



**MAPFRE**

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**INVESTORDAY**

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**2019**

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March 25, 2019

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# AGENDA



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**Speakers**



**Antonio Huertas**  
Chairman & CEO

**Fernando Mata**  
CFO & Member of  
the Board



**José Luis Gurtubay**  
Head of Strategy and  
M&A



**José Luis Jiménez**  
Chief Investment  
Officer



**Eduardo Pérez  
de Lema**  
CEO MAPFRE RE



**Jaime Tamayo**  
CEO  
International



**Alfredo Castelo**  
CEO North America



**Fernando Pérez-Serrabona**  
CEO Brazil



**José Antonio Arias**  
CInO



**Natalia Núñez**  
Head of Investor Relations



# 01

## OPENING REMARKS

Antonio Huertas

### WE'RE TRANSFORMING OURSELVES

For growth and improved  
profitability

Good morning ladies and gentlemen. Thank you for being here with us today. It's a great pleasure for us to have the opportunity to share this third MAPFRE Investor Day with you.

We are very happy to have this opportunity to share our main strategic approach with you, as well as its main drivers, which will lead MAPFRE for the next three years.

We have divided the session into two different blocks. In the first one, we will talk about our corporate strategy, finance and investments. In the second one, we will speak about some specific business units, such as MAPFRE RE. Regarding MAPFRE RE, we think it raises a lot of interest due to its complexity and its profitability. The others are very important as well. I suppose you have many concerns about some of them, like the US, Brazil, Turkey and Italy. And finally we will talk about our innovation platform, MAPFRE Open Innovation.

Of course, after each block of presentations, we will have time for a Q&A session. I hope that you find these topics interesting. So let's get started.

## 2016 – 2018 Strategic Plan

### Focus on profitable growth



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I would like to start by briefly taking stock of the strategic plan for the 2016-2018 period which has just finished, during which we had a single objective in mind: profitable growth. During this period, we faced some challenges, and were affected by circumstances that were beyond our direct control: hurricanes, earthquakes, trade wars, hyperinflation, turbulent markets... However, the 2018 accounts again highlighted the sustainability of our operating results: the company's capacity to continue generating high recurring profits, with growing turnover, even in very adverse scenarios like those of these recent years.

It is true that under these circumstances we did not meet all our objectives. It does not bother me to acknowledge this, because it is only when we are demanding of ourselves that we can improve and overcome the challenges we face. Nevertheless, we are very optimistic now: the period that just ended has provided us, along with many other things, with the chance to leverage the company's transformation with an eye toward the future.

We are absolutely convinced that the changes that we implemented in the last few years are going to be essential to the future of MAPFRE. These changes include, among other things, improvements in governance, risk management, stronger internal control, digitization, the commitment to innovation, the development of multichannel capabilities, etc. In essence, a strong organizational, operational, and cultural transformation that lays the foundation for MAPFRE's development in coming years.

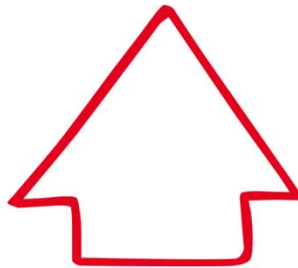
We are clear that today, profitability prevails over geographic footprint, as I said at the last AGM. We have discussed this intensively and we are convinced now that we need to be even more prudent. I have stated publicly that we are in the countries in which we wish to be present. But that is not entirely accurate, as we have begun a process of important divestments; in the past year, we exited five states in the United States, and we may exit more in the future if we do not see a path to medium-term profitability. Additionally, at MAPFRE ASISTENCIA, we have proceeded to sell off partially or totally 8 operations – our activities in 8 countries –, and we will continue monitoring our activities and reviewing these businesses that do not meet the principle of profitable growth.

Currently we are not actively looking for new acquisitions. The last ones have been very logical and they have come from the reorganization in Brazil and the bancassurance alliances in Spain.

In any case, I do assure you that we are going to be very prudent and consistent with our profitable business growth approach.

## 2019 – 2021 Strategic Plan

*We're transforming ourselves  
for growth and improved profitability*



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Maintaining our Group's **solid foundations**, we are innovating in everything that will help us to become a better, more agile, more advanced and more efficient company, without losing focus on the two main drivers of our activity: clients and business profitability. Based on this, we have conducted an in-depth analysis of our business and the current environment, and we have just designed a **new Strategic Plan for the next three years**.

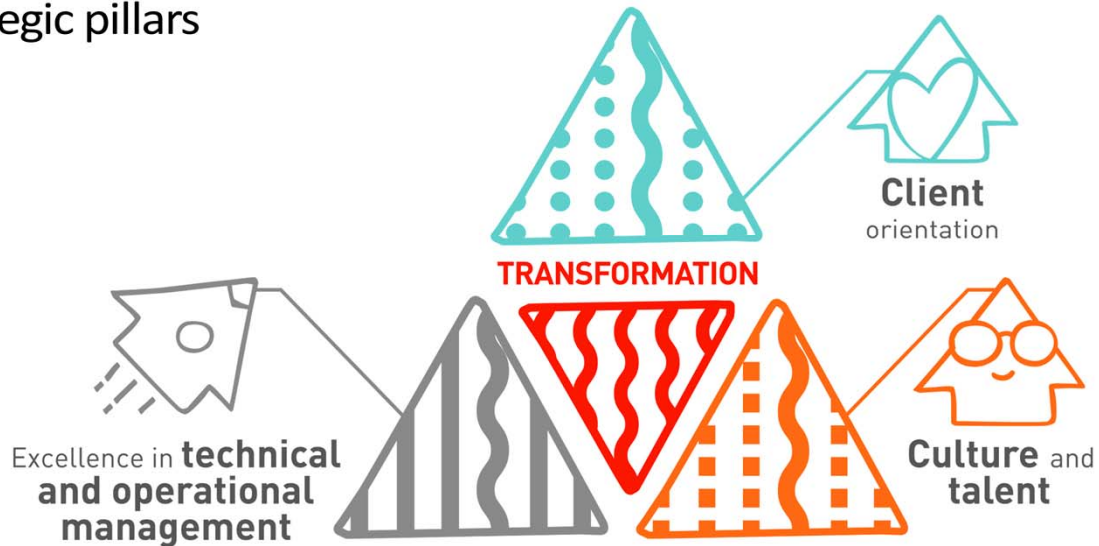
**José Luis Gurtubay**, our Head of Strategy and M&A, will provide you with more details later on.

Under the new slogan, **WE'RE TRANSFORMING OURSELVES FOR GROWTH AND IMPROVED PROFITABILITY**, we have strengthened our strategic approach, prioritizing actions and initiatives that will enable us to achieve our main objectives.

Digitization and Transformation are key in this evolution. Transformation will be a part of everything we do. In other words, it will be company-wide and will act as a true accelerator in all areas of our company.

## 2019 – 2021 Strategic Plan

### Strategic pillars



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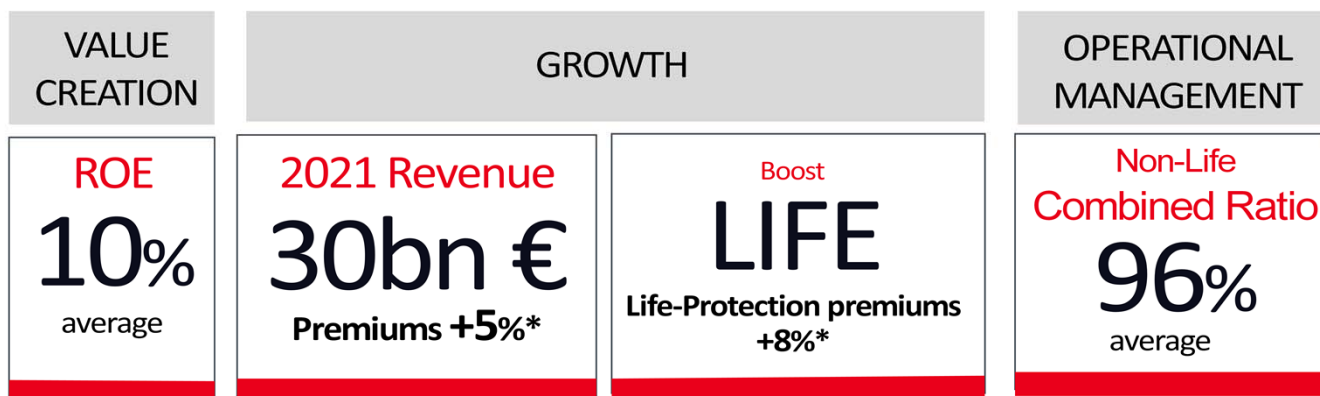
Within the new strategic plan, we have strengthened our Change Agenda, which presents the points we have identified as priorities, which will play a crucial role in our strategic agenda in the coming years. The new plan will continue to have the same pillars: Client Orientation, Excellence in Technical and Operational Management, and Culture and Talent, with TRANSFORMATION as the axis that drives them all.

Later on the Head of Strategy will give you more details.



## 2019 – 2021 Strategic Plan

### Aspirational objectives



\* On a constant basis

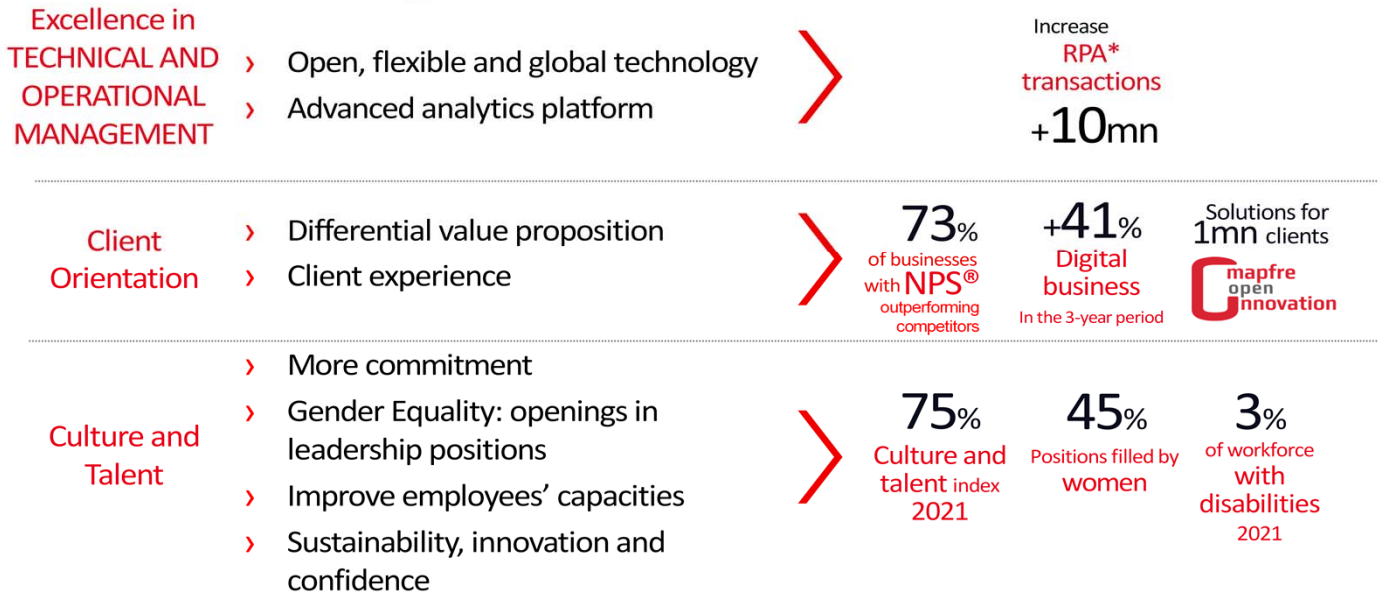
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Now, I would like now to highlight **MAPFRE's aspirational objectives** for this new three-year period:

As far as profitable growth is concerned,

- We want to create more value for the shareholder, generating an average ROE of 10 percent for the next three years.
- We will grow sustainably and prudently, reaching 30 billion euros in revenues by 2021 or having achieved average premium growth of 5% during the three-year period on a comparable basis.
- We will profitably grow the Life business, growing more in those countries with more potential. We hope to reach 8 percent average annual growth in Life-Protection premiums over the next three years on a comparable basis as well.
- We will achieve an average combined ratio of 96 percent in Non-Life business, as we indicated in the last Strategic Plan.

## 2019 – 2021 Strategic Plan



\* Robotic Process Automation

Referring to **operational management**, we will keep enhancing efficiency and producing results in key contact points with clients. We will further leverage our provider networks, we will launch our new digital capabilities, and we will boost robo-transactions by more than 10 million.

Over the next three years, we will progress toward more open, analytical, flexible and global technology that is easily scalable within our different operations.

In advanced analytics, we have to work on a platform that will allow us to move from making decisions based on structured information to incorporating new sources of unstructured information. This will facilitate understanding and meeting our clients' needs more effectively.

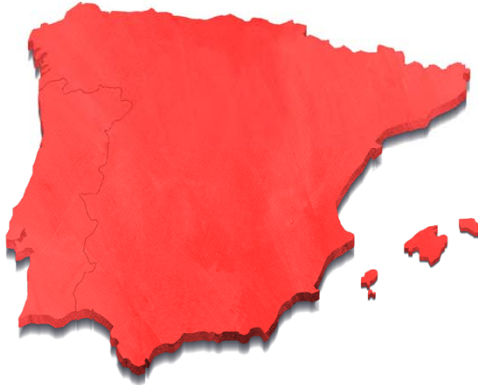
In **CLIENT ORIENTATION**, we face this new three-year period with many challenges to continue improving our relationship with our clients. To do so, we will focus our efforts on first, being able to build a differential *value proposition* adapted to each client type, and second, making our clients' *experience* the cornerstone of our business. We can only ensure that our clients keep thinking of MAPFRE as their trusted insurance company by ensuring a satisfactory experience. To achieve this, we will:

- Continue measuring quality as perceived by the client via the NPS®, and commit to at least 73 percent of measured businesses receiving a higher NPS® than our competitors' average score.
- We will increase digital business revenue by 41 percent by the end of the next three years.
- And finally we will provide more than 1 million clients with solutions originating in our *MAPFRE Open Innovation* platform.

The third pillar -**CULTURE AND TALENT**- is still very much present in our new plan. We are going to continue developing the technical, digital and transformational skills of MAPFRE employees, committing to internal promotion, inclusion and learning. Among others, our aspirations for this pillar are:

- With regard to **diversity**, we want to reach at least 3 percent of our global workforce being people with disabilities in 2021.
- We will also continue to work to increase the commitment of all employees and collaborators with our company's values. To do this, we have just defined our own indicator, the **Culture and Talent Index (CTI)** to measure our progress in these aspects. We expect to achieve a **CT index** of 80 percent, with 63 percent being the starting point.
- Also for the next three years, we will continue to promote **gender equality**. We want women to fill at least 45 percent of vacant leadership positions.

## 2019 – 2021 Strategic Plan IBERIA



### Grow and improve profitability:

- › Strengthen the MAPFRE network
- › Reinforce bancassurance channel
- › Distribution channels
- › Improve client experience
- › Family-oriented strategies
- › Companies segment

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Going to the main businesses, I want to say something about Spain.

In Spain, MAPFRE will continue to get the most out of its leading market position with excellent operational management. We think that we have room for healthy growth in many products, even in Auto, being by far the leading company in the market and the most profitable group. As you know, during the last few years in Spain we have improved our technical performance, improving margins and getting excellent combined ratios. We will continue on the same path, beating the market in profits and growth.

MAPFRE Spain will continue to rely on the strength of its own sales network. Our network of agents remains the main source of MAPFRE's distribution and service, and we will continue adapting it to new social and market realities, making it increasingly digital.

In addition, as part of the need to expand our multichannel distribution, we are strengthening the bancassurance channel through the expansion of our agreement with Bankia, having incorporated the BMN network, and the agreement that we recently signed with Banco Santander.

We will get closer to our clients, improving their experience through a customer-focused model, and we are developing the families and businesses strategy.

To gain competitiveness, we will take steps toward price optimization, process automation and expanded self-service.

## 2019 – 2021 Strategic Plan BRAZIL



### Optimistic about business development in Brazil

- › New agreement
- › Final stage of business restructuring process
- › Better discipline and technical control
- › Strengthened management team

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Regarding **BRAZIL**, I can say that 2019 is the beginning of a new era for MAPFRE in this country.

In 2018, we signed new agreements with Banco do Brasil, having already concluded the restructuring process, which will enable us to simplify management and allocate the necessary resources to improve profitability. We are optimistic about our business in Brazil, thanks to the company's strengthened technical control, the opportunity presented by the new political and economic scenario, and the changes made by the company's management. We have two main challenges in Brazil: the reduction of the Auto combined ratio, and the optimization of cost and structure. I am completely convinced that we are going to make the most of the growth environment and expectation in this great country.

**Fernando Pérez-Serrabona**, CEO of Brazil, will go over this in more detail later on today.

## 2019 – 2021 Strategic Plan LATAM NORTH & SOUTH



### Mexico

- › Growth in most profitable lines
- › Invest in distribution channels
- › Boost agent and digital networks
- › Bancassurance agreements



### Multichannel & diversification of product portfolio

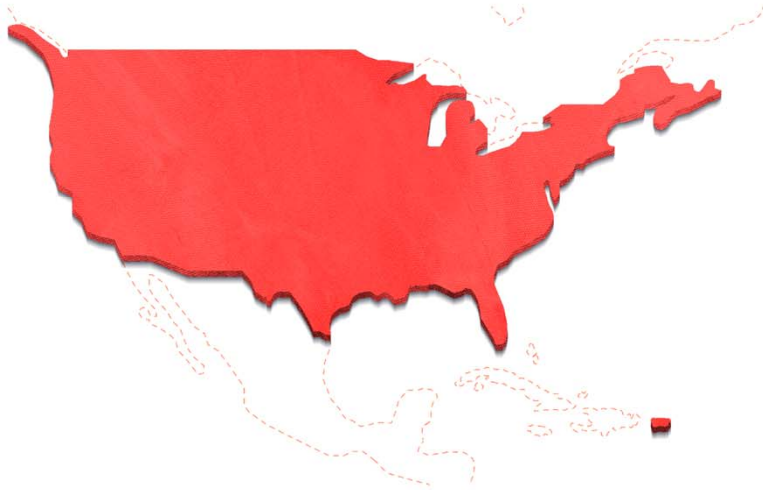
- › Reduced Combined Ratio
- › Life business
- › New sales agreements
- › Digital services and self-service

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In **Latam**, in general, we will continue to invest in the most profitable distribution channels and products, such as our agent network or Life-Protection insurance. For that reason, we will seek more agreements with financial institutions. A specific example is the agreement that we recently signed with ACTINVER, the leading Mexican asset management firm.

With regard to improvements in operations, we will reinforce our efforts to reduce the combined ratio for Auto and General Expenses as well. In addition, we will also expand our digital and self-service offering to clients, and we will strengthen the digital skills of our agents. In this case, I would like to highlight in particular the success of one operation. Our company in Peru, which has achieved continued growth and excellent results in the last fifteen years. Most countries in the region are very profitable and we will continue growing and having profitable business. Colombia, Argentina and Chile are challenging markets for us and we have to do better there.

## 2019 – 2021 Strategic Plan NORTH AMERICA



### United States

- › Leadership in Massachusetts
- › Profitability in key states
- › Digital business

### Puerto Rico

- › Digitalization of operations

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Moving on to the US, at MAPFRE we will focus on:

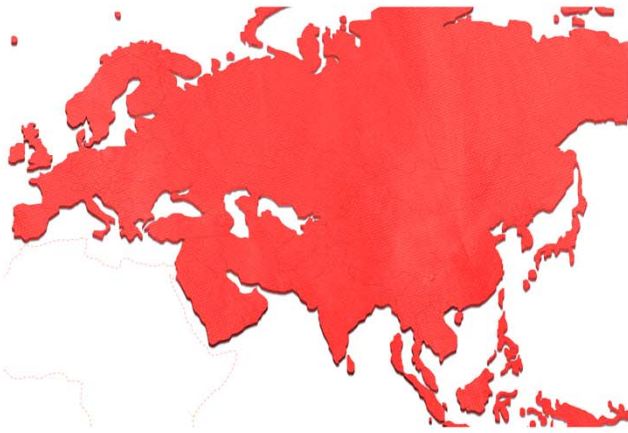
- Maintaining our leadership position in Massachusetts, improving distribution capabilities and implementing a new technological platform.
- Improving profitability in key states for MAPFRE.
- Continuing our digital transformation to improve client experience and operational efficiency.
- Increasing digital sales in both MAPFRE and VERTI.
- In Puerto Rico, we will make the most of the current economic recovery taking place on the island following the devastation caused by hurricane Maria in 2017.

The digitization of operations and the sales network must be priorities for our development in Puerto Rico.

**Alfredo Castelo**, CEO of North America, will give you more details on North America shortly.

## 2019 – 2021 Strategic Plan EURASIA

Technological transformation and process modernization



### Italy and Germany

- › Boosting the Verti brand

### Turkey

- › Diversification of products and channels
- › Improved technical profitability

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In Europe, our main expectations for 2019 are:

- In **Turkey**, we will continue focusing on profitability and controlling technical underwriting, primarily in auto and health insurance. We will continue to push for distribution channel diversification, with a special emphasis on the development of our own network and the bank channel.
- In **Germany**, we hope to expand our market share in the digital segment with more aggressive sales proposals.
- In **Italy**, we will continue working on stabilization plans, aiming to achieve breakeven this year.

**Jaime Tamayo**, CEO of our International Operations, will give you more details about these countries.

## 2019 – 2021 Strategic Plan



Minimize the volatility of the catastrophe business



Capacity for growth, maintaining efficiency



Europe and LATAM: benchmark reinsurer



Group reinsurance manager



Better capacity after MGR reorganization

Regarding **MAPFRE RE**, we will maintain its capacity to absorb the volatility of its business, as demonstrated many times.

Following the restructuring of MAPFRE GLOBAL RISKS's operations, MAPFRE RE will take advantage of its greater capitalization and the new underwriting team that has just been incorporated. Also it will reinforce MAPFRE companies' catastrophic risk management and control models, equipping them with the capacity needed to compete efficiently in their markets.

**Eduardo Pérez de LEMA**, CEO of our Reinsurance Unit, will give more detail about this excellent business unit.



## 2019 – 2021 Strategic Plan



› Transformation of internal structure



› Aspires to excellence with MAPFRE clients



› Focus on STRATEGIC markets for MAPFRE



› New phase of PROFITABLE growth

Regarding **MAPFRE GLOBAL RISKS**'s activities, I would like to say that in the next three years we will be focused on:

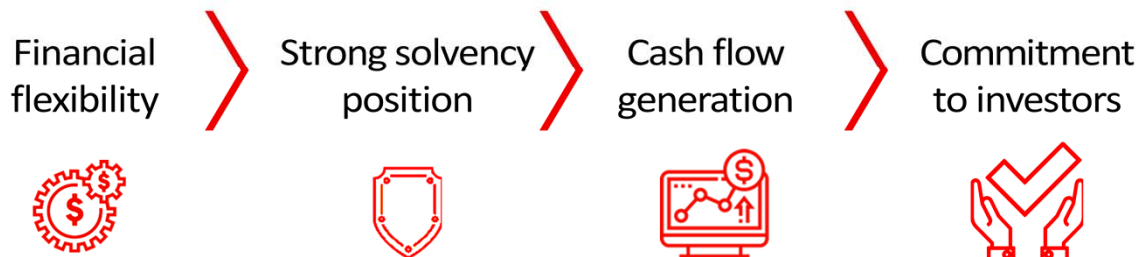
- Consolidating the implementation of the Unit's transformation process - still ongoing.
- Improving the value proposition for global MAPFRE clients in order to be excellent in service quality.

Turning now to **MAPFRE ASISTENCIA**, we consider successfully finalized the reorganization process which started in 2016 and led to the closure of operations in eight countries, a process that will continue in three more countries this year. In 2018 the company almost reached the breakeven point in terms of gross result.

