

 **MAPFRE**

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**INVESTORDAY**

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2016

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Certain numerical figures included in the Investor Presentation have been rounded. Therefore, discrepancies in tables between totals and the sums of the amounts listed may occur due to such rounding.

# AGENDA



**00** OPENING REMARKS

Mr. TEJERA + Mr. MATA

**01** SPAIN

Mr. INCHAUSTI

**02** LATAM + BRAZIL

Mr. BAUSELA + Mr. TONETO

**03** INTERNATIONAL + USA

Mr. TAMAYO + Mr. CASTELO

**04** MAPFRE RE

Mr. PÉREZ DE LEMA

**05** INVESTMENTS

Mr. JIMÉNEZ

**06** CAPITAL MANAGEMENT & STRATEGY

Mr. TEJERA + Mr. MATA

**07** CLOSING REMARKS

Mr. HUERTAS

# 01 SPAIN

José Manuel  
Inchausti

Profitable growth  
leveraging the  
momentum of the  
economic recovery

## 01 SPAIN

## Leveraging the momentum of the economic recovery

**1A OVERVIEW**

BUSINESS PROFILE + HISTORICAL PERFORMANCE + MARKET CONTEXT

**1B TOPICS FOR DISCUSSION**

Profitable Growth Strategy

Digital Business and Digital Transformation

The Future of the Bancassurance Model

Competing in the Current Low-interest rate Environment

## Business Profile

### The leading player in the Spanish insurance market

MAPFRE is the benchmark insurance company in Spain with an overall **market share of 11.3%**

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Leading market shares in a number of business segments: **Non-Life 15.0% (#1) / Motor 20.4% (#1) / Multiperil 18.1% (#1)**

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Distribution model based on a unique tied agency network of almost **3,000 direct branches**, in addition to **bancassurance agreements** which give us access to approximately 4,000 banking branches with exclusivity agreements, and 4,500 branches with distribution agreements

**MAPFRE ESPAÑA** is the holding company for Non-Life operations and is the **result of the merger** of various companies [MAPFRE FAMILIAR, MAPFRE EMPRESAS, VERTI, BANKINTER SEGUROS GENERALES, and MAPFRE SEGUROS GERAIS]. The merger has produced synergies that will lead to **lower internal costs**.

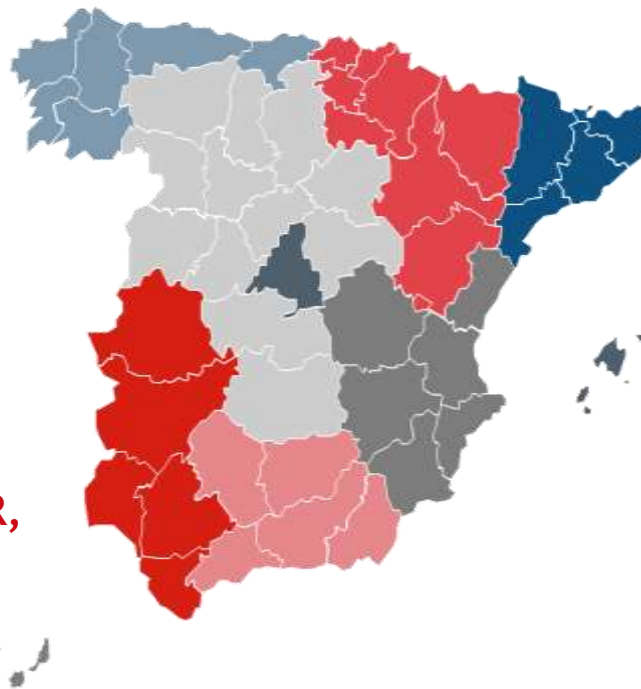
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MAPFRE VIDA is the holding company for the Life assurance operations in Spain, and includes bancassurance agreements with **Bankia, Bankinter and CCM**.

## Business Profile

## Leading distribution footprint

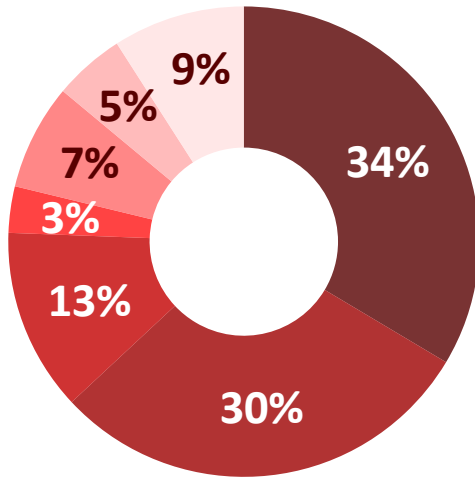
- › **Tied and own branches: 2,961**
- › **Exclusive Agents: 9,900**
- › **Brokers: 3,775**
- › **Providers: + 37,000**
- › **Branches with exclusivity agreements (BANKIA, BANKINTER, CCM): 4,000**
- › **Branches with distribution agreements: 4,500**

Regional  
General  
Management

	Madrid – Balearic Islands
	Cataluña
	Southwest
	North
	East
	Northwest
	Center
	South
	Canary Islands

Business Profile

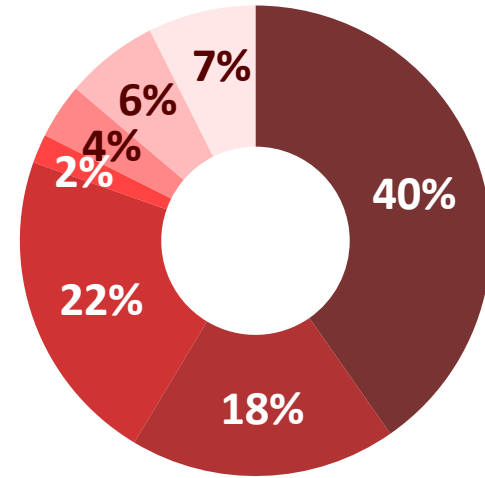
Product mix [2015]\*



- MOTOR
- HOMEOWNER & CONDOMINIUMS
- HEALTH
- OTHER
- LIFE
- THIRD PARTY LIABILITY
- BURIAL

€6.25 billion

Number of policyholders [2015]

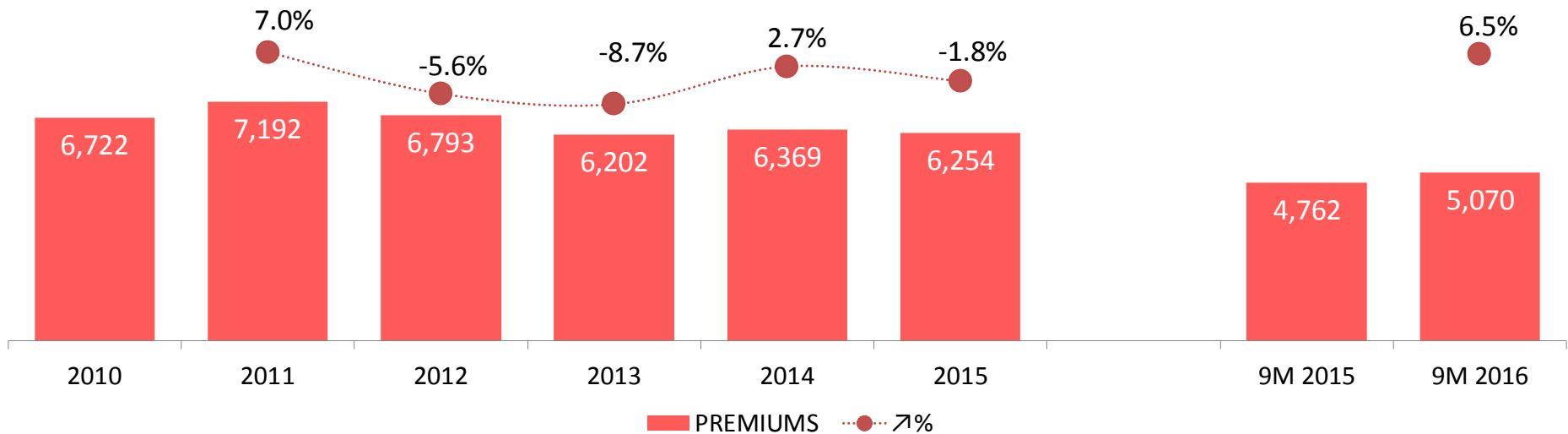


- MOTOR
- HOMEOWNER & CONDOMINIUMS
- HEALTH
- OTHER
- LIFE
- THIRD PARTY LIABILITY
- BURIAL

13.7 million



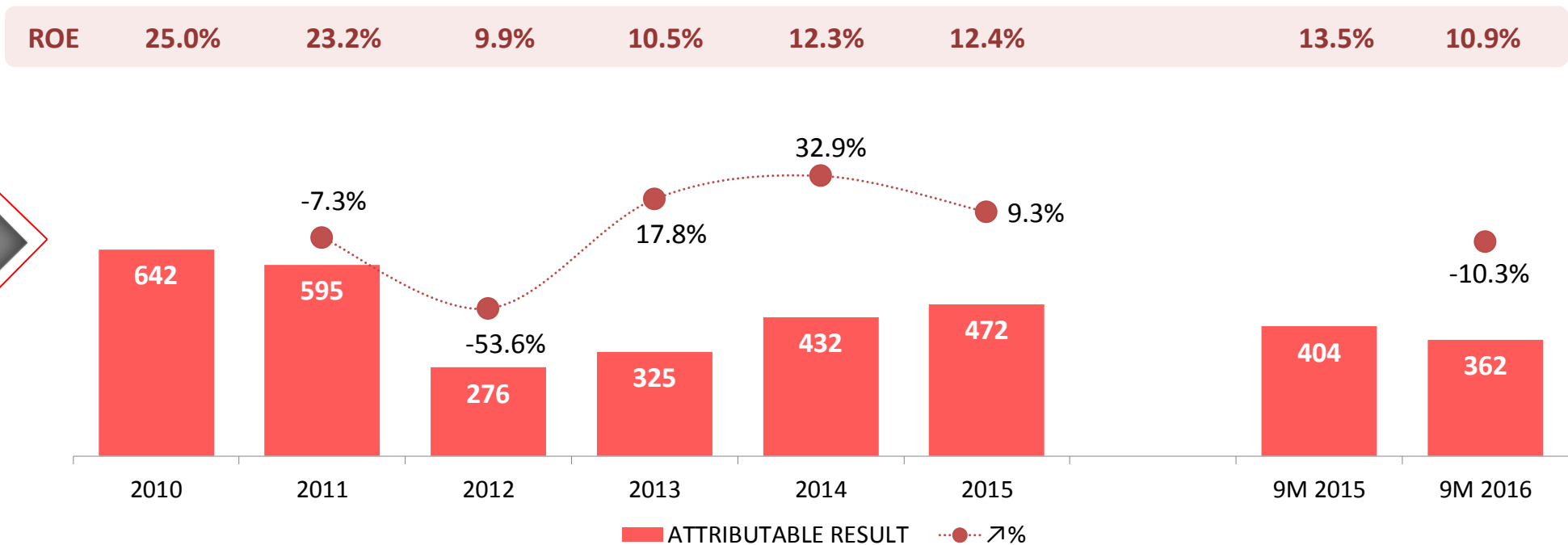
Historical Performance  
 Premium Evolution > Life + Non-Life



- Restructuring of loss-making portfolios
- Growth in Life-Savings, retail Motor, and Health
- CatalunyaCaixa exit in 2015

Million euros

Historical Performance  
Attributable Results + ROE

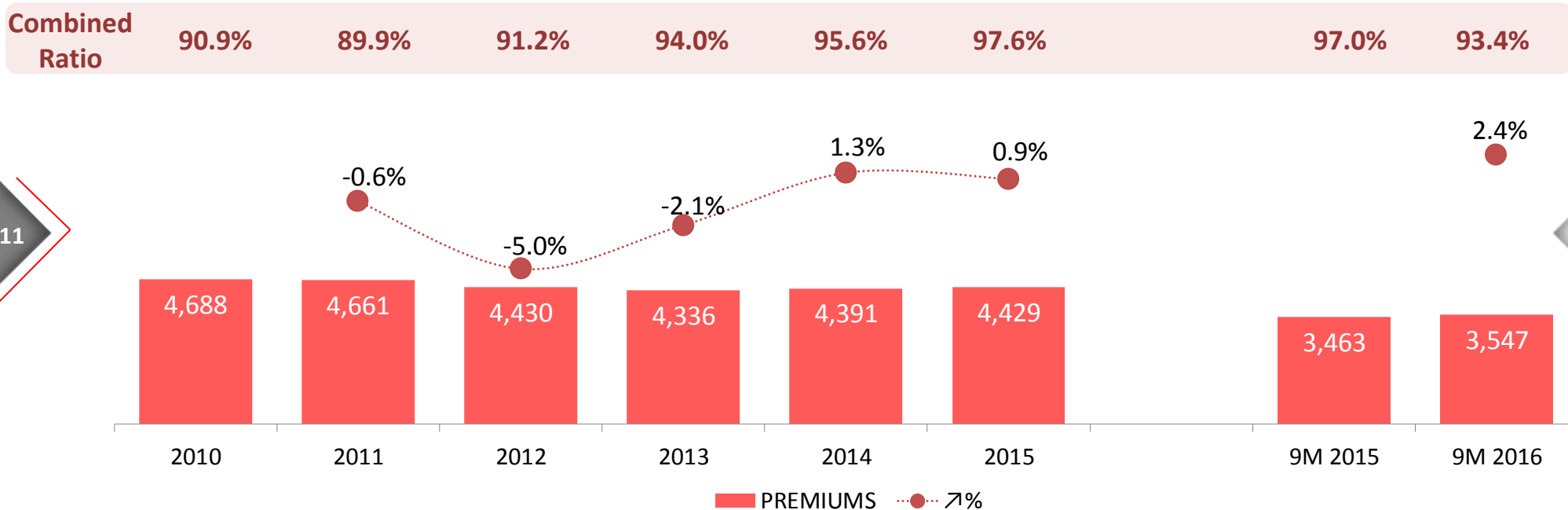


- Premium growth
- Improved technical management
- Reduced expenses

Million euros

### Historical Performance

Non-Life > Premiums + Combined Ratio



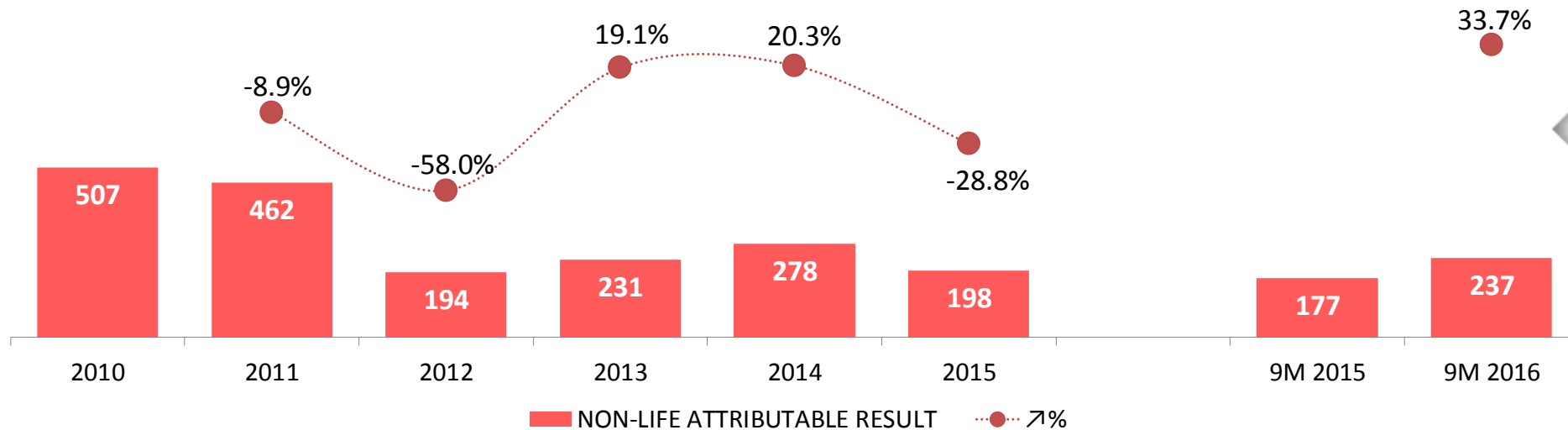
- Premium growth, especially in Health and retail Motor
- Improved combined ratio in Motor and Homeowners
- Soft market in Motor

Million euros

Historical Performance

Non-Life > Attributable results + ROE

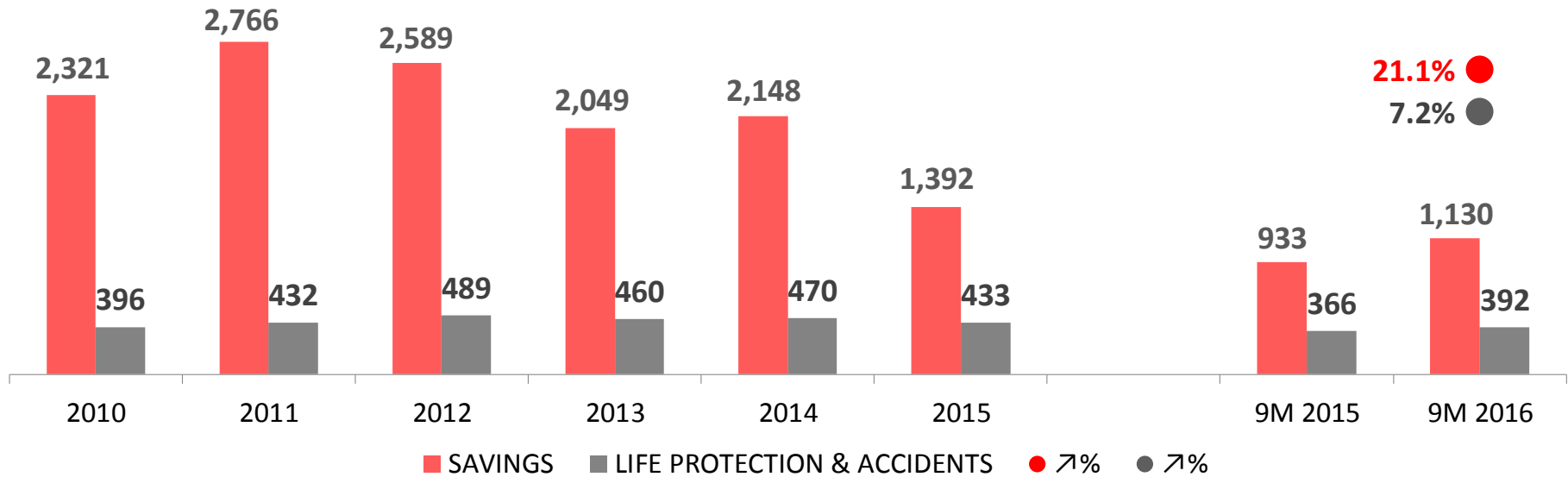
ROE	29.2%	28.6%	11.8%	12.7%	14.1%	9.2%		11.7%	11.8%
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- Improved technical results
- Restructuring of loss-making businesses
- Emphasis on expense reduction and control

Million euros

Historical Performance  
Life > Premiums



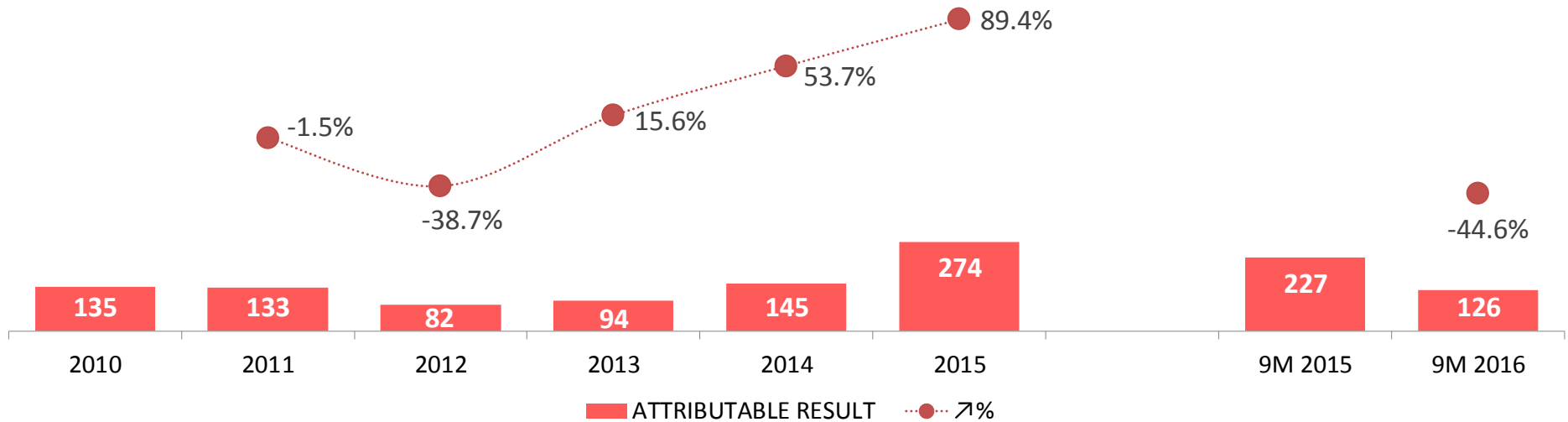
- Agent channel growth (in Life Savings)
- Positive evolution of risk in bancassurance
- Beginning of Bankinter Life operations in Portugal
- CatalunyaCaixa exit

Million euros

Historical Performance

Life > Attributable results + ROE

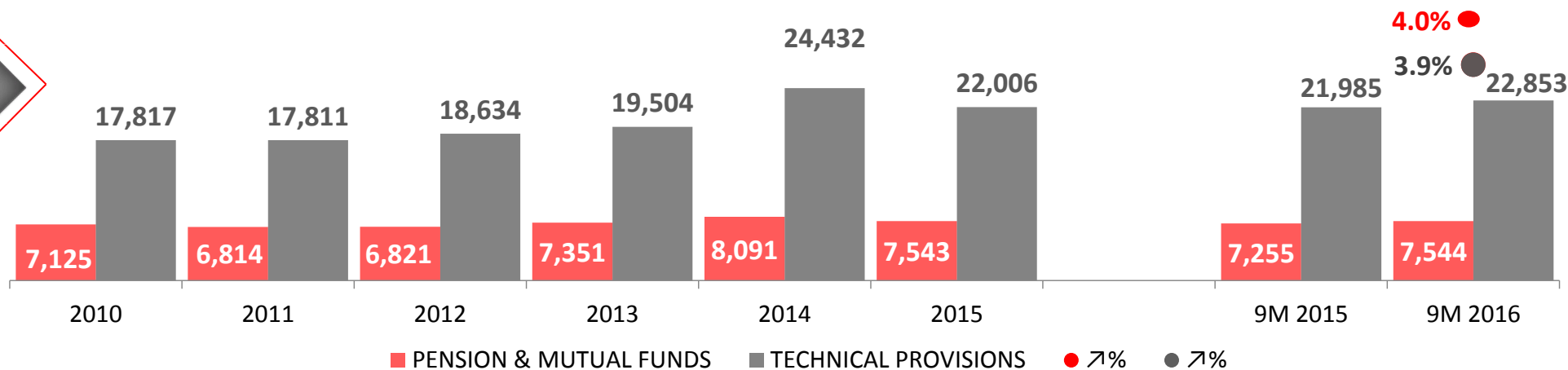
ROE	16.2%	14.1%	7.1%	7.4%	9.7%	16.5%		15.7%	9.8%
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- Improved financial technical margin
- Restructuring of Protection products
- Gains from the sale of CatalunyaCaixa businesses (€ 133.9 mn)
- Difficulties selling Life Savings in current rate environment

Million euros

Historical Performance  
Life > Managed Savings

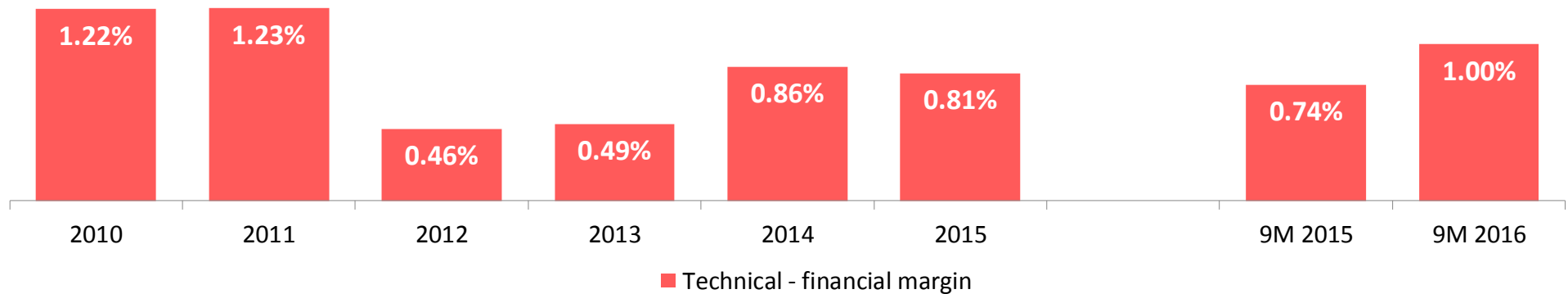


- Bankinter Portugal contributed over €1 billion in managed savings as at September 2016
- Sale of CatalunyaCaixa businesses in 2015

Million euros

## Historical Performance

Life &gt; Technical and Financial Margin\*



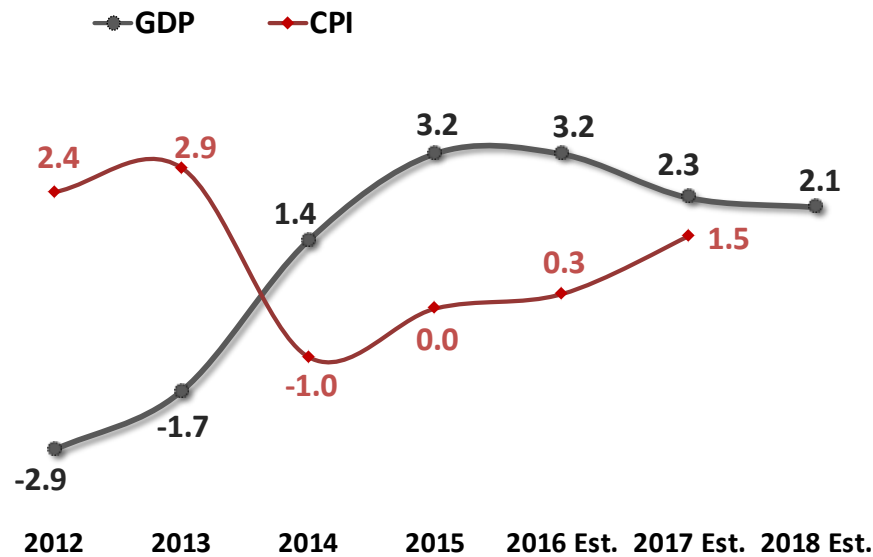
- Restructuring of loss-making businesses
- Emphasis on expense reduction and control

(\*) Technical and financial results / Average technical provisions



## Market Context

Highly competitive market



- Improved economic indicators
- Increase in car registrations and motor pool
- Price evolution in Non-Life, related to increase in frequency in Motor
- Low-interest rate environment damages the profitability of Savings products

**1A OVERVIEW**

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BUSINESS PROFILE + HISTORICAL PERFORMANCE + MARKET CONTEXT

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**1B TOPICS FOR DISCUSSION**

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Profitable Growth Strategy

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Digital Business and Digital Transformation

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The Future of the Bancassurance Model

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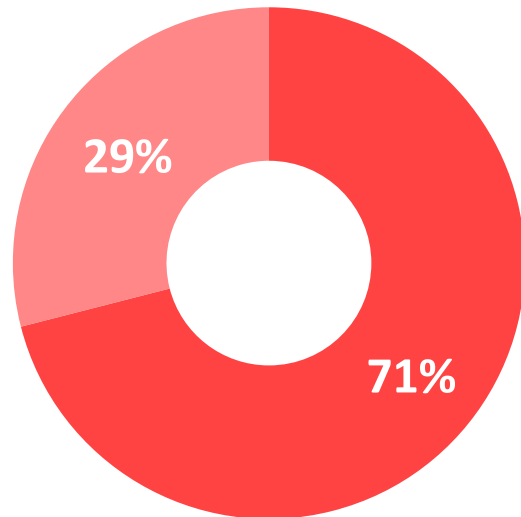
Competing in the Current Low-interest rate Environment

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Profitable growth strategy: Reaching our goal of an average CoR <96% for 2016 - 2018

Above market growth, without losing the focus on profitability . . .

### New Production MOTOR policies



■ TU ELIGES ■ TRADITIONAL PRODUCTS

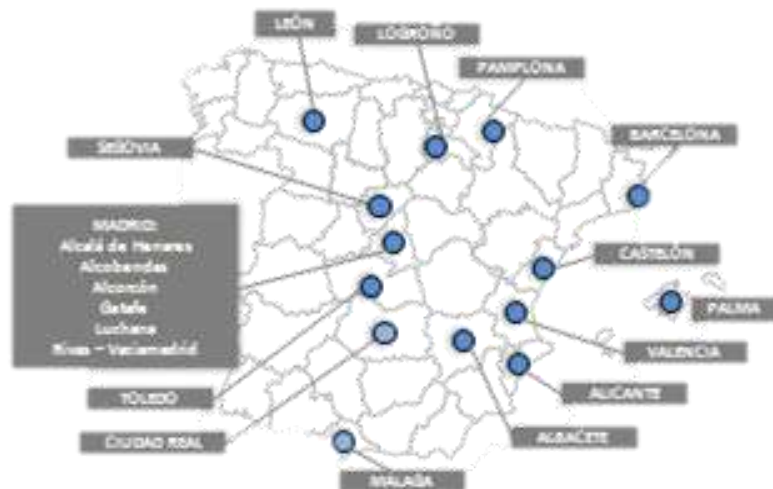
### “ TU ELIGES”

- Successful launch of “Tu Eliges”, a tailor-made Motor product
- Sustainable pricing and technical foundation
- Profitability in line with traditional products
- To be launched in Homeowners in 2017

Profitable growth strategy: Reaching our goal of an average CoR <96% for 2016 - 2018

... while fostering client loyalty ...

