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Speech  
Annual General Meeting 2017

**Good morning, Shareholders, and a very warm welcome.**

As our Vice Chairman Antonio Núñez has explained, MAPFRE's income statement for the 2016 financial year has been marked by an upturn in earnings, consistent with our strategy of focusing on profitable growth, and by a moderate improvement in the Group's revenue.

It is important to highlight the efforts made by MAPFRE in 2016 to prioritize its activity in those businesses that deliver profits to the Group. This strategy, which has resulted in the cancellation of loss-making policies amounting to 388 million euros, is what has clearly contributed to the remarkable growth in our profits.

We will now take a closer look at the performance of the key business figures from the past year.

The Group's consolidated revenue exceeded 27 billion euros, which represents a 1.5 percent increase. Direct insurance and accepted reinsurance premiums, which account for the vast majority of our revenue, amounted to over 22.8 billion euros, up 2.2 percent. The chart shows details of Non-Life and Life premiums, with growth rates

of 1.5 and 5 percent, respectively. Gross financial income amounted to over 3.76 billion euros, with the slight decrease here due to the low interest rate environment in Europe. Finally, other revenues, mainly related to non-insurance activities, likewise experienced a decrease as a result of the Group's previously mentioned strategy of focusing on the most profitable businesses.

Moving on to an analysis by business type, the most important line was Motor, with more than 7.37 billion euros and growth of 4 percent. Second place corresponds to the general insurance segment, which showed a slight fall due to a significant two-year premium issued in 2015 in LATAM. Life premiums exceeded 4.4 billion euros, a rise of 5 percent, despite the impact of the economic slowdown in Brazil. The Health and Accident lines exceeded 1.2 billion euros in premiums, with significant growth in Iberia. Finally, Other Non-Life, which mainly includes Third-Party Liability and Assistance premiums, decreased due to the transformation processes underway for certain businesses.

The breakdown of premiums shows the importance of the contributions from the insurance companies, which exceeded 18.7 billion euros in 2016. MAPFRE RE's reinsurance premiums ranked second in order of importance, with a remarkable 13 percent rise. Finally, the figures for Global Businesses, as well as for the Assistance premiums and services, both exceeded the billion euro mark.

Attributable earnings reached 775 million euros, an increase of 9.4 percent. The chart gives us an overview of the various components of MAPFRE's profits, along with variations in millions and percentages with respect to the previous year. As you can see, the Non-Life and Life results exceeded the 2015 figures by 313 and 48 million, with growth rates of 34 and 7 percent, respectively.

The Other Concepts column – which includes activities such as the Holding company's expenses, adjustments for inflation and results from discontinued operations – reveals a net expenditure in 2016 of 173 million, compared to last year's revenue, which was due to the sale of the Catalunya Caixa insurance business. Finally, the taxes incurred on revenue totaling 560 million euros, and stakes in our

minority interests, amounting to 470 million, produced a net profit of 775 million euros.

As for profits by business unit, the most noteworthy are, for their relevance, the contributions of the insurance companies, and MAPFRE RE, for its growth, with an increase of 22 percent. Global Risks posted a 18 percent drop in profits, affected by an increase in severe loss frequency. Finally, ASISTENCIA recorded a loss of 56 million, stemming from the business restructuring process it is currently undergoing.

Now let's analyze a key aspect of the Group - the Non-Life combined ratio, which represents the percentage of claims and expenses in relation to premiums, and which showed an improvement of 1.2 percentage points in 2016.

By region, Iberia and Brazil both had ratios of 94 percent, while LATAM and North America came very close to 100 percent. EMEA and APAC, whose operations are in the midst of transformation

processes, still have ratios that will have to improve in the coming years.

The return on shareholders' equity, or ROE, stood at 8.8 percent at the close of 2016, up eight tenths of a point from the previous year. By unit and country, Spain Non-Life and MAPFRE RE stand out, with ratios above 15 percent; likewise Brazil and Global Risks, with ratios of around 12 percent.

The following slide offers details about premiums and profits for the different geographic areas. Iberia remains the Group's main contributor, both in business volume and contribution to our profit.

