



AGM 2018  
SPEECH  
ANTONIO HUERTAS

At this point, dear shareholders, we'll move on to the final phase of this Annual General Meeting.

I would like to thank you once again for the trust you have placed in us.

2017 has been the year in which we can speak, more than ever, if that's possible, of:

- Commitment and
- Strength

COMMITMENT, fully evidenced with all our stakeholders:

- Commitment, first of all to you, our shareholders, because we have been able to maintain a handsome dividend, in terms of payout, amount and profitability.
- Commitment to our clients all around the world, but especially those living in countries that have experienced catastrophic events. Our efforts to provide them with proper assistance in a timely manner are still ongoing, and we remain deeply committed to meeting their needs as quickly as we can.
- Commitment to the most vulnerable people that also live in those countries who we have assisted directly, with thousands of MAPFRE volunteers providing them with basic necessities, food and drinking water.



- Commitment to our employees in these areas who we have also helped, so that their lives can return to normal as soon as possible.
- And in general, commitment to everyone, intermediaries, providers and other collaborators, as it is thanks to them that the strengths that MAPFRE offers have been professionally and efficiently delivered.

Especially worthy of mention is Puerto Rico, a country that was truly ravaged by hurricanes Irma and María, which saw practically all of its inhabitants affected in some way. And our employees and collaborators suffered too. I would like to make special mention here of the exceptional efforts being made to meet our commitments across the island.

STRENGTH, as we were able to effectively protect MAPFRE's assets, in that these catastrophic events that occurred in the past year had only a limited impact on our accounts. The quality of our reinsurance programs, MAPFRE's financial muscle and the professionalism of our teams were key factors in this.

Strength was also clearly indicated by the results that we have just presented, which were extremely positive: revenue is up, we've cut costs and raised attributable profit sharply, excluding catastrophes, and consolidated our position in the major markets.

There is no question that 2017 has been a good year for MAPFRE. Consequently, it has been decided to maintain the same dividend in absolute values, increasing our payout generously from 57.6% to 63.7%.

2017 was also the second year of development under our three-year Strategic Plan, titled "Focus on Profitable Growth," which stands on four core pillars: client orientation, excellence in technical and operational management, digital transformation, and culture and human talent.



Progress can be described as very positive in this second year of the Plan, as we have successfully executed more than 98% of the projects planned under our strategic initiatives, and met 75% of our objectives.

Allow me now to firstly present you with a preview of our strategy development, and to then review each MAPFRE region worldwide, with a few words about their respective economic environments, and the opportunities they offer for developing the insurance business.

As regards development under our CLIENT ORIENTATION strategic action line, 2017 saw a number of projects completed in almost all the countries where we operate.

We have gotten closer to our clients through awareness of their experience as clients. With this extensive information, we will be able to improve our product and service offerings. We will adapt our coverages to new needs and respond effectively to the requirements of different types of consumers, incorporating the “family” concept into our management model.

Furthermore, the economic and social transformation in which we are engaged means that we have to continue developing. The client expects more from us and we need to be ready to step up.

As far as DIGITAL TRANSFORMATION goes, over 200 projects were completed in 2017. With private clients, these projects revolved around boosting attraction and loyalty. With intermediaries, the focus was on equipping them with mobile tools that gave them access to the most complete information possible.

As for providers, digital solutions have been deployed to also improve their mobility, facilitating them in managing and executing assigned services from mobile devices. We are constantly making more and more use of digital dispatch to increase satisfaction levels for our clients and reduce internal costs.

The Digital Transformation initiative will continue driving projects that contribute to improving MAPFRE's digital maturity, and its ability to respond to the needs of our clients, distributors and providers in an agile manner.

We have incorporated new usage and analysis methodologies on social networks. A greater awareness of the people that interact with MAPFRE through them will make it possible for us to deliver greater value and a better experience.