Development of service centers

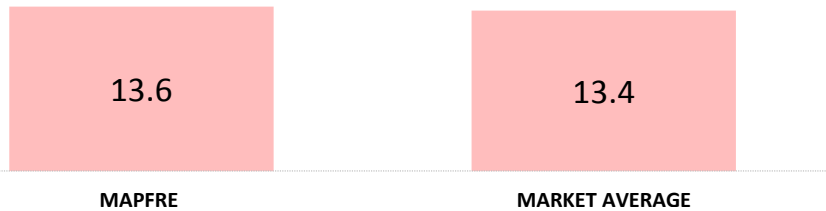


- N° service centers: 20
- N° services (Sept. 2016): 25,014 (+46.7%)
- Average cost: 12.4% lower than the cost of the same repairs in other centers in the same area
- Policy cancellation: 8.9 p.p. lower than global rate

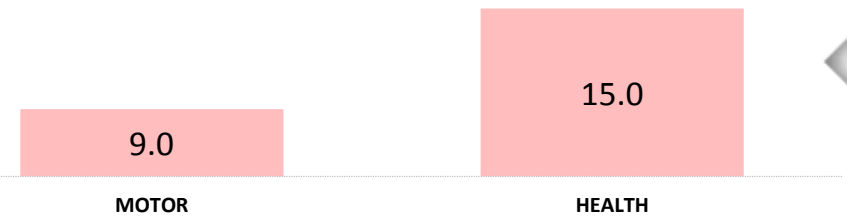
Profitable growth strategy: Reaching our goal of an average CoR <96% for 2016 - 2018

... which can be seen in our excellent client retention levels and our NPS advantage vs. peers

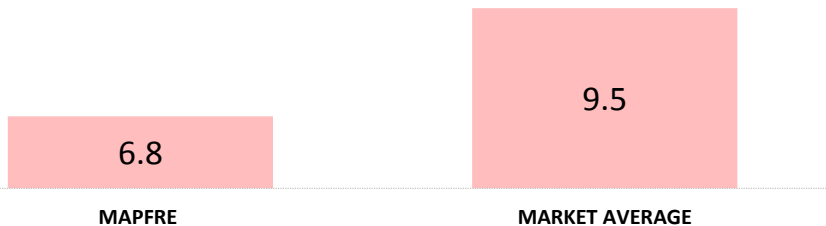
Motor cancellation rate - 2015



NPS – Advantage vs. Market Average



Homeowner cancellation rate - 2015



- High levels of client satisfaction
- Strengthening of cross sales to increase our connection with clients
- Excellent client retention levels

NPS: Net Promoter Score

Profitable growth strategy: Reaching our goal of an average CoR <96% for 2016 - 2018

- Improved Technical Management

- Motor: Cost reduction for property damage



6.5% reduction in average claims cost

- Homeowner: Restructuring loss-making coverages and channels



9.8 p.p. reduction (87.9% at September 2016)

- Health: Better provider relationships

Profitable growth strategy: Reaching our goal of an average CoR <96% for 2016 - 2018

■ Project 80/20\*:

- ✓ Strict monitoring and control of less profitable business segments
- ✓ Restructuring loss-making policies (Fleets, Professional Third Party Liability and Group Accident)



170 million € cancelled

≈1 p.p. improvement in Combined Ratio



Profitable growth strategy: Reaching our goal of an average CoR <96% for 2016 - 2018

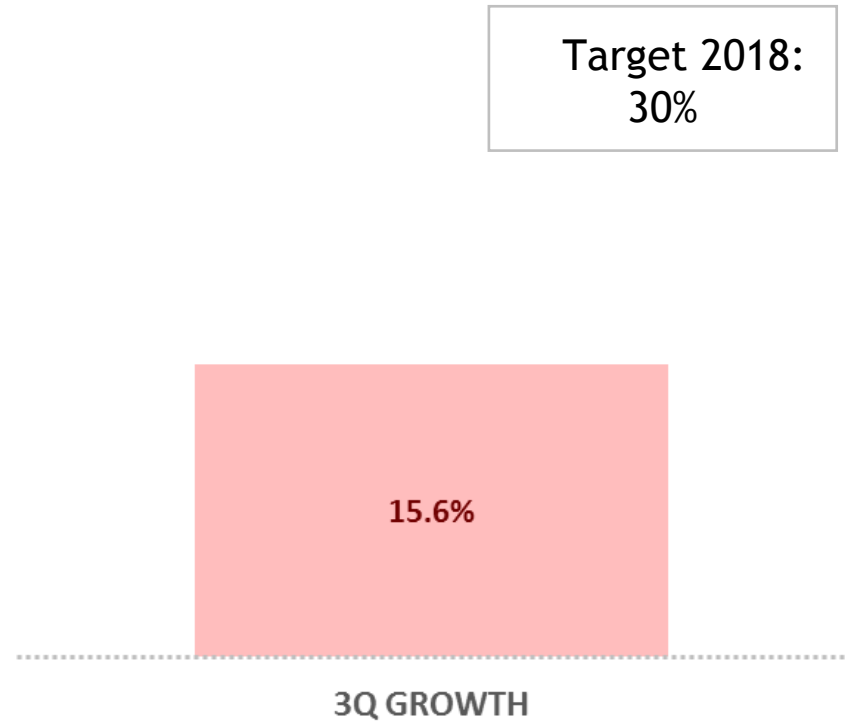
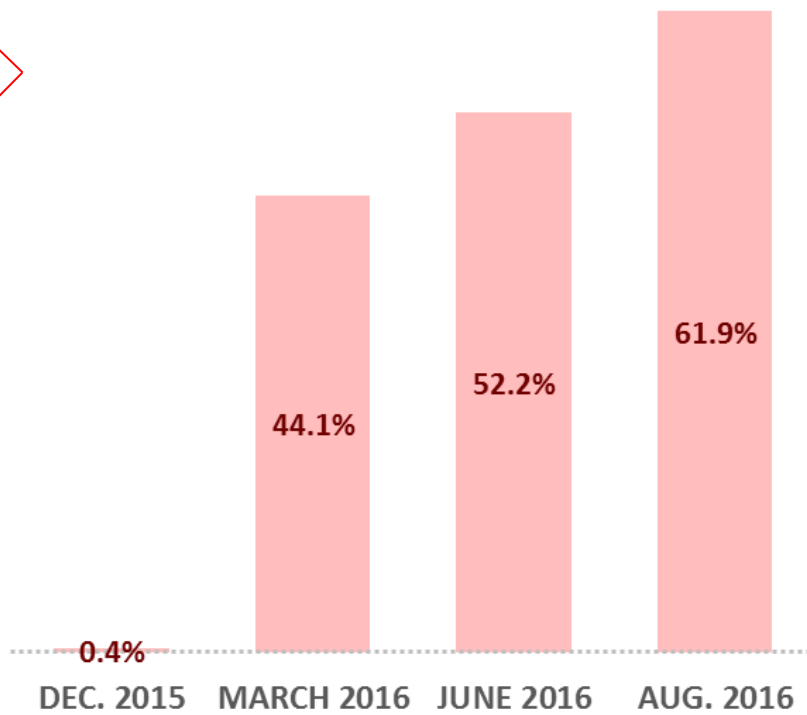
- Baremo
  - Impact in line with initial forecasts and tariff increases
  - Conservative approach due to its recent implementation (1<sup>st</sup> January 2016) and settlements of the long tail claims
  - Reevaluate this impact at year end and reassess current reserving levels, in line with prudent standards
  - Further tariff increases subject to development of costs
  - Helpful tool, greater predictability of claims costs and fairer treatment of accident victims



Digital Business and Digital Transformation

Digitalization- Operations (% of services digitalized)

Digitalization- Client relationship transaction growth

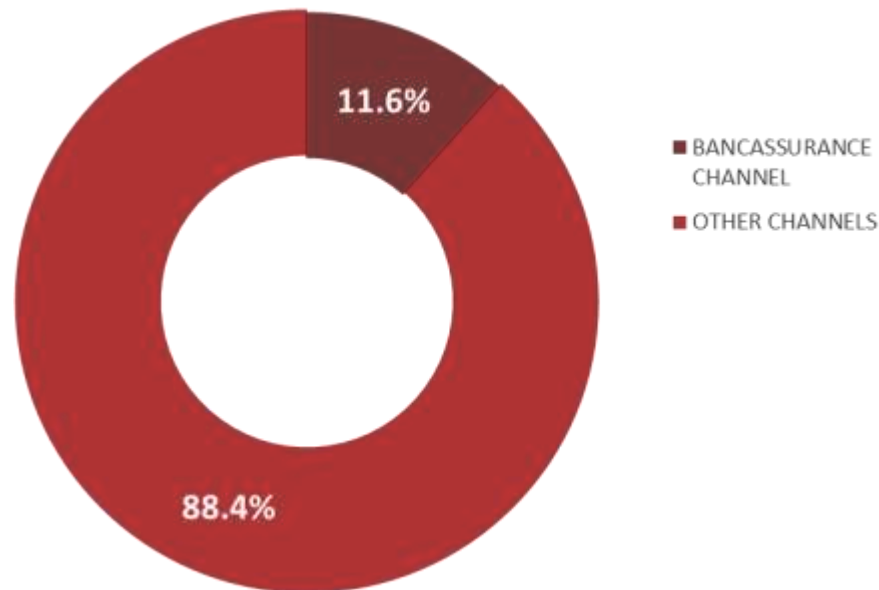


## Digital Business and Digital Transformation

### VERTI

- Improved technical results, thanks to:
  - Cost reduction
  - Improvements in the underwriting process
  - Increased synergies with MAPFRE
- Laboratory of ideas for MAPFRE to test and develop its digital model and to externalize the brand to other countries

## The Future of the Bancassurance Model - Spain



- Bancassurance business weight in MAPFRE reach 11.6%
- Banking entities need to push the insurance business in their networks, to complement the reduced margins in traditional banking products
- No competition but complementarity in Protection and Savings Life products

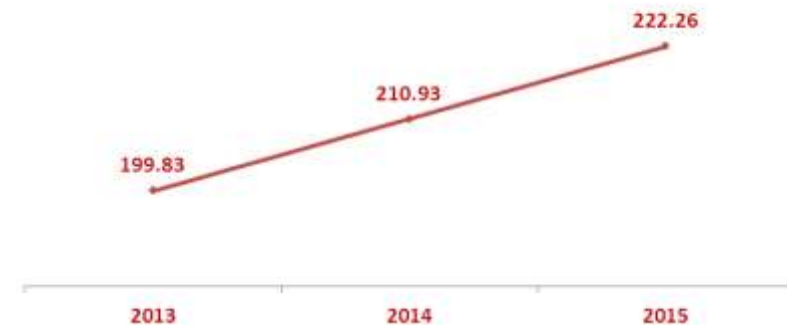
Data as at September 30<sup>th</sup>, 2016

## Competing in the Current Low-interest rate Environment

- New product offering focused on:
  - ✓ Unit Linked/ Investment & Mutual funds
  - ✓ Lower capital charges
  - ✓ Life Protection with higher margins
  
- Increase our commercial network's specialization and financial advisory capabilities
  
- Always high standards of Asset & Liability Management
  - ✓ In-force
  - ✓ New business production



INDIVIDUAL LIFE RISK INSURANCE EVOLUTION IN MAPFRE  
(INCLUDES BANCASSURANCE SUBSIDIARIES (\*))



(\* ) CATALUNYA CAIXA businesses excluded in 2015; Aseval and Laietana incorporated in 2014

## SPAIN: Conclusions

- Economic recovery feeding through into the Spanish domestic operations; MAPFRE should continue to benefit
- Our increasing profitability has been achieved, despite the challenges of regulatory changes (new Baremo) and declining interest rates
- Restructuring of the operations and improved technical management are bearing fruits and should continue to do so going forward
- Our approach to disciplined underwriting is a fundamental core competence which will continue to differentiate us
- The digital business and transformation is driving our business strategy with good progress achieved so far

Spanish operations are a key core unit of the Group and will continue to generate relevant dividends for MAPFRE



# 02

## LATAM+ BRASIL

Aristóbulo Bausela  
Wilson Toneto

Profitable growth  
in a difficult market  
environment



## 02 LATAM + BRAZIL

## Profitable growth in a difficult market environment

### 2A LATAM - OVERVIEW

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Market Context + Business Profile + Historical Performance

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### 2B TOPICS FOR DISCUSSION

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BRAZIL – Overview + Market Outlook + MAPFRE BRASIL performance and outlook

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Countries with outstanding performance

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Countries with improving performance

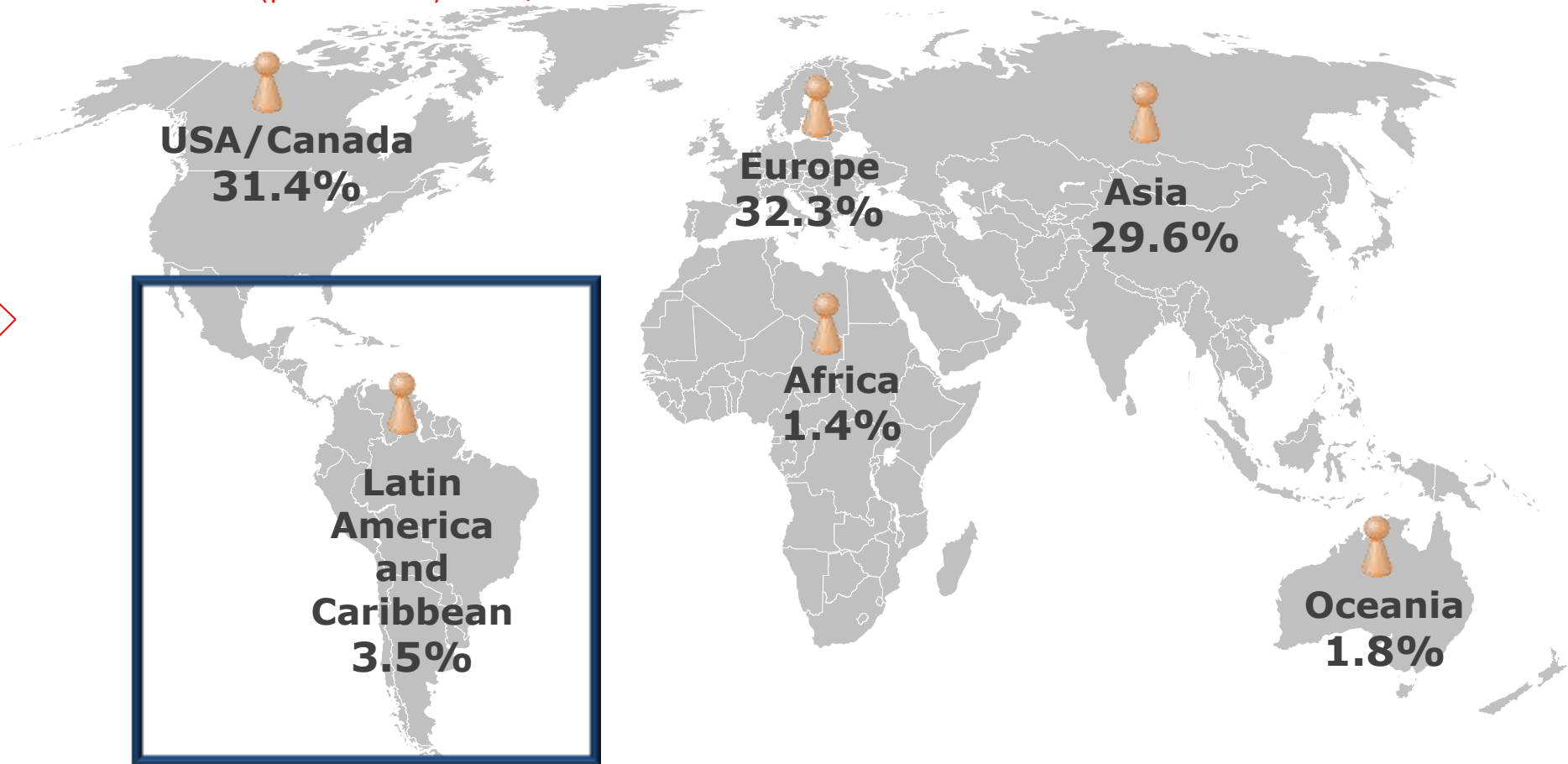
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Strategic Plan 2016-2018

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## Market context

World market (premiums) = \$4.5 trillion = €4.0 trillion



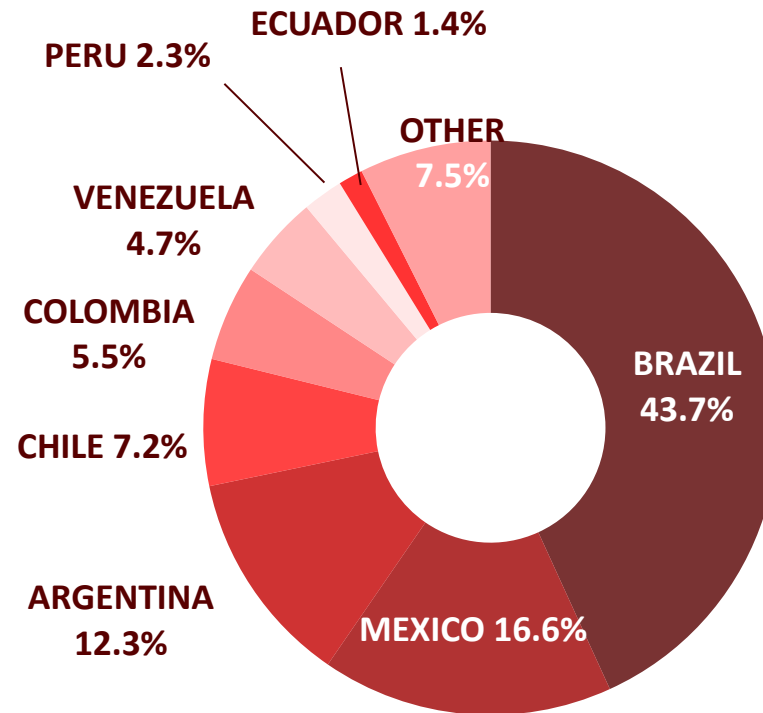
Latin America and Caribbean = \$158.15 billion = €140.05 billion

Source: SIGMA report. World Insurance 2015



## Market distribution by country - premiums

**\$ 158.15**  
billion



- 94% of business is concentrated in 8 countries
- Brazil, Mexico, Argentina and Chile contribute nearly 80% of premiums

Source: SIGMA report. World Insurance 2015

## LATIN AMERICA

## Insurance Group Ranking 2015

## NON-LIFE

Ranking	Groups	Country	Market share 2015
<b>1</b>	<b>MAPFRE</b>	<b>Spain</b>	<b>8.2</b>
2	---	Brazil	3.9
3	---	USA	3.5
4	---	Colombia	3.2
5	---	Switzerland	3.1
6	---	Puerto Rico	3.1
7	---	USA	2.5

## OVERALL

Ranking	Groups	Country	Market share 2015
1	---	Brazil	7.1
2	---	Brazil	6.8
<b>3</b>	<b>MAPFRE</b>	<b>Spain</b>	<b>6.4</b>
4	---	Brazil	4.0
5	---	Switzerland	3.8
6	---	USA	3.3
7	---	Colombia	3.0

SOURCE: MAPFRE Economic Research (with information from regional supervisory bodies )



MAPFRE IN LATAM  
MILESTONES



1984	COLOMBIA
1986	ARGENTINA, PARAGUAY AND CHILE
1989	MEXICO
1992	BRAZIL
1994	URUGUAY
1997	VENEZUELA AND PERU
1999	EL SALVADOR
2005	Leader in LATAM NON-LIFE
2007	DOMINICAN REPUBLIC
2008	ECUADOR
2009	JV with GRUPO MUNDIAL
2010	JV with BANCO DO BRASIL
2012	Leader in CENTRAL AMERICA
2013	LATAM Regional Area



The potential for insurance growth is particularly clear in Latin America

	Premiums as a % of GDP	Growth forecast 2016-2018
ARGENTINA	3.45%	37.1% - 37.4% <sup>(1)</sup>
CENTRAL AMERICA	1.76%	7.6% - 8.8%
CHILE	4.71%	6.3% - 7.9%
COLOMBIA	2.66%	9% - 10%
MEXICO	2.14%	7.1% - 7.8%
PERU	1.95%	10.9% - 12.3%
BRAZIL	3.90%	6.3%-7.3%

Information to December 31, 2015. SOURCE: MAPFRE Economic Research

1) Affected by the country's high inflation



LATAM TERRITORIAL AREA 2015

BRAZIL



LATAM NORTH



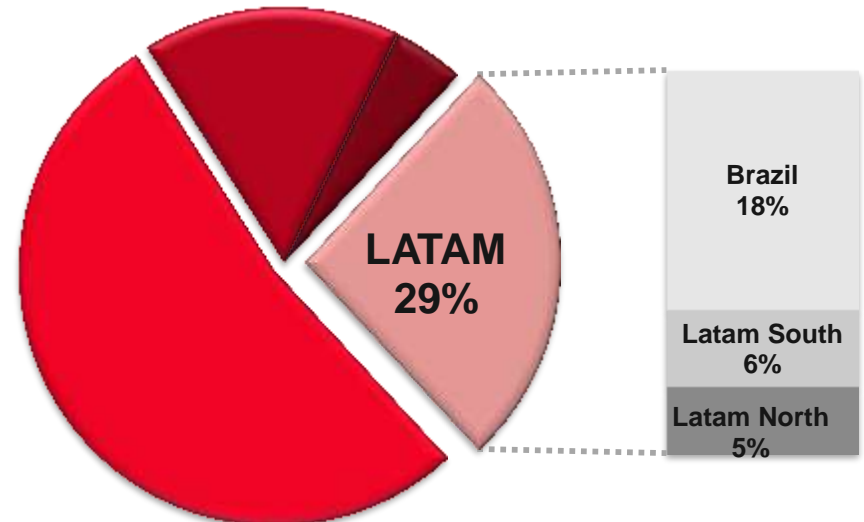
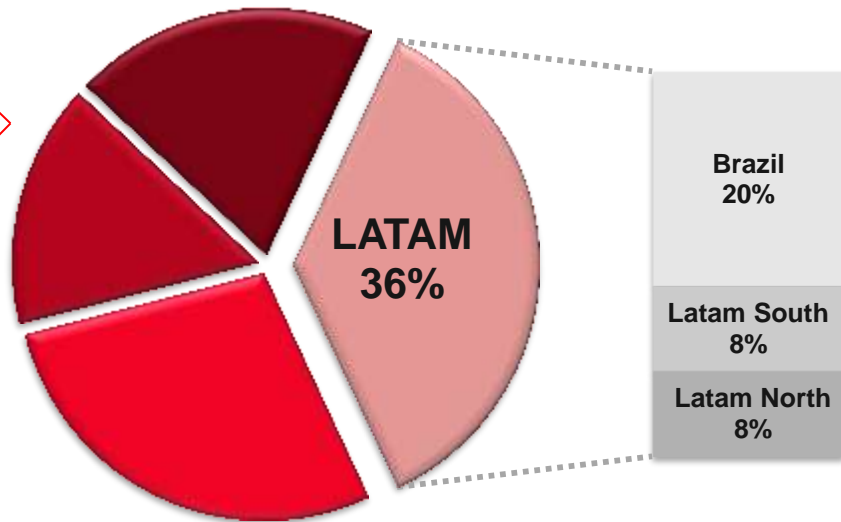
LATAM SOUTH



38

Premiums by Regional Area

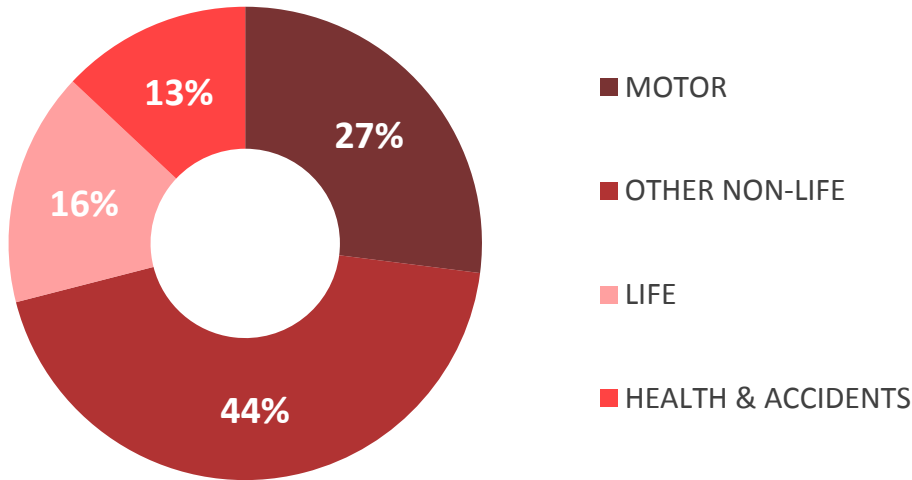
Attributable result



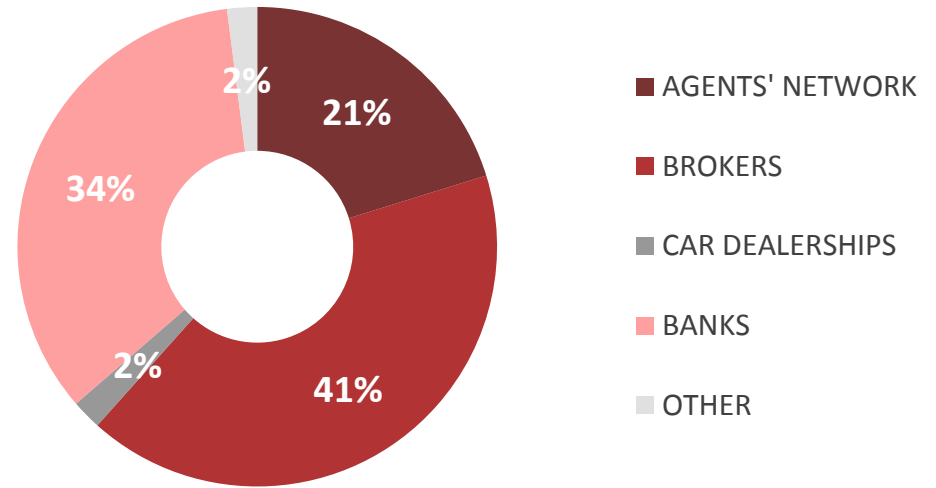
Data as of December 31, 2015.

Highly diversified business, underpinned by a solid distribution strategy

Product mix



Distribution channels

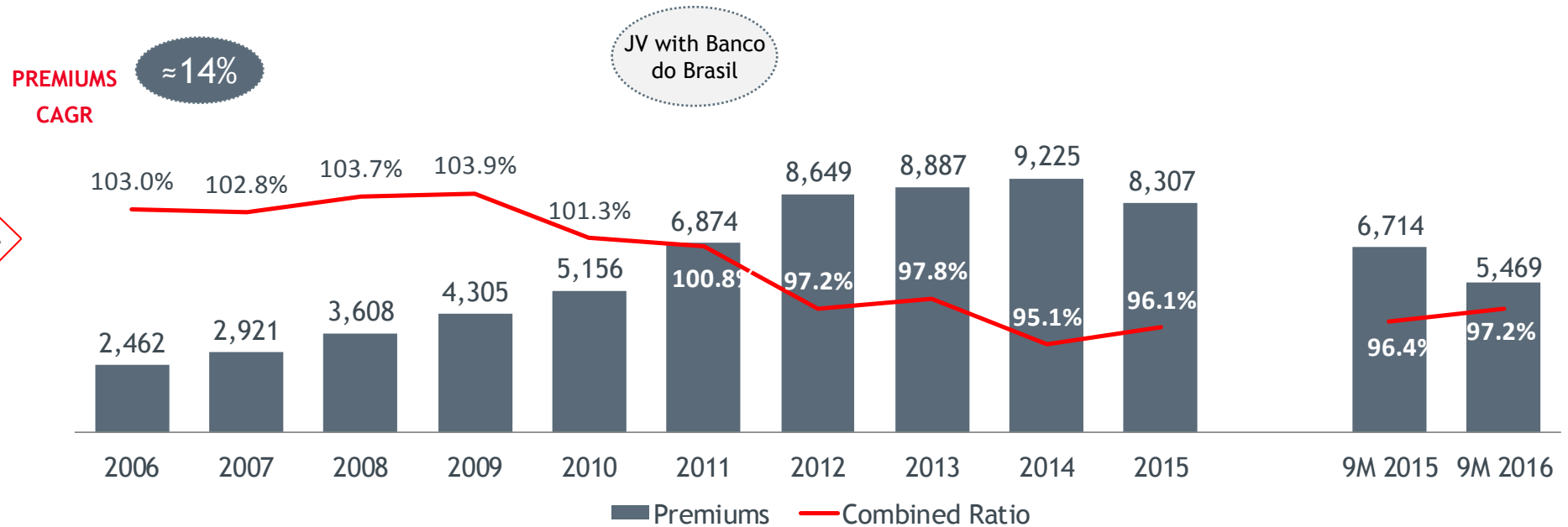


Data as of December 31, 2015.