In 2019, we begin a new phase of profitable growth in strategic markets and in businesses with the capacity for sustainable growth. We are developing in this Unit new solutions with a focus on the clients' needs, supported by innovation and digitization, differentiating MAPFRE's value proposition.

## 2019 – 2021 Strategic Plan

### Capital stability and strength, while maintaining dividend momentum



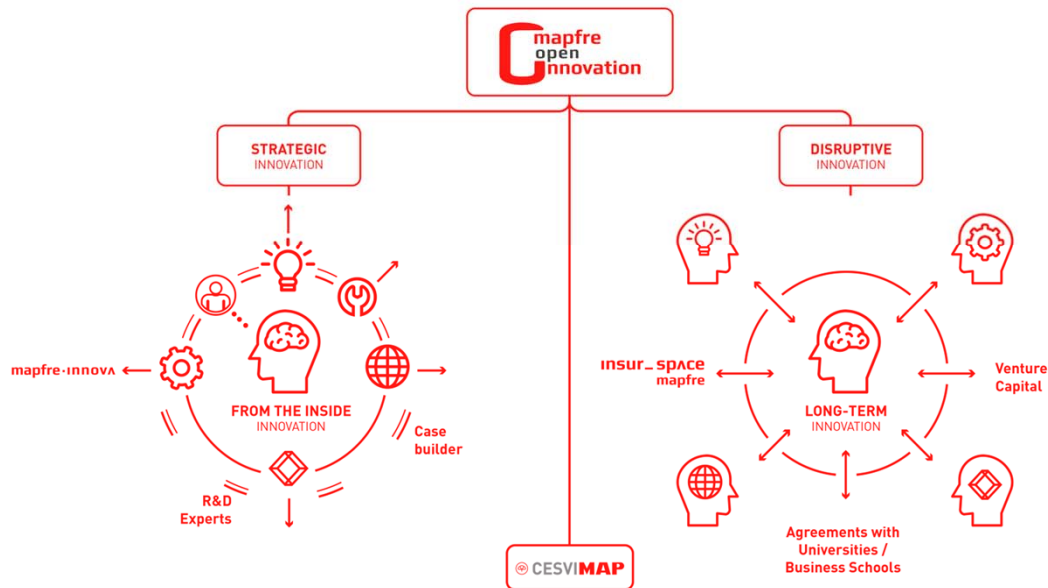
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Regarding our financial aspirations, our capital position remains strong, and we want to maintain our solvency ratio at the current target level of 200 percent, with already public tolerance levels. Regarding our dividend policy, we want to keep the payout range between 50 and 65 percent. And we feel very comfortable with our current debt levels, which shouldn't change substantially.

**Fernando Mata**, member of MAPFRE board and Group CFO, will give you more color on this in a minute.

Overall, MAPFRE has a high level of flexibility with a diverse capital base and a privileged investment portfolio, that has been able to generate gains even in an adverse financial scenario. **José Luis Jiménez**, our Group Chief Investment Officer, will discuss this in more detail.

## 2019 – 2021 Strategic Plan



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The last thing I want to talk about, before we move on to the rest of the presentations, is INNOVATION, which will be presented in more detail by **José Antonio Arias**, MAPFRE's Chief Innovation Officer.

In 2018, we launched the **MAPFRE OPEN INNOVATION** platform, with an annual budget of over 100 million euros, which needs to be considered in light of the 600 million euros we spend on technology every year. We also launched the first intrapreneurship program, **MAPFRE innova**, which aims to capitalize on our employees' knowledge and experience in order to tackle strategic challenges using Design Thinking and Agile methodologies. It has been an excellent and great success, with more than 400 projects submitted. Throughout the year, we also implemented projects based on cutting-edge trends such as artificial intelligence, the Internet of Things, digital health, blockchain, virtual reality, and cyber security.

At the end of the year, we announced the launch of **Insur\_Space**, an open innovation platform that aims to promote collaboration between startups linked to the insurance sector and MAPFRE. This accelerated launch of innovation has occurred in just nine months. The rapid succession of decisions and activities has been driven by the Transformation and Innovation Committee chaired by myself, which brings together some of the company's main executives.

At the moment this is the main information I want to share with you, and now we are going to continue with the other presentations. Thank you very much.

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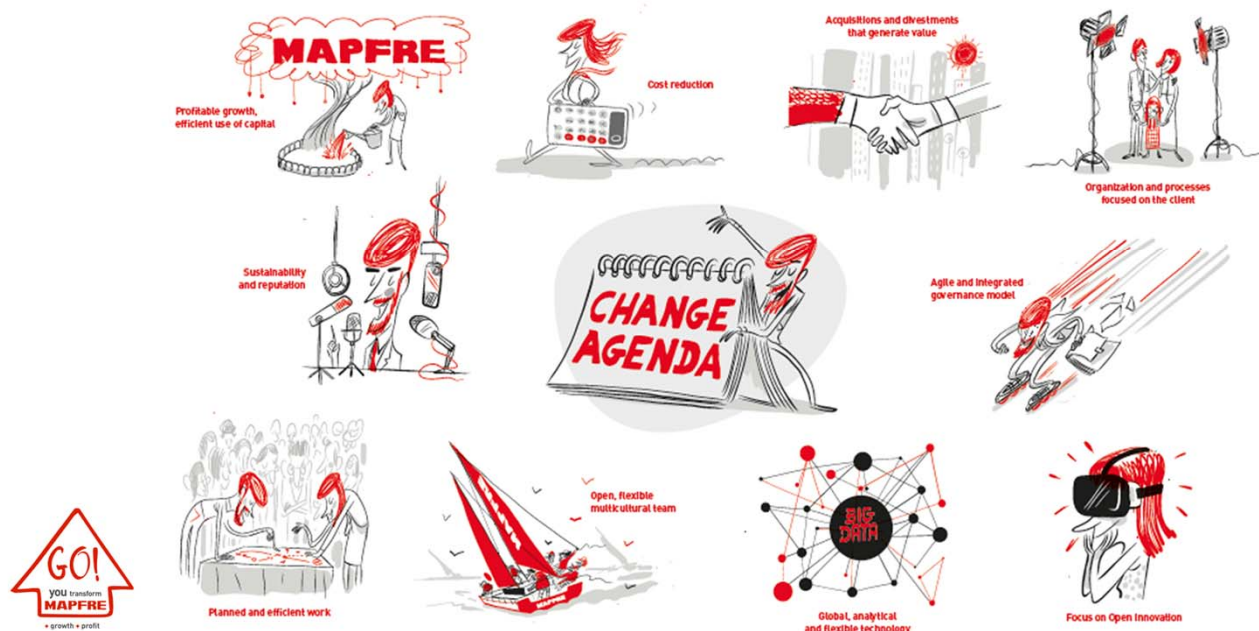
2019-2021

STRATEGIC PLAN

José Luis Gurtubay

Strategic Initiatives

## 2019 – 2021 Strategic Plan – Change Agenda



Good morning to everyone. The objectives and roadmap for MAPFRE for the next three years, shared by Antonio, come as a result of a mature and consolidated strategy process carried out by our top executive management in the Company.

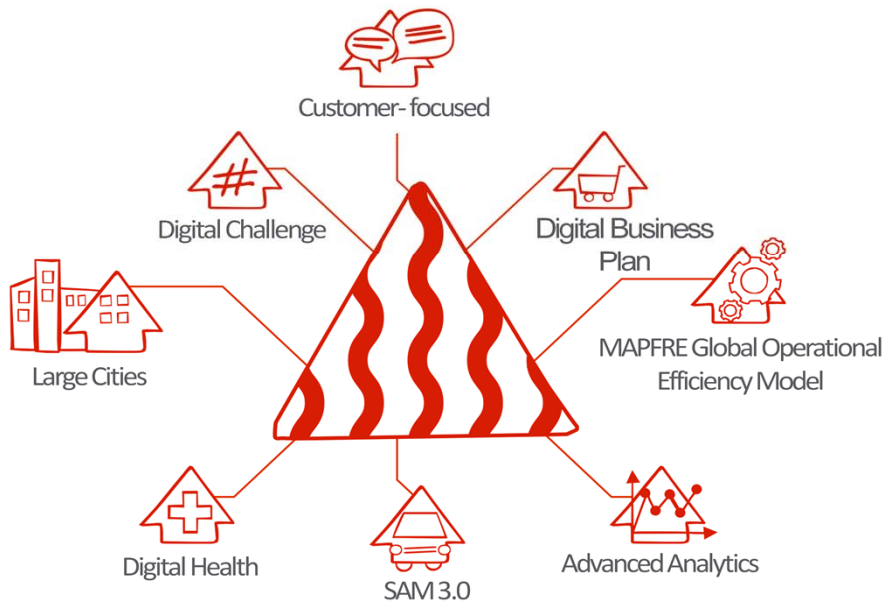
We've been working for the last few months in defining the proper strategy to accomplish a strong position in our market footprint, based on the last cycle's strategy results analysis.

In order to meet transformation and achieve our 2021 goals, we have reinforced our Change Agenda, including the topics we identified as priorities.

The key points of our next Change Agenda are:

- To drive **profitable growth** with more efficient capital allocation, and in consequence a satisfactory payment of dividends.
- To reduce **internal costs** with a more efficient and lean organization. This way, we are going to keep the competitiveness of our business models in the medium and long term.
- To improve our **acquisition and divestment** processes, assuring the value generated and the alignment with our strategy.
- To have a more **customer-centric** organization, reinforcing our structure and processes and taking our clients' experience to the next level.
- To have a more agile and flexible **governance model**, combining greater control and time to market delivery.
- To put more focus on **innovation**, providing competitive advantages in terms of clients, products, services and processes.
- To have more global, analytical and flexible **technology**, always meeting the needs of the business.
- To take advantage of the **multicultural team** and their skills, in order to align them with our transformational goals.
- To focus towards efficient and properly **planned work**. This allows us to achieve predictable and satisfactory results, and emphasize technical aspects.
- And finally, to work more on **reputation and sustainability**, reinforcing our transformational purpose.

## Strategic Initiatives – Strategic Plan 2019 - 2021

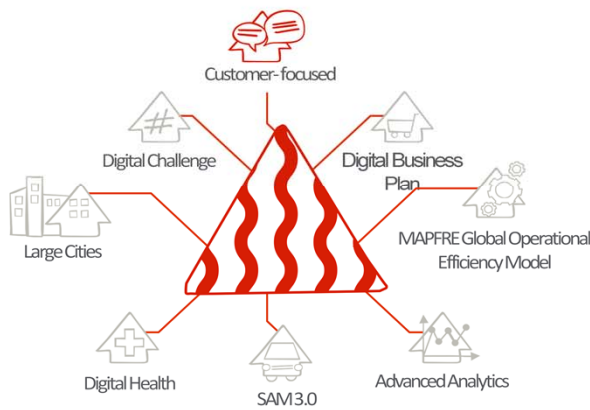


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As part of our Strategy process, and in order to make the aims real, we set a suitable initiative portfolio. These initiatives mean the execution that will allow us to reach the Change Agenda objectives, and therefore aspirational objectives.

Let us take a look in depth at the strategic initiatives that we will continue to develop during this three-year period.

## Strategic Initiatives – Strategic Plan 2019 - 2021



Customer- focused

### Objective

- Sales
- Client retention
- Encourage distributors

### Benefits

- Client growth and retention level
- Client experience
- Distributor relationship
- ✓ Shared knowledge
- Client identification
- New global agreements

73% of businesses with NPS® outperforming competitors

GROWTH

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First, **Focus on the Client**, which will allow us to adapt our sales offering and enhance the client's experience with MAPFRE.

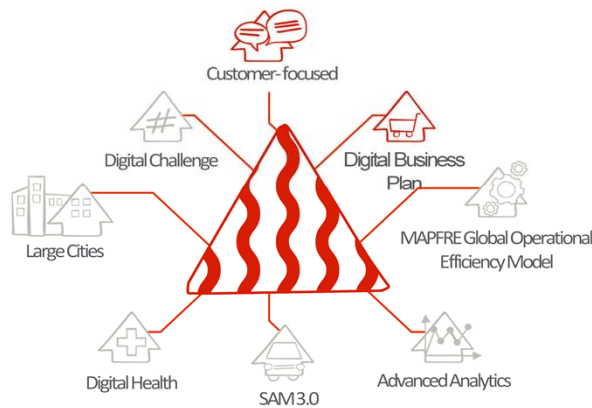
The objective of this strategic initiative is to facilitate sales and client retention, optimizing client experience through the right value proposition. In addition, we aim to encourage business development with distributors. The initiative focuses on two major programs: Consumer Client and Distributor Client.

The main benefits will be to increase the number of clients, maximize the level of client retention, improve client experience, and strengthen the business relationship and volume of distributors.

We've shared knowledge and best practices, generating common basis in terms of Intelligent Management and commercial relationships, improvements in terms of client identification, to apply it in retention processes, benefits and cross-selling. We have new **Global Agreements**, including those with Renault, Factory Mutual or Mitsui Sumitomo.

The main key challenge impacted by this initiative is **Growth**.

## Strategic Initiatives – Strategic Plan 2019 - 2021



**Objective**

- Profitability
- Digital business

**Benefits**

- Increase digital business
- Improve results
- Dynamic positioning in comparison engines
- New online quote generators and recruiters
- Sophisticated price optimization techniques

**+41%** Digital business in the 3-year period

**PROFITABILITY**

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The second initiative, **Digital Business Plan**, strengthening the operations carried out by VERTI, INSUREANDGO and MAPFRE DIGITAL.

We want to develop the Digital Business with a focus on the profitability of its operations, implementing concrete actions that contribute to the compliance of the established objectives, and analyze the evolution of markets and operations to detect new Digital Business development opportunities.

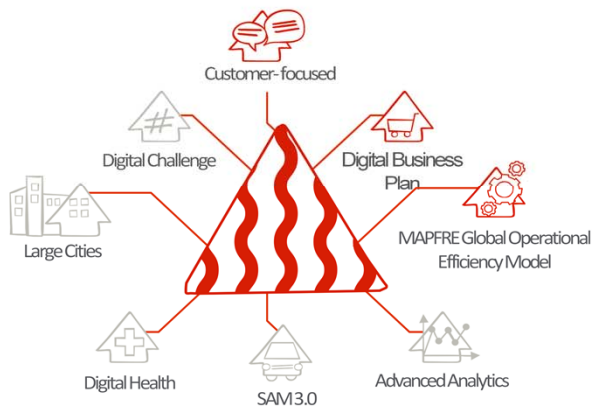
We pursue increasing income in Digital Business, and primarily improving the digital business results.

We've achieved excellent results thanks to actions such as optimizing investment in digital marketing, improving dynamic positioning in comparison engines, and implementing new online quote generators. In addition, we have developed sophisticated price optimization techniques to attract the most profitable risks and retain more clients.

The main key challenge impacted by this initiative is **Profitability**.




## Strategic Initiatives – Strategic Plan 2019 - 2021



### Objective

- Develop operational models
- Enhance MAPFRE competitiveness

### Benefits

- Cost savings
- Improve claim costs
- Customer service
- 
  - Global Provider Model
  - Robo-transactions

+10mn Increase RPA (Robotic Process Automation) transactions

TRANSFORMATION

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Third, **Global Operational Efficiency Model**, focused on improving efficiency and productivity and increasing the quality of service provision.

We intend to increase efficiency, productivity and further reduce operating costs. We will develop operational models that tackle, among others, standardization, integration and process improvement, and shared service solutions in order to enhance MAPFRE's competitiveness.

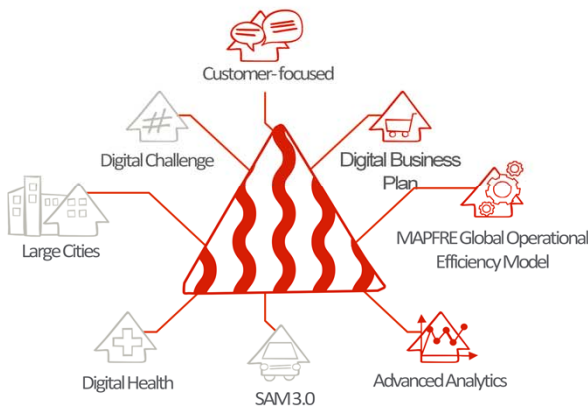
Our targets for this initiative will be in terms of cost savings, improvements in claims costs, customer service, and reusing assets and technological components.

The **Global Provider Model** is already present in 23 countries, enhancing MAPFRE's brand, with an increasingly broad and qualified network of service providers.

We'd like to highlight 2018 improvements related to **robo-transactions**, which exceeded 20 million operations. These technologies are helping to improve efficiency, practically eliminating errors and making it possible to dedicate human resources to tasks of greater value to the client.

The main key challenge impacted by this initiative is **Transformation**.

## Strategic Initiatives – Strategic Plan 2019 - 2021



### Objective

- Discover new approaches
- Build predictions
- Generate recommendations

### Benefits

- Competitive leadership
- ✓ Global inventory
- Governance model
- Specialized structure
- Procedure defining

TRANSFORMATION

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Fourth, **Advanced Analytics** which encompasses developing predictive models based on knowledge and data intelligence that will allow us to gain speed, agility and precision in decision making, especially in Spain, Brazil and the US.

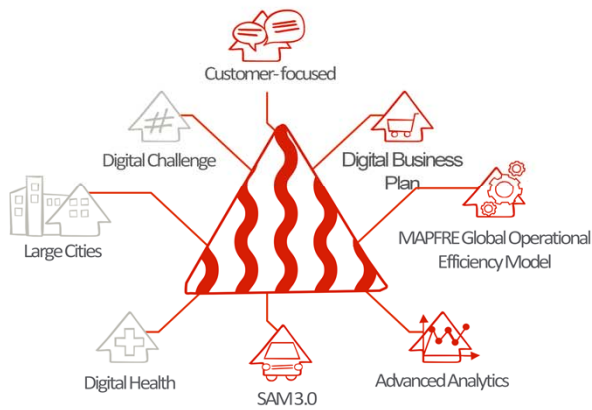
We want to transform the way we address the business today through data knowledge and intelligence to discover new approaches, build predictions and generate recommendations through machine learning models, neural networks, text mining, emotion and graph analysis, and through the construction of interactive dashboards.

The main benefit of this initiative is to contribute to MAPFRE’s competitive leadership within the company transformation process.

We’ve been working on building a Predictive Models global inventory, setting the Governance Model, creating new specialized organizational structure and defining procedures.

The main key challenge impacted by this initiative is **Transformation**.

## Strategic Initiatives – Strategic Plan 2019 - 2021



### Objective

- Key players
- Opportunities from telematics

### Benefits

- Benchmark partner
  - Differentiated offering
- ✓ ADAS
  - UBI strategy
  - Manufacturer value proposition

**GROWTH**

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The fifth initiative is **Automobile Insurance 3.0**, or the reinvention of Auto insurance policies in response to new trends: cars that are connected, autonomous, shared, and electric.

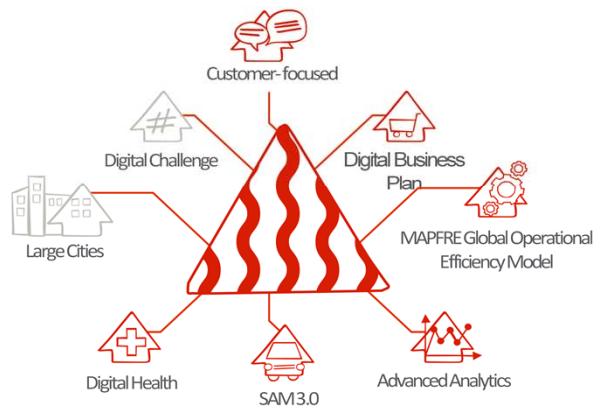
The objective here is to develop our capacity in the automobile arena, so as to become key players in the realm of new mobility. Among other things, we're working on car rating, based on Pay As You Drive insurance models, leveraging opportunities coming from telematics, UBI and a value proposition for manufacturers.

We will become a benchmark partner for manufacturers, with a differentiated offering. We'll have an after-market solution for the B2C business model and new mobility models, and we will generate periodic touch points with our clients, boosting the value of our insurer-client relations.

In Auto Insurance 3.0, the incorporation of three new ADAS is a significant achievement, along with the definition of the UBI Strategy, the development of the Value Proposition with manufacturers, and the connected car.

The main key challenge impacted by this initiative is **Growth**.

## Strategic Initiatives – Strategic Plan 2019 - 2021



### Objective

- Leadership position in health digital market in Spain

### Benefits

- Better positioning
- Improved customer loyalty

- ✓ • SAVIA

GROWTH

Our Sixth initiative is **Digital Health**. We have just launched SAVIA, our digital health platform, which is going to position us as a benchmark for digital health in Spain.

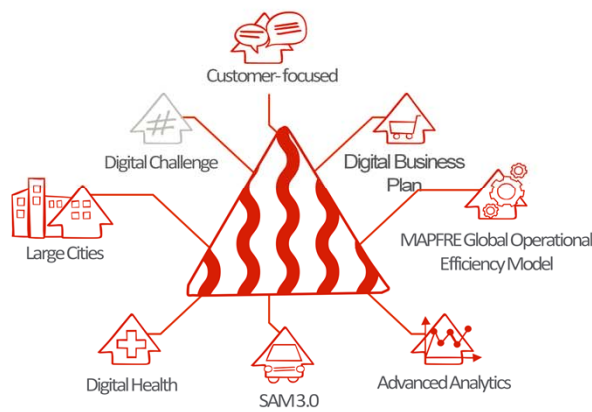
We are developing a new business model to be a benchmark in digital health and achieve a leadership position in the market. This project is based on 'Health 4.0', with agile and scalable technology, and two key elements: customer experience and the power of data.

We want to achieve a better positioning in the field, improving customer loyalty and providing income from the health arena.

SAVIA, as I mentioned, has been launched in Spain.

The main key challenge impacted by this initiative is **Growth**.

## Strategic Initiatives – Strategic Plan 2019 - 2021



**Objective**

- Improve position in Spain: Madrid and Barcelona

**Benefits**

- Increase market share

- Gamers

**TRANSFORMATION**

Seven, **Large Cities**, where we will continue to improve MAPFRE's position in large cities, reaching groups with higher disposable income, SMEs, foreign residents and incorporating new work areas for issues related to the urban world of sports and wellness.

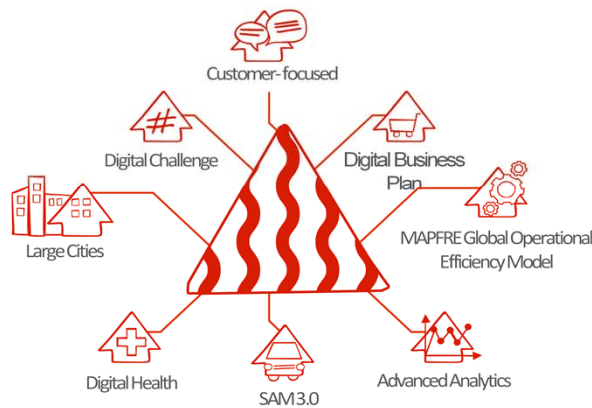
MAPFRE's aim is to improve its position in major cities in Spain, starting with Madrid and Barcelona. Developing adequate solutions to satisfy the needs arising in large metropolitan areas as a result of new lifestyle and consumption habits.

Our goal is to increase market share in these environments.

Gamers, our collaboration agreement with the main market players, which gives us the chance to export it to other operations.

The main key challenge impacted by this initiative is **Transformation**.

## Strategic Initiatives – Strategic Plan 2019 - 2021



### Objective

- Adapt
- Collaborative work
- New behaviors

### Benefits

- Flexibility
- Agility



- Best Place to Work award in Spain
- Equality policies

45% Positions filled by women

75% Culture and talent index 2021

TRANSFORMATION

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And finally, the **Digital Challenge**, adopting new behaviors and new ways of working that will allow us to adapt to new digital requirements. Initial geographical scope will be Spain, Brazil, the US, Peru and Turkey.

