well as diminishing several costs, through the automatization of numerous procedures. Lastly to propel efficiency in terms of risk mitigation and cyber-security, MAPFRE established strategic partnerships in three investment funds focused on InsurTech deals, totalling €470 mln.

Talent

The integration of new strategies, innovations, and workers is fundamental for achieving the company's goals as well as constantly improving MAPFRE's operations. Lastly, it is vital for the company to create conditions to attract and retain talent.

Diversification

The relentless search for new opportunities in different markets and sectors, in compliment with a diversification of the company's portfolio, allows MAPFRE to hedge the risk of its operations and to mitigate any unexpected economic losses in one of its core business segments.

Restructuring to focus on core businesses

MAPFRE S.A. has exhibited a shift of its focus in operations towards the investment in Latin American markets. Furthermore, the group has committed to the restructure of its positions in the Eurasia and Assistance segments.

Considering the implementation of this plan and the resulting synergies created by the different pillars, subsequently improving efficiency, cost management and profitability, the company delivered a set of aspirational goals for 2024, that are displayed in *Table 2*.

Shareholder's structure

As of 2022YE, there were 3079.5 million shares outstanding from MAPFRE S.A.

The shareholder structure weights analysis, presented a 69.8% weight of total shares were held by "Fundación MAPFRE", 16.8% of shares were owned by institutional investors, 0.6% of shares were treasury stock and lastly 13.4% of total shares were held by institutional investors. (*Figure 12*).

3. Management and ESG

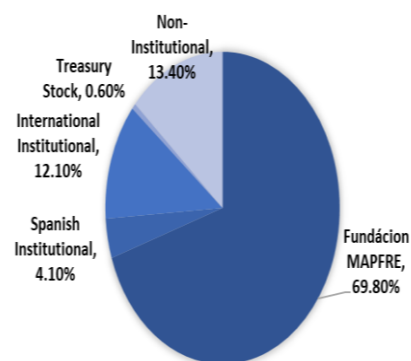
Mr. Antonio Huertas Mejías was appointed in 2012 as MAPFRE's CEO, possessing a degree in law from the "Universidad Pontificia de Salamanca". He started working in MAPFRE in 1988, rising through the group's ranks, acquiring a deep knowledge of the company's operations throughout his career, having previously held positions in several subsegments concerning Auto, Agro and General Insurance. Additionally, he currently holds 3 other positions in insurance associations and forums.

Table 2- MAPFRE's strategic goals.

	2022	2024
ROE	8,4%	9%-10%
Premium Growth	10,8%	5%-6%
Combined Non-Life loss ratio	98,0%	96,0%
Gender Pay gap	1,9%	1%
ESG investment in % of total investment portfolio	93,7%	90,0%

Source: Author Analysis.

Figure 12- Shareholder Structure.



Source: Company's Website.

3.1 Board Structure

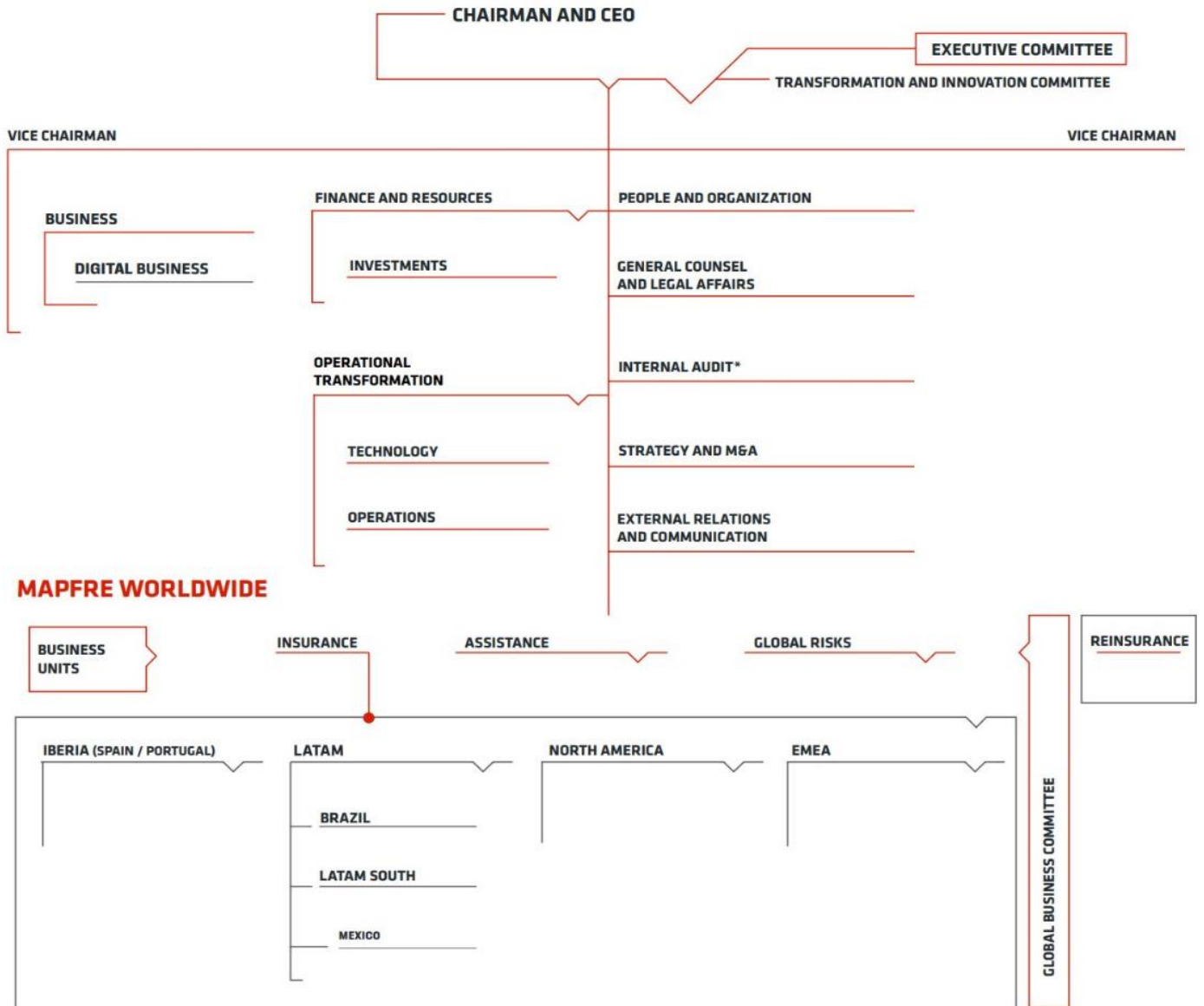
On 2022YE, the MAPFRE board of directors included 16 members. Regarding board compensation, the CEO currently is the highest paid member with a fixed cash remuneration of 876 thousand EUR, in complement to a variable compensation, aligned with the corporate targets, of 740 thousand EUR, totaling a 1.61 mln EUR cash wage. Additionally, the company launched a variable remuneration system, dependent on individual goal obtention.

Overall, board members hold 1.35 million shares, representing 0.043% of voting rights and total participations. Of these shares the CEO holds 614.4 thousand, representing a 0.02% participation.

In coalition with the Board of directors, to supervise the integrity, transparency and quality of the decisions made, in accumulation with consulting powers, MAPFRE has three additional committees, The Audit and Compliance Committee, Appointments and Remuneration Committee and the Risk and Sustainability Committee. *(Figure 13).*

Lastly, through a robust supervisory framework in conjunction with a variable remuneration system deeply connected with the company's performance, MAPFRE should attain a robust governance model. Therefore, the occurrence of any agency costs or ethic misconducts should be mitigated through the company's internal control systems and several "whistleblowing" procedures.

Figure 13- MAPFRE's board structure.



*Reporting functionally to the Audit and Compliance Committee.

Source: Company's Website.

3.2 Gender Equality

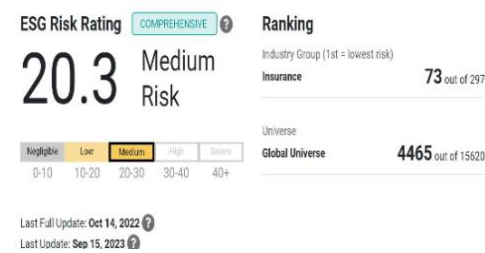
The company demonstrated its focus on gender equality as a strategic priority in all operations, by inserting a gender pay gap goal of 1% to be achieved by 2024. As of 2022YE, MAPFRE displayed a 1.86% gender pay gap. Furthermore, due to a commitment in equality in all scopes of operations, in 2022YE the Board of Directors, included 7 woman and 9 men, representing a 43.75% weight of female members, a favorable development in comparison with the 33% weight of female board members in 2021YE.

Lastly, as a result of the company's focus on equality the group was included in the Bloomberg Gender Equality Index (GEI) from 2021 to 2023.

3.3 ESG

MAPFRE has displayed during recent history more prevalent concerns regarding ESG measures. In 2022, MAPFRE was the only Spanish insurer included in the Sustainability Yearbook. Additionally, the company was included in the FTSE4Good index, displaying a 3.9 score that ranks in the 73rd percentile (100% being the highest score) amongst insurance companies. (MAPFRE,2023) Lastly, MAPFRE received a score of 20.3 representing medium ESG risk, placing the company in the 24th percentile amongst insurance companies. (1% being the best possible score). (Figure 14).

Figure 14- MAPFRE's ESG rating.



Source: Sustainalytics.

Environmental

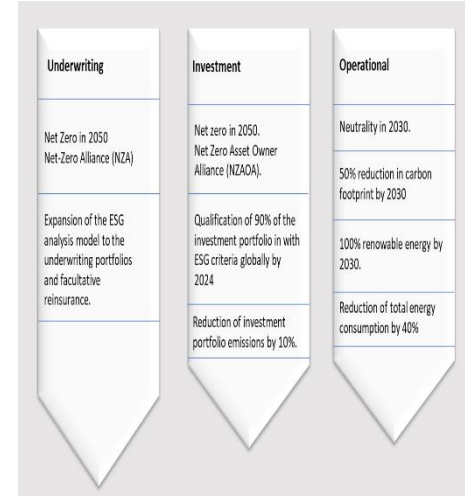
MAPFRE as a group retains a strong environmental plan built in line with the 2030 UN Sustainable Development Goals, focusing on all scopes and stakeholders affected by the company's operations, investment and underwriting activities. The company holds several spectrums of action in its plan, ranging from water consumption reduction and mobility concerns to the decrease of the carbon footprint and circular economy. (Figure 15)

Regarding underwriting activities, MAPFRE unsubscribed in June of 2023 to the Net-Zero Insurance Alliance, uncommitting to the achievement of the zero net emissions goal by 2050 in its underwriting insurance and reinsurance portfolios. (MAPFRE,2023) (Figure 15).

The investment portfolio of an insurance company holds a great impact in both value creation and risk mitigation scopes. Considering the aforementioned facts, MAPFRE enforced a goal of reducing 10% of the emissions caused by the company's investments. Additionally, the corporate decision plan in this sphere should consider ESG criteria in at least 90% of its total value. (MAPFRE,2023) (Figure 15)

Due to the impact of climate change, that could instigate future natural catastrophes, thus holding a detrimental impact on future claims developments and profits. MAPFRE delineated three metrics for the operational environmental plan. All these goals have a deadline of 2030 to be reached: the first one is to achieve a neutrality of its carbon footprint by 2030. To enable this, the company plans to reduce by 40% the total usage of energy and to focus completely on renewable energies. (Figure 15)

Figure 15- MAPFRE's environmental action.



Source: Company's Website.

Social

Customer satisfaction is a key value creation driver. Subsequently, MAPFRE employs a yearly assessment of customer loyalty through a Net Promoter Score (NPS) relative to 84 peer competitors. In 2022YE, MAPFRE earned a NPS of 87.42% a 132 bps decrease from the 88.74% value in force in 2021YE. However, this metric still indicates encouraging signs of customer's satisfaction as it is well above the 70% benchmark implemented for 2023YE. (Table 3) Moreover, during 2022 MAPFRE employed 262 collaborators responsible for assessing the quality of the services provided to its clients.

Furthermore, to establish a positive social impact, MAPFRE, through its foundation, yearly awards outstanding development in research, social innovation and health fields. During 2022, "MAPFRE FUNDACIÓN" attributed 25 grants up to 30 K EUR, for projects in health promotions and social protection. Moreover, there was a sedimentation of the group's university plan, that currently holds more than 200 partnerships with universities and is responsible for more than 800 internships yearly.

Lastly, MAPFRE further enhanced its focus on social integration, implementing a goal of 3.5% of its workforce being comprised of people with disabilities.

Table 3- MAPFRE's NPS.

2020	2021	2022	OBL.2023
82.3%	88.74%	87.42%	>= 70%

Source: Company's Website.

3.4 Legal Disputes

Any insurance company employs in its operations a robust grievance and legal team. An Insured Party Defence Counsel was created in 1984 to deal with complaints and grievances by costumers. During 2022YE, MAPFRE displayed a resolution index of 95.84%, exhibiting strong arbitrary mechanisms within its business model. (MAPFRE,2023)

Moreover, to stress the importance of any litigation procedure regarding brand name and profitability, MAPFRE in 2022, was sued by the Peruvian Government, in addition to six other companies, for a collective 4.5 bln US\$, due to a REPSOL oil spill that occurred in January 2022. This lawsuit could severely impact the company's reputation and hinder any positive ESG development. (Reuters,2023)

4. Industry Overview and Competitive Positioning

4.1 Global Economic Outlook

During the first half of 2023, the global economy revealed encouraging signs, growing at a 3.2% level in comparison to the homologous period in 2022, demonstrating a stronger-than-expected appreciation. The main contributors for the positive developments of the world GDP were, the moderation of energy prices and supply chain disruptions, as well as the reopening of the Chinese economy after restrictive measures implemented in 2022 amid growing Covid-19 cases. (OECD,2023)

However, it is expected that the influence of prevailing core inflation, in key areas such as food and energy, combined with doubts posed in both the demand and supply sides due to the tighter monetary policy felt since 2022, severely undermine the World GDP growth in 2023F. Considering this, the world economy is projected to grow at a 3% mark in 2023F. In 2024, due to lower growth expectations in China, the global economy should grow at a 2.7% rate. (Figure 16) These values represent discouraging signs in terms of growth, when compared to the 4.1% average growth in place during the period ranging from 2017 to 2021, excluding 2020 as a clear outlier. (Figure 17)

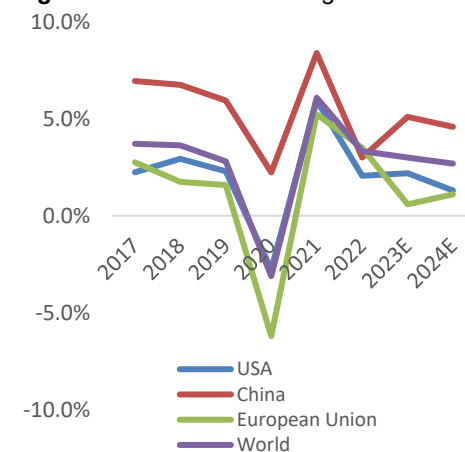
Lastly, during the 2023 and 2024 period, China should continue the tendency to be the main propeller of the world GDP growth, growing at a rate of 5.1% and 4.6% respectively, in comparison with the United States real GDP growth of 2.2% in 2023 and 1.3% in 2024. (Figure 16)

4.2 Consumer Price Index

The tighter monetary policies implemented in complement with the steep decrease of energy prices forecasted for 2023 and 2024, foresee a reduction of the world's inflation from 9.4% in 2022, to 6.6% in 2023 and 4.3% in 2024. (Figure 17). Additionally, there was a noticeable difference in the inflation erosion rate between services and goods. Services require a larger timeline to mitigate the effects of the 2022 disruption of energy prices, due in large part to a greater importance of labour costs. (Figure 18)

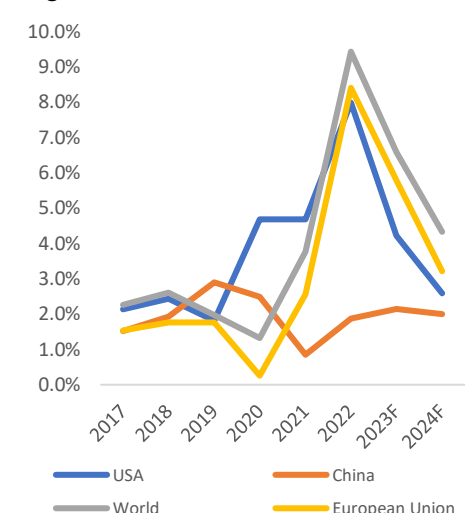
Lastly, there was a clear disparity between inflation growth in China, the USA and Europe. (Figure 17)

Figure 16- World Real GDP growth.