Premium growth and positive evolution of combined ratio, which was reduced below 100% in 2012

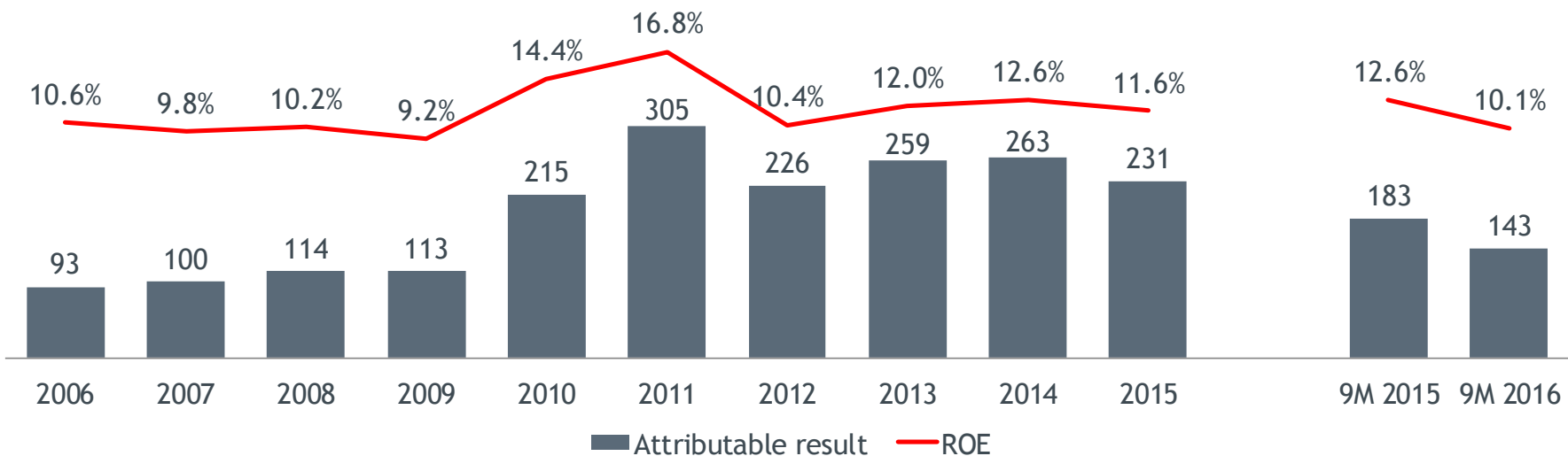


▪ Impact of currency volatility, especially the Brazilian real, the Venezuelan bolivar, the Argentinean peso and the Colombian peso

ATTRIBUTABLE RESULT  
CAGR

≈ 11%

JV with Banco do Brasil (1)



- JV with Banco do Brasil: positive effect on attributable result and ROE
- Impact of currency volatility, especially the Brazilian real, the Venezuelan bolivar, the Argentinean peso and the Colombian peso
- Greater contribution of financial investments

1) Includes extraordinary earnings from Nossa Caixa's contribution

Million euros



## 02 LATAM + BRAZIL

## Profitable growth in a difficult market environment

### 2A LATAM - OVERVIEW

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Market Context + Business Profile + Historical Performance

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### 2B TOPICS FOR DISCUSSION

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Countries with improving performance

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Strategic Plan 2016-2018

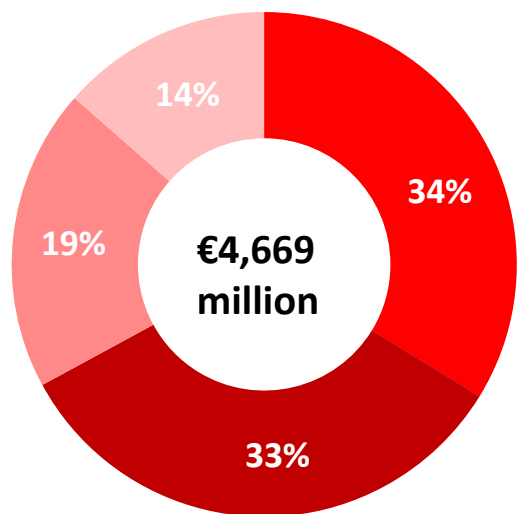
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The contribution from Brazil has played a decisive role in MAPFRE becoming the top multinational insurance group in Latin America today

- Business in Brazil represents **20 per cent of the Group's world premiums and 45 per cent of the Gross Result**, as well as over half of MAPFRE's insurance business in Latin America
- The **Joint Venture with Banco do Brasil**, which is now in its fifth year, plays a critical role in MAPFRE's business development strategy in the region
- A significant proportion of the population has joined the ranks of the middle class in the past 15 years, increasingly **demanding more insurance products**, thereby ensuring a growth margin that exceeds that of the economy itself
- MAPFRE and Banco do Brasil have a position of **market leader in Brazil**: 1<sup>st</sup> in Total Insurance (excluding Savings), 2<sup>nd</sup> in Motor, 2<sup>nd</sup> in Life-Protection, 1<sup>st</sup> in Agricultural and 1<sup>st</sup> in Other P&C

Business profile - Brazil

Product mix



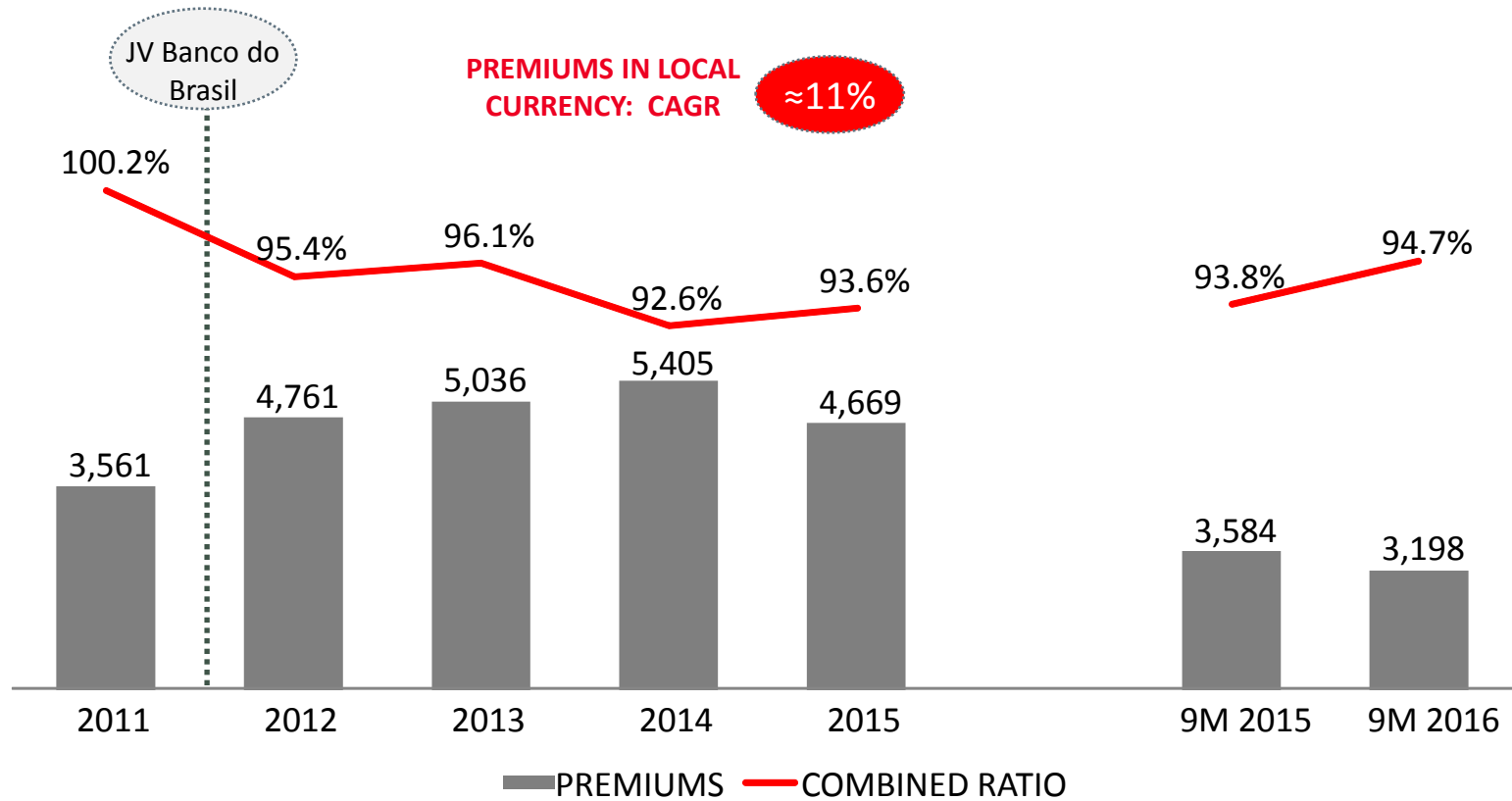
■ Life ■ Motor ■ Other P&C ■ Agro insurance

Distribution channels

	Banco do Brasil	MAPFRE channels
LIFE	74%	26%
MOTOR	42%	58%
AGRO	85%	15%
OTHER P&C	26%	74%
<b>TOTAL</b>	<b>55%</b>	<b>45%</b>

Gross written premiums. Data as of December 31, 2015.

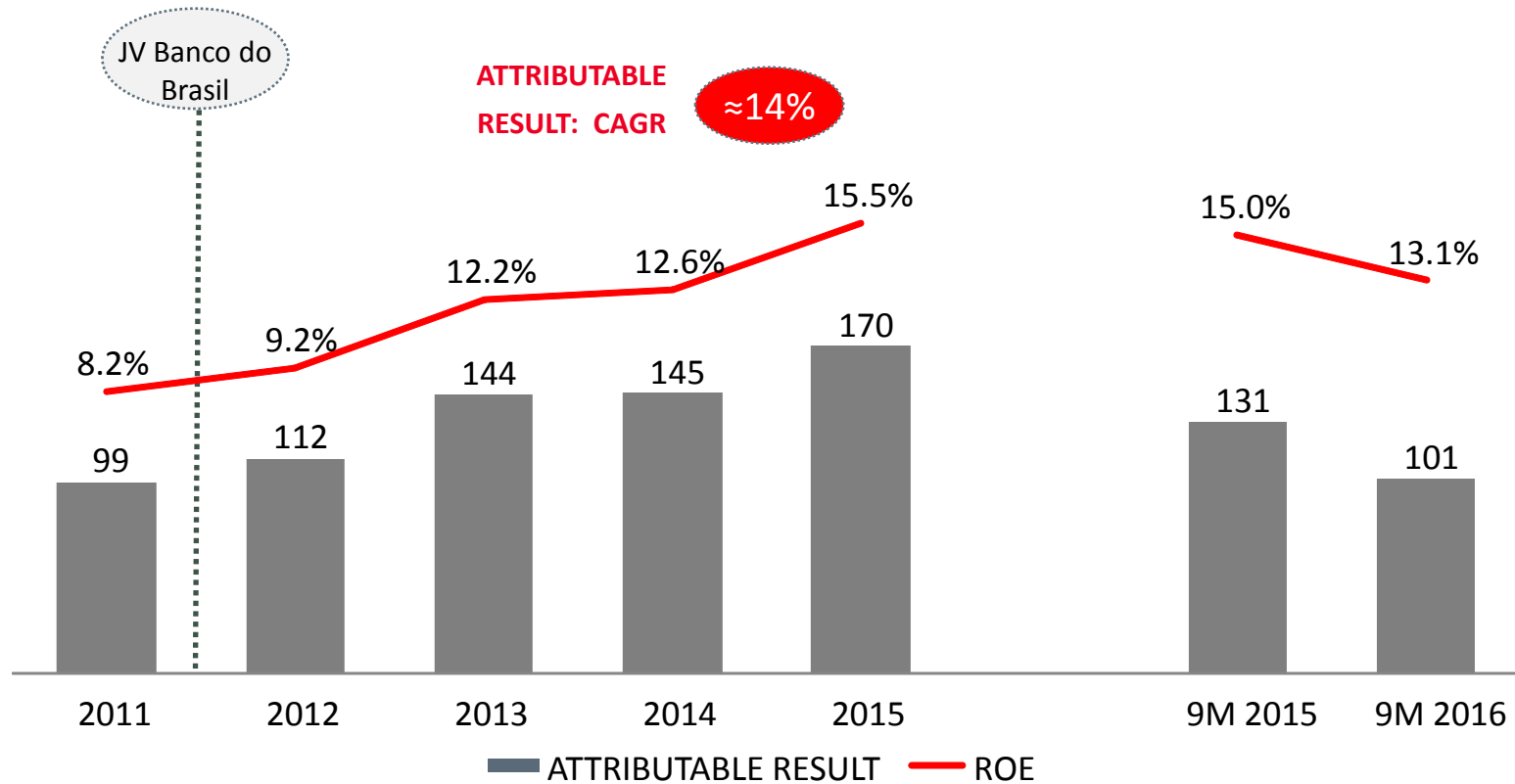
**Brazil: growth of premiums in local currency and excellent level of combined ratio**



- JV with Banco do Brasil: positive effect on Premiums and Combined Ratio
- Impact of currency volatility
- Effect of higher claims in Motor in 2016



**Brazil: solid track record of profitability**



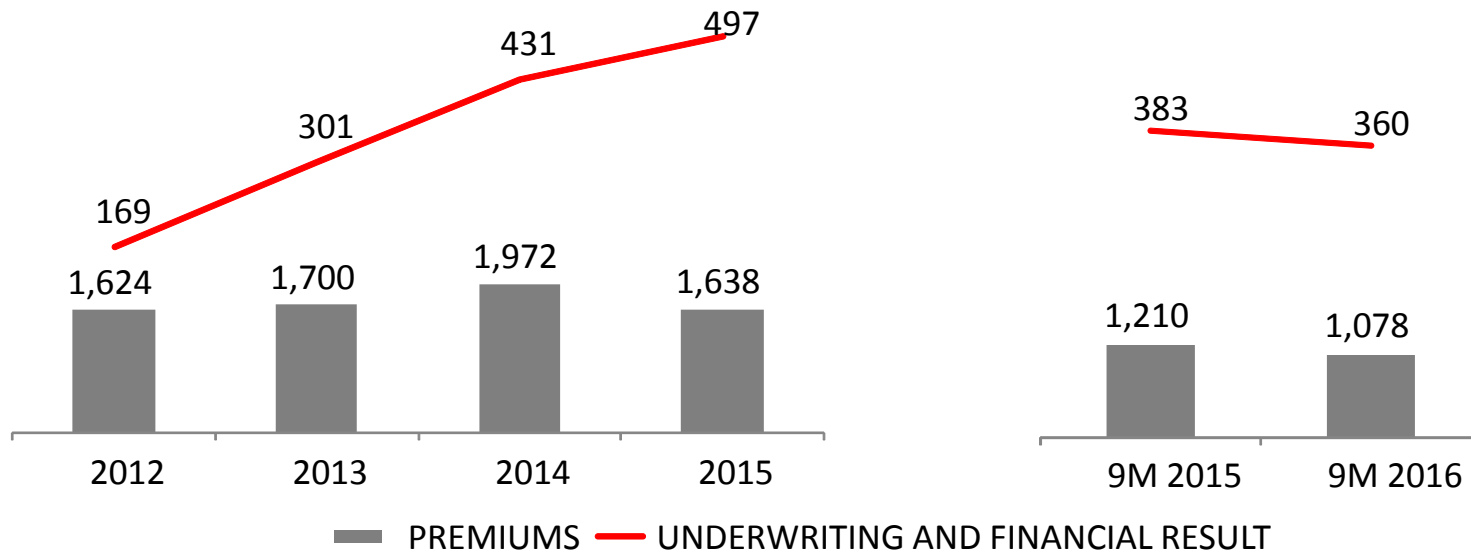
- JV with Banco do Brasil: positive effect on Attributable result and level of ROE
- Impact of currency volatility
- Increasing contribution from financial income
- Increase in tax rate from 40% to 45%



**Brazil: breakdown of underwriting result**

Life insurance

U/W AND FINANCIAL  
RESULT: CAGR **≈43%**



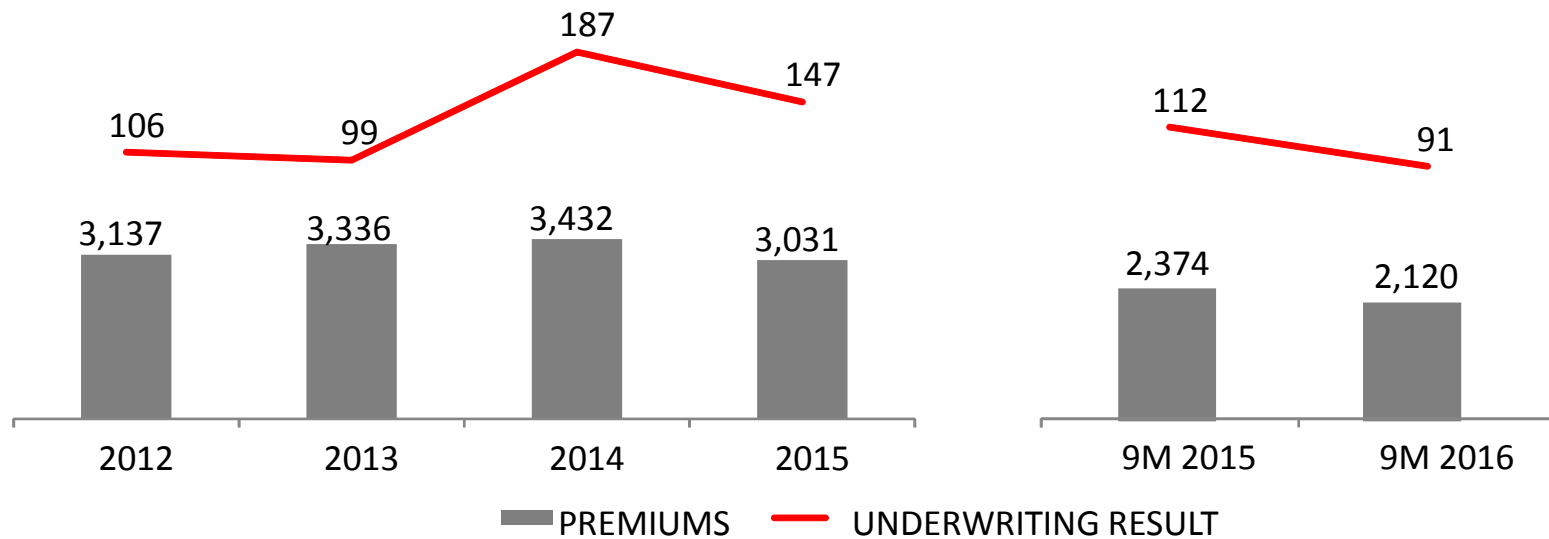
- New products linked to credit with high profitability
- Reduction of volume of credit and exchange rate didn't affect results



**Brazil: breakdown of technical result**

**Non-Life insurance**

U/W RESULT: CAGR **≈ 11%**



- Positive evolution of the underwriting result, with the Non-Life combined ratio around 2 p.p. better than the main competitors, according to SUSEP information <sup>(1)</sup>
- Impact from Agricultural insurance in 2015, due to the delay in Government subsidies
- Higher claims ratio in Motor (theft) and Agricultural (weather conditions) in 2016

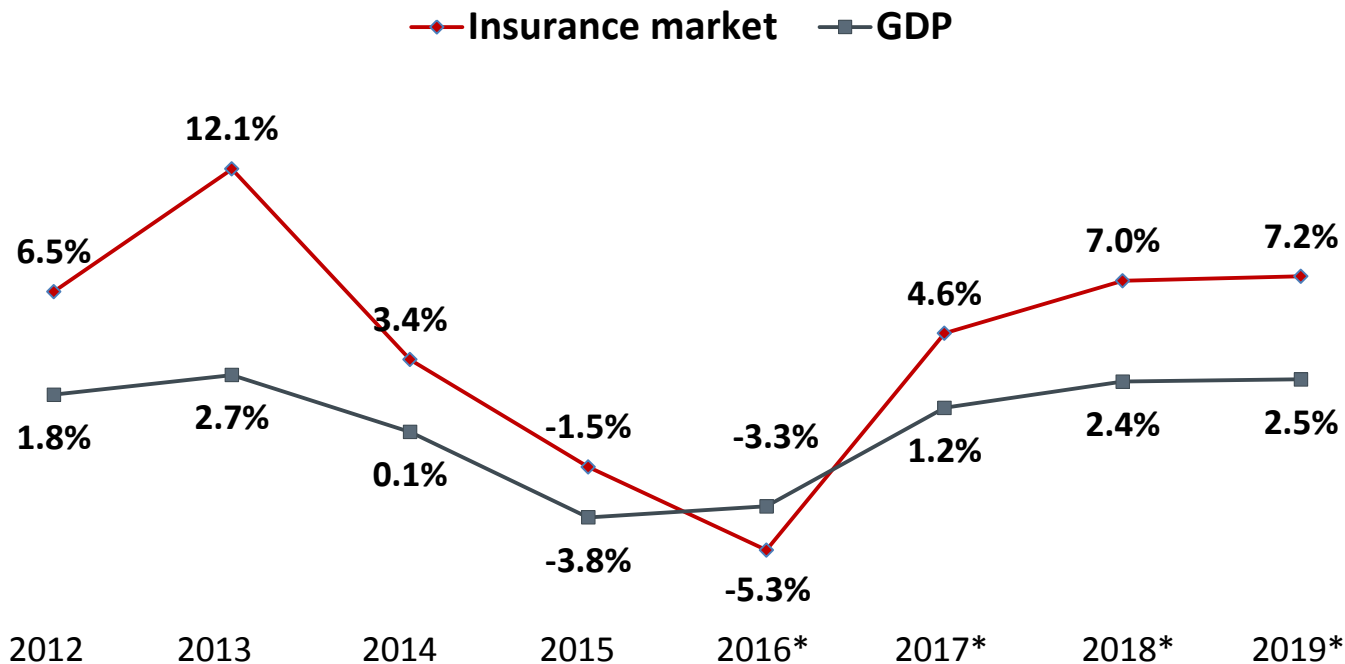
1) Peer group MAPFRE BB SH2. SUSEP August 2016

## Market context - Brazil

- 
- Weakness of Brazil's GDP was confirmed in 2015 with a fall of 3.8%. IMF expects a GDP decrease of 3.3% in 2016 and **0.5% growth for 2017**
  - **Low levels of insurance penetration** and the **rising middle class** will allow insurance premiums to grow above nominal growth rates. Forecasts from Brazilian insurance industry body (CNseg) indicate that market premium growth could reach 10% in 2017
  - In 2015 BB Seguridade reaffirmed its position as the **leading insurance group** in Brazil  
It has potential to continue outperforming the market thanks to:
    - **lower penetration** of insurance in banking client base vs. competitors
    - **lower exposure to unemployment** due to a large share of public employees within its client base
- 



Brazil: performance of insurance market in an improving environment



- Historically, Brazilian insurance market growth is higher than GDP growth
- Historic correlation shows a gradual and steady recovery in the next years

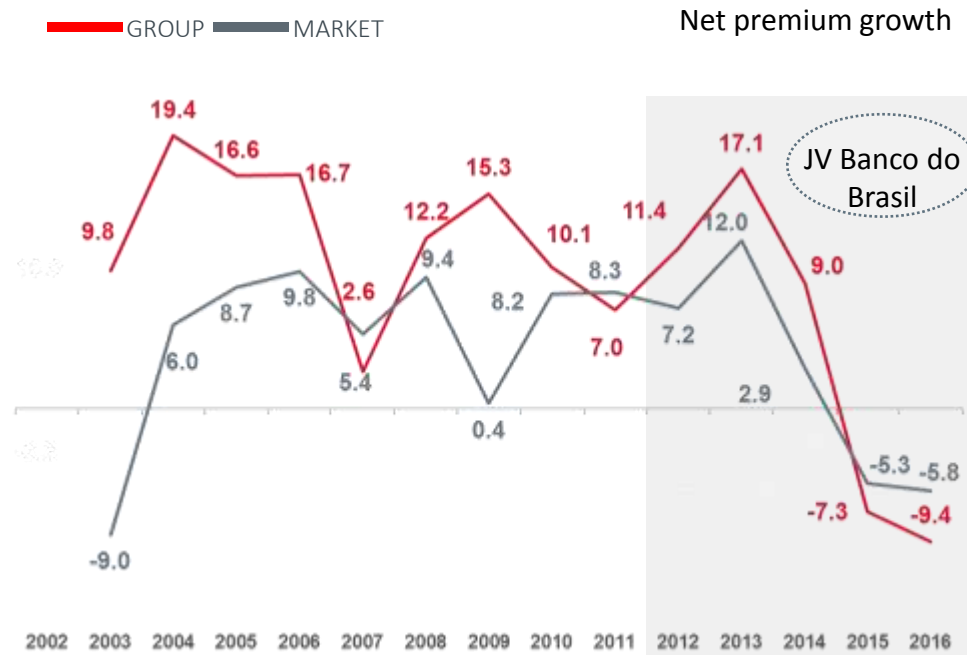
Source: SUSEP and FOCUS

\* Estimates



Brazil: expected evolution of premiums

- Strength of Banco do Brasil channel in credit-related business for at least 15 years
- Multi-distribution and multi-product approach with presence in all the country
- Cross-selling potential
- Development of Health insurance with good organic growth prospects



Source: SUSEP / August 2016

## Brazil: wrap up and prospects

- 
- After 4 years of economic and political crisis, there are **positive signs for the next 3 years**, together with volatility
  - Insurance market will keep **higher levels of growth** than GDP and will gain greater weight in the economy
  - Positive and consistent **performance and strategy** of MAPFRE in Brazil
  - JV with Banco do Brasil keeps offering **good prospects** in commercial and operational synergies (cross selling, credit recovery, Agricultural insurance strength, etc.)
-

Countries with outstanding performance:

PERU, CHILE, PARAGUAY, URUGUAY, DOMINICAN REPUBLIC AND CENTRAL AMERICA

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- Sustainability of current levels of **growth in premiums and results**
- **Initiatives** to achieve premium growth higher than the market
- Improvements in **technical management** to reduce combined ratio
- Process simplification and automatization to **improve efficiency** and **lower operational costs**
- **Financial income**: allocation of investments in an environment of decreasing interest rates

## ARGENTINA, MEXICO, COLOMBIA AND ECUADOR

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- Impact of **regulatory changes**: Provisions (Mexico), Life-Savings (Colombia), Health (Ecuador), Workers' Compensation (Argentina)
- Portfolio review, 80/20 analysis, leaving certain business lines, and rate increases **to reduce combined ratio**
- Operating structure **unification and simplification** to reduce management costs
- Measures to **offset currency volatility**
- **Results recovery**

Strategic actions 2016-2018



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# 03

## INTERNATIONAL + USA

Jaime Tamayo  
Alfredo Castelo

Profitable growth  
with a focus on strong  
currencies

**3A OVERVIEW**

---

BUSINESS PROFILE + HISTORICAL PERFORMANCE

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**3B TOPICS FOR DISCUSSION**

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United States

---

Italy & Germany

---

Turkey

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## Business Profile

MAPFRE INTERNACIONAL is the company which **encompasses all of the Group's insurance operations outside of Latin America & Iberia:**

-MAPFRE NORTH America Region: USA, PR & Canada

-Asia Pacific Region: China, Philippines & Indonesia

-EMEA Region: Germany, Italy, Turkey, Malta, and rest of Europe excl. Iberia

2007: MAPFRE acquired **Genel Sigorta (Turkey)** a **leading motor insurance company in a dynamic economy** with strong growth potential

2008: Acquisition of **The Commerce Group (USA)** producing a material **diversification of MAPFRE's operations into a strong currency economy (USD)**

2011: MAPFRE takes control of **Middlesea Insurance (Malta)**, the **largest insurer in the country** with a well-established bancassurance distribution model in a Eurozone country

2015: Acquisition of **Direct Line's operations in Italy and Germany**, providing a **leading market presence in two major direct motor markets**, with strong knowhow and sophistication in this segment

2016 - 2017: Acquisition of controlling stake in **ABDA (Indonesia)** will allow MAPFRE the entry into a **fast growing auto industry** in a 250 million population market



## Business Profile

### Presence

#### NORTH AMERICA

Canada	• ○
Puerto Rico	• •
USA	• • ○

2015	Market share	Ranking
<b>USA</b>		
- MASS (AUTO Private)	25.6%	#1
- MASS (Homeowner)	13.4%	#1
- MASS (AUTO Comm)	13.6%	#1
<b>Puerto Rico (non-life)</b>	15.1%	#3
<b>Turkey (non-life)</b>	7%	#4
<b>Italy (online motor)</b>	24%	#2
<b>Germany (online motor)</b>	14%	#3
<b>Malta (total)</b>	52%	#1
<b>Philippines (net premiums)</b>	4%	#7
<b>Indonesia (motor)</b>	10%	#5

#### EMEA

Algeria	•	Jordan	•
Bahrain	•	Luxembourg	•
Belgium	• ○	Malta	• •
Egypt	•	Russia	•
France	• • ○	Sweden	•
Germany	• • • ○	Tunisia	•
Greece	•	Turkey	• •
Hungary	•	United Arab Emirates	•
Ireland	•	United Kingdom	• • ○
Italy	• • • ○		

#### APAC

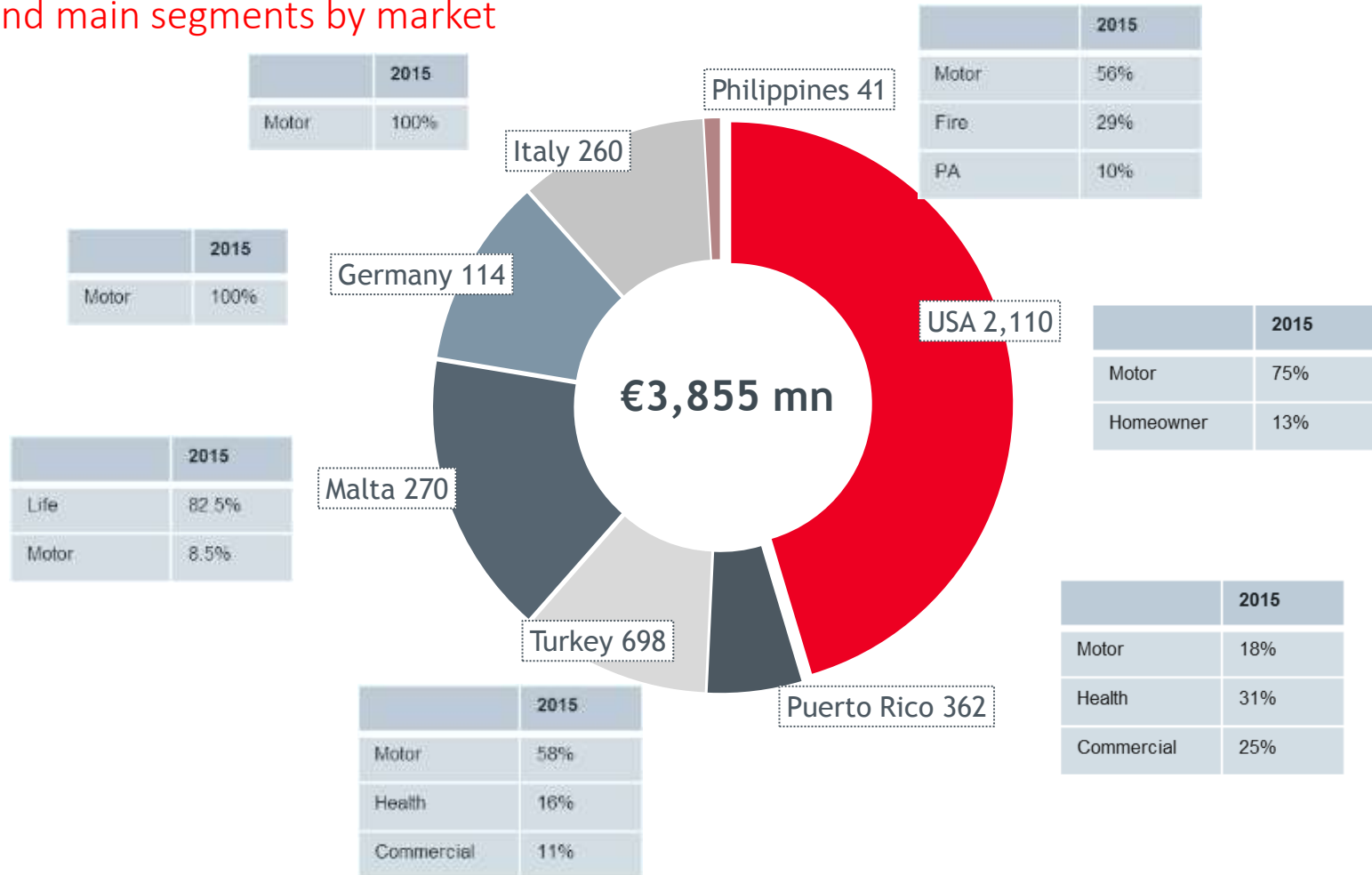
Australia	•	Japan	•
China	• ○	Malaysia	○
Hong Kong	•	Philippines	• • ○
India	•	Singapore	○
Indonesia	•	Taiwan	•

• DIRECT INSURANCE • GLOBAL RISKS  
 • ASSISTANCE • REINSURANCE

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## Business Profile

### Premiums and main segments by market



PA: personal accidents

Gross written and accepted premiums. Data as at December 31<sup>st</sup> 2015.



