Annual report 2017

MAPFRE | RE

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1 Governing bodies

Board of Directors		Executive Committee
Chairman	Esteban Tejera	
Vice-Chairman & CEO	Eduardo Pérez de Lema	*Chairman*
Members	Aristóbulo Bausela	
	Ricardo Blanco	*Member*
	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*
	Gregorio Robles	
	Jaime Tamayo	
Non-Board Member Secretary	Juan Martín Sanz	*Secretary*

Includes appointments and reelections to be submitted to the Annual General Meeting.
*With effect as off 3 April, 2018.

2 Consolidated Management Report

Introduction

In 2017, the international reinsurance sector turned in an uneven performance that can be broken down into two phases:

During the first - which lasted just over half a year - intense competition continued, along with the impairment of the technical margin as a result of the accumulated worsening of rates and conditions experienced over the last few years. This loss of technical profitability in the industry was partly compensated for by reduced catastrophe claims, as was the case in previous years.

Nonetheless, the occurrence of several natural disasters in the Americas during the third quarter of the year radically changed the scenario. It is expected that these events (Hurricanes Harvey, Irma and María, and to a lesser extent, the Puebla earthquake) will make 2017 one of the most expensive years in terms of insured damages caused by natural events. This major increase in loss experience, together with the continued downturn in financial performance, are contributing to an increase in reinsurance prices at fiscal year-end, even if the sector is still a far cry from leaving behind the soft cycle in which it currently finds itself.

In these difficult circumstances, the 2017 performance from MAPFRE RE should be considered as excellent, with a very positive result and similar revenue and premium volumes as for the previous fiscal year. The net impact of natural disasters on results has been very limited, thanks to the solidity of risk management and the effectiveness of the financial protection measures in place.

The Standard and Poor's ratings agency has confirmed the financial strength of MAPFRE RE, assigning it a rating of A (two categories above the Spanish sovereign rating) with stable outlook. A.M. Best has maintained the A rating with stable outlook.

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

Key figures

Below are the main figures of the Controlling company's financial statements:

IFRS income statement

IFRS income statement	2017	2016	Var. % 17/16
ACCEPTED REINSURANCE			
Accepted premiums	**4,222.4**	**4,234.7**	**(0.3%)**
Earned premiums for the period	4,397.1	4,094.2	7.4%
Claims (including claims-related expenses)	(3,716.6)	(2,552.6)	45.6%
Operating expenses and other technical expenses	(1,164.9)	(1,066.6)	9.2%
ACCEPTED REINSURANCE RESULT	**(484.4)**	**475.1**	**(202.0%)**
RETROCEDED REINSURANCE			
Premiums and variations in unearned premium reserves	(1,397.4)	(1,402.4)	(0.4%)
Claims paid and variation in provision for outstanding claims	1,611.6	702.1	129.5%
Commissions and holdings	337.4	306.4	10.1%
RETROCEDED REINSURANCE RESULT	**551.6**	**(394)**	**(240.0%)**
Other technical revenue and expenses	(2.0)	(2.4)	(16.7%)
LIFE AND NON-LIFE TECHNICAL ACCOUNT RESULT	**65.2**	**78.7**	**(17.2%)**
Net income from investments	161	177.2	(9.1%)
Unrealized gains and losses on investments			
Other non-technical revenues and expenses	(5)	(3.1)	61.3%
Results from non-controlling interests			
LIFE AND NON-LIFE BUSINESS RESULT	**221.2**	**252.8**	**(12.5%)**
RESULT FROM OTHER ACTIVITIES	**0**	**0**	**0.0%**
RESULT BEFORE TAX AND NON-CONTROLLING INTERESTS	**221.2**	**252.8**	**(12.5%)**
Tax on profits	(58.6)	(66.8)	(12.3%)
Result after tax from discontinued activities			
RESULT AFTER TAX	**162.7**	**186.1**	**(12.6%)**
Non-controlling interests			
RESULT AFTER TAX AND NON-CONTROLLING INTERESTS	**162.7**	**186.1**	**(12.6%)**

Millions of euros

Non-Life insurance ratios	2017	2016	Var. % 17/16
Loss ratio for accepted reinsurance	66.2%	65.0%	1.9%
Expense ratio for accepted reinsurance	28.6%	29.0%	(1.3%)
Combined ratio net of retroceded reinsurance	94.9%	94.0%	1.0%

Millions of euros

Breakdown of accepted premiums	2017	2016	Var. % 17/16
Non-Life	3,565.70	3,586.50	(0.60%)
Life	656.7	648.2	1.30%
TOTAL	**4,222.40**	**4,234.70**	**(0.30%)**

Millions of euros

Balance Sheet

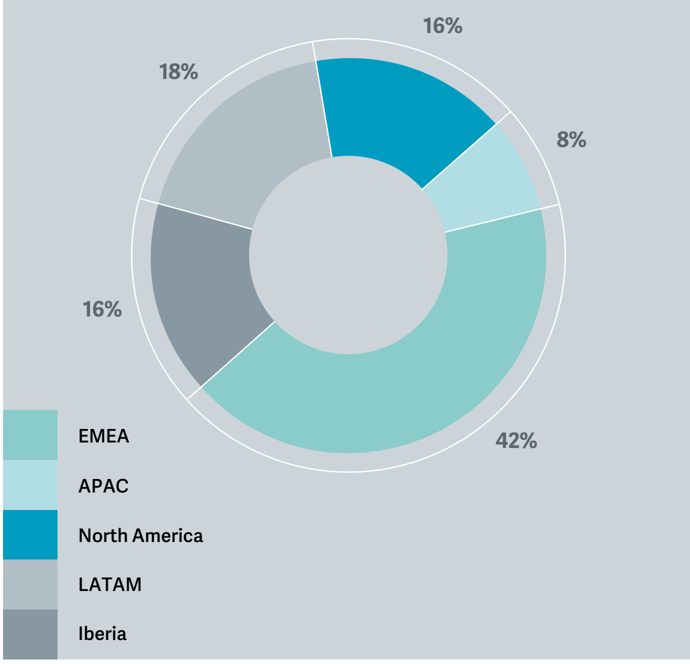
Key Balance Sheet figures (IFRS)	2017	2016	Var. % 17/16
Financial investments and cash	3,540.90	3,570.60	(0.80%)
Total assets	6,449.31	5,578.90	15.60%
Equity	1,301.50	1,279.40	1.70%
ROE	12.60%	15.20%	(17.10%)

Millions of euros

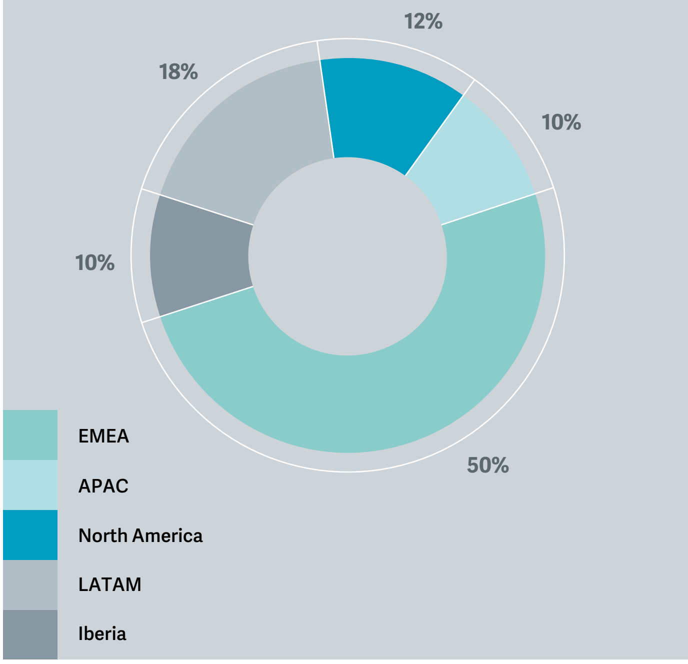
OTHER INFORMATION

Other Information	2017	2016	Var. % 17/16
Average number of employees	369	350	5.40%
% commissions over accepted written reinsurance premiums	26.40%	24.00%	10.00%
% internal management expenses over accepted premiums	1.35%	1.40%	(3.60%)

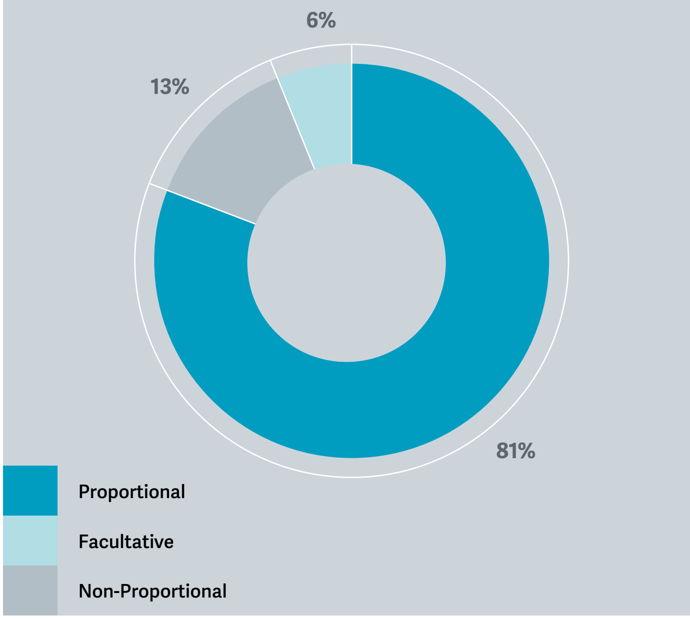
GROSS PREMIUMS BY GEOGRAPHIC AREA



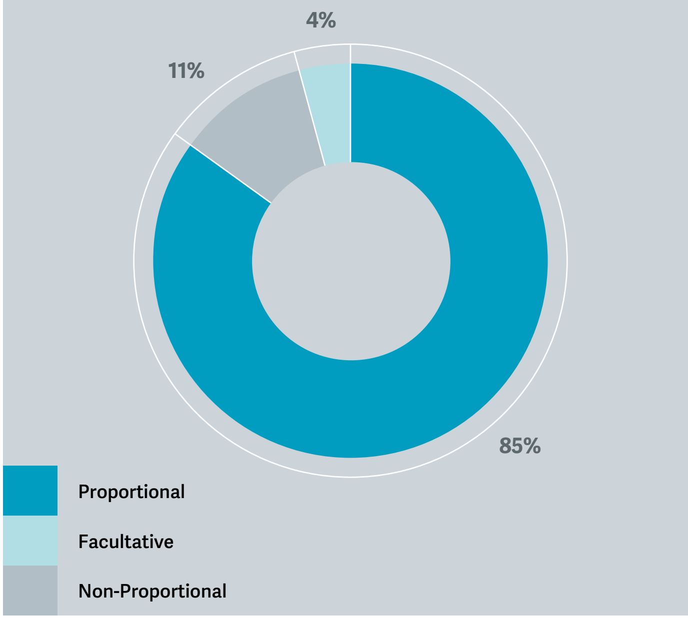
NET PREMIUMS BY GEOGRAPHIC AREA



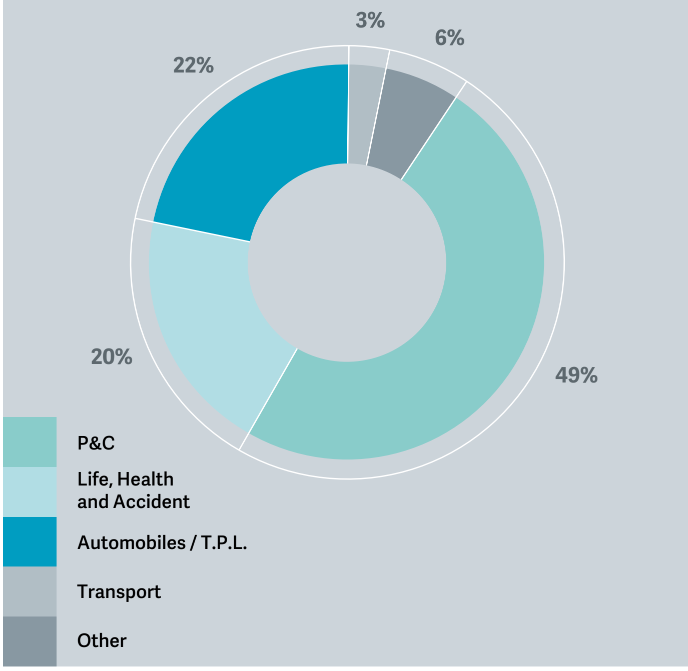
GROSS PREMIUMS BY BUSINESS TYPE



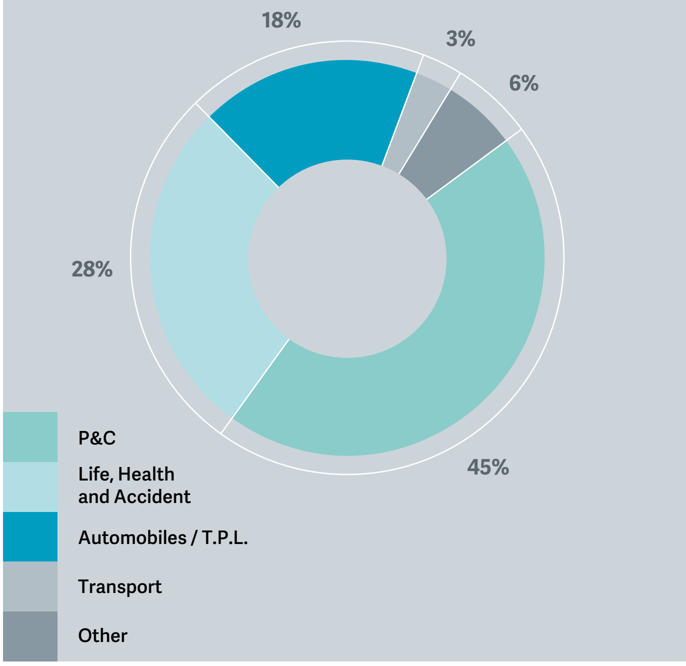
NET PREMIUMS BY BUSINESS TYPE



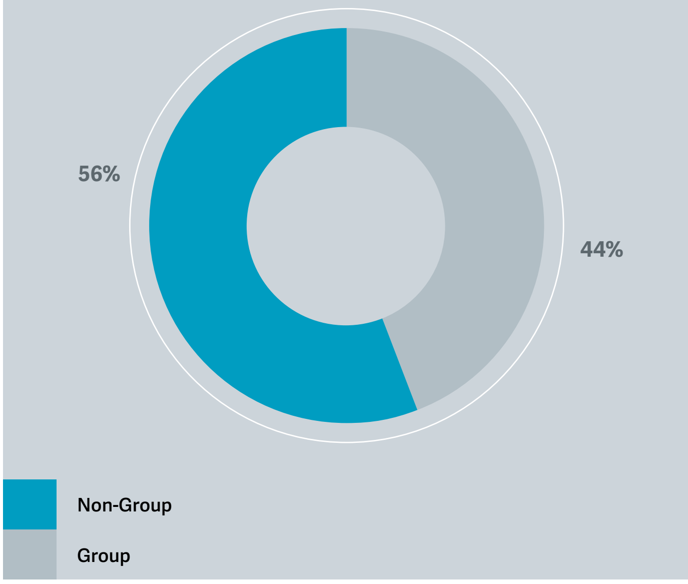
GROSS PREMIUMS BY BUSINESS LINE



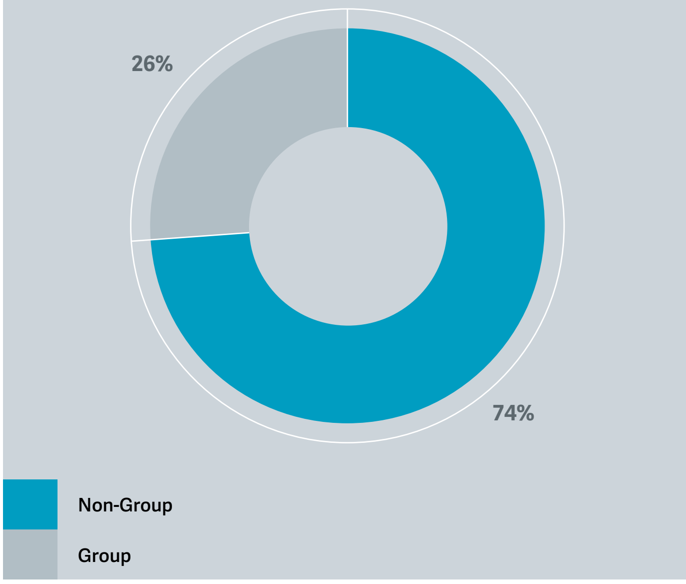
NET PREMIUMS BY BUSINESS LINE



GROSS PREMIUMS BY CEDENT TYPE



NET PREMIUMS BY CEDENT TYPE



Key activities

MAPFRE RE's revenue reached 5,217.9 million euros, making for an increase of 5.7 percent on the previous fiscal year. The result before tax and non-controlling interests comes to 221.2 million euros, 12.5 percent less than that registered in 2016, with shareholders' equity at the close of the fiscal year standing at 1,301.5 million euros. The Non-Life combined ratio was 94.9 percent. All these are very positive figures, and even more so when regarded in the context of the disastrous losses recorded this year by the sector as a whole.

Commercial initiatives

MAPFRE RE has increased its operations to cover a total of 20 countries, opening a representative office in Tokyo in late 2017, which will allow it to consolidate the close relations with the Japanese market further, offering yet another example of the commitment made by MAPFRE RE to Asia, a continent in which it already has 5 offices.

In all geographic areas, commercial initiatives have been pursued to strengthen the relationship enjoyed by MAPFRE RE in its markets, with clients and brokers alike.

The Personal Area has held numerous meetings with clients and brokers on the range of Life reinsurance solutions offered by MAPFRE RE in accordance with the new solvency regulations, participating and speaking out in market events and academic forums on the selection of risks and digital transformation in quoting process of Life lines in Mexico, Colombia, Vietnam, Italy, Argentina, Spain and France.

They have also spoken at various forums on the Spanish agricultural insurance model in Spain and Mexico, the Brazilian reinsurance market 10 years after its opening, and have sponsored specialized professional events, such as meetings of the Latin American Association of Agricultural Insurance (ALASA) in Chile and Panama, the International Association of Agricultural Production Insurers (AIAG) in Poland, the Crop Insurance and Reinsurance Bureau (CIRB) in the USA, the Inter-European Reinsurance Meeting (ENTRE) in Spain, the Philippine General Insurance Summit in Manila, and the jubilee celebrations of the Netherlands Reinsurance Association (NRV).

Underwriting management and client services

Sharing knowledge with its clients continues to be an essential activity for MAPFRE RE. This is truly 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 17 guests invited from 16 different countries, or the collaboration with the National Institute of Insurance and Fasecolda, in Colombia, to present its international Senior Reinsurance Management program. In Beijing, days were organized on proportional reinsurance sessions were organized, attended by 44 professionals from 24 market companies, and various clients in Colombia, Argentina, Italy and Turkey received technical training on insurer management in the agricultural, Non-Life and/or Life lines.

In a constant bid to get to know and incorporate new ideas into the reinsurance practice, MAPFRE RE has signed up to the Blockchain Insurance Industry Initiative (B3i), which seeks to explore the potential of using Blockchain distributed registration technologies in the insurer industry and collaborates with corporate innovation teams in the group to support the development of other initiatives. Along these same lines, MAPFRE RE continues to support projects with qualified partners looking for innovative reinsurance solutions.

By the same token, MAPFRE RE has also launched new initiatives for the professional growth of its teams: a training program on team management and project leadership for those in managerial positions, set to involve more than 80 company executives; a global trainee program to bring young, new talent into the workforce; and technical training seminars for underwriters from all offices.

Information and technology systems

The requirements of the new international accounting standards - IFRS 17 - that should come into force in 2021, require work to be carried out on identifying the impact on, and adjustment necessary to the MAPFRE RE business and accounting systems. It is a very important change that will affect multiple processes and towards which MAPFRE RE continued to work in 2017.

During this year, the version of the Business Intelligence tool (Microstrategy) was also renewed, improving its performance and allowing the adoption of more complete solutions in new developments of information exploitation.

In 2017, MAPFRE RE incorporated the Corporate User Attention Service, as well as the Corporate Job Position Management, and virtually completed development of CRM tools for sales management and the new MAPFRE RE intranet, applying group standards while awaiting deployment in early 2018.

Social and environmental matters

Personnel

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

Category	2017	2016
Directors	2	2
Senior Managers	0	0
Managers	88	90
Technicians	236	212
Administrative Staff	60	46
TOTAL	**386**	**350**

The workforce objectives include the professional development of employees and the strengthening of their employability and well-being through the development of their skills and capacities. It is intended to achieve this in an environment of commitment and mutual respect, with no offensiveness, intimidation, harassment or discrimination whatsoever, and a workplace that guarantees safety and stability.

To this end, it has a Code of Ethics and Conduct, inspired by the Institutional and Business Principles, and which aims to reflect the corporate values and the basic principles that should guide the performance of the company and the people that comprise the same.

