



MAPFRE

INVESTORDAY

2017

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MAPFRE S.A. does not undertake to update or revise periodically the content of this document.

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

Speakers

Antonio Huertas
Chairman & CEO



Fernando Mata
CFO & Member of the Board



Eduardo Pérez de Lema
CEO MAPFRE RE



Jaime Tamayo
CEO International



Alfredo Castelo
CEO North America



Natalia Núñez
Head of Investor Relations



AGENDA



01 OPENING REMARKS

Mr. HUERTAS

02 CAPITAL MANAGEMENT

Mr. MATA

03 REINSURANCE PROGRAM

Mr. PÉREZ DE LEMA

04 INTERNATIONAL BUSINESS + MAPFRE USA

Mr. TAMAYO + Mr. CASTELO

05 CLOSING REMARKS

Mr. HUERTAS

01

OPENING
REMARKS

Antonio Huertas

Profitable growth strategy
Delivering results

Profitable growth strategy is still in place and delivering results

SPAIN

PREMIUMS +3.7%
(vs. +0.03% for the market)

EARNINGS +9.2%

**GROWTH ACROSS ALL
LINES**

RE

PREMIUMS +3.8%

EARNINGS +39%
Excluding catastrophes

NOTABLE IMPROVEMENTS

**PERU
COLOMBIA
TURKEY
ITALY**

ON THE ROAD TO RECOVERY

**BRAZIL
USA
MEXICO**

3Q Catastrophic Events

- › Occasional impact of natural disasters **does not alter the profitable growth strategy**
- › The 176 million net impact estimate announced in September is **reaffirmed**
- › Gross impact >€1.1 bn
- › MAPFRE's protection measures have proven to be **very effective**

Effective capital management

- › **High quality capital structure** and financial flexibility
- › **Successful investment management** in a low interest rate environment
- › Commitment to **stable and growing** shareholder remuneration
- › Final dividend against 2017 results to be announced in February 2018

U.S. : Moving toward a streamlined geographic presence

- › **Reduced geographical footprint** to achieve profitable growth.
Exit five states:
 - › New York, New Jersey, Kentucky, Tennessee and Indiana

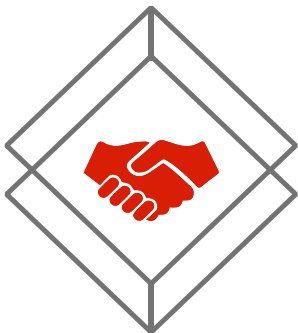
- › Focus on **Core Business** (Auto and Homeowner) and digital transformation
 - › Launch of **Verti USA**

Restructuring of international operations

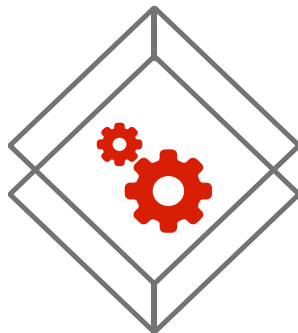
- › **INTERNATIONAL AREA:** Consolidation of EMEA and APAC regions into new EURASIA region
 - › From Jan. 1st. To streamline operations in Europe and Asia

- › **LATAM NORTH:** creation of new **subregion** with all the **Central American** and **Dominican businesses**

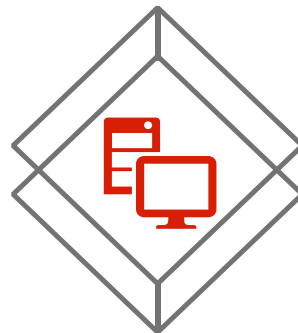
Strategic plan 2016-2018: Focus on profitable growth



Client
orientation



Digital
transformation



Excellence
in **technical**
management



Culture and
human **talent**

To September 30th, satisfactory progress
was made in executing our strategy

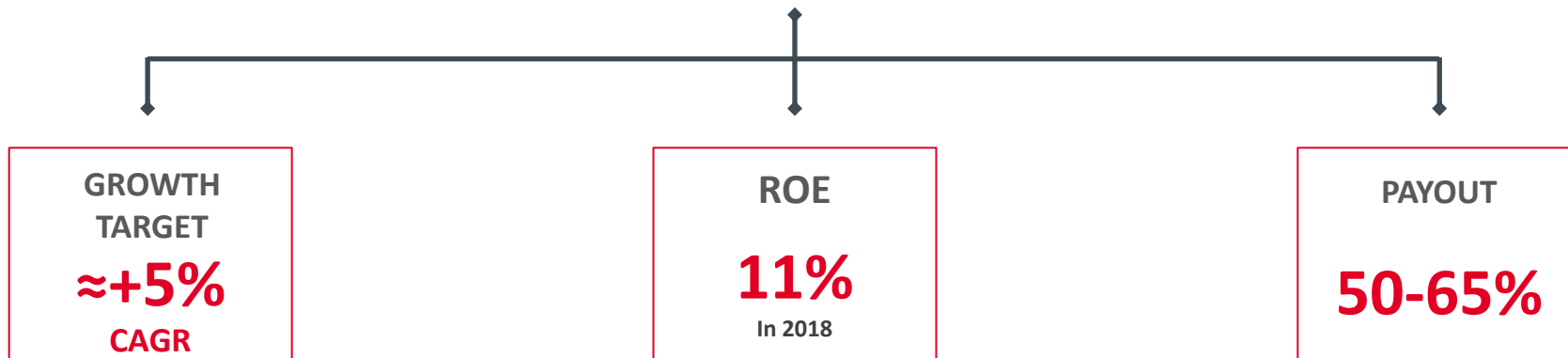
97% of projects

75% of indicators

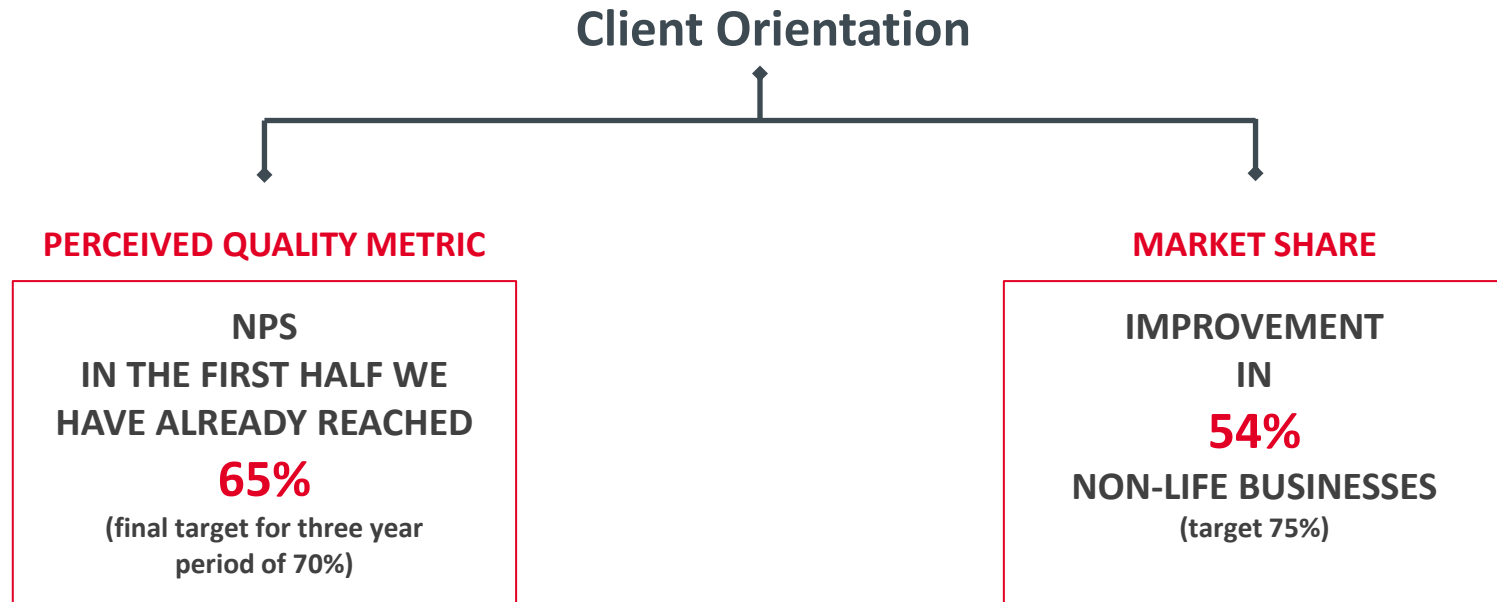
Fulfillment of strategic objectives 2016-2018

Financial Objectives

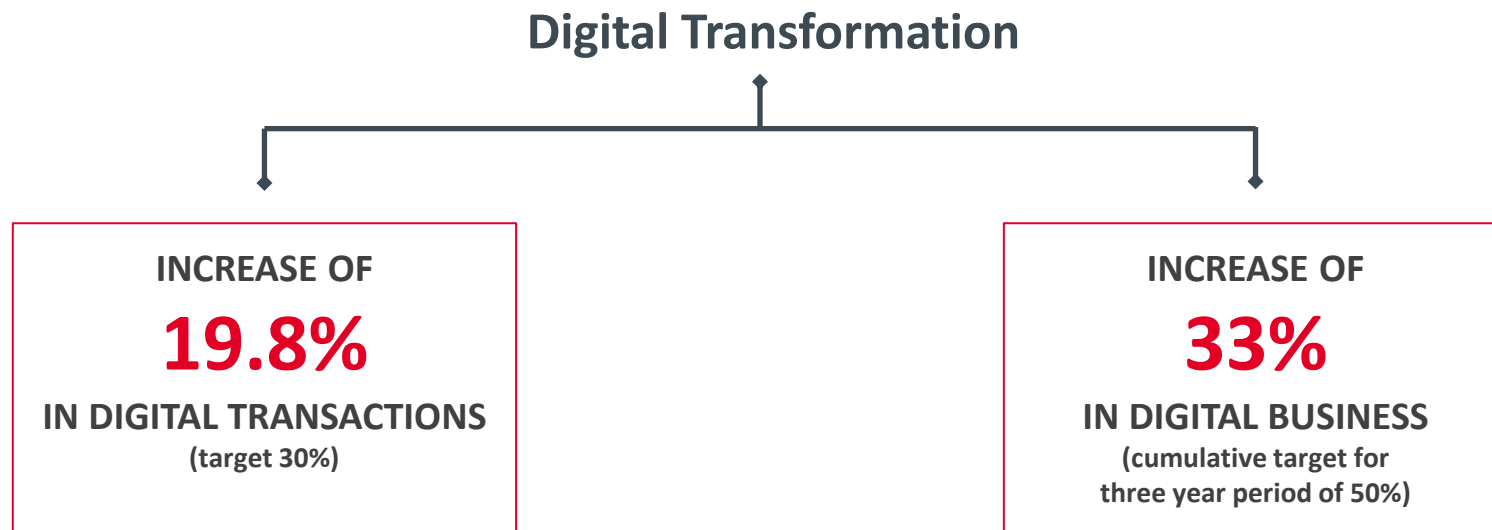
Creation of sustainable shareholder value



Core strategic objectives 2016-2018



Core strategic objectives 2016-2018



Core strategic objectives 2016-2018

Excellence in Technical and Operational Management



GROUP COMBINED
RATIO

98.7%

96.3% ex-NatCat

(target < 96%)

EXPENSE RATIO

28.1%

(target < 28%)

Cost savings: €60m first year

SERVICE PROVIDER
MANAGEMENT

73.6%

automated assignments (target 60%)

Core strategic objectives 2016-2018

Culture and Talent

SATISFACTION
RATE (2016)

GPTW 72%

(target >80%)

GENDER EQUALITY
(1H 2017)

38.8% | management
levels occupied
by women (40%)

1.6% | workforce
people with a
disability (2%)

OCCUPATIONAL AND
GEOGRAPHIC MOBILITY

10.6%

annual workforce (10%)

Agenda



Value creation in MAPFRE Group

Effective capital management



**Cat risk management
within MAPFRE Group**

Effective protection program



**Restructuring of International
operations & U.S. footprint**

Optimizing profitability

02

CAPITAL
MANAGEMENT

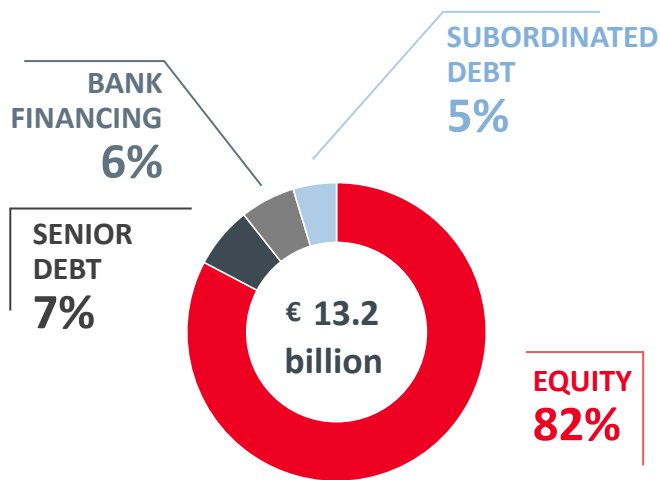
Fernando Mata



Value creation in MAPFRE Group
Effective capital management

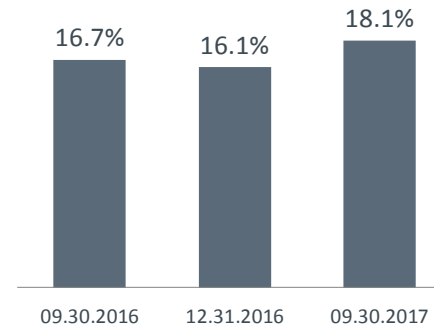
High quality capital structure and financial flexibility

Capital structure

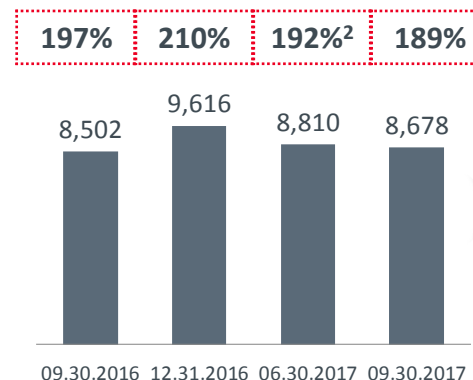


200% Solvency II target, including transitionals (+/- 25 p.p.)

