

Individual annual
accounts and
management report
Other documentation
of interest to
shareholders
2017





 **MAPFRE**

www.mapfre.com

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

Independent Auditor's Report on the Annual Accounts

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

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

Report on the Annual Accounts

Opinión

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

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework, specified in note 2 to the accompanying annual accounts and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

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

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

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



Key Audit Matters

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

**Valuation of non-current investments in group companies and associates
(Euros 9,464,934 thousand)**

See note 8 of the notes to the annual accounts.

<i>Key audit matters</i>	<i>How the issue was addressed in our audit</i>
<p>The Entity, holding company of Mapfre Group, has recognised non-current investments in group companies and associates.</p> <p>Recoverable value of these investments in group companies and associates is determined by the use of valuation technics that require of management judgement and estimations that consider macroeconomics factors, internal circumstances of the Group companies and their competitors, discount rates, growth rates or estimations of the future evolution of their business.</p> <p>Due to the level of uncertainty and judgement associated to the mentioned estimations, as well as the significance of the carried amount of the investments, we consider this to be a key audit matter.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> - Evaluation of the criteria used by the Company in the identification of impairment indicators of the investments in group companies and associates. - Understanding the process of estimation of the recoverable value of the group investments and associates, and evaluation of design and implementation of the relevant controls related to the process that the Company has in place. - Evaluation of the reasonability of the methodology and hypothesis used in the estimation of the recoverable value of the investments in group companies and associates, with the collaboration of our corporate finance specialists. <p>We have reviewed the level of fulfilment of the past years business plans, and we have evaluated the information within the valuation models against the company’s business plans and estimations of industry development obtained from external sources.</p> <p>Additionally, we have evaluated the discount and growth rates used in the valuation model, as well as performed sensitivity analysis over the key inputs used in the model, with the goal of assessing their impact in the valuation.</p> <p>We have also evaluated if the information within the annual accounts is in compliance with the applicable legal financial reporting requirements.</p>



Other Information: Directors' Report

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

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

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

Based on the work carried out, as described in the preceding paragraphs, we have verified that the specific information mentioned in a) above has been provided in the directors' report and that the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2017 and the content and presentation of the report are in accordance with applicable legislation.

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

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

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

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



Auditor's Responsibilities for the Audit of the Annual Accounts

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

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

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

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



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

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

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

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

Report on Other Legal and Regulatory Requirements

Additional Report to the Audit and Compliance Committee

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

Contract Period

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

KPMG Auditores, S.L. (S0702)

(Signed on original in Spanish)

Hilario Albarracín Santa Cruz

R.O.A.C: 09144

8 February 2018

ANNUAL ACCOUNTS

MANAGEMENT REPORT

2017

MAPFRE S.A.

ANNUAL ACCOUNTS

2017

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MAPFRE S.A.

BALANCE SHEET AS AT DECEMBER 31, 2017 AND 2016

ASSETS	Notes in Annual report	2017	2016
A) NON-CURRENT ASSETS		9,705,643	9,517,006
I. Intangible fixed assets		2,595	4,405
5. Computer applications	6	2,595	4,405
II. Property, plant and equipment	5	14,819	14,839
1. Land and buildings		12,319	12,508
2. Facilities and other property, plant and equipment		2,500	2,331
IV. Non-current investments in group companies and associates	8	9,643,434	9,465,300
1. Equity instruments		9,464,934	9,261,300
2. Loans to companies	18	178,500	204,000
V. Non-current financial investments	8	15,147	5,790
1. Equity instruments		9,894	565
2. Loans to third parties		73	71
6. Other investments		5,180	5,154
VI. Deferred tax assets	12	29,648	26,672
B) CURRENT ASSETS		367,046	357,343
III. Trade and other receivables		3,289	50,852
1. Trade receivables for sales and services rendered	8	9	2
2. Trade receivables, group companies and associates	8	16	16
3. Sundry receivables	8	217	132
4. Personnel	8	368	317
5. Current tax assets	12	1,444	47,888
6. Other receivables from government agencies	--	1,235	2,497
IV. Current investments in group companies and associates	8,18	316,677	273,574
2. Loans to companies	--	218,667	180,399
5. Other financial assets	--	98,010	93,175
V. Current financial investments	8	333	--
2. Loans to third parties	8	333	--
VI. Current accruals		5,091	6,187
VII. Cash and other equivalent liquid assets		41,656	26,730
1. Cash	--	41,656	26,730
TOTAL ASSETS (A+B)		10,072,689	9,874,349

Thousand euro

BALANCE SHEET AS AT DECEMBER 31, 2017 AND 2016

EQUITY AND LIABILITIES	Notes in Annual report	2017	2016
A) EQUITY		7,334,129	7,272,687
A-1) SHAREHOLDERS' EQUITY		7,334,129	7,272,687
I. Capital		307,955	307,955
1. Authorized share capital	9	307,955	307,955
II. Share premium	9	3,338,720	3,338,720
III. Reserves		3,136,783	3,120,074
1. Legal and statutory	9	61,591	61,591
2. Other reserves	--	3,075,192	3,058,483
IV. (Treasury stock)	9	(52,356)	(60,234)
V. Results for previous years		289,403	279,195
1. Retained earnings	--	289,403	279,195
VII. Result for the year	3	495,530	468,831
VIII. (Interim dividend)	3	(184,773)	(184,772)
IX. Other equity instruments	9	2,867	2,918
B) NON-CURRENT LIABILITIES		2,367,246	1,890,536
I. Non-current provisions		15,314	15,945
1. Non-current employee benefit obligations	14	15,069	14,876
4. Other provisions	14	245	1,069
II. Non-current debt		2,191,185	1,475,936
1. Debentures and other negotiable securities	8,10	1,590,820	992,484
2. Due to credit institutions	8	600,000	480,000
5. Other financial liabilities	8	365	3,452
III. Non-current debt with group companies and associates	8	160,640	398,548
IV. Deferred tax liabilities	12	107	107
C) CURRENT LIABILITIES		371,314	711,126
II. Current provisions	14	--	--
III. Current debt		29,956	604,757
1. Debentures and other negotiable securities	8,10	29,839	604,020
2. Due to credit institutions	8	75	85
5. Other financial liabilities	8	42	652
IV. Current debt with group companies and associates	8,18	283,206	61,630
V. Trade and other payables		58,152	44,739
3. Sundry creditors	8	19,147	12,361
4. Personnel (remuneration pending payment)	8	12,699	9,135
5. Current tax liabilities	12	13,999	12,420
6. Other debts with government agencies		12,307	10,823
TOTAL EQUITY AND LIABILITIES (A+B+C)		10,072,689	9,874,349

Thousand euro

PROFIT AND LOSS ACCOUNT FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

PROFIT AND LOSS ACCOUNT	Notes in Annual Report	2017	2016
CONTINUING OPERATIONS			
Revenue		638,745	578,425
Dividends and interest from group companies and associates		638,745	578,425
• Dividends	8,18	632,193	572,271
• Interest	8,18	6,552	6,154
Other operating revenue		76,030	80,790
• Non-core and other operating revenue	18	76,030	80,790
Personnel expenses		(71,320)	(72,397)
• Wages, salaries and similar	--	(48,305)	(43,533)
• Social security contributions	13	(21,530)	(21,172)
• Provisions	14	(1,485)	(7,692)
Other operating expenses		(76,000)	(73,622)
• External services	--	(75,968)	(73,594)
• Taxes	--	(32)	(28)
Amortization and depreciation of fixed assets	5,6	(3,652)	(3,462)
Excess provisions		--	--
Impairment and gains/losses on fixed asset disposal	--	--	17
Impairment of Group and affiliated companies	8	(27,800)	(996)
Other earnings	--	(6)	(6)
EARNINGS FROM OPERATIONS		535,997	508,749
Financial income	8	433	1,583
Acquisitions in equity instruments	--	49	--
• From third parties	--	49	--
From negotiable securities and other financial instruments	--	384	1,583
• From third parties	--	384	1,583
Financial expenses		(77,883)	(76,878)
• For debt with Group and affiliated companies	8,18	(16,428)	(23,913)
• For debt with third parties	8	(61,256)	(52,765)
• For update of provisions	8	(199)	(200)
Fair value variation in financial instruments		(43)	5,207
• Trading portfolio and other	8	(43)	5,207
Foreign exchange differences	8	(22)	(14)
Impairment and gains/losses on financial instrument disposal	8	572	5
• Impairment and loss		333	--
• Earnings from disposal and other		239	5
FINANCIAL RESULT		(76,943)	(70,097)
EARNINGS BEFORE TAX		459,054	438,652
Tax on profit	12	36,476	30,179
RESULT FOR THE PERIOD FROM ONGOING OPERATIONS		495,530	468,831
DISCONTINUED OPERATIONS			
Result for the period after tax from discontinued operations		--	--
RESULT FOR THE FINANCIAL YEAR		495,530	468,831

Thousand euro

STATEMENT OF CHANGES IN EQUITY AT DECEMBER 31, 2017 AND 2016

A) STATEMENTS OF RECOGNIZED INCOME AND EXPENSE

PROFIT AND LOSS ACCOUNT	Notes from the Annual Report	2017	2016
A) Result of the profit and loss account	3	495,530	468,831
Revenue and expenses posted directly to equity			
I. For valuation of financial instruments			
1. Financial assets available for sale	--	--	--
2. Other revenues/expenses			
IV. By actuarial gains and losses and other adjustments	--	--	--
VII. Tax effect	--	--	--
B) Total revenue and expenses posted directly in equity (I+IV+VII)	--	--	--
Transfers to the profit and loss account			
VIII. For valuation of financial instruments			
1. Financial assets available for sale	--	--	--
XIII. Tax effect	--	--	--
C) Total transfers to the profit and loss account (VIII+XIII)		--	--
TOTAL RECOGNIZED REVENUE AND EXPENSES (A+B+C)	--	495,530	468,831

Thousand euro

STATEMENT OF CHANGES IN EQUITY AT DECEMBER 31, 2017 AND 2016**B) FULL STATEMENT OF CHANGES IN EQUITY**

ITEM	Capital		Share premium	Reserves	(Treasury stock)	Result from previous years	Other shareholder contributions	Result for the year	(Interim dividend)	Other equity instruments	Revaluation adjustments	Grants, donations and bequests received	TOTAL
	Authorized	Uncalled											
ADJUSTED BALANCE, BEGINNING OF 2016	307,955	--	3,338,720	2,823,152	(2,392)	263,044	--	450,126	(184,773)	--	--	--	6,995,832
I. Total recognized revenue and expenses	--	--	--	--	--	--	--	468,831	--	--	--	--	468,831
1. Share capital increases	--	--	--	--	--	--	--	--	--	--	--	--	--
4. (-) Distribution of dividends	--	--	--	--	--	--	--	(215,570)	(184,772)	--	--	--	(400,342)
4. bis. Distribution of earnings	--	--	--	35,000	--	14,783	--	(234,556)	184,773	--	--	--	--
5. Operations with treasury stock (Note 9)	--	--	--	(33)	(57,842)	--	--	--	--	--	--	--	(57,875)
6. Decrease in equity resulting from a business combination	--	--	--	262,146	--	--	--	--	--	--	--	--	262,146
III. Other variations in equity	--	--	--	(191)	--	1,368	--	--	--	2,918	--	--	4,095
CLOSING BALANCE FOR YEAR 2016	307,955	--	3,338,720	3,120,074	(60,234)	279,195	--	468,831	(184,772)	2,918	--	--	7,272,687
II. Adjustments for errors 2016	--	--	--	--	--	--	--	--	--	--	--	--	--
ADJUSTED BALANCE, BEGINNING OF 2017	307,955	--	3,338,720	3,120,074	(60,234)	279,195	--	468,831	(184,772)	2,918	--	--	7,272,687
I. Total recognized revenue and expenses	--	--	--	--	--	--	--	495,530	--	--	--	--	495,530
1. Share capital increases	--	--	--	--	--	--	--	--	--	--	--	--	--
4. (-) Distribution of dividends	--	--	--	--	--	--	--	(261,762)	(184,773)	--	--	--	(446,535)
4. bis. Distribution of earnings	--	--	--	12,000	--	10,208	--	(206,980)	184,772	--	--	--	--
5. Operations with treasury stock (Note 9)	--	--	--	4,702	7,878	--	--	--	--	--	--	--	12,580
6. Increases in equity resulting from a business combination	--	--	--	--	--	--	--	--	--	--	--	--	--
III. Other variations in equity	--	--	--	7	--	--	--	(89)	--	(51)	--	--	(133)
CLOSING BALANCE FOR YEAR 2017	307,955	--	3,338,720	3,136,783	(52,356)	289,403	--	495,530	(184,773)	2,867	--	--	7,334,129

Thousand euro

CASH FLOW STATEMENT AT DECEMBER 31, 2017 AND 2016

A) CASH FLOWS FROM OPERATING ACTIVITIES	Notes in Annual report	2017	2016
1. Earnings of the year before tax		459,054	438,652
2. Adjustments to results		(525,761)	(501,537)
a) Amortization and depreciation of fixed assets	5,6	3,652	3,462
b) Corrections in value due to impairment (+/-)	8	27,800	996
e) Results of fixed asset cancellations and disposals (+/-)	--	--	(17)
f) Results of financial instruments cancellations and disposals (+/-)	--	(572)	(5)
g) Financial income (-)	8	(433)	(1,583)
b) Financial expenses (+)	8	77,883	76,878
i) Exchange rate differences (+/-)	8	22	14
j) Fair value variation in financial instruments (+/-)	8	43	(5,207)
k) Other revenues and expenses	--	(634,156)	(576,075)
3. Changes in working capital	--	1,061	(9,604)
b) Debtors and other receivables (+/-)	--	(5,815)	24,824
c) Other current assets (+/-)	--	4,622	(47,013)
d) Creditors and other payables (+/-)	--	2,254	12,585
e) Other current liabilities (+/-)	--	23,776	--
f) Other non-current assets and liabilities (+/-)	--	(62,373)	--
4. Other cash flows of operating activities	--	633,455	532,976
a) Interest paid (-)	--	(58,283)	(92,512)
b) Dividend receipts (+)	--	632,209	572,271
c) Interest collected (+)	--	6,155	6,204
d) Payment (receipt) of income tax (+/-)	--	53,374	47,013
e) Other payments (collection) (-/+)	--	--	--
5. Cash flows from operating activities (+/--1+/-2+/-3+/-4)	--	567,809	460,487
B) CASH FLOWS FROM INVESTING ACTIVITIES			
6. Payments for investments (-)		(476,318)	(194,753)
a) Group and affiliated companies	8	(436,977)	(194,753)
g) Other assets	8	(39,341)	--
7. Collections for divestments (+)		222,940	110,041
a) Group and affiliated companies	8	210,908	110,041
e) Other financial assets	8	12,032	--
8. Cash flows from investing activities (7+6)		(253,378)	(84,712)
C) CASH FLOW FROM FINANCING ACTIVITIES			
9. Payments and collections for equity instruments		12,580	(57,842)
c) Acquisition of treasury equity instruments (-)	9	--	(57,842)
e) Disposal of treasury equity instruments (+)	9	12,580	--
10. Payments and collections for financial liability instruments		134,450	93,191
a) Issue			
1. Debentures and other negotiable securities (+)	10	600,000	993,090
2. Due to credit institutions (+)	8	950,000	--
3. Debt with Group and affiliated companies (+)	--	--	60,000
b) Return and redemption of			
1. Debentures and other negotiable securities (-)	10	(578,450)	--
2. Due to credit institutions (-)	8	(830,000)	(520,000)
3. Debt with Group and affiliated companies (-)	--	(7,100)	(439,899)
11. Payments for dividends and remuneration of other equity instruments	--	(446,535)	(400,907)
a) Dividends (-)	--	(446,535)	(400,907)
12. Cash flows from financing activities (+/-9/10-11)	--	(299,505)	(365,558)
D) EFFECT OF EXCHANGE RATE VARIATIONS			
E) NET INCREASE / DECREASE OF CASH OR EQUIVALENTS (+/-5+/-8+/-12+/-D)	--	14,926	10,217
Cash or cash equivalents at the beginning of the year		26,730	16,513
Cash or cash equivalents at the end of the year		41,656	26,730

Thousand euro

ANNUAL REPORT

2017

1. COMPANY ACTIVITY

MAPFRE S.A. (the "Company") is a corporation (Spanish "sociedad anónima") whose main activity is the investment of its funds in real-estate assets and tradeable financial securities.

The Company's scope of action includes all Spanish territory.

The registered offices are at Crta. de Pozuelo, 52, Majadahonda (Madrid, Spain). The Company is the parent of the MAPFRE Group, which comprises MAPFRE S.A. and several companies operating in the insurance, property, financial and services sectors.

The Company is a subsidiary of CARTERA MAPFRE, S.L. (Single Member Company), with registered address at Carretera de Pozuelo, 52, Majadahonda (Madrid, Spain). The annual accounts of that company for the year ended December 31, 2017 will be prepared by its Board of Directors on March 22, 2018 and will be placed on file at the Madrid Companies' Registry.

The ultimate controlling company is Fundación MAPFRE, a non-profit company whose registered address is Paseo de Recoletos No. 23, Madrid and whose consolidated annual accounts will be filed with the Madrid Companies' Registry and a copy sent to the Foundations Register.

2. BASIS OF PRESENTATION OF THE ANNUAL ACCOUNTS

a) TRUE AND FAIR VIEW

The application of legal provisions regarding accounting matters have resulted in a true and fair view of the Company's equity, financial position and results for the year, as well as of the accuracy of the cash flows reported on the cash flow statement. The directors consider that it is not necessary to include supplementary information in this regard.

The Board of Directors expects the individual and consolidated annual accounts for 2017, which were prepared on February 7, 2018 to be approved by the Annual General Meeting with no changes.

b) ACCOUNTING PRINCIPLES

The annual accounts have been prepared in accordance with the Spanish General Chart of Accounts approved under Royal Decree 1514/2007 of November 16 and subsequently amended through Royal Decree 1159/2010 of September 17 and Royal Decree 602/2016 of December 2, as well as with all other applicable mercantile legislation.

c) CRITICAL ASPECTS OF MEASURING AND ESTIMATING UNCERTAINTY

When preparing the annual accounts, judgments and estimates were used that are based on assumptions about the future and uncertainties. These primarily refer to impairment of the value of assets, deferred tax assets and provisions.

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

d) COMPARISON OF INFORMATION

There is nothing preventing the annual accounts of the current year from being compared with those of the previous year.

e) CORRECTIONS OF ERRORS

No significant errors were found in the Company's annual accounts from previous years.

3. DISTRIBUTION OF PROFITS

The Company's Board of Directors has proposed the following distribution of profits for approval at the Annual General Meeting:

BASIS OF DISTRIBUTION	AMOUNT
Profit and loss account	495,530,493.41
Retained earnings	289,402,576.02
TOTAL	784,933,069.43
DISTRIBUTION	AMOUNT
To dividends	446,535,224.59
To capitalization reserve	1,856,820.46
To retained earnings	336,541,024.38
TOTAL	784,933,069.43

Figures in euros

The planned distribution of dividends in the distribution of profits complies with the requirements and limitations established under legal regulations and the corporate bylaws. The requirements and limitations related to restricted reserves are set out in Note 9 "Equity".

In 2017, the Company distributed an interim dividend for a total amount of 184,773,196.38 euros (184,772,628.34 euros in 2016), which is recorded in equity under the heading "Interim dividend."

The liquidity statement prepared by the Board of Directors for the distribution of the interim dividend is shown below.

ITEM	DATE OF AGREEMENT November 20, 2017.
Cash available on date of agreement	14,864
Increases in cash forecast within one year	731,452
(+) From expected current collection operations	731,452
(+) From expected financial transactions	--
Decreases in cash forecast within one year	(511,606)
(-) From expected current payment transactions	(70,000)
(-) From expected financial transactions	(441,606)
Cash available in one year	234,710

Thousand euro

The distribution of profits for 2016, carried out during 2017, is presented in the statement of total changes in equity.

4. RECOGNITION AND MEASUREMENT STANDARDS

The recognition and measurement standards applied are indicated below:

a) Fixed assets

Intangible assets

Intangible assets recognized comply with the identifiability criterion and carried at cost less accumulated amortization and any impairment losses.

Intangible assets are measured at the cost of acquisition or production. Amortization is calculated on a straight-line basis.

Property, plant and equipment

The assets included under property, plant and equipment are measured at cost of acquisition or production, including indirect taxes that are not directly recoverable, less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis, on the cost of the asset less the residual value and less the value of land, in accordance with the estimated useful life.

The costs of renovating, expanding or improving property, plant and equipment goods are included as the greatest value of the asset when they entail an increase in capacity, productivity or extension of the useful life of each asset.

Impairment of fixed assets

At least at the close of the fiscal year and provided evidence of impairment is detected, the Company evaluates whether there are any signs that the asset items may have suffered a loss in value. If such evidence exists, the recoverable amount of the asset is estimated.

Recoverable amount is the greater of an asset's fair value less costs to sell and its value in use.

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

Corrections in value due to impairment, as well as the reversal of the asset items, are recognized as an expense or revenue, respectively, in the profit and loss account, under the item "Impairment and gains/(losses) from disposal of fixed assets."

If there is an increase of the recoverable amount of an asset other than the goodwill, the loss due to the previously recognized impairment is reversed, increasing the book value of the asset to its recoverable amount. This increase never exceeds the book value, net of amortization or depreciation, that would be recorded had an impairment loss not been recognized in previous years. The reversal is recognized in the profit and loss account, unless the asset was previously subject to revaluation against "Valuation adjustments", in which case the reversal is treated as a revaluation increase. After this reversal, the depreciation cost is adjusted for subsequent periods.

b) Operational leases

The Company classifies the lease contracts it holds as operational leases given that the lessor does not substantially transfer to the lessee all the risks and benefits of the property.

The revenue and expenses arising from operational leasing are recorded in the profit and loss account for the life of the contract, following the principle of accrual.

c) Financial instruments

FINANCIAL ASSETS

All assets corresponding to cash, equity instruments of other companies, or that entail a contractual right to receive cash or another financial asset, or any exchange of financial instruments under favorable conditions, are classified as financial assets.

The fair value of financial assets is determined through the use of market prices, provided that the available quotations of the instruments can be considered representative. In order for them to be considered as such, they must be published regularly in standard information systems provided by recognized financial brokers.

If market valuation is not possible, a valuation will be performed with internal models using, as far as possible, public market data that satisfactorily replicates the valuation of the instruments quoted. This valuation methodology will be based on the discounting of future asset flows (determined or estimated) using the discount curve free from risk. Depending on the characteristics of the issue concerned and the issuer, a specific credit risk will be assigned, which will apply to a different degree to each of the flows to be received.

Operations in the currency market are recorded on the settlement date, while financial assets traded in secondary markets of the Spanish market are recognized on the trading date, for equity instruments, and on the settlement date, for debt securities.

Financial assets are classified as:

Loans and receivables

This category includes receivables for commercial and non-commercial operations.

Following initial recognition at their fair value, they are measured at amortized cost. The interest accrued is posted in the profit and loss account, applying the effective interest method.

Loans and receivables also include deposits in credit institutions, which are measured at amortized cost. Income generated on these deposits is recognized at the effective interest rate.

Receivables for commercial operations and other line items, such as advances, personnel loans or dividends receivable with maturity of up to one year and without a contractual interest rate are measured at their face value when the effect of not updating cash flows is not significant to the initial recognition or to subsequent valuation, unless there is impairment.

Impairment exists when there is a decrease or delay in future estimated cash flows that could result from debtor insolvency.

Corrections in value due to impairment and its reversal, if applicable, are made at the close of the fiscal year, recognizing an expense or revenue, respectively, in the profit and loss account. Nevertheless, impairment losses may only be reversed up to the limit of the amortized cost that would have been recorded if an impairment loss had not been recognized in previous years.

Financial assets held for trading

Derivative financial instruments that do not entail a financial guarantee contract and were not designated as a hedging instrument are classified in this category.

Initial recognition and subsequent valuation are done at fair value, without subtracting transaction costs. The changes that occur in the fair value are posted in the profit and loss account for the fiscal year.

Investment in the equity of Group, multi-group and associated companies

Investment in Group, multi-group and associated company equity is initially recognized and measured at cost minus the accumulated amount of corrections in value due to impairment, if applicable.

In the case of non-monetary contributions to Group companies, the contributor values the investment at the book value of the assets and liabilities delivered in the Group's most recent consolidated annual accounts. Any difference between the book value of the investment contributed and the value assigned to the interest received is posted in a reserve account.

When a value is assigned due to a balance sheet cancellation or for another reason, the weighted average cost method is applied for homogenous groups.

In the case of the sale of preemptive subscription rights and similar rights or the division of these rights to exercise them, the cost of the rights reduces the book value of the respective assets.

At the close of the fiscal year, when there is objective evidence that the book value of the investment is not recoverable, the necessary corrections in value are made.

The amount of the correction in value corresponds to the difference between the book value of the investment and the recoverable amount. The latter is the greatest difference between its fair value minus sale costs and the present value of the future cash flows derived from the investment.

Corrections in value due to impairment and its reversal, if applicable, are recorded as an expense or revenue for the fiscal year in the profit and loss account.

Financial assets available for sale

This category includes debt securities and equity instruments of other companies that are not classified in any other financial asset category.

Initial recognition and subsequent measurement are at fair value, plus the preferential subscription rights acquired, without subtracting transaction costs that could arise from disposal.

Changes in fair value are recognized directly in equity until the financial asset is written off or impairment is perceived, at which time they are recorded in the profit and loss account.

Corrections in value due to impairment and gains or losses arising from foreign exchange differences in monetary financial assets in foreign currencies are recorded in the profit and loss account. The amount of interest calculated applying the effective interest rate method and dividends accrued are also recorded in the profit and loss account.

Investment in equity instruments whose fair value may not be reliably calculated are measured at their cost minus the accumulated amount of corrections in value due to value impairment.

When a value is assigned to these assets due to derecognition or for another reason, the weighted average cost method is applied for homogenous groups.

In case of sale of preemptive subscription rights and similar rights, the cost of the rights reduces the book value of the respective assets.

At least at close of the financial year, the pertinent corrections in value are made, providing there is objective evidence that the value of an available-for-sale financial asset is impaired, the amount of which is recognized in the profit and loss account. Reversals of corrections in value are credited to the profit and loss account, with the exception of equity instruments, the reversal for which is made directly in equity.

For equity instruments, investments are analyzed individually to determine whether any impairment exists, when the market has declined either over a prolonged period (18 months) or in a significant amount (40 percent) compared to cost.

Cash and other equivalent liquid assets

Cash includes cash on hand and demand deposits, while cash equivalents correspond to highly liquid short-term investments that can be easily converted to fixed amounts of cash and have an insignificant risk of change in value.

Interest and dividends received from financial assets

The interest and dividends from financial assets accrued after acquisition are recognized as revenue in the profit and loss account. The interest is recognized using the effective interest rate method, and dividends when the right to receive them is declared.

To this end, the amount of accrued and non-accrued explicit interest and the dividends agreed upon at the moment of acquisition are recorded independently in the initial valuation of financial assets, bearing in mind their maturity.

Additionally, when the distributed dividends come from earnings generated prior to the acquisition date, because amounts were distributed that are greater than the profits generated by the investee since the acquisition, they are not recognized as revenue and they reduce the book value of the investment.

Cancellation of financial assets

Financial assets are canceled when the contractual rights over the cash flows of the financial asset expire or when they are transferred, whereupon the risks and benefits derived from their ownership are substantially transferred.

When a financial asset is canceled, the difference between the net received compensation of the attributable transaction costs and the book value of the financial asset, plus any accumulated amount recognized directly as equity, determines the resulting gains or losses and is part of the result for the financial year.

FINANCIAL LIABILITIES

All instruments issued, incurred or assumed that imply a direct or indirect contractual obligation for the Company are recorded as financial liabilities, in accordance with the economic reality of delivering cash or another financial asset or exchanging financial assets and liabilities with third parties in unfavorable conditions.

Financial liabilities are classified as:

Debits and payables

These correspond to debits for commercial and non-commercial operations.

After initial recognition at their fair value (transaction price), they are measured at their amortized cost, and the interest is recorded in the profit and loss account, applying the effective interest rate method.

In the case of debits for commercial operations with maturity of up to one year and without a contractual interest rate, as well as third-party called capital for holdings whose amount will be paid in the short term, both the initial valuation and subsequent valuations are performed at the face value when the effect of not updating cash flows is not significant.

Financial liabilities held for trading

Derivative financial instruments that are not a financial guarantee contract and were not allocated as hedging instruments are classified in this category.

Initial recognition and subsequent valuation are performed at fair value, without subtracting transaction costs that could arise from disposal. The changes that occur in the fair value are posted to the profit and loss account of the fiscal year.

The put options on the stake held by a minority shareholder in a controlled company, when the acquirer does not have access to the economic profits associated with the shares subject to the option, are recognized both initially and subsequently at fair value.

Cancellation of financial liabilities

Financial liabilities are canceled when the obligation inherent to them has expired. Additionally, acquired shareholders' financial liabilities are canceled even when there is an intention to reassign them in the future.

If there is an exchange of debt instruments with significantly different conditions, the original liability is canceled and the new liability is recognized.

The difference between the book value of the financial liability or the canceled part of the liability and the compensation paid, including attributable transaction costs and the compensation that encompasses any transferred asset other than the cash or liability assumed, is recognized in the profit and loss account during the fiscal year in which it occurs.

If there is an exchange of debt instruments without significantly different conditions, the original liability is not removed from the balance sheet, and the paid commissions are recorded as an adjustment to the book value.

Own equity instruments

All items that show a residual investment in Company assets once their liabilities have been deducted are classified in this category.

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

All transactions performed with own equity instruments are recorded under equity as a variation in the value of shareholders' equity.

d) Transactions in foreign currency

Transactions in foreign currencies are converted to euros by applying the exchange rate in force on the transaction date.

