MAPFRE | RE

Annual Report

2018

MAPFRE | RE

ANNUAL REPORT

2018

1

Governing bodies

Board of Directors		Executive Committee
Chairman	Esteban Tejera	
Vice-Chairman & CEO	Eduardo Pérez de Lema	*Chairman*
Members	Aristóbulo Bausela	
	Ana Isabel Fernández	
	Javier Fernández-Cid	*Member*
	Antonio Gómez	*Vice-Chairman*
	Philippe Hebeisen (Vaudoise Assurances Holding)	
	Mark Hews (Eccesiastical Insurance)	
	José Manuel Inchausti	
	Katsuhiko Kaneyoshi	
	Pedro López	*Member*
	Ricky Louis Means (Shelter Reinsurance Company)	
	Daniel Quermia	*Member*
	Jaime Tamayo	
Non-Board Member Secretary	Juan Martín Sanz	*Secretary*

2

Consolidated Management Report 2018

Introduction

2018 saw a marginal decline in reinsurance rates and conditions over the prior year, with slight rebounds in some markets, but without resulting in a clear improvement in margins for the industry.

The strong capitalization of the conventional reinsurance industry continues to resist the impact of the decreasing profitability of the previous years. As was the case in 2017, albeit with less intensity, this year experienced a high level of catastrophic loss experience, characterized above all by the events occurring in the second half of the year in the USA (hurricanes Florence and Michael and forest fires in California) and in Japan (typhoons Trami and Jebi).

MAPFRE has demonstrated noteworthy performance in this scenario, with highly positive earnings influenced by the moderate non-catastrophic loss experience, effective financial protections and a conservative underwriting policy in the territories affected by catastrophes in 2018.

Rating agencies have once again confirmed the soundness of MAPFRE RE. Standard and Poor's has maintained its **A** rating, improving their outlook to **positive**, while the agencies A.M. Best and Fitch have both renewed their **A** rating and the financial soundness outlook for MAPFRE RE as **stable**.

The MAPFRE Group initiated a process of reconfiguration of its global risk business in 2018 to improve client service, provide greater management capacity and bring greater financial stability and efficiency to the Group. This operation was authorized by the Ministry of Economy and Finance in its Ministerial Order of March 6, 2019 for the demerger of MAPFRE GLOBAL RISKS Compañía Internacional de Seguros y Reaseguros S.A. (MAPFRE GLOBAL RISKS). Part of this process involves the transfer en masse of the purely reinsurance activities of MAPFRE GLOBAL RISKS, together with their related assets and liabilities, to MAPFRE RE, with retroactive effect from January 1, 2018.

MAPFRE RE, Compañía de Reaseguros, S.A. (the "Company"), is a subsidiary of MAPFRE S.A., which company deposits its Consolidated Annual Statement with the Commercial Registry of Madrid, together with the Consolidated Report on Operations and the Integrated Report, which include the Group's non-financial information.

Key Figures

Below are the main figures from the Controlling Company's financial statements:

IFRS Income Statement

Reinsurance Unit

IFRS INCOME STATEMENT	2018	2017	Var. % 18/17
ASSUMED REINSURANCE			
Assumed premiums	**4,832.4**	**4,222.4**	**14.45%**
Earned premiums for the period	5,103.0	4,397.1	16.05%
Loss Experience (including claims-related expenses)	(4,030.0)	(3,716.6)	8.34%
Operating expenses and other technical expenses	(1,130.9)	(1,164.9)	(1.33%
ASSUMED REINSURANCE RESULT	**(57.9)**	**(484.4)**	**(84.91%)**
RETROCEDED REINSURANCE			
Premiums and variations in unearned premium reserves	(1,764.0)	(1,397.4)	26.23%
Claims paid and variation in provision for outstanding claims	1,679.2	1,611.6	4.19%
Commissions and holdings	227.6	337.4	(32.54%)
RETROCEDED REINSURANCE RESULT	**142.8**	**551.6**	**(74.11%)**
Other technical revenues and expenses	(12.7)	(2.0)	(100.00%)
LIFE AND NON-LIFE TECHNICAL ACCOUNT RESULT	**72.2**	**65.2**	**6.90%**
Net income from investments	150.7	161	(9.44%)
Unrealized gains and losses on investments			
Other non-technical revenue and expenses	(7.4)	(5)	(100.00%)
Results from non-controlling interests			
LIFE AND NON-LIFE BUSINESS RESULT	**215.5**	**221.2**	**(2.58%)**
RESULT FROM OTHER ACTIVITIES			
RESULT BEFORE TAX AND NON-CONTROLLING INTERESTS	**215.5**	**221.2**	**(2.58%)**
Tax on profit	(56.6)	(58.6)	(3.41%)
Result after tax from discontinued activities			
RESULT AFTER TAX	**158.9**	**162.7**	**(2.34%)**
Non-controlling interests			
RESULT AFTER TAX AND NON-CONTROLLING INTERESTS	**158.9**	**162.7**	**(2.34%)**

Million euros

NON-LIFE INSURANCE RATIOS	2018	2017	Var, % 18/17
Loss ratio for assumed reinsurance	67.6%	66.2%	2.1%
Expense ratio for assumed reinsurance	27.8%	28.6%	(2.9%)
Combined ratio net of retroceded reinsurance	**95.4%**	**94.9%**	**0.5%**

Million euros

BREAKDOWN OF ASSUMED PREMIUMS	2018	2017	Var, % 17/16
Non-Life	4,231.93	3,565.70	18.70%
Life	600.47	656.7	(8.60%)
TOTAL	**4,832.41**	**4,222.40**	**14.40%**

Million euros

Balance Sheet

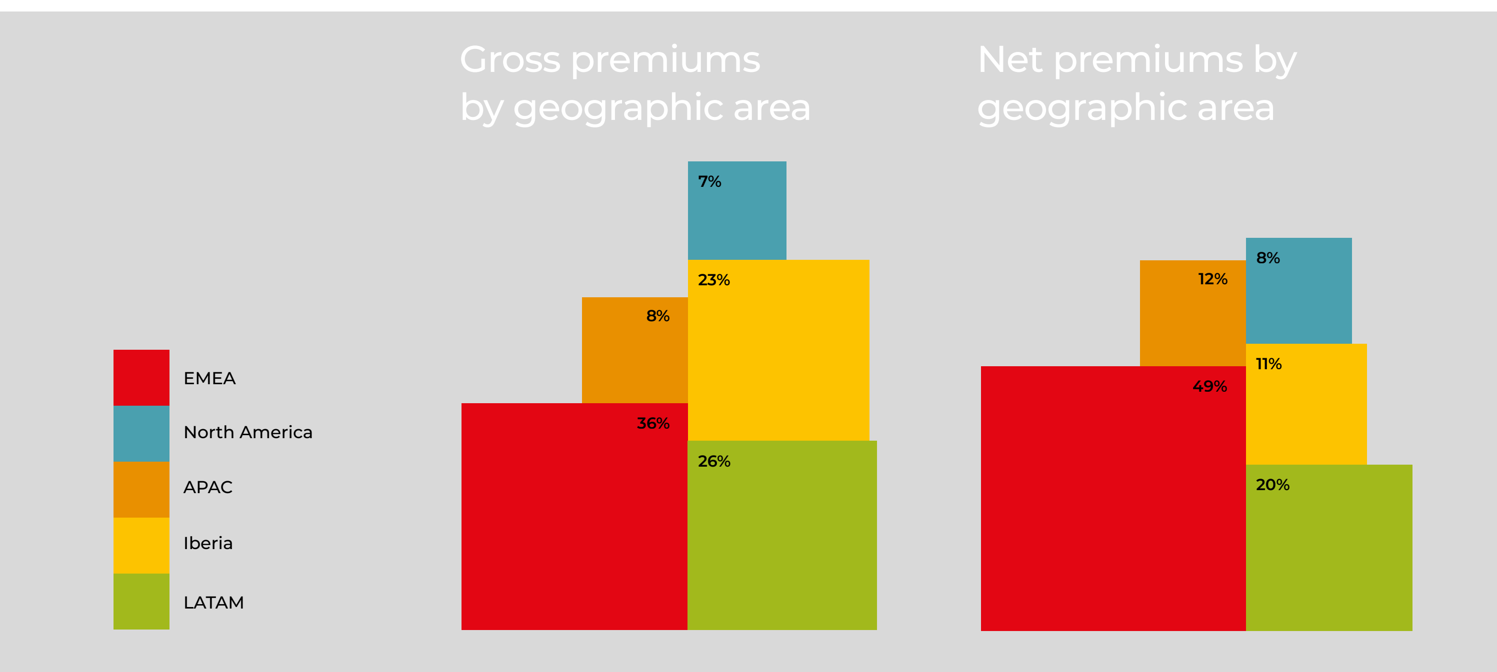
KEY FIGURES FROM THE BALANCE SHEET (IFRS)	2018	2017	Var. % 18/17
Investments and cash	4,965.00	3,540.90	40.20%
Total assets	8,902.10	6,449.31	38.03%
Equity	1,668.00	1,301.50	28.20%
ROE	9.40%	12.60%	(25.40%)

Million euros

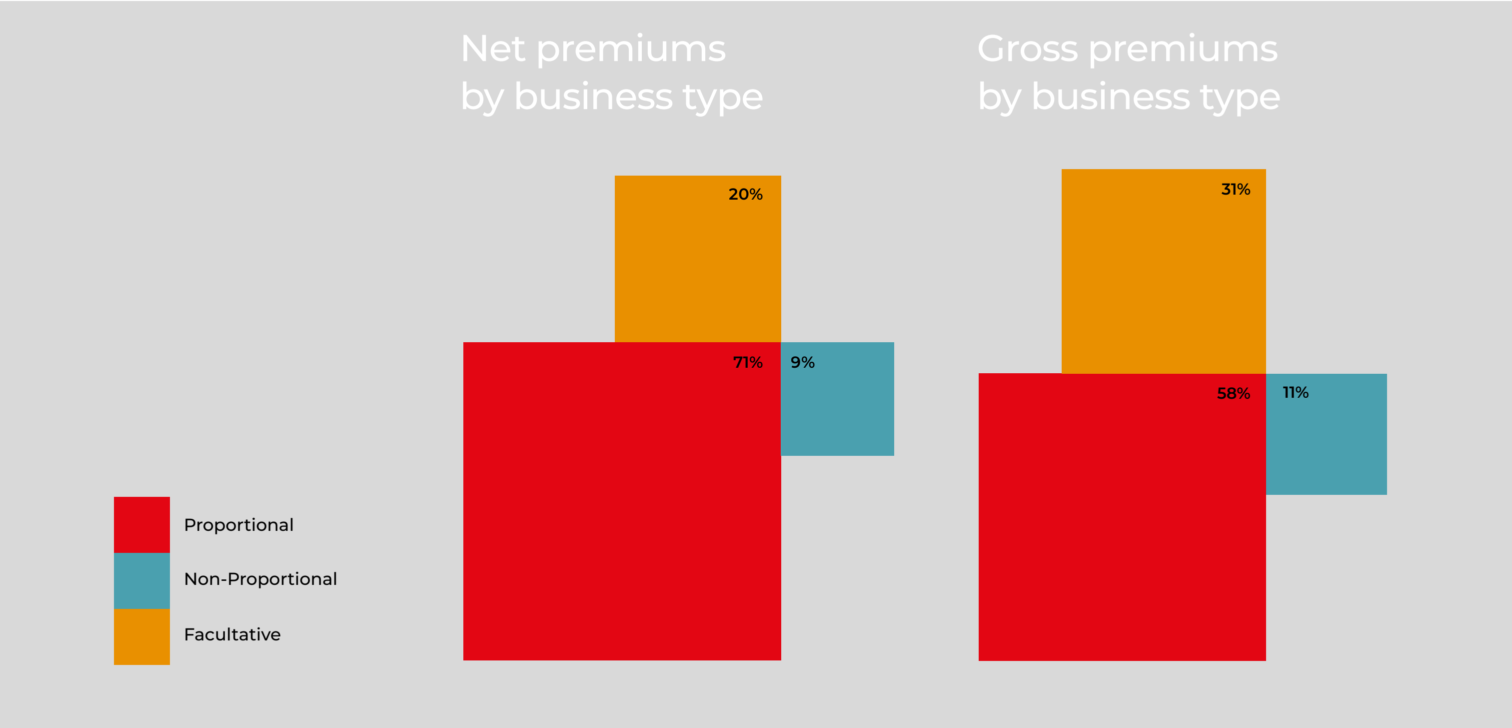
Other information

OTHER INFORMATION	2018	2017	Var. % 18/17
Average number of employees	381	369	3.30%
% of commissions on assumed reinsurance written premiums	21.75%	26.40%	(17.60%)
% internal management expenses on assumed premiums	2.03%	1.35%	50.40%

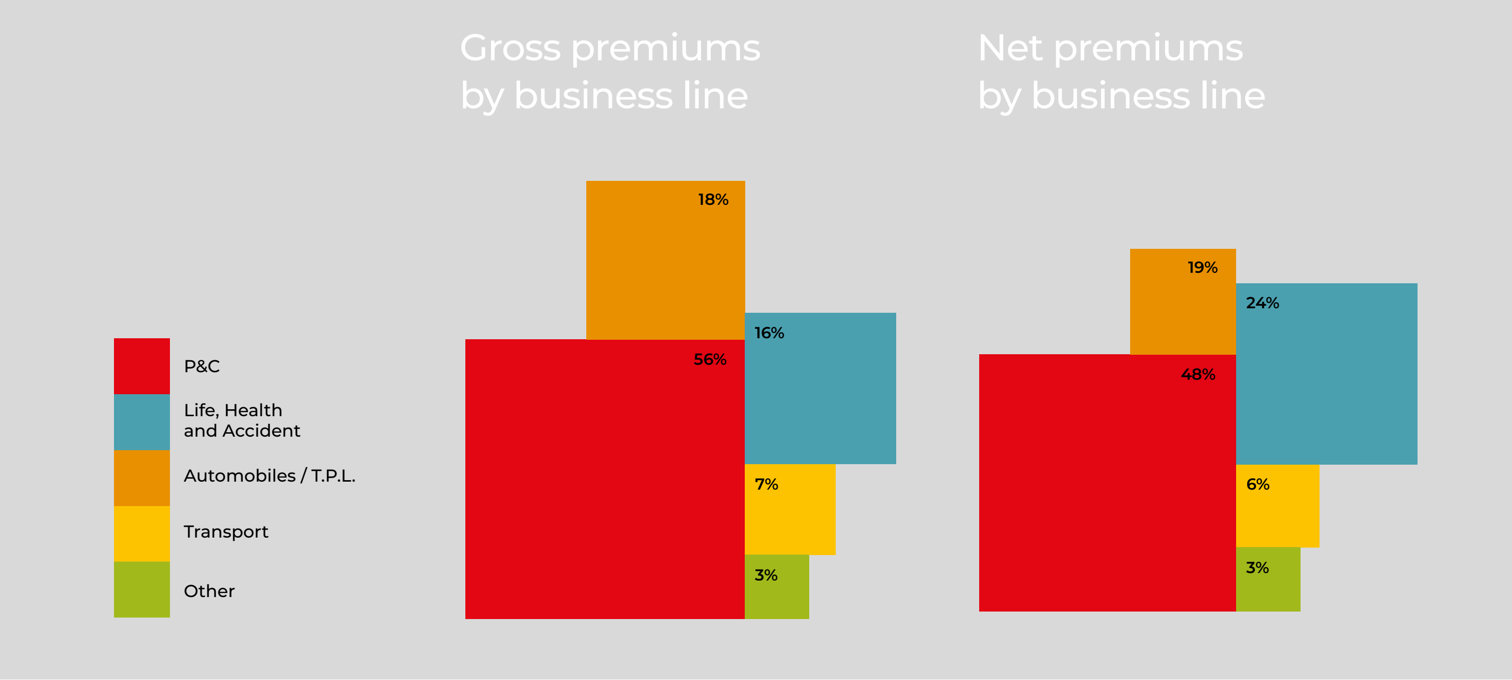
Premiums by geographic area



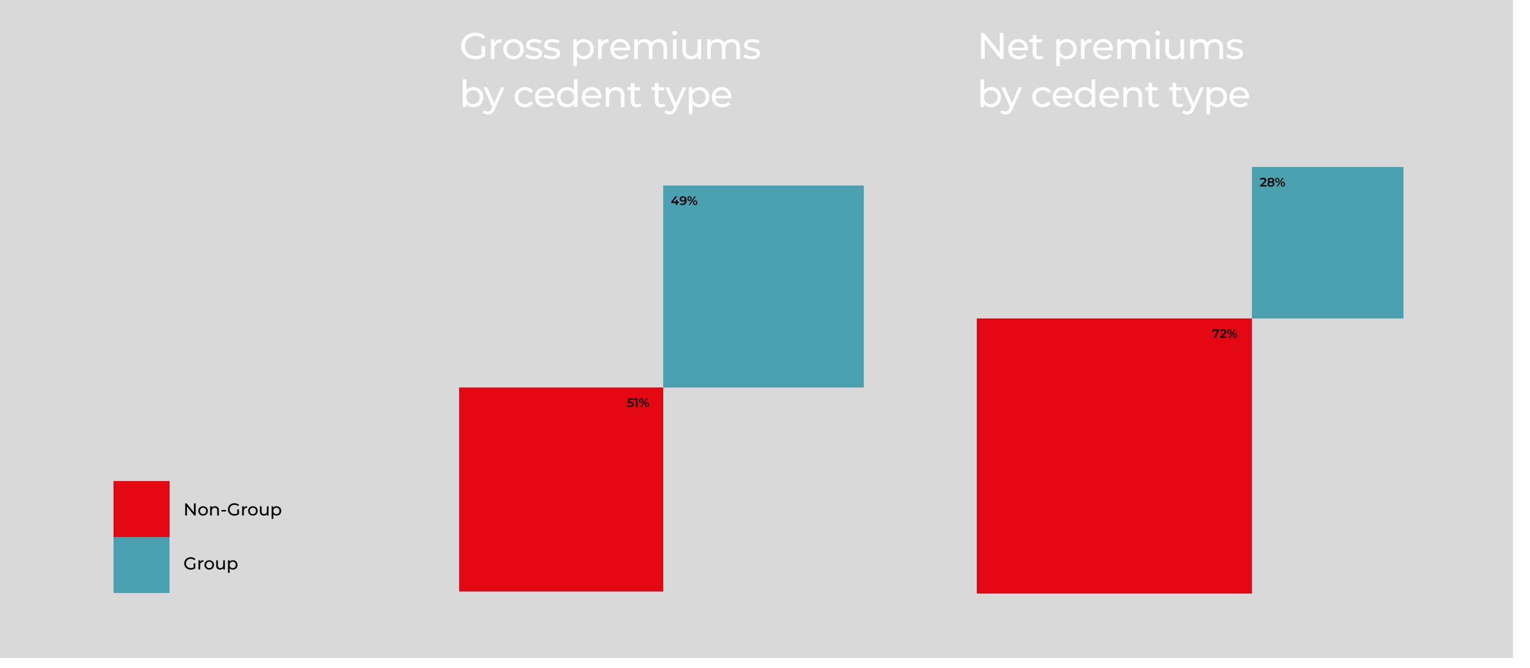
Premiums by business type



Premiums by business line



Premiums by cedent type



Main Activities

MAPFRE RE's revenue reached 4,505.9 million euros, making for an increase of 13 percent on the previous year. The result before tax and non-controlling interests comes to 215.5 million euros, 2.58 percent less than that registered in 2017, with shareholders' equity at the close of the fiscal year standing at 1,668 million euros. The net Non-Life combined ratio is 95.4 percent. All these figures are quite positive, even more so in the environment of reduced margins and low financial returns that the industry continues to face.

Commercial initiatives

Sales actions have been carried out in all geographical areas in order to strengthen MAPFRE RE's relationship with clients and brokers in its markets.

The Personal Area continues its intensive outreach to clients and brokers to offer Life reinsurance solutions required under solvency standards, participating through presentations at market events or in academic forums on risk selection and the digital transformation of rating processes in Life business.

In London, MAPFRE RE has moved offices to the Group's new building in the City, and in Sao Paulo it celebrated the tenth anniversary of the incorporation of MAPFRE RE DO BRASIL, which is now one of the preeminent reinsurers in the country.

It has also sponsored specialized professional events in various countries, such as the *Jornadas de Reaseguro* in Argentina, the *Asociación Latinoamericana de Seguro Agropecuario* (ALASA) in Peru, the Inter-European Reinsurance Meeting (ENTRE) in Spain, the East Asia Insurance Congress (EAIC) in Manila, and various industry conferences in the USA (PCIA, IRUA, NAMIC and CIRB).

Underwriting management and client services

Sharing knowledge with its clients continues to be an essential activity for MAPFRE RE. This is one of the reasons behind the decision to hold training days including, in particular, a new edition of the MAPFRE RE International Forum in Madrid, with 19 guests invited from 17 different countries, or the collaboration with the National Institute of Insurance and Fasecolda, in Colombia, to present its international Top Reinsurance Management program.

It has organized technical conferences and seminars such as the ones on mortgage insurance in France with over 50 attendees, and on marine insurance in Argentina. A seminar was organized in the Agro line on the management of grain losses, attended by 23 participants from seven countries across four continents.

Activity has also been intensive in the Personal area, with seminars and presentations on Life and Health business in Milan, Buenos Aires, Madrid and Warsaw.

MAPFRE RE continues its support of qualified clients with innovative reinsurance solutions.

As a member of MAPFRE Open Innovation (MOi), the innovation model for the MAPFRE Group, it has also undertaken intensive outreach efforts on how MAPFRE RE meets the challenge of offering innovative solutions to its clients. It has participated through presentations at innovation outreach events such as INSEAD Digital, IE Blockchain, Global Summit for insurance innovation (INESE) and Disruptive FSI (Financial Services Innovation).

MAPFRE RE continues to provide new activities for the professional development of its teams, such as a technician development program to enhance professionalism, provide more value to clients, align them with Company strategy and increase their efficiency and productivity. The training launched in 2017 for team management and product leadership for over 50 Company executives was completed.

Information and technology systems

In 2018, MAPFRE RE has deepened its adoption of technologies that facilitate greater efficiency in its processes. Development has been completed of the new underwriting management tool, a platform that will allow greater agility and control in responding to clients' needs. Processes have also been implemented for the automation of massive accounting reconciliation tasks to improve efficiency and provide greater service capacity for teams.

A large part of the technological efforts expended in 2018 have been to prepare information systems for the Company for integrating MAPFRE GLOBAL RISKS business that is being assumed by MAPFRE RE, requiring new processes and adjustments in all it components.

The update of the commercial data base for CRM was also completed.

Social and Environmental Matters

Personnel

The workforce in service at the close of the last two fiscal years has had the following structure, classified according to professional category:

CATEGORIES	2018	2017
Directors	2	2
Senior Managers	0	0
Managers	88	88
Technicians	254	236
Administrative Staff	48	60
TOTAL	**392**	**386**

The workforce objective includes the professional development of its employees and the strengthening of their employability and well-being by developing their abilities and skills. All of this is pursued in an atmosphere of commitment and mutual respect that is free of insults, intimidation, harassment or discrimination, in a workplace that guarantees security and stability of employment.

To this end, it has a Code of Ethics and Conduct that is inspired by the institutional and business principles, and which is conceived 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. It thus 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 Company's employment policy favors permanent rather than temporary contracts, seeking a stable environment in a continuous working relationship. The percentage of the workforce of the Controlling Company and its subsidiaries in permanent positions in 2018 was 99.5 percent (97.9 percent in 2017).

During the period, the expansion of the Global Disability Program continued apace, and at the year-end, there were 5 people with a disability in the workforce (4 people with a disability in 2017).

The Promotion, Selection and Mobility Policy, aims to promote employees' opportunities for professional development through development plans and programs, training schedules and mobility between areas and countries, in order to increase their employability, their professional satisfaction and their commitment to the Company.

There is a global selection procedure that guarantees objectivity, maximum rigor and non-discrimination in all procedures. Furthermore, the tests used during selection are standardized worldwide with a view to filling each position with a candidate having the most appropriate profile. A total of 20 selection processes were completed in 2018 (59 processes in 2017).

Moreover, in 2018, 723,272 euros was invested in workforce training (609,599 euros in 2017).

Remuneration policy is based on each employee's job position. Pay is competitive with market rates and guarantees internal fairness. It is flexible, 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, in the interests of both employees and their families and also of the productivity, competitiveness and sustainability of the Company. Every year, employees receive information and are given training on health and healthy habits.

Environment

One of the things that MAPFRE does that enables it to generate trust in shareholders is its commitment to sustainability in the environments in which it operates. This commitment constitutes one of its major short and medium-term challenges, as the long-term resilience of the Group will continue to be contingent on the strategy adopted for dealing with risks related to climate change, among other variables.

During 2018, actions continued to be implemented to satisfy the commitments assumed under the Environmental Policy approved on December 13, 2018, including additional commitments related to the inclusion of environmental criteria in its business processes.

MAPFRE carries out Environmental Management activities under the guidelines defined by the triple Integrated Environmental, Energy and Carbon Footprint System (referred to by its Spanish acronym SIGMAYE), a strategic model defined in accordance with the international standards ISO 14001, ISO 50001 and ISO 14064.

The transversal design and the global nature of SIGMAYE allows for 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 expansion of the scope of UNE-EN-ISO 14064 continues to move ahead, verifying the carbon footprint of Group companies located in Spain, Puerto Rico, Colombia, Peru and Portugal.

In relation to mitigation and adaptation to Climate Change, the completion of activities defined in the 2020 Energy Efficiency and Climate Change Strategic Plan continues, with more ambitions challenges and deadlines assumed regarding CO2 neutrality. Group actions in this area have made it possible for MAPFRE to be included on the CDP A list (Driving Sustainable Economies).

It should be noted that MAPFRE is part of a pilot project in the insurance industry promoted by UNEP-FI and created to incorporate recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The inclusion of these recommendations will provide the leverage to introduce climate parameters into financial analyses, and so facilitate the dialog among companies and banks, insurers and investors.

Furthermore, bearing in mind the conditions that Climate Change provokes in the biological diversity of our planet, specific programs will continue to be developed for conservation, including those that sponsor the continuation of the project for reforestation of the Doñana National Park through the "100 Companies for Forests" initiative of WWF España.

The holding of the second "All Together for the Environment" corporate volunteer day for promotion of environmental responsibility should be noted, where reforesting degraded areas, removing trash from beaches and rivers, the improvement and maintenance of footpaths and parks, and a number of other activities demonstrate once more the commitment and involvement of our employees in this regard.

Lastly, the Global Campaign to publicize the Sustainable Development Goals among Group employees was reinforced by the highlighting of environmental activities performed by the Company and best practices for employees found in 13 of the 17 Goals defined in the 2030 Agenda.

Environmental, Social and Governance Factors and Risks

The Group takes responsibility for the impact of its business activity on the environment and society in society in general. Its social responsibility model and policy facilitate the integration of environmental, social and governance (ESG) aspects into its business.

Proper monitoring of the ESG aspects makes it possible for the organization to obtain additional information about these potential risks, and gain better understanding of social movements and transformations, and the expectations of its stakeholders (investors, clients, regulatory bodies, distributors, general public, employees, etc.).

By integrating the management of these risks with the more traditional risks inherent in the activity, we can develop and promote more responsible and sustainable businesses.

There are two policies applied by the Group in this area:

— Risk Management Policy, the objectives of which are to establish general guidelines, basic principles and the general framework of action for risk management; to promote a solid culture and an effective system of risk management; to ensure that risk analysis forms part of the decision-making process; and to preserve the Group's solvency and financial strength.

— Compliance Function Policy, the main objective of which is to minimize the likelihood of any legal or compliance risk materializing. To this end, it defines effective accident prevention and control mechanisms, encourages specialized staff training and promotes an ethical and compliance culture across the organization.

Other Information

Financial Risks

Market and interest rate risks

Fluctuations in market prices can reduce the value of or income generated from the investment portfolio, and in turn, this can have a negative effect on the financial position.