Leverage (%)¹



Solvency II ratio

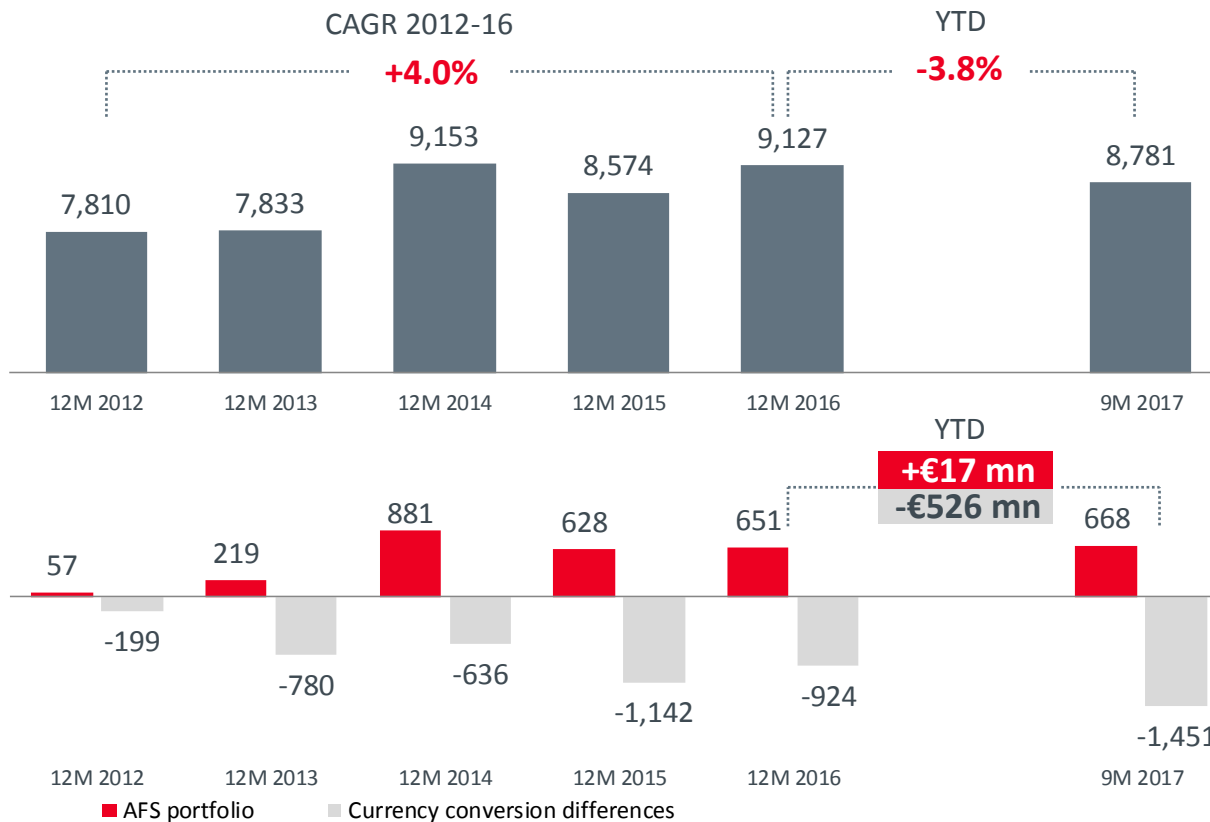


Data as at September 30th, 2017




(1) Total Debt/ (Total Equity + Total Debt)

(2) Pro-forma, excluding subordinated bond called on July 24th 2017

Growing equity base, underpinned by resilient earnings growth and market volatility management



Changes in currency conversion differences (2017 YTD)

		Δ % currency	Δ conversion differences	% Δ in shareholders' equity per 10% Δ in currency
	US dollar	-11.0%	-283	2.7%
	Brazilian real	-8.4%	-107	1.1%
	Turkish lira	-11.8%	-30	0.1%
	Other	-	-107	-
	Total	-	-526	-

Successful investment management in a low interest rate environment

Asset allocation

- › **Search for yield and higher diversification**
- › Equity & Mutual Funds: 8.7% at 09.2017 vs. 6.7% at 12.2016
- › Spanish Fixed Income: 36% at 09.2017 vs. 39% at 12.2016

Successful strategy in actively managed portfolio

- › **Above market returns.** High and relatively stable accounting yield (Non-Life: 2.6%/ Life: 4.1%)
- › Realized gains : €121 mn
- › Still large cushion of unrealized equity gains : €175

Alternatives investments

- › **€450 mn committed until 2019**
- › €210 mn already committed in 2017 (70% Core European Real Estate)
- › Yield: ≈4%

Development of Asset Management business

- › **≈+12% YTD**
- › Luxembourg Sicav will reach €500 mn by year end. New products in the pipeline
- › Mapfre Gestión Patrimonial reached the €200mn annual target in September

Sustainable & responsible investment policies

- › **Signatory of Responsible Investment Principles (U.N. Global Compact) in the first quarter**
- › Partial acquisition of La Financiere Responsible (French boutique asset manager specialized in ESG)

Excellent financial returns with high accounting yields and flexibility to take advantage of market opportunities for harvesting gains

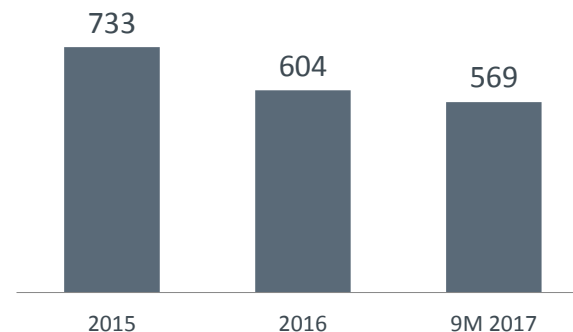
Active rotation of real estate portfolio throughout the cycle

Real Estate portfolio (Book Value at 09.30.2017): €2.2 bn

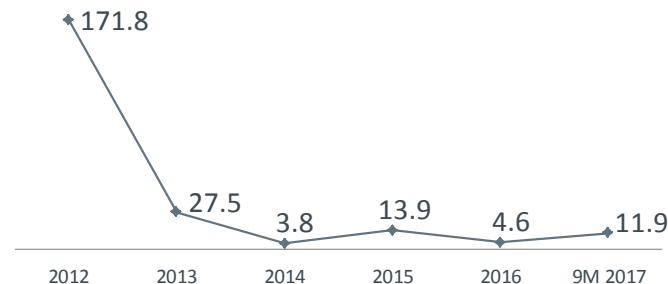


- > **Spanish real estate crisis**
 - > Writedowns: ≈€200 mn
- > **Purchase Plaza de Independencia (Madrid)**
 - > Purchase price: €82 mn
- > **Purchase One Winthrop Square (Boston)**
 - > Purchase price: €55 mn
- > **Partial sale of Torre MAPFRE (Barcelona)**
 - > Purchase price: €175 mn
 - > Net gain: €88 mn
- > **Sale of Luchana building (Madrid)**
 - > Purchase price: €72 mn
 - > Net gain: €29 mn

Unrealized gains on real estate*



Real estate writedowns



*Before tax, net of policyholder participation

Million euros

2017: Capital management and cash flow upstreaming in MAPFRE Group

MAPFRE S.A. - Net cash flows

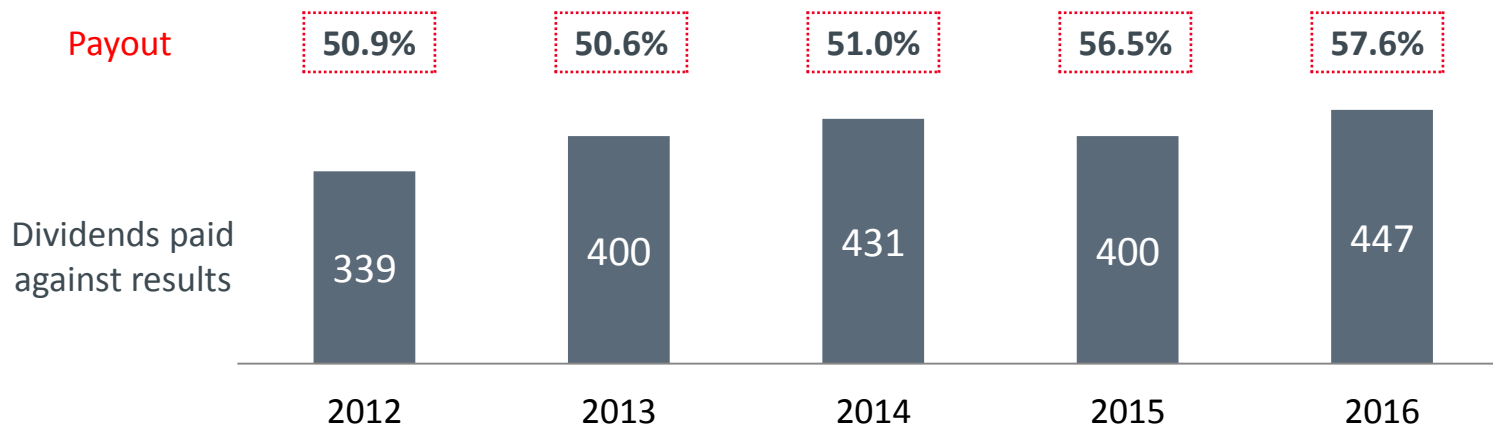
	2017 Forecast
Dividends paid to shareholders (2017 calendar year)	-447
Interest and other payments at holding companies	-124
Capital increases of loss making units	-183
Dividends upstreamed from subsidiaries	754
Acquisitions (ABDA)	-122
Increase in debt	122

Dividends upstreamed from subsidiaries

	2017 Forecast
SPAIN	427
<i>MAPFRE ESPAÑA</i>	273
<i>MAPFRE VIDA</i>	154
INTERNATIONAL	222
<i>of which:</i>	
<i>Brazil</i>	95
MAPFRE RE	95
OTHER	10
TOTAL	754

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

MAPFRE is working towards its commitment of stable and growing shareholder remuneration



- › **Dividend payout target range (50-65%)** is still in place, with flexibility to reach upper limit
- › **Dividend yield target on track (>5%)**
- › **Final dividend against 2017 results** to be announced in February 2018 and approved at AGM

03

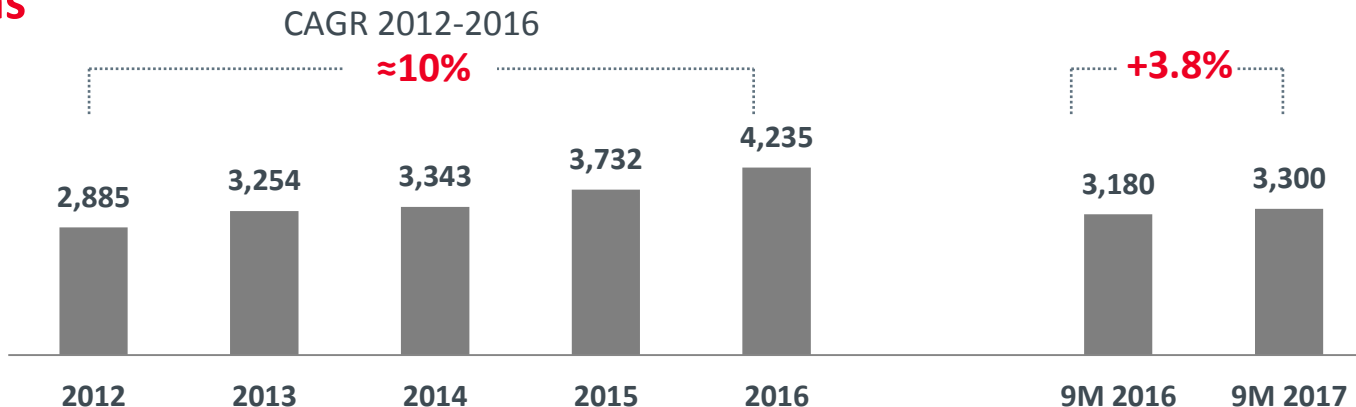
REINSURANCE PROGRAM

Eduardo Pérez
de Lema

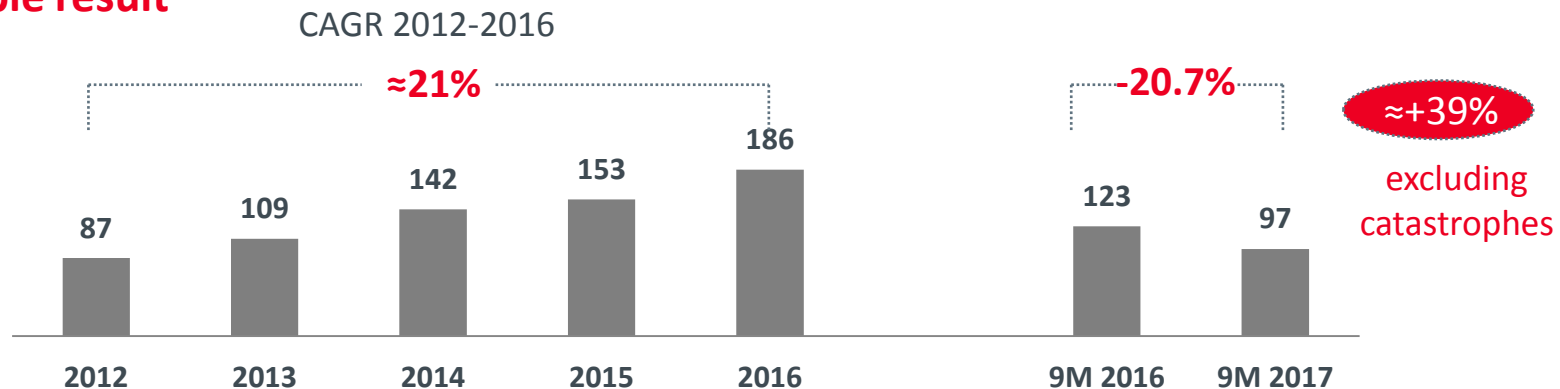
CAT risk management
within MAPFRE Group
Effective protection
program