The Policy of Respect for people expressly states that respect for others should be a basic element of employee behavior. It thus rejects any manifestation of workplace harassment, and any other behavior that is violent or offensive to the rights and dignity of people, given that these situations contaminate the work environment and have negative effects on the health, well-being, confidence, dignity and performance of those who suffer it.

The Company encourages permanent over temporary contracts, seeking a stable environment and continuity in labor relations. The percentage of the Company's fixed workforce and that of its subsidiaries in 2017 was 97.9 percent (97.7 percent in 2016).

During the fiscal year, development continued with the Global Disability Program, and at the year-end, there were 4 people with a disability on the workforce (the same as in 2016).

The Promotion, Selection and Mobility Policy aims to promote professional development opportunities to employees through programs and development plans, training itineraries and mobility between different areas and countries, in order to increase employability, professional satisfaction and its commitment to the company.

In order to select the right people, there is a global procedure in place that guarantees objectivity, maximum rigor and non-discrimination in all processes. The selection tests used are homogeneous worldwide, aimed at choosing the most appropriate candidate for each job position. The number of selection processes carried out in 2017 was 59 (35 in 2016).

Moreover, in 2017, 609,599 euros was invested in workforce training (254,617 euros in 2016).

The compensation policy is based on the job position held by each employee: it is competitive with respect to the market; it guarantees internal fairness; it is flexible and adaptable to the different groups and circumstances of the market; and it is in line with the strategy.

The Policy on Health, Well-being and the Prevention of Occupational Risks establishes that the health, safety and well-being of workers are essential both for employees and their families, as well as for the productivity, competitiveness and sustainability of the business. In this respect, employees receive annual information and training on health and healthy lifestyles.

Environment

One of the initiatives that allows MAPFRE to generate loyalty in its stakeholders is the promotion of a sustainable environment in which to develop its business.

In 2017, MAPFRE continued to act to fulfill the commitments made in the Environmental Policy approved by the MAPFRE S.A. Board of Directors and revised in 2015 to incorporate new commitments, such as the preservation of biodiversity and the fight against climate change.

As regards Environmental Management, MAPFRE acts in accordance with the guidelines defined in the Integrated Environmental, Energy and Carbon Footprint Management System (hereinafter "SIGMAYE"), in line with ISO 14001, ISO 50001 and ISO 14064 international standards.

The transversal design and global nature of SIGMAYE enable both corporate and specific local objectives to be established, ensuring compliance with the applicable legislation in force and providing minimum mandatory criteria in countries where the legislation is less developed.

With respect to the carbon footprint, the expanded reach of UNE-EN-ISO 14064 continues to verify the carbon footprint inventories of companies in Spain, Puerto Rico, Colombia and Portugal.

As regards mitigating and adapting to climate change, we have continued to implement the actions defined in the Strategic Plan for Energy Efficiency and Climate Change, with the objective of reducing Group emissions by 20 percent by 2020. Having reached this objective three years earlier than envisaged, we chose to strive toward more ambitious challenges, both in the medium and long-term all the way through to 2050, the year in which we hope to reach CO2 neutrality.

The Group's actions in this matter have led, for a third consecutive year, to CDP (Driving Sustainable Economies) acknowledging MAPFRE as a global leader in the fight against climate change, including the Group in its Climate A List.

The eco-effiicency measures implemented include energy efficiency measures in buildings in relation to air conditioning (use of free cooling, technological renewal of equipment and adjustment of time and temperature settings), lighting (replacement of lamps with LED, installation of presence sensors and adjustment of times), and other users (technological renovation of facilities using energy efficiency criteria).

Operational control of water management comes through the installation of optimization measures in buildings (aerators, timers, sensors, dual flush systems, etc.) and the control of internal consumption via proprietary billing, in-house meters, leak detection and employee awareness.

As regards the preservation of biodiversity and adhering to the Biodiversity Pact launched by the Spanish Business and Biodiversity Initiative, MAPFRE has published its report on the 2013-2015 results, as have all the other signatory companies. It has also continued its work on protecting an endangered species and preserving its habitat, having this year chosen the turtle and the Mediterranean Sea.

Also, with respect to biodiversity protection, and as a part of the integration of the Environment into the business, the Group has joined the initiative led by the NGO OCEANA and backed by the United Nations for the protection of the oceans and, more specifically, to eliminate illegal fishing by not insuring these activities.

The controlling company and its subsidiaries do not have any work centers located in protected areas or in areas of high diversity outside protected areas.

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 objective of which is 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, whose main objective 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 RATES RISKS

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

The Company and its subsidiaries mitigate its exposure to these types of risks 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 87.3 percent of the total financial investment portfolio in 2017 (87.6 percent in 2016).

Investments in equity securities and mutual funds have a limited weighting on the results, accounting for approximately 12.7 percent of total financial investments in 2017 (12.4 percent in 2016).

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 led to the recognition of +2.7 million euros in 2017 (+13.6 million euros in 2016).

RECEIVABLES RISK

Investments returns 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 based on their solvency, seeking a high degree of geographic correspondence between issuers of assets and commitments, maintaining a suitable level of diversification, and obtaining, where appropriate, guarantees, collateral and other hedges.

Fixed-income and variable-income investments are subject to limits by the 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 maintaining sufficient cash balances to cover any contingency arising from commitments made to third parties. As of December 31, 2017, the balance of cash and other equivalent liquid assets was 200 million euros (140 million euros in 2016), equivalent to 5.80 percent of total investment and liquid funds (3.93 percent in 2016). Additionally, most of the fixed income investments are investment grade and traded on organized markets, providing great capacity to act in the event of potential liquidity crises.

Treasury Stock

The controlling Company does not own its own shares or participations or shares in MAPFRE S.A.; nor did it conduct any operations with such shares in 2017.

Research, Development and Innovation

Client orientation is one of the main axes of MAPFRE's Strategic Plan, which has identified innovation as one of the tools allowing it to offer insurance solutions and services focused on clients' needs. Innovation in client-oriented products and services thus becomes an essential method by which to achieve the short, medium and long-term objectives.

In 2014, the MAPFRE Innovation Model was launched, designed to promote a culture of innovation throughout the organization and to respond to business challenges. To manage the Model, the Corporate Innovation Committee was established, made up of members of relevant innovation areas, and the Corporate Innovation Division was created, which will lead innovation in MAPFRE. The Innovation Model, at the service of both the local and global strategy, has become one of the key tools by which to achieve differentiation and the Group's organic growth objectives.

Average provider payment period

The average payment period for service providers during the fiscal year was 6.72 days (8.09 days in fiscal year 2016).

Corporate aspects

Significant corporate aspects

In fiscal year 2017, Eduardo Pérez de Lema, Ángel Alonso, Ricardo Blanco, Philippe Hebeisen and Mark Hews were reelected as directors of the controlling Company for a new four-year mandate.

Ángel Alonso tendered his resignation as director and, consequently, stood down from all his posts on the Board and Management Committee of the controlling Company, effective January 28, 2018, due to his having reached the maximum age permitted by the company's articles of association. The Annual General Meeting, held as an extraordinary session on January 26, 2018, ratified the appointment of Ana Isabel Fernández as director of the controlling Company, effective January 29, 2018.

Proposed Resolutions

1. To approve the individual annual accounts corresponding to the 2017 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	159,508,829.94
To retained earnings	528,979,393.27
TOTAL	**688,488,223.21**

Distribution	Amount in euros
As dividends	103,290,427.24
To equalization reserve	
To retained earnings	585,197,795.97
TOTAL	**688,488,223.21**

The proposal involves a total dividend distribution of 1.43 euros gross per share for share numbers 1 to 72,231,068 inclusive.

This dividend, for the gross amount of 1.43 euros per share, was anticipated in agreements of the Board of Directors that were adopted on June 30 and November 28, 2017.

2. To approve the consolidated annual accounts for fiscal year 2017.

3. To approve the management of the Board of Directors in fiscal year 2017.

4. To reelect the firm KPMG Auditores S.L. as auditors of the company's accounts, both for the Individual Annual Accounts and, as applicable, for the Consolidated Accounts, if the company should be obliged to prepare such or decide to do so voluntarily, for a new three-year period, i.e. for fiscal years 2018, 2019 and 2020; this is without prejudice to the fact that the appointment may be revoked by the Annual General Meeting before the end of this period, if there is just cause to do so.

5. To reelect Pedro López Solanes as company director for the next four years. To appoint Katsuhiko Kaneyosi as new company director for the next four years, effective April 3, 2018.

6. To delegate broader powers to the Chairman of the Board of Directors and their 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.

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

Significant subsequent events

There have been no significant events after the year end that may affect the results or future evolution of the Company.

Outlook

It is hoped that in 2018, pressure will continue in the sector to obtain positive technical results.

The substantial capitalization existing in the reinsurance sector has to date supported the impairment seen in profitability in later years. However, it cannot be hoped that this compensation will continue. The 2017 disasters - of which the final cost is not yet known, given the severity of the damages and impact in terms of interruption to business - have had a major impact on the accounts and balance sheets of a great many reinsurers and will increase pressure to recover acceptable levels of technical profitability.

3

Consolidated Annual Accounts

A) Consolidated balance sheet as on December 31, 2017 and 2016

ASSETS	Notes	2017	2016
A) INTANGIBLE ASSETS		**954**	**576**
I. Goodwill			
II. Other intangible assets	6.1	954	576
B) PROPERTY, PLANT AND EQUIPMENT		**55,528**	**54,517**
I. Property for own use	6.2	49,031	49,752
II. Other property, plant and equipment	6.2	6,497	4,765
C) INVESTMENTS		**4,223,162**	**4,148,390**
I. Property investments	6.2	6,191	6,375
II. Financial investments		3,250,443	3,424,694
1. Held-to-maturity portfolio			
2. Available-for-sale portfolio	6.4	3,227,527	3,389,047
3. Trading portfolio	6.4	22,916	35,647
III. Equity-accounted investments		86,501	
IV. Deposits established for accepted reinsurance		875,757	711,481
V. Other investments		4,270	5,840
D) PARTICIPATION OF REINSURANCE IN TECHNICAL PROVISIONS	**6.9**	**1,476,022**	**755,923**
E) DEFERRED TAX ASSETS	**6.17**		
F) RECEIVABLES	**6.5**	**337,849**	**305,972**
I. Receivables on reinsurance operations	6.5	317,264	283,151
II. Tax receivables	6.5	11,217	17,087
1. Tax on profits receivable		4,534	8,142
2. Other tax receivables		6,683	8,945
III. Corporate and other receivables	6.5	9,368	5,734
G) CASH	**6.7**	**199,774**	**140,022**
H) ADJUSTMENTS FOR PREPAYMENT	**6.15**	**155,090**	**173,501**
I) OTHER ASSETS		**933**	
TOTAL ASSETS		**6,449,312**	**5,578,901**

(Figures in thousands of euros)

LIABILITIES AND EQUITY	Notes	2017	2016
EQUITY		**1,301,457**	**1,279,424**
I. Paid-up capital	6.8	223,916	223,916
II. Share premium	6.8	220,565	220,565
III. Reserves		713,784	620,528
IV. Interim dividend	4.2	(103,290)	(90,289)
V. Treasury stock			
VI. Result attributable to controlling Company		162,655	186,074
VII. Other equity instruments			
VIII. Revaluation adjustments	6.8	81,119	105,048
IX. Currency conversion differences	6.19	2,694	13,566
Equity attributable to the controlling Company's shareholders		**1,301,443**	**1,279,408**
Non-controlling interests		**14**	**16**
B) SUBORDINATED LIABILITIES			
C) TECHNICAL PROVISIONS	**6.9**	**4,642,591**	**3,797,153**
I. Provisions for unearned premiums and unexpired risks	6.9/7C	1,098,699	1,330,416
II. Provisions for Life insurance	6.9/7C	597,166	549,736
III. Provisions for outstanding claims	6.9/7C	2,946,726	1,917,001
IV. Provisions for profits and return premiums			
D) PROVISIONS FOR RISKS AND EXPENSES	**6.10**	**9,869**	**7,643**
E) DEPOSITS RECEIVED ON CEDED AND RETROCEDED REINSURANCE	**6.11**	**67,803**	**43,603**
F) DEFERRED TAX LIABILITIES	**6.17**	**9,056**	**24,627**
G) DEBT	**6.12**	**358,099**	**354,039**
I Due on reinsurance operations	6.12/7C	299,790	298,286
II. Tax liabilities	6.12/6.17	21,569	21,204
1. Tax on profits to be paid		952	225
2. Other tax liabilities		20,617	20,979
III. Other debts	6.12	36,740	34,549
H) ADJUSTMENTS FOR PREPAYMENT	**6.15**	**60,437**	**72,412**
TOTAL LIABILITIES AND EQUITY		**6,449,312**	**5,578,901**

(Figures in thousands of euros)

B) Consolidated statement of comprehensive income for years ended December 31, 2017 and 2016

B.1 Consolidated income statement

ITEM	Notes	2017	2016
I. REVENUE FROM INSURANCE BUSINESS			
1. Earned premiums for the period, net		2,999,719	2,691,755
a) Written premiums, direct insurance			
b) Premiums from accepted reinsurance	7. A2	4,222,424	4,234,750
c) Premiums from ceded reinsurance	6.16	(1,399,630)	(1,434,087)
d) Variations in provisions for unearned premiums and unexpired risks, net		176,925	(108,908)
Direct insurance			
Accepted reinsurance		174,652	(140,550)
Ceded reinsurance	6.16	2,273	31,642
2. Share in profits from equity-accounted companies			
3. Income from investments	6.14	193,330	206,222
a) From operations	6.14	185,673	196,084
b) From equity	6.14	7,657	10,138
4. Unrealized gains on investments on behalf of Life insurance policyholders bearing the investment risk			
5. Other technical revenues			
6. Other non-technical revenue		895	746
7. Positive foreign exchange differences	6.19	797,406	490,264
8. Reversal of the asset impairment provision	6.6/6.5	3,828	5,683
TOTAL REVENUE FROM INSURANCE BUSINESS		**3,995,178**	**3,394,670**
II. EXPENSES FROM INSURANCE BUSINESS			
1. Loss ratio for the period, net		(2,105,793)	(1,838,896)
a) Claims paid and variation in provision for claims, net		(2,105,691)	(1,838,787)
Direct insurance			
Accepted reinsurance		(3,717,332)	(2,540,879)
Ceded reinsurance	6.16	1,611,641	702,092
b) Claims-related expenses	6.15	(102)	(109)
2. Variation in other technical provisions, net		731	(11,599)
3. Profit sharing and return premiums			
4. Net operating expenses	6.15	(827,420)	(760,195)
a) Acquisition expenses	6.15	(1,148,705)	(1,052,642)
b) Administration expenses	6.15	(16,101)	(13,907)
c) Commissions and participation in reinsurance	6.16	337,386	306,354
5. Share in losses from equity-accounted companies			
6. Expenses from investments	6.14	(28,291)	(32,944)
a) From operations	6.14	(26,673)	(29,296)
b) From equity and financial accounts	6.14	(1,619)	(3,648)
7. Unrealized losses on investments on behalf of Life insurance policyholders bearing the investment risk			
8. Other technical expenses	6.15	(2,029)	(2,354)
9. Other non-technical expenses	6.15	(5,896)	(3,847)
10.Negative foreign exchange differences	6.19	(805,268)	(487,252)
11.Allowance to the asset impairment provision	6.6		(4,766)
TOTAL EXPENSES FROM INSURANCE BUSINESS		**(3,773,966)**	**(3,141,853)**
III. RESULT FROM THE INSURANCE BUSINESS	**6.17**	**221,212**	**252,817**
IV. RESULT ON RESTATEMENT OF FINANCIAL ACCOUNTS			
V. TAX ON PROFIT FROM ONGOING OPERATIONS	**6.17**	**(58,557)**	**(66,757)**
VI. RESULT AFTER TAX FROM ONGOING OPERATIONS		**162,655**	**186,060**
VII. RESULT AFTER TAX FROM DISCONTINUED ACTIVITIES			
VIII. RESULT FOR THE PERIOD		**162,654**	**186,060**
1. Attributable to non-controlling interests		1	14
2. Attributable to the controlling Company		162,655	186,074

(Figures in thousands of euros)

B.2 Consolidated statement of comprehensive income

ITEM	GROSS AMOUNT		TAX ON PROFITS		ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		ATTRIBUTABLE TO COMPANY CONTROLLING	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
A) CONSOLIDATED RESULT FOR THE PERIOD								
A.1) Ongoing operations	221,212	252,817	(58,557)	(66,757)	1	14	162,655	186,074
A.2) Discontinued operations								
B) OTHER RECOGNIZED REVENUE (EXPENSES)	**(43,142)**	**9,463**	**8,340**	**611**			**(34,802)**	**10,074**
B.1) Ongoing operations								
1. Financial assets available for sale	(31,820)	(2,894)	7,891	357			(23,930)	(2,537)
a) Valuation gains (losses)	5,995	32,194	(1,567)	(8,415)			4,427	23,779
b) Amounts transferred to the income statement	(37,815)	(35,088)	9,458	8,772			(28,357)	(26,316)
c) Other reclassifications								
2. Currency conversion differences	(11,322)	12,357	449	254			(10,872)	12,611
a) Valuation gains (losses)	(11,322)	12,357	449	254			(10,872)	12,611
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)								
TOTAL	**178,070**	**262,280**	**(50,217)**	**(66,146)**	**1**	**14**	**127,853**	**196,148**

(Figures in thousands of euros)

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

C) Consolidated statement of changes in net equity as on December 31, 2017 and 2016

ITEM	NOTES	EQUITY		
		Paid-up capital	Share premium	Reserves
BALANCE AS OF JANUARY 01, 2016		**223,916**	**220,565**	**558,841**
I. Changes in accounting policies				
II. Correction of errors				
ADJUSTED BALANCE AS OF January 01, 2016, UPDATED		**223,916**	**220,565**	**558,841**
CHANGES FOR 2016				
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 2016				
III. Distribution of result for 2015				62,277
IV. Interim dividends for 2016				
V. Capital increase				
VI. Pending paid-up capital				
VII. Capital decrease				
VIII. Other increases				
IX. Other decreases				(590)
TOTAL VARIATIONS IN 2016				**61,687**
BALANCE AS OF December 31, 2016		**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**

(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

ATTRIBUTABLE TO CONTROLLING COMPANY'S SHAREHOLDERS							NON-CONTROLLING INTERESTS	TOTAL EQUITY
	Interim dividend	**Treasury stock**	**Result attributable to the controlling company**	**Other equity instruments**	**Valuation change adjustments**	**Currency conversion differences**		
	(90,289)		**152,566**		**107,597**	**955**	**19**	**1,174,170**
	(90,289)		**152,566**		**107,597**	**955**	**19**	**1,174,170**
					(2,537)			(2,537)
						12,611		12,611
					(2,537)	**12,611**		**10,074**
			186,074					186,074
	90,289		(152,566)					
	(90,289)							(90,289)
					(12)		(3)	(605)
			33,508		**(12)**		**(3)**	**95,180**
	(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**

transfers made between them.