Source: OECD,2023.

Figure 17- World Inflation Growth



Source: OECD,2023.

Regarding Europe, the dependence on Russia for the supply of fossil fuels hinders the robustness of the reaction to surging energy prices. Concerning the USA, the substantial weight of housing rental prices in total inflation poses a challenge to inflation mitigation measures, as this sector tends to showcase a high degree of inertia.

4.3 Interest Rates

Due to the current inflationary crisis, Central Banks implemented tighter monetary policies, highlighted by surging interest rates.

As of August of 2023, the European Central Bank rose the interest rates to a mark of 4.25%, this value clashes with the near zero interest rates in place in the beginning of 2022. This mark, according to OECD estimates, should reach 4.5% in 4Q2024. (Figure 19).

The Federal Reserve (FED) of the USA increased interest rates to a 5.5% mark in August of 2023. Due to the lingering inflation and amid concerns regarding the effects of the hardening of monetary policy in GDP growth, the FED is expected to retain interest rates stable at 5.5% until 3Q2024, when a decrease of rates should occur culminating in a 5% mark in place estimated for YE2024. (Figure 19).

Lastly, In the end of 2022, the US banking system registered unrealized losses of 620US\$bIn, the highest value since the 2008 financial crisis. Additionally, the bankruptcy of several US banks, such as the SVB, indicated volatility and distress in the banking system. Due to the globalization and entanglement of the financial system, several Central Banks deployed Assets Repurchase and Refinancing Programs to ensure the liquidity and solvency of the banking system. These actions could potentially initiate a flattening of interest rates in the short term.

4.4 Insurance Industry

World

During the period ranging from 2017 to 2021, real non-life premiums grew at a higher pace than real life premiums. Historically, a 2.5% YoY average growth in the non-life sector was attained in comparison with the 0.56% YoY average growth from life insurance premiums. (Figure 20).

Regarding life insurance premiums, global real premiums are projected to grow at a 1.7% CAGR for 2023E and 2024E, displaying an optimistic development from the 0.9% contraction in place for FY2022, due to positive effects of the appreciation of interest rates worldwide. (Figure 20) Additionally, the growth of life insurance in the emerging countries propelled the results of worldwide premiums, underlined by an increase in growth from 0.9% in FY2022 to 4.3% in 2023E-2024E. (Swiss Re,2022)

Lastly, Non-Life real insurance premiums are expected to grow at a 2.3% CAGR for 2023E and 2024E, displaying resilience regarding the current macroeconomic paradigm, improving from the 0.9% growth rates showcased in both FY2021 and FY2022. (Figure 20) These results benefit immensely from the positive results forecasted in the EMEA region, expected to achieve a 4.1% CAGR in 2023E-2024E, in comparison with a 2.7% CAGR in FY2022. (Swiss RE,2022)

Spain

Figure 18- Services Prices Inflation.

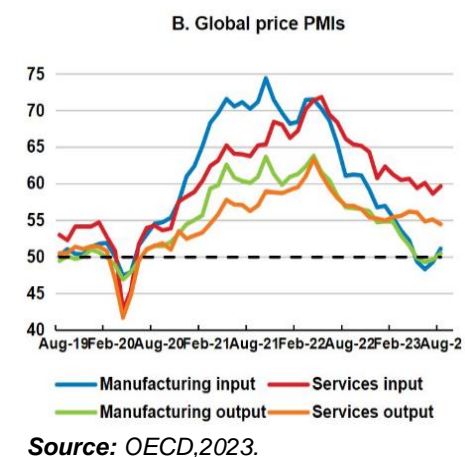
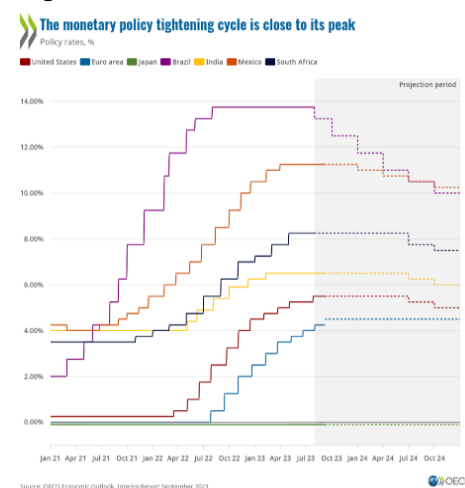
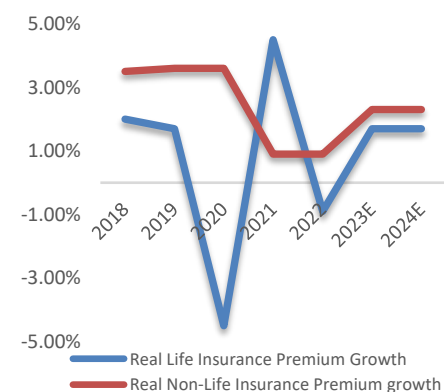


Figure 19- Worldwide Interest Rates.



Source: OECD,2023.

Figure 20- World Real Insurance Premiums Growth.



Source: Swiss RE,2023.

Regarding non-life insurance, the Spanish P&C market is expected to grow at a 4.3% CAGR from 2023E to 2033E displaying encouraging signs in contrast with the average CAGR of 3.8% in the period ranging from 2018-2022. (Allianz,2023)

Regarding Life Insurance, the Spanish market is expected to grow at a 2.3% CAGR from 2023E to 2033E, this value displays a vast difference from the -1.5% CAGR in place from FY2012 to FY2022. (Allianz,2023) The primary explanation for the promising outlook is the prominent development of Spanish disposable household income that should appreciate 5% in 2023E, in contrast with the 0.9% appreciation felt in the period ranging from 2018 to 2022 (Figure 21).

Latin America

Historically, non-life insurance real premiums growth has outperformed the life insurance growth. During the period ranging from 2017 to 2022, non-life insurance premiums grew at a 3.7% average YoY growth rate, whilst life insurance premiums grew on average 0.8% yearly. (Figure 22)

The prospects for non-life insurance real premiums growth in the region have been moderated due to policy hardening and the higher cost of living to a 0.9% CAGR in 2023E, contrary to the 4.3% CAGR verified in FY2022. (Figure 22).

However, the forecasts for Life insurance premiums are more encouraging, Real Life Insurance premiums are expected to grow at a 3.3% CAGR in 2023E-2024E, an excellent rebound from the 0.7% CAGR attained in FY2022. (Figure 22).

United States

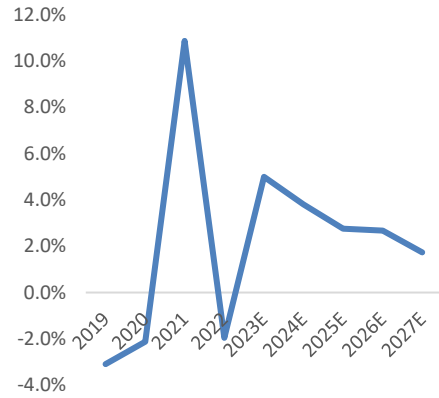
Historically, non-life premiums have outperformed life insurance premiums in terms of real growth. During 2017 to 2022, non-life insurance real premiums grew on average 2.9%, whilst life insurance real premiums displayed an average YoY growth of 1.2%. (Figure 23)

The United States Non-Life Insurance market is expected to demonstrate positive signs in 2023E-2024E, mainly due to the diminishing inflation that should enable a CAGR of 1.9% in real premiums earned in comparison with the 1% CAGR in force in FY2022. (Figure 23).

Regarding Life insurance, the positive effects of the rising interest rates in the demand for annuities is expected to be offset by the diminishing household disposable income in line with the increasing volatility felt in the sector, resulting in a 1% CAGR expected in 2023E-2024E, representing a small depreciation from the 1.1% CAGR attained in FY2022. (Figure 23).

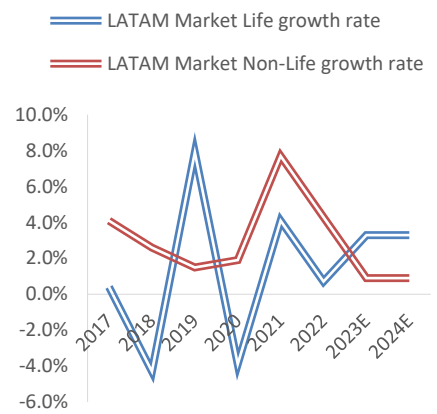
4.5 Demographic Evolution

Figure 21- Spanish Disposable Income Growth.



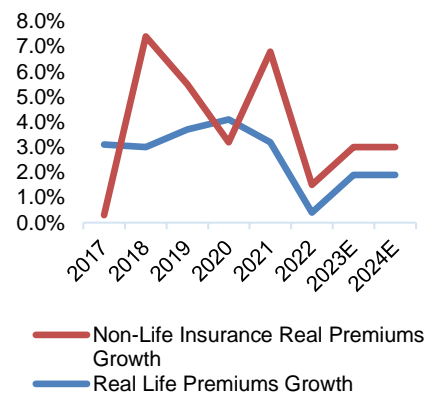
Source: Statista,2023.

Figure 22- LATAM insurance real premiums growth.



Source: Swiss RE, 2023.

Figure 23- USA Real Premiums Growth.



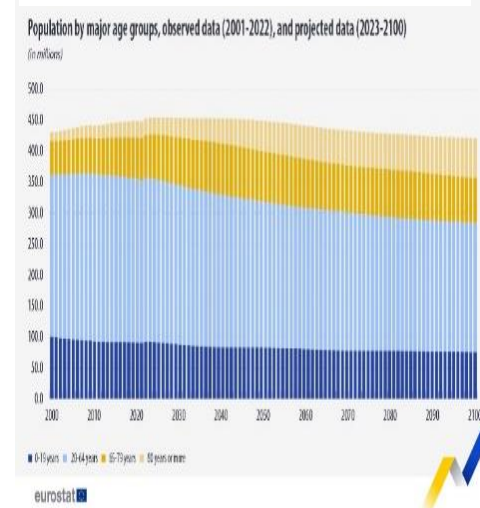
Source: Swiss RE, 2023.

During the period ranging from 2017 to 2021, the world population grew at a 0.89% CAGR, whilst the population of advanced economies increased at a 0.32% CAGR. This underwhelming growth was offset by the 0.98% mark attained in emerging economies. (OECD,2023)

This trend is projected to transit to the next five years, as emerging economies should display a growth of 1.03% YoY, whilst advanced economies should present lower population growth numbers at 0.33%. IMF projects that by 2027, a 0.94% CAGR will be attained worldwide. (IMF,2023)

The European population is forecasted to reach its peak in 2026, achieving a mark of 453 million inhabitants, a 0.52% appreciation from the 446 million inhabitants in 2022. (Eurostat,2023) The main demographic phenomenon expected is the continuation of the deterioration of the age pyramid. The participation of the elderly population is expected to increase from 15% in 2022YE to 17% in 2100E. Additionally, the share of the working population is expected to decrease from 59% in 2022F to 50% in 2100E. (Figure 24)

Figure 24- European Population by major age group.



Source: Eurostat,2023.

4.6 Solvency II

In January of 2016, solvency ii entered in force in the European insurance industry. Thus, representing a new regulatory framework based on a risk-based approach, to ensure the overall solvency of insurers, therefore protecting policyholders and mitigating possible risks.

Solvency ii assesses the amount of assets, funds, investments and provisions required for an insurer to hold, to withstand any losses caused by adverse unforeseen events with a 99.5% confidence interval. Furthermore, this framework possesses a risk margin, comprised of a difference between the Best Estimated Liabilities (BEL) and technical provisions. These reserves correspond to the estimated price to transfer an insurance policy to another undertaking party.

Lastly, the current value of interest rates should decrease the present value of capital requirements for an insurance company. However, due to higher market volatility, a possible adjustment of risk measures could offset any positive development connected with higher interest rates.

4.7 Demand Drivers

Legal Requirements and macroeconomic factors

In addition to capital requirements that may affect policy pricing in several circumstances, insurance policies might be legally mandatory (auto, property). Furthermore, the global economic outlook deeply affects insurance companies' profitability, through investment returns, premiums growth and pricing changes.

Risk Profile

The insurance business foundation is risk mitigation. The public perception of a level of acceptable risk deeply affects the demand for insurance products. Furthermore, the importance of risk assessment is also felt at a company level, as it must evaluate the risk of future claims when incurring in new insurance policies.

Demographic developments

Developed countries' population growth has stagnated. Furthermore, the ageing of the residents of these countries has several effects on insurance. On the one hand, the future profitability prospects might be degrading due to a lower customer basis and higher insurance claims related to health segments. On the other hand, an older

population holds a positive correlation to a more conservative risk profile, leading to an increase in demand for insurance products, especially in health.

Digital Integration and advertising

In a digital society, the possibility of accessing insurance conditions and subscribing to them in an automated method is crucial for the profitability of a company. Additionally, especially in new products or policy conditions, the dissemination of advertising is key to offset the homogeneity between insurance products.

4.8 Supply Drivers

Claims incurred and risk assessment

The evaluation of future risk and claims on a policy-by-policy basis is fundamental for a company to evaluate the profitability of any policy. A strong actuarial assessment of future risk is key to increase current and future efficiency.

Furthermore, a competent judgment of future claims gives a company the capacity to provide more enticing conditions for new customers. Lastly, any surge in inflation could increase the claims incurred by an insurer, hampering value creation due to lower margins, or if a pricing adjustment occurs due to a lower customer basis.

Intermediaries and distribution channel

Considering that insurance companies have an extended network of intermediaries, ranging from brokers, delegates to financial consultants, an adequate relationship with them is crucial for value creation. On the one hand, better relationships and a larger network of partnerships influence positively the development of claims and profit margins. On the other hand, the network of partnerships increases the coverage of the services offered, transforming them into more appealing options for customers.

4.9 Industry Trends

Opportunities in pension funds and other investments

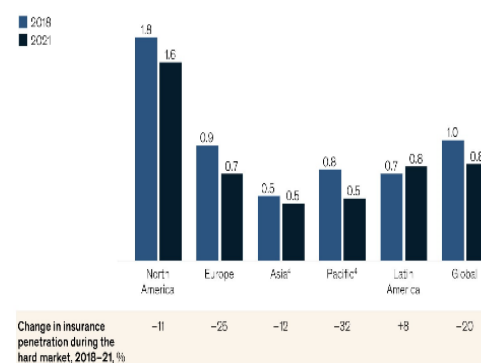
With the necessity of risk hedging and security for the future, more people are realizing the need to recur to alternative private sources to manage their retirement plans. This occurs due to the ill condition of government social security plans, in complement with the aging population in most developed countries. The global indebtedness of the government pension plans is estimated to have reached US\$41 trillion, highlighted by the underfinanced systems of both Japan and the U.S. (McKinsey & Company, 2022) Additionally, even though the real interest rates have not appreciated in line with nominal interest rates, a higher investment turnover should capture a higher yield in the company's investments.

ESG as a differentiation method

In the current social context, the public perception of the company might be a great disruptor or ignitor of the company's capacity to create value. By addressing topics such as diversity, climate change and sustainability, an insurer can attract diverse business opportunities and contribute to the mitigation of future losses caused by the increase of severity and frequency of natural catastrophes. Other sources of advantages are related to transparency as well as the inclusiveness of the company's governance and operations. Lastly, insurance companies currently are dealing with a significant amount of pressure to reach a Net Zero emissions portfolio by 2050.

Figure 25- Global P&C Insurance Market Penetration.

Global¹ commercial property and casualty (P&C) insurance penetration,² gross written premiums (GWP) adjusted by rate change,³ GWP as % of real GDP



Source: McKinsey & Company, 2022.

