

SPEECH BY ANTONIO HUERTAS

Dear Shareholders,

I would like to focus on three topics in this final speech, first of all a brief overview of how the first year of the Strategic Plan 2019–2021 *"Transforming ourselves for growth and improved profitability"* went and the overall challenges for 2020. I will then briefly review the achievements and work plans in the different regions and business units around the world. Lastly, I will finish with an update of what will remain our aspirational goals for the next two years.

Let's begin now with a brief assessment of the events that most affected MAPFRE in 2019.

The accounts that have just been presented once again highlight the sustainability of our operating results, and MAPFRE's ability to continue generating high recurring profits, with growing revenues, even in complex environments such as the one we are currently experiencing. Overall, I can tell you that we are satisfied with what has been achieved, and that we continue to work to improve these figures.

2019 was a year that was once again affected by the economic environment. Prolonged low and even negative interest rates, which put pressure on the income statement, combined with the onset of a global economic slowdown that is impacting more heavily on emerging

countries, many of which MAPFRE operates in. In addition, political and social conflict is growing in some regions, and we have already seen some of them directly impact our business, as has occurred in Chile.

Furthermore, we cannot ignore the growing impact that climate change and catastrophic events are having on the accounts of insurance companies and reinsurers. We are preparing to respond better over time, both in our own reinsurance programs and with a greater understanding of these events. We are raising our technological underwriting skills with the use of more sophisticated technology tools to better manage these risks. In addition, we are collaborating with other organizations and institutions to exchange experiences and knowledge.

As regards the economic situation, which is gradually slowing down in many countries, we can do little beyond protecting our assets, exercising technical prudence, committing to the most profitable businesses and cutting operating costs. Low interest rates lead to changes in management models by committing to greater technical discipline and diversification of our investments, although this is not without risk. In any case, uncertainty and volatility are not favorable environments for the insurance business, which requires more predictable environments to broaden supply and demand and enable clients to make the best decisions.

In recent weeks, the environment has become even more volatile. Global panic has been unleashed by the emergence of the COVID-19 coronavirus, which has produced a social and economic upheaval of a magnitude that has surprised everyone. Fear is widespread and the

paralysis of economic activity in many sectors is a fact. Industrial production, tourism and even insurance are being affected. And the markets have reacted with a bang, with brutal falls right across the world's major stock exchanges. It is still early to predict the overall effects of this phenomenon, but MAPFRE Economic Research anticipates that it will cut global GDP growth by at least half a point this year.

Therefore, taking into account all these circumstances, MAPFRE has **focused** in recent years on **profitable growth, with reinforcement of technical foundations, greater risk diversification and a major technological, organizational and cultural transformation process**. This is allowing us to enhance our strengths, correct some weaknesses and prepare to take advantage of the many opportunities and challenges we will face over these years.

But, **let's go over** what happened with our **strategic development during 2019**, which was the first of this 2019–2021 three-year plan.

As regards the goal of **PROFITABLE GROWTH**:

The Group's consolidated revenues reached 28.47 billion euros, a significant increase of 7.1 percent. Our **investment management** for the year was **brilliant** and has enabled us to offset that lower growth in the business with financial income.

Our efforts to digitize our operations and provide greater client accessibility are bearing fruit. Thus, **digital business revenue** was **1.33 billion euros, up significantly by 17 percent**, far exceeding our expectations for the year, and on track to reach forecasts for the three-year period.

Our advances in better positioning on external digital platforms, such as Amazon, the strengthening of our digital marketing, through agreements with the major global operators, the optimization of our presence on comparison engines and the development of simpler and more attractive pricing calculators are all noteworthy. All of this has enabled us to provide more than five million quotes, and to have sold almost 700,000 fully digital policies online.

In 2020, we will continue driving the growth of the digital business, improving analytics and optimizing digital advertising, expanding the use of Big Data and promoting chatbots and voice wizards. Gaining competitiveness on comparison engines and enhancing the strategic positioning of our digital brands will be two priority focuses during 2020.

As regards the **creation of sustainable shareholder value**, the **Group's adjusted ROE**, without taking goodwill impairment into account, was **8 percent** at the close of the year.

In the bid for **diversification**, much of MAPFRE's growth for the coming years must come from **Life Protection** insurance. In 2019, we grew this business by more than 9 percent, in line with the target for the three-year period. We now have a map of life insurance development opportunities and have made progress in harmonizing controls and systems, as well as creating differential products for both the Spanish and Latin American markets.

We view growth in the Life and Pensions lines as a clear strategic priority, built around three programs: distribution, products and

technical management. We are convinced that this business will gradually gain a greater dimension in our group.

Moving on now to **CLIENT ORIENTATION...**

We measure **client-perceived quality** using the **Net Promoter Score®** and have managed to get **86.3 percent** of our Non-Life insurance business to achieve an **NPS® above the market average**.

In 2020, we will continue with the implementation of the transactional NPS® in the United States and Latin America, giving us information about client satisfaction at key touchpoints in their relationship with MAPFRE that will improve our processes and operations.

In terms of the **client focus initiative**, we began to develop differentiated value propositions in 2019, based on the degree of client engagement. This improves their experience and increases retention and cross-selling levels.

As regards **distribution channels**, we believe that the network of tied agents and delegates continues to be the major differentiator in MAPFRE's ability to provide its clients with excellent service. Therefore, we continue to develop actions and reinforce the value propositions for this group of intermediaries.

As regards the **bancassurance** business, in addition to improving existing agreements with our current partners, we have implemented new agreements with major banking institutions such as **Banco Santander in Spain**. We have also strengthened the relationship with the **major global brokers** and with some of the large **automobile manufacturers, such as SEAT and RENAULT**, in order to adapt our

offer to the new environment of the semi-autonomous, connected, electric vehicle.

Our commitment to innovation is absolutely key to our strategic approach. The number of clients benefiting from solutions originating in the open innovation platform, MAPFRE OPEN INNOVATION, exceeded 244,000, with the horizon of exceeding one million at the end of the three-year period. Intra-entrepreneurship is also very important through MAPFRE Innova, and the participation of our employees in the search for new solutions is a vigorous driver of creativity. Spain, Peru and Puerto Rico stand out in this first stage.

Through strategic **Efficiency, Automobile Insurance 3.0 and Advanced Analytics** initiatives, automobile inspection projects have been developed using image and voice, artificial intelligence and automation.

More than 30 startups have gone through the **insur_space** acceleration and adoption programs, with which we launched eight business pilots in 2019. An example of results is the pilot at MAPFRE RE for the analysis of cyber risk exposure in our reinsurance portfolio.

We have also made substantial progress with our Road Safety and Experimentation Center, **CESVIMAP**, in pioneering projects such as the analysis of electric vehicle chargers for the development of a specific insurance product, the damages to people and property caused by new personal mobility vehicles, and the addition of advanced driving assistance systems, ADAS, to auto insurance rates.

Moving on to **TECHNICAL AND OPERATIONAL MANAGEMENT...**

The combined ratio in this first year of the plan was **97.6 percent**. We have also reduced the automobile ratio by one full point, although it is still above desirable levels.

With the **Global Efficiency Model** initiative, we have continued to improve processes and reduce manual operations. In robotic processes, we have increased fully automated transactions by more than 5 million. This allows more resources to be devoted to tasks that offer more added value to the client.

In addition, the operating models of the company's issuing and claim processes were deployed in Latin America in 2019. Globally, the provider operating model continues to perform well, improving the client experience by more than two points and reducing the average cost of claims.

In 2020, we will work on the definition of a new management model for the Life line.

As for data management, we have approved and implemented the **group's new data policy**. And through the **Advanced Analytics** initiative, we successfully implemented our new Big Data and analytics corporate technology platform in Spain in 2019. We also produced predictive models in Spain and the United States in the areas of underwriting, sales management, retention and fraud control, and we are already beginning to see significant financial returns.

In 2020, we will expand the scope of this strategic initiative to Turkey, Mexico, Peru and Germany.

We are convinced that the development of our advanced analytics will enable us to make increasingly accurate and efficient decisions.

In terms of technology, we are finalizing the development and implementation of new insurance technology platforms in the United States, Italy, Germany, and Malta, all of which will be in production in 2020. In support processes we are implementing the new version of SAP, the IRFS17 modules and the global solution for human resources processes.

CULTURE AND TALENT

A year ago, we committed ourselves to having 45 percent of new positions of responsibility in this three-year period covered by women. **During 2019, females filled 48 percent of these vacancies.**

Moreover, according to the internal indicator with which we measure **cultural transformation and talent development**, with the implementation of career plans, the promotion of mobility and internal promotion, and the overall measurement of satisfaction, the **result is highly satisfactory**, reaching 81 percent in this first year.

After two years of work, we completed the first phase of the **Digital Challenge initiative**, making the environment more flexible and collaborative, creating a knowledge store that promotes knowledge management throughout the organization, promoting new behaviors and habits, and implementing a new system of continuous, agile evaluation. We have relied on tools such as self-learning, mentoring and recognition plans, all of which are implemented globally.

In our constant commitment to **diversity and inclusion**, we have begun to develop the Aging project, with the aim of consolidating a

workplace in which all available talent is used regardless of the age of the worker.

Furthermore, we are very proud of the fact that by the end of 2019, we already had 938 employees with disabilities working in the Group, which represents 2.9% of our global workforce.

Now, let's look at the **business prospects** in every **global region** in which we operate.

Let's start with **IBERIA**.

The Spanish economy is expected to continue slowing in 2020. The pace of job creation is slowing and consumer and investor confidence shows signs of deterioration, although the slowdown is being dampened, among other reasons, due to the ECB's monetary stimulus. The effects of COVID-19 coronavirus are as yet unknown, but our Economic Research team has indicated that, within a general scenario, this pandemic will cut GDP by two or three tenths of a point at least, to 1.4 percent.

Also, there is great uncertainty regarding the design and implementation of economic policy, and the delicate commitment to reduce the imbalance in public accounts.

As for the development of the insurance business, the general P&C and Life Protection lines of business will likely continue to grow moderately, due to the economic slowdown. The low interest rate environment will persist, which will continue to have an adverse effect on the life savings business and traditional annuities.

In 2019, our operation enhanced multi-channeling through agreements with digital and banking partners, highlighted by Bankia and Bankinter with a magnificent year of insurance sales. A few weeks ago, our new subsidiary Santander MAPFRE, our new joint venture with Santander for automobile and SME insurance, started operations.

We have also developed a client listening model with artificial intelligence, and launched *MAPFRE en Familia (MAPFRE for the Family)* with price, product and service benefits. We have also continued to develop the Large Cities and Digital Health initiatives. Furthermore, we will work to make SAVIA the distributor of our digital services, beyond those directly related to health.

The big challenge **for 2020** will be to continue growing above the market average and faster than our main competitors. We will achieve this because MAPFRE ESPAÑA has the best sales network in Spain, which is ever more professional, digitized and connected.

In terms of **clients**, we will continue to implement the **personal lines client** strategy, by developing platforms, offers and services aimed at individuals and their families. We will add strength to **commercial lines clients** and the **self-employed**. We will also prepare a specific value proposition for **the elderly**.

In short, we are committed to **growing very profitably** and with **technical earnings levels similar** to those obtained during 2019.

Moderate economic growth is also expected for **LATIN AMERICA** in 2020, aided by the growth of the larger economies and by domestic demand in the region.

In **BRAZIL**, economic growth in 2019 was slightly below expectations, although it will be more vigorous during 2020 when economic reforms, including public pension systems, will begin to take effect.

MAPFRE BRAZIL improved profitability and enhanced its partnership with Banco de Brasil in 2019, delivering excellent results.

The outlook for 2020 is very positive and we have set ourselves ambitious business growth and profit targets.

To meet these expectations, we know that we need to improve the technical result, especially for automobiles, and increase business volume in the most profitable channels and products. Growth in Life Protection and business are also important objectives in Brazil.

We met growth and profitability targets **in LATAM NORTH** in 2019. A standout was the improvement in the combined ratio in all countries of the region, especially in automobiles, where we achieved an excellent 94.1 percent.

We will continue to improve results and grow strongly in **Mexico** this year. We will continue developing networks of tied agents, and will reap more benefits from the banking agreements signed in recent years. The good results of the digital channel will also help growth and we will gain in efficiency and quality of service, thanks to the digitization of processes and operations.

We will maintain our successful operations **in Central America**, which shows remarkable growth and great profitability. We are strengthening the development of services shared between these countries to reduce costs and gain efficiency. We now offer health

insurance **in the Dominican Republic**, after the recent acquisition of a leading insurer in this line, together with our partner, the financial group BHDL, one of the leading health insurers, with whom we aim to boost cross-selling to their more than 800,000 clients.

We made significant progress in internal and acquisition cost reduction **in LATAM SOUTH during 2019**, improving our initial forecasts.

Technical control has been strengthened throughout the region. This has enabled the consolidation of traditionally profitable operations, including Peru and Paraguay, the recovery of profit levels in countries such as Colombia and Uruguay, and the ability to deal with complex situations such as those in Chile and Argentina.

In business development, commercial agreements have been reached with financial institutions such as Banco Santander in Peru, Chile and Colombia and Banco Pichincha in Colombia and Ecuador.

We must continue to grow prudently in LATAM SOUTH with better risk control, and strengthen our technical capabilities to improve the combined ratio across the region.

In **NORTH AMERICA**, the excellent economic situation is a magnificent tailwind for insurance sales. There was a marked improvement in our results in the United States in 2019, thanks to the decisions made regarding the exit from five states and ceasing to underwrite corporate risks. In Massachusetts, we have maintained our leadership position with excellent profits.

In 2020, we will continue our four-axis strategy:

1. Strengthening our presence in fewer states, after departing five states in 2019. In 2020, we will depart three more, Florida, Arizona and Pennsylvania.
2. Main focus in Massachusetts and the Northeast region. With the new technology platform to be implemented before the summer, we will improve our technical and sales capabilities.
3. Strengthening our business model in California, with a focus on the very important Spanish-speaking market.
4. Strengthening our relationship with the AAA motor club, our main business partner in the United States. Specifically, we are implementing plans for profitable business development in the states of Washington, Oregon, Idaho and Ohio.

The company turns 100 this year **in Puerto Rico**. Here we will focus our efforts on digital transformation and sales development, maintaining prudent control of the business given the high exposure to catastrophic events in this market.

For **EURASIA**, prospects for the eurozone have improved slightly despite the slowdown. Although the outlook for the exit of the UK from the European Union seems to have been clarified, there are certain risks to growth, stemming from the absence of reforms to boost economic growth, as well as budgetary tensions in some member states. In addition, the definitive impact of coronavirus is still unknown on the main affected countries, and, above all, on the overall economic

impact of lower sales transactions and the impact on tourism, among other sectors.

In Turkey, a significant country for MAPFRE in the region, a moderate economic revival is expected this year, thanks to lower interest rates and a recovery in domestic consumption.

The 2019 highlights in this region were:

- In **Turkey** we reorganized our operation to maintain an appropriate level of efficiency. In the second part of the year, technical ratios improved substantially, with the technical measures implemented beginning to produce results.
- **In Germany**, we grew very well, with results far superior to those in 2018, maintaining a steady progression in line with established plans.
- In **Italy**, we improved technically and the results are already balanced and a plan has been put in place to reduce costs and improve efficiency.
- **Malta** maintained the strong performance it has shown in recent years.
- Our Asian operations in **the Philippines and Indonesia** are small. We have a very limited appetite for growth in both countries, due to the difficulties inherent in these markets.

The main lines of action in the region in 2020 will be:

- We will continue to focus on technical profitability in **Turkey**, mainly in the automobile and health lines.

- In **Germany**, we want to continue to gain market share in the digital segment and we will continue to push for new distribution agreements in the automobile sector.
- In **Italy**, we will focus on developing purely digital business, the ongoing improvement of operations and cost reduction.

Now, I would like to give you a general overview of the other **BUSINESS UNITS**:

MAPFRE RE dealt with extraordinary events in the last year that are a known characteristic of its business. Despite this, it has once again demonstrated its financial solvency, the strength of its trading portfolio and its excellent technical management. Reinsurance at MAPFRE is a highly profitable business during most normal years, and can cope with years like 2019, in which there were more large claims.

The unit will continue its selective growth plan, as well as the constant reorganization of businesses that do not produce the required profitability.

Based on this, it will continue to strengthen its position as a **benchmark reinsurer** in the **European and Latin American markets** in 2020. In Asia, where it has substantially increased its presence in recent years, the contribution from results will increase, while in the United States, it will continue to grow moderately.

IN 2019 **MAPFRE GLOBAL RISKS** completed the launch of its new business model aimed at the large industrial client MAPFRE. The 2019 results were not good, but it will return to profitable growth in 2020, improving operational efficiency. Pricing conditions for this type of risk

are trending strongly upward, as we are already seeing in the first months of the year, so we are optimistic about improving the profitability of this business unit.

We already know the reasons for the heavy losses incurred by **MAPFRE ASISTENCIA** in 2019. We will keep the main focus on MAPFRE's strategic markets and on businesses with the ability to generate sustainable profits. The unit ceased operations in France, Belgium and India in 2019, bringing to 11 the number of countries we have exited since 2016.

MAPFRE ASISTENCIA has made significant progress in digitizing its client relationship processes and driving sales.

In 2020, the company will continue to work on this line. Its strategic priority will be to complement MAPFRE's value proposition with differentiated services and products. It will also make better use of sales and organizational synergies with the Group.

