

Angel Luis Dávila Bermejo, Secretary of the Board of Directors of MAPFRE S.A., with registered address Carretera de Pozuelo num. 52, 28222 Majadahonda (Madrid), and tax I.D. number A-08055741, registered in the Mercantile Register of Madrid in Volume 307, Book 0, sheet 94, Section 8, Page M-6152

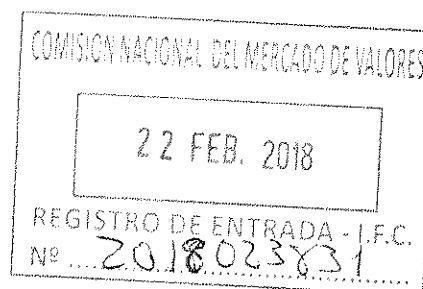
HEREBY CERTIFIES:

That on February 16, 2018 the pdf version of the following documents corresponding to the 2017 financial year were presented: the Individual and Consolidated Annual Accounts and Management Reports as well as the Integrated Report of MAPFRE, S.A., along with the statement of responsibility over its contents signed by all the directors. Said version is a true and faithful representation of the original documents presented to the Spanish National Securities and Exchange Commission (Comisión Nacional del Mercado de Valores) on February 8, 2018 with entry registration number 2018018890.

That in said version presented on February 16, the following typographical mistakes detected in the original version have been corrected:

- The date of issuance of the audit reports corresponding to the individual and consolidated annual accounts is February 8, 2018 instead of February 8, 2017, which date appears in the original version.

This certificate, which shall serve as proof for the record, is issued in Madrid, on February 21, 2018.





MAPFRE S.A. and Subsidiaries

Consolidated Annual Accounts

31 December 2017

Consolidated Directors' Report

2017

(With Independent Auditor's Report Thereon)

(Free translation from the originals in Spanish. In the event of discrepancy, the Spanish-language versions prevail.)



KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report on the Consolidated Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of MAPFRE, S.A. commissioned by its Board of Directors

Report on the Consolidated Annual Accounts

Opinion

We have audited the consolidated annual accounts of MAPFRE, S.A. and subsidiaries (together the "Group"), which comprise the consolidated balance sheet at 31 December 2017, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and consolidated notes for the year then ended.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2017 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated annual accounts in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of mathematical provisions (Euros 23,063.43 million)

See notes 5.15 and 6.14 of the notes to the consolidated annual accounts

<i>Key audit matters</i>	<i>How the issue was addressed in our audit</i>
<p>The Group calculates mathematical provisions for commitments with its policyholders, including some very long-term commitments. Estimating mathematical provisions requires the use of actuarial calculations and methods that employ key assumptions involving a high degree of judgement and uncertainty, including projected future mortality, morbidity, administration costs, interest rates, etc.</p> <p>In addition, International Financial Reporting Standards as adopted by the EU (IFRS-EU) require that the adequacy of insurance contract liabilities be tested, including life insurance liabilities, in order to determine whether sufficient provision has been made on the basis of projected future cash flows associated with contracts in force, taking into account the most up-to-date assumptions available. These tests also require the use of actuarial methods, where the assumptions employed have a significant impact.</p> <p>The use of inadequate assumptions in actuarial methods can have a significant impact on the consolidated annual accounts</p>	<p>Our audit approach included testing the design and implementation of key controls established by the Group for estimating mathematical provisions, including controls on the definition of key assumptions and on the completeness and accuracy of the data bases used when estimating these provisions.</p> <p>Our substantive procedures in relation to the mathematical provisions, which were carried out in collaboration with our actuarial specialists and for a representative sample of contracts selected based on our assessment of risks and their significance, consisted primarily of the following:</p> <ul style="list-style-type: none"> • Testing the completeness and accuracy of the data bases used in the actuarial calculations. • Recalculating the life insurance provision, considering the economic and technical conditions in the insurance contracts and those established in prevailing legislation. • As regards the Liability Adequacy Test, assessing the methodology employed by the Group and its principal economic (interest rate curves used for discounting, administration costs, etc.) and technical (mortality, morbidity and lapse rates, etc.) assumptions used to project future cash flows. We assessed the reasonableness of future cash flows (premiums, claims, expenses), and compared them to the Group's past financial information. <p>We also assessed the adequacy of the information disclosed in the consolidated annual accounts on mathematical provisions, considering the requirements of IFRS-EU.</p>

Valuation of mathematical provisions (Euros 23,063.43 million)

See notes 5.15 and 6.14 of the notes to the consolidated annual accounts

<i>Key audit matters</i>	<i>How the issue was addressed in our audit</i>
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Valuation of the provision for non-life insurance claims (Euros 10,088.98 million)

See notes 5.15 and 6.14 of the notes to the consolidated annual accounts.

<i>Key audit matters</i>	<i>How the issue was addressed in our audit</i>
<p>The Group recognises the provision for non-life insurance claims to cover the estimated cost of accidents occurring up to the closing date. Estimating this provision is complex and requires actuarial methods and calculations based on judgement and significant assumptions, particularly for those lines of business where the claim settlement period can be very long, such as in automobile, public liability, fires, aviation and transport.</p> <p>When valuing the claims provision, estimates are used on a case-by-case basis, as well as actuarial projection methods based on past information and assumptions on their future evolution. These estimates include assumptions related to the amount of the expected settlement and claim payment patterns, and due to their nature, there is a significant degree of uncertainty, and a change in assumptions could significantly impact the consolidated annual accounts.</p>	<p>Our audit procedures included testing the design and implementation of key controls established by the Group for estimating provisions for claims, including controls on the definition of key assumptions and on the completeness and accuracy of the data bases used when estimating these provisions.</p> <p>Our substantive procedures in relation to the provision for claims, which were carried out in collaboration with our actuarial specialists and for a representative sample of lines of business selected based on our assessment of risks and their significance, consisted primarily of the following:</p> <ul style="list-style-type: none"> • Testing the completeness and accuracy of the data bases used in the actuarial calculations. • Based on our knowledge and experience of the sector, we assessed the reasonableness of the actuarial models and the assumptions employed in calculating the provision for claims, comparing them to best actuarial practices, regulatory requirements, market scenarios and historical trends. • We estimated the provision for claims and, based on our experience, determined a range for assessing its reasonableness. <p>We also assessed the adequacy of the information disclosed in the annual accounts on the provisions for non-life insurance claims, considering the requirements of IFRS-EU.</p>

Valuation of goodwill and portfolio acquisition costs (Euros 2,846.05 million)
See notes 5.1 and 6.1 of the notes to the consolidated annual accounts.

<i>Key audit matters</i>	<i>How the issue was addressed in our audit</i>
<p>The Group has recognised significant goodwill and portfolio acquisition costs from the acquisition of entities or businesses. A high degree of judgement and complexity is involved in valuing these intangible assets</p> <p>Valuing these assets requires that cash-generating units (CGUs) be determined, that the carrying amount of each CGU be calculated, that their recoverable amount be estimated and that any impairment indicators be identified. Determining the recoverable amount of each CGU involves financial projections that consider assumptions on macroeconomic trends, internal circumstances of the entity and competitors, discount rates or the outlook for the business. Complex data and estimates, in general, entail uncertainty and judgement, and have an associated significant inherent risk.</p> <p>The Group tests goodwill and portfolio acquisition costs for impairment annually, or when impairment indicators are identified. In this regard, our assessment centred mainly on goodwill from MAPFRE USA and the acquisition of Direct Line Italia, as a result of trends in the results of these entities.</p>	<p>Our audit procedures included testing the design and implementation of key controls established by the Group for identifying CGUs, evaluating impairment indicators, having financial projections approved by the Board of Directors and defining the calculation assumptions and methods used to estimate the recoverable amount of CGUs.</p> <p>Based on our knowledge and experience, we assessed the reasonableness of the methods used by the Group to estimate the recoverable amounts of CGUs, considering IFRS-EU and best market practices.</p> <p>Our substantive procedures, which were performed for a sample of CGUs, including MAPFRE USA and Direct Line Italia, basically consisted of the following:</p> <ul style="list-style-type: none"> • Evaluating the existence of goodwill and portfolio acquisition cost impairment indicators considering external and internal factors such as macroeconomic indicators, sector expectations, the financial history of CGUs and management's expectations. • In collaboration with our valuation specialists, analysing the discount and growth rates used by the Group to estimate the recoverable amount of CGUs. • Assessing the reasonableness of the financial projections prepared by management, comparing them to the historical financial information of the CGUs, to business plans approved by the Group and to market expectations in the sectors in which they operate. • Performing a sensitivity analysis of the key assumptions and financial projections used to estimate the recoverable amount of CGUs. <p>We also assessed the adequacy of the information disclosed in the annual accounts on goodwill and portfolio acquisition costs, considering the requirements of IFRS-EU.</p>

Valuation of financial instruments not quoted on active markets and recognized at fair value (Euros 5,510.14 thousand)

See notes 5.5 and 6.4 of the notes to the consolidated annual accounts.

<i>Key audit matters</i>	<i>How the issue was addressed in our audit</i>
<p>For valuation purposes, the classification of financial instruments in the different portfolios stipulated in applicable accounting regulations determines the criteria to be used when valuing them subsequently.</p> <p>The majority of the MAPFRE Group's financial instruments are valued using market prices in active markets. Nonetheless, where there is no quoted price in an active market, the fair value of financial instruments is determined using valuation techniques that consider factors such as non-observable market inputs or complex valuation models that require a high degree of judgement. Changes in the assumptions considered, market events or new regulations can also have a significant impact on valuation.</p> <p>We consider there is a significant inherent risk associated with the valuation of financial instruments recognised at fair value, and that for valuation purposes they are classified hierarchically by the Group as level 3 financial instruments (use of a significant input not based on observable market inputs) and certain portfolios are classified as level 2 (significant input based on directly or indirectly observable market data). In both cases, this due to the use of complex valuation models.</p>	<p>Our audit approach included assessing the key controls linked to the processes of valuing financial instrument portfolios and performing substantive testing thereon.</p> <p>In collaboration with our specialists in financial instruments, we selected representative samples of the population of the Group's financial assets, which we evaluated using different substantive procedures, including recalculating the fair value and assessing the reasonableness of the market inputs used in the valuation model.</p> <p>Additionally, we assessed whether the information disclosed in the consolidated annual accounts on financial instruments adequately reflects the Group's exposure to the risk of valuing financial instruments, and whether it complies with the disclosure requirements of IFRS-EU.</p>

Accounting policy for the recognition of currency conversion differences on operations in Venezuela (Euros 832.85 million)

See note 2.4 to the consolidated annual accounts.

<i>Key Audit Matter</i>	<i>How the Matter was Addressed in Our Audit</i>
<p>The Group controls several subsidiaries with operations in Venezuela. In recent years, it has applied the accounting treatment provided for in IAS 29 to its operations in that country as it is considered a hyperinflationary economy. In accordance with this standard, the financial statements of its subsidiaries in Venezuela are adjusted based on estimated inflation for each year.</p>	<p>Our audit approach included:</p> <ul style="list-style-type: none"> • An evaluation of the Group's considerations regarding current regulations. • Based on an analysis of international financial reporting standards, an evaluation of the appropriateness of the accounting policy adopted by the Group.

Accounting policy for the recognition of currency conversion differences on operations in Venezuela (Euros 832.85 million)

See note 2.4 to the consolidated annual accounts.

<i>Key Audit Matter</i>	<i>How the Matter was Addressed in Our Audit</i>
<p>In accordance with IAS 21, the Group translates the adjusted financial statements of these subsidiaries applying the year-end closing rate, which is closely linked to the hyperinflation rate and tends to mitigate the effects thereof to a large extent.</p> <p>When Venezuela came to be considered a hyperinflationary economy for international financial reporting standard purposes, the Group adopted an accounting policy that presents the effects of hyperinflation through a reserve account, and the effects of translation differences in the statement of "Other Recognised Revenue and Expense", which is also included in equity.</p> <p>However, in 2017 the Group decided to modify its accounting policy regarding the presentation of translation differences, considering it to be more relevant and reliable to present the effects of hyperinflation and the effects of translation differences arising on translation to Euros of the adjusted financial statements of the Venezuelan subsidiaries in the same reserve account, in accordance with the provisions of IAS 8. This change, which resulted in the restatement of comparative figures, requires the use of significant judgement by the Group when evaluating its greater relevance and reliability. Consequently this is considered a key audit matter in our audit.</p>	<ul style="list-style-type: none"> Based on the historical information available and our knowledge of the Group, an analysis of the elements which, from our evaluation of the Group, support the view that the new policy offers more relevant and reliable information, in accordance with the criteria set forth in IAS 8. Verification, using tests of detail, of the quantitative impact recognised in the accompanying annual accounts and which arises as a result of the modification of the accounting policy. An evaluation of whether the disclosures included in the annual accounts regarding the change in accounting policy comply with the requirements of the applicable financial reporting framework.

Other Information. Consolidated Directors' Report

Other information solely comprises the 2017 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility regarding the information contained in the consolidated directors' report is defined in the legislation regulating the audit of accounts, which establishes two different levels for this information:

- a) A specific level applicable to non-financial consolidated information, as well as certain information included in the Annual Report on the Corporate Governance (ARCG), as defined in article 35.2. b) of the Audit Law 22/2015, which consists of merely verifying that this information has been provided in the directors' report, or in the case of the non-financial information, in a separate report corresponding to the same year and to which reference is made in the directors' report and, if not, report on this matter.
- b) A general level applicable to the rest of the information included in the consolidated directors' report, which consists of assessing and reporting on the consistency of this information with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described in the preceding paragraphs, we have verified that the specific information mentioned in a) above has been provided in a separate report – the “Integrated Report MAPFRE S.A. 2017” – to which the consolidated directors' report makes express reference, that the information of the ARGC referred in this section is included in the directors' report, and that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2017 and the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit and Compliance Committee's Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent's Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's Audit and Compliance Committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.



Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts_

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.
- Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



We communicate with the Audit and Compliance Committee of the Parent regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's Audit and Compliance Committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Audit and Compliance Committee of the Parent, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

Additional Report to the Audit and Compliance Committee of the Parent_____

The opinion expressed in this report is consistent with our additional report to the Group's Audit and Compliance Committee dated February 8, 2018.

Contract Period _____

We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on 13 March 2015 for a period of 3 years, from the year ended 1 January 2015.

KPMG Auditores, S.L. (S0702)

(Signed on original in Spanish)

Hilario Albarracín Santa Cruz

R.O.A.C: 09144

8 February 2018

CONSOLIDATED ANNUAL ACCOUNTS

AND

CONSOLIDATED MANAGEMENT REPORT

FISCAL YEAR 2017

MAPFRE S.A.

CONSOLIDATED ANNUAL ACCOUNTS

2017

MAPFRE S.A.

CONSOLIDATED ANNUAL ACCOUNTS

2017

- A) Consolidated balance sheet**
- B) Global consolidated income statement**
- C) Consolidated statement of changes in equity**
- D) Consolidated cash flow statement**
- E) Financial information by segment**
- F) Complementary financial information by product and geographical area**
- G) Consolidated annual report**

MAPFRE S.A.

MAPFRE S.A. AND SUBSIDIARIES

A) CONSOLIDATED BALANCE SHEET AS ON DECEMBER 31, 2017 AND 2016

ASSETS	Notes	2017	2016
A) INTANGIBLE ASSETS	6.1	3,422.90	3,798.92
I. Goodwill	6.1	1,882.96	1,990.05
II. Other intangible assets	6.1	1,539.94	1,808.87
B) PROPERTY, PLANT AND EQUIPMENT	6.2	1,191.73	1,296.57
I. Real estate for own use	6.2	920.64	1,002.97
II. Other property, plant and equipment	6.2	271.09	293.60
C) INVESTMENTS		44,691.23	45,087.98
I. Real estate investments	6.2	1,250.71	1,274.81
II. Financial investments			
1. Held-to-maturity portfolio	6.4	2,024.26	2,419.76
2. Available-for-sale portfolio	6.4	34,516.43	35,102.61
3. Trading portfolio	6.4	5,462.57	5,018.59
III. Investments recorded by applying the equity method		203.92	242.57
IV. Deposits established for accepted reinsurance		790.59	650.22
V. Other investments		442.75	379.42
D) INVESTMENTS ON BEHALF OF LIFE INSURANCE POLICYHOLDERS BEARING THE INVESTMENT RISK	6.5	2,320.14	2,013.96
E) INVENTORIES	6.6	67.08	75.04
F) PARTICIPATION OF REINSURANCE IN TECHNICAL PROVISIONS	6.14	4,989.62	3,934.36
G) DEFERRED TAX ASSETS	6.21	296.81	335.32
H) RECEIVABLES	6.7	6,337.10	6,651.86
I. Receivables on direct insurance and co-insurance operations	6.7	4,019.46	4,315.06
II. Receivables on reinsurance operations	6.7	987.25	876.57
III. Tax receivables			
1. Tax on profits receivable	6.21	143.02	166.22
2. Other tax receivables		128.65	137.57
IV. Corporate and other receivables	6.7	1,058.72	1,156.44
V. Shareholders, called capital		--	--
I) CASH		1,864.01	1,451.13
J) ACCRUAL ADJUSTMENTS	5.11	2,132.33	2,179.96
K) OTHER ASSETS		100.95	145.50
L) NON-CURRENT ASSETS HELD FOR SALE AND FROM DISCONTINUED OPERATIONS	6.10	155.58	911.16
TOTAL ASSETS		67,569.48	67,881.76

Figures in millions of euros

MAPFRE S.A. AND SUBSIDIARIES

A) CONSOLIDATED BALANCE SHEET AS ON DECEMBER 31, 2017 AND 2016

EQUITY AND LIABILITIES	Notes	2017	2016
A) EQUITY	6.11	10,512.66	11,443.48
I. Paid-up capital	6.11	307.95	307.95
II. Share premium	6.11	1,506.74	1,506.74
III. Reserves		6,433.14	6,208.62
IV. Interim dividend		(184.77)	(184.77)
V. Treasury Stock	6.11	(52.36)	(60.23)
VI. Result for the period attributable to controlling company	4.1	700.51	775.45
VII. Other equity instruments	6.22	10.08	9.68
VIII. Valuation change adjustments	6.11	620.69	654.67
IX. Currency conversion differences	6.23	(730.70)	(91.61)
Equity attributable to the controlling company's shareholders		8,611.28	9,126.50
Non-controlling interests		1,901.38	2,316.98
B) SUBORDINATED LIABILITIES	6.12	617.37	593.96
C) TECHNICAL PROVISIONS	6.14	45,493.96	45,226.13
I. Provisions for unearned premiums and unexpired risks	6.14	8,375.10	8,636.53
II. Provisions for life insurance	6.14	24,992.92	25,664.78
III. Provision for outstanding claims	6.14	11,223.09	10,086.76
IV. Other technical provisions	6.14	902.85	838.06
D) TECHNICAL PROVISIONS FOR LIFE INSURANCE WHERE POLICYHOLDERS BEAR THE INVESTMENT RISK	6.14	2,320.14	2,013.96
E) PROVISIONS FOR RISKS AND EXPENSES	6.15	661.76	752.75
F) DEPOSITS RECEIVED ON CEDED AND RETROCEDED REINSURANCE	6.16	42.42	49.37
G) DEFERRED TAX LIABILITIES	6.21	588.04	730.71
H) DEBT	6.17	7,073.74	6,141.27
I. Issue of debentures and other negotiable securities	6.13	1,003.29	1,002.55
II. Due to credit institutions	6.13	706.74	606.35
III. Other financial liabilities	6.13	1,235.17	752.09
IV. Due on direct insurance and co-insurance operations	6.17	972.11	953.02
V. Due on reinsurance operations	6.17	1,218.63	1,045.83
VI. Tax liabilities		--	--
1. Tax on profits to be paid	6.21	167.63	231.32
2. Other tax liabilities	6.17	343.17	440.22
VII. Other debts	6.17	1,427.00	1,109.89
I) ACCRUAL ADJUSTMENTS	5.11	258.30	240.85
J) LIABILITIES LINKED TO NON-CURRENT ASSETS HELD FOR SALE AND FROM DISCONTINUED OPERATIONS	6.10	1.09	689.28
TOTAL EQUITY AND LIABILITIES		67,569.48	67,881.76

Figures in millions of euros

MAPFRE S.A. AND SUBSIDIARIES

B) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR YEARS ENDING DECEMBER 31, 2017 AND 2016

B.1) CONSOLIDATED INCOME STATEMENT

ITEM	Notes	2017	2016
I. REVENUE FROM INSURANCE BUSINESS			
1. Premiums allocated to the financial year, net			
a) Written premiums, direct insurance	7.A.2	19,982.34	19,313.69
b) Premiums from accepted reinsurance	7.A.2	3,498.35	3,499.48
c) Premiums from ceded reinsurance	6.20	(4,064.44)	(3,593.86)
d) Variations in provisions for unearned premiums and unexpired risks			
Direct insurance	6.14	(515.55)	76.19
Accepted reinsurance	6.14	74.10	(162.00)
Ceded reinsurance	6.20	334.86	(95.29)
2. Share in profits from equity-accounted companies		10.97	10.44
3. Revenue from investments			
a) From operations	6.18	2,363.88	2,603.79
b) From equity	6.18	195.27	203.81
4. Gains on investments on behalf of life insurance policyholders bearing the investment risk	6.5	131.02	145.39
5. Other technical revenue		63.67	52.94
6. Other non-technical revenue		194.61	71.71
7. Positive foreign exchange differences	6.23	1,039.86	705.99
8. Reversal of the asset impairment provision	6.8	21.07	22.00
TOTAL REVENUE FROM INSURANCE BUSINESS		23,330.01	22,854.28
II. EXPENSES FROM INSURANCE BUSINESS			
1. Incurred claims for the year, net			
a) Claims paid and variation in provision for claims, net			
Direct insurance	5.15	(13,218.93)	(12,560.54)
Accepted reinsurance	5.15	(2,382.90)	(2,058.29)
Ceded reinsurance	6.20	2,881.19	1,687.43
b) Claims-related expenses	6.19	(855.71)	(881.58)
2. Variation in other technical provisions, net	5.15	(806.59)	(380.19)
3. Profit sharing and returned premiums		(46.80)	(50.05)
4. Net operating expenses	6.19		
a) Acquisition expenses		(4,924.76)	(4,748.03)
b) Administration expenses		(760.01)	(770.33)
c) Commissions and participation in reinsurance	6.20	557.03	518.39
5. Share in losses from equity-accounted companies		(0.08)	—
6. Expenses from investments			
a) From operations	6.18	(627.80)	(571.36)
b) From equity and financial accounts	6.18	(44.84)	(39.12)
7. Losses on investments on behalf of life insurance policyholders bearing the investment	6.5	(8.47)	(25.83)
8. Other technical expenses	6.19	(129.57)	(118.05)
9. Other non-technical expenses	6.19	(114.33)	(130.57)
10. Negative foreign exchange differences	6.23	(1,019.39)	(626.50)
11. Allowance to the asset impairment provision	6.8	(162.58)	(121.05)
TOTAL EXPENSES FROM INSURANCE BUSINESS		(21,664.54)	(20,875.67)
RESULT FROM THE INSURANCE BUSINESS		1,665.47	1,978.61
III. OTHER ACTIVITIES			
1. Operating revenue		363.02	361.80
2. Operating expenses	6.19	(489.79)	(498.57)
3. Net financial income			
a) Financial income	6.18	97.59	91.45
b) Financial expenses	6.18	(99.81)	(84.16)
4. Results from non-controlling interests			
a) Share in profits from equity-accounted companies		3.00	1.47
b) Share in losses from equity-accounted companies		(0.03)	(0.48)
5. Reversal of asset impairment provision	6.8	19.01	8.14
6. Allowance to the asset impairment provision	6.8	(25.25)	(13.18)
7. Result from the disposal of non-current assets classified as held for sale, not included in discontinued operations		—	—
RESULT FROM OTHER ACTIVITIES		(132.26)	(133.53)
IV. RESULT ON RESTATEMENT OF FINANCIAL ACCOUNTS	3.2	(24.50)	(39.98)
V. RESULT BEFORE TAXES FROM ONGOING OPERATIONS		1,508.71	1,805.10
VI. TAX ON PROFIT FROM ONGOING OPERATIONS	6.21	(410.35)	(559.92)
VII. RESULT AFTER TAX FROM ONGOING OPERATIONS		1,098.36	1,245.18
VIII. RESULT AFTER TAX FROM DISCONTINUED OPERATIONS	6.10		
IX. RESULT FOR THE PERIOD		1,098.36	1,245.18
1. Attributable to non-controlling interests		397.85	469.73
2. Attributable to the controlling company	4.1	700.51	775.45

Figures in millions of euros

Earnings per share (Euros)			
Basic	4.1	0.23	0.25
Diluted	4.1	0.23	0.25

MAPFRE S.A. AND SUBSIDIARIES

B.2) CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

ITEM	NOTES	GROSS AMOUNT		TAX ON PROFITS		ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		ATTRIBUTABLE TO CONTROLLING COMPANY	
		2017	2016	2017	2016	2017	2016	2017	2016
A) CONSOLIDATED RESULT FOR THE YEAR		1,508.71	1,805.10	(410.35)	(559.92)	397.85	469.73	700.51	775.45
B) OTHER RECOGNIZED REVENUE (EXPENSES)		(902.44)	613.07	15.60	(3.95)	(213.77)	342.44	(673.07)	266.68
1. Financial assets available for sale	6.4	(466.90)	328.70	124.58	(76.10)	(56.83)	60.19	(285.49)	192.41
a) Valuation gains (losses)		(263.93)	570.27	71.10	(139.80)				
b) Amounts transferred to the income statement		(204.58)	(238.88)	53.27	62.89				
c) Other reclassifications		1.61	(2.69)	0.21	0.81				
2. Currency conversion differences	6.23	(852.03)	572.45	0.99	0.43	(211.95)	308.68	(639.09)	264.20
a) Valuation gains (losses)		(850.52)	573.12	0.99	0.43				
b) Amounts transferred to the income statement		(0.03)	(0.59)	--	--				
c) Other reclassifications		(1.48)	(0.08)	--	--				
3. Shadow accounting		419.13	(287.08)	(110.03)	71.72	54.93	(26.27)	254.17	(189.09)
a) Valuation gains (losses)	6.14	381.55	(314.43)	(100.63)	78.56				
b) Amounts transferred to the income statement		37.58	27.35	(9.40)	(6.84)				
c) Other reclassifications		--	--	--	--				
4. Equity-accounted entities		(0.07)	(0.97)	--	--	0.02	0.02	(0.09)	(0.99)
a) Valuation gains (losses)		0.08	2.66	--	--				
b) Amounts transferred to the income statement		0.04	--	--	--				
c) Other reclassifications		(0.19)	(3.63)	--	--				
5. Other recognized revenue and expenses		(2.57)	(0.03)	0.06	--	0.06	(0.18)	(2.57)	0.15
TOTAL		606.27	2,418.17	(394.75)	(563.87)	184.08	812.17	27.44	1,042.13

Figures in millions of euros

All the items included in the consolidated statement of comprehensive income and expenses may be reclassified to the consolidated income statement in line with EU-IFRS.

MAPFRE S.A. AND SUBSIDIARIES

C) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS ON DECEMBER 31, 2017 AND 2016

ITEM	NOTES	EQUITY ATTRIBUTABLE TO CONTROLLING COMPANY									NON-CONTROLLING INTERESTS	TOTAL EQUITY
		SHAREHOLDERS' FUNDS										
		SHARE CAPITAL	SHARE PREMIUM	RESERVES	INTERIM DIVIDEND	TREASURY STOCK	RESULT FOR THE YEAR ATTRIBUTABLE TO CONTROLLING COMPANY	OTHER EQUITY INSTRUMENTS	VALUATION CHANGE ADJUSTMENTS	CURRENCY CONVERSION DIFFERENCES		
OPENING BALANCE AS ON JANUARY 1, 2016		307.95	1,506.74	6,747.74	(184.77)	(2.39)	708.77	--	632.19	(1,142.49)	1,854.55	10,408.29
1. Changes in accounting policies		--	--	(786.68)	--	--	--	--	--	786.68	--	--
2. Correction of errors		--	--	--	--	--	--	--	--	--	--	--
ADJUSTED BALANCE AS ON JANUARY 1, 2016		307.95	1,506.74	5,961.06	(184.77)	(2.39)	708.77	--	632.19	(555.81)	1,854.55	10,408.29
I. TOTAL COMPREHENSIVE REVENUE (EXPENSES)		--	--	--	--	--	775.45	--	2.48	264.20	612.17	1,854.30
II. OPERATIONS WITH THE CONTROLLING COMPANY'S SHAREHOLDERS AND NON-CONTROLLING INTERESTS		--	--	(209.54)	(184.77)	(57.84)	--	--	--	--	(368.68)	(820.83)
1. Capital increases (decreases)		--	--	--	--	--	--	--	--	--	55.00	55.00
2. Distribution of dividends	4.2	--	--	(215.57)	(184.77)	--	--	--	--	--	(387.90)	(788.24)
3. Increases (decreases) from business combinations		--	--	--	--	--	--	--	--	--	--	--
4. Other operations with the controlling company's shareholders and non-controlling interests		--	--	6.03	--	--	--	--	--	--	(35.78)	(29.75)
5. Operations with treasury stock and own shares	6.11	--	--	--	--	(57.84)	--	--	--	--	--	(57.84)
III. OTHER VARIATIONS IN EQUITY		--	--	457.10	184.77	--	(708.77)	9.68	20.00	--	38.94	1.72
1. Transfers among equity items	6.26	--	--	458.80	184.77	--	(708.77)	--	20.00	--	45.20	--
2. Other variations	3.2 and 2.4	--	--	(1.70)	--	--	--	9.68	--	--	(6.26)	1.72
CLOSING BALANCE AS ON DECEMBER 31, 2016		307.95	1,506.74	6,208.62	(184.77)	(60.23)	775.45	9.68	654.67	(91.61)	2,316.98	11,443.48

OPENING BALANCE AS ON JANUARY 1, 2017		307.95	1,506.74	6,208.62	(184.77)	(60.23)	775.45	9.68	654.67	(91.61)	2,316.98	11,443.48
1. Changes in accounting policies		--	--	--	--	--	--	--	--	--	--	--
2. Correction of errors		--	--	--	--	--	--	--	--	--	--	--
ADJUSTED BALANCE AS ON JANUARY 1, 2017		307.95	1,506.74	6,208.62	(184.77)	(60.23)	775.45	9.68	654.67	(91.61)	2,316.98	11,443.48
I. TOTAL COMPREHENSIVE REVENUE (EXPENSES)		--	--	--	--	--	708.51	--	(33.98)	(639.09)	184.08	211.52
II. OPERATIONS WITH THE CONTROLLING COMPANY'S SHAREHOLDERS AND NON-CONTROLLING INTERESTS		--	--	(279.67)	(184.77)	7.87	--	--	--	--	(582.42)	(1,038.99)
1. Capital increases (decreases)		--	--	--	--	--	--	--	--	--	--	--
2. Distribution of dividends	4.2	--	--	(261.92)	(184.77)	--	--	--	--	--	(572.91)	(1,019.60)
3. Increases (decreases) from business combinations		--	--	--	--	--	--	--	--	--	(0.80)	(0.80)
4. Other operations with the controlling company's shareholders and non-controlling interests		--	--	(22.45)	--	--	--	--	--	--	(8.71)	(31.16)
5. Operations with treasury stock and own shares	6.11	--	--	4.70	--	7.87	--	--	--	--	--	12.57
III. OTHER VARIATIONS IN EQUITY		--	--	504.19	184.77	--	(775.45)	0.40	--	--	(17.26)	(109.35)
1. Transfers among equity items	6.26	--	--	590.68	184.77	--	(775.45)	--	--	--	--	--
2. Other variations	3.2 and 2.4	--	--	(86.49)	--	--	--	0.40	--	--	(17.26)	(109.35)
CLOSING BALANCE AS ON DECEMBER 31, 2017		307.95	1,506.74	6,433.14	(184.77)	(52.36)	708.51	10.08	620.69	(790.70)	1,901.38	10,512.66

Figures in millions of euros

MAPFRE S.A. AND SUBSIDIARIES

D) CONSOLIDATED CASH FLOW STATEMENT FOR YEARS ENDING DECEMBER 31, 2017 AND 2016

ITEM	NOTES	2017	2016
1. Insurance activity:		1,362.27	954.37
Cash received from insurance activity		24,497.41	23,760.11
Cash payments from insurance activity		(23,135.14)	(22,805.74)
2. Other operating activities:		(410.38)	(321.05)
Cash received from other operating activities		800.20	767.24
Cash payments from other operating activities		(1,210.58)	(1,088.29)
3. Receipt (payment) of income tax		(497.80)	(474.69)
4. Discontinued operations		--	--
NET CASH FLOWS FROM OPERATING ACTIVITIES		454.09	158.63
1. Proceeds from investment activities:		20,132.61	19,972.92
Property, plant and equipment		56.24	27.28
Real estate investments		54.58	200.88
Intangible fixed assets		0.57	2.77
Financial instruments		16,958.98	17,136.21
Equity instruments		1,834.70	1,038.75
Controlled companies and other business units		29.83	46.27
Interest collected		1,089.15	1,153.24
Dividends collected		69.85	57.59
Other receipts related to investment activities		38.71	309.93
2. Payments from investment activities:		(19,100.39)	(19,258.52)
Property, plant and equipment	6.2	(121.19)	(161.59)
Real estate investments	6.2	(14.24)	(15.84)
Intangible fixed assets		(98.37)	(147.86)
Financial instruments		(16,375.32)	(17,461.53)
Equity instruments		(2,340.32)	(1,327.93)
Controlled companies and other business units	6.9	(127.35)	(125.05)
Other payments related to investment activities		(23.60)	(18.72)
3. Discontinued operations		--	--
NET CASH FLOWS FROM INVESTMENT ACTIVITIES		1,032.22	714.40
1. Proceeds from financing activities		1,227.70	1,147.10
Subordinated liabilities		600.00	--
Proceeds from issuing of equity instruments and capital increases		--	55.00
Proceeds from sale of treasury stock		12.50	--
Other proceeds related to financing activities		615.20	1,092.10
2. Payments from financing activities		(2,212.73)	(1,461.91)
Dividends paid to shareholders		(1,019.47)	(786.67)
Interest paid		(67.94)	(53.31)
Subordinated liabilities		(578.45)	--
Payments on return of shareholders' contributions		--	--
Purchase of treasury stock	6.11	--	(57.84)
Other payments related to financing activities		(546.87)	(564.09)
3. Discontinued operations		--	--
NET CASH FLOW FROM FINANCING ACTIVITIES		(985.03)	(314.81)
Conversion differences in cash flow and cash balances		(88.40)	(96.18)
NET INCREASE/(DECREASE) IN CASH FLOW		412.88	462.04
OPENING CASH BALANCE		1,451.13	989.09
CLOSING CASH BALANCE		1,864.01	1,451.13

Figures in millions of euros

MAPFRE S.A. AND SUBSIDIARIES

FI FINANCIAL INFORMATION BY SEGMENT - CONSOLIDATED INCOME STATEMENT FOR YEARS ENDING DECEMBER 31, 2017 AND 2016

ITEM	IBERIA		LATAM NORTH		LATAM SOUTH		BRAZIL		NORTH AMERICA	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
I. REVENUE FROM INSURANCE BUSINESS										
1. Premiums allocated to the financial year, net										
a) Written premiums, direct insurance	6,954.87	6,689.68	1,739.17	1,238.57	1,694.73	1,718.75	4,546.87	4,392.82	2,506.51	2,572.80
b) Premiums from accepted reinsurance	5.33	14.84	32.96	30.42	4.17	4.82	—	—	22.00	50.52
c) Premiums from ceded reinsurance	(510.32)	(484.11)	(935.05)	(443.77)	(641.09)	(724.19)	(760.47)	(702.15)	(530.26)	(555.27)
d) Variations in provisions for unearned premiums and unexpired risks, net										
Direct insurance	(49.52)	(8.17)	(240.69)	164.94	(66.64)	(45.33)	(63.44)	174.89	(9.91)	(59.47)
Accepted reinsurance	(0.20)	0.29	(0.70)	0.33	0.27	(1.41)	—	—	5.84	(15.18)
Ceded reinsurance	(4.93)	(14.71)	235.94	(162.58)	10.38	27.12	5.43	(41.06)	2.28	29.56
2. Share in profits from equity-accounted companies	8.20	3.93	—	—	—	—	—	—	—	—
3. Revenues from investments										
From operations	1,343.83	1,521.90	65.33	65.93	162.89	162.25	351.26	417.05	87.10	98.86
From equity	62.77	58.49	10.79	10.46	15.08	14.70	13.79	10.35	46.26	60.91
4. Unrealized gains on investments on behalf of life insurance policyholders bearing the investment risk	67.79	57.05	0.38	—	—	—	76.58	108.50	—	—
5. Other technical revenue	21.42	22.15	0.58	0.15	17.09	13.27	2.04	2.15	14.57	13.48
6. Other non-technical revenue	84.89	59.37	0.17	0.25	2.89	6.25	103.82	3.04	0.05	0.14
7. Positive foreign exchange differences	10.89	14.52	15.53	8.01	5.49	8.76	—	—	—	—
8. Reversal of the asset impairment provision	16.97	15.86	—	—	—	0.15	—	—	—	—
TOTAL REVENUE FROM INSURANCE BUSINESS	8,011.99	7,951.09	924.41	912.71	1,205.26	1,185.14	4,275.88	4,365.57	2,144.44	2,196.35
II. EXPENSES FROM INSURANCE BUSINESS										
1. Incurred claims for the financial year, net										
a) Claims paid and variation in provision for outstanding claims, net										
Direct insurance	(5,219.49)	(5,636.18)	(1,002.04)	(908.92)	(1,009.71)	(900.34)	(2,100.90)	(2,086.92)	(2,388.82)	(1,507.32)
Accepted reinsurance	(1.80)	(10.12)	(6.56)	(6.40)	(4.07)	(0.07)	—	—	(19.59)	(26.79)
Ceded reinsurance	337.54	311.01	505.03	371.71	458.40	385.88	400.23	314.23	1,024.84	213.61
b) Claims-related expenses	(356.05)	(340.07)	(13.35)	(11.86)	(41.91)	(38.33)	(89.29)	(88.33)	(197.34)	(201.40)
2. Variation in other technical provisions, net	(318.65)	228.74	(31.31)	(2.75)	(54.35)	(128.23)	(232.78)	(288.94)	(0.25)	(0.35)
3. Profit sharing and returned premiums	(22.73)	(32.77)	(8.57)	(0.32)	0.10	0.09	(3.75)	(4.02)	—	—
4. Net operating expenses										
a) Acquisition expenses	(1,090.00)	(1,072.63)	(263.02)	(262.37)	(399.58)	(411.32)	(1,298.77)	(1,196.51)	(578.31)	(584.42)
b) Administration expenses	(121.20)	(124.46)	(73.54)	(71.83)	(71.30)	(68.08)	(207.16)	(193.76)	(114.31)	(113.04)
c) Commissions and participation in reinsurance	113.81	109.44	70.80	57.24	80.35	88.15	92.28	84.06	164.27	162.42
5. Share in losses from equity-accounted companies	3.53	(2.42)	—	—	—	—	—	—	—	—
6. Expenses from investments										
a) From operations	(386.25)	(378.43)	(14.06)	(13.38)	(12.89)	(12.84)	(116.32)	(104.96)	(7.61)	(10.11)
b) From equity and financial accounts	(39.66)	(29.85)	(0.68)	(0.82)	(0.72)	(0.79)	—	—	(1.66)	(2.69)
7. Unrealized losses on investments on account of life insurance policyholders bearing investment risk	(8.47)	(25.83)	—	—	—	—	—	—	—	—
8. Other technical expenses	(71.58)	(73.04)	(8.07)	(11.25)	(21.10)	(11.82)	(9.03)	(4.12)	—	—
9. Other non-technical expenses	(102.93)	(114.12)	(0.26)	(0.18)	(1.54)	(8.91)	(0.47)	(0.13)	(1.23)	(1.32)
10. Negative foreign exchange differences	(12.40)	(15.74)	(20.53)	(0.04)	(15.88)	(13.59)	—	—	—	—
11. Allowance to the asset impairment provision	(20.68)	(37.79)	—	—	(8.14)	(11.66)	(104.86)	—	(3.65)	(10.18)
TOTAL EXPENSES FROM INSURANCE BUSINESS	(7,317.01)	(7,244.26)	(866.16)	(861.17)	(1,102.34)	(1,131.86)	(3,670.82)	(3,569.40)	(2,123.66)	(2,081.59)
RESULT FROM THE INSURANCE BUSINESS	694.98	706.83	58.25	51.54	102.92	53.28	605.06	796.17	20.78	114.76
III. OTHER ACTIVITIES										
1. Operating revenue	232.68	241.08	9.96	10.85	20.21	20.25	27.82	32.05	2.01	1.96
2. Operating expenses	(185.32)	(192.88)	(10.90)	(12.18)	(18.51)	(28.95)	(43.95)	(49.48)	(1.82)	(1.87)
3. Net financial income										
a) Financial income	6.30	11.04	0.21	0.14	3.62	1.51	32.57	38.82	—	—
b) Financial expenses	(2.63)	(5.15)	0.13	(0.01)	(0.37)	(0.39)	(1.37)	(9.38)	(0.08)	(0.09)
4. Result from non-controlling interests										
a) Share in profits from equity-accounted companies	1.87	1.47	—	—	—	—	—	—	—	—
b) Share in losses from equity-accounted companies	—	—	—	—	—	—	—	—	—	—
5. Reversal of asset impairment provision	1.49	1.59	—	—	—	—	—	—	—	—
6. Allowance to the asset impairment provision	(2.49)	(4.32)	—	—	—	—	—	—	—	—
7. Result from the disposal of non-current assets classified as held for sale, not included in discontinued operations	—	—	—	—	—	—	—	—	—	—
RESULT FROM OTHER ACTIVITIES	51.90	52.83	(0.60)	(1.20)	4.95	(7.58)	15.07	12.01	0.11	(0.00)
IV. RESULT ON RESTATEMENT OF FINANCIAL ACCOUNTS	—	—	—	—	—	—	—	—	—	—
V. RESULT BEFORE TAXES FROM ONGOING OPERATIONS	746.88	759.66	57.65	50.34	107.87	45.70	620.13	808.18	20.89	114.76
VI. TAX ON PROFIT FROM ONGOING OPERATIONS	(159.50)	(148.53)	(14.42)	(7.60)	(27.30)	(21.28)	(217.82)	(310.89)	28.08	(37.04)
VII. RESULT AFTER TAX FROM ONGOING OPERATIONS	587.38	611.13	43.23	42.74	80.57	24.42	402.31	497.29	48.92	77.72
VIII. RESULT AFTER TAX FROM DISCONTINUED OPERATIONS	—	—	—	—	—	—	—	—	—	—
IX. RESULT FOR THE PERIOD	587.38	611.13	43.23	42.74	80.57	24.42	402.31	497.29	48.92	77.72
1. Attributable to non-controlling interests	75.86	75.19	9.45	8.52	10.36	7.92	276.93	355.96	0.23	0.48
2. Attributable to the controlling company	511.52	535.94	33.78	34.22	70.21	16.50	125.38	141.33	48.69	77.24

Figures in millions of euros

MAPFRE S.A. AND SUBSIDIARIES

FI FINANCIAL INFORMATION BY SEGMENT - CONSOLIDATED INCOME STATEMENT FOR YEARS ENDING DECEMBER 31, 2017 AND 2016

ITEM	LAMEA		MAPFRE ASISTENCIA		MAPFRE GLOBAL RISK		MAPFRE RE		CORPORATE AREAS AND CONSOLIDATION ADJUSTMENTS		TOTAL	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
I. REVENUE FROM INSURANCE BUSINESS												
1. Premiums allocated to the financial year, net												
a) Written premiums, direct insurance	1,842.97	1,968.29	341.03	360.91	344.50	328.67	—	—	11.69	43.20	19,982.34	19,313.69
b) Premiums from accepted reinsurance	26.76	1.74	642.48	705.86	912.92	883.52	4,222.42	4,234.75	(2,370.69)	(2,426.99)	3,498.35	3,499.48
c) Premiums from ceded reinsurance	(522.79)	(509.11)	(217.52)	(234.13)	(915.87)	(920.46)	(1,399.63)	(1,434.09)	2,368.56	2,413.42	(4,064.44)	(3,593.86)
d) Variations in provisions for unearned premiums and unexpired risks, net												
Direct insurance	(42.80)	(145.56)	(34.31)	(0.78)	(5.42)	5.29	—	—	(2.82)	(9.67)	(515.55)	76.19
Accepted reinsurance	(16.46)	0.99	(36.33)	(40.57)	(16.26)	(19.55)	174.65	(140.55)	(36.71)	53.85	74.10	(162.00)
Ceded reinsurance	16.06	11.34	17.11	12.70	13.22	58.63	2.27	31.64	37.10	(47.91)	334.86	(95.29)
Share in profits from equity-accounted companies	0.07	2.48	—	—	3.03	4.14	—	—	(0.33)	(0.11)	10.97	10.44
2. Revenues from investments												
From operations	151.17	107.35	3.28	2.84	28.32	34.42	185.64	196.08	(14.94)	(2.89)	2,365.88	2,603.79
From equity	36.09	28.82	—	—	0.78	9.14	7.66	10.14	2.05	0.80	195.27	205.81
3. Unrealized gains on investments on behalf of life insurance policyholders bearing the investment risk	2.86	2.57	—	—	—	—	—	—	(16.59)	(22.73)	131.02	145.39
4. Other technical revenue	3.54	2.89	—	—	5.35	1.51	0.02	—	(0.94)	(2.46)	63.67	52.94
5. Other non-technical revenue	1.01	1.00	—	—	1.06	1.10	0.88	0.75	(0.16)	(0.19)	194.61	71.71
6. Reversal foreign exchange differences	12.42	16.21	0.25	7.96	149.26	83.32	797.41	490.26	48.61	76.95	1,039.86	705.99
7. Reversal of the asset impairment provision	0.27	0.24	—	0.09	—	—	3.83	5.68	—	(0.02)	21.07	22.00
TOTAL REVENUE FROM INSURANCE BUSINESS	1,511.17	1,489.25	715.99	814.93	520.89	469.53	3,995.15	3,394.66	24.83	75.05	23,330.01	22,854.28
II. EXPENSES FROM INSURANCE BUSINESS												
1. Incurred claims for the financial year, net												
a) Claims paid and variation in provision for outstanding claims, net												
Direct insurance	(1,156.72)	(1,186.33)	(171.36)	(184.89)	(162.97)	(116.63)	—	—	(6.92)	(33.01)	(13,218.93)	(12,560.54)
Accepted reinsurance	(10.40)	(1.61)	(268.85)	(302.19)	(1,242.66)	(474.46)	(3,801.88)	(2,540.88)	2,972.91	1,304.23	(2,382.90)	(2,058.29)
Ceded reinsurance	288.30	240.81	78.06	79.05	1,063.00	362.15	1,696.19	702.09	(2,970.40)	(1,293.11)	2,881.19	1,687.43
b) Claims-related expenses	(37.17)	(36.79)	(115.78)	(158.64)	(4.37)	(4.65)	(0.10)	(0.11)	(0.35)	(1.40)	(855.71)	(881.58)
2. Variation in other technical provisions, net	(186.55)	(177.03)	—	—	—	—	0.73	(11.60)	16.57	(0.03)	(806.59)	(380.19)
3. Profit sharing and returned premiums	(11.55)	(12.72)	—	—	(9.30)	(0.32)	—	—	—	0.01	(46.80)	(50.05)
4. Net operating expenses												
a) Acquisition expenses	(284.69)	(290.99)	(305.32)	(313.21)	(154.67)	(141.66)	(1,148.71)	(1,052.64)	598.31	577.72	(4,924.76)	(4,748.03)
b) Administration expenses	(113.31)	(132.20)	(39.01)	(39.89)	(8.02)	(8.47)	(16.10)	(13.91)	3.94	(4.69)	(760.01)	(770.33)
c) Commissions and participation in reinsurance	152.17	131.94	85.75	101.86	59.52	58.98	337.39	306.55	(599.31)	(582.05)	557.09	518.39
5. Share in losses from equity-accounted companies	(0.08)	—	—	—	—	(0.26)	—	—	(3.53)	2.68	(0.08)	—
6. Expenses from investments												
a) From operations	(56.15)	(13.43)	(1.38)	(2.58)	(7.25)	(7.95)	(26.64)	(29.30)	0.75	1.62	(617.80)	(571.36)
b) From equity and financial accounts	(0.04)	(0.15)	—	—	(0.27)	(0.05)	(1.62)	(3.65)	(0.19)	(1.12)	(44.84)	(39.12)
7. Unrealized losses on investments on account of life insurance policyholders bearing investment risk	—	—	—	—	—	—	—	—	—	—	(8.47)	(25.83)
8. Other technical expenses	(10.82)	(11.41)	(2.02)	(2.36)	(5.78)	(3.83)	(2.03)	(2.35)	0.86	2.13	(129.57)	(118.05)
9. Other non-technical expenses	(1.87)	(1.87)	—	—	(0.11)	(0.17)	(5.90)	(3.85)	(0.02)	(0.02)	(114.33)	(130.57)
10. Negative foreign exchange differences	(9.77)	(11.18)	(8.37)	(6.20)	(146.88)	(82.25)	(805.27)	(487.25)	(0.29)	(10.25)	(1,019.39)	(626.50)
11. Allowance to the asset impairment provision	(6.54)	(56.65)	—	—	—	—	—	(4.77)	(18.71)	—	(162.58)	(121.05)
TOTAL EXPENSES FROM INSURANCE BUSINESS	(1,445.19)	(1,559.61)	(748.28)	(829.05)	(610.76)	(419.57)	(3,773.94)	(3,141.87)	(6.38)	(37.29)	(21,664.54)	(20,875.67)
RESULT FROM THE INSURANCE BUSINESS	65.98	(70.36)	(32.29)	(14.12)	(89.87)	49.96	221.21	252.79	18.45	37.76	1,665.47	1,978.61
III. OTHER ACTIVITIES												
1. Operating revenue	3.23	3.60	129.98	89.40	—	—	—	—	(62.87)	(37.39)	363.02	361.80
2. Operating expenses	(9.52)	(8.60)	(155.02)	(126.73)	—	—	—	—	(64.75)	(77.88)	(489.79)	(498.57)
3. Net financial income												
a) Financial income	0.23	0.17	5.42	7.27	—	—	—	—	49.24	32.50	97.59	91.45
b) Financial expenses	(0.11)	(0.11)	(4.77)	(10.88)	—	—	—	—	(90.61)	(58.15)	(99.81)	(84.16)
4. Result from non-controlling interests												
a) Share in profits from equity-accounted companies	1.13	—	—	—	—	—	—	—	—	—	3.00	1.47
b) Share in losses from equity-accounted companies	—	—	—	—	—	—	—	—	(0.03)	(0.48)	(0.03)	(0.48)
5. Reversal of asset impairment provision	—	—	—	—	0.01	—	—	—	17.51	6.55	19.01	8.14
6. Allowance to the asset impairment provision	—	—	—	—	—	—	—	—	(22.76)	(8.86)	(25.75)	(13.18)
7. Result from the disposal of non-current assets classified as held for sale, not included in discontinued operations	—	—	—	—	—	—	—	—	—	—	—	—
RESULT FROM OTHER ACTIVITIES	(5.04)	(4.94)	(24.39)	(40.94)	0.01	—	—	—	(174.27)	(143.71)	(132.26)	(133.53)
IV. RESULT ON RESTATEMENT OF FINANCIAL ACCOUNTS	—	—	(0.12)	0.20	—	—	—	—	(24.38)	(40.18)	(24.50)	(39.98)
V. RESULT BEFORE TAXES FROM ONGOING OPERATIONS	60.94	(75.30)	(56.80)	(54.86)	(89.86)	49.96	221.21	252.79	(180.20)	(146.13)	1,508.71	1,805.10
VI. TAX ON PROFIT FROM ONGOING OPERATIONS	(10.81)	11.71	(9.97)	(0.38)	23.57	(2.86)	(58.58)	(66.73)	36.45	23.48	(410.25)	(399.92)
VII. RESULT AFTER TAX FROM ONGOING OPERATIONS	50.13	(63.59)	(66.77)	(55.24)	(66.29)	47.30	162.63	186.06	(143.75)	(122.65)	1,098.46	1,405.18
VIII. RESULT AFTER TAX FROM DISCONTINUED OPERATIONS	—	—	—	—	—	—	—	—	—	—	—	—
IX. RESULT FOR THE PERIOD	50.13	(63.59)	(66.77)	(55.24)	(66.29)	47.30	162.63	186.06	(143.75)	(122.65)	1,098.46	1,405.18
1. Attributable to non-controlling interests	10.81	5.59	1.64	1.12	—	—	—	(0.01)	12.57	15.16	397.85	489.73
2. Attributable to the controlling company	39.32	(69.18)	(68.41)	(56.36)	(66.29)	47.30	162.63	186.07	(156.32)	(137.81)	700.61	915.45

Figures in millions of euros

F) SUPPLEMENTARY FINANCIAL INFORMATION BY PRODUCT AND GEOGRAPHICAL AREA
1. CONSOLIDATED ORDINARY REVENUES FROM EXTERNAL CLIENTS IN FINANCIAL YEARS ENDING DECEMBER 31, 2017 AND 2016

The breakdown of consolidated ordinary revenues, by product and country, in line with the segments broken down in Note 2.2, is as follows:

1.a) Information by product

Products	2017	2016
Life	4,669.50	4,465.08
Automobile	7,271.17	7,370.91
Homeowners and commercial risks	2,510.26	2,498.02
Health	991.98	999.09
Accidents	238.80	246.70
Other Non-Life	4,441.52	3,869.90
Reinsurance	5,782.56	5,817.01
Other Activities	925.44	933.22
Consolidation adjustments	(2,987.53)	(3,024.96)
TOTAL	23,843.71	23,174.97

Figures in millions of euros

MAPFRE S.A. AND SUBSIDIARIES

1.b) Information by country

Geographic Area / Countries	2017	2016
<u>IBERIA</u>		
Spain	7,053.29	6,805.41
Portugal	139.59	140.19
<u>LATAM NORTH</u>		
Mexico	1,192.23	726.06
Panama	217.68	208.68
Other	372.18	345.10
<u>LATAM SOUTH</u>		
Argentina	306.96	294.93
Chile	306.88	366.06
Colombia	398.75	405.50
Peru	469.93	465.70
Other	236.59	211.62
<u>BRAZIL</u>	4,574.69	4,424.88
<u>NORTH AMERICA</u>		
United States of America	2,201.62	2,260.64
Puerto Rico	328.91	364.65
<u>EURASIA</u>		
Italy	471.44	466.18
Malta	352.54	334.03
Turkey	654.95	840.73
Other	394.02	332.70
<u>ASISTENCIA</u>	1,113.48	1,156.17
<u>GLOBAL RISKS</u>	1,257.42	1,212.19
<u>MAPFRE RE</u>	4,222.42	4,234.75
<u>CORPORATE AREAS</u>		
<u>AND CONSOLIDATION ADJUSTMENTS</u>	(2,421.86)	(2,421.20)
TOTAL	23,843.71	23,174.97

Figures in millions of euros

Direct insurance and accepted reinsurance premiums, as well as operating revenues from non-insurance activities are considered as ordinary revenues.

2. NON-CURRENT ASSETS AT DECEMBER 31, 2017 AND 2016

The English version is only a translation of the original in Spanish for information purposes. In case of discrepancy, the Spanish version shall prevail.

MAPFRE S.A. AND SUBSIDIARIES

The breakdown of non-current assets in line with the segments broken down in Note 2.2, is as follows:

Geographic Area / Countries	2017	2016
IBERIA		
Spain	1,695.37	2,478.53
Portugal	20.41	22.31
LATAM NORTH		
Mexico	114.55	80.35
Panama	56.78	77.42
Other	28.32	30.16
LATAM SOUTH		
Argentina	35.68	40.67
Chile	38.23	37.58
Colombia	23.86	36.42
Peru	85.51	84.59
Other	21.08	27.93
BRAZIL	927.42	1,028.65
NORTH AMERICA		
United States of America	352.64	389.52
Puerto Rico	65.28	69.42
EURASIA		
Italy	34.28	57.28
Malta	179.90	174.25
Turkey	60.61	62.94
Other	40.91	22.47
ASISTENCIA	135.27	195.54
GLOBAL RISKS	9.86	16.04
MAPFRE RE	64.37	64.59
CORPORATE AREAS	682.99	778.38
AND CONSOLIDATION ADJUSTMENTS		
TOTAL	4,673.32	5,775.04

Non-current assets include other intangible fixed assets, property, plant and equipment, real estate investments, inventories, tax receivables, corporate and other receivables, other assets, and non-current assets held for sale and from discontinued operations.

The fall of non-current assets in Spain is explained in Note 6.10 and corresponds to the exercising of the purchase option for the shares of Unión Duero, Compañía de Seguros de Vida (Duero Vida) and Duero Pensiones, EGFP S.A. (Duero Pensiones).

There is no client contributing, on an individual basis, more than 10 percent of the Group's ordinary revenues.

G) CONSOLIDATED ANNUAL REPORT

1. GENERAL INFORMATION REGARDING THE COMPANY AND ITS ACTIVITIES

MAPFRE S.A. (hereinafter the “controlling company”) is a listed public limited company and parent of a number of controlled companies engaged in insurance in its various lines of business, both Life and Non-Life, finance, securities investment, and services.

MAPFRE S.A. is a subsidiary of CARTERA MAPFRE, S.L. Sociedad Unipersonal (hereinafter, CARTERA MAPFRE), fully controlled by Fundación MAPFRE.

The scope of activity of the controlling company and its subsidiaries (hereinafter “MAPFRE”, “the Group” or “MAPFRE Group”) includes the Spanish territory, European Economic Area countries, and other countries.

The controlling company was incorporated in Spain and has its registered office in Majadahonda (Madrid), Carretera de Pozuelo 52.

The MAPFRE Group activities are carried out through four business units: Insurance, Asistencia (assistance, services and specialty risks), Global Risks, and Reinsurance; three territorial areas: IBERIA, LATAM and INTERNATIONAL; and six regional areas: IBERIA (Spain and Portugal), BRAZIL, LATAM NORTH (Mexico, Dominican Republic, Panama, El Salvador, Nicaragua, Costa Rica, Honduras and Guatemala), LATAM SOUTH (Colombia, Venezuela, Ecuador, Peru, Chile, Argentina, Uruguay and Paraguay), NORTH AMERICA (United States, Puerto Rico and Canada), and EURASIA (Europe, Middle East, Africa and Asia-Pacific).

The Insurance Business Units are organized according to the regional areas of MAPFRE, which comprise the geographical units that plan, support and supervise all the insurance and service business units in the region.

In addition to the activity of the Business Units, there are also global corporate areas (Finance, Investment, Human Resources, Resources and Institutional Coordination, Business Support, Internal Audit, Strategy and M&A, General Counsel, and Business, Clients and Innovation), which have global responsibilities for all the Group's companies worldwide regarding the development, implementation, and monitoring of global, regional and local corporate policies.

The MAPFRE Group maintains its own distribution networks with offices in the countries in which it operates, which it combines with the use of other distribution channels. It also collaborates with mediators—professional insurance distributors—who in their different positions (delegates, agents and brokers) play an important role in marketing operations and servicing insured parties.

The Group boosts its distribution capacity by signing distribution agreements—and bancassurance agreements in particular—with different companies.

The internal structure and distribution systems of the controlled companies are tailored to the characteristics of the markets in which they operate.

The individual and consolidated annual accounts were prepared by the Board of Directors on February 7, 2018 and are expected to be approved by the Annual General Meeting. Spanish regulations provide for the possibility of modifying the consolidated annual accounts if they are not approved by the aforementioned sovereign body.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED ANNUAL ACCOUNTS

2.1. BASIS OF PRESENTATION

The Group's consolidated annual accounts were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (EU-IFRS), with all companies having carried out the requisite standardization adjustments.

The consolidated annual accounts have been prepared on the cost model basis, except for financial assets available for sale, financial assets for trading and derivative instruments, which are recorded at their fair value.

There was no early application of the rules and interpretations which, having been approved by the European Commission, had not entered into force at the close of 2017. However, their early adoption would have had no effect on the Group's financial situation and results.

2.2. FINANCIAL INFORMATION BY SEGMENT

Section E) of the consolidated annual accounts contains the financial information broken down by segment.

In 2017, the Group has modified the information by operating segment, with the aim of aligning it with the information provided to Management and to the market with a breakdown by business unit (Insurance, Asistencia, Global Risks and Reinsurance):

Insurance activity and other activities

- INSURANCE
 - IBERIA
 - BRAZIL
 - LATAM NORTH
 - LATAM SOUTH
 - NORTH AMERICA
 - EURASIA
- ASISTENCIA
- GLOBAL RISKS

Reinsurance activity

- MAPFRE RE

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MAPFRE S.A. AND SUBSIDIARIES

Revenues and expenses from the "insurance activity and other activities" corresponds to income and derivatives from the Insurance business also includes complementary activities relating to the management of property and equipment, and from medical services, assistance, funeral services, technology services, and others. The operating segment corresponding to the Insurance Unit presents its information according to the structure of the Group's regional management areas and taking into account the quantitative thresholds established in prevailing regulations.

The operating segments corresponding to the Assistance business unit (MAPFRE ASISTENCIA), the Global Risks business unit (MAPFRE GLOBAL RISKS) and the Reinsurance business unit (MAPFRE RE) include insurance and reinsurance activity, regardless of the geographic location.

Transactions between segments are recorded at fair value and eliminated in the consolidation process.

The amounts shown under "Corporate Areas and consolidation adjustments" include expenses for services rendered by the global corporate areas and the adjustments made on consolidation.

The Consolidated Management Report contains additional information on business performance and characteristics.

2.3 FINANCIAL INFORMATION BY PRODUCT AND GEOGRAPHIC AREA

Section F) of the consolidated annual accounts contains supplementary financial information broken down by product and geographical area.

The information by product is presented for the main activity lines, which are:

- Life
- Automobile
- Homeowners and commercial risks
- Health
- Accidents
- Other Non-Life
- Reinsurance
- Other Activities

The information shown for each geographic area is broken down by the main countries comprising the Group's regional areas, as indicated in Note 1 herein.

2.4. CHANGES IN ACCOUNTING POLICIES, CHANGES IN ESTIMATES AND ERRORS

The complexity in the accounting for Group operations in Venezuela, the mechanics of accounting for the hyperinflation present in its economy and the historic variation in its exchange rate, have led to important impacts on the Group's financial statements that have grown sharper in the last periods. In this context, in order to improve the true and fair view of the financial statements, in 2017 the Group carried out a change in

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accounting policies that consists in recording in a Provisions account both the revaluation of non-monetary items and the currency conversion differences generated from the conversion to euros of the restated financial statements of subsidiaries in Venezuela, which were previously recorded in "Currency conversion differences", avoiding the separation of impacts from hyperinflation and foreign exchange depreciation.

The Group understands that with above mentioned change in accounting policies, in line with IAS 8, offers more reliable and relevant information about its operations in Venezuela. Further, and in line with the applicable regulations, the information in the previous year's consolidated annual accounts has been restated, reclassifying 832.85 and 786.68 million euros of "Currency conversion differences" to "Provisions" at December 31 and January 1 2016, respectively. The reclassification corresponding to January 1, 2016 is included as "Adjustments for changes in accounting criteria" in the consolidated statement of changes in equity. In said statement, "Other variations" of provisions includes both currency conversion differences as well as the effects of restatement from inflation for 2017 and 2016.

In the financial years 2017 and 2016, with the exception of the situation indicated in the previous paragraphs, there were no changes in accounting policies, estimates or significant errors that could have had an effect on the Group's financial position or results.

2.5. COMPARISON OF INFORMATION

Financial information by segment for the period ending December 31, 2017 is given in the consolidated annual accounts, in accordance with the adaptation reflected in Note 2.2 herein. In order for the information to be comparable, the information by segment reflected in the consolidated annual accounts from the previous year has been restated.

With the exception of the aforementioned amendments, there is nothing preventing the consolidated annual accounts of this reporting period from being compared with those of the previous period, and the consolidated annual accounts have been prepared in line with the international standards which, having been approved by the European Commission, were in force at the close of the year.

At the date when these annual accounts were prepared, the following applied:

- The adoption of the EU-IFRS 15 "Ordinary revenues from contracts with clients", which will enter force for reporting periods beginning on or after January 1, 2018, is not deemed to have any significant effect on the Group's financial situation and results.
- In relation to EU-IFRS 16 "Leases", which will enter into force for reporting periods beginning on or after January 1, 2019, a new study has been carried out to analyze the impact on the financial statements during its first year of implementation, based on the current market conditions and the terms and conditions of lease contracts currently in force. The main impacts will be:
 - An increase in assets and liabilities of approximately 620.64 million euros.
 - A decrease in operating expenses and an increase in financial expenses of 14.51 and 33.60 million euros, respectively. The amount of financial expenses will reduce gradually, applying financial criteria, during the estimated term of the contracts.
 - A fall of 11.16 million euros in the result for the period attributable to the controlling company. This amount will be offset entirely at the end of the estimated term of the contracts.

MAPFRE S.A. AND SUBSIDIARIES

- The Group is analyzing the impact of IFRS 17 "Insurance Contracts", which is expected to be significant, and which will be applicable to reporting periods beginning on or after January 1, 2021, and which was approved by the International Accounting Standards Board (IASB), not yet been adopted by the European Union.
- In relation to EU-IFRS 9 "Financial instruments", which is also expected to have a significant impact, and the modification of EU-IFRS 4 "Insurance Contracts", which will apply to reporting periods beginning on or after January 1, 2018, the Group deems, by virtue of the provisions set out in this standard, that it is eligible for the temporary deferral approach approved for the insurance industry. Said temporary deferral can be applied until reporting periods beginning on or after January 1, 2021, on which date it is estimated that the new IFRS 17 "Insurance Contracts" will enter into force.
- The Group shall adopt, upon its entry into force, all other applicable standards, amendments and interpretations. The initial application of such is not expected to have a significant impact on the Group's financial situation or result.

2.6. CHANGES IN THE CONSOLIDATION PERIMETER

The companies that were added to the consolidation perimeter in 2017 and 2016 are listed in Annex 1 along with their equity figures and results. Annex 1 also contains all the other changes to the consolidation perimeter.

In the 2017 financial year, mutual funds managed by Group companies in which the participation is greater than 30 percent were consolidated by global integration method. As they were consolidated in the previous period, the consolidated assets and liabilities would have been greater than 308.01 million euros, of which 218.33 million correspond to the "Available-for-sale portfolio"; 86.67 million to "Cash"; 3.01 to "Corporate and other receivables"; 304.19 to "Other financial liabilities" (Note 6.13) and 3.82 million to "Other debts".

The effects on the equity attributable to the controlling company as a result of changes in the last two financial years regarding the ownership of controlled companies that do not imply a loss of control have not been significant (these changes are described in Annex 1).

The result for the period arising from the loss of control in controlled companies is insignificant (these losses of control are described in Annex 1).

The overall effect on the Group's consolidated equity, financial position and results in 2017 and 2016 derived from other changes in the consolidation perimeter with respect to the preceding year is described in the relevant notes of the consolidated annual report.

2.7. ACCOUNTING JUDGMENTS AND ESTIMATES

In the preparation of the consolidated annual accounts under EU-IFRS, the controlling company's Board of Directors has made judgments and estimates based on assumptions about the future and uncertainties that basically refer to:

- The technical provisions (Note 6.14).
- Impairment losses on certain assets (Notes 6.1, 6.2 and 6.4).

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- The calculation of provisions for risks and expenses (Note 6.15).
- The actuarial calculation of post-employment remuneration-related commitments and liabilities (Note 6.22).
- The useful life of intangible assets and of tangible fixed asset items (Notes 5.3 and 6.1).
- The fair value of certain non-listed assets (Note 6.4).

The estimates and assumptions used are reviewed regularly and are based on past experience and other factors that may have been deemed more reasonable in each instance. If these reviews lead to changes in estimates in a given period, their effect shall be applied during that period and, as the case may be, in subsequent periods.

3. CONSOLIDATION

3.1. CONTROLLED COMPANIES, ASSOCIATED UNDERTAKINGS AND JOINT ARRANGEMENTS

The controlled companies, associated undertakings and joint arrangements included in the consolidation are listed, indicating the integration method, in the table of acquisitions of controlled companies attached as Annex 1 to the consolidated annual report.

Companies are configured as controlled companies when the controlling company holds power over the investee entity, has exposure or rights to variable returns, and has the capacity to influence those returns through the power exercised in the entities. Controlled companies are consolidated from the date when the Group acquires control, and are excluded from the consolidation on the date when it ceases to have such control.

In controlled companies where 50 percent or less of the economic rights are held, the classification as "controlled company" is based on the provisions set out in the shareholder agreements, which contemplate the following scenarios:

- The administration of the companies is carried out by a Board of Directors, which is responsible for their operating and financial strategies as well as their administration and management, and for overseeing their financial and operating policies, among others. In these cases the Board of Directors is made up of an odd number of members and the chairman is always appointed at the recommendation of MAPFRE. The chairman has the casting vote, therefore exercising control over the company.
- MAPFRE is granted the power to appoint and revoke the CEO, finance manager, actuarial manager, and any other key personnel for the management and control of the company.
- The political rights established do not coincide with the economic rights, which means that MAPFRE has the majority of the voting rights in the General Assembly. Additionally, in these cases the Board of Directors is made up of an even number of members and in the event of a tie one of the directors appointed at the recommendation of MAPFRE has the casting vote.

Non-controlling acquisitions of controlled companies made since January 1, 2004 are recorded at the fair value of the percentage of purchased net assets identifiable at the acquisition date. Those acquisitions made before the transition date were recorded at the percentage of purchased net assets at the date of the first consolidation.

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Non-controlling acquisitions are shown in consolidated equity separately from the equity attributable to the controlling company shareholders. Non-controlling acquisitions of controlled companies in the consolidated results for the period (and in the total consolidated overall result for the period) are also shown separately in the consolidated income statement (overall consolidated income statement).

Associated undertakings are companies in which the controlling company exercises a significant influence but which are neither controlled companies nor joint arrangements.

Significant influence is understood as the power to intervene in decisions on financial and operating policies of the investee company, but without controlling or jointly controlling these policies, presuming that there is significant influence when, either directly or indirectly through its controlled companies, at least 20 percent is owned, of the voting rights of the investee company.

Acquisitions of controlled companies in associated undertakings are consolidated by the equity method, including, in the value of interests, the net goodwill identified at the date of acquisition.

When the Group's participation in the losses of an associated undertaking is equal to or higher than the book value of its stake, including any unsecured receivable, the Group does not record additional losses, unless obligations have been incurred or payments have been made on behalf of the associated undertaking.

To determine if an investee company is controlled or associated, the purpose and design of the investee company have been taken into account to ascertain the relevant activities, the way that decisions are taken on these activities, who has the current capacity to direct these activities and who receives their financial returns. The potential voting rights held and exercisable as purchase options on shares, debt instruments convertible into shares or other instruments giving the controlling company the possibility to increase their voting rights have also been considered.

A joint arrangement is considered to exist when two or more entities undertake an economic activity subject to shared control regulated by means of contractual agreement.

A joint arrangement is classified as a joint venture when the parties have rights to the net assets, in which case their acquisitions are recorded in the consolidated annual accounts using the equity-accounted method.

A joint arrangement is classified as a joint operation when the parties have rights to the net assets and obligations for the liabilities, in which case their interests are recorded in the consolidated annual accounts using the proportionate consolidation method.

The financial statements of the controlled companies, associated undertakings and joint arrangements used for the consolidation correspond to the years ending December 31, 2017 and 2016.

3.2. CONVERSION OF ANNUAL ACCOUNTS OF FOREIGN COMPANIES INCLUDED IN THE CONSOLIDATION

The functional and presentation currency of the MAPFRE Group is the euro. Accordingly, the balances and operations of Group companies with a different functional currency are translated into euros using the closing exchange rate for balance sheet balances at the average exchange rate weighted for the volume of operations, for transactions.

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The exchange differences resulting from applying this procedure, as well as those arising from the conversion of loans and other foreign currency instruments covering investments in foreign activities, are presented as a separate component in the "Statement of Recognized Revenues and Expenses" and are shown under equity in the "Currency conversion differences" account, deducting the part of the difference that corresponds to non-controlling acquisitions of controlled companies.

Goodwill and fair value adjustments of assets and liabilities arising from the acquisition of Group companies whose presentation currency is not the euro are treated as assets and liabilities of overseas activities. As such, they are stated in the functional currency of the overseas undertaking and translated at the closing exchange rate.

The financial statements of the companies registered in countries with a high inflation rate or hyperinflationary economies are adjusted or restated for the effects of changes in prices before their conversion into euros. Adjustments for inflation are performed in line with IAS 29 "Financial reporting in hyperinflationary economies".

For the years 2017 and 2016 Venezuela was the only country treated as having a hyperinflationary economy. The functional currency of the Group companies operating in this country is the Venezuelan bolivar (VEF).

Although there are various official exchange rates in the country, none fluctuate freely, and as such they do not reflect the currency's loss of value deriving from the country's hyperinflation.

As a result, and given the lack of a reliable official index, at the close of both 2016 and 2017 it was deemed necessary to estimate an exchange rate that takes into account real inflation in the country, and reflects more accurately the integration of the Venezuelan subsidiaries' financial statements in the preparation of the MAPFRE Group consolidated accounts, in order to meet the requirement for a true and fair view of their situation.

The Group believes that the exchange rate that best reflects the financial position of the Venezuelan companies should be based on updating the last reliable exchange rate, taking as a reference for the mentioned update the inflation reported in the Purchasing Power Parity (PPP) variation, which is the ratio of prices with respect to a Venezuelan basket over a global basket, which implies estimating an inflation variant but without using local consumption prices exclusively, and using information produced by a renowned international institution for this purpose. The inflation applied in 2017 was estimated at 835 percent, with 2016 having been re-estimated in line with what the IMF published during the year.

To this effect, the exchange rate on which the successive exchange rates have been calculated, is the rate used in the 2016 annual accounts, which was based on the SIMADI's inflation update from when it appeared (February 2015), which amounted to 176.60 USD/VEF. The interest rates obtained this way, which have been used to convert the balances and operation of the Group companies operating in Venezuela, are the following:

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Year	Exchange rate at the close of the period	
	USD/VEF	EUR/VEF
2015	425.8	463.6
2016	3,598.3	3,787.2
2017	14,460.1	17,355.0

In the consolidated income statement, the loss arising from the net monetary position is shown under a separate heading, amounting to 24.50 and 39.98 million euros in 2017 and 2016, respectively.

Adjustments to the opening balance

The adjustments to opening balance columns in the different tables of the consolidated annual report include the variations that occurred as result of applying a different conversion exchange rate to the figures for overseas subsidiaries.

The variations in the technical provisions shown in the consolidated income statement differ from those obtained due to the discrepancy in the consolidated balance sheets for this year and the previous year. This is owing to the use of a different conversion exchange rate for the overseas subsidiaries.

4. EARNINGS PER SHARE AND DIVIDENDS

4.1. EARNINGS PER SHARE

The calculation of the basic earnings per share—which matches the diluted gains per share, since there is no ordinary potential share—is shown below:

Item	2017	2016
Net profit attributable to controlling company's shareholders	700.51	775.45
Weighted average number of ordinary shares in issue	3,079.55	3,079.55
Basic earnings per share (euros)	0.23	0.25

4.2. DIVIDENDS

The breakdown of the dividends paid by the controlling company in the last two years is shown below:

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Item	Total dividend (million euros)		Dividend per share (euro cents)	
	2017	2016	2017	2016
Interim dividend	184.77	184.77	6.00	6.00
Final dividend	261.76	261.76	8.50	8.50
TOTAL	446.53	446.53	14.50	14.50

The total dividend for 2017 was proposed by the Board of Directors and is pending approval by the Ordinary Annual General Meeting.

The planned dividend payout complies with the requirements and limitations that are set out in the legal regulations and the corporate bylaws.

In 2017 the controlling company distributed an interim dividend equivalent to a total amount of 184,773,196.38 euros, which is recorded in equity under the heading "Interim dividend". The liquidity statement prepared by the Board of Directors for the distribution is shown below.

Item	Date of Resolution 08-11- 2017
Cash available on date of the resolution	14.86
Increases in cash forecast within one year	731.45
From expected current collection operations	731.45
From financial transactions	--
Decreases in cash forecast within one year	511.60
From expected current payment transactions	(70.00)
From expected financial transactions	(441.60)
Cash available within one year	234.71

Figures in millions of euros

5. ACCOUNTING POLICIES

The accounting policies applied to the following entries are indicated below:

5.1. INTANGIBLE ASSETS

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GOODWILL

Goodwill on merger

This represents the excess of cost paid on a business combination over the fair value of the identifiable assets and liabilities at the date of the merger.

Consolidation differences

- **Goodwill on consolidation**

This represents the excess net acquisition costs paid over the fair value of the acquisition in the equity of the controlled company at the date of acquisition, except for acquisitions realized before January 1, 2004, which correspond to goodwill net of amortization recorded in line with Spanish legislation in force at the time. In the case of acquisitions of stakes in the controlled company from non-controlling shareholders subsequent to the initial one, the controlling company recognizes this excess as a lower amount of reserves.

- **Negative consolidation difference**

Where the value of the identifiable assets acquired less the value of assumed liabilities is higher than the acquisition cost, this difference is recorded as revenue in the consolidated income statement.

Goodwill impairment

After its initial recognition and allocation to a cash-generating unit, its possible loss in value is assessed at least once a year. When the recoverable amount of a cash generating unit is below the net book value, the loss in value is recognized immediately in the consolidated income statement.

OTHER INTANGIBLE ASSETS

Other intangible assets from an independent acquisition

The intangible assets acquired by third parties in a market transaction are valued at cost. If their useful life is finite, they are amortized and, if their useful life is indefinite, the value impairment tests are undertaken at least once a year.

Internally-generated intangible assets

Investigation expenses are directly recognized on the consolidated income statement for the year in which they are incurred. Development expenses are recorded as an asset when their probability, feasibility and future recoverability can be reasonably ensured. They are valued by the disbursements made.

The capitalized development expenses are amortized during the period in which revenues or yields are to be obtained without prejudice to the valuation that would be made if impairment occurs.

Amortization of limited useful life intangible assets

- Portfolio acquisition costs

These costs are amortized over the life of the portfolios, in a maximum period of 30 years, and depending on their maintenance.

- Other intangible assets

These are amortized based on their limited useful life following a linear method. The amortization has been recorded in the "Amortization allowances" expense account.

5.2. BUSINESS COMBINATIONS

The controlling company identifies a business combination when the assets acquired and the liabilities assumed in a transaction constitute a business. The combinations are recorded by applying the acquisition method.

On the acquisition date, which is when control of the acquired business or company is obtained, the acquirer separately recognizes the goodwill, the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree.

Goodwill represents the excess of cost, including deferred payments, whether certain or contingent, on the net amount on the date of acquisition of the identifiable assets acquired and the liabilities assumed. In line with the provisions under EU-IFRS 3, the Group has chosen not to increase goodwill in part corresponding to external partners.

Initially, the identifiable assets and liabilities assumed are recorded at fair value on the acquisition date. Any acquisition-related costs incurred by the acquirer are recognized as an expense in the period in which they are incurred, except in the case of any costs incurred in issuing debt or shares.

Subsequently, the acquiring company measures the assets acquired, liabilities assumed and equity instruments issued in the business combination in line with the valuation rules applied to those items, according to their nature.

In business combinations carried out in stages, on the date on which control of the acquisition is obtained, the controlling company once again measures its previously held acquisitions in the acquiree's equity at their acquisition-date fair value and recognizes any resulting gain or loss in the consolidated income statement. Likewise, any revaluation adjustments pending allocation to the result for the period are transferred to the consolidated income statement.

When the necessary valuation process to apply the acquisition method may not be concluded on the closing date of the fiscal year, annual accounts are prepared with provisional data. These values are adjusted within the necessary period to complete the initial accounting, this period never exceeding one year from the date of acquisition.

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When the business combinations have been recognized in the accounts, any modifications to contingent payments are recorded for combinations undertaken on or after January 1, 2010, in the consolidated income statement; combinations undertaken earlier are recorded as a change in the business combination cost.

5.3. PROPERTY, PLANT AND EQUIPMENT AND REAL ESTATE INVESTMENTS

Property, plant and equipment and real estate investment are valued at their net acquisition cost minus their accumulated amortization and, if applicable, accumulated losses due to impairment.

Investments classified as real estate investments are those non-current real estate assets intended to obtain rental income, gains or both.

Costs incurred after their acquisition are recognized as an asset only when the future financial profits related to them are likely to revert to the Group and the cost of the item may be accurately determined. All other expenses associated with maintenance and repair are charged to the consolidated income statement during the year in which they are incurred.

The depreciation of these elements is calculated linearly based on the cost of acquisition of the asset, less its residual value and the value of the land according the following periods of useful life:

ITEM GROUP	YEARS	ANNUAL RATIO
Buildings and other structures	50-25	2%-4%
Vehicles	6.25	16%
Furniture	10	10%
Fittings	20-10	5%-10%
Data processing equipment	4	25%

The residual value and the useful life of assets are reviewed and adjusted if necessary at the close of each year.

These assets are written off in the accounts when they are transferred or future economic profit derived from their continuous use is not expected to be obtained. The gains or losses resulting from writing the aforementioned elements off are included on the consolidated income statement.

5.4. LEASING

Finance lease

Leases transferring to the lessee all the risks and profits inherent to the ownership of the leased asset are classified as finance leases. The lessee records the leased asset in its assets at fair value or at the current value of the minimum payments under the lease if this figure is lower, and this depreciates during the useful life of the leased asset.

Each lease payment is distributed between the liabilities and financial charges in order to arrive at a constant interest rate on the outstanding balance of the debt.

The financial costs are recorded in the consolidated income statement.

Operational Leasing

Leases in which the lessor maintains an important part of the risks and advantages derived from ownership are classified as operational leasing. Payments, net of any incentive received from the lessor, are charged to the consolidated income statement on a linear basis during the leasing period.

5.5. FINANCIAL INVESTMENTS

Recognition

Financial assets traded on secondary securities markets are generally recognized on the settlement date.

Classification

Financial investments are classified in the following portfolios:

- Held-to-maturity portfolio

This includes the securities for which there is the intention and proven financial capacity to hold them until their maturity.

- Available-for-sale portfolio

This includes debt securities not labeled in other portfolios and the capital instruments of companies that are not controlled, associated or joint arrangements and that are not included in the "Trading portfolio".

- Trading portfolio

This includes financial assets originating or acquired with the objective of selling them in the short term, that are part of a portfolio of financial instruments identified and managed together for which there is proof of recent actions to obtain gains in the short term.

Derivative instruments not assigned to a hedging operation and hybrid financial assets completely valued at their fair value are also part of this portfolio.

In hybrid financial assets that include, at the same time, a main contract and a financial derivative, both components are separated and treated independently for the purpose of classifying and valuing them. When this separation is not possible, they are valued at their fair value.

Valuation

The English version is only a translation of the original in Spanish for information purposes. In case of discrepancy, the Spanish version shall prevail.

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In their initial recognition on the balance sheet, all financial investments are recognized at the fair value of the provided remuneration plus, in the case of financial investments not classified in the "trading portfolio", the transaction costs that are directly attributable to their acquisition. Fair value is the price that would be received for the sale of a financial asset through a transaction ordered between market participants on the date of valuation.

Subsequently, financial investments are measured at their fair value without deducting any transaction cost that may be incurred due to their sale or any form of disposition, with the following exceptions:

- a) Financial investments included in the "held-to-maturity portfolio", which are measured at their amortized cost using the effective interest rate method.
- b) Financial assets that are capital instruments whose fair value cannot be reliably estimated, as well as derivatives with an asset supporting these instruments and that are settled by providing them and that are measured at cost.

The fair value of financial investments, included in the available-for-sale portfolio and the trading portfolio are classified according to the levels of the variables used in their valuation:

- Level 1. Quoted price: Unadjusted price quoted in active markets
- Level 2. Observable data: Prices quoted in active markets for instruments similar to the one being valued or other valuation techniques in which all the significant variables are based on observable market data. The valuation is made via a model that discounts future financial flows, including the reimbursement value, using a rate curve with two main components:
 - Zero coupon swap curve of the currency of the issuance, which is considered to be the best approximation to the risk-free interest rate.
 - Spread of the additional risk, which will be the spread added to or subtracted from the zero coupon swap curve that reflects the risks inherent to the issuance valued, such as credit, liquidity or optionality risk.
- Level 3. Other valuations: Variables specific to each case. For these purposes, it is possible to distinguish between:
 - Equity assets, where in general the sale value is estimated according to the individual characteristics of the asset.
 - Fixed-income assets with complex future flow structures (interest rates linked to financial variables, with caps and/or floors) and one or more early redemptions, and in which the issuer has no similar issuances on the market or any unquoted issuances from an issuer with no similar issuances. In these cases, the assets are usually valued by requesting a valuation from a benchmark third party.

Changes in the observable variables used in the aforementioned individual valuation would not significantly alter the fair value obtained.

Impairment

The book value of financial investments is corrected via a charge to the consolidated income statement when there is objective evidence that an event which entails a negative impact on its future cash flows has occurred or in any other circumstance that would indicate the inability to recover the investment cost of the financial instrument. The amount of losses due to impairment is equal to the difference between its book value and the current value of its future estimated cash flows.

For fixed-income securities in which there is a defaulted interest and/or principal, the potential loss is estimated according to the situation of the issuer. For all other fixed-income securities, an analysis is undertaken based on their credit quality and the degree of solvency of the issues, proceeding to record the impairment if the risk of non-payment is considered to be likely.

For equity instruments, an individual analysis of the investments is undertaken to determine whether or not they are impaired. Furthermore, it is considered that there is a sign of impairment when the market value decreases for a long time (18 months) or significantly (40 percent) in terms of its cost.

The amount of estimated losses due to impairment is recognized on the consolidated income statement, also including any reduction of the fair value of the investments previously recognized in "Revaluation adjustments". The reversal is recognized in the consolidated income statement, except for in the case of equity instruments. In this case, the valuation adjustment recorded in prior years is not recognized in the income statement, but rather any increase in value is taken directly to equity.

For financial swaps of flow exchanges, the amounts accrued for main operations are recognized, posting the resulting amount of the flows under the headings "Other financial liabilities" or "Corporate and other receivables" as applicable.

5.6. INVESTMENTS ON BEHALF OF LIFE INSURANCE POLICYHOLDERS BEARING THE INVESTMENT RISK

These are made in fixed-income securities, equities and mutual funds which are measured at the acquisition cost when they are underwritten or purchased. The acquisition cost is adjusted as greater or lower value of the investment, as applicable, according to its fair value at the close of the period, determined as follows:

- Equities: at their quoted cost (Level 1).
- Fixed-income securities: at the quoted price if this is representative (Level 1); if this is not the case, by restating the future flows, including the redemption value (Level 2).
- Mutual funds holdings: at their net asset value (Level 1).

Revaluations and depreciations of these assets are recorded as revenues or expenses in the consolidated income statement corresponding to the segment of the insurance unit.

5.7. IMPAIRMENT OF OTHER ASSETS

At the close of each financial year the Group assesses whether there are any signs that the asset items may have suffered a loss in value. If there are such signs, the recoverable value of the asset is estimated.

For assets that are not in a fit state of repair and intangible assets with an indefinite useful life, the recoverable value is estimated whether or not there are signs of impairment.

If the book value exceeds the recoverable amount, a loss is recognized for this excess, reducing the book value of the asset to its recoverable amount.

If there is an increase of the recoverable value of an asset other than the goodwill, the loss due to the previously recognized impairment is reversed, increasing the book value of the asset to its recoverable value. This increase never exceeds the net amortization book value that would have been recorded if an impairment loss had not been recognized in previous years. The reversal is recognized in the consolidated income statement, unless the asset has already been revalued against "Revaluation adjustments", in which case the reversal is treated as a revaluation increase. After this reversal, the amortization cost is adjusted in the following periods.

5.8. INVENTORIES

Inventories, which include mainly parcels of land, are recognized at the lower of their net acquisition cost and their net realizable value.

5.9. RECEIVABLES

These assets are generally valued using the amortized cost, calculated according to the effective interest rate method, deducting, if applicable, the provisions for losses due to noted impairment of the value.

For receivables with a maturity exceeding one year and where the parties have not expressly agreed on the applicable interest, the receivables are discounted by taking, as the implicit financial interest, the current market interest rate for public debt securities with the same or similar maturity as the receivables, without prejudice to taking into account the relevant risk premium.

When there is objective evidence that a loss was incurred due to impairment, the corresponding provision is constituted for the amount estimated not to be recoverable. This amount is equivalent to the difference between the book value of the asset and the current value of the future cash flows, discounted at the original effective interest rate of the financial asset, and the loss is recognized on the year's consolidated income statement.

The impairment loss corresponding to premiums pending collection is calculated separately for each line or risk, is presented in the consolidated income statement as a lower amount of written premiums, and consists of the part of the insurance premium accrued in the period which, based on past experience, is unlikely to be collected, taking into account the impact of reinsurance.

The impairment is recognized in the consolidated income statement as an overall amount according to the age of the receipts pending collection, or on an individual basis where dictated by the circumstances and status of receipts.

Receivables for claim recoveries are only capitalized when their realization is considered as certain.

5.10. CASH

The English version is only a translation of the original in Spanish for information purposes. In case of discrepancy, the Spanish version shall prevail.

Cash consists of cash (cash in hand and bank deposits) and cash equivalents, which correspond to highly liquid short-term investments (maximum three months) that can be easily converted into fixed amounts of cash and have an insignificant risk of change in value.

5.11. ACCRUAL ADJUSTMENTS

Under this heading of the asset, what is basically included are commissions and other acquisition expenses corresponding to the accrued premiums that can be allocated to the period between the close date and the end of coverage of the contracts. The expenses are allocated to the results actually incurred in the period in accordance with the limit stipulated in the technical conditions.

At the same time, under this liability heading, commissions and other acquisition expenses for the ceded reinsurance that have to be allocated to the year or following years in accordance with the coverage period of the ceded policies are included.

5.12. NON-CURRENT ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

These are generally valued, if applicable, at the lower amount between their book value and fair value, deducting sale costs. These costs are understood as marginal costs directly attributable to the disposal, excluding, if applicable, financial costs and tax on profit expenses.

Non-current assets classified as held-for-sale are not amortized and losses due to the impairment of their book value are recognized in the consolidated income statement. Likewise, if a recovery of the value occurs this is recognized in the consolidated income statement up to an amount equal to the impairment loss previously recognized.

5.13. TREASURY STOCK

Treasury stock is measured at cost of acquisition and recognized in equity. Expenses incurred on acquisition are recognized in equity as a decrease in the value of reserves.

All transactions performed with treasury stock are recognized in equity as a change in the value of shareholders' equity.

5.14. FINANCIAL LIABILITIES AND SUBORDINATED LIABILITIES

Financial liabilities classified as held-for-trading.

In their initial recognition, these are recorded at the gross amount received, allocating transaction costs directly to results. Subsequently, they are recorded at fair value, allocating changes to the income statement.

Other financial liabilities.

In their initial recognition on the balance sheet, these are recorded at fair value, which is the net amount received, deducting transaction costs which are directly attributed to the issuance of the financial liability,

like commissions, formalization costs, taxes, fees, etc.... Subsequently, these liabilities are measured at their amortized cost, applying the effective interest rate for financial liabilities.

5.15. INSURANCE OPERATIONS

A) PREMIUMS

Direct insurance

Premiums from the Non-Life business and Life annual renewable contracts are recognized as revenues throughout the validity of the contracts, in accordance with the period of time elapsed, and accrued by means of the allowance to the provision for unearned premiums.

Premiums from the long-term Life business, whether single premiums or regular premiums, are recognized when the right to collection by the contract issuer arises.

Ceded reinsurance

These are recorded in accordance with written reinsurance contracts and under the same criteria as those used for direct insurance.

Accepted and retroceded reinsurance

These are posted based on the accounts received from the ceding companies and additionally, in retroceded reinsurance operations, signed retrocession contracts are considered.

Co-insurance

These are recorded in line with the accounts received from the opening company and the participation in contracts underwritten.

B) TECHNICAL PROVISIONS

The main assumptions and methods used to establish the provisions are described below.

a) **Direct insurance of companies belonging to the European Economic Area**

Provision for unearned premiums

This is calculated on a policy-by-policy basis and reflects the insurance premium accrued during the period subject to allocation to future periods, less the security surcharge.

Provision for unexpired risks

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This is calculated on an individual business line basis and supplements the provision for unearned premiums for the amount not showing the valuation of risks and expenses to be covered, corresponding to the coverage period not elapsed at the closing date.

For the Automobile line, this provision has been calculated taking into account all the guarantees covered with the products marketed by the different companies.

Provisions for Life insurance

- In Life insurance policies with a coverage period equal to or less than one year, the provision for unearned premiums is calculated on a policy-by-policy basis and reflects the insurance premium accrued in the period subject to allocation to future periods.

When this provision is not sufficient, the provision for unexpired risks is calculated to cover the valuation of risks and expenses to be covered, corresponding to the coverage period not elapsed at the closing date for the financial year.

- In Life insurance policies with a coverage period exceeding one year, the mathematical provision has been calculated on a policy-by-policy basis as the difference between the current actuarial value of the future obligations of the controlled companies operating in this line, and those of the policyholder or insured person. The calculation basis is the inventory premium accrued in the period, represented by the pure premium plus the surcharge for administration expenses, both determined using the best estimates for mortality, illness, investment yields and administration expenses when the contracts are issued, as specified in the technical conditions of the relevant products and schemes and remaining unchanged throughout the life of the contract unless their inadequacy becomes evident, in which case the calculation of the mathematical provision would be changed.

Written policies that contain a profit sharing clause in force at the close of each period share, pro rata to their mathematical provisions or technical results and as specifically laid down in each contract, in the net yields obtained from the investments allocated to covering these provisions. The amount resulting from this profit sharing is recorded as a greater amount than the technical provisions.

- This consolidated balance sheet heading also includes the provision for profit sharing and for premium returns, which includes the amount of profits accrued in favor of policyholders, insured persons or beneficiaries and the premiums that must be reimbursed to policyholders or insured persons.

Provision for outstanding claims

This represents the estimated appraisals of the pending liabilities arising from the claims occurring prior to the close of the period, less any advance payments already made. It includes the appraisals of claims pending settlement or payment and yet to be stated, as well as the internal and external expenses involved in the settlement of claims; in the Life insurance business, it also includes maturities and redemptions pending payment. The calculations take into account any additional provisions for deviations in the appraisals of claims subject to long handling periods.

Other technical provisions

The most significant provision included under this heading is the "Funeral Insurance Provision", which is calculated on a policy-by-policy basis as the difference between the current actuarial value of future obligations of the controlled companies operating in this line and those of the policyholder or insured person.

For certain portfolios, the Funeral insurance provision is calculated using methods based on Group capitalization, with a financial-actuarial restatement being made of projected flows of premiums and expected claims up to the expiration of the collective insurance.

Technical provisions for life insurance where policyholders bear the investment risk

The provisions for Life insurance where the contract stipulates that the investment risk will be fully borne by the policyholder have been calculated on a policy-by-policy basis and are measured according to the assets specifically allocated to determine the value of the rights.

b) Direct insurance of companies outside the European Economic Area

Technical provisions are calculated in line with the local criteria in force in each country, except in the cases when their application could distort the true and fair image that must be shown in the financial statements, in which case they are adapted to the controlling company's criteria.

Life insurance provisions have been calculated in line with the operational assumptions, mortality tables and technical interest rate commonly used in the industry in the respective countries.

c) Ceded reinsurance

Technical provisions for cessions to reinsurers are shown in the balance sheet assets and are calculated according to the written reinsurance agreements and under the same criteria as those used for direct insurance.

d) Accepted reinsurance

Provision for unearned premiums

Accepted reinsurance operations are posted based on the accounts received from the ceding companies. If, when closing the accounting, the last account from the cedant is not available, the balance of the other received accounts is considered a provision for unearned premiums of non-closed accounts for the purpose of not recognizing earnings in the accounting of these accounts. If, exceptionally, these provisions of non-closed accounts were negatively affected by the accounting of significant payments for claims since it is a certain loss with the unlikelihood of compensation for non-closed account transactions, the provision is adjusted by the corresponding amount.

For proportional reinsurance, when the last statement and report of pending claims are available, the provisions of non-closed accounts are canceled, providing the provisions for unearned premiums according to the information sent by the cedant, repaying contract by contract. If they are not

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available, the amount of the deposit of premiums withheld for this item will be posted as the provision for unearned premiums. Ultimately, an overall premium prepayment method is used.

The acquisition expenses communicated by the ceding companies are accrued and included in the consolidated balance sheet under the heading "Adjustment for prepayment" of the asset, with these expenses corresponding to those actually incurred in the period. When the cedants do not communicate the acquisition expense amounts, they are accrued risk by risk for the facultative proportional reinsurance and overall for the rest of the proportional business.

Non-proportional reinsurance operations are recorded based on the accounts received from the ceding companies and the provision for unearned premiums is accepted by provisioning the recorded unearned premium according to the average period of policy coverage.

Provision for unexpired risks

This is calculated on an individual business line basis and supplements the provision for unearned premiums for the amount not showing the valuation of risks and expenses to be covered corresponding to the coverage period not elapsed at the closing date.

Provision for outstanding claims

Provisions for outstanding claims are provided for the amounts communicated by the cedant or, in the lack thereof, for the withheld deposits, and include additional provisions for claims that were incurred but not reported (IBNR) as well as for deviations of the existing ones based on own experience.

For non-proportional reinsurance, considering the historic information available, the final cost is estimated and provisioned based on experience and through the use of actuarial methods.

e) Retroceded reinsurance

Retroceded reinsurance operations and their corresponding technical provisions are recorded using the same criteria as those used for accepted reinsurance and according to the signed retrocession contracts.

f) Liability adequacy test

The recorded technical provisions are usually subject to a reasonability test for the purpose of determining their adequacy on the basis of projections of all future cash flows of current contracts. If the result of this test indicates the inadequacy of the provisions, they are adjusted and charged to the results for the period.

g) Shadow accounting

In order to mitigate the accounting asymmetries arising from applying different valuation methods for assets and liabilities, and to reflect the effect of sharing in the profits of the insured, EU-IFRS allow "shadow accounting", which means that losses or gains in the allocated assets are recognized when measuring technical provisions, up to the limit of the amounts assumed by the policyholder.

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C) OTHER ASSETS AND LIABILITIES DERIVED FROM INSURANCE AND REINSURANCE CONTRACTS

a) Deposit components in insurance contracts

Some Life insurance contracts contain both an insurance component and a deposit component. The two components are not measured separately because all the rights and obligations arising from the deposit component are recognized.

b) Embedded derivatives in insurance contracts

Some Life insurance contracts contain embedded derivatives, essentially consisting of guaranteed redemption values and maturity values. Embedded derivatives are not measured separately from the main insurance contract because they fulfill the conditions to be classified as insurance contracts, and their embedded value is therefore measured jointly with the main contract, pursuant to EU-IFRS 4.

c) Insurance contracts acquired in business combinations or portfolio transfers

Insurance contracts acquired in business combinations or portfolio transfers are recognized on the balance sheet as follows:

C.1) The liabilities arising from the insurance contracts are recorded pursuant to EU-IFRS 4.

C.2) An intangible asset is recorded, representing the difference between:

- The fair value of the rights acquired and all the other assumed contractual obligations, and
- The amount described in Section C.1) above.

This intangible asset is amortized in accordance with the policies in force at the time of the purchase and the future generation of profits from them.

D) AGRICULTURAL CO-INSURANCE IN SPAIN

Earned premiums, provisions for unearned premiums, claims paid, provisions for claims and commissions are recorded according to the participation in the pool, according to the type of business, with the following specifications:

D.1) Earned premiums: net of cancelations

D.2) Claims paid: net of the part subject to allocation to the Insurance Compensation Consortium due to a higher than expected loss ratio

- D.3) Commissions: stated in the consolidated income statement under the heading "Acquisition expenses", less the accrued amount at the close of the period. Commissions arising from the participation in the pool are recorded under the heading "Other technical revenue", less the commissions paid to mediators. The heading "Other technical expenses" includes the expenses directly related to this production.

E) LOSS RATIO

The estimated cost of claims, related to the Life and Non-Life business, is recognized on the date of their occurrence and includes all necessary expenses to be incurred up to the settlement of the claim.

The best estimate of the cost of claims that occur but are not reported prior to the end of each financial period, based on past experience, are reported through the incurred but not reported claims provision (IBNR).

Payments of claims are made against the previously recognized provision.

Claims corresponding to accepted reinsurance are recorded in line with the accounts received from the ceding companies, estimating the final expected cost in the case of proportional reinsurance. In the case of ceded and retroceded reinsurance, they are recorded according to the signed reinsurance contracts and under the same criteria used for the direct insurance and accepted reinsurance, respectively.

F) MOST SIGNIFICANT ASSUMPTIONS AND OTHER SOURCES FOR ESTIMATING UNCERTAINTIES

For assets, liabilities, revenues and expenses derived from insurance contracts, as a general rule, the assumptions used are those that were made when issuing these contracts, as specified in the technical conditions.

In general, the estimates and assumptions used are reviewed regularly and are based on past experience and other factors that might have been deemed more reasonable. If these reviews lead to changes in estimates in a given period, their effect shall be applied during that period and, as the case may be, in subsequent periods.

The main assumption is based on the behavior and development of the claims, using their frequency and costs in recent years. Likewise, delays in paying claims and any other external factors that could affect the estimates are taken into account in the estimates and assumptions about interest rates and foreign currency exchange rates.

For liabilities, assumptions are based on the best possible estimate when issuing the contracts, and if an insufficiency became evident, the provisions required to cover it would be constituted.

There were no significant changes made to the assumptions used to value the liabilities derived from insurance contracts throughout the year.

G) IMPAIRMENT

When there is objective evidence that a loss was incurred due to impairment of the assets derived from insurance and reinsurance contracts, the general valuation criterion indicated in Note 5.9. Receivables is applied.

5.16. PROVISIONS FOR RISKS AND EXPENSES

These are recognized when there is a current obligation (whether legal or implicit) as a result of a past event and a reliable estimate of the obligation amount can be made.

If it is highly likely that part or all of a provision will be reimbursed, the reimbursement is recognized as a separate asset.

5.17. DEBT

Valuations are generally carried out at the amortized cost using the effective interest rate method.

For debts with a maturity exceeding one year and when the parties have not expressly agreed on the applicable interest, they are discounted by taking, as the implicit financial interest, the interest in force in the market for public debt securities with the same or similar term as the maturity of the debts, without prejudice to taking into account the relevant risk premium.

5.18. GENERAL CRITERION FOR REVENUES AND EXPENSES

The revenues and expenses apart from those related to insurance operations are allocated according to the accrual criterion, based on the actual flow of goods and services represented by them, irrespectively of the date of the monetary or financial flow arising from them.

5.19 REMUNERATION FOR EMPLOYEES

Remuneration for employees may be short-term, post-employment benefits, compensation for termination, other medium and long-term remuneration, and share-based payments.

a) Short-term remunerations

These are posted according to the services provided by employees on an accrual basis.

b) Post-employment benefits

These essentially consist of defined contribution plans and defined benefit plans, as well as life insurance covering death between age 65 and 77.

Defined contribution plans

These are plans in which the company in question makes pre-determined contributions to a separate company (whether linked to the Group or external) and has no legal or implicit obligation to make any additional contributions in the event of an insufficiency of assets to honor the payment of benefits. The amount of benefits to be received by employees is determined by the contributions made plus the yield obtained by the investments in which the fund was materialized.

Defined benefit plans

These are post-employment benefit plans that differ from the defined contribution plans.

The liability recognized on the balance sheet for defined benefit pension plans is equal to the actual value of the obligation for benefits defined on the balance sheet date less, where applicable, the fair value of the assets set aside for the plan.

The obligation for defined benefits is determined separately for each plan using the actuarial valuation method of the projected credit unit.

Actuarial gains and losses are recorded in equity accounts.

All the obligations for defined benefit plans that remain on the balance sheet correspond to retired personnel.

c) Compensation for termination

This is recognized as a liability and expense when there is a notable agreement to rescind the work relationship before the normal date of employee retirement or when there is an offer to encourage voluntary rescission of the contracts.

d) Other medium and long-term remunerations and share-based payments

Other long-term remunerations besides those described in the preceding paragraphs and referring specifically to the award for years of service or time with the company are recorded in line with the aforementioned principles; the only exceptions are the cost of past services, which is recognized immediately and recorded as an offsetting entry under the heading "Provisions for risks and expenses", and actuarial gains and losses which are recorded on the consolidated income statement.

Incentive plans

- In 2016 a medium-term incentive plan was approved for certain members of the MAPFRE executive team. The plan is extraordinary, non-cumulative and multi-year, commencing January 1, 2017 and ending March 31, 2019, with payment of part of the incentives deferred to the period 2020-2022. The payment of incentives is dependent on fulfilling certain corporate and specific objectives, as well as remaining in the Group's employment. The incentives will be paid partly in cash (50 percent) and partly in MAPFRE S.A. shares (50 percent), and payment is subject to clauses of reduction (malus) or recovery (clawback).

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At the close of each year, the fulfillment of objectives will be evaluated and the amount accrued will be recorded in the consolidated income statement under a liability account for the part of the remuneration paid in cash and under an equity account for the part corresponding to equity instruments. The valuation of the part of the incentive paid in MAPFRE S.A. shares takes into account the fair value of the equity instruments assigned at the transfer date, based on the terms and conditions of the plan.

Each year, during the vesting period, the number of equity instruments included in the calculation of the transaction amount is adjusted. No additional adjustments are made after the vesting date.

- Prior to this, there was a medium-term incentives plan for certain members of the Group's executive team. The plan was extraordinary, non-cumulative and multi-year, spanning from January 1, 2013 to March 31, 2016, and was settled at the close of the 2016 financial year.
- In 2007, The Group approved an incentives plan referenced to the value of MAPFRE S.A. stock, that was settled in cash and revocable, and that was valued at the initial moment of its implementation using an option-valuation method. At the close of 2016 the share quote was below the benchmark quote for this plan, with the result that no rights were exercised and the plan expired.

5.20. REVENUES AND EXPENSES FROM INVESTMENTS

These are classified either as operating or equity depending on their origin since they are assigned to cover technical provisions or materialize shareholders' equity, respectively.

Changes in fair value are recorded according to the portfolio in which financial investments are classified:

a) Trading portfolio

Recorded directly in the consolidated income statement distinguishing between the part attributable to yields, which are recognized as interest or, if applicable, as dividends, and the part that is recorded as realized and unrealized results.

b) Held-to-maturity portfolio

Recorded when the financial instrument is disposed of and in case of impairment.

c) Available-for-sale portfolio

Recognized directly in the company's equity until it is written off or impairment is perceived, at which time they are recorded in the consolidated income statement.

In all cases, the interest of financial instruments is recorded on the consolidated income statement by applying the effective interest rate method.

5.21. RECLASSIFICATION OF EXPENSES BY DESTINATION AND ALLOCATION TO ACTIVITY SEGMENTS

The criteria to follow for reclassifying expenses by destination are mainly based on the position held by each of the employees, distributing their direct and indirect cost according to this position.

The English version is only a translation of the original in Spanish for information purposes. In case of discrepancy, the Spanish version shall prevail.

For expenses directly or indirectly related to personnel, individual studies are undertaken, allocating them to the destination according to the position held for these expenses.

The established destinations are as follows:

- Claims-related expenses
- Expenses allocated to investments
- Other technical expenses
- Other non-technical expenses
- Acquisition expenses
- Administration expenses
- Operating expenses from other activities

Expenses have been allocated to the different segments, according to the business unit or regional area in which the activity originated:

5.22. TRANSACTIONS AND BALANCES IN FOREIGN CURRENCY

With the exception of reinsurance activities, transactions in foreign currencies are translated into each Group company's functional currency at the exchange rate in force on the transaction date.

Reinsurance operations in foreign currency are recorded at the exchange rate established at the beginning of each quarter of the year. Subsequently, at the end of each quarter, they are all treated as one operation, being converted at the exchange rate in force at the time and recording the resulting difference on the consolidated income statement.

At year end, the existing balances in foreign currencies are translated at the exchange rate of the functional currency prevailing on that date, and all exchange differences are recorded in the consolidated income statement, the only exception being those which are directly allocated to "Foreign exchange conversion differences", i.e. those arising from the monetary items that form part of the net investment in a foreign operation and from the non-monetary ones measured at fair value, where changes in value are directly recognized in equity.

5.23. TAX ON PROFITS

Tax on profits is treated as an expense in the year and is recorded as such in the consolidated income statement, including both the tax charge for the current tax and the effect corresponding to the movement in deferred tax.

In order to determine this, the balance sheet method is followed, whereby the corresponding assets and deferred tax liabilities necessary to correct the effect of temporary differences are recorded. These are differences that may exist between the book amount of an asset or liability and its valuation for tax purposes.

Temporary differences may be "Taxable temporary differences", which result in higher tax payments in the future and which generally entail the recognition of a deferred tax liability; or "Deductible temporary differences", which result in lower tax payments in the future and, to the extent in which it is returnable, the registration of a deferred tax asset.

Meanwhile, tax on profits related to items where modifications in their value are directly recognized in equity is not allocated to the consolidated income statement but to equity, and the changes in value are recorded net of the tax effect.

a) Recognition of deferred tax liabilities

The Group recognizes deferred tax liabilities in all cases except those in which:

- They arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that is not affected by the accounting result or the taxable income on the date of the transaction.
- They correspond to differences relating to investments in controlled, associated or joint arrangement companies over which the Group controls the moment of reversal and it is not probable that a reversal occurs in the foreseeable future.

b) Recognition of deferred tax assets

The Group recognizes deferred tax assets as long as:

- It is probable that there are sufficient future taxable profits to offset them. However, those assets that arise from the initial recognition of assets or liabilities in a transaction that is not a business combination and that is not affected by the accounting result or the taxable income on the date of the transaction are not recognized.
- They correspond to temporary differences relating to investments in controlled, associated or joint arrangement companies to the extent that the temporary differences revert in the foreseeable future and positive future taxable profits are expected to be generated to offset the differences.

c) Compensation and classification

The Group only offsets assets and liabilities from tax on profits if the tax authorities have a legal right and it intends to liquidate debts coming from its net value or realize assets and liquidate debts simultaneously.

d) Deferred tax asset and liability valuation

The deferred tax assets and liabilities are valued by the tax rates applicable in the period in which assets are expected to be realized or liabilities paid.

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The Group reviews the book value of the deferred tax assets and liabilities at the close of the period, and evaluates if conditions are fulfilled for recognizing deferred tax assets that had not previously been recognized.

6. BREAKDOWN OF FINANCIAL STATEMENTS

6.1. INTANGIBLE ASSETS

The following tables show the movements under this heading in the last two years:

2017

Item	Opening balance	Adjustments to the opening balance	Changes to the scope	Additions or provisions	Disposals, cancellations or reductions	Closing balance
<u>COST</u>						
GOODWILL	2,075.24	(156.73)	106.40	--	--	2,024.91
OTHER INTANGIBLE FIXED ASSETS						
Portfolio acquisition expenses	1,746.46	(163.30)	--	1.63	(57.57)	1,527.22
Software	1,050.91	(81.92)	--	140.04	(33.70)	1,075.33
Other	171.16	(6.92)	--	31.30	(28.12)	167.42
TOTAL COST	5,043.77	(408.87)	106.40	172.97	(119.39)	4,794.88
<u>CUMULATIVE DEPRECIATION</u>						
OTHER INTANGIBLE FIXED ASSETS						
Portfolio acquisition expenses	(505.99)	47.40	--	(72.53)	24.74	(506.38)
Software	(562.41)	35.56	--	(99.70)	11.73	(614.82)
Other	(47.27)	4.09	--	(9.16)	1.42	(50.92)
TOTAL CUMULATIVE DEPRECIATION	(1,115.67)	87.05	--	(181.39)	37.89	(1,172.12)
<u>IMPAIRMENT</u>						
GOODWILL	(85.19)	5.01	--	(61.77)	--	(141.95)
OTHER INTANGIBLE ASSETS						
Portfolio acquisition expenses	(43.27)	4.14	--	(51.45)	32.83	(57.75)
Software	(0.67)	0.56	--	--	--	(0.11)
Other	(0.05)	--	--	--	--	(0.05)
TOTAL IMPAIRMENT	(129.18)	9.71	--	(113.22)	32.83	(199.86)
TOTAL GOODWILL	1,990.05	(151.72)	106.40	(61.77)	--	1,882.96
TOTAL OTHER INTANGIBLE ASSETS	1,808.87	(160.39)	--	(59.87)	(48.67)	1,539.94
TOTAL INTANGIBLE ASSETS	3,798.92	(312.11)	106.40	(121.64)	(48.67)	3,422.90

Figures in millions of euros

The amounts shown as changes to the scope in 2017 come from the take-over of the Indonesian insurance company PT Asuransi Bina Dana Arta Tbk (hereinafter, ABDA), Note 6.25.

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2016

Item	Opening balance	Adjustments to the opening balance	Changes to the scope	Additions or provisions	Disposals, cancellations or reductions	Closing balance
<u>COST</u>						
GOODWILL	2,144.53	46.44	(83.50)	5.34	(37.57)	2,075.24
OTHER INTANGIBLE FIXED ASSETS						
Portfolio acquisition expenses	1,526.86	208.36	(58.42)	69.66	--	1,746.46
Software	908.38	55.71	(0.30)	143.88	(56.76)	1,050.91
Other	153.40	6.37	(0.52)	23.88	(11.97)	171.16
TOTAL COST	4,733.17	316.88	(142.74)	242.76	(106.30)	5,043.77
<u>CUMULATIVE DEPRECIATION</u>						
OTHER INTANGIBLE FIXED ASSETS						
Portfolio acquisition expenses	(416.99)	(31.99)	16.46	(73.47)	--	(505.99)
Software	(475.96)	(24.52)	2.11	(97.67)	33.63	(562.41)
Other	(33.75)	(11.37)	0.25	(2.67)	0.27	(47.27)
TOTAL CUMULATIVE DEPRECIATION	(926.70)	(67.88)	18.82	(173.81)	33.90	(1,115.67)
<u>IMPAIRMENT</u>						
GOODWILL	(76.53)	0.06	--	(33.03)	24.31	(85.19)
OTHER INTANGIBLE ASSETS	--	--	--	--	--	--
Portfolio acquisition expenses	(32.32)	(0.76)	--	(10.19)	--	(43.27)
Software	--	(0.67)	--	--	--	(0.67)
Other	(0.06)	0.01	--	--	--	(0.05)
TOTAL IMPAIRMENT	(108.91)	(1.36)	--	(43.22)	24.31	(129.18)
TOTAL GOODWILL	2,068.00	46.50	(83.50)	(27.69)	(13.26)	1,990.05
TOTAL OTHER INTANGIBLE ASSETS	1,629.56	201.14	(40.42)	53.42	(34.83)	1,808.87
TOTAL INTANGIBLE ASSETS	3,697.56	247.64	(123.92)	25.73	(48.09)	3,798.92

Figures in millions of euros

The amounts shown as changes to the scope in 2016 mainly stem from the reclassification under the heading "Non-current assets maintained for sale" of the assets of the controlled companies Duero Vida and Duero Pensiones as a result of the announcement from Banco CEISS to exercise its voluntary purchase option over all of the shares owned by the Group in the aforementioned companies.

The entries in 2016 mainly stem from the acquisition of the Barclays Life and Pensions business in Portugal.

Intangible assets with an indefinite useful life

The useful life of the following intangible assets is considered indefinite since these assets are expected to contribute to future revenues for the Group indefinitely:

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Item	Book value	
	31/12/2017	31/12/2016
Goodwill on consolidation	1,850.45	1,955.93
Goodwill on merger	32.51	34.12

Figures in millions of euros

The following tables provide detailed information on the cash-generating units to which the different goodwill items and portfolio acquisition expenses are allocated, as well as their book value and, if applicable, the impairment amount and amortization over the last two periods.

• Goodwill

Goodwill budget 6.1

Cash-generating unit	Business and Geographic Area	Gross amount at source		Initial 31.12.2015	Ejercicio 2016		Initial 31.12.2016	Ejercicio 2017		Initial 31.12.2017
		Millions in original currency	Currency		Entries/(write-offs)	Net impairment for the period		Entries/(write-offs)	Net impairment for the period	
Goodwill on consolidation										
MAPFRE VIDA	Life Insurance (Spain)	259.40	EUR	212.57	--	--	212.57	--	--	212.57
MAPFRE GLOBAL RISKS	Insurance for Companies	40.75	EUR	40.17	--	--	40.17	--	--	40.17
GRUPO CORPORATIVO, L.M.L.	Non-Life Insurance (Mexico)	407.93	MXN	21.57	(2.89)	--	18.68	(1.39)	--	17.29
BRIKELL FINANCIAL SERVICES	Travel assistance (USA)	19.58	USD	17.04	0.59	--	17.63	(2.17)	--	15.46
MAPFRE WARRANTY	Extended Warranty	11.40	EUR	11.08	--	--	11.08	--	--	11.08
MAPFRE BS SH2	Non-Life Insurance (Brazil)	350.29	BRL	81.24	20.98	--	102.22	(14.12)	--	88.10
BB MAPFRE SH1	Life Insurance (Brazil)	220.01	BRL	51.02	13.18	--	64.20	(3.77)	(60.43)	--
ABRAXAS	Travel assistance (United Kingdom)	11.26	GBP	15.25	(2.16)	--	13.19	(0.51)	--	12.68
GENEL SIGORTA	Insurance (Turkey)	156.83	TRY	43.36	(7.13)	--	42.23	(7.78)	--	34.45
BANKINTER VIDA	Life Insurance (Spain)	160.45	EUR	160.45	--	--	160.45	--	--	160.45
CCM VIDA Y PENSIONES	Life and Pensions Insurance (Spain)	90.51	EUR	81.34	--	--	81.34	--	--	81.34
MAPFRE USA	Non-Life Insurance (USA)	882.40	USD	810.52	27.88	--	838.40	(103.17)	--	735.23
DUERO VIDA	Life Insurance (Spain)	70.12	EUR	70.12	(70.12)	--	--	--	--	--
DUERO PENSIONES	Pensions fund manager (Spain)	13.38	EUR	13.38	(13.38)	--	--	--	--	--
ASEGURADORA MUNDIAL	Insurance (Central America)	8.98	PAB	8.27	0.28	--	8.55	(1.06)	--	7.50
INSURANCE AND GO	Insurance (United Kingdom)	30.72	GBP	42.20	(5.39)	--	36.81	(144)	--	35.37
CENTURY AUTOMOTIVE	Insurance and reinsurance (USA)	30.35	USD	22.84	0.79	--	23.63	(2.31)	--	20.72
BANKINTER SEGUROS GENERALES	Non-Life Insurance (Spain)	12.72	EUR	12.46	--	--	12.46	--	--	12.46
BANKIA MAPFRE VIDA SOCIEDAD DE SEGUROS Y REASEGUROS S.A.	Life Insurance (Spain)	18.69	EUR	18.69	--	--	18.69	--	--	18.69
FUNESPAÑA	Funeral services (Spain)	17.88	EUR	17.88	--	--	17.88	--	--	17.88
DIRECT LINE GERMANY	Non-Life Insurance (Germany)	125.47	EUR	125.47	--	--	125.47	--	--	125.47
DIRECT LINE ITALY	Non-Life Insurance (Italy)	101.30	EUR	101.30	--	(33.03)	68.27	--	--	68.27
ABDA	Seguros (Indonesia)	391,102.00	IDR	--	--	--	--	96.94	--	96.94
Other	--	--	--	4164	0.37	--	42.01	(3.68)	--	38.33
TOTAL GOODWILL ON CONSOLIDATION				2,825.96	(37.88)	(33.83)	1,955.93	(45.96)	(68.43)	1,850.45
Goodwill on merger										
BANKINTER VIDA (branch in Portugal)	Life and Pensions insurance (Portugal)	5.34	EUR	--	5.34	--	5.34	--	--	5.34
GRUPO FUNESPAÑA	Funeral services (Spain)	41.09	EUR	24.66	(2.54)	--	22.12	(0.11)	--	22.01
Other	--	--	--	17.38	(10.72)	--	6.66	(0.16)	(1.34)	5.16
TOTAL GOODWILL ON MERGER				42.84	(7.92)	--	34.12	(0.27)	(1.34)	32.51
TOTAL GOODWILL				2,868.80	(44.92)	(33.83)	1,990.05	(45.32)	(61.77)	1,882.96
Goodwill in associated and multi-group undertakings										
SALVADOR CAETANO AUTO (SOPES), S.A.	Servicios (Portugal)	11.31	EUR	--	--	--	--	11.31	--	11.31
ABDA	Seguros (Indonesia)	391,102.00	IDR	26.06	145	--	27.51	(27.51)	--	--
SOLIMON SEGUROS DE CREDITO, S.A.	Insurance (Spain)	12.87	EUR	12.87	--	--	12.87	--	--	12.87
Otros	--	--	--	8.53	(3.95)	--	4.58	0.05	--	4.63
TOTAL GOODWILL IN ASSOCIATED AND MULTI-GROUP UNDERTAKINGS (EQUITY-ACCOUNTED) (*)				47.46	(2.60)	--	44.96	(16.16)	--	28.81

Figures in millions of euros

(*) Goodwill related to acquisitions of associated and multi-group undertakings is included as a greater value of investments recorded by the equity method.

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MAPFRE S.A. AND SUBSIDIARIES

• Portfolio acquisition expenses

Cash-generating unit	Business and Geographic Area	Gross amount at source		Initial 31.12.2015	Ejercicio 2016		Initial 31.12.2016	Ejercicio 2017		Initial 31.12.2017
		Millions in original currency	Currency		Entries/(write-offs)	Depreciation and net impairment for the period		Entries/(write-offs)	Depreciation and net impairment for the period	
BANKINTER VIDA	Life and Pensions insurance (Spain and Portugal)	200.89	EUR	87.94	89.66	(9.54)	148.06	--	(10.01)	138.05
BANKIA MAPFRE VIDA SOCIEDAD DE SEGUROS Y REASEGUROS S.A. (in 2016 ASEVAL - LAETANA VIDA)	Life insurance (Spain)	89.59	EUR	77.39	--	(7.17)	70.22	--	(7.12)	63.10
CCM VIDA Y PENSIONES	Life and Pensions insurance (Spain)	82.55	EUR	52.22	--	(4.30)	47.92	--	(4.42)	43.50
MAPFRE USA	Non-Life Insurance (USA)	40.26	USD	10.96	0.28	(1194)	9.30	(0.70)	(8.60)	--
DUERO VIDA	Life insurance (Spain)	44.48	EUR	32.50	(31.75)	(0.75)	--	--	--	--
DUERO PENSIONES	Pensions fund manager (Spain)	13.94	EUR	10.47	(10.21)	(0.26)	--	--	--	--
CATALUNYACADA VIDA	Life insurance (Spain)	292.01	EUR	--	--	--	--	--	--	--
BB MAPFRE SH1	Life Insurance (Brazil)	3,365.29	BRL	654.16	165.51	(34.27)	785.40	(105.38)	(36.57)	643.45
MAPFRE BB SH2	Non-Life Insurance (Brazil)	236.21	BRL	43.72	10.32	(2.65)	50.89	(3.01)	(47.98)	--
GENEL SIGORTA	Insurance (Turkey)	95.40	TRY	11.71	(1.50)	(1.52)	8.29	(141)	(1.23)	5.59
MAPFRE FINSTERRE	Non-Life Insurance (Spain)	87.94	EUR	45.50	--	(2.64)	42.86	--	(2.59)	40.27
DIRECT LINE GERMANY	Non-Life insurance (Germany)	23.52	EUR	23.17	--	(1.12)	22.05	--	(3.31)	18.74
DIRECT LINE ITALY	Non-Life Insurance (Italy)	15.60	EUR	12.97	--	(12.97)	--	--	--	--
Other	--	--	--	14.84	0.40	(3.13)	12.11	0.37	(2.09)	10.39
TOTAL PORTFOLIO ACQUISITION EXPENSES				1,077.55	203.31	(83.66)	1,197.20	(110.13)	(123.98)	363.89

Figures in millions of euros

The book value, net of any impairment, of each of the goodwill and portfolio acquisition expense items described above, and of the net assets associated with each cash-generating unit, is equal to or lower than the amount recoverable from the cash-generating unit to which they are allocated. The following table shows the recoverable value of the main cash-generating units at the close of the last two periods:

Cash-generating unit	Contrast value		Retrievable value	
	2017	2016	2017	2016
MAPFRE VIDA	2,049.00	2,020.87	4,648.54	4,018.72
BB MAPFRE SH1	967.29	1,212.27	4,351.62	4,653.42
MAPFRE BB SH2	805.87	1,092.56	805.87	1,332.40
BANKINTER VIDA (Spain)	273.20	214.57	574.80	390.74
CCM VIDA Y PENSIONES	145.50	145.32	210.67	170.22
MAPFRE USA	1,800.57	2,022.30	2,510.20	2,907.97
MAPFRE GENEL SIGORTA	224.60	237.63	371.30	560.96
DIRECT LINE ITALY	277.91	201.81	319.79	201.81
DIRECT LINE GERMANY	293.66	291.74	495.46	456.65

Figures in millions of euros

The calculation of the recoverable value of the cash-generating units takes into account the degree of economic development of the country in which the units operate as well as the degree of development of the insurance industry, measured by its weight in the country gross domestic product, and other variables such as market share, projected performance of the commercial network, MAPFRE's past experience in the markets where the cash-generating units are present, etc.