Underwhelming P&C market penetration

Even though, the current global paradigm provides several challenges and opportunities in terms of risks, ranging from the raise of natural catastrophes to cyber security, P&C insurance has not displayed growth prospects in concordance with the raising difficulty of achieving risk mitigation. To address this issue, insurers must be able to fill the protection gaps in these lines, which currently has not been the case. As a result, during the period of 2018 to 2021, there was a clear worldwide decrease of P&C market penetration, when adjusted for rate changes. (Figure 25)

Digitalization and the integration of insurtech innovation in the business model

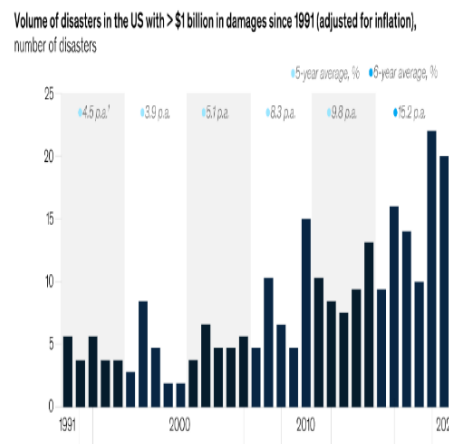
With a roaming and competitive market, there is a dire need to improve the customer's experience and service. The necessity of having pricing strategies, as well as an automation of the distribution process, in accordance with the customer's demands, calls for the digitalization of the process, creating a more effective and immersive experience. Additionally, with the digitalization of the business model, up to 30% of claim adjustment expenses can be extinguished, as well as a 4% improvement in the accuracy of payments. (McKinsey & Company,2022) Lastly, the client satisfaction levels should rise between 10 and 15% with the digitalization of internal procedures. Moreover, one palpable example of the AI integration in insurance is the app Chubb developed for its life insurance beneficiaries, that provides not only the capacity to set fitness goals but also a quantitative evaluation of the customer's health. (McKinsey & Company,2022)

Global catastrophes rising due to climate change:

Adverse weather events, such as droughts, floods and hurricanes, have become more frequent and intense. During the period ranging from 2017 to 2021, the United States have suffered 15 natural catastrophes that caused more than 1 bln US\$ in damages per year. This number poses a 33% increase when compared to the number of natural catastrophes in place from 2010 to 2017. (Figure 26).

Regarding the insurance industry, the rising need for protection against adverse weather events provides an opportunity in both the insurance and reinsurance businesses to increase the premiums earned, as the protection gap is diminished. However, only through efficient pricing schemes and risk mitigation procedures insurers can originate value creation through this insurance trend.

Figure 26- Natural Catastrophes volume.



Source: McKinsey & Company,2022.

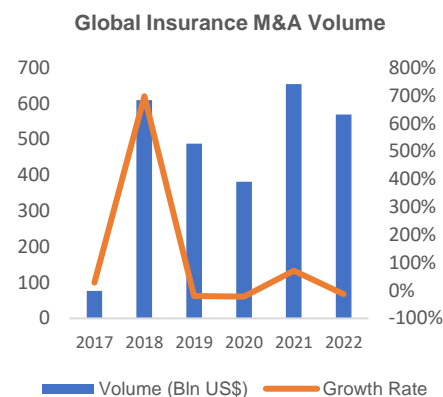
4.10 Mergers & Acquisitions

The insurance industry values risk mitigation and diversification to a great extent. Besides the reinvestment of premiums, the key risk hedging procedure is the expansion to new markets. Due to complex regulatory frameworks, insurers rely mightily on M&A to expand their businesses. Furthermore, to improve profitability and to focus on core strategic segments, insurance groups utilize disposals.

The current economic outlook, characterized by rate hardening measures in alliance with roaring inflation growth forecasts, hinder the industry's capacity to resort to M&A, due to low profitability.

During 2022, global M&A deals volume contracted from the record value of 654.8 Bln US\$ in F2021 to 569.1 Bln Us\$, representing a 13.1% decline from the previous year. Due to a challenging macroeconomic environment, this trend is expected to transit to F2023. (Figure 27)

Figure 27- Global Insurance M&A deals volume.



Source: Statista, 2023.

4.11 Peer Analysis

MAPFRE currently retains a well-diversified geographic presence, even though its operations are mainly focused on Spain, Europe and Latin America. To consider the geographic diversity of the company, the focus of peer selection was on geographical presence. It is important to point out that companies that usually have similar global presences to MAPFRE regularly grasp much larger market capitalizations or, in the case of smaller firms, they tend to be a subsidiary of a larger financial holding. (Table 4).

Additionally, to integrate profitability and solvency concerns in the benchmark assessment, an analysis of combined and solvency ii ratios was employed. Regarding combined ratios, the level of acceptance was deemed as a 5% interval. Lastly, only companies that displayed a solvency level comfortably above the 150% requirement from the European Insurance and Occupational Pensions Authorities were considered. (Table 5).

Table 4- Market Capitalization Peers.

Company	Market Capitalization (Bln EUR)	
Mapfre S.A	€	6.06
Talanx	€	11.23
Grupo Catalana Occidente	€	3.56
Allianz S.E.	€	92.46
UnipolSai	€	6.50
Zurich	€	61.40
Average	€	30.20

Source: Author Analysis.

4.12 Porter's Five Forces

Threats of Substitute products (VERY-LOW-1)

Historically, the insurance industry has not dealt with the existence of substitute products, because the alternative for policyholders to the coverages provided would be assuming the risks themselves. However, recent InsurTech innovations pose a shift in the historical paradigm in the long term. New innovations, such as usage-based and on-demand insurance products, establish alternatives to the traditional services offered. (Figure 28).

Threat Of New Entrants (LOW-2)

Table 5- MAPFRE's competitors' relevant ratios.

Company	Solvency Ratio	Combined Ratio
Mapfre S.A	201.2%	98.0%
Talanx	208.0%	98.9%
Grupo Catalana Oc	247.0%	93.8%
Allianz S.E.	201.0%	95.0%
UnipolSai	274.0%	93.8%
Zurich	265.0%	94.3%
Average	232.7%	95.6%

Source: Author Analysis.

The possibility of creating an insurance company organically is farfetched due to large capital requirements, complex legal frameworks and the maturity of the business. These restrictions lead to difficulties in new players gaining market shares and expanding to new markets. Lastly, new digital trends in Insurtech, in alliance with the possibility of entering new markets through M&A procedures, should slightly offset the barriers for new entrants previously exposed. (Figure 28).

Buyers Power (HIGH-4)

MAPFRE's client portfolio primarily consists of large corporate clients. In addition to the importance of each policy, the increasing easiness to access pricing, conditions and subscribe to competitors' policies, provided by the digital integration of the insurance business, extremely diminished the cost of switching policies, hindering profit margins. Lastly, due to the competitive environment in the industry, individual policyholders hold to some extent bargaining powers regarding coverage, pricing schemes and payment conditions, resulting in a limitation of future profit opportunities. (Figure 28).

Suppliers Power (HIGH-4)

Despite most insurance companies' substantial size, the participants of its distribution channels hold significant leverage, leading to a substantial power to influence the quality and pricing of the services offered.

On the one hand, in areas such as health and auto, key players attract most consumers preferences, creating a dependence from insurance companies on their services to create an appealing partnership for their coverage schemes. On the other hand, major digital integration on the business plans greatly diminishes the ability of distribution channels agents to leverage pricing changes.

Lastly, intermediaries have been able during the last couple of years to attract talent and create closer connections with policyholders, thus creating a greater dependency on insurers. (McKinsey & Company,2023) (Figure 28).

Rivalry amongst competitors (VERY HIGH-5)

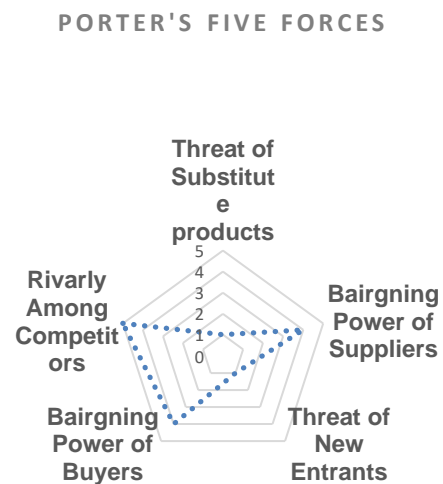
Competition is a key hallmark of an industry denoted by a fairly large number of players that own a strong international presence, robust brand name and similar scale. Furthermore, historically in Spain the facts previously exposed hindered not only the prospects of attaining an organic market share growth but also limited the profitability outlooks.

Moreover, a strong regulatory framework in line with low pricing power by the key market players restricts the influence of the main insurance groups.

In conclusion, the competition between key players is severely enhanced by the low differentiation of products offered. (Figure 28).

4.13 Swot Analysis

Figure 28- Porter's Five Forces.



Source: Author Analysis.

To further analyse MAPFRE'S internal and external factors that might contribute to future growth or loss, a SWOT analysis was conducted. (Figure 29).

Figure 29- Swot Analysis.

Strengths	Weaknesses
1. MAPFRE S.A. currently holds a strong presence in Latin America being the leader in market share in the region with a 5.5% mark.	1. Cost management efficiency concerns originated combined ratios that have historically underperformed the company's strategic targets.
2. The company possesses a strong brand name and reputation in the Spanish Market.	2. A fragile supply chain, featuring several disruptions resulting in operational losses.
3. A strong solvency performance with a 201.2% solvency II ratio and a debt ratio of 26%.	3. The negative effects of new restrictions in car dealerships in Italy, that originated -29.6 mln EUR in the attributable result of the Eurasia Segment.
4. Good diversification both geographically and in terms of products offered.	4. The operational framework of the company is complex, hindering possible synergies that could further instigate efficiency.
Opportunities	Threats
1. Through several partnerships already in place, MAPFRE can utilize insurtech innovation for value creation.	1. The international pricing conditions in alliance with strong competition hinder the company's market penetration
2. The strong presence in the Latin American sector provides the perfect background for further expansion.	2. Regulation changes and macroeconomic cycles severely impact the company's ability to create value.
3. The positive projections for the development of Spanish household income, provide a perfect paradigm for the development of its life insurance business in the region.	3. Natural Catastrophes and cybersecurity .

Source: Author Analysis.

5. Investment Summary

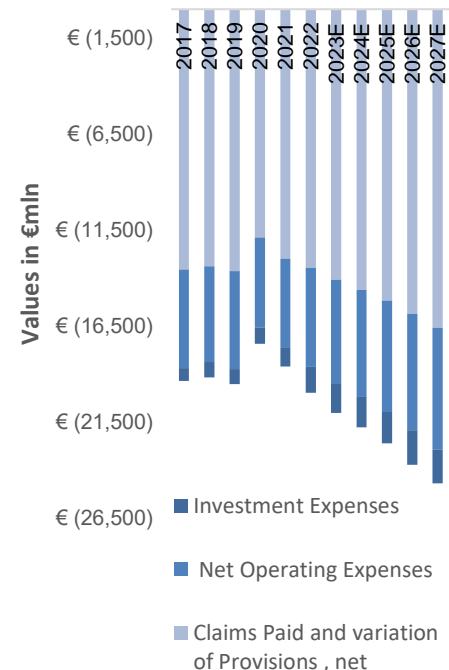
MAPFRE possesses a BUY recommendation with a Target Price of €2.45, representing a 23.6% upside potential from the €1.98 price per share in place as of October 2023. Additionally, the previous recommendation was delivered, considering an investment risk deemed as medium. Lastly, there were several factors that propelled this valuation:

5.1 Efficient cost management during an inflationary crisis

In 2022, due to the supply chain disruptions felt caused by the Ukrainian war, worldwide inflation reached record high levels. Thanks to the influence of this crisis, the company's strategic goal regarding the combined consolidated ratio was not considered.

However, during 2022YE, MAPFRE demonstrated resilience to the implications of the inflationary crisis, as consolidated claims incurred rose 6.3% YoY. This increase was in large part explained by the net earned premiums increase of 10% YoY. Consequentially, the company's consolidated loss ratio, excluding variations of other provisions, diminished 400 bps, from 74.2% in FY2021 to 70.2% in FY2022. (Figure 36)

Figure 30- MAPFRE's Cost Management.
(Values in € mln)



Source: Author Analysis.

Moreover, MAPFRE's Net Operating Expenses also displayed a positive robustness to inflation appreciation, as they grew 10.7% YoY from 4635.5 mln EUR in FY2021 to 5145.55 mln Eur in FY2022. (Figure 30).

However, this growth only constituted a growth of 10 bps in the Net operating Expenses percentage of Net Earned Premiums, from 26.7% in FY2021 to 26.8% in FY2022, representing an encouraging sign in terms of cost efficiency.

5.2 Dividend Policy

MAPFRE's dividends' distribution is stable and is delineated primarily by two factors. In the first place, the company pays a stable dividend per share (DPS) of €0.145. However, this value might change if any substantial oscillations in profit generation occur, as the company holds a minimum acceptable payout ratio of 50%. These fluctuations are projected to take place solely in 2027E, as the company should attain a DPS of €0.150. (Figure 31)

In second place, the group has no share repurchase plan in action, additionally the company has not repurchased any shares in the last 5 years.

5.3 Positive Investment Yield developments

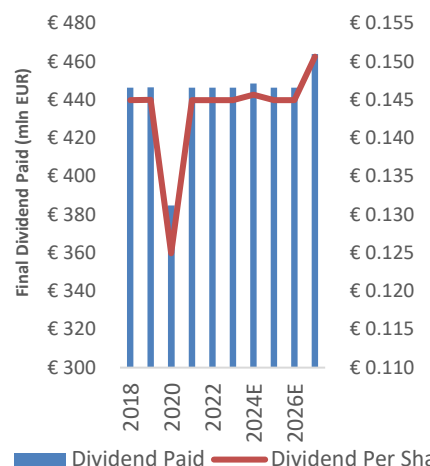
Interest Rates are a key driver of MAPFRE's investment revenues as fixed income instruments comprise about 65.7% of the group's investments and liquid assets. Considering the rising interest rates in place, the company's investment revenues decreased around 2.8%, from 2,407.12 mln EUR in FY2021 to 2,338.76 mln EUR in FY2022. (Figure 32). However, through a higher turnover and reinvestment rate, in alliance with the expectation of a persistent surge of interest rates, investment revenues should display an encouraging development, being forecasted to grow at a 9% CAGR in the period ranging from 2022YE to 2027F.

6. Valuation

6.1 Residual Income Valuation

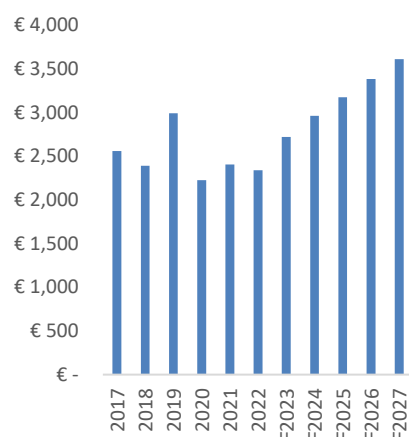
The main valuation framework utilized was the Residual Income Method, to adjust to the characteristics of the Insurance Industry. Through this model, a €2.00 Target Price was achieved for FY2022. (Appendix 15) To accomplish earnings forecasts, Net Earned Premiums were calculated per individual operational segment, afterwards the other revenues and expenses were projected through consolidated values. The aforementioned framework was applied, because of the reporting standards of the company, that hindered a robust forecast of financial income and provisions in individual business units.

Figure 31- MAPFRE's dividend's policy.



Source: Author Analysis.

Figure 32- Investment Revenues. (Values in €mln).



Source: Author Analysis.

The two main drivers specific to the Residual Income Valuation were:

Persistence Factor

The persistence factor applied was the insurance average for OECD companies, as MAPFRE historically displayed a significant capacity to retain customers in line with the Industry Average. (Figure 33). MAPFRE's displayed an historic retaining rate average (2018-2021) of 82.1%, a mark 2.5% inferior to the average of OECD economies for the same period.

Cost of Equity

The cost of equity was computed through a CAPM framework, yielding a result of 12.3% (Table 6). The risk-free rate proxy was the 10Y German Bunds yield and the values are as of 21st September of 2023. The country risk premium was computed as a weighted average considering the importance of each country in the company's revenues. (Appendix 9)

The risk instrument included in the model was Damodaran's Beta for the General Insurance industry in Europe as it comprises most of the company's operations. The Equity Risk Premium was also fetched from Damodaran's database. Lastly, considering the Spanish market volatility, a CDS (Spain) was included in the model.

6.2 Dividend Discount Method (DDM)

Initially due to the adequacy to assess financial institutions, the DDM was applied. This framework presented a Target Price of €1.60. (Appendix 10). However, due to the company's dividend policy, resulting in the application of the minimum payout ratio merely in a situation where extreme profits occur, the DPS approach deployed a small significance in terms of assessing future profitability.

