



MAPFRE AND BANCO DO BRASIL UPDATE THEIR STRATEGIC ALLIANCE IN THE INSURANCE BUSINESS

June 26, 2018

OVERVIEW

- **A corporate reorganization under which MAPFRE will control 100% of MAPFRE BB SH2 (“SH2”), which will be renamed MAPFRE SEGUROS** and will include:
 - All the businesses from the traditional channel
 - The Auto business from the bank channel
 - The renewal rights of the Large Risks business from the bank channel

- The duration of the agreement and the **exclusivity in product distribution through the BB channel will not change for MAPFRE**, for Life or Non-Life

- BB MAPFRE SH1 (“SH1”) will be focused on Life, Agro, Mortgage Life, SMEs and Homeowners insurance lines for BB clients, and will maintain the Large Risks portfolio run-off

CONSIDERATION

- The base price amounts to **2.406 billion Brazilian reais** (578 million euros* at 03.31.2018 / 546 million euros at the current exchange rate), with adjustments to the price based on:
 - Dividends until the operation closing date, once the relevant authorizations are received
 - Annual adjustment based on the objectives for the bank channel auto insurance distribution business plan
- Equivalent to **≈1.4 times its book value** (data at 03.31.2018)
- **Around 10%** expected **ROI**

FUNDING

- **CASH:**

Excess available in the insurance holding in Brazil: ≈ 250 million euros

- **DEBT:**

Credit facility: 340 million euros available at March

Hybrid debt issuance: conditions and amount to be determined

Leverage: potential increase from 18% to 22% approximately

* With exchange rate BRL/EUR at 03.31.2018 (0.2460751) and adjusted for dividends

STRUCTURE OF THE OPERATION

- Partial spin-off of BB MAPFRE SH1 (“SH1”) by means of the segregation of the shareholding in MAPFRE Vida, which will be absorbed by MAPFRE BB SH2 (“SH2”)
- Partial spin-off of MAPFRE BB SH2 (“SH2”) by means of the segregation of the shareholding in Aliança do Brasil Seguros (ABS), which will be absorbed by BB MAPFRE SH1 (“SH1”). After this incorporation into SH1, MAPFRE SEGUROS will maintain the renewal rights of the Large Risks business in the bank channel, and the run-off of this portfolio will correspond to BB MAPFRE SH1 (“SH1”)
- After the above mentioned reorganization, BB Seguros will sell all its shareholding in SH2 to MAPFRE Brasil for a consideration of 2.406 billion BRL. This amount will be adjusted depending on the dividends paid by the insurance entities, within the scope of the reorganization, until the formalization of the operation, once the relevant authorizations are received