At the close of the fiscal year, the balances that correspond to monetary items expressed in foreign currencies are converted at the exchange rate of the euro on that date, and all exchange differences are allocated in the profit and loss account, except for monetary financial assets that are available for sale and in which exchange rates other than those generated from the amortized cost are recognized directly in equity.

Non-monetary items that are measured at historical cost are generally recorded by applying the exchange rate at the transaction date. When determining the equity of an investee company, corrected for the tacit capital gains that exist on the date of valuation, the closing exchange rate is applied to the equity and the tacit capital gains that exist on that date.

Non-monetary items that are measured at fair value are recorded by applying the exchange rate on the date when the fair value was determined, recognizing the losses and gains derived from the valuation in equity or in profit or loss, depending on the nature of the item.

When presenting the cash flow statement, the flows from transactions in foreign currencies are converted to euros by applying the cash exchange rate on the dates of exchange to the amount in foreign currency.

The effect of the variation in exchange rates on cash and other equivalent liquid assets expressed in foreign currency is presented separately in the cash flow statement as "Effect of the variations in exchange rates."

e) Tax on profits

Tax on profits is treated as an expense for the fiscal year and is recorded as such in the profit and loss account, including both the tax burden of the current tax and the effect corresponding to the movement of the deferred tax.

However, tax on profits related to items where modifications in their value are directly recognized in equity are not posted to the profit and loss account but to equity, and the changes in value are included in those items net of the tax effect.

The assets or liabilities due to current tax on profits are measured at the amounts that are expected to be recovered or paid, using the tax regulations and rates that are in force or approved and pending publication at the close of the fiscal year.

The Company files taxes as part of a consolidated tax group. The expense for corporate tax on the companies in the consolidated tax group is determined taking into account the parameters used in calculated individual tax as well as the following items:

Temporary and permanent differences arising as a result of eliminating gains and losses on intergroup transactions, derived from the processing of determining the consolidated tax base.

Tax credits and deductions corresponding to each Group company in the consolidated tax group. To that end, tax credits and deductions are recorded in the company that carried out the related activity or that obtained the gain necessary to secure the tax credit or deduction.

Temporary differences derived from the elimination of gains and losses between entities of the tax Group are recognized in the company that generated the gain or loss, and are measured at the applicable tax rate.

Tax losses incurred in certain Group companies that have been offset by profits of other companies in the Group give rise to a reciprocal credit and debit between the companies, as appropriate. In the event that tax losses cannot be offset by profits of other Group companies, the tax loss carryforwards are recognized as deferred tax assets by the corresponding companies, considering that they will be offset by future profits of the tax group.

The Company, as parent entity of the Group, recognizes the total amount payable for consolidated corporate tax as a payable or a receivable with the different Group and associated companies, as appropriate.

Deferred tax liabilities derived from temporary tax differences are recognized in all cases, except when they arise from the initial recognition of goodwill or from an asset or liability in a transaction that is not a business consolidation, on the date of the transaction, if it does not affect the book earnings or the taxable earnings.

Deferred tax is recorded for temporary differences on the date of the balance between the tax base of the assets and the liabilities and their book values. The tax base of an equity item is the amount attributed to it for tax purposes.

The tax effect of temporary differences is included for all taxable temporary differences under the corresponding headings of "Deferred tax assets" and "Deferred tax liabilities," excluding the exceptions provided in current regulations, if applicable.

The Company recognizes deferred tax assets for all deductible temporary differences, unused tax receivables and negative tax bases, to the extent that it is likely that the Company or the tax group has future tax profits that make it possible to apply these assets. The Company also recognizes a deferred tax liability for all taxable temporary differences.

Unless evidenced otherwise, the Company does not foresee future tax profits if recovery is to take place more than ten years after the date of fiscal year closure.

The Company recognizes deferred tax assets that have not been recognized due to expiry of the ten-year recovery period if the future reversal period does not exceed ten years from the date of fiscal year closure or when there are sufficient liabilities derived from temporary tax differences.

Deferred tax assets and deferred tax liabilities are measured according to anticipated tax rates for the fiscal years in which they will be recovered or liquidated, respectively.

Deferred tax assets and deferred tax liabilities are recognized in the balance sheet as non-current assets or liabilities, regardless of the expected date of payment or settlement.

f) Revenue and expenses

Revenue and expenses are measured in accordance with the General Chart of Accounts.

Revenue from services provided are recognized when the transaction earnings are estimated reliably, taking into account the percentage of the service performed at the close of the fiscal year.

If the gains or losses on a service provision transaction cannot be estimated reliably, revenue is only recognized to the extent in which the expenses recognized are recoverable.

Given the Company's activity, the accrued dividends and other revenue from the funding granted to investee companies are part of the item "Revenue," and therefore, pursuant to the provisions of the Spanish Accounting and Auditing Institute (ICAC), they are recorded under that heading of the profit and loss account.

g) Provisions and contingencies

Provisions are recognized when there is a current obligation, whether legal or implicit, as a result of a past event, and a probable disbursement of resources that include future economic profits.

They are measured at the close of the fiscal year at the present value of the best possible estimate of the amount needed to cancel or transfer the obligation to a third party. The resulting adjustments are recorded when the provision is updated as a financial expense as it accrues.

The compensation to be received from a third party on settling the obligation, provided that there is no doubt that it will be received, does not entail a decrease in the debt, and the collection right is recognized in the asset whose amount will not exceed the amount of the obligation recorded in the accounts.

h) Personnel expenses

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

Short-term remuneration

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

Post-employment benefits

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

Defined contribution plans

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

Defined benefit plans

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

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

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

Actuarial gains and losses are recorded in equity accounts.

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

Compensation for termination

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

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

Other long-term remuneration besides those described in the preceding paragraphs and referring specifically to the award for years of service or time with the company are recorded in line with the aforementioned principles; the only exceptions are the cost of past services, which is recognized immediately and recorded as an offsetting liability entry under the heading "Long-term provisions", and actuarial gains and losses, which are recorded in the profit and loss account.

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

At the close of each year of the plan, fulfillment of the objectives is evaluated and the amount accrued is recorded in the profit and loss account, with a credit to a provisions account for the part of cash remuneration and a credit to equity, for the part corresponding to shares. The valuation of the part of the incentive paid in MAPFRE S.A. shares takes into account the fair value of the equity instruments assigned at the transfer date, based on the terms and conditions of the plan.

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

An extraordinary, medium-term, non-cumulative and multi-year incentive plan for certain members of the Group's executive team was in place previously, from January 1, 2013 to March 31, 2016.

Moreover, in fiscal year 2007, the Group approved an incentive plan referenced to the value of MAPFRE S.A. shares that was settled in cash and revocable in the sense that it was subject to the management remaining in the employment of the Company or Group. This was measured at the initial moment of implementation using an options valuation method.

At the close of 2016, the share price was below the benchmark price for this plan, and accordingly no rights were exercised and the plan was canceled.

i) Related-party transactions

Transactions with related parties linked to the usual activities of the Company are conducted under market conditions and are recorded according to the aforementioned valuation rules.

5. PROPERTY, PLANT AND EQUIPMENT

The accompanying table shows the movements under this heading for the last two fiscal years:

HEADINGS	BALANCE INITIAL		ENTRIES		DISPOSALS		BALANCE FINAL	
	2017	2016	2017	2016	2017	2016	2017	2016
Land and buildings	13,448	13,448	--	--	--	--	13,448	13,448
Technical installations and other	4,853	4,521	783	383	(45)	(51)	5,591	4,853
TOTAL COST	18,301	17,969	783	383	(45)	(51)	19,039	18,301
Accumulated depreciation	(3,462)	(2,737)	(803)	(774)	45	49	(4,220)	(3,462)
TOTAL NET	14,839	15,232	(20)	(391)	--	(2)	14,819	14,839

Thousand euro

The main entries generated in both fiscal years correspond to disbursements for improvements to property, plant and equipment.

The depreciation of property, plant and equipment is calculated using the straight-line method and in accordance with the related useful life. The rates of depreciation applied to the different groups of items are indicated below:

GROUPS OF ELEMENTS	% DEPRECIATION
Buildings	2
Vehicles	16
Furniture and fittings	10
Data processing equipment	25

No items of property, plant and equipment were acquired from Group or associated companies in the last two fiscal years.

No items of property, plant or equipment are located outside Spanish territory.

At the close of the last two fiscal years, there were no fully depreciated assets in use.

The Company has insurance policies covering the net book value of property, plant and equipment.

6. INTANGIBLE FIXED ASSETS

The accompanying table shows the movements under this heading for the last two fiscal years:

HEADINGS	BALANCE INITIAL		ENTRIES		DISPOSALS		BALANCE FINAL	
	2017	2016	2017	2016	2017	2016	2017	2016
Computer applications	14,888	14,271	1,097	758	(161)	(141)	15,824	14,888
TOTAL COST	14,888	14,271	1,097	758	(161)	(141)	15,824	14,888
Accumulated depreciation	(10,483)	(7,795)	(2,849)	(2,688)	103	--	(13,229)	(10,483)
TOTAL NET	4,405	6,476	(1,752)	(1,930)	(58)	(141)	2,595	4,405

Thousand euro

The main entries generated in both fiscal years correspond to disbursements for the development of current computer applications and the purchase of new licenses.

The annual amortization ratio is 33 percent.

There are no intangible fixed assets outside Spanish territory.

At the close of the last two fiscal years, there were no fully depreciated assets in use.

7. LEASES

Operational leasing

The Company is the lessee under operational leases on a building. The contract is for a one-year term and may be extended by one-year increments if neither party manifests to the other its desire to terminate the contract with two months anticipation. There is no restriction on the lessee whatsoever regarding the prerogative to sign these leases.

The future minimum payments to be paid until the end of the lease term on non-cancellable operational leases amount to 2,287,859 euros, calculated at December 31, 2017 (2,486,169 euros calculated at December 31, 2016).

Lease costs amounted to 2,242,999 euros and 2,449,428 euros in 2017 and 2016, respectively.

8. FINANCIAL INSTRUMENTS

The following table shows the book value of the financial assets recorded in the last two fiscal years.

Financial assets

A.- Long-term financial instruments								
Class	Equity instruments		Debt securities		Credit derivatives and Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Loans, receivables and other assets	9,894	565	--	--	183,753	209,225	193,647	209,790
TOTAL A	9,894	565	--	--	183,753	209,225	193,647	209,790
B.- Short-term financial instruments								
Class	Equity instruments		Debt securities		Credit derivatives and Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Loans, receivables and other assets	--	--	--	--	317,620	274,041	317,620	274,041
TOTAL B	--	--	--	--	317,620	274,041	317,620	274,041
TOTAL A + B	9,894	565	--	--	501,373	483,266	511,267	483,831

Thousand euro

Financial liabilities

The book value of the financial liabilities corresponding to the last two fiscal years is shown below.

A.- Long-term financial instruments								
Class Category	Due to credit institutions		Debentures and other negotiable securities		Derivatives and Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Debits and payables	600,000	480,000	1,590,820	992,484	161,005	399,078	2,351,825	1,871,562
Liabilities at fair value with changes in profit and loss account:								
Other	--	--	--	--	--	2,922	--	2,922
TOTAL A	600,000	480,000	1,590,820	992,484	161,005	402,000	2,351,825	1,874,484
B.- Short-term financial instruments								
Class Category	Due to credit institutions		Debentures and other negotiable securities		Derivatives and Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Debits and payables	--	--	29,839	604,020	315,169	83,863	345,008	687,883
Liabilities at fair value with changes in profit and loss account:								
Other	--	--	--	--	--	--	--	--
TOTAL B	--	--	29,839	604,020	315,169	83,863	345,008	687,883
TOTAL A + B	600,000	480,000	1,620,659	1,596,504	476,174	485,863	2,696,833	2,562,367

Thousand euro

The change in fair value of liabilities with changes through profit and loss totaled 5,207,000 euros in 2016. The accumulated amount of the fair value variation in that fiscal year was 2,922,000 euros.

The liabilities for changes in profit and loss expired in 2017, having been recognized as a positive result to the amount of 239,000 euros.

Credit line limits at December 31 of the last two fiscal years are indicated below.

Bank	Maturity	Limit		Drawn down	
		2017	2016	2017	2016
BANCO SANTANDER	11.12.2021	1,000,000	1,000,000	600,000	480,000
CARTERA MAPFRE S.L.	10.09.2018	400,000	200,000	--	--
Total		1,400,000	1,200,000	600,000	480,000

Thousand euro

Banco Santander is the agent bank of the aforementioned credit line, and this credit line encompasses syndicated loans with other institutions.

At December 31, 2017, accrued interest payable on the line of credit amounted to 3,103,000 euros (4,591,000 euros at December 31, 2016). The loan accrues interest at a rate linked to market variables.

The line of credit granted by CARTERA MAPFRE, S.L. accrues interest at a variable rate referenced to the three-month Euribor and may be extended for successive periods.

The maturities of financial instruments in the last two fiscal years, without considering the financial discount, are shown below:

2017

HEADINGS	Maturity in						Balance
	2018	2019	2020	2021	2022	Subsequent	final
Financial assets							
- Other investments	317,620	25,500	25,500	25,500	25,500	81,753	501,373
Total financial assets	317,620	25,500	25,500	25,500	25,500	81,753	501,373
Financial liabilities							
- Debentures and other negotiable securities	42,500	42,500	42,500	42,500	42,500	1,766,411	1,978,911
- Due to credit institutions	3,600	3,600	3,600	603,600		--	614,400
- Other financial liabilities	270,925	168,526	--	--	--	365	439,816
Total financial liabilities	317,025	214,626	46,100	646,100	42,500	1,766,776	3,033,127

Thousand euro

2016

HEADINGS	Maturity in						Balance
	2017	2018	2019	2020	2021	Subsequent	final
Financial assets							
- Other investments	273,724	25,500	25,500	25,500	25,500	107,791	483,515
Total financial assets	273,724	25,500	25,500	25,500	25,500	107,791	483,515
Financial liabilities							
- Debentures and other negotiable securities	628,950	16,250	16,250	16,250	16,250	1,016,250	1,710,200
- Due to credit institutions	2,880	2,880	2,880	2,880	482,880	--	494,400
- Other financial liabilities	13,013	255,770	173,239	--	--	3,452	445,474
Total financial liabilities	644,843	274,900	192,369	19,130	499,130	1,019,702	2,650,074

Thousand euro

Information regarding the profit and loss account and equity

The following table provides information regarding the profit and loss account and the equity of financial instruments for the last two fiscal years:

HEADINGS	Revenue or expenses financial		Impairment			
			Loss recorded		Reversal gains	
	2017	2016	2017	2016	2017	2016
Financial assets						
Equity instruments	632,193	572,271	(27,800)	(978)	--	--
Receivables	6,552	6,154	--	--	333	--
Trading portfolio and other	(43)	5,207	--	--	--	--
Other financial assets	433	1,583	--	--	--	--
Foreign exchange differences	(22)	(14)	--	--	--	--
Subtotal	639,113	585,201	(27,800)	(978)	333	--
Financial liabilities						
Debt with Group companies	(16,428)	(23,913)	--	--	--	--
Debt with third parties	(61,256)	(52,765)	--	--	--	--
For update of provisions	(199)	(200)	--	--	--	--
Subtotal	(77,883)	(76,878)	--	--	--	--
TOTAL	561,230	508,323	(27,800)	(978)	333	--

Thousand euro

Fair value gains or losses recorded by equity instruments correspond to movements of corrections in value in Group and associated companies and in the available-for-sale portfolio, as shown below:

Name	(Impairment) Reversal year 2017	(Impairment) Reversal year 2016
MAPFRE INMUEBLES	(652)	(830)
MAPFRE TECH	--	(148)
DESURCIC	(37)	--
MAPFRE ASISTENCIA	(27,111)	--
TOTAL	(27,800)	(978)

Thousand euro

The accrued dividends and other revenue from the funding granted to investee companies are part of the item "Revenue," as established in note 4.f).

Group and associated companies

Annex 1 of the annual report contains details of the Group and affiliated companies held directly in the last two fiscal years.

The results of companies included in the aforementioned annex correspond in their totality to continuous operations.

In compliance with Article 155 of the consolidated text of the Corporate Enterprises Act, the corresponding notifications were made, when applicable, to the investee companies.

The main operations undertaken in the last two fiscal years with Group and associated companies are described in Note 18 of the annual report.

The non-controlling shareholders of the MAPFRE RE affiliate have a put option on the shares of the company. If exercised, MAPFRE or a MAPFRE Group company would have to acquire the shares from the selling minority shareholder. The purchase price for the shares will be calculated using the previously agreed formulas in each case.

Minority shareholders of the MAPFRE AMÉRICA subsidiary had a put option for the sale of their shares in the company that was exercised in 2016, which saw MAPFRE S.A. acquire 788,134 shares, bringing its total shareholding from 99.22 percent to 100 percent. The purchase price totaled 19,973,000 euros.

On December 5, 2016 and in order to restructure the Group's operating areas, MAPFRE AMÉRICA (absorbing company) absorbed MAPFRE INTERNACIONAL (absorbed company), with the merger being effective as from January 1, 2016.

The effect of this transaction, which was carried out between Group companies, was an increase in reserves of 262,146,000 euros.

In addition, it was agreed to change the name of MAPFRE AMERICA S.A. to MAPFRE INTERNACIONAL S.A.

Note 18 (Operations with Related Parties) details the amounts of capital increases of Group companies over the last two financial years.

Financial instruments risk

Credit and market risks are managed centrally through the MAPFRE Group Investment Area, which applies a prudent investment policy to mitigate exposure to these kinds of risks.

Liquidity is managed by the Company, which maintains sufficient balances of current assets and lines of credit to cover any event derived from its obligations and has the Group's support for financing operations when additional liquidity is required.

There were no significant amounts in the last two years regarding financial assets exposed to interest rate risk.

The following table shows the significant information for the last two years regarding the level of exposure to the interest rate risk of the financial liabilities:

Item	Amount of the liability exposed to risk							
	Interest rate		Fair value		Not exposed to risk		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Issue of debentures and other negotiable securities	1,620,659	1,596,504	--	--	--	--	1,620,659	1,596,504
Other financial liabilities	600,075	483,007	365	530	--	--	600,440	483,537
Total	2,220,734	2,079,511	365	530	--	--	2,221,099	2,080,041

Thousand euro

All amounts corresponding to financial assets and liabilities are denominated in euros, with the exception of holdings in entities located overseas.

9. SHAREHOLDERS' EQUITY

CAPITAL

The share capital of the Company at December 31, 2017 and 2016 was represented by 3,079,553,273 shares with a face value of 0.10 euros each, fully subscribed and paid-up. All shares carry the same political and economic rights.

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

The Annual General Meeting of March 9, 2013 authorized the directors of the Company to increase capital up to a maximum of 153,977,663.65 euros, equivalent to 50 percent of the share capital at the time. This authorization was granted for a period of five years. Furthermore, the directors were authorized to issue analogous fixed-income securities or debentures, convertible or not, for a maximum amount of 2,000 million of euros.

The Board of Directors, at its meeting of February 7, 2018, agreed to propose to the Annual General Meeting to be held on March 9, 2018, that the directors of the Company be once again authorized to increase the capital as per the previously cited terms, as well as to issue subordinated debt or fixed-interest securities of a similar nature, under the same terms set down in the previous authorization.

CARTERA MAPFRE directly held 67.60 percent of the share capital of the Company as at December 31 of the last two fiscal years.

SHARE PREMIUM

This reserve is unrestricted and corresponds to the provisions made as a result of the capital increases, as indicated below.

DATE	ISSUE TYPE	AMOUNT
June 1985	200%	956
October 1985	300%	4,015
January 1986	600%	11,040
June 1986	600%	2,428
January 2007	3,192%	3,320,281
TOTAL		3,338,720

Thousand euro

LEGAL RESERVE

The legal reserve, which at the end of the last two years amounted to 61,591,065 euros, cannot be distributed to shareholders unless the Company is liquidated. In this case, it may only be used to offset potential losses.

OTHER RESTRICTIONS ON THE AVAILABILITY OF RESERVES

"Reserves" includes reserve for redenomination of the share capital to euros, which in accordance with Article 28 of Law 46/1998 may not be distributed. Additionally, a capitalization reserve totaling 47,000,000 euros is included, which will be available once five years have elapsed since its creation.

TREASURY STOCK

At December 31, 2016, the Company had acquired 30,500,000 treasury shares; these represent 0.99 percent of the capital. The price paid was 60,233,635.85 euros, at an average of 1.97 euros per share.

During 2017, the Company reduced the number of treasury shares it held by 3,988,894, representing 0.13 percent of the capital. The cost of this reduction totaled 7,877,560.29 euros, giving rise to a positive impact totaling 4,701,782.03 euros, which was entered under the "Other reserves" heading.

At the close of the fiscal year, Company owned 26,511,106 treasury shares; these represent 0.86 percent of the capital at an average exchange of 1.97 euros per share.

The total face value of shares acquired was 2,651,110.60 euros (3,050,000 euros in 2016).

10. NON-CONVERTIBLE DEBENTURES

At December 31, 2017 and 2016, the balance of this account included the face value of the debentures issued by the Company, the most salient terms and conditions of which are described below.

Description	Nominal value	Book value		Interest pending		Issue date	Maturity date	Coupon	Market	Rating
		31/12/2017	31/12/2016	31/12/2017	31/12/2016					
March 2017 issue	600,000	597,591	-	19,777	-	31-03-17	31-03-47	4.38%	AIAF	BBB-
May 2016 issue	1,000,000	993,229	992,484	10,062	10,062	19-05-16	19-05-26	1.63%	AIAF	BBB+
July 2007 issue	700,000	-	578,945	-	15,013	24-07-07	24-07-17	5.92%	AIAF	BBB+
TOTAL	2,300,000	1,590,820	1,571,429	29,839	25,075					

Thousand euros

March 2017 issue

This issue included an initial redemption option on March 31, 2027, with the interest payable from this date up to 2047 being Euribor plus 4.54 percent, payable quarterly.

The issuer is obliged to defer interest payments in the case where there is any non-compliance with the Solvency Capital Requirement or Minimum Capital Requirement, or prohibition of making interest payments on the part of the relevant Regulator, or incapacity on the part of the issuer to meet required matured and enforceable liabilities.

July 2007 issue

The issuer, at its discretion, may defer interest payments if such payments exceed distributable earnings, and if the issuer has not made any payment nor amortized or repurchased any class of capital or securities issued that are of the same range or lower than the subordinated debt in question.

For both issues, the redemption will occur in special cases as a result of reform or modification of tax regulations, due to lack of interchangeability of the issuer's own resources and as a result of the treatment awarded same by the Ratings Agencies.

On June 29, 2017, the Board of Directors approved early redemption, on the first available redemption date, of the totality of the subordinated debt issued in June 2007, with a face value of 575,850,000 euros (609,946,078 with interest included), with an effective redemption date of July 24, 2017.

At December 31, 2017, the Company's working capital was negative in the amount of 4,268,000 euros, even though the financing of its liabilities and liquidity requirements is guaranteed via the financial support it can rely on from the Group, as well as the dividends foreseeably receivable in 2018 and the credit lines available. At the close of 2016, said working capital was negative in the amount of 353,783,000 euros, as a result of transferring the subordinated debt issued in July 2017 to the short-term.

11. FOREIGN CURRENCY

At the end of the last two years there were no significant amounts of asset and liability items expressed in foreign currency.

12. FISCAL SITUATION

Since 1985, the Company has been included for corporate tax purposes in Tax Group 9/85, consisting of the Company and those subsidiaries that meet the requirements to be eligible for this tax regime.

In 2017, the following companies belonged to Tax Group No. 9/85:

MAPFRE S.A.; MAPFRE RE, COMPAÑÍA INTERNACIONAL DE REASEGUROS S.A.; MAPFRE INMUEBLES S.G.A.; DESARROLLOS URBANOS CIC S.A.; SERVICIOS INMOBILIARIOS MAPFRE S.A.; MAPFRE ASISTENCIA, CIA. INTERNACIONAL DE SEGUROS S.A.; IBEROASISTENCIA S.A.; IBEROASISTENCIA CONSULTING DE SOLUCIONES Y TECNOLOGÍAS S.A.; MAPFRE INTERNACIONAL S.A.; MAPFRE VIDA S.A. DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA; MAPFRE INVERSIÓN S.V.S.A.; MAPFRE ASSET MANAGEMENT S.G.I.I.C.S.A.; MAPFRE VIDA PENSIONES S.G.F.P. S.A; CONSULTORA ACTUARIAL Y DE PENSIONES, MAPFRE VIDA S.A.; GESTIÓN MODA SHOPPING S.A.; MIRACETI S.A.; MAPFRE ESPAÑA S.A.; MULTISERVICIOS MAPFRE S.A.; MAPFRE TECH S.A.; GESTIÓN DE CENTROS MEDICOS MAPFRE S.A.U.; MAPFRE GLOBAL RISKS S.A.; SERVIFINANZAS S.A; MAPFRE VIDEO Y COMUNICACIÓN S.A.; CENTRO DE EXPERIMENTACIÓN Y SEGURIDAD VIAL MAPFRE S.A. ; CLUB MAPFRE S.A.; MAPFRE CONSULTORES DE SEGUROS Y REASEGUROS S.A.; MAPFRE AUTOMOCIÓN S.A; VERTI ASEGURADORA CIA DE SEGUROS Y REASEGUROS S.A.; MEDISEMAP AGENCIA DE SEGUROS S.L.; MAQUAVIT INMUEBLES S.L.; BIOINGENIERIA ARAGONESA S.L.; MAPFRE AM INVESTMENT HOLDING S.A.U.; FUNESPAÑA S.A.; SERVICIOS FUNERARIOS FUNESMADRID S.A.; ALL FUNERAL SERVICES S.L.; FUNERARIAS REUNIDAS EL BIERZO S.A.; GAB MANAGEMENT & CONSULTING S.R.L.; POMPES FÚNEBRES DOMINGO S.L.

The reconciliation of the book earnings with the corporate tax base for the last two years is shown in the accompanying table.

RECONCILIATION OF THE BOOK RESULT WITH THE TAXABLE RATE OF THE CORPORATION TAX						
Item	Profit and loss account		Revenue and expenses posted directly to equity		TOTAL	
	2017	2016	2017	2016	2017	2016
Balance of revenue and expenses of the year	495,530	468,831	--	--	495,530	468,831
Corporation tax	(36,476)	(30,179)	--	--	(36,476)	(30,179)
Permanent differences	(595,948)	(566,586)	--	--	(595,948)	(566,586)
Temporary differences:						
- originating in the year	15,058	16,891	--	--	15,058	16,891
- originating in previous years	148	(10,697)	--	--	148	(10,697)
Compensation of negative tax bases of previous years	--	--	--	--	--	--
Individual taxable rate (fiscal result)	(121,688)	(121,740)	--	--	(121,688)	(121,740)
Permanent differences for fiscal consolidation	12	(305)	--	--	12	(305)
Individual taxable rate after consolidation	(121,676)	(122,045)	--	--	(121,676)	(122,045)

Thousand euro

Increases and decreases in the past two years:

Increases due to permanent differences in the profit and loss account relate to expenses that are not tax deductible, including contributions made to support programs for exceptional public-interest events pursuant to Law 49/2002 and corrections in the value of equity instruments (participations in Group and associated companies) duly accounted for.

Decreases due to permanent differences in the profit and loss account relate to tax-exempt dividends.

The increases for temporary differences from the previous year basically correspond to expenses considered non-tax-deductible for commitments related to pensions and medium-term remuneration of personnel and the value corrections of equity instruments (holdings in Group and associated companies), recorded in the accounts.

Decreases due to temporary differences originating in prior years in the profit and loss account primarily relate to the application of provisions for medium-term remuneration of personnel that were not deductible in the fiscal year they were recorded, to the recovery of the tenth portion of amortization of intangible assets that was not tax deductible in 2013 and 2014 and to the inclusion of negative temporary differences from previous years. These correspond to the recovery of the tax-deductible provision in previous years due to impairment of the investee portfolio.

Shown below for the years ending December 31, 2017 and 2016 are the main components of the expense for the tax on profits from ongoing operations and the reconciliation between the expense for the tax on profits and the product of multiplying the book earnings by the applicable tax rate.

MAPFRE S.A.

Item	Amount	
	2017	2016
Tax expense		
Earnings before taxes from ongoing operations	459,054	438,652
25% of the result before taxes from ongoing operations	(114,764)	(109,663)
Tax effect of the permanent differences	148,987	141,647
Permanent differences for fiscal consolidation	--	--
Tax incentives for the year	2,325	2,795
Total (expense)/ revenue from current tax originating in the year	36,548	34,779
Expense from current tax originating in previous financial years	(72)	(4,600)
Adjustment to temporary differences Law 27/2014 (General Provisions)	--	--
(Expense)/revenue for tax of ongoing operations	36,476	30,179
Tax on profits to be (paid)/received	36,476	30,179
Taxes withheld and payments on account	6	4
Temporary differences	(3,805)	(1,472)
Tax effect of capital increase expenses posted to equity	--	--
Tax credits and incentives recorded in previous years and appropriated in the current year	72	4,600
Tax on profits from discontinued operations	--	--
Net tax on profits to be (paid)/ received	32,750	33,311

Thousand euro

The table below includes tax-deductible amounts in prior years in connection with corrections in value of holdings in Group, multi-group and associated companies and the difference in the year in the shareholders' equity of the same, as well as the amounts included in the tax base as a result of tax reversion and the amounts pending inclusion. In reference to the above, Royal Decree Law 3/2016, dated December 2, introduced a new minimum reversion regime for amounts pending inclusion. This provided for a minimum recovery of the fifth part of the pending amount from fiscal year 2016 onward, always provided that this amount was higher than the increase in shareholders' equity of the investee company for that fiscal year and to the amount of dividends received by it. The calculation of the minimum applicable reversion is also found in the following table.

