



**MAPFRE**

Antonio Huertas  
Chairman and CEO of MAPFRE  
Speech  
Annual General Meeting 2017

Good morning, Shareholders, and welcome.

Once again, I would like to thank you very much for your trust and support.

As you will have seen in the reports presented to the AGM during the course of the day, MAPFRE's results for the past year were very positive: revenues increased, we reduced costs and improved profits, and we consolidated our position in the main markets. So 2016 was undoubtedly a good year for the company, on the back of which we were able to approve a generous return for our shareholders, with a magnificent dividend, up 11.5 percent, and a payout of 57.6 percent. The market clearly recognized these results and MAPFRE's share price was the best financial security on the IBEX in 2016, and the second best insurance security in Europe.

2016 was the first year of the new 2016-2018 Strategic Plan, which, with the slogan of "Focus on profitable growth", revolves around four core lines of action: client orientation, management excellence, digital transformation, and culture and human talent.

This first year of the plan can be described as very advanced in that we have implemented 98 percent of the projects planned within our strategic initiatives, and have fulfilled 85 percent of the plan indicators.

Later on I will explain our progress with this plan in more detail and will discuss our main projects for the future, but first of all please allow me to spend a few moments mentioning certain people who have

played a key role at MAPFRE but have now left the company for various reasons. I would also like to refer to how we have replaced them.

Since the last Annual General Meeting, the following changes have taken place:

- Departure of Esteban Tejera Montalvo, former first vice chairman of the Board and finance manager of the Group, who retired from all of his executive positions at MAPFRE on January 1, 2017.

With more than 30 years experience in the insurance industry, Esteban Tejera played a key executive role at MAPFRE over the last 20 years and made a significant contribution to the Group's success and development during this time.

We were fortunate to be able to count on his valuable assistance in decision-making processes, his shrewd business acumen, his rigor, and his strong commitment and dedication. Together with his personal qualities, these made him an example to follow, both in life and within the organization. His dual responsibility as vice chairman and most senior finance executive during the difficult crisis years enabled us to weather those troubled times with confidence, solvency and professionalism.

- Departure of Rafael Beca Borrego, who resigned for personal reasons on December 31, 2016. Rafael had been a director of MAPFRE S.A. since 2006 and in the last two years served as independent supervising director.
- Departure of Rafael Casas Gutiérrez, formerly MAPFRE's most senior management representative in Latin America, after his retirement from the Group in December 2016. Rafael was undoubtedly one of MAPFRE's "old timers", having started out as a sales agent in the territorial organization and worked his way up to the top management level. He maintained an impeccable track record throughout his career and his outstanding achievements were critical to the Group's development in Latin America.
- Departure of Rafael Fontoira Surís from his position as director in July 2017, on reaching the mandatory retirement age.
- Departure of Alberto Manzano Martos, on reaching the mandatory retirement age in April 2017.
- Departure of Andrés Jiménez Herradón, on reaching the mandatory retirement age in February 2017.

Our sincere thanks to all of them for their efficiency and loyal collaboration throughout the years in which they served as directors.

The following changes also took place:

- Appointment of Antonio Núñez Tovar, in place of Esteban Tejera, as first vice chairman of the MAPFRE Board of Directors and its Steering Committee. In recent years Antonio has combined his duties as our second vice chairman with important executive responsibilities at MAPFRE, all of which he has performed with notable success and efficiency.
- Appointment of Catalina Miñarro Brugarolas as second external vice chairwoman of the Board and the Steering Committee, and also independent supervising director in place of Rafael Beca. Her appointment underpins the company's commitment to gender equality.
- Appointment of Fernando Mata Verdejo as director and chief financial officer of MAPFRE, with the added responsibility of coordinating the compliance, actuarial and risk functions. Fernando brings significant international experience to his new post, having been the Group's head of strategy and development in recent years.

Also today, this Annual General Meeting approved the appointment of Francisco José Marco Orenes as a member of the Board of Directors.

Javier Fernández-Cid Plañiol, head of the MAPFRE International Territorial Area, also stepped down from his executive positions at the company in December of 2016. In a markedly international career spanning more than 35 years with the Group, Javier Fernández-Cid occupied a variety of senior management positions.

