

First quarter 2018 Financial results

Analyst and investor presentation

April 27th, 2018



Key Figures > 3M 2018

	3M 2018	Δ	Δ (constant exchange rates)
Revenue	7,257	-7.6%	-1.3%
Total written and accepted premiums	6,197	-7.2%	-0.4%
- Non-Life	4,966	-4.8%	2.2%
- Life	1,231	-15.5%	-9.6%
Non-Life Combined Ratio	96.5%	-1.0 p.p	
Non-Life Loss Ratio	68.3%	-2.5 p.p	
Non-Life Expense Ratio	28.2%	1.5 p.p	
Net result	187.0	-9.3%	
Balance sheet*			
Assets under management	60,813	1.2%	
Shareholders' equity	8,466	-1.7%	
ROE*	7.8%	-0.1 p.p	
	12M 2017	Δ	
Solvency ratio**	200.2%	-9.7 p.p	

(-0.3%)
Underlying net result

9% ROE
ex – 2017 NatCat

* Variations calculated compared to data at December 31st, 2017

** Variation calculated compared to data at December 31st, 2016

Highlights – 1Q 2018 (I/II)

- › The profit and loss account was hit by **negative forex effects** from all main currencies

- › **Significant improvement in Non-Life underlying result (+5%):**
 - › Combined ratio improved to 96.5%
 - › Neutral run off effects from 3Q 2017 NatCat events
 - › Expense ratio in line with 28% target

- › Life business still impacted by **market conditions in Spain and Brazil:**
 - › Lower sales of unit linked products as well as unfavorable market conditions for campaigns in Spain
 - › Fall in financial income in Brazil
 - › Return to growth in Life Protection in Brazil

- › **Strong capital position** (200.2% FY 2017) with a high level of financial flexibility

Highlights – 1Q 2018 (II/II)

Several units are now benefitting from the successful implementation of MAPFRE's profitable growth strategy . . .

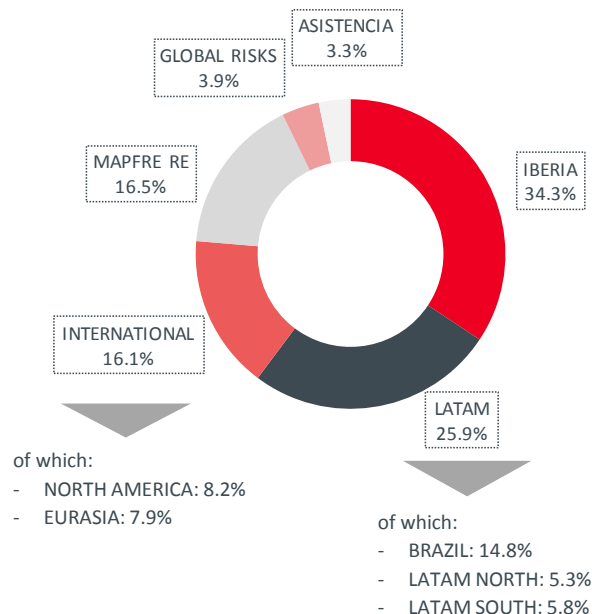
- › Solid results in IBERIA and MAPFRE RE
- › Improvements in LATAM NORTH & SOUTH
- › Reduction in losses at MAPFRE ASISTENCIA and in Italy
- › Return to profitability at MAPFRE GLOBAL RISKS

. . . while the measures implemented in other units still need time to deliver

- › USA: exit plan is on track with ongoing profitability initiatives in remaining states
- › Brazil: resilient combined ratio and measures being taken, especially in Motor
- › Turkey: focus on mitigating the negative impact of 2017 MTPL tariff regulation, through portfolio diversification and stricter underwriting guidelines