We want to manage the change that our Organization requires to adapt to new digital requirements, providing flexibility and agility and tools to the work environment that allow for collaborative work and knowledge sharing. In addition, we want to promote new behaviors, the development of digital and strategic profiles, and new forms of leadership.

To this end, work is being performed in four areas:

- Work environment.
- Collaborative work and Knowledge management.
- Culture in the digital world.
- New ways to reward and recognize.

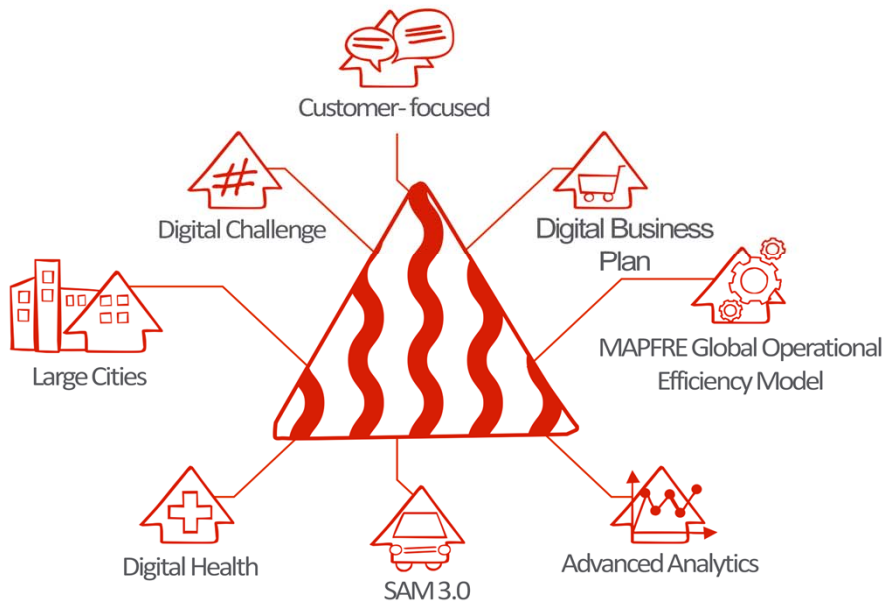
Through the Digital Challenge we're going to be a more agile and flexible company adapted to the requirements of the business and society, relying on talent and commitment.

We measured global satisfaction and organizational commitment. We have just been recognized in Spain as the best place to work in the category of companies with 5,000 or more employees.

As of the end of the year, more than 40 percent of positions of responsibility at MAPFRE worldwide were occupied by women, exceeding our target commitment.

The main key challenge impacted by this initiative is **Transformation**.

## Strategic Initiatives – Strategic Plan 2019 - 2021



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That's our portfolio and main execution keys to achieve our purposes.

Finally, we'd like to remark that, we measure every initiative and project through KPIs that impact on business.

Thank you for your attention, and now you will hear from our CFO, Fernando Mata.

# 03

## CAPITAL MANAGEMENT

Fernando Mata

Creating value for investors  
Through effective capital  
allocation

Thank you Koldo and thank you Antonio as well.

Thank you to everyone here in person and everyone watching the webcast for joining us. After Antonio's opening remarks and Koldo's presentation regarding the new strategic plan, it is my pleasure to talk to you about capital management.



## Capital management focused on stability, while maintaining dividend momentum

### Financial flexibility



- > Leverage target: ~22%
- > Room for further issuance: 1.5 bn€ Tier 1 and 0.8 bn€ Tier 2
- > Low cost of debt: ~ 2.6%
- > Credit facility: €510 mn available at 12.31.2018
- > Highly liquid investment portfolio

### Strong solvency position



- > Solvency II ratio: 200% target, including transitionals (+/- 25 p.p.)
- > High quality capital base: 87% Tier 1
- > Prudent balance sheet and low market sensitivities
- > Financial Strength ratings: "A+" from Fitch and "A" from S&P, Moody's and A.M. Best

### Cash flow generation



- > Diversification of cash flows, large share coming from mature and stable markets
- > Sustainable cash flows from subsidiaries with high solvency levels

### Commitment to investors



- > Dividends: stable and growing, 50-65% target range
- > ROE target: 10% (average 2019-21)

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The fundamental focus of MAPFRE's capital management is to maintain strong capital levels and consistent dividends. This policy is based on four pillars.

The first pillar is financial flexibility. Current low leverage, together with room for further issuance, gives us a lot of flexibility. Our goal is to keep leverage around 22%. It is also important to mention that we have around 500 million euros undrawn from our 1 billion euro credit facility at the close of December 2018. This allows us to adapt our debt position to the current market conditions and with a low current cost of debt. Finally, I would like to point out the high liquidity of our investments.

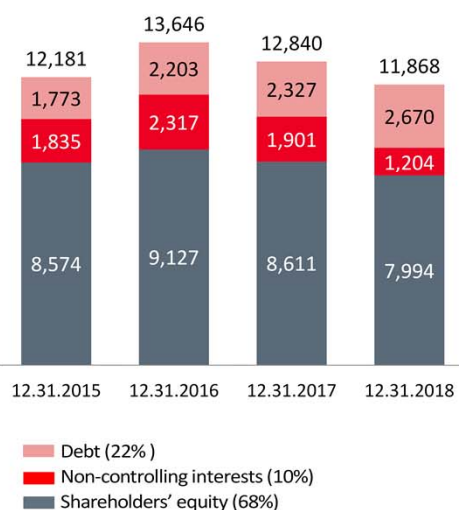
The second pillar is strong solvency and rating levels. Our Solvency II ratio with provisional data at December 2018 is 190%, which is in line with the largest European Insurers. We have maintained our Solvency II ratio of 200% for the next three years, with the same tolerance limits as the Chairman said. Our subsidiaries' ratings continue to be affirmed by the main credit agencies: "A+" from Fitch and "A" from S&P, Moody's and A.M. Best.

The third pillar is cash flow generation. Remittances from operating units are stable in recent years, supported by a diversified cash flow, mostly coming from mature and stable markets. In addition, these come from subsidiaries with high solvency levels, which is a full guarantee for future payments.

The fourth and last pillar is our commitment to our shareholders. MAPFRE is paying stable and growing dividends, in line with our strategy of a pay-out between 50 and 65%, while maintaining a solid capital position. Finally, as Antonio said, our target for the average ROE over the next three years is 10%.

## Diversified capital base

### Capital structure



### Breakdown – shareholders' equity

	12.31.2015	12.31.2016	12.31.2017	12.31.2018
Capital, retained earnings and reserves	8,300	8,614	8,764	8,482
Net unrealized capital gains of AFS portfolio*	628	651	620	291
Currency conversion differences	-356	-92	-731	-738
Treasury stock and other adjustments	2	-47	-41	-41
<b>Attributable shareholders' equity</b>	<b>8,574</b>	<b>9,127</b>	<b>8,611</b>	<b>7,994</b>

Here you can see the breakdown of our capital structure, which amounted to almost 12 billion euros at the close of 2018, 78% of which corresponds to equity.

The decline is mainly due to currency movements and the fall in the value of the available-for-sale portfolio, which had a larger impact in the last quarter of 2018. The decrease in non-controlling interests and the parallel increase in debt in 2018 was basically due to the Banco do Brasil transaction, as we have discussed in previous presentations.

On the right side you can see the breakdown of the different components of shareholders' equity. The largest component is capital, retained earnings and reserves.

In 2018, shareholders equity fell by approximately 7% to around 8 billion euros, basically as a result of foreign exchange differences, as well as market volatility affecting the financial investment portfolio. Specifically, the drop in equity markets in Europe and the rise in yields in the US lowered the value of our portfolio at year end. Despite this cyclical, short-term volatility, we are confident that our balance sheet is sufficiently solid and diversified to protect us from risks.

## Retained earnings growth mitigates market movements

### Changes in shareholders' equity

	12.31.2016	12.31.2017	12.31.2018	02.28.2019
<b>Opening balance</b>	<b>8,574</b>	<b>9,127</b>	<b>8,611</b>	<b>7,994</b>
Retained earnings - ex goodwill writedowns	375	254	255	
Currency conversion differences	264	-639	-103	102
Net unrealized capital gains - AFS portfolio*	3	-31	-328	191
Goodwill writedowns (USA, Italy, Indonesia)			-173	
Impact of Brazil acquisition			-197	
Others	-90	-99	-72	
<b>Attributable shareholders' equity</b>	<b>9,127</b>	<b>8,611</b>	<b>7,994</b>	

\*Net of shadow accounting adjustments

35

Million euros

Here you can see the yearly variations of our shareholders' equity.





You can see that retained earnings pro-forma, when excluding 2018 goodwill writedowns, have been relatively stable, whereas currency conversion differences and changes in value of the available-for-sale portfolio have been more volatile during the period.

Let me explain a little bit more about the goodwill impairment and the impact of Brazil acquisitions. We decided in 2018 to reflect in our P&L the goodwill writedown in the US, Italy and Indonesia in line with the economic outlook. Regarding Brazil acquisitions, the amount of 197 million euros corresponds to the difference between the price paid and the value of the shareholders' equity acquired, and was booked against reserves according to IFRS.

Regarding market movements, 2019 is more positive, as you see on the right. To the end of February, currency conversion differences improved 102 million euros, this is good news, and net unrealized gains increased 191 million euros, this is good news too, showing a change in trend.

## Diversified currency exposures with limited sensitivities

### Currency conversion differences

	12.31.2018	Δ 2018	% Δ currency 2018	Sensitivity to 1 p.p Δ in currency	% Δ currency 2019E*
<b>Total</b>	<b>(738)</b>	<b>(103)</b>	-	-	-
<i>Of which:</i>					
 US dollar	443	95	4.8%	20	-2.0%
 Brazilian real	(630)	(119)	-10.6%	11	0.0%
 Turkish lira	(295)	(52)	-25.1%	2	-10.7%
 Mexican peso	(121)	12	4.9%	2	-1.2%

\*Source: Bloomberg analyst consensus estimates

36

Million euros

Taking a closer look at our currency conversion differences, we can again see the benefits of diversification.

Historically, the US dollar has played an important role as a natural hedge on our balance sheet. Its appreciation has helped offset other negative currency movements, principally from Brazil and Turkey. This situation changed in 2017, when all currencies without exception depreciated against the euro.

2018 has been strongly impacted by the significant depreciation of both the Brazilian real (10% approximately) and the Turkish lira (25%). However, the US dollar recovered in 2018, offsetting the impact of foreign exchange differences. The Mexican peso is also on the right path, appreciating 5% against the euro in 2018.

The second to last column on the right shows the equity sensitivity analysis for the main currencies, with the US dollar again being the most relevant.

The far right column shows consensus analyst estimates, the last published last week, for currencies for 2019. The market is still expecting a depreciation for our main currencies, except for the Brazilian real, but to a lesser extent than previous years.

All in all, the outlook seems quite stable and the rocky road of currency differences seems to be over.

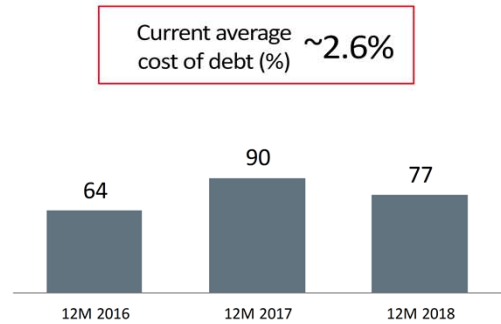
### Strong credit metrics

#### Total debt

	12.31.2016	12.31.2017	12.31.2018
<b>Total debt</b>	<b>2,203</b>	<b>2,327</b>	<b>2,670</b>
<i>of which:</i>			
senior debt - 5/2026	1,003	1,003	1,004
subordinated debt - 7/2017	594	-	-
subordinated debt - 3/2047 (First Call 3/2027)	-	617	618
subordinated debt - 9/2048 (First Call 9/2028)	-	-	503
syndicated credit facility - 02/2024 (€ 1,000 mn)	480	600	490
bank debt	126	107	56
<b>Leverage</b>	<b>16.1%</b>	<b>18.1%</b>	<b>22.5%</b>
<b>Interest coverage (x)</b>	<b>29.2</b>	<b>17.7</b>	<b>18.4</b>

- > Additional debt capacity:
  - > Tier 1: 1.5 bn€
  - > Tier 2: 0.8 bn€

#### Financial expenses



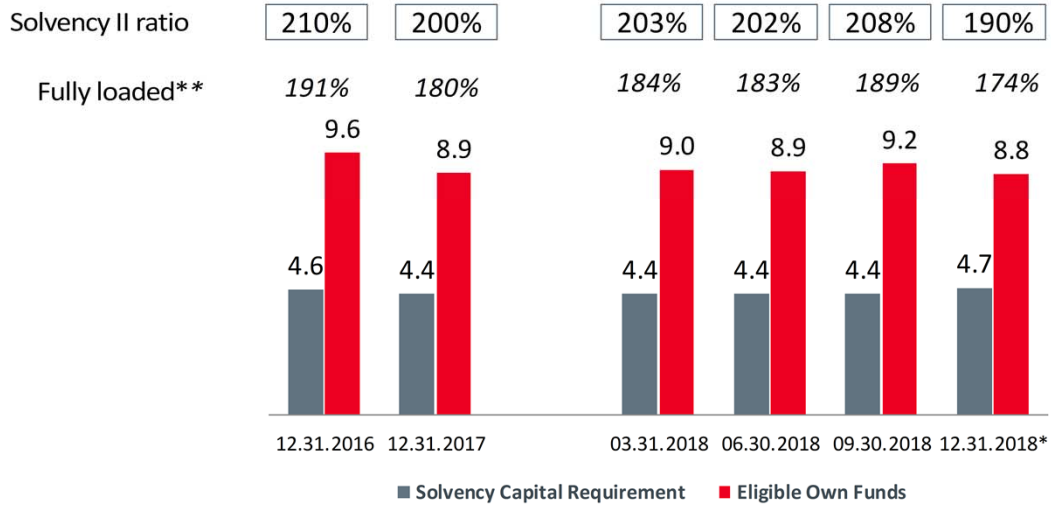
On the left you can see the breakdown of our outstanding debt instruments. Our credit metrics remain quite strong, with leverage around 22%, and interest coverage of 18 times earnings before interest and tax.

Total financial debt stood at under 2.7 billion euros at December 2018. The net increase of 343 million euros in 2018 corresponds basically to the two following operations. First, the 250 million euros for the capital increase at MAPFRE BRAZIL, to finance the acquisition of Banco do Brasil’s subsidiaries. And second, a 120 million euro capital increase in VERTI ITALY to improve our Solvency II position.

The current average cost of debt, on the right, is around 2.6%.

We also have additional debt capacity in Tier 1 of around 1.5 billion euros, and almost 1 billion in Tier 2 and Tier 3.

**Robust solvency position, despite high market volatility**



\* Provisional data

\*\* Excluding impacts of transitional measures for technical provisions and equity

Solvency II figures confirm MAPFRE’s strong capital position and low volatility. Provisional figures – I say provisional figures because we haven’t presented them yet to the Board nor to the Executive Committee, that will take place this month – stand at 190% for the Solvency II ratio, 174% fully loaded, with 87% of Eligible Own Funds in Tier 1.

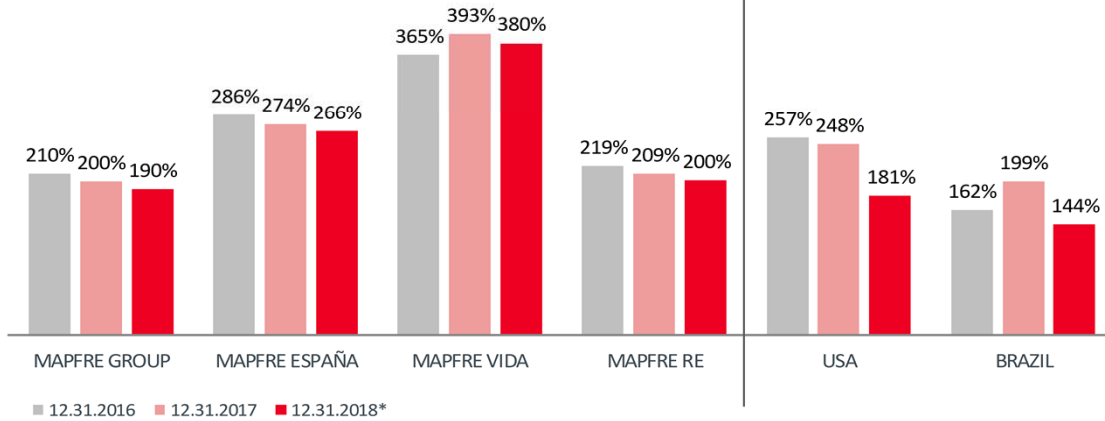
The main reason for the decrease in the Solvency II ratio is the fall in the IFRS net equity in 4Q 2018, as I have mentioned before.

A full disclosure of 2018 Solvency II ratio and the related sensitivity analysis will be presented by our CRO in the 1<sup>st</sup> quarter 2019 results presentation next month.

**Strong solvency position at main dividend contributing units**

**Solvency II ratios**

**Local Solvency ratios**



\* Provisional data

The exceptional Solvency II ratios at our key units are the backbone of our dividend capacity at MAPFRE GROUP, with MAPFRE VIDA standing out at 380% - this figure corresponds to individual basis calculations.

MAPFRE USA and BRAZIL also have strong local Solvency-equivalent ratios, of 180 and over 140%, respectively

## 2018: Capital management and cash flow upstreaming in MAPFRE Group

### MAPFRE S.A. - Net cash flows

	2018
Dividends upstreamed from subsidiaries	647
Dividends paid to shareholders (2018 calendar year)	-447
Interest and other payments at holding companies	-127
Capital increases for loss making entities	-68

### Dividends upstreamed from subsidiaries

	2016	2017	2018
SPAIN	365	398	355
MAPFRE ESPAÑA	243	244	231
MAPFRE VIDA (1)	122	154	124
INTERNATIONAL	114	189	153
of which:			
BRAZIL	70	90	0
LATAM (Ex Brazil)	23	49	51
USA	10	26	71
Turkey	0	20	25
MAPFRE RE	83	95	93
GLOBAL RISKS	84	39	46
<b>TOTAL</b>	<b>646</b>	<b>721</b>	<b>647</b>

- > Dividends upstreamed from Operating Units to Holding Company should cover:
  - > MAPFRE S.A. dividend, holding expenses and capital needs of loss-making Units
  - > Operating Units should retain enough capital to finance their organic growth

(1) Ordinary dividends. Total dividends amounted to €372 mn and include €248 mn paid to cancel outstanding intercompany balances

40

Million euros

Now, let's talk about cash flow upstreaming in MAPFRE Group.

Our policy governing dividends is based on:

First, dividends from Operating Units should be sufficient to cover:

- MAPFRE S.A. dividends to shareholders
- Holding expenses and other payments, interest expenses basically
- Capital needs of loss-making Units

Second, Operating Units should retain enough capital to finance their organic growth

Cash inflow in 2018 comprised over 640 million euros –on the right side– upstreamed from subsidiaries. As you can see, dividends paid from MAPFRE Spain, MAPFRE Vida and MAPFRE RE, our core units, were quite stable and based on solid underlying results and cash generation.

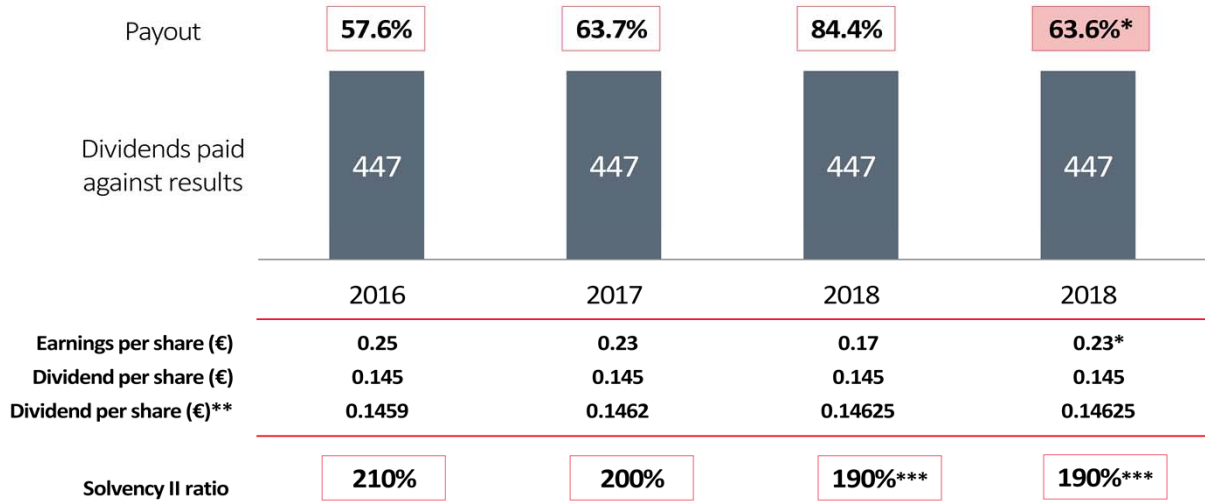
I would also like to point out the opportunistic payments of dividends from the US and Turkey in 2018, when currencies were at the highest value.

Regarding outflow, 447 million euros were used to pay 2018 calendar year dividends, and around 130 million euros were to cover overhead payments and interest expenses, leaving a positive balance of approximately 5 million euros.

There is a proper diversification of dividend contribution from different regions and units, with Spain being the most important.



### Stable and growing dividend policy, while maintaining strong solvency levels



\* Excluding goodwill writedowns

\*\* Adjusted for treasury stock. 2018 dividend includes €0.0605 interim dividend, and €0.08575 final dividend, considering treasury stock position at March 18th, 2019

\*\*\* Provisional data

41

Million euros

This slide shows our dividends paid for the last 3 years, which have been stable in a challenging and volatile period.

We have continued demonstrating our commitment to investors by maintaining our payout range, while at the same time maintaining the Solvency II ratio comfortably within our target.

## High level of financial flexibility and improving profitability will underpin stable and growing dividends, as well as protect our current capital base

### Outlook

Shareholders' equity		› Expected to move in a range of 8-9 bn€
AFS portfolio	≈	› Movements across different asset classes expected to be neutral
Currency conversion differences	↘	› Lower drag than previous years, in line with consensus currency forecasts
Retained earnings	↗	› Positive contribution to capital base, driven by current payout target and improved earnings outlook
Bancassurance agreements (Bankia & Santander)	↘	› ~2 p.p. impact on Solvency II ratio
Phase out transitionals	↘	› ~1.7 p.p impact on Solvency II ratio per annum
Leverage	≈	› Comfortable with current leverage, which supports our current financial needs
Dividend upstreaming	↗	› ROE improvement to be driven by higher results at business units with flexibility to upstream cash flow (Brazil, USA)

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In closing, I want to summarize the key takeaways.

We expect shareholders' equity to move in a range of approximately 8 to 9 billion euros, closing the 3-year period at the higher limit of the range. The main drivers for this growth will be retained earnings, based on the improved earnings outlook.

We expect no relevant changes in the unrealized gains on the available-for-sale portfolio, since higher gains from equities should offset losses from fixed income caused by a slight potential increase in yields in Europe, which will be discussed by José Luis later on.

Currency conversion differences are expected to be less of a drag than in previous years, based on a slight depreciation of the US dollar and a resilient Brazilian real.

Regarding the Solvency II ratio, the recent bancassurance agreements with BMN, Bankia and Banco Santander will trim approximately 2 p.p. in 2019, and the phase out of transitionals will reduce it 1.7 p.p. per year. On the other hand, we expect the partial internal models to be fully implemented – after being approved by the Spanish supervisory body – during the three year period, which will have a positive impact on our Solvency II ratio.