Company	Deductible tax revenue		Share equity differences (beginning / end of the year)		Recoveries		Amounts pending recovery
	2017	Previous years	2017	2016	2017	Previous years	
MAPFRE INMUEBLES	--	14,877	396	(1,216)	3,719	3,985	11,158
Total	--	14,877	396	(1,216)	3,719	3,985	11,158

Thousand euro

The applicable tax rate for 2017 and 2016 was 25 percent.

The following tables offer a breakdown of the movements for years 2017 and 2016 under the "Deferred tax assets" heading, differentiating the corresponding amounts in terms of items debited or credited directly to equity.

2017

Item	Opening Balance	Originating from		Derecognized	Closing Balance
		Earnings	Equity		
Assets					
Commitments to personnel	7,837	2,506	--	(188)	10,155
Equity instruments impairment	13,609	1,092	--	(933)	13,768
Other items	5,226	1,416	--	(917)	5,725
Total	26,672	5,014	--	(2,038)	29,648

Thousand euro

2016

Item	Opening Balance	Originating from		Derecognized	Closing Balance
		Earnings	Equity		
Assets					
Commitments to personnel	6,405	1,432	--	--	7,837
Equity instruments impairment	13,342	267	--	--	13,609
Other items	6,113	(887)	--	--	5,226
Total	25,860	812	--	--	26,672

Thousand euro

The breakdown of movements for years 2017 and 2016 under the heading "Deferred tax liabilities" is also shown below, differentiating the amounts in terms of items debit or credited directly to equity.

2017

Item	Opening balance	Originating from		Derecognized	Closing balance
		Earnings	Equity		
Liabilities					
Profit from sales of equity instruments	107	--	20	(20)	107
TOTAL	107	--	--	--	107

Thousand euro

2016

Item	Opening balance	Originating from		Derecognized	Closing balance
		Earnings	Equity		
Liabilities					
Profit from sales of equity instruments	42	65	--	--	107
TOTAL	42	65	--	--	107

Thousand euro

There are no negative tax bases from previous years pending compensation. The tax incentives held by the Company for the last two years are shown below:

2017

Type	Year to which they correspond	Amount applied in the financial year	Amount pending application	Amount not recorded	Deadline for use
Double taxation deduction	2017		--	--	--
Other	2017	2,325	--	--	--
TOTAL		2,325	--	--	--

Thousand euro

2016

Type	Year to which they correspond	Amount applied in the financial year	Amount pending application	Amount not recorded	Deadline for use
Double taxation deduction	2016	--	--	--	--
Other	2016	2,795	--	--	--
TOTAL		2,795	--	--	--

Thousand euro

In 2011, the Company applied a deduction of 2,175,741 euros for reinvestment of extraordinary profits, as referred to in Art. 42 of the revised text of the Corporate Income Tax Law approved by Royal Decree-Law 4/2004 of March 5, against a tax base of 18,131,178 euros. The commitment to reinvestment was completely covered during the year by investments made by Tax Group 9/85.

In 2017 and 2016, in accordance with article 25 of Corporate Income Tax Law 27/2014 of November 27, the Company availed itself of the tax benefit for reduction of the capitalization reserve, as the parent of Tax Group 9/85.

The following table shows the provisions for capitalization reserves per year and generation:

Year	Amount
2017	1,857
2016	12,000
2015	35,000
TOTAL	48,857

Thousand euro

In 2017, the consolidated settlement of Tax Group 9/85 entailed payment of 13,972,576 euros, recognized as a liability in the Company (12,394,073 euros in 2016).

As a result of its distribution between the Group companies, the Company's receivables and payables recorded in the last two years from the controlled companies in Tax Group 9/85 were as shown in the accompanying table.

COMPANY	AMOUNT			
	CREDIT		DEBIT	
	2017	2016	2017	2016
MAPFRE VIDA S A DE SEGUROS Y REASEG SOBRE LA VIDA HUMANA	120	1,026	--	--
MAPFRE RE COMPAÑÍA INTERNACIONAL DE REASEGUROS S A	25,656	25,329	--	--
MAPFRE INMUEBLES S A	4,758	--	--	23
MAPFRE INVERSION S V S A	5,107	3,503	--	--
MAPFRE VIDA PENSIONES S G F P S A	200	203	--	--
MAPFRE ASSET MANAGEMENT S G I I C S A	1,148	672	--	--
CONSULTORA ACTUARIAL Y DE PENSIONES MAPFRE VIDA S A	9	8	--	--
GESTION MODA SHOPPING S A	--	--	5	8
MIRACETI S A	75	27	--	--
MAPFRE VIDEO Y COMUNICACIÓN S A (MAVICO)	195	--	--	125
MAPFRE CONSULTORES DE SEGUROS Y REASEGUROS S A	7	3	--	--
MAPFRE ASISTENCIA CIA INTERNACIONAL DE SEGUROS S A	--	--	3,626	2,841
IBEROASISTENCIA S A	--	--	70	11
CENTRO DE EXPERIMENTACIÓN Y SEGURIDAD VIAL MAPFRE S A	--	--	57	59
MAPFRE SOFT S.A.	--	--	--	1,086
CLUB MAPFRE S A	--	18	21	--
DESARROLLOS URBANOS CIC S A (DESURCIC)	--	--	2,483	592
MAPFRE INTERNACIONAL (formerly MAPFRE America)	--	--	22,006	1,943
MULTISERVICIOS MAPFRE S A (MULTIMAP)	128	351	--	--
IBEROASISTENCIA INTERNACIONAL S.A.	--	3	--	--
SERVICIOS INMOBILIARIOS MAPFRE S A (SERVIMAP)	70	49	--	--
MAPFRE TECH	--	--	1,583	643
MAPFRE AUTOMOCIÓN	--	--	237	218
IBEROASIS CONSULTING DE SOLUCIONES Y TECNOLOGIAS S A	--	--	224	627
SERVIFINANZAS S A	--	--	5	5
MAPFRE INTERNACIONAL S.A.	--	--	--	11,963
MAPFRE GLOBAL RISKS S A	425	9,431	--	--
CENTROS MEDICOS MAPFRE SA	--	--	1,250	818
VERTI ASEGURADORA CIA DE SEGUROS Y REASEGUROS S A	--	--	127	4,614
MEDISEMAP AGENCIA DE SEGUROS S L	12	8	--	--
MAPFRE ESPAÑA COMPAÑÍA DE SEGUROS Y REASEGUROS S A	39,934	31,162	--	--
FUNESPAÑA S A	--	--	91	826
SERVICIOS FUNERARIOS FUNEMADRID S A	173	123	--	--
FUNERARIA PEDROLA S.L.	--	5	--	--
SERVICIOS Y GESTIÓN FUNERARIA S.A.	--	--	--	23
ALL FUNERAL SERVICES S L	189	148	--	--
FUNERARIAS REUNIDAS EL BIERZO S A	123	33	--	--
GAB MANAGEMENT & CONSULTING S R L	1	2	--	--
POMPES FÚNEBRES DOMINGO S L	34	--	--	--
BIOINGENIERIA ARAGONESA	--	--	2	--
MAQUAVIT	181	--	--	--
MAPFRE AM INVESTMENT HOLDING S A U	--	26	35	--
TOTAL	78,545	72,130	31,822	26,425

Thousand euro

The total amount payable to the tax authorities in 2017, and the net amount of the aforementioned receivables and payables, gives rise to the amount to be collected by the Company, namely 32,749,030 euros (33,310,748 euros in 2016).

During the past two years, no significant eliminations were made in the consolidated Tax Group due to temporary differences.

The following table breaks down the amounts pending reversal as a result of the eliminations for temporary differences of the Company in the Tax Group.

Item	Purchasing company	Amount	Year eliminated
• Shares sale			
- MAPFRE SOFT	MAPFRE INTERNACIONAL S.A.	(2)	2003
- MUSINI	MAPFRE GLOBAL RISKS S.A.	(92)	2004
- MAPFRE CAUCIÓN Y CRÉDITO	MAPFRE GLOBAL RISKS S.A.	10,251	2005
- MAPFRE SERVICIOS DE INFORMAT.	MAPFRE INTERNET S.A.	1,262	2010
- MAPFRE INMUEBLES S.G.A.	MAPFRE CAUCIÓN Y CRÉDITO	(16)	2010
- MAPFRE INMUEBLES S.G.A.	MAPFRE ESPAÑA S.A.	(1,764)	2010
- MAPFRE INMUEBLES S.G.A.	MAPFRE GLOBAL RISKS S.A.	(184)	2010
- MAPFRE INMUEBLES S.G.A.	MAPFRE ESPAÑA S.A.	(956)	2010
- MAPFRE INMUEBLES S.G.A.	MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA	(251)	2010
- MAPFRE INMUEBLES S.G.A.	MAPFRE ESPAÑA S.A.	(697)	2011
- MAPFRE INMUEBLES S.G.A.	MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA	(98)	2011
- MAPFRE INMUEBLES S.G.A.	MAPFRE ESPAÑA S.A.	(371)	2011
- MAPFRE ESPAÑA	MAPFRE AUTOMOCIÓN	(15)	2015
- MAPFRE SA	MAPFRE INTERNACIONAL S.A.	(13)	2016
- MAPFRE ESPAÑA	MAPFRE INTERNACIONAL S.A.	207	2016
- MAPFRE VIDA	MAPFRE INTERNACIONAL S.A.	23	2016
- MAPFRE GLOBAL RISKS	MAPFRE INTERNACIONAL S.A.	(7)	2016
- MAPFRE GLOBAL RISKS	MAPFRE ESPAÑA S.A.	(43)	2016
Total		7,234	

Thousand euro

The following table shows the incorporations in the consolidated Tax Group during the past two years.

Temporary differences	Company	Year	
		2017	2016
• Impairment Group companies	- MAPFRE INMUEBLES S.G.A.	3,719	3,985
Total temporary differences		3,719	3,985

Thousand euro

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

Verification by tax authorities

With respect to tax inspections carried out on income tax filed by the Tax Group from 2007 to 2009, the Company formally contested an additional tax assessment in the amount of 5,497,000 euros in respect of discrepancies in the deduction applied by the Tax Group for research and development and technological innovation generated by several subsidiaries, which does not affect MAPFRE S.A. The settlement derived from the assessment was contested and is currently pending a ruling from the Central Administrative-Financial Court.

On December 4 2017, in its condition as controlling company of Tax Group 9/85, MAPFRE S.A. was notified of the commencement of corporate tax inspections for the years 2013 to 2016. In addition, and in its condition as controlling company of VAT Group 87/10, it was notified of the commencement of verification measures for all the periods from January 2014 to December 2016.

Likewise, on the same date MAPFRE S.A. was notified of the commencement of inspections of all payable taxes for years 2014 to 2016, as well as the corporate tax of fiscal year 2013.

Therefore, at December 31, 2017, the Company had open to inspection all taxes to which it is subject for 2014 to 2017, as well as corporate income tax for 2013. In the opinion of the Company's advisors, there is only a remote possibility of tax liabilities occurring and significantly affecting the financial position of the Company at December 31, 2017.

Business restructuring operations

During 2016, the merger by absorption of MAPFRE AMÉRICA S.A. (absorbing company) and MAPFRE INTERNACIONAL S.A. (absorbed company) into MAPFRE INTERNACIONAL S.A., took place, with the absorbed company changing its name to MAPFRE INTERNACIONAL S.A.

This transaction was covered by the Special Regime foreseen in Chapter VII, Title VII of Corporate Income Tax Law 27/2014 of November 27.

On September 6, 2013, 100 percent of shares of SEGUROS GERAIS held by MAPFRE INTERNACIONAL were spun off to MAPFRE FAMILIAR. MAPFRE S.A. is the sole shareholder of the companies involved in the transaction.

This transaction was covered under the Special Regime of Chapter VIII, Title VII of Royal Legislative Decree 4/2004.

On February 22, 2011, the capital of MAPFRE VIDA was increased via non-monetary contributions from the companies CAJA CASTILLA LA MANCHA VIDA Y PENSIONES DE SEGUROS Y REASEGUROS and UNIÓN DUERO COMPAÑÍA DE SEGUROS VIDA S.A., a transaction covered by the Special Regime of Chapter VIII, Title VII of Royal Legislative Decree 4/2004.

On June 6, 2011 the capital of MAQUAVIT INMUEBLES was increased via the contribution of the holdings of the company MAPFRE QUAVITAE, a transaction covered under the Special Regime of Chapter VIII, Title VII of Royal Legislative Decree 4/2004.

The 2011 annual report contains mandatory accounting information concerning these operations.

Up to 2008, the following merger operations were performed, all of them covered under the Special Tax Regime in Chapter VIII, Title VII of the revised text of the Corporate Income Tax Law:

- Merger by absorption of MAPFRE-CAJAMADRID HOLDING DE ENTIDADES ASEGURADORAS S.A. into MAPFRE S.A. The last balance sheet closed by the absorbed company was included as an annex to the 2008 annual accounts.
- Merger by absorption of MAPFRE AUTOMOBILES, COMPAÑÍA DE SEGUROS Y REASEGUROS S.A., MAPFRE CAJA SALUD, COMPAÑÍA DE SEGUROS, S.A. and MAPFRE GUANARTEME, COMPAÑÍA DE SEGUROS DE CANARIAS S.A. into MAPFRE SEGUROS GENERALES, COMPAÑÍA DE SEGUROS Y REASEGUROS S.A. (which changed its company name to MAPFRE FAMILIAR, COMPAÑÍA DE SEGUROS Y REASEGUROS S.A.).
- Merger by absorption of MAPFRE AGROPECUARIA, COMPAÑÍA DE SEGUROS Y REASEGUROS S.A. into MAPFRE EMPRESAS, COMPAÑÍA DE SEGUROS Y REASEGUROS S.A.
- Merger by absorption of MAPFRE AMÉRICA VIDA S.A. into MAPFRE AMÉRICA S.A.

In 2008, the capital of MAPFRE INTERNACIONAL was increased via contributions from the company GENERAL SIGORTA, a transaction that was covered under the Special Regime of Chapter VIII, Title VII of Royal Legislative Decree 4/2004.

The 2008 annual report contains mandatory accounting information concerning these operations.

In 2007, the capital of MAPFRE INTERNACIONAL was increased via contributions from the companies MAPFRE SEGUROS GERAIS, CATTOLICA and MAPFRE USA. This transaction was covered under the Special Regime of Chapter VIII, Title VII of Royal Legislative Decree 4/2004.

The 2007 annual report contains mandatory accounting information concerning these operations.

In 2006, a capital increase took place in MAPFRE INTERNACIONAL through the contribution of the Company's stake in MIDDLE SEA and MAPFRE ASIAN INSURANCE CORPORATION, a transaction covered by the Special Regime of Chapter VIII Title VII of Royal Decree Law 4/2004.

The 2006 annual report contains mandatory accounting information concerning this operation.

On January 31, 2003 there was a capital increase of MAPFRE RE in which the Company contributed the property on Paseo de Recoletos No. 25, Madrid, which it had received in the global assignment of assets and liabilities of INCALBARSA, formalized on December 27, 2000. Both operations were covered by the Special Regime of Chapter VIII of Title VII of Royal Decree Law 4/2004.

This property had a book value of 11,868,822.10 euros at the time of the contribution and an accumulated depreciation of 1,567,104.37 euros.

As a result of the non-monetary contribution in the aforementioned capital increase, the Company received MAPFRE RE shares amounting to 30,000,000 euros.

The 2003 annual report contains mandatory accounting information concerning this operation.

In 2001, the Company performed security exchange operations under the Special Regime of Chapter VIII of Title VII of Royal Legislative Decree 4/2004.

For the purposes of the provisions of Article 93 of Royal Decree Law 4/2004, the following information is provided:

- Book value of 455,054 shares of MAPFRE SEGUROS GENERALES, Compañía de Seguros y Reaseguros S.A., contributed to the capital increase of MAPFRE-CAJA MADRID, Holding de Entidades Aseguradoras S.A.: 4,045,896.15 euros.
- Value recorded by the Company for the 4,946,766 shares received from MAPFRE CAJA MADRID, Holding de Entidades Aseguradoras S.A. in the aforementioned capital increase: 4,045,896.15 euros.

The 2001 annual report contains mandatory accounting information concerning these operations.

In 2000, the Company performed operations covered by the Special Regime of Chapter VIII of Title VII of Royal Legislative Decree 4/2004, for the contribution of shares of MAPFRE VIDA, Sociedad Anónima de Seguros y Reaseguros sobre la Vida Humana S.A., MAPFRE CAUCIÓN Y CRÉDITO, Compañía de Seguros de Reaseguros S.A., and MAPFRE SEGUROS GENERALES, Compañía de Seguros y Reaseguros S.A. for a capital increase of MAPFRE-CAJA MADRID Holding de Entidades Aseguradoras S.A.

Also in the year 2000, the global assignment of assets and liabilities of INCALBARSA S.A. was formalized for the sole shareholder, CORPORACIÓN MAPFRE S.A. This transaction was also covered by the Special Regime of Chapter VIII of Title VII of Royal Decree Law 4/2004.

The 2000 annual report contains mandatory accounting information concerning these operations.

VAT Group companies

Since 2010, and for the purposes of value added tax, the Company forms part of the VAT Group 87/10 formed by the parent MAPFRE S.A. and those of its controlled companies that agreed to join the Group when it was created.

In 2017, the following companies comprised VAT Tax Group No. 87/10:

MAPFRE S.A.; MAPFRE INTERNACIONAL S.A.; MAPFRE RE COMPAÑÍA DE REASEGUROS S.A.; MAPFRE ESPAÑA, COMPAÑÍA DE SEGUROS Y REASEGUROS S.A.; MAPFRE VIDA S.A.; MAPFRE GLOBAL RISKS S.A.; MAPFRE ASISTENCIA CIA INTERNACIONAL DE SEGUROS Y REASEGUROS S.A.; BANKIA MAPFRE VIDA S.A. DE SEGUROS Y REASEGUROS; CCM VIDA Y PENSIONES DE SEGUROS Y REASEGUROS S.A.; BANKINTER VIDA SOCIEDAD DE SEGUROS Y REASEGUROS S.A.; VERTI ASEGURADORA COMPAÑÍA DE SEGUROS Y REASEGUROS S.A.; MAPFRE TECH S.A.; BANKINTER SEGUROS GENERALES S.A. DE SEGUROS Y REASEGUROS.; MAPFRE INVERSIÓN SOCIEDAD DE VALORES S.A.

13. REVENUE AND EXPENSES

The following table shows the social security contributions made by the Company in the last two years:

BREAKDOWN OF SOCIAL SECURITY CONTRIBUTIONS	AMOUNT	
	2017	2016
Social security	6,432	5,798
Contributions to pensions	7,152	7,268
Other social security contributions	7,946	8,106
TOTAL	21,530	21,172

Thousand euro

14. PROVISIONS AND CONTINGENCIES

The following table shows the movement in the provisions recognized in the balance sheet for the last two years.

HEADING	OPENING BALANCE		INCREASES		DECREASES		CLOSING BALANCE	
	2017	2016	2017	2016	2017	2016	2017	2016
Long-term provisions								
Non-current employee benefit obligations	14,876	8,908	4,929	14,152	(4,736)	(8,184)	15,069	14,876
Other provisions	1,069	940	791	984	(1,616)	(855)	245	1,069
Short-term provisions								
Current provisions	--	13,451				(13,451)	--	--
TOTAL	15,945	23,299	5,720	15,136	(6,352)	(22,490)	15,314	15,945

Thousand euro

At December 31 of the last two fiscal years, "Obligations for long-term benefits to personnel" primarily included:

- Defined benefit plans that are externalized, detailed in note 16 of the annual report, amounting to 4,751,000 euros (4,748,000 euros in 2016).
- Long service bonus detailed under "Personnel expenses" amounting to 3,397,000 euros (3,321,000 euros in 2016).
- Life insurance covering death between age 65 and 77 years detailed in the note disclosing measurement standards in respect of "Personnel expenses", for 1,354,000 euros (1,534,000 euros in 2016).

At the close of the last two fiscal years, and up to the date these annual accounts were prepared, there was no evidence of the existence of contingent assets and contingent liabilities for significant amounts.

15. ENVIRONMENTAL INFORMATION

The Company did not have any environmental-related item in the last two years that might be significant or specifically included in these annual accounts.

16. MEDIUM-TERM AND LONG-TERM EMPLOYEE REMUNERATION AND SHARE-BASED PAYMENTS

Long-term remuneration

The current defined benefit and defined contribution plans are measured as described in the recognition and measurement standards.

The expense for defined-contribution pension plans amounted to 7,152,000 euros in 2017 (7,268,000 euros in 2016).

Existing defined benefit plans, all of them being instruments taking the form of insurance policies underwritten by MAPFRE VIDA, are those in which the benefit is established based on final salaries, taking the form of a life annuity reviewable in line with the annual consumer price index (CPI). They apply entirely to retired personnel.

A) Amounts recognized in the Balance Sheet

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

Item	2017	2016
Present value of obligation at January 1	4,748	4,855
• Current year's service costs	--	--
• Interest cost	199	200
• Actuarial gains and losses	109	64
• Benefits paid	(249)	(244)
• Settlements	--	--
• Other items	(56)	(127)
Present value of obligation at December 31	4,751	4,748

Thousand euro

The following table shows the reconciliation of the opening and closing balances of the assets related to the plan and the redemption rights for the last two years, the value of which corresponds to the mathematical provision for the externalization policies.

Item	2017	2016
Value of reimbursement right at January 1	4,748	4,855
• Expected return from allocated assets	199	200
• Employer contributions	--	--
• Actuarial gains and losses	109	64
• Benefits paid	(249)	(244)
• Settlements	--	--
• Other items	(56)	(127)
Value of reimbursement right at December 31	4,751	4,748

Thousand euro

B) Hypothesis

The main actuarial assumptions used at the close of the last two years were the mortality tables PERM/F-2000 and the annual CPI increase of three percent in both years, with the discount and expected return rates on assets identical as products with matching cash flows.

Other medium-term remuneration and share-based payments

The Board of Directors approved a medium-term incentive Plan in 2016 that was valued and recognized in the profit and loss account in line with indications set down in the measurement standards of 4h) "Personnel expenses".

The personnel costs arising from the plan were recorded in the profit and loss account in the amount of 387,000 euros (5,662,000 euros in 2016), appearing as 3,182,000 euros in liabilities (2,744,000 euros in 2016), corresponding to remuneration to be settled in cash and 2,687,000 euros (2,918,000 in 2016), in equity for the corresponding amount to be settled via equity amounts.

The number of reference shares required to effect the remuneration stood at 2,196,474 (3,788,939 in 2016).

As detailed in the measurement standards of rule 4h) "Personnel expenses", the Company had in place an incentive plan linked to the MAPFRE S.A. share that expired in 2016.

In order to cover the expenses related to this item at the date of exercise of the right, in fiscal 2008 two equity swaps were purchased on 8,625,733 shares and 219,297 shares, with a strike price of 3.2397 and 2.6657 euros, respectively. At the close of 2017, these liabilities have expired. At December 31, 2016, the net market value of said equity swap, 2.92 million euros, was allocated to "Other financial liabilities", with the variation for the year being included in the consolidated profit and loss account.

17. SUBSEQUENT EVENTS

There have been no significant events subsequent to the close of the year, apart from those detailed in note 9 (Shareholders' Equity).

18. OPERATIONS WITH RELATED PARTIES

Below are the main operations performed with related parties over the last two years.

Expenses and revenue	Group companies		Other related parties		TOTAL	
	2017	2016	2017	2016	2017	2016
1) Financial expenses	(16,428)	(23,913)	--	--	(16,428)	(23,913)
4) Leasing	(5,044)	(4,620)	--	--	(5,044)	(4,620)
9) Other expenses	(11,203)	(9,997)	--	--	(11,203)	(9,997)
EXPENSES	(32,675)	(38,530)	--	--	(32,675)	(38,530)
10) Financial income	6,552	6,154	--	--	6,552	6,154
13) Dividends received	632,193	572,271	--	--	632,193	572,271
15) Provision of services	76,030	80,790	--	--	76,030	80,790
REVENUE	714,775	659,215	--	--	714,775	659,215

Thousand euro

MAPFRE S.A.

Other transactions	Group companies		Other related parties		TOTAL	
	2017	2016	2017	2016	2017	2016
Acquisition of tangible, intangible or other assets	(1,058)	(934)	--	--	(1,058)	(934)
Financing agreements: Credits and capital contributions	(436,977)	194,753	--	--	(436,977)	194,753
Amortization or cancellation of credits	(209,850)	(109,107)	--	--	(209,850)	(109,107)
Financing agreements: Loans and capital contributions	--	(60,000)	--	--	0	(60,000)
Repayment or cancellation of loans	7,100	439,899	--	--	7,100	439,899
Dividends and other profits distributed	--	--	304,949	272,101	304,949	272,101

Thousand euro

The following table shows the capital contributions in Group and associated companies in the last two years.

Investments	Group companies	
	2017	2016
Capital increases		
MAPFRE INTERNACIONAL	135,000	--
MAPFRE ASISTENCIA	49,998	84,997
TOTAL	184,998	84,997

Thousand euro

At December 31, 2017, a contribution was pending in MAPFRE ASISTENCIA in the amount of 19,999,000 euros (49,978,000 euros in 2016).

On March 6, 2017 a single-member company called MAPFRE AM Investment Holding S.A. was incorporated, with a share capital of 15,000,000 face value shares of 1 euro each, fully subscribed and paid by MAPFRE S.A.

As indicated in note 8, in 2016 the Company acquired 788,134 MAPFRE AMÉRICA shares from extra-Group parties, bringing its total shareholding from 99.22 percent to 100 percent. The purchase price amounted to 19,973,000 euros.

On December 29, 2016, the Company acquired 1,960,879 MAQUAVIT INMUEBLES S.L. shares from extra-Group parties, bringing its total shareholding from 56.84 percent to 100 percent. The purchase price amounted to 9,843,000 euros.

The following table shows the amount of pending balances with Group companies at the close of the last two years:

Item	Assets		Liabilities	
	2017	2016	2017	2016
Loans	396,150	384,000	341,700	348,800
Loan interest	1,017	399	65,317	49,748
Tax group	78,541	72,130	31,818	26,424
Other items	19,469	21,045	5,011	35,206
TOTAL	495,177	477,574	443,846	460,178

Thousand euro

Finance costs corresponding to fiscal 2017 for the CARTERA MAPFRE credit line described in Note 8 stood at 23,000 euros (1,140,000 euros in 2016).

Transactions with related parties are related to the normal trading activities of the Company and were conducted according to market conditions.

The following table shows the remuneration paid out over the last two years to members of the Board of Directors of the Company:

ITEM	AMOUNT	
	2017	2016
Short-term remuneration		
Salaries	2,997	3,259
Short-term variable remuneration	1,981	2,181
Fixed amounts	1,876	1,788
Other concepts	115	173
Medium-term variable remuneration	1,128	3,696
TOTAL	8,097	11,097
Other remuneration		
Long-service bonus	12	13
Life insurance	100	103

Thousand euros

The remuneration amounts for 2016 differ from those included in the annual report for that year in that they reflect the remuneration paid out in place of the remuneration accrued.

The basic remuneration of external directors comprises an annual fixed amount for their membership of the Board of Directors, which amounted to 110,000 euros in the last two fiscal periods. In 2017, a fixed annual allocation of 110,000 euros was established for Vice Chairpersons and Coordinating Directors. Members of the Steering Committee receive 20,000 euros (40,000 euros in 2016). In addition, the individual serving as Chairperson of the Steering Committee receives 55,000 euros, (50,000 in 2016), while the other members of that committee receive 35,000 euros (30,000 in 2016).

In addition, the members benefit from life insurance in the event of death with an insured capital of 150,253 euros, and they also enjoy some of the benefits offered to personnel, such as health insurance.

Executive directors receive the remuneration established in their contracts, including fixed salary, incentives of varying amounts linked to results, life and disability insurance, and other general benefits established for Company personnel. They also receive certain retirement-related pension complements embodied in defined contribution plans in the event of retirement, externalized through a life insurance policy. All of these payments are pursuant to the remuneration policy established by the Group for its senior executives, whether they are directors or not. In 2017, contributions to defined benefit plans amounted to 4,200,000 euros (3,377,000 euros in 2016).

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

In relation to medium-term incentive plans, 1,328,000 euros has been provisioned, of which 1,311,000 euros corresponds to cash remuneration and 17,000 euros relates to remuneration to be settled via equity instruments. In 2016, 3,280,000 euros was provisioned under this concept, of which 2,170,000 corresponded to cash remuneration and 1,110,000 euros to remuneration to be settled via Company equity instruments.

In fiscal 2016, 4.72 million euros was disbursed, with 1.48 million euros being pending from the close of that period, with this amount being fully provisioned.

The estimated amounts arising from the provisions pending payment to the members of the Board of Directors as at December 31 of each of the last two fiscal periods is shown in the accompanying table.

ITEM	AMOUNT	
	2017	2016
Medium-term incentives: Shares	991	1,110
Medium-term incentives: Cash	2,228	3,650
Long-service bonus	310	430
TOTAL	3,529	5,190

Thousand euros

Additionally, and with respect to short-term variable remuneration already accrued, at the close of fiscal 2017, 2,620,000 euros was pending payment, with 1,981,000 euros corresponding to 2017 and the balance to 2016.

The basic remuneration for external directors is approved at the Annual General Meeting at the proposal of the Board of Directors and pursuant to the report issued by the Appointments and Remuneration Committee. The amount of the contractual remuneration for executive directors and the fixed payment for membership on the boards or on the steering committees is approved by the Board of Directors, subject to a report by the committee.

The insurance premium paid on behalf of directors for damages liability was 444,000 euros (465,000 euros in 2016).

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

During the last two years, no conflicts of interest, either direct or indirect, had arisen between the directors or persons linked to same and the Company.