D) Consolidated cash flow statement for years ended December 31, 2017 and 2016

ITEMS	2017	2016
Collections for premiums		
Payments for claims		
Collections for reinsurance operations	571,398	865,793
Payments for reinsurance operations	(289,090)	(528,684)
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	811	1,938
Other operating payments	(110,056)	(108,783)
Tax payments or collections on companies	(36,032)	(38,691)
NET CLASH FLOWS FROM OPERATING ACTIVITIES	**137,031**	**191,573**
Acquisitions of intangible fixed assets	(434)	(26)
Acquisitions of property, plant and equipment	(2,613)	(41,510)
Acquisitions of investments and disbursement of capital increases	(65,956)	(163,307)
Net cash paid by companies removed from scope		
Net cash collected by companies removed from scope		
Disposals of fixed assets	314	450
Disposals of investments	1,505	12,438
Interest collected	79,555	86,989
Other payments		
Proceeds from dividends	13,274	13,389
Collection for loans granted and other financial instruments		
Payments for loans granted and other financial instruments		
NET CASH FLOWS FROM INVESTMENT ACTIVITIES	**25,645**	**(91,577)**
Dividends and donations paid	(103,290)	(90,289)
Collections for capital increases		
Payments on return of shareholders' contributions		
Collections for issuance of debentures		
Payments for interest and amortization of debentures		
Payments for interest and amortization of other financing activities		
Collections for other financing activities		
NET CASH FLOWS FROM FINANCING ACTIVITIES	**(103,290)**	**(90,289)**
NET INCREASE (DECREASE) IN CASH FLOW	**59,386**	**9,707**
Conversion differences in cash flow and cash balances	**366**	**564**
OPENING CASH BALANCE	**140,022**	**129,751**
CLOSING CASH BALANCE	**199,774**	**140,022**

(Figures in thousands of euros)

E) Financial information by segment – consolidated balance sheet as on December 31, 2017 and 2016

ASSETS	LIFE REINSURANCE		NON-LIFE REINSURANCE		TOTAL	
	2017	2016	2017	2016	2017	2016
A) INTANGIBLE ASSETS	**98**	**60**	**856**	**516**	**954**	**576**
I. Goodwill						
II. Other intangible assets	98	60	856	516	954	576
B) PROPERTY, PLANT AND EQUIPMENT	**5,869**	**5,940**	**49,659**	**48,577**	**55,528**	**54,517**
I. Property for own use	5,270	5,539	43,761	44,213	49,031	49,752
II. Other property, plant and equipment	599	401	5,898	4,364	6,497	4,765
C) INVESTMENTS	**979,972**	**925,462**	**3,243,190**	**3,222,928**	**4,223,162**	**4,148,390**
I. Property investments	1,748	1,772	4,443	4,603	6,191	6,375
II. Financial investments	483,878	507,453	2,766,565	2,917,241	3,250,443	3,424,694
1. Held-to-maturity portfolio						
2. Available-for-sale portfolio	468,624	493,903	2,758,903	2,895,144	3,227,527	3,389,047
3. Trading portfolio	15,254	13,550	7,662	22,097	22,916	35,647
III. Equity-accounted investments			86,501		86,501	
IV. Deposits established for accepted reinsurance	492,879	415,751	382,878	295,730	875,757	711,481
V. Other investments	1,467	486	2,803	5,354	4,270	5,840
D) PARTICIPATION OF REINSURANCE IN TECHNICAL PROVISIONS	**21,269**	**26,204**	**1,454,753**	**729,719**	**1,476,022**	**755,923**
E) DEFERRED TAX ASSETS						
F) RECEIVABLES	**41,761**	**38,930**	**296,088**	**267,042**	**337,849**	**305,972**
I. Receivables on reinsurance operations	37,552	35,453	279,712	247,698	317,264	283,151
II. Tax receivables	3,258	2,782	7,959	14,305	11,217	17,087
III. Corporate and other receivables	951	695	8,417	5,039	9,368	5,734
G) CASH	**20,458**	**14,797**	**179,316**	**125,225**	**199,774**	**140,022**
H) ADJUSTMENTS FOR PREPAYMENT	**2,353**	**2,737**	**152,737**	**170,764**	**155,090**	**173,501**
I) OTHER ASSETS	**873**		**60**		**933**	
J) NON-CURRENT ASSETS HELD FOR SALE AND FROM DISCONTINUED OPERATIONS						
TOTAL ASSETS BY SEGMENT	**1,072,653**	**1,014,130**	**5,376,659**	**4,564,771**	**6,449,312**	**5,578,901**

(Figures in thousands of euros)

E) Financial information by segment – consolidated balance sheet as on December 31, 2017 and 2016

Liabilities and equity	LIFE REINSURANCE		NON-LIFE REINSURANCE		TOTAL	
	2017	2016	2017	2016	2017	2016
EQUITY	**166,052**	**174,386**	**1,135,405**	**1,105,038**	**1,301,457**	**1,279,424**
I. Paid-up capital	22,919	23,284	200,997	200,632	223,916	223,916
II. Share premium	22,576	22,935	197,989	197,630	220,565	220,565
III. Reserves	101,559	99,234	612,225	521,294	713,784	620,528
IV. Interim dividend	(8,315)	(14,688)	(94,975)	(75,601)	(103,290)	(90,289)
V. Treasury stock						
VI. Result for the period attributable to the controlling Company	14,076	23,163	148,579	162,911	162,655	186,074
VII. Other equity instruments						
VIII. Revaluation adjustments	14,850	17,939	66,269	87,109	81,119	105,048
IX. Currency conversion differences	(1,626)	2,503	4,320	11,063	2,694	13,566
Equity attributable to the controlling Company's shareholders	**166,039**	**174,370**	**1,135,404**	**1,105,038**	**1,301,443**	**1,279,408**
Non-controlling interests	**13**	**16**	**1**		**14**	**16**
B) SUBORDINATED LIABILITIES						
C) TECHNICAL PROVISIONS	**856,201**	**788,022**	**3,786,390**	**3,009,131**	**4,642,591**	**3,797,153**
I. Provisions for unearned premiums and unexpired risks			1,098,699	1,330,416	1,098,699	1,330,416
II. Provisions for Life insurance	597,166	549,736			597,166	549,736
III. Provisions for outstanding claims	259,035	238,286	2,687,691	1,678,715	2,946,726	1,917,001
IV. Other technical provisions						
D) PROVISIONS FOR RISKS AND EXPENSES	**1,010**	**795**	**8,859**	**6,848**	**9,869**	**7,643**
E) DEPOSITS RECEIVED ON CEDED AND RETROCEDED REINSURANCE	**4,841**	**4,912**	**62,962**	**38,691**	**67,803**	**43,603**
F) DEFERRED TAX LIABILITIES	**3,752**	**4,935**	**5,304**	**19,692**	**9,056**	**24,627**
G) DEBT	**40,789**	**41,077**	**317,311**	**312,962**	**358,099**	**354,039**
I. Due on reinsurance operations	31,027	31,532	268,764	266,754	299,790	298,286
II. Tax liabilities	2,383	2,182	19,186	19,022	21,569	21,204
III. Other debts	7,379	7,363	29,361	27,186	36,740	34,549
H) ADJUSTMENTS FOR PREPAYMENT	**7**	**3**	**60,429**	**72,409**	**60,437**	**72,412**
I) LIABILITIES LINKED TO NON-CURRENT ASSETS HELD FOR SALE AND FROM DISCONTINUED OPERATIONS						
TOTAL LIABILITIES AND EQUITY BY SEGMENT	**1,072,653**	**1,014,130**	**5,376,659**	**4,564,771**	**6,449,312**	**5,578,901**

(Figures in thousands of euros)

E) Financial information by segment - consolidated income statement for years ended December 31, 2017 and 2016

	LIFE REINSURANCE		NON-LIFE REINSURANCE		TOTAL	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
I. REVENUE FROM INSURANCE BUSINESS						
1. Earned premiums for the period, net	565,936	515,989	2,433,783	2,175,766	2,999,719	2,691,755
a) Written premiums, direct insurance						
b) Premiums from accepted reinsurance	656,701	648,245	3,565,723	3,586,505	4,222,424	4,234,750
c) Premiums from ceded reinsurance	(36,970)	(40,410)	(1,362,660)	(1,393,677)	(1,399,630)	(1,434,087)
d) Variations in provisions for unearned premiums and unexpired risks, net	(53,795)	(91,846)	230,720	(17,062)	176,925	(108,908)
Direct insurance						
Accepted reinsurance	(52,388)	(82,419)	227,040	(58,131)	174,652	(140,550)
Ceded reinsurance	(1,407)	(9,427)	3,680	41,069	2,273	31,642
2. Share in profits from equity-accounted companies						
3. Income from investments	87,567	90,807	105,763	115,415	193,330	206,222
a) From operations	86,105	89,512	99,568	106,572	185,673	196,084
b) From equity	1,462	1,295	6,195	8,843	7,657	10,138
4. Unrealized gains on investments on behalf of Life insurance policyholders bearing the investment risk						
5. Other technical revenues						
6. Other non-technical revenue	61	19	833	727	895	746
7. Positive foreign exchange differences	110,753	77,760	686,653	412,504	797,406	490,264
8. Reversal of the asset impairment provision	18		3,810	5,683	3,828	5,683
TOTAL REVENUE FROM INSURANCE BUSINESS	**764,334**	**684,575**	**3,230,843**	**2,710,095**	**3,995,177**	**3,394,670**
II. EXPENSES FROM INSURANCE BUSINESS						
1. Incurred claims for the period, net	(494,067)	(425,214)	(1,611,726)	(1,413,682)	(2,105,793)	(1,838,896)
a) Claims paid and variation in provision for claims, net	(494,055)	(425,205)	(1,611,636)	(1,413,582)	(2,105,691)	(1,838,787)
Direct insurance						
Accepted reinsurance	(515,993)	(461,330)	(3,201,340)	(2,079,549)	(3,717,332)	(2,540,879)
Ceded reinsurance	21,937	36,125	1,589,704	665,967	1,611,641	702,092
b) Claims-related expenses	(12)	(9)	(90)	(100)	(102)	(109)
2. Variation in other technical provisions, net	732	(11,599)			732	(11,599)
3. Profit sharing and return premiums						
4. Net operating expenses	(132,076)	(128,745)	(695,344)	(631,450)	(827,420)	(760,195)
a) Acquisition expenses	(139,168)	(137,436)	(1,009,537)	(915,206)	(1,148,705)	(1,052,642)
b) Administration expenses	(2,688)	(2,001)	(13,414)	(11,906)	(16,101)	(13,907)
c) Commissions and participation in reinsurance	9,780	10,692	327,606	295,662	337,386	306,354
5. Share in losses from equity-accounted companies						
6. Expenses from investments	(6,439)	(7,084)	(21,853)	(25,860)	(28,291)	(32,944)
a) From operations	(6,160)	(6,486)	(20,512)	(22,810)	(26,673)	(29,296)
b) From equity and financial accounts	(279)	(598)	(1,340)	(3,050)	(1,619)	(3,648)
7. Unrealized losses on investments on behalf of Life insurance policyholders bearing the investment risk						
8. Other technical expenses	(482)	(540)	(1,547)	(1,814)	(2,029)	(2,354)
9. Other non-technical expenses	(739)	(346)	(5,157)	(3,501)	(5,896)	(3,847)
10.Negative foreign exchange differences	(111,351)	(75,878)	(693,917)	(411,374)	(805,268)	(487,252)
11.Allowance to the asset impairment provision		(2)		(4,764)		(4,766)
TOTAL EXPENSES FROM INSURANCE BUSINESS	**(744,422)**	**(649,408)**	**(3,029,544)**	**(2,492,445)**	**(3,773,966)**	**(3,141,853)**
RESULT FROM THE INSURANCE BUSINESS	**19,913**	**35,167**	**201,299**	**217,650**	**221,212**	**252,817**
III. OTHER ACTIVITIES						
IV. RESULT BEFORE TAXES FROM ONGOING OPERATIONS	**19,913**	**35,168**	**201,299**	**217,649**	**221,212**	**252,817**
V. TAX ON PROFIT FROM ONGOING OPERATIONS	**(5,837)**	**(12,019)**	**(52,720)**	**(54,738)**	**(58,557)**	**(66,757)**
VI. RESULT AFTER TAX FROM ONGOING OPERATIONS	**14,076**	**23,149**	**148,579**	**162,911**	**162,655**	**186,060**
VII. RESULT AFTER TAX FROM DISCONTINUED ACTIVITIES						
VIII. RESULT FOR THE PERIOD	**14,075**	**23,149**	**148,579**	**162,911**	**162,654**	**186,060**
1. Attributable to non-controlling interests	1	14			1	14
2. Attributable to the controlling Company	14,076	23,163	148,579	162,911	162,655	186,074

(Figures in thousands of euros)

F) Financial information by geographic area. Breakdown to December 31, 2017 and 2016

GEOGRAPHIC AREA	Ordinary revenues from external clients 2017	Ordinary revenues from external clients 2016	Non-current assets 2017	Non-current assets 2016
SPAIN	663,164	665,802	53,046	48,170
UNITED STATES OF AMERICA	558,185	596,441	861	989
BRAZIL	143,224	149,112	7,789	6,588
MEXICO	100,790	113,201	365	394
VENEZUELA	541	5,489	310	342
COLOMBIA	74,644	103,225	146	174
ARGENTINA	95,162	106,438	6,794	12,513
TURKEY	134,033	157,621		
CHILE	118,684	150,110	4,762	3,066
OTHER COUNTRIES	2,333,997	2,187,311	10,119	12,053
TOTAL	**4,222,424**	**4,234,750**	**84,192**	**84,289**

(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.

Accepted reinsurance premiums are considered as ordinary revenues.

No client contributes, on an individual basis, more than 10 percent of the Group's ordinary revenues.

Consolidated financial statements

1. General information on the company and its activities

MAPFRE RE, Compañía de Reaseguros S.A. (referred to from 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 action includes Spain, European Union countries and other countries, mainly in Latin America. This scope of action 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., a single-member company (referred to hereinafter as CARTERA MAPFRE), which is wholly controlled by Fundación MAPFRE.

The consolidated annual accounts have been prepared by the Board of Directors on February 21, 2018. They are expected to be approved at the Annual General Meeting. Spanish regulations provide for the possibility of modifying the annual accounts 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 accounts have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), with all companies having implemented the required standardization adjustments for these purposes.

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

There was no early application of the standards and interpretations which, having been approved by the European Commission, had not taken effect as of the closing date of the 2017 fiscal year. However, their early adoption would not have had any effect on the Group's financial position and results.

2.2 FINANCIAL INFORMATION BY SEGMENT

The controlling Company voluntarily includes financial information by segment in Section E of the consolidated annual accounts. 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 accounts 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

In the fiscal years 2017 and 2016, there were no changes in accounting policies, estimates or material errors that could have had an effect on the Group's financial position or results.

2.5 COMPARISON OF THE INFORMATION

There is nothing which prevents the comparison of the consolidated annual accounts from the fiscal year with those of the previous fiscal year.

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 accounts.

As of the date on which the annual accounts for the fiscal year were prepared, the following should be highlighted:

> The adoption of IFRS-EU 15 "Revenue from contracts with customers", which came into effect for fiscal years that begin after January 1, 2018, is not expected to have any material on the financial position and results of the Group.

> With regard to IFRS 16-EU "Leasing", to be applied for fiscal years which begin after January 1, 2019, a new impact assessment on the financial statements for the first year of implementation has been conducted, based on current market conditions and lease contracts in force. The main impacts would be the following:

– Increase in assets and liabilities of approximately 3.9 million euros.

– Decrease in operating expenses and increase in financial expenses of (0.07) and 0.05 million euros respectively. The amount of financial expenses will be progressively reduced, using financial criteria, throughout the estimated period of the contracts.

– Increase in the result for the period attributable to the controlling company of 0.02 million euros. This amount will be fully compensated at the end of the estimated period of the contracts.

> The Group is analyzing the possible impact expected from IFRS 17 "Insurance contracts" applicable to fiscal years starting on or after January 01, 2021, 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.

> As regards EU-IFRS 9 "Financial instruments" and the amendment to EU-IFRS 4 "Insurance contracts", the impact of which is also expected to be significant, applicable to fiscal years starting on or after January 1, 2018, and considering the provisions of this latter standard, the Group has applied the optional temporary exemption from applying IFRS 9 for companies mainly offering insurance business. This temporary exemption can apply until the fiscal years starting on or after

January 1, 2021, the date on which it is expected that the new IFRS 17 "Insurance contracts" will come into force.

> Upon its coming into force, the Group will adopt the other applicable standards, amendments and interpretations. It is expected that their initial application will not have any significant impact on the Group's financial position or results.

2.6 CHANGES IN THE CONSOLIDATION SCOPE

Annex 1 specifies the companies that were incorporated in fiscal years 2017 and 2016 into the consolidation scope, together with the equity data and results. Annex 1 also details the companies and changes made in the consolidation scope.

The global effect on the Group equity, financial position and results that can be consolidated in fiscal years 2017 and 2016 of other changes in the consolidation scope with respect to the previous fiscal year are described in the corresponding notes of the consolidated report.

2.7 ACCOUNTING JUDGMENTS AND ESTIMATES

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

> 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 more reasonable in each instance. If these reviews were to generate changes in estimates in a given period, their effect would be applied in that period and, if applicable, in subsequent periods.

3. Consolidation

3.1. SUBSIDIARY 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.

Dependent companies are consolidated starting from the date on which the Group obtains control and are excluded from the consolidation on the date on which this ceases.

Associated 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. Significant influence is presumed when, either directly or indirectly through its subsidiaries, at least 20 percent of the voting rights in the investee company are held.

The shares in associated companies are consolidated via the equity method, with net goodwill as of the acquisition date included in the equity value.

When the share of the Group in the losses of an associated company is equal to or greater than the book value of the share in said company, including any unsecured accounts receivable, the Group will not register additional losses, unless it has incurred obligations or made payments on behalf of the associated company.

To determine whether an investee company is a subsidiary or associate, the purpose and design of the investee company have been considered in order to determine the relevant activities, the way in which decisions are made on these activities, who has the current capacity to direct these activities and who receives their financial returns. The potential voting rights held and those that may be exercised as purchase options on shares, convertible debt instruments or other instruments providing the controlling Company the possibility of increasing 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, 2017 and 2016.

3.2. CONVERSION OF ANNUAL ACCOUNTS 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 the above procedure, as well as those arising from the conversion of loans and other instruments into foreign currency to cover investments in overseas businesses, are presented as a separate component of the "Statement of recognized income and expense" section and are shown under equity in the "Currency conversion differences" account, deducting the part of the difference that corresponds to non-controlling interests.

Fair value adjustments of assets and liabilities which 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 opening balance

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

The variations in technical provisions in the consolidated income statement differ from those that are obtained from the difference in the consolidated balance sheet of the current and previous fiscal year as a result of applying a different conversion exchange rate in the case of overseas subsidiaries.

4. Earnings per share and dividends

4.1. EARNINGS PER SHARE

The basic earnings per share calculation, which coincides with diluted earnings per share, as no potential ordinary shares exist, is provided below:

	2017	2016
Net profit attributable to the shareholders of the controlling Company (thousands of euros)	162,655	186,074
Average weighted number of outstanding ordinary shares (thousands of shares)	72,231	72,231
Basic earnings per share (euros)	**2.25**	**2.58**

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	
	2017	2016	2017	2016
Interim dividend	103,290,427	90,288,835	1.43	1.25
TOTAL	**103,290,427**	**90,288,835**	**1.43**	**1.25**

(Figures in Euros)

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

The planned distribution of dividends complies with the requirements and limitations established by legal regulations and in the articles of association.

In fiscal year 2017, the controlling Company distributed two interim dividends equivalent to a total amount of 103,290,427 euros, which is recorded in equity under the heading "Interim dividend". The liquidity statements prepared by the Board of Directors for the distribution of the two interim dividends agreed on in 2017 are provided below.

ITEM	Date of resolution: 6/30/2017	Date of resolution: 11/28/2017
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 within 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

Other intangible assets

OTHER INTANGIBLE ASSETS FROM AN INDEPENDENT ACQUISITION

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

INTERNALLY GENERATED INTANGIBLE ASSETS

Investigation expenses are directly recognized in the consolidated income statement for the fiscal year in which they are incurred. Development expenses are registered 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 expected to be obtained, notwithstanding the valuation that would be made if an impairment were to occur.

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 (years)	Depreciation rate (annual)
Computer applications	4	25%

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

5.2 PROPERTY, PLANT AND EQUIPMENT AND PROPERTY INVESTMENTS

Property, plant and equipment and property investments are valued at their acquisition cost minus their cumulative depreciation and, if applicable, accumulated losses due to impairment.

Property investments are non-current property assets whose purpose is to obtain income, gains or both.

The costs following their acquisition are recognized as an asset only when it is probable that the future profits associated with them will be returned to the Group, and the cost of the item can be determined in a reliable way. All other expenses associated with maintenance and repairs are charged to the consolidated income statement during the fiscal 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	Years	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 on the closing date of each fiscal year.

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

5.3 LEASING

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

5.4 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

It includes original or acquired financial assets with the objective of realizing them in the short-term that are part of a portfolio of financial instruments identified and managed jointly, for which there is proof of recent actions to obtain gains in the short-term.

Derivative instruments not assigned to a coverage operation and hybrid financial assets completely assessed at their fair value also form 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 segregation is not possible, they are measured at fair value.

Valuation

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

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 assessments of the financial investments included in the available-for-sale portfolio and in the trading portfolio have been classified according to the levels of the variables used in their assessment:

> **Level 1** Quote price: Unadjusted price quoted in active markets.

> **Level 2** Observable data: 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 assessment is carried out via a model that discounts future cash flows, including the reimbursement value, using a yield curve with two main components:

1. Zero coupon swap curve of the currency of in which the issue is denominated, 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 less the zero coupon swap curve that reflects the risks inherent to the issue measured, such as: Credit, Liquidity and Optionality Risk.

> **Level 3** Other valuations: Specific variables for each case. For these purposes, it is possible to distinguish between:

– Equities, where in general the realizable value is estimated according to the individual characteristics of the asset.

– Fixed-income assets with complex future cash flow structures (interest rates linked to financial variables, with caps and/or floors) and one or more early amortizations, and in which the issuer has no similar issues on the market or any unquoted issues from an issuer with no similar issues. In these cases, the assets are usually assessed by requesting a benchmark valuation from third party.

Changes in the observable variables used in the aforementioned individual valuations would not materially alter the fair value obtained.

Impairment

The book value of the financial investments is corrected via a charge to the consolidated income statement when there is objective evidence that an event has occurred which entails a negative impact on its future cash flows, or in any other circumstance that would indicate not being able to recover the cost of investment of the financial instrument. The amount of losses due to impairment is equal to the difference between their book value and the current value of its future estimated cash flows.

For fixed-income securities in which there is a default on 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 rating and the degree of solvency of the issuers, proceeding to register the impairment if it is considered that the risk of default is 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 over a prolonged period (18 months) or materially (40 percent) in terms of its cost.

The amount of estimated losses due to impairment is recognized in 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 registered in previous fiscal years is not recognized in the income statement, but rather any increase in value is allocated directly to equity.