It is followed by Brazil and North America, which are the second and third largest generators of premiums and profits for the Group. Next is EMEA, with more than 2.5 billion euros in premiums, although it posted a negative result in 2016. LATAM South and LATAM North make positive contributions, albeit with moderate figures, given the region's economic context. Lastly, as you can see, the APAC

figures are still rather low within the overall framework of the company.

Let's now take a look at developments with the Group's equity. Shareholders' equity increased last year by 553 million, reaching over 9.127 billion euros. This 6.4 percent growth was mainly due to the year's profit, once the dividends paid to shareholders were deducted. The revaluation of the U.S. dollar and the Brazilian real increased the value of our subsidiaries by 218 million, which is reflected in the chart as currency conversion differences. Finally, the concept "Other" consists mainly of the purchase of treasury stock carried out in the first quarter of 2016.

With regard to the most relevant balance sheet figures, total assets exceeded 67.8 billion euros, of which over 48 billion correspond to Investments and Cash. Approximately 81 percent of these investments correspond to fixed income, around 17 billion euros of which are invested in official institutions or Spanish sovereign debt.

Lastly, the end-of-year direct insurance technical provisions amounted to approximately 48 billion euros.

At this point, I would like to refer to the Group's financing structure, which presented a debt ratio of 16 percent, one of the lowest among the major European insurers. This fact, together with the Solvency II ratio, which shows a stable result of around 200 percent over the year, provides MAPFRE with a high level of financial strength.

Next, I will discuss MAPFRE's shareholding structure, dividend policy and stock market performance.

As of December 31, 2016 MAPFRE had more than 236,000 shareholders owning the 3.08 billion outstanding shares. MAPFRE holds 30.5 million of these in treasury stock, equivalent to 0.99 percent of the share capital, mostly acquired in the first quarter of 2016.

With regard to the financial indicators related to the share value, the earnings per share for financial year 2016 came to just over 25 euro



cents. The price/book value ratio stood at 0.98, which means that MAPFRE's market capitalization at the close of 2016 was very similar to its shareholders' equity. Finally, the PER –price/earnings ratio – stands at 11.5, which means that the market values MAPFRE at more than 11 times its earnings.

As you all know, MAPFRE'S majority shareholder is Fundación MAPFRE, with 67.6 percent of the capital, and additionally MAPFRE holds 0.99 percent in treasury stock. The rest of the capital is largely distributed between two investor profiles: firstly, 32 institutional investors who hold 20 percent of the capital, with practically all of them – 94 percent – being international investors. The remaining 11.3 percent of the shareholders are small and medium-sized investors, of whom 94 percent are residents in Spain.

I would like to discuss the effort the company has made in transparency over the last year, in order to improve communication with its shareholders, and as part of its previously mentioned transparency plan. Within this plan, we organized the first Investor

Day last November in Madrid, and we have held separate meetings with retail shareholders in Madrid and Barcelona.

With regard to institutional shareholders, this slide provides a summary of the intense communication activity carried out in 2016.

These are all examples of the effort MAPFRE is making to put its corporate information across in an increasingly transparent manner and, above all, forge closer ties with its shareholders.

The information displayed here shows the performance of the dividends over the past five years, including those for financial year 2016, which are subject to approval at this Meeting. Should the Board's proposal of 14.5 euro cents per share be approved, 2016 will be the year with the greatest dividend figure paid in the last five years, with an outlay of 447 million euros. Moreover, the payout ratio, which is the percentage of earnings paid out in dividends, will be the highest in our history, at 57.6 percent.

Finally, before concluding, I would like to comment on the performance of our shares in the stock market over the last year.

The trend was very positive, clearly setting us apart from both the IBEX-35 and the DJ Stoxx Insurance index, which is a composite insurance company index. During 2016, our share price rose by 25.4 percent, a difference of over 27 points with respect to the Spanish index, and 31 points with respect to the European sector index.

If we analyze the stock market performance of our shares since the AGM held last year – when MAPFRE presented its strategic objectives for the current three-year period – up to the close of February 2017 the revaluation of the share price is over 50 percent. This is the best indicator of the confidence you shareholders place in MAPFRE's management and strategy.

That is all from me today. Thank you very much for your attention.