The discount rate (ke) and perpetuity growth rate (g), as defined below, are also taken into account:

- 1) Discount rate (ke) = Risk-free rate of the country + (β * Risk premium of the equity market)

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- 2) Perpetuity growth rate (g): calculated according the long-term inflation projection issued by the International Monetary Fund (IMF)

The country risk rate usually corresponds to the actual yield of the 10-year Treasury bonds in local currency issued in the country in which the cash-generating unit operates, increased by the risk premium of the equity market estimated for the insurance industry. The market risk premium for the insurance industry is calculated by modulating the generic premium for the equity market by the Beta ratio for listed insurance companies compared with the region in which the cash-generating unit operates.

The risk-free rate applied varied between 0.42 percent and 11.43 percent in 2017, and between 0.64 percent and 11.46 percent in 2016.

As a supplement for estimating the discount (ke) and perpetuity growth (g) rates applied to the different cash-generating units analyzed, the external projections of international organizations and other benchmark entities in the field of company ratings are used.

The following discount rates applied to the discounted cash flows were used to calculate the recoverable value of the main cash-generating units:

Cash-generating unit	Discount rate	
	2017	2016
MAPFRE USA	7.02%	6.50%
MAPFRE VIDA, BANKINTER VIDA (Spain) and CCM VIDAY PENSIONES	6.15%	7.77%
MAPFRE GLOBAL RISKS	5.24%	5.61%
BB MAPFRE SH1	14.15%	15.71%
MAPFRE BB SH2	14.24%	15.03%
GENEL SIGORTA	14.09%	13.90%
DIRECT LINE ITALY	5.88%	6.20%
DIRECT LINE GERMANY	4.13%	4.29%

The estimated perpetuity growth rates (g) applicable to the different cash-generating units are based on the long-term inflation projections included in the World Economic Outlook Database published by the International Monetary Fund, which are as follows for the markets in which the main cash-generating units operate:

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Country	Long-term inflation forecast	
	2017	2016
Spain	1.90%	1.59%
United States	2.24%	2.31%
Turkey	7.51%	6.30%
Brazil	4.03%	4.51%
Italy	1.40%	1.20%
Germany	2.48%	1.98%

Bearing in mind the aforementioned variables, the perpetuity growth rates set for the markets in which the main cash-generating units operate are as follows:

Country	Perpetuity growth rate (g)	
	2017	2016
Spain	1.90%	1.59%
United States	2.24%	2.31%
Turkey	8.01%	6.80%
Brazil	4.53%	5.01%
Italy	1.40%	1.20%
Germany	2.48%	1.98%

Meanwhile, at least once a year each Group company analyzes the assumptions used to estimate future cash flows and restates them pursuant to actual results and past experience. The cash flow projections for the first five years consider growth rates based on past experience, while in subsequent years the residual value is calculated, establishing perpetual revenues based on the cash flows of the last period of the estimates, with a perpetuity growth rate calculated as described above.

In the event of reasonable variations in any of the key assumptions, the book value is unlikely to be higher than the recoverable value of the cash-generating units.

Specifically, the studies conducted for the main cash-generating units analyzed reveal the following sensitivity ranges in the event of unfavorable variations in the key assumptions:

- An increase of 1 percentage point in the discount rate applied to each cash-generating unit would imply reductions in the recoverable values of between 10.43 percent and 40.40 percent in 2017, and between 6.69 percent and 36.18 percent in 2016. In any case, this figure would not fall below the book value attributed to any of them.
- A decrease of 0.25 percentage points in the perpetuity growth rate applied to each cash-generating unit would imply reductions in the recoverable values of between 1.84 percent and 17.00 percent in 2017, and between 0.81 percent and 8.18 percent in 2016. Once again, this means that this figure would not fall below the book value attributed to any of them.

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If the analysis of the possible impairment of goodwill reveals a recoverable value below the book value, an individual study is conducted of all the key assumptions that have led to this situation, calculating their impact. However, there are no significant risks associated with reasonable variations in key assumptions.

For impairment loss recorded in 2017, 104.86 million euros (of which 60.43 million correspond to goodwill and 44.43 million to portfolio acquisition expenses) are from the loss of value of the automobile business and of some general P&C lines incorporated in the cash-generating unit MAPFRE BB SH2, deriving from the discreet evolution of Brazil's economic environment and the weak economic growth forecast, as well as the negative development of said businesses, with high loss experiences and pressure on rates.

The impairment loss of 43.22 million euros in 2016 represented recognition of the difference between the book amount and the recoverable value of the cash-generating unit DIRECT LINE ITALY, as detected in the recoverable amount assessment conducted. This assessment took into account 8-year projections, as it was a recently acquired business still under development, estimating a premium growth rate of 3 percent for years 6 and 7, therefore higher than the aforementioned perpetuity growth rate of 1.20 percent and an improved margin for those periods. The main reason for the loss of recoverable value was the restructuring of the company carried out in 2016. As a result of fulfilling our business plan, in 2017 the projections are maintained at 7 years.

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6.2. PROPERTY, PLANT AND EQUIPMENT AND REAL ESTATE INVESTMENTS

Property, plant and equipment

The following tables show the movements under this heading in the last two years:

2017

Item	Opening balance	Adjustments to the opening balance	Changes to the scope	Additions or provisions	Disposals, cancellations or reductions	Closing balance	Market value
<u>COST</u>							
REAL ESTATE FOR OWN USE							
Land and natural resources	106.88	(10.37)	1.96	0.35	(41.93)	56.89	100.90
Buildings and other structures	1,111.74	(47.11)	5.00	68.76	(43.22)	1,095.17	1,165.46
OTHER PROPERTY, PLANT AND EQUIPMENT							
Vehicles	38.71	(3.90)	1.01	3.26	(3.75)	35.33	11.11
Furniture and fittings	477.01	(12.55)	0.58	30.00	(25.10)	469.94	172.88
Other property, plant and equipment	280.39	(27.08)	1.87	25.42	(10.01)	270.59	82.02
Advances and fixed assets in progress	13.11	(0.02)	—	8.29	(13.53)	7.85	5.09
TOTAL COST	2,027.84	(101.03)	10.42	136.08	(137.54)	1,935.77	1,537.46
<u>CUMULATIVE DEPRECIATION</u>							
REAL ESTATE FOR OWN USE	(203.26)	11.84	(1.66)	(27.86)	6.97	(213.97)	—
OTHER PROPERTY, PLANT AND EQUIPMENT	(507.92)	32.58	(2.75)	(63.55)	31.63	(510.01)	—
TOTAL CUMULATIVE DEPRECIATION	(711.18)	44.42	(4.41)	(91.41)	38.60	(723.98)	—
<u>IMPAIRMENT</u>							
REAL ESTATE FOR OWN USE							
Land and natural resources	—	—	—	—	—	—	—
Buildings and other structures	(12.39)	0.10	—	(8.69)	3.53	(17.45)	—
OTHER PROPERTY, PLANT AND EQUIPMENT							
Vehicles	(0.52)	0.34	—	—	0.39	0.21	—
Furniture and fittings	(2.17)	0.86	—	—	1.59	0.28	—
Other property, plant and equipment	(5.01)	(0.17)	—	—	2.08	(3.10)	—
TOTAL IMPAIRMENT	(20.09)	1.13	—	(8.69)	7.59	(20.06)	—
TOTAL REAL ESTATE FOR OWN USE	1,002.97	(45.54)	5.30	32.56	(74.65)	920.64	1,266.36
TOTAL OTHER PROPERTY, PLANT AND EQUIPMENT	293.60	(9.94)	0.71	3.42	(16.70)	271.09	271.10
TOTAL PROPERTY, PLANT & EQUIPMENT	1,296.57	(55.48)	6.01	35.98	(91.35)	1,191.73	1,537.46

Figures in millions of euros

The key disposals of financial year 2017 correspond to the sale of a building on calle Luchana in Madrid, for a price of 72.00 million euros and consolidated earnings before taxes of 38.40 million euros.

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2016

Item	Opening balance	Adjustments to the opening balance	Changes to the scope	Additions or provisions	Disposals, cancellations or reductions	Closing balance	Market value
<u>COST</u>							
REAL ESTATE FOR OWN USE							
Land and natural resources	85.13	(6.70)	—	34.33	(5.88)	106.88	108.94
Buildings and other structures	1,068.68	6.50	(3.78)	109.82	(69.48)	1,111.74	1,295.13
OTHER PROPERTY, PLANT AND EQUIPMENT							
Vehicles	39.38	0.09	(0.50)	4.80	(5.06)	38.71	13.23
Furniture and fittings	471.94	7.66	(0.86)	23.14	(24.87)	477.01	180.75
Other property, plant and equipment	222.65	8.82	(0.04)	55.38	(6.42)	280.39	88.15
Advances and fixed assets in progress	61.03	(1.36)	—	12.77	(59.33)	13.11	11.48
TOTAL COST	1,948.81	15.01	(5.18)	240.24	(171.04)	2,027.84	1,697.68
<u>CUMULATIVE DEPRECIATION</u>							
REAL ESTATE FOR OWN USE	(192.49)	(4.07)	0.56	(21.47)	14.21	(203.26)	—
OTHER PROPERTY, PLANT AND EQUIPMENT	(461.64)	(6.06)	1.16	(63.69)	22.31	(507.92)	—
TOTAL CUMULATIVE DEPRECIATION	(654.13)	(10.13)	1.72	(85.16)	36.52	(711.18)	—
<u>IMPAIRMENT</u>							
REAL ESTATE FOR OWN USE							
Land and natural resources	—	—	—	—	—	—	—
Buildings and other structures	(17.92)	0.22	—	(2.23)	7.54	(12.39)	—
OTHER PROPERTY, PLANT AND EQUIPMENT							
Vehicles	(0.10)	(0.42)	—	—	—	(0.52)	—
Furniture and fittings	(0.27)	(1.90)	—	—	—	(2.17)	—
Other property, plant and equipment	(1.91)	(3.10)	—	—	—	(5.01)	—
TOTAL IMPAIRMENT	(20.20)	(5.20)	—	(2.23)	7.54	(20.09)	—
TOTAL REAL ESTATE FOR OWN USE	943.40	(4.05)	(3.22)	120.45	(53.61)	1,002.97	1,404.07
TOTAL OTHER PROPERTY, PLANT AND EQUIPMENT	331.08	3.73	(0.24)	32.40	(73.37)	293.60	293.61
TOTAL PROPERTY, PLANT & EQUIPMENT	1,274.48	(0.32)	(3.46)	152.85	(126.98)	1,296.57	1,697.68

Figures in millions of euros

In 2016 the main entry under Property for own use was the purchase from Fundación MAPFRE of the MAPFRE RE headquarters at Paseo de Recoletos 25, in Madrid, for 41.50 million euros.

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Real estate investment

The following tables show the movements under this heading in the last two years:

2017

Item	Opening balance	Adjustments to the opening balance	Changes to the scope	Additions or provisions	Disposals, cancellations or reductions	Closing balance	Market value
<u>COST</u>							
INVESTMENT IN REAL ESTATE							
Land and natural resources	644.86	(18.86)	0.56	7.75	(17.74)	616.57	443.59
Buildings and other structures	1,196.62	(15.19)	9.51	69.10	(92.56)	1,167.48	1,235.53
TOTAL COST	1,841.48	(34.05)	10.07	76.85	(110.30)	1,784.05	1,679.12
<u>CUMULATIVE DEPRECIATION</u>							
INVESTMENT IN REAL ESTATE	(272.30)	2.59	—	(20.58)	24.21	(266.08)	—
TOTAL CUMULATIVE DEPRECIATION	(272.30)	2.59	—	(20.58)	24.21	(266.08)	—
<u>IMPAIRMENT</u>							
INVESTMENT IN REAL ESTATE							
Land and natural resources	(228.46)	17.95	—	(12.90)	4.65	(218.76)	—
Buildings and other structures	(65.91)	0.35	—	(3.92)	20.98	(48.50)	—
TOTAL IMPAIRMENT	(294.37)	18.30	—	(16.82)	25.63	(267.26)	—
TOTAL REAL ESTATE INVESTMENT	1,274.81	(13.16)	10.07	39.45	(60.46)	1,250.71	1,679.12

Figures in millions of euros

2016

Item	Opening balance	Adjustments to the opening balance	Changes to the scope	Additions or provisions	Disposals, cancellations or reductions	Closing balance	Market value
<u>COST</u>							
INVESTMENT IN REAL ESTATE							
Land and natural resources	620.06	19.04	—	10.09	(4.33)	644.86	459.51
Buildings and other structures	1,243.96	4.46	—	55.43	(107.23)	1,196.62	1,252.15
TOTAL COST	1,864.02	23.50	—	65.52	(111.56)	1,841.48	1,711.66
<u>CUMULATIVE DEPRECIATION</u>							
INVESTMENT IN REAL ESTATE	(275.84)	(0.46)	—	(23.97)	27.97	(272.30)	—
TOTAL CUMULATIVE DEPRECIATION	(275.84)	(0.46)	—	(23.97)	27.97	(272.30)	—
<u>IMPAIRMENT</u>							
INVESTMENT IN REAL ESTATE							
Land and natural resources	(201.87)	(19.29)	—	(8.57)	1.27	(228.46)	—
Buildings and other structures	(61.99)	(0.18)	—	(4.50)	0.76	(65.91)	—
TOTAL IMPAIRMENT	(263.86)	(19.47)	—	(13.07)	2.03	(294.37)	—
TOTAL REAL ESTATE INVESTMENT	1,324.32	3.57	—	28.48	(81.56)	1,274.81	1,711.66

Figures in millions of euros

In 2016 the main expense was the sale to Fundación MAPFRE of 65.90 percent of the MAPFRE Tower in Barcelona for the sale price of 175.40 million euros with a profit before tax of 117.10 million euros.

The impairment entries in both periods refer to the recorded losses following the valuations made.

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Impairment losses for the year are recorded in the "Allowance to the asset impairment provision" and the reversal under "Reversal of the asset impairment provision" in the consolidated income statement.

The market value of real estate investment and of real estate for own use basically represents the value determined by an independent appraiser that uses appraisal techniques based on the variables observed in the market (Level 2). The appraisal methods commonly used are the cost method, the comparison method, the future rental income method and the abbreviated residual method, depending on the characteristics of the asset being appraised.

Moreover, most real estate corresponds to assets assigned to technical provisions and valuations are performed on a regular basis, as established for valuation reviews by the supervisory bodies of insurance activities.

Revenues and expenses derived from real estate investments in 2017 and 2016 are shown in the table below:

Item	Type of investment							
	Operating investment		Equity		Other Activities		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<u>Revenue from real estate investment</u>								
From rentals	40.76	48.51	2.19	2.22	12.05	14.32	55.00	65.05
Other	0.42	0.44	--	--	3.44	2.03	3.86	2.47
Gains on disposals	49.14	116.09	4.57	5.75	16.51	4.59	70.22	126.43
Total revenue from real estate investment	90.32	165.04	6.76	7.97	32.00	20.94	129.08	193.95
<u>Expenses from real estate investment</u>								
Direct operational expenses	23.48	24.84	--	1.20	--	--	23.48	26.04
Other expenses	6.35	4.34	0.09	0.03	9.19	11.51	15.63	15.88
Losses on disposals	6.00	4.06	0.02	0.39	0.28	0.10	6.30	4.55
Total expenses from real estate investment	35.83	33.24	0.11	1.62	9.47	11.61	45.41	46.47

Figures in millions of euros

6.3. LEASING

The Group has the following items subject to operating lease agreements:

Type of assets	Net book value		Maximum duration of Leases (Years)		Maximum years elapsed	
	2017	2016	2017	2016	2017	2016
Property investments	852.90	858.81	25	25	22	21

Figures in millions of euros

The English version is only a translation of the original in Spanish for information purposes. In case of discrepancy, the Spanish version shall prevail.

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At December 31, 2017 and 2016 the future minimum collections for non-cancelable operating leases were as follows:

Item	2017	2016
Less than one year ago	43.31	47.90
More than one year but less than five	104.48	106.29
More than five years	80.64	78.94
TOTAL	228.43	233.13

Figures in millions of euros

No contingent payments were recorded as revenues in 2017 and 2016.

The Group is the lessee, under operating leases, of buildings and other property, plant and equipment assets.

These leases have an average duration of five years, without renewal clauses in the agreements. There is no restriction on the lessee whatsoever regarding the prerogative to sign these leases.

The future minimum payments payable on non-cancelable operating leases at December 31 were as follows:

Item	2017	2016
Less than one year ago	38.23	37.87
More than one year but less than five	176.73	184.72
More than five years	312.11	356.19
TOTAL	527.07	578.78

Figures in millions of euros

No contingent payments were recorded as expenses in 2017 and 2016.

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6.4. FINANCIAL INVESTMENTS

At December 31, 2017 and 2016 the composition of financial investments was as follows:

Item	Book value	
	2017	2016
HELD-TO-MATURITY PORTFOLIO		
Fixed income	2,003.72	2,403.28
Other investments	20.54	16.48
PORTFOLIO AVAILABLE FOR SALE	2,024.26	2,419.76
AVAILABLE-FOR-SALE PORTFOLIO		
Shares	2,035.57	1,424.94
Fixed income	31,542.28	32,642.40
Mutual Funds	908.62	1,002.14
Other	29.96	33.13
TOTAL PORTFOLIO AVAILABLE FOR SALE	34,516.43	35,102.61
TRADING PORTFOLIO		
Derivatives (not for hedging):		
Financial swaps	512.60	488.01
Options	1.97	4.21
Other investments:		
Shares	365.32	240.32
Fixed income	3,415.04	3,354.11
Mutual Funds	722.76	572.22
Hybrids	323.91	194.80
Deposits	109.50	156.31
Other	11.47	8.61
TOTAL TRADING PORTFOLIO	5,462.57	5,018.59

Figures in millions of euros

The process for the valuation of financial assets is as follows:

- When the asset is acquired, it is assigned to a specific portfolio (held-to-maturity, available for sale, or trading) depending on the characteristics of the liabilities to which it is going to be assigned and on the local and international legislation on accounting and insurance.
- The accounting nature of the portfolios dictates the type of valuation performed. However, at least once a month all assets are valued against the market using the valuation methods mentioned in Note 5.5 "Financial investments" (Level 1, Level 2 and Level 3).
- The valuations are performed directly by the Group's companies, although in some countries an independent financial institution carries them out in line with the local regulations.

The valuation policy is decided by the Investment Committees and/or Risk Committees, and is reviewed at least once a quarter.

Furthermore, the MAPFRE S.A. Executive Committee analyzes the value of all investments, gains and losses on a regular basis.

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With regard to the sensitivity of fair value measurements, changes in the non-observable variables used in the aforementioned individual valuations would not significantly alter the fair value obtained.

Quoted prices are monitored and verified on a regular basis in order to decide whether any transfers between levels are required:

1. If the quotation source for a particular asset is no longer representative, it is transferred from Level 1 to Level 2.
2. Assets are transferred from Levels 2 and 3 to Level 1 if a reasonable quotation source is verified.
3. Assets are transferred to Level 3 when there are no longer any observable market data.

Held-to-maturity portfolio

The investments allocated to the held-to-maturity portfolio at December 31, 2017 and 2016 are shown below:

Item	Book value		Fair value						Revenue from interest		Impairment			
			Level 1. Quotation price		Level 2. Observable data		Level 3. Other measurements				Recorded loss		Reversal gains	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016		
Fixed income	2,003.72	2,403.28	1,899.17	2,112.65	151.42	165.62	35.17	31.12	202.01	236.90	--	--	--	--
Other investments	20.54	16.48	10.38	4.91	0.13	0.33	9.78	11.23	2.66	4.01	--	--	--	--
TOTAL	2,024.26	2,419.76	1,909.55	2,117.56	151.55	165.95	44.95	42.35	204.67	240.91	--	--	--	--

Figures in millions of euros

In relation to Level 3 financial assets in the held-to-maturity portfolio, no significant transactions were carried out in 2017.

Available-for-sale portfolio

The investments allocated to the available-for-sale portfolio, at December 31, 2017 and 2016 are shown below:

Item	Book value (fair value)								Impairment			
	Level 1. Quotation price		Level 2. Observable data		Level 3. Other measurements		Total		Recorded loss		Reversal gains	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Shares	1,990.46	1,361.12	26.53	41.18	18.58	22.64	2,035.57	1,424.94	(0.01)	(23.89)	0.07	0.15
Fixed income	27,552.54	28,301.94	3,973.56	4,315.62	16.18	24.84	31,542.28	32,642.40	(15.34)	(0.47)	0.02	--
Mutual Funds	894.62	999.11	0.58	1.77	13.42	1.26	908.62	1,002.14	--	--	--	--
Other	24.60	28.68	5.36	4.45	--	--	29.96	33.13	--	--	--	--
TOTAL	30,462.22	30,690.85	4,006.03	4,363.02	48.18	48.74	34,516.43	35,102.61	(15.35)	(24.36)	0.09	0.15

Figures in millions of euros

The valuation adjustments of portfolio investments amounted to 4.12 and 4.59 billion euros at December 31, 2017 and 2016 respectively, which have been recorded net of the tax effect on equity.

Transfers to the consolidated income statement of valuation adjustments of portfolio investments in previous years, undertaken during 2017 and 2016, amount to 204.58 and 238.88 million euros, respectively.

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There were no asset transfers between Levels 1 and 2 (Quoted price to Observable data).

There were no variations in valuation techniques at Levels 2 and 3 (Observable data and Other valuations).

A reconciliation of the opening and closing balances at the close of period for Level 3 financial assets in the available-for-sale portfolio is shown below:

Available-for-sale portfolio	Equity instruments and mutual funds		Debt securities		Other financial assets		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Opening balance	23.90	19.31	24.84	48.36	—	—	48.74	67.67
Additions	8.14	9.17	—	0.73	—	—	8.14	9.90
Disposals	(0.23)	(1.15)	(7.53)	(24.12)	—	—	(7.76)	(25.27)
Transfer from Level 1 or 2	1.82	—	—	—	—	—	1.82	—
Transfer to Level 1 or 2	(2.00)	—	—	—	—	—	(2.00)	—
Amortization	—	—	—	—	—	—	—	—
Gains and losses	—	—	—	—	—	—	—	—
Other	0.37	(3.43)	(1.13)	(0.13)	—	—	(0.76)	(3.56)
Closing balance	32.00	23.90	16.18	24.84	—	—	48.18	48.74

Figures in millions of euros

At the close of 2017 and 2016 the impairment analyses performed for each security in the equity portfolios concluded that there was no significant impairment, or any signs of such, in any of the investments measured at their stock market quoted price because none of the objective situations determining this eventuality had occurred.

With respect to investments in unquoted assets, in 2016 a provision of 23.65 million euros was made for impairment of the equity investment in SAREB. No other provisions were made during the periods 2016 and 2017 for significant impairment to investments in unquoted assets analyzed individually.

At the close of 2017 and 2016 the Group had fixed-income securities as guarantees for financial swap operations with a market value of 322.23 and 338.26 million euros, respectively. These financial assets are classified in the available-for-sale portfolio. At the close of these years, the guaranteed assets amounted to 507.32 and 487.68 million euros, respectively. In both cases the guarantee matures on a daily basis, at which time a new guarantee is established or the existing guarantee is maintained or canceled. The existence of these guarantees mitigated the counterparty risk (CVA/DVA) on a large portion of the Group's derivatives.

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Trading portfolio

The investments allocated to the trading portfolio at December 31, 2017 and 2016 are shown below:

Item	Book value (fair value)							
	Level 1. Quotation price		Level 2. Observable data		Level 3. Other measurements		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Derivatives (not for hedging)								
Financial swaps	--	1.70	512.60	486.31	--	--	512.60	488.01
Options	1.97	4.21	--	--	--	--	1.97	4.21
TOTAL DERIVATIVES (NOT FOR HEDGING)	1.97	5.91	512.60	486.31	--	--	514.57	492.22
Other investments								
Shares	363.82	238.83	0.05	0.08	1.45	1.41	365.32	240.32
Fixed income	3,213.45	3,315.71	201.59	38.40	--	--	3,415.04	3,354.11
Mutual Funds	690.44	537.71	32.32	34.51	--	--	722.76	572.22
Hybrids	268.40	194.80	55.51	--	--	--	323.91	194.80
Deposits	--	--	109.50	156.31	--	--	109.50	156.31
Other	10.76	8.61	0.71	--	--	--	11.47	8.61
TOTAL OTHER INVESTMENTS	4,546.87	4,295.66	399.68	229.30	1.45	1.41	4,948.00	4,526.37
TOTAL TRADING PORTFOLIO	4,548.84	4,301.57	912.28	715.61	1.45	1.41	5,462.57	5,018.59

Figures in millions of euros

During 2017 and 2016 no significant transactions were carried out involving Level 3 financial assets held for trading, and no transfers were made from/to this level.

Gains and losses recognized in the 2017 and 2016 results are as follows:

Item	Gains (Losses) allocated to results			
	Unrealized		Realized	
	2017	2016	2017	2016
Derivatives (not for hedging)				
Financial swaps	(41.57)	16.07	(1.41)	(0.51)
Options	--	--	(4.56)	0.91
TOTAL DERIVATIVES (NOT FOR HEDGING)	(41.57)	16.07	(5.97)	0.40
Other investments				
Shares	0.34	14.02	11.39	(8.30)
Fixed income	(8.85)	6.70	0.33	15.57
Mutual Funds	36.19	24.05	10.82	2.92
Hybrids	(5.96)	(0.58)	(0.36)	--
Deposits	--	--	--	--
Other	(0.25)	(0.40)	1.25	(0.43)
TOTAL OTHER INVESTMENTS	21.47	43.79	23.43	9.76
TOTAL TRADING PORTFOLIO	(20.10)	59.86	17.46	10.16

Figures in millions of euros

The main derivative instruments correspond to financial swaps of certain or predefined flows in which a Group company assumes the obligation to pay certain fixed or predefined amounts, usually stated in euros.

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The sum of 512.60 million euros was recorded in the trading portfolio for this item in 2017 (488.01 million euros in 2016).

Purchased options are another type of derivative, albeit a less important one, which provide hedging for savings insurance operations in which the insured parties are guaranteed a specific yield based on the quotation performance of a financial asset, foreign currency or stock market index. At the close of 2017 this item amounted to 1.97 million euros (4.21 million euros in 2016).

Note 7 "Risk Management" provides a breakdown of the maturity of fixed-income securities.

6.5. INVESTMENTS ON BEHALF OF LIFE INSURANCE POLICYHOLDERS BEARING THE INVESTMENT RISK

The following table shows the breakdown for the "Investments on behalf of Life insurance policyholders bearing investment risk" heading at December 31, 2017 and 2016:

Item	Book value (fair value)								Earnings			
	Level 1. Quotation price		Level 2. Observable data		Level 3. Other measurements		Total		Unrealized		Realized	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Shares	235.59	136.67	--	--	--	--	235.59	136.67	10.29	2.34	--	--
Fixed income	718.30	418.62	472.23	483.68	--	--	1,190.53	902.30	28.30	1.97	0.78	34.25
Mutual funds holdings	824.05	904.52	69.97	70.47	--	--	894.02	974.99	6.18	6.67	77.00	74.32
TOTAL	1,777.94	1,459.81	542.20	554.15	--	--	2,320.14	2,013.96	44.77	10.98	77.78	108.57

Figures in millions of euros

In the balance of "Mutual fund holdings", the amount of Group company majority shareholdings in mutual funds subject to Life insurance where the policyholder bears the investment risk is included, for a total of 127.01 and 119.52 million euros to December 31, 2017 and 2016, respectively. The breakdown of the assets this appears in is the following:

Item	2017	2016
Fixed income	22.94	37.47
Mutual fund holdings	87.77	78.48
Other	16.30	3.57
TOTAL	127.01	119.52

Figures in millions of euros

MAPFRE S.A. AND SUBSIDIARIES

6.6. INVENTORIES

The following tables show the breakdown of movements under the Inventories heading for the last two periods:

2017

Item	Opening balance	Adjustments to the opening balance	Changes to the scope	Entries	Write-offs	Impairment (Allocation)/Reversal	Closing balance
Land	46.54	--	--	--	--	(8.26)	38.28
Developments and works in progress	22.16	--	--	--	(0.02)	0.02	22.16
Finished products	2.01	(0.08)	--	7.37	(7.30)	(0.04)	1.96
Raw materials	4.33	(0.01)	--	3.96	(3.60)	--	4.68
TOTAL	75.04	(0.09)	--	11.33	(10.92)	(8.28)	67.08

Figures in millions of euros

2016

Item	Opening balance	Adjustments to the opening balance	Changes in the scope	Inflows	Outputs	Impairment (Provision)/Reversal	Closing balance
Land	45.98	--	--	0.56	--	--	46.54
Developments and works in progress	23.54	--	--	--	(1.38)	--	22.16
Finished products	1.88	--	--	4.62	(4.50)	0.01	2.01
Raw materials	4.43	--	(0.07)	3.25	(3.30)	0.02	4.33
TOTAL	75.83	--	(0.07)	8.43	(9.18)	0.03	75.04

Figures in millions of euros

No interest costs were capitalized in 2017 and 2016.

6.7. RECEIVABLES

The breakdown of the "Receivables" heading at December 31, 2017 and 2016, as well as impairment losses and gains on reversals recorded in the last two years are as follows:

Item	Gross amount		Impairment		Net balance on balance sheet		Impairment			
							Recorded losses		Reversal gains	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Receivables on direct insurance and co-insurance operations	4,097.81	4,403.36	(78.35)	(88.30)	4,019.46	4,315.06	(20.74)	(22.08)	7.72	5.99
Receivables on reinsurance operations	1,034.06	931.62	(46.81)	(55.05)	987.25	876.57	(0.02)	(13.69)	3.81	5.68
Tax receivables	271.67	303.79	--	--	271.67	303.79	--	--	--	--
Corporate and other receivables	1,075.63	1,172.77	(16.91)	(16.33)	1,058.72	1,156.44	(3.41)	(4.64)	2.12	8.82
TOTAL	6,479.17	6,811.54	(142.07)	(159.68)	6,337.10	6,651.86	(24.17)	(40.41)	13.65	20.49

Figures in millions of euros

The heading "Receivables on direct insurance and co-insurance operations" includes premiums pending collection from policyholders and mediators, while the heading "Receivables on reinsurance operations" includes outstanding balances from ceded, retroceded and accepted reinsurance operations.

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The breakdown for the "Corporate and other receivables" heading at the close of the last two years is as follows:

Corporate and other receivables	Amount	
	2017	2016
Debtors of sales or provision of services	203.70	225.37
Receivables for claim recovery (including collaboration agreements with other insurance companies)	114.60	136.34
Advance payment of policies (Life insurance)	31.34	38.60
Legal deposits	441.65	482.19
Receivables with Public Administrations	5.42	5.11
Balance receivables from personnel	26.09	27.62
Other debtors	235.92	241.21
TOTAL	1,058.72	1,156.44

Figures in millions of euros

Impairment is calculated and, where necessary, recognized, as described in the accounting policy 5.9 "Receivables" in this annual report.

The balances included in the "Receivables" heading do not accrue interest and generally their liquidation is executed the following year.

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6.8 ASSET IMPAIRMENT

The following tables show asset impairment for the last two periods:

2017

Impairment in:	Opening balance	Adjustments to the opening balance	Changes to the scope	Recorded in results		Write-off of asset	Closing balance
				Increase	Decrease		
Intangible assets	129.18	(9.71)	--	113.22	--	(32.83)	199.86
I. Goodwill	85.19	(5.01)	--	61.77	--	--	141.95
II. Other intangible assets	43.99	(4.70)	--	51.45	--	(32.83)	57.91
Property, plant and equipment	20.08	(1.12)	--	8.69	(3.53)	(4.06)	20.06
I. Real estate for own use	12.39	(0.10)	--	8.69	(3.53)	--	17.45
II. Other property, plant and equipment	7.69	(1.02)	--	--	--	(4.06)	2.61
Investments	438.51	12.03	--	32.17	(21.59)	(10.30)	450.82
I. Real estate investments	294.37	(18.30)	--	16.82	(21.03)	(4.60)	267.26
II. Financial investments	--	--	--	--	--	--	--
-Held-to-maturity portfolio	--	--	--	--	--	--	--
- Available-for-sale portfolio	123.27	23.25	--	15.35	(0.09)	(5.84)	155.94
-Trading portfolio	--	--	--	--	--	--	--
III Investments recorded by applying the equity method	11.16	7.46	--	--	--	--	18.62
IV Deposits established for accepted reinsurance	--	--	--	--	--	--	--
V. Other investments	9.71	(0.38)	--	--	(0.47)	0.14	9.00
Inventories	65.89	4.42	--	9.57	(1.29)	--	78.59
Receivables	159.68	(22.52)	--	24.17	(13.65)	(5.61)	142.07
I. Receivables on direct insurance and co-insurance operations	88.30	(17.28)	--	20.74	(7.72)	(5.69)	78.35
II. Receivables on reinsurance operations	55.05	(4.45)	--	0.02	(3.81)	--	46.81
III Tax receivables	--	--	--	--	--	--	--
IV Social security and other receivables	16.33	(0.79)	--	3.41	(2.12)	0.08	16.91
Other assets	0.01	--	--	0.01	(0.02)	--	0.00
TOTAL IMPAIRMENT	813.35	(16.90)	--	187.83	(40.08)	(52.80)	891.40

Figures in millions of euros

MAPFRE S.A. AND SUBSIDIARIES

2016

Impairment in:	Opening balance	Adjustments to the opening balance	Changes to the scope	Recorded in results		Write-off of asset	Closing balance
				Increase	Decrease		
Intangible assets	108.91	1.36	--	43.22	--	(24.31)	129.18
I. Goodwill	76.53	(0.06)	--	33.03	--	(24.31)	85.19
II. Other intangible assets	32.38	1.42	--	10.19	--	--	43.99
Property, plant and equipment	20.20	5.19	--	2.23	(7.54)	--	20.08
I. Real estat for own use	17.91	(0.21)	--	2.23	(7.54)	--	12.39
II. Other property, plant and equipment	2.29	5.40	--	--	--	--	7.69
Investments	433.98	31.63	(1.01)	47.14	(0.76)	(73.48)	438.51
I. Real estat investments	263.86	19.47	--	13.07	(0.61)	(1.42)	294.37
II. Financial investments	--	--	--	--	--	--	--
-Held-to-maturity portfolio	--	--	--	--	--	--	--
- Available-for-sale portfolio	136.77	11.20	--	24.36	(0.15)	(48.91)	123.27
-Trading portfolio	--	--	--	--	--	--	--
III Investments recorded by applying the equity method	33.35	0.96	--	--	--	(23.15)	11.16
IV Deposits established for accepted reinsurance	--	--	--	--	--	--	--
V. Other investments	--	--	--	9.71	--	--	9.71
Inventories	85.20	(19.28)	--	1.23	(1.26)	--	65.89
Receivables	123.37	18.84	(0.35)	40.41	(20.49)	(2.10)	159.68
I. Receivables on direct insurance and co-insurance operations	78.28	(3.84)	(0.35)	22.08	(5.99)	(1.88)	88.30
II. Receivables on reinsurance operations	31.84	15.20	--	13.69	(5.68)	--	55.05
III Tax receivables	--	--	--	--	--	--	--
IV Corporate and other receivables	13.25	7.48	--	4.64	(8.82)	(0.22)	16.33
Other assets	1.88	(1.78)	--	--	(0.09)	--	0.01
TOTAL IMPAIRMENT	773.54	35.96	(0.35)	134.23	(30.14)	(99.89)	813.35

Figures in millions of euros

The English version is only a translation of the original in Spanish for information purposes. In case of discrepancy, the Spanish version shall prevail.

MAPFRE S.A. AND SUBSIDIARIES

6.9. CASH

Expenditure

During 2017 and 2016 several disbursements were made related to investments in Group companies and the acquisition of businesses. The most significant acquisitions were as follows:

Acquiring company	Details of acquisition			
	Company	Percentage	Activity	Amount disbursed
2017 MAPFRE INTERNACIONAL MAPFRE INTERNACIONAL	ABDA	31.00%	Non-Life Insurance	89.32
	ABDA	11.33%	Non-Life Insurance	31.6
2016 BANKINTER VIDA	BANKINTER VIDA (Portugal branch)	100.00%	Life Insurance	75.00
MAPFRE S.A.	MAPFRE INTERNACIONAL	0.78%	Insurance holding	19.98
MAPFRE S.A.	MAQUAVIT INMUEBLES, S.L.	43.16%	Real Estate	9.84

Figures in millions of euros

The aforementioned investments were financed using shareholders' equity, the issue of debentures and drawdowns on the long-term line of credit.

The acquisition of 11.33 percent of ABDA comes from the tender offer exercised by MAPFRE subsequent to the take-over of said company, in line with Indonesian regulations.

No significant non-monetary transactions related to investment and financing activities have been excluded from the cash flow statement.

Commitments

Non-controlling shareholders of the MAPFRE RE subsidiary have a put option on the shares of this company. If exercised, MAPFRE S.A. or a Group company would have to acquire the shares from the selling non-controlling shareholder. The purchase price for the MAPFRE RE shares will be calculated using the previously agreed formula. At December 31, 2017, based on the variables included in the aforementioned formula, the commitment assumed by the Group if this option were exercised would amount to a total of approximately 100.92 million euros.

6.10. NON-CURRENT ASSETS HELD FOR SALE, ASSOCIATED LIABILITIES AND DISCONTINUED OPERATIONS

At December 31, 2017 and 2016 the main non-current assets held for sale, discontinued operations and associated liabilities were as follows:

MAPFRE S.A. AND SUBSIDIARIES

Item	Non-current assets classified as held-for-sale		Discontinued operations		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Intangible assets	--	126.17	--	--	--	126.17
Property, plant and equipment	--	5.20	--	--	--	5.20
Investments	25.27	768.56	--	--	25.27	768.56
Credits	124.76	3.20	--	--	124.76	3.20
Cash	--	5.21	--	--	--	5.21
Other assets	5.55	2.82	--	--	5.55	2.82
Total assets	155.58	911.16	--	--	155.58	911.16
Related liabilities						
Technical provisions	--	663.92	--	--	--	663.92
Deferred tax liabilities	--	23.29	--	--	--	23.29
Other debts	1.09	2.07	--	--	1.09	2.07
Total liabilities	1.09	689.28	--	--	1.09	689.28

Figures in millions of euros

Non-current assets classified as held-for-sale and associated liabilities

As a result of Banco CEISS exercising its call option for the whole of the Group's shares in the undertakings Duero Vida and Duero Pensiones, at December 31, 2016 the headings "Assets and liabilities held for sale" included assets for the amount of 879.9 million euros and associated liabilities for the amount of 689.3 million euros, corresponding to both dependent undertakings.

In June 2017, MAPFRE and Banco CEISS entered into a contract, by virtue of which MAPFRE transferred to Banco CEISS the whole of the shares for a total price of 141.7 million euros. The completion of the transaction is dependent on receiving authorization from the Dirección General de Seguros (Insurance Directorate General), upon receipt of which the transfer of and payment for the shares will be carried out.

At the date of entering into said contract, control of both undertakings was lost, and as such the revenues and expenses of said undertakings included in the balance sheet correspond only to the first five months of the year. Additionally, in the "Assets held for sale" heading of the balance sheet, only the fair value of the assets resulting from the sale is included in the balance sheet, which produced an accounting net gain of 5.8 million euros at the close of the period.

In 2017 these assets generated revenue for the amount of 51.09 million euros, and have not generated more results than those indicated in the previous paragraph (in 2016 they generated 104.34 million euros in revenues and 2.49 in results).

6.11. EQUITY

- Share capital**

The share capital is recorded by the face value of disbursed shares or whose disbursement was demanded.

The controlling company's share capital at December 31, 2017 and 2016 was represented by 3,079,553,273 shares, with a face value of 0.10 euros each, fully subscribed and paid-up. All shares carry identical voting and dividend rights.

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The Annual General Meeting of March 9, 2013 authorized the directors of the controlling company to increase the capital up to a maximum of 153,977,663.65 euros, equivalent to 50 percent of the share capital at the time. This authorization was granted for a period of five years. Furthermore, the directors were authorized to issue analogous fixed-income securities or debentures, convertible or not, for a maximum amount of 2 billion euros.

The Board of Directors, in their meeting on February 7, 2018, has agreed to propose to the Annual General Meeting to be held on March 9, 2018, to authorize the directors of the holding Company to increase capital again in the same terms as those previously mentioned, as well as to issue debentures or similar fixed-income securities, with the same conditions set out in the previous authorization.

CARTERA MAPFRE directly held 67.60 percent of the share capital at December 31, 2017 and 2016.

All shares representing the share capital of the controlling company are admitted to official trading on the Madrid and Barcelona stock markets.

- **Treasury Stock**

At December 31, 2016, the controlling company owned 30,500,000 treasury stock, representing 0.99 percent of the capital, for the amount of 60.23 million euros, at an average rate of 1.97 euros per share.

In 2017 the number of treasury stock went down by 3,988,894, representing 0.13 percent of the capital, for the amount of 7.87 million euros. The difference from the sale price, which reaches 4.70 million euros, is included in the heading "Reserves".

At the close of 2017, the controlling company owned 26,511,106 treasury stock, representing 0.86 percent of the capital, for the amount of 52.36 million euros, at an average rate of 1.97 euros per share. The face value of the treasury stock at December 31, 2017 was 2,651,110.60 euros (3,050,000 euros at December 31, 2016).

At December 31, 2017 and 2016 no other Group company held shares in the controlling company.

- **Revaluation adjustments**

This includes the equity reserves arising as a consequence of revenues and expenses recognized in each year which, pursuant to IFRS, must be recorded in the Group's equity accounts.

The following table shows the nature of the "Valuation change adjustments" recorded under that Equity heading at the close of the last two financial years:

MAPFRE S.A. AND SUBSIDIARIES

Item	Amount	
	2017	2016
<u>Fixed income</u>		
Capital gains	4,082.41	4,812.41
Capital losses	(1,756.74)	(2,226.81)
<u>Equity and Mutual Funds</u>		
Capital gains	282.74	257.80
Capital losses	(20.07)	(17.74)
Shadow accounting	(1,983.17)	(2,237.34)
Other adjustments	15.52	66.35
TOTAL	620.69	654.67

Figures in millions of euros

- **Restrictions on the availability of reserves**

- "Reserves" includes the controlling company's legal reserve, amounting to 61.59 million euros at December 31, 2017 and 2016, which may not be distributed to shareholders, except in the event of the controlling company's liquidation, and may only be used to offset potential losses.

The same restriction applies to the legal reserves established by the subsidiaries and reflected in their balance sheets.

- This heading also includes the reserve for redenomination of the share capital in euros amounting to 0.15 million euros, which in accordance with Article 28 of Law 46/1998 may not be distributed.
- There are no other restrictions on the availability of reserves for any significant amount, except for those described in the section regarding "Tax incentives" in Note 6.21.

- **Capital management**

Capital management is focused on ensuring stability and maintaining adequate remuneration, which are achieved through robust solvency margins, financial flexibility, the generation of cash flows, and the creation of value for shareholders.

Managed capital refers to the shareholders' equity permitted by the regulations currently in force and other management models used.

In line with the Group's risk appetite, which corresponds to the level of risk that the Group is prepared to assume to attain its business objectives without any significant deviations (even in adverse circumstances), each business unit operates according to a series of risk tolerance levels based on the capital assigned.

MAPFRE has an internal capitalization and dividend policy that is designed to provide the business units with the capital necessary to cover the risks that have been assumed, all in a rational and objective way.

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The volume of dividends for distribution is established in line with the estimated results and shareholders' equity. If actual performance deviates from the estimates made, the assigned capital is revised.

Remuneration for shareholders is linked to the Group's profits, solvency, liquidity and investment plans, as well as shareholders' expectations.

As a general rule, the Board of Directors recommends a distribution of dividends to the Annual General Meeting based on between 50 percent and 65 percent of the result for the period attributable to the controlling company in its consolidated annual accounts.

The risk estimates and assignment of capital to each business unit are described in Note 7 of the annual report, "Risk Management".

The items that form part of the Group's available equity conform to the requirements of current regulations.

6.12. SUBORDINATED LIABILITIES

At December 31, 2017 and 2016 the balance of this account included the amortized cost of the subordinated debt issued by the controlling company, corresponding, respectively, to the issuances in March 2017 and July 2007. In the latter case, this is net of the cost of securities purchased on the market. The most relevant terms and conditions governing these issuances are described below.

Issuance from March 2017

- Issuance type: subordinated debentures represented by book entries
- Nominal amount: 600 million euros
- Issue date: March 31, 2017
- Maturity: March 31, 2047; first call date March 31, 2027
- Redemption in special cases: due to reform or modification of tax regulations, disqualification as issuer's own funds, and change in treatment granted by the ratings agencies.
- Interest from the issuance to the date of the first call option: 4.375 percent per year, payable March 31 each year
- Interest from the exercise of the first call date: floating rate equal to the Euribor rate at 3 months plus 4.543 percent, payable quarterly
- Interest deferral: the issuer will be obligated to defer interest payment should any Solvency Capital Requirement or Minimum Capital Requirement breach exist, or should the relevant regulator prohibit the issuer from making interest payments, or should the issuer be unable to meet regularly its due and payable liabilities.
- Listing: AIAF market

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MAPFRE S.A. AND SUBSIDIARIES

- Jurisdiction: Spanish
- Rating: BBB-

The accrued unpaid interests at December 31, 2017 stood at 19.78 million euros and the notes trade at 113.99 percent of their face value.

Issuance from July 2007

- Issuance type: subordinated debentures represented by book entries
- Nominal amount: 700 million euros
- Number of securities: 14,000
- Face value of the securities: 50,000 euros
- Issue date: July 24, 2007
- Maturity: July 24, 2037
- First call date: July 24, 2017
- Amortization in special cases: due to reform or modification of tax regulations, non-classification as issuer's own equity, and change in treatment granted by the credit ratings agencies
- Interest from the issuance to the date of the first call option: 5.921 percent per year, payable on July 24 every year
- Interest from the exercise of the first call date: variable rate equal to the Euribor rate at 3 months plus 2.05 percent, payable quarterly
- Interest deferral: the issuer, at its discretion, may defer the payment of interest if it exceeds the distributable profit and if the issuer has not made any payment or has not amortized or repurchased any kind of capital or securities issued in the same or a lower bracket than the debentures.
- Settlement of deferred interest: the issuer will be obligated to pay the deferred interest when regular payment of the interest on the debentures is renewed, when the debentures are redeemed in advance, or when payments or repurchases of any kind of capital or securities issued in a lower bracket than the debentures are made
- Order of priority: subordinated to all ordinary creditors, understood as all those who, by order of priority, are ahead of the subordinated creditors in the event of liquidation of the issuer
- Listing: AIAF
- Jurisdiction: Spanish
- Rating: BBB-

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At December 31, 2016, the total number of securities purchased in the market in previous years reached 2,431.

The accrued interest outstanding at December 31, 2016 amounted to 15.01 million euros. At December 31, 2016 the securities were listed at 102.25 percent of their face value.

All of the subordinated notes issued by the controlling company in July 2007 were redeemed in advance on the first call date.

6.13. FINANCIAL LIABILITIES

The following table shows the fair value breakdown of the financial liabilities:

Item	Book value		Fair value	
	2017	2016	2017	2016
Issue of debentures and other negotiable securities	1,003.29	1,002.55	1,035.26	1,011.26
Due to credit institutions	706.74	606.35	706.74	606.36
Other financial liabilities	1,235.17	752.09	1,226.70	734.22
TOTAL	2,945.20	2,360.99	2,968.7	2,351.84

Figures in millions of euros

At December 31, 2017 and 2016 the fair value of the issue of debentures and other negotiable securities corresponded to the quoted price at the close of the period (Level 1), including in the accrued interest.

Issuance of debentures and other negotiable securities

At December 31, 2017 and 2016 the balance of this account included the amortized cost of the simple debentures issued by MAPFRE S.A. The most relevant terms and conditions governing issuing activity are described below.

- Issue type: simple debentures represented by book entries
- Total amount: 1 billion euros
- Number of securities: 10,000
- Face value of the securities: 100,000 euros
- Issuance date: May 19, 2016
- Issuance period: 10 years
- Maturity: May 19, 2026
- Redemption: single payment on maturity and at par, with no expense for the holder

The English version is only a translation of the original in Spanish for information purposes. In case of discrepancy, the Spanish version shall prevail.

MAPFRE S.A. AND SUBSIDIARIES

- Listing: Fixed-income AIAF market
- Coupon: annual fixed 1.625 percent, payable on the anniversaries of the issue date up to and including the end maturity date
- Issue rating: BBB+ (Standard & Poor's)

The accrued interest outstanding at December 31, 2017 and 2016 amounted to 10.06 million euros. At December 31, 2017 and 2016 the securities were listed at 102.52 percent and 100.12 percent of their face value, respectively.

Debt payable to lending institutions

The breakdown of the amounts due to credit institutions at December 31, 2017 and 2016 is shown below:

Class of debt	Book value		Average interest rate %		Guarantees granted	
	2017	2016	2017	2016	2017	2016
Finance lease	0.67	1.16	4.18	4.19	--	--
Credits	654.98	539.06	0.80	1.00	--	--
Loans	0.89	16.23	--	--	--	--
Other	50.20	49.90	1.00	1.00	--	8.01
TOTAL	706.74	606.35	--	--	--	8.01

Figures in millions of euros

At December 31, 2017 and 2016 the main line of credit was as follows:

Bank	Maturity	Limit		Drawn down	
		2017	2016	2017	2016
Santander	11.12.2021	1,000.00	1,000.00	600.00	480.00
TOTAL		1,000.00	1,000.00	600.00	480.00

Figures in millions of euros

Banco de Santander is the agent bank of the aforementioned credit line, which is a syndicated loan with other companies and which accrues interest at a rate pegged to market variables. As per the contract terms, in 2016 the maturity was extended from December 2020 to December 2021.

Other financial liabilities

The heading "Other financial liabilities" includes the outstanding amount for financial obligations not included in any other items. The following table shows the breakdown at December 31, 2017 and 2016:

MAPFRE S.A. AND SUBSIDIARIES

Other financial liabilities	Amount	
	2017	2016
Financial liabilities held for trading	264.94	264.02
Other financial liabilities measured at fair value with changes in P&L	514.13	431.37
Non-controlling interests in mutual funds (Note 2.6)	412.69	--
Derivatives for asset operations (equity swap)	--	7.82
CARTERA MAPFRE Credit	--	--
Other financial liabilities	43.41	48.88
TOTAL	1,235.17	752.09

Figures in millions of euros

The line of credit granted by CARTERA MAPFRE has a limit of 400.00 million euros, accrues interest at a variable rate referenced to the three-month Euribor, and matures on September 10, 2018, although it may be extended for successive periods of one year. In 2017 and 2016, 0.02 and 1.14 million euros, respectively, were paid in interest arising from this line of credit.

At December 31, 2017 and 2016 the fair value of these liabilities did not differ significantly from their book value.

Regarding the fair value level, the fair value valuations of these liabilities are classified at Level 2, with the exception of the balance of "Non-controlling interests in mutual funds", valued at liquid value (mostly Level 1) and 374.22 million euros of "Other financial liabilities valued at fair value and changes in P&L", at Level 1.

In 2017 and 2016 no financial liabilities were transferred between Levels 1, 2 and 3. Items are transferred between levels when they no longer meet the criteria for classification under a given level but meet those of one of the other levels. No adjustments were made for own credit risk in connection with the financial liabilities derived from financial swap transactions, given that they are cash flow exchange operations whose current net value leads to a balance in favor of the counterparty. In any event, the application of adjustments for own credit risk in these transactions would not have a material effect on the income statement or on equity.

6.14. TECHNICAL PROVISIONS

1. Breakdown of the composition of technical provisions

The following table shows the balance composition of each of the technical provisions listed in the balance sheet of the last two years.

MAPFRE S.A. AND SUBSIDIARIES

Item	Direct insurance		Accepted reinsurance		Ceded and retroceded reinsurance	
	2017	2016	2017	2016	2017	2016
<u>Provisions for Non-life unearned premiums and unexpired risks</u>						
1.1 Provision for unearned premiums	6,969.93	7,197.57	1,354.59	1,404.93	1,747.58	1,608.07
1.2 Provision for unexpired risks	43.37	34.03	7.21	--	--	--
<u>Life insurance provisions</u>						
2.1 Provisions for unearned premiums and unexpired risks						
2.1.1. Provision for unearned premiums	1,266.65	1,437.44	504.63	451.36	11.95	24.19
2.1.2. Provision for unexpired risks	158.21	162.02	--	--	--	--
2.2 Mathematical reserves	22,977.24	23,520.18	86.19	93.79	56.75	60.69
<u>Provisions for outstanding claims</u>						
3.1 Pending settlement or payment	7,345.04	6,740.65	2,000.25	1,746.11	2,493.19	1,889.54
3.2 Claims incurred but unreported (IBNR)	1,520.62	1,322.92	184.37	100.70	667.03	335.18
3.3 For claim settlement internal expenses	171.66	170.91	1.15	5.47	11.54	10.13
<u>Other technical provisions</u>						
4.1 Burial	829.06	762.18	--	--	--	--
4.2 Other	73.79	75.88	--	--	1.58	6.56
TOTAL	41,355.57	41,423.77	4,138.39	3,802.36	4,989.62	3,934.37

Figures in millions of euros

2. Movement of each of the technical provisions

2.1. Provisions for unearned premiums, unexpired risks, claims, profit-sharing and other technical provisions

A) DIRECT INSURANCE AND ACCEPTED REINSURANCE

MAPFRE S.A. AND SUBSIDIARIES

2017

Item	Opening balance	Adjustments to the opening balance	Changes to the scope	Additions	Reversals	Closing balance
<u>Provisions for Non-Life unearned premiums and unexpired risks</u>						
1.1 Provision for unearned premiums	8,602.50	(716.75)	82.44	9,736.85	(9,380.52)	8,324.52
1.2 Provision for unexpired risks	34.03	(4.03)	--	44.29	(23.71)	50.58
<u>Live insurance provisions</u>						
2.1 Provisions for unearned premiums and unexpired risks						
2.1.1. Provision for unearned premiums	1,888.80	(159.13)	--	2,094.45	(2,052.84)	1,771.28
2.1.2. Provision for unexpired risks	162.02	(23.74)	--	23.74	(3.81)	158.21
2.2 Mathematical reserves	23,613.96	(152.77)	--	2,137.09	(2,534.85)	23,063.43
<u>Provisions for outstanding claims</u>						
3.1 Direct Insurance Life	1,194.27	(105.65)	--	1,571.41	(1,525.92)	1,134.11
3.2 Direct Insurance Non-Life	7,040.21	(553.45)	15.90	10,170.14	(8,769.59)	7,903.21
3.3 Accepted reinsurance	1,852.28	(18.46)	--	3,275.76	(2,923.81)	2,185.77
<u>Other technical provisions</u>	838.06	0.54	--	880.38	(816.13)	902.85
TOTAL	45,226.13	(1,733.44)	98.34	29,934.11	(28,031.18)	45,493.96

Figures in millions of euros

2016

Item	Opening balance	Adjustments to the opening balance	Changes to the scope	Additions	Reversals	Closing balance
<u>Provisions for Non-Life unearned premiums and unexpired risks</u>						
1.1 Provision for unearned premiums	8,385.11	164.09	--	10,156.53	(10,103.23)	8,602.50
1.2 Provision for unexpired risks	40.65	2.04	--	26.41	(35.07)	34.03
<u>Live insurance provisions</u>						
2.1 Provisions for unearned premiums and unexpired risks						
2.1.1. Provision for unearned premiums	1,583.92	296.48	0.71	1,928.00	(1,920.31)	1,888.80
2.1.2. Provision for unexpired risks	105.27	25.52	0.01	32.99	(1.77)	162.02
2.2 Mathematical reserves	23,337.13	74.50	(121.93)	2,910.98	(2,586.72)	23,613.96
<u>Provisions for outstanding claims</u>						
3.1 Direct Insurance Life	922.83	98.06	(1.25)	1,273.85	(1,099.22)	1,194.27
3.2 Direct Insurance Non-Life	6,334.70	218.42	--	7,487.02	(6,999.93)	7,040.21
3.3 Accepted reinsurance	1,779.53	10.41	--	2,754.15	(2,691.81)	1,852.28
<u>Other technical provisions</u>	773.06	0.46	4.11	811.45	(751.02)	838.06
TOTAL	43,262.20	889.98	(118.35)	27,381.38	(26,189.08)	45,226.13

Figures in millions of euros

MAPFRE S.A. AND SUBSIDIARIES

B) CEDED AND RETROCEDED REINSURANCE

2017

Item	Opening balance	Adjustments to the opening balance	Changes to the scope	Additions	Reversals	Closing balance
Provision for unearned premiums	1,608.07	(198.91)	3.56	2,849.65	(2,514.79)	1,747.58
Provisions for life insurance	84.89	(0.04)	0.09	86.71	(102.95)	68.70
Provision for outstanding claims	2,234.85	(269.42)	0.93	6,933.37	(5,727.97)	3,171.76
Other technical provisions	6.55	(0.36)	--	0.99	(5.60)	1.58
TOTAL	3,934.36	(468.73)	4.58	9,870.72	(8,351.31)	4,989.62

Figures in millions of euros

2016

Item	Opening balance	Adjustments to the opening balance	Change to the scope	Additions	Reversals	Closing balance
Provision for unearned premiums	1,720.30	(19.95)	(5.11)	2,625.29	(2,712.46)	1,608.07
Provisions for life insurance	93.25	2.73	(0.75)	61.89	(72.23)	84.89
Provision for outstanding claims	2,054.32	166.75	(1.08)	3,418.61	(3,403.75)	2,234.85
Other technical provisions	1.65	14.23	--	5.12	(14.45)	6.55
TOTAL	3,869.52	163.76	(6.94)	6,110.91	(6,202.89)	3,934.36

Figures in millions of euros

2.2. Mathematical provisions

Item	Direct insurance and accepted reinsurance		Ceded and retroceded reinsurance	
	2017	2016	2017	2016
Mathematical provisions at beginning of year	23,613.96	23,337.13	60.69	63.78
Adjustments to the opening balance	(152.77)	74.50	(2.23)	2.30
Consolidation (balance of provision on consolidation date)	--	494.32	--	0.13
Premiums	2,026.29	2,003.27	68.01	3.70
Technical interests	555.56	631.49	--	--
Claim payments/collections	(2,534.85)	(2,586.72)	(69.72)	(4.80)
Provision adequacy test	--	0.18	--	--
Shadow accounting adjustments	(381.55)	314.43	--	--
Other	(63.21)	(38.39)	--	(4.42)
Deconsolidation (balance of provision on deconsolidation date)	--	(616.25)	--	--
Mathematical provisions at end of year	23,063.43	23,613.96	56.75	60.69

Figures in millions of euros

2.3. Funeral provision

Item	Direct insurance and accepted reinsurance	
	2017	2016
Provisions at beginning of year	762.18	691.07
Adjustments to the opening balance	(2.07)	(0.02)
Consolidation (balance of provision on consolidation date)	--	--
Premiums	85.07	79.25
Technical interest	15.91	16.89
Claim payments	(8.30)	(6.64)
Provision adequacy test	--	--
Other	(23.73)	(18.37)
Deconsolidation (balance of provision on deconsolidation date)	--	--
Provisions at end of year	829.06	762.18

Figures in millions of euros

3. Other information

3.1. Technical provisions for Life insurance where policyholders bear the investment risk

Item	Direct insurance and accepted reinsurance	
	2017	2016
Provision at beginning of year	2,013.96	1,798.88
Adjustments to the opening balance	(120.83)	170.45
Consolidation (balance of provision on consolidation date)	--	1.93
Premiums	725.73	521.14
Payment of claims	(191.22)	(375.15)
Asset valuation changes	122.55	116.49
Other	(230.05)	(189.03)
Deconsolidation (balance of provision on deconsolidation date)	--	(30.75)
Provision at end of year	2,320.14	2,013.96

Figures in millions of euros

3.2. Provision for unexpired risks

The provision for unexpired risks has been made by the Group's insurance companies in line with the criteria explained in Note 5.15.

MAPFRE S.A. AND SUBSIDIARIES

3.3. Information related to Life insurance

No additional provisions for life insurance deriving from the liability adequacy test were necessary.

The characteristics of the main Life insurance types sold by the Group's companies in 2017 and 2016 are listed below. Some of the categories shown below include GKM80 tables. These are only used for products with a risk component.

LIFE INSURANCE TECHNICAL CONDITIONS					
Format	Coverage	Tables	Technical interest	Profitsharing	
				Amount (million euros)	Distribution method
MAPFRE VIDA					
Single premium individual contracts, without profit sharing:					
- Unit-linked: Rendimiento activo III	Longevity / Death	Yields table	(Variable)	--	MAPFRE network
- Unit-linked: Rendimiento activo IV	Longevity / Death	Yields table	(Variable)	--	MAPFRE network
- Unit-linked: Seguro dividendo vida	Longevity / Death	PASEM 2010 MEN	(Variable)	--	MAPFRE network
Single premium annuity group contracts:					
Longevity with profit sharing and without counterinsurance. Group annuities.	Longevity	PERM/F-2000 P	2.51% (Variable)	--	MAPFRE network
Single premium group contracts	Longevity / Death	GKM/F-95	2.56% (Variable)	2.39	MAPFRE network
Savings with profit sharing and counterinsurance					
BANKIA MAPFRE VIDA					
Single premium individual contracts, without profit sharing:					
- Combined insurance	Longevity / Death	GRM/F-95	3.62%	--	Bank channel
- Combined insurance	Longevity / Death	GKM/F-95 / PASEM2010 MEN	3.26%	--	Bank channel
- Combined insurance	Longevity	PASEM 2010 MEN	0.95%	--	Bank channel
- Combined Insurance	Longevity / Death	GRM/F-95	5% - 3%	--	Bank channel
Annual renewable term individual contracts and complementary risk without profit sharing					
- Risk insurance	Death / Disability	95 % PASEM 2010 for males 90 % PEAIM for males	0.0%(new business)	--	Bank channel
Single premium personal loan amortization group contracts with individual treatment					
- Risk Insurance	Loan Amortization	PASEM 2010 for males 90 % PEAIM for males	0.0%(new business)	--	Bank channel
Single premium group contracts without profit sharing					
- Annuity	Death / Disability	GRM/F-95 and PERM/F2000P	3.27%	--	Bank channel
BANKINTER SEGUROS DE VIDA					
Single premium individual contracts without profit sharing: insurance with counterinsurance	Death	GK 95/PASEM 2010	1.47%	--	Bank channel
Regular premium individual contracts without profit sharing: death insurance	Death / Disability	GK 80/ GK95/ PASEM 2010	2.00%	--	Bank channel
Regular premium individual contracts without profit sharing: death insurance (Portugal)	Death / Longevity	PASEF 2010	0.70% 0.50%	--	Bank channel
Single or regular premium individual contracts with profit sharing (Portugal)	Death / Longevity	PASEF 2010	0.70%	--	Bank channel
COMPANHIA DE SEGUROS ALIANÇA DO BRASIL					
Ouro vida / Ouro vida revisado	Death / Disability	AT-49	--	--	Bank channel
Ouro vida 2000 / Ouro vida especial / BB seguro vida /Ouro vida estilo /Prestamista/ BB seguro vida mulher/ Other individual life insurance products	Death / Disability	AT-83	--	--	Bank channel
Other group life insurance products	Death / Disability	AT-83 and AT-49	--	--	Bank channel/Broker
MAPFRE MSV LIFE					
Without profit sharing	Death	88% AMC00	(Variable)	--	Bank channel/MAPFRE network
With profit sharing	Longevity / Death	88% AMC00	(Variable)	47.6	Bank channel/MAPFRE network
Unit-linked	Longevity / Death	88% AMC00	(Variable)	--	Bank channel/MAPFRE network
MAPFRE COLOMBIA VIDA					
Pensiones Ley 100	Longevity / Death	Colombian mortality of male/female annuitants. Colombian disability mortality	--	--	Own network
Previsional de Invalidez y Supervivencia	Longevity / Death / Disability	Colombian mortality of male/female annuitants. Colombian disability mortality	--	--	Own network

MAPFRE S.A. AND SUBSIDIARIES

3.4. Progression of claims

The following table shows the progression of claims related to Non-Life direct insurance since the year of occurrence until the close of 2017 and 2016. It also shows the breakdown per year of occurrence of the provision for outstanding claims related to this insurance for the two periods.

2017

Year of occurrence of claims	Item	Year of occurrence	Trends in claim costs in the years after year of occurrence									
			1 year later	2 years later	3 years later	4 years later	5 years later	6 years later	7 years later	8 years later	9 years later	More than 9 years later
2007 and previous	Pending provision	7,654.42	3,660.53	2,343.33	1,483.56	1,012.25	700.47	518.58	365.00	324.12	291.01	283.88
	Cumulative payments	31,989.54	35,300.58	36,360.38	37,185.32	37,582.53	37,827.95	37,964.14	38,073.88	38,103.41	38,187.35	38,235.13
	TOTAL COST	39,643.96	38,961.11	38,703.71	38,668.88	38,594.78	38,528.42	38,482.72	38,438.88	38,427.53	38,478.36	38,519.01
2008	Pending provision	2,639.48	1,093.78	625.69	414.13	309.67	245.53	189.03	154.70	137.90	122.31	
	Cumulative payments	3,950.73	5,366.36	5,738.64	5,939.08	6,042.33	6,106.66	6,149.44	6,187.90	6,219.15	6,250.00	
	TOTAL COST	6,590.21	6,460.14	6,364.33	6,353.21	6,352.00	6,352.19	6,338.47	6,342.60	6,357.05	6,372.31	
2009	Pending provision	2,483.01	886.97	523.23	319.78	241.77	167.16	144.77	114.98	94.65		
	Cumulative payments	4,230.48	5,601.39	5,916.67	6,098.51	6,186.08	6,252.92	6,297.22	6,352.88	6,375.80		
	TOTAL COST	6,713.49	6,488.36	6,439.90	6,418.29	6,427.85	6,420.08	6,441.99	6,467.86	6,470.45		
2010	Pending provision	2,869.67	1,108.00	656.56	382.49	256.88	184.16	147.50	113.34			
	Cumulative payments	4,946.56	6,655.48	7,072.88	7,376.77	7,506.20	7,587.84	7,676.68	7,702.39			
	TOTAL COST	7,816.23	7,763.48	7,729.44	7,759.26	7,763.08	7,772.00	7,824.18	7,815.73			
2011	Pending provision	2,322.88	838.62	510.93	326.31	244.65	181.01	153.00				
	Cumulative payments	4,837.08	6,321.07	6,704.10	6,890.35	6,983.62	7,085.54	7,118.37				
	TOTAL COST	7,159.96	7,159.69	7,215.03	7,216.66	7,228.27	7,266.55	7,271.37				
2012	Pending provision	2,535.89	915.44	508.92	341.54	266.60	202.67					
	Cumulative payments	4,533.04	6,116.82	6,520.18	6,728.37	6,853.16	6,925.31					
	TOTAL COST	7,068.93	7,032.26	7,029.10	7,069.91	7,119.76	7,127.98					
2013	Pending provision	2,621.53	992.36	592.89	377.11	259.20						
	Cumulative payments	4,780.18	6,414.34	6,868.41	7,098.88	7,202.17						
	TOTAL COST	7,401.71	7,406.70	7,461.30	7,475.99	7,461.37						
2014	Pending provision	2,824.23	1,084.91	612.84	389.85							
	Cumulative payments	5,110.13	6,978.68	7,410.44	7,618.91							
	TOTAL COST	7,934.36	8,063.59	8,023.28	8,008.76							
2015	Pending provision	2,935.01	1,158.65	712.46								
	Cumulative payments	5,486.79	7,298.98	7,753.61								
	TOTAL COST	8,421.80	8,457.63	8,466.07								
2016	Pending provision	3,168.83	1,510.52									
	Cumulative payments	5,463.50	7,266.38									
	TOTAL COST	8,632.33	8,776.90									
2017	Pending provision	4,061.33										
	Cumulative payments	5,683.30										
	TOTAL COST	9,744.63										

Figures in millions of euros

December 31, 2017

Item	Year of occurrence											
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007 and previous	Total
Provision for outstanding claims Non-Life direct insurance	4,061.33	1,510.52	712.46	389.85	259.20	202.67	153.00	113.34	94.65	122.31	283.88	7,903.21

Figures in millions of euros

MAPFRE S.A. AND SUBSIDIARIES

2016

Year of occurrence of claims	Item	Year of occurrence	Trends in claim costs in the years after year of occurrence									
			1 year later	2 years later	3 years later	4 years later	5 years later	6 years later	7 years later	8 years later	9 years later	More than 9 years later
2006 and previous	Pending provision	7,159.07	3,539.27	2,184.63	1,400.56	943.95	628.82	463.98	341.22	245.16	211.33	209.11
	Cumulative payments	28,870.77	31,907.07	32,943.48	33,564.88	34,052.32	34,265.18	34,390.60	34,485.47	34,551.97	34,566.33	34,616.43
	TOTAL COST	36,029.84	35,446.34	35,128.11	34,965.44	34,996.27	34,894.00	34,854.58	34,826.69	34,797.13	34,777.66	34,825.54
2007	Pending provision	2,847.41	1,114.48	706.07	418.83	313.43	222.31	175.04	127.24	121.32	121.93	
	Cumulative payments	3,747.62	5,197.17	5,560.42	5,843.12	5,952.91	6,027.82	6,062.50	6,102.83	6,120.21	6,129.88	
	TOTAL COST	6,595.03	6,311.65	6,266.49	6,261.95	6,266.34	6,250.13	6,237.54	6,230.07	6,241.53	6,251.81	
2008	Pending provision	2,744.50	1,131.16	645.10	425.62	316.56	251.32	193.03	159.74	142.02		
	Cumulative payments	4,133.04	5,604.41	5,986.07	6,194.33	6,301.98	6,369.52	6,414.09	6,454.01	6,488.89		
	TOTAL COST	6,877.54	6,735.57	6,631.17	6,619.95	6,618.54	6,620.84	6,607.12	6,613.75	6,630.91		
2009	Pending provision	2,589.38	908.78	542.89	332.20	253.96	174.64	151.97	121.68			
	Cumulative payments	4,500.23	5,818.96	6,135.05	6,318.17	6,409.32	6,479.47	6,526.04	6,573.14			
	TOTAL COST	7,089.61	6,727.74	6,677.94	6,650.37	6,663.28	6,654.11	6,678.01	6,694.82			
2010	Pending provision	3,003.31	1,155.81	685.40	403.12	270.00	196.08	156.15				
	Cumulative payments	5,184.43	6,927.90	7,344.64	7,654.59	7,788.57	7,872.09	7,936.35				
	TOTAL COST	8,187.74	8,083.71	8,030.04	8,057.71	8,058.57	8,068.17	8,092.50				
2011	Pending provision	2,436.14	882.15	542.07	346.31	261.63	194.01					
	Cumulative payments	5,054.53	6,558.63	6,915.80	7,107.21	7,203.08	7,221.77					
	TOTAL COST	7,490.67	7,440.78	7,457.87	7,453.52	7,464.71	7,415.78					
2012	Pending provision	2,673.73	968.63	538.34	364.23	283.74						
	Cumulative payments	4,732.96	6,358.57	6,762.18	6,974.57	7,021.98						
	TOTAL COST	7,406.69	7,327.20	7,300.52	7,338.80	7,305.72						
2013	Pending provision	2,764.79	1,052.55	635.16	400.04							
	Cumulative payments	4,990.41	6,665.69	7,127.38	7,340.08							
	TOTAL COST	7,755.20	7,718.24	7,762.54	7,740.12							
2014	Pending provision	3,017.74	1,164.71	653.97								
	Cumulative payments	5,380.16	7,341.29	7,783.04								
	TOTAL COST	8,397.90	8,506.00	8,437.01								
2015	Pending provision	3,121.35	1,276.35									
	Cumulative payments	5,792.85	7,718.38									
	TOTAL COST	8,914.20	8,994.73									
2016	Pending provision	3,481.21										
	Cumulative payments	5,838.69										
	TOTAL COST	9,319.90										

Figures in millions of euros

December 31, 2016

Item	Year of occurrence											
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006 and previous	Total
Provision for outstanding claims Non-Life direct insurance	3,481.23	1,276.35	653.97	400.04	283.74	194.01	156.15	121.68	142.02	121.93	209.11	7,040.23

Figures in millions of euros

As shown in the tables above, the overall percentage of claims attributable to ceded reinsurance is 30.52 percent and 21.28 percent for 2017 and 2016, respectively.

Information about the progression in accepted reinsurance claims per year of occurrence is not provided since as a general rule the ceding companies use accounting methods other than the year of occurrence. In accordance with the studies undertaken for accepted reinsurance, the technical provisions are adequate.

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The English version is only a translation of the original in Spanish for information purposes. In case of discrepancy, the Spanish version shall prevail.

6.15. PROVISIONS FOR RISKS AND EXPENSES

The following tables show the movements of provisions for risks and expenses in the last two years.

2017

Item	Opening balance	Adjustments to the opening balance	Changes to the scope	Inflows		Outflows		Closing balance
				Allocated provisions	Increased value on discount	Applied provisions	Reversed provisions	
Provision for tax to be paid	363.76	(46.50)	--	3.98	15.71	(4.46)	--	332.49
Reserve for payments of liquidation agreements	18.91	(0.39)	--	12.58	--	(14.61)	--	16.49
Provisions for restructuring	32.84	--	--	4.11	--	(32.84)	--	4.11
Other provisions on staff-related commitments	186.66	(2.45)	1.33	105.23	0.02	(88.56)	(3.22)	199.01
Other provisions	150.58	(17.76)	--	54.20	12.48	(82.35)	(7.49)	109.66
TOTAL	752.75	(67.10)	1.33	180.10	28.21	(222.82)	(10.71)	661.76

Figures in millions of euros

2016

Item	Opening balance	Adjustments to the opening balance	Changes to the scope	Inflows		Outflows		Closing balance
				Allocated provisions	Increased value on discount	Applied provisions	Reversed provisions	
Provision for tax to be paid	275.16	68.12	(0.08)	5.08	22.28	(6.48)	(0.32)	363.76
Reserve for payments of liquidation agreements	17.41	0.21	--	13.37	--	(11.81)	(0.27)	18.91
Provisions for restructuring	5.75	--	--	20.84	10.89	(4.64)	--	32.84
Other provisions on staff-related commitments	195.15	(1.11)	(0.58)	54.20	1.30	(58.86)	(3.44)	186.66
Other provisions	203.56	(12.33)	--	69.42	2.66	(103.92)	(8.81)	150.58
TOTAL	697.03	54.89	(0.66)	162.91	37.13	(185.71)	(12.84)	752.75

Figures in millions of euros

The provisions for risks and expenses include the estimated amounts of tax debts, settlement agreement payments, restructuring, employee incentives and others derived from the activities and inherent risks of the Group companies, which will be paid in the coming years.

The estimates of the amount provided and the period in which the provisions will be liquidated are affected by uncertainties regarding the ruling on filed appeals and performance of other parameters. It was not necessary to design assumptions regarding future events in order to determine the value of the provision. Potential provision reimbursement is not expected.

At December 31, 2017 and 2016 the heading "Provision for taxes" included tax liabilities amounting to 299.14 and 331.57 million euros, respectively, related to the tax contingencies that the Brazilian insurance

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companies have with the tax authorities in that country, pending the decision by the Brazilian Supreme Court. These contingencies refer to the taxes known as COFINS (tax contribution used to fund social security) amounting to 294.15 million euros (325.97 million euros at December 31, 2016) and the Social Integration Program (PIS) amounting to 4.99 million euros (5.60 million euros at December 31, 2016). These contingencies have arisen due to discrepancies in the interpretation by the Brazilian government and the business sector of the regulation regarding the taxation that applies to the companies' turnover.

The Group is currently involved in legal proceedings with the Brazilian tax authorities in connection with the enforceability of the aforementioned CONFINS and PIS taxes, regarding non-operating finance income, in the amount of 170.14 and 171.17 million euros at December 31, 2017 and 2016, respectively. Given the current uncertainty in case law regarding whether the PIS and CONFINS calculation base should be extended to include non-operating finance income, as well as the existence of a ruling by the Brazilian National Treasury General Attorney's Office that is favorable to the insurance companies, both the Group and its advisors classify the loss risk as possible.

The Group is currently immersed in legal proceedings against the Brazilian broker "Proposta Corretora" regarding its intervention in a guarantee bankruptcy insurance contract. The broker is claiming 123 million reales (30.94 million euros). MAPFRE has won the first instance lawsuit and the case is currently at the appeal stage. The Group has classified the loss risk as possible.

"Other provisions" for 2017 and 2016 include the contingent payments arising from business combinations, which include the variable part of the price of the business combination that directly depends on the achievement of certain targets linked to the performance of each of the businesses acquired, amounting to 22.66 and 51.40 million euros at December 31, 2017 and 2016, respectively.

The embedded value was taken into account for the calculation. At each reporting date, the amount of the contingent benefit is reevaluated, recognizing any differences with the previous valuation.

Payments are made in full as from the reference date for the calculation of the embedded value, projected for 2017 to 2021 in accordance with the contracts signed with the sellers in each business combination.

6.16. DEPOSITS RECEIVED ON CEDED AND RETROCEDED REINSURANCE

Deposits on ceded and retroceded reinsurance represent guarantees given to reinsurers in line with the reinsurance coverage contracts entered into pursuant to usual business practices. These deposits accrue interest to be paid and the average renewal period is usually quarterly. The liquidation of the aforementioned interest is performed quarterly.

6.17. DEBT

The balances included in the headings "Due on direct insurance and co-insurance operations", "Due on reinsurance operations", "Tax liabilities" and "Other debts" do not accrue payable interest and generally their liquidation is performed in the following year. In the current year, the Brazilian subsidiary has cancelled a provision for the amount of 102.90 million euros, initially established to cover possible expenses of various natures, and which to December 31 did not represent any obligation for the Group.

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6.18. REVENUES AND EXPENSES FROM INVESTMENTS

The breakdown of revenues and expenses from investments for financial years 2017 and 2016 is shown below:

Revenues from investments

Item	Revenues from investments from:				Financial revenues from other activities		Total	
	Operations		Equity		2017	2016	2017	2016
	2017	2016	2017	2016				
REVENUES FROM INTEREST, DIVIDENDS AND SIMILAR								
Real estate investment								
Rentals	40.76	48.51	2.19	2.22	12.05	14.32	55.00	65.05
Other	0.42	0.44	--	--	3.44	2.03	3.86	2.47
Revenues from the held-to-maturity portfolio								
Fixed income	198.95	235.95	0.83	0.94	2.23	0.01	202.01	236.90
Other investments	2.55	3.94	0.11	0.07	--	--	2.66	4.01
Revenue from the available-for-sale portfolio:	1,149.24	1,287.81	67.51	71.42	5.14	3.37	1,221.89	1,362.60
Revenue from the trading portfolio:	372.08	322.67	0.73	0.39	37.38	0.08	410.19	323.14
Other financial returns	175.36	171.63	71.50	55.66	16.51	34.46	263.37	261.75
TOTAL REVENUE	1,939.36	2,070.95	142.87	130.70	76.75	54.27	2,158.98	2,255.92
REALIZED AND UNREALIZED GAINS								
Net realized gains:								
Real estate investment	49.14	116.09	4.57	5.75	16.51	4.59	70.22	126.43
Financial investments portfolio available for sale	287.64	320.79	24.54	57.33	1.98	3.70	314.16	381.82
Financial investments trading portfolio	28.63	5.76	5.51	2.83	0.48	7.49	34.62	16.08
Other	2.11	22.40	0.37	2.06	1.39	20.89	3.87	45.35
Unrealized gains:								
Increase in fair value of the trading portfolio and earnings from derivatives	53.74	56.15	17.41	5.15	0.15	--	71.30	61.30
Other	3.76	11.65	--	(0.01)	0.33	0.51	3.59	12.15
TOTAL GAINS	424.52	532.84	52.40	73.11	20.84	37.18	497.76	643.13
TOTAL REVENUES FROM INVESTMENT	2,363.88	2,603.79	195.27	203.81	97.59	91.45	2,656.74	2,899.05

Figures in millions of euros

Expenses from investments

Item	Expenses from investments from:				Financial expenses from other activities		Total	
	Operations		Equity		2017	2016	2017	2016
	2017	2016	2017	2016				
FINANCIAL EXPENSES								
Real estate investment								
Direct operational expenses	23.48	24.84	--	1.20	--	--	23.48	26.04
Other expenses	6.35	4.34	0.09	0.03	9.19	11.51	15.63	15.88
Expenses from held-to-maturity portfolio								
Fixed income	0.98	3.35	0.01	0.39	--	0.01	0.99	3.75
Other investments	--	0.12	--	--	--	--	--	0.12
Expenses from the portfolio available for sale	124.11	217.34	31.19	23.84	0.98	--	156.28	241.18
Expenses from the trading portfolio:	139.79	95.96	0.20	--	--	[0.01]	139.99	95.95
Other financial expenses	168.31	130.58	2.47	3.21	86.44	60.26	257.22	194.05
TOTAL EXPENSES	463.02	476.53	33.96	28.67	96.61	71.77	593.59	576.97
REALIZED AND UNREALIZED LOSSES								
Net realized losses								
Real estate investment	6.00	4.06	0.02	0.39	0.28	0.10	6.30	4.55
Financial investments portfolio available for sale	54.27	69.67	3.60	9.72	0.24	0.62	58.11	80.01
Financial investments trading portfolio	16.87	5.93	0.29	--	--	--	17.16	5.93
Other	2.09	12.84	0.10	0.32	1.31	11.44	3.50	24.60
Unrealized losses								
Decrease in fair value of trading portfolio and losses in derivatives	84.53	1.44	6.87	--	--	0.01	91.40	1.45
Other	1.02	0.89	--	0.02	1.37	0.22	2.39	1.13
TOTAL LOSSES	164.78	94.83	10.88	10.45	3.20	12.39	178.86	117.67
TOTAL EXPENSES FROM INVESTMENT	627.80	571.36	44.84	39.12	99.81	84.16	772.45	694.64

Figures in millions of euros

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The expenses arising from investment portfolios mainly stem from financial swaps related to insurance operations.

6.19. OPERATING EXPENSES

A breakdown of net operating expenses by use and nature, for the last two financial years, is shown below.

Operating expenses by destination

Item	2017	2016
Claims-related expenses	855.71	881.58
Acquisition expenses	4,924.74	4,748.03
Administration expenses	760.01	770.33
Expenses from investments	672.64	610.48
Other technical expenses	129.57	118.05
Other non-technical expenses	114.33	130.57
Operating expenses from other activities	489.79	498.57
TOTAL	7,946.79	7,757.61

Figures in millions of euros

Operating expenses by nature

Item	2017	2016
Commissions and other portfolio expenses	3,880.42	3,705.18
Personnel expenses	1,784.86	1,783.93
External services		
- Leasing (shops and buildings)	98.94	93.27
- Repairs and upkeep (shops and buildings)	79.83	80.93
- Leasing and repairs (computer equipment)	58.72	52.99
- Leasing and repairs (computer applications)	173.81	165.20
- Other services (computer applications)	140.23	152.85
- Supplies (communications)	21.67	53.72
- Advertising and marketing	135.34	159.31
- Public relations	45.66	47.15
- Independent professional services	164.16	144.39
- Other services	403.87	313.80
Taxes	213.24	212.73
Provision for amortization	293.37	283.30
Expenses posted directly to use	452.67	508.86
TOTAL	7,946.79	7,757.61

Figures in millions of euros

The income statement reflects expenses by use, i.e., based on the function the expenses fulfill in the operational cycle of the insurance activity (claims-related expenses, the acquisition of insurance contracts, administration, investments or other technical items).

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Expenses are initially recognized according to their nature, and are reclassified according to their use in those cases in which the nature and use are not the same. The reclassification performed in the subject headings is as follows:

- 1) Claims-related expenses. Includes expenses for personnel assigned to claims management, amortization and depreciation of fixed assets assigned to this activity, fees paid for claims management and expenses incurred for other services necessary for processing claims.
- 2) Net operating expenses. Included in this heading are:
 - Acquisition expenses. Includes commissions, expenses for personnel assigned to production, amortization and depreciation of fixed assets assigned to this activity, expenses for analyzing and processing policy applications and formalizations, as well as advertising, publicity and commercial organization expenses directly related to the acquisition of insurance contracts.
 - Administration expenses. These primarily include expenses for personnel assigned to these functions and amortization and depreciation of fixed assets assigned to this activity, as well as expenses deriving from contentious matters related to premiums, from processing refunds and from ceded and accepted reinsurance.
 - Commissions and participations in reinsurance. Includes compensation from reinsurers to the ceding companies for acquisition and administration expenses incurred by the latter, as well as their participation in the profits of the reinsurer.
- 3) Expenses from investments. Includes expenses for personnel assigned to managing investments, charges to amortization and depreciation of fixed assets assigned to this activity, and other internal and external expenses for managing investments, with external expenses including fees, commissions and brokerage fees accrued.

Expenses from investments are classified as from operations or from equity depending on whether they derive from investments corresponding to technical provisions (operating investments) or from investments corresponding to the company's equity (equity investments).

6.20. RESULT FROM CEDED AND RETROCEDED REINSURANCE

The result from ceded and retroceded reinsurance for years 2017 and 2016 is the following:

Item	Non-Life		Life		Total	
	2017	2016	2017	2016	2017	2016
Premiums	(3,879.60)	(3,404.09)	(184.84)	(189.77)	(4,064.44)	(3,593.86)
Change in the provision for unearned premiums and unexpired risks	347.17	(87.17)	(12.31)	(8.12)	334.86	(95.29)
Claims paid and change in the provision for claims	2,781.77	1,581.64	99.42	105.79	2,881.19	1,687.43
Change in mathematical provision and other technical provisions	(0.33)	(1.38)	(3.94)	0.28	(4.27)	(1.10)
Participation of reinsurance participation in commissions and expenses	515.30	477.13	41.73	41.26	557.03	518.39
Result of ceded and retroceded reinsurance	(235.69)	(1,433.87)	(59.94)	(50.56)	(295.63)	(1,484.43)

Figures in millions of euros

The increase in "Claims paid and change in the provision for claims" in 2017 for ceded and retroceded reinsurance is primarily due to the impact of the catastrophic events occurring in 2017, among which stand out hurricanes Harvey, Irma and Maria, the earthquakes in Mexico, and Coastal El Niño. The net impact (retained loss after tax and non-controlling interests) of these natural catastrophes on the "Result for the period attributable to the controlling Company" reaches 183.80 million euros.

6.21. FISCAL SITUATION

Fiscal consolidation regulations

- Tax on profits

Since the financial year 1985, some of the consolidated companies with registered offices in Spain have been included for corporation tax purposes in Fiscal Group 9/85. This Group is made up of the controlling company and those of its subsidiaries that are eligible for this tax regime. A list of the subsidiaries included in this fiscal Group in 2017 is provided in Annex 1 of this report.

- Value Added Tax

Since the financial year 2010, and for the purposes of value added tax, some of the consolidated companies with a registered address in Spain have been included in the VAT Group 87/10, formed by MAPFRE S.A. as the controlling company and those of its controlled companies that agreed to join the Group when it was created. A list of the subsidiaries that form part of this Group in 2017 is provided in Annex 1 of this report.

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Components of tax on profits expenses and reconciliation of the book result with the tax cost of ongoing activities

Shown below for the financial years ending December 31, 2017 and 2016 are the main components of the tax on profits expenses from ongoing activities and the reconciliation between the tax on profits expenses and the product of multiplying the book result by the applicable tax rate. The Group has reconciled the amounts by aggregating reconciliations made separately using the national rates of each country.

Item	Amount	
	Year 2017	Year 2016
<u>Tax expense</u>		
Result before taxes from ongoing operations	1,508.71	1,805.18
25 percent of result before taxes from ongoing operations	377.18	451.30
Tax effect of the permanent differences	(86.51)	(41.30)
Tax incentive for the financial year	(18.79)	(30.80)
Tax effect of tax rates other than 25 percent	156.19	187.98
Total expense from current tax originating in the financial year	428.07	567.18
Expense from current tax originating in previous years	(17.01)	(7.23)
Receivables from negative taxable income not recognized from previous periods, deductions pending application or temporary differences	(0.71)	(0.03)
TOTAL TAX EXPENSES OF ONGOING OPERATIONS	410.35	559.92
<u>Tax on profits to be paid</u>		
Withholdings and advance payments	(420.52)	(521.78)
Temporary differences and currency conversion differences	42.32	83.22
Tax receivables and incentives applied, registered in previous years	(6.04)	(8.37)
Tax on earnings for discontinued operations	—	—
TOTAL TAX ON PROFITS TO BE PAID (RECEIVABLE) ORIGINATING IN THE YEAR	26.11	112.99
Tax on profits receivable from previous financial years	(1.50)	(47.89)
NET TOTAL TAX ON PROFITS TO BE PAID (RECEIVABLE)	24.61	65.10

Figures in millions of euros

Deductions for double taxation are not taken into account in the above table since they are mainly related to dividends collected from subsidiaries eliminated in the consolidation process.

In 2017, the "Expense from current tax originated in previous years" includes the reduction in tax liabilities for subsidiaries in the United States, coming from the reduction of the tax rate included in the tax reform approved in this country, for the amount of 37.80 million euros.

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Deferred tax assets and liabilities

At December 31, 2017 and 2016 deferred tax assets and liabilities were shown on the consolidated balance sheet for the net amount corresponding to each of the Group's tax-paying companies. They currently stand as follows:

Item	2017	2016
Deferred tax assets	296.81	335.32
Deferred tax liabilities	(588.04)	(730.71)
Asset (Liability) net	(291.23)	(395.39)

Figures in millions of euros

In addition to the deferred tax assets recorded in 2017 and 2016, shown in the above table, there are other deferred tax assets deriving from tax loss carryforwards pending offset, amounting to 31.07 and 22.26 million euros, respectively. These assets were not recognized, in accordance with the criteria established under EU-IFRS.

The following tables show the movements in the net balance of deferred taxes in the financial years 2017 and 2016, with a breakdown of the amounts related to items directly debited or credited to equity accounts in each financial year.

2017

Item	Opening balance	Adjustments to the opening balance	Changes to the scope	From		Settled	Closing balance
				Results	Equity		
Portfolio acquisition expenses and other acquisition expenses	(423.36)	44.72	--	59.03	--	4.51	(315.10)
Valuation difference in financial investments	(1,337.62)	15.78	--	53.27	71.22	0.57	(1,196.78)
Other comprehensive and expenses	(19.07)	0.84	(0.22)	2.47	--	(0.32)	(16.30)
Valuation difference in mathematical provisions by shadow accounting	1,052.39	(1.45)	--	(9.40)	(100.63)	(9.62)	931.29
Stabilization and catastrophe provision	(182.28)	2.31	--	1.43	--	22.25	(156.29)
Other technical provisions	104.93	(7.52)	--	(27.06)	--	--	70.35
Tax receivables on negative taxable income	70.64	(6.27)	--	29.59	--	(25.85)	68.11
Receivables on tax incentives	27.39	--	--	18.79	--	(18.39)	27.79
Pension complements and other staff-related commitments	47.51	0.20	--	8.42	--	(4.74)	51.39
Reserves for uncollected premiums	23.63	(0.89)	--	2.75	--	(6.48)	19.01
Provisions for liabilities and others	42.96	(0.30)	--	3.10	--	(7.75)	38.01
Tax receivables derived from PIS, COFINS and REFIS (Note 6.15)	182.19	(23.58)	--	(18.80)	--	--	139.81
Other items	15.30	9.41	0.01	30.42	0.02	(7.68)	47.48
TOTAL	(395.39)	33.25	(0.21)	154.01	(29.39)	(53.50)	(291.23)

Figures in millions of euros

MAPFRE S.A. AND SUBSIDIARIES

2016

Item	Opening balance	Adjustments to the opening balance	Changes to the scope	From		Settled	Closing balance
				Results	Equity		
Portfolio acquisition expenses and other acquisition expenses	(388.29)	(66.25)	--	(3.75)	--	34.93	(423.36)
Valuation difference in financial investments	(1,291.85)	2.39	--	62.89	(139.00)	27.95	(1,337.62)
Other comprehensive revenue and expenses	(23.09)	4.03	--	(0.31)	--	0.30	(19.07)
Valuation difference in mathematical provisions by shadow accounting	994.02	18.40	--	(6.84)	78.56	(31.75)	1,052.39
Stabilization and catastrophe provision	(201.57)	2.04	--	14.89	--	2.36	(182.28)
Other technical provisions	100.83	2.51	--	1.59	--	--	104.93
Tax receivables on negative taxable income	38.83	0.02	--	40.16	--	(8.37)	70.64
Receivables on tax incentives	23.45	0.02	--	30.80	--	(26.88)	27.39
Pension complements and other staff-related commitments	37.20	4.62	--	8.36	--	(2.67)	47.51
Reserves for uncollected premiums	19.48	3.72	--	7.25	--	(6.82)	23.63
Provisions for liabilities and others	70.39	(7.01)	--	22.17	--	(42.59)	42.96
Tax receivables derived from PIS, COFINS (Note 6.15)	183.01	(7.84)	--	7.02	--	--	182.19
Other items	(17.04)	--	--	11.69	--	20.65	15.30
TOTAL	(454.63)	(43.35)	--	195.92	(60.44)	(32.89)	(395.39)

Figures in millions of euros

At December 31, 2017 deferred tax assets and liabilities maturing in less than 12 months amounted to 63.00 and 55.63 million euros, respectively (89.06 and 87.58 million euros, respectively, in 2016).

Negative taxable income

The negative taxable income pending set-off in fully consolidated companies at the close of the last two periods are shown below:

Year generated	Amount of negative tax bases				Deferred tax assets			
	Applied in the financial year		Pending application		Amount recorded		Amount not recorded	
	2017	2016	2017	2016	2017	2016	2017	2016
2010 and previous	0.10	2.28	11.56	11.77	0.08	0.19	2.52	3.54
2011	3.39	--	5.62	9.66	--	0.85	1.17	1.30
2012	4.98	3.48	9.66	17.95	0.54	2.08	1.64	2.39
2013	0.06	--	5.71	6.58	--	0.03	1.14	1.30
2014	0.51	--	17.44	17.95	3.29	3.13	2.63	3.25
2015	1.49	1.50	59.73	105.02	11.23	24.19	5.89	7.82
2016	1.04	--	125.97	140.93	23.37	40.16	10.02	2.66
2017	--	--	144.05	--	29.59	--	6.06	--
Total	11.57	7.26	379.74	309.86	68.10	70.63	31.07	22.26

Figures in millions of euros

Assets accounted for in relation to deferred taxes on negative tax bases pending set-off in consolidated companies represent negative tax bases generated as a result of unusual management events, and future tax profits are likely to exist against which they may be offset.

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Tax incentives

The tax incentives of the fully consolidated companies for 2017 and 2016 are as follows:

Module	Amount applied in the financial year		Amount pending application		Amount not recorded	
	2017	2016	2017	2016	2017	2016
Double taxation deduction	7.94	4.90	–	2.55	–	–
Creation of employment	0.16	0.30	–	–	–	–
Minimum alternative tax (USA)	0	–	27.54	24.82	–	–
Other	10.3	17.14	0.25	0.02	–	–
Total	18.40	22.34	27.79	27.39	–	–

Figures in millions of euros

In 2017 and 2016 consolidated tax group no. 9/85 made use of the reduction for capitalization reserve contemplated in Article 25 of the Corporate Income Tax Act 27/2014, giving rise to a decrease of 0.47 million euros in 2017 (2.36 million euros in 2016) in the consolidated tax payable.

To enjoy this tax benefit, there must be an increase in shareholders' equity in the period and this increase must be maintained for a period of 5 years, and a reserve must be created amounting to 10 percent of said increase, which will be restricted for the same 5-year period.

The Group's controlling company met this requirement in 2016 with a charge to the freely-distributable reserves existing on its balance sheet at December 31, 2016. The Group's controlling company will meet this requirement in 2017 with a charge to the freely-distributable reserves existing on its balance sheet at December 31, 2017.

Shareholders' equity and allocated reserves in the last three periods, subject to the maintenance requirement, are as follows:

Year	Increase in Shareholder Equity	Restricted reserve
2015	324.90	35.00
2016	94.70	12.00
2017	18.57	1.86

Figures in millions of euros

Verification by tax authorities

In accordance with current legislation, the statements made for the different taxes may not be considered final until they have been inspected by the tax authorities or until the expiration period has elapsed (four years for Spanish companies).

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MAPFRE S.A. AND SUBSIDIARIES

As a result of the inspections initiated on February 17, 2012 relating to the corporate income tax returns of Tax Group 9/85 for the financial years 2007 to 2009, which affected MAPFRE S.A., as the controlling company, as well as MAPFRE ASISTENCIA, COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS, S.A. (years 2007-2009), MAPFRE GLOBAL RISKS S.A. (years 2008 and 2009), MAPFRE VIDA S.A. DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA (2008 and 2009) and MAPFRE ESPAÑA COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A., a notice of disagreement was signed for the sum of 5.54 million euros relating to the deduction of research and development and technological innovation expenses and an appeal has been filed with the Central Economic Administrative Court. A ruling is currently pending in this matter.

A notice of disagreement was also signed for "Withholdings on earnings" in 2008 and 2009, for a total amount of 0.49 million euros, as well as for "Withholdings on investment income" in 2008 and 2009, for 5.38 million euros, affecting MAPFRE VIDA and MAPFRE ESPAÑA, and appeals have been filed with the Audiencia Nacional (National Court of Appeals).

As a result of the limited-scope inspections initiated on June 23, 2014 against MAPFRE ESPAÑA and MAPFRE VIDA, notices of disagreement were signed for "Withholdings on investment income" for 2010 to 2013, in connection with certain risk and savings insurance, and appeals have been filed with Audiencia Nacional (National Court of Appeals). Moreover, on May 10, 2016 notices of disagreement for the same concept were signed regarding the year 2014 and MAPFRE VIDA and BANKIA MAPFRE VIDA. The payments were made to the Spanish tax authorities but appeals were filed with the Central Economic Administrative Court and are pending a ruling on the complaints.

On December 4, 2017 MAPFRE S.A. received notification, as the controlling company of consolidated tax Group number 9/85, the initiation of inspection activity for corporate income tax pertaining to years 2013 to 2016. Likewise, and in reference to Value Added Tax, they received notification as representative of VAT Group number 87/10, the initiation of confirmation activity for the years 2014 to 2016. In reference to MAPFRE ESPAÑA, the activity extend to the rest of the taxes the company is subject to for the years 2014 to 2016, and in the case of MAPFRE VIDA, MAPFRE RE, MAPFRE GLOBAL RISKS, and MAPFRE TECH to withholdings on earnings for the years 2014 to 2016.

On November 6, FUNESPAÑA, S.A. received notification, as the controlling company of tax consolidation Group number 97/13, of the initiation of inspection activity for corporate income tax pertaining to the years 2013 and 2014, which in the case of Value Added Tax and withholdings on earnings the companies ALL FUNERAL SERVICES and FUNEMADRID are also affected, for the period November 2013 to December 2014.

Consequently, at December 31, 2017 all taxes relating to years 2014 to 2017 of the consolidated companies were open to inspection, as were the corporation tax for 2013 and withholdings on investment income for 2010 to 2012 in the case of MAPFRE ESPAÑA and MAPFRE VIDA.

At December 31, 2017 the view of the administrators and advisors of the consolidated companies regarding the possibility of tax liabilities arising and significantly affecting the financial position of the consolidated companies was remote.

6.22 REMUNERATION FOR EMPLOYEES AND ASSOCIATED RETIRED EMPLOYEES

Personnel expenses

The personnel expenses breakdown for the last two years is shown in the table below:

Item	Amount	
	2017	2016
Short-term remuneration		
Wages and salaries	1,234.93	1,211.75
Social security	243.19	235.39
Other remuneration	207.51	254.38
Post-employment benefits	35.65	23.48
Other long-term remuneration	3.29	18.98
Termination payments	60.28	39.95
TOTAL	1,784.86	1,783.93

Figures in millions of euros

Main post-employment benefits

Defined benefit plans

The main defined benefit plans in force throughout the Group, all of which are instrumented through insurance policies, are measured pursuant to the provisions described in the accounting policies, and are those where the benefit is determined according to end salaries, with the benefit paid as a life annuity, subject to review in line with the annual consumer price index (CPI).

In relation to the amounts recognized on the balance sheet, the obligations regarding defined benefit plans amounted to 47.28 and 48.45 million euros at December 31, 2017 and 2016, respectively, fully externalized through written policies with MAPFRE VIDA. Consequently, no assets allocated to these plans are recognized and the liability recognized on the consolidated balance sheet is recorded under the heading "Provisions for life insurance".

There are also obligations relating to pension commitments, externalized through allocated insurance policies, amounting to 12.71 and 12.93 million euros at December 31, 2017 and 2016, respectively. These amounts coincide with the value of the assets allocated to the plan.

Settlement of the current value of the obligation

The reconciliation of the current value of the debenture arising from defined benefit plans in the last two years is shown below:

MAPFRE S.A. AND SUBSIDIARIES

Item	2017	2016
CURRENT DEBENTURE VALUE AT JANUARY 1	61.38	63.97
Interest cost	2.48	2.53
Actuarial gains and losses	1.07	1.27
Benefits paid	(3.92)	(4.01)
Other items	(1.02)	(2.38)
CURRENT VALUE AT DECEMBER 31	59.99	61.38

Figures in millions of euros

Reconciliation of the opening and closing balances of the assets allocated to the plan and reimbursement rights

The following table shows the reconciliation of the opening and closing balances of the assets allocated to the plan and the reimbursement rights for the last two years.

Item	2017	2016
VALUE OF ASSETS ALLOCATED TO THE PLAN AND REIMBURSEMENT RIGHTS AT JANUARY 1	61.38	63.97
Expected return of assets allocated to the plan	2.48	2.53
Actuarial gains and losses	1.07	1.27
Benefits paid	(3.92)	(4.01)
Other items	(1.02)	(2.38)
VALUE OF ASSETS ALLOCATED TO THE PLAN AND REIMBURSEMENT RIGHTS AS OF DECEMBER 31	59.99	61.38

Figures in millions of euros

The assets assigned to the aforementioned policies correspond to equity and debt instruments whose value is determined almost entirely by listed prices in active markets.

The following table shows the amounts recognized in the consolidated income statement for 2017 and 2016.

Item	2017	2016
Interest cost	2.48	2.53
Expected return of assets allocated to the plan	(2.48)	(2.53)
TOTAL EXPENSE RECOGNIZED EXPENSE IN INCOME STATEMENT	—	—

Figures in millions of euros

The expected rate of return is determined based on the type of guaranteed yield in allocated insurance policies.

The actual return on assets allocated to the plan, and on the investments allocated to cover the mathematical provisions, amounted to 2.48 and 2.53 million euros in 2017 and 2016, respectively.

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The main actuarial assumptions used at the end of both years were the following: mortality tables PERM/F-2000, annual CPI of 3 percent in both years, the discount rates and the expected return of allocated assets being identical since these are products with flow matching.

No contributions to the aforementioned defined benefit plans are envisaged for 2018.

Other post-employment benefits

In 2017 and 2016 the personnel expenses correspond to Life insurance covering death between ages 65 and 77, amounting to 1.40 and 1.24 million euros, respectively.

Other medium-term remuneration and share-based payments

- In 2016, the Board of Directors approved a new medium-term incentive plan valued and recognized in the income statement in line with the valuation rule in Note 5.19 "Personnel expenses".

The personnel expenses recorded in the consolidated income statement for this plan amounted to 2.91 million euros a 2017 (19.12 million euros in 2016), with 10.84 million euros recognized at December 31, 2017 under liabilities as the remuneration amount to be settled in cash (9.44 million euros at December 31, 2016), and 10.09 million euros recognized at December 31, 2017 (9.68 million euros in 2016) in equity for the remuneration to be settled through equity instruments. In 2017 the number of reference shares taken into account for the purposes of this remuneration amounted to 7,720,980 (12,623,526 in 2016).

- Additionally, in 2016, as explained in the valuation rules, the 2013-2015 medium-term incentive plan was liquidated, having paid 34.47 million euros in said concept, which amount was fully provisioned.
- Further, as indicated in the valuation rule "5.19 Personnel expenses", the Group had an incentive plan referenced to the MAPFRE S.A. share, which expired in 2016, having recorded (0.14) million euros in said period as a personnel expense item.

In order to cover the expenses related to this item, at the date of exercise of the right two equity swaps were purchased in 2008 of 8,625,733 shares and 219,297 shares, with a strike price of 3.2397 and 2.6657 euros, respectively. Said equity swaps were cancelled in 2017, with no significant impact on the consolidated income statement as there their market value was a provision for at December 31, 2016.

Number of employees

The following table shows the average number and final number of employees for the last two years, classified by category and gender, and distributed by segment.

MAPFRE S.A. AND SUBSIDIARIES

• Average number of employees:

2017

Segment	Board of Directors and Senior Management		Executives		Technicians		Admin. assistants		Total	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
IBERIA	4	1	946	336	2,940	2,640	685	1,839	4,575	4,815
LATAM NORTH	5	1	310	289	738	702	390	484	1,443	1,476
LATAM SOUTH	4	1	457	314	1,212	1,077	709	913	2,383	2,304
BRASIL	3	--	399	281	1,025	2,137	826	1,221	2,253	3,639
NORTH AMERICA	2	--	306	313	732	1,101	177	687	1,217	2,100
EMEA	6	2	235	194	680	769	537	750	1,458	1,716
APAC	5	1	429	306	673	722	1,316	2,052	2,423	3,081
MAPFRE RE	2	--	57	32	111	115	13	37	183	184
CORPORATE AREAS	12	1	219	93	446	278	24	102	702	474
Average total number of employees	44	8	3,407	2,176	8,652	9,634	4,683	8,111	16,787	19,929

2016

Segment	Board of Directors and Senior Management		Executives		Technicians		Admin. assistants		Total	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
IBERIA	4	1	946	313	2,888	2,553	676	1,808	4,514	4,675
LATAM NORTH	7	1	336	293	731	674	403	499	1,477	1,467
LATAM SOUTH	21	2	465	339	1,337	1,207	812	1,022	2,635	2,569
BRASIL	3	--	454	320	1,074	2,361	953	1,428	2,483	4,109
NORTH AMERICA	1	--	304	301	653	996	239	777	1,197	2,075
EMEA	2	2	227	186	448	657	442	728	1,119	1,572
APAC	1	--	465	329	674	806	1,412	2,281	2,552	3,416
MAPFRE RE	3	--	48	17	80	83	5	34	136	134
CORPORATE AREAS	12	1	224	96	502	313	28	107	766	517
Average total number of employees	56	7	3,526	2,225	8,493	9,749	4,983	8,723	17,058	20,705

• Number of employees at the end of the year:

2017

Segment	Board of Directors and Senior Management		Executives		Technicians		Admin. assistants		Total	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
IBERIA	4	1	950	340	2,937	2,650	696	1,877	4,587	4,868
LATAM NORTH	5	1	302	282	745	712	366	468	1,418	1,463
LATAM SOUTH	4	1	440	299	1,203	1,068	673	882	2,320	2,250
BRASIL	3	--	381	272	971	2,019	791	1,281	2,146	3,572
NORTH AMERICA	2	--	307	313	723	1,112	180	665	1,212	2,090
EMEA	8	4	230	195	672	758	544	785	1,454	1,742
APAC	4	1	420	301	630	625	1,294	1,998	2,348	2,925
MAPFRE RE	1	--	49	20	96	97	5	25	151	142
CORPORATE AREAS	13	2	223	97	451	287	23	101	710	487
Total number of employees	46	10	3,358	2,151	8,542	9,450	4,590	8,124	16,536	19,735

2016

Segment	Board of Directors and Senior Management		Executives		Technicians		Admin. assistants		Total	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
IBERIA	3	1	938	317	2,874	2,570	678	1,812	4,493	4,700
LATAM NORTH	7	1	318	296	730	670	382	484	1,437	1,451
LATAM SOUTH	19	2	458	330	1,322	1,214	773	958	2,572	2,504
BRASIL	2	--	445	311	1,073	2,330	872	1,249	2,392	3,890
NORTH AMERICA	6	4	301	307	669	1,007	236	784	1,212	2,102
EMEA	2	2	222	181	477	681	395	584	1,096	1,448
APAC	1	--	443	309	683	799	1,394	2,185	2,521	3,293
MAPFRE RE	3	--	48	17	86	86	3	31	140	134
CORPORATE AREAS	12	1	226	98	504	309	30	105	772	513
Total number of employees	57	11	3,456	2,199	8,524	9,772	4,774	8,227	16,811	20,209

MAPFRE S.A. AND SUBSIDIARIES

The following table shows the number of employees in Spain with a degree of disability equal to or higher than 33 percent at the close of the last two years and the average during those years, indicating the categories to which they belong:

Item	2017		2016	
	Year-end close	Average	Year-end close	Average
Executives	13	13	11	11
Technicians	74	72	60	60
Administrative Assistants	90	83	69	66
Total	177	168	140	137

6.23. EARNINGS ON FOREIGN EXCHANGE DIFFERENCES

Foreign Exchange gains other than those arising from financial instruments measured at fair value, allocated to the consolidated income statement, amounted to 1.04 billion and 705.99 million euros in 2017 and 2016, respectively.

Negative foreign exchange differences other than those arising from financial instruments measured at fair value, allocated to the consolidated income statement, amounted to 1.02 billion and 626.50 million euros in 2017 and 2016, respectively.

The settlement of the exchange differences recognized in equity at the beginning and end of the year in 2017 and 2016 is shown below.

Description	Amount	
	2017	2016
FOREIGN EXCHANGE DIFFERENCES AT THE BEGINNING OF THE YEAR	(91.61)	(355.81)
Net foreign exchange differences on valuation of non-monetary items	(7.56)	(1.41)
Net foreign exchange differences on conversion of financial statements	(631.53)	265.61
FOREIGN EXCHANGE DIFFERENCES AT THE END OF THE YEAR	(730.70)	(91.61)

Figures in millions of euros

At December 31, 2017 and 2016 the net foreign exchange differences arising from the translation into euros of the financial statements of those Group companies whose functional currency is not the euro were as follows:

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MAPFRE S.A. AND SUBSIDIARIES

Company/Subgroup	Geographic Area	Currency conversion differences					
		Gains		Losses		Net	
		2017	2016	2017	2016	2017	2016
<u>Fully consolidated companies:</u>							
MAPFRE RE	Europe, America and rest of world	22.38	26.22	(19.92)	(14.97)	2.46	11.25
MAPFRE INTERNACIONAL	Europe, America and rest of world	354.23	683.52	(1,027.11)	(734.84)	(672.88)	(51.32)
OTHER	--	25.78	32.44	(67.36)	(72.84)	(41.58)	(40.40)
TOTAL		402.39	742.18	(1,114.39)	(822.65)	(712.00)	(80.47)

Figures in millions of euros

6.24. CONTINGENT ASSETS AND LIABILITIES

At the end of 2017 and 2016, and at the time of preparing these consolidated annual accounts, there was no evidence of the existence of contingent assets and liabilities for significant amounts, other than those disclosed in these notes.

6.25. BUSINESS COMBINATIONS

Executed in the financial years 2017 and 2016

In 2017 and 2016 several shareholdings were purchased, the most significant being the take-over of the Indonesian insurance company ABDA in 2017, and the acquisition of the Barclays Life and Pensions business in Portugal in 2016. The ABDA take-over consists of a business combination in stages, as MAPFRE already owned 20 percent of the capital. With this operation, MAPFRE consolidated the entry into the Indonesian insurance market it began in 2013, allowing the company to increase its presence in Southeast Asia and position itself in a market with great potential. The 2016 acquisition reinforced MAPFRE's presence in the Portuguese market.

The table below shows the fair value of the identifiable assets and liabilities related to the acquisition of these businesses:

MAPFRE S.A. AND SUBSIDIARIES

Item	Year 2017	Year 2016
	ABDA	BANKINTER VIDA Portugal branch
<u>ASSETS</u>		
Portfolio acquisition expenses	—	69.66
Investments	87.03	903.65
Receivables	16.41	24.25
Cash	76.68	35.92
Other assets	11.54	10.25
TOTAL ASSETS	191.66	1,043.73
<u>LIABILITIES</u>		
Technical provisions	98.34	527.43
Deferred tax liabilities	3.96	0.32
Debt	3.77	446.04
Other liabilities	6.08	0.28
TOTAL LIABILITIES	112.15	974.07
Fair value of net assets	79.51	69.66
Interest purchased	51%	100%
Fair value of the percentage of purchased net assets	40.55	69.66
First consolidation difference	106.40	5.34
Acquisition combination costs	146.95	75.00

Figures in millions of euros

The fair values from the business combinations carried out in 2017 have been provisionally allocated, as the proper identification and determination of said values is being studied, based on projections that are being revised with a time horizon of around 10 years.

The above stated fair values differ from the book values of the companies prior to the combination, mainly due to portfolio acquisition expenses and corresponding tax liabilities, which are not recorded on their books.

The original 20 percent stake held in ABDA has been recorded at fair value, recognizing a positive effect of 13.50 million euros, net of taxes, in the Group 2017 consolidated income statement.

The net acquisition costs of all the combinations in 2017 and 2016 have been met in full, and at December 31, 2017 and 2016 there were no outstanding amounts pending payment.

The expenses directly attributable to the combinations in 2017 and 2016, corresponding to independent professional, legal and financial advisory fees and amounting in total to 0.31 and 0.74 million euros, respectively, are recorded as expenses in the consolidated income statement.

MAPFRE S.A. AND SUBSIDIARIES

The aforementioned combinations were incorporated into the consolidated group on June 1, 2017 in the case of the one acquired that year, and on April 1, 2016 in the case of those acquired the previous year. They have contributed 43.54 and 107.71 million euros to the Group's premiums, and 2.87 and 4.50 million euros to the net result attributable to the controlling company, respectively. If these combinations had been executed at the beginning of each year, they would have contributed 76.74 and 143.61 million euros to the Group's premiums, and 6.64 and 6.00 million euros to the net result attributable to the controlling company, respectively.

The business combinations with an insignificant cost that took place during 2017 and 2016 are listed in Annex 1.

6.26. TRANSACTIONS WITH RELATED PARTIES

All transactions with related parties have been conducted under market conditions.

In addition to the transactions described in the other notes accompanying the consolidated annual accounts, the balances and transactions between Group companies are explained below.

Operations with Group companies

The operations conducted between Group companies, with a zero effect on results because they have been eliminated in the consolidation process, are shown below:

Item	2017	2016
Received/provided services and other expenses/revenue	541.99	569.33
Expenses/revenue from real estate investment	23.58	15.16
Expenses/revenues from investments and financial accounts	29.65	37.16
Dividends distributed	1,854.55	1,594.41

Figures in millions of euros

Reinsurance and co-insurance operations

Reinsurance and co-insurance activities conducted between Group companies, which have been eliminated in the consolidation process, are shown below:

Item	2017	2016
Ceded/accepted premiums	2,422.03	2,451.02
Benefits and services	1,697.75	1,171.76
Changes in technical provisions	(37.10)	54.26
Commissions	602.48	586.05

Figures in millions of euros

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MAPFRE S.A. AND SUBSIDIARIES

The following table shows the balances with reinsurers and ceding companies, deposits given, and technical provisions on reinsurance activities with Group companies, all of which have been eliminated in the consolidation process:

Item	2017	2016
Receivables and payables	364.95	347.70
Deposits	101.22	85.51
Technical provisions	3,063.75	1,848.83

Figures in millions of euros

Information related to controlled companies

The following table shows the dividends distributed by the controlled companies with significant non-controlling acquisitions of controlled companies and the result for the period attributable to non-controlling acquisitions of controlled companies:

Controlled company	Dividends distributed				Earnings attributable to non-controlling interests	
	Controlling company		Non-controlling company			
	2017	2016	2017	2016	2017	2016
BB MAPFRE SH1 PARTICIPAÇÕES, S.A.	146.48	100.75	440.31	300.91	356.86	290.31
BANKIA MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS	40.78	25.43	39.18	24.43	37.41	34.04
BANKINTER SEGUROS DE VIDA, S.A.	23.43	23.18	23.43	23.18	25.87	23.43
MAPFRE BHD COMPAÑÍA DE SEGUROS, S.A.	5.16	11.82	4.95	11.36	8.71	7.84
CAJA CASTILLA LA MANCHA VIDA Y PENSIONES, S.A.	9.71	8.46	9.71	8.45	9.16	7.37
MAPFRE RE COMPAÑÍA DE REASEGUROS, S.A.	95.28	83.29	8.01	7.00	12.37	14.58
MAPFRE PERÚ VIDA, COMPAÑÍA DE SEGUROS, S.A.	6.28	5.34	2.38	2.96	7.10	5.60

Figures in millions of euros

In relation to dividends distributed in previous years by the Brazilian-controlled companies, 45.20 million euros were recognized in 2016 as the largest amount of non-controlling acquisitions of controlled companies charged to reserves.

The key figures for controlled companies and significant joint arrangements related to insurance activities are shown below:

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MAPFRE S.A. AND SUBSIDIARIES

- Balance sheet

Entity	Investments		Credits		Total assets		Equity		Technical Provisions	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Investee										
MAPFRE VIDA SOCIEDAD ANÓNIMA DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA	12,765.96	13,232.91	169.71	178.57	14,879.84	14,396.90	1,412.81	1,354.66	11,596.80	11,954.17
BANCA MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS	7,612.05	8,043.45	18.82	19.25	7,832.95	8,284.76	516.78	525.56	6,850.13	7,287.21
MAPFRE ESPAÑA COMPAÑÍA DE SEGUROS Y REASEGUROS S.A.	5,528.92	5,413.33	935.88	888.38	7,761.46	7,577.02	2,342.22	2,369.92	4,657.51	4,446.73
MAPFRE RE COMPAÑÍA DE REASEGUROS, S.A.	4,016.82	3,930.32	294.81	261.92	6,181.21	5,212.44	1,280.67	1,232.31	4,463.14	3,512.16
M.S.V. LIFE P.L.C.	1,881.46	1,683.74	2.82	3.07	2,116.60	1,930.01	163.10	160.02	1,825.37	1,637.90
BANKINTER SEGUROS DE VIDA, S.A.	1,509.25	1,189.77	25.01	22.22	1,721.02	1,427.40	172.21	167.42	972.76	751.70
COMPANHIA DE SEGUROS ALIANÇADO BRASIL, S.A.	1,474.80	1,655.22	834.94	1,086.25	3,014.83	3,529.16	357.05	466.05	1,975.37	2,236.65
Subtotal Investments	34,783.26	35,178.74	2,762.89	2,439.64	45,897.91	42,957.69	6,772.84	6,455.92	32,341.08	31,806.52
Joint Business										
SOLUNION SEGUROS DE CREDITO S.A.	55.21	61.94	62.10	84.56	341.18	344.24	106.43	105.10	141.62	147.25
Subtotal Joint Business	55.21	61.94	62.10	84.56	341.18	344.24	106.43	105.10	141.62	147.25

Figures in millions of euros

- Income statement

Entity	Revenue				Results					
	From insurance business		Totals		From insurance business		From operations		From global account	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Investee										
MAPFRE VIDA SOCIEDAD ANÓNIMA DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA	2,287.90	2,314.91	2,296.68	2,327.40	228.27	149.96	221.48	153.57	219.22	115.88
BANCA MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS	758.06	697.13	760.38	699.72	101.39	91.54	76.26	69.39	71.18	70.99
MAPFRE ESPAÑA COMPAÑÍA DE SEGUROS Y REASEGUROS S.A.	4,435.30	4,424.25	4,915.76	4,866.20	415.21	377.27	318.53	278.97	266.20	304.89
MAPFRE RE COMPAÑÍA DE REASEGUROS, S.A.	3,911.23	3,295.52	5,116.86	4,811.04	213.14	250.34	199.57	188.06	125.43	195.88
M.S.V. LIFE P.L.C.	403.99	354.95	406.99	337.88	12.45	13.44	10.21	8.52	10.21	8.52
BANKINTER SEGUROS DE VIDA, S.A.	427.86	273.99	641.27	286.51	68.96	62.58	51.68	46.82	51.65	48.54
COMPANHIA DE SEGUROS ALIANÇADO BRASIL, S.A.	1,673.75	1,714.90	2,080.07	1,960.12	625.84	682.23	409.70	431.22	413.54	439.10
Subtotal Investments	13,877.53	13,875.43	15,997.71	15,308.85	1,641.26	1,625.36	1,247.43	1,176.57	1,157.43	1,183.80
Joint Business										
SOLUNION SEGUROS DE CREDITO S.A.	28.23	26.37	185.43	172.43	12.09	12.88	5.54	8.28	2.26	7.79
Subtotal Joint Business	28.23	26.37	185.43	172.43	12.09	12.88	5.54	8.28	2.26	7.79

Figures in millions of euros

The key figures for controlled companies and significant joint arrangements related to non-insurance activities are shown below:

- Balance sheet

Entity	Current assets		Total assets		Equity		Current liabilities	
	2017	2016	2017	2016	2017	2016	2017	2016
Investee								
MAPFRE INVERSIÓN SOCIEDAD DE VALORES S.A.	58.33	94.42	234.19	251.22	200.98	220.30	25.67	23.22
FUNESPAÑA, S.A.	54.78	58.52	171.45	176.38	113.27	109.94	51.80	59.99
MAPFRE TECH	34.31	44.38	53.10	63.39	20.16	21.89	25.64	33.42
CREDIMAPFRE	28.09	39.18	28.23	41.62	3.14	8.30	25.08	33.32
Subtotal Investees	175.51	236.50	486.97	532.61	337.55	360.43	128.19	149.95

Figures in millions of euros

MAPFRE S.A. AND SUBSIDIARIES

• Income statement

Entity	Revenue		Earnings			
			From operations		From overall account	
	2017	2016	2017	2016	2017	2016
Investee						
MAPFRE INVERSIÓN SOCIEDAD DE VALORES S.A.	102.05	108.71	39.63	59.08	39.19	57.93
FUNESPAÑA, S.A.	98.02	95.56	4.53	4.00	4.53	3.95
MAPFRE TECH	178.16	221.36	(1.78)	0.07	(1.78)	0.07
CREDIMAPFRE	3.81	20.94	0.04	(0.18)	0.04	(0.18)
Subtotal investees	382.04	446.57	42.42	62.97	41.98	61.77

Figures in millions of euros

Information relating to joint arrangements and associated undertakings

In 2017 and 2016 MAPFRE GLOBAL RISKS did not receive any dividends from SOLUNION.