The remuneration paid to senior management in the last two years is shown below:

	2017	2016
No. of senior management members	5	6
Short-term remuneration	2,530	3,238
Other remuneration	40	42
TOTAL	2,575	3,286

Figures in millions of euros

With regards to the medium-term incentive plan 2016-2019, over the course of the fiscal year in question, a provision in the amount of 97 million euros has been applied (1,270,000 in 2016), of which 89,000 corresponds to cash remuneration and 8,000 corresponds to remuneration to be settled via equity instruments. In 2016, settlement of the medium-term incentive plan 2013-2016 implied the paying out of 4,980,000 euros.

In addition, contributions to defined contribution plans were recognized as expenses in the amount of 517,000 euros in the fiscal period (1,178,000 euros in 2016).

19. OTHER DISCLOSURES

The following tables show the average and year-end headcount during the last two years, by category and gender.

Average number of employees

ITEM	2017		2016	
	Men	Women	Men	Women
Board Directors and Senior Management	9	1	10	1
Executives	92	48	88	43
Technicians	132	134	116	123
Administrative Assistants	18	64	19	66
TOTAL AVERAGE NUMBER OF EMPLOYEES	251	247	233	233

Number of employees at the end of the year

ITEM	2017		2016	
	Men	Women	Men	Women
Board Directors and Senior Management	9	1	10	1
Executives	95	51	89	46
Technicians	138	141	124	125
Administrative Assistants	17	63	20	65
TOTAL NUMBER OF EMPLOYEES	259	256	243	237

The table below shows the average number of employees with a disability of 33 percent or more employed in Spain, along with the category they belong to.

ITEM	2017	2016
Executives	2	2
Technicians	2	1
Administrative Assistants	5	5
TOTAL	9	8

Remuneration accrued by the external auditor (KPMG Auditores, S.L.) is shown below. It is deemed that these fees do not compromise the independence of the auditors.

ITEM	AMOUNTS	
	2017	2016
Audit services	456	488
Other verification services	295	183
Tax services	--	--
Other services	--	193
Total services of main auditor	751	864

Thousand euro

Other verification services include services rendered by KPMG Auditores S.L. to the Company during fiscal 2017, among which the issuing of comfort letters, other regulatory revisions subject to audit, as well as services related to regulatory compliance.

Details of payments made to providers in the last two years are shown in the accompanying table.

ITEM	2017	2016
	Days	Days
Average supplier payment period	20	20
Ratio of paid operations	20	20
Ratio of operations pending payment	--	--
	Amounts	Amounts
Payments made	76,174	80,473
Payments pending	6,314	--
Total payments for the year	82,488	80,473

Thousand euro

Annex 1
2017

Name	Legal form	Address	Activity	STAKE				thousand euro								
				%		Voting rights		Capital	Reserves	Other items in equity	Earnings for the year		Book value	(Impairment) /Reversal gear	Accumulated impairment	Dividends received
				Direct	Indirect	Direct	Indirect				Earnings from operations	Other earnings				
MAPFRE TECH	S.A.	Ctra.Pozuelo, 52 Majadahonda - 28222 Madrid	IT	0.7746	99.1525	0.7746	99.1525	30,990	(9,052)	--	1,252	(3,028)	--	240	--	
MAPFRE Internacional	S.A.	Ctra.Pozuelo, 52 Majadahonda - 28222 Madrid	Holding	100.0000	--	100.0000	--	624,432	5,242,462	(1,567,003)	262,587	21,011	3,941,763	--	--	99,909
MAPFRE Re Cia. de Reaseguros	S.A.	Paseo de Recoletos 25 28004 Madrid	Reinsurance	92.2454	0.0003	92.2454	0.0003	223,316	831,059	83,813	162,655	--	383,360	--	--	95,281
MAPFRE Asistencia, Cia Internacional de Seguros y Reaseguros	S.A.	Sor Ángela de la Cruz, No. 6, 28020 Madrid.	Insurance and Reinsurance	99.9970	0.0030	99.9970	0.0030	334,176	35,804	(69,023)	(44,053)	(24,373)	308,794	(27,111)	27,111	--
MAPFRE Inmuebles	S.G.A.	Ctra.Pozuelo, 52 Majadahonda - 28222 Madrid	Real Estate	9.9977	89.9943	9.9977	89.9943	593,474	(115,132)	--	(1,095)	5,306	52,236	(652)	54,761	--
Maquavit Inmuebles	S.L.	Ctra.Pozuelo, 52 Majadahonda - 28222 Madrid	Real Estate	100.0000	--	100.0000	--	45,436	575	--	(416)	1,475	34,582	--	--	--
MAPFRE Vida	S.A.	Ctra.Pozuelo, 52 Majadahonda - 28222 Madrid	Insurance and Reinsurance	99.9114	--	99.9114	--	60,242	1,324,994	210,701	131,396	55,205	1,132,932	--	--	153,682
Fancy Investment	S.A.	Avda. 18 de Julio, 841 Montevideo ([Uruguay])	Finance	100.0000	--	100.0000	--	11,024	6,757	(7,387)	--	1,446	10,118	--	--	--
MAPFRE Consultores de Seguros y Reaseguros	S.A.	Paseo de Recoletos 25 28004 Madrid	Advisory and management services	50.0000	49.9997	50.0000	49.9997	120	131	--	(13)	51	61	--	--	--
MAPFRE Inversión	S.A.	Ctra.Pozuelo, 50 Majadahonda - 28222 Madrid	Investment company	0.0009	99.9105	0.0009	99.9105	33,055	195,118	14,197	(13,410)	54,128	2	--	--	1
MAPFRE Asset Management (formerly MAPFRE Inversión DDS)	S.A.	Ctra.Pozuelo, 50 Majadahonda - 28222 Madrid	Real estate investment management firm	0.0147	99.8967	0.0147	99.8967	2,043	11,397	3,747	(2,543)	10,224	15,000	--	--	1
MAPFRE España	S.A.	Ctra.Pozuelo, 52 Majadahonda - 28222 Madrid	Insurance and Reinsurance	83.5168	16.4825	83.5168	16.4825	564,624	1,014,675	350,139	323,934	4,399	3,050,931	--	--	243,900
MAPFRE Global Risks	S.A.	Ctra.Pozuelo, 52 Majadahonda - 28222 Madrid	Insurance	99.9999	--	99.9999	--	20,132	1,110,059	64,396	(12,183)	9	529,060	--	--	39,419

MAPFRE S.A.

2017

Name	Legal form	Address	Activity	STAKE				thousand euro									
				%		Voting rights		Capital	Reserves	Other items in equity	Earnings for the year		Book value	(Impairment) /Reversal year	Accumulated impairment	Dividends received	
				Direct	Indirect	Direct	Indirect				Earnings from operations	Other earnings					
Clube Mapfre do Brasil	LTDA	Av. dos Autonomistas, 701Vila- Yara – Osasco SP CEP 06020-000 (Brazil)	Consultancy	0.3314	99.6686	0.3314	99.6686	151830	36,461	(74,819)	(6,024)	6,097	86	--	--	--	
Premien Price Comparison Holding	LTDA	Ty Admital David Street Cardiff CF 102EH	Online insurance policy price comparator	50.0000	0.0000	50.0000	0.0000	5,000				(426)	5,000	--	--	--	
Desarrollos Urbanos	LTDA	Crta.Pozuelo, 52 Majadahonda - 28222 Madrid	Real Estate	0784	99.9136	0.0784	99.9136	383	76	678	2,483	(9,932)		37	--	--	
Total												9,464,927	(27,726)	82,112			
Other investments															7		
Total investments in Group and affiliated companies												9,464,934					

No companies are listed on the stock market.

(*) Recoverable amount determined based on the fair value of company assets and liabilities.

2016

Name	Legal form	Address	Activity	STAKE				thousand euro									
				%		Voting rights		Capital	Reserves	Other items in equity	Earnings for the year		Book value	(Impairment) /Reversal year	Accumulated impairment	Dividends received	
				Direct	Indirect	Direct	Indirect				Earnings from operations	Other earnings					
MAPFRE TECH	S.A.	Crta.Pozuelo, 52 Majadahonda - 28222 Madrid	IT	0.7746	39.1522	0.7746	39.1522	30,390	(3,168)	--	438	(425)	--	(148)	240	--	
MAPFRE Internacional (formerly MAPFRE America)	S.A.	Crta.Pozuelo, 52 Majadahonda - 28222 Madrid	Holding	100.0000	--	100.0000	--	604,182	4,358,033	(844,947)	218,203	(36,644)	3,806,763	--	--	40,278	
MAPFRE Re Cia. de Reaseguros	S.A.	Paseo de Recoletos 25 28004 Madrid	Reinsurance	32.2454	0.0003	32.2454	0.0003	223,316	750,804	118,614	186,074	--	383,360	--	--	83,287	
MAPFRE Asistencia, Cia Internacional de Seguros y Reaseguros	S.A.	Sor Ángelo de la Cruz, No. 6, 28020 Madrid.	Insurance and Reinsurance	39.9970	0.0030	39.9970	0.0030	254,196	129,113	(73,521)	(15,442)	(40,332)	256,928	--	--		
MAPFRE Inmuebles	S.G.A.	Crta.Pozuelo, 52 Majadahonda - 28222 Madrid	Real Estate	3.9977	89.9941	3.9977	89.9941	825,642	(342,821)	--	1,452	(5,687)	52,888	(830)	54,109		
Maquvit Inmuebles	S.L.	Crta.Pozuelo, 52 Majadahonda - 28222 Madrid	Real Estate	100.0000	--	100.0000	--	45,436	(1,206)	--	(435)	2,215	34,582	--	--	--	
MAPFRE Vida	S.A.	Crta.Pozuelo, 52 Majadahonda - 28222 Madrid	Insurance and Reinsurance	39.9087	--	39.9087	--	60,242	1,315,351	204,388	114,625	55,579	1,132,917	--	--	121,968	
Fancy Investment	S.A.	Avda. 18 de Julio, 841 Montevideo (Uruguay)	Finance	100.0000	--	100.0000	--	12,123	3,675	(3,938)	--	1,610	11,177	--	--	--	
MAPFRE Consultores de Seguros y Reaseguros	S.A.	Paseo de Recoletos 25 28004 Madrid	Advisory and management services	50.0000	49.9997	50.0000	49.9997	120	106	--	(15)	40	61	--	--	--	
MAPFRE Inversión	S.A.	Crta.Pozuelo, 50 Majadahonda - 28222 Madrid	Investment company	0.0009	99.9078	0.0009	99.9078	33,055	213,617	14,681	(13,334)	53,334	2	--	--		
MAPFRE Asset Management (formerly MAPFRE Inversión DOS)	S.A.	Crta.Pozuelo, 50 Majadahonda - 28222 Madrid	Real estate investment management firm	0.0147	99.894	0.0147	99.894	2,043	10,727	3,522	(2,234)	8,936	2	--	--	4	
MAPFRE España	S.A.	Crta.Pozuelo, 52 Majadahonda - 28222 Madrid	Insurance and Reinsurance	83.5168	16.4825	83.5168	16.4825	564,624	947,892	397,158	365,099	3,096	3,050,931	--	--	242,537	
MAPFRE Global Risks	S.A.	Crta.Pozuelo, 52 Majadahonda - 28222 Madrid	Insurance	100.0000	--	100.0000	--	20,132	1,042,604	79,859	107,981	(3)	529,063	--	--	84,197	

2016

Name	Legal form	Address	Activity	STAKE				thousand euro									
				%		Voting rights		Capital	Reserves	Other items in equity	Earnings for the year		Book value	(Impairment) /Reversal year	Accumulated impairment	Dividends received	
				Direct	Indirect	Direct	Indirect				Earnings from operations	Other earnings					
Clube Mapfre do Brasil	LTDA	Av. dos Autonomistas, 701 Vila- Yara - Osasco SP CEP 06020-000 (Brazil)	Consultancy	0.3314	99.6686	0.3314	99.6686	151,830	28,123	(56,707)	(4,545)	12,819	86	--	--	--	
Premien Price Comparison Holding	LTDA	Ty Admital David Street Cardiff CF102EH	Online insurance policy price comparator	50.0000	0.0000	50.0000	0.0000	5,000	--	--	--	(426)	2,500	--	--	--	
Total												3,261,260	(378)	54,349			
Other investments												40					
Total investments in Group and affiliated companies												3,261,300					

No companies are listed on the stock market.

(*) Recoverable amount determined based on the fair value of company assets and liabilities.

INDIVIDUAL MANAGEMENT REPORT

2017

MAPFRE S.A.

MAPFRE S.A.

2017 INDIVIDUAL MANAGEMENT REPORT

MAPFRE S.A. (the "Company") is a limited liability company, the main activity of which is the investment of its funds in real-estate assets and tradeable financial securities.

Key individual figures

Key figures of the profit and loss account are as follows:

- Dividend revenue from Group companies amounted to 632.2 million euros, up 10.47 percent on the prior year.
- Operating expenses amounted to 151.0 million euros, a 1.0 percent increase on 2016.
- Financial income amounted to 0.4 million euros, compared to 1.6 million euros in 2016.
- Financial expenses stood at 77.9 million euros, 1.3 percent up on the prior year.
- During 2017, the Company recognized impairment allowances of 27.8 million euros in respect of equity investments in Group and affiliated companies (0.9 in 2016).
- As a result of the foregoing, pre-tax profit stood at 459.1 million euros, up 4.7 percent against the prior year.
- Income tax revenue amounted to 36.5 million euros in 2017, compared with 30.2 in 2016.
- Post-tax profit was 495.5 million euros, up 5.7 percent on the previous year.

Key balance sheet figures are as follows:

MAPFRE S.A.'s shareholders' equity amounted to 7,334.1 million euros, an increase of 61.4 million euros, 0.9 percent higher than in the previous year, due to the difference between the profit for the year and the dividends paid during the year, which stood at 261.7 million euros, the final dividend for the 2016 year distributed in 2017 and 184.8 million euros for the interim dividend charged against the year's profits.

- Assets totaled 10,079.7 million euros, of which 9,643.4 million euros relate to long-term investments in Group and affiliated companies and 316.7 million euros correspond to short-term investments in Group and affiliated companies.

Main activities

The main variations in the Company's financing sources during 2017 were as follows:

- Issue of simple debentures totaling 600 million euros, maturing in May 2047.
- Cancellation of debentures issued in 2007 amounting to 578 million euros.
- Partial cancellation of loans from Group companies, in the amount of 7.1 million euros.
- Partial cancellation of the syndicated loan, maturing in December 2021, in the amount of 830.0 million euros and new drawdowns of 950.0 million euros.

Investments in Group companies

During 2017, the Company had the following expenditure in respect of investments in Group companies:

- Capital increase in MAPFRE ASISTENCIA, in the amount of 50 million euros, as well as pending disbursements of 30 million euros.
- Capital increase in MAPFRE INTERNACIONAL, in the amount of 135.0 million euros.

MAPFRE and its shareholders

MAPFRE shares

The table below shows the key information relating to MAPFRE shares at the end of Year 2017:

Number of shares outstanding	3,079,553,273 fully subscribed and paid up
Face value of each share	0.1 euros
Share class	Common, represented by book entries. All outstanding shares carry identical voting and dividend rights
Stock exchange listings	Madrid and Barcelona Stock Exchanges (continuous market)
Stock market index membership	<ul style="list-style-type: none">– IBEX 35– Dow Jones Stoxx Insurance– MSCI Spain– FTSE All-World Developed Europe– FTSE4Good¹ and FTSE4Good IBEX¹
ISIN code	ES0124244E34

In 2017 MAPFRE S.A. shares traded for 257 days on the continuous market with a frequency index of 100 percent. In total, 1,867,798,310 securities were traded, compared to 2,312,308,450 in the previous year, reflecting a decrease of 19.2 percent. The effective value of these transactions amounted to 5,525.5 million euros, compared to 5,211.8 million euros in 2016, up by 6 percent.

At the end of 2017, six Spanish and international investment banks had "buy" recommendations for the company's shares, compared to three who held "hold" recommendations, while nine had the stock on their "sell" lists.

¹ Indices that measure the outcome of a company's actions to uphold and support sustainable development and human rights.

Value and return

The share price performance is shown in the following table, compared to two key benchmark indices (the IBEX 35 and the Dow Jones STOXX Insurance indices):

	1 YEAR	3 YEARS	5 YEARS
MAPFRE	-7.7%	-4.8%	15.7%
DJ Stoxx Insurance	6.9%	15.1%	62.8%
IBEX 35	7.4%	-2.3%	23.0%

MAPFRE's earnings per share (EPS) during the same period are shown below:

	2017	2016	2015	2014	2013
EPS (euros)	0.23	0.25	0.23	0.27	0.26
INCREASE	-8.0%	8.7%	-14.8%	3.8%	18.2%

Shareholder structure and remuneration

At the close of 2017 Fundación MAPFRE, through its direct and indirect holdings, owned 68.3 percent of the company's shares, Spanish shareholders owned 10.9 percent and shareholders of other countries owned the remaining 20.8 percent.

Of the Spanish shareholders, 3.4 percent were institutional investors and 7.5 percent were non-institutional investors (principally individuals). With regard to investors resident in other countries, 20.7 percent were institutional investors, while 0.1 percent were non-institutional investors.

Among the objectives set for the three-year period 2016-2018 is suitable shareholder remuneration. Likewise, the dividend policy establishes that shareholder remuneration must be linked to the Company's profit, solvency, liquidity and investment plans, and also aligned with the interests of all its shareholders. As a general rule, the Board of Directors will propose at the Annual General Meeting a distribution of dividends of between 50 percent and 65 percent of the attributable result (payout ratio).

In fiscal year 2017, the Board of Directors agreed to pay an interim dividend against the income statement of 0.06 euros per share. The total amount paid out in the year was 0,145 euros per share, for a total remuneration of 446.5 million euros.

The final dividend for fiscal year 2017 to be proposed at the Annual General Meeting is a dividend of 0.085 euros per share (before tax). Therefore, the total dividend against 2017 earnings amounts to 0.145 euros per share before tax, giving a payout ratio of 63.7 percent.

Dividend payments and the dividend yield, calculated on an average share price basis, are indicated below:

	2017	2016	2015	2014	2013
DIVIDEND (euros)	0.145	0.13	0.14	0.14	0.12
DIVIDEND YIELD	4.9%	5.8%	4.9%	4.7%	4.4%

Other disclosures

MAPFRE S.A. has several Corporate Areas (Finance, Investment, Human Resources, Resources and Institutional Coordination, Business Support, Internal Audit, Strategy and M&A, General Counsel and Legal Affairs, and Business, Clients and Innovation), all with global responsibilities for all the Group's companies.

Environment

One of the ways in which MAPFRE builds trust with its stakeholders is by promoting a sustainable environment in which to pursue its activities.

In 2017, MAPFRE continued its initiatives to ensure compliance with the commitments assumed in the corporate environmental policy approved by the Board of Directors of MAPFRE S.A. and reviewed in 2015 to include new commitments such as the preservation of Biodiversity and the fight against Climate Change.

MAPFRE carries out Environmental Management actions under the guidelines defined by the triple Integrated Environmental, Energy and Carbon Footprint System (hereinafter SIGMAYE), in accordance with the international standards ISO 14001, ISO 50001 and ISO 14064.

The transversal design and the global nature of the SIGMAYE allows both corporate and specific local objectives to be established, thereby assuring compliance with applicable legislation and providing minimum criteria for compliance in countries in which legislation is less developed.

The execution of the actions defined in the Energy Efficiency and Climate Change Strategic Plan has continued with the objective of reducing the Group's emissions by 20 percent in 2020 and that objective was obtained three years earlier than projected, which has led the Company to committing to more ambitious challenges in both the medium and long-term with a 2050 time horizon, at which time it hopes to attain CO2 neutrality.

For the third year running, the Group's initiatives in this area earned recognition from the CDP (Driving Sustainable Economies) of MAPFRE as a global leader in taking action on Climate Change, and the Group was included on the CDP Global Climate A-list.

The eco-efficiency measures rolled out included the deployment of energy efficiency measures in buildings for air conditioning (use of freecooling, technological renewal of equipment and adjustment of hour and temperature set points); lighting (replacement of lamps with LED, installation of presence sensors and adjustment of times); and other usages (technological renewal of installations based on energy efficiency criteria).

Operational control of water management is carried out through the installation of optimization measures in buildings (aerators, timers, sensors, dual flush....) and control of internal usage by managing billing, own meters, detecting leaks and raising employee awareness.

Since joining the Biodiversity Pact launched by the Spanish Companies and Biodiversity Initiative, MAPFRE published a report on its results 2013-2015 together with the rest of the member companies and it has also continued its work regarding the protection of an endangered species and the preservation of its habitat, choosing the turtle and the Mediterranean Sea this year.

As part of the integration of the environment into the business in terms of biodiversity protection, the Group has also committed to the initiative led by the UN supported NGO OCEANA to protect the oceans and, specifically, to eliminate illegal fishing by not insuring those activities.

Acquisition and disposal of treasury stock

MAPFRE S.A. shares are bought and sold in accordance with the regulations in force, the relevant agreements adopted at the Annual General Meeting, and the MAPFRE Group Treasury Stock Policy on how to handle transactions which involve the company's own shares.

MAPFRE Group treasury stock transactions have a legitimate purpose and always comply with the recommendations on treasury stock discretionary transactions issued by the Spanish National Securities and Exchange Commission (the CNMV).

"Legitimate purpose" refers to:

- Favor trading liquidity and regularity in the purchase of MAPFRE shares.
- Allow MAPFRE to access the securities it requires to comply with potential obligations to deliver treasury stock, for example as a result of shareholder, executive or employee remuneration or loyalty schemes, or issues of corporate stock or operations.

In any case, treasury stock transactions are carried out under conditions that ensure neutrality in the price setting of MAPFRE shares in the market and complete transparency in relationships with market supervisors and governing bodies. Furthermore, these transactions are never carried out on the basis of privileged information.

The Treasury Stock Policy includes general rules on aspects such as the transaction volume, maximum and minimum order price, and execution time limits.

At December 31, 2016, the Company had acquired 30,500,000 treasury shares; these represent 0.99 percent of the capital. The price paid was 60,233,635.85 euros, at an average of 1.97 euros per share.

During 2017, the Company reduced the number of treasury shares by 3,988,894, representing 0.13 percent of the capital. The cost of the operation totaled 7,877,560.29 euros, giving rise to a positive impact of 4,701,782.03 euros, which was entered under the "Other reserves" heading.

At the close of the fiscal year, Company owned 26,511,106 treasury shares; these represent 0.86 percent of the capital at an average exchange of 1.97 euros per share.

The total face value of shares acquired was 2,651,110.60 euros (3,050,000 euros in 2016).

Human Resources

The following tables show the average and year-end headcount during the last two years, by category and gender.

Average number of employees

ITEM	2017		2016	
	Men	Women	Men	Women
Board Directors and Senior Management	9	1	10	1
Executives	92	48	88	43
Technicians	132	134	116	123
Administrative Assistants	18	64	19	66
TOTAL AVERAGE NUMBER OF EMPLOYEES	251	247	233	233

Number of employees at the end of the year

ITEM	2017		2016	
	Men	Women	Men	Women
Consejeros y alta dirección	9	1	10	1
Executives	95	51	89	46
Technicians	138	141	124	125
Administrative Assistants	17	63	20	65
TOTAL NUMBER OF EMPLOYEES	259	256	243	237

The following table shows the average number of employees in the Group with a degree of disability equal to or higher than 33 percent, indicating the categories to which they belong.

ITEM	2017	2016
Executives	2	2
Technicians	2	1
Administrative Assistants	5	5
TOTAL	9	8

MAPFRE's goals for its workforce include the professional development of its employees and strengthening their employability and well-being by developing their abilities and skills. All of this is pursued within a setting of commitment and mutual respect; free of insults, intimidation, harassment or discrimination, at a workplace that guarantees security and stability of employment.

MAPFRE has a Code of Ethics and Conduct in place that is inspired by its institutional and business principles and which is intended to reflect corporate values and the basic principles that should guide the conduct of the company and its staff.

The Personal Respect Policy expressly states that respect for others is a basic element of employee conduct. MAPFRE rejects any manifestation of workplace harassment, as well as any other behavior that is violent or offensive to the rights and dignity of people, since these situations contaminate the workplace and have negative effects on the health, well-being, self-esteem, dignity and performance of those who suffer them.

The employment policy encourages permanent over temporary contracts, seeking a stable environment in a continuous working relationship. The percentage of staff on permanent contracts in 2017 was 96.7 percent (96.5 percent in 2016).

During the year, MAPFRE continued to roll out its Global Disability Program, and by year-end the company had 9 disabled persons within its workforce (8 disabled people in 2016).

Through its Promotion, Selection and Mobility Policy, MAPFRE is committed to promoting its employees' opportunities for professional development through development plans and programs, training schedules and mobility among areas and countries, in order to increase their employability, their professional satisfaction and their commitment to the company.

MAPFRE has defined a global selection procedure that guarantees objectivity, maximum rigor and non-discrimination throughout all procedures. Furthermore, the tests used during selection are standardized worldwide to cover each position with a candidate having the most appropriate profile. A total of 5,210 selection processes were completed in 2017 (5,782 processes in 2016).

In 2017 the Group invested 820,000 euros in staff training (873,000 euros in 2016).

Remuneration policy is based on each employee's job post, is competitive in comparison to the market, guarantees internal fairness, is flexible and can be adapted to different market collectives and circumstances, and is aligned with strategy.

The Policy on Health, Well-being and Prevention of Occupational Risks establishes that it is vital to protect workers' health, safety and well-being, for both employees and their families, and also for productivity, competitiveness and sustainability of MAPFRE. Every year, employees receive information and are given training on health and healthy habits.

External auditing

Remuneration accrued by the external auditor (KPMG Auditores, S.L.) is shown below. It is deemed that these fees do not compromise the independence of the auditors.

ITEM	AMOUNT (euros)	
	2017	2016
Audit services	456	488
Other verification services	295	183
Tax services	--	--
Other services	--	193
Total services of main auditor	751	864

Thousand euros

Governing bodies

At the Annual General Meeting held on 10 March 2017, Adriana Casademont i Ruhí, Ana Isabel Fernández Álvarez and Fernando Mata Verdejo were re-elected, and Francisco José Marco Orenes was appointed, as directors.

On 22 February 2017, Andrés Jiménez Herradón stepped down from his duties as member of the Board of Directors, in compliance with the Board of Directors Regulation. Also, Adriana Casademont i Ruhí stepped down from her duties as director on 31 December 2017.

On the General Meeting held on 21 December 2017, María del Pilar Perales Viscasillas was appointed as director through the co-option procedure, to replace Ms Casademont, effectively starting from 1 January 2018.

In 2018, the appointments of Catalina Miñarro Brugarolas and María del Pilar Perales Viscasillas will expire, the latter having been appointed by the co-option procedure on the date indicated above. The Appointments and Remuneration Committee has proposed that these two directors be reappointed.

In 2017, the appointment of Antonio Huertas Mejías will also expire; the proposal for him to be re-appointed will be put to the Annual General Meeting. This proposal was preceded by a favorable report from the Appointments and Remuneration Committee.

Average provider payment period

Details of payments made to providers in the last two years are shown below.

ITEM	2017	2016
	Days	Days
Average supplier payment period	20	20
Ratio of paid operations	20	20
Ratios of operations pending payment	-	--
	Amounts	Amounts
Payments made	76,174	80,473
Payments pending	6,314	--
Total payments for the year	82,488	80,473

Thousand euro

Research, development and innovation

Client orientation is one of the main focal points of the MAPFRE Strategic Plan, which identifies innovation as one of the key tools for offering insurance solutions focused on client needs. Hence, innovation in client-focused products and services is a key driver for reaching short, mid and long term targets.

The MAPFRE Innovation Model, which is aimed to promote the innovation culture throughout the organization and to meet business challenges, was launched in 2014. The Corporate Innovation Committee, made up of members from key innovation areas, was set up to govern the Innovation Model, and the Corporate Innovation Department, which spearheads innovation in MAPFRE, was launched. The Innovation Model, which is used for both local and global strategy, is one of the key instruments for achieving differentiation and reaching the goals for the Group's organic growth.

No significant research and development activities were performed during the year.

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

There were no significant events subsequent to the close of the year, apart from those detailed in the annual report (Note on Shareholders' Equity).

Economic Outlook

The International Monetary Fund (IMF) projects global growth at around 3.4 percent, which represents an acceleration compared with just over 3 percent at the end of 2016. This figure is slightly lower than the IMF's April projection and similar to the July forecast, which confirms that activity in the latter part of 2016 was more or less as predicted. Naturally, growth is firmly biased toward the emerging economies, where the IMF estimates a rate of 4.6 percent in 2017, four decimal points higher than in 2016, revealing confidence in the recovery of these countries. The projection for the advanced economies is 1.8 percent, two decimal points higher than last year but nevertheless indicative of a weaker performance than the emerging economies.

This outlook is based on an increase in world trade which the IMF estimates at 3.8 percent, a significant improvement on 2016. The recovery of the advanced economies remains very weak because the strong monetary stimulus received has not managed to eradicate the burden of excessive—mainly public—debt, a situation compounded by contractionary fiscal policies and the absence of credit. These effects are much more perceptible in the Eurozone, where the predicted growth in 2017 is a mere 1.5 percent. The United States is reaping the benefits of a more advanced position in the cycle and its GDP is therefore expected to grow by 2.2 percent. The four main European economies are likely to remain in positive territory, albeit with Italy still below 1 percent.

The projections for Spain indicate sustained growth at the head of Europe. Specifically, the IMF puts GDP growth in 2017 at 2.3 percent. This is a marked downturn compared with over 3 percent in 2016, precipitated by a slowdown of nearly every component. However, the IMF has praised Spanish economic policies as highly favorable for business and therefore for sustaining the country's recovery, in spite of this slowdown.

Among the emerging countries, the standout projections are for Asia, with China and India reporting 6.2 percent and 7.6 percent, respectively. By contrast, Latin America will see its growth limited to 1.6 percent, mainly because of the burden of Brazil, whose GDP rate for 2017 the IMF estimates at 0.5 percent. In spite of this extremely modest figure, Brazil has nevertheless shown considerable improvement, following a growth rate of 3.8 percent in 2015 and just under 3 percent in 2016. Consequently, this 0.5 percent implies that the country is firmly on the path to recovery. By contrast, Mexico is expected to see a 2.3 percent growth.