5.5 IMPAIRMENT OF OTHER ASSETS

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

For assets that are not in use conditions 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 in the recoverable value of an asset other than goodwill, the loss due to the previously recognized impairment is reversed, increasing the book value of the asset to its recoverable value. This increase never exceeds the book value net of amortization that would be registered had an impairment loss 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. Following this reversal, the amortization cost is adjusted for subsequent periods.

5.6 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 stated impairments of the value.

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

5.7 CASH

Cash consists of cash (cash and demand 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.

5.8 ADJUSTMENTS FOR PREPAYMENT

The fees and other acquisition expenses corresponding to the accrued 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 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.B.1.

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

5.9 REINSURANCE OPERATIONS

A) Premiums

ACCEPTED AND RETROCEDED REINSURANCE

These are booked according to the accounts received from the selling companies and, additionally, in retroceded reinsurance operations, consideration is given to the retrocession contracts underwritten.

B) Technical provisions

B.1) ACCEPTED REINSURANCE

> Provision for unearned premiums
Proportional reinsurance
Accepted reinsurance operations are accounted for based on the accounts received from the ceding companies. If, when closing the accounting, the last account from the cedent is not available, the balance of the other received accounts is considered a provision for unearned premiums of non-closed accounts for the purpose of not recognizing results in the accounting of these accounts. If, exceptionally, these provisions of non-closed accounts were negatively affected by the accounting of significant claims payments, as they are related to a certain loss which cannot be compensated by non-closed account transactions, the provision is adjusted by the corresponding amount.

When the last statement and report of pending claims is available, the provisions of non-closed accounts are paid, providing the provisions for unearned premiums according to the information sent by the cedent, repaying contract by contract.

If they are not available, the amount of the deposit of retained premiums for this item will be accounted for as the provision for unearned premiums. As a last resort, an overall premium prepayment method is used.

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

Non-proportional reinsurance
These are booked according to the accounts received from the cedent companies. The provision for non-consumed premiums is estimated by provisioning the premium booked and not earned, using the "pro rata temporis" method.

> Provision for unexpired risks
This is calculated by business line and supplements the provision for unearned premiums in the extent to which this is not sufficient to reflect the valuation of risks and expenses to be covered corresponding to the coverage period that has not elapsed as of the closing date.

> Provision for outstanding claims
Proportional reinsurance
These are provided for the amounts communicated by the cedent or, failing this, for the deposits retained, and include additional provisions for claims made that were not communicated, as well as for deviations of existing claims based on prior experience.

Non-proportional reinsurance
These are provisioned for the amounts notified by the cedent, additionally estimating using actuarial methods, an "ultimate loss ratio" based on experience. The difference between claims made (paid and pending) notified by the cedent and the specified ultimate loss ratio, is included as a greater provision for claims made and not reported".

According to actuarial and statistical estimates, the provision is calculated for known claim deviations.

B.2) Retroceded reinsurance

Retroceded reinsurance operations and their corresponding technical provisions are registered using the same criteria as those applied for accepted reinsurance, based on the underwritten retrocession contracts.

B.3) LIABILITY ADEQUACY TEST

The registered technical provisions are usually subject to a reasonableness test for the purpose of determining their sufficiency on the basis of projections of all future cash flows of current contracts. If, as a result of this test, it is noted that the provisions are insufficient, they are adjusted and charged to the result for the period.

C) Loss ratio

The claims corresponding to accepted reinsurance are booked according to the accounts received from the cedent companies, estimating the last cost expected in the event of non-proportional contracts.

Claims corresponding to ceded and retroceded reinsurance are registered according to the underwritten contracts and under the same criteria applied for accepted 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.

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

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

For liabilities, the hypotheses are based on the best possible estimate at the time of contract issue, establishing, if there should be proven insufficiency, the necessary provisions to cover them.

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 5.6 Receivables is applied.

5.10 PROVISIONS FOR RISKS AND EXPENSES

These are recognized when there is a current obligation (either 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, and the reimbursement is recognized as a separate asset.

5.11 DEBT

These are generally valued at the amortized cost, using the effective interest rate method.

For debts with a maturity exceeding one year and when the parties have not expressly agreed on the applicable interest rate, they are discounted by taking, as the implicit interest rate, the current market rate for public debt securities with the same or similar term as the maturity of the debt, notwithstanding the consideration of the corresponding risk premium.¬

5.12 GENERAL CRITERIA FOR REVENUE AND EXPENSES

The recognition of revenue and expenses is carried out on an accrual basis, according to which the revenue and expenses are allocated according to the actual flow of goods and services that they represent, regardless of the date of the monetary or financial flow derived from them.

5.13 EMPLOYEE REMUNERATION

Remuneration to employees can be short-term, post-employment benefits, compensation for termination, or other share-based medium or long-term remunerations and payments.

a. Short-term remuneration

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

b. Post-employment benefits

These consist of defined contribution and defined benefit plans, as well as Life insurance covering death between the age of 65 and 77 years.

DEFINED CONTRIBUTION PLANS

These are those in which the company involved makes predetermined 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 defined benefits obligation is determined separately for each plan using the actuarial valuation method of the projected unit credit.

Actuarial losses and gains are registered as equity.

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 a demonstrable agreement to terminate the employment relationship prior to the normal date of retirement of the employee, or when there is an offer to encourage voluntary termination of the contracts.

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

The accounting record for other long-term remunerations, separate from those described in the prior paragraphs and referring specifically to the years of service or time with the company bonus, follows the aforementioned principles. The only exception is the cost of past services, which is recognized immediately and recorded as an offsetting entry under the "Provisions for risks and expenses" heading, and actuarial gains and losses which are registered in the consolidated income statement.

INCENTIVE PLANS

In fiscal year 2016, a medium-term incentive plan was approved for certain members of MAPFRE's executive team. The plan is not cumulative and is multi-year, commencing on January 1, 2016 and ending on March 31, 2019, with deferral in the payment of part of the incentives until the 2020-2022 period. The payment of incentives is subject to the fulfillment of certain corporate and specific objectives, as well as the continued employment of beneficiaries of the plan in the Group. This payment will be made partially in cash (50 percent) and partially through the delivery of shares in MAPFRE S.A. (50 percent) and is subject to decrease or retrieval clauses.

At the end of each fiscal year, the fulfillment of the objectives is evaluated, and the amount accrued is registered in the consolidated income statement, with payment to a liabilities account for the cash remuneration and an equity account for the part corresponding to equity instruments. The valuation of the incentive to be received in MAFPRE S.A. shares is conducted taking into account the fair value of the equity instruments allocated as of the date of their concession.

Each year, during the irrevocability period of the concession, the number of equity instruments included in the determination of the transaction amount is adjusted. Following the irrevocability period of the concession, additional adjustments will not be made.

Previously, there was a medium-term incentive plan approved for certain members of the Group's executive team. The plan was not cumulative and was multi-year, commencing on January 1, 2013 and ending on March 31, 2016, having been liquidated at close of fiscal year 2016.

In fiscal year 2017, the Group approved an incentive plan linked to the value of the MAPFRE S.A. share, with liquidation in cash, revocable, which was valued at the time of approval, according to an option valuation method. The assessed cost has been allocated as a personnel expense item in results during the employee's vesting period, while a liability in favor of the employee is recognized as an offsetting entry. At the end of each fiscal year, the liability is assessed at its fair value, and any change in valuation during the fiscal year is allocated to the consolidated income statement. At the end of fiscal year 2016, the share price was below the benchmark price, and for that reason no rights have been exercised and the plan has been terminated.

5.14 REVENUE AND EXPENSES FROM INVESTMENTS

They are classified between operations and equity depending on their origin, as they are allocated for covering technical provisions or for the materialization of shareholders' equity respectively.

Changes in fair value are registered according to the portfolio into which the 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

These are recognized directly in the company's equity until it is written off of the balance sheet or impairment is recorded. In these cases, they are registered in the consolidated income statement.

In all cases, the interest from financial instruments is registered in the consolidated income statement by applying the effective interest rate method.

5.15 RECLASSIFICATION OF EXPENSES BY TYPE, DESTINATION AND ALLOCATION TO AREAS OF ACTIVITY

The criteria to follow for reclassifying expenses by destination are mainly based on the tasks performed by each employee, distributing their direct and indirect cost according to these tasks.

For expenses that are not directly or indirectly related to personnel, individual studies are conducted, allocating these expenses to the destination according to the task performed with said expenses.

The established destinations are as follows:

> Claims-related expenses: Proportionally to the 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:

> Accepted Life reinsurance.

> Accepted Non-Life reinsurance.

5.16 TRANSACTIONS AND BALANCES IN FOREIGN CURRENCY

With the exception of reinsurance operations, transactions in foreign currencies are converted 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 the close of the fiscal year, the existing balances denominated in foreign currencies are converted at the exchange rate of the functional currency on that date, and all exchange differences are recorded in the consolidated income statement. The only exception is those which are directly allocated to "Currency conversion differences," i.e. those arising from the monetary entries that form part of the net investment in a foreign business, and from the non-monetary entries assessed at fair value, where changes in valuation are directly recognized under equity.

5.17 TAX ON PROFITS

Tax on profits is treated as an expense in the fiscal 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 tax on profits, the balance sheet method is followed, whereby the corresponding assets and liabilities that are necessary for deferred tax are registered to correct the effect of temporary differences, which are the differences between the carrying amount of an asset or liability and which comprises their tax valuation.

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, in the extent to which they are recoverable, the registration of a deferred tax asset.

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

a) 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 an asset or liability in a transaction that is not a business combination and on the date of the transaction, it does not affect the accounting result nor the tax basis;

> they correspond to differences connected with investments in subsidiaries, associates and joint ventures over which the Group has control at the time of reversal and it is unlikely that there will be any reversal in the foreseeable future.

b) Recognition of deferred tax assets

The Group recognizes deferred tax assets as long as:

> it is probable that there will be sufficient future tax benefits to allow for their compensation. However, assets that arise from the initial recognition of assets are not recognized, nor are liabilities in a transaction that is not a business combination and on the date of the transaction that does not affect the accounting result or the tax basis;

> they correspond to temporary taxable differences connected with investments in subsidiaries, associates and joint ventures to the extent that the temporary differences will be reversed in the foreseeable future and it is expected that future tax benefits will be generated to offset the differences;

c) 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.

d) 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 revises the book value of the deferred tax assets at the close of fiscal year and decides whether or not conditions are met to recognize any deferred tax assets that were not previously recognized.

6. Breakdown of the financial statements

6.1 INTANGIBLE ASSETS

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

2017

ITEM	Opening balance 2017	Adjustments to opening balance	Changes in the consolidation scope	Additions or provisions	Disposals 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)

2016

ITEM	Opening balance 2016	Adjustments to opening balance	Changes in the consolidation scope	Additions or provisions	Disposals or reductions	Closing balance 2016
COST						
GOODWILL						
OTHER INTANGIBLE ASSETS	7,778	6		26	(319)	7,491
Portfolio acquisition expenses						
Computer applications	7,778	6		26	(319)	7,491
Other						
TOTAL COST	**7,778**	**6**		**26**	**(319)**	**7,491**
CUMULATIVE DEPRECIATION						
OTHER INTANGIBLE ASSETS	(6,744)	(6)		(484)	319	(6,915)
Portfolio acquisition expenses						
Computer applications	(6,744)	(6)		(484)	319	(6,915)
Other						
TOTAL CUMULATIVE DEPRECIATION	**(6,744)**	**(6)**		**(484)**	**319**	**(6,915)**
IMPAIRMENT						
GOODWILL						
OTHER INTANGIBLE ASSETS						
Portfolio acquisition expenses						
Computer applications						
Other						
TOTAL IMPAIRMENT						
TOTAL GOODWILL						
TOTAL OTHER INTANGIBLE ASSETS	**1,034**			**(458)**		**576**
TOTAL INTANGIBLE ASSETS	**1,034**			**(458)**		**576**

(Figures in thousands of euros)

“Entries” in fiscal year 2017 mainly correspond to the development of own applications restricted to the adjustment of current systems to new accounting standards (IFRS 17) and “2016 quotes” in 2016.

Exits seen in fiscal year 2016 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 2017 came to 6,814,000 euros (5,750,000 euros at close of fiscal year 2016).

6.2 PROPERTY, PLANT AND EQUIPMENT AND PROPERTY INVESTMENT

Property, plant and equipment

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

2017

ITEM	Opening balance 2017	Adjustments to opening balance	Changes in the consolidation scope	Additions or provisions	Disposals 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 EQUIP-MENT	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
Other property, plant and equipment	4,865	(56)		688	(28)	5,469	2,639
Advances and construction 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 EQUIP-MENT							
Vehicles							
Furniture and fittings							
Other property, plant and equipment							
Advances and construction 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 AND EQUIP-MENT	**54,517**	**(205)**		**1,253**	**(42)**	**55,528**	**57,952**

(Figures in thousands of euros)

2016

ITEM	Opening balance 2016	Adjustments to opening balance	Changes in the consolidation scope	Additions or provisions	Disposals or reductions	Closing balance 2016	Market value
COST							
PROPERTY FOR OWN USE	9,622	332		42,711		52,665	49,843
Land and natural resources	2,423			27,793		30,216	29,305
Buildings and other structures	7,199	332		14,918		22,449	20,538
OTHER PROPERTY, PLANT AND EQUIPMENT	8,239	177		2,966	(170)	11,212	4,765
Vehicles	664	10			(105)	569	242
Furniture and fittings	3,436	76		2,267	(1)	5,778	2,456
Other property, plant and equipment	4,139	91		699	(64)	4,865	2,067
Advances and construction in progress							
TOTAL COST	**17,861**	**509**		**45,677**	**(170)**	**63,877**	**54,608**
CUMULATIVE DEPRECIATION							
PROPERTY FOR OWN USE	(1,517)	(74)		(116)	18	(1,689)	
OTHER PROPERTY, PLANT AND EQUIPMENT	(5,609)	(148)		(734)	44	(6,447)	
TOTAL CUMULATIVE DEPRECIATION	**(7,126)**	**(222)**		**(850)**	**62**	**(8,136)**	
IMPAIRMENT							
PROPERTY FOR OWN USE	(724)			(500)		(1,224)	
Land and natural resources							
Buildings and other structures	(724)			(500)		(1,224)	
OTHER PROPERTY, PLANT AND EQUIPMENT							
Vehicles							
Furniture and fittings							
Other property, plant and equipment							
Advances and construction in progress							
TOTAL IMPAIRMENT	**(724)**			**(500)**		**(1,224)**	
TOTAL OWNED PROPERTY	**7,381**	**258**		**42,095**	**18**	**49,752**	**49,843**
TOTAL OTHER PROPERTY, PLANT AND EQUIPMENT	**2,631**	**29**		**2,232**	**(126)**	**4,765**	**4,765**
TOTAL PROPERTY, PLANT AND EQUIPMENT	**10,012**	**287**		**44,327**	**(108)**	**54,517**	**54,608**

(Figures in thousands of euros)

In fiscal year 2017, the main "addition" produced was due to the refurbishment of the building installations.

In fiscal years 2017 and 2016, the main "disposals" were due to the sale of transport elements.

In fiscal year 2016, the main "addition" was the purchase from Fundación MAPFRE of the building of the Company's office at Paseo de Recoletos, 25, for the price of 41,500,000 euros.

In fiscal year 2016, impairment was registered due to the capital loss in the property in Italy.

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 2017 and 2016 fiscal years reached 2,912,000 euros and 2,736,000 euros respectively, of which 1,168,000 euros and 1,088,000 euros respectively correspond to elements outside Spanish territory.

Property Investment

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

2017

ITEM	Opening balance 2017	Adjustments to opening balance	Changes in the consolidation scope	Additions or provisions	Disposals 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)

2016

ITEM	Opening balance 2016	Adjustments to opening balance	Changes in the consolidation scope	Additions or provisions	Disposals or reductions	Closing balance 2016	Market value
COST							
INVESTMENT IN PROPERTY	8,972	156		1,279		10,407	7,832
Land and natural resources	1,715	34		384		2,133	2,620
Buildings and other structures	7,257	122		895		8,274	5,212
OTHER PROPERTY INVESTMENTS							
TOTAL COST	8,972	156		1,279		10,407	7,832
CUMULATIVE DEPRECIATION							
INVESTMENT IN PROPERTY	(3,820)	(309)		(49)	146	(4,032)	
OTHER PROPERTY INVESTMENTS							
TOTAL CUMULATIVE DEPRECIATION	**(3,820)**	**(309)**		**(49)**	**146**	**(4,032)**	
IMPAIRMENT							
INVESTMENT IN PROPERTY							
Land and natural resources							
Buildings and other structures							
OTHER PROPERTY INVESTMENTS							
TOTAL IMPAIRMENT							
TOTAL PROPERTY INVESTMENT	**5,152**	**(153)**		**1,230**	**146**	**6,375**	**7,832**

(Figures in thousands of euros)

The market value of property investments and property for own use basically correspond to the appraisal value determined by an independent appraisal company, depending on observable market variables (Level 2). The valuation methods generally used correspond to the cost method, comparison method, future rental income method and abbreviated residual method, depending on the characteristics of the property being appraised.

On the other hand, the majority of property are assets assigned to the technical provisions and appraisals are performed on a regular basis, as established by the regulatory bodies of the insurance activities, for a review of their valuation.

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

ITEM	INVESTMENTS IN					
	OPERATION		EQUITY		TOTAL	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Income from property investments						
From rentals	537	477	14	1	551	478
Gains on disposals						
TOTAL INCOME FROM INVESTMENT PROPERTY	**537**	**477**	**14**	**1**	**551**	**478**
Property investment expenses						
Direct operating expenses	(117)	(62)			(117)	(62)
Other expenses	(69)	(37)			(69)	(37)
TOTAL EXPENSES FROM PROPERTY INVESTMENTS	**(186)**	**(99)**			**(186)**	**(99)**

(Figures in thousands of euros)

6.3 LEASING

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

ASSET TYPE	NET BOOK VALUE		MAXIMUM TERM OF CONTRACTS		MAXIMUM YEARS ELAPSED	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Belgium property	3.308	3.457	14	14	14	13
Chile property	1.619	1.639	1	1	Renewable annually	Renewable annually
Mansardas R-25	1.264	1.279	4	4		
TOTAL	**6.191**	**6.375**				

(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 2017	Minimum collections 2016
Less than one year	655	959
More than one year but less than five	2,945	4,401
More than five years	1,506	3,026
Total	**5,106**	**8,386**

(Figures in thousands of euros)

No contingent payments are registered as revenue in the 2017 and 2016 fiscal years.

The future minimum payments to be realized on operating leases that cannot be canceled as of December 31 are as follows:

ITEM	Minimum collections 2017	Minimum collections 2016
Less than one year	124	280
More than one year but less than five	4	
More than five years	5	
Total	**133**	**280**

(Figures in thousands of euros)

The Group is, at present, the lessee of various floors of the building at number 14 calle Bárbara de Braganza, paying lease charges in 2017 of 193,000 euros (187,000 euros in 2016). In 2016, total payments made for lease charges came to 2,636,000 euros for the lease until November of the company offices that were thereafter purchased.

No contingent payments were registered as expenses in the fiscal years 2017 and 2016.

6.4 FINANCIAL INVESTMENTS

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

ITEM	BOOK VALUE	
	2017	**2016**
AVAILABLE-FOR-SALE PORTFOLIO		
Shares	231,749	220,816
Fixed income	2,837,413	2,995,085
Mutual Funds	158,365	173,146
Other		
TOTAL AVAILABLE-FOR-SALE PORTFOLIO	**3,227,527**	**3,389,047**
TRADING PORTFOLIO		
Other investments		
Shares	46	80
Fixed income		3,384
Mutual Funds	22,870	32,183
Hybrids		
Deposits		
Other		
TOTAL TRADING PORTFOLIO	**22,916**	**35,647**

(Figures in thousands of euros)

The valuation process for financial assets is as follows:

a) When 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 local and international accounting and insurance legislation.

b) The accounting nature of the portfolios dictates the type of valuation. For all assets, however, at least once a year, a market valuation is performed, using the valuation methods described above 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 Executive Committee of MAPFRE S.A. regularly analyzes the value of all investments, and capital gains and losses.

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

Quote 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 is no longer any observable market data.

Available-for-sale portfolio

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

ITEM	MARKET VALUE (BOOK VALUE)						TOTAL		IMPAIRMENT			
	LEVEL 1. QUOTATION PRICE		LEVEL 2. OBSERVABLE DATA		LEVEL 3. OTHER VALUATIONS				RECORDED LOSS		REVERSAL GAINS	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Shares	231,749	217,016				3,800	231,749	220,816				
Fixed income	2,605,632	2,896,228	231,781	98,858			2,837,413	2,995,085		(2)	18	
Mutual Funds	153,626	173,146			4,739		158,365	173,146				
TOTAL AVAILABLE-FOR-SALE PORTFOLIO	**2,991,007**	**3,286,390**	**231,781**	**98,858**	**4,739**	**3,800**	**3,227,527**	**3,389,047**		**(2)**	**18**	

(Figures in thousands of euros)

The impairment in 2017 and 2016 includes the gain and loss respectively on investments available for sale in Chile.

The change in valuation adjustments of portfolio investments amounted to 23.93 million and 2.55 million euros as of December 31, 2017 and 2016 respectively, which have been registered as equity, net of tax.

