

CONSOLIDATED ANNUAL ACCOUNTS

AND

CONSOLIDATED MANAGEMENT REPORT

FISCAL YEAR 2018

MAPFRE S.A.



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

Independent Auditor's Report on the Consolidated Annual Accounts

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

To the Shareholders of MAPFRE, S.A.

Report on the Consolidated Annual Accounts

Opinion

We have audited the consolidated annual accounts of MAPFRE, S.A. ("the Parent") and subsidiaries (the "Group"), which comprise the balance sheet at December 31, 2018, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the financial statements, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Group as at 31 December 2018 and of its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

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

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

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



Key Audit Matters

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

Valuation of mathematical provisions (23,053.66 million of Euros)
 See notes 5.15 and 6.14 of the notes to the consolidated annual accounts

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

Valuation of the provision for non-life insurance claims (12,714.15 million of Euros)

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

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

Valuation of goodwill and portfolio acquisition costs (2,537.39 million of Euros) See notes 5.1 and 6.1 of the notes to the consolidated annual accounts.

<i>Key audit matter</i>	<i>How the issue was addressed in our audit</i>
<p>The Group has recognised significant goodwill and portfolio acquisition costs from the acquisition of entities or businesses.</p> <p>Valuing these assets requires determination of the cash-generating units (CGUs), the calculation of carrying amount of each CGU, the estimation of the recoverable amount and the identification of facts that may determine the existence of impairment indicators in subsequent closings. Determining the recoverable amount of each CGU includes among other issues, financial projections that consider assumptions about macroeconomic developments, internal circumstances of the entity and competitors, discount rates or future business performance.</p> <p>Given the complexity of the estimates and the use of assumptions that, in general, include uncertainty and judgment, we consider that the valuation of goodwill and portfolio acquisition costs has a significant inherent risk associated and, therefore, has been considered as a key audit matter.</p> <p>The Group performs on an annual basis, or when indications of impairment are identified, an evaluation to determine if there is impairment in the goodwill and registered portfolio acquisition costs. In this sense, our assessment has focused mainly on goodwill and portfolio acquisition costs of the most significance and those whose estimated recoverable value is closer to the carrying amount of the net assets.</p>	<p>Our audit procedures included testing the design and implementation of key controls established by the Group in the process of identifying CGUs, evaluating impairment indicators, having financial projections approved by the Management and defining the assumptions and calculation methods used to estimate the recoverable amount of CGUs.</p> <p>Based on our knowledge and experience, we assessed the reasonableness of the methods used by the Group to estimate the recoverable amounts of CGUs, considering IFRS-EU and best market practices.</p> <p>Our substantive procedures, which were performed for a sample of CGUs, including the most relevant ones, have consisted, basically, in the following:</p> <ul style="list-style-type: none"> • Evaluating the existence of goodwill and portfolio acquisition cost impairment indicators considering external and internal factors such as macroeconomic indicators, sector expectations, the financial performance of CGUs and management's expectations. • In collaboration with our valuation specialists, analysing the discount and growth rates used by the Group to estimate the recoverable amount of CGUs. • Assessing the reasonableness of the financial projections prepared by management, comparing them to the historical financial information of the CGUs, to business plans approved by the Group and to market expectations in the sectors in which they operate. • Performing a sensitivity analysis of the key assumptions and financial projections used to estimate the recoverable amount of CGUs. <p>We also assessed the adequacy of the information disclosed in the annual accounts on goodwill and portfolio acquisition costs, considering the requirements of IFRS-EU.</p>

Valuation of financial instruments not quoted on active markets and recognized at fair value (6,341.75 million of Euros)

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

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

Other Information. Consolidated Directors' Report

Other information solely comprises the 2018 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

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



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

Based on the work carried out, as described above, we have verified that the specific non-financial information mentioned in a) above has been provided in a separate report – the “Integrated Report MAPFRE S.A. 2018” – to which the consolidated directors' report makes reference to, that the information of the ARCG, mentioned in this section is included in the directors' report, and that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2018 and the content and presentation of the report are in accordance with applicable legislation.

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

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

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

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



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

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

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

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

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

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



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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Audit and Compliance Committee of the Parent

The opinion expressed in this report is consistent with our additional report to the Parent Audit and Compliance Committee dated 7 February 2019.

Contract Period

We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on 9 March 2018 for a period of 3 years, from the year ended 31 December 2018.

Previously, we had been appointed as auditors by the shareholders of MAPFRE, S.A. for a period of 3 years, and have been auditing uninterrupted the Group's consolidated Annual Accounts since the year ended 31 December 2015.

KPMG Auditores, S.L. (S0702)

(Signed on original in Spanish)

Jorge Segovia Delgado

R.O.A.C: 21903

7 February 2019

CONSOLIDATED ANNUAL ACCOUNTS

2018

MAPFRE S.A.

CONSOLIDATED ANNUAL ACCOUNTS

2018

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

MAPFRE S.A.

A) CONSOLIDATED BALANCE SHEET AS ON DECEMBER 31, 2018 AND 2017

ASSETS	Notes	2018	2017
A) INTANGIBLE ASSETS	6.1	3,072.36	3,422.90
I. Goodwill	6.1	1,689.03	1,882.96
II. Other intangible assets	6.1	1,383.33	1,539.94
B) PROPERTY, PLANT AND EQUIPMENT	6.2	1,112.34	1,191.73
I. Real estate for own use	6.2	852.66	920.64
II. Other property, plant and equipment	6.2	259.68	271.09
C) INVESTMENTS		43,976.95	44,691.23
I. Real estate investments	6.2	1,243.60	1,250.71
II. Financial investments			
1. Held-to-maturity portfolio	6.4	1,951.47	2,024.26
2. Available-for-sale portfolio	6.4	33,753.73	34,516.43
3. Trading portfolio	6.4	5,540.77	5,462.57
III. Investments recorded by applying the equity method		193.68	203.92
IV. Deposits established for accepted reinsurance		806.11	790.59
V. Other investments		487.59	442.75
D) INVESTMENTS ON BEHALF OF LIFE INSURANCE POLICYHOLDERS BEARING THE INVESTMENT RISK	6.5	2,242.49	2,320.14
E) INVENTORIES	6.6	60.87	67.08
F) PARTICIPATION OF REINSURANCE IN TECHNICAL PROVISIONS	6.14	5,883.18	4,989.62
G) DEFERRED TAX ASSETS	6.21	333.58	296.81
H) RECEIVABLES	6.7	5,761.20	6,337.10
I. Receivables on direct insurance and co-insurance operations	6.7	3,644.21	4,019.46
II. Receivables on reinsurance operations	6.7	903.08	987.25
III. Tax receivables			
1. Tax on profits receivable	6.21	192.05	143.02
2. Other tax receivables		144.65	128.65
IV. Corporate and other receivables	6.7	877.21	1,058.72
V. Shareholders, called capital		--	--
I) CASH		2,201.41	1,864.01
J) ACCRUAL ADJUSTMENTS	5.11	2,168.79	2,132.33
K) OTHER ASSETS		136.17	100.95
L) NON-CURRENT ASSETS HELD FOR SALE AND FROM DISCONTINUED OPERATIONS	6.10	341.48	155.58
TOTAL ASSETS		67,290.82	67,569.48

Figures in millions of euros

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MAPFRE S.A. AND SUBSIDIARIES

A) CONSOLIDATED BALANCE SHEET AS ON DECEMBER 31, 2018 AND 2017

EQUITY AND LIABILITIES	Notes	2018	2017
A) EQUITY	6.11	9,197.58	10,512.66
I. Paid-up capital	6.11	307.95	307.95
II. Share premium	6.11	1,506.74	1,506.74
III. Reserves		6,323.63	6,433.14
IV. Interim dividend	4.2	(184.83)	(184.77)
V. Treasury Stock	6.11	(48.25)	(52.36)
VI. Result for the period attributable to controlling company	4.1	528.86	700.51
VII. Other equity instruments	6.22	4.49	10.08
VIII. Valuation change adjustments	6.11	293.12	620.69
IX. Currency conversion differences	6.23	(737.90)	(730.70)
Equity attributable to the controlling company's shareholders		7,993.81	8,611.28
Non-controlling interests		1,203.77	1,901.38
B) SUBORDINATED LIABILITIES	6.12	1,120.54	617.37
C) TECHNICAL PROVISIONS	6.14	46,481.15	45,493.96
I. Provisions for unearned premiums and unexpired risks	6.14	7,951.40	8,375.10
II. Provisions for life insurance	6.14	24,838.47	24,992.92
III. Provision for outstanding claims	6.14	12,714.15	11,223.09
IV. Other technical provisions	6.14	977.13	902.85
D) TECHNICAL PROVISIONS FOR LIFE INSURANCE WHERE POLICYHOLDERS BEAR THE INVESTMENT RISK	6.14	2,242.49	2,320.14
E) PROVISIONS FOR RISKS AND EXPENSES	6.15	641.49	661.76
F) DEPOSITS RECEIVED ON CEDED AND RETROCEDED REINSURANCE	6.16	79.50	42.42
G) DEFERRED TAX LIABILITIES	6.21	499.32	588.04
H) DEBT	6.17	6,596.44	7,073.74
I. Issue of debentures and other negotiable securities	6.13	1,004.05	1,003.29
II. Due to credit institutions	6.13	545.69	706.74
III. Other financial liabilities	6.13	1,262.80	1,235.17
IV. Due on direct insurance and co-insurance operations	6.17	1,094.78	972.11
V. Due on reinsurance operations	6.17	852.64	1,218.63
VI. Tax liabilities			
1. Tax on profits to be paid	6.21	130.14	167.63
2. Other tax liabilities	6.17	320.57	343.17
VII. Other debts	6.17	1,385.77	1,427.00
I) ACCRUAL ADJUSTMENTS	5.11	238.35	258.30
J) LIABILITIES LINKED TO NON-CURRENT ASSETS HELD FOR SALE AND FROM DISCONTINUED OPERATIONS	6.10	193.96	1.09
TOTAL EQUITY AND LIABILITIES		67,290.82	67,569.48

Figures in millions of euros

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MAPFRE S.A. AND SUBSIDIARIES

B) CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME FOR YEARS ENDING DECEMBER 31, 2018 AND 2017

B.1) CONSOLIDATED INCOME STATEMENT

ITEM	Notes	2018	2017
I. REVENUE FROM INSURANCE BUSINESS			
1. Premiums allocated to the financial year, net			
a) Written premiums, direct insurance	7.A.2	19,102.23	19,982.34
b) Premiums from accepted reinsurance	7.A.2	3,434.87	3,498.35
c) Premiums from ceded reinsurance	6.20	(3,374.34)	(4,064.44)
d) Variations in provisions for unearned premiums and unexpired risks			
Direct insurance	6.14	35.43	(515.55)
Accepted reinsurance	6.14	172.54	74.10
Ceded reinsurance	6.20	(158.71)	334.86
2. Share in profits from equity-accounted companies		12.08	10.97
3. Revenue from investments			
a) From operations	6.18	2,176.09	2,363.88
b) From equity	6.18	214.03	195.27
4. Gains on investments on behalf of life insurance policyholders bearing the	6.5	88.09	131.02
5. Other technical revenue		61.01	63.67
6. Other non-technical revenue		69.53	194.61
7. Positive foreign exchange differences	6.23	959.39	1,039.86
8. Reversal of the asset impairment provision	6.8	41.11	21.07
TOTAL REVENUE FROM INSURANCE BUSINESS		22,833.35	23,330.01
II. EXPENSES FROM INSURANCE BUSINESS			
1. Incurred claims for the year, net			
a) Claims paid and variation in provision for claims, net			
Direct insurance	5.15	(13,802.19)	(13,218.93)
Accepted reinsurance	5.15	(2,465.61)	(2,382.90)
Ceded reinsurance	6.20	3,677.06	2,881.19
b) Claims-related expenses	6.19	(815.84)	(855.71)
2. Variation in other technical provisions, net	5.15	(564.75)	(806.59)
3. Profit sharing and returned premiums		(38.70)	(46.80)
4. Net operating expenses	6.19		
a) Acquisition expenses		(4,810.80)	(4,924.76)
b) Administration expenses		(745.58)	(760.01)
c) Commissions and participation in reinsurance	6.20	567.66	557.03
5. Share in losses from equity-accounted companies		--	(0.08)
6. Expenses from investments			
a) From operations	6.18	(710.82)	(627.80)
b) From equity and financial accounts	6.18	(92.91)	(44.84)
7. Losses on investments on behalf of life insurance policyholders bearing the	6.5	(146.16)	(8.47)
8. Other technical expenses	6.19	(139.13)	(129.57)
9. Other non-technical expenses	6.19	(149.69)	(114.33)
10. Negative foreign exchange differences	6.23	(946.70)	(1,019.39)
11. Allowance to the asset impairment provision	6.8	(229.26)	(162.58)
TOTAL EXPENSES FROM INSURANCE BUSINESS		(21,413.42)	(21,664.54)
RESULT FROM THE INSURANCE BUSINESS		1,419.93	1,665.47
III. OTHER ACTIVITIES			
1. Operating revenue		321.00	363.02
2. Operating expenses	6.19	(401.62)	(489.79)
3. Net financial income			
a) Financial income	6.18	82.58	97.59
b) Financial expenses	6.18	(85.29)	(99.81)
4. Results from non-controlling interests			
a) Share in profits from equity-accounted companies		2.29	3.00
b) Share in losses from equity-accounted companies		(0.03)	(0.03)
5. Reversal of asset impairment provision	6.8	25.41	19.01
6. Allowance to the asset impairment provision	6.8	(15.09)	(25.25)
7. Result from the disposal of non-current assets classified as held for sale, not included in discontinued operations		--	--
RESULT FROM OTHER ACTIVITIES		(70.75)	(132.26)
IV. RESULT ON RESTATEMENT OF FINANCIAL ACCOUNTS	3.3	(18.72)	(24.50)
V. RESULT BEFORE TAX FROM ONGOING OPERATIONS		1,330.46	1,508.71
VI. TAX ON PROFIT FROM ONGOING OPERATIONS	6.21	(452.94)	(410.35)
VII. RESULT AFTER TAX FROM ONGOING OPERATIONS		877.52	1,098.36
VIII. RESULT AFTER TAX FROM DISCONTINUED OPERATIONS	6.10	--	--
IX. RESULT FOR THE PERIOD		877.52	1,098.36
1. Attributable to non-controlling interests		348.66	397.85
2. Attributable to the controlling company	4.1	528.86	700.51

Figures in millions of euros

Earnings per share (Euros)			
Basic	4.1	0.17	0.23
Diluted	4.1	0.17	0.23

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MAPFRE S.A. AND SUBSIDIARIES

B.2) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

ITEM	NOTES	GROSS AMOUNT		TAX ON PROFITS		ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		ATTRIBUTABLE TO CONTROLLING COMPANY	
		2018	2017	2018	2017	2018	2017	2018	2017
A) CONSOLIDATED RESULT FOR THE YEAR		1,330.46	1,508.71	(452.94)	(410.35)	348.66	397.85	528.86	700.51
B) OTHER RECOGNIZED REVENUE (EXPENSES)		(677.52)	(902.44)	122.72	15.60	(124.44)	(213.77)	(430.36)	(673.07)
1. Financial assets available for sale	6.4	(708.57)	(466.90)	185.97	124.58	(49.81)	(56.83)	(472.79)	(285.49)
a) Valuation gains (losses)		(564.26)	(263.93)	150.17	71.10				
b) Amounts transferred to the income statement		(144.29)	(204.58)	35.80	53.27				
c) Other reclassifications		(0.02)	1.61	--	0.21				
2. Currency conversion differences	6.23	(202.50)	(852.03)	(0.41)	0.99	(100.11)	(211.95)	(102.80)	(639.09)
a) Valuation gains (losses)		(215.62)	(850.52)	(0.41)	0.99				
b) Amounts transferred to the income statement		0.25	(0.03)	--	--				
c) Other reclassifications		12.87	(1.48)	--	--				
3. Shadow accounting		232.47	419.13	(63.34)	(110.03)	25.28	54.93	143.85	254.17
a) Valuation gains (losses)	6.14	211.95	381.55	(58.21)	(100.63)				
b) Amounts transferred to the income statement		20.52	37.58	(5.13)	(9.40)				
c) Other reclassifications		--	--	--	--				
4. Equity-accounted entities		(1.64)	(0.07)	0.50	--	0.03	0.02	(1.17)	(0.09)
a) Valuation gains (losses)		(1.33)	0.08	0.50	--				
b) Amounts transferred to the income statement		0.06	0.04	--	--				
c) Other reclassifications		(0.37)	(0.19)	--	--				
5. Other recognized revenue and expenses		2.72	(2.57)	--	0.06	0.17	0.06	2.55	(2.57)
TOTAL		652.94	606.27	(330.22)	(394.75)	224.22	184.08	98.50	27.44

Figures in millions of euros

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

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MAPFRE S.A. AND SUBSIDIARIES

C) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS ON DECEMBER 31, 2018 AND 2017

ITEM	NOTES	EQUITY ATTRIBUTABLE TO CONTROLLING COMPANY									NON-CONTROLLING INTERESTS	TOTAL EQUITY
		SHAREHOLDERS' FUNDS										
		SHARE CAPITAL	SHARE PREMIUM	RESERVES	INTERIM DIVIDEND	TREASURY STOCK	RESULT FOR THE YEAR ATTRIBUTABLE TO CONTROLLING COMPANY	OTHER EQUITY INSTRUMENTS	VALUATION CHANGE ADJUSTMENTS	CURRENCY CONVERSION DIFFERENCES		
OPENING BALANCE AS ON JANUARY 1, 2017		307.95	1,506.74	6,208.62	(184.77)	(60.23)	775.45	9.68	654.67	(91.61)	2,316.98	11,443.48
1. Changes in accounting policies (Note 2.4)		--	--	--	--	--	--	--	--	--	--	--
2. Correction of errors		--	--	--	--	--	--	--	--	--	--	--
ADJUSTED BALANCE AS ON JANUARY 1, 2017		307.95	1,506.74	6,208.62	(184.77)	(60.23)	775.45	9.68	654.67	(91.61)	2,316.98	11,443.48
I. TOTAL COMPREHENSIVE REVENUE (EXPENSES)		--	--	--	--	--	700.51	--	(33.98)	(639.09)	184.08	211.52
II. OPERATIONS WITH THE CONTROLLING COMPANY'S SHAREHOLDERS AND NON-CONTROLLING INTERESTS		--	--	(279.67)	(184.77)	7.87	--	--	--	--	(582.42)	(1,038.99)
1. Capital increases (decreases)		--	--	--	--	--	--	--	--	--	--	--
2. Distribution of dividends	4.2	--	--	(261.92)	(184.77)	--	--	--	--	--	(572.91)	(1,019.60)
3. Increases (decreases) from business combinations		--	--	--	--	--	--	--	--	--	(0.80)	(0.80)
4. Other operations with the controlling company's shareholders and non-controlling interests	6.9	--	--	(22.45)	--	--	--	--	--	--	(8.71)	(31.16)
5. Operations with treasury stock and own shares	6.11	--	--	4.70	--	7.87	--	--	--	--	--	12.57
III. OTHER VARIATIONS IN EQUITY		--	--	504.19	184.77	--	(775.45)	0.40	--	--	(17.26)	(103.35)
1. Transfers among equity items		--	--	590.68	184.77	--	(775.45)	--	--	--	--	--
2. Other variations	3.3	--	--	(86.49)	--	--	--	0.40	--	--	(17.26)	(103.35)
CLOSING BALANCE AS ON DECEMBER 31, 2017		307.95	1,506.74	6,433.14	(184.77)	(52.36)	700.51	10.08	620.69	(730.70)	1,901.38	10,512.66

OPENING BALANCE AS ON JANUARY 1, 2018		307.95	1,506.74	6,433.14	(184.77)	(52.36)	700.51	10.08	620.69	(730.70)	1,901.38	10,512.66
1. Changes in accounting policies		--	--	--	--	--	--	--	--	--	--	--
2. Correction of errors		--	--	--	--	--	--	--	--	--	--	--
ADJUSTED BALANCE AS ON JANUARY 1, 2018		307.95	1,506.74	6,433.14	(184.77)	(52.36)	700.51	10.08	620.69	(730.70)	1,901.38	10,512.66
I. TOTAL COMPREHENSIVE REVENUE (EXPENSES)		--	--	--	--	--	528.86	--	(327.57)	(102.80)	224.22	322.71
II. OPERATIONS WITH THE CONTROLLING COMPANY'S SHAREHOLDERS AND NON-CONTROLLING INTERESTS		--	--	(455.44)	(184.83)	4.11	--	--	--	--	(879.87)	(1,516.03)
1. Capital increases (decreases)	6.26	--	--	--	--	--	--	--	--	--	(71.39)	(71.39)
2. Distribution of dividends	4.2	--	--	(261.82)	(184.83)	--	--	--	--	--	(416.43)	(863.08)
3. Increases (decreases) from business combinations		--	--	0.79	--	--	--	--	--	--	7.99	8.78
4. Other operations with the controlling company's shareholders and non-controlling interests	6.9 and 6.26	--	--	(196.34)	--	--	--	--	--	--	(400.04)	(596.38)
5. Operations with treasury stock and own shares	6.11	--	--	1.93	--	4.11	--	--	--	--	--	6.04
III. OTHER VARIATIONS IN EQUITY		--	--	345.93	184.77	--	(700.51)	(5.59)	--	95.60	(41.96)	(121.76)
1. Transfers among equity items		--	--	515.74	184.77	--	(700.51)	--	--	--	--	--
2. Other variations	3.3, 6.7 and 6.26	--	--	(169.81)	--	--	--	(5.59)	--	95.60	(41.96)	(121.76)
CLOSING BALANCE AS ON DECEMBER 31, 2018		307.95	1,506.74	6,323.63	(184.83)	(48.25)	528.86	4.49	293.12	(737.90)	1,203.77	9,197.58

Figures in millions of euros

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MAPFRE S.A. AND SUBSIDIARIES

D) CONSOLIDATED CASH FLOW STATEMENT FOR YEARS ENDING DECEMBER 31, 2018 AND 2017

ITEM	NOTES	2018	2017
1. Insurance activity:		1,304.56	1,362.27
Cash received from insurance activity		24,550.51	24,497.41
Cash payments from insurance activity		(23,245.95)	(23,135.14)
2. Other operating activities:		(343.66)	(410.38)
Cash received from other operating activities		574.38	800.20
Cash payments from other operating activities		(918.04)	(1,210.58)
3. Receipt (payment) of income tax		(529.32)	(497.80)
NET CASH FLOWS FROM OPERATING ACTIVITIES		431.58	454.09
1. Proceeds from investment activities:		20,544.37	20,132.61
Property, plant and equipment		27.29	56.24
Real estate investments		107.76	54.58
Intangible fixed assets		3.17	0.57
Financial instruments		17,395.36	16,958.98
Equity instruments		1,695.10	1,834.70
Controlled companies and other business units		135.32	29.83
Interest collected		1,067.08	1,089.15
Dividends collected		71.00	69.85
Other proceeds related to investment activities		42.29	38.71
2. Payments from investment activities:		(19,674.60)	(19,100.39)
Property, plant and equipment	6.2	(65.69)	(121.19)
Real estate investments	6.2	(10.52)	(14.24)
Intangible fixed assets		(82.52)	(98.37)
Financial instruments		(17,275.56)	(16,375.32)
Equity instruments		(2,214.38)	(2,340.32)
Controlled companies and other business units		--	(127.35)
Other payments related to investment activities		(25.93)	(23.60)
NET CASH FLOWS FROM INVESTMENT ACTIVITIES		869.77	1,032.22
1. Proceeds from financing activities		1,515.92	1,227.70
Subordinated liabilities		496.95	600.00
Proceeds from issuing of equity instruments and capital increases		--	--
Proceeds from sale of treasury stock	6.11	6.05	12.50
Other proceeds related to financing activities		1,012.92	615.20
2. Payments from financing activities		(2,455.46)	(2,212.73)
Dividends paid to shareholders		(863.09)	(1,019.47)
Interest paid		(57.34)	(67.94)
Subordinated liabilities		--	(578.45)
Payments on return of shareholders' contributions		(123.38)	--
Purchase of treasury stock	6.11	--	--
Other payments related to financing activities	6.9	(1,411.65)	(546.87)
NET CASH FLOW FROM FINANCING ACTIVITIES		(939.54)	(985.03)
Conversion differences in cash flow and cash balances		(24.41)	(88.40)
NET INCREASE/(DECREASE) IN CASH FLOW		337.40	412.88
OPENING CASH BALANCE		1,864.01	1,451.13
CLOSING CASH BALANCE		2,201.41	1,864.01

Figures in millions of euros

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MAPFRE S.A. AND SUBSIDIARIES