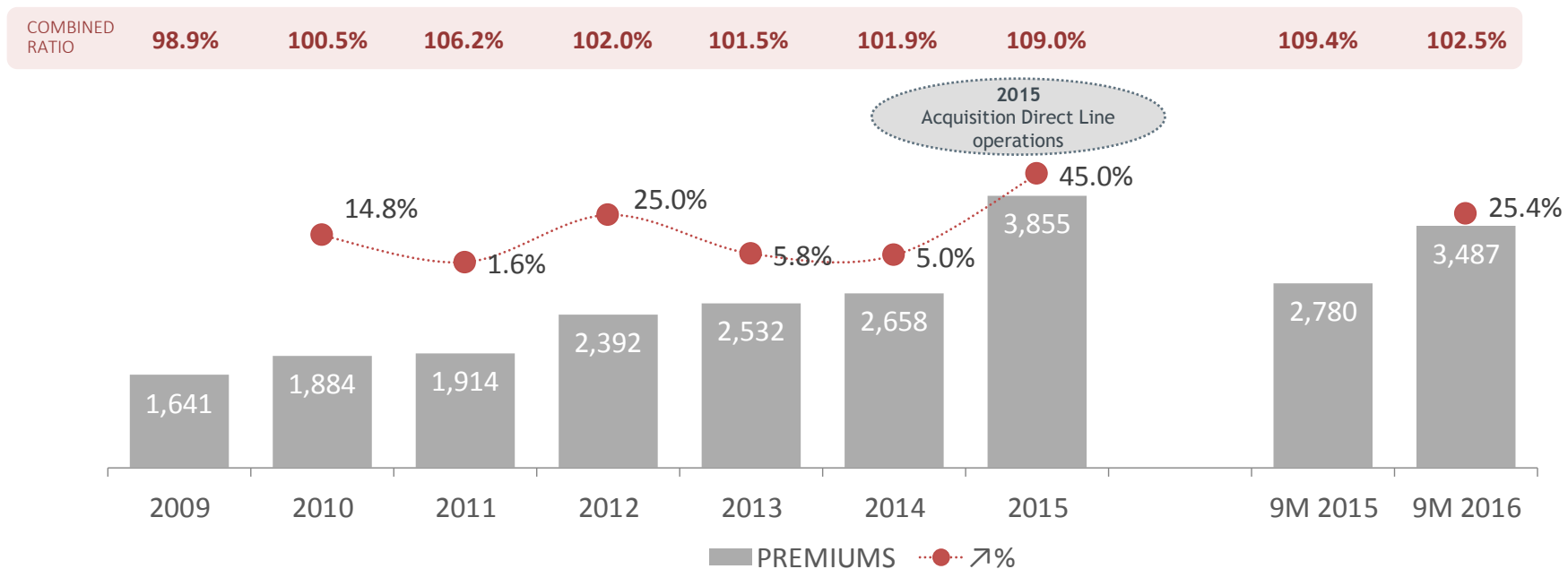
### Historical Performance

#### Premiums + Combined Ratio

- 2015: Growth due to acquisition of DL Italy & Germany (June 2015)

- 2016: Growth due to acquisition of Direct Line Italy & Germany and rate increases in Turkey and in the US

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## Historical Performance

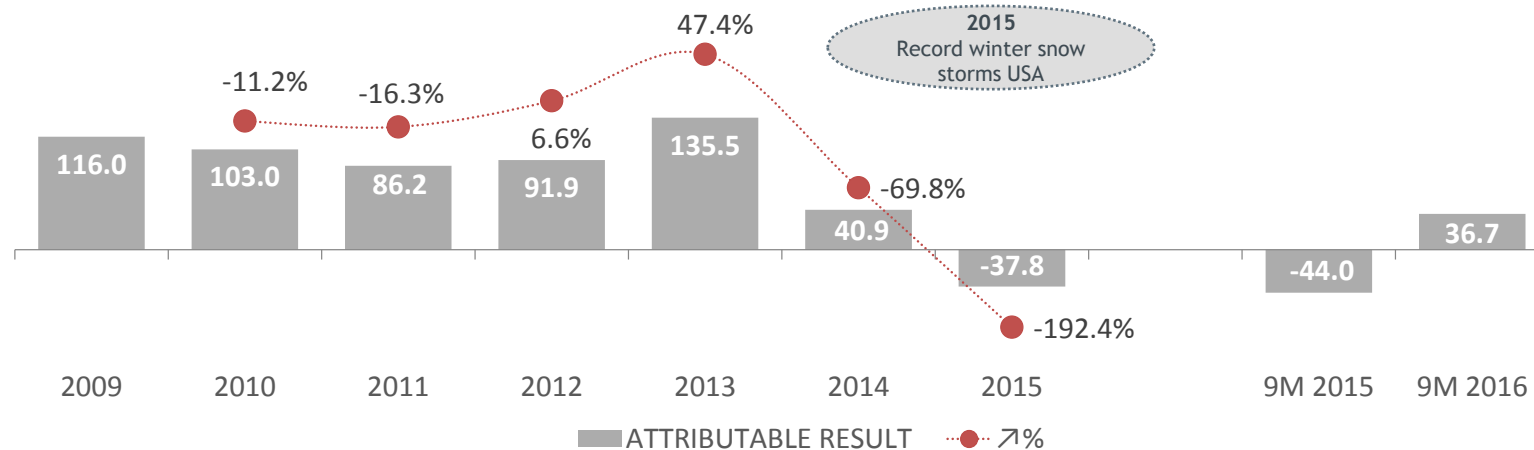
### Attributable results + ROE

- **2011:** Winter storm in the US: €103 mn
- **2012:** Hurricane Sandy: €50 mn
- **2014:** Write down Cattolica shares: €64.5 mn

- **2015:** Snow storms in the US: €318 gross loss. New reinsurance protection program in place. Lower profit in Turkey due to soft market & regulatory changes: €20 mn
- **2016:** Price reduction in Italian online motor continued with increase in cost of average bodily injury claims and restructuring costs

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ROE	2009	2010	2011	2012	2013	2014	2015	9M 2015	9M 2016
	5.9%	4.8%	3.7%	4.0%	5.9%	1.7%	-1.7%	-2.3%	1.6%



**3A OVERVIEW**

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BUSINESS PROFILE + HISTORICAL PERFORMANCE

---

**3B TOPICS FOR DISCUSSION**

---

United States

---

Italy & Germany

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Turkey

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Key Strategic Markets

**MAPFRE USA**

Alfredo Castelo



## MAPFRE USA – Overview

1. **MAPFRE USA is the leading insurance company in Massachusetts** in Non-Life with important market shares: Motor 25.6% (#1), Homeowners 13.4% (#1), and Commercial auto 13.6% (#1)
2. **MAPFRE USA is an “A” rated holding company** with 13 subsidiaries (9 insurance companies) and operations in an additional 18 states outside of Massachusetts
3. **Four regional areas have been created** (Western, Central, Atlantic and Massachusetts-Northeast) in order to focus management attention on each region’s differences
  - Strong market position in Northeastern states: Connecticut 3.0% (#13 personal lines), Rhode Island 4% (#9 personal lines)
4. **The company’s distribution model** is based primarily on agreements with independent agents and AAA clubs in various states (client base of ca 5m with low penetration rate, long term agreement with AAA WA, AAA NJ and AAA NE just executed)
  - In addition, MAPFRE USA has expanded into other delivery channels including captive agents, direct online sales, retailers (grocery) and car dealerships
5. In 2017, in addition to MAPFRE USA activities, **the digital channel will see the launch of VERTI USA in Pennsylvania**

MAPFRE USA: the leading player in Massachusetts

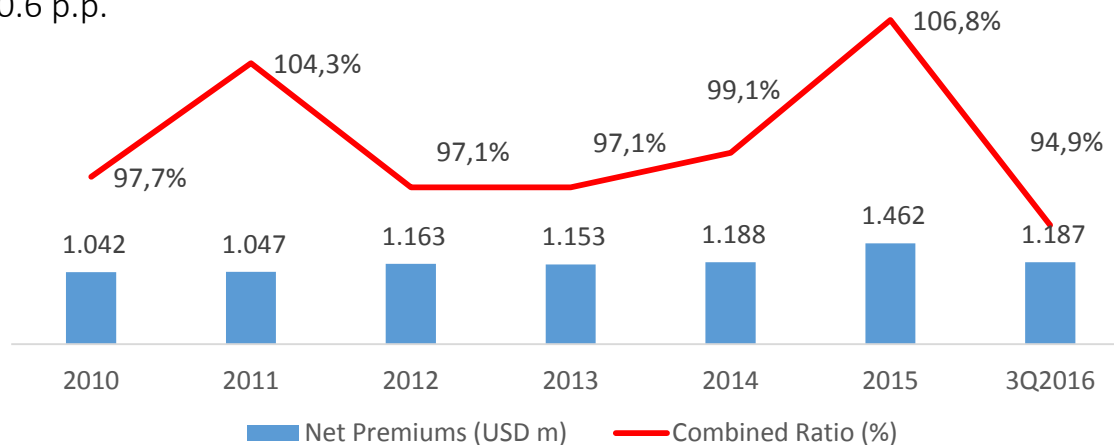
Massachusetts is a mature and profitable state which operates in traditional channels (IAs and AAA)

MAPFRE USA is the state leader in private passenger auto, commercial auto and homeowners markets

- Since 2010, premiums grew by €420 mn or 40%

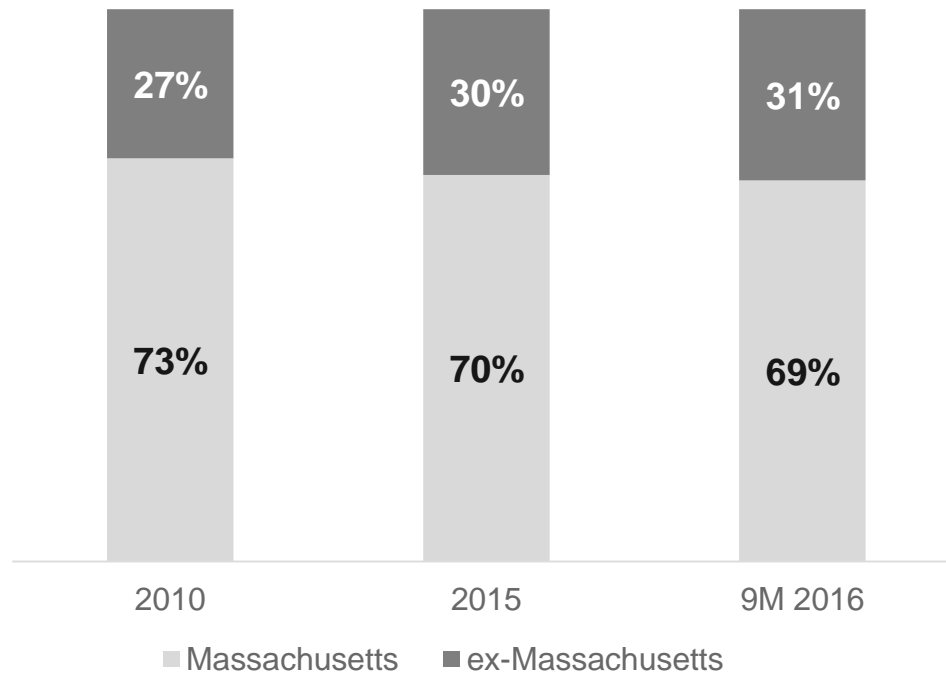
Outstanding performance in 2016 due to underwriting actions and favorable weather:

- Combined Ratio of less than 95% as of Sept 2016
- 2015 performance affected significantly by winter CAT activity in the Northeast
- Renewed profitable growth in 2016: volume growth of 4.8% (of policies 1.3%), decrease in loss ratio (ex-weather) of 0.6 p.p.



MAPFRE USA: the diversification effort outside Massachusetts is working

Premium distribution



CAGR  
2010 - 2015

+7.5%

+3.2%



MAPFRE USA: Underwriting actions are bearing fruits

- **Severe weather events have had significant impacts on MAPFRE USA:** more than €435 mn in 7 years
  - 2015 was particularly affected by the severe winter weather in the Northeast of the US
- Despite catastrophic events, **MAPFRE USA has rigorously endeavored to improve its technical ratios and continue aiming at profitable growth**
  - Further actions are needed outside of Massachusetts to improve profitability
- **The 70% QS reinsurance structure in place to mitigate volatility** in homeowner book of business

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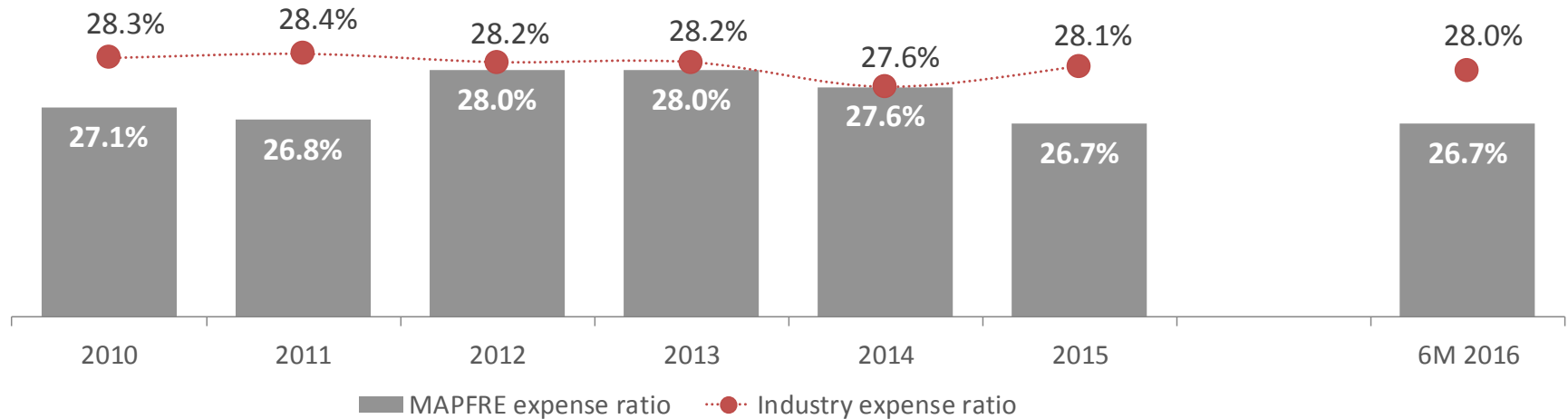
Direct Loss Ratio Total Including Weather	2014	2015	2016
Massachusetts	59.9%	73.0%	57.5%
Var		13.0%	-15.4%
Ex Massachusetts	70.9%	78.0%	69.8%
Var		7.1%	-8.2%

Direct Loss Ratio Excluding Weather	2014	2015	2016
Massachusetts	58.9%	58.1%	57.5%
Var		-0.8%	-0.6%
Ex Massachusetts	70.3%	73.0%	69.8%
Var		2.7%	-3.2%

## Strong expense management control

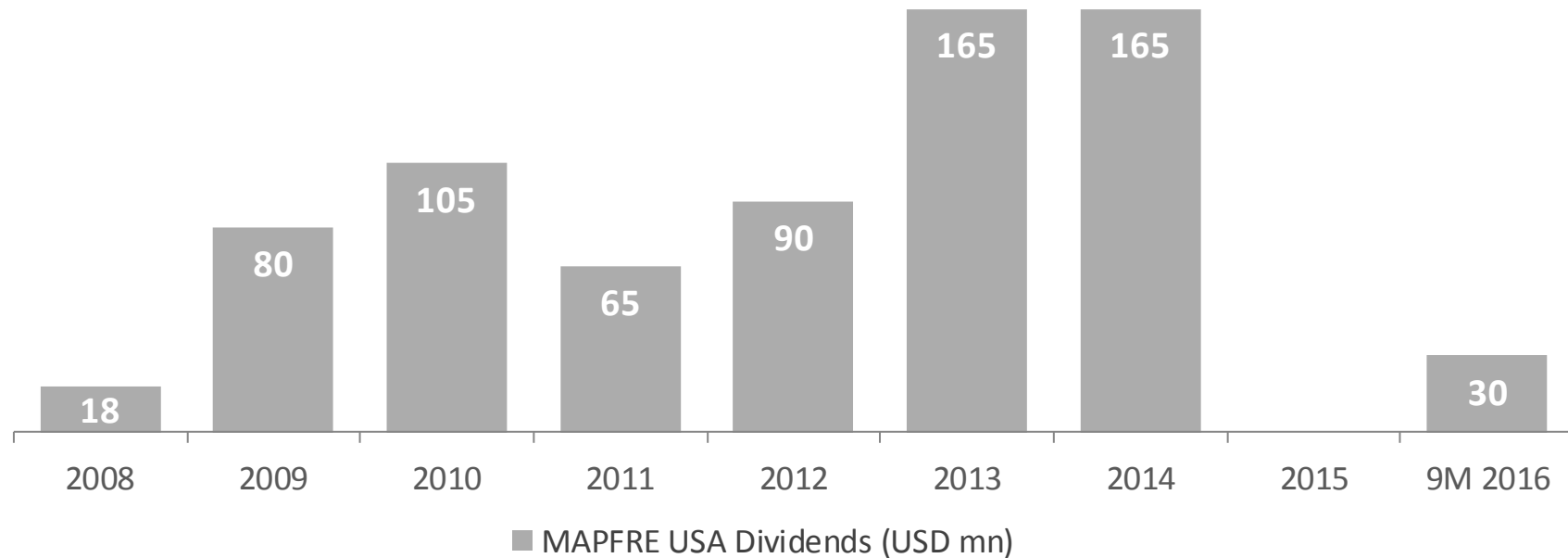
- Efforts to expand the operation outside MA increased expenses from 2012 to 2014
  - Close to 1 pp lower ratio than industry average
  - US Expense ratio includes Premium tax (ca 2.3 pp)

Expense ratio (%) MAPFRE USA vs US Industry\*



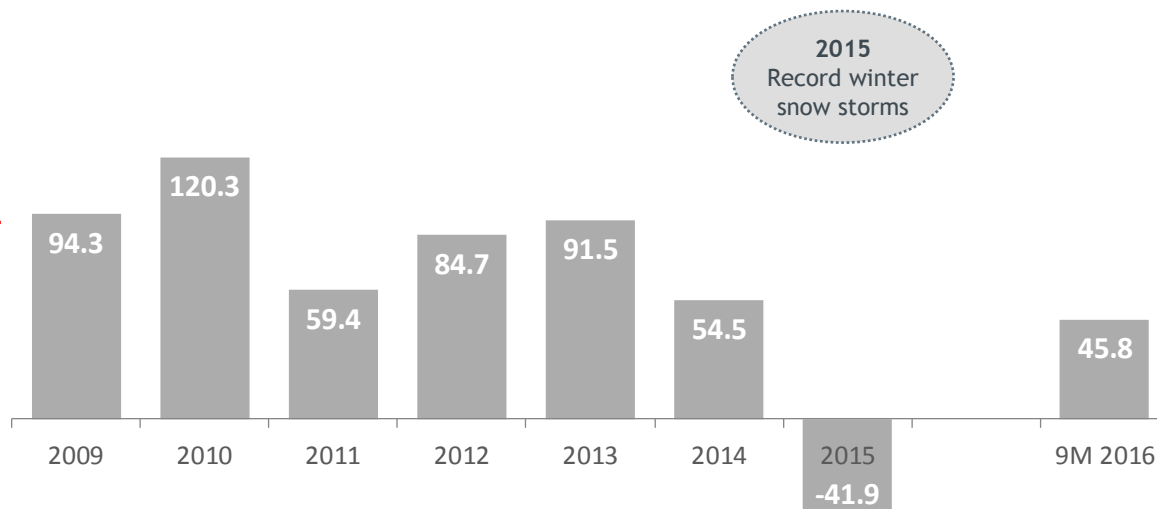
\*Sources: SNL data (Statutory basis)

MAPFRE USA: USD 718 mn dividends paid since 2008



- No dividend paid in 2015 due to winter CAT in Massachusetts
- Renewed dividend policy applied in 2016
- USD 300 mn of senior notes have been fully repaid
- Revaluation of USD (1.4350 30<sup>th</sup> May 2008 vs 1.1235 as at 30<sup>th</sup> Sept 2016)

## Attributable result



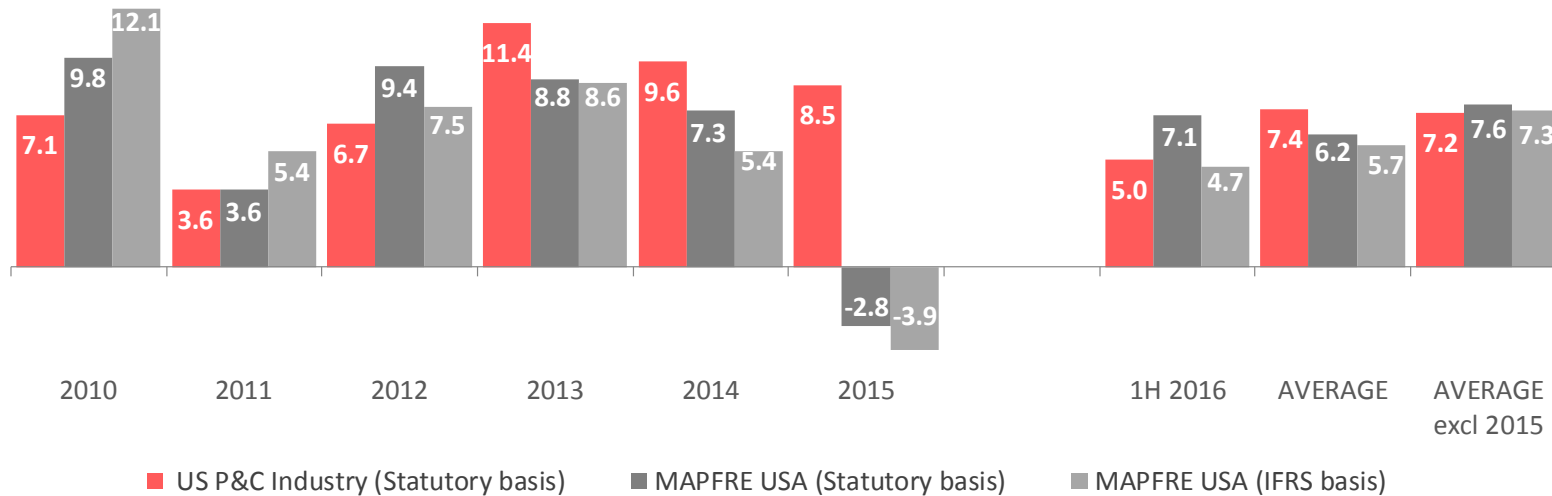
- More than €500 mn in attributable results despite much lower net financial income
  - 2015 net financial income is ca. €32 mn less than 2010
  - Lower invested assets
  - Declining yields

Million euros



ROE

Return on Equity (%)  
MAPFRE USA vs US Industry\*




- Excluding 2015 MAPFRE's ROE in last 7 years is better than industry average
- June 2016, 2 pp better than industry

Note: Main reasons of differences between Statutory and IFRS are:

- Intangible assets
- Unrealized gains/losses
- Deferred acquisition cost

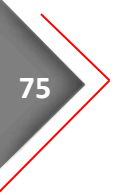


## MAPFRE USA: Conclusions

- 
- Despite a challenging environment, **MAPFRE USA has a significant and profitable operation** in the United States
  - MAPFRE USA has been **successful in its geographic diversification effort**

- **Increasing profitability** especially in growth states outside Massachusetts is a **key objective**
- The **US is strategic to the MAPFRE Group** as it provides growth opportunities as well as exposure in a strong currency market
- MAPFRE USA is **launching a fully digital insurance company** aligned with two strategic initiatives of the GROUP: the Digital Transformation; and being one of the leaders in the direct digital market

Key Strategic Markets



DIRECT LINE ITALY

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ITALY Overview: Market context



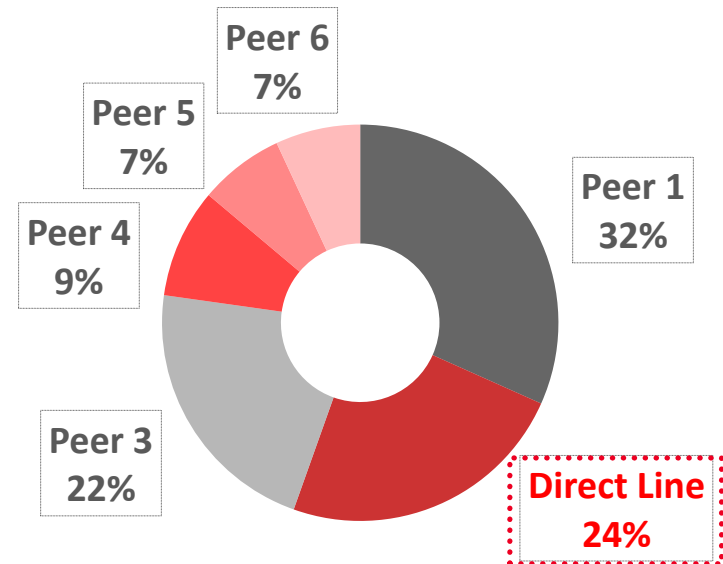
- 2nd largest motor market in the EU with 36 million vehicles and € 16.6 bln
- Motor market profitable at 93% COR in 2015 concentrated in TPL coverage (2% casco)
- 78% of Motor market concentrated in 3 players
- Increasing importance of Price Comparison sites on the direct business
- Importance of telematics geared mainly towards cost control and fraud prevention
- Non-traditional distributors increasingly active

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Total P&C premiums 2015 (Italy)



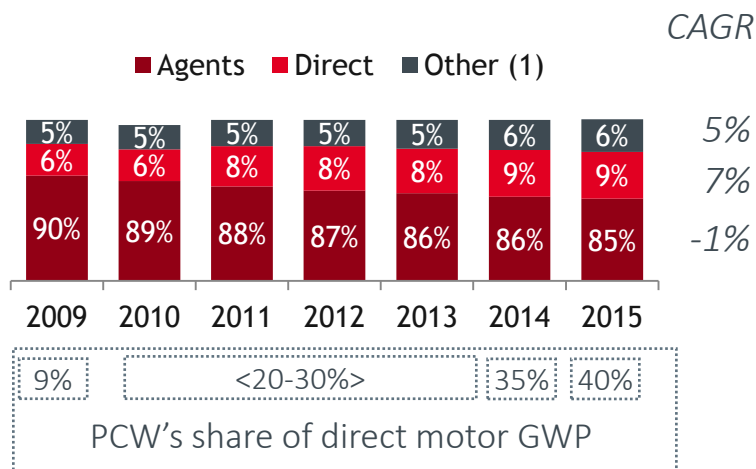
Market shares - Direct motor (Italy)