-
- › Update on MAPFRE RE
 - › OVERVIEW – CAT Risk Management Framework
 1. Accumulation Control
 2. CAT Modelling
 3. Reinsurance Design
 4. Credit & Liquidity Risk
 5. Contingency Plan and Disaster Recovery
-

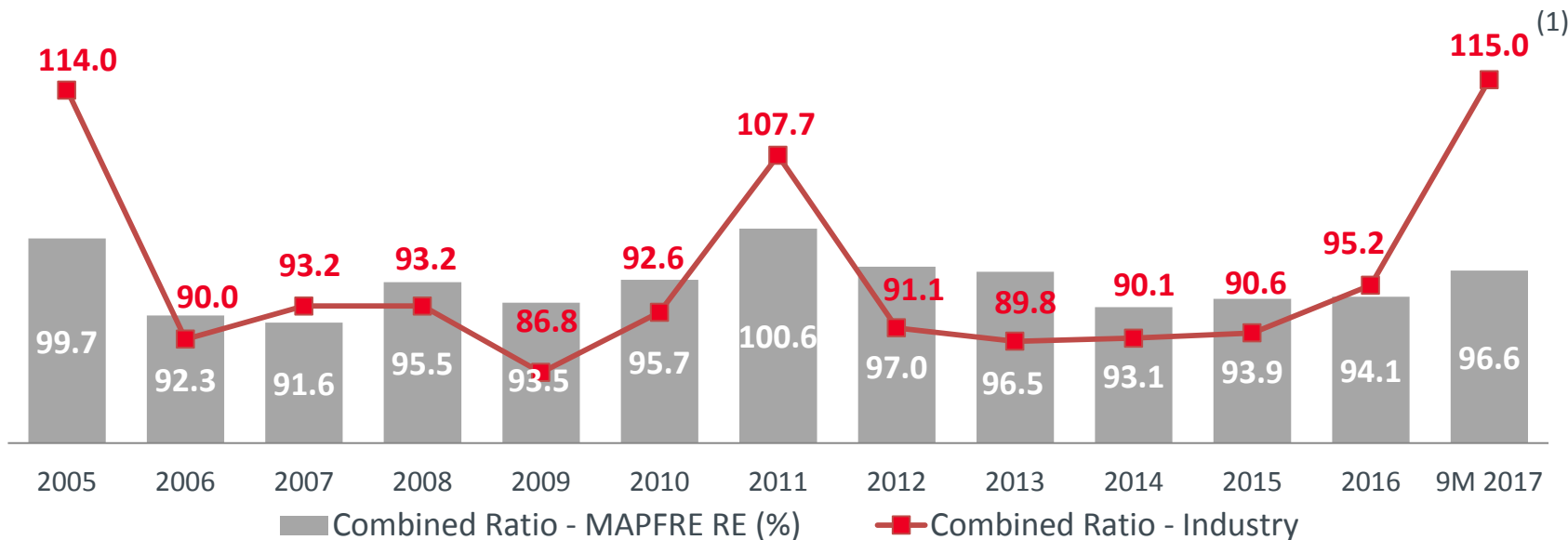
Premiums



Attributable result



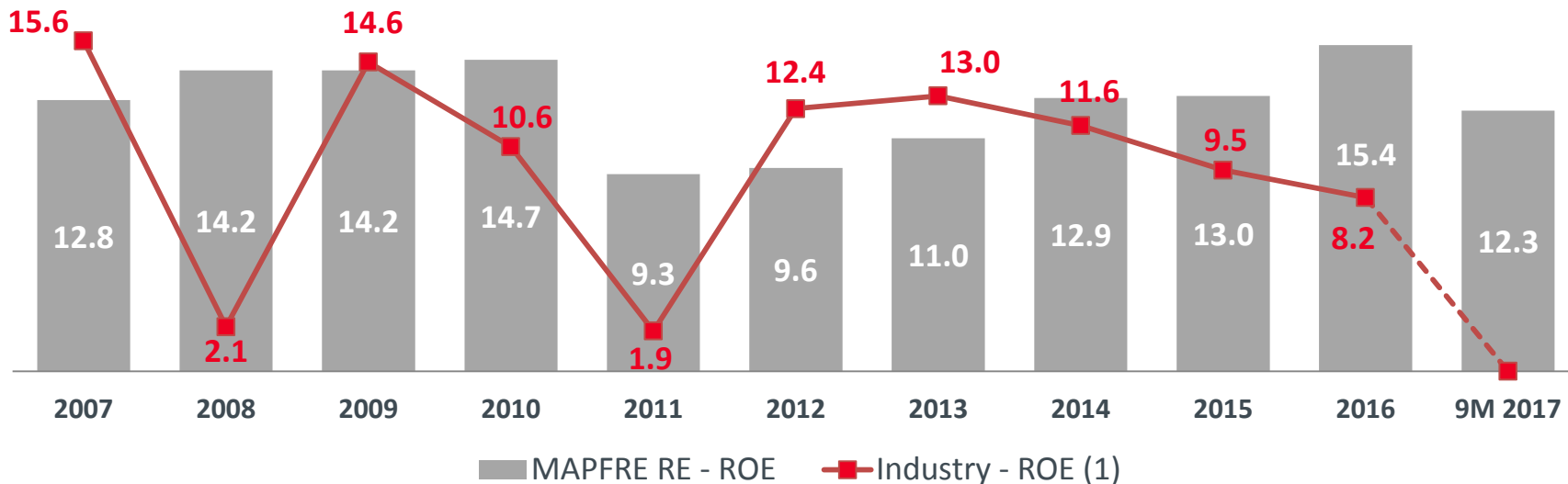
MAPFRE RE continues achieving good underwriting results, with reduced volatility . . .



	MAPFRE RE	Industry
Average Combined Ratio (2005 - 9M 2017)	95.4%	96.1%
Standard Deviation Combined Ratio (2005 - 9M 2017)	2.7%	9.6%

(1) Source: AM Best, except 2017, MAPFRE RE estimate

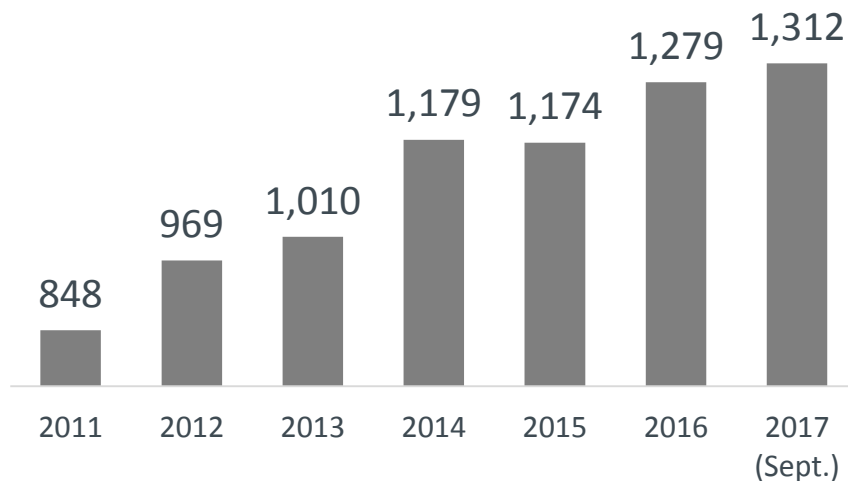
... generating attractive returns, above the industry average



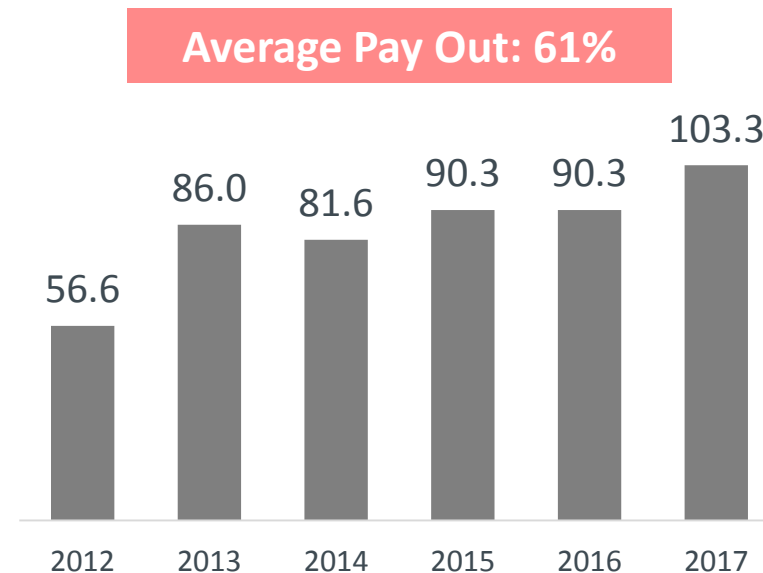
	MAPFRE RE	Industry
Average ROE (2007- 9M 2017)	12.7%	9.0%
Standard Deviation ROE (2007- 9M 2017)	2.0%	5.4%

(1) Source: AM Best, except 2017, MAPFRE RE estimate

Evolution of Shareholders' Equity



Dividends paid



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

-
- › Update on MAPFRE RE
 - › OVERVIEW – CAT Risk Management Framework
 1. Accumulation Control
 2. CAT Modelling
 3. Reinsurance Design
 4. Credit & Liquidity Risk
 5. Contingency Plan and Disaster Recovery
-

MAPFRE's CAT Risk Management Framework

- › **MAPFRE RE's role in Cat Risk Management within the Group**
 - › MAPFRE RE is a **Professional Reinsurer**
 - › Present in 20 countries
 - › Business in +100 countries
 - › Extensive experience in Cat Risk Management
 - › As MAPFRE's reinsurance unit, it is **100% reinsurer of all Treaty reinsurance** in the Group
 - › Defines Group's reinsurance structures and retrocession programs
 - › Optimizes retentions for the Group
 - › Supervises reinsurance Credit risk policy for treaty & facultative
 - › Monitors and controls Cat Risk across the Group

MAPFRE's CAT Risk Management Framework

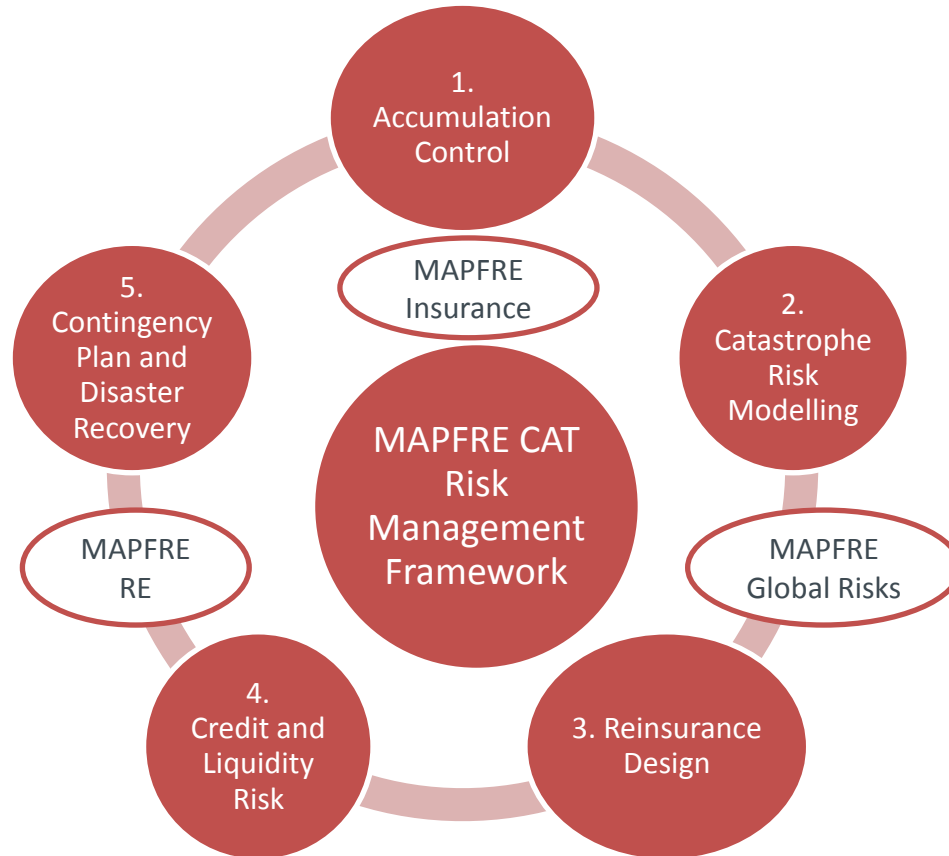
- › **MAPFRE RE's reinsurance buying philosophy**
 - › Separation between protections for the Non Group inwards portfolio in MAPFRE RE and MAPFRE Group Insurance business (MAPFRE Insurance and MGR)
 - › Long term partnership with reinsurers
 - › Preference for global support
 - › Design of sustainable structures and pricing
 - › No overrides for MAPFRE RE. Remuneration through risk underwriting
 - › Internal reinsurance at strict market prices. No subsidies. Price allocation is done internally