Regarding leverage, our financial needs are fully covered. The next debt maturity is our credit facility in 2024.

All in all, I want to reaffirm our dividend policy of stable and growing dividends based on earnings growth in line with the ROE improvement, already mentioned by our CEO.

That's all from me. Thank you and now it's time for José Luis's presentation.

# 04

## INVESTMENT MANAGEMENT

José Luis Jiménez

Optimizing returns  
in a low interest rate environment

Many thanks Fernando and good morning to everyone.

During the coming minutes I would like to go through the following subjects:

1. What kind of Economic Outlook we expect and how it could affect our financial income.
2. What are the main features of our investment portfolio.
3. What are the key guidelines to optimize returns and financial income.

## Economic Outlook: Low growth and low interest rates but a more positive environment

### 2019 GDP growth outlook (% y-o-y)

	Previous (2018)	OECD	IMF	Bloomberg Consensus*
Global	3.6	3.3	3.5	3.4
Eurozone	1.8	1.0	1.6	1.4
Spain	2.5	2.2	2.2	2.2
USA	2.9	2.6	2.5	2.5
Latam	1.9	-	2.0	2.0
Brazil	1.1	1.9	2.5	2.3
Updated		March 06, 2019	January 7, 2019	March 7, 2019

Source: Mapfre / Bloomberg / IMF / OECD

### Expected currency evolution vs EUR

	2016 year end	2018 year end	18/16 Var	2019* year end	19/18 Var
USD	1.05	1.15	-8.3%	1.17	-2.0%
BRL	3.43	4.45	-22.9%	4.45	0.0%
MXN	21.81	22.53	-3.2%	22.82	-1.2%
TRY	3.71	6.07	-38.9%	6.80	-10.7%

\*Bloomberg consensus outlook at March 18, 2019, calculated indirectly through USD exchange

Source: MAPFRE / Bloomberg

### Consensus\* for 3-month interest rates at various horizons (%)

	Dec 19	Dec 20	Jun 21
3M Eur	-0.14	0.11	0.25
3M USD	2.95	2.80	2.76

\*Bloomberg consensus at March 18, 2019

Starting with the Economic Outlook it is fair to point out that during the last 3 years we had several headwinds that probably have reached a turning point.

For the next 3 years, we do not expect an economic recession but some kind of a slow growth in mature economies and an economic recovery in emerging markets.

Last year these countries were severely affected in terms of growth, FX and investor expectations. Looking forward it seems that the worst is over and we foresee some tailwinds coming from emerging markets.

In **Brazil**, if Bolsonaro reforms go ahead it will boost economic activity and the Real could appreciate significantly. There is an important consensus in Brazil, I would say a quite positive one.

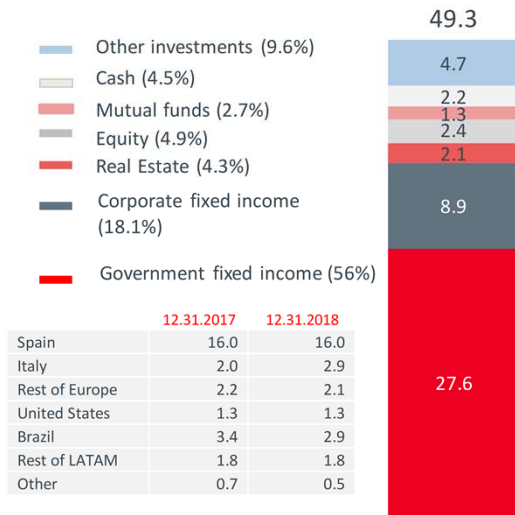
In **Turkey**, we expect more stability. At the end of the month, once we have the local elections, we think that it will probably be the beginning of some kind of economic reforms for the next years that it could put the economy on track again.

In **Mexico**, it is more difficult to assess but inflation has significant upside risk in the medium term and interest rates too. However, trade tensions with the US have decreased and I think it is a very good sign for economy.

Finally, according to Bloomberg consensus, short term interest rates are expected to rise a bit – not too much but a bit – in the next three years, and I think this is good news for us.

## Solvent and cautious investment portfolio

### Investment portfolio – Breakdown by asset class



	12.31.2017	12.31.2018
Spain	16.0	16.0
Italy	2.0	2.9
Rest of Europe	2.2	2.1
United States	1.3	1.3
Brazil	3.4	2.9
Rest of LATAM	1.8	1.8
Other	0.7	0.5

Billion euros

### Main guidelines

- Sound asset allocation in the balance sheet with a bias to sovereign bonds. Increased allocation to Italy has been opportunistic. During the next 3 years, 1/3 of our Italian exposure will reach maturity.
- The credit portfolio is very prudent and we do not foresee an increase in its risk profile. Nowadays we tend to position our portfolio more defensive in terms of sector allocation, duration, rating and level of seniority.
- Our Equity and Real Estate exposure gives us confidence to continue with a similar level of financial capital gains, in the absence of external shocks.
- With a cautious approach and in a low interest rate environment, we will continue searching for yield through a better diversification of the investment portfolio.

In terms of the balance sheet, I think it is quite solvent and we have a very good investment portfolio, very cautious.

Around 56% are sovereign bonds with the breakdown you might see on the slide. We have increased our position in Italian debt last year to profit a bit from the political uncertainty. We have set up a maximum level of Italian debt in EUR3bn. Since last December the amount has decreased by around 200 mn€. Around 800 mn€ more will reach maturity within the next 3 years. Of this amount, that we have in Italian bonds, we have 2 bn€ under matching adjustment, so market volatility should not be significant in terms of SCR.

Despite the good start of the year for stocks and credit we are positioning the credit portfolio in a more defensive way in terms of sector allocation, rating, duration and level of seniority.

Due to our exposure to stocks, mutual funds and real estate and the flexibility with which we manage this part of the portfolio, in the absence of external shocks, on average we aim for a similar level of capital gains than in previous years. Looking forward, we have started to invest in different vintage years of alternative assets in order to diversify our sources of investment returns and capital gains.

**There is margin of improvement by portfolio diversification**

2018	European listed insurers (*)	Spanish sector (**)	MAPFRE
Fixed income	69.3%	75.3%	74.1%
Equity	8.9%	5.2%	4.9%
Liquidity	4.6%	7.6%	4.5%
Real Estate	6.0%	3.6%	4.3%
Alternative investments	2.7%	0.6%	0.6%
Other	8.5%	7.7%	8.9%
	100.0%	100.0%	100.0%

Asset type	Yield target	Allocation %
Real Estate	4%-6%	60.0%
Private Debt	5%-7%	20.0%
Private Equity	8%-12%	20.0%

- During the last 2 years we have committed close to 500 millions euros in alternative investments.
- There is margin to increase this allocation if low interest rates persist.

(\*) Top European listed insurers: MAPFRE, Allianz, Munich Re, Hannover, Axa, CNP Assurances, SCOR, Sampo OYJ, Generali, Cattolica Assicurazioni, NN Group NV, Aegon NV, Ageas, Zurich, Swiss RE, Balaise, Helvetia, Prudential, Standard Life  
 (\*\*) ICEA Data

One way to enhance returns and weather a low interest environment is through better diversification of our balance sheet.

As you might see on the left-hand side of the chart we keep a low level of alternatives in our portfolio compared to our peers in Europe. So far, we have managed these assets with a high level of caution but thanks to partnerships and co-investment deals we have successfully moved forward with these investments.

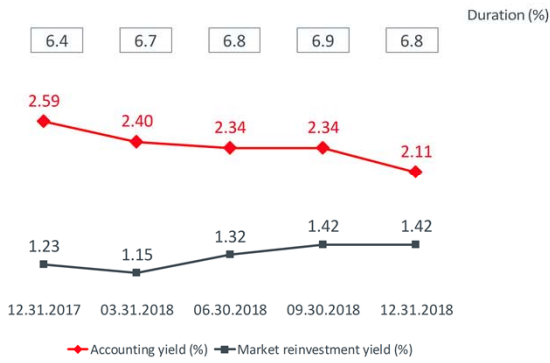
We started 2 years ago with a public commitment of almost 500 million euros and most of it will be fully invested throughout this year. These investments will help us to improve our book yield.

It is worthwhile saying that we target a very prudent rate of return on these asset classes. Most of the investments will be allocated to Eurozone real estate, mainly our prime offices in main European cities, but also in private debt and private equity.

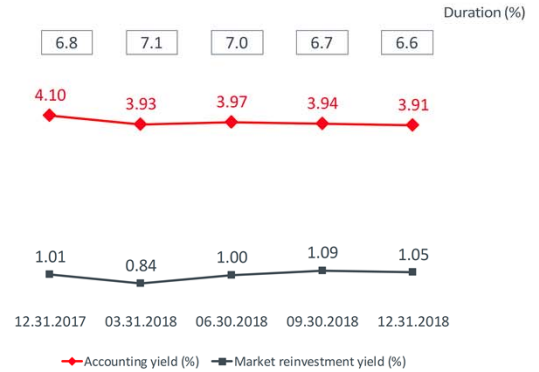
Under a prudent approach we have margin to increase the allocation to this type of investments if the low interest environment persists in the Eurozone.

### Stable income in our Euro Fixed Income portfolios

Actively managed portfolios<sup>1</sup> - Non-Life (€7.2 bn)



Actively managed portfolios<sup>1</sup> - Life (€6.2 bn)



#### 10-year rate outlook – Spain government

	Current 18/03/2019	2019	2020
Bloomberg consensus (*)	1.16	1.63	1.87

(\*) Consensus at March 18, 2019

1) Fixed income portfolios in the Euro area (IBERIA, MAPFRE RE & GLOBAL RISKS)

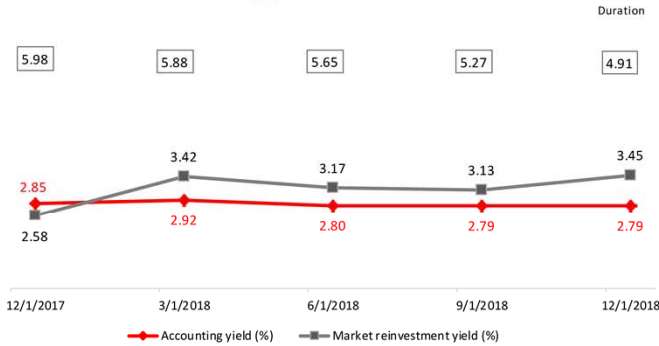
On this slide we show the book yield and the reinvestment yield of our active portfolios of fixed income, Life and Non-Life, as well as the Bloomberg consensus for 10-year yields that probably most of you contribute to.

What is important to point out is, that assuming a very conservative reinvestment rate of those assets reaching maturity during the next 3 years, our book yield could decrease around 20 b.p.

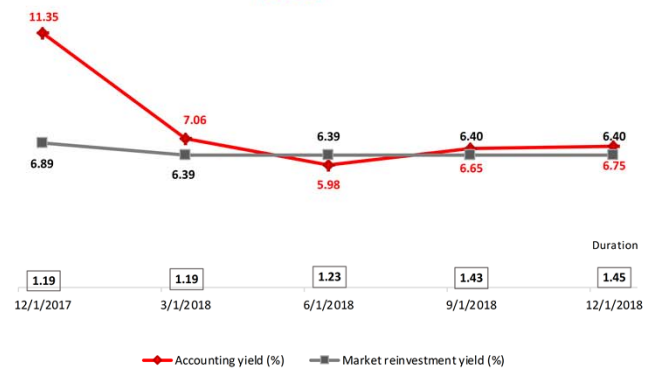
This is assuming that we will not do any active management in these portfolios, which is not the case, and that we do not expect any political risk in the Eurozone that could increase interest rates too.

**Positive outlook in the US and Brazilian Fixed Income portfolios**

**USA**



**Brazil**



**10-year rate outlook**

	Current 18/03/2019	2019	2020
Bloomberg consensus (*)	2.59	2.98	3.02

(\*) Consensus at March 18, 2019

**Selic rate outlook (Brazil Central Bank)**

	Current 18/03/2019	2019	2020
Bloomberg consensus (*)	6.5	6.9	7.85

(\*) Consensus at March 18, 2019

Probably, I would say in the case of our US and Brazil portfolios, we could experience some kind of tailwinds.

Despite the recent announcements of the Fed, we would not be surprised if in 6 to 12 months interest rates continue with the upside trend once most of the uncertainties are clarified. We have seen a big change in terms of expectations during the last 3 years and this is a phenomenon that could happen again.

In Brazil, the upside trend in interest rates is clearer, and if this finally materialized we would try to increase duration in order to keep a more stable source of financial income.



## ESG Analysis of our Investment Portfolio

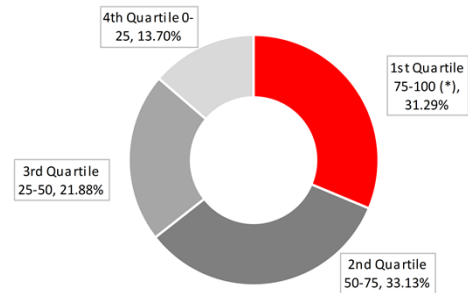
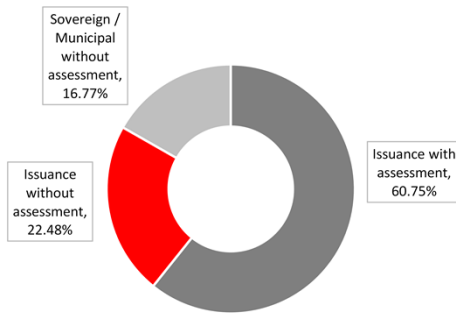
Classification of issuers by market value (Europe + USA + Brazil)

Issuers in portfolio with ESG assessment (Europe + USA + Brazil)

Europe aggregate + USA + Brazil	Issuers	%	Market value (€)	%
Issuance with assessment	489	60.75%	10,651,999,591	25.03%
Issuance without assessment	181	22.48%	5,428,864,548	12.76%
Sovereign/Municipals w/o assessment	135	16.77%	26,470,853,435	62.21%
<b>TOTAL</b>	<b>805</b>	<b>100.00%</b>	<b>42,551,717,574</b>	<b>100.00%</b>

Europe aggregate + USA + Brazil	Issuers	%	Market value(€)	%
1st Quartile 75-100 <sup>(*)</sup>	153	31.29%	5,780,785,801	54.27%
2nd Quartile 50-75	162	33.13%	3,996,908,476	37.52%
3rd Cuartile 25-50	107	21.88%	719,574,253	6.76%
4th Quartile 0-25	67	13.70%	154,731,061	1.45%
<b>TOTAL</b>	<b>489</b>	<b>100.00%</b>	<b>10,651,999,591</b>	<b>100.00%</b>

(\*) Note: 100 is the maximum classification and 0 is the lowest



Last but not least, we would like to show you the Environmental, Social and Governance analysis of our portfolio.

On the left-hand side, we have classified all the securities we hold in our European, US and Brazilian portfolios (around 90% of the total).

Most of the securities have been analyzed, some of them have been excluded (sovereign and municipals bonds, but they will be included as soon as we finalize our own methodology on these types of issues) and the rest has not yet been analyzed (which represents around 12% of our assets under management).

For those securities where we have a scoring for ESG footprint, the vast majority (90%) are with the highest scorings or in the 1<sup>st</sup> and 2<sup>nd</sup> Quartiles - something that we are really proud of.

For those securities in the 4<sup>th</sup> Quartile (less than 1.5% of our total assets under management) we have set up a “watch list” that requires a deeper analysis of the issues and a periodic review in our Risk Committees.

The ESG profile of our portfolio is an area of continuous improvement and we are actively involved in different working groups on the subject.

**Challenges:**

- Optimizing returns in a low interest rate environment without increasing significantly the risk profile of the portfolio.
- To boost the fee based business through saving and investment products.
- Make ESG analysis and integral part of our investment process at MAPFRE.

**Objectives:**

- To protect returns in our fixed income portfolios.
- Increase our balance sheet diversification.
- Keep similar level of capital gains to previous years.
- Target a 5%-10% CAGR in asset management and unit linked business.

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Finally, I would like to talk about challenges and objectives.

Regarding the challenges we have ahead it is really very straightforward:

Our first challenge is to optimize income in a low interest rate environment. We hope for the best, but we plan for the worst.

We know that we probably have some headwinds and some tailwinds depending on the economic outlook, FX, and interest rates, but we have margin to manoeuvre.

On the other hand, we want to increase our fee business model. During the last 3 years we have laid the foundation for growth. We have transformed MAPFRE AM and revamped our product range. We have set up our Luxembourg UCIT SICAV for national and international distribution, we have launched several Real Estate Funds and MAPFRE Gestión Patrimonial, which is an open architecture wealth manager in Spain.

Furthermore, we have bought a stake in a small French boutique, La Financiere Responsable, very much specialized in ESG research and we launched a complete range of ESG funds and pension funds.

We aim to grow at least around 5%-10% per year during the next three years.

That's all from my side. Thank you very much.

# Q&A

# 05

## MAPFRE RE

Eduardo Pérez de Lema

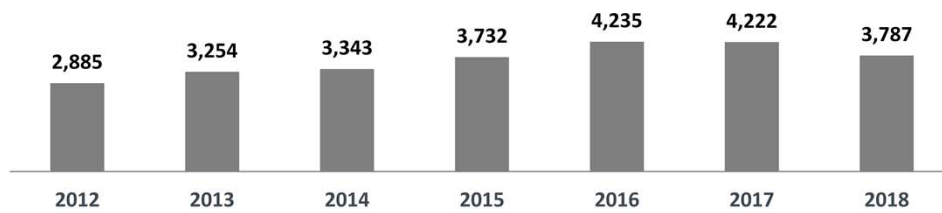
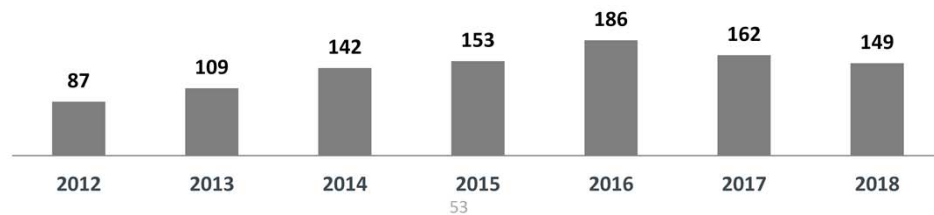
MAPFRE Group Reinsurance

Good morning. It is once again a pleasure to have the opportunity to be here with you all to talk about MAPFRE RE and about what we do in reinsurance at MAPFRE.

As on previous occasions, the presentation will have two parts:

- In the first part, we will talk about the recent development of MAPFRE RE, which has been very pleasing so far.
- In the second part, we will talk a little about how we manage reinsurance in MAPFRE – as you might remember during the last Investor Day we talked a little about CAT risk management, including also our CAT reinsurance program. Today we will talk a little bit about our reinsurance policies overall.

Let me just say, before we begin and before we change to the figures, all figures will be related to MAPFRE's reinsurance business and they do not include the business of MAPFRE Global Risks, which as you know will be consolidated into our balance sheet, but which is managed and measured separately. So the figures will be presented separately.

**Premiums****Attributable result**

53

Million euros

So, let's go to the numbers from MAPFRE RE.

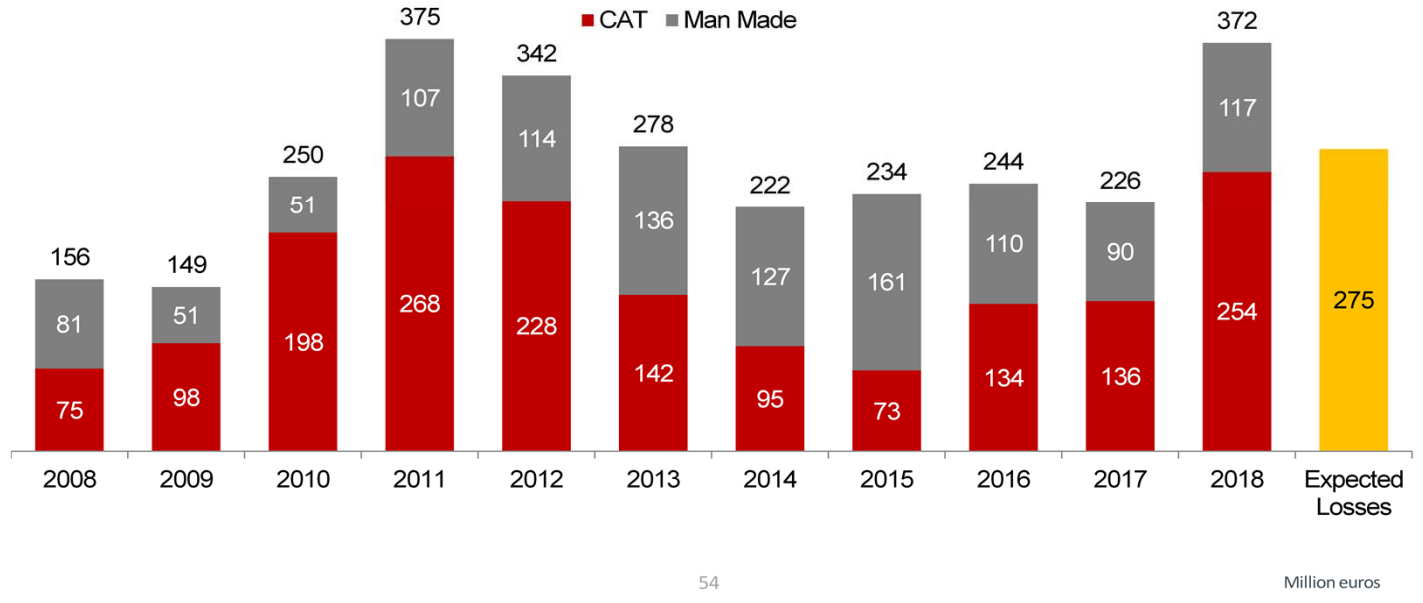
As you can see in 2018 we saw a significant drop in our gross premiums of 10.3 percent, which was exclusively due to reductions in the cessions of some businesses coming from MAPFRE companies in Italy, Germany and the US. These premiums were not ceded to MAPFRE RE but they were retained by the local companies, so effectively in the consolidated income of MAPFRE GROUP, they didn't have any impact at all.

One part of these cessions will be resumed in 2019, those coming from the US.

Premiums coming from Non-Group business grew very nicely by 5%, which is a very pleasing outcome.

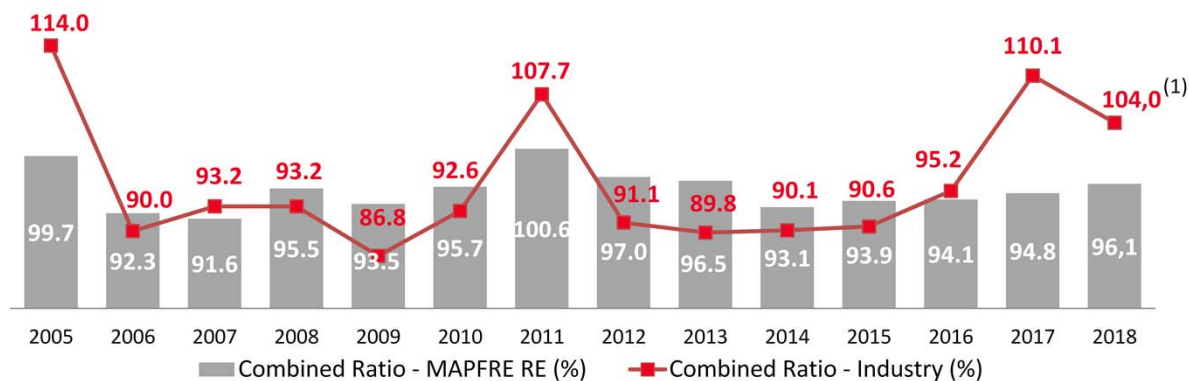
In terms of results, there was also a decrease of 8% in 2018, which we still consider to be a good outcome, especially compared to the rest of the industry and our competitors, and also keeping in mind that it was a very intense year for us in terms of large losses, as we will see right now on the next slide.