The Controlling Company and its subsidiaries mitigate exposure to this type of risk by means of a prudent investment policy characterized by a high proportion of investment-grade, fixed-income securities.

Most investments are fixed income securities, accounting for 91 percent of the total portfolio of financial investments available for sale in 2018 (88 percent in 2017).

Investments in equities and mutual funds have a limited impact on the balance sheet, representing approximately 9 percent of all financial investments classified as available for sale in 2018 (12 percent in 2017).

Exchange rate risk

Fluctuations in the value of the euro compared with other currencies may, in the future, affect the value of the Controlling Company's assets and liabilities and, consequently, its shareholders' equity, as well as its operating results and cash flow. Currency conversion differences registered resulted in the recognition of -2.6 million euros in 2018 (-7.8 million euros in 2017).

Credit risk

Returns on investments are also sensitive to changes in general economic conditions, including changes in the general credit ratings of debt security issuers. Exposure to credit risk is mitigated by means of a policy based on the prudent selection of security issuers and counterparties according to their solvency; seeking a high degree of geographic matching between issuers of assets and commitments; the maintenance of a suitable level of diversification; and obtaining, where appropriate, guarantees, collateral and other hedges.

Fixed-income and equity investments are subject to limits per issuer. The 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.

Liquidity risk

The liquidity risk is mainly managed by keeping sufficient cash balances to cover any need deriving from commitments made to third parties. As at December 31, 2018, the balance of cash was 355 million euros (200 million euros in 2017), making for 8.86 percent of total investment and liquid funds (5.8 percent in 2017). 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.

Treasury Stock

During fiscal year 2018, the Controlling Company did not perform any transactions with treasury stock.

Research, Development and Innovation

MAPFRE's priorities in terms of innovation are in line with the Company's strategy, giving a central place to the client (while taking account of the needs of different segments).

To deal with the fundamental change that the insurance industry is experiencing, the organization must be streamlined, making it more agile and efficient. To achieve these ends, MAPFRE Open Innovation (MOi), a combination of transformation and innovation platforms, was launched in 2018. Its component functions are summarized below:

Strategic Innovation aims to propose solutions using a short and medium-term methodology with reasonable returns and perfectly measurable objectives that will tackle strategic challenges that enable the organization to stand out from the crowd.

The lines of activity are focused on four pillars:

— Establishing knowledge centers worldwide on current trends that directly or indirectly affect the business;

— Deploying a Startup and Case Builder Radar to build bridges between the Company and the entrepreneurial ecosystem;

— Management of a global innovation portfolio and the introduction of work methodologies to make agility, flexibility and change the common denominator in project development;

— Launch of the intrapreneurship program 'MAPFRE innovates', an innovative participatory process open to employees.

Disruptive Innovation was born out of the desire to construct a relationship model with agents outside the organization that allows MAPFRE to import innovation and accelerate its transformation capacities.

Disruptive innovation focuses on:

— The MAPFRE Accelerator, insur_space, enabling direct interaction with selected and relevant startups.

— Participation in investment vehicles that facilitate a broader grasp of disruptive innovation in Insurtech, as well as being in a favorable position during their success.

— Maintaining strong relationships with Universities and Business Schools is a proven way to attract talent to the organization and guarantee success in the future, and cooperation agreements with Universities and/or Business Schools that make it possible to recruit, develop and retain talent.

The changes implemented in 2018 and the vision of consolidating this open innovation model over the next few years will address the fundamental changes in the industry and new societal realities.

Average provider payment period

The average payment period for service providers during the fiscal year was 4.57 days (6.72 days in fiscal year 2017).

Corporate Aspects

Significant corporate aspects

In fiscal year 2018, Ana Isabel Fernández and Katsuiko Kaneyosi were appointed as directors at the General Shareholders' Meetings held on January 26 and March 20, 2018 respectively; Pedro López was re-elected as a director at the General shareholders' Meeting of March 20, 2018 and as member of the Executive Committee; Eduardo Pérez de Lema was appointed vice-chairman of the Board of Directors; Antonio Gómez was appointed vice-chairman of the Executive Committee; Javier Fernández-Cid was appointed member of the Executive Committee; and the directors Angel Alonso, Ricardo Blanco and Gregorio Robles submitted their resignations due to age.

Proposed Resolutions

1. To approve the individual annual accounts corresponding to the 2018 fiscal year, as well as the following proposal to use the results contained in the annual report:

BASIS OF DISTRIBUTION	Amount in euros
Profit and loss	156,382,713.28
Retained earnings	585,197,796.03
TOTAL	**741,580,509.31**

DISTRIBUTION	Amount in euros
To dividends	100,401,184.58
To legal reserve	13,873,598.64
To equalization reserve	-
To retained earnings	627,305,726.09
TOTAL	**741,580,509.31**

This proposal involves the sharing of a dividend of 1.39 euros gross per share to shares numbers 1 to 72,231,068, both inclusive; this was fully paid out in advance as an interim dividend by agreement of the Board of Directors adopted on June 26 and November 28, 2018.

The planned distribution of dividends in the allocation of the fiscal year results complies with the requirements and limitations established by legal regulations and in the Bylaws. These requirements and limits relating to the restricted reserves are indicated in Note 10 “Shareholders’ equity” of this report.

2. To approve the consolidated annual accounts for fiscal year 2018.

3. To approve the management of the Board of Directors in fiscal year 2018.

4. To re-elect Javier Fernández-Cid and José Manuel Inchausti as company directors for a period of four years.

5. To delegate full powers to the Chairman of the Board of Directors and its Secretary so that either of them may proceed with the implementation of the resolutions adopted at the Annual General Meeting and make them public when necessary.

6. To thank those involved in managing the Company for their loyal collaboration over the course of this fiscal year.

Significant events for the Company that occurred after the year-end

By its resolution of March 12, 2019, the General Directorate of Insurance and Pension Funds announced the publication on March 12, 2019 of the Ministerial Order of the Ministry of the Economy and Finance authorizing the total demerger of MAPFRE GLOBAL RISKS COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS S.A., by which the company MAPFRE RE is the beneficiary of its assumed reinsurance business and related assets and liabilities.

Economic Outlook

The reinsurance sector remains strongly capitalized despite the recent fiscal years.

The tension in the reinsurance industry to improve technical margins is expected to continue in 2019. Efforts are being increasingly focused on enhancing customer loyalty and services to existing clients as well as identifying opportunities to provide innovative solutions to meet new requirements.

3

Consolidated Annual Accounts

A) Consolidated Balance Sheet as on December 31, 2018 and 2017

ASSETS	Notes	2018	2017
A) INTANGIBLE ASSETS		**58,148**	**954**
I. Goodwill	6.1	54,138	
II. Other Intangible Assets	6.1	4,010	954
B) PROPERTY, PLANT AND EQUIPMENT		**54,960**	**55,528**
I. Property for own use	6.2	48,450	49,031
II. Other property, plant and equipment	6.2	6,510	6,497
C) INVESTMENTS		**4,610,266**	**4,223,162**
I. Property investments	6.2	5,879	6,191
II. Financial investments		3,650,502	3,250,443
1. Held-to-maturity portfolio			
2. Available-for-sale portfolio	6.4	3,633,524	3,227,527
3. Trading portfolio	6.4	16,978	22,916
III. Equity - accounted investments		85,450	86,501
IV. Deposits established for assumed reinsurance		857,883	875,757
V. Other investments		10,552	4,270
D) PARTICIPATION OF REINSURANCE IN TECHNICAL PROVISIONS	**6.9**	**2,520,111**	**1,476,022**
E) DEFERRED TAX ASSETS	**6.17**	**39,876**	
F) RECEIVABLES	**6.5**	**1,116,936**	**337,849**
I. Receivables on reinsurance operations	6.5	974,239	317,264
II. Tax receivables	6.5	22,241	11,217
1. Tax on profits receivable		4,677	4,534
2. Other tax receivables		17,564	6,683
III. Corporate and other receivables	6.5	120,456	9,368
G) CASH	**6.7**	**354,817**	**199,774**
H) ALLOCATION ADJUSTMENTS	**6.15**	**146,424**	**155,090**
I) OTHER ASSETS		**565**	**933**
TOTAL ASSETS		**8,902,103**	**6,449,312**

(Figures in thousands of euros)

EQUITY AND LIABILITIES	Notes	2018	2017
EQUITY		**1,668,494**	**1,301,457**
I. Paid-up capital	6.8	293,284	223,916
II. Share premium	6.8	554,393	220,565
III. Reserves		762,554	713,784
IV. Interim dividend	4.2	(100,401)	(103,290)
V. Treasury stock			
VI. Result attributable to the controlling Company		158,869	162,655
VII. Other equity instruments			
VIII. Revaluation adjustments	6.8	4,950	81,119
IX. Currency conversion differences	6.19	(5,174)	2,694
Equity attributable to the Controlling Company's shareholders		1,668,475	1,301,443
Non-controlling interests		19	14
B) SUBORDINATED LIABILITIES			
C) TECHNICAL PROVISIONS	6.9	**6,215,181**	**4,642,591**
I. Provisions for unearned premiums and unexpired risks	6.9/7C	1,159,272	1,098,699
II. Provisions for Life insurance	6.9/7C	597,854	597,166
III. Provision for outstanding claims	6.9/7C	4,458,055	2,946,726
Provisions for profits and return premiums			
D) PROVISIONS FOR RISKS AND EXPENSES	6.10	**8,492**	**9,869**
E) DEPOSITS RECEIVED ON CEDED AND RETROCEDED REINSURANCE	6.11	**72,570**	**67,803**
F) DEFERRED TAX LIABILITIES	6.17		**9,056**
G) DEBT	6.12	**880,269**	**358,099**
I. Due on reinsurance operations	6.12/7C	761,446	299,790
II. Tax debts	6.12/6.17	32,498	21,569
1. Tax on profits to be paid		211	952
2. Other tax liabilities		32,287	20,617
III. Other debts	6.12	86,325	36,740
H) ALLOCATION ADJUSTMENTS	6.15	**57,097**	**60,437**
TOTAL EQUITY AND LIABILITIES		**8,902,103**	**6,449,312**

(Figures in thousands of euros)

B) Global Consolidated Income Statement for years ended December 31, 2018 and 2017

B.1) Consolidated income statement

ITEM	Notes	2018	2017
I. REVENUE FROM INSURANCE BUSINESS			
1. Premiums earned for the period, net		3,338,996	2,999,719
a) Written premiums, direct insurance			
b) Premiums from assumed reinsurance	7. A2	4,832,406	4,222,424
c) Premiums from ceded reinsurance	6.16	(1,783,090)	(1,399,630)
d) Variations in provisions for unearned premiums and unexpired risks, net		289,681	176,925
Direct insurance			
Assumed reinsurance		270,573	174,652
Ceded reinsurance	6.16	19,107	2,273
2. Share in profits from equity-accounted companies			
3. Income from investment	6.14	203,437	193,330
a) From operations	6.14	195,784	185,673
b) From equity	6.14	7,653	7,657
4. Unrealized gains on investments on behalf of Life insurance policyholders bearing the investment risk			
5. Other technical revenues			
6. Other non-technical revenues		1,982	895
7. Positive foreign exchange differences	6.19	961,517	797,406
8. Reversal of the asset impairment provision	6.6/6.5	45	3,828
TOTAL REVENUE FROM INSURANCE BUSINESS		**4,505,977**	**3,995,178**
II. EXPENSES FROM INSURANCE BUSINESS			
1. Loss ratio for the period, net		(2,353,041)	(2,105,793)
a) Claims paid and variation in provision for claims, net		(2,349,740)	(2,105,691)
Direct insurance			
Assumed reinsurance		(4,028,971)	(3,717,332)
Ceded reinsurance	6.16	1,679,231	1,611,641
b) Claims - related expenses	6.15	(3,301)	(102)
2. Variation in other technical provisions, net		2,260	731
3. Profit sharing and return premiums			
4. Net operating expenses	6.15	(903,374)	(827,420)
a) Acquisition expenses	6.15	(1,110,826)	(1,148,705)
b) Administration expenses	6.15	(20,108)	(16,101)
c) Commissions and participation in reinsurance	6.16	227,559	337,386
5. Share in losses from equity-accounted companies			
6. Investment expenses	6.14	(50,097)	(28,291)
a) From operations	6.14	(48,543)	(26,673)
b) From equity and financial accounts	6.14	(1,554)	(1,619)
7. Unrealized losses on investments on behalf of Life insurance policyholders bearing the in-vestment risk			
8. Other technical expenses	6.15	(7,709)	(2,029)
9. Other non-technical expenses	6.15	(9,413)	(5,896)
10. Negative foreign exchange differences	6.19	(964,089)	(805,268)
11. Allowance to the asset impairment provision	6.6	(5,031)	
TOTAL EXPENSES FROM INSURANCE BUSINESS		**(4,290,495)**	**(3,773,966)**
III. RESULT FROM INSURANCE BUSINESS	**6.17**	**215,482**	**221,212**
IV. RESULT ON RESTATEMENT OF FINANCIAL STATEMENTS			
V. TAX ON PROFIT FROM ONGOING OPERATIONS	**6.17**	**(56,609)**	**(58,557)**
VI. RESULT AFTER TAX FROM ONGOING OPERATIONS		**158,873**	**162,655**
VII. RESULT AFTER TAX FROM DISCONTINUED OPERATIONS			
VIII. RESULT FOR THE FISCAL YEAR		**158,873**	**162,654**
1. Attributable to non-controlling interests		(4)	1
2. Attributable to Controlling Company		158,869	162,655

(Figures in thousands of euros)

B.2) Consolidated statement of comprehensive income

ITEM	GROSS AMOUNT		INCOME TAX		ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		ATTRIBUTABLE TO THE CONTROLLING COMPANY	
	2018	2017	2018	2017	2018	2017	2018	2017
A) CONSOLIDATED RESULT FOR THE PERIOD								
A.1) Ongoing operations	215,482	221,212	(56,609)	(58,557)	(4)	1	158,869	162,655
A.2) Discontinued operations								
B) OTHER RECOGNIZED REVENUE (EXPENSES)	**(108,368)**	**(43,142)**	**24,332**	**8,340**			**(84,037)**	**(34,802)**
B.1) Ongoing operations								
1. Financial assets available for sale	(100,606)	(31,820)	24,437	7,891			(76,169)	(23,930)
a) Valuation gains (losses)	(53,719)	5,995	13,332	(1,567)			(40,387)	4,427
b) Amounts transferred to the income statement	(46,887)	(37,815)	11,105	9,458			(35,782)	(28,357)
c) Other reclassifications								
2. Currency conversion differences	(7,762)	(11,322)	(105)	449			(7,868)	(10,872)
a) Valuation gains (losses)	(7,762)	(11,322)	(105)	449			(7,868)	(10,872)
b) Amounts transferred to the income statement								
c) Other reclassifications								
3. Shadow accounting								
a) Valuation gains (losses)								
b) Amounts transferred to the income statement								
c) Other reclassifications								
4. Equity-accounted entities								
a) Valuation gains (losses)								
b) Amounts transferred to the income statement								
c) Other reclassifications								
5. Other recognized revenue and expenses								
B.2) Discontinued operations (Net of divestment)								
TOTALS	**107,114**	**178,070**	**(32,277)**	**(50,217)**	**(4)**	**1**	**74,832**	**127,853**

(Figures in thousands 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 regulations.

C) Consolidated Statement of changes in equity as on December 31,

ITEM	NOTES	EQUITY ATTRIBUTABLE TO CONTROLLING		
		PAID-UP CAPITAL	SHARE PREMIUM	RESERVES
BALANCE AS OF JANUARY 01, 2017		**223,916**	**220,565**	**620,528**
I. Changes in accounting policies				
II. Correction of errors				
ADJUSTED BALANCE AS OF JANUARY 01, 2017, UPDATED		**223,916**	**220,565**	**620,528**
CHANGES FOR 2017				
I. Result recognized directly in equity				
1. For revaluation of property, plant and equipment and intangible assets				
2. For available-for-sale investments				
3. For cash flow hedging				
4. For currency conversion differences				
5. For other results recognized directly in equity				
Total result recognized directly in equity				
II. Other results for 2017				
III. Distribution of result for 2016				95,785
IV. Interim dividends for 2017				
V. Capital increase				
VI. Pending paid-up capital				
VII. Capital decrease				
VIII. Other increases				
IX. Other decreases				(2,529)
TOTAL VARIATIONS IN 2017				**93,256**
BALANCE AS OF DECEMBER 31, 2017		**223,916**	**220,565**	**713,784**
I. Changes in accounting policies				
II. Correction of errors				
ADJUSTED BALANCE AS OF JANUARY 01, 2018, UPDATED		**223,916**	**220,565**	**713,784**
CHANGES FOR 2018				
I. Result recognized directly in equity				
1. For revaluation of property, plant and equipment and intangible assets				
2. For available-for-sale investments				
3. For cash flow hedging				
4. For currency conversion differences				
5. For other results recognized directly in equity				
Total result recognized directly in equity				
II. Other results for 2018				
III. Distribution of result for 2017				59,365
IV. Interim dividends for 2018				
V. Capital increase		69,368	333,828	
VI. Pending paid-up capital				
VII. Capital decrease				
VIII. Other increases				
IX. Other decreases				(10,595)
TOTAL VARIATIONS IN 2018		**69,368**	**333,828**	**48,770**
BALANCE AS OF DECEMBER 31, 2018		**293,284**	**554,393**	**762,554**

(Figures in thousands of euros)

The amounts in the “Other increases” and “Other decreases” items in the “Reserves” column are mostly due to the distribution of the result from previous years, and the transfers made between them.

A capital expansion occurred due to the incorporation of the reinsurance business of MAPFRE GLOBAL RISKS in the amount of 403,196 thousands of euros.

2018 and 2017

COMPANY'S SHAREHOLDERS							
INTERIM DIVIDEND	TREASURY STOCK	RESULT ATTRIBUTABLE TO THE CONTROLLING COMPANY	OTHER EQUITY INSTRUMENTS	VALUATION CHANGE ADJUSTMENTS	CURENCY CONVERSION DIFFERENCES	NON-CONTROLLING INTERESTS	TOTAL EQUITY
(90,289)		**186,074**		**105,048**	**13,566**	**16**	**1,279,424**
(90,289)		**186,074**		**105,048**	**13,566**	**16**	**1,279,424**
				(23,929)			(23,929)
					(10,872)		(10,872)
				(23,929)	**(10,872)**		**(34,801)**
		162,655					162,655
90,289		(186,074)					
(103,290)							(103,290)
						(2)	(2,531)
(13,001)		**(23,419)**				**(2)**	**56,834**
(103,290)		**162,655**		**81,119**	**2,694**	**14**	**1,301,457**
(103,290)		**162,655**		**81,119**	**2,694**	**14**	**1,301,457**
				(76,169)			(76,169)
					(7,868)		(7,868)
				(76,169)	**(7,868)**		**(84,037)**
		158,869					158,869
103,290		(162,655)					
(100,401)							(100,401)
							403,196
						5	5
							(10,595)
2,889		**(3,786)**				**5**	**451,074**
(100,401)		**158,869**		**4,950**	**(5,174)**	**19**	**1,668,494**

D) Consolidated cash flow statement for years ended December 31, 2018 and 2017

ITEMS	2018	2017
Collections for premiums		
Payments for claims		
Collections for reinsurance operations	743,106	571,398
Payments for reinsurance operations	(502,007)	(289,090)
Collections for co-insurance operations		
Payments for co-insurance operations		
Payments for commissions		
Collections from clients for other activities		
Payments to providers of other activities		
Other operating collections	3,198	811
Other operating payments	(242,095)	(110,056)
Tax payments or collections on companies	(83,800)	(36,032)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**(81,598)**	**137,031**
Acquisitions of intangible fixed assets	(981)	(434)
Acquisitions of property, plant and equipment	(2,794)	(2,613)
Acquisitions of investments and disbursement of capital increases	152,808	(65,956)
Net cash paid by companies removed from scope		
Net cash collected by companies removed from scope		
Disposals of fixed assets	210	314
Investment disposals	21,584	1,505
Interest collected	62,829	79,555
Other payments		
Proceeds from dividends	13,436	13,274
Collection for loans granted and other financial instruments		
Payments for loans granted and other financial instruments		
NET CASH FLOWS FROM INVESTMENT ACTIVITIES	**247,092**	**25,645**
Dividends and donations paid	(100,401)	(103,290)
Proceeds from capital increases	88,324	
Payments on return of shareholders' contributions		
Collections for issuance of debentures		
Payments for interests and amortization of debentures		
Payments for interest and amortization of other financing activities		
Collections for other financing activities		
NET CASH FLOW FROM FINANCING ACTIVITIES	**(12,077)**	**(103,290)**
NET INCREASE (DECREASE) IN CASH FLOW	**153,417**	**59,386**
Conversion differences in cash flow and cash balances	**1,626**	**366**
OPENING CASH BALANCE	**199,774**	**140,022**
CLOSING CASH BALANCE	**354,817**	**199,774**

(Figures in thousands of euros)

E) Financial information by segment – Consolidated Balance Sheet as on December 31, 2018 and 2017

ASSETS	LIFE REINSURANCE		NON-LIFE REINSURANCE		TOTAL	
	2018	2017	2018	2017	2018	2017
A) INTANGIBLE ASSETS	**290**	**98**	**57,858**	**856**	**58,148**	**954**
I. Goodwill			54,138		54,138	
II. Other Intangible Assets	290	98	3,720	856	4,010	954
B) PROPERTY, PLANT AND EQUIPMENT	**4,523**	**5,869**	**50,437**	**49,659**	**54,960**	**55,528**
I. Property for own use	3,807	5,270	44,643	43,761	48,450	49,031
II. Other property, plant and equipment	716	599	5,794	5,898	6,510	6,497
C) INVESTMENTS	**964,478**	**979,972**	**3,645,787**	**3,243,190**	**4,610,265**	**4,223,162**
I. Property investments	1,560	1,748	4,319	4,443	5,879	6,191
II. Financial investments	440,156	483,878	3,210,346	2,766,565	3,650,502	3,250,443
1. Held-to-maturity portfolio						
2. Available-for-sale portfolio	427,236	468,624	3,206,288	2,758,903	3,633,524	3,227,527
3. Trading portfolio	12,920	15,254	4,058	7,662	16,978	22,916
III. Equity-accounted investments			85,450	86,501	85,450	86,501
IV. Deposits established for assumed reinsurance	521,108	492,879	336,775	382,878	857,883	875,757
V. Other investments	1,654	1,467	8,897	2,803	10,551	4,270
D) PARTICIPATION OF REINSURANCE IN TECHNICAL PROVISIONS	**20,397**	**21,269**	**2,499,714**	**1,454,753**	**2,520,111**	**1,476,022**
E) DEFERRED TAX ASSETS	**17**		**39,859**		**39,876**	
F) RECEIVABLES	**67,280**	**41,761**	**1,049,656**	**296,088**	**1,116,936**	**337,849**
I. Receivables on reinsurance operations	55,651	37,552	918,588	279,712	974,239	317,264
II. Tax receivables	2,933	3,258	19,308	7,959	22,241	11,217
III. Corporate and other receivables	8,696	951	111,760	8,417	120,456	9,368
G) CASH	**22,603**	**20,458**	**332,214**	**179,316**	**354,817**	**199,774**
H) ALLOCATION ADJUSTMENTS	**1,871**	**2,353**	**144,554**	**152,737**	**146,425**	**155,090**
I) OTHER ASSETS	**559**	**873**	**6**	**60**	**565**	**933**
J) NON-CURRENT ASSETS HELD FOR SALE AND FROM DISCONTINUED OPERATIONS						
TOTAL ASSETS BY SEGMENT	**1,082,018**	**1,072,653**	**7,820,085**	**5,376,659**	**8,902,103**	**6,449,312**

(Figures in thousands of euros)

E) Financial information by segment – Consolidated Balance Sheet as on December 31, 2018 and 2017

EQUITY AND LIABILITIES	LIFE REINSURANCE		NON-LIFE REINSURANCE		TOTAL	
	2018	2017	2018	2017	2018	2017
A) EQUITY	**179,898**	**166,052**	**1,488,595**	**1,135,405**	**1,668,494**	**1,301,457**
I. Paid-up capital	72,647	22,919	220,637	200,997	293,284	223,916
II. Share premium	38,885	22,576	515,508	197,989	554,393	220,565
III. Reserves	52,409	101,559	710,145	612,225	762,554	713,784
IV. Interim dividend	(13,999)	(8,315)	(86,402)	(94,975)	(100,401)	(103,290)
V. Treasury stock						
VI. Result for the period attributable to the Controlling Company	25,968	14,076	132,901	148,579	158,869	162,655
VII. Other equity instruments						
VIII. Revaluation adjustments	8,113	14,850	(3,163)	66,269	4,950	81,119
IX. Currency conversion differences	(4,128)	(1,626)	(1,046)	4,320	(5,174)	2,694
Equity attributable to the Controlling Company's shareholders	179,895	166,039	1,488,580	1,135,404	1,668,475	1,301,443
Non-controlling interests	3	13	16	1	19	14
B) SUBORDINATED LIABILITIES						
C) TECHNICAL PROVISIONS	**845,723**	**856,201**	**5,369,458**	**3,786,390**	**6,215,181**	**4,642,591**
I. Provisions for unearned premiums and unexpired risks	2,728		1,156,544	1,098,699	1,159,272	1,098,699
II. Provisions for Life insurance	597,854	597,166			597,854	597,166
III. Provisions for outstanding losses	245,141	259,035	4,212,914	2,687,691	4,458,055	2,946,726
IV. Other technical provisions						
D) PROVISIONS FOR RISKS AND EXPENSES	**613**	**1,010**	**7,879**	**8,859**	**8,492**	**9,869**
E) DEPOSITS RECEIVED ON CEDED AND RETROCEDED REINSURANCE	**4,553**	**4,841**	**68,017**	**62,962**	**72,570**	**67,803**
F) DEFERRED TAX LIABILITIES		**3,752**		**5,304**		**9,056**
G) DEBT	**51,169**	**40,789**	**829,100**	**317,311**	**880,269**	**358,099**
I. Due on reinsurance operations	40,728	31,027	720,718	268,764	761,446	299,790
II. Tax debts	2,429	2,383	30,069	19,186	32,498	21,569
III. Other debts	8,012	7,379	78,313	29,361	86,325	36,740
H) ALLOCATION ADJUSTMENTS	**62**	**7**	**57,035**	**60,429**	**57,097**	**60,437**
I) LIABILITIES LINKED TO NON-CURRENT ASSETS HELD FOR SALE AND FROM DISCONTINUED OPERATIONS						
TOTAL LIABILITIES AND EQUITY BY SEGMENT	**1,082,018**	**1,072,653**	**7,820,085**	**5,376,659**	**8,902,103**	**6,449,312**

(Figures in thousands of euros)

E) Financial information by segment - Consolidated Income Statement for years ended December 31, 2018 and 2017