The two sides of the Atlantic will continue to pursue different monetary policies if there are no surprises. The Federal Reserve (Fed) of the United States has hinted that it intends to continue raising interest rates at a moderate but sustained pace, especially in view of the anticipated increase in inflation as a result of the economic measures announced and very low unemployment. By contrast, in Europe the central bank (ECB) will continue to buy assets as part of its quantitative easing (QE) policy throughout the year, enabling the European

money supply to continue growing. At some point near the end of 2017 questions are likely to be raised about whether these purchases should be reduced or not, which could in itself lead to slightly tighter financial conditions, but this would be minimal compared to the massive amount of liquidity which the ECB has injected in the last two years. Among the emerging central banks, the most significant process will probably be interest rate cuts throughout the year in Brazil.

The main risks for 2017 are political, since the year will see elections in several European countries. In light of certain events last year, economic and financial analysts are attaching much greater weight to possible surprises in electoral processes, and these therefore constitute a very significant risk. Likewise, the U.S. economic policy is currently an unknown quantity. The combination of these two circumstances could lead to considerably tighter financial conditions in a context where the recovery is still fragile. This could have repercussions for the emerging markets since the sustained appreciation of the dollar may cause a very deep impact at a time when they are still recovering from the problems of 2016 and 2015.

Annual Corporate Governance Report

The annual corporate governance report is published by the Entity along with the Management Report of the consolidated annual accounts of MAPFRE S.A. and dependent Companies.



REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE TO THE MAPFRE S.A. BOARD OF DIRECTORS REGARDING ITS COMPOSITION AND FUNCTIONS IN 2017

The Audit and Compliance Committee is the delegate body of the MAPFRE S.A. Board of Directors for undertaking, among other things, supervisory functions relating to the integrity of finance information and the effectiveness of internal control, internal auditing and risk management.

Its regulation is contained in article 22 of the Corporate Statutes and in article 10 of the Board of Directors Regulations.

1. Composition

The Audit and Compliance Committee must consist of at least three but not more than five Directors, all of whom shall be non-executive, and at least the majority of whom must be Independent Directors, and one of whom will be designated in view of his or her knowledge and experience in matters of accounting, auditing or both. Its Chairman should be an Independent Director and must be substituted in this position every four years, only being able to be reelected to the post one year after leaving that position. The Secretary will be that of the Board of Directors.

As of December 31, 2017 the Audit and Compliance Committee was composed of the following Directors:

Chairperson: Mr. José Antonio Colomer Guiu (Independent).

Members: Ms. Adriana Casademont i Ruhí (Independent).¹
Ms. Catalina Miñarro Brugarolas (Independent).
Mr. Rafael Márquez Osorio (Nominee)
Mr. Antonio Miguel-Romero de Olano (Nominee).

¹ By a resolution adopted by the Board of Directors on December 21, 2017 Ms. Ana Isabel Fernández Álvarez (Independent) was appointed to the Board, effective January 1, 2018 to fill the position opened by the resignation of Ms. Casademont.

2. Responsibilities

The Audit and Compliance Committee has the following responsibilities assigned in accordance with article 10 of the Regulations for the Board of Directors:

- a) To apprise the Annual General Meeting of matters that are the responsibility of the Committee and, in particular, regarding the results of the audit, explaining how the committee has contributed to the integrity of the financial information and role that the Committee had in that process.
- b) To supervise the efficacy of internal controls at the company, internal audits and risk management systems, including fiscal systems, as well as discussing with the External Auditor any significant weaknesses identified in the internal control system in the course of audits, without compromising its independence. For such purposes, and where applicable, the Committee may present recommendations or proposals to the Board of Directors and the corresponding term for the monitoring thereof.
- c) To supervise the process of drawing up and presenting the mandatory financial information, and to present recommendations or proposals to the Board of Directors with a view to safeguarding its integrity.
- d) To bring before the Board of Directors the proposals for the selection, appointment, re-election and substitution of the External Auditor, being accountable for the selection process as contemplated in the corresponding legislation currently in force, as well as the conditions of his/her hiring and regularly gathering from him information relating to the audit plan and its execution, as well as remaining independent in the performance of his or her functions.
- e) To establish appropriate relationships with the External Auditor in order to receive information concerning those issues which may jeopardize their independence, so that they may be examined by the Committee, and any other issues relating to the accounts auditing process, and where appropriate, authorizations for services other than those prohibited in the terms contemplated in the corresponding legislation currently in force for auditing accounts, for the regime of independence, as well as other communications envisaged in account audit legislation and auditing standards. In any case, the Committee should receive

annual written confirmation from the External Auditor of their independence from the company or companies directly or indirectly linked to it, as well as detailed and individualized information concerning the additional services of any type rendered and those professional fees received corresponding to these companies by said External Auditor, or by the people or companies linked to them in accordance with the provisions of the accounts auditing legislation currently in force.

- f) To issue a yearly report, prior to the publication of the accounts audit report, expressing an opinion concerning whether the independence of the External Auditor has been compromised. This report, in any case, must contain the reasoned evaluation of the provision of each and every one of the additional services to which the above letter makes reference, individually considered and jointly, apart from those concerning legal audits and in relation to the independent status or with the regulatory statutes for account auditing activity.
- g) To ensure that, as far as possible, the external auditor of the Group takes responsibility for auditing all the companies belonging to it.
- h) To ensure the independence and efficacy of the internal audit; to propose the selection, appointment, reappointment and removal of its most senior management, as well as its annual budget; to receive regular information on its activities; and to check that senior management takes the conclusions and recommendations of its reports into account.
- i) To give prior notification to the Board of Directors of all matters stipulated by Law, in the Corporate Statutes or this Regulation, specifically with regard to:
 - Financial information that the company must make public periodically.
 - Creation of or acquisition of shareholdings in special purpose companies or registered in countries or territories considered to be tax havens.
 - Operations with related parties.

- j) To establish and supervise a mechanism that enables employees to communicate confidentially irregularities they notice within the Company that may be of potential importance, especially financial and accounting irregularities.
- k) To verify the application of the established good governance regulations at all times.
- l) To supervise compliance with internal and external regulations, especially with internal codes of conduct, regulations and procedures for the prevention of money laundering and financing terrorism, as well as making proposals for their improvement.
- m) To supervise the adoption of actions and measures resulting from inspection reports or actions taken by administrative supervision and control authorities.

3. Operational framework

As laid down in the Board of Directors Regulations, the Audit and Compliance Committee usually meets every six months, as well as holding ordinary or extraordinary meetings whenever required, attended by the Group's General Manager for Internal Audit.

During the 2017 financial year, the Committee met 11 times, when the main topics addressed were as follows:

- **Information for the Annual General Meeting:**

The Chairman of the Audit and Compliance Committee, together with the other members of the Committee, attended the Annual General Meeting held on March 10, 2017. The shareholders did not raise any issues which were within the Committee's remit.

- **Internal control and risk management:**

The internal control evaluation reports on MAPFRE Group insurance and reinsurance companies relating to 2016 and prepared by the Corporate Internal Audit Area were presented to the Audit and Compliance Committee.

With regard to the Internal Financial Information Control System (SCIIF), the Audit and Compliance Committee received an Audit Report from KPMG entitled "Information relating to the System for the Internal Control over Finance Information" corresponding to 2016, which summarized the internal control procedures established by MAPFRE S.A. with regard to annual finance information.

The Committee was also provided with the Own Risk and Solvency Assessment (ORSA), the Regular Supervisory Report (RSR) and the Quantitative Reporting Templates (QRTs).

Furthermore, with regard to the review of Risk Management and Solvency II, the Committee was informed of the most important aspects undertaken by Internal Audit within its functions as supervisor of the risk management system, which include audits relating to Solvency II and internal control, an audit plan based on risk, a review of the information to be presented to the Risk Committee and coordination with other insurance functions.

- **Internal Audit Supervision**

The Audit and Compliance Committee approved the Annual Internal Audit Plan for the 2017 financial year for MAPFRE and its subsidiaries, which includes the Annual Report for 2016, the Audit Plan for 2017, the structure and budget for the Unit and the training plan for internal auditors.

The Audit and Compliance Committee also received, reviewed and approved the Internal Audit Unit Activity Reports which are issued quarterly by the Corporate Internal Audit Area and which place special emphasis on significant issues arising during the quarter relating to the internal audit reports and internal control. These reports also include monitoring of compliance with the objectives of the Audit Plans, the implementation of the recommendations, information on auditor training and collaboration with the external auditor and other areas within the company. Detailed information was presented to the Committee on the monitoring and progress of the recommendations at the close of each quarter.

The general directives for the 2018 Internal Audit Plan were also presented and the Committee was notified of the different management appointments in the Services and Internal Audit Units during 2017, as well as the new Internal Audit structure for 2018.

In addition, the Committee was informed of the expected budget for the Internal Audit Unit for the 2017 and 2018 financial years and the forecast for 2019 and 2020.

Finally, the Audit and Compliance Committee and the Board of Directors of MAPFRE S.A. approved the update of the Statutes and the Internal Audit Policy.

- **Economic / financial information**

In accordance with its assigned responsibilities, in 2017 the MAPFRE Audit and Compliance Committee verified the following documentation:

- Management Report and Individual and Consolidated Annual Accounts of MAPFRE S.A. and its dependent companies for 2016.
- Report on the Financial Situation and Solvency of MAPFRE Group and the subsidiaries residing in Spain that carry out insurance and reinsurance activities.
- The Integrated Report for 2016, which follows the guidelines and recommendations of the International Integrated Report Reporting Framework.
- Report on the limited review of intermediate, summarized, consolidated financial statements of MAPFRE S.A. corresponding to the intermediate period ending on June 30 2017.
- Information prepared by MAPFRE S.A. for investors and analysts, which is reviewed and analyzed firstly by the Corporate Audit Area and subsequently by the Audit and Compliance Committee before publication

- **External auditing**

The Audit and Compliance Committee approved the budget for the external audit of the Individual and Consolidated Annual Accounts of MAPFRE S.A. and its dependent companies for the 2017 financial year,

together with the payment of extraordinary fees to KPMG as a result of the deviation in hours employed in the auditing of the annual accounts corresponding to the 2016 financial year for a number of MAPFRE companies. In the same way, the Committee authorized additional services provided by KPMG in a number of MAPFRE companies and the total amount for the fees to be received for the same.

KPMG presented the 2017 annual Accounts Audit Plan to the Audit and Compliance Committee, which included the work schedule, the scope of the Group Audit, the members of the work team, preliminary assessment of risks and the accounting and regulatory changes affecting the review period. KPMG also presented a Preliminary Memorandum for the 2017 Annual Accounts Audit to the Committee. These preliminary reports are issued by the audit company for all MAPFRE's subsidiary companies on the company's Intermediate Financial Statements as of September 30.

Furthermore, and with the aim of guaranteeing the independence of the external auditor, the Audit and Compliance Committee undertook quarterly monitoring of the fees invoiced by the main audit company for services other than auditing Annual Accounts and supervised the relation between the fees paid to the audit company and the total revenue for the former, which according to MAPFRE S.A. Board of Directors Regulations should not exceed 5 percent.

The external auditor KPMG has attended the meetings of the Audit and Compliance Committee when discussing matters relating to the audit of the annual accounts, the limited review report at June 30, 2017 and the preliminary reports prior to the audit of the accounts, as well as matters concerning the limited review process involving the financial situation and solvency of MAPFRE Group and the subsidiaries residing in Spain that engage in insurance and reinsurance activities.

Furthermore, and with the aim of verifying the information and contributing to the principle of transparency in matters of Corporate Social Responsibility, the external auditor, KPMG, was responsible for verifying the Annual Report on MAPFRE's Social Responsibility corresponding to the 2016 financial year, this report was verified by the Committee. In the same way, the Committee approved the fees proposed by KPMG for issuing the report verifying the 2017 Annual Report on Corporate Social Responsibility.

- **Information to the Board of Directors**

The Audit and Compliance Committee gave a favorable report to the Board of Directors on the information that MAPFRE sends to the Spanish National Securities and Exchange Commission (the “CNMV”) every quarter. This economic-financial information is previously reviewed by the Corporate Internal Audit Area which issues a report in which it is emphasized that the MAPFRE Intermediate Financial Statements were prepared by applying the same criteria as that applied to Annual Accounts and that these criteria are reasonable, objective and verifiable, with the principle of prudence taking precedence over any other.

- **Supervision of a mechanism for notifying irregularities**

The Audit and Compliance Committee was notified of the activities undertaken in 2016 by the Financial and Accounting Whistleblower Channel and approved the amendment to the Operating Regulations for this channel.

- **Related-party operations**

The Audit and Compliance Committee published a report on related-party operations in 2016, to be made available to shareholders at the General Meeting.

The Committee also analyzed related-party operations carried out between MAPFRE Group companies and large shareholders and senior representative or management positions at MAPFRE. In all cases the Committee prepared the relevant report that was provided to the Board of Directors for its approval, if appropriate, of the related-party operations.

- **Regulatory Compliance**

The proposal for a Criminal Risk Prevention Model at MAPFRE was analyzed by the Audit and Compliance Committee and sent to the Board of Directors.

The Committee was provided with a report on 2016 regulatory compliance actions and the verification plan for 2017 was approved.

Similarly, the Committee was informed of the degree of compliance by MAPFRE Group of the policies adopted as a result of the regulatory framework established by Solvency II.

- **Other matters**

In addition to those previously described, the Audit and Compliance Committee also addressed the following matters during 2017:

- Fiscal Policies applied in 2016, in compliance with the recommendations contained in the Tributary Good Practice Code.
- Main issues addressed and agreements reached by the Audit Committees for MAPFRE subsidiaries.
- Assessment of the composition and functioning of the Committee during the 2016 financial year in accordance with that established in recommendation no. 36 of the Good Governance Code for listed companies in the Spanish National Securities and Exchange Commission (the “CNMV”), with unanimous agreement on the qualification of its composition and functioning this year as very satisfactory.
- Treasury stock operations undertaken in the 2017 financial year.
- Technical guide regarding Audit Committees at entities classified as of public interest by the CNMV.

Therefore, the Audit and Compliance Committee has unanimously agreed to submit this report to the MAPFRE S.A. Board of Directors for them to evaluate the functioning of the Committee during the 2017 financial year based on its content.

Madrid, February 6, 2018
Committee Secretary

Ángel L. Dávila Bermejo

REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE **ON THE INDEPENDENCE OF THE AUDITOR**

1. Introduction

The consolidated Text for the Companies Act details in article 529 n, section 14, the minimum functions to be undertaken by the Audit Committee. These include the issue on an annual basis, prior to the publication of the accounts auditing report, of a report expressing an opinion on whether or not the independence of the accounts auditors and auditing companies is compromised.

This article also establishes that the Audit Committee should receive annual written confirmation from the external auditors of their independence in their relations with the company or companies directly or indirectly involved, as well as detailed and individualized information concerning the additional services of any type rendered and the corresponding professional fees received from these companies by the external auditor, or by the people or companies linked to them in accordance with the provisions of the accounts auditing legislation currently in force.

Furthermore, the MAPFRE Board of Directors Regulations, article 10.f, also refers to the issue of the said report as a basic function of the Audit and Compliance Committee.

In compliance with the provisions established in the above mentioned regulations, and in accordance with its responsibilities, the Audit and Compliance Committee agreed to issue this report in the meeting held on February 6 2018:

2. Circumstances for incompatibility with regard to the independence of External Auditors

Article 16 of Law 22/2015, of 20 July, on Accounts Auditing, details those circumstances under which it will be considered that the accounts auditor does not enjoy sufficient independence in the exercise of his or her functions with regard to a business or a company.

In addition to alleged incompatibility under the provisions of other laws, if the above mentioned circumstances were to concur in KPMG with regard to MAPFRE, this would indicate that they did not enjoy sufficient independence, details as follows:

<p align="center"><u>Article 16 of Law 22/2015, of 20 July, on Accounts Auditing</u></p> <p align="center">Circumstances which may not concur in the accounts auditor signing the audit report</p>	<p align="center">Concurrence in MAPFRE of this circumstance</p>
<p>Point a.1) <i>The condition of member of the administrative body, manager or agent who has power of attorney within the audited company or who is employed by the audited company. This circumstance also concurs in those responsible in the economic-finance area or those performing supervisory or internal control functions within the audited company, whatever their relationship with that company may be.</i></p>	<p align="center">NO</p>
<p>Point a.2) <i>To have a significant direct interest in the audited company resulting from a contract or ownership of an asset or entitlement to a right. In any case, this interest will be understood to exist where there is possession of financial instruments in the audited company or any company linked to the latter, in which case where these are deemed to be significant for both parties. With regard to the provisions of this section, an exception is made for interests arising indirectly through diversified collective investment institutions.</i></p>	<p align="center">NO</p>
<p>Point a.3) <i>To undertake any kind of operation relating to financial instruments issued, guaranteed or supported in any other way by the audited company. With regard to the provisions of this section, an exception is made for financial instruments possessed indirectly through diversified collective investment institutions.</i></p>	<p align="center">NO</p>
<p>Point a.4) <i>To request or accept gifts or favors from the audited company, unless the value is insignificant or trivial.</i></p>	<p align="center">NO</p>
<p>Point b.1) <i>The provision of accountancy services to the audited company or the preparation of accounts records or financial statements.</i></p>	<p align="center">NO</p>
<p>Point b.2) <i>The provision of valuation services to the audited company, except where the following requirements are met:</i></p> <ul style="list-style-type: none"> <i>i. That they have no direct effect or have a relatively insignificant effect, separately or together, on the financial statements audited;</i> <i>ii. That the estimation of the effect on the financial statements audited should be documented.</i> 	<p align="center">NO</p>

<p align="center"><u>Article 16 of Law 22/2015, of 20 July, on Accounts Auditing</u></p> <p align="center">Circumstances which may not concur in the accounts auditor signing the audit report</p>	<p align="center">Concurrence in MAPFRE of this circumstance</p>
<p>Point b.3 <i>The provision of internal audit services to the company audited, unless the management body for the company audited is responsible for the global internal audit system, for establishing the scope, risk and frequency of internal audit procedures, for the consideration and execution of the results and recommendations provided by the internal audit.</i></p>	<p align="center">NO</p>
<p>Point b.4 <i>The provision of legal services simultaneously for the company audited, unless these services are provided by different legal entities and with different boards of directors, and without them being able to refer to the settlement of disputes over issues which could have a significant effect, measured in terms of relative importance, on the financial statements corresponding to the period or financial year audited.</i></p>	<p align="center">NO</p>
<p>Point b.5 <i>The provision of design services to the company audited and the implementation of internal control or risk management procedures relating to the preparation or control of finance information, or the design or application of the computerized systems for finance information used for generating data included in the financial statements of the audited company, unless the latter accepts responsibility for the global internal control system or the service is provided following the specifications established by the said company, who should also accept responsibility for the design, execution, evaluation and functioning of the system.</i></p>	<p align="center">NO</p>

3. Opinion on the independence

There are no circumstances which lead to the consideration that the accounts auditor, KPMG, does not enjoy sufficient independence for undertaking its functions in the MAPFRE Group.

All services entrusted to the MAPFRE Group external auditor are approved by the MAPFRE S.A. Audit and Compliance Committee. Both the Audit and Compliance Committee and the MAPFRE S.A. Board of Directors receive detailed quarterly information justifying any services provided by the external auditor other than those of Accounts Auditing and the corresponding fees, as well as the development of the same compared with the previous year.

The percentages of MAPFRE's expenses for the provision of services other than Accounts Auditing over the account auditor's total revenue have always been satisfactory.

In view of the above and having analyzed the suitability of the additional services and of those other than audit provided by the external auditor, the written confirmation of KPMG with regard to its independence and having no evidence to doubt the same, the MAPFRE S.A. Audit and Compliance

Committee agreed, to express a favorable opinion with regard to the independence of the auditor KPMG.

Madrid, February 6, 2018
Committee Secretary

Ángel L. Dávila Bermejo

REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE **ON THE INDEPENDENCE OF THE AUDITOR**

1. Introduction

The consolidated Text for the Companies Act details in article 529 n, section 14, the minimum functions to be undertaken by the Audit Committee. These include the issue on an annual basis, prior to the publication of the accounts auditing report, of a report expressing an opinion on whether or not the independence of the accounts auditors and auditing companies is compromised.

This article also establishes that the Audit Committee should receive annual written confirmation from the external auditors of their independence in their relations with the company or companies directly or indirectly involved, as well as detailed and individualized information concerning the additional services of any type rendered and the corresponding professional fees received from these companies by the external auditor, or by the people or companies linked to them in accordance with the provisions of the accounts auditing legislation currently in force.

Furthermore, the MAPFRE Board of Directors Regulations, article 10.f, also refers to the issue of the said report as a basic function of the Audit and Compliance Committee.

In compliance with the provisions established in the above mentioned regulations, and in accordance with its responsibilities, the Audit and Compliance Committee agreed to issue this report in the meeting held on February 6 2018:

2. Circumstances for incompatibility with regard to the independence of External Auditors

Article 16 of Law 22/2015, of 20 July, on Accounts Auditing, details those circumstances under which it will be considered that the accounts auditor does not enjoy sufficient independence in the exercise of his or her functions with regard to a business or a company.

In addition to alleged incompatibility under the provisions of other laws, if the above mentioned circumstances were to concur in KPMG with regard to MAPFRE, this would indicate that they did not enjoy sufficient independence, details as follows:

<p align="center"><u>Article 16 of Law 22/2015, of 20 July, on Accounts Auditing</u></p> <p align="center">Circumstances which may not concur in the accounts auditor signing the audit report</p>	<p align="center">Concurrence in MAPFRE of this circumstance</p>
<p>Point a.1) <i>The condition of member of the administrative body, manager or agent who has power of attorney within the audited company or who is employed by the audited company. This circumstance also concurs in those responsible in the economic-finance area or those performing supervisory or internal control functions within the audited company, whatever their relationship with that company may be.</i></p>	<p align="center">NO</p>
<p>Point a.2) <i>To have a significant direct interest in the audited company resulting from a contract or ownership of an asset or entitlement to a right. In any case, this interest will be understood to exist where there is possession of financial instruments in the audited company or any company linked to the latter, in which case where these are deemed to be significant for both parties. With regard to the provisions of this section, an exception is made for interests arising indirectly through diversified collective investment institutions.</i></p>	<p align="center">NO</p>
<p>Point a.3) <i>To undertake any kind of operation relating to financial instruments issued, guaranteed or supported in any other way by the audited company. With regard to the provisions of this section, an exception is made for financial instruments possessed indirectly through diversified collective investment institutions.</i></p>	<p align="center">NO</p>
<p>Point a.4) <i>To request or accept gifts or favors from the audited company, unless the value is insignificant or trivial.</i></p>	<p align="center">NO</p>
<p>Point b.1) <i>The provision of accountancy services to the audited company or the preparation of accounts records or financial statements.</i></p>	<p align="center">NO</p>
<p>Point b.2) <i>The provision of valuation services to the audited company, except where the following requirements are met:</i></p> <ul style="list-style-type: none"> <i>i. That they have no direct effect or have a relatively insignificant effect, separately or together, on the financial statements audited;</i> <i>ii. That the estimation of the effect on the financial statements audited should be documented.</i> 	<p align="center">NO</p>

<p align="center"><u>Article 16 of Law 22/2015, of 20 July, on Accounts Auditing</u></p> <p align="center">Circumstances which may not concur in the accounts auditor signing the audit report</p>	<p align="center">Concurrence in MAPFRE of this circumstance</p>
<p>Point b.3 <i>The provision of internal audit services to the company audited, unless the management body for the company audited is responsible for the global internal audit system, for establishing the scope, risk and frequency of internal audit procedures, for the consideration and execution of the results and recommendations provided by the internal audit.</i></p>	<p align="center">NO</p>
<p>Point b.4) <i>The provision of legal services simultaneously for the company audited, unless these services are provided by different legal entities and with different boards of directors, and without them being able to refer to the settlement of disputes over issues which could have a significant effect, measured in terms of relative importance, on the financial statements corresponding to the period or financial year audited.</i></p>	<p align="center">NO</p>
<p>Point b.5) <i>The provision of design services to the company audited and the implementation of internal control or risk management procedures relating to the preparation or control of finance information, or the design or application of the computerized systems for finance information used for generating data included in the financial statements of the audited company, unless the latter accepts responsibility for the global internal control system or the service is provided following the specifications established by the said company, who should also accept responsibility for the design, execution, evaluation and functioning of the system.</i></p>	<p align="center">NO</p>

3. Opinion on the independence

There are no circumstances which lead to the consideration that the accounts auditor, KPMG, does not enjoy sufficient independence for undertaking its functions in the MAPFRE Group.

All services entrusted to the MAPFRE Group external auditor are approved by the MAPFRE S.A. Audit and Compliance Committee. Both the Audit and Compliance Committee and the MAPFRE S.A. Board of Directors receive detailed quarterly information justifying any services provided by the external auditor other than those of Accounts Auditing and the corresponding fees, as well as the development of the same compared with the previous year.

The percentages of MAPFRE's expenses for the provision of services other than Accounts Auditing over the account auditor's total revenue have always been satisfactory.

In view of the above and having analyzed the suitability of the additional services and of those other than audit provided by the external auditor, the written confirmation of KPMG with regard to its independence and having no evidence to doubt the same, the MAPFRE S.A. Audit and Compliance

Committee agreed, to express a favorable opinion with regard to the independence of the auditor KPMG.

Madrid, February 6, 2018
Committee Secretary

Ángel L. Dávila Bermejo

AUDIT AND COMPLIANCE COMMITTEE REPORT ON RELATED-PARTY TRANSACTIONS IN 2017

Article 529 of the Companies Act establishes that the Board of Directors shall hold non-delegable power to approve, subject to a report of the Audit and Compliance Committee, transactions with related parties, where such parties include directors and shareholders with significant shareholdings. Notwithstanding, transactions of a standard nature carried out at generally applicable prices are legally exempt from this obligation if the amount does not exceed 1 percent of the company's annual revenue.

This article also states that, in duly justified urgent circumstances, the above decisions may be taken by delegated bodies or individuals, where such decisions must be ratified in the first meeting of the Board of Directors held after the adoption of such a decision.

In accordance with the provisions of the law, Article 2 of the Regulation of the Board of Directors of MAPFRE S.A. includes the following non-delegable competences of the Board:

- To authorize –subject to a report from the Audit and Compliance Committee– transactions that the company or Group companies may carry out with Directors or shareholders in a conflict of interest position, in accordance with the provisions of the applicable legislation.

By virtue of the provisions of Article 8 of the Regulation of the Board of Directors, Directors must abstain from attending and taking part in deliberations and votes on decisions that affect them personally and in situations of conflicts of interest, under the terms set out in the prevailing legislation.

Moreover, the Board of Directors of MAPFRE S.A. approved on July 23, 2015 its Policy for Managing Conflicts of Interest and Transactions Related to Significant Shareholders and Senior Representative and Management Roles, which describes the procedure to be followed with regard to such transactions.

With respect to related-party transactions with Senior Representative and Management Roles, in 2017 the company and companies in its Group have carried out the transactions described in this report with the same or with persons related thereto.

With respect to related-party transactions with shareholders, transactions that are significant because of their amount or because of their subject matter carried out by the company or by companies in its Group with shareholders holding a significant stake or with parties related thereto are listed in the Annual Corporate Governance Report and in the 2017 financial statements.

The following transactions are listed, in relation to which the Audit and Compliance Committee issued a favorable report prior to the Board of Directors meeting:

- Rental by MAPFRE INVERSIÓN of a portion of the building at Bárbara de Braganza 14

At the meeting held on February 6, 2017 the Committee analyzed the lease by MAPFRE INVERSIÓN to Fundación MAPFRE of the second floor and 90 m² of the first floor of the building at Bárbara de Braganza 14, Madrid, for 90,475.44 euros, which is equivalent to 22 euros/m²/month.

Taking into account the market valuation issued by an independent entity, the Committee issued a favorable report regarding the transaction to the Board of Directors.

- Sale by MAPFRE VIDA of properties located at calle Prieto Ureña 6 (Madrid)

At a meeting held on March 7, 2017 the Committee analyzed the transfer by MAPFRE VIDA of several properties located at calle Prieto Ureña 6 (Madrid) to two directors of Group subsidiaries and two daughters of one of them for a total amount of 996,172.35 euros.

Taking into account the market valuations issued by an independent entity, and by the Corporate Real Estate Management Area at MAPFRE, the Committee issued a favorable report regarding the transaction to the Board of Directors.

- Renewal of a line of credit granted by CARTERA MAPFRE to MAPFRE S.A.

At a meeting held on July 21, 2017 the Committee analyzed the renewal of the line of credit granted by CARTERA MAPFRE to MAPFRE S.A. for a further year under the same conditions as currently in force, as follows:

- Maximum amount: 400 million euros.
- Maturity: September 10, 2018, automatically renewable for successive annual periods unless expressly stated otherwise. The applicable interest rate will be updated if renewed in accordance with the market conditions in force at that time.
- Interest rate: 3-Month Euribor plus 1.70%, payable quarterly. The 3-month Euribor is updated in each interest period.

Taking into account the report issued by the MAPFRE S.A. Administration and Treasury Department, the Committee issued a favorable report regarding the transaction to the Board of Directors.

Both the Regulation of the Board of Directors of MAPFRE S.A. and the text of the Policy for Managing Conflicts of Interest and Transactions Related to Significant Shareholders and Senior Representative and Management Roles are available on the corporate website (www.mapfre.com/corporativo-es/accionistas-inversores/inversores/gobierno-corporativo/).