Key figures by business unit

Premiums – Distribution by business unit



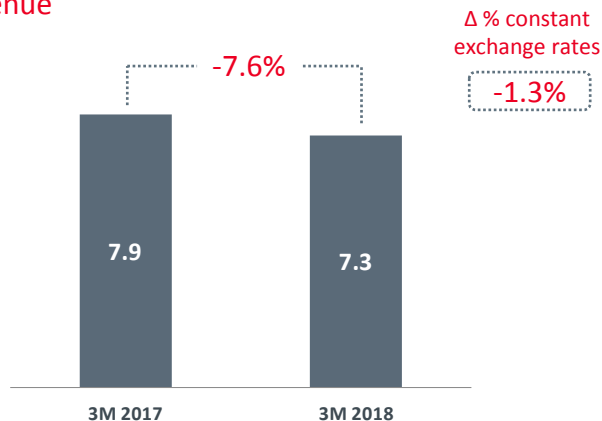
		Attributable result		Premiums		
		3M 2018	Δ mn	Δ %	3M 2018	Δ %
INSURANCE	IBERIA	117.9	(9.7)	-7.6%	2,342	-1.9%
	LATAM	38.2	(8.3)	-17.8%	1,774	-11.3%
	BRAZIL	14.5	(11.7)	-44.7%	1,013	-15.8%
	LATAM NORTH	9.9	5.3	113.9%	365	-0.5%
	LATAM SOUTH	13.8	(1.8)	-11.7%	395	-7.7%
	INTERNATIONAL	0.1	(24.3)	-99.5%	1,103	-11.1%
	NORTH AMERICA	(4.2)	(20.1)	-126.4%	562	-14.1%
	EURASIA	4.3	(4.2)	-49.3%	541	-7.8%
	MAPFRE RE	62.7	11.4	22.2%	1,126	-3.4%
	GLOBAL RISKS	8.1	7.9	--	267	-16.3%
ASISTENCIA	(2.7)	6.4	69.9%	227	-17.8%	
OTHER*	(37.2)	(2.6)	-7.5%	(642)	9.9%	
TOTAL	187.0	(19.2)	-9.3%	6,197	-7.2%	

* "Other" includes Corporate Areas and consolidation adjustments

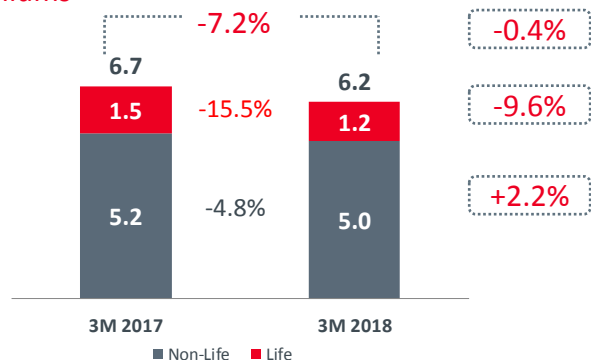
Million euros

Premiums and financial income impacted by forex movements, and lower interest rates in LATAM

Revenue



Premiums



> Non-Life premiums: largely driven by currency movements

- > IBERIA: +4.9%, growth in main business lines
- > BRAZIL: slight decline in local currency due to General P&C (-3%), and flat premiums in Motor
- > LATAM NORTH: positive local currency growth in main markets, with double digit growth in Mexico and the Dominican Republic
- > LATAM SOUTH: local currency growth in main geographies, except Chile which continues with the cancellation of unprofitable business in Non-Motor lines

> Life premiums

- > IBERIA: -19%, reflecting lower sales of unit-linked products and the low interest rate environment
- > BRAZIL: pick up in local currency growth (+6%), thanks to a recovery of lending activity

> Financial revenue impacted by lower yields in LATAM, especially Brazil

> Strong year on year depreciation of average exchange rates of main currencies (US dollar -13% , Brazilian real -16%, Turkish lira -16%)

Underlying earnings benefitting from widespread underwriting improvements

Extraordinary impacts

	3M 2017	3M 2018	Δ (mn)
Attributable result	206.2	187.0	(19.2)
Coastal Niño	(19.0)		19.0
Northeast US snowstorms (extraordinary) *		(10.9)	(10.9)
Realized gains**	23.7	24.2	0.5
Bancassurance reversal	27.2		(27.2)
Total extraordinary impacts	31.9	13.3	(18.6)
Underlying result***	174.3	173.7	(0.6)

Evolution of underlying result – 3M 2018 vs. 3M 2017

Underlying net result – 03.31.17	174.3	
Δ Technical result – Non-Life	+16.3	
Δ Financial result & others – Non-Life	-3.3	
Δ Result of Life business	-66.3	
Δ Result of Other Activities & hyperinflation adjustments	-10.2	
Δ Taxes	+30.3	
Δ Non-controlling interests	+32.6	
Underlying net result – 03.31.18	173.7	-0.6 mn (-0.3%)

* Extraordinary impact considers excess losses from primary insurance units in 2017; impacts at MAPFRE RE have been considered part of the recurring business

** Actively managed Non-Life portfolios

*** Pre-tax figures:

3M 2017: Coastal Niño (-€27 mn), realized gains (€31.6 mn), bancassurance reversal (€29 mn)