The cost and fair value of the shareholding in the SOLUNION joint venture at the close of the year were 37.1 and 66.1 million euros, respectively.

The following table contains the supplementary information for the joint ventures:

Joint Business	Cash and cash equivalents		Financial liabilities		Repayment		Interest				Expenses or income after tax on profit	
							Revenue		Expenses			
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
SOLUNION SEGUROS DE CREDITO S.A.	2.56	11.59	--	--	1.73	1.56	3.53	2.90	1.64	1.42	(2.29)	(2.74)
TOTAL	2.56	11.59	--	--	1.73	1.56	3.53	2.90	1.64	1.42	(2.29)	(2.74)

Figures in millions of euros

In 2016 MAPFRE ESPAÑA and its Portuguese partner SALVADOR CAETANO AUTO (SCA) restructured their vehicle distribution and rental businesses, previously pursued through the Spanish company IBERICAR Sociedad Ibérica del Automóvil (IBERICAR) and the Portuguese company FINLOG Aluguer e Comercio Automóveis S.A. (FINLOG), investee companies in which MAPFRE ESPAÑA and SCA both had a 50 percent share.

Following the aforementioned restructuring, SCA increased its share capital with all shares being purchased by MAPFRE ESPAÑA through the provision of various assets, including its share in IBERICAR and FINLOG.

As a result of this operation, SCA became the sole shareholder of IBERICAR and FINLOG, while MAPFRE ESPAÑA became the owner of 26 percent of the share capital of SCA, primarily engaged in the distribution and rental of vehicles in several countries.

This operation increased the assets and result attributable to the controlling company by 20.53 million euros.

The information relating to the key figures of the associated undertakings is included in Annex 1 of the annual report.

The English version is only a translation of the original in Spanish for information purposes. In case of discrepancy, the Spanish version shall prevail.

Remuneration of key management personnel

The following table shows the paid remuneration received in the last two years by members of the Board of Directors of the controlling company:

Item	Amount	
	2017	2016
Short-term remuneration		
Salary	3.00	3.93
Short-term variable remuneration	1.98	2.52
Fixed allowance	2.47	2.65
Other items	0.15	0.30
Medium-term variable remuneration	1.13	4.72
TOTAL REMUNERATION	8.73	14.12
Other remuneration		
Long service bonuses	0.01	0.01
Life insurance	0.10	0.13

Figures in millions of euros

The amounts of 2016 remuneration are different than those amounts included in the annual accounts for the year, as the remuneration was recorded as paid remuneration instead of accrued. The basic remuneration for external directors consists in an annual fixed amount for membership to the Board of Directors, which was 110,000 euros in 2017 (110,000 euros in 2016). In 2016, a fixed annual allowance of 110,000 euros has been established for the Vice-Chairman-Coordinating Director. The members of the Steering Committee receive 20,000 euros (40,000 euros in 2016). Said amount reaches 55,000 euros (50,000 in 2016), in the case of people who chair a sub-steering committee, while all other members of a sub-steering committee receive 35,000 euros (30,000 euros in 2016).

Members of the boards of directors of Spanish insurance companies also receive a fixed allowance of 45,000 euros (40,000 in 2016), which amount in 2017 reaches 100,000 euros in the case of people who chair the Board and 8,000 euros for those who are members of Steering Committees (6,000 in 2016).

Life insurance is also established in case of death, with an insured capital of 150,253 euros, as well as some of the staff benefits like medical insurance.

Executive directors (who are deemed to be executives of the controlling company as well as those who perform executive functions in other MAPFRE GROUP companies) receive the remuneration established in their contracts, which includes a fixed salary, incentives with varying amounts linked to results, life and disability insurance, and other general benefits established for the Group's staff. They also receive certain pension supplements for retirement, externalized through a life insurance policy. All of these payments are in line with the compensation policy established by the Group for its senior managers, whether or not they are directors. In 2017 contributions to defined benefit plans amounted to 4.20 million euros, recognized as expenses for the year (3.40 million euros in 2016).

Executive directors do not receive the fixed assignment established for external directors.

MAPFRE S.A. AND SUBSIDIARIES

In relation to the medium-term incentive plan approved in 2016, 1.33 million euros were provisioned, of which 1.31 million euros correspond to remuneration in cash, and 0.02 million euros to remuneration to be settled through equity instruments. In 2016, 3.28 million euros were provisioned, of which 2.17 million corresponded to remuneration in cash and 1.11 million to remuneration to be settled through equity instruments.

In 2016, 4.72 million euros were liquidated, of which 1.48 million euros are pending payment at the close of said year, with this amount being fully provisioned.

The following table shows the estimated amounts deriving from provisions pending payment to the members of the Board of Directors at December 31 in both years:

Item	Amount	
	2017	2016
Medium-term incentives: Shares	1.00	1.11
Medium-term incentives: Cash	2.23	3.65
Long service bonuses	0.31	0.43
TOTAL	3.54	5.19

Figures in millions of euros

Additionally, and regarding variable short-term remuneration already paid, at the close of 2017 2.62 million euros are pending payment, of which 1.98 million euros correspond to 2017 and the rest to 2016.

The basic remuneration for external directors is approved by the Annual General Meeting at the recommendation of the Board of Directors and in keeping with the report drawn up by the Appointments and Remuneration Committee. The amount of the contractual remuneration for executive directors and the fixed payment for membership of the boards or steering committees are approved by the Board of Directors, subject to a report by the committee.

The insurance premium paid on behalf of the administrators for damages liability was 0.44 million euros (0.47 million euros in 2016).

In reference to senior management, remuneration paid in the last two years is shown below:

Item	Amount	
	2017	2016
No. of senior management members	5	6
Short-term remunerations	2.53	3.24
Other remuneration	0.04	0.04
TOTAL	2.57	3.28

Figures in millions of euros

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Regarding the 2016-2018 medium-term incentive plan, in the current year an allowance of 0.1 million euros was provisioned in 2017 (1.27 million euros in 2016) of which 0.09 million euros correspond to remuneration in cash and 0.01 to remuneration to be settled in equity instruments. In 2016, settlement of the 2013-2016 medium-term incentives plan of 4.98 million euros.

Additionally, an expense of 0.52 million euros was recorded in 2017 (1.18 million euros in 2016) as a contribution to defined benefit plans.

6.27. POST-BALANCE SHEET EVENTS

MAPFRE and Banco do Brasil have signed a non-binding memorandum of understanding on February 5, 2018 to update the terms of their strategic alliance in the insurance business. The redefinition of these agreements would result in an increase in MAPFRE's shareholding in its businesses in Brazil, which would allow it to progress toward a simpler and more efficient governance structure and reduce internal costs, with a significant improvement in productivity and business profitability.

According to the terms of the memorandum, MAPFRE would become the owner of 100 percent (currently 50 percent) of the sum of the business generated by the agency network and the automobile and large risks business in the BB bank channel. The same current shareholder configuration for life and agriculture insurance would be maintained and BB's bank channel homeowners insurance, which BB MAPFRE would continue to develop, would be incorporated into this same structure, with MAPFRE's shareholding being 25 percent.

MAPFRE would maintain exclusivity in the Banco do Brasil bank channel for all the businesses falling within the scope of the alliance, both those that it underwrites directly as well as those distributed through BB MAPFRE.

7. RISK MANAGEMENT

The Board of Directors of MAPFRE S.A. establishes the risk level that the Group would be ready to assume to attain its business objectives with no significant deviations, even in adverse situations. That level, which establishes limits and sub-limits per risk type, configures the MAPFRE Group's risk appetite.

MAPFRE's structure is based on highly autonomous Units and Companies insofar as their management. The governing and management bodies of the Group approve the Units' and Companies' lines of action regarding continuous risk management and supervision through indicators and risk exposure ratios.

The Group Corporate Risk Management Area handles all significant aspects related to risk management corresponding to both the Group and the different legal undertakings belonging to it, establishing benchmark directives and criteria to be taken on, with any adaptations necessary, by the risk areas of the individual undertakings.

The Governing Bodies regularly receive half-yearly information relating to the quantification of the main risks to which the Group is exposed and the capital resources available to cover them, as well as information relating to compliance with the established risk appetite limits.

MAPFRE S.A. AND SUBSIDIARIES

Assigned capital is established in general based on estimates in accordance with the budgets from the preceding year and it is periodically reviewed throughout the year in line with the development of risks in order to ensure compliance with the established risk appetite limits.

These limits provide for certain companies requiring a higher level of capitalization, in relative terms, than the Group average, either because they operate in different countries with different legal requirements, or because their activities are subject to more stringent financial solvency requirements than those of the other Group entities.

Exposure to the types of risk coming from the Group financial instruments and insurance contracts, as well as the processes and methods used for their management and measurement are explained in sections A), B), C) and D) of this Note.

A) INSURANCE RISK

1. Sensitivity to insurance risk

This sensitivity analysis measures the effect on capital fluctuations upward and downward of the determining factors of insurance risk (number of insured risks, the average premium value, frequency and cost of claims). One measure of the sensitivity to the Non-Life insurance risk is the impact that a 1 percentage point change in the combined ratio would have on the annual results and, consequently, on equity. The following table shows this effect and the volatility index of the ratio, calculated according to the standard deviation in a five-year time horizon.

Business Units	Impact on results of 1% variation in the combined ratio		Combined ratio volatility index
	2017	2016	
Insurance			
- IBERIA	33.06	33.16	2.02%
- LATAM	23.86	22.73	1.02%
- INTERNATIONAL	36.33	15.22	2.01%
Reinsurance	17.90	16.29	0.99%
Assistance	8.38	8.10	4.30%
Global Risks	2.46	2.52	18.54%
CONSOLIDATED	103.78	97.67	1.09%

Figures in millions of euros

For the Life activity, in contrast to previous years, the Market Consistent Embedded Value (MCEV) methodology has been used. The main difference with respect to the EEV used above is that the yields of the assets and the credit risk are determined in such a way that the net flows of the assets, discounted to the origin, coincide with their market value. In this way, yields and credit risk cease to be a hypothesis and become a consequence of the market price of the assets.

MAPFRE S.A. AND SUBSIDIARIES

The Embedded Value of the Life, Accidental Death, Mutual Fund and Pension Fund insurance businesses comprises the adjusted net asset value plus the value in force, defined as follows:

- Embedded value: Adjusted Net Asset Value (ANAV) + Value of In Force Business (VIF)
- Adjusted Net Asset Value (ANAV): Adjusted Net Asset Value or ANAV is the same as equity according to the IFRS, adjusted for: committed donations and dividends; goodwill; deferred expenses; and any other element necessary to obtain the economic value of the capital.
- Value of In Force Business (VIF) = PVFP – TVFOG – CoC, being:
 - The Present Value of Future Profits or "PVFP" is equal to the present value of expected future accounting profits of the portfolio in force at the valuation date, after tax and discounted to the reference curve. The financial performance of the business in force has been calculated on the basis of interest rates on the reference curve, except for fixed interest rate assets related to Life-Savings insurance, where book yields have been used with an adjustment for credit risk based on the market value of the assets. The PVFP includes the "intrinsic value" of the FOG granted to the insured. The financial performance of future investments has been calculated based on interest rates of the reference curve.
 - TVFOG = Time value of financial options and guarantees granted to policyholders. These options are included in the contracts, which implies the existence of potentially valuable underlying guarantees, or options to change, the level or nature of policyholders' benefits and exercisable at the discretion of policyholders, whose potential value is impacted by the performance of financial variables
 - CoC = Cost of Capital. In line with Solvency II Risk Margin calculation, the CoC used in the 2016 MCEV has been measured by applying a fixed rate of 6% (gross of taxes) to the required solvency capital, excluding market risks.

In line with MCEV principles, a methodology that is aligned with Solvency II criteria has been selected, with the exception of:

- Contract limits: in products renewable annually in which the Solvency II criteria establishes that the limit of the contract with effect to the valuation is at the end of the year in progress, the criteria applied for MCEV has been to project successive renewals, considering the probability of cancellation until the contracts' maturity.
- In line with the above, the cost of capital has been calculated based on a theoretical capital requirement, which would correspond if this same contract limit were applied to the risks calculation.

As such, the key hypotheses used have been:

MAPFRE S.A. AND SUBSIDIARIES

- Discount curves: Risk-free reference rates published by EIOPA (European Insurance and Occupational Pensions Authority) at the valuation date have been used, including volatility adjustments or matching adjustments (by product).
- Risk Margin methodology has been followed for the cost of capital, including the factor of 6% per annum (before taxes).

The following table shows the composition of the embedded value of the business of MAPFRE VIDA and its controlled companies at the close of 2016 and 2015 (the figures for 2017 were not available when the consolidated annual accounts were prepared).

Item	2016 (MCEV)	2015 (EEV)
Adjusted equity	1,996.40	1,612.00
Present value of future profits	3,089.30	2,162.50
Present value of options and guarantees granted to policyholders	(93.10)	(66.20)
Cost of regulatory capital	(444.10)	(273.70)
TOTAL EMBEDDED VALUE	4,548.50	3,434.60

Figures in millions of euros

The variables to which embedded value was most sensitive in 2016 were as follows:

- A 100 basis-point increase in interest rates, which would reduce the embedded value by 290.9 million euros in the existing portfolio and by 11.1 million euros in the new business.
- A 10 percent reduction in the decline in the portfolio, which would increase the embedded value by 213 million euros in the existing portfolio and by 25.8million euros in the new business.

The insurance companies in the territorial areas of LATAM and International that operate in the Life insurance business mainly do so through risk schemes.

2. Concentrations of insurance risk

The Group has a high degree of insurance risk diversification since it operates in virtually all insurance lines in Spain and has a wide presence in the international markets.

The Group has implemented a system of procedures and limits which allows it to control the level of concentrated insurance risk.

It is standard practice to use reinsurance contracts to mitigate the insurance risk arising from the concentration or accumulation of guarantees exceeding the maximum acceptance levels.

MAPFRE S.A. AND SUBSIDIARIES

2.a) Premium amounts by risk

The following tables show the breakdown for the last two years of written direct insurance and accepted reinsurance premiums classified according to the type of business underwritten:

2017

Item	Accepted reinsurance				Direct insurance				Total
	Life	Non-Life		Total	Catastrophe risk	Other risks			
		Catastrophe risk	Other risks			Life	Non-Life		
							Automobile	Other	
Written premiums, direct insurance	-	-	-	-	263.89	4,656.44	7,210.36	7,851.65	19,982.34
Premiums from accepted reinsurance	656.70	463.84	2,377.81	3,498.35	-	-	-	-	-

Figures in millions of euros

2016

Item	Accepted reinsurance				Direct insurance				
	Life	Non-Life		Total	Catastrophe risk	Other risks			Total
		Catastrophe risk	Other risks			Life	Non-Life		
							Automobile	Other	
Written premiums, direct insurance	—	—	—	—	198.90	4,434.04	7,333.88	7,346.87	19,313.69
Premiums from accepted reinsurance	648.24	610.30	2,240.94	3,499.48	—	—	—	—	—

Figures in millions of euros

2.b) Premium income by product and segment

The following tables show premiums issued for direct insurance and accepted reinsurance by product and segment, in the last two years:

2017

Product	IBERIA	LATAM NORTH	LATAM SOUTH	BRAZIL	NORTH AMERICA	EURASIA	MAPFRE ASISTENCIA	MAPFRE GLOBAL RISK	MAPFRE RE	CORPORATE AREAS AND CONSOLIDATION ADJUSTMENTS	Total
Life	2,220.02	334.55	263.57	1,550.88	4.49	295.77	—	—	—	0.22	4,669.50
Automobile	2,234.65	301.08	498.12	1,205.22	1,723.11	1,227.07	79.43	—	—	(76.96)	7,191.72
Homeowners and commercial risks	891.53	106.62	207.99	477.46	712.51	113.37	—	—	—	0.79	2,510.27
Health	519.34	193.91	69.58	2.04	77.09	114.89	—	—	—	5.13	991.98
Accident	117.29	15.68	94.24	—	1.89	9.50	—	—	—	0.19	258.79
Other Non-Life	977.37	820.29	565.40	1,311.27	9.42	99.13	261.02	340.35	0.01	(732.51)	3,651.75
Reinsurance	—	—	—	—	—	—	643.06	917.07	4,222.41	(1,555.86)	4,226.68
TOTAL	6,960.20	1,772.13	1,698.90	4,546.87	2,528.51	1,869.73	983.53	1,257.42	4,222.42	(2,319.00)	23,480.09

Figures in millions of euros

MAPFRE S.A. AND SUBSIDIARIES

2016

Product	IBERIA	LATAM NORTH	LATAM SOUTH	BRAZIL	NORTH AMERICA	EURASIA	MAPFRE ASISTENCIA	MAPFRE GLOBAL RISK	MAPFRE RE	CORPORATE AREAS AND CONSOLIDATION ADJUSTMENTS	Total
Life	2,111.22	299.36	237.52	1,523.07	14.66	278.70	—	—	—	0.55	4,465.08
Automobile	2,164.98	336.10	468.52	1,232.48	1,747.46	1,337.40	68.32	—	—	(52.68)	7,302.59
Homeowners and commercial risks	947.70	111.20	170.23	437.22	728.35	100.20	—	—	—	3.12	2,498.02
Health	494.42	189.81	56.44	4.36	101.50	137.05	—	—	—	15.70	999.08
Accident	118.93	15.31	97.57	—	2.12	12.32	—	—	—	0.45	246.76
Other Non-Life	867.27	317.41	690.29	1,195.68	29.24	104.37	303.53	324.85	—	(772.62)	3,063.02
Reinsurance	—	—	—	—	—	—	694.92	887.34	4,234.75	(1,578.33)	4,238.68
TOTAL	6,704.52	1,268.99	1,723.57	4,392.82	2,623.33	1,970.04	1,066.67	1,212.19	4,234.75	(2,383.81)	22,813.17

Figures in millions of euros

2.c) Premium amounts by currency

The following tables show the breakdown for the last two years of written direct insurance premiums.

Currency	Financial Year	
	2017	2016
Euro	8,472.66	8,152.09
US dollar	4,183.35	3,909.92
Brazilian real	4,546.87	4,392.83
Mexican peso	483.95	509.96
Argentine peso	243.15	242.30
Venezuelan bolivar	9.37	33.34
Turkish lira	531.53	742.66
Colombian peso	393.89	296.29
Chilean peso	171.51	185.14
Pound sterling	226.16	224.66
Other currencies	719.90	624.50
TOTAL	19,982.34	19,313.69

Figures in millions of euros

3. Claims

Section 3.4 of Note 6.14 of the annual report, "Technical Provisions", offers information about the progression of claims.

B) CREDIT RISK

1. Credit risk arising from reinsurance contracts

The following table shows the breakdown of receivables against reinsurers in the last two years:

MAPFRE S.A. AND SUBSIDIARIES

Ceded and retroceded reinsurance	Book value	
	2017	2016
· Provision for Life insurance	68.70	84.89
· Provision for outstanding claims	3,171.77	2,234.85
· Other technical provisions	1.58	6.55
· Receivables on ceded and retroceded reinsurance transactions	632.62	465.04
· Due on assigned and retroceded reinsurance transactions	(731.62)	(650.52)
TOTAL NET POSITION	3,143.05	2,140.81

Figures in millions of euros

The following table shows the breakdown of credits against reinsurers based on the financial solvency margin:

Rating	Book value	
	2017	2016
Maximum	33.41	27.51
Very high	1,080.27	400.13
High	1,350.36	1,127.07
Adequate	194.85	266.87
Weak	27.77	41.63
Not available	456.40	277.61
TOTAL NET POSITION	3,143.05	2,140.81

Figures in millions of euros

The following table shows the type and amount of the guarantees granted by reinsurers in the last two years:

Type of surety	Amount	
	2017	2016
Letters of credit	2.05	1.17
Guarantees	--	--
Pledging of assets	--	--
Other guarantees	276.69	330.14
TOTAL	278.74	331.31

Figures in millions of euros

The balances corresponding to receivables on direct insurance and co-insurance operations amounted to 4.02 and 4.32 billion euros at December 31, 2017 and 2016, respectively. Estimated losses due to impairment are recorded in the income statement as specified in accounting policy 5.9.

2. Credit risk arising from other financial instruments

The breakdown for the last two years of the portfolio of fixed-income securities, hybrid securities, deposits and cash, based on the payment capacity of issuers of fixed-income securities and financial institutions, is shown below:

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MAPFRE S.A. AND SUBSIDIARIES

Credit rating	Book value							
	Held-to-maturity portfolio		Available-for-sale portfolio		Trading portfolio		Cash	
	2017	2016	2017	2016	2017	2016	2017	2016
Maximum	978.61	1,071.63	1,461.94	1,610.19	392.38	428.96	129.46	102.84
Very high	796.98	970.87	3,541.82	4,246.81	2,137.72	1,880.55	142.13	68.01
High	34.28	167.32	3,958.24	3,990.62	455.86	728.73	818.68	460.00
Adequate	66.83	85.00	21,831.15	21,760.38	699.92	476.91	511.85	298.41
Weak	44.21	25.84	672.12	999.58	24.05	35.59	164.32	403.01
Not available	82.81	82.62	77.01	34.82	138.52	154.48	97.57	118.86
TOTAL	2,003.72	2,403.28	31,542.28	32,642.40	3,848.45	3,705.22	1,864.01	1,451.13

Figures in millions of euros

3. Fixed-income securities in default

There were no fixed-income securities in default for significant amounts at December 31, 2017 and 2016.

4. Receivables

The following table shows the composition of the receivables heading at December 31, 2017 and 2016, as well as impairment losses, gains on recorded impairment reversals, and received amounts for guarantees in the last two years:

Item	Net balance on balance sheet		Impairment				Security Received	
			Recorded losses		Reversal gains			
	2017	2016	2017	2016	2017	2016	2017	2016
Receivables on direct insurance and co-insurance operations	4,019.46	4,315.06	(20.74)	(22.08)	7.72	5.99	--	--
Receivables on reinsurance operations	987.25	876.57	(0.02)	(13.69)	3.81	5.68	--	--
Tax receivables	271.67	303.79	--	--	--	--	--	--
Corporate and other receivables	1,058.72	1,156.44	(3.41)	(4.64)	2.12	8.82	--	--
TOTAL	6,337.10	6,651.86	(24.17)	(40.41)	13.65	20.49	--	--

Figures in millions of euros

C) **LIQUIDITY RISK**

With respect to liquidity risk, MAPFRE has a Liquidity Risk Management Policy and an Asset and Liability Management Policy, which together comprise the benchmark framework for acting in this regard. In MAPFRE, the general practice is based on maintaining cash balances sufficient to comfortably cover the commitments arising from its obligations to insured parties and creditors. Thus, at 31 December 2017, the cash and cash equivalent balance amounted to 1.86 billion euros (1.45 billion euros the previous year), equivalent to 4.25 percent of total financial investments and cash (3.30 percent at the close of 2016). For Life and Savings insurance the investment criteria applied consists in matching the maturities of investments with obligations entered into under the terms of insurance contracts in order to mitigate the long-term liquidity risk. In addition, most fixed-income investments have an investment grade and are negotiable on organized markets, providing ample capacity to act against potential liquidity stress.

Assets with maturity exceeding one year are described in the "Interest rate risk" section.

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MAPFRE S.A. AND SUBSIDIARIES

Lastly, MAPFRE's low level of debt as regards shareholders' equity, combined with the amount not drawn down from the syndicated loan taken out by the controlling company, provides additional liquidity through financing operations. Note 6.13 "Financial liabilities" provides information on the Group's debt with credit institutions and its other financial liabilities.

1. Liquidity risk arising from insurance contracts

The table below shows the estimated schedule of disbursements for insurance liabilities recorded at December 31, 2017 and 2016 (non-updated amounts).

2017

Item	Estimated cash outflows in years							Closing balance
	2018	2019	2020	2021	2022	2023 to 2027	Subsequent	
Provisions for Life insurance	2,784.13	1,926.14	1,977.26	1,883.33	1,707.55	6,385.77	10,370.25	27,034.43
Provision for outstanding claims	5,542.21	2,277.51	1,058.77	564.19	380.33	929.23	499.73	11,251.97
Other technical provisions	80.54	29.41	30.21	31.33	32.61	185.43	513.32	902.85
Due on direct insurance and reinsurance operations	918.94	12.00	6.77	4.18	2.73	6.53	20.96	972.11
Due on reinsurance operations	1,111.34	0.83	0.30	0.18	0.12	0.29	105.57	1,218.63
TOTAL	10,437.16	4,245.89	3,073.31	2,483.21	2,123.34	7,507.25	11,509.83	41,379.99

Figures in millions of euros

2016

Item	Estimated cash outflows in years							Closing balance
	2017	2018	2019	2020	2021	2022 to 2026	Subsequent	
Provisions for Life insurance	2,869.19	1,881.28	1,762.65	1,888.43	1,725.72	5,824.93	11,331.95	27,284.15
Provision for outstanding claims	5,854.72	1,599.69	775.04	478.59	312.29	837.46	254.81	10,112.60
Other technical provisions	91.47	24.98	24.93	25.00	25.25	138.75	507.68	838.06
Due on direct insurance and reinsurance operations	906.14	17.42	8.79	5.50	3.48	7.98	3.71	953.02
Due on reinsurance operations	1,022.40	12.60	4.52	2.64	1.26	2.18	0.23	1,045.83
TOTAL	10,743.92	3,535.97	2,575.93	2,400.16	2,068.00	6,811.30	12,098.38	40,233.66

Figures in millions of euros

2. Liquidity risk arising from subordinated liabilities and financial liabilities

The breakdown for the last two years of disbursement maturities for subordinated and financial liabilities, excluding the financial discount, is shown below:

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MAPFRE S.A. AND SUBSIDIARIES

2017

Item	Maturity in						Total
	2018	2019	2020	2021	2022	Subsequent	
Subordinated liabilities	26.25	26.25	26.25	26.25	26.25	711.47	862.50
Issue of debentures and other negotiable securities	16.25	16.25	16.25	16.25	16.25	1,065.00	1,146.25
Due to credit institutions	85.07	14.01	9.25	607.32	3.78	1.64	721.07
Other financial liabilities (not for trading, not others at fair value)	39.45	0.26	0.38	0.30	0.25	80.57	1,048.03
TOTAL	167.02	56.77	52.13	650.12	46.53	1,878.46	2,851.03

Figures in millions of euros

2016

Item	Maturity in						Total
	2017	2018	2019	2020	2021	Subsequent	
Subordinated liabilities	612.70	--	--	--	--	--	612.70
Issue of debentures and other negotiable securities	16.25	16.25	16.25	16.25	16.25	1,081.25	1,162.50
Due to credit institutions	83.38	15.46	13.78	6.23	484.40	17.42	620.67
Other financial liabilities (not for trading, not others at fair value)	46.13	2.77	0.41	0.44	0.35	6.71	56.81
TOTAL	758.46	34.48	30.44	22.92	501.00	1,105.38	2,452.68

Figures in millions of euros

D) MARKET RISK

The MAPFRE Risk Management Area carries out resilience and sensitivity tests regarding the impact of financial variables from the market on its solvency position.

The Group's Investment Area regularly conducts analyses of the sensitivity of the investment portfolio's value to market risk. Among others, the most usual indicators are the modified duration, for fixed-income securities, and the VaR, or value at risk, for equity instruments.

1. Interest rate risk

The following tables show the significant information of the last two years regarding the level of exposure to interest rate risk of the financial assets and liabilities:

Portfolio	Amount of assets exposed to interest rate risk at fair value					
	Fixed interest rate		Not exposed to risk		Total	
	2017	2016	2017	2016	2017	2016
To expiration	1,818.26	2,047.06	206.00	372.70	2,024.26	2,419.76
Available for sale	29,567.64	31,648.38	4,948.79	3,454.23	34,516.43	35,102.61
Trading	4,635.56	4,250.15	827.01	768.44	5,462.57	5,018.59
TOTAL	36,021.46	37,945.59	5,981.80	4,595.37	42,003.26	42,540.96

Figures in millions of euros

MAPFRE S.A. AND SUBSIDIARIES

The assets with a fixed interest rate include the immunized portfolios, which amounted to 15.23 and 16.02 billion euros at December 31, 2017 and 2016 respectively, thus reducing the interest rate risk.

Item	Amount of liabilities exposed to interest rate risk at fair value					
	Fixed interest rate		Not exposed to risk		Total	
	2017	2016	2017	2016	2017	2016
Subordinated liabilities	617.37	593.96	--	--	617.37	593.96
Issue of debentures and other negotiable securities	1,003.29	1,002.55	--	--	1,003.29	1,002.55
Payables to credit institutions	57.34	68.36	649.40	537.99	706.74	606.35
Other financial liabilities	803.68	440.69	431.49	311.40	1,235.17	752.09
TOTAL	2,481.68	2,105.56	1,080.89	849.39	3,562.57	2,954.95

Figures in millions of euros

The following tables show the breakdown of financial investments by maturity for 2017 and 2016.

December 31, 2017

Item	Closing balance	Maturity in:					
		1 year	2 years	3 years	4 years	5 Years	Subsequent or without maturity
<u>HELD-TO-MATURITY PORTFOLIO</u>							
Fixed income	2,003.72	413.70	100.13	112.16	89.67	248.55	1,039.51
Other investments	20.54	12.76	--	0.19	1.67	0.10	5.82
TOTAL HELD-TO-MATURITY PORTFOLIO	2,024.26	426.46	100.13	112.35	91.34	248.65	1,045.33
<u>PORTFOLIO AVAILABLE FOR SALE</u>							
Fixed income	31,542.28	2,252.52	2,195.00	2,072.70	2,242.50	2,353.05	20,426.51
Other investments	29.96	23.77	0.68	--	3.92	0.28	1.31
TOTAL PORTFOLIO AVAILABLE FOR SALE	31,572.24	2,276.29	2,195.68	2,072.70	2,246.42	2,353.33	20,427.82
<u>TRADING PORTFOLIO</u>							
Financial swaps	512.60	(59.17)	(103.86)	(127.93)	(29.46)	(99.52)	932.54
Options	1.97	1.97	--	--	--	--	--
Fixed income	3,415.04	1,980.38	133.71	226.68	403.45	139.95	530.87
Hybrids	323.91	3.36	9.17	--	168.41	116.35	26.62
Deposits	109.50	109.50	--	--	--	--	--
TOTAL TRADING PORTFOLIO	4,363.02	2,036.04	39.02	98.75	542.40	156.78	1,490.03

Figures in millions of euros

The English version is only a translation of the original in Spanish for information purposes. In case of discrepancy, the Spanish version shall prevail.

MAPFRE S.A. AND SUBSIDIARIES

December 31, 2016

Item	Closing balance	Maturity in:					
		1 year	2 years	3 years	4 years	5 Years	Subsequent or without maturity
HELD-TO-MATURITY PORTFOLIO							
Fixed income	2,403.28	396.89	231.08	150.59	124.48	109.75	1,390.49
Other investments	16.48	7.57	—	—	0.29	2.12	6.50
TOTAL HELD-TO-MATURITY PORTFOLIO	2,419.76	404.46	231.08	150.59	124.77	111.87	1,396.99
PORTFOLIO AVAILABLE FOR SALE							
Fixed income	32,642.40	2,028.24	2,425.82	2,316.96	2,121.95	2,306.40	21,443.03
Other investments	33.13	19.49	3.27	1.17	5.32	—	3.88
TOTAL PORTFOLIO AVAILABLE FOR SALE	32,675.53	2,047.73	2,429.09	2,318.13	2,127.27	2,306.40	21,446.91
TRADING PORTFOLIO							
Financial swaps	488.01	(173.06)	(47.53)	(91.22)	(116.85)	(33.15)	949.82
Options	4.21	1.32	2.89	—	—	—	—
Fixed income	3,354.11	1,840.84	405.87	133.20	137.77	236.71	599.72
Hybrids	194.80	4.19	—	—	—	165.52	25.09
Deposits	156.31	148.08	8.23	—	—	—	—
TOTAL TRADING PORTFOLIO	4,197.44	1,821.37	369.46	41.98	20.92	369.08	1,574.63

Figures in millions of euros

The average interest rate and modified duration of fixed-income investments in 2017 and 2016 are shown below:

Item	2017	2016
Average interest rate (%)	4.42	4.75
Modified duration (%)	6.72	7.03

The modified duration reflects the sensitivity of the value of the assets to movements in interest rates and represents an approximation of the percentage variation that the value of financial assets would experience for every percentage point (100 bp) of variation of interest rates.

The balances included in the "Receivables" heading under the assets on the balance sheet and in the "Due on direct insurance and co-insurance operations", "Due on reinsurance operations", "Tax liabilities" and "Other debts" accounts under the liabilities on the balance sheet do not accrue interest and they are usually settled the following year. Liabilities with a maturity exceeding one year are covered in the section "Liquidity risk arising from subordinated liabilities and financial liabilities".

MAPFRE S.A. AND SUBSIDIARIES

2. Exchange rate risk

The following table shows the breakdown of assets and liabilities regarding the currencies in which they are recorded at the end of the last two years.

Currency	Assets		Liabilities		Net Total	
	2017	2016	2017	2016	2017	2016
Euro	38,917.16	40,004.98	35,059.83	35,515.04	3,857.33	4,489.94
US dollar	12,824.95	10,813.67	9,827.60	7,709.12	2,997.35	3,104.55
Mexican peso	856.74	803.28	643.67	587.79	213.07	215.49
Brazilian real	9,157.10	10,548.31	6,859.29	7,812.56	2,297.81	2,735.75
Turkish lira	1,043.30	1,110.86	858.35	914.73	184.95	196.13
Chilean peso	388.81	334.77	319.20	253.30	69.61	81.47
Venezuelan bolivar	21.24	33.89	10.16	17.62	11.08	16.27
Argentine peso	348.31	375.82	285.34	272.87	62.97	102.95
Colombian peso	1,357.77	1,428.36	1,311.89	1,374.48	45.88	53.88
Pound sterling	485.69	425.89	419.52	312.29	66.17	113.60
Canadian dollar	50.93	58.49	15.35	40.64	35.58	17.85
Philippine peso	95.31	125.58	73.50	105.34	21.81	20.24
Peruvian sol	503.83	455.50	363.57	303.99	140.26	151.51
Other currencies	1,518.34	1,362.36	1,009.54	1,218.51	508.80	143.85
TOTAL	67,569.48	67,881.76	57,056.81	56,438.28	10,512.66	11,443.48

Figures in millions of euros

The sensitivity of the Group's equity to changes in euro exchange rates against the different currencies in which assets are stated is determined by the net total amount shown in the previous table, having deducted the amount for the non-monetary items. Similarly, the effect of these exchange rate variations on the Group's future results is determined by the volume of earnings obtained in each currency. Annex 1 provides a breakdown of the result obtained by each Group company and the country where its operations are located.

3. Stock market risk

The VaR or value at risk (maximum variation expected in a one-year time horizon and for a confidence level of 99 percent) of equities and mutual funds exposed to stock market risk amounted to 656.44 and 837.35 million euros at December 31, 2017 and 2016, respectively.

4. Property risk

At December 31, 2017 the Group had property assets representing approximately 4.36 percent of total investments and cash (4.60 percent at December 31, 2016), of which approximately 42.40 percent corresponds to its own offices (44.03 percent at December 31, 2016). This equity serves the dual function of providing administrative and sales support as well as generating revenues from investments and diversifying investments. The breakdown of these property assets is shown in the following table:

MAPFRE S.A. AND SUBSIDIARIES

Item	Net book value		Market value	
	2017	2016	2017	2016
Real estate investments	1,250.71	1,274.81	1,679.12	1,711.67
Real estate for own use	920.64	1,002.96	1,266.36	1,404.07
TOTAL	2,171.35	2,277.77	2,945.48	3,115.74

Figures in millions of euros

Unrealized gains would offset a fall in the price of the properties equivalent to approximately 26.28 percent of their market value at the close of 2017 (26.89 percent at the close of 2016).

8. OTHER INFORMATION

8.1. INFORMATION RELATED TO THE ADMINISTRATIVE BODY

In the last two years, there have not been any conflicts of interest, either direct or indirect, between the directors or the people connected to them and the Group.

In the last two years, the controlling company's directors did not carry out any operations with the controlling company itself or with any other Group company either outside the scope of the companies' ordinary trading activities or outside normal market conditions.

8.2. FEES EARNED BY THE AUDITORS

The annual accounts of the controlling company and of the main Group companies for the financial year 2017 have been audited by the firm KPMG, with the main exception of the subsidiaries with registered offices in Chile, whose auditor is Ernst & Young.

The remuneration accrued by the main auditor is shown below. It is deemed that these fees do not compromise the independence of the auditors.

Item	Amount	
	2017	2016
Audit services	6.32	6.95
Other verification services	1.77	1.04
Tax services	0.04	0.09
Other services	0.01	0.34
Total services of main auditor	8.14	8.42

Figures in millions of euros

The amounts corresponding to 2016 are higher by 0.39 million euros than those included in the annual accounts of said period due to their review in 2017.

Fees for account audit services rendered by auditors other than the main auditor amounted to 0.21 million euros in 2017 (0.20 million euros in 2016).

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8.3. ENVIRONMENTAL INFORMATION

The Group companies do not have any environment-related item in the last two financial years that might be significant or specifically included in these consolidated annual accounts.

8.4. INFORMATION ON AVERAGE PROVIDER PAYMENT PERIOD

Details of the payments made by the Group's fully consolidated Spanish companies to providers in the financial years 2017 and 2016 are:

Item	Days	
	2017	2016
Average provider payment period	4.78	6.06
Ratio of paid operations	4.58	5.90
Ratio of operations pending payment	26.31	23.25

Item	Millions of euros	
	2017	2016
Total payments made	1,602.55	1,656.56
Total pending payments exceeding the maximum statutory term	14.68	15.79

1.20

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Report	Address	Effective To Date	Activity	Note	Percentage	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	

CONSOLIDATED MANAGEMENT REPORT

MAPFRE S.A.

2017

The content of this Consolidated Management Report (hereinafter "the Report") was prepared in accordance with the recommendations set out in the "Guide for the preparation of management reports by listed companies" published by the Spanish National Securities and Exchange Commission (CNMV).

The Alternative Performance Measures (APMs) used in the report, which refer to financial measures not defined or specified in the applicable financial reporting framework, along with their definition and method of calculation, can be found on our website at the following address: <https://www.mapfre.com/corporate/institutional-investors/investors/financial-information/alternative-performance-measures.jsp>

Some of the figures included in this report have been rounded off, which could result in discrepancies between the totals and listed amounts in the tables.

ORGANIZATION OVERVIEW

BUSINESS MODEL

The vision of MAPFRE is to be THE MOST TRUSTED GLOBAL INSURANCE COMPANY, a concept that refers not only to its geographic presence but also to the wide range of insurance, reinsurance and service products which it promotes around the globe. The Group aspires to lead the markets in which it operates through a proprietary differentiated management model based on profitable growth, a clear and purposeful orientation to both individual and corporate clients, a multichannel focus, and a profound vocation for service.



Accordingly, MAPFRE:

- Is firmly committed to growth, both in terms of business volume and geographic development, generating adequate and sufficient profitability from its activities. MAPFRE will continue to expand its presence across more countries and regional areas in order to consolidate its status as a global company, while reinforcing its presence in the countries and regions which have traditionally constituted its preferred markets.
- Manages its business in an efficient manner and constantly improves productivity, reducing structural costs on a continuous basis in order to enhance its competitiveness.
- Professionally manages the risks it assumes, ensuring sustainable growth and results.
- Steers its development by diversifying its portfolio of insurance, reinsurance and services businesses as a means of boosting growth and minimizing risks.
- Deploys a global management model with ample capacity for local implementation, ensuring an appropriate balance between corporate involvement and business development in each country. As such, MAPFRE utilizes a corporate structure that allows it to harness economies of scale and pursue its business plans in a uniform manner but with the flexibility to adapt to the markets in which it operates.
- Makes its resources available to the entire organization, thus harnessing the synergies derived from sharing talent, processes and tools.
- Promotes specialized management as a means of continuously optimizing results and enhancing service quality.

MAPFRE's stated mission is to be a multinational team that strives to constantly improve services and develop the best possible relationships with clients, distributors, providers, shareholders and society in general. This commitment to continuous improvement is underpinned by the following values, which assist in developing the mission and in order to achieve the company's vision:

- Solvency: financial strength with sustainable results and full capacity to meet all obligations to stakeholders.
- Integrity: ethical conduct as a core element in how everyone (senior executives, employees, agents and collaborators) behaves, with a socially responsible focus on all long-term activities and commitments.
- Vocation for service: the constant quest for excellence in the pursuit of its activities and a continuous focus on building strong relationships with clients.

- Innovation for leadership: differentiation as a key aspect of continuous growth and improvement, using technology to service the different businesses and their objectives.
- Committed team: full engagement of employees, senior executives, agents and other collaborators with the MAPFRE project and continuous development of the team's skills and abilities.

ORGANIZATIONAL STRUCTURE AND GOOD GOVERNANCE

A) ORGANIZATIONAL STRUCTURE

MAPFRE is a multinational company engaged mainly in insurance and reinsurance activities, operating in a total of 45 countries around the world.

The Group's holding company is MAPFRE S.A., whose shares are listed on the Madrid and Barcelona Stock Exchanges. MAPFRE S.A. is also a component of the IBEX 35, STOXX Europe 600 Insurance, MSCI Spain, FTSE All-World Developed Europe, FTSE4Good and FTSE4Good IBEX indices.

MAPFRE S.A. is a subsidiary of CARTERA MAPFRE, S.L., a single-member company that is wholly controlled by Fundación MAPFRE.

The Group pursues its business activities through an organizational structure made up of four business units (Insurance; Assistance, Services and Specialty Risks; Global Risks; and Reinsurance); three territorial areas (IBERIA, LATAM and INTERNATIONAL); and six regional areas (Iberia (Spain and Portugal), Brazil, LATAM North, LATAM South, North America and EURASIA (Europe, Middle East, Africa and Asia Pacific).

The Insurance Business Unit is organized in line with the MAPFRE regional areas, which are the geographic units that plan, support and oversee the region.

The activities of the different business units are supplemented by those of the corporate areas (Finance, Investments, Human Resources, Resources and Institutional Coordination, Business Support, Internal Audit, Strategy and M&A, General Counsel, and Business, Clients and Innovation), which have jurisdiction over all MAPFRE companies worldwide in terms of the development, implementation and monitoring of global, regional and local corporate policies.

The fact that the different MAPFRE companies belong to a business group implies, without prejudice to their legal autonomy, that they form an integral part of an organic structure which regulates their interrelations, the coordination of their activities, and the oversight of the controlled companies by the controlling ones and, in the final instance, by the parent company.

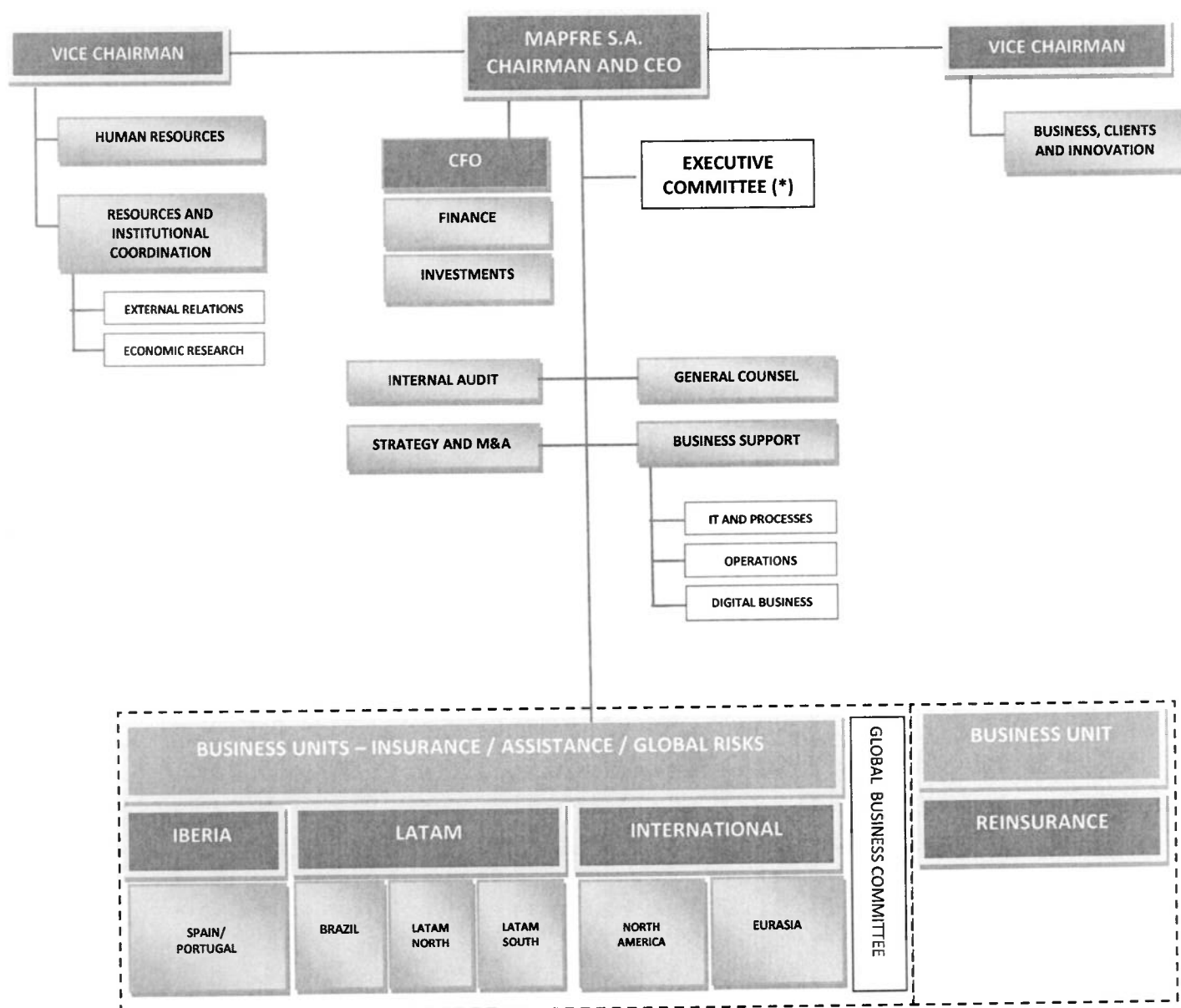
The MAPFRE S.A. Board of Directors is the senior management and supervisory body for the entire Group. It features a Steering Committee that acts within all of its powers, except those which cannot be ceded by law, bylaws or the regulations of the Board of Directors, and three delegate committees (Audit and Compliance, Appointments and Remuneration, and Risks).

The Executive Committee is the body which, under mandate from the Board of Directors, directly oversees the management of the business units and coordinates the Group's different areas and units. The Global Business Committee is also responsible for analyzing the development of MAPFRE's insurance business and services throughout the world, its compliance with approved plans, and proposing corrective or improvement measures for same.

The management, coordination and supervision of the activities of the different units and areas are carried out, according to the respective remit, by the local, regional and business unit management committees as well as the Executive Committee.

Each of the subsidiary companies has its own governing bodies, whose structure and complexity depend on the importance of their activities and any legal provisions that may be applicable. They usually have a board of directors and, depending on the importance of their activities, a management committee as well. In the case of shell or very small companies, these bodies are replaced by two administrators.

The Group's current organizational chart is as follows:



(*) Body which, under mandate from the Board of Directors, directly oversees the management of the Business Units and coordinates the Group's different Areas and Units.

B) GOOD GOVERNANCE

MAPFRE has constantly and decidedly strived from the start to adopt the best corporate governance practices. MAPFRE's good governance practices are oriented towards creating sustained financial and social value over the long-term. The company's objective is to ensure financial stability and safeguard the interests of shareholders, while maximizing the positive impact on society as a whole.

MAPFRE is subject to the Spanish Companies Act and the Code of Good Governance for listed companies published by the Spanish Securities and Exchange Commission (CNMV).

It also has Institutional, Business and Organizational Principles that have been approved by the Board of Directors of MAPFRE S.A. which, together with its bylaws and the Board of Directors' Regulations, define the structure, composition and functions of each of its governing bodies and make up the minimum mandatory compliance framework for all of the companies in the MAPFRE Group and their respective governing bodies. MAPFRE's governance system is supplemented by a group of corporate policies¹.

MAPFRE complies fully with 89.06 percent, and fully and partially with 98.37 percent of the recommendations set out in the CNMV Code of Good Governance for listed companies at 31 December 2017.

The 2017 Annual Corporate Governance Report offers a detailed explanation of the structure of MAPFRE's governance system and its operation in practice², providing the minimum content established by Article 540 of the Spanish Companies Act.

OPERATIONAL FRAMEWORK

The Group's activities were carried out through its Business Units in 2017.

The Insurance Business Unit is structured into Territorial and Regional Areas.

The IBERIA Territorial Area coincides with the Iberia Regional Area, which is made up of Spain and Portugal. The LATAM Territorial Area is subdivided into the Regional Areas of Brazil, LATAM North (Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Nicaragua and Panama), and LATAM South (Argentina, Colombia, Chile, Ecuador, Paraguay, Peru, Uruguay and Venezuela). The INTERNATIONAL Territorial Area comprises the Regional Areas of North America (Canada, United States and Puerto Rico), EURASIA (which includes operations in Europe—except Spain and Portugal—the Middle East, Africa, Australia, China, Philippines, India, Indonesia, Japan, Malaysia, Singapore and Taiwan).

The MAPFRE distribution network is the largest in the Spanish insurance industry and also the largest belonging to a financial group in Latin America. MAPFRE is determined to maintain its own networks in the countries where it operates, which is compatible with the use of other distribution channels. Some of the key features behind the

1 The Institutional, Business and Organizational Principles of the MAPFRE Group, and other corporate regulations are available at the company's website (www.mapfre.com).

2 For further information, please consult the Annual Corporate Governance Report 2017 which forms an integral part of this Management Report.

success of MAPFRE's business model include its client focus, global product offering and adaptation to the legal and commercial nature of each market.

At the end of 2017 the MAPFRE global distribution network consisted of 12,860 offices. The breakdown is shown below:

OFFICES	2017	2016
IBERIA		
Direct and Delegate	3,091	3,078
Bancassurance	2,436	3,181
Subtotal IBERIA	5,527	6,259
LATAM		
Direct and Delegate	1,789	1,831
Bancassurance	5,051	5,847
Subtotal LATAM	6,840	7,678
INTERNATIONAL		
Direct and Delegate	493	481
Subtotal INTERNATIONAL	493	481
TOTAL OFFICES	12,860	14,418

At the close of the year, MAPFRE's presence in Spain totaled 2,999 offices, with 917 in Brazil and 397 in Turkey.

In 2017, more than 84,000 intermediaries, including agents, delegates and brokers, collaborated in the distribution of our products. The following table shows the breakdown:

SALES NETWORK	2017	2016
IBERIA		
Agents	10,119	10,176
Delegates	2,666	2,666
Brokers	5,229	5,365
Subtotal IBERIA	18,014	18,207
LATAM		
Agents	16,324	14,977
Delegates	4,294	5,803
Brokers	33,835	33,102
Subtotal LATAM	54,453	53,882
INTERNATIONAL		
Agents	10,325	10,479
Delegates	102	100
Brokers	1,436	1,358
Subtotal INTERNATIONAL	11,863	11,937
TOTAL SALES NETWORK	84,330	84,026

MAPFRE's own distribution networks are supplemented by the distribution capabilities provided for under agreements with various companies, most notably with regard to bancassurance (BANKIA, BANKINTER, BANCO CASTILLA LA MANCHA (subsidiary of LIBERBANK), BANCO DO BRASIL, BHD LEON and BANK OF VALLETTA, among others). In 2017 MAPFRE distributed its products through 7,487 bancassurance offices (of which 2,436 are located in Spain, 4,871 in Brazil, and 180 in the Dominican Republic). MAPFRE also has 1,796 distribution agreements, including a significant proportion with financial institutions (156), automobile dealerships (1,502), shopping malls and service providers (98).

Within the insurance business, MAPFRE is the largest Spanish insurer in the world, with a 14.3 percent market share in Non-Life insurance and 6.5 percent in Life insurance in Spain. It is the 11th largest insurer in Europe and is present in nearly every country in Latin America, where it is the leading Non-Life insurance group, with a market share of 7.6 percent (according to the figures for 2016, the latest available). Furthermore, the Group's reinsurance business (MAPFRE RE) occupies position number 16 in the global reinsurance ranking, while in the Assistance sector MAPFRE is the fourth largest company in the world.

BUSINESS PERFORMANCE AND RESULTS

ECONOMIC CONTEXT AND DEVELOPMENT OF INSURANCE MARKETS

Economic Context

General aspects

Global economic activity grew by 3.4 percent in 2017 within the context of a more synchronized cycle that accelerated in both developed and emerging economies. This data shows solid global growth supported by still lax monetary policies implemented by the G4 central banks (United States, Japan, Eurozone, United Kingdom), although in the United States the Federal Reserve is already starting to raise interest rates and it has defined a pathway to reducing its balance sheet, and the European Central Bank (ECB) has announced a schedule for monetary normalization.

Given the strength of the global economy, growth throughout the world in 2018 is expected to maintain the 2017 rate, which is anticipated to be around 3.7 percent, reflecting an acceleration in the contribution from developed markets (already above 2 percent) and emerging markets (around 4.9 percent). The latter are led by China's resilient growth and Brazil and Russia coming out of recessions. In general, the actual indicators are converging towards expectations, driven by global trade, property and plant investments and, in some countries, by investments in residential housing.

The United States and the Eurozone follow dynamics appropriate for developed countries (2.7 percent and 2.1 percent for 2018, respectively), while China continues to maintain its controlled deceleration agenda, targeting 6.3 percent in 2018. The context in other emerging markets is varied, depending on the global environment and, particularly, on the monetary policy implemented in the United States, as well as on idiosyncratic political and geopolitical factors.

Politics played a fundamental role in developed countries in 2017, but the political cycle in emerging countries (notably Latin America) will reach a zenith in 2018 with elections in Colombia, Brazil and Mexico, and in Argentina the following year. The cyclical recovery of Brazil and Russia also consolidated in 2017, while the effect on Mexico of the economic policy in the United States was lower than expected.

Inflation, which accelerated in developed markets during the first half of the year, lost traction due to a deceleration of underlying inflation and salary expectations through the end of 2017, though slight indications of recovery can be seen at the beginning of the year. Additionally, if oil prices maintain their current levels in 2018, a positive contribution to the rise of inflation throughout the year could be seen. The dynamism in employment in developed countries is still not translating into actual salary gains, which is a concern in terms of monetary policy as it puts the relationship between growth and inflation in question. Global inflation stood at around 3.5 percent at the end of the fourth quarter of 2017, bringing the average to above 3 percent over the course of the year, and developed markets saw a rate of 2 percent and emerging markets 4.5 percent.

The United States Federal Reserve raised interest rates in December, raising its upper target range to 1.5 percent. The reappointment of the Chairman and the Federal Reserve Board gives credence to a certain continuity as regards gradual future increases. More importantly, the Federal Reserve has already set a schedule for normalizing its balance sheet, and while it is believed to be gradual (approximately 1.3 trillion US dollars over three years, equivalent to one third of the stock accumulated since the start of the crisis), it will have repercussions on liquidity and the cost of global financing. In October the ECB announced that it is extending the asset purchase program for nine months (until September 2018), but it will reduce the rate of purchases to 30 billion euros. The schedule for monetary normalization in Europe was already anticipated, and any increase in interest rates before the end of 2019 has been ruled out.

The divergence of monetary policies in emerging markets remains in place. The same or a less restrictive bias is expected with respect to the monetary policy implemented by the Central Bank in Mexico, given the improved outlook for inflation. However, the

need to accommodate political uncertainty and trade negotiations with the United States, together with the possible extraordinary financial effect of the September earthquakes, could alter this outlook. Given the low inflation and the still incipient economic activity in Brazil, monetary relaxation continued with a 50 basis point cut in interest rates in December, bringing it to the lowest level in recent history (7 percent). Turkey once again raised the marginal interest rate on credit facilities in order to control its currency, which is currently sharply down to around 3.8 TRY/USD.

A more detailed analysis of the most important markets in which MAPFRE operates is presented below:

Eurozone

The gross domestic product (GDP) in the Eurozone is visibly gaining traction, with a 2.8 percent growth rate during the third quarter, bringing the estimate for all of 2017 to 2.4 percent (year-on-year), with Spain and Germany leading the growth, while acceleration is also observed in France and Italy. The synchronized recovery of the global economic cycle and monetary stimuli in the Eurozone are clearly producing positive results. The estimate for 2018 is for GDP growth to be 2.1 percent. Exports are decisively contributing to growth after the spike in investments during the third quarter, while consumption remains flat and still has a margin for improvement. Average inflation in 2017 closed at 1.4 percent and underlying inflation at 0.9 percent, below the central bank's objective. The Euro Stoxx 50 index closed the year up 6.5 percent to 3,504 points after the publication of positive business data and the upward revision of growth expectations driven by the synchronized global recovery.

The ECB accepts the results obtained in terms of Eurozone growth, but given the fact that inflation continues to evade the objective, it has decided to extend the asset purchase program until September 2018, though reducing the purchase rate from 60 to 30 billion euros. Despite having announced the schedule for monetary normalization, there has been no indication of a reduction in its balance sheet or increases in interest rates. The expectation is that rate increases will only start to be seen once the asset purchase program is exhausted and the deposit rate has normalized (second half of 2019). Although economic activity continues to be solid, there are risks that could rapidly change the scenario. These include a disorderly exit from the European Union by the United Kingdom, and any future resurgence of the "convertibility risk"³ associated with the Italian elections and the negotiations regarding the Greek write-down (which will restart in 2018).

³ The European Commission and Eurozone countries are aware of the defects in the design of Monetary Union, which in the long-term put the survival of the euro at risk. Germany and France are leading a project that will result in higher fiscal, political, banking and regulatory union. This will involve, among

Spain

Spain continues to lead growth among the large Eurozone economies. After recording 3.1 percent growth (year-on-year) during the third quarter of 2017, the same figure is expected for the year as a whole. The main factors that contributed to this strength include consumer and investor confidence, lax monetary conditions and job creation (unemployment fell to 16.4 percent during the third quarter). The most dynamic components of aggregate demand are exports and investments. It is noteworthy that investments in residential housing have begun to increase thanks to mortgage reactivation, as well as institutional investment flows into real estate. Spending remained strong, although slowing down, and increases would require higher actual gains in disposable income through salary increases, or certain fiscal encouragement, and not only savings resources. A slight deceleration in growth could be expected in 2018 due to, among other reasons, the effect the instability in Catalonia could have on investors and consumers (with an estimated effect of between -0.2 percent and -0.5 percent in growth that will have delayed confirmation over the course of 2018), as well as the fact that increasing oil prices will erode disposable income. The IBEX 35 index performed poorly from May (as a result of the instability in Catalonia and concerns in the banking sector – including the Banco Popular crisis), finishing the year at 10,044 points, a rise of 7.4 percent.

United States

GDP growth in the United States during the fourth quarter (3.2 percent) confirmed the strength of that economy, which allows for the forecast that it will end the year with 2.3 percent growth, driven by consumer spending and investments. Based on information up to November, employment continued to strengthen and the unemployment rate was 4.1 percent and underemployment was 8.1 percent. However, despite the strength of the job market, the moderation of growth in nominal and actual salaries is notable, which means that actual disposable income grew by 1.9 percent, and spending is being sustained mainly by savings erosion (the savings rate is 2.9 percent).

Despite the convergence of actual indicators and forecasts, the fact that indicators such as industrial production (+3.4 percent year-on-year) or capacity utilization (77 percent) are still far from the exuberance shown by the purchasing managers' index

other things, a common banking supervisor, a single banking resolution mechanism, a deposit guarantee fund, tax harmonization, a growing common budget and the possibility of issuing Eurobonds. Attaining these objectives will naturally require higher political union.

(PMI), which continues to grow with the hope that the government's reflation policy will materialize. Inflation stood at 2.1 percent in December. It is notable that underlying inflation remains low (1.8 percent), indicating that salary expectations are anchored, reflected by the extreme moderation of service prices (particularly those of a digital nature). The Federal Reserve's current guidance takes this into account. Monetary policy (which is tightening although it continues to be expansionary) shows caution regarding low inflation rates. At the October meeting of the Federal Open Market Committee (FOMC), the sum and schedule of the process for normalizing the Federal Reserve balance sheet was announced, and it is expected to reduce the assets on the balance sheet by one third (1.3 trillion US dollars) over the next three years starting in October. Although at its December meeting the Federal Reserve increased interest rates by 25 basis points to 1.5 percent, the narrative of its action and the reconfiguration resulting from the appointment of the new Chairman (Jerome H. Powell) leads to the expectation that this gradual tightening will be maintained. Two additional interest rate increases are expected over the course of 2018.

The 10-year interest rate was at 2.4 percent at the end of the year, but a gradual flattening of the curve is expected as a result of the lowering of the term premium, given the absence of structural inflation and the persistence of duration risk. As a result, the dollar ended the year lower than the December forecast at around 1.2 dollars to the euro, essentially due to the tightening of long rate spreads with the Eurozone. The S&P 500 closed the year at 2,674 points, showing a rise of 19.4 percent in U.S. dollars, (4.8 percent in euros).

Brazil

GDP in Brazil grew by 1.4 percent (year-on-year) in the third quarter of 2017, confirming the exit from recession and, therefore, the outlook for average growth over the year would be 1.1 percent year-on-year), suggesting GDP growth of 2.5 percent for 2018. The advance recorded by the Brazilian economy was fundamentally supported by improvements in spending and investments. The sustained reduction in inflation (3 percent year-on-year in December) allowed the Central Bank to cut interest rates seven times over the course of 2017, bringing the SELIC (overnight interest rate) to 7 percent in December. If inflation continues to moderate, the Brazilian Central Bank is expected to maintain interest rates at around, though lower than, 7 percent in 2018, making the most of the final phase of lax monetary policies, as it is foreseeable that it begins to raise rates the following year.

Brazil needs to continue with structural reforms to balance its public accounts (though the primary deficit met the administration's objective of -2.5 percent of the GDP in 2017, the total fiscal deficit for that year is estimated at -8.5 percent of the GDP), make

them sustainable and strengthen its credit rating. The most important reforms involve the pension and tax systems, which are key to reducing the deficit and sustaining debt levels. There will be presidential elections in October 2018, and no additional reforms are anticipated before that time. The administration of President Michel Temer has approved other structural reforms which, although of lower impact, are important for strengthening confidence in the country. In the market, the BOVESPA index celebrated the end of the economic recession by rising 26.9 percent during the year in local currency (9.3 percent in euros), closing at 76,402 points.

Turkey

Turkey is under market pressure due to the lack of foreign investor appetite for its bonds. The 10-year bond carries an 11.7 percent yield, while the bond rate curve in local currency continues to be inverted. Among other factors, this is due to a complex internal political context and increased tension with the European Union and the United States, which led Turkey to withdraw from joint NATO military maneuvers in November. In this context, the Turkish lira has accelerated its downward trend to around 4 TRY/USD, although the depreciation recently corrected. Inflation remains outside the Central Bank's objective (which is 5 percent), and was 12.9 percent in November, despite the fact that the Central Bank's benchmark interest rate was 8 percent (the 1-week repo rate), and the effective economic policy rate, corresponding to the marginal rate for credit facilities, was above 13 percent.

The growth in the Turkish economy has been sustained thanks to stimulus policies and, in particular, the government-backed credit supply, which maintained quarterly GDP growth at above 2 percent up to the third quarter of the year. However, a moderate deceleration has started to be perceived and GDP growth for the entire year will be close to 5.8 percent. The BIST 100 stock market index grew by 21.5 percent in euros and 48.8 percent in local currency, bringing it close to 142,000 points.

Mexico

The Mexican economy contracted by -0.3 percent during the third quarter of 2017, thereby canceling the 0.3 percent growth seen in the preceding quarter. This means that the estimate for the entire year is slightly less than the estimate for long-term growth, which is around 2.3 percent per year. This deceleration was partly caused by a contraction in the manufacturing sector (oil, construction and textiles) and a deferral of investments as a result of the uncertainty associated with the stagnation of trade negotiations with the United States and Canada (NAFTA). The latter gave rise to a new decline in the peso to 19 MXN/USD (compared to 17.7 the preceding quarter). In the absence of new shocks, the expectation is that the exchange rate will remain within

the range of 19-18 MXN/USD throughout 2018, with a higher margin for depreciation as the end of the NAFTA negotiations draws closer and the election campaign starts.

Inflation was 6.8 percent in December, partly reflecting the depreciation of the peso, although still resisting the impact of the local adjustment to gasoline prices and the materialization of second-round salary effects. The Bank of Mexico raised interest rates by 25 basis points to 7.25 percent at its December meeting, and based on the inflation, business and exchange rate data, there is no reason to foresee a change. However, all of this may change based on the tightening of the monetary conditions in the United States. Finally, the CPI Index at the Mexican Stock Market closed the year at 49,354 points, having risen 8.3 percent in local currency (-0.5 percent in euros).

Development of Insurance Markets

Spanish Market⁴

In 2017, the volume of direct insurance premiums written in the Spanish insurance market suffered a slight decline of 0.7 percent with respect to the same period of the previous year. The good performance of the Non-Life business lines (3.9 percent growth) was offset by the negative change in Life premiums, which fell by -5.6 percent.

Item	Dec-17	Dec-16	% Change 17/16
Life	29,401	31,136	-5.6%
Non-Life	33,992	32,703	3.9%
Total Direct Insurance	63,392	63,840	-0.7%

Figures in millions of euros

Most of the business lines in the Non-Life segment continued to grow, although at a lower rate than in 2016, and there was good performance in the larger premium volume lines of Automobile, Health and Multi-peril lines of business. As was the case in 2016, the increases in rates and the higher sales of new vehicles favored the growth of Automobile insurance (3.4 percent).

Item	Dec-17	Dec-16	% Change 17/16
Automobile	10,922	10,566	3.4%
Health	8,058	7,730	4.2%
Multi-peril	6,881	6,734	2.2%
Other Non-Life lines	8,131	7,673	6.0%
Total Non-Life	33,992	32,703	3.9%

Figures in millions of euros

⁴ Source: ICEA.

Life insurance premiums decreased by 5.6 percent, while Life Risk insurance was flat and Life Savings, which accounts for 85 percent of this segment, was down by 6.5 percent. Breaking down the Life business by individual and group policies, according to the most recent data published to September 2017, issuing of individual policies fell by 3.8 percent, despite the good performance of Unit-Linked policies, which grew by 66 percent, while group Life policies declined by 6.5 percent.

Based on the data available to September 2017, the technical profitability of Non-Life lines of business deteriorated on a relative basis compared to the same period last year, as a result of an increase in the loss ratio by 1.3 percent. Contrary to 2016, when there was a significant improvement in the combined ratio for multi-peril insurance, over the first nine months of 2017 the combined ratio for this line of business increased 8.3 percent, mainly due to the increase in the loss ratio as a result of the adverse weather conditions during the first few months of the year. However, Automobile and Health insurance saw improvements in their technical results.

Item	TOTAL NON-LIFE		AUTOMOBILE		MULTI-PERIL		HEALTH	
	Sep-17	Sep-16	Sep-17	Sep-16	Sep-17	Sep-16	Sep-17	Sep-16
Loss ratio	71.9%	70.6%	77.8%	79.7%	65.0%	57.5%	80.4%	81.0%
Expense ratio	22.0%	22.0%	18.5%	19.3%	31.6%	30.8%	11.9%	12.1%
Combined Ratio	93.9%	92.6%	96.3%	99.1%	96.6%	88.3%	92.3%	93.1%

Technical provisions for Life insurance totaled 183,519 million euros in December 2017, which is a 3.2 percent increase compared with the previous December. The equity in Mutual Funds grew by 11.7 percent during that same period, which is proof of lower risk aversion on the part of Spanish savers. Finally, the volume of pension fund assets managed rose to 111,077 million euros in 2017, a year-on-year increase of 4 percent.

Item	Dec-17	Dec-16	% Change 17/16
Life insurance	183,519	177,818	3.2%
Mutual funds	262,847	235,418	11.7%
Pension funds	111,077	106,839	4.0%
Total	557,443	520,075	7.2%

Figures in millions of euros

Latin American Markets

The following table shows the variation in written premium volumes with respect to the same period in the previous year for the main Latin American insurance markets, in keeping with the most recent information available:

Country	Date	Non-Life	Life	Total
Argentina	Sep-17	27.1%	9.0%	24.2%
Brazil	Nov-17	2.5%	8.0%	5.9%
Chile	Sep-17	5.8%	-3.5%	-0.2%
Colombia	Sep-17	7.9%	14.0%	9.8%
Mexico	Sep-17	17.2%	4.9%	11.4%
Peru	Nov-17	-2.9%	5.4%	0.5%
Puerto Rico	June-17	-8.1%	16.3%	-6.2%

Source: MAPFRE Economic Research, using data from the supervisors in each country.

The latest data published by the Latin American supervisors referring to June, September and November 2017, (the latest official information available), shows that most of the markets in the region increased premium volume in nominal terms, with varying performance in each of the countries and segments. While some have slowed growth, others are reflecting double-digit growth, particularly in the smaller markets. However, declines in premium income was seen in three of the largest markets: Puerto Rico, Chile and Peru.

Throughout 2017 the Non-Life segment has shown positive performance in practically all Latin American countries, with the exception of Ecuador, Peru and Puerto Rico. The Automobile and Fire lines in Peru – the biggest lines by volume - showed decreases, while in Puerto Rico, a drop in Health insurance premiums contributed to the decline. In Mexico, there was a considerable increase in the Non-Life lines of business in the country as a result of the renewal of the comprehensive insurance policy for *Petróleos Mexicanos* (PEMEX).

Life insurance showed uneven performance in the three largest markets: growth slowed in the region's principal market, Brazil, due to a slowdown of the *Vida gerador de beneficio livre* (VGBL) product, while Mexico grew by 4.9 percent, with Chile sliding on the back of reduced annuity premiums.

Automobile insurance showed positive development in most Latin American markets, with the exception of Brazil and Peru. In December 2016, the National Private Insurance Counsel in Brazil (CNSP) approved new mandatory Automobile insurance rates at the proposal of the Private Insurance Superintendent (SUSEP), which started to be applied in January 2017 and gave rise to a significant reduction compared to the rates that were in force, explaining the decline in premiums for Automobile insurance.

Other Markets

United States

The information available from the National Association of Insurance Commissioners (NAIC) in the United States regarding the first half of 2017 shows that Non-Life insurance grew by 4.7 percent, Life insurance by 3.9 percent and Health insurance by 6

percent, compared to the same period the preceding year. The good performance of the US economy is contributing to this growth. The process of monetary normalization is also making advances. As interest rates rise and are transferred throughout the curve, the growth of Life businesses could be limited, thereby creating a less favorable environment despite the good performance of the US economy.

Turkey

Based on figures from June 2017 (the latest available), the insurance market in Turkey presented 9.3 percent growth. Automobile insurance continues to be the primary line of business within Non-Life insurance, but it has lost relative weight compared to the rest of the lines of business and represented 47 percent of total Non-Life premiums compared to 55 percent previously. The main reason for this lies in the decline in third-party damage Automobile insurance premiums (-23.3 percent), partially offset by the 22.2 percent growth in own damage insurance, even though this represents a lower percentage of premiums. It should be noted that the establishment of a price control system for mandatory Automobile insurance is also having a negative influence on this performance. The Health and Accident lines of business are gaining relative weight, and Home and Business insurance saw premiums grow by nearly 20 percent.

BUSINESS PERFORMANCE

Revenues on operations

ITEM	DECEMBER 2017	DECEMBER 2016	Variation (%)
Total written and accepted premiums	23,480.7	22,813.2	2.9%
Investments financial income	2,801.7	3,056.3	-8.3%
Revenue from non-insurance entities and other incomes	1,701.3	1,222.6	39.1%
Total consolidated revenue	27,983.7	27,092.1	3.3%

Figures in millions of euros

The Group's consolidated revenue reached 27.9 billion euros, with growth of 3.3 percent, which strengthened the upward trend of the last few years.

Premiums from direct insurance and accepted reinsurance, which represent a fundamental part of revenue, reached 23.5 billion euros, with notable growth of 2.9 percent, primarily backed by the increase in premiums in Spain, Mexico, Central America, and the Global Risks Business Unit.

This increase in premium growth is framed in the Group's strategic line of "profitable growth", which aims to improve profitability mainly in Non-Life insurance. As a result,

in 2017, the cancellation of unprofitable policies has continued, for an amount of approximately 530 million euros, mainly in Autos and General P&C, which partially conditions growth.

Non-Life premiums grew by 2.6 percent, while Life premiums reached relevant growth of 4.2 percent.

By Non-Life business type, Automobile is the most important line, with 7.3 billion euros in premiums and a decrease of 1.4 percent due primarily to the portfolio reduction in Brazil, Mexico and Turkey. General P&C holds second place, with 6.3 billion euros and growth of 10.3 percent, driven by the PEMEX policy in Mexico for 545 million dollars; and Health and Accidents is in third place with 1.2 billion euros in premiums and 1.2 percent decrease.

Gross revenue from investments reached 2.8 billion euros, below the previous period, due to the recurrent low-interest rate environment in Europe and the fall in interest rates in Brazil and other LATAM countries, as well as lower financial gains.

Finally, other revenue, which mainly includes non-insurance activity and non-technical revenue, reflects an increase primarily from higher revenue from positive currency conversion differences, as well as from the cancellation of a reserve for contingent payments in the bancassurance channel in Spain totaling 29 million euros, as the necessary level of certain long-term objectives were not reached.

Income Statement

The chart below gives a summary of the consolidated income statement as of December 2017, showing the various components of MAPFRE's earnings and the comparison with the same period of the previous year.

ITEM	DECEMBER 2017	DECEMBER 2016	Variation (%)
NON-LIFE BUSINESS			
Gross written and accepted premiums	18,154.5	17,699.8	2.6%
Net premiums earned	14,255.0	14,158.7	0.7%
Technical result	267.9	370.5	-27.7%
Net financial income	616.6	922.0	-33.1%
Other non-technical revenue and expenses	61.4	(60.8)	--
Result of Non-Life business	945.8	1,231.8	-23.2%
LIFE BUSINESS			
Gross written and accepted premiums	5,326.2	5,113.3	4.2%
Net premiums earned	5,054.6	4,879.5	3.6%
Technical result	(581.6)	(640.6)	9.2%
Financial result and other non-technical revenue	1,301.3	1,387.5	-6.2%
Result of Life business	719.7	746.9	-3.6%
Result from other business activities	(132.3)	(133.5)	0.9%
Hyperinflation adjustments	(24.5)	(40.0)	38.7%
Result before tax	1,508.7	1,805.2	-16.4%
Tax on profits	(410.3)	(560.0)	-26.7%
Result after tax from discontinued operations	0.0	0.0	--
Result for the period	1,098.4	1,245.2	-11.8%
Result attributable to non-controlling interests	397.9	469.7	-15.3%
Result attributable to the controlling Company	700.5	775.5	-9.7%

Figures in millions of euros

The attributable result reached 700.5 million euros, decreasing by 9.7 percent, primarily due to the following events occurring in 2017:

1. The impact of the catastrophic events in the third quarter, which carried a net cost of 125.6 million euros.
2. The drop in net financial income due mainly to the fall in interest rates in Brazil and other LATAM countries, as well as the recurrent low-interest rate environment in Europe.
3. The cancellation of certain assets and liabilities, primarily intangible assets and provisions for risks and expenses recorded in 2011 as a result of the bancassurance alliance carried out in Brazil, which had a positive impact of 28 million euros for Group results. This impact is reflected under the heading for financial income and other non-technical income and expenses.
4. The approval of a tax reform in the United States, which reduced tax rates that affect our undertakings in this country as of 2018 and that requires that all

deferred tax assets and liabilities are updated at the close of 2017 to this new tax rate. The net impact implied a reduction in tax liabilities, and as such, an increase in net result for MAPFRE Group of 37.8 million euros.

Non-Life

Non-Life results reached 946 million euros, with a reduction of 23.2 percent compared to the previous period.

2017 was affected by hurricanes Harvey, Irma and Maria, that hit the Atlantic coast of North America and the Caribbean in the third quarter, by the earthquakes in Mexico in September, and by the "Coastal El Niño" which affected Peru and Colombia in February. The net impact (loss retention after taxes and non-controlling interests) of these natural catastrophes on MAPFRE Group attributable results to December 31, 2017, is 125.6 million euros for the insurance entities, and 183.8 million euros including MAPFRE RE.

The following chart breaks down the effects of the different catastrophes and the MAPFRE company affected by them:

Impact before taxes and minorities:

	MAPFRE GLOBAL RISKS	PUERTO RICO	COLOMBIA & PERU	USA	MEXICO	DOMINICAN REPUBLIC	SUBTOTAL	MAPFRE RE	TOTAL
Hurricane Harvey	15.0	---	---	---	---	---	15.0	10.2	25.2
Hurricane Irma	25.0	24.5	---	1.7	---	---	51.2	7.9	59.1
Hurricane Maria	22.5	29.2	---	---	---	1.1	52.8	37.5	90.3
Mexico earthquakes	14.0	---	---	---	2.0	---	16.0	22.4	38.4
Catastrophic Events	76.5	53.7	---	1.7	2.0	1.1	135.0	78.0	213.0
Coastal El Niño	26.6	---	3.2	---	---	---	29.8	6.3	36.1
TOTAL CATASTROPHIC EVENTS	103.1	53.7	3.2	1.7	2.0	1.1	164.8	84.3	249.1

Figures in millions of euros

Impact after taxes and minorities:

	MAPFRE GLOBAL RISKS	PUERTO RICO	COLOMBIA & PERU	USA	MEXICO	DOMINICAN REPUBLIC	SUBTOTAL	MAPFRE RE	TOTAL
Hurricane Harvey	11.3	---	---	---	---	---	11.3	7.0	18.3
Hurricane Irma	18.8	19.6	---	1.1	---	---	39.5	5.4	44.9
Hurricane Maria	16.9	23.3	---	---	---	0.4	40.6	25.8	66.4
Mexico earthquakes	10.5	---	---	---	1.4	---	11.9	15.3	27.2
Catastrophic Events	57.5	42.9	---	1.1	1.4	0.4	103.3	53.5	156.8
Coastal El Niño	19.9	---	2.4	---	---	---	22.3	4.7	27.0
TOTAL CATASTROPHIC EVENTS	77.4	42.9	2.4	1.1	1.4	0.4	125.6	58.2	183.8

Figures in millions of euros

These events have had a direct impact on the Group's Non-Life loss ratio, which stands at 70.7 percent (0.7 percentage points higher than the same period the previous year).

In addition to the events listed above, other events have taken place during the year that have impacted the Non-Life result, the most significant being:

1. Remarkable improvement in the result of the Auto line in Spain.
2. Improvements in the technical result in the majority of lines and countries and LATAM and EURASIA.
3. Lower than expected results in the Auto line in the U.S., Brazil, and Mexico, primarily due to the elevated claims frequency.
4. Several large claims in the MAPFRE GLOBAL RISKS portfolio over the course of the year.

Life

Life results grew to 720 million euros, with a decrease of 3.6 percent compared to the previous period. IBERIA's contribution to earnings stands out, both for its improvement in margins as well as for the effect of the cancellation of a reserve for contingent payments in the bancassurance channel totaling 29 million euros. It is worth highlighting the earnings contribution of protection products sold through the bank channel in Brazil, despite the difficult context our companies operate in, in this country.

The end of the alliance between MAPFRE and Banco CEISS generated net accounting gains of 5.8 million euros and MAPFRE PERU's sale of its annuity portfolio contributed 4 million euros in net gains to MAPFRE Group.

Other aspects

Taxes on profits decreased significantly, due to the following:

1. From the lower results for the period deriving from the catastrophic events, and the fall in the recurring result in Brazil.
2. The updated tax rate for deferred tax liabilities in our companies in the United States, as a result of the recently approved tax reform in the country, which has lowered tax expenses by 37.8 million euros.

Finally, the attributable result to non-controlling interests has fallen, mainly deriving from the lower results contributed from our insurance operation in Brazil.

Balance Sheet

ITEM	DECEMBER 2017	DECEMBER 2016
Goodwill	1,883.0	1,990.0
Other intangible assets	1,539.9	1,808.9
Other fixed assets	271.1	293.6
Cash	1,864.0	1,451.1
Real estate	2,171.4	2,277.8
Financial investments	42,003.2	42,540.9
Other investments	1,437.3	1,272.2
Unit-Linked investments	2,320.1	2,014.0
Participation of reinsurance in technical provisions	4,989.6	3,934.4
Receivables on insurance and reinsurance operations	5,006.7	5,191.6
Deferred taxes	296.8	335.3
Assets held for sale	155.6	911.2
Other assets	3,630.8	3,860.7
TOTAL ASSETS	67,569.5	67,881.8
Equity attributable to the Controlling company	8,611.3	9,126.5
Non-controlling interests	1,901.4	2,317.0
Equity	10,512.7	11,443.5
Financial debt	2,327.4	2,202.9
Technical provisions	47,814.1	47,240.1
Provisions for risks and expenses	661.7	752.8
Debt due on insurance and reinsurance operations	2,190.7	1,998.8
Deferred taxes	588.0	730.7
Liabilities held for sale	1.1	690.3
Other liabilities	3,473.7	2,822.7
TOTAL LIABILITIES	67,569.5	67,881.8

Figures in millions of euros

Total assets reached 67.6 billion euros as on December 31, 2017 and fell 0.5 percent compared to the previous year. The most relevant changes are analyzed below:

1. The lower amount of intangible assets to December 2017 comes from the deterioration of goodwill on consolidation and other intangible assets from the Non-Life business in Brazil, as well as from the effect of the depreciation of the US dollar and the Brazilian real, currencies in which key intangible assets are listed on the balance sheet at the close of the year.
2. The changes in Financial Investments, as well as in the headings for Assets and Liabilities from insurance and reinsurance operations are a result of the

business management process itself. The increase in technical provisions and in reinsurance participation in technical provisions is in line with the increase in gross reserves from the claims registered from the catastrophic events occurring in September and the corresponding cession to reinsurers. At the same time, the increase in reinsurance participation in technical provisions also corresponds to the PEMEX policy issued in Mexico, which has been highly ceded to reinsurers.

3. As a result of Banco CEISS exercising its call option for the whole of the Group's shares in the undertakings Duero Vida and Duero Pensiones, at December 31, 2016 the headings "Assets and liabilities held for sale" included assets for the amount of 879.9 million euros and associated liabilities for the amount of 689.3 million euros, corresponding to both dependent undertakings.

In 2017, in the "Assets held for sale" heading of the balance sheet, only the fair value of the assets resulting from the sale is included in the balance sheet, which produced an accounting net gain of 5.8 million euros.

4. Changes in equity correspond to the earnings from the period and the distribution of dividends, as well as to changes in value of investments available for sale and currency conversion differences of financial accounts denominated in currencies other than the euro.

Funds under Management

The following charts show the performance of managed savings, including both technical provisions of Life insurance companies, and the Life provisions of multiline insurance companies, which are presented in the Group's consolidated balance sheet.

In addition to the Life insurance operations, MAPFRE manages its clients' savings through pension and mutual funds.

Managed savings

The following chart shows the details of and changes in managed savings, which includes both concepts:

ITEM	DECEMBER 2017	DECEMBER 2016	Variation (%)
Life technical provisions	28,718.9	29,173.1	-1.6%
Pension funds	5,082.1	4,684.1	8.5%
Mutual funds and other	5,203.9	4,631.5	12.4%
Subtotal	39,004.9	38,488.8	1.3%

Figures in millions of euros

In the information regarding managed savings in 2016 and 2017, UNIÓN DUERO VIDA and DUERO PENSIONES are not included, as at that time they were already classified as assets-held-for-sale.

Changes in managed savings with respect to December of the previous year reflect:

1. The reduction in Life technical provisions, from the fall in the portfolio as a result of redemptions, mainly in the bancassurance channel in Spain.
2. The reduction in the value of managed savings in Brazil and other countries outside of the Eurozone from the depreciation of their currencies.
3. The growth in pension and mutual funds, fruit of MAPFRE's strategy to push Asset Management as an alternative to traditional Life Savings products, which are less attractive to clients in the current low-interest rate environment.

Assets under management

The following chart reflects the performance of assets under management, which includes the total Group investment portfolio as well as pension and mutual funds, and which shows growth of 2.1 percent:

ITEM	DECEMBER 2017	DECEMBER 2016	Variation (%)
Investment portfolio	49,796.0	49,556.0	0.5%
Pension funds	5,082.1	4,684.1	8.5%
Mutual funds and other	5,203.9	4,631.5	12.4%
TOTAL	60,082.0	58,871.7	2.1%

Figures in millions of euros

Key indicators

Return on shareholders' equity (ROE)

Return on equity (ROE), which represents the relationship between net profit attributable to the parent company (deducting the share of external partners) and average shareholders' equity, was 7.9 percent (8.8 percent in 2016).

Management ratios

The combined ratio measures the impact on premiums of management costs and the loss ratio for the period. In 2017 this ratio was 98.1 percent, representing an increase of 0.7 percentage points compared to the previous year.

The following table shows how the main management ratios performed, as per business unit:

	EXPENSE RATIO ⁽¹⁾		LOSS RATIO ⁽²⁾		COMBINED RATIO ⁽³⁾	
	2017	2016	2017	2016	2017	2016
IBERIA	20.9%	21.6%	72.8%	72.9%	93.7%	94.5%
LATAM North	32.8%	34.0%	65.2%	68.2%	98.0%	102.3%
LATAM South	36.4%	37.0%	60.4%	62.1%	96.9%	99.1%
BRAZIL	34.5%	31.5%	61.6%	62.7%	96.1%	94.2%
NORTH AMERICA	25.5%	25.6%	79.4%	75.4%	104.9%	101.0%
EURASIA	23.2%	26.7%	77.7%	80.5%	100.9%	107.3%
MAPFRE RE	28.6%	29.0%	66.2%	65.0%	94.8%	94.0%
MAPFRE GLOBAL RISKS	31.1%	27.9%	104.3%	69.6%	135.4%	97.5%
MAPFRE ASISTENCIA	36.6%	31.5%	67.1%	70.5%	103.7%	102.0%
MAPFRE S.A.	27.5%	27.4%	70.7%	70.0%	98.1%	97.4%

(1) (Operating expenses net of reinsurance - other technical revenues + other technical expenses) / Premiums allocated, net of reinsurance. Figures refer to the Non-Life business.

(2) (Claims ratio for the year net of reinsurance + variation in other technical provisions + profit sharing and returned premiums) / Premiums allocated net of reinsurance. Figures refer to the Non-Life business.

(3) Combined ratio = expense ratio + loss ratio. Figures refer to the Non-Life business.

Information by Regional Areas and Business Units

Regional Areas

MAPFRE manages its insurance business through six Regional Areas that group different geographically-close countries, and which comprise the different operations of the INSURANCE, ASSISTANCE, and GLOBAL RISKS businesses.

The following chart shows premiums and results, as well as the Non-Life combined ratio.

Key figures

ITEM	Premiums			Attributable result			Combined ratio	
	DECEMBER 2017	DECEMBER 2016	Variation (%)	DECEMBER 2017	DECEMBER 2016	Variation (%)	DECEMBER 2017	DECEMBER 2016
IBERIA	7,403.9	7,139.4	3.7%	525.2	582.3	-9.8%	93.9%	94.0%
BRAZIL	4,734.3	4,587.4	3.2%	127.9	144.4	-11.5%	96.1%	94.2%
LATAM NORTH	1,848.1	1,343.2	37.6%	26.5	38.8	-31.7%	99.5%	100.9%
LATAM SOUTH	1,827.5	1,877.8	-2.7%	64.4	5.2	--	98.2%	100.2%
NORTH AMERICA	2,788.0	2,902.4	-3.9%	15.3	80.0	-80.9%	106.4%	100.3%
EURASIA	2,552.0	2,700.7	-5.5%	(62.2)	(123.1)	49.4%	107.2%	107.9%

Figures in millions of euros

The most significant aspects are:

1. Premiums and results show very solid growth in IBERIA, with excellent performance in the Auto line and the contribution of Spain's result to the Group.
2. Premiums in BRAZIL show positive results compared to last year, from the appreciation of the average exchange rate of the Brazilian real, although there is no growth in the original currency. The lower result is a consequence of a lower financial result due to the drop in interest rates in Brazil in 2017 and of the increase in acquisition costs and high loss experience in Auto.
3. LATAM NORTH shows premium growth of 37.6 percent to December from the issuing of the PEMEX policy for a two-year coverage period. The region's earnings reflect the discrete result in Mexico due to the high loss ratio in Automobiles and the impact of catastrophic events on the GLOBAL RISKS business.
4. LATAM SOUTH experienced an increase in results, thanks to the favorable evolution of the insurance business in Colombia and Peru. However, this

improvement was offset by the negative impact of a severe claim in the GLOBAL RISKS business in Peru, due to the heavy rains caused by weather related to "Coastal El Niño".

5. NORTH AMERICA has growth containment in premiums and lower due to the high loss experience in the Auto line in the United States, and to the impact of the catastrophic events on the insurance and GLOBAL RISKS businesses, which had strong economic repercussions on Puerto Rico's results.
6. EURASIA experienced a drop in premiums, primarily due to Turkey, as a result of growth containment in compulsory Third Party Liability for Auto insurance. It is important to point out the extraordinary improvement in results in Turkey, as well as favorable development of business in Italy. However, EURASIA presented losses of 62.2 million euros, due to the negative results of ASISTENCIA in the United Kingdom and certain large claims in GLOBAL RISKS. ABDA business is included as of June 2017.

Business Units

MAPFRE manages its business through four business units: Insurance, Reinsurance, Assistance, and Global Risks.

The chart below shows premiums, attributable result, and Non-life combined ratio for the business units:

Key figures

ITEM	Premiums			Attributable result			Combined ratio	
	DECEMBER 2017	DECEMBER 2016	Variation (%)	DECEMBER 2017	DECEMBER 2016	Variation (%)	DECEMBER 2017	DECEMBER 2016
IBERIA	6,960.2	6,704.5	3.8%	511.5	535.9	-4.6%	93.7%	94.5%
LATAM	8,017.9	7,385.4	8.6%	229.4	192.1	19.4%	96.6%	96.6%
INTERNATIONAL	4,398.2	4,593.4	-4.2%	88.0	8.3	--	103.6%	103.1%
TOTAL INSURANCE	19,376.3	18,683.3	3.7%	828.9	736.3	12.6%	97.4%	97.6%
RE	4,222.4	4,234.7	-0.3%	162.7	186.1	-12.6%	94.8%	94.0%
ASISTENCIA	983.5	1,066.8	-7.8%	(68.4)	(56.4)	-21.4%	103.7%	102.0%
GLOBAL RISKS	1,257.4	1,212.2	3.7%	(66.3)	47.3	--	135.4%	97.5%
Holdings and consolidation adjustments	(2,359.0)	(2,383.8)	1.0%	(156.3)	(137.8)	-13.4%	--	--
MAPFRE S.A.	23,480.7	22,813.2	2.9%	700.5	775.5	-9.7%	98.1%	97.4%

Figures in millions of euros

The most important changes are:

1. Premiums show significant growth in all business units, with the exception of ASISTENCIA, mainly as a result of the current business restructuring, and INTERNATIONAL due to the previously mentioned growth containment in premiums in North America and the lower issuing in Turkey.
2. Results have evolved positively in insurance entities in IBERIA, LATAM and INTERNATIONAL, with 12.6 percent growth in the insurance business units at the close of December 2017.
3. MAPFRE RE continues to contribute positively to the Group, both in premiums and in results, reaching earnings of 162.7 million euros to December 2017, despite the catastrophic events that took place during the year, which have had an attributable net cost of 58.2 million euros for this company.
4. MAPFRE ASISTENCIA is highly affected by losses in the United Kingdom and by business restructuring.
5. GLOBAL RISKS is negatively affected by the catastrophic events that occurred during the year, that have had an attributable net cost of 77.4 million euros for this company, and by large claims that have been impacting it this whole year.

Insurance Companies

IBERIA

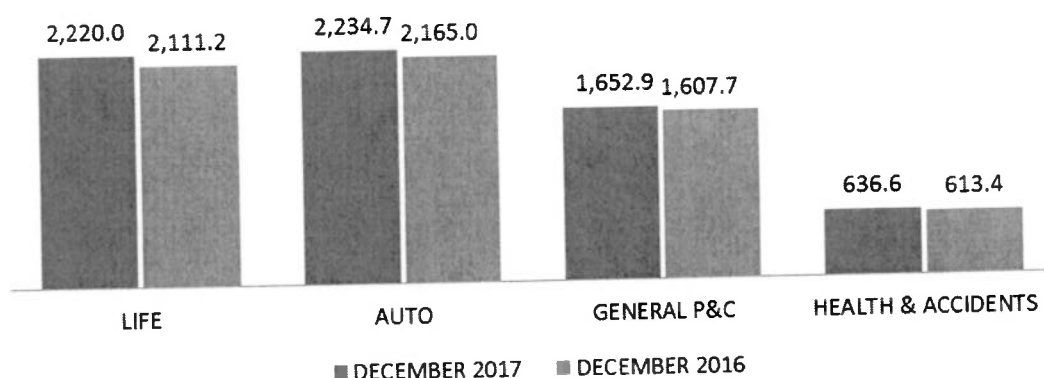
IBERIA encompasses the business activities of MAPFRE ESPAÑA and its subsidiary in Portugal, as well as the Life business managed by MAPFRE VIDA and its bancassurance subsidiaries.

Information by country

ITEM	Premiums			Attributable result			Combined ratio	
	DECEMBER 2017	DECEMBER 2016	Variation (%)	DECEMBER 2017	DECEMBER 2016	Variation (%)	DECEMBER 2017	DECEMBER 2016
IBERIA	6,960.2	6,704.5	3.8%	511.5	535.9	-4.6%	93.7%	94.5%
SPAIN	6,820.6	6,564.3	3.9%	515.0	535.0	-3.7%	93.4%	94.2%
PORTUGAL	139.6	140.2	-0.4%	(3.5)	1.0	--	112.1%	106.3%

Figures in millions of euros

Written premiums in key lines



Figures in millions of euros

Excellent performance of premiums in IBERIA, with 3.8 percent growth.

Non-Life premiums grew by 3.2 percent, and reflect the positive development of the Auto, Health, and Third Party Liability business and the majority of the Non-Life personal and commercial lines. This compensated for lower issuing in Combined Agricultural Insurance (SAC).

Life premiums picked up by 5.2 percent, thanks to the bancassurance savings line. This growth is especially noteworthy, keeping in mind that in 2016 a group savings policy was issued for the amount of 133 million euros, without any similar operations having been recorded in 2017.

The market shares in Spain* and Portugal at December and September 2017, respectively, are shown below:

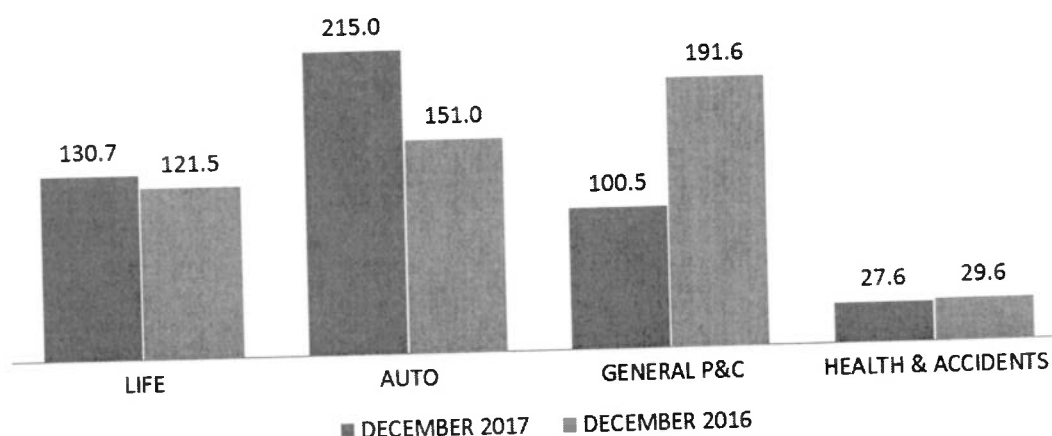
SPAIN	Dec-17	Dec-16
Automobile	20.0%	19.9%
Health	6.4%	6.4%
Other Non-Life	14.3%	15.0%
Total Non-Life	14.3%	14.5%
Total Life	6.5%	6.3%
TOTAL	10.7%	10.5%

* Estimated market shares, using data published by ICEA, which only takes into account written direct insurance premiums. The figures include premiums written by MAPFRE GLOBAL RISKS.

PORTUGAL	Sep-17	Sep-16
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Automobile	2.4%	3.3%
Total Non-Life	2.0%	2.7%
Total Life	0.8%	0.7%
TOTAL	1.3%	1.4%

Result



Figures in millions of euros

IBERIA's attributable result reached 511.5 million euros with fall of 4.6 percent compared to the previous period. It is important to bear in mind that last year, this region registered a significant gain of 88 million euros net of taxes in the third quarter of the year, from the sale of MAPFRE tower.

The technical result of Non-Life business improved as a result of the containment of the loss ratio and the reduction in the expense ratio, which improved thanks to the rigorous cost containment policy in place in recent years in Spain. It is important to highlight the significant improvement in the Non-Life combined ratio, which stood at 90.8 percent at the close of 2017 and the impairment of the General P&C combined ratio, affected by adverse weather conditions.

The Life business shows an important improvement in its result from the cancellation of a reserve for contingent payments in the bancassurance channel totaling 29 million euros before taxes (27.2 million euros after taxes).

86.7 million euros in capital gains on financial investments, net, were recorded (102.2 million to December 2016), mainly in equity.

In the fourth quarter, MAPFRE in Spain implemented an early retirement plan for MAPFRE ESPAÑA, MAPFRE VIDA, and MAPFRE TECH employees, for a cost of 35 million euros.

Finally, in 2017, real estate transactions were made, generating net earnings of 36 million euros in MAPFRE ESPAÑA (88 million euros in 2016 from the sale of Mapfre Tower).

LATAM

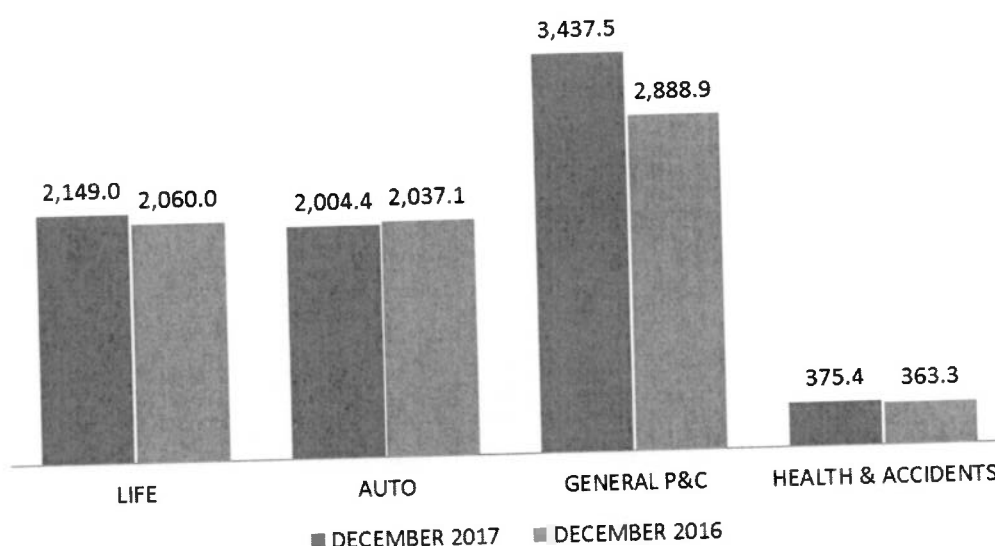
This territorial area comprises the regional areas of BRAZIL, LATAM NORTH, and LATAM SOUTH.

Information by region

ITEM	Premiums			Attributable result			Combined ratio	
	DECEMBER 2017	DECEMBER 2016	Variation (%)	DECEMBER 2017	DECEMBER 2016	Variation (%)	DECEMBER 2017	DECEMBER 2016
BRAZIL	4,546.9	4,392.8	3.5%	125.4	141.3	-11.3%	96.1%	94.2%
LATAM NORTH	1,772.1	1,269.0	39.6%	33.8	34.2	-1.4%	98.0%	102.3%
LATAM SOUTH	1,698.9	1,723.6	-1.4%	70.2	16.5	--	96.9%	99.1%

Figures in millions of euros

Written premiums in key lines



Figures in millions of euros

Premium growth reflects the favorable development of Mexico from the issuing of the PEMEX policy, and of the countries in Central America and Dominican Republic. Additionally, premium volume in Brazil was favored by the appreciation of the Brazilian real against the euro by 3.6 percent.

As at December 2016, MAPFRE was once again in first place in the ranking for Non-Life insurance groups in Latin America, with a market share of 7.6 percent.

The following table shows market shares for direct Non-Life insurance in the main countries in the region:

COUNTRY	Ranking (at Dec-2016)	Market share ⁽¹⁾	Market share date
Argentina	17	2.0%	Sep-17
Brazil	2	13.6%	Nov-17
Chile	6	7.1%	Sep-17
Colombia	8	5.4%	Sep-17
Mexico	7	7.5%	Sep-17
Peru	3	19.6%	Nov-17
Puerto Rico	7	3.3%	June-17

⁽¹⁾ Figures according to the latest available information for each market.

Source: MAPFRE Economic Research, using data from the supervisors in each country.

Results

The attributable result in the LATAM Territorial Area went up at December 2017, as a result of the growth in profits from LATAM SOUTH thanks to the positive development of businesses in Peru and Colombia. On the other hand, the stagnant results of LATAM NORTH originate in the higher loss ratio in the Auto line in Mexico. Brazil presented negative development due to the lower financial result from the fall in interest rates, the increase in acquisition costs and the high combined ratio in Autos.

INTERNATIONAL

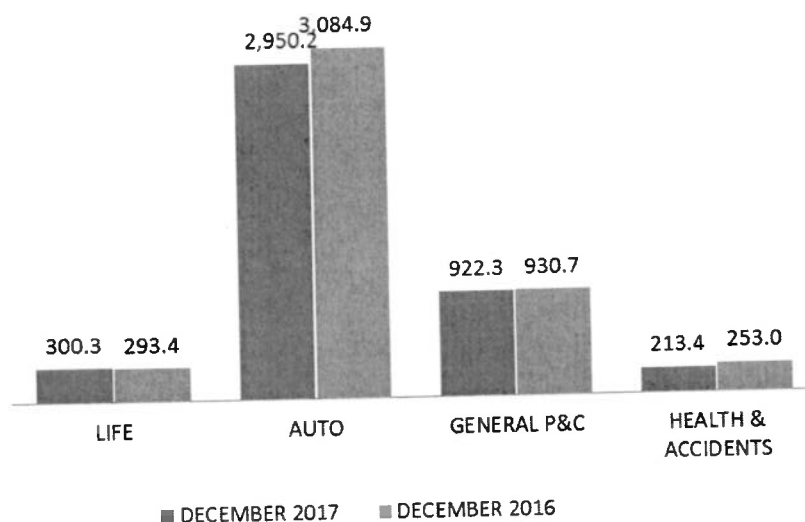
This territorial area comprises NORTH AMERICA and EURASIA.

Information by Area

ITEM	Premiums			Attributable result			Combined ratio	
	DECEMBER 2017	DECEMBER 2016	Variation (%)	DECEMBER 2017	DECEMBER 2016	Variation (%)	DECEMBER 2017	DECEMBER 2016
NORTH AMERICA	2,528.5	2,623.3	-3.6%	48.7	77.3	-37.0%	104.9%	101.0%
EURASIA	1,869.7	1,970.0	-5.1%	39.3	(69.0)	157.0%	100.9%	107.3%

Figures in millions of euros

Written premiums in key lines



Figures in millions of euros

Premiums from INTERNATIONAL fell 3.6 percent in NORTH AMERICA, primarily due to the decrease in business volume outside of Massachusetts, U.S.A. and to lower issuing in Puerto Rico, affected by the catastrophic events of the period. Premiums in EURASIA went down 5.1 percent due to lower issuing in Turkey.

MAPFRE's market shares in the International Territorial Area are shown below, as per the most recently available data for each country.

In the state of Massachusetts (USA), the market shares are as follows:

BUSINESS LINE	MASSACHUSETTS	
	Dec-16	Dec-15
Automobile	22.6%	23.0%
Total Non-Life	11.6%	11.7%
Total Life	0.0%	0.0%
TOTAL	3.2%	3.1%

Source: SNL

In the EURASIA region:

BUSINESS LINE	GERMANY		ITALY		MALTA		TURKEY	
	Dec-16	Dec-15	June-17	June-16	Dec-16	Dec-15	June-17	June-16
Automobile	1.1%	1.1%	2.7%	2.8%	36.2%	28.7%	8.7%	10.2%
Total Non-Life	0.3%	0.3%	1.4%	1.5%	32.5%	27.5%	7.6%	8.3%
Total Life	0.0%	0.0%	0.0%	0.0%	76.0%	70.8%	0.3%	0.3%
TOTAL	0.1%	0.1%	0.3%	0.3%	60.0%	51.1%	6.5%	7.4%

Source: Insurance association in each country

BUSINESS LINE	PHILIPPINES		INDONESIA	
	Dec-16	Dec-15	Sep-17	Sep-16
Automobile	5.3%	5.6%	5.2%	5.6%
Total Non-Life	3.1%	3.2%	2.0%	2.2%
Total Life	0.0%	0.0%	0.0%	0.0%
TOTAL	0.9%	0.8%	0.6%	0.7%

Source: Supervisor in each country

Results

The attributable result in NORTH AMERICA was affected by Hurricanes Irma and Maria, which significantly impacted Puerto Rico, the Virgin Islands, and Florida. The positive evolution of EURASIA's attributable result came from the significant increase in the result in Turkey thanks to rate updates and to the lower loss experience in Auto, as well as lower losses from the business in Italy.

MAPFRE RE

MAPFRE RE is a global reinsurer and is the main reinsurer of MAPFRE Group.

MAPFRE RE offers reinsurance services and capacities, providing all kinds of solutions for reinsurance treaties and facultative reinsurance, in all Life and Non-Life lines.

Key figures

ITEM	DECEMBER 2017	DECEMBER 2016	Variation (%)
Gross written and accepted premiums	4,222.4	4,234.7	-0.3%
- Non-Life	3,565.7	3,586.5	-0.6%
- Life	656.7	648.2	1.3%
Net premiums earned	2,999.7	2,691.8	11.4%
Gross result	221.2	252.8	-12.5%
Tax on profits	(58.6)	(66.8)	-12.3%
Non-controlling interests	0.0	0.0	--
Attributable net result	162.7	186.1	-12.6%
Combined ratio	94.8%	94.0%	0.8 p.p.
Expense ratio	28.6%	29.0%	-0.5 p.p.
Loss ratio	66.2%	65.0%	1.2 p.p.

Figures in millions of euros

Breakdown of premiums:

Breakdown of premium distribution to December 2017 is as follows:

	%		%
By Type of business:		By Ceding company:	
Proportional	80.6%	MAPFRE	44.4%
Non-proportional	13.4%	Other	55.6%
Facultative	6.0%		
By Region:		By Insurance Lines:	
IBERIA	16.3%	Property	49.3%
EURASIA	50.2%	Life & Accident	19.5%
LATAM	17.8%	Motor	21.8%
NORTH AMERICA	15.8%	Transport	3.5%
		Other Insurance lines	5.9%

Results

The net result reached 162.7 million euros, with a 12.6 percent fall due to the catastrophic events of the year, which have an attributable net cost for the Group of 58.2 million euros, with the following breakdown by event:

	MAPFRE RE
Hurricane Harvey	7.0
Hurricane Irma	5.4
Hurricane Maria	25.8
Mexico earthquakes	15.3
Coastal El Niño	4.7
TOTAL	58.2

Figures in millions of euros

It is important to mention the high contribution of MAPFRE RE's non-catastrophic risk portfolios to the result, as the company presents high levels of profitability.

The increase in earned premiums in the fourth quarter of the year comes from a reduction of the provision for unearned premiums, as a result of the change in actuarial estimates for earned premiums in the XL business, based on the additional historic information obtained this year.

The financial result stayed below that of the previous year, from lower realized financial gains. Net realized financial gains to December reached 38.1 million euros, compared to 42.2 million euros the previous year, mainly in equity.

MAPFRE GLOBAL RISKS

This business unit specializes in global insurance programs for large multinational companies (e.g. aviation insurance policies, nuclear risks and energy insurance policies, third party liability insurance policies, fire insurance policies, engineering insurance policies, transport insurance policies and suretyship).

Key figures

ITEM	DECEMBER 2017	DECEMBER 2016	Variation (%)
Gross written and accepted premiums	1,257.4	1,212.2	3.7%
Net premiums earned	333.1	336.1	-0.9%
Gross result	(89.8)	49.9	--
Tax on profits	23.6	(2.7)	--
Non-controlling interests	0.0	0.0	--
Attributable net result	(66.3)	47.3	--
Combined ratio	135.4%	97.5%	37.9 p.p.
Expense ratio	31.1%	27.9%	3.2 p.p.
Loss ratio	104.3%	69.6%	34.7 p.p.

Figures in millions of euros

Premiums

MAPFRE GLOBAL RISKS premiums reached 1.3 billion euros, an increase of 3.7 percent compared to the same period of the previous year. The breakdown by regional area shows growth for the business underwritten in LATAM NORTH and EURASIA, where double-digit premium growth was registered.

Results

MAPFRE GLOBAL RISKS closed 2017 with important losses. The deterioration of the combined ratio, which stood at 135.4 percent, reflects the increase in the loss ratio which reached 104.3 percent (34.7 percentage points above the same period of the previous year). This is primarily due to the catastrophic events that have an attributable net cost of 77.4 million euros, as well as from the larger claims throughout the year, which consist of large claims in: EURASIA, as a result of a fire in a refinery in Abu Dhabi and a claim in an aluminum plant in Oman; and in LATAM NORTH, from the sinking of an offshore power generation platform in Panama.

The breakdown of the attributable net cost for the Group from the catastrophic events that occurred in 2017 is as follows:

	MAPFRE GLOBAL RISKS
Hurricane Harvey	11.3
Hurricane Irma	18.8
Hurricane Maria	16.9
Mexico earthquakes	10.5
Coastal El Niño	19.9
TOTAL	77.4

Figures in millions of euros

There was also a 3.2 percentage point increase in expenses, placing the expense ratio at 31.1 percent at the close of December, due to an increase in acquisition costs, both from market pressure regarding commissions paid to ceding companies as well as from commissions received for retrocession.

The technical result reflects the previously mentioned increase in claims and expenses. The financial result presents net financial gains of 9.4 million euros (19 million euros in the same period of 2016).

SOLUNION performed positively, with growth in premium and results.

Finally, in December 2017, the companies MAPFRE GLOBAL RISK and SOLUNION signed an agreement by means of which MAPFRE GLOBAL RISKS committed to carry out the necessary activity in order for its current surety line clients to renew their policies with

SOLUNION as of January 1, 2018, and as such exiting operations in the surety line, limiting activity to run-off management. The consideration from this agreement has implied an extraordinary result of 5 million euros before taxes for the Group.

MAPFRE ASISTENCIA

MAPFRE ASISTENCIA specializes in travel assistance, roadside assistance, and other special risks of the Group.

Key figures

ITEM	DECEMBER 2017	DECEMBER 2016	Variation (%)
Operating revenue	1,113.5	1,156.3	-3.7%
- Gross written and accepted premiums	983.5	1,066.8	-7.8%
- Other revenue	130.0	89.5	45.3%
Net premiums earned	712.4	804.0	-11.4%
Result from other business activities	(24.4)	(40.9)	40.5%
Gross result	(56.8)	(54.9)	-3.5%
Tax on profits	(10.0)	(0.4)	--
Non-controlling interests	(1.6)	(1.1)	46.6%
Attributable net result	(68.4)	(56.4)	-21.4%
Combined ratio	103.7%	102.0%	1.6 p.p.
Expense ratio	36.6%	31.5%	5.0 p.p.
Loss ratio	67.1%	70.5%	-3.4 p.p.

Figures in millions of euros

Premiums

The reduction in revenue and premiums in the ASISTENCIA unit is primarily a consequence of the current business restructuring. Measures like the cancelation of loss-making business, raising prices, or renegotiating economic conditions with some large clients are being adopted in the Assistance and the Travel Insurance businesses, and this impacts the evolution of revenue and premium growth.

Results

Losses to December 2017 reached 68.4 million euros. Deterioration of the combined ratio, which stood at 103.7 percent, is fundamentally due to the increase in expenses, both in administration as a result of the drop in business volume, as well as acquisition expenses for higher sales costs coming from the increase in business coming from aggregators.

The loss ratio improved, reaching 67.1 percent, 3.4 percentage points below the same period of the previous year, though the ratio is still very high due to the losses coming from the negative run-offs from the Travel Insurance and Specialty Risks businesses in the United Kingdom.

At December, costs were provisioned for the closing and liquidation of various MAPFRE ASISTENCIA service companies for a total net amount of 10.4 million euros, which includes the exit of MAPFRE ASISTENCIA in Japan.

RELEVANT CORPORATE EVENTS

FIRST QUARTER 2017

Annual General Meeting.

Annual General Meeting, at which the main lines of growth for 2017 were established with respect to digital transformation advances, further analysis of the less profitable businesses and support for the distribution network.

In addition to approving the accounts for 2016, shareholders at the general meeting also approved the dividend charged against 2016 profits which totaled 0.145 euros (gross), of which 0.06 euros was paid as an interim dividend. MAPFRE allocated 447 million euros to shareholders against the 2016 results, an increase of 11.5 percent on the previous year.

MAPFRE concluded a subordinated debt issue.

MAPFRE successfully placed 30-year subordinated debt securities, with an option to redeem them in 10 years, totaling 600 million euros, and bearing a fixed interest rate of 4.375 percent over the first 10 years.

SECOND QUARTER 2017

Sale of shares in Duero Vida and Duero Pensiones.

On June 8, 2017 MAPFRE VIDA and Banco CEISS concluded a share sale agreement under which MAPFRE transferred to Banco CEISS all of the shares it held through its subsidiaries MAPFRE VIDA and MAPFRE FAMILIAR representing 50 percent of the share capital of UNIÓN DUERO VIDA and DUERO PENSIONES for a joint price of 141.7 million euros. The definitive closing of the transaction is subject to the authorization of the Directorate General for Insurance and Pension Funds.

As the result of the loss of control over both companies in June, they were recognized at fair value and the balance sheet reflects their net value under assets held for sale. Net book earnings at the end of June totaled 5.8 million euros.

Acquisition of 31 percent of ABDA.

MAPFRE acquired an additional 31 percent interest in the Indonesian insurance company "PT BINA DANA ARTA" (ABDA) on June 12, 2017. The acquisition represents an investment totaling 90.3 million euros and was carried out through MAPFRE INTERNACIONAL, S.A. Since MAPFRE already owned 20 percent of the capital of ABDA, this acquisition gives it a controlling shareholding in the company and control over its management.

MAPFRE recognized the original 20 percent interest it held in that company at fair value, and recognized a positive effect totaling 13.5 million euros net of taxes in the Group's consolidated income statement at the end of June 2017.

Share capital increases at Group companies.

MAPFRE INTERNACIONAL, S.A.: fully paid-up share capital increase totaling 135 million euros, allocated to the acquisition of 31 percent of the shares of ABDA and the payment of the first tranche of the share capital increase carried out by DIRECT LINE Italia.

DIRECT LINE Italia: fully paid-up share capital increases totaling 90 million euros, allocated to covering prior-year losses and to increasing the company's solvency level.

THIRD QUARTER 2017**Catastrophic events in the third quarter.**

MAPFRE filed a relevant event report regarding the impact of the recent exceptionally large and frequent hurricanes Harvey, Irma and Maria on the Atlantic coast of North America and the Caribbean, as well as the earthquakes in Mexico, estimating a net cost after taxes and non-controlling interests of between 150 and 200 million euros, charged against earnings attributable to the year. At the close of the financial year the Group confirmed that the retained cost of these events stood at the lower end of the range, with the net retained cost as at the date of preparation of this report being 156.8 million euros.

ABDA Public Offering.

As a result of assuming control over ABDA in June, MAPFRE formally presented a public offer to acquire shares in accordance with Indonesian legislation. The public offering process for ABDA shares ended in September, with MAPFRE attaining a 62.3 percent interest in that company.

The acquisition of 42.3 percent of ABDA in 2017 gave rise to payments around 121 million euros.

Early repayment of the subordinated debt from July 2017.

On June 24, 2017 MAPFRE made full early repayment of the "1st issue of subordinated bonds by MAPFRE S.A." as was indicated in the Securities Note for the issue of subordinated bonds.

FOURTH QUARTER 2017

Credit portfolio agreement between MAPFRE GLOBAL RISKS and SOLUNION.

In December MAPFRE GLOBAL RISKS and SOLUNION signed an agreement through which MAPFRE GLOBAL RISKS committed to taking the necessary action to ensure that its Credit line clients renewed their policies with SOLUNION as and from January 1, 2018, thereby exiting the Credit line and limiting its activity in that line to managing the run-off.

The consideration related to this agreement involved an extraordinary result of 5 million euros before taxes for the Group.

Share capital increases at Group companies.

During the fourth quarter of 2017, capital increases were carried out at MAPFRE ASISTENCIA S.A. and MAPFRE COLOMBIA SEGUROS GENERALES to the amount of 50 and 11.5 million euros, respectively, allocated to raising the solvency level of both companies.

Business Restructuring in the United States.

On December 1, 2017, MAPFRE announced its plan to restructure its business in the United States, through which it will reduce the presence of its business there by exiting the states of New York, New Jersey, Kentucky, Tennessee and Indiana, with the aim of reaching more profitable growth, in line with the global policy of the Group.

Additionally, MAPFRE will focus its efforts in the key lines of business (Autos and Homeowners), and in the digital transformation of the business, with the launch of Verti USA.

Integration of the Regional Areas EMEA and APAC into EURASIA.

MAPFRE's operations in the regions of EMEA and APAC have been merged into one new region called EURASIA, affecting operations as of January 1, 2018.

ISSUES RELATING TO THE ENVIRONMENT, SECURITY AND EMPLOYEES

Environment

One of the ways in which MAPFRE builds trust with its stakeholders is by promoting a sustainable environment in which to pursue its activities.

In 2017, MAPFRE continued its initiatives to ensure compliance with the commitments assumed in the corporate environment policy approved by the Board of Directors of MAPFRE S.A. and reviewed in 2015 to include new commitments such as biodiversity preservation and the fight against climate change.

MAPFRE carries out Environment Management actions under the guidelines defined by the triple Integrated Environment, Energy and Carbon Footprint System (hereinafter SIGMAYE), in accordance with international standards ISO 14001, ISO 50001 and ISO 14064.

The transversal design and the global nature of the SIGMAYE allows both corporate and specific local objectives to be established, thereby assuring compliance with applicable legislation and providing minimum criteria for compliance in countries in which legislation is less developed.

Group companies at 35 locations in Spain, Brazil, Columbia, Mexico, Puerto Rico, Paraguay, Portugal, Argentina and Chile have already obtained environmental certificates. In 2017 the Corporate Environment Management System was adapted to the new requirements established by the Standard UNE-EN-ISO 14001:2015 in those countries.

The expansion of the scope of UNE-EN-ISO 14064 continues and the carbon footprint of the companies located in Spain, Puerto Rico, Colombia and Portugal has been verified.

The execution of the actions defined in the Energy Efficiency and Climate Change Strategic Plan has continued with the objective of reducing the Group's emissions by 20 percent in 2020 and that objective was obtained three years earlier than projected, which has led the company to committing to more ambitious challenges in both the medium and long-term with a 2050 time horizon, at which time it hopes to attain CO₂ neutrality.

For the third year running, the Group's initiatives in this area earned recognition from the CDP (Carbon Disclosure Project) of MAPFRE as a global leader in taking action on climate change, and the Group was included on the CDP Global Climate A-list.

Since joining the Biodiversity Pact included within the Spanish Companies and Biodiversity Initiative, MAPFRE published a report on its 2013-2015 results together

with the rest of the member companies, and it has also continued its work regarding the protection of an endangered species and the preservation of its habitat, choosing the turtle and the Mediterranean Sea for this year.

As part of the integration of the environment into the business in terms of biodiversity protection, the Group has also committed to the initiative led by the UN-supported NGO OCEANA, to protect the oceans and, specifically, to eliminate illegal fishing by not insuring those activities.

That integration of the environment into the business also notably includes the inclusion, free of charge, of Environmental Liability coverage in commercial policies, with more than 152,000 policies benefitting from this action. These steps fall within the United Nations Global Agreement to which MAPFRE has committed.

The company promotes environmental responsibility through Corporate Volunteering and this year it organized the first corporate volunteering day simultaneously throughout the world with the slogan "Everyone for the Environment". More than 1,000 employees in 24 countries, together with their families, performed reforestation tasks in degraded areas, removed trash from beaches and rivers and improved and maintained hiking trails and parks, among other things, demonstrating the commitment of employees in this aspect.

Security

During 2017, work continued to make normal operations possible by adequately protecting MAPFRE's property, plant and equipment and intangible assets in accordance with the provisions of the Security Policy approved by the Board of Directors of MAPFRE S.A. in 2015. This all took place in a particularly complex environment, due to the growing number, sophistication and impact of cyber attacks and the increase in instability in areas in which the Group carries on its business.

Various important corporate projects regarding cyber risks were launched to increase the capability to protect against cyber attacks, seeking a global scope of the actions taken and improved cost efficiencies.

In order to provide added value to the business, expert advice has been provided to define cyber risk insurance products and the Group worked to increase the rollout of digital signature capabilities in more processes, whether internal, with other companies or with our clients.

With the objective of contributing to the sustainability of operations and compliance with our Social Responsibility policy regarding fighting fraud, we continued to tighten our collaboration with the police and security forces and have rolled out early warning

systems for anomalous situations that may potentially be fraudulent, based on the use of the corporate technological platforms that have been developed internally.

We have worked intensely to adapt MAPFRE to the new General Data Protection Regulation in the European Union by developing 16 corporate projects regarding data protection and privacy that cover that adaptation and affect practically all of the processes carried out by Group companies.

We continued to work on the update and improvement of crisis management and business continuity procedures covering the survival (resilience) of operations, as well as the verification of their effectiveness, by testing the various strategies that have been implemented in accordance with the Business Continuity Policy approved by the Board of Directors of MAPFRE S.A in 2015.

In turn, the effectiveness of the resources to handle these situations was tested in MAPFRE's response to real crisis situations resulting from the hurricanes Irma and Maria in the United States, Puerto Rico and the Dominican Republic, the earthquakes in Mexico and Chile or the terrorist attacks in Spain in August, during which the Group was able to respond to the security needs of employees and maintain continuity of service for clients, despite the enormous difficulties those situations created.