As for Digital Business, various activities were undertaken during 2017 in aspects such as digital marketing, combating fraud, reducing acquisition costs and developing aggregators, which have made it possible for us to increase business and improve profitability.

We will continue our efforts along these lines in 2018, improving our processes for selecting and underwriting risks. As you are aware, we have two completely digital brands, VERTI and INSUREANDGO, and we will continue promoting the MAPFRE brand, increasing sales and digital development.

As for EXCELLENCE IN TECHNICAL AND OPERATIONAL MANAGEMENT, the implementation of the Contact Center model in 2017 has resulted in more efficient operations, boosting productivity by 11% and improving immediate client response levels by 9%.

A remodeled corporate self-direction solution is also being designed for end clients. It's also important to note that there have been numerous advances in intelligent automation, with more than eight million automated transactions processed in just nine months, with less processing time and improved final quality.

As for the Global Provider Management Model, transformation plans are being implemented in 24 countries. The model is already yielding positive results both from the point of view of cost control and improvements in client experience.

There were significant advances in 2017 in defining and delivering corporate solutions that are optimizing investments, reducing development times and improving processes.

New operating processes for issuing and claims will be implemented in 2018; we will forge ahead with our commitment to intelligent automation and we will complete our initial testing of cognitive intelligence solutions.

As for our HUMAN CULTURE AND TALENT strategic pillar, now more than ever, people management is acquiring a special relevance for a global company like MAPFRE – present on five continents and with employees from 81 nationalities. We work to integrate the different generations of employees who work together at the company, maximizing each one's knowledge and experience. We exploit the advantages in new technologies and social networks to adapt our work processes to new economic and social environments. We emphasize internal communication to involve all our employees in the strategy, objectives and culture of our company. And we specifically promote professional career path design, and are committed to both the professional and geographical mobility of our employees in order to have more global, versatile teams in place.

But all this still doesn't seem enough to us. Transformation and digitalization must go hand in hand and be reinforced to speed up changes and reduce completion times. In order to do this, we underpinned our Strategic Plan in 2017 with five new initiatives to respond to the new trends and challenges of the market. These are:

- **LARGE CITIES DEVELOPMENT**, which will boost increased presence on the part of MAPFRE in densely populated urban centers. These consumers demand new tools, based on connectivity and accessibility, and we need to be able to offer them to them.
- **SAM 3.0 (MAPFRE 3.0 Auto Insurance)**. The car is going to be a very different thing to what we're used to within a short space of time, connected, and with driving aids, both assisted and at some point, autonomous, and so we have to find solutions for this.
- **DIGITAL HEALTH**. Health insurance must be further expanded to a wider social base that still doesn't enjoy its benefits. MAPFRE can lead this process, taking advantage of opportunities in the digital world.
- **PREDICTIVE MODELS**. We will use our data knowledge to design analytical and predictive models that will enable us to provide, automate and execute processes and operations.
- **DIGITAL CHALLENGE**. This initiative will allow us to manage the internal change that MAPFRE requires to adapt itself to new connected digital world. We will provide the work environment with tools that improve flexibility, preparedness, workplace collaboration and shared knowledge. We are also focusing on developing digital profiles and new forms of professional leadership and development.

We also understand the need to drive INNOVATION at MAPFRE. We have to protect ourselves against the entry of new business models into the market, and we need to stimulate the organization to make it more flexible and efficient. As such, we have decided to roll out a group of transformation and innovation platforms (MAPFRE OPEN INNOVATION), which will take in the current strategic innovation model, as well as the following elements:

- Innovation offices in countries and business units that will continue to respond initiatives in the strategic plan.
- An Accelerator, the priority of which will be to find new and more innovative solutions for existing needs, related primarily to automobiles, homeowners and health. It will collaborate with startups in launching business models that may be included within our strategic initiatives in the medium-term.
- A “Garage”, which will be the most disruptive team, and which will work on finding solutions that can be applied over the longer term.
- A collaborative model with Universities and Business Schools to cooperate in developing innovative projects.
- An investment vehicle to participate in venture capital companies that focus on seeking out disruptive innovation related to the insurance sector.