3M 2018: Extraordinary Northeast US snowstorms (- €13.5 mn), realized gains (€32.3 mn)

Combined ratio improved to 96.5% and resilient financial income

Non-Life: Key figures

Key figures		Result of Non-Life business		Combined ratio		Premiums	
		3M 2018	Δ %	3M 2018	Δ	3M 2018	Δ %
INSURANCE	IBERIA	117.6	22.3%	92.1%	-2.5 p.p	1,805	4.9%
	LATAM	56.3	-12.3%	97.7%	-1.0 p.p	1,276	-12.4%
	BRAZIL	29.1	-28.7%	98.3%	-0.2 p.p	689	-17.8%
	LATAM NORTH	8.9	60.4%	96.6%	-2.5 p.p	258	0.5%
	LATAM SOUTH	18.3	2.9%	97.0%	-2.2 p.p	328	-9.2%
	INTERNATIONAL	1.7	-95.1%	105.7%	4.5 p.p	1,018	-10.8%
	NORTH AMERICA	(4.0)	-117.1%	106.2%	4.8 p.p	561	-13.9%
	EURASIA	5.7	-47.9%	104.9%	4.2 p.p	457	-6.7%
	MAPFRE RE	74.5	32.5%	91.1%	-0.3 p.p	1,015	-0.2%
	GLOBAL RISKS	10.8	-	92.0%	-17.5 p.p	267	-16.3%
ASISTENCIA	(4.7)	-31.3%	102.2%	-1.7 p.p	227	-17.8%	
OTHER*	23.4	184.8%	---	---	(642)	-9.9%	
TOTAL		279.6	10.7%	96.5%	-1.0 p.p	4,966	-4.8%

* "Other" includes consolidation adjustments

Million euros

2017 NatCat event update: extremely effective reinsurance protections

Net loss development by business unit* - March 2018 vs. Dec. 2017

	December 2017	Δ 1Q 2018
MAPFRE RE	53.5	2.2
GLOBAL RISKS	57.5	(2.2)
Puerto Rico	42.9	0.3
USA	1.1	0.0
Mexico	1.4	0.1
Dominican Republic	0.4	0.1
Loss development - 1Q 2018	156.8	0.5

Total net losses: €157.3

March 2018

* Post-tax and non-controlling interests, net of reinsurance

Non-Life: Key highlights (I/II)

IBERIA

Premiums

- › Good performance in retail Motor in Spain (+3.4%), together with positive trends in Health & Accidents, Commercial and Agricultural insurance

Combined ratio

- › Benign weather in 1Q 2018 vs. 1Q 2017, benefitting Motor, Homeowners and Commercial lines
- › Excellent underwriting performance in Motor, thanks to the cancellation of unprofitable business, mainly fleets, and positive evolution of Verti

IBERIA: Key figures by business line

	Premiums		Combined ratio	
	3M 2018	Δ %	3M 2018	Δ
Motor	533.8	3.2%	90.3%	-1.7 p.p
General P&C	618.6	5.8%	92.9%	-2.4 p.p
Health & Accidents	581.0	5.6%	96.8%	-5.6 p.p

Million euros

NORTH AMERICA

Premiums

- › USA: positive trends in Northeast ($\approx +3.2\%$ in USD), mitigating the fall in other states ($\approx -16.1\%$ in USD)
- › Puerto Rico: resilient local currency growth ($\approx +3.4\%$ in USD)
- › Impact of dollar depreciation on average exchange rates (-13.2%)

Combined ratio

- › Puerto Rico: 2.4 p.p. improvement to 95.8%
- › USA: challenging retail Motor market (higher frequency, distracted driving, increase in repair costs, and marihuana consumption)
 - › Northeast: 104.1% at 3M 2018, impacted by winter weather
 - › Other: 119.1% at 3M 2018
- › US exit plan update:
 - › Tennessee, Kentucky & Indiana: renewal rights sold to Safeco
 - › New York & New Jersey: potential buyer performing due diligence
 - › Life business: sale pending final regulatory approvals

MAPFRE RE

- › Combined ratio improved 0.3 p.p. to 91.1% compared to 3M 2017, supported by superior underwriting and absence of large Cat losses
- › Premiums relatively flat as a result of currency movements

Non-Life: Key highlights (II/II)

BRAZIL

- › Decline in premiums in local currency driven by General P&C (-3%), and flat premiums in Motor
- › Lower loss ratio thanks to benign weather in Agricultural insurance
- › Negative claims developments in Motor, especially in the Agent network, as well as in Industrial and Transport lines
- › Increase in acquisition expenses
- › Financial income: Lower returns on floating rate and inflation linked investments