E) FINANCIAL INFORMATION BY SEGMENT - CONSOLIDATED INCOME STATEMENT FOR YEAR ENDING DECEMBER 31, 2018

ITEM	IBERIA	LATAM NORTH	LATAM SOUTH	BRAZIL	NORTH AMERICA
I. REVENUE FROM INSURANCE BUSINESS					
1. Premiums allocated to the financial year, net					
a) Written premiums, direct insurance	7,645.30	1,292.55	1,605.75	3,972.20	2,402.41
b) Premiums from accepted reinsurance	12.61	16.80	--	--	22.87
c) Premiums from ceded reinsurance	(719.72)	(457.71)	(624.54)	(624.48)	(382.37)
d) Variations in provisions for unearned premiums and unexpired risks, net					
Direct insurance	(131.05)	186.23	(34.52)	(0.99)	17.89
Accepted reinsurance	(4.20)	1.58	1.41	--	(1.97)
Ceded reinsurance	77.30	(190.93)	6.52	(7.54)	(87.46)
2. Share in profits from equity-accounted companies	20.58	--	--	--	--
3. Revenues from investments					
From operations	1,286.58	68.04	175.75	234.23	76.70
From equity	101.66	10.48	12.30	10.16	40.82
4. Unrealized gains on investments on behalf of life insurance policyholders bearing the investment risk	49.46	0.44	0.01	50.02	--
5. Other technical revenue	21.90	0.29	19.84	0.39	13.50
6. Other non-technical revenue	58.84	0.38	3.85	3.83	0.29
7. Positive foreign exchange differences	16.08	11.68	13.14	--	--
8. Reversal of the asset impairment provision	22.81	--	18.18	--	--
TOTAL REVENUE FROM INSURANCE BUSINESS	8,458.15	939.83	1,197.69	3,637.82	2,102.68
II. EXPENSES FROM INSURANCE BUSINESS					
1. Incurred claims for the financial year, net					
a) Claims paid and variation in provision for outstanding claims, net					
Direct insurance	(5,628.17)	(724.62)	(2,016.56)	(2,038.82)	(1,928.05)
Accepted reinsurance	(1.89)	(8.04)	(3.17)	--	(22.75)
Ceded reinsurance	440.28	202.88	1,489.31	502.33	670.31
b) Claims-related expenses	(358.45)	(12.87)	(35.54)	(84.12)	(174.85)
2. Variation in other technical provisions, net	(248.99)	(18.22)	(66.47)	(149.93)	(0.16)
3. Profit sharing and returned premiums	(25.06)	(7.97)	0.05	(1.57)	--
4. Net operating expenses					
a) Acquisition expenses	(1,102.56)	(260.56)	(395.46)	(1,183.88)	(571.40)
b) Administration expenses	(143.09)	(56.28)	(60.91)	(189.78)	(113.29)
c) Commissions and participation in reinsurance	121.29	61.16	82.00	74.48	114.45
5. Share in losses from equity-accounted companies	--	--	--	--	--
6. Expenses from investments					
a) From operations	(398.73)	(17.68)	(13.39)	(86.17)	(8.96)
b) From equity and financial accounts	(86.17)	(1.06)	(0.70)	--	(3.24)
7. Unrealized losses on investments on account of life insurance policyholders bearing investment risk	(142.60)	(1.30)	--	--	--
8. Other technical expenses	(68.84)	(13.84)	(20.10)	(2.32)	--
9. Other non-technical expenses	(129.76)	(0.78)	(2.94)	(3.47)	(0.90)
10. Negative foreign exchange differences	(14.74)	(11.55)	(21.98)	--	--
11. Allowance to the asset impairment provision	(18.34)	--	(23.26)	--	(8.29)
TOTAL EXPENSES FROM INSURANCE BUSINESS	(7,805.82)	(870.73)	(1,089.12)	(3,163.25)	(2,047.13)
RESULT FROM THE INSURANCE BUSINESS	652.33	69.10	108.57	474.57	55.55
III. OTHER ACTIVITIES					
1. Operating revenue	261.25	9.83	13.96	17.45	1.48
2. Operating expenses	(213.16)	(12.42)	(14.18)	(31.50)	(3.26)
3. Net financial income					
a) Financial income	9.89	0.24	6.32	28.70	0.06
b) Financial expenses	(2.56)	--	(0.25)	(1.59)	0.25
4. Result from non-controlling interests					
a) Share in profits from equity-accounted companies	2.29	--	--	--	--
b) Share in losses from equity-accounted companies	--	--	--	--	--
5. Reversal of asset impairment provision	2.25	--	--	--	--
6. Allowance to the asset impairment provision	(3.72)	--	--	--	--
7. Result from the disposal of non-current assets classified as held for sale, not included in discontinued operations	--	--	--	--	--
RESULT FROM OTHER ACTIVITIES	56.24	(2.35)	5.85	13.06	(1.47)
IV. RESULT ON RESTATEMENT OF FINANCIAL ACCOUNTS	--	--	(16.89)	--	--
V. RESULT BEFORE TAX FROM ONGOING OPERATIONS	708.57	66.75	97.53	487.63	54.08
VI. TAX ON PROFIT FROM ONGOING OPERATIONS	(154.51)	(13.31)	(29.90)	(197.28)	(19.18)
VII. RESULT AFTER TAX FROM ONGOING OPERATIONS	554.06	53.44	67.63	290.35	34.90
VIII. RESULT AFTER TAX FROM DISCONTINUED OPERATIONS	--	--	--	--	--
IX. RESULT FOR THE PERIOD	554.06	53.44	67.63	290.35	34.90
1. Attributable to non-controlling interests	73.48	9.77	8.51	236.21	(0.08)
2. Attributable to the controlling company	480.58	43.67	59.12	54.14	34.98

Figures in millions of euros

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MAPFRE S.A. AND SUBSIDIARIES

E) FINANCIAL INFORMATION BY SEGMENT - CONSOLIDATED INCOME STATEMENT FOR YEAR ENDING DECEMBER 31, 2018

ITEM	EURASIA	MAPFRE ASISTENCIA	MAPFRE GLOBAL RISKS	MAPFRE RE	CORPORATE AREAS AND CONSOLIDATION	TOTAL
I. REVENUE FROM INSURANCE BUSINESS						
1. Premiums allocated to the financial year, net						
a) Written premiums, direct insurance	1,732.74	327.23	117.23	--	6.82	19,102.23
b) Premiums from accepted reinsurance	33.02	583.79	1,056.68	3,787.13	(2,078.03)	3,434.87
c) Premiums from ceded reinsurance	(491.02)	(223.89)	(899.84)	(1,027.98)	2,077.21	(3,374.34)
d) Variations in provisions for unearned premiums and unexpired risks, net						
Direct insurance	(70.94)	(20.92)	94.78	--	(5.05)	35.43
Accepted reinsurance	(3.41)	(42.03)	(103.85)	404.35	(79.34)	172.54
Ceded reinsurance	25.46	13.18	36.12	(112.31)	80.95	(158.71)
2. Share in profits from equity-accounted companies	0.19	--	3.90	--	(12.59)	12.08
3. Revenues from investments						
From operations	132.76	5.66	28.85	172.61	(5.09)	2,176.09
From equity	33.47	--	--	7.65	(2.51)	214.03
4. Unrealized gains on investments on behalf of life insurance policyholders bearing the investment risk	--	--	--	--	(11.84)	88.09
5. Other technical revenue	5.03	--	0.54	--	(0.48)	61.01
6. Other non-technical revenue	0.47	--	--	1.98	(0.11)	69.53
7. Positive foreign exchange differences	33.89	0.34	88.24	790.95	5.07	959.39
8. Reversal of the asset impairment provision	(0.06)	--	--	0.18	--	41.11
TOTAL REVENUE FROM INSURANCE BUSINESS	1,431.60	643.36	422.65	4,024.56	(24.99)	22,833.35
II. EXPENSES FROM INSURANCE BUSINESS						
1. Incurred claims for the financial year, net						
a) Claims paid and variation in provision for outstanding claims, net						
Direct insurance	(1,043.25)	(138.12)	(264.53)	--	(20.07)	(13,802.19)
Accepted reinsurance	(33.44)	(235.86)	(566.09)	(3,285.61)	1,691.24	(2,465.61)
Ceded reinsurance	212.87	79.33	656.76	1,096.04	(1,673.05)	3,677.06
b) Claims-related expenses	(42.56)	(102.84)	(4.44)	(0.11)	(0.06)	(815.84)
2. Variation in other technical provisions, net	(95.05)	--	--	2.26	11.81	(564.75)
3. Profit sharing and returned premiums	(3.97)	--	(0.18)	--	--	(38.70)
4. Net operating expenses						
a) Acquisition expenses	(292.09)	(285.34)	(136.43)	(1,014.76)	431.68	(4,810.80)
b) Administration expenses	(122.62)	(42.73)	(6.81)	(14.66)	4.59	(745.58)
c) Commissions and participation in reinsurance	195.31	83.89	51.91	214.88	(431.71)	567.66
5. Share in losses from equity-accounted companies	--	--	--	--	--	--
6. Expenses from investments						
a) From operations	(147.28)	(1.12)	(15.57)	(22.65)	0.73	(710.82)
b) From equity and financial accounts	(0.14)	--	--	(1.55)	(0.05)	(92.91)
7. Unrealized losses on investments on account of life insurance policyholders bearing investment risk	(2.26)	--	--	--	--	(146.16)
8. Other technical expenses	(7.05)	(17.74)	(7.43)	(2.28)	0.47	(139.13)
9. Other non-technical expenses	(2.40)	--	(0.73)	(8.68)	(0.03)	(149.69)
10. Negative foreign exchange differences	(14.30)	(1.12)	(87.06)	(794.57)	(1.38)	(946.70)
11. Allowance to the asset impairment provision	(5.56)	--	--	--	(173.81)	(229.26)
TOTAL EXPENSES FROM INSURANCE BUSINESS	(1,403.79)	(661.65)	(380.60)	(3,831.69)	(159.64)	(21,413.42)
RESULT FROM THE INSURANCE BUSINESS	27.81	(18.29)	42.05	192.87	(184.63)	1,419.93
III. OTHER ACTIVITIES						
1. Operating revenue	2.96	71.67	0.37	--	(57.97)	321.00
2. Operating expenses	(6.08)	(62.45)	(0.01)	--	(58.56)	(401.62)
3. Net financial income						
a) Financial income	0.41	11.83	0.02	--	25.11	82.58
b) Financial expenses	(0.21)	(2.89)	--	--	(78.04)	(85.29)
4. Result from non-controlling interests						
a) Share in profits from equity-accounted companies	--	--	--	--	--	2.29
b) Share in losses from equity-accounted companies	--	--	--	--	(0.03)	(0.03)
5. Reversal of asset impairment provision	--	--	--	--	23.16	25.41
6. Allowance to the asset impairment provision	--	--	--	--	(11.37)	(15.09)
7. Result from the disposal of non-current assets classified as held for sale, not included in discontinued operations	--	--	--	--	--	--
RESULT FROM OTHER ACTIVITIES	(2.92)	18.16	0.38	--	(157.70)	(70.75)
IV. RESULT ON RESTATEMENT OF FINANCIAL ACCOUNTS	--	(0.52)	--	--	(1.31)	(18.72)
V. RESULT BEFORE TAX FROM ONGOING OPERATIONS	24.89	(0.65)	42.43	192.87	(343.64)	1,330.46
VI. TAX ON PROFIT FROM ONGOING OPERATIONS	(4.49)	(8.13)	(18.66)	(43.73)	36.25	(452.94)
VII. RESULT AFTER TAX FROM ONGOING OPERATIONS	20.40	(8.78)	23.77	149.14	(307.39)	877.52
VIII. RESULT AFTER TAX FROM DISCONTINUED OPERATIONS	--	--	--	--	--	--
IX. RESULT FOR THE PERIOD	20.40	(8.78)	23.77	149.14	(307.39)	877.52
1. Attributable to non-controlling interests	7.95	1.33	--	--	11.49	348.66
2. Attributable to the controlling company	12.45	(10.11)	23.77	149.14	(318.88)	528.86

Figures in millions of euros

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MAPFRE S.A. AND SUBSIDIARIES

E) FINANCIAL INFORMATION BY SEGMENT - CONSOLIDATED INCOME STATEMENT FOR YEAR ENDING DECEMBER 31, 2017

ITEM	IBERIA	LATAM NORTH	LATAM SOUTH	BRAZIL	NORTH AMERICA
I. REVENUE FROM INSURANCE BUSINESS					
1. Premiums allocated to the financial year, net					
a) Written premiums, direct insurance	6,954.87	1,739.17	1,694.73	4,546.87	2,506.51
b) Premiums from accepted reinsurance	5.33	32.96	4.17	--	22.00
c) Premiums from ceded reinsurance	(510.32)	(935.05)	(641.09)	(760.47)	(530.26)
d) Variations in provisions for unearned premiums and unexpired risks, net					
Direct insurance	(49.52)	(240.69)	(66.64)	(63.44)	(9.91)
Accepted reinsurance	(0.20)	(0.70)	0.27	--	5.84
Ceded reinsurance	(4.93)	235.94	10.38	5.43	2.28
2. Share in profits from equity-accounted companies	8.20	--	--	--	--
3. Revenues from investments					
From operations	1,343.83	65.33	162.89	351.26	87.10
From equity	62.77	10.79	15.08	13.79	46.26
4. Unrealized gains on investments on behalf of life insurance policyholders bearing the investment risk	67.79	0.38	--	76.58	--
5. Other technical revenue	21.42	0.58	17.09	2.04	14.57
6. Other non-technical revenue	84.89	0.17	2.89	103.82	0.05
7. Positive foreign exchange differences	10.89	15.53	5.49	--	--
8. Reversal of the asset impairment provision	16.97	--	--	--	--
TOTAL REVENUE FROM INSURANCE BUSINESS	8,011.99	924.41	1,205.26	4,275.88	2,144.44
II. EXPENSES FROM INSURANCE BUSINESS					
1. Incurred claims for the financial year, net					
a) Claims paid and variation in provision for outstanding claims, net					
Direct insurance	(5,219.49)	(1,002.04)	(1,009.71)	(2,100.90)	(2,388.82)
Accepted reinsurance	(1.80)	(6.56)	(4.07)	--	(19.59)
Ceded reinsurance	337.54	505.03	458.40	400.23	1,024.84
b) Claims-related expenses	(356.05)	(13.35)	(41.91)	(89.29)	(197.34)
2. Variation in other technical provisions, net	(318.65)	(31.31)	(54.35)	(232.78)	(0.25)
3. Profit sharing and returned premiums	(22.73)	(8.57)	0.10	(3.75)	--
4. Net operating expenses					
a) Acquisition expenses	(1,090.00)	(263.02)	(399.58)	(1,298.77)	(578.31)
b) Administration expenses	(121.20)	(73.54)	(71.30)	(207.16)	(114.31)
c) Commissions and participation in reinsurance	113.81	70.80	80.35	92.28	164.27
5. Share in losses from equity-accounted companies	3.53	--	--	--	--
6. Expenses from investments					
a) From operations	(386.25)	(14.06)	(12.89)	(116.32)	(7.61)
b) From equity and financial accounts	(39.66)	(0.68)	(0.72)	--	(1.66)
7. Unrealized losses on investments on account of life insurance policyholders bearing investment risk	(8.47)	--	--	--	--
8. Other technical expenses	(71.58)	(8.07)	(21.10)	(9.03)	--
9. Other non-technical expenses	(102.93)	(0.26)	(1.54)	(0.47)	(1.23)
10. Negative foreign exchange differences	(12.40)	(20.53)	(15.88)	--	--
11. Allowance to the asset impairment provision	(20.68)	--	(8.14)	(104.86)	(3.65)
TOTAL EXPENSES FROM INSURANCE BUSINESS	(7,317.01)	(866.16)	(1,102.34)	(3,670.82)	(2,123.66)
RESULT FROM THE INSURANCE BUSINESS	694.98	58.25	102.92	605.06	20.78
III. OTHER ACTIVITIES					
1. Operating revenue	232.68	9.96	20.21	27.82	2.01
2. Operating expenses	(185.32)	(10.90)	(18.51)	(43.95)	(1.82)
3. Net financial income					
a) Financial income	6.30	0.21	3.62	32.57	--
b) Financial expenses	(2.63)	0.13	(0.37)	(1.37)	(0.08)
4. Result from non-controlling interests					
a) Share in profits from equity-accounted companies	1.87	--	--	--	--
b) Share in losses from equity-accounted companies	--	--	--	--	--
5. Reversal of asset impairment provision	1.49	--	--	--	--
6. Allowance to the asset impairment provision	(2.49)	--	--	--	--
7. Result from the disposal of non-current assets classified as held for sale, not included in discontinued operations	--	--	--	--	--
RESULT FROM OTHER ACTIVITIES	51.90	(0.60)	4.95	15.07	0.11
IV. RESULT ON RESTATEMENT OF FINANCIAL ACCOUNTS	--	--	--	--	--
V. RESULT BEFORE TAX FROM ONGOING OPERATIONS	746.88	57.65	107.87	620.13	20.89
VI. TAX ON PROFIT FROM ONGOING OPERATIONS	(159.50)	(14.42)	(27.30)	(217.82)	28.03
VII. RESULT AFTER TAX FROM ONGOING OPERATIONS	587.38	43.23	80.57	402.31	48.92
VIII. RESULT AFTER TAX FROM DISCONTINUED OPERATIONS	--	--	--	--	--
IX. RESULT FOR THE PERIOD	587.38	43.23	80.57	402.31	48.92
1. Attributable to non-controlling interests	75.86	9.45	10.36	276.93	0.23
2. Attributable to the controlling company	511.52	33.78	70.21	125.38	48.69

Figures in millions of euros

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MAPFRE S.A. AND SUBSIDIARIES

E) FINANCIAL INFORMATION BY SEGMENT - CONSOLIDATED INCOME STATEMENT FOR YEARS ENDING DECEMBER 31, 2017

ITEM	EURASIA	MAPFRE ASISTENCIA	MAPFRE GLOBAL RISKS	MAPFRE RE	CORPORATE AREAS AND CONSOLIDATION	TOTAL
I. REVENUE FROM INSURANCE BUSINESS						
1. Premiums allocated to the financial year, net						
a) Written premiums, direct insurance	1,842.97	341.03	344.50	--	11.69	19,982.34
b) Premiums from accepted reinsurance	26.76	642.48	912.92	4,222.42	(2,370.69)	3,498.35
c) Premiums from ceded reinsurance	(522.79)	(217.52)	(915.87)	(1,399.63)	2,368.56	(4,064.44)
d) Variations in provisions for unearned premiums and unexpired risks, net						
Direct insurance	(42.80)	(34.31)	(5.42)	--	(2.82)	(515.55)
Accepted reinsurance	(16.46)	(36.33)	(16.26)	174.65	(36.71)	74.10
Ceded reinsurance	16.06	17.11	13.22	2.27	37.10	334.86
2. Share in profits from equity-accounted companies	0.07	--	3.03	--	(0.33)	10.97
3. Revenues from investments						
From operations	151.17	3.28	28.32	185.64	(14.94)	2,363.88
From equity	36.09	--	0.78	7.66	2.05	195.27
4. Unrealized gains on investments on behalf of life insurance policyholders bearing the investment risk	2.86	--	--	--	(16.59)	131.02
5. Other technical revenue	3.54	--	5.35	0.02	(0.94)	63.67
6. Other non-technical revenue	1.01	--	1.06	0.88	(0.16)	194.61
7. Positive foreign exchange differences	12.42	0.25	149.26	797.41	48.61	1,039.86
8. Reversal of the asset impairment provision	0.27	--	--	3.83	--	21.07
TOTAL REVENUE FROM INSURANCE BUSINESS	1,511.17	715.99	520.89	3,995.15	24.83	23,330.01
II. EXPENSES FROM INSURANCE BUSINESS						
1. Incurred claims for the financial year, net						
a) Claims paid and variation in provision for outstanding claims, net						
Direct insurance	(1,156.72)	(171.36)	(162.97)	--	(6.92)	(13,218.93)
Accepted reinsurance	(10.40)	(268.85)	(1,242.66)	(3,801.88)	2,972.91	(2,382.90)
Ceded reinsurance	288.30	78.06	1,063.00	1,696.19	(2,970.40)	2,881.19
b) Claims-related expenses	(37.17)	(115.78)	(4.37)	(0.10)	(0.35)	(855.71)
2. Variation in other technical provisions, net	(186.55)	--	--	0.73	16.57	(806.59)
3. Profit sharing and returned premiums	(11.55)	--	(0.30)	--	--	(46.80)
4. Net operating expenses						
a) Acquisition expenses	(284.69)	(305.32)	(154.67)	(1,148.71)	598.31	(4,924.76)
b) Administration expenses	(113.31)	(39.01)	(8.02)	(16.10)	3.94	(760.01)
c) Commissions and participation in reinsurance	152.17	85.75	59.52	337.39	(599.31)	557.03
5. Share in losses from equity-accounted companies	(0.08)	--	--	--	(3.53)	(0.08)
6. Expenses from investments						
a) From operations	(56.15)	(1.38)	(7.25)	(26.64)	0.75	(627.80)
b) From equity and financial accounts	(0.04)	--	(0.27)	(1.62)	(0.19)	(44.84)
7. Unrealized losses on investments on account of life insurance policyholders bearing investment risk	--	--	--	--	--	(8.47)
8. Other technical expenses	(10.82)	(2.02)	(5.78)	(2.03)	0.86	(129.57)
9. Other non-technical expenses	(1.87)	--	(0.11)	(5.90)	(0.02)	(114.33)
10. Negative foreign exchange differences	(9.77)	(8.37)	(146.88)	(805.27)	(0.29)	(1,019.39)
11. Allowance to the asset impairment provision	(6.54)	--	--	--	(18.71)	(162.58)
TOTAL EXPENSES FROM INSURANCE BUSINESS	(1,445.19)	(748.28)	(610.76)	(3,773.94)	(6.38)	(21,664.54)
RESULT FROM THE INSURANCE BUSINESS	65.98	(32.29)	(89.87)	221.21	18.45	1,665.47
III. OTHER ACTIVITIES						
1. Operating revenue	3.23	129.98	--	--	(62.87)	363.02
2. Operating expenses	(9.52)	(155.02)	--	--	(64.75)	(489.79)
3. Net financial income						
a) Financial income	0.23	5.42	--	--	49.24	97.59
b) Financial expenses	(0.11)	(4.77)	--	--	(90.61)	(99.81)
4. Result from non-controlling interests						
a) Share in profits from equity-accounted companies	1.13	--	--	--	--	3.00
b) Share in losses from equity-accounted companies	--	--	--	--	(0.03)	(0.03)
5. Reversal of asset impairment provision	--	--	0.01	--	17.51	19.01
6. Allowance to the asset impairment provision	--	--	--	--	(22.76)	(25.25)
7. Result from the disposal of non-current assets classified as held for sale, not included in discontinued operations	--	--	--	--	--	--
RESULT FROM OTHER ACTIVITIES	(5.04)	(24.39)	0.01	--	(174.27)	(132.26)
IV. RESULT ON RESTATEMENT OF FINANCIAL ACCOUNTS	--	(0.12)	--	--	(24.38)	(24.50)
V. RESULT BEFORE TAX FROM ONGOING OPERATIONS	60.94	(56.80)	(89.86)	221.21	(180.20)	1,508.71
VI. TAX ON PROFIT FROM ONGOING OPERATIONS	(10.81)	(9.97)	23.57	(58.58)	36.45	(410.35)
VII. RESULT AFTER TAX FROM ONGOING OPERATIONS	50.13	(66.77)	(66.29)	162.63	(143.75)	1,098.36
VIII. RESULT AFTER TAX FROM DISCONTINUED OPERATIONS	--	--	--	--	--	--
IX. RESULT FOR THE PERIOD	50.13	(66.79)	(66.29)	162.65	(143.75)	1,098.36
1. Attributable to non-controlling interests	10.81	1.64	--	12.57	--	397.85
2. Attributable to the controlling company	39.32	(68.43)	(66.29)	162.65	(156.32)	700.51

Figures in millions of euros

F) SUPPLEMENTARY FINANCIAL INFORMATION BY PRODUCT AND GEOGRAPHICAL AREA

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

1. CONSOLIDATED ORDINARY REVENUES FROM EXTERNAL CLIENTS IN FINANCIAL YEARS ENDING DECEMBER 31, 2018 AND 2017

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

1.a) Information by product

Products	2018	2017
Life	4,875.70	4,669.50
Automobile	6,881.59	7,271.17
Homeowners and commercial risks	2,413.30	2,510.26
Health	1,032.42	991.98
Accidents	232.42	238.80
Other Non-Life	3,795.47	4,441.52
Reinsurance	5,429.72	5,782.56
Other Activities	882.22	925.44
Consolidation adjustments	(2,684.75)	(2,987.53)
TOTAL	22,858.10	23,843.71

Figures in millions of euros

1.b) Information by country

Geographic Area / Countries	2018	2017
IBERIA		
Spain	7,785.21	7,053.29
Portugal	133.95	139.59
LATAM NORTH		
Mexico	728.51	1,192.23
Panama	204.03	217.68
Other	386.64	372.18
LATAM SOUTH		
Argentina	209.96	306.96
Chile	289.41	306.88
Colombia	395.16	398.75
Peru	491.55	469.93
Other	233.63	236.59
BRAZIL	3,989.65	4,574.69
NORTH AMERICA		
United States of America	2,038.34	2,201.62
Puerto Rico	388.43	328.91
EURASIA		
Italy	474.15	471.44
Malta	391.05	352.54
Turkey	487.13	654.95
Other	416.39	394.02
MAPFRE ASISTENCIA	982.69	1,113.48
MAPFRE GLOBAL RISKS	1,174.28	1,257.42
MAPFRE RE	3,787.13	4,222.42
CORPORATE AREAS AND CONSOLIDATION ADJUSTMENTS	(2,129.19)	(2,421.86)
TOTAL	22,858.10	23,843.71

Figures in millions of euros

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

2. NON-CURRENT ASSETS AT DECEMBER 31, 2018 AND 2017

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

Geographic Area / Countries	2018	2017
IBERIA		
Spain	1,710.42	1,695.37
Portugal	14.03	20.41
LATAM NORTH		
Mexico	88.88	114.55
Panama	56.46	56.78
Other	37.27	28.32
LATAM SOUTH		
Argentina	35.75	35.68
Chile	22.26	38.23
Colombia	21.93	23.86
Peru	162.72	85.51
Other	23.38	21.08
BRAZIL	677.63	927.42
NORTH AMERICA		
United States of America	501.69	352.64
Puerto Rico	56.82	65.28
EURASIA		
Italy	51.55	34.28
Malta	184.40	179.90
Turkey	45.08	60.61
Other	39.98	40.91
MAPFRE ASISTENCIA	121.19	135.27
MAPFRE GLOBAL RISKS	9.49	9.86
MAPFRE RE	72.12	64.37
CORPORATE AREAS		
AND CONSOLIDATION ADJUSTMENTS	710.30	682.99
TOTAL	4,643.35	4,673.32

Figures in millions of euros

Non-current assets include intangible fixed assets other than goodwill and portfolio acquisition expenses, property, plant and equipment, real estate investments, inventories, tax receivables, corporate and other receivables, other assets, and non-current assets held for sale and from discontinued operations, with information in Note 6.10 herein regarding the latter.