In accordance with recommendation 6 of the Good Governance Code of Listed Companies of the Spanish National Securities and Exchange Commission (the "CNMV"), the Audit and Compliance Committee of MAPFRE S.A. authorizes this report for issue on the corporate website prior to the General Shareholders' Meeting to be held on March 9, 2018.

Madrid, February 6, 2018
Committee Secretary

Ángel L. Dávila Bermejo

REPORT TO THE MAPFRE S.A. BOARD OF DIRECTORS
RELATING TO THE PROPOSED REELECTION
OF MR. ANTONIO HUERTAS MEJÍAS AS EXECUTIVE DIRECTOR

The MAPFRE Appointments and Remuneration Committee, at the meeting held on February 1, 2018, unanimously agreed to present the following report to the MAPFRE S.A. Board of Directors in accordance with the provisions of article 529 i.6 of the Companies Act and article 6.5 of the Board of Directors Regulations, with regard to the proposed reelection of Mr. Antonio Huertas Mejías as a Director of the company.

The Appointments and Remuneration Committee considers that the performance of Mr. Antonio Huertas Mejías as a member of the MAPFRE S.A. Board of Directors since his last appointment by the Annual General Meeting of March 14, 2014 has been very satisfactory in all aspects: his performance as a Director; performance on Commissions and/or Steering Committees; the amount and quality of his work; and his engagement with the job.

And in view of the above, the Appointments and Remuneration Committee unanimously agrees to approve the proposed reelection of Mr. Antonio Huertas Mejías as a member of the Board of Directors for a further period of four years."

Madrid, February 1, 2018
Committee Secretary

Ángel L. Dávila Bermejo

PROPOSAL FOR THE REELECTION OF
Ms. CATALINA MIÑARRO BRUGAROLAS
AS INDEPENDENT DIRECTOR

The MAPFRE Appointments and Remuneration Committee, at the meeting held on February 1, 2018, unanimously agreed to propose to the MAPFRE S.A. Board of Directors in accordance with the provisions of article 529 i.4 of the Companies Act and article 6.2 of the Board of Directors Regulations, that the Annual General Meeting should approve the reelection of Ms. Catalina Miñarro Brugarolas as Independent Director for a period of four years.

The Appointments and Remuneration Committee considers that the performance of Ms. Catalina Miñarro Brugarolas as a member of the MAPFRE S.A. Board of Directors since her last appointment by the Annual General Meeting of March 14, 2014 has been very satisfactory in all aspects: her performance as a Director; performance on Commissions and/or Steering Committees; the amount and quality of his work; and her engagement with the job.

Madrid, February 1, 2018
Committee Secretary

Ángel L. Dávila Bermejo

PROPOSAL FOR THE REELECTION OF
Ms. MARÍA DEL PILAR PERALES VISCASILLAS
AS INDEPENDENT DIRECTOR

The MAPFRE Appointments and Remuneration Committee, at the meeting held on February 1, 2018, unanimously agreed to propose to the MAPFRE S.A. Board of Directors in accordance with the provisions of article 529 i.4 of the Companies Act and article 6.2 of the Board of Directors Regulations, that the Annual General Meeting should approve the reelection of Ms. María del Pilar Perales Viscasillas as Independent Director for a period of four years.

"The Appointments and Remuneration Committee considers that the performance of Ms. María del Pilar Perales Viscasillas as a member of the MAPFRE Board of Directors since her recent appointment by co-option by the Board of Directors on 21 December 2017 (effective January 1, 2018) has been satisfactory in all aspects: her performance as a Director; the amount and quality of her work; and her engagement with the job.

Madrid, February 1, 2018
Committee Secretary

Ángel L. Dávila Bermejo



BOARD OF DIRECTORS REPORT ON THE PROPOSALS FOR THE APPOINTMENT,
REELECTION AND RATIFICATION OF DIRECTORS

Madrid, February 7, 2018

I. BACKGROUND AND JUSTIFICATION FOR THE PROPOSALS

This report was prepared by the MAPFRE S.A. Board of Directors, ("MAPFRE" or the "company") in accordance with the provisions of article 529 paragraph i. 5 of the Companies Act to justify the following proposals for the appointment, reelection and ratification of directors submitted to the Annual General Meeting for approval under point 4 of the agenda: (i) Mr. Antonio Huertas Mejías, in the category of Executive Director, and (ii) Ms. Catalina Miñarro Brugarolas and Ms. Maria Pilar Perales Viscasillas, in the category of Independent Directors.

The aim of this report is to assess the competence, experience and merits of the candidates proposed for appointment, reelection and ratification to the Annual General Meeting, for which the Board of Directors have taken into consideration the suitability of the director's professional profiles, the specific nature of the business and the international character of the company. The Board of Directors has also verified that the candidates meet the requirements for prestige, suitability, solvency, competence, experience, qualifications, training, availability and commitment to their function, and that they are neither directly nor indirectly affected by any of the causes for incompatibility, prohibition or conflict of interest established by Law, the Corporate Statutes or the Regulations for the Board of Directors.

The Appointments and Remuneration Committee issued a prior report in which it values the engagement of Mr. Antonio Huertas Mejías in his position of Executive Director, both of which were approved at the meeting held on February 1, 2018. At the same meeting the Committee also agreed to propose the reelection of Ms. Catalina Miñarro Brugarolas and Ms. Maria Pilar Perales Viscasillas as Directors, under the category of Independent Directors.

II. PROPOSALS

Mr. Antonio Huertas Mejías

Holds a law degree from the University of Salamanca. He has spent a large part of his professional career at MAPFRE, holding several senior executive positions since he joined the company in 1988: Chairman of MAPFRE PRAICO and MAPFRE FLORIDA (2001 to 2004), General Manager of MAPFRE MUTUALIDAD (2005 to 2006), Chairman of MAPFRE AUTOMÓVILES, MAPFRE SEGUROS GENERALES and MAPFRE CAJA SALUD (2006 to 2008), Chairman of MAPFRE FAMILIAR (2006 to 2010) and Third Vice Chairman of MAPFRE (2011-2012). He has been the Chairman of the Board of Directors and CEO of MAPFRE since March 2012.

Mr. Huertas Mejías has been an Executive Director of the company since the acceptance of his appointment by shareholders at a general meeting held on December 29, 2006 and Chairman of the Board of Directors since March 10, 2012. He is also the Chairman of the Steering Committee and the Boards of



Directors of MAPFRE INTERNACIONAL and CARTERA MAPFRE, S.L.U. and President of Fundación MAPFRE.

In view of the report made by the Appointments and Remuneration Committee, the Board of Directors considers that the performance of Mr. Huertas Mejías as a member of the MAPFRE Board of Directors since his last appointment at a general meeting has been very satisfactory in all aspects: his performance as a Director; performance on Commissions and/or Steering Committees; the amount and quality of his work; and his engagement with the job. In the view of the Board of Directors this, together with his economic training and knowledge, broad experience in the insurance industry during his professional career at MAPFRE justifies his reelection as a Director with the category of Executive Director.

Ms. Catalina Miñarro Brugarolas

Holds a law degree from Complutense University in Madrid and was appointed as a State Attorney in 1989. She was the General Technical Secretary at the Madrid Regional Government Office, Director of Legal Affairs at the State company for State-owned Shareholders, Secretary to the Board of Directors for the state-owned company Paradores de España, Secretary to the Board of Directors of the state-owned Euro Transition company and a Director at the company Autoestradas de Galicia, S.A.

Ms. Miñarro Brugarolas has been an Independent Director of the company since the acceptance of her appointment by co-option by the Board of Directors on October 30, 2013 and Second Vice Chairwoman and Coordinating Director of the Board of Directors since January 1, 2017. She is currently also the Second Vice Chairwoman of the Steering Committee, Chairwoman of the Appointments and Remuneration Committee and member of the Audit and Compliance Committee. She is also a member of the Boards of Directors of MAPFRE ESPAÑA and ACS Actividades de Construcción y Servicios, S.A.

In view of the proposal made by the Appointments and Remuneration Committee, the Board of Directors considers that Ms. Miñarro Brugarolas' exceptional personal and professional performance, together with her extensive legal experience and knowledge, justify her reelection as a Director, with the category of Independent Director.

Ms. María del Pilar Perales Viscasillas

Holds a law Degree from the Autonomous University of Madrid. She is currently Professor of Commercial Law at Carlos III University, is a national and international arbitrator and a member of several international forums.

Ms. Perales Viscasillas has been an Independent Director since January 1, 2018. She is also currently a member of the Boards of Directors of MAPFRE ASISTENCIA and MAPFRE GLOBAL RISKS.



In view of the proposal made by the Appointments and Remuneration Committee, the Board of Directors considers that Ms. Perales Viscasillas' exceptional personal and professional performance, together with her broad experience and knowledge of the commercial sector, as well as the regulatory framework applicable to that sector, justify her ratification and reelection as a Director, with the category of Independent Director.



BOARD OF DIRECTORS REPORT ON THE PROPOSAL FOR THE AMENDMENT OF
ARTICLE 17 OF THE CORPORATE STATUTES

Madrid, February 7, 2018



I. BACKGROUND AND JUSTIFICATION FOR THE PROPOSAL

This report was prepared by the MAPFRE S.A. Board of Directors. (“**MAPFRE**”) to justify the proposal to amend the Article 17 of the Corporate Statutes relating to the Directors' remuneration system.

Article 17 establishes that Directors will receive a fixed amount for their membership on the Board of Directors as basic remuneration and, where applicable, for membership of the Steering Committee and sub-steering committees, which may be higher for people who occupy positions on the Board itself or who chair any of the Board committees or sub-committees.

Over the past few years the Board of Directors has considerably increased the number of meetings held per year, in line with the recommendations included in the Good Governance Code of Listed Companies. At the same time, the number of Steering Committee meetings has fallen notably over the past few years, which in the opinion of the Board of Directors, makes it advisable to revise the remuneration mechanism for its members to consist of a fixed amount and a per diem for attending meetings. Accordingly, the Board of Directors has included content in this respect in the Directors' Remuneration Policy at MAPFRE S.A. for 2019-2021, and approval from shareholders will be sought at the General Meeting by including the matter in the Agenda. In line with the above, the Board of Directors has adopted a resolution to propose to shareholders at the General Meeting that an amendment be made to Article 17 of the Corporate Statutes effective January 1, 2019 which is the date on which the new policy will enter into force if approved by shareholders.

II. PROPOSED RESOLUTION

Amend, effective January 1, 2019, article 17 of the Company Bylaws, which shall read as follows:

“Article 17

The position of Director is remunerated.

The remuneration of Directors, in their capacity as such, shall consist of a fixed sum as members of the Board of Directors and, where appropriate, as members of the Committee and Sub-Committees. This sum may be higher for those Directors sitting on the Board or who chair the Committee and Sub-Committees. The members of the Steering Committee will also receive a travel, subsistence and accommodation allowance for attending meetings. This remuneration may be supplemented with other non-cash benefits (life or healthcare insurance, discounts on products sold by MAPFRE Group companies) that are generally provided to the Company's personnel.

The maximum annual remuneration of Directors, in their capacity as such, shall be set by the General Meeting and it shall be distributed in the manner agreed



by the Board of Directors, taking account of the criteria mentioned in the previous paragraph.

Directors who perform executive functions in the Company or in the Group will be excluded from the remuneration system established in the previous paragraphs and shall be entitled to receive remuneration only for the performance of said executive functions. Said remuneration shall be set by the Board of Directors, providing details of every item in the corresponding contract entered into by the Company and the Executive Directors, which must be approved by the Board of Directors.

The remuneration of the Directors who perform executive functions may include the distribution of shares, share options or sums linked to the share price, subject to the legal requirements in force in every moment.

Regardless of the remuneration established in the preceding paragraphs, all Directors shall be paid for their travel, mobility and other expenses incurred to attend the meetings of the Company or for the performance of their functions.

In all cases, the remuneration of Directors shall adhere to the provisions of the Directors' remuneration policy approved by the General Meeting, in accordance with the Law."



BOARD OF DIRECTORS REPORT ON THE PROPOSAL FOR THE AMENDMENT OF
ARTICLE 2 OF THE REGULATIONS FOR THE ANNUAL GENERAL MEETING

Madrid, February 7, 2018



I. BACKGROUND AND JUSTIFICATION FOR THE PROPOSAL

This report was prepared by the MAPFRE S.A. Board of Directors. (“MAPFRE”) to justify the proposal to amend Article 2 of the Regulations of the General Annual Meeting, relating to the authority of the Annual General Meeting.

Article 406.2 of the Companies Act stipulates that shareholders at an annual meeting may adopt a resolution to issue bonds convertible into shares or bonds that provide bondholders with an interest in the company's profits.

Accordingly, the Board of Directors considers it advisable to amend the authority of the Annual General Meeting established by Article 2 of the Regulations to allow for the possibility of delegating to the Board of Directors the authority to issue convertible bonds in the cases established by Article 406.1 of the Companies Act.

This amendment is intended to provide a higher level of agility and flexibility to the company with respect to the issue of convertible bonds, thereby facilitating its access to financial markets and adapting its regulations to the most common practices.

II. PROPOSED RESOLUTION

Amend article 2 of the Annual General Meeting Regulations, which shall read as follows:

“Article 2. Annual General Meeting

The Annual General Meeting is the Company’s supreme governing body. The resolutions it passes in accordance with the Law and the Company Bylaws shall be binding on all shareholders, including those who are absent or dissent.

The Annual General Meeting is empowered to decide on any corporate matter. In particular, it is the only competent body to decide on the following matters:

- a) Approval of the individual and consolidated Financial Statements, distribution of earnings and approval of the corporate management.*
- b) Appointment and removal of Directors, the External Auditor and, where required, Liquidators, as well as exercising activities which are socially responsible in relation to the aforementioned parties.*
- c) Amendment of the Company Bylaws and the Regulations of the General Meeting.*
- d) Increase and reduction of the share capital, revocation or limitation of preemptive subscription rights, restructuring, merger, de-merger and*

cession of assets and liabilities en bloc, as well as the relocation of the registered office to another country.

- e) Issuance of debentures or other securities convertible into shares or that carry participation in corporate earnings for the holders of the securities, with the ability to delegate to the Board of Directors the power to perform such issuances, as well as to exclude or limit the preemptive subscription rights, in accordance with the terms and conditions established by Law.*
- f) Acquisition, disposal or transfer of key assets to another company, where key assets shall be considered to be whenever the amount of the operation exceeds twenty five per cent of the total assets on the last approved balance sheet.*
- g) Dissolution of the Company, approval of the final settlement amount, as well as operations with an impact equivalent to the liquidation of the company.*
- h) Approval of the Directors' remuneration policy, in accordance with current legislation.*

Any other issues determined by Law or the Company Bylaws.”

REPORT TO THE ANNUAL GENERAL MEETING
ON AMENDMENTS TO REGULATIONS OF THE
MAPFRE S.A. BOARD OF DIRECTORS APPROVED
SINCE THE LAST ANNUAL GENERAL MEETING

Since the last Annual General Meeting was held on March 11, 2016, the Board of Directors of MAPFRE S.A. did not adopt any resolutions to modify the regulations governing that body.

However, after the approval of shareholders at the General Meeting held on March 10, 2017 of the proposal to amend the corporate statutes that was submitted on that date, the amendments of Articles 10 and 12 of the Board of Directors Regulations governing the Audit and Compliance Committee and the Risk Committee were completed, which was already reported at the Annual General Meeting indicated above.

The above amendments were reported to the Spanish National Securities and Exchange Commission (the "CNMV") as a relevant fact and the full text of the Regulations of the Board of Directors currently in force is available on the company's website (www.mapfre.com).



REPORT OF THE BOARD OF DIRECTORS REGARDING THE PROPOSED DELEGATION
TO THE BOARD OF DIRECTORS OF THE AUTHORITY TO ISSUE BONDS OR SIMILAR
FIXED-INCOME SECURITIES CONVERTIBLE INTO SHARES

Madrid, February 7, 2018

I. BACKGROUND AND JUSTIFICATION FOR THE PROPOSAL

On March 9, 2018 the 5-year authority granted on March 9, 2013 by shareholders to the Board of Directors to issue ordinary bonds or debentures convertible into new shares or swappable for outstanding shares in the Company, as well as in warrants or other instruments that directly or indirectly may entitle the holder to subscribe or acquire shares in the company, whether newly issued or already outstanding.

It is considered advisable for the shareholders to renew the delegated authority to issue convertible bonds or debentures so that the Board of Directors has such authority to access capital markets and obtain financing through the issue of fixed-income securities in the most agile and effective manner possible, when this manner of obtaining resources is considered advisable, weighing market circumstances, the company's strategic objectives and its need for financing.

Within this context, it is considered advisable that the Board of Directors have the necessary capacity to take the decisions deemed most advisable for the interest of the business, as well as to execute them with flexibility and adapt to the formal and time requirements that financial markets impose.

The proposed delegation of authority would provide the Board of Directors, in accordance with the provisions of Articles 401 through 433, 510 and 511 of the Capital Companies Act, and Articles 310 and subsequent of the Mercantile Registry Regulations, with the authority to issue fixed-income securities that may be converted and/or swapped, as well as warrants or other instruments that may entitle holders to subscribe or acquire shares in the company, either newly issued or already outstanding, with the possibility of excluding a preferred subscription right when justified by the company's interests.

The resolution that is submitted for the approval of shareholders at the General Meeting establishes a maximum quantitative limit on the issue of any securities under the authorization from shareholders at TWO BILLION EUROS. The authorization would be limited to five years, during which time the Board of Directors may use the authorization one or more times. The resolution submitted to shareholders at the General Meeting for approval contains the bases and types of the conversion and/or swap of debentures or bonds into shares, as well as the execution of warrants, although the Board of Directors would have the delegated authority, if deciding to make use of the authorization from shareholders, to develop and specify those bases and types for each issue.

The proposed resolution also covers authorization to the Board of Directors so that it may exclude a preferred subscription right for shareholders and the holders of convertible debentures, warrants and other similar securities when deemed necessary or advisable to obtain financial resources from domestic and international markets, or when required by the interests of the business. However, following the recommendations of the Good Governance Code for



listed companies, the possibility of excluding the preferred subscription right is limited to 20 percent of share capital.

In the event that the Board of Directors decides to make use of the authority to exclude the preferred subscription right with respect to a specific capital increase that may finally take place through the use of the authorization granted by shareholders, a report from the directors and a report from an auditor, other than the company's auditor, must be prepared as required by Article 308 of the Capital Companies Act. Both reports must be made available to shareholders and reported at the first General Meeting held after the decision to increase capital and in accordance with the provisions of Article 506 of the Capital Companies Act.

II. PROPOSED RESOLUTIONS

Delegate to the Board of Directors the specific power to issue bonds, debentures, or other fixed-income securities convertible into shares (hereinafter, "Securities") in the following terms:

- The Securities can consist of bonds or debentures convertible into newly issued shares or exchangeable for outstanding shares of the Company, as well as warrants or other instruments that, directly or indirectly, can give subscription or acquisition rights for the Company's shares, either newly issued or outstanding.
- The Board of Directors shall have the broadest powers to proceed with the issuance of Securities and the establishment of the characteristics and conditions of each issuance, specifically, including but not limited to, the following:
 - Determine the face value, class of issuance, premiums and strike price, currency of issuance, representation, interest rates and redemption.
 - Determine anti-dilution clauses and subordination clauses; grant funded or unfunded guarantees to fulfill all the debentures resulting from the issuance; hire a third party to grant the guarantees.
 - Constitute a Syndicate of Noteholders, establish the internal regulations and designate a Commissioner of the syndicate; establish that the issuer reserves the right to choose at any moment between newly issued shares, outstanding shares, or a combination thereof, when converting or exchanging securities.
 - Request that the Securities are listed in all markets, organized or otherwise, national or international.

- Exclude or limit the preemptive subscription right in the terms set forth in article 506 of the Recast Text of the Spanish Companies Act. This power is limited to the condition that the exclusions of the preemptive subscription rights that the Board of Directors could agree in the execution of this power or other delegations thereof, or which the Annual General Meeting could agree, do not exceed, in total, 20 percent of the Company's current share capital.
- Increase share capital as needed to handle requests for conversion and/or to exercise subscription rights of shares insofar as the amount of these increases, together with that of all other increases as authorized by the Annual General Meeting of the Company, does not exceed the limit of half of the share capital; and to amend the article of the Company Bylaws regarding the share capital amount.
- The following criteria shall be applicable with respect to determining the bases and methods for conversion or exchange: the conversion or exchange ratio will be fixed, the fixed-income securities will be valued at face value and the shares will be valued at the fixed exchange set by the Board of Administration, or according to the market value of the Company shares on the date(s) or period(s) taken as a reference and which are established in the Board's agreement; in any case, the share price shall not be less than the higher of (i) the arithmetic mean of the closing prices of the Company shares on the Continuous Market for a period determined by the Board of Directors, which period shall not be greater than three months nor less than fifteen days, prior to the date of the Board of Directors meeting that approves the Securities issuance, and (ii) the closing price of the shares on the same Continuous Market the day prior to the Board of Directors meeting that, making use of the delegation herein, approves the issuance of the Securities.

Within the limits set out in the preceding paragraph, the Board of Directors shall have the broadest powers to develop and specify the bases and methods for conversion and exchange.

- The issuance can take place one or several times, at any time, within a maximum period of five years from the date of approval of the agreement herein.
- The total maximum amount of the issuances authorized by the delegation herein will be TWO MILLION euros or equivalent amount in another currency.

The Board of Directors is further authorized to complete this agreement in as many aspects as are necessary for its validity and execution.

The authorization herein revokes that granted on March 9, 2013.



REPORT OF THE BOARD OF DIRECTORS REGARDING THE PROPOSED DELEGATION
TO THE BOARD OF DIRECTORS OF THE AUTHORITY TO INCREASE SHARE CAPITAL
IN ACCORDANCE WITH THE PROVISIONS OF Articles 297.1.B) AND 506 OF THE
COMPANIES ACT

Madrid, February 7, 2018

I. BACKGROUND AND JUSTIFICATION FOR THE PROPOSAL

The authority delegated on March 9, 2013 by shareholders to the Board of Directors to increase share capital, which has not been used, will expire on March 9, 2018.

It is considered advisable for shareholders to renew this authorization up to the maximum limit established by Article 297.1 b) of the Companies Act in terms of both its validity and amount, i.e. five years as from the date of the resolution and up to one-half of the current share capital of €307,955,327.30 and therefore, if this proposal is approved, the Board would be authorized to carry out share capital increases for a maximum total amount of €153,977,663.65.

The Board of Directors considers that these possibilities broaden the Company's operating capacity, which justifies the advisability of the governing body having the capacity and flexibility that are necessary to operate with the agility that is demanded by financial market operations.

The proposal includes, in the terms established by Article 297.1 B) of the Companies Act, the possibility that the payment for any new shares that may be issued under this authority be made in cash and expressly allows for the possibility of the incomplete subscription of shares in accordance with the provisions of Article 311 of the same Act.

The proposal to delegate authority to the Board of Directors includes, in accordance with the provisions of Article 506 of the Companies Act, the granting of authority to the Board of Directors to exclude preferred subscription rights subject to the legal requirements established in the aforementioned Article and concordant provisions, and in accordance with the recommendations of the Good Governance Code for listed companies, which establishes a limit of 20 percent of share capital.

The Board of Directors considers that the authority to exclude the preferred subscription right is supplementary to the authority to increase share capital through the issue of new shares through cash payments, and is justified for the aforementioned reasons.

In the event that the Board of Directors decides to make use of the authority to exclude the preferred subscription right with respect to a specific capital increase that may finally take place through the use of the authorization granted by shareholders, a report from the directors and a report from an auditor, other than the company's auditor, must be prepared as required by Article 308 of the Companies Act. Both reports must be made available to shareholders and reported at the first General Meeting held after the decision to increase capital and in accordance with the provisions of Article 506 of the Companies Act.

The proposed resolution includes authorization for the Board of Directors to take all steps necessary for the new shares to be listed for trading on the stock markets on which the company's shares are listed.



II. PROPOSED RESOLUTIONS

Authorize the Board of Directors to increase share capital, one or several times, in the terms and within the limits set out in articles 297.1.b) and 506 of the Recast Text of the Spanish Companies Act, for a period of five years from the date of this agreement and up to a maximum of 153,977,663.65 euros, equivalent to 50 percent of the share capital.

The increases of share capital as authorized herein shall be carried out via the issuance and sale of new shares, either voting or non-voting, and with or without share premium. The Board of Directors shall have the power to stipulate, where not provided, the terms and conditions of the share capital increase and the characteristics of the shares, as well as to freely offer new shares not subscribed within the period or periods of preemptive subscription rights. The Board of Directors shall also have the power to determine that, in the case of incomplete subscription, the share capital is only increased in the amount of the subscriptions made, and newly amend the article of the Company Bylaws regarding share capital.

With respect to the share capital increases carried out pursuant to this authorization, the Board of Directors is expressly empowered to exclude or limit the preemptive subscription right, in the terms set forth in article 506 of the Recast Text of the Spanish Companies Act. This power is limited to the condition that the exclusions of the preemptive subscription rights that the Board of Directors could agree in the execution of this power or other delegations thereof, or which the Annual General Meeting could agree, do not exceed, in total, 20 percent of the Company's current share capital.

The Company shall request, when necessary, that the shares issued under this authorization are listed in official or unofficial, organized or otherwise, secondary markets, empowering the Board of Directors to perform those proceedings and steps necessary for admission to listing before the competent bodies of the various securities markets.

The Board of Directors is further authorized to complete this agreement in as many aspects as are necessary for its validity and execution.

The authorization herein revokes that granted on March 9, 2013.



**COMPENSATION POLICY FOR
MAPFRE S.A. DIRECTORS 2019-2021**

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1. INTRODUCTION

Article 17 of the Corporate Bylaws of MAPFRE S.A. (hereinafter, "MAPFRE" or "the company") sets out the compensation system for directors, which must comply with the compensation policy for directors approved at the Annual General Meeting and with the legally established terms and conditions.

In accordance with Article 529(r) of the Capital Companies Act, this policy must comply with the compensation system established in the Corporate Bylaws and must be approved at an Annual General Meeting at least every three years as a separate point on the agenda.

The article also states that the compensation policy for directors will remain effective for the three years following the year in which it was approved, and that any amendment or replacement of the policy during the effective period will require prior approval by the shareholders in accordance with the established procedure.

2. GENERAL PRINCIPLES

The aim of the policy is to promote the long-term profitability and sustainability of the company, and it therefore includes the necessary precautions to prevent an excessive assumption of risk or unfavorable outcomes.

To this end, the remuneration for directors is governed by the following general principles:

- Priority of the creation of value and profitability in the medium and long term over short-term results.
- Reasonable proportion between the company's economic situation and the market standards of comparable companies.
- Alignment with the commercial and risk management strategy, risk profile, objectives, and risk management practices.
- Appropriate and efficient risk management within the established risk tolerance limits.
- Attraction and retention of talent.
- Appropriate compensation for dedication, qualification and responsibility.
- Appropriate proportion of fixed and variable components, avoiding excessive reliance on variable components.
- Deferral of payment of a significant portion of the variable remuneration.
- Possibility of ex-post adjustments to the variable remuneration.
- Avoidance of conflicts of interest.

3. COMPENSATION FOR DIRECTORS IN THEIR STATUS AS SUCH

In accordance with Article 529(p) of the Capital Companies Act, the compensation policy for directors will determine the compensation for directors in their status as such, within the compensation system established in the Corporate Bylaws, and it must state the maximum total amount of the annual compensation payable to such directors. Thereafter, it is up to the Board of Directors to determine the compensation for each director in their status as such.

As stated in Article 17 of the Corporate Bylaws, the compensation for directors in their status as such will consist of fixed sums for membership of the Board of Directors and, where applicable, of the Steering Committee and sub-steering committees, which may be higher people who occupy positions on the Board itself or who chair any of the committees or sub-committees. These sums will be supplemented with other non-monetary compensation (life or medical insurance, discounts on products sold by companies in the MAPFRE Group, etc.) that have been established for the company staff in general.

At its meeting of February 7, 2018, the Board of Directors agreed to propose to the Ordinary General Meeting of March 9, 2018 the amendment of Article 17 of the Corporate Bylaws to provide for the payment of a fixed sum and a travel, subsistence and accommodation allowance to members of the Steering Committee when they attend meetings.

The maximum total amount of annual compensation payable to directors in their status as such is established as 4 million euros.

Subject to this limit, and pursuant to the recommendation of the Appointments and Remuneration Committee, the Board of Directors will determine the amount of the aforementioned fixed sums on an annual basis.

4. COMPENSATION FOR EXECUTIVE DIRECTORS

In accordance with Article 529(q) of the Capital Companies Act, the compensation payable to directors for performing executive functions must comply with the compensation policy for directors. This must indicate the amount of the annual fixed remuneration and its variation in the period to which the policy refers, the different parameters for establishing the variable components and the main terms and conditions of their contracts, including in particular their duration, compensation for early termination or conclusion of the contractual relationship, and any exclusivity, non-compete, continuity of service and loyalty agreements.

As stated in Article 17 of the Corporate Bylaws, directors who have been assigned executive functions in the company or Group are excluded from the remuneration system indicated in Point 3 and are entitled to receive compensation exclusively for performing those executive functions. This compensation may include the delivery of shares, share option rights or other share value-referenced amounts, subject to the requirements set forth in current legislation at the time.

This remuneration will be determined by the Board of Directors and all the corresponding items must be stated in the contract between the company and the executive director, which must be approved by the Board of Directors pursuant to the recommendation of the Appointments and Remuneration Committee.

4.1 Fixed remuneration

The fixed remuneration for each executive director will be established in line with their functions, level of responsibility and professional profile, in accordance with the criteria governing MAPFRE Group senior executives.

The fixed remuneration amount for executive directors will be agreed on an annual basis.

For 2018 the total fixed remuneration for executive directors is 2,665,567 euros, corresponding entirely to the company.