Transfers to the consolidated income statement of valuation adjustments for portfolio investments in previous fiscal years, realized during fiscal years 2017 and 2016, reach an amount of 28.36 and 26.32 million euros, respectively.

There were no transfers of assets between Levels 1 and 2.

There have been no variations in valuation techniques of Levels 2 and 3.

During 2017, 3.8 million euros corresponding to shares classified in Level 3 have been sold.

At the close of fiscal year 2017, a financial asset classified as a mutual fund for an amount of 86,501,000 euros was reclassified from the available-for-sale portfolio to “Equity-accounted investments”.

Trading portfolio

The investments subject to the trading portfolio are detailed below:

ITEM	MARKET VALUE (BOOK VALUE)						TOTAL		GAINS (LOSSES) ALLOCATED TO RESULTS			
	LEVEL 1. QUOTATION PRICE		LEVEL 2. OBSERVABLE DATA		LEVEL 3. OTHER VALUATIONS				UNREALIZED		REALIZED	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
OTHER INVESTMENTS IN THE TRADING PORTFOLIO												
Shares			46	80			46	80				
Fixed income		3,384						3,384			351	25
Mutual Funds	22,870	32,183					22,870	32,183				(56)
Other												
TOTAL OTHER INVESTMENTS	**22,870**	**35,567**	**46**	**80**			**22,916**	**35,647**			**351**	**(31)**
TOTAL TRADING PORTFOLIO	**22,870**	**35,567**	**46**	**80**			**22,916**	**35,647**			**351**	**(31)**

(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.

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			
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Receivables on reinsurance operations	324,128	293,825	(6,864)	(10,674)	317,264	283,151		(4,766)	3,828	5,683		
II. Tax receivables	11,217	17,087			11,217	17,087						
III. Corporate and other receivables	9,368	5,734			9,368	5,734						
TOTAL	**344,713**	**316,646**	**(6,864)**	**(10,674)**	**337,849**	**305,972**		**(4,766)**	**3,828**	**5,683**		

(Figures in thousands of euros)

The balances included in the "Receivables" heading do not accrue interest, and their settlement is generally produced in the following fiscal year.

Outstanding balances arising from "Ceded, retroceded and accepted 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 5.6 "Receivables" in this annual report.

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

Corporate and other receivables	AMOUNT	
	2017	2016
Receivables for claims recovery		84
Balance receivables from personnel	1,454	1,703
Other debtors	7,914	3,947
Total	**9,368**	**5,734**

(Figures in thousands of euros)

6.6 ASSET IMPAIRMENT

The impairment of assets in the last two fiscal years is detailed in the following tables:

2017

IMPAIRMENT IN	OPENING BALANCE	ADJUST-MENTS TO OPENING BALANCE	CHANGES IN THE CONSOL-IDATION SCOPE	REGISTERED 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									
INVESTMENT	**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. Investment recorded in accordance with equity method	1,903	(1,903)							
IV. Deposits established for accepted 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)				
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)

2016

IMPAIRMENT IN	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN THE CONSOLIDATION SCOPE	REGISTERED 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	**724**			**500**					**1,224**
I. Property for own use	724			500					1,224
II. Other property, plant and equipment									
INVESTMENT	**932**	**84**	**1,016**	**2**					**2,034**
I. Property investments									
II. Financial investments	59	5	65	2					131
- Held-to-maturity portfolio									
- Available-for-sale portfolio	59	5	65	2					131
- Trading portfolio									
III. Investment recorded in accordance with equity method	873	79	951						1,903
IV. Deposits established for accepted reinsurance									
V. Other investments									
RECEIVABLES	**11,592**			**4,765**	**(5,683)**				**10,674**
I. Receivables on direct insurance and co-insurance operations									
II. Receivables on reinsurance operations	11,592			4,765	(5,683)				10,674
III. Tax receivables									
IV. Corporate and other receivables									
V. Shareholders, called capital									
OTHER ASSETS									
TOTAL IMPAIRMENT	**13,248**	**84**	**1,016**	**5,267**	**(5,683)**				**13,932**

(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	2017	2016
Cash deposited in banks	145,480	98,302
Cash equivalents in banks	54,294	41,720
TOTAL	**199,774**	**140,022**

(Figures in thousands of euros)

6.8 EQUITY

Share Capital:

The share capital is registered by the nominal value of disbursed shares, shares whose disbursement has been demanded.

The share capital of the controlling Company, as of December 31 in the last two fiscal years, is represented by 72,231,068 nominative shares, each with a nominal value of 3.10 euros, fully subscribed and disbursed. All shares carry the same voting and financial rights.

In their meeting held on March 3, 2015, the controlling Company's Board of Directors agreed to propose at the Annual General Meeting, in accordance with the provisions of Article 297.1b) of the Capital Companies Act, the option of increasing the share capital once or several times to a maximum of 111,958,000 euros, equivalent to 50 percent of the current share capital, over the next five years from the date of this agreement.

MAPFRE S.A. holds 92.25 percent of the share capital as of December 31, 2017 and 2016.

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 fiscal year which, in accordance with IFRS, must be directly 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 fiscal years:

Item	AMOUNT	
	2017	**2016**
Fixed Income		
Capital gains	64,433	84,215
Capital losses		
Equities and Mutual Funds		
Capital gains	16,686	20,833
Capital losses		
Shadow accounting		
Other adjustments		
Total	**81,119**	**105,048**

(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 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 its stability and the maintenance of suitable remunerations through strong levels of solvency, financial flexibility, cash flow generation and the creation of shareholder value.

The capital managed corresponds to shareholders' equity that are admissible in accordance with current regulations and other management models applied.

In accordance with the Group's risk appetite, which corresponds to the level of risk that the Group is willing to assume to attain its business objectives with no relevant deviations (including in adverse situations), each Business Unit adjusts its levels of risk tolerance based on the capital allocated.

MAPFRE has an internal capitalization and dividend policy that is designed to provide the Business Units with the necessary capital to cover the risks that have been assumed in a rational and objective way. The amount of dividends to be distributed is established based on the results budgets and estimates of shareholders' equity. In the case that the real performance differs from the estimates provided, the capital allocated is reviewed.

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".

Additionally, the items which form part of the Group's available equity are in accordance with the requirements of current legislation.

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 of the European Economic Area which have little material effects on the Group's solvency are excluded from this calculation.

The companies included within the consolidation scope 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	ACCEPTED REINSURANCE		CEDED AND RETROCEDED REINSURANCE	
	2017	2016	2017	2016
1 - Provisions for Non-Life unearned premiums and unexpired risks	**1,098,699**	**1,330,416**	**308,597**	**307,036**
1.1 Provision for unearned premiums	1,098,699	1,330,416	308,597	307,036
1.2 Provision for unexpired risks				
2 - Provisions for Life insurance	**597,166**	**549,736**	**34,171**	**5,878**
2.1 Provisions for unearned premiums and unexpired risks	511,117	457,687	4,668	5,878
2.1.1 Provisions for unearned premiums	511,117	457,687	4,668	5,878
2.1.2 Provisions for unexpired risks				
2.2 Mathematical reserves	86,049	92,049	29,503	
2.3 Provisions for share in profits				
3 - Provisions for outstanding claims	**2,946,726**	**1,917,001**	**1, 133,254**	**443,009**
3.1 Pending settlement or payment	2,946,726	1,917,001	1,133,254	443,009
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	**4,642,591**	**3,797,153**	**1,476,022**	**755,923**

(Figures in thousands of euros)

2. Movement of each of the technical provisions

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

a) Accepted reinsurance

2017

ITEM	Opening balance	Adjustments to opening balance	Changes in the consolidation scope	Provisions	Applications	Closing balance
1 - 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. Provisions for profit sharing						
III. Provision for outstanding claims	1,917,001	(34,536)		2,946,726	(1,882,465)	2,946,726
Accepted 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)

2016

ITEM	Opening balance	Adjustments to opening balance	Changes in the consolidation scope	Provisions	Applications	Closing balance
1 - Provisions for Non-Life unearned premiums and unexpired risks	1,268,457	5,711		1,330,416	(1,274,168)	1,330,416
1. Provision for unearned premiums	1,268,457	5,711		1,330,416	(1,274,168)	1,330,416
2. Provision for unexpired risks						
II. Provisions for Life insurance	474,181	9,394		549,736	(483,606)	549,736
1. Provision for unearned premiums	373,127	289		457,687	(373,416)	457,687
2. Provision for unexpired risks						
3. Mathematical reserves	101,054	9,135		92,049	(110,189)	92,049
4. Provisions for profit sharing						
III. Provision for outstanding claims	1,782,277	20,148		1,917,000	(1,802,425)	1,917,001
Accepted reinsurance	1,782,277	20,148		1,917,000	(1,802,425)	1,917,001
IV. Other technical provisions						
TOTAL	**3,524,915**	**35,253**		**3,797,153**	**(3,560,198)**	**3,797,153**

(Figures in thousands of euros)

b) Retroceded reinsurance

2017

ITEM	Opening balance	Adjustments to opening balance	Changes in the consolidation scope	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)

2016

ITEM	Opening balance	Adjustments to opening balance	Changes in the consolidation scope	Provisions	Applications	Closing balance
Provision for unearned premiums	264,370	1,389		307,036	(265,759)	307,036
Provision for Life insurance	15,476	37		5,878	(15,513)	5,878
Provision for outstanding claims	384,607	10,500		443,009	(395,107)	443,009
Other technical provisions						
TOTAL	**664,453**	**11,926**		**755,923**	**(676,379)**	**755,923**

(Figures in thousands of euros)

2.2 MATHEMATICAL PROVISIONS

ITEM	ACCEPTED REINSURANCE	
	2017	2016
Mathematical provisions at the beginning of the fiscal year	**97,254**	**101,054**
Adjustments to opening balance	(6,265)	9,135
Consolidation (reserve balance on consolidation date)		
Premiums		
Technical interest		
Allocation of profit sharing		
Payments / collection of claims		
Reserve adequacy test		
Shadow accounting adjustments	(4,940)	(18,140)
Other		
Deconsolidation (reserve balance on deconsolidation date)		
Mathematical provisions at the close of the fiscal year	**86,049**	**92,049**

(Figures in thousands of euros)

3. Other Information

3.1 PROVISION FOR UNEXPIRED RISKS

The provision for unexpired risks has been allocated by the Group insurance companies in accordance with the criteria explained in Note 5.9.

3.2 CLAIMS BY OCCURRENCE YEAR

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

Using data from 2017 and 2016, 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 that has affirmed the adequacy of these technical provisions.

6.10 PROVISIONS FOR RISKS AND EXPENSES

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

2017

ITEM	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN THE CONSOLIDATION SCOPE	INCREASE		DECREASE		CLOSING BALANCE	RECOGNIZED REIMBURSEMENT 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)

2016

ITEM	OPENING BALANCE	ADJUSTMENTS TO OPENING BALANCE	CHANGES IN THE CONSOLIDATION SCOPE	INCREASE		DECREASE		CLOSING BALANCE	RECOGNIZED REIMBURSEMENT AMOUNT	MAXIMUM REVERSAL PERIOD
				Allocated Provisions	**Increased value on discount**	**Provisions applied**	**Provisions reversed**			
Provisions for employee incentives	2,250	(78)		2,317		(1,682)		2,807		
Other provisions	6,748	78		2,033		(4,023)		4,836		
TOTAL BOOK VALUE	**8,998**			**4,350**		**(5,705)**		**7,643**		

(Figures in thousands of euros)

The "Provisions for Risks and Expenses" entry mainly includes: the defined benefits plans established for fiscal years 2017 and 2016 for the amount of 387,000 euros and 396,000 euros respectively, the medium-term incentive plan for 2017 and 2016 for the amount of 868,000 euros and 805,000 euros respectively, the fiscal years of service bonus for the amount of 1,070,000 euros and 977,000 euros respectively, and the Life insurance coverage for death between the age of 65 and 77 years for the amount of 483,000 euros (454,000 euros in 2016), scholarships for 207,000 euros (157,000 euros in 2016) and the provision for employee retirement for 2,208,000 euros in 2017.

6.11 DEPOSITS RECEIVED ON CEDED AND RETROCEDED REINSURANCE

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 0.61 percent and the average renewal period is generally annual. The payment 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 35.61 and 30.23 million euros in 2017 and 2016 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 636.8 million and 628.9 million euros in fiscal years 2017 and 2016 respectively.

6.14 INCOME AND EXPENSES FROM INVESTMENTS

The breakdown of income and expenses from investments for fiscal years 2017 and 2016 is shown below:

Income from Investments

ITEM	REVENUES FROM INVESTMENTS FOR				TOTAL	
	OPERATION		EQUITY			
	2017	2016	2017	2016	2017	2016
INCOME FROM DIVIDENDS AND SIMILAR						
Property investments:			551	477	551	477
- Rentals			551	477	551	477
Income from the held-to-maturity portfolio:						
- Fixed income						
- Other investments						
Income from the available-for-sale portfolio	81,612	81,626	2,739	5,065	84,351	86,691
Income from the trading portfolio		3,330				3,330
Dividends of Group companies						
Other financial returns	59,895	62,268	166	480	60,061	62,748
TOTAL INCOME	**141,507**	**147,224**	**3,456**	**6,022**	**144,963**	**153,246**
REALIZED AND UNREALIZED GAINS						
Net realized gains:	**44,166**	**48,860**	**4,201**	**4,116**	**48,367**	**52,976**
Property investments						
Held-to-maturity portfolio financial investments						
Available-for-sale portfolio financial investments	43,848	48,835	4,160	4,116	48,008	52,951
Trading portfolio financial investments	318	25	33		351	25
Other			8		8	
Net unrealized gains:						
Increase in the fair value of the trading portfolio and derivative profits						
Other						
TOTAL GAINS	**44,166**	**48,860**	**4,201**	**4,116**	**48,367**	**52,976**
TOTAL INCOME FROM INVESTMENTS	**185,673**	**196,084**	**7,657**	**10,138**	**193,330**	**206,222**

(Figures in thousands of euros)

Expenses from Investments

ITEM	EXPENSES FROM INVESTMENTS FOR				TOTAL	
	OPERATION		EQUITY			
	2017	2016	2017	2016	2017	2016
FINANCIAL EXPENSES						
Property investments:	186	400			186	400
- Direct operating expenses	186	400			186	400
- Other expenses						
Expenses from held-to-maturity portfolio						
- Fixed income						
- Other investments						
Expenses from available-for-sale portfolio	9,217	12,568	679	1,323	9,896	13,891
Expenses from trading portfolio						
Other financial expenses	7,962	6,588		1,261	7,962	7,849
TOTAL EXPENSES	**17,365**	**19,556**	**679**	**2,584**	**18,044**	**22,140**
REALIZED AND UNREALIZED LOSSES						
Net realized losses:	**9,308**	**9,740**	**940**	**1,064**	**10,248**	**10,804**
Property investments						
Held-to-maturity portfolio financial investments						
Available-for-sale portfolio financial investments	9,308	9,796	905	1,063	10,213	10,859
Trading portfolio financial investments		(56)				(56)
Other			35	1	35	1
Net unrealized losses:						
Decrease in the fair value of the trading portfolio and derivative profits						
Other						
TOTAL LOSSES	**9,308**	**9,740**	**940**	**1,064**	**10,248**	**10,804**
TOTAL EXPENSES FROM INVESTMENTS	**26,673**	**29,296**	**1,619**	**3,648**	**28,292**	**32,944**

(Figures in thousands of euros)

6.15 OPERATING EXPENSES

A breakdown of net operating expenses by destination and type for the last two fiscal years, is shown below.

Operating expenses by destination

ITEM	2017	2016
Claims-related Expenses	(102)	(109)
Acquisition Expenses	(1,148,704)	(1,052,642)
Administration Expenses	(16,101)	(13,907)
Expenses from Investments	(28,292)	(32,944)
Other Technical Expenses	(2,029)	(2,354)
Other Non-Technical Expenses	(5,896)	(3,847)
Operating Expenses from other activities		
TOTAL	**(1,201,124)**	**(1,105,803)**

(Figures in thousands of euros)

Operating expenses by type

ITEM	2017	2016
Commissions and other portfolio expenses	(1,115,104)	(1,014,645)
Personnel expenses	(36,608)	(35,323)
External services	(28,715)	(26,193)
- Leases (premises and buildings)	(1,698)	(4,405)
- Repairs and upkeep (premises and buildings)	(1,575)	(1,452)
- Leasing and repairs (computer equipment)	(18)	(97)
- Leasing and repairs (computer applications)	(1,057)	(996)
- Other services (computer applications)	(2,544)	(1,568)
- Supplies (communications)	(757)	(744)
- Advertising and marketing	(506)	(553)
- Public relations	(2,329)	(2,207)
- Independent professional services	(14,309)	(10,569)
- Other services	(3,922)	(3,602)
Taxes	973	1,191
Financial expenses		
Provision for amortization	(1,344)	(1,492)
Expenses allocated directly to destination	(20,326)	(29,341)
TOTAL	**(1,201,124)**	**(1,105,803)**

(Figures in thousands of euros)

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

Expenses are initially registered according to their type and are reclassified according to their destination in those cases in which the two do not coincide. The reclassifications performed in the following headings are outlined below:

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.

This section includes:

> Acquisition expenses. This 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 "Adjustments for prepayment" 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.B.1.

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 "Adjustments for prepayment" heading of the liability.

> Administration expenses. Primarily includes expenses for personnel assigned to these tasks, and amortization and depreciation of fixed assets assigned to this activity, as well as expenses derived from contentious matters related to premiums, and expenses for processing return premiums and ceded and accepted reinsurance.

> Commissions and participation in reinsurance. Includes compensation from reinsurers to the ceding companies for acquisition and administration expenses incurred by them, as well as their participation in the profits of the reinsurer.

3) Expenses from investments:

Includes expenses for personnel assigned to managing investments, provisions for 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 being for operations or equity, depending on whether they derive from investments in which the technical provisions materialize (operating investments) or from investments in which the company's equity materializes (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	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Premiums (-)	(1,362,660)	(1,393,677)	(36,970)	(40,410)	(1,399,630)	(1,434,087)
Provision variations for unearned premiums and unexpired risks	3,680	41,069	(1,407)	(9,427)	2,273	31,642
Claims paid (+) variation in provision for outstanding claims	1,589,704	665,967	21,937	36,125	1,611,641	702,092
Variation in mathematical provision						
Variation in other technical provisions						
Participation of reinsurance in fees and expenses (+)	327,606	295,662	9,780	10,692	337,386	306,354
Other						
RESULT FROM CEDED AND RETROCEDED REINSURANCE	**558,330**	**(390,979)**	**(6,660)**	**(3,020)**	**551,670**	**(393,999)**

(Figures in thousands of euros)

6.17 TAX POSITION

a) Tax consolidation regulations

TAX ON PROFITS

Since fiscal year 2002, MAPFRE RE has formed part of the companies included for corporate tax purposes in Fiscal Group 9/85. This Group is comprised by 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, the Company has formed part of the Group No. IVA 87/10 for the purposes of value-added tax, comprised by MAPFRE S.A. as the controlling company and those subsidiaries 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 fiscal years ending December 31, 2017 and 2016 are the main components of the tax on profit from ongoing operations, and the reconciliation between the tax on profits expenses and the product of multiplying the book results 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 2017	AMOUNT 2016
Tax expense		
Result before taxes from ongoing operations	**221,212**	**252,817**
25% of the result before taxes from ongoing operations	(55,303)	(63,204)
Tax incentive for the fiscal year	3,368	2,121
Tax effect of the permanent differences	(4,909)	(2,379)
Tax effect of tax rates other than 25%	(1,713)	(3,295)
Total expense from current tax originating in the fiscal year	(58,557)	(66,757)
Expense from current tax originating in previous fiscal years		
Previously unrecognized credits on negative tax bases from prior periods, deductions pending appli-cation or temporary differences, using negative tax ba-ses, deductions pending application or tempo-rary differences		
Total tax expense of ongoing operations	**(58,557)**	**(66,757)**
Tax on profits to be paid		
Taxes withheld and payments on account	57,143	43,323
Temporary differences	(21,264)	(2,635)
Tax receivables and incentives applied, registered in previous fiscal years		
Tax on profit from discontinued operations		
Total (payable) or collectible	**(22,678)**	**(26,069)**

(Figures in thousands of euros)

With respect to Spanish companies, the type of tax applicable in fiscal years 2017 and 2016 was 25 percent.

c) Deferred tax assets and liabilities

As of December 31, 2016 and 2015, deferred tax assets and liabilities are shown on the consolidated balance sheet for the net amount corresponding to each of the Group's taxpaying companies, and stand as follows:

ITEM	2017	2016
Deferred tax assets	28,557	28,704
Deferred tax liabilities	(37,613)	(53,331)
Asset (liability) net	(9,056)	(24,627)

(Figures in thousands of euros)

The following tables show the detail of net deferred tax balance for 2017 and 2016, breaking down the amount of deferred tax by items charged or paid directly against equity in each of the fiscal years.