### Direct Line ITALY



- MAPFRE's acquisition of Direct Line accelerated expansion plans in the 2<sup>o</sup> largest motor market in the EU gaining a 24% market share within the pure direct carriers
- Direct channel continuous growth at 7% CAGR fuelled by new generational preferences
- Strong business development platform with a multi channel capabilities
- Current results should not be taken as the medium-term underlying result: we are strengthening the operational platform through major efficiency plans under implementation including MAPFRE's claims and operational management models.
- Top NPS score of 42 vs direct competitors
- Rebranding process towards MAPFRE's digital brand: VERTI



€ million	9M 2015*	9M 2016	Δ 15/16
Gross Written Premiums	331.3	345.3	4.2%
Net result	-1.8	-39.8	---
Net loss ratio	61.8%	68.5%	
Net expense ratio	43.0%	60.1%	
<b>NET COMBINED RATIO</b>	<b>104.8%</b>	<b>128.6%</b>	

\* Full 9M. MAPFRE started consolidating results in June

Key Strategic Markets



**DIRECT LINE GERMANY**

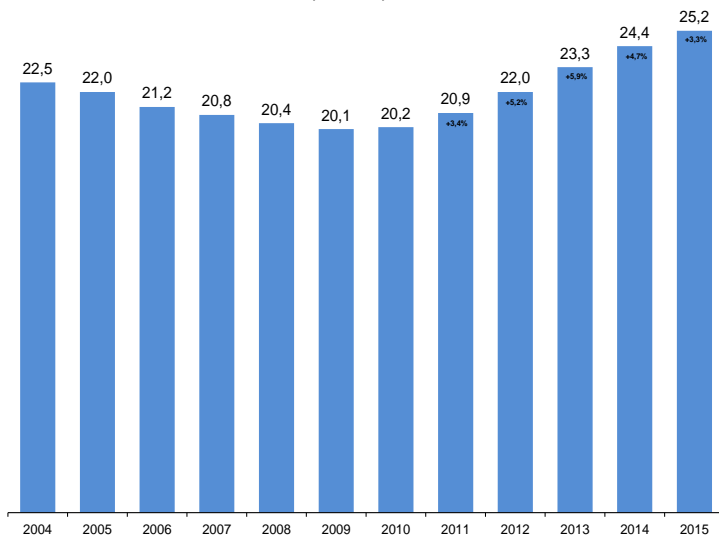
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## GERMANY Overview: Market context

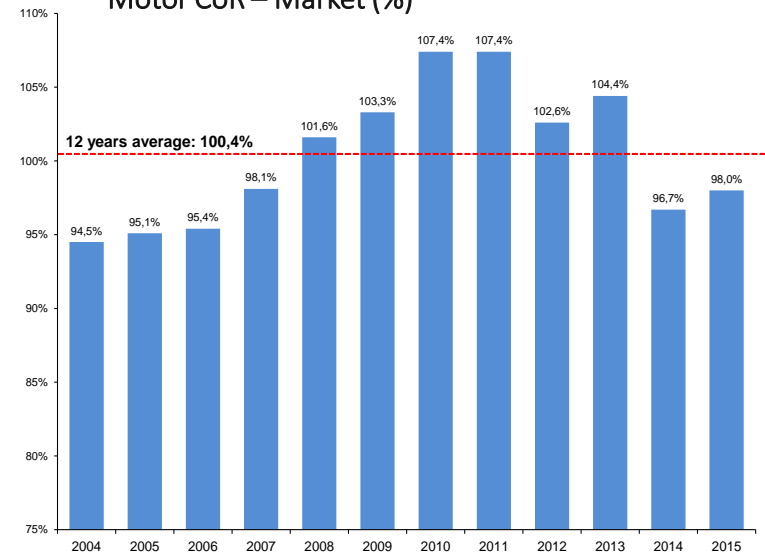


- Largest economy within the EU with 82 million people
- € 25 bln Auto market with 54 million vehicles
- € 2 bln Auto Direct market:(8% of total auto market): MAPFRE Direct Line with a 14% direct insurance motor market share and a 3<sup>rd</sup> position in the overall direct auto insurers ranking in 2015
- Profitable performance in 2014 and 2015 with CoRs of 96.7% and 98%
- Market reasonably concentrated with 28% in the hands of the two principal carriers
- Importance of Aggregators: leading role of Check24, though newcomers are exerting increasing pressure
- Telematics has so far not become a relevant topic

Motor GWP - Market (€ bln)



Motor CoR – Market (%)



Source: GDV

Overview: Direct Line Germany

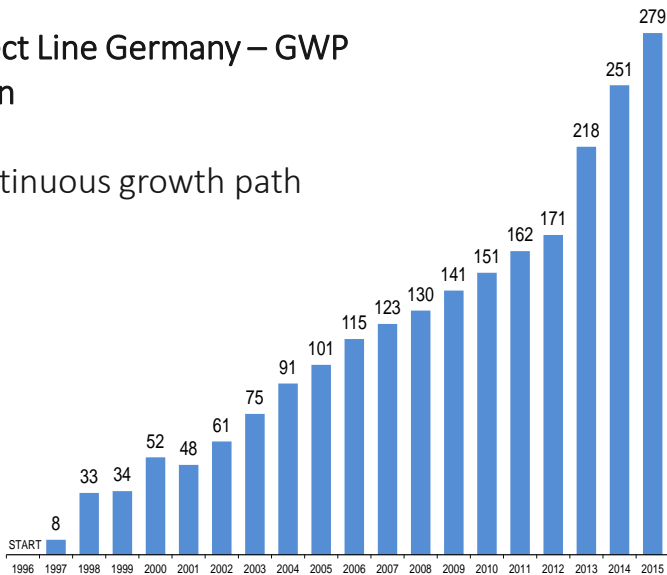


- 10 years of continuous profitability in the German market
- Seasoned management team with strong knowledge of the German Auto market
- Focus on a digital direct customer oriented strategy
- Focus on underwriting and pricing discipline with a sound and efficient acquisition strategy
- Implementation of MAPFRE's Claims and Operational management models

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Direct Line Germany – GWP  
€ mn

Continuous growth path



€ million	9M 2015*	9M 2016	Δ 15/16
Gross Written premiums	234.0	240.5	2.8%
Net result	0.9	2.9	214.4%
Net loss ratio	79.5%	78.7%	
Net expense ratio	20.3%	20.3%	
NET COMBINED RATIO	99.9%	99.0%	

\* Full 9M. MAPFRE started consolidating results in June



Key Strategic Markets



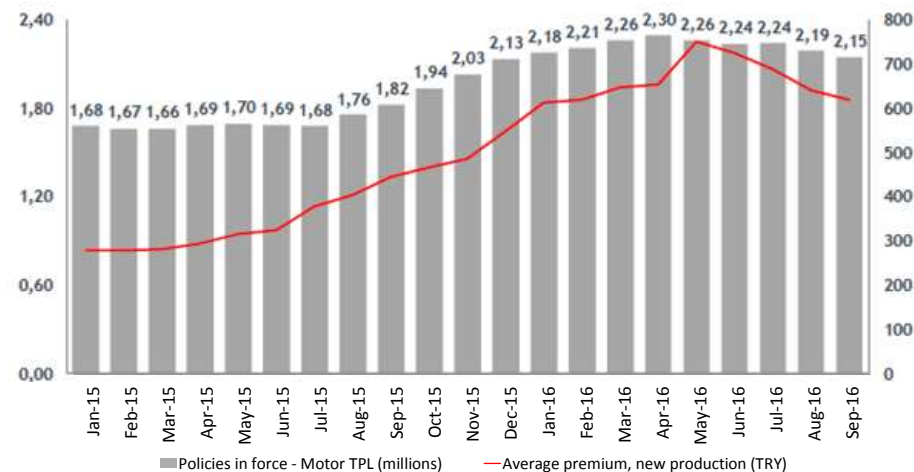
MAPFRE TURKEY

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## TURKEY Overview: Market context



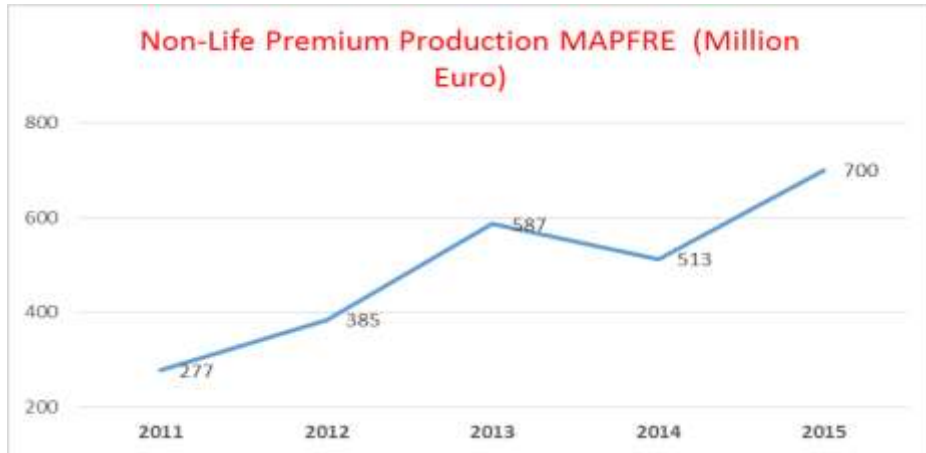
- Total population 78.7 million. Average age 30, 25.7% <14 years old
- Non-life premiums 1.35% of GDP
- 20.0 million registered vehicles = 255 / thousand inhabitants. 21.8% uninsured
- Premium (real) growth 2011-2015 :+9.8%. 2016 Q3 : 22.9%
- Strong interest from foreign companies: 74.6% of capital owned by foreign investors who control 15 out of the top 20 companies
- Room for concentration: 36 players, of which 17 have below 1% market share



MAPFRE TURKEY



- Excellent 9M 2016 results with a COR of 97.8% and 30.8% GWP increase
- Development over 10 year period, from ranking #10 to #4
- Leader in commercial and industrial segments (#1 Engineering). High Technical skills. Motor (#5) and Health (#3) strong position
- Distribution network of 2,823 agents supervised by 17 Regional Offices. Leader in distribution through brokers. New channels under development



€ million	9M 2015	9M 2016	Δ 15/16
Gross Written premiums	471.7	617.2	30.8%
Net result	8.6	22.1	158.5%
Net loss ratio	81.3%	78.1%	
Net expense ratio	23.5%	19.7%	
NET COMBINED RATIO	104.8%	97.8%	

## CONCLUSIONS

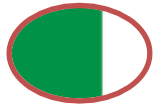
Solid and growing presence in strategic markets for MAPFRE producing a strong diversification both from risk and currency exposures.



Leadership position in a major developing insurance market with already material positive results and profitable performance.



24% market share amongst the pure direct companies in the 2<sup>nd</sup> largest auto market in the EU



Profitable foothold in the EU's largest economy operating in the fastest growing auto distribution channel: Digital Direct



GOING FORWARD: Total Focus on Profitable Growth

04

MAPFRE RE

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Eduardo Pérez de  
Lema

Weathering the storm  
in a highly competitive  
market



**04** MAPFRE RE**Weathering the storm in a highly competitive market****4A** OVERVIEW

Business Profile + Historical Performance + Market Context

**4B** TOPICS FOR DISCUSSION

Profitability in a soft market

MAPFRE RE's competitive advantage

MAPFRE RE's synergies with MAPFRE GROUP

Market opportunities

## Business Profile

### **MAPFRE RE is a leading player in the global reinsurance market**

- Professional reinsurer of MAPFRE Group, which set up its Reinsurance unit in 1982
- MAPFRE RE offers services and reinsurance capacity, through all kind of **treaty and facultative reinsurance solutions** and for all lines of business, both **Life and Non-Life**
- Global reinsurer with **19 offices throughout the world**
- Business in more than **107 countries** and **1,440 clients**
- One of the **16 largest reinsurers** in the world
- **Excellent solvency levels**, supported by a diversified business and geographical mix, as well as prudent technical and investment management
- **Currently rated A** by **Standard & Poor's** and **AM Best** with stable outlook, two notches above the Spanish sovereign

## Business Profile



- London, UK
- Bogota, Colombia
- Brussels, Belgium
- Buenos Aires, Argentina
- Caracas, Venezuela
- Labuan, Malaysia
- Lisbon, Portugal
- Madrid, Spain
- Manila, Philippines
- Mexico D.F., Mexico
- Milan, Italy
- Munich, Germany
- New Jersey, USA
- Paris, France
- Beijing, China
- Santiago de Chile, Chile
- São Paulo, Brazil
- Singapore
- Toronto, Canada

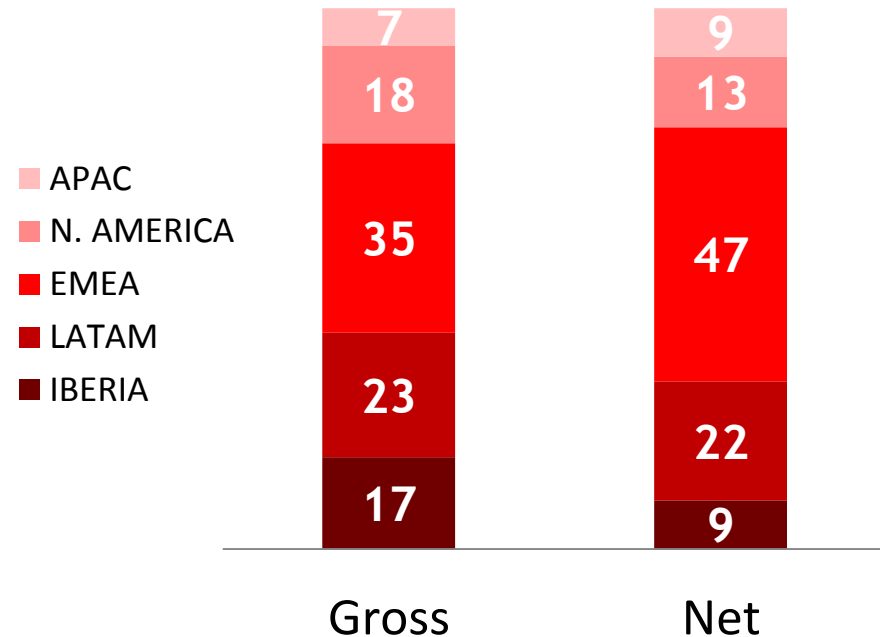


Business Profile

Premiums by ceding company (%)

	Gross	Net
MAPFRE	44%	24%
Non-Group	56%	76%

Premiums by region (%)



- Non-Group Business: Fully retained and protected for CAT events (90% retention)
- MAPFRE Business: Retroceded after substantial transformation and additional retention (38% retention)

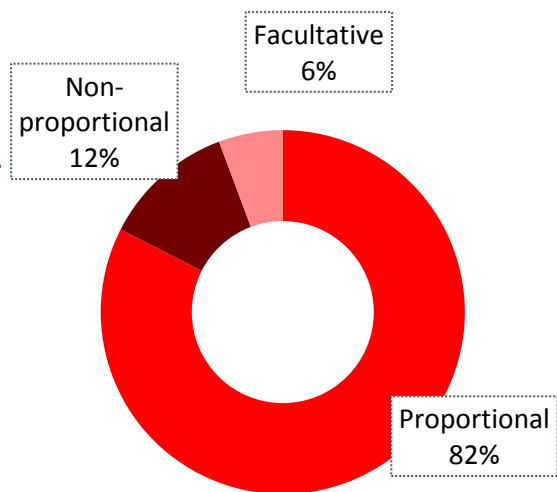
Data as of December 31<sup>st</sup> 2015



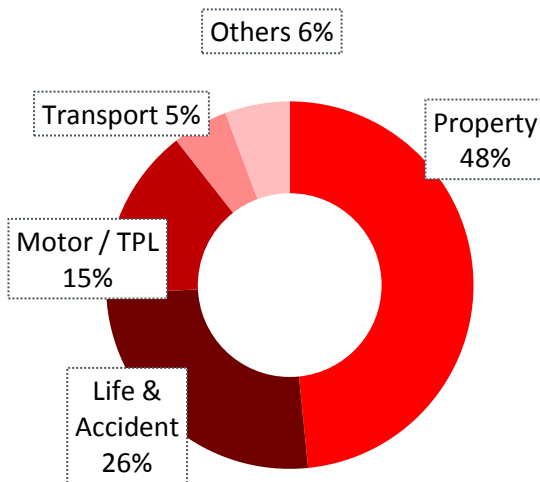
Business Profile

**Total portfolio**

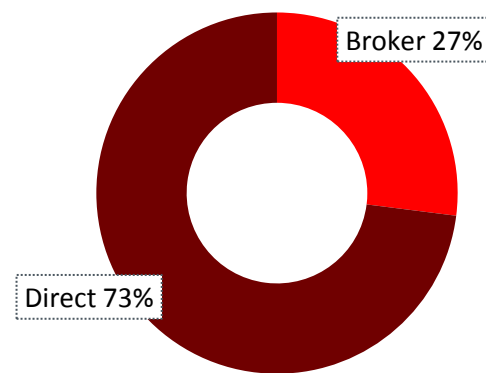
By type of business



By insurance line



By source of business

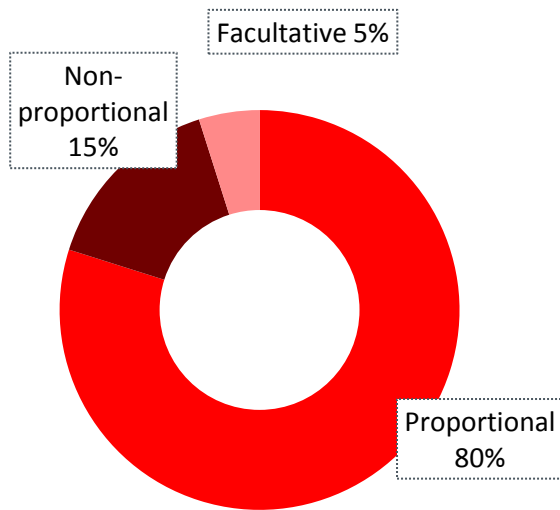


Breakdown of net premiums (except by source of business which are gross). Data as of December 31<sup>st</sup> 2015

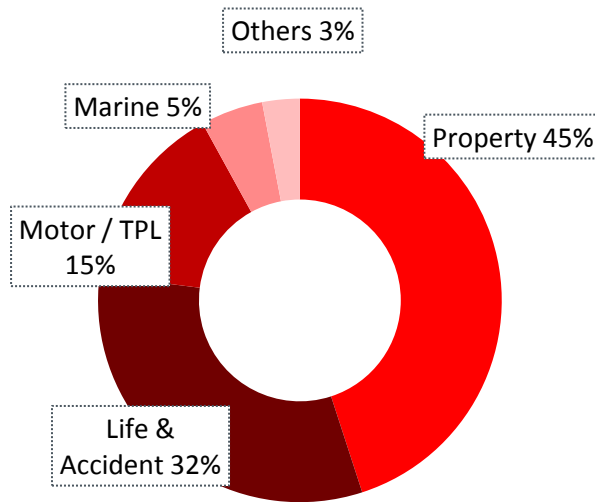
Historical Performance

**Non-Group portfolio**

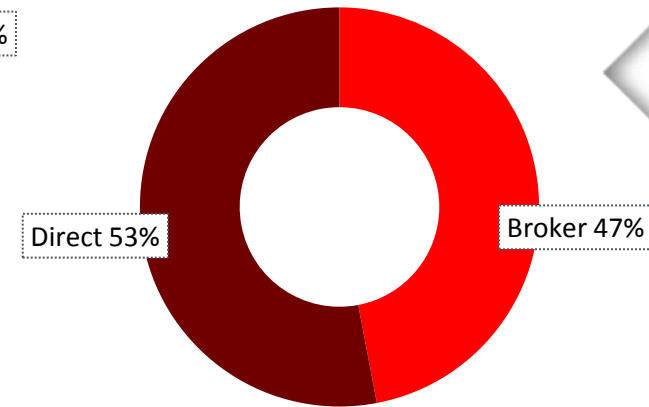
By type of business



By insurance line



By source of business



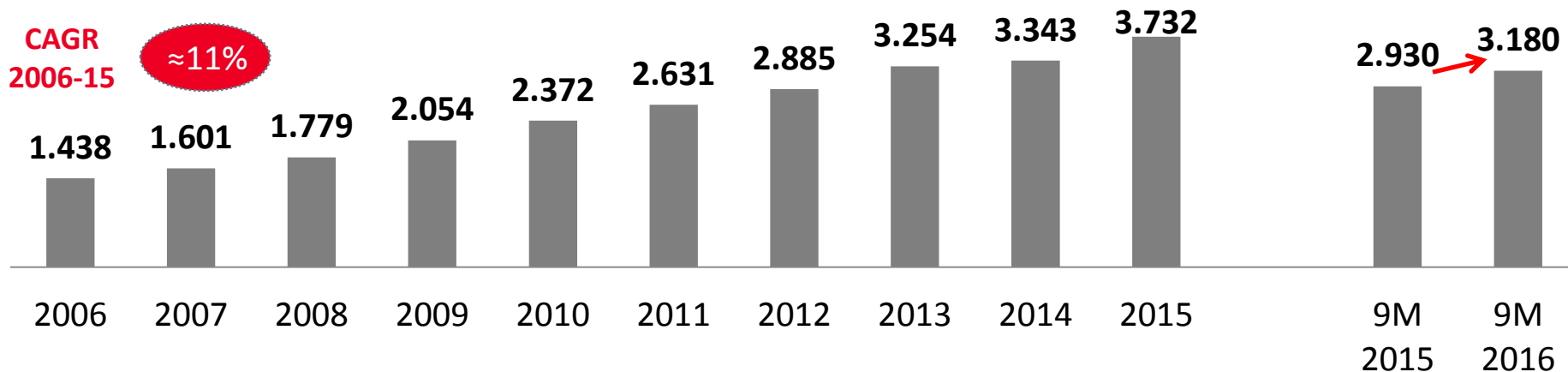
- Strongly diversified portfolio in terms of geography, line and source of business
- Big proportional portfolio leads to improved market access, reduced volatility and better client relationship

Breakdown of net premiums (except by source of business which are gross). Data as of December 31<sup>st</sup> 2015

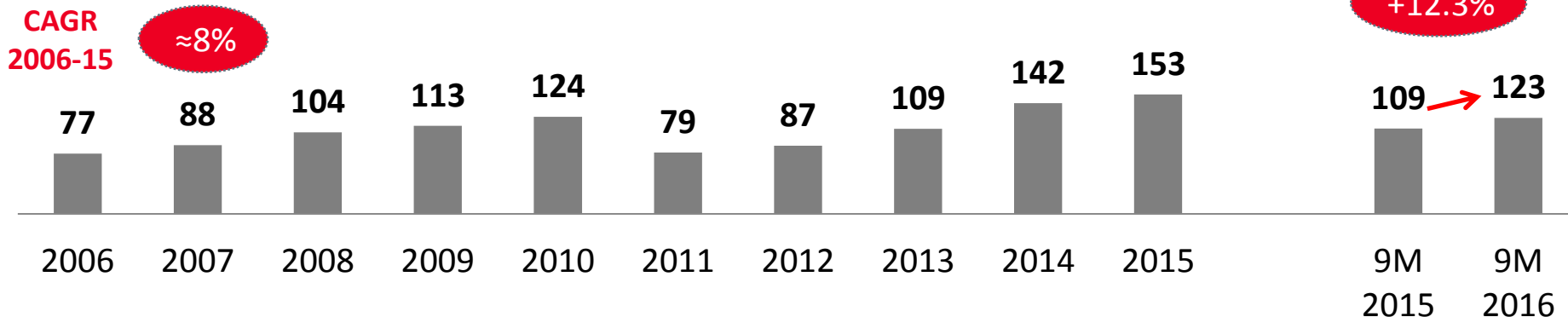


Historical Performance

Premiums



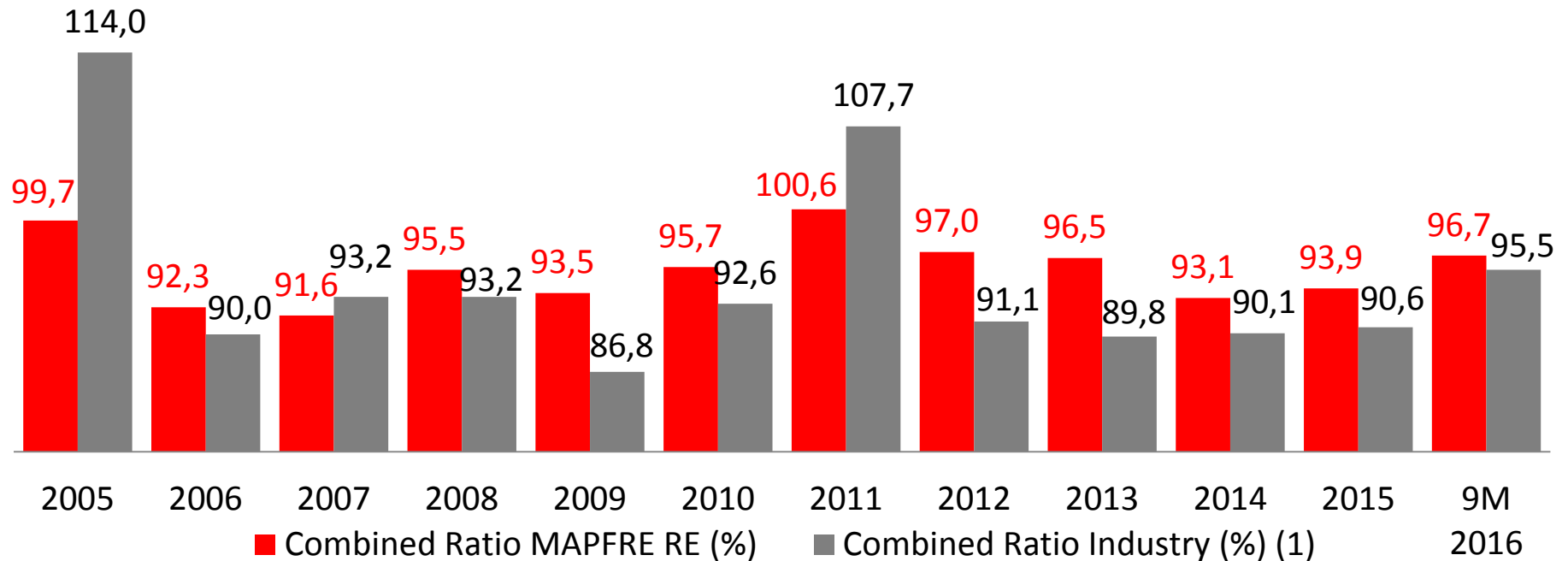
Attributable results



Million euros

Historical Performance

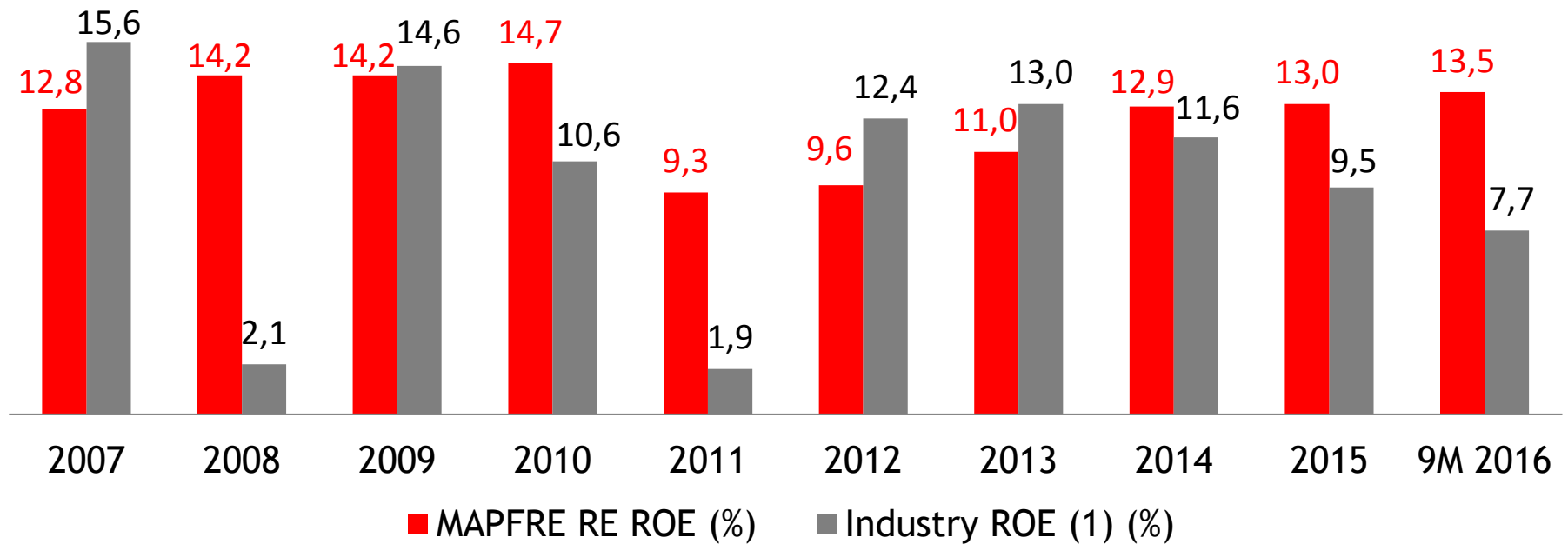
**MAPFRE RE has obtained high technical margins, with reduced volatility . . .**



	MAPFRE RE	Industry
Average Combined Ratio	95.5%	94.5%
Standard Deviation Combined Ratio	2.8%	8.0%

Historical Performance

... generating attractive returns, above the industry average ...