A senior Group manager, José Antonio Arias, has been selected to oversee this complete innovation system. He is going to constitute a Transformation and Innovation Committee, led by myself, which will establish the steps to be taken, approve the most pertinent projects and take responsibility for executing same. In addition, the Board of Directors has approved assigning 1% of annual gross profits to invest in various innovation platforms, outside of the potential investments in startups venture capital funds.



As you have seen, Fundación MAPFRE will also promote innovative solutions, with the recently created Social Innovation Awards.

Dear shareholders, as you can see, our transformation process is proceeding at a dizzying pace. While maintaining the solid base of the our Group, we are innovating in every area that could help convert us into a better company - more agile, more advanced and more efficient, without losing our focus on the two principal drivers of our activity: the client and business profitability.

But all this happens within our own view of the business, and so permit me to return to what are the two absolutely defining concepts for MAPFRE in relation to our insurance activities - STRENGTH and COMMITMENT.

All these strategic changes that we are implementing seek always to leverage the STRENGTHS of our business model, our solvency and our capacity to predict and reduce volatility in our results. All of which is further designed to meet our COMMITMENTS to all our stakeholders. We hope that this commitment will also inspire you to continue trusting and supporting MAPFRE's development.

We are now going to present a summary analysis of the worldwide regions in which we operate, as well as their business prospects.

Given the strength that the global economy is currently showing, we hope that 2018's growth will maintain the same pace of last year. Therefore, we expect it to be around 3.7%, growing in both developed and emerging markets, with the latter being led by China's strength and Brazil and Russia exiting recession.

However, risks that may affect economic growth still abound. Among them are the possibility of an increase in geopolitical tensions with global impact, the margin of uncertainty concerning U.S. economic policy and potential governance problems in various countries.



As far as the insurance industry goes, 2018 looks set to be another favorable year for global development. We see positive growth in Life and Non-Life, and in both developed and emerging markets. The latter will lead this process, with higher elasticity of demand for insurance as the economy expands, as a result of lower penetration.

We will commence our review of the regions with IBERIA.

Looking into 2018, the Spanish economy may be expected to cool off somewhat, and may end up at around 2.6%. Among other things, this slowdown can be explained by the eventual rise in oil prices and the initial effects of the stimulus withdrawal on the part of the European Central Bank, as well as the dent in investor and consumer confidence coming on the back of instability in Catalonia.

The pace of economic activity in Spain in 2018 will continue to stimulate growth in the insurance sector, especially in Non-Life insurance. As for Life insurance, the principal challenge will continue to be the low interest rate environment, which is expected to persist until the end of 2019.

To meet the challenges expected in 2018, MAPFRE Spain has the support, presence and strength of its sales network. Sales and service objectives will focus on families, boosting client integrality, strengthening periodic contribution savings products and increasing market share in large cities. More digital resources will be devoted to our network; the broker channel and complementary distribution networks will be promoted and new mass distribution collaboration models will be launched.

As for LATIN AMERICA, accelerated economic growth is predicted for the region in 2018, with growth of approximately 1.9%, supported largely by the three principal economies of the area: Brazil, Mexico and Argentina.

This general economic recovery, together with a tendency toward controlling inflation and a reduction in interest rates, will create a favorable environment for continued insurance activity expansion and also to reducing the insurance protection gap in this region.

In LATAM NORTH, we have separated out Mexico, which now has its own structure, and created a regional structure located in Panama to support the countries of Central America and the Dominican Republic.

The process of internally restructuring and realigning our activities in Mexico has been completed, so we are expecting to achieve satisfactory profitability figures in 2018. We will keep optimizing the business model and developing our own network, and sign bancassurance and digital business agreements, basing our business strategy on private automobiles, simple risks, P&C and Life Savings solutions for SMEs, supported by the excellent fiscal regime of the country.