	LIFE REINSURANCE		NON-LIFE REINSURANCE		TOTAL	
	2018	2017	2018	2017	2018	2017
I. REVENUE FROM INSURANCE BUSINESS						
Premiums allocated for the period, net	561,043	565,936	2,777,953	2,433,783	3,338,996	2,999,719
a) Written premiums, direct insurance						
b) Premiums from assumed reinsurance	600,472	656,701	4,231,934	3,565,723	4,832,406	4,222,424
c) Premiums from ceded reinsurance	(28,162)	(36,970)	(1,754,928)	(1,362,660)	(1,783,090)	(1,399,630)
d) Variations in provisions for unearned premiums and unexpired risks, net	(11,267)	(53,795)	300,947	230,720	289,680	176,925
Direct insurance						
Assumed reinsurance	(12,054)	(52,388)	282,627	227,040	270,573	174,652
Ceded reinsurance	787	(1,407)	18,320	3,680	19,107	2,273
2. Share in profits from equity-accounted companies						
3. Income from investment	79,006	87,567	124,431	105,763	203,437	193,330
a) From operations	78,296	86,105	117,488	99,568	195,784	185,673
b) From equity	710	1,462	6,943	6,195	7,653	7,657
4. Unrealized gains on investments on behalf of Life insurance policyholders bearing investment risk						
5. Other technical revenues						
6. Other non-technical revenues	167	61	1,815	833	1,982	895
7. Positive foreign exchange differences	83,742	110,753	877,775	686,653	961,517	797,406
8. Reversal of the asset impairment provision	45	18		3,810	45	3,828
TOTAL REVENUE FROM INSURANCE BUSINESS	**724,003**	**764,334**	**3,781,974**	**3,230,843**	**4,505,977**	**3,995,177**
II. EXPENSES FROM INSURANCE BUSINESS						
1. Loss ratio for the period, net (-)	(475,285)	(494,067)	(1,877,756)	(1,611,726)	(2,353,041)	(2,105,793)
a) Claims paid and variation in provision for claims, net	(475,273)	(494,055)	(1,874,467)	(1,611,636)	(2,349,740)	(2,105,691)
Direct insurance						
Assumed reinsurance	(489,634)	(515,993)	(3,539,337)	(3,201,340)	(4,028,971)	(3,717,332)
Ceded reinsurance	14,361	21,937	1,664,870	1,589,704	1,679,231	1,611,641
b) Claims-related expenses	(12)	(12)	(3,289)	(90)	(3,301)	(102)
2. Variation in other technical provisions, net	2,260	732			2,260	732
3. Profit sharing and returned premiums						
4. Net operating expenses	(137,400)	(132,076)	(765,975)	(695,344)	(903,375)	(827,420)
a) Acquisition expenses	(142,993)	(139,168)	(967,833)	(1,009,537)	(1,110,826)	(1,148,705)
b) Administration expenses	(2,115)	(2,688)	(17,993)	(13,414)	(20,108)	(16,101)
c) Commissions and participation in reinsurance	7,708	9,780	219,851	327,606	227,559	337,386
5. Share in losses from equity-accounted companies						
6. Investment expenses	(2,964)	(6,439)	(47,133)	(21,853)	(50,097)	(28,291)
a) From operations	(2,728)	(6,160)	(45,815)	(20,512)	(48,543)	(26,673)
b) From equity and financial accounts	(236)	(279)	(1,318)	(1,340)	(1,554)	(1,619)
7. Unrealized losses on investments on behalf of Life insurance policyholders bearing investment risk						
8. Other technical expenses	(450)	(482)	(7,259)	(1,547)	(7,709)	(2,029)
9 Other non-technical expenses	(609)	(739)	(8,804)	(5,157)	(9,413)	(5,896)
10. Negative foreign exchange differences	(76,042)	(111,351)	(888,047)	(693,917)	(964,089)	(805,268)
11. Allowance to the asset impairment provision			(5,031)		(5,031)	
TOTAL EXPENSES FROM INSURANCE BUSINESS	**(690,490)**	**(744,422)**	**(3,600,005)**	**(3,029,544)**	**(4,290,495)**	**(3,773,966)**
RESULT FROM INSURANCE BUSINESS	**33,513**	**19,913**	**181,969**	**201,299**	**215,482**	**221,212**
III. OTHER ACTIVITIES						
IV. EARNINGS BEFORE TAXES FROM ONGOING OPERATIONS	**33,511**	**19,913**	**181,969**	**201,299**	**215,482**	**221,212**
V. TAX ON PROFIT FROM ONGOING OPERATIONS	**(7,539)**	**(5,837)**	**(49,070)**	**(52,720)**	**(56,609)**	**(58,557)**
VI. RESULT AFTER TAX FROM ONGOING OPERATIONS	**25,974**	**14,076**	**132,899**	**148,579**	**158,873**	**162,655**
VII. RESULT AFTER TAX FROM DISCONTINUED OPERATIONS						
VIII. RESULT FOR THE PERIOD	**25,974**	**14,075**	**132,899**	**148,579**	**158,873**	**162,654**
1. Attributable to non-controlling interests	(4)	1			(4)	1
2 Attributable to Controlling Company	25,970	14,074	132,899	148,579	158,869	162,653

(Figures in thousands of euros)

F) Financial information by geographic area. Breakdown as on December 31, 2018 and 2017

GEOGRAPHIC AREA	ORDINARY REVENUES FROM EXTERNAL CLIENTS 2018	ORDINARY REVENUES FROM EXTERNAL CLIENTS 2017	NON-CURRENT ASSETS 2018	NON-CURRENT ASSETS 2017
SPAIN	1,055,131	663,164	169,346	53,046
UNITED STATES OF AMERICA	185,535	558,185	908	861
BRAZIL	235,764	143,224	4,972	7,789
MEXICO	218,415	100,790	364	365
VENEZUELA	10,294	541	288	310
COLOMBIA	121,233	74,644	230	146
ARGENTINA	82,038	95,162	5,226	6,794
TURKEY	125,436	134,033	0	
CHILE	197,868	118,684	3,606	4,762
OTHER COUNTRIES	2,600,692	2,333,997	23,171	10,119
TOTAL	**4,832,406**	**4,222,424**	**208,111**	**84,192**

(Figures in thousands of euros)

Non-current assets include other intangible fixed assets, property, plant and equipment, property investments, tax receivables, corporate receivables and other assets.

Assumed reinsurance premiums are considered ordinary revenues.

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

Consolidated financial statements

1. General information of the company and its activities

MAPFRE RE, Compañía de Reaseguros S.A. (referred to hereinafter as the Controlling Company) is a reinsurance company, and the parent company of a number of subsidiaries engaged in reinsurance activities.

The Controlling Company was incorporated in Spain, and its registered office is at Paseo de Recoletos no. 25, Madrid.

The Controlling Company has central services located in Madrid and four subsidiaries, nine branches and seven representative offices with a direct presence in seventeen countries. Its scope of operation includes Spain, European Union countries and other countries, mainly in Latin America. This scope of operation encompasses all types of business and reinsurance lines.

The Controlling Company is a subsidiary of MAPFRE, S.A. and forms part of the MAPFRE Group, made up by MAPFRE S.A. and several companies operating in the insurance, financial, movable assets and services industries.

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

The separate and consolidated annual statement were prepared by the Board of Directors on March 28, 2018. They are expected to be approved at the Annual General Meeting. Spanish regulations provide for the possibility of modifying the annual statement in the event that these are not approved by the aforementioned governing body.

2. Basis of presentation of the consolidated annual accounts

2.1 Basis of presentation

The Group's consolidated annual statement was 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 statement has 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 2018. However, their early adoption would have had no effect on the Group's financial situation and results, with the exception of what is indicated in section 2.5 below.

2.2 Financial information by segment

The controlling Company voluntarily includes financial information by segment in Section E of the consolidated annual statement. The main segments by line of business of the company are Life Reinsurance and Non-Life Reinsurance.

For the identification of the main segments, the main activities and insurance lines managed by the Group have been taken into consideration, as well as the qualitative thresholds established by regulations.

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

2.3 Financial information by geographic area

Section F) of the consolidated annual statement provides additional financial information by geographic area.

The established geographic areas are: Spain, United States of America, Brazil, Mexico, Venezuela, Colombia, Argentina, Turkey, Chile and Other Countries.

2.4 Changes in accounting policies, changes in estimates and errors

There were changes in the accounting estimates during fiscal years 2017 and 2018 for the provision for outstanding losses for reinsurance contracts assumed from outside of the MAPFRE Group, both proportional and non-proportional, due to the fact that the company already now has sufficient experience for analysis of historical loss experience; the estimate change will affect both current and future fiscal years, the major consequences and effects of which are covered in the section on technical reserves. The effect of the changes on 2018 and 2017 were 41 and 35 million respectively.

2.5 Comparison of the information

International standards that, having been approved by the European Commission and in force as of the close of the fiscal year, were applied in the preparation of the consolidated annual statement.

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

— 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 10.5 million euros.

• A decrease in operating expenses and an increase in financial expenses of 0.1 and 0.2 million euros, respectively. The amount of financial expenses will reduce gradually, applying financial criteria, during the estimated term of the contracts.

• A fall of 0.01 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.

— The Group is analyzing the possible impact expected from IFRS 17 “Insurance contracts” presumably applicable to fiscal years starting on or after January 01, 2022, which has been approved by the International Accounting Standards Board (IASB) and not yet adopted by the European Union; this is expected to be significant.

— In relation to IFRS-EU 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 is taking advantage of the temporary option for exemption from application of IFRS 9 indicated under this standard for entities predominantly engaged in insurance (plus 90 percent of its liabilities are in relation to insurance activity). Said temporary deferral can be applied until reporting periods beginning on or after January 1, 2022, on which date it is estimated that the new IFRS 17 “Insurance Contracts” will enter into force.

In order to analyze any possible impacts from the effective application of IFRS-EU 9, “Financial Instruments”, and improve comparability of information between companies applying this standard and those that have chosen to defer application, the modification of IFRS-EU 4, “Insurance Contracts”, requires specific information related to cash flow from financial activities carried at amortized cost or assets available for sale.

In consideration of the above, the Group has analyzed its fixed-income securities classified under the “Hold-to-maturity portfolio” and “Available-for-sale portfolio” sections, with the information required For the standard broken down in Note 6.4, “Financial investments”.

— The adoption of IFRIC 23, “Tax Treatment Uncertainty”, entering in force for reporting periods beginning on or after January 1, 2019, is not deemed to have any significant effect on the Group’s financial situation and results.

— 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.

On December 28, 2018, the transaction was formalized by public registry whereby MAPFRE RE increases its capital by assuming the insurance business of MAPFRE GLOBAL RISKS, an operation authorized by the Ministry of the Economy and Finance by Ministerial Order of March 6, 2019, indicated to the General Directorate for Insurance and Pension Funds via resolution of March 1, 2019. The most significant features of this transaction are summarized below, involving the total demerger from the group company MAPFRE GLOBAL

RISKS, with the financial effects of the demerger retroactive to January 1, 2018.

The transaction involves a restructuring of the business, transferring purely reinsurance-related activities and their related assets and liabilities to MAPFRE RE. Direct writing activities, assets and liabilities directly related to activity as an underwriting entity and controlling shareholding and holdings in the other group companies were transferred to other MAPFRE Group companies.

This demerger process, carried out at MAPFRE RE through the aforementioned capital expansion, created business combinations between companies under common control.

The business transferred to MAPFRE RE in this combination was assessed at fair value of the assets and liabilities received, with this value verified by independent PWC analysis through the financial discounting of future expected cash flows from the corresponding cash generating entity to the acquired Global Risks business. The resulting difference between the value of the assets and liabilities of the merged company adjusted by the amount related to capital was recorded as share premium (see note 6.21 on Business Combinations).

The column "MGR OPERATION" in the corresponding tables of the different notes from the Annual Report contains the figures corresponding to the reinsurance activity of the demerged company.

The cash obtained under the transaction in the Statement of Cash Flow for fiscal year 2018 is presented in section C.1.2., COLLECTIONS FROM THE ISSUANCE OF EQUITY AND CAPITAL ENLARGEMENT INSTRUMENTS".

2.6. Changes in the scope of consolidation

The companies that were added to the scope of consolidation in 2018 and 2017 are listed in Annex 1 along with their equity figures and results. That Annex also details the companies and changes made in the scope of consolidation.

The global effect on the Group equity, financial position and results that can be consolidated in fiscal years 2018 and 2017 of other changes in the scope of consolidation with respect to the previous fiscal year are described in the corresponding notes of the consolidated report.

2.7 Accounting judgements and estimates

In the preparation of the consolidated annual statement 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:

— Technical provisions (Note 6.9).

— Asset impairment (Notes 6.2, 6.4 and 6.5).

— The calculation of provisions for risks and expenses (Note 6.10).

— The actuarial calculation of post-employment remuneration commitments and liabilities (Note 6.18).

— The useful life of intangible assets and property, plant and equipment items (Notes 5.1 and 5.2).

— The fair value of certain non-listed assets (Note 6.4).

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 shall be applied during that period and, as the case may be, in subsequent periods.

3. Consolidation

3.1. Subsidiaries and associated companies

The identification of subsidiaries and associated companies included in the consolidation, with specification of the consolidation method, are detailed in the acquisitions of controlled companies table, which forms part of the consolidated annual report as Annex 1.

Companies are configured as subsidiaries when the controlling Company holds a controlling interest over the investee company, and receives or has the right to variable returns, and the ability to influence said returns through the power that it exercises in said companies.

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.

Associate companies are companies in which the controlling Company exercises a significant influence, but which are neither subsidiaries nor joint ventures.

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.

The financial statements of the subsidiaries and associated companies used for consolidation correspond to the fiscal year that ended on December 31, 2018 and 2017.

3.2. Mutual funds

Mutual funds managed by Group companies in which the participation is greater than 30 percent were consolidated by global integration method.

3.3. Conversion of annual statements of foreign companies included in the consolidation scope

The Group's functional and operating currency is the euro. For this reason, the balances and operations of Group companies with a different functional currency are translated into euros using the closing exchange rate for account balances at the average exchange rate weighted by the volume of transactions. Reinsurance operations are converted at the exchange rate corresponding to the month of their accounting.

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.

Fair value adjustments of assets and liabilities that arose from the acquisition of Group companies whose operating currency is not the euro are treated as assets and liabilities of overseas business. As such, they are stated in the functional currency of the overseas business and converted at the closing exchange rate.

With the exception of reinsurance operations, all other transactions in foreign currencies are initially converted into euros at the exchange rate in force on the transaction date.

Adjustments to the opening balance

The adjustments to opening balance columns in the different tables of the notes on the consolidated annual statement include the variations that occurred as result of applying a different conversion exchange rate for data on 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:

	2018	2017
Net profit attributable to the shareholders of the controlling Company (thousands of euros)	158,869	162,655
Average weighted number of outstanding ordinary shares (thousands of shares)	94,608	72,231
Basic earnings per share (euros)	**1.68**	**2.25**

4.2. Dividends

The breakdown of the dividends of the controlling Company in the last two fiscal years is as follows:

ITEM	TOTAL DIVIDEND		DIVIDEND PER SHARE	
	2018	2017	2018	2017
Interim dividend	100,401,184	103,290,427	1.06	1.43
TOTAL	**100,401,184**	**103,290,427**	**1.06**	**1.43**

(Figures in euros)

The total dividend for 2018 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 fiscal year 2018, the controlling Company distributed two interim dividends equivalent to a total amount of 100,401,184.52 euros, 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 resolution: 6/26/2018	Date of resolution 11/28/2018
Cash available on date of resolution	**145,347**	**280,679**
Increases in cash forecast within one year	300,000	300,000
(+) From expected current collection transactions	200,000	200,000
(+) From financial transactions	100,000	100,000
Decreases in cash forecast within one year	**(240,454)**	**(362,841)**
(-) From expected current payment transactions	(100,000)	(200,000)
(-) From expected financial transactions	(100,000)	(100,000)
(-) Due to payment of interim dividend	(40,454)	(62,841)
Cash available in one year	**204,893**	**217,838**

(Figures in thousands of euros)

5. Accounting policies

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

5.1 Intangible assets

Goodwill

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.

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 valuated 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 INTANGIBLE ASSETS WITH A DEFINED USEFUL LIFE

Below, the useful life and depreciation ratios used for the main intangible assets, for which a linear method of amortization has been applied in all cases, are indicated as follows:

ITEM GROUP	USEFUL LIFE Year	DEPRECIATION RATIO (annual)
Computer applications	4	25%

The amortization of intangible assets with finite useful life has been registered in the "Depreciation charges" 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.

5.3 Property, plant and equipment and real estate investments

Property, plant and equipment and real estate investments 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.

Depreciation of these items is calculated on a straight-line basis on the cost of the asset less its residual value and the value of land according to the following periods of useful life:

ITEM GROUP	YEAR	ANNUAL COEFFICIENT
Buildings and other structures	50-25	2%-4%
Transport items	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 Leases

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:

• AVAILABLE-FOR-SALE PORTFOLIO
This includes debt securities not classified under other portfolios and capital instruments of companies that are not subsidiaries or associates and 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

In their initial recognition on the balance sheet, all financial investments are recognized at the fair value of the provided compensation 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.

Thereafter, the financial investments are assessed at their fair value, without deducting any transaction costs which may be incurred in their sale or any other form of disposal, with the following exceptions: financial assets that are capital instruments whose fair value cannot be reliably estimated, as well as derivatives which have these instruments as underlying assets and are settled through the delivery of said assets, which are valued 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. Quote price: Unadjusted price quoted on active markets.

— Level 2. Observable prices: Prices quoted in active markets for instruments similar to the one being assessed, or other assessment 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:

1. Zero coupon swap curve of the currency of the issuance, which is considered to be the best approximation to the risk-free interest rate.

2. 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: Specific valuations on a case-by-case basis. 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.

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.

5.6 Impairment of Other Assets

At the end of each financial year the Group evaluates whether there are any signs that the asset items may have depreciated. If such evidence exists, the recoverable amount 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 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 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.

5.7 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.

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 present value of 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 Group calculates and provides the insolvency provision through an individualized system for monitoring balances with reinsurance companies. The basis of calculation are the balances pending collection with each reinsurance company and, depending on the corresponding time period, the provision is 50 percent for six-month balances and 100 percent for balances due more than nine months ago. Similarly, the balances with reinsurance companies in the settlement process are taken into account. The impairment is recognized in the consolidated income statement.

5.8 Cash

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.

5.9 Allocation Adjustments

The fees and other acquisition expenses corresponding to the allocated premiums that can be applied to the period between the closing date and the end of coverage of the contracts are essentially included under the heading of the asset. The expenses allocated to the results correspond to those actually incurred in the period in accordance with the provisions in Note 5.10.B.1.

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.

5.10 Reinsurance operations

A) Premiums

Assumed 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.

B) Technical provisions

B.1) ASSUMED REINSURANCE

Provision for unearned premiums

Proportional reinsurance

Proportional assumed reinsurance transactions are accounted for based on the accounts received from the ceding companies; when the information is provided by the cedants, unearned premium provisions are allocated based on the the information provided by the cedant, with allocation on a per contract basis.

If they are not available, the amount of the premium deposit retained for this item will be posted as the provision for unearned premiums, and in the final analysis a premium allocation statistical method is used.

The acquisition expenses indicated by the ceding companies are allocated and included in the consolidated balance sheet under the heading "Allocation adjustments" for the consolidated balance sheet asset, with these expenses corresponding to those actually incurred in the period.

Facultative and Global Risk business are allocated on a risk by risk basis.

Non-proportional reinsurance

Non-proportional reinsurance operations are accounted for based on the accounts received from the ceding companies, and the provision for unearned premiums is estimated by funding the posted unearned premium based on the average policy coverage period.

Provision for unexpired risks

This is calculated by business line, and complements the provision for unearned premiums to the extent that the latter is not sufficient to reflect the valuation of losses and expenses to be covered that correspond to the coverage period that has not elapsed as on the closing date.

Provision for outstanding claims

Proportional Reinsurance

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.

Non-proportional reinsurance

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

For facultative and Global Risks business, outstanding obligations are estimated using calculations based on the available information, this being the cedant's information or the best estimate.

B.2) RETROCEDED REINSURANCE

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

B.3) LIABILITY ADEQUACY TEST

The recorded technical provisions are regularly subject to reasonableness testing to determine whether they are sufficient; this is conducted using the most current estimates of future cash flow under insurance in force, considering the time value of money and using assumptions (economic, biometric, etc.) based on the experience of each company. If the result of this test indicates the inadequacy of the provisions, they are adjusted and charged to the results for the period.

C) Loss ratio

Claims on assumed reinsurance are accounted for based on the accounts received from the ceding companies, estimating the final expected cost in the case of proportional reinsurance.

Losses on ceded and retroceded reinsurance are registered according to the underwritten contracts and under the same criteria applied for assumed reinsurance.

D) Most significant assumptions and other sources for estimating uncertainties

For assets, liabilities, revenue and expenses derived from insurance contracts, as a general rule, the assumptions that served as a basis for issuing these contracts, and that are specified therein, are used.

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 losses, 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, along with 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.

In the calculation of the technical provisions, discount techniques are not used for the valuation of future cash flows.

There were no material changes made to the assumptions derived to assess the insurance contracts throughout the fiscal year.

E) Impairment

When there is objective evidence that a loss has been incurred due to impairment of the assets derived from reinsurance contracts, the general valuation criterion indicated in Note 5.7 Receivables is applied.

5.11 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.

5.12 Debt

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

Debts maturing past one year where the parties have not expressly agreed on the applicable interest rate are discounted using the current market rate for public debt instruments of the same or similar term, without disregarding the corresponding risk¬premium.

5.13 General criteria for Revenues and Expenses

During fiscal year 2017, the revenues and expenses apart from those related to insurance operations are allocated according to the accrual principal, based on the actual flow of goods and services they represent, irrespective of the date of the monetary or financial flow arising from them.

With the entry in force on January 1, 2018 of IFRS 15, "Ordinary revenues from contracts with clients", ordinary income from operations other than insurance is recognized when the transfer of goods or performance of services for clients is satisfied in accordance with the agreed contract, with a good or service considered to be transferred when the client obtains control thereof (whether over a period of time or at a specific moment). The amount recognized corresponds to the compensation considered to be due for the transferred goods or services.

5.14 Employee remuneration

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 remuneration

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 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 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 in the balance sheet for defined benefit pension plans, registered under the "Provisions for risks and expenses" heading, is equal to the actual value of the defined benefits obligation on the balance sheet date minus, if 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.

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

c. Compensation for termination

This is recognized as a liability and expense when there is clearly an 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 remuneration 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, 2016 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 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, 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.

5.15 Revenue 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

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

b) 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.

5.16 Reclassification of Expenses by Type, Purpose and Allocation to Areas of Activity

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

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

The established purposes are as follows:

— Claims-related expenses: In proportion to average claims ratio.

— Investment-related expenses: Proportionally to the average technical provisions.

— Other technical expenses: Direct allocation.

— Other non-technical expenses: Direct allocation.

— Acquisition expenses: Proportionally to average premiums.

— Administration expenses: Proportionally to average premiums.

Expenses were allocated to the following segment according to the business from which they originated:

— Assumed Life reinsurance.

— Assumed Non-Life reinsurance.

5.17 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 registered at the exchange rate established at the beginning of each month of the fiscal year. Subsequently, at the end of each month, they are all treated as if they were a single operation, being converted at the exchange rate in force at that time and recording the resulting difference in 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.

5.18 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.

(I) Recognition of deferred tax liabilities

The Group recognizes deferred tax liabilities in all cases except where:

— 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.

(II) 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;

(III) Compensation and classification

The Group only offsets income tax assets and liabilities against current earnings if there is a legal right to them with regards to the tax authorities and it intends to liquidate the debt resulting for the net amount or realize the assets and liquidate the liabilities simultaneously.

(IV) Measurement of deferred tax assets and liabilities

Deferred tax assets and liabilities are measured by tax types as shall apply in the fiscal years in which it is hoped that the assets will be realized or liabilities paid.

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 the financial statements

6.1 Intangible Assets

The change in this heading is detailed in the following tables:

2018

ITEM	Opening balance 2018	Adjustments to Opening balance	MGR Operation	Additions or Provisions	Disposals, writeoffs or reductions	Closing balance 2018
COST						
GOODWILL			**54.138**			**54.138**
OTHER INTANGIBLE ASSETS	8,274	(3)	6,968	2,413	(4,986)	12,666
Portfolio acquisition expenses						
Computer applications	8,274	(3)	6,968	2,413	(4,986)	12,666
Other						
TOTAL COST	**8,274**	**(3)**	**61,106**	**2,413**	**(4,986)**	**66,805**
CUMULATIVE DEPRECIATION						
OTHER INTANGIBLE ASSETS	(7,320)	3	(5,541)	(784)	4,986	(8,656)
Portfolio acquisition expenses						
Computer applications	(7,320)	3	(5,541)	(784)	4,986	(8,656)
Other						
TOTAL CUMULATIVE DEPRECIATION	**(7,320)**	**3**	**(5,541)**	**(784)**	**4,986**	**(8,656)**
IMPAIRMENT						
GOODWILL						
OTHER INTANGIBLE ASSETS						
Portfolio acquisition expenses						
Computer applications						
Other						
TOTAL IMPAIRMENT						
TOTAL GOODWILL			**54,138**			**54,138**
TOTAL OTHER INTANGIBLE ASSETS	**954**		**1,427**	**1,629**		**4,010**
TOTAL INTANGIBLE ASSETS	**954**		**55,565**	**1,629**		**58,148**

(Figures in thousands of euros)

2017

ITEM	Opening balance 2017	Adjustments to Opening balance	MGR Operation	Additions or Provisions	Disposals, writeoffs or reductions	Closing balance 2017
COST						
GOODWILL						
OTHER INTANGIBLE ASSETS	7,491	(4)		787		8,274
Portfolio acquisition expenses						
Computer applications	7,491	(4)		787		8,274
Other						
TOTAL COST	**7,491**	**(4)**		**787**		**8,274**
CUMULATIVE DEPRECIATION						
OTHER INTANGIBLE ASSETS	(6,915)	4		(409)		(7,320)
Portfolio acquisition expenses						
Computer applications	(6,915)	4		(409)		(7,320)
Other						
TOTAL CUMULATIVE DEPRECIATION	**(6,915)**	**4**		**(409)**		**(7,320)**
IMPAIRMENT						
GOODWILL						
OTHER INTANGIBLE ASSETS						
Portfolio acquisition expenses						
Computer applications						
Other						
TOTAL IMPAIRMENT						
TOTAL GOODWILL						
TOTAL OTHER INTANGIBLE ASSETS	**576**			**378**		**954**
TOTAL INTANGIBLE ASSETS	**576**			**378**		**954**

(Figures in thousands of euros)

“Inflows” for fiscal year 2018 involve mainly advance payments for intangible assets for the SAP HANA and Technical and Underwriting Accounting Process projects corresponding to the development in 2017 of in-house applications related to the adaptation of current systems to new accounting standards (IFRS 17).

Outflows seen in fiscal year 2018 were fully-amortized intangible fixed assets.

The amortization of intangible assets with finite useful life has been registered in the “Depreciation provision” expenses account.

The cost of fully-amortized intangible fixed assets at the close of fiscal year 2018 came to 7,401 thousand euros (6,814 thousand euros at close of fiscal year 2017).

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:

The following table details information about the cash-generating units to which the different goodwill items are assigned, as well as their book value and, if applicable, the amount of impairment for the last two fiscal years.

ITEM	Unit Cash generator	Balance as at 12/31/2017	FISCAL YEAR 2018			Balance as at 12/31/2018
			Additions/ (Writeoffs)	Impairment for the period	Repayment	
Goodwill MAPFRE GLOBAL RISKS	GLOBAL NON-LIFE RISK PORTFOLIO-SPAIN		54,138			54,138
TOTAL			**54,138**			**54,138**

(Figures in thousands of euros)

The goodwill generated in the fiscal year derives from the acquisition of assets and liabilities from the reinsurance activity of MAPFRE GLOBAL RISKS, S.A. The recognized amount is 54,138 thousand euros, corresponding to the excess of the business combination costs over the amount of identifiable assets less assumed liabilities on the date of acquisition. This goodwill is attributed to the GLOBAL RISKS cash generator corresponding to the "Global Risks" reinsurance activity.

The net book value of the possible impairment of the goodwill described above is equal to or less in all cases to the amount that can be recovered from the cash-generating unit to which it is assigned, which has been determined according to the value in use, calculated on the basis of cash flow projections.

The discount rate applied to these projections is based on the interest rate of the geographic market in which each cash-generating unit operates, which was 1.42% in 2018 and to which a risk premium has been added according to the unit's type of activity.

The resulting discount rate applied was 5.22%. The projections corresponding to the first five fiscal years consider growth rates based on historical experience, while those for the following years are constant flows.