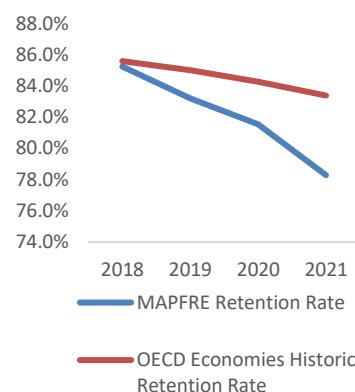
6.3 Relative Valuation

To further consolidate the results attained by the Residual Income Valuation a Relative Valuation was applied, considering the peer group previously mentioned. The selected metrics were the P/B and P/E ratios, considered due to their reliability valuing financial institutions.

Regarding the P/B ratio, a regression analysis was conducted. Additionally, the proposed framework englobed two variables. Beta was introduced to control possible disparities between companies in terms of risk. Moreover, a factor comprised of the historical Return on Equity (ROE) was inducted in the model to address possible differences in profitability. Consequently, a 0.86x predicted P/B was attained, resulting in a 26.2% upside potential. (Appendix 13).

Furthermore, a regression analysis was conducted to achieve the potential P/E ratio of MAPFRE. The regression included as its primary metrics, the Beta, EPS 5Y growth and the historical 5 Y average of dividend yields. The resulting predicted P/E

Figure 33- OECD economies and MAPFRE retention rate.



Source: OECD and author analysis.

Table 6- Cost of Equity.

CAPM	
Triple A 10Y Bonds	2.7%
Country Risk Premium	2.81%
Equity Risk Premium	5.5%
CDS	1.7%
Beta	0.94
Cost Of Equity	12.3%

Source: Author Analysis.

attained was 10.8x, culminating in a 25.5% PT upside potential. Both results display a slight improvement in investment return when compared to the Residual Income Model. (Appendix 14).

7 Financial Analysis

7.1 Premium's evolution in line with the focus on core operations

Regarding non-life Insurance net earned premiums, the company is projected to grow at a 2.3% CAGR between 2023F-2027F. To attain this value, the company is forecasted to continue its focus on the Latin American and European Markets, whilst disposing of non-core operations in segments such as Eurasia, where MAPFRE has recently discontinued the company's operations in Indonesia and the Philippines. Thus, a contraction is expected to occur at a 6% CAGR in Eurasia for the period, whilst Net Earned premiums in LATAM North should increase at a 5.9% CAGR in 2023F-2027F, because of pricing schemes adjustments. The premiums in Iberia are expected to appreciate at a 2.9% CAGR during the period 2023E to 2027E. This performance is largely influenced by the encouraging outlook for the Spanish P&C market, that is forecasted to grow at a 4.3% CAGR in the same period. (Allianz,2023) (Figure 34)

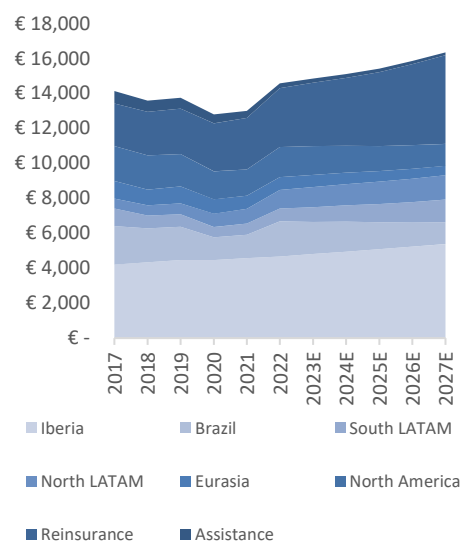
Regarding Life Insurance, net earned premiums are forecasted to grow at a 5.8% CAGR between 2023F-2027F. The positive developments projected in the Spanish disposable income in alliance with the sedimentation of the company's operations in Latin America, highlighted by the recent acquisition of Insignia Life to develop the company's presence in Mexico, should contribute to this encouraging growth. Consequentially, both the Iberian and LATAM North sectors are expected to display promising growth rates between 2023F-2027F, at a 12% and 14.5% CAGR, respectively. (Figure 35)

The Reinsurance sector is currently displaying excellent growth prospects, in large part due to the rising concerns about protection against NatCat's. Therefore, this industry currently is expected to grow 8% YoY in 2023E and 7.5% in 2024E. (Fitch,2023) As a consequence, MAPFRE should take advantage of this trend, resulting in an 8.8% CAGR of Net Earned Premiums from 2023E to 2027E, representing an optimistic outlook when compared to the 5.3% CAGR obtained during 2018YE to 2022YE.

Lastly, the company's overall premiums are projected to grow at a 4.2% CAGR in the period between 2023F-2027F, displaying a positive development from the 0.3% CAGR obtained between 2017YE and 2022YE.

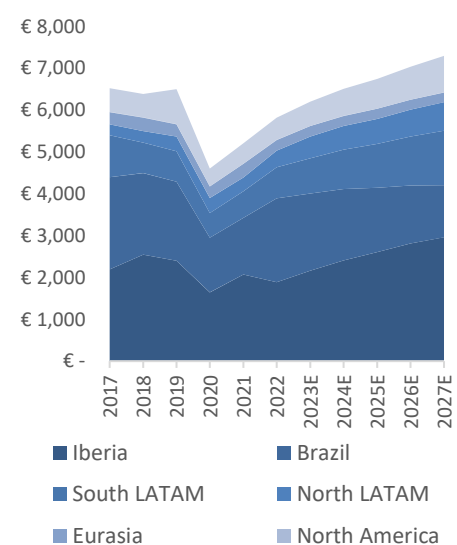
7.2 Underwriting Performance

Figure 34- MAPFRE's Net Earned Premiums non-life. (Values in € mln)



Source: Author Analysis.

Figure 35- Life Insurance Premiums. (Values in € mln)



Source: Author Analysis.

It is important to point out that due to small differences in accounting standards regarding provisions, the presented combined ratio and components of the latter are different from the combined ratios presented by the company.

During 2022YE, MAPFRE displayed resilience in cost management during an inflationary crisis. Thus, the company's combined ratio decreased 620 bps from the value in place in 2021YE. (Figure 36).

Furthermore, assuming that the company's strategy for risk mitigation remains stable and that the volume of Natural Catastrophes remain within the current assessment of MAPFRE's, it is expected an 80-bps increase of the company's combined ratio until 2027E. (Figure 36)

Regarding the expense ratio, it displayed encouraging signs in FY2022 as it decreased 1.3% YoY from 2021YE. (Figure 36). Moreover, the loss ratio diminished 4.7% YoY from the values in place in 2021FY. However, due to small concerns regarding the robustness of MAPFRE's supply chain capacity to attain efficient cost management policies, it is expected to be a 50-bps increase in this ratio by 2027E. (Figure 36)

Lastly, the current strategy of focusing on the company's core and profitable business, in addition to the integration of InsurTech innovations generated by the current investment positions held by MAPFRE, should enable the company to retain a combined ratio stable at a 97.4% mark from 2023E to 2027E. (Figure 36)

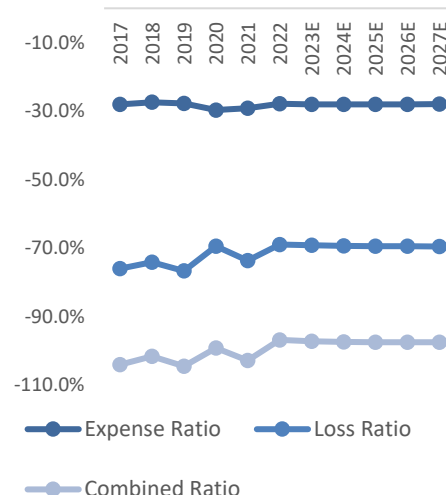
7.3 Profitability

EPS are expected to increase at a 7.6% CAGR in the period ranging from 2022YE to 2027E, after a 5% CAGR in place in the period between FY2018-FY2022. This appreciation is solely explained by the increasing profitability influenced by the economic stabilization expected in alliance with the company's projected underwriting performance, propelled by the focus on core operations. (Figure 37) Thus, the consolidated EBIT margin should appreciate at a 4.1% CAGR, reaching 8.9% in 2027E. Lastly, MAPFRE set a goal in its latest strategic plan of achieving a ROE between 9% and 10%. It is projected that the company will not reach this goal until 2027E, as it should stand at 8.3%. (Figure 38).

7.4 Solvency

MAPFRE has not disclosed the required information to compute the solvency II ratio. As one of the main regulatory constraints, solvency is an everlasting concern in the Insurance Industry. To address this issue, an evaluation of the company's net liabilities to the policyholder's surplus will be applied. This ratio measures the risk of an insurance company not being able to cover the claims incurred. According to the National Association of Insurance Commissioners (NAIC), the minimum acceptable value for this ratio is 200%. It is projected that from 2023E to 2027E, MAPFRE will

Figure 36- Underwriting Ratios.



Source: Author Analysis.

Figure 37- DPS and EPS growth.

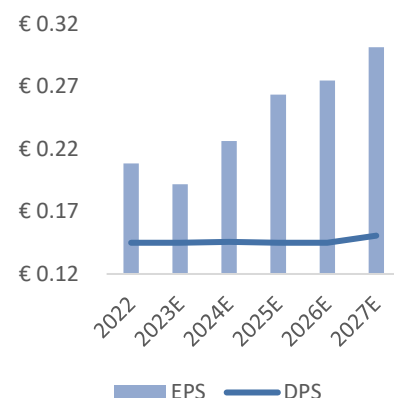
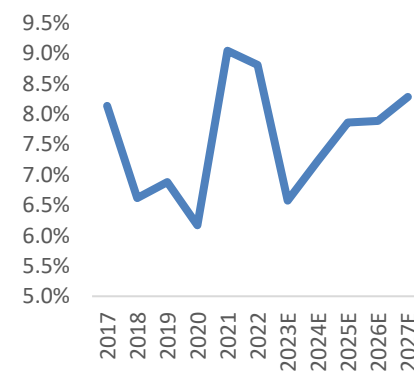


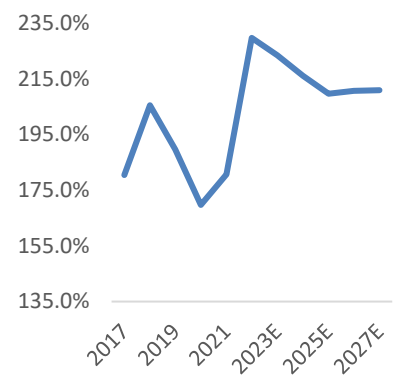
Figure 38- MAPFRE's ROE.



Source: Author Analysis.

possess an average net liability to policyholder's surplus of 214%, a value above the established benchmark. (Figure 39) Thus, some concerns about the future ability of the company to meet incurred claims or withstand unforeseeable extreme events, arise. (Figure 39)

Figure 39- Net-liability to policyholders' surplus.



Source: Author Analysis.

8. Investment Risks

MAPFRE S.A. as an insurance company is exposed to several risks ranging from market, business, operational, strategic, reputational and legal, credit to underwriting risks. (Figure 40).

Market Risks | Exchange rate risks (MR1)

Fluctuations of exchange rates in the diverse network of countries where the company operates affect the value of premiums earned and claims incurred upon consolidation. Additionally, MAPFRE holds a vast portfolio of financial instruments valued in a diverse number of currencies.

Market Risks | Interest Rate Risks (MR2)

Interest rate increases conditionate an insurance company in several scopes. Firstly, several products in the life business line are linked with the actual interest rates, therefore lower interest rates might constitute these products as less desirable. In second place, the company's fixed income portfolios should devalue with rising interest rates, as they pay lower yields than the ones issued recently. A key takeaway is that a higher reinvestment and turnover rate of the fixed income portfolio, might earn higher yields by MAPFRE S.A. Lastly, lower interest rates decrease the future obligations for which the company is liable, decreasing its liabilities.

Market Risks | Inflation (MR3)

MAPFRE has a vast network of distribution channels that shows some degree of preparedness to contend with surging inflation. However, inflationary crises such as the one currently in place, result in an increase of incurred claims. If this rise in expenses is not met by a pricing adjustment, the profitability of MAPFRE should be severely hindered.

Market Risks | Stock Market Risk (MR4)

The company currently holds different investments in both equity and mutual funds that are influenced by the valuation of stocks. The value of financial instruments susceptible to equity risk is 1.1 bln EUR as of FY2022. Any decrease or increase in the price of underlying stocks should affect the value of the company's portfolio.

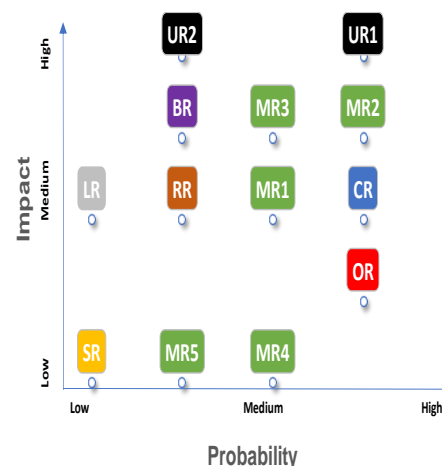
Market Risks | Property risk (MR5)

MAPFRE currently holds real estate for own-use and investment risk diversification. Real Estate currently comprises 5.1% of the firm's investments and cash. Any bubble or price fluctuation could hinder the company's investment portfolio valuation.

Credit Risks (CR)

Credit risk is specified as the probability of a counterparty not fulfilling its obligations with the company, and therefore entering a default situation. MAPFRE currently

Figure 40- Risk Matrix.



Source: Author Analysis.

divides credit risk into three spheres, risk on reinsurance procedures, risk regarding financial instruments and risk of fixed income securities entering a default situation.

Underwriting risk| Non-Life (UR1)

Risks associated with the possible inadequacy of MAPFRE's assessment of policy pricing, structure and future claims incurred. The primary propellers of these risks vary from, the frequency of incurred claims, to political and regulatory frameworks. Additionally, in the P&C lines future claims are deeply correlated with the frequency and severity of natural and man-made catastrophes. Lastly, the company evaluation of these risks influences the number of provisions in place.

Underwriting risk| Life (UR2)

The projected evolution of claims incurred in this line is influenced by existing statistical factors, such as longevity, disability and mortality. Any distortion between the estimated and actual values for these statistics should lead to a disproportionate number of claims incurred, revealing an inadequacy of provisions assessment.

Business Risk (BR)

These risks are deeply connected with cost evolution. On the one hand, customer behaviour might increase or diminish both the premiums earned and claims incurred. On the other hand, overhead expenses required to provide insurance coverage might arise from factors outside of an insurance company's scope of influence. The alliance of both factors could reach a situation where the business volume held by an insurer is not sufficient to fulfil fixed costs.

Operational Risk (OR)

The risk of harmful change in the value of capital resources, because of internal system and control failures, personnel misconduct, management policies and behaviour inadequacy, as well as external events.

Strategic Risk (SR)

Linked with the improper implementation of company's strategic targets in alliance with wrong decision making resulting in the reduction of value creation.

Liquidity Risk (LR)

Liquidity management concerns the ability of MAPFRE to hold an appropriate amount of cash to comfortably meet both present and future obligations to creditors and insurance counterparties. Furthermore, to enable an ability to suppress future liabilities, in life and savings products is important to match the maturities of reinvested premiums with the maturities of future expenses.

Reputational Risk (RK)

A change in the recognition and credibility of an insurance company's brand name should create a distortion in the ability to create value. From a demand point of view, hypothetical scandals and litigation procedures might hinder the trust of customer's regarding the company. Moreover, due to the competition in the industry and the overall homogeneous products offered, any customer can easily switch its insurance policy to one of the main competitors. From a supply perspective, a reputational change might lead to different conditions requested by suppliers or a disruption of the distribution channels.

8.1 Sensitivity Analysis

To consider the risks in part provided by the volatility and uncertainty of the market in conjunction with underwriting risks, a sensitivity analysis was performed. (Table 6).

The two main factors that were considered were the Loss Ratio and the Cost of Equity. The base scenario considers a Loss Ratio, excluding variations of other provisions, of 70.2%. Through the assessment performed, it was concluded that a 100-bps variation in the loss ratio resulted in a c.€0.28 fluctuation of the Price Target. The model displayed less elasticity to changes in the Cost of Equity, as a 100-bps variation led to an average change of the PT of €0.10. The base-case value for the Cost of Equity was 12.3%. (Table 7).