2017

ITEM	OPENING BALANCE	ADJUST-MENTS TO OPENING BALANCE	CHANGES IN THE CONSOL-IDATION 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							
- Stabilization and catastrophe provision	10,426				(10,426)		
- Portfolio acquisition expenses and other acquisition expenses							
- Others	(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)

2016

ITEM	OPENING BALANCE	ADJUST-MENTS TO OPENING BALANCE	CHANGES IN THE CONSOL-IDATION SCOPE	ORIGINATING FROM		WRITE-OFFS	CLOSING BALANCE
				Results	**Equity**		
- Valuation difference of financial nvestments	34,589	100	(1,208)	7,752	(6,113)		35,120
- Implicit derivatives							
- Stabilization and catastrophe provision	14,691				(4,265)		10,426
- Portfolio acquisition expenses and other acquisition expenses							
- Others	(18,211)			(2,708)			(20,919)
TOTAL DEFERRED TAX	**31,069**	**100**	**(1,208)**	**5,044**	**(10,378)**		**24,627**

(Figures in thousands of euros)

At the end of fiscal year 2016, deferred tax assets and liabilities maturing within 12 months amounted to 665,000 euros (365,000 euros in 2016).

d) Tax incentives

The breakdown of tax incentives of the fully consolidated companies for fiscal years 2017 and 2016 is as follows:

MODALITY	YEAR TO WHICH THEY CORRESPOND	AMOUNT APPLIED IN THE YEAR		AMOUNT PENDING APPLICATION		AMOUNT NOT RECORDED		TERM FOR APPLICATION	
		2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Double tax deduction		3,287	2,121						
Decrease for capitalization reserves									
Others		81							
TOTAL		**3,368**	**2,121**						

(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, MAPFRE S.A., as controlling company of the Group for tax consolidation No. 9/85, was notified of the start of inspections on corporate tax for fiscal years 2013 to 2016. In the same way, as regards Value Added Tax, as controlling company of the Group with VAT No. 87/10, it was informed of the start of audits on all 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 TO EMPLOYEES AND ASSOCIATED LIABILITIES

1. Personnel expenses

The breakdown of personnel expenses in the last two fiscal years is shown in the following table.

ITEM	AMOUNT	
	2017	2016
a) Short-term remuneration	**33,183**	**31,737**
a.1) Salaries	25,989	22,284
a.2) Social security	4,770	4,366
a.3) Other remuneration	2,424	5,087
b) Post-employment benefits	**2,509**	**1,801**
c) Compensation for termination	**853**	**1,217**
d) Other long-term remuneration	**63**	**568**
TOTAL	**36,608**	**35,323**

(Figures in thousands of euros)

2. Allowances and other post-employment benefits

DEFINED BENEFIT PLANS

The main defined benefit plans are implemented through insurance policies, assessed in accordance with the provisions described in the accounting policies, and are those where the benefit is determined according to end salaries, with the benefit paid as an 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 current value of the obligation arising from defined benefit plans in the last two fiscal years is shown below:

ITEM	2017	2016
Current value of obligation as on January 1	**396**	**419**
Current year service costs		
Interest cost	18	19
Contributions made by plan members		
Actuarial losses and gains	6	
Modifications due to exchange rate variations		
Benefits paid	(26)	(26)
Cost of previous services		
Other	(7)	(16)
Settlements		
Current value of obligation as on December 31	**387**	**396**

(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	2017	2016
Reimbursement right value and assets allocated to the plan as on January 1	**396**	**419**
Expected return from allocated assets	18	19
Actuarial losses and gains	6	
Modifications due to exchange rate variations		
Employer contributions		
Contributions made by plan members		
Benefits paid	(26)	(26)
Settlements		
Other items	(7)	(16)
Reimbursement right value and assets allocated to the plan as on December 31	**387**	**396**

(Figures in thousands of euros)

Amounts recognized in the consolidated income statement

The following table details the amounts recognized in the consolidated income statement for fiscal years 2017 and 2016.

ITEM	2017	2016
Current year's service costs		
Interest cost	18	19
Expected return of assets allocated to the plan		
Expected return of any right to reimbursement recognized as an asset	(18)	(19)
Actuarial lessees and gains		
Cost of previous services recognized in the fiscal year		
Effect of any decrease or liquidation		
Other items		
TOTAL EXPENSE RECOGNIZED IN INCOME STATEMENT		

(Figures in thousands of euros)

The expected rate of return is determined based on the interest rate guaranteed in the affected 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 2017 and 19,000 euros in 2016.

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.

In fiscal year 2017, contributions to defined benefit plans are not expected to be made, as described previously.

OTHER POST-EMPLOYMENT BENEFITS

In fiscal years 2017 and 2016, personnel expenses including the corresponding Life insurance expenses with coverage for death between the age of 65 and 77 years for an amount of 26,000 and 21,000 respectively.

OTHER SHARE-BASED MEDIUM AND LONG-TERM REMUNERATION AND 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 868,000 euros (805,000 euros in 2016), 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 2017 to 311,246 (503,417 shares in 2016).

Additionally, in fiscal year 2016, as detailed in the valuation standards, the medium-term incentive plan 2013-2015 was liquidated.

As indicated in the valuation regulations "Employee remunerations", the Company used to have an incentive plan indexed to MAPFRE S.A.'s share price, which was terminated in 2016.

The personnel expenses registered on the income statement for this item in 2016 deriving from this plan, came to (5,000) euros, registering the counter-entry in the liabilities.

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:

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**

2016

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	13	59	52	4	18	92	83
United States of America	0	0	0	0	1	2	2	6	0	1	3	9
Brazil	0	0	0	0	4	3	6	3	1	1	11	7
Chile	0	0	0	0	4	1	8	3	1	3	13	7
Rest of America	0	0	0	0	8	8	17	11	6	8	31	27
Europe	0	0	0	0	11	6	13	18	0	5	24	29
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**	**33**	**106**	**100**	**13**	**38**	**179**	**171**

Number of employees at the end of the fiscal year:

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**

2016

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	14	60	55	3	17	93	86
United States of America	0	0	0	0	1	2	3	6	0	0	4	8
Brazil	0	0	0	0	4	3	6	3	1	1	11	7
Chile	0	0	0	0	4	1	8	3	0	2	12	6
Rest of America	0	0	0	0	7	8	16	11	5	9	28	28
Europe	0	0	0	0	10	5	12	21	1	4	23	30
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**	**57**	**33**	**106**	**106**	**11**	**35**	**176**	**174**

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	**2017**	**2016**
Management	2	2
Technicians	2	2
Administrative Staff		
TOTAL	**4**	**4**

6.19 NET RESULTS 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 797.41 million and 490.26 million euros in fiscal years 2017 and 2016 respectively.

Negative foreign exchange differences, other than those arising from financial instruments assessed at fair value, allocated to the consolidated income statement, amounted to 805.27 million and 487.25 million euros in fiscal years 2017 and 2016 respectively.

Below is the conciliation of exchange differences recognized as equity:

DESCRIPTION	AMOUNT	
	2017	**2016**
Foreign exchange difference at the beginning of the fiscal year	**13,566**	**955**
Net currency conversion differences of financial statements	(9,525)	13,373
Net foreign exchange differences on valuation of non-monetary items	(1,347)	(762)
Foreign exchange differences at the end of the fiscal year	**2,694**	**13,566**

(Figures in thousands of euros)

The following table shows, as of December 31, 2017 and 2016, 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 FULLY CONSOLIDATED COMPANIES

FULLY CONSOLIDATED COMPANIES	GEOGRAPHIC AREA	CURRENCY CONVERSION DIFFERENCES					
		POSITIVE		NEGATIVE		NET	
		2017	**2016**	**2017**	**2016**	**2017**	**2016**
MAPFRE RE CHILE	CHILE	1,203	3,690			1,203	3,690
MAPFRE RE BRAZIL	BRAZIL			(19,690)	(12,655)	(19,690)	(12,655)
CIAR	BELGIUM	1,052				1,052	
RMI	UNITED STATES	2	5			2	5
MAPFRE RE	SPAIN	20,127	22,526			20,127	22,526
TOTAL		**22,384**	**26,221**	**(19,690)**	**(12,655)**	**2,694**	**13,566**

(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	
		2017	**2016**	**2017**	**2016**	**2017**	**2016**
MAPFRE RE	SPAIN		322	(1,025)		(1,025)	322
TOTAL			**322**	**(1,025)**		**(1,025)**	**322**

(Figures in thousands of euros)

6.20 CONTINGENT ASSETS AND LIABILITIES

As of the closing date of the annual accounts, there are contingent assets derived from the positive business performance of MAPFRE Reinsurance Corporation (M.R.C.), whose financial effect is estimated at 0.71 million US dollars (0.79 million in fiscal year 2016). In the sales contract of this company to MAPFRE USA, an adjustment in the price is contemplated after three years, extended to four years in July, 2015, depending on M.R.C.'s business performance. This adjustment would have a maximum limit of 3 million US dollars.

6.21 RELATED PARTY TRANSACTIONS

All related party transactions have been conducted under market conditions.

In addition to the transactions detailed in the rest of the Notes to the Consolidated Annual Accounts, below are the balances and transactions between Group companies.

Operations with Group companies

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

ITEM	EXPENSES		INCOME	
	2017	**2016**	**2017**	**2016**
Services received/provided and other expenses/revenue	1,286	1,313	1,286	1,313
Expenses/income from property investments	63		63	
Expenses/income from investments and financial accounts				
Dividends distributed			6,625	2,313
TOTAL	**1,349**	**1,313**	**7,974**	**3,626**

(Figures in thousands of euros)

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

ITEM	EXPENSES	
	2017	2016
Expenses and income from property investments	193	2,636
Expenses and income from investments and financial accounts	3,889	2,312
External services and other non-technical expenses/revenue	5,572	3,938
Dividends paid		
TOTAL	**9,654**	**8,886**

(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	
	2017	2016	2017	2016
Ceded/accepted premiums	7,573	8,242	(8,032)	(8,338)
Claims	7,732	5,525	(9,659)	(4,639)
Changes in technical provisions	190	19,633	1,819	(18,920)
Commissions	(1,356)	(1,402)	1,552	1,660
Other technical revenues and expenses				
TOTAL	**14,139**	**31,997**	**(14,320)**	**(30,237)**

(Figures in thousands of euros)

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

ITEM	REVENUE/EXPENSES			
	ACCEPTED REINSURANCE		CEDED REINSURANCE	
	2017	2016	2017	2016
Premiums	1,864,280	1,931,554	(69,497)	(116,923)
Claims	(1,217,477)	(958,616)	317,862	54,545
Commissions	(551,165)	(510,588)	16,182	23,174
TOTAL	**95,638**	**462,350**	**264,547**	**(39,204)**

(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			
	ACCEPTED REINSURANCE		CEDED REINSURANCE		ACCEPTED REINSURANCE		CEDED REINSURANCE	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Receivables and debt	(2,862)	(4)			49,009	57,064	(161,902)	(160,744)
Deposits	(11)	(160)	(11)	(160)	95,470	77,844	220	265
Technical provisions	(29,833)	(30,882)	(29,231)	(30,395)	(1,943,568)	(1,123,933)	382,813	68,603
TOTAL	**(32,706)**	**(31,046)**	**(29,242)**	**(30,555)**	**(1,799,089)**	**(989,025)**	**221,131**	**(91,876)**

(Figures in thousands of euros)

Remuneration of key managerial staff

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

ITEM	AMOUNTS	
	2017	**2016**
Short-term remuneration		
Salaries	682	899
Fixed remuneration	484	289
Travel, subsistence and accommodation allowances		
Life insurance	22	19
Other items	34	4
Total	**1,222**	**1,211**

(Figures in thousands of euros)

Of the amount reflected in the balances of fiscal year 2017, at the close of said fiscal year, 72,890 euros were pending payment, by way of variable remuneration.

The basic remuneration of the members of the Board of Directors consists of a fixed assignment of 45,000 euros (40,000 euros in 2016), which rises to 100,000 euros for Chairmen of the Board and 8,000 euros to members of its Steering Committees (6,000 euros in 2016).

Life insurance is also established in case of death, with an insured capital of 150,253 euros, as well as some benefits recognized for personnel, such as illness 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. By way of contribution towards the defined contribution plans, the fiscal year registered a cost of 131,190 euros in 2017 (124,000 euros in 2016). Executive directors do not receive the fixed remuneration established for external directors.

The years of service bonus has accrued expenses for the amount of 3,700 euros.

With regard to the medium-term incentive plan, a provision amounting to 31,520 euros has been granted, which will be paid depending on the fulfillment of objectives in the period established in the plan.

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

ITEM	**2017**
No. of members of senior management	1
Salaries	172
Life insurance	1
Service bonus	1
Other items	22
TOTAL	**197**

(Figures in thousands of euros)

Of the amount reflected in the balances of fiscal year 2017, at the close of said fiscal year, 12,620 euros were pending payment, by way of variable remuneration.

With regard to the new medium-term incentive plan, a provision amounting to 5,460 euros has been granted, which will be paid depending on the fulfillment of objectives in the period established in the plan.

Additionally, by way of contribution towards the defined contribution plans, in fiscal year 2017, a cost of 5,600 euros was registered.

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

The amount paid for professional liability insurance premiums due to damage caused reached 21,000 euros (23,000 euros in 2016).

Subsidies

In 2017 and 2016, a government subsidy was received for subsidized contracts (social security) and continuing education (Fundación Tripartita), attributed entirely to results for the period.

ITEM	SUBSIDY	
	2017	**2016**
As on January 1		
Received during the fiscal year	21	10
Transferred to results	21	10
As on December 31		

(Figures in thousands of euros)

There is no noncompliance with any of the conditions or contingencies associated with these subsidies.

Subsequent events

No material events took place after the fiscal year end.

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. That level, which establishes limits and sub-limits by risk type, configures the Company's Risk Appetite.

The MAPFRE structure is based on Units and Companies with a high degree of autonomy in their management. In a complementary fashion to the Group structure, of which the Company is a member, there are various bodies for its individual governance. The Group's governance and management bodies approve the guidelines of the Units and Companies on risk management and permanently supervise, through indicators and ratios, exposure to risk.

The Group Corporate Risk Management Area covers all significant aspects relating to risk management both for the Group and the separate legal companies belonging to the Group, setting out guidelines and reference criteria that are assumed by the risk areas of the individual companies, with all adjustments necessary.

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

Assigned capital is established in general based on estimates in accordance with the budgets for the coming year and is reviewed periodically throughout the fiscal year in line with the development of risks in order to ensure compliance with the established Risk Appetite limits.

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

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 on the increase and decrease of the determining factors of insurance risk (number of insured risks, average premium value, frequency and cost of claims). One measure of the sensitivity to Non-Life insurance risk is the impact that a one percentage point change in the combined ratio would have on result for the period and consequently, on equity.

The following table shows this effect together with the volatility index of the ratio, calculated according to the standard deviation over a five-year time horizon.

Concepto	EFFECT ON THE RESULTS OF A VARIATION OF 1% IN THE COMBINED RATIO		VOLATILITY INDEX OF THE COMBINED RATIO	
	2017	**2016**	**2017**	**2016**
Main activity outside Spain				
Reinsurance	17,891	16,286	1.2	1.5

(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) PREMIUMS BY RISK

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

2017

ITEM	ACCEPTED REINSURANCE			
	LIFE	NON-LIFE		TOTAL
		Catastrophic risk	**Other risks**	
Accepted reinsurance written premiums	656,701	409,486	3,156,237	4,222,424

(Figures in thousands of euros)

2016

ITEM	ACCEPTED REINSURANCE			
	LIFE	NON-LIFE		TOTAL
		Catastrophic risk	**Other risks**	
Accepted reinsurance written premiums	648,245	477,757	3,108,748	4,234,750

(Figures in thousands of euros)

2.B) PREMIUMS BY OPERATING SEGMENT AND GEOGRAPHIC AREA

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

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)

2016

GEOGRAPHIC AREA	REINSURANCE		TOTAL
	Life	Non-Life	
SPAIN	39,960	625,842	665,802
UNITED STATES OF AMERICA	7,243	589,199	596,441
BRAZIL	16,421	132,708	149,129
MEXICO	19,742	93,458	113,201
VENEZUELA	19	5,470	5,489
COLOMBIA	10,383	92,842	103,225
ARGENTINA	9,899	96,539	106,438
TURKEY	222	157,398	157,621
CHILE	41,519	108,591	150,109
OTHER COUNTRIES	502,837	1,684,458	2,187,295
TOTAL	**648,245**	**3,586,505**	**4,234,750**

(Figures in thousands of euros)

2.C) PREMIUMS BY CURRENCY

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

CURRENCY	WRITTEN PREMIUMS	
	2017	2016
Euro	1,947,597	1,735,496
U.S. dollar	1,206,889	1,228,387
Mexican peso	57,066	69,775
Brazilian real	140,009	163,500
Turkish lira	123,626	149,617
Chilean peso	105,363	131,870
Venezuelan bolivar		3,034
Argentine peso	27,026	37,170
Colombian peso	71,409	89,116
Pound sterling	169,234	124,281
Canadian dollar	17,889	22,915
Philippine peso	12,682	14,274
Other currencies	343,634	465,315
TOTAL	**4,222,424**	**4,234,750**

(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 fiscal years:

ITEM	BOOK VALUE COMPANIES				TOTAL	
	GROUP		NON-GROUP			
	2017	2016	2017	2016	2017	2016
Provision for Life insurance	65	226	4,603	5,860	4,668	6,086
Provision for outstanding claims	370,120	38,602	877,181	404,408	1,247,301	443,010
Receivables on ceded and retroceded reinsurance operations	(6,695)	1,822	129,543	105,276	122,848	107,097
Due on ceded and retroceded reinsurance operations	(10,108)	(14,736)	(57,118)	(55,601)	(67,226)	(70,338)
TOTAL NET POSITION	**353,382**	**25,913**	**954,209**	**459,942**	**1,307,591**	**485,855**

(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			
	2017	2016	2017	2016	2017	2016
Maximum						
Very high	50,156		668,816	200,905	718,972	200,905
High	304,344	33,560	271,594	223,621	575,938	257,181
Adequate	(1,190)	(7,647)	5,802	33,812	4,612	26,165
Weak			7,035	939	7,035	939
Not available	74		960	665	1,034	665
TOTAL	**353,384**	**25,913**	**954,207**	**459,942**	**1,307,591**	**485,855**

(Figures in thousands of euros)

2. Credit risks arising from other financial instruments

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

ISSUER CAPACITY TO PAY	BOOK VALUE							
	PORTFOLIO MATURITY		AVAILABLE-FOR-SALE PORTFOLIO		TRADING PORTFOLIO		CASH	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Maximum			422,751	645,717			0	120
Very high			823,716	1,069,239			3,686	1,432
High			567,310	450,087		3,384	166,037	124,389
Adequate			725,044	688,270			7,031	1,792
Weak			212,091	141,772			22,947	9,956
Not available							73	2,333
TOTAL			**2,750,912**	**2,995,085**		**3,384**	**199,774**	**140,022**

(Figures in thousands of euros)

There are no fixed-income securities in default for fiscal years 2017 and 2016.

3. Receivables

The following table shows the breakdown of the "Receivables" heading as of December 31, 2017 and 2016. It also shows impairment losses, reversal gains registered and amounts received for guarantees in the last two fiscal years:

ITEM	NET BALANCE ON BALANCE SHEET		IMPAIRMENT				GUARANTEES RECEIVED	
			RECORDED LOSSES		REVERSAL GAINS			
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	2016
I. Receivables on reinsurance operations	317,264	283,151		(4,766)	3,828	5,683		
II. Tax receivables	11,217	17,087						
III. Corporate and other receivables	9,368	5,734						
TOTAL	**337,849**	**305,972**		**(4,766)**	**3,828**	**5,683**		

(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 of December 31, 2017, the cash and other liquid asset balance amounted to 200 million euros (140 million euros in the preceding year), equivalent to 5.80

percent (3.93 percent in 2016) of total financial investments and cash.

Assets with maturities exceeding one year are detailed in the "Interest rate risk" section.

1. Liquidity risk arising from insurance contracts

The estimated disbursement schedule of insurance liabilities registered as of December 31, 2017 and 2016 is detailed below. These amounts have not been updated in the case of provisions for Life insurance:

2017

ITEM	CASH OUTFLOWS ESTIMATED IN YEARS							CLOSING BALANCE
	1st Year	**2nd Year**	**3rd Year**	**4th Year**	**5th Year**	**6th to 10th Year**	**Subsequent years**	
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)

2016

ITEM	CASH OUTFLOWS ESTIMATED IN YEARS							CLOSING BALANCE
	1st Year	**2nd Year**	**3rd Year**	**4th Year**	**5th Year**	**6th to 10th Year**	**Subsequent years**	
Provision for unearned premiums	1,075,834	145,403	35,489	22,718	16,361	27,051	7,560	1,330,416
Provision for unexpired risks								
Provisions for Life insurance								
Provision for outstanding claims	313,924	40,353	27,720	20,757	25,115	74,198	47,669	549,736
Other technical provisions	1,450,467	227,679	71,290	39,402	33,110	62,807	32,246	1,917,001
Due on reinsurance operations	298,286							298,286
TOTAL	**3,138,511**	**413,435**	**134,499**	**82,877**	**74,586**	**164,056**	**87,475**	**4,095,439**

(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.