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

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G) CONSOLIDATED ANNUAL REPORT

1. GENERAL INFORMATION REGARDING THE COMPANY AND ITS ACTIVITIES

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

MAPFRE S.A. is a subsidiary of CARTERA MAPFRE, S.L. Single-Member Company (hereinafter, CARTERA MAPFRE), fully controlled by Fundación MAPFRE.

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

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

The MAPFRE Group activities are carried out through four business units: Insurance, Assistance (assistance, services and specialty risks), Global Risks, and Reinsurance; three territorial areas: IBERIA, LATAM and INTERNATIONAL; and six regional areas: IBERIA (Spain and Portugal), BRAZIL, LATAM NORTH (Mexico, Dominican Republic, Panama, El Salvador, Nicaragua, Costa Rica, Honduras and Guatemala), LATAM SOUTH (Colombia, Venezuela, Ecuador, Peru, Chile, Argentina, Uruguay and Paraguay), NORTH AMERICA (United States, Puerto Rico and Canada), and EURASIA (Europe, Middle East, Africa and Asia-Pacific). At the close of 2018, the reorganization of the global risks business is underway (see Note 6.27).

The Insurance Business Unit is organized according to the regional areas of MAPFRE, which comprise the geographical units that plan, support and supervise in the region.

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

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

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

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

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The individual and consolidated annual accounts were prepared by the Board of Directors on February 6, 2019 and are expected to be approved by the Annual General Meeting. Spanish regulations provide for the possibility of modifying the consolidated annual accounts if they are not approved by the aforementioned sovereign body.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED ANNUAL ACCOUNTS

2.1. BASIS OF PRESENTATION

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

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

There was no early application of the rules and interpretations which, having been approved by the European Commission, had not entered into force at the close of 2018. However, their early adoption would not have affected the Group's financial situation and results, with the exception of what is indicated in section 2.5 below.

2.2. FINANCIAL INFORMATION BY SEGMENT

Section E) of the consolidated annual accounts contains the financial information broken down by operating segment, which is aligned with the Group organizational structure and with the information provided to Management and to the market. The segments are:

Insurance activity and other activities

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

Reinsurance activity

- MAPFRE RE

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

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

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

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

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

2.3 FINANCIAL INFORMATION BY PRODUCT AND GEOGRAPHIC AREA

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

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

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

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

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

In 2018, there were no changes in accounting policies, estimates or significant errors that could have had an effect on the Group's financial position or results.

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2.5. COMPARISON OF INFORMATION

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

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

- In relation to EU-IFRS 16 “Leases”, which will enter into force for reporting periods beginning on or after January 1, 2019, a new study has been carried out to analyze the impact on the financial statements during its first year of implementation, based on the current market conditions and the terms and conditions of lease contracts currently in force. The main impacts will be:
 - An increase in assets and liabilities of approximately 300.04 million euros.
 - A decrease in operating expenses and an increase in financial expenses of 11.59 and 16.59 million euros, respectively. The amount of financial expenses will reduce gradually, with financial criteria, during the estimated term of the contracts.
 - A fall of 2.64 million euros in the result for the period attributable to the controlling company. This amount will be offset entirely at the end of the estimated term of the contracts.
- The Group is analyzing the impact of IFRS 17 “Insurance Contracts”, which is expected to be applicable to reporting periods beginning on or after January 1, 2022, and which was approved by the International Accounting Standards Board (IASB), and has not yet been adopted by the European Union. The impact is expected to be significant.
- In relation to EU-IFRS 9 “Financial instruments”, which is also expected to have a significant impact, and the modification of EU-IFRS 4 “Insurance Contracts”, which will apply to reporting periods beginning on or after January 1, 2018, the Group deems, by virtue of the provisions set out in the latter standard, that it is eligible for the temporary deferral approach from the application of IFRS 9 for companies operating primarily in insurance activity (more than 90 percent of liabilities are related to insurance activity). Said temporary deferral is applicable until reporting periods beginning on or after January 1, 2022, on which date the new IFRS 17 “Insurance Contracts” will enter into force.

With the aim of analyzing potential impacts from the application of EU-IFRS 9 “Financial instruments” and to improve the comparability of the information between companies that are applying said regulation and those that have opted for deferral, the modification of EU-IFRS 4 “Insurance Contracts” requires the inclusion of certain information related to flows from financial assets recorded at amortized cost or recorded as assets available for sale. Considering the above, the Group has analyzed the fixed income assets classified in the headings “Held to maturity portfolio” and “Available for sale portfolio”, with the detailed information required for the annual accounts given in Note 6.4. “Financial Investments”.

- The adoption of IFRIC 23 “Uncertainty over Income Tax Treatments”, which will enter into force for periods beginning on or after January 1, 2019, is not expected to significantly impact the financial situation or results of the Group.

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- The Group shall adopt, upon their entry into force, all other applicable standards, amendments and interpretations. The initial application of such is not expected to have a significant impact on the Group's financial situation or result.

2.6. CHANGES IN THE SCOPE OF CONSOLIDATION

The companies that were added to the scope of consolidation in 2018 and 2017 are listed in Annex 1 along with their equity figures and results. Said Annex also contains all the other changes to the scope of consolidation.

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

The overall effect on the Group's consolidated equity, financial position and results in 2018 and 2017 derived from other changes in the scope of consolidation with respect to the preceding year is described in the corresponding notes of the consolidated annual report.

2.7. ACCOUNTING JUDGMENTS AND ESTIMATES

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

- The technical provisions (Note 6.14).
- Impairment losses on certain assets (Notes 6.1, 6.2 and 6.4).
- The calculation of provisions for risks and expenses (Note 6.15).
- The actuarial calculation of post-employment remuneration-related commitments and liabilities (Note 6.22).
- The useful life of intangible assets and of property, plant & equipment items (Notes 5.3 and 6.1).
- The fair value of certain non-listed assets (Note 6.4).

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

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3. CONSOLIDATION

3.1. CONTROLLED COMPANIES, ASSOCIATED UNDERTAKINGS AND JOINT ARRANGEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The financial statements of the controlled companies, associated undertakings and joint arrangements used for the consolidation correspond to the years ending December 31, 2018 and 2017.

3.2. MUTUAL FUNDS

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

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

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

The exchange differences resulting from applying the aforementioned procedure, as well as those arising from the conversion of loans and other foreign currency hedging instruments for investments in foreign activities, are presented as a separate component in the "Consolidated Statement of Other Comprehensive

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Income” and are shown under equity in the “Currency conversion differences” account, deducting the part of the difference that corresponds to non-controlling interests.

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

Hyperinflationary economies

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

In 2017, only Venezuela was considered to have a hyperinflationary economy, while in 2018 Argentina was also considered as such, as a result of reaching, during the year, accumulated inflation of 100 percent over the last three years.

The Group accounting policy for recording operations in hyperinflationary economies consists of recording in reserves both the revaluation of non-monetary items and the currency conversion differences generated from the conversion to euros of the restated financial statements of subsidiaries in these countries. The amounts recognized in Reserves in the last two years from these effects are the following:

Item	Balance 12.31.16	Variation 2017	Balance 12.31.17	Variation 2018	Balance 12.31.18
Restatement for inflation	481.67	35.63	517.30	25.51	542.81
Currency conversion differences	(832.85)	(57.05)	(889.90)	(180.90)	(1,070.80)
Net	(351.18)	(21.42)	(372.60)	(155.39)	(527.99)

Million euros

The variation in currency conversion differences in 2018 includes 95.60 million euros from subsidiaries in Argentina coming from previous years, which are reclassified to Reserves in the year in which the country is considered to be hyperinflationary.

The following chart gives details about other data related to the conversion of the annual accounts from companies operating in hyperinflationary economies:

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Country	Inflation (%)		Exchange rate (units of currency per euro)		Results from restatement		Equity	
	2018	2017	2018	2017	2018	2017	2018	2017
Argentina	48	25	43	22	(17.41)	--	47.02	51.60
Venezuela	702,404	835	4,699	17,355	(1.31)	(24.50)	3.50	38.17
Total (million euros)					(18.72)	(24.50)	50.52	89.77

The exchange rate shown for Venezuela corresponds to the Venezuelan bolivar at the close of 2017 and to the new Sovereign bolivar currency at the close of 2018. Given that there is not reliable official information, at the close of 2018 and 2017, for the consolidation of the financial statements, an exchange rate based on the estimated inflation in the country has been considered.

The results of the restatement are included in the Consolidated Income Statement and represent the loss of purchasing power of the net monetary assets from inflation.

Adjustments to the opening balance

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

The variations in the technical provisions shown in the consolidated income statement differ from those obtained from the difference between the previous balances on the consolidated balance sheets for this year and the previous year as a result of applying a different conversion exchange rate to the figures for overseas subsidiaries.

4. EARNINGS PER SHARE AND DIVIDENDS

4.1. EARNINGS PER SHARE

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

Item	2018	2017
Net profit attributable to controlling company's shareholders	528.86	700.51
Weighted average number of ordinary shares in issue	3,079.55	3,079.55
Basic earnings per share (euros)	0.17	0.23

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4.2. DIVIDENDS

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

Item	Total dividend (million euros)		Dividend per share (euro cents)	
	2018	2017	2018	2017
Interim dividend	184.83	184.77	6.00	6.00
Final dividend	261.76	261.82	8.50	8.50
TOTAL	446.59	446.59	14.50	14.50

The total dividend for 2018 was proposed by the Board of Directors and is pending approval by the Ordinary Annual General Meeting.

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

In 2018 the controlling company distributed an interim dividend equivalent to a total amount of 184,834,843.67 euros, which is recorded in equity under the heading "Interim dividend". The liquidity statement prepared by the Board of Directors for the distribution is shown below.

Item	Date of Resolution Sep. 28 2018
Cash available on date of the resolution	36.66
Increases in cash forecast within one year	770.75
(+) From expected current collection transactions	575.75
(+) From financial transactions	195.00
Decreases in cash forecast within one year	(431.27)
(-) From expected current payment transactions	(83.45)
(-) From expected financial transactions	(347.82)
Cash available within one year	376.14

Figures in millions of euros

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5. ACCOUNTING POLICIES

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

5.1. INTANGIBLE ASSETS

GOODWILL

Goodwill on merger

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

Consolidation differences

- Goodwill on consolidation

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

- Negative consolidation difference

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

Goodwill impairment

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

OTHER INTANGIBLE ASSETS

Other intangible assets from an independent acquisition

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

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Internally-generated intangible assets

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

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

Amortization of limited useful life intangible assets

- Portfolio acquisition costs

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

- Other intangible assets

These are amortized based on their limited useful life following a linear method. The amortization has been recorded as “Provision for amortization” in the expense account by nature.

5.2. BUSINESS COMBINATIONS

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

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

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

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

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

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

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

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

5.3. PROPERTY, PLANT AND EQUIPMENT AND REAL ESTATE INVESTMENTS

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

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

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

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

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

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

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

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5.4. LEASING

Finance leases

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

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

The financial costs are recorded in the consolidated income statement.

Operating Leases

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

5.5. FINANCIAL INVESTMENTS

Recognition

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

Classification

Financial investments are classified in the following portfolios:

- Held-to-maturity portfolio

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

- Available-for-sale portfolio

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

- Trading portfolio

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

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

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

Valuation

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

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

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

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

- Level 1. Quoted price: Unadjusted price quoted in active markets.
- Level 2. Observable data: Prices quoted in active markets for instruments similar to the one being valued or other valuation techniques in which all the significant variables are based on observable market data. The valuation is made via a model that discounts future financial flows, including the reimbursement value, using a rate curve with two main components:
 - Zero coupon swap curve of the currency of the issuance, which is considered to be the best approximation to the risk-free interest rate.
 - Spread of the additional risk, which will be the spread added to or subtracted from the zero coupon swap curve that reflects the risks inherent to the issuance being valued, such as credit, liquidity or optionality risk.

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- Level 3. Other valuations: Variables specific to each case. For these purposes, it is possible to distinguish between:
 - Equity assets, where in general the realizable value is estimated according to the individual characteristics of the asset.
 - Fixed-income assets with complex future flow structures (interest rates linked to financial variables, with caps and/or floors) and one or more early redemptions, and in which the issuer has no similar issuances on the market or any unquoted issuances from an issuer with no similar issuances. In these cases, the assets are usually valued by requesting a valuation from a benchmark third party.

Impairment

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

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

For equity instruments, an individual analysis of the investments is undertaken to determine whether or not impairment has occurred. Furthermore, impairment is considered to have occurred when there are prolonged (18 months) or significant (40 percent) decreases in market value in terms of its cost.

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

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

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

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

- Equities: at their quoted cost (Level 1).

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

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

5.7. IMPAIRMENT OF OTHER ASSETS

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

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

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

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

5.8. INVENTORIES

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

5.9. RECEIVABLES

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

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

When there is objective evidence that a loss was incurred due to impairment, the corresponding provision is constituted for the amount estimated not to be recoverable. This amount is equivalent to the difference between the book value of the asset and the current value of the future cash flows, discounted at the

original effective interest rate of the financial asset, and the loss is recognized on the year's consolidated income statement.

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

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

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

5.10. CASH

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

5.11. ACCRUAL ADJUSTMENTS

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

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

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

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

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

5.13. TREASURY STOCK

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

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

5.14. FINANCIAL LIABILITIES AND SUBORDINATED LIABILITIES

Financial liabilities classified as held-for-trading

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

Other financial liabilities

In their initial recognition on the balance sheet, they are recorded at fair value, which is the net amount received, deducting transaction costs which are directly attributed to the issuance of the financial liability, like commissions, formalization costs, taxes, fees, etc.... Subsequently, these liabilities are measured at their amortized cost, applying the effective interest rate for financial liabilities.

5.15. INSURANCE OPERATIONS

A) PREMIUMS

Direct insurance

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

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

Ceded reinsurance

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

Accepted and retroceded reinsurance

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

Co-insurance

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

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B) TECHNICAL PROVISIONS

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

a) Direct insurance of companies belonging to the European Economic AreaProvision for unearned premiums

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

Provision for unexpired risks

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

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

Provisions for Life insurance

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

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

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

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

provisions. The amount resulting from this profit sharing is recorded as a greater amount than the technical provisions.

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

Provision for outstanding claims

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

Other technical provisions

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

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

Technical provisions for Life insurance where policyholders bear the investment risk

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

b) Direct insurance of companies outside the European Economic Area

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

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

c) Ceded reinsurance

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

d) Accepted reinsurance

Provision for unearned premiums

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

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

Provision for unexpired risks

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

Provision for outstanding claims

Provisions for outstanding claims are provided for the amounts communicated by the cedant or, in the lack thereof, for the withheld deposits, and include, where necessary based on available historic information, additional provisions for claims that were incurred but not reported (IBNR) as well as for deviations of the existing ones based on own experience. The final expected cost is estimated and provisioned based on experience and through the use of actuarial methods.

e) Retroceded reinsurance

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

f) Liability adequacy test

The recorded technical provisions are usually subject to a reasonability test for the purpose of determining their adequacy on the basis of projections of all future cash flows of current contracts, taking into account the temporary value of the money and using assumptions (economic, biometric, etc.), in line with the experience of each company. If the result of this test indicates the inadequacy of the provisions, they are adjusted and charged to the results for the period.

g) Shadow accounting

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

C) OTHER ASSETS AND LIABILITIES DERIVED FROM INSURANCE AND REINSURANCE CONTRACTS**a) Deposit components in insurance contracts**

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

b) Embedded derivatives in insurance contracts

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

c) Insurance contracts acquired in business combinations or portfolio transfers

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

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

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

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

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

D) AGRICULTURAL CO-INSURANCE IN SPAIN

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

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D.1) Earned premiums: net of cancelations.

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

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

E) LOSS RATIO

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

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

Payments of claims are made against the previously recognized provision.

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

F) MOST SIGNIFICANT ASSUMPTIONS AND OTHER SOURCES FOR ESTIMATING UNCERTAINTIES

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

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

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

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

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G) IMPAIRMENT

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

5.16. PROVISIONS FOR RISKS AND EXPENSES

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

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

5.17. DEBT

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

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

5.18. GENERAL CRITERION FOR REVENUES AND EXPENSES

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

As of January 1, 2018, recognition of revenue from non-insurance activities is made when the promised goods or services are transferred to a customer, in line with the contract between them, considering that a good or service has been transferred when the client obtains control of it (be it over a period of time or in a specific moment). The amount recognized corresponds to the amount of the consideration the company is entitled to for the transfer of the goods or services.

5.19 REMUNERATION FOR EMPLOYEES

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

a) Short-term remuneration

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

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b) Post-employment benefits

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

Defined contribution plans

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

Defined benefit plans

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

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

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

Actuarial gains and losses are recorded in equity accounts.

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

c) Compensation for termination

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

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

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

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Incentive plans

In 2016 a medium-term incentive plan was approved for certain members of the MAPFRE executive team. The plan is extraordinary, non-cumulative and multi-year, commencing January 1, 2016 and ending March 31, 2019, with payment of part of the incentives deferred to the period 2020-2022. The payment of incentives is dependent on fulfilling certain corporate and individual objectives, as well as remaining in the Group's employment. The incentives will be paid partly in cash (50 percent) and partly in MAPFRE S.A. shares (50 percent), and payment is subject to malus or clawback clauses. At the close of each year, the fulfillment of objectives will be evaluated and the amount accrued will be recorded in the consolidated income statement under a liability account for the part of the remuneration paid in cash and under an equity account for the part corresponding to equity instruments. The valuation of the part of the incentive paid in MAPFRE S.A. shares takes into account the fair value of the equity instruments assigned at the transfer date, based on the terms and conditions of the plan.

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

5.20. REVENUES AND EXPENSES FROM INVESTMENTS

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

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

a) Trading portfolio

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

b) Held-to-maturity portfolio

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

c) Available-for-sale portfolio

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

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

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

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

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

The established destinations are as follows:

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

Expenses have been allocated to the different segments, according to the Business Unit or Regional Area in which the activity originated:

5.22. TRANSACTIONS AND BALANCES IN FOREIGN CURRENCY

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

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

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

5.23. TAX ON PROFITS

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

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

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

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

a) Recognition of deferred tax liabilities

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

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

b) Recognition of deferred tax assets

The Group recognizes deferred tax assets as long as:

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

c) Compensation and classification

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

d) Deferred tax asset and liability valuation

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

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

6. BREAKDOWN OF FINANCIAL STATEMENTS

6.1. INTANGIBLE ASSETS

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

2018

Item	Opening balance	Adjustments to the opening balance	Changes to the scope	Additions or provisions	Disposals, cancellations or reductions	Closing balance
<u>COST</u>						
GOODWILL	2,024.91	10.36	(22.02)	--	(61.88)	1,951.37
OTHER INTANGIBLE FIXED ASSETS						
Portfolio acquisition expenses	1,527.22	(107.61)	--	32.44	(105.72)	1,346.33
Software	1,075.33	(11.78)	(5.18)	101.25	(17.81)	1,141.81
Other	167.42	1.17	(37.24)	38.79	(35.50)	134.64
TOTAL COST	4,794.88	(107.86)	(64.44)	172.48	(220.91)	4,574.15
<u>CUMULATIVE AMORTIZATION</u>						
OTHER INTANGIBLE FIXED ASSETS						
Portfolio acquisition expenses	(506.38)	26.22	--	(70.10)	62.70	(487.56)
Software	(614.82)	8.15	4.32	(102.79)	3.18	(701.96)
Other	(50.92)	(0.59)	14.20	(2.06)	0.02	(39.35)
TOTAL CUMULATIVE AMORTIZATION	(1,172.12)	33.78	18.52	(174.95)	65.90	(1,228.87)
<u>IMPAIRMENT</u>						
GOODWILL	(141.95)	2.18	--	(173.45)	50.88	(262.34)
OTHER INTANGIBLE ASSETS						
Portfolio acquisition expenses	(57.75)	3.28	--	--	44.06	(10.41)
Software	(0.11)	(0.01)	--	--	--	(0.12)
Other	(0.05)	--	--	--	--	(0.05)
TOTAL IMPAIRMENT	(199.86)	5.45	--	(173.45)	94.94	(272.92)
TOTAL GOODWILL	1,882.96	12.54	(22.02)	(173.45)	(11.00)	1,689.03
TOTAL OTHER INTANGIBLE ASSETS	1,539.94	(81.17)	(23.90)	(2.47)	(49.07)	1,383.33
TOTAL INTANGIBLE ASSETS	3,422.90	(68.63)	(45.92)	(175.92)	(60.07)	3,072.36

Figures in millions of euros

The amounts shown as changes in scope in 2018 are primarily the result of the reclassification to the caption "Non-current assets held for sale" of assets from funeral service businesses in Spain (Note 6.10).

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The Portfolio acquisition expense entries come from final price allocation for the acquisition of the business combinations carried out in 2017 (Note 6.25).

Disposals primarily come from the cancellation on the balance sheet of fully amortized and/or impaired assets.

2017

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

Figures in millions of euros

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

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Intangible assets with an indefinite useful life

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

Item	Book value	
	12/31/18	12/31/17
Goodwill on consolidation	1,679.00	1,850.45
Goodwill on merger	10.03	32.51

Figures in millions of euros

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

• Goodwill

Goodwill budget 6.1

Cash-generating unit	Business and Geographic Area	Gross amount at source		Initial 12.31.2016	2017		Initial 12.31.2017	2018		Initial 12.31.2018
		Millions in original currency	Currency		Entries/(write-offs)	Net impairment for the period		Entries/(write-offs)	Net impairment for the period	
Goodwill on consolidation										
MAPFRE VIDA	Life insurance (Spain)	258.40	EUR	212.57	--	--	212.57	--	--	212.57
MAPFRE GLOBAL RISKS	Insurance for Companies	40.75	EUR	40.17	--	--	40.17	--	--	40.17
GRUPO CORPORATIVO, LML	Non-Life Insurance (Mexico)	407.93	MXN	18.68	(1.39)	--	17.29	0.83	--	18.12
BRICKELL FINANCIAL SERVICES	Travel assistance (USA)	19.58	USD	17.63	(2.17)	--	15.46	0.73	--	16.19
MAPFRE WARRANTY	Extended Warranty	11.40	EUR	11.08	--	--	11.08	--	--	11.08
BB MAPFRE SH1	Non-Life Insurance (Brazil)	350.29	BRL	102.22	(14.12)	--	88.10	(9.33)	--	78.77
MAPFRE BB SH2	Life Insurance (Brazil)	220.01	BRL	64.20	(3.77)	(60.43)	--	--	--	--
ABRAXAS	Travel assistance (United Kingdom)	11.26	GBP	13.19	(0.51)	--	12.68	(0.15)	--	12.53
GENEL SIGORTA	Insurance (Turkey)	156.83	TRY	42.23	(7.78)	--	34.45	(6.62)	--	25.83
BANKINTER VIDA	Life insurance (Spain)	160.45	EUR	160.45	--	--	160.45	--	--	160.45
CCM VIDA Y PENSIONES	Life and Pensions insurance (Spain)	90.51	EUR	81.34	--	--	81.34	--	--	81.34
MAPFRE USA	Non-Life Insurance (USA)	882.40	USD	838.40	(103.17)	--	735.23	31.32	(129.84)	636.91
ASEGURADORA MUNDIAL	Insurance (Central America)	8.98	PAB	8.55	(1.05)	--	7.50	0.34	--	7.84
INSURANCE AND GO	Insurance (United Kingdom)	30.72	GBP	36.81	(1.44)	--	35.37	(0.38)	--	34.99
CENTURY AUTOMOTIVE	Insurance and reinsurance (USA)	30.35	USD	23.63	(2.91)	--	20.72	0.97	--	21.69
BANKINTER SEGUROS GENERALES	Non-Life Insurance (Spain)	12.72	EUR	12.46	--	--	12.46	--	--	12.46
BANKIA MAPFRE VIDA	Life insurance (Spain)	18.69	EUR	18.69	--	--	18.69	--	--	18.69
SOCIEDAD DE SEGUROS Y REASEGUROS S.A.	Life insurance (Spain)	18.69	EUR	18.69	--	--	18.69	--	--	18.69
FUNESPAÑA	Funeral services (Spain)	17.88	EUR	17.88	--	--	17.88	(0.68)	--	17.20
VERTI VERSICHERUNG AG	Non-Life insurance (Germany)	125.47	EUR	125.47	--	--	125.47	--	--	125.47
VERTI ASSICURAZIONI S.P.A.	Non-Life Insurance (Italy)	101.30	EUR	68.27	--	--	68.27	--	(21.60)	46.67
ABDA	Insurance (Indonesia)	391,102.00	IDR	--	96.94	--	96.94	(13.49)	(22.21)	61.24
Other	--	--	--	42.01	(3.68)	--	38.33	0.46	--	38.79
TOTAL GOODWILL ON CONSOLIDATION				1,955.93	(45.05)	(60.43)	1,850.45	2.00	(173.45)	1,679.00
Goodwill on merger										
BANKINTER VIDA (branch in Portugal)	Life and Pensions insurance (Portugal)	5.34	EUR	5.34	--	--	5.34	--	--	5.34
GRUPO FUNESPAÑA	Funeral services (Spain)	41.09	EUR	22.12	(0.11)	--	22.01	(22.01)	--	--
Other	--	--	--	6.66	(0.16)	(1.34)	5.16	(0.47)	--	4.69
TOTAL GOODWILL ON MERGER				34.12	(0.27)	(1.34)	32.51	(22.48)	--	10.03
TOTAL GOODWILL				1,990.05	(45.32)	(61.77)	1,882.96	(20.48)	(173.45)	1,689.03
Goodwill in associated and multi-group undertakings										
SALVADOR CAETANO AUTO (SGPS), S.A.	Services (Portugal)	11.31	EUR	--	11.31	--	11.31	--	--	11.31
ABDA	Insurance (Indonesia)	391,102.00	IDR	27.51	(27.51)	--	--	--	--	--
SOLUNION SEGUROS DE CREDITO, S.A.	Insurance (Spain)	12.87	EUR	12.87	--	--	12.87	--	--	12.87
Otros	--	--	--	4.58	0.05	--	4.63	0.44	--	5.07
TOTAL GOODWILL IN ASSOCIATED AND MULTI-GROUP UNDERTAKINGS (EQUITY-ACCOUNTED) (*)				44.96	(16.15)	--	28.81	0.44	--	29.25

Figures in millions of euros

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

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● **Portfolio acquisition expenses**

Cash-generating unit	Business and Geographic Area	Gross amount at source		Initial 12.31.2016	2017		Initial 12.31.2017	2018		Initial 12.31.2018
		Millions in original currency	Currency		Entries/(write-offs)	Amortization and net impairment for the period		Entries/(write-offs)	Amortization and net impairment for the period	
BANKINTER VIDA	Life and Pensions insurance (Spain and Portugal)	200.89	EUR	148.06	--	(10.01)	138.05	--	(10.12)	127.93
BANKIA MAPFRE VIDA SOCIEDAD DE SEGUROS Y REASEGUROS S.A.	Life insurance (Spain)	89.59	EUR	70.22	--	(7.12)	63.10	--	(6.67)	56.43
CCM VIDA Y PENSIONES	Life and Pensions insurance (Spain)	82.55	EUR	47.92	--	(4.42)	43.50	--	(4.03)	39.47
MAPFRE USA	Non-Life Insurance (USA)	48.26	USD	9.30	(0.70)	(8.60)	--	--	--	--
BB MAPFRE SH1	Life Insurance (Brazil)	3,461.42	BRL	785.40	(105.38)	(36.57)	643.45	(67.30)	(31.81)	544.34
MAPFRE BB SH2	Non-Life Insurance (Brazil)	140.07	BRL	50.99	(3.01)	(47.98)	--	--	--	--
GENEL SIGORTA	Insurance (Turkey)	95.40	TRY	8.29	(1.41)	(1.29)	5.59	(1.32)	(0.82)	3.45
MAPFRE FINISTERRE	Non-Life Insurance (Spain)	87.94	EUR	42.86	--	(2.59)	40.27	--	(2.53)	37.74
VERTI VERSICHERUNG AG	Non-Life insurance (Germany)	23.52	EUR	22.05	--	(3.31)	18.74	--	(4.09)	14.65
ABDA	Insurance (Indonesia)	481,941.46	IDR	--	--	--	--	23.60	(7.82)	15.78
Other	--	--	--	12.11	0.37	(2.09)	10.39	0.39	(2.21)	8.57
TOTAL PORTFOLIO ACQUISITION EXPENSES				1,197.20	(110.13)	(123.98)	963.09	(44.63)	(70.10)	848.36

Figures in millions of euros

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

Cash-generating unit	Contrast value		Recoverable value	
	2018	2017	2018	2017
MAPFRE VIDA	1,781.21	2,049.00	4,424.07	4,648.54
BB MAPFRE SH1	823.35	967.29	3,458.94	4,351.62
MAPFRE BB SH2	--	805.87	--	805.87
BANKINTER VIDA (España)	270.84	273.20	584.39	574.80
CCM VIDA Y PENSIONES	143.81	145.50	193.74	210.67
MAPFRE USA	1,612.18	1,800.57	1,612.18	2,510.20
MAPFRE GENEL SIGORTA	149.80	224.60	158.07	371.30
VERTI ASSICURAZIONI S.P.A.	410.01	277.91	410.01	319.79
VERTI VERSICHERUNG AG	289.79	293.66	295.49	495.46
ABDA	117.52	147.01	117.52	150.35

Figures in millions of euros

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

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

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

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

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

The risk-free rate applied varied between 0.25 percent and 15.83 percent in 2018, and between 0.42 percent and 11.43 in 2017.