Table 7- Sensitivity Analysis of MAPFRE's Price Target.

Cost Of Equity	Loss Ratio									
	-66.2%	-67.2%	-68.2%	-69.2%	-70.2%	-71.2%	-72.2%	-73.2%	-74.2%	
7.3%	€ 4.57	€ 4.20	€ 3.83	€ 3.46	€ 3.09	€ 2.72	€ 2.35	€ 1.98	€ 1.61	
9.3%	€ 4.10	€ 3.78	€ 3.45	€ 3.12	€ 2.79	€ 2.46	€ 2.13	€ 1.80	€ 1.47	
10.3%	€ 3.91	€ 3.60	€ 3.29	€ 2.98	€ 2.66	€ 2.35	€ 2.04	€ 1.73	€ 1.42	
11.3%	€ 3.73	€ 3.44	€ 3.14	€ 2.85	€ 2.55	€ 2.25	€ 1.96	€ 1.66	€ 1.37	
12.3%	€ 3.57	€ 3.29	€ 3.01	€ 2.73	€ 2.45	€ 2.17	€ 1.88	€ 1.60	€ 1.32	
13.3%	€ 3.43	€ 3.16	€ 2.89	€ 2.63	€ 2.35	€ 2.09	€ 1.82	€ 1.55	€ 1.28	
14.3%	€ 3.30	€ 3.04	€ 2.79	€ 2.53	€ 2.27	€ 2.01	€ 1.76	€ 1.50	€ 1.24	
15.3%	€ 3.18	€ 2.93	€ 2.69	€ 2.44	€ 2.19	€ 1.95	€ 1.70	€ 1.46	€ 1.21	
16.3%	€ 3.07	€ 2.83	€ 2.60	€ 2.36	€ 2.12	€ 1.89	€ 1.65	€ 1.41	€ 1.18	

Source: Author Analysis.

8.2 Scenario Analysis

Best-case and worst-case scenarios were included to the already established base-case scenario. The base-case scenario earned a 65% likelihood of happening. The best-case scenario yielded an inherent probability of 20%, a value slightly greater than the 15% mark designated to the worst-case scenario. This is due to the positive developments of the company's presence in LATAM, and the expected appreciation in the Spanish Household Disposable Income. (Table 8).

Regarding the best-case scenario, it was assumed that the Net Earned Premiums would grow 5% in relation to the company's base-case scenario, due to pricing schemes adjustments, as well as the rise of the company's presence in LATAM. Additionally, it was considered that the company would reach its aspirational goal in terms of the combined ratio of 94% to 95%. Overall, this scenario represented a PT of € 3.45. (Table 8).

Furthermore, the worst-case scenario considered, negative developments in the macroeconomic conjecture and the entrance of major players in key markets to MAPFRE. Moreover, this scenario included disruptions of the supply chain and a deterioration of the company's cost management policies, that potentially could affect MAPFRE's underwriting margins. Overall, this scenario represented a PT of € 1.31. (Table 8).

Lastly, a € 2.48 PT was generated, when considering the weighted probabilities of each scenario. (Table 8).

Table 8- Scenario Analysis.

Optimistic-Case Scenario	
Probability	20%
Implied Share Price	€ 3.45

Base-Case Scenario	
Probability	65%
Implied Share Price	€ 2.45

Pessimistic-Case Scenario	
Probability	15%
Implied Share Price	€ 1.31

Price Target	€ 2.48
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Source: Author Analysis.

8.3 Monte Carlo Simulation

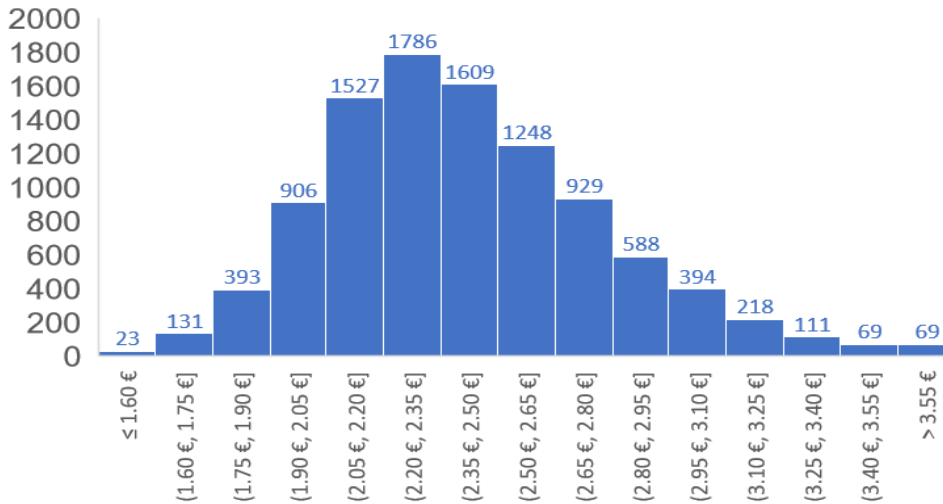
To complement the methods presented above a Monte Carlo simulation was performed. This model performs predictions based on repeated random sampling. The key variables assessed were Beta, Country Risk Premium, Equity Risk Premium, Risk-Free rate, the loss ratio and the Country Default Spread. (Table 9). Lastly, the model provided an average Target Price of €2.41, representing an upside potential of 21.7%. (Table 10).

Table 9- Monte Carlo Simulation Assumptions.

Indicator	Mean	STD DEV
RF	2.7%	1.5%
CRP	2.81%	0.1%
ERP	5.5%	2.2%
Beta	0.94	3.6%
Loss Ratio	-70.9%	1%
CDS	1.71%	0.4%

Source: Author Analysis.

Figure 41- Monte Carlo Simulation Results.



Source: Author Analysis.

Table 10- Monte Carlo Simulation Results.

Indicator	Amount
Trials	10000
Minimum	€ 1.33
Maximum	€ 4.52
25th Percentile	€ 2.15
50th Percentile	€ 2.37
75th Percentile	€ 2.62
Mean	€ 2.41

Source: Author Analysis.

Appendices

Appendix 1: Statement of Financial Position

(EUR in millions)	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	Comment
A) INTANGIBLE ASSETS	€ 3,422.92	€ 3,072.37	€ 3,300.09	€ 2,780.07	€ 2,911.34	€ 2,915.33	€ 3,020.89	€ 3,076.95	€ 3,158.86	€ 3,238.91	€ 3,313.93	Constant Goodwill in alliance to other intangible assets as a 5yr moving average %NEP.
B) PROPERTY, PLANT AND EQUIPMENT	€ 1,191.74	€ 1,112.32	€ 1,377.15	€ 1,279.34	€ 1,295.07	€ 1,301.81	€ 1,394.07	€ 1,435.66	€ 1,480.87	€ 1,537.75	€ 1,597.19	%NEP
C) INVESTMENTS	€ 44,691.24	€ 43,976.95	€ 47,363.30	€ 38,931.40	€ 39,242.96	€ 34,691.38	€ 39,515.26	€ 42,927.64	€ 46,015.59	€ 49,063.89	€ 52,338.31	5 Year Average %Technical Provisions
D) INVESTMENTS ON BEHALF OF LIFE INSURANCE POLICYHOLDERS BEARING THE INVESTMENT RISK	€ 2,320.14	€ 2,242.49	€ 2,510.24	€ 2,502.42	€ 2,957.26	€ 3,037.15	€ 3,425.53	€ 3,753.78	€ 4,071.11	€ 4,426.35	€ 4,773.72	% life insurance NEP
E) INVENTORIES	€ 67.08	€ 60.87	€ 60.48	€ 49.50	€ 54.04	€ 53.44	€ 57.57	€ 55.98	€ 55.17	€ 54.28	€ 55.08	5YR Moving Average
F) PARTICIPATION OF REINSURANCE IN TECHNICAL PROVISIONS	€ 4,989.63	€ 5,883.17	€ 6,386.06	€ 5,378.58	€ 6,084.69	€ 6,215.39	€ 6,773.43	€ 7,139.37	€ 7,535.07	€ 8,003.90	€ 8,501.63	4yr moving average %NEP
G) DEFERRED TAX ASSETS	€ 296.81	€ 333.58	€ 306.98	€ 221.68	€ 299.61	€ 642.04	€ 642.04	€ 642.04	€ 642.04	€ 642.04	€ 642.04	Constant
H) RECEIVABLES	€ 6,337.08	€ 5,761.17	€ 6,069.39	€ 5,359.14	€ 5,594.70	€ 5,991.91	€ 6,323.73	€ 6,602.81	€ 6,858.81	€ 7,151.67	€ 7,455.68	Receivables Turnover 5yr average
I) CASH	€ 1,864.00	€ 2,201.40	€ 2,537.49	€ 2,418.91	€ 2,887.69	€ 2,574.68	€ 2,574.68	€ 2,574.68	€ 2,574.68	€ 2,574.68	€ 2,574.68	Constant due to the impossibility of computing the CF statement
J) ACCRUAL ADJUSTMENTS	€ 2,132.34	€ 2,168.80	€ 2,217.32	€ 1,908.67	€ 1,902.49	€ 2,057.21	€ 2,057.21	€ 2,057.21	€ 2,057.21	€ 2,057.21	€ 2,057.21	Constant
K) OTHER ASSETS	€ 100.96	€ 136.16	€ 117.19	€ 163.42	€ 247.33	€ 96.75	€ 96.75	€ 96.75	€ 96.75	€ 96.75	€ 96.75	Constant
L) NON-CURRENT ASSETS HELD FOR SALE AND FROM DISCONTINUED OPERATIONS	€ 155.58	€ 341.49	€ 264.24	€ 8,159.51	€ 377.11	€ 49.07	€ 49.07	€ 49.07	€ 49.07	€ 49.07	€ 49.07	Constant
TOTAL ASSETS	€ 67,569.52	€ 67,290.80	€ 72,509.93	€ 69,152.63	€ 63,854.19	€ 59,626.15	€ 65,930.24	€ 70,411.95	€ 74,595.22	€ 78,896.52	€ 83,455.29	
A) EQUITY	€ 10,512.69	€ 9,197.58	€ 10,105.99	€ 9,837.84	€ 9,666.44	€ 8,360.05	€ 8,988.99	€ 9,639.10	€ 10,319.51	€ 10,731.97	€ 11,207.46	
I. Paid-up capital	€ 307.96	€ 307.96	€ 307.96	€ 307.96	€ 307.96	€ 307.96	€ 307.96	€ 307.96	€ 307.96	€ 307.96	€ 307.96	Constant
II. Share premium	€ 1,506.73	€ 1,506.73	€ 1,506.73	€ 1,506.73	€ 1,506.73	€ 1,506.73	€ 1,506.73	€ 1,506.73	€ 1,506.73	€ 1,506.73	€ 1,506.73	Constant
III. Reserves	€ 6,433.14	€ 6,323.62	€ 6,377.54	€ 7,057.20	€ 7,102.32	€ 7,413.98	€ 7,729.36	€ 8,017.08	€ 8,326.54	€ 8,703.61	€ 9,097.47	3 Years Moving Average of % Incurred Claims
IV. Interim dividend	€ (184.77)	€ (184.83)	€ (184.77)	€ (153.99)	€ (184.80)	€ (184.76)	€ (184.76)	€ (184.76)	€ (184.76)	€ (184.76)	€ (184.76)	Constant
V. Treasury Stock	€ (52.36)	€ (48.25)	€ (63.84)	€ (63.41)	€ (62.94)	€ (41.43)	€ (41.43)	€ (41.43)	€ (41.43)	€ (41.43)	€ (41.43)	Constant due to the implementation of a variable remuneration scheme in FY2022
VI. Result attributable to controlling company	€ 700.51	€ 528.86	€ 609.24	€ 526.53	€ 765.19	€ 642.13	€ 590.88	€ 696.64	€ 810.95	€ 846.34	€ 927.96	Constant
VII. Other equity instruments	€ 10.09	€ 4.49	€ 0.00	€ 0.00	€ (0.00)	€ 0.29	€ 0.29	€ 0.29	€ 0.29	€ 0.29	€ 0.29	Constant
VIII. Valuation change adjustments	€ 620.69	€ 293.13	€ 1,003.68	€ 1,270.72	€ 805.27	€ (922.29)	€ 513.28	€ 769.92	€ 1,026.56	€ 1,026.56	€ 1,026.56	50% of the valuation changes average from 2019-2021 in 2023E, followed by 75% of valuation changes in 2024E. Historical average (2019-2021) from 2025E to 2027E.
IX. Currency conversion differences	€ (730.69)	€ (737.89)	€ (702.21)	€ (1,915.73)	€ (1,776.31)	€ (1,433.32)	€ (1,433.32)	€ (1,433.32)	€ (1,433.32)	€ (1,433.32)	€ (1,433.32)	Constant
Equity attributable to the controlling company's shareholders	€ 8,611.30	€ 7,993.81	€ 8,854.32	€ 8,536.01	€ 8,463.61	€ 7,289.29	€ 8,988.99	€ 9,639.10	€ 10,319.51	€ 10,731.97	€ 11,207.46	
B) SUBORDINATED LIABILITIES	€ 617.37	€ 1,120.54	€ 1,121.07	€ 1,121.62	€ 1,122.20	€ 1,627.02	€ 1,627.02	€ 1,627.02	€ 1,627.02	€ 1,627.02	€ 1,627.02	Constant as the first call option for current obligations only expires in 31/12/2027
C) TECHNICAL PROVISIONS	€ 45,493.98	€ 46,481.12	€ 48,521.38	€ 39,190.14	€ 39,968.22	€ 38,159.61	€ 41,105.02	€ 44,513.92	€ 47,832.72	€ 51,336.39	€ 55,063.46	
I. Provisions for unearned premiums and unexpired risks	€ 8,375.10	€ 7,951.40	€ 8,243.33	€ 7,195.30	€ 7,638.56	€ 8,066.49	€ 8,593.04	€ 8,942.92	€ 9,284.48	€ 9,696.57	€ 10,093.98	% NEP
II. Provisions for life insurance	€ 24,992.93	€ 24,838.46	€ 26,584.08	€ 19,588.87	€ 19,089.50	€ 16,227.17	€ 17,976.50	€ 20,342.61	€ 22,511.23	€ 24,907.38	€ 27,348.19	%Life NEP with inflation and mortality risk adjustments
III. Provision for outstanding claims	€ 11,223.09	€ 12,714.14	€ 12,624.05	€ 11,210.48	€ 11,986.12	€ 12,632.83	€ 13,186.65	€ 13,638.12	€ 14,185.80	€ 14,800.44	€ 15,502.95	% Incurred Claims
IV. Other technical provisions	€ 902.86	€ 977.13	€ 1,069.93	€ 1,195.49	€ 1,254.03	€ 1,233.12	€ 1,348.84	€ 1,590.28	€ 1,851.22	€ 1,932.00	€ 2,118.33	% Taxes paid
D) TECHNICAL PROVISIONS FOR LIFE INSURANCE WHERE POLICYHOLDERS BEAR THE INVESTMENT RISK	€ 2,320.14	€ 2,242.49	€ 2,510.24	€ 2,502.42	€ 2,957.26	€ 3,037.15	€ 3,425.53	€ 3,753.78	€ 4,071.11	€ 4,426.35	€ 4,773.72	% Life Insurance Premiums
E) PROVISIONS FOR RISKS AND EXPENSES	€ 661.75	€ 641.48	€ 709.28	€ 582.59	€ 653.71	€ 522.20	€ 709.98	€ 735.61	€ 762.94	€ 797.81	€ 829.53	% Expenses from Insurance Business
F) DEPOSITS RECEIVED ON CEDED AND RETROCEDED REINSURANCE	€ 42.41	€ 79.51	€ 68.14	€ 71.62	€ 82.44	€ 74.14	€ 75.17	€ 74.30	€ 75.53	€ 76.32	€ 75.09	5YR Historical Moving Average
G) DEFERRED TAX LIABILITIES	€ 588.03	€ 499.32	€ 703.11	€ 670.58	€ 537.81	€ 207.99	€ 207.99	€ 207.99	€ 207.99	€ 207.99	€ 207.99	Constant
H) DEBT	€ 7,073.72	€ 6,596.42	€ 8,318.91	€ 7,593.34	€ 8,441.81	€ 7,293.37	€ 9,445.92	€ 9,515.60	€ 9,353.79	€ 9,348.05	€ 9,326.40	Assets that were not covered in terms of risk or expenses by equity or other liabilities should be covered by debt.
I. Issue of debentures and other negotiable securities	€ 1,003.29	€ 1,004.05	€ 1,004.82	€ 1,005.61	€ 862.79	€ 863.49	€ 1,118.33	€ 1,126.58	€ 1,107.42	€ 1,106.75	€ 1,104.18	% Debt
II. Due to credit institutions	€ 706.74	€ 545.69	€ 847.80	€ 866.38	€ 1,106.53	€ 444.23	€ 575.34	€ 579.58	€ 569.73	€ 569.38	€ 568.06	%Debt
III. Other financial liabilities	€ 1,235.16	€ 1,262.80	€ 1,913.06	€ 1,596.72	€ 2,368.53	€ 1,990.95	€ 2,578.56	€ 2,597.58	€ 2,563.40	€ 2,551.84	€ 2,545.93	%Debt
IV. Due on direct insurance and co-insurance operations	€ 972.10	€ 1,094.78	€ 928.05	€ 950.99	€ 914.99	€ 1,033.35	€ 1,338.33	€ 1,348.20	€ 1,325.28	€ 1,324.46	€ 1,321.40	%Debt
V. Due on reinsurance operations	€ 1,218.64	€ 852.63	€ 1,541.07	€ 1,305.91	€ 1,252.83	€ 1,095.24	€ 1,418.49	€ 1,428.96	€ 1,404.66	€ 1,403.80	€ 1,400.54	%Debt
VI. Tax liabilities												
1. Tax on profits to be paid	€ 167.64	€ 130.14	€ 101.20	€ 58.49	€ 65.20	€ 150.98	€ 195.54	€ 196.98	€ 193.63	€ 193.52	€ 193.07	% Debt
2. Other tax liabilities	€ 343.16	€ 320.57	€ 368.18	€ 246.55	€ 341.03	€ 326.34	€ 422.66	€ 425.78	€ 418.54	€ 418.28	€ 417.31	%Debt
VII. Other debts	€ 1,426.98	€ 1,385.77	€ 1,624.72	€ 1,562.69	€ 1,529.92	€ 1,388.79	€ 1,798.67	€ 1,811.94	€ 1,781.13	€ 1,780.03	€ 1,775.91	%Debt
I) ACCRUAL ADJUSTMENTS	€ 258.34	€ 238.36	€ 315.90	€ 318.59	€ 300.56	€ 332.93	€ 332.93	€ 332.93	€ 332.93	€ 332.93	€ 332.93	%Debt
J) LIABILITIES LINKED TO NON-CURRENT ASSETS HELD FOR SALE AND FROM DISCONTINUED OPERATIONS	€ 1.08	€ 193.97	€ 135.91	€ 7,263.89	€ 123.83	€ 11.68	€ 11.68	€ 11.68	€ 11.68	€ 11.68	€ 11.68	Constant
TOTAL LIABILITIES AND EQUITY	€ 67,569.52	€ 67,290.80	€ 72,509.92	€ 69,152.63	€ 63,854.19	€ 59,626.14	€ 65,930.24	€ 70,411.95	€ 74,595.22	€ 78,896.52	€ 83,455.29	