MAPFRE's Catastrophe Reinsurance Protection

› Cat XL Regional Protections

- › Part of a comprehensive risk management and reinsurance framework
- › **Objective:** to protect MAPFRE in an efficient way
 - › Structuring & placing global XL reinsurance programs
 - › Simplifying the Group's XL reinsurance structures
 - › Territorial approach (regardless of the MAPFRE entity)
 - › Focusing on protecting Group's balance sheet

Cover for three different business units, with different characteristics:



1. Accumulation Control

- › The MAPFRE GROUP controls its exposures to natural catastrophes at different levels:

<p>Legal Entity</p>	<ul style="list-style-type: none"> › Detailed CAT Exposures are delivered by each MAPFRE entity upon the standard criteria set by MAPFRE RE: <ul style="list-style-type: none"> › By policy & location › High geocoding level › Original currency › Including insurance terms & limits per peril
<p>Corporate Level (MAPFRE RE)</p>	<ul style="list-style-type: none"> › The exposure data is provided at policy & location level, including: <ul style="list-style-type: none"> › TIVs. Indemnity Limits. Coinsurance. Deductibles › Geocoding information: Lat/Long. – Postcode - City › Primary modifiers: <ul style="list-style-type: none"> › Year built › Occupancy type › Construction type › Number of floors

- › This detailed data allows to run the exposures in CAT models and obtain internal PML estimations

2. Catastrophe Risk Modelling in MAPFRE GROUP

- › Coordinated by MAPFRE RE, Cat modelling of:
 - › Entities: 20
 - › Territories: 177
 - › Complete view of the Group's Cat risk

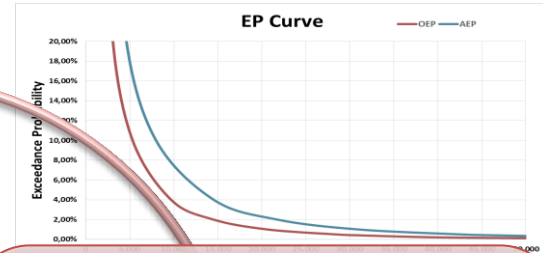
- Frequency & Severity distributions obtained for each portfolio (by legal entity, territory, peril & portfolio)
 - ELTs: Event Loss tables
 - YLTs: Year Loss tables
 - PML Curves (when ELTs/YLTs not available)
- Correlations between territories are included

Cat Models:

Modelling of portfolios
(vendor models)

Dynamic Financial Analysis (ReMetrica®)

- All modelled Cat loss distributions are imported into the DFA model (≈ 800 distributions)
- Local and Group reinsurance programs are simulated
- Inclusion reinsurance panels
- Cloud-based model in ReMetrica® (20k components + 250k simulations for each portfolio)

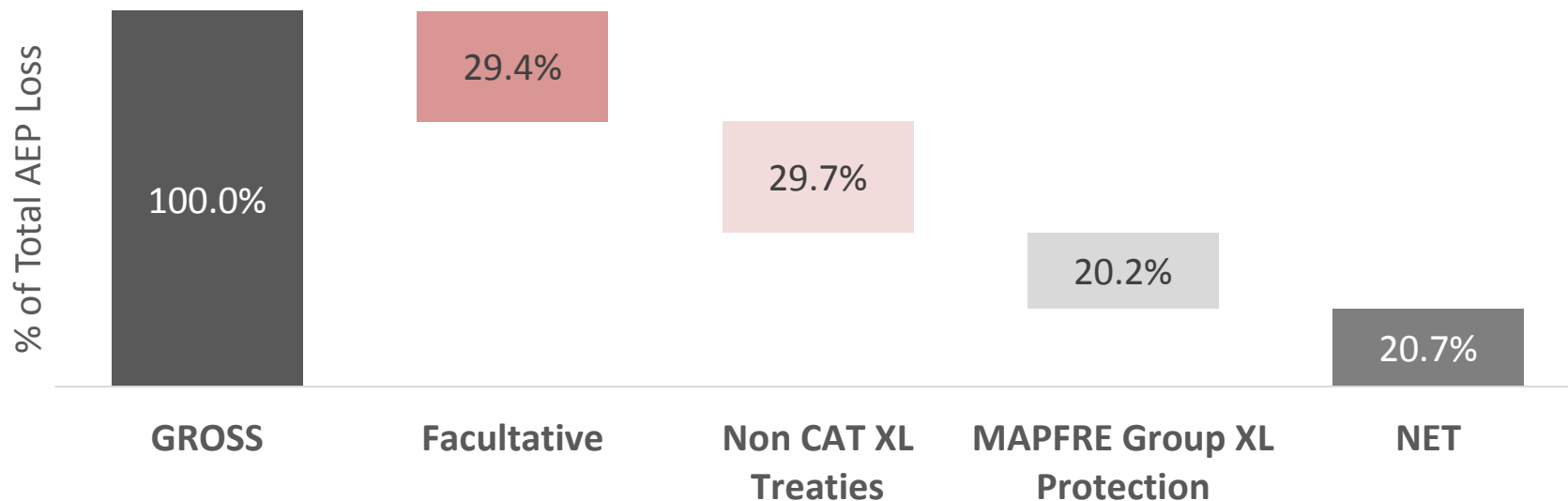


- Probabilistic scenarios
 - Exceedance Probability (EP) distribution per event (OEP) or in the aggregate (AEP)
 - Tail Conditional Expectation (TCE) distributions (OEP-TCE & AEP-TCE)
 - Pure Premium and Standard Deviation
- Deterministic scenarios
 - Stress Testing
 - Credit Risk Control

Outputs

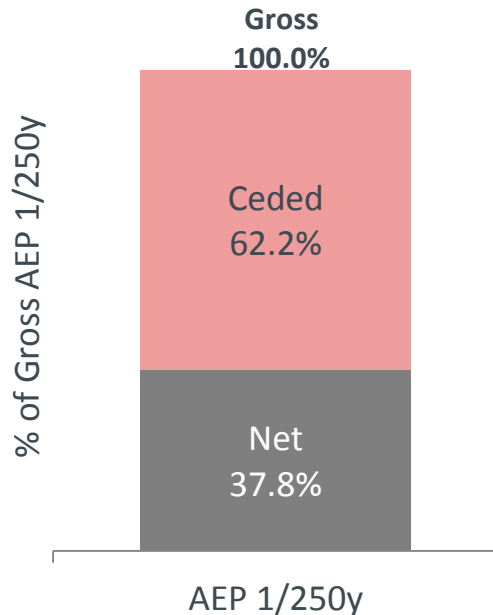
2. Catastrophe Risk Modelling in MAPFRE GROUP

- › Probabilistic scenario outputs – Group’s capital requirement for CAT risk and reduction through reinsurance type (AEP 1/250 yrs)
 - › All MAPFRE primary insurance entities / All perils / All territories



2. Catastrophe Risk Modelling in MAPFRE GROUP

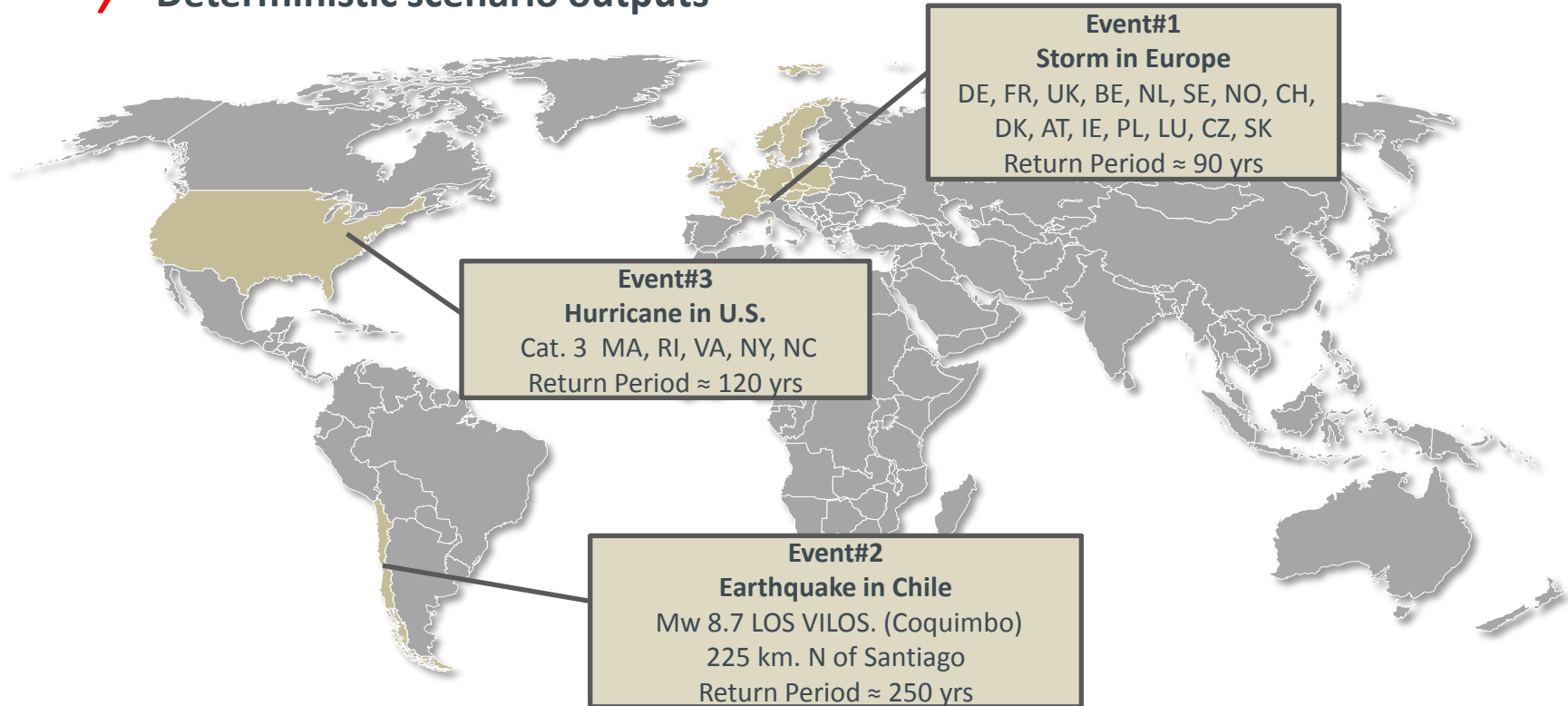
- › Probabilistic scenario outputs – Effectiveness of reinsurance structures
 - › Estimated “Cost of Capital” of Regional Cat XL (AEP 1/250 yrs)



	2017-18
“Ceded” Capital	100.0%
CAT XL Premium / Ceded Capital	-11.7%
Expected Recoveries / Ceded Capital	9.3%
Expected margin / Ceded Capital	-2.4%
Taxes	-25.0%
“Cost of Capital”	-1.8%

2. Catastrophe Risk Modelling in MAPFRE GROUP

> Deterministic scenario outputs



2. Catastrophe Risk Modelling in MAPFRE GROUP

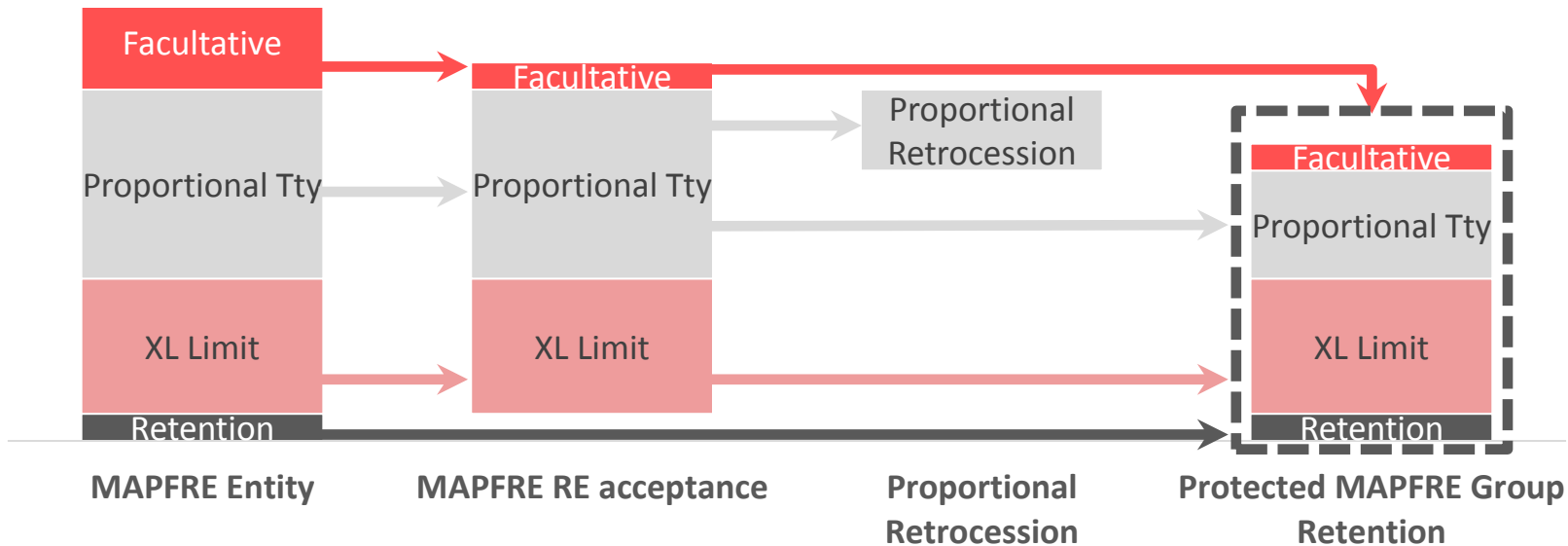
Deterministic simulation. Losses by Entity (redefined in % terms)