Large loss impact on MAPFRE RE (Pre-tax and minority interests)



As you can see in the chart, 2018 was almost our worst year in history in terms of large losses. It was just short, what happened in 2018, by 3 million, so it was really a very challenging year for us in terms of large losses. The impact in 2018 was 372 million euros before taxes and minority interests, by far surpassing what we had in previous years. As you see, for example, they exceed by around 147 million the figure we suffered in 2017.

MAPFRE RE continues achieving good underwriting results, with reduced volatility . . .

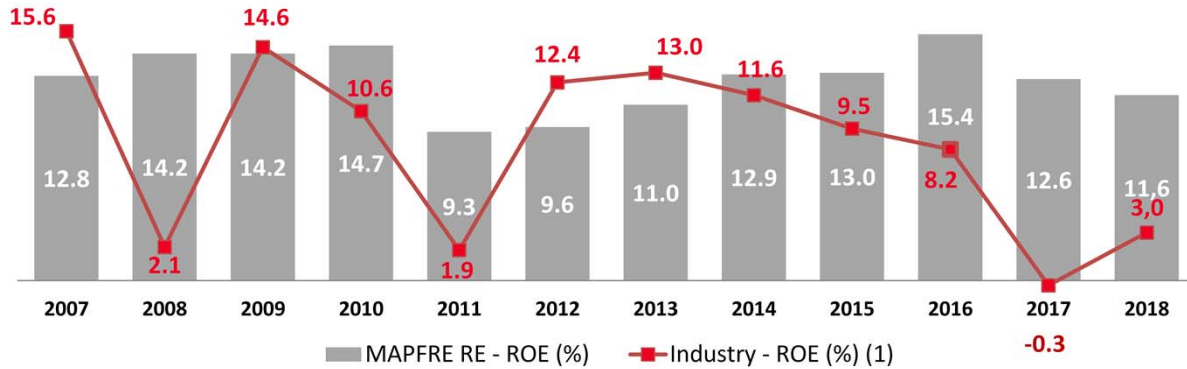


	MAPFRE RE	Industry
<b>Average Combined Ratio (2005 - 2018)</b>	<b>95.3%</b>	<b>96.3%</b>
<b>Standard Deviation Combined Ratio (2005 - 2018)</b>	<b>2.6%</b>	<b>8.8%</b>

(1) Source: AM Best, except 2018, MAPFRE RE estimate

Under these circumstances we are especially satisfied with our very good combined ratio of 96.1%, showing again less volatile behavior than the industry average, which is as we said before, one of our key objectives in the long run.

... generating attractive returns, above the industry average



	MAPFRE RE	Industry
Average ROE (2007- 2018)	12.6%	8.5%
Standard Deviation ROE	1.9%	5.5%

(1) Source: AM Best, except 2018, MAPFRE RE estimate

Also when we look at it from an ROE point of view, actually the picture looks even a little bit better. We are having a very positive return of 11.6 percent. We don't know yet how the industry will perform, but we won't expect it to be much better than what we see there of 3 percent, but overall again we show that we have a very good and stable flow of returns. And when we look at it from an ROE point of view, we even performed a little bit better because also our risk profile is a little bit more conservative than most of the industry, so we have reduced capital requirements compared to other peers, and also the return is very stable. So again, we are very pleased about our outcome.



### Strategic priorities

- › Maintain the current **level of profitability**, with reduced volatility, a solid financial structure and risk management framework, that guarantees the solvency and stability of the entity.
- › **Profitable growth** of Non-Group operations, by strengthening positions in key markets, geographical diversification, broadening the range of products and innovative solutions.
- › Manage MAPFRE's reinsurance under conditions that allow it to be **competitive** in the market and maintain risk at appropriate levels.
- › Maintain the **expenses ratio** at the lowest levels of industry, through efficient structures and processes.

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Talking about our strategy, we start from a very solid foundation of the company, and our development and future growth will be built on these strengths and on our four key strategic priorities that we will comment now.

- First of all, our biggest and most important goal is to maintain current levels of profitability and the reduced volatility we have been showing, which will allow us to remunerate our shareholders and maintain the dividend flow to MAPFRE. This has always been our priority and will continue to be so.
- In addition to that, we still think that we have the opportunity to profitably grow our Non-Group operations, where our reputation in the market with clients and brokers and the high quality of underwriting allow us to reach profitable business opportunities as we have been getting in the past.
- The third one is to manage the reinsurance of the Group, providing the risk cover that we need to maintain our stability, but also to provide MAPFRE companies with conditions that allow them to compete in the market, and we will talk a little more about that in a minute.
- And finally, our fourth key priority is to maintain our expense efficiency as it is, with an expense ratio that is probably the lowest, or very close to the lowest, in the industry.

## Main rules of the reinsurance policy of MAPFRE

- › MAPFRE RE will underwrite 100% of any **reinsurance treaty** of any MAPFRE Company (Excluding facultative)
- › **Compulsory cession** of a minimum share of every facultative placement to MAPFRE RE
- › Every **fronting placement** must be reported to MAPFRE RE for control
- › Any other placement facility must be known and authorized by MAPFRE RE
- › Any placement has to be done with reinsurers included in the “**security list**” approved by the Group and comply with specific limitations by reinsurer

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Changing now to the reinsurance policy of MAPFRE, we manage reinsurance based on a very clear policy that has been defined for the Group.

These are a number of rules that are applicable to all Group companies and allow us to have a full vision of the Group reinsurance, aligned with the overall strategy of MAPFRE:

- MAPFRE RE, by mandate, underwrites 100% of every reinsurance treaty that is placed by any MAPFRE company in the world.
- In addition to that, we take an obligatory cession of a part of all facultative placements that are done by any Group company, allowing us to identify what needs of additional cover are existing in the Group and optimize the structure of the reinsurance treaties that we buy for the Group.
- In addition to that, the reinsurance policy of the Group has a very restrictive limitation on fronting placements and how we deal with fronting placements. Any exception on all these rules applicable to the reinsurance policy of MAPFRE have to be known and authorized by MAPFRE RE. So there is no autonomy in terms of breaching these rules without the Group.
- And in addition to that, we have a very strict counterparty risk policy and no placement can be done with any counterparty not specifically approved in a security list in excess of certain limits approved by the Group.

These combined rules allow MAPFRE RE to have a full picture of the reinsurance of the Group on a worldwide basis.

## Main goals of MAPFRE RE with respect to Group reinsurance

- › Provide adequate coverage for risks that exceed the Group **risk appetite**
- › Obtain the **underwriting capacities** necessary for the different MAPFRE companies to be competitive in the market
- › **Capital management** of MAPFRE companies
- › Manage **relationships** with the **reinsurance market** and the Group's counterparty risk
- › Optimize **Group retentions**
- › Generate **adequate returns** on the capital deployed for Group business

Once we have that, there are certain goals that MAPFRE has with regards to the Group reinsurance and some priorities:

- The first and most obvious, which we have already said, is that the Group and all individual Group companies have adequate cover for the risks that exceed the Group risk appetite and the one of the local companies, and that that cover is provided under terms and conditions that allow the different companies to compete in the market at equal conditions with the rest of the players.
- But in addition to that, we have an additional role in terms of efficient capital allocation of the Group companies. As you know, reinsurance is an additional source of risk financing, and sometimes reinsurance is more efficient than other ways of financing, and in that regard we very closely collaborate with the Group.
- The third priority is related to counterparty risk management and to manage the relationships with our reinsurers. Of course, when we place reinsurance our key priority is that our counterparty is willing and able to pay claims when they occur, but equally important for us is that we have a relationship with our reinsurance partners where they are prepared and willing to renew their commitment also after a claim and after having losses. We have been successful with that and it is a key priority as well on our side.
- And finally there is an additional part that is how we optimize retentions in the Group and the amount of profit that can be retained within the Group given our risk appetite.

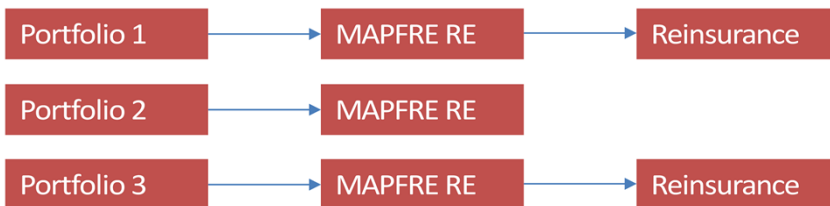
## Options for Group reinsurance buying

### > Group Covers:



**Preferred option** in most of the cases, where portfolios are similar in various countries / companies (e.g. CAT, Property, Marine, Engineering, Agricultural, etc.)

### > Specific Covers:



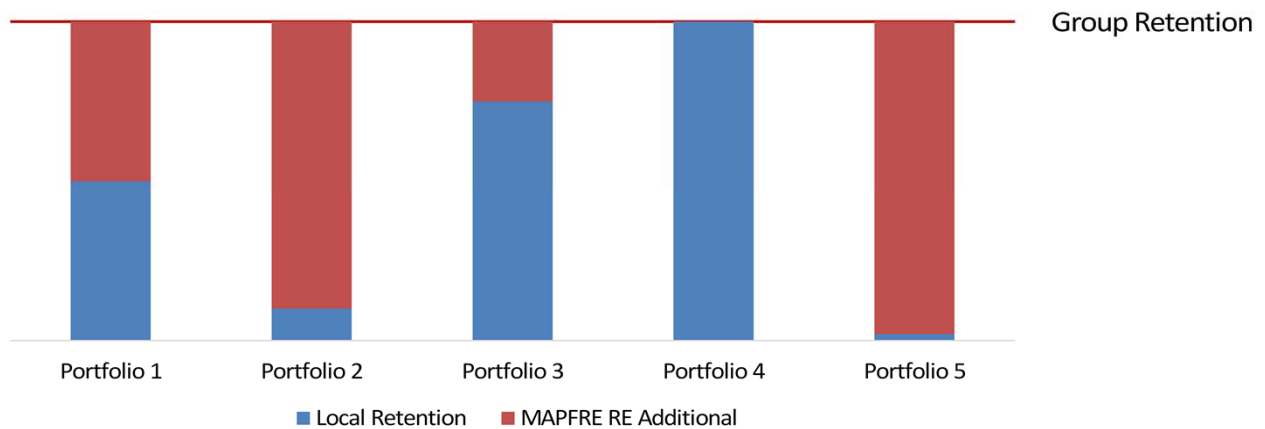
**Used for specific portfolios** where the risk characteristics are different to most other portfolios (e.g. MGR) or there are technical reasons

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So once we have received all the placements that we get from the different covers that the Group wants to buy, how do we manage that and how do we cede externally what we don't want to retain. Mainly there are two options that we use:

- The first one is to place Group covers, which is the most commonly used by us. In that case, what we receive is cessions from different portfolios, different countries in the world. They are all ceded into MAPFRE RE, then we consolidate that, retain a part of that and cede it to the external market through specific treaties that combine similar risks in one placement that is more attractive to the market due to its larger size and diversification.
- Sometimes this is not possible and we talk more about specific covers. Under some circumstances there will be Group cessions or cessions from Group companies where we feel that the Group doesn't need to cede externally and they are fully retained in MAPFRE RE, and in other cases where we can't group them with other placements, or if there is any reason for not doing so, we place it specifically into the market, most of the cases with exactly the same structure that we receive originally from the Group companies.

## Optimization of retentions



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But when we talk about retention and how we optimize it, what do we mean by that? At the end of the day what we do in MAPFRE RE is to complement the difference between the local retentions of the different Group companies to the level where the Group feels comfortable and is adapted to the risk appetite of the Group.

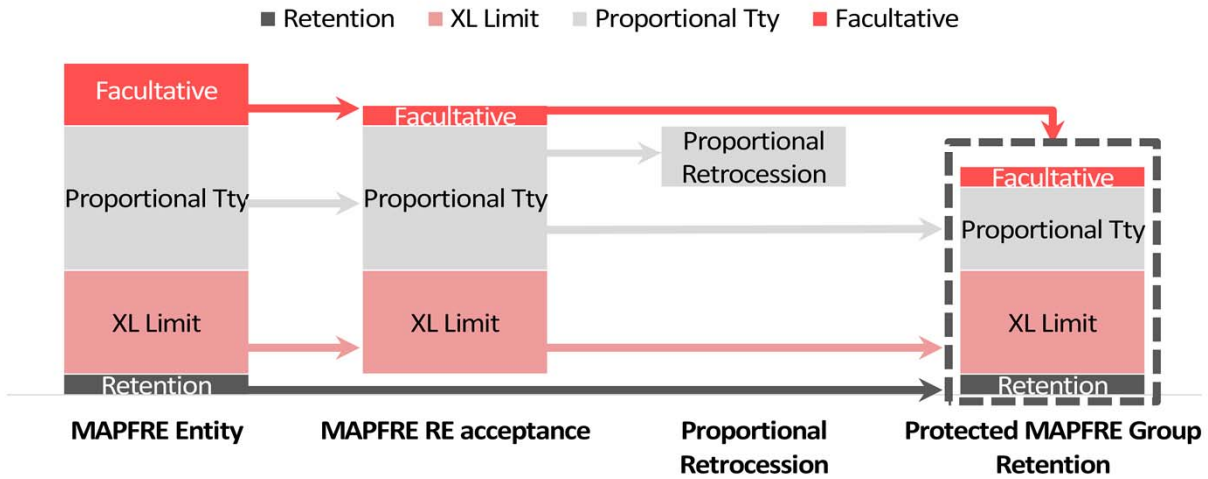
Some MAPFRE companies, due to their size, capitalization, knowledge and market environment may decide to retain more or less risk locally, and there is a difference and a gap between what level of retention we want at Group level. In those cases MAPFRE RE will complement those local retentions with an additional retention at MAPFRE RE, of course getting a remuneration for the risks taken, which otherwise would be ceded outside the Group.

Let me give you an example. As you remember, on the last Investor Day we said that our CAT XL protection had a retention of 100 million US dollars when Hurricane Maria happened. MAPFRE Puerto Rico took a retention of 35 million, which was what they would normally take based on their capitalization. Additionally, MAPFRE GLOBAL RISKS took a retention of 27 million, and the difference up to this 100 million retention at Group level was taken by MAPFRE RE; we take some premium for that retention. If that same event happened in any other MAPFRE territory, those local retentions would be different and the impact on MAPFRE RE would be bigger or smaller depending on where the loss would affect.

Overall the net retention for the Group on a consolidated basis is unchanged by the distribution between the different companies changes depending on different retention levels that we have.

Reinsurance design

> Determination of Group’s retentions protected under XL Treaties



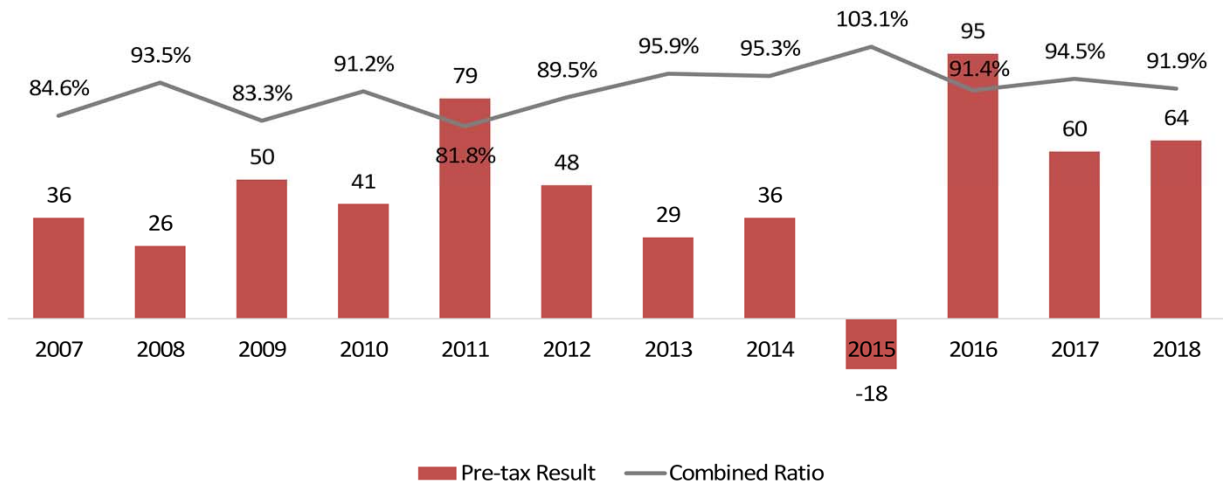
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This translated in what we also said two years ago in terms of how we structure our Group protections, our big Group protections, is how we obtain what we call the Group retentions, which is presented exactly in the same way that we did last year.

Any given company in the world has its own reinsurance treaty, what they need, which would be made of proportional, non-proportional cessions or facultative placements. As we said all the treaty reinsurance is ceded 100% to MAPFRE RE, a part of the facultative placements that any company does in the market is also ceded to MAPFRE RE. On the business that we may receive or that we receive from the different MAPFRE companies, we may or may not do additional cessions, be it on Group covers or specific covers. Those are ceded proportionally, and after we have put all that together we reach the Group retention that is the addition of the local retention of the different companies and the additional retentions taken by MAPFRE RE.

That is what we call the “protected MAPFRE Group Retention” and that is what in turn is placed into the market, let it be in our CAT XL covers or Group risk XL covers or whatever we have in the market.

## Group reinsurance returns to MAPFRE RE



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Million euros

Once we have talked a little bit about how we structure things and how we complement the retentions of MAPFRE in the different countries, how does it translate into our P&L account? I would say it translates very positively overall.

As you can see since 2007 the Group reinsurance delivered to MAPFRE RE 546 million euros of pre-tax profits overall, which is about a quarter of the total profit generated at MAPFRE RE, which is a significant amount.

Of course this is very pleasing, but the really important thing is that if those profits were not retained by MAPFRE RE, they would have been ceded externally outside of the Group. No company in the Group is buying more reinsurance because it has to be ceded into MAPFRE RE. They all buy the level of protection that they need, but we are benefitting here from the bigger size of the Group and additional means of taking more risk and more retentions.

Also it has to be noted that the margin ceded to MAPFRE RE from the different MAPFRE companies is fully aligned with the margins that we obtain on our non-group business. If you look at them and compare them with the overall result of MAPFRE RE, they are similar, of course with certain volatility, but the margins are absolutely comparable and that is simply because we offer the different MAPFRE companies absolutely market prices and arm's length reinsurance in every country, as it is compulsory by law.

## Key takeaways

- › MAPFRE RE continues delivering solid and stable results and dividend flow
- › Ambition and ability to grow profitably
- › Risk appetite and reinsurance program largely unchanged
- › Group reinsurance fully aligned with MAPFRE strategy
- › Centralized reinsurance management provides competitive protection for the Group and additional retained earnings

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So finally I would ask you to take a few takeaways:

- The most important thing is that MAPFRE RE continues to be in a very solid position, providing good flow of profits and dividends to MAPFRE. Of course, by definition reinsurance is a volatile business and there will be years with ups and downs on our results, but overall the underlying foundation is solid and will continue to be solid.
- We have the opportunity and the ambition to continue growing our non-group portfolio. It's no doubt a very challenging and competitive market we are working in, but still with our footprint, our underwriting capabilities, our expense ratios, our client relationships, we think there are development opportunities for profitable growth. Please have in mind that reinsurance is a great product that is still and still will be in strong demand going forward.
- In MAPFRE we have a very comprehensive and aligned reinsurance strategy. We keep unchanged risk appetite and our reinsurance that has proven to be very efficient in recent years is largely unchanged and fully supported by our reinsurance strategy.
- And finally our reinsurance policy provides good protection, and competitive terms and conditions to the different MAPFRE companies and allows MAPFRE to increase the retained earnings of the Group.

Thank you very much for your attention and I look forward to your questions later on.



# 06

## MAPFRE BRAZIL BUSINESS

Fernando Pérez-  
Serrabona

### BRAZIL

An opportunity for growth

Good morning everybody.

It is a pleasure to be here with you today in order to speak about Brazil and our project in the country.

We will present the situation of our project in Brazil, paying special attention to the excellent outlook for growth and the opportunity it represents for MAPFRE.

## BRAZIL: AN OPPORTUNITY FOR GROWTH

- › The recent change in government and expected structural reforms have substantially improved Brazil's **economic outlook** for the coming years
- › This improvement will come with better development of the **insurance market**, according to the MAPFRE-GIP index, which measures global insurance potential
- › The **new agreement** with Banco do Brasil and MAPFRE's leading position in the risk market will **allow us to maximize our growth** in the coming years
- › With over 25 years in Brazil, we know how to re-launch operations in the country

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As you will see in the presentation, the Brazilian market is a great growth opportunity for the Group.

The recent change of Government and the major reforms announced have substantially improved the economic outlook of Brazil for the coming years.

This economic improvement will also result in further development of the insurance market. According to a recent study by MAPFRE, Brazil is one of the countries with the greatest potential for growth in the world in the insurance market.

These external factors will be complemented by the excellent starting point of MAPFRE in Brazil.

The recent agreement with Banco do Brasil, which I will explain later, together with the leading position in the market, will allow us to maximize our growth in the coming years.

After 25 years in the country, we already know what we have to do.

## BUSINESS POSITIONING IN BRAZIL

**Number 1** Insurer **not linked to the banking sector** in the country

**Number 1** Group in the country in the **Risks Market** with a 15.5% market share

**2<sup>nd</sup>** Position in **Auto** with an 11.6% market share



## MAPFRE IN BRAZIL

- › MAPFRE's **second largest insurance** operation
- › In the **Top 5** insurance companies in Brazil
- › Present for more than **25 years**
- › More than **5,800** employees
- › More than **19,000** brokers

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Regarding our position in the market, this strong situation is reflected also in our leadership position.

We are the number 1 insurer in the country not connected to the banking sector.

The number 1 in risk insurance, with 15.5% of the market, having the leadership in Agro, and the second Auto insurance company with 11.6% of the market.

With more than 5,000 employees, we distribute our products through more than 19,000 brokers in the country.

**BUSINESS POSITIONING IN BRAZIL – NEW AGREEMENT WITH BB**

MAPFRE SEGUROS	<ul style="list-style-type: none"> <li>&gt; Business from the traditional channel</li> <li>&gt; Auto business from the bank channel</li> </ul>
BBMAPFRE	<ul style="list-style-type: none"> <li>&gt; Life, Agro, Mortgage Life, SMEs and Homeowners insurance lines for BB clients</li> </ul>
DURATION OF THE AGREEMENT AND EXCLUSIVITY	<ul style="list-style-type: none"> <li>&gt; The duration of the agreement (until 06.30.2031) and the exclusivity in product distribution through the BB channel will not change for MAPFRE, for Life or Non-Life</li> </ul>

		SHAREHOLDING		
		PREVIOUS	NEW	VARIATION
ENTITY				
MAPFRE SEGUROS	MAPFRE VIDA	25%	100%	75%
	BRASIL VEÍCULOS	50%	100%	50%
	MAPFRE SEGUROS GERAIS	50%	100%	50%
BBMAPFRE	BRASILSEG	25%	25%	0%
	ALIANÇA DO BRASIL SEGUROS	50%	25%	-25%

To this leadership position, we now add the excellent agreement with Banco do Brasil.

This agreement will allow us to better define our structure and achieve greater commercial development.

As a result of the new agreement, we now have two main companies.

1. MAPFRE SEGUROS, which will focus on all business from the traditional channel as well as the Auto business through the bank channel.
2. And the second one is BBMAPFRE, which will focus mainly on Life Protection and Agro for BB clients.

These are the two main companies we have at the moment after the new agreement in the country.

This new structure will allow us to develop in a more independent way our business through traditional distribution channels through MAPFRE SEGUROS, while maximizing the sales potential of BB in Auto, Agro and Household, where this channel has better opportunities.