	MAPFRE RE	Industry
Average R.O.E. 2007-2016	12.5%	9.9%
Standard Deviation Combined Ratio	1.9%	4.8%

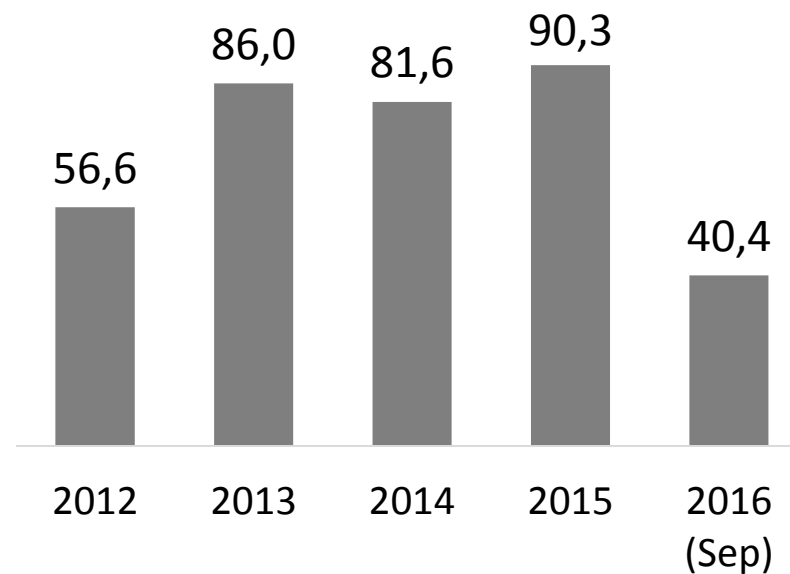
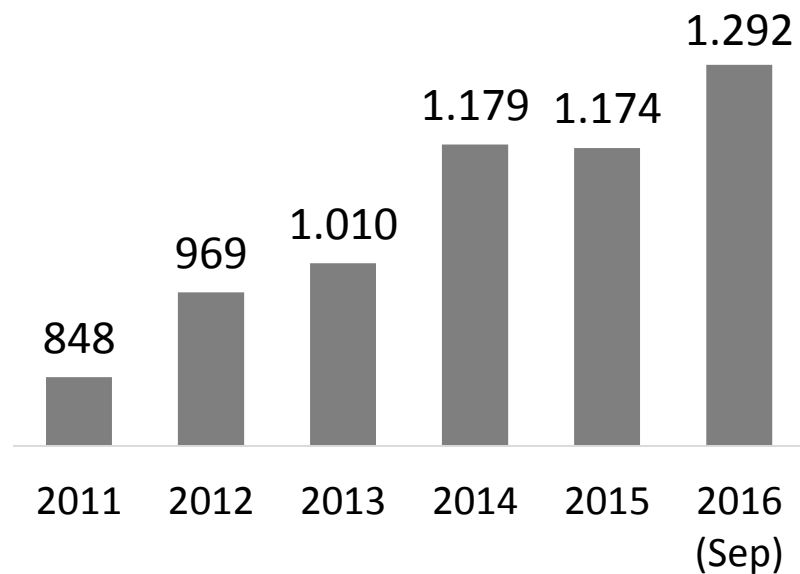


Historical Performance

**Evolution of Shareholders' Equity**

**Dividends paid**

Average Pay Out: 65%



MAPFRE RE is a strong cash flow generator for MAPFRE and has been able to finance its growth

## The absence of large catastrophic losses and excess capacity in the market puts pressure on rates

- Overall market results still positive, but “normalized” margins hardly cover cost of capital industry-wide
- Still highly competitive environment. Strong pricing pressures in Latin America, APAC and the Middle East
- First signs of stabilization during June / July renewals, particularly in the USA
- Declining financial income increases the need for technical return
- Increase in opportunistic purchases and structures (facilities, line slips, “program business”) and diversification of reinsurers into insurance business
- Continue M&A activity in order to obtain diversification and cost savings
- Increasing regulatory difficulties, trade barriers and market access difficulties



**04** MAPFRE RE**Weathering the storm in a highly competitive market****4A** OVERVIEW

Business Profile + Historical Performance + Market Context

**4B** TOPICS FOR DISCUSSION

Profitability in a soft market

MAPFRE RE's competitive advantage

MAPFRE RE's synergies with MAPFRE GROUP

Market opportunities

## 1 How is MAPFRE RE maintaining high levels of profitability in a soft market?

- Portfolio based on less volatile and stable business, with substantial profit and loss sharing mechanisms
- High portfolio diversification geographically and by line of business
- Maintain high underwriting standard and discipline. Non-renewal of unprofitable transactions
- Enhanced retrocession protections and correlation between inward price reduction and retrocession pricing. Significant protection in place, both for intensity and frequency of CAT losses
- Focus on bespoke deals and tailor-made solutions
- Market is currently bottoming out. Major deterioration of prices and conditions not foreseen
- Very competitive cost structure



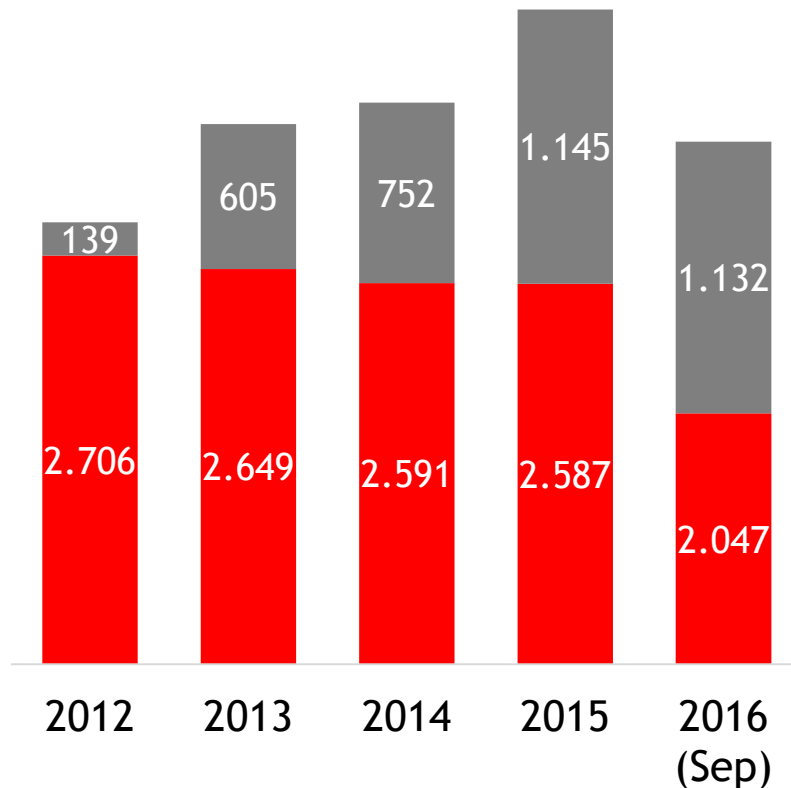
## MAPFRE RE maintains underwriting discipline in a challenging environment . . .

Origin	Renewal Period	Real	Constant Exchange Rates
Non-Group	January	0.7%	-1.0%
	April	-1.5%	2.3%
	July	3.1%	5.6%
	<b>Total</b>	<b>0.9%</b>	<b>0.2%</b>
MAPFRE	January	41.5%	42.2%
	April	5.7%	16.8%
	July	4.3%	4.3%
	<b>Total</b>	<b>19.8%</b>	<b>20.1%</b>
Total	January	12.4%	11.4%
	April	-1.4%	2.5%
	July	4.0%	4.6%
	<b>Total</b>	<b>9.0%</b>	<b>8.7%</b>

- Significant growth from Group business, mainly due to the acquisition of DL Italy and Germany
- Continued discipline on Non-Group Business:
  - Focus on core client relationship and don't support opportunistic purchases
  - Significant portfolio reduction in LATAM (-14% at constant exchange rates), due to discontinuation of unprofitable business
  - Very sharp reduction of the portfolio in the Middle East
  - Selective growth in the USA (+7%) due to some proportional opportunities and Europe (6%), mainly on "special transactions"
  - Prudent expansion in APAC through the new Singapore Branch
  - Overall stable CAT exposures

... and recent growth has been based on the search for alternative sources

■ "Traditional" ■ Special Transactions



Million euros

- MAPFRE RE has been able to grow, without reducing underwriting standards

- Growth emanates from Special

Transactions:

- Most on a proportional and structured basis
- Reduced volatility and capital charge
- Not open market deals and less competition. Offered to preferred business partners, with strong structuring capabilities
- Enhanced client and broker relationship

## 2 How does MAPFRE compete with large players in this challenging environment?

- MAPFRE RE has a very lean, flexible and effective organization that is able to work with the lowest possible expense ratio, without jeopardizing technical excellence
- Proven capability of structuring and underwriting tailor-made solutions for clients
- Very strong market presence and client relationship, based on substantial local presence, consistent technical underwriting, long-term approach and capabilities to offer global services to clients
- Only reinsurer part of a global insurance group
- Leading positions in Latin America and Europe

### 3 What synergies does MAPFRE RE bring to MAPFRE GROUP?

- MAPFRE RE writes a reinsurance book that is highly complementary to MAPFRE's risk profile, adds diversification benefits and is highly profitable
- MAPFRE RE generates substantial additional retentions of profitable Group business that would otherwise be transferred to the reinsurance market
- Pooling of reinsurance purchases brings substantial savings, optimizes effectiveness of the reinsurance purchase and increases the level of coverage for extreme events
- Use of internal reinsurance solutions enhances capital management capabilities and efficiencies for MAPFRE
- MAPFRE RE manages and controls CAT exposures across the group and monitors reinsurers credit risk



## 4 What opportunities does MAPFRE RE see in the current market?

### Market challenges

Excess capacity

Low rate environment

Industry consolidation

Regulatory changes

Demographics

### Opportunities

Technology

Solvency II

Emerging Risks

New products

New markets

## Key Takeaways

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- MAPFRE RE is a **mature company** with a very **strong competitive position** and a **solid, stable and diversified portfolio** of business
  - MAPFRE RE is a core part of **ERM policy** at MAPFRE, through the management of global CAT exposures, reinsurance credit risk and placement of the group reinsurance coverage
  - MAPFRE RE provides a **strong and stable flow of profits**, with substantially lower volatility than peers
  - MAPFRE RE will maintain **underwriting discipline** and the competitive advantage of **reduced cost ratio**
  - MAPFRE RE has **strong foundations** to continue growing, especially if the market turns
-



05

INVESTMENT  
MANAGEMENT

JOSE LUIS JIMÉNEZ

Profitable growth  
optimizing returns in a  
low yield environment



**05** INVESTMENT MANAGEMENT

## Optimizing returns in a low yield environment

**5A** OVERVIEW

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Market Context

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Investment Portfolio

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**5B** TOPICS FOR DISCUSSION

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View on Interest Rates

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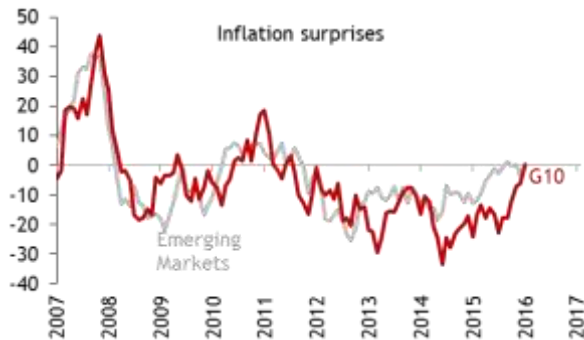
MAPFRE AM: Room for Profitable Growth

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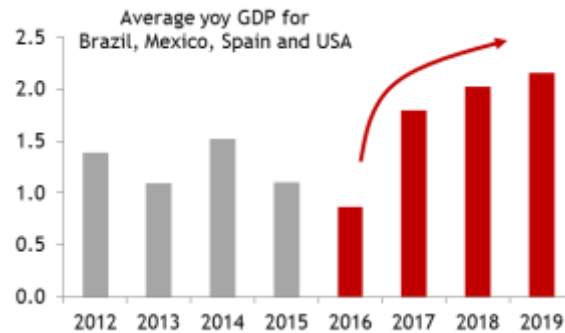
Market Context

**A more positive scenario ahead?**

Fears of deflation are coming to an end, but no high inflation in sight



Growth figures are being revised upwards, and much higher than recent years



IMF forecasts

Commodities recovering, world trade seems to have stabilized



Growth revised upwards, low rates for a long time, fading deflation fear and stabilization of trade and commodities . . .

All point to positive developments for the year ahead

Source: Thomson Datastream, own calculations

Market Context

**Brazil and Spain, two of the countries with the best recent evolution and near term outlook**

**Brazil has recovered investor attention**



During 2014-2015, Brazil was in the middle of a vicious cycle with trade, commodities and investment plummeting

This trend has been coming to an end in 2016 and even reversing

Brazil should be one of the countries to benefit most in the near future

Source: Thomson Datastream, own calculations

**Spain keeps ahead of forecasts**



Spain has consistently outperformed economic forecasts during 2015 and 2016

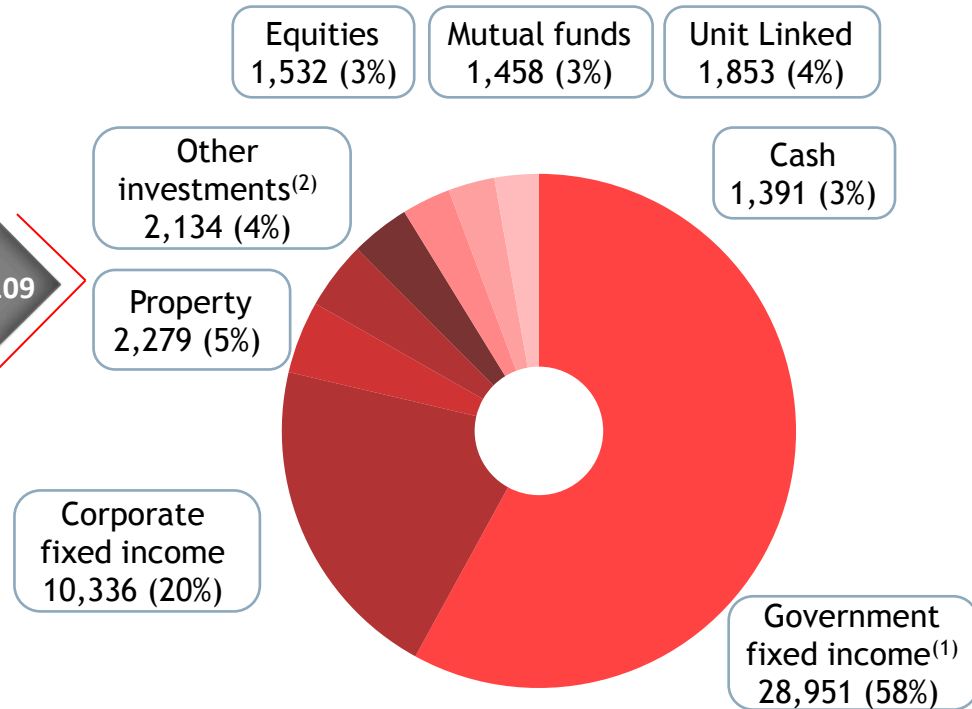
High frequency indicators point to this trend continuing, despite severe headwinds (political uncertainty, doubts on banking sector and growing public debt)

With the uncertainty stabilizing, the outlook should stay positive



Investment portfolio

**Asset allocation - MAPFRE GROUP**

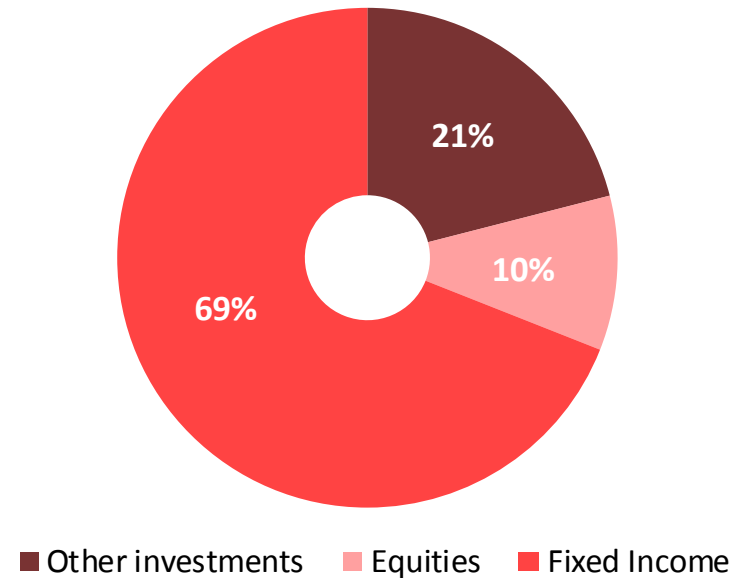


Million euros

Investment portfolio at September 30<sup>th</sup> 2016

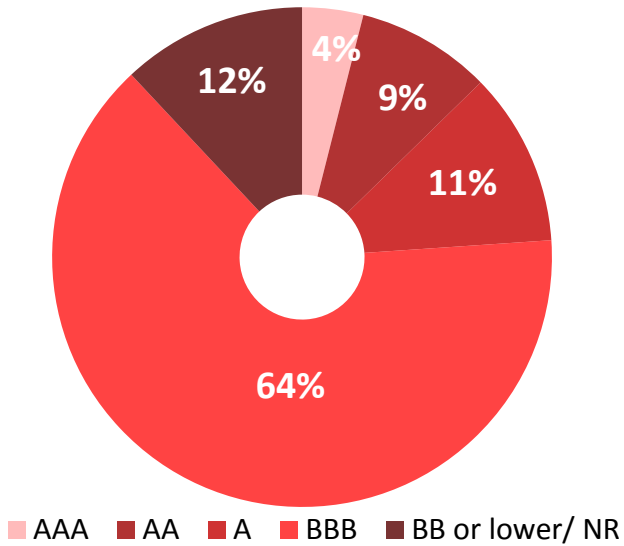
- 1) Includes multilateral bodies
- 2) Includes interest rate swaps, investments in associates, accepted reinsurance deposits and others

**Asset allocation - main European insurers**

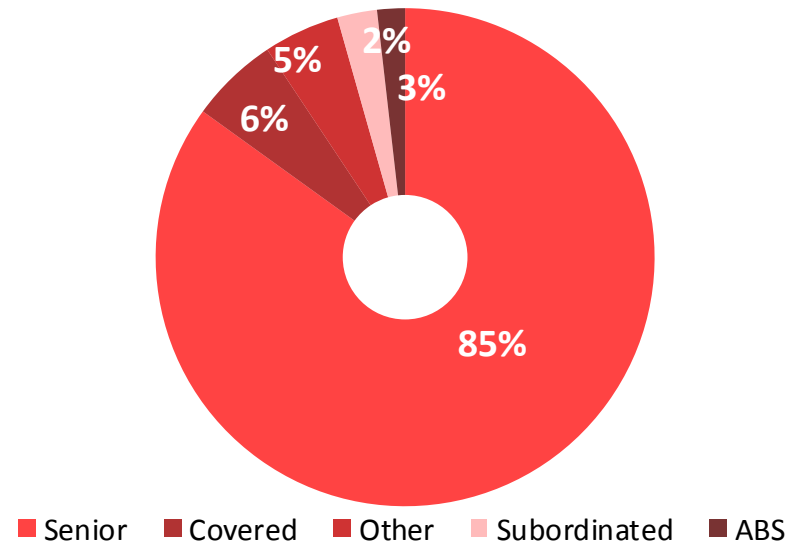


Investment portfolio

**Fixed Income portfolio –  
breakdown by rating**



**Fixed Income portfolio –  
breakdown by seniority**



\* Using foreign currency ratings

Million euros

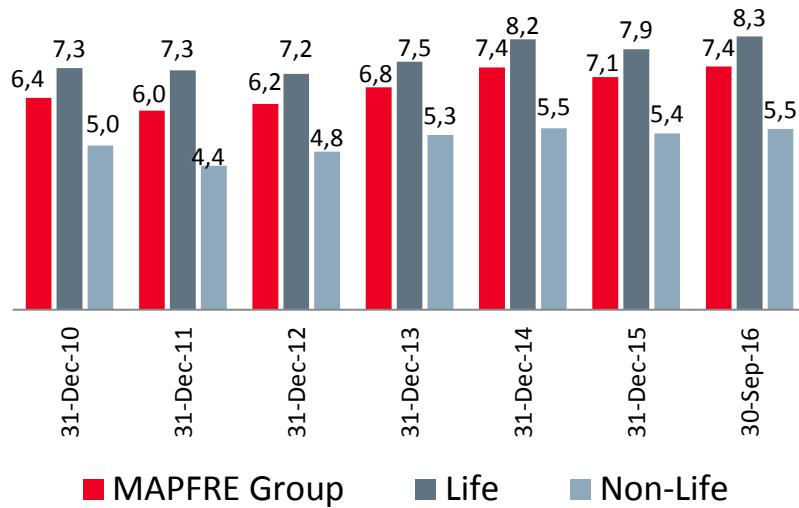
Investment portfolio at September 30<sup>th</sup> 2016



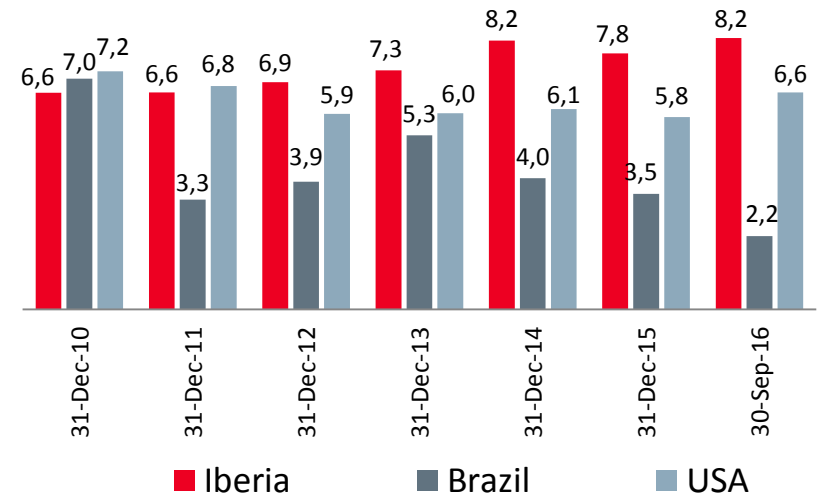
Investment portfolio

**Modified duration is well adapted to the local business needs**

Modified duration by segment



Modified duration by region



In IBERIA:

Duration in Life portfolios is driven by liabilities

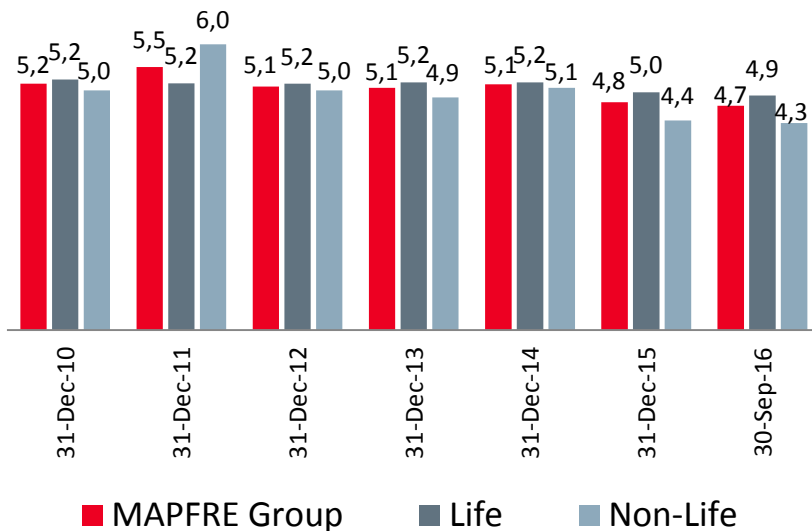
Actively managed Non-Life portfolio duration is around 5 years



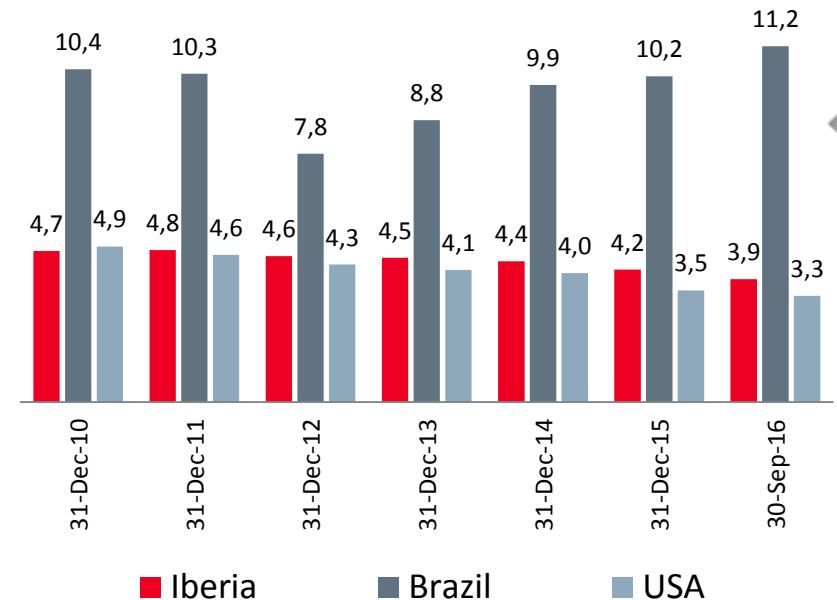
Investment portfolio

Accounting yields have remained stable

Accounting yield by segment



Accounting yield by region



112

112



**05** INVESTMENT MANAGEMENT

## Optimizing returns in a low yield environment

**5A** OVERVIEW

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Market Context

---

Investment Portfolio

---

**5B** TOPICS FOR DISCUSSION

---

View on Interest Rates

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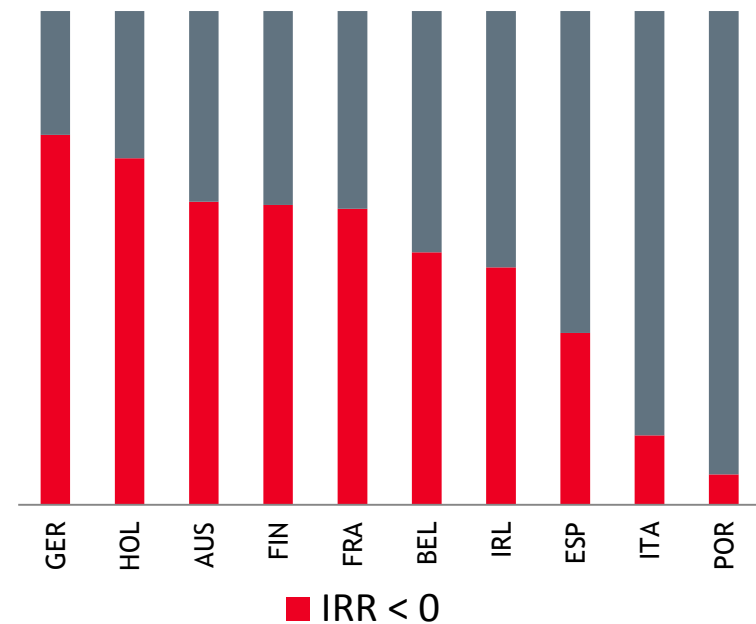
MAPFRE AM: Room for Profitable Growth

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## Our view on interest rates

- Base Scenario:
  - weak growth (but improving)
  - low interest rates for a while
  - slowly fading negative interest rates . . .
  - . . .and low expectations of a sharp increase
- Alternative Scenarios:
  - Stagflation
  - Stronger growth
  - Japanese scenario

Outstanding public debt in the Eurozone with negative interest rates

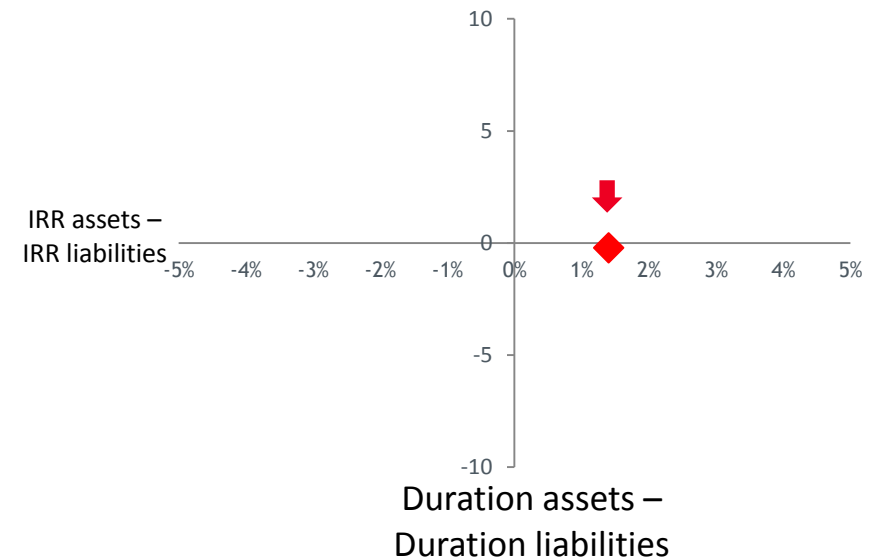
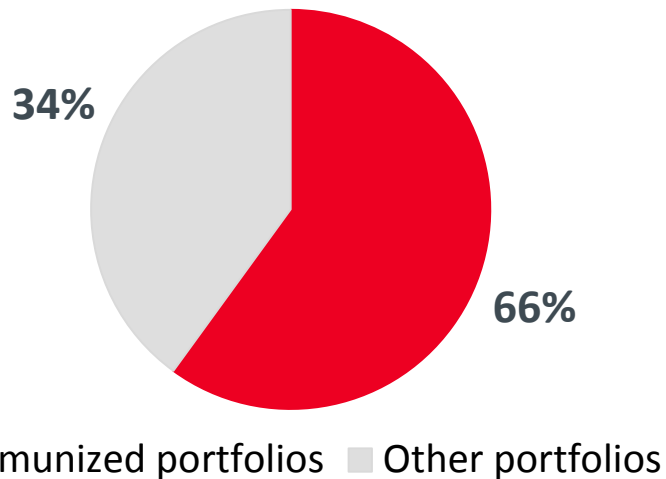


114

## MAPFRE's Spanish Life business is less sensitive to interest rates compared to peers

High portion of immunized portfolios in Spanish Life business in Spain due to local regulation . . .