Workforce

The chart below shows the headcount at the end of 2017, compared with the headcount for the previous financial year.

CATEGORY	TOTAL NUMBER	
	2017	2016
DIRECTORS (*)	19	20
SENIOR MANAGEMENT	37	48
EXECUTIVES	1,491	1,459
HEADS	4,018	4,196
TECHNICIANS	17,992	18,296
ADMINISTRATIVE ASSISTANTS	12,714	13,001
TOTAL	36,271	37,020

(*) Executive directors of Spanish companies.

The Human Resources area supports the transformation of the business and is responsible for providing the talent that is necessary for success by training

employees. This area is also responsible for guaranteeing a healthy, diverse and collaborative working environment.

Employee management is particularly relevant in a global company such as MAPFRE, and some of the most important aspects are the integration of different generations of employees within the company, maximizing the knowledge of each person; utilizing the benefits afforded by new technologies and social media in human resources processes; reinforcing internal communication to ensure that the MAPFRE strategy, objectives, culture and values reach all employees; designing career plans that are underpinned by a mutual commitment between the company and its workers—on the part of the company, to the professional development of its employees, and on the part of employees, to the strategy and values of the organization; and a firm commitment to the occupational and geographic mobility of employees to ensure that the organization has global versatile teams at its disposal.

The MAPFRE Group applies policies approved by the Board of Directors of MAPFRE S.A. covering all Group employees.

The Diversity and Equal Opportunity Policy is intended to make a public commitment to both gender diversity and functional diversity by attaining a minimum of a 40 percent female headcount in management and executive positions throughout the world by 2018. This has resulted in the definition of a global action framework to strengthen equality in all employee management processes.

The Group is also firmly committed to the inclusion of people with disabilities in the workforce, and by 2018 this collective will make up 2 percent of the headcount. Since 2015, the Group has had a Global Disability Program in place that has been implemented in every country, and it includes measures to promote integration and a culture of awareness.

MAPFRE does business all over the world and its employees come from 81 nationalities, giving the Group great cultural diversity and providing it with the talent it needs to manage its business.

The Personal Respect Policy guarantees a working environment that does not tolerate any manifestation of harassment or violent or offensive behavior against the rights and dignity of others. The Group expressly opposes and does not tolerate any harassment in the workplace, regardless of the identity of the victim or the harassing person. This commitment must be complied with in relationships among employees, and in those relationships between employees and providers, clients, collaborators and other stakeholders, and it also extends to all of the organizations with which MAPFRE works.

The Promotion, Selection and Mobility Policy encourages professional development opportunities for employees in order to increase their employability, their professional satisfaction and their commitment to the company.

In 2017, international mobility enabled 108 employees to relocate their job positions to another country.

Furthermore, the employee collaboration spaces set up on the corporate Intranet facilitate access to diverse teams while promoting creativity and the sharing of ideas and good practices.

Events involving the various generations continued in 2017, which also saw the launch of the global mentoring program.

The company's objective is to encourage a teamwork culture while working in collaboration within an agile organization. MAPFRE has a universal task and job map for global use, which assists in the definition of strategic profiles and knowledge within the organization. The Group is also working on the global implementation of flexi-time, technological mobility and process and objective-based work.

The Remuneration Policy is intended to set appropriate pay levels for each function and job and performance by professionals, and to serve as a source of motivation and satisfaction for staff, thus encouraging them to reach their objectives and deliver on MAPFRE's strategy. That policy also guarantees equality, internal and external competitiveness in each market, and forms part of the internal development of employees.

Performance Evaluation allows employees to be aware of their objectives and receive continuous feedback regarding their work performance, while improving communications with their manager, and reaching consensus regarding an action plan focusing on their professional development. In 2017, evaluations were completed on 30,666 employees, representing 84.5 percent of the workforce.

The objective of the Policy on Health, Well-being and Prevention of Occupational Risks is to protect and promote a safe and healthy workplace and improve the health of our employees and their families, both within and beyond the workplace.

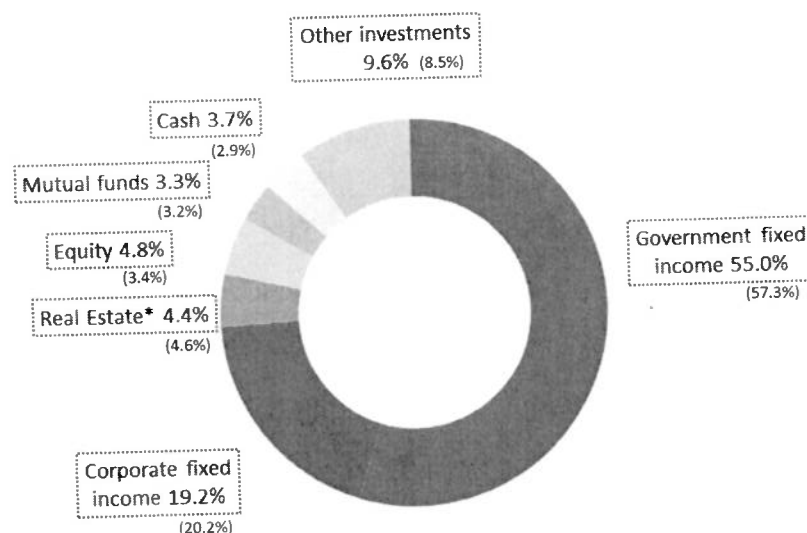
To facilitate the well-being and work-life balance, MAPFRE offers its employees a wide range of company benefits, which accounted for an investment of 180.5 million euros in 2017.

The employee experience area was created at corporate level over the course of 2017 and it includes well-being and health, volunteering, actions related to Great Place to Work and internal communications with employees.

LIQUIDITY AND CAPITAL RESOURCES

INVESTMENTS AND LIQUID FUNDS

Below, details of the investment portfolio by asset type are given:



ITEM	DECEMBER 2017	DECEMBER 2016	Variation (%)
Government fixed income	27,388.4	28,390.2	-3.5%
Corporate fixed income	9,572.6	10,009.6	-4.4%
Real Estate*	2,171.4	2,277.8	-4.7%
Equity	2,400.9	1,665.3	44.2%
Mutual funds	1,631.4	1,574.4	3.6%
Cash	1,864.0	1,451.1	28.5%
Other investments	4,767.4	4,187.7	13.8%
TOTAL	49,796.0	49,556.0	0.5%

Figures in millions of euros

*"Real Estate" includes both investment property and real estate for own use

Breakdown of Fixed Income portfolio by geographic area and by asset type follows:

ITEM	Government	Total Corporate Debt	Corporate without collateral	Corporate with collateral	Total
Spain	15,999.8	2,198.5	921.9	1,276.6	18,198.3
Rest of Europe	4,226.1	4,067.8	3,483.5	584.3	8,293.9
United States	1,317.8	2,348.5	2,266.0	82.5	3,666.3
Brazil	3,367.6	1.8	1.8	0.0	3,369.4
Latin America - Other	1,797.5	659.9	608.4	51.4	2,457.4
Other countries	679.5	296.2	283.7	12.5	975.7
TOTAL	27,388.4	9,572.6	7,565.3	2,007.3	36,961.0

Figures in millions of euros

Four different types of portfolios are included in investment portfolio management:

- Those that aim for a strict immunization from the obligations derived from insurance contracts, and which minimize interest rate risk, through matching adjustments, by means of immunization techniques based on matching cash flow or duration.
- Portfolios that cover unit-linked policies composed of assets whose risk is borne by policyholders.
- Those that aim to exceed the guaranteed returns and to obtain greater returns for policyholders within prudential parameters, such as portfolios with profit-sharing.
- Actively managed portfolios, which are only conditioned by the legal rules and internal risk limitations.

A Breakdown of actively managed Fixed Income portfolios follows:

ITEM	Market Value	Accounting Yield	Market Yield	Modified Duration
Non Life (IBERIA + MAPFRE RE + GLOBAL RISKS)				
12.31.2016	7,569.0	2.70%	1.30%	6.44%
03.21.2017	7,700.4	2.42%	1.19%	6.49%
06.30.2017	7,221.1	2.68%	1.33%	6.41%
09.30.2017	7,196.7	2.60%	1.28%	6.37%
12.31.2017	7,187.1	2.59%	1.23%	6.35%
Life (IBERIA)				
12.31.2016	6,738.0	4.10%	1.00%	7.14%
03.21.2017	6,889.4	4.01%	1.15%	7.03%
06.30.2017	6,549.0	4.08%	1.15%	7.19%
09.30.2017	6,337.4	4.09%	1.06%	6.89%
12.31.2017	6,277.1	4.10%	1.01%	6.84%

Figures in millions of euros

For MAPFRE, as on December 31, the actively managed portfolios in Iberia, MAPFRE GLOBAL RISKS and MAPFRE RE had unrealized net gains in assets and mutual funds of 130 million euros.

Real estate

The real estate strategy for 2017 focused on divesting from non-strategic assets. A prudent attitude has been adopted with respect to investments in new assets, since the capitalization rates for the top-tier property segment are very low and an increase in interest rates in 2018 could affect the value of the acquired portfolios or assets. The target product segment is office buildings in city centers, with high occupancy rates and leased out over the long-term.

In 2017, approval was given for the creation of a group investment vehicle located in Luxembourg, with underlying real estate assets, which will be managed by MAPFRE INVERSIÓN, and will focus on office buildings in Paris, Germany and the Netherlands.

Divestments totaling approximately 130 million euros took place during the year, of which 124.5 million euros relate to the Iberia Regional Area. Notable sales included land in Valdemarín (Madrid) for 5.5 million euros, the Luchana building in Madrid for 72 million euros, and two plots of land in Palma de Mallorca for 22.5 million, together with smaller assets for a total of 24.5 million euros. All together, these operations by the Iberia Regional Area generated gains in excess of 65 million euros.

Investments were also made to improve the buildings held in the portfolio.

Construction work at Calle Sor Ángela de la Cruz in Madrid totaling 8 million euros - where the Madrid Regional General Management is located was completed. Similarly, the property at Plaza de la Independencia was refurbished at a cost of 7.39 million

euros, and 70 percent of the usable space has now been leased. Remodeling work commenced at the facilities located on Calle Mateo Inurria, which are fully leased to the Ministry of Finance for 5.04 million euros per year, while the improvements to the offices at Calle General Perón continue, with the investment made in 2017 totaling 5.81 million euros.

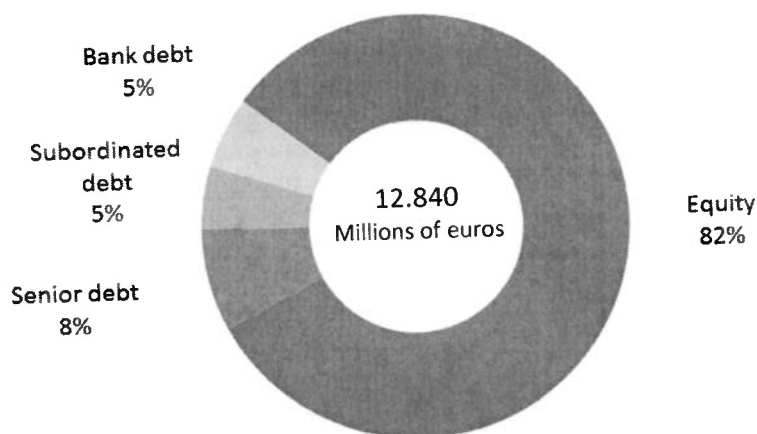
Furthermore, work continued at the Torre de Barcelona, where expenditure totaled 22 million euros in 2017, with completion expected in March 2018.

At the close of 2017, the market value of MAPFRE's real estate investments amounted to 2,945 million euros, with unrealized gains in excess of 750 million euros. Of the total, approximately 58 percent corresponds to own-use facilities and 42 percent to for-profit facilities, either for lease or sale to third parties. The occupancy rate of the buildings leased to third parties is 83 percent, and there are currently more than 7,500m² being refurbished for repositioning in the market from 2018 on.

CAPITAL RESOURCES

Capital structure

The chart below shows the composition of the capital structure at the close of 2017:



Figures in millions of euros

Capital structure reached 12.8 billion euros, of which 82 percent corresponds to equity.

The Group has a leverage ratio of 18.1 percent, with an increase of 2 percentage points as a result of the two debt issuances carried out in 2016 and 2017.

In May 2016, 1 billion euros of senior 10-year bonds were issued, with a fixed interest rate of 1.625 percent.

In March 2017, MAPFRE successfully placed the notes of a 30-year subordinated bond, with a call option at ten years, for a total of 600 million euros, with a fixed interest rate set at 4.375 percent for the first ten years. The funds coming from this transaction were used to further strengthen the Group's financial flexibility, and diversify its financing sources, as well as to redeem in advance the total amount of the "First Issue of Subordinated Notes of MAPFRE S.A." on July 24, 2017, which is the first call date set out in the Securities Note for the issuance of subordinated notes.

This issuance is considered to be Solvency II compliant Tier 2 capital, thus reinforcing MAPFRE's solvency and financial strength levels. The notes are currently quoted on the AIAF market.

MAPFRE has a 1 billion-euro line of credit available which was approved in December 2014, by a syndicate of 11 banks, which matures in December 2021 and of which 600 million euros were drawn down at December 31, 2017. Therefore, the Group has an additional 400 million euros of liquidity available.

Debt instruments and leverage ratios

The following chart shows the evolution of the Group's debt instruments and leverage ratios:

ITEM	DECEMBER 2017	DECEMBER 2016
Total Equity	10,512.7	11,443.5
Total debt	2,327.4	2,202.9
- of which: senior debt - 5/2026	1,003.3	1,002.5
- of which: subordinated debt - 7/2017	0.0	594.0
- of which: subordinated debt - 3/2047 (First Call 3/2027)	617.4	0.0
- of which: syndicated credit facility - 12/2021 (€ 1,000 M)	600.1	480.1
- of which: bank debt	106.7	126.3
Earnings before tax	1,508.7	1,805.2
Financial expenses	90.1	64.1
Earnings before tax & financial expenses (EBIT)	1,598.8	1,869.2
Leverage	18.1%	16.1%
Equity / Debt	4.5	5.2
EBIT / financial expenses (x)	17.7	29.2

Figures in millions of euros

Equity attributable to the controlling Company

The following chart shows changes in equity attributable to the controlling Company in the year:

ITEM	DECEMBER 2017	DECEMBER 2016
BALANCE AT 12/31 PREVIOUS YEAR	9,126.5	8,573.7
Additions and deductions recognized directly in equity		
Financial assets available for sale	(285.5)	192.4
Currency conversion differences	(639.1)	264.4
Shadow accounting	254.2	(189.1)
Other	(2.7)	(0.8)
TOTAL	(673.1)	266.9
Result for the period	700.5	775.5
Dividends	(446.7)	(400.3)
Other changes in net equity	(96.0)	(89.2)
BALANCE AS AT PERIOD END	8,611.3	9,126.5

Figures in millions of euros

Consolidated equity amounted to 10.5 billion euros as on December 31, 2017, as compared to 11.4 billion euros as on December 31, 2016. Of this amount, 1.9 billion euros correspond to non-controlling interests' shares in subsidiaries, primarily financial entities in Spain and Brazil that MAPFRE has bancassurance agreements with. Consolidated equity attributable to the controlling Company per share was 2.8 euros as on December 31, 2017 (2.96 euros as on December 31, 2016).

Equity attributable to the controlling Company in 2017 includes:

- A net reduction of 286 million euros in the market value of the assets available for sale portfolio mainly due to the rise in interest rates in Spain with respect to the amount at the close of December, 2016. Of this, a significant amount corresponds to investments related to Life portfolios linked to products with profit sharing, and therefore are recognized as a greater equity value by shadow accounting.
- A reduction of 639 million euros for currency conversion differences, primarily due to the depreciation of the US dollar, the Brazilian real and the Turkish lira over the course of the year.
- Profits to December 2017.

- A reduction of 447 million euros equivalent to the distribution of the final dividend from the 2016 period and the interim dividend paid against 2017 earnings.

The evolution and breakdown of the equity items attributable to the controlling Company are shown below:

ITEM	DICIEMBRE 2017	DICIEMBRE 2016	DICIEMBRE 2015
Capital, retained earnings and reserves	8,763.6	8,614.0	8,299.7
Treasury stock and other adjustments	(41.3)	(46.9)	2.1
Net capital gains (financial investments - technical provisions)	619.7	651.0	627.7
Foreign exchange differences	(730.7)	(91.6)	(355.8)
Attributable equity	8,611.3	9,126.5	8,573.7

Figures in millions of euros

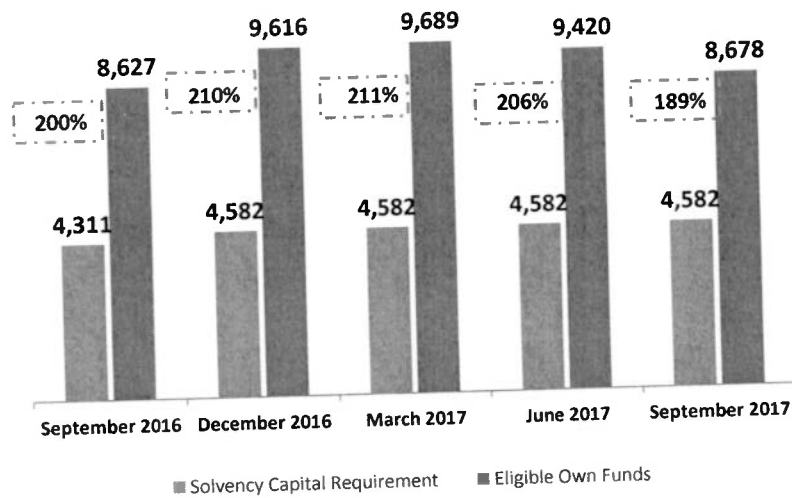
Given the hyperinflationary situation of the Venezuelan economy, and in order to improve the true and fair representation of the financial statements, the Group has decided to present in one sole reserves account all of the equity effects deriving from the hyperinflation in Venezuela, like the currency conversion differences generated from converting the financial statements of the Group companies operating in Venezuela to euros, and the restatement for inflation of their financial statements. So that the information is comparable, the information reflected in the consolidated annual accounts from the previous year has been restated. As such, the heading for foreign exchange differences no longer includes the currency conversion differences originating in Venezuela.

SOLVENCY II

The Solvency II ratio for MAPFRE Group stood at 189.4 percent at the close of September 2017, compared to 205.6 percent at the close of June, including transitional measures. This ratio would be 170.5 percent, excluding the effects of said measures. Eligible Own Funds reached 8.7 billion euros in the same period, of which 93 percent are high quality funds (Tier 1).

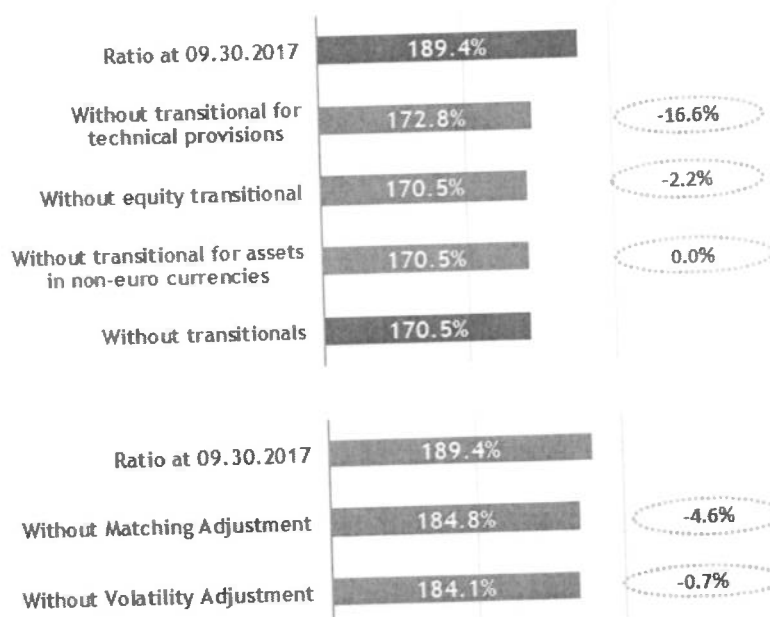
The reduction in the ratio is mainly due to the redemption, this past July 24, of the subordinated debt issued in July 2007. The ratio shows a high level of solidity and stability, backed by high diversification and strict investment and ALM policies, as can be seen in the charts below:

Solvency margin breakdown (Solvency II)

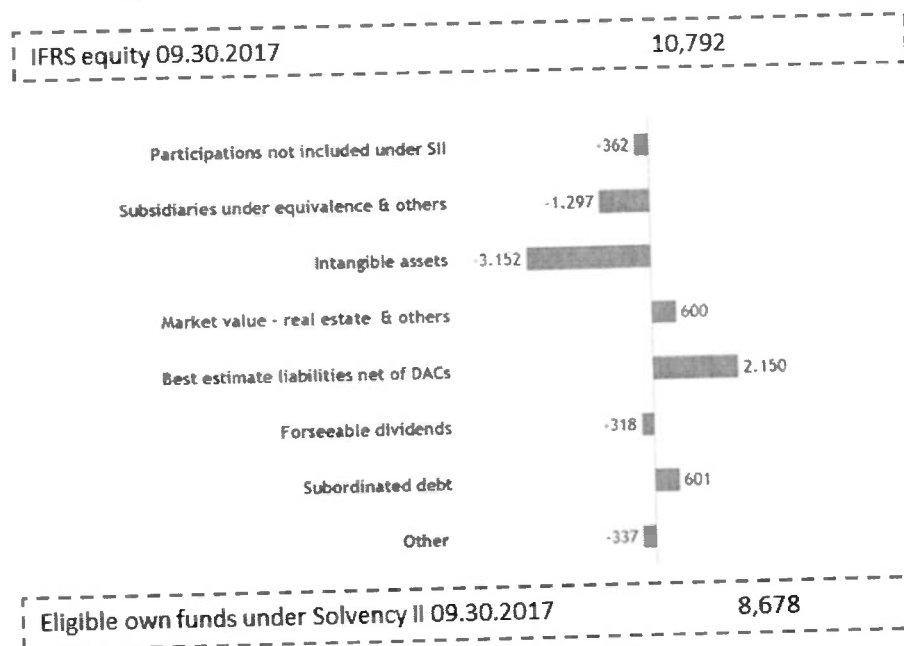


Figures in millions of euros

Impact of transitional measures and matching and volatility adjustments



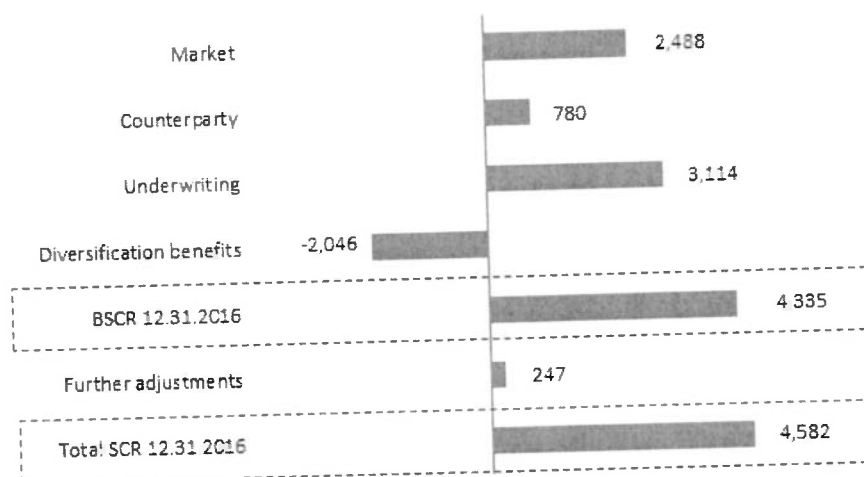
IFRS and Solvency II Capital Reconciliation



Figures in millions of euros

Breakdown of Solvency Capital Requirement (SCR)

In line with Solvency regulations, the SCR used during the quarters of 2017 does not vary with respect to the calculations in December 2016. The breakdown is as follows:



Figures in millions of euros

ANALYSIS OF CONTRACTUAL OPERATIONS AND OFF-BALANCE SHEET OPERATIONS

At the close of the year MAPFRE had the following formal agreements for the development and distribution of insurance products in Spain with different companies, some of which have undergone, or are currently immersed in, processes related to the restructuring of the banking system:

- Agreement with BANKIA, S.A. in relation to the strategic partnership begun in 1998 with its predecessor CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID. The contract was reworded in 2014 by including a new agreement for the exclusive distribution of MAPFRE Life and Non-Life insurance through the entire BANKIA sales network (hereinafter the "Agreement") and the continued joint participation in BANKIA MAPFRE VIDA (previously called MAPFRE-CAJA MADRID VIDA), which specializes in marketing Life insurance through the aforementioned sales network. The Agreement reached between MAPFRE and BANKIA involves the restructuring of the bancassurance business and includes an assurbanking agreement through which MAPFRE will distribute BANKIA financial products through its sales network.

The Agreement also involved the purchase in 2014 of 51 percent of shares in ASEVAL and LAIETANA VIDA and 100 percent of shares in LAIETANA GENERALES, for an overall price of 151.7 million euros.

The final economic value of the Agreement will depend on the future level of compliance with the agreed Business Plan.

- Agreement with BANCO CASTILLA-LA MANCHA, S.A. (as the successor to the banking and para-banking activity of CAJA CASTILLA-LA MANCHA) for the exclusive distribution of personal insurance and pension schemes of the jointly-owned company CCM VIDA Y PENSIONES (of which MAPFRE owns 50 percent) through the company's network.

The acquisition price for the shares was 112 million euros in cash, plus additional payments to be made in 2012 and 2021. In 2012 the sum of 4.5 million euros was paid to CAJA DE AHORROS CASTILLA LA MANCHA (now BANCO CASTILLA-LA MANCHA), and an additional sum of 14 million euros will be paid in 2021.

- Agreement with BANKINTER S.A. for the exclusive distribution of Life and Accident insurance and pension schemes of the jointly-owned company BANKINTER SEGUROS DE VIDA (of which MAPFRE owns 50 percent), through the bank's sales network.

The acquisition price for the shares was 197.2 million euros in cash, plus two payments of 20 million euros each plus interest to be paid, in light of the degree

of compliance with the business plan, in the fifth and tenth year of said plan. In 2012, the degree of compliance with the plan led to payment of the first additional amount, namely 24.2 million euros. During 2017 the second payment of the additional variable price of 20 million euros plus interest was made.

On April 1, 2016 BANKINTER SEGUROS DE VIDA, owned 50-50 by BANKINTER and MAPFRE, purchased the insurance business of BARCLAYS VIDA Y PENSIONES in Portugal for the sum of 75 million euros.

- Agreement with BANKINTER, S.A. for the exclusive distribution of general and business insurance (excluding Automobile, Travel and Home insurance) for the jointly-owned company BANKINTER SEGUROS GENERALES (of which MAPFRE owns 50.1 percent), through the bank's sales network.

The acquisition price of the shares was 12 million euros in cash (in addition to payment of 3 million euros for the purchase of shares on December 27, 2011), plus an additional 3 million euros to be paid in the event of full compliance with the "December 2012 Business Plan" by the end of 2015. This additional price has not accrued due to non-compliance with this Business Plan.

- Agreement with BANCO DE CAJA ESPAÑA DE INVERSIONES, SALAMANCA Y SORIA, S.A. (as successor to the banking and para-banking business of CAJA ESPAÑA DE INVERSIONES, SALAMANCA Y SORIA, CAJA DE AHORROS Y MONTE DE PIEDAD, which in turn had succeeded CAJA DE AHORROS DE SALAMANCA Y SORIA (CAJA DUERO)), for the exclusive distribution of Life and Accident insurance and pension schemes of the jointly-owned companies UNIÓN DEL DUERO COMPAÑÍA DE SEGUROS DE VIDA (DUERO VIDA) and DUERO PENSIONES ENTIDAD GESTORA DE FONDOS DE PENSIONES (DUERO PENSIONES) (of which MAPFRE owns 50 percent) through the company's network.

The acquisition price for the shares was 105 million euros in cash, plus one payment of a maximum 25 million euros depending on the degree of compliance with the agreed business plan in the period 2008-2014. This payment was finally made on July 26, 2016.

However, in June 2017 MAPFRE and BANCO DE CAJA ESPAÑA DE INVERSIONES, SALAMANCA Y SORIA, S.A. concluded a share sale agreement under which MAPFRE will transfer to that Bank all of the shares it holds through its subsidiary MAPFRE VIDA representing 50 percent of the share capital of the companies UNIÓN DUERO VIDA and DUERO PENSIONES, which were sold for a joint price of 141.7 million euros.

Final confirmation of the transaction is pending authorization from Insurance Directorate General, at which point the shares will be transferred and paid for.

Furthermore, MAPFRE has signed shareholder agreements on standard business terms, including prohibitions on transfer of shares during certain periods and options to withdraw under certain conditions (for example, failure to achieve the Business Plan, change of control, company blocks or serious contractual non-performance, etc.).

Meanwhile, MAPFRE and BANCO DO BRASIL entered into a strategic partnership through the constitution of two holding companies (BB-MAPFRE, for the Life and Agriculture business, and MAPFRE-BB, for the Automobile and General Insurance business), which comprise the insurance subsidiaries of both groups in Brazil and distribute their products through the bank's network as well as through other distribution channels, including MAPFRE's traditional channels.

In addition, MAPFRE and EULER HERMES signed an agreement for the constitution of a strategic partnership to jointly pursue the Surety and Credit insurance business in Spain, Portugal and Latin America. Under this agreement, both companies hold a 50 percent stake in a joint venture called SOLUNION, integrating the businesses of both groups in the aforementioned markets. SOLUNION covers risks in countries all around the world and has an international network of risk analysts located in more than 50 countries that continuously monitor the situation regarding the risks of their insureds, in addition to an extensive distribution network in countries in which it is present.

Lastly, the non-controlling shareholders of MAPFRE RE have a put option on the shares of this company. If exercised, MAPFRE or a MAPFRE Group company would have to acquire the shares from the selling minority shareholder. The purchase price for the MAPFRE RE shares will be calculated using a previously agreed formula. At December 31, 2017, based on the variables included in the aforementioned formula, the commitment assumed by MAPFRE if this option were exercised would amount to a total of approximately 100.9 million euros.

MAIN RISKS AND UNCERTAINTIES

MAPFRE's risk management system (RMS) is based on the integrated management of each and every business process and the alignment of risk levels to the defined strategic objectives.

OPERATIONAL RISKS

Regulatory risk

Regulatory risk is defined as the event comprising a change in regulations, law or administrative procedures that could adversely affect the Group.

In recent years, the legislative framework to which the insurance industry adheres has been expanding, with new regulations both internationally and locally. It should be borne in mind that the Group works in a complex environment under increasing regulatory pressure, not only in the insurance sector, but also insofar as matters including technology, corporate governance or corporate criminal responsibility are concerned.

The Group's insurance subsidiaries are subject to special regulation in the countries in which they operate. The supervisory authorities have broad administrative control over various aspects of the insurance business. This control may affect premium amounts, marketing and sales practices, the distribution of profits among policyholders and shareholders, advertising, license agreements, policy models, solvency, capital requirements, and permitted investments. Changes in taxation may affect the benefits of certain products marketed by the company or its subsidiaries which currently enjoy favorable tax treatment.

Operational risk

Operational risk is defined as the risk of withstanding losses due to the inadequacy or insufficiency of internal processes, personnel or systems; or external events.

The operational risk management model is based on a dynamic qualitative and process-based analysis of the company, whereby the managers of the different areas and departments identify and assess the potential risks affecting both business and support processes. MAPFRE has systems in place to monitor and control operational risk, although despite the fact that the results of the analysis performed in 2017 do not show any process to be at a critical level, the possibility of incurring operating losses cannot be excluded, given the difficulty of forecasting and quantifying this type of risk.

Client concentrations

The Group has a high degree of insurance risk diversification since it operates in virtually all insurance lines and has a broad presence in international markets. MAPFRE applies procedures and limits that allow it to control the level of concentrated insurance risk.

It is standard practice to use reinsurance contracts to mitigate the insurance risk arising from the concentration or accumulation of guarantees exceeding the maximum acceptance levels.

FINANCIAL RISKS

Market and interest rate risks

Fluctuations in market prices may reduce the value of or revenues from the investment portfolio, which in turn may have a negative impact on the Group's financial situation and consolidated results.

Prudent selection of financial assets with adequate characteristics to cover the obligations assumed is the principal measure for mitigating the possible adverse effects of variations in market prices. In managing investment portfolios, the Group differentiates between those which are aimed at matching the obligations arising from insurance contracts and those where active management is undertaken. In the former type, interest rate risk and other price variation risks are minimized, while in the latter a certain degree of market risk is assumed.

MAPFRE mitigates its exposure to this type of risk by means of a prudent investment policy characterized by a high proportion of investment-grade fixed-income securities. Investments in fixed-income securities represent 88 percent of the entire financial investment portfolio in 2017 (90.3 percent in 2016). The market price of the securities may fluctuate as a result of changes in interest rates (interest-rate risk), the exposure to which is mitigated by searching for an adequate level of matching between assets and liabilities.

During 2017, historically low interest rates continued to feature in several markets. A scenario of interest rate hikes in 2018 would have reduced impact on equity due to the use of matching adjustment techniques, but would have a positive effect on new business by making Life savings products more attractive.

The market price of fixed-rate securities may also fluctuate due to changes in the perception of the solvency margin of issuers (spread risk), the treatment of which is explained in the section on Credit Risk.

Investments in equities and mutual funds have a limited weight on the balance sheet, representing approximately 9.6 percent of all financial investments in 2017 (7.6 percent in 2016).

Fluctuations in returns on equities also influence consumer behavior, which may have a significant impact on the Life insurance and asset management business.

Revenues from MAPFRE's Life insurance and asset management operations are directly related to the value of the assets managed (whether fixed income or equities), which means that a fall in markets could have a negative impact on these revenues.

Exchange rate risk

Changes in the value of the euro affect the value of the Group's assets and liabilities, and, therefore, its equity, operating results and cash flows. The currency conversion differences recorded resulted in the negative recognition of 639.1 million euros in 2017 (a positive result in shareholders' equity of 264.4 million euros in 2016).

While most governments of the countries in which MAPFRE operates have not imposed bans on repatriating dividends or capital divestment, restrictive exchange control policies may be established in the future. The Group studies the best alternatives to mitigate the impact of the volatility of the Group's most important currencies.

Turning to technical provisions for operations abroad, the Group generally applies a policy of investing in assets denominated in the same currency as the commitments acquired by the insurer, thereby mitigating the exposure to exchange rate risk.

CREDIT RISK

Returns on investments are also sensitive to changes in the general economic conditions, including variations in the general credit rating of debt security issuers. Accordingly, the value of a fixed-income instrument may be reduced by changes to the credit rating or insolvency of the issuer. There are similar risks in exposures to insurance, reinsurance and banking counterparties.

Exposure to credit risks is mitigated through a policy based on the prudent selection of security issuers and counterparties on the basis of their solvency; seeking i) an elevated degree of geographic correspondence between issuers of assets and the commitments assumed, ii) maintenance of an appropriate level of diversification, and iii) securing, if necessary, guarantees, collateral and other additional coverages.

The credit risk management policy establishes limits by issuer in line with the risk profile of the counterparty or of the investment instrument, as well as exposure limits related to the counterparty's rating.

LIQUIDITY RISK

Liquidity risk is mainly managed by maintaining cash balances of an amount sufficient to cover any contingency arising from obligations to insured parties and creditors. Thus, at December 31, 2017 cash balances amounted to 1,864 million euros (1,451 million euros the previous year), equivalent to 3.8 percent of total investments and

liquid funds (3 percent in 2016). Meanwhile, in Life and Savings insurance, the maturities of investments are matched to the obligations entered under the terms and conditions of insurance contracts in order to mitigate the exposure to this type of risk.

In addition, most fixed income investments are of investment grade and are negotiable on organized markets, affording great capacity to act against potential liquidity strains. There are also lines of credit in place with banks to cover temporary liquidity gaps.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RISKS

The concept of sustainability is founded on three fundamental pillars: economic, social and environmental development. As such, effectively managing the risks and business opportunities associated with environmental, social and governance (ESG) aspects is key to contributing to sustainable development.

MAPFRE's business model and strategy are examples of how the company tackles global sustainability challenges, manages ESG risks and innovates in the development of insurance products and solutions that benefit both clients and the societies in which the company operates.

Management of ESG risks assists with decision-making in important areas such as underwriting, investment, innovation in products and services and reputation management, and this is why risk management is naturally integrated into the Group's established management and control processes.

ADDITIONAL INFORMATION

Note 7, "Risk Management", of the Consolidated Annual Report includes detailed information about the different types of risk that affect the Group.

SIGNIFICANT EVENTS AFTER THE YEAR END

MAPFRE and Banco do Brasil have signed a non-binding memorandum of understanding on February 6, 2018 to update the terms of their strategic alliance in the insurance business. The redefinition of these agreements would result in an increase in MAPFRE's shareholding in its businesses in Brazil, which would allow it to progress toward a simpler and more efficient governance structure and reduce internal costs, with a significant improvement in productivity and business profitability.

According to the terms of the memorandum, MAPFRE would become the owner of 100 percent (currently 50 percent) of the sum of the business generated by the agency network and the automobile and large risks business in the BB bank channel. The same current shareholder configuration for life and agriculture insurance would be maintained and BB's bank channel homeowners insurance, which BB MAPFRE would

continue to develop, would be incorporated into this same structure, with MAPFRE's shareholding being 25 percent.

MAPFRE would maintain exclusivity in the Banco do Brasil bank channel for all the businesses falling within the scope of the alliance, both those that it underwrites directly as well as those distributed through BB MAPFRE.

INFORMATION ON EXPECTED PERFORMANCE

OUTLOOK

Global growth is expected to be around 3.7 percent in 2018, which is slightly ahead of that seen at the end of 2017. This figure is higher than last year's forecast and is the result of verifying that global growth has gained traction and synchronicity, although it also shows signs of stabilization.

Both developed and emerging markets will contribute to global growth in a similar manner. Developed markets are expected to gain some steam and grow by more than 2 percent in 2018, and emerging markets will accelerate with growth above that seen in 2017 (4.6 percent).

The growth in developed markets is based on the gradual convergence between reality and market optimism, and the lax monetary context throughout the world, despite the start of the normalization of the Federal Reserve in the United States and the notifications provided by the European Central Bank (ECB). The inertia in global demand resulting partly from past fiscal expansion in China must be added to this scenario. In the future, there will also be an undeniable fiscal push as a result of the tax cuts in the United States, which will have an effect during the period 2018-2020. Emerging markets will still be supported by the vigorous Chinese economy and, in general, by the effect of global demand in a context of rising commodity and oil prices (Brent at \$60/barrel), which will support the growth of income and internal demand in emerging exporting countries.

Global growth will be close (although still below) the long-term trend, which may carry upward risks. Economic growth is not sufficiently strong to translate into an acceleration of inflation. The spike in global inflation that will be seen in 2018 will be due more to an increase in oil prices than salary gains (and the consequent increase in inflation expectations). The inflation environment is still far from the objectives set by central banks, whether by default (in the case of developed countries) or due to excesses (in the case of emerging countries).

The economic cycle and inflation objectives will set the global monetary policy tone in 2018 during which, in general, gradual changes are expected to rule. The global benchmark interest rate will rise very slowly. In 2018 monetary policy will still preserve its global financial impact in the form of abundant liquidity, risk appetite, low rates and low term premiums, which will lead to a stabilized dollar at around 1.20 euros and only slightly higher against emerging currencies.

The global economy will reflect vulnerabilities that may reduce its capacity to take on emerging risks. Growing corporate leveraging (in strong currencies) in emerging countries exposes their capacity to face a foreseeable global liquidity train in US dollars, as the developed economies exhaust their economic policy instruments, whether due to being in a low interest rate environment with no margin for monetary policy, or because excessive government debt limits their capacity to take fiscal action. This also takes place in an environment of relative exuberance in the prices of many assets (equity, corporate debt, housing, crypto-currencies, etc.). This exuberance is encouraged by the extremely liquid environment and the inevitable correction will have to take place after 2018 when the United States economic cycle is exhausted, and the monetary normalization at the Federal Reserve and the ECB gain traction.

Uneven cyclical moments place conditions on the outlook for regional performance and the accompanying monetary policy. The United States is (together with China) the most advanced economy in terms of economic cycles and, as such, it faces a monetary normalization process and the withdrawal of stimulus through the adjustment of the Federal Reserve's balance sheet over the coming years. The sale of \$1.3 trillion in assets on the balance sheet is planned, together with a gradual increase in interest rates to around 3 percent over the next few years, but this adjustment is expected to be extremely gradual. The benchmark rate and inflation are expected to end 2018 at around 2 percent, accompanied by growth of around 2.5 percent, which already includes a spike in the price of oil and the effect of the tax cut approved in December by the United States.

Europe has been (and will be in 2018) the highest growing developed area (in the absence of stimulus) and its cyclical position is still a couple years away from that seen by the United States economy, and therefore the adjustment in the monetary policy has not yet started, despite the fact that the ECB has reported the sequence that it will follow (fewer purchases, increased deposit rates, an increase in rates and asset sales). This is occurring in a context of the highest economic growth seen in a decade, but with inflation-related difficulties. In 2018, slightly slower growth than that seen in 2017 is expected (close to 2 percent), above its long-term trend line. Inflation will still be below the ECB's objective and the benchmark rate will remain flat. The long-term rate

in the Eurozone (the Bund) will remain contained and tightening its spread against the United States, but even so a 1.20 USD/EUR rate is expected.

The outlook for Spain is for it to maintain growth in Europe, but it will be hard to repeat the success seen in 2017. The maturity of the cycle and the cost of political uncertainty make foreseeable growth in 2018 close to 2.3 percent (compared to the 3.1 percent recorded in 2017), but that is still higher growth than shown by the long-term trend line. This forecast has upside risks in the event that the political environment improves and the structural reforms implemented in the past increase the growth margin. The unemployment rate in Spain is already at the structural limit of close to 16 percent.

China will record growth that is still higher than its potential, despite the attempts to apply an orderly cooling of the economy. Growth is expected to be close to 6.2 percent in 2018, with a slight appreciation of the RMB, and in a political scenario that increases the likelihood that important reforms will be applied in the short-term. Countries in the Asian region with a population bonus (Indonesia and Philippines) will maintain a growth path supported by domestic demand, under lax monetary policy and with a certain accumulation of imbalances. Regional growth is expected to exceed 5 percent in both cases.

Latin America will accelerate economic growth to nearly 2 percent in 2018, thanks to the exit of Brazil and Argentina from recession and the resilience of Mexico. Brazil and Mexico are expected to grow at around 2.4 percent in 2018, while growth could be around 3.5 percent in Argentina. The currencies in the region will remain low given the foreseeably lax monetary policy implemented by the central banks and a certain pre-electoral effect on the fiscal policy in those three countries. Accordingly, it is notable that the political cycle has moved from developed countries in 2017 (Eurozone, United States, Japan) to Latin America in 2018 (Argentina, Mexico, Brazil).

The main risks for the global economy in 2018 focus on geopolitics, given the growing tension between North Korea and the United States. This risk is followed by potential errors in the implementation of the economic policy in the United States and China and, nationally, the emerging political cycle could again empower populist movements that refuse to take important structural reforms that could once again make the economic growth process difficult.

STRATEGIC PLANNING

In recent years MAPFRE has consolidated its strategy at every level of the organization to work as one large team, moving in the same direction. Accordingly, a common, aligned strategy is followed in every market in which the Group operates. Since 2016 work has progressed with initiatives and projects to support strategic objectives,

prioritizing and concentrating efforts to make joint advances to uphold the commitments made to shareholders.

We are currently at the mid-point of the Strategic Plan, which has focused on **Profitable Growth**, supporting management with four strategic pillars and taking a series of initiatives that were reinforced in 2017 to continue making advances toward building a more digital company:

1. Client orientation

The Group attaches great importance to identifying and understanding client needs, behavior and aspirations as a means of retaining existing clients and capturing new clients from the market. To achieve this goal, a **Client Relationship Model** was implemented that helps adapt the sales offering, operations, structure and technology to the requirements and needs of each client. All of this is tailored to the specific characteristics of each market.

The maturity attained by the **Client Experience Model** initiative has facilitated moving it to the production level, and to work on managing the results obtained through surveys of clients and non-clients to differentiate ourselves and deliver beyond their expectations.

In 2017, advances were also made in positioning MAPFRE in Large Cities, which will enable the attainment of increased market share there.

2. Digital transformation

It is essential that MAPFRE keeps up its efforts to adapt to the new digital age, working on the digitalization of processes to achieve operational excellence, and the digitalization of the client touchpoints. All of this has the objective of strengthening their experience with the company, ensuring service and quality levels.

Another important focus of this pillar is the Digital Business Plan, which was defined to develop existing and new operations, thus increasing the weight of this distribution model at MAPFRE.

In response to trends in the automobile sector, special importance is being placed on the initiative that has been underway for a number of years to develop capacities in the automobile area and the Group's role with respect to new mobility concepts.

It is also intended to take advantage of the opportunity provided by digitalization to develop a business model that facilitates attaining leadership in the Health strategic line.

3. Excellence in technical and operational management

The insurance business involves a constant quest for operational excellence and adaptation to regulatory changes in the industry, so that technical profitability higher than the market can be achieved in the most important lines, which will also maintain and improve MAPFRE's competitive position.

The Strategic Provider Initiative underway has reached an implementation level that has allowed it to be put into production mode. Work to develop initiatives related to efficiency continues, focusing on the Contact Center, Claims Costs, the development of Operating Models and the promotion of self-service.

During 2017 a Strategic Initiative for Predictive Models was started, with the aim of transforming the manner in business is handled, taking advantage of data knowledge and intelligence.

4. Culture and talent

The successful implementation of the Strategic Plan depends on unequivocal support from employees and the MAPFRE culture. Big steps have been taken in the initiative with respect to Talent Management, which has allowed it to be included in habitual production processes and for fresh challenges to be taken on within a new initiative: the Digital Challenge, which will enable the organizational change that MAPFRE needs to adapt to new digital imperatives to be successfully managed.

It is important to highlight the advances the Group has made in terms of equal opportunities, diversity and labor inclusion, which it will continue to pursue in the coming years.

In 2018, the focus will continue to be on management of the four strategic pillars, and within the strategy review and adjustment cycle, a new Strategic Plan for 2019-2021 will be drawn up.

R&D+i ACTIVITIES

Client orientation is one of the main axes of the MAPFRE Strategic Plan, which identifies innovation and digital transformation as two of the key tools to offering insurance solutions focused on client needs and achieving the short-, medium- and long-term strategic objectives while simultaneously bearing in mind the quality of the service delivered to clients.

INNOVATION

At MAPFRE, innovation aims to produce specific improvements to the value provided to clients or efficiency improvements. It also seeks to keep abreast of market developments and in line with trends that arise at global level, which is now a matter of survival for companies.

The pillars of MAPFRE's Innovation Model are as follows:

1. The Innovation Community, which in 2017 reached a total of 19 innovation and development offices (OID), at which there are approximately 40 part-time employees and more than 250 Innoagents (employees in any post within the organization who act as ambassadors for innovation, providing methods to change the company's culture and actively participating in innovation projects within their environments). The purpose of this community is to generate and channel innovation within the organization and translate it into specific projects that comply with the company's strategic plans.

At the end of 2017 the innovation portfolio at MAPFRE at global level consists of more than 70 innovation projects which, due to their geographic scope and potential impact on the organization, are divided into 58 local, 4 global and 8 corporate categories.

The Corporate projects respond directly to the company's global strategic plan. An example is those that cover the Strategic Initiative on Automobile Insurance in MAPFRE 3.0, which was created in 2017 on the back of the paradigm change that is taking place in the automobile ecosystem. The objective of the initiative is to develop automobile insurance and boost capacities within the MAPFRE Group that will ensure it maintains its value proposition and competitiveness in the coming years.

2. Think Tanks, which are dedicated to exploring and analyzing new trends and their direct impact on the business.

3. The Startup Relationship Model, which covers interaction with the entrepreneur and startup ecosystem in order to analyze possible innovative solutions that respond to challenges faced by the company, gaining an awareness of the most agile and dynamic methods of working and incorporating best practices.

Work continued on developing three lines of action in 2017:

- Participation in investor vehicles, such as Alma Mundi.
- Startup observatory: monitoring of the insurtech/fintech ecosystems to establish partnerships with key companies.
- Participation in acceleration processes: Exploration of new relationship models with startups.

DIGITAL TRANSFORMATION

Digital transformation is one of the lines of action defined in the Group's Strategic Plan, the objective of which is to quickly respond to the new needs of our clients.

During the year MAPFRE made significant advances in its digital transformation process, launching more than 200 projects. This effort has allowed significant achievements to be attained with respect to the digitalization of client relationships, (considering a client to be a consumer, distributor, provider and internal client), as well as operations:

- Specifically, in the case of the consumer client, attraction and conversion have improved thanks to better digital marketing, the management of leads using ROPO (Research Online Purchase Offline) and the implementation of advanced pricing systems (present in 3 countries -Spain, Turkey and Columbia- and under development in Brazil and Peru). The increase in self-service functionality should also be included within these actions. During the year, work advanced on the creation of a Corporate Mobility Framework, linked to business needs, in order to unify, reuse and make the rollout of apps by all countries more agile.
- In the case of the distributor client, the focus was on mobilizing the sales network and generating a 360° view of clients. The corporate CRM was rolled out with 10 implementations, with those of MAPFRE SIGORTA, MAPFRE RE, MAPFRE ESPAÑA and VERTI (USA) being notable due to their impact. Advances in big data have also delivered enriched client information and facilitated the company in advancing with respect to the 720° client view.
- Digital solutions have been deployed for providers in order to enhance their mobility, receiving service assignments directly on mobile devices and providing them with the ability to report the status of the service to be rendered in real time.
- Significant advances have been made with the implementation of the Global Intranet for internal clients or employees, covering 94.6 percent of active employees, and with remote working and training via digital platforms.
- Finally, strong progress was made with respect to digitalizing operations, with more 8.3 million automated transactions carried out in 2017.

QUALITY

The quality perceived by clients is evaluated using the MAPFRE Global Model for Measuring Client Experience, the aims of which are as follows:

- To constantly be aware of, using a consistent methodology, the level of client satisfaction in the different countries and businesses.
- To identify those aspects that impact on the client experience, so as to improve it.
- To provide countries with a tool to help them define and implement initiatives, assigning the most appropriate priority level.
- To set goals for improvement and aspire to be a benchmark in client experience across all countries and lines.

The MAPFRE Quality Observatory, which is responsible for measuring perceived and delivered quality, conducts client surveys in every country where the company operates. These surveys cover all lines of insurance and assistance services and are conducted every six months in order to analyze the Net Promoter Score (NPS®) indicator and evaluate satisfaction and critical points of client contact.

The Observatory's reports provide data on the client experience, which assist the decision-making process in the different business areas.

Furthermore, 220 employees worldwide work on monitoring and controlling quality, and several companies have quality certifications which they can only renew by maintaining high customer service standards.

The Group's main quality certificates are as follows: ISO 9001 certification in Brazil, Spain and Turkey; MAPFRE RE holds ISO 9001 certification and MAPFRE ASISTENCIA holds this same quality certification in Algeria, Argentina, Bahrain, Brazil, Chile, China, Colombia, Ecuador, Philippines, Italy, Mexico, Dominican Republic, Tunisia, Turkey and Venezuela.

ACQUISITION AND DISPOSAL OF TREASURY STOCK

MAPFRE S.A. shares are bought and sold in accordance with the regulations in force, the relevant agreements adopted at the Annual General Meeting, and the MAPFRE Group Treasury Stock Policy on how to handle transactions involving the company's own shares.

MAPFRE Group treasury stock transactions have a legitimate purpose and always comply with the recommendations on treasury stock discretionary transactions issued by the Spanish National Securities and Exchange Commission (the CNMV).

"Legitimate purpose" refers to:

- Favoring trading liquidity and regularity in the purchase of MAPFRE shares.

- Allowing MAPFRE to access the securities it needs to comply with potential obligations to deliver treasury stock, for example as a result of shareholder, executive or employee remuneration or loyalty schemes, or issues of corporate stock or operations.

In any case, treasury stock transactions are carried out under conditions that ensure neutrality in setting the price of MAPFRE shares in the market and complete transparency in relationships with market supervisors and governing bodies. Furthermore, these transactions are never carried out on the basis of privileged information.

The Treasury Stock Policy includes general rules on aspects such as the transaction volume, maximum and minimum order price, and execution time limits.

In 2017 a total of 3,988,894 treasury stocks were disposed of, representing 0.1295 percent of capital and amounting to 7,877,582.58 euros. In the previous year, a total of 29,487,334 treasury stocks were acquired, representing 0.9575 percent of capital and amounting to 57,840,843.65 euros. At December 31, 2017 the total balance of 26,511,106 treasury stocks represented 0.8609 percent of the capital and amounted to 52,356,075.56 euros.

OTHER RELEVANT INFORMATION

THE MAPFRE SHARE

The accompanying table shows the key information relating to the MAPFRE share at the end of the 2017 financial year:

Number of shares outstanding	3,079,553,273 fully subscribed and paid up
Face value of each share	0.1 euros
Share class	Common, represented by book entries. All outstanding shares carry identical voting and dividend rights
Stock exchange listings	Madrid and Barcelona Stock Exchanges (continuous market)
Stock market index membership	<ul style="list-style-type: none"> – IBEX 35 – Dow Jones Stoxx Insurance – MSCI Spain – FTSE All-World Developed Europe – FTSE4Good⁵ and FTSE4Good IBEX⁵
ISIN code	ES0124244E34

⁵ Indices that measure the outcome of a company's actions to uphold and support sustainable development and human rights.

In 2017, MAPFRE S.A. shares were traded on 257 days on the Continuous Market, with a frequency index of 100 percent. In total, 1,867,798,310 securities were traded, compared to 2,312,308,450 in the previous year, reflecting a decrease of 19.2 percent. The effective value of these transactions amounted to 5,525.5 million euros, compared to 5,211.8 million euros in 2016, up by 6 percent.

At the end of 2017, 6 Spanish and international commercial banks had "buy" recommendations for the company's shares, compared to 3 with "hold" recommendations, while 9 had the stock on their "sell" lists.

VALUE AND RETURN

The share price performance is shown in the following table, compared to two key benchmark indices (the IBEX 35 and the Dow Jones STOXX Insurance indices):

	1 YEAR	3 YEARS	5 YEARS
MAPFRE	-7.7%	-4.8%	15.7%
DJ Stoxx Insurance	6.9%	15.1%	62.8%
IBEX 35	7.4%	-2.3%	23.0%

MAPFRE's earnings per share (EPS) during the same period are shown below:

	2017	2016	2015	2014	2013
EPS (euros)	0.23	0.25	0.23	0.27	0.26
INCREASE	-8.0%	8.7%	-14.8%	3.8%	18.2%

SHAREHOLDER STRUCTURE AND REMUNERATION

At the close of 2017, Fundación MAPFRE, through its direct and indirect holdings, owned 68.3 percent of the company's shares, while Spanish shareholders owned 10.9 percent and shareholders of other countries owned the remaining 20.8 percent.

Of the Spanish shareholders, 3.4 percent were institutional investors and 7.5 percent were non-institutional investors (principally individuals). With regard to investors resident in other countries, 20.7 percent were institutional investors, while 0.1 percent were non-institutional investors.

Among the objectives set for the three-year period 2016-2018 is suitable shareholder remuneration. Likewise, the dividend policy establishes that shareholder remuneration must be linked to the Company's profit, solvency, liquidity and investment plans, and also aligned with the interests of all its shareholders. As a general rule, the Board of Directors will propose at the Annual General Meeting a distribution of dividends of between 50 percent and 65 percent of the attributable result (payout ratio).

In fiscal year 2017, the Board of Directors agreed to pay an interim dividend against the year's results of 0.06 euros per share. The total amount paid out in the year was 0.145 euros per share, giving a total payout of 446.5 million euros.

The dividend proposed at the Annual General Meeting for fiscal year 2017 is 0.085 euros per share. Consequently, the total dividend against the 2017 results amounts to 0.145 euros per share before tax, representing a payout ratio of 63.7 percent.

Dividend payments and the dividend yield, calculated on an average share price basis, are indicated below:

	2017	2016	2015	2014	2013
DIVIDEND (euros)	0.145	0.13	0.14	0.14	0.12
DIVIDEND YIELD	4.9%	5.8%	4.9%	4.7%	4.4%

It should also be mentioned that since the economic and financial crisis broke out in 2007, MAPFRE has increased the amount allocated to dividends by 78 percent.

CREDIT RATING MANAGEMENT

MAPFRE and its subsidiaries hold credit ratings from the main agencies. These agencies are selected on the basis of their international presence, relevance for the insurance industry and capital markets, and their level of experience. To review the Group's credit risk profile, annual meetings are held at which each agency receives operating and financial information from the business units and the Group. A quantitative and qualitative analysis is conducted, taking into account the financial situation of the Group as well as other factors such as its strategy, corporate governance and market environment.

The credit ratings assigned by the main ratings agencies at the close of the last two years are shown below:

	2017	2016
Standard & Poor's		
MAPFRE S.A. (Debt issuer rating)	BBB+ Outlook stable	BBB+ Outlook stable
MAPFRE S.A. (Senior debt rating)	BBB+	BBB+
MAPFRE S.A. (Subordinated debt rating)	BBB-	BBB-
MAPFRE GLOBAL RISKS (Financial strength rating/counterparty)	A Outlook stable	A Outlook stable
MAPFRE RE (Financial strength rating/counterparty)	A Outlook stable	A Outlook stable
Fitch		

MAPFRE S.A. (Debt issuer rating)	A- Positive outlook	BBB+ ^(*) Outlook stable
MAPFRE S.A. (Senior debt rating)	BBB+	BBB ^(*)
MAPFRE S.A. (Subordinated debt rating)	BBB-	BBB- ^(*)
MAPFRE ESPAÑA (Financial strength rating)	A- Positive outlook	A- ^(*) Outlook stable
MAPFRE VIDA (Financial strength rating)	A- Positive outlook	A- ^(*) Outlook stable
MAPFRE GLOBAL RISKS (Financial strength rating)	A- Positive outlook	A- ^(*) Outlook stable
MAPFRE RE (Financial strength rating)	A- Positive outlook	A- ^(*) Outlook stable
A.M. Best		
MAPFRE RE (Financial strength rating)	A Outlook stable	A Outlook stable
MAPFRE GLOBAL RISKS (Financial strength rating)	A Outlook stable	A Outlook stable
Moody's		
MAPFRE GLOBAL RISKS (Financial strength rating)	A3 Outlook stable	A3 Outlook stable
MAPFRE ASISTENCIA (Financial strength rating)	A3 Outlook stable	A3 Outlook stable

^(*)Not requested

On June 7, 2017, Fitch Ratings raised MAPFRE S.A.'s issuer rating from "BBB+" to "A-" and classified the financial strength of MAPFRE GLOBAL RISKS, MAPFRE RE, MAPFRE ESPAÑA and MAPFRE VIDA as "A-", with outlook positive in all cases.

On July 26 of 2017 Fitch Ratings then confirmed the ratings mentioned above and raised the outlook to positive.

On August 11, 2017 Standard & Poor's ratified the MAPFRE S.A. credit rating as "BBB+" with stable outlook, likewise confirming the financial strength classification of MAPFRE RE and MAPFRE GLOBAL RISKS as "A-", also with stable outlook in both cases.

On August 14, 2017 Moody's confirmed the rating of MAPFRE GLOBAL RISKS and MAPFRE ASISTENCIA as "A3", with stable outlook.

Additionally, on September 8, 2017 A.M. Best ratified the financial strength rating of MAPFRE GLOBAL RISKS and MAPFRE RE as "A-", both with stable outlook.

ACTIVE TRANSPARENCY PLAN

Transparency relates to how organizations manage themselves and interact with their stakeholders and their environment. These elements exert an effort on a company to make their activities and decision-making processes visible and understandable. In

order to achieve this, MAPFRE has an Active Transparency Plan in place, comprising internal and external actions, which aim to enhance accessibility to, and improve people's understanding of, the company, which will ultimately result in transparency becoming a recognizable company asset.

In 2017, both the structure and contents of MAPFRE's website were redesigned, improving accessibility to same, with the aim of broadening knowledge of the company via its website. Comprehension of published information has been improved, bringing it closer to the various stakeholders, which represents a significant advance in corporate communication.

In terms of product communication, work was carried out on the drawing up of informational documents on Non-Life insurance products (PID) with the aim of making it available to clients before doing so became obligatory, updating the same on the website to facilitate consultation of Prior Information Notices and make this new documentation easily accessible.

Additionally, once MAPFRE signs up to the "Best practice guide on the use of terminology employed in Non-Life insurance product information documentation", prepared by UNESPA, the defined terminology set out in this guide will be adopted in the wording of PID documents so as to improve the clarity of the language used in client communications.

Furthermore, work is underway on making product documentation in the Life line equally suitable, with some Life-Savings insurance products currently adapted as such, with remaining variants to follow shortly.

As far as internal action is concerned, the expansion of intranet content should be mentioned, in that it brings to the fore topics of interest to employees, such as appointments, workplace satisfaction surveys (Great Place to Work) etc. Processes to clearly inform workers on subjects such as career development, the results of mobility and selection processes are also being defined, along with making systematic information available related to the results of surveys conducted and the measures adopted in relation to same.

An infographic explaining promotion, selection and mobility was designed to further disseminate awareness of human resources policies, with another related to remuneration in production.

As can be seen, progress is being made with regard to the implementation of the active transparency plan in Spain and in the near future it is envisaged that similar advances will be made in other countries where MAPFRE operates.

ECONOMIC CONTRIBUTION TO SOCIETY

Insurance activities generate direct economic value through the constant flow of transactions (premium payments, benefit payments, investment management, etc.), which have an effect on the different aspects related to the economic and social development of the environment in which the company operates.

Of the consolidated revenues of 27,983.7 million euros generated in 2017 (27,092.1 million euros in 2016), MAPFRE made economic contributions to society in general via multiples payment types, which are detailed below.

Item	2017	2016	%17/16
Benefits paid ⁽¹⁾	16,457.5	15,500.4	6.2%
Payments to providers ⁽²⁾	6,346.5	7,264.4	-12.6%
Salaries and other ⁽³⁾	1,541.7	1,548.5	-0.4%
Activity subtotal	24,345.7	24,313.3	0.1%
Dividends ⁽⁴⁾	1,019.5	786.7	29.6%
Shareholders subtotal	1,019.5	786.7	29.6%
Net income tax payment	497.8	471.5	5.6%
Social security	243.2	235.4	3.3%
Public administrations subtotal	741.0	706.9	4.8%
Interest paid	67.9	53.3	27.4%
Other related expenses	--	44.1	--
Financing subtotal	67.9	97.4	-30.2%
Total	26,174.1	25,904.3	1.0%

Figures in millions of euros

(1) Benefits paid and related expenses of accepted direct insurance and reinsurance.

(2) Includes payment of commissions and other activity services.

(3) Salaries amounted to 1,234.9 million euros in 2017 (1,211.8 million euros in 2016).

(4) Dividend payments made during the year.

Furthermore, in its capacity as an insurer, the company makes commitments to its insureds in exchange for the management of resources that are invested in assets, particularly financial assets.

The following table shows information about the company as an institutional investor at the close of the last two financial years.

Item	2017	2016	%17/16
FUNDS UNDER MANAGEMENT (THIRD-PARTY)⁽⁵⁾	39,004.9	38,488.3	1.3%
TOTAL INVESTMENTS	44,691.2	45,088.0	-0.9%
Financial investments	42,003.2	42,541.0	-1.3%
Fixed income	36,961.0	38,399.8	3.7%
- Issued by governments	27,388.4	28,390.2	3.5%
- Other fixed-income securities	9,572.6	10,009.6	4.4%
Other financial investments	5,042.2	4,141.2	21.8%
Property investments⁽⁶⁾	1,250.7	1,274.8	-1.9%
Other investments	1,437.3	1,272.2	13.0%

Figures in millions of euros

⁽⁵⁾ Technical provisions for Life, pension funds, mutual funds and managed portfolios, before shadow accounting adjustments.

⁽⁶⁾ Excluding property for own use.

PROVIDER PAYMENT TERMS

Details of the payments made by the Group's fully consolidated Spanish companies to providers in the financial years 2017 and 2016 are shown below.

Item	Days	
	2017	2016
Average provider payment period	4.78	6.06
Ratio of paid operations	4.58	5.90
Ratio of operations pending payment	26.31	23.25

Item	Figures in millions of euros	
	2017	2016
Total payments made	1,602.55	1,656.56
Total pending payments exceeding the maximum statutory term	14.68	15.79

OTHER DISCLOSURES

Other non-financial Group disclosures supplementing those included in this Management Report are published in the MAPFRE Integrated Report.

CORPORATE GOVERNANCE REPORT

The company's Annual Corporate Governance Report, issued pursuant to the provisions of Article 49.4 of the Spanish Code of Commerce, as reworded in Act 16/2007, follows.

ANNEX I

ANNUAL REPORT ON THE CORPORATE GOVERNANCE OF PUBLICLY TRADED COMPANIES

ISSUER'S IDENTITY DATA

END DATE OF THE REFERENCED FINANCIAL YEAR	12/31/2017
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Tax ID	A08055741
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COMPANY NAME
MAPFRE S.A.

REGISTERED OFFICE
MAJADAHONDA (MADRID), No. 52 CARRETERA DE POZUELO

ANNUAL REPORT ON THE CORPORATE GOVERNANCE OF PUBLICLY TRADED COMPANIES

A OWNERSHIP STRUCTURE

A.1 Complete the following table on the company's share capital:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
07/01/2011	307,955,327.30	3,079,553,273	3,079,553,273

Indicate if there are different kinds of shares with different rights associated with them:

Yes ☐ No ☒

A.2 State the direct and indirect owners of substantial holdings of the company at the close of the financial year, excluding directors:

Name or company name of the shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
FUNDACIÓN MAPFRE	0	2,085,104,197	67.708%

Name or company name of the indirect holder of the shares	Through: Name or company name of the direct holder of the shares	Number of voting rights
FUNDACIÓN MAPFRE	CARTERA MAPFRE, S.L. SINGLE-MEMBER COMPANY	2,081,803,920
FUNDACIÓN MAPFRE	FUNDACIÓN CANARIA MAPFRE GUANARTEME	3,300,277

State any significant modifications in the shareholding structure that have occurred during the financial year:

A.3 Complete the following tables about the members of the Board of Directors of the company who have voting rights on company shares:

Name or company name of the director	Number of direct voting rights	Number of indirect voting rights	Percentage of total voting rights
MR. ANTONIO HUERTAS MEJÍAS	357,485	0	0.01%
MR. ANTONIO NÚÑEZ TOVAR	305,330	0	0.01%
MS. CATALINA MIÑARRO BRUGAROLAS	1,510	10,000	0.00%
MR. IGNACIO BAEZA GÓMEZ	200,000	0	0.01%
MS. ADRIANA CASADEMONT I RUHÍ	0	0	0.00%
MR. JOSÉ ANTONIO COLOMER GUIU	0	2,698	0.00%
MR. GEORG DASCHNER	20,000	0	0.00%
MS. ANA ISABEL FERNÁNDEZ ÁLVAREZ	23	0	0.00%
MS. MARÍA LETICIA DE FREITAS COSTA	0	0	0.00%
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	69,977	23	0.00%
MR. FRANCISCO JOSÉ MARCO ORENES	20,252	0	0.00%
MR. RAFAEL MÁRQUEZ OSORIO	69,804	0	0.00%
MR. FERNANDO MATA VERDEJO	61,956	0	0.00%
MR. ANTONIO MIGUEL-ROMERO DE OLANO	30,325	2,242	0.00%
MR. ALFONSO REBUELTA BADÍAS	20,346	0	0.00%

Name or company name of the indirect holder of the shares	Through: Name or company name of the direct holder of the shares	Number of voting rights
MS. CATALINA MIÑARRO BRUGAROLAS	OTHER SHAREHOLDERS OF THE COMPANY	10,000
MR. JOSÉ ANTONIO COLOMER GUIU	OTHER SHAREHOLDERS OF THE COMPANY	2,698
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	OTHER SHAREHOLDERS OF THE COMPANY	23
MR. ANTONIO MIGUEL-ROMERO DE OLANO	OTHER SHAREHOLDERS OF THE COMPANY	2,242

Total % of voting rights held by the Board of Directors	0.03%
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Complete the following tables with the members of the company's Board of Directors with voting rights on company shares

A.4 Where applicable, list any family, commercial, contractual or corporate relationships between holders of significant shareholdings, insofar as the company is aware of them, unless they are of little relevance or due to ordinary commercial traffic and exchange:

A.5 Where applicable, list any family, commercial, contractual or corporate relationships between holders of significant shareholdings, and the company and/or its group, unless they are of little relevance or due to ordinary commercial traffic and exchange:

A.6 Indicate if any shareholder agreements have been disclosed to the company that affect it under art. 530 and 531 of the Companies Act. Where applicable, briefly describe them and list the shareholders bound by such agreement:

Yes ☐

No ☒

Indicate whether the company knows of the existence of concerted actions among its shareholders. If so, describe them briefly:

Yes ☐

No ☒

If there have been any modifications or terminations of said pacts or agreements or concerted actions during the financial year, indicate this expressly.

There were no modifications or terminations of arranged pacts, agreements or actions.

A.7 Indicate whether any person or organization exercises or may exercise control over the company pursuant to article 4 of the Securities Market Act. If so, identify them:

Yes ☒

No ☐

Name or company name
FUNDACIÓN MAPFRE
Observations

A.8 Complete the following tables regarding the company's treasury stock:

As at the closing date of the financial year:

Number of direct shares	Number of indirect shares (*)	Total % of the share capital
26,511,106	0	0.86%

(*) Through:

List significant changes occurring during the financial year, pursuant to Royal Decree 1362/2007:

Explain significant changes

- Sale on the market of 3,964,371 shares.

A.9 Describe the terms and conditions of the current General Meeting authorization to the Board of Directors to issue, buy back or transfer treasury stock.

The Board of Directors is currently authorized by the shareholders at the General Meeting to increase the company's share capital once or several times by up to a maximum of 153,977,663.65 euros, equivalent to 50 percent of the share capital. The duration of the authorization is five years calculated from the date of the resolution, passed on March 9, 2013.

The Board of Directors is currently authorized by the shareholders at the General Meeting to allow the company to proceed, directly or through subsidiaries, to the derivative acquisition of treasury stock, subject to the following limits and requirements:

- a) Schemes: Acquisition by sale or by any other transaction inter vivos for good and valuable consideration, of shares free of any liens or encumbrances.
- b) Maximum number of shares to be acquired: Shares whose face value, added to the face value of the shares already owned by the company and its subsidiaries, does not exceed 10 percent of the share capital of MAPFRE S.A.
- c) Minimum and maximum acquisition price: 90 percent and 110 percent, respectively, of their listed quotation on the acquisition date.
- d) Duration of the authorization: Five years calculated from the date of the resolution, passed on March 11, 2016. Acquired shares may be used in part or in full as follows: (i) disposal or amortization, (ii) delivery to workers, employees or administrators of the company or its group whenever there is a recognized right to do so directly or as a result of exercising call option rights held thereby as provided for in the last paragraph of article 146, section 1, letter a) of the Recast Text of the Companies Act, and (iii) reinvestment plans involving dividends or similar instruments.

A.9.b Estimated floating capital:

	%
Estimated floating capital	31.40

A.10 Indicate whether there is any restriction on the transferability of securities and/or any restriction on voting rights. In particular, if there are any restrictions to the takeover of the company by means of share purchases on the market.

Yes ☐

No ☒

A.11 Indicate whether the General Meeting has approved measures to counteract a public acquisition bid, pursuant to Law 6/2007.

Yes ☐

No ☒

If so, explain the measures approved and the terms and conditions under which the restrictions would become inefficient:

A.12 Indicate if the company has issued securities that are not traded in a regulated community market.

Yes ☐

No ☒

If so, indicate the different kinds of shares and, for each kind of shares, the rights and obligations conferred.

B GENERAL MEETING

B.1 Indicate and, where applicable, give details, about whether there are any differences from the minimum standards established under the Companies Act with respect to the quorum and constitution of the General Meeting.

Yes ☐

No ☒

B.2 Indicate, and where applicable give details, whether there are any differences from the minimum standards established under the Companies Act with respect to the adoption of corporate resolutions:

Yes ☒

No ☐

Describe any differences from the guidelines established under the Companies Act.

	Reinforced majority different from that established in art. 201.2 of the Companies Act for the cases cited in art. 194.1 of the Companies Act	Other cases of reinforced majority
% established by the company for adopting agreements	0.00	50.01

Describe the differences

Article 201 of the Companies Act establishes that in order to adopt the resolutions referred to in article 194, if capital present or represented exceeds 50 percent, the absolute majority vote will be sufficient to pass the resolution. However, when, at the first call to the meeting, shareholders present or represented at the meeting own more than 25 percent but less than 50 percent of subscribed capital carrying voting rights, the favorable vote by shareholders representing two-thirds of capital present or represented is required to pass the resolution.

At the second call, a minimum of 25 percent of capital is required.

Pursuant to the provisions of article 26 of the Corporate Bylaws, the amendment of the provisions of Title IV "Protection of the Company's General Interest" (articles 26 to 29) can only be amended by a resolution approved with the votes in favor of more than 50 percent of the share capital at the Extraordinary General Meeting specifically called for this purpose.

B.3 Indicate the rules applicable to amendment of the company's articles of association. In particular, indicate the majorities established for the amendment of the articles of association, as well as, where applicable, the rules established for protection of the shareholders' rights in the amendment of the articles of association.

There are no particularities other than those established in the legislation in force for amendment of the company's bylaws, except for the amendment of articles 26 to 29 (Title IV- Protection of the Company's General Interest). As stated in the previous paragraph B.2, a resolution adopted with the favorable vote of more than 50 percent of share capital at the Extraordinary General Meeting called for that purpose is necessary.

B.4 Give attendance data on the General Meetings held during the financial year to which this report refers and those from the previous financial year:

Attendance data					
Date of general meeting	% physically present	% attending by proxy	% voting remotely		Total
			E-voting	Other	
11/03/2016	68.66	13.41	0.00	0.69	82.76
10/03/2017	68.88	13.42	0.00	0.90	83.20

B.5 Indicate the number of shares, if any, that are required to be able to attend the General Meeting and whether there are any restrictions on such attendance in the bylaws:

Yes ☒

No ☐

Number of shares necessary to attend the General Meeting	1,000
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B.6 Section repealed.

B.7 Indicate the address and method of access to the company's website, to the information on corporate governance and other information on General Meetings that must be available to shareholders through the company's website.

Access is as follows: www.mapfre.com

"Shareholders and investors" section.

C GOVERNANCE STRUCTURE OF THE COMPANY

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the corporate bylaws:

Maximum number of directors	20
Minimum number of directors	5

C.1.2 Complete the following table on the board members:

Name or company name of the director	Representative	Category of the director	Position on the Board	Date of first appointment	Date of last appointment	Procedure
MR. ANTONIO HUERTAS MEJÍAS		Executive	CHAIRMAN AND CEO	12/29/2006	03/14/2014	ANNUAL GENERAL MEETING RESOLUTION
MR. ANTONIO NÚÑEZ TOVAR		Executive	1st VICE CHAIRMAN	03/05/2011	03/13/2015	ANNUAL GENERAL MEETING RESOLUTION
MS. CATALINA MIÑARRO BRUGAROLAS		Independent	2nd VICE CHAIRMAN	10/30/2013	03/14/2014	ANNUAL GENERAL MEETING RESOLUTION
MR. IGNACIO BAEZA GÓMEZ		Executive	3rd VICE CHAIRMAN	03/08/2008	03/11/2016	ANNUAL GENERAL MEETING RESOLUTION
MS. ADRIANA CASADEMONT I RUHÍ		Independent	DIRECTOR	03/09/2013	03/10/2017	ANNUAL GENERAL MEETING RESOLUTION
MR. JOSÉ ANTONIO COLOMER GUIU		Independent	DIRECTOR	02/09/2016	03/11/2016	ANNUAL GENERAL MEETING RESOLUTION

MR. GEORG DASCHNER		Independent	DIRECTOR	02/10/2015	03/13/2015	ANNUAL GENERAL MEETING RESOLUTION
MS. ANA ISABEL FERNÁNDEZ ÁLVAREZ		Independent	DIRECTOR	07/26/2016	03/10/2017	ANNUAL GENERAL MEETING RESOLUTION
MS. MARÍA LETICIA DE FREITAS COSTA		Independent	DIRECTOR	07/23/2015	03/11/2016	ANNUAL GENERAL MEETING RESOLUTION
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ		Nominee Director	DIRECTOR	04/17/1999	03/13/2015	ANNUAL GENERAL MEETING RESOLUTION
MR. FRANCISCO JOSÉ MARCO ORENES		Executive	DIRECTOR	03/10/2017	03/10/2017	ANNUAL GENERAL MEETING RESOLUTION
MR. RAFAEL MÁRQUEZ OSORIO		Nominee Director	DIRECTOR	12/29/2006	12/29/2014	ANNUAL GENERAL MEETING RESOLUTION
MR. FERNANDO MATA VERDEJO		Executive	DIRECTOR	01/01/2017	03/10/2017	ANNUAL GENERAL MEETING RESOLUTION
MR. ANTONIO MIGUEL-ROMERO DE OLANO		Nominee Director	DIRECTOR	04/17/1999	03/13/2015	ANNUAL GENERAL MEETING RESOLUTION
MR. ALFONSO REBUELTA BADÍAS		Nominee Director	DIRECTOR	04/17/1999	03/13/2015	ANNUAL GENERAL MEETING RESOLUTION

Total number of directors	15
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Indicate which directors have left their seat on the Board of Directors during the period subject to information:

Name or company name of the director	Category of the director on cessation	Termination date
MR. RAFAEL BECA BORREGO	Independent	01/01/2017
MR. RAFAEL CASAS GUTIÉRREZ	Executive	01/01/2017
MR. ANDRÉS JIMÉNEZ HERRADÓN	Nominee director	02/22/2017
MR. ESTEBAN TEJERA MONTALVO	Executive	01/01/2017
MS. ADRIANA CASADEMONT I RUHÍ	Independent	12/31/2017

C.1.3 Complete the following tables on the Board members and their different kinds of directorship:

EXECUTIVE DIRECTORS

Name or company name of the director	Position within company organization
MR. ANTONIO HUERTAS MEJÍAS	CHAIRMAN AND CEO
MR. ANTONIO NÚÑEZ TOVAR	1st VICE CHAIRMAN
MR. IGNACIO BAEZA GÓMEZ	3rd VICE CHAIRMAN
MR. FRANCISCO JOSÉ MARCO ORENES	DIRECTOR
MR. FERNANDO MATA VERDEJO	DIRECTOR

Total number of executive directors	5
% of total board	33.33%

NOMINEE EXTERNAL DIRECTORS

Name or company name of the director	Name or company name of the substantial shareholder represented or proposing his/her appointment
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	CARTERA MAPFRE, S.L. SINGLE-MEMBER COMPANY
MR. ANTONIO MIGUEL-ROMERO DE OLANO	CARTERA MAPFRE, S.L. SINGLE-MEMBER COMPANY
MR. RAFAEL MARQUEZ OSORIO	CARTERA MAPFRE, S.L. SINGLE-MEMBER COMPANY
MR. ALFONSO REBUELTA BADÍAS	CARTERA MAPFRE, S.L. SINGLE-MEMBER COMPANY

Total number of nominee directors	4
% of total board	26.67%

INDEPENDENT EXTERNAL DIRECTORS

Name or company name of the director:

MS. ADRIANA CASADEMONT I RUHÍ

Profile:

HOLDS A DEGREE IN BUSINESS FROM THE AUTONOMOUS UNIVERSITY OF BARCELONA, A DIPLOMA IN COMMUNICATION AND PUBLIC RELATIONS FROM GIRONA UNIVERSITY AND A MASTER'S DEGREE IN STRATEGIC MARKETING FROM ESADE. OCCUPIES SEVERAL SENIOR EXECUTIVE ROLES OF REPRESENTATION AND MANAGEMENT IN AGRO-FOOD COMPANIES AND IN EDUCATIONAL INSTITUTIONS.

Name or company name of the director:

MR. JOSÉ ANTONIO COLOMER GUIU

Profile:

BUSINESS ADMINISTRATION DEGREE FROM THE SCHOOL OF BUSINESS MANAGEMENT AND ADMINISTRATION - BARCELONA. CHAIRMAN OF THE BOARD OF DIRECTORS OF ADOPEM, S.A. AND MEMBER OF ITS AUDIT, RISK AND APPOINTMENTS AND REMUNERATION COMMITTEES. CHAIRMAN OF THE BOARD OF DIRECTORS OF MICROSERFIN, S.A. AND MEMBER OF ITS AUDIT, RISK, APPOINTMENTS AND REMUNERATION, AND CORPORATE GOVERNANCE COMMITTEES.

Name or company name of the director:

MR. GEORG DASCHNER

Profile:

PROFESSIONAL CAREER IN MUNICH RE (1965-2014): CHAIRMAN OF MUNCHENER VENEZUELA (1983-1988), CHAIRMAN OF THE SPAIN AND PORTUGAL BRANCH (2000-2003), MEMBER OF THE MANAGEMENT BOARD OF THE MUNICH RE GROUP, IN CHARGE OF THE EUROPE AND LATIN AMERICA BUSINESS AREA (2003-2014).

Name or company name of the director:

MS. ANA ISABEL FERNÁNDEZ ÁLVAREZ

Profile:

DEGREE AND DOCTORATE IN ECONOMICS AND BUSINESS FROM THE UNIVERSITY OF OVIEDO. MEMBER OF THE ADVISORY COMMITTEE ON CORPORATE REPORTING FOR THE EUROPEAN SECURITIES AUTHORITY AND MEMBER OF THE BOARD OF TRUSTEES FOR THE PRINCESA DE ASTURIAS FOUNDATION AND THE BANCO DE SABADELL FOUNDATION. PROFESSOR OF FINANCIAL ECONOMICS AT THE UNIVERSITY OF OVIEDO AND PROFESSOR OF FINANCE AT CUNEF.

Name or company name of the director:

MS. MARÍA LETICIA DE FREITAS COSTA

Profile:

DEGREE IN PRODUCT ENGINEERING AND MASTER'S DEGREE IN BUSINESS ADMINISTRATION (MBA). MANAGER OF THE INSPIER CENTER FOR STRATEGIC RESEARCH AND A PARTNER AT PRADA ASSESSORIA.

Name or company name of the director:

MS. CATALINA MIÑARRO BRUGAROLAS

Profile:

DEGREE IN LAW. STATE ATTORNEY ON LEAVE OF ABSENCE.

Total number of independent directors	6
total % of the board	40.00%

Indicate whether any director classified as independent receives from the company, or from its Group, any amount or earning for an item other than the director's remuneration, or maintains or has maintained during last financial year a business relationship with the company or with any company from its Group, whether on his behalf or as a significant shareholder, director or senior management member of a company that maintains or has maintained such a relationship.

No director classified as independent receives, from the company or the Group, any amount or benefit for an item other than director's remuneration.

If so, include a reasoned statement from the Board on the reasons why it considers that this director may perform his functions as an independent director.

OTHER EXTERNAL DIRECTORS

Identify other external directors and explain in detail the reasons for which they cannot be considered nominee or independent directors, as well as their affiliations with the company, its management or its shareholders:

Indicate any changes that may have occurred during the period in the type of category for each director:

C.1.4 Complete the following table with information relating to the number of female directors during the last four financial years, as well as the category of these female directors:

	Number of Directors				% of the total of each type of director			
	2017	2016	2015	2014	2017	2016	2015	2014
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Nominee director	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Independent	4	4	3	2	66.67%	57.14%	42.86%	33.33%
Other external	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	4	4	3	2	26.67%	23.53%	16.67%	11.11%

C.1.5 Explain the measures which, where applicable, have been adopted to include a balance presence of men and women on the Board of Directors.

Explanation of the measures

The Institutional, Corporate and Organizational Principles of the MAPFRE Group, approved by the Board of Directors of MAPFRE on June 24, 2015, expressly provide that the Board of Directors of MAPFRE shall develop a plan for filling vacancies to ensure the suitability of applicants thereto, based on their skills and professional and geographical origins, as well as a sufficient presence of members of both genders.

Similarly, it is established that the competent bodies of Group companies will ensure that, when vacancies arise, equal opportunities are guaranteed for candidates regardless of their gender, and they must seek to achieve an effective presence of directors of both genders.

Furthermore, the Director Selection Policy expressly establishes that, during the selection process, any kind of implicit biases will always be avoided, which may involve discrimination and, in particular, biases that interfere with the selection of persons of either gender. It also includes the commitment to ensure that in the year 2020 the number of female directors shall represent at least 30 percent of the total of members of the Board of Directors.

C.1.6 Explain the measures which, where applicable, the Appointments Committee has agreed so that the procedure for filling Board vacancies has no implicit bias against women candidates, and the company makes a conscious effort to include women with the target profile among the candidates for Board seats

Explanation of the measures

The Appointments and Remuneration Committee must ensure that during the candidate selection process any kind of implicit biases are always avoided, which may involve discrimination and, in particular, those biases that interfere with the selection of persons of either gender.

In 2015 the Appointments and Remuneration Committee approved a renewal plan for the Board of Directors establishing the steps to follow in the period 2015-2020 to adapt the structure of the Board of Directors to the new legal requirements and recommendations contained in the Code of Good Governance of the Spanish National Securities and Exchange Commission (the "CNMV").

When, in spite of the measures which, where applicable, have been adopted, there are few or no female directors, explain the reasons that justify this.

Explanation of the reasons

Not applicable

- C.1.6 b** Explain the conclusions of the Appointments Committee on the verification of compliance with the director selection policy. In particular, explain how this policy is promoting the objective that by 2020 the number of female directors represents at least 30 percent of the total of members of the Board of Directors.

Explanation of the conclusions

MAPFRE's Director Selection Policy aims to ensure that the proposals for nomination and re-election of directors are based on a preliminary analysis of the Board of Directors needs, and to promote a diversity of knowledge, experiences and gender on the Board. It expressly sets out the commitment to ensure that in the year 2020 the number of female directors shall represent at least 30 percent of the total of members of the Board of Directors. In line with this commitment, on December 21, 2017 Ms. María Pilar Perales Viscasillas was appointed as an independent director, with effect from January 1, 2018, in place of Ms. Adriana Casademont i Ruhi, who resigned from her position on the board with effect from December 31, 2017.

In addition, as indicated in the above section C.1.6, the Appointments and Remuneration Committee approved a renewal plan for the Board of Directors with specific measures to promote the objective that by 2020 the number of female directors represents at least 30 percent of the total of members of the Board of Directors.

The Appointments and Remuneration Committee considers that the company adequately complied with the Director Selection Policy during 2017. In view of the reduction in the number of board members during the year, the percentage of female directors rose from 23.53 percent in 2016 to 26.67 percent in 2017.

- C.1.7** Explain the method of representation on the Board of shareholders with significant shareholdings.

The shareholders with significant shareholdings (see section A.2 of this report) have nominee directors appointed on the company's Board of Directors. Details of the external nominee directors are provided in the previous section C.1.3.

- C.1.8** Explain, where applicable, the reasons why nominee directors have been appointed at the behest of shareholders whose shareholding is less than 3 percent of the capital:

Indicate whether formal petitions for a seat on the Board have been ignored from shareholders whose holding is equal to or higher than others at whose behest nominee directors were appointed. Where applicable, explain why these petitions have been ignored:

Yes ☐

No ☒

- C.1.9** Indicate if any director has stood down before the end of their term in office, if they explained their reasons to the Board and through which channels, and if they sent a letter of explanation to the entire Board. Explain the reasons they gave:

Name of director:**MR. ESTEBAN TEJERA MONTALVO**

Stood down from the Board of Directors when he retired.

Explained the reasons for his resignation in a letter addressed to all members of the Board of Directors.

MR. RAFAEL CASAS GUTIÉRREZ

Stood down from the Board of Directors when he retired.

Explained the reasons for his resignation in a letter addressed to all members of the Board of Directors.

MR. ANDRÉS JIMÉNEZ HERRADÓN

Stood down from the Board of Directors in compliance with the company's Code of Good Governance on reaching the mandatory five-year limit for former executives.

Explained the reasons for his resignation in a letter addressed to all members of the Board of Directors.

MR. RAFAEL BECA BORREGO**Reason for termination:**

Stood down from the Board of Directors for personal and professional reasons which prevented him from fulfilling his functions with the required dedication.

Explained the reasons for his resignation in a letter addressed to all members of the Board of Directors.

C.1.10 Indicate, where applicable, any powers delegated to the managing director(s):

C.1.11 Identify, where applicable, any members of the Board holding posts as directors or managers in other companies that form part of the listed company's group:

Name or company name of the director	Company name of the Group company	Position	Do they have executive functions
MR. ANTONIO HUERTAS MEJÍAS	MAPFRE INTERNACIONAL, S.A.	CHAIRMAN AND CEO	NO
MR. ANTONIO NÚÑEZ TOVAR	MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA	CHAIRMAN	NO
MR. ANTONIO NÚÑEZ TOVAR	MAPFRE INMUEBLES S.G.A., S.A.	JOINT AND SEVERAL ADMINISTRATOR	NO
MR. ANTONIO NÚÑEZ TOVAR	MAPFRE ESPAÑA, COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A	CHAIRMAN	NO
MR. ANTONIO NÚÑEZ TOVAR	MAPFRE INTERNACIONAL, S.A.	DIRECTOR	NO
MS. CATALINA MIÑARRO BRUGAROLAS	MAPFRE ESPAÑA COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR	NO
MR. IGNACIO BAEZA GÓMEZ	MAPFRE GLOBAL RISKS, COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS, S.A.	CHAIRMAN	YES

MR. IGNACIO BAEZA GÓMEZ	MAPFRE ASISTENCIA, COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS. S.A.	CHAIRMAN	NO
MR. IGNACIO BAEZA GÓMEZ	MAPFRE INTERNACIONAL, S.A.	DIRECTOR	NO
MS. ADRIANA CASADEMONT I RUHÍ	MAPFRE ASISTENCIA, COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS. S.A.	DIRECTOR	NO
MR. JOSÉ ANTONIO COLOMER GUIU	MAPFRE ESPAÑA COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR	NO
MS. ANA ISABEL FERNÁNDEZ ÁLVAREZ	MAPFRE GLOBAL RISKS, COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS S.A.U.	DIRECTOR	NO
MS. ANA ISABEL FERNÁNDEZ ÁLVAREZ	MAPFRE ASISTENCIA, COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR	NO
MS. MARIA LETICIA DE FREITAS COSTA	BB MAPFRE SH1 PARTICIPAÇÕES, S.A.	DIRECTOR	NO
MS. MARIA LETICIA DE FREITAS COSTA	BB MAPFRE SH2 PARTICIPAÇÕES, S.A.	DIRECTOR	NO
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	MAPFRE VIDA. S.A. DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA	2nd VICE CHAIRMAN	NO
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	MAPFRE ESPAÑA COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	2nd VICE CHAIRMAN	NO
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	MAPFRE INTERNACIONAL, S.A.	DIRECTOR	NO
MR. FRANCISCO JOSE MARCO ORENES	MAPFRE INTERNACIONAL. S.A.	DIRECTOR	NO
MR. RAFAEL MÁRQUEZ OSORIO	MAPFRE INTERNACIONAL. S.A.	DIRECTOR	NO
MR. FERNANDO MATA VERDEJO	MAPFRE ESPAÑA COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR	NO
MR. FERNANDO MATA VERDEJO	MAPFRE INTERNACIONAL. S.A.	DIRECTOR	NO
MR. FERNANDO MATA VERDEJO	MAPFRE VIDA. S.A. DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA	DIRECTOR	NO
MR. ANTONIO MIGUEL- ROMERO DE OLANO	MAPFRE ESPAÑA COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR	NO
MR. ANTONIO MIGUEL-ROMERO DE OLANO	MAPFRE ASISTENCIA, COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS. S.A.	VICE CHAIRMAN	NO
MR. ALFONSO REBUELTA BADIÁS	MAPFRE GLOBAL RISKS, COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS S.A.U.	VICE CHAIRMAN	NO
MR. ALFONSO REBUELTA BADIÁS	MAPFRE INTERNACIONAL. S.A.	DIRECTOR	NO

C.1.12 List, where applicable, any directors of the company that sit on the Board of Directors of other companies publicly traded in Spain outside the Group, of which the company has been informed:

Name or company name of the director	Company name of the Group company	Position
MS. CATALINA MIÑARRO BRUGAROLAS	ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.	DIRECTOR

C.1.13 Indicate and, where applicable, explain whether the company has established rules on the number of boards on which its directors may sit:

Yes ☒ No ☐

Explanation of the rules

According to article 4 of the MAPFRE Regulation of the Board of Directors, no director can simultaneously be a member of more than five Boards of Directors of companies that do not form part of the Group, except for personal or family companies.

C.1.14 Section repealed.

C.1.15 Indicate the overall remuneration of the Board of Directors:

Remuneration of the Board of Directors (thousands of euros)	8,718
Amount corresponding to the rights accumulated by current directors regarding pensions (thousands of euros)	19,376
Amount corresponding to the rights accumulated by former directors regarding pensions (thousands of euros)	0

C.1.16 Identify the members of senior management who are not also executive directors, and indicate the total remuneration earned by them during the financial year:

Name or company name	Position
MR. ÁNGEL LUIS DÁVILA BERMEJO	GENERAL COUNSEL - GENERAL MANAGER OF LEGAL AFFAIRS
MR. JOSÉ LUIS GURTUBAY FRANCIA	DEPUTY GENERAL MANAGER OF THE CORPORATE STRATEGY AND M&A AREA
MR. JOSÉ MANUEL MURIES NAVARRO	GENERAL MANAGER OF INTERNAL AUDIT
MR. JOSÉ LUIS JIMÉNEZ GUAJARDO-FAJARDO	GENERAL MANAGER OF THE CORPORATE INVESTMENT AREA
MS. ELENA SANZ ISLA	GENERAL MANAGER OF THE CORPORATE HUMAN RESOURCES AREA

Total remuneration of senior management (in thousands of euros)	2,570
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C.1.17 Indicate, where applicable, the identity of Board members who also sit on Boards of Directors of companies of significant shareholders and/or companies in their group:

Name or company name of the director	Company name of the significant shareholder	Position
MR. ANTONIO HUERTAS MEJÍAS	CARTERA MAPFRE, S.L. SINGLE-MEMBER COMPANY	CHAIRMAN AND CEO
MR. IGNACIO BAEZA GÓMEZ	CARTERA MAPFRE, S.L. SINGLE-MEMBER COMPANY	DIRECTOR
MR. FERNANDO MATA VERDEJO	CARTERA MAPFRE, S.L. SINGLE-MEMBER COMPANY	DIRECTOR
MR. ANTONIO NÚÑEZ TOVAR	CARTERA MAPFRE, S.L. SINGLE-MEMBER COMPANY	DIRECTOR

List, where applicable, the relevant affiliations other than those considered in the above paragraph, which link members of the Board of Directors to significant shareholders and/or companies in their group:

C.1.18 Indicate whether during the financial year there has been any change in the Board of Directors Regulations.

Yes ☒

No ☐

Description of modifications

On February 7, 2017 the Board of Directors agreed to modify, with effect from March 10, 2017, articles 10 and 12 of its Regulations, governing the Audit Committee and the Risk and Compliance Committee, respectively, in order to attribute the compliance and corporate governance powers of the Risk and Compliance Committee to the Audit Committee, and also to change the name of the former to the Risk Committee and of the latter to the Audit and Compliance Committee.

C.1.19 Indicate procedures for selection, appointment, re-election, evaluation and removal of directors. List the competent bodies, the procedures to be followed and the criteria to be employed in each procedure.

Persons to whom the position of MAPFRE S.A. director is offered, or of a subsidiary company, must first make an accurate and complete declaration of their relevant personal, family, professional and business circumstances, specifically indicating the following: (i) persons or companies that are, with respect to him/her, the condition of linked persons as provided for in current legislation; (ii) any circumstances that may imply a cause of incompatibility in accordance with the laws, the corporate bylaws or the Board of Directors Regulations, or a conflict of interest; (iii) any other professional obligations, in case they interfere with the commitment required for the position; (iv) any criminal proceedings in which he/she appears as a defendant or accused party; and (v) any other fact or situation affecting him/her and that may be relevant to his/her performance as a director. This declaration must be made on the form provided for such purposes by MAPFRE, and shall include an express acceptance of the regulations set out in the corporate bylaws and other internal regulations, as well as in current legislation.

Any person who holds the position of director must be of renowned prestige in his/her professional and business area, and hold all necessary professional qualifications or experience as provided by law for financial institutions or insurance companies subject to supervision by public authorities.

Specifically, people cannot be members of the Board of Directors if they hold significant shares in, or provide professional services to, competing businesses of the company or of any company of the Group, or if they work as employees, managers, or administrators of them, unless they are granted express authorization from the Board of Directors.

- Proposals for the appointment or reappointment of independent directors must be preceded by a proposal from the Appointments and Remuneration Committee.

The proposed reappointment of such directors must include an assessment of the performance of their positions by directors during the previous mandate and, where appropriate, of the positions performed by candidates on the Board, taking into account or assessing the amount and quality of the work done by them, and their commitment to the position.

- The formulation of proposals for appointment or reappointment by the Board of Directors must be preceded:

a) In the case of nominee directors, by a suitable proposal of the shareholder backing their appointment or reappointment.

b) In the case of executive directors, as well as the secretary, whether or not a director, by a suitable proposal from the Chairman of the Board.

Both types of proposals must also be preceded by the corresponding report from the Appointments and Remuneration Committee.

- The proposed reappointment of nominee and executive directors must be subject to a prior report issued by the Appointments and Remuneration Committee, which must include an assessment of the performance of their positions by directors during the previous mandate and, where appropriate, of the positions performed by candidates on the Board, taking into account or assessing the amount and quality of the work done by them, and their commitment to the position.

- In any case, the proposals for appointment and reappointment of directors must be accompanied by an explanatory report from the Board which assesses the responsibility, experience and merits of the candidate.

The Board of Directors will not propose to the General Meeting that any independent director be removed from office before the end of the term for which the director has been elected unless the Board of Directors considers, based on a report from the Appointments and Remuneration Committee, that there are grounds for doing so. In particular, the removal proposal shall be deemed justified when the director has failed to comply with the duties inherent to the position, has not complied with any requirement set forth for independent directors, or has incurred in an insuperable conflict of interest according to the provisions of current legislation.

C.1.20 Explain how the annual assessment of the Board has led to significant changes in its international organization and in the procedures that apply to its activities:

Description of modifications

In 2016 the Board of Directors engaged a well-respected independent expert to assist it in evaluating its own performance as well as the performance of the Board committees and the Chairman of the Board. Based on the result of the annual self-assessment, in 2017 the Board of Directors implemented the following measures:

- The level of participation of all Board members in the meetings of the governing bodies was increased, reducing the time spent on presentations and increasing the time allocated for debate and, to that end, issuing meeting documentation even more in advance of the meetings.
- The strategic portion of the Board's meetings was reinforced to allow more time for discussing strategic issues and encourage debate.
- More time was allowed for analyzing and discussing business matters, as well as for following up on the strategic plan and the necessary analysis of regulatory issues.

C.1.20.b Describe the evaluation process and the evaluated areas undertaken by the Board of Directors assisted, where appropriate, by an external consultant with respect to diversity in its composition and responsibilities, the operation and composition of its committees, the performance of the Chairman of the Board and the chief executive of the company, and the performance and contribution of each director.

In accordance with the provisions of the Regulations of the Board of Directors of MAPFRE, the Board undertakes an annual assessment of the quality of its work, the performance of the Chairman and CEO based on the report drawn up for this purpose by the Appointments and Remuneration Committee, and the operation of its Committees and Steering Committee. Where appropriate, it proposes an action plan to correct any deficiencies detected.

During the first half of 2018 the Steering Committee and the Audit and Compliance, Appointments and Remuneration, and Risk Committees will prepare their respective self-assessment reports on their composition and operations during 2017. Likewise, the Board of Directors will assess its own composition and operations during 2017 as well as those of its Committees and Steering Committees based on the aforementioned reports.

Meanwhile, following the report of the Appointments and Remuneration Committee, the Board of Directors evaluated the performance of the MAPFRE Chairman and CEO in 2017, concluding that it was very favorable in all aspects.

C.1.20.c List, where appropriate, the business relationships maintained by the advisor or any company in the group with the company or any company in its group.

None

C.1.21 Indicate the circumstances under which directors are obliged to resign.

In accordance with the corporate bylaws, the Board of Directors Regulation and the MAPFRE Group's Institutional, Business and Organizational Principles, all members of the Board of Directors will formally resign their post at the age of 70. The Chairman, Vice Chairmen and directors who perform executive functions, and the secretary of the Board must retire from office on reaching 65 years of age or, on any earlier date according to the terms and conditions of their respective contracts, submitting the corresponding resignations, but they may continue as members of the Board without any executive duties for a maximum of five years in the same conditions as external nominee directors.

All directors must resign from their directorship on the Board of Directors and any office held, such as on the Committees and Steering Committee, and tender their formal resignation should the Board of Directors deem it pertinent, in the following cases:

- a) Whenever they are removed from the executive office associated with their appointment as members of these governing bodies.
- b) Should they become subject to any disqualification or prohibition laid down at law.
- c) If they are accused of (or a court issues an order for the opening of a trial for) allegedly committing any crime or are involved in disciplinary proceedings involving a serious or very serious fault at the instance of the supervisory authorities.
- d) If they receive a serious warning from the Audit and Compliance Committee due to infringement of their obligations as directors.
- e) When they are affected by circumstances in which their remaining on any such management bodies might cause damage to the company's credit or reputation, or place its interests at risk. When such events or circumstances are well-known or public, the Appointments and Remuneration Committee, by agreement of the majority of its members, may request the resignation of the affected director.
- f) If the reasons (if any expressly exist) for which they were appointed cease to apply.

Resignation from these positions must be formally tendered in a letter addressed to all members of the Board of Directors.

Directors who, at the time of their appointment, do not hold any executive position or perform any executive functions in the company, or in another Group company, will not be able to perform any executives functions unless they first resign their directorship, even though they may subsequently remain eligible for the position.

Nominee directors must also tender their resignation when the shareholder that appointed them sells its shareholding.

When a shareholder reduces its shareholding, a proportionally equivalent number of nominee directors that it has appointed must resign.

MAPFRE's independent directors must also tender their resignation when they have held office for 12 years in a row.

C.1.22 Section repealed.

C.1.23 Are reinforced majorities required, aside from legal majorities, for any type of resolution?

Yes ☐

No ☒

If so, describe the differences.

C.1.24 Explain whether there are specific requirements, other than those regarding directors, to be appointed Chairman of the Board.

Yes ☒

No ☐

Requirements description

In accordance with the provisions of article 5 of the Regulations of the MAPFRE Board of Directors, the position of Chairman must go to an executive director who has the status of most senior management representative, and such a designation requires the favorable vote of two thirds of the members of the Board of Directors.

C.1.25 Indicate whether the Chairman has a casting vote:

Yes ☒

No ☐

Circumstances requiring a casting vote

In general, the Chairman has a casting vote in the event of a tie.

C.1.26 Indicate whether the bylaws or the Board regulations establish any age limit for directors:

Yes ☒ No ☐

Age limit for Chairman: 65 years

Age limit for managing director: 65 years

Age limit for director: 70 years

C.1.27 Indicate whether the bylaws or the Board regulations establish any limit for independent directors' term of office, other than that established in the regulations:

Yes ☐ No ☒

C.1.28 Indicate whether the bylaws or the regulations of the Board of Directors establish specific regulations for delegating votes on the Board of Directors, how to do it, and in particular, the maximum number of delegations a director may have, as well as whether any limit has been established regarding the categories in which it is possible to delegate, beyond the limits imposed by legislation. If so, describe such regulations briefly.

There are no specific regulations for delegating votes on the Board of Directors.

C.1.29 Indicate the number of meetings the Board of Directors has held during the financial year. Where applicable, indicate how many times the Board has met without the Chairman in attendance. In calculating this number, attendance shall mean proxies given with specific instructions.

Number of board meetings	10
Number of board meetings not attended by the Chairman	0

If the Chairman is an executive director, indicate the number of meetings held, unattended or without representation, by any executive directors and chaired by the coordinating director

Number of meetings	0
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Indicate the number of meetings the Board's different Committees have held during the financial year.

Committee	No. of Meetings
STEERING COMMITTEE	3
AUDIT AND COMPLIANCE COMMITTEE	11
APPOINTMENTS AND REMUNERATION COMMITTEE	7
RISK COMMITTEE	5

C.1.30 Indicate the number of meetings the Board of Directors has held during the financial year with the attendance of all its members. In calculating this number, attendance shall mean proxies given with specific instructions:

Number of meetings attended by all directors	10
% of attendances over total votes during the year	100%

C.1.31 Indicate whether the individual and consolidated annual accounts presented to the Board for approval were certified beforehand:

Yes ☒ No ☐

Where applicable, identify the person(s) who certified the individual and consolidated annual accounts to be drawn up by the Board:

Name	Position
MR. FERNANDO MATA VERDEJO	GENERAL MANAGER OF THE CORPORATE FINANCE AREA
MR. JOSÉ MANUEL MURIES NAVARRO	GENERAL MANAGER OF INTERNAL AUDIT
MR. CARLOS BARAHONA TORRIJOS	ASSISTANT GENERAL MANAGER OF CONTROL AND FINANCIAL INFORMATION

C.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated accounts that it draws up from being presented to the General Meeting with reservations in the audit report.

The company has never issued financial statements with a qualified auditor's report.

The company has Corporate Finance, General Counsel and Internal Audit Areas to oversee all aspects of the annual accounts, as well as the MAPFRE Audit and Compliance Committee, which is a delegate body that was created by the Board for this purpose and granted supervisory powers in 2000.

According to article 25 of the Regulation of the Board of Directors of MAPFRE, the Board of Directors must always draw up the annual accounts so that the external auditor has no reservations or provisos regarding them. Nonetheless, when the Board considers that it must maintain its criteria, the Chairman of the Audit and Compliance Committee will publicly explain the content and scope of the discrepancies that may have led to these reservations or provisos.

C.1.33 Is the Board secretary a director?

Yes ☐ No ☒

If the secretary does not have the status of director, complete the following table:

Name or company name of the secretary	Representative
MR. ÁNGEL LUIS DÁVILA BERMEJO	

C.1.34 Section repealed.

C.1.35 Indicate what mechanisms the company has established, if any, to preserve the independence of the external auditors, the financial analysts, the investment banks and the ratings agencies.

In addition to abiding by statutory provisions, the company has decided to voluntarily propose compliance with a number of general guidelines that clearly and precisely aim to achieve and uphold the necessary independence of the external auditors in such regard as is advocated by the MAPFRE Board of Directors Regulations, which set out the following criteria in respect of the relationship with external auditors:

The relationship of the Board of Directors with the company's external auditor shall be maintained through the Audit and Compliance Committee.

The Board of Directors shall refrain from hiring any auditing firms that receive or that will receive annual fees from the Group, where the amount for all items exceeds 5 percent of its total annual revenue; and it shall report, in the annual public documentation, the total fees that the Group paid the external auditor for the various services it provided.

Apart from the Audit and Compliance Committee's powers and functions as specified in the bylaws and the Board of Directors Regulations, the Audit Committee will be informed at least once every six months of all services rendered by the external auditor and their corresponding fees.

Every year, the Audit and Compliance Committee will assess the accounts auditor, the scope of the audit and the external auditor's independence, considering whether the quality of the audit control measures is adequate and any services other than accounts audit services are compatible with the auditor's independence.

In accordance with the provisions of the Internal Code of Conduct regarding listed securities issued by MAPFRE, which sets out the procedures relating to the publication of relevant information, the financial analysts will not be provided with any relevant information that is not available to the public at large.

C.1.36 Indicate whether the company changed its external auditor during the financial year. If so, identify the incoming and outgoing auditors:

Yes ☐ No ☒

Outgoing auditor	Incoming auditor

If there were disagreements with the outgoing auditor, explain the grounds.

Yes ☐ No ☒

C.1.37 Indicate whether the audit firm does other work for the company and/or its Group other than the audit. If so, declare the amount of fees received for such work and the percentage of such fees in the total fees charged to the company and/or its Group:

Yes ☒ No ☐

	Company	Group	Total
Amount for work other than audit (thousands of euros)	296	1,519	1,815
Amount of work other than audit / total amount billed by the audit firm (in %)	39.34	20.58	22.31

C.1.38 Indicate whether the audit report on the annual financial statements for the previous

financial year contained reservations or qualifications. If so, indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of such reservations or qualifications.

Yes ☐

No ☒

C.1.39 Indicate the number of financial years during which the current audit firm has been doing the audit of the financial statements for the company and/or its Group without interruption. Indicate the percentage of the number of financial years audited by the current auditing firm to the total number of financial years in which the annual financial statements have been audited:

	Company	Group
Number of financial years running	3	3
Number of financial years audited by current audit firm / number of financial years the company has been audited (in %)	10.71%	10.71%

C.1.40 Indicate and, where applicable, give details on the existence of a procedure for directors to obtain external advisory services:

Yes ☒

No ☐

Details of the procedure

According to the provisions of the Regulations of the Board of Directors of MAPFRE, and for the purpose of assisting the directors in the exercise of their functions, the directors may request external advice, at the company's expense, whenever special circumstances arise that warrant this. Any such engagement of experts must necessarily be related to specific problems of special import and complexity that arise during the exercise of the office of director.

The request for advice must be addressed to the Chairman or the secretary of the Board of Directors and may be vetoed by the Board of Directors, if it is established that:

- a) It is not necessary for the proper performance of the functions entrusted to the directors.
- b) The cost is unreasonable, bearing in mind the significance of the problem and the company's assets and revenues.
- c) The technical assistance sought may be adequately provided by experts and technicians already employed by the company or Group.

C.1.41 Indicate and, where applicable, give details on the existence of a procedure for directors to obtain the information they need to prepare the meetings of the management bodies in sufficient time:

Yes ☒

No ☐

Details of the procedure

The Chairman takes appropriate measures to ensure that the directors receive sufficient information on the matters on the agenda prior to the meeting. This aspect is subject to a specific analysis by the Board of Directors of the company in its annual self-evaluation session.

C.1.42 Indicate and, where applicable, give details on whether the company has established rules obliging directors to inform and, where applicable, to resign in those cases that may harm the company's credit and reputation:

Yes ☒ No ☐

Explain the rules

The directors must place their office(s) at the disposal of the Board of Directors, both as directors and any other position they might hold on any Committee or Steering Committees thereof, and formalize any resignation, should the Board deem it necessary, in the following cases:

- Whenever they are removed from the executive office associated with their appointment as a member of these governing bodies.
- Should they become subject to any disqualification or prohibition laid down under law.
- If they are accused of (or a court issues an order for the opening of a trial for) allegedly committing any crime or are involved in disciplinary proceedings involving a serious or very serious fault at the instance of the supervisory authorities.
- If they receive a serious warning from the Audit and Compliance Committee due to infringement of their obligations as directors.
- When they are affected by circumstances that might harm the company's credit or reputation or place its interests at risk were they to remain on these governing bodies. When such events or circumstances are well-known or public, the Appointments and Remuneration Committee, by agreement of the majority of its members, may request the resignation of the affected director.
- If the reasons (if any expressly exist) for which they were appointed cease to apply.

C.1.43 Indicate whether any member of the Board of Directors has informed the company of being sued or having any court proceedings opened against him or her for any of the offenses listed in article 213 of the Companies Act:

Yes ☐ No ☒

Indicate whether the Board of Directors has analyzed the case. If so, explain the grounds for the decision reached as to whether or not the director should remain on the Board or, where applicable, explain the actions carried out by the Board of Directors until the date of this report or that it has planned to carry out.

C.1.44 List the significant resolutions adopted by the company and that take effect, are amended or conclude in the event of a change in control of the company on account of a public takeover bid, and its effects.

There are no significant resolutions adopted by the company and that take effect, are amended or conclude in the event of a change in control of the company on account of a public takeover bid.

C.1.45 Identify in aggregate and indicate in detail, the resolutions between the company and its administration and management or employees who receive compensations, ring-fence or guarantee clauses, when these resign or are unfairly dismissed, or when the relationship comes to an end on the occasion of a public takeover bid or other type of operation.

Number of beneficiaries: 0

Type of beneficiary:

[Description of type of beneficiaries]

Description of the resolution

The term of the contracts of the executive directors is related to their time as a director. Removal from this position entails the lifting of the suspension of the relationship prior to the appointment as such. The executive directors must be exclusively engaged in their position, and there are no contractual conditions relating to post-contractual non-competition agreements and permanence.

The early termination of the previous relationship entails compensation under the terms established by the Workers' Statute in relation to unfair dismissal, except when there is good cause for dismissal. In the event of early termination by decision of the company, it shall inform the director of his/her removal three (3) months prior to the date of termination.

Contracts that regulate prior relationship establish the termination of this relationship on January 1 of the year after which the director reaches the age of 60, unless annual extensions are implemented at the initiative of the company until the date on which the executive reaches the age of 65, as a maximum.

There are no clauses relating to signing bonuses.

Indicate whether these contracts must be disclosed and/or approved by the company or Group governing bodies:

	Board of Directors	General Meeting
	Yes	No
Body authorizing the clauses		

	Yes	No
Is the General Meeting informed of the clauses?		X

C.2 Board of Directors' Committees

C.2.1 List all the Board of Directors' committees, their members and the percentage of executive, nominee, independent and other external directors that compose them:

STEERING COMMITTEE

Name	Position	Category
MR. ANTONIO HUERTAS MEJÍAS	CHAIRMAN	Executive
MR. ANTONIO NÚÑEZ TOVAR	1st VICE CHAIRMAN	Executive
MS. CATALINA MIÑARRO BRUGAROLAS	2nd VICE CHAIRWOMAN	Independent
MR. IGNACIO BAEZA GÓMEZ	MEMBER	Executive
MR. GEORG DASCHNER	MEMBER	Independent
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	MEMBER	Nominee director
MR. RAFAEL MÁRQUEZ OSORIO	MEMBER	Nominee director
MR. ANTONIO MIGUEL- ROMERO DE OLANO	MEMBER	Nominee director

% of executive directors	37.50%
% of nominee directors	37.50%
% of independent directors	25.00%
% of other external Directors	0.00%

Explain the functions attributed to this committee, describe its procedures and rules of organization and functioning and summarize its most important actions during the fiscal year.

It is the delegate body of the Board of Directors, responsible for senior management and permanent oversight of the strategic and operational aspects of the company's ordinary business affairs and those of its subsidiaries. It also makes any decisions necessary for proper operation. It has the general capacity of decision and has been expressly delegated all the powers that correspond to the Board of Directors, except for those that may not be delegated by legal imperative or, where applicable, by express provision in the Corporate Bylaws or in the Regulations of the Board of Directors of MAPFRE S.A.

A maximum of 10 members, all members of the Board of Directors. Its Chairman, First and Second Vice Chairmen and secretary will automatically be members of the Board. Members must be appointed with a favorable vote from two-thirds of the members of the Board of Directors.

In 2017 the Steering Committee was responsible for approving appointments and removals from the company and the Group, authorizing the transactions of subsidiary and investee companies, approving the real estate transactions of the Group, being familiar with relationships with official bodies and the main contentious issues of the Group's companies, and being familiar with the purchase of MAPFRE shares by members of governing and management bodies, among other things.

Indicate whether the composition of the Executive or Steering Committee reflects the participation of the different directors on the Board according to their category:

Yes ☐

No ☒

If not, explain the composition of the Executive or Steering Committee

The company has its own standard, establishing it as a delegate body with marked executive nature and composed of the majority of the executive directors, as well as three external nominee directors and two independent directors.

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Category
MR. JOSÉ ANTONIO COLOMER GUIU	CHAIRMAN	Independent
MS. ADRIANA CASADEMONT I RUHÍ	MEMBER	Independent
MR. RAFAEL MÁRQUEZ OSORIO	MEMBER	Nominee director
MR. ANTONIO MIGUEL-ROMERO DE OLANO	MEMBER	Nominee director
MS. CATALINA MIÑARRO BRUGAROLAS	MEMBER	Independent

% of nominee directors	40.00%
% of independent directors	60.00%
% of other external directors	0.00%

Explain the functions attributed to this committee, describe its procedures and rules of organization and functioning and summarize its most important actions during the fiscal year.

The Audit and Compliance Committee has the following responsibilities:

- To apprise the General Meeting of matters that are the responsibility of the Committee and, in particular, regarding the results of the audit, explaining how the committee has contributed to the integrity of the financial information and role that the Committee had in said process.
- To supervise the efficacy of internal controls at the company, internal audits and risk management systems, including fiscal systems, as well as discussing with the external auditor any significant weaknesses identified in the internal control system in the course of audits.
- To supervise the process for drawing up and presenting the mandatory financial information, and present recommendations or proposals to the Board of Directors with a view to safeguarding its integrity.
- To bring before the Board of Directors the proposals for the selection, appointment, re-election and substitution of the external auditor, being accountable for the selection process as contemplated in the pertinent legislation in force, as well as the conditions of his/her hiring and regularly gather from him/her information regarding the audit plan and its execution.

- e) To establish appropriate relationships with the external auditor in order to receive information concerning those issues which may jeopardize their independence, so that they may be examined by the Committee, and any other issues relating to the accounts auditing process, and where appropriate, authorizations for services other than those prohibited in the terms contemplated in the corresponding legislation currently in force for auditing accounts, for the regime of independence, as well as other communications envisaged in account audit legislation and auditing standards.
- f) To issue a yearly report, prior to the publication of the accounts audit report, expressing an opinion concerning whether the independence of the external auditor has been compromised.
- g) To ensure that, as far as possible, the external auditor of the Group takes responsibility for auditing all the companies belonging to it.
- h) To ensure the independence and efficacy of the internal audit; to propose the selection, appointment, reappointment and removal of its most senior management, as well as its annual budget; to receive regular information on its activities; and to check that senior management takes the conclusions and recommendations of its reports into account.
- i) To inform the Board of Directors in advance on all matters provided in the law, the corporate bylaws and Board of Directors Regulations.
- j) To establish and supervise a mechanism that enables employees to communicate confidentially any irregularities they notice within the company that may be of potential importance, especially financial and accounting irregularities.
- k) To verify the application of the established good governance regulations at all times.
- l) To supervise compliance with internal and external regulations, especially with internal codes of conduct, regulations and procedures for the prevention of money laundering and financing terrorism, as well as making proposals for their improvement.
- m) To supervise the adoption of actions and measures resulting from inspection reports or actions taken by administrative supervision and control authorities.

The Committee is made up of a minimum of three and a maximum of five members, all of which must be non-executive, and the majority of which must be independent directors, one of which must be designated based on his or her knowledge and experience in the area of accounting or auditing or both. Overall, the members of the Committee should have the pertinent technical knowledge in relation to the company's sector of activity. Its chairman must be an independent director and they must be substituted in this position every four years, only to be reelected to the post one year after leaving that position. The secretary of this Committee will be the secretary to the Board of Directors. The Internal Audit General Manager of the Group shall attend the meetings as a guest.

In 2017 the Audit and Compliance Committee was responsible for issuing an opinion on the annual accounts for fiscal year 2015, for supervising the efficacy of the company's internal control, for the internal audit and the risk management systems of the company and the Group, for reporting on transactions with significant shareholders and senior management, for approving extra fees from the external auditor, for reporting on the relationship with the external auditor, for learning of appointments in Internal Audit and for being familiar with the quarterly financial information presented to the Spanish National Securities and Exchange Commission, and for ensuring the correct application within the company and Group of the good governance rules and external and internal regulations.

Identify the director who is a member of the Audit Committee and who is designated based on his/her knowledge and experience in the area of accounting or auditing or both, and state the number of years that the chairman of this Committee has held the position.

Name of the director with experience	MR. JOSÉ ANTONIO COLOMER GUIU
No. of years of the chairman in the position	2

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Category
MS. CATALINA MIÑARRO BRUGAROLAS	CHAIRWOMAN	Independent
MS. ADRIANA CASADEMONT I RUHÍ	MEMBER	Independent
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	MEMBER	Nominee director
MR. ALFONSO REBUELTA BADIÁS	MEMBER	Nominee director
% of nominee directors		50.00%
% of independent directors		50.00%
% of other external directors		0.00%

Explain the functions attributed to this committee, describe its procedures and rules of organization and functioning and summarize its most important actions during the fiscal year.

The Appointments and Remuneration Committee is the delegate body of the Board of Directors for the coordinated development of appointment and remuneration policy regarding the directors and senior management of the Group. It has the following responsibilities:

- a) To evaluate the balance of skills, knowledge and experience required on the Board, defining the functions and capabilities required of the candidates to fill each vacancy accordingly and deciding the time and dedication necessary for them to properly perform their functions.
- b) To establish a representation target for the gender least represented on the Board of Directors and to draw up guidelines on how to achieve this target.
- c) To bring before the Board of Directors the appointment proposals of independent directors for them to be designated by cooptation or for them to be subject to the decision of the General Meeting, as well as proposals for reappointment or removal, and to report on cases related to proposals that affect the remaining directors.
- d) To notify proposals for the appointment and termination of senior managers and their basic contractual conditions.
- e) To examine and organize the succession of the Chairman of the Board, and where appropriate, to make the corresponding proposals to the Board so that this succession is orderly and well-planned.
- f) To propose to the Board of Directors the remuneration policy for directors and general managers or anyone who performs senior management functions under the direct control of the Board, the Steering Committee or the Managing Directors, as well as individual remuneration and other conditions of the contracts of executive directors, ensuring their enforcement.
- g) To propose to the Board of Directors the candidates for Fundación MAPFRE trustees whose appointment is the responsibility of the company.
- h) To authorize the appointment of external directors in the other Group companies.

The Committee is made up of a minimum of three and a maximum of five members, all of whom must be non-executive, and at least two of whom must be independent directors. The chairman must be an independent director. The secretary of the Board of Directors will also be the secretary of the Committee.

In 2017 the Appointments and Remuneration Committee was responsible for reporting on the appointments and removals of directors and executives, reporting on the chairman's actions during fiscal year 2016, bringing before the Board of Directors the re-election proposals concerning the independent directors, approving the salary remuneration of senior management positions for fiscal year 2017, authorizing the granting of pension commitments, and approving the granting of management contracts.

RISK COMMITTEE

Name	Position	Category
MR. GEORG DASCHNER	CHAIRMAN	Independent
MR. JOSÉ ANTONIO COLOMER GUIU	MEMBER	Independent
MS. ANA ISABEL FERNÁNDEZ ÁLVAREZ	MEMBER	Independent
MR. RAFAEL MÁRQUEZ OSORIO	MEMBER	Nominee director
MR. ANTONIO MIGUEL-ROMERO DE OLANO	MEMBER	Nominee director

% of nominee directors	40.00%
% of independent directors	60.00%
% of other external directors	0.00%

Explain the functions attributed to this committee, describe its procedures and rules of organization and functioning and summarize its most important actions during the fiscal year.

This delegate body of the Board of Directors supports and advises the Board on the definition and evaluation of the Group's risk management policies and on the determination of susceptibility to risk and the risk strategy. It has the following functions:

- a) To support and advise the Board of Directors on the definition and evaluation of the Group's risk policies and on the determination of susceptibility to risk and the risk strategy.
- b) To assist the Board of Directors in overseeing the application of the risk strategy.
- c) To be familiar with and assess the risk management methods and tools, monitoring the models applied regarding results and validation.

The Committee will be made up of a minimum of three and a maximum of five members, all of whom must be non-executive, and at least two of whom must be independent directors. The chairman must be an independent director.