		Event	Entity	GROSS	Ced. Reins. Event	Ced.Reins. Frequency	NET
› Europe, Chile, U.S.	EUROPE Storm		MAPFRE GROUP	9.5%	7.2%	1.1%	1.3%
			Local				
			MGR	0.1%			0.1%
			MAPFRE RE	9.4%	7.2%	1.1%	1.2%
› Earthquake, Wind	CHILE Earthquake		MAPFRE GROUP	67.6%	67.6%	1.1%	0.5%
			MAPFRE Chile	38.6%	38.6%	0.0%	0.0%
			MGR	18.9%	18.3%		0.6%
			MAPFRE RE	10.1%	10.7%	1.1%	0.0%
	U.S. Hurricane		MAPFRE GROUP	22.8%	16.3%	3.2%	4.3%
			MAPFRE USA	15.2%	14.1%	0.0%	1.1%
			MGR	0.0%	0.0%	0.0%	0.0%
			MAPFRE RE	7.6%	2.2%	3.2%	3.2%
TOTAL 3 Events			GROUP	100.0%	91.9%	5.4%	6.1%

3. Reinsurance Design

- Group’s retentions protected under MAPFRE’s Cat XL (excludes MAPFRE RE “Non Group” business)

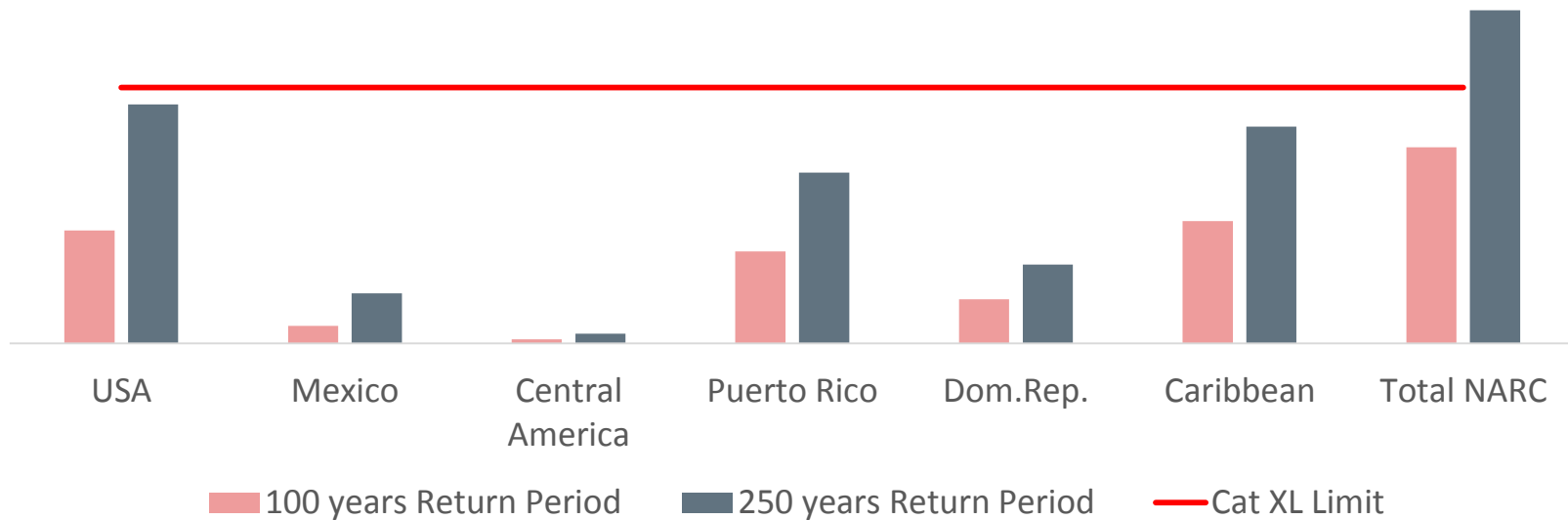
■ Retention ■ XL Limit ■ Proportional Tty ■ Facultative



3. Reinsurance Design

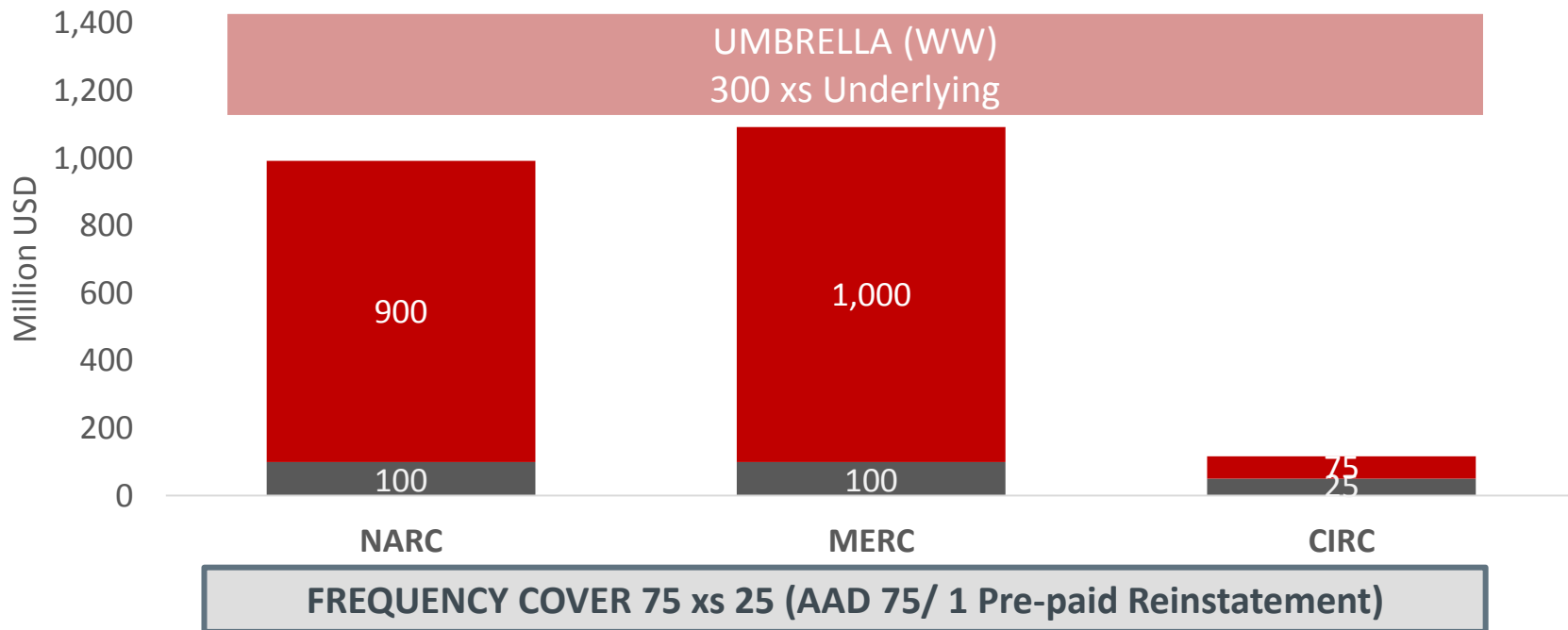
> Cat XL Regional Protections 2017-18

Determination of cover for North Atlantic Regional Cover (NARC) - OEP Losses



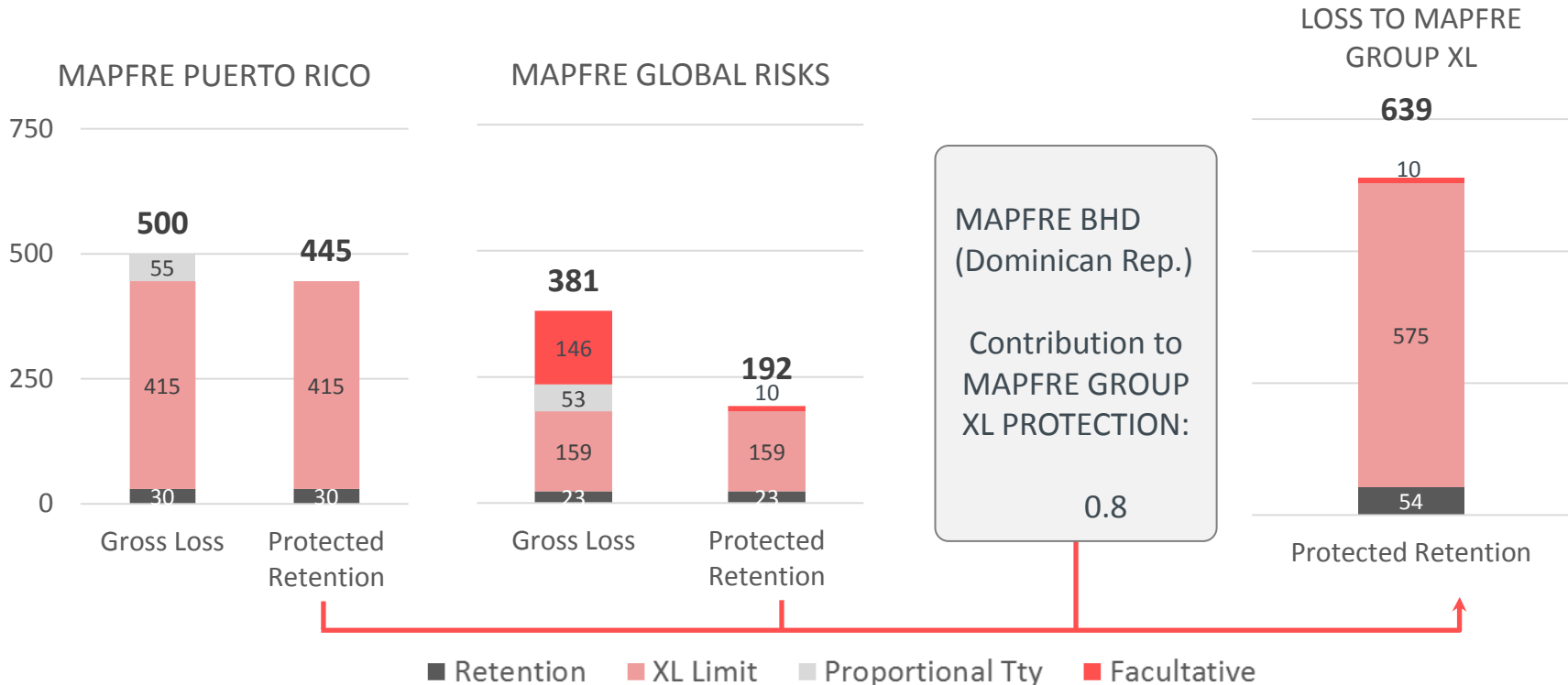
3. Reinsurance Design

> Cat XL Regional Protections 2017-18



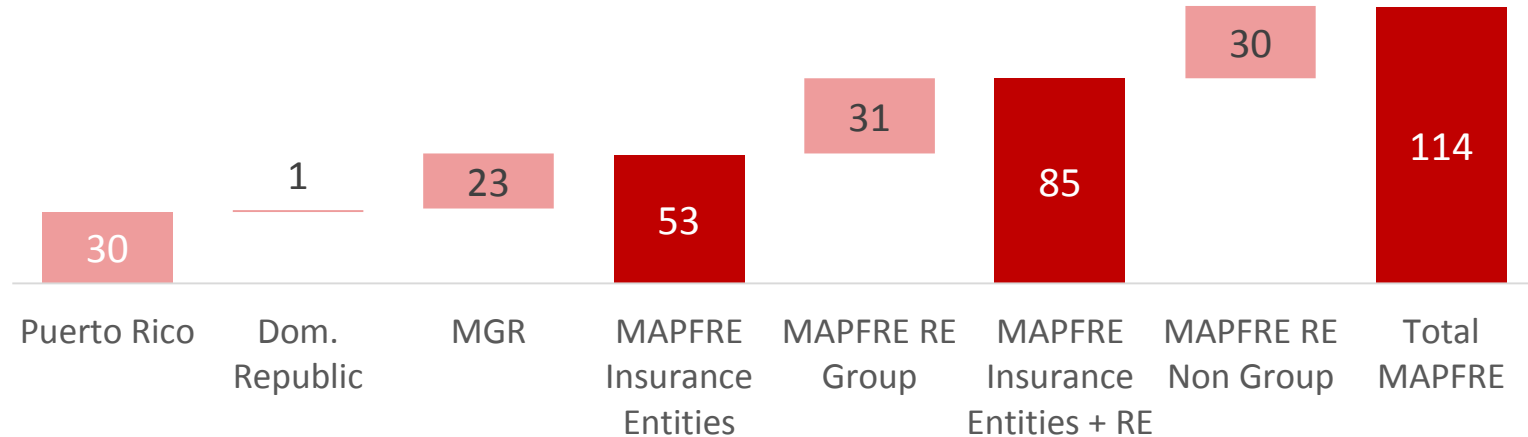
3. Reinsurance Design: Recent Catastrophic Events

› Hurricane Maria. Gross Losses (MAPFRE Insurance entities only)



3. Reinsurance Design: Recent Catastrophic Events

> Hurricane Maria. Net Loss (MAPFRE Insurance entities + MAPFRE RE)



3. Reinsurance Design: Recent Catastrophic Events

- > The initial **Net Loss estimates** released on Sept. 25th and detailed on the Q3 2017 Results Presentation **still apply**:

Figures in million EUR	MAPFRE GLOBAL	MAPFRE RE	PUERTO RICO	USA (FLORIDA)	MEXICO	DOMINICAN REPUBLIC	TOTAL
HURRICANE HARVEY	11.3	17.2	-	-	-	-	28.5
HURRICANE IRMA	22.5	13.4	10.3	1.1	-	-	47.3
HURRICANE MARIA	17.1	25.5	18.1	-	-	0.2	60.9
MEXICO EARTHQUAKE (CHIAPAS)	7.5	2.9	-	-	0.4	-	10.8
MEXICO EARTHQUAKE (PUEBLA)	14.6	13.7	-	-	0.6	-	28.9
TOTAL	73.0	72.7	28.4	1.1	1.0	0.2	176.4

3. Reinsurance Design: Recent Catastrophic Events

- › The initial **Loss estimates** released on the Q3 2017 Results Presentation **still apply**, but will be reviewed for the year-end closing:

Figures in million €	Gross Loss	Facultative Cession	Non CAT XL Treaty	CAT XL	NET	Frequency Cover ⁽¹⁾	NET (Pretax and non-controlling Interest)	(Posttax and non-controlling Interest)
HURRICANE HARVEY	40	-	-	-	40		40	29
HURRICANE IRMA	94	-1	-25	-	68		68	47
HURRICANE MARIA	943	-146	-108	-574	114	-24	90	61
MEXICO EARTHQUAKE (CHIAPAS)	18	-2	-1	-	15		15	11
MEXICO EARTHQUAKE (PUEBLA)	58	-3	-15	-	40		40	29
TOTAL	1,153	-152	-150	-574	277	-24	253	176

(1) The “Niño Costero” Loss contributes to triggering this cover

3. Reinsurance Design: Recent Catastrophic Events

- › Hurricane Maria
 - › MAPFRE Puerto Rico's conservative loss estimate, within our expectations and within Group's protection. Very effective use of market intelligence and local knowledge to build a high quality portfolio
 - › MAPFRE GLOBAL RISKS business includes a high degree of facultative cessions and event limits, which prevent strong deviations
 - › MAPFRE RE's impact is very moderate, due to certain underwriting decisions in the affected areas

4. Credit & Liquidity Risk

› Credit risk by rating level. Estimated recoverable for 3rd Quarter Events

Figures in million €	Facultative Cession	Non CAT XL Treaty	CAT XL	Frequency Cover	Total	%/ Total
AA	13	2	23	0	38	4%
AA-	14	41	401	13.2	468	52%
A+	42	76	95	10.56	223	25%
A	52	21	28	0	100	11%
A-	31	11	27	0.24	70	8%
TOTAL	152	150	574	24	900	100%

5. Contingency Plan and Disaster Recovery

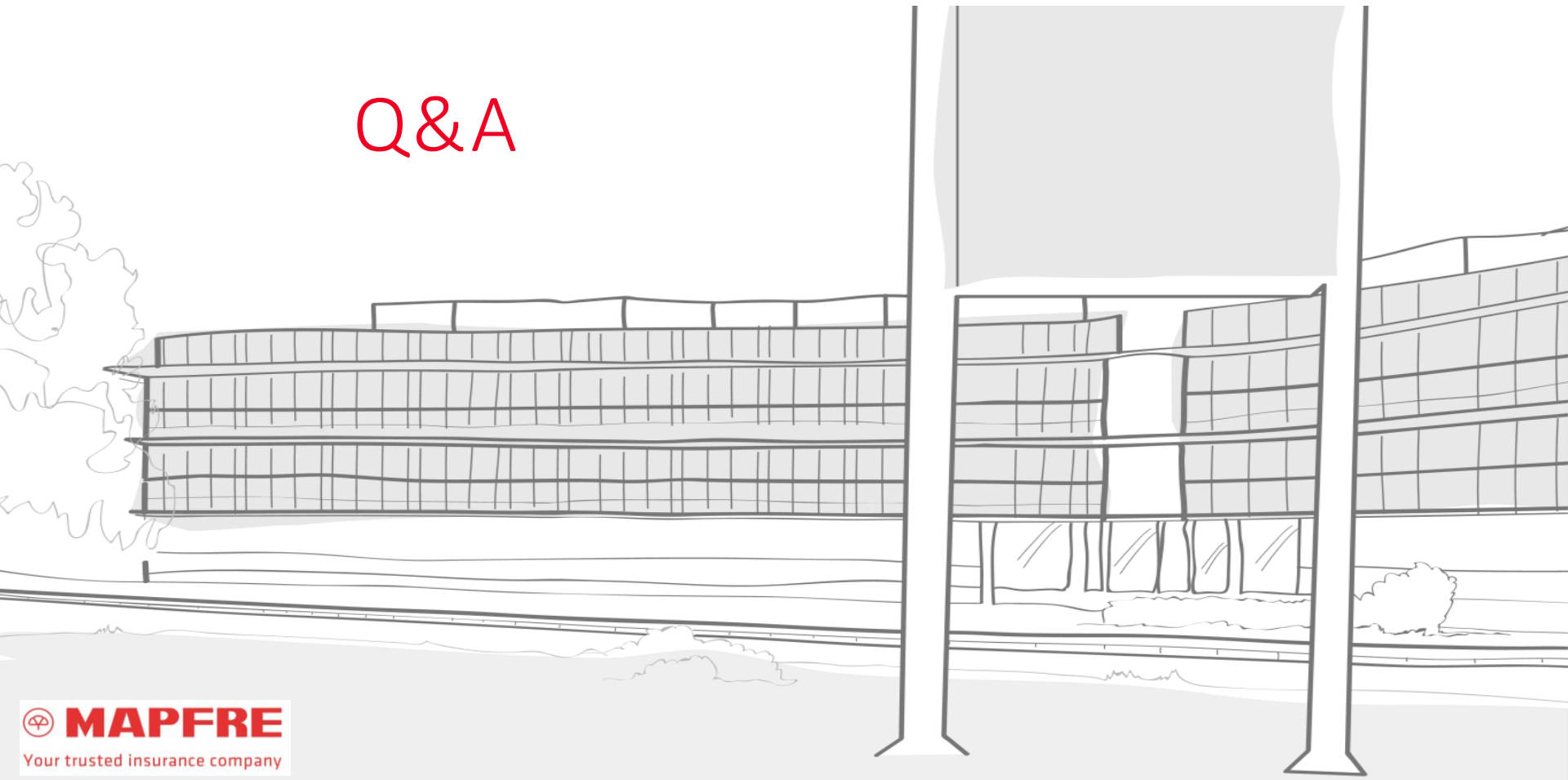
› **Corporate Business Continuity Plan**

- › Successfully deployed in all events & entities (Puerto Rico, Mexico, US)
 - › MAPFRE has been able to provide service to clients and community all the time
 - › Strengthening of wireless telecommunications & power generator infrastructures
 - › Call center support provided by adjacent countries
-
- › **Support to employees, families & communities in need**

Key takeaways

- › The events occurred this year prove the **effectiveness** of our CAT Risk Management Model
- › These events will have a **limited impact to earnings**. They **will not be a capital event**
- › The **Group's Cat reinsurance structure has proved very effective** for the protection of the MAPFRE entities

Q&A



04

INTERNATIONAL
BUSINESS &
MAPFRE USA

Jaime Tamayo

Alfredo Castelo

04.1

INTERNATIONAL BUSINESS

Jaime Tamayo

Restructuring of
International operations
Optimizing profitability

INTERNATIONAL BUSINESS: diverse markets

DIVERSITY

GEOGRAPHIC

DEMOGRAPHIC

LINGUISTIC

CULTURAL

ECONOMIC DEVELOPMENT

DEGREE OF MARKET MATURITY

NORTH AMERICA

USA

PUERTO RICO

APAC

INDONESIA

PHILIPPINES

EMEA

GERMANY

ITALY

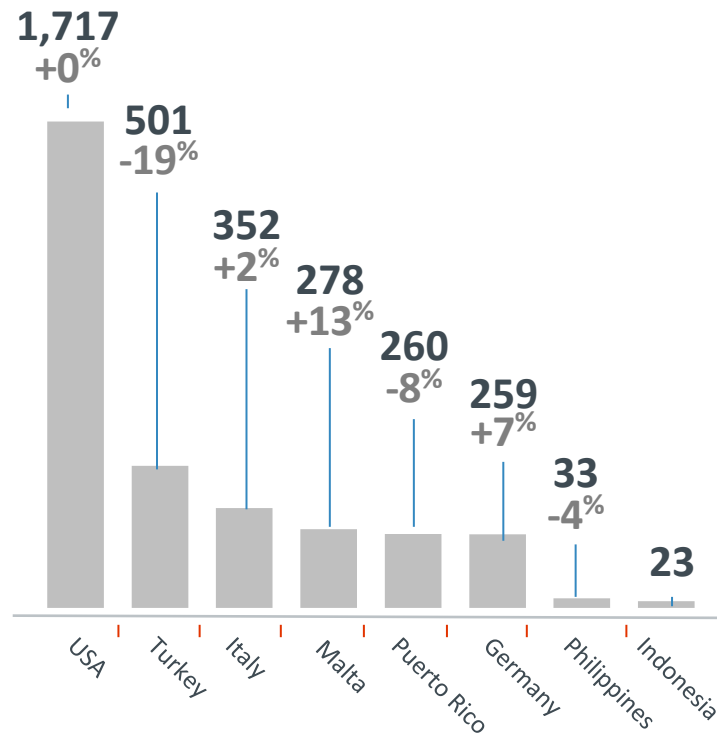
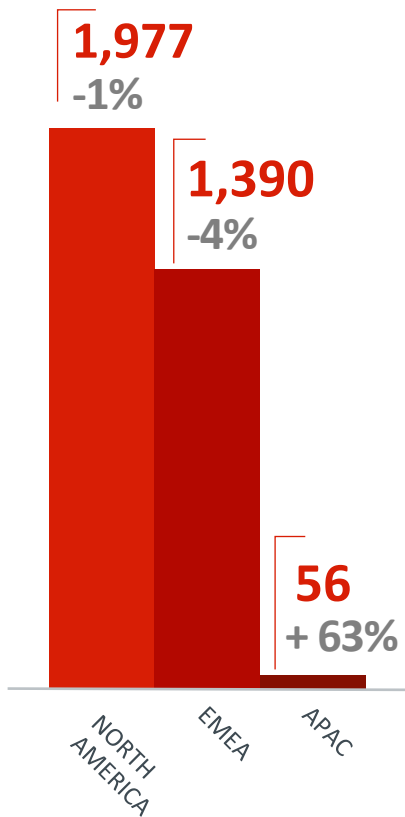
MALTA

TURKEY



INTERNATIONAL - 9M 2017

TOTAL PREMIUMS
3,424
 -2%



Million euros

2017 key achievements



Excellent results in Massachusetts (4.9% Premium growth/ 96.3% COR)

- › Launch of VERTI USA in Pennsylvania



- › Successful new branding of Verti Germany
- › Business diversification into digital life insurance



- › DL Italy's restructuring is delivering tangible benefits (net result up by 71% vs 2016)



- › Malta continues its sustained value-creation thanks to leadership in both Life and Non-life, strong partnership with Bank of Valletta and return to profitability in Non-Life



- › Turkey's result is up by 120% in local currency terms and almost 80% in euros vs. 2016

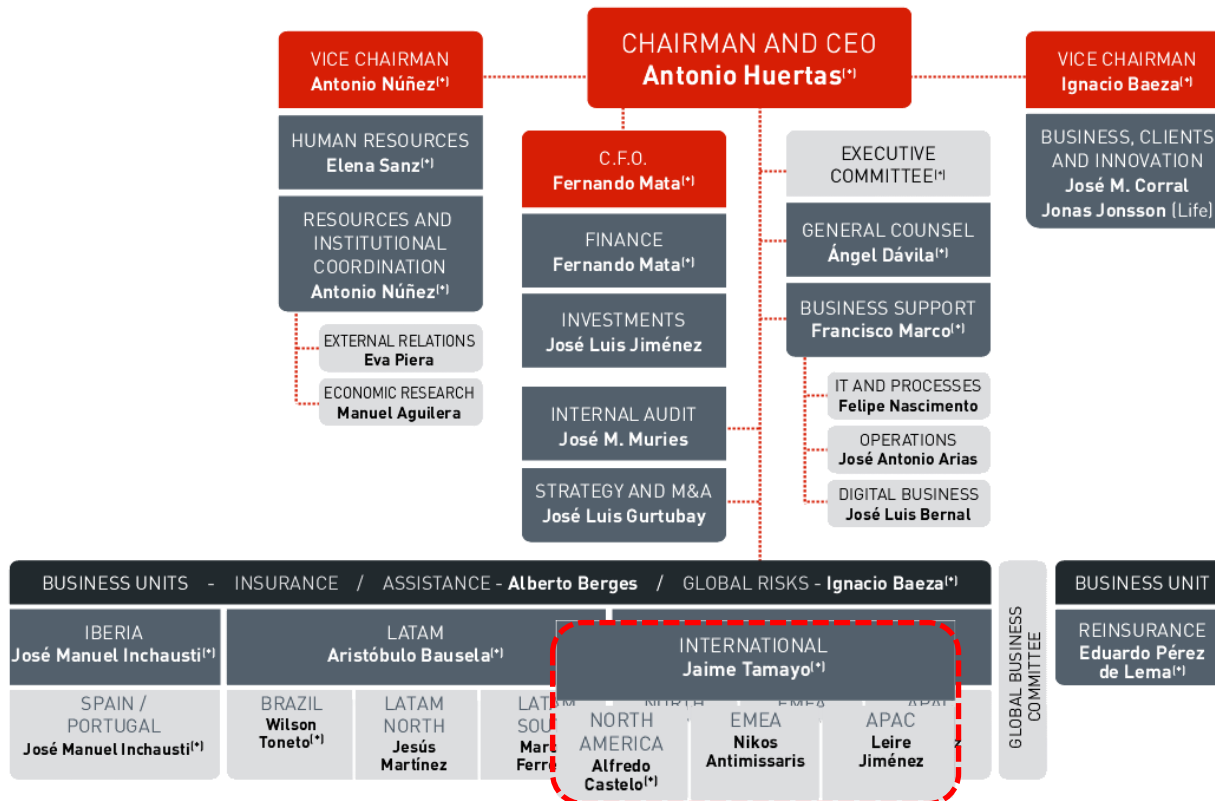


- › 62.3% stake in ABDA after takeover

ABDA – 9M 2017

ABDA INDONESIA	2016	2017
Issued Premium	56.9	56.5
Income from Investments	6.2	6.5
Total Income	62.8	62.7
Operating Expenses Ratio	31.9%	35.4%
Net. Acq. Exp. Ratio	16.2%	14.8%
Net. Admin. Expenses Ratio	15.7%	20.6%
Loss Ratio	61.0%	58.7%
Net Combined Ratio	92.9%	94.1%
EBT	10.01	9.41
Earning after Taxes	9.00	8.70

INTERNATIONAL – Current organizational structure



*Members of the Executive Committee

INTERNATIONAL – Restructuring of operations

MAPFRE USA is realigning and simplifying its operations IN A CHALLENGING ENVIRONMENT

- US Market showing 10 years of lack of technical profitability in Private Auto: 2016 COR at 106%
- Fastest Growth in a decade of Miles Driven due to a much improved economy
- Dramatic increase in loss costs (2015-2017)
- Distracted Driving now a major element of concern
- Weather still playing a key role
- “Marihuana States” now a reality of concern.