LATAM SOUTH

- › Premium growth in local currency in all countries, except Chile, impacted by the cancellation of unprofitable business in General P&C and Industrial lines
- › Improvement in combined ratio (-2.2 p.p.) due to Chile and Argentina, partially offset by worse claims experience in Peru

LATAM NORTH

- › Premiums: solid local currency growth in Mexico (12%) in Motor and Health, as well as double digit growth in the Dominican Republic
- › Strong improvement in combined ratio (-2.5 p.p.) thanks to business restructuring and cancellations in Mexico in 2017, as well as positive trends in the Dominican Republic

EURASIA

Premiums

- › Turkey: local currency decline as a result of stricter underwriting together with strong impact of Turkish lira depreciation
- › Growth trends in Germany (+3.3%) and Italy (-1.3%) in line with current market conditions

Combined ratio

- › Turkey: increase in Motor, as expected, driven by the reduction of MTPL rates as a result of 2017 regulation
- › Positive development in Italy & Germany with a reduction in claims

GLOBAL RISKS

- › Premium negatively affected by exchange rate movements, mainly US dollar
- › Excellent combined ratio (92%) with strong improvements in several lines of business, due to the absence of several large losses that occurred in 1Q 2017

ASISTENCIA

- › Significant reduction in losses (€6 mn) as a result of improvements in loss experience and expense reduction
- › Operating income: fall in business volumes, as a result of portfolio cleansing and office closings

Life: Key figures

	Result of Life business		Premiums	
	3M 2018	Δ %	3M 2018	Δ %
IBERIA	40.5	-47.9%	537	-19.4%
BRAZIL	67.4	-45.4%	324	-11.3%
OTHER*	22.1	-7.9%	371	-13.0%
TOTAL	130.1	-42.3%	1,231	-15.5%

IBERIA

- › Fall in Life-savings premiums due to lower sales of unit linked products in Spain, and unfavorable market conditions for sales campaigns
- › Premiums in 1Q 2017 included €17.5 mn from UNIÓN DUERO VIDA
- › Fall in results due to the cancellation of a provision for bancassurance contingent payments in 2017 (€29 mn)

BRAZIL

- › Increase in premiums in local currency (+6%), mainly in the bancassurance channel, thanks to the recovery of lending activity
- › Increase in acquisition expenses in order to boost sales, especially in the bancassurance channel
- › Fall in financial income (≈€31 mn), due to lower returns on floating rate and inflation linked bonds

OTHER*

- › Good performance in Mexico
- › Fall in premiums in Malta due to lower Life-Savings issuance
- › Decline in premiums at MAPRE RE due to the cancellation of a contract with a European ceding company
- › Negative trends in Colombia, impacted by adjustments in provisions as well as a decline in financial income

*Includes all other Life business, as well as consolidation adjustments
Million euros

Shareholders' equity impacted by currency movements

Change in shareholders' equity (mn€)

Shareholders' equity – 12.31.17	8,611
Δ Financial Assets AFS & others	+330
Δ Shadow accounting	-297
Δ Currency conversion differences	-121
Result for the period	+187
Dividends	-262
Other	+18
Shareholders' equity – 03.31.18	8,466

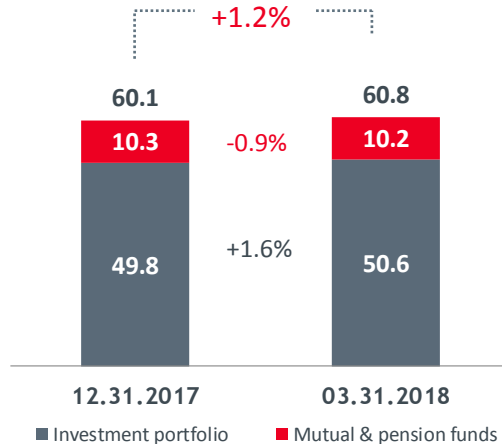
Shareholders' equity - breakdown

	12.31.2017	03.31.2018
Capital, retained earnings and reserves	8,764	8,706
Treasury stock and other adjustments	(41)	(39)
Net unrealized capital gains (financial investments - technical provisions)	620	651
Currency conversion differences	(731)	(852)
Attributable shareholders' equity	8,611	8,466