The Board of Directors must designate a secretary, a position which need not be filled by a director.

In 2017 the Risk Committee was responsible for reviewing the policies approved by the company in connection with Solvency II and determining the susceptibility to risk and the risk strategy.

C.2.2 Complete the following table with information related to the number of directors who have belonged to Board of Directors' Committees for the last four financial years:

	Number of directors							
	2017		2016		2015		2014	
	Number	%	Number	%	Number	%	Number	%
STEERING COMMITTEE	1	12.5%	1	10.00%	1	10.00%	1	11.11%
AUDIT AND COMPLIANCE COMMITTEE	2	40.00%	2	40.00%	1	25.00%	1	25.00%
APPOINTMENTS AND REMUNERATION COMMITTEE	2	50.00%	2	50.00%	1	25.00%	1	20.00%
RISK COMMITTEE	1	20.00%	0	0%	0	0.00%	0	0.00%

C.2.3 Section repealed

C.2.4 Section repealed.

C.2.5 Indicate, where applicable, the existence of regulations for the Board committees, where they can be consulted and any amendments made to them during the financial year. Indicate whether an annual report on the activities of each committee has been drawn up voluntarily.

Committee name

STEERING COMMITTEE

Brief description

The Steering Committee is regulated in the bylaws and the Board Regulations.

These are available on the company's website, www.mapfre.com, in the public records of the Spanish National Securities and Exchange Commission (the "CNMV"), and in the Madrid Company Registry.

Committee name

AUDIT AND COMPLIANCE COMMITTEE

Brief description

Regulated in the bylaws and the Board Regulations.

These are available on the company's website, www.mapfre.com, in the public records of the Spanish National Securities and Exchange Commission (the "CNMV"), and in the Madrid Company Registry.

In 2017 the regulations of this committee as described in the bylaws and the Board of Directors Regulations were amended to include the corporate governance powers previously attributed to the Risk Committee.

The Audit and Compliance Committee has been publishing an annual report on its activities since 2005, which is made available to shareholders at the Ordinary General Meeting.

Committee name

APPOINTMENTS AND REMUNERATION COMMITTEE

Brief description

Provided for in the bylaws and regulated in the Board of Directors Regulations. These are available on the company's website, www.mapfre.com, in the public records of the Spanish National Securities and Exchange Commission (the "CNMV"), and in the Madrid Company Registry.

The company has been publishing an annual report on its remuneration policy since 2008, which is put to a vote on a consultative basis and as a separate point on the agenda at the Ordinary General Meeting.

Committee name

RISK COMMITTEE

Brief description

Provided for in the bylaws and regulated in the Board of Directors Regulations.

These are available on the company's website, www.mapfre.com, in the public records of the Spanish National Securities and Exchange Commission (the "CNMV"), and in the Madrid Company Registry.

In 2017 the regulations of this committee as described in the bylaws and the Board of Directors Regulations were amended to transfer to the Audit and Compliance Committee the corporate governance powers previously attributed to the Risk Committee.

C.2.6 Section repealed.

D RELATED-PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1 Explain, where applicable, the procedure for approving related-party and intra-group transactions.

Procedure for reporting the approval of related-party transactions

MAPFRE has a policy for managing conflicts of interest and related-party transactions with significant shareholders and senior representative or management positions, which regulates the procedure to be followed in relation to related-party transactions.

The Board of Directors shall be familiar with the transactions conducted by the company, directly and indirectly, with directors, with significant shareholders or shareholders represented on the Board of Directors, or with individuals associated with them, and these transactions shall require authorization by the Board of Directors, after receiving a report from the Audit and Compliance Committee, unless they are transactions that are part of the normal or ordinary activities of the parties concerned, which are undertaken under normal market conditions and for amounts that are insignificant or irrelevant to the company.

Significant shareholders, directors and senior management must inform the secretary of the Board of Directors of MAPFRE in writing regarding any transaction that they or individuals associated with them (in this last case, whenever the affected person is aware of it) intend to conduct with MAPFRE or with any other company of its Group and which constitutes a related-party transaction subject to authorization by the Board of Directors.

The notification must include sufficient information on the aspects of the transaction to make it possible for MAPFRE to properly identify it.

D.2 List any significant transactions between the company or its Group companies and the company's significant shareholders which are relevant due to their amount or subject matter:

Name or company name of the significant shareholder	Name or company name of the company or Group company	Nature of the relationship	Type of transaction	Amount (thousands of euros)
CARTERA MAPFRE, S.L. SINGLE-MEMBER COMPANY	MAPFRE S.A.	Corporate	Dividends and other profits distributed	304,776
CARTERA MAPFRE, S.L. SINGLE-MEMBER COMPANY	MAPFRE S.A.	Contractual	Interest paid	24

D.3 List the transactions between the company or Group companies and the company's directors or executives which are relevant due to their amount or subject matter.

D.4 Report on the significant transactions in which the company has engaged with other companies belonging to the same group, as long as they are not eliminated in the process of drawing up the consolidated financial statements and are not part of the company's usual trade with respect to its purpose and conditions.

In any case, report any intra-group transaction carried out with companies established in countries or territories which have the consideration of tax haven:

D.5 Indicate the amount of the transactions conducted with other related parties.

0 (million euros).

D.6 List the mechanisms in place to detect, determine and resolve possible conflicts of interest between the company and/or its Group, and its directors, executives and/or significant shareholders.

All directors and managers must make a prior declaration at the time of their appointment with regard to these matters. Furthermore, they are required to update this declaration on a regular basis, and whenever a potential situation of conflict arises.

Additionally, the internal code of conduct and policy for managing conflicts of interest and related transactions with significant shareholders and senior representative or management positions regulate the special obligations relating to potential conflicts of interest.

The Board of Directors has the final decision on these issues. There is a special procedure for the approval of resolutions with regard to matters where there is a potential conflict of interest with a director. The director in question must refrain from attending or participating in these decisions.

D.7 Is there more than one of the Group's companies listed in Spain as a publicly traded company?

Yes ☒

No ☐

Identify listed subsidiaries in Spain:

Listed subsidiary company

FUNESPAÑA, S.A.

Type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other Group companies;

Yes ☒

No ☐

Define any business dealings between the parent company and the listed subsidiary, and between it and other Group companies.

The business dealings with FUNESPAÑA, S.A., its subsidiary All Funeral Services, S.A and its other Group companies mainly involve the provision of burial services related to the burial insurance coverage issued by MAPFRE ESPAÑA, Compañía de Seguros y Reaseguros, S.A., a subsidiary company of MAPFRE S.A.

Identify the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and other Group companies:

Mechanisms to resolve possible conflicts of interest

The relational framework agreement between MAPFRE and FUNESPAÑA establishes abstention duties for the executive positions in the MAPFRE Group or FUNESPAÑA Group that form part of the governing body of another company belonging to another group. In addition, the provisions relating to conflicts of interest established in the internal code of conduct in respect of listed securities issued by MAPFRE are applicable.

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the company's risk management system, including taxation.

The consolidated group of insurance companies has a Risk Management System (RMS) based on the integrated management of each and every business process and in accordance with the risk level and established strategic objectives. The different types of risks have been grouped under four areas, or categories, as described below:

- Financial and Credit Risks: This includes interest rate, liquidity, exchange rate and credit risks.
- Insurance Activity Risk: This groups together, separately for Life and Non-Life, the risk of premium shortfalls and insufficient technical provisions.
- Strategic and Corporate Governance Risks: This includes business ethics and corporate governance risks as well as risks related to the organizational structure, alliances, mergers and acquisitions derived from the regulatory environment, including those of a tax nature, and competition risks.
- Operational Risk: This includes possible losses arising from the inadequacy or malfunction of internal processes, personnel or systems, or arising from external events (not including risks arising from strategic decisions or reputational risk).

Operational risk includes compliance risk, which entails the risk of sanctions and material financial losses as a result of the failure to comply with laws and other regulations, rules, internal and external standards or administrative requirements. Tax risk is considered to be a category of compliance risk in that it includes the risk of conflicting interpretations of tax law and the determination of market prices in transactions between related companies.

- The governing bodies regularly receive half-yearly information relating to the quantification of the main risks to which the Group is exposed and the capital resources available to cover them, as well as information relating to compliance with the established risk appetite limits and other specific risk policies.

E.2 Identify the bodies of the company which are responsible for the preparation and implementation of the risk management system, including taxation.

The Regulations of the Board of Directors of MAPFRE set out the functions and responsibilities of the MAPFRE governing bodies and their committees and steering committees related to the risk management system.

The Board of Directors has the responsibility, which may not be delegated, to determine the general policies and strategies, and in particular the policy to identify, manage and control risks, including taxes, and monitor internal information and control systems.

The Steering Committee has the general capacity of decision with express delegation in its favor of all powers that correspond to the Board of Directors, except for those that may not be delegated by legal imperative or, where applicable, by express provision in the Corporate Bylaws or in the Regulations of the Board of Directors of MAPFRE S.A.

The Audit and Committee monitors the effectiveness of the company's internal control, internal auditing and the risk management systems, including taxes.

The Risk Committee is the delegate body of the Board of Directors that supports and advises the Board on the definition and evaluation of the Group's risk management policies and on the determination of its susceptibility to risk and the risk strategy.

Its functions in the framework of the risk management system are as follows:

- To support and advise the Board of Directors on the definition and evaluation of the risk policies of the Group and on the determination of the susceptibility to risk and the risk strategy.
- To assist the Board of Directors in overseeing the implementation of the risk strategy.
- To be familiar with and assess the risk management methods and tools, monitoring the models applied regarding results and validation.

E.3 List the main risks, including tax risks, which might affect the achievement of the business objectives.

1. Financial and Credit Risks

MAPFRE mitigates its exposure to this type of risk by means of a prudent investment policy characterized by a high proportion of top-quality fixed-income securities.

Four different types of portfolios are managed within the investment portfolio:

- Those that seek strict immunization from the obligations deriving from insurance contracts.
- Portfolios that cover unit-linked policies made up of assets whose risk is assumed by the policyholders.
- Those that look to exceed the guaranteed return and achieve the highest return for the policyholders within prudential parameters, such as portfolios with profit sharing.
- Open-management portfolios where the active management is only conditioned by legal rules and by internal risk limits.

In the first case, immunized portfolios minimize interest rate risk through matching adjustments and immunization techniques based on the matching of flows and duration.

In the second case, portfolios that cover the unit-linked policies are made up of financial instruments whose risk is assumed by the policyholders.

A certain degree of market risk is accepted in the remaining portfolios, as set out below:

- The management variable for interest rate risk is modified duration, which is conditioned by the limits established in the investment plan approved by the Board of Directors of MAPFRE S.A. for open-management portfolios, and the modified duration of liabilities in the event of long-term commitments to policyholders.
- The exposure to exchange rate risk is minimized in the case of insurance liabilities. For investment management reasons, the exposure to this type of risk may not exceed the fixed percentage established in the annual investment plan.
- Investments in shares are subject to a maximum limit of the investment portfolio.
- The risk limitations are established in easily-observable quantitative terms of variables. However, a risk analysis in probabilistic terms is carried out in accordance with past volatility and correlations.

With regard to credit risk, the policy is based on applying criteria of prudence in line with the issuer's solvency and seeking a high degree of geographical correspondence between the issuers of the assets and the commitments. The fixed-income and equity investments are subject to limits per issuer.

The credit risk management policy establishes limits according to the risk profile of the counterparty or of the investment instrument, as well as exposure limits related to the counterparty's rating. There is also a system for monitoring and reporting credit risk exposure.

The Security Committee reviews the main exposures to insurance and reinsurance counterparties.

2. Insurance Activity Risk

The organization of MAPFRE, specializing in various business lines, requires them to be highly autonomous in the management of their business, in particular in the underwriting of risks and tariff fixing, as well as the indemnities or provision of services in the case of incident.

The adequacy of premiums is an element of particular importance and its determination is supported by specific software applications.

Claims processing and the adequacy of provisions are basic principles of insurance management. Technical provisions are estimated by the actuarial teams of the different companies and their amount is validated by an independent party that did not participate in the calculation. The prevalence of the personal injuries business at MAPFRE, with rapid liquidation of claims, and the relative insignificance of long-term risks insured, such as asbestos or professional liability, are elements mitigating the risk of insufficient technical provisions.

MAPFRE operates in countries highly prone to disasters (earthquakes, hurricanes, etc.), which calls for special treatment of these types of risk. Companies exposed to this type of risks have specialized analyses on catastrophe exposure, usually drawn up by independent experts, which estimate the extent of the losses in the event of a catastrophe occurring. Underwriting catastrophic risks is undertaken based on this information and the economic capital available to the underwriter. Where appropriate, the equity exposure to these types of risk is mitigated by taking out specific reinsurance coverage.

In this respect, it is important to highlight the contribution of MAPFRE RE, which provides the Group with its extensive experience in the catastrophe risk market. Every year this company determines the global catastrophic capacity that it assigns to each territory and establishes the maximum underwriting capacity per risk and event. It also has risk retrocession protection programs to cover deviations or increases in catastrophe claims in different territories.

MAPFRE's policy with respect to reinsurance risk is to cede business to reinsurers with proven financial capacity, which basically means those with a high credit rating (quality grade 2 or higher). Business is ceded to other reinsurers on an exceptional basis after an internal analysis demonstrating the possession of a solvency margin equivalent to the aforementioned classification or if adequate guarantees are provided.

3. Operational Risk

Operational risks are identified and assessed through the risk control model, which is based on a dynamic analysis of each company process by process, in which the managers of each area or department assess the potential risks that affect their activities and the effectiveness of the controls related to each process. This control is conducted using risk self-evaluation questionnaires, internal control manuals, inventory controls associated with risks, assessment of their effectiveness, and the corrective measures in place to mitigate or reduce the risks and/or improve the control environment.

With respect to tax risks, the performance of the Group in the field of taxation has always been dominated by compliance with current tax legislation in the territories in which it operates, which constitutes a practical application of the institutional principle of ethically and socially responsible taxation.

The tax risks of the Group in each jurisdiction are handled internally by the Administration and Tax Affairs departments, subcontracting tax consulting services with the leading companies in the sector whenever required.

As regards the valuation of transactions between Group companies, significant in terms of global projects, technology and reinsurance, annual reviews and the documentation of individual transactions are conducted in collaboration with an independent expert firm.

4. Strategic and Corporate Governance Risks

MAPFRE has always applied ethical principles to its business management and indeed these principles form part of its bylaws and day-to-day activities. In order to streamline this business culture and update the legal governance and management transparency requirements, on June 24, 2015 the Board of Directors of MAPFRE S.A. approved the "MAPFRE Group Institutional, Business and Organizational Principles", the minimum mandatory framework for all the companies making up MAPFRE and their respective governing bodies. The strict application of these principles is considered the most efficient way to mitigate this type of risk.

E.4 Identify whether the company has a tolerance level for risks, including tax risks.

The risk appetite document of the MAPFRE Group, approved by the Board of Directors of MAPFRE S.A., establishes the risk level that the Group would be ready to assume to attain its business objectives with no relevant deviations, even in adverse situations. That level, which defines limits and sub-limits per risk type, constitutes the MAPFRE Group's risk appetite.

As one of its risk management objectives, the MAPFRE Group strives to maintain an admissible amount of shareholders' equity at the consolidated level which is equivalent to a target solvency ratio of 200 percent of the solvency capital required under Solvency II, with a tolerance of 25 percentage points. A secondary risk management objective is to maintain a sufficient level of economic capital at the consolidated level to meet its obligations in accordance with a rating of "A" or higher, or its equivalent.

The prospective capital required of the insurance and reinsurance subsidiaries is generally determined pursuant to an estimation based on the budgets for the following financial year, and it is reviewed on a regular basis during the course of the year in line with risk trends.

For other metrics that quantify the MAPFRE Group's aggregate risk, tolerance levels are established on the basis of a "traffic light" system (green, amber and red).

E.5 Indicate the risks, including tax risks, which have arisen during the financial year.

In 2017 insurance activity risks materialized as a result of several catastrophic events, including three hurricanes (Harvey, Irma and Maria) and two earthquakes (Puebla and Chiapas). While these events had a significant effect on the result for the period (with the net impact estimated at 176.4 million euros), reinsurance protection for this type of event proved to be effective because in spite of the number and intensity of these events (which implied additional benefits in excess of 1 billion euros), the Group still complied with the legal solvency requirements and remains within the tolerance limits defined in the risk appetite.

With regard to Financial and Credit Risks, in 2017 the euro appreciated against the currencies of some of the main subsidiaries, such as the U.S. dollar and Brazilian real, which had a negative effect on the Group's shareholders' equity (through negative currency conversion differences) and on the operating results and cash flows in euros from those subsidiaries.

E.6 Explain the response and supervision plans for the company's main risks, including tax risks.

The risk management system is integrated into the company's organization structure through the three-lines-of-defense model, as follows:

- a) A first line of defense made up of employees, management and the operational, business and support areas that assume the risks and are responsible for designing and applying the necessary control mechanisms to mitigate the risks associated with the processes they carry out and to guarantee that they do not exceed the established limits.
- b) As the second line of defense, the Risk Management Function and other assurance functions facilitate and manage the effective implementation of the controls established by the first line of defense and assist the risk owners with the identification process.
- c) The third line of defense is Internal Audit, an independent area that evaluates the risk management, internal control and governance processes within the organization.

The MAPFRE Board of Directors is the ultimate body responsible for ensuring the efficiency of the risk management system, establishing the risk profile and tolerance limits, and approving the main strategies and policies for identifying, managing and controlling risks, including tax risks, and supervising the internal information and control systems.

To guarantee efficient risk management, MAPFRE has developed a set of risk management policies which identify the different types of risks to which it is exposed and establish the acceptable risk appetite, measures to mitigate the impact of the risks identified should they materialize, and the relevant internal information and control systems to use.

In carrying out their functions, the risk management areas coordinate the strategies, processes and procedures necessary to continuously identify, measure, monitor, manage and report the risks to which the company is or may be exposed, as well as their interdependencies.

The Group's General Counsel is responsible for issuing instructions and monitoring compliance with the various regulations affecting the company and the Group. General Counsel also obtains information from the Tax Affairs Department about the tax risks detected in each country.

In any case, the actions to adopt regarding the risks identified are decided by the Board of Directors, which is informed immediately of any risk which:

- Depending how it evolves, may exceed the established risk limits.
- May lead to losses equal to or in excess of the established risk limits.
- May compromise compliance with the solvency requirements or business continuity.

At the operational level, the MAPFRE Group has a corporate business continuity model developed by the Security and Environment Area, the ultimate aim of which is to be able to provide a timely and effective response should a high-impact incident occur, therefore minimizing the damage caused. The model adopts the form of contingency plans that include recovery strategies for each process based on the criticality of the process and situation and the availability of the elements affected (employees, buildings, technology and providers).

F INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS (ICFR)

Describe the mechanisms that comprise control systems and risk management in relation to the company's procedure for the issuing of financial information (ICFR).

F.1 Control environment of the company

Report on the following, indicating the main characteristics:

F.1.1 Which bodies and/or functions are responsible for: (i) the existence and maintenance of an appropriate and effective ICFR; (ii) its implantation; and (iii) its supervision.

The MAPFRE internal control system takes the form of a set of continuous processes for which the MAPFRE S.A. Board of Directors is ultimately responsible. The Board is assisted by the Executive Committee and the executive teams of the different units, companies, corporate areas and other departments as regards the implementation, update and monitoring of the tasks and processes related to compliance with the objectives of the internal control system. The MAPFRE internal control system is implemented across the organization through the three-lines-of-defense model, as indicated in the latest update to the Group's internal control policy, approved by the Board of Directors on December 21, 2017.

The Regulation of the Board of Directors, which was amended and approved on February 7, 2017, with effect from March 10, 2017, includes the functions and responsibilities of the Board of Directors, the Steering Committee and other Board committees (Audit and Compliance, Appointments and Remuneration, and Risk).

The Board of Directors delegates ordinary management to the Steering Committee and to Senior Management, and reserves the approval of risk control and management policies and approval of the periodic follow-up of both internal information and control systems and financial information to be published, owing to its status as a listed company.

The Executive Committee is the body which, under mandate from the Board of Directors, exercises direct supervision over management of the business units and corporate areas and ensures the coordinated actions of the same.

The Audit and Compliance Committee, in its capacity as a delegate body of the Board of Directors, and in relation to the internal information and control systems, is responsible, among other things, for supervising the preparation and presentation of the requisite financial information and presenting recommendations or proposals to the Board of Directors in order to safeguard the integrity of the information. It also regularly reviews the efficacy of internal control and the risk management systems to ensure that the main risks are identified, managed and sufficiently well known.

The document titled "Internal Audit Policy and Charter," which was updated and approved by the Audit and Compliance Committee on November 29, 2017 and by the Board of Directors on December 21, 2017, sets out the main Internal Control System supervisory activities as well as those relating to the Solvency II Directive, conducted by the Audit and Compliance Committee through the Corporate Internal Audit Area, which are listed in section 5.1 of this document.

F.1.2. Whether there are, particularly relative to the procedure for the preparation of financial information, the following items:

- **Departments and/or mechanisms entrusted with: (i) the design and review of the organizational structure; (ii) the clear definition of lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) ensuring the existence of sufficient procedures for correct diffusion in the company.**

The regulation on the Institutional, Business and Organizational Principles of the MAPFRE Group, approved by the Board of Directors of MAPFRE S.A. at its meeting on June 24, 2015 and amended on February 7, 2017 with effect from March 10, 2017, is the minimum mandatory framework for all the companies making up MAPFRE and their respective governing bodies.

The Board of Directors reviews and authorizes the Group's organizational structure and approves the lines of responsibility and authority based on the organizational structure defined. On October 20, 2017 the Board of Directors approved the new management organization chart, which entered into force on January 1, 2018.

The distribution of functions and definition of scopes of activity/authority and of hierarchical levels are undertaken in line with the organizational structure manual approved by the Corporate Human Resources Area.

Concordance between the organization of positions and the hierarchical structure is essential because it maps functions to roles and responsibilities, ensuring that business activities are conducted properly.

The Corporate Finance Area establishes the accounting policies and standards applicable to the Group and is responsible for the coordination between the various business units and corporate areas in relation to the consolidated financial information preparation procedure.

- Code of conduct, approval body, degree of diffusion and instruction, principles and values included (indicating if there are specific mentions to the registry of operations and preparation of financial information), body entrusted with analyzing noncompliance and recommending corrective measures and sanctions.

The Code of Ethics and Conduct approved on December 21, 2017 by the Board of Directors, replaces the previous version approved in 2016, that also replaces the one approved in 2009.

It aims to reflect corporate values and the basic principles that should guide the conduct of MAPFRE and its staff.

Communication campaigns were conducted to ensure that all employees were aware of the code, and it is available to them on the Intranet and the Group's website.

By December 31, 2017, a total of 24,353 employees worldwide had completed the e-learning course on the Code of Ethics and Conduct (approximately 60 percent of the workforce).

The code sets out specific principles that are binding for all employees, regarding the processing of the Group's financial information so as to ensure its confidentiality, integrity and availability in accordance with MAPFRE's information security policy. It also states that all employees are responsible for ensuring that the information provided is accurate, clear and truthful.

To guarantee application of the code, as well as supervision and control of its compliance, the Ethics Committee is entrusted with ensuring its compliance and analyzing and resolving any complaints lodged as a result of its violation. Any employee who has a query about the application of the code, or who observes a situation that might involve a breach or violation of any of the principles and rules of ethics or conduct, must report it to the Ethics Committee, which acts within the scope of its advisory functions or resolves any complaints that may arise regarding breaches of the code.

To notify the Ethics Committee of any queries or complaints, employees have access to an Ethical Whistleblower Channel on the Group's internal portal. The operation of this channel is set out in the Code of Ethics and Conduct.

Every year, the Ethics Committee reports to the Steering Committee on the activities carried out during the financial year.

- Whistleblower channel that allows employees to report financial and accounting irregularities to the Audit Committee, in addition to possible breaches of the code of conduct and irregular activities in the organization, indicating whether any of the information reported is confidential.

In addition to the Ethical Whistleblower Channel indicated in the previous section, there is a Financial and Accounting Whistleblower Channel which allows Group employees to report any potentially significant financial and accounting irregularities they observe to the Audit and Compliance Committee confidentially, via an electronic mailbox or written correspondence to a specific address.

The operating rules of the MAPFRE Group Financial and Accounting Whistleblower Channel, approved by the Audit Committee in 2011 and updated in 2016, are published on the Group's intranet or internal portal.

The Audit and Compliance Committee receives the complaints and reviews and resolves them by addressing each one as it deems appropriate. In order to perform its functions properly, it relies on assistance from General Counsel and the Corporate Internal Audit Area.

In cases of complaints concerning the Group's subsidiary companies which have their own mandatory Whistleblower Channel, the Audit and Compliance Committee and the competent body of the subsidiary company liaise in handling and resolving any complaints received.

The parties involved in the channel have controls for restricting access to the information, and the confidentiality of the whistleblower's identity is assured through the collection of personal data provided in accordance with the requirements of current data protection legislation.

General Counsel issues an annual report for the Audit and Compliance Committee outlining the activities conducted through the Whistleblower Channel and the final result of the complaints made.

- Regular training and refresher programs for staff involved in the preparation and review of financial information, as well as evaluation of the ICFR, covering at least the accounting rules, internal control and risk management.

MAPFRE has a Global Training Model that is the basis of the Corporate University. This university is organized into Schools of Knowledge, which encompass all of the training programs that are developed locally and globally.

Among the Technical Knowledge Schools, further progress was made on the creation of the Finance School with the aim of providing all employees in all the finance areas with the necessary knowledge to ensure efficient financial and risk management, a key aspect of MAPFRE's growth. The training content of this school is based on the following pillars:

- Risk Management
- Management, Administration and Accounting Control
- Corporate Finance
- Investments

In 2017 MAPFRE organized several training programs in Spain on financial, risk and internal control issues, representing a total of 4,029 training hours delivered to 1,945 participants.

The Iberia Regional Area launched the financial certification training plan for the MAPFRE sales network, taught by Escuela FEF (Fundación Estudios Financieros).

Under the terms of the agreement signed by MAPFRE and FEF, a large group of sales professionals around Spain will have access to a high-level program that will train them as financial advisors recognized by the Spanish National Securities and Exchange Commission, as required under MIFID II. This training adds great value to the MAPFRE sales network by providing cutting-edge, complete and practical knowledge that will significantly help sales efforts related with savings and investments.

At the close of 2017, 186 employees and 179 brokers had received certification. Another 268 employees are currently enrolled

on the course and will complete the program in March 2018.

With a duration of 150 hours, the program uses a blended system: face-to face and video training, web support and forums.

With regard to e-learning, it is worth mentioning the "Internal Control Rules" course which all Group employees must take. In 2017 there were 3,850 course registrations. In the last nine years, a total of 63,057 employees and brokers have taken this course.

In 2015, a new e-learning course on the Regulatory Compliance Function was developed and incorporated into the eCampus platform. The purpose of this course is to share information on this function, its features, objectives and responsibilities and the importance of implementing the Compliance Function in organizations to minimize the risk of legal and regulatory noncompliance to which they are exposed. In 2017, 535 employees received 535 training hours through this course.

In 2017 an e-learning course on Solvency II was developed for employees worldwide. Available in the three corporate languages (Spanish, English and Brazilian Portuguese), this online training program will be rolled out in 2018.

Internal Audit training also continued in 2017, aiming to provide all professionals in MAPFRE audit areas around the world with the knowledge necessary to perform internal audits and to share established management tools and best practices.

With regard to business auditors, an international seminar for audit managers from all countries was held in May 2017 and attended by 35 employees. The main aims of this seminar, which is held every two years, is to discuss topics related to the audit function and business management in every country, as well as the latest developments in the insurance market and in the business lines in which MAPFRE operates.

Additionally, in November 2017 a training seminar was held for auditors in Spain and Portugal, attended by 67 employees. In this case, the contents focused mainly on aspects related to the Global Risks business unit, Solvency II, smart automation, accounting regulations, data protection issues and macroeconomic aspects of the insurance industry.

With regard to the preparation of financial information, General Counsel and the Corporate Finance Area issued memos containing instructions and updates on applicable regulations. The heads of the finance divisions also have specific models and instructions for preparing financial information, provided in the Consolidation Manual (which includes applicable accounting rules and policies), and the accounting models that are updated on an annual basis.

F.2 Financial information risk assessment

Report on at least the following:

F.2.1. The main characteristics of the risk identification process, including error or fraud risks, in relation to:

- Whether the process exists and is documented.

MAPFRE has a risk management system (hereinafter, RMS) that applies to Group companies, in accordance with the internal regulations of each of the risk categories considered.

The description of the RMS is included in Section E. Risk Control and Management Systems of this Corporate Governance Report.

Regarding the risk control system, risk factors are identified for each of the processes that the Group considers to be critical, which are classified into 23 risk types. Among the risk factors listed for each process, one is always included on the registration and accounting of financial information.

These risk factors are associated with the key figures for the main items in financial statements. In this process of identifying the key figures, quantitative and qualitative factors (complexity of transactions, risk of fraud and other aspects) were considered.

The Group also updates and monitors its Risk Control System through specific questionnaires on controls and risk, implementing corrective measures where necessary.

- Whether the procedure covers all financial information objectives (existence and occurrence; integrity; assessment; presentation, breakdown and comparability; and rights and obligations), whether it is updated and how frequently.

The risks that cover the objectives of existence and occurrence, integrity, assessment, presentation, breakdown and comparability, and rights and obligations of financial information are identified through the process of preparing the quarterly questionnaire on internal controls of financial information.

The purpose of this procedure is to identify and verify that controls are effective during the preparation of financial information, provide documentary evidence of the controls carried out by the company during the cash, consolidation,

accounting and tax processes and of the result of their application, and act as an internal communications channel for sharing relevant information regarding the issue of financial information.

The procedure through which the Administration and Finance areas of the main companies provide documentary evidence, under a simple, streamlined system, of the main activities carried out and the controls run during the process of preparing financial information at MAPFRE insurance companies during the quarterly and annual closes, was reviewed in 2016.

- The existence of a procedure for identifying the consolidation scope, bearing in mind, inter alia, the possible existence of complex corporate structures, instrumental companies or those with a special purpose.

The MAPFRE Consolidation Manual, prepared by the Corporate Finance Area, describes the process for identifying the scope of consolidation, which encompasses all the companies of the Group and is updated on a monthly basis.

The Consolidation Division provides the Consolidation Team Leader of each subgroup with the list of companies included in the scope of consolidation, along with the direct and indirect participation percentages and the consolidation method that applies. Any modification to the information provided must be reported to the Consolidation Division, which will make a decision on the modification after analyzing the reasons given.

The functional structure and the tasks assigned to the process managers are reflected in the Consolidation Manual.

- Whether the procedure takes into account the effects of other risk types (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they affect financial statements.

Risk control takes into account the different types of operational, technological, financial, legal, reputational and environmental risks, as well as the risks inherent in the insurance and reinsurance business.

In this process, each risk factor, where appropriate, is linked to the section of the financial statements that would be affected if the potential risk became a reality, the main sections being: premiums, provisions, financial returns, acquisition expenses, administration expenses and benefit expenses.

Risk control is promoted in the Group, both in Spain and abroad, through the Riskm@p software application, which is developed internally by MAPFRE and which aids in the creation of company risk maps. These maps analyze the significance and probability of occurrence of different risks. The management model is based on a dynamic analysis by processes, in which the managers of each area or department identify and assess the potential risks that affect business and support processes, as well as key economic figures, among other aspects, by completing self-evaluation questionnaires.

- Which of the company's governing bodies oversees the process?

The powers of the Audit and Compliance Committee with regard to the information and internal control systems include periodically reviewing the control internal systems and the risk identification and management systems. The Internal Control System and Risk Management System are reviewed at least once a year.

With regard to the ICFR report, the external audit reviews and analyzes its content and issues its own report on the consistency or impact of the information that pertains to it.

The ICFR report and the report prepared during the external audit are overseen by the Audit and Compliance Committee before they are presented to the Board of Directors.

F.3 Control activities

Indicate whether at least the following are in place and describe the main characteristics:

- F.3.1. Procedures for reviewing and authorizing financial information and the ICFR description (to be published in securities markets), indicating responsible personnel, as well as descriptive documentation on activity and control flows (including those related to fraud risk) of the different types of transactions that could have a material effect on the financial statements, including the procedure for accounting closes and the specific review of relevant opinions, estimates, assessments and projections.

The financial reports on the annual accounts and biannual and quarterly information prepared by the Corporate Finance Area are submitted to the Audit and Compliance Committee first and then to the Board of Directors.

In the case of individual and consolidated annual accounts, the Chief Financial Officer, the Internal Audit General Manager and the executive responsible for preparing these accounts certify their accuracy and integrity to the Board of Directors.

The closing calendar, prepared by the Internal Accounting Control and Supervision Division, lists the main activities of the process of consolidating and preparing the annual and biannual accounts and the corresponding controls, providing deadlines for compliance.

The different Group companies report financial information through their assigned representatives, which the Corporate Finance Area consolidates to prepare the reports. During the consolidation process, controls are in place to detect any errors liable to significantly affect the financial statements;

The Audit and Compliance Committee supervises the following information:

- The management report and individual and consolidated annual accounts of MAPFRE S.A. and its subsidiaries.
- The report on the limited review of the intermediate summarized consolidated financial statements of MAPFRE S.A. corresponding to the intermediate period ending on June 30 of each financial year.
- The information that MAPFRE S.A. sends to the Spanish National Securities and Exchange Commission (the "CNMV") every quarter. This economic-financial information is reviewed first by the Corporate Internal Audit Area, which issues a report in which it emphasizes that the intermediate financial statements of MAPFRE S.A. were prepared by applying the same criteria as that applied to annual accounts and that these criteria are reasonable, objective and verifiable.
- The information prepared by MAPFRE S.A. for investors and analysts, which is reviewed and analyzed by the Audit and Compliance Committee before publication.
- Solvency II Pillar 2 and Pillar 3 documents: ORSA (Own Risk and Solvency Assessment), SFCR (Solvency and Financial Condition Report) and RSR (Regular Supervisory Report).

Additionally, as indicated in the previous section, each quarter the companies complete the questionnaire on internal controls of financial information. This questionnaire includes documented evidence of the activities and controls performed with regard to the main financial information processes.

In addition to the procedures indicated above, during the risk control process, internal control manuals and other descriptive documents are prepared that contain procedures and activities and the parties involved in them, identifying the associated risks and the controls for mitigating them, including those related to fraud risk and the accounting close process.

The Board of Directors bases its estimates and assumptions on hypotheses about the future and on uncertainties that basically refer to the technical provisions; losses from the impairment of certain assets; the calculation of provisions for risk and expenses; the actuarial calculation of retirement liabilities and commitments; the useful life of intangible assets and of property, plant and equipment items; and the fair value of certain non-listed assets.

The estimates and assumptions used are included in the accounting close instructions, are reviewed regularly, and are based on historical experience and on other factors that may be considered more reasonable at the time. If the review leads to changes in estimates in a given period, their effect is applied during that period and, if applicable, in subsequent periods.

F.3.2. Internal control policies and procedures for information systems (inter alia, safe access, change control, operation, operational continuity and separation of functions) that concern the company's relevant procedures in relation to the preparation and publication of financial information.

The Corporate Security and Environment Division, which reports to the Corporate Resources and Institutional Coordination Area, led by the First Vice Chairman, works directly with regulations related to information security.

In particular, the measures established are defined in an Information Security Document System (ISDS) or Information Security Regulations (ISR), organized according to the objectives defined in the Information Security Plan (PSI) approved by the Management Committee in 2004.

The information systems are subject to three types of security procedures and controls: preventive, informative and reactive, resulting in the publication of standards, the monitoring of networks and systems, and the review of any measures and controls in place.

Among other aspects, the Information Security Regulations (ISR) set out the following: information systems must be tracked and monitored through inventory procedures to identify the resources and the information that they contain; verification of the identity of the people who use them; and the use of passwords in keeping with the password strength criteria laid down in the regulations, which help maintain the appropriate separation of functions.

To facilitate compliance with the obligations established in the ISR, MAPFRE has a General Control Center (which acts as a Computer Emergency Response Team (CERT) and belongs to the international network known as FIRST or Forum of Incident Response and Security Teams). This center monitors activity in the networks and in the Group's information systems, and it is the body responsible for responding to potential security incidents.

Additionally, every year the Corporate Security and Environment Division implements a calendar of security checks to verify the security controls in place and discover any vulnerabilities in the information systems.

The Corporate Security Policy, approved by the Board of Directors of MAPFRE S.A. in 2015, and the rules and standards of these Information Security Regulations are all published on the global intranet to enable all employees to access them.

The Group also has a business continuity policy, governance framework and methodology defining the framework and actions necessary to guarantee the correct functioning of operations in the event of a high-impact incident and minimize the damage caused.

Every year the Corporate Internal Audit Area verifies the correct functioning of the internal control system of the main computer systems, whose scope includes general IT controls, the IT control environment and all applicable controls.

F.3.3. Internal control policies and procedures designed to supervise the management of activities subcontracted to third parties, as well as those aspects of evaluation, calculation or valuation entrusted to independent experts, which may have a material effect on financial statements.

All services subcontracted to third-parties are articulated through specific contracts and the contracting units or areas directly supervise the providers, except in the case of exceptional services (that are not recurring over time), which due to their reduced amount, duration and lesser importance are processed through the system based on the provider's offer.

Providers are selected on the basis of objective criteria that assess factors such as quality, price, provider infrastructure, market recognition and, in particular, membership of the groups of associates that collaborate with the Group's companies and their track record in terms of service quality.

Compliance with prevailing legislation in the various countries and the implementation of security measures where warranted are prerequisites. Other highly rated attributes include response times, after-sales service, geographic reach and the added value they can contribute.

The Resources and Institutional Coordination Area is currently deploying a global service procurement and contracting plan in every country. The plan includes different categories, one of which is the external services category for services that have a potential financial impact stemming from the required evaluation, calculation or valuation. The external services currently include those related to auditing, advising and property valuation.

In implementing this plan, in 2013 the Steering Committee approved the Procurement Regulations which contain the principles and basic criteria for the procurement of goods and services by all Group companies, irrespective of their geographic location and type of business. The Corporate Resources and Institutional Coordination Area also has in place a Procurement Procedure, defined internally, which complements the Procurement Regulations. This procedure was updated in 2017 and entered into force on January 1, 2018.

In general, providers are approved and contracted by the Procurement Area, and once the contract has been formalized it is the requester who ensures that the service is delivered correctly and in accordance with current legislation.

However, in the case of external services that are subcontracted for value estimation and require specific technical expertise (corporate transactions, asset and portfolio valuation, etc.), it is the areas themselves that contract and oversee the service directly since they have personnel qualified to assess the capacity and qualifications of the provider and the conclusions reflected in the reports issued.

Currently, the main providers that are contracted repeatedly have been approved and, in accordance with the Procurement Procedure, the aim is to approve all recurring providers or providers with special relevance for the MAPFRE Group.

F.4 Information and Communication

Indicate whether at least the following are in place and describe the main characteristics:

F.4.1. A specific function responsible for defining, keeping accounting policies up-to-date (accounting policies area or department) and resolving queries or disputes derived from their interpretation, maintaining continuous communication with those responsible for operations in the organization, as well as an updated manual of accounting policies that is communicated to the units through which the company operates.

The Internal Accounting Control and Supervision Division, which reports to the Corporate Finance Area, is responsible for updating accounting policies and applicable rules that concern the Group's financial information, and for resolving queries and disputes derived from their interpretation.

This division also maintains a close and fluid relationship with the financial divisions of the different companies and with the corporate areas, to which it communicates formally established accounting procedures and rules.

The Group's subsidiaries receive the information about the applicable procedures and regulations through the parent companies of the subgroups, which receive the instructions directly from the Internal Accounting Control and Supervision Division.

The Internal Accounting Control and Supervision Division updates the individual and consolidated annual accounting models used by the various Group companies, which include accounting policies and breakdowns of information to be presented. The Consolidation Division of the Corporate Finance Area defines instructions on accounting policies and breakdowns for preparation of the Group's consolidated information using the consolidation manual.

At least once a year, and during the last quarter of the financial year, the annual accounting models and the consolidation manual are reviewed and any changes are reported to the parties involved. However, whenever there are changes that affect periods of time of less than one year, these changes are reported immediately.

F.4.2. Mechanisms for the capture and preparation of financial information with standard formats, for application and use by all units of the company or the Group, that support the main financial statements and notes, as well as information provided on the ICFR.

Since March 2010, the financial information of the MAPFRE Group companies has been managed using the corporate consolidation application, a tool that constitutes a centralized database (common and single data repository). This application has been programmed to automatically execute the consolidation entries and process controls, which guarantees that the criteria set out in the consolidation manual are applied uniformly to all the automatic entries and minimizes the likelihood of errors.

Within the procedure for preparing financial information, the consolidation certificates constitute the channel of communication about the information required in the consolidation procedure or in the preparation of consolidated financial statements. The certificates are reviewed and updated at least once a year.

Based on the information contained in the consolidation certificates and using the accounting model prepared by the Internal Accounting Control and Supervision Division, the Consolidation Division prepares the annual accounts and all the other financial statements.

The Internal Accounting Control and Supervision Division is responsible for preparing the ICFR-related report. To do this, it identifies the areas involved in the financial information preparation process, sends them instructions on how to complete the report, and at least once a year asks them to update the support documentation for the actions performed.

F.5 Supervision of the system's operation

Report on the following, indicating the main characteristics:

F.5.1. The supervision activities of the ICFR conducted by the Audit Committee and whether the company has an internal audit function that includes supporting the committee in its supervision of the internal control system, including the ICFR. At the same time, the scope of evaluation of the ICFR conducted during the financial year and the procedure whereby the person responsible for executing the evaluation notifies the results, whether the company has an action plan defining possible corrective measures, and whether its impact on financial information has been taken into account.

MAPFRE S.A. has an Corporate Internal Audit Area which since 2014 has comprised six Internal Audit Departments located in Spain (Iberia Insurance, LATAM Insurance, International Insurance, Reinsurance, Asistencia and Global Risks, and Information Technologies), a Continuous Internal Audit Unit in Spain and 25 internal audit units and departments in the countries, which are fully independent and review and evaluate the suitability and correct functioning of all Group procedures, as well as the Internal Control System.

The structure of MAPFRE's Corporate Internal Audit Area depends functionally on the Board of Directors of MAPFRE S.A. through the Audit and Compliance Committee (delegate body of the Board) and on the Chairman of the Board in particular.

The managers of the audit departments and units depend (functionally and hierarchically) on the General Manager of Internal Auditing.

The Audit and Compliance Committee supervises the financial information described in the previous Section F.3.1 of this report, and also approves the Internal Audit Plan and monitors it on a quarterly basis.

The Audit Plan outlines the supervisory work that the Corporate Internal Audit Area will carry out during the next financial year, the content and scope of which are established in terms of the risks identified, requests received and own experience. The plan is managed uniformly through a single Group-wide technological platform that allows the information to be processed in accordance with the access levels established for the different responsibilities.

The MAPFRE Group Internal Audit Policy and Charter establishes the following functions, among others, for the Corporate Internal Audit Area:

- ✓ To supervise the suitability and efficacy of the Internal Control System and other elements of the Governance System, which is centered on:

- Evaluating the suitability, sufficiency and efficacy of elements of the Internal Control System.
 - Evaluating the Risk Management System (RMS), based on the integrated management of all the business processes and adaptation of the risk level to MAPFRE's strategic objectives by reviewing, at least, the risk quantification and qualification processes stated in the Solvency II Directive. The Own Risk and Solvency Assessment (ORSA), which is mandatory for each insurance company or group of insurance companies, is one of the main aspects of the work to be carried out.
 - Evaluating the suitability and performance of the key functions set out in the governance system provided for in the Solvency II Directive.
 - Contributing to good corporate governance by verifying compliance with the rules established by the MAPFRE Group's Institutional, Corporate and Organizational Principles and the Solvency II Directive.
- ✓ To evaluate the reliability and integrity of accounting and individual and consolidated information and other economic information prepared by MAPFRE S.A., its subsidiaries, business units, territorial areas, regional areas and corporate areas, as well as the validity, sufficiency and application of the accounting and legal principles and rules.

The evaluation and assessment of the MAPFRE Internal Control System conducted by the Internal Audit Corporate Area follows a pre-established methodology based on variables such as the review of the IT internal control, the assessments of the audits conducted during the year and compliance with recommendations, which are first approved by the Audit and Compliance Committee. The result of this review is reflected in an annual report on the effectiveness of internal control procedures. Whenever appropriate, individual recommendations are made to the company with a view to improving the internal control system and then the Audit and Compliance Committee monitors their compliance.

Every year the Audit and Compliance Committee holds a meeting on internal control to analyze the assessments and any recommendations issued by the Corporate Internal Audit Area on the Internal Control System (which includes the ICFR).

The Corporate Internal Audit Area checks the internal control system for the main IT systems, as indicated in section 3.2 above.

The Corporate Internal Audit Area also analyzes the work it has conducted over the year and its impact on the financial statements.

Likewise, as part of the audit procedures performed to validate the annual financial statements, the external auditor issues a memorandum of recommendations after his/her interim visit, which is presented to the Audit and Compliance Committee.

F.5.2. Whether there is a procedure for discussion whereby the account auditor (pursuant to the provisions of the NTAs), the internal audit function and other experts can notify senior management and the Audit Committee or company directors of any significant weaknesses in internal control identified during procedures to review the annual accounts or others that may have been commissioned. Also indicate whether there is an action plan that endeavors to correct or mitigate the weaknesses observed.

The previous section F.5.1 indicates the procedure used by Internal Audit to report assessments of aspects relating to internal control.

Communication with the external auditor is very frequent and fluid in the MAPFRE Group. Both at the beginning, during and at completion of work to review the company's annual accounts by the external auditors, planning, follow-up and coordination meetings are held and attended by the external auditors, internal auditors, General Counsel and the Corporate Finance Area. Additionally, on completion of the work a meeting is held with the General Manager of Internal Audit to discuss the results and conclusions detected. If there are any action plans to correct or mitigate the weaknesses observed, which also include the responses prepared by the division to implement the recommendations put forward by the external auditors, these plans are presented to the Audit and Compliance Committee. The external auditor attends the Audit and Compliance Committee when the agenda includes issues regarding the review of the annual and half-yearly accounts, their preliminary review, and whenever required on account of other issues.

F.6 Other relevant information

There is no other relevant information about the ICFR that has not been included in this report.

F.7 External auditor report

Indicate:

F.7.1. Whether the ICFR information sent to the markets has been reviewed by the external auditor. If so, the company should attach the relevant report as an annex. Otherwise, state the reasons.

The ICFR information has been reviewed by the external auditor, whose report is attached as an annex.

G DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the extent to which the company follows the recommendations of the Good Governance Code for listed companies.

In the event that any recommendation is not followed or is partially followed, a detailed explanation of the reasons should be included so that shareholders, investors and the market in general have enough information to assess the conduct of the company. No general explanations will be accepted.

1. The bylaws of listed companies should not place a maximum limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by purchasing their shares on the market.

Complies ☒

Explain ☐

2. When a dominant and a subsidiary company are publicly traded, both should provide detailed disclosure on:

- a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other companies of the Group.
b) The mechanisms in place to resolve possible conflicts of interest.

Complies ☒

Complies in part ☐

Explain ☐

Not applicable ☐

3. During the Ordinary General Meeting, in addition to broadcasting the Annual Corporate Governance Report, the Chairman of the Board must inform the shareholders verbally, in sufficient detail, of the most relevant corporate governance aspects of the company and, in particular:

- a) The changes that have occurred since the last Ordinary General Meeting.
b) The specific reasons why the company does not follow any of the recommendations of the Corporate Governance Code and, if applicable, the alternative rules that it applies on these matters.

Complies ☒ Complies in part ☐

Explain ☐

4. The company shall define and promote a new policy on communication and contact with shareholders, institutional investors and proxy advisors that is fully respectful of the rules against market abuse and treats all shareholders in the same position equally.

The company shall make this policy public through its website, including information relating to the way in which it has been put into practice and identifying the interlocutors or those responsible for this happening.

Complies ☒ Complies in part ☐

Explain ☐

5. At the General Meeting, the Board of Directors shall not put forward a proposal for delegating

powers to issue shares or convertible values excluding the right of first refusal, for more than 20 percent of the capital at the time of delegation.

When the Board of Directors approves any issuance of shares or convertible bonds, excluding the right of first refusal, the company shall publish the reports on this exclusion, referred to by corporate legislation, on its website immediately.

Complies ☒ Complies in part ☐ Explain ☐

6. The listed companies that prepare the reports indicated below, whether on a mandatory or voluntary basis, shall publish them on their website with sufficient notice before the Ordinary General Meeting is held, even if their distribution is not mandatory:

- a) Report on the independence of the auditor.
- b) Report on the operation of the Audit Committee and the Appointments and Remuneration Committee.
- c) Report of the Audit Committee on related operations.
- d) Report on the corporate social responsibility policy.

Complies ☒ Complies in part ☐ Explain ☐

7. The company shall broadcast the General Meetings live on its website.

Complies ☒ Explain ☐

8. The Audit Committee shall ensure that the Board of Directors avoids presenting accounts to the General Meeting without limitations or reservations in the audit report. When this is not possible, both the chairman of the Audit Committee and the auditors must clearly explain the content and scope of these limitations or reservations.

Complies ☒ Complies in part ☐ Explain ☐

9. On its website, the company shall make publically and permanently available the requirements and procedures that it will accept to support the ownership of shares, the right to attend the General Meeting and voting or proxy voting.

These requirements and procedures will promote attendance and the exercising of rights of the shareholders and must be applied in a non-discriminatory manner.

Complies ☒ Complies in part ☐ Explain ☐

10. When, prior to the General Meeting, any entitled shareholder has exercised the right to complete the agenda or present new proposals for resolution, the company:

- a) Shall immediately broadcast these new and additional proposals for resolution.
- b) Shall publicize the model attendance card or proxy form or distance vote with the necessary modifications so that they can vote on the new points in the agenda and proposed alternatives for resolution in the same terms as those proposed by the Board of Directors.
- c) Shall submit all of those points and proposed alternatives to voting and apply the same voting

rules as those set by the Board of Directors, including, in particular, the presumptions or inferences on how to vote.

- d) Following the General Meeting, it shall communicate the breakdown of the vote on those additional points or proposed alternatives.

Complies ☐ Complies in part ☐ Explain ☐ Not applicable ☒

11. If the company plans to pay attendance premiums for the General Meeting, it shall establish a general policy on those premiums previously and this policy must be permanent.

Complies ☒ Complies in part ☐ Explain ☐ Not applicable ☐

12. The Board of Directors shall perform its functions with a unified purpose and independent judgment, treat all shareholders in the same position equally and be guided by corporate interest, understood as a profitable business that is sustainable in the long term and that promotes the continuation and maximization of the economic value of the company.

In the pursuit of corporate interest, in addition to compliance with the laws and regulations and a behavior based on good faith, ethics and in compliance with the commonly accepted uses and good practices, it shall seek to reconcile, as appropriate, corporate interest with the legitimate interests of its employees, providers, clients and those of the other stakeholders that may be affected, as well as the impact of the company's activities on the community as a whole and the environment.

Complies ☒ Complies in part ☐ Explain ☐

13. The Board of Directors shall be of the required size to permit its efficient and participatory operation, meaning that it is advisable for it to comprise between five and 15 members.

Complies ☒ Explain ☐

14. The Board of Directors shall approve a director selection policy which:

- a) Is specific and reasonable.
- b) Ensures that the appointment or reappointment proposals are based on a prior analysis of the needs of the Board of Directors.
- c) Promotes diversity of knowledge, experience and gender.

The results of the prior analysis of the needs of the Board of Directors shall be included in the explanatory report of the Appointments Committee that is published when the General Meeting is called, to which the ratification, appointment or reappointment of each director is submitted.

The director selection policy shall promote the objective for the number of directors in year 2020 to represent at least 30 percent of the total members of the Board of Directors.

The Appointments Committee shall verify the compliance with the director selection policy annually and shall inform on this in the Annual Corporate Governance Report.

Complies ☒

Complies in part ☐

Explain ☐

15. The nominee and independent directors shall constitute a large majority of the Board of Directors, and the number of executive directors should be the minimum required to deal with the complexity of the corporate group and reflect the percentage of shares held in the company by the executive directors.

Complies ☒

Complies in part ☐

Explain ☐

16. The percentage of nominee directors of the total number of non-executive directors should not be greater than the ratio between the company capital represented by these directors and the rest of the capital.

This criterion can be relaxed:

- a) In large cap companies where there are few equity stakes that are legally considered as significant.
- b) In companies with a plurality of shareholders represented on the Board of Directors who are not related.

Complies ☒

Explain ☐

17. Independent directors should account for at least half of the total number of directors.

However, when the company is not high cap, or when, even though it is, it has one or several shareholders acting in unison controlling more than 30 percent of the share capital, the number of independent directors should represent at least a third of all directors.

Complies ☒

Explain ☐

18. Companies shall publish the following director particulars on their website and keep them permanently updated:

- a) Professional experience and background.
- b) Other boards to which they belong, whether or not listed companies, as well as other paid activities performed, whatever their nature.
- c) An indication as to whether the directorship is executive, indicating shareholder-nominated or independent, in the case of nominee directors, stating the shareholder they represent or to whom they are affiliated.
- d) The date of his/her first and subsequent appointments as a company director, as well as later reappointments.
- e) Company shares, and share options, of those which are held.

Complies ☒

Complies in part ☐

Explain ☐

19. The Annual Corporate Governance Report, following verification by the Appointments Committee, shall disclose the reasons for the appointment of nominee directors at the behest of shareholders controlling less than three percent of capital; and it should explain any rejection of a formal request for a Board place from shareholders whose equity stake is equal to or greater than that of others appointed for a nominee directorship.

Complies ☐

Complies in part ☐

Explain ☐

Not applicable ☒

20. Nominee directors must resign when the shareholders they represent transfer their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to nominee directors, the number of such nominee directors should be reduced accordingly.

Complies ☐

Complies in part ☐

Explain ☐

Not applicable ☒

21. The Board of Directors must not propose the removal of independent directors before the expiry of their term in office pursuant to the bylaws, except where due cause is found by the Board of Directors, based on a report from the Appointments Committee. In particular, it must be understood that there is just cause when the director takes on new positions or contracts new obligations that prevent him/her from devoting the necessary time to the performance of the functions of a director, fails to comply with the work inherent to his/her position or is involved in any of the circumstances that cause the loss of his/her independent status, in accordance with that established in applicable legislation.

The removal of independent directors can also be proposed as a result of public takeover bid, merger or similar corporate actions that cause changes in the capital structure of the company, when these changes in the structure of the Board of Directors are supported by the proportionality criteria, indicated in recommendation 16.

Complies ☒

Explain ☐

22. Companies shall establish rules obliging directors to inform the Board of Directors of any circumstance that might undermine the organization's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent proceedings.

If a director is indicted or tried for any of the crimes stated in corporate law, the Board of Directors should examine the matter as soon as possible and, in view of the particular circumstances, decide whether or not he/she should be called on to resign. The Board of Directors should also disclose all of this in the Annual Corporate Governance Report.

Complies ☒

Complies in part ☐

Explain ☐

23. The directors should clearly express their opposition when they consider that a resolution submitted to the Board of Directors may go against the corporate interest. In particular, independent directors and other directors unaffected by the potential conflict of interest should challenge any decision that could go against the interests of shareholders lacking representation in the Board of Directors.

When the Board of Directors adopts important or reiterated resolutions on issues about which a director has expressed serious reservations, it must draw the pertinent conclusions. If chosen to resign, the reasons for this must be set out in the letter referred to in the following recommendation.

This recommendation should also apply to the secretary of the Board of Directors, even if the secretary is not a director.

Complies ☒

Complies in part ☐

Explain ☐

Not applicable ☐

24. If leaving office before the end of his/her term, whether due to resignation or other reasons, the director should explain the reasons in a letter sent to all members of the Board of Directors. Whether or not such resignation is filed as a significant event, the reasons for leaving must be explained in the Annual Corporate Governance Report.

Complies ☒ Complies in part ☐ Explain ☐ Not applicable ☐

25. The Appointments Committee must ensure that non-executive directors have sufficient time available to perform their functions correctly.

The Board regulations establish the maximum number of company directorships that can form part of their directors.

Complies ☒ Complies in part ☐ Explain ☐

26. The Board of Directors should meet with the necessary frequency to perform its functions properly, and at least eight times a year, following the schedule of dates and matters established at the beginning of the financial year, to which each director may propose the addition of other items individually.

Complies ☒ Complies in part ☐ Explain ☐

27. Directors should keep their absences to a bare minimum. Absences should be quantified in the Annual Corporate Governance Report. When they have to be absent, they should delegate their representation with instructions.

Complies ☒ Complies in part ☐ Explain ☐

28. When directors or the company secretary express concerns about a proposal or, in the case of directors, about the company's performance, and such concerns are not resolved by the Board of Directors, the person expressing them may request that they be recorded in the minutes.

Complies ☒ Complies in part ☐ Explain ☐ Not applicable ☐

29. The company must establish the appropriate channels for the directors to obtain precise advice for the fulfilment of their functions, including, if the circumstances demand it, external advice at the company's expense.

Complies ☒ Complies in part ☐ Explain ☐

30. Irrespective of the knowledge demanded of the directors to perform their functions, companies also offer refresher programs, when the circumstances so advise.

Complies ☒ Explain ☐ Not applicable ☐

31. The agenda of the sessions must clearly indicate the points about which the Board of Directors must make a decision or a resolution that enables the directors to study or previously obtain the information required for this to take place.

When, in exceptional circumstances, as a matter of urgency, the director wishes to submit decisions or resolutions that are not part of the agenda to the Board of Directors, prior and express consent must be obtained from the directors present, which must be duly recorded in the minutes.

Complies ☒

Complies in part ☐

Explain ☐

32. The directors must be informed periodically on the transactions of the shareholders and the opinions that the significant shareholders, investors and ratings agencies have on the company and Group.

Complies ☒

Complies in part ☐

Explain ☐

33. The Chairman, responsible for the efficient operation of the Board of Directors, as well as for performing the legal and bylaw functions that are attributed to it, must prepare and submit a schedule of dates and matters to discuss to the Board of Directors, organize and coordinate the periodic evaluation of the Board, as well as, where applicable, the chief executive of the company. He/she will also be responsible for managing the Board and the efficiency of its performance, ensuring that enough time is devoted to discussing strategic matters, and must consent to and review the refresher programs for each director, when the circumstances so advise.

Complies ☒

Complies in part ☐

Explain ☐

34. When there is a lead director, the bylaws or regulations of the Board of Directors, as well as the powers that are legally entitled, he/she is assigned the following: to chair the Board of Directors in the absence of the Chairman and Vice Chairmen, if applicable, voice the concerns of the non-executive directors, maintain contact with investors and shareholders to be aware of their points of view in order to form an opinion on their concerns, particularly in relation to the corporate governance of the company, and coordinate the succession of the chairman.

Complies ☐

Complies in part ☒

Explain ☐

Not applicable ☐

The company complies with the entire recommendation, except with respect to assigning the lead director with the power to chair the Board of Directors in the absence of the Chairman, to maintain contact with investors and shareholders, and to coordinate the succession of the Chairman. The Regulations of the Board of Directors assigns the Lead Director the powers to request the Board of Directors to be convened, or the inclusion of new points in the agenda from a Board meeting already convened, coordinate and bring together the non-executive directors and, if required, direct the periodic evaluation of the Chairman of the Board of Directors.

In accordance with the Board of Directors Regulations, in the absence of the Chairman and Vice Chairmen, the oldest director is called upon to chair the meeting. However, the Lead Director is also the Second Vice-Chairman of the Board and, accordingly, is entrusted with chairing meetings in the absence of the Chairman and the First Vice-Chairman.

With respect to relationships with shareholders and investors, article 21 of the Board of Directors Regulations establishes that the Board of Directors is responsible for establishing and supervising appropriate communications and relations mechanisms with shareholders and investors, establishing the pertinent communications channels in the Policy for Communication with Shareholders, Institutional Investors and Proxy Advisors. The company considers that this configuration ensures better and more efficient coordination of the company's relationships with its investors and shareholders.

Finally, the Board of Directors' Regulations assign the Appointments and Remuneration Committee the power to examine and organize the succession of the Chairman of the Board, as established in article 529 of the Companies Act.

35. The secretary of the Board of Directors should in particular ensure that Board of Directors has the recommendations on good governance at hand during its actions and decisions applicable to the company. These are contained in this Good Governance Code.

Complies ☒

Explain ☐

36. The Board of Directors should evaluate and adopt an action plan in full once a year, if applicable, that corrects the weaknesses detected, in relation to:

- a) The quality and efficiency of the operational aspects of the Board of Directors.
- b) The operational aspects and composition of its committees.
- c) The diversity in the composition and responsibilities of the Board of Directors.
- d) The performance of the Chairman of the Board of Directors and the chief executive of the company.
- e) The performance and contribution of each director, paying special attention to those responsible for the different board committees.

The various committees are evaluated on the basis of the report that they present to the Board of Directors, and for the latter, on the report presented to the Appointments Committee.

Every three years, the Board of Directors will be assisted by an external advisor to perform the evaluation, the independence of whom will be verified by the Appointments Committee.

The business relationships maintained by the advisor or any company in its group with the company or any company in its Group must be indicated in the Annual Corporate Governance Report.

The process and the areas evaluated must be described in the Annual Corporate Governance Report.

Complies ☒

Complies in part ☐

Explain ☐

37. When there is an executive committee, the breakdown of its members by director category should be similar to that of the Board of Directors. The secretary of the Board should also act as secretary to the executive committee.

Complies ☐

Complies in part ☒

Explain ☐

Not applicable ☐

The company considers that it is essential that the majority of executive directors form part of the Steering Committee, in that it is a delegate body of a pronounced executive nature. Nevertheless, three nominee directors and two independent directors also form part of the committee so all types of directors are represented. On January 1, 2017 the number of executive directors on the Steering Committee was reduced from five to three. Accordingly, the proportion of nominee and independent directors has risen considerably, irrespective of the fact that non-executive members represent a broad majority on the Board.

In accordance with the corporate bylaws and the Board of Directors Regulations, the secretary of the Board will automatically be the secretary of the Steering Committee.

38. The Board of Directors should be kept fully informed of the matters discussed and resolutions adopted by the Executive Committee. To this end, all members of the Board of Directors should receive a copy of the Executive Committee's minutes.

Complies ☒

Complies in part ☐

Explain ☐

Not applicable ☐

39. All members of the Audit Committee, particularly its Chairman, should be appointed with regard to their knowledge and background in accounting, auditing and risk management. The majority of these members should be independent directors.

Complies ☒

Complies in part ☐

Explain ☐

40. Under the supervision of the Audit Committee, there should be a unit that assumes the internal audit function that ensures the proper performance of the information and internal control systems, and functionally operates under the non-executive director of the Board or the Audit Committee.

Complies ☒

Complies in part ☐

Explain ☐

41. The manager of the unit that assumes the internal audit function must present an annual work program to the Audit Committee, report to it directly about any incidents arising during its implementation, and present an activity report at the end of each financial year.

Complies ☒

Complies in part ☐

Explain ☐

Not applicable ☐

42. In addition to the provisions of the law, the Audit Committee has the following functions:

1. In relation to the information and internal control systems:

- a) To supervise the process of preparing the financial information and its integrity for the company and Group, reviewing compliance with regulatory requirements, checking the scope of the consolidation perimeter and making sure that the accounting principles are applied properly.
- b) To ensure the independence of the unit that assumes the internal audit function; to propose the selection, appointment, reappointment and removal of the internal audit officer; to propose the budget for the internal audit department; to approve the guidance and work programs, ensuring that the unit's activity primarily focuses on risks relevant to the company; to receive periodic information on its activities; and to check that senior management takes the conclusions and recommendations of its reports into account.
- c) To establish and supervise a mechanism that enables employees to confidentially and, if this is deemed possible and appropriate, anonymously report any irregularities they notice within the company which may be of potential importance, especially financial and accounting irregularities.

2. With respect to the external auditor:

- a) Should the external auditor resign, to examine the circumstances leading to the resignation.
- b) To ensure that the remuneration of the external auditor for his/her work does not compromise his/her quality or independence.
- c) To ensure that the company notifies any change of auditor to the Spanish National Securities and Exchange Commission (the "CNMV") as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for these.
- d) To ensure that the external auditor holds an annual plenary meeting of the Board of Directors to inform them about the work performed, the accounting situation and any risks to the company.
- e) To ensure that the company and the external auditor respect the prevailing standards on the provision of services other than auditing, the limits on the concentration of the auditor's business and, in general, other standards established to guarantee auditors' independence.

Complies ☒

Complies in part ☐

Explain ☐

43. The Audit Committee can summon any company employee or executive, even ordering their appearance without the presence of another executive.

Complies ☒

Complies in part ☐

Explain ☐

44. The Audit Committee must be informed of any corporate and structural modifications which the company plans to make so that, in advance of the next Board of Directors meeting, the committee can analyze these modifications and draw up a report about any economic conditions and accounting impact, particularly as regards the proposed exchange ratio.

Complies ☒

Complies in part ☐

Explain ☐

Not applicable ☐

45. The risk control and management policy should specify at least the following:

- a) The different types of risk, both financial and non-financial (operational, technological, legal, social, environmental, political and reputational), faced by the company. In the case of financial or economic risks, the contingent liabilities and other off-balance-sheet risks must be identified.
- b) The risk level that the company considers acceptable.
- c) The measures established to mitigate the impact of the risks identified, should they materialize.
- d) The internal oversight and reporting systems that will be used to control and manage these risks, including contingent liabilities and off-balance-sheet risks.

Complies ☒

Complies in part ☐

Explain ☐

46. Under the direct supervision of the Audit Committee, or, if applicable, a specialized committee of the Board of Directors, there should be an internal risk control and management function performed by a unit or department within the company that is expressly assigned the following functions:

- a) To ensure that the risk control and management systems function properly and, in particular, that they identify, manage and quantify all the significant risks that affect the company.
- b) To actively participate in the development of the risk strategy and important decisions regarding its management.
- c) To ensure that the risk control and management systems mitigate the risks properly and in accordance with the policy defined by the Board of Directors.

Complies ☒

Complies in part ☐

Explain ☐

47. The members appointed to the Appointments and Remuneration Committee—or the Appointments Committee and Remuneration Committee if separate—must have the knowledge, skills and experience appropriate for the functions that they are called to fulfill. The majority of these members should be independent directors.

Complies ☒

Complies in part ☐

Explain ☐

48. The large cap companies have a separate Appointments Committee and a Remuneration Committee.

Complies ☐

Explain ☒

Not applicable ☐

The company considers the issues regarding appointments and remuneration to be closely related, and it is therefore seen as appropriate for them to be analyzed by the same committee.

49. The Appointments and Remuneration Committee must consult with the Chairman of the Board of Directors and the company Chairman and CEO, particularly with respect to matters relating to executive directors.

Any Board member may ask the Appointments Committee to take into consideration any candidates he/she deems suitable to fill a director vacancy.

Complies ☒ Complies in part ☐ Explain ☐

50. The Remuneration Committee must perform its functions independently and, in addition to the functions assigned by law, the following ones:

- a) To propose the basic conditions for the contracts of the top executives to the Board of Directors.
- b) To check compliance with the remuneration policy set by the company.
- c) To periodically review the remuneration policy applicable to directors and top executives, including remuneration systems with shares and their application, as well as to guarantee that individual remuneration is proportional to that paid to the rest of the directors and top executives of the company.
- d) To ensure that possible conflicts of interest do not compromise the independence of the external advice provided to the committee.
- e) To check the information on remuneration of directors and top executives contained in the different corporate documents, included in the annual report on the remuneration of directors.

Complies ☒ Complies in part ☐ Explain ☐

51. The Remuneration Committee must consult with the company Chairman and CEO, especially with respect to matters related to executive directors and top executives.

Complies ☒ Complies in part ☐ Explain ☐

52. The rules governing the composition and operation of the supervision and control committees must be included in the regulations of the Board of Directors and be consistent with those applicable to legally obliged committees in accordance with the previous recommendations, including:

- a) They are formed exclusively of non-executive directors, with a majority of independent directors.
- b) Their chairmen are independent directors.
- c) The Board of Directors appoints the members of these committees based on their knowledge, skills and experience and the terms of reference of each committee; discusses its proposals and reports; and reports on and defends its activity at the first plenary Board of Directors meeting held after its own meetings.
- d) The committees may engage external advice when it is considered necessary for the performance of their functions.
- e) Minutes must be taken at their meetings and made available to all directors.

Complies ☒ Complies in part ☐ Explain ☐ Not applicable ☐

53. The supervision of compliance with the rules of corporate governance, the internal codes of conduct and the social corporate responsibility policy shall be attributed to one or distributed among several committees of the Board of Directors, which may be the Audit Committee, the Appointments Committee, the Corporate Social Responsibility Committee, if applicable, or a specialized committee which the Board of Directors, exercising its powers of self-organization, decides to create for the purpose. These committees have the following minimum functions:

- a) Supervision of the company's compliance with its internal codes of conduct and rules of corporate governance.
- b) Supervision of the communication strategy and relationship with shareholders and investors, including the small and medium shareholders.
- c) Periodic assessment of the suitability of the company's corporate governance system to fulfill its mission of promoting the corporate interest and bearing in mind, as applicable, the legitimate interests of the remaining stakeholders.
- d) Review of the company's corporate responsibility policy to ensure that it is aimed at the creation of value.
- e) Monitoring of the corporate social responsibility strategy and practices and evaluation of the degree of compliance.
- f) Supervision and evaluation of the relational processes with other stakeholders.
- g) Evaluation of everything relating to the non-financial risks of the company, including operational, technological, legal, social, environmental, political and reputational.
- h) Coordination of the report process for non-financial and diversity information, in accordance with the applicable regulations and international reference standards.

Complies ☐

Complies in part ☒

Explain ☐

Functions a) and c) expressly correspond to the Audit and Compliance Committee and duty g) to the Risk Committee.

As indicated in recommendation 34, the Board of Directors itself is responsible for establishing and supervising appropriate communication mechanisms and relations with shareholders and investors.

With regard to the responsibilities relating to corporate social responsibility, the company has a Corporate Social Responsibility Committee. This permanent internal body has executive functions and is responsible among other things for approving the social responsibility strategy and proposing specific actions, objectives and deadlines. In accordance with the corporate social responsibility policy, this committee reports annually to the MAPFRE S.A. Board of Directors and/or the relevant Board committee on the degree of compliance with the corporate social responsibility policy and strategy.

54. The corporate social responsibility policy shall include the principles and commitments which the company assumes voluntarily in its relationship with other stakeholders and it should identify at least the following:

- a) The objectives of the corporate social responsibility policy and development of support instruments.
- b) The corporate strategy related to sustainability, the environment and social issues.
- c) Specific practices on matters relating to: shareholders, employees, clients, providers, social issues, the environment, diversity, fiscal responsibility, respect for human rights, and the prevention of illegal conduct.
- d) Methods or systems for monitoring the results of the application of the specific practices indicated above, as well as the associated risks and their management.
- e) Mechanisms for supervising non-financial risk, ethics and corporate conduct.
- f) Channels of communication, participation and dialog with stakeholders.
- g) Responsible communication practices that prevent the manipulation of information and protect honor and integrity.

Complies ☒

Complies in part ☐

Explain ☐

55. The company reports on matters relating to corporate social responsibility in a separate document or within the management report, using one of the internationally accepted methodologies.

Complies ☒

Complies in part ☐

Explain ☐

56. The remuneration of directors must be sufficient to attract and retain directors from the desired profile and reward the commitment, qualification and responsibility demanded by the position, but not so high that the independence of criteria for non-executive directors is compromised.

Complies ☒

Explain ☐

57. The executive directors must receive the variable remuneration relating to the performance of the company and their individual performance, as well as remuneration in the form of shares, options or rights on shares and instruments referenced to the share value and long-term saving systems such as pension plans, retirement systems or other social protection systems.

The delivery of shares will be considered as remuneration for non-executive directors on condition that the shares are held for the duration of the directorship. This does not apply to the shares that a director needs to transfer, if necessary, to meet the costs related to their acquisition.

Complies ☒

Complies in part ☐

Explain ☐

58. In the case of variable remuneration, the remuneration policies must include the limits and specific technical safeguards to ensure that the remuneration reflects the professional performance of the beneficiaries and not simply the general progress of the markets, the company sector or similar circumstances.

In particular, the variable components of the remuneration:

- a) Are linked to performance criteria that are predetermined and measurable, and these criteria must take into account the risk accepted for achieving a result.
- b) Promote the sustainability of the company and include non-financial criteria that are suitable for creating long-term value, such as compliance with the internal rules and procedures of the company and its policies for risk control and management.
- c) Are defined on the basis of a balance between compliance with short, medium and long-term objectives, permitting remuneration for continued performance over a period of time sufficient to appreciate the contribution to the creation of sustainable value. Accordingly, the elements used to measure performance are not based solely on specific, occasional or extraordinary events.

Complies ☒

Complies in part ☐

Explain ☐

Not applicable ☐

59. The payment of a significant portion of the variable components of remuneration is deferred for a minimum period that is sufficient to verify compliance with the previously established performance conditions.

Complies ☒

Complies in part ☐

Explain Not applicable ☐

60. Remuneration linked to the company's results takes into account any reservations that are mentioned in the external auditor's report and may compromise the results.

Complies ☒

Complies in part ☐

Explain ☐

Not applicable ☐

61. A significant percentage of the variable remuneration of the executive directors is linked to the delivery of shares or financial instruments referenced to the share value.

Complies ☒ Complies in part ☐ Explain Not applicable ☐

62. Once shares, or options or rights to corresponding shares, are allocated to the remuneration system, directors cannot transfer ownership of a number of shares equivalent to twice their fixed annual remuneration, or exercise any options or rights until after a period of at least three years from their allocation.

This does not apply to the shares that a director needs to transfer, if necessary, to meet the costs related to their acquisition.

Complies ☒ Complies in part ☐ Explain ☐ Not applicable

63. The contractual agreements include a clause that allows the company to demand re-payment of variable components of remuneration when payment has not been adjusted to the performance conditions or when it has been awarded on the basis of data which is subsequently shown to be incorrect.

Complies ☒ Complies in part ☐ Explain Not applicable ☐

64. Payments for contract termination do not exceed a fixed amount equivalent to two years' total annual remuneration, and will not be paid until the company has confirmed that the director has met the pre-established performance criteria.

Complies ☐ Complies in part ☒ Explain ☐ Not applicable ☐

For external directors, there is no compensation for leaving the position.

Regarding executive directors, leaving the position means lifting the suspension of the relationship prior to the appointment as executive director.

The early termination of the previous relationship (prior, in all cases, to the approval of the Code of Good Governance for listed companies), except when there is good cause for dismissal, implies compensation under the terms established by the workers' statute in relation to unfair dismissal.

H OTHER USEFUL INFORMATION

1. If there is any relevant aspect regarding corporate governance in the company or in the Group companies that has not been covered in the remaining sections of this report, but that should be included in order to provide more complete and explanatory information about the structure and governance practices of the company or Group, please provide a brief explanation here.

2. This section may also include any other relevant information, clarification or detail related to previous sections of the report so long as they are relevant and not repetitive.

Specifically, indicate whether the company is subject to the corporate governance legislation of any country other than Spain and, if so, include the compulsory information to be provided when different from that required by this report.

3. The company may also indicate if it has voluntarily adhered to other codes of ethical principles or best practices, international, sectoral or of another scope. If this is the case, the code in question and the adherence date must be indicated.

Since July 22, 2010 the company has adhered to and complies with the Code of Good Taxation Practices approved and sponsored by the Forum for Large Companies and the Spanish Tax Agency.

This annual report on corporate governance was approved by the company's Board of Directors at its meeting on 02/07/2018.

Indicate whether any directors voted against the report or abstained.

Yes ☐

No ☒



KPMG Auditores, S.L.
Pº. de la Castellana, 259 C
28046 Madrid

Auditors' Report on the "Information concerning the System of Internal Control over Financial Reporting (ICFR)" of Mapfre, S.A. for 2017

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Directors
Mapfre, S.A.

As requested by the Board of Directors of Mapfre, S.A. (the "Company") and in accordance with our proposal letter dated 26 December 2017, we have applied certain procedures to the "Information concerning the ICFR" attached in section F of the Annual Corporate Governance Report of Mapfre, S.A. for 2017, which summarises the Company's internal control procedures for annual financial reporting.

The Board of Directors is responsible for adopting appropriate measures to reasonably ensure the implementation, maintenance and oversight of an adequate system of internal control, the development of improvements to that system and the preparation and definition of the content of the information concerning the ICFR attached.

In this respect, it should be borne in mind that irrespective of the quality of the design and operation of the internal control system adopted by the Company in relation to annual financial reporting, the system may only provide reasonable, but not absolute assurance in relation to the objectives pursued, due to the limitations inherent in any internal control system.

In the course of our audit work on the annual accounts and in accordance with Technical Auditing Standards, our evaluation of the Company's internal control was solely aimed at enabling us to establish the scope, nature and timing of the audit procedures. Consequently, the scope of our evaluation of the internal control, performed for the purposes of the audit of accounts, was not sufficient to enable us to issue a specific opinion on the efficiency of this internal control over regulated annual financial reporting.

For the purposes of issuing this report, we have applied only the specific procedures described below and set out in the *Action Guide referring to the Auditors' Report on Information on Internal Control over Financial Reporting for listed entities*, published on the website of the Spanish Securities Market Commission (CNMV), which defines the work to be performed, the minimum scope of the work and the content of this report. As the scope of the work resulting from these procedures is in any event limited and substantially less than that of an audit or review of the internal control system, we do not express an opinion on its effectiveness or design or operational efficiency, with respect to the Company's annual financial reporting for 2017 described in the attached Information concerning the ICFR. Consequently, had additional procedures been applied to those defined in the Action Guide, or an audit or review been performed of the internal control system in relation to regulated annual financial reporting, other events or matters could have been identified, which would have been reported to you.

Moreover, as this special engagement does not constitute an audit of accounts nor is it subject to the current Audit Law in Spain, we do not express an audit opinion in the terms envisaged in such legislation.

The procedures applied were as follows:

1. Reading and understanding of the attached information prepared by the Company in relation to the ICFR – disclosures included in the directors' report – and evaluation of whether it covers all the information required, taking into account the minimum content described in Section F, concerning the ICFR description, of the standard Annual Corporate Governance Report pursuant to CNMV Circular 7/2015 of 22 December 2015.
2. Inquiries of personnel responsible for preparing the information detailed in point 1 above in order to: (i) gain an understanding of the preparation process; (ii) obtain information that allows us to assess whether the terminology used conforms to the definitions contained in the reference framework; (iii) obtain information on whether the control procedures described are in place and operational in the Company.
3. Review of explanatory documentation supporting the information detailed in point 1 above, and which will mainly include that made directly available to those responsible for preparing the descriptive information on the ICFR. This documentation includes reports prepared by internal audit, senior management and other internal or external specialists supporting the audit and compliance committee.
4. Comparison of the information detailed in point 1 above with the understanding of the Company's ICFR gained as a result of the procedures performed within the framework of the audit work on the annual accounts.
5. Reading of the minutes of the meetings of the Board of Directors, audit and compliance committee and other committees of the Company for the purposes of assessing the consistency of the matters discussed at these meetings in relation to the ICFR with the information detailed in point 1 above.
6. Procurement of a representation letter concerning the work performed, duly signed by those responsible for preparing and drawing up the information detailed in point 1 above.

As a result of the procedures applied to the Information concerning the ICFR, no inconsistencies or incidents have come to light that could affect it.

This report has been prepared exclusively in the context of the requirements established in Article 540 of the Spanish Companies Act and CNMV Circular 7/2015 of 22 December 2015 for the purposes of describing ICFR in the Annual Corporate Governance Reports.

KPMG Auditores, S.L.
(Signed on original in Spanish)

Hilario Albarracín Santa Cruz

8 February 2018

The Consolidated Annual Accounts for MAPFRE S.A., on the preceding pages 1 to -- herein, and the Consolidated Management Report on the preceding pages 127 to -- herein, corresponding to financial year 2017, endorsed by the Secretary of the Board, have been drafted by the Board of Directors at its meeting held on February 7, 2018. The Board Members declare that, as far as they are aware, the aforementioned accounts have been prepared in accordance with the applicable accounting principles and offer a true and fair view of the equity, financial situation, and results of the Company and the companies comprising the consolidation as a whole. Likewise, the Management Report includes a true and fair analysis of the development of the results and of the position of the Company and the Group, and broadly informs, along with the Consolidated Annual Report, of the risks and uncertainties they faces.

D. Antonio Huertas Mejías
Chairman

D. Luis Hernando de Larramendi Martínez
Member

D. Antonio Núñez Tovar
1st Vice Chairman

D. Francisco José Marco Orenes
Member

D^a. Catalina Miñarro Brugarolas
2nd Vice Chairman

D. Rafael Márquez Osorio
Member

D. Ignacio Baeza Gómez
3rd Vice Chairman

D. Fernando Mata Verdejo
Member

D. José Antonio Colomer Guiu
Member

D. Antonio Miguel-Romero de Olano
Member

D. Georg Daschner
Member

D^a. Pilar Perales Viscasillas
Member

D^a. Ana Isabel Fernández Álvarez
Member

D. Alfonso Rebuelta Badías
Member

D^a. María Leticia de Freitas Costa
Member

D. Ángel L. Dávila Bermejo
Secretary and Non-Member



MAPFRE S.A.

Annual Accounts

31 December 2017

Directors' Report

2017

(With Independent Auditor's Report Thereon)

(Free translation from the originals in Spanish. In the event of discrepancy, the Spanish-language versions prevail.)



KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report on the Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of MAPFRE, S.A. commissioned by its Board of Directors

Report on the Annual Accounts

Opinión

We have audited the annual accounts of MAPFRE, S.A. (the "Company"), which comprise the balance sheet at 31 December 2017, and the income statement, statement of changes in equity, statement of cash flows and notes for the year then ended.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework, specified in note 2 to the accompanying annual accounts and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Accounts section of our report.

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of non-current investments in group companies and associates (Euros 9,464,934 thousand)

See note 8 of the notes to the annual accounts.

<i>Key audit matters</i>	<i>How the issue was addressed in our audit</i>
<p>The Entity, holding company of Mapfre Group, has recognised non-current investments in group companies and associates.</p> <p>Recoverable value of these investments in group companies and associates is determined by the use of valuation technics that require of management judgement and estimations that consider macroeconomics factors, internal circumstances of the Group companies and their competitors, discount rates, growth rates or estimations of the future evolution of their business.</p> <p>Due to the level of uncertainty and judgement associated to the mentioned estimations, as well as the significance of the carried amount of the investments, we consider this to be a key audit matter.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none">- Evaluation of the criteria used by the Company in the identification of impairment indicators of the investments in group companies and associates.- Understanding the process of estimation of the recoverable value of the group investments and associates, and evaluation of design and implementation of the relevant controls related to the process that the Company has in place.- Evaluation of the reasonability of the methodology and hypothesis used in the estimation of the recoverable value of the investments in group companies and associates, with the collaboration of our corporate finance specialists. <p>We have reviewed the level of fulfilment of the past years business plans, and we have evaluated the information within the valuation models against the company's business plans and estimations of industry development obtained from external sources.</p> <p>Additionally, we have evaluated the discount and growth rates used in the valuation model, as well as performed sensitivity analysis over the key inputs used in the model, with the goal of assessing their impact in the valuation.</p> <p>We have also evaluated if the information within the annual accounts is in compliance with the applicable legal financial reporting requirements.</p>



Other Information: Directors' Report

Other information solely comprises the 2017 directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility regarding the information contained in the directors' report is defined in the legislation regulating the audit of accounts, which establishes two different levels for this information:

- a) A specific level applicable to non-financial information included in the Annual Corporate Governance Report, as defined in article 35.2. b) of the Audit Law 22/2015, which consists of merely verifying that this information has been provided in the directors' report and, if not, report on this matter.
- b) A general level applicable to the rest of the information included in the directors' report, which consists of assessing and reporting on the consistency of this information with the annual accounts, based on knowledge of the Company obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting on whether the content and presentation of this part of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described in the preceding paragraphs, we have verified that the specific information mentioned in a) above has been provided in the directors' report and that the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2017 and the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit and Compliance Committee's Responsibility for the Annual Accounts

The Directors are responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of the Company in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Audit and Compliance Committee is responsible for overseeing the preparation and presentation of the annual accounts.



Auditor's Responsibilities for the Audit of the Annual Accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the annual accounts. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.



We communicate with the Audit and Compliance Committee of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Company's Audit and Compliance Committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Company's Audit and Compliance Committee, we determine those that were of most significance in the audit of the annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

Additional Report to the Audit and Compliance Committee

The opinion expressed in this report is consistent with our additional report to the Company's Audit and Compliance Committee dated February 8, 2018.

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting on 13 March 2015 for a period of 3 years, from the year ended 1 January 2015.

KPMG Auditores, S.L. (S0702)

(Signed on original in Spanish)

Hilario Albarracín Santa Cruz

R.O.A.C: 09144

8 February 2018

ANNUAL ACCOUNTS

MANAGEMENT REPORT

2017

MAPFRE S.A.

MAPFRE S.A.

ANNUAL ACCOUNTS

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Cash flow statement

Annual report

MAPFRE S.A.

BALANCE SHEET AS AT DECEMBER 31, 2017 AND 2016

ASSETS	Notes in Annual report	2017	2016
A) NON-CURRENT ASSETS		9,705,643	9,517,006
I. Intangible fixed assets		2,595	4,405
5. Computer applications	6	2,595	4,405
II. Property, plant and equipment	5	14,819	14,839
1. Land and buildings		12,319	12,508
2. Facilities and other property, plant and equipment		2,500	2,331
IV. Non-current investments in group companies and associates	8	9,643,434	9,465,300
1. Equity instruments		9,464,934	9,261,300
2. Loans to companies	18	178,500	204,000
V. Non-current financial investments	8	15,147	5,790
1. Equity instruments		9,894	565
2. Loans to third parties		73	71
6. Other investments		5,180	5,154
VI. Deferred tax assets	12	29,648	26,672
B) CURRENT ASSETS		367,046	357,343
III. Trade and other receivables		3,289	50,852
1. Trade receivables for sales and services rendered	8	9	2
2. Trade receivables, group companies and associates	8	16	16
3. Sundry receivables	8	217	132
4. Personnel	8	368	317
5. Current tax assets	12	1,444	47,888
6. Other receivables from government agencies	--	1,235	2,497
IV. Current investments in group companies and associates	8,18	316,677	273,574
2. Loans to companies	--	218,667	180,399
5. Other financial assets	--	98,010	93,175
V. Current financial investments	8	333	--
2. Loans to third parties	8	333	--
VI. Current accruals		5,091	6,187
VII. Cash and other equivalent liquid assets		41,656	26,730
1. Cash	--	41,656	26,730
TOTAL ASSETS (A+B)		10,072,689	9,874,349

Thousand euro

BALANCE SHEET AS AT DECEMBER 31, 2017 AND 2016

EQUITY AND LIABILITIES	Notes in Annual report	2017	2016
A) EQUITY		7,334,129	7,272,687
A-1) SHAREHOLDERS' EQUITY		7,334,129	7,272,687
I. Capital		307,955	307,955
1. Authorized share capital	9	307,955	307,955
II. Share premium	9	3,338,720	3,338,720
III. Reserves		3,136,783	3,120,074
1. Legal and statutory	9	61,591	61,591
2. Other reserves	--	3,075,192	3,058,483
IV. (Treasury stock)	9	(52,356)	(60,234)
V. Results for previous years		289,403	279,195
1. Retained earnings	--	289,403	279,195
VII. Result for the year	3	495,530	468,831
VIII. (Interim dividend)	3	(184,773)	(184,772)
IX. Other equity instruments	9	2,867	2,918
B) NON-CURRENT LIABILITIES		2,367,246	1,890,536
I. Non-current provisions		15,314	15,945
1. Non-current employee benefit obligations	14	15,069	14,876
4. Other provisions	14	245	1,069
II. Non-current debt		2,191,185	1,475,936
1. Debentures and other negotiable securities	8,10	1,590,820	992,484
2. Due to credit institutions	8	600,000	480,000
5. Other financial liabilities	8	365	3,452
III. Non-current debt with group companies and associates	8	160,640	398,548
IV. Deferred tax liabilities	12	107	107
C) CURRENT LIABILITIES		371,314	711,126
II. Current provisions	14	--	--
III. Current debt		29,956	604,757
1. Debentures and other negotiable securities	8,10	29,839	604,020
2. Due to credit institutions	8	75	85
5. Other financial liabilities	8	42	652
IV. Current debt with group companies and associates	8,18	283,206	61,630
V. Trade and other payables		58,152	44,739
3. Sundry creditors	8	19,147	12,361
4. Personnel (remuneration pending payment)	8	12,699	9,135
5. Current tax liabilities	12	13,999	12,420
6. Other debts with government agencies		12,307	10,823
TOTAL EQUITY AND LIABILITIES (A+B+C)		10,072,689	9,874,349

Thousand euro

PROFIT AND LOSS ACCOUNT FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

PROFIT AND LOSS ACCOUNT	Notes in Annual Report	2017	2016
CONTINUING OPERATIONS			
Revenue		638,745	578,425
Dividends and interest from group companies and associates		638,745	578,425
• Dividends	8,18	632,193	572,271
• Interest	8,18	6,552	6,154
Other operating revenue		76,030	80,790
• Non-core and other operating revenue	18	76,030	80,790
Personnel expenses		(71,320)	(72,397)
• Wages, salaries and similar	--	(48,305)	(43,533)
• Social security contributions	13	(21,530)	(21,172)
• Provisions	14	(1,485)	(7,692)
Other operating expenses		(76,000)	(73,622)
• External services	--	(75,968)	(73,594)
• Taxes	--	(32)	(28)
Amortization and depreciation of fixed assets	5,6	(3,652)	(3,462)
Excess provisions		--	--
Impairment and gains/losses on fixed asset disposal		--	17
Impairment of Group and affiliated companies	8	(27,800)	(996)
Other earnings		(6)	(6)
EARNINGS FROM OPERATIONS		535,997	508,749
Financial income	8	433	1,583
Acquisitions in equity instruments	--	49	--
• From third parties	--	49	--
From negotiable securities and other financial instruments	--	384	1,583
• From third parties	--	384	1,583
Financial expenses		(77,883)	(76,878)
• For debt with Group and affiliated companies	8,18	(16,428)	(23,913)
• For debt with third parties	8	(61,256)	(52,765)
• For update of provisions	8	(199)	(200)
Fair value variation in financial instruments		(43)	5,207
• Trading portfolio and other	8	(43)	5,207
Foreign exchange differences	8	(22)	(14)
Impairment and gains/losses on financial instrument disposal	8	572	5
• Impairment and loss		333	--
• Earnings from disposal and other		239	5
FINANCIAL RESULT		(76,943)	(70,097)
EARNINGS BEFORE TAX		459,054	438,652
Tax on profit	12	36,476	30,179
RESULT FOR THE PERIOD FROM ONGOING OPERATIONS		495,530	468,831
DISCONTINUED OPERATIONS			
Result for the period after tax from discontinued operations		--	--
RESULT FOR THE FINANCIAL YEAR		495,530	468,831

Thousand euro

STATEMENT OF CHANGES IN EQUITY AT DECEMBER 31, 2017 AND 2016**A) STATEMENTS OF RECOGNIZED INCOME AND EXPENSE**

PROFIT AND LOSS ACCOUNT	Notes from the Annual Report	2017	2016
A) Result of the profit and loss account	3	495,530	468,831
Revenue and expenses posted directly to equity			
I. For valuation of financial instruments			
1. Financial assets available for sale	--	--	--
2. Other revenues/expenses			
IV. By actuarial gains and losses and other adjustments	--	--	--
VII. Tax effect	--	--	--
B) Total revenue and expenses posted directly in equity (I+IV+VII)	--	--	--
Transfers to the profit and loss account			
VIII. For valuation of financial instruments			
1. Financial assets available for sale	--	--	--
XIII. Tax effect	--	--	--
C) Total transfers to the profit and loss account (VIII+XIII)		--	--
TOTAL RECOGNIZED REVENUE AND EXPENSES (A+B+C)	--	495,530	468,831

Thousand euro

STATEMENT OF CHANGES IN EQUITY AT DECEMBER 31, 2017 AND 2016

B) FULL STATEMENT OF CHANGES IN EQUITY

ITEM	Capital		Share premium	Reserves	(Treasury stock)	Result from previous years	Other shareholder contributions	Result for the year	(Interim dividend)	Other equity instruments	Revaluation adjustments	Grants, donations and bequests received	TOTAL
	Authorized	Uncalled											
ADJUSTED BALANCE, BEGINNING OF 2016	307,955	--	3,338,720	2,823,152	(2,392)	263,044	--	450,126	(184,773)	--	--	--	6,995,832
I. Total recognized revenue and expenses	--	--	--	--	--	--	--	468,831	--	--	--	--	468,831
1. Share capital increases	--	--	--	--	--	--	--	--	--	--	--	--	--
4. (-) Distribution of dividends	--	--	--	--	--	--	--	(215,570)	(184,772)	--	--	--	(400,342)
4 bis. Distribution of earnings	--	--	--	35,000	--	14,783	--	(234,556)	184,773	--	--	--	--
5. Operations with treasury stock (Note 9)	--	--	--	(33)	(57,842)	--	--	--	--	--	--	--	(57,875)
6. Increase in equity resulting from a business combination	--	--	--	262,146	--	--	--	--	--	--	--	--	262,146
III. Other variations in equity	--	--	--	(191)	--	1,368	--	--	--	2,918	--	--	4,095
CLOSING BALANCE FOR YEAR 2016	307,955	--	3,338,720	3,120,074	(60,234)	279,195	--	468,831	(184,772)	2,918	--	--	7,272,687
II. Adjustments for errors 2016	--	--	--	--	--	--	--	--	--	--	--	--	--
ADJUSTED BALANCE, BEGINNING OF 2017	307,955	--	3,338,720	3,120,074	(60,234)	279,195	--	468,831	(184,772)	2,918	--	--	7,272,687
I. Total recognized revenue and expenses	--	--	--	--	--	--	--	495,530	--	--	--	--	495,530
1. Share capital increases	--	--	--	--	--	--	--	--	--	--	--	--	--
4. (-) Distribution of dividends	--	--	--	--	--	--	--	(261,762)	(184,773)	--	--	--	(446,535)
4 bis. Distribution of earnings	--	--	--	12,000	--	10,208	--	(206,980)	184,772	--	--	--	--
5. Operations with treasury stock (Note 9)	--	--	--	4,702	7,878	--	--	--	--	--	--	--	12,580
6. Increase in equity resulting from a business combination	--	--	--	--	--	--	--	--	--	--	--	--	--
III. Other variations in equity	--	--	--	7	--	--	--	(88)	--	(51)	--	--	(133)
CLOSING BALANCE FOR YEAR 2017	307,955	--	3,338,720	3,136,783	(52,356)	289,403	--	495,530	(184,773)	2,867	--	--	7,334,129

Thousand euro

CASH FLOW STATEMENT AT DECEMBER 31, 2017 AND 2016

A) CASH FLOWS FROM OPERATING ACTIVITIES	Notes in Annual report	2017	2016
1. Earnings of the year before tax		459,054	438,652
2. Adjustments to results		(525,761)	(501,537)
a) Amortization and depreciation of fixed assets	5,6	3,652	3,462
b) Corrections in value due to impairment (+/-)	8	27,800	996
e) Results of fixed asset cancellations and disposals (+/-)	--	--	(17)
f) Results of financial instruments cancellations and disposals (+/-)	--	(572)	(5)
g) Financial income (-)	8	(433)	(1,583)
b) Financial expenses (+)	8	77,883	76,878
i) Exchange rate differences (+/-)	8	22	14
j) Fair value variation in financial instruments (+/-)	8	43	(5,207)
k) Other revenues and expenses	--	(634,156)	(576,075)
3. Changes in working capital	--	1,061	(9,604)
b) Debtors and other receivables (+/-)	--	(5,815)	24,824
c) Other current assets (+/-)	--	4,622	(47,013)
d) Creditors and other payables (+/-)	--	2,254	12,585
e) Other current liabilities (+/-)	--	23,776	--
f) Other non-current assets and liabilities (+/-)	--	(62,373)	--
4. Other cash flows of operating activities	--	633,455	532,976
a) Interest paid (-)	--	(58,283)	(92,512)
b) Dividend receipts (+)	--	632,209	572,271
c) Interest collected (+)	--	6,155	6,204
d) Payment (receipt) of income tax (+/-)	--	53,374	47,013
e) Other payments (collection) (-/+)	--	--	--
5. Cash flows from operating activities (+/-1+/-2+/-3+/-4)	--	567,809	460,487
B) CASH FLOWS FROM INVESTING ACTIVITIES			
6. Payments for investments (-)		(476,318)	(194,753)
a) Group and affiliated companies	8	(436,977)	(194,753)
g) Other assets	8	(39,341)	--
7. Collections for divestments (+)		222,940	110,041
a) Group and affiliated companies	8	210,908	110,041
e) Other financial assets	8	12,032	--
8. Cash flows from investing activities (7+6)		(253,378)	(84,712)
C) CASH FLOW FROM FINANCING ACTIVITIES			
9. Payments and collections for equity instruments		12,580	(57,842)
c) Acquisition of treasury equity instruments (-)	9	--	(57,842)
e) Disposal of treasury equity instruments (+)	9	12,580	--
10. Payments and collections for financial liability instruments		134,450	93,191
a) Issue			
1. Debentures and other negotiable securities (+)	10	600,000	993,090
2. Due to credit institutions (+)	8	950,000	--
3. Debt with Group and affiliated companies (+)	--	--	60,000
b) Return and redemption of			
1. Debentures and other negotiable securities (-)	10	(578,450)	--
2. Due to credit institutions (-)	8	(830,000)	(520,000)
3. Debt with Group and affiliated companies (-)	--	(7,100)	(439,899)
11. Payments for dividends and remuneration of other equity instruments	--	(446,535)	(400,907)
a) Dividends (-)	--	(446,535)	(400,907)
12. Cash flows from financing activities (+/-9/10-11)	--	(299,505)	(365,558)
D) EFFECT OF EXCHANGE RATE VARIATIONS			
E) NET INCREASE / DECREASE OF CASH OR EQUIVALENTS (+/-5+/-8+/-12+/-D)	--	14,926	10,217
Cash or cash equivalents at the beginning of the year		26,730	16,513
Cash or cash equivalents at the end of the year		41,656	26,730

Thousand euro

ANNUAL REPORT

2017

1. COMPANY ACTIVITY

MAPFRE S.A. (the "Company") is a corporation (Spanish "sociedad anónima") whose main activity is the investment of its funds in real-estate assets and tradeable financial securities.

The Company's scope of action includes all Spanish territory.

The registered offices are at Crta. de Pozuelo, 52, Majadahonda (Madrid, Spain). The Company is the parent of the MAPFRE Group, which comprises MAPFRE S.A. and several companies operating in the insurance, property, financial and services sectors.

The Company is a subsidiary of CARTERA MAPFRE, S.L. (Single Member Company), with registered address at Carretera de Pozuelo, 52, Majadahonda (Madrid, Spain). The annual accounts of that company for the year ended December 31, 2017 will be prepared by its Board of Directors on March 22, 2018 and will be placed on file at the Madrid Companies' Registry.

The ultimate controlling company is Fundación MAPFRE, a non-profit company whose registered address is Paseo de Recoletos No. 23, Madrid and whose consolidated annual accounts will be filed with the Madrid Companies' Registry and a copy sent to the Foundations Register.

2. BASIS OF PRESENTATION OF THE ANNUAL ACCOUNTS

a) TRUE AND FAIR VIEW

The application of legal provisions regarding accounting matters have resulted in a true and fair view of the Company's equity, financial position and results for the year, as well as of the accuracy of the cash flows reported on the cash flow statement. The directors consider that it is not necessary to include supplementary information in this regard.

The Board of Directors expects the individual and consolidated annual accounts for 2017, which were prepared on February 7, 2018 to be approved by the Annual General Meeting with no changes.

b) ACCOUNTING PRINCIPLES

The annual accounts have been prepared in accordance with the Spanish General Chart of Accounts approved under Royal Decree 1514/2007 of November 16 and subsequently amended through Royal Decree 1159/2010 of September 17 and Royal Decree 602/2016 of December 2, as well as with all other applicable mercantile legislation.

c) CRITICAL ASPECTS OF MEASURING AND ESTIMATING UNCERTAINTY

When preparing the annual accounts, judgments and estimates were used that are based on assumptions about the future and uncertainties. These primarily refer to impairment of the value of assets, deferred tax assets and provisions.

The estimates and assumptions used are reviewed regularly, and are based on historical experience and on other factors that have been deemed most reasonable in each instance. If these reviews lead to changes in estimates in a given period, their effect would apply to that period and, as the case may be, to subsequent periods.

d) COMPARISON OF INFORMATION

There is nothing preventing the annual accounts of the current year from being compared with those of the previous year.

e) CORRECTIONS OF ERRORS

No significant errors were found in the Company's annual accounts from previous years.

3. DISTRIBUTION OF PROFITS

The Company's Board of Directors has proposed the following distribution of profits for approval at the Annual General Meeting:

BASIS OF DISTRIBUTION	AMOUNT
Profit and loss account	495,530,493.41
Retained earnings	289,402,576.02
TOTAL	784,933,069.43
DISTRIBUTION	AMOUNT
To dividends	446,535,224.59
To capitalization reserve	1,856,820.46
To retained earnings	336,541,024.38
TOTAL	784,933,069.43

Figures in euros

The planned distribution of dividends in the distribution of profits complies with the requirements and limitations established under legal regulations and the corporate bylaws. The requirements and limitations related to restricted reserves are set out in Note 9 "Equity".

In 2017, the Company distributed an interim dividend for a total amount of 184,773,196.38 euros (184,772,628.34 euros in 2016), which is recorded in equity under the heading "Interim dividend."

The liquidity statement prepared by the Board of Directors for the distribution of the interim dividend is shown below.

ITEM	DATE OF AGREEMENT
	November 20, 2017.
Cash available on date of agreement	14,864
Increases in cash forecast within one year	731,452
(+) From expected current collection operations	731,452
(+) From expected financial transactions	--
Decreases in cash forecast within one year	(511,606)
(-) From expected current payment transactions	(70,000)
(-) From expected financial transactions	(441,606)
Cash available in one year	234,710

Thousand euro

The distribution of profits for 2016, carried out during 2017, is presented in the statement of total changes in equity.

4. RECOGNITION AND MEASUREMENT STANDARDS

The recognition and measurement standards applied are indicated below:

a) Fixed assets

Intangible assets

Intangible assets recognized comply with the identifiability criterion and carried at cost less accumulated amortization and any impairment losses.

Intangible assets are measured at the cost of acquisition or production. Amortization is calculated on a straight-line basis.

Property, plant and equipment

The assets included under property, plant and equipment are measured at cost of acquisition or production, including indirect taxes that are not directly recoverable, less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis, on the cost of the asset less the residual value and less the value of land, in accordance with the estimated useful life.

The costs of renovating, expanding or improving property, plant and equipment goods are included as the greatest value of the asset when they entail an increase in capacity, productivity or extension of the useful life of each asset.

Impairment of fixed assets

At least at the close of the fiscal year and provided evidence of impairment is detected, the Company evaluates whether there are any signs that the asset items may have suffered a loss in value. If such evidence exists, the recoverable amount of the asset is estimated.

Recoverable amount is the greater of an asset's fair value less costs to sell and its value in use.

If the book value exceeds the recoverable amount, the excess is recognized as a loss, reducing the book value of the asset to its recoverable amount.

Corrections in value due to impairment, as well as the reversal of the asset items, are recognized as an expense or revenue, respectively, in the profit and loss account, under the item "Impairment and gains/(losses) from disposal of fixed assets."

If there is an increase of the recoverable amount of an asset other than the goodwill, the loss due to the previously recognized impairment is reversed, increasing the book value of the asset to its recoverable amount. This increase never exceeds the book value, net of amortization or depreciation, that would be recorded had an impairment loss not been recognized in previous years. The reversal is recognized in the profit and loss account, unless the asset was previously subject to revaluation against "Valuation adjustments", in which case the reversal is treated as a revaluation increase. After this reversal, the depreciation cost is adjusted for subsequent periods.

b) Operational leases

The Company classifies the lease contracts it holds as operational leases given that the lessor does not substantially transfer to the lessee all the risks and benefits of the property.

The revenue and expenses arising from operational leasing are recorded in the profit and loss account for the life of the contract, following the principle of accrual.

c) Financial instruments

FINANCIAL ASSETS

All assets corresponding to cash, equity instruments of other companies, or that entail a contractual right to receive cash or another financial asset, or any exchange of financial instruments under favorable conditions, are classified as financial assets.

The fair value of financial assets is determined through the use of market prices, provided that the available quotations of the instruments can be considered representative. In order for them to be considered as such, they must be published regularly in standard information systems provided by recognized financial brokers.

If market valuation is not possible, a valuation will be performed with internal models using, as far as possible, public market data that satisfactorily replicates the valuation of the instruments quoted. This valuation methodology will be based on the discounting of future asset flows (determined or estimated) using the discount curve free from risk. Depending on the characteristics of the issue concerned and the issuer, a specific credit risk will be assigned, which will apply to a different degree to each of the flows to be received.

Operations in the currency market are recorded on the settlement date, while financial assets traded in secondary markets of the Spanish market are recognized on the trading date, for equity instruments, and on the settlement date, for debt securities.

Financial assets are classified as:

Loans and receivables

This category includes receivables for commercial and non-commercial operations.

Following initial recognition at their fair value, they are measured at amortized cost. The interest accrued is posted in the profit and loss account, applying the effective interest method.

Loans and receivables also include deposits in credit institutions, which are measured at amortized cost. Income generated on these deposits is recognized at the effective interest rate.

Receivables for commercial operations and other line items, such as advances, personnel loans or dividends receivable with maturity of up to one year and without a contractual interest rate are measured at their face value when the effect of not updating cash flows is not significant to the initial recognition or to subsequent valuation, unless there is impairment.

Impairment exists when there is a decrease or delay in future estimated cash flows that could result from debtor insolvency.

Corrections in value due to impairment and its reversal, if applicable, are made at the close of the fiscal year, recognizing an expense or revenue, respectively, in the profit and loss account. Nevertheless, impairment losses may only be reversed up to the limit of the amortized cost that would have been recorded if an impairment loss had not been recognized in previous years.

Financial assets held for trading

Derivative financial instruments that do not entail a financial guarantee contract and were not designated as a hedging instrument are classified in this category.

Initial recognition and subsequent valuation are done at fair value, without subtracting transaction costs. The changes that occur in the fair value are posted in the profit and loss account for the fiscal year.

Investment in the equity of Group, multi-group and associated companies

Investment in Group, multi-group and associated company equity is initially recognized and measured at cost minus the accumulated amount of corrections in value due to impairment, if applicable.

In the case of non-monetary contributions to Group companies, the contributor values the investment at the book value of the assets and liabilities delivered in the Group's most recent consolidated annual accounts. Any difference between the book value of the investment contributed and the value assigned to the interest received is posted in a reserve account.

When a value is assigned due to a balance sheet cancellation or for another reason, the weighted average cost method is applied for homogenous groups.

In the case of the sale of preemptive subscription rights and similar rights or the division of these rights to exercise them, the cost of the rights reduces the book value of the respective assets.

At the close of the fiscal year, when there is objective evidence that the book value of the investment is not recoverable, the necessary corrections in value are made.

The amount of the correction in value corresponds to the difference between the book value of the investment and the recoverable amount. The latter is the greatest difference between its fair value minus sale costs and the present value of the future cash flows derived from the investment.

Corrections in value due to impairment and its reversal, if applicable, are recorded as an expense or revenue for the fiscal year in the profit and loss account.

Financial assets available for sale

This category includes debt securities and equity instruments of other companies that are not classified in any other financial asset category.

Initial recognition and subsequent measurement are at fair value, plus the preferential subscription rights acquired, without subtracting transaction costs that could arise from disposal.

Changes in fair value are recognized directly in equity until the financial asset is written off or impairment is perceived, at which time they are recorded in the profit and loss account.

Corrections in value due to impairment and gains or losses arising from foreign exchange differences in monetary financial assets in foreign currencies are recorded in the profit and loss account. The amount of interest calculated applying the effective interest rate method and dividends accrued are also recorded in the profit and loss account.

Investment in equity instruments whose fair value may not be reliably calculated are measured at their cost minus the accumulated amount of corrections in value due to value impairment.

When a value is assigned to these assets due to derecognition or for another reason, the weighted average cost method is applied for homogenous groups.

In case of sale of preemptive subscription rights and similar rights, the cost of the rights reduces the book value of the respective assets.

At least at close of the financial year, the pertinent corrections in value are made, providing there is objective evidence that the value of an available-for-sale financial asset is impaired, the amount of which is recognized in the profit and loss account. Reversals of corrections in value are credited to the profit and loss account, with the exception of equity instruments, the reversal for which is made directly in equity.

For equity instruments, investments are analyzed individually to determine whether any impairment exists, when the market has declined either over a prolonged period (18 months) or in a significant amount (40 percent) compared to cost.

Cash and other equivalent liquid assets

Cash includes cash on hand and demand deposits, while cash equivalents correspond to highly liquid short-term investments that can be easily converted to fixed amounts of cash and have an insignificant risk of change in value.

Interest and dividends received from financial assets

The interest and dividends from financial assets accrued after acquisition are recognized as revenue in the profit and loss account. The interest is recognized using the effective interest rate method, and dividends when the right to receive them is declared.

To this end, the amount of accrued and non-accrued explicit interest and the dividends agreed upon at the moment of acquisition are recorded independently in the initial valuation of financial assets, bearing in mind their maturity.

Additionally, when the distributed dividends come from earnings generated prior to the acquisition date, because amounts were distributed that are greater than the profits generated by the investee since the acquisition, they are not recognized as revenue and they reduce the book value of the investment.

Cancellation of financial assets

Financial assets are canceled when the contractual rights over the cash flows of the financial asset expire or when they are transferred, whereupon the risks and benefits derived from their ownership are substantially transferred.

When a financial asset is canceled, the difference between the net received compensation of the attributable transaction costs and the book value of the financial asset, plus any accumulated amount recognized directly as equity, determines the resulting gains or losses and is part of the result for the financial year.

FINANCIAL LIABILITIES

All instruments issued, incurred or assumed that imply a direct or indirect contractual obligation for the Company are recorded as financial liabilities, in accordance with the economic reality of delivering cash or another financial asset or exchanging financial assets and liabilities with third parties in unfavorable conditions.

Financial liabilities are classified as:

Debits and payables

These correspond to debits for commercial and non-commercial operations.

After initial recognition at their fair value (transaction price), they are measured at their amortized cost, and the interest is recorded in the profit and loss account, applying the effective interest rate method.

In the case of debits for commercial operations with maturity of up to one year and without a contractual interest rate, as well as third-party called capital for holdings whose amount will be paid in the short term, both the initial valuation and subsequent valuations are performed at the face value when the effect of not updating cash flows is not significant.

Financial liabilities held for trading

Derivative financial instruments that are not a financial guarantee contract and were not allocated as hedging instruments are classified in this category.

Initial recognition and subsequent valuation are performed at fair value, without subtracting transaction costs that could arise from disposal. The changes that occur in the fair value are posted to the profit and loss account of the fiscal year.

The put options on the stake held by a minority shareholder in a controlled company, when the acquirer does not have access to the economic profits associated with the shares subject to the option, are recognized both initially and subsequently at fair value.

Cancellation of financial liabilities

Financial liabilities are canceled when the obligation inherent to them has expired. Additionally, acquired shareholders' financial liabilities are canceled even when there is an intention to reassign them in the future.

If there is an exchange of debt instruments with significantly different conditions, the original liability is canceled and the new liability is recognized.

The difference between the book value of the financial liability or the canceled part of the liability and the compensation paid, including attributable transaction costs and the compensation that encompasses any transferred asset other than the cash or liability assumed, is recognized in the profit and loss account during the fiscal year in which it occurs.

If there is an exchange of debt instruments without significantly different conditions, the original liability is not removed from the balance sheet, and the paid commissions are recorded as an adjustment to the book value.

Own equity instruments

All items that show a residual investment in Company assets once their liabilities have been deducted are classified in this category.

Treasury stock is assessed at its net acquisition cost and recorded in equity. Expenses incurred on acquisition are recognized in equity as a decrease in the value of reserves.

All transactions performed with own equity instruments are recorded under equity as a variation in the value of shareholders' equity.

d) Transactions in foreign currency

Transactions in foreign currencies are converted to euros by applying the exchange rate in force on the transaction date.

At the close of the fiscal year, the balances that correspond to monetary items expressed in foreign currencies are converted at the exchange rate of the euro on that date, and all exchange differences are allocated in the profit and loss account, except for monetary financial assets that are available for sale and in which exchange rates other than those generated from the amortized cost are recognized directly in equity.

Non-monetary items that are measured at historical cost are generally recorded by applying the exchange rate at the transaction date. When determining the equity of an investee company, corrected for the tacit capital gains that exist on the date of valuation, the closing exchange rate is applied to the equity and the tacit capital gains that exist on that date.

Non-monetary items that are measured at fair value are recorded by applying the exchange rate on the date when the fair value was determined, recognizing the losses and gains derived from the valuation in equity or in profit or loss, depending on the nature of the item.

When presenting the cash flow statement, the flows from transactions in foreign currencies are converted to euros by applying the cash exchange rate on the dates of exchange to the amount in foreign currency.

The effect of the variation in exchange rates on cash and other equivalent liquid assets expressed in foreign currency is presented separately in the cash flow statement as "Effect of the variations in exchange rates."

e) Tax on profits

Tax on profits is treated as an expense for the fiscal year and is recorded as such in the profit and loss account, including both the tax burden of the current tax and the effect corresponding to the movement of the deferred tax.

However, tax on profits related to items where modifications in their value are directly recognized in equity are not posted to the profit and loss account but to equity, and the changes in value are included in those items net of the tax effect.

The assets or liabilities due to current tax on profits are measured at the amounts that are expected to be recovered or paid, using the tax regulations and rates that are in force or approved and pending publication at the close of the fiscal year.

The Company files taxes as part of a consolidated tax group. The expense for corporate tax on the companies in the consolidated tax group is determined taking into account the parameters used in calculated individual tax as well as the following items:

Temporary and permanent differences arising as a result of eliminating gains and losses on intergroup transactions, derived from the processing of determining the consolidated tax base.

Tax credits and deductions corresponding to each Group company in the consolidated tax group. To that end, tax credits and deductions are recorded in the company that carried out the related activity or that obtained the gain necessary to secure the tax credit or deduction.

Temporary differences derived from the elimination of gains and losses between entities of the tax Group are recognized in the company that generated the gain or loss, and are measured at the applicable tax rate.

Tax losses incurred in certain Group companies that have been offset by profits of other companies in the Group give rise to a reciprocal credit and debit between the companies, as appropriate. In the event that tax losses cannot be offset by profits of other Group companies, the tax loss carryforwards are recognized as deferred tax assets by the corresponding companies, considering that they will be offset by future profits of the tax group.

The Company, as parent entity of the Group, recognizes the total amount payable for consolidated corporate tax as a payable or a receivable with the different Group and associated companies, as appropriate.

Deferred tax liabilities derived from temporary tax differences are recognized in all cases, except when they arise from the initial recognition of goodwill or from an asset or liability in a transaction that is not a business consolidation, on the date of the transaction, if it does not affect the book earnings or the taxable earnings.

Deferred tax is recorded for temporary differences on the date of the balance between the tax base of the assets and the liabilities and their book values. The tax base of an equity item is the amount attributed to it for tax purposes.

The tax effect of temporary differences is included for all taxable temporary differences under the corresponding headings of "Deferred tax assets" and "Deferred tax liabilities," excluding the exceptions provided in current regulations, if applicable.

The Company recognizes deferred tax assets for all deductible temporary differences, unused tax receivables and negative tax bases, to the extent that it is likely that the Company or the tax group has future tax profits that make it possible to apply these assets. The Company also recognizes a deferred tax liability for all taxable temporary differences.

Unless evidenced otherwise, the Company does not foresee future tax profits if recovery is to take place more than ten years after the date of fiscal year closure.

The Company recognizes deferred tax assets that have not been recognized due to expiry of the ten-year recovery period if the future reversal period does not exceed ten years from the date of fiscal year closure or when there are sufficient liabilities derived from temporary tax differences.

Deferred tax assets and deferred tax liabilities are measured according to anticipated tax rates for the fiscal years in which they will be recovered or liquidated, respectively.

Deferred tax assets and deferred tax liabilities are recognized in the balance sheet as non-current assets or liabilities, regardless of the expected date of payment or settlement.

f) Revenue and expenses

Revenue and expenses are measured in accordance with the General Chart of Accounts.

Revenue from services provided are recognized when the transaction earnings are estimated reliably, taking into account the percentage of the service performed at the close of the fiscal year.

If the gains or losses on a service provision transaction cannot be estimated reliably, revenue is only recognized to the extent in which the expenses recognized are recoverable.

Given the Company's activity, the accrued dividends and other revenue from the funding granted to investee companies are part of the item "Revenue," and therefore, pursuant to the provisions of the Spanish Accounting and Auditing Institute (ICAC), they are recorded under that heading of the profit and loss account.

g) Provisions and contingencies

Provisions are recognized when there is a current obligation, whether legal or implicit, as a result of a past event, and a probable disbursement of resources that include future economic profits.

They are measured at the close of the fiscal year at the present value of the best possible estimate of the amount needed to cancel or transfer the obligation to a third party. The resulting adjustments are recorded when the provision is updated as a financial expense as it accrues.

The compensation to be received from a third party on settling the obligation, provided that there is no doubt that it will be received, does not entail a decrease in the debt, and the collection right is recognized in the asset whose amount will not exceed the amount of the obligation recorded in the accounts.

h) Personnel expenses

Remuneration for employees may be short-term, post-employment benefits, compensation for termination, other medium and long-term remuneration, and share-based payments.

Short-term remuneration

These are posted according to the services provided by employees on an accrual basis.

Post-employment benefits

These essentially consist of defined contribution plans and defined benefit plans, as well as life insurance covering death between age 65 and 77.

Defined contribution plans

These are those in which the company in question makes pre-determined contributions to a separate company (whether linked to the Group or external) and has no legal or implicit obligation to make any additional contributions in the event of an insufficiency of assets to honor the payment of benefits. The obligation is limited to the contribution agreed on to deposit in a fund and the amount of benefits to be received by employees is determined by the contributions made plus the yield obtained by the investments in which the fund was materialized.

Defined benefit plans

These are post-employment benefit plans that differ from defined contribution plans.

The liability recognized on the balance sheet for defined benefit pension plans is equal to the present value of the defined benefits obligation on the balance sheet date less, where applicable, the fair value of the assets set aside for the plan.

The obligation for defined benefits is determined separately for each plan using the actuarial valuation method of the projected credit unit.

Actuarial gains and losses are recorded in equity accounts.

All the obligations for defined benefit plans that remain on the balance sheet correspond to retired personnel.

Compensation for termination

Compensation for termination is recognized as a liability and expense when there is a notable agreement to rescind the work relationship before the normal date of employee retirement or when there is an offer to encourage voluntary rescission of the contracts.

Other medium and long-term remuneration and share-based payments

Other long-term remuneration besides those described in the preceding paragraphs and referring specifically to the award for years of service or time with the company are recorded in line with the aforementioned principles; the only exceptions are the cost of past services, which is recognized immediately and recorded as an offsetting liability entry under the heading "Long-term provisions", and actuarial gains and losses, which are recorded in the profit and loss account.

In 2016, a new medium-term incentive plan was approved for certain members of the MAPFRE executive team. The plan is extraordinary, non-cumulative and multi-year, commencing January 1, 2016 and ending March 31, 2019, with payment of the part of the incentives deferred to the period 2020-2022. The payment of incentives is dependent on fulfilling certain corporate and specific objectives, as well as the director remaining in the Group's employ. The incentive will be paid partly in cash (50 percent) and partly by means of MAPFRE S.A. shares (50 percent), and is subject to clauses of reduction or recovery.

At the close of each year of the plan, fulfillment of the objectives is evaluated and the amount accrued is recorded in the profit and loss account, with a credit to a provisions account for the part of cash remuneration and a credit to equity, for the part corresponding to shares. The valuation of the part of the incentive paid in MAPFRE S.A. shares takes into account the fair value of the equity instruments assigned at the transfer date, based on the terms and conditions of the plan.

Each year, during the vesting period, the number of equity instruments included in the calculation of the transaction amount is adjusted. No additional adjustments are made after the vesting date.

An extraordinary, medium-term, non-cumulative and multi-year incentive plan for certain members of the Group's executive team was in place previously, from January 1, 2013 to March 31, 2016.

Moreover, in fiscal year 2007, the Group approved an incentive plan referenced to the value of MAPFRE S.A. shares that was settled in cash and revocable in the sense that it was subject to the management remaining in the employment of the Company or Group. This was measured at the initial moment of implementation using an options valuation method.

At the close of 2016, the share price was below the benchmark price for this plan, and accordingly no rights were exercised and the plan was canceled.

i) Related-party transactions

Transactions with related parties linked to the usual activities of the Company are conducted under market conditions and are recorded according to the aforementioned valuation rules.

5. PROPERTY, PLANT AND EQUIPMENT

The accompanying table shows the movements under this heading for the last two fiscal years:

HEADINGS	BALANCE INITIAL		ENTRIES		DISPOSALS		BALANCE FINAL	
	2017	2016	2017	2016	2017	2016	2017	2016
Land and buildings	13,448	13,448	--	--	--	--	13,448	13,448
Technical installations and other	4,853	4,521	783	383	(45)	(51)	5,591	4,853
TOTAL COST	18,301	17,969	783	383	(45)	(51)	19,039	18,301
Accumulated depreciation	(3,462)	(2,737)	(803)	(774)	45	49	(4,220)	(3,462)
TOTAL NET	14,839	15,232	(20)	(391)	--	(2)	14,819	14,839

Thousand euro

The main entries generated in both fiscal years correspond to disbursements for improvements to property, plant and equipment.

The depreciation of property, plant and equipment is calculated using the straight-line method and in accordance with the related useful life. The rates of depreciation applied to the different groups of items are indicated below:

GROUPS OF ELEMENTS	% DEPRECIATION
Buildings	2
Vehicles	16
Furniture and fittings	10
Data processing equipment	25

No items of property, plant and equipment were acquired from Group or associated companies in the last two fiscal years.

No items of property, plant or equipment are located outside Spanish territory.

At the close of the last two fiscal years, there were no fully depreciated assets in use.

The Company has insurance policies covering the net book value of property, plant and equipment.

6. INTANGIBLE FIXED ASSETS

The accompanying table shows the movements under this heading for the last two fiscal years:

HEADINGS	BALANCE INITIAL		ENTRIES		DISPOSALS		BALANCE FINAL	
	2017	2016	2017	2016	2017	2016	2017	2016
Computer applications	14,888	14,271	1,097	758	(161)	(141)	15,824	14,888
TOTAL COST	14,888	14,271	1,097	758	(161)	(141)	15,824	14,888
Accumulated depreciation	(10,483)	(7,795)	(2,849)	(2,688)	103	--	(13,229)	(10,483)
TOTAL NET	4,405	6,476	(1,752)	(1,930)	(58)	(141)	2,595	4,405

Thousand euro

The main entries generated in both fiscal years correspond to disbursements for the development of current computer applications and the purchase of new licenses.

The annual amortization ratio is 33 percent.

There are no intangible fixed assets outside Spanish territory.