Javier played a key role in consolidating the Group's global orientation and we thank him for his excellent work, unwavering commitment and dedication.

Please allow me now to proceed, in the first place, with a general explanation of the main pillars underpinning our strategy. I will then focus on each region of the world where MAPFRE is present and will

briefly discuss their economic projections and the opportunities they offer for the development of our business.

With regards to the progress and challenges related to the strategic pillar of CLIENT ORIENTATION over the last year, work was done on defining a standard client relationship model that not only covers the segmentation process but also data quality, management tools, and satisfaction metrics. During 2017 we will start implementing the model in the different countries based on their maturity level.

We also addressed the challenges that technological changes are posing for society and the insurance industry. In this respect, we are

currently developing innovative proposals in the field of Automobile insurance, the epicenter of the most radical changes.

Regarding DIGITAL TRANSFORMATION, in 2017 we will speed up our progress on this initiative by executing more than 160 projects and deploying a variety of global solutions to strengthen self-directed services and contribute to the development of key capabilities such as big data and mobility.

In terms of the digital business itself, in 2017 we will redouble our effort on a larger number of countries, with actions designed to increase resources, reduce acquisition costs, improve the technical result, and boost client retention.

With regard to TECHNICAL AND OPERATIONAL MANAGEMENT EXCELLENCE, in 2016 we reinforced the control of our technical and actuarial teams through focusing on profitable growth.

We also forged ahead with the implementation of the Global Operational Efficiency Model, with a new design for contact centers, changes in the claim handling process, and the definition of the automation strategy.

The Service Providers initiative is proceeding according to plan and has now been implemented in 18 countries. In the ones where it is more advanced, we have identified "brand ambassador" providers and have succeeded in processing a higher volume of managed services with a lower average cost than in the other countries, achieving above-

average perceived quality rates. In 2017 we will continue with the implementation process and will forge ahead with the development of a Global Extranet for service providers.

Meanwhile, we have managed to significantly reduce global IT costs by negotiating worldwide contracts with providers, achieving savings of more than 10 million euros in 2016.

In 2017 we will step up our efforts to harness the synergies between countries and will continue to optimize contracts with third parties.

With regard to the CULTURE AND HUMAN TALENT strategic line, we are committed to internal mobility, both occupational and geographic. We have created global knowledge schools, investing in training our

employees. We also have flexible global remuneration and recognition systems. All of this strengthens our internal culture of effort, mutual commitment and sense of belonging. Diversity policies are aimed at achieving effective gender equality and the full inclusion of people with disabilities in our workforce.

Dear Shareholders, we firmly believe that these initiatives are strengthening MAPFRE. Based on sustained and profitable growth, we are cultivating a transformation within the company that will make us a benchmark in terms of technological, operational and service-related aspects.



Now we will move on to analyzing our world regions, examining both the socio-economic situation as well as the business aspects.

2016 was marked by several important events with repercussions for economic and political dynamics worldwide.

There is also enormous uncertainty surrounding the consequences that could arise from Brexit, the elections in certain European countries, the rise of protectionist policies, and the limits on migration, all of which could compromise the market growth.

In general terms, the global growth forecast for 2017 is slightly above 3.1 percent. There are three key factors favoring the growth of the global economy. Firstly, in a climate of low interest rates, financial costs remain low. Secondly, the increasing proliferation of expansionary fiscal policies will encourage consumer spending and investment. And lastly, the reversal of the trend in the price of raw materials, still relatively low for the developed countries, will benefit some of the emerging exporting countries.

MAPFRE's Economic Research arm predicts an upturn in the insurance business in both developed and emerging markets, with the latter leading the way.

Reviewing each of our regions, let us begin with IBERIA. In Spain the year 2017 will see the economy grow by over 2.3 percent. Some of the factors that boosted economic activity in recent years may be running out of steam—for example, the fiscal stimulus, rising energy costs, and growing personal and business debt.