6.2 Property, Plant and Equipment and Property Investments

Property, Plant and Equipment

The movement of this heading is detailed in the following tables:

2018

ITEM	Opening balance 2018	Adjustments to Opening balance	MGR Operation	Additions or Provisions	Disposals, writeoffs or reductions	Closing balance 2018	Market value
COST							
PROPERTY FOR OWN USE	52,450	(201)				52,249	56,814
Land and natural resources	30,216					30,216	17,044
Buildings and other structures	22,234	(201)				22,033	39,770
OTHER PROPERTY, PLANT AND EQUIPMENT	13,447	(1,218)	353	1,092	(279)	13,395	6,510
Vehicles	543	(112)		150	(18)	563	276
Furniture and fittings	7,435	(853)	314	671	(153)	7,414	3,603
Other property, plant and equipment	5,469	(253)	39	271	(108)	5,418	2,631
Advances and fixed assets in progress							
TOTAL COST	**65,897**	**(1,419)**	**353**	**1,092**	**(279)**	**65,644**	**63,324**
CUMULATIVE DEPRECIATION							
PROPERTY FOR OWN USE	**(2,195)**	**63**		**(429)**	**(14)**	**(2,575)**	
OTHER PROPERTY, PLANT AND EQUIPMENT	**(6,950)**	**1,198**	**(164)**	**(1,060)**	**91**	**(6,885)**	
TOTAL CUMULATIVE DEPRECIATION	**(9,145)**	**1,261**	**(164)**	**(1,489)**	**77**	**(9,460)**	
IMPAIRMENT							
PROPERTY FOR OWN USE	(1,224)					(1,224)	
Land and natural resources							
Buildings and other structures	(1,224)					(1,224)	
OTHER PROPERTY, PLANT AND EQUIPMENT							
Vehicles							
Furniture and fittings							
Other property, plant and equipment							
Advances and fixed assets in progress							
TOTAL IMPAIRMENT	**(1,224)**					**(1,224)**	
TOTAL OWNED PROPERTY	**49,031**	**(138)**		**(429)**	**(14)**	**48,450**	**56,814**
TOTAL OTHER PROPERTY, PLANT AND EQUIPMENT	**6,497**	**(20)**	**189**	**32**	**(188)**	**6,510**	**6,510**
TOTAL PROPERTY, PLANT & EQUIPMENT	**55,528**	**(158)**	**189**	**(397)**	**(202)**	**54,960**	**63,324**

(Figures in thousands of euros)

2017

ITEM	Opening balance 2017	Adjustments to Opening balance	Additions or Provisions	Disposals, writeoffs or reductions	Closing balance 2017	Market Value
COST						
PROPERTY FOR OWN USE	52,665	(215)			52,450	51,455
Land and natural resources	30,216				30,216	29,643
Buildings and other structures	22,449	(215)			22,234	21,812
OTHER PROPERTY, PLANT AND EQUIPMENT	11,212	(106)	2,600	(259)	13,447	6,497
Vehicles	569	(10)	94	(110)	543	264
Furniture and fittings	5,778	(40)	1,818	(121)	7,435	3,594
Property, plant and equipment	4,865	(56)	688	(28)	5,469	2,639
Advances and fixed assets in progress						
TOTAL COST	**63,877**	**(321)**	**2,600**	**(259)**	**65,897**	**57,952**
CUMULATIVE DEPRECIATION						
PROPERTY FOR OWN USE	**(1,689)**	**28**	**(432)**	**(102)**	**(2,195)**	
OTHER PROPERTY, PLANT AND EQUIPMENT	**(6,447)**	**88**	**(915)**	**319**	**(6,950)**	
TOTAL CUMULATIVE DEPRECIATION	**(8,136)**	**116**	**(1,347)**	**217**	**(9,145)**	
IMPAIRMENT						
PROPERTY FOR OWN USE	(1,224)				(1,224)	
Land and natural resources						
Buildings and other structures	(1,224)				(1,224)	
OTHER PROPERTY, PLANT AND EQUIPMENT						
Vehicles						
Furniture and fittings						
Other fixed assets						
Advances and fixed assets in progress						
TOTAL IMPAIRMENT	**(1,224)**				**(1,224)**	
TOTAL OWNED PROPERTY	**49,752**	**(187)**	**(432)**	**(102)**	**49,031**	**51,455**
TOTAL OTHER PROPERTY, PLANT AND EQUIPMENT	**4,765**	**(18)**	**1,685**	**60**	**6,497**	**6,497**
TOTAL PROPERTY, PLANT & EQUIPMENT	**54,517**	**(205)**	**1,253**	**(42)**	**55,528**	**57,952**

(Figures in thousands of euros)

In fiscal year 2018, the main “inflows” occurring were due to the purchase of property and refurbishment of MAPFRE RE subsidiary installations.

In fiscal year 2017, the main “inflows” occurring were due to the refurbishment of the building installations

In fiscal year 2018, the main “outflows” occurring were due to the writeoff of the building of the Belgian office.

In fiscal year 2017 the main “outflows” were due to the sale of vehicles.

Impairment losses are registered in the “Allowance to the asset impairment provision” account.

The cost of fully depreciated property, plant and equipment items at the end of the 2018 and 2017 fiscal years reached 3,104 thousand euros and 2,912 thousand euros respectively, of which 1,262 thousand euros and 1,168 thousand euros respectively correspond to elements outside Spanish territory.

The balance resulting from the transaction with MAPFRE GLOBAL RISKS is included in the "MGR Operation" column.

Property Investments

The difference in this heading is detailed in the following tables:

2018

ITEM	OPENING BALANCE 2018	ADJUSTMENTS TO OPENING BALANCE	MGR Operation	ADDITIONS OR PROVISIONS	OUTFLOWS, WRITEOFFS OR REDUCTIONS	CLOSING BALANCE 2018	MARKET VALUE
COST							
INVESTMENT IN PROPERTY	10,342	(130)				10,212	12,003
Land and natural resources	2,106	(27)				2,079	3,601
Buildings and other structures	8,236	(103)				8,133	8,402
OTHER PROPERTY INVESTMENTS							
TOTAL COST	**10,342**	**(130)**				**10,212**	**12,003**
CUMULATIVE DEPRECIATION							
INVESTMENT IN PROPERTY	(4,151)	17		(199)		(4,333)	
OTHER PROPERTY INVESTMENTS							
TOTAL CUMULATIVE DEPRECIATION	**(4,151)**	**17**		**(199)**		**(4,333)**	
IMPAIRMENT							
INVESTMENT IN PROPERTY							
Land and natural resources							
Buildings and other structures							
OTHER PROPERTY INVESTMENTS							
TOTAL IMPAIRMENT							
TOTAL PROPERTY INVESTMENT	**6,191**	**(113)**		**(199)**		**5,879**	**12,003**

(Figures in thousands of euros)

2017

ITEM	OPENING BALANCE 2017	ADJUSTMENTS TO OPENING BALANCE	MGR Operation	ADDITIONS OR PROVISIONS	OUTFLOWS, WRITEOFFS OR REDUCTIONS	CLOSING BALANCE 2017	MARKET VALUE
COST							
INVESTMENT IN PROPERTY	10,407	(65)				10,342	8,556
Land and natural resources	2,132	(26)				2,106	1,743
Buildings and other structures	8,275	(39)				8,236	6,813
OTHER PROPERTY INVESTMENTS							
TOTAL COST	**10,407**	**(65)**				**10,342**	**8,556**
CUMULATIVE DEPRECIATION							
INVESTMENT IN PROPERTY	(4,032)	11		(164)	34	(4,151)	
OTHER PROPERTY INVESTMENTS							
TOTAL CUMULATIVE DEPRECIATION	**(4,032)**	**11**		**(164)**	**34**	**(4,151)**	
IMPAIRMENT							
INVESTMENT IN PROPERTY							
Land and natural resources							
Buildings and other structures							
OTHER PROPERTY INVESTMENTS							
TOTAL IMPAIRMENT							
TOTAL PROPERTY INVESTMENT	**6,375**	**(54)**		**(164)**	**34**	**6,191**	**8,556**

(Figures in thousands of euros)

The market value of real estate investments and buildings for own use basically is related to the valuation determined by an independent auditor based on the observable market variables (Level 2). The valuation methods generally used correspond to the cost method, the comparison method, the income update method and the abbreviated residual method, depending on the characteristics of the asset to be valued.

Moreover, most property 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.

Property investment revenue and expenses are detailed in the following table:

ITEM	INVESTMENTS IN					
	OPERATIONS		EQUITY		TOTAL	
	2018	2017	2018	2017	2018	2017
Income from property investment						
From rentals	595	537	14	14	609	551
Gains on disposals						
TOTAL INCOME FROM PROPERTY INVESTMENTS	**595**	**537**	**14**	**14**	**609**	**551**
Expenses from property investment						
Direct operating expenses	(163)	(117)			(163)	(117)
Other expenses	(76)	(69)			(76)	(69)
TOTAL EXPENSES FROM PROPERTY INVESTMENTS	**(239)**	**(186)**			**(370)**	**(186)**

(Figures in thousands of euros)

6.3 Leases

The Group has been the lessor of the following items through operating lease contracts:

ASSET TYPE	NET BOOK VALUE		MAXIMUM DURATION OF LEASES (YEARS)		MAXIMUM YEARS ELAPSED	
	2018	2017	2018	2017	2018	2017
Belgium property	3,160	3,308	14	14	14	14
Chile property	1,470	1,619	1	1	Renewable	Renewable
Mansardas R-25	1,249	1,264	4	4	annually	annually
TOTAL	**5,879**	**6,191**				

(Figures in thousands of euros)

At close, minimum future collections to be received by way of operating leasing that cannot be canceled are as follows:

ITEM	Minimum collections 2018	Minimum collections 2017
Less than one year	815	655
More than one year but less than five	3,480	2,945
More than five years	2,408	1,506
Total	**6,703**	**5,106**

(Figures in thousands of euros)

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

ITEM	Minimum collections 2018	Minimum collections 2017
Less than one year	200	124
More than one year but less than five	49	4
More than five years	63	5
Total	**312**	**133**

(Figures in thousands of euros)

No contingent payments were recorded as revenues in 2018 and 2017.

The Group is at present, the lessee of various floors of the building at number 14 calle Bárbara de Braganza, paying lease charges in 2018 of 189,000 euros (193,000 euros in 2017).

No contingent payments were registered as expenses in the fiscal years 2018 and 2017.

6.4 Financial investments

The breakdown of financial investments at close, is as follows:

ITEM	BOOK VALUE	
	2018	2017
AVAILABLE-FOR-SALE PORTFOLIO		
Shares	252,800	231,749
Fixed income	3,299,281	2,837,413
Mutual funds	81,443	158,365
Other		
TOTAL AVAILABLE-FOR-SALE PORTFOLIO	**3,633,524**	**3,227,527**
TRADING PORTFOLIO		
Other investments		
Shares	46	46
Fixed income		
Mutual funds	16,932	22,870
Hybrids		
Deposits		
Other		
TOTAL TRADING PORTFOLIO	**16,978**	**22,916**

(Figures in thousands of euros)

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

a) 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.

b) 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 5.4 “Financial investments” (Level 1, Level 2 and Level 3).

c) The valuations are performed directly by the Group companies, although in some countries an independent financial institution conducts these valuations 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.

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 quote 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.

As indicated in Note 2.5, the Group has analyzed its most relevant fixed income securities to determine which securities provide flows solely from principal and interest (pass the SPPI test). The results of this analysis are described below, with the book and fair value broken down as at December 31, 2018 and the variation in fair value during the fiscal year:

RESULT	BOOK VALUE	FAIR VALUE	
		Amount	Variation
Pass the SPPI test	2,677,816	2,677,243	(339,533)
Don’t pass the SPPI test	114,583	114,583	7,968
Analysis inconclusive	35,858	35,858	(1,471)
Total analyzed	2,828,257	2,827,684	(333,036)

(Figures in thousands of euros)

As can be seen, 94.7% of the fair value of the portfolio analyzed consists of fixed income financial assets with cash flow solely from principal and interest. As for the financial quality of these items, more than 99% consist of low credit risk instruments (qualified as investment grade).

Regarding the items that do not pass the SPPI test, they make up 4% of the total of the portfolio analyzed. As for their credit quality, 100% of the instruments have low credit risk.

The Group is continuing its analysis of the portfolio of instruments where there is some doubt regarding the SPPI test (1% of the total analyzed) that are identified in the above table as “Analysis inconclusive”.

A) Available-for-sale portfolio

The investments subject to the available-for-sale portfolio are indicated below:

ITEM	BOOK VALUE (FAIR VALUE)						TOTAL		IMPAIRMENT			
	LEVEL 1. QUOTATION PRICE		LEVEL 2. OBSERVABLE DATA		LEVEL 3. OTHER VALUATIONS				RECORDED LOSS		REVERSAL GAINS	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Shares	251,800	231,749	1,000				252,800	231,749				
Fixed income	2,946,680	2,605,632	352,601	231,781			3,299,281	2,837,413			45	18
Mutual funds	45,386	153,626			36,057	4,739	81,443	158,365				
TOTAL AVAILABLE - FOR - SALE PORTFOLIO	**3,243,866**	**2,991,007**	**353,601**	**231,781**	**36,057**	**4,739**	**3,633,524**	**3,227,527**			**45**	**18**

(Figures in thousands of euros)

The impairment in 2018 and 2017 includes the gain by reversal on investments available for sale in Chile.

The change in valuation adjustments of portfolio investments amounted to (76.17) million and (23.93) million euros as on December 31, 2018 and 2017 respectively, which have been registered as equity net of tax.

Transfers to the consolidated income statement of valuation adjustments of portfolio investments in previous years, undertaken during 2018 and 2017, amount to 25.68 and 28.36 million euros, respectively.

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).

B) Trading portfolio

The investments subject to the trading portfolio are detailed below:

ITEM	BOOK VALUE (FAIR VALUE)						TOTAL		GAINS (LOSSES) ALLOCATED TO RESULTS			
	LEVEL 1. QUOTATION PRICE		LEVEL 2. OBSERVABLE DATA		LEVEL 3. OTHER VALUATIONS				UNREALIZED		REALIZED	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
OTHER INVESTMENTS IN THE TRADING PORTFOLIO												
Shares			46	46			46	46				
Fixed income												351
Mutual funds	16,932	22,870					16,932	22,870				
Other												
TOTAL OTHER INVESTMENTS	**16,932**	**22,870**	**46**	**46**			**16,978**	**22,916**				**351**
TOTAL TRADING PORTFOLIO		**16,932**	**22,870**	**46**	**46**		**16,978**	**22,916**				**351**

(Figures in thousands of euros)

The gains and losses of the trading portfolio are registered in the income statement, information on which is available in Note 6.14 “Revenue and expenses from investments”.

Note 7 “Risk management” details the maturity of fixed-income securities.

Mutual funds worth 64,307,000 euros and debt instruments worth 494,576,000 euros have been added to the portfolio available for sale from the MAPFRE GLOBAL RISKS demerger operation.

6.5 Receivables

The breakdown of the “Receivables” heading, as well as impairment losses and reversal gains registered in the last two fiscal years, is as follows:

ITEM	GROSS AMOUNT		IMPAIRMENT		NET BALANCE ON BALANCE SHEET		IMPAIRMENT				GUARANTEES RECEIVED	
							RECORDED LOSSES		REVERSAL GAINS			
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
I. Receivables on reinsurance operations	986,134	324,128	(11,895)	(6,864)	974,239	317,264	(5,031)			3,828		
II. Tax receivables	22,241	11,217			22,241	11,217						
III. Corporate and other receivables	120,456	9,368			120,456	9,368						
TOTAL	**1,128,831**	**344,713**	**(11,895)**	**(6,864)**	**1,116,936**	**337,849**	**(5,031)**			**3,828**		

(Figures in thousands of euros)

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

Outstanding balances arising from “Ceded, retroceded and assumed reinsurance operations” are included in the “Receivables on reinsurance operations” entry.

The calculation and, if applicable, recognition of impairments is performed as detailed in Note 5.7 “Receivables” in this annual report.

The breakdown of the section on “Corporate and other receivables” is as follows:

CORPORATE AND OTHER RECEIVABLES	AMOUNT	
	2018	2017
Balance receivables from personnel	1.599	1.454
Other debtors	118.857	7.914
Total	**120.456**	**9.368**

(Figures in thousands of euros)

Variation under the “Other debtors” heading is due primarily to the amount outstanding from SERVIFINANZAS due to AMPFRE GLOBAL RISKS of 113.15 million euros transferred to MAPFRE RE as part of the assets that back up the obligations under the reinsurance contracts transferred.

6.6 Asset Impairment

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

2018

IMPAIRMENT IN:	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN THE CONSOLIDATION SCOPE	RECORDED IN RESULTS		REGISTERED DIRECTLY IN EQUITY		WRITE-OFF OF ASSET	CLOSING BALANCE
				Increase	Decrease	Increase	Decrease		
INTANGIBLE ASSETS									
I. Goodwill									
II. Other intangible assets									
Property, plant and equipment	**1,224**								**1,224**
I. Property for own use	1,224								1,224
II. Other property, plant and equipment									
INVESTMENTS		**45**			**(45)**				
I. PROPERTY INVESTMENTS									
II. Financial investments		45			(45)				
- Held-to-maturity portfolio									
- Available-for-sale portfolio		45			(45)				
- Trading portfolio									
III. Investments recorded by applying the equity method									
IV. Deposits established for assumed reinsurance									
V. Other investments									
RECEIVABLES	**6,864**			**5,031**					**11,895**
I. Receivables on direct insurance and co-insurance operations									
II. Receivables on reinsurance operations	6,864			5,031					11,895
III. Tax receivables									
IV. Corporate and other receivables									
V. Shareholders, called capital									
OTHER ASSETS									
TOTAL IMPAIRMENT	**8,088**	**45**		**5,031**	**(45)**				**13,119**

(Figures in thousands of euros)

2017

IMPAIRMENT IN:	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN THE CONSOLIDATION SCOPE	RECORDED IN RESULTS		REGISTERED DIRECTLY IN EQUITY		WRITE-OFF OF ASSET	CLOSING BALANCE
				Increase	Decrease	Increase	Decrease		
INTANGIBLE ASSETS									
I. Goodwill									
II. Other intangible assets									
Property, plant and equipment	**1,224**								**1,224**
I. Property for own use	1,224								1,224
II. Other property, plant and equipment									
INVESTMENTS	**2,034**	**(2,016)**			**(18)**				
I. PROPERTY INVESTMENTS									
II. Financial investments	131	(113)			(18)				
- Held-to-maturity portfolio									
- Available-for-sale portfolio	131	(113)			(18)				
- Trading portfolio									
III. Investments recorded by applying the equity method	1,903	(1,903)							
IV. Deposits established for assumed reinsurance									
V. Other investments									
RECEIVABLES	**10,674**				**(3,810)**				**6,864**
I. Receivables on direct insurance and co-insurance operations									
II. Receivables on reinsurance operations	10,674				(3,810)				6,864
III. Tax receivables									
IV. Corporate and other receivables									
V. Shareholders, called capital									
OTHER ASSETS									
TOTAL IMPAIRMENT	**13,932**	**(2,016)**			**(3,828)**				**8,088**

(Figures in thousands of euros)

6.7 Cash

There are no material non-cash transactions related to investment and financing activities that were excluded in the cash flow statement.

The cash balance breakdown for the last two fiscal years is as follows:

ITEM	2018	2017
Cash deposited in banks	311,354	145,480
Cash equivalents in banks	43,463	54,294
TOTAL	**354,817**	**199,774**

(Figures in thousands of euros)

6.8 Equity

Share capital

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

The share capital of the Controlling Company as on 31 December 2018 is represented by 94,607,840 registered shares at a par value of 3.10 euros each, totally subscribed and paid up, and represented in 2017 by 72,231,068 registered shares at a par value of 3.10 euros each, totally subscribed and paid up.

Due to the incorporating of MAPFRE GLOBAL RISKS into MAPFRE RE, on July 19, 2018 the General Shareholders' Meeting approved the capital increase of 69,368,000 euros through the issue of 22,376,772 new shares at a par value of 3.10 euros each, with a share premium of 333,828,000 euros corresponding to 14.91848212 euros per share.

The new shares were subscribed in full and fully paid up by block transfer of the reinsurance business of MAPFRE GLOBAL RISKS.

The expenses arising from capital increases are registered directly against equity as lower reserves.

All shares carry the same political and economic rights.

The General Shareholders' Meeting held on April 15, 2015 authorized the Board of Directors to increase the share capital one or several times during the five years following the date of the resolution up to a maximum of 111,958,155.40 euros, equivalent to 50% of the share capital on the date of that Meeting, in accordance with the provisions of article 297 of the Corporation Law.

MAPFRE S.A. Holds 94.08 percent of the capital as on December 31, 2018, and 92.25 percent as at December 31, 2017.

The shares representing the share capital of the controlling Company are not admitted to official trading.

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 "Revaluation adjustments" recorded under the "Equity" heading at the end of the last two years:

ITEM	AMOUNT	
	2018	2017
Fixed income		
Capital gains	25,391	64,433
Capital losses	(1,033)	
Equity and Mutual Funds		
Capital gains	8	16,686
Capital losses	(19,416)	
Shadow accounting		
Other adjustments		
Total	**4,950**	**81,119**

(Figures in thousands of euros)

Restrictions on the availability of reserves

The "Reserves" heading includes the controlling Company's legal reserve, amounting to 44.8 million euros in the last two fiscal years, 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.

There are no other restrictions on the availability of reserves for any material amount.

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. 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.

Shareholders' remunerations are linked to the profits, solvency, liquidity and investment plans of the Group, as well as shareholders' expectations.

As a general rule, the Board of Directors proposes at the Annual General Meeting a distribution of dividends of between 45 percent and 65 percent of the attributable result for the period in its consolidated income statement. Both the estimation of risks, and the allocation of capital to each of the Units, are detailed in Note 7 of the report titled "Risk management".

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

The company belongs to a consolidated group of insurance companies headed up by MAPFRE S.A. This company is required to submit statistical and accounting information on solvency to the General Management of Insurance and Pension Funds for regulatory purposes.

In the field of supervision, the calculation of the Group's solvency is carried out through a combination of the consolidation-based method, which is applied for all companies except for those domiciled in countries that are considered equivalent or provisionally equivalent, to which the deduction and aggregation method is applied. Similarly, those companies outside the European Economic Area that have little material effect on the Group's solvency are excluded from this calculation.

The companies included within the scope of consolidation are detailed in Annex 1, indicating the methods used for their accounting integration and the calculation of solvency.

6.9 Technical Provisions

1. Breakdown of the balance composition of technical provisions

The breakdown of the balance of each of the technical provisions shown is as follows:

ITEM	ASSUMED REINSURANCE		CEDED REINSURANCE REINSURANCE	
	2018	2017	2018	2017
1 - Provisions for Non-Life unearned premiums and unexpired risks	**1,159,272**	**1,098,699**	**584,964**	**308,597**
1.1 Provision for unearned premiums	1,159,272	1,098,699	584,964	308,597
1.2 Provision for unexpired risks				
2 - Provisions for Life insurance	**597,854**	**597,166**	**8,312**	**34,171**
2.1 Provisions for unearned premiums and unexpired risks	517,996	511,117	5,454	4,668
2.1.1 Provisions for unearned premiums	517,996	511,117	5,454	4,668
2.1.2 Provisions for unexpired risks				
2.2 Mathematical reserves	79,858	86,049	2,858	29,503
2.3 Provisions for share in profits				
3 - Provisions for outstanding losses	**4,458,055**	**2,946,726**	**1,926,835**	**1, 133,254**
3.1 Pending settlement or payment	4,458,055	2,946,726	1,926,835	1,133,254
3.2 Claims incurred but not reported (IBNR)				
3.3 For claim settlement internal expenses				
4 - Other technical provisions				
4.1 Burial				
4.2 Other				
TOTAL	**6,215,181**	**4,642,591**	**2,520,111**	**1,476,022**

(Figures in thousands of euros)

2. Change in each of the technical provisions

1.1 PROVISIONS FOR UNEARNED PREMIUMS, UNEXPIRED RISKS, CLAIMS, PROFIT-SHARING AND OTHER TECHNICAL PROVISIONS

A) Assumed reinsurance

2018

ITEM	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	MGR OPERATION	PROVISIONS	APPLICATIONS	CLOSING BALANCE
I. Provisions for Non-Life unearned premiums and unexpired risks	1,098,699	(53,619)	385,454	1,159,272	(1,430,534)	1,159,272
1. Provision for unearned premiums	1,098,699	(53,619)	385,454	1,159,272	(1,430,534)	1,159,272
2 Provision for unexpired risks						
II. Provisions for Life insurance	597,166			597,854	(597,166)	597,854
1. Provision for unearned premiums	511,117			517,996	(511,117)	517,996
2. Provision for unexpired risks						
3. Mathematical reserves	86,049			79,858	(86,049)	79,858
4. Provision for profit sharing						
III. Provisions for outstanding claims	2,946,726		1,350,764	4,458,055	(4,297,492)	4,458,055
Assumed reinsurance	2,946,726		1,350,764	4,458,055	(4,297,492)	4,458,055
IV- Other technical provisions						
TOTAL	**4,642,591**	**(53,619)**	**1,736,218**	**6,215,181**	**(6,325,192)**	**6,215,181**

(Figures in thousands of euros)

2017

ITEM	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	MGR OPERATION	PROVISIONS	APPLICATIONS	CLOSING BALANCE
I. Provisions for Non-Life unearned premiums and unexpired risks	1,330,416	(1,848)		1,098,699	(1,328,568)	1,098,699
1. Provision for unearned premiums	1,330,416	(1,848)		1,098,699	(1,328,568)	1,098,699
2 Provision for unexpired risks						
II. Provisions for Life insurance	549,736	(7,353)		597,166	(542,383)	597,166
1. Provision for unearned premiums	457,687	(1,087)		511,117	(456,600)	511,117
2. Provision for unexpired risks						
3. Mathematical reserves	92,049	(6,266)		86,049	(85,783)	86,049
4. Provision for profit sharing						
III. Provisions for outstanding claims	1,917,001	(34,536)		2,946,726	(1,882,465)	2,946,726
Assumed reinsurance	1,917,001	(34,536)		2,946,726	(1,882,465)	2,946,726
IV- Other technical provisions						
TOTAL	**3,797,153**	**(43,737)**		**4,642,591**	**(3,753,416)**	**4,642,591**

(Figures in thousands of euros)

B) Retroceded reinsurance

2018

ITEM	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	MGR OPERATION	PROVISIONS	APPLICATIONS	CLOSING BALANCE
Provision for unearned premiums	308,597	6,740	292,378	584,964	(607,715)	584,964
Provision for Life insurance	4,668			8,312	(4,668)	8,312
Provision for outstanding claims	1,162,757		998,993	1,926,835	(2,161,750)	1,926,835
Other technical provisions						
TOTAL	**1,476,022**	**6,740**	**1,291,371**	**2,520,111**	**(2,774,133)**	**2,520,111**

(Figures in thousands of euros)

2017

ITEM	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	MGR OPERATION	PROVISIONS	APPLICATIONS	CLOSING BALANCE
Provision for unearned premiums	307,036	(925)		308,597	(306,111)	308,597
Provision for Life insurance	5,878	198		4,668	(6,076)	4,668
Provision for outstanding claims	443,009	(3,884)		1,162,757	(439,125)	1,162,757
Other technical provisions						
TOTAL	**755,923**	**(4,611)**		**1,476,022**	**(751,312)**	**1,476,022**

(Figures in thousands of euros)

2.2 MATHEMATICAL PROVISIONS

ITEM	ASSUMED REINSURANCE	
	2018	2017
Mathematical provisions at the beginning of the fiscal year	86,049	97,254
Adjustments to the opening balance	(3,931)	(6,265)
Consolidation (reserve balance on consolidation date)		
Premiums	265	
Technical interest		
Allocation of profit sharing		
Claim payments/collections	(2,260)	
Reserve adequacy test		
Shadow accounting adjustments	(265)	(4,940)
Other		
Deconsolidation (balance of provision on deconsolidation date)		
Mathematical provisions at end of year	**79,858**	**86,049**

(Figures in thousands of euros)

3. Other Information

3.1 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 5.10.