At the close of the last two fiscal years, there were no fully depreciated assets in use.

7. LEASES

Operational leasing

The Company is the lessee under operational leases on a building. The contract is for a one-year term and may be extended by one-year increments if neither party manifests to the other its desire to terminate the contract with two months anticipation. There is no restriction on the lessee whatsoever regarding the prerogative to sign these leases.

The future minimum payments to be paid until the end of the lease term on non-cancellable operational leases amount to 2,287,859 euros, calculated at December 31, 2017 (2,486,169 euros calculated at December 31, 2016).

Lease costs amounted to 2,242,999 euros and 2,449,428 euros in 2017 and 2016, respectively.

8. FINANCIAL INSTRUMENTS

The following table shows the book value of the financial assets recorded in the last two fiscal years.

Financial assets

A.- Long-term financial instruments								
Class	Equity instruments		Debt securities		Credit derivatives and Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Loans, receivables and other assets	9,894	565	--	--	183,753	209,225	193,647	209,790
TOTAL A	9,894	565	--	--	183,753	209,225	193,647	209,790
B.- Short-term financial instruments								
Class	Equity instruments		Debt securities		Credit derivatives and Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Loans, receivables and other assets	--	--	--	--	317,620	274,041	317,620	274,041
TOTAL B	--	--	--	--	317,620	274,041	317,620	274,041
TOTAL A + B	9,894	565	--	--	501,373	483,266	511,267	483,831

Thousand euro

Financial liabilities

The book value of the financial liabilities corresponding to the last two fiscal years is shown below.

A.- Long-term financial instruments								
Class Category	Due to credit institutions		Debentures and other negotiable securities		Derivatives and Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Debits and payables	600,000	480,000	1,590,820	992,484	161,005	399,078	2,351,825	1,871,562
Liabilities at fair value with changes in profit and loss account:								
Other	--	--	--	--	--	2,922	--	2,922
TOTAL A	600,000	480,000	1,590,820	992,484	161,005	402,000	2,351,825	1,874,484
B.- Short-term financial instruments								
Class Category	Due to credit institutions		Debentures and other negotiable securities		Derivatives and Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Debits and payables	--	--	29,839	604,020	315,169	83,863	345,008	687,883
Liabilities at fair value with changes in profit and loss account:								
Other	--	--	--	--	--	--	--	--
TOTAL B	--	--	29,839	604,020	315,169	83,863	345,008	687,883
TOTAL A + B	600,000	480,000	1,620,659	1,596,504	476,174	485,863	2,696,833	2,562,367

Thousand euro

The change in fair value of liabilities with changes through profit and loss totaled 5,207,000 euros in 2016. The accumulated amount of the fair value variation in that fiscal year was 2,922,000 euros.

The liabilities for changes in profit and loss expired in 2017, having been recognized as a positive result to the amount of 239,000 euros.

Credit line limits at December 31 of the last two fiscal years are indicated below.

Bank	Maturity	Limit		Drawn down	
		2017	2016	2017	2016
BANCO SANTANDER	11.12.2021	1,000,000	1,000,000	600,000	480,000
CARTERA MAPFRE S.L.	10.09.2018	400,000	200,000	--	--
Total		1,400,000	1,200,000	600,000	480,000

Thousand euro

Banco Santander is the agent bank of the aforementioned credit line, and this credit line encompasses syndicated loans with other institutions.

At December 31, 2017, accrued interest payable on the line of credit amounted to 3,103,000 euros (4,591,000 euros at December 31, 2016). The loan accrues interest at a rate linked to market variables.

The line of credit granted by CARTERA MAPFRE, S.L. accrues interest at a variable rate referenced to the three-month Euribor and may be extended for successive periods.

The maturities of financial instruments in the last two fiscal years, without considering the financial discount, are shown below:

2017

HEADINGS	Maturity in						Balance
	2018	2019	2020	2021	2022	Subsequent	final
Financial assets							
- Other investments	317,620	25,500	25,500	25,500	25,500	81,753	501,373
Total financial assets	317,620	25,500	25,500	25,500	25,500	81,753	501,373
Financial liabilities							
- Debentures and other negotiable securities	42,500	42,500	42,500	42,500	42,500	1,766,411	1,978,911
- Due to credit institutions	3,600	3,600	3,600	603,600		--	614,400
- Other financial liabilities	270,925	168,526	--	--	--	365	439,816
Total financial liabilities	317,025	214,626	46,100	646,100	42,500	1,766,776	3,033,127

Thousand euro

2016

HEADINGS	Maturity in						Balance
	2017	2018	2019	2020	2021	Subsequent	final
Financial assets							
- Other investments	273,724	25,500	25,500	25,500	25,500	107,791	483,515
Total financial assets	273,724	25,500	25,500	25,500	25,500	107,791	483,515
Financial liabilities							
- Debentures and other negotiable securities	628,950	16,250	16,250	16,250	16,250	1,016,250	1,710,200
- Due to credit institutions	2,880	2,880	2,880	2,880	482,880	--	494,400
- Other financial liabilities	13,013	255,770	173,239	--	--	3,452	445,474
Total financial liabilities	644,843	274,900	192,369	19,130	499,130	1,019,702	2,650,074

Thousand euro

Information regarding the profit and loss account and equity

The following table provides information regarding the profit and loss account and the equity of financial instruments for the last two fiscal years:

HEADINGS	Revenue or expenses financial		Impairment			
			Loss recorded		Reversal gains	
	2017	2016	2017	2016	2017	2016
<u>Financial assets</u>						
Equity instruments	632,193	572,271	(27,800)	(978)	--	--
Receivables	6,552	6,154	--	--	333	--
Trading portfolio and other	(43)	5,207	--	--	--	--
Other financial assets	433	1,583	--	--	--	--
Foreign exchange differences	(22)	(14)	--	--	--	--
Subtotal	639,113	585,201	(27,800)	(978)	333	--
<u>Financial liabilities</u>						
Debt with Group companies	(16,428)	(23,913)	--	--	--	--
Debt with third parties	(61,256)	(52,765)	--	--	--	--
For update of provisions	(199)	(200)	--	--	--	--
Subtotal	(77,883)	(76,878)	--	--	--	--
TOTAL	561,230	508,323	(27,800)	(978)	333	--

Thousand euro

Fair value gains or losses recorded by equity instruments correspond to movements of corrections in value in Group and associated companies and in the available-for-sale portfolio, as shown below:

Name	(Impairment) Reversal year 2017	(Impairment) Reversal year 2016
MAPFRE INMUEBLES	(652)	(830)
MAPFRE TECH	--	(148)
DESURCIC	(37)	--
MAPFRE ASISTENCIA	(27,111)	--
TOTAL	(27,800)	(978)

Thousand euro

The accrued dividends and other revenue from the funding granted to investee companies are part of the item "Revenue," as established in note 4.f).

Group and associated companies

Annex 1 of the annual report contains details of the Group and affiliated companies held directly in the last two fiscal years.

The results of companies included in the aforementioned annex correspond in their totality to continuous operations.

In compliance with Article 155 of the consolidated text of the Corporate Enterprises Act, the corresponding notifications were made, when applicable, to the investee companies.

The main operations undertaken in the last two fiscal years with Group and associated companies are described in Note 18 of the annual report.

The non-controlling shareholders of the MAPFRE RE affiliate have a put option on the shares of the company. If exercised, MAPFRE or a MAPFRE Group company would have to acquire the shares from the selling minority shareholder. The purchase price for the shares will be calculated using the previously agreed formulas in each case.

Minority shareholders of the MAPFRE AMÉRICA subsidiary had a put option for the sale of their shares in the company that was exercised in 2016, which saw MAPFRE S.A. acquire 788,134 shares, bringing its total shareholding from 99.22 percent to 100 percent. The purchase price totaled 19,973,000 euros.

On December 5, 2016 and in order to restructure the Group's operating areas, MAPFRE AMÉRICA (absorbing company) absorbed MAPFRE INTERNACIONAL (absorbed company), with the merger being effective as from January 1, 2016.

The effect of this transaction, which was carried out between Group companies, was an increase in reserves of 262,146,000 euros.

In addition, it was agreed to change the name of MAPFRE AMERICA S.A. to MAPFRE INTERNACIONAL S.A.

Note 18 (Operations with Related Parties) details the amounts of capital increases of Group companies over the last two financial years.

Financial instruments risk

Credit and market risks are managed centrally through the MAPFRE Group Investment Area, which applies a prudent investment policy to mitigate exposure to these kinds of risks.

Liquidity is managed by the Company, which maintains sufficient balances of current assets and lines of credit to cover any event derived from its obligations and has the Group's support for financing operations when additional liquidity is required.

There were no significant amounts in the last two years regarding financial assets exposed to interest rate risk.

The following table shows the significant information for the last two years regarding the level of exposure to the interest rate risk of the financial liabilities:

Item	Amount of the liability exposed to risk							
	Interest rate		Fair value		Not exposed to risk		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Issue of debentures and other negotiable securities	1,620,659	1,596,504	--	--	--	--	1,620,659	1,596,504
Other financial liabilities	600,075	483,007	365	530	--	--	600,440	483,537
Total	2,220,734	2,079,511	365	530	--	--	2,221,099	2,080,041

Thousand euro

All amounts corresponding to financial assets and liabilities are denominated in euros, with the exception of holdings in entities located overseas.

9. SHAREHOLDERS' EQUITY

CAPITAL

The share capital of the Company at December 31, 2017 and 2016 was represented by 3,079,553,273 shares with a face value of 0.10 euros each, fully subscribed and paid-up. All shares carry the same political and economic rights.

All shares representing the share capital of the Company are admitted to official trading on the Madrid and Barcelona stock markets.

The Annual General Meeting of March 9, 2013 authorized the directors of the Company to increase capital up to a maximum of 153,977,663.65 euros, equivalent to 50 percent of the share capital at the time. This authorization was granted for a period of five years. Furthermore, the directors were authorized to issue analogous fixed-income securities or debentures, convertible or not, for a maximum amount of 2,000 million of euros.

The Board of Directors, at its meeting of February 7, 2018, agreed to propose to the Annual General Meeting to be held on March 9, 2018, that the directors of the Company be once again authorized to increase the capital as per the previously cited terms, as well as to issue subordinated debt or fixed-interest securities of a similar nature, under the same terms set down in the previous authorization.

CARTERA MAPFRE directly held 67.60 percent of the share capital of the Company as at December 31 of the last two fiscal years.

SHARE PREMIUM

This reserve is unrestricted and corresponds to the provisions made as a result of the capital increases, as indicated below.

DATE	ISSUE TYPE	AMOUNT
June 1985	200%	956
October 1985	300%	4,015
January 1986	600%	11,040
June 1986	600%	2,428
January 2007	3,192%	3,320,281
TOTAL		3,338,720

Thousand euro

LEGAL RESERVE

The legal reserve, which at the end of the last two years amounted to 61,591,065 euros, cannot be distributed to shareholders unless the Company is liquidated. In this case, it may only be used to offset potential losses.

OTHER RESTRICTIONS ON THE AVAILABILITY OF RESERVES

"Reserves" includes reserve for redenomination of the share capital to euros, which in accordance with Article 28 of Law 46/1998 may not be distributed. Additionally, a capitalization reserve totaling 47,000,000 euros is included, which will be available once five years have elapsed since its creation.

TREASURY STOCK

At December 31, 2016, the Company had acquired 30,500,000 treasury shares; these represent 0.99 percent of the capital. The price paid was 60,233,635.85 euros, at an average of 1.97 euros per share.

During 2017, the Company reduced the number of treasury shares it held by 3,988,894, representing 0.13 percent of the capital. The cost of this reduction totaled 7,877,560.29 euros, giving rise to a positive impact totaling 4,701,782.03 euros, which was entered under the "Other reserves" heading.

At the close of the fiscal year, Company owned 26,511,106 treasury shares; these represent 0.86 percent of the capital at an average exchange of 1.97 euros per share.

The total face value of shares acquired was 2,651,110.60 euros (3,050,000 euros in 2016).

10. NON-CONVERTIBLE DEBENTURES

At December 31, 2017 and 2016, the balance of this account included the face value of the debentures issued by the Company, the most salient terms and conditions of which are described below.

Description	Nominal value	Book value		Interest pending		Issue date	Maturity date	Coupon	Market	Rating
		31/12/2017	31/12/2016	31/12/2017	31/12/2016					
March 2017 issue	600,000	597,591	-	19,777	-	31-03-17	31-03-47	4.38%	AIAF	BBB-
May 2016 issue	1,000,000	993,229	992,484	10,062	10,062	19-05-16	19-05-26	1.63%	AIAF	BBB+
July 2007 issue	700,000	-	578,945	-	15,013	24-07-07	24-07-17	5.92%	AIAF	BBB+
TOTAL	2,300,000	1,590,820	1,571,429	29,839	25,075					

Thousand euros

March 2017 issue

This issue included an initial redemption option on March 31, 2027, with the interest payable from this date up to 2047 being Euribor plus 4.54 percent, payable quarterly.

The issuer is obliged to defer interest payments in the case where there is any non-compliance with the Solvency Capital Requirement or Minimum Capital Requirement, or prohibition of making interest payments on the part of the relevant Regulator, or incapacity on the part of the issuer to meet required matured and enforceable liabilities.

July 2007 issue

The issuer, at its discretion, may defer interest payments if such payments exceed distributable earnings, and if the issuer has not made any payment nor amortized or repurchased any class of capital or securities issued that are of the same range or lower than the subordinated debt in question.

For both issues, the redemption will occur in special cases as a result of reform or modification of tax regulations, due to lack of interchangeability of the issuer's own resources and as a result of the treatment awarded same by the Ratings Agencies.

On June 29, 2017, the Board of Directors approved early redemption, on the first available redemption date, of the totality of the subordinated debt issued in June 2007, with a face value of 575,850,000 euros (609,946,078 with interest included), with an effective redemption date of July 24, 2017.

At December 31, 2017, the Company's working capital was negative in the amount of 4,268,000 euros, even though the financing of its liabilities and liquidity requirements is guaranteed via the financial support it can rely on from the Group, as well as the dividends foreseeably receivable in 2018 and the credit lines available. At the close of 2016, said working capital was negative in the amount of 353,783,000 euros, as a result of transferring the subordinated debt issued in July 2017 to the short-term.

11. FOREIGN CURRENCY

At the end of the last two years there were no significant amounts of asset and liability items expressed in foreign currency.

12. FISCAL SITUATION

Since 1985, the Company has been included for corporate tax purposes in Tax Group 9/85, consisting of the Company and those subsidiaries that meet the requirements to be eligible for this tax regime.

In 2017, the following companies belonged to Tax Group No. 9/85:

MAPFRE S.A.; MAPFRE RE, COMPAÑÍA INTERNACIONAL DE REASEGUROS S.A.; MAPFRE INMUEBLES S.G.A.; DESARROLLOS URBANOS CIC S.A.; SERVICIOS INMOBILIARIOS MAPFRE S.A.; MAPFRE ASISTENCIA, CIA. INTERNACIONAL DE SEGUROS S.A.; IBEROASISTENCIA S.A.; IBEROASISTENCIA CONSULTING DE SOLUCIONES Y TECNOLOGÍAS S.A.; MAPFRE INTERNACIONAL S.A.; MAPFRE VIDA S.A. DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA; MAPFRE INVERSIÓN S.V.S.A.; MAPFRE ASSET MANAGEMENT S.G.I.I.C.S.A.; MAPFRE VIDA PENSIONES S.G.F.P. S.A.; CONSULTORA ACTUARIAL Y DE PENSIONES, MAPFRE VIDA S.A.; GESTIÓN MODA SHOPPING S.A.; MIRACETI S.A.; MAPFRE ESPAÑA S.A.; MULTISERVICIOS MAPFRE S.A.; MAPFRE TECH S.A.; GESTIÓN DE CENTROS MEDICOS MAPFRE S.A.U.; MAPFRE GLOBAL RISKS S.A.; SERVIFINANZAS S.A.; MAPFRE VIDEO Y COMUNICACIÓN S.A.; CENTRO DE EXPERIMENTACIÓN Y SEGURIDAD VIAL MAPFRE S.A. ; CLUB MAPFRE S.A.; MAPFRE CONSULTORES DE SEGUROS Y REASEGUROS S.A.; MAPFRE AUTOMOCIÓN S.A.; VERTI ASEGURADORA CIA DE SEGUROS Y REASEGUROS S.A.; MEDISEMAP AGENCIA DE SEGUROS S.L.; MAQUAVIT INMUEBLES S.L.; BIOINGENIERIA ARAGONESA S.L.; MAPFRE AM INVESTMENT HOLDING S.A.U.; FUNESPAÑA S.A.; SERVICIOS FUNERARIOS FUNESMADRID S.A.; ALL FUNERAL SERVICES S.L.; FUNERARIAS REUNIDAS EL BIERZO S.A.; GAB MANAGEMENT & CONSULTING S.R.L.; POMPES FÚNEBRES DOMINGO S.L.

The reconciliation of the book earnings with the corporate tax base for the last two years is shown in the accompanying table.

RECONCILIATION OF THE BOOK RESULT WITH THE TAXABLE RATE OF THE CORPORATION TAX						
Item	Profit and loss account		Revenue and expenses posted directly to equity		TOTAL	
	2017	2016	2017	2016	2017	2016
Balance of revenue and expenses of the year	495,530	468,831	--	--	495,530	468,831
Corporation tax	(36,476)	(30,179)	--	--	(36,476)	(30,179)
Permanent differences	(595,948)	(566,586)	--	--	(595,948)	(566,586)
Temporary differences:						
- originating in the year	15,058	16,891	--	--	15,058	16,891
- originating in previous years	148	(10,697)	--	--	148	(10,697)
Compensation of negative tax bases of previous years	--	--	--	--	--	--
Individual taxable rate (fiscal result)	(121,688)	(121,740)	--	--	(121,688)	(121,740)
Permanent differences for fiscal consolidation	12	(305)	--	--	12	(305)
Individual taxable rate after consolidation	(121,676)	(122,045)	--	--	(121,676)	(122,045)

Thousand euro

Increases and decreases in the past two years:

Increases due to permanent differences in the profit and loss account relate to expenses that are not tax deductible, including contributions made to support programs for exceptional public-interest events pursuant to Law 49/2002 and corrections in the value of equity instruments (participations in Group and associated companies) duly accounted for.

Decreases due to permanent differences in the profit and loss account relate to tax-exempt dividends.

The increases for temporary differences from the previous year basically correspond to expenses considered non-tax-deductible for commitments related to pensions and medium-term remuneration of personnel and the value corrections of equity instruments (holdings in Group and associated companies), recorded in the accounts.

Decreases due to temporary differences originating in prior years in the profit and loss account primarily relate to the application of provisions for medium-term remuneration of personnel that were not deductible in the fiscal year they were recorded, to the recovery of the tenth portion of amortization of intangible assets that was not tax deductible in 2013 and 2014 and to the inclusion of negative temporary differences from previous years. These correspond to the recovery of the tax-deductible provision in previous years due to impairment of the investee portfolio.

Shown below for the years ending December 31, 2017 and 2016 are the main components of the expense for the tax on profits from ongoing operations and the reconciliation between the expense for the tax on profits and the product of multiplying the book earnings by the applicable tax rate.

MAPFRE S.A.

Item	Amount	
	2017	2016
Tax expense		
Earnings before taxes from ongoing operations	459,054	438,652
25% of the result before taxes from ongoing operations	(114,764)	(109,663)
Tax effect of the permanent differences	148,987	141,647
Permanent differences for fiscal consolidation	--	--
Tax incentives for the year	2,325	2,795
Total (expense)/ revenue from current tax originating in the year	36,548	34,779
Expense from current tax originating in previous financial years	(72)	(4,600)
Adjustment to temporary differences Law 27/2014 (General Provisions)	--	--
(Expense)/revenue for tax of ongoing operations	36,476	30,179
Tax on profits to be (paid)/received	36,476	30,179
Taxes withheld and payments on account	6	4
Temporary differences	(3,805)	(1,472)
Tax effect of capital increase expenses posted to equity	--	--
Tax credits and incentives recorded in previous years and appropriated in the current year	72	4,600
Tax on profits from discontinued operations	--	--
Net tax on profits to be (paid)/ received	32,750	33,311

Thousand euro

The table below includes tax-deductible amounts in prior years in connection with corrections in value of holdings in Group, multi-group and associated companies and the difference in the year in the shareholders' equity of the same, as well as the amounts included in the tax base as a result of tax reversion and the amounts pending inclusion. In reference to the above, Royal Decree Law 3/2016, dated December 2, introduced a new minimum reversion regime for amounts pending inclusion. This provided for a minimum recovery of the fifth part of the pending amount from fiscal year 2016 onward, always provided that this amount was higher than the increase in shareholders' equity of the investee company for that fiscal year and to the amount of dividends received by it. The calculation of the minimum applicable reversion is also found in the following table.

Company	Deductible tax revenue		Share equity differences (beginning / end of the year)		Recoveries		Amounts pending recovery
	2017	Previous years	2017	2016	2017	Previous years	
MAPFRE INMUEBLES	--	14,877	396	(1,216)	3,719	3,985	11,158
Total	--	14,877	396	(1,216)	3,719	3,985	11,158

Thousand euro

The applicable tax rate for 2017 and 2016 was 25 percent.

The following tables offer a breakdown of the movements for years 2017 and 2016 under the "Deferred tax assets" heading, differentiating the corresponding amounts in terms of items debited or credited directly to equity.

2017

Item	Opening Balance	Originating from		Derecognized	Closing Balance
		Earnings	Equity		
Assets					
Commitments to personnel	7,837	2,506	--	(188)	10,155
Equity instruments impairment	13,609	1,092	--	(933)	13,768
Other items	5,226	1,416	--	(917)	5,725
Total	26,672	5,014	--	(2,038)	29,648

Thousand euro

2016

Item	Opening Balance	Originating from		Derecognized	Closing Balance
		Earnings	Equity		
Assets					
Commitments to personnel	6,405	1,432	--	--	7,837
Equity instruments impairment	13,342	267	--	--	13,609
Other items	6,113	(887)	--	--	5,226
Total	25,860	812	--	--	26,672

Thousand euro

The breakdown of movements for years 2017 and 2016 under the heading "Deferred tax liabilities" is also shown below, differentiating the amounts in terms of items debit or credited directly to equity.

2017

Item	Opening balance	Originating from		Derecognized	Closing balance
		Earnings	Equity		
Liabilities					
Profit from sales of equity instruments	107	--	20	(20)	107
TOTAL	107	--	--	--	107

Thousand euro

2016

Item	Opening balance	Originating from		Derecognized	Closing balance
		Earnings	Equity		
Liabilities					
Profit from sales of equity instruments	42	65	--	--	107
TOTAL	42	65	--	--	107

Thousand euro

There are no negative tax bases from previous years pending compensation. The tax incentives held by the Company for the last two years are shown below:

2017

Type	Year to which they correspond	Amount applied in the financial year	Amount pending application	Amount not recorded	Deadline for use
Double taxation deduction	2017		--	--	--
Other	2017	2,325	--	--	--
TOTAL		2,325	--	--	--

Thousand euro

2016

Type	Year to which they correspond	Amount applied in the financial year	Amount pending application	Amount not recorded	Deadline for use
Double taxation deduction	2016	--	--	--	--
Other	2016	2,795	--	--	--
TOTAL		2,795	--	--	--

Thousand euro

In 2011, the Company applied a deduction of 2,175,741 euros for reinvestment of extraordinary profits, as referred to in Art. 42 of the revised text of the Corporate Income Tax Law approved by Royal Decree-Law 4/2004 of March 5, against a tax base of 18,131,178 euros. The commitment to reinvestment was completely covered during the year by investments made by Tax Group 9/85.

In 2017 and 2016, in accordance with article 25 of Corporate Income Tax Law 27/2014 of November 27, the Company availed itself of the tax benefit for reduction of the capitalization reserve, as the parent of Tax Group 9/85.

The following table shows the provisions for capitalization reserves per year and generation:

Year	Amount
2017	1,857
2016	12,000
2015	35,000
TOTAL	48,857

Thousand euro

In 2017, the consolidated settlement of Tax Group 9/85 entailed payment of 13,972,576 euros, recognized as a liability in the Company (12,394,073 euros in 2016).

MAPFRE S.A.

As a result of its distribution between the Group companies, the Company's receivables and payables recorded in the last two years from the controlled companies in Tax Group 9/85 were as shown in the accompanying table.

COMPANY	AMOUNT			
	CREDIT		DEBIT	
	2017	2016	2017	2016
MAPFRE VIDA S A DE SEGUROS Y REASEG SOBRE LA VIDA HUMANA	120	1,026	--	--
MAPFRE RE COMPAÑIA INTERNACIONAL DE REASEGUROS S A	25,656	25,329	--	--
MAPFRE INMUEBLES S A	4,758	--	--	23
MAPFRE INVERSION S V S A	5,107	3,503	--	--
MAPFRE VIDA PENSIONES S G F P S A	200	203	--	--
MAPFRE ASSET MANAGEMENT S G I I C S A	1,148	672	--	--
CONSULTORA ACTUARIAL Y DE PENSIONES MAPFRE VIDA S A	9	8	--	--
GESTION MODA SHOPPING S A	--	--	5	8
MIRACETI S A	75	27	--	--
MAPFRE VIDEO Y COMUNICACIÓN S A (MAVICO)	195	--	--	125
MAPFRE CONSULTORES DE SEGUROS Y REASEGUROS S A	7	3	--	--
MAPFRE ASISTENCIA CIA INTERNACIONAL DE SEGUROS S A	--	--	3,626	2,841
IBEROASISTENCIA S A	--	--	70	11
CENTRO DE EXPERIMENTACIÓN Y SEGURIDAD V'AL MAPFRE S A	--	--	57	59
MAPFRE SOFT S.A.	--	--	--	1,086
CLUB MAPFRE S A	--	18	21	--
DESARROLLOS URBANOS CIC S A (DESURCIC)	--	--	2,483	592
MAPFRE INTERNACIONAL (formerly MAPFRE America)	--	--	22,006	1,943
MULTISERVICIOS MAPFRE S A (MULTIMAP)	128	351	--	--
IBEROASISTENCIA INTERNACIONAL S A.	--	3	--	--
SERVICIOS INMOBILIARIOS MAPFRE S A (SERVIMAP)	70	49	--	--
MAPFRE TECH	--	--	1,583	643
MAPFRE AUTOMOCIÓN	--	--	237	218
IBEROASIS CONSULTING DE SOLUCIONES Y TECNOLOGIAS S A	--	--	224	627
SERVIFINANZAS S A	--	--	5	5
MAPFRE INTERNACIONAL S.A.	--	--	--	11,963
MAPFRE GLOBAL RISKS S A	425	9,431	--	--
CENTROS MEDICOS MAPFRE SA	--	--	1,250	818
VERTI ASEGURADORA CIA DE SEGUROS Y REASEGUROS S A	--	--	127	4,614
MEDISEMAP AGENCIA DE SEGUROS S L	12	8	--	--
MAPFRE ESPAÑA COMPAÑIA DE SEGUROS Y REASEGUROS S A	39,934	31,162	--	--
FUNESPAÑA S A	--	--	91	826
SERVICIOS FUNERARIOS FUNEMADRID S A	173	123	--	--
FUNERARIA PEDROLA S.L.	--	5	--	--
SERVICIOS Y GESTIÓN FUNERAR'IA S.A.	--	--	--	23
ALL FUNERAL SERVICES S L	189	148	--	--
FUNERARIAS REUNIDAS EL BIERZO S A	123	33	--	--
GAB MANAGEMENT & CONSULTING S R L	1	2	--	--
POMPES FÚNEBRES DOMINGO S L	34	--	--	--
BIOINGENIERIA ARAGONESA	--	--	2	--
MAQUAVIT	181	--	--	--
MAPFRE AM INVESTMENT HOLDING S A U	--	26	35	--
TOTAL	78,545	72,130	31,822	26,425

Thousand euro

The total amount payable to the tax authorities in 2017, and the net amount of the aforementioned receivables and payables, gives rise to the amount to be collected by the Company, namely 32,749,030 euros (33,310,748 euros in 2016).

During the past two years, no significant eliminations were made in the consolidated Tax Group due to temporary differences.

MAPFRE S.A.

The following table breaks down the amounts pending reversal as a result of the eliminations for temporary differences of the Company in the Tax Group.

Item	Purchasing company	Amount	Year eliminated
• Shares sale			
- MAPFRE SOFT	MAPFRE INTERNACIONAL S.A.	(2)	2003
- MUSINI	MAPFRE GLOBAL RISKS S.A.	(92)	2004
- MAPFRE CAUCIÓN Y CRÉDITO	MAPFRE GLOBAL RISKS S.A.	10,251	2005
- MAPFRE SERVICIOS DE INFORMAT.	MAPFRE INTERNET S.A.	1,262	2010
- MAPFRE INMUEBLES S.G.A.	MAPFRE CAUCIÓN Y CRÉDITO	(16)	2010
- MAPFRE INMUEBLES S.G.A.	MAPFRE ESPAÑA S.A.	(1,764)	2010
- MAPFRE INMUEBLES S.G.A.	MAPFRE GLOBAL RISKS S.A.	(184)	2010
- MAPFRE INMUEBLES S.G.A.	MAPFRE ESPAÑA S.A.	(956)	2010
- MAPFRE INMUEBLES S.G.A.	MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA	(251)	2010
- MAPFRE INMUEBLES S.G.A.	MAPFRE ESPAÑA S.A.	(697)	2011
- MAPFRE INMUEBLES S.G.A.	MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA	(98)	2011
- MAPFRE INMUEBLES S.G.A.	MAPFRE ESPAÑA S.A.	(371)	2011
- MAPFRE ESPAÑA	MAPFRE AUTOMOCIÓN	(15)	2015
- MAPFRE SA	MAPFRE INTERNACIONAL S.A.	(13)	2016
- MAPFRE ESPAÑA	MAPFRE INTERNACIONAL S.A.	207	2016
- MAPFRE VIDA	MAPFRE INTERNACIONAL S.A.	23	2016
- MAPFRE GLOBAL RISKS	MAPFRE INTERNACIONAL S.A.	(7)	2016
- MAPFRE GLOBAL RISKS	MAPFRE ESPAÑA S.A.	(43)	2016
Total		7,234	

Thousand euro

The following table shows the incorporations in the consolidated Tax Group during the past two years.

Temporary differences	Company	Year	
		2017	2016
• Impairment Group companies	- MAPFRE INMUEBLES S.G.A.	3,719	3,985
Total temporary differences		3,719	3,985

Thousand euro

In accordance with current legislation, the statements filed for the different taxes may not be considered final until they have been inspected by tax authorities or the expiration period of four years has elapsed.

Verification by tax authorities

With respect to tax inspections carried out on income tax filed by the Tax Group from 2007 to 2009, the Company formally contested an additional tax assessment in the amount of 5,497,000 euros in respect of discrepancies in the deduction applied by the Tax Group for research and development and technological innovation generated by several subsidiaries, which does not affect MAPFRE S.A. The settlement derived from the assessment was contested and is currently pending a ruling from the Central Administrative-Financial Court.

On December 4 2017, in its condition as controlling company of Tax Group 9/85, MAPFRE S.A. was notified of the commencement of corporate tax inspections for the years 2013 to 2016. In addition, and in its condition as controlling company of VAT Group 87/10, it was notified of the commencement of verification measures for all the periods from January 2014 to December 2016.

Likewise, on the same date MAPFRE S.A. was notified of the commencement of inspections of all payable taxes for years 2014 to 2016, as well as the corporate tax of fiscal year 2013.

Therefore, at December 31, 2017, the Company had open to inspection all taxes to which it is subject for 2014 to 2017, as well as corporate income tax for 2013. In the opinion of the Company's advisors, there is only a remote possibility of tax liabilities occurring and significantly affecting the financial position of the Company at December 31, 2017.

Business restructuring operations

During 2016, the merger by absorption of MAPFRE AMÉRICA S.A. (absorbing company) and MAPFRE INTERNACIONAL S.A. (absorbed company) into MAPFRE INTERNACIONAL S.A., took place, with the absorbed company changing its name to MAPFRE INTERNACIONAL S.A.

This transaction was covered by the Special Regime foreseen in Chapter VII, Title VII of Corporate Income Tax Law 27/2014 of November 27.

On September 6, 2013, 100 percent of shares of SEGUROS GERAIS held by MAPFRE INTERNACIONAL were spun off to MAPFRE FAMILIAR. MAPFRE S.A. is the sole shareholder of the companies involved in the transaction.

This transaction was covered under the Special Regime of Chapter VIII, Title VII of Royal Legislative Decree 4/2004.

On February 22, 2011, the capital of MAPFRE VIDA was increased via non-monetary contributions from the companies CAJA CASTILLA LA MANCHA VIDA Y PENSIONES DE SEGUROS Y REASEGUROS and UNIÓN DUERO COMPAÑÍA DE SEGUROS VIDA S.A., a transaction covered by the Special Regime of Chapter VIII, Title VII of Royal Legislative Decree 4/2004.

On June 6, 2011 the capital of MAQUAVIT INMUEBLES was increased via the contribution of the holdings of the company MAPFRE QUAVITAE, a transaction covered under the Special Regime of Chapter VIII, Title VII of Royal Legislative Decree 4/2004.

The 2011 annual report contains mandatory accounting information concerning these operations.

Up to 2008, the following merger operations were performed, all of them covered under the Special Tax Regime in Chapter VIII, Title VII of the revised text of the Corporate Income Tax Law:

- Merger by absorption of MAPFRE-CAJAMADRID HOLDING DE ENTIDADES ASEGURADORAS S.A. into MAPFRE S.A. The last balance sheet closed by the absorbed company was included as an annex to the 2008 annual accounts.
- Merger by absorption of MAPFRE AUTOMOBILES, COMPAÑÍA DE SEGUROS Y REASEGUROS S.A., MAPFRE CAJA SALUD, COMPAÑÍA DE SEGUROS, S.A. and MAPFRE GUANARTEME, COMPAÑÍA DE SEGUROS DE CANARIAS S.A. into MAPFRE SEGUROS GENERALES, COMPAÑÍA DE SEGUROS Y REASEGUROS S.A. (which changed its company name to MAPFRE FAMILIAR, COMPAÑÍA DE SEGUROS Y REASEGUROS S.A.).
- Merger by absorption of MAPFRE AGROPECUARIA, COMPAÑÍA DE SEGUROS Y REASEGUROS S.A. into MAPFRE EMPRESAS, COMPAÑÍA DE SEGUROS Y REASEGUROS S.A.
- Merger by absorption of MAPFRE AMÉRICA VIDA S.A. into MAPFRE AMÉRICA S.A.

In 2008, the capital of MAPFRE INTERNACIONAL was increased via contributions from the company GENERAL SIGORTA, a transaction that was covered under the Special Regime of Chapter VIII, Title VII of Royal Legislative Decree 4/2004.

The 2008 annual report contains mandatory accounting information concerning these operations.

In 2007, the capital of MAPFRE INTERNACIONAL was increased via contributions from the companies MAPFRE SEGUROS GERAIS, CATTOLICA and MAPFRE USA. This transaction was covered under the Special Regime of Chapter VIII, Title VII of Royal Legislative Decree 4/2004.

The 2007 annual report contains mandatory accounting information concerning these operations.

In 2006, a capital increase took place in MAPFRE INTERNACIONAL through the contribution of the Company's stake in MIDDLE SEA and MAPFRE ASIAN INSURANCE CORPORATION, a transaction covered by the Special Regime of Chapter VIII Title VII of Royal Decree Law 4/2004.

The 2006 annual report contains mandatory accounting information concerning this operation.

On January 31, 2003 there was a capital increase of MAPFRE RE in which the Company contributed the property on Paseo de Recoletos No. 25, Madrid, which it had received in the global assignment of assets and liabilities of INCALBARSA, formalized on December 27, 2000. Both operations were covered by the Special Regime of Chapter VIII of Title VII of Royal Decree Law 4/2004.

This property had a book value of 11,868,822.10 euros at the time of the contribution and an accumulated depreciation of 1,567,104.37 euros.

As a result of the non-monetary contribution in the aforementioned capital increase, the Company received MAPFRE RE shares amounting to 30,000,000 euros.

The 2003 annual report contains mandatory accounting information concerning this operation.

In 2001, the Company performed security exchange operations under the Special Regime of Chapter VIII of Title VII of Royal Legislative Decree 4/2004.

For the purposes of the provisions of Article 93 of Royal Decree Law 4/2004, the following information is provided:

- Book value of 455,054 shares of MAPFRE SEGUROS GENERALES, Compañía de Seguros y Reaseguros S.A., contributed to the capital increase of MAPFRE-CAJA MADRID, Holding de Entidades Aseguradoras S.A.: 4,045,896.15 euros.
- Value recorded by the Company for the 4,946,766 shares received from MAPFRE CAJA MADRID, Holding de Entidades Aseguradoras S.A. in the aforementioned capital increase: 4,045,896.15 euros.

The 2001 annual report contains mandatory accounting information concerning these operations.

In 2000, the Company performed operations covered by the Special Regime of Chapter VIII of Title VII of Royal Legislative Decree 4/2004, for the contribution of shares of MAPFRE VIDA, Sociedad Anónima de Seguros y Reaseguros sobre la Vida Humana S.A., MAPFRE CAUCIÓN Y CRÉDITO, Compañía de Seguros de Reaseguros S.A., and MAPFRE SEGUROS GENERALES, Compañía de Seguros y Reaseguros S.A. for a capital increase of MAPFRE-CAJA MADRID Holding de Entidades Aseguradoras S.A.

Also in the year 2000, the global assignment of assets and liabilities of INCALBARSA S.A. was formalized for the sole shareholder, CORPORACIÓN MAPFRE S.A. This transaction was also covered by the Special Regime of Chapter VIII of Title VII of Royal Decree Law 4/2004.

The 2000 annual report contains mandatory accounting information concerning these operations.

VAT Group companies

Since 2010, and for the purposes of value added tax, the Company forms part of the VAT Group 87/10 formed by the parent MAPFRE S.A. and those of its controlled companies that agreed to join the Group when it was created.

In 2017, the following companies comprised VAT Tax Group No. 87/10:

MAPFRE S.A.; MAPFRE INTERNACIONAL S.A.; MAPFRE RE COMPAÑÍA DE REASEGUROS S.A.; MAPFRE ESPAÑA, COMPAÑÍA DE SEGUROS Y REASEGUROS S.A.; MAPFRE VIDA S.A.; MAPFRE GLOBAL RISKS S.A.; MAPFRE ASISTENCIA CIA INTERNACIONAL DE SEGUROS Y REASEGUROS S.A.; BANKIA MAPFRE VIDA S.A. DE SEGUROS Y REASEGUROS; CCM VIDA Y PENSIONES DE SEGUROS Y REASEGUROS S.A.; BANKINTER VIDA SOCIEDAD DE SEGUROS Y REASEGUROS S.A.; VERTI ASEGURADORA COMPAÑÍA DE SEGUROS Y REASEGUROS S.A.; MAPFRE TECH S.A.; BANKINTER SEGUROS GENERALES S.A. DE SEGUROS Y REASEGUROS.; MAPFRE INVERSIÓN SOCIEDAD DE VALORES S.A.

13. REVENUE AND EXPENSES

The following table shows the social security contributions made by the Company in the last two years:

BREAKDOWN OF SOCIAL SECURITY CONTRIBUTIONS	AMOUNT	
	2017	2016
Social security	6,432	5,798
Contributions to pensions	7,152	7,268
Other social security contributions	7,946	8,106
TOTAL	21,530	21,172

Thousand euro

14. PROVISIONS AND CONTINGENCIES

The following table shows the movement in the provisions recognized in the balance sheet for the last two years.

HEADING	OPENING BALANCE		INCREASES		DECREASES		CLOSING BALANCE	
	2017	2016	2017	2016	2017	2016	2017	2016
<u>Long-term provisions</u>								
Non-current employee benefit obligations	14,876	8,908	4,929	14,152	(4,736)	(8,184)	15,069	14,876
Other provisions	1,069	940	791	984	(1,616)	(855)	245	1,069
<u>Short-term provisions</u>								
Current provisions	--	13,451				(13,451)	--	--
TOTAL	15,945	23,299	5,720	15,136	(6,352)	(22,490)	15,314	15,945

Thousand euro

At December 31 of the last two fiscal years, "Obligations for long-term benefits to personnel" primarily included:

- Defined benefit plans that are externalized, detailed in note 16 of the annual report, amounting to 4,751,000 euros (4,748,000 euros in 2016).
- Long service bonus detailed under "Personnel expenses" amounting to 3,397,000 euros (3,321,000 euros in 2016).
- Life insurance covering death between age 65 and 77 years detailed in the note disclosing measurement standards in respect of "Personnel expenses", for 1,354,000 euros (1,534,000 euros in 2016).

At the close of the last two fiscal years, and up to the date these annual accounts were prepared, there was no evidence of the existence of contingent assets and contingent liabilities for significant amounts.

15. ENVIRONMENTAL INFORMATION

The Company did not have any environmental-related item in the last two years that might be significant or specifically included in these annual accounts.

16. MEDIUM-TERM AND LONG-TERM EMPLOYEE REMUNERATION AND SHARE-BASED PAYMENTS

Long-term remuneration

The current defined benefit and defined contribution plans are measured as described in the recognition and measurement standards.

The expense for defined-contribution pension plans amounted to 7,152,000 euros in 2017 (7,268,000 euros in 2016).

Existing defined benefit plans, all of them being instruments taking the form of insurance policies underwritten by MAPFRE VIDA, are those in which the benefit is established based on final salaries, taking the form of a life annuity reviewable in line with the annual consumer price index (CPI). They apply entirely to retired personnel.

A) Amounts recognized in the Balance Sheet

The reconciliation of the present value of the obligation arising from defined benefit plans in the last two years is shown below:

Item	2017	2016
Present value of obligation at January 1	4,748	4,855
• Current year's service costs	–	–
• Interest cost	199	200
• Actuarial gains and losses	109	64
• Benefits paid	(249)	(244)
• Settlements	–	–
• Other items	(56)	(127)
Present value of obligation at December 31	4,751	4,748

Thousand euro

The following table shows the reconciliation of the opening and closing balances of the assets related to the plan and the redemption rights for the last two years, the value of which corresponds to the mathematical provision for the externalization policies.

Item	2017	2016
Value of reimbursement right at January 1	4,748	4,855
• Expected return from allocated assets	199	200
• Employer contributions	–	–
• Actuarial gains and losses	109	64
• Benefits paid	(249)	(244)
• Settlements	–	–
• Other items	(56)	(127)
Value of reimbursement right at December 31	4,751	4,748

Thousand euro

B) Hypothesis

The main actuarial assumptions used at the close of the last two years were the mortality tables PERM/F-2000 and the annual CPI increase of three percent in both years, with the discount and expected return rates on assets identical as products with matching cash flows.

Other medium-term remuneration and share-based payments

The Board of Directors approved a medium-term incentive Plan in 2016 that was valued and recognized in the profit and loss account in line with indications set down in the measurement standards of 4h) "Personnel expenses".

The personnel costs arising from the plan were recorded in the profit and loss account in the amount of 387,000 euros (5,662,000 euros in 2016), appearing as 3,182,000 euros in liabilities (2,744,000 euros in 2016), corresponding to remuneration to be settled in cash and 2,687,000 euros (2,918,000 in 2016), in equity for the corresponding amount to be settled via equity amounts.

The number of reference shares required to effect the remuneration stood at 2,196,474 (3,788,939 in 2016).

As detailed in the measurement standards of rule 4h) "Personnel expenses", the Company had in place an incentive plan linked to the MAPFRE S.A. share that expired in 2016.

In order to cover the expenses related to this item at the date of exercise of the right, in fiscal 2008 two equity swaps were purchased on 8,625,733 shares and 219,297 shares, with a strike price of 3.2397 and 2.6657 euros, respectively. At the close of 2017, these liabilities have expired. At December 31, 2016, the net market value of said equity swap, 2.92 million euros, was allocated to "Other financial liabilities", with the variation for the year being included in the consolidated profit and loss account.

17. SUBSEQUENT EVENTS

There have been no significant events subsequent to the close of the year, apart from those detailed in note 9 (Shareholders' Equity).

18. OPERATIONS WITH RELATED PARTIES

Below are the main operations performed with related parties over the last two years.

Expenses and revenue	Group companies		Other related parties		TOTAL	
	2017	2016	2017	2016	2017	2016
1) Financial expenses	(16,428)	(23,913)	--	--	(16,428)	(23,913)
4) Leasing	(5,044)	(4,620)	--	--	(5,044)	(4,620)
9) Other expenses	(11,203)	(9,997)	--	--	(11,203)	(9,997)
EXPENSES	(32,675)	(38,530)	--	--	(32,675)	(38,530)
10) Financial income	6,552	6,154	--	--	6,552	6,154
13) Dividends received	632,193	572,271	--	--	632,193	572,271
15) Provision of services	76,030	80,790	--	--	76,030	80,790
REVENUE	714,775	659,215	--	--	714,775	659,215

Thousand euro

MAPFRE S.A.

Other transactions	Group companies		Other related parties		TOTAL	
	2017	2016	2017	2016	2017	2016
Acquisition of tangible, intangible or other assets	(1,058)	(934)	--	--	(1,058)	(934)
Financing agreements: Credits and capital contributions	(436,977)	194,753	--	--	(436,977)	194,753
Amortization or cancellation of credits	(209,850)	(109,107)	--	--	(209,850)	(109,107)
Financing agreements: Loans and capital contributions	--	(60,000)	--	--	0	(60,000)
Repayment or cancellation of loans	7,100	439,899	--	--	7,100	439,899
Dividends and other profits distributed	--	--	304,949	272,101	304,949	272,101

Thousand euro

The following table shows the capital contributions in Group and associated companies in the last two years.

Investments	Group companies	
	2017	2016
Capital increases		
MAPFRE INTERNACIONAL	135,000	--
MAPFRE ASISTENCIA	49,998	84,997
TOTAL	184,998	84,997

Thousand euro

At December 31, 2017, a contribution was pending in MAPFRE ASISTENCIA in the amount of 19,999,000 euros (49,978,000 euros in 2016).

On March 6, 2017 a single-member company called MAPFRE AM Investment Holding S.A. was incorporated, with a share capital of 15,000,000 face value shares of 1 euro each, fully subscribed and paid by MAPFRE S.A.

As indicated in note 8, in 2016 the Company acquired 788,134 MAPFRE AMÉRICA shares from extra-Group parties, bringing its total shareholding from 99.22 percent to 100 percent. The purchase price amounted to 19,973,000 euros.

On December 29, 2016, the Company acquired 1,960,879 MAQUAVIT INMUEBLES S.L. shares from extra-Group parties, bringing its total shareholding from 56.84 percent to 100 percent. The purchase price amounted to 9,843,000 euros.

The following table shows the amount of pending balances with Group companies at the close of the last two years:

Item	Assets		Liabilities	
	2017	2016	2017	2016
Loans	396,150	384,000	341,700	348,800
Loan interest	1,017	399	65,317	49,748
Tax group	78,541	72,130	31,818	26,424
Other items	19,469	21,045	5,011	35,206
TOTAL	495,177	477,574	443,846	460,178

Thousand euro

Finance costs corresponding to fiscal 2017 for the CARTERA MAPFRE credit line described in Note 8 stood at 23,000 euros (1,140,000 euros in 2016).

Transactions with related parties are related to the normal trading activities of the Company and were conducted according to market conditions.

The following table shows the remuneration paid out over the last two years to members of the Board of Directors of the Company:

ITEM	AMOUNT	
	2017	2016
Short-term remuneration		
Salaries	2,997	3,259
Short-term variable remuneration	1,981	2,181
Fixed amounts	1,876	1,788
Other concepts	115	173
Medium-term variable remuneration	1,128	3,696
TOTAL	8,097	11,097
Other remuneration		
Long-service bonus	12	13
Life insurance	100	103

Thousand euros

The remuneration amounts for 2016 differ from those included in the annual report for that year in that they reflect the remuneration paid out in place of the remuneration accrued.

The basic remuneration of external directors comprises an annual fixed amount for their membership of the Board of Directors, which amounted to 110,000 euros in the last two fiscal periods. In 2017, a fixed annual allocation of 110,000 euros was established for Vice Chairpersons and Coordinating Directors. Members of the Steering Committee receive 20,000 euros (40,000 euros in 2016). In addition, the individual serving as Chairperson of the Steering Committee receives 55,000 euros, (50,000 in 2016), while the other members of that committee receive 35,000 euros (30,000 in 2016).

In addition, the members benefit from life insurance in the event of death with an insured capital of 150,253 euros, and they also enjoy some of the benefits offered to personnel, such as health insurance.

Executive directors receive the remuneration established in their contracts, including fixed salary, incentives of varying amounts linked to results, life and disability insurance, and other general benefits established for Company personnel. They also receive certain retirement-related pension complements embodied in defined contribution plans in the event of retirement, externalized through a life insurance policy. All of these payments are pursuant to the remuneration policy established by the Group for its senior executives, whether they are directors or not. In 2017, contributions to defined benefit plans amounted to 4,200,000 euros (3,377,000 euros in 2016).

Executive directors do not receive the fixed amount established for external directors.

In relation to medium-term incentive plans, 1,328,000 euros has been provisioned, of which 1,311,000 euros corresponds to cash remuneration and 17,000 euros relates to remuneration to be settled via equity instruments. In 2016, 3,280,000 euros was provisioned under this concept, of which 2,170,000 corresponded to cash remuneration and 1,110,000 euros to remuneration to be settled via Company equity instruments.

In fiscal 2016, 4.72 million euros was disbursed, with 1.48 million euros being pending from the close of that period, with this amount being fully provisioned.

The estimated amounts arising from the provisions pending payment to the members of the Board of Directors as at December 31 of each of the last two fiscal periods is shown in the accompanying table.

ITEM	AMOUNT	
	2017	2016
Medium-term incentives: Shares	991	1,110
Medium-term incentives: Cash	2,228	3,650
Long-service bonus	310	430
TOTAL	3,529	5,190

Thousand euros

Additionally, and with respect to short-term variable remuneration already accrued, at the close of fiscal 2017, 2,620,000 euros was pending payment, with 1,981,000 euros corresponding to 2017 and the balance to 2016.

The basic remuneration for external directors is approved at the Annual General Meeting at the proposal of the Board of Directors and pursuant to the report issued by the Appointments and Remuneration Committee. The amount of the contractual remuneration for executive directors and the fixed payment for membership on the boards or on the steering committees is approved by the Board of Directors, subject to a report by the committee.

The insurance premium paid on behalf of directors for damages liability was 444,000 euros (465,000 euros in 2016).

During the last two years, the Company's directors did not undertake any operations with the company itself or with any other Group company either outside the scope of the companies' ordinary trading activities or outside normal market conditions.

During the last two years, no conflicts of interest, either direct or indirect, had arisen between the directors or persons linked to same and the Company.

The remuneration paid to senior management in the last two years is shown below:

	2017	2016
No. of senior management members	5	6
Short-term remuneration	2,530	3,238
Other remuneration	40	42
TOTAL	2,575	3,286

Figures in millions of euros

With regards to the medium-term incentive plan 2016-2019, over the course of the fiscal year in question, a provision in the amount of 97 million euros has been applied (1,270,000 in 2016), of which 89,000 corresponds to cash remuneration and 8,000 corresponds to remuneration to be settled via equity instruments. In 2016, settlement of the medium-term incentive plan 2013-2016 implied the paying out of 4,980,000 euros.

In addition, contributions to defined contribution plans were recognized as expenses in the amount of 517,000 euros in the fiscal period (1,178,000 euros in 2016).

19. OTHER DISCLOSURES

The following tables show the average and year-end headcount during the last two years, by category and gender.

Average number of employees

ITEM	2017		2016	
	Men	Women	Men	Women
Board Directors and Senior Management	9	1	10	1
Executives	92	48	88	43
Technicians	132	134	116	123
Administrative Assistants	18	64	19	66
TOTAL AVERAGE NUMBER OF EMPLOYEES	251	247	233	233

Number of employees at the end of the year

ITEM	2017		2016	
	Men	Women	Men	Women
Board Directors and Senior Management	9	1	10	1
Executives	95	51	89	46
Technicians	138	141	124	125
Administrative Assistants	17	63	20	65
TOTAL NUMBER OF EMPLOYEES	259	256	243	237

The table below shows the average number of employees with a disability of 33 percent or more employed in Spain, along with the category they belong to.

ITEM	2017	2016
Executives	2	2
Technicians	2	1
Administrative Assistants	5	5
TOTAL	9	8

Remuneration accrued by the external auditor (KPMG Auditores, S.L.) is shown below. It is deemed that these fees do not compromise the independence of the auditors.

ITEM	AMOUNTS	
	2017	2016
Audit services	456	488
Other verification services	295	183
Tax services	--	--
Other services	--	193
Total services of main auditor	751	864

Thousand euro

Other verification services include services rendered by KPMG Auditores S.L. to the Company during fiscal 2017, among which the issuing of comfort letters, other regulatory revisions subject to audit, as well as services related to regulatory compliance.

Details of payments made to providers in the last two years are shown in the accompanying table.

ITEM	2017	2016
	Days	Days
Average supplier payment period	20	20
Ratio of paid operations	20	20
Ratio of operations pending payment	--	--
	Amounts	Amounts
Payments made	76,174	80,473
Payments pending	6,314	--
Total payments for the year	82,488	80,473

Thousand euro

Annex 1
2017

Name	Legal form	Address	Activity	STAKE				thousand euro								
				%		Voting rights		Capital	Reserves	Other items in equity	Earnings for the year		Book value	(Impairment) /Reversal year	Accumulated impairment	Dividends received
				Direct	Indirect	Direct	Indirect				Earnings from operations	Other earnings				
MAPFRE TECH	S.A.	Ctra.Pozuelo, 52 Majadahonda - 28222 Madrid	IT	0.7746	99.1525	0.7746	99.1525	30.990	(9.052)	--	1.252	(3.028)	--	240	--	--
MAPFRE Internacional	S.A.	Ctra.Pozuelo, 52 Majadahonda - 28222 Madrid	Holding	100.0000	--	100.0000	--	624.432	5.242.462	(1.567.003)	262.587	21.011	3.947.763	--	--	99.909
MAPFRE Re Cía de Reseguros	S.A.	Paseo de Recoletos 25 28004 Madrid	Reinsurance	92.2454	0.0003	92.2454	0.0003	223.916	831.069	83.813	162.655	--	383.360	--	--	95.281
MAPFRE Asistencia, Cía Internacional de Seguros y Reseguros	S.A.	Sor Ángela de la Cruz, Nº 6, 28020 Madrid.	Insurance and Reinsurance	99.9970	0.0030	99.9970	0.0030	334.176	35.804	(69.023)	(44.053)	(24.373)	309.794	27.111	(27.111)	--
MAPFRE Inmuebles	S.G.A.	Ctra.Pozuelo, 52 Majadahonda - 28222 Madrid	Real Estate	9.9977	89.9943	9.9977	89.9943	593.474	(115.132)	--	(1.095)	5.306	52.236	54.761	(692)	--
Maquavi Inmuebles	S.L.	Ctra.Pozuelo, 52 Majadahonda - 28222 Madrid	Real Estate	100.0000	--	100.0000	--	45.436	575	--	(416)	1.475	34.582	--	--	--
MAPFRE Vida	S.A.	Ctra.Pozuelo, 52 Majadahonda - 28222 Madrid	Insurance and Reinsurance	99.9114	--	99.9114	--	60.242	1.324.994	210.701	131.396	95.205	1.132.932	--	--	153.682
Fanag Investment	S.A.	Avenida de Julio, 841 Montevideo (Uruguay)	Finance	100.0000	--	100.0000	--	11.024	6.757	(7.387)	--	1.446	10.118	--	--	--
MAPFRE Consultores de Seguros y Reseguros	S.A.	Paseo de Recoletos 25 28004 Madrid	Advisory and management services	50.0000	49.9997	50.0000	49.9997	120	131	--	(13)	51	61	--	--	--
MAPFRE Inversión	S.A.	Ctra.Pozuelo, 50 Majadahonda - 28222 Madrid	Investment company	0.0009	99.9105	0.0009	99.9105	33.055	195.118	14.197	(13.410)	54.128	2	--	--	1
MAPFRE Asset Management (formerly MAPFRE Inversión DOS)	S.A.	Ctra.Pozuelo, 50 Majadahonda - 28222 Madrid	Real estate investment management firm	0.0147	99.9967	0.0147	99.9967	2.043	11.397	3.747	(2.543)	10.224	15.000	--	--	1
MAPFRE España	S.A.	Ctra.Pozuelo, 52 Majadahonda - 28222 Madrid	Insurance and Reinsurance	83.5168	16.4825	83.5168	16.4825	564.624	1.014.675	350.139	323.934	4.399	3.050.331	--	--	243.900
MAPFRE Global Risks	S.A.	Ctra.Pozuelo, 52 Majadahonda - 28222 Madrid	Insurance	99.9999	--	99.9999	--	20.132	1.110.069	64.396	(12.183)	9	529.060	--	--	39.419

2017

Name	Legal form	Address	Activity	STAKE						Capital	Reserves	Other items in equity	Earnings for the year		Book value	(Impairment) /Reversal year	Accumulated impairment	Dividends received
				%		Voting rights		Earnings from operations	Other earnings									
				Direct	Indirect	Direct	Indirect											
Clube Mapfre do Brasil	LTD A	Av. dos Autonomias, 701 Vila- Yara – Osasco SP CEP 06020-000 (Brazil)	Consultancy	0.3314	99.6686	0.3314	99.6686	151,830	36,461	(74,819)	(6,024)	6,097	86	--	--	--		
Premieren Price Comparison Holding	LTD A	Ty Admital David Street Cardiff CF102EH (Wales)	Online insurance policy price comparator	50.0000	0.0000	50.0000	0.0000	5,000				(426)	5,000	--	--	--		
Desarrollos Urbanos	LTD A	Ctra.Pozuelo, 52 Majadahonda - 28222 Madrid	Real Estate	0784	99.9136	0.0784	99.9136	383	76	678	2,483	(9,932)		37	--	--		
Total													9,464,927	(27,726)	82,112			
Other investments													7					
Total investments in Group and affiliated companies													9,464,934					

No companies are listed on the stock market.

(*) Recoverable amount determined based on the fair value of company assets and liabilities.

2016

Name	Legal form	Address	Activity	STAKE				thousand euro								
				%		Voting rights		Capital	Reserves	Other items in equity	Earnings for the year		Book value	{Impairment} / Reversal year	Accumulated impairment	Dividends received
				Direct	Indirect	Direct	Indirect				Earnings from operations	Other earnings				
MAPFRE TECH	S.A.	Ctra.Pozuelo, 52 Majadahonda - 28222 Madrid	IT	0.7146	99.1522	0.7146	99.1522	30,390	(9.168)	--	498	(425)	--	240	--	
MAPFRE Interaccional (formerly MAPFRE America)	S.A.	Ctra.Pozuelo, 52 Majadahonda - 28222 Madrid	Holding	100.0000	--	100.0000	--	604.182	4.956.033	(844.347)	218.203	(36.644)	--	3.806.763	--	40.278
MAPFRE Re. Cis. de Reaseguros	S.A.	Paseo de Recoletos 25 28004 Madrid	Reinsurance	92.2454	0.0003	92.2454	0.0003	223.916	750.804	116.614	186.074	--	--	383.360	--	83.287
MAPFRE Asistencia, Cis Internacional de Seguros y Reaseguros	S.A.	Sor Ángels de la Cruz, No. 6, 28020 Madrid.	Insurance and Reinsurance	99.9970	0.0030	99.9970	0.0030	254.196	123.113	(73.321)	(15.442)	(40.932)	--	296.928	--	
MAPFRE Inmuebles	S.G.A.	Ctra.Pozuelo, 52 Majadahonda - 28222 Madrid	Real Estate	9.9977	83.9541	9.9977	83.9341	825.642	(342.821)	--	1.452	(5.687)	--	52.888	(830)	54.103
Maquirit Inmuebles	S.L.	Ctra.Pozuelo, 52 Majadahonda - 28222 Madrid	Real Estate	100.0000	--	100.0000	--	45.436	(1.206)	--	(435)	2.215	--	34.582	--	--
MAPFRE Vida	S.A.	Ctra.Pozuelo, 52 Majadahonda - 28222 Madrid	Insurance and Reinsurance	99.9087	--	99.9087	--	60.242	1.315.351	204.388	114.625	55.579	--	1.132.917	--	121.968
Fancy Investment	S.A.	Avda. 16 de Julio, 841 Montevideo (Uruguay)	Finance	100.0000	--	100.0000	--	12.123	3.675	(3.938)	--	1.610	--	11.177	--	--
MAPFRE Consultores de Seguros y Reaseguros	S.A.	Paseo de Recoletos 25 28004 Madrid	Advisory and management services	50.0000	49.9997	50.0000	49.9997	120	106	--	(19)	40	--	61	--	--
MAPFRE Inversión	S.A.	Ctra.Pozuelo, 50 Majadahonda - 28222 Madrid	Investment company	0.0009	99.9078	0.0009	99.9078	33.055	213.817	14.681	(13.334)	53.334	2	--	--	
MAPFRE Asset Management (formerly MAPFRE Inversión DOS)	S.A.	Ctra.Pozuelo, 50 Majadahonda - 28222 Madrid	Real estate investment management firm	0.0147	99.894	0.0147	99.894	2.043	10.727	3.522	(2.234)	8.936	2	--	4	
MAPFRE España	S.A.	Ctra.Pozuelo, 52 Majadahonda - 28222 Madrid	Insurance and Reinsurance	83.5168	16.4825	83.5168	16.4825	564.624	947.892	397.158	385.099	3.096	--	3.050.931	--	242.537
MAPFRE Global Risk	S.A.	Ctra.Pozuelo, 52 Majadahonda - 28222 Madrid	Insurance	100.0000	--	100.0000	--	20.132	1.042.604	79.859	107.381	(9)	--	529.063	--	84.197

2016

Name	Legal form	Address	Activity	STAKE				Capital	Reserves	Other items in equity	Earnings for the year		Book value	(Impairment) /Reversal year	Accumulated impairment	Dividends received
				%	Voting rights		Earnings from operations				Other earnings					
					Direct	Indirect						Direct				
Clube Mapfre do Brasil	LTDA	Av. dos Autonomistas, 701 Vila - Yara - Graeco SP CEP 06020-000 (Brazil)	Consultancy	0.3314	99.6686	0.3314	99.6686	151,830	28,129	(56,707)	12,819	66	--	--	--	
Premiera Price Comparison Holding	LTDA	Ty Adminal David Street Cardiff CF102EH (Brazil)	Online insurance policy price comparator	50.0000	0.0000	50.0000	0.0000	5,000	--	--	(426)	2,500	--	--	--	
Total																
Other investments																
Total investments in Group and affiliated companies																

No companies are listed on the stock market.

(*) Recoverable amount determined based on the fair value of company assets and liabilities.

INDIVIDUAL MANAGEMENT REPORT

2017

MAPFRE S.A.

MAPFRE S.A.
2017 INDIVIDUAL MANAGEMENT REPORT

MAPFRE S.A. (the "Company") is a limited liability company, the main activity of which is the investment of its funds in real-estate assets and tradeable financial securities.

Key individual figures

Key figures of the profit and loss account are as follows:

- Dividend revenue from Group companies amounted to 632.2 million euros, up 10.47 percent on the prior year.
- Operating expenses amounted to 151.0 million euros, a 1.0 percent increase on 2016.
- Financial income amounted to 0.4 million euros, compared to 1.6 million euros in 2016.
- Financial expenses stood at 77.9 million euros, 1.3 percent up on the prior year.
- During 2017, the Company recognized impairment allowances of 27.8 million euros in respect of equity investments in Group and affiliated companies (0.9 in 2016).
- As a result of the foregoing, pre-tax profit stood at 459.1 million euros, up 4.7 percent against the prior year.
- Income tax revenue amounted to 36.5 million euros in 2017, compared with 30.2 in 2016.
- Post-tax profit was 495.5 million euros, up 5.7 percent on the previous year.

Key balance sheet figures are as follows:

MAPFRE S.A.'s shareholders' equity amounted to 7,334.1 million euros, an increase of 61.4 million euros, 0.9 percent higher than in the previous year, due to the difference between the profit for the year and the dividends paid during the year, which stood at 261.7 million euros, the final dividend for the 2016 year distributed in 2017 and 184.8 million euros for the interim dividend charged against the year's profits.

- Assets totaled 10,079.7 million euros, of which 9,643.4 million euros relate to long-term investments in Group and affiliated companies and 316.7 million euros correspond to short-term investments in Group and affiliated companies.

Main activities

The main variations in the Company's financing sources during 2017 were as follows:

- Issue of simple debentures totaling 600 million euros, maturing in May 2047.
- Cancellation of debentures issued in 2007 amounting to 578 million euros.
- Partial cancellation of loans from Group companies, in the amount of 7.1 million euros.
- Partial cancellation of the syndicated loan, maturing in December 2021, in the amount of 830.0 million euros and new drawdowns of 950.0 million euros.

Investments in Group companies

During 2017, the Company had the following expenditure in respect of investments in Group companies:

- Capital increase in MAPFRE ASISTENCIA, in the amount of 50 million euros, as well as pending disbursements of 30 million euros.
- Capital increase in MAPFRE INTERNACIONAL, in the amount of 135.0 million euros.

MAPFRE and its shareholders

MAPFRE shares

The table below shows the key information relating to MAPFRE shares at the end of Year 2017:

Number of shares outstanding	3,079,553,273 fully subscribed and paid up
Face value of each share	0.1 euros
Share class	Common, represented by book entries. All outstanding shares carry identical voting and dividend rights
Stock exchange listings	Madrid and Barcelona Stock Exchanges (continuous market)
Stock market index membership	<ul style="list-style-type: none">– IBEX 35– Dow Jones Stoxx Insurance– MSCI Spain– FTSE All-World Developed Europe– FTSE4Good¹ and FTSE4Good IBEX¹
ISIN code	ES0124244E34

In 2017 MAPFRE S.A. shares traded for 257 days on the continuous market with a frequency index of 100 percent. In total, 1,867,798,310 securities were traded, compared to 2,312,308,450 in the previous year, reflecting a decrease of 19.2 percent. The effective value of these transactions amounted to 5,525.5 million euros, compared to 5,211.8 million euros in 2016, up by 6 percent.

At the end of 2017, six Spanish and international investment banks had "buy" recommendations for the company's shares, compared to three who held "hold" recommendations, while nine had the stock on their "sell" lists.

¹ Indices that measure the outcome of a company's actions to uphold and support sustainable development and human rights.

Value and return

The share price performance is shown in the following table, compared to two key benchmark indices (the IBEX 35 and the Dow Jones STOXX Insurance indices):

	1 YEAR	3 YEARS	5 YEARS
MAPFRE	-7.7%	-4.8%	15.7%
DJ Stoxx Insurance	6.9%	15.1%	62.8%
IBEX 35	7.4%	-2.3%	23.0%

MAPFRE's earnings per share (EPS) during the same period are shown below:

	2017	2016	2015	2014	2013
EPS (euros)	0.23	0.25	0.23	0.27	0.26
INCREASE	-8.0%	8.7%	-14.8%	3.8%	18.2%

Shareholder structure and remuneration

At the close of 2017 Fundación MAPFRE, through its direct and indirect holdings, owned 68.3 percent of the company's shares, Spanish shareholders owned 10.9 percent and shareholders of other countries owned the remaining 20.8 percent.

Of the Spanish shareholders, 3.4 percent were institutional investors and 7.5 percent were non-institutional investors (principally individuals). With regard to investors resident in other countries, 20.7 percent were institutional investors, while 0.1 percent were non-institutional investors.

Among the objectives set for the three-year period 2016-2018 is suitable shareholder remuneration. Likewise, the dividend policy establishes that shareholder remuneration must be linked to the Company's profit, solvency, liquidity and investment plans, and also aligned with the interests of all its shareholders. As a general rule, the Board of Directors will propose at the Annual General Meeting a distribution of dividends of between 50 percent and 65 percent of the attributable result (payout ratio).

In fiscal year 2017, the Board of Directors agreed to pay an interim dividend against the income statement of 0.06 euros per share. The total amount paid out in the year was 0,145 euros per share, for a total remuneration of 446.5 million euros.

The final dividend for fiscal year 2017 to be proposed at the Annual General Meeting is a dividend of 0.085 euros per share (before tax). Therefore, the total dividend against 2017 earnings amounts to 0.145 euros per share before tax, giving a payout ratio of 63.7 percent.

Dividend payments and the dividend yield, calculated on an average share price basis, are indicated below:

	2017	2016	2015	2014	2013
DIVIDEND (euros)	0.145	0.13	0.14	0.14	0.12
DIVIDEND YIELD	4.9%	5.8%	4.9%	4.7%	4.4%

Other disclosures

MAPFRE S.A. has several Corporate Areas (Finance, Investment, Human Resources, Resources and Institutional Coordination, Business Support, Internal Audit, Strategy and M&A, General Counsel and Legal Affairs, and Business, Clients and Innovation), all with global responsibilities for all the Group's companies.

Environment

One of the ways in which MAPFRE builds trust with its stakeholders is by promoting a sustainable environment in which to pursue its activities.

In 2017, MAPFRE continued its initiatives to ensure compliance with the commitments assumed in the corporate environmental policy approved by the Board of Directors of MAPFRE S.A. and reviewed in 2015 to include new commitments such as the preservation of Biodiversity and the fight against Climate Change.

MAPFRE carries out Environmental Management actions under the guidelines defined by the triple Integrated Environmental, Energy and Carbon Footprint System (hereinafter SIGMAYE), in accordance with the international standards ISO 14001, ISO 50001 and ISO 14064.

The transversal design and the global nature of the SIGMAYE allows both corporate and specific local objectives to be established, thereby assuring compliance with applicable legislation and providing minimum criteria for compliance in countries in which legislation is less developed.

The execution of the actions defined in the Energy Efficiency and Climate Change Strategic Plan has continued with the objective of reducing the Group's emissions by 20 percent in 2020 and that objective was obtained three years earlier than projected, which has led the Company to committing to more ambitious challenges in both the medium and long-term with a 2050 time horizon, at which time it hopes to attain CO2 neutrality.

For the third year running, the Group's initiatives in this area earned recognition from the CDP (Driving Sustainable Economies) of MAPFRE as a global leader in taking action on Climate Change, and the Group was included on the CDP Global Climate A-list.

The eco-efficiency measures rolled out included the deployment of energy efficiency measures in buildings for air conditioning (use of freecooling, technological renewal of equipment and adjustment of hour and temperature set points); lighting (replacement of lamps with LED, installation of presence sensors and adjustment of times); and other usages (technological renewal of installations based on energy efficiency criteria).

Operational control of water management is carried out through the installation of optimization measures in buildings (aerators, timers, sensors, dual flush....) and control of internal usage by managing billing, own meters, detecting leaks and raising employee awareness.

Since joining the Biodiversity Pact launched by the Spanish Companies and Biodiversity Initiative, MAPFRE published a report on its results 2013-2015 together with the rest of the member companies and it has also continued its work regarding the protection of an endangered species and the preservation of its habitat, choosing the turtle and the Mediterranean Sea this year.

As part of the integration of the environment into the business in terms of biodiversity protection, the Group has also committed to the initiative led by the UN supported NGO OCEANA to protect the oceans and, specifically, to eliminate illegal fishing by not insuring those activities.

Acquisition and disposal of treasury stock

MAPFRE S.A. shares are bought and sold in accordance with the regulations in force, the relevant agreements adopted at the Annual General Meeting, and the MAPFRE Group Treasury Stock Policy on how to handle transactions which involve the company's own shares.

MAPFRE Group treasury stock transactions have a legitimate purpose and always comply with the recommendations on treasury stock discretionary transactions issued by the Spanish National Securities and Exchange Commission (the CNMV).

"Legitimate purpose" refers to:

- Favor trading liquidity and regularity in the purchase of MAPFRE shares.
- Allow MAPFRE to access the securities it requires to comply with potential obligations to deliver treasury stock, for example as a result of shareholder, executive or employee remuneration or loyalty schemes, or issues of corporate stock or operations.

In any case, treasury stock transactions are carried out under conditions that ensure neutrality in the price setting of MAPFRE shares in the market and complete transparency in relationships with market supervisors and governing bodies. Furthermore, these transactions are never carried out on the basis of privileged information.

The Treasury Stock Policy includes general rules on aspects such as the transaction volume, maximum and minimum order price, and execution time limits.

At December 31, 2016, the Company had acquired 30,500,000 treasury shares; these represent 0.99 percent of the capital. The price paid was 60,233,635.85 euros, at an average of 1.97 euros per share.

During 2017, the Company reduced the number of treasury shares by 3,988,894, representing 0.13 percent of the capital. The cost of the operation totaled 7,877,560.29 euros, giving rise to a positive impact of 4,701,782.03 euros, which was entered under the "Other reserves" heading.

At the close of the fiscal year, Company owned 26,511,106 treasury shares; these represent 0.86 percent of the capital at an average exchange of 1.97 euros per share.

The total face value of shares acquired was 2,651,110.60 euros (3,050,000 euros in 2016).

Human Resources

The following tables show the average and year-end headcount during the last two years, by category and gender.

Average number of employees

ITEM	2017		2016	
	Men	Women	Men	Women
Board Directors and Senior Management	9	1	10	1
Executives	92	48	88	43
Technicians	132	134	116	123
Administrative Assistants	18	64	19	66
TOTAL AVERAGE NUMBER OF EMPLOYEES	251	247	233	233

Number of employees at the end of the year

ITEM	2017		2016	
	Men	Women	Men	Women
Consejeros y alta dirección	9	1	10	1
Executives	95	51	89	46
Technicians	138	141	124	125
Administrative Assistants	17	63	20	65
TOTAL NUMBER OF EMPLOYEES	259	256	243	237

The following table shows the average number of employees in the Group with a degree of disability equal to or higher than 33 percent, indicating the categories to which they belong.

ITEM	2017	2016
Executives	2	2
Technicians	2	1
Administrative Assistants	5	5
TOTAL	9	8

MAPFRE's goals for its workforce include the professional development of its employees and strengthening their employability and well-being by developing their abilities and skills. All of this is pursued within a setting of commitment and mutual respect; free of insults, intimidation, harassment or discrimination, at a workplace that guarantees security and stability of employment.

MAPFRE has a Code of Ethics and Conduct in place that is inspired by its institutional and business principles and which is intended to reflect corporate values and the basic principles that should guide the conduct of the company and its staff.

The Personal Respect Policy expressly states that respect for others is a basic element of employee conduct. MAPFRE rejects any manifestation of workplace harassment, as well as any other behavior that is violent or offensive to the rights and dignity of people, since these situations contaminate the workplace and have negative effects on the health, well-being, self-esteem, dignity and performance of those who suffer them.

The employment policy encourages permanent over temporary contracts, seeking a stable environment in a continuous working relationship. The percentage of staff on permanent contracts in 2017 was 96.7 percent (96.5 percent in 2016).

During the year, MAPFRE continued to roll out its Global Disability Program, and by year-end the company had 9 disabled persons within its workforce (8 disabled people in 2016).

Through its Promotion, Selection and Mobility Policy, MAPFRE is committed to promoting its employees' opportunities for professional development through development plans and programs, training schedules and mobility among areas and countries, in order to increase their employability, their professional satisfaction and their commitment to the company.

MAPFRE has defined a global selection procedure that guarantees objectivity, maximum rigor and non-discrimination throughout all procedures. Furthermore, the tests used during selection are standardized worldwide to cover each position with a candidate having the most appropriate profile. A total of 5,210 selection processes were completed in 2017 (5,782 processes in 2016).

In 2017 the Group invested 820,000 euros in staff training (873,000 euros in 2016).

Remuneration policy is based on each employee's job post, is competitive in comparison to the market, guarantees internal fairness, is flexible and can be adapted to different market collectives and circumstances, and is aligned with strategy.

The Policy on Health, Well-being and Prevention of Occupational Risks establishes that it is vital to protect workers' health, safety and well-being, for both employees and their families, and also for productivity, competitiveness and sustainability of MAPFRE. Every year, employees receive information and are given training on health and healthy habits.

External auditing

Remuneration accrued by the external auditor (KPMG Auditores, S.L.) is shown below. It is deemed that these fees do not compromise the independence of the auditors.

ITEM	AMOUNT (euros)	
	2017	2016
Audit services	456	488
Other verification services	295	183
Tax services	--	--
Other services	--	193
Total services of main auditor	751	864

Thousand euros

Governing bodies

At the Annual General Meeting held on 10 March 2017, Adriana Casademont i Ruhí, Ana Isabel Fernández Álvarez and Fernando Mata Verdejo were re-elected, and Francisco José Marco Orenes was appointed, as directors.

On 22 February 2017, Andrés Jiménez Herradón stepped down from his duties as member of the Board of Directors, in compliance with the Board of Directors Regulation. Also, Adriana Casademont i Ruhí stepped down from her duties as director on 31 December 2017.

On the General Meeting held on 21 December 2017, María del Pilar Perales Viscasillas was appointed as director through the co-option procedure, to replace Ms Casademont, effectively starting from 1 January 2018.

In 2018, the appointments of Catalina Miñarro Brugarolas and María del Pilar Perales Viscasillas will expire, the latter having been appointed by the co-option procedure on the date indicated above. The Appointments and Remuneration Committee has proposed that these two directors be reappointed.

In 2017, the appointment of Antonio Huertas Mejías will also expire; the proposal for him to be re-appointed will be put to the Annual General Meeting. This proposal was preceded by a favorable report from the Appointments and Remuneration Committee.

Average provider payment period

Details of payments made to providers in the last two years are shown below.

ITEM	2017	2016
	Days	Days
Average supplier payment period	20	20
Ratio of paid operations	20	20
Ratios of operations pending payment	-	--
	Amounts	Amounts
Payments made	76,174	80,473
Payments pending	6,314	--
Total payments for the year	82,488	80,473

Thousand euro

Research, development and innovation

Client orientation is one of the main focal points of the MAPFRE Strategic Plan, which identifies innovation as one of the key tools for offering insurance solutions focused on client needs. Hence, innovation in client-focused products and services is a key driver for reaching short, mid and long term targets.

The MAPFRE Innovation Model, which is aimed to promote the innovation culture throughout the organization and to meet business challenges, was launched in 2014. The Corporate Innovation Committee, made up of members from key innovation areas, was set up to govern the Innovation Model, and the Corporate Innovation Department, which spearheads innovation in MAPFRE, was launched. The Innovation Model, which is used for both local and global strategy, is one of the key instruments for achieving differentiation and reaching the goals for the Group's organic growth.

No significant research and development activities were performed during the year.

Significant events for the Company that occurred after the year-end close

There were no significant events subsequent to the close of the year, apart from those detailed in the annual report (Note on Shareholders' Equity).

Economic Outlook

The International Monetary Fund (IMF) projects global growth at around 3.4 percent, which represents an acceleration compared with just over 3 percent at the end of 2016. This figure is slightly lower than the IMF's April projection and similar to the July forecast, which confirms that activity in the latter part of 2016 was more or less as predicted. Naturally, growth is firmly biased toward the emerging economies, where the IMF estimates a rate of 4.6 percent in 2017, four decimal points higher than in 2016, revealing confidence in the recovery of these countries. The projection for the advanced economies is 1.8 percent, two decimal points higher than last year but nevertheless indicative of a weaker performance than the emerging economies.

This outlook is based on an increase in world trade which the IMF estimates at 3.8 percent, a significant improvement on 2016. The recovery of the advanced economies remains very weak because the strong monetary stimulus received has not managed to eradicate the burden of excessive—mainly public—debt, a situation compounded by contractionary fiscal policies and the absence of credit. These effects are much more perceptible in the Eurozone, where the predicted growth in 2017 is a mere 1.5 percent. The United States is reaping the benefits of a more advanced position in the cycle and its GDP is therefore expected to grow by 2.2 percent. The four main European economies are likely to remain in positive territory, albeit with Italy still below 1 percent.

The projections for Spain indicate sustained growth at the head of Europe. Specifically, the IMF puts GDP growth in 2017 at 2.3 percent. This is a marked downturn compared with over 3 percent in 2016, precipitated by a slowdown of nearly every component. However, the IMF has praised Spanish economic policies as highly favorable for business and therefore for sustaining the country's recovery, in spite of this slowdown.

Among the emerging countries, the standout projections are for Asia, with China and India reporting 6.2 percent and 7.6 percent, respectively. By contrast, Latin America will see its growth limited to 1.6 percent, mainly because of the burden of Brazil, whose GDP rate for 2017 the IMF estimates at 0.5 percent. In spite of this extremely modest figure, Brazil has nevertheless shown considerable improvement, following a growth rate of 3.8 percent in 2015 and just under 3 percent in 2016. Consequently, this 0.5 percent implies that the country is firmly on the path to recovery. By contrast, Mexico is expected to see a 2.3 percent growth.

The two sides of the Atlantic will continue to pursue different monetary policies if there are no surprises. The Federal Reserve (Fed) of the United States has hinted that it intends to continue raising interest rates at a moderate but sustained pace, especially in view of the anticipated increase in inflation as a result of the economic measures announced and very low unemployment. By contrast, in Europe the central bank (ECB) will continue to buy assets as part of its quantitative easing (QE) policy throughout the year, enabling the European

money supply to continue growing. At some point near the end of 2017 questions are likely to be raised about whether these purchases should be reduced or not, which could in itself lead to slightly tighter financial conditions, but this would be minimal compared to the massive amount of liquidity which the ECB has injected in the last two years. Among the emerging central banks, the most significant process will probably be interest rate cuts throughout the year in Brazil.

The main risks for 2017 are political, since the year will see elections in several European countries. In light of certain events last year, economic and financial analysts are attaching much greater weight to possible surprises in electoral processes, and these therefore constitute a very significant risk. Likewise, the U.S. economic policy is currently an unknown quantity. The combination of these two circumstances could lead to considerably tighter financial conditions in a context where the recovery is still fragile. This could have repercussions for the emerging markets since the sustained appreciation of the dollar may cause a very deep impact at a time when they are still recovering from the problems of 2016 and 2015.

Annual Corporate Governance Report

The annual corporate governance report is published by the Entity along with the Management Report of the consolidated annual accounts of MAPFRE S.A. and dependent Companies.

The Individual Annual Accounts for MAPFRE S.A., on the preceding pages 1 to 56 herein, and the Individual Management Report on the preceding pages 57 to 70 herein, corresponding to financial year 2017, endorsed by the Secretary of the Board, have been drafted by the Board of Directors at its meeting held on February 7, 2018. The Board Members declare that, as far as they are aware, the aforementioned accounts have been prepared in accordance with the applicable accounting principles and offer a true and fair view of the equity, financial situation, and results of the Company. Likewise, the Management Report includes a true and fair analysis of the development of the results and of the position of the Company, and broadly informs, along with the Consolidated Annual Report, of the risks and uncertainties it faces.

D. Antonio Huertas Mejías
Chairman

D. Luis Hernando de Larramendi Martínez
Member

D. Antonio Núñez Tovar
1st Vice Chairman

D. Francisco José Marco Orenes
Member

D^a. Catalina Miñarro Brugarolas
2nd Vice Chairman

D. Rafael Márquez Osorio
Member

D. Ignacio Baeza Gómez
3rd Vice Chairman

D. Fernando Mata Verdejo
Member

D. José Antonio Colomer Guiu
Member

D. Antonio Miguel-Romero de Olano
Member

D. Georg Daschner
Member

D^a. Pilar Perales Viscasillas
Member

D^a. Ana Isabel Fernández Álvarez
Member

D. Alfonso Rebuelta Badías
Member

D^a. María Leticia de Freitas Costa
Member

D. Ángel L. Dávila Bermejo
Secretary and Non-Member

The English version is only a translation of the original in Spanish for information purposes. In case of discrepancy, the Spanish version shall prevail.

INTEGRATED REPORT

MAPFRE S.A.



MAPFRE

2017

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1. LETTER FROM THE CHAIRMAN AND CEO

[102-14]

Dear Friends,

I am pleased to present the MAPFRE Integrated Report for the second consecutive year. We remain convinced that business and sustainability cannot be dealt with separately, so we are offering you a unique insight containing a comprehensive view of our business, our strategy and challenges, along with the most significant elements of our commitment and action as regards sustainable development.

Also included in this report is key non-financial information that meets the requirements of current regulations.

2017 was the second year in the three-year period of our profitable growth strategy, which is being implemented across the Group, and certain units have already shown sustained growth in premiums and a very significant improvement in profitability:

- Especially noteworthy in Spain is the Automobile business, where premiums rose 3.8 percent versus the market increase of 3.4 percent, while earnings before taxes were up 42.8 percent. The Life business is also progressing exceptionally well, thanks to the bancassurance savings line.
- In other markets, the profitable growth strategy is producing significantly better results (Peru, Colombia, Turkey and Italy), and particularly so in larger markets (Brazil, Mexico and the United States) where profitability improvements are worthy of mention.
- The year past saw an exceptional convergence of natural disasters, of an intensity and frequency not seen in decades. Despite the extraordinary nature of the events, it must be borne in mind that these phenomena are inherent to the business of insurance: protecting clients against such risks.

MAPFRE's capacity and solvency to respond to the needs of its clients have been proven, and attention should certainly be drawn to the effectiveness of the reinsurance protection in place to deal with these types of events, which facilitated limiting the effect on results and shareholders' equity. We can therefore affirm that the sporadic impact of natural disasters does not alter our profitable growth strategy.

Although the readers have all the company's figures at their disposal, I would like to emphasize that revenues are increasing in all geographic areas and with all the main products. Our solid position in all markets has once again been confirmed this year:

- Revenues rose to almost 28 billion euros, of which 23.5 billion correspond to premium revenue. Earnings before taxes surpassed 1.5 billion euros and net profit totaled 701 million euros.
- The combined ratio stood at 98.1 percent, including the effect of natural disasters, made possible by excellent technical and underwriting management, as well as strict cost containment policies.

- The Solvency II results for 2017 are in line with the 200 percent target, which contemplates a margin of 25 percentage points, and confirms the strong capital position, as well as its low volatility. The Solvency II ratio was 189 percent in September 2017, comprising a high-quality capital structure, with 93 percent of funds classified as TIER 1. MAPFRE is comfortable with its capital structure, debt and solvency levels, which provide stability and financial flexibility for the future.

Programs are being implemented to raise efficiency, boost automation and reduce costs. The surpluses generated from these measures are being invested in digitalizing operations to achieve better results in the mid-term.

There is no doubt that a solvent company with strong results such as these generates economic and social value in the countries where it is present. This has also been made possible thanks to the relationships we cultivate directly with our stakeholders - clients, employees, shareholders, providers, distributors and commercial partners, among others - who participate in reaching our objectives.

More than 29.5 million clients confide in MAPFRE because we offer a wide range of products and services that cover their needs. Our innovation model facilitates us in constantly seeking out tailor-made insurance solutions, while always being conscious of the social and environmental challenges we face.

Moreover, the client now demands more communication channels with the company, with no loss in the quality of service and information they need. That is why we are a multichannel company. We are making headway in digital business without relinquishing the traditional channels at our disposal, especially the more than 84,000 distributors and 12,800 direct and delegate offices, which allows us to be a player on the global stage, in terms of geographic presence and our commercial offering.

The MAPFRE client trusts us, and this trust is repaid in the form of quality of service and the attention they receive, which is possible thanks to the management and coordination of the more than 139,000 providers who work with us. In addition to the technical and financial criteria set down for our providers, we also ask them to commit to our principles and values, especially as regards sustainability. Work is continuing to certify providers so they can comply with the standards of good governance, employment, protection of human rights and the environment that characterize our company.

We are signatories to the United Nations Global Compact; we work actively on the 2030 Agenda for Sustainable Development, and form part of the United Nations Environment Program Finance Initiative (UNEP FI). We adhere to the Principles for Sustainable Insurance (PSI) and the Paris Pledge for Action, and in 2017 we also signed up to the Principles for Responsible Investment (PRI) of the United Nations.

In 2017, we maintained our membership of the FTSE4Good Index and were included for the second straight year on the CDP (formerly Carbon Disclosure Project) Climate A-list initiative for our management and initiatives in tackling climate change.

None of the above would be possible without our 36,271 employees. We have a diverse workforce with employees from 81 different nationalities. Women accounted for 56 percent of new hires in 2017, and we employ people from right across the generational spectrum – veterans, baby boomers and generations X, Y and Z. MAPFRE is also an inclusive company, with 2 percent of our workforce being made up of people with disabilities.

I can confirm that our workforce is highly motivated and our people are capable of leveraging their experience and talent in the search for new sustainable business opportunities, designing products and services and enhancing internal processes. That is why we are committed to professional development, as reflected in our investment of more than 20.8 million euros in training. Offering quality employment is of paramount importance to MAPFRE – 96.7 percent of our people are on permanent contracts, and more than 180 million euros was spent on social benefits in 2017, enjoyed by one and all, regardless of contract type. I am particularly proud to mention that 6,745 employees are members of our Corporate Volunteering program, carried out jointly with Fundación MAPFRE, which carried out 1,263 activities in 2017 that directly benefitted 93,672 people.

Allow me to leave my final remarks for our shareholders, and to simply say that everything we do as regards the business, the good results and our commitment to sustainability, delivers a positive return for them. I am pleased to report that the final dividend for the 2017 financial year is 0.085 euros gross per share, bringing the total dividend charged against 2017 earnings to 0.145 euros gross per share, representing a payout of 63.7 percent.

I am convinced that the MAPFRE business model and the strategy focused on profitable growth, coupled with a high solvency level and low debt, guarantee healthy growth over the coming years.

I would like to end by expressing, both personally and in the name of the Board, our sincere gratitude and thanks to our clients, employees, shareholders, distributors and providers. MAPFRE is firmly committed to continuing to work to create value and contribute to economic and social development wherever we are present.

2. MAPFRE GROUP

[102-1, 102-2, 102-3, 102-4, 102-5, 102-18]

MAPFRE is a global company principally engaged in insurance and reinsurance activities in 45 countries around the world.

The company's origins can be traced to MAPFRE MUTUALIDAD, created in 1933 by the Association of Owners of Rural Properties in Spain to mutually cover the risks arising from their farming activities. In the 1960s, it embarked on a process of business expansion consisting of the creation of subsidiary trading companies. In 1980 these were grouped into the holding company CORPORACIÓN MAPFRE (now MAPFRE S.A.) and international expansion ensued, mainly in Latin America. Today, MAPFRE is the largest Spanish insurance company in the world and the third largest insurance group in Latin America, and is consolidating a growing presence in other markets such as North America, Europe and Asia.

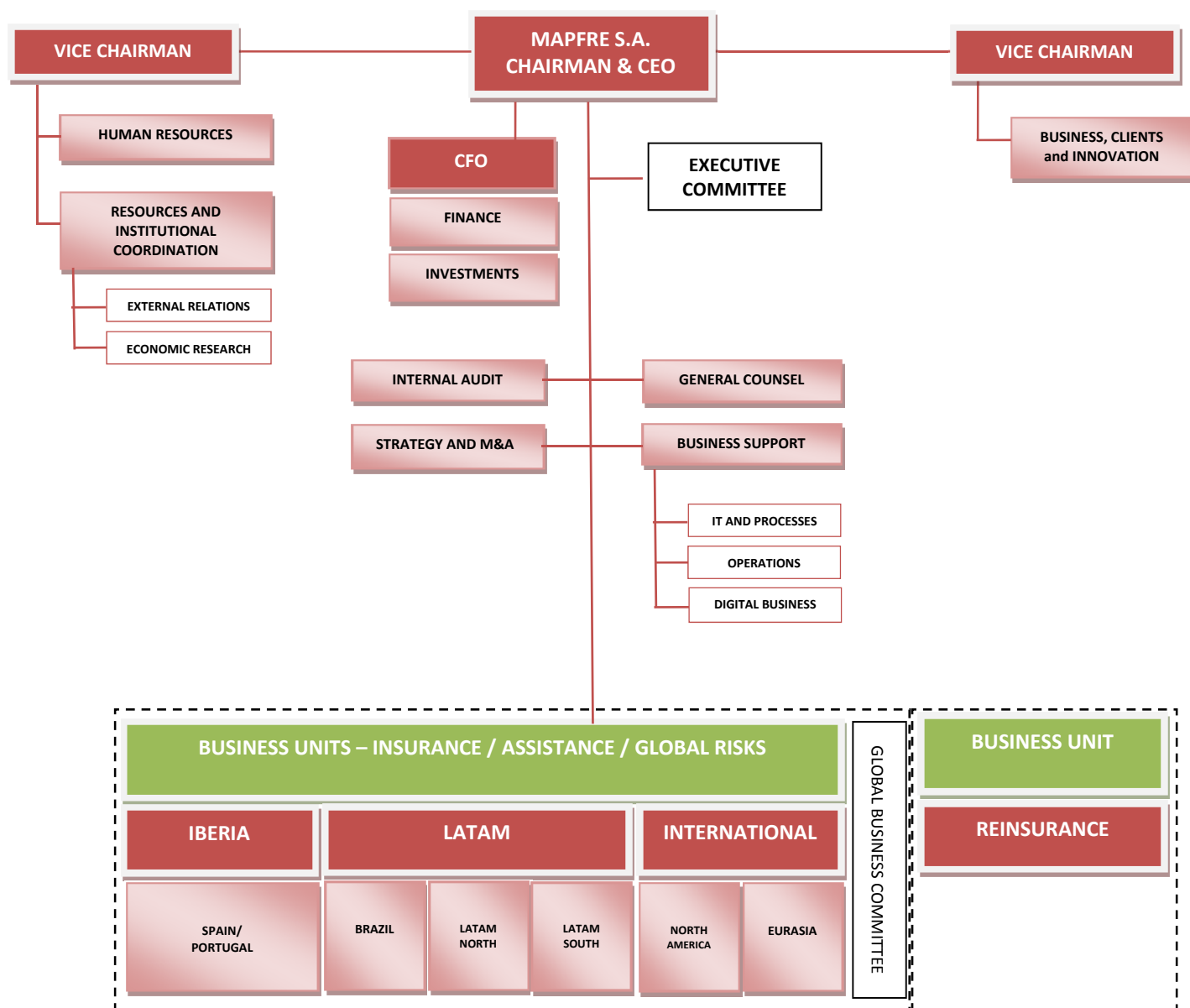
The Group's parent company is MAPFRE S.A., whose shares are listed on the Madrid and Barcelona Stock Exchanges. MAPFRE S.A. is also a component of the IBEX 35, STOXX Europe 600 Insurance, MSCI Spain, FTSE All-World Developed Europe, FTSE4Good and FTSE4Good IBEX indices.

The majority shareholder of MAPFRE S.A. is Fundación MAPFRE, which owns 68.3 percent of the share capital, thus guaranteeing the Group's independence and institutional stability. Fundación MAPFRE engages in general interest activities in the fields of Social Action, Insurance and Social Protection, Culture, Accident Prevention and Road Safety, and Health Promotion.

The Group's business comprises four Business Units (Insurance; Assistance, Services and Specialty Risks; Global Risks; and Reinsurance), three Territorial Areas (IBERIA, LATAM and INTERNATIONAL), and six Regional Areas: Iberia (Spain and Portugal), LATAM North, LATAM South, Brazil, North America and EURASIA (Europe, Middle East, Africa and Asia-Pacific).

The activities of the different business units are supplemented by those of the Corporate Areas (Finance, Investments, Human Resources, Resources and Institutional Coordination, Business Support, Internal Audit, Strategy and M&A, General Counsel, and Business, Clients and Innovation), which have jurisdiction over all MAPFRE companies worldwide in terms of the development, implementation and monitoring of global, regional and local corporate policies.

On October 25, 2017 the Executive Committee of MAPFRE S.A. approved the corporate organization chart shown here, which came into effect on January 1, 2018.



(*) Body which, under mandate from the Board of Directors, directly oversees the management of the Business Units and coordinates the Group's different Areas and Units.

2.1. Deployment

[102-4, 102-6, 102-7]

MAPFRE operates in 45 countries through 219 companies. At the end of 2017, it had 5,393 company-owned and representation offices located around the world. It also distributes its products through 7,487 branches of banking institutions and other sales points that sell MAPFRE insurance policies through collaboration agreements. Additionally, MAPFRE boasts a network of more than 84,000 agents and brokers, including approximately 7,300 in the United States and more than 22,600 in Brazil.

COUNTRY	ASSISTANCE	GLOBAL RISKS	REINSURANCE	DIRECT INSURANCE
GERMANY	•	•	•	•
ALGERIA	•			
ARGENTINA	•		•	•
AUSTRALIA	•			
BAHRAIN	•			
BELGIUM	•		•	
BRAZIL	•		•	•
CANADA	•		•	
CHILE	•		•	•
CHINA	•		•	
COLOMBIA	•		•	•
COSTA RICA	•			•
ECUADOR	•			•
EL SALVADOR	•			•
SPAIN		•	•	•
UNITED STATES	•		•	•
PHILIPPINES	•		•	•
FRANCE	•	•	•	
GREECE	•			
GUATEMALA	•			•
HONDURAS	•			•
HUNGARY	•			
INDIA	•			
INDONESIA	•			•
IRELAND	•			
ITALY	•	•	•	•
JAPAN			•	
JORDAN	•			
MALAYSIA			•	
MALTA	•			•
MEXICO	•		•	•
NICARAGUA	•			•
PANAMA	•			•
PARAGUAY				•

PERU	•			•
PORTUGAL	•		•	•
PUERTO RICO	•			•
UNITED KINGDOM	•	•	•	
DOMINICAN REPUBLIC	•			•
SINGAPORE			•	
TAIWAN	•			
TUNISIA	•			
TURKEY	•			•
URUGUAY	•			•
VENEZUELA	•		•	•

	2017	2016
Number of offices	12,860	14,418
IBERIA	5,527	6,259
LATAM	6,840	7,678
INTERNATIONAL	493	481
Regional distribution of the business by premiums		
IBERIA	27%	27%
LATAM	31%	29%
INTERNATIONAL	17%	18%
MAPFRE GLOBAL RISKS	5%	5%
MAPFRE ASISTENCIA	4%	4%
MAPFRE RE	16%	17%

MAPFRE is the largest Spanish insurer in the world and the eleventh largest insurer in Europe. It is present in nearly every country in Latin America (where it is the third largest insurance group and the market leader in Non-Life insurance), as well as in the United States (where it is one of the top 20 automobile insurers), Germany, Italy, Indonesia, Malta, the Philippines, Portugal, and Turkey.

In the Assistance segment, MAPFRE operates in 40 countries and is the sector's fourth largest company worldwide. Moreover, the Group has a professional reinsurance company (MAPFRE RE) which is ranked number 16 among reinsurance firms worldwide, and does business around the world through 20 offices. The Group's specialized company, MAPFRE GLOBAL RISKS, manages global insurance programs.

2.2. Key financial figures

[102-7, 201-1]

ITEM	DECEMBER 2017	DECEMBER 2016	Var.% 17/16
RESULTS			
Revenue	27,983.7	27,092.1	3.3%
Total written and accepted premiums	23,480.7	22,813.2	2.9%
- Non-Life	18,154.5	17,699.8	2.6%
- Life	5,326.2	5,113.3	4.2%
Attributable net result	700.5	775.5	-9.7%
Earnings per share (euros)	0.23	0.25	-9.7%
BALANCE SHEET			
Activos totales	67,569.5	67,881.8	-0.5%
Assets under management	60,082.0	58,871.7	2.1%
Shareholders' equity	8,611.3	9,126.5	-5.6%
Debt	2,327.4	2,202.9	5.7%
RATIOS			
Non-Life Loss Ratio	70.7%	70.0%	0.7 p.p
Non-Life Expense Ratio	27.5%	27.4%	0.1 p.p
Non-Life Combined Ratio	98.1%	97.4%	0.7 p.p
ROE	7.9%	8.8%	-0.9 p.p
EMPLOYEES AT THE CLOSE OF THE PERIOD			
Total	36,271	37,020	-2.0%
- Spain	10,894	10,721	1.6%
- Other countries	25,377	26,299	-3.5%
MAPFRE share			
Market capitalization (million euros)	8,247.0	8,930.7	-7.7%
Share price (euros)	2.678	2.900	-7.7%
Share price variation since January 1	-7.7%	25.4%	--

Figures in millions of euros

ITEM	SEPTEMBER 2017	DECEMBER 2016	Var.% 17/16
SOLVENCY			
Solvency ratio	189.4%	210.0%	-20.6 p.p

MAPFRE and its subsidiaries have credit ratings from the main credit ratings agencies, selected for their international presence, their relevance in the insurance sector and capital markets, and for their experience.

The credit ratings granted by the main ratings agencies are listed below.

Financial strength rating	S&P	FITCH	AM BEST	MOODY'S
MAPFRE RE	A/ Stable outlook	A-/ Positive outlook	A/ Stable outlook	
MAPFRE GLOBAL RISKS	A/ Stable outlook	A-/ Positive outlook	A/ Stable outlook	A3/ Stable outlook
MAPFRE ESPAÑA	-	A-/ Positive outlook	-	-
MAPFRE VIDA	-	A-/ Positive outlook	-	-
MAPFRE ASISTENCIA	-	-	-	A3/ Stable outlook

Issuer credit rating / counterparty	S&P	FITCH	Debt rating	S&P	FITCH
MAPFRE S.A.	BBB+ / Stable outlook	A- / Positive outlook	MAPFRE S.A. senior debt with maturity in 2026	BBB+	BBB+
			MAPFRE S.A. subordinated debt with maturity in 2047	BBB-	BBB-

2.3. Other historical data

Year	Revenue	Gross Profit	Number of Employees
1983	142	7	1,204
1986	434	20	2,323
1989	1,214	49	3,869
1992	2,419	37	5,528
1995	3,249	203	11,292
1998	4,546	178	15,219
2001	8,933	316	16,756
2004	10,756	847	19,920
2005	12,189	872	24,967
2006	13,234	1,156	28,091
2007	14,866	1,366	30,615
2008	17,711	1,383	34,603
2009	18,830	1,446	35,225
2010	20,471	1,431	36,744
2011	23,530	1,637	34,390
2012	25,301	1,372	35,586
2013	25,889	1,564	36,280
2014	25,652	1,746	37,053
2015	26,702	1,476	38,405
2016	27,092	1,805	37,020
2017	27,984	1,509	36,271

Figures in millions of euros, except employees

3. BUSINESS MODEL AND STRATEGY

[102-2, 102-6]

3.1. Business model

The vision of MAPFRE is to be THE MOST TRUSTED GLOBAL INSURANCE COMPANY, a concept that refers not only to its geographic presence, but also to the wide range of insurance, reinsurance and service products which it promotes around the globe. The Group aspires to lead the markets in which it operates through a proprietary, differentiated management model based on profitable growth, a clear and purposeful orientation to both individual and corporate clients, a multichannel focus, and a profound vocation for service.



Accordingly, MAPFRE:

- Is firmly committed to growth, both in terms of business volume and geographic development, generating adequate and sufficient profitability from its activities. MAPFRE will continue to expand its presence across more countries and regional areas in order to consolidate its status as a global company, while reinforcing its presence in the countries and regions which have traditionally constituted its preferred markets.
- Manages its business in an efficient manner and constantly improves productivity, reducing structural costs on a continuous basis in order to enhance its competitiveness.

- Professionally manages the risks it assumes, ensuring sustainable growth and results.
- Steers its development by diversifying its portfolio of insurance, reinsurance and services businesses as a means of boosting growth and minimizing risks.
- Deploys a global management model with ample capacity for local implementation, ensuring an appropriate balance between corporate involvement and business development in each country. As such, MAPFRE utilizes a corporate structure that allows it to harness economies of scale and pursue its business plans in a uniform manner but with the flexibility to adapt to the markets in which it operates.
- Makes its resources available to the entire organization, thus harnessing the synergies derived from sharing talent, processes and tools.
- Promotes specialized management as a means of continuously optimizing results and enhancing service quality.

[102-16]

MAPFRE's stated mission is to be a multinational team that strives to constantly improve services and develop the best possible relationships with clients, distributors, providers, shareholders and society in general.

This commitment to continuous improvement is underpinned by the following values, which assist in developing the mission and in order to achieve the company's vision:

- Solvency: financial strength with sustainable results and full capacity to meet all obligations to stakeholders.
- Integrity: ethical conduct as a core element in how everyone (senior executives, employees, agents and collaborators) behaves, with a socially responsible focus on all long-term activities and commitments.
- Vocation for service: the constant quest for excellence in the pursuit of its activities and a continuous focus on building strong relationships with clients.
- Innovation for leadership: differentiation as a key aspect of continuous growth and improvement, using technology to service the different businesses and their objectives.
- Committed team: full engagement of employees, senior executives, agents and other collaborators with the MAPFRE project and continuous development of the team's skills and abilities.

The resources that MAPFRE deploys to create sustained value are its main assets and correspond to the following capital types:

1. Financial Capital: economic resources to develop the business, generated either through operations and/or investments or obtained through financing.
2. Productive Capital: assets or goods and services used to pursue different activities.
3. Human Capital: the skills, knowledge, abilities and experience of the people employed by the organization.
4. Intellectual Capital: knowledge-based intangible assets that favor both intellectual property as well as knowledge of systems, procedures and protocols.
5. Social and Relational Capital: trust-based relationships generated with stakeholders; contribution to the development and well-being of the community, and other intangible assets related to reputation and the brand.
6. Natural Capital: appropriate management of natural resources and contribution to climate change mitigation and biodiversity conservation.

MAPFRE offers people a complete insurance program, which is adapted to the different countries in which it operates, through a wide insurance offering of Life, Health, Accident, General P&C (homeowners, automobile, third-party liability, family, etc.), Savings and Investment, Retirement, Burial, Travel and Lifestyle policies.

MAPFRE helps professionals, entrepreneurs, self-employed people and small companies to develop their commercial undertakings, offering a broad portfolio of products and services that enable them to concentrate on their professional activity (with solutions for vehicles, third-party liability and assets, agriculture and livestock, commercial establishments, etc.), and also insuring their personal risks (accidents, health, Life, retirement, savings and investments).

The company also offers specific solutions for small and medium-sized enterprises as well as large corporations, with a range of products and services adapted to the activity of each organization, at local, national and global level, and tailored to the management model of each client, with products for Vehicles, Third-Party Liability and General P&C, Engineering and Construction, Hulls and Aviation, Goods Transportation, Agribusiness, Surety and Credit, Group Health, Accident, Life and Retirement Insurance, among others.

Additionally, MAPFRE supplements its insurance activities with a range of reinsurance products.

The Group carries out its business activities through an organizational structure consisting of four business units (Insurance; Assistance, Services and Specialty Risks; Global Risks, and Reinsurance).

The territorial areas are the geographic units that manage and coordinate the MAPFRE Insurance Unit in their respective territory.

All the business units except for Reinsurance are organized as per the MAPFRE regional areas, which are the geographic units that plan, support and oversee all the business units in the region.

The IBERIA Territorial Area coincides with the Iberia Regional Area, which is made up of Spain and Portugal. The LATAM Territorial Area is subdivided into the regional areas of Brazil, LATAM North (Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama and the Dominican Republic) and LATAM South (Argentina, Colombia, Chile, Ecuador, Paraguay, Peru, Uruguay and Venezuela). The INTERNATIONAL Territorial Area comprises the regional areas of North America (Canada, Puerto Rico and the United States), EURASIA (which includes operations in Europe—except Spain and Portugal—the Middle East, Africa, Australia and Asia).

MAPFRE is firmly committed to using its own networks in the countries in which it operates, which is compatible with the use of other distribution channels. Some of the key features behind the success of MAPFRE's business model are its client orientation, global product offering, and adaptation to the legal and commercial nature of each market.

MAPFRE's own networks are supplemented by the distribution capacity deriving from the signing of agreements with different institutions, notably its bancassurance agreements, but also including those with other financial institutions, car dealers, shopping malls and service companies, etc.

MAPFRE's stated mission is to develop the best possible relationships with stakeholders, which include employees, clients, distributors, providers, shareholders and society in general. For more information, please consult the chapter on Social and Relational Capital.

3.2. Strategy

MAPFRE places great emphasis on strategic planning as a tool for achieving the medium and long-term objectives set down by management. Since 2015 the activities designed to enact the Group's vision, mission and values have been reinforced and the strategy map was implemented.

In recent years MAPFRE has consolidated its strategy at every level of the organization to work as one large team, moving in the same direction. Accordingly, a common, aligned strategy is followed in every market in which the Group operates. Since 2016, and in compliance with the strategic plan approved by the Group's Governing Bodies for 2016-2018, advances have been made with initiatives and projects to support its strategic objectives, prioritizing and concentrating its efforts to advance as a single organization and uphold the commitments made to shareholders.

We are currently at the mid-point of the Strategic Plan, in which the focus has been on **Profitable Growth**, supporting management via four strategic pillars and a series of initiatives that were reinforced in 2017 to continue advancing toward building a more digital company:

1. Client orientation

The Group attaches great importance to identifying and understanding client needs, behavior and aspirations as a means of retaining existing clients and capturing new ones from the market. To achieve this goal, a **Client Relationship Model** was implemented that helps adapt the sales offering, operations, structure and technology to the requirements and needs of each client. All of this is tailored to the specific characteristics of each market.

The maturity attained by the **Client Experience Model** initiative has facilitated moving it to the production level, and to work on managing the results obtained through surveys of clients and non-clients to differentiate ourselves and deliver beyond their expectations.

In 2017, progress was also made in positioning MAPFRE in Large Cities, which will allow the company to increase market share there.

2. Digital transformation

It is essential that MAPFRE keeps up its efforts to adapt to the new digital age, working on the digitalization of processes to achieve operational excellence, and the digitalization of the client touchpoints. All of this has the objective of strengthening their experience with the company, ensuring service and quality levels.

Another important focus of this pillar is the Digital Business Plan, which was defined to develop existing and new operations, thus increasing the weight of this distribution model at MAPFRE.

In response to trends in the automobile sector, special importance is being placed on the initiative that has been underway for a number of years to develop capacities in the automobile area and the Group's role with respect to new mobility concepts.

It is also intended to take advantage of the opportunity provided by digitalization to develop a business model that facilitates attaining leadership in the Health strategic line.

3. Excellence in technical and operational management

The insurance business involves a constant quest for operational excellence and adaptation to regulatory changes in the industry, so that technical profitability higher than the market can be achieved in the most important lines, which will also maintain and improve MAPFRE's competitive position.

The Strategic Provider Initiative underway has reached an implementation level that has allowed it to be put into production mode. Work to develop initiatives related to efficiency continues, focusing on the Contact Center, Claims Costs, the development of Operating Models and the promotion of self-service.

During 2017 a Strategic Initiative for Predictive Models was started, with the aim of transforming the manner in business is handled, taking advantage of data knowledge and intelligence.

4. Culture and talent

The successful implementation of the Strategic Plan depends on unequivocal support from employees and the MAPFRE culture. Big steps have been taken in the initiative with respect to Talent Management, which has allowed it to be included in habitual production processes and for fresh challenges to be taken on within a new initiative: the Digital Challenge, which will enable the organizational change that MAPFRE needs to adapt to new digital imperatives to be successfully managed.

It is important to highlight the advances the Group has made in terms of equal opportunities, diversity and labor inclusion, which it will continue to pursue in the coming years.

3.3. Future outlook

The main financial strategic commitments and the four pillars of the strategic plan for the three-year period 2016-2018 are described below.

Financial

The primary objective is to create sustainable value for shareholders through profitable growth and the efficient management of our balance sheet. Given these premises, the principal goals for the three years are as follows:

- To achieve total revenue of 31 billion euros by the close of 2018.
- To obtain an average ROE of no less than 11 percent for the three-year period.
- To produce an average dividend yield of approximately 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 Group profits.

The objectives related to the four strategic pillars are as follows:

Client orientation

- To improve the quality perceived by clients, as measured via the NPS (Net Promoter Score) indicator in those countries which together represent at least 80 percent of the Non-Life premiums for individuals, and to achieve a client rating that is higher than the average of our main competitors in at least 70 percent of our businesses.
- To increase market share in at least 75 percent of Non-Life businesses and to boost sales of life insurance and pension fund products.

Digital transformation

- To increase by 30 percent the number of digital transactions that clients carry out with the company in the main markets (Spain, Brazil, United States and Mexico) by ensuring that the majority of operations can be conducted online.
- To increase digital business by 50 percent via the MAPFRE, VERTI and INSUREANDGO brands.

Excellence in technical and operational management

- To maintain the average combined ratio for the three-year period below 96 percent.

- To cut costs and therefore obtain an average expense ratio for the period of less than 28 percent of premiums. We will capitalize on the development of all the global strategic initiatives relating to operational, digital and provider transformation to obtain cost savings of no less than 150 million euros during the course of the three-year period.
- To improve the mechanization of our service provider management processes by automating at least 60 percent of assignments.

Culture and talent

- To launch a series of projects that will make us one of the best companies in the world to work for, using the Great Place to Work methodology to achieve an employee satisfaction score of more than 80 percent by the end of the three-year period.
- To achieve genuine gender equality and labor inclusion worldwide, ensuring that by 2018 women occupy at least 40 percent of all management responsibility positions. Additionally, during the course of the next three years we will ensure that people with some form of disability make up at least 2 percent of our workforce.
- To develop occupational and geographic mobility programs for at least 10 percent of the workforce each year.

4. BUSINESS PERFORMANCE

[102-2, 102-6]

4.1. General information

[201-1]

Consolidated revenue

ITEM	DECEMBER 2017	DECEMBER 2016	Var.% 17/16
Total written and accepted premiums	23,480.7	22,813.2	2.9%
Investments financial income	2,801.7	3,056.3	-8.3%
Revenue from non-insurance entities and other incomes	1,701.3	1,222.6	39.1%
Total consolidated revenue	27,983.7	27,092.1	3.3%

Figures in millions of euros

The Group's consolidated revenue reached 27.9 billion euros, with growth of 3.3 percent, which strengthened the upward trend of the last few years.

Premiums from direct insurance and accepted reinsurance, which represent a fundamental part of revenue, reached 23.5 billion euros, with notable growth of 2.9 percent, primarily backed by the increase in premiums in Spain, Mexico, Central America, and the Global Risks Business Unit.

This increase in premium growth is framed in the Group's strategic line of "profitable growth", which aims to improve profitability mainly in Non-Life insurance. As a result, in 2017, the cancellation of unprofitable policies has continued, for an amount of approximately 530 million euros, mainly in Autos and General P&C, which partially conditions decrease.

Non-Life premiums grew by 2.6 percent, while Life premiums reached relevant growth of 4.2 percent.

By Non-Life business type, Automobile is the most important line, with 7.3 billion euros in premiums and a decrease of 1.4 percent due primarily to the portfolio reduction in Brazil, Mexico and Turkey. General P&C holds second place, with 6.3 billion euros and growth of 10.3 percent, driven by the PEMEX policy in Mexico for 545 million dollars; and Health and Accidents is in third place with 1.2 billion euros in premiums and 1.2 percent growth.

Gross revenue from investments reached 2.8 billion euros, below the previous period, due to the recurrent low-interest rate environment in Europe and the fall in interest rates in Brazil and other LATAM countries, as well as lower financial gains.

Finally, other revenue, which, for the most part, includes non-insurance activity and non-technical revenue, reflects an increase primarily from higher revenue from positive currency conversion differences, as well as from the cancellation of a reserve for contingent payments in the bancassurance channel in Spain totaling 29 million euros, as the necessary level of certain long-term objectives were not reached.

Funds under Management

The following charts show the performance of managed savings, including both technical provisions of Life insurance companies, and the Life provisions of multiline insurance companies, which are presented in the Group's consolidated balance sheet.

In addition to the Life insurance operations, MAPFRE manages its clients' savings through pension and mutual funds.

Managed savings

The following chart shows the details of and changes in managed savings, which includes both concepts:

ITEM	DECEMBER 2017	DECEMBER 2016	Var.% 17/16
Life technical provisions	28,718.9	29,173.1	-1.6%
Pension funds	5,082.1	4,684.1	8.5%
Mutual funds and other	5,203.9	4,631.5	12.4%
Subtotal	39,004.9	38,488.8	1.3%

Figures in millions of euros

In the information regarding managed savings in 2017 and 2016, UNIÓN DUERO VIDA and DUERO PENSIONES are not included, as at that time they were already classified as assets-held-for-sale.

Changes in managed savings with respect to December of the previous year reflect:

1. The reduction in Life technical provisions, from the fall in the portfolio as a result of redemptions, mainly in the bancassurance channel in Spain.
2. The reduction in the value of managed savings in Brazil and other countries outside of the Eurozone from the depreciation of their currencies.
3. The growth in pension and mutual funds, fruit of MAPFRE's strategy to push Asset Management as an alternative to traditional Life Savings products, which are less attractive to clients in the current low-interest rate environment.

Assets under management

The following chart reflects the performance of assets under management, which includes the total Group investment portfolio as well as pension and mutual funds, and which shows growth of 2.1 percent:

ITEM	DECEMBER 2017	DECEMBER 2016	Var.% 17/16
Investment portfolio	49,796.0	49,556.0	0.5%
Pension funds	5,082.1	4,684.1	8.5%
Mutual funds and other	5,203.9	4,631.5	12.4%
Total	60,082.0	58,871.7	2.1%

Figures in millions of euros

Management ratios

The combined ratio measures the impact on premiums of management costs and the loss ratio for the period. In 2017 this ratio was 98.1 percent, representing an increase of 0.7 percentage points compared to the previous year.

Return on shareholders' equity (ROE)

Return on equity (ROE), which represents the relationship between net profit attributable to the parent company (deducting the share of external partners) and average shareholders' equity, was 7.9 percent (8.8 percent in 2016).

Relevant facts

[102-10]

The following are among the relevant facts for 2017:

- On September 25 last, MAPFRE informed, via a relevant fact, of the impact of hurricanes Harvey, Irma and María on the Atlantic coast of North America and the Caribbean, of exceptional scale and frequency, and also of the earthquakes that struck Mexico, estimating a net cost after taxes and minorities of between 150 and 200 million euros on the result attributable for the period, as per preliminary estimates carried out by the company.
- MAPFRE launched MAPFRE Gestión Patrimonial (MGP), a new business offering financial investment solutions that aim to deliver returns on clients' savings, and which commenced operations with the opening of a Madrid office.

- MAPFRE successfully placed 30-year subordinated debt securities, with an option to redeem in 10 years, totaling 600 million euros, and bearing a fixed interest rate of 4.375 percent over the first 10 years.
- MAPFRE took control of Indonesian insurance company “PT BINA DANA ARTA” (ABDA), after obtaining authorization from the regulatory bodies for the purchase of an additional 31 percent stake in the company, taking it to a controlling 51 percent stake.
- MAPFRE completed the launch of VERTI Versicherung AG en Alemania, which had operated under the Direct Line brand up until then.
- MAPFRE MÉXICO is awarded, for the second consecutive time and via public tender, the integrated insurance policy for Petróleos Mexicanos (PEMEX), which carried with it a premium in excess of 545 million dollars (approximately 479 million euros).
- MAPFRE makes further inroads with the international expansion of its Verti brand, launching operations in the USA.
- MAPFRE purchased 25 percent of French asset manager La Financière Responsable (LFR), a transaction that encompasses the company’s commitment to a responsible investment policy.

4.2. Information by Regional Area

MAPFRE manages its insurance business through six Regional Areas that group different geographically-close countries, and which comprise the different operations of the INSURANCE, ASSISTANCE, and GLOBAL RISKS businesses.

The following chart shows premiums and results, as well as the Non-Life combined ratio.

Key figures

	PREMIUMS			ATTRIBUTABLE RESULT			COMBINED RATIO	
	DEC. 2017	DEC. 2016	Var.% 17/16	DEC. 2017	DEC. 2016	Var.% 17/16	DEC. 2017	DEC. 2016
IBERIA	7,403.9	7,139.4	3.7%	525.2	582.3	-9.8%	93.9%	94.0%
BRAZIL	4,734.3	4,587.4	3.2%	127.9	144.4	-11.5%	96.1%	94.2%
LATAM NORTH	1,848.1	1,343.2	37.6%	26.5	38.8	-31.7%	99.5%	100.9%
LATAM SOUTH	1,827.5	1,877.8	-2.7%	64.4	5.2	--	98.2%	100.2%
NORTH AMERICA	2,788.0	2,902.4	-3.9%	15.3	80.0	-80.9%	106.4%	100.3%
EURASIA	2,552.0	2,700.7	-5.5%	(62.2)	(123.1)	49.4%	107.2%	107.9%

Figures in millions of euros

The most significant aspects are:

1. Premiums and results show very solid growth in IBERIA, with excellent performance in the Auto line and the contribution of Spain's result to the Group.
2. Premiums in BRAZIL show positive results compared to last year, from the appreciation of the average exchange rate of the Brazilian real, although there is no growth in the original currency. The lower result is a consequence of a lower financial result due to the drop in interest rates in Brazil in 2017 and of the increase in acquisition costs and high loss experience in Auto.
3. LATAM NORTH shows premium growth of 37.6 percent to December from the issuing of the PEMEX policy for a two-year coverage period. The region's earnings reflect the discrete result in Mexico due to the high loss ratio in Automobiles and the impact of catastrophic events on the GLOBAL RISKS business.
4. LATAM SOUTH experienced an increase in results, thanks to the favorable evolution of the insurance business in Colombia and Peru. However, this improvement was offset by the negative impact of a severe claim in the GLOBAL RISKS business in Peru, due to the heavy rains caused by weather related to "Coastal El Niño".
5. NORTH AMERICA has growth containment in premiums and lower due to the high loss experience in the Auto line in the United States, and to the impact of the catastrophic events on the insurance and GLOBAL RISKS businesses, which had strong economic repercussions on Puerto Rico's results.

6. EURASIA experienced a drop in premiums, primarily due to Turkey, as a result of growth containment in compulsory Third Party Liability for Auto insurance. It is important to point out the extraordinary improvement in results in Turkey, as well as favorable development of business in Italy. However, EURASIA presented losses of 62.2 million euros, due to the negative results of ASISTENCIA in the United Kingdom and certain large claims in GLOBAL RISKS. ABDA business is included as of June 2017.

4.3. Information by Business Unit

[FS6]

MAPFRE manages its business through four business units: Insurance, Reinsurance, Assistance, and Global Risks.

The chart below shows premiums, attributable result, and Non-life combined ratio for the business units:

Key figures

	PREMIUMS			ATTRIBUTABLE RESULT			COMBINED RATIO	
	DEC. 2017	DEC. 2016	Var.% 17/16	DEC. 2017	DEC. 2016	Var.% 17/16	DEC. 2017	DEC. 2016
IBERIA	6,960.2	6,704.5	3.8%	511.5	535.9	-4.6%	93.7%	94.5%
LATAM	8,017.9	7,385.4	8.6%	229.4	192.1	19.4%	96.6%	96.6%
INTERNATIONAL	4,398.2	4,593.4	-4.2%	88.0	8.3	--	103.6%	103.1%
TOTAL INSURANCE	19,376.3	18,683.3	3.7%	828.9	736.3	12.6%	97.4%	97.6%
RE	4,222.4	4,234.7	-0.3%	162.7	186.1	-12.6%	94.8%	94.0%
ASISTENCIA	983.5	1,066.8	-7.8%	(68.4)	(56.4)	-21.4%	103.7%	102.0%
GLOBAL RISKS	1,257.4	1,212.2	3.7%	(66.3)	47.3	--	135.4%	97.5%
Holdings and consolidation adjustments	(2,359.0)	(2,383.8)	1.0%	(156.3)	(137.8)	-13.4%	--	--
MAPFRE S.A.	23,480.7	22,813.2	2.9%	700.5	775.5	-9.7%	98.1%	97.4%

Figures in millions of euros

The most important changes are:

1. Premiums show significant growth in all business units, with the exception of ASISTENCIA, mainly as a result of the current business restructuring, and INTERNATIONAL due to the previously mentioned growth containment in premiums in North America and the lower issuing in Turkey.