Total Focus on Profitability outside Massachusetts

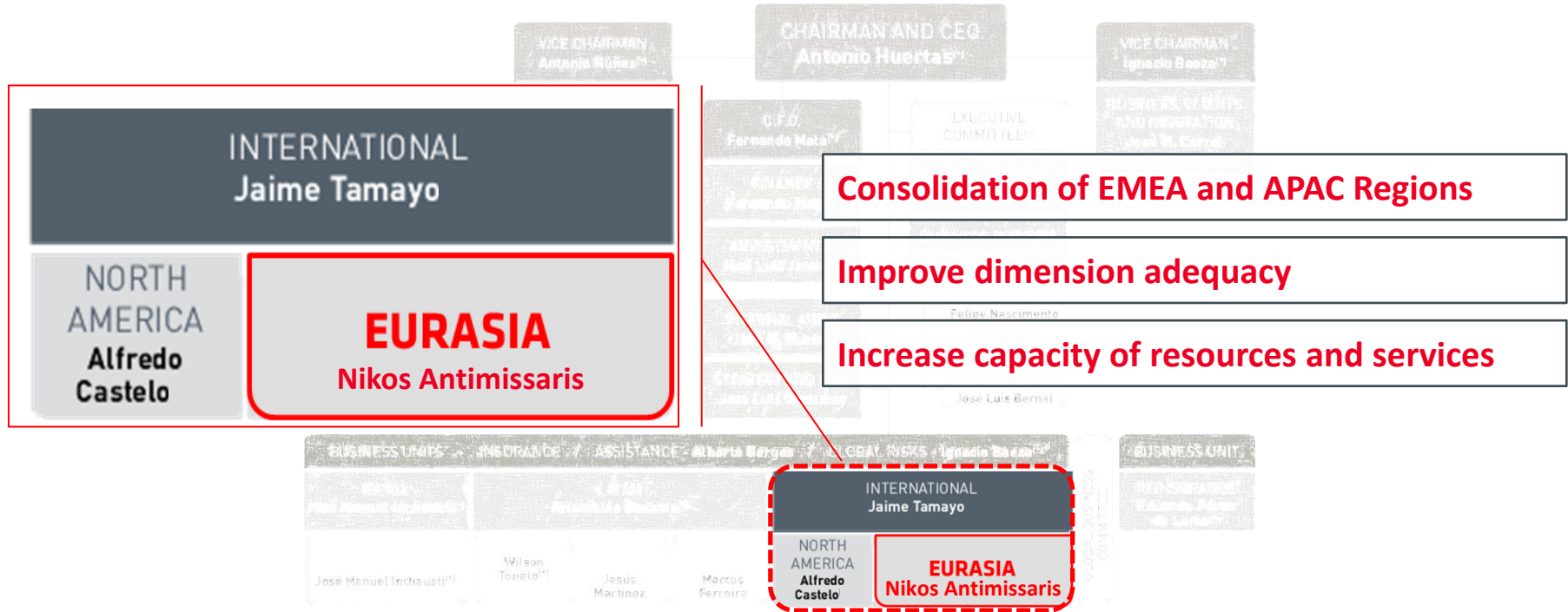
Reduced geographical footprint

More customer centric organization

Focus on Core Business and digital transformation



INTERNATIONAL – Restructuring of operations



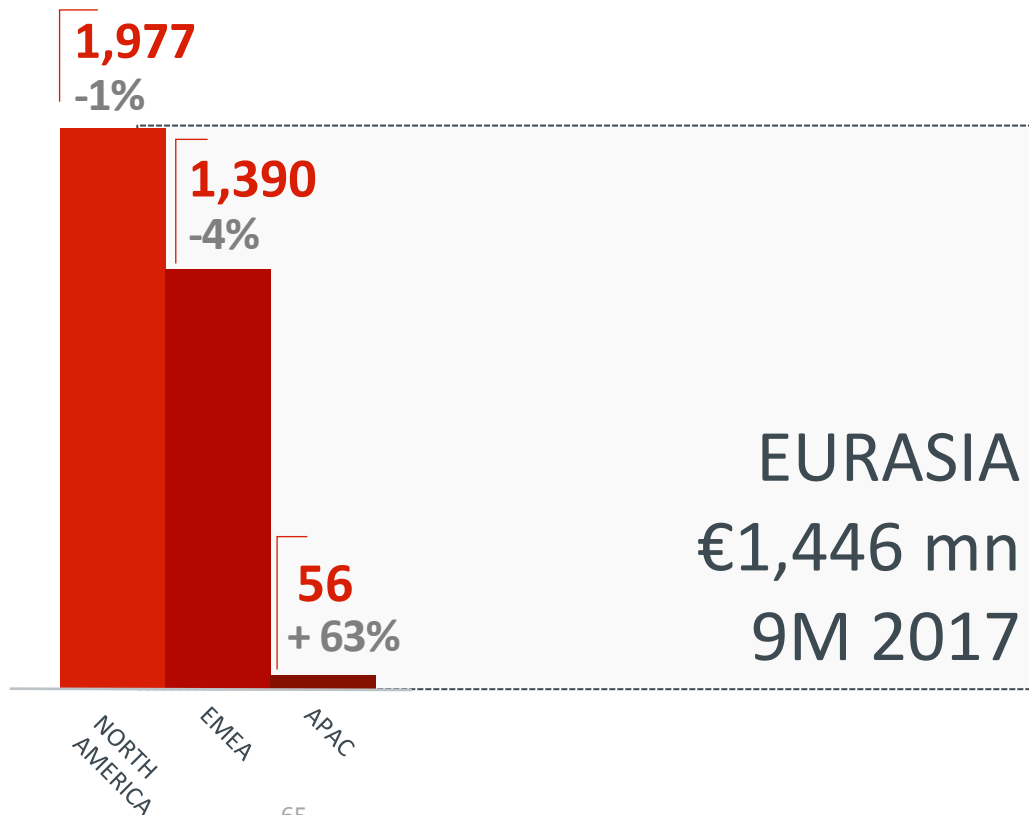
1 APAC Integration into EMEA Region creating **EURASIA** as of **1st January 2018**.

2 **Operations, Technology & Processes, Finance and Business & Clients** areas will be integrated in Eurasia to preserve our expertise and know-how in Asian markets and to keep on monitoring the operations in the area locally.

3 New strategic plan for **ROAD CHINA ASSISTANCE** as platform of Innovation and Development of the operation in China.

INTERNATIONAL - Premiums – 9M 2017

TOTAL PREMIUMS
3,424
 -2%



EMEA – Key financial highlights by country

	PREMIUMS			ATTRIBUTABLE RESULT			COMBINED RATIO		
	9M 2016	9M 2017	Δ	9M 2016	9M 2017	Δ	9M 2016	9M 2017	Δ
Turkey	617	501	-18.8%	22	39	77.4%	97.8%	96.5%	-1.2 p.p
Italy	345	352	2.1%	-40	-11	-71.4%	128.6%	114.2%	-14.4 p.p
Germany	241	259	7.5%	3	1	-67.2%	98.3%	99.0%	0.8 p.p
Malta	247	278	12.8%	1	3	214.9%	106.6%	96.5%	-10.1 p.p
TOTAL	1,450	1,390	-4.1%	-14	31	-324.3%	106.0%	100.7%	-5.3 p.p

Some challenges still remain

- › **MTPL regulation in Turkey** has materially changed the rules of the game and the negative effects will become more evident **in 2018**
- › **Turkish lira** will likely continue to be **volatile** in the short term
- › **DL Italy** needs to finalize its turnaround and enter **value-creation** mode
- › **Verti Germany's** continued growth has to keep materializing in **increasing ROEs**

TURKEY

MAPFRE SIGORTA has adapted quickly to the new market context in Turkey and remains one of the most profitable companies in its “Top 4” peer group

- › Continuous focus on **technical profitability** and average costs

- › **Client-oriented**: channel diversification following the MAPFRE model

- › **Cross-selling** into higher-profitable segments

- › Sustained **investment in technology**, both client-facing and back-office

Net combined ratio	9M 2017
TOTAL NON-LIFE	100.3%
Peer 1	90.7%
MAPFRE SIGORTA	96.5%
Peer 2	97.7%
Peer 3	111.2%
TOTAL MOTOR	102.5%
Peer 1	92.7%
MAPFRE SIGORTA	94.5%
Peer 2	97.5%
Peer 3	113.2%
TOTAL MOTOR-MTPL	107.2%
Peer 1	94.1%
MAPFRE SIGORTA	97.4%
Peer 2	98.5%
Peer 3	130.9%
<i>Figures in Turkish GAAP</i>	

ITALY

DIRECT LINE ITALY has almost completed its restructuring and now fully focused on building a profitable digital leader

- › The direct channel has been restructured according to plan and now back in **recovery mode**

- › 2018 **rebranding** will be a key milestone

- › MAPFRE in Italy is a key partner of choice for key **Automotive partners**

- › Focus on **expense reduction** is delivering tangible results

Key figures

	9M 2016	9M 2017	Δ
PREMIUMS	345.3	352.4	2,1%
<i>Direct</i>	178.7	148.3	-17.0%
<i>Partnerhsips</i>	166.6	204.1	22.5%
COMBINED RATIO	128.6%	114.2%	-14.4 P.P
<i>Loss ratio</i>	68.5%	74.4%	5.8 P.P
<i>Acquisition costs</i>	40.3%	24.5%	-15.8 P.P
<i>Administration costs</i>	19.7%	15.3%	-4.4 P.P
ATTRIBUTABLE RESULT	-39.8	-11.4	-128.6%

GERMANY

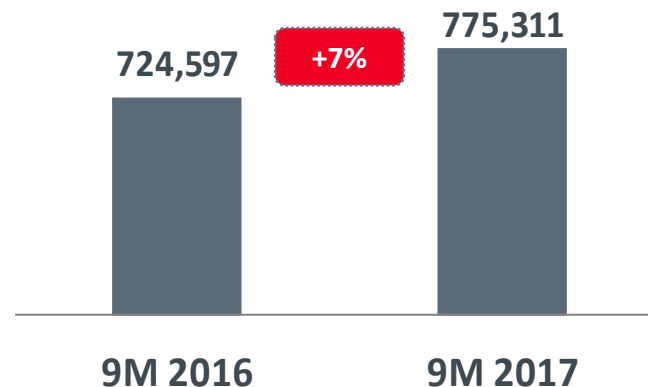
VERTI GERMANY'S model has been put to test and shows remarkable strength

- > The highly **successful rebranding** has confirmed the strength of our value proposition...

- > ... which has allowed **strong growth** in both policies and premiums...