2019 – 2021 STRATEGIC PLAN MAPFRE BRAZIL

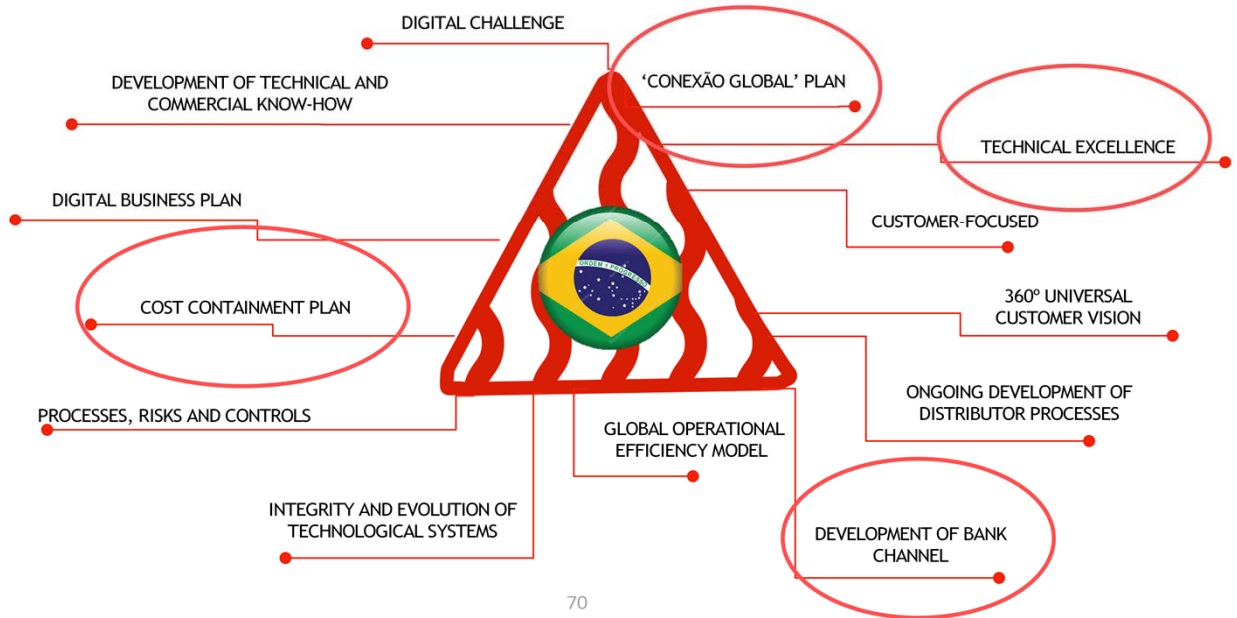


To take advantage of this good situation we have described, we have defined our Strategic Plan, totally aligned with MAPFRE's Global Strategic Plan, but very focused on the Auto business, looking to increase our technical profitability.

The main pillars of the plan are:

- Profitable Growth
- Client Orientation
- Excellence in operational & technical management
- And finally Culture and Talent

STRATEGIC INITIATIVES



The development of this regional plan is being carried out through several strategic initiatives.

“Conexão Global”, which I will explain later on, development of business banking channel, technical excellence, and cost reduction are the most important.

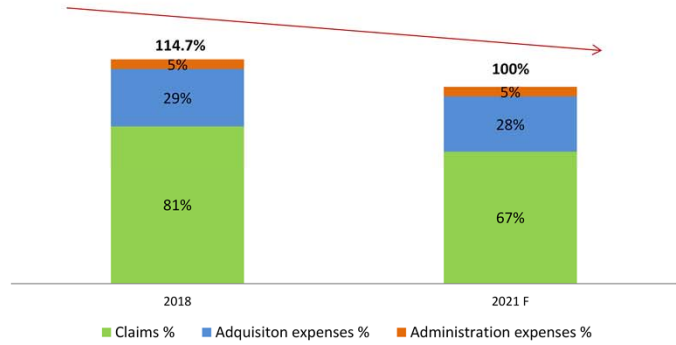
We are going to explain these with more detail in the next slides.

### INITIATIVES: 'CONEXÃO GLOBAL' PLAN

> OBJECTIVE: Reduction of Auto Combined Ratio



REDUCTION OF COMBINED RATIO	
2019	105%
2020	103%
2021	100%
<b>CR OUTLOOK</b>	<b>100% ↓</b>



#### Actions defined in strategic plan

- > Improve the Combined Ratio in Motor with tariff model review
- > Improve claims management
- > Greater efficiency in operating processes
- > Greater effectiveness in the fight against fraud

Let's start with "Conexão Global", as it is one of the most important initiatives at the moment in Brazil and that we are applying now.

The main objective of this project is to reduce the combined ratio in Auto, going directly to reduce it and get it below 100% in the next three years, applying different actions. Tariff model review, improved claims management and efficiency in operating processes and better fraud control are the most important actions in which we are working.

## 'CONEXÃO GLOBAL' PLAN

1. ACTUARIAL	2. LEGAL	3. ISSUE	4. FRAUD
<ul style="list-style-type: none"> <li>› Monitoring</li> <li>› Pricing management</li> <li>› Renewal tariff optimization</li> <li>› Tariff model</li> <li>› Claims model</li> <li>› Technical provisions calculation methodology</li> </ul>	<ul style="list-style-type: none"> <li>› Legal claims management</li> <li>› Legal network</li> </ul>	<ul style="list-style-type: none"> <li>› Collections management</li> <li>› Portfolio protection</li> <li>› Redesign of renewal process</li> <li>› Data quality</li> <li>› Operating cost methodology</li> </ul>	<ul style="list-style-type: none"> <li>› Fight against fraud (PLATEA)</li> </ul>
5. ADJUSTERS	6. CLAIMS	7. SUPPLIERS	8. AUTO TECHNICAL
<ul style="list-style-type: none"> <li>› Loss adjustment management</li> </ul>	<ul style="list-style-type: none"> <li>› General claims process</li> <li>› Specific theft process</li> <li>› Specific process of reprocessing</li> <li>› Specific salvaging process</li> </ul>	<ul style="list-style-type: none"> <li>› New workshop management model</li> <li>› Optimization of spare parts</li> <li>› Tow truck management</li> </ul>	<ul style="list-style-type: none"> <li>› Modular Marketing Pricing product</li> <li>› Control and supervision</li> <li>› Fleet management model</li> <li>› Technical control and issuing quality</li> </ul>



**> OBJECTIVE**

To achieve an efficient operation and high quality service delivery

**> BENEFITS FOR MAPFRE**

Improvement of results and profitability of Auto portfolio

**TOTAL SAVINGS**

 380 million Reals

**> TIMING**

 12/2020 (End)

The “Conexão Global” project is divided into 8 major areas of action, as you can see in the slide.

This project aims to achieve an efficient operation and high-quality services in Auto, with a clear improvement in results and profitability.

As you can see, the plan affects all parts of the business, all the processes of the Auto business, with special measures in each of them.

For example, we have already been working intensively in all the claims processes. We will also implement the Group’s anti-fraud tool, Platea, as well as introduce a dynamic pricing engine, with Earnix, to optimize tariffs.

I would like to clarify that all the actions planned have a calendar and an economic quantification of their results.

The projects are expected to end by 2020 and the total savings have been estimated at 380 million reals.



## INITIATIVES: BANK CHANNEL DEVELOPMENT

### BBMAPFRE

TO GROW SUSTAINABLY, ABOVE THE MARKET



### MAPFRE BB CHANNEL

YEAR	PREMIUMS
2021	+9%

### Actions defined in the strategic plan

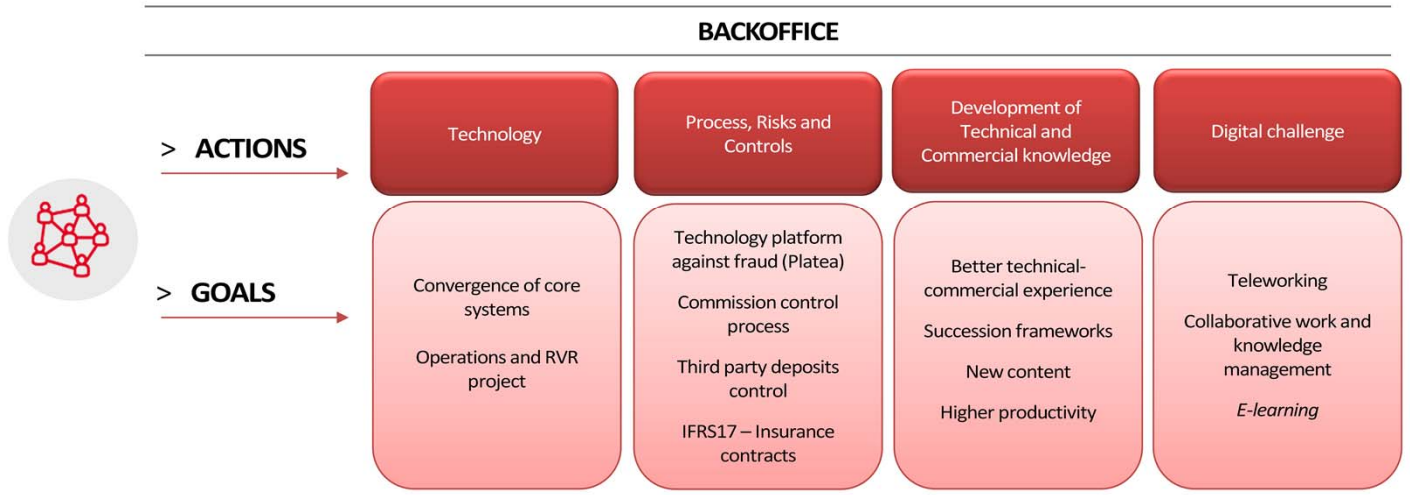
- > **Customizable sales platform:** improvement in customer experience. Products adapted to customers needs
- > **Digital sales platform:** Policy issuing time reduced. Monitor operations in real time
- > **New product development:** Acquire and absorb technical knowledge for IT teams in insurance processes

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Now we are going to talk about the bank channel development, and this development of the business through our company with BB is expected to grow above the market in Life and Agro. At the top you can see the part of the business, especially in Life and Agro, that we have in our company with BB. But we have also our channel with them, MAPFRE SEGUROS is selling Auto products through the BB network in the country.

We have also defined several activities for the development of business in the BB channel. This channel is very important for us and it is focused on the development of products and systems, particularly in Autos, which should enable us to grow 9% in premiums in the next three years. 9% is our estimation for the growth of the channel in order to develop our product with them. It is very important also to fully integrate our IT systems with the bank to facilitate the sale of products through the bank offices.

**INITIATIVES: TECHNICAL EXCELLENCE**



Source: Strategic Plan - Brazil Regional Area

Regarding technical excellence, we have defined also several actions for the improvement of the technical excellence of our operations:

- First, technology, with the implementation of the Tron system
- Second, improving processes, focusing on commission and third party deposit control, among others
- Third, development of technical knowledge and commercial experience
- Finally, we will be working on the Digital challenge, in line with MAPFRE Group’s strategy, as part of the transformation process.

These are the pillars of this initiative that will help to improve the quality of our processes and the service provided to our customers.

## INITIATIVES: COST CONTAINMENT

### EXPENSE SAVINGS

- Internal Expenses**
- Contract review
  - Review of overhead

- External expenses**
- Marketing expense reduction
  - Review of distribution expenses (MAPFRE channel)

### Actions defined in strategic planning

- Review of technology and positioning in general
- Overhead review (corporate credit card, transportation, refunds, Human Resources actions and administrative contracts in general)
- Reduce marketing and distribution expenses
- Review of policies and awareness campaigns



With respect to cost reduction that is one of the most important initiatives we have at the moment, the actions designed will allow us to reduce expenses in the next three years, by reviewing all internal and external costs, in line with the measures already explained for the combined ratio in the “Conexão Global” project.

### MAIN OBJECTIVES 2019 - 2021

- › Development of traditional insurance business: 7% **growth** in Auto; Multi-risks, 4%; Life, 13%
- › **Development of bank channel** with Banco do Brasil **to increase sales volume** by 9%
- › Better discipline and **technical control**, with a **combined ratio reduction** in 3 years in Auto from 114% to 100%, as well as **improvements** in **Life Protection** business profitability
- › **Strengthened** management **team**

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As a result of these initiatives, we have defined our main objectives for 2021.

The main business targets are:

- Growth in the traditional insurance business through MAPFRE SEGUROS, with 7% growth in Auto, 4% in Multi-risk and 13% in Life.
- Development of the BB channel, with a 9% increase in volume.
- Better discipline and technical control, with a combined ratio reduction in Auto from 114% - really 111% excluding extraordinary adjustments - to 100% by 2021, and further improvements in profitability in the Life-Protection business.
- All of these goals will be supported by an improved management team.

## FINANCIAL TARGETS 2019 - 2021

## MAPFRE BRAZIL – FINANCIAL OBJECTIVES 2019 - 2021

**ROE****>12%****AVERAGE PREMIUM  
GROWTH****>6%****COMBINED RATIO****Life <89%**  
**Non-Life <96%**  
**Auto <100%**

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Let's see what our financial targets for the next three years are, which have been defined as a result of everything I have mentioned so far.

The financial targets for the next three years are:

- ROE of 12%
- Average premium growth above 6%
- Lower combined ratio below 100% in Auto

## WRAP UP

➤ POSITIVE ECONOMIC GROWTH OUTLOOK IN BRAZIL

➤ GOOD INSURANCE MARKET GROWTH OUTLOOK

➤ EXCELLENT BUSINESS OUTLOOK FOLLOWING THE NEW AGREEMENT WITH BANCO DO BRASIL

➤ IMPROVED MANAGEMENT AND BUSINESS CONTROL



**GOOD OUTLOOK FOR BUSINESS IN BRAZIL FOR THE NEXT THREE-YEAR PERIOD**

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In conclusion, we face a scenario with very positive prospects for economic growth in Brazil, which will also result in a significant increase in the insurance market.

The new agreement with BB and the improvement of business management and control will be the tools that allow us to take advantage of this positive situation and achieve the ambitious objectives we have set for the next three years.

Thank you very much for your attention. After the following presentations of my colleagues I will be available to answer any questions about Brazil.

07

INTERNATIONAL  
BUSINESS

Jaime Tamayo

International Core Markets  
Overview

## INTERNATIONAL AREA IN 2018



USA

- > Completed restructuring plan 2018: Positive Impact (e) \$15.8 million in 2019
- > Improvement of \$24 million in the adjusted result in 2018
- > Continuous leadership in Massachusetts Personal Auto market with a 25% Market share and results of \$81 million
- > Distributed dividends in 2018 amounting to €71 million and accumulated €576 million
- > Launch of VERTI US brand
- > **PUERTO RICO:** Strong Return to Profitability in 2018



EURO ZONE

- > **ITALY:** Results approaching value creation mode up by €10 million in 2018 vs 2017
- > Improvement of direct business: +12.5% in net earned premiums and 5 point lower net combined ratio
- > Launch of VERTI brand
- > **GERMANY:** +5.3% premiums growth vs. 3.2% market growth
- > Continue to maintain the second private auto direct player position
- > **MALTA:** The multichannel strategy continues delivering strong growth in both life and non-life: #1 market position
- > Payment of dividend €5.7 million in 2018



TURKEY

- > MAPFRE SIGORTA has “weathered the storm” and remains strong and profitable in the volatile Turkish market €14.2 million in Attributable Result in 2018
- > Payment of dividend €25 million for a total accumulated since acquisition of €154 million

ASIA

- > INDONESIA-PHILIPPINES: Business Model Analysis underway

Good morning everyone. It is a pleasure to be here again.

I will be covering this morning our international operations with a specific focus on two of our core markets, Turkey and Italy.

My colleague Alfredo Castelo will later dive into the details and the expected outcome of our operation in the US after my presentation.

As an introduction and a general overview of what international operations represent within the Group, you have here on the first slide the US, the Eurozone, Turkey and Asia. This is what essentially forms the International territorial area of MAPFRE.

In the US, we have completed the 2018 restructuring that was announced last year, with the exit from the 5 states we announced we were exiting. We expect this is going to have a positive impact of close to \$16 million in 2019 in terms of savings. We continue to enjoy a very strong position as leaders of the Massachusetts market in Auto, Home and Commercial Auto, enjoying in the case of personal Auto a 25% market share.

As Fernando Mata, our CFO, mentioned before, we have taken an opportunistic approach in the US in terms of declaring dividends, so we were able to declare €71 million in dividends this past year as well. Let me give you an accumulated figure since we acquired the Commerce Group back in 2018; we have already declared €576 million euros in dividends since then.

Finally, we announced the launch of VERTI, our Direct Digital operation in Pennsylvania last year.

And going to the second market in our North American operations, in Puerto Rico after the hit of the catastrophic events that took place in 2017, Hurricanes Irma and especially Maria, we have seen a strong return to profitability in that market.

Moving into the Eurozone, in Italy our results are approaching value creation and were up €10 million from the prior year, and we have improved our combined ratio by 5 points. We launched the new brand, the company was formerly known as Direct Line. We launched VERTI back in March and we are relatively pleased with our Italian operations.

In Germany, we continue to outgrow the market with a 5.3% premium increase this past year.

In Malta, a small market but an important market for us, we continue to enjoy a privileged position being the leaders both in Life and Non-Life. We have also been able to upstream dividends of close to €6 million in 2018.

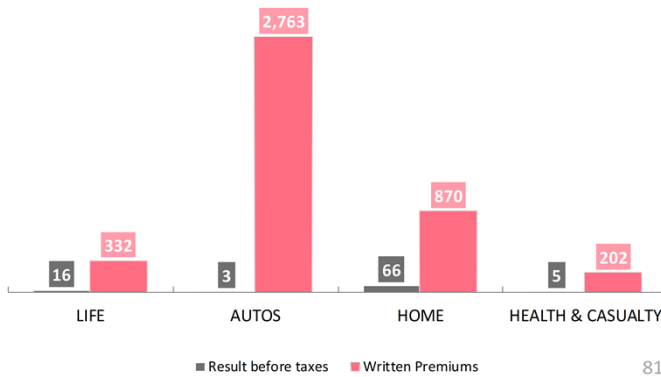
Finally Turkey, I have to say that somehow we have weathered the storm showing a positive net result of €14.2 million this past year. We've also been able to upstream dividends for €25 million.



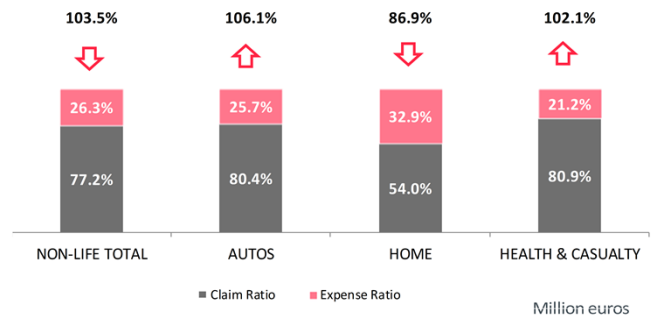
**TERRITORIAL AREA – INTERNATIONAL**

	Written Premiums			Attributable Result		
	Dec-17	Dec-18	Δ Actual	Dec-17	Dec-18	Δ Actual
North America	2,529	2,425	-4%	49	35	-29%
Eurasia	1,870	1,766	-6%	44	13	-70%
<b>INTERNATIONAL</b>	<b>4,398</b>	<b>4,191</b>	<b>-5%</b>	<b>92</b>	<b>48</b>	<b>-48%</b>

**PREMIUM/RESULT BY BUSINESS LINE**



**COMBINED RATIO BY BUSINESS LINE**



In this next slide you have a picture of the International Territorial Area, which is formed by two regions: North America and Eurasia, for a total of 4.2 billion euros in size, 2.4 billion in North America and 1.8 billion in Eurasia.

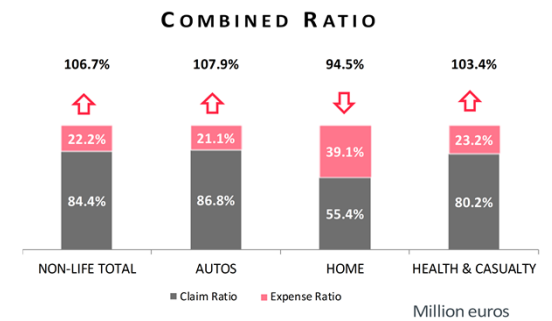
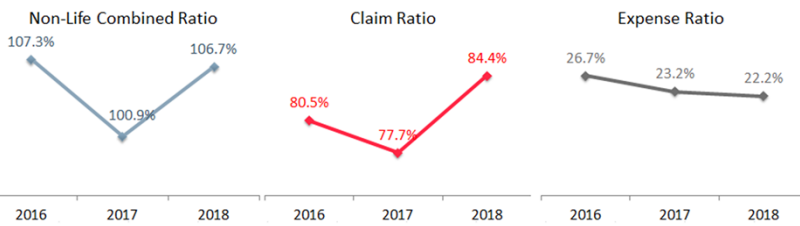
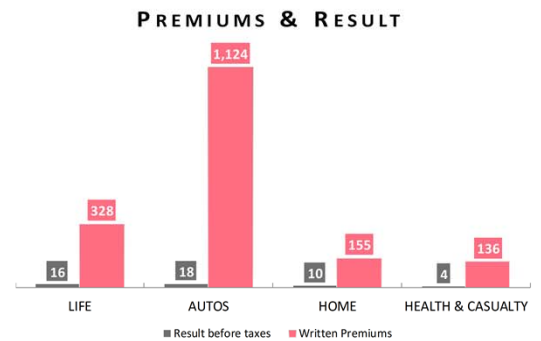
I would like to draw your attention to the important size of the Auto segment, which accounts for almost 2.8 billion euros in premiums, followed by the Homeowners or personal property segment.

Net results were not satisfactory last year, 48 million euros, a steep decrease of 48% compared to last year, mostly driven by the decrease in results from Turkey and the US.

And the combined ratio on the bottom right hand side of the slide you can see that we still have some room for improvement in the Auto segment, which is the biggest challenge we are facing in the territorial area.

EURASIA REGION

	Written Premiums	Δ Actual	Attributable Result	Δ Actual
Turkey	486	-26%	14.2	-71%
Germany	327	5%	2.7	0%
Italy	474	1%	-3.9	72%
Malta	390	11%	4.3	6%
Philippines	27	-32%	0.2	19%
Indonesia	62	42%	-2.2	-155%
<b>EURASIA</b>	<b>1,766</b>	<b>-6%</b>	<b>12.5</b>	<b>-68%</b>



Let me move into Eurasia. Eurasia is formed by the following countries: Turkey, Germany, Italy, Malta, the Philippines and Indonesia.

In terms of premiums, you can see on the top right hand side of the slide the importance of the Auto segment, followed by Life and Home. The Life segment is mostly coming from our Maltese operations.