As for Central America, given its low insurance penetration, we will continue our commitment to growth, based on greater weight for our own network, new bancassurance agreements, rolling out digital activity and taking advantage of the business opportunities between insurance and assistance in distribution of mass products.

In LATAM SOUTH, we will continue fostering our multichannel commitment and diversification of our product portfolio in 2018:

- New bancassurance agreements will be our priority.
- We will develop agreements with global automotive and distribution players.
- We will expand our presence via our own network, opening delegate offices and appointing exclusive agents.
- We will consolidate the agent network using digital capabilities in Ecuador, Chile, Argentina and Colombia.
- We will also promote Life risk and mass products to ensure a good balance of business.
- And we will continue improving our operations in the credit risk area, in Peru, Ecuador and Uruguay.

In BRAZIL, political instability did not allow for the approval of important reforms in the country. This factor, coupled with electoral uncertainty, would seem to indicate that we can expect high volatility this year, which evidently, may affect the exchange rate. Nevertheless, we think that unemployment will remain stable, inflation will be reined in and the economy will expand by more than 2.5%.

We presented the corporate and operational reorganization of our alliance with Banco do Brasil in February 2018. We believe that after the completion of this process, slated for the first half of 2018, MAPFRE will generate greater synergies with other activities, we will be able to reduce internal costs and simplify governance and administration of our activities, which will make it possible for us to concentrate more on MAPFRE's own channels, along with maintaining the exclusivity of the bank channel, both for Life and Non-Life.



For 2018, our principal objectives in Brazil will include:

- Reducing internal costs.
- Improving the combined ratio for the automobile business.
  - Developing our own distribution network.
  - Implementing more digital services for clients.
  - Driving sales of life products.

We expect to continue expanding premium volume in Brazil, with a significant improvement in the combined ratio for our principal portfolios.

In NORTH AMERICA, it is expected that the U.S. economy will see growth of around 2.7% for 2018. Economic activity in the United States will be favorable for the insurance business, especially for those products related to the Non-Life sectors, which are closely linked to economic growth.

At MAPFRE, we are focusing on:

- Concentrating on a reduced number of states in which our scale is sufficient to improve management and generate an adequate return.
- Digital transformation is another priority in the United States, and so we are going to start developing and implementing a new technology platform in Massachusetts.  
Likewise, VERTI will be an important component of our digital strategy in the United States in its first full year of operations.
- In Puerto Rico, our priority will continue to be attending to our clients affected by hurricanes Irma and María.

As for the EURASIA area, although economic activity remains solid in the Eurozone, there are risks that may change this scenario. Some of these are the departure of the United Kingdom from the European Union, the results of the Italian elections and the Greek haircut, which should resume in 2018.

In Turkey, growth in 2018 is forecasted to be in the region of 4.1%.

For MAPFRE in 2018:

- We are expediting our commitment in Turkey to diversify products and channels, making it possible for us to handle the new regulatory environment with better guarantees and to mitigate the effects of same.
- In Germany, VERTI will continue its solid growth in digital business, also taking its first steps in the Life risk business.
- Our operation in Italy is now more stable, and will also reach an important milestone in 2018, as the brand name changes to VERTI, a process that commenced in February.
- Technological transformation and process modernization projects will be top priority in the region in order to achieve a significant improvement in profitability in the next three-year period.
- Our insurance operations in Asia will continue to exploit the opportunities offered by low insurance penetration. Operational and corporate integration in Indonesia is moving along positively during its first year of incorporation into the Group.

Moving on from the general overview, I would now like to offer some comments on the other BUSINESS UNITS.

MAPFRE RE will continue to focus on profitable growth, giving priority to maintaining satisfactory margins and reducing volatility.