2. Results have evolved positively in insurance entities in IBERIA, LATAM and INTERNATIONAL, with 12.6 percent growth in the insurance business units at the close of December 2017.
3. MAPFRE RE continues to contribute positively to the Group, both in premiums and in results, reaching earnings of 162.7 million euros to December 2017, despite the catastrophic events that took place during the year, which have had an attributable net cost of 58.2 million euros for this company.
4. MAPFRE ASISTENCIA is highly affected by losses in the United Kingdom and by business restructuring.
5. GLOBAL RISKS is negatively affected by the catastrophic events that occurred during the year, that have had an attributable net cost of 77.4 million euros for this company, and by large claims that have been impacting it this whole year.

INSURANCE COMPANIES

4.3.1. IBERIA

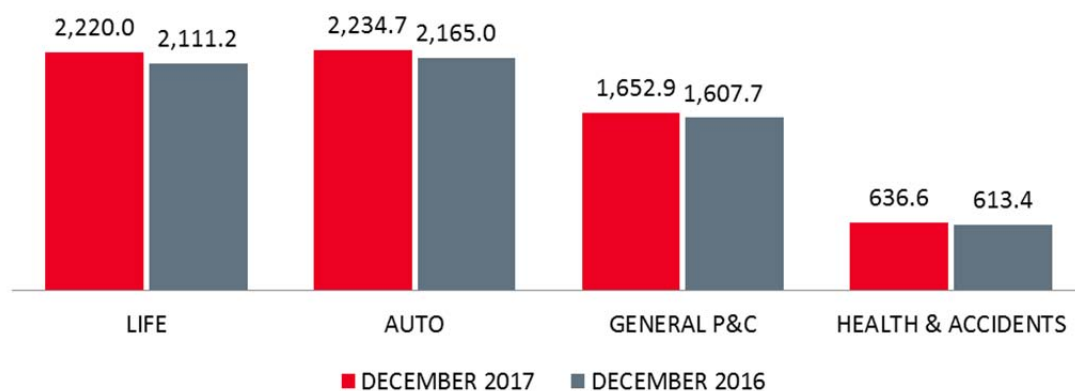
IBERIA encompasses the business activities of MAPFRE ESPAÑA and its subsidiary in Portugal, as well as the Life business managed by MAPFRE VIDA and its bancassurance subsidiaries.

Information by country

	PREMIUMS			ATTRIBUTABLE RESULT			COMBINED RATIO	
	DEC. 2017	DEC. 2016	Var.% 17/16	DEC. 2017	DEC. 2016	Var.% 17/16	DEC. 2017	DEC. 2016
IBERIA	6,960.2	6,704.5	3.8%	511.5	535.9	-4.6%	93.7%	94.5%
SPAIN	6,820.6	6,564.3	3.9%	515.0	535.0	-3.7%	93.4%	94.2%
PORTUGAL	139.6	140.2	-0.4%	(3.5)	1.0	--	112.1%	106.3%

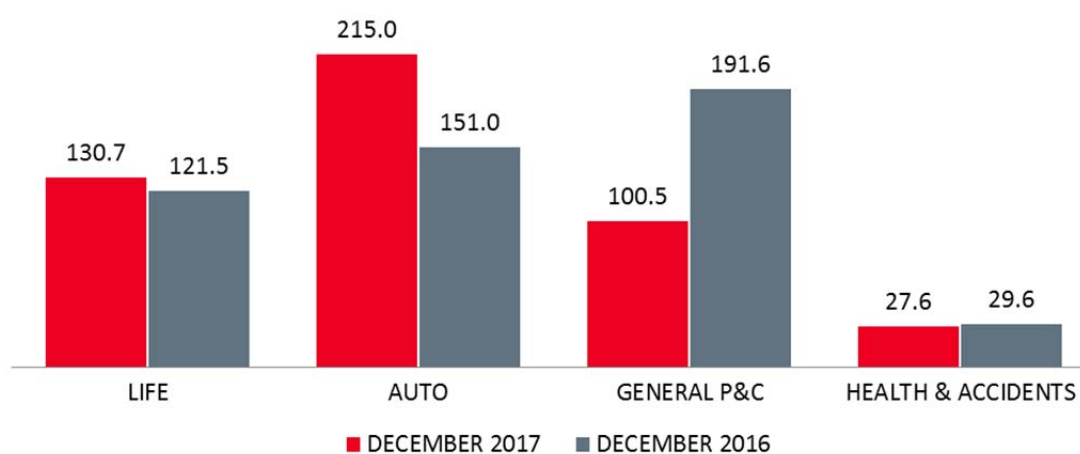
Figures in millions of euros

Written premiums in key lines



Figures in millions of euros

Result



Figures in millions of euros

The market shares in Spain* and Portugal at December and September 2017, respectively, are shown below:

SPAIN	Dec-17	Dec-16
Automobile	20.0%	19.9%
Health	6.4%	6.4%
Other Non-Life	14.3%	15.0%

Total Non-Life	14.3%	14.5%
Total Life	6.5%	6.3%
TOTAL	10.7%	10.5%

* Estimated market shares, using data published by ICEA, which only takes into account written direct insurance premiums. The figures include premiums written by MAPFRE GLOBAL RISKS.

PORTUGAL	SEP-17	SEP-16
Automobile	2.4%	3.3%
Total Non-Life	2.0%	2.7%
Total Life	0.8%	0.7%
TOTAL	1.3%	1.4%

4.3.2. LATAM

This territorial area comprises the regional areas of BRAZIL, LATAM NORTH, and LATAM SOUTH.

Information by region

	PREMIUMS			ATTRIBUTABLE RESULT			COMBINED RATIO	
	DEC. 2017	DEC. 2016	Var.% 17/16	DEC. 2017	DEC. 2016	Var.% 17/16	DEC. 2017	DEC. 2016
BRAZIL	4,546.9	4,392.8	3.5%	125.4	141.3	-11.3%	96.1%	94.2%
LATAM NORTH	1,772.1	1,269.0	39.6%	33.8	34.2	-1.4%	98.0%	102.3%
LATAM SOUTH	1,698.9	1,723.6	-1.4%	70.2	16.5	--	96.9%	99.1%

Figures in millions of euros

The following table shows market shares for direct Non-Life insurance in the main countries in the region:

COUNTRY	Ranking (at Dec-2016)	Market share ⁽¹⁾	Market share date
Argentina	17	2.0%	Sep-17
Brazil	2	13.6%	Nov-17
Chile	6	7.1%	Sep-17
Colombia	8	5.4%	Sep-17
Mexico	7	7.5%	Sep-17
Peru	3	19.6%	Nov-17
Puerto Rico	7	3.3%	June-17

⁽¹⁾ Figures according to the latest available information for each market.

Source: MAPFRE Economic Research, using data from the supervisors in each country.

BRAZIL

This regional area encompasses the insurance activity in Brazil.

Key figures

ITEM	DECEMBER 2017	DECEMBER 2016	Var.% 17/16
Gross written and accepted premiums	4,546.9	4,392.8	3.5%
- Non-Life	2,996.0	2,869.8	4.4%
- Life	1,550.9	1,523.1	1.8%
Net premiums earned	3,728.4	3,824.5	-2.5%
Gross result	620.1	808.2	-23.3%
Tax on profits	(217.8)	(310.9)	-29.9%
Non-controlling interests	(276.9)	(356.0)	-22.2%
Attributable net result	125.4	141.3	-11.3%
Combined ratio	96.1%	94.2%	1.8 p.p.
Expense ratio	34.5%	31.5%	3.0 p.p.
Loss ratio	61.6%	62.7%	-1.2 p.p.

Figures in millions of euros

Breakdown by line

BUSINESS LINE	PREMIUMS			ATTRIBUTABLE RESULT			COMBINED RATIO	
	DEC. 2017	DEC. 2016	Var.% 17/16	DEC. 2017	DEC. 2016	Var.% 17/16	DEC. 2017	DEC. 2016
LIFE	1,550.9	1,523.1	1.8%	54.7	66.9	-18.2%	--	--
AUTO	1,205.2	1,232.5	-2.2%	(13.4)	10.4	--	107.7%	104.0%
GENERAL P&C	1,787.0	1,631.6	9.5%	78.6	68.4	15.0%	81.2%	79.9%

Figures in millions of euros

LATAM NORTH

This regional area includes Mexico and the sub-region of Central America, which includes operations in Panama, the Dominican Republic, Honduras, Guatemala, Costa Rica, El Salvador and Nicaragua.

Key figures

ITEM	DECEMBER 2017	DECEMBER 2016	Var.% 17/16
Gross written and accepted premiums	1,772.1	1,269.0	39.6%
- Non-Life	1,437.6	969.6	48.3%
- Life	334.5	299.4	11.8%
Net premiums earned	831.6	827.9	0.4%
Gross result	57.6	50.4	14.4%
Tax on profits	(14.4)	(7.6)	89.6%
Non-controlling interests	(9.4)	(8.5)	10.9%
Attributable net result	33.8	34.2	-1.4%
Combined ratio	98.0%	102.3%	-4.2 p.p.
Expense ratio	32.8%	34.0%	-1.2 p.p.
Loss ratio	65.2%	68.2%	-3.0 p.p.

Figures in millions of euros

Breakdown of key countries

COUNTRY	PREMIUMS			ATTRIBUTABLE RESULT		
	DEC. 2017	DEC. 2016	Var.% 17/16	DEC. 2017	DEC. 2016	Var.% 17/16
MEXICO	1,182.8	715.8	65.2%	5.4	7.1	-23.8%
PANAMA	217.7	208.7	4.3%	10.0	9.6	3.6%
DOMINICAN REP.	125.4	118.6	5.7%	9.1	8.2	11.4%
HONDURAS	72.9	74.6	-2.3%	5.0	5.7	-12.5%

Figures in millions of euros

LATAM SOUTH

This regional area encompasses the business activities in Peru, Colombia, Argentina, Chile, Uruguay, Paraguay and Ecuador.

Key figures

ITEM	DECEMBER 2017	DECEMBER 2016	Var.% 17/16
Gross written and accepted premiums	1,698.9	1,723.6	-1.4%
- Non-Life	1,435.3	1,486.0	-3.4%
- Life	263.6	237.5	11.0%
Net premiums earned	1,001.8	979.8	2.3%
Gross result	107.9	45.7	136.1%
Tax on profits	(27.3)	(21.3)	28.4%

Non-controlling interests	(10.4)	(7.9)	30.8%
Attributable net result	70.2	16.5	--
Combined ratio	96.9%	99.1%	-2.2 p.p.
Expense ratio	36.4%	37.0%	-0.6 p.p.
Loss ratio	60.4%	62.1%	-1.6 p.p.

Figures in millions of euros

Breakdown of key countries

COUNTRY	PREMIUMS			ATTRIBUTABLE RESULT		
	DEC. 2017	DEC. 2016	Var.% 17/16	DEC. 2017	DEC. 2016	Var.% 17/16
COLOMBIA	393.9	401.3	-1.9%	13.2	(26.5)	149.7%
PERÚ	469.6	463.1	1.4%	34.8	28.5	22.2%
ARGENTINA	291.9	281.9	3.6%	11.6	2.5	--
CHILE	306.9	365.6	-16.1%	0.9	4.3	-78.4%

Figures in millions of euros

4.3.3. INTERNATIONAL

This territorial area comprises NORTH AMERICA and EURASIA.

Information by Area

	PREMIUMS			ATTRIBUTABLE RESULT			COMBINED RATIO	
	DEC. 2017	DEC. 2016	Var.% 17/16	DEC. 2017	DEC. 2016	Var.% 17/16	DEC. 2017	DEC. 2016
NORTH AMERICA	2,528.5	2,623.3	-3.6%	48.7	77.3	-37.0%	104.9%	101.0%
EURASIA	1,869.7	1,970.0	-5.1%	39.3	(69.0)	157.0%	100.9%	107.3%

Figures in millions of euros

NORTH AMERICA

This regional area has its headquarters in Webster, MA (U.S.A.) and encompasses the business activity in NORTH AMERICA (United States and Puerto Rico).

Key figures

ITEM	DECEMBER 2017	DECEMBER 2016	Var.% 17/16
Gross written and accepted premiums	2,528.5	2,623.3	-3.6%
Net premiums earned	1,996.5	2,023.0	-1.3%
Gross result	20.9	114.8	-81.8%
Tax on profits	28.0	(37.0)	-175.6%
Non-controlling interests	(0.2)	(0.5)	-52.3%
Attributable net result	48.7	77.3	-37.0%
Combined ratio	104.9%	101.0%	3.9 p.p.
Expense ratio	25.5%	25.6%	0.0 p.p.
Loss ratio	79.4%	75.4%	4.0 p.p.

Figures in millions of euros

Breakdown by country

COUNTRY	PREMIUMS			ATTRIBUTABLE RESULT		
	DEC. 2017	DEC. 2016	Var.% 17/16	DEC. 2017	DEC. 2016	Var.% 17/16
UNITED STATES	2,201.6	2,260.6	-2.6%	65.6	64.1	2.4%
PUERTO RICO	326.9	362.7	-9.9%	(16.9)	13.2	--

Figures in millions of euros

In the state of Massachusetts, (USA), the market shares are as follows:

BUSINESS LINE	MASSACHUSETTS	
	Dec-16	Dec-15
Automobile	22.6%	23.0%
Total Non-Life	11.6%	11.7%
Total Life	0.0%	0.0%
TOTAL	3.2%	3.1%

Source: SNL

EURASIA

This regional area encompasses the business activities in Italy, Germany, Turkey, Malta, Indonesia and the Philippines.

Key figures

ITEM	DECEMBER 2017	DECEMBER 2016	Var.% 17/16
Gross written and accepted premiums	1,869.7	1,970.0	-5.1%
- Non-Life	1,574.0	1,691.3	-6.9%
- Life	295.8	278.7	6.1%
Net premiums earned	1,303.7	1,327.7	-1.8%
Gross result	60.9	(75.3)	180.9%
Tax on profits	(10.8)	11.7	192.3%
Non-controlling interests	(10.8)	(5.4)	100.7%
Attributable net result	39.3	(69.0)	157.0%
Combined ratio	100.9%	107.3%	-6.3 p.p.
Expense ratio	23.2%	26.7%	-3.5 p.p.
Loss ratio	77.7%	80.5%	-2.8 p.p.

Figures in millions of euros

Breakdown by country

COUNTRY	PREMIUMS			ATTRIBUTABLE RESULT		
	DEC. 2017	DEC. 2016	Var.% 17/16	DEC. 2017	DEC. 2016	Var.% 17/16
TURKEY	653.2	838.5	-22.1%	48.4	29.9	62.0%
ITALY	471.4	466.2	1.1%	(13.9)	(91.6)	84.8%
GERMANY	310.7	290.6	6.9%	2.7	2.4	10.7%
MALTA	351.1	332.6	5.6%	4.1	1.9	114.7%
FILIPINAS	39.8	42.1	-5.6%	0.2	(2.3)	106.9%
INDONESIA	43.5	0.0	--	4.0	2.4	68.4%

Figures in millions of euros

In the EURASIA region, the market shares are as follows:

BUSINESS LINE	GERMANY		ITALY		MALTA		TURKEY	
	Dec-16	Dec-15	June-17	June-16	Dec-16	Dec-15	June-17	June-16
Automobile	1.1%	1.1%	2.7%	2.8%	36.2%	28.7%	8.7%	10.2%
Total Non-Life	0.3%	0.3%	1.4%	1.5%	32.5%	27.5%	7.6%	8.3%
Total Life	0.0%	0.0%	0.0%	0.0%	76.0%	70.8%	0.3%	0.3%
TOTAL	0.1%	0.1%	0.3%	0.3%	60.0%	51.1%	6.5%	7.4%

Source: Insurance association in each country

BUSINESS LINE	PHILIPPINES		INDONESIA	
	DEC-16	DEC-15	SEP-17	SEP-16
Automobile	5.3%	5.6%	5.2%	5.6%
Total Non-Life	3.1%	3.2%	2.0%	2.2%
Total Life	0.0%	0.0%	0.0%	0.0%
TOTAL	0.9%	0.8%	0.6%	0.7%

Source: Supervisor in each country

4.3.4. MAPFRE RE

MAPFRE RE is a global reinsurer and is the main reinsurer of MAPFRE Group.

MAPFRE RE offers reinsurance services and capacities, providing all kinds of solutions for reinsurance treaties and facultative reinsurance, in all Life and Non-Life lines.

Key figures

ITEM	DECEMBER 2017	DECEMBER 2016	Var.% 17/16
Gross written and accepted premiums	4,222.4	4,234.7	-0.3%
- Non-Life	3,565.7	3,586.5	-0.6%
- Life	656.7	648.2	1.3%
Net premiums earned	2,999.7	2,691.8	11.4%
Gross result	221.2	252.8	-12.5%
Tax on profits	(58.6)	(66.8)	-12.3%
Non-controlling interests	--	--	94.4%
Attributable net result	162.7	186.1	-12.6%
Combined ratio	94.8%	94.0%	0.8 p.p.
Expense ratio	28.6%	29.0%	-0.5 p.p.
Loss ratio	66.2%	65.0%	1.2 p.p.

Figures in millions of euros

Breakdown of premium distribution to December 2017 is as follows:

	%		%
By Type of business:		By Ceding company:	
Proportional	80.6%	MAPFRE	44.4%
Non-proportional	13.4%	Other	55.6%
Facultative	6.0%		
By Region:		By Insurance Line:	
IBERIA	16.3%	Property	49.3%
EURASIA	50.2%	Life & Accident	19.5%
LATAM	17.8%	Motor	21.8%
NORTH AMERICA	15.8%	Transport	3.5%
		Other Insurance lines	5.9%

4.3.5. MAPFRE GLOBAL RISKS

This business unit specializes in global insurance programs for large multinational companies (e.g. aviation insurance policies, nuclear risks and energy insurance policies, third party liability insurance policies, fire insurance policies, engineering insurance policies, transport insurance policies and suretyship).

Key figures

ITEM	DECEMBER 2017	DECEMBER 2016	Var.% 17/16
Gross written and accepted premiums	1,257.4	1,212.2	3.7%
Net premiums earned	333.1	336.1	-0.9%
Gross result	(89.8)	49.9	--
Tax on profits	23.6	(2.7)	--
Non-controlling interests	0.0	0.0	--
Attributable net result	(66.3)	47.3	--
Combined ratio	135.4%	97.5%	37.9 p.p.
Expense ratio	31.1%	27.9%	3.2 p.p.
Loss ratio	104.3%	69.6%	34.7 p.p.

Figures in millions of euros

4.3.6. MAPFRE ASISTENCIA

MAPFRE ASISTENCIA specializes in travel assistance, roadside assistance, and other special risks of the Group.

Key figures

ITEM	DECEMBER 2017	DECEMBER 2016	Var.% 17/16
Operating revenue	1,113.5	1,156.3	-3.7%
- Gross written and accepted premiums	983.5	1,066.8	-7.8%
- Other revenue	130.0	89.5	45.3%
Net premiums earned	712.4	804.0	-11.4%
Result from other business activities	(24.4)	(40.9)	40.5%
Gross result	(56.8)	(54.9)	-3.5%
Tax on profits	(10.0)	(0.4)	--
Non-controlling interests	(1.6)	(1.1)	46.6%
Attributable net result	(68.4)	(56.4)	-21.4%
Combined ratio	103.7%	102.0%	1.6 p.p.
Expense ratio	36.6%	31.5%	5.0 p.p.
Loss ratio	67.1%	70.5%	-3.4 p.p.

Figures in millions of euros

5. CORPORATE GOVERNANCE

5.1. Governance system

[102-14, 102-16, 102-18, 102-19, 102-20, 102-22, 102-23, 102-26, 102-35, 102-36, 102-37, FS1]

MAPFRE adopts a three-pronged approach to its business management:

- Corporate governance
- Company structure
- Executive organization

Corporate governance

The Annual General Meeting is the most senior governing body, while the Board of Directors is responsible for steering, administering and representing the company, holding full powers of representation, disposition and management. Its actions are binding on the company, with no further limitation than the express powers of the Annual General Meeting in accordance with the law and the corporate bylaws.

The Board is the company's main decision-making and supervisory body as well as the supervisory body of all subsidiary companies, while the day-to-day management is carried out by the company's management and executive bodies and by the relevant management bodies of the aforementioned subsidiary companies.

The Board of Directors has a Steering Committee in place that acts on its behalf and within all of its powers, except those that cannot be ceded by law or, if expressly prohibited by the bylaws or the regulations of the Board of Directors.

The Board of Directors also has another three delegate committees:

- Audit and Compliance Committee
- Appointments and Remuneration Committee
- Risk Committee

The functions and composition of the governing bodies are as follows:

Steering Committee

The Steering Committee's functions are the senior management and oversight of the day-to-day operations and strategies of the company and its subsidiaries. It comprises a maximum of 10 members, all of whom are also members of the Board of Directors.

Audit and Compliance Committee

The Audit Committee's functions include reporting to the Annual General Meeting on any issues that arise in relation to matters within its remit, overseeing the efficiency of internal control and the process for preparing and presenting financial information, submitting same to the Board of Directors, proposals for the appointment of the external auditor and building an appropriate relationship with this figure, and ensuring the independence and efficiency of the internal audit function. It is also the body responsible for the supervision of the proper application of good governance standards and external and internal regulations at the company and the Group. It comprises a minimum of three and a maximum of five members of the Board of Directors, all non-executive directors and most of them independent directors.

Appointments and Remuneration Committee

The Appointments and Remuneration Committee coordinates the implementation of the assignment and remuneration policy for directors and senior executives of the Group. It comprises a minimum of three and a maximum of five members of the Board of Directors, all non-executive directors and at least two of whom are independent directors.

Risk Committee

This committee provides support and advisory services to the Board of Directors in the definition and evaluation of the Group's risk management policies and in the determination of its risk appetite and risk strategy. It comprises a minimum of three and a maximum of five members of the Board of Directors, all non-executive directors and at least two of whom are independent directors.

The composition of the governing bodies resulting from the resolutions that are expected to be adopted on March 9, 2018 is as follows:

Board of Directors	Steering Committee	Appointments and Remuneration Committee	Audit and Compliance Committee	Risk Committee
Chairman and CEO Antonio Huertas Mejías ⁽¹⁾	Chairman			
First Vice Chairman Antonio Núñez Tovar ⁽¹⁾	First Vice Chairman			
Second Vice Chairwoman Catalina Miñarro Brugarolas ⁽³⁾	Second Vice Chairwoman	Chairwoman	Member	
Third Vice Chairman Ignacio Baeza Gómez ⁽¹⁾	Member			
Board Members				
José Antonio Colomer Guiu ⁽³⁾		Member	Chairman	Member
Georg Daschner ⁽³⁾	Member			Chairman
Ana Isabel Fernández Álvarez ⁽³⁾			Member	Member
Maria Leticia de Freitas Costa ⁽³⁾				
Luis Hernando de Larramendi Martínez ⁽²⁾	Member	Member		
Francisco José Marco Orenes ⁽¹⁾				
Rafael Márquez Osorio ⁽²⁾	Member		Member	Member
Fernando Mata Verdejo ⁽¹⁾				
Antonio Miguel-Romero de Olano ⁽²⁾	Member		Member	Member
Pilar Perales Viscasillas ⁽³⁾				
Alfonso Rebuelta Badías ⁽²⁾		Member		
Secretaries				
Ángel L. Dávila Bermejo	Secretary	Secretary	Secretary	
Jaime Álvarez de las Asturias Bohorques Rumeu				Secretary

⁽¹⁾ Executive directors

⁽²⁾ Nominee external directors

⁽³⁾ Independent external directors

Honorary Chairmen
Julio Castelo Matrán
José Manuel Martínez Martínez

Executive Committee
Chairman
Antonio Huertas Mejías
Members
Antonio Núñez Tovar
Ignacio Baeza Gómez
Aristóbulo Bausela Sánchez
Alfredo Castelo Marín
José Manuel Inchausti Pérez
Francisco José Marco Orenes
Fernando Mata Verdejo
Eduardo Pérez de Lema
Elena Sanz Isla
Jaime Tamayo Ibáñez
Wilson Toneto
Secretary
Angel L. Dávila Bermejo

Diversity and experience

[405-1]

The Board of Directors of MAPFRE S.A. approved the Director Selection Policy on July 23, 2015. This policy establishes that during the director selection process, any kind of implicit risk that may involve discrimination and, in particular, biases that interfere with the selection of persons of other genders must be avoided. Furthermore, the policy stipulates that by 2020 the number of female directors shall represent at least 30 percent of the total of members of the Board of Directors.

Female directors currently represent 27 percent of all members of the Board of Directors. Most of them participate in Board committees and/or have a significant role:

- Catalina Miñarro Brugarolas: second vice chairwoman of the Board of Directors and the Steering Committee, chairwoman of the Appointments and Remuneration

Committee, member of the Audit and Compliance Committee and independent coordinating director.

- Ana Isabel Fernández Álvarez: member of the Audit and Compliance Committee and the Risk Committee.
- Pilar Perales Viscasillas: independent director.

Geographic and cultural diversity is also visible at board level, with three nationalities represented: Spanish, Brazilian and German.

The selection of candidates in accordance with the provisions of the MAPFRE S.A. Board of Directors Regulations will include an evaluation of the competencies, knowledge and the experience necessary to hold a seat on the Board of Directors. The Board currently consists of 15 members, who as a whole, possess knowledge, qualifications and experience relating to the following areas: insurance and financial markets, business strategy and business models, governance systems, financial and actuarial analysis and regulatory framework.

Other Corporate Governance indicators:

Corporate Governance Indicators	2017	2016	2015	2014
QUORUM FOR ANNUAL GENERAL MEETING	83.20%	82.76%	78.47%	79.85%
Directors	15	17	18	18
- Men	11	13	15	16
- Women	4	4	3	2
Executive directors	5	5	5	5
Independent external directors	6	7	7	6
Nominee external directors	4	5	6	7
Board meetings	10	9	10	7
Steering Committee meetings	3	6	8	13
Audit and Compliance Committee Meetings	11	6	6	9
Appointments and Remuneration Committee meetings	7	6	7	4
Risk Committee Meetings	5	6	4	2

Remuneration for directors is determined in accordance with the provisions of regulations applicable to corporations, the corporate bylaws of the Board of Directors, and the decisions adopted by the Annual General Meeting.

In order to comply with the legal requirements for remuneration of directors and to continue adapting to corporate governance best practices regarding remuneration, the Regulations of the Board of Directors govern the functions related to remuneration of the Board of Directors and the Appointments and Remuneration Committee.

The compensation policy for directors for the period 2016-2018 includes the different components of the remuneration package for directors, which were established in line with the following criteria:

- Prioritization of the creation of value and profitability in the medium- and long-term over short-term results.
- Proportionality between the company's financial situation and market standards of comparable companies.
- Alignment with the sales and risk management strategies, risk profile, objectives, and risk management practices.
- Appropriate and efficient risk management within the established risk tolerance limits.
- Attraction and retention of talent.
- Appropriate compensation for commitment, qualification and responsibility.
- Appropriate proportion of fixed and variable components, avoiding excessive reliance on variable components.
- Deferral of payment of a significant portion of variable remuneration.
- Possibility of ex-post adjustments to variable remuneration.
- Avoidance of conflicts of interest.

The remuneration system differentiates between external directors and executive directors:

A) External directors

External directors receive a fixed amount as basic remuneration for their membership of the Board of Directors and, as applicable, of the Steering Committee and delegate bodies, which may be higher for those who occupy positions on the Board or chair its committees. This remuneration is supplemented with other non-monetary compensation, as established for company staff in general.

B) Executive directors

Executive directors do not receive the fixed amount established for external directors. The fixed remuneration for performing their executive functions is determined in line with the policy established for the remuneration of MAPFRE senior executives, and in accordance with the stipulations of their respective contracts.

Executive directors are entitled to the allowances or social benefits established for company staff in general, as stipulated in the collective bargaining agreement signed by MAPFRE.

Only executive directors receive variable remuneration, of which there are three types:

(i) Short-term variable remuneration, which is linked to the company's consolidated net profit and, where applicable, other indicators related to their respective responsibilities. This remuneration is always paid in cash.

(ii) Medium-term variable remuneration, which takes the form of an extraordinary medium-term incentive plan for executive directors in their capacity as senior executives. The plan is non-cumulative and multi-year (the present plan runs from January 1, 2016 to March 31, 2019).

(iii) Incentives indexed to share values.

In relation to the establishment of an appropriate balance between fixed and variable components of remuneration, the MAPFRE compensation policy for the rest of the workforce includes a variable structure that is calculated as a percentage of total remuneration and is paid according to the degree to which employees have achieved their objectives. The weight of the variable remuneration is determined by the position held within the organization, increasing in line with the level of responsibility and the impact of employees' professional activities within the company.

Employee categories that may have a material impact on the company's risk profile are governed by a variable short-term remuneration system based on the achievement of objectives directly linked to strategic plans and carried out during the course of one year.

The Group's Institutional, Business and Organizational Principles determine its actions as a company and contribute to the sustainability of the business conducted in every country in which it operates. These principles are embedded in the company through its core values (solvency, integrity, vocation for service, innovation for leadership, and committed team) and implemented through adherence to its international and local commitments as well as to the policies, standards and action protocols adopted by the organization. All of this enables the company to act in accordance with the due

diligence principle, thereby preventing, detecting and eradicating irregular conduct, whatever its nature, which could have a negative impact on the company and on the environment in which it operates.

The company has a set of policies, regulations, procedures, protocols and other reference documents, both corporate and local in nature, which serve as a guide to determine the behavior that is expected of all those who work for or collaborate with MAPFRE.

Moreover, MAPFRE publishes the following corporate policies and standards on its website (www.mapfre.com), therefore placing them at the disposal of all stakeholders:

- Institutional, Business and Organizational Principles
- Code of Ethics and Conduct
- Treasury Stock Policy
- Dividend Policy
- Corporate Governance Policy
- Corporate Tax Policy
- Policy on the Management of Conflicts of Interest and Operations Linked to Significant Shareholders and Senior Representative and Managerial Posts
- Directors Selection Policy

- Policy for Communication with Shareholders, Institutional Investors and Proxy Advisors
- Policy on Attendance Allowances
- Corporate Social Responsibility Policy
- Diversity and Equal Opportunities Policy
- Promotion, Selection and Mobility Policy
- Policy on Health, Well-being and Prevention of Occupational Risks
- Respect for People Policy
- Corporate Security Policy
- Business Continuity Policy
- Environmental Policy

Company structure

MAPFRE employs a simple, efficient and decentralized company structure that enables it to meet its business objectives in an appropriate manner. This principle means that the appropriate management of the business in each country is compatible with the efficient management of the resources, capital requirements and distribution of dividends to shareholders. All of this is governed by a legal framework and genuinely

ethical and socially committed conduct in the countries in which the company operates.

Executive organization

MAPFRE employs a management model for its executive organization that is underpinned by strict control and oversight at every level: local, regional and global. This facilitates broad delegation in the execution and fulfillment of the responsibilities assigned to teams and their supervisors. Most notably, it means that the most important decisions, at all levels, are analyzed in depth, before and after they are implemented, by all of the senior executive teams.

5.2. Ethics and Social Responsibility

[102-18, 102-33, 102-34, 205-1, 205-2, 205-3, 405-1, FS1, FS3, FS4, FS13, FS15]

MAPFRE defines its corporate social responsibility (CSR) as "a voluntary and strategic commitment that entails attempting to achieve business objectives while strictly complying with its legal and contractual obligations, applying criteria of equity and stability to relationships with its stakeholders and thus contributing to meeting the current and future needs of society".

Being responsible is an attitude, a manner of managing the company, and it is therefore important to involve all groups with which the company maintains relationships (employees, clients, providers, distributors, shareholders, and society in general) to contribute to the economic and social development of the countries in which MAPFRE operates. For this reason, MAPFRE has its own CSR model, a corporate policy that sets out the principles of action in this sphere, and the Group Sustainability Plan 2016-2018, which explains the strategy to follow.

• Sustainability Model

This model is aligned with MAPFRE's vision, mission and values, with the Institutional and Business Principles, and with the strategy. Its design is founded on what are accepted as the core aspects of sustainability - environmental, social, and governance elements. Accordingly, the MAPFRE model is organized around three basic pillars: Good Governance, Social and Environmental Responsibility, and Contribution to Society.

GOOD GOVERNANCE	SOCIAL AND ENVIRONMENTAL RESPONSIBILITY	CONTRIBUTION TO SOCIETY
<ul style="list-style-type: none"> Guarantee compliance with the legal obligations and commitments made in the field of CSR. Promote ethical behavior in the 	<ul style="list-style-type: none"> Establish equitable relationships with stakeholders, especially those stated in the company's mission. Manage commitments undertaken by associating the company with international and local initiatives that are benchmarks in the field of sustainable development. 	<ul style="list-style-type: none"> Clearly understand the Group's role in society. In addition to its business activities, MAPFRE promotes and collaborates in non-profit activities in the public interest, mainly

<p>management of the organization and business pursuits.</p> <ul style="list-style-type: none"> • Ensure transparency as a means of conveying and generating trust and credibility with our stakeholders. • Maintain good corporate governance practices based on ethics, business transparency and diversity. 	<ul style="list-style-type: none"> • Assume the impact of the Group's business activities on society and the environment by managing the environmental, social and governance risks (ESG) efficiently. • Promote the Group's involvement in environmental measures aimed at preserving the environment in which it pursues its business activities. • Pursue transparency in CSR activities by drawing up annual reports, in line with international standards, on actions carried out in this field. 	<p>conducted with Fundación MAPFRE.</p>
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- **Corporate Social Responsibility Policy**

The Policy establishes the reference framework that allows all MAPFRE Group companies to develop and promote socially responsible behavior, irrespective of whether it is related to conventional or digital business.

The objective is that corporate social responsibility is perceived as a way of:

- Achieving MAPFRE's corporate interests and its strategic objectives.
- Managing the company on the basis of the values defined by MAPFRE.
- Establishing stable and equitable relationships with stakeholders, especially those defined in the mission.
- Managing the risks and business opportunities arising from the changes in the environment in which MAPFRE does business, assuming the impact it generates on society and the environment by maximizing the positive aspects and minimizing the negative ones.
- Transmitting the company's social values in every territory in which it is present, reconciling the value of its operational activities with the value of the nonprofit activities it undertakes.

To achieve these aims, the Policy sets out general principles of action related to aspects such as compliance, human rights, fiscal responsibility, good governance, transparency, the environment and promotion of CSR. It also defines six specific principles for each of the following stakeholders: shareholders, employees, providers, distributors, clients and society in general.

The effective application of the Policy and the monitoring and control of the related actions are supervised by the Group's Corporate CSR Committee, an internal body that has executive functions and is empowered to offer information, give advice and make recommendations within its remit.

- **Sustainability Plan**

Approved in 2016 with a three-year time span, the plan allows the company to improve its performance in this area and strengthen relationships with the different stakeholders with which the Group has a special relationship, such as shareholders, employees, providers, clients and society in general.

It does this by carrying out specific actions related to critical issues like human rights and the 2030 Agenda for Sustainable Development, transparency, the environment, cybersecurity, diversity, the prevention of corruption and fraud, and the inclusion of environmental, social and governance aspects in the supply chain, underwriting and investment decisions.

Compliance with the plan at the close of 2017 was 78.5 percent, considered to be a very satisfactory level of development.

Ethical Behavior: Main Compliance and Prevention Measures

[419-1]

Compliance

[201-1, 205-2, 205-3]

The principal aim of the compliance function is to verify that the Group operates within the legal and regulatory framework that governs its activities, thus minimizing legal and non-compliance risks, in order to preserve its solvency, integrity and reputation while supporting the Group in achieving its strategic objectives.

Zero tolerance of non-compliance is supplemented by preventive initiatives organized by the MAPFRE Group compliance function with a view to mitigating the risk of potential non-compliance.

Code of Ethics and Conduct

[102-16, 102-17, 102-33, 102-34, 205-1, 205-2, 205-3, 406-1, 408-1, 409-1, 410-1, 412-3, 415-1]

MAPFRE's activities are important, as is the way in which they are executed. The Group is conscious of the fact that events may happen in the professional field that affect its image and reputation, and it has therefore created a Code of Ethics to manage this reality. Inspired by the Group's Institutional, Business and Organizational Principles, the code reflects the corporate values and basic principles that should guide employees' actions in their routine tasks and relationships with other stakeholders.

This code was updated and approved by the MAPFRE S.A. Board of Directors in December 2017. It encompasses the following aspects:

Principles of ethical, transparent and socially responsible behavior	
<ul style="list-style-type: none"> • Compliance with current legislation • Respect for and protection of human rights • Social responsibility • Sustainability and respect for the environment • Confidentiality of information and protection of personal data • Corporate brand, image and reputation • Intellectual and industrial property 	
Code of conduct in relations with and among employees	Code of conduct in relations with third parties
<ul style="list-style-type: none"> • Respect for people • Equal opportunities and non-discrimination • Work-life balance • Commitment and cooperation in the workplace, efficiency and professional development • Health, well-being and risk prevention • Resources and equipment for pursuing professional activities 	<ul style="list-style-type: none"> • Relations with clients • Information for shareholders • Relations with providers and collaborating companies • Relations with competitors • Relations with governments and authorities • Relations with partners • Gifts and hospitality • Conflicts of interest • Anti-corruption, bribery • Transparency of information • Prevention of money laundering and financing terrorism
Compliance with the Code of Ethics and Conduct	
Ethics Committee (composition and powers)	Whistleblower channels (operating framework)

Ethics Committee:

[102-17, 102-33, 102-34, 205-1, 205-2, 205-3, 406-1, 408-1, 409-1, 410-1, 412-3, 415-1]

This body is responsible for ensuring implementation of the MAPFRE Code of Ethics and Conduct and for supervising compliance with same. Its functions therefore include consultation, resolution, oversight and promotion of the code.

The Ethics Committee acknowledges and resolves the complaints and queries received, dealing with each case in the manner it deems most appropriate. It carries out each intervention with complete independence and respect for the individuals affected, while at all times guaranteeing confidentiality in the handling of the complaints and queries it processes.

The committee's decisions are binding on the company and the people subjected to its jurisdiction.

The Ethics Committee reports annually to the MAPFRE Steering Committee on the activities undertaken during the course of the year, and it provides employees with regular information, through the Intranet, on any clarifications regarding the content of the code which it deems to be of general interest.

Whistleblower channels

[102-17, 406-1]

MAPFRE has created two types of channels for use by employees:

- The Financial and Accounting Whistleblower Channel (www.mapfre.com/CDF) allows Group employees to confidentially report any potentially significant financial and accounting irregularities they observe within the company to the Audit and Compliance Committee of MAPFRE S.A.
- The Ethical Whistleblower Channel - (www.mapfre.com/Etica) allows employees who have queries about the implementation of the code, or who observe a situation that might constitute a breach or violation of any of the ethical principles or standards of conduct set out in the code, to report them in strict confidence to the Ethics Committee.

Both channels are accessible in Spanish, English, Portuguese and Turkish.

Grievances and Complaints

[417-2]

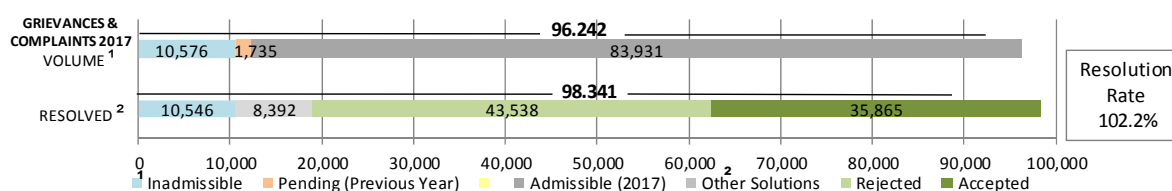
MAPFRE ensures that its clients in any country around the globe where it operates in direct insurance have an internal channel to defend their rights deriving from the policies they take out. The company preserves clients' trust by making good on the commitment to give them the best possible attention and promoting the internal implementation of bodies to protect clients' rights. In Spain, the Group currently has an Insured Party Defense Committee in place, a pioneering institution that was created in 1984, and it has had a Complaints Division in operation since 2004. There an internal client protection body in nearly every country in which MAPFRE operates, and there are also external client protection bodies in Portugal, Brazil, Mexico, El Salvador, Costa Rica, Nicaragua, Colombia, Argentina, Chile, Peru, United States and Germany.

In 2017, MAPFRE continued to comply with the commitment made to protect the rights of the users of the Group's financial services by establishing global action for the

handling of the information in clients' complaints and grievances, always respecting the particularities of local businesses and in line with the following objectives:

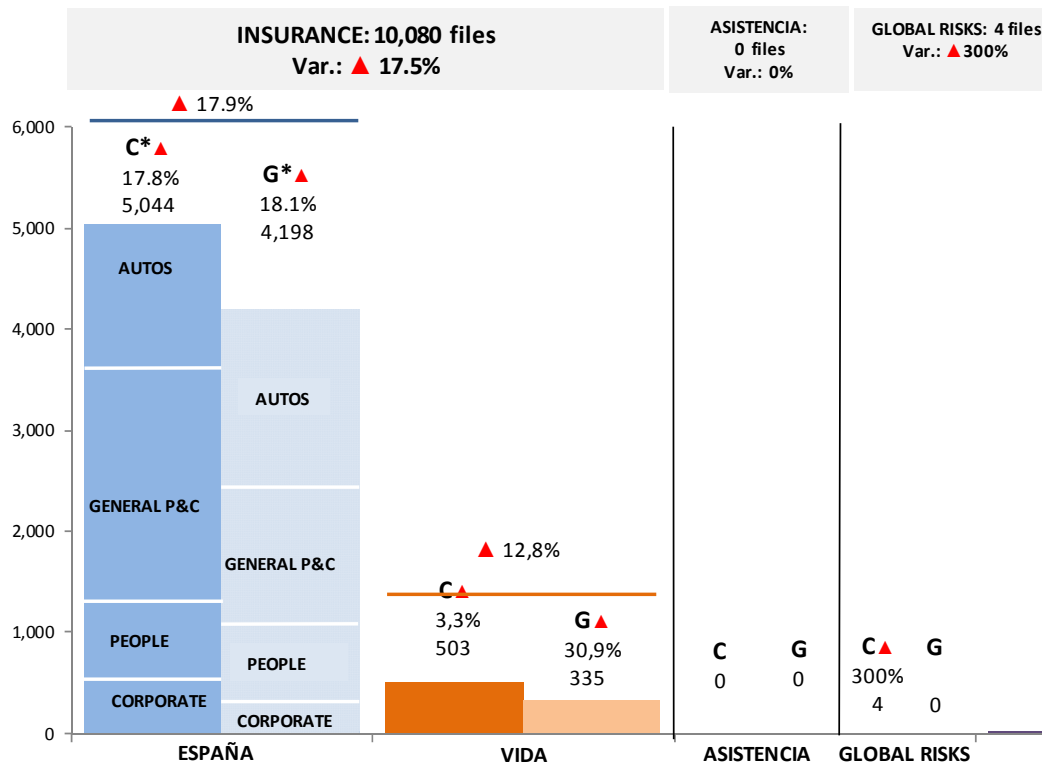
- Individual:
 - To provide clients with an extrajudicial procedure, free of charge.
 - To provide information regarding that procedure and policies, and on the relevant website in each country.
 - Where necessary, to implement the institution of the Insured Party Defense Committee in accordance with the legislation in force in each country.
- Group:
 - To maintain clients' trust in the operations and capacity of the MAPFRE companies with which they have taken out policies.

The main figures for grievances and complaints received and processed in 2017 in the principal countries in which MAPFRE operates in direct insurance:

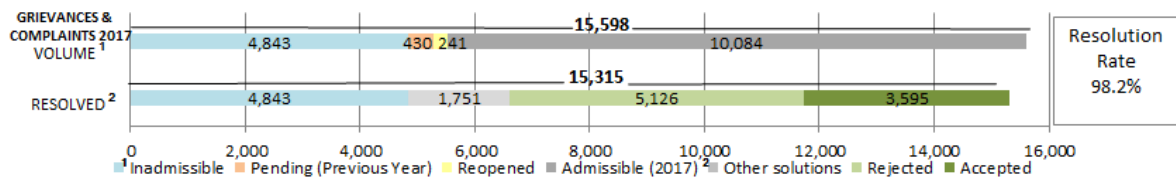


In 2017, 14,927 documents were received in Spain. Of this number, 10,084 were admitted for processing and 5,551 complaints with specific financial claims were considered, together with 4,533 grievances related to lack of attention or neglect in the handling of benefit processing or issuing/purchase of policies.

The company accepted 34.3 percent of the grievances and complaints admitted for processing, and rejected 48.9 percent, while providing alternative solutions in 16.7 percent of the cases (alternative appraisal, the coming to light during the proceedings that the user had initiated parallel legal or administrative proceedings, cessation of the action on the part of the user, etc.).



Furthermore, 4,843 documents could not be admitted for processing due to not complying with the established legal requirements. The respective users were duly informed of the reasons behind this decision.



User service levels were improved by reducing the average resolution time by 4 days, compared to 2016 – it now stands at 8.5 days, compared to the maximum of 60 days allowed by law.

The Insured Party Defense Committee was sent 1,279 complaints relating to specific financial claims. Of them, 6.4 percent were accepted and 92.8 percent were rejected, with other solutions being provided in 0.8 percent of cases, (alternative appraisal, the coming to light during the proceedings that the user had initiated parallel legal or administrative proceedings, cessation of the action on the part of the user, etc.). The time taken to service users was the same as the previous years – 26 days.

IPDC*: RESOLUTION BREAKDOWN	ACCEP TED	REJECT ED	OTHER	TOTAL	IPDC: VOL.	RAISED			RESOLVED		
						2016	2017	Var.	2016	2017	Var.
ESPAÑA	65	1026	7	1,098	January	101	81	(19.8%)	53	97	83.0%
Automobiles	14	210	1	225	February	104	122	17.3%	114	100	(12.3%)
General P&C	38	597	3	638	March	100	116	16.0%	101	138	36.6%
People	7	178	3	188	April	105	108	2.9%	118	84	(28.8%)
Corporate	6	41		47	May	95	122	28.4%	108	116	7.4%
VIDA	17	163	3	183	June	86	101	17.4%	71	146	105.6%
VIDA	7	75	1	83	July	154	146	(5.2%)	95	86	(9.5%)
BMV	10	83	2	95	August	100	92	(8.0%)	80	86	7.5%
VIDA PENSIONES		5		5	September	97	115	18.6%	70	85	21.4%
ASISTENCIA					October	89	85	(4.5%)	123	176	43.1%
GLOBAL RISKS					November	95	109	14.7%	148	71	(52.0%)
TOTAL RESOLUTIONS	82	1,189	10	1,281	December	92	82	(10.9%)	84	96	14.3%
%/TOTAL AS AT 12/2017	6.4%	92.8%	0.8%	100%	TOTAL	1,218	1,279	5.0%	1,165	1,281	10.0%
%/TOTAL AS AT	8.1%	91.4%	0.5%	100%	TOTAL	1,218			2,277		

*Insured Party Defense Committee

In order to improve attainment of intended objectives, 32 general action criteria were established in the body's 2017 Annual Report and the Insured Party Defense Committee issued 33 recommendations on aspects related to the formalization, wording and interpretation of insurance contracts, as well as management procedures aimed at reducing the number of complaints and grievances received from users.

Internal Control

During 2017 work was done to redefine the responsibilities of the Internal Control System using the three lines of defense organizational model, with the primary objective being clarifying internal control actions and responsibilities to be carried out by the first line of defense, which comprises the business or other functions that possess or generate risk exposure.

On a supplementary basis, the Group's main companies have promoted risk evaluation by monitoring risk indicators on a quarterly basis. This mechanism provides governing and executive bodies at the company and Group levels with a tool for monitoring risk limits.

The performance of already established control activities by the parties responsible for corporate areas and the 59 primary companies within the Group is notable, as they involve the monitoring of potential risk indicators and indicators for controls implemented within operations, supported by the corporate Riskm@p platform. In turn, the Company has continued to execute the corrective measures taken in response to the results of the risk indicator evaluation and the controls applied in 2016, which were measures intended to improve or establish controls and response procedures in the event that identified risks materialized.

With regard to reporting and communication, in line with the general objective to obtain reliable financial information, the Group's main companies completed quarterly questionnaires on the Internal Control Financial Reporting System (ICFRS). These offer

documentary evidence of the activities and controls conducted for the main financial reporting processes.

The Group has continued to prepare the annual analysis of the presence and operation of the various components of its Internal Control System in terms of supervisory activities which, together with the independent evaluations carried out by Internal Audit, facilitate knowledge of the level of control within the organization while facilitating the identification and adoption by company-level management of the improvements that are necessary to attain the level of internal control that supports the achievement of business objectives.

Protection of employees from moral and sexual harassment in the workplace

[406-1]

In 2015, the Board of Directors approved a Personal Respect Policy that expressly states that respect of others is a basic element of employee conduct. As such, MAPFRE rejects any show of workplace harassment, and any other behavior that is violent or offensive to the rights and dignity of people, whenever these situations contaminate the workplace, have negative effects on health, well-being, confidence, dignity and the performance of those who suffer from same.

Respect for people is a responsibility of the entire organization and it extends both to relationships among employees, regardless of their position in the company, and to relationships among employees and clients, providers, collaborators and other stakeholders. They must all contribute to ensuring a work environment in which people's dignity is respected.

The general principles in this area are:

1. To contribute to maintaining a work environment that is free of harassment and behavior that is violent or offensive to people's rights and dignity, and to guarantee that, if it occurs, there are appropriate procedures for dealing with the problem and correcting it.
2. To reject any manifestation of harassment, whether ethical, sexual, psychological or of any other type, and also any behavior that is violent or offensive to people's rights and dignity, and consider respect for people and their dignity as one of the organization's basic principles of action.

MAPFRE has mechanisms in every country in which it operates, which are designed to avoid harassment situations, but if they should arise, there are adequate procedures for dealing with and rectifying the issue.

During the year, 22 harassment claims were brought within the Group, and these were resolved using the in-house procedures put in place to this end. All the professionals providing instruction on this topic first received specific training themselves.

Prevention of fraud and corruption

A number of procedures exist to combat fraud, which is understood to be any action taken or omission committed intentionally and dishonestly, when taking out insurance, reporting an incident or accrediting the damage caused, and during the processing of the same, with the intention of obtaining unjust enrichment from the insurance company.

MAPFRE collaborates fully with the security forces in this area and implements early warning mechanisms to detect potentially fraudulent anomalous situations, using approved and standardized computer tools at corporate level.

MAPFRE has a Criminal Risk Prevention Model in place to assist with crime prevention, which includes the principles related to the prevention of illegal actions. This Model details the supervisory and control mechanisms MAPFRE has in place to prevent the commission of criminal acts.

Security

[410-1]

Security at MAPFRE focuses on protecting employees, safeguarding client and other stakeholder information, and ensuring the sustainability of the Group's operations and the services that it provides.

- Workers are protected by providing a safe work environment, which comes about through the preventive maintenance of the facilities, the implementation of self-protection plans in workplaces, the design of specific measures for business travel (especially to unstable areas), and the provision of direct and specialized support in the event of risk situations.
- The commitment to information security relating to clients materializes via aspects such as high standards of compliance with data privacy and protection regulations. Accordingly, various safeguard measures have been established to ensure the

necessary levels of confidentiality and integrity, thereby respecting the trust placed in the company by clients, shareholders and other stakeholders. Intense efforts were invested in 2017 to adapt MAPFRE to the new European Union General Data Protection Regulation and the Group participated in industry forums and collaborated with public institutions to facilitate the best possible implementation of this regulation.

- In terms of availability, business continuity solutions are designed and implemented to prevent interruption of the services provided to clients in the event of serious contingencies, thus contributing to the sustainability of business operations. The efficiency of the measures taken to address these situations was demonstrated by MAPFRE's response to the real crises stemming from the Irma and Maria hurricanes in the USA, Puerto Rico and Dominican Republic, the earthquakes in Mexico and Chile, and the terrorist attacks in Spain last August.

MAPFRE also has procedures, tools and specialist staff in place to ensure that the new initiatives and corporate information systems have built-in security criteria from the outset, designed to minimize risks, protect data privacy and increase incident detection and response capabilities.

Internal Audit

MAPFRE considers that this independent and objective assurance and consultation function helps the organization comply with its stated objectives by providing a systematic and disciplined approach to evaluating and improving the efficiency of risk management, internal control and corporate governance processes.

The Internal Audit Area is charged with the following general functions:

- To supervise compliance with and the effectiveness of the Internal Control System and of other elements of the Governance System.
- To comply with the Annual Internal Audit Plan, reporting any weaknesses that are detected and making recommendations to resolve same, and monitoring the implementation of those recommendations.
- To evaluate the reliability and integrity of the individual and consolidated accounting information prepared by MAPFRE S.A., the Subsidiaries, Business Units, Territorial Areas, Regional Areas and Corporate Areas, as well as the validity, sufficiency and application of the legal and accounting principles and rules.

- To effectively coordinate the communication of information between the Board of Directors and the internal and external auditors through the Audit and Compliance Committee.
- To perform ongoing monitoring and on-site internal audits of acquisitions, new businesses and developing activities, as key risk elements of the Strategic Plan.
- To support the Organization in meeting its objectives by providing professionals in areas in which independent opinions or support may be required for development (internal control, risk management, organization, analysis of financial statements, analysis of investments, etc.).
- To coordinate the work of External Auditors and analyze their conclusions before they are finalized.
- To gather the information necessary to support the MAPFRE S.A. Audit and Compliance Committee and other audit committees which are established at subsidiaries due to a legal obligation or on a voluntary basis, and the office of the MAPFRE Chairman and CEO.

Training of employees in the main prevention and compliance measures.

The table below shows the training delivered to employees in the last three years (2015, 2016 and 2017) on the main measures mentioned above.

Country (*)	Internal Control		Corruption		Fraud		Money Laundering	
	Attendees	Hours	Attendees	Hours	Attendees	Hours	Attendees	Hours
Argentina	53	53	-	-	792	873	1,035	991
Brazil	17,598	13,192.5	12,579	12,798	17,710	12,300.5	17,498	13,497.5
Colombia	1,580	1,868	-	-	175	1,612	1,836	2,607
USA	1,766	1,766	1,295	1,295	-	-	71	59.5
Spain	8,507	8,507	-	-	-	-	2,324	3,432
Italy	116	251	64	135.5	291	1,442.5	-	-
Mexico	2,541	2,541	242	242	20	210.5	3,452	6,863
Peru	514	514	-	-	-	-	7,918	14,153

Turkey	267	267	-	-	276	1,149	1,031	1,401
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(*) Information pertaining to countries forming part of the external verification process has been included, which in total represent 72.54 percent of the insurance business.

5.3. Risk Management

[102-15, 205-1, 205-2, 205-3, 410-1, FS1, FS2, FS3]

In order to ensure efficient administration of risks, MAPFRE has developed a set of Risk Management policies that assign responsibilities, establish general guidelines, basic principles and action framework for each risk type, assuring coherent application within Group companies.

The Board of Directors of MAPFRE S.A. establishes the risk level that the Group is prepared to assume in order to reach its business objectives without any significant deviations, even in adverse situations. This level, which defines limits and sub-limits per risk type, is set by the MAPFRE Group risk appetite.

MAPFRE's structure is based on Units and Companies with a high degree of management autonomy. The Group's governing and management bodies approve the risk management actions to be taken by the Units and Companies and constantly supervise their exposure to risk using indicators and ratios.

The Group's Risk Management Area handles all significant aspects of risk management involving the Group and its various legal entities, establishing guidelines and reference criteria that are assumed by the risk areas at the individual companies, with any adaptations that are necessary.

The governing bodies regularly receive half-yearly information relating to the quantification of the main risks to which the Group is exposed and the capital resources available to cover them, as well as information relating to compliance with the established Risk Appetite limits.

Assigned capital is established in general based on estimates made in line with the targets for the following year, and it is periodically reviewed throughout the year in line as risks develop, in order to ensure compliance with the established Risk Appetite limits.

Environmental, Social and Governance (ESG) risks and opportunities

[201-2, 102-15, 102-29, 102-31, 102-41, 201-2, 410-1, FS2, FS2, FS5, FS9]

The concept of sustainability is based on three fundamental pillars: economic, social and environmental development. For this reason, managing risks and business opportunities associated with environmental, social and governance (ESG) issues plays a key role in sustainable development.

Proper monitoring of these aspects provides the organization with additional information about these potential risks as well as a clearer insight into social movements and transformations and the expectations of its stakeholders. In this context, MAPFRE's business model and strategy are an example of how the company faces the global challenges regarding sustainability; how it manages ESG risks; and how it innovates in developing insurance products and solutions for the benefit of its clients and the community.

Management of ESG risks helps in decision-making on important issues as underwriting, investment, innovation in products and services, and reputation management, the latter being essential to gaining the trust of our stakeholders. Consequently, ESG risks are naturally incorporated into the management and control processes implemented by the Group.

Products and Services

Developing insurance solutions in products and services to address the needs of clients regarding this type of risk is becoming a challenge and also an ongoing business opportunity.

In 2017, MAPFRE launched more than 60 Automobile, Life, P&C, Health and Burial products on the market. It also has products in its portfolio offering basic coverage and reduced premiums for low-income groups in the Automobile, Life, Homeowners and Health business lines.

Environmental initiatives aimed at clients are grouped into three categories:

- Environmental risk management, which includes cover for damages, third-party liability and environmental liability; services for the identification, analysis, evaluation and control of risks; and the review and monitoring of the development of the risks and their corrective measures.
- Insurance products for sustainable renewable energy projects, forestry projects, and initiatives related to energy efficiency and saving.
- Services that encourage environmental protection and the conservation of resources.

See Note 4 of section 7.4 of this document.

Risk of natural disasters

Special attention should be paid to MAPFRE's action in relation to natural disasters, where an appropriate prediction of these events and the right assessment of possible losses are essential elements of an insurer's management. These two lines of action determine the economic impact on the company and the response it will be able to offer its clients. Consequently:

- The Nature Risks Area of MAPFRE RE and the Catastrophic Risks department of MAPFRE GLOBAL RISKS, together with MAPFRE's local companies exposed to these hazards, actively work to face the challenges arising from continuously monitoring this type of event.
- Additionally, MAPFRE GLOBAL RISKS is working on an initiative for a more efficient control of catastrophic exposure in the 200 countries where the company currently insures over 600,000 risk situations.

Socially-responsible investment

MAPFRE also signed up to the United Nations Principles for Socially Responsible Investment. In early 2017, the Good Governance Fund was launched in Spain - this mutual fund combines investment in securities and good corporate governance.

MAPFRE also recently acquired 25 percent of the French asset management firm La Financière Responsable (LRF), which has developed an investment process based on financial criteria and ESG (Integrated Value IVA®). The method uses a database (the Eco-social Footprint). Updated every year since 2006, the database contains information about more than 120 ESG indicators for 160 companies in the eurozone. The standardized quantitative indicators make it possible to make comparisons between companies or lines of business. This database is particularly useful in the context of increased demand for non-financial information arising from environmental regulation.

6. MAIN ASSETS

Value creation for an organization is achievable when the company determines its different types of capital and identifies the main areas to work on and the stakeholders impacted or potentially impacted.

Value creation is not static, and projects are therefore undertaken within a time frame of several years, aligned with the Strategic Plan. This chapter describes the main milestones reached in 2017.

The information in this chapter is supplemented by the Annual Accounts and Consolidated Management Report, which are available on the corporate website.

6.1. FINANCIAL CAPITAL

What is it?	Main stakeholders for whom this capital creates value
<p>The economic resources which the company owns and uses to pursue its business, either obtained through financing or generated through operations and/or investments.</p>	<p>All stakeholders, especially shareholders and investors and society <i>in general</i> (bearing in mind the economic value generated and distributed).</p>
What are we working on to create value?	
<ul style="list-style-type: none">• Shareholders' equity.• Investments.• Financing operations.• The MAPFRE share.	

[102-7, 201-1]

SHAREHOLDERS' EQUITY

Consolidated equity amounted to 10.5 billion euros as on December 31, 2017, as compared to 11.4 billion euros as on December 31, 2016. Of this amount, 1.9 billion euros correspond to non-controlling interests' shares in subsidiaries, primarily financial entities in Spain and Brazil that MAPFRE has bancassurance agreements with. Consolidated equity attributable to the controlling Company per share was 2.8 euros as on December 31, 2017 (2.96 euros as on December 31, 2016).

The following chart shows changes in equity attributable to the controlling Company in the year:

ITEM	DECEMBER 2017	DECEMBER 2016
BALANCE AT 12/31 PREVIOUS YEAR	9,126.5	8,573.7
Additions and deductions recognized directly in equity		
Financial assets available for sale	(285.5)	192.4
Currency conversion differences	(639.1)	264.4
Shadow accounting	254.2	(189.1)
Other	(2.7)	(0.8)
TOTAL	(673.1)	266.9
Result for the period	700.5	775.5
Dividends	(446.7)	(400.3)
Other changes in net equity	(96.0)	(89.2)
BALANCE AS AT PERIOD END	8,611.3	9,126.5

Figures in millions of euros

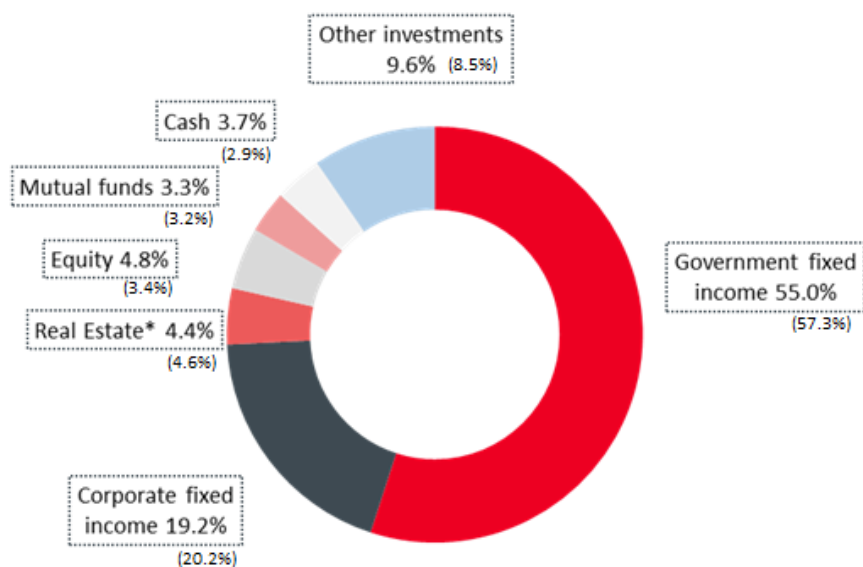
Equity attributable to the controlling Company in 2017 includes:

- A net reduction of 286 million euros in the market value of the assets available for sale portfolio mainly due to the rise in interest rates in Spain with respect to the amount at the close of December, 2016. Of this, a significant amount corresponds to investments related to Life portfolios linked to products with profit sharing, and therefore are recognized as a greater equity value by shadow accounting.
- A reduction of 639 million euros for currency conversion differences, primarily due to the depreciation of the US dollar, the Brazilian real and the Turkish lira over the course of the year.
- Profits to December 2017.
- A reduction of 447 million euros equivalent to the distribution of the final dividend from the 2016 period and the interim dividend paid against 2017 earnings.

INVESTMENTS

Below, details of the investment portfolio by asset type are given:

Breakdown by asset type:



ITEM	DECEMBER 2017	DECEMBER 2016	Var.% 17/16
Government fixed income	27,388.4	28,390.2	-3.5%
Corporate fixed income	9,572.6	10,009.6	-4.4%
Real Estate*	2,171.4	2,277.8	-4.7%
Equity	2,400.9	1,665.3	44.2%
Mutual funds	1,631.4	1,574.4	3.6%
Cash	1,864.0	1,451.1	28.5%
Other investments	4,767.4	4,187.7	13.8%
TOTAL	49,796.0	49,556.0	0.5%

Figures in millions of euros

*"Real Estate" includes both investment property and real estate for own use

Breakdown of Fixed Income portfolio by geographic area and by asset type follows:

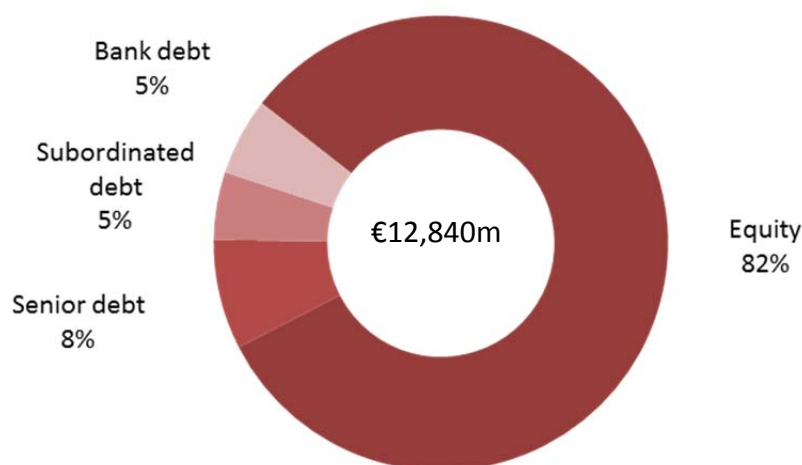
ITEM	Government	Total Corporate Debt	Corporate without collateral	Corporate with collateral	Total
Spain	15,999.8	2,198.5	921.9	1,276.6	18,198.3
Rest of Europe	4,226.1	4,067.8	3,483.5	584.3	8,293.9
United States	1,317.8	2,348.5	2,266.0	82.5	3,666.3
Brazil	3,367.6	1.8	1.8	0.0	3,369.4
Latin America - Other	1,797.5	659.9	608.4	51.4	2,457.4
Other countries	679.5	296.2	283.7	12.5	975.7
TOTAL	27,388.4	9,572.6	7,565.3	2,007.3	36,961.0

Figures in millions of euros

FINANCING OPERATIONS

The chart below shows the composition of the capital structure at the close of 2017:

Capital structure



Figures in millions of euros

Capital structure reached 12.8 billion euros, of which 82 percent corresponds to equity.

The Group has a leverage ratio of 18.1 percent, with an increase of 2 percentage points as a result of the two debt issuances carried out in 2016 and 2017.

In May 2016, 1 billion euros of senior 10-year bonds were issued, with a fixed interest rate of 1.625 percent.

In March 2017, MAPFRE successfully placed the notes of a 30-year subordinated bond, with a call option at ten years, for a total of 600 million euros, with a fixed interest rate set at 4.375 percent for the first ten years. The funds coming from this transaction were used to further strengthen the Group's financial flexibility, and diversify its financing sources, as well as to redeem in advance the total amount of the "First Issue of Subordinated Notes of MAPFRE S.A." on July 24, 2017, which is the first call date set out in the Securities Note for the issuance of subordinated notes.

This issuance is considered to be Solvency II compliant Tier 2 capital, thus reinforcing MAPFRE's solvency and financial strength levels. The notes are currently quoted on the AIAF market.

MAPFRE has a 1 billion-euro line of credit available which was approved in December 2014, by a syndicate of 11 banks, which matures in December 2021 and of which 600 million euros were drawn down at December 31, 2017. Therefore, the Group has an additional 400 million euros of liquidity available.

The following chart shows the evolution of the Group's debt instruments and leverage ratios:

Debt instruments and leverage ratios

ITEM	DECEMBER 2017	DECEMBER 2016
Total Equity	10,512.7	11,443.5
Total debt	2,327.4	2,202.9
- of which: senior debt - 5/2026	1,003.3	1,002.5
- of which: subordinated debt - 7/2017	0.0	594.0
- of which: subordinated debt - 3/2047 (First Call 3/2027)	617.4	0.0
- of which: syndicated credit facility - 12/2021 (€ 1,000 M)	600.1	480.1
- of which: bank debt	106.7	126.3
Earnings before tax	1,508.7	1,805.2
Financial expenses	90.1	64.1
Earnings before tax & financial expenses (EBIT)	1,598.8	1,869.2
Leverage	18.1%	16.1%
Equity / Debt	4.5	5.2
EBIT / financial expenses (x)	17.7	29.2

Figures in millions of euros

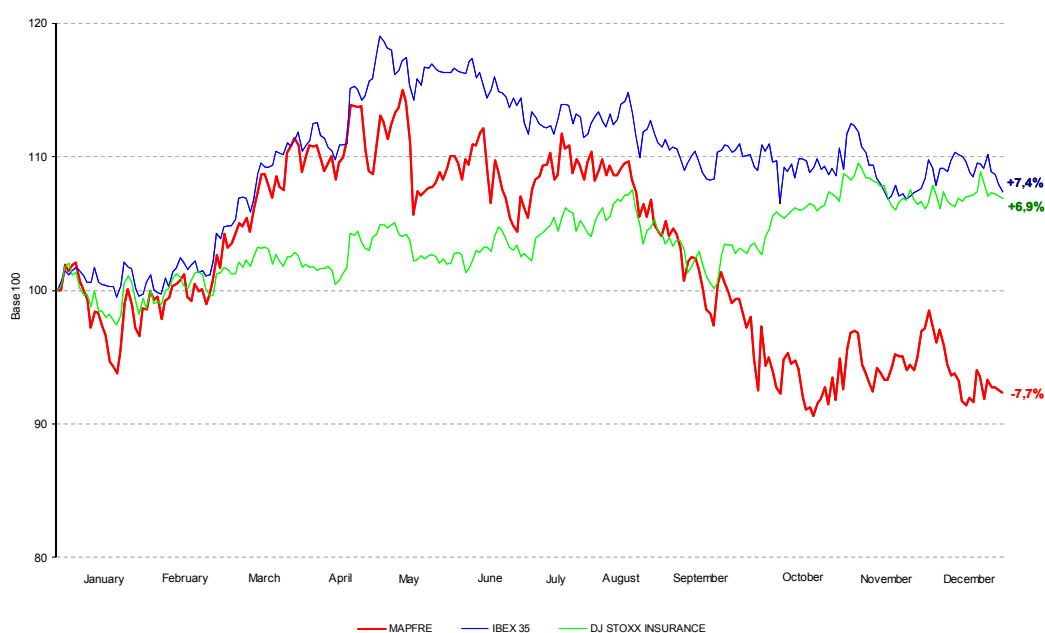
THE MAPFRE SHARE

The chart below includes information regarding the development of MAPFRE's shares.

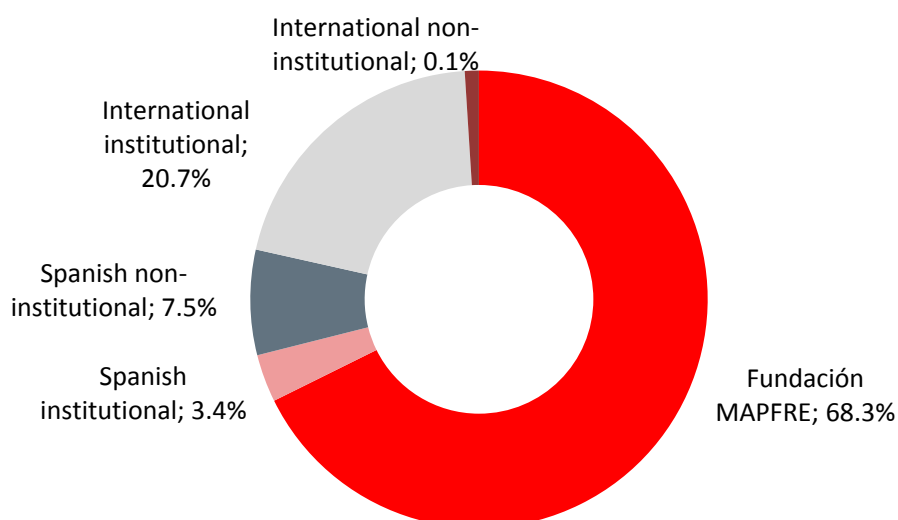
Stock Market Information

ITEM	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Total outstanding shares	3,079,553,273	3,079,553,273	3,079,553,273	3,079,553,273
Market cap (million euros)	8,247.0	8,930.7	7,119.9	8,662.8
Share price (euros)	2.678	2.900	2.312	2.813
Changes in value from January 1 (%)	-7.7%	25.4%	-17.8%	-9.6%
Changes in IBEX 35 from January 1 (%)	7.4%	-2.0%	-7.2%	3.7%
Average number of shares traded daily	7,267,696	9,032,451	9,937,097	11,711,993
Average value traded daily (million euros)	21.5	20.4	28.5	34.6
Period high	3.336	3.130	3.605	3.463
Period low	2.621	1.617	2.281	2.399
Volume /total stock market (%)	0.8%	0.8%	0.8%	1.0%
Book value per share	2.80	2.96	2.78	2.97
Dividend per share (last 12 months)	0.145	0.13	0.14	0.14

Share Performance: January 1, 2017 – December 31, 2017



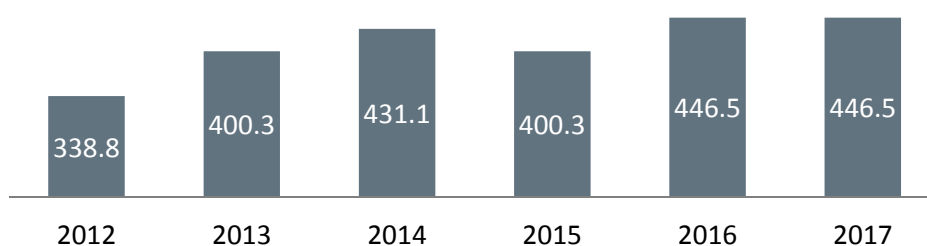
Shareholder composition



Dividend and Payout

The final dividend for the 2017 financial year to be proposed in the Annual General Meeting is 0.085 euros per share. As such, the total dividend against 2017 results amounts to 0.145 euros gross per share, reflecting a payout ratio of 63.7 percent.


Dividends paid against results



Earnings per share (euros)	0.22	0.26	0.27	0.23	0.25	0.23
Dividend per share (euros)	0.11	0.13	0.14	0.13	0.145	0.145
Payout (%)	50.9%	50.6%	51.0%	56.5%	57.6%	63.7%

Figures in millions of euros

6.2. PRODUCTIVE CAPITAL

What is it?	Main stakeholders for whom this capital creates value
<p>Tangible assets or goods and services used by the company to pursue its activities.</p> 	<ul style="list-style-type: none"> • Clients and insured parties. • Distributors (agents, delegates and brokers). • Providers. • Company.
What are we working on to create value?	
<ul style="list-style-type: none"> • Multichannel distribution and customer service. • Service centers for clients. • Digital Business. • Providers. • Quality. 	

MULTICHANNEL DISTRIBUTION AND CUSTOMER SERVICE

[201-1]

At the close of 2017, MAPFRE had more than 29.5 million clients in direct insurance operations. The breakdown by regional area is shown below:

No. of individual clients	Regional Area	No. of corporate clients
6,588,491	IBERIA	378,644
10,745,799	BRAZIL	593,232
860,398	LATAM North	86,345
3,358,168	LATAM South	199,904
1,869,498	NORTH AMERICA	130,491
3,417,428	EURASIA	128,826

Various aspects of the Client Relationship Model have been developed in all countries in 2017. This model constitutes a guide for countries to make advances in their client orientation levels, taking advantage of the experiences that have been acquired in other geographic areas and may be adapted to their reality.

MAPFRE is committed to multichannel distribution and is adapting its sales structure to the legislation governing the countries in which it operates. The basis for this multichannel distribution is its own sales network, comprising its own and delegate offices as well as agents.

In addition to its own network, MAPFRE maintains a strong relationship with agents and brokers, which represent an increasingly important part of the distribution of insurance worldwide.

MAPFRE has several agreements or joint ventures with banks and financial institutions. The agreements with BANKIA and BANKINTER in Spain, BANCO DO BRASIL in Brazil, BANK OF VALLETTA in Malta and BHD in the Dominican Republic, are particularly notable.

It also has agreements with service companies and associations that distribute MAPFRE products to their clients and members (companies or individuals).

A growing channel with potential for development consists of the distribution agreements with non-financial entities such as retailers, dealerships, utilities, with which MAPFRE also has agreements. The Group also maintains a firm and important commitment to digital distribution, a business that is described further below.

The following table shows the 2017 breakdown of offices and brokers:

	IBERIA	LATAM	INTERNATIONAL
OFFICES			
Direct and Delegate	3,091	1,789	493
Bancassurance	2,436	5,051	-
BROKERS			
Agents	10,119	16,324	10,325
Delegates	2,666	4,294	102
Brokers	5,229	33,835	1,436

SERVICE CENTERS FOR CLIENTS

In order to address client needs and guarantee the best possible service, the Group has the following service centers:

Service Centers	Number	Countries
Own appraisal centers	269	17
Automobile service centers	31	3
Automobile diagnosis units	16	6
Research and development centers	7	7
Own healthcare polyclinics	19	3
Clinics	9,590	17
Dental clinics	7	1
Corporate business management centers	46	7

DIGITAL BUSINESS

MAPFRE has focused on the profitable growth of its operations and, specifically, digital business. As such, in 2016 MAPFRE established the commitment to increase the volume of its digital business in 2018 by 50% compared to the end of 2015. MAPFRE's digital business has been basically structured into three models associated with the MAPFRE, VERTI and INSURE&GO trademarks.

To attain this ambitious business growth objective the Group has developed several actions intended to improve its profitability.



The strategy defined within the Digital Business Plan is contributing to the attainment of the established objectives.

The various digital marketing actions carried out have improved client orientation by improving personalization and knowledge of clients and applying Big Data techniques, which have also contributed to optimizing acquisition costs and reducing operating costs. The digital process conversion ratios must increase to consequently increase sales.

Advances have been made in the fight against fraud by analyzing available digital data relating to both new production and renewals through portfolio analysis actions and price optimization techniques.

The development of good practices within the various Group operations coordinated by Digital Business has contributed to the attainment of those objectives. An example of this is the definition of a good practices framework for the development of digital business through aggregators and the definition of the Digital Marketing Policy.

More than 150 MAPFRE professionals have been trained throughout the world through the first edition of the Global Digital Marketing and Client Digital Experience Program. Organized within the framework of the MAPFRE Corporate University, the program consists of nine modules and a total of 180 training hours per employee.

PROVIDERS

[102-9, 102-10, 204-1, 308-1, 308-2, 408-1, 409-1, 410-1, 412-1, 412-3, 414-1, 414-2]

MAPFRE works with more than 139,000 providers, making a distinction between service providers and specific providers (those who render services and assistance as per insurance or service contracts offered by the Group's insurance companies or its subsidiaries to its clients) and support or general providers (those who do not work directly with insureds, but rather with the company as it conducts its affairs, such as suppliers, consulting firms, printers etc.). The following table shows the breakdown by number and total cost:

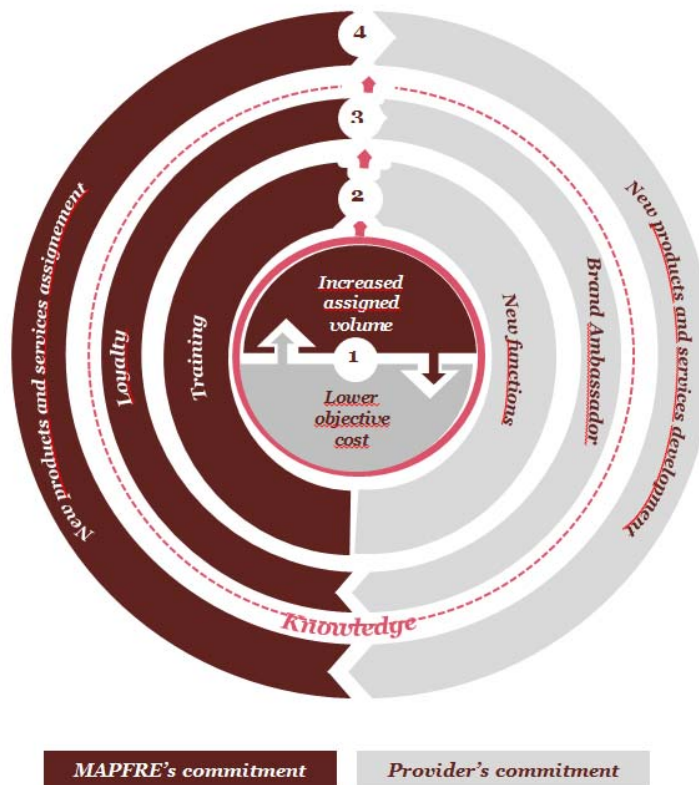
	IBERIA		LATAM		INTERNATIONAL	
	No. of providers	Cost (€m)	No. of providers	Cost (€m)	No. of providers	Cost (€m)
Of services (Specific)	65,165	1,474	29,012	601	28,918	569
Of support (General)	3,710	495	7,296	323	5,465	248

To strengthen the relationship with providers and provide better service to clients, MAPFRE makes available materials, training dossiers, tools, and online and on-site courses for providers, in order to facilitate their jobs and to keep them updated regarding regulatory changes, technological developments and other relevant matters. Furthermore, in 2017 5 specific provider loyalty programs were developed in 8 countries, usually in the form of offering them advantages such as insurance or travel discounts.

MAPFRE has a management model for service providers to develop the strategic initiative "Providers as Brand Ambassadors", based on the application of the general principles that define the management model orientation and the relationship with service providers. These principles are Customer orientation, optimization of contact with clients, bi-directional commitment, provider value, categorization of providers and cost optimization.

This common contribution model implies continuous feedback regarding the commitments between MAPFRE and the provider, such that all matters included in the model give rise to the establishment of new commitments by both parties.

Common contribution model



The Providers as Brand Ambassadors project is currently underway in 24 countries:

- BRAZIL Region: Brazil
- LATAM North Region: Mexico, Dominican Republic, Panama, Honduras, Nicaragua, Costa Rica, El Salvador and Guatemala.
- LATAM South Region: Colombia, Argentina, Uruguay, Paraguay, Ecuador, Chile, Venezuela and Peru.
- North America Region: United States and Puerto Rico.
- EURASIA Region: Italy, Germany, Turkey, Malta and Philippines.

In 2018, work will begin on pushing transformation projects in every country on the back of the implementation of the common contribution model, as well as policing the main project efficiency and quality indicators.

One of the Group's sustainability objectives is to promote socially responsible behavior on the part of providers who work, or who want to work, with MAPFRE. Within the MAPFRE Group Sustainability Plan 2016-2018, the approval questionnaires for both service and support providers have been revised and updated to include key

questions related to environmental, social and governance (ESG) aspects. Among other things, the questionnaires include sections on security and workplace safety measures afforded workers, prohibition of child and forced labor, environment and labor sanctions, workforce inclusion, respect for basic labor rights and commitment to human rights.

New providers will be added with ESG approval, and current providers will go through the related approval process in a gradual manner.

In 2017, a total of 233 support providers with ESG approval were added to the roster, and 4,049 service providers were invited to become approved in this aspect, with 2,634 completing the process.

Furthermore, a specific application was rolled out that facilitates the control and management of ESG factors relevant for this type of provider. The application is already operational in Argentina, Colombia, Ecuador, Mexico and the Dominican Republic, and will be up and running in 22 countries over the course of 2018.

MAPFRE's Procurement Regulations allow for the rejection of a provider in the event that they either do not sign up for, or do not comply with, the following clauses: data protection, treatment of provider data, signing an environmental and energy commitment letter, provider equality clause and a declaration of the relationships between contractors, shareholders or other persons linked to the provider and people linked to MAPFRE, as well as a reputation clause.

QUALITY

The quality perceived by clients is evaluated using the MAPFRE Global Model for Measuring Client Experience, the aims of which are as follows:

- To constantly be aware of, by use of a consistent methodology, the level of client satisfaction in the different countries and businesses.
- To identify the aspects impacting the client experience in order to make improvements.
- To provide countries with a tool to help them in defining and implementing initiatives, assigning the most appropriate priority level.
- To set goals for improvement and aspire to be a benchmark in client experience across all countries and lines.

Additionally, the MAPFRE Quality Observatory is responsible for measuring the quality perceived and delivered and conducts client surveys in every country where the company operates. These surveys cover all lines of insurance and assistance services and are conducted every six months. This is done through the analysis of the Net

Promoter Score (NPS) to evaluate client satisfaction and critical client contact points, and recommendations are prepared regarding the main areas that may be improved.

The reports drawn up by the Quality Observatory provide data on the client experience, assisting with the decision-making process in the different business areas.


In 2017 the 4th and 5th NPS measurement waves were carried out, involving a representative sample of MAPFRE's portfolio. These waves each covered 23 countries and lines, covering almost 79 percent of the Group's total Non-Life premium volume.

In 2017 the Quality Observatory performed the first measurement of the internal NPS (iNPS) regarding the level of client experience with the reinsurance services rendered by MAPFRE RE to all Group companies.

In addition to the Global Model for Measuring Client Experience, MAPFRE allocates 220 employees to monitoring and controlling quality worldwide. Meanwhile, several companies have quality certifications whose renewal demands sustaining high customer service standards.

MAPFRE holds ISO 9001 certification in Brazil, Spain and Turkey. MAPFRE RE also holds ISO 9001 certification and MAPFRE ASISTENCIA holds this same quality certification in Algeria, Argentina, Bahrain, Brazil, Chile, China, Colombia, Ecuador, Philippines, Italy, Mexico, Dominican Republic, Tunisia, Turkey and Venezuela.

6.3. HUMAN CAPITAL

What is it?	Main stakeholders for whom this capital creates value
<p>Competences, knowledge, abilities and experience of the organization's people.</p> 	<ul style="list-style-type: none"> • Employees. • Clients. • Company.
What are we working on to create value?	
<ul style="list-style-type: none"> • Diversity management • Talent management and mobility • Learning and knowledge management. • Organization and new ways of working. • Remuneration and recognition. • Health and Well-being. • Digitization of processes (HR Analytics). 	

Presentation of GENERAL DATA

[102-7; 102-8, 401-2]

Table 1. Total and average headcount for the MAPFRE Group

Total headcount	2017	2016
Headcount at December	36,271	37,020
Average headcount	36,716	37,763

2017 headcount by gender	
Women	Men
54.4%	45.6%

Table 2. Total number of employees by type of employment contract/gender and region

ORGANIZATIONAL DISTRIBUTION	PERMANENT		TEMPORARY		TOTAL	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
CORPORATE AREAS/CENTRAL SERVICES	871	657	10	8	881	665
IBERIA	4,571	4,749	77	183	4,648	4,932
LATAM	6,627	8,544	158	218	6,785	8,762
INTERNATIONAL	3,797	4,898	235	282	4,032	5,180
REINSURANCE	185	192	5	4	190	196
TOTAL	16,051	19,040	485	695	16,536	19,735

Contract type proportion	
Permanent	Temporay
96.7%	3.3%

Table 3. Total number of employees by type of employment contract/gender

Total number of employees by type of employment contract/ work schedule and gender	Men	Women
• Total number of employees on full-time contracts	15,910	17,040
• Total number of employees on type of part-time contracts	626	2,695

Table 4.

[401-1]

	2017		2016	
	Men	Women	Men	Women
New hires	43.9%	56.1%	43.1%	56.9%
Average age	41.5	39.2	40.4	39.5
Average length of employment	9.8	9.3	9.6	8.6
Unwanted turnover (*)	8.5% (**)	9.1% (**)	8.1%	9.5%

(*) Unwanted turnover is calculated using the following formula: voluntary resignations over average headcount.

(**) This rotation is similar to other years, and is considered as low by the company.

Note 3 of section 7.4 of this document contains more information on new hires and departures.

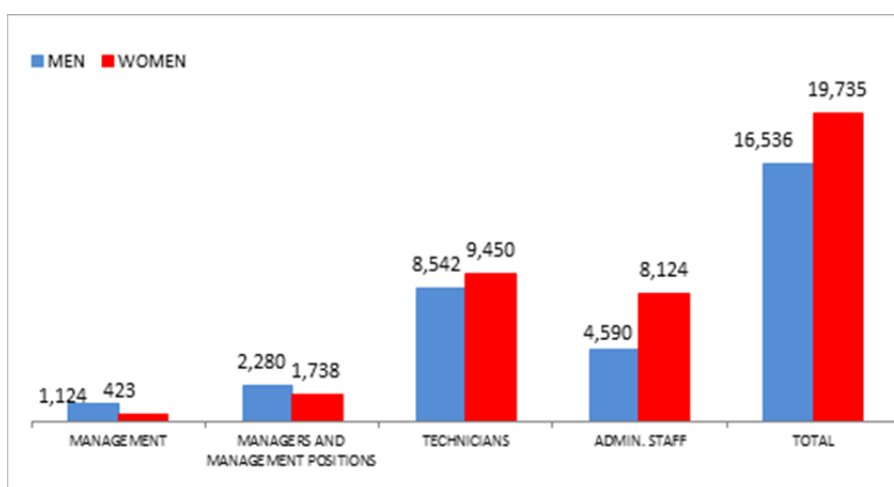
DIVERSITY MANAGEMENT

[102-8, 401-1, 405-1]

Employee management is particularly relevant in a global company with a worldwide presence, as is the case with MAPFRE. MAPFRE has a Diversity and Equal Opportunity Policy in place and maintains a public commitment to both gender diversity and functional diversity.

Gender diversity

A global action framework has been defined to strengthen equality in all employee management processes.



In 2017, 2,161 women held management and leadership job positions. There is a commitment in place to have women hold 40 percent of management and leadership positions worldwide by 2018. Progress with this objective can be seen in the accompanying table:

% women in management/leadership job positions at the Group	
2017	2016
38.8%	38.6%

2018 Objective:

Women holding 40 percent of Group management and leadership positions

In 2017:

- Women represented 56.1 percent of new hires.
- Women made up 38.8 percent of employees in management/leadership positions, which is a 2 percent increase over the past three years.

- 53 women occupy senior management positions or positions on Boards of Directors. The MAPFRE S.A. Board of Directors includes four women, representing 26.7 percent of its members.
- Women occupied 13 percent of management/leadership positions considered as "Top Management", and 40 percent of women hold positions considered to be "Junior Management".

Functional diversity

At the end of the year, 768 employees with different capacities formed part of the Group's workforce, which is 48.3 percent more than in 2016.

MAPFRE is also firmly committed to including people with disabilities in its workforce, and thus committed to having this group make up 2 percent of the workforce by 2018. MAPFRE has exceeded this objective one year ahead of schedule.

People with disabilities in the workforce	
2017	2016
2.1%	1.4%

2018 Objective:

People with disabilities comprising 2 percent of the workforce

Within this context, the Global Disability Program, implemented in all countries with measures to strengthen the integration and sensitivity culture, plays a relevant role and facilitated the following actions in 2017:

- Awareness actions to generate a culture sensitive to disabled people:
 - 6,410 employees trained through the e-learning course on disabilities.
 - 139 volunteer activities involving disabled people.
 - 3 discussions and awareness activities in development training programs.
 - 29 news items on the intranet and dissemination of studies carried out by Fundación MAPFRE.
- Actions to improve quality of life:
 - Personalized attention procedure for disabled employees and those who suddenly develop a disability.
 - Development of computer applications with accessibility criteria.
- Workplace Integration Actions:
 - In 2017, 120 people with disabilities joined the workforce.
 - At present, 768 MAPFRE employees with disabilities work in 31 countries.
 - 23 interns with disabilities carried worked at MAPFRE.
 - Donations totaling 333,843 euros were assigned to actions related to workplace inclusion for disabled people.
 - Promotion of indirect employment through contracts with special employment centers or similar companies totaling 250,687 euros.

Cultural diversity

[202-2]

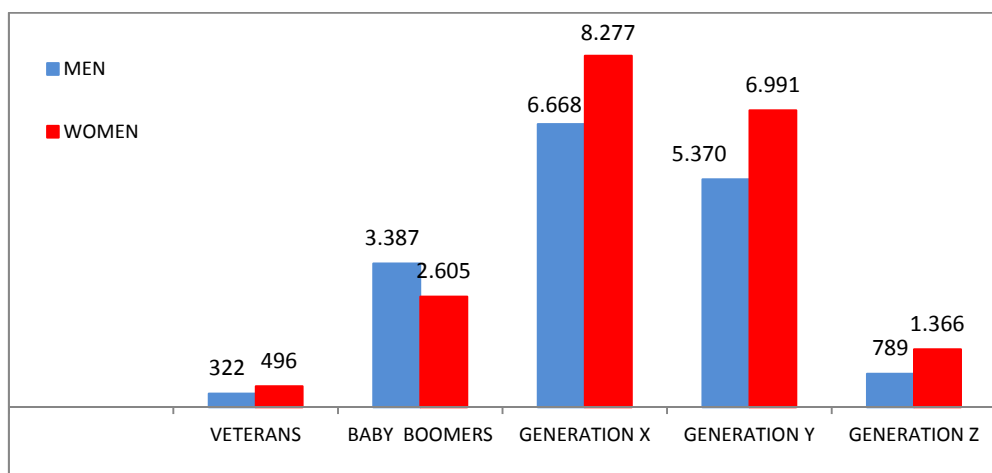
MAPFRE has 36,271 employees of 81 nationalities, (1,170 employees in the Corporate areas of 17 nationalities), which gives the Group great cultural diversity and provides it with the talent it needs for the business.

The Group promotes international mobility, which in 2017 enabled 108 employees to transfer their job positions to another country.

As regards senior management and executives who work in Group companies, 82.4 percent are natives of the countries in which they work.

Generational diversity

Several generations work together at MAPFRE, as shown in the accompanying graph:



A global mentoring program continued throughout 2017, which is an initiative that started in 2016 with the promotion of several events among the various generations.

TALENT MANAGEMENT AND MOBILITY

A global project has been implemented to identify the profiles that are necessary for the business strategy and talent requirements within the organization. In addition, development plans have been defined for each employee participating in the project, thereby guaranteeing succession plans and executive replacements, as well as covering strategic needs.

Within the project framework, 59 global strategic profiles have been identified; 4,217 employees with potential have been identified and selected; a global database, MAPFRE Global Talent Network, has been created to manage these employees, which powers a global talent management system using cloud technology, and global career plans have been developed for underwriters, sales advisors and actuaries, covering 1,911 employees.

The recruitment of external talent and support for young talent is also promoted and the e-recruitment project published 586 selection processes on social and professional networks, which allowed the number of followers interested in working at MAPFRE to increase from 87,198 to 127,220.

MAPFRE has a global program covering internships in place at the company, called "Grow with us", along with several trainee programs.

- Global Internship Plan: agreements have been reached with 438 universities, business schools and university institutions and in 2017, 1,201 students completed internships in various areas of the organization.
- Trainee Programs: the main objective of these programs is to recruit recent graduates who are highly prepared and have high potential. In 2017 the specific program for MAPFRE RE involved 15 people of 9 nationalities, who joined the 63 employees selected via other programs over the past two years.

Internal mobility

[202-2, 404-2]

In 2017, of the 5,210 published vacancies, 1,836 were filled through internal mobility, with this representing a promotion for 53.4 percent of the people involved. Functional mobility stood at 10.6 percent of the workforce, representing 3,900 employees.

Geographic mobility (international careers, global mobility or temporary transfers) allowed 23 countries to work with professionals from another 22 countries. Currently, 273 managers and employees are working outside their country of origin.

MAPFRE employees may also participate in the temporary mobility program, Task Force, which involves the launch of new businesses or transversal transformation projects through the immediate and coordinated action of a specialist team. This mobility encourages employee development, increases employability and the development of global skills, thanks to its international scope. Last year, 20 employees participated in this type of project.

Mobility is considered to be the primary promotion and development tool. Accordingly, the objective set for each year globally is a mobility rate exceeding 10 percent.

LEARNING AND KNOWLEDGE MANAGEMENT

[404-1, 404-2]

Training has always been a differentiating and very relevant factor at MAPFRE. The company promotes learning and knowledge management through its Corporate University, knowledge paths, training itineraries, self-learning and mentoring.

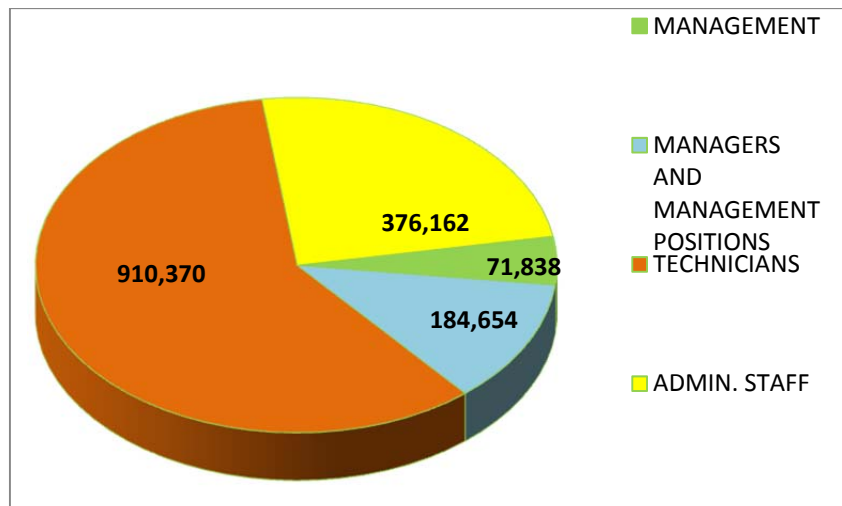
In 2017, the foundations for knowledge management were established at MAPFRE, which will facilitate employees in accessing knowledge and sharing it via the internal Intranet and other digital channels.

The Corporate University: present in all countries in which MAPFRE operates, the university facilitates training in the three corporate languages and five local languages, and it is accessible to all employees and more than 16,000 intermediaries. Within the university, there are 16 Technical Schools, 9 Knowledge Rooms and an Innolab.

TECHNICAL SCHOOLS	ROOMS	InnoLAB
	Director's Room	
Insurance School	Life Room Companies Room Digital Business Room	
Clients and Sales Development School	Sales Room Clients Room	
Operations School		
Finance School	Investments Room	
Actuarial School Auditing School Human Resources School Technology and Processes School Strategy and M&A School Legal School Reinsurance School Leadership School Professional Development School Culture and Global Policies School Language School		
Skills School	Communication Room Digital Skills Room	

Some relevant information:

- In 2017, the Reinsurance School and two new classrooms linked to strategy - the Life Room and the Company Room - were launched. Over the course of the year training was provided to 100 percent of the workforce, via 1,543,024 hours of training, which represents an average of 43 hours per employee.
- Number of training hours by job position, gender:



- More than 35 global technical and transversal programs were carried out.
- A total of 20.8 million euros was invested in training, an average of 573 euros per employee.
- A Global Program on Digital Business and Digital Client Experience was delivered in the three corporate languages, through which more than 150 professionals from 20 countries were certified.

Knowledge Paths: More than 1,700 knowledge points relating to the thirteen functions in the MAPFRE functions map have been identified, and serve as a basis for the design of development plans, career plans and training itineraries, as well as to identify and take advantage of synergies within training resources in different countries.

Training Itineraries: establish common technical training at the global level for all countries in Spanish, English and Portuguese, and training itineraries have been defined and designed for brokers, issuers and call center employees. In 2017, 10,360 employees benefited from this training.

Self-learning: By offering all employees around the world open catalogs of different training resources, employees establish their own learning road map and can design and build their own knowledge and career route. Access is available to more than 150 training resources.

Mentoring: Employees and executives have an "internal guide" who assists them in advancing with an action and development plan with regard to specific learning, organizational knowledge, culture, digital awareness, platform use and social network objectives, among other things. To facilitate their development, a global framework has been defined for the mentoring process, both on a traditional and inverse basis.

ORGANIZATION AND NEW WAYS OF WORKING

[401-3]

Promoting a culture of team work and collaboration is a corporate objective, and to this end the Group has a universal functions and job map in place to assist with the definition of strategic profiles and knowledge points within the organization.

The corporate intranet, to which 80 percent of employees worldwide have access, facilitates the sharing of information, knowledge and content across the entire organization. There are currently 4 groups working on 11 projects under the Agile methodology, and 400 people have been certified in lean methodologies.

Work is also underway on implementing flexible schedules, technological mobility and process-based and objectives-based work. The following results were obtained in 2017:

Work-life balance measures	No. of employees benefitting
Flexible work schedule	12,198
Part-time work arrangements	1,321
Reduced workday	3,062
Remote working	473
Paid and unpaid leave <ul style="list-style-type: none">• Parental leave• Maternity leave	14,664 749 432
Sabbaticals for study/family purposes	346
Employee reintegration program following a protracted leave of absence	134

REMUNERATION AND RECOGNITION

[102-35, 102-36, 102-37, 102-38, 201-3, 401-2, 404-3]

MAPFRE has a Remuneration Policy in place that seeks to establish appropriate pay levels in line with each function and job position and professional performance. This facilitates remuneration serving as a source of motivation to reach established objectives and to contribute to executing MAPFRE's strategy.

The Remuneration Policy also guarantees equality, internal and external competitiveness in each market, and forms part of the internal development of employees.

The pay structure comprises 5 items:

- Fixed remuneration.
- Variable remuneration linked to objectives, being one form of variable remuneration.
- Long-term compensation programs and multi-year incentives at global level for more than 200 executives.
- Recognition programs.
- Social and other benefits.

In order to determine the percentage of variable compensation compared to fixed compensation, the following table shows the optimal target percentages of variable compensation established with respect to fixed compensation for each job level:

Job position level	Variable remuneration as a % of total fixed compensation
Executives	40%
Managers and Management Positions	30%
Technicians	20%
Admin. assistants	10%

The assignment and settlement of annual variable remuneration happens via the **Objectives-based Management** model, which determines the weight of the various categories of objectives for each job position level. This model was fully rolled out in 2017 in all countries and business units, and a distribution of objectives at the closest impact level for employee performance was completed with respect to the results obtained by the company, as is reflected in the accompanying table:

JOB POSITION	GROUP OBJECTIVES				
	GLOBAL BSC	CORP. AREA/BUSINESS UNIT/REGIONAL/GEN. MGMT.	COUNTRY/COMPANY/ CORP. MGMT.	AREA / DEPARTMENT	INDIVIDUAL OBJECTIVES
CHAIRMAN AND CEO	100%				
EXECUTIVE COMMITTEE	60%	40%			
MAPFRE SENIOR MANAGEMENT	40%	30%	30%		
MANAGEMENT	10%	10%	40%	40%	
MANAGERS AND MANAGEMENT POSITIONS	5%	5%	30%	60%	
TECHNICIANS AND ADMIN. STAFF	5%	5%	10%	20%	60%

[102-37]

Performance Evaluation allows employees to know their objectives and receive continuous feedback regarding their work performance while improving communication with their line manager, reaching consensus on an action plan focusing on professional development. It also contributes to the development of the team and aligns it with the business strategy. In 2017, evaluations were completed for 30,666 employees, representing 84.5 percent of the workforce.

MAPFRE offers a broad range of social benefits which, in addition to forming part of the compensation structure, facilitate well-being and work-life balance for employees. The following table shows the main benefits offered by the Group.

Type of Company Benefit	% of employees who enjoyed the benefit from among entitled employees
Health insurance	94.8%
Retirement/Life insurance systems	97.3%
Insurance discounts	73.3%
Length of service awards	19.7%
Education grants for the children of employees	39.1%
Newborn child bonus	5.1%
Loans	21.9%

All benefits are offered to employees, regardless of whether they are on permanent or temporary contracts, and in 2017 company benefits totaled 180.5 million euros.

Assistance is also offered to employees for special situations, normally resulting from health problems, together with financial assistance for retired employees. The amount applied to this assistance in 2017 totaled 506,025 and 437,096 euros respectively.

WELL-BEING AND HEALTH

[401-3, 403-1, 403-2]

The Group has a Well-being, Health and Occupational Risk Prevention Policy in place, the general principles of which are to ensure a healthy work environment that allows all employees to do their jobs under the best physical, psychological and social conditions possible, and to attain an optimum level of occupational safety beyond mere compliance with occupational risk prevention regulations.

MAPFRE adopts a prevention model through which workers may actively participate in everything that might affect their health and safety at work, for which there are legally established representation channels. A total of 27,130 employees, or 74,8 percent of the workforce are represented on joint management-employee health and safety committees, which have been set up to help, monitor and advise on this issue.

In addition to occupational prevention matters, MAPFRE has implemented a Healthy Company model that was created in line with current international guidelines, (European Network for Workplace Health Promotion (ENWHP) and the WHO), which is sustained by a continuous improvement process.

It is a holistic model, focused on people, around which there are five areas of action.



There follows some relevant data regarding the prevention and healthy company model during the year:

	2017		2016	
	Men	Women	Men	Women
• Number of workplace accidents (*)	214	255	185	236
• Total number of work hours lost due to absenteeism as a result of non-workplace accidents and common illnesses	501,981	1,348,571	473,913	1,221,648
• Number of work hours lost due to workplace accidents	30,907	46,717	33,310	43,954
• Percentage of hours lost over total of theoretical hours.	2.0%	4.3%	1.8%	3.8%

(*) The data for Spain only takes into account accidents that resulted in a leave of absence

Maternity leave was taken by 749 employees in 2017, while paternity leave was taken by 432 employees. At the end of this leave, 77.7 percent of women and 95.8 of men return to work.

- **Training / awareness:** every year employees receive health and healthy habits training, and in 2017 a total of 10,879 hours of specific training were given on health, well-being and occupational risk prevention.

Between June 5 and 9, MAPFRE Week: Health Objective was celebrated, an international initiative aimed at promoting healthy lifestyle habits and encouraging employee participation in events, involving more than 33,000 Group employees (93.9 percent of the workforce).

The “Think Pink” campaign, which aims to enhance breast cancer awareness, deserves mention here: carried out in 26 countries, the campaign reached 82.2 percent of employees.


For further information regarding the campaigns carried out by the Group, please consult indicator 403-2 in the GRI indicator index in the Supplementary Information section.

PROCESS DIGITALIZATION (HR ANALYTICS)

This relates to a project developed within the framework of the strategic talent initiative that is intended to enrich human resources management:

- The first predictive model has been produced to identify those posts and employees with the highest likelihood of rotation, and parameters and leverage have been defined to reverse these situations.
- The talent, learning, selection and mobility processes are carried out using a global cloud-based technology tool, with globally defined processes that are implemented equally in every country. This encourages mobility and global and collaborative work.

6.4. INTELLECTUAL CAPITAL

What is it?	Main stakeholders for whom this capital creates value	
Knowledge-based intangible assets that favor both intellectual property as well as a knowledge of systems, procedures and protocols, as well as intangible assets related to reputation and the brand.		<ul style="list-style-type: none">• Clients.• Employees.• Society in general• Shareholders.
What are we working on to create value?		
<ul style="list-style-type: none">• Innovation• Digital Transformation.• Cybersecurity.• Intangible assets associated with the brand and reputation.		

INNOVATION

At MAPFRE, innovation aims to produce specific improvements to the value provided to clients or efficiency improvements. It also seeks to keep abreast of market developments and in line with trends that arise at global level, which is now a matter of survival for companies.

New value propositions are sought in strategic segments that respond to business challenges, as well as exploring new trends to gain knowledge as to how they impact the environment so as to adapt the business to those changes.

The pillars of MAPFRE's Innovation Model are as follows:

1. The Innovation Community, which in 2017 reached a total of 19 innovation and development offices (OID), at which there are approximately 40 part-time employees and more than 250 Innoagents (employees in any post within the organization who act as ambassadors for innovation, providing methods to change the company's culture and actively participating in innovation projects within their environments). The purpose of this community is to generate and channel innovation within the organization and translate it into specific projects that comply with the company's strategic plans.

To ensure that companies adapt to changes in their environment, cultural transformation at all levels is necessary. Abilities with tools such as Design Thinking or Lean Startup contribute to making innovation at MAPFRE a reality. During 2017, training on this methodology, for both employees belonging to the innovation

community and those at different levels of the organization, was given in all regional areas.

At the end of 2017 the innovation portfolio at MAPFRE at global level consists of more than 70 innovation projects which, due to their geographic scope and potential impact on the organization, are divided into 58 local, 4 global and 8 corporate categories.

The Corporate projects respond directly to the company's global strategic plan. An example is those that cover the Strategic Initiative on Automobile Insurance in MAPFRE 3.0, which was created in 2017 on the back of the paradigm change that is taking place in the automobile ecosystem. The objective of the initiative is to develop automobile insurance and boost capacities within the MAPFRE Group that will ensure it maintains its value proposition and competitiveness in the coming years.

This strategic initiative includes several specific projects that progressed in 2017, and are articulated via three axes: the technological development of vehicles (connectivity, automatic driver assistance systems (ADAS) and electric cars), which are taking giant leaps forward, the changing role of manufacturers, which demands new responses from insurers, and the sharing economy, which is already a reality.

2. Think Tanks, which are dedicated to exploring and analyzing new trends and their direct impact on the business.

3. The Startup Relationship Model, which covers interaction with the entrepreneur and startup ecosystem in order to analyze possible **innovative solutions** that respond to challenges faced by the company, gaining an awareness of the most agile and dynamic methods of working and incorporating best practices. Over the course of 2017, this new entrepreneurial ecosystem was analyzed in order to build bridges connecting MAPFRE with the startup environment, ratifying its commitment to society and adapting the company to the new business models that are evolving constantly worldwide.

Work continued on developing three lines of action in 2017:

- Participation in investor vehicles, such as Alma Mundi.
- Startup observatory: Monitoring of the insurtech/fintech ecosystems to establish partnerships with key companies.
- Participation in acceleration processes: Exploration of new relationship models with startups.

New products and services launched 2017

[102-2]

MAPFRE firmly believes that it is crucial to be as close as possible to the client, adapting to their needs, and so the company develops new products and services to continue offering a greater range of solutions to the growing and changing needs of clients.

In 2017, 11 new services related to improving client relationships and better meeting their expectations were launched. These included both applications and improvements to client web portals.

In addition, the products listed below were launched over the course of the year to complement the Group's sales offering.

Line	No. of Products
Accident	3
Automobile	13
Credit	3
Burial	1
Homeowners	1
Corporate multi-risk	1
General P&C	9
Third-party	4
Health	6
Life	24
Total	65

MAPFRE also has portfolio products and services aimed at lower-income groups, as well as environment-related products and services. See Note 4 in section 7.4 of this document for further information.

DIGITAL TRANSFORMATION

Digital transformation is one of the lines of action defined in the Group's Strategic Plan, the objective of which is to quickly respond to the new needs of our clients.

During the year MAPFRE made significant advances in its digital transformation process, launching more than 200 projects. This effort has allowed significant achievements to be attained with respect to the digitalization of client relationships, (considering a client to be a consumer, distributor, provider and internal client), as well as operations:

- Specifically, in the case of the consumer client, attraction and conversion have improved thanks to better digital marketing, the management of leads using ROPO (Research Online Purchase Offline) and the implementation of advanced pricing systems (present in 3 countries -Spain, Turkey and Columbia- and under development in Brazil and Peru). The increase in self-service functionality should also be included within these actions. During the year, work advanced on the creation of a Corporate Mobility Framework, linked to business needs, in order to unify, reuse and make the rollout of apps by all countries more agile.
- In the case of the distributor client, the focus was on mobilizing the sales network and generating a 360° view of clients. The corporate CRM was rolled out with 10 implementations, with those of MAPFRE SIGORTA, MAPFRE RE, MAPFRE ESPAÑA Corporate Client and VERTI USA being notable due to their impact. The advances in big data have also delivered enriched client information and facilitated the company in advancing with respect to the 720° client view.
- Digital solutions have been deployed for providers in order to enhance their mobility, receiving service assignments directly on mobile devices and providing them with the ability to report the status of the service being rendered in real time.
- Significant advances have been made with the implementation of the Global Intranet for internal clients or employees, which now covers 96.4 percent of employees falling within the scope of the project (which excludes BB MAPFRE and Indonesia).
- Finally, strong progress was made with respect to digitalizing operations, with more 8.3 million automated transactions carried out in 2017.

CYBERSECURITY

[418-1]

Within the context of technological disruption that has the ability to affect almost every aspect of society, MAPFRE understands that cybersecurity is a key issue and the following have been identified as protection priorities:

- Information regarding third parties (clients and other stakeholders) that is provided by them so that the business may be carried out and they may be provided with the contracted services when the time comes
- The information owned by MAPFRE that gives it a competitive advantage and/or brand value
- The technological systems and the information that support the company's business processes

In order to achieve the foregoing, MAPFRE has in place a series of strategic lines that are articulated through cybersecurity and which are intended to contribute to the sustainability of operations:

Cyber Risk Management	<ul style="list-style-type: none"> • Evaluation and improvement of cyber attack prevention, detection and response mechanisms. • Continuous development Information Systems and Communications Networks protection mechanisms. • Evaluation and improvement of Disaster Recovery mechanisms.
Proactive Privacy	<ul style="list-style-type: none"> • Early adoption of the European General Data Protection Regulation. • Centralization and concentration of capacities at the Corporate Office for Privacy and Data Protection (OCPPD). • Integration of Privacy into the life cycle of new initiatives that involve the management of personal data, including carrying out preventive analysis regarding the impact on privacy of new processes and the relevant implementation of controls and measures.
Cybersecurity Culture	<ul style="list-style-type: none"> • Awareness and sensitivity actions for employees, clients and providers. • Training and capacitation actions for employees and agents.
Cybersecurity from the Start	<ul style="list-style-type: none"> • Integration of cybersecurity into the life cycle of new initiatives at the company. • Evaluation of cybersecurity and Privacy in processes covering the procurement of technology solutions and the contracting of technology services.

The lines of action include the protection of information when gathered, transmitted, stored or processed that makes it possible to exercise diligence when establishing preventive measures and detecting and responding to cyber attacks or business interruption incidents.

They also include mechanisms intended to provide early identification and to monitor and respond to three essential external factors that may necessitate modification in the protection needs of various assets:

- Cyber threats, with the most frequent appearance of systemic vulnerabilities and/or "day zero" and advanced attacks.
- Regulatory or legislative changes, such as the General Data Protection Regulation, or new security, privacy or data protection laws in the various countries in which MAPFRE operates, as well as the growing demand and requirements of large clients that MAPFRE services, with respect to protecting information in general and the personal data regarding its own clients in particular.

- The business initiatives associated with the need for agility and the use of new technological trends relating to the digital transformation of companies.

MAPFRE, through its Corporate Security and Environment Division, has advanced capabilities to increase the company's cyber resilience, which include:

- Highly specialized and accredited personnel (MAPFRE has a total of 154 certifications in cybersecurity, and 62 certified employees), responsible for identifying, defining, designing and, where appropriate, implementing and operating the various security controls and the technological tools intended to protect the company's digital assets, as well as incorporating requirements, controls and functionality in the cybersecurity area (including privacy) within the company's new initiatives.
- Specific monitoring, detection and protection technologies covering security incidents that have been integrated into the corporate technology platform.
- Tools, methodologies and specialists dedicated to continuously reviewing and evaluating the level of cybersecurity in the company's information systems, identifying weaknesses and lack of control early.
- A General Control Center (CCG-CERT), integrated into the FIRST network, which continuously monitors (on a 24/7 basis) the information contained in the technology platform operated by MAPFRE as well as the information that it owns that is accessible via third-party systems, thereby allowing for the early detection of any cyber incidents and providing an agile response to them.
- Incident and crisis situation response plans, which are subject to constant and systematic updating.

MAPFRE has a DPO (Data Protection Officer) charged with protecting the privacy of the data entrusted to the company by clients and other stakeholders, and there is a specific area within the Corporate Security and Environment Division that is responsible for ensuring compliance with existing privacy and personal data protection regulations. Throughout 2017 intense work was carried out in the following areas:

- Early adaptation to the European General Data Protection Regulation, with action taken through various transversal working groups at the corporate level as well as groups for specific companies and businesses.
- Implementation of the Corporate Office for Privacy and Data Protection (OCPPD), whose mission is to be the point of reference for all activities relating to privacy and data protection at the MAPFRE Group, providing a single, universal view of the

subject, encouraging uniformity in all processes and criteria relating to this area and improving efficiency of same.

Throughout 2017, three disciplinary files were opened against MAPFRE ESPAÑA related to the Personal Data Protection Act 15/1999, of December 13, with one of them currently being processed. In addition, a disciplinary file was opened against MAPFRE SEGUROS in Portugal in relation to the Personal Data Protection Act 67/98, of October 26.

MAPFRE's stance on the subject of cybersecurity is integrated within the corporate security model, based on risk management and the comprehensive protection of tangible and intangible assets, via the establishment of measures linked to the value of these assets and also to all those elements that interact with same (people, information systems, facilities and processes).

INTANGIBLE ASSETS ASSOCIATED WITH THE BRAND AND REPUTATION

The positioning of the brand is defined based on the company's business strategy, its vision and its corporate values.

This thus establishes transversal meanings (for both the type of business and for the various countries) for the concepts of Globality and Trust so that we can in turn ensure our differentiation in each market.

Taking brand awareness in each country as a starting point, content is built to drive the brand through advertising, sponsorship and public relations actions in both conventional and digital areas in order to attain maximum recognition and appreciation.

As a reference and a reflection in the local external market of this development that is intended to be both consistent and coherent, MAPFRE has been recognized as the most authentic and reliable insurance brand by Spaniards in the study "Authentic Brands", prepared by the global agency Cohn & Wolfe. The report, which includes the top 100 most authentic brands in Spain, analyzes perception by Spanish consumers of Spanish companies, emphasizing the three main value principles that reflect authenticity: being respectful, reliable and genuine.

Of the main brands that operate in Spain, the study ranks MAPFRE number two in the ranking of financial institutions, followed by ING, MasterCard and Visa. The company is also the most improved in the study, rising 123 positions. Among the parameters that are taken into account in preparing this report, treating clients well, protecting their privacy, complying with commitments, offering quality, communicating honestly, acting with integrity and, finally, being genuine and truthful, are all notable.

MAPFRE has also been recognized by the BrandZ Spain ranking, "The Top 30 Most Valuable Spanish Brands", prepared by Kantar Millward Brown and WPP, which ranks MAPFRE 18th in the classification. The MAPFRE brand came out as the top brand in terms of how it differentiates itself from its competitors, as well as being one of the top five healthy brands.

Taking into account that a brand is how a company presents itself, and that reputation is how it is perceived, MAPFRE is conscious that reputation is an intangible element that contributes value to companies.

MAPFRE uses the Reptrak methodology from the Reputation Institute to measure its reputation among the general public. Reputation is measured annually across seven dimensions (offering, innovation, work, integrity, citizenship, leadership and finances) that facilitate subsequent management. MAPFRE ended the year with a strong global reputation level, considering the Reptrak scale for the insurance industry.




Other specific indicators are also considered, such as MERCO. In 2017, MAPFRE was once again among the top 10 companies in Spain with the best reputation, and it enjoys the best reputation in the insurance industry. In Mexico and Argentina, MAPFRE is among the top 50 companies with the best reputation. MAPFRE in Spain holds 11th position in the Merco Talent ranking, and once again leads the insurance sector, while in Peru it is one of the 100 best-rated companies.

MAPFRE was also recognized as a Best Workplace in 9 countries, (Ecuador, El Salvador, Spain, Guatemala, Honduras, Mexico, Panama, Peru and Dominican Republic), in addition to general recognition in Latin America. Puerto Rico and Dominican Republic were also awarded Best Workplace recognition in the Central America and Caribbean ranking. Randstad also ranked MAPFRE as the most recognized insurance company in Spain for the fifth consecutive year, while *Actualidad Económica* has MAPFRE in 11th position in its ranking of the best companies to work for.

In addition, MAPFRE is certified as a Family-Friendly Company (*Empresa Familiarmente Responsable*) in Spain and MAPFRE S.A. was granted the "Equality in the Company" distinction by the Spanish Ministry for Health, Social Services and Equality after a thorough evaluation of the company's equality measures.

Presence on Social Networks

MAPFRE has a social network community comprising 2,056,490 users, 12.14 percent more than the previous year. In 2017, 16,189 content pieces were published on the company's various social networks, reaching more than 540 million users. On Facebook alone, this content was viewed 200,147,666 times, generating an engagement rate of 1.56 percent, which means that users interacted 2,096,502 times with MAPFRE's social networks.


Item						TOTAL
Followers	1,790,000	104,298	19,499	9,749	132,944	2,056,490
Posts	5,402	9,429	1,100	258		16,189
Interactions*	1,948,157	76,023	45,086	27,236		2,096,502

* Interactions in each network have been used.

Furthermore, the Twitter corporate bot registered 3,200 interactions. Information for journalists is the most requested item, and specifically, press releases. The most consulted item within shareholder information was the share price.

MAPFRE also has another bot in Peru in operation, which registered 13,437 interactions. This bot offers information on quotes for compulsory traffic accidents and vehicle insurance.

6.5. SOCIAL AND RELATIONAL CAPITAL

What is it?	Main stakeholders for whom this capital creates value
Trust-based relationships with stakeholders; contribution to the development and well-being of the community.	 <ul style="list-style-type: none">• All stakeholders, particularly employees, clients, providers, distributors, shareholders and society in general.
What are we working on to create value?	
<ul style="list-style-type: none">• Management of the relationship with stakeholders.<ul style="list-style-type: none">○ Stakeholders○ Relationship channels○ Other channels: presence on social networks• International commitments relating to sustainability that MAPFRE has signed up to.<ul style="list-style-type: none">○ United Nations Sustainable Development Goals (SDG) and Human Rights Objectives.• Social Footprint: social value, shared value.	

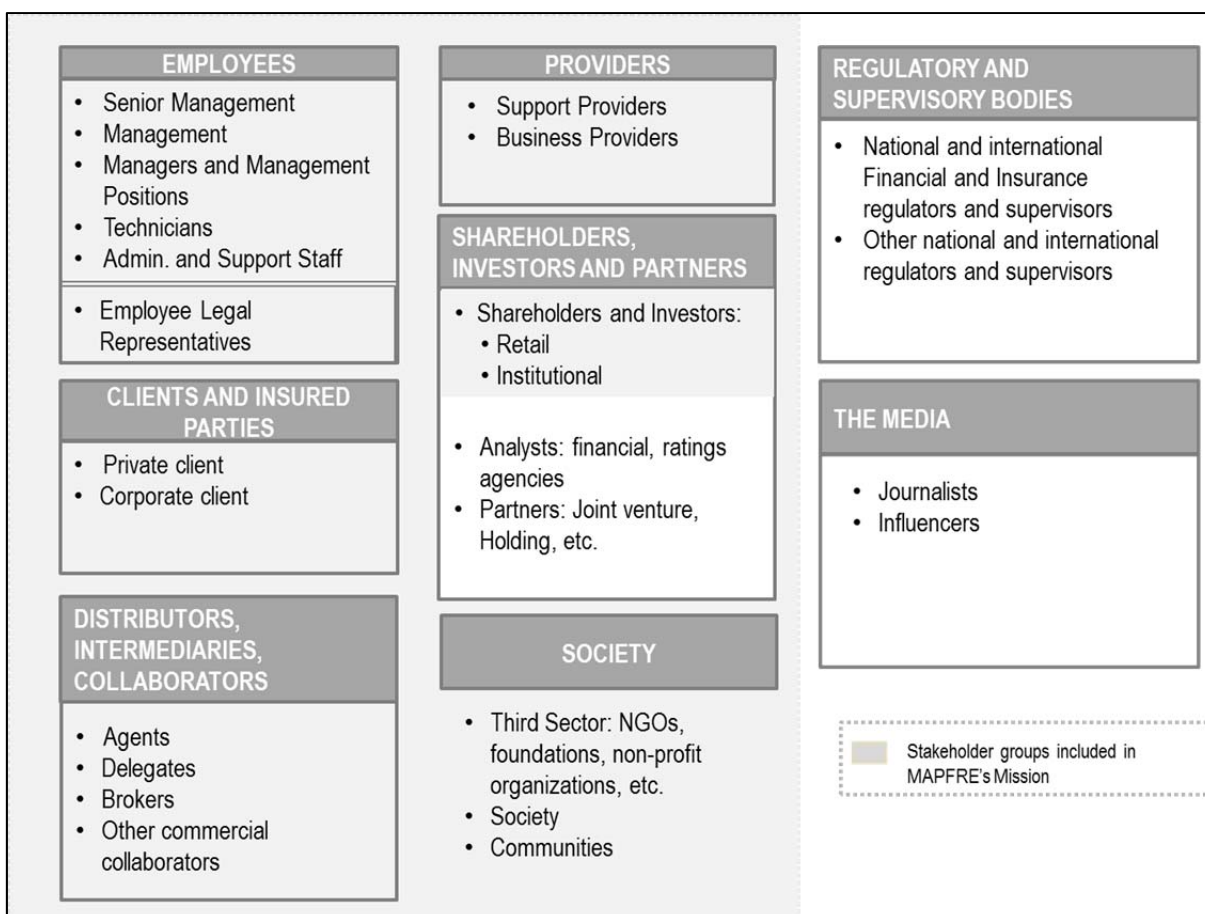
MANAGEMENT OF STAKEHOLDER RELATIONSHIPS

[102-40, 102-42, 102-43, 102-44, 103-1, 103-2]

Stakeholders

MAPFRE considers stakeholders to be all parties, groups or organizations with legitimate interests that may be directly or indirectly affected by the activities or decisions of the company, and insofar as they develop their relationship, have the capacity to impact on the company. It is therefore necessary to build relationships that establish trust among the parties.