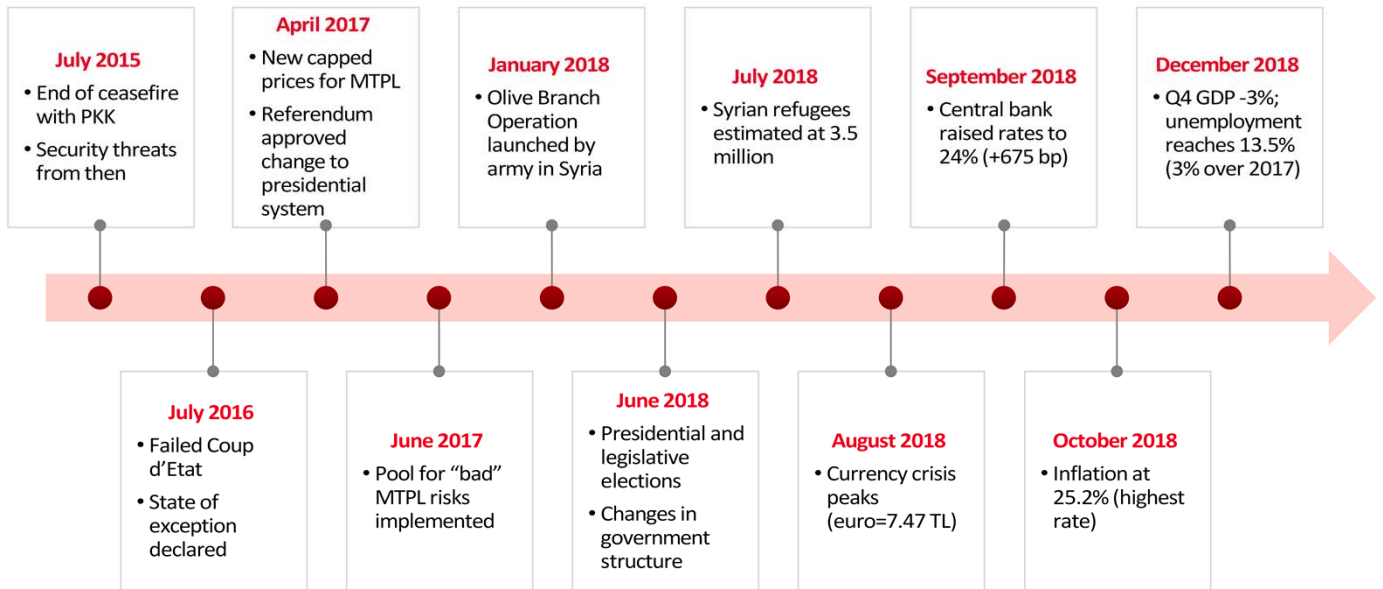
Still a lot of room for improvement on the combined ratio side: Auto with a 107.9% combined ratio, mostly driven in this particular case by our Italian and Turkish operations.

I would like to call your attention to the bottom left hand side of the chart on the expense ratio, which last year showed a 22.2% level, which is quite satisfactory showing the level of efficiency that these operations have. So clearly the room for improvement comes from the loss ratio side of the operation.

Let me dive a little bit into two of our core markets: Turkey and Italy.



## TURKEY = VOLATILITY



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Turkey equals volatility. You have here a timeline of the different events that have taken place in this country since July 2015. I will not stop in each and every event but I would like to highlight a few of them.

- Back in July 2016, the failed Coup d'Etat and State of exception was declared.
- April 2017, the new capped prices for Auto Third Party Liability (MTPL) covers were enacted. This called for an average mandatory decrease of 30% in these rates in the Auto segment. Also a referendum was approved and change to the presidential system.
- June 2017, the pool for "bad" MTPL risks was implemented in Turkey, also mandatory.
- June 2018, just last year, presidential and legislative elections, changes in government structure. You all know what happened in Turkey with the current new presidential system.
- August 2018, the currency crisis peaked. The euro-Turkish lira exchange rate peaked to 7.47 TL.
- Finally, October 2018, inflation reached its highest (25.2%).

This is Turkey.



**MAPFRE SIGORTA HAS “WEATHERED THE STORM” AND REMAINS STRONG AND PROFITABLE IN THE VOLATILE TURKISH MARKET 14.2 MILLION IN ATTRIBUTABLE RESULTS IN 2018**

**IMPACTS TO OUR OPERATIONS:**

- › **Deterioration of the MOTOR Combined Ratio to 117.3%**
  - Currency depreciation (25% on average vs. euro 2018) is causing an unprecedented increase in spare part costs (circa 70% Q4): €27 million increase in motor claims
  - High inflation levels impacting our expense ratios
  - Lack of price flexibility since April 2016 with the caps on AUTO MTPL business
  - Unprofitable mandatory “AUTO MTPL POOL” assigned business: €8.8 million loss in 2018
- › **Financial Income**
  - Interest rate increases during 2018 (1,600 basis points) not enough to cover the COR deterioration
  - Currency fluctuations hedging strategy has produced €53.7 million FX gain 2018 (positive impact of 3 p.p. in net combined ratio)

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As I said before, we believe that MAPFRE SIGORTA, our company, has weathered the storm, remains strong, remains profitable. We were able to post a 14.2 million euros net result last year, but we had some impacts, very steep impacts, on the operation.

- The first one is the deterioration of the MOTOR combined ratio, which jumped up to 117%.
- The currency depreciation which went down to 26% on average vs. the euro caused an unprecedented increase in spare part costs (around a 70% increase). This translated in absolute numbers to a €27 million increase in motor claims.
- High inflation levels also impacted our expense ratios.
- Lack of price flexibility since April 2016 with the caps on MTPL business that were enacted.
- The mandatory “AUTO MTPL POOL” that caused €8.8 million in losses to our operations.
- On the financial side of things, interest rate increases during last year (around 1,600 basis points) were not enough to cover the combined ratio deterioration.

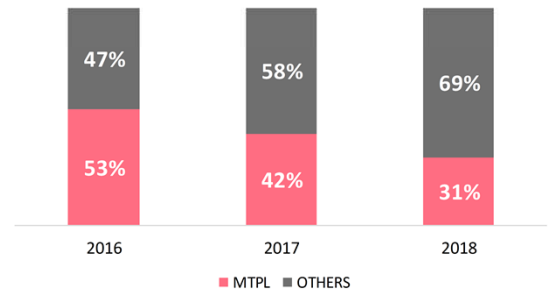
Having said this, we started back in 2016 with a sort of hedging strategy in Turkey, which has produced €53.7 million FX gains through the purchase of dollars and euros. We did this because, as I said before, essentially we are collecting premiums in Turkish liras and we are paying claims in euros or dollars. So if we were to translate this into a combined ratio decrease, in terms of points we are calculating 3 p.p. in the net combined ratio.



## STRATEGIC APPROACH: MANAGING VOLATILITY

- > Continuous focus on **technical profitability** and average costs
- > Client-oriented: **channel** diversification following the MAPFRE model: 5% of Total DPW through Own Network
- > **Cross-selling** into higher-profitable segments: AUTO CASCO Coverages
- > Sustained **investment in technology** both client-facing and back-office

SHARE OF MTPL BUSINESS  
IN TOTAL PORTFOLIO



Decrease of 1 million policies in 3 years

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What is our strategic approach to manage volatility?

- Continue to focus on technical profitability and average costs.
- Client-oriented: channel diversification following the MAPFRE model. At the closing of 2018, 5% of the total direct written premiums that we generated in the Turkish market comes from our own network, which mirrors the tied or captive network we have in Spain and other markets.
- Cross-selling moving into segments that we believe are profitable, and more importantly that we believe that they have price flexibility, such as Casco in Automobile.
- Sustained investment in technology.

I call your attention to the graph on the right hand side of the slide in order to show you what we are doing in terms of managing volatility. MTPL business, an important business for the company, represented 53% of the total portfolio of the company back in 2016. It now represents 31% of the total business. We have shed of over 1 million policies in MTPL. This is the business that has its prices regulated.



## ACTIONS - MOTOR BUSINESS

TARGET 2021: Decrease 10.5 points in COR

### Pricing & Underwriting

- > Continuous management and segmentation of Auto MTPL book of business
- > Launch of New Multivariant Tariff for Motor Own Damage (MOD)
- > Minimize adverse selection and improving risk selection through external data bases
- > Strengthening of technical area with new head of actuarial area and motor director

### Claims management & operational efficiency

- > Implementation of special negotiation unit focused on spare parts and labor costs
- > New spare parts management technological platform to be fully implemented across all repair shops in Turkey
- > Implementation of Corporate Anti Fraud solution/tool: PLATEA

### Agency Management

- > Improve the quality of intermediaries/agencies: shedding of low quality business via agency evaluation committees and continuous portfolio monitoring

### Financial

- > Balance sheet: Continue to hedge currency fluctuations and high spare parts costs through EURO and US Dollar investments

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Actions. We are taking a multiple angle approach:

- Pricing & Underwriting
- Claims management
- Agency Management
- Financial

Pricing & Underwriting

- Continuous management and segmentation of the MTPL book of business, as I mentioned before.
- Launch of a new multivariant tariff for Motor own damages, this is also already implemented and operational.
- Minimize adverse selection by improving risk selection utilizing external databases available in the Turkish market.
- Strengthening of technical area with new head of automobile and a new head of actuary, reinforcing the team.

On the claims side

- Implementation of a special negotiation unit focused on spare parts and labor costs. This is crucial as I said before. We collect premiums in liras and we pay claims in euros or dollars.
- Utilizing technology in order to control these spare part costs.
- Implementation of the corporate anti-fraud solution: PLATEA. This is a MAPFRE solution that works both on the underwriting or policy issuing side, as well as on the claims side.

Agency Management

- Continuous review of the profitability of agencies in the Turkish market.

And financially, we continue to try to hedge currency fluctuations, as I said.



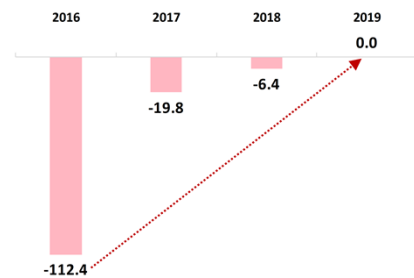
**STRATEGIC APPROACH: VALUE CREATION**

- > Italy's Auto market amounts to €16 billion part of a €32 billion Non Life market
- > VERTI is in the process of consolidating its brand after the launch in March 2018
- > Total focus on Direct Digital
- > 5.3 point improvement in loss ratio in 2018 in Direct Digital
- > Increase investment in technology: €22 million in new core system
- > Continuous focus on expense reduction: delivering tangible results

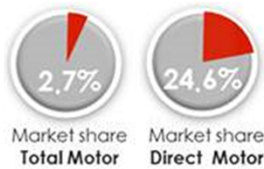
**KEY FINANCIAL HIGHLIGHTS**

	FY 2017	FY 2018	Δ
<b>PREMIUMS</b>	<b>471.4</b>	<b>474.1</b>	<b>0.6%</b>
<i>Direct</i>	218.1	194.3	-10.9%
<i>Partnerships</i>	253.3	279.8	10.5%
<b>COMBINED RATIO</b>	<b>113.0%</b>	<b>107.5%</b>	<b>-5.5 p.p.</b>
<i>Direct</i>	111.7%	106.4%	-5.3 p.p.
<i>Partnerships</i>	116.1%	109.6%	-6.5 p.p.
<b>ATTRIBUTABLE RESULT</b>	<b>-13.9</b>	<b>-3.9</b>	<b>-71.7%</b>

**PRE-TAX RESULT - GROUP VIEW**



**VERTI ITALY 2017**



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Million euros

Let me move to a second strategic market: Italy, which is approaching value creation.

Italy is a big market in the Non-Life segment. 32 billion euros, of which 16 billion is Automobile.

VERTI is in the process of consolidating its brand. As I mentioned before, we launched the brand, we changed the brand back in March 2018.

We are focusing our strategy totally on Direct Digital. This is around 45% of total business of the company at this point. This is the traditional direct digital Auto business done through web, telephone, etc.

Last year, we improved the loss ratio 5.3 points in this segment. We have also approved a €22 million investment in a new core system, Guidewire, which is currently in the process of being implemented. We continuously focus on expense reduction, delivering tangible results.

I call your attention to the bottom right hand side of the slide to see the journey we are coming from since 2016, when we posted a loss of €112.4 million. Last year it was -€6.4 million and our target is breakeven in 2019.



## ACTIONS TO TRANSFORM OPERATIONAL PROCESSES ALIGNED WITH MAPFRE'S OPERATING MODEL

### Growth

- > Optimize digital capabilities for improved user experience & NPS
- > Strengthen visibility on web, mobile and social networks.
- > Focus on growing customer base with new retention model.

### Technical

- > Apply advanced rating techniques, leverage from improved data collection and analysis. Enhance Group Technical Support and maximization of EARNIX and Salesforce

### Claims

- > Consolidation of Group's provider management policies: repair shops
- > Strengthen antifraud detection systems through Group's solution: PLATEA

### Expenses

- > Replacement of core system: Implementation of GUIDEWIRE
- > Continuous process of reengineering and automation
- > Operating cost reduction

Actions. Similar to what we are doing in Turkey and in other markets within MAPFRE. We don't take a single-driven approach, we take a multi-angle approach.

- Growth
- Technical
- Claims
- Expenses

On the growth side

- Optimize digital.
- Strengthen visibility on web, mobile and social networks.
- Focus on growing customer base with new retention model.

Technical

- Apply advanced rating techniques, leverage from improved data collection and analysis, and also we are implementing tools that are widely in use within the MAPFRE Group, such as EARNIX on rating and pricing activities and Salesforce on the customer and retention activities.

Claims

- Consolidation of Group's provider management policies: repair shops. Important: 100% of our business is Automobile and we have to control the repair shop network in Italy. It is not an easy thing to do but we are implementing our MAPFRE model.
- Strengthen antifraud detection systems: PLATEA. I mentioned PLATEA for the Turkish market and we are also implementing PLATEA in Italy.

Expenses

- Replacement of our core system to GUIDEWIRE. This will represent a higher level of efficiency in the medium term. That's why we are doing it.
- Continuous process of reengineering and automation.
- Operating costs reduction.



## CONCLUSIONS

### CHALLENGES

- > **MTPL** regulation in Turkey has materially changed the rules of the game and the negative effects will continue in 2019

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- > **Turkish** lira will likely continue to be volatile in the short term

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- > **Verti Italy** will finalize its turnaround and enter value-creation mode with total focus on Direct/Digital

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- > **Verti Germany's** continued growth has to keep materializing in increasing ROEs

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- > **Asian subsidiaries** need to speed up their growth to deliver higher returns

### OBJECTIVES

- > **TURKEY:** Continue channel and product diversification while containing the effects of the MTPL regulation. Focus on Technical Profitability

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- > **ITALY:** Achieve a Net COR below 100% by 2021
  - Total Focus on Direct Digital
  - Continuous streamlining of operations
  - Increase Efficiency, cost reduction

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- > **GERMANY:** Leverage the rebranding momentum to drive sustainable growth and increasing scale benefits. Exceed 400 mn € in premiums by 2021

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- > **MALTA:** Defend our leadership position and value-creation profile. ROE above 10% by 2021

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Let me finalize with a few conclusions.

We have challenges in front of us:

- MTPL regulation in Turkey has materially changed the rules.
- The Turkish lira will continue to be volatile.
- Verti Italy will finalize its turnaround.
- Verti Germany -I didn't mention much about Germany today- needs to keep growing and has to keep materializing its growth into increasing ROEs.
- In Asia -we didn't talk much about Asia because of the materiality of our operations in that region- these two operations, essentially Indonesia and the Philippines, need to speed up their growth process to deliver higher returns.

What are our goals? Specific goals:

**TURKEY:** Continue channel and product diversification, and focus on technical profitability.

**ITALY:**

- Achieve a net combined ratio below 100% by 2021.
- Total focus on Direct Digital.
- Streamlining of operations.
- Increase efficiency.
- Cost Reduction

**GERMANY** will have a growth target, which is to exceed €400 million in premiums by 2021.

**MALTA:** Small country but important market. Defend our leadership position and boost ROEs in excess of 10% by 2021.

Thank you very much.

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MAPFRE USA

Alfredo Castelo

Improved profitability outlook  
With focused priorities for the  
coming years

Thank you and good morning everyone.

I am going to provide you with an update on the following three items:

- 1) The first one refers to the execution of the plans we presented at last Investor Day.
- 2) The second one is related to the performance of our US operation in 2018.
- 3) And the third one refers to our plans for the next three years.

I can anticipate that we have been very successful in the implementation of the restructuring plan we presented last year.

As I also said last year, we are very determined to improve the profitability of our operation in the US.

We truly believe that we see an improved profitability outlook for our US operation.

**2018 results were affected by significant one-offs**

	2017	2018		2018
<b>Attributable result</b>	<b>74.6</b>	<b>9.7</b>	<b>Combined ratio</b>	<b>104.1%</b>
Cat / Weather	-1.3	-13.8	Cat / Weather	-0.9%
Verti	-6.3	-15.1	Verti	-0.9%
Compulsory pools	7.5	-8.8	Compulsory pools	-0.6%
Exit plan*		-8.5	<b>Adjusted combined ratio</b>	<b>101.7%</b>
Tax reform USA	43.0			
<b>Adjusted attributable result</b>	<b>31.6</b>	<b>55.8</b>		

- 1.9 p.p. improvement in adjusted combined ratio vs. 2017
- 24 mn USD improvement in adjusted result

\*Exit from Tennessee, Kentucky, Indiana, New York and New Jersey, as well as sale of Life business

Allow me to start by referring to our 2018 results.

We have to recognize that our results were unsatisfactory but it is also true that they were affected by a number of one-offs in 2018.

We had a very challenging winter in Q1 2018. Verti, our digital operation, is at its initial stage. And I also have to make reference to our participation in some compulsory pools in Massachusetts and also the restructuring that has an impact on our 2018 results.

The good news is that our adjusted results are showing a 24 million USD improvement and we have also seen an almost 2 p.p. improvement in our combined ratio.

## Strong signs of improvement in several key states and lines of business . . .

### Strong performance in Massachusetts

- > Premiums: +2%
- > Pre-tax profit: 81mn USD
- > Combined ratio: 100%, despite challenging weather

### Turnaround in California and Ohio

- > California improved its results by 16 mn USD, while Ohio also generated higher profits in 2018 and improving profitability in 5 other states

### Better results in Personal Auto

- > Largest and most important business segment
- > AY loss ratio: 65.4% in 2018 (-4 p.p. since 2015)
- > Underwriting result: increased 23.7 mn USD in 2018

### Successful execution of exit plan

- > Exit of five states and the sale of the Life company will have a 15.8 mn USD <sup>(1)</sup> positive impact on 2019 pre-tax profit

(1) Of which, 8.6 mn USD sale transaction loss and 7.2 mn USD technical loss

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We see clear signs of improvement:

- ✓ Massachusetts continues to have a strong performance with a 2% growth in premiums last year and \$81 million profit, with a 100% combined ratio despite the very challenging weather we had.
- ✓ We have also seen improvement in the results of 7 other states.
- ✓ Special reference has to be made to the improvements in California, where we have seen a 16 million dollar improvement in our results. Our operation in California is reporting a profit of 1.5 million dollars in 2018. And I also want to make reference to our operation in Ohio, that has shown a 100% combined ratio for the second consecutive year.
- ✓ In Personal Auto, our most important line of business, we have seen a 24 million dollar improvement in our technical result.
- ✓ Our Personal Auto 2018 accident year loss ratio – of 65.4% - has improved by 4 p.p. if compared with the one we had in 2015.
- ✓ And, as I said before, we have successfully implemented our exit plan. It will have a positive impact of almost 16 million dollars in 2019.

## ... leading MAPFRE to strengthen profitability initiatives

### Pricing

- > **Comparative Raters & Underwriting Models:** improve customer selection in desired low pure premium segments
- > **2019 rate filings:**
  - > Auto: 39
  - > Homeowners: 22
  - > Commercial Lines: 13
- > **New pricing engine outside Massachusetts:** beginning with Connecticut

### Claims management & operational efficiency

- > **Automation** to reduce expenses and improve efficiency
- > Strengthening **Claims Practices** and manage **Loss Adjustment Expenses:**
  - > Digitalization
  - > Preferred Repair Network

### Products & Clients

- > **One product strategy** and clearly defined **value proposition** for MAPFRE's **target customer** segments
- > **Agency management,** focus on a reduced number of agents
- > **Digital customer**

### ADVANCED ANALYTICS

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We have been working in further strengthening our profitability initiatives and let me please refer to it.

In relation to our pricing discipline:

- We have scheduled 39 rate filings in Auto business, 22 in Homeowners and 13 in Commercial lines in 2019.
- We have an enhanced comparative raters strategy and we have deployed a new underwriting model. It has been developed by our advanced analytics team to improve customer selection.
- We are also implementing a new pricing engine outside Massachusetts, beginning in the state of Connecticut in 2019.

We have also some initiatives related to claims management and operational efficiency. Automation and digitalization are key strategies to make the company more efficient while providing a better service to our customers and agents.

Agency management is also key to us in the US. Our advanced analytics team has developed an agency scoring model to identify the agents we have to work with as we want to focus our efforts on doing business with a reduced number of agents outside Massachusetts.

We also want to improve our digital capabilities in the US and have more digital interactions with our intermediaries and customers.

**Massachusetts:** Mature and profitable business, with leading market position in Non-Life and strong performance in 2018 despite the weather



- > **Market shares in Massachusetts:**
  - > Private Passenger Auto: 24.6% (#1)
  - > Homeowners: 13.5% (#1)
  - > Commercial auto: 15.4% (#1)
- > **Growth driven primarily by:**
  - > Private Passenger Auto: 1.4%
  - > Personal Other than Auto: 2.8%
  - > Commercial Auto: 6.6%
- > **Distribution in traditional channels** (independent agents and AAA)

Massachusetts	2017	2018	Delta
Premiums	1,779.0	1,814.0	2.0%
Technical result	45.0	22.0	-52.4%
Financial Income	60.0	59.0	-1.3%
<b>Result before tax</b>	<b>105.0</b>	<b>81.0</b>	<b>-23.2%</b>
Loss ratio	74.2%	73.8%	-0.4 p.p.
Expense ratio	24.2%	26.2%	2.0 p.p.
<b>Combined ratio</b>	<b>98.4%</b>	<b>100.0%</b>	<b>1.6 p.p.</b>

The adjusted CR\* was 98.5%, 0.4 pp better than in 2017

\*excluding weather and pools

Our new IT platform will further improve our efficiency and service to customers

I would like to provide you with some additional information about our performance in 2018.

Let me first refer to our performance in Massachusetts.

As you know, MAPFRE Insurance is the leading Non-Life insurance company in Massachusetts, with significant market share in Private Passenger Auto, Homeowners, and Commercial Auto.

The figures in Massachusetts confirm that it is a mature and profitable state for us, with a 100% combined ratio despite the challenging winter.

If we were to exclude the impact of the weather and also some compulsory pools we have to participate in the state of Massachusetts, our combined ratio we would have been 98.5%, an excellent combined ratio.

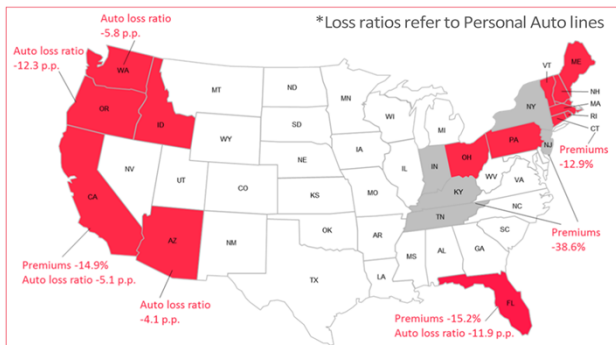
I also want to make reference to the state of the art technology we are deploying in Massachusetts -our main state in the US- which will be bringing a lot of efficiencies and will allow us to provide very good services to our agents and customers.

**Outside of Massachusetts:** Focus on profitability initiatives

Outside Massachusetts	2017	2018	Delta
Premiums	675.0	570.0	-15.5%
Technical results	(83.0)	(63.0)	24.0%
Financial Income	26.0	21.0	-16.3%
<b>Result before tax</b>	<b>(57.0)</b>	<b>(42.0)</b>	<b>27.4%</b>

Loss Ratio	92.0%	87.1%	-4.9 pp
Expense Ratio	24.0%	26.4%	2.4 pp
<b>Combined Ratio</b>	<b>116.0%</b>	<b>113.5%</b>	<b>2.5 pp</b>

- > Fall in premiums (-16%), due to profitability initiatives:
  - > Exit States: -38.6%
  - > Connecticut: -12.9%
  - > Florida: -15.2%
  - > California: -14.9%
- > USD 20 mn improvement in technical results driven by the improvements in Personal Auto loss ratio:
  - > California: -5.1 p.p.
  - > Florida: -11.9 p.p.
  - > Washington: -5.8 p.p.
  - > Oregon: -12.3 p.p.
  - > Arizona: -4.1 p.p.