1. 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	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
To maturity								
Available for sale	2,883,016	3,096,661	199,263	71,570	231,749	220,816	3,314,028	3,389,047
Trading	14,381		6,867	23,794	1,668	11,853	22,916	35,647
Other investments	4,270	5,840					4,270	5,840
TOTAL	**2,901,667**	**3,102,501**	**206,130**	**95,364**	**233,417**	**232,669**	**3,341,214**	**3,430,534**

(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 2017 and 2016:

December 31, 2017

ITEM	FINAL BALANCE	MATURITY TO:						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)

December 31, 2016

ITEM	FINAL BALANCE	MATURITY TO:						INTEREST RATE %	MODIFIED DURATION %
		1 Year	**2 YEars**	**3 Years**	**4 Years**	**5 Years**	**Subsequent or without maturity**		
AVAILABLE-FOR-SALE PORTFOLIO									
Fixed income	2,995,085	403,220	342,228	485,952	323,015	291,431	1,149,239	2%	5%
Other investments									
TOTAL PORTFOLIO AVAILABLE FOR SALE	**2,995,085**	**403,220**	**342,228**	**485,952**	**323,015**	**291,431**	**1,149,239**		
TRADING PORTFOLIO									
Other	3,384	3,384						1.4%	0.9%
TOTAL TRADING PORTFOLIO	**3,384**	**3,384**							

(Figures in thousands of euros)

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 b.p.) 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.

2. Exchange rate risk

The following table details the breakdown of assets and liabilities regarding the currencies in which they were denominated at the end of the last two fiscal years.

CURRENCY	ASSETS		LIABILITY		TOTAL NET	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Euro	3,100,321	3,077,078	1,966,282	1,923,724	1,134,039	1,153,354
U.S. dollar	2,102,886	1,455,059	1,852,148	1,039,519	250,737	415,540
Mexican peso	16,571	21,912	59,458	42,706	(42,887)	(20,794)
Brazilian real	296,543	290,367	230,058	264,458	66,485	25,910
Turkish lira	92,773	75,750	100,588	127,783	(7,815)	(52,033)
Chilean peso	198,312	26,902	197,097	102,602	1,215	(75,700)
Venezuelan bolivar	160	2,322	71	859	89	1,463
Argentine peso	30,458	48,086	18,295	25,272	12,163	22,814
Colombian peso	28,772	42,548	119,229	134,256	(90,457)	(91,708)
Pound sterling	212,685	131,366	193,109	121,880	19,576	9,486
Canadian dollar	43,005	49,335	14,531	39,194	28,474	10,141
Philippine peso	15,447	15,891	12,273	18,330	3,174	(2,439)
Other currencies	311,379	342,285	384,716	458,894	(73,336)	(116,610)
TOTAL	**6,449,312**	**5,578,901**	**5,147,855**	**4,299,477**	**1,301,457**	**1,279,424**

(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. Appendix 1 provides a breakdown of the result obtained by each Group company, and the country in which its operations are located.

3. 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	
	2017	**2016**	**2017**	**2016**
Available for sale	145,248	220,816	111,762	122,680
Trading	16,046	11,854		
TOTAL	**161,294**	**232,670**	**111,762**	**122,680**

(Figures in thousands of euros)

4. Property risk

As of December 31, 2017, the Company has, in its consolidated group, property assets representing approximately 1.60 percent of total investments and cash (1.49 percent as of December 31, 2016), of which approximately 1.42 percent corresponds to its own offices (1.40 percent as of December 31, 2016). This property serves the dual function of providing administrative and sales support, as well as generating investment income and diversifying investments. The following table details the breakdown of these property assets:

ITEM	NET BOOK VALUE		MARKET VALUE	
	2017	**2016**	**2017**	**2016**
Property investments	6,191	6,375	8,556	6,374
Property for own use	49,031	49,752	51,455	50,983
TOTAL	**55,222**	**56,127**	**60,011**	**57,357**

(Figures in thousands of euros)

Unrealized gains would offset a fall in the price of properties equivalent to approximately 1.35 percent of their market value as at close of fiscal year 2.017 (2.14 percent at close of fiscal year 2016).

5. 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 been produced, either direct or indirect, between the directors or individuals associated with them and the Controlling company.

The Controlling company's directors did not conduct any operation with the Company during the last two fiscal years, nor with any other Group company outside of the ordinary business of the companies or not conducted at arm's length.

8.2. FEES EARNED BY AUDITORS

The annual statements of MAPFRE RE and the main companies of the Group correspond to the 2017 and 2016 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 remunerations earned by the main auditor, KPMG, are detailed as follows, and are not considered to compromise its independence:

	2017	2016
Audit services	208,823	174,738
Other verification services	94,304	44,170
Tax services	38,020	15,621
Other services		35,799
Total services main auditor	**341,147**	**270,328**

(Figures in euros)

Fees for account audit services rendered by auditors other than the main auditor amounted to 21,644 euros in fiscal year 2017 (20,349 euros in 2016).

8.3 ENVIRONMENTAL INFORMATION

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

8.4 PAYMENT DEFERRAL

The characteristics of payments made by the Spanish companies consolidated on a line-by-line basis to providers, in the two fiscal years 2017 and 2016, are:

ITEM	DAYS	
	2017	2016
Average provider payment period	6.72	8.09
Ratio of paid operations	6.73	8.10
Ratio of operations pending payment	3.62	3.14

Item	Amount (thousands of euros)	Amount (thousands of euros)
Total payments made	24,510	22,365
Total pending payments	112	174

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 4499-8º Santiago de Chile (Chile)	20%	Holding
F. ALCORTA S.A.	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Real Estate (in liquidation)
MAPFRE RE DO BRASIL COMPAÑÍA DE REASEGUROS	Rua Olimpiadas 242 5º Andar São Paulo (Brazil)	15%	Reinsurance
MAPFRE RE COMPAÑÍA DE REASEGUROS ESCRITORIO DE REPRESENTAÇÃO NO BRASIL LTDA	Rua Olimpiadas 242 5º 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 4499-8º Santiago de Chile (Chile)	20%	Reinsurance
INMOBILIARIA COSTA DE MONTEMAR, S.A.	Ava. Apoquindo 4499-8º 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

Table of subsidiary and associated companies 2016 (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 4499-8º Santiago de Chile (Chile)	20%	Holding
F. ALCORTA S.A.	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Real Estate (in liquidation)
MAPFRE RE DO BRASIL COMPAÑÍA DE REASEGUROS	Rua Olimpiadas 242 5º Andar São Paulo (Brazil)	15%	Reinsurance
MAPFRE RE COMPAÑÍA DE REASEGUROS ESCRITORIO DE REPRESENTAÇÃO NO BRASIL LTDA	Rua Olimpiadas 242 5º 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 4499-8º Santiago de Chile (Chile)	20%	Reinsurance
INMOBILIARIA COSTA DE MONTEMAR, S.A.	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	24%	Real Estate
C R ARGENTINA S.A	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Services, Consulting

Figures in thousands of euros

CONSOLIDATION METHOD OR PROCEDURE
A. Subsidiaries consolidated by global integration
B. Associated and investee companies consolidated by the equity method
C. Associated and investee companies excluded from consolidation
D. Companies incorporated into the consolidation scope in fiscal year 2017

	% 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
			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

	% 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%	9,744	8,998	573	26	A
	MAPFRE RE	100.0000%	169,181	41,096	39,333	(8,072)	A
	MAPFRE RE	99.9985%					C
	MAPFRE RE	99.9999%	240,659	50,141	90,342	8,355	A
	MAPFRE RE	99.9999%	47	47			C
	MAPFRE RE MAPFRE Argentina	95.0000% 5.0000%	20	20		(4)	C
	MAPFRE RE	0.8002%	63,395	1,221	26,033	108	C
	MAPFRE RE	0.0020%	920	655	463	(180)	C
	MAPFRE RE	100.0000%	1,049	20			A
	MAPFRE Chile RE	99.8467%	135,971	10,117	36,350	(9,330)	A
	MAPFRE Chile RE	31.4400%		1,091			B
	MAPFRE Chile RE	99.9960%	50	38			A

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 2017, 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 2017 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

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

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

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

Key Audit Matters

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

Key Audit Matters

Valuation of technical provisions (Euros 4,642.6 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 integrity and accuracy of the databases used when estimating these provisions. Our substantive procedures on the technical provisions basically consisted of the following: • Tests of the integrity 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 vis-à-vis accepted reinsurance companies at 31 December 2017, 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 the adequacy of the information disclosed in the annual accounts on the provision for non-life insurance claims, considering the requirements of the Spanish General Chart of Accounts for Insurance Entities.

Other Information: Consolidated Directors' Report

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

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility 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 information mentioned in a) above has been provided in the consolidated directors' report and that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2017 and the content and presentation of the report are in accordance with applicable legislation.

Directors' 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 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 9 March 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 16 April 2015 for a period of three years, from the year commenced 1 January 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

9 March 2018

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Individual Management Report

Introduction

MAPFRE RE, Compañía de Reaseguros S.A. (the "Company") registered a very positive result in 2017, with an income and premium volume similar to 2016, despite the worsening of rates and conditions in the first half of the year, and the occurrence of various catastrophic events that had a severe impact on the global insurance and reinsurance industry in the second half of the fiscal year.

The net impact of natural disasters on the result has been very limited, thanks to the solidity of its risk management and the effectiveness of its financial protection.

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

Key figures

Income Statement

Accounted accepted premiums were 4,149.22 million euros, an increase of 0.2 percent compared to those posted the previous year. Net premiums reached 2,757.5 million euros, which represents an increase of 1.3 percent compared to the previous year.

The combined ratio of the Life and Non-Life business was 97.8 percent (96.6 percent in 2016), including a 70.0 percent claims ratio, with commissions and other acquisition and management expenses amounting to 27.8 per cent.

The underwriting result amounted to 65.2 million euros (88.5 million euros in 2016). Net financial income reached a result of 154.2 million euros (164.9 million euros in 2016).

The profit and loss statement shows earnings before tax and non-controlling interests amounting to 213.1 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 248.6 million euros. Net profit after tax and non-controlling interests came to 159.5 million euros, 14.4 percent below the 186.3 million euros registered the previous fiscal year.

Balance Sheet

Net equity amounted to 1,248.9 million euros.

Net technical provisions reached 2,976.5 million euros, representing 107.9 percent of net earned premiums.

Financial investments totaled 3,300.9 million euros. This figure is made up of financial assets held for trading reaching 8.4 million euros, financial Assets available for sale in the amount of 2,831.8 million euros, cash and other equivalent liquid assets reaching 191.4 million euros, while Participations in associated companies of the Group reached 269.3 million euros.

Total assets amounted to 6,153.6 million euros.

Main activities

Commercial initiatives

MAPFRE RE has increased its operations to cover a total of 20 countries, opening a representative office in Tokyo in late 2017, which will allow it to consolidate the close relations with the Japanese market further, offering yet another example of the commitment made by MAPFRE RE to Asia, a continent in which it already has 5 offices.

In all geographic areas, commercial initiatives have been pursued to strengthen the relationship enjoyed by MAPFRE RE in its markets, with clients and brokers alike.

The Personal Area has held numerous meetings with clients and brokers on the range of Life reinsurance solutions offered by MAPFRE RE in accordance with the new solvency regulations, participating and speaking out in market events and academic forums on the selection of risks and digital transformation in quoting process of Life lines in Mexico, Colombia, Vietnam, Italy, Argentina, Spain and France.

They have also spoken at various forums on the Spanish agricultural insurance model in Spain and Mexico, the Brazilian reinsurance market 10 years after its opening, and have sponsored specialized professional events, such as meetings of the Latin American Association of Agricultural Insurance (ALASA) in Chile and Panama, the International Association of Agricultural Production Insurers (AIAG) in Poland, the Crop Insurance and Reinsurance Bureau (CIRB) in the USA, the Inter-European Reinsurance Meeting (ENTRE) in Spain, the Philippine General Insurance Summit in Manila, and the jubilee celebrations of the Netherlands Reinsurance Association (NRV).

Underwriting management and client services

Sharing knowledge with its clients continues to be an essential activity for MAPFRE RE. This is truly 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 17 guests invited from 16 different countries, or the collaboration with the National Institute of Insurance and Fasecolda, in Colombia, to present its international Senior Reinsurance Management program. In Beijing, days were organized on proportional reinsurance sessions were organized, attended by 44 professionals from 24 market companies, and various clients in Colombia, Argentina, Italy and Turkey received technical training on insurer management in the agricultural, Non-Life and/or Life lines.

In a constant bid to get to know and incorporate new ideas into the reinsurance practice, MAPFRE RE has signed up to the Blockchain Insurance Industry Initiative (B3i), which seeks to explore the potential of using Blockchain distributed registration technologies in the insurer industry and collaborates with corporate innovation teams in the group to support the development of other initiatives. Along these same lines, MAPFRE RE continues to support projects with qualified partners looking for innovative reinsurance solutions.

By the same token, MAPFRE RE has also launched new initiatives for the professional growth of its teams: a training program on team management and project leadership for those in managerial positions, set to involve more than 80 company executives; a global trainee program to bring young, new talent into the workforce; and technical training seminars for underwriters from all offices.

Information and technology systems

The requirements of the new international accounting standards - IFRS 17 - that should come into force in 2021, require work to be carried out on identifying the impact on, and adjustment necessary to the MAPFRE RE business and accounting systems. It is a very important change that will affect multiple processes and towards which MAPFRE RE continued to work in 2017.

During this year, the version of the Business Intelligence tool (Microstrategy) was also renewed, improving its performance and allowing the adoption of more complete solutions in new developments of information exploitation.

In 2017, MAPFRE RE incorporated the Corporate User Attention Service, as well as the Corporate Job Position Management, and virtually completed development of CRM tools for sales management and the new MAPFRE RE intranet, applying group standards while awaiting deployment in early 2018.

Subsidiaries and investee companies

MAPFRE RE DO BRASIL obtained revenue of 58.9 million euros and a result before tax of 13.1 million euros, with its shareholders' equity reaching 44.3 million euros as of the end of the fiscal year. These results were achieved in a competitive environment hindered by low economic growth, although the local currency registered some recovery against the euro.

INVERSIONES IBÉRICAS and MAPFRE CHILE REASEGUROS obtained revenues of 32.4 million euros, a result before tax of 1.4 million euros, closing the fiscal year with shareholders' equity of 51.7 million euros.

Social and environmental matters

Personnel

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

Category	2017	2016
Directors	2	2
Senior Managers	0	0
Managers	88	90
Technicians	236	212
Administrative Staff	60	46
TOTAL	**386**	**350**

The workforce objectives include the professional development of employees and the strengthening of their employability and well-being through the development of their skills and capacities. It is intended to achieve this in an environment of commitment and mutual respect, with no offensiveness, intimidation, harassment or discrimination whatsoever, and a workplace that guarantees safety and stability.

To this end, it has a Code of Ethics and Conduct, inspired by the Institutional and Business Principles, and which aims to reflect the corporate values and the basic principles that should guide the performance of the company and the people that comprise the same.

The Policy of Respect for people expressly states that respect for others should be a basic element of employee behavior. It thus rejects any manifestation of workplace harassment, and any other behavior that is violent or offensive to the rights and dignity of people, given that these situations contaminate the work environment and have negative effects on the health, well-being, confidence, dignity and performance of those who suffer it.

The Company encourages permanent over temporary contracts, seeking a stable environment and continuity in labor relations. The percentage of the Company's fixed workforce and that of its subsidiaries in 2017 was 97.9 percent (97.7 percent in 2016).

During the fiscal year, development continued with the Global Disability Program, and at the year-end, there were 4 people with a disability on the workforce (the same as in 2016).

The Promotion, Selection and Mobility Policy aims to promote professional development opportunities to employees through programs and development plans, training itineraries and mobility between different areas and countries, in order to increase employability, professional satisfaction and its commitment to the company.

In order to select the right people, there is a global procedure in place that guarantees objectivity, maximum rigor and non-discrimination in all processes. The selection tests used are homogeneous worldwide, aimed at choosing the most appropriate candidate for each job position. The number of selection processes carried out in 2017 was 59 (35 in 2016).

The compensation policy is based on the job position held by each employee: it is competitive with respect to the market; it guarantees internal fairness; it is flexible and adaptable to the different groups and circumstances of the market; and it is in line with the strategy.

The Policy on Health, Well-being and the Prevention of Occupational Risks establishes that the health, safety and well-being of workers are essential both for employees and their families, as well as for the productivity, competitiveness and sustainability of the business. In this respect, employees receive annual information and training on health and healthy lifestyles.

Environment

One of the initiatives that allows MAPFRE to generate loyalty in its stakeholders is the promotion of a sustainable environment in which to develop its business.

In 2017, MAPFRE continued to act to fulfill the commitments made in the Environmental Policy approved by the MAPFRE S.A. Board of Directors and revised in 2015 to incorporate new commitments, such as the preservation of Biodiversity and the fight against climate change.

As regards Environmental Management, MAPFRE acts in accordance with the guidelines defined in the triple Integrated Environmental, Energy and Carbon Footprint Management System (hereinafter "SIGMAYE"), in line with ISO 14001, ISO 50001 and ISO 14064 international standards.

The transversal design and global nature of SIGMAYE enable both corporate and specific local objectives to be established, ensuring compliance with the applicable legislation in force and providing minimum mandatory criteria in countries where the legislation is less developed.

With respect to the carbon footprint, the expanded reach of UNE-EN-ISO 14064 continues to verify the carbon footprint inventories of companies in Spain, Puerto Rico, Colombia and Portugal.

As regards mitigating and adapting to climate change, we have continued to implement the actions defined in the Strategic Plan for Energy Efficiency and Climate Change, with the objective of reducing Group emissions by 20 percent by 2020. Having reached this objective three years earlier than envisaged, we chose to strive toward more ambitious challenges, both in the medium and long-term all the way through to 2050, the year in which we hope to reach CO2 neutrality.

The Group's actions in this matter have led, for a third consecutive year, to CDP (Driving Sustainable Economies) acknowledging MAPFRE as a global leader in the fight against climate change, including the Group in its Climate A List.

The eco-effiicency measures implemented include energy efficiency measures in buildings in relation to air conditioning (use of free cooling, technological renewal of equipment and adjustment of time and temperature settings), lighting (replacement of lamps with LED, installation of presence sensors and adjustment of times), and other users (technological renovation of facilities using energy efficiency criteria).

Operational control of water management comes through the installation of optimization measures in buildings (aerators, timers, sensors, dual flush systems, etc.) and the control of internal consumption via proprietary billing, in-house meters, leak detection and employee awareness.

As regards the preservation of biodiversity and adhering to the Biodiversity Pact launched by the Spanish Business and Biodiversity Initiative, MAPFRE has published its report on the 2013-2015 results, as have all the other signatory companies. It has also continued its work on protecting an endangered species and preserving its habitat, having this year chosen the turtle and the Mediterranean Sea.

Also, with respect to biodiversity protection, and as a part of the integration of the Environment into the business, the Group has joined the initiative led by the NGO OCEANA and backed by the United Nations for the protection of the oceans and, more specifically, to eliminate illegal fishing by not insuring these activities.

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 objective of which is 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, whose main objective 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 RATES RISKS

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

The Company and its subsidiaries mitigate its exposure to these types of risks 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 87.3 percent of the total financial investment portfolio in 2017 (87.6 percent in 2016).

Investments in equity securities and mutual funds have a limited weighting on the results, accounting for approximately 12.7 percent of total financial investments in 2017 (12.4 percent in 2016).

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 led to the recognition of +2.7 million euros in 2017 (+13.6 million euros in 2016).

RECEIVABLES RISK

Investments returns 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 based on their solvency, seeking a high degree of geographic correspondence between issuers of assets and commitments, maintaining a suitable level of diversification, and obtaining, where appropriate, guarantees, collateral and other hedges.

Fixed-income and variable-income investments are subject to limits by the 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 maintaining sufficient cash balances to cover any contingency arising from commitments made to third parties. As of December 31, 2017, the balance of cash and other equivalent liquid assets was 200 million euros (140 million euros in 2016), equivalent to 5.80 percent of total investment and liquid funds (3.93 percent in 2016). Additionally, most of the fixed income investments are investment grade and traded on organized markets, providing great capacity to act in the event of potential liquidity crises.

Treasury Stock

The controlling Company does not own its own shares or participations or shares in MAPFRE S.A.; nor did it conduct any operations with such shares in 2017.

Research, Development and Innovation

Client orientation is one of the main axes of MAPFRE's Strategic Plan, which has identified innovation as one of the tools allowing it to offer insurance solutions and services focused on clients' needs. Innovation in client-oriented products and services thus becomes an essential method by which to achieve the short, medium and long-term objectives.

In 2014, the MAPFRE Innovation Model was launched, designed to promote a culture of innovation throughout the organization and to respond to business challenges. To manage the Model, the Corporate Innovation Committee was established, made up of members of relevant innovation areas, and the Corporate Innovation Division was created, which will lead innovation in MAPFRE. The Innovation Model, at the service of both the local and global strategy, has become one of the key tools by which to achieve differentiation and the Group's organic growth objectives.

Average Provider Payment Period

Average payment period for service providers during the fiscal year was 6.72 days (8.09 days in fiscal year 2016).