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

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

Cash-generating unit	Discount rate	
	2018	2017
MAPFRE USA	8.10%	7.02%
MAPFRE VIDA, BANKINTER VIDA (Spain) and CCM VIDA Y PENSIONES	6.44%	6.15%
BB MAPFRE SH1	13.60%	14.15%
MAPFRE BB SH2	--	14.24%
GENEL SIGORTA	19.25%	14.09%
VERTI ASSICURAZIONI S.P.A.	6.95%	5.88%
VERTI VERSICHERUNG AG	5.05%	4.13%
ABDA	11.60%	10.81%

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

Country	Long-term inflation forecast	
	2018	2017
Spain	1.94%	1.90%
United States	2.12%	2.24%
Turkey	13.00%	7.51%
Brazil	3.97%	4.03%
Italy	1.71%	1.40%
Germany	2.56%	2.48%
Indonesia	2.99%	3.30%

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

Country	Perpetuity growth rate (g)	
	2018	2017
Spain	1.94%	1.90%
United States	2.12%	2.24%
Turkey	13.50%	8.01%
Brazil	4.47%	4.53%
Italy	1.71%	1.40%
Germany	2.56%	2.48%
Indonesia	3.49%	4.00%

Meanwhile, at least once a year each Group company analyzes the assumptions used to estimate future cash flows and updates them pursuant to actual results and past experience. In general, the cash flow projections for the first five years consider growth rates based on past experience, while in subsequent years the residual value is calculated, establishing perpetual revenues based on the cash flows of the last period of the estimates, with a perpetuity growth rate calculated as described above. Exceptionally, in Brazil, Indonesia and Italy, a time horizon of longer than 5 years has been considered, in line with the duration of the agreements with Banco do Brasil in the case of the former, and with the businesses being recent acquisitions still in development in the cases of Indonesia and Italy.

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

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

- An increase of 1 percentage point in the discount rate applied to each cash-generating unit would imply reductions in the recoverable values of between 9.40 and 41.74 percent in 2018, and between 10.43 percent and 40.40 percent in 2017. This figure would not fall below the book value attributed to any of the units, and as such an impairment has not been provisioned.
- A decrease of 0.25 percentage points in the perpetuity growth rate applied to each cash-generating unit would imply reductions in the recoverable values of between 0.94 and 13.99 percent in 2018, and between 1.84 percent and 17.00 percent in 2017. Once again, this figure would not fall below the book value attributed to any of the units, and as such an impairment has not been provisioned.

If the analysis of the possible impairment of goodwill reveals a recoverable value below the book value, an individual study is conducted of all the key assumptions that have led to this situation, also taking into consideration the sensitivity ranges for calculating their impact.

The impairment loss recorded in 2018 from goodwill for MAPFRE USA, VERTI ITALY and ABDA, for the total amount of 173.45 million euros, originates in the update carried out by the Group at the end of 2018 regarding the macroeconomic environment and other risk factors that could affect the insurance business in the future. As such, the low-interest rate environment in various regions that is creating lower financial

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income, pressure on emerging economies and their currencies, and the unusual frequency of catastrophic claims in recent years in multiple geographies that is marking a change in predictive models, are all risk factors that can condition future result growth patterns. In this context, the Group has updated the projections of results for the areas of business, with improvements in countries whose business model is well-grounded, and slightly modifying medium and long-term profit growth expectations in the countries with greater exposure to these risks. This update of projections has implied the abovementioned extraordinary partial impairment of goodwill in direct insurance operations in the United States, Italy and Indonesia.

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

6.2. PROPERTY, PLANT AND EQUIPMENT AND REAL ESTATE INVESTMENTS

Property, plant and equipment

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

2018

Item	Opening balance	Adjustments to the opening balance	Changes to the scope	Additions or provisions	Disposals, cancellations or reductions	Closing balance	Market value
<u>COST</u>							
REAL ESTATE FOR OWN USE							
Land and natural resources	56.89	(10.57)	(0.23)	5.97	(5.18)	46.88	89.47
Buildings and other structures	1,095.17	(5.33)	(50.51)	18.89	(22.70)	1,035.52	1,143.52
OTHER PROPERTY, PLANT AND EQUIPMENT							
Vehicles	35.33	(1.22)	(5.36)	7.54	(4.85)	31.44	12.40
Furniture and fittings	469.94	(2.63)	(10.41)	40.63	(27.41)	470.12	169.97
Other property, plant and equipment	270.59	(8.21)	(0.19)	27.51	(26.94)	262.76	73.59
Advances and fixed assets in progress	7.85	(0.09)	(0.26)	24.16	(21.84)	9.82	9.82
TOTAL COST	1,935.77	(28.05)	(66.96)	124.70	(108.92)	1,856.54	1,498.77
<u>CUMULATIVE DEPRECIATION</u>							
REAL ESTATE FOR OWN USE	(213.97)	2.76	8.64	(19.66)	3.89	(218.34)	--
OTHER PROPERTY, PLANT AND EQUIPMENT	(510.01)	7.70	13.25	(60.11)	36.75	(512.42)	--
TOTAL CUMULATIVE DEPRECIATION	(723.98)	10.46	21.89	(79.77)	40.64	(730.76)	--
<u>IMPAIRMENT</u>							
REAL ESTATE FOR OWN USE							
Land and natural resources	--	--	--	--	--	--	--
Buildings and other structures	(17.45)	--	0.18	(2.22)	8.09	(11.40)	--
OTHER PROPERTY, PLANT AND EQUIPMENT							
Vehicles	0.21	(0.21)	--	--	--	--	--
Furniture and fittings	0.28	(0.28)	--	--	--	--	--
Other property, plant and equipment	(3.10)	1.00	--	--	0.06	(2.04)	--
TOTAL IMPAIRMENT	(20.06)	0.51	0.18	(2.22)	8.15	(13.44)	--
TOTAL REAL ESTATE FOR OWN USE	920.64	(13.14)	(41.92)	2.98	(15.90)	852.66	1,232.99
TOTAL OTHER PROPERTY, PLANT AND EQUIPMENT	271.09	(3.94)	(2.97)	39.73	(44.23)	259.68	265.78
TOTAL PROPERTY, PLANT & EQUIPMENT	1,191.73	(17.08)	(44.89)	42.71	(60.13)	1,112.34	1,498.77

Figures in millions of euros

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The amounts shown as changes in scope in 2018 are primarily the result of the reclassification to the caption “Non-current assets held for sale” of assets from funeral service businesses in Spain (Note 6.10).

2017

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

Figures in millions of euros

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

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Real estate investment

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

2018

Item	Opening balance	Adjustments to the opening balance	Changes to the scope	Additions or provisions	Disposals, cancellations or reductions	Closing balance	Market value
<u>COST</u>							
INVESTMENT IN REAL ESTATE							
Land and natural resources	616.57	(5.31)	--	0.39	(14.46)	597.19	442.16
Buildings and other structures	1,167.48	7.24	--	25.18	(23.25)	1,176.65	1,242.13
TOTAL COST	1,784.05	1.93	--	25.57	(37.71)	1,773.84	1,684.29
<u>CUMULATIVE DEPRECIATION</u>							
INVESTMENT IN REAL ESTATE	(266.08)	(0.15)	--	(19.47)	3.99	(281.71)	--
TOTAL CUMULATIVE DEPRECIATION	(266.08)	(0.15)	--	(19.47)	3.99	(281.71)	--
<u>IMPAIRMENT</u>							
INVESTMENT IN REAL ESTATE							
Land and natural resources	(218.76)	--	--	(6.80)	22.39	(203.17)	--
Buildings and other structures	(48.50)	(0.04)	--	(4.98)	8.16	(45.36)	--
TOTAL IMPAIRMENT	(267.26)	(0.04)	--	(11.78)	30.55	(248.53)	--
TOTAL REAL ESTATE INVESTMENT	1,250.71	1.74	--	(5.68)	(3.17)	1,243.60	1,684.29

Figures in millions of euros

The main disposals in 2018 correspond to the sale of a building in Santiago de Chile, for a sale price of 57.85 million euros and a profit, net of taxes, of 24.70 million euros.

2017

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

Figures in millions of euros

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

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

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

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

Revenues and expenses derived from real estate investments in 2018 and 2017 are shown in the table below:

Item	Type of investment							
	Operating investment		Equity		Other Activities		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<u>Revenue from real estate investment</u>								
From rentals	42.16	40.76	2.13	2.19	13.70	12.05	57.99	55.00
Other	31.88	0.42	0.05	--	2.33	3.44	34.26	3.86
Gains on disposals	25.64	49.14	0.36	4.57	6.32	16.51	32.32	70.22
Total revenue from real estate investment	99.68	90.32	2.54	6.76	22.35	32.00	124.57	129.08
<u>Expenses from real estate investment</u>								
Direct operating expenses	23.01	23.48	--	--	--	--	23.01	23.48
Other expenses	4.69	6.35	0.04	0.09	8.45	9.19	13.18	15.63
Losses on disposals	5.70	6.00	--	0.02	0.05	0.28	5.75	6.30
Total expenses from real estate investment	33.40	35.83	0.04	0.11	8.50	9.47	41.94	45.41

Figures in millions of euros

6.3. LEASING

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

Type of assets	Net book value		Maximum duration of Leases (Years)		Maximum years elapsed	
	2018	2017	2018	2017	2018	2017
Property investments	849.58	852.90	25	25	23	22

Figures in millions of euros

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At December 31, 2018 and 2017 the future minimum collections for non-cancelable operating leases were as follows:

Item	2018	2017
Less than one year	53.18	43.31
More than one year but less than five	143.82	104.48
More than five years	96.48	80.64
TOTAL	293.48	228.43

Figures in millions of euros

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

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

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

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

Item	2018	2017
Less than one year	42.09	38.23
More than one year but less than five	157.24	176.73
More than five years	232.30	312.11
TOTAL	431.63	527.07

Figures in millions of euros

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

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6.4. FINANCIAL INVESTMENTS

At December 31, 2018 and 2017 the composition of financial investments was as follows:

Item	Book value	
	2018	2017
HELD-TO-MATURITY PORTFOLIO		
Fixed income	1,939.60	2,003.72
Other investments	11.87	20.54
TOTAL HELD TO MATURITY PORTFOLIO	1,951.47	2,024.26
AVAILABLE-FOR-SALE PORTFOLIO		
Shares	1,799.94	2,035.57
Fixed income	31,487.88	31,542.28
Mutual Funds	432.38	908.62
Other	33.53	29.96
TOTAL AVAILABLE FOR SALE PORTFOLIO	33,753.73	34,516.43
TRADING PORTFOLIO		
Derivatives (not for hedging):		
Financial swaps	453.00	512.60
Options	0.70	1.97
Other investments:		
Shares	607.21	365.32
Fixed income	3,090.04	3,415.04
Mutual Funds	898.05	722.76
Hybrids	413.13	323.91
Deposits	--	109.50
Other	78.64	11.47
TOTAL TRADING PORTFOLIO	5,540.77	5,462.57

Figures in millions of euros

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

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

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

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

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

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

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

As indicated in Note 2.5, the Group has analyzed the fixed income securities classified in the held to maturity and available for sale portfolios from the most relevant Regional Areas and Units in order to determine which securities receive flows solely from principal and interest (they pass the SPPI test). The results of this analysis are described below, breaking down the book and fair values to December 31, 2018, as well as the variation of the fair value during the year.

Result	Book value	Fair value	
		Amount	Variation
Pass SPPI test	29,750.01	29,928.39	(178.38)
Do not pass SPPI test	445.29	443.87	(19.20)
Inconclusive	1,671.10	1,682.60	(19.05)
Total analyzed	31,866.40	32,054.86	(216.63)

Figures in millions of euros

As such, 93 percent of the fair value of the portfolio analyzed corresponds to fixed income financial assets whose receive flows solely from principal and interests. With regard to the financial quality of these securities, 99 percent correspond to instruments with low credit risk (classified as investment grade).

Regarding the securities that do not pass the SPPI test, these imply less than 2 percent of the total portfolio analyzed. As for their credit quality, 88 percent correspond to instruments with low credit risk.

The Group continues to analyze the instrument portfolios (5 percent of the total analyzed), the clauses of which cast doubts regarding the previously mentioned SPPI test, and which are identified in the above chart as "Inconclusive".

Held-to-maturity portfolio

The investments allocated to the held-to-maturity portfolio at December 31, 2018 and 2017 are shown below:

Item	Book value		Fair value						Revenue from interest		Impairment			
			Level 1. Quotation price		Level 2. Observable data		Level 3. Other measurements				Recorded loss		Reversal gains	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017		
Fixed income	1,939.60	2,003.72	1,845.18	1,899.17	131.63	151.42	37.53	35.17	183.12	202.01	--	--	--	--
Other investments	11.87	20.54	5.83	10.38	0.04	0.13	5.99	9.78	1.58	2.66	--	--	--	--
TOTAL	1,951.47	2,024.26	1,851.01	1,909.55	131.67	151.55	43.52	44.95	184.70	204.67	--	--	--	--

Figures in millions of euros

In relation to Level 3 financial assets in the held-to-maturity portfolio, no significant transactions were carried out in 2018.

Available-for-sale portfolio

The investments allocated to the available-for-sale portfolio, at December 31, 2018 and 2017 are shown below:

Item	Book value (fair value)								Impairment			
	Level 1. Quotation price		Level 2. Observable data		Level 3. Other measurements		Total		Recorded loss		Reversal gains	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Shares	1,745.91	1,990.46	49.50	26.53	4.53	18.58	1,799.94	2,035.57	(4.19)	(0.01)	0.12	0.07
Fixed income	26,702.47	27,552.54	4,771.83	3,973.56	13.58	16.18	31,487.88	31,542.28	(10.53)	(15.34)	0.05	0.02
Mutual Funds	322.73	894.62	0.52	0.58	109.13	13.42	432.38	908.62	--	--	--	--
Other	29.16	24.60	4.35	5.36	0.02	--	33.53	29.96	--	--	--	--
TOTAL	28,800.27	30,462.22	4,826.20	4,006.03	127.26	48.18	33,753.73	34,516.43	(14.72)	(15.35)	0.17	0.09

Figures in millions of euros

The valuation adjustments of portfolio investments amounted to 3.42 and 4.12 billion euros at December 31, 2018 and 2017 respectively, which have been recorded net of the tax effect on equity.

Transfers to the consolidated income statement of valuation adjustments of portfolio investments in previous years, undertaken during 2018 and 2017, amount to 144.29 and 204.58 million euros, respectively.

There were asset transfers from Levels 1 to Level 2, for the amount of 975.67 million euros.

There were no variations in valuation techniques at Levels 2 and 3.

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

Available-for-sale portfolio	Equity instruments and mutual funds		Debt securities		Other financial assets		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Opening balance	32.00	23.90	16.18	24.84	--	--	48.18	48.74
Acquisitions	72.94	8.14	12.85	--	--	--	85.79	8.14
Disposals	(4.73)	(0.23)	(12.91)	(7.53)	--	--	(17.64)	(7.76)
Transfer from Level 1 or 2	24.66	1.82	0.49	--	--	--	25.15	1.82
Transfer to Level 1 or 2	--	(2.00)	--	--	--	--	--	(2.00)
Amortization	--	--	--	--	--	--	--	--
Gains and losses	(2.91)	--	(3.03)	--	--	--	(5.94)	--
Other	(8.30)	0.37	--	(1.13)	0.02	--	(8.28)	(0.76)
Closing balance	113.66	32.00	13.58	16.18	0.02	--	127.26	48.18

Figures in millions of euros

At the close of 2018 and 2017 the impairment analyses performed for each security in the equity portfolios concluded that there was no significant impairment, or any signs of such, in any of the investments measured at their stock market quoted price as none of the objective situations determining this eventuality had occurred.

With respect to investments in unlisted assets, in 2018, a loss of 3.38 million euros was recognized for the equity investment in SAREB. No provisions were made during the periods 2017 and 2018 for significant impairment to investments in unquoted assets analyzed individually.

At the close of 2018 and 2017, the Group had fixed-income assets as guarantees for financial swap operations with a market value of 425.26 and 322.23 million euros, respectively. These financial assets are classified in the available-for-sale portfolio. At the close of these years, the guaranteed assets amounted to 465.16 and 507.32 million euros, respectively. In both cases the guarantee matures on a daily basis, at which time a new guarantee is established or the existing guarantee is maintained or canceled. The existence of these guarantees mitigated the counterparty risk (CVA/DVA) on a large portion of the Group's derivatives.

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Trading portfolio

The investments allocated to the trading portfolio at December 31, 2018 and 2017 are shown below:

Item	Book value (fair value)							
	Level 1. Quotation price		Level 2. Observable data		Level 3. Other measurements		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Derivatives (not for hedging)								
Financial swaps	--	--	453.00	512.60	--	--	453.00	512.60
Options	--	1.97	0.70	--	--	--	0.70	1.97
TOTAL DERIVATIVES (NOT FOR HEDGING)	--	1.97	453.70	512.60	--	--	453.70	514.57
Other investments								
Shares	605.86	363.82	0.05	0.05	1.30	1.45	607.21	365.32
Fixed income	2,900.95	3,213.45	189.09	201.59	--	--	3,090.04	3,415.04
Mutual Funds	895.16	690.44	2.89	32.32	--	--	898.05	722.76
Hybrids	10.59	268.40	402.54	55.51	--	--	413.13	323.91
Deposits	--	--	--	109.50	--	--	--	109.50
Other	0.41	10.76	78.23	0.71	--	--	78.64	11.47
TOTAL OTHER INVESTMENTS	4,412.97	4,546.87	672.80	399.68	1.30	1.45	5,087.07	4,948.00
TOTAL TRADING PORTFOLIO	4,412.97	4,548.84	1,126.50	912.28	1.30	1.45	5,540.77	5,462.57

Figures in millions of euros

During 2018 and 2017 no significant transactions were carried out involving Level 3 financial assets held for trading, and no transfers were made from/to this level.

Gains and losses recognized in the 2018 and 2017 results are as follows:

Item	Gains (Losses) allocated to results			
	Unrealized		Realized	
	2018	2017	2018	2017
Derivatives (not for hedging)				
Financial swaps	(41.89)	(41.57)	(5.80)	(1.41)
Options	--	--	(0.28)	(4.56)
TOTAL DERIVATIVES (NOT FOR HEDGING)	(41.89)	(41.57)	(6.08)	(5.97)
Other investments				
Shares	(22.47)	0.34	(1.27)	11.39
Fixed income	(12.17)	(8.85)	(6.16)	0.33
Mutual Funds	(55.96)	36.19	(3.30)	10.82
Hybrids	(9.60)	(5.96)	--	(0.36)
Deposits	--	--	--	--
Other	(0.08)	(0.25)	0.10	1.25
TOTAL OTHER INVESTMENTS	(100.28)	21.47	(10.63)	23.43
TOTAL TRADING PORTFOLIO	(142.17)	(20.10)	(16.71)	17.46

Figures in millions of euros

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The main derivative instruments correspond to financial swaps of certain or predefined flows in which a Group company assumes the obligation to pay certain fixed or predefined amounts, usually stated in euros. The sum of 453.00 million euros was recorded in the trading portfolio for this item in 2018 (512.60 million euros in 2017).

Purchased options are another type of derivative, albeit a less important one, which provide hedging for savings insurance operations in which the insured parties are guaranteed a specific yield based on the performance of the share price of a financial asset, foreign currency or stock market index. At the close of 2018 this item amounted to 0.70 million euros (1.97 million euros in 2017).

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

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

The following table shows the breakdown for the "Investments on behalf of Life insurance policyholders bearing investment risk" heading at December 31, 2018 and 2017:

Item	Book value (fair value)								Earnings			
	Level 1. Quotation price		Level 2. Observable data		Level 3. Other measurements		Total		Unrealized		Realized	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Shares	414.99	235.59	--	--	--	--	414.99	235.59	(44.92)	10.29	0.05	--
Fixed income	803.76	718.30	260.41	472.23	--	--	1,064.17	1,190.53	(47.52)	28.30	16.95	0.78
Mutual funds holdings	763.25	824.05	0.08	69.97	--	--	763.33	894.02	(16.12)	6.18	33.49	77.00
TOTAL	1,982.00	1,777.94	260.49	542.20	--	--	2,242.49	2,320.14	(108.56)	44.77	50.49	77.78

Figures in millions of euros

In the balance of "Mutual funds", the amount of Group company majority shareholdings in mutual funds linked to Life insurance where the policyholder bears the investment risk is included, for a total of 134.43 and 127.01 million euros to December 31, 2018 and 2017, respectively. The breakdown of the assets this appears in is the following:

Item	2018	2017
Fixed income	33.42	22.94
Mutual funds	88.19	87.77
Other	12.82	16.30
TOTAL	134.43	127.01

Figures in millions of euros

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6.6. INVENTORIES

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

2018

Item	Opening balance	Adjustments to the opening balance	Changes to the scope	Entries	Write-offs	Impairment (Provision)/ Reversal	Closing balance
Land	38.28	--	--	--	--	(2.19)	36.09
Developments and works in progress	22.16	--	--	0.03	--	--	22.19
Finished products	1.96	--	--	5.86	(6.37)	--	1.45
Raw materials	4.68	--	--	16.49	(20.04)	0.01	1.14
TOTAL	67.08	--	--	22.38	(26.41)	(2.18)	60.87

Figures in millions of euros

2017

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

Figures in millions of euros

No interest costs were capitalized in 2018 and 2017.