3.2 CLAIMS BY OCCURRENCE YEAR

No information regarding claims by occurrence year is provided for assumed reinsurance, as generally speaking ceding companies do not inform the Company of the occurrence date of the claims.

Using data from 2018 and 2017, a study has been conducted on the adequacy of technical provisions constituted as of the close of the aforementioned fiscal years. Said study was conducted by a specialized and reputable independent firm, and has affirmed the adequacy of these technical provisions.

6.10 Provisions for Risks and Expenses

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

2018

ITEM	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN SCOPE	INCREASE		DECREASE		CLOSING BALANCE	RECOGNIZED REIMBURSEMENTS AMOUNT	MAXIMUM REVERSAL PERIOD
				Allocated Provisions	Increased value on discount	Provisions applied	Provisions reversed			
Provisions for employee incentives	2,803			589		(36)		3,356		
Other provisions	7,066			1,127		(3,057)		5,136		
TOTAL BOOK VALUE	**9,869**			**1,716**		**(3,093)**		**8,492**		

(Figures in thousands of euros)

2017

ITEM	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN SCOPE	INCREASE		DECREASE		CLOSING BALANCE	RECOGNIZED REIMBURSEMENTS AMOUNT	MAXIMUM REVERSAL PERIOD
				Allocated Provisions	Increased value on discount	Provisions applied	Provisions reversed			
Provisions for employee incentives	2,807					(4)		2,803		
Other provisions	4,836			3,781		(1,551)		7,066		
TOTAL BOOK VALUE	**7,643**			**3,781**		**(1,555)**		**9,869**		

(Figures in thousands of euros)

The "Provisions for Risks and Expenses" entry mainly includes: the defined benefits plans established for fiscal years 2018 and 2017 for the amount of 378,000 euros and 387,000 euros respectively, the medium-term incentive plan for 2018 and 2017 for the amount of 1,289,000 and 868,000 euros respectively, the years of service bonus for the amount of 1,188,000 euros and 1,070,000 euros respectively, and the life insurance coverage for death between the age of 65 and 77 years for the amount of 503,000 euros (483,000 euros in 2017) and scholarships for 229,000 euros (207,000 in 2017). A provision was set up for employee retirement at 2,208,000 euros in 2017, with no amount set aside for this in 2018.

6.11 Deposits received on ceded and retroceded insurance

Deposits on ceded and retroceded reinsurance represent guarantees provided to reinsurers based on reinsurance coverage contracts signed within normal business practices. These mostly accrue a payable interest average of 0.29 percent and the average renewal period is generally annual. Settlement of the aforementioned interest is performed quarterly.

6.12 Debt

The balances included in the "Due on reinsurance operations" and "Tax liabilities" and "Other debts" headings do not accrue payable interest, and generally they are paid in the following fiscal year.

6.13 Guarantee Commitments with Third Parties

The controlling Company has provided letters of credit in guarantee reserves for premiums and outstanding claims against official bodies amounting to 55.03 and 35.61 million euros in 2018 and 2017 respectively. Fixed-income securities have been pledged in favor of ceding companies through these letters of credit in the available-for-sale portfolio, amounting to 696.82 million and 636.8 million euros in fiscal years 2018 and 2017 respectively.

6.14 Income and Expenses from Investments

The breakdown of revenues and expenses from investments for fiscal years 2018 and 2017 is shown below:

Income from investments

ITEM	REVENUES FROM INVESTMENTS IN				TOTAL	
	OPERATION		EQUITY			
	2018	2017	2018	2017	2018	2017
INCOME FROM INTEREST, DIVIDENDS AND SIMILAR						
Property investments	595		14	551	609	551
- Rentals	595		14	551	609	551
Income from the held-to-maturity portfolio:						
- Fixed income						
- Other investments						
Income from the available-for-sale portfolio:	86,102	81,612	5,655	2,739	91,757	84,351
Income from the trading portfolio:						
Dividends of Group companies			(2,178)		(2,178)	
Other financial returns	63,173	59,895	277	166	63,450	60,061
TOTAL INCOME	**149,870**	**141,507**	**3,768**	**3,456**	**153,638**	**144,963**
REALIZED AND UNREALIZED GAINS						
Net realized gains:	45,914	44,166	3,885	4,201	49,799	48,367
Property investments						
Financial investments available-for-sale portfolio	45,914	43,848	3,879	4,160	49,793	48,008
Financial investments trading portfolio		318		33		351
Other			6	8	6	8
Unrealized gains:						
Increase in fair value of the trading portfolio and derivative profits						
Other						
TOTAL GAINS	**45,914**	**44,166**	**3,885**	**4,201**	**49,799**	**48,367**
TOTAL INCOME FROM INVESTMENT	**195,784**	**185,673**	**7,653**	**7,657**	**203,437**	**193,330**

(Figures in thousands of euros)

Expenses from investments

ITEM	EXPENSES FROM INVESTMENTS IN				TOTAL	
	OPERATION		EQUITY			
	2018	2017	2018	2017	2018	2017
FINANCIAL EXPENSES						
Property investments:	239	186			239	186
- Direct operating expenses	239	186			239	186
- Other expenses						
Expenses from held-to-maturity portfolio						
- Fixed income						
- Other investments						
Expenses from the available-for-sale portfolio	10,511	9,217	859	679	11,370	9,896
Expenses from the trading portfolio:						
Other financial expenses	8,562	7,962	53		8,615	7,962
TOTAL EXPENSES	**19,312**	**17,365**	**912**	**679**	**20,224**	**18,044**
REALIZED AND UNREALIZED LOSSES						
Net realized losses	29,231	9,308	642	940	29,873	10,248
Property investments						
Financial investments available-for-sale portfolio	29,231	9,308	625	905	29,873	10,213
Financial investments trading portfolio						
Other			17	35	17	35
Unrealized losses						
Decrease in the fair value of the trading portfolio and derivative profits						
Other						
TOTAL LOSSES	**29,231**	**9,308**	**642**	**940**	**29,890**	**10,248**
TOTAL EXPENSES FROM INVESTMENT	**48,543**	**26,673**	**1,554**	**1,619**	**50,097**	**28,292**

(Figures in thousands of euros)

6.15 OPERATING EXPENSES

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

Operating expenses by purpose

ITEM	2018	2017
Claims-related expenses	(3,301)	(102)
Acquisition expenses	(1,110,826)	(1,148,704)
Administration expenses	(20,108)	(16,101)
Expenses from investments	(50,097)	(28,292)
Other Technical Expenses	(7,709)	(2,029)
Other non-technical expenses	(9,413)	(5,896)
Operating expenses from other activities		
TOTAL	**(1,201,454)**	**(1,201,124)**

(Figures in thousands of euros)

Operating expenses by nature

ITEM	2018	2017
Commissions and other portfolio expenses	(1,050,966)	(1,115,104)
Personnel expenses	(36,023)	(36,608)
External services	(69,989)	(28,715)
- Leasing (premises and buildings)	(2,062)	(1,698)
- Repairs and upkeep (premises and buildings)	(1,503)	(1,575)
- Leasing and repairs (computer equipment)	(213)	(18)
- Leasing and repairs (computer applications)	(1,171)	(1,057)
- Other services (computer applications)	(2,460)	(2,544)
- Supplies (communications)	(687)	(757)
- Advertising and marketing	(640)	(506)
- Public relations	(2,650)	(2,329)
- Independent professional services	(53,701)	(14,309)
Other services	(4,902)	(3,922)
Taxes	976	973
Financial expenses		
Provision for amortization	(2,466)	(1,344)
Expenses posted directly to purpose	(42,986)	(20,326)
TOTAL	**(1,201,454)**	**(1,201,124)**

(Figures in thousands 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).

Expenses are initially recorded based on their type, and are reclassified according to their purpose in those cases in which the two do not coincide. 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.

The fees and other acquisition expenses corresponding to the earned premiums that can be allocated to the period between the closing date and the end of coverage of the contracts are essentially included under the “Allocation Adjustments” heading of the asset. The expenses allocated to the results correspond to those actually incurred in the period in accordance with the provisions in Note 5.9.

In parallel, the amounts of fees and other acquisition expenses for ceded reinsurance that must be allocated to the fiscal year or following years in accordance with the coverage period of the ceded policies are included under the “Allocation Adjustments” heading of the liability.

— 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 and expenses from processing refunds and from ceded and assumed 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).

6.16 Result from Ceded and Retroceded Reinsurance

The result for ceded and retroceded reinsurance operations is as follows:

ITEM	NON-LIFE		LIFE		TOTAL	
	2018	2017	2018	2017	2018	2017
Premiums (-)	(1,754,928)	(1,362,660)	(28,162)	(36,970)	(1,783,090)	(1,399,630)
Provision variations for unearned premiums and unexpired risks	18,320	3,680	787	(1,407)	19,107	2,273
Claims paid (+) variation in provision for outstanding claims	1,664,870	1,589,704	14,361	14,937	1,679,231	1,611,641
Variation in mathematical provision						
Variation in other technical provisions						
Participation of reinsurance in fees and expenses (+)	219,852	327,606	7,708	9,780	227,559	337,386
Other						
RESULT FROM CEDED AND RETROCEDED REINSURANCE	**148,114**	**558,330**	**(5,307)**	**(6,660)**	**142,807**	**551,670**

(Figures in thousands of euros)

6.17 Tax Situation

a) Tax consolidation regulations

TAX ON PROFITS

Since fiscal year 2002, MAPFRE RE has has been one of the companies included in Fiscal Group 9/85 for corporate tax purposes. This Group consists of MAPFRE, S.A., as Controlling Company, and its subsidiaries that are eligible for this tax regime.

Therefore, the amounts receivable or payable for the tax on profits are registered under the headings “Corporate and other receivables” and “Other debts” in the consolidated balance sheet.

VALUE ADDED TAX

Since fiscal 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 no. 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.

b) Components of tax on profits expenses and reconciliation of book results with the tax expense of ongoing activities

Shown below for the financial years ending December 31, 2018 and 2017 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	
	2018	2017
Tax expense		
Result before taxes from ongoing operations	**215,482**	**221,212**
25% of the result before taxes from ongoing operations	(53,870)	(55,303)
Tax incentive for the fiscal year	4,978	3,368
Tax effect of the permanent differences	16,631	(4,909)
Tax effect of tax rates other than 25 percent	(12,855)	(1,713)
Total expense from current tax originating in the fiscal year	(45,297)	(58,557)
Expense from current tax originating in previous fiscal years	(11,312)	
Previously unrecognized credits on negative tax bases from prior periods, deductions pending application or temporary differences, using negative tax bases, deductions pending application or temporary differences		
Total tax expenses of ongoing operations	**(56,609)**	**(58,557)**
Tax on profits to be paid		
Taxes withheld and payments on account	47,955	57,143
Temporary differences and currency conversion differences	(13,099)	(21,264)
Tax credits and incentives recorded in previous years and appropriated in the current fiscal year		
Tax on profit for discontinued operations		
Total tax on profits to be paid (receivable) originating in the fiscal year	**(10,441)**	**(22,678)**
Tax on profits receivable from previous fiscal years	**(11,312)**	
Tax on profits receivable from previous fiscal years	**(21,753)**	**(22,678)**

(Figures in thousands of euros)

With respect to Spanish companies, the type of tax applicable in fiscal years 2018 and 2017 was 25 percent.

c) Deferred tax assets and liabilities

At December 31, 2018 and 2017 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	2018	2017
Deferred tax assets	67,368	28,557
Deferred tax liabilities	(27,492)	(37,613)
Net asset (Liability)	**39,876**	**(9,056)**

(Figures in thousands of euros)

The following tables show the detail of net deferred tax balance for 2018 and 2017, breaking down the amount of deferred tax by items charged or paid directly against equity in each of the fiscal years.

2018

ITEM	OPENING BALANCE	ADJUSTMENTS OPENING BALANCE	CHANGES IN THE SCOPE	ORIGINATING FROM		WRITE-OFFS	CLOSING BALANCE
				RESULTS	EQUITY		
Valuation difference of financial investments	26,429	(52,727)			42,590		16,292
Implicit derivatives							
Other comprehensive revenue and expenses							
Stabilization and catastrophe provision							
Other technical provisions							
Portfolio acquisition expenses and other acquisition expenses							
Other	(17,373)	35,384		(336)	5,909		23,584
TOTAL DEFERRED TAX	**9,056**	**(17,343)**		**(336)**	**48,499**		**39,876**

(Figures in thousands of euros)

2017

ITEM	OPENING BALANCE	ADJUSTMENTS OPENING BALANCE	CHANGES IN THE SCOPE	ORIGINATING FROM		WRITE-OFFS	CLOSING BALANCE
				RESULTS	EQUITY		
Valuation difference of financial investments	35,120	(800)		1,578	(9,469)		26,429
Implicit derivatives							
Other comprehensive revenue and expenses							
Stabilization and catastrophe provision	10,426				(10,426)		
Other technical provisions							
Portfolio acquisition expenses and other acquisition expenses							
Other	(20,919)	1,261		2,285			(17,373)
TOTAL DEFERRED TAX	**24,627**	**461**		**3,863**	**(19,895)**		**9,056**

(Figures in thousands of euros)

At the end of fiscal year 2018, deferred tax assets and liabilities maturing within 12 months amounted to 57,000 euros (665,000 euros in 2017).

d) Tax incentives

The tax incentives of the fully consolidated companies for 2018 and 2017 are as follows:

TYPE	FISCAL YEAR TO WHICH THEY RELATE	AMOUNT APPLIED IN THE FISCAL YEAR		AMOUNT PENDING APPLICATION		AMOUNT NOT RECORDED		TERM FOR APPLICATION	
		2018	2017	2018	2017	2018	2017	2018	2017
- Double tax deduction		4,978	3,287						
- Decrease for capitalization reserves									
- Other			81						
TOTAL		**4,978**	**3,368**						

(Figures in thousands of euros)

e) Verification by tax authorities

According to current legislation for Spanish companies, the statements made 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.

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. On this same date, MAPFRE RE was also notified of the start of inspection audits relating to Corporate Tax corresponding to fiscal years 2013-16, as well as withholdings and income on account on income from employment and economic activities corresponding to fiscal year 2014.

6.18 Remuneration of Employees and Associated Liabilities

Personnel expenses

The breakdown provided below does not include the personnel that were part of the demerged entity MAPFRE GLOBAL RISKS in fiscal year 2018.

Personnel expenses related to these employees are included under the heading of Acquisition Expenses for the non-Life technical account.

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

ITEM	AMOUNT	
	2018	2017
a) Short-term remunerations	34,215	33,183
a.1) Wages and salaries	28,658	25,989
a.2) Social security	4,980	4,770
a.3) Other remuneration	577	2,424
b) Post-employment benefits	1,754	2,509
c) Compensation for termination	54	853
d) Other long-term remuneration	0	63
TOTAL	**36,023**	**36,608**

(Figures in thousands of euros)

Allowances and other post-employment benefits

DEFINED BENEFIT PLANS

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

Settlement of the current value of the obligation

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

ITEM	2018	2017
Current value of obligation as on January 1	**387**	**396**
Current fiscal year service costs		
Interest cost	18	18
Contributions made by plan members		
Actuarial gains and losses	10	6
Modifications due to exchange rate variations		
Benefits paid	(27)	(26)
Cost of previous services		
Other	(10)	(7)
Settlements		
Present value of obligation as on December 31	**378**	**387**

(Figures in thousands of euros)

The following table details the reconciliation of the opening and closing balance of the reimbursement rights corresponding to the aforementioned plans for the last two fiscal years.

ITEM	2018	2017
Reimbursement right value and assets allocated to the plan as of January 1	**387**	**396**
Expected return from allocated assets	18	18
Actuarial gains and losses	6	6
Modifications due to exchange rate variations		
Employer contributions		
Contributions made by plan members		
Benefits paid	(26)	(26)
Settlements		
Other items	(10)	(7)
Reimbursement right value and assets allocated to the plan as on December 31	**378**	**387**

(Figures in thousands of euros)

Amounts recognized in the consolidated income statement

The following table shows the amounts recognized in the consolidated income statement for 2018 and 2017.

ITEM	2018	2017
Current fiscal year service costs		
Interest cost	18	18
Expected return of assets allocated to the plan		
Expected return of any right to reimbursement recognized as an asset	(18)	(18)
Actuarial gains and losses		
Cost of previous services recognized in the fiscal year		
Effect of any decrease or liquidation		
Other items		
TOTAL EXPENSE RECOGNIZED EXPENSE IN INCOME STATEMENT		

(Figures in thousands of euros)

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

The real return of assets allocated to the plan (reimbursement rights), as well as the investments allocated to cover the mathematical provisions, amounted to 18,000 euros in 2018 and 2017.

The main actuarial assumptions used at the close of the last two years are the following: PERM/F-2000 mortality tables and annual CPI of 3 percent in both fiscal years, while the discount and expected rates of return on allocated assets are identical, as they involve products with matching cash flows.

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

Other post-employment benefits

In fiscal years 2018 and 2017, personnel expenses were recorded including the corresponding Life insurance expenses with coverage for death between the age of 65 and 77 years for an amount of 26,000 euros.

Other medium and long-term remuneration and share-based payments

The Board of Directors approved a medium-term incentive plan in 2016, which was valued and recognized in the income statement as per with the stipulations of Note “5.13 Employee remuneration”.

Personnel expenses derived from the plan have been registered in the corresponding income statement for the amount of 421,000 euros (64,000 euros in 2017), with the same amount appearing in liabilities. The number of benchmark shares taken into account for the purposes of calculating the remuneration has increased in 2018 to 310,112 (311,246 shares in 2017).

Number of Employees

The box below details the average and final number of employees in the last two fiscal years, classified by category, gender, and distributed by geographic area.

Average number of employees

2018

COUNTRY	DIRECTORS		SENIOR MANAGEMENT POSITIONS		MANAGEMENT		TECHNICIANS		ADMINISTRATIVE		TOTAL	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Spain	2	0	0	0	27	14	71	69	3	16	103	99
United States of America	0	0	0	0	1	2	3	6	0	0	4	8
Brazil	0	0	0	0	4	2	8	3	1	1	13	6
Chile	0	0	0	0	2	1	7	3	0	2	9	6
Rest of America	0	0	0	0	7	9	14	12	7	9	28	30
Europe	0	0	0	0	11	5	15	25	0	6	26	36
Philippines	0	0	0	0	1	0	0	5	1	1	2	6
Rest of Asia	0	0	0	0	3	0	2	3	0	2	5	5
TOTAL AVERAGE NUMBER OF EMPLOYEES	**2**	**0**	**0**	**0**	**56**	**33**	**120**	**126**	**12**	**37**	**190**	**196**

2017

COUNTRY	DIRECTORS		SENIOR MANAGEMENT POSITIONS		MANAGEMENT		TECHNICIANS		ADMINISTRATIVE		TOTAL	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Spain	2	0	0	0	29	14	64	62	5	19	100	95
United States of America	0	0	0	0	1	2	3	6	0	0	4	8
Brazil	0	0	0	0	4	3	7	3	1	1	12	7
Chile	0	0	0	0	3	0	8	3	0	2	11	5
Rest of America	0	0	0	0	7	6	15	13	6	8	28	27
Europe	0	0	0	0	10	5	14	22	0	6	24	33
Philippines	0	0	0	0	1	0	0	5	1	1	2	6
Rest of Asia	0	0	0	0	2	0	1	2	0	1	3	3
TOTAL AVERAGE NUMBER OF EMPLOYEES	**2**	**0**	**0**	**0**	**58**	**32**	**111**	**115**	**13**	**38**	**184**	**185**

Number of employees at the end of the fiscal year

2018

COUNTRY	DIRECTORS		SENIOR MANAGEMENT POSITIONS		MANAGEMENT		TECHNICIANS		ADMINISTRATIVE		TOTAL	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Spain	2	0	0	0	27	15	75	70	2	14	106	100
United States of America	0	0	0	0	1	2	3	6	0	0	4	8
Brazil	0	0	0	0	4	2	8	4	0	2	12	7
Chile	0	0	0	0	2	1	5	3	0	2	7	6
Rest of America	0	0	0	0	7	8	16	11	7	9	30	28
Europe	0	0	0	0	11	4	17	26	0	7	28	37
Philippines	0	0	0	0	1	0	0	5	1	1	2	6
Rest of Asia	0	0	0	0	3	0	2	3	0	3	5	6
TOTAL AVERAGE NUMBER OF EMPLOYEES	**2**	**0**	**0**	**0**	**56**	**32**	**126**	**128**	**10**	**38**	**194**	**198**

2017

COUNTRY	DIRECTORS		SENIOR MANAGEMENT POSITIONS		MANAGEMENT		TECHNICIANS		ADMINISTRATIVE		TOTAL	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Spain	2	0	0	0	28	12	66	66	9	21	105	99
United States of America	0	0	0	0	1	2	3	6	0	0	4	8
Brazil	0	0	0	0	4	3	8	3	1	1	13	7
Chile	0	0	0	0	2	1	8	3	0	2	10	6
Rest of America	0	0	0	0	7	9	13	14	7	8	27	31
Europe	0	0	0	0	10	5	15	22	0	7	25	34
Philippines	0	0	0	0	1	0	0	5	1	1	2	6
Rest of Asia	0	0	0	0	3	0	1	3	0	2	4	5
TOTAL AVERAGE NUMBER OF EMPLOYEES	**2**	**0**	**0**	**0**	**56**	**32**	**114**	**122**	**18**	**42**	**190**	**196**

Below, the number of employees in Spain with a disability equal to or greater than 33 percent is detailed, indicating the categories to which they belong.

ITEM	2018	2017
Management	0	2
Technicians	4	2
Administrative staff		
TOTAL	**4**	**4**

6.19 Net result for Exchange Differences

Positive foreign exchange differences, other than those arising from financial instruments assessed at fair value and allocated to the consolidated income statement, amounted to 961.52 million and 797.41 million euros in fiscal years 2018 and 2017 respectively.

Negative foreign exchange differences, other than those arising from financial instruments assessed at fair value, allocated to the consolidated income statement, amounted to 964.08 million and 805.27 million euros in fiscal years 2018 and 2017 respectively.

Below is the conciliation of exchange differences recognized as equity:

DESCRIPTION	AMOUNT	
	2018	2017
Foreign exchange differences at the beginning of the year	2,694	13,566
Net foreign exchange differences on conversion of financial statements	(8,182)	(9,525)
Net foreign exchange differences on valuation of non-monetary items	314	(1,347)
Foreign exchange differences at the end of the year	**(5,174)**	**2,694**

(Figures in thousands of euros)

The following table shows, as on December 31, 2018 and 2017, the net currency conversion differences arising from the translation into euros of the financial statements of those Group companies whose functional currency is not the euro:

Of companies fully consolidated by global integration

COMPANIES FULLY CONSOLIDATED BY GLOBAL INTEGRATION:	GEOGRAPHIC AREA	CURRENCY CONVERSION DIFFERENCES					
		POSITIVE		NEGATIVE		NET	
		2018	2017	2018	2017	2018	2017
MAPFRE CHILE RE	CHILE		1,203	(1,876)		(1,876)	1,203
MAPFRE RE BRAZIL	BRAZIL			(24,475)	(19,690)	(24,475)	(19,690)
CIAR	BELGIUM	1,052	1,052			1,052	1,052
RMI	UNITED STATES	14	2			14	2
MAPFRE RE	SPAIN	20,111	20,127			20,111	20,127
TOTAL		**21,177**	**22,384**	**(26,351)**	**(19,690)**	**(5,174)**	**2,694**

(Figures in thousands of euros)

The directly recognized result in equity derived from the revaluation of non-monetary items in the last two fiscal years is indicated below.

Foreign exchange differences registered directly in equity

COMPANY	GEOGRAPHIC AREA	CURRENCY CONVERSION DIFFERENCES					
		POSITIVE		NEGATIVE		NET	
		2018	2017	2018	2017	2018	2017
MAPFRE RE	SPAIN			(1,041)	(1,025)	(1,041)	(1,025)
TOTAL				**(1,041)**	**(1,025)**	**(1,041)**	**(1,025)**

(Figures in thousands of euros)

6.20 Contingent Assets and Liabilities

As of the closing date of the annual statement, there are contingent assets derived from the positive business performance of MAPFRE Reinsurance Corporation (M.R.C.), whose financial effect is estimated at 0.88 million U.S. dollars (0.71 million in fiscal year 2017). The contract for the sale of the company to MAPFRE USA contains a three-year price adjustment, extended to four years in July 2015 based on M.R.C. business development. If applicable, this adjustment would have a maximum limit of US$ 3 million.

6.21 Business Combinations

On July 19, 2018, the Extraordinary General Shareholders' Meetings of the companies MAPFRE GLOBAL RISKS, MAPFRE RE, MAPFRE ESPAÑA, SERVIFINANZAS and MAPFRE GLOBAL RISKS AGENCIA DE SUSCRIPCION approved the complete demerger of MAPFRE GLOBAL RISKS in favor of the other four companies mentioned above as beneficiaries of the demerger, with MAPFRE RE the beneficiary of the reinsurance business of the demerged company, acquiring all the equity elements related to this part of the business of the demerged company, with accounting effects retroactive to January 1, 2018.

To accommodate this business, on July 19, 2018 the General Shareholders' Meeting of MAPFRE RE also approved the capital increase of 69,368,000 euros through the issue of 22,376,772 new shares at a par value of 3.10 euros each, with a share premium of 333,828,000 euros corresponding to 14.91848212 euros per share.

As this was a business combination between Group companies (under common control), the acquired assets, shown in the following table, correspond to the book values according to the consolidated annual statement of the Controlling Company MAPFRE S.A. on the date of the operation.

This operation was carried out as part of the process of reorganizing the operating structure of the Group.

ITEM	2017 MAPFRE GLOBAL RISKS
ASSETS	
Cash and other equivalent liquid assets	185,144
Financial assets available for sale	517,456
Loans and receivables	336,201
Participation of reinsurance in technical provisions	1,291,370
Property, plant and equipment and real estate investments	189
Goodwill	54,138
Intangible fixed assets	1,427
Shareholdings in Group and associated companies	26,377
Tax assets	26,815
Other assets	60,676
TOTAL ASSETS	**2,499,793**
Liability	
Debits and payables	328,696
Technical provisions	1,736,218
Non-technical provisions	
Tax liabilities	7,970
Other liabilities	23,713
TOTAL LIABILITIES	**2,096,597**
Fair value of net assets	**403,196**
Interest acquired	**100%**
Fair value of the percentage of acquired net assets	**403,196**
Acquisition combination costs	**403,196**

The cost of the business combination in fiscal year 2018 was 403,196,000 euros.

Goodwill recognized in the amount of 54,138,000 euros is based on the greater value at which the acquired equity elements are recognized in the business combination in the consolidated annual statement of the group parent, MAPFRE S.A., for the value of the net equity assigned to the demerged company.

The GLOBAL RISKS reinsurance business portfolio from the date of its inclusion up to the closing date contributed to the results of the company in the amount of 9,064,000 euros.