4.2 Variable remuneration

4.2.1 Short-term variable remuneration

The short-term variable remuneration system for executive directors will be based on an annual incentive linked to the net consolidated profit of the company and, where applicable, to the specific business of their area of responsibility. For 2018 the maximum total of this incentive, payable entirely in cash, is 2,701,184 euros, corresponding entirely to the company.

4.2.2 Medium and long-term variable remuneration

The medium and long-term variable remuneration system for executive directors is articulated through their participation in multi-year incentive plans approved, where applicable, by the Board of Directors pursuant to the recommendation of the Appointments and Remuneration Committee, in relation to the Group's executive team.

In any case, the accrual and payment of these incentives depends on the fulfillment of corporate objectives (related to the Group's main management metrics) and each beneficiary's specific objectives, as well as remaining in the employment of the company or Group, in the terms and conditions established in these plans.

These incentives may be paid in cash or through the delivery of MAPFRE shares, share option rights or other share value-referenced amounts, subject to the requirements set forth in current legislation.

On February 9, 2016 the Board of Directors, acting on the recommendation of the Appointments and Remuneration Committee, approved an extraordinary medium-term incentive plan for key executives of the MAPFRE Group, including executive directors. Non-cumulative and multi-year, this plan runs from January 1, 2016 to March 31, 2019.

The amount derived from this plan depends in general on each beneficiary fulfilling certain corporate and specific objectives and (except for special cases of severance expressly established), remaining in the Group's employment or maintaining a business relationship with the Group until the termination date of the plan. The incentive will partly be paid in cash and partly by means of MAPFRE S.A. shares. The receipt of 60 percent of the incentive by each executive director will be deferred for a period of three years, in thirds, with 50 percent of the deferred part paid in cash and the remaining 50 percent in shares. The incentive will also be subject to clauses of reduction (malus) or recovery (clawback).

The quantification of the incentive to be paid depends on the degree of fulfillment of the objectives that have been established in line with the Group's strategic plan. The metrics for assessing the corporate objectives are indexed to the total shareholder return (TSR) and the ROE (return on equity) and to specific individual objectives related to the metrics and financial indicators of the MAPFRE Group balanced scorecard, technical ratios (expense ratio, net combined net ratio, etc.) and the return on written premiums.

The rules for calculating the incentive are as follows:

- The fulfillment of the objectives weighted as a whole must reach an average of 50 percent, otherwise there is no entitlement to receive the incentive.
- If the fulfillment of objectives is between 50 percent and 80 percent, 60 percent of the incentive will be paid.
- If the fulfillment of objectives is between 80 percent and 100 percent, the same proportion of the incentive will be paid.
- If the fulfillment of objectives exceeds 100 percent, with an upper limit of 150 percent, the incentive paid will be proportional to the fulfillment of 100 percent of the objectives, plus a multiplication coefficient of 2 on the surplus fulfillment above 100 percent.

4.2.3 Common provisions

Variable remuneration will be determined, applied and maintained in accordance with the company's sales and risk management strategy, risk profile, objectives, risk management practices, and the performance and short, medium and long-term interests of MAPFRE

as a whole. It will also include measures to prevent conflicts of interest.

In accordance with these principles, the following specific mechanisms will be used to determine variable remuneration components:

a) Proportion between fixed and variable components

The fixed and variable components of the remuneration package must be balanced in such a way that the fixed component constitutes a sufficiently large part of the total remuneration, therefore enabling the application of a completely flexible policy with regard to the variable components of the remuneration package, even including the possibility of not paying them. Accordingly, and to avoid the excessive assumption of risk, the percentage of the variable component with respect to the fixed remuneration should not exceed 150 percent.

b) Variable remuneration criteria

Variable remuneration linked to performance will be based on a combination of the following factors:

- Individual performance, evaluated according to financial or other criteria.
- Performance of the activity segment/department.
- Overall result of the company and GROUP.

The performance evaluation will include an adjustment for exposure to present and future risks.

c) Deferred variable remuneration component

The payment of at least 30 percent of the variable remuneration will be deferred for at least three years in line with the nature and time horizon of the company's business and risks and the specific activities of each executive director.

This deferred remuneration will be paid on a pro rata basis throughout the years of deferral, calculated according to the number of years in question.

d) Ex-post adjustments (malus and clawback clauses)

Contracts drawn up with executive directors must include malus and clawback clauses affecting up to 100 percent of the total variable remuneration.

Malus clause

Deferred variable remuneration that has accrued and is pending payment will be subject to a partial or total reduction if any of the following circumstances arise before the payment date:

1. Restatement of the annual accounts for reasons other than a change in legislation and provided that the outstanding variable remuneration resulting from the restatement is zero or less than the amount initially accrued as per the variable remuneration model.
2. Provisos contained in the auditor's report that reduce the earnings of the company subject to the payment of outstanding variable remuneration.
3. Variable remuneration accrued as a direct or indirect consequence of:
 - a. Fraudulent action by the executive director.
 - b. Actions conducted by the executive director that cause serious damage to the company through their fault or negligence.
 - c. Actions conducted by the executive director that are a gross or willful breach of the regulations in force.

The reasons for applying the malus clause may be modified, extended or adapted in line with the regulations in force at the time or if deemed appropriate by the governing body.

Clawback clause

The variable remuneration already paid to executive directors, irrespective of whether it has been deferred or not, will be subject to partial or total recovery if during the three years immediately following its payment it is revealed that said payment was in total or partial breach of the conditions established for its accrual or it was made on the basis of information that has since been proved to be false or inaccurate.

The Board of Directors' determination that the circumstances leading to the application of this clause have arisen and that a percentage of the variable remuneration must be paid back to the company, plus the procedure by which the company may claim the proportional return of the amount paid or even offset it against other types of remuneration owing to the executive director concerned, and this individual's obligation to pay back

part or all of the said amount to the company, must be carried out in accordance with the regulations approved to this effect.

4.3 Retirement and social benefits

In addition to this fixed and variable remuneration, executive directors, as members of the Group's executive team, may be beneficiaries of defined contribution pension agreements in the event of retirement, death or permanent disability. The contribution and vesting conditions will be set out in their respective contracts.

Executive directors will also be entitled to the social benefits established for company staff in general.

4.4 Other main conditions of contracts

Executive directors must have an exclusive relationship with the company.

There are no contractual conditions relating to post-contractual non-compete agreements or continuity of service.

The duration of the contracts for executive directors is related to the length of service as a director. Termination in this role implies lifting the suspension of the relationship prior to the appointment as such.

The expiry on the date of maturity of this previous relationship will not lead in itself to any economic right, without prejudice to the right of the Board of Directors to agree, on the recommendation of the chairperson and the Appointments and Remuneration Committee, extraordinary bonuses based on performance during their career.

Except where there is good cause for dismissal, the early termination of the previous relationship will entail compensation under the terms established in the Workers' Statute in relation to unfair dismissal.

5. EFFECTIVE PERIOD

This policy applies to the remuneration of MAPFRE S.A. directors during the years 2019, 2020 and 2021, unless a new agreement is adopted at the Annual General Meeting.



REPORT OF THE APPOINTMENTS AND REMUNERATION COMMITTEE REGARDING
THE COMPENSATION POLICY FOR THE DIRECTORS OF MAPFRE S.A.

Madrid, February 1, 2018

1. REGULATORY CONTEXT

In accordance with Article 529 r of the Companies Act, *"the compensation policy for directors will follow the remuneration system established by company statutes and will be approved by shareholders at a general meeting at least every three years as a separate point on the agenda"*. In accordance with that Article *"the proposed compensation policy for the Board of Directors will be justified and must be accompanied by a specific report from the Appointments and Remuneration Committee"*. The *"will remain in force for the three years following that in which it was approved by shareholders at a general meeting"*.

In accordance with the above, Article 23 of the Company Statutes and Article 11.1.f) of the Regulations of the MAPFRE S.A. Board of Directors, the Appointments and Remuneration Committee has the authority to *"propose to the Board of Directors the compensation policy for directors [...], as well as individual remuneration and the other terms and conditions of the Executive Directors' contracts, ensuring their observance"*.

This document constitutes the legal report justifying the proposed compensation policy for directors that will be submitted for the approval of the Board of Directors to be raised, if appropriate, to shareholders at an Annual General Meeting.

2. APPOINTMENTS AND REMUNERATION COMMITTEE

The Appointments and Remuneration Committee is the delegate body of the Board of Directors for the coordinated development of appointments and compensation policy regarding the directors.

At the date of this report, the Committee comprises four members, all of whom are non-executive directors and two are independent directors, including the Chair.

The committee meets whenever necessary to ensure the correct exercise of its functions and responsibilities, and seven meetings were held in 2017 and one in 2018 to date.

Over the past few years, the Committee carried out a comparative study of the remuneration of Members of the Board of Directors of IBEX 35 Companies, the results and conclusions of which were taken into account in creating the compensation policy referred to in this report.

3. GENERAL PRINCIPLES OF THE COMPENSATION POLICY FOR DIRECTORS

The preparation of the compensation policy for directors took into account the following:

- Applicable regulations:

The Appointments and Remuneration Committee has verified that the policy is in line with the provisions of Articles 217, 529.17.1, 529.18.1 and concordant sections of the Companies Act, as well as Article 275 of the European Commission's Delegated Regulation 2015/35 which supplements Directive 2009/138 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

- General Principles:

The policy referred to in this report is based on the following principles which, in the case of the Executive Directors, are the same as those for executive personnel at the Company and the Group:

- a) Priority of the creation of value and profitability in the medium and long term over short-term results.
- b) Reasonable proportionality between the company's economic situation and the market standards of comparable companies.
- c) Alignment with the company's sales and risk management strategy, risk profile, objectives, and risk management practices.
- d) Appropriate and efficient risk management within the established risk tolerance limits.
- e) Attraction and retention of talent.
- f) Appropriate remuneration for dedication, qualification and responsibility.
- g) Appropriate proportion of fixed and variable components, avoiding excessive reliance on variable components.
- h) Deferral of payment of a significant portion of the variable remuneration.
- i) Possibility of ex-post adjustments to variable remuneration.
- j) Avoidance of conflicts of interest.

4. TERM OF THE COMPENSATION POLICY FOR DIRECTORS

If approved by shareholders, the policy covered by this report will remain in force in 2019, 2020 and 2021. Any change in the policy will require prior authorization by shareholders in accordance with current legislation.

5. PROPOSED RESOLUTION

The Appointments and Remuneration Committee at MAPFRE S.A. held a meeting on February 1, 2018 and considered that the remuneration principles and systems applicable to both the remuneration of directors in their position as such and, where applicable, for the performance of executive functions, that are set out in the compensation policy for directors is in line with the provisions of the Companies Act and, in particular, Articles 217 and 529 o through 529 r, inclusive, and that the provisions in force regarding Solvency II are adequate to attain the Group's objectives.

As a result, the Committee adopted the following resolutions at the aforementioned meeting:

- To submit the director compensation policy of MAPFRE S.A. for the period 2019-2021 to the Board of Directors so that it may be presented to shareholders at an Annual General Meeting as a separate point on the agenda.
- To prepare this report regarding the directors' compensation policy, the approval of which is proposed.



REPORT OF THE APPOINTMENTS AND REMUNERATION COMMITTEE
TO THE MAPFRE S.A. BOARD OF DIRECTORS
REGARDING ITS COMPOSITION AND FUNCTIONS IN 2017

The Appointments and Remuneration Committee is the delegate body of the Board of Directors for undertaking the functions of appointment, termination and reelection of Directors and Senior Managers for MAPFRE S.A. and its Group, and for establishing remuneration.

Its regulation is contained in article 23 of the Corporate Statutes and in article 11 of the Board of Directors Regulations.

1. Composition

The Appointments and Remuneration Committee should consist of a minimum of three and a maximum of five Directors, all non executive and at least two of whom should be Independent Directors. The Chairman should have the condition of Independent Director and the Secretary is that of the Board of Directors.

As of December 31, 2017 the Appointments and Remuneration Committee was composed of the following Directors:

Chairperson: Ms. Catalina Miñarro Brugarolas (Independent).

Members: Ms. Adriana Casademont i Ruhí (Independent).¹
Luis Hernando de Larramendi Martínez (Nominee).
Alfonso Rebuella Badías (Nominee).

2. Responsibilities

¹ By a resolution adopted by the Board of Directors on December 21, 2017 Mr. José Antonio Colomer Guiu (Independent) was appointed to the Board, effective January 1, 2018 to fill the position opened by the resignation of Ms. Casademont.

The Appointments and Remuneration Committee has the following responsibilities assigned in accordance with article 11 of the Regulations for the Board of Directors:

- a) To evaluate the balance of skills, knowledge and experience required on the Board, defining the duties and capabilities required of the candidates to fill each vacancy accordingly and deciding the time and dedication necessary for them to properly perform their duties.
- b) To establish a representation objective for the gender least represented on the Board of Directors and to draw up guidelines on how to achieve this objective.
- c) To bring before the Board of Directors the appointment proposals of Independent Directors for them to be designated by cooptation or for them to be subject to the decision of the Annual General Meeting, as well as proposals for reappointment or separation, and to report on cases related to proposals that affect the remaining Directors.
- d) To notify proposals for the appointment and termination of Senior Managers and their basic contractual conditions.
- e) To examine and organize the succession of the Chairman of the Board, and where appropriate, to make the corresponding proposals to the Board so that this succession is orderly, well-planned.
- f) To propose to the Board of Directors the remuneration policy of Directors and General Managers or anyone who performs senior management duties under the direct control of the Board, the Steering Committee or the Managing Directors, as well as individual remuneration and other conditions of the contracts of Executive Directors, ensuring their enforcement.
- g) To propose to the Board of Directors the candidates for the appointment of the Fundación MAPFRE Trustees whose appointment is the responsibility of the Company.
- h) To authorize the appointment of External Directors of the remaining Group companies.

3. Operational framework

As laid down in the Board of Directors Regulations, the Appointments and Remuneration Committee meets whenever necessary in order to perform its functions appropriately, and to this effect the Senior Manager supervising the Human Resources Division will be in attendance.

During the 2017 financial year the Committee met 7 times, when the main topics addressed were as follows:

- **Appointment and reelection of directors:**

In compliance with Director Selection Policy and the Board Renewal Plan approved in 2015, the Appointments and Remuneration Committee completed the selection processes and made proposals to the Board of Directors for the appointment of a new Independent Director and the reelection of two Independent Directors, and reported to the Board of Directors with regard to proposals for the appointment and reelection of two Executive Director.

To this effect, the Appointments and Remuneration Committee contributed to the analysis of the requirements of the company and those of the Group and to the assessment of prestige and suitability, avoiding at all times any implicit bias which may imply discrimination, especially with regard to the selection of candidates or one gender or the other.

In each case, the Committee assessed the personal and professional qualities of the candidates and took into account the need for a plurality of profiles on the Board to enable suitable balance and diversity in training, experience, gender and nationality.

Furthermore, and in accordance with the provisions established in the regulations currently in force, the Appointments and Remuneration Committee analyzed the suitability of the members of the Board of Directors to be a part of said body, assessing the existence of circumstances that may affect their personal and professional prestige.

In particular, in matters of gender diversity the policy establishes that by 2020 the number of female directors should represent at least 30 percent of the total members of the Board of Directors, having already reached 26.7 percent as of December 31, 2017.

- **Assessment of the Chairman of the Board:**

The Appointments and Remuneration Committee assessed the Chairman of the Board of Directors of MAPFRE S.A.

After appropriate analysis, the Appointments and Remuneration Committee considered the performance of the Chairman of the Board of MAPFRE S.A. to be very satisfactory, both in this position and as the most senior management representative for the Group, in all its aspects: compliance with the main institutional principles laid down in the regulations for good governance; performance in the senior institutional representation functions of the company and management of the activities of the Board of Directors and delegate bodies, inherent in the position of Chairman; and discharging senior executive management duties related to the Group's activities.

- **Remuneration to Directors:**

In compliance with its responsibilities and within the framework of the Directors Remuneration Policy approved by Shareholders at the General Meeting held on March 11, 2016, the Appointments and Remuneration Committee made a proposal for the remuneration of Directors in their condition as such, and the contract conditions, including remuneration, for Executive Directors corresponding to the 2017 financial year, for their approval by the Board of Directors.

- **Annual Report on Director Remuneration:**

The Appointments and Remuneration Committee issued a favorable report for the Annual Report on Director Remuneration corresponding to the 2016 financial year, for its submission on a consultation basis by the Board of Directors to the Annual General Meeting, and which was approved at the meeting held on March 10, 2017.

- **Senior Management Appointments:**

The Appointments and Remuneration Committee analyzed the proposals for appointments and dismissals for MAPFRE S.A. and MAPFRE Group Senior Management, issuing a report on same to be submitted for approval by the MAPFRE Group administrative bodies corresponding to each case.

- **Contract conditions for members of Senior Management:**

The Committee analyzed, and presented to the Board of Directors, the proposals for the applicable contract conditions, including fixed and variable remuneration, corresponding to the 2017 financial year for members of Senior Management in the MAPFRE Group, in the terms provided for in the MAPFRE Group Compensation Policy.

Therefore, the Appointments and Remuneration Committee has unanimously agreed to submit this report to the MAPFRE S.A. Board of Directors for them to evaluate the functioning of the Committee during the 2017 financial year based on its content.

Madrid, February 1, 2018
Committee Secretary

Ángel L. Dávila Bermejo

ANNEX 1

ANNUAL REPORT ON THE COMPENSATION OF DIRECTORS OF PUBLICLY TRADED COMPANIES

ISSUER'S IDENTITY DATA

END DATE OF THE REFERENCED FINANCIAL YEAR	31/12/2017
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Tax ID	A08055741
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COMPANY NAME

MAPFRE S.A.

REGISTERED OFFICE

MAJADAHONDA (MADRID), No. 52 CARRETERA DE POZUELO

ANNUAL REPORT ON THE COMPENSATION OF DIRECTORS OF PUBLICLY TRADED COMPANIES

A COMPENSATION POLICY OF THE COMPANY FOR THE CURRENT YEAR

A.1 Explain the company's compensation policy. In this section include information on:

- General principles underpinning the compensation policy.
- The most significant changes made to the compensation policy compared with the one applied during the previous financial year, as well as any modifications made during the year to the terms and conditions for exercising previously granted options.
- Criteria used and the composition of the groups of comparable companies whose compensation policies were examined to establish this company's compensation policy.
- Relative weight of variable remuneration compared with fixed remuneration items and the criteria followed to determine the different components of the remuneration package (remuneration mix) for directors.

Explain the compensation policy

i) General principles:

The remuneration of directors is determined in accordance with the provisions of regulations applicable to corporations, the corporate bylaws of the Board of Directors, and the decisions adopted by the Annual General Meeting.

Acting on the recommendation of the Board of Directors, the Annual General Meeting of March 11, 2016 approved the compensation policy for directors for the period 2016-2018. The general principles underpinning this policy are as follows:

- Priority of the creation of value and profitability in the medium and long term over short-term results.
- Reasonable proportion between the company's economic situation and the market standards of comparable companies.
- Alignment with the commercial and risk management strategy, risk profile, objectives, and risk management practices.
- Appropriate and efficient risk management within the established risk tolerance limits.
- Attraction and retention of talent.
- Appropriate compensation for dedication, qualification and responsibility.
- Appropriate proportion of fixed and variable components, avoiding excessive reliance on variable components.
- Deferred payment of a significant portion of the variable remuneration.
- Possibility of ex-post adjustments to the variable remuneration.
- Avoidance of conflicts of interest.

Based on these principles, the remuneration system for directors, in their status as such, is defined by the following characteristics:

- Transparency in reporting the remuneration of directors.

- It provides an incentive to reward dedication, qualifications and responsibility, without constituting an obstacle to the duty of loyalty.
- It consists of a fixed amount for membership of the Board of Directors and, where applicable, of the Steering Committee and sub-steering committees, which may be higher for people with positions on the Board or who chair the sub-steering committees. This remuneration may be supplemented with other non-monetary compensation (life or medical insurance, discounts on products sold by companies in the MAPFRE Group, etc.) that have been established for the company staff in general.
- It does not include variable components or those indexed to share value.
- Directors are reimbursed for traveling expenses and other costs incurred to attend company meetings or carry out their functions.

The remuneration system for directors who carry out executive functions within the company is based on the following criteria:

- The remuneration for carrying out executive functions is determined according to those functions, levels of responsibility and professional profile, in accordance with the criteria governing the remuneration of MAPFRE Group senior executives.
- This remuneration consists of a balanced and efficient relationship between fixed and variable components, with fixed components forming a sufficiently high proportion of total remuneration.
- Executive directors may not receive the remuneration assigned to the directors in their status as such.
- The remuneration of executive directors is designed with a view to the medium and long term, which drives their performance in strategic terms while encouraging them to achieve short-term results.
- The remuneration system is compatible with appropriate and effective risk management, with the business strategy and with the long-term values and interests of the company, without variable remuneration compromising the company's capacity to maintain an adequate capital base.
- It takes into account market trends and its position in the market reflects the strategic approach of the company, being effective for attracting and retaining the best professionals.
- It guarantees equality for all MAPFRE professionals, regardless of gender, race or ideology.

The compensation policy is therefore aimed at creating value for the company, seeking alignment with the interests of shareholders, with prudent risk management and strict compliance with current regulations regarding the remuneration of directors of publicly traded companies.

ii) The most significant changes made:

There were no changes in the compensation policy for directors with respect to the one followed in 2016.

As indicated above, the Annual General Meeting of March 11, 2016 approved the compensation policy for directors for the period 2016-2018. This policy took into account the legal requirements governing remuneration as set out in the Spanish Corporations Act and Delegated Regulation 2015/35 of the European Commission which supplements Directive 2009/138 on taking up and pursuing the business of insurance and reinsurance (Solvency II), as well as the recommendations on this matter included in the Good Governance Code for publicly traded companies.

Among other matters, it included mechanisms for deferring the payment of earned remuneration as well as reduction (malus) and recovery (clawback) clauses, as described in this report, and the option of paying part of the variable remuneration in shares.

iii) Criteria used to establish the company's compensation policy and remuneration mix:

With regard to the criteria followed to determine the different components in the remuneration package for directors, in the case of external directors the aim is compensate them in accordance with their professional experience, dedication to the position and the responsibility involved, while ensuring that their objectivity in the defense of company interests is not affected by the remuneration received.

For executive directors, as with the rest of the Group's senior executives, the aim is to provide competitive remuneration packages that will attract and retain outstanding professionals while establishing and sustaining a stable relationship between remuneration, results and accepted risk (this risk therefore constitutes a determining factor of the variable remuneration in the medium term).

Accordingly, executive directors have an annual ordinary variable remuneration system (linked in certain cases to the company's net consolidated profit and in other cases to the same indicator and others related to their respective responsibilities), as well as variable multi-year incentives (described in section A.4 of this report) linked to achieving both corporate and specific objectives.

In 2015 the Appointments and Remuneration Committee carried out a comparative study of the remuneration of Members of the Board of Directors of IBEX 35 Companies, whose results and conclusions were taken into account in creating the compensation policy referred to the Annual General Meeting by the Board of Directors.

A.2 Information on preparatory work and the decision-making process followed to determine the compensation policy and the role played, where applicable, by the Remuneration Committee and other control bodies in determining the compensation policy. Where applicable, include the mandate and composition of the Remuneration Committee and the identity of the external consultants whose services were used to define the compensation policy. In addition, specify

the nature of any directors who played a role in defining the compensation policy.

Explain the process for determining the compensation policy

MAPFRE is aware of the importance of having a corporate governance system to steer the structure and operations of its management bodies in the interests of the company and its shareholders.

The MAPFRE Board of Directors has implemented regulations which take into account the principles and elements of the corporate governance system and comprise the internal regulations and operations of the Board, the Steering Committee and the Sub-Steering Committees, as well as the rights and duties of the directors in carrying out their functions.

In order to comply with the legal requirements for remuneration of directors and continue adapting to corporate governance best practices regarding remuneration, the Regulations of the Board of Directors govern the functions related to remuneration of the Board of Directors and the Appointments and Remuneration Committee.

Accordingly, the MAPFRE Board of Directors carries out the following functions:

- Decisions regarding the remuneration of directors, within the statutory framework and, as applicable, the compensation policy approved by the general meeting.
- Approval of the terms and conditions of the contracts of the managing director and directors who perform executive functions.
- Definition of the remuneration of directors who perform executive functions.

The MAPFRE corporate governance system is designed to ensure that the recommendations regarding remuneration that are submitted to the company's Board of Directors originate in the Appointments and Remuneration Committee, which analyzes them previously in consultation with the different internal services of the company and external experts where necessary. The committee is also assisted by the company's senior executive who oversees the Human Resources Division.

In accordance with Article 11 of the MAPFRE Regulations of the Board of Directors, the Appointments and Remuneration Committee recommends to the Board of Directors the compensation policy for directors, for general managers and for those who perform senior management functions and report directly to the Board, the Steering Committee or the managing directors, as well as individual remuneration and the other terms and conditions of the executive directors' contracts, ensuring their observance.

To exercise the aforementioned responsibilities, the committee must consult the Chairperson of the Board and must consider his recommendations on issues related to executive directors and senior executives.

In accordance with the Regulations of the Board of Directors, and with the provisions of the legislation in force, the Appointments and Remuneration Committee must consist of a minimum of three and a maximum of five directors, all non-executive, and at least two of whom must be independent. This committee must also be chaired by an independent director.

The committee meets whenever necessary to ensure the correct exercise of its functions and responsibilities, and seven meetings were held in 2017.

At the time this report was prepared its members were as follows:

- Chairperson: Catalina Miñarro Brugarolas (independent)
- Member: José Antonio Colomer Guiu (Independent)
- Member: Luis Hernando de Larramendi Martínez (nominee)
- Member: Alfonso Rebuella Badías (nominee)

A.3 Indicate the amount and nature of the fixed components, with a breakdown where applicable of the remuneration for senior management functions by executive board members, of additional remuneration for the chair or members of a Board committee, subsistence allowances for attending Board and committee meetings, any other fixed remuneration for directors, and an estimate of the final annual fixed remuneration to which they give rise. Identify other benefits which are not paid in cash and the basic parameters for which they are granted.

Explain the fixed components of the remuneration

As indicated in Section A.1, the company has a remuneration system which differentiates between external directors and executive directors. The components of their differentiated remuneration are explained below.

A) Fixed remuneration for external directors

External directors receive a fixed amount for their membership of the Board of Directors as basic remuneration and, where applicable, for membership of the Steering Committee and sub-steering committees, which may be higher for people who occupy positions on the Board itself or who chair any of the Board committees or sub-committees. This remuneration may be supplemented with other non-monetary compensation as established for the company staff in general.

(i) Fixed amount

As indicated in the Section A.1 above, the basic remuneration of external directors consists of an annual fixed amount for their

membership of the Board of Directors and, where applicable, for membership of the Steering Committee and sub-steering committees. For 2018 these amounts are as follows:

- Membership of the Board of Directors: 110,000 euros
- Vice Chairperson of the Board of Directors – Supervising Director: 110,000 euros
- Membership of the Steering Committee: 20,000 euros
- Chairperson of the Audit and Compliance Committee: 65,000 euros
- Members of the Audit and Compliance Committee: 45,000 euros
- Chairperson of the Appointments and Remuneration Committee: 57,000 euros
- Members of the Appointments and Remuneration Committee: 37,000 euros
- Chairperson of the Risk Committee: 57,000 euros
- Members of the Risk Committee: 37,000 euros

(ii) Life insurance and other non-monetary benefits:

External directors have life insurance with an insured capital of 150,253 euros in case of death, and other benefits such as discounts on products sold by MAPFRE Group companies in line with those established for the company staff in general.

(iii) Amounts for membership of the Board of Directors of subsidiary companies

External directors who are members of the Board of Directors of subsidiary companies also receive a fixed amount for this membership and, as applicable, for membership of their management committees.

These amounts vary depending on the size and geographic location of the subsidiary company. For 2018 these amounts are as follows:

- Chairperson of the Board of Directors of insurance companies in Spain: 100,000 euros
- Vice Chairperson of the Board of Directors of insurance companies in Spain: 10,000 euros
- Membership of the Board of Directors of insurance companies in Spain: 47,000 euros
- Members of the management committees of insurance companies in Spain: 10,000 euros
- Chairperson of the Board of Directors of subsidiary companies overseas: 60,000 - 100,000 dollars (USD).
- Membership of the Board of Directors of subsidiary companies overseas: 40,000 - 80,000 dollars (USD).
- Chairperson of the delegate bodies of the Board of Directors of overseas subsidiaries: 5,000 dollars (USD).
- Members of the delegate bodies of the Board of Directors of overseas subsidiaries: 3,000 dollars (USD).

B) Fixed remuneration of executive directors

(i) Fixed remuneration

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

The fixed remuneration for carrying out their executive functions is determined in line with the policy established for the remuneration of MAPFRE senior executives, and in accordance with the stipulations of their respective contracts.

For 2018 the fixed salary remuneration of the five executive directors is 2,665,567 euros, corresponding entirely to the company.

(ii) Life insurance and other benefits

Executive directors are entitled to the allowances or social benefits established for members of senior management as well as those established for company staff in general, as stipulated in the collective bargaining agreement signed by MAPFRE.

The social benefits for executive directors include a supplementary insurance policy with an insured capital in case of death or permanent disability equivalent to twice the annual fixed remuneration, plus 1 percent for each year of service and another 20 percent for each child under 25 years of age or unable to work, with a clause for double capital in case of accidental death. They also receive additional benefits such as discounts on products sold by MAPFRE Group companies

A.4 Explain the amount, nature and main characteristics of the variable components of the remuneration systems.

In particular:

- Identify each of the remuneration systems of which the directors are beneficiaries, their scope, approval date, implementation date, effective period and their main characteristics. In the case of share option plans and other financial instruments, the general characteristics of the plan should include information on the terms and conditions for exercising the options or financial instruments of each plan.
- Indicate any remuneration for profit sharing or premium schemes and the reason they were granted.
- Explain the main parameters and principles of any annual bonus system.