At this moment in time, the main risks for the Spanish economy are related to the sustainability of the public accounts, the weakness and fragmentation of the political system, and—in a more structural manner—continuing high unemployment. We therefore cannot afford to be complacent. Although still favorable, the economic climate suggests that it would be wise to forge ahead with structural reforms to promote saving and fiscal sustainability, and to incentivize job creation since this is crucial for ensuring the sustained and balanced growth of our economy. The reform of the pension system must take absolute priority in the government's agenda, allowing a solid public system to coexist alongside compulsory earnings-related private schemes.

The climate of low interest rates continues to pose major challenges for the finance sector and the insurance industry.

In 2016 MAPFRE seized the opportunities stemming from the positive performance of the economy.

In this same vein, in 2017 we will focus our efforts in Spain on growing above the market rate, most notably by attracting and retaining the most profitable clients and by increasing cross-selling for both businesses and families. We will simplify home products and optimize rates.

Meanwhile, we will re-launch certain health products, consolidate the unit-linked line of products, and introduce new savings products. We will also strengthen our offering for commercial lines by creating more high value-added services.

Our intermediaries will be segmented, so as to offer the best service for each type, and we will continue to support the development and launch plan for professional agents.

Technical management will be further reinforced by rationalizing loss-making businesses, reducing operating costs and automating even more the communication and management of appraisal activity.

Moving on now to LATIN AMERICA, this is one of the geographic areas where growth prospects are the most uncertain.

In 2016 the slowdown in economic growth intensified throughout the region, albeit with considerable differences from country to country. In

South America, the economy shrank by 2.4 percent. Growth in Central America slowed to 3.6 percent, and a similar phenomenon occurred in Mexico where growth was 2 percent.

Latin America is expected to see a slight upturn in 2017, with average growth in the region just above 1.5 percent for the period 2017-2018.

Meanwhile, inflation is slowing down and in certain countries like Argentina and Brazil, investors' perception will improve.

The context of economic growth, coupled with a climate of high interest rates, will prompt the growth of the insurance business, aided by the low penetration of insurance that persists in Latin America.

In 2017 the priority project for developing the business in LATAM North will continue to be the creation of a proprietary network:

- In Mexico, by extending the office network, recruiting new intermediaries; and through the specific network for personal risks.
- In Central America and the Dominican Republic, by developing new agents and delegates.

We will also continue implementing new bancassurance agreements for mass insurance, microinsurance and commercial lines.

With regard to technical management, in Mexico we will continue with our plan to rationalize the least profitable businesses, especially multi-year policies, and we will implement a new pricing system for

Automobiles and Health as well as a claims management plan for these two lines.

In Mexico we are still immersed in an internal restructuring process involving the reorganization of our activities aimed at getting back to more profitable results.

This year we expect to continue growing and obtaining magnificent results in Central America and the Dominican Republic. And in Mexico, we must significantly improve on our 2016 figures.

In 2017 we will continue to develop multichannel distribution in LATAM South, prioritizing the search for agreements with other types of distributors such as banks and companies in the automotive and distribution sectors.

We will also actively look to open offices and develop our own networks.

We will strengthen life risk products and mass insurance to guarantee a balanced mix of business lines and will promote digital initiatives to facilitate the sale of products and services.

We expect the fruit of these efforts to manifest themselves in significant improvements in results for Argentina, Colombia and Chile, and we will maintain or improve profitability in the other countries, especially Peru.

2016 was probably the last year of recession for BRAZIL. Weak domestic demand resulted in a sluggish performance for the economy,

although the foreign sector was more buoyant. In 2017 the country will experience a slight upturn and is likely to see the continuing fall of interest rates and more moderate inflation.

In spite of these circumstances, in 2016 we managed to sustain our premium profitability and reported good results in the country, with an active policy of cost containment and excellent financial returns.

The improved economic climate in Brazil points to interesting opportunities for insurance activities, where we expect to see growth in both Life and Non-Life.

With regard to business development in Brazil, we are going to focus our efforts on the following:

- Strengthening the MAPFRE network and affinity channels, using client segmentation to create a more complete transversal offering of specific products.
- Implementing distance selling models in the Banco do Brasil channel and increasing the range of products.
- Marketing healthcare assistance products to businesses.
- And harnessing the growth opportunities in individual life and savings insurance arising from the current climate of high interest rates.