6.7. RECEIVABLES

The breakdown of the "Receivables" heading at December 31, 2018 and 2017, as well as impairment losses and gains on reversals recorded in the last two years are as follows:

Item	Gross amount		Impairment		Net balance on balance sheet		Impairment			
	2018	2017	2018	2017	2018	2017	Recorded losses		Reversal gains	
							2018	2017	2018	2017
Receivables on direct insurance and co-insurance operations	3,709.38	4,097.81	(65.17)	(78.35)	3,644.21	4,019.46	(10.82)	(20.74)	9.93	7.72
Receivables on reinsurance operations	939.29	1,034.06	(36.21)	(46.81)	903.08	987.25	(21.95)	(0.02)	15.64	3.81
Tax receivables	336.70	271.67	--	--	336.70	271.67	--	--	--	--
Corporate and other receivables	895.11	1,075.63	(17.90)	(16.91)	877.21	1,058.72	(3.02)	(3.41)	2.28	2.12
TOTAL	5,880.48	6,479.17	(119.28)	(142.07)	5,761.20	6,337.10	(35.79)	(24.17)	27.85	13.65

Figures in millions of euros

The heading "Receivables on direct insurance and co-insurance operations" includes premiums pending collection from policyholders and mediators, while the heading "Receivables on reinsurance operations" includes outstanding balances from ceded, retroceded and accepted reinsurance operations. In 2018 two Brazilian subsidiaries have written off unrecoverable balances in "Receivables on direct insurance and co-

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insurance operations" for the amounts of 35.11 and 38.83 million euros, respectively. As the unrecoverable amounts come from prior years, they have been included, net of taxes, in other variations in Reserves and Non-controlling interests in the Consolidated statement of changes in equity, for the total amount, including other minor adjustments in Debt and Technical Provisions, of 26.67 and 27.17 million euros, respectively.

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

Corporate and other receivables	Amount	
	2018	2017
Debtors of sales or provision of services	236.38	203.70
Receivables for claim recovery (including collaboration agreements with other insurance companies)	33.68	114.60
Advance payment of policies (Life insurance)	29.30	31.34
Legal deposits	326.03	441.65
Receivables with Public Administrations	0.55	5.42
Balance receivables from personnel	27.70	26.09
Other debtors	223.57	235.92
TOTAL	877.21	1,058.72

Figures in millions of euros

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

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

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6.8 ASSET IMPAIRMENT

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

2018

Impairment in:	Opening balance	Adjustments to the opening balance	Changes to the scope	Recorded in results		Write-off of asset	Closing balance
				Increase	Decrease		
Intangible assets	199.86	(5.45)	--	173.45	--	(94.94)	272.92
I. Goodwill	141.95	(2.18)	--	173.45	--	(50.88)	262.34
II. Other intangible assets	57.91	(3.27)	--	--	--	(44.06)	10.58
Property, plant and equipment	20.06	(0.51)	(0.18)	2.22	(8.09)	(0.06)	13.44
I. Real estate for own use	17.45	--	(0.18)	2.22	(8.09)	--	11.40
II. Other property, plant and equipment	2.61	(0.51)	--	--	--	(0.06)	2.04
Investments	450.82	(39.28)	--	28.81	(28.68)	(16.62)	395.05
I. Real estate investments	267.26	0.04	--	11.78	(28.51)	(2.04)	248.53
II. Financial investments	--	--	--	--	--	--	--
-Held-to-maturity portfolio	--	--	--	--	--	--	--
- Available-for-sale portfolio	155.94	(46.97)	--	14.72	(0.17)	(14.58)	108.94
-Trading portfolio	--	--	--	--	--	--	--
III. Investments recorded by applying the equity method	18.62	--	--	--	--	--	18.62
IV. Deposits established for accepted reinsurance	--	--	--	--	--	--	--
V. Other investments	9.00	7.65	--	2.31	--	--	18.96
Inventories	78.59	--	--	4.08	(1.90)	--	80.77
Receivables	142.07	(11.03)	--	35.79	(27.85)	(19.70)	119.28
I. Receivables on direct insurance and co-insurance operations	78.35	(13.66)	--	10.82	(9.93)	(0.41)	65.17
II. Receivables on reinsurance operations	46.81	2.38	--	21.95	(15.64)	(19.29)	36.21
III. Tax receivables	--	--	--	--	--	--	--
IV. Social security and other receivables	16.91	0.25	--	3.02	(2.28)	--	17.90
Other assets	--	--	--	--	--	--	--
TOTAL IMPAIRMENT	891.40	(56.27)	(0.18)	244.35	(66.52)	(131.32)	881.46

Figures in millions of euros

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2017

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

Figures in millions of euros

6.9. CASH

Expenditure

During 2018 and 2017 several disbursements were made related to investments in Group companies and the acquisition of businesses. The most significant acquisitions were as follows:

Acquiring company	Details of acquisition			
	Company	Percentage	Activity	Amount disbursed
2018				
MAPFRE BRASIL PARTICIPAÇÕES S.A.	MAPFRE BB SH2 PARTICIPAÇÕES S.A.	50.00%	Holdings from insurance entities	519.44
2017				
MAPFRE INTERNACIONAL	ABDA	31.00%	Non-Life Insurance	89.32
MAPFRE INTERNACIONAL	ABDA	11.33%	Non-Life Insurance	31.16

Figures in millions of euros

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

Acquisitions in 2018 are framed by the reorganization of the business in the strategic alliance between MAPFRE and Banco do Brasil, by means of which the Group has become shareholder of 100 percent of the business coming from the agent network and the auto and large risk business from the bank channel. The acquisition has generated a reduction in non-controlling interests and in reserves for the amount of 331.62 and 196.34 million euros respectively.

The acquisition of 11.33 percent of ABDA in 2017 came from the tender offer exercised by MAPFRE subsequent to the take-over of said company, in line with Indonesian regulations.

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

Commitments

Non-controlling interests of the MAPFRE RE subsidiary have a put option on the shares of this company. If exercised, MAPFRE S.A. or a Group company would have to acquire the shares from the selling non-controlling shareholder. The purchase price for the MAPFRE RE shares will be calculated using the previously agreed formula. At December 31, 2018 and 2017, based on the variables included in the aforementioned formula, the commitment assumed by the Group if this option were exercised would amount to a total of approximately 98.09 and 100.92 million euros, respectively.

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

At December 31, 2018 and 2017 the main non-current assets held for sale, discontinued operations and associated liabilities were as follows:

Item	Non-current assets classified as held-for-sale		Discontinued operations		Total	
	2018	2017	2018	2017	2018	2017
<u>Assets</u>						
Intangible assets	40.66	--	--	--	40.66	--
Property, plant and equipment	43.06	--	--	--	43.06	--
Investments	201.81	25.27	--	--	201.81	25.27
Credits	16.44	124.76	--	--	16.44	124.76
Cash	31.48	--	--	--	31.48	--
Other assets	8.03	5.55	--	--	8.03	5.55
Total assets	341.48	155.58	--	--	341.48	155.58
<u>Related liabilities</u>						
Technical provisions	63.28	--	--	--	63.28	--
Provision for risks and expenses	89.96	--	--	--	89.96	--
Deferred tax liabilities	1.08	--	--	--	1.08	--
Other debts	39.64	1.09	--	--	39.64	1.09
Total liabilities	193.96	1.09	--	--	193.96	1.09

Figures in millions of euros

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

The following is a description of the key transactions that generated assets and liabilities included in the above chart.

2018

- Funeral service business in Spain

In the last quarter of 2018, MAPFRE España and Santa Lucía S.A. have reached a non-binding memorandum of understanding by virtue of which both parties reflected the preliminary agreements reached with the aim of establishing a strategic alliance for the joint development of their respective funeral service businesses in Spain, through the establishment of a jointly-owned company. According to said non-binding agreement, should the alliance be carried out, MAPFRE España would own a non-controlling interest, and Santa Lucía S.A. would control the jointly-owned company. As a result, 135.74 and 39.04 million euros have been reclassified, respectively, as assets and liabilities held for sale.

- Reorganization of activity in the United States

MAPFRE has reorganized its activity in the United States, selling its Life operation and exiting five states where it was operating primarily in the Auto line, due to not having sufficient scale there to make them profitable.

This restructuring is based on the following three transactions:

- a) The sale during the second quarter of 2018 of MAPFRE Life Insurance Company to the Swiss reinsurer Swiss Re. The sale transaction is limited to assets and liabilities, as well as the license MAPFRE had in all states in the U.S. to operate in the Life insurance line.
- b) The sale to the US insurer Plymouth Rock of the business in New York and New Jersey. In the case of New York, MAPFRE sold its subsidiary, MAPFRE Insurance Company, while in New Jersey, the operation was structured as a business portfolio transfer to various entities of the Plymouth Rock group. Both operations, which closed simultaneously, received approval from the regulatory bodies and were closed on January 2, 2019.
- c) The transfer, in April, of the Non-Life business portfolios in the states of Tennessee, Kentucky and Indiana to the entity Safeco Insurance, a subsidiary of the Liberty Mutual Group.

At the close of 2018 the fair value of the assets from these operations was recorded in the “Assets held for sale” for the amount of 112.76 million euros, with associated liabilities reaching 90.91 million euros.

The reorganization of all these businesses in the United States implied recording losses, net of taxes, of approximately 8.60 million dollars (7.20 million euros) at the close of December 2018, and a cash inflow in MAPFRE USA of 68.9 million dollars.

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2017

In June 2017, MAPFRE and Banco CEISS entered into a contract, by virtue of which MAPFRE transferred to Banco CEISS the whole of the shares in the undertakings Duero Vida and Duero Pensiones, for a total price of 141.70 million euros. The fair value of the asset from same contract is included in the heading for credits for “Non-current assets held for sale”. After receiving authorization from the Dirección General de Seguros (Insurance Directorate General) in 2018, the shares were transferred and paid for.

In 2018 these assets generated revenue for the amount of 113.94 and 4.03 million euros, respectively (in 2017 they generated 51.09 million euros in revenue and 5.77 million euros of results).

6.11. EQUITY

- **Share capital**

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

The controlling company’s share capital at December 31, 2018 and 2017 was represented by 3,079,553,273 shares, with a face value of 0.10 euros each, fully subscribed and paid-up. All shares carry identical voting and dividend rights.

The Annual General Meeting of March 9, 2018 authorized the directors of the controlling company to increase the capital up to a maximum of 153,977,663.65 euros, equivalent to 50 percent of the share capital at the time. This authorization was granted for a period of five years. Furthermore, the directors were authorized to issue analogous fixed-income securities or debentures, convertible or not, for a maximum amount of 2 billion euros.

CARTERA MAPFRE directly held 67.60 percent of the share capital at December 31, 2018 and 2017.

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

- **Treasury Stock**

In 2018 and 2017, treasury stock went down by 2,079,216 and 3,988,894 shares, respectively, representing 0.0675 and 0.1295 percent of the capital, for the amount of 4.11 and 7.87 million euros, respectively. At December 31 2018 and 2017, the controlling company owned 24,431,890 and 26,511,106 treasury stock respectively, representing 0.7934 and 0.8609 percent of the capital, for the amount of 48.25 and 52.36 million euros, respectively. The difference from the sale price, which reached 1.93 million euros (4.70 million euros in 2017), is included in the heading “Reserves”.

At December 31, 2018 and 2017 no other Group company held shares in the controlling company.

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- **Valuation change adjustments**

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

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

Item	Amount	
	2018	2017
Fixed income		
Capital gains	3,834.87	4,082.41
Capital losses	(1,772.05)	(1,756.74)
Equity and Mutual Funds		
Capital gains	142.45	282.74
Capital losses	(114.17)	(20.07)
Shadow accounting	(1,839.32)	(1,983.17)
Other adjustments	41.34	15.52
TOTAL	293.12	620.69

Figures in millions of euros

- **Restrictions on the availability of reserves**

- The heading "Reserves" includes the controlling company's legal reserve, amounting to 61.59 million euros at December 31, 2018 and 2017, which may not be distributed to shareholders, except in the event of the controlling company's liquidation, and may only be used to offset potential losses.

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

- There are no other restrictions on the availability of reserves for any significant amount, except for those described in the section regarding "Tax incentives" in Note 6.21.

- **Capital management**

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

Managed capital refers to the shareholders' equity permitted by the regulations currently in force and other management models used. The Group Solvency ratio offers great stability, backed by a high level of diversification and strict asset and liability management and investment policies.

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

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

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

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

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

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

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

6.12. SUBORDINATED LIABILITIES

At December 31, 2018, the balance of this account included the amortized cost of the subordinated debt issued by the controlling company, corresponding to the issuances in September 2018 and March 2017 (only the latter to December 2017).

In 2017, all of the subordinated notes issued by the controlling company in July 2007 were redeemed in advance on the first call date.

The most relevant terms and conditions governing the issuances from September 2018 and March 2017 are described below.

Issuance from September 2018

- Issuance type: subordinated debentures represented by book entries
- Nominal amount: 500 million euros
- Issue date: September 7, 2018
- Maturity: September 7, 2048; first call date September 7, 2028

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- Redemption in special cases: due to reform or modification of tax regulations, non-classification as issuer's own funds, and change in treatment granted by the credit rating agencies.
- Interest from the issuance to the date of the first call option: 4.125 percent per year, payable September 7 each year
- Interest from the first call date: floating rate equal to the Euribor rate at 3 months plus 4.30 percent, payable quarterly
- Interest deferral: the issuer will be obligated to defer interest payment should any Solvency Capital Requirement or Minimum Capital Requirement breach exist, or should the relevant regulator prohibit the issuer from making interest payments, or should the issuer be unable to meet regularly its due and payable liabilities.
- Listing: AIAF market
- Jurisdiction: Spanish
- Rating: BBB-.

The accrued unpaid interest at December 31, 2018 stood at 6.50 million euros and the notes trade at 99.84 percent of their face value.

Issuance from March 2017

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

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- Jurisdiction: Spanish
- Rating: BBB-

The accrued unpaid interest at December 31, 2018 and 2017 stood at 19.78 million euros and the notes trade at 102.49 percent and 113.99 percent of their face value.

6.13. FINANCIAL LIABILITIES

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

Item	Book value		Fair value	
	2018	2017	2018	2017
Issue of debentures and other negotiable securities	1,004.05	1,003.29	997.32	1,035.26
Due to credit institutions	545.69	706.74	545.69	706.74
Other financial liabilities	1,262.80	1,235.17	1,256.84	1,226.70
TOTAL	2,812.54	2,945.20	2,799.85	2,968.70

Figures in millions of euros

At December 31, 2018 and 2017 the fair value of the issue of debentures and other negotiable securities corresponded to the quoted price at the close of the period (Level 1), including the accrued interest.

Issuance of debentures and other negotiable securities

At December 31, 2018 and 2017 the balance of this account included the amortized cost of the simple debentures issued by MAPFRE S.A. The most relevant terms and conditions governing issuing activity are described below.

- Issue type: simple debentures represented by book entries
- Nominal amount: 1 billion euros
- Issuance date: May 19, 2016
- Issuance period: 10 years
- Maturity: May 19, 2026
- Redemption: single payment on maturity and at par, with no expense for the holder
- Listing: Fixed-income AIAF market
- Coupon: annual fixed 1.625 percent, payable on the anniversaries of the issue date up to and including the end maturity date

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

- Issue rating: BBB+

The accrued interest outstanding at December 31, 2018 and 2017 amounted to 10.06 million euros. At December 31, 2018 and 2017 the securities were listed at 98.73 percent and 102.52 percent of their face value, respectively.

Debt payable to lending institutions

The breakdown of the amounts due to credit institutions at December 31, 2018 and 2017 is shown below:

Class of debt	Book value		Average interest rate %		Guarantees granted	
	2018	2017	2018	2017	2018	2017
Finance lease	0.40	0.67	5.28	4.18	--	--
Credits	502.82	654.98	0.50	0.80	--	--
Loans	0.59	0.89	--	--	--	--
Other	41.88	50.20	1.00	1.00	--	--
TOTAL	545.69	706.74	--	--	--	--

Figures in millions of euros

At December 31, 2018 and 2017 the main line of credit was as follows:

Bank	Maturity	Limit		Drawn down	
		2018	2017	2018	2017
Santander	02.26.2023	1,000.00	1,000.00	490.00	600.00
TOTAL		1,000.00	1,000.00	490.00	600.00

Figures in millions of euros

Banco de Santander is the agent bank of the aforementioned credit line, which is a syndicated loan with other companies and which accrues interest at a rate pegged to market variables. In 2018, it was novated, modifying the conditions and extending its maturity. Among the conditions modified, it is worth pointing out that it became sustainable financing, also linking its interest to the Group sustainability parameters. As set out in the contract, in January 2019 its maturity was extended from February 2023 to February 2024.

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Other financial liabilities

The heading "Other financial liabilities" includes the outstanding amount for financial obligations not included in any other items. The following table shows the breakdown at December 31, 2018 and 2017:

Other financial liabilities	Amount	
	2018	2017
Financial liabilities held for trading	322.36	264.94
Other financial liabilities measured at fair value with changes in P&L	469.60	514.13
Non-controlling interests in mutual funds (Note 3.2)	428.15	412.69
Derivatives for asset operations (equity swap)	--	--
Other financial liabilities	42.69	43.41
TOTAL	1,262.80	1,235.17

Figures in millions of euros

The line of credit granted by CARTERA MAPFRE has a limit of 400.00 million euros, accrues interest at a variable rate referenced to the three-month Euribor, matures on September 10, 2019, and can be extended for successive periods of one year. In 2017, 0.02 million euros were paid in interest arising from this line of credit, with no withdrawals made on this line of credit in 2018.

At December 31, 2018 and 2017 the fair value of these liabilities did not differ significantly from their book value.

Regarding the fair value level, the fair value measurements of these liabilities are classified at Level 2, with the exception of the balance of "Non-controlling interests in mutual funds", valued at liquid value (mostly Level 1).

In 2018 and 2017 no financial liabilities were transferred between Levels 1, 2 and 3. Items are transferred between levels when they no longer meet the criteria for classification under a given level but meet those of one of the other levels. No adjustments were made for own credit risk in connection with the financial liabilities deriving from financial swap transactions, given that they are cash flow exchange operations whose current net value leads to a balance in favor of the counterparty. In any event, the application of adjustments for own credit risk in these transactions would not have a material effect on the income statement or on the company's equity.

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6.14. TECHNICAL PROVISIONS

1. Breakdown of the composition of technical provisions

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

Item	Direct insurance		Accepted reinsurance		Ceded and retroceded reinsurance	
	2018	2017	2018	2017	2018	2017
<u>Provisions for Non-Life unearned premiums and unexpired risks</u>						
1.1 Provision for unearned premiums	6,939.18	6,969.93	963.08	1,354.59	1,522.70	1,747.58
1.2 Provision for unexpired risks	48.06	43.37	1.08	7.21	--	--
<u>Life insurance provisions</u>						
2.1 Provisions for unearned premiums and unexpired risks						
2.1.1. Provision for unearned premiums	1,248.19	1,266.65	510.86	504.63	5.68	11.95
2.1.2. Provision for unexpired risks	25.76	158.21	--	--	--	--
2.2 Mathematical reserves	22,973.80	22,977.24	79.86	86.19	50.27	56.75
<u>Provisions for outstanding claims</u>						
3.1 Pending settlement or payment	8,884.91	7,345.04	2,298.95	2,000.25	3,762.77	2,493.19
3.2 Claims incurred but not reported (IBNR)	1,183.15	1,520.62	160.98	184.37	526.03	667.03
3.3 For claim settlement internal expenses	181.93	171.66	4.23	1.15	14.26	11.54
<u>Other technical provisions</u>						
4.1 Burial	909.89	829.06	--	--	1.08	--
4.2 Other	67.24	73.79	--	--	0.39	1.58
TOTAL	42,462.11	41,355.57	4,019.04	4,138.39	5,883.18	4,989.62

Figures in millions of euros

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2. Movement of each of the technical provisions

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

A) DIRECT INSURANCE AND ACCEPTED REINSURANCE

2018

Item	Opening balance	Adjustments to the opening balance	Changes to the scope	Provisions	Reversals	Closing balance
<u>Provisions for Non-Life unearned premiums and unexpired risks</u>						
1.1 Provision for unearned premiums	8,324.52	(236.25)	--	9,121.87	(9,307.88)	7,902.26
1.2 Provision for unexpired risks	50.58	3.93	--	27.25	(32.62)	49.14
<u>Live insurance provisions</u>						
2.1 Provisions for unearned premiums and unexpired risks						
2.1.1. Provision for unearned premiums	1,771.28	(123.26)	--	2,039.48	(1,928.45)	1,759.05
2.1.2. Provision for unexpired risks	158.21	(4.83)	--	8.26	(135.88)	25.76
2.2 Mathematical provisions	23,063.43	(102.74)	--	2,182.55	(2,089.58)	23,053.66
<u>Provisions for outstanding claims</u>						
3.1 Direct Insurance Life	1,134.11	(52.52)	--	2,152.24	(2,078.83)	1,155.00
3.2 Direct Insurance Non-Life	7,903.21	(127.43)	--	9,002.80	(7,683.59)	9,094.99
3.3 Accepted reinsurance	2,185.77	(113.36)	--	4,517.05	(4,125.30)	2,464.16
<u>Other technical provisions</u>	902.85	(3.69)	--	955.65	(877.68)	977.13
TOTAL	45,493.96	(760.15)	--	30,007.15	(28,259.81)	46,481.15

Figures in millions of euros

2017

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

Figures in millions of euros

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B) CEDED AND RETROCEDED REINSURANCE

2018

Item	Opening balance	Adjustments to the opening balance	Changes to the scope	Additions	Reversals	Closing balance
Provision for unearned premiums	1,747.58	(66.17)	--	2,596.42	(2,755.13)	1,522.70
Provisions for Life insurance	68.70	(7.81)	--	53.64	(58.58)	55.95
Provision for outstanding claims	3,171.76	(201.33)	--	11,787.77	(10,455.14)	4,303.06
Other technical provisions	1.58	(0.05)	--	0.42	(0.48)	1.47
TOTAL	4,989.62	(275.36)	--	14,438.25	(13,269.33)	5,883.18

Figures in millions of euros

2017

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

Figures in millions of euros

2.2. Mathematical provisions

Item	Direct insurance and accepted reinsurance		Ceded and retroceded reinsurance	
	2018	2017	2018	2017
Mathematical provisions at beginning of year	23,063.43	23,613.96	56.75	60.69
Adjustments to the opening balance	(102.74)	(152.77)	(5.63)	(2.23)
Business combinations	--	--	1.27	--
Premiums	2,014.35	2,026.29	0.13	68.01
Technical interests	427.23	555.56	2.05	--
Claim payments/collections	(2,089.58)	(2,534.85)	(4.74)	(69.72)
Provision adequacy test	(0.01)	--	--	--
Shadow accounting adjustments	(211.95)	(381.55)	--	--
Other	(47.07)	(63.21)	0.44	--
Deconsolidation (balance of provision on deconsolidation date)	--	--	--	--
Mathematical provisions at end of year	23,053.66	23,063.43	50.27	56.75

Figures in millions of euros

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2.3. Burial provision

Item	Direct insurance and accepted reinsurance	
	2018	2017
Provisions at beginning of year	829.06	762.18
Adjustments to the opening balance	(0.06)	(2.07)
Consolidation (balance of provision on consolidation date)	--	--
Premiums	87.20	85.07
Technical interest	16.07	15.91
Claim payments	(9.19)	(8.30)
Provision adequacy test	--	--
Other	(13.19)	(23.73)
Deconsolidation (balance of provision on deconsolidation date)	--	--
Provisions at end of year	909.89	829.06

Figures in millions of euros

3. Other information

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

Item	Direct insurance and accepted reinsurance	
	2018	2017
Provision at beginning of year	2,320.14	2,013.96
Adjustments to the opening balance	(85.80)	(120.83)
Consolidation (balance of provision on consolidation date)	--	--
Premiums	837.70	725.73
Payment of claims	(582.97)	(191.22)
Asset valuation changes	(45.92)	122.55
Other	(200.66)	(230.05)
Deconsolidation (balance of provision on deconsolidation date)	--	--
Provision at end of year	2,242.49	2,320.14

Figures in millions of euros

3.2. Provision for unexpired risks

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

3.3. Information related to Life insurance

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

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The characteristics of the main Life insurance types sold by the Group's companies in 2018 and 2017 are listed below.

LIFE INSURANCE TECHNICAL CONDITIONS					
Format	Coverage	Tablas	Technical Interest	Profit sharing	
				Amount (million euros)	Distribution method
MAPFRE VIDA					
Single or regular premium individual contracts, without profit sharing and premiums from contracts where the policyholder bears the investment risk:					
- Unit-linked: Dividendo Vida II	Longevity / Death	PASEM 2010 MEN	Variable	--	MAPFRE network
- Unit-linked: Rendimiento activo VI and III	Longevity / Death	Active yields VI and III	Variable	--	MAPFRE network
Individual contract:					
- Unit-linked: Millón vida	Longevity / Death	PASEM 2010 MEN	1.10%	--	MAPFRE network
Single premium annuity group contracts with profit sharing:					
- Flexivida group insurance with interest and premium reimbursement	Longevity / Death	PASEM 2010 MEN	2.40%	--	MAPFRE network
Single premium group contracts:					
- Savings with profit sharing and without counterinsurance for annuity groups	Longevity / Death	PERM/F-95	2.83% (variable)	--	MAPFRE network
BANKIA MAPFRE VIDA					
Single premium individual contracts, without profit sharing:					
- Combined insurance	Longevity / Death	GRM/F-95	3.62%	--	Bank channel
- Combined insurance	Longevity / Death	GKM/F-95 /55% PASEM2010 MEN	3.26%	--	Bank channel
- Combined insurance	Longevity / Death	GRM/F-95	5% - 3%	--	Bank channel
Single premium group contracts without profit sharing					
- Annuity	Death / Disability	GRM/F-95 and PERM/F2000P	3.27%	--	Bank channel
Individually handled single premium group contracts for loan amortization					
- Protection Insurance	Loan Amortization	85% PASEM 2010 MEN	0.82%	--	Bank channel
BANKINTER SEGUROS DE VIDA (SPAIN & PORTUGAL)					
Single premium individual contracts with profit sharing	Death / Longevity	PASEF 2010	0.50% 0.40%	--	Bank channel
Regular or single premium individual contracts with profit sharing	Death / Longevity	PASEF 2010	0.50%	--	Bank channel
Single premium individual contracts without profit sharing: insurance with counterinsurance	Death / Longevity	PASEM 2010	1.38%	--	Bank channel
COMPANHIA DE SEGUROS ALIANÇA DO BRASIL					
Ouro vida / Ouro vida revisado / BB seguro vida	Death	AT-49 and AT-83	--	--	Bank channel
Ouro vida 2000 / Ouro vida grupo especial / Ouro vida estilo / BB seguro vida mulher / Other individual Life products	Death / Disability	AT-83, AT-49 and Tabúa Alvaro Vindas	--	--	Bank channel
Other group Life products	Death / Disability	AT-83 and AT-49	--	--	Bank channel / broker
MAPFRE MSV LIFE					
Without profit sharing	Death	88% AMC00	Variable	--	Bank channel / MAPFRE network / broker
With profit sharing	Longevity / Death	88% AMC00	Variable	37.3	Bank channel / MAPFRE network / broker
Unit-linked	Longevity / Death	88% AMC00	Variable	--	Bank channel / MAPFRE network / broker
MAPFRE COLOMBIA VIDA					
Pensiones Ley 100	Longevity / Death / Disability / Funeral Assistance	Valid annuitants mortality RV08 and Disability RI10, gender differentiation	4% real	--	MAPFRE network
Disability and Longevity Annuity	Longevity / Death / Disability / Funeral Assistance	Valid annuitants mortality RV08 and Disability RI10, gender differentiation	4% real	--	MAPFRE network

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3.4. Progression of claims

The following table shows the progression of claims related to Non-Life direct insurance since the year of occurrence until the close of 2018 and 2017. It also shows the breakdown per year of occurrence of the provision for outstanding claims related to this insurance for the two periods.