- > ... while the focus on **technical management** has allowed VERTI Germany to withstand the worst hail season in years

In force policies



Key figures

	9M 2016	9M 2017	Δ
PREMIUMS	240.5	258.5	7.5%
<i>Renewal ratio</i>	90%	90%	
COMBINED RATIO	98.3%	99.0%	0.8 P.P
<i>ow hail&floods</i>	4.1%	7.5%	
ADJ. COMBINED RATIO	94.1%	91.5%	-2.7 P.P

MALTA

MAPFRE MIDDLESEA's decisive actions on the motor business and the successful partnership with Bank of Valletta continue driving sustained value-creation

- › Pricing actions in motor have allowed a significant improvement in **Non-Life profitability**

- › The multichannel strategy continues delivering **strong growth** in both Life and Non-life, further reinforcing our **#1** market position:
 - > **77,4%** Life market share
 - > **34%** Non-Life market share

Key figures

	9M 2016	9M 2017	Δ
PREMIUMS	246.9	278.4	12.8%
<i>Life</i>	203.4	232.0	14.1%
<i>Non-life</i>	43.5	46.4	6.7%
COMBINED RATIO	106.6%	96.5%	-10.1 P.P
<i>Loss ratio</i>	77.2%	69.4%	-7.9 P.P
MANAGED ASSETS	1,672.2	1,862.5	11.4%
LIFE VIF	59.9	64.4	7.5%

In a nutshell: MAPFRE is invested in a region with good growth opportunities

Real GDP growth forecasts

	2017F	2018F
TURKEY	5.0%	3.5%
ITALY	1.5%	1.3%
GERMANY	2.1%	1.9%
MALTA	4.1%	3.5%

04.2

MAPFRE USA

Alfredo Castelo

U.S. footprint

Moving toward a
streamlined geographic
presence

MAPFRE USA is realigning and simplifying its operations with main focus on profitable growth

Reduced geographical footprint

- › Exit five states
- › Adaptation of regional structure (three regions, instead of four)
- › Emphasis and focus on profitable North East region

Focus on core business

- › Focus on core business (Auto and Homeowner)
- › Commercial Lines (Auto & small business-BOP policies), focused on three states (MA, CA, and FL)
- › Launch of Verti USA

More customer centric organization

- › Digital transformation
- › Creation of Business & Clients and Business Support Areas
- › Appointment of CEO for North East region and empowering other regional leadership

MAPFRE is strengthening profitability initiatives in a challenging year for personal lines carriers

MAPFRE INSURANCE

Market context

- › Higher frequency and severity in Auto
- › Many weather related claims and wildfires
- › Auto Q2 Combined Ratio 106%

- › Rate filings, 36 in Auto and 17 in Homeowners in 2017
- › Enhance pricing engine outside Massachusetts
- › Strengthening of underwriting and claims guidelines
- › Underwriting process automation to reduce “premium leakage”
- › Agency Management, more than 300 agency contracts cancelled because of poor performance
- › Improve new business quality by introducing comparative rater strategies, to minimize adverse selection
- › Manage Loss Adjustment Expenses through automation and use of Preferred Repair Network
- › Strengthening of the technical area with new appointments (Chief Actuarial and Chief Technical officers)

Massachusetts: MAPFRE is the leading insurance company, with a mature and profitable business

Key figures – Massachusetts (mn USD)

	<u>9M16</u>	<u>9M17</u>	<u>Delta</u>
Premiums	1,273	1,336	4.9%
Technical income	46	39	-15.2%
Financial Income	69	61	-11.6%
Earning before Tax	115	100	-13.0%
Loss Ratio	71.6%	72.3%	0.7 pp
Expense Ratio	23.8%	24.0%	0.2pp
Combined Ratio	95.4%	96.3%	0.9 pp

- › **MAPFRE is the leading insurance company in Massachusetts** in Non-Life with important market shares:
 - › Private Passenger Auto: 25.5% (#1)
 - › Homeowners: 13.5% (#1)
 - › Commercial auto: 13.3% (#1)
- › **Growth** driven primarily by:
 - › Private Passenger Auto: 4.9%
 - › Commercial Auto: 11.4%
- › **Massachusetts is a mature and profitable state**
- › **Distribution in traditional channels** (independent agents and AAA)

Outside of Massachusetts: Focus on profitability initiatives

Key figures – Outside Mass. (mn USD)

	<u>9M16</u>	<u>9M17</u>	<u>Delta</u>
Premiums	564	519	-8.0%
Technical income	-60	-59	-1.7%
Financial Income	29	24	-17.2%
Earning before Tax	-31	-35	12.9%
Loss Ratio	89.8%	90.6%	0.8 pp
Expense Ratio	24.2%	23.6%	-0.6 pp
Combined Ratio	114.0%	114.2%	0.2 pp

- › **Fall in premiums (-8%), due to profitability initiatives:**
 - › New Jersey: -34.1%
 - › New York: -17.3%,
 - › Connecticut: -9.8%
 - › California: -8.6%
 - › Ohio: -13.5%
 - › Arizona: -10.4%
- › **Improvements in Auto loss ratio in two large Core States**
 - › California: -5.8 p.p.
 - › Connecticut: -3.0 p.p.
- › **Winter weather adversely impacted Pacific Northwest** in Q1, resulting in 91% loss ratio. The Q2 and Q3 loss ratio improved to 75%
- › **Hurricane Irma:** negatively impacted Florida

Core states: focus on eleven states, subject to profitable growth initiatives

› Contribution to MAPFRE USA:

- › ≈91% of premiums
- › ≈135% of earnings before tax

› Core states selection rationale:

- › Brand recognition in New England
- › Scale in Massachusetts and Connecticut
- › Effective multi-distribution strategy in California
- › Distribution agreements with AAA in Massachusetts, Washington, Oregon, Ohio and Idaho

Key figures – Core states (USD '000)

	9M17 DWP*	9M17 Combined Ratio
New England	1,397,199	96.4%
Massachusetts	1,335,579	96.3%
Connecticut	102,794	111.7%
California	98,224	112.4%
Washington	49,923	124.1%
Oregon	23,220	117.0%
Ohio	15,690	104.4%
Idaho	3,918	101.1%
Total Core States	1,690,968	99.5%

(*) Direct Written Premiums

Development states: subject to further profitability actions

- › **Contribution to MAPFRE USA:**
 - › ≈4% of premiums
 - › ≈-20% of earnings before tax

- › **Development states selection rationale:**
 - › **Florida and Arizona will be subject to further actions** to reinforce underwriting, pricing and distribution foundations prior to future expansion plans
 - › **Pennsylvania** is a new state with an immature book of business
 - › Complementary distribution strategy between MAPFRE Insurance and VERTI

Key figures – Development states (USD '000)

	9M17 DWP*	9M17 Combined Ratio
Florida	48,897	119.3%
Pennsylvania	11,206	132.8%
Arizona	10,720	129.4%
Total Development States	70,823	122.2%

(*) Direct Written Premiums

Exit states: decision to focus on core states

- › **Contribution to MAPFRE USA:**
 - › ≈5% of premiums
 - › ≈-15% of earnings before tax

- › **New York and New Jersey:**
 - › Highly Regulated (NY)
 - › Very litigious with high Personal Injury Protection Fraud
 - › Lack of scale to be competitive
 - › High Loss Adjustment Expense ratio
- › **Indiana/Kentucky/Tennessee:**
 - › Lack of automation
 - › Lack of scale to be competitive

Key figures – Exit states (USD '000)

	9M17 DWP*	9M17 Combined Ratio
New York	43,364	114.8%
New Jersey	33,285	123.6%
Tennessee	11,298	106.9%
Kentucky	3,153	96.3%
Indiana	1,999	142.5%
Total Exit States	93,099	117.0%

(*) Direct Written Premiums

Exit states: orderly withdrawal with commitment to our customers and agents

- › **New York:** MAPFRE has already engaged the services of an investment bank to pursue the sale of its New York subsidiary, MAPFRE Insurance Company of New York
- › **New Jersey, Kentucky, Tennessee and Indiana:** The Company is taking all steps necessary to produce an **orderly withdrawal** for the other four states, including the pursuit of replacement carriers transactions where viable
- › **MAPFRE is committed to its customers and agents** and will continue to operate in these states with the same high level of customer service
- › **Regulatory compliance** will determine the time require to complete the exit

New regional structure aligned with business strategy

- › **More streamlined structure** (reduction from 4 to 3 regions)
- › **New operational structure with its new core state footprint**, brings decision making process closer to the states of operation, both from a technical and business development standpoint
- › **Provides additional empowerment and accountability to regional leadership** (underwriting, claims, operations, etc.)

Northeast region

- Massachusetts (*)
- Maine
- New Hampshire
- Rhode Island
- Vermont

East Central region

- Connecticut
- Florida (*)
- Ohio (*)
- Pennsylvania

Western region

- Arizona (*)
- California (*)
- Idaho
- Oregon
- Washington (*)

Digital transformation: strategic pillar at MAPFRE USA

VERTI USA

- › Soft launch in October, offering Auto Insurance to digital customers in Pennsylvania
- › Truly direct to consumer digital insurance operation with state of the art IT platform

MAPFRE INSURANCE

- › MAPFRE Insurance will leverage the learnings from VERTI in its digital transformation process
- › Digital Transformation will focus on customer engagement and operational digitalization
- › Deployed center of competence for Intelligent Automation processing
- › Deployed center of excellence for predictive analytics with the implementation of marketing, underwriting and claims models

Key messages

- › **Strategic realignment and focus on core markets:**
 - › Reinforced market position in Massachusetts/New England
 - › Profitable growth strategy outside of Massachusetts

- › **More customer centric organization with regional empowerment and accountability**

- › **Digital transformation to meet changing customer expectations and operational efficiencies**

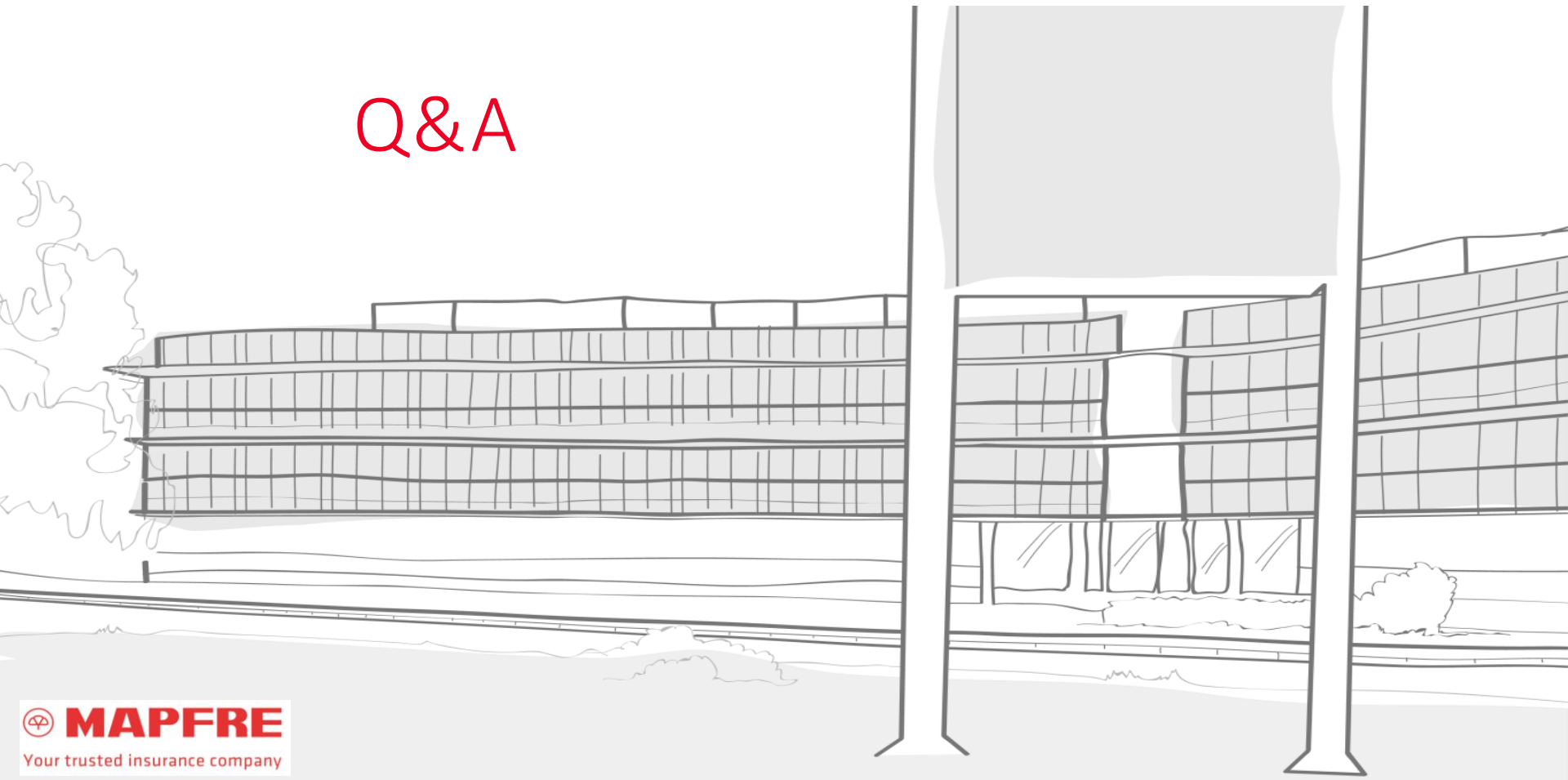
Key messages

- › **MAPFRE INSURANCE 2020 targets***:
 - › Average growth: $\approx 4\%$
 - › Combined ratio: $\approx 97\%$
 - › ROE: $\approx 8\%$

Positioning MAPFRE USA for success through a focused business strategy

(*) MAPFRE INSURANCE does not include Verti

Q&A



05

CLOSING REMARKS

Antonio Huertas

**Profitable growth
strategy**

Accelerating our
transformation

On the right path to achieve our targets

- › Positive underlying trends and **strategic plan on track**

- › **Value creation** through capital management

- › **Effective** Cat protection program

- › **Restructuring in International units**, focusing on US footprint

Prepared for the digital transformation to come

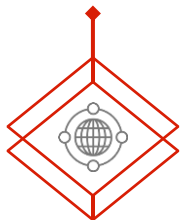
- › **Changes** in the essence of the insurance model

- › Empowerment of the **connected client**

- › **Human** element

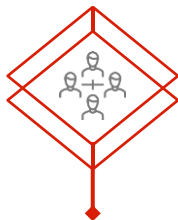
Profitable growth levers

Multi-channel
approach



Reinforced
internal structure
(local, regional,
corporate)

Client
focus



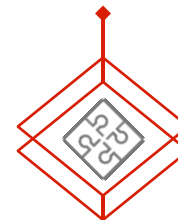
Secure **information,**
systems and
professional **teams**
to achieve excellence

Technology and
digital service
as **allies**



More
self-governance
and **control**

Agent
challenge



New strategic initiatives



SAM 3.0

NEW AUTO INSURANCE

Different & simple
mobility insurance **solutions**



PREDICTIVE MODELS

Automatization of
simple insurance
processes



BIG CITIES

Taylor made
products & services
for the **urban client**



DIGITAL HEALTH

Simple & low-cost
digital **health insurance**



DIGITAL CHALLENGE

Cultural and **organizational**
transformation

ALL ONGOING

The first phase of these
initiatives should be
finalized in 2019

Conclusions



We are sustaining **revenue growth**



Enhanced efficiency, automation and cost reduction



Financial **returns**

MAPFRE's business model and strategy will ensure recurring profitable growth in the coming years

Thank you