To improve our results, we are going to continue monitoring the least profitable businesses, especially in automobile insurance, and we will forge ahead with the mechanization of management and customer service processes to reduce internal costs.

Moving now to NORTH AMERICA, in 2016 the U.S. economy grew by 1.6 percent, largely driven by private consumption and strong employment.

The new upward trend in raw material prices and the expansionary fiscal policy of the new administration are fueling expectations of inflation and higher interest rates.

The forecast for 2017 is an uptick in economic activity based on improved business results and fiscal stimulus to boost investment.

MAPFRE USA will continue to capitalize on this climate to improve profitability, in keeping with the line pursued in 2016.

In 2017:

- We will continue reinforcing our regional structure, which is key to client-oriented decision-making, which will in turn boost profitable growth.
- We will analyze loss-making portfolios, concentrating on the automobile line and the states of Massachusetts, New York, New Jersey, Connecticut, California and Florida.
- We will look at our presence in the USA in order to focus our efforts on those states where our scale gives us the best opportunity to grow profitably. And we will contain our growth plans or stop underwriting in others.

VERTI USA will commence operations in the second half of the year in Pennsylvania. VERTI will enable us to increase our offering and will provide an attractive value proposition for digital clients who prefer a self-directed service. Besides, the operation has been built with technology that supports a high degree of automation and accessibility for clients. This platform will also provide MAPFRE USA with the basis to accelerate its digital transformation.

In EMEA, the Eurozone experienced a slight upturn in GDP growth in 2016 of around 1.6 percent. This could slow down in the next two years but only very slightly, thanks to buoyant domestic demand, the fiscal boost agreed by certain countries in the zone, and the still highly favorable price of oil.

Specifically, Italy, Germany and Malta are expected to see more moderate growth, and Turkey will probably recover more vigorous growth rates over the next two years.

Our core focus for 2017 is:

- To consolidate the excellent positioning of our operation in Turkey and its growing contribution to the Group's results.
- To complete the restructuring of our operations in Italy, where the efforts invested in technical rationalization and cost reduction will lead to a significant improvement in results.



- To continue implementing the initiatives already underway to achieve greater technical profitability and diversification in Malta and Germany.
- To reinforce our value proposition for automobile insurance throughout the region by firmly committing to the provision of a wider range of services and digitalizing both the user experience and internal processes.
- To diversify the product portfolio and continue to develop the different channels, especially the digital one.
- To carry out the transition to the VERTI brand in the Italian and German operations.

The growth projections for the ASIA-PACIFIC region point to a slight slowdown in relation to previous years, mainly as a result of more moderate growth in China.

One of the main highlights of 2016 in Indonesia was the acquisition of an additional 30 percent of the insurance company ABDA, taking our stake to 51 percent. This operation is still pending final authorization from the local supervisors. ABDA is the fifth largest company in the country in terms of Automobile insurance and in 2016 it reported revenues of 88 million euros with a net profit of more than 12 million euros. This acquisition provides MAPFRE with access to a market of more than 250 million inhabitants.

In Asia we will continue to pursue our operations in a prudent manner, reinforcing synergies between countries, developing products and distribution channels, and laying foundations for the future so that we will be in a position to participate in the growth which the region is currently experiencing.

I would now like to move on to a brief explanation about some of the salient aspects regarding the other BUSINESS UNITS.

MAPFRE RE once again performed extremely well in 2016, consolidating its highly prominent position in the LATAM and EMEA markets while stepping up its operations in the United States and APAC, with new office openings in Malaysia and Singapore. Its risk profile greatly complements that of the rest of the Group, adding both diversification and substantial profits.

In the context of a highly competitive market, MAPFRE RE still manages to find opportunities to develop its operations and consolidate its presence in its key markets and with key clients.

In the reinsurance business, we offer our clients long-term and fully integrated support, which provides the company with preferential access to lucrative business opportunities.

From the operational point of view, in 2017 the company will continue to pursue its policy of rigorous underwriting, diversity in the products offered, and proximity to clients.

In collaboration with its clients, it will forge ahead with innovative projects and the search for solutions to expand the "insurability" boundaries of certain risks.