6.22 Related Party Transactions

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 statement, 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	EXPENSES		INCOME	
	2018	2017	2018	2017
Received/provided services and other expenses/revenue	4,998	1,286	4,998	1,286
Expenses/revenue from property investment		63		63
Expenses/revenues from investments and financial accounts				
Dividends distributed			2,178	6,625
TOTAL	**4,998**	**1,349**	**7,176**	**7,974**

(Figures in thousands of euros)

The amounts included in the consolidated income statement as a result of transactions conduced during the fiscal year with higher consolidated groups are:

ITEM	EXPENSES	
	2018	2017
Expenses and income from property investments	194	193
Expenses and income from investments and financial accounts	3,979	3,889
External services and other non-technical expenses/revenue	7,155	5,572
Dividends paid		
TOTAL	**11,328**	**9,654**

(Figures in thousands of euros)

Reinsurance operations

Reinsurance operations conducted between consolidated Group companies, which have been eliminated in the consolidation process, are detailed below:

ITEM	EXPENSES		REVENUE	
	2018	2017	2018	2017
Ceded/Assumed premiums	4,264	7,573	(4,161)	(8,032)
Benefits	22,706	7,732	(22,586)	(9,659)
Changes in technical provisions	(774)	190	580	1,819
Commissions	(645)	(1,356)	769	1,552
Other technical revenues and expenses				
TOTAL	**25,551**	**14,139**	**(25,398)**	**(14,320)**

(Figures in thousands of euros)

Reinsurance operations with the higher consolidated Group (MAPFRE S.A.) are:

ITEM	REVENUE/EXPENSES			
	ASSUMED REINSURANCE		CEDED REINSURANCE	
	2018	2017	2018	2017
Premiums	1,335,039	1,864,280	(60,860)	(69,497)
Claims	(1,520,147)	(1,217,477)	98,791	317,862
Commissions	(375,745)	(551,165)	8,272	16,182
TOTAL	**(560,853)**	**95,638**	**46,203**	**264,547**

(Figures in thousands of euros)

The following table shows the balances with reinsurers and ceding companies, deposits constituted, and technical provisions on reinsurance operations with consolidated Group companies, all of which have been eliminated in the consolidation process, just as for those with the higher consolidated Group (MAPFRE S.A.):

ITEM	ELIMINATED BALANCES				NON-ELIMINATED BALANCES			
	ASSUMED REINSURANCE		CEDED REINSURANCE		ASSUMED REINSURANCE		CEDED REINSURANCE	
	2018	2017	2018	2017	2018	2017	2018	2017
Receivables and debt	(4,823)	(2,862)			74,737	49,009	(175,521)	(161,902)
Deposits	(9)	(11)	(9)	(11)	71,568	95,470	43	220
Technical provisions	(27,644)	(29,833)	(27,781)	(29,231)	(1,519,877)	(1,943,568)	285,774	382,813
TOTAL	**(32,476)**	**(32,706)**	**(27,790)**	**(29,242)**	**(1,373,572)**	**(1,799,089)**	**110,296**	**221,131**

(Figures in thousands of euros)

Remuneration of key managerial personnel

The box below details the paid remuneration for the last two fiscal years of the members of the Board of Directors.

ITEM	AMOUNTS	
	2018	2017
Short-term remuneration		
Salaries	732	682
Fixed remuneration	466	484
Travel and accommodation allowances		
Life Insurance	20	22
Other items	17	34
Other medium-term remuneration		
Total	**1,235**	**1,222**

(Figures in thousands of euros)

The basic remuneration of the members of the Board of Directors consists of a fixed assignment of 47,000 euros (45,000 euros in 2017), which rises to 100,000 euros for Chairmen of the Board and 10,000 euros to members of its Steering Committees (8,000 euros in 2017).

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 (meaning both executives of the Company and others) receive the remuneration established in their contracts, including fixed salary, variable incentives linked to results, Life and disability insurance, and other general benefits established for the Group's personnel. They also receive certain pension allowance in the event of retirement, externalized through a Life insurance policy. All of these payments are included in the compensation policy established by the Group for its senior executives, whether or not they are directors.
In 2018 contributions to defined benefit plans were 264,210 euros, recognized as expenses for the year (131,190 euros in 2017). Executive Directors do not receive the fixed remuneration established for external directors.

Regarding the medium-term incentive plan, a provision of 171,000 euros has been set up (with 90,000 euros in cash and 81,000 euros paid in shares) to be paid based on achievement of objectives and within the time period set under the plan.

In relation with the Senior Management, below are details of the fiscal year remunerations;

ITEM	2018
No. of senior management members	1
Salaries	211
Life Insurance	1
Long service bonus	
Other items	13
TOTAL	**225**

(Figures in thousands of euros)

Regarding the medium-term incentive plan, a provision of 29,000 euros has been set up (with 15,000 euros in cash and 14,000 euros paid in shares) to be paid based on achievement of objectives and within the time period set under the plan.

Additionally, by way of contribution toward defined contribution plans, an expense of 24,330 euros was registered for fiscal year 2018 (5,600 euros in 2017).

In the last two fiscal years, the Company has not granted advances or credits to key management personnel.

Subsidies

In 2018 and 2017, a government subsidy was received for subsidized contracts (social security) and continuing education (Fundación Tripartita), attributed entirely to results for the period.

ITEM	SUBSIDY	SUBSIDY
	2018	2017
As on January 1		
Received during the fiscal year	23	21
Transferred to results	23	21
As on December 31		

(Figures in thousands of euros)

There is no non-compliance with any of the conditions or contingencies associated with these subsidies.

Subsequent events

By its resolution of March 12, 2019, the General Directorate of Insurance and Pension Funds announced the publication on March 6, 2019 of the Ministerial Order of the Ministry of the Economy and Finance authorizing the total demerger of MAPFRE GLOBAL RISKS COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS S.A., by which the company MAPFRE RE is the beneficiary of its assumed reinsurance business and related assets and liabilities.

7. Risk management

The MAPFRE RE, Compañía de Reaseguros, S.A. Board of Directors establishes the risk level which the Company is prepared to assume in order to attain its business objectives without any significant deviations, even in adverse situations. This level, which establishes limits and sub-limits by risk type, constitutes the Company's Risk Appetite.

MAPFRE's structure is based on Units and Companies with a high degree of management autonomy. In addition to the Group structure, of which the Company forms part, there are several individual governing bodies. 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 Risk Management Area handles all significant aspects related to risk management corresponding to the Group as well as the the relevant aspects of the different legal entities 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.

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 risk types relating to the company's financial instruments and insurance contracts, as well as the processes and methods used for its measurement and management, are described in sections A), B), C) and D) of these notes.

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.

ITEM	EFFECT ON THE RESULTS OF A VARIATION OF 1% IN THE COMBINED RATIO		VOLATILITY INDEX OF THE COMBINED RATIO	
	2018	2017	2018	2017
Main activity outside Spain				
REINSURANCE	20,501	17,891	0.81	1.2

(Figures in thousands of euros)

2. Concentrations of insurance risk

MAPFRE RE has a high degree of insurance risk diversification as it operates in virtually all insurance business lines in Spain and has an extensive presence in the international markets.

The Company applies a system of procedures and limits which enable the level of concentration of insurance risk to be controlled. 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.

2. A) PREMIUM AMOUNTS BY RISK

The following tables show the breakdown of Assumed reinsurance written premiums classified by type of business underwritten for the last two fiscal years:

2018

ITEM	ASSUMED REINSURANCE			
	LIFE	NON-LIFE		TOTAL
		CATAS-TROPHIC RISK	OTHER RISKS	
Assumed reinsurance written premiums	600,472	1,076,481	3,155,453	4,832,406

(Figures in thousands of euros)

2017

ITEM	ASSUMED REINSURANCE			
	LIFE	NON-LIFE		TOTAL
		CATAS-TROPHIC RISK	OTHER RISKS	
Assumed reinsurance written premiums	656,701	409,486	3,156,237	4,222,424

(Figures in thousands of euros)

2. B) PREMIUMS BY OPERATING SEGMENT AND GEOGRAPHIC AREA

The following tables show the breakdown of assumed reinsurance written premiums by segment and geographic areas in the last two fiscal years:

2018

GEOGRAPHIC AREA	REINSURANCE		TOTAL
	LIFE	NON-LIFE	
SPAIN	38,726	1,016,495	1,055,221
UNITED STATES OF AMERICA	8,780	176,755	185,535
BRAZIL	10,086	225,678	235,764
MEXICO	20,064	198,350	218,415
VENEZUELA	2	10,292	10,294
COLOMBIA	12,524	108,708	121,233
ARGENTINA	4,664	77,374	82,038
TURKEY	494	124,941	125,436
CHILE	18,358	179,509	197,868
OTHER COUNTRIES	486,774	2,113,832	2,600,606
TOTAL	**600,472**	**4,231,934**	**4,832,406**

(Figures in thousands of euros)

2017

GEOGRAPHIC AREA	REINSURANCE		TOTAL
	LIFE	NON-LIFE	
SPAIN	44,909	618,255	663,164
UNITED STATES OF AMERICA	8,078	550,107	558,185
BRAZIL	12,998	130,226	143,224
MEXICO	15,000	85,789	100,790
VENEZUELA	23	518	541
COLOMBIA	11,287	63,357	74,644
ARGENTINA	7,630	87,532	95,162
TURKEY	376	133,657	134,033
CHILE	29,322	89,363	118,684
OTHER COUNTRIES	527,078	1,806,919	2,333,997
TOTAL	**656,701**	**3,565,723**	**4,222,424**

(Figures in thousands of euros)

2.C) PREMIUMS BY CURRENCY

The following table shows the breakdown of assumed reinsurance written premiums by currency in the last two fiscal years:

CURRENCY	WRITTEN PREMIUMS	
	2018	2017
Euros	2,043,161	1,947,597
US dollar	1,614,729	1,206,889
Mexican peso	79,128	57,066
Brazilian real	162,150	140,009
Turkish lira	106,678	123,626
Chilean peso	89,036	105,363
Venezuelan bolivar	144	
Argentine peso	17,782	27,026
Colombian peso	71,817	71,409
Pound sterling	181,514	169,234
Canadian dollar	18,647	17,889
Philippine peso	14,858	12,682
Other Currencies	432,762	343,634
TOTAL	**4,832,406**	**4,222,424**

(Figures in thousands of euros)

B) CREDIT RISK

1 Credit risk arising from reinsurance contracts

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

ITEM	BOOK VALUE COMPANIES				TOTAL	
	GROUP		NON-GROUP			
	2018	2017	2018	2017	2018	2017
Provision for Life insurance	7	65	5,447	4,603	5,454	4,668
Provision for outstanding claims	1,786,402	370,120	757,668	877,181	2,544,070	1,247,301
Receivables on ceded and retroceded reinsurance operations	6,438	(6,695)	171,982	129,543	178,420	122,848
Due on ceded and retroceded reinsurance operations	(20,570)	(10,108)	(74,119)	(57,118)	(94,689)	(67,226)
TOTAL NET POSITION	**1,772,277**	**353,382**	**860,978**	**954,209**	**2,633,255**	**1,307,591**

(Figures in thousands of euros)

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

LEVEL	BOOK VALUE					
	COMPANIES				TOTAL	
	GROUP		NON-GROUP			
	2018	2017	2018	2017	2018	2017
Maximum						
Very high		50,156	538,696	668,816	538,696	718,972
High	1,772,132	304,344	301,859	271,594	2,073,991	575,938
Adequate	(165)	(1,190)	5,250	5,802	5,085	4,612
Weak			2,090	7,035	2,090	7,035
Not available	310	74	13,083	960	13,393	1,034
TOTAL	**1,772,277**	**353,384**	**860,978**	**954,207**	**2,633,255**	**1,307,591**

(Figures in thousands of euros)

2 Credit risks arising from other financial instruments.

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

CREDIT RATING OF ISSUERS	BOOK VALUE							
	PORTFOLIO AT MATURITY		AVAILABLE-FOR-SALE PORTFOLIO		TRADING PORTFOLIO		CASH	
	2018	2017	2018	2017	2018	2017	2018	2017
Maximum			597,314	422,751			0	0
Very high			917,370	823,716			2,138	3,686
High			1,305,965	567,310			263,531	166,037
Adequate			359,100	725,044			68,215	7,031
Weak			119,532	212,091			16,796	22,947
Not available							4,137	73
TOTAL			**3,299,281**	**2,750,912**			**354,817**	**199,774**

(Figures in thousands of euros)

There are no fixed-income securities in default for fiscal years 2018 and 2017.

3 Receivables

The following table shows the composition of the receivables heading at December 31, 2018 and 2017, 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				GUARANTEES RECEIVED	
			RECORDED LOSSES		REVERSAL GAINS			
	2018	2017	2018	2017	2018	2017	2018	2017
I. Receivables on reinsurance operations	974,239	317,264	(5,031)			3,828		
II. Tax receivables	22,241	11,217						
III. Corporate and other receivables	120,456	9,368						
TOTAL	**1,116,936**	**337,849**	**(5,031)**			**3,828**		

(Figures in thousands of euros)

C) Liquidity risk

With regard to liquidity risk, MAPFRE RE 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 RE, 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, as on December 31, 2018, the cash and other liquid asset balance amounted to 355 million euros (200 million euros in the preceding year), equivalent to 8.86 percent (5.80 percent in 2017) of total financial investments and cash.

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

1 Liquidity risk arising from insurance contracts

The estimated disbursement schedule of insurance liabilities registered as on December 31, 2018 and 2017 is detailed below. These amounts have not been updated in the case of provisions for Life insurance:

2018

ITEM	ESTIMATED CASH OUTFLOWS IN YEARS							CLOSING BALANCE
	1st Year	2nd Year	3rd year	4th Year	5th Year	6th to 10th Year	subsequent	
Provision for unearned premiums	1,002,171	84,018	23,612	13,941	7,573	15,193	12,764	1,159,272
Provision for unexpired risks								
Provisions for Life insurance	349,185	53,639	11,838	13,690	15,682	62,731	91,089	597,854
Provision for outstanding claims	2,880,978	673,810	274,172	144,487	93,915	197,437	193,256	4,458,055
Other technical provisions								
Due on reinsurance operations	760,525	267	196	142	101	215		761,446
TOTAL	**4,992,859**	**811,734**	**309,818**	**172,260**	**117,271**	**275,576**	**297,109**	**6,976,627**

(Figures in thousands of euros)

2017

ITEM	ESTIMATED CASH OUTFLOWS IN YEARS							CLOSING BALANCE
	1st Year	2nd Year	3rd year	4th Year	5th Year	6th to 10th Year	subsequent	
Provision for unearned premiums	894,350	117,226	27,665	18,436	12,915	22,004	6,103	1,098,699
Provision for unexpired risks								
Provisions for Life insurance	362,336	33,385	28,407	20,893	25,220	75,236	51,689	597,166
Provision for outstanding claims	1,542,882	683,004	214,465	97,389	76,668	228,082	104,236	2,946,726
Other technical provisions								
Due on reinsurance operations	299,790							299,790
TOTAL	**3,099,358**	**833,615**	**270,537**	**136,718**	**114,803**	**325,322**	**162,028**	**4,942,381**

(Figures in thousands of euros)

D) Market risk

MAPFRE RE's Risk Management area conducts stress and sensitivity tests of the impact of market and financial variables 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 common indicators are modified duration for fixed-income securities and VaR, or value at risk, for equity.

Interest rate risk

The following table details the material information of the last two fiscal years with regard to the level of interest rate risk exposure of the financial assets:

PORTFOLIO	AMOUNT OF ASSETS EXPOSED TO INTEREST RATE RISK AT FAIR VALUE							
	FIXED INTEREST RATE		VARIABLE INTEREST RATE		NOT EXPOSED TO RISK		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017
To maturity								
Available for sale	3,167,491	2,883,016	213,187	199,263	252,846	231,749	3,633,524	3,314,028
Trading	13,176	14,381	1,868	6,867	1,934	1,668	16,978	22,916
Other investments	10,552	4,270					10,552	4,270
TOTAL	**3,191,219**	**2,901,667**	**215,055**	**206,130**	**254,780**	**233,417**	**3,661,054**	**3,341,214**

(Figures in thousands of euros)

The following tables display the breakdown of financial investments by maturity, average interest rate and modified duration for fiscal years 2018 and 2017:

December 31, 2018

ITEM	CLOSING BALANCE	MATURITY IN:						INTEREST RATE %	MODIFIED DURATION %
		1 Year	2 Years	3 Years	4 Years	5 Years	Subsequent or without maturity		
Available-for-sale portfolio									
Fixed income	3,633,524	555,966	311,331	322,569	589,093	229,433	1,625,132	2%	4%
Other investments									
TOTAL PORTFOLIO AVAILABLE FOR SALE	3,633,524	555,966	311,331	322,569	589,093	229,433	1,625,132	2%	4%
TRADING PORTFOLIO									
Other									
TOTAL TRADING PORTFOLIO									

(Figures in thousands of euros)

December 31, 2017

ITEM	CLOSING BALANCE	MATURITY IN:						INTEREST RATE %	MODIFIED DURATION %
		1 Year	2 Years	3 Years	4 Years	5 Years	Subsequent or without maturity		
Available-for-sale portfolio									
Fixed income	2,837,413	411,355	434,549	332,979	317,870	293,089	1,047,572	2%	4%
Other investments									
TOTAL PORTFOLIO AVAILABLE FOR SALE	2,837,413	411,355	434,549	332,979	317,870	293,089	1,047,572	2%	4%
TRADING PORTFOLIO									
Other									
TOTAL TRADING PORTFOLIO									

(Figures in thousands of euros)

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 of the balance sheet assets, and in the "Debts" heading of the balance sheet liabilities, do not accrue interest and, generally, their payment is produced in the following fiscal year.

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		TOTAL NET	
	2018	2017	2018	2017	2018	2017
Euros	4,295,910	3,100,321	2,630,659	1,966,282	1,665,251	1,134,039
US dollar	3,298,377	2,102,886	3,158,677	1,852,148	139,700	250,737
Mexican peso	28,452	16,571	57,256	59,458	(28,804)	(42,887)
Brazilian real	294,424	296,543	284,198	230,058	10,226	66,485
Turkish lira	116,630	92,773	103,245	100,588	13,385	(7,815)
Chilean peso	183,427	198,312	160,039	197,097	23,388	1,215
Venezuelan bolivar	240	160	2	71	238	89
Argentine peso	38,882	30,458	13,086	18,295	25,795	12,163
Colombian peso	28,068	28,772	117,992	119,229	(89,924)	(90,457)
Pound sterling	219,583	212,685	199,448	193,109	20,135	19,576
Canadian dollar	49,193	43,005	13,716	14,531	35,477	28,474
Philippine peso	25,893	15,447	19,993	12,273	5,900	3,174
Other currencies	323,024	311,379	475,298	384,716	(152,274)	(73,336)
TOTAL	**8,902,103**	**6,449,312**	**7,233,609**	**5,147,855**	**1,668,494**	**1,301,457**

(Figures in thousands of euros)

The sensitivity of the Company'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 future results of the Company 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.

Stock market risk

The following table shows the book value of equities and mutual funds exposed to stock market risk and VaR or value at risk (maximum variation expected in a time horizon of one year and a confidence level of 99 percent) for the last two fiscal years:

PORTFOLIO	BOOK VALUE		VaR	
	2018	2017	2018	2017
Available for sale	334,244	145,248	228,451	111,762
Trading	16,978	16,046		
TOTAL	**351,222**	**161,294**	**228,451**	**111,762**

(Figures in thousands of euros)

Property risk

As on December 31, 2018, the Company has, in its consolidated group, property assets representing approximately 1.28 percent of total investments and cash (1.60 percent as on December 31, 2017), of which approximately 1.21 percent corresponds to its own offices (1.42 percent as on December 31, 2017). 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:

ITEM	NET BOOK VALUE		MARKET VALUE	
	2018	2017	2018	2017
Property investments	5,879	6,191	12,003	8,556
Property for own use	48,450	49,031	56,814	51,455
TOTAL	**54,329**	**55,222**	**68,817**	**60,011**

(Figures in thousands of euros)

Unrealized gains would offset a drop in price of properties equivalent to approximately 0.0747 Percent of their market value at the close of fiscal year 2018 (1.35 percent at the close of fiscal year 2017).

Implementation of Internal Capital Models

MAPFRE RE undertook, during 2005, the implementation of an internal capital model which determines, through a stochastic process, the required solvency margin depending on the risks assumed by the company itself.

The proprietary internal capital model is based on the stochastic generation of projections of the company's fair value gains or losses from the simulation of 10,000 different scenarios, applied considering the nature of the premium portfolio, the composition of the company's investments and other assets. These scenarios are obtained by combining various financial and reinsurance business assumptions. From this, the probability distribution of results is determined, and the financial capital required to ensure the company's solvency with a confidence interval of 99.6 percent in a time horizon of one year. Interim results obtained confirm the level of excellence in the capitalization of the company and are currently being contrasted with other methods for estimating solvency margins.

8. Other information

During the last two fiscal years, no conflicts of interest have occurred, either direct or indirect, between the directors or individuals associated with them and the Controlling company.

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 statements of MAPFRE RE and the main companies of the Group correspond to the 2018 and 2017 fiscal years, and have been audited by the firm KPMG, with the exception of the subsidy domiciled in Chile, whose auditor is Ernst and 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.

	2018	2017
Audit services	338.184	208.823
Other verification services	140.634	94.304
Tax services		38.020
Other services	2.529	
Total services of main auditor	**481.347**	**341.147**

(Figures in euros)

The above amount include those paid by KPMG Auditores, S.L., which were 185,466 euros in 2018 for audit services (82,431 euros in 2017) and 98,000 euros for other verification services (24,000 euros in 2017). These latter refer to services for regulatory compliance and involve review of Solvency reports.

Fees for account audit services rendered by auditors other than the main auditor amounted to 26,381 euros in fiscal year 2018 (21,644 euros in 2017).

8.3 Environmental information

The Group Companies do not have any environment-related items in the last two financial years that might be significant or specifically included in this consolidated annual statement.

8.4 Deferments of payment

The characteristics of payments made by the Spanish companies consolidated on a line-by-line basis to providers, in the two fiscal years 2018 and 2017, are:

ITEM	DAYS	
	2018	2017
Average provider payment period	4,57	6,72
Ratio of paid operations	4,48	6,73
Ratio of operations pending payment	14,53	3,62

ITEM	Amount (thousands of euros)	Amount (thousands of euros)
Total payments made	23.930	24.510
Total pending payments	207	112

Table of subsidiary and associated companies 2018 (Appendix 1)

NAME	COUNTRY	EFFECTIVE TAX RATE	ACTIVITY
CIAR INVESTMENTS	45 , Rue de Trèves, Brussels (Belgium)	34%	Real Estate
MAPRE CHILE REASEGUROS S.A.	Avda Apoquindo 4499-8° Santiago (Chile)	20%	Holding
F. ALCORTA S.A.	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Property (in liquidation)
MAPFRE RE DO BRASIL COMPAÑÍA DE REASEGUROS	Rua Olimpiadas 242 5° Andar. São Paulo (Brazil)	15%	Reinsurance
MAPFRE RE COMPAÑÍA DE REASEGUROS ESCRITORIO DE REPRESENTAÇAO NO BRASIL LTDA	Rua Olimpiadas 242 5° Andar São Paulo (Brazil)	15%	Representation services
MAPFRE MANDATOS Y SERVICIOS S.A.	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Services
MAPFRE INTERNET S.A. (TECH)	Ctra de Pozuelo a Majadahonda, No. 52, Madrid (Spain)	25%	Computing
VENEASISTENCIA S.A.	Avda. Libertador Penthouse A y B Caracas (Venezuela)	34%	Travel assistance
REINSURANCE MANAGEMENT INC.	100 Campus Drive 07932 New Jersey (U.S.A.)	35%	Insurance and Reinsurance
CAJA REASEGURADORA DE CHILE	Ava. Apoquindo 4499-8° Santiago (Chile)	20%	Reinsurance
INMOBILIARIA COSTA DE MONTEMAR, S.A.	Ava. Apoquindo 4499-8° Santiago (Chile)	24%	Real Estate
C R ARGENTINA S.A	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Services, Consulting
MAPFRE EURO BONDS FUND			Asset Management
MAPFRE RE VERMONT CORPORATION	122 Cherry Tree Hill Road 05651 East Montpellier Vermont (USA)		
MAPFRE MULTI ASSET STRATEGY			Asset Management

Figures in thousands of euros

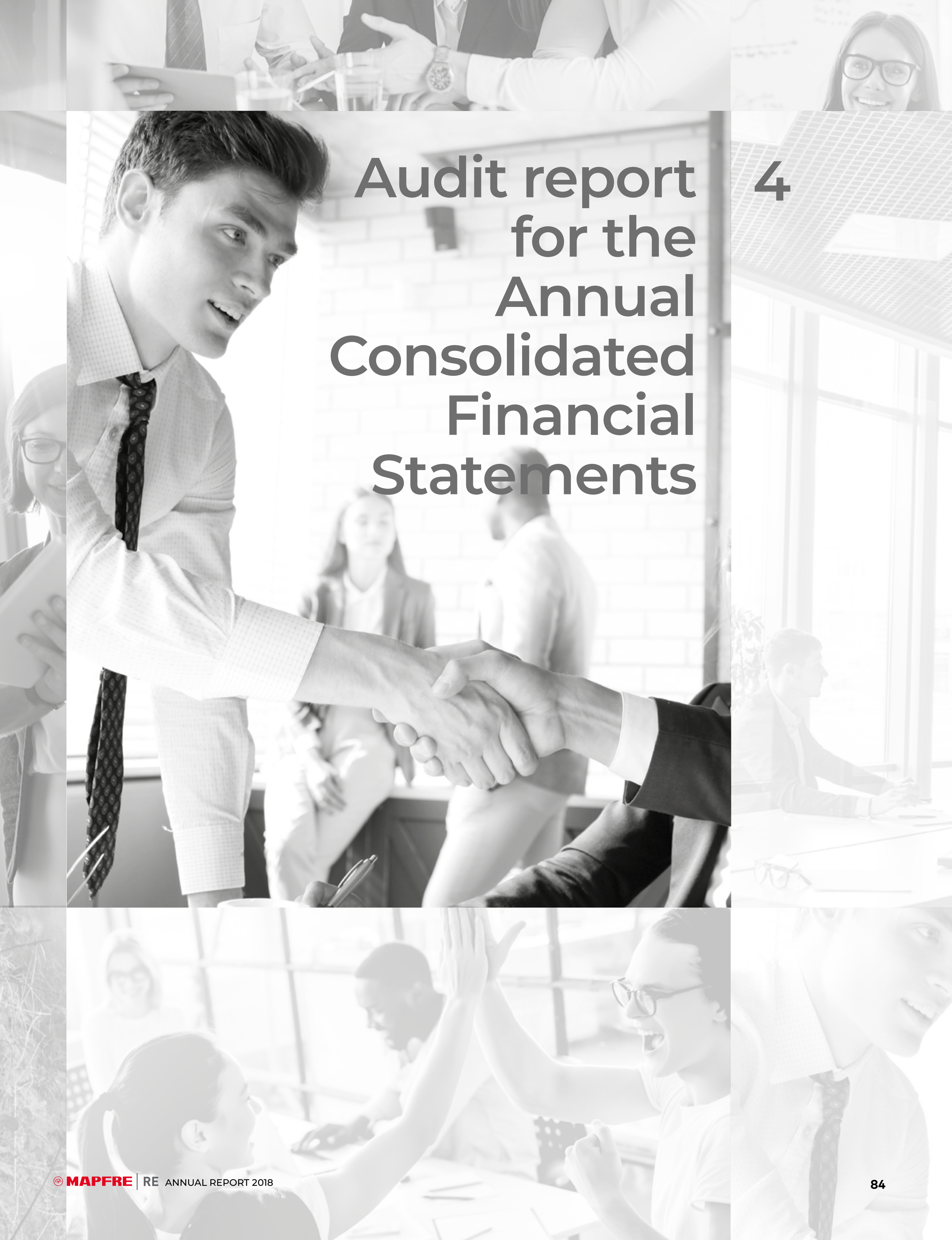
Table of subsidiary and associated companies 2017 (Appendix 1)

NAME	COUNTRY	EFFECTIVE TAX RATE	ACTIVITY
CIAR INVESTMENTS	45 Rue de Trèves. Brussels (Belgium)	34%	Real Estate
MAPRE CHILE REASEGUROS S.A.	Avda Apoquindo 4499-8°. Santiago de Chile (Chile)	20%	Holding
F. ALCORTA S.A.	Bouchard 547 piso 14. Buenos Aires (Argentina)	35%	Property (in liquidation)
MAPFRE RE DO BRASIL COMPAÑÍA DE REASEGUROS	Rua Olimpiadas 242 5° Andar. São Paulo (Brazil)	15%	Reinsurance
MAPFRE RE COMPAÑÍA DE REASEGUROS ESCRITORIO DE REPRESENTAÇÃO NO BRASIL LTDA	Rua Olimpiadas 242 5° Andar. São Paulo (Brazil)	15%	Representation services
MAPFRE MANDATOS Y SERVICIOS S.A.	Bouchard 547 piso 14. Buenos Aires (Argentina)	35%	Services
MAPFRE INTERNET S.A. (TECH)	Ctra. de Pozuelo a Majadahonda no. 52 Madrid (Spain)	25%	Computing
VENEASISTENCIA C.A.	Avda. Libertador Penthouse A y B Caracas (Venezuela)	34%	Travel Assistance
REINSURANCE MANAGEMENT INC.	100 Campus Drive 07932. New Jersey (USA)	35%	Insurance and Reinsurance
CAJA REASEGURADORA DE CHILE	Ava. Apoquindo 4499-8°. Santiago de Chile (Chile)	20%	Reinsurance
INMOBILIARIA COSTA DE MONTEMAR, S.A.	Ava. Apoquindo 4499-8°. Santiago de Chile (Chile)	24%	Real Estate
C R ARGENTINA S.A	Bouchard 547 piso 14. Buenos Aires (Argentina)	35%	Services, Consulting
MAPFRE EURO BONDS FUND			Asset management
MAPFRE MULTI ASSET STRATEGY			Asset management

Figures in thousands of euros

	% SHARE		DATA AS OF CLOSE OF FISCAL YEAR 2018				
	Holder	Share capital	Assets	Net equity	Revenues	Result for the fiscal year	Method or procedure of consolidation
	MAPFRE RE MAPFRE Internacional	99.9900% 0.0100%	9,921	9,274	686	237	A
	MAPFRE RE	100.0000%	149,894	42,468	22,254	4,203	A
	MAPFRE RE	99.9985%					C
	MAPFRE RE	99.9999%	196,166	42,598	53,317	8,187	A
	MAPFRE RE	99.9999%	47	47			C
	MAPFRE RE MAPFRE Argentina	95.0000% 5.0000%	20	20		(4)	C
	MAPFRE RE	0.8002%	64,544	20,849	180,881	726	C
	MAPFRE RE	0.0020%	28	56	14	45	C
	MAPFRE RE	100.0000%	1,388	436	3,935	472	A
	MAPFRE Chile RE	99.8467%	117,730	11,587	19,151	2,315	A
	MAPFRE Chile RE	31.4400%		1,091			B
	MAPFRE Chile RE	99.9960%	348	264			A
	MAPFRE RE	100.0000%	99,794	99,710			A
	MAPFRE RE	100.0000%	43,641	43,641			A D
	MAPFRE RE	39.4160%	85,450	85,450			B

	% SHARE		DATA AS OF CLOSE OF FISCAL YEAR 2017				
	Holder	Share capital	Assets	Net equity	Revenues	Result for the fiscal year	Method or procedure of consolidation
	MAPFRE RE MAPFRE Internacional	99.9900% 0.0100%	9,831	9,121	642	143	A
	MAPFRE RE	100.0000%	166,441	40,445	33,000	809	A
	MAPFRE RE	99.9985%					C
	MAPFRE RE	99.9999%	218,690	44,341	75,339	8,761	A
	MAPFRE RE	99.9999%	47	47			C
	MAPFRE RE MAPFRE Argentina	95.0000% 5.0000%	20	20		(4)	C
	MAPFRE RE	0.8002%	53,096	20,162	178,164	(1,778)	C
	MAPFRE RE	0.0020%	549	325	193	(204)	C
	MAPFRE RE	100.0000%	950	17			A
	MAPFRE Chile RE	99.8467%	131,214	8,700	29,994	182	A
	MAPFRE Chile RE	31.4400%		1,091			B
	MAPFRE Chile RE	99.9960%	1,204	912			A
	MAPFRE RE	100.0000%	86,475	86,368			AD
	MAPFRE RE	39.4160%	86,501	86,501			B



4 Audit report for the Annual Consolidated Financial Statements

KPMG Auditores, S.L.
Paseo de la Castellana, 259
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 RE, Compañía de Reaseguros S.A.