...has led MAPFRE to show an absence of mismatch in both duration and yield



Data as at December 31<sup>st</sup> 2015

## Managing a low yield environment

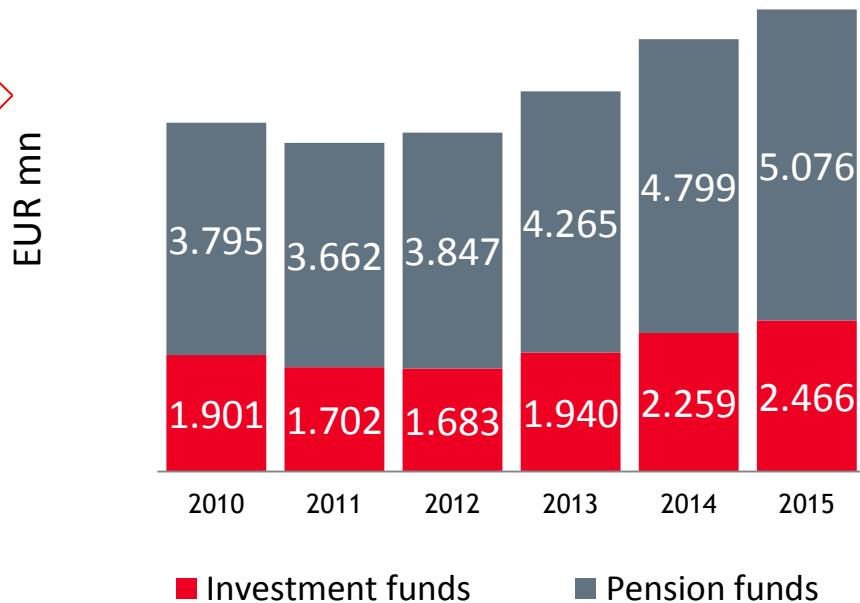
Existing room for **further diversification** in our balance sheet compared to our peers, combined with our **strong Solvency II position**, gives us capacity for increasing the weight of equities and alternative investments, always maintaining a **long-term and prudent approach**

Increase our **fee-based revenue** by leveraging on our asset management capabilities:

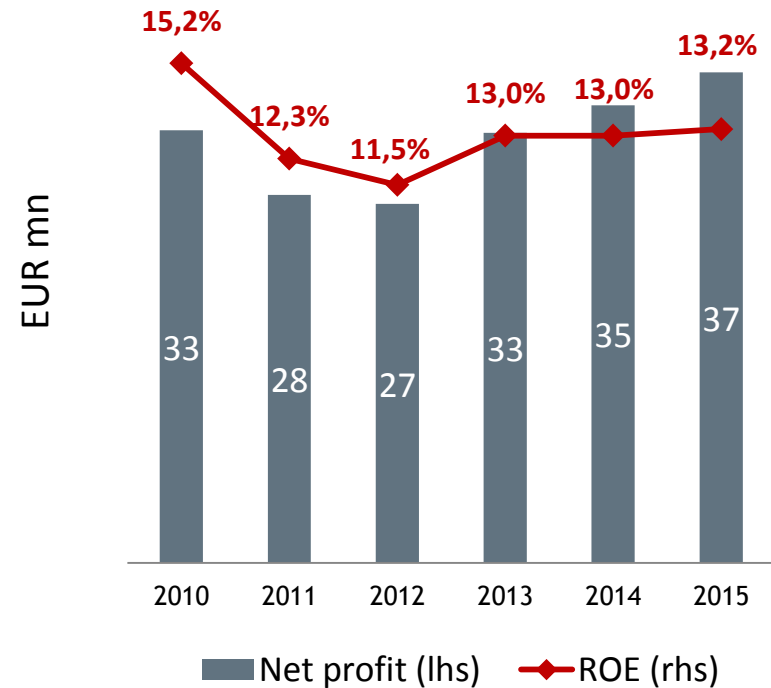
- Launching **new differentiated investment products**
- Setting up an **international investment platform** (Luxembourg Sicav)
- Developing an **open architecture platform for clients** (MAPFRE Gestión Patrimonial)

Positive evolution of MAPFRE AM in the recent years . . .

Evolution of AuM at MAPFRE's asset management business



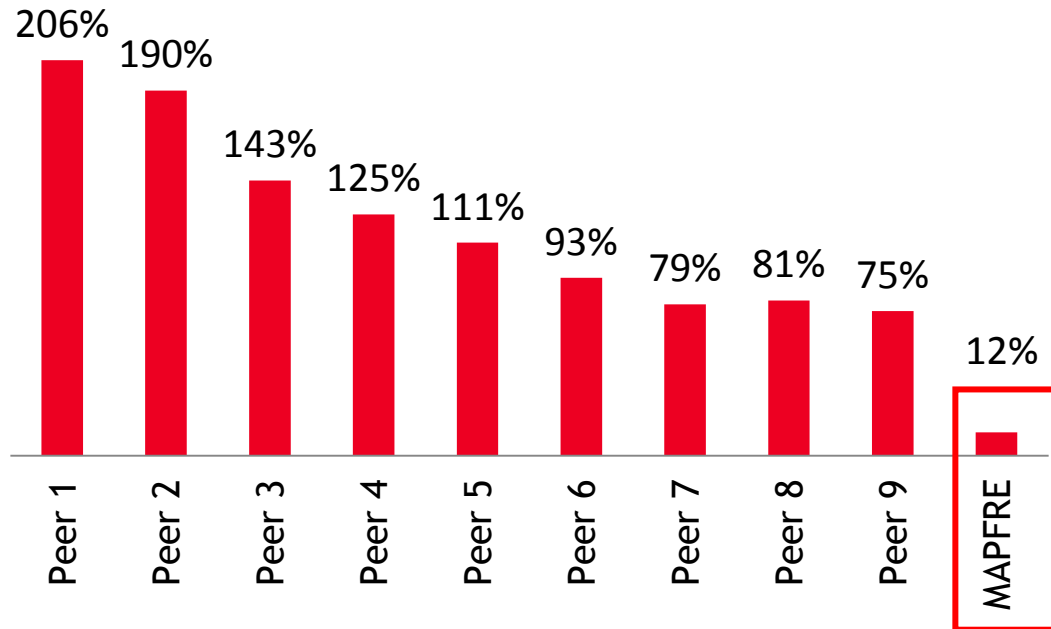
Evolution of profit before taxes at MAPFRE Inversión\*



\* MAPFRE Inversión includes MAPFRE Inversión Sociedad de Valores S.A., MAPFRE Asset Management, S.G.I.I.C., S.A. and MAPFRE Vida Pensiones, Entidad Gestora de Fondos de Pensiones S.A. but not MAPFRE Investimentos e Participações, S.A..

... with significant room for profitable growth

AuM in the asset management business over total insurance company assets



Data as of June 30<sup>th</sup> 2016



## Action plan for a potential rise in interest rates

- 
- Although under our **base scenario (low for long)** it is probably too early to hedge interest rate risk . . .
  - ...and despite the fact that **66% of the portfolios in the Life business are immunized . . .**
  - ...we are **constantly analyzing different alternatives** to protect our discretionary managed portfolios in a potential scenario of significantly higher interest rates
-

## Key takeaways

---

1. More positive macro scenario ahead in our main regions
  2. Continue with our prudent investment approach with ample margin for diversification
  3. Life business not affected by swings in interest rates
  4. Increase fee-based revenue by expanding asset management activities
-



# 06

## SOLVENCY+ CAPITAL MANAGEMENT + STRATEGY

Fernando Mata

Creating  
shareholder value



**06** CAPITAL MANAGEMENT + STRATEGY

Creating shareholder value

**6A** SOLVENCY + CAPITAL MANAGEMENT

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**6B** STRATEGY

---



## MAPFRE's strong capital management is focused on capital stability and maintaining dividend momentum. . .

- 123
- Strong Solvency II ratio (197% at June 2016)
  - Financial Strength rating of "A" from S&P
  - High quality capital base and prudent balance sheet exposures
  - Low sensitivity to market changes

**Strong solvency levels**

1

**Financial flexibility**

2

- Low leverage
- Significant room for further issuance
- Low cost of debt
- €1 billion credit facility available
- Highly liquid investment portfolio

- Recurring historical earnings to pay stable and growing dividends
- Steady increase in shareholder equity to finance growth
- Clear dividend strategy (50-65% payout range)

**Creation of shareholder value**

4

**Cash flow generation**

3

- High level of dividends upstreamed
- Diversification of cash flows with a large share coming from mature and stable markets
- Sustainable cash flows from subsidiaries with high solvency levels



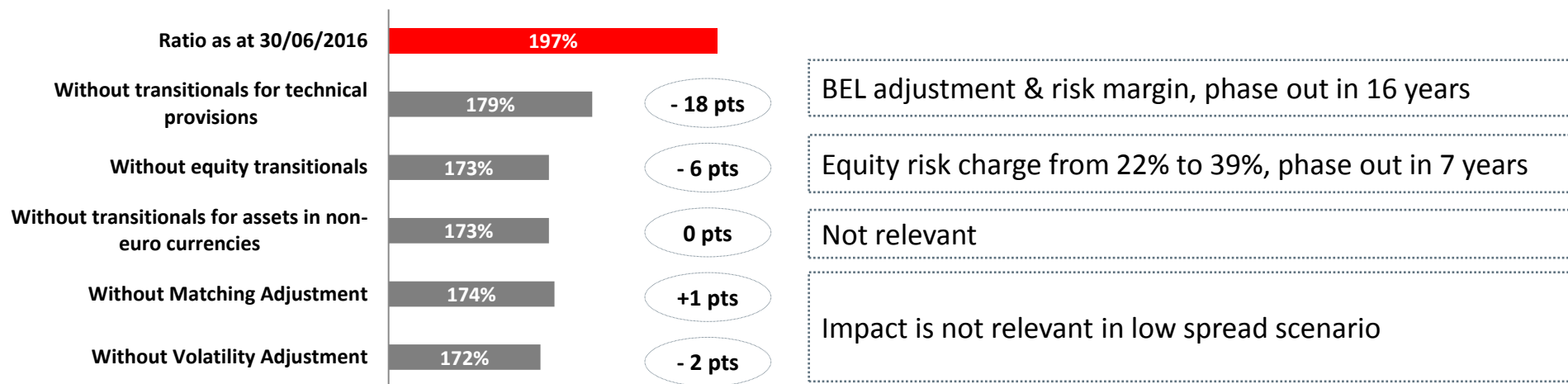
## SOLVENCY II Technical specifications

### Scope of calculation

- Standard formula calculation (internal models used exclusively for internal management purposes for underwriting risk at Spanish entities)
- Excludes 14 smaller entities, due to non-relevance, as approved by local regulator (DGS)

- Applied for:
  - Brazil: Solvency II, pending final calibration (178% local solvency)
  - Mexico: Solvency II, pending final calibration (112% local solvency)
  - USA: RBC 300% (240% local solvency in excess of the 300% base capital requirement)

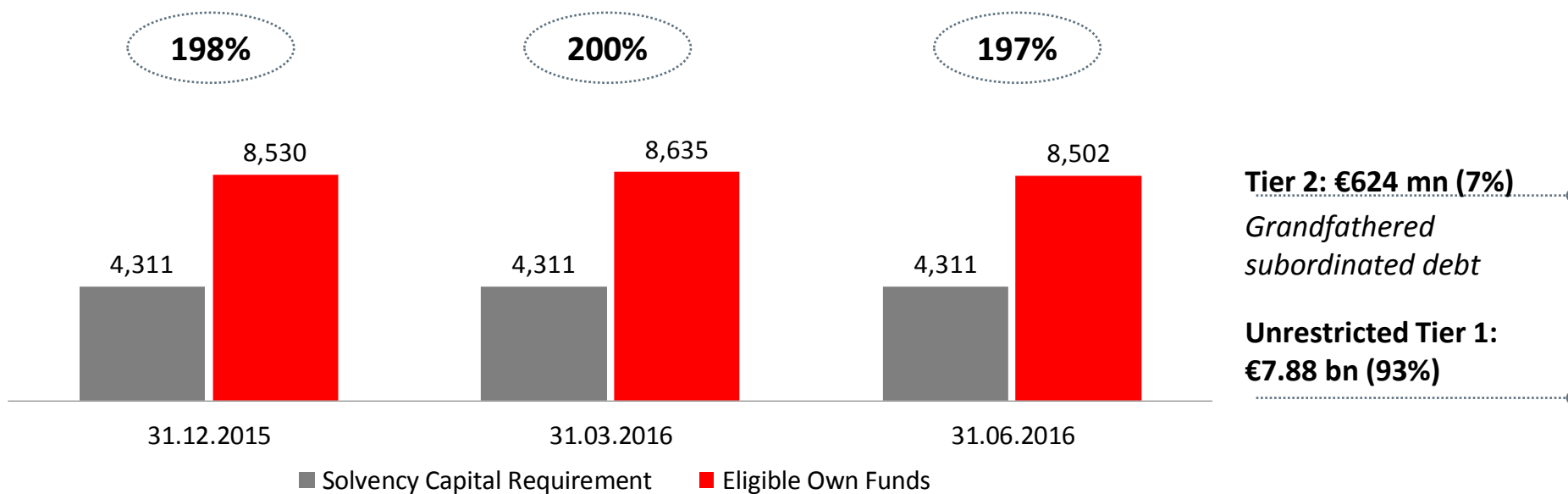
### Transitional measures and matching & volatility adjustments



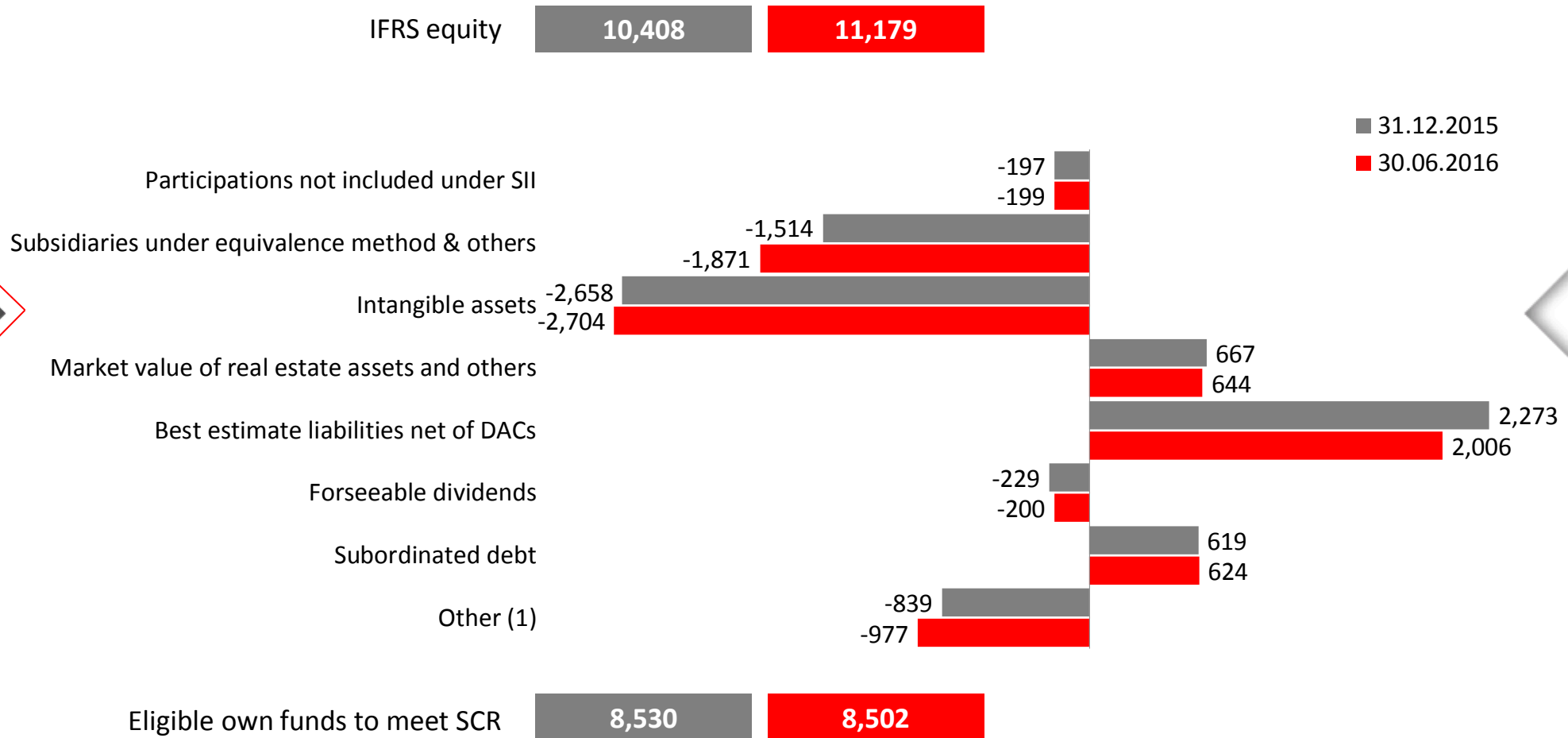
124

**Strong Solvency II ratio with limited volatility**

125



**Clear and stable Solvency II adjustments . . .**

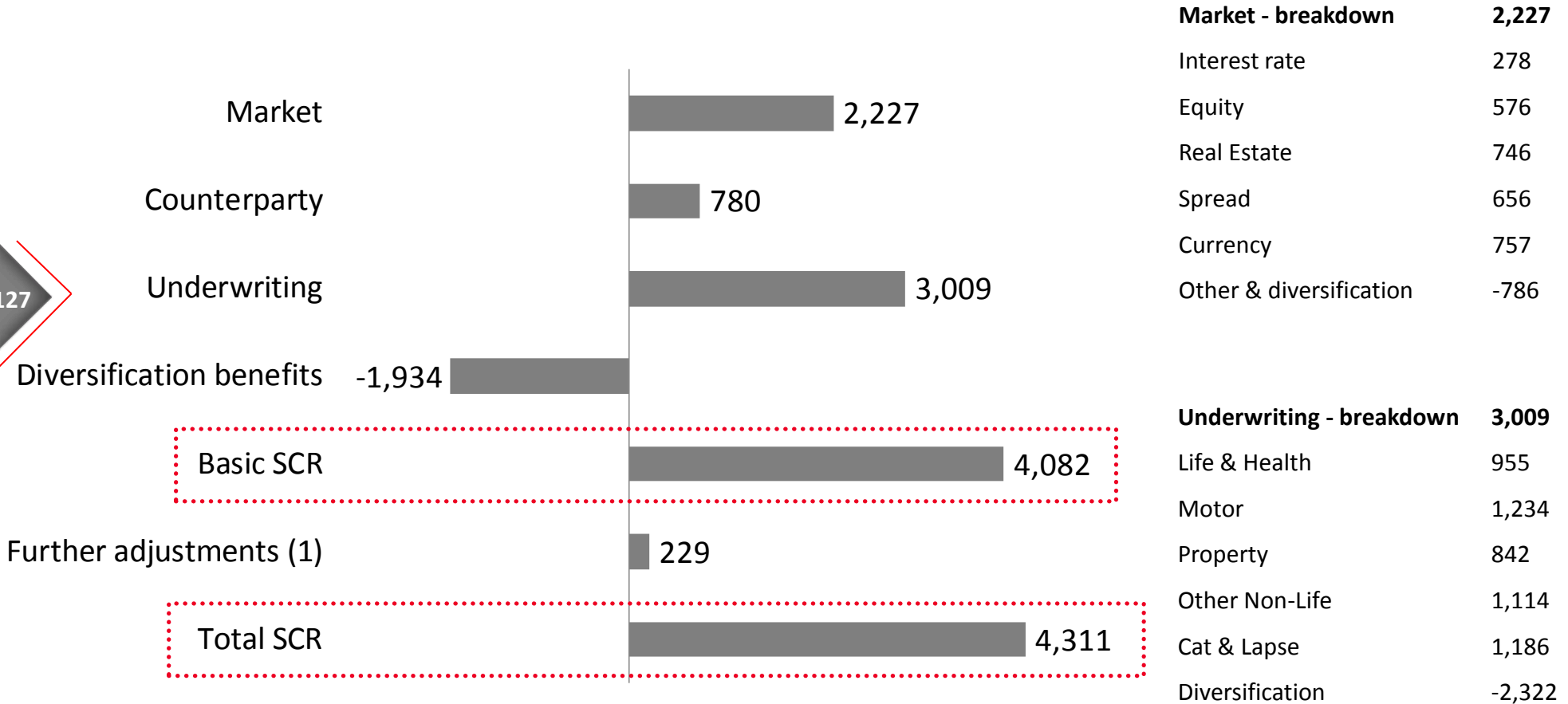


Million euros

(1) Mainly includes non-available own funds from minorities and revaluation of deferred taxes and other liabilities

126

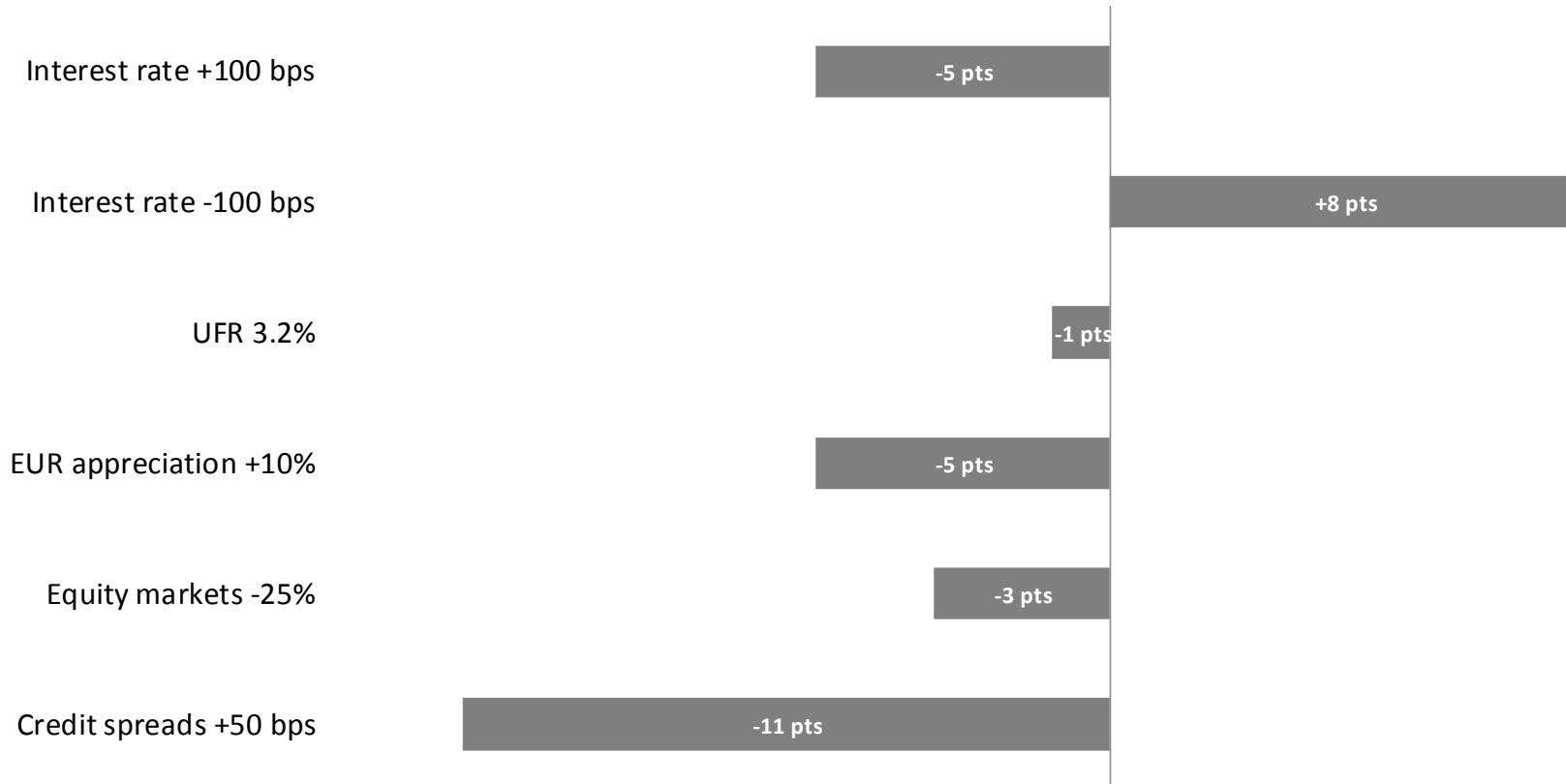
... and a proper composition of well balanced risks that optimize diversification benefits ...



Million euros. Data as at December 31<sup>st</sup>, 2015. Same figures for first two quarters of 2016.

1) Further adjustments include: Operational risk; loss absorbing capacity of technical provisions and deferred taxes; capital requirement from other financial sectors and third party equivalent countries (USA, Brazil and Mexico)

SCR: Solvency Capital Requirement

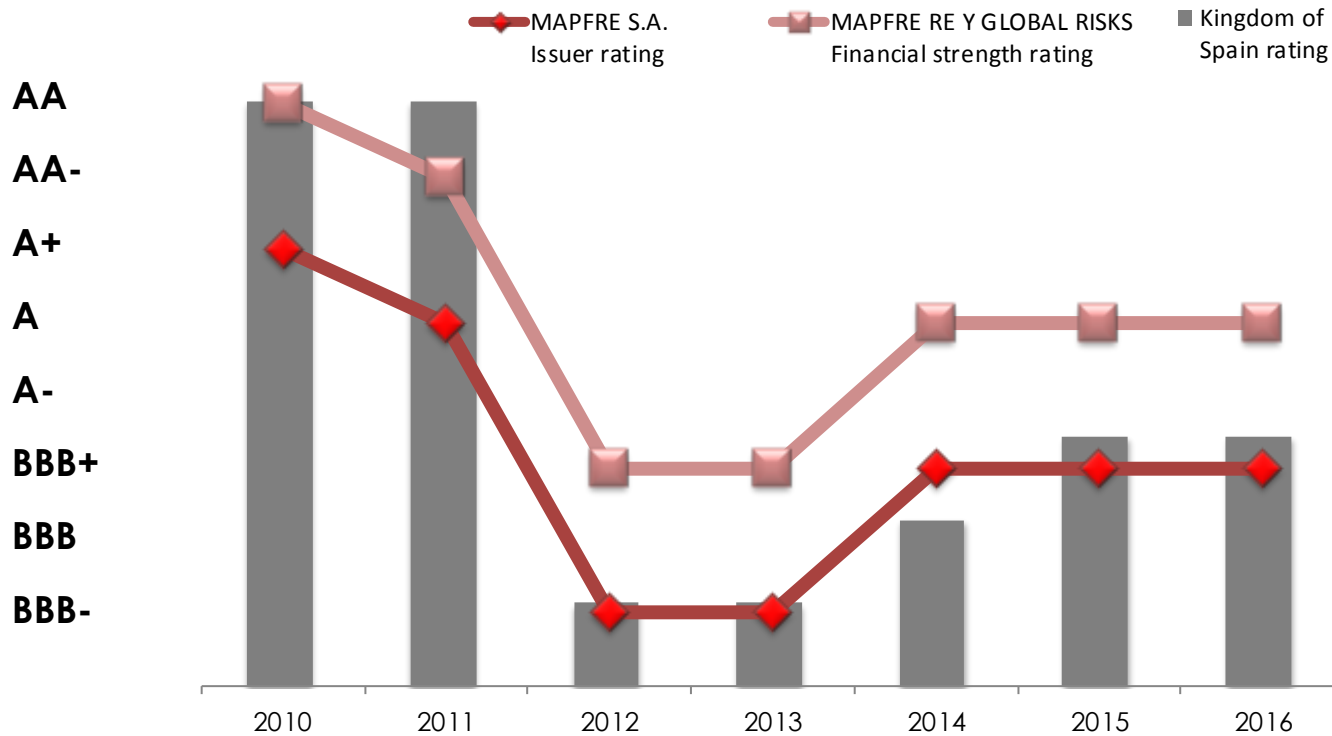
**... leading to reduced sensitivity to market shocks**

Sensitivities calculated on Solvency II ratio as at December 31<sup>st</sup> 2015





Ratings are highly correlated with the Kingdom of Spain . . .