With regard to the development of markets, in EMEA the company will continue to grow its Life business and will undertake other operations related to the implementation of Solvency II. In LATAM it will reinforce its leadership in the region, also working with clients to adapt to the new solvency regimes. In APAC it will grow its business thanks to the new office openings, and in the USA, where it has a highly profitable operation, it will continue developing Life reinsurance.

As the Group's manager of reinsurance coverage and an essential part of our risk management, it will continue to design reinsurance structures that optimize our risk profile and guarantee the stability of our results and capital management.

In 2017 MAPFRE GLOBAL RISKS will work primarily on:

- Enhancing service quality to maintain its leadership position in Spain and Latin America.
- Delegating greater autonomy to local teams in order to gain efficiency while exercising rigorous control over the technical and operational risk.

- Developing its international presence, mainly in Europe but in North America and Asia as well, so to increase the diversification of its business.

The global risks business remains immersed in a highly complex scenario characterized by strong competition, which obliges us to be extremely stringent in our underwriting.

Greater efficiency is crucial to weathering the current market conditions and to being correctly poised to maximize the opportunities that will arise when the cycle changes.

And finally, throughout 2016 MAPFRE ASISTENCIA implemented a wide range of measures to rationalize the businesses that had led to an impairment of its profitability, withdrawing from markets in Russia, Sweden, Egypt and Hong Kong, and intervening decisively in portfolios that had generated the greatest losses. The effects of these measures began to leave their mark in the latter months of the year, although they will become more pronounced in 2017.

Some of the most important markets for ASISTENCIA continue to show enormous strength, as in the case of automobile warranties in the United States, which is still experiencing vigorous growth and offering robust profitability.

The development of the business in Mexico also merits mention, where we once again sustained an excellent pace of profitable growth in spite of the uncertainties in the country.

In 2017 we will pursue our strategy of restructuring operations, continuing to focus on strategic markets and businesses with the capacity for sustained growth and adequate profitability levels.

And now, to begin wrapping up, I would like to refer to our compliance level with respect to our STRATEGIC COMMITMENTS.

With respect to our FINANCIAL objectives, we have achieved excellent or highly satisfactory results. We will continue working in this vein to create sustainable value for shareholders.

1. The revenue increase objective may be relatively slight in these next two years, as was the case in 2016, due on the one hand to our current focus on profitable growth, and on the other to the cut in interest rates, which translates into lower financial income, and which we are beginning to see in some of MAPFRE's main emerging markets. Even so, our premiums will continue to grow at the forecasted rate, assisted in turn by the strength of certain currencies.
2. In relation to improving ROE, we expect to exceed 11 percent in 2018. The revaluation of the US dollar and the Brazilian real, combined with lower interest rates in Europe, have considerably strengthened shareholders' equity and make it even more necessary to fulfill our initial objective.
3. We maintain our objective regarding a dividend yield of around 5 percent, based on the average annual share price, and a payout of



no less than 50 percent with an upper limit of 65 percent of Group profits.

In relation to our four strategic pillars, the main objectives remain as follows:

In relation to the objectives centered around the CLIENT:

- We have reached a 65 percent perceived quality NPS rating, compared with the final target for the three-year period of 70 percent, which we will undoubtedly achieve.
- We increased our Non-Life market share in 50 percent of our markets in 2016, compared with the target of at least 75 percent for the three-year period.

Speaking now of DIGITAL TRANSFORMATION, we can state:

- In 2016 we increased digital transactions in Spain, Brazil, USA and Mexico by 19 percent, compared with a three-year target of 30 percent, so we are on track to meet this objective.
- Digital business increased by 23 percent during the year, compared with a cumulative target of 50 percent, through the MAPFRE, VERTI and INSUREANDGO brands, so once again we can safely say that we should exceed the objective.

Moving on to TECHNICAL AND OPERATIONAL MANAGEMENT EXCELLENCE, it should be noted that:

- The combined ratio was 97.4 percent, as against a 96 percent objective. We will step up our efforts to improve on this objective over the next two years.
- The expense ratio was 27.4 percent, compared with a three-year average objective of 28 percent, demonstrating the success of the cost reduction program. We had calculated an annual average saving of 50 million but we estimate that savings exceeded 60 million during this first year.
- In terms of digital dispatch to service providers, we reached 54 percent during the year, against the objective of 60 percent for the three-year period, which we will comfortably exceed.