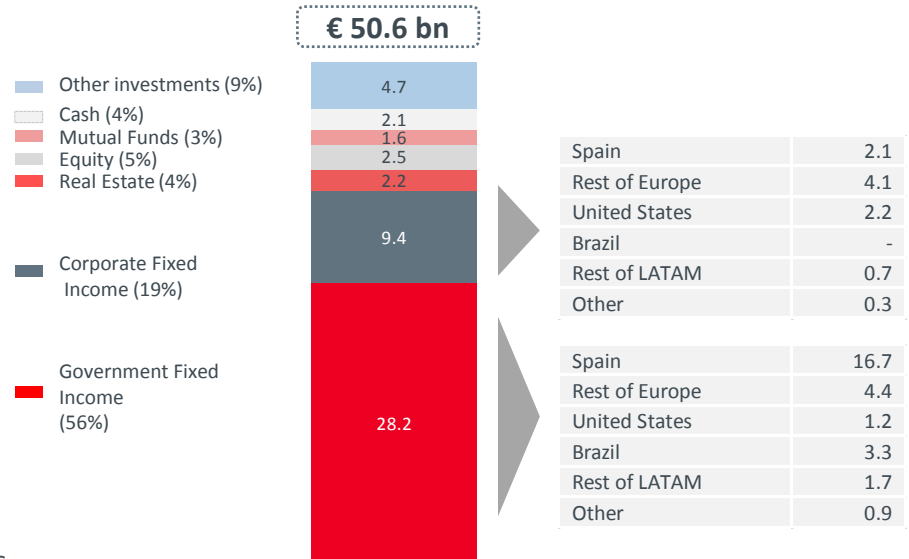
- › Depreciation of several currencies year to date, mainly the Brazilian real (-2.2%), the US dollar (-2.4%) and the Turkish lira (-6.4%)
- › Increase in the value of the available for sale portfolio due to a fall in yields in Spanish bonds, largely offset by shadow accounting

High quality investment portfolio and resilient growth in Asset Management business

Assets under Management



Investment portfolio – Breakdown by asset class



- › Successful commercial strategy in mutual and pension fund business
- › Weak performance of equity markets during 2018, after brief January rally
- › Decrease in Spanish government yields, especially at the longer end of the curve, had a positive impact on the fixed income portfolio

Stable level of realized gains and high accounting yields

Portfolio yield and duration ¹

		Market Value (bn€)	Accounting Yield	Market Yield	Duration
Non-Life (IBERIA, MAPFRE RE, & GLOBAL RISKS)	12.31.2017	7.19	2.59%	1.23%	6.35
	03.31.2018	7.37	2.40%	1.15%	6.68
Life (IBERIA)	12.31.2017	6.28	4.10%	1.01%	6.84
	03.31.2018	6.53	3.93%	0.84%	7.05

Realized capital gains & losses (mn€) ²

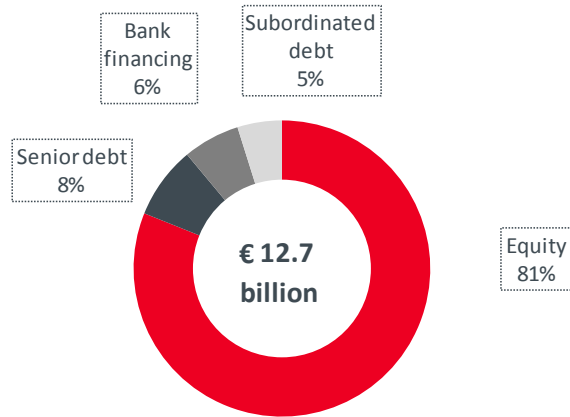
		3M 2017	3M 2018
Non-Life	IBERIA	19.9	20.9
	MAPFRE RE	7.2	10.9
	GLOBAL RISKS	4.5	0.5

1) Actively managed fixed income portfolios in the Euro area

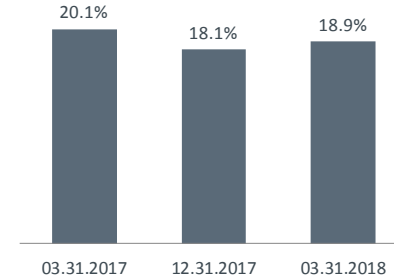
2) Includes only actively managed portfolios in the Euro area and real estate

Strong capital position with a high level of financial flexibility

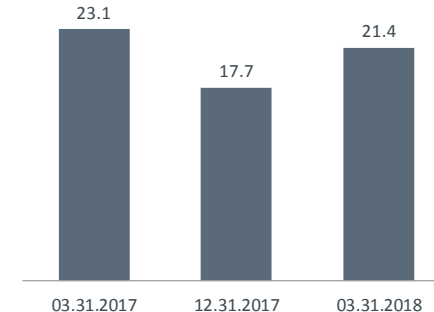
Capital structure



Leverage (%)