REALLOCATION OF INSURANCE BUSINESSES RESULTING FROM THE AGREEMENT

MAPFRE SHAREHOLDING IN ENTITIES - % VARIATION

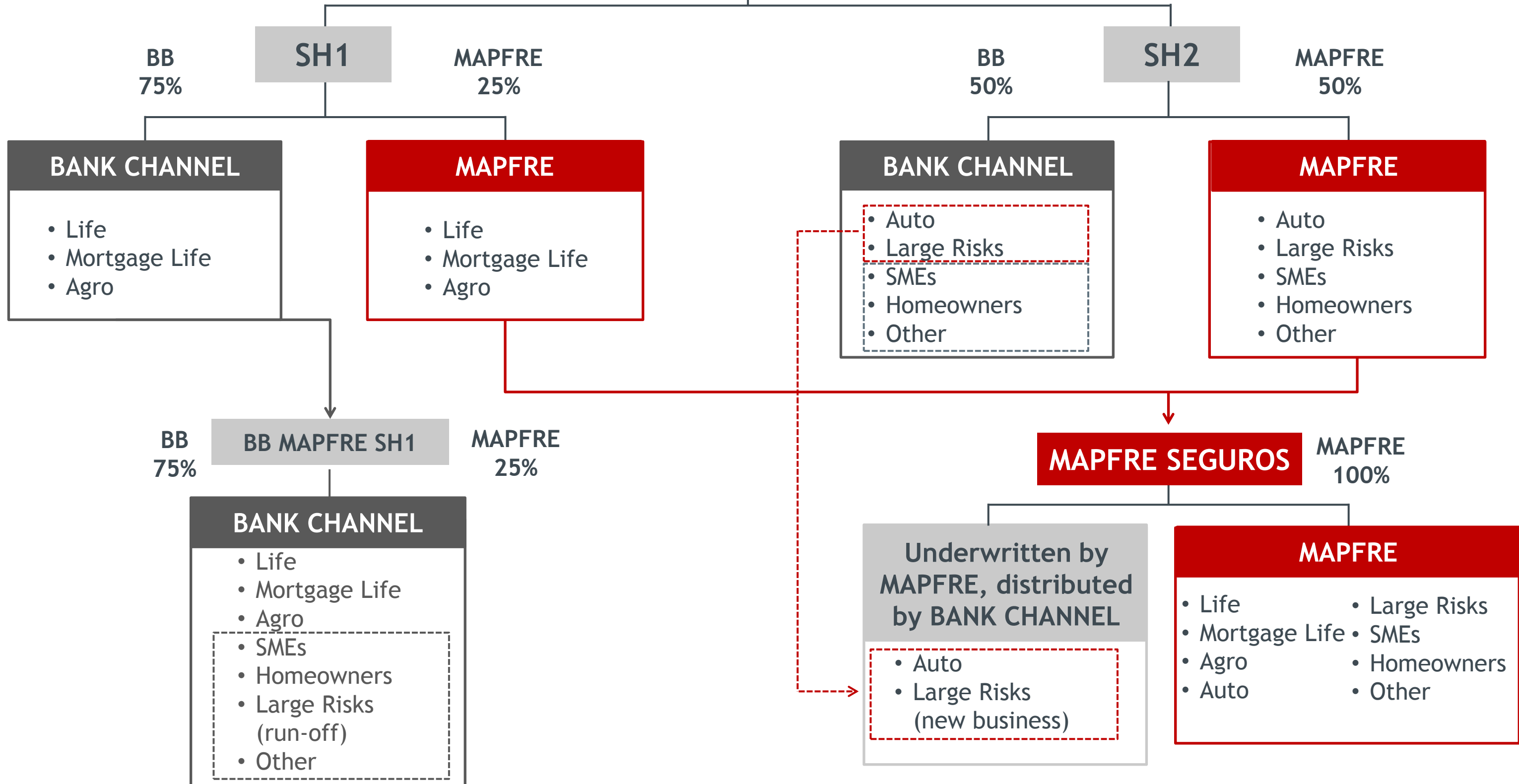
			SHAREHOLDING	
VARIATION	ENTITY	PREVIOUS	NEW	
75%	MAPFRE VIDA (Life / Agent)	25%	100%	
50%	BRASIL VEÍCULOS (Auto / Bank)	50%	100%	
50%	MAPFRE SEGUROS GERAIS (Non-Life / Agent)	50%	100%	
-25%	ALIANÇA DO BRASIL SEGUROS (Non-Life / Bank)*	50%	25%	

*The Large Risks portfolio, currently in this entity, will be transferred to BB MAPFRE SH1, while the renewal rights will remain with MAPFRE Seguros



PREVIOUS STRUCTURE

CURRENT AGREEMENT



CAPITAL POSITION

IFRS IMPACT:

- Exit of non-controlling interests, amounting to 402 million euros*
- Acquisitions of additional shareholdings do not generate goodwill or other intangibles, under IFRS
- The excess price over book value is directly accounted for against reserves, and at March 31, 2018 it has an estimated value of 176 million euros*