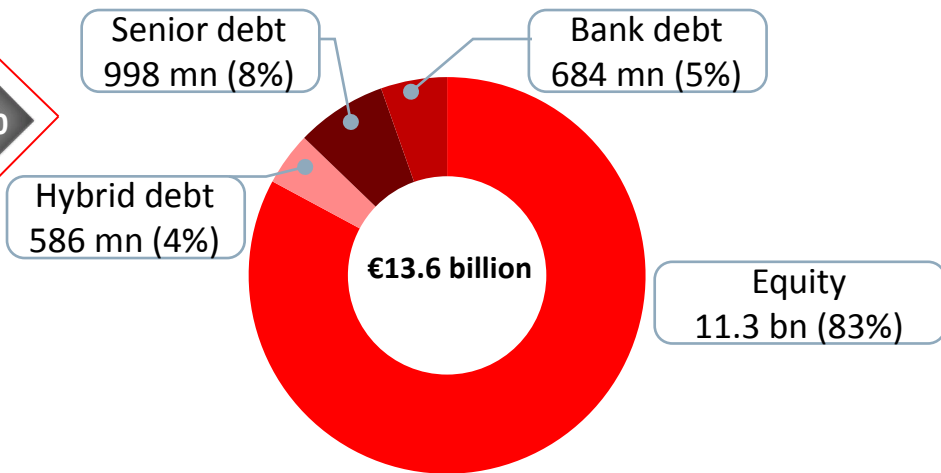


Standard & Poor's ratings at December year-end

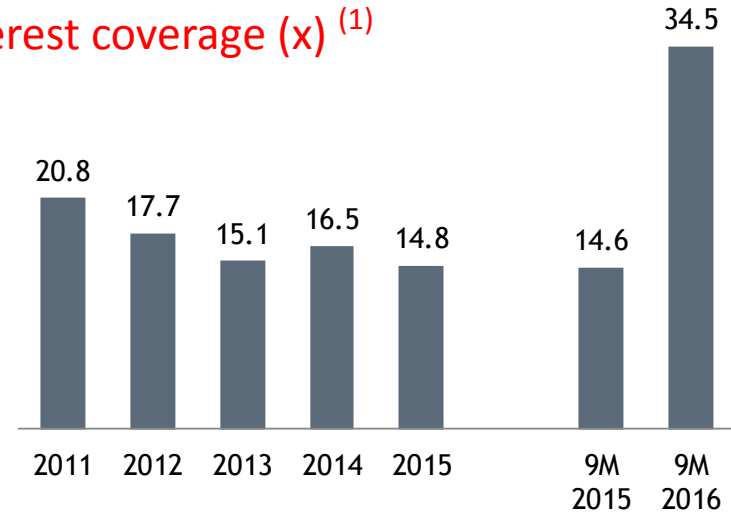
129

**MAPFRE has a solid and diversified capital structure with low leverage and best in class interest coverage . . .**

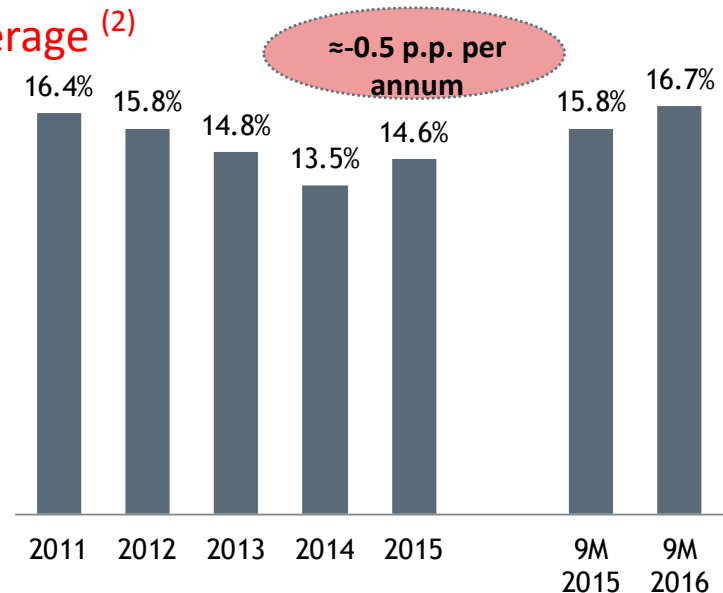
**Capital structure**



**Interest coverage (x) <sup>(1)</sup>**



**Leverage <sup>(2)</sup>**



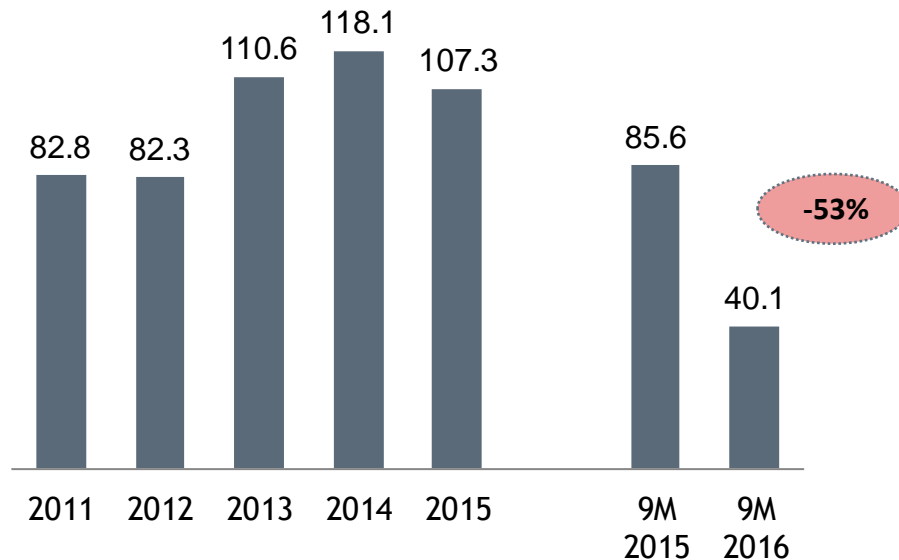
Data as at September 30<sup>th</sup> 2016

(1) Earnings before taxes & financial expenses (EBIT)/ financial expenses

(2) Total Debt/ (Total Equity + Total Debt)

... and our debt capacity and the reduced interest cost shows a very positive outlook

### Cost of debt



### Financing outlook

- Subordinated debt faces its first call option in July 2017.
- MAPFRE intends to honor next call date and refinancing the bond with a similar financial instrument to maintain current ratings and Solvency II margin.
- Exercise of call option, as well as size, timing and instrument of refinancing are subject to market conditions

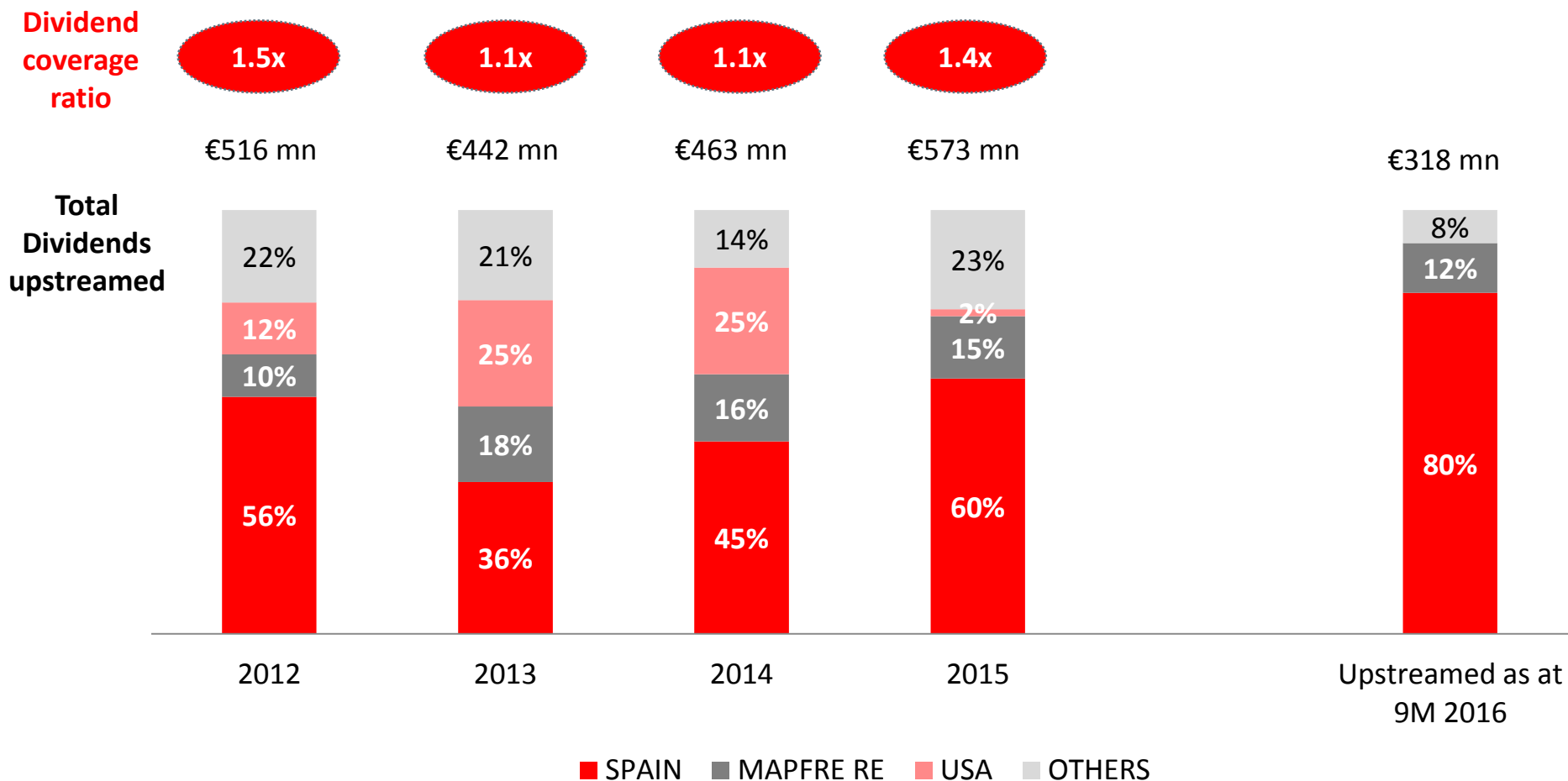
### Additional debt capacity

Tier 1	1,970
Tier 2/3	1,535

Million euros

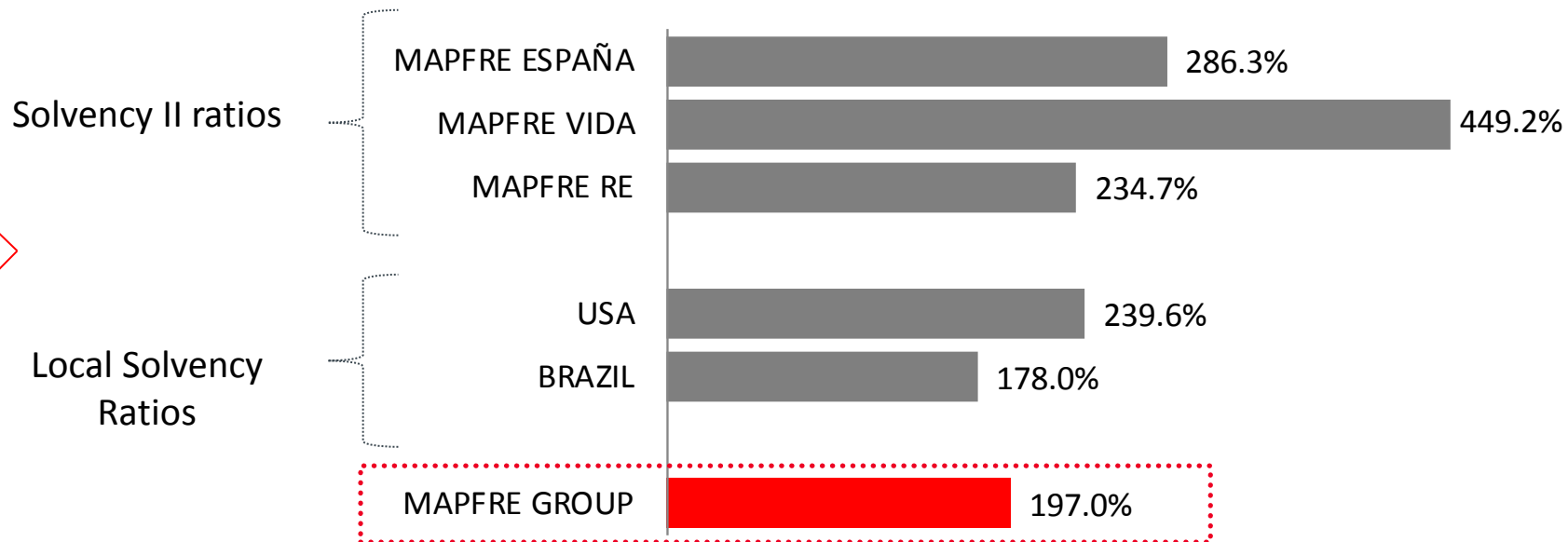


Recurrent dividend upstream with major contributors in stable businesses and markets . . .



132

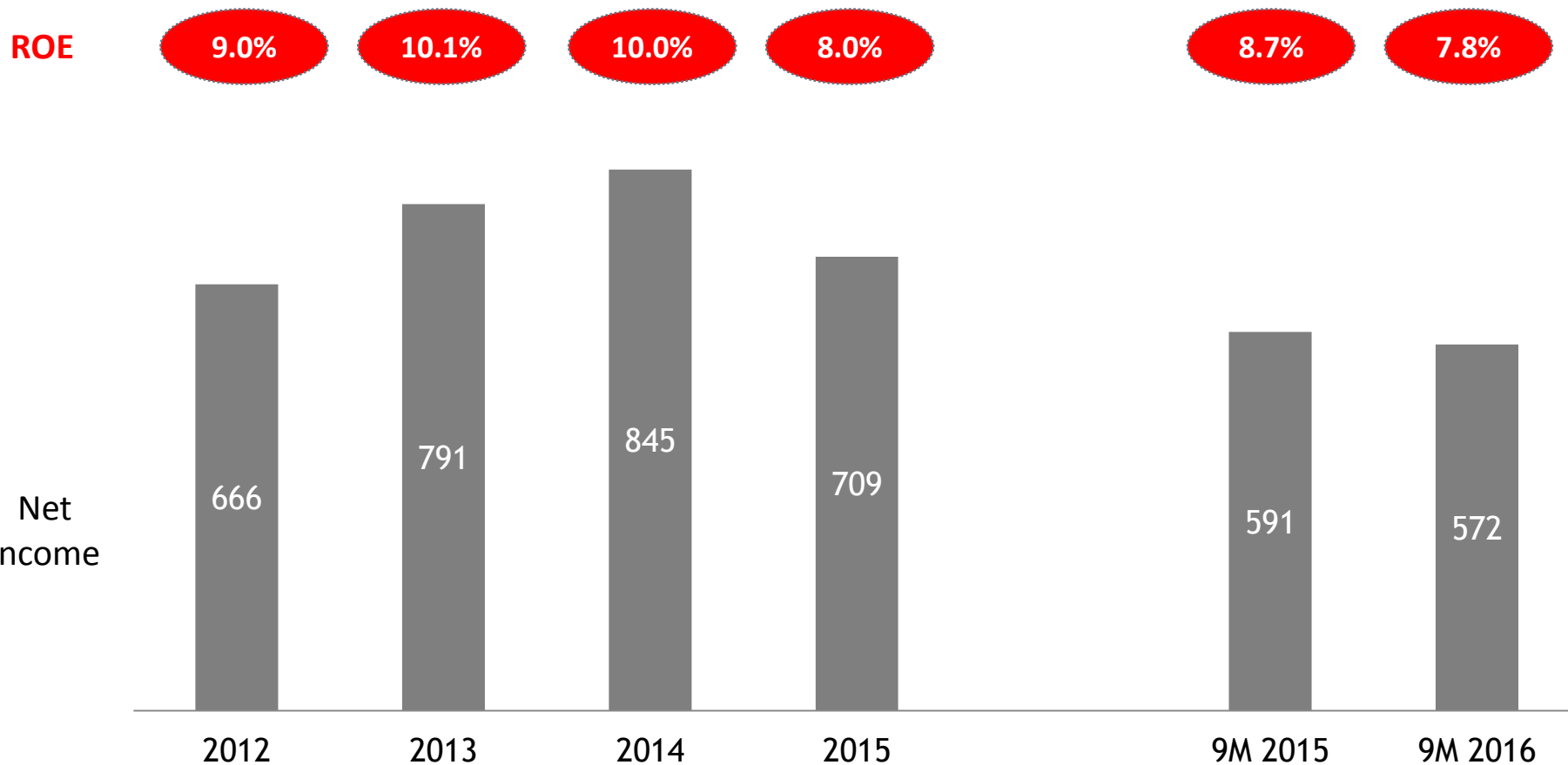
... with excellent capital positions



Data as at June 30<sup>th</sup> 2016



**Resilient profitability, despite adverse market conditions . . .**



Million euros



... has allowed dividends to grow during the period

Payout

50.9%

50.6%

51.0%

56.5%

Dividends paid  
against results

338,8

400,3

431,1

400,3

2012

2013

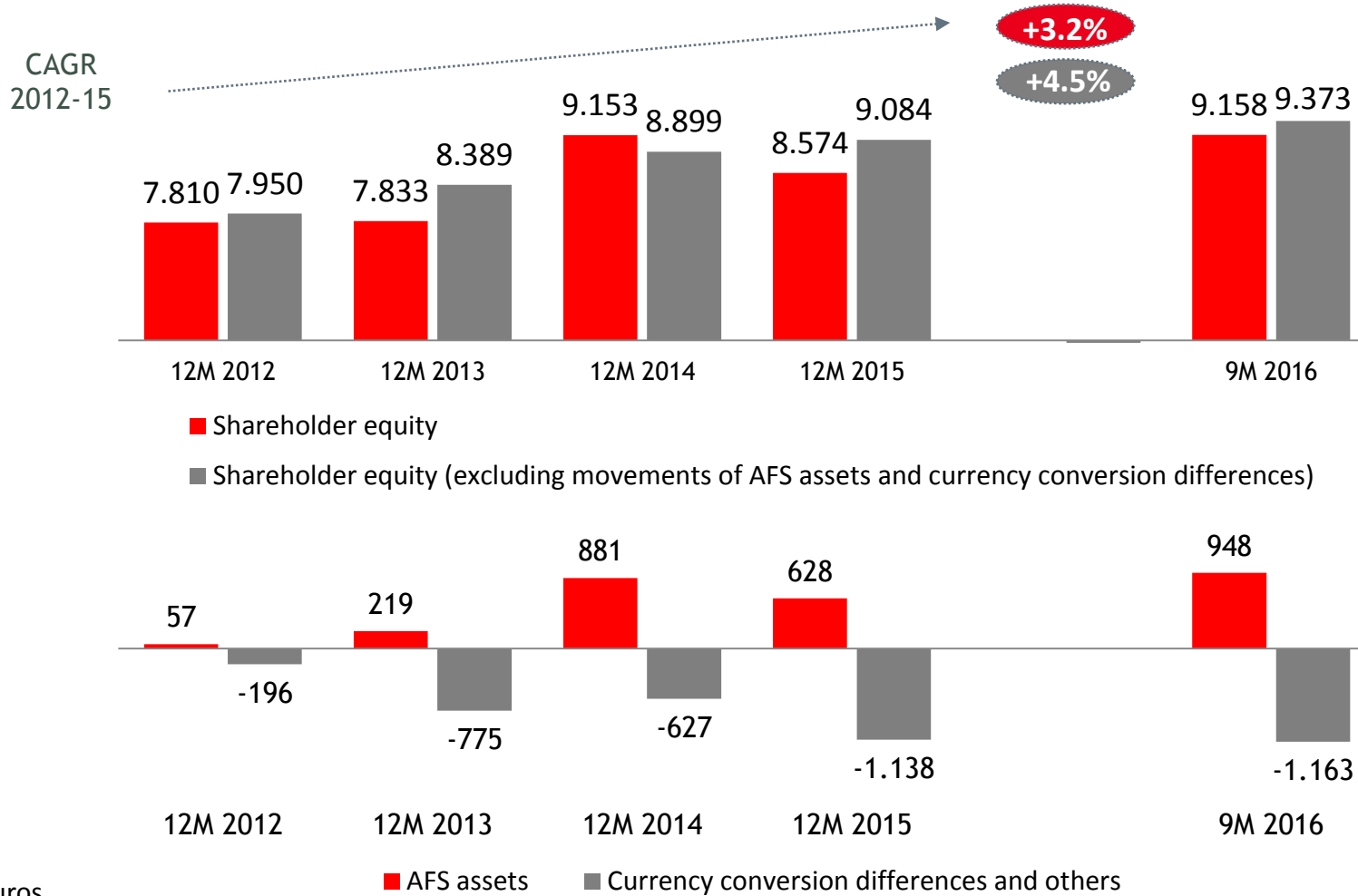
2014

2015

Million euros



**At the same time, MAPFRE has steadily grown its equity base, thanks to resilient earnings growth and the way it has managed market volatility . . .**



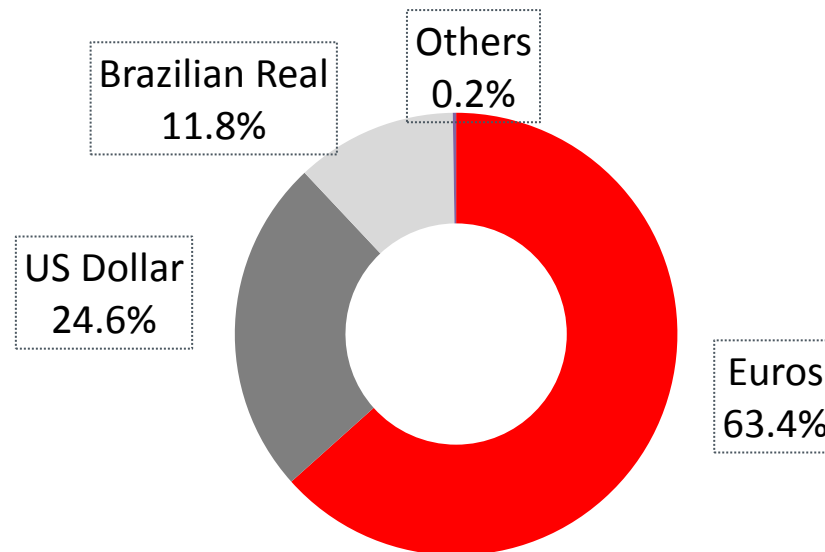
Million euros

136



**... with a balance sheet diversification strategy which has proven successful with over 88% of net asset and liabilities denominated in strong currencies**

Net assets & liabilities – breakdown by currency



Historically the low correlation between MAPFRE's main currencies and asset exposures has acted as a natural hedge



## Key takeaways

- 1 MAFPRES is fully committed to creating value for the shareholders, by delivering growing and recurring profits, which are the main driver of sustainable dividends
- 2 Capital levels will depend on our risk exposures
  - 2.1 Solvency II ratio of approximately 200%, including transitionals, could be adopted as a target, setting upper and lower limits for tolerance, to be determined after a full-year's experience
  - 2.2 The Group's risk management is aimed at maintaining our current rating or higher
- 3 MAFPRES feels quite comfortable with the current leverage ratio, capital structure and cost of debt which give us stability for the next ten years

**06** CAPITAL MANAGEMENT + STRATEGY

Creating shareholder value

**6A** SOLVENCY + CAPITAL MANAGEMENT

---

**6B** STRATEGY

---





## PROFITABLE GROWTH

140

Technical and  
Operational  
Excellence



Digital  
Transformation



Client  
Orientation



Culture and  
Human Talent



141

REVENUE

FY 2015

€26.7 bn

TARGET 2018

€31 bn  
≈5% CAGR

Q3 2016

€21 bn  
(+1.8%)  
*Excluding Venezuela:  
+3.5%*

COMMENTS

✓ Good performance in Spain, USA, Brazil, Turkey, Peru, Global Risks and MAPFRE RE

ROE

8%

>11%\*

7.8%

✓ 7.8% based on a dividends calendar year. Underlining ROE based on 56% pay-out amounts to 8%

(\* Average 2016-18)

COMBINED RATIO

FY 2015

98.6%

TARGET 2018

96%

Spain – 96%  
Brazil – 92%  
USA – 98%

Q3 2016

97.2%

COMMENTS

- ✓ Spain – Outstanding
- ✓ Brazil – needs improvement
- ✓ USA – On track

142

EXPENSE RATIO

28.6%

28.0%

28.0%

- ✓ Achieved

DIGITAL DISPATCH

18%

60%

51%

- ✓ 76.3% of transactions with providers digitally dispatched in IBERIA

**DIGITAL  
BUSINESS  
PREMIUMS  
(GROWTH)**

FY 2015

TARGET 2018

Q3 2016

COMMENTS

1,000

1,500  
(50%)

890  
(16.8%)

✓ Positive development in Digital Business growing by 6.8% above target (Spain, Portugal, Mexico, USA, Colombia, Argentina and Peru)

**DIGITAL  
TRANSACTION  
GROWTH**

NA

30%

19.5%

✓ Increase of 5.25 mn transactions compared to the same period last year

**% WOMEN  
IN DIRECTOR &  
HEAD POSITION**

FY 2015

TARGET 2018

JUNE 2016

COMMENTS

37.9%

40%

38.4%  
2016 Q2

✓ Above expectations

**% STAFF  
WITH  
A DISABILITY**

1.3%

2%

1.3%  
2016 Q2

✓ Needs acceleration

**FUNCTIONAL  
MOBILITY  
RATE**

9.5%

10%

5.95%  
2016 Q2

✓ Over 2,200 rotations as  
of June 2016



## IN CONCLUSION

We *maintain our commitment* to the set of objectives for the three-year plan, to finish in December 2018.

We are pretty sure that achieving these targets will contribute to *enhancing the value* for our shareholders *and building a more social and sustainable organization* for the future.

07

CLOSING  
REMARKS

ANTONIO HUERTAS

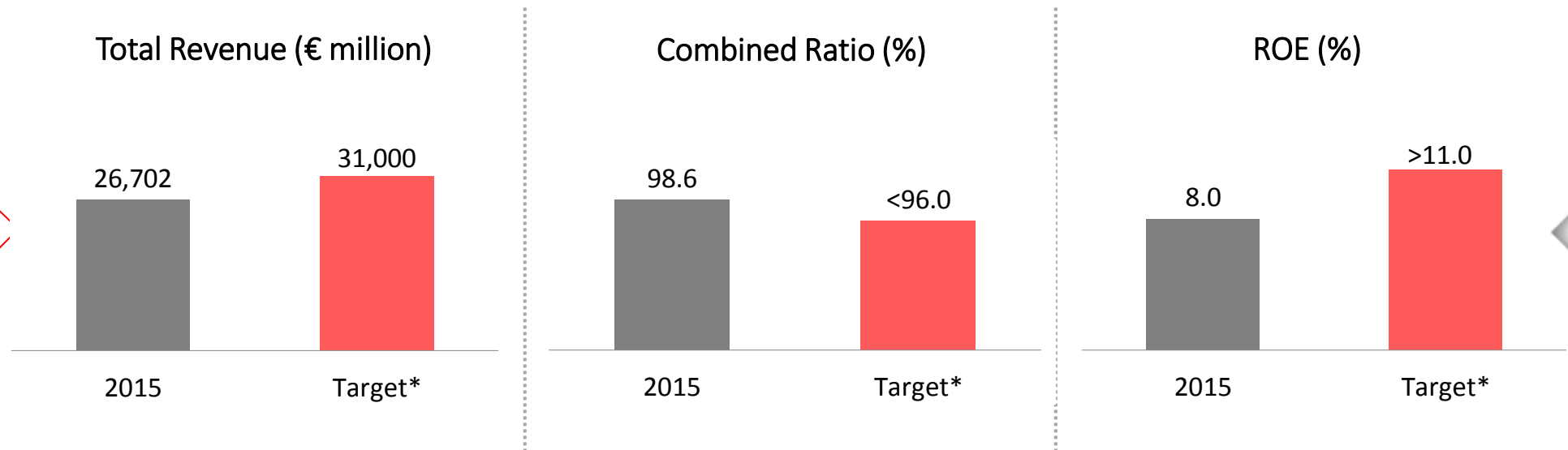
Profitable growth  
on the path to delivery

146



## Strategic Plan 2016 - 2018

## Financial and operating targets



- Financial targets on track
- Project 80/20
- Excellent combined ratio performance in Spain, Brazil and the USA
- Cost containment and efficiency measures ahead of schedule
- Dividend payout target reaffirmed at 50-65%
- Commitment to employee satisfaction, mobility and diversity



## Strategic Plan 2016 - 2018

2016 in figures

Revenue

**+3.8%**

Expense ratio

**-0.7 p.p.**

Loss ratio

**-0.8 p.p.**

Combined ratio

**-1.5 p.p.**

Financial income

**+9.0%**

Shareholders' equity

**+6.2%**

Profit per employee

**+16.3 p.p.**

Solvency II

**197%**

## Current situation

### Positive trends in main markets

#### SPAIN

- Economic recovery: GDP growth >3%
- Low interest rates
- Compensation system (Baremo)

#### BRAZIL

- Political stabilization
- Return to growth
- Recovery of the real
- Strength of Banco do Brasil agreement

#### USA

- Winter-related losses
- Geographic expansion
- Focus on profitable states
- Improvements in technical management

## Current situation

### Positive trends in main markets

#### MEXICO

- Solid presence in a market with high growth potential
- Improvements in technical management
- Strengthening of sales network
- Efficiency improvements

#### TURKEY

- Complicated political situation
- Motor tariff increases to offset higher claims
- Strong market position



## Role of Fundación MAPFRE

- Private global non-profit institution
- Fundación MAPFRE is governed by its Board of Trustees
- MAPFRE's main shareholder, with a 65% stake, guaranteeing the Group's independence and shareholder stability
- Strict separation between MAPFRE and Fundación MAPFRE's business activities

Corporate governance

Significant progress in the implementation of corporate governance measures

## Institutional Business and Organizational Principles

- Rigorous separation between MAPFRE and Fundación MAPFRE's business activities
- Independent and professional business management
- Ethical, transparent and socially committed action
- Professional development based on effort and personal merit



## Corporate governance

### Recent changes to the Board of Directors



**Board of  
Directors**

**15 members**  
2 years ahead  
of schedule

**Gender  
equality**

**Women: 27%**  
target is 30%

**Entire Corporate  
structure  
represented**

**Generational  
replacement**



## Shareholder trust



**Reinforce our  
commitment to  
transparency**



**Enhance data  
quantity and  
quality**



**Develop a  
relations plan for  
our shareholders**

MAPFRE's social commitment



A socially responsible Company  
committed to our environment,  
our clients,  
and our entire organization

MAPFRE's social commitment



Social Action

Culture

Health Promotion

Accident Prevention and Road Safety

Insurance and Social Protection

650 activities in 30 countries  
17 million beneficiaries in 2015

MAPFRE's social commitment

## Commitment to Active Transparency Plan



Transparency is the best way  
to develop TRUST

## Commitment against climate change



Included in the Global  
Climate A-List Carbon  
Disclosure Project / COP21  
Pact

## MAPFRE's social commitment

Commitment to being a better employer



Great Place to Work  
Equal opportunity employer

Commitment to volunteering



765 activities in 23 countries  
4,400 employees