2018

Year of occurrence of claims	Item	Year of occurrence	Trends in claim costs in the years after year of occurrence									
			1 year later	2 years later	3 years later	4 years later	5 years later	6 years later	7 years later	8 years later	9 years later	More than 9 years later
2008 and previous	Pending provision	7,951.29	4,027.97	2,462.04	1,604.43	1,114.25	798.05	569.51	478.31	426.18	391.41	332.35
	Cumulative payments	37,281.45	40,830.56	42,209.14	42,910.85	43,365.28	43,627.02	43,795.79	43,874.02	43,939.02	44,054.19	44,119.00
	TOTAL COST	45,232.74	44,858.53	44,671.18	44,515.28	44,479.53	44,425.07	44,365.30	44,352.33	44,365.20	44,445.60	44,451.35
2009	Pending provision	2,453.78	881.52	521.63	315.25	235.80	162.56	139.35	110.92	88.74	76.07	
	Cumulative payments	3,730.83	5,072.51	5,386.61	5,565.71	5,651.36	5,716.35	5,759.44	5,813.41	5,835.58	5,857.98	
	TOTAL COST	6,184.61	5,954.03	5,908.24	5,880.96	5,887.16	5,878.91	5,898.79	5,924.33	5,924.32	5,934.05	
2010	Pending provision	2,815.09	1,088.29	643.04	373.59	251.53	178.84	140.13	105.99	84.03		
	Cumulative payments	4,555.28	6,227.04	6,635.03	6,931.56	7,058.66	7,138.26	7,224.63	7,250.37	7,277.20		
	TOTAL COST	7,370.37	7,315.33	7,278.07	7,305.15	7,310.19	7,317.10	7,364.76	7,356.36	7,361.23		
2011	Pending provision	2,291.11	818.99	499.91	320.47	237.20	172.18	134.63	121.38			
	Cumulative payments	4,424.89	5,888.57	6,253.68	6,435.69	6,525.02	6,621.85	6,659.08	6,696.20			
	TOTAL COST	6,716.00	6,707.56	6,753.59	6,756.16	6,762.22	6,794.03	6,793.71	6,817.58			
2012	Pending provision	2,490.93	899.95	497.63	329.74	255.91	190.80	163.03				
	Cumulative payments	4,154.45	5,712.68	6,114.25	6,317.49	6,437.35	6,504.73	6,547.92				
	TOTAL COST	6,645.38	6,612.63	6,611.88	6,647.23	6,693.26	6,695.53	6,710.95				
2013	Pending provision	2,554.07	965.26	569.12	361.75	246.44	198.87					
	Cumulative payments	4,351.47	5,950.93	6,398.03	6,626.42	6,722.14	6,796.34					
	TOTAL COST	6,905.54	6,916.19	6,967.15	6,988.17	6,968.58	6,995.21					
2014	Pending provision	2,721.45	1,046.91	583.42	377.23	285.24						
	Cumulative payments	4,696.27	6,515.00	6,934.10	7,117.39	7,243.29						
	TOTAL COST	7,417.72	7,561.91	7,517.52	7,494.62	7,528.53						
2015	Pending provision	2,848.91	1,127.47	767.26	484.70							
	Cumulative payments	5,058.99	6,818.06	7,187.10	7,433.70							
	TOTAL COST	7,907.90	7,945.53	7,954.36	7,918.40							
2016	Pending provision	3,016.63	1,401.13	841.32								
	Cumulative payments	5,004.52	6,837.32	7,295.03								
	TOTAL COST	8,021.15	8,238.45	8,136.35								
2017	Pending provision	4,087.49	2,215.66									
	Cumulative payments	5,216.68	7,881.00									
	TOTAL COST	9,304.17	10,096.66									
2018	Pending provision	4,292.34										
	Cumulative payments	5,363.51										
	TOTAL COST	9,655.85										

Figures in millions of euros

The increase in 2018 of the total cost of claims occurring in 2017 come primarily from the catastrophic claims from said year (hurricanes in the Caribbean and earthquakes in Mexico), the estimated cost of which for direct insurance has increased throughout 2018 by approximately 712 million euros, and which increase is wholly allocated to reinsurance, as the attributable net cost for the Group has decreased by approximately 2 million euros between December 31 2017 and 2018.

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MAPFRE S.A. AND SUBSIDIARIES

December 31, 2018

Item	Year of occurrence											Total
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008 and previous	
Provision for outstanding claims Non-Life direct insurance	4,292.34	2,215.66	841.32	484.70	285.24	198.87	163.03	121.38	84.03	76.07	332.35	9,094.99

Figures in millions of euros

2017

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

Figures in millions of euros

December 31, 2017

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MAPFRE S.A. AND SUBSIDIARIES

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

Figures in millions of euros

As shown in the tables above, the overall percentage of claims attributable to ceded reinsurance is 35.50 percent and 30.52 percent for 2018 and 2017, respectively.

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

6.15. PROVISIONS FOR RISKS AND EXPENSES

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

2018

Item	Opening balance	Adjustments to the opening balance	Changes to the scope	Inflows		Outflows		Closing balance
				Allocated provisions	Increased value on discount	Applied provisions	Reversed provisions	
Provision for tax to be paid	332.49	(38.70)	(0.04)	22.69	11.24	(4.28)	(10.71)	312.69
Provision for payments of liquidation agreements	16.49	(0.04)	--	17.02	--	(12.17)	--	21.30
Provisions for restructuring	4.11	--	--	3.65	--	(4.11)	--	3.65
Other provisions for staff-related commitments	199.01	4.12	--	97.46	0.01	(99.00)	(0.69)	200.91
Other provisions	109.66	(12.60)	(2.09)	63.08	--	(37.69)	(17.42)	102.94
TOTAL	661.76	(47.22)	(2.13)	203.90	11.25	(157.25)	(28.82)	641.49

Figures in millions of euros

2017

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

Figures in millions of euros

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

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

At December 31, 2018 and 2017 the heading "Provision for taxes" included tax liabilities amounting to 307.42 and 323.37 million euros, respectively, related to the tax contingencies that the Brazilian insurance companies have with the tax authorities in that country, pending the decision by the Brazilian Supreme Court. These contingencies primarily refer to the taxes known as COFINS (tax contribution used to fund social security) amounting to 270.84 million euros (294.15 million euros at December 31, 2017) and the Social Integration Program (PIS) amounting to 6.07 million euros (4.99 million euros at December 31, 2017). These contingencies have arisen due to discrepancies in the interpretation by the Brazilian government and the business sector of the regulation regarding the taxation that applies to the companies' turnover.

The Group is currently involved in legal proceedings with the Brazilian tax authorities in connection with the enforceability of the aforementioned COFINS and PIS taxes, regarding non-operating financial income, for the amount of 163.85 and 170.14 million euros at December 31, 2018 and 2017, respectively. Given the current uncertainty in case law regarding whether the PIS and COFINS calculation base should be extended to include non-operating financial income, as well as the existence of a ruling by the "Procuradoria Geral da Fazenda (the Brazilian General Attorney's Office for the National Treasury) that is favorable to the insurance companies, both the Group and its advisors classify the loss risk as possible.

"Other provisions" for 2018 and 2017 include the contingent payments arising from business combinations, which include the variable part of the price of the business combination that directly depends on the achievement of certain targets linked to the performance of each of the businesses acquired, amounting to 23.51 and 22.66 million euros at December 31, 2018 and 2017, respectively.

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

Payments are made in full as from the reference date for the calculation of the embedded value, projected for 2018 to 2021 in accordance with the contracts signed with the sellers in each business combination.

6.16. DEPOSITS RECEIVED ON CEDED AND RETROCEDED REINSURANCE

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

6.17. DEBT

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The balances included in the headings "Due on direct insurance and co-insurance operations", "Due on reinsurance operations", "Tax liabilities" and "Other debts" do not accrue payable interest and generally their liquidation is performed in the following year. In 2017, as the Group presented no obligations, a Brazilian subsidiary cancelled a provision for the amount of 102.90 million euros which was initially established to cover possible expenses of various natures.

6.18. REVENUES AND EXPENSES FROM INVESTMENTS

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

Revenues from investments

Item	Revenues from investments from:				Financial revenues from other activities		Total	
	Operations		Equity		2018	2017	2018	2017
	2018	2017	2018	2017				
REVENUES FROM INTEREST, DIVIDENDS AND SIMILAR								
Real estate investment								
Rentals	42.16	40.76	2.13	2.19	13.70	12.05	57.99	55.00
Other	31.88	0.42	0.05	--	2.33	3.44	34.26	3.86
Revenues from the held-to-maturity portfolio								
Fixed income	180.32	198.95	0.86	0.83	1.94	2.23	183.12	202.01
Other investments	1.48	2.55	0.10	0.11	--	--	1.58	2.66
Revenue from the available-for-sale portfolio:	1,117.69	1,149.24	128.49	67.51	4.19	5.14	1,250.37	1,221.89
Revenue from the trading portfolio:	315.39	372.08	1.11	0.73	28.26	37.38	344.76	410.19
Other financial returns	172.19	175.36	42.75	71.50	17.81	16.51	232.75	263.37
TOTAL REVENUE	1,861.11	1,939.36	175.49	142.87	68.23	76.75	2,104.83	2,158.98
REALIZED AND UNREALIZED GAINS								
Net realized gains:								
Real estate investment	25.64	49.14	0.36	4.57	6.32	16.51	32.32	70.22
Financial investments available for sale portfolio	221.55	287.64	18.15	24.54	7.85	1.98	247.55	314.16
Financial investments trading portfolio	21.04	28.63	4.03	5.51	0.07	0.48	25.14	34.62
Other	0.69	2.11	15.98	0.37	0.06	1.39	16.73	3.87
Unrealized gains:								
Increase in fair value of the trading portfolio and earnings from derivatives	39.57	53.74	0.02	17.41	0.02	0.15	39.61	71.30
Other	6.49	3.26	--	--	0.03	0.33	6.52	3.59
TOTAL GAINS	314.98	424.52	38.54	52.40	14.35	20.84	367.87	497.76
TOTAL REVENUES FROM INVESTMENT	2,176.09	2,363.88	214.03	195.27	82.58	97.59	2,472.70	2,656.74

Figures in millions of euros

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Expenses from investments

Item	Expenses from investments from:				Financial expenses from other activities		Total	
	Operations		Equity		2018	2017	2018	2017
	2018	2017	2018	2017				
FINANCIAL EXPENSES								
Real estate investment								
Direct operational expenses	23.01	23.48	--	--	--	--	23.01	23.48
Other expenses	4.69	6.35	0.04	0.09	8.45	9.19	13.18	15.63
Expenses from held-to-maturity portfolio								
Fixed income	0.93	0.98	0.01	0.01	--	--	0.94	0.99
Other investments	1.73	--	--	--	--	--	1.73	--
Expenses from the available for sale portfolio	110.79	124.11	29.71	31.19	1.22	0.98	141.72	156.28
Expenses from the trading portfolio:	153.37	139.79	--	0.20	0.40	--	153.77	139.99
Other financial expenses	148.81	168.31	2.97	2.47	74.48	86.44	226.26	257.22
TOTAL EXPENSES	443.33	463.02	32.73	33.96	84.55	96.61	560.61	593.59
REALIZED AND UNREALIZED LOSSES								
Net realized losses								
Real estate investment	5.70	6.00	--	0.02	0.05	0.28	5.75	6.30
Financial investments available for sale portfolio	72.51	54.27	5.88	3.60	0.58	0.24	78.97	58.11
Financial investments trading portfolio	37.49	16.87	4.36	0.29	--	--	41.85	17.16
Other	3.54	2.09	15.50	0.10	0.06	1.31	19.10	3.50
Unrealized losses								
Decrease in fair value of trading portfolio and losses in derivatives	147.34	84.53	34.44	6.87	--	--	181.78	91.40
Other	0.91	1.02	--	--	0.05	1.37	0.96	2.39
TOTAL LOSSES	267.49	164.78	60.18	10.88	0.74	3.20	328.41	178.86
TOTAL EXPENSES FROM INVESTMENT	710.82	627.80	92.91	44.84	85.29	99.81	889.02	772.45

Figures in millions of euros

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

6.19. OPERATING EXPENSES

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

Operating expenses by purpose

Item	2018	2017
Claims-related expenses	815.84	855.71
Acquisition expenses	4,810.80	4,924.74
Administration expenses	745.58	760.01
Expenses from investments	803.73	672.64
Other technical expenses	139.12	129.57
Other non-technical expenses	149.69	114.33
Operating expenses from other activities	401.62	489.79
TOTAL	7,866.38	7,946.79

Figures in millions of euros

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Operating expenses by nature

Item	2018	2017
Commissions and other portfolio expenses	3,812.37	3,880.42
Personnel expenses	1,729.03	1,784.86
External services		
- Leasing (shops and buildings)	94.16	98.94
- Repairs and upkeep (shops and buildings)	74.80	79.83
- Leasing and repairs (computer equipment)	64.11	58.72
- Leasing and repairs (computer applications)	184.51	173.81
- Other services (computer applications)	149.34	140.23
- Supplies (communications)	21.11	21.67
- Advertising and marketing	170.98	135.34
- Public relations	45.25	45.66
- Independent professional services	146.19	164.16
- Other services	365.99	403.87
Taxes	193.51	213.24
Provision for amortization	274.18	293.37
Expenses posted directly to purpose	540.85	452.67
TOTAL	7,866.38	7,946.79

Figures in millions of euros

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

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

- 1) Claims-related expenses. Includes expenses for personnel assigned to claims management, amortization and depreciation of fixed assets assigned to this activity, fees paid for claims management and expenses incurred for other services necessary for processing claims.
- 2) Net operating expenses. Included in this heading are:
 - Acquisition expenses. Includes commissions, expenses for personnel assigned to production, amortization and depreciation of fixed assets assigned to this activity, expenses for analyzing and processing policy applications and formalizations, as well as advertising, publicity and commercial organization expenses directly related to the acquisition of insurance contracts.
 - Administration expenses. These primarily include expenses for personnel assigned to these functions and amortization and depreciation of fixed assets assigned to this activity, as well as expenses deriving from contentious matters related to premiums, from processing refunds and from ceded and accepted reinsurance.

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- Commissions and participations in reinsurance. Includes compensation from reinsurers to the ceding companies for acquisition and administration expenses incurred by the latter, as well as their participation in the profits of the reinsurer.
- 3) Investment expenses. Includes expenses for personnel assigned to managing investments, charges to amortization and depreciation allowance for fixed assets assigned to this activity, and other internal and external expenses for managing investments, with external expenses including fees, commissions and brokerage fees accrued.

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

6.20. RESULT FROM CEDED AND RETROCEDED REINSURANCE

The result from ceded and retroceded reinsurance for years 2018 and 2017 is the following:

Item	Non-Life		Life		Total	
	2018	2017	2018	2017	2018	2017
Premiums	(3,206.04)	(3,879.60)	(168.30)	(184.84)	(3,374.34)	(4,064.44)
Change in the provision for unearned premiums and unexpired risks	(155.90)	347.17	(2.81)	(12.31)	(158.71)	334.86
Claims paid and change in the provision for claims	3,587.13	2,781.77	89.93	99.42	3,677.06	2,881.19
Change in mathematical provision and other technical provisions	5.39	(0.33)	(15.63)	(3.94)	(10.24)	(4.27)
Participation of reinsurance in commissions and expenses	531.57	515.30	36.09	41.73	567.66	557.03
Result of ceded and retroceded reinsurance	762.15	(235.69)	(60.72)	(59.94)	701.43	(295.63)

Figures in millions of euros

The increase in "Claims paid and change in the provision for claims" in 2018 for ceded and retroceded reinsurance is primarily due to the increase in provisions for the catastrophic events occurring in 2018 and in 2017 (see note 6.14), The 2018 events include, significantly, the impact of a hydroelectric dam in Colombia, for the amount of 1.03 billion euros, which does not have a relevant effect on the "Result for the period attributable to controlling company" because of the participation of reinsurance.

6.21. FISCAL SITUATION

Fiscal consolidation regulations

- Tax on profits

Since the financial year 1985, some of the consolidated companies with registered offices in Spain have been included for corporate tax purposes in Fiscal Group 9/85. This Group is made up of the controlling company

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and those of its subsidiaries that are eligible for this tax regime. A list of the subsidiaries included in this fiscal Group in 2018 is provided in Annex 1 of this report.

- Value Added Tax

Since the financial year 2010, and for the purposes of value added tax, some of the consolidated companies with a registered address in Spain have been included in the VAT Group 87/10, formed by MAPFRE S.A. as the controlling company and those of its controlled companies that agreed to join the Group when it was created. A list of the subsidiaries that form part of this Group in 2018 is provided in Annex 1 of this report.

Components of tax on profits expenses and reconciliation of the accounting profit with the tax cost for ongoing activities

The main components of the tax on profits expenses from ongoing activities and the reconciliation between the tax on profits expenses and the result of multiplying the accounting profit by the applicable tax rate for the financial years ending December 31 2018 and 2017 are shown below. The Group has reconciled the amounts by aggregating reconciliations made separately using the national rates of each country.

Item	Amount	
	Year 2018	Year 2017
<u>Tax expense</u>		
Result before taxes from ongoing operations	1,330.46	1,508.71
25 percent of result before taxes from ongoing operations	332.62	377.18
Tax effect of the permanent differences	(44.29)	(86.51)
Tax incentive for the financial year	(25.80)	(18.79)
Tax effect of tax rates other than 25 percent	166.28	156.19
Total expense from current tax originating in the financial year	428.81	428.07
Expense from current tax originating in previous years	24.13	(17.01)
Receivables from negative taxable income not recognized from previous periods, deductions pending application or temporary differences	–	(0.71)
TOTAL TAX EXPENSES OF ONGOING OPERATIONS	452.94	410.35
<u>Tax on profits to be paid</u>		
Withholdings and advance payments	(404.90)	(420.52)
Temporary differences and currency conversion differences	(29.32)	42.32
Tax receivables and incentives applied, registered in previous years	(44.37)	(6.04)
Tax on earnings for discontinued operations	–	–
TOTAL TAX ON PROFITS TO BE PAID (RECEIVABLE) ORIGINATING IN THE YEAR	(25.65)	26.11
Tax on profits receivable from previous financial years	(36.26)	(1.50)
NET TOTAL TAX ON PROFITS TO BE PAID (RECEIVABLE)	(61.91)	24.61

Figures in millions of euros

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

Deferred tax assets and liabilities

At December 31, 2018 and 2017 deferred tax assets and liabilities were shown on the consolidated balance sheet for the net amount corresponding to each of the Group's tax-paying companies. They currently stand as follows:

Item	2018	2017
Deferred tax assets	333.58	296.81
Deferred tax liabilities	(499.32)	(588.04)
Asset (Liability) net	(165.74)	(291.23)

Figures in millions of euros

In addition to the deferred tax assets recorded in 2018 and 2017, shown in the above table, there are other deferred tax assets deriving from tax loss carryforwards pending offset, amounting to 32.40 and 31.07 million euros, respectively. These assets were not recognized, in accordance with the criteria established under EU-IFRS.

The following tables show the movements in the net balance of deferred taxes in the financial years 2018 and 2017, with a breakdown of the amounts related to items directly debited or credited to equity accounts in each financial year.

2018

Item	Opening balance	Adjustments to the opening balance	Changes to the scope	From		Settled	Closing balance
				Results	Equity		
Portfolio acquisition expenses and other acquisition expenses	(315.10)	26.92	--	23.83	--	--	(264.35)
Valuation difference in financial investments	(1,196.78)	(25.73)	--	35.80	150.17	20.41	(1,016.13)
Other comprehensive revenue and expenses	(16.30)	(0.36)	--	(1.56)	--	0.78	(17.44)
Valuation difference in mathematical provisions by shadow accounting	931.29	10.24	--	(5.13)	(58.21)	(10.43)	867.76
Stabilization and catastrophe provision	(156.29)	(5.66)	--	(19.15)	--	13.00	(168.10)
Other technical provisions	70.35	2.64	--	(0.26)	--	--	72.73
Tax receivables on negative taxable income	68.11	(7.96)	(2.03)	190.20	--	(27.25)	221.07
Receivables on tax incentives	27.79	1.29	--	25.81	--	(42.93)	11.96
Pension supplements and other staff-related commitments	51.39	(5.37)	(0.52)	4.43	--	(1.82)	48.11
Provisions for uncollected premiums	19.01	(0.51)	--	6.76	--	(6.22)	19.04
Provisions for liabilities and others	38.01	3.77	--	6.00	--	(3.98)	43.80
Tax receivables derived from PIS, COFINS and REFIS (Note 6.15)	139.81	(14.78)	--	(149.23)	--	--	(24.20)
Other items	47.48	(19.23)	(0.11)	9.71	--	2.16	40.01
TOTAL	(291.23)	(34.74)	(2.66)	127.21	91.96	(56.28)	(165.74)

Figures in millions of euros

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MAPFRE S.A. AND SUBSIDIARIES

The Results column includes a transfer from Tax receivables from PIS, COFINS and REFIS to Tax receivables for negative taxable income for the amount of 132.28 million euros.

2017

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

Figures in millions of euros

At December 31, 2018 deferred tax assets and liabilities maturing in less than 12 months amounted to 52.82 and 50.07 million euros, respectively (63.00 and 55.63 million euros, respectively, in 2017).

Negative taxable income

The negative taxable income pending offset in fully consolidated companies at the close of the last two periods is shown below:

Year generated	Amount of negative tax bases				Deferred tax assets			
	Applied in the financial year		Pending application		Amount recognized		Amount not recognized	
	2018	2017	2018	2017	2018	2017	2018	2017
2010 and previous	--	0.10	11.90	11.56	0.08	0.08	2.59	2.52
2011	--	3.39	5.84	5.62	--	--	1.15	1.17
2012	--	4.98	8.28	9.66	--	0.54	1.70	1.64
2013	6.96	0.06	253.46	5.71	98.99	--	1.11	1.14
2014	10.03	0.51	10.13	17.44	0.02	3.29	2.14	2.63
2015	5.56	1.49	32.36	59.73	5.32	11.23	3.87	5.89
2016	35.57	1.04	165.97	125.97	47.78	23.37	5.56	10.02
2017	40.51	--	90.23	144.05	13.74	29.59	7.17	6.06
2018	--	--	158.03	--	55.14	--	7.11	--
Total	98.63	11.57	736.20	379.74	221.07	68.10	32.40	31.07

Figures in millions of euros

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

The amounts of deferred tax assets recording in accounting in 2013 and 2016 include the transfer from the abovementioned Tax receivables from PIS, COFINS and REFIS, for the amount of 98.99 and 33.29 million euros, respectively.

Tax incentives

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

Module	Amount applied in the financial year		Amount pending application		Amount not recorded	
	2018	2017	2018	2017	2018	2017
Double taxation deduction	7.45	7.94	--	--	--	--
Creation of employment	--	0.16	--	--	--	--
Other	35.48	10.3	11.96	27.79	--	--
Total	42.93	18.40	11.96	27.79	--	--

Figures in millions of euros

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

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

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

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

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

Figures in millions of euros

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Verification by tax authorities

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

As a result of the inspections initiated on February 17, 2012 relating to the corporate income tax returns of Tax Group 9/85 for the financial years 2007 to 2009, which affected MAPFRE S.A., as the controlling company, as well as MAPFRE ASISTENCIA, COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS, S.A. (years 2007-2009), MAPFRE GLOBAL RISKS S.A. (years 2008 and 2009), MAPFRE VIDA S.A. DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA (2008 and 2009) and MAPFRE ESPAÑA COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A., a notice of disagreement was signed regarding the sum of 5.54 million euros relating to the deduction for research and development and technological innovation expenses, the payment of which was appealed with the Central Economic Administrative Court, who partially upheld the allegations. An appeal has already been filed with the Contentious Administrative Proceedings of the Audiencia Nacional (National High Court).

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

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

On December 4, 2017 MAPFRE S.A. received notification, as the controlling company of consolidated tax Group number 9/85, of the initiation of inspection activity for corporate income tax pertaining to years 2013 to 2016. Likewise, and in reference to Value Added Tax, they received notification as representative of VAT Group number 87/10, of the initiation of verification activity for the years 2014 to 2016. In reference to MAPFRE S.A. and to the company called MAPFRE ESPAÑA, the activity extends to all the taxes the companies are subject to for the years 2014 to 2016, and the Corporate Taxes for 2013. In the case of MAPFRE RE, MAPFRE INTERNACIONAL and MAPFRE ASISTENCIA, the activity extends to Corporate Taxes for the years 2013 to 2016, to withholdings on investment income for the years 2014 to 2016, and in the case of MAPFRE ASISTENCIA it also extends to the VAT for the years 2014 to 2016. In the case of MAPFRE VIDA, MAPFRE GLOBAL RISKS, MAPFRE TECH and MAPFRE INMEUBLES and SERVICIOS DE PERITACIÓN MAPFRE the activity extends to withholdings on earnings for the years 2014 to 2016.