MAPFRE USA has defined **three main PRIORITIES** to improve profitability

Outside Massachusetts we are focusing our efforts on implementing the profitability initiatives I mentioned before.

This is the reason why we are showing a 16% decline in our gross written premiums.

As you can see, and this is good news, we have improved the loss ratio also in Massachusetts by 5 p.p. and we have improved the technical results by 20 million dollars.

We have seen significant improvements in the states of California, Florida, Washington, Oregon and Arizona.

In order to continue improving our profitability we have defined three main priorities for 2019, as we want to focus our efforts on those priorities that will move the needle.

**Priorities 2019-2021**

**Priority 1:** Improve profitability in Personal Auto in CT, FL and WA

**Contribution to MAPFRE USA:**

- > ≈ 8% of premiums
- > ≈ USD 29 mn of Personal Auto technical losses

**Main actions**

- > Comparative Rater Strategy for new business
  - > Target desirable segments
- > New Underwriting Decision Model
- > Rate Management discipline
  - > **CT:** 6% rate increase in January  
12% additional in September
  - > **FL:** 7.4% rate increase in July
  - > **WA:** 15% rate increase in April
- > Improve segmentation (High Bodily Injury limits)
- > New pricing engine and product to be initially launched in CT in 2019
- > Continued termination of non-performing agents – 400 in 2018 and additional 200 in 2019 – focus on a reduced number of agents

	2018	
	Accepted premium	Combined ratio
Connecticut	65.4	122.3%
Florida	19.7	105.6%
Washington	44.0	127.1%
<b>Total challenging states</b>	<b>129.1</b>	<b>121.7%</b>

The first priority refers to improving profitability in the Auto business in the states of Connecticut, Florida and Washington.

These three states –that account for 8% of our premiums in the US– produced last year a 29 million dollar technical loss.

As I mentioned before we have developed an enhanced comparative raters strategy and an underwriting decision model. This is to be able to target desirable segments in new business.

In these three states, we have filed significant rate increases, in excess of 7 percent and even double digit increases in some cases.

And we are going to continue improving our agency management focusing on a reduced number of agents.

Our agency scoring model that I referred to before has been instrumental in the execution of this initiative, since it has allowed us to identify poor performing agents that will be terminated.

Actually, as part of our plan, in 2019 we will be terminating 200 additional agents outside Massachusetts.



**Priorities 2019-2021****Priority 2:** Challenging performance in Commercial Lines Outside of MA**Contribution to MAPFRE USA:**

- > ≈19% of Commercial premiums
- > ≈USD 12 mn of Commercial technical loss

**Main actions**

- > Commercial Auto Pricing strategy
  - > Limitation on eligible vehicles
  - > Re-underwriting of renewal accounts
  - > Rate increase +20.6% filed in CA
  - > Rate increase +19.9% in FL
- > New Underwriting Decision Model with new risk appetite
- > Continued agency management and systems improvement actions

	2018	
	Accepted premium	Combined ratio
<i>of which:</i>		
Florida	34.6	120.5%
California	7.3	159.3%
<b>Total challenging states</b>	<b>43.5</b>	<b>128.4%</b>

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Million USD

The second priority refers to Commercial lines outside Massachusetts.

This line of business produced last year a 12 million technical loss, especially in Florida and California.

We are going to be taking significant rate increases in Commercial auto in 2019, around 20 percent in the state of California, and a similar increase will be applied to Florida.

In addition to that we are having a new underwriting model and we have also strengthened our risk appetite.

**Priorities 2019-2021****Priority 3: Expense reduction initiatives**

<b>Organizational Structure re-alignment</b>	23.1
<i>10% reduction in workforce since 2018</i>	
<b>Operational efficiencies</b>	23.0
<b>Total</b>	<b>46.1</b>



98

Million USD

I think you will agree with me that we have to focus not only on improving our loss ratio but also on reducing our expenses. This is our third priority.




It will mean making some difficult decisions but as I said before we are very determined to improve our profitability in the US. Actually, some of these decisions were taken three weeks ago, as we announced in the US.

We are going through an organizational structure re-alignment. As a reference, we have had a 10% reduction in workforce -or 250 people- since 2018.

We have also defined a very comprehensive savings plan that together with our operational efficiencies will bring additional savings of 23 million dollars.

**Priorities 2019-2021**

Combined ratio reduction

		<b>MAPFRE Insurance 2018 Combined Ratio*</b>	<b>103.1%</b>
	<b>1st priority</b>	<b>Personal Auto technical actions:</b>	
		- CT, FL and WA	-1.5%
		- Rest of the states	-1.6%
	<b>2nd priority</b>	<b>Commercial lines technical actions:</b>	
		- Outside Massachusetts	-0.6%
		- Massachusetts	-0.1%
	<b>3rd priority</b>	<b>Expense savings initiatives:</b>	
		- Structure re-alignment	-1.2%
		- Operational efficiencies	-1.1%
		<b>Expected 2021 MAPFRE Insurance Combined Ratio</b>	<b>97.0%</b>



\*Excluding Verti

This slide summarizes the impact that our three priorities are going to be having in the next three years in our operations in the US.

The first one refers to our technical actions in Personal Auto. As you can see we are looking at a 3.1 p.p. improvement by 2021 – 1.5 p.p. of this improvement will be because of our actions in Connecticut, Florida and Washington and the remaining 1.6 will be coming from the actions we are going to be taking in the rest of the states.

Referring to our second priority – commercial lines outside Massachusetts– we are estimating an impact on the combined ratio of 0.6 p.p. improvement in our P&L.

And our expense saving initiative will bring a 2.3 p.p. improvement in our accounts.

It means that we are committing to a 97% combined ratio in 2021.

**Key messages:** Improved profitability outlook for the coming years

› **Massachusetts:** maintain leadership position with strong performance and implementation of new IT platform

› **Outside Massachusetts:** focus on profitability in Personal Auto and Commercial lines

› **Expense and Operational Efficiency Discipline:** comprehensive savings program



› **Potential exits:** further analysis if we do not see a path to medium-term profitability

› **Digital business:** avenue for future growth, leveraging Verti/Mapfre.com

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I would like to conclude my presentation with five key messages:

- The first one is that we are maintaining our leadership position, we are very committed to it, with very strong performance in Massachusetts.
- Outside Massachusetts, we will focus our profitability challenges in Personal Auto and Commercial lines with special attention to the states of Connecticut, Florida and Washington.
- Expense management discipline is key to improving our profitability.
- As we have said before, we may exit more states in the future if we don't see the path to medium-term profitability.
- And the last key message refers to digital business, as we see digital business as an avenue for growth in the US, leveraging Verti and Mapfre.com

**MAPFRE INSURANCE\* 2021 targets****ROE****8%****Business Growth  
Premiums****4%****Combined Ratio****97%**

\*Excluding Verti

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By 2021, MAPFRE Insurance is targeting the following ratios:

- A growth of 4%
- A combined ratio of 97%
- An 8% ROE similar to the one of our peers in the US

This is our strategy in the US, as you can see we want to position MAPFRE USA for success through a very focused business strategy.

Many thanks for your attention.

# Q&A

09

MAPFRE OPEN  
INNOVATION

José Antonio Arias



Good morning everyone, I'll be covering the topic of Open Innovation in MAPFRE.

## MAPFRE cutting edge



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As you know, the insurance sector has traditionally been associated with a conservative outlook, but MAPFRE has always been different. Long before terms like innovation, disruption or entrepreneurship became so popular, MAPFRE was known for its capacity to transform business models and create high value propositions for its clients.

The times are changing and it is imperative to adapt to them, but for MAPFRE adapting isn't enough. MAPFRE aspires to be one of the global leaders in innovation in insurance, because being on the cutting edge will mark the difference in coming years.



## Overview



### > Certainty

The change

- > Customers
- > Environment
- > Risks
- > Business models



### > Uncertainty

- > The speed of change

**Insurtech is different...**  
Collaboration vs full disruption



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But before we explain how MAPFRE is approaching this transformation scenario, we want to quickly mention a few things about the basis of our innovation strategy.

#### First....the certainty of change

Insurance clients want new value propositions. If we had to choose three qualities that define this new stage of client expectations, we would find that:

- clients want faster and immediate solutions
- clients want solutions at the best possible price
- clients want more customized solutions, adapted to their individual needs

But in addition to the changes in the clients, we are also facing changes in the environment, legal regulations and new risks coming from new activities. And finally there are new business models that have a common denominator, all those new technologies that open the door to developing new value propositions with very reduced operating costs, that were unthinkable a few years ago.

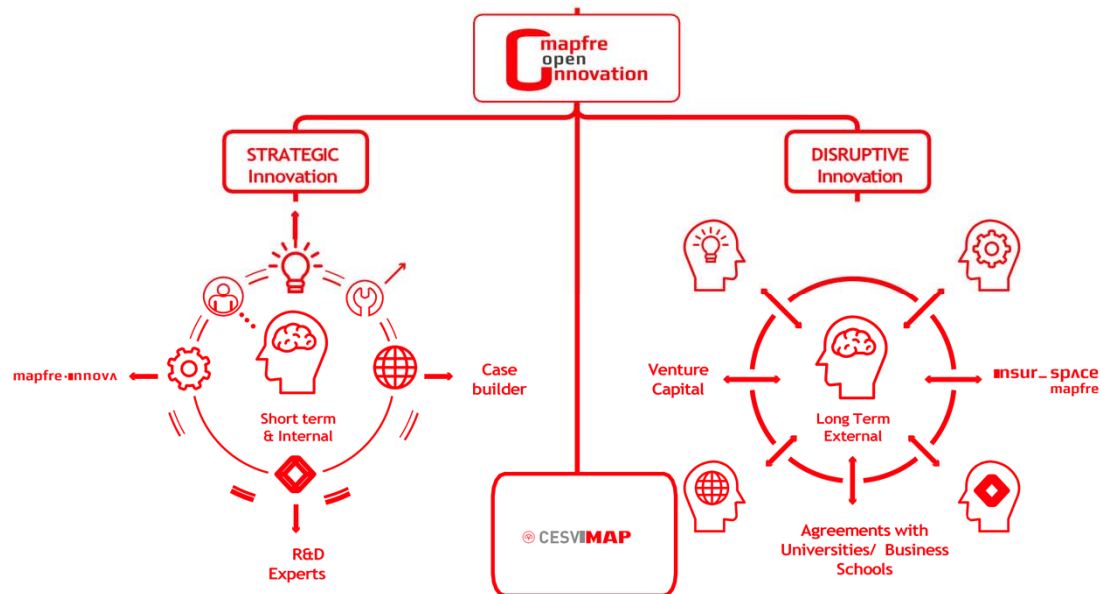
#### Second....the speed of transformation will be different

We believe that the speed at which the changes are going to be implemented will vary between different countries and depending on the different types of risks.

For example, in the auto insurance business, there is a lot of talk about autonomous cars, but it will be many years before these cars become the majority. However, other changes will happen first in the auto insurance business, for instance the transition of the current ownership paradigm to a mobility as a service model or the electric vehicle.

#### Third....the insurtech sector is quite different

Fintech and Insurtech have common elements but also differentiating ones. So far, the main difference is that Insurtech has looked for more collaboration with traditional players. We think that in order to create value working together with these start-ups, we need to take an insurance-based approach.



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Exactly twelve months ago, during the 2018 Annual General Meeting, our CEO announced MAPFRE's strategy to become a benchmark in Innovation and Transformation, protecting itself against new business models entering the market, and making the organization more dynamic, agile and efficient.

The answer is MAPFRE Open Innovation (MOi), a transformative open innovation platform that has been deployed in just 9 months and today is a reality that has begun to deliver its first results.

The organization of MAPFRE Open Innovation is pushing for three main groups of activity:

- Strategic Innovation
- CESVIMAP
- Disruptive Innovation

Strategic Innovation is innovation that is linked to MAPFRE's internal capacities, and it will continue to be key to the company's transformation. It is highly focused on responding to business demands to find short-term solutions that strengthen our value proposition.

CESVIMAP acts like a lever to support the transformation and the disruption of business models directly linked with vehicles and with personal mobility.

Disruptive Innovation is our vision of a medium and long term innovation. It is the way to connect the corporation with the best external capacities, aiming at accelerating, even more, the rhythm of transformation in MAPFRE

Let's take a look at each one of them.

Our lines of action



**Intrapreneurship**

**innova**

-  > **34** creativity workshops
-  > **17** cities, 3 countries:  
Spain, Peru & USA
-  > **14,490** employees  
invited to participate
-  > **443** ideas received

**R&D experts**

- Expert knowledge on new innovation trends
- > Acceleration lever: fast implementation of these trends



**Case Builder**

- > Design and test to verify the robustness and market fit for specific cases
- > Run these tests as quickly as possible to guarantee a short time to market



Within the strategic innovation line, we want to highlight the activity developed in:

**Intrapreneurship**, as a way of allowing our talented employees and collaborators to develop ideas and make them become a reality.

The first wave of the MAPFRE Innova program ended in March this year with almost 15,000 employees participating, 443 ideas were received in response to the 3 challenges presented. As a result, the best of these ideas will be turned into real products and services.

If transformation begins with having a culture of change, MAPFRE Innova is proving itself to be a catalyst of change.

**Research & Development Experts** as an element of creation of specific expertise. They are highly connected with MAPFRE's transformation and digitalization, gathering knowledge on topics like advanced exploration of the Internet of Things, Artificial Intelligence or blockchain, and its use in opportunities like PSD2 directive (European Revised Payment Services Directive).

Finally, the **Case Builder** team is a first approach to corporate venture building in terms of designing, testing, constructing and launching business solutions.



## CESVIMAP



R&amp;D

Making MAPFRE future-ready

**+550**  
vehicles analyzed through crash tests

**+2,000**  
different models tested

**+525**  
research projects

Innovation as a Service



> ADAS test



> Autonomous car



> New crash test

**C**onected  
**A**utonomous  
**S**hared  
**E**lectric

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CESVIMAP is our center for experimentation and road safety specialized in researching vehicle repair methodologies, and it is highly recognized by the auto sector (manufacturers, dealerships, workshops) for its strong commitment to Research & Development, for example with more than 550 crash tests performed.

In addition to maintaining these traditional functions, CESVIMAP has been included in the new MOi platform as a differentiating element. CESVIMAP leads research, testing and analysis of new business proposals for insurance and services for personal mobility and for the car of the future.

Right now, CESVIMAP is unique in the national and international insurance panorama, leading "Innovation as a Service today to build a safer tomorrow".



insur\_space  
mapfre



WHO WE ARE  
THE CONCEPT

- > WE collaborate
- > WE drive
- > WE inspire
- > WE are transforming ourselves

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Disruptive innovation is represented by Insur\_space.

Insur\_space is our new acceleration lever. It is an open innovation platform that aims to promote collaboration between the entrepreneurial ecosystem and MAPFRE.

insur\_space  
mapfre



Created to **transform the insurance sector**

## 2 innovation programs

### Acceleration Program

> Seed & Early stage



### Adoption Program

> Market traction



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Insur\_space was created with clear objectives of **transforming the insurance sector**, and therefore in 2018 has launched the first two-way **innovation program** oriented to startups in different stages of development.

The **acceleration program** is aimed at startups in seed or early stages, to foster the creation of prototypes or MVPs (Minimum Viable Product).

The **adoption program** is targeted to consolidated global startups willing to carry out PoC (proof of concept) or commercial pilots with MAPFRE's different business units.

We could say that the Acceleration program is looking to traditionally accelerate startups, while the Adoption program is looking to accelerate MAPFRE's transformation.

Start-up applications from more than 25 countries



Insur\_Space’s first invitation sent out last year and currently in development filtered more than 1,400 startups to make a final selection of 7 for the Acceleration program and 11 for the Adoption program. In this first batch, startups from 25 countries were presented and the final selection came from Spain, USA, Israel, Denmark, Mexico, Brazil, Switzerland and Austria.

## Identifying first mature wave of opportunities



### > Deal flow & investments:

#### Focus, Tier 1&2

100% Insurtech value proposition & technology  
Initially other industries but an interesting InsurTech “use case”

#### Opportunistic, (Tier 3)

Transversal value proposition or value chain improvements and/or efficiencies

- > Lifetime: 8-10 years
- > Anchor investor
- > Series “A”

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...we are investing in opportunities that are applicable to our business

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The second lever for disruptive innovation was the launch of a Venture Capital investment fund.

This fund was announced in November 2018, and is based on characteristics in line with MAPFRE’s innovation strategy.

The opportunities we are focused on are startups concentrated in Tier 1 and Tier 2 of the insurance business. They can have a 100% Insurtech value proposition or their development could have begun in other sectors but present an interesting use case for insurance.

This fund has been established with a total estimated duration of 8 to 10 years, and MAPFRE acts as an anchor investor but is not the only investor, which gives us a very active position in the analysis of the deal flow.

And we want to highlight the focus on Series-A-level startups with a certain level of maturity. Those that have solid market traction with some clients and a B2B business model.



## Strategic Innovation Our Examples



E-sports Players



INSOORE



Parametrix Index Agro Insurance



3D Model underwriting with drones

Business Unit	MAPFRE Spain	MAPFRE Asistencia	MAPFRE RE	MAPFRE Global Risks
Phase	Local deployment	Pilot	Pilot	Prototype
Description	Insurance products for millennial e-sports players	FNOL management in situ with photo report	Parametric Index Agro insurance Research on index or parametric insurance	Fly a drone with cameras to collect a 3D model of the terrain to evaluate risks
Innovation Trend	Virtual and augmented reality	Sharing economy	Internet of Things	AI + IoT

FNOL: First Notification of Loss

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AI: Artificial Intelligence  
IoT: Internet of Things

As we said before, innovation makes sense in-as-much as it contributes to creating transformative solutions that improve the value proposition for clients. As such, beyond the ideas, the methodology or the resources assigned, we would like to talk about realities.

In these last months, more than 12 pilots have been developed or are in development before being executed. Some examples of these projects are:

- AGREEMENTS WITH ESL (Electronic Sport League in Spain), where in addition to MAPFRE’s active participation, services and solutions for millennial video game players will be developed using Augmented Reality.
- INSOORE, a pilot for sharing economy for first notification of loss management with photo reporting.
- The first pilot for “Parametric Index Agro insurance” based on the Internet of Things.
- A prototype of a drone equipped with specific cameras to collect a 3D model of the terrain to evaluate risks, which uses a combination of Artificial Intelligence and IoT.

## Strategic Innovation Our Examples



VR claims adjusters



Drone insurance



Predictive flight cancellation

<b>Business Unit</b>	<b>CESVIMAP</b>	<b>MAPFRE Spain</b>	<b>MAPFRE Asistencia</b>
<b>Phase</b>	Pilot	Local deployment	Pilot
<b>Description</b>	Training claims adjusters using VR	Insurance for professional use of drones	Prediction of flight cancellation and activation of services
<b>Innovation Trend</b>	Virtual Reality	IoT	Big data & AI

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But also a prototype successfully finalized at CESVIMAP, making it possible to train adjusters with interactive Virtual Reality. This project has been awarded with the “Premio Azul” by INESE just one month ago.

The first insurance product for drones designed specifically to cover the professional use of these devices.

And finally, just 4 weeks ago, a full pilot launched by MAPFRE Asistencia in Ireland to anticipate possible flight cancellations covered in travel insurance policies using Big Data & Artificial Intelligence.

## Takeaways

- > Innovation aligned with the business strategy
- > Limited investment, well balanced and focused on execution
- > Start-ups with proposals for insurance products and services for the present and future
- > From an in-house model to an open model
- > Combination of internal talent + external experts

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In summary, in a short period of time we have got an innovation model aligned with the business strategy up and running.

With well-balanced, limited investments, and a strong focus on making things happen and doing things that matter.

Incorporating start-ups with proposals for insurance products and services that offer solutions for the present and for the future.

And we have done this moving from a primarily in-house model to a truly open model that combines the value of external experts and the best internal talent.

Thank you.

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## CLOSING REMARKS

Antonio Huertas

### WE'RE TRANSFORMING OURSELVES

For growth and improved  
profitability

I want to thank my colleagues for their interesting presentations today, and to all of you for being here with us, whether in person or online, at our third INVESTOR DAY.

We have heard today about MAPFRE'S new three-year strategic plan, our investment and capital management, several of our main business units and regions, and our commitment with innovation.

I do believe that all initiatives, projects and goals are achievable, because I have been personally involved in their definition and planning with all the senior executives.

Our objectives in some cases are ambitious if we take into account the current complex environment. But I can say that all the goals are very realistic. Our people are fully committed to it. We are going to be very prudent. But the clock is ticking and we need to do more in terms of profitable business, transformation and digitization.

But MAPFRE is a Group that is more than just numbers. We have a big concern about the environment and people. Talking about the environment and talking about sustainability, it would be remiss of me to end the day without highlighting some of our most significant strategic projects concerned with sustainability.

We have done a lot work, but we have more to do in the coming years.

## We are sustainability

Strategic Plan for Energy Efficiency and Climate Change



### 2030 SDG Agenda

#### SUSTAINABLE DEVELOPMENT GOALS



#### Fighting climate change:

- › All MAPFRE companies based in Spain and Portugal will be **carbon neutral** in 2021
- › This represents a **61%** decrease in the Group's current emissions
- › We will no longer invest in companies which derive **≥30%** of their revenue from energy produced from coal
- › We are not going to insure construction of new coal-powered **electric plants** or the operation of new coal mines

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We are included in the Footsie4Good Index, and this year we have also been ranked number 10 among insurers worldwide in the Dow Jones Sustainability World Index. We are proud to be in these indexes, totally compatible with our efficiency and profitability objectives. Our stakeholders - employees, clients, management, investors - are also proud of this focus on sustainability.

MAPFRE Group is strongly committed to the United Nations 2030 Agenda and to all the 17 Sustainable Development Goals and especially to the fight against climate change. That's why we are committed to making operations of all MAPFRE companies headquartered in Spain and Portugal carbon neutral by 2021, which will represent a decrease of 61 percent in the Group's current emissions.

In addition, we have also publicly committed to carbon neutrality in order to make MAPFRE a carbon neutral group by 2030.

In relation to the Strategic Plan commitments, MAPFRE is finalizing its new Sustainability Plan, where among other things, we have already decided to stop investing in electric companies that derive 30 percent or more of their revenue from energy produced from coal. And we are not going to insure the construction of new coal-powered electric plants or the operation of new coal mines.

## We are commitment

### United Nations Global Compact



- › Finance Initiative of the United Nations environment program (**UNEP FI**), the UN pilot program to evaluate climate change
  - › We are the only Spanish insurer participating in the **UNEP FI**
- › Principles for Sustainable Insurance (**PSI**)
- › Paris Pledge for Action
- › United Nations Principles for Responsible Investment (**PRI**)



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We are committed to our environment and safeguarding it for future generations. We have met all our objectives for our Strategic Plan for Energy Efficiency and Climate Change.

We have signed most international agreements to protect the planet, like:

1. The United Nations Environment Program Finance Initiative, which promotes best practices that link sustainability and the financial industry, in which we are the only Spanish insurance company.
2. The Principles for Sustainable Insurance (PSI)
3. The Paris Pledge for Action, in which we undertake to combat the greenhouse effect and all its consequences.
4. The United Nations Principles for Responsible Investment (PRI), which enables us to progressively align our investment policy.

Additionally, we have been signatories to the United Nations Global Compact since 2004, in which MAPFRE was awarded the highest score in the Progress Report.

## Social and Environmental Commitments

2019 – 2021 Strategic Plan



To achieve these objectives, MAPFRE has defined various lines of action based on improving the energy efficiency of its facilities, the use of 100 percent renewable energy, the promotion of sustainable mobility and generating "zero waste".

We believe that MAPFRE's business development must go hand in hand with absolute respect for all the groups we interact with.

We must protect the social footprint that we leave behind. It will not be possible to be relevant as a business organization in the long-term if we do not concern ourselves with the well-being of the people who live in our communities.





Thank you