Appendix 2: Income Statement

(EUR in millions)	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
Total Net Earned Premiums	€ 18,969.45	€ 18,908.26	€ 19,170.13	€ 16,700.33	€ 17,464.24	€ 19,211.68	€ 20,089.97	€ 20,837.79	€ 21,642.13	€ 22,622.21	€ 23,645.93
% Growth		-0.3%	1.4%	-12.9%	4.6%	10.0%	4.6%	3.7%	3.9%	4.5%	4.5%
Share in profits from equity-accounted companies	€ 10.97	€ 12.08	€ 8.03	€ 6.85	€ 9.28	€ 16.77	€ 10.66	€ 10.61	€ 10.37	€ 10.76	€ 11.41
% Growth		10.2%	-33.6%	-14.7%	35.5%	80.7%	-36.4%	-0.5%	-2.3%	3.8%	6.1%
Investment Revenues	€ 2,559.14	€ 2,390.12	€ 2,994.31	€ 2,226.26	€ 2,407.12	€ 2,338.76	€ 2,729.49	€ 2,984.87	€ 3,220.67	€ 3,456.50	€ 3,711.16
Unrealized gains on investments on behalf of life insur	€ 131.02	€ 88.09	€ 233.04	€ 137.79	€ 254.61	€ 90.54	€ 155.85	€ 159.99	€ 171.97	€ 161.79	€ 165.79
Other technical revenue	€ 63.67	€ 61.01	€ 68.58	€ 66.23	€ 87.67	€ 58.99	€ 58.99	€ 58.99	€ 58.99	€ 58.99	€ 58.99
Other non-technical revenue	€ 194.63	€ 69.54	€ 60.44	€ 61.76	€ 283.34	€ 84.11	€ 84.11	€ 84.11	€ 84.11	€ 84.11	€ 84.11
Positive foreign exchange differences	€ 1,039.85	€ 959.40	€ 1,589.20	€ 2,042.92	€ 1,628.16	€ 1,736.12	€ 1,499.27	€ 1,575.84	€ 1,678.58	€ 1,693.48	€ 1,635.24
Reversal of the asset impairment provision	€ 21.07	€ 41.12	€ 28.25	€ 27.56	€ 13.83	€ 16.95	€ 24.80	€ 25.42	€ 22.80	€ 21.89	€ 20.95
TOTAL REVENUE FROM INSURANCE BUSINESS	€ 22,989.80	€ 22,529.61	€ 24,151.98	€ 21,269.70	€ 22,148.25	€ 23,553.92	€ 24,653.15	€ 25,737.62	€ 26,889.61	€ 28,109.73	€ 29,333.57
% Growth		-2.0%	7.2%	-11.9%	4.1%	6.3%	4.7%	4.4%	4.5%	4.5%	4.4%
Profit Sharing and Returned Premiums	€ (34.80)	€ (46.80)	€ (45.90)	€ (50.10)	€ (55.20)	€ (77.80)	€ (77.80)	€ (77.80)	€ (77.80)	€ (77.80)	€ (77.80)
Claims Paid and variation of Provisions, net	€ (13,576.34)	€ (13,406.57)	€ (13,644.56)	€ (11,896.35)	€ (13,000.34)	€ (13,488.34)	€ (14,104.98)	€ (14,630.01)	€ (15,194.73)	€ (15,882.84)	€ (16,601.58)
% Net Earned Premiums		-70.9%	-71.2%	-71.2%	-74.4%	-70.2%	-70%	-70%	-70%	-70%	-70%
Variations of Other Technical Provisions	€ (806.60)	€ (564.77)	€ (1,009.10)	€ 341.80	€ 190.13	€ 318.47	€ 284.14	€ 246.16	€ 236.08	€ 252.81	€ 230.43
Growth %							-11%	-13%	-11%	-11%	-10%
Net Operating Expenses	€ (5,127.73)	€ (4,988.70)	€ (5,108.27)	€ (4,687.13)	€ (4,655.35)	€ (5,155.45)	€ (5,390.08)	€ (5,583.40)	€ (5,803.67)	€ (6,065.83)	€ (6,339.06)
% Net Earned Premiums	-27.0%	-26.4%	-26.6%	-28.1%	-26.7%	-26.8%	-26.8%	-26.8%	-26.8%	-26.8%	-26.8%
Share in losses from equity-accounted companies	€ (0.09)	€ (0.01)	€ (0.01)	€ (1.81)	€ (2.04)	€ (1.56)	€ (0.92)	€ (1.06)	€ (1.23)	€ (1.44)	€ (1.37)
Investment Expenses From Operations	€ (710.82)	€ (711.40)	€ (799.39)	€ (909.83)	€ (1,246.36)	€ (1,480.72)	€ (1,512.07)	€ (1,559.34)	€ (1,723.62)	€ (1,703.65)	
% Insurance Revenue	-1.6%	-1.5%	-2.1%	-2.3%	-3.6%	-3.7%	-3.5%	-3.4%	-3.5%	-3.3%	
Investment Expenses From Equity	€ (92.92)	€ (81.16)	€ (51.02)	€ (53.01)	€ (98.30)	€ (67.44)	€ (72.92)	€ (79.55)	€ (73.30)	€ (75.26)	
Investment Expenses	€ (672.63)	€ (803.74)	€ (792.56)	€ (850.41)	€ (962.84)	€ (1,344.70)	€ (1,548.16)	€ (1,584.99)	€ (1,638.89)	€ (1,796.92)	€ (1,778.91)
Unrealized losses on investments on behalf of life insurance policyholders bearing the investment risk	€ (8.47)	€ (146.16)	€ (54.92)	€ (210.09)	€ (70.26)	€ (258.84)	€ (291.94)	€ (319.91)	€ (346.96)	€ (377.23)	€ (406.84)
% Life Insurance Net Earned Premiums	-0.2%	-2.7%	-1.0%	-5.4%	-1.6%	-5.6%	-5.6%	-5.6%	-5.6%	-5.6%	-5.6%
Other technical expenses (without non-recurring events)	€ (129.58)	€ (139.13)	€ (155.12)	€ (204.99)	€ (352.66)	€ (132.57)	€ (185.67)	€ (195.02)	€ (204.34)	€ (212.54)	€ (213.80)
Other non-technical expenses	€ (114.32)	€ (149.70)	€ (165.23)	€ (145.70)	€ (152.82)	€ (172.47)	€ (180.36)	€ (187.07)	€ (194.29)	€ (203.09)	€ (212.28)
% of Premiums		-0.8%	-0.9%	-0.9%	-0.9%	-0.9%	-1%	-1%	-1%	-1%	-1%
Negative foreign exchange differences	€ (1,019.37)	€ (946.69)	€ (1,589.47)	€ (2,018.45)	€ (1,574.15)	€ (1,676.68)	€ (1,676.68)	€ (1,676.68)	€ (1,676.68)	€ (1,676.68)	€ (1,676.68)
Allowance to the asset impairment provision	€ (162.56)	€ (229.25)	€ (55.94)	€ (210.90)	€ (28.95)	€ (20.29)	€ (20.29)	€ (20.29)	€ (20.29)	€ (20.29)	€ (20.29)
Expenses From the Insurance Business	€ (21,617.71)	€ (21,374.70)	€ (22,575.18)	€ (19,884.03)	€ (20,609.28)	€ (22,008.62)	€ (23,192.73)	€ (24,030.08)	€ (24,922.80)	€ (26,061.85)	€ (27,098.19)
							5.4%	3.6%	3.7%	4.6%	4.0%
Result From Insurance Activity	€ 1,372.10	€ 1,154.91	€ 1,576.81	€ 1,385.67	€ 1,538.96	€ 1,545.30	€ 1,460.42	€ 1,707.54	€ 1,966.81	€ 2,047.88	€ 2,235.39
Result From Other Activities	€ (132.29)	€ (70.73)	€ (232.85)	€ (204.52)	€ (115.61)	€ (87.27)	€ (101.48)	€ (101.48)	€ (101.48)	€ (101.48)	€ (101.48)
Result on Restatement of Financial Accounts	€ (24.49)	€ (18.72)	€ (21.64)	€ (13.88)	€ (13.20)	€ (60.31)	€ (18.39)	€ (25.55)	€ (25.48)	€ (26.27)	€ (28.59)
EBIT	€ 1,508.71	€ 1,330.53	€ 1,279.20	€ 1,118.41	€ 1,355.05	€ 1,397.61	€ 1,340.55	€ 1,580.51	€ 1,839.85	€ 1,920.14	€ 2,105.32
EBIT MARGIN %	8.0%	7.0%	6.7%	6.7%	7.8%	7.3%	6.7%	7.6%	8.5%	8.5%	8.9%
Taxes Paid	€ (410.34)	€ (453.01)	€ (323.93)	€ (297.75)	€ (319.46)	€ (313.84)	€ (343.29)	€ (404.74)	€ (471.16)	€ (491.72)	€ (539.14)
Effective Tax Rate	-27%	-34%	-25%	-27%	-24%	-22%	-26%	-26%	-26%	-26%	-26%
Net Income	€ 1,098.37	€ 877.52	€ 955.26	€ 820.66	€ 1,035.59	€ 1,083.77	€ 997.26	€ 1,175.77	€ 1,368.69	€ 1,428.42	€ 1,566.18
Minority Interests	€ 397.86	€ 348.66	€ 346.03	€ 294.13	€ 270.40	€ 441.64	€ 406.38	€ 479.13	€ 567.74	€ 582.08	€ 638.22
%	36.2%	39.7%	36.2%	35.8%	26.1%	40.8%	40.8%	40.8%	40.8%	40.8%	40.8%
Net Income Attributable to the controlling company	€ 700.51	€ 528.86	€ 609.24	€ 526.53	€ 765.19	€ 642.13	€ 590.88	€ 696.64	€ 810.95	€ 846.34	€ 927.96
		-24.5%	15.2%	-13.6%	45.3%	-16.1%	-8.0%	17.9%	16%	4%	10%

Appendix 3: Cash Flow Statement

It was not possible to forecast this statement due to the lack of information regarding provisions and investment returns. Additionally, cash was assumed as stable.

Appendix 4: Key Financial Ratios

	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
Profitability Ratios											
Ebit Margin	8.0%	7.0%	6.7%	6.7%	7.8%	7.3%	6.7%	7.6%	8.5%	8.5%	8.9%
Net Profit Margin	3.0%	2.3%	2.5%	2.5%	3.5%	2.7%	2.4%	2.7%	3.0%	3.0%	3.2%
Asset Turnover	34.0%	33.4%	34.6%	30.0%	33.3%	38.2%	39.3%	37.8%	37.1%	36.6%	36.1%
Financial Leverage (A/E)	7.85X	8.42X	8.19X	8.1X	7.54X	8.18X	7.33X	7.3X	7.23X	7.35X	7.45X
ROE Dupont	8.1%	6.6%	7.1%	6.0%	8.7%	8.5%	6.9%	7.5%	8.1%	8.1%	8.5%
ROE	8.1%	6.6%	6.9%	6.2%	9.0%	8.8%	6.6%	7.2%	7.9%	7.9%	8.3%
ROA	1.0%	0.8%	0.8%	0.8%	1.2%	1.1%	0.9%	1.0%	1.1%	1.1%	1.1%
Net Earnings Ratio	5.8%	4.6%	5.0%	4.9%	5.9%	5.6%	5.0%	5.6%	6.3%	6.3%	6.6%
Investment Yield	5.7%	5.4%	6.3%	5.7%	6.1%	6.7%	6.9%	7.0%	7.0%	7.0%	7.1%
EPS	€	0.17 €	0.20 €	0.17 €	0.25 €	0.21 €	0.19 €	0.23 €	0.26 €	0.27 €	0.30 €
DPS	€	0.14 €	0.14 €	0.12 €	0.14 €	0.14 €	0.14 €	0.15 €	0.14 €	0.14 €	0.15 €
Payout Ratio		84.4%	73.3%	73.1%	58.3%	69.5%	75.6%	64.4%	55.1%	50.0%	50.0%
Solvency											
Financial Leverage	18.1%	22.5%	22.7%	23.3%	24.2%	26.0%	27.0%	25.7%	24.3%	23.5%	22.7%
Debt Ratio	84.4%	86.3%	86.1%	85.8%	84.9%	86.0%	86.4%	86.3%	86.2%	86.4%	86.6%
Solvency Ratio	200.20%	189.50%	186.80%	192.90%	206.30%	201.20%					
Net liabilities to Policy H	180.4%	205.6%	189.7%	169.8%	180.7%	229.8%	223.5%	216.2%	209.7%	210.8%	211.0%
Cost Ratios											
Expense Ratio	-28.1%	-27.4%	-27.8%	-29.7%	-29.2%	-27.8%	-28.0%	-28.0%	-28.0%	-28.0%	-28.0%
Loss Ratio	-76%	-74%	-77%	-69%	-74%	-69.0%	-69.2%	-69.4%	-69.5%	-69.4%	-69.6%
Combined Ratio	-104.1%	-101.6%	-104.5%	-99.2%	-102.8%	-96.8%	-97.2%	-97.4%	-97.5%	-97.4%	-97.5%
Insurance Costs Growth		-1.1%	5.6%	-11.9%	3.6%	6.8%	5.4%	3.6%	3.7%	4.6%	4.0%