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of Mapfre RE, Compañía de Reaseguros S.A. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated balance sheet at 31 December 2018, and the consolidated income statement, consolidated statement of recognised income and expense, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

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 2018 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.

Key Audit Matters

Valuation of technical provisions (Euros 6,215.2 million) See notes 5.9 and 6.9 to the consolidated annual accounts	
Key audit matter	*How the matter was addressed in our audit*
The Group recognises technical provisions for accepted reinsurance based on the accounts received from the ceding companies and the terms and conditions of the accepted reinsurance contracts. Estimating these provisions is complex and requires actuarial methods and calculations based on judgement and significant assumptions. These estimates include assumptions related to the amount of the expected settlement and historical payment patterns for accepted reinsurance claims. Due to their nature, there is a significant degree of uncertainty, and a change in assumptions could significantly impact the annual accounts.	Our audit procedures included testing the design, implementation and effectiveness of key controls established by the Company for estimating technical provisions, including controls on the definition of key assumptions and on the completeness and accuracy of the populations used when estimating these provisions. Our substantive procedures on the technical provisions basically consisted of the following: • Tests of the completeness and accuracy of the databases used to estimate technical provisions and from which the calculation assumptions were derived, based on a sample of accepted reinsurance contracts. • Confirmation of balances pending settlement from reinsurance accepted companies at 31 December 2018, for a sample of contracts. • Based on our knowledge and experience of the sector, assessment of the reasonableness of the actuarial models and the assumptions employed in calculating the provision for claims, comparing them to actuarial best practices, regulatory requirements, market scenarios and historical trends. • Review and analysis of the assumptions derived by the Company, comparing the claims indicators or ratios used by the Company in its actuarial models with past experience, and assessing their reasonableness based on the latest information available. We also assessed whether the information disclosed in the consolidated annual accounts complies with the requirements of the regulatory framework for financial reporting applicable to the Group.

Total Spin-Off operation of Mapfre Global Risks, Compañía Internacional de Seguros y Reaseguros, S.A. and absorption of the accepted reinsurance business by Mapfre RE, Compañía de Reaseguros, S.A. See notes 2.3 and 6.21 to the consolidated annual accounts	
Key audit matter	*How the matter was addressed in our audit*
On 24 May 2018, the Boards of Directors of the Companies belonging to Mapfre Group, Mapfre Global Risks, Compañía Internacional de Seguros y Reaseguros S.A., Mapfre RE Compañía de Reaseguros S.A., Mapfre España Compañía de Seguros y Reaseguros S.A., Servifinanzas S.A.U. and Mapfre Global Risks Agencia de Suscripción, formalized the joint spin-off project of Mapfre Global Risks Compañía Internacional de Reaseguros S.A. ("Proyecto Colina"), which implied the extinction of the aforementioned company and the division of its net worth in four parts, which have been transferred to the four aforementioned transferring entities. On 19 July 2018, the spin-off of Mapfre Global Risks, Compañía Internacional de Seguros y Reaseguros S.A., was approved at the Annual General Shareholders' Meeting, under the terms set forth in the Joint Project for total spin-off. As a result of the aforementioned operation, Mapfre RE has received a volume of assets related to Mapfre Global Risks' reinsurance activity worth € 2,485M, increasing its stock capital by € 403M The approval of the operation has been formalized by the Ministry of Economy and Business on 6 March 2019.	Our audit procedures included, among others: • Reading of the Joint Project for total spin–off signed by the Boards of Directors of the Mapfre Group's companies, Mapfre Global Risks, Compañía Internacional de Seguros y Reaseguros S.A., Mapfre RE Compañía de Reaseguros S.A., Mapfre España Compañía de Seguros y Reaseguros S.A., Servifinanzas S.A.U. and Mapfre Global Risks Agencia de Suscripción. • Reading of minutes of the Annual General Shareholders' Meeting with the total spin-off of Mapfre Global Risk, Compañía Internacional de Seguros y Reaseguros S.A.U., where the Joint Project for total split is approved. • Evaluation of the analysis carried out by the Company on the process about the identification and registration of the assets and liabilities acquired from Mapfre Global Risks, Compañía Internacional de Seguros y Reaseguros S.A. • Obtaining and reading of the approval of the operation formalized by the Ministry of Economy and Business on 6 March 2019 and received on 12 March 2019. We have evaluated whether the information disclosed in the annual accounts on the transaction and whether the aforementioned process complies with the requirements of the financial reporting regulatory framework applicable to the Group.

Other Information: Consolidated Directors’ Report

Other information solely comprises the 2018 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 as regards the content of the consolidated directors' report is defined in the legislation regulating the audit of accounts, which establishes two different levels:

a) A specific level applicable to the consolidated statement of non-financial information, which consists solely of verifying that this information has been provided in the consolidated directors' report, or where applicable, that the consolidated directors' report makes reference to the separate report on non-financial information, as provided for in legislation, and if not, to 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 above, we have verified that the consolidated directors’ report includes a reference that the information mentioned in section a) above is presented in the consolidated directors’ report of the Mapfre Group in which the Group it is integrated and that the rest of the information contained in the consolidated directors’ report is consistent with that disclosed in the consolidated annual accounts for 2018 and the content and presentation are in accordance with applicable legislation.

Directors' 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.

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 those charged with governance 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 those charged with governance of the Company 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 those charged with governance of the Company, 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 Pursuant to Article 36 of Audit Law 22/2015

The opinion expressed in this report is consistent with our additional report dated 5 April 2018, issued pursuant to article 36 of Audit Law 22/2015.

Contract Period

We were appointed as auditor of Mapfre RE, Compañía de Reaseguros S.A. by the shareholders at the ordinary general meeting on 20 March 2018 for a period of three years, from the year commenced 1 January 2018.

Previously, we were appointed by agreement of the shareholders at the ordinary general meeting for a period of three years, and we have been carrying out the audit work on an uninterrupted basis since the fiscal year ended on 31 December 2015.

KPMG Auditores, S.L.
On the Spanish Official Register of
Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

Antonio Lechuga
On the Spanish Official Register of Auditors ("ROAC") with No. 03811

5 April 2019

5

Individual Management Report

Introduction

MAPFRE RE, Compañía de Reaseguros, S.A. (the "Company") has recorded positive results in 2018, with income and premium volume greater than in 2017, due in part to the incorporation of the operations and assets from the total demerger of the company MAPFRE GLOBAL RISKS Compañía de Seguros y Reaseguros S.A.U. in favor of the companies MAPFRE RE, Compañía de Reaseguros, S.A., MAPFRE ESPAÑA Compañía de Seguros y Reaseguros, Sociedad Anónima, MAPFRE GLOBAL RISKS Agencia de Suscripción, S.A.U. and Servifinanzas, S.A.U. retroactive to January 1, 2018.

As in the previous year, the severe catastrophic loss experience in the sector in 2018 was relieved at MAPFRE RE due to its solid risk management policy and the presence of effective financial protections.

The Company is a subsidiary of MAPFRE S.A., the company that files its Consolidated Annual Accounts with the Commercial Registry of Madrid, together with the Consolidated Report on Operations and the Integrated Report, which include the Group's non-financial information.

Key figures

Income Statement

Accounted assumed premiums were 4,774.5 million euros, an increase of 15.1 percent compared to those posted the previous year. Net premiums reached 2,995.2 million euros, which represents an increase of 8.6 percent compared to the previous year.

The combined ratio of the Life and Non-life business was 97.6 percent (97.8 percent in 2017), including a 70.3 percent loss ratio, with commissions and other acquisition and management expenses amounting to 27.2 per cent.

The underwriting result amounted to 55.0 million euros (65.2 million euros in 2017). Net financial income totaled 153.2 million euros (146.1 million euros in 2017).

The profit and loss statement shows earnings before tax and non-controlling interests amounting to 213.6 million euros, a very positive result if we consider the competitive environment and the catastrophic events of the year. The result registered the previous year was 213.1 million euros. Net profit after tax and non-controlling interests came to 156.4 million euros, 0.1 percent below the 159.5 million euros registered the previous fiscal year.

Balance Sheet

Net equity amounted to 1,599.9 million euros.

Net technical provisions reached 3,521.7 million euros, representing 118.3 percent of net earned premiums.

Financial investments totaled 3,881.3 million euros. This figure is made up of financial assets held for trading reaching 4.3 million euros, financial assets available for sale in the amount of 3,247.6 million euros, cash and other equivalent liquid Assets reaching 298.7 million euros, and Shares in associated companies of the Group which reached 330.7 million euros.

Total assets amounted to 8,623.3 million euros.

Main activities

MAPFRE RE's revenue reached 5,921.2 million euros, making for an increase of 15.6 percent on the previous year. The result before tax and non-controlling interests comes to 213.6 million euros, 1.7 percent less than that registered in 2017, with shareholders' equity at the close of the fiscal year standing at 1,604.7 million euros. The Non-Life combined ratio is 95.4 percent. All these figures are quite positive, even more so in an environment of reduced margins and low financial returns that the industry continues to face.

Commercial initiatives

Sales actions have been carried out in all geographical areas in order to strengthen MAPFRE's relationship with customers and brokers in its markets.

The Personal Area continues its intensive outreach to clients and brokers to offer Life reinsurance solutions required under solvency standards, participating through presentations at market events or in academic forums on risk selection and the digital transformation of rating processes in Life business.

In London, MAPFRE RE has moved offices to the Group's new building in the City, and in Sao Paulo it celebrated the tenth anniversary of the incorporation of MAPFRE RE DO BRASIL, which is now one of the preeminent reinsurers in the country.

It has also sponsored specialized professional events in various countries, such as the Jornadas de Reaseguro in Argentina, the Asociación Latinoamericana de Seguro Agropecuario (ALASA) in Peru, the Inter-European Reinsurance Meeting (ENTRE) in Spain, the East Asia Insurance Congress (EAIC) in Manila, or various industry conferences in the USA (PCIA, IRUA, NAMIC and CIRB).

Underwriting management and client services

Sharing knowledge with its clients continues to be an essential activity for MAPFRE RE. This is one of the reasons behind the decision to hold training days including, in particular, a new edition of the MAPFRE RE International Forum in Madrid, with 19 guests invited from 17 different countries, or the collaboration with the National Institute of Insurance and Fasecolda, in Colombia, to present its international Top Reinsurance Management program.

It has organized technical conferences and seminars such as the ones on mortgage insurance in France with over 50 attendees, or on marine insurance in Argentina. A seminar was organized in the Agro line on the management of grain losses, attended by 23 participants from seven countries across four continents.

Activity has also been intensive in the Personal area, with seminars and presentations on Life and Health business in Milan, Buenos Aires, Madrid and Warsaw.

MAPFRE RE continues its support of qualified clients with innovative reinsurance solutions.

As a member of MAPFRE Open Innovation (MOi), the innovation model for the MAPFRE Group, it has also undertaken intensive outreach efforts on how MAPFRE RE meets the challenge of offering innovative solutions to its clients. It has participated with presentations at innovation outreach events such as INSEAD Digital, IE Blockchain, Global Summit for insurance innovation (INESE) and Disruptive FSI (Financial Services Innovation).

MAPFRE RE continues to provide new activities for the professional development of its teams, such as a technician development program to enhance professionalism, provide more value to clients, align them with Company strategy and increase their efficiency and productivity. The training launched in 2017 for team management and product leadership for over 50 Company executives was completed.

Information and technology systems

In 2018, MAPFRE RE has deepened its adoption of technologies that facilitate greater efficiency in its processes. Development has been completed of the new underwriting management tool, a platform that will allow greater agility and control in responding to clients' needs. Processes have also been implemented for the automation of massive accounting reconciliation tasks to improve efficiency and provide greater service capacity for teams.

A large part of the technological efforts expended in 2018 have been to prepare information systems for the Company for integrating MAPFRE GLOBAL RISKS business that is being assumed by MAPFRE RE, requiring new processes and adjustments in all it components.

The update of the commercial data base for CRM was also completed.

Subsidiaries and investee companies

MAPFRE RE DO BRASIL reported 53.3 million euros in revenues and pre-tax earnings of 8.2 million euros, with a shareholders' equity of 42.6 million euros at the end of the year.

MAPFRE CHILE REASEGUROS obtained revenues of 23.2 million euros, a result before tax of 4.4 million euros, closing the fiscal year with shareholders' equity of 54.6 million euros.

Social and environmental matters

Personnel

The ending workforce in service at the close of the last two fiscal years has had the following structure, classified according to professional category:

CATEGORIES	2018	2017
Directors	2	2
Senior Managers	0	0
Managers	78	75
Technicians	235	205
Administrative staff	44	56
TOTAL	**359**	**338**

The workforce objective includes the professional development of its employees and the strengthening of their employability and well-being by developing their abilities and skills. All of this is pursued in an atmosphere of commitment and mutual respect that is free of insults, intimidation, harassment or discrimination, in a workplace that guarantees security and stability of employment.

To this end, it has a Code of Ethics and Conduct that is inspired by the institutional and business principles and which is conceived 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. It thus 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 Company's employment policy favors permanent rather than temporary contracts, seeking a stable environment in a continuous working relationship. The percentage of the workforce of the Controlling Company and its subsidiaries in permanent positions in 2018 was 99.5 percent (97.9 percent in 2017).

During the period, the expansion of the Global Disability Program continued apace, and at the year-end, there were 5 people with a disability in the workforce (4 people with a disability in 2017).

The Promotion, Selection and Mobility Policy aims to promote employees' opportunities for professional development through development plans and programs, training schedules and mobility between areas and countries, in order to increase their employability, their professional satisfaction and their commitment to the Company.

There is a global selection procedure that guarantees objectivity, maximum rigor and non-discrimination in all procedures. Furthermore, the tests used during selection are standardized worldwide with a view to filling each position with a candidate having the most appropriate profile. A total of 20 selection processes were completed in 2018 (59 processes in 2017).

Moreover, in 2018, 723,272 euros was invested in workforce training (609,599 euros in 2017).

Remuneration policy is based on each employee's job position: Pay is competitive with market rates, and guarantees internal fairness. It is flexible, 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, in the interests of both employees and their families, and also of the productivity, competitiveness and sustainability of the Company. Every year, employees receive information and are given training on health and healthy habits.

Environment

One of the things that MAPFRE does that enables it to generate trust in shareholders is its commitment to sustainability in the environments in which it operates. This commitment constitutes one of its major short and medium-term challenges, as the long-term resilience of the Group will continue to be contingent on the strategy adopted for dealing with risks related to climate change, among other variables.

During 2018, actions continued to be implemented to satisfy the commitments assumed under the Environmental Policy approved on December 13, 2018, including additional commitments related to the inclusion of environmental criteria in its business processes.

MAPFRE carries out Environmental Management activities under the guidelines defined by the triple Integrated Environmental, Energy and Carbon Footprint System (referred to by its Spanish acronym SIGMAYE), a strategic model defined in accordance with the international standards ISO 14001, ISO 50001 and ISO 14064.

The transversal design and the global nature of SIGMAYE allows for 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 expansion of the scope of UNE-EN-ISO 14064 continues to move ahead, verifying the carbon footprint of Group companies located in Spain, Puerto Rico, Colombia, Peru and Portugal.

In relation to mitigation and adaptation to Climate Change, the completion of activities defined in the 2020 Energy Efficiency and Climate Change Strategic Plan continues, with more ambitions challenges and deadlines assumed regarding CO2 neutrality. Group actions in this area have made it possible for MAPFRE to be included on the CDP A list (Driving Sustainable Economies).

It should be noted that MAPFRE is part of a pilot project in the insurance industry promoted by UNEP-FI and created to incorporate recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The inclusion of these recommendations will provide the leverage to introduce climate parameters into financial analyses, and so facilitate the dialog among companies and banks, insurers and investors.

Furthermore, bearing in mind the conditions that Climate Change provokes in the biological diversity of our planet, development of specific programs will continue for conservation, including those that sponsor the continuation of the project for reforestation of the Doñana National Park through the "100 Companies for Forests" initiative of WWF España.

The holding of the second "All Together for the Environment" corporate volunteer day for promotion of environmental responsibility should be noted, where reforesting degraded areas, removing trash from beaches and rivers, the improvement and maintenance of footpaths and parks and a number of other activities demonstrate once more the commitment and involvement of our employees in this regard.

Lastly, the Global Campaign to publicize the Sustainable Development Goals among Group employees was reinforced by the highlighting of environmental activities performed by the Company and best practices for employees found in 13 of the 17 Goals defined in the 2030 Agenda.

Environmental, Social and Governance Factors and Risks

The Group takes responsibility for the impact of its business activity on the environment and society in general. Its social responsibility model and policy facilitate the integration of environmental, social and governance (ESG) aspects into its business.

Proper monitoring of the ESG aspects makes it possible for the organization to obtain additional information about these potential risks, and gain better understanding of social movements and transformations, and the expectations of its stakeholders (investors, clients, regulatory bodies, distributors, general public, employees, etc.).

By integrating the management of these risks with the more traditional risks inherent in the activity, we can develop and promote more responsible and sustainable businesses.

There are two policies applied by the Group in this area:

— Risk Management Policy, the objectives of which are to establish general guidelines, basic principles and the general framework of action for risk management; to promote a solid culture and an effective system of risk management; to ensure that risk analysis forms part of the decision-making process; and to preserve the Group's solvency and financial strength.

— Compliance Function Policy, the main objective of which is to minimize the likelihood of any legal or compliance risk materializing. To this end, it defines effective accident prevention and control mechanisms, encourages specialized staff training and promotes an ethical and compliance culture across the organization.

Other information

Financial Risks

Market and interest rate risks

Fluctuations in market prices can reduce the value or income in the investment portfolio and in turn, this can have a negative effect on the Company's financial position.

The Company mitigates exposure to this type of risk by means of a prudent investment policy characterized by a high proportion of investment grade, fixed income securities.

Most investments are fixed income securities, accounting for 72.4 percent of the total financial investment portfolio in 2018 (68.7 percent in 2017).

Investments in equities and mutual funds have a limited impact on the balance sheet, representing approximately 11.3 percent of all financial investments in 2018 (17.3 percent in 2017).

Exchange rate risk

Fluctuations in the value of the euro compared with other currencies may, in the future, affect the value of the Company's assets and liabilities and, consequently, its shareholders' equity as well as its opening results and cash flow. Currency conversion differences registered involved the recognition of -0.8 million euros in (-0.8 million euros in 2017).

Credit risk

Returns on investments are also sensitive to changes in general economic conditions, including changes in the general credit ratings of debt security issuers. Exposure to credit risk is mitigated by means of a policy based on the prudent selection of security issuers and counterparties according to their solvency; seeking a high degree of geographic matching between issuers of assets and commitments; the maintenance of a suitable level of diversification; and obtaining, where appropriate, guarantees, collateral and other hedges.

Fixed-income and equity investments are subject to limits per issuer. The 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.

Liquidity risk

The liquidity risk is mainly managed by keeping sufficient cash balances to cover any need deriving from commitments made to third parties. As at December 31, 2018, the balance of cash was 298.7 million euros (191.4 million euros in 2017), making for 7.7 percent of total investment and liquid funds (5.8 percent in 2017). 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.

Treasury Stock

During fiscal year 2018, the Company did not perform any transactions with treasury stock.

Research, Development and Innovation

MAPFRE's priorities in terms of innovation are in line with the Company's strategy, giving a central place to the client (while taking account of the needs of different segments).

To deal with the fundamental change that the insurance industry is experiencing, the organization must be streamlined, making it more agile and efficient. To achieve these ends, MAPFRE Open Innovation (MOi), a combination of transformation and innovation platforms, were launched in 2018. Its component functions are summarized below:

Strategic Innovation aims to propose solutions using a short and medium-term methodology with reasonable returns and perfectly measurable objectives that will tackle strategic challenges that enable the organization to stand out from the crowd.

The lines of activity are focused on four pillars:

— Establishing knowledge centers worldwide on current trends that directly or indirectly affect the business;

— Deploying a Startup and Case Builder Radar to build bridges between the Company and the entrepreneurial ecosystem;

— Management of a global innovation portfolio and the introduction of work methodologies to make agility, flexibility and change the common denominator in project development;

— Launch of the intrapreneurship program 'MAPFRE innovates', an innovative participatory process open to employees.

Disruptive Innovation was born out of the desire to construct a relationship model with agents outside the organization that allows MAPFRE to import innovation and accelerate its transformation capacities.

Disruptive innovation focuses on:

— The MAPFRE Accelerator, insur_space, enabling direct interaction with selected and relevant startups,

— Participation in investment vehicles that facilitate a broader grasp of disruptive innovation in Insurtech, along with being in a favorable position during their success.

— Maintaining strong relationships with Universities and Business Schools is a proven way to attract talent to the organization and guarantee success in the future, and cooperation agreements with Universities and/or Business Schools that make it possible to recruit, develop and retain talent.

The changes implemented in 2018 and the vision of consolidating this open innovation model over the next few years will address the fundamental changes in the industry and new societal realities.

Average Provider Payment Period

Average payment terms of service providers during the fiscal year is 4.57 days (6.72 days in fiscal year 2017).

Corporate aspects

In fiscal year 2018, Ana Isabel Fernández and Katsuiko Kaneyosi were appointed as directors at the General Shareholders' Meetings held on January 26 and March 20, 2018 respectively; Pedro López was re-elected as a director at the General shareholders' Meeting of March 20, 2018 and as member of the Executive Committee; Eduardo Pérez de Lema was appointed vice-chairman of the board of directors; Antonio Gómez was appointed vice-chairman of the Executive Committee; Javier Fernández-Cid was appointed member of the Executive Committee; and the directors Angel Alonso, Ricardo Blanco and Gregorio Robles submitted their resignations due to age.

Significant events for the company that occurred after the year-end close

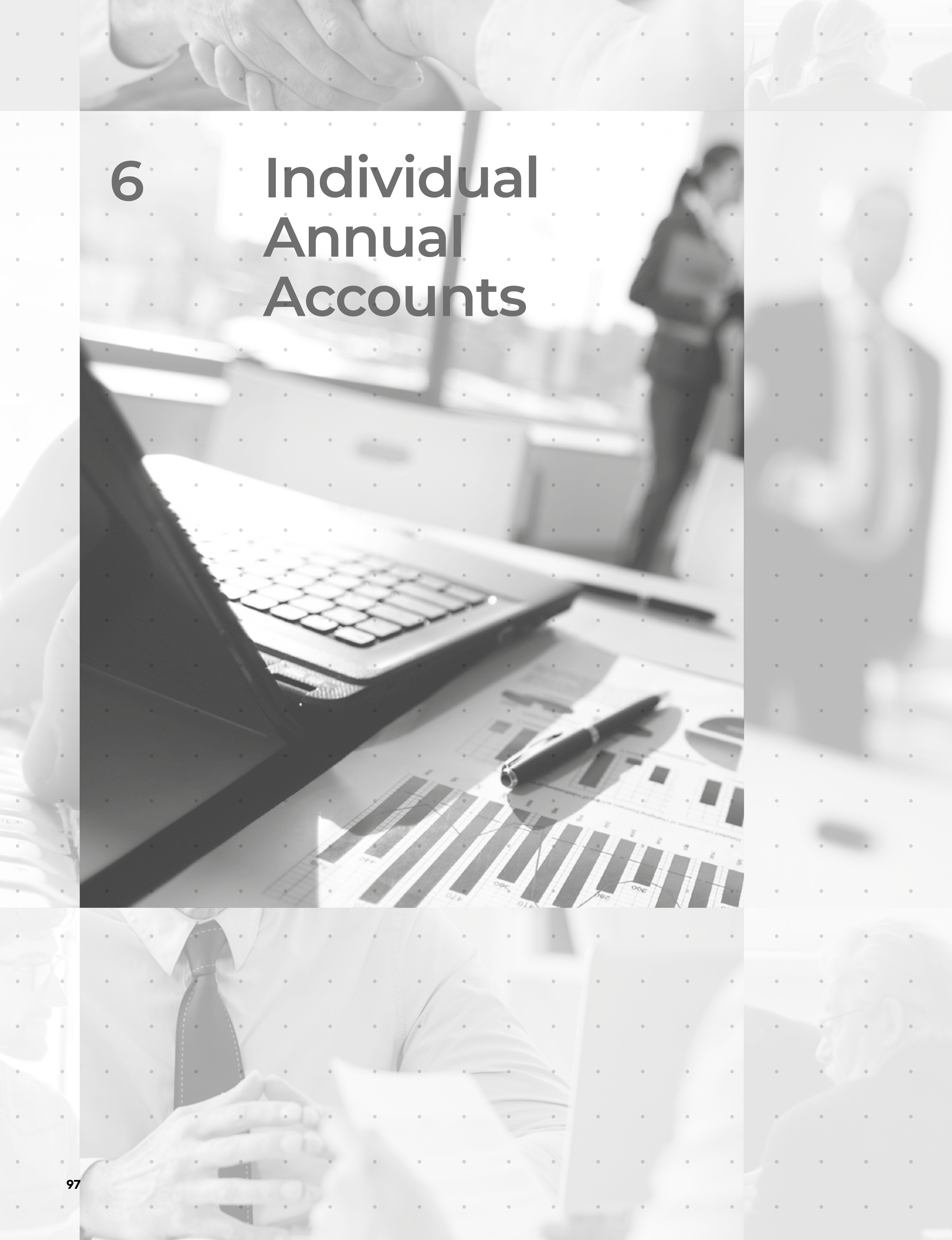
By its resolution of March 12, 2019, the General Directorate of Insurance and Pension Funds announced the publication on March 6, 2019 of the Ministerial Order of the Ministry of the Economy and Finance authorizing the total demerger of MAPFRE GLOBAL RISKS COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS S.A., by which the company MAPFRE RE is the beneficiary of its assumed reinsurance business and related assets and liabilities.