Corporate aspects

In fiscal year 2017, Eduardo Pérez de Lema, Ángel Alonso, Ricardo Blanco, Philippe Hebeisen and Mark Hews were reelected as directors of the controlling Company for a new four-year mandate.

Ángel Alonso tendered his resignation as director and, consequently, stood down from all his posts on the Board and Management Committee of the controlling Company, effective January 28, 2018, due to his having reached the maximum age permitted by the company's articles of association. The Annual General Meeting, held as an extraordinary session on January 26, 2018, ratified the appointment of Ana Isabel Fernández as director of the controlling Company, effective January 29, 2018.

Significant subsequent events

There have been no significant events after the year end that may affect the results or future evolution of the Company.

Outlook

It is hoped that in 2018, pressure will continue in the sector to obtain positive underwriting results.

The substantial capitalization existing in the reinsurance sector has to date supported the impairment seen in profitability in later years. However, it cannot be hoped that this compensation will continue. The 2017 disasters - of which the final cost is not yet known, given the severity of the damages and impact in terms of interruption to business - have had a major impact on the accounts and budgets of a great many reinsurers and will increase pressure to recover acceptable levels of technical profitability.

6 Individual Annual Accounts

Balance sheet as on December 31, 2017 and 2016

A) ASSETS	Notes	2017	2016
A-1) Cash and equivalents	9	**191,355**	**135,818**
A-2) Financial assets held for trading	9	**8,490**	**24,581**
I. Equity instruments	9	8,490	21,197
II. Debt securities			3,384
III. Derivatives			
IV. Other			
A-3) Other financial assets at fair value with changes in gains and losses	9	**46**	**80**
I. Equity instruments	9	46	80
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	**2,831,780**	**3,101,890**
I. Equity instruments	9	347,268	393,962
II. Debt securities	9	2,484,512	2,707,928
III. Investments on behalf of Life insurance policyholders bearing the investment risk			
IV. Other			
A-5) Loans and receivables		**1,174,255**	**971,782**
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	2,284	4,783
IV. Deposits established for accepted reinsurance	9	875,768	711,641
V. Receivables on direct insurance operations			
1. Policyholders			
2. Intermediaries			
VI. Receivables on reinsurance operations	9	282,932	241,889
VII. Receivables on co-insurance operations			
VIII. Called capital			
IX. Other receivables		13,271	13,469
1. Receivables with public authorities		5,479	8,241
2. Remaining receivables	9	7,792	5,228
A-6) Investments held to maturity			
A-7) Hedging derivatives			
A-8) Participation of reinsurance in technical provisions	11	**1,431,944**	**696,471**
I. Provision for unearned premiums		298,641	293,697
II. Provisions for Life insurance		4,666	5,877
III. Provision for outstanding claims		1,128,637	396,897
IV. Other technical provisions			
A-9) Property, plant and equipment and property investments		**36,420**	**35,465**
I. Property, plant and equipment	5	35,156	34,186
II. Property investments	6	1,264	1,279
A-10) Intangible fixed assets		**953**	**575**
I. Goodwill			
II. Financial rights derived from policy portfolios acquired from intermediaries			
III. Other intangible assets	7	953	575
A-11) Holdings in group, multi-group and associated companies	9 y Anexo 1	**269,275**	**53,560**
I. Holdings in associated companies	9	200	200
II. Holdings in multi-group companies			
III. Holdings in group companies	9	269,075	53,360
A-12) Tax assets		**28,334**	**33,869**
I. Current tax assets		12	5,165
II. Deferred tax assets	12	28,322	28,704
A-13) Other assets		**180,735**	**203,523**
I. Assets and long-term reimbursement rights for personnel		1,454	1,404
II. Anticipated commissions and other acquisition costs			
III. Accruals		179,209	202,119
IV. Remaining assets		72	
A-14) Assets held for sale			
TOTAL ASSETS		**6,153,587**	**5,257,614**

(Figures in thousands of euros)

LIABILITIES AND EQUITY	Notes	2017	2016
A) LIABILITIES			
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		**392,223**	**367,587**
I. Subordinated liabilities			
II. Deposits received for ceded reinsurance	9	67,814	43,763
III. Debt for insurance operations			
1. Debt with insured parties			
2. Debt with intermediaries			
3. Conditional debt			
IV. Due on reinsurance operations	9	275,977	275,587
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:		48,432	48,237
1. Debt to public authorities		19,941	20,435
2. Other debts to group companies and associates	9	26,205	26,083
3. Remaining other debts	9	2,286	1,719
A-4) Hedging derivatives			
A-5) Technical provisions	11 y 21	**4,408,430**	**3,542,320**
I. Provision for unearned premiums		1,070,396	1,298,201
II. Provision for unexpired risks			
III. Provisions for Life insurance		505,743	452,482
1. Provision for unearned premiums		505,743	452,482
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		2,832,291	1,791,637
V. Provision for profit sharing and return premiums			
VI. Other technical provisions			
A-6) Non-technical provisions	14	**9,869**	**7,643**
I. Provisions for taxes and other legal contingencies			
II. Provision for pensions and similar obligations	14	2,803	2,807
III. Provision for payments through settlement agreements			
IV. Other non-technical provisions	14	7,066	4,836
A-7) Tax liabilities		**34,168**	**50,606**
I. Current tax liabilities			
II. Deferred tax liabilities	12	34,168	50,606
A-8) Remaining liabilities		**59,989**	**71,656**
I. Accruals		59,795	71,647
II. Liabilities for accounting mismatches			
III. Commissions and other acquisition costs for ceded reinsurance			
IV. Other liabilities		194	9
A-9) Liabilities linked to assets held for sale			
TOTAL LIABILITIES		**4,904,679**	**4,039,812**

Balance sheet as on December 31, 2017 and 2016 (continued)

LIABILITIES AND EQUITY	Notes	2017	2016
B) EQUITY			
B-1) Shareholders' equity		**1,176,302**	**1,120,078**
I. Capital or mutual fund	10	223,916	223,916
1. Issued capital or mutual fund		223,916	223,916
2. (Uncalled capital)			
II. Share premium		220,565	220,565
III. Reserves		147,027	147,020
1. Legal and statutory	10	44,783	44,783
2. Stabilization reserve			41,704
3. Other reserves		102,244	60,533
IV. (Treasury stock)			
V. Results from previous fiscal years		528,575	432,549
1. Balance	3	528,979	432,953
2. (Negative results from previous fiscal years)		(404)	(404)
VI. Other contributions from shareholders and mutual societies			
VII. Result for the period	3	159,509	186,317
VIII. (Interim dividend and stabilization reserve)	3 y 10	(103,290)	(90,289)
IX. Other equity instruments			
B-2) Revaluation adjustments:	9	**72,606**	**97,724**
I. Financial assets available for sale		73,418	97,189
II. Hedging operations			
III. Currency conversion and exchange differences		(812)	535
IV. Accounting mismatch corrections			
V. Other adjustments			
B-3) Subsidies, donations and endowments received			
TOTAL EQUITY		**1,248,908**	**1,217,802**
TOTAL LIABILITIES AND EQUITY		**6,153,587**	**5,257,614**

(Figures in thousands of euros)

Profit and loss account for years ended December 31, 2017 and 2016

PROFIT AND LOSS ACCOUNT	Notes	2017	2016
I. TECHNICAL ACCOUNT - NON-LIFE INSURANCE			
I.1. Premiums Allocated to the Period, Net of Reinsurance	**22**	**2,403,234**	**2,139,936**
a) Earned premiums for the period, net		3,525,490	3,535,765
a.1) Direct insurance			
a.2) Accepted reinsurance	21 y 22	3,525,490	3,535,765
a.3) Variation of the impairment correction for premiums pending collection (+ or -)			
b) Premiums from ceded reinsurance (-)	22	(1,355,003)	(1,378,876)
c) Variation of the provisions for unearned premiums and unexpired risks (+ or -)	22	227,805	(48,526)
c.1) Direct insurance			
c.2) Accepted reinsurance		227,805	(48,526)
d) Variation of the provision for unearned premiums, ceded reinsurance (+ or -)		4,942	31,573
I.2. Revenues from property, plant and equipment and investments		**766,448**	**489,397**
a) Revenues from property investments			
b) Revenues from financial investments	9	733,388	456,183
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		33,060	33,214
d.1) From property, plant and equipment and property investments			
d.2) From financial investments	9	33,060	33,214
I.3. Other Technical Revenues			
I.4. Loss ratio for the period, Net of Reinsurance		**1,595,791**	**1,390,122**
a) Outstanding claims and expenses paid		1,305,779	1,350,221
a.1) Direct insurance			
a.2) Accepted reinsurance	22	2,154,882	1,965,426
a.3) Ceded reinsurance (-)	22	(849,103)	(615,205)
b) Variation in the provision for outstanding claims (+ or -)		289,922	39,801
b.1) Direct insurance			
b.2) Accepted reinsurance	22	1,024,519	76,663
b.3) Ceded reinsurance (-)	22	(734,597)	(36,862)
c) Claims-related expenses		90	100
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		**686,906**	**622,552**
a) Acquisition expenses	22	1,002,887	908,521
b) Administration expenses	22	11,237	9,328
c) Commissions and participation in ceded and retroceded reinsurance	22	(327,218)	(295,297)
I.8. Other Technical Expenses (+ or -)		**(3,754)**	**(197)**
a) Variation of impairment for insolvencies (+ or -)	8	(3,810)	(919)
b) Variation of impairment of fixed assets (+ or -)			
c) Variation of outstanding claims settlement agreements (+ or -)			
d) Other		56	722
I.9. Expenses from property, plant and equipment and investments		**694,090**	**415,019**
a) Expenses from investment management	9	686,768	407,080
a.1) Expenses from property, plant and equipment and property investments			
a.2) Expenses from investments and financial accounts	9	686,768	407,080
b) Value corrections for property, plant and equipment and investments		313	395
b.1) Amortization of property, plant and equipment and property investments		313	50
b.2) Impairment of property, plant and equipment and property investments			345
b.3) Impairment of financial investments			
c) Losses resulting from property, plant and equipment and investments	9	7,009	7,544
c.1) From property, plant and equipment and property investments			
c.2) From financial investments	9	7,009	7,544
I.10. Subtotal (Result from Technical Non-Life Insurance Account)		**196,649**	**201,837**

(Figures in thousands of euros)

Profit and loss account for years ended December 31, 2017 and 2016
(continued)

PROFIT AND LOSS ACCOUNT	Notes	2017	2016
II. TECHNICAL ACCOUNT - LIFE INSURANCE			
II.1. Premiums Allocated to the Period, Net of Reinsurance	**22**	**532,544**	**475,744**
a) Earned premiums		623,729	603,585
a.1) Direct insurance			
a.2) Accepted reinsurance	21 y 22	623,729	603,585
a.3) Variation of the impairment correction for premiums pending collection (+ or -)			
b) Premiums from ceded reinsurance (-)	22	(36,715)	(37,921)
c) Variation of the provision for unearned premiums or unexpired risks (+ or -)		(53,261)	(80,356)
c.1) Direct insurance			
c.2) Accepted reinsurance	22	(53,261)	(80,356)
d) Variation of the provision for unearned premiums, ceded reinsurance (+ or -)	22	(1,209)	(9,564)
II.2. Revenues from property, plant and equipment and investments		**181,811**	**153,936**
a) Revenues from property investments			
b) Revenues from financial investments	8	170,705	144,237
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		11,106	9,699
d.1) From property plant and equipment and property investments			
d.2) From financial investments	8	11,106	9,699
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		**459,943**	**390,911**
a) Outstanding claims and expenses paid		440,940	396,461
a.1) Direct insurance			
a.2) Accepted reinsurance	22	464,561	421,191
a.3) Ceded reinsurance (-)	22	(23,621)	(24,730)
b) Variation in the provision for outstanding claims (+ or -)		18,991	(5,559)
b.1) Direct insurance			
b.2) Accepted reinsurance	22	16,134	1,921
b.3) Ceded reinsurance (-)	22	2,857	(7,480)
c) Claims-related expenses		12	9
II.6. Variation in Other Technical Provisions, Net of Reinsurance (+ or -)			
a) Provisions for Life insurance			
a.1) Direct insurance			
a.2) Accepted 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 -)			
II.8. Net Operating Expenses		**127,932**	**122,809**
a) Acquisition expenses	22	135,811	132,392
b) Administration expenses	22	1,892	787
c) Commissions and holdings in ceded and retroceded reinsurance	22	(9,771)	(10,370)

PROFIT AND LOSS ACCOUNT	Notes	2017	2016
II.9. Other Technical Expenses		**7**	**83**
a) Variation of impairment for insolvencies (+ or -)			
b) Variation of impairment of fixed assets (+ or -)			
c) Other		7	83
II.10. Expenses for property, plant and equipment and investments		**109,239**	**78,659**
a) Management expenses from property, plant and equipment and investments	9	106,898	76,357
a.1) Expenses from property, plant and equipment and property investments			
a.2) Expenses from investments and financial accounts	9	106,898	76,357
b) Value corrections for property, plant and equipment and investments		41	107
b.1) Amortization of property, plant and equipment and property investments		41	4
b.2) Impairment of property, plant and equipment and property investment			103
b.3) Impairment of financial investments			
c) Losses resulting from property, plant and equipment and investments	9	2,300	2,195
c.1) From property, plant and equipment and property investments			
c.2) From financial investments	9	2,300	2,195
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)		**17,234**	**37,218**

(Figures in thousands of euros)

Profit and loss account for years ended December 31, 2017 and 2016 (continued)

PROFIT AND LOSS ACCOUNT	Notes	2017	2016
III. NON-TECHNICAL ACCOUNT			
III.1. Revenues from property, plant and equipment and investments		**23,312**	**30,857**
a) Revenues from property investments		14	1
b) Revenue from financial investments	9	19,097	26,742
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		4,201	4,114
d.1) From property plant and equipment and property investments	5	8	
d.2) From financial investments	9	4,193	4,114
III.2. Expenses from property, plant and equipment and investments		**19,176**	**18,158**
a) Expenses from investment management	9	18,239	17,042
a.1) Expenses from investments and financial accounts	9	18,239	17,042
a.2) Material investment expenses			
b) Value corrections for property, plant and equipment and investments			52
b.1) Amortization of property, plant and equipment and property investments			
b.2) Impairment of property, plant and equipment and property investment			52
b.3) Impairment of financial investments			
c) Losses resulting from property, plant and equipment and investments		937	1,064
c.1) From property, plant and equipment and property investments		34	1
c.2) From financial investments	9	903	1,063
III.3. Other Revenues		292	157
a) Revenues from pension fund management			
b) Remaining revenues		292	157
III.4. Other expenses		**5,228**	**3,329**
a) Expenses from pension fund management			
b) Remaining expenses		5,228	3,329
III.5. Subtotal, (Results from Non-Technical Account)		**(800)**	**9,527**
III.6. Results before Tax (I.10 + II.12 + III.5)		**213,083**	**248,582**
III.7. Tax on profits	**12**	**53,574**	**62,265**
III.8. Results from ongoing operations (III.6 + III.7)	**3**	**159,509**	**186,317**
III.9. Results from discontinued operations, net of tax (+ or -)			
III.10.Result for the Period (III.8 + III.9)		**159,509**	**186,317**

(Figures in thousands of euros)

Statement of changes in net equity for years ended December 31, 2017 and 2016

A) Statements of recognized revenue and expenses

STATEMENT OF RECOGNIZED REVENUE AND EXPENSES	2017	2016
I. RESULT FOR THE PERIOD	**159,509**	**186,317**
II. OTHER RECOGNIZED REVENUE AND EXPENSES	**(25,118)**	**(5,300)**
II.1. Financial assets available for sale	**(31,650)**	**(5,931)**
Valuation gains and losses	6,164	29,157
Amounts transferred to the income statement	(37,814)	(35,088)
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	**(1,796)**	**(1,015)**
Valuation gains and losses	(1,796)	(1,015)
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	**8,328**	**1,646**
III. TOTAL RECOGNIZED REVENUE AND EXPENSES	**134,391**	**181,017**

(Figures in thousands of euros)

Statement of changes in net equity for the fiscal year completed on December 31, 2017 and 2016.

B) Total statement of changes in net equity

ITEM	CAPITAL OR MUTUAL FUND		SHARE PREMIUM	
	Issued	Not issued		
C. CLOSING BALANCE FOR 2015	**223,916**		**220,565**	
I. Revaluation adjustments 2016				
II. Adjustments for errors 2016				
D. ADJUSTED OPENING BALANCE 2016	**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 2016	**223,916**		**220,565**	

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**	

	RESERVES	(TREASURY STOCK AND OWN EQUITY HOLDINGS)	RESULT FOR PREVIOUS YEARS	OTHER SHARE-HOLDER CON-TRIBUTIONS	RESULT FOR THE PERIOD	(DIVIDEND AND STABILIZATION RESERVE)	OTHER EQUI-TY INSTRU-MENTS	REVA-LUATION ADJUST-MENTS	SUBSIDIES, DONATIONS AND ENDOW-MENTS RECEI-VED	TOTAL
	161,178		**400,148**		**146,757**	**(114,216)**		**103,024**		**1,141,372**
	161,178		**400,148**		**146,757**	**(114,216)**		**103,024**		**1,141,372**
					186,317			(5,300)		181,017
						(90,289)				(90,289)
						(90,289)				(90,289)
	(14,156)		32,401		(146,757)	114,216				(14,296)
			32,541		(146,757)	114,216				
	(14,156)		(140)							(14,296)
	147,020		**432,549**		**186,317**	**(90,289)**		**97,724**		**1,217,804**

	RESERVES	(TREASURY STOCK AND OWN EQUITY HOLDINGS)	RESULT FOR PREVIOUS YEARS	OTHER SHARE-HOLDER CON-TRIBUTIONS	RESULT FOR THE PERIOD	(DIVIDEND AND STABILIZATION RESERVE)	OTHER EQUI-TY INSTRU-MENTS	REVA-LUATION ADJUST-MENTS	SUBSIDIES, DONATIONS AND ENDOW-MENTS RECEI-VED	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				5
	2		96,026		(186,317)	90,289				
	5									5
	147,027		**528,575**		**159,509**	**(103,290)**		**72,606**		**1,248,908**

Cash flow statement for years ended December 31, 2017 and 2016

CASH FLOW STATEMENT	2017	2016
A) CASH FLOW FROM OPERATING ACTIVITIES		
A.1.) Insurance activity	**167,857**	**229,871**
1. Direct insurance, co-insurance and accepted reinsurance proceeds	379,370	629,448
2. Direct insurance, co-insurance and accepted reinsurance payments	(111,304)	(186,399)
3. Ceded reinsurance proceeds	136,127	139,948
4. Ceded reinsurance payments	(136,210)	(251,840)
5. Outstanding claims recovery		
6. Payment of remuneration to intermediaries		
7. Other operating proceeds		
8. Other operating payments	(100,126)	(101,286)
9. Total cash proceeds from insurance activities (1 + 3 + 5 + 7) = I	515,497	769,396
10. Total cash payments from insurance activities (2 + 4 + 6 + 8) = II	(299,718)	(539,525)
A.2.) Other operating activities	**(31,396)**	**(32,952)**
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)	(31,396)	(32,952)
A.3.) Total net cash flow from operating activities (I - II + III - IV - V)	**136,461**	**196,919**
B) CASH FLOW FROM INVESTMENT ACTIVITIES		
B.1) Proceeds from investment activities	**2,420,904**	**1,993,627**
1. Property, plant and equipment	314	131
2. Property investments	14	
3. Intangible assets		
4. Financial instruments	2,329,931	1,890,842
5. Holdings in group, multi-group and associated companies		44
6. Interest collected	77,545	86,989
7. Dividends collected	13,100	15,621
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	2,420,904	1,993,627
B.2.) Payments from investment activities	**(2,398,538)**	**(2,087,051)**
1. Property, plant and equipment	(2,149)	(43,934)
2. Property investments		
3. Intangible assets	(434)	(26)
4. Financial instruments	(2,395,955)	(2,042,881)
5. Holdings in group, multi-group and associated companies		(210)
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	(2,398,538)	(2,087,051)
B.3.) Total cash flow from investment activities (VI + VII)	**22,366**	**(93,424)**

CASH FLOW STATEMENT	2017	2016
C) CASH FLOW FROM FINANCING ACTIVITIES		
C.1) Proceeds from financing activities		
1. Subordinated liabilities		
2. Proceeds from issuing of equity instruments and capital increases		
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		
C.2) Payments from financing activities	**(103,290)**	**(90,289)**
1. Dividends paid to shareholders	(103,290)	(90,289)
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	(103,290)	(90,289)
C.3) Total net cash flow from financing activities (VIII + IX)	**(103,290)**	**(90,289)**
Effect of exchange rate variations (X)		1
Total increase / decrease in cash and cash equivalents (A.3 + B.3 + C.3 + - X)	**55,537**	**13,207**
Cash and cash equivalents at beginning of the period	**135,818**	**122,611**
Cash and cash equivalents at end of the period	**191,355**	**135,818**
1. Banks and savings banks	137,364	94,098
2. Other financial assets	53,991	41,720
3. Bank overdrafts repayable on sight		
TOTAL	**191,355**	**135,818**

(Figures in thousands of euros)

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