The accompanying graphic illustrates basic references to groups and subgroups, which may change, based on the changes arising in the environment.



Relationship channels

[102-41, 102-43, 102-44]

Management of relationships with stakeholders involves multiple factors, including having adequate relationship channels available. Some of the most relevant that MAPFRE has established with its strategic stakeholders are as follows.

Shareholders and Investors

Among the initiatives taken in 2017 to improve relationships with shareholders and investors, the following are noteworthy:

- The participation of MAPFRE's chairman and CEO in the 22nd edition of the "Annual Financials CEO Conference", organized by Bank of America Merrill Lynch, at which the most significant milestones achieved over the past 10 years were reviewed, together with the strategy of focusing on profitable growth and the new projects designed to tackle the digital era.
- The organization of the second "Investor Day", which facilitated revision and discussion with analysts and investors on the development of the Group's

three-year strategic plan, as well as the capital management policy and reinsurance, the impact of the natural disasters that occurred in the last financial year and the outlook for the international business, with special focus on the USA

- The launch of the "MAPFRE Shareholders: A Unique Value" plan, which seeks to make advances and tighten relationships with shareholders. Within the framework of the plan, events were held in Madrid and Barcelona to provide first-hand explanations to shareholders on the development of the company's business.
- A quarterly bulletin was designed that allows updated information on MAPFRE to be consulted, as well as infographics that give visual explanations of results and the main corporate news.
- The "Shareholders and Investors" section of the corporate website was redesigned to make it more accessible for investors.

In terms of the communication channels available to this group, the following is of interest:

- The shareholder telephone service (on the toll-free number 900 10 35 33) received 1,298 inquiries.
- The corporate website and the relacionesconinversores@mapfre.com email address received 104 requests last year.
- The Electronic Shareholders' Forum, first created in 2011, was also operational for the Annual General Meeting held on March 9, 2017.

Intense communication activities continued with regard to requests for information from financial analysts and institutional investors. The table below summarizes the communication activities conducted with the financial markets in 2017:

Item	No. of actions	No. of participants
Lectures	9	121
Meetings with investors	22	28
Meetings with analysts	153	180
Roadshows	15	100
TOTAL	199	429

Insureds and clients

MAPFRE communicates with its clients through the following channels:

- The Group's own distribution network comprising 5,373 offices (direct and delegate), 7,487 bank offices and more than 84,000 delegates, agents and brokers.
- MAPFRE Portal and MAPFRE Internet Office, where among other things clients can purchase certain products, consult policy conditions, notify incidents, change their personal and bank data, request document duplicates, consult communications and payment notifications, etc.
- More than 50 contact centers worldwide which provide information 24/7, 365 days a year.
- Social media, which clients can use to consult information and access platforms to resolve queries and/or incidents.
- Complaints and grievances, which is the internal channel for the extra-judicial defense of rights deriving from contracts.

Employees and their legal representatives

[402-1]

The company maintains permanent dialog with employees, informing them about any relevant aspects regarding the business, as well as listening to their opinions. The channels used for these purposes are as follows:

- The Corporate Intranet.
- Internal magazines (*The World of MAPFRE*, a global magazine for all employees worldwide, and the internal magazines published in the different countries).
- Mailboxes, blogs and forums where employees post comments and suggestions and the company responds to them. This year, a blog called @ANE was launched, and allows employees using the Intranet to manage change and work in a collaborative manner.
- Internal survey regarding materiality to identify the matters that are important to employees and the company, and the perception of same.
- "Great Place to Work" (GPTW) workplace climate survey, which is carried out with all MAPFRE employees every two years, and annually in certain countries only.

In 2017, 9 countries made it on to the list of BEST WORKPLACES (Ecuador, El Salvador, Spain, Guatemala, Honduras, Mexico, Panama, Peru and Dominican Republic), and also across Latin America in general. Puerto Rico and Dominican Republic were also rated as Best Workplaces in the Central America and Caribbean ranking.

At MAPFRE 20,772 employees are covered by collective bargaining agreements in 14 countries, which means that 57.3 percent of the workforce has union representation. MAPFRE enjoys a fluid relationship with employee representatives and has maximum respect for those who performing this function within the company. To do so it has:

- Company participation bodies with the employees' legal representatives and formal committees.
- Periodic meetings agreed by both parties.
- The company facilitates communication and dialog between the representatives and employees by providing specific email accounts or spaces on the Intranet and places for meetings or assemblies.

Distributors

Relationships with distributors are managed through:

- Online tools to optimize the use of the Internet in sales management.
- Social networks and apps to share experiences and information with brokers and conduct special campaigns.
- Specific gatherings and video conferences with brokers and agents.
- Broker portals that function as operational platforms to assist agents with their sales activities.
- Specialist magazines.

Providers

The relationship with providers is managed through:

- Web platforms and specific portals, such as the Corporate Procurement platform and the service provider relationship management platform, Sygris.
- Call centers (in-house or externalized).
- Social networks.
- Specific newsletters.
- Specific work groups and supervisors for each business area and for technology goods and services to manage the relationships with these providers.
- Smartphone applications.

INTERNATIONAL COMMITMENTS RELATING TO SUSTAINABILITY THAT HAVE BEEN ASSUMED BY MAPFRE

[102-12, 102-13]

Benchmark international initiatives assumed by MAPFRE

United Nations Global Compact: This commitment entails integrating within its management the 10 principles of action related to human rights, as recognized in the International Bill of Human Rights, labor rights, the environment and the fight against corruption. The MAPFRE Progress Report for 2017 obtained the maximum "advanced" rating classification.

In 2004, MAPFRE signed up to this initiative and is a member of the Global Compact Spanish Network.

United Nations Environment Program Finance Initiative (UNEPFI): This initiative develops and fosters links between the environment, sustainability and financial performance, identifying and promoting the adoption of the best environmental and sustainability practices at all levels of a financial institution's operations.

Principles for Sustainable Insurance (PSI): A set of specific principles for the insurance industry, geared to managing and monitoring risks and opportunities associated with environmental, social and governance (ESG) issues.

Within this framework, MAPFRE has undertaken the general commitment of the insurance industry to support the United Nations Plan of Action on Disaster Risk Reduction for Resilience.

Paris Pledge for Action: The commitment to achieve a safe and stable climate in which the rise in temperature is limited to below 2 degrees centigrade. Signatories also undertake to adopt immediate measures to reduce their greenhouse gas emissions to a safe level.

Principles for Responsible Investment (PRI) of the United Nations: this initiative aims to understand the impact that environmental, social and governance aspects have on investments, and advise signatories on how best to incorporate same into their decision-making. The Group has decided to progressively these principles with its investment policy.

MAPFRE is also a signatory to the Carbon Disclosure, Water Disclosure and Carbon Action Programs which form part of the Carbon Disclosure Project (CDP).

Sustainability indexes in which MAPFRE is present:

- FTSE4Good. MAPFRE has been included in this index since 2006 on a consecutive basis.
- CDP. For the second year, MAPFRE was included on this initiative's Climate A-List, for having achieved the highest rating (A) as regards performance in mitigation and adaptation to climate change, and transparency of information reported.

United Nations Sustainable Development Goals 2030 and Human Rights.

[407-1, 408-1, 409-1, 410-1, 411-1, 412-1, 412-2, 412-3, 413-1, 413-2]

Human rights

MAPFRE's commitment to internationally recognized human rights, as defined in the United Nations Universal Declaration of Human Rights, is set forth in its Institutional, Business and Organizational Principles, its Code of Ethics and its Corporate Social Responsibility Policy.

Additionally, MAPFRE adheres to international standards such as the United Nations Global Compact and other sector-specific standards, e.g. Principles for Sustainable Insurance (PSI) and Principles for Responsible Investment (PRI).

Under the MAPFRE Group's Sustainability Plan, in 2016, a self-assessment impact was started, using the Guide to implementing the UN Guiding Principles on Business and Human Rights, drawn up by the Global Compact Spanish Network.

Additionally, in the context of the 2017 materiality process, an internal analysis has been performed on the impact of MAPFRE's activity on human rights. As a result, it was possible to identify priority areas for the application of due diligence processes (prevention, mitigation and repair). The reference document used to identify the human rights was the International Bill of Human Rights, consisting of the Universal Declaration of Human Rights (UDHR), the International Covenant on Civil and Political Rights (ICCPR) and the International Covenant on Economic, Social and Cultural Rights (ICESCR).

To make it easier to conduct the analysis, the rights were grouped together by type and similarity, and the list was reduced from 35 to the following 10 basic rights:

1. Elimination of discrimination in respect of employment and occupation
2. Right to personal security and privacy
3. Right to a healthy environment
4. Access to basic rights for a life with dignity, e.g. family, housing, nutrition, health, education
5. Freedom of thought, culture and religion/worship
6. Freedom of association and the right to form and be a member of labor unions and to collective bargaining
7. Abolition of child labor
8. Elimination of compulsory or forced labor
9. Freedom of assembly and movement

10. Right not to be arbitrarily detained or tortured and right to access justice

Note 5 of the appendix to this document details Human Rights Compliance Measures. Also, in the last quarter of 2017, an online course on human rights was rolled out. It was designed by the Global Compact Spanish Network and aimed at employees and providers.

Training in human rights as of December 2017	
Employees	– Out of the 1,722 employees who registered for training, 600 MAPFRE employees in China, Ecuador, Spain, USA, Guatemala, Honduras, India, Mexico and Nicaragua completed their training.
Providers	– The course was offered to 176 service and business support providers, giving priority to those providers involved in security functions. A total of 73 providers completed the course.

- **MAPFRE's position with regard to the United Nations Sustainable Development Goals 2030.**

MAPFRE has an impact on the development of the countries in which it operates, and it is therefore committed to the social footprint it leaves behind as a company pursuing business opportunities. Contributing to the United Nations Development Agenda 2030 forms part of the road map through which MAPFRE will harness the efforts of all employees to achieve the sustainable development goals (SDG) proposed under this initiative.

In 2017, following completion of the internal analysis process and in line with the MAPFRE Group Sustainability Plan 2016-2018 and the Group strategy, a map of MAPFRE's position with regard to the SDGs was defined to identify the goals to which it can make the greatest contribution.

Corporate map of MAPFRE Sustainable Development Goals (SDG)



This commitment is complemented by the multinational programs and activities carried out by Fundación MAPFRE to contribute to improving quality of life and advancing societal progress.

The section titled **Social Footprint** includes MAPFRE's impacts on society, and identifies the SDGs with which they are associated.

MAPFRE is also involved in the **internal and external campaigns to publicize the SDGs** through the "Companies4SDGs" program, which is supporting the Global Compact Spanish Network, in collaboration with the **IMPACT2030** initiative.

Launched in October 2017, the campaign will last 12 months during which information, videos, challenges, sustainable habits and volunteering activities will be shared with employees worldwide through the Intranet so they can learn about and support the 17 United Nations Sustainable Development Goals through their own actions.

To date, the first four goals of the campaign have been publicized and warmly received by employees, and there have also been numerous interactions, suggestions and comments on the company Intranet and websites.

THE SOCIAL FOOTPRINT: SOCIAL VALUE, SHARED VALUE

[201-1]

The Group assumes the economic, social and environmental impact which the insurance business generates, and is proud to be able to supplement that impact with the activities that Fundación MAPFRE has been engaged in for more than 40 years.

The table below illustrates MAPFRE's most important social contributions, aligned with the corporate map of United Nations Sustainable Development Goals:

CONTRIBUTION OF THE BUSINESS AND AS AN INVESTOR:

- **The direct economic impact** generated by insurance activities through the constant flow of transactions (premium payments, benefit payments, investment management, etc.).

Of the consolidated revenues of 27.98 billion euros generated in 2017 (27.1 billion euros in 2016), MAPFRE made economic contributions to society in general via multiples payment types, which are detailed below.



Item	2017
Benefits paid ⁽¹⁾	16,457.5
Payments to providers ⁽²⁾	6,346.5
Salaries and other ⁽³⁾	1,541.7
Activity subtotal	24,345.7
Dividends ⁽⁴⁾	1,019.5
Shareholders subtotal	1,019.5
Net income tax payment	497.8
Social security	243.2
Public administrations subtotal	741.0
Interest paid	67.9
Financing subtotal	67.9
Total	26.174.1

Figures in millions of euros

⁽¹⁾ Benefits paid and related expenses of accepted direct insurance and reinsurance.

⁽²⁾ Includes payment of commissions and other activity services.

⁽³⁾ Salaries amounted to 1,234.9 million euros in 2017 (1,211.8 million euros in 2016).

⁽⁴⁾ Dividend payments made during the year.

Item	2017
Funds under management (third- party) ⁽⁵⁾	39,004.9
Total investments	44,691.2
Financial investments	42,003.2
Fixed income	36,961.0
- Issued by governments	27,388.4
- Other fixed-income securities	9,572.6
Other financial investments	5,042.2
Property investments ⁽⁶⁾	1,250.7
Other investments	1,437.3

Figures in millions of euros

⁽⁵⁾ Technical provisions for Life, pension funds, mutual funds and managed portfolios, before shadow accounting adjustments.

⁽⁶⁾ Excluding real estate for own use.

MAPFRE is a signatory to the United Nations Principles for Responsible Investment (PRI) and has launched the Good Governance Fund, which combines investment in securities with good corporate governance.



– **Innovation:** 







- Startup Observatory: Monitoring of the insurtech/fintech ecosystem to establish partnerships with key companies.
- Exploration of new startup models and participation in acceleration processes.
- 76 insurance products and services launched on the market in 2017.
- 18 products and services targeted at low-income groups.

– **Climate Change:** 

- 11 environmental products and services.
- More than 20,700 policies issued with coverages related to environmental aspects.
- In Spain, 16 roadside assistance providers use electric vehicles equipped with different charging systems for use with policyholders' electric cars.
- Measurement and control of the Group's carbon footprint.
- Promotion of environmental responsibility: 584 employees have taken the online Environment course.
- MAPFRE's head office in Spain has a charging system for employees' electric cars.


CONTRIBUTION AS A CORPORATE CITIZEN:

DIRECT/INDIRECT EMPLOYMENT 	<ul style="list-style-type: none"> • 36,271 direct jobs, with 96.7 percent of employees on permanent contracts. • More than 84,000 agents, delegates and brokers work with MAPFRE. • More than 139,000 providers with which MAPFRE maintains a commercial or service relationship.
TRAINING AND INTERNSHIPS 	<ul style="list-style-type: none"> • 20.8 million euros invested (1.3 percent of payroll expenses in 2017). • More than 430 agreements with educational institutions and universities for completing internships with the company. • In 2017 more than 1,200 interns from 31 countries completed internships with the Group.
GENDER DIVERSITY 	<ul style="list-style-type: none"> • 38.8 percent of employees in management/middle-management positions are women. • 53 women occupy senior management positions or positions on Boards of Directors. • The MAPFRE S.A. Board of Directors includes four women, representing 26.7 percent of its members.

FUNCTIONAL DIVERSITY 	<ul style="list-style-type: none"> • The Global Disability Program is implemented in 28 countries. • 768 employees with disabilities work in 31 countries (120 joined in 2017). • Donations to employment/labor inclusion projects totaled 333,843 euros. • Contracts for the provision of services signed with special employment centers totaled 250,687 euros. • Support for labor inclusion programs through Fundación MAPFRE.
CULTURAL DIVERSITY 	<ul style="list-style-type: none"> • 81 nationalities work together within the Group. • The corporate areas are staffed with employees from 18 countries. • 82.4 percent of senior management and executives who in the Group's companies outside Spain are hired locally. • International mobility is actively promoted. In 2017, 108 employees were posted to another country.
GENERATIONAL DIVERSITY 	<ul style="list-style-type: none"> • Generation Z: 2,155 employees. • Generation Y: 12,361 employees. • Generation X: 14,945 employees. • Baby Boomers: 5,992 employees. • Veterans: 818 employees. • Global Trainee Program to promote young talent, including 15 young people from 9 nationalities.
HEALTHY AND SAFE COMPANY 	<ul style="list-style-type: none"> • 74.8 percent of the workforce is represented in joint management-employee health and safety committees, which have been set up to help monitor and provide advice on this matter. • 262 health awareness campaigns were conducted in 2017. • 24-hour blood drive.
WORK-LIFE BALANCE MEASURES 	<ul style="list-style-type: none"> • More than 32,000 employees benefit from some form of work-life balance measure: flexi-time, part-time, reduced workday, telecommuting, paid and unpaid leave, leave of absence for personal or study purposes, reintegration programs for employees following a protracted leave of absence.
VOLUNTEERING 	<ul style="list-style-type: none"> • More than 6,700 MAPFRE volunteers take part in the Fundación MAPFRE volunteering program. • More than 1,200 activities undertaken in assistance and environmental programs. • More than 93,000 direct beneficiaries.

For further details of the social programs which MAPFRE undertakes through Fundación MAPFRE, see the Fundación MAPFRE 2017 Annual Report, available on the Foundation's website.

6.6. NATURAL CAPITAL

What is it?	Main stakeholders for whom this capital creates value
<p>Appropriate management of natural resources and contribution to climate change mitigation and biodiversity preservation.</p> 	<ul style="list-style-type: none"> • All stakeholders: employees, clients, providers, distributors, shareholders and society in general.
What are we working on to create value?	
<ul style="list-style-type: none"> • Environment Strategy Model • Climate Change Management • Biodiversity Preservation 	

Environmental Strategy Model

[102-18; FS1, FS3, FS4, FS9]

MAPFRE has an Environment Policy in place in all companies, particularly through the Integrated Corporate Environmental, Energy and Carbon Footprint Management System (SIGMAYE).

Designed in compliance with the ISO 14001, ISO 50001 and ISO 14064 international standards, this system constitutes the common framework for managing all aspects associated with environmental sustainability, including energy and greenhouse gas emissions. Additionally, it makes it possible to identify the best practices and implement them at corporate level. This ensures the constant improvement of actions and optimal performance beyond compliance with regulations in force.

The highlights from 2017 include the following: SIGMAYE was adapted to standard UNE-EN-ISO 14001:2015; and Portugal was added to the Group's Inventory of Greenhouse Gases, which already includes Colombia, Spain and Puerto Rico, as per UNE-EN-ISO 14064:2012.

This table shows how the various facets of SIGMAYE performed over the last three years; these results mean that more than 59.96 percent of the company's premium volume is managed using this system.

	2017	2016	2015
Employees under environmental management certification (ISO 14001)	11,369	10.620	9.644
Employees under energy management certification (ISO 50001)	4,885	4.233	4.305
Employees under carbon footprint verification (ISO 14064)	12,701	12.720	11.089

Integral to SIGMAYE is an International Expansion Plan that analyzes candidate countries based on several selection criteria: socioeconomic climate; size of company in terms of revenue; special characteristics of existing buildings; number of employees; legal environmental requirements; and degree of implementation of the Security and Environment function.

Since the International Expansion Plan was approved in 2010, the following countries gradually joined the 27 buildings and repair shops already certified in Spain:

- 2013: Puerto Rico and Colombia
- 2014: Brazil and Mexico
- 2015: Paraguay and Portugal
- 2016: Argentina and Chile
- 2017: Venezuela (pushed back to Q1 of 2018)

Climate Change Management

[201-2; 302-1, 302-2, 302-3, 302-5, 305-1, 305-2, 305-3, 305-4, 305-5, FS2, FS5]

Contributing to a decrease in the greenhouse gas emissions generated by the organization in the course of its activity is considered to be both a challenge and an opportunity for the company. It also represents a key element in its actions concerning environmental responsibility.

The Group's wish to play a relevant role in this challenge means drawing up a short-, medium- and long-term strategy that minimizes the identified risks and promotes the

execution of detected opportunities. To this end, MAPFRE performs a continuous analysis of weather trends and of the global context, focusing on the following:

- Assessment of regulatory pressure and instability of legal fundamentals.
- Frequency and impact of extreme weather phenomena.
- Development of technologies that help in the transformation toward a low-carbon economy.
- Awareness-raising among stakeholders as key players in technological and social change.

Additionally, MAPFRE has a Strategic Plan for Climate Change and Energy Efficiency with 2020 as its time horizon. This plan establishes that the Group will reduce its carbon footprint by 20 percent with regard to the tons of CO₂ produced in 2013 (a reduction of 14,710,519 kWh and 9,924 tons of CO₂), a goal that was achieved three years ahead of schedule. As a result, the company has committed to more ambitious objectives in the medium- and long-term, with a time horizon of 2050, when it aims to reach CO₂ neutrality.

	2017	2016	2015	2014	2013
TnCO₂ emissions	27,640	28,244	39,852	44,128	49,649
Emissions reduced vs. baseline	22,189	21,405	9,797	5,521	Baseline (BL)

(*) Scope:

Countries included: Spain, Argentina, Brazil, Chile, Colombia, USA, Mexico, Puerto Rico and Turkey.

Categories included: Scope 1 (Natural Gas, building diesel, fuel for company vehicles); Scope 2 (Electricity); Scope 3 (paper consumption, emissions avoided thanks to recycling paper and company travel (only in Spain)).

At the close of 2017, a reduction of 45 percent compared to the baseline was achieved in the nine countries.

Linked to the Group's transparency and performance regarding this issue, these actions led to the CDP recognizing the MAPFRE Group as a leading global company in

the fight against Climate Change – MAPFRE was included in the Climate A-List for the third consecutive year.

The Carbon Footprint derived from the company's activities includes both direct and indirect emissions.

The following greenhouse gases are reported for the three scopes falling within GHG Protocol and ISO 14064: CO₂, CH₄, N₂O, HFCs, PFCs, SF₆ and NF₃.

Tm CO₂_{eq}	2017(**)	2016 (*)	2015 (*)
Scope 1	13,271.93	13,445.24	14,042.93
Scope 2	15,495.87(***)	19,267.39 (***)	26,903.41
Scope 3	11,171.06	10,566.80	12,493.90

(*) 2015 and 2016: Data for Spain, Argentina, Brazil, Chile, Colombia, USA, Mexico, Puerto Rico, Turkey, Costa Rica, El Salvador, Nicaragua, Honduras, Panama, Guatemala, Ecuador, Dominican Republic, Paraguay, Uruguay, Peru, Venezuela, Portugal, Philippines and Malta.

(**)2017: Data for Spain, Argentina, Brazil, Chile, Colombia, USA, Italy (Direct Line), Mexico, Puerto Rico, Turkey, Costa Rica, El Salvador, Nicaragua, Honduras, Panama, Guatemala, Ecuador, Dominican Republic, Paraguay, Uruguay, Peru, Venezuela, Portugal, Philippines, Malta and Germany.

(***) Scope 2 emissions reduced significantly due to the fact that the electrical energy consumed by the Group is 100 percent renewable.

ENERGY CONSUMPTION INDICATORS					
Item	Measurement	GRI	2017	2016	2015
Emissions – employees	TmCO ₂ /employees	[305-4]	1.17	1.28	1.53
Emissions - activity	TonCO ₂ /premiums	[305-4]	2.78	2.25	2.06

For more information about the consumption and management of waste, please see Note 1 of the appendix to this document.

Biodiversity Preservation

[304-2, FS4]

The consequences of climate change for ecosystems have led the Company to undertake to preserve biodiversity. As a consequence, and under the motto "Without biological diversity, there is no economic diversity", MAPFRE signed the Biodiversity Pact of the Spanish Companies and Biodiversity Initiative.

In 2017, the Company published the results for 2013-2015 with the other members of the initiative. It also continued its efforts to protect an endangered species and preserve its habitat, in this case, the tortoise and the Mediterranean Sea.

This choice also reinforced the Group's support of ocean protection, specifically the initiative aimed at eliminating illegal fishing through insurance, led by the OCEANA NGO, with the support of the United Nations.

Through its initiatives, the Group therefore continues to honor its commitment to preserving the natural capital. Its preservation is a common interest for humanity, given its importance for life on the planet, social well-being and economic development.

The Company's engagement in this and other environmental commitments means that employees play a key role in helping it to achieve its environmental objectives and spread knowledge. This refers particularly to objectives linked to processes involving direct employee interaction. These processes include eco-efficiency and responsible use, whereby employees are key to minimizing the use of resources and appropriately managing waste - these are indispensable aspects to achieving the decarbonization of the economy and a circular and collaborative economy.

7. SUPPLEMENTARY INFORMATION

7.1. Bases of preparation and presentation of the report

[102-11, 102-32, 102-45, 102-46, 102-48, 102-49, 102-50, 102-51, 102-53, 102-54, FS9]

About this report

Integrated Report

This report was prepared in line with the recommendations in the reporting framework published by the International Integrated Reporting Council (IIRC), the guidelines provided by the comprehensive option under the new standard and the financial sector supplement in the *Global Reporting Initiative*, whose index of indicators is attached as an appendix to this report.

Furthermore, the report responds to the reporting requirements established by Directive 2014/95 EUA on the disclosure of non-financial and diversity information, as well as the respective transpositions in Spain (Royal Decree-Law 18/2017) and in Italy (Legislative Decree 254/16 NFI). It also includes information required for the Consolidated Non-Financial Information Statement, which forms part of the Consolidated Report of MAPFRE S.A.

The Annual Accounts and Management Report have also been taken into consideration, which is public information and may be consulted in full on MAPFRE's corporate website.

The report offers a complete overview of the company, its implementation, business model, the challenges and risks faced, and its performance regarding social, environmental, economic and governance aspects. It constitutes a first approximation to the creation of financial and social value that has allowed progress to continue and to establish a better relationship between the business model and the described effect on capital.

This report was analyzed by the company's Audit and Compliance Committee and approved by the MAPFRE S.A. Board of Directors at its meeting held on February 7, 2018.

Scope of information

The integrated report covers MAPFRE S.A. and its subsidiaries and investee companies and has taken into consideration the scope of information established in the reports used as a basis for its preparation.

The alternative Performance Measurements (APR) used in the Report and which relate to those financial measurements not defined or described within the framework of the applicable financial information, may be consulted at the website: <https://www.mapfre.com/corporate/institutional-investors/investors/financial-information/alternative-performance-measures.jsp>

Materiality, relevance and inclusiveness.

This Integrated Report includes all relevant information concerning MAPFRE for its stakeholders. In 2017, a study was carried out that identifies the subjects of general interest related to the issue of sustainability for MAPFRE and its stakeholders.

For more information, please see point paragraph 7.2 of this document.

Disclosures on certain material aspects are not included in this report. They can be found in their entirety in:

- The "Notes" section of this same report.
- Annual Accounts, Management Report; Companies (published on the corporate website, at www.mapfre.com)
- Annual Report of Fundación MAPFRE. (Published on the Foundation's website, at www.fundacionmapfre.org)
- Annual Corporate Governance Report (published on the corporate website, at www.mapfre.com)

Responsiveness

In addition to providing information that is of relevance to MAPFRE's stakeholder groups, the report responds to the observations conveyed to the organization by these stakeholders throughout the course of the year. However, anyone interested in consulting or completing the information provided in this report can contact MAPFRE through:

- Social Responsibility Management: responsabilidadsocial@mapfre.com
- Corporate Communication: comunicacion@mapfre.com
- Environment Management: medioambiente@mapfre.com
- Investor Relations: relacionesconinversores@mapfre.com
- MAPFRE's corporate website: www.mapfre.com

External verification report

The qualitative and quantitative data respond to the new GRI standards and have been externally verified by KPMG Asesores S.L., including the data submitted by MAPFRE's companies in Argentina, Brazil, Colombia, Spain, USA, Italy, Mexico, Peru and Turkey, which on aggregate, represent 72.54 percent of the Group's business volume.

In addition, a limited review of data provided in the rest of the MAPFRE's companies has been carried out.

Balance

The report reflects positive and negative aspects of the organization's performance, and when results fall short of initial expectations this under-performance is noted in the corresponding headings.

7.2. Materiality

[102-15, 103-1, 103-2, 103-3, 102-21, 102-43, 102-44, 102-47, 412-1, FS5]

Relevant matters are identified within the framework of stakeholder relationships as an exercise in consultation and dialog, so as to evaluate the most relevant sustainability issues on the public agenda and their potential impact on MAPFRE.

The issues subjected to consultation are identified on the basis of relevant external sources, including the European Directive 2014/95/EU on the disclosure of non-financial and diversity information, and internal sources such as the MAPFRE Group Sustainability Plan 2016-2018 and the materiality study pertaining to 2016.

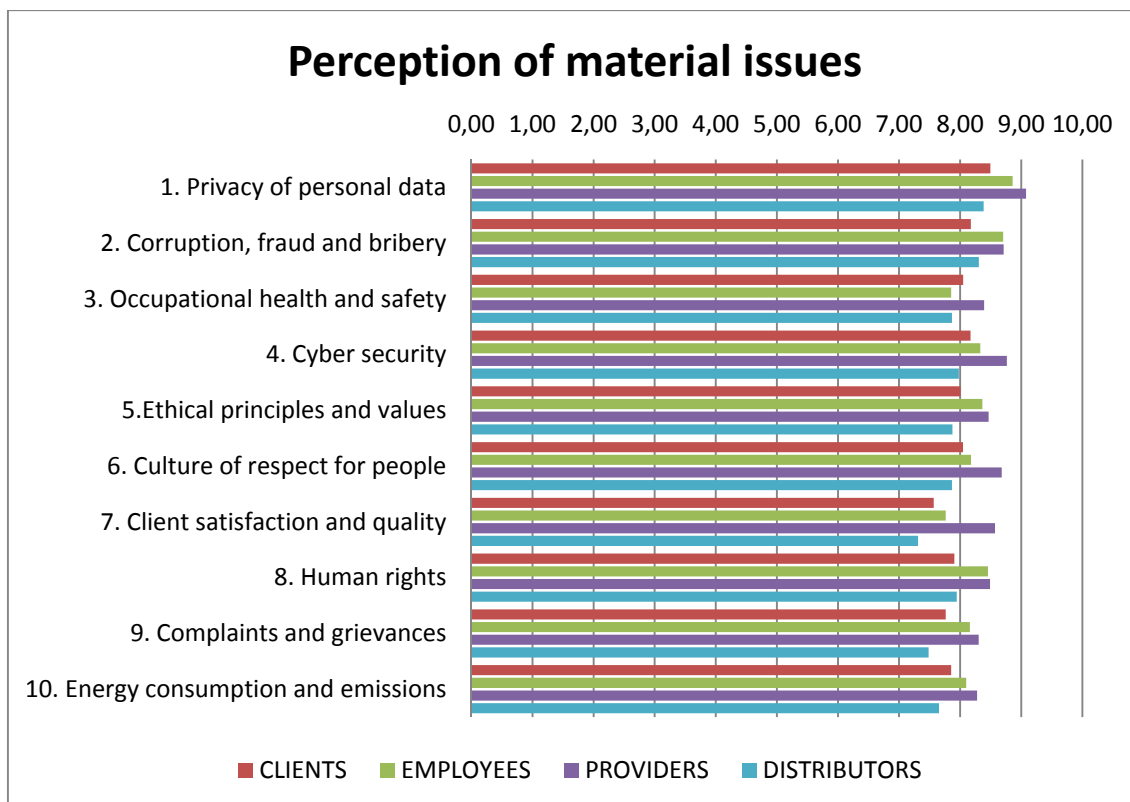
The analysis and evaluation process involved internal MAPFRE areas (such as Human Resources, Compliance, Investor Relations, Security and Environment, CSR and Reputation) in Spain, Brazil, Colombia and Mexico, which together represent 55.13 percent of total revenue, as well as the following stakeholders: employees, clients, providers and distributors. This year 776,332 evaluations were received from a total of 50,591 unique users, distributed as follows:

	No. of participants
Clients	38,430
Distributors	3,541
Employees	6,451
Providers	2,169

The external consultation process was carried out by CBI Consulting via an online questionnaire, and their participation again this year guarantees the anonymity and confidentiality of the responses received.

The study includes an analysis of the issues evaluated, based on the following variables: a) the importance of the issue for the specific stakeholder and MAPFRE, and b) how this stakeholder perceives MAPFRE's handling of the issue. This approach enables the Group to develop improvement plans and actions throughout the year.

This process led to the identification of ten material issues. The accompanying table shows these issues, arranged in descending order of relevance and stakeholder perception on a scale of 1 to 10:



Main results

The following table illustrates the different issues and the evaluation assigned to each by MAPFRE and each of the stakeholders consulted.

	MAPFRE AND ITS CLIENTS	MAPFRE AND ITS EMPLOYEES	MAPFRE AND ITS PROVIDERS	MAPFRE AND ITS DISTRIBUTORS
Privacy of personal data	MAT	MAT	MAT	MAT
Corruption, fraud and bribery	MAT	MAT	MAT	MAT
Occupational health and safety	MAT	MAT	MAT	MAT
Cybersecurity	MAT	MAT	MAT	MAT
Ethical principles and values	MAT	MAT	MAT	MAT
Culture of respect for people	MAT	MAT	MAT	MAT
Client satisfaction and quality	MAT	MAT	MAT	MAT
Human rights	MAT	MAT	MAT	MAT
Energy consumption and emissions	MAT	MAT	MAT	MAT
Complaints and grievances	MAT	MAT	INT	MAT
Dumping and waste	MAT	INT	MAT	INT
Job stability	MAT	INT	MAT	MAT
Climate change	MAT	INT	INT	INT
Sustainable development	INT	INT	INT	INT

Professional development and talent	INT	INT	MAT	
Environmental and social risks	INT	INT	INT	INT
Biodiversity	INT	INT	INT	INT
Fiscal responsibility	EXT	EXT	EXT	EXT
Innovation in products and services	EXT	EXT	EXT	EXT
Adaptation to ESG changes	NM	EXT	NM	NM
Remuneration systems	NM	NM	NM	NM
Promotion of CSR	INT	INT	INT	INT
Stakeholder relations	INT	INT	INT	INT
Integration of environmental and social criteria into the value chain	NM	NM	INT	NM
Transparency	INT	INT	INT	INT
Products and services that generate social and environmental benefits	NM	NM	NM	NM
Good governance	INT	INT	INT	INT
Training and quality in providers	NM	NM	NM	EXT
Training and quality in distributors	NM	NM	EXT	NM

Key

MAT	Material issue for MAPFRE and the stakeholder
INT	Relevant issue for MAPFRE
EXT	Relevant issue for the stakeholder
NM	Non-material issue for MAPFRE nor the stakeholder

This year, analysts specializing in ESG topics analyzed the relevant matters on the basis of the information required for the Dow Jones Sustainability Index (DJSI) and the FTSE4Good Index, as well as for different ESG analysis agencies. The relevant issues in the environmental, social and governance field are described in the material matters and information contained in this integrated report.

TABLE SHOWING LOCATION OF MATERIAL ISSUES IN REPORT

Material Issue	Chapter of report where response to issue can be found
1. Privacy of personal data	5.2. Ethics and Social Responsibility: Social Responsibility Policy / Ethical behavior: Main Compliance and Prevention Measures - Security 6.4. Intellectual Capital - Cybersecurity
2. Corruption, fraud and bribery	5.2. Ethics and Social Responsibility: Social Responsibility Policy / Sustainability Plan / Ethical behavior: Main Compliance and Prevention Measures - Compliance – Internal

	Control – Prevention of fraud and corruption – Internal Audit
3. Occupational health and safety	5.2. Ethics and Social Responsibility: Social Responsibility Policy 6.3. Human Capital – Well-being and Health
4. Cybersecurity	5.2. Ethics and Social Responsibility: Social Responsibility Policy / Ethical behavior: Main Compliance and Prevention Measures – Security 6.4. Intellectual Capital - Cybersecurity
5. Ethical principles and values	3. Business model and strategy 5.2. Ethics and Social Responsibility - Ethical behavior: Main Compliance and Prevention Measures - Compliance / Code of Ethics and Conduct
6. Culture of respect for people	5.1. Governance System 5.2. Ethics and Social Responsibility - Ethical behavior: Main Compliance and Prevention Measures / Protection of employees from moral and sexual harassment in the workplace 6.3 Human Capital
7. Client satisfaction and quality	6.2. Productive Capital - Quality 5.2. Ethics and Social Responsibility: Social Responsibility Policy / Sustainability Plan
8. Human rights	5.2. Ethics and Social Responsibility: Social Responsibility Policy / Sustainability Plan 6.5. Social and Relational Capital - United Nations Sustainable Development Goals 2030 and Human Rights Note 5 – Human Rights Compliance Measures
9. Complaints and grievances	5.2. Ethics and Social Responsibility: Social Responsibility Policy / Ethical behavior: Main Compliance and Prevention Measures / Grievances and Complaints
10. Energy consumption and emissions	6.6. Capital Natural – Climate Change Management

7.3. GRI Indicator Index

The figures underpinning this corporate report have been obtained through GRI indicators based in the requirements of Directive 2014/95 using Sygris, our new computerized social responsibility data management tool implemented throughout the Group.

Standard and Contents	PAGE No. / INFORMATION	Other References
GRI 102. General content		
1. Organizational profile		
102-1. Name of the organization	MAPFRE	
102-2. Activities, brands, products, and services	2. MAPFRE Group 3. Business Model and Strategy 4. Business performance. 6.4. Intellectual Capital. 7.4 Note 4 – Social and environmental products and services.	
102-3. Location of headquarters	Madrid	
102-4. Location of operations	2.1 Deployment.	
102-5. Ownership and legal form	2. MAPFRE Group.	
102-6. Markets served	2.1 Deployment. 3. Business Model and Strategy. 4. Business performance.	
102-7. Scale of the organization	2.1 Deployment. 2.2 Key financial figures. 6.1 Financial Capital. 6.3 Human Capital - General data.	
102-8. Information on employees and other workers	6.3 Human Capital - General data. / Diversity management.	
102-9. Supply chain	6.2 Productive Capital - Providers.	
102-10. Significant changes to the organization and its supply chain	4.1. General information – Key events. 6.2 Productive Capital - Providers.	
102-11. Precautionary principle or approach	7.1 Bases of preparation and presentation of the report. 5.3 Risk Management – page	
102-12. External initiatives	6.5 Social and Relational Capital. / Commitments to sustainability.	Principles 1-10 Global Compact
102-13. Membership of associations	6.5 Social and Relational Capital. / Commitments to sustainability. MAPFRE is also a member of associations which have Sustainability high on their list of priorities, including the CRO Forum - Geneva Association, European Financial Services Roundtable (EFR) Pan-European Insurance Forum, The European	

Standard and Contents	PAGE No. / INFORMATION	Other References
	Insurance Forum (CFO).	
2. Strategy		
102-14. Statement from senior decision-maker	1. Letter from the Chairman and CEO. 5.1 Governance system.	
102-15. Key impacts, risks, and opportunities	5.3 Risk management. / Integration and management of ASG risks. 7.2 Materiality.	
3. Integrity and ethics		
102-16. Values, principles, standards, and norms of behavior	3.1 Business model. 5.1 Governance system. 5.2 Ethics and Social Responsibility.	
102-17. Mechanisms for advice and concerns about ethics	5.2 Ethics and Social Responsibility - Code of Ethics. / Ethics committee. / Whistle-blower channels. mapfre.com https://www.mapfre.com/corporate/responsible-business/definition-objectives-social-responsibility/code-ethics/	
4. Governance		
102-18. Governance structure	2. MAPFRE Group. 5.1 Governance system. 5.2 Ethics and Social Responsibility. 6.6 Natural Capital.	
102-19. Delegating authority	5.1 Governance system. Section C.2.1. of the Annual Corporate Governance Report (ACGR).	
102-20. Executive-level responsibility for economic, environmental, and social topics	5.1 Governance system. Section C.2.1. of the Annual Corporate Governance Report (ACGR).	Principles 1-10 Global Compact
102-21. Consulting stakeholders on economic, environmental, and social topics	7.2 Materiality.	Principles 1-10 Global Compact
102-22. Composition of the highest governance body and its committees	5.1 Governance system.	
102-23. Chair of the highest governance body	5.1 Governance system.	
102-24. Nominating and selecting the highest governance body	Sections C.1.19., C.1.5. and C.1.6. of the Annual Corporate Governance Report (ACGR).	
102-25. Conflicts of interest	Sections D.6. and D.7. and A.1. to A.7. of the Annual Corporate Governance Report (ACGR).	
102-26. Role of highest governance body in setting purpose, values, and strategy	5.1 Governance system. Section C.2.1. of the Annual Corporate Governance Report (ACGR). Title I, Chapter II of the Board of Directors Regulation of MAPFRE:	

Standard and Contents	PAGE No. / INFORMATION	Other References
	"Functions and Responsibilities of the Board"	
102-27. Collective knowledge of highest governance body	Sections C.1.41, C.1.40 of the Annual Corporate Governance Report (ACGR).	
102-28. Evaluating the highest governance body's performance	Section C.1.20. of the Annual Corporate Governance Report (ACGR). Given its relevance, we refer to the Board of Directors Regulation, a document approved in January 2016 and published on the corporate website. Title I. Board of Directors and Title II. Committees and Steering Committees	
102-29. Identifying and managing economic, environmental, and social impacts	5.3 Risk Management – Integration and management of ASG risks. Sections E.1., E.2. and F.1. of the Annual Corporate Governance Report (ACGR). Given its relevance, we refer to the Board of Directors Regulation, a document approved in January 2016 and published on the corporate website. Chapter IV: Risk and Compliance Committee	Principles 1-10 Global Compact
102-30. Effectiveness of risk management processes	Sections E.2. and E.6. of the Annual Corporate Governance Report (ACGR). Given its relevance, we refer to the Board of Directors Regulation, a document approved in January 2016 and published on the corporate website. Chapter IV: Risk and Compliance Committee	Principles 1-10 Global Compact
102-31. Review of economic, environmental, and social topics	5.3 Risk Management – Integration and management of ASG risks. Section E.1. of the ACGR. of the Annual Corporate Governance Report (ACGR). Given its relevance, we refer to the Board of Directors Regulation, a document approved in January 2016 and published on the corporate website. Chapter IV: Risk and Compliance Committee	Principles 1-10 Global Compact
102-32. Highest governance body's role in sustainability reporting	7.1 Bases of preparation and presentation of the report. Section C.2.1. of the Annual Corporate Governance Report (ACGR). Given its relevance, we refer to the Board of Directors Regulation, a document approved in January 2016 and published on the corporate website. Title I Chapter I: Duties and Responsibilities of the Board	Principles 1-10 Global Compact
102-33. Communicating critical	5.2 Ethics and Social Responsibility - SR policy. /	Principles 1-10 Global

Standard and Contents	PAGE No. / INFORMATION	Other References
concerns	Code of Ethics. / Ethics committee.	Compact
102-34. Nature and total number of critical concerns	<p>Code of ethics and conduct: https://www.mapfre.com/corporate/social-responsibility/definition-objectives/code-ethics-and-conduct.jsp</p> <p>Given its relevance, we refer to the Board of Directors Regulation, a document approved in January 2016 and published on the corporate website. Title I Chapter I: Duties and Responsibilities of the Board</p>	
102-35. Remuneration policies	5.1 Governance system. / 6.3 Human Capital – Remuneration and recognition. /	Principles 1, 2, 3, 4, 6 and 10 of the Global Compact
102-36. Process for determining remuneration		
102-37. Stakeholders' involvement in remuneration		
102-38. Annual total compensation ratio	<p>The annual total compensation ratio in Spain is 15.17.</p> <p>This ratio is calculated at Spain level, where the Company's headquarters is located, without including the corporate areas, and is taken as the ratio of the total compensation paid to the highest paid individual in the Company and the average of the annual total compensation of all full-time employees, excluding the highest-paid individual.</p> <p>The resulting data is considered reasonable taking the current workforce structure into account.</p>	Principles 1, 2, 3, 4, 6 and 10 of the Global Compact Principles 1, 2, 3, 4, 6 and 10 of the Global Compact
102-39. Percentage increase in annual total compensation ratio	<p>The ratio of the percentage increase in annual total compensation in Spain 0.77</p> <p>This ratio is calculated at Spain level, where the Company's headquarters is located, without including the corporate areas, and is taken as the ratio between the increase in annual total compensation received by the highest paid individual in the Company to the average percentage increase in the total annual</p>	

Standard and Contents	PAGE No. / INFORMATION	Other References
	compensation of all full-time employees.	
5. Participation of stakeholders		
102-40. List of stakeholder groups	6.5 Social and Relational Capital – Management of relationship with Stakeholders.	Principles 1-10 of the Global Compact
102-41. Collective bargaining agreements	5.3 Risk Management – Integration and management of ASG risks. 6.5 Social and relational capital – Relationship channels.	Principles 1, 2, 3, 4, and 6 of the Global Compact
102-42. Identifying and selecting stakeholders	6.5 Social and Relational Capital – Management of relationship with Stakeholders.	
102-43. Approach to stakeholder engagement	6.5 Social and Relational Capital – Relationship channels. 7.2 Materiality.	Principles 1-10 of the Global Compact
102-44. Key topics and concerns raised	6.5 Social and Relational Capital – Management of relationship with Stakeholders. / Relationship Channels. 7.2 Materiality.	Principles 1-10 of the Global Compact
6. Practices for drawing up reports		
102-45. Entities included in the consolidated financial statements	7.1 Bases of preparation and presentation of the report. Consolidated annual accounts and management report 2017 https://www.mapfre.com/corporate/institutional-investors/financial-information/annual-reports/	
102-46. Defining report content and topic Boundaries	7.1 Bases of preparation and presentation of the report.	
102-47. List of material topics	7.2 Materiality.	Principles 1-10 of the Global Compact
102-48. Restatements of information	7.1 Bases of preparation and presentation of the report. 7.5 External verification report.	
102-49. Changes in reporting	7.1 Bases of preparation and presentation of the report. 7.5 External verification report.	
102-50. Reporting period	7.1 Bases of preparation and presentation of the report.	
102-51. Date of most recent report	7.1 Bases of preparation and presentation of the report.	
102-52. Reporting cycle	Annual	

102-53. Contact point for questions regarding the report	7.1 Bases of preparation and presentation of the report.	
102-54. Claims of reporting in accordance with the GRI Standards	7.1 Bases of preparation and presentation of the report.	
102-55. GRI content index	7. Supplementary Information – indicator index.	
102-56. External assurance	7.5 External verification report.	
GRI 103. Management approach		
103-1 Explanation of the material topic and its Boundary	6.5 Social and Relational Capital – Management of relationship with Stakeholders. 7.2 Materiality.	Principles 1-10 of the Global Compact
103-2 The management approach and its components	6.5 Social and Relational Capital – Management of relationship with Stakeholders. 7.2 Materiality.	
103-3 Evaluation of the management approach	7.2 Materiality.	

Standard and Contents	PAGE No. / INFORMATION	Other references
GRI 201. Economic performance		
201-1 Direct economic value generated and distributed	2.2 Key financial figures. 4.1 General information. 6.1 Financial Capital. 6.2 Productive Capital. 6.5 Social Footprint.	
201-2 Financial implications and other risks and opportunities due to climate change	5.3. Risk management. / Integration and management of ASG risks. 7.4 Note 4 – Social and environmental products and services.	Principles 7, 8 and 9 of the Global Compact
201-3- Defined benefit plan obligations and other retirement plans	6.3 Human Capital – Remuneration and recognition.	Principles 1, 6 and 10 of the Global Compact
201-4- Financial assistance received from government	Consolidated Annual Accounts 2017. Business Units. https://www.mapfre.com/corporate/institutional-investors/financial-information/annual-reports/	
GRI 202. Market presence		
202-1 Ratios of standard entry level wage by gender compared to local minimum wage	6.3 Human Capital – Remuneration and recognition.	

202-2 Proportion of senior management hired from the local community	6.3 Human Capital - Diversity management / Cultural diversity. / Internal mobility.	
GRI 204. Acquisition practices		
204-1 Proportion of spending on local suppliers	6.2 Productive Capital - Providers.	Principle 10 of the Global
GRI 205. Anti-corruption		
205-1- Operations assessed for risks related to corruption	5.2 5.2 Ethics and Social Responsibility – Ethical Behavior: Compliance. /, Code of ethics. / Ethics committee. / Whistle-blower channels. 7.4 Note 5 – Compliance and prevention measures	Principle 10 of the Global Compact
205-2- Communication and training about anti-corruption policies and procedures		Principle 10 of the Global Compact
205-3- Confirmed incidents of corruption and actions taken		Principle 10 of the Global Compact
GRI 206. Anti-competitive behavior		
206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	In 2017, no significant legal actions were taken for anti-competitive behavior, anti-trust, and monopoly practices.	Principle 10 of the Global Compact

Standard and Contents	PAGE No. / INFORMATION	Other references
GRI 301. Materials		
301-1 Materials used by weight or volume	7.4 Note 1– Environmental information.	Principles 7, 8 and 9 of the Global Compact
301-2- Recycled input materials used	7.4 Note 1– Environmental information.	Principles 7, 8 and 9 of the Global Compact
GRI 302 Energy		
302-1- Energy consumption within the organization	6.6 Natural Capital - Climate change management. 7.4 Note 1– Environmental information.	Principles 7, 8 and 9 of the Global Compact
302-2 Energy consumption outside of the organization	6.6 Natural Capital - Climate change management. 7.4 Note 1– Environmental information.	Principles 7, 8 and 9 of the Global Compact
302-3- Energy intensity	6.6 Natural Capital - Climate change management.	Principles 7, 8 and 9 of the Global Compact

	7.4 Note 1– Environmental information.	Global Compact
302-4- Reduction of energy consumption	7.4 Note 1– Environmental information.	Principles 7, 8 and 9 of the Global Compact
302-5 Reductions in energy requirements of products and services	6.6 Natural Capital - Climate change management.	Principles 7, 8 and 9 of the Global Compact
GRI 303. Water		
303-1 Water withdrawal by source	7.4 Note 1– Environmental information.	Principles 7, 8 and 9 of the Global Compact
GRI 304. Biodiversity		
304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	MAPFRE does not have work centers in protected areas or in unprotected high biodiversity areas.	Principles 7, 8 and 9 of the Global Compact
304-2 Significant impacts of activities, products, and services on biodiversity	6.6 Natural Capital – Biodiversity preservation.	Principles 7, 8 and 9 of the Global Compact
GRI 305. Emissions		
305-1 Direct (Scope 1) GHG emissions	6.6 Natural Capital - Climate change management. 7.4 Note 1– Environmental information.	Principles 7, 8 and 9 of the Global Compact
305-2 Energy indirect (Scope 2) GHG emissions	6.6 Natural Capital - Climate change management.	Principles 7, 8 and 9 of the Global Compact
305-3- Other indirect (Scope 3) GHG emissions	6.6 Natural Capital - Climate change management.	Principles 7, 8 and 9 of the Global Compact
305-4 GHG emissions intensity	6.6 Natural Capital - Climate change management.	Principles 7, 8 and 9 of the Global Compact
305-5- Reduction of GHG emissions	6.6 Natural Capital - Climate change management.	Principles 7, 8 and 9 of the Global Compact
GRI 306. Effluents and waste		
306-2- Wastes by type and disposal method	7.4 Note 1– Environmental information.	Principles 7, 8 and 9 of the Global Compact
306-3- Significant spills	During 2017 no significant spills or leaks in establishments or facilities where MAPFRE carries out its activities were registered.	Principles 7, 8 and 9 of the Global Compact
306-4- Transport of hazardous waste	7.4 Note 1– Environmental information.	Principles 7, 8 and 9 of the

		Global Compact
306-5 Water bodies affected by water discharges and/or runoff	The activity carried out by MAPFRE is mainly administrative and, by its nature, has a low environmental impact. This year no significant impacts have been identified in this area	Principles 7, 8 and 9 of the Global Compact
GRI 307. Environmental compliance		
307-1 Non-compliance with environmental laws and regulations	The company does not have any record of having received a significant environmental fine in 2017.	Principles 7, 8, 9 and 10 of the Global Compact
GRI 308. Supplier environmental assessment		
308-1. New suppliers that were screened using environmental criteria	6.2 Productive Capital – Providers.	Principles 7, 8, 9 and 10 of the Global Compact
308-2- Negative environmental impacts in the supply chain and actions taken	6.2 Productive Capital – Providers.	Principles 7, 8, 9 and 10 of the Global Compact

Standard and Content	PAGE No. / INFORMATION	Other References
GRI 401. Employment		
401-1 - New employee hires and employee turnover	6.3 Human Capital – General information. / Diversity management. 7.4 Note 3 – New hires and departures.	Global Compact Principles 1, 2, 3, 6 and 10
401-2 - Benefits provided to full-time employees that are not provided to temporary or part-time employees	6.3 Human Capital – General information. / Compensation and recognition.	Global Compact Principles 1, 2, 3, 6 and 10
401-3 - Parental leave	6.3 Human Capital – Organization and new ways of working. / Health and well-being. 7.4 Note 2 – Health and well-being.	Global Compact Principles 1, 2, 3, 6 and 10
GRI 402. Labor/Management Relations		
402-1 – Minimum notice periods regarding operational changes	6.5 Social and Relational Capital – Employees and their legal representatives.	Global Compact Principles 1, 2, 3 and 6
GRI 403. Occupational Health and Safety		
403-1 Workers' representation in formal joint management-worker health and safety committees	6.3 Human Capital – Health and well-being. 7.4 Note 2 – Health and well-being.	Global Compact Principles 1, 2, 3 and 6
403-2 – Types of injury and rate of injury, occupational diseases, lost	6.3 Human Capital – Health and well-being.	Global Compact Principles 1, 2, 3, 4 and 6

Standard and Content	PAGE No. / INFORMATION	Other References
days, absenteeism and number of work-related fatalities		
403-3 - Workers with high incidence or high risk of diseases related to their occupation	7.4 Note 2 – Health and well-being.	Global Compact Principles 1, 2, 3, 4 and 6
403-4 - Health and safety topics covered in formal agreements with trade unions	7.4 Note 2 – Health and well-being.	Global Compact Principles 1, 2, 3, 4 and 6
GRI 404. Training and Education		
404-1 - Average hours of training per year per employee	6.3 Human Capital – Learning and knowledge management.	Global Compact Principles 1, 2, 3, 4, 6 and 8
404-2 Programs for upgrading employee skills and transition assistance programs	6.3 Human Capital – Internal mobility. / Learning and knowledge management.	Global Compact Principles 1, 2, 3, 4, 6 and 8
404-3 - Percentage of employees receiving regular performance and career development reviews	6.3 Human Capital – Compensation and recognition.	Global Compact Principles 1, 2, 3, 4, 6 and 8
GRI 405. Diversity and Equal Opportunities		
405-1- Diversity of governance bodies and employees	5.1 Governance System. / Diversity and experience. 6.3 Human Capital – Diversity.	Global Compact Principles 1, 2, 3, 4 and 6
405-2 – Ratio of basic salary and remuneration of women to men	6.3 Human Capital – Diversity. / Compensation and recognition.	Global Compact Principles 1, 2, 3, 4 and 6
GRI 406- Non-discrimination		
406-1 – Incidents of discrimination and corrective actions taken	5.2 Ethics and Social Responsibility - Code of Ethics. / Ethics Committee. / Whistleblower channels. / Protection of employees from moral and sexual harassment in the workplace. 6.5 Social and Relational Capital – SDG and Human Rights. 7.4 Note 5 – Human Rights Compliance Measures.	Global Compact Principles 1, 2, 3, 4, 6 and 10
GRI 407. Freedom of Association and Collective Bargaining		
407-1 - Operations and providers in which the right to freedom of association and collective bargaining may be at risk	6.5 Social and Relational Capital – Relationship channels / Employees and their legal representatives. / SDG and Human Rights. 7.4 Note 5 – Human Rights Compliance Measures.	Global Compact Principles 1, 2, 3, 4, 6 and 10
GRI 408. Child Labor		
408-1 Operations and providers at significant risk for incidents of child	5.2 Ethics and Social Responsibility - Code of Ethics / Ethics Committee.	Global Compact Principles 1, 2, 3, 5, 6 and 10

Standard and Content	PAGE No. / INFORMATION	Other References
labor	6.2 Productive Capital – Providers. 6.5 Social and Relational Capital – SDG and Human Rights. 7.4 Note 5 – Human Rights Compliance Measures.	
GRI 409. Forced or Compulsory Labor		
409-1 Operations and providers at significant for incidents of forced or compulsory labor	5.2 Ethics and Social Responsibility - Code of Ethics / Ethics Committee. 6.2 Productive Capital – Providers. 6.5 Social and Relational Capital – SDG and Human Rights. 7.4 Note 5 – Human Rights Compliance Measures.	Global Compact Principles 1, 2, 3, 4, 6 and 10
GRI 410. Security Practices		
410-1 Security personnel trained in human rights policies or procedures	5.2 Ethics and Social Responsibility - Code of Ethics. / Ethics Committee. / Security. 5.3 Risk Management. / Integration and management of ESG risks. 6.2. Productive Capital - Providers. 6.5 Social and Relational Capital – SDG and Human Rights. 7.4 Note 5 – Human Rights Compliance Measures.	Global Compact Principles 1, 2, 3, and 10
GRI 411. Rights of Indigenous Peoples		
411 - 1 Incidents of violations involving rights of indigenous peoples	6.5 Social and Relational Capital – SDG and Human Rights. 7.4 Note 5 – Human Rights Compliance Measures.	Global Compact Principles 1, 2, 3, and 10
GRI 412. Human Rights Assessments		
412-1 Operations that have been subject to human rights reviews or impact assessments	6.2 Productive Capital – Providers. 6.5 Social and Relational Capital – SDG and Human Rights. 7.2 Materiality. 7.4 Note 5 – Human Rights Compliance Measures.	Global Compact Principles 1-10
412-2 Employee training on human rights policies or procedures	6.5 Social and Relational Capital – SDG and Human Rights. 7.4 Note 5 – Human Rights Compliance Measures.	Global Compact Principles 1-10
412-3 Significant investment agreements and contracts that include human rights clauses	5.2 Ethics and Social Responsibility - Code of Ethics / Ethics Committee. 6.2 Productive Capital – Providers.	Global Compact Principles 1, 2, 3, 4, 5, 6, 7 and 10

Standard and Content	PAGE No. / INFORMATION	Other References
	6.5 Social and Relational Capital – SDG and Human Rights. 7.4 Note 5 – Human Rights Compliance Measures.	
GRI 413. Local Communities		
413-1 Operations with local community engagement, impact assessments and development programs	6.5 Social and Relational Capital – SDG and Human Rights. 7.4 Note 5 – Human Rights Compliance Measures. www.fundacionmapfre.org	Global Compact Principles 1, 2, 3, 4, 5, 6, 7 and 10
413-2 Operations with significant actual and potential negative impacts on local communities	6.5 Social and Relational Capital – SDG and Human Rights. 7.4 Note 5 – Human Rights Compliance Measures. www.fundacionmapfre.org	Global Compact Principles 1, 2, 3, 4, 5, 6, 7 and 10
GRI 414. Provider Social Assessment		
414-1 New providers that were screened using social criteria	6.2 Productive Capital - Providers.	Global Compact Principles 1-10
414-2 Negative social impacts in the supply chain and actions taken	6.2 Productive Capital - Providers.	Global Compact Principles 1-10
GRI 415. Public Policy		
415-1 Political contributions	5.2 Ethics and Social Responsibility - Code of Ethics / Ethics Committee. Institutional, Business and Organizational Principles of the MAPFRE GROUP https://www.mapfre.com/corporate/institutional-investors/corporate-governance/	Global Compact Principle 10
GRI 417. Marketing and Labeling		
417-1 Requirements for product and service information and labeling	Not available. Varies according to local legislation.	
417-2 Incidents of non-compliance concerning product and service information and labeling	5.2 Ethics and Social Responsibility – Grievances and complaints.	Global Compact Principle 10
417-3 Incidents of non-compliance concerning marketing communications	No significant cases of non-compliance with regulations or voluntary codes assumed by the company were reported in 2017.	Global Compact Principle 10
GRI 418. Client Privacy		
418-1 Substantiated complaints concerning breaches of client privacy and losses of client data	6.4 Intellectual Capital – Cybersecurity.	Global Compact Principles 1, 2, 3, and 10

Standard and Content	PAGE No. / INFORMATION	Other References
GRI 419. Socioeconomic Compliance		
419-1 Non-compliance with laws and regulations in the social and economic area	5.2 Ethics and Social Responsibility – Ethical Behavior: Main compliance and prevention measures.	Global Compact Principles 1, 2, 3, and 10

GRI FINANCE SUPPLEMENT INDICATORS			
GRI Indicators		Page / Information	Other references
Impact of products and services			
G4-FS1	Policies with specific environmental and social components applied to business lines.	5.1 Governance system. 5.2 Ethics and Social Responsibility. 5.3 Risk Management. 6.6 Natural Capital. 7.4 Note 4 – Social and environmental products and services.	
G4-FS2	Procedures for assessing and screening environmental and social risks in business lines.	5.3 Risk Management. / Integration and management of ASG risks. 6.6 Natural Capital – Climate change management.	
G4-FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions with customers.	5.2 Ethics and Social Responsibility. 5.3 Risk Management. / Integration and management of ASG risks. 7.4 Note 4 – Social and environmental products and services.	
G4-FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.	5.2 Ethics and Social Responsibility. 6.6 Natural Capital – Strategic environmental model. / Biodiversity preservation.	
G4-FS5	Interactions with clients, investees and business partners regarding environmental and social risks and opportunities.	5.3 Risk Management – Integration and management of ASG risks. 6.6 Natural Capital – Climate change management. 7.2 Materiality. mapfre.com – Group/shareholders and investors corporate information	
Product portfolio			
G4-FS6	Percentage of the portfolio for each business line by specific region, size and sector.	4.3 Information by Business Unit.	
G4-FS7	Monetary value of products and services	7.4 Note 4 – Social and environmental	

	designed to deliver a specific social benefit for each business line broken down by purpose.	products and services.	
G4-FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	7.4 Note 4 – Social and environmental products and services.	
Auditing			
G4-FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.	5.3 Risk Management – Integration and management of ASG risks. 6.6 Natural Capital – Strategic environmental model. 7.1 Bases of preparation and presentation of the report. 7.4 Note 1– Environmental information. / Environmental Audits.	
Active ownership			
G4-FS10	Percentage and number of companies held in the institution’s portfolio with which the reporting organization has interacted on environmental or social issues.	This information is not available as of the close of this report	
G4-FS11	Percentage of assets subject to positive and negative environmental or social screening.		
Community			
G4-FS13	Access points in low-populated or economically disadvantaged areas by type.	5.2 Ethics and Social Responsibility. 7.4 Note 4 – Social and environmental products and services. Annual report of Fundación MAPFRE 2017	
G4-FS14	Initiatives to improve access to financial services for disadvantaged people		
Customer health and safety			
G4-FS15	Policies for the fair design and sale of financial products and services	5.2 Ethics and Social Responsibility. 7.4 Note 4 – Social and environmental products and services.	
Marketing communications			
G4-FS16	Initiatives to enhance financial literacy by type of beneficiary	Annual report of Fundación MAPFRE 2017	

7.4. Notes

Note 1 - Environmental Information

CO_{2eq} consumption and emissions inventory

RESOURCE CONSUMPTION	GRI	Measure-ment	2017	2016	2015
Scope 1:					
Natural gas consumption	302-1, 302-4, 305-1	m ³	1,156,730	1,098,991	1,109,618
Oil consumption in buildings	302-1, 302-4, 305-1	L	441,409	403,204	384,939
Refrigeration gas recharges	302-1, 302-4, 305-1	kg	941	733	1,041
Consumption of fuel in own vehicles	302-1, 302-4, 305-1	L	3,164.699	3,677,690	3,728,868
Scope 2:					
Electrical energy consumption	302-1, 302-4	GWh	108.72	115.95	121.64
Scope 3:					
Business travel (*)	302-2	Tm CO _{2eq}	8,118	7,480	8,961
Paper consumption (**)	302-2	Tm CO _{2eq}	1,408	1,369	1,771

(*) Travel by employees:

2015: Data for Spain

2016: Data for Spain, Argentina, Brazil, USA

2017: Data for Spain, Argentina, Brazil, Chile USA, Peru, Portugal, Puerto Rico, Turkey

(**) Includes emissions avoided by recycling paper

Waste management

[306-2]

WASTE INDICATORS	Measure -ment	2017	2016	2015
Paper	Tm	888.54	1,072.11	991.00
Toner	Tm	18.37	14.97	18.30
Computers and electronic equipment managed	Tm	33.66	86.76	61.74
Computers and electronic equipment donated	Tm	8.77	10.57	18.38
Lamps and fluorescent lights at end of useful life	Tm	1.60	4.11	2.19
Batteries	Tm	3.80	2.46	3.40
Hazardous waste in buildings	Tm	5.07	2.40	2.71
Hazardous waste in repair shops	Tm	102.14	89.01	91.00
Non-hazardous waste in buildings and repair shops (*)	Tm	1,585.70	2,352.70	1,250.00
Other non-hazardous waste	Tm	769.89	205.85	213.00
Sanitary waste	Tm	2.78	2.31	2.21
Expired medicines	Tm	0.11	0.16	0.11
X-rays	Tm	0.98	0.87	0.83
Computer media	Tm	2.78	8.62	6.17

Environmental audits

[FS9]

ENVIRONMENTAL AUDITS OF ASSETS	Measure -ment	2017	2016	2015
Environmental diagnoses and inspections	Units	9	84	11
Internal environmental audits	Units	44	47	41
Environmental certification audits	Units	36	19	26
Percentage of assets subject to environmental controls	Percentage	31.26	28.61	25.04

Resource consumption

[302-3]

RESOURCE CONSUMPTION	GRI	Measure- ment	2017	2016	2015
Total energy consumption	302-1, 302-4	GWh	125.74	132.06	137.68
Renewable energy consumption	302-1, 302-4	GWh	68.47	64.87	18.77
Total water consumption	303-1	m3	615.356	709.834	758.448
Total paper consumption	301-1	Tm	2.136	2.248	2.573
Total certified paper consumption	301-1	Tm	1.311	1.319	1.333
Ecologically-tagged paper/total paper consumed	301-2	%	61	69	52
Toner consumption	301-1	Units	5.455	3.875	9.575
Total waste deposited in landfills (*)	306-2	Tm	398,36	651,34	195,17

(*) Scope:

2015: Data for Spain, Colombia, Mexico, Puerto Rico, Brazil, USA, Portugal.

2016: Data for Spain, Colombia, Mexico, Puerto Rico, Brazil, USA, Portugal, Chile

2017: Data for Spain, Colombia Mexico Puerto Rico, Argentina Chile, Venezuela, Turkey.

Resource consumption indicators

	GRI	2017	2016	2015
Total energy consumption/employee	kWh/employee/ year	3,680	3,910	3,939
Water per employee	M ³ /employee	18.01	21.02	21.7
Activity consumption	kWh/premium (€'000)	6.5	6.9	7.2

- 2015 and 2016. Data for Spain, Argentina, Brazil, Chile, Colombia, USA, Mexico, Puerto Rico, Turkey, Costa Rica, El Salvador, Nicaragua, Honduras, Panama, Guatemala, Ecuador, Dominican Republic, Paraguay, Uruguay, Peru, Venezuela, Portugal, Philippines and Malta.
- 2017. Data for Spain, Argentina, Brazil, Chile, Colombia, USA, Italy (Direct Line), Mexico, Puerto Rico, Turkey, Costa Rica, El Salvador, Nicaragua, Honduras, Panama, Guatemala, Ecuador, Dominican Republic, Paraguay, Uruguay, Peru, Venezuela, Portugal, Philippines, Malta and Germany.

Note 2 - Health and well-being

[401-3, 403-1, 403-3, 403-4]

Workplace

MAPFRE encourages measures to achieve a better workplace, in the broadest sense of the term, as a company that promotes the health of its employees.

	Workplace
SPAIN	<ul style="list-style-type: none">- 49 occupational risk assessments.- Occupational risk prevention training and information were delivered to more than 4,000 employees, representing a total of 10,879 hours.- 5,571 medical checkups.
BRAZIL	<ul style="list-style-type: none">- 128 occupational risk assessments (safety, hygiene and ergonomics).- 250 psychosocial risk assessments.- 864 hours of training on workstation risks.- 5,999 medical checkups.
COLOMBIA	<ul style="list-style-type: none">- 90 occupational risk assessments (safety, hygiene and ergonomics).- 100 psychosocial risk assessments.- 980 medical checkups.- 60 epidemiological studies.
MEXICO	<ul style="list-style-type: none">- 2 occupational risk assessments (safety, hygiene and ergonomics).- Work-related accident prevention and emergency measures, and first-aid and building evacuation plans are in place.

Health promotion

The main objective of the health promotion activities is to prevent non-communicable diseases and optimize healthcare by establishing channels and procedures for providing medical and psychological advice and running global health awareness campaigns.

	Health promotion
SPAIN	<ul style="list-style-type: none">- 68 health promotion activities.- 4 cancer Information and prevention campaigns.- 889 flu vaccinations.- 9,911 medical assessments.- World No Tobacco Day (May 31) and World AIDS Day (December 1) were both marked.
BRAZIL	<ul style="list-style-type: none">- The <i>Cuidar</i> (Care) program offers support to collaborators and relatives of patients undergoing cancer treatment: 12 meetings were held that dealt with matters relating to cancer treatment.- <i>Noviembre Azul</i> (Blue November): various men's health-related actions

	<p>were carried out during November, including urology checkups.</p> <ul style="list-style-type: none"> - 11,335 medical checkups, going beyond what is legally established in the country, were carried out: gynecology, dermatology, endocrinology, urology, physiotherapy and nutrition.
COLOMBIA	<ul style="list-style-type: none"> - Informational campaigns on the prevention of the main non-communicable diseases. - Campaigns on the prevention of psychoactive substances, tobacco and alcohol consumption.
UNITED STATES	<ul style="list-style-type: none"> - The Employee Counseling Program offers 24/7/365 professional and confidential clinical advice, free of charge, to all employees and members of their families. via telephone or through the website.
MEXICO	<ul style="list-style-type: none"> - Information campaigns on preventing prostate cancer, breast cancer, cervical-uterus cancer, hypertension, diabetes and tetanus. - Alzheimer's disease information campaign. - 2,326 medical assessments.
OTHER COUNTRIES	<ul style="list-style-type: none"> - In Chile: vaccination campaigns, cardiovascular checkups during Heart Week, and a breast cancer prevention campaign. - In Italy: a conference on the prevention of cardiovascular risks was given by the Monzino Cardiology Center during MAPFRE Health Week. - In Puerto Rico: prevention campaigns for breast cancer, prostate cancer, pancreatic cancer, leukemia, lymphoma and multiple myeloma, ovarian cancer and cardiovascular health. Talks were held on how to cultivate domestic gardens, in order to encourage employees and their families to develop healthier diets at home. - The international consulting firm, Brandon Hall, presented the "Best Wellness and Benefits Program" award to MAPFRE Sigorta (Turkey) for its employee health and well-being program.

Physical activity and diet

The pillars of good health are physical activity and diet. MAPFRE promotes sports activities among employees and provides information on a healthy, appetizing and fun diet. The following is a selection of the activities conducted:

Physical activity and diet	
SPAIN	<ul style="list-style-type: none"> - In-house gyms at the Majadahonda (Madrid) facilities, with a total of 18,718 visits by employees, at the Sant Cugat del Vallés (Barcelona) facilities and the training campus of the Corporate University. - 47 sports activities were promoted with a total of 1,222 participants.
BRAZIL	<ul style="list-style-type: none"> - Weight Watchers - education program aimed at helping collaborators loose weight. - Walk and run program: program with bi-weekly sessions run by a professional at public parks close to the workplace.
COLOMBIA	<ul style="list-style-type: none"> - Healthy breakfasting, healthy diet notebook and one-week exercise program, weight watching.

	<ul style="list-style-type: none"> - Implementation of the <i>Dinamízate</i> (Get Invigorated) program to encourage more physical activity. - Yoga, rumba therapy, zumba therapy and calisthenics sessions.
UNITED STATES	<ul style="list-style-type: none"> - "Ready, Set, Go" well-being program. - Programs to promote physical activity and exercise, with discounts for gym memberships, creation of a stepometer to monitor exercise done.
MEXICO	<ul style="list-style-type: none"> - Running club during MAPFRE Week. - Design of well-balanced diets.
OTHER COUNTRIES	<ul style="list-style-type: none"> - In Paraguay: bi-weekly active breaks, where a trainer visits all work areas and helps employees practice stretching exercises. - In Venezuela: information campaign to raise employee awareness of the importance of a healthy diet, incorporating readily available products.

Mental well-being

As psychosocial risks and mental illnesses are issues that increasingly affect companies and society in general, MAPFRE believes they should be addressed in the workplace. The company promotes measures to help manage stress and develop positive behavior and personal effectiveness tools, as well as providing psychological support for employees and their relatives.

	Mental well-being
SPAIN	<ul style="list-style-type: none"> - Online training for Stress Management given to more than 1,100 employees, with a total of more than 1,144 hours of training. - During MAPFRE Week, more than 20 activities related to mental well-being were carried out.
COLOMBIA	<ul style="list-style-type: none"> - Spa and massage day for employees, talks to help employees handle their emotions, "zero stress" workshops. - Monthly sessions of the <i>Dinamízate</i> (Get Invigorated) program, workshops and creation of a rest area.
UNITED STATES	<ul style="list-style-type: none"> - During the Global Health Week and annual results presentation event, stress-relieving massages were given at the workplace. - Free webinars were offered to employees on "Stress and the immune system" and "Improve your resistance to prevent exhaustion".
MEXICO	<ul style="list-style-type: none"> - During MAPFRE Week: Meditation and relaxation sessions and talks, focusing on understanding and resilience management, and dealing with adversity from a personal and professional point of view.
OTHER COUNTRIES	<ul style="list-style-type: none"> - In Peru: individual and voluntary Psychological Counseling Program, with workshops on handling stress and crisis interventions.

Personal environment

These activities are related to the health and well-being of employees and their relatives in their personal lives. The issues addressed include caring for dependents, parenting and prevention of workplace accidents.

	Personal environment
SPAIN	<ul style="list-style-type: none">- 149 assessments provided to employees whose relatives have health problems.- 65 activities were carried out during MAPFRE Week in relation to one's personal environment.- 52 social activities were promoted, with a total of 10,044 participants, including employees and family members.
BRAZIL	<ul style="list-style-type: none">- All relatives are asked to participate in the <i>Cuidar</i> (Care) program, in São Paulo, and in the <i>Maternidad</i> (Maternity) program, which covers family planning, conferences on pregnancy and taking care of babies, telephone assistance from a team of multidisciplinary health professionals, pregnancy-related matters and returning to work.
UNITED STATES	<ul style="list-style-type: none">- A funeral planning service is offered, which provides assistance and support to families who suffer the death of a loved one.
OTHER COUNTRIES	<ul style="list-style-type: none">- In Argentina: the <i>Pequeñas Visitas</i> (Little Visitors) program is a family event where employees' children share a day at the office with their parents, and donate non-perishable food to selected charities through Fundación MAPFRE.- In Honduras: Family life, stress-relief walking, birthday celebrations, Mother's Day, Father's Day, Christmas.

Note 3 - New Hires and Departures in 2017

[401-1]

New hires and departures occurred during the year for the following reasons:

Reason for new hire	2017	2016
- Merger or acquisition	679	0
- External recruitment	4,732	5,987
- Return after leave of absence	166	156
- Return from international posting	7	8
- Temporary contract	396	-
- Change of company	938	1,142

Reason for departure	2017	2016
- Transfer	0	24
- Voluntary	3,232	3,341
- Dismissal	2,610	3,878
- Leave of absence	178	194
- Retirement	95	67
- Early retirement	5	19
- Death	23	19
- Disability	25	24
- Termination of temporary contract	340	-
- Change of company	1,161	1,111

Note 4 - Social and Environmental Products and Services

[102-2, 201-2, FS1, FS3, FS7, FS8, FS13, FS14, FS15]

Products with high social content

These are products offering basic coverage (Burial, Homeowners and Life, etc.) that are adapted to very specific local needs, and with low premiums, which help cover the personal risks of different groups, while also promoting an insurance culture.

Country	Line	Type of product or service	% of total premiums	% of line total	No. of insured parties /beneficiaries
IBERIA TERRITORIAL AREA					
Spain	Health	Health Choice: Health assistance insurance that guarantees primary care and basic diagnosis tests in approved centers. For other medical attention the insured may require, reductions on prices payable by private patients are offered in recommended clinics.	0.18	0.18	8,954
	Life	Essential Burial: based on sliding pricing scale that is adapted to clients who wish to keep their burial insurance in force but face adverse economic circumstances.	3.33	3.33	287,093
LATAM TERRITORIAL AREA					
Brazil	Home-owners	Telefónica Protected Account Program: financial protection insurance covering the payment of telephone bills in the event of unemployment, disability, etc.	0.04	0.34	62,772
	Life	<i>Crediamigo</i> microcredit program: with death coverage or funeral assistance, in addition to four monthly capitalization lotteries.	0.09	0.54	49,095
		<i>Agroamigo</i> : a new mass insurance solution for micro-entrepreneurs in formal or informal sectors of the economy in rural areas.	0.001	0.08	21,573
		BB Agriculture and Family Life Insurance: insurance for rural loan clients of the <i>Agricultura Familiar</i> (Family Agriculture) programs that guarantees the settlement or surrender of the balance held with Banco do Brasil in the event of the natural or accidental death of the insured.	0.865	16.95	438,156
		Rural Loans Insurance: life insurance with rural	0.008	0.16	1,221,966

		loans.			
		Family Protection Insurance: the insured party must select the type of funeral assistance as the main coverage.	0.003	0.87	542
Domin- ican Republic	Health	Assistance program for entrepreneurs, SME clients of Banco BHD Leon credit card services: a set of services and assistance for the insured party's business. Services include plumbing, electrical installations, locksmiths, legal assistance.	0.21	1.29	4,199
		Coverage of male cancer victims who are clients of Banco BHD Leon credit card services: coverage guaranteeing that the insured party receives the contracted capital in the event that where they are diagnosed for the first time with prostate cancer.	0.09	0.52	2,786
		Assistance granted to the insured party for holding a Banco BHD Leon Woman's credit card: services include assistance for home, traffic, legal and medical emergencies during national and international travel, and personal assistance.	1.52	9.22	40,895
	Life	Education insurance covering the death of the student's father: in the event of the death or total disability of the insured party, the company will pay the agreed amount to the education center which certifies the enrollment of the children of the insured party.	0.75	1.94	30,075
Mexico	Accident and Illness	Basic Standardized Personal Accident Insurance: accident insurance that offers indemnity up to \$200,000.	0.0002	0.0016	224
		Basic Standardized Medical Expenses Insurance: medical attention at any national or international hospital.	0.0002	0.0019	20
	Auto- mobile Life	MAPFRE Basic Automobile Insurance: designed to provide the minimum protection required for cars.	0.0015	0.0057	488
		Group Life Insurance: marketed through the Compartamos bank. Aimed at groups for which Company Group Life Insurance products cannot be offered due to their special characteristics.	6.78	30.1	4,710,189
INTERNATIONAL TERRITORIAL AREA					
Puerto Rico	Auto- mobile	Auto Plus: replaces or greatly improves the mandatory insurance for only 36 dollars more. Includes roadside assistance, accidental death or dismemberment, medical expenses and legal defense coverage.	0.03	0.09	544
	Auto- mobile	Roadside and travel assistance product providing the insured party with immediate roadside assistance for only 45 dollars for the first vehicle, and 25 dollars for subsequent insured vehicles.	0.01	0.02	7,159

Environmental products and services

The following table shows the main figures for environmental products and services.

Environmental products and services			
Product/Service		2017	2016
Environmental risk coverages	No. of policies	20,705	19,834
Insurance for sustainable projects	Net premiums (€)	120,461,190	82,699,760
Environmental and energy-saving insurance	Revenue (€)	235,177	315,049

Below are the main environment-related insurance products and services:

Country	Type of product or service	% of total premiums	% of line total	No. of insured parties
IBERIA TERRITORIAL AREA				
Spain	Green policy: first comprehensive pay-per-use insurance for electric, hybrid and eco-friendly vehicles.	0.24	0.22	9,076
	P&C and third-party liability insurance: product for solar farms and photovoltaic power stations, wind farms and cogeneration plants.	0.19	1.38	1,508
	Environmental liability cover in general third-party liability policies and multi-peril policies: covers policyholder liability for damage caused due to environmental pollution.	0.74	1.24	1,185
Portugal	Environmental liability: covers the cost of repairs due to accidents or an imminent threat, damage to wildlife and habitats, water and land pollution.	0.10	6.56	778
LATAM TERRITORIAL AREA				
Brazil	Environmental third-party liability: total risk insurance that guarantees indemnization for damages and losses up to the maximum limit stated in the insurance policy. Consists of basic coverage for mandatory requirements, and additional coverages.	0.01	0.13	243
	Wreck Disposal: policy for pleasure and general aviation craft that provides compensation to policyholders to recover damaged property and minimize environmental harm.	0.04	0.45	1,924
	Petroleum risk: offers direct or indirect cover for risks linked to oil or gas prospecting, drilling and/or production activities.	0.64	6.73	2
Mexico	Safe Gas Station: insurance that includes third-party liability coverage against contamination.	0.2	0.6	1,222

Colombia	Climate change insurance: insurance that protects agricultural and livestock producers against the devastating effects of natural events on their plantations, as a consequence of climate change. Provides coverage for natural events such as droughts or floods, frost, strong winds, landslides, hail, avalanches and fires.	2.29		2,913
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INTERNATIONAL TERRITORIAL AREA

Puerto Rico	MCS-90: transportation policy that covers repairing damage resulting from contamination due to leaks of hazardous products.	0.05	0.18	290
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GLOBAL BUSINESSES

Damage and third-party liability policy: insurance that covers the different phases (design, construction, commissioning and operation) of large renewable energy thermosolar plants and wind farms. These products are marketed by MAPFRE GLOBAL RISKS.

Wind farms	3.62		41
Solar energy	0.48		20

The accompanying table shows the main environmental indicators related to the insurance solutions marketed. In the case of coinsurance, the indicators only include MAPFRE's ownership interest.

Indicator	Measure-ment	2017	2016
Environmental third-party liability and multi-peril policies underwritten	No.	10,140	7,877
Wind power facilities insured	MW	12,755.85	24,419.33
Wind turbine generators insured	No.	7,127	16,445
Sustainable forest plantations	ha	17,865	20,426
Green automobile policies	No.	8,809	10,235

Overall, more than 20,700 policies covering environment-related aspects were issued in 2017, representing a premium volume of more than 120 million euros and 0.51 percent of the Group's total premiums.

In the case of environmental and energy services, some are directly associated with insurance policy benefits. As proof of this, in 2017, MAPFRE's provider network included 16 fully electric vehicles that can be deployed to provide roadside assistance

for owners of electric cars. These assistance vehicles are equipped with a generator that can charge cars anywhere, anytime. As a result, this service reduces carbon footprint, preventing assistance tow trucks from traveling to the breakdown location and towing the vehicle back to a charging station.

In addition, MAPFRE is encouraging its providers to renew their tow truck fleets with hybrid vehicles, and there are already 9 light hybrid tow trucks available for this roadside assistance service.

Other services are related to research on repairs for vehicles involved in accidents, conducted at the Road Safety Experimentation Centers (CESVI) in Spain and the Americas, which contributes to the reduced consumption of pollutants such as paint and solvents and helps minimize the environmental impact of vehicle repairs.

CESVIMAP, through CESVI RECAMBIOS, manages scrapped vehicles. A total of 2,834 scrapped vehicles were managed in Spain and Colombia in 2017, from which 84,531 parts and components were recovered for recycling.

Recovery of vehicle parts	Measurement	2017	2016
Scrapped vehicles processed	Unit	2,834	3,100
Parts recovered from scrapped vehicles	Unit	84,531	95,879

The environmental services provided by MULTIMAP are mainly targeted at energy savings and efficiency. This company installs charging points for electric vehicles in the garages of private homes and the parking lots of condominium associations, as well as providing integrated energy efficiency and energy saving services in buildings and facilities. This work produced revenue of 235,177 euros in environmental services.

Note 5 - Human Rights Compliance Measures

[205-1, 205-2, 205-3, 407-1, 408-1, 409-1, 410-1, 411-1, 412-1, 412-2, 412-3, 413-1, 413-2]

The following due diligence measures were identified based on the materiality and using the internal (employees) and external (providers) scopes of action as reference:

Employees

Human rights by order of importance in the materiality study	Prevention mechanisms	Internal complaint mechanisms
Elimination of discrimination in respect of employment and occupation	Internal policies and rules <ul style="list-style-type: none"> • Institutional, Organizational and Business Principles • Code of Ethics and Conduct • Corporate Social Responsibility Policy • Respect for People Policy • Diversity and Equal Opportunities Policy • Promotion, Selection and Mobility Policy • Compensation Policy • Harassment Protocol <i>Also:</i> <ul style="list-style-type: none"> – Recruitment system – Performance evaluation – Online course on human rights by the Global Compact Spanish Network – Online course on corporate social responsibility 	<p>Human Resources departments</p> <p>Ethical Whistleblower Channel</p> <p>Employees' legal representatives</p>
Right to personal security and privacy	Internal policies and rules <ul style="list-style-type: none"> • Institutional, Organizational and Business Principles • Code of Ethics and Conduct • Corporate Social Responsibility Policy • Respect for People Policy • Corporate Security Policy <i>Also:</i> <ul style="list-style-type: none"> – Data confidentiality agreements – Online course on human rights by the Global Compact Spanish Network – Online course on corporate social responsibility 	<p>Human Resources departments</p> <p>Ethical Whistleblower Channel</p> <p>Security and Environment Division</p>

Employees

Human rights by order of importance in the materiality study	Prevention mechanisms	Internal complaint mechanisms
Right to a healthy environment	Internal policies and rules <ul style="list-style-type: none"> • Institutional, Organizational and Business Principles • Code of Ethics and Conduct • Policy on Health, Well-being and Prevention of Occupational Risks • Corporate Social Responsibility Policy • Environment Policy <i>Also:</i> <ul style="list-style-type: none"> – Risk assessments of workplaces, facilities and workstations – Online course on the environment – Online course on human rights by the Global Compact Spanish Network – Online course on corporate social responsibility 	
Access to basic rights for a life with dignity, e.g. family, housing, diet, health, education	Internal policies and rules <ul style="list-style-type: none"> • Institutional, Organizational and Business Principles • Code of Ethics and Conduct • Corporate Social Responsibility Policy • Respect for People Policy • Diversity and Equal Opportunities Policy • Promotion, Selection and Mobility Policy • Policy on Health, Well-Being and Prevention of Occupational Risks <i>Also:</i> <ul style="list-style-type: none"> – Training and personal development plans – Talent management – Work-life balance measures – Social benefits for employees – Healthy company model, focused on the individual and structured around four areas of action: work, mental, personal and physical 	<p>Human Resources departments</p> <p>Ethical Whistleblower Channel</p>

Employees

Human rights by order of importance in the materiality study	Prevention mechanisms	Internal complaint mechanisms
Freedom of thought, culture and religion/worship	Internal policies and rules <ul style="list-style-type: none"> • Institutional, Organizational and Business Principles • Code of Ethics and Conduct • Corporate Social Responsibility Policy • Respect for People Policy • Diversity and Equal Opportunities Policy 	Human Resources departments Ethical Whistleblower Channel
Freedom of association and the right to form and be a member of labor unions and to collective bargaining	Internal policies and rules <ul style="list-style-type: none"> • Institutional, Organizational and Business Principles • Code of Ethics and Conduct • Corporate Social Responsibility Policy • Respect for People Policy • Diversity and Equal Opportunities Policy <i>Also:</i> <ul style="list-style-type: none"> – Recognition of labor union representatives as a stakeholder – Online course on human rights by the Global Compact Spanish Network – Online course on corporate social responsibility 	Human Resources departments Ethical Whistleblower Channel
Abolition of child labor	Absolute rejection of child exploitation Internal policies and rules <ul style="list-style-type: none"> • Institutional, Organizational and Business Principles • Code of Ethics and Conduct • Corporate Social Responsibility Policy • Respect for People Policy 	Human Resources departments Ethical Whistleblower Channel

Employees

Human rights by order of importance in the materiality study	Prevention mechanisms	Internal complaint mechanisms
Elimination of compulsory or forced labor	<p>Absolute rejection of compulsory or forced labor</p> <p>Internal policies and rules</p> <ul style="list-style-type: none"> • Institutional, Organizational and Business Principles • Code of Ethics and Conduct • Corporate Social Responsibility Policy • Respect for People Policy <p><i>Also:</i></p> <ul style="list-style-type: none"> – Recognition of labor union representatives as a stakeholder – Online course on human rights by the Global Compact Spanish Network – Online course on corporate social responsibility 	<p>Human Resources departments</p> <p>Ethical Whistleblower Channel</p>
Freedom of assembly and movement	<p>Internal policies and rules</p> <ul style="list-style-type: none"> • Institutional, Organizational and Business Principles • Code of Ethics and Conduct • Corporate Social Responsibility Policy • Respect for People Policy • Promotion, Selection and Mobility Policy <p><i>Also:</i></p> <ul style="list-style-type: none"> – Recognition of labor union representatives as a stakeholder – Online course on human rights by the Global Compact Spanish Network – Online course on corporate social responsibility – Over 1,800 promotion and internal mobility processes 	<p>Human Resources departments</p> <p>Ethical Whistleblower Channel</p>

Providers

Human rights by order of importance	Prevention mechanisms	Complaint mechanisms
Elimination of discrimination in respect of employment and occupation	<p>Internal policies and rules</p> <ul style="list-style-type: none"> • Institutional, Organizational and Business Principles • Code of Ethics and Conduct • Corporate Social Responsibility Policy • Purchasing Regulations <p><i>Also:</i></p> <ul style="list-style-type: none"> – New approval process integrating environmental, social and governance aspects. – Online course on human rights by the Global Compact Spanish Network 	<p>Purchasing departments</p> <p>Query mailboxes</p> <p>Whistleblower channel (planned for 2018)</p>
Right to personal security and privacy		
Right to a healthy environment		
Access to basic rights for a life with dignity, e.g. family, housing, diet, health, education		
Freedom of thought, culture and religion/worship		
Freedom of association and the right to form and be a member of labor unions and to collective bargaining		
Abolition of child labor		
Elimination of compulsory or forced labor		
Freedom of assembly and movement		

7.5. External verification report

[102-48, 102-49, 102-56]

See KPMG Report.



KPMG Asesores, S.L.
Pº. de la Castellana, 259 C
28046 Madrid

Independent Assurance Report to the Management of MAPFRE, S.A.

(Free translation from the original in Spanish.
In case of discrepancy, the Spanish language version prevails.)

To the Management of Mapfre, S.A.

In accordance with our engagement letter, we performed a limited assurance review on the non-financial information contained in the Integrated Report of MAPFRE, S.A. (hereinafter MAPFRE) for the year ended 31 December 2017 (hereinafter "the Report") including indicators of Argentina, Brazil, Colombia, Spain, United States of America, Italy, Mexico, Peru and Turkey, as set out on this report's Annex and that could be included in the equivalent local Reports of MAPFRE in these countries.

Management responsibilities

MAPFRE management is responsible for the preparation and presentation of the Report in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards), in accordance with comprehensive option as described in item 102-54 of the GRI Content index of the Report, obtaining confirmation from the Global Reporting Initiative on the proper application of these. Management is also responsible for the information and assertions contained within the Report; for determining MAPFRE's objectives in respect of the selection and presentation of sustainable development performance, including the identification of stakeholders and material issues; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

These responsibilities include the establishment of appropriate controls that MAPFRE management consider necessary to enable that the preparation of indicators with a limited assurance review would be free of material errors due to fraud or errors.

Our responsibility

Our responsibility is to carry out a limited assurance review and issue this report based on the work performed, referring exclusively to the information corresponding to 2017. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (reviewed), "Assurance Engagements other than Audits or Reviews of Historical Financial Information", with ISAE 3410 Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board (IAASB) and with the Performance Guide on the revision of Corporate Responsibility Reports of the Instituto de Censores Jurados de Cuentas de España (ICJCE). These standards require that we plan and perform the engagement to obtain limited assurance about whether the Report is free from material misstatement.

KPMG applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Internal Ethics Standards Board for Accountants, which is founded on Fundamental Principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Limited assurance review of indicators with limited assurance engagement

Our limited assurance engagement consisted of making inquiries to Management and persons responsible for the preparation of information presented in the Report, and applying analytical and other evidence gathering procedures. These procedures included:

- Verification of MAPFRE's processes for determining the material issues, and the participation of stakeholders therein.
- Interviews with Management and relevant staff at group level and selected business unit level, concerning the existence of sustainability and corporate responsibility strategy and policies for material issues, and the implementation of these across the business of MAPFRE.
- Evaluation through interviews concerning the consistency of the description of the application of MAPFRE's policies and strategy on sustainability, governance, ethics and integrity.
- Risk analysis, including searching the media to identify material issues during the year covered by the Report.
- Review of the consistency of information comparing Universal Standards with internal systems and documentation.
- Analysis of the processes of compiling and internal control over quantitative data reflected in the Report, regarding the reliability of the information, by using analytical procedures and review testing based on sampling.
- Review of the application of the Global Reporting Initiative's Sustainability Reporting Standards (GRI Standards) requirements for the preparation of reports in accordance with comprehensive option and with response to the requirements to RDL18/2017 related to non-financial information and diversity.
- Reading the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of MAPFRE.
- Verification that the financial information reflected in the Report was audited by independent third parties.

Our multidisciplinary team included specialists in social, environmental and economic business performance.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is lower than that of a reasonable assurance engagement. This report may not be taken as an auditor's report.

Conclusions

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this Independent Assurance Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the limited assurance procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the non-financial information contained in the Integrated Report of MAPFRE S.A. for the year ended 31 December 2017 has not been prepared, in all material respects, in accordance with the Sustainability Reporting Standards (GRI Standards) of the Global Reporting Initiative as described in point 102-54 of the GRI Index, including the reliability of data, adequacy of the information presented and the absence of significant deviations and omissions.

Under separate cover, we will provide MAPFRE management with an internal report outlining our complete findings and areas for improvement.

Purpose of our report

In accordance with the terms of our engagement, this Independent Review Report has been prepared for MAPFRE in relation to its 2017 Corporate Social Responsibility Annual Report that covers the indicators of Argentina, Brazil, Colombia, Spain, United States of America, Italy, Mexico, Peru and Turkey, as set out on this report's Annex and that could be included in the equivalent local Reports of MAPFRE in these countries. For this reason, this Independent Assurance Report has been prepared for no other purpose or in any other context.

KPMG Asesores, S.L.

(Signed)

José Luis Blasco Vázquez

7 February 2018

ARGENTINA INDICATORS								
ASPECT		INDICATORS		ASPECT		INDICATORS		
Economic performance indicators		Social performance indicators		Social performance indicators (cont.)				
Economic performance	GRI 201-1	Labor practices and decent work		Society				
	GRI 201-2	Employment	GRI 401-1	Local Communities			GRI 413-1	
	GRI 201-3		GRI 401-2	GRI 413-2				
	GRI 201-4		GRI 401-3	GRI 205-1				
Market Presence	GRI 202-1	Labor/Management Relations		GRI 402-1	Anti-corruption			GRI 205-2
Procurement Practices	GRI 202-2	Occupational Health and Safety	GRI 403-1	GRI 205-3			Public Policy	GRI 415-1
	GRI 204-1		GRI 403-2	GRI 415-1				
Environmental performance indicators			GRI 403-3	Anti-competitive Behaviour			GRI 206-1	
Materials	GRI 301-1		GRI 403-4	Compliance			GRI 419-1	
	GRI 301-2	Training and Education	GRI 404-1	Supplier Assessment for Impacts on Society			GRI 414-1	
Energy	GRI 302-1		GRI 404-2	GRI 414-2				
	GRI 302-2		GRI 404-3	Grievance Mechanisms for Impacts on Society			GRI 103-2	
	GRI 302-3	Diversity and Equal Opportunity	GRI 405-1	Product Responsibility				
	GRI 302-4	Equal Remuneration for Women and Men	GRI 405-2	Product and Service Labeling			GRI 417-2	
Water	GRI 302-5	Supplier Assessment for Labor Practices	GRI 414-1	GRI 102-43				
	GRI 303-1		GRI 414-2	GRI 102-44				
Biodiversity	GRI 304-1	Labor Practices Grievance Mechanisms	GRI 103-2	GRI 417-3				
	GRI 304-2	Human Rights		Customer Privacy			GRI 418-1	
	GRI 304-3	Investment	GRI 412-2	Compliance			GRI 419-1	
	GRI 304-4	Non-discrimination	GRI 406-1	Financial Services G4 Sector Disclosures				
Emissions	GRI 305-1	Freedom of Association and Collective Bargaining	GRI 407-1	Impact of products and services			G4-FS1	
	GRI 305-2	Child Labor	GRI 408-1	G4-FS2				
	GRI 305-3	Forced or Compulsory Labor	GRI 409-1	G4-FS3				
	GRI 305-4	Security Practices	GRI 410-1	G4-FS4				
	GRI 305-5	Assessment	GRI 412-1	G4-FS5				
Effluents and Waste	GRI 306-2	Supplier Human Rights Assessment	GRI 414-1	Product Portfolio			G4-FS6	
	GRI 306-3		GRI 414-2	G4-FS7				
	GRI 306-5	Human Rights Grievance Mechanisms	GRI 103-2	G4-FS8				
Compliance	GRI 307-1	Audit					G4-FS9	
Supplier Environmental Assessment	GRI 308-1	Active Ownership					G4-FS10	
	GRI 308-2	Local Communities					G4-FS11	
Environmental Grievance Mechanisms	GRI 103-2	Client health and safety					G4-FS13	
						Marketing Communications	G4-FS14	
							G4-FS15	
							G4-FS16	

BRAZIL INDICATORS							
ASPECT		INDICATORS		ASPECT		INDICATORS	
Economic performance indicators		Social performance indicators		Social performance indicators (cont.)			
Economic performance	GRI 201-1	Labor practices and decent work		Society			
	GRI 201-2	Employment	GRI 401-1	Local Communities			GRI 413-1
	GRI 201-3		GRI 401-2	GRI 413-2			
	GRI 201-4		GRI 401-3	GRI 205-1			
Market Presence	GRI 202-1	Labor/Management Relations	GRI 402-1	Anti-corruption			GRI 205-2
Procurement Practices	GRI 202-2	Occupational Health and Safety	GRI 403-1	Public Policy			GRI 205-3
	GRI 204-1		GRI 403-2	GRI 415-1			
Environmental performance indicators			GRI 403-3	Anti-competitive Behaviour			GRI 206-1
Materials	GRI 301-1		GRI 403-4	Compliance			GRI 419-1
	GRI 301-2	Training and Education	GRI 404-1	Supplier Assessment for Impacts on Society			GRI 414-1
Energy	GRI 302-1		GRI 404-2	GRI 414-2			
	GRI 302-2		GRI 404-3	Grievance Mechanisms for Impacts on Society			GRI 103-2
	GRI 302-3	Diversity and Equal Opportunity	GRI 405-1	Product Responsibility			
	GRI 302-4	Equal Remuneration for Women and Men	GRI 405-2	Product and Service Labeling			GRI 417-2
Water	GRI 302-5	Supplier Assessment for Labor Practices	GRI 414-1	GRI 102-43			GRI 102-44
	GRI 303-1		GRI 414-2	GRI 417-3			
Biodiversity	GRI 304-1	Labor Practices Grievance Mechanisms	GRI 103-2	Customer Privacy			GRI 418-1
	GRI 304-2	Human Rights		Compliance			GRI 419-1
	GRI 304-3	Investment	GRI 412-2	Financial Services G4 Sector Disclosures			
	GRI 304-4	Non-discrimination	GRI 406-1	Impact of products and services			G4-FS1
Emissions	GRI 305-1	Freedom of Association and Collective Bargaining	GRI 407-1	G4-FS2			
	GRI 305-2	Child Labor	GRI 408-1	G4-FS3			
	GRI 305-3	Forced or Compulsory Labor	GRI 409-1	G4-FS4			
	GRI 305-4	Security Practices	GRI 410-1	G4-FS5			
	GRI 305-5	Assessment	GRI 412-1	G4-FS6			
Effluents and Waste	GRI 306-2	Supplier Human Rights Assessment	GRI 414-1	Product Portfolio			G4-FS7
	GRI 306-3		GRI 414-2	G4-FS8			
	GRI 306-5	Human Rights Grievance Mechanisms		GRI 103-2	Audit		
Compliance	GRI 307-1	Active Ownership					G4-FS10
Supplier Environmental Assessment	GRI 308-1	Local Communities					G4-FS11
	GRI 308-2	Client health and safety					G4-FS13
Environmental Grievance Mechanisms	GRI 103-2	Marketing Communications					G4-FS14
						G4-FS15	
						G4-FS16	

COLOMBIA INDICATORS							
ASPECT		INDICATORS		ASPECT		INDICATORS	
ASPECT		INDICATORS		ASPECT		INDICATORS	
Economic performance indicators		Social performance indicators		Social performance indicators (cont.)			
Economic performance	GRI 201-1	Labor practices and decent work		Society			
	GRI 201-2	Employment	GRI 401-1	Local Communities	GRI 413-1		
	GRI 201-3		GRI 401-2		GRI 413-2		
	GRI 201-4		GRI 401-3	Anti-corruption	GRI 205-1		
Market Presence	GRI 202-1	Labor/Management Relations	GRI 402-1		GRI 205-2		
	GRI 202-2	Occupational Health and Safety	GRI 403-1		GRI 205-3		
Procurement Practices	GRI 204-1		GRI 403-2	Public Policy	GRI 415-1		
			GRI 403-3	Anti-competitive Behaviour	GRI 206-1		
Environmental performance indicators				GRI 403-4	Compliance	GRI 419-1	
Materials	GRI 301-1	Training and Education	GRI 404-1	Supplier Assessment for Impacts on Society	GRI 414-1		
	GRI 301-2		GRI 404-2	GRI 414-2			
Energy	GRI 302-1		GRI 404-3	Diversity and Equal Opportunity	GRI 405-1	Grievance Mechanisms for Impacts on Society	
	GRI 302-2	Supplier Assessment for Labor Practices	Equal Remuneration for Women and Men	GRI 405-2	GRI 103-2		
	GRI 302-3		GRI 414-1	Product Responsibility			
	GRI 302-4		GRI 414-2	Product and Service Labeling	GRI 417-2		
GRI 302-5		GRI 102-43					
Water	GRI 303-1	Labor Practices Grievance Mechanisms	GRI 103-2		GRI 102-44		
		Human Rights		GRI 417-3			
Biodiversity	GRI 304-1	Investment	GRI 412-2	Customer Privacy	GRI 418-1		
	GRI 304-2	Non-discrimination	GRI 406-1	Compliance	GRI 419-1		
	GRI 304-3	Freedom of Association and Collective Bargaining	GRI 407-1	Financial Services G4 Sector Disclosures			
	GRI 304-4	Child Labor	GRI 408-1	Impact of products and services	G4-FS1		
Emissions	GRI 305-1	Forced or Compulsory Labor	GRI 409-1		G4-FS2		
	GRI 305-2	Security Practices	GRI 410-1		G4-FS3		
	GRI 305-3	Assessment	GRI 412-1		G4-FS4		
	GRI 305-4	Supplier Human Rights Assessment	GRI 414-1		G4-FS5		
	GRI 305-5		GRI 414-2	G4-FS6			
Effluents and Waste	GRI 306-2	Human Rights Grievance Mechanisms	GRI 103-2	Product Portfolio	G4-FS7		
	GRI 306-3				G4-FS8		
	GRI 306-5				G4-FS9		
Compliance	GRI 307-1			Audit	G4-FS10		
Supplier Environmental Assessment	GRI 308-1			Active Ownership	G4-FS11		
	GRI 308-2			Local Communities	G4-FS13		
Environmental Grievance Mechanisms	GRI 103-2				G4-FS14		
				Client health and safety	G4-FS15		
				Marketing Communications	G4-FS16		

USA INDICATORS													
ASPECT		INDICATORS		ASPECT		INDICATORS							
Economic performance indicators				Social performance indicators				Social performance indicators (cont.)					
Economic performance		GRI 201-1		Labor practices and decent work				Society					
		GRI 201-2		Employment		GRI 401-1		Local Communities		GRI 413-1			
		GRI 201-3				GRI 401-2				GRI 413-2			
		GRI 201-4				GRI 401-3		GRI 205-1					
Market Presence		GRI 202-1		Labor/Management Relations		GRI 402-1		Anti-corruption		GRI 205-2			
		GRI 202-2		GRI 403-1		GRI 205-3							
Procurement Practices		GRI 204-1		Occupational Health and Safety		GRI 403-2		Public Policy		GRI 415-1			
						GRI 403-3		Anti-competitive Behaviour		GRI 206-1			
						GRI 403-4		Compliance		GRI 419-1			
						GRI 404-1		Supplier Assessment for Impacts on Society		GRI 414-1			
Materials		GRI 301-1		Training and Education		GRI 404-2		Grievance Mechanisms for Impacts on Society		GRI 414-2			
		GRI 301-2				GRI 404-3				GRI 103-2			
		GRI 302-1				Diversity and Equal Opportunity		GRI 405-1		Product Responsibility			
		GRI 302-2		Equal Remuneration for Women and Men		GRI 405-2		Product and Service Labeling					
GRI 302-3		Supplier Assessment for Labor Practices		GRI 414-1									
GRI 302-4		GRI 414-2		GRI 412-2									
Energy		GRI 302-5		Labor Practices Grievance Mechanisms		GRI 103-2		Customer Privacy					
		GRI 303-1		Human Rights		GRI 419-1							
		Water		GRI 304-1		Investment		GRI 412-2		Financial Services G4 Sector Disclosures			
				GRI 304-2		Non-discrimination		GRI 406-1					
Biodiversity		GRI 304-3		Freedom of Association and Collective Bargaining		GRI 407-1		Impact of products and services					
		GRI 304-4		Child Labor		GRI 408-1							
		GRI 305-1		Forced or Compulsory Labor		GRI 409-1							
		GRI 305-2		Security Practices		GRI 410-1							
Emissions		GRI 305-3		Assessment		GRI 412-1		Product Portfolio					
		GRI 305-4		Supplier Human Rights Assessment		GRI 414-1							
		GRI 305-5		GRI 414-2		GRI 103-2							
		Effluents and Waste		GRI 306-2		Human Rights Grievance Mechanisms		GRI 103-2		Audit			
GRI 306-3													
GRI 306-5													
Compliance		GRI 307-1						Active Ownership					
Supplier Environmental Assessment		GRI 308-1											
		GRI 308-2						Local Communities					
Environmental Grievance Mechanisms		GRI 103-2										Client health and safety	
								Marketing Communications					

SPAIN INDICATORS							
ASPECT		INDICATORS		ASPECT		INDICATORS	
Economic performance indicators		Social performance indicators		Social performance indicators (cont.)			
Economic performance	GRI 201-1	Labor practices and decent work		Society			
	GRI 201-2	Employment	GRI 401-1	Local Communities	GRI 413-1		
	GRI 201-3		GRI 401-2		GRI 413-2		
	GRI 201-4		GRI 401-3	Anti-corruption	GRI 205-1		
Market Presence	GRI 202-1	Labor/Management Relations			GRI 205-2		
	GRI 202-2	Occupational Health and Safety	GRI 403-1		GRI 205-3		
Procurement Practices	GRI 204-1		GRI 403-2		Public Policy		
			GRI 403-3		GRI 415-1		
GRI 403-4			Anti-competitive Behaviour				
Environmental performance indicators				Compliance		GRI 419-1	
Materials	GRI 301-1	Training and Education	GRI 404-1	Supplier Assessment for Impacts on Society		GRI 414-1	
	GRI 301-2		GRI 404-2	GRI 414-2			
Energy	GRI 302-1		GRI 404-3	Grievance Mechanisms for Impacts on Society		GRI 103-2	
	GRI 302-2		Diversity and Equal Opportunity		Product Responsibility		
	GRI 302-3	Equal Remuneration for Women and Men		Product and Service Labeling	GRI 417-2		
	GRI 302-4	Supplier Assessment for Labor Practices			GRI 102-43		
GRI 302-5	Labor Practices Grievance Mechanisms		GRI 102-44				
Water	GRI 303-1	Human Rights		GRI 417-3		Customer Privacy	
	Biodiversity	GRI 304-1	Investment		GRI 418-1		
GRI 304-2		Non-discrimination		Compliance			
GRI 304-3		Freedom of Association and Collective Bargaining		GRI 419-1			
GRI 304-4		Child Labor		Financial Services G4 Sector Disclosures			
Emissions	GRI 305-1	Forced or Compulsory Labor		Impact of products and services	G4-FS1		
	GRI 305-2	Security Practices			G4-FS2		
	GRI 305-3	Assessment			G4-FS3		
	GRI 305-4	Supplier Human Rights Assessment			G4-FS4		
	GRI 305-5	Human Rights Grievance Mechanisms			G4-FS5		
Effluents and Waste	GRI 306-2			Product Portfolio	G4-FS6		
	GRI 306-3				G4-FS7		
	GRI 306-5				G4-FS8		
Compliance	GRI 307-1			Audit	G4-FS9		
Supplier Environmental Assessment	GRI 308-1			Active Ownership	G4-FS10		
	GRI 308-2				G4-FS11		
Environmental Grievance Mechanisms	GRI 103-2			Local Communities	G4-FS13		
					G4-FS14		
				Client health and safety	G4-FS15		
				Marketing Communications	G4-FS16		

ITALY INDICATORS							
ASPECT		INDICATORS		ASPECT		INDICATORS	
ASPECT		INDICATORS		ASPECT		INDICATORS	
Economic performance indicators		Social performance indicators		Social performance indicators (cont.)			
Economic performance	GRI 201-1	Labor practices and decent work		Society			
	GRI 201-2	Employment	GRI 401-1	Local Communities	GRI 413-1		
	GRI 201-3		GRI 401-2		GRI 413-2		
	GRI 201-4		GRI 401-3	Anti-corruption	GRI 205-1		
Market Presence	GRI 202-1	Labor/Management Relations	GRI 402-1		GRI 205-2		
	GRI 202-2	Occupational Health and Safety	GRI 403-1		GRI 205-3		
Procurement Practices	GRI 204-1		GRI 403-2	Public Policy		GRI 415-1	
	Environmental performance indicators		GRI 403-3	Anti-competitive Behaviour		GRI 206-1	
Materials	GRI 301-1		Training and Education	GRI 403-4	Compliance		GRI 419-1
	GRI 301-2	GRI 404-1		Supplier Assessment for Impacts on Society		GRI 414-1	
Energy	GRI 302-1	GRI 404-2		Grievance Mechanisms for Impacts on Society	GRI 414-2		GRI 103-2
	GRI 302-2	GRI 404-3	Product Responsibility				
	GRI 302-3	Diversity and Equal Opportunity	GRI 405-1	Product and Service Labeling	GRI 417-2		
	GRI 302-4	Equal Remuneration for Women and Men	GRI 405-2		GRI 102-43		
	GRI 302-5	Supplier Assessment for Labor Practices	GRI 414-1		GRI 102-44		
Water	GRI 303-1	GRI 414-2	Customer Privacy	GRI 418-1		GRI 419-1	
	Biodiversity	GRI 304-1	Labor Practices Grievance Mechanisms	GRI 103-2	Compliance		GRI 419-1
GRI 304-2		Human Rights		Financial Services G4 Sector Disclosures			
GRI 304-3		Investment	GRI 412-2	Impact of products and services	G4-FS1		
GRI 304-4		Non-discrimination	GRI 406-1		G4-FS2		
Emissions	GRI 305-1	Freedom of Association and Collective Bargaining	GRI 407-1		G4-FS3		
	GRI 305-2	Child Labor	GRI 408-1		G4-FS4		
	GRI 305-3	Forced or Compulsory Labor	GRI 409-1		G4-FS5		
	GRI 305-4	Security Practices	GRI 410-1	Product Portfolio	G4-FS6		
	GRI 305-5	Assessment	GRI 412-1		G4-FS7		
Effluents and Waste	GRI 306-2	Supplier Human Rights Assessment	GRI 414-1		G4-FS8		
	GRI 306-3	Human Rights Grievance Mechanisms	GRI 414-2	Audit	G4-FS9		
	GRI 306-5		GRI 103-2		G4-FS10		
Compliance	GRI 307-1			Active Ownership	G4-FS11		
Supplier Environmental Assessment	GRI 308-1				Local Communities	G4-FS13	
	GRI 308-2			G4-FS14			
Environmental Grievance Mechanisms	GRI 103-2			Client health and safety	G4-FS15		
				Marketing Communications	G4-FS16		

MEXICO INDICATORS								
ASPECT		INDICATORS	ASPECT		INDICATORS	ASPECT		INDICATORS
Economic performance indicators			Social performance indicators			Social performance indicators (cont.)		
Economic performance	GRI 201-1	Labor practices and decent work	Employment	GRI 401-1	Local Communities	GRI 413-1	Society	
	GRI 201-2			GRI 413-2				
	GRI 201-3			GRI 205-1				
	GRI 201-4			GRI 205-2				
Market Presence	GRI 202-1	Labor/Management Relations	GRI 402-1	Anti-corruption	GRI 205-3			
	GRI 202-2	Occupational Health and Safety	GRI 403-1		Public Policy	GRI 415-1		
Procurement Practices	GRI 204-1		GRI 403-2	Anti-competitive Behaviour	GRI 206-1			
Environmental performance indicators			GRI 403-3	Compliance	GRI 419-1			
Materials	GRI 301-1		Training and Education	GRI 403-4	Supplier Assessment for Impacts on Society	GRI 414-1		
	GRI 301-2	GRI 404-1		GRI 414-2				
Energy	GRI 302-1	GRI 404-2		Grievance Mechanisms for Impacts on Society	GRI 103-2			
	GRI 302-2	GRI 404-3						
	GRI 302-3	Diversity and Equal Opportunity	GRI 405-1	Product Responsibility				
	GRI 302-4	Equal Remuneration for Women and Men	GRI 405-2	Product and Service Labeling	GRI 417-2			
Water	GRI 302-5	Supplier Assessment for Labor Practices	GRI 414-1		GRI 102-43			
		GRI 303-1	GRI 414-2		GRI 102-44			
Biodiversity	GRI 304-1	Labor Practices Grievance Mechanisms	GRI 103-2	Customer Privacy	GRI 417-3			
	GRI 304-2	Human Rights			Compliance	GRI 418-1		
	GRI 304-3	Investment	GRI 412-2	GRI 419-1				
	GRI 304-4	Non-discrimination	GRI 406-1	Financial Services G4 Sector Disclosures				
Emissions	GRI 305-1	Freedom of Association and Collective Bargaining	GRI 407-1	Impact of products and services	G4-FS1			
	GRI 305-2	Child Labor	GRI 408-1		G4-FS2			
	GRI 305-3	Forced or Compulsory Labor	GRI 409-1		G4-FS3			
	GRI 305-4	Security Practices	GRI 410-1		G4-FS4			
	GRI 305-5	Assessment	GRI 412-1		G4-FS5			
Effluents and Waste	GRI 306-2	Supplier Human Rights Assessment	GRI 414-1	Product Portfolio	G4-FS6			
	GRI 306-3		GRI 414-2		G4-FS7			
	GRI 306-5	Human Rights Grievance Mechanisms	GRI 103-2		G4-FS8			
Compliance	GRI 307-1				Audit	G4-FS9		
Supplier Environmental Assessment	GRI 308-1				Active Ownership	G4-FS10		
	GRI 308-2					G4-FS11		
Environmental Grievance Mechanisms	GRI 103-2				Local Communities	G4-FS13		
						G4-FS14		
					Client health and safety	G4-FS15		
						Marketing Communications	G4-FS16	

PERU INDICATORS											
ASPECT		INDICATORS		ASPECT		INDICATORS		ASPECT		INDICATORS	
Economic performance indicators				Social performance indicators				Social performance indicators (cont.)			
Economic performance		GRI 201-1		Labor practices and decent work				Society			
		GRI 201-2		Employment		GRI 401-1		Local Communities		GRI 413-1	
		GRI 201-3				GRI 401-2				GRI 413-2	
		GRI 201-4				GRI 401-3		Anti-corruption		GRI 205-1	
Market Presence		GRI 202-1		GRI 402-1		GRI 205-2					
		GRI 202-2		GRI 403-1		GRI 205-3					
Procurement Practices		GRI 204-1		Occupational Health and Safety		GRI 403-2		Public Policy		GRI 415-1	
Environmental performance indicators						GRI 403-3		Anti-competitive Behaviour		GRI 206-1	
Materials		GRI 301-1				GRI 403-4		Compliance		GRI 419-1	
		GRI 301-2		Training and Education		GRI 404-1		Supplier Assessment for Impacts on Society		GRI 414-1	
Energy		GRI 302-1				GRI 404-2		Grievance Mechanisms for Impacts on Society		GRI 414-2	
		GRI 302-2				GRI 404-3				GRI 103-2	
		GRI 302-3		Diversity and Equal Opportunity		GRI 405-1		Product Responsibility			
		GRI 302-4		Equal Remuneration for Women and Men		GRI 405-2		Product and Service Labeling		GRI 417-2	
GRI 302-5		Supplier Assessment for Labor Practices		GRI 414-1		GRI 102-43					
Water		GRI 303-1		GRI 414-2		GRI 102-44					
		Biodiversity		Labor Practices Grievance Mechanisms		GRI 103-2		GRI 417-3			
Human Rights				Investment		Customer Privacy		GRI 418-1			
GRI 304-1						Compliance		GRI 419-1			
GRI 304-2				Non-discrimination		GRI 406-1		Financial Services G4 Sector Disclosures			
Emissions		GRI 304-3		Freedom of Association and Collective Bargaining		GRI 407-1		Impact of products and services		G4-FS1	
		GRI 304-4		Child Labor		GRI 408-1				G4-FS2	
		GRI 305-1		Forced or Compulsory Labor		GRI 409-1				G4-FS3	
		GRI 305-2		Security Practices		GRI 410-1				G4-FS4	
		GRI 305-3		Assessment		GRI 412-1				G4-FS5	
		GRI 305-4		Supplier Human Rights Assessment		GRI 414-1		Product Portfolio		G4-FS6	
GRI 305-5		GRI 414-2				G4-FS7					
Effluents and Waste		GRI 306-2		Human Rights Grievance Mechanisms		GRI 103-2		Audit		G4-FS9	
		GRI 306-3		Active Ownership		G4-FS10					
		GRI 306-5				G4-FS11					
Compliance		GRI 307-1		Local Communities		G4-FS13					
Supplier Environmental Assessment		GRI 308-1				G4-FS14					
		GRI 308-2		Client health and safety		G4-FS15					
Environmental Grievance Mechanisms		GRI 103-2		Marketing Communications		G4-FS16					

TURKEY INDICATORS							
ASPECT		INDICATORS		ASPECT		INDICATORS	
ASPECT		INDICATORS		ASPECT		INDICATORS	
Economic performance indicators		Social performance indicators		Social performance indicators (cont.)			
Economic performance	GRI 201-1	Labor practices and decent work		Society			
	GRI 201-2	Employment	GRI 401-1	Local Communities	GRI 413-1		
	GRI 201-3		GRI 401-2		GRI 413-2		
	GRI 201-4		GRI 401-3	GRI 205-1			
Market Presence	GRI 202-1	Labor/Management Relations		Anti-corruption	GRI 205-2		
	GRI 202-2	GRI 402-1			GRI 205-3		
Procurement Practices	GRI 204-1	Occupational Health and Safety	GRI 403-1	Public Policy	GRI 415-1		
Environmental performance indicators			GRI 403-2	Anti-competitive Behaviour	GRI 206-1		
Materials	GRI 301-1		GRI 403-3	Compliance	GRI 419-1		
	GRI 301-2		GRI 403-4	Supplier Assessment for Impacts on Society	GRI 414-1		
Energy	GRI 302-1	Training and Education	GRI 404-1	Grievance Mechanisms for Impacts on Society	GRI 414-2		
	GRI 302-2		GRI 404-2		GRI 103-2		
	GRI 302-3		Diversity and Equal Opportunity	GRI 405-1	Product Responsibility		
	GRI 302-4	Equal Remuneration for Women and Men	GRI 405-2	Product and Service Labeling	GRI 417-2		
	GRI 302-5	Supplier Assessment for Labor Practices	GRI 414-1		GRI 102-43		
Water	GRI 303-1	GRI 414-2	GRI 102-44				
Biodiversity	GRI 304-1	Labor Practices Grievance Mechanisms		GRI 417-3			
	GRI 304-2	Human Rights		Customer Privacy	GRI 418-1		
	GRI 304-3	Investment	GRI 412-2	Compliance	GRI 419-1		
	GRI 304-4	Non-discrimination	GRI 406-1	Financial Services G4 Sector Disclosures			
Emissions	GRI 305-1	Freedom of Association and Collective Bargaining		Impact of products and services	G4-FS1		
	GRI 305-2	Child Labor	GRI 407-1		G4-FS2		
	GRI 305-3	Forced or Compulsory Labor	GRI 408-1		G4-FS3		
	GRI 305-4	Security Practices	GRI 409-1		G4-FS4		
	GRI 305-5	Assessment	GRI 410-1		G4-FS5		
	Effluents and Waste	GRI 306-2	Supplier Human Rights Assessment	GRI 411-1	Product Portfolio	G4-FS6	
GRI 306-3		GRI 412-1		G4-FS7			
GRI 306-5		Human Rights Grievance Mechanisms	GRI 414-2	G4-FS8			
Compliance	GRI 307-1			Audit	G4-FS9		
Supplier Environmental Assessment	GRI 308-1			Active Ownership	G4-FS10		
	GRI 308-2				G4-FS11		
Environmental Grievance Mechanisms	GRI 103-2			Local Communities	G4-FS13		
				Client health and safety	G4-FS14		
				Marketing Communications	G4-FS15		
					G4-FS16		

The Integrated Report for MAPFRE S.A., on pages 1 to -- herein, corresponding to financial year 2017, has been approved by the Board of Directors at its meeting held on February 7, 2018.

D. Antonio Huertas Mejías
Chairman

D. Luis Hernando de Larramendi Martínez
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D. Antonio Núñez Tovar
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Member

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2nd Vice Chairman

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Member

D. Ignacio Baeza Gómez
3rd Vice Chairman

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Member

D. José Antonio Colomer Guiu
Member

D. Antonio Miguel-Romero de Olano
Member

D. Georg Daschner
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D^a. Pilar Perales Viscasillas
Member

D^a. Ana Isabel Fernández Álvarez
Member

D. Alfonso Rebuelta Badías
Member

D^a. María Leticia de Freitas Costa
Member

D. Ángel L. Dávila Bermejo
Secretary and Non-Member