In an environment that continues to be highly competitive, it will take advantage of the opportunities that incipient improvement in market conditions may bring. To that end, it will work on expanding its offering of current products and underwriting new lines of business.

The European and Latin American Reinsurance Unit will continue to develop its solid market position, increasing its range of products and capacity. In Asia, the growth based on consolidation of the recently established office network will advance. And in the United States, where operations are very profitable, selective underwriting of business will continue.

As manager of the reinsurance coverage for the Group, MAPFRE RE will continue to optimize same, maintaining assumed risks at tolerable levels and providing the necessary capacity to efficiently compete in the market.

As for MAPFRE GLOBAL RISKS, this unit will concentrate principally on the following:

- Completing the full implementation of the new business model in Iberia, thereby further driving leadership in Spain and Latin America. We will be more selective in our international growth project in those regions of the world where we do not have a strong business presence as a Group.
- We will continue moving ahead with the delegation of autonomy to local teams to improve efficiency and agility.
- SOLUNION, our joint venture with Euler Hermes, will keep developing its successful business model in credit insurance, in addition to rolling out surety insurance, recently brought into the scope of the alliance, in Spain and Latin America.

In MAPFRE ASISTENCIA we will continue our operational reordering strategy throughout 2018, focusing on strategic markets and those businesses with sustainable growth capacity and satisfactory profitability levels.

Moving on now, I would like to now review the level of compliance with our STRATEGIC COMMITMENTS for the 2016-2018 three-year period.

Starting with the FINANCIAL objectives, we can say that they are showing very satisfactory results, despite having been affected by the unusual catastrophic impact of last year. Let's look at each of them one by one.

1. As we said here last year, the objective of revenue growth has been moderated, due to the priority given to profitable growth and the drop in interest rates, which translates into lower financial income. Even so, our objective to continue beating the market in most countries where we operate remains in force.
2. Regarding the ROE, as we indicated to the market in September, we have moderated our expectations for achieving our three-year objective, but we will continue to work toward obtaining the best ratio possible during 2018.
3. We are maintaining our profitability target for dividends, both in profitability and payout. We met it once again in 2017 with a dividend yield of around 5%, as per the average share price for the year.

In relation to our four strategic lines of action, the principal objectives will continue to be:

With regard to the CLIENT:

- In measuring the client experience (NPS), we have measured it at 79%, as against the 80% three-year objective. And as far as the results go, our NPS is ahead of the market in 65% of cases.
- As for growth, over the last twelve months MAPFRE has achieved an increase in market share in 50% of the countries where it operates, with a three-year target of 75%. It should be emphasized that we made great efforts to improve technical margins in 2017, which involves streamlining operations and reducing our scale in some countries.



## DIGITAL TRANSFORMATION

- The increase in digital dispatch in Spain, Brazil, the U.S.A. and Mexico was 14% for the year, indicating a 40% increase over the last two years.
- The increase in digital business through the MAPFRE, VERTI and INSUREANDGO brands rose to 37% in 2017, as opposed to cumulative target growth of 50% by the end of 2018.

We predict that we will meet our three-year commitments in both cases.

## EXCELLENCE IN TECHNICAL AND OPERATIONAL MANAGEMENT

The combined ratio without catastrophes came in at 96.9%. We believe that we will meet the average target of 96% for the three-year period if we don't consider catastrophic events of the past year.

- The expense ratio was 27.5% compared to an average three-year target of 28%, demonstrating the success of our continued cost containment plan. We calculated an annual average saving of 50 million euros, and estimate that the cumulative figure for the last two years reached 114 million euros.
- In digital dispatch, that is, the automatic assignment of services to providers, have already comfortably exceeded the three-year target of 60%, reaching 72%.