Notices of agreement were signed regarding Income Tax withholdings affecting the companies MAPFRE GLOBAL RISKS, MAPFRE INMEUBLES, MAPFRE TECH and SERVICIOS DE PERITACION MAPFRE, the amount of which reaches approximately 1.59 million euros. Likewise, a notice of disagreement was signed regarding Income tax withholdings for the amount of 0.90 million euros, which affects MAPFRE INTERNACIONAL. All other activities are still ongoing at the date of preparation of the annual accounts.

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On November 6, 2017 FUNESPAÑA, S.A. received notification, as the controlling company of tax consolidation Group number 97/13, of the initiation of inspection activity for corporate income tax pertaining to the years 2013 and 2014, which in the case of Value Added Tax and withholdings on earnings the companies ALL FUNERAL SERVICES and FUNEMADRID are also affected, for the period November 2013 to December 2014, and which are still ongoing at the date of preparation of the annual accounts.

Consequently, at December 31, 2018 all taxes relating to years 2015 to 2018 of the consolidated companies were open to inspection, as were the corporate taxes for 2013 and 2014 for the tax group of which MAPFRE S.A. is the controlling company, as well as VAT for 2014 for MAPFRE S.A., MAPFRE ESPAÑA and MAPFRE ASISTENCIA, withholdings on investment income for 2014 for MAPFRE S.A., MAPFRE ESPAÑA, MAPFRE RE, MAPFRE ASISTENCIA, MAPFRE INTERNACIONAL, MAPFRE VIDA, MAPFRE GLOBAL RISKS, MAPFRE TECH, MAPFRE INMUEBLES and SERVICIOS DE PERITACIÓN MAPFRE, and withholdings on investment income for 2010 to 2013 in the case of MAPFRE ESPAÑA and MAPFRE VIDA.

In some remaining consolidated companies there are ongoing verifications with tax authorities; the amounts subject to discussion in these verifications are not significant.

At December 31, 2018 the view of the Directors and advisors of the consolidated companies regarding the possibility of tax liabilities arising and significantly affecting the financial position of the consolidated companies was remote.

6.22 REMUNERATION FOR EMPLOYEES AND ASSOCIATED RETIRED EMPLOYEES

Personnel expenses

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

Item	Amount	
	2018	2017
Short-term remuneration		
Wages and salaries	1,257.80	1,234.93
Social security	237.15	243.19
Other remuneration	163.97	207.51
Post-employment benefits	36.90	35.65
Other long-term remuneration	(3.63)	3.29
Termination payments	36.84	60.28
TOTAL	1,729.03	1,784.86

Figures in millions of euros

Main post-employment benefits

Defined benefit plans

The main defined benefit plans in force throughout the Group, all of which are instrumented through insurance policies, are measured pursuant to the provisions described in the accounting policies, and are

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those where the benefit is determined according to end salaries, with the benefit paid as a life annuity, subject to review in line with the annual consumer price index (CPI).

In relation to the amounts recognized on the balance sheet, the obligations regarding defined benefit plans amounted to 44.63 and 47.28 million euros at December 31, 2018 and 2017, respectively, fully externalized through written policies with MAPFRE VIDA. Consequently, no assets allocated to these plans are recognized and the liability recognized on the consolidated balance sheet is recorded under the heading "Provisions for life insurance".

There are also obligations relating to pension commitments, externalized through allocated insurance policies, amounting to 12.40 and 12.71 million euros at December 31, 2018 and 2017, respectively. These amounts coincide with the value of the assets allocated to the plan.

Settlement of the current value of the commitment

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

Item	2018	2017
CURRENT COMMITMENT VALUE AT JANUARY 1	59.99	61.38
Interest cost	2.41	2.48
Actuarial gains and losses	(0.14)	1.07
Benefits paid	(3.88)	(3.92)
Other items	(1.35)	(1.02)
CURRENT VALUE AT DECEMBER 31	57.03	59.99

Figures in millions of euros

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

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

Item	2018	2017
VALUE OF ASSETS ALLOCATED TO THE PLAN AND REIMBURSEMENT RIGHTS AT JANUARY 1	59.99	61.38
Expected return of assets allocated to the plan	2.41	2.48
Actuarial gains and losses	(0.14)	1.07
Benefits paid	(3.88)	(3.92)
Other items	(1.35)	(1.02)
VALUE OF ASSETS ALLOCATED TO THE PLAN AND REIMBURSEMENT RIGHTS AS OF DECEMBER 31	57.03	59.99

Figures in millions of euros

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

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

Item	2018	2017
Interest cost	2.41	2.48
Expected return of assets allocated to the plan	(2.41)	(2.48)
TOTAL EXPENSE RECOGNIZED EXPENSE IN INCOME STATEMENT	--	--

Figures in millions of euros

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

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

No contributions to the aforementioned defined benefit plans are envisaged for 2019.

Other post-employment benefits

In 2018 and 2017 the personnel expenses correspond to Life insurance covering death between ages 65 and 77, amounting to 1.46 and 1.40 million euros, respectively.

Other medium-term remuneration and share-based payments

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

The personnel expenses related to this plan are recorded in the consolidated income statement. In 2018 the provision for 11.51 million euros was partially cancelled (In 2017, expenses were recorded for the amount of 2.91 million euros), with 4.92 million euros recognized at December 31, 2018 (10.84 million euros at December 31, 2017) under liabilities as the remuneration amount to be settled in cash, and 4.49 million euros in 2018 (10.08 million euros in 2017) in equity for the remuneration to be settled through equity instruments. In 2018 the number of reference shares taken into account for the purposes of this remuneration amounted to 2,295,522 (7,720,980 in 2017).

Number of employees

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

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• Average number of employees:

2018

Segment	Board of Directors and Senior Management		Management		Technicians		Administrative staff		Total	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
IBERIA	5	--	1,146	564	2,742	2,494	677	1,837	4,570	4,895
LATAM NORTH	5	2	294	275	766	744	338	461	1,403	1,482
LATAM SOUTH	6	2	432	295	1,203	1,092	604	803	2,245	2,192
BRASIL	--	--	378	261	898	2,024	814	1,218	2,090	3,503
NORTH AMERICA	4	--	296	309	671	1,091	226	694	1,197	2,094
EURASIA	4	--	239	208	657	794	552	772	1,452	1,774
MAPFRE ASISTENCIA	2	1	406	268	577	566	1,210	1,905	2,195	2,740
MAPFRE GLOBAL RISKS	2	--	46	20	95	93	4	26	147	139
MAPFRE RE	2	--	56	32	119	127	12	37	189	196
CORPORATE AREAS	19	2	215	98	416	289	23	93	673	482
Average total number of employees	49	7	3,508	2,330	8,144	9,314	4,460	7,846	16,161	19,497

2017

Segment	Board of Directors and Senior Management		Management		Technicians		Administrative staff		Total	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
IBERIA	4	1	946	336	2,940	2,640	685	1,839	4,575	4,815
LATAM NORTH	5	1	310	289	738	702	390	484	1,443	1,476
LATAM SOUTH	4	1	457	314	1,212	1,077	709	913	2,383	2,304
BRASIL	3	--	399	281	1,025	2,137	826	1,221	2,253	3,639
NORTH AMERICA	2	--	306	313	732	1,101	177	687	1,217	2,100
EURASIA	6	2	235	194	680	769	537	750	1,458	1,716
MAPFRE ASISTENCIA	5	1	429	306	673	722	1,316	2,052	2,423	3,081
MAPFRE GLOBAL RISKS	1	--	49	19	95	94	6	27	150	139
MAPFRE RE	2	--	57	32	111	115	13	37	183	184
CORPORATE AREAS	12	1	219	93	446	278	24	102	702	474
Average total number of employees	44	8	3,407	2,176	8,652	9,634	4,683	8,111	16,787	19,929

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• Number of employees at the end of the year:

2018

Segment	Board of Directors and Senior Management		Management		Technicians		Administrative staff		Total	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
IBERIA	5	--	1,138	557	2,757	2,535	679	1,867	4,579	4,959
LATAM NORTH	5	2	326	302	756	750	318	454	1,405	1,508
LATAM SOUTH	7	2	462	360	1,148	1,029	598	802	2,215	2,193
BRASIL	--	--	413	312	842	1,933	787	1,265	2,042	3,510
NORTH AMERICA	4	--	302	337	648	1,067	219	678	1,173	2,082
EURASIA	4	--	258	224	648	786	549	761	1,459	1,771
MAPFRE ASISTENCIA	1	1	497	336	457	459	1,121	1,830	2,076	2,626
MAPFRE GLOBAL RISKS	2	--	42	20	87	89	4	25	135	134
MAPFRE RE	2	--	55	32	127	129	11	37	195	198
CORPORATE AREAS	21	2	212	97	390	296	21	91	644	486
Total number of employees	51	7	3,705	2,577	7,860	9,073	4,307	7,810	15,923	19,467

2017

Segment	Board of Directors and Senior Management		Management		Technicians		Administrative staff		Total	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
IBERIA	4	1	950	340	2,937	2,650	696	1,877	4,587	4,868
LATAM NORTH	5	1	302	282	745	712	366	468	1,418	1,463
LATAM SOUTH	4	1	440	299	1,203	1,068	673	882	2,320	2,250
BRASIL	3	--	381	272	971	2,019	791	1,281	2,146	3,572
NORTH AMERICA	2	--	307	313	723	1,112	180	665	1,212	2,090
EURASIA	8	4	230	195	672	758	544	785	1,454	1,742
MAPFRE ASISTENCIA	4	1	420	301	630	625	1,294	1,998	2,348	2,925
MAPFRE GLOBAL RISKS	1	--	49	20	96	97	5	25	151	142
MAPFRE RE	2	--	56	32	114	122	18	42	190	196
CORPORATE AREAS	13	2	223	97	451	287	23	101	710	487
Total number of employees	46	10	3,358	2,151	8,542	9,450	4,590	8,124	16,536	19,735

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

Item	2018		2017	
	Year-end close	Average	Year-end close	Average
Management	11	12	13	13
Technicians	95	96	74	72
Administrative staff	93	90	90	83
Total	199	198	177	168

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6.23. EARNINGS ON FOREIGN EXCHANGE DIFFERENCES

Foreign exchange gains other than those arising from financial instruments measured at fair value, allocated to the consolidated income statement, amounted to 959.39 million and 1.04 billion euros in 2018 and 2017, respectively.

Negative foreign exchange differences other than those arising from financial instruments measured at fair value, allocated to the consolidated income statement, amounted to 946.70 million and 1.02 billion euros in 2018 and 2017, respectively.

The settlement of the exchange differences recognized in equity at the beginning and end of the year in 2018 and 2017 is shown below.

Description	Amount	
	2018	2017
FOREIGN EXCHANGE DIFFERENCES AT THE BEGINNING OF THE YEAR	(730.70)	(91.61)
Net foreign exchange differences on valuation of non-monetary items	1.59	(7.56)
Net foreign exchange differences on conversion of financial statements	(8.79)	(631.53)
FOREIGN EXCHANGE DIFFERENCES AT THE END OF THE YEAR	(737.90)	(730.70)

Figures in millions of euros

At December 31, 2018 and 2017 the net foreign exchange differences arising from the translation into euros of the financial statements of those Group companies whose functional currency is not the euro were as follows:

Company/Subgroup	Geographic Area	Currency conversion differences					
		Gains		Losses		Net	
		2018	2017	2018	2017	2018	2017
<u>Companies consolidated by global integration:</u>							
MAPFRE RE	Europe, America and rest of world	21.88	22.38	(26.67)	(19.92)	(4.79)	2.46
MAPFRE INTERNACIONAL	Europe, America and rest of world	439.20	354.23	(1,109.04)	(1,027.11)	(669.84)	(672.88)
OTHER	--	27.54	25.78	(73.70)	(67.36)	(46.16)	(41.58)
TOTAL		488.62	402.39	(1,209.41)	(1,114.39)	(720.79)	(712.00)

Figures in millions of euros

6.24. CONTINGENT ASSETS AND LIABILITIES

At the end of 2018 and 2017, and at the time of preparing these consolidated annual accounts, there was no evidence of the existence of contingent assets and liabilities for significant amounts, other than those disclosed in these notes.

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6.25. BUSINESS COMBINATIONS

Executed in the financial years 2018 and 2017

In 2018 and 2017 several shareholdings were purchased, the most significant being the take-over of ABDA in 2017. The ABDA take-over consists of a business combination in stages, as MAPFRE already owned 20 percent of the capital. With this operation, MAPFRE consolidated its entry into the Indonesian insurance market it began in 2013, allowing the company to increase its presence in Southeast Asia and position itself in a market with great potential.

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

Item	2017
	ABDA
<u>ASSETS</u>	
Portfolio acquisition expenses	32.44
Investments	87.03
Receivables	16.41
Cash	76.68
Other assets	11.54
TOTAL ASSETS	224.10
<u>LIABILITIES</u>	
Technical provisions	98.34
Deferred tax liabilities	10.45
Debt	3.77
Other liabilities	6.08
TOTAL LIABILITIES	118.64
Fair value of net assets	105.46
Interest acquired	51%
Fair value of the percentage of acquired net assets	53.78
First consolidation difference	93.17
Acquisition combination costs	146.95

Figures in millions of euros

The definitive amounts of the abovementioned business combinations differ from the provisional amounts recorded in 2017 with the final acquisition price determined in 2018. As the differences in the Consolidated Annual Accounts are not significant, the amounts from 2017 have not been restated.

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

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

The net acquisition costs of all the combinations in 2018 and 2017 have been met in full, and at December 31, 2018 and 2017 there were no outstanding amounts pending payment.

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

The aforementioned combination was incorporated into the consolidated group on June 1, 2017, contributing 43.54 million euros to the Group's premiums, and 2.87 million euros to the net result attributable to the controlling company in 2017. If this combination had been executed at the beginning of each year, it would have contributed 76.74 million euros to the Group's premiums, and 6.64 million euros to the net result attributable to the controlling Company in 2017.

The business combinations with an insignificant cost that took place during 2018 and 2017 are listed in Annex 1.

Business combinations in progress

- Reorganization of the bancassurance alliance with Bankia

MAPFRE and Bankia have reached an agreement to reorganize their bankassurance alliance, by virtue of which MAPFRE VIDA will acquire 51 percent of the share capital of Caja Granada Vida and Caja Murcia Vida y Pensiones, for a consideration of 110.30 million euros, significantly increasing MAPFRE'S Life insurance distribution capacity in the southeast of Spain. This transaction is subject to the approval of the corresponding regulatory and supervisory authorizations.

- Distribution agreement with Banco de Santander

On January 21 2019, MAPFRE and Banco de Santander, S.A. reached an agreement by means of which the financial undertaking will exclusively distribute auto, commercial multirisk, SME multirisk, and third party liability insurance through its network in Spain until December 2037. By virtue of this agreement, MAPFRE will acquire, through its subsidiary MAPFRE ESPAÑA, 50.01 percent of a new created company, for a consideration of 82.20 million euros, and Banco de Santander, S.A., through its subsidiary Santander Seguros, will own the remaining 49.99 percent.

6.26. TRANSACTIONS WITH RELATED PARTIES

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

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

Operations with Group companies

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

Item	2018	2017
Received/provided services and other expenses/revenue	547.50	541.99
Expenses/revenue from real estate investment	24.42	23.58
Expenses/revenues from investments and financial accounts	25.93	29.65
Dividends distributed	1,826.36	1,854.55

Figures in millions of euros

Reinsurance and co-insurance operations

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

Item	2018	2017
Ceded/accepted premiums	2,120.20	2,422.03
Benefits and services	1,955.02	1,697.75
Changes in technical provisions	(79.73)	(37.10)
Commissions	432.99	602.48

Figures in millions of euros

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

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MAPFRE S.A. AND SUBSIDIARIES

Item	2018	2017
Receivables and payables	464.20	364.95
Deposits	81.25	101.22
Technical provisions	2,728.75	3,063.75

Figures in millions of euros

Information related to controlled companies

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

Controlled company	Dividends distributed				Earnings attributable to non-controlling interests	
	Controlling company		Non-controlling company		2018	2017
	2018	2017	2018	2017		
BB MAPFRE SH1 PARTICIPAÇÕES, S.A.	81.82	146.48	246.14	440.31	269.35	356.86
BANKIA MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS	97.51	40.78	93.86	39.18	39.05	37.41
MAPFRE RE COMPAÑÍA DE REASEGUROS, S.A.	92.62	95.28	7.79	8.01	10.92	12.37
BANKINTER SEGUROS DE VIDA, S.A.	29.18	23.43	29.23	23.43	28.82	25.87
MAPFRE BHD COMPAÑÍA DE SEGUROS, S.A.	4.85	5.16	6.19	4.95	8.96	8.71
MAPFRE PERÚ VIDA, COMPAÑÍA DE SEGUROS, S.A.	6.95	6.28	3.88	2.38	6.85	7.10
CAJA CASTILLA LA MANCHA VIDA Y PENSIONES, S.A.	4.80	9.71	4.80	9.71	8.91	9.16

Figures in millions of euros

Additionally, in 2018 non-controlling interests in the companies BB MAPFRE SH1 PARTICIPAÇÕES, S.A., BANKIA MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS and BANKINTER SEGUROS DE VIDA, S.A. have received funds for the following items and amounts:

Controlled company	Item	Amount
BB MAPFRE SH1 PARTICIPAÇÕES, S.A.	Capital reduction	71.39
BANKIA MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS	Share premium distribution	35.86
BANKINTER SEGUROS DE VIDA, S.A.	Share premium distribution	18.21

Figures in millions of euros

The distribution of share premiums is included in the Consolidated statement of changes in equity as “Other operations with the controlling company’s shareholders and non-controlling interests”

Additionally, on November 30 2018, the business reorganization of the strategic alliance between MAPFRE and Banco do Brasil came into effect. This alliance was initially formed in 2011 and was implemented through the holding companies BB MAPFRE SH1, focused primarily on the Life business, and MAPFRE BB SH2, owner of the insurers operating in other lines.

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The reorganization has been set out in the following terms:

- a) Partial spin-off of BB MAPFRE SH1 by means of the segregation of the shareholding in MAPFRE Vida (Brazil), which will be absorbed by MAPFRE BB SH2.
- b) Partial spin-off of MAPFRE BB SH2 by means of the segregation of the shareholding in Aliança do Brasil Seguros (ABS), which will be absorbed by BB MAPFRE SH1.
- c) BB Seguros sells to MAPFRE BRASIL the whole of its shareholding in BB MAPFRE SH2.

Shareholding changes resulting from this reorganization are included in Annex 1 and the funds paid are indicated in Note 6.9.

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

- Balance sheet

Entity	Investments		Credits		Total assets		Equity		Technical Provisions	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Controlled company										
MAPFRE VIDA SOCIEDAD ANÓNIMA DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA	12,625.52	12,765.96	148.11	169.71	14,664.52	14,879.84	1,307.68	1,412.81	11,468.37	11,596.80
BANKIA MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS	7,374.07	7,612.05	12.49	18.82	7,551.49	7,812.95	312.05	516.78	6,752.66	6,850.13
MAPFRE ESPAÑA COMPAÑÍA DE SEGUROS Y REASEGUROS S.A.	5,668.82	5,528.92	937.18	915.98	8,027.50	7,761.46	2,216.15	2,342.22	4,983.15	4,657.51
MAPFRE RE COMPAÑÍA DE REASEGUROS, S.A.	3,918.58	4,016.82	392.39	294.81	5,838.83	6,191.21	1,223.30	1,260.67	4,167.42	4,463.14
M.S.V. LIFE P.L.C.	1,982.78	1,881.46	2.48	2.82	2,213.36	2,116.60	159.98	161.10	1,927.91	1,825.37
BANKINTER SEGUROS DE VIDA, S.A.	1,608.24	1,503.25	26.68	25.01	1,837.73	1,721.02	130.15	172.21	1,177.64	972.76
COMPANHIA DE SEGUROS ALIANÇADO BRASIL, S.A.	1,362.51	1,474.80	712.50	834.94	2,773.18	3,014.83	329.95	357.05	1,832.08	1,975.37
Subtotal controlled companies	34,540.52	34,783.26	2,231.83	2,262.09	42,906.61	43,497.91	5,679.26	6,222.84	32,309.23	32,341.08
Joint Arrangement										
SOLUNION SEGUROS DE CREDITO S.A.	73.08	55.21	78.10	62.10	407.82	341.18	111.29	106.43	179.95	141.62
Subtotal Joint Arrangements	73.08	55.21	78.10	62.10	407.82	341.18	111.29	106.43	179.95	141.62

Figures in millions of euros

- Income statement

Entity	Revenue				Results					
	From insurance business		Totals		From insurance business		From operations		From global account	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Controlled company										
MAPFRE VIDA SOCIEDAD ANÓNIMA DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA	2,485.53	2,287.90	2,507.19	2,296.68	299.48	224.27	287.93	221.48	283.30	219.22
BANKIA MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS	898.60	758.06	903.36	760.38	105.88	101.39	79.63	76.26	59.66	71.18
MAPFRE ESPAÑA COMPAÑÍA DE SEGUROS Y REASEGUROS S.A.	4,483.67	4,415.30	5,172.78	4,915.76	315.12	415.21	232.77	318.53	150.27	266.20
MAPFRE RE COMPAÑÍA DE REASEGUROS, S.A.	3,950.61	3,911.23	4,676.61	5,116.86	181.81	213.14	140.87	159.57	57.89	125.43
M.S.V. LIFE P.L.C.	405.57	403.39	409.23	406.69	13.72	12.45	10.94	10.21	10.94	10.21
BANKINTER SEGUROS DE VIDA, S.A.	519.11	427.88	532.88	441.27	77.13	68.96	57.60	51.68	52.70	51.65
COMPANHIA DE SEGUROS ALIANÇADO BRASIL, S.A.	1,537.98	1,673.75	1,805.49	2,060.07	550.53	625.84	354.26	409.70	357.10	413.54
Subtotal controlled companies	14,281.07	13,877.51	16,007.54	15,997.71	1,543.67	1,661.26	1,164.00	1,247.43	971.86	1,157.43
Joint Arrangement										
SOLUNION SEGUROS DE CREDITO S.A.	30.94	28.23	224.79	185.43	13.35	12.09	6.10	5.54	4.60	2.26
Subtotal Joint Arrangements	30.94	28.23	224.79	185.43	13.35	12.09	6.10	5.54	4.60	2.26

Figures in millions of euros

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

- Balance sheet

Entity	Current assets		Total assets		Equity		Current liabilities	
	2018	2017	2018	2017	2018	2017	2018	2017
Controlled company								
FUNESPAÑA, S.A.	166.58	54.78	167.69	171.45	118.79	113.27	45.76	51.80
MAPFRE INVERSIÓN SOCIEDAD DE VALORES S.A.	71.28	58.33	209.87	234.19	165.85	200.98	37.38	25.67
MAPFRE TECH	48.34	34.31	64.54	53.10	20.85	20.16	35.35	25.64
CREDIMAPFRE	27.98	28.09	28.13	28.23	3.16	3.14	24.98	25.08
Subtotal controlled companies	314.18	175.51	470.23	486.97	308.65	337.55	143.47	128.19

Figures in millions of euros

- Income statement

Entity	Revenue		Earnings			
			From operations		From overall account	
	2018	2017	2018	2017	2018	2017
Controlled company						
FUNESPAÑA, S.A.	113.48	98.02	5.52	4.53	5.51	4.53
MAPFRE INVERSIÓN SOCIEDAD DE VALORES S.A.	104.26	102.05	57.35	39.63	51.60	39.19
MAPFRE TECH	180.88	178.16	0.73	(1.78)	0.73	(1.78)
CREDIMAPFRE	3.37	3.81	0.14	0.04	0.14	0.04
Subtotal controlled companies	401.99	382.04	63.74	42.42	57.98	41.98

Figures in millions of euros

Information relating to joint arrangements and associated undertakings

In 2018 and 2017 MAPFRE GLOBAL RISKS did not receive any dividends from SOLUNION.

The cost and fair value of the shareholding in the SOLUNION joint venture at the close of the year were 37.1 and 64.01 million euros, respectively (37.10 and 66.10 million euros respectively in 2017).

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

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Joint Arrangement	Cash and cash equivalents		Financial liabilities		Repayment		Interest				Expenses or income after tax on profit	
	2018	2017	2018	2017	2018	2017	Revenue		Expenses		2018	2017
							2018	2017	2018	2017		
SOLUNION SEGUROS DE CREDITO S.A.	4.70	2.56	--	--	2.24	1.73	2.57	3.53	2.44	1.64	(2.49)	(2.29)
TOTAL	4.70	2.56	--	--	2.24	1.73	2.57	3.53	2.44	1.64	(2.49)	(2.29)

Figures in millions of euros

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

Remuneration of key management personnel

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

Item	Amount	
	2018	2017
Short-term remuneration		
Salary	3.00	3.00
Short-term variable remuneration	2.09	1.98
Fixed allowance	2.75	2.47
Other items	0.91	0.15
Medium-term variable remuneration	1.13	1.13
TOTAL REMUNERATION	9.88	8.73
Other remuneration		
Life insurance	0.09	0.10

Figures in millions of euros

The basic remuneration for external directors consists of an annual fixed amount for membership to the Board of Directors, which was 110,000 euros in 2018 and 2017. In 2017, a fixed annual allowance of 110,000 euros was established for the Vice-Chairman-Coordinating Director. The members of the Steering Committee receive 20,000 euros in 2018 and 2017. Said amount reaches 65,000 euros (55,000 in 2017), in the case of people who chair the Audit and Compliance Committee, and 57,000 euros (55,000 in 2017) in the case of people who chair other Steering Committees. Other members of the Audit and Compliance Committee receive 45,000 euros (35,000 in 2017) and other members of other sub-steering committees receive 37,000 euros (35,000 euros in 2017).