Appendix 5: Common-Size Statement of Financial Position

(EUR in millions)	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
A) INTANGIBLE ASSETS	5.1%	4.6%	4.6%	4.0%	4.6%	4.9%	4.6%	4.4%	4.2%	4.1%	4.0%
B) PROPERTY, PLANT AND EQUIPM	1.8%	1.7%	1.9%	1.9%	2.0%	2.2%	2.1%	2.0%	2.0%	1.9%	1.9%
C) INVESTMENTS	66.1%	65.4%	65.3%	56.3%	61.5%	58.2%	59.9%	61.0%	61.7%	62.2%	62.7%
D) INVESTMENTS ON BEHALF OF LIFE INSURANCE POLICYHOLDERS BEARING THE INVESTMENT RISK	3.4%	3.3%	3.5%	3.6%	4.6%	5.1%	5.2%	5.3%	5.5%	5.6%	5.7%
E) INVENTORIES	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
F) PARTICIPATION OF REINSURANCE IN TECHNICAL PROVISIONS	7.4%	8.7%	8.8%	7.8%	9.5%	10.4%	10.3%	10.1%	10.1%	10.1%	10.2%
G) DEFERRED TAX ASSETS	0.4%	0.5%	0.4%	0.3%	0.5%	1.1%	1.0%	0.9%	0.9%	0.8%	0.8%
H) RECEIVABLES	9.4%	8.6%	8.4%	7.7%	8.8%	10.0%	9.6%	9.4%	9.2%	9.1%	8.9%
I) CASH	2.8%	3.3%	3.5%	3.5%	4.5%	4.3%	3.9%	3.7%	3.5%	3.3%	3.1%
J) ACCRUAL ADJUSTMENTS	3.2%	3.2%	3.1%	2.8%	3.0%	3.5%	3.1%	2.9%	2.8%	2.6%	2.5%
K) OTHER ASSETS	0.1%	0.2%	0.2%	0.2%	0.4%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%
L) NON-CURRENT ASSETS HELD FO	0.2%	0.5%	0.4%	11.8%	0.6%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

A) EQUITY	15.6%	13.7%	13.9%	14.2%	15.1%	14.0%	13.6%	13.7%	13.8%	13.6%	13.4%
B) SUBORDINATED LIABILITIES	0.9%	1.7%	1.5%	1.6%	1.8%	2.7%	2.5%	2.3%	2.2%	2.1%	1.9%
C) TECHNICAL PROVISIONS	67.3%	69.1%	66.9%	56.7%	62.6%	64.0%	62.3%	63.2%	64.1%	65.1%	66.0%
I. Provisions for unearned premiums and	12.4%	11.8%	11.4%	10.4%	12.0%	13.5%	13.0%	12.7%	12.4%	12.3%	12.1%
II. Provisions for life insurance	37.0%	36.9%	36.7%	28.3%	29.9%	27.2%	27.3%	28.9%	30.2%	31.6%	32.8%
III. Provision for outstanding claims	16.6%	18.9%	17.4%	16.2%	18.8%	21.2%	20.0%	19.4%	19.0%	18.8%	18.6%
IV. Other technical provisions	1.3%	1.5%	1.5%	1.7%	2.0%	2.1%	2.0%	2.3%	2.5%	2.4%	2.5%
D) TECHNICAL PROVISIONS FOR	3.4%	3.3%	3.5%	3.6%	4.6%	5.1%	5.2%	5.3%	5.5%	5.6%	5.7%
E) PROVISIONS FOR RISKS AND E	1.0%	1.0%	1.0%	0.8%	1.0%	0.9%	1.1%	1.0%	1.0%	1.0%	1.0%
F) DEPOSITS RECEIVED ON CEDE	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
G) DEFERRED TAX LIABILITIES	0.9%	0.7%	1.0%	1.0%	0.8%	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%
H) DEBT	10.5%	9.8%	11.5%	11.0%	13.2%	12.2%	14.3%	13.5%	12.5%	11.8%	11.2%
I. Issue of debentures and other negotiab	1.5%	1.5%	1.4%	1.5%	1.4%	1.4%	1.7%	1.6%	1.5%	1.4%	1.3%
II. Due to credit institutions	1.0%	0.8%	1.2%	1.3%	1.7%	0.7%	0.9%	0.8%	0.8%	0.7%	0.7%
III. Other financial liabilities	1.8%	1.9%	2.6%	2.3%	3.7%	3.3%	3.9%	3.7%	3.4%	3.2%	3.1%
IV. Due on direct insurance and co-insur	1.4%	1.6%	1.3%	1.4%	1.4%	1.7%	2.0%	1.9%	1.8%	1.7%	1.6%
V. Due on reinsurance operations	1.8%	1.3%	2.1%	1.9%	2.0%	1.8%	2.2%	2.0%	1.9%	1.8%	1.7%
VI. Tax liabilities											
1. Tax on profits to be paid	0.2%	0.2%	0.1%	0.1%	0.1%	0.3%	0.3%	0.3%	0.3%	0.2%	0.2%
2. Other tax liabilities	0.5%	0.5%	0.5%	0.4%	0.5%	0.5%	0.6%	0.6%	0.6%	0.5%	0.5%
VII. Other debts	2.1%	2.1%	2.2%	2.3%	2.4%	2.3%	2.7%	2.6%	2.4%	2.3%	2.1%
I) ACCRUAL ADJUSTMENTS	0.4%	0.4%	0.4%	0.5%	0.5%	0.6%	0.5%	0.5%	0.4%	0.4%	0.4%
J) LIABILITIES LINKED TO NON-CURRENT ASSETS HELD FOR SALE AND FROM DISCONTINUED OPERATIONS	0.0%	0.3%	0.2%	10.5%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL LIABILITIES AND EQUITY	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Appendix 6: Net Earned Premiums Growth by Segment

Iberia:

Iberia Non-Life	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	Assumption
Real Gdp Growth	3.2%	3.2%	-11.3%	5.5%	5.5%		1.5%	1.7%	2.0%	2.0%	2.0%	A spread between Mapfre and the P&C market growth was used considering the value of FY2022 and FY2023 as a clear outliers. Sources: Allianz,2023 and IMF,2023
Inflation	2.0%	1.7%	-0.30%	3.0%	8.3%		4.8%	3.2%	2.0%	1.7%	1.7%	
Spanish Market P&C Growth	4.1%	3.5%	1.1%	3.3%	5.1%		4.3%	4.3%	4.3%	4.3%	4.3%	
Spread Real GDP- P&C Market Growth	-0.9%	0.3%	12.4%	-2.2%	-0.4%		2.6%	3.1%	0.8%	1.5%	2.0%	
Spread between MAPFRE Net Earned Premiums growth To P&C Market Growth	-0.9%	-0.3%	-1.4%	-1.0%	-2.9%		-1.3%	-1.4%	-1.6%	-1.6%	-1.8%	
MAPFRE NEP Growth		3.2%	3.2%	-0.2%	2.3%		3.0%	2.9%	2.7%	2.9%	2.8%	

Iberia Life	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	Assumption
Mapfre Net Earned Premiums growth	16.1%	-5.7%	-31.4%	26.0%	-9.2%		14.9%	11.4%	8.2%	8.0%	5.2%	According To the Company The growth of their life business is connected with spanish disposable income developments and as such We will use an historical spread between the company's premiums growth and the growth of the spanish household disposable income. Source: Statista,2023.
Spanish Disposable Income Growth		-3.1%	-2.1%	10.9%	-2.0%		5.0%	3.8%	2.8%	2.7%	1.7%	
Spread		185.6%	1475.7%	239.6%	469.0%		298.1%	298.1%	298.1%	298.1%	298.1%	

Brazil:

Brazil Non-Life	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	Assumption
Spread GDP- Non-Life Market	-0.8%	-0.2%	-5.2%	-2.7%	-1.4%		0.6%	1.0%	-1.3%	-1.3%	-1.3%	MAPFRE has historically underperformed the Non-Life market growth and due to no outstanding events in M&A this trend should persist. To factor this, na historical average of the company NEP growth to the Latin American Market(Swiss re,2022) was used considering F2022 as an outlier due to inflation and currency appreciation concerns. Lastly, for 2025E-2027E the historical relationship between real gdp growth and NEP growth was used to project premium growth. (Source: IMF,2023)Due to volatility concerns, a PPP approach was used to compute currency appreciation
Nominal Growth Non-Life	6.3%	5.2%	5.1%	16.0%	13.7%		5.9%	5.7%	3.7%	3.7%	3.7%	
Spread Nominal Growth to MAPFRE NEP growth	-17.9%	-8.0%	-36.2%	-12.5%	35.1%		-12.8%	-12.8%	-12.8%	-12.8%	-12.8%	
Mapfre NEP growth	-11.6%	-2.8%	-31.1%	3.5%	48.8%		-8.2%	-7.5%	-9.9%	-9.9%	-10.0%	

Brazil Life	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	Assumption
Spread GDP-Life Insurance Market Growth	6.1%	-6.6%	0.6%	0.9%	2.2%		-1.8%	-1.4%	0.1%	0.0%	-0.2%	We used the historical average of the spread between MAPFRE NEP Growth and the life market growth due to the entrance of Talanx in the Brazilian life insurance market that should decrease the premiums growth even with the increase in policy pricing and brazilian real appreciation that bolstered growth in 2022. Furthermore, due to the volatility of the brazilian real, a PPP approach was used to estimate currency appreciation. Lastly, for 2025E-2027E The historical relationship between premiums growth and real gdp growth was used to project premium growth. Source:IMF,2023 and Swiss RE,2022
Nominal Growth Life Insurance	-0.6%	11.6%	-0.7%	12.4%	10.1%		8.3%	8.1%	6.3%	6.3%	6.3%	
Spread to Mapfre premium growth	-11.0%	-16.4%	-21.9%	-12.9%	16.7%		-9.1%	-8.7%	-7.2%	-4.2%	-2.5%	
MAPFRE NEP Life Growth							-2.1%	-1.0%	-1.8%	1.2%	2.8%	

LATAM South:

LATAM SOUTH												Assumption
LATAM South Non-Life	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	
Non-Life Insurance Premiums growth (real)	4.1%	2.6%	1.5%	1.9%	7.7%	4.3%	0.9%	0.9%	3.60%	3.86%	3.63%	The company has historically underperformed in comparison to market growth as such we will deploy na historical average of the spread of Nominal NEP growth in Latin America and MAPFRE NEP Growth considering 2020 and 2017 as outliers . Additionally, to compute expected growth from 2025E-2027E an historical average was used of the spread between real gdp growth and latin american market growth. Lastly, due to currency appreciation volatility a PPP approach was used to compute currency appreciation utilizing the Peruvian SOL as a proxy. Source:IMF,2023 and Swiss Re,2022.
Real GDP-Non-life premium growth spread	-2.7%	-1.4%	-1.3%	-8.7%	-0.7%	-0.3%	0.7%	1.3%	-1.3%	-1.3%	-1.3%	
Nominal Premium Growth	10.4%	9.2%	9.2%	8.3%	17.5%	18.3%	14.2%	9.9%	10.5%	10.4%	9.7%	
Spread To Mapfre Nep growth		-36.1%	-10.0%	-27.2%	-10.0%	-0.8%	-7.7%	-7.7%	-7.7%	-7.7%	-7.7%	
Mapfre Premium Growth		-27.0%	-0.8%	-18.9%	7.5%	17.6%	4.7%	3.3%	2.6%	2.5%	1.8%	
Life												
Life Insurance Premiums growth (real)	0.4%	-4.3%	7.9%	-3.9%	4.1%	0.7%	3.3%	3.3%	5.4%	5.6%	5.4%	In an initial phase due to the expansion and creation of Asulados Seguros de Vida in the colombian market that disrupted Mapfre's market share in the region, we will use the spread between the nominal premiums earned growth in the latin american and the company's NEP growth of FY2022. With the further estabilization of the market expected after 2023E, we will use an 5yr historical average of the aforementioned spread. Lastly, due to currency exchange rates volatility a PPP approach using the Peruvian Sol will be conducted. Sources:IMF,2023 and Swiss Re,2022
Spread GDP-Life real premium growth	0.95%	5.50%	-7.73%	-2.89%	2.92%	3.26%	-1.71%	-1.07%	3.1%	3.1%	3.1%	
Nominal Premium Growth	6.7%	2.3%	15.6%	2.5%	13.9%	14.7%	16.6%	12.3%	12.3%	12.1%	11.5%	
Spread Nominal Premium Growth And Mapfre Growth		-26%	-24%	-19%	14%	17%	15.4%	15.4%	15.4%	15.4%	15.4%	
Mapfre Growth							30.1%	28.7%	27.4%	27.3%	26.6%	

LATAM North

LATAM North												Assumption
Non-Life	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	
Non-Life Insurance Premiums growth (real)	4.1%	2.6%	1.5%	1.9%	7.7%	4.3%	0.9%	0.9%	3.24%	3.50%	3.27%	The historical spread to the Latin american nominal premium growth was used in 2018,2019,2021. Its important to note that the growth in F2022 was bolstered by a 2 year policy agreement issued with the mexican government and therefore this year was deemed as an outlier. Lastly, due to the volatility of the Mexican currency a PPP approach was conducted to consider future currency appreciation. (Sources : IMF,2023 and Swiss Re,2022)
Real GDP-Non-life premium growth spread	-2.7%	-1.4%	-1.3%	-8.7%	-0.7%	-0.3%	0.7%	1.3%	-0.9%	-0.9%	-0.9%	
Nominal Premium Growth	10.4%	9.2%	9.2%	8.3%	17.5%	18.3%	14.2%	9.9%	10.2%	10.0%	9.3%	
Spread Mapfre NEP		-8.6%	-0.9%	13.5%	-5.5%	5.8%	-4.8%	-4.8%	-4.8%	-4.8%	-4.8%	
Premiums Growth		0.5%	8.2%	21.8%	12.0%	24.2%	9.1%	5.1%	5.3%	5.2%	4.5%	
Life												
Mexican Life Insurance Market (2012-2022) (source:Allianz estimates)	9.2%											The company historically grew in line with the Mexican Life insurance Market Growth. The spread between MAPFRE'S and Mexican Life insurance market growth will be used. In addition to this, 105mln EUR will be added to this growth due to the acquisition of Insignia Life that according to MAPFRE estimates will generate a premium revenue of 105mln Eur in 2023E.(Mapfre,2023). Lastly, due to currency volatility concerns a PPP approach will be conducted to forecast future exchange rates.
Mapfre premiums growth CAGR (2017-2022) Note: The company in 2012 had different business units leading to a impossibility to find the required information for NEP in 2012	8.8%											
Spread	0.4%											
Expected Life Insurance Market Growth Mexico							8.3%	8.3%	8.3%	8.3%	8.3%	
Premiums Growth		9.2%	9.2%	9.2%	9.2%	9.2%	4.9%	7.2%	6.9%	7.0%	6.7%	

North America:

North America	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	Assumption
USA												
Real Gdp Growth	2.2%	2.9%	2.3%	-2.0%	5.9%	2.1%	1.6%	1.1%	1.8%	2.1%	2.1%	
Inflation	2.5%	2.7%	2.0%	1.4%	4.7%	7.9%	4.5%	2.3%	2.1%	2.0%	2.0%	
Non-Life												
Non-Life Insurance Real Premiums Growth	3.1%	3.0%	3.7%	4.1%	3.2%	0.4%	1.9%	1.9%	2.2%	2.5%	2.5%	The historical spread between MAPFRE NEP growth and Nominal USA Life insurance Premiums growth will be used. The 2022 value will be deemed as an outlier due to the inclusion of Century in this sector in FY2022, that previously was a part of MAPFRE Assistance. From 2025E-2027E, the historical spread between real gdp growth and real premiums growth will be use to project the latter. (Source: IMF,2023 and Swiss RE,2022).
Real GDP-Non.life premium growth spread	0.9%	0.1%	1.4%	6.1%	-2.7%	-1.7%	-0.3%	-0.8%	-0.4%	-0.4%	-0.4%	
Nominal Premium Growth	5.6%	5.7%	5.7%	5.5%	7.9%	8.3%	6.4%	4.2%	4.3%	4.5%	4.5%	
Spread to MAPFRE NEP		-6.9%	-11.8%	-18.3%	-14.6%	7.1%	-11.1%	-11.1%	-11.1%	-11.1%	-11.1%	
Growth		-1.2%	-6.1%	-12.8%	-6.7%	15.4%	-4.7%	-6.9%	-6.8%	-6.6%	-6.6%	
Life												
Historical CAGR		-19%										Historical 5yr CAGR due to the low significance of this business.