Referring to the CULTURE AND TALENT aspect, we would like to say the following:

- We obtained a Great Place To Work score of 72 percent, compared with a final objective of 80 percent by the end of the three-year period. We will need to pull out all the stops in 2017 to ensure that we reach our ultimate objective in 2018.
- With regard to equality policies, women already occupy 38 percent of management job positions, compared with an objective of 40 percent for the three-year period. Our inclusions policies are also bearing fruit because we have already reached 1.4 percent of people with disabilities integrated in our global workforce, with the relevant objective being 2 percent by 2018.

- In 2016 the occupational mobility rate was slightly higher than our 10 percent objective.

By way of conclusion, dear Shareholders:

We are sustaining revenue growth across every geographic area and in all the main products.

The programs we have implemented to enhance efficiency, automation and reduce costs are transforming the Group and helping us exceed our annual savings goals, and we are investing most of these savings in digitalizing operations to produce a greater return in the medium-term.

Our financial returns are also improving, thanks to the highly professional management of our assets.

The MAPFRE business model and the strategy of focusing on profitable growth, accompanied by a very high solvency margin, largely made up of top-tier capital, and a very low level of debt, guarantee healthy growth in the coming years.

Our commitment to you, our shareholders, is clear and consistent, as demonstrated not only by the magnificent returns we offer but also by the efforts we are making to improve the way we interact with you and the service we provide.

A measure of this commitment is the Shareholders Plan we have launched. This is a far-reaching program that aims to enhance our relationship with you by providing more detailed information, specific communication channels, and access to exclusive services.



With regard to clients, we innovate and are geared up for the new market and competitive environments. The FUTURE is already HERE AT MAPFRE. Everything that is anticipated on the immediate horizon already forms part of our reality and will undoubtedly allow us to further enhance our competitiveness and our results.

We are fully immersed in the search for insurance solutions related to connected cars and semi-autonomous vehicles, as well as smart homes, cyber risks and the incorporation of big data and cloud computing into our day-to-day activities.

We are, as always, by our clients' side, who are the object and main beneficiaries of our transformation. To this end we are making strides in the field of mobility, to ensure that they can access our services anywhere, and any time.

We offer new forms of coverage in a simpler, modular format with more affordable, personalized products.

We also think about society and strive to leave as positive a social impact as possible. We have already summarized the efforts we make as a socially responsible company, and we have described the sustainability plan on which we have embarked. Additionally, we have told you about the extraordinary work that Fundación MAPFRE carries out and will continue to pursue in the coming years.

Last year at this meeting I told you that we were developing an Active Transparency Plan, the objective of which was to achieve recognition

for MAPFRE as a company that maintains a transparent relationship with all of its stakeholders.

Today I can tell you that that plan is now a reality and we have already taken significant steps to ensure that our relationships with all of our clients, employees, collaborators, shareholders, providers and society in general is both clearer and closer. One example is the first MAPFRE Integrated Report which you have all received. We continue to work hard to improve our corporate information, and we will simplify our product information, the general terms and conditions of our policies, our communications with third parties, and our internal communication.

We have human teams that are highly trained, enthusiastic, committed, multinational and multidisciplinary, and they wholeheartedly embrace this major transformation in which we are immersed.

As you can see, we are clearly moving in the right direction. We are a **ROBUST, PROFITABLE, RESPONSIBLE AND INNOVATIVE** company.

We create **VALUABLE RELATIONSHIPS** and we offer **TRUST** to our clients, shareholders, employees and collaborators.

We are committed to **PEOPLE**, to their dreams and projects, to their development and protection. And we work hard to improve their quality of life.

In short, we strive each year to be the **BEST** and to help improve the world around us. And we do all of this so that everyone who has a

relationship with MAPFRE, whatever that relationship might be, feels PROUD to be part of this great project.

Thank you, ladies and gentleman, for supporting us and accompanying us on this journey. Goodbye and good evening.