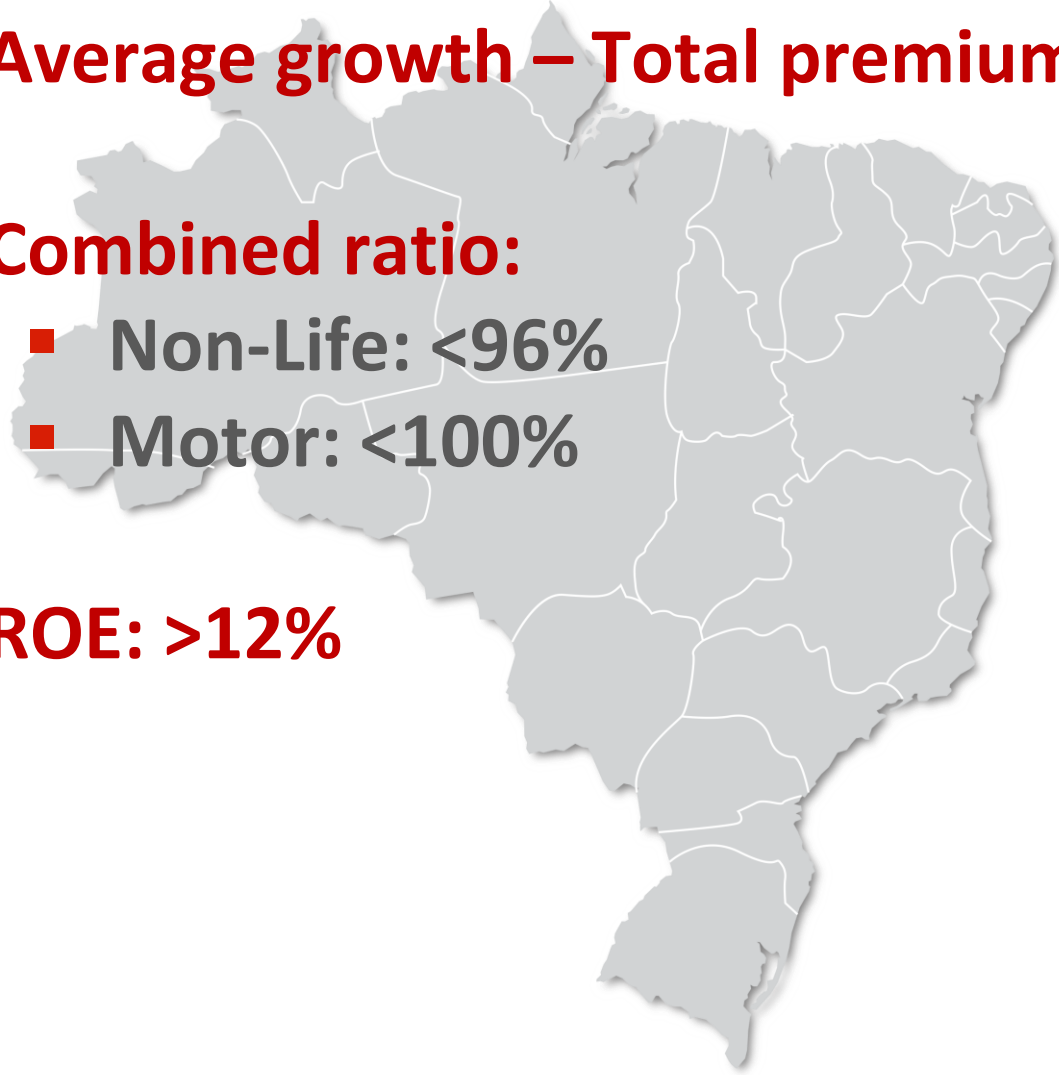
SOLVENCY II IMPACT:

- The Solvency ratio of 203% at 03.31.2018 would reduce to $\approx 190\%$, after the corporate reorganization
- A potential hybrid debt issuance would mitigate the impact on solvency capital and position
- For each 100 million euro increase in hybrid debt, the Solvency ratio would improve by over 2 percentage points

* With exchange rate BRL/EUR at 03.31.2018 (0.2460751) and adjusted for dividends

- Significantly boosts its **shareholding** in the business in Brazil
- Increases the **profit contribution**
- Simplifies MAPFRE's **strategy execution** in Brazil
- Leverages the **MAPFRE brand in Brazil** – the company becomes the **second largest Non-Life** insurer in the country
- Maintains the **exclusivity** in the Banco do Brasil channel
- **Improves the management** and control of the various areas in the company, unifying the areas and departments that were distributed between both companies
- Allows to apply MAPFRE's best practices and experience in the management of the Auto business
- The new situation will allow MAPFRE to reach new distribution agreements, **acquire new businesses**, grow in new lines and further penetrate in other channels

MAPFRE BRASIL 3-year objectives

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- **Average growth – Total premiums: >6%**
 - **Combined ratio:**
 - **Non-Life: <96%**
 - **Motor: <100%**
 - **ROE: >12%**



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