## CULTURE AND TALENT

- Global measurement of the Great Place to Work will take place again in 2018. I should mention that during 2017 MAPFRE was named the Best Workplace in nine countries - Ecuador, El Salvador, Spain, Guatemala, Honduras, Mexico, Panama, Puerto Rico and the Dominican Republic, and in general for Latin America.
- As for equality policies, 39% of management positions are held by women, against our three-year target of 40%. Inclusion policies are also moving ahead well, and in 2017 we already exceeded the three-year goal of having at least 2% of disabled persons on our staff worldwide, reaching 2.1%.
- As for the functional and geographical mobility ratio, it has been over 10% annually worldwide for the last two years, confirming MAPFRE's commitment to improving the mobility of its teams.

Dear shareholders, in conclusion:

You can see that we have presented solid and consistent results. Our business model has been strengthened in an extraordinarily complex year, and our strategy focusing on profitable growth is bearing fruit.

Our financial and asset strength was tested in 2017. The protection and risk management of our Group was extremely positive, despite the extraordinary accumulation of major catastrophic events during the year.

Our digital transformation is moving ahead and, as you have seen, we have launched concrete initiatives that will make us one of the benchmark groups in that environment.

We have also improved in efficiency and automation, and we have decidedly committed ourselves to innovation with the new model that we have just presented. We enjoy excellent internal expense ratios and good technical results.

Our solvency ratio, with a predominant component of high quality capital and reduced debt, makes us one of the most solid European groups in the sector.

Our commitment to you continues to be unwavering, as demonstrated by the magnificent returns we deliver. And we are also very happy with the Shareholders Plan, a complete program that improves our relations and accessibility, offering you more extensive information, your own communication channels and exclusive services.

Furthermore, in 2018, as you have heard from our vice chairman, we are going to expand this with the *Te Cuidamos Accionista* program (We take care of you, Shareholders), where we want to treat you like our best clients, both in terms of conditions and great value-added service.

Also, as you have been told, our Sustainability Plan 2016-2018 is in an advanced stage of execution across various areas such as Transparency, Innovation, Diversity and Socially Responsible Investment, among others.

This plan is changing the company and our relationships with all stakeholders (clients, employees, providers, shareholders), making MAPFRE an even more solid and sustainable company from the financial point of view, while at the same time focusing on society and trying to improve it.



It would be remiss of me to finish without referring briefly to what has been done over the last ten years by Fundación MAPFRE. It's been 10 years with millions of anonymous stories, brought to life by hope, commitment and a mission of selfless service to others. More than 100 million persons have benefited around the world, in 30 different countries, with over 500 million euros in humanitarian investment. On top of this, thousands of MAPFRE employees have volunteered in one form or another, and with their help and heartfelt attitude, reinforce and multiply even more the important investment effort made by the Foundation. I firmly believe that Fundación MAPFRE is one of the most important assets that MAPFRE has.

As you can see, we are a very human company. We believe in economic development that is linked to people. In addition to being profitable, we want our social footprint to be positive, and that the societies we work in will be better off thanks to us. Numbers are important, but they're not everything.

We want to gain people's trust through our actions. I've presented a lot of data to you today in accounting for our activities, which show that we are not about words, but deeds.

We're not just any other company either. We're MAPFRE. This in itself is a declaration of the principles and values, shared by our more than 36,000 employees and 200,000 collaborators around the world. People who are focused on their work; who through their commitment and dedication day in and day out, make MAPFRE a better company.

You can see, and I mention it again, that the COMMITMENT we have toward you, toward our clients, our intermediaries, our employees, our collaborators and toward all of society of which we are a part as corporate citizens, is unwavering. And commitments can only be fully met if the necessary STRENGTH is available. Financial strength, of course, but also strength in the strategic project, in vocation for service, and in long-term work.



This is our difference. And the great challenge that we want you to take on board, so that you continue committing to MAPFRE, year after year, which proudly develops a profitable, ethical and responsible business model. And, with great humility, we have great ambitions to contribute in our own way to changing the world, making it a better place to live.

Thank you very much for your trust, ladies and gentlemen, and for being here, giving us your support.

A very good afternoon to all of you.