Members of the Boards of Directors of Spanish insurance companies receive a fixed allowance of 47,000 euros (45,000 in 2017). The external vice-chairmen of the Boards of Directors of Spanish companies receive 10,000 euros, and those who are members of Steering Committees receive 10,000 euros (8,000 in 2017).

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

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Executive directors (who are deemed to be executives of the controlling company as well as those who perform executive functions in other MAPFRE GROUP companies) receive the remuneration established in their contracts, which includes a fixed salary, incentives with varying amounts linked to results, life and disability insurance, and other general benefits established for the Group's staff. They also receive certain pension supplements for retirement, externalized through a life insurance policy. All of these payments are in line with the compensation policy established by the Group for its senior managers, whether or not they are directors. In 2018 contributions to defined benefit plans amounted to 5.12 million euros, recognized as expenses for the year (4.20 million euros in 2017).

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

In relation to the medium-term incentive plan, a provision for 0.82 million euros was cancelled. A provision was made for 0.10 million euros corresponding to remuneration in cash, and a provision for 0.92 million euros to remuneration to be settled through equity instruments was cancelled. In 2017, 1.33 million euros were provisioned, of which 1.31 million corresponded to remuneration in cash and 0.02 million to remuneration to be settled through equity instruments. At the close of 2018, the amount of the provision for these plans reached 1.55 million euros (3.23 million euros in 2017).

Regarding variable short-term remuneration already paid, at the close of 2018, 3.25 million euros are pending payment (2.62 million euros in 2017).

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

The insurance premium paid on behalf of the administrators for damages liability was 0.67 million euros (0.44 million euros in 2017).

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

Item	Amount	
	2018	2017
No. of senior management members	7	5
Fixed remuneration	2.12	1.60
Variable remuneration	1.19	0.93
Other concepts	0.08	0.04
TOTAL REMUNERATION	3.39	2.57
Life insurance	0.03	0.03

Figures in millions of euros

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Regarding the medium-term incentive plan, in the current year, part of a provision for 1.02 million euros was cancelled (0.1 million euros was provisioned in 2017) of which 0.51 million euros correspond to remuneration in cash and 0.52 to remuneration to be settled in equity instruments.

Additionally, an expense of 0.83 million euros was recorded in 2018 (0.52 million euros in 2017) as a contribution to defined benefit plans.

6.27. EVENTS SUBSEQUENT TO CLOSING

Non-Life Insurance distribution in the Bankia network

In December 2018 a non-extinguishing, modifying, partial novation contract of the agent contract for the exclusive distribution of Non-Life Insurance was signed with Bankia. This will make it possible to expand the exclusive sale MAPFRE general P&C to the whole BMN network, which will make MAPFRE the exclusive distributor of Non-Life Insurance for the whole Bankia network. This agreement is effective as of January 14 2019, at which date the fixed commission initially established for the amount of 51.40 million euros became effective.

Distribution agreement with Corporación Actinver in Mexico

On January 9 2019, Corporación Actinver, S.A.B. de C.V. (“Actinver”) announced the acceptance of the binding offer made by MAPFRE for the exclusive sale of MAPFRE insurance products through the Actinver network in Mexico, for an undetermined period of time. The definitive terms and conditions of the agreement will be made known when the final contracts are signed.

Reorganization of global risks business

In April 2018, MAPFRE approved a new configuration for its businesses insuring large industrial and commercial risks. Under this new structure, MAPFRE GLOBAL RISKS will continue to develop its management capacity and its market knowledge, and at the same time, the insurance or reinsurance risk will be assigned to the Group entities which, based on their specialization, size or capacity, are able to take on said risk with the greatest efficiency and profitability. To this end, a business restructuring operation is being carried out through which:

- The purely insurance or reinsurance activities, along with the related assets and liabilities, will be transferred, respectively, to MAPFRE ESPAÑA and MAPFRE RE.
- MAPFRE GLOBAL RISKS’ operations regarding the analysis and underwriting of large industrial and commercial risks will continue to be carried out through an entity established in 2018, and it will act on behalf of MAPFRE ESPAÑA and MAPFRE RE.

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At the date of preparation of these annual accounts, this restructuring transaction, which will not affect the consolidated financial statements, is still pending approval from the Spanish supervisory body.

7. RISK MANAGEMENT

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

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

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

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

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

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

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

A) INSURANCE RISK

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1. Sensitivity to insurance risk

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

Business Units	Impact on results of 1% variation in the combined ratio		Combined ratio volatility index
	2018	2017	
Insurance			
- IBERIA	34.10	33.06	1.93%
- LATAM	22.81	23.86	1.03%
- INTERNATIONAL	19.22	36.33	1.83%
Reinsurance	19.07	17.90	0.93%
Assistance	4.78	8.38	3.07%
Global Risks	2.40	2.46	18.74%
CONSOLIDATED	90.62	103.78	0.97%

Figures in millions of euros

For the Life activity, the Market Consistent Embedded Value (MCEV) methodology has been used, which consists of determining the yields of the assets and the credit risk in such a way that the net flows of the assets, discounted to the origin, coincide with their market value. In this way, yields and credit risk cease to be a hypothesis and become a consequence of the market price of the assets.

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

- Embedded value: Adjusted Net Asset Value (ANAV) + Value of In Force Business (VIF)
- Adjusted Net Asset Value (ANAV): Adjusted Net Asset Value or ANAV is the same as equity according to the IFRS, adjusted for: committed donations and dividends; goodwill; deferred expenses; and any other element necessary to obtain the economic value of the capital.
- Value of In Force Business (VIF) = PVFP – TVFOG – Coc, being:
 - The Present Value of Future Profits or "PVFP" is equal to the present value of expected future accounting profits of the portfolio in force at the valuation date, after tax and

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discounted to the reference curve. The financial performance of the business in force has been calculated on the basis of interest rates of the reference curve, except for fixed interest rate assets related to Life-Savings insurance, where book yields have been used with an adjustment for credit risk based on the market value of the assets. The PVFP includes the "intrinsic value" of the FOG granted to the insured. The financial performance of future investments has been calculated based on interest rates of the reference curve.

- TVFOG = Time value of financial options and guarantees granted to policyholders. These options are included in the contracts, which implies the existence of potentially valuable underlying guarantees, or options to change, the level or nature of policyholders' benefits and exercisable at the discretion of policyholders, whose potential value is impacted by the performance of financial variables
- CoC = Cost of Capital. In line with Solvency II Risk Margin calculation, the CoC used in the MCEV has been measured by applying a fixed rate of 6% (gross of taxes) to the required solvency capital, excluding market risks.

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

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

As such, the key assumptions used have been:

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

The following table shows the composition of the embedded value of the business of MAPFRE VIDA and its controlled companies, the Life and Burial business of MAPFRE PERU, and the Life business of MAPFRE Group in Brazil (MAPFRE Previdencia, BB MAPFRE SH1 Participações and MAPFRE BB SH2 Participações S.A.) at the close of 2017. The figures at the close of 2016 only include business from MAPFRE VIDA and its controlled companies. The figures for 2018 were not available when the consolidated annual accounts were prepared.

Item	2017	2016
Adjusted equity	2,596.30	1,996.40
Present value of future profits	5,400.50	3,089.30
Time value of financial options and guarantees granted to policyholders	(84.50)	(93.10)
Cost of regulatory capital requirement	(561.70)	(444.10)
TOTAL EMBEDDED VALUE	7,350.60	4,548.50

Figures in millions of euros

The variables to which embedded value was most sensitive in 2017 were as follows:

- A 100 basis-point increase in interest rates, which would reduce the embedded value by 388.4 million euros in the existing portfolio and by 18.9 million euros in new business.
- A 10 percent reduction in the decline in the portfolio, which would increase the embedded value by 236.2 million euros in the existing portfolio and by 33.2 million euros in new business.

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

2. Concentrations of insurance risk

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

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

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

2.a) Premiums by risk

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

2018

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MAPFRE S.A. AND SUBSIDIARIES

Item	Accepted reinsurance				Direct insurance				
	Life	Non-Life		Total	Catastrophe risk	Other risks			Total
		Catastrophe risk	Other risks			Life	Non-Life		
						Automobile	Other		
Written premiums, direct insurance	--	--	--	--	382.95	4,870.58	6,812.94	7,035.76	19,102.23
Premiums from accepted reinsurance	600.47	461.55	2,372.85	3,434.87	--	--	--	--	--

Figures in millions of euros

2017

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

Figures in millions of euros

2.b) Premiums by product and segment

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

2018

Product	IBERIA	LATAM NORTH	LATAM SOUTH	BRAZIL	NORTH AMERICA	EURASIA	MAPFRE ASISTENCIA	MAPFRE GLOBAL RISK	MAPFRE RE	CORPORATE AREAS AND CONSOLIDATION ADJUSTMENTS	Total
Life	2,582.56	343.77	261.45	1,355.71	4.03	328.09	--	--	--	0.09	4,875.70
Automobile	2,282.91	279.65	449.96	1,013.52	1,639.70	1,123.71	90.70	--	--	(89.25)	6,790.90
Homeowners and Health	921.08	101.53	194.39	435.30	673.90	86.73	--	--	--	0.36	2,413.29
Accident	554.65	211.03	72.02	1.52	63.96	125.75	--	--	--	3.49	1,032.42
Other Non-Life	109.36	15.21	95.83	--	1.95	10.00	--	--	--	0.06	232.41
Reinsurance	1,207.35	358.16	532.10	1,166.15	41.74	91.48	236.53	117.23	--	(347.06)	3,403.68
	--	--	--	--	--	--	583.79	1,056.68	3,787.13	(1,638.90)	3,788.70
	--	--	--	--	--	--	--	--	--	--	--
TOTAL	7,657.91	1,309.35	1,605.75	3,972.20	2,425.28	1,765.76	911.02	1,173.91	3,787.13	(2,071.21)	22,537.10

Figures in millions of euros

2017

Product	IBERIA	LATAM NORTH	LATAM SOUTH	BRAZIL	NORTH AMERICA	EURASIA	MAPFRE ASISTENCIA	MAPFRE GLOBAL RISK	MAPFRE RE	CORPORATE AREAS AND CONSOLIDATION ADJUSTMENTS	Total
Life	2,220.02	334.55	263.57	1,550.88	4.49	295.77	--	--	--	0.22	4,669.50
Automobile	2,234.65	301.08	498.12	1,205.22	1,723.11	1,227.07	79.43	--	--	(76.96)	7,191.72
Homeowners and Health	891.53	106.62	207.99	477.46	712.51	113.37	--	--	--	0.79	2,510.27
Accident	519.34	193.91	69.58	2.04	77.09	124.89	--	--	--	5.13	991.98
Other Non-Life	117.29	15.68	94.24	--	1.89	9.50	--	--	--	0.19	238.79
Reinsurance	977.37	820.29	565.40	1,311.27	9.42	99.13	261.02	340.35	--	(732.51)	3,651.74
	--	--	--	--	--	--	643.06	917.07	4,222.42	(1,555.86)	4,226.69
	--	--	--	--	--	--	--	--	--	--	--
TOTAL	6,960.20	1,772.13	1,698.90	4,546.87	2,528.51	1,869.73	983.51	1,257.42	4,222.42	(2,359.00)	23,480.69

Figures in millions of euros

2.c) Premiums by currency

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

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

Currency	Financial Year	
	2018	2017
Euro	9,023.42	8,472.66
US dollar	3,622.32	4,183.35
Brazilian real	3,972.20	4,546.87
Mexican peso	489.88	483.95
Argentine peso	168.90	243.15
Venezuelan bolivar	5.56	9.37
Turkish lira	380.58	531.53
Colombian peso	309.74	393.89
Chilean peso	154.05	171.51
Pound sterling	226.91	226.16
Peruvian sol	268.55	110.75
Indonesian rupiah	61.89	43.54
Other currencies	418.22	565.61
TOTAL	19,102.22	19,982.34

Figures in millions of euros

3. Claims

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

B) CREDIT RISK

1. Credit risk arising from reinsurance contracts

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

Ceded and retroceded reinsurance	Book value	
	2018	2017
· Provision for Life insurance	55.95	68.70
· Provision for outstanding claims	4,303.06	3,171.77
· Other technical provisions	1.46	1.58
· Receivables on ceded and retroceded reinsurance transactions	484.16	632.62
· Due on ceded and retroceded reinsurance transactions	(423.21)	(731.62)
TOTAL NET POSITION	4,421.42	3,143.05

Figures in millions of euros

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

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

Rating	Book value	
	2018	2017
Maximum	1,040.09	33.41
Very high	1,028.92	1,080.27
High	1,457.50	1,350.36
Adequate	389.84	194.85
Weak	10.35	27.77
Not available	494.73	456.40
TOTAL NET POSITION	4,421.42	3,143.05

Figures in millions of euros

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

Type of surety	Amount	
	2018	2017
Letters of credit	2.15	2.05
Guarantees	--	--
Pledging of assets	--	--
Other guarantees	476.79	276.69
TOTAL	478.94	278.74

Figures in millions of euros

The balances corresponding to receivables on direct insurance and co-insurance operations amounted to 3.64 and 4.02 billion euros at December 31, 2018 and 2017, respectively. Estimated losses due to impairment are recorded in the income statement as specified in accounting policy 5.9.

2. Credit risk arising from other financial instruments

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

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MAPFRE S.A. AND SUBSIDIARIES

Credit rating	Book value							
	Held-to-maturity portfolio		Available-for-sale portfolio		Trading portfolio		Cash	
	2018	2017	2018	2017	2018	2017	2018	2017
Maximum	1,437.93	978.61	1,941.84	1,461.94	1,082.78	392.38	151.86	129.46
Very high	83.45	796.98	3,936.23	3,541.82	1,076.59	2,137.72	299.43	142.13
High	32.38	34.28	18,686.11	3,958.24	482.56	455.86	938.24	818.68
Adequate	151.00	66.83	6,265.73	21,831.15	715.47	699.92	505.91	511.85
Weak	156.67	44.21	463.70	672.12	142.84	24.05	128.88	164.32
Not available	78.17	82.81	194.27	77.01	2.93	138.52	177.09	97.57
TOTAL	1,939.60	2,003.72	31,487.88	31,542.28	3,503.17	3,848.45	2,201.41	1,864.01

Figures in millions of euros

3. Fixed-income securities in default

There were no fixed-income securities in default for significant amounts at December 31, 2018 and 2017.

4. Receivables

The following table shows the composition of the receivables heading at December 31, 2018 and 2017, as well as impairment losses, gains on recorded impairment reversals, and received amounts for guarantees in the last two years:

Item	Net balance on balance sheet		Impairment				Guarantees Received	
	2018	2017	Recorded losses		Reversal gains		2018	2017
			2018	2017	2018	2017		
Receivables on direct insurance and co-insurance operations	3,644.21	4,019.46	(10.82)	(20.74)	9.93	7.72	--	--
Receivables on reinsurance operations	903.08	987.25	(21.95)	(0.02)	15.64	3.81	--	--
Tax receivables	336.70	271.67	--	--	--	--	--	--
Corporate and other receivables	877.21	1,058.72	(3.02)	(3.41)	2.28	2.12	--	--
TOTAL	5,761.20	6,337.10	(35.79)	(24.17)	27.85	13.65	--	--

Figures in millions of euros

C) LIQUIDITY RISK

With respect to liquidity risk, MAPFRE has a Liquidity Risk Management Policy and an Asset and Liability Management Policy, which together comprise the benchmark framework for acting in this regard. In MAPFRE, the general practice is based on maintaining sufficient cash balances to comfortably cover the commitments arising from its obligations to insured parties and creditors. Thus, at 31 December 2018, the cash and cash equivalent balance amounted to 2.20 billion euros (1.86 billion euros the previous year), equivalent to 5.07 percent of total financial investments and cash (4.25 percent at the close of 2017). For Life and Savings insurance the investment criteria applied consists in matching the maturities of investments with obligations entered into under the terms of insurance contracts in order to mitigate the long-term liquidity risk. In addition, most fixed-income investments have an investment grade and are traded in organized markets, providing ample capacity to act against potential liquidity stress.

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

Lastly, MAPFRE's low level of debt as regards shareholders' equity, combined with the amount not drawn down from the syndicated loan taken out by the controlling company, provides additional

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liquidity through financing operations. Note 6.13 “Financial liabilities” provides information on the Group's debt with credit institutions and its other financial liabilities.

1. Liquidity risk arising from insurance contracts

The table below shows the estimated schedule of disbursements for insurance liabilities recorded at December 31, 2018 and 2017 (non-updated amounts).

2018

Item	Estimated cash outflows in years							Closing balance
	2019	2020	2021	2022	2023	2024 a 2028	Subsequent	
Provisions for Life insurance	2,733.10	2,105.46	1,985.52	1,871.39	1,502.78	6,253.93	10,105.60	26,557.78
Provision for outstanding claims	6,161.41	2,433.37	1,223.84	756.87	516.69	1,151.78	470.19	12,714.15
Other technical provisions	87.57	36.65	38.35	40.36	42.45	245.84	485.91	977.13
Due on direct insurance and coinsurance	1,047.43	14.72	10.25	6.61	4.25	8.71	2.81	1,094.78
Due on reinsurance operations	841.49	2.24	2.09	1.03	0.67	1.38	3.74	852.64
TOTAL	10,871.00	4,592.44	3,260.05	2,676.26	2,066.84	7,661.64	11,068.25	42,196.48

Figures in millions of euros

2017

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

Figures in millions of euros

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2. Liquidity risk arising from subordinated liabilities and financial liabilities

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

2018

Item	Maturity in						Total
	2019	2020	2021	2022	2023	Subsequent	
Subordinated liabilities	46.88	46.88	46.88	46.88	46.88	1,308.13	1,542.53
Issue of debentures and other negotiable securities	16.25	16.25	16.25	16.25	16.25	1,048.75	1,130.00
Due to credit institutions	55.59	0.11	0.06	0.04	490.00	0.01	545.81
Other financial liabilities (excluding for trading, others at fair value and w/o maturity)	503.75	3.42	0.34	0.30	0.25	625.38	1,133.44
TOTAL	622.47	66.66	63.53	63.47	553.38	2,982.27	4,351.78

Figures in millions of euros

2017

Item	Maturity in						Total
	2018	2019	2020	2021	2022	Subsequent	
Subordinated liabilities	26.25	26.25	26.25	26.25	26.25	731.25	862.50
Issue of debentures and other negotiable securities	16.25	16.25	16.25	16.25	16.25	1,065.00	1,146.25
Due to credit institutions	85.07	14.01	9.25	607.32	3.78	1.64	721.07
Other financial liabilities (excluding for trading, others at fair value and w/o maturity)	39.45	0.26	0.38	0.30	0.25	80.57	121.21
TOTAL	167.02	56.77	52.13	650.12	46.53	1,878.46	2,851.03

Figures in millions of euros

D) MARKET RISK

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

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

1. Interest rate risk

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

MAPFRE S.A. AND SUBSIDIARIES

Portfolio	Amount of assets exposed to interest rate risk at fair value					
	Fixed interest rate		Not exposed to risk		Total	
	2018	2017	2018	2017	2018	2017
To maturity	1,641.07	1,818.26	310.40	206.00	1,951.47	2,024.26
Available for sale	28,969.30	29,567.64	4,784.43	4,948.79	33,753.73	34,516.43
Trading	4,413.85	4,635.56	1,126.92	827.01	5,540.77	5,462.57
TOTAL	35,024.22	36,021.46	6,221.75	5,981.80	41,245.97	42,003.26

Figures in millions of euros

The assets with a fixed interest rate include the immunized portfolios, which amounted to 15.25 and 15.22 billion euros at December 31, 2018 and 2017 respectively, thus reducing the interest rate risk.

Item	Amount of liabilities exposed to interest rate risk at fair value					
	Fixed interest rate		Not exposed to risk		Total	
	2018	2017	2018	2017	2018	2017
Subordinated liabilities	1,120.54	617.37	--	--	1,120.54	617.37
Issue of debentures and other negotiable securities	1,004.05	1,003.29	--	--	1,004.05	1,003.29
Due to credit institutions	12.86	57.34	532.83	649.40	545.69	706.74
Other financial liabilities	468.52	803.68	794.28	431.49	1,262.80	1,235.17
TOTAL	2,605.97	2,481.68	1,327.11	1,080.89	3,933.08	3,562.57

Figures in millions of euros

The following tables show the breakdown of financial investments by maturity for 2018 and 2017.

December 31, 2018

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MAPFRE S.A. AND SUBSIDIARIES

Item	Closing balance	Maturity in:					Subsequent or without maturity
		1 year	2 years	3 years	4 years	5 Years	
HELD TO MATURITY PORTFOLIO							
Fixed income	1,939.60	257.49	198.63	110.19	265.12	231.06	877.11
Other investments	11.87	5.97	0.02	--	0.19	2.01	3.68
TOTAL HELD TO MATURITY PORTFOLIO	1,951.47	263.46	198.65	110.19	265.31	233.07	880.79
AVAILABLE FOR SALE PORTFOLIO							
Fixed income	31,487.88	2,308.96	1,934.73	2,287.65	2,863.52	2,764.01	19,329.01
Other investments	33.53	27.06	--	0.50	4.06	--	1.91
TOTAL AVAILABLE FOR SALE PORTFOLIO	31,521.41	2,336.02	1,934.73	2,288.15	2,867.58	2,764.01	19,330.92
TRADING PORTFOLIO							
Financial swaps	453.00	(104.23)	(122.18)	(60.31)	(111.15)	(97.92)	948.78
Options	0.70	--	0.70	--	--	--	--
Fixed income	3,090.04	1,556.55	176.29	353.52	188.82	139.78	675.08
Hybrids	413.13	16.51	--	135.78	120.89	67.22	72.73
Deposits	--	--	--	--	--	--	--
TOTAL TRADING PORTFOLIO	3,956.87	1,468.83	54.81	428.99	198.56	109.08	1,696.59

Figures in millions of euros

December 31, 2017

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MAPFRE S.A. AND SUBSIDIARIES

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

Figures in millions of euros

The average interest rate and modified duration of fixed-income investments in 2018 and 2017 are shown below:

Item	2018	2017
Average interest rate (%)	4.05	4.42
Modified duration (%)	6.75	6.72

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

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

2. Exchange rate risk

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

Currency	Assets		Liabilities		Net Total	
	2018	2017	2018	2017	2018	2017
Euro	39,127.49	38,917.16	36,278.29	35,059.83	2,849.20	3,857.33
US dollar	13,100.62	12,824.95	10,088.00	9,827.60	3,012.62	2,997.35
Mexican peso	1,000.87	856.74	739.42	643.67	261.45	213.07
Brazilian real	8,068.41	9,157.10	6,413.87	6,859.29	1,654.54	2,297.81
Turkish lira	845.15	1,043.30	719.28	858.35	125.87	184.95
Chilean peso	402.63	388.81	287.37	319.20	115.26	69.61
Venezuelan sovereign Bolivar	4.42	21.24	2.71	10.16	1.71	11.08
Argentine peso	304.44	348.31	226.71	285.34	77.73	62.97
Colombian peso	1,575.45	1,357.77	1,270.87	1,311.89	304.58	45.88
Pound sterling	606.93	485.69	413.53	419.52	193.40	66.17
Canadian dollar	52.64	50.93	14.06	15.35	38.58	35.58
Philippine peso	109.66	95.31	87.24	73.50	22.42	21.81
Peruvian sol	327.77	503.83	266.61	363.57	61.16	140.26
Indonesian rupiah	272.10	179.26	97.73	97.24	174.37	82.02
Other currencies	1,492.24	1,339.08	1,187.55	912.30	304.69	426.77
TOTAL	67,290.82	67,569.48	58,093.24	57,056.81	9,197.58	10,512.66

Figures in millions of euros

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

3. Stock market risk

The VaR or value at risk (maximum variation expected in a one-year time horizon and at a confidence level of 99 percent) of equities and mutual funds exposed to stock market risk amounted to 638.52 and 656.44 million euros at December 31, 2018 and 2017, respectively.

4. Property risk

At December 31, 2018 the Group had property assets representing approximately 4.25 percent of total investments and cash (4.36 percent at December 31, 2017), of which approximately 40.68 percent corresponds to its own offices (42.40 percent at December 31, 2017). This equity serves the dual function of providing administrative and sales support as well as generating revenues from investments and diversifying investments. The breakdown of these property assets is shown in the following table:

Item	Net book value		Market value	
	2018	2017	2018	2017
Real estate investments	1,243.60	1,250.71	1,684.29	1,679.12
Real estate for own use	852.66	920.64	1,232.99	1,266.36
TOTAL	2,096.26	2,171.35	2,917.28	2,945.48

Figures in millions of euros

Unrealized gains would offset a fall in the price of the properties equivalent to approximately 28.14 percent of their market value at the close of 2018 (26.28 percent at the close of 2017).

8. OTHER INFORMATION

8.1. INFORMATION RELATED TO THE GOVERNING BODY

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

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

8.2. FEES EARNED BY THE AUDITORS

The annual accounts of the controlling company and of the main Group companies for the financial year 2018 have been audited by the firm KPMG, with the main exception of the subsidiaries with registered offices in Chile, whose auditor is Ernst & Young.

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

Item	Amount	
	2018	2017
Audit services	7.53	6.32
Other verification services	2.22	1.77
Tax services	--	0.04
Other services	0.02	0.01
Total services of main auditor	9.77	8.14

Figures in millions of euros

The abovementioned amounts include those paid to KPMG Auditores, S.L. to the Group in 2018 for the amount of 2.20 million euros for audit services (2.07 million euros in 2017) and 0.92 million euros for Other verification services (0.62 million in 2017). These include, most notably, issuing comfort letters, other

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regulatory reviews required by the auditor (by regulation or required by external partners), as well as services regarding regulatory compliance, the most relevant of which are those corresponding to the review of the Solvency Reports.

Fees for account audit services rendered by auditors other than the main auditor amounted to 0.26 million euros in 2018 (0.21 million euros in 2017).

8.3. ENVIRONMENTAL INFