



## **Annual General Meeting**

**11/03/16**

### **CHAIRMAN AND CEO'S REPORT**

Dear Shareholders,

I wish to first thank all of you for your attendance and participation at the 2016 Annual General Meeting. I would also like to thank various guests for being here with us today, among whom we have the Honorary Chairmen of MAPFRE, Julio Castelo and José Manuel Martínez, and the non-executive Chairmen of MAPFRE in Argentina, Chile, Colombia, Ecuador, Malta, Mexico, Panama, Paraguay, Turkey, Portugal and Venezuela. Thank you all very much for joining us today.

I am also pleased to remind you that, as was the case last year, this Annual General Meeting is being broadcast via live stream in Spanish, English and Portuguese, so as to provide

access to all those interested through the link in the Shareholder Information area on our website.

The first part of my presentation will deal with MAPFRE's main figures for the 2015 financial year, and I will give a brief analysis of our performance over the last three years. Following that, First Vice Chairman Esteban Tejera will offer greater insight on the accounts and other salient general aspects. Later on, before concluding this meeting, and after having presented and, as the case may be, approved the proposals submitted today, I will then talk about our business outlook, our focus and strategic objectives for the period 2016-2018.

As far as 2015 goes for MAPFRE, the following elements should be highlighted:

- The excellent results obtained in most countries, especially in Spain and Brazil, and in the Reinsurance and Global Risks businesses.
- The growth of Non-Life premiums both in Spain and in the rest of the countries, as well as in Reinsurance. This growth made it possible to compensate for the contraction in Life insurance in Spain.
- The positive performance of the Life business, thanks to an improvement in both underwriting results and financial revenues.

All of this has enabled MAPFRE's consolidation as a large global Group, generating business in more than 100 countries. It is now a tremendously diversified company, with 36% in general insurance, 34% in autos and 30% in life and health. We have more than 34 million clients in 51 countries, more than 38,000 employees, more than 80,000 intermediaries and almost 6,000 direct offices worldwide.

Nonetheless, throughout 2015 our Group worked in difficult circumstances, affected by extraordinary claims in the United States, a low interest rate environment in Europe, the depreciation of Latin America's main currencies against the euro, and higher tax rates in some countries.

Taking a closer look now at the key facts and figures related to our 2015 accounts, the main points to note are as follows:

- *Total consolidated revenues reached 26,702 million euros, which represents a 4.1 percent increase over the previous year. We underwrote premiums totaling 22,312 million euros, a figure very close to that of 2014.* The revaluations of the euro and the dollar against currencies of emerging countries had a significant impact on our premiums. At constant exchange rates, growth would have been 11.4%.

The Insurance Unit in IBERIA produced premiums of 6,253 million euros, a fall of only 2.7 percent when considered in a

context of identical parameters. MAPFRE Non-Life policies performed very well, increasing as they did throughout the year. Our growth in these lines was 2 percent, while we slipped 11.9% in life.

Premiums in LATIN AMERICA reached 8,307 million euros, representing a decrease of 10 percent. BRAZIL, with 4,669 million euros, decreased by 13.6 percent, while in local currency, it would have been up 3.6 percent. The key to this change throughout the year was the devaluation of the main Latin American currencies, especially the Brazilian real, the Colombian peso and the Venezuelan bolivar.

As for the INTERNATIONAL Area, MAPFRE reported 3,855 million euros in premiums, an increase of 45 percent. The USA, with 2,110 million euros in written premiums, grew 29.9 percent. Our dollar growth was also significant, at 8.1 percent.

The INSURANCE Business Unit as a whole decreased by 2.5 percent worldwide, although within a comparable parameter, we would have seen growth of 0.6 percent.

MAPFRE RE underwrote 3,732 million euros in premiums, an increase of 11.6 percent. MAPFRE GLOBAL RISKS reached 1,175 million euros in issuing, showing growth of 12 percent. MAPFRE ASISTENCIA's revenues increased by 6.9 percent to 1,237 million euros.

- *MAPFRE's consolidated earnings before tax and non-controlling interests amounted to 1,476 million euros, down 15.4 percent against 2014. Attributable net profit amounted to 709 million euros, 16.1 percent less than the previous year.*

The chief causes for this drop in profitability can be principally attributed to:

- The United States, due to the snow storms last winter. Beginning in the latter part of January and lasting through the month of February of 2015, the East coast of the United States experienced the heaviest snowfalls in a century, with large accumulations of snow and extreme temperatures every day. Given our strong presence in home and automobile insurance in Massachusetts, we suffered an impact net of reinsurance of 177 million euros.
- ASISTENCIA suffered a net loss of 33 million euros. This is the first time in the long history of this company that it has incurred losses, due mainly to extraordinary circumstances such as the devaluation of the Real and the Bolivar, and exceptional increases in claims in Colombia, the United States, France, and Brazil.
- IBERIA, MEXICO, COLOMBIA and TURKEY, due to increased claims, recovery plans and increased provisions allocations.
- VENEZUELA, given the delicate economic situation in that country. It should be mentioned that the devaluation that

was executed in Venezuela, which involved using the implicit, inflation-adjusted exchange rate in the consolidation in euros, reduced shareholders' equity to 25 million euros, from the 324 million euros it stood at as at the close of 2014. And in business volume terms, premiums have gone from 974 million euros to 65 million euros.

Regarding the net result after taxes and non-controlling interests, IBERIA had a magnificent result with 472 million euros, up 9.3 percent on 2014.

LATIN AMERICA achieved a net profit of 231 million euros, a drop of 12 percent. BRAZIL delivered an excellent net profit of 170 million euros, an improvement of 15.6 percent.

The INTERNATIONAL Area suffered a net loss of 38 million euros. The United States experienced a net loss of 42 million euros, due to the aforementioned meteorological situation.

MAPFRE RE produced a net result of 153 million euros, an improvement of 7.8 percent. Finally, GLOBAL RISKS earned 58 million euros, an improvement of 32.7 percent over the previous year.

- To summarize, the data and ratios that I have just presented to you were achieved in a very complex international economic

environment. In the year 2015, several contingencies took place that had a significant impact on these results. Taking all this into account, I sincerely believe that we really should classify the results for the year as good, given the difficult environment in which they were produced. Growth in local currency was robust in general, exceeding double digits in many countries, and in Reinsurance, Global Risks, and Assistance. Internal management expense ratios were reduced, with only commissions rising slightly due to market circumstances. As regards global claims levels for the Group, in general terms they were acceptable, in spite of being impacted by the aforementioned factors.

*In the corresponding item on the Agenda, the payment of a final dividend against the 2015 financial year results of 0.07 euro cents per share is being proposed to the General Meeting, which represents a payout of 215.6 million euros.*

The sum of the interim and final dividends for 2015 will be 13 cents per share, compared to the 14 cents total against the 2014 results, a reduction of 7 percent, significantly less than the drop in net profits (-16.1 percent).

The payout (56.5 percent) is much higher than that of the previous year (51 percent). In terms of profitability per dividend paid during the year, and calculated based on the

mean share price during 2015, the relevant figure is 4.9 percent, which is still one of the highest in the Spanish market both in terms of the amount and the fact that it is paid fully in cash.

*Moving on, I would now like to summarize the progress made as relates to the Three-Year Strategic Plan for the 2013-2015 period.*

Over these three years we have worked hard to clarify the strategic focus of the company for the next few years. The new Group Strategic Identification, with the Vision, Mission and Values was defined and approved. The Change Agenda was developed and the initiatives, objectives and indicators that have served as a guide over these three years were established. Never before have we undertaken such an in-depth strategic analysis at every level of the company. Having such a road map available has proved highly useful and beneficial.

Items worth underscoring for this three-year period include the implementation of a new global, corporate, regional and local structure, with newly defined competences at all levels and enhanced organizational inter-connection. The creation of the Global Corporate Areas was needed in order to develop more standardized and controlled management. Along these same lines, the creation of the Regional Areas, each headed by a powerful management team, is turning out to be a key factor in



the deployment of all our corporate activities and policies. In addition, it is allowing us to raise our levels of supervision, tracking and support in all countries, which are MAPFRE's business engine, and which act in a highly decentralized manner.

Throughout the past year, the Group rolled out a series of initiatives intended to strengthen its strategic positioning and boost its growth opportunities, some of which remain in place and to which I will refer in the second part of my address, dealing with the 2016-2018 Strategic Plan.

During this period, the following initiatives have been satisfactorily completed:

- Definition and implementation of the new organizational and corporate structure.
- Start-up of the MAPFRE Global Innovation Model.
- A process for the analysis of acquisitions, disposals and other corporate restructuring operations.
- Development of the Corporate Global Intranet and Internet.

The development of the main indicators for this three-year period has been as follows:

With regard to the objective of CREATING SUSTAINABLE VALUE FOR THE SHAREHOLDER, the following facts should be highlighted:

- a) A payout of over 50 percent was maintained throughout the three-year period.
- b) Earnings per share came to 23 euro cents in 2015, compared to 21.6 euro cents in 2012.
- c) The average share price during the period 2013-2015 was 2.85 euros per share, compared to 2.35 euros for the previous three-year period. This represents a revaluation of 0.49 euros and an annual growth rate of 6.6 percent.
- d) The sum of attributable net profits during the past three years came to 2,345 million euros, with a yearly average of 782 million euros, which is 17 percent greater than at the close of 2012, which was the starting point of this Strategic Plan. During the 2013-2015 period, our shareholders received 1,232 million euros in dividends; a figure practically identical to that of the previous three-year period.

Referring to ADEQUATE RISK AND CAPITAL MANAGEMENT, the most relevant data are:

- a) Shareholders' Funds stood at 8,574 million euros in December of 2015, showing an increase of 10 percent over the last three years.
- b) Goodwill in December 2015 came to 2,068 million euros, representing a reduction of 78 million with respect to 2012.
- c) Both the fixed factor capital models and the Solvency I and Solvency II data have either improved or remained stable over the three-year period.
- d) With respect to the RAROC, we started out with a negative value of -2.67 percent in 2012. In 2013 this reached -0.41 percent. And we reached positive values of 1.77 percent in December 2014 and 0.57 percent in 2015.

This concurrence of positive aspects in our capital levels allowed for an improvement in our rating, which is one of the highest of all the major Spanish enterprises. As far our growth objective goes, we are determined to generate 30,000 million euros in revenues by the close of 2016. If we take into account the devaluations in Latin American countries, and despite the revaluation of the dollar, we consider that we would have reached this goal at the end of this year. However, in order to align this objective with the new Strategic Plan, we will formulate a new revenue commitment for 2018 at the close of this AGM.

The combined ratio, a measure of the degree of management excellence in the insurance business, showed an average value over the three-year period of 96.3 percent, setting aside the effect of the snow storms in the USA, a slightly higher percentage than the average value for the 2010-2012 period, which was 96.1 percent. As you already know, our constant objective is to keep it below 96 percent.

We take this to mean that the level of compliance with this Strategic Plan must be considered very satisfactory and that, although the results have not been totally as we would have liked, the reasons for this have been principally due to external elements

*At this time, I would like to comment briefly on the current state of the markets and their effect on MAPFRE's share price.* During 2015, fluctuations in the variable income market were determined by expectations revolving around the actions of the main central banks, interest rate movements, petroleum prices, and questions about the level of growth in China and emerging countries, especially Brazil. In this environment, our share price fell by 17.8 percent to 2.31 euros. During this same period, the Spanish IBEX 35 stock market index recorded a 7.2 percent decrease, while the Dow Jones Stoxx Insurance index fell by 14 percent.

One only has to look at our price-earnings ratio, 7.9 times earnings as at the end of February, one of the lowest on the Spanish stock exchange, and the yield that we are offering with the dividend at current prices (greater than 7.2 percent), to realize that the market is simply failing to recognize MAPFRE's fundamentals, and many investors are letting themselves be carried along by the selling trend.

We have full confidence in MAPFRE's results, in their continuing growth this year and in the future, and in the strength of our 2016-2018 strategic plan, which bears the slogan FOCUS ON SUSTAINABLE GROWTH, and which I shall explain to you later.

*Regarding the coming into force of Solvency II, which occurred on January 1 of 2016, I would like to state the following:*

MAPFRE has been working intensely for a long time to adapt itself to this new regulation, and this is reflected in the 2015

Annual Report, which details the level of compliance with the rules and regulations laid down by the EIOPA. This report shows the global level of preparedness in activities related to the governance system, the own risk and solvency assessment (ORSA), and compliance with the information filing requirements stipulated by the authorities, which stands at almost 100 percent.

*I would like to now talk about the process of adapting our corporate governance to the new regulation.*

MAPFRE has always been concerned about good corporate governance and has tried, in addition to complying with legal obligations, to stay in line with the most demanding trends.

MAPFRE's scale as a global group and its presence in markets with very different legal systems make it advisable to have certain basic standards that encompass the institutional and governance principles that apply generally to all such systems.

The previous Good Governance Code, which was in place for 20 years, has been replaced by the *Institutional, Business, and Organizational Principles of the MAPFRE Group*, which, together with the various corporate policies that have been approved, are available to all shareholders and interested parties on the Group's website. This standard, together with those decisions taken by the Group's supervisory and management bodies, constitute a body of regulations governing action that positions MAPFRE at the highest level in terms of compliance standards, while also increasing its transparency.

I now want to make particular reference to the new self-regulation that we refer to as *Institutional, Business, and Organizational Principles*. MAPFRE was one of the first companies in Spain to adapt to many of the new Good Corporate Governance regulations that arose during the '90s, and which were incorporated into the different versions of our own Good Governance Code. Many aspects of our own rigorous governance, ethical and internal control culture were in turn embedded in this regulation. And now, with this new regulation, we further underpin these principles and adapt them to new trends and good governance recommendations. Among the most important institutional principles are the following:

Rigorous separation of Group corporate activities from those carried out by its Foundation, which are of a social and not-for-profit nature.

- Company management independent of any person, entity, group or power alien to the company.
- Ethical, transparent and socially committed action, with absolute respect for human rights and values.
- Strictly professional management that avoids conflicts of interest.
- Personal effort and merit as the basis of professional development.

In addition, we have reaffirmed our institutional principles based on Solvency, Integrity, Service Vocation, Innovation for Leadership and Committed Team.

Also, within our governance model, we have further clarified the distinct management functions and the supervision that the Group administrative bodies should exercise over them, at all levels, in every country, every region and globally.

Over the last three years, the following actions have been executed within this process of improved self-regulation:

- Approval of new Statutes and Regulations for the Board of Directors and the Annual General Meeting.
- Reduction in the number of board directors from 21 to 18, (two of whom are from overseas countries) and an increase in the number of female directors, from one to three. The Board closed the year with 17 members and a plan to further reduce its number to 15 within two years was approved, as well as incorporating new independent directors and broadening the presence of female directors.
- Independent Directors as Chairperson of Steering Committees and a minimum of two of same on each Committee.
- Election of a coordinating director.
- Appointment of non-executive chairpersons in the majority of overseas insurance subsidiaries.

I would like now to mention the following appointments and cessations:

- Cessation of service of Francisco Vallejo Vallejo in November of last year, as nominee director and second



external vice-chairman, upon reaching the age specified in our Bylaws. Francisco Vallejo was appointed second vice-chairman of the Board in May of 2012 after having served as a board member of MAPFRE for more than nine years. During his years of service as a board member, member and chairman of steering bodies, and in recent years as vice-chairman, he has always played an active role in the management of the company, advising the management team and performing his role as board member in an exceptional manner, contributing with his broad management experience in the financial world, his knowledge, his keen analysis and rigor. All of these are qualities that have been of great value to those of us who direct the affairs of MAPFRE, given the difficult environment that we have faced these past few years. We have always been able to count on his invaluable help, support and trust, and his advice has had a major impact on the decisions that we have made. Thank you very much, Paco, for your contribution down through the years.

- Cessation of service of Luis Iturbe Sanz de Madrid in March of this year as a board member and chairman of the Audit Committee and of the Appointments and Remuneration Committee, upon completion of his third and final term as an independent board member, having been a member of this body for the past twelve years. During this entire period, Mr. Iturbe has performed his duties with great dedication and effort, making a positive

impact on the development of the Group and participating very actively as member and chairman of several of the Board's steering bodies. His financial training has also been instrumental in allowing him to make valuable contributions as an acting member and adviser in the various bodies of which he has been a part.

Thank you very much, Luis, for your contribution to the success of MAPFRE all these years.

As a result of the cessation of these two board members, which created vacancies in the Group's supervisory bodies, the Board of Directors, at the request of the Appointments and Remuneration Committee, has approved the following changes:

- Appointment of Antonio Núñez Tovar as second vice-chairman, replacing Francisco Vallejo Vallejo. Mr. Núñez is an executive board member and previously functioned as the third vice-chairman.
- Appointment of Ignacio Baeza as third vice-chairman, who previously functioned as fourth vice-chairman.
- Appointment of Georg Daschner as chairman of the Risks and Compliance Committee and member of the Steering Committee. Mr. Daschner, a German national, has been an independent director of MAPFRE since 2015 and has acquired broad executive experience in international reinsurance management.

- Appointment of José Antonio Colomer as a new independent director, member and chairman of the Audit Committee, and member of the Risks and Compliance Committee. His appointment as a director, effected via co-optation, is subsequently submitted for ratification by this Annual General Meeting. Mr. Colomer has worked in the finance sector in Spain and several Latin American countries for more than 40 years. He is ideally suited to meet the requirements of these new positions with absolute competence.
- Appointment of Catalina Miñarro as a new board member and chairwoman of the Appointments and Remuneration Committee. Ms. Miñarro possesses extensive qualities and experience as a State Lawyer, and already has considerable experience within MAPFRE, being a member of the Steering Committee and the Audit Committee.
- Appointment by co-optation of Letizia de Freitas Costa in July, 2015 as a new independent board member via co-optation, whose appointment will be submitted for ratification by this Annual General Meeting. Ms. Freitas Costa is a Brazilian national who has had a successful career in management and in strategic and financial business consulting.

## RETIREMENTS

A few weeks ago, Pedro de Macedo Coutinho, CEO of the Reinsurance Unit for the past 9 years, decided, with the support of the company, to step down from his executive functions for health reasons. Mr. de Macedo has had a long career of nearly 25 years with MAPFRE RE, occupying several management positions in that unit and eventually becoming its most senior executive. During these years, MAPFRE RE solidified its position as the benchmark reinsurance company in Latin America and extended its presence to other regions of the world such as Asia, Europe, and the United States. In addition, it has positioned itself as one of the most profitable business units in the Group, generating 18 percent of total net profits. Pedro de Macedo will continue his association with MAPFRE as the non-executive chairman of MAPFRE RE.

In addition, Miguel Angel Almazán, the former corporate general manager of Investment, decided together with MAPFRE to bring to an end his long professional career in the Group after almost 30 years of service. Miguel Ángel has been a key player in the development of MAPFRE's professional investment management and has contributed notably, even throughout the worst years of the crisis, to ensuring our excellent performance. Thank you very much, Miguel Ángel, for your dedication and commitment.

The following appointments have also been approved:

- Ignacion Baeza Gómez, as chairman and CEO of MAPFRE ASISTENCIA, replacing Rafael Senén García. Mr. Baeza is also vice chairman of MAPFRE and until now was the most senior executive of the Iberia Territorial Area.
- José Manuel Inchausti Pérez, as CEO of the Iberia Territorial Area, who was until now the most senior executive of this regional area.
- Rafael Senén, as new corporate general manager for Business and Clients, having previously served as chairman of MAPFRE ASISTENCIA.
- José Luis Jiménez Guajardo-Fajardo, as corporate general manager of Investment. Mr. Jiménez has extensive experience in investment management with numerous banking and insurance groups.
- Fernando Mata Verdejo has been promoted to corporate general manager for Strategy and Development.
- María Elena Sanz Isla has been appointed as general corporate manager of Human Resources.
- Eduardo Pérez de Lema has been appointed as the new CEO of MAPFRE RE and member of the MAPFRE Executive Committee.
- Manuel Aguilera Verduzco, chairman of the Insurance Commission in Mexico for 17 years, has been appointed as general manager of the new Studies Services.
- Jesús Martínez Castellanos, the current CEO of MAPFRE in Mexico, will, alongside this post, now assume the role of

most senior Group executive in the LATAM North Territorial Area.

- Alberto Berges Rojo, until now the corporate deputy general manager for Business and Clients, has been promoted to chief operating officer of MAPFRE ASISTENCIA.
- Bosco Francoy Olague has been appointed as chief operating officer of MAPFRE GLOBAL RISKS, reporting directly to the chair of the Unit.

I would like to conclude this first part of my report by expressly thanking our shareholders, clients, supervisory bodies and, in general, everyone who has placed their confidence in us and supported us throughout the year. I would also like to take this opportunity to express my gratitude to all of MAPFRE's human resources teams (directors, managers, employees, delegates, agents and other collaborators), whose efforts and activities helped us to achieve our main strategic objectives during the past three years and to producing a good result for 2015.

Thank you very much.



Annual General Meeting

11/03/16

## **CHAIRMAN AND CEO'S REPORT (II)**

Dear Shareholders,

Thank you very much indeed for the trust you have once again placed in MAPFRE, which encourages us to continue seeking opportunities to grow, to improve our profits, and to develop our business. In the final section of this Annual General Meeting, I would like to refer to the immediate future.

In my presentation this morning I shared with you the analysis we have undertaken with respect to compliance with our Three-Year Strategic Plan for the period 2013 to 2015.

We have learned some important lessons in this period, which are that our desire to adapt quickly to the new client and consumption environments and to new markets, etc. must go hand-in-hand with a more efficient use of our internal

resources, both material and human, which are obviously limited.

I am now going to talk about these pillars that will underpin our Strategic Plan for the coming three years. Next, I will focus on each of the MAPFRE regions around the world, highlighting the financial outlook and prospects they offer in terms of developing our business. And lastly, I will describe our new main strategic commitments for this three-year period.

## **STRATEGIC PLAN 2016-2018**

We have updated our strategy, prioritizing the lines and initiatives that are going to generate the most value in the coming years and increasing the FOCUS ON PROFITABLE GROWTH, in order to improve the return on our activities.

We have decided to concentrate the Group's management on four lines of action:

- Client orientation
- Digital transformation
- Excellence in technical and operational management
- Culture and human talent

With regard to the CLIENT ORIENTATION line of action, we will continue to work on:



- Client Segmentation. This initiative, which we began last year, enables us to understand client needs and behaviors, and to adapt our commercial offering, operations and technology to their requirements and expectations. Specifically, in 2016 Peru and Portugal will lead the first exercise in the global implementation of all the client segments.
- Global Client Experience Model, through the implementation of the NPS, or Net Promoter Score, index. This methodology measures the level of client loyalty based on the probability of them recommending the products and services of our company, and it will help us to improve the quality perceived by clients in their relationship with MAPFRE. During the course of 2016 we will be implementing the model in 14 countries, which represents more than 70 percent of our worldwide insurance operations, compared with 55 percent last year, measured in terms of Non-Life private premiums.

With regard to DIGITAL TRANSFORMATION, we will continue to pursue the following initiatives:

- Global Digital Transformation Model, the aim of which is to adapt MAPFRE to the new digital era. This initiative has three perspectives: a client perspective, aimed at improving clients' interaction with MAPFRE; an operational

perspective, since the digitization of our processes will make us more efficient and productive; and an organizational perspective, because we will be able to simplify our structures and open them up, thus becoming more transparent and effective. We have more than 200 digital projects already underway, which as they are implemented will significantly contribute to this transformation.

- Digital Direct Business Plan, which aims to strengthen the development of existing operations and launch new digital ones. As the first step in a coordinated expansion of this channel, all the Regional Areas will have a local strategic plan to support the development of their digital direct business.

In relation to EXCELLENCE IN TECHNICAL AND OPERATIONAL MANAGEMENT, our main objective is to improve technical profitability. We will do this by implementing the following initiatives:

- Global Operational Efficiency Model, aimed at increasing efficiency, productivity and cost savings by developing standardized operational models to automate and improve our client-focused processes.

- MAPFRE Service Providers. In 2015 this was successfully implemented in Spain, Mexico and Italy, and it will now be extended to other countries where it will help to cut costs and improve the quality delivered.
- Corporate Technology Platform, which is the set of technology solutions developed to support our business and IT services around the globe. In 2016 we will continue with the convergence and extension of the various platforms.

With regard to the CULTURE AND HUMAN TALENT line of action, we will pursue the following initiative:

- Talent Management. We will continue to improve the existing mechanisms for evaluating and tracking performance, which will enable us to reinforce the internal culture of hard work and professional recognition for merits and achievements. We believe that occupational and geographic mobility is a good tool for recognizing the development of talent as well as an excellent way of sharing knowledge and best practices. We will also continue strengthening our commitment to equal opportunities and workplace inclusion policies.

Dear Shareholders, we strongly believe that with these initiatives and projects underway we are consolidating

MAPFRE's strengths, basing them on sustainable and profitable growth while also cultivating an unprecedented transformation within the company that positions us as the world leader in technological, operational and service-related aspects.

I am now going to offer you a more detailed analysis of the various regions of the world around which our structure pivots, from the socio-economic as well as the business point of view.

### **Geographic Regions**

The beginning of the year has been marked by growing uncertainty, both in terms of economic activity and the financial markets, leading to lower expectations in the medium term. China's economic slowdown, the sharp fall in the price of oil and other commodities, doubts about the sufficient capital levels in the banking sector, and geopolitical risks have caused many companies to reconsider their economic growth forecasts, now showing a dramatic downturn. Even the financial markets are predicting a significant probability of the U.S. economy entering a recession and reversing the recent interest rate hike.

However, everything seems to suggest that we are witnessing a period of overreaction, triggered by the absence of a clear trend in economic activity, and excessive pessimism due to the sharp structural changes that the global economy is currently experiencing. According to the IMF, global GDP will grow by 3.5

percent in 2016 and by 3.6 percent in 2017, a positive outlook in both cases that contrasts sharply with the negative perception that has taken hold in the financial markets.

Looking at each region in turn and beginning with IBERIA, the Spanish economy could grow by almost 2.7 percent in 2016 and then fall slightly to 2.4 percent in 2017. The depreciation of the euro, the fall in the price of oil and commodities in general, combined with low-cost financing and the recent fiscal reforms may help to sustain consumption, even in a climate marked by a certain political instability.

However, it is necessary to forge ahead with the structural reforms that the economy needs, in education, the promotion of saving and fiscal sustainability, and to encourage employment. The debt-to-GDP ratio is close to 100 percent, and the public deficit needs to be further reduced to avoid burdening future generations with debt.

For the moment, the negative interest rates currently being enjoyed by government bonds are helping to control financial expenses, but there still needs to be a greater restraint on public spending.

Within this context, the year 2016 presents opportunities which MAPFRE must seize. These include the following:

- Economic growth.

- Reduction in the unemployment rate, increased domestic consumption, and greater access to credit for families and companies.
- Growth of entrepreneurship and self-employment.
- Reactivation of the real estate market.
- Increase in the number of new car registrations.
- Buoyancy of the tourism industry.
- Growing use of multiple channels by clients and new insurance needs.

On the other hand, we must bear in mind new regulations such as the implementation of Solvency II and the new compensation system for personal injuries, which in both cases ought to strengthen us, given our solvency and rigorous technical management.

Additionally, we have the largest distribution network in Spain, nearly 3,000 offices, thousands of agents nationwide, bancassurance agreements with major financial institutions, and extremely powerful service networks. All of which we deploy to assist nearly our 7 million clients and meet their expectations.

Profitable growth in Spain and Portugal will be based on the following lines of action, defined within the framework of the Group's Strategic Plan:

- We will work on client orientation by developing value propositions, products and services for the different segments.
- We will promote the growth of the different channels to gain a competitive advantage. We will also develop new programs to invigorate the agency network and help improve its sales ratios.
- We will continue to measure the quality perceived by clients, which will help us to adapt our processes to needs of clients and brokers.
- We will drive the digital transformation of the company. To this end, we are working on multiple processes and applications designed to improve productivity and proximity to clients, such as new online and mobile rate calculators for automobile, home and health insurance.
- We will strengthen our technical management. We are currently implementing plans to improve the profitability of certain activities with the poorest technical performance, such as fleets, collective accidents and professional TPL insurance.

Furthermore, the recent creation of MAPFRE ESPAÑA will produce synergies that will lead to lower internal costs.

Spain will continue to be the main contributor to MAPFRE's results. Although the weight of its premiums within the global total is steadily falling as a result of international diversification, our country will continue to show robust signs of profitability. In fact, these signs will grow even more robust over the next three years due to the tailwinds provided by the long-awaited economic recovery.

## **LATIN AMERICA**

LATIN AMERICA's growth outlook is one of the most uncertain among our geographical areas. In 2015 most of the economies in this region performed below forecasts in terms of GDP growth. This year, the factors conditioning the Latin American economy will be the growth of the Chinese market and the price of oil. China's slowdown has had a huge impact on the economic model of many emerging economies due to their excessive dependence on the commodity markets.

The outlook will also be conditioned by the performance of trade balances and the implementation of fiscal reforms.

With regard to insurance activities, penetration is currently low in Latin America and we therefore predict growth across the region. We also expect to see the continued development of public policies that will not only encourage the purchase of



insurance but also, coupled with private initiatives, will promote the growth of the market and the sustainable socio-economic development of these countries.

## **LATAM NORTH**

A profitable growth plan has been defined for this region. The main business development plans are as follows:

- Development of the Multichannel Distribution Model in every country in the region, based on the growth of our own network, with plans to strengthen the agency network. These plans are particularly ambitious in the case of Mexico, as we announced last year. We will also seek distribution agreements with financial institutions and companies in the automotive industry.
- Development and consolidation of the digital and telephone business, maximizing the resources and synergies with the Assistance Unit.
- Focus on distributor and consumer clients, and in Mexico implementation of the value propositions of the corporate project for the traditional client segment.
- Launch of a mass market insurance and micro-insurance project in the region for the non-buyer client segment.

- Development of a business growth plan for company clients, across all segments, including major industrial risks through the Global Risks Unit.

With regard to internal management, the following initiatives are planned:

- Improved technical management, reinforcing the technical and actuarial areas.
- Increased efficiency through the implementation of corporate initiatives related to operational efficiency and the digitization and automation of processes, as well as stringent cost containment plans in every country in the region.
- Rollout of new local requirements related to solvency and Solvency II regulatory reports in Mexico.

## **LATAM SOUTH**

In 2016 the projects we plan to carry out in this region include the following:

- Continued development of multichannel distribution, prioritizing the search for agreements with non-traditional

distributors, mainly banks, companies in the automotive industry, and commercial groups. We will also forge ahead with the plan to open delegate offices and develop our own networks.

- Automation of product structures, processes and contact centers to improve response times and cut operating costs.
- Unification of the technology areas at country level, and the development and implementation of IT tools to improve operations, contribute to greater control of companies and facilitate access to services for clients.
- Consolidation of the technical management of the insurance and assistance companies, standardization of processes, and introduction of the corporate provider policy.
- Investment in the human resources of the companies through training and professional development programs, harmonization of positions, encouragement of mobility, and measurement of results.

## **BRAZIL**

In 2015 the weakness of Brazil's GDP was confirmed with a fall of 3.8 percent. Industry and services experienced a decline in nearly every segment, the only exception being the agricultural business, where performance was more positive.

Inflation closed the year at nearly 11 percent, while interest rates exceeded 14 percent.

The main international agencies reduced the country's sovereign rating, stripping Brazil of its investment grade status. The exchange rate was another key factor. The local currency suffered a major depreciation throughout the year, losing more than 30 percent of its value. However, it has to be said that this sharp devaluation of the Brazilian real could significantly boost exports and serve as a catalyst for recovery.

In spite of this scenario, we managed to increase our profitability and results in the country thanks to good technical management, an active cost containment policy, and magnificent financial yields.

We believe that despite this economic standstill, there is still a considerable margin for developing the insurance business in Brazil due to the lower rate of penetration in relation to GDP compared with other similar markets. And we are confident that

in 2017 Brazil will see an upturn in growth, which will help to create a favorable climate for opportunities to improve the quality of life for the poorer classes, and by extension to sell mass market insurance.

In 2016 the economic situation of Brazil will still be quite complex and we will face difficulties, but we believe that we will once again grow above the market rate thanks to the strength of our distribution network, the capacity of our strategic partner – Banco do Brasil – and the professionalism of our local teams.

We identify the following opportunities in Brazil:

- a) We will strengthen the MAPFRE sales network by extending the share of Life, Agricultural and Assistance products, increasing the productivity and profitability of existing distribution agreements, and improving our client retention rate.
- b) We will improve our penetration in the Banco do Brasil channel. We are developing new products and sales models for this channel in order to expand the portfolio for the bank's clients.
- c) We will increase our presence in the Health sector, both in terms of reimbursement, through new distribution

agreements, and the launch of healthcare assistance products targeted at small and medium-sized enterprises.

- d) We will maximize the growth opportunities in savings insurance in view of the current climate of high interest rates.

To increase efficiency and productivity and cut costs, we are going to focus on the following projects:

- a) Reduction in the number of contact centers and modernization of their operating systems to make customer service processes more agile.
- b) Optimization of our resources in-country to adapt to the new climate of lower growth and manage our business with more competitive costs.
- c) Enhancement and unification of systems in the administration and finance areas, which will enable us to increase control and reduce operational risks.
- d) Maximization of the synergies between the Insurance and Assistance Units by integrating service platforms and achieving infrastructure and system convergence.
- e) Simplification of the corporate structure in order to make our capital more efficient.

Our business in Brazil is very solid and profitable. The Business Unit is the Group's main contributor to earnings before taxes and nono-controlling interests, and it obtains excellent results and very high returns on investment. In the coming years it will therefore continue to be one of the Group's most profitable Units

## **NORTH AMERICA**

The North American economy experienced solid growth throughout 2015, seeing GDP rise by 2.4 percent. Inflation was less than 1 percent. The current economic situation, with low oil prices, a strong dollar and the Federal Reserve's decision to gradually raise interest rates, points to a growth scenario in 2016 very similar to last year. Thus, according to the IMF, we are likely to see GDP rates of 2.6 percent in both 2016 and 2017.

After a difficult 2015 for MAPFRE in the United States, we firmly believe that our operations will recover their high profitability in view of the magnificent technical performance of our business in the state of Massachusetts, which still represents 70 percent of the total. Besides, we will work unstintingly to improve the

combined ratio of the business in all the other states in which we are present.

Accordingly, the main strategic initiatives in North America in 2016 will aim to reinforce our presence through new production channels and improve the profitability of this business.

These initiatives are:

- Consolidation of the new regional structure focused on turning business management over to the territories in which we have divided this regional area: Northeast-Massachusetts, Atlantic, Central, West and Puerto Rico. This decentralization should not only facilitate greater growth capacity but also more control over underwriting and technical management.
- Maintenance of the growth and profitability levels in our business in Massachusetts.
- Development of the multichannel distribution model with more agent sign-ups, new points of sale at dealers' premises, distribution chains and bancassurance.
- Promotion of the automobile business in the digital channel to continue strengthening the MAPFRE brand.



VERTI USA is expected to launch in the United States in 2017.

- Maximization of the cross-border business in partnership with our Mexican company.
  
- Launch of a new life-risk product with wide coverage in the United States and promotion of the Life business in Puerto Rico.
  
- Promotion of the Roadside Assistance, Travel and Extended Warranty business lines through MAPFRE's regional distribution networks and structures in the United States and Puerto Rico.

We are aware that certain analysts and investors have reservations about our investment and future in the United States. It is the world's leading market, and we aspire to consolidate our position as one of the benchmark operators in automobile, home and commercial insurance in the states in which we operate. Although the adverse weather conditions of recent years have had an impact on results, our technical performance is very solid and this operation has provided significant returns for shareholders. In addition to very acceptable ROEs, it has generated a cash flow which has enabled us to pay out considerable dividends throughout this time and to pay back the debt issued prior to our acquisition.

Thanks to the robustness of our business in Massachusetts, we are gradually diversifying our business in other states. In short, we are confident that MAPFRE USA will continue to make a significant contribution to the Group and that we will see a continuous improvement in its combined ratios.

## **EMEA**

In the eurozone we also predict a slight acceleration, up to 1.7 percent, in GDP during the next two years, thanks to the boost in private consumption, the fall in the price of oil, and the quantitative easing measures undertaken by the European Central Bank. The foreseeable depreciation of the euro during the period is likely to stimulate exports, one of the main contributors to GDP on the continent.

MAPFRE's core strategies for this area are:

- To increase the technical profitability of the business lines in Turkey, Germany and Italy.
- To forge ahead with the plan to integrate the new operations in Italy and Germany and carry out the transition to the VERTI brand.

- To reinforce multichannel distribution in Turkey by launching new platforms, particularly with the development of our own network and digital distribution.
- To review our positioning with MAPFRE ASISTENCIA in order to recover profitability, improving technical control, cutting costs and harnessing synergies with the Group's other companies in each country.
- To continue boosting the major risks business.

## **ASIA-PACIFIC**

The IMF's growth forecasts for the region are around 5.5 percent, which represents a deceleration compared to previous years, mainly due to the slower pace of growth in China.

Nevertheless, insurance continues to grow at a very healthy pace in this region, which is expected to be the world's largest insurance market in 2020, due to the current low penetration, the strengthening of the middle classes and government-backed stimulus measures.

In 2015 automobile insurance in China grew by 16 percent and it is likely to sustain a growth of 15 percent over the next 10 years. Within this same context, online insurance sales climbed by a hefty 65 percent during the same period. The world's

fastest-growing market for online business is China. In this country 71 percent of consumers shop online at least once a week, which offers vast opportunities for our Group in the future.

There has also been a deregulation of automobile rates, which is leading to the creation of a market in which product differentiation and segmentation capability are gaining ground, to the benefit of newcomers.

MAPFRE remains immersed in the development of a company specializing in the online sale of automobile insurance in China, located in the province of Shandong. We are currently waiting for our pre-license to operate, which will guarantee us access to the market in 2017.

This year we will also embark on PREMINE, a joint project with the British group Admiral for the launch of an insurance comparison site for the Chinese market.

Meanwhile, last October we opened CESVICHINA in partnership with the Solera Group. This center provides training in the technical areas for automobile insurers, creates protocols for repairing and painting vehicles and preparing accident reconstruction reports, and delivers services designed to offer solutions for Chinese insurance companies and improvements for the auto repair sector.

MAPFRE RE also recently obtained a license to operate as a reinsurer in this country.

MAPFRE ASISTENCIA continues to generate synergies for the Group, including for example the development of the structure to manage the operations of the new insurance company currently being established in China. We have also launched a series of digital distribution pilots to test the water before a full-fledged entry into the insurance market.

In conclusion, we intend to focus on product diversification, the development of online sales and digitization strategies, and the enhancement of synergies through collaboration between the Group companies and with external partners.

Regarding our other Business Units, I would like to point out the following:

MAPFRE RE remains one of the world's leading reinsurance companies, with a very strong presence in LATAM and EMEA.

In the context of a highly competitive market, MAPFRE RE continues to focus on pursuing its operations in a profitable manner, based on rigorous underwriting, stringent control of the risks assumed, diversity of the products offered, and proximity to clients. Its client orientation, offering comprehensive, long-term support, enables the company to gain preferential access to lucrative business opportunities.

Thanks to its widespread geographic presence, with 19 offices worldwide, MAPFRE RE has a profound knowledge of the markets and can offer its clients global and regional solutions.

In EMEA our Reinsurance Unit will continue to develop the life reinsurance business and pursue other operations related to the implementation of Solvency II. In LATAM it will reinforce its leadership in the region, also working with its clients to adapt to the new solvency regimes. In APAC it will grow its business thanks to new offices in China, Singapore and Malaysia. And in the USA, where it has a highly profitable operation, it will launch life reinsurance.

This Unit also manages reinsurance coverage for the Group, a fundamental part of our risk management, and creates programs to optimize MAPFRE's retention throughout the world and guarantee adequate assessment and coverage of the risks assumed. An example of this is the design of the new reinsurance structure for our business in the United States.

MAPFRE GLOBAL RISKS has become one of the world's most important insurers of major industrial risks. Furthermore, it is producing excellent results.

The Unit must continue developing a mixed model that combines the centralized control of underwriting with a greater development of local teams to create a closer connection between decision-making and the markets and clients. The ultimate aim is to provide an excellent service by increasing efficiency and minimizing the operational and technical risk. It will also have a new technology platform that will be developed during the next three years.

MAPFRE GLOBAL RISKS leads the market in Spain and Latin America and must now consolidate this position while boosting its business in other regions of the world, especially EMEA. It will also promote the so-called specialty lines – Energy and Construction – from the new regional center in London.

In order to achieve these goals, the Unit needs to increase the capabilities of its human capital team, which it will pursue as part of the Talent Development Initiative.

With regard to MAPFRE ASISTENCIA, let us not forget that this Unit was affected by special circumstances last year which should not be repeated this year. In this respect, the business in North America experienced solid growth and yielded robust results. The exclusive distribution through one of the largest car

dealer networks on the West Coast of the USA keeps on growing and producing very satisfactory results.

Performance is equally strong in LATAM, and in Mexico in particular; we have consolidated our position as the second largest Assistance company in the second most important market in LATAM. In 2016 we will increase our market share with new corporate clients.

In Brazil we are going to reinforce the relationship with the BB MAPFRE Group by offering new assistance services to meet market demand.

INSUREANDGO, our digital travel insurance company in the UK and other countries, continues to perform well and will enable us to consolidate our position as one of the world's leading companies in this segment.

## **NEW PROJECTS**

### **- ASSET MANAGEMENT**

We have just launched a new era at MAPFRE INVERSIÓN, now renamed MAPFRE AM (“Asset Management”), with two key goals:

- To reinforce the global management of MAPFRE investment by strengthening the Corporate Investment Division and increasing control, knowledge, collaboration



and the capabilities of our specialized teams in the different subsidiaries.

- To create a plan to strengthen the management of third-party assets within the Group in order to maximize the present commercial opportunities.

#### - **STUDIES SERVICE**

We have launched the new MAPFRE Studies Service in order to make a significant contribution to general economic debates as well as to key discussions related to the insurance industry and its regulation.

The MAPFRE Studies Service will become a global benchmark in the insurance industry and social protection, concentrating its efforts on three broad areas of action:

- Studies and research, so as to contribute to key regional and global debates relating to the field of insurance and complementary social protection.
- Economic and financial analyses of the main macroeconomic and financial variables in the performance of insurance in the markets where MAPFRE operates in order to support the company's strategic decisions.

- Analysis of regulations in order to participate in debates on the main regulatory trends on a global and local level.

We expect the MAPFRE Studies Service to become an established authority in the field within the next two years.

## **STRATEGIC COMMITMENTS 2016-2018**

I would like to bring my presentation to a close by explaining our newly updated MAIN STRATEGIC COMMITMENTS FOR THE THREE YEAR PERIOD 2016 TO 2018, beginning with the financial ones and then moving on to the goals related to the four pillars I mentioned earlier.

### **FINANCIAL**

Based on our primary objective of creating sustainable value for shareholders, we will aim for profitable growth and the efficient management of our balance sheet. Given these premises, our principal targets for the next three years are:

1. To achieve total revenues of 31,000 million euros by the close of 2018.

2. To produce an average ROE of no less than 11 percent.
3. To obtain an average dividend yield of around 5 percent for the period, in relation to the average annual share price, and to sustain a dividend payout policy of no less than 50 percent and no more than 65 percent of the Group's earnings.

In relation to our four strategic pillars, the key goals and indicators for the period 2016 to 2018 will be the following:

### **CLIENT ORIENTATION**

1. We will improve the quality perceived by clients. We will measure quality using the NPS (Net Promoter Score) indicator in the group of countries that represent at least 80 percent of our Non-Life private premiums. And we aim to obtain a client score higher than the average obtained by our main competitors in at least 70 percent of our business.
2. We will increase the market share of our Non-Life business by at least 75 percent and will simultaneously increase our sales of Life insurance and pension funds.

## **DIGITAL TRANSFORMATION**

1. We will increase by 30 percent the number of digital transactions that our clients make with the company in our main markets (Spain, Brazil, USA and Mexico), guaranteeing that they can carry out the majority of their operations digitally.
2. We will increase our digital business by 50 percent through the MAPFRE, VERTI and INSUREANDGO brands.

## **EXCELLENCE IN TECHNICAL AND OPERATIONAL MANAGEMENT**

1. We will maintain the average combined ratio for the period below 96 percent. We will also strive to obtain an average combined ratio for this period of 96 percent in Spain, 92 percent in Brazil, 98 percent in the USA as a whole, and 95 percent in the state of Massachusetts, which represents 70 percent of our business.
2. We will cut costs, which will enable us to obtain an average ratio for the period of less than 28 percent of premiums. We will maximize the development of all the global strategic initiatives relating to operational and digital transformation and providers to obtain cost savings

of no less than 150 million euros during the course of the three-year period.

3. We will improve the mechanization of our service provider management processes to automate at least 60 percent of assignments.

## **CULTURE AND TALENT**

1. We aim to become one of the world's best companies to work for. We will launch a series of projects that will enable us to achieve an employee satisfaction score of more than 80 percent by the end of the three-year period, based on the Great Place to Work methodology.
2. We will step up our efforts to achieve genuine gender equality and workplace inclusion on a worldwide scale. Accordingly, we pledge that by 2018 women will occupy at least 40 percent of all positions with management responsibility. At the same time, people with some form of disability will make up at least 2 percent of our global workforce.
3. We will develop occupational and geographic mobility programs for at least 10 percent of the workforce each year.

I would not like to end my presentation without dedicating a few words to Fundación MAPFRE. In 2015 the Foundation carried out 650 activities in 30 countries, benefiting more than 17 million people. I would need more time than we have now to do full justice to the broad program of activities that Fundación MAPFRE undertakes, but I must mention two activities that clearly illustrate the present and future mission of our Foundation:

- Unemployment is one of the main scourges of this country. Through its *Accedemos* program in Spain, Fundación MAPFRE helps to facilitate workplace inclusion for the most vulnerable groups, young people and over-50s. To this end, it pays all the labor costs during the first year, which entails the greatest risk, so that once the company has assessed the worker's suitability it can hire him or her using its own resources, which is how it turns out in 60 percent of cases. Nearly 1,500 people in this situation have rejoined the labor market in these last three years.
- Volunteering is another activity that exemplifies the Foundation's mission. As I mentioned last year, MAPFRE has approved a new volunteering program. In 2015 more than 4,400 employees took part in 765 actions in 23

countries, with more than half a million beneficiaries. These volunteers are agents of social transformation in their immediate environment, and all of them gain immense satisfaction from collaborating with others. Fundación MAPFRE will help to extend these best practices to other institutions and companies that are keen to collaborate but lack the infrastructure and experience to develop their own volunteer program.

Dear Shareholders, we are a socially responsible business group committed to our environment, our clients and our entire organization. And our priority is to gain and retain everyone's trust. More than 38,000 MAPFRE employees and more than 250,000 collaborators linked to the Group around the globe pursue this goal every day.

But we want to advance further in this direction, and have therefore just launched our new "2016-2018 Sustainability Plan", which will have a clear impact on how we manage the relationship with our stakeholders.

This plan is the starting point that will enable us to reinforce the integration of the concept of sustainability in our corporate management. Its ultimate aims are to help maximize the social impact of our actions, minimize the environmental risks, and guarantee the best governance practices.

To this end we have set ourselves concrete goals and lines of action to pursue in the next three years, all of which, from the very first actions, will enable our stakeholders to perceive a continuous improvement in our processes and in how we operate.

The basic goals are as follows:

- MAPFRE wants to be perceived by everyone as an ethical company with values of solidarity that generates opportunities and protects its cultural diversity.
- MAPFRE wants to be seen as an innovative company that honors its commitments and pursues its business with integrity.
- MAPFRE wants to be a company that is transparent in the way it operates and is committed to the environment.

We have also embarked on an "Active Transparency Plan" in order to define a clearly marked route that will make transparency a recognizable company asset. To this end, we are currently conducting a survey of the present scenario, the challenges we need to address, and the best practices of the benchmark companies in this field, worldwide.



We want to build more transparent relationships with all of our stakeholders, because we are convinced that transparency is the best way of developing TRUST.

As you can see, we are proceeding in the right direction to honor our commitments and increase MAPFRE's value.

My sincere thanks again to all of you – shareholders, employees, brokers and other collaborators – for your trust and dedication. Goodbye and good afternoon.