Eurasia:

Eurasia	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	Assumption
Non-Life												
World Real Growth Premiums Non-Life	2.9%	3.7%	4.0%	3.3%	3.7%	0.5%	2.3%	2.3%	2.1%	2.1%	2.0%	New businesses restrictions in car dealerships have effected negatively the premiums earned in Italy. These restrictions are in force since 2021 and there is no timeline for their ending so I will assume that the premiums will grow at the 2 year spread between MAPFRE historical YOY growth and the non-life global market premium growth. (Source: IMF,2023 and Swiss Re,2022)
Spread Real GDP-NEP Growth		-0.07%	-1.19%	-6.11%	2.58%	2.92%	0.53%	0.72%	1.06%	1.06%	1.06%	
Nominal Premiums Growth		7.3%	7.5%	6.5%	8.4%	9.2%	9.3%	7.2%	6.0%	5.7%	5.5%	
Spread Mapfre		-18.2%	-0.6%	-21.2%	-16.9%	-12.2%	-14.5%	-14.5%	-14.5%	-14.5%	-14.5%	
Mapfre Premiums Growth		-10.9%	6.9%	-14.7%	-8.5%	-3.0%	-6.0%	-5.1%	-7.4%	-6.0%	-5.5%	
Life												
Mapfre Eurasia Premiums Growth		11.0%	-11.2%	-4.4%	20.2%	-23.3%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%	Due to the small significance and restructuring of operations to focus on the company's core business in Latin America and Europe, na historical 3year CAGR of premiums was used to project the continuous restructuring of this sector.

MAPFRE Reinsurance:

MAPFRE Re	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	Assumption
Non-Life												
World Real GDP Growth		3.63%	2.81%	-2.81%	6.28%	3.42%	2.83%	3.02%	3.16%	3.16%	3.07%	Attractive pricing schemes in alliance with a global increasing awareness for risk mitigation regarding new challenges will allow the market to grow 8% and 7.5% in F2023 and F2024 (Fitch,2023). An historical average (2020-2022) regarding spread between the company's premium growth and market growth was used due to the company improving its relation to the market average as it is strenghtning its position in this sector. (Source: IMF,2023)
Growth Global Reinsurance Market	6.5%	8.2%	13%	6.7%	8.0%	12%	8.0%	7.5%	10.1%	10.1%	10.0%	
Spread To Mapfre		5.8%	8.6%	1.3%	0.8%	-2.4%	-0.1%	-0.6%	-1.0%	-0.6%	-0.7%	
Spread GDP- Global Reinsurance Market Growth		-4.53%	-10.40%	-9.47%	-1.73%	-8.68%	-5.17%	-4.48%	-7.0%	-7.0%	-7.0%	
Growth Mapfre		2.3%	4.6%	5.3%	7.2%	14.5%	7.9%	6.9%	9.1%	9.6%	9.3%	
Life												
Growth Global Reinsurance Market	6.5%	8.2%	13%	6.7%	8.0%	12%	8.0%	7.5%	10.1%	10.1%	10.0%	Attractive pricing schemes in alliance with a global increasing awareness for risk mitigation regarding new challenges will allow the market to grow 8% and 7.5% in F2023 and F2024 (Fitch,2023). An historical average (2020-2022) regarding spread between the company's premium growth and market growth was used due to the company improving its relation to the market average as it is strenghtning its position in this sector.
MAPFRE RE Reinsurance Premiums Growth		-0.9%	-49.1%	14.7%	8.0%	1.4%	1.4%	0.9%	3.5%	3.5%	3.4%	
Spread		9.0%	62.3%	-8.0%	0.0%	10.7%	6.6%	6.6%	6.6%	6.6%	6.6%	

Assistencia:

Assistencia	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	Assumption
Net Earned Premiums Growth		-10.5%	-1.2%	-20.1%	-19.5%	-35.9%	-9.0%	-9.0%	-9.0%	-9.0%	-9.0%	According to informations disclosed by the company, this sector is being restructured to focus on the company's core business in Europe and Latin America. Due to the continuation of this efforts an Historical 5 year CAGR will be used to forecast the growth of this business segment. (Source: Damodaran,2023)
European Market Revenue CAGR (2017-2022)	6.3%											
MAPFRE Assistencia NEP CAGR(2017-2022)	-18.3%											
Spread	24.6%											
Expected Growth European Market	16%											

Appendix 7: Net Operating Expenses

Net Operating Expenses	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	Assumption
Acquisition Expenses	€ (4,924.76)	€ (4,810.80)	€ (5,020.10)	€ (4,610.20)	€ (4,611.00)	€ (5,086.20)	€ (5,318.72)	€ (5,516.70)	€ (5,729.65)	€ (5,989.12)	€ (6,260.15)	Due to MAPFRE'S stable relationship regarding this rubric and Net Earned Premiums growth, the 2022 value of Acquisition Expenses/ Net Earned Premiums will be use to consider the reliable cost management achieved during na inflationary crisis.
% NEP	-26.0%	-25.4%	-26.2%	-27.6%	-26.4%	-26.5%	-26.5%	-26.5%	-26.5%	-26.5%	-26.5%	
Administration Expenses	-760.01	-745.58	-723.9	-746.8	-766.8	-831.8	€ (883.43)	€ (911.15)	€ (945.01)	€ (990.59)	€ (1,033.95)	The 2022 ratio of Administration expenses/NEP was used to consider the company's cost management during the inflationary crisis.
% NEP	-4.0%	-3.9%	-3.6%	-4.5%	-4.4%	-4.3%	-4.4%	-4.4%	-4.4%	-4.4%	-4.4%	
Comissions and Participations in reinsurance	€ 557.03	€ 567.66	€ 635.80	€ 669.90	€ 722.40	€ 764.40	€ 812.08	€ 844.45	€ 870.99	€ 913.88	€ 955.04	A 3y historical moving average was used to consider the company's focus in the reinsurance sector
% NEP	2.94%	3.00%	3.32%	4.01%	4.14%	3.98%	4.04%	4.05%	4.02%	4.04%	4.04%	
Net Operating Expenses	€ (5,127.74)	€ (4,988.72)	€ (5,108.20)	€ (4,687.10)	€ (4,655.40)	€ (5,153.60)	€ (5,390.08)	€ (5,583.40)	€ (5,803.67)	€ (6,065.83)	€ (6,339.06)	
% Growth		-2.7%	2.4%	-8.2%	-0.7%	10.7%	4.6%	3.6%	3.9%	4.5%	4.5%	

Appendix 8: Investment Revenues

German AAA bunds	
5Y	2.61%
10Y	2.61%
15Y	2.76%

Forward Rate
2.84%

	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	Variation
10Y rates	2.66%	2.70%	2.75%	2.79%	2.84%	0.05%

	2017	2018	2019	2020	2021	2022	F2023	F2024	F2025	F2026	F2027
Investment Revenues €	2,559.14	€ 2,390.12	€ 2,994.31	€ 2,226.26	€ 2,407.12	€ 2,338.76	€ 2,729.49	€ 2,984.87	€ 3,220.67	€ 3,456.50	€ 3,711.16
Investment Return	5.7%	5.4%	6.3%	5.7%	6.1%	6.7%	6.9%	7.0%	7.0%	7.0%	7.1%
German 10Y Bunds (Source: CNBC,2023)		0.2%	-0.25%	-0.5%	-0.3%	2.5%	2.66%	2.70%	2.75%	2.79%	2.84%
Spread		5.2%	6.6%	6.3%	6.4%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%

Appendix 9: Country Risk Premium

	Country Risk Premium	Weighted Average
Iberia		
Portugal	2.9%	0.02%
Spain	2.3%	0.7%
LATAM NORTH		
Mexico	2.9%	0.1%
Panama	2.9%	0.0%
Other	6.1%	0.2%
LATAM South		
Argentina	13.7%	0.1%
Chile	1.3%	0.0%
Colombia	2.9%	0.0%
Peru	2.4%	0.1%
Other	6.1%	0.1%
Brazil	4.6%	0.6%
North America		0.0%
United States	0.0%	0.0%
Puerto Rico	0.0%	0.0%
Eurasia		0.0%
Italy	3.3%	0.0%
Malta	1.3%	0.0%
Turkey	9.9%	0.1%
Other	5.9%	0.1%
Assistance	2.3%	0.0%
Global Risks	0.0%	0.0%
Reinsurance	2.9%	0.6%
Total		2.81%

Appendix 10: Dividend Discount Method

DDM	2022	2023E	2024E	2025E	2026E	2027E
Net Income	€ 642.13	€ 590.88	€ 696.64	€ 810.95	€ 846.34	€ 927.96
DPS	€ 0.14	€ 0.145	€ 0.146	€ 0.146	€ 0.145	€ 0.151
Payout Ratio	70%	76%	64%	55%	50%	50%
Ke	12%	12%	12%	12%	12%	12%
Discount factor		89.1%	79.3%	70.6%	62.9%	56.0%
PV DPS	€ 0.13	€ 0.12	€ 0.10	€ 0.09	€ 0.08	
Sum Present Value of DPS	€ 0.52					
Perpetual Growth Rate	2.64%					
Terminal Price	€ 1.60					
PV Terminal Price	€ 0.90					
Target Price	€ 1.42					

Appendix 11: Perpetual Growth:

	Inflation (2028 IMF estimates)	Weighted Average (g)
Iberia		
Portugal	2.0%	0.01%
Spain	1.7%	0.51%
LATAM NORTH		
Mexico	3.0%	0.14%
Panama	2.0%	0.02%
Other	5.7%	0.16%
LATAM South		
Argentina	32.5%	0.26%
Chile	3.0%	0.04%
Colomb	3.0%	0.04%
Peru	2.0%	0.05%
Other	5.7%	0.05%
Brazil	3.0%	0.38%
North America		0.00%
United States	2.1%	0.16%
Puerto Rico	2.1%	0.03%
Eurasia		
Italy	2.0%	0.02%
Malta	2.0%	0.03%
Turkey	20.0%	0.26%
Other	1.9%	0.03%
Assistance	1.7%	0.03%
Global Risk	1.7%	0.09%
Reinsurance	1.7%	0.35%
Total		2.64%

Appendix 12: Peer Analysis

Company Name	MAPFRE S.A.	Talanx	AGEAS	Catalana Occidente	Allianz	Aegon	over Insurance Group	UnipolSai	Insurance Group	Aviva PLC	Zurich
Market CAP (billion of euros)	6.06 €	11.23 €	6.96 €	3.56 €	92.46 €	9.66	3.74 €	6.5 €	2.33	10.11 €	61.40
Revenues 2022	25,067.5 €	12,680 €	10,383.0 €	5,245.0 €	152,670.00 €	46,140.00	5,469 €	14,865.20 €	6,523.00	23,537.90 €	38,650.00
Assets 2022	59,625.8 €	193,113 €	100,307.0 €	17,970.8 €	1,021,005.00 €	468,250.00	13,997.20 €	75,125.77 €	28,196.30 €	337,228.12 €	349,890.74
Employees	31293	23669	44000	8564	159000	22400	~5000	12315	21000	22000	60000
Solvency Ratio	201.2%	208%	218%	247%	201%	211%	Non EU based company	274%	246%	196%	265%
Services											
Property & Casualty Insurance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Health Insurance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Reinsurance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓
Life Insurance	✓	✓	✓	✓	✓	✗	✗	✓	✓	✗	✓
Profitability Indicators											
Combined Ratio	98%	98.9%	96.5%	93.8%	95.00%	91.70%	99.8%	94%	93%	94.4%	94.30%
Regions											
EMEA	✓	✓	✓	✓	✓	✗	✗	✓	✓	✓	✓
Latin America	✓	✗	✗	✗	✓	✓	✗	✗	✗	✗	✓
North America	✓	✓	✗	✗	✓	✓	✓	✗	✗	✓	✓
APAC	✓	✓	✓	✓	✓	✓	✗	✗	✗	✓	✓

Appendix 13: P/B regression analysis

Company	ROE	Beta	P/B	Predicted P/B
MAPFRE	7%	0.75	0.74	0.86
Zurich	14%	0.59	2.93	2.92
Allianz	12%	1.11	1.68	1.11
Grupo Catalana Occidente	11%	0.9	0.76	1.35
Talanx	9%	0.83	1.76	1.16
UnipolSai	11%	1.1	0.51	0.97
Upside Potential	26.2%			

$$P/B = \alpha + ROE - Beta$$

Regression Statistics	
Multiple R	0.84
R Square	0.70
Adjusted R Square	0.50
Standard Error	0.65
Observations	6

ANOVA

	df	SS	MS	F	Significance F
Regression	2	2.93	1.47	3.49	0.16
Residual	3	1.26	0.42		
Total	5	4.19			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	0.80	1.93	0.42	0.70	-5.33	6.94	-5.33	6.94
ROE	25.97	13.22	1.96	0.14	-16.11	68.05	-16.11	68.05
Beta	-2.49	1.43	-1.74	0.18	-7.04	2.07	-7.04	2.07

Appendix 14: P/E regression analysis

Company	Dividend Yield	EPS (2017-2021)	Beta	P/E	Predicted P/E
MAPFRE	7.9%	2%	0.75	9.21	10.80
Zurich	6.2%	13%	0.59	14.96	13.66
Grupo Catalana Occ	3.0%	7%	0.90	6.26	5.55
Allianz	5.1%	1%	1.09	10.50	11.71
Talanx	4.1%	11%	0.83	11.35	12.20
UnipolSai	7.3%	-5%	1.10	13.84	12.18
Upside Potential	25.5%				

$$P/E = \alpha + \text{Dividend Yield} + \text{EPS 5y} + \text{Beta}$$

Regression Statistics	
Multiple R	0.90
R Square	0.81
Adjusted R Square	0.51
Standard Error	2.20
Observations	6

ANOVA						
	df	SS	MS	F	Significance F	
Regression	3	40.1	13.4	2.8	0.3	
Residual	2	9.7	4.8			
Total	5	49.8				

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	-53.5	26.8	-2.0	0.2	-169.0	62.0	-169.0	62.0
Dividend Yield	386.4	139.5	2.8	0.1	-213.7	986.5	-213.7	986.5
EPS 5y g	151.5	64.8	2.3	0.1	-127.3	430.3	-127.3	430.3
Beta	40.5	18.8	2.2	0.2	-40.3	121.2	-40.3	121.2

Appendix 15: Residual Income Valuation

Residual Income Method	2022	2023	2024	2025	2026	2027
Net Profit attributable to controlling interests	€ 642.13	€ 590.88	€ 696.64	€ 810.95	€ 846.34	€ 927.96
Equity attributable to the controlling interests	€ 7,289.29	€ 8,988.99	€ 9,639.10	€ 10,319.51	€ 10,731.97	€ 11,207.46
ROE	8.8%	6.6%	7.2%	7.9%	7.9%	8.3%
Final Dividends	€ 446.46	€ 446.46	€ 448.63	€ 446.46	€ 446.46	€ 463.98
Retained Earnings	€ 195.67	€ 144.41	€ 248.02	€ 364.49	€ 399.88	€ 463.98
Number Of Shares Outstanding	3079.6	3079.6	3079.6	3079.6	3079.6	3079.6
Book Value per share	€ 2.37	€ 2.92	€ 3.13	€ 3.35	€ 3.48	€ 3.64
Cost of Equity @	12.28%					
Equity Charge		€ 0.29	€ 0.36	€ 0.38	€ 0.41	€ 0.43
EPS		€ 0.19	€ 0.23	€ 0.26	€ 0.27	€ 0.30
EPS- Equity Charge		€ (0.10)	€ (0.13)	€ (0.12)	€ (0.14)	€ (0.13)
PV Eps-Eqq. Charge		€ (0.10)	€ (0.12)	€ (0.10)	€ (0.10)	€ (0.08)
Value If Operations Stopped	2.53 €					
Value Multi-Stage Model (w=0.812) (Industry Average)	2.45 €					
Price 12/10/2023	1.98 €					

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Recommendation System

Level of Risk	SELL	REDUCE	HOLD/NEUTRAL	BUY	STRONG BUY
High Risk	0%≤	>0% & ≤10%	>10% & ≤20%	>20% & ≤45%	>45%
Medium Risk	-5%≤	>-5% & ≤5%	>5% & ≤15%	>15% & ≤30%	>30%
Low Risk	-10%≤	>-10% & ≤0%	>0% & ≤10%	>10% & ≤20%	>20%