SOLUNION, our surety and credit insurance joint venture with Euler Hermes, closed a magnificent fiscal year and has submitted its new Strategic Plan 2020–2021 with the aim of continued growth in its main market of Spain. It is also seeking to consolidate its presence in LATAM, with the creation of a new region comprising Panama, Central America and the Dominican Republic.

So, ladies and gentlemen, as you have seen, the various initiatives and actions of the Strategic Plan 2019–2021 are moving in the right direction. We are confident that, when the plan ends at the close of 2021, we will harvest many of the fruits that we are currently planting,

transforming MAPFRE, to make it more competitive and profitable, and also more committed to all of its interest groups.

But, as I said at the start of my speech, 2019 was a complex year. Situations such as the difficult economic, political and social environment, changes in business models in all sectors — especially in the insurance business — the volatility of world economies, low interest rates and extraordinary events have affected our results.

In light of these circumstances, we have updated our public aspirational objectives for the period 2019–2021, focusing on seven objectives and aligning them with the new reality.

But I have to insist again that we are experiencing moments of great uncertainty, affected by the development of the coronavirus, which is impacting supply and demand and which will reduce economic growth. In these circumstances, without yet knowing the stimulus measures that could alleviate the situation, any projection is strongly conditioned by this environment.

In short, our aspirations are:

Profitable growth

- With the commitment to create shareholder value, our objective will be to obtain a return on equity **(ROE), in a range between 8 and 9 percent** on average for the three-year period ending 2021, excluding catastrophic events and goodwill writedowns.

- We will grow sustainably and prudently, but we have moderated our revenue expectations to **between 28 and 30 billion** euros by the end of 2021.

Client orientation

- We will continue measuring client perceived quality via the **NPS®**, and maintain our commitment to ensuring that at least **73 percent of measured business** obtains an **NPS® higher** than the averages of our competitors.

Excellence in technical and operational management

- We will achieve an average **combined ratio** for the Non-Life business of **between 96 and 97 percent** across the three-year period.

Culture and talent

- We will continue working to increase our employees' and collaborators' commitment to our company's values. Therefore, we remain committed to achieving a **minimum Culture and Talent Index of 75 percent**.
- We will continue to promote gender equality and remain committed to ensuring that at least **45 percent of the vacancies in job positions of responsibility are filled by women** during this three-year period.
- We maintain our aspiration that **at least 3 percent** of the workforce will be **persons with a disability**.

As you see, we remain **committed to the continuity** of our current strategic plan. We have moderated our profitability expectations, and

we will continue to make prudent underwriting decision in a complex environment.

Despite the environment, **we are keeping all of our ambitions** intact in the strategic project, with the **FOCUS ON PROFITABLE GROWTH**, but surrounded by **a large-scale cultural, sales, operational and technological transformation**. We are striding confidently along this transformation path by preparing the company for greater challenges, without losing the focus on prudent business management.

We are MAPFRE, the company that is and always will be close to our clients, helping them to live with peace of mind, doing our best every day to protect their risks, but also accompanying them on their journey through life so that they can make their dreams come true, just like we articulate in our forthcoming global social media campaign. If you're a MAPFRE client, then we are your most trusted global insurance company, if you want us to be.

On behalf of the entire Board, I am grateful for your trust once again, ladies and gentlemen. You know we are constantly working to ensure that your dividend remuneration is adequate, consistent and, if possible, increasing, and that is why **we will continue allocating more than 50 percent of our annual earnings to dividend payments**. This is another of our commitments.

MAPFRE couldn't be what it is without our **shareholders**. Nor could it exist without our **employees**, our **clients**, our **intermediaries** and our **partners** and **providers**. We rely on all of you.

And also, in a special way, with the **communities** in which we live and work. We strive every day to ensure that, through our work, we reward

our environment, fill those around us with enthusiasm, help improve the quality of life of our citizens and further protect the environment.

In closing, I would like to send a final message to everyone also in these difficult days that we are going through due to the coronavirus. Many countries where MAPFRE operates - Italy, now Spain and many others - are unfortunately suffering or will suffer in the coming days a sharp increase in the number of people affected, and unfortunately fatally so. Our clients, intermediaries, providers and ourselves as employees can all be potentially affected by this disease. The forecasts are not at all favorable and I ask you to act prudently, but without fear, always following the recommendations of the health authorities of each country and trying not to take unnecessary risks with personal or professional activities. Our best wishes for a speedy recovery go out to all those who are already affected. Hopefully we can overcome this situation as best as possible, both in terms of personal health and in terms of the economic damage that may be caused.

Thank you very much.