- The classes of directors (executive directors, nominee external directors, independent external directors and other external directors) who are beneficiaries of remuneration systems or plans which include a variable remuneration.
- The principles underpinning those variable remuneration systems or plans, the performance evaluation criteria adopted, the evaluation components and methods for determining whether the evaluation criteria have been met, and an estimate of the absolute amount of variable remuneration which the current remuneration plan would generate based on the level of compliance with the benchmark assumptions or objectives.
- If applicable, include information on the established deferral or postponement periods for payment and/or the retention periods for any shares or other financial instruments.

Explain the variable components of the remuneration systems
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As indicated in section A.1 above, only executive directors receive variable remuneration, of which there are three types:

(i) Short-term variable remuneration

The Group's executive directors belong to the group of senior executives who have an ordinary variable remuneration system linked to the net consolidated profit of the company and, where applicable, to other indicators related to their respective responsibilities. This remuneration is always paid in cash.

For 2018 the maximum total of this short-term variable remuneration is 2,701,184 euros, corresponding entirely to the company.

The ordinary variable remuneration is approved annually by the Board of Directors following a report from the Appointments and Remuneration Committee, which at the end of the year also assesses the degree to which the company's profit objectives have been reached.

(ii) Medium-term variable remuneration

In 2013, as recommended by the Appointments and Remuneration Committee, the Board of Directors of MAPFRE S.A. approved an extraordinary medium-term incentive plan for executive directors in their status as senior managers. Non-cumulative and multi-year, this plan ran from January 1, 2013 to March 31, 2016.

The amount derived from this plan depends in general on each beneficiary fulfilling certain corporate and specific objectives and (except for special cases of severance expressly established), remaining in the Group's employment until the termination date of the plan. This incentive is always paid in cash.

The quantification of the incentive to be paid depends on the degree of fulfillment of the objectives that have been established in line with the Group's strategic plan. The metrics for assessing the corporate objectives are indexed to the RAROC (risk adjusted return on capital) and specific individual objectives.

The rules for calculating the incentive are as follows:

- The fulfillment of the objectives weighted as a whole must reach an average of 60 percent, otherwise there is no entitlement to receive the incentive.
- If the fulfillment of objectives is between 60 percent and 80 percent, 60 percent of the incentive will be paid.
- If the fulfillment of objectives is between 80 percent and 100 percent, the same proportion of the incentive will be paid.
- If the fulfillment of objectives exceeds 100 percent, with an upper limit of 150 percent, the incentive paid will be proportional to the fulfillment of 100 percent of the objectives, plus a multiplication coefficient of 2 on the surplus fulfillment above 100 percent.

In the case of three of the Executive Directors, accrual of 60% of the incentive will occur, where appropriate, in the financial years 2017, 2018 and 2019 in equal parts. In 2017, such accruals totaled 1,128,000 euros, with this amount corresponding fully to the Company.

On February 9, 2016 the Board of Directors, acting on the recommendation of the Appointments and Remuneration Committee, approved a new extraordinary medium-term incentive plan for executive directors in their status as senior managers. Non-cumulative and multi-year, this plan runs from January 1, 2016 to March 31, 2019.

The amount derived from this plan depends in general on each beneficiary fulfilling certain corporate and specific objectives and (except for special cases of severance expressly established), remaining in the Group's employment or maintaining a business relationship with the Group until the termination date of the plan. The incentive will partly be paid in cash and partly by means of MAPFRE S.A. shares. The receipt of 60 percent of the incentive by each executive director will be deferred for a period of three years, in thirds, with 50 percent of the deferred part paid in cash and the remaining 50 percent in shares. The incentive will also be subject to clauses of reduction (malus) or recovery (clawback).

The quantification of the incentive to be paid depends on the degree of fulfillment of the objectives that have been established in line

with the Group's strategic plan. The metrics for assessing the corporate objectives are indexed to the total shareholder return (TSR) and the ROE (return on equity) and to specific individual objectives related to the metrics and financial indicators of the MAPFRE Group balanced scorecard, technical ratios (expense ratio, net combined net ratio, etc.) and the return on written premiums.

The rules for calculating the incentive are as follows:

- The fulfillment of the objectives weighted as a whole must reach an average of 50 percent, otherwise there is no entitlement to receive the incentive.
- If the fulfillment of objectives is between 50 percent and 80 percent, 60 percent of the incentive will be paid.
- If the fulfillment of objectives is between 80 percent and 100 percent, the same proportion of the incentive will be paid.
- If the fulfillment of objectives exceeds 100 percent, with an upper limit of 150 percent, the incentive paid will be proportional to the fulfillment of 100 percent of the objectives, plus a multiplication coefficient of 2 on the surplus fulfillment above 100 percent.

The compensation policy for directors for the period 2016-2018 that was approved by the Annual General Meeting includes the maximum number of shares that may be distributed for this purpose.

If the benchmark assumptions and parameters governing this remuneration behave as projected at the close of 2017, the amount of the remuneration at the end of the period is estimated at 1,650,438 euros in cash and 759,522 MAPFRE S.A. shares, corresponding entirely to the company.

A.5 Explain the main characteristics of the long-term saving systems, including retirement and any other longevity benefits, which are partly or totally financed by the company, whether arranged internally or externally. Estimate their annual equivalent amount or cost, indicating the type of plan, whether it is defined-contribution or defined-benefit, the vesting conditions for directors and its compatibility with any type of compensation for early termination or the conclusion of the contractual relationship between the company and the director.

In addition, indicate the contributions on behalf of the director to defined-contribution pension plans, or the increase of cumulative rights for the director in the case of contributions to defined-benefit plans.

Explain the long-term savings systems

Under the provisions of their previous employment contracts, executive directors, like other company employees, are beneficiaries of the MAPFRE Employment System Pension Plan. Additionally, executive directors are entitled to specific contribution pension agreements in the event of retirement, death or permanent disability, which are externalized through group life insurance. All of this is included in the compensation policy established for the senior executives of MAPFRE.

The vesting conditions for executive directors are set out in the contracts regulating their relationship with the company, which specify that the vesting of rights begins after 10 years of service with the MAPFRE group, including five years as a senior executive. This is the case of all the executive directors.

There is no incompatibility with any kind of compensation for early termination or the conclusion of the contractual relationship between the company and the director.

A total amount of 3,619,931 euros, corresponding entirely to the company, is expected to be recorded as expenses for this item in 2018.

A.6 Indicate any compensation agreed or paid for termination of director functions.

Explain compensations

In the case of external directors, there is no compensation agreed or paid if they terminate their functions as directors. In the case of executive directors, the termination of their role implies lifting the suspension of the relationship prior to their appointment as such. Early termination of the previous relationship entails compensation under the terms established in the workers' statute in relation to unfair dismissal, except where there is good cause for dismissal.

No payments were made for this reason in 2017.

A.7 Indicate the terms and conditions that must be included in the contracts of people who perform senior management functions as executive directors. This information should cover aspects such as duration, limits to compensation amounts, continuity of service clauses, notice periods, as well as the amount paid in lieu of this notice period, and any other clauses related to signing bonuses, compensation or financial protection in the event of early termination or the conclusion

of the contractual relationship between the company and the executive director. Include any no-compete, exclusivity, continuity of service and loyalty agreements, as well as any post-contractual non-competition covenants.

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The duration of the contracts for executive directors is related to the length of service as a director. Termination in this role implies lifting the suspension of the relationship prior to the appointment as such.

The expiry on the date of maturity of the previous relationship will not lead in itself to any economic right, without prejudice to the right of the Board of Directors to agree, on the recommendation of the chairperson and the Appointments and Remuneration Committee, extraordinary bonuses based on performance during their career.

As indicated in Section A.6, in the case of executive directors the termination of their role implies lifting the suspension of the relationship prior to their appointment as such. Early termination by the company of the previous relationship entails compensation under the terms established in the workers' statute in relation to unfair dismissal, except where there is good cause for dismissal. In the event of early termination by decision of the company, the company must inform the director of his/her removal three (3) months prior to the date of termination.

Contracts governing the prior relationship establish the termination of this relationship as January 1 of the year after which the director reaches the age of 60, unless annual extensions are implemented at the initiative of the company until the date on which the executive reaches the age of 65, as a maximum.

Executive directors must have an exclusive relationship with the company, and there are no contractual conditions relating to post-contractual non-competition agreements or continuity of service.

There are no clauses relating to signing bonuses.

A.8 Explain any supplementary remuneration earned by directors for services rendered other than those inherent to their position.

Explain supplementary remuneration

No directors have rendered services other than those inherent to their position as directors or to their executive functions, as applicable, except for those services provided by certain directors in their capacity as members of the MAPFRE GLOBAL RISKS Advisory Committee.

A.9 Indicate any remuneration in the form of advance payments, loans or guarantees granted, specifying the interest rate, their essential characteristics and the amounts returned, as well as any obligations undertaken on their behalf by way of a guarantee.

Explain advances, loans and guarantees granted

None of the Group companies has granted any payments in advance or loans to directors, or has provided guarantees on their behalf.

A.10 Explain the main characteristics of remuneration in kind.

Explain remuneration in kind

External directors are entitled to the following company benefits in accordance with the policy established for company staff in general.

- Life insurance, described in section A.3.
- Discounts on products sold by companies belonging to the MAPFRE Group.
- Christmas gift.

In the case of executive directors, in addition to the company benefits applicable to all MAPFRE staff they are entitled to receive the following as remuneration in kind:

- Specific life insurance, described in section A.3.
- The private use of a company vehicle according to the terms and conditions established in the policy for assignment of MAPFRE vehicles.

- Discounts on products sold by companies belonging to the MAPFRE Group.

A.11 Indicate the remuneration earned by directors by virtue of the payments made by the company to a third party for which the directors render services, when such payments are intended to compensate the directors for the services provided to the company.

Explain remuneration earned by directors by virtue of the payments made by the company to a third party for which the director renders services

No payments of this nature were made.

A.12 Indicate any other remuneration item other than those indicated above, whatever its nature or the Group company paying it, especially if treated as a related party transaction or if its payment could distort the true and fair image of the total remuneration earned by directors.

Explain other remuneration items

There are no remuneration items other than those described above.

A.13 Explain the actions taken by the company in relation to the remuneration system to reduce exposure to excessive risk and adjust it to the company's long-term objectives, values, and interests. Make reference, where applicable, to measures intended to ensure that the remuneration policy serves the long-term objectives of the company; measures which provide an appropriate balance between fixed and variable components of remuneration; measures taken in relation to categories of staff whose professional activities have a material impact on the risk profile of the company; formulas or recovery clauses to claim the return of variable components of remuneration based on results when such components were paid on the basis of data which were subsequently proven to be manifestly inaccurate; and measures designed to prevent conflicts of interest, where applicable.

Explain the actions taken to reduce risk

On February 9, 2016 the Board of Directors agreed to refer the compensation policy for directors for the period 2016-2018 to the Annual General Meeting, which approved it on March 11, 2016.

In accordance with this, the fixed and variable components (short, medium and long-term) of the remuneration package must be balanced in such a way that the fixed component constitutes a sufficiently large part of the total remuneration, thus enabling the application of a completely flexible policy with regard to the variable components of the remuneration package, including the possibility of not paying these.

The payment of at least 30 percent of the variable remuneration will be deferred for a minimum of three years, and the contracts of the executive directors will include clauses of reduction (malus) or recovery (clawback) that may affect 100 percent of the variable remuneration.

Employee categories that may have a material impact on the company's risk profile have a variable short-term remuneration system linked to the achievement of objectives directly connected to strategic plans and carried out over one year.

In relation to potential conflicts of interest, the internal regulations of the company establish that these must be reported to the governing bodies of MAPFRE through General Counsel by those affected. These governing bodies must establish whether or not there is a conflict of interest, and if this is case they must establish measures to protect the company interest in accordance with the circumstances. These measures must be accepted by those affected.

B COMPENSATION POLICY FOR FUTURE FINANCIAL YEARS

Repealed

C GENERAL SUMMARY OF HOW THE COMPENSATION POLICY WAS APPLIED DURING THE CLOSED FINANCIAL YEAR

C.1 Provide a brief explanation of the main characteristics of the structure and remuneration items included in the compensation policy applied during the closed financial year, specifying the individual remuneration earned by each of the directors listed in Section D of this report, as well as a summary of the decisions made by the Board regarding the application of these items.

Explain the structure and remuneration items of the compensation policy applied during the financial year

The main remuneration items in 2017 were as follows:

Salaries: Fixed remuneration of executive directors as described in section A.3, earned for senior management duties.

Fixed remuneration: Annual fixed amount for membership of the Board of Directors and, as applicable, of the Steering Committee and sub-steering committees, received exclusively by external directors. This fixed amount was higher for people holding the position of Vice Chairman of the Board of Directors or chair of the Steering Committee, the Appointments and Remuneration Committee, the Audit and Compliance Committee, and the Risk Committee, although this increase was not cumulative for directors who hold several positions.

Short-term variable remuneration: Variable amount paid to executive directors for their executive duties, which may be equal to or slightly higher than the fixed remuneration.

Medium-term variable remuneration: Variable amount received by executive directors, linked to the fulfillment of certain corporate and specific individual objectives, as set out in the medium-term incentive plan for 2016-2019 approved by the Board of Directors and described in Section A.4.

Other items: This section includes the remuneration in kind described above, except for the premiums paid for life insurance.

At the recommendation of the Appointments and Remuneration Committee, the Board of Directors unanimously approved the aforementioned items and the amounts allocated to each of them for the financial year 2017 at its meeting on February 7, 2017.

The individual amounts received by the different directors are shown in Section D of this report.

Regarding the variable remuneration for executive directors, at the close of 2017 the amount was determined based on the fulfillment of the company's profit objectives.

D BREAKDOWN OF THE INDIVIDUAL REMUNERATION EARNED BY EACH DIRECTOR

Name	Type	Payment period 2017
ANTONIO HUERTAS MEJIAS	Executive	From 01/01/2017 to 31/12/2017.
ANTONIO NUÑEZ TOVAR	Executive	From 01/01/2017 to 31/12/2017.
CATALINA MIÑARRO BRUGAROLAS	Independent	From 01/01/2017 to 31/12/2017..
IGNACIO BAEZA GOMEZ	Executive	From 01/01/2017 to 31/12/2017.
ADRIANA CASADEMONT I RUHI	Independent	From 01/01/2017 to 31/12/2017.
JOSE ANTONIO COLOMER GUIU	Independent	From 01/01/2017 to 31/12/2017.
GEORG DASCHNER	Independent	From 01/01/2017 to 31/12/2017.
ANA ISABEL FERNANDEZ ALVAREZ	Independent	From 01/01/2017 to 31/12/2017.
MARIA LETICIA DE FREITAS COSTA	Independent	From 01/01/2017 to 31/12/2017.
LUIS HERNANDO DE LARRAMENDI MARTINEZ	Nominee	From 01/01/2017 to 31/12/2017.
FRANCISCO JOSE MARCO ORENES	Executive	From 10/03/2017 to 31/12/2017.
RAFAEL MARQUEZ OSORIO	Nominee	From 01/01/2017 to 31/12/2017.
FERNANDO MATA VERDEJO	Executive	From 01/01/2017 to 31/12/2017.
ANTONIO MIGUEL-ROMERO DE OLANO	Nominee	From 01/01/2017 to 31/12/2017.
ALFONSO REBUELTA BADIAS	Nominee	From 01/01/2017 to 31/12/2017.
ANDRES JIMENEZ HERRADON	Nominee	From 01/01/2017 to 22/02/2017.

D.1 Complete the following tables on the individual remuneration for each of the directors (including the remuneration for executive functions) earned during the year.

a) Remuneration earned within the company that is the subject of this report:

i) Remuneration in cash (thousands of euros)

Name	Salary	Fixed remuneration	Subsistence allowances	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership of Board committees	Compensation	Other items	2017 Total	2016 Total
ANTONIO HUERTAS MEJIAS	812	0	0	668	576	0	0	2	2,058	2,725
ANTONIO NUÑEZ TOVAR	1,014	0	0	465	336	0	0	60	1,875	2,181
CATALINA MIÑARRO BRUGAROLAS	0	220	0	0	0	110	0	1	331	224
IGNACIO BAEZA GOMEZ	498	0	0	301	216	0	0	3	1,018	1,362
ADRIANA CASADEMONT I RUHI	0	110	0	0	0	70	0	2	182	157
JOSE ANTONIO COLOMER GUIU	0	110	0	0	0	90	0	0	200	168
GEORG DASCHNER	0	110	0	0	0	75	0	0	185	200
ANA ISABEL FERNANDEZ ALVAREZ	0	110	0	0	0	35	0	1	146	48
MARIA LETICIA DE FREITAS COSTA	0	110	0	0	0	0	0	0	110	110
LUIS HERNANDO DE LARRAMENDI MARTINEZ	0	110	0	0	0	55	0	3	168	183
ANDRES JIMENEZ HERRADON	0	16	0	0	0	5	0	0	21	140
FRANCISCO JOSE MARCO ORENES	328	0	0	273	0	0	0	30	631	1,272
RAFAEL MARQUEZ OSORIO	0	110	0	0	0	85	0	2	197	182
FERNANDO MATA VERDEJO	345	0	0	274	0	0	0	6	625	730
ANTONIO MIGUEL-ROMERO DE OLANO	0	110	0	0	0	90	0	2	202	212
ALFONSO REBUELTA BADIAS	0	110	0	0	0	35	0	3	148	144

ii) Share-based remuneration systems**iii) Long-term savings systems**

Name	Contribution during the year made by the company (thousands of euros)		Amount of accumulated funds (thousands of)	
	Year 2017	Year 2016	Year 2017	Year 2016
ANTONIO HUERTAS MEJIAS	1,713	1,699	6,788	4,834
ANTONIO NUÑEZ TOVAR	1,224	1,223	4,757	3,359
IGNACIO BAEZA GOMEZ	447	435	1,437	880
FERNANDO MATA VERDEJO	424	374	1,004	564
FRANCISCO JOSE MARCO ORENES	391	377	1,184	774

iv) Other benefits (thousands of euros).

ANTONIO HUERTAS MEJIAS			
Remuneration in the form of advances, loans granted			
Interest rate of the transaction		Main characteristics of the transaction	Amounts returned
0,00		Not applicable	Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors	
Year 2017	Year 2016	Year 2017	Year 2016
16	14	Not applicable	Not applicable

ANTONIO NUÑEZ TOVAR			
Remuneration in the form of advances, loans granted			
Interest rate of the transaction		Main characteristics of the transaction	Amounts returned
0,00		Not applicable	Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors	
Year 2017	Year 2016	Year 2017	Year 2016
32	27	Not applicable	Not applicable

CATALINA MIÑARRO BRUGAROLAS			
Remuneration in the form of advances, loans granted			

CATALINA MIÑARRO BRUGAROLAS			
Interest rate of the transaction		Main characteristics of the transaction	Amounts returned
0,00		Not applicable	Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors	
Year 2017	Year 2016	Year 2017	Year 2016
1	1	Not applicable	Not applicable

IGNACIO BAEZA GOMEZ			
Remuneration in the form of advances, loans granted			
Interest rate of the transaction		Main characteristics of the transaction	Amounts returned
0,00		Not applicable	Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors	
Year 2017	Year 2016	Year 2017	Year 2016
14	11	Not applicable	Not applicable

ADRIANA CASADEMONT I RUHI			
Remuneration in the form of advances, loans granted			
Interest rate of the transaction		Main characteristics of the transaction	Amounts returned
0,00		Not applicable	Not applicable

ADRIANA CASADEMONT I RUHI			
Life insurance premiums		Guarantees given by the company on behalf of directors	
Year 2017	Year 2016	Year 2017	Year 2016
1	1	Not applicable	Not applicable

JOSE ANTONIO COLOMER GUIU			
Remuneration in the form of advances, loans granted			
Interest rate of the transaction		Main characteristics of the transaction	Amounts returned
0,00		Not applicable	Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors	
Year 2017	Year 2016	Year 2017	Year 2016
2	2	Not applicable	Not applicable

GEORG DASCHNER			
Remuneration in the form of advances, loans granted			
Interest rate of the transaction		Main characteristics of the transaction	Amounts returned
0,00		Not applicable	Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors	
Year 2017	Year 2016	Year 2017	Year 2016

GEORG DASCHNER			
3	3	Not applicable	Not applicable

ANA ISABEL FERNANDEZ ALVAREZ			
Remuneration in the form of advances, loans granted			
Interest rate of the transaction		Main characteristics of the transaction	Amounts returned
0,00		Not applicable	Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors	
Year 2017	Year 2016	Year 2017	Year 2016
1	1	Not applicable	Not applicable

MARIA LETICIA DE FREITAS COSTA			
Remuneration in the form of advances, loans granted			
Interest rate of the transaction		Main characteristics of the transaction	Amounts returned
0,00		Not applicable	Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors	
Year 2017	Year 2016	Year 2017	Year 2016
1	1	Not applicable	Not applicable

LUIS HERNANDO DE LARRAMENDI MARTINEZ					
Remuneration in the form of advances, loans granted					
Interest rate of the transaction		Main characteristics of the transaction		Amounts returned	
0,00		Not applicable		Not applicable	
Life insurance premiums		Guarantees given by the company on behalf of directors			
Year 2017	Year 2016	Year 2017		Year 2016	
2	2	Not applicable		Not applicable	

ANDRES JIMENEZ HERRADON					
Remuneration in the form of advances, loans granted					
Interest rate of the transaction		Main characteristics of the transaction		Amounts returned	
0,00		Not applicable		Not applicable	
Life insurance premiums		Guarantees given by the company on behalf of directors			
Year 2017	Year 2016	Year 2017		Year 2016	
1	2	Not applicable		Not applicable	

RAFAEL MARQUEZ OSORIO					
Remuneration in the form of advances, loans granted					
Interest rate of the transaction		Main characteristics of the transaction		Amounts returned	

RAFAEL MARQUEZ OSORIO			
0,00		Not applicable	Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors	
Year 2017	Year 2016	Year 2017	Year 2016
4	5	Not applicable	Not applicable

ANTONIO MIGUEL-ROMERO DE OLANO			
Remuneration in the form of advances, loans granted			
Interest rate of the transaction		Main characteristics of the transaction	Amounts returned
0,00		Not applicable	Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors	
Year 2017	Year 2016	Year 2017	Year 2016
2	2	Not applicable	Not applicable

ALFONSO REBUelta BADIAS			
Remuneration in the form of advances, loans granted			
Interest rate of the transaction		Main characteristics of the transaction	Amounts returned
0,00		Not applicable	Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors	

ALFONSO REBUELTA BADIAS			
Year 2017	Year 2016	Year 2017	Year 2016
2	2	Not applicable	Not applicable

FERNANDO MATA VERDEJO			
Remuneration in the form of advances, loans granted			
Interest rate of the transaction		Main characteristics of the transaction	Amounts returned
0,00		Not applicable	Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors	
Year 2017	Year 2016	Year 2017	Year 2016
8	5	Not applicable	Not applicable

FRANCISCO JOSE MARCO ORENES			
Remuneration in the form of advances, loans granted			
Interest rate of the transaction		Main characteristics of the transaction	Amounts returned
0,00		Not applicable	Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors	
Year 2017	Year 2016	Year 2017	Ejercicio 2016

FRANCISCO JOSE MARCO ORENES

9	8	Not applicable	Not applicable
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b) Remuneration earned by the company's directors for membership of boards in other Group companies

i) Remuneration in cash (thousands of euros)

Name	Salary	Fixed remuneration	Subsistence allowances	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership of Board committees	Compensation	Other items	2017 Total	2016 Total
ANTONIO HUERTAS MEJIAS	0	0	0	0	0	0	0	0	0	0
ANTONIO NUÑEZ TOVAR	0	0	0	0	0	0	0	0	0	0
CATALINA MIÑARRO BRUGAROLAS	0	45	0	0	0	8	0	0	53	46
IGNACIO BAEZA GOMEZ	0	0	0	0	0	0	0	0	0	0
ADRIANA CASADEMONT I RUHI	0	45	0	0	0	0	0	0	45	40
JOSE ANTONIO COLOMER GUIU	0	45	0	0	0	0	0	0	45	28
GEORG DASCHNER	0	0	0	0	0	0	0	0	0	0
ANA ISABEL FERNANDEZ ALVAREZ	0	90	0	0	0	0	0	0	90	81
MARIA LETICIA DE FREITAS COSTA	0	0	0	0	0	0	0	0	0	0
LUIS HERNANDO DE LARRAMENDI MARTINEZ	0	90	0	0	0	8	0	0	98	86
ANDRES JIMENEZ HERRADON	0	10	0	0	0	0	0	1	11	66
FRANCISCO JOSE MARCO ORENES	0	0	0	0	0	0	0	0	0	0
RAFAEL MARQUEZ OSORIO	0	45	0	0	0	0	0	0	45	40
FERNANDO MATA VERDEJO	0	0	0	0	0	0	0	0	0	0
ANTONIO MIGUEL-ROMERO DE OLANO	0	90	0	0	0	16	0	0	106	91
ALFONSO REBUELTA BADIAS	0	90	0	0	0	38	0	0	128	116

ii) Share-based remuneration systems

iii) Long-term savings systems

Name	Contribution during the year made by the company (thousands of euros)		Amount of accumulated funds (thousands of euros)	
	Year 2017	Year 2016	Year 2017	Year 2016
ANTONIO HUERTAS MEJIAS	0	0	679	653
IGNACIO BAEZA GOMEZ	0	0	1,812	1,850
FERNANDO MATA VERDEJO	0	0	436	419
FRANCISCO JOSE MARCO ORENES	0	0	1,279	1,232

iv) Other benefits (thousands of euros)

ANA ISABEL FERNANDEZ ALVAREZ			
Remuneration in the form of advances, loans granted			
Interest rate of the transaction		Main characteristics of the transaction	Amounts returned
0,00		Not applicable	Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors	
Year 2017	Year 2016	Year 2017	Year 2016
0	1	Not applicable	Not applicable

ANDRES JIMENEZ HERRADON			
Remuneration in the form of advances, loans granted			
Interest rate of the transaction		Main characteristics of the transaction	Amounts returned
0,00		Not applicable	Not applicable
Life insurance premiums		Guarantees given by the company on behalf of directors	
Year 2017	Year 2016	Year 2017	Year 2016
0	1	Not applicable	Not applicable

c) Summary of remuneration (thousands of euros)

The summary must include the amounts corresponding to all remuneration items described in this report that have been earned by directors, in thousands of euros.

In the case of long-term savings systems, include the contributions or provisions made to these types of systems.

Name	Remuneration earned within the company				Remuneration earned within Group companies				Totals		
	Total remuneration in cash	Value of issued shares	Gross profit on options exercised	Total 2016 company	Total remuneration in cash	Value of shares issued	Gross profit on options exercised	Total 2016 Group	2017 Total	2016 Total	Contribution to savings systems during the year
ANTONIO HUERTAS MEJIAS	2,058	0	0	2,058	0	0	0	0	2,058	2,725	1,713
ANTONIO NUÑEZ TOVAR	1,875	0	0	1,875	0	0	0	0	1,875	2,181	1,224
CATALINA MIÑARRO BRUGAROLAS	331	0	0	331	53	0	0	53	384	270	0
IGNACIO BAEZA GOMEZ	1,018	0	0	1,018	0	0	0	0	1,018	1,362	447
ADRIANA CASADEMONT I RUHI	182	0	0	182	45	0	0	45	227	197	0
JOSE ANTONIO COLOMER GUIU	200	0	0	200	45	0	0	45	245	196	0
GEORG DASCHNER	185	0	0	185	0	0	0	0	185	200	0
ANA ISABEL FERNANDEZ ALVAREZ	146	0	0	146	90	0	0	90	236	129	0
MARIA LETICIA DE FREITAS COSTA	110	0	0	110	0	0	0	0	110	110	0
LUIS HERNANDO DE LARRAMENDI MARTINEZ	168	0	0	168	98	0	0	98	266	269	0
ANDRES JIMENEZ HERRADON	21	0	0	21	11	0	0	11	32	206	0
FRANCISCO JOSE MARCO ORENES	631	0	0	631	0	0	0	0	631	1,272	391
RAFAEL MARQUEZ OSORIO	197	0	0	197	45	0	0	45	242	222	0
FERNANDO MATA VERDEJO	625	0	0	625	0	0	0	0	625	730	424
ANTONIO MIGUEL-ROMERO DE OLANO	202	0	0	202	106	0	0	106	308	303	0
ALFONSO REBUELTA BADIAS	148	0	0	148	128	0	0	128	276	260	0

Name	Remuneration earned within the company				Remuneration earned within Group companies				Totals		
	Total remuneration in cash	Value of issued shares	Gross profit on options exercised	Total 2016 company	Total remuneration in cash	Value of shares issued	Gross profit on options exercised	Total 2016 Group	2017 Total	2016 Total	Contribution to savings systems during the year
TOTAL	8,097	0	0	8,097	621	0	0	621	8,718	10,632	4,199

D.2 Report on the relationship between the remuneration obtained by directors and the company's results or other measures of performance, explaining where applicable how variations in the company's performance have affected the variation in the remuneration for directors.

The variable remuneration of the executive directors is always linked to the result.

D.3 Report on the result of the advisory vote at the Annual General Meeting on the annual report on remuneration for the previous financial year, indicating the number of any negative votes cast.

	Number	% of total
Votes cast	2.531.815.533	82,21%

	Number	% of total
Negative votes	361.458.462	11,74%
Votes in favor	2.170.290.466	70,47%
Abstentions	66.605	0,00%

E OTHER USEFUL INFORMATION

If there is any relevant aspect regarding the remuneration of directors which has not been covered in the other sections of this report but which should be included to provide more complete and explanatory information about the remuneration structure and practices of the company in relation to its directors, please provide a brief explanation here.

This annual report on remuneration was approved by the company's Board of Directors on 02/07/2018.

Indicate whether any directors voted against the report or abstained.

Yes

No