Economic outlook

The reinsurance sector remains strongly capitalized despite the recent fiscal years.

The tension in the reinsurance industry to improve technical margins is expected to continue in 2019. Efforts are being increasingly focused on enhancing customer loyalty and services to existing clients as well as identifying opportunities to provide innovative solutions to meet new requirements.

6 Individual Annual Accounts



Balance sheet as on December 31, 2018 and 2017

A) ASSETS	Notes	2018	2017
A-1) Cash and equivalents	9	**298,714**	**191,355**
A-2) Financial assets held for trading	9	**4,328**	**8,490**
I. Equity instruments	9	4,328	8,490
II. Debt securities			
III. Derivatives			
IV. Other			
A-3) Other financial assets at fair value with changes in gains and losses	9	**46**	**46**
I. Equity instruments	9	46	46
II. Debt securities			
III. Hybrid instruments			
IV. Investments on behalf of Life insurance policyholders bearing the investment risk			
V. Other			
A-4) Financial assets available for sale	9	**3,247,626**	**2,831,780**
I. Equity instruments	9	433,954	347,268
II. Debt securities	9	2,813,672	2,484,512
III. Investments on behalf of Life insurance policyholders bearing the investment risk			
IV. Other			
A-5) Loans and receivables		**1,950,126**	**1,174,255**
I. Debt securities			
II. Loans			
1. Advances on policies			
2. Loans to group companies and associates			
3. Loans to other related companies			
III. Deposits with credit companies	9	10,054	2,284
IV. Deposits established for assumed reinsurance	9	857,892	875,768
V. Receivables on direct insurance operations			
1. Policyholders			
2. Intermediaries			
VI. Receivables on reinsurance operations	9	946,223	282,932
VII. Receivables on co-insurance operations			
VIII. Called capital			
IX. Other receivables		135,957	13,271
1. Receivables with public authorities		17,216	5,479
2. Remaining receivables	9	118,741	7,792
A-6) Investments held to maturity			
A-7) Hedging derivatives			
A-8) Participation of reinsurance in technical provisions	11	**2,485,642**	**1,431,944**
I. Provision for unearned premiums		578,845	298,641
II. Provisions for Life insurance		5,454	4,666
III. Provision for outstanding claims		1,901,343	1,128,637
IV. Other technical provisions			
A-9) Property, plant and equipment and property investments		**36,062**	**36,420**
I. Property, plant and equipment	5	34,813	35,156
II. Property investments	6	1,249	1,264
A-10) Intangible fixed assets		**40,159**	**953**
I. Goodwill	7	36,149	
II. Financial rights derived from policy portfolios acquired from intermediaries			
III. Other intangible assets	7	4,010	953
A-11) Holdings in group, multi-group and associated companies	9 & Annex 1	**330,656**	**269,275**
I. Holdings in associated companies	9	200	200
II. Holdings in multi-group companies			
III. Holdings in group companies	9	330,456	269,075
A-12) Tax assets		**67,600**	**28,334**
I. Current tax assets		271	12
II. Deferred tax assets	12	67,329	28,322
A-13) Other assets		**165,299**	**180,735**
I. Assets and long-term reimbursement rights for personnel		1,586	1,454
II. Anticipated commissions and other acquisition costs			
III. Accruals		163,706	179,209
IV. Remaining assets		7	72
A-14) Assets held for sale			
TOTAL ASSETS		**8,626,259**	**6,153,587**

(Figures in thousands of euros)

A) LIABILITIES	Notes	2018	2017
A-1) Financial liabilities held for trading			
A-2) Other financial assets at fair value with changes in gains and losses			
A-3) Debits and payables		**924,327**	**392,223**
I. Subordinated liabilities			
II. Deposits received for ceded reinsurance	9	72,579	67,814
III. Debt for insurance operations			
1. Debt with insured parties			
2. Debt with intermediaries			
3. Conditional debt			
IV. Due on reinsurance operations	9	742,526	275,977
V. Debt on co-insurance operations			
VI. Debentures and other negotiable securities			
VII. Due to credit institutions			
VIII. Debt for preparatory operations of insurance contracts			
IX. Other payables:		109,222	48,432
1. Debt to public authorities		26,400	19,941
2. Other debts to group companies and associates	9	79,568	26,205
3. Remaining other debts	9	3,254	2,286
A-4) Hedging derivatives			
A-5) Technical provisions	11 & 21	**6,007,303**	**4,408,430**
I. Provision for unearned premiums		1,132,146	1,070,396
II. Provision for unexpired risks			
III. Provisions for Life insurance		517,996	505,743
1. Provision for unearned premiums		517,996	505,743
2. Provision for unexpired risks			
3. Mathematical reserve			
4. Provision for Life insurance when the policyholder bears the investment risk			
IV. Provision for outstanding claims		4,357,161	2,832,291
V. Provision for profit sharing and return premiums			
VI. Other technical provisions			
A-6) Non-technical provisions	14	**8,492**	**9,869**
I. Provisions for taxes and other legal contingencies			
II. Provision for pensions and similar obligations	14	3,356	2,803
III. Provision for payments through settlement agreements			
IV. Other non-technical provisions	14	5,136	7,066
A-7) Tax liabilities		**29,822**	**34,168**
I. Current tax liabilities		5,518	
II. Deferred tax liabilities	12	24,304	34,168
A-8) Remaining liabilities		**56,452**	**59,989**
I. Accruals		56,434	59,795
II. Liabilities for accounting mismatches			
III. Commissions and other acquisition costs for ceded reinsurance			
IV. Other liabilities		18	194
A-9) Liabilities linked to assets held for sale			
TOTAL LIABILITIES		**7,026,396**	**4,904,679**

(Figures in thousands of euros)

Balance sheet as on December 31, 2018 and 2017

B) EQUITY	Notes	2018	2017
B-1) Shareholders' equity		**1,604,654**	**1,176,302**
I. Capital or mutual fund	10	293,284	223,916
1. Issued capital or mutual fund		293,284	223,916
2. (Uncalled capital)			
II. Share premium		554,392	220,565
III. Reserves		116,202	147,027
1. Legal and statutory	10	44,783	44,783
2. Stabilization reserve			
3. Other reserves		71,419	102,244
IV. (Treasury stock)			
V. Results from previous fiscal years		584,794	528,575
1. Balance	3	585,198	528,979
2. (Negative results from previous fiscal years)		(404)	(404)
VI. Other contributions from shareholders and mutual societies			
VII. Result for the period	3	156,383	159,509
VIII. (Interim dividend and stabilization reserve)	3 & 10	(100,401)	(103,290)
IX. Other equity instruments			
B-2) Revaluation adjustments:	9	**(4,792)**	**72,606**
I. Financial assets available for sale		(3,964)	73,418
II. Hedging operations			
III. Currency conversion and exchange differences		(828)	(812)
IV. Accounting mismatch corrections			
V. Other adjustments			
B-3) Subsidies, donations and endowments received			
TOTAL EQUITY		**1,599,862**	**1,248,908**
TOTAL LIABILITIES AND EQUITY		**8,626,259**	**6,153,587**

(Figures in thousands of euros)

Profit and loss account for years ended December 31, 2018 and 2017

PROFIT AND LOSS ACCOUNT	Notes	2018	2017
I. TECHNICAL ACCOUNT - NON-LIFE INSURANCE			
I.1. Premiums Allocated to the Period, Net of Reinsurance	22	**2,746,061**	**2,403,234**
a) Earned premiums for the period, net		4,194,350	3,525,490
a.1) Direct insurance			
a.2) Assumed reinsurance	21 & 22	4,194,350	3,525,490
a.3) Variation of the impairment correction for premiums pending collection (+ or -)			
b) Premiums from ceded reinsurance (-)	22	(1,751,085)	(1,355,003)
c) Variation of the provisions for unearned premiums and unexpired risks (+ or -)	22	281,690	227,805
c.1) Direct insurance			
c.2) Assumed reinsurance		281,690	227,805
d) Variation of the provision for unearned premiums, ceded reinsurance (+ or -)		21,106	4,942
I.2. Revenues from property, plant and equipment and investments		**970,161**	**766,448**
a) Revenues from property investments			
b) Revenues from financial investments	9	931,001	733,388
c) Application of value corrections for the impairment of property, plant and equipment and investments			
c.1) From property, plant and equipment and property investments			
c.2) From financial investments			
d) Profits from the sale of property, plant and equipment and investments		39,160	33,060
d.1) From property, plant and equipment and property investments			
d.2) From financial investments	9	39,160	33,060
I.3. Other Technical Revenues			
I.4. Loss ratio for the period, Net of Reinsurance		**1,859,062**	**1,595,791**
a) Outstanding claims and expenses paid		1,459,679	1,305,779
a.1) Direct insurance			
a.2) Accepted reinsurance	22	2,740,304	2,154,882
a.3) Ceded reinsurance (-)	22	(1,280,625)	(849,103)
b) Variation in the provision for outstanding claims (+ or -)		396,094	289,922
b.1) Direct insurance			
b.2) Accepted reinsurance	22	786,038	1,024,519
b.3) Ceded reinsurance (-)	22	(389,944)	(734,597)
c) Claims-related expenses		3,289	90
I.5. Variation in Other Technical Provisions, Net of Reinsurance (+ or -)			
I.6. Profit Sharing and Return Premiums			
a) Outstanding claims and expenses for profit sharing and return premiums			
b) Variation in the provision for profit sharing and return premiums (+ or -)			
I.7. Net Operating Expenses		**762,094**	**686,906**
a) Acquisition expenses	22	960,858	1,002,887
b) Administration expenses	22	20,147	11,237
c) Commissions and participation in ceded and retroceded reinsurance	22	(218,911)	(327,218)
I.8. Other Technical Expenses (+ or -)		**10,841**	**(3,754)**
a) Variation of impairment for insolvencies (+ or -)	8	5,031	(3,810)
b) Variation of impairment of fixed assets (+ or -)			
c) Variation of outstanding claims settlement agreements (+ or -)			
d) Other		5,810	56
I.9. Expenses from property, plant and equipment and investments		**902,224**	**694,090**
a) Expenses from investment management	9	887,275	686,768
a.1) Expenses from property, plant and equipment and property investments			
a.2) Expenses from investments and financial accounts	9	887,275	686,768
b) Value corrections for property, plant and equipment and investments		392	313
b.1) Amortization of property, plant and equipment and property investments		392	313
b.2) Impairment of property, plant and equipment and property investments			
b.3) Impairment of financial investments			
c) Losses resulting from property, plant and equipment and investments	9	14,557	7,009
c.1) From property, plant and equipment and property investments			
c.2) From financial investments	9	14,557	7,009
I.10. Subtotal (Result from Technical Non-Life Insurance Account)		**182,001**	**196,649**

(Figures in thousands of euros)

Profit and loss account for years ended December 31, 2018 and 2017

PROFIT AND LOSS ACCOUNT	Notes	2018	2017
II. TECHNICAL ACCOUNT - LIFE INSURANCE			
II.1. Premiums Allocated to the Period, Net of Reinsurance	22	**540,501**	**532,544**
a) Earned premiums		580,109	623,729
a.1) Direct insurance			
a.2) Assumed reinsurance	21 & 22	580,109	623,729
a.3) Variation of the impairment correction for premiums pending collection (+ or -)			
b) Premiums from ceded reinsurance (-)	22	(28,141)	(36,715)
c) Variation of the provision for unearned premiums or unexpired risks (+ or -)		(12,254)	(53,261)
c.1) Direct insurance			
c.2) Assumed reinsurance	22	(12,254)	(53,261)
d) Variation of the provision for unearned premiums, ceded reinsurance (+ or -)	22	787	(1,209)
II.2. Revenues from property, plant and equipment and investments		**148,104**	**181,811**
a) Revenues from property investments			
b) Revenues from financial investments	8	141,349	170,705
c) Application of value corrections for the impairment of property, plant and equipment and investments			
c.1) From property, plant and equipment and property investments			
c.2) From financial investments			
d) Profits from the sale of property, plant and equipment and investments		6,755	11,106
d.1) From property plant and equipment and property investments			
d.2) From financial investments	8	6,755	11,106
II.3. Revenues from investments subject to insurance in which the policyholder bears the investment risk			
II.4. Other Technical Revenues			
II.5. Claims for the fiscal year, Net of Reinsurance		**452,490**	**459,943**
a) Outstanding claims and expenses paid		447,080	440,940
a.1) Direct insurance			
a.2) Assumed reinsurance	22	461,330	464,561
a.3) Ceded reinsurance (-)	22	(14,250)	(23,621)
b) Variation in the provision for outstanding claims (+ or -)		5,398	18,991
b.1) Direct insurance			
b.2) Assumed reinsurance	22	3,439	16,134
b.3) Ceded reinsurance (-)	22	1,959	2,857
c) Claims-related expenses		12	12
II.6. Variation in Other Technical Provisions, Net of Reinsurance (+ or -)			
a) Provisions for Life insurance			
a.1) Direct insurance			
a.2) Assumed reinsurance			
a.3) Ceded reinsurance (-)			
Provisions for Life insurance in which the policyholder bears the investment risk			
b) Other technical provisions			
II.7. Profit Sharing and Return Premiums			
a) Outstanding claims and expenses for profit sharing and return premiums			
b) Variation in the provision for profit sharing and return premiums (+ or -)			

PROFIT AND LOSS ACCOUNT	Notes	2018	2017
II.8. Net Operating Expenses		**133,241**	**127,932**
a) Acquisition expenses	22	139,547	135,811
b) Administration expenses	22	1,435	1,892
c) Commissions and holdings in ceded and retroceded reinsurance	22	(7,741)	(9,771)
II.9. Other Technical Expenses		**43**	**7**
a) Variation of impairment for insolvencies (+ or -)			
b) Variation of impairment of fixed assets (+ or -)			
c) Other		43	7
II.10. Expenses for property, plant and equipment and investments		**72,845**	**109,239**
a) Management expenses from property, plant and equipment and investments	9	71,647	106,898
a.1) Expenses from property, plant and equipment and property investments			
a.2) Expenses from investments and financial accounts	9	71,647	106,898
b) Value corrections for property, plant and equipment and investments			41
b.1) Amortization of property, plant and equipment and property investments			41
b.2) Impairment of property, plant and equipment and property investment			
b.3) Impairment of financial investments			
c) Losses resulting from property, plant and equipment and investments	9	1,198	2,300
c.1) From property, plant and equipment and property investments			
c.2) From financial investments	9	1,198	2,300
II.11. Expenses from investments subject to insurance in which the policyholder bears the investment risk			
II.12. Subtotal, (Results from the Life Insurance Technical Account)		**29,986**	**17,234**

(Figures in thousands of euros)

Profit and loss account for years ended December 31, 2018 and 2017

PROFIT AND LOSS ACCOUNT	Notes	2018	2017
III. NON-TECHNICAL ACCOUNT			
III.1. Revenues from property, plant and equipment and investments		**25,712**	**23,312**
a) Revenues from property investments		14	14
b) Revenue from financial investments	9	21,813	19,097
c) Application of value corrections for the impairment of property, plant and equipment and investments			
c.1) From property, plant and equipment and property investments			
c.2) From financial investments			
d) Profit from the sale of property, plant and equipment		3,885	4,201
d.1) From property plant and equipment and property investments	5	6	8
d.2) From financial investments	9	3,879	4,193
III.2. Expenses from property, plant and equipment and investments		**15,744**	**19,176**
a) Expenses from investment management	9	15,104	18,239
a.1) Expenses from investments and financial accounts	9	15,104	18,239
a.2) Material investment expenses			
b) Value corrections for property, plant and equipment and investments			
b.1) Amortization of property, plant and equipment and property investments			
b.2) Impairment of property, plant and equipment and property investment			
b.3) Impairment of financial investments			
c) Losses resulting from property, plant and equipment and investments		640	937
c.1) From property, plant and equipment and property investments	5	15	34
c.2) From financial investments	9	625	903
III.3. Other Revenues		**1,205**	**292**
a) Revenues from pension fund management			
b) Remaining revenues		1,205	292
III.4. Other expenses		**9,600**	**5,228**
a) Expenses from pension fund management			
b) Remaining expenses		9,600	5,228
III.5. Subtotal, (Results from Non-Technical Account)		**1,573**	**(800)**
III.6. Results before Tax (I.10 + II.12 + III.5)		**213,560**	**213,083**
III.7. Tax on profits	12	**57,177**	**53,574**
III.8. Results from ongoing operations (III.6 + III.7)	3	**156,383**	**159,509**
III.9. Results from discontinued operations, net of tax (+ or -)			
III.10. Result for the Period (III.8 + III.9)		**156,383**	**159,509**

(Figures in thousands of euros)

Statement of changes in net equity for years ended December 31, 2018 and 2017

A) Statements of recognized revenue and expenses

STATEMENT OF RECOGNIZED REVENUE AND EXPENSES	2018	2017
I. RESULT FOR THE PERIOD	156,383	**159,509**
II. OTHER RECOGNIZED REVENUE AND EXPENSES	(87,504)	**(25,118)**
II.1. Financial assets available for sale	**(116,651)**	**(31,650)**
Valuation gains and losses	(83,238)	6,164
Amounts transferred to the income statement	(33,413)	(37,814)
Other reclassifications		
II.2. Cash flow hedging		
Valuation gains and losses		
Amounts transferred to the income statement		
Amounts transferred to the initial value of hedged items		
Other reclassifications		
II.3. Hedging of overseas business net investments		
Valuation gains and losses		
Amounts transferred to the income statement		
Other reclassifications		
II.4. Currency conversion and exchange differences	**(21)**	**(1,796)**
Valuation gains and losses	(21)	(1,796)
Amounts transferred to the income statement		
Other reclassifications		
II.5. Accounting mismatch corrections		
Valuation gains and losses		
Amounts transferred to the income statement		
Other reclassifications		
II.6. Assets held for sale		
Valuation gains and losses		
Amounts transferred to the income statement		
Other reclassifications		
II.7. Actuarial gains / (losses) for long-term personnel remuneration		
II.8. Other recognized revenue and expenses		
II.9. Tax on profits	**29,168**	**8,328**
III. TOTAL RECOGNIZED REVENUE AND EXPENSES	**68,879**	**134,391**

(Figures in thousands of euros)

Statement of changes in net equity for the fiscal year completed on December 31, 2018 and 2017

B) TOTAL STATEMENT OF CHANGES IN NET EQUITY

ITEM	CAPITAL OR MUTUAL FUND		SHARE PREMIUM
	Issued	Not issued	
C. CLOSING BALANCE FOR 2016	**223,916**		**220,565**
I. Revaluation adjustments 2017			
II. Adjustments for errors 2017			
D. ADJUSTED OPENING BALANCE 2017	**223,916**		**220,565**
I. Total recognized revenue and expenses			
II. Operations with shareholders or mutual societies.			
1. Increases in capital or mutual fund.			
2. (-) Reductions in capital or mutual fund.			
3. Conversion of financial liabilities into equity (conversion of debentures, debt write-offs).			
4. (-) Distribution of dividends or active apportionments (note 3).			
4.bis (-) Distribution of earnings.			
5. Operations with treasury stock or own equity (net).			
6. Increase (reduction) of equity resulting from a business combination.			
7. Other operations with shareholders or mutual societies.			
III. Other variations in equity			
1. Payments based on equity instruments.			
2. Transfers among equity items.			
3. Other variations (note 3)			
E. CLOSING BALANCE 2017	**223,916**		**220,565**

ITEM	CAPITAL OR MUTUAL FUND		SHARE PREMIUM
	Issued	Not issued	
C. CLOSING BALANCE FOR 2017	**223,916**		**220,565**
I. Revaluation adjustments 2018			
II. Adjustments for errors 2018			
D. ADJUSTED OPENING BALANCE 2018	**223,916**		**220,565**
I. Total recognized revenue and expenses			
II. Operations with shareholders or mutual societies.	**69,368**		**333,827**
1. Increases in capital or mutual fund.	69,368		333,827
2. (-) Reductions in capital or mutual fund.			
3. Conversion of financial liabilities into equity (conversion of debentures, debt write-offs).			
4. (-) Distribution of dividends or active apportionments (note 3).			
4.bis (-) Distribution of earnings.			
5. Operations with treasury stock or own equity (net).			
6. Increase (reduction) of equity resulting from a business combination.			
7. Other operations with shareholders or mutual societies.			
III. Other variations in equity			
1. Payments based on equity instruments.			
2. Transfers among equity items.			
3. Other variations (note 3)			
E. CLOSING BALANCE 2018	**293,284**		**554,392**

RESERVES	TREASURY STOCK AND OWN EQUITY HOLDINGS)	RESULT FOR PREVIOUS YEARS	OTHER SHAREHOLDER CONTRIBUT-IONS	RESULT FOR THE PERIOD	(DIVIDEND AND STABILIZATION RESERVE)	OTHER EQUITY INSTRUMENTS	REVALUATION ADJUST-MENTS	SUBSIDIES, DONATIONS AND ENDOWMENTS RECEIVED	TOTAL
147,020		**432,549**		**186,317**	**(90,289)**		**97,724**		**1,217,804**
147,020		**432,549**		**186,317**	**(90,289)**		**97,724**		**1,217,804**
				159,509			**(25,118)**		**134,390**
					(103,290)				**(103,290)**
					(103,290)				(103,290)
7		**96,026**		**(186,317)**	**90,289**				**7**
2		96,026		(186,317)	90,289				
5									5
147,027		**528,575**		**159,509**	**(103,290)**		**72,606**		**1,248,908**

RESERVES	TREASURY STOCK AND OWN EQUITY HOLDINGS)	RESULT FOR PREVIOUS YEARS	OTHER SHAREHOLDER CONTRIBUT-IONS	RESULT FOR THE PERIOD	(DIVIDEND AND STABILIZATION RESERVE)	OTHER EQUITY INSTRUMENTS	REVALUATION ADJUST-MENTS	SUBSIDIES, DONATIONS AND ENDOW-MENTS RECEIVED	TOTAL
147,027		**528,575**		**159,509**	**(103,290)**		**72,606**		**1,248,908**
147,027		**528,575**		**159,509**	**(103,290)**		**72,606**		**1,248,908**
				156,383			**(87,504)**		**68,879**
(24,078)		**56,219**		**(159,509)**	**2,889**		**10,106**		**288,822**
(24,078)							10,106		389,223
					(100,401)				(100,401)
		56,219		(159,509)	103,290				
(6,747)									**(6,747)**
(6,747)									(6,747)
116,202		**584,794**		**156,383**	**(100,401)**		**(4,792)**		**1,599,862**

Cash flow statement for years ended December 31, 2018 and 2017

CASH FLOW STATEMENT	2018	2017
A) CASH FLOW FROM OPERATING ACTIVITIES		
A.1.) Insurance activity	**16,277**	**167,857**
1. Direct insurance, co-insurance and assumed reinsurance proceeds	418,253	379,370
2. Direct insurance, co-insurance and assumed reinsurance payments	(259,349)	(111,304)
3. Ceded reinsurance proceeds	328,947	136,127
4. Ceded reinsurance payments	(242,658)	(136,210)
5. Outstanding claims recovery		
6. Payment of remuneration to intermediaries		
7. Other operating proceeds		
8. Other operating payments	(228,916)	(100,126)
9. Total cash proceeds from insurance activities (1 + 3 + 5 + 7) = I	3,464,702	515,497
10. Total cash payments from insurance activities (2 + 4 + 6 + 8) = II	(3,448,425)	(299,718)
A.2.) Other operating activities	**(84,348)**	**(31,396)**
1. Proceeds from pension fund management activities		
2. Payments from pension fund management activities		
3. Proceeds from other activities		
4. Payments from other activities		
5. Total cash proceeds from other operating activities (1 + 3) = III		
6. Total cash payments from other operating activities (2 + 4) = IV		
7. Proceeds and payments for tax on profits (V)	(84,348)	(31,396)
A.3.) Total net cash flow from operating activities (I - II + III - IV - V)	**(68,071)**	**136,461**
B) CASH FLOW FROM INVESTMENT ACTIVITIES		
B.1) Proceeds from investment activities	**4,017,665**	**2,420,904**
1. Property, plant and equipment	210	314
2. Property investments		14
3. Intangible assets		
4. Financial instruments	3,941,121	2,329,931
5. Holdings in group, multi-group and associated companies	268	
6. Interest collected	60,697	77,545
7. Dividends collected	15,369	13,100
8. Business unit		
9. Other receipts related to investment activities		
10. Total cash proceeds from investment activities (1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9) = VI	4,017,665	2,420,904
B.2.) Payments from investment activities	**(3,831,163)**	**(2,398,538)**
1. Property, plant and equipment	(2,570)	(2,149)
2. Property investments		
3. Intangible assets	(981)	(434)
4. Financial instruments	(3,783,971)	(2,395,955)
5. Holdings in group, multi-group and associated companies	(43,641)	
6. Business unit		
7. Other payments related to investment activities		
8. Total cash payments from investment activities (1 + 2 + 3 + 4 + 5 + 6 + 7) = VII	(3,831,163)	(2,398,538)
B.3.) Total cash flow from investment activities (VI + VII)	**186,502**	**22,366**

CASH FLOW STATEMENT	2018	2017
C) CASH FLOW FROM FINANCING ACTIVITIES	**88,316**	
C.1) Proceeds from financing activities		
1. Subordinated liabilities		
2. Proceeds from issuing of equity instruments and capital increases	88,316	
3. Active apportionments and contributions from shareholders or mutual societies		
4. Proceeds from sale of treasury stock		
5. Other proceeds related to financing activities		
6. Total cash proceeds from financing activities (1 + 2 + 3 + 4 + 5) = VIII	88,316	
C.2) Payments from financing activities	**(100,401)**	**(103,290)**
1. Dividends paid to shareholders	(100,401)	(103,290)
2. Interest paid		
3. Subordinated liabilities		
4. Payments on return of shareholders' contributions		
5. Passive apportionments and return of mutual societies' contributions		
6. Purchase of treasury stock		
7. Other payments related to financing activities		
8. Total cash payments from financing activities (1 + 2 + 3 + 4 + 5 + 6 + 7) = IX	(100,401)	(103,290)
C.3) Total net cash flow from financing activities (VIII + IX)	**(100,401)**	**(103,290)**
Effect of exchange rate variations (X)	1,013	
Total increase / decrease in cash and cash equivalents (A.3 + B.3 + C.3 + - X)	**107,359**	**55,537**
Cash and cash equivalents at beginning of the period	**191,355**	**135,818**
Cash and cash equivalents at end of the period	**298,714**	**191,355**
1. Banks and savings banks	255,251	137,364
2. Other financial assets	43,463	53,991
3. Bank overdrafts repayable on sight		
TOTAL	**298,714**	**191,355**

(Figures in thousands of euros)

7

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8

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