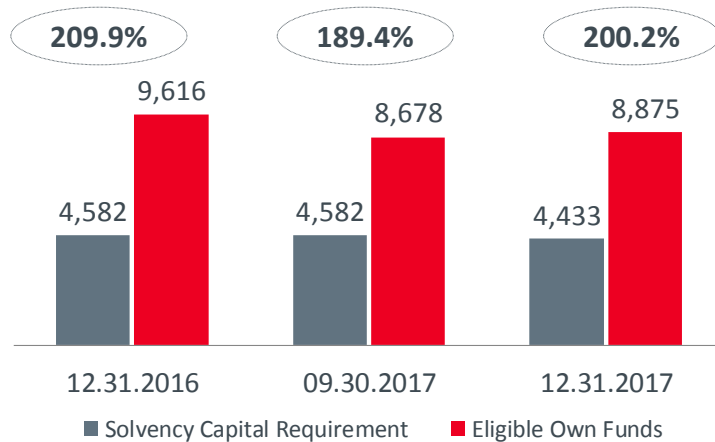
Interest coverage (x)



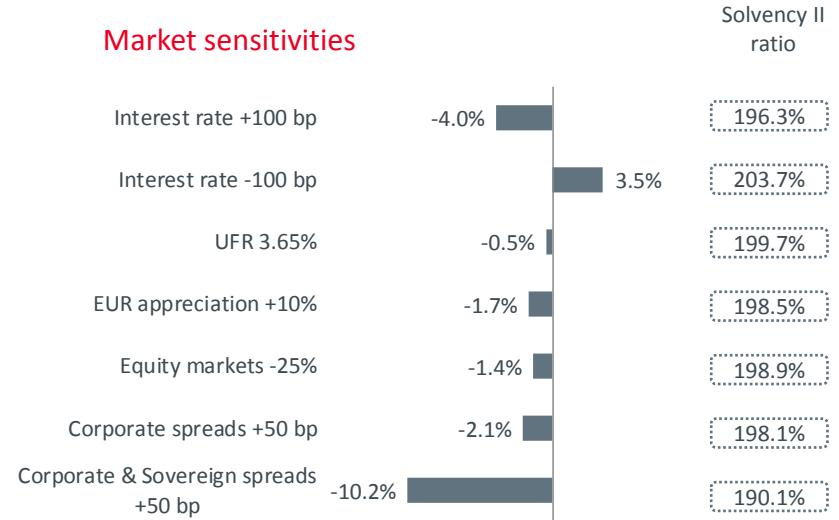
- > Strong fall in interest expense (-10% YoY)
- > High level of financial flexibility (340 mn€ of credit facility undrawn at March 31st)

Stable solvency position, supported by diversified balance sheet and business mix, as well as prudent management strategy

Solvency II ratio



Market sensitivities



- > **High quality capital base:** €8,276 mn in Tier 1 (93% of Eligible Own Funds)
- > **Fully loaded Solvency II ratio:** ≈180% (excluding impacts of transitional measures for technical provisions and equity)

Change in Solvency II position during 2017 largely driven by currency movements

	12.31.2016	12.31.2017	Δ
Eligible Own Funds (EOF)	9,616	8,875	(741)
Solvency Capital Requirement (SCR)	4,582	4,433	(149)
EOF - SCR	5,034	4,442	(591)

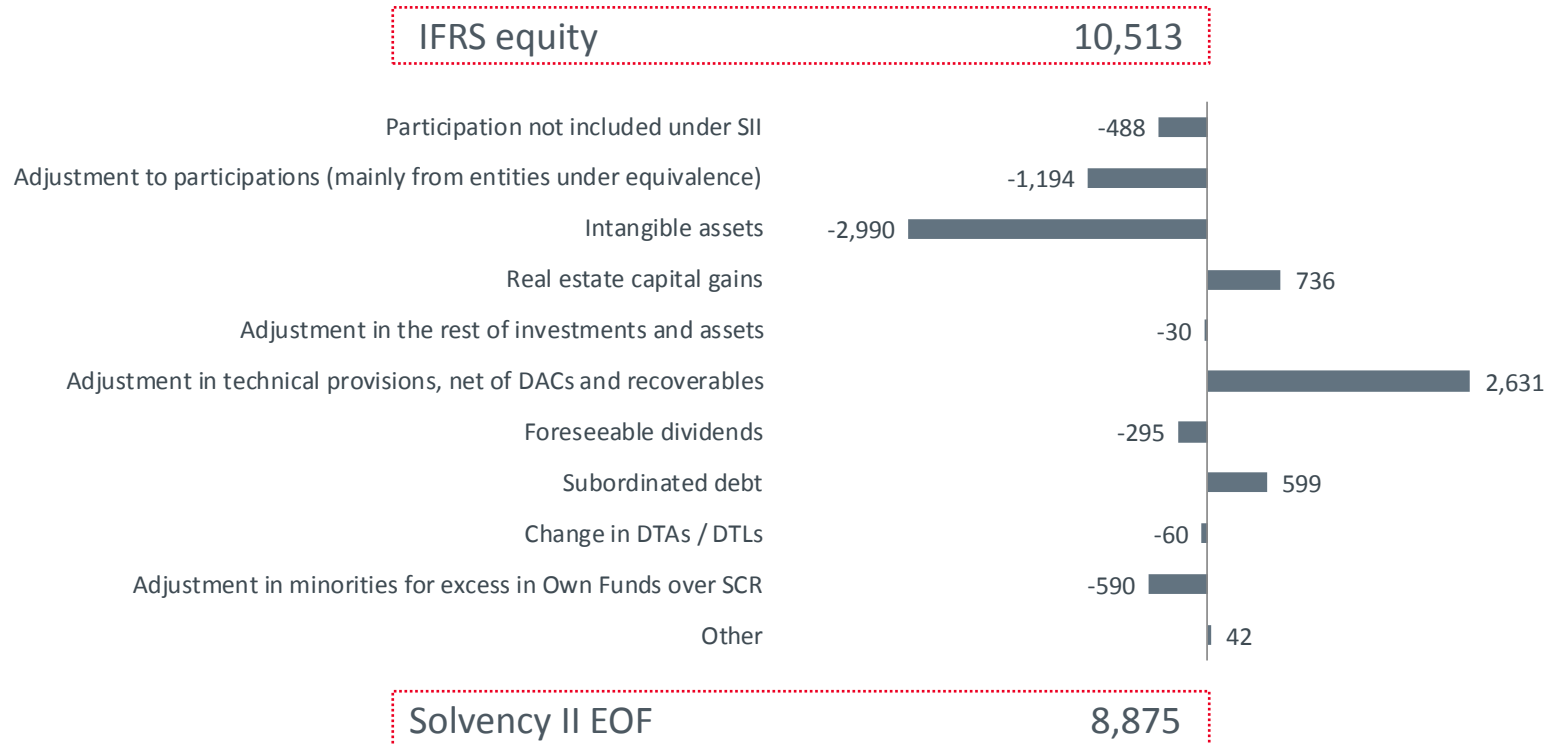
Eligible Own Funds (-741 mn€)

- › IFRS equity (-930 mn€): largely driven by currency movements
- › Other SII adjustments (+189 mn€)
 - › Intangible assets: lower deductions (+516 mn€), following the writedown of goodwill and VOBA in Brazil, the sale of UNIÓN DUERO business, as well as currency movements
 - › Exclusion of ABDA from Solvency II perimeter (-154 mn€)
 - › Impact of phase out of transitional measures (-98 mn€)

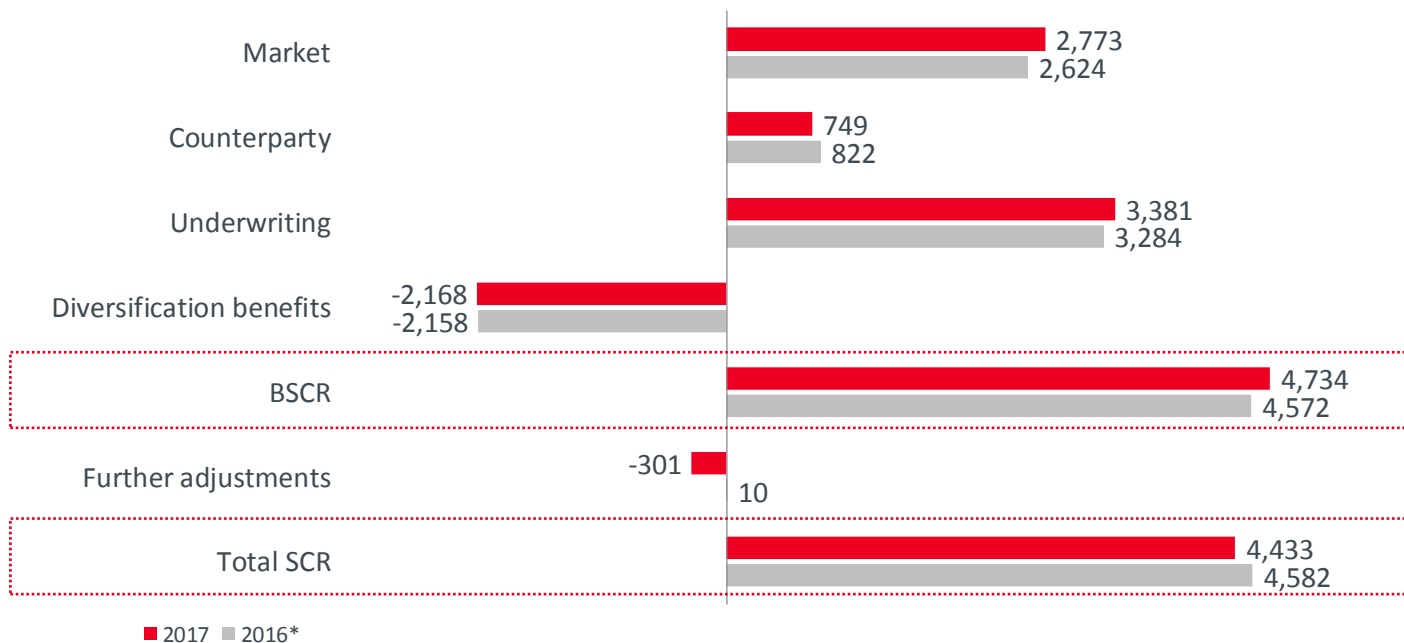
SCR (-149 mn€)

- › Lower capital requirements for entities under equivalence, mainly as a result of the depreciation of the US dollar and Brazilian real (-115 mn€)

Eligible Own Funds – IFRS reconciliation – December 2017



Solvency Capital Requirement – December 2017 vs. December 2016



* 2016 figures reported in line with the figures released in the *Solvency and Financial Condition Report*

Further adjustments include: Operational risks; loss absorbing capacity of technical provisions and deferred taxes; capital requirement from other financial sectors and third party equivalent countries (USA, Brazil, and Mexico)

Wrap-up

Superior performance of Non-Life business,
thanks to robust fundamentals

Drag from currency movements,
that should continue, but to a lesser extent

Turnaround expected in Brazil and USA,
after business restructuring is fully executed

Premiums expected to improve,
with an uptick in Life sales in Spain and
an improving market context in Brazil

Revenue	Top line figure which includes premiums, financial income, and revenue from non-insurance entities and other revenue
Combined ratio – Non-Life	Expense ratio + Loss ratio
Expense ratio – Non-Life	(Operating expenses, net of reinsurance – other technical revenue + other technical expenses) / Net premiums earned.
Loss ratio – Non-Life	(Net claims incurred + variation in other technical reserves + profit sharing and returned premiums) / Net premiums earned.
Result of Non-Life business	Includes technical result, financial result and other non-technical result of the Non-Life business
Result of Life business	Includes technical result, financial result and other non-technical result of the Life business
Corporate Areas and Consolidation Adjustments	Includes the result attributable to MAPFRE RE and MAPFRE INTERNACIONAL's non-controlling interests and other concepts
Other business activities	Includes the Group's non-insurance activities undertaken by the insurance subsidiaries, as well as by other subsidiaries, including activities of the holding companies of MAPFRE S.A. and MAPFRE INTERNACIONAL
Solvency II ratio	Eligible Own Funds (EOF) / Solvency Capital Requirement (SCR)
Interest Coverage	Earnings before tax & financial expenses (EBIT) / financial expenses
Leverage	Total Debt/ (Total Equity + Total Debt)
ROE (Return on Equity)	(Attributable result for the last twelve months) / (Arithmetic mean of equity attributable to the controlling company at the beginning and closing of the period (twelve months))
Other investments	Includes investments on behalf of policyholders, interest rate swaps, investments in associates, accepted reinsurance deposits and others

Alternative Performance Measures (APM) used in this report correspond to those financial measures that are not defined or detailed within the framework of the applicable financial information. Their definition and calculation can be consulted at the following link:

<https://www.mapfre.com/corporate/institutional-investors/investors/financial-information/alternative-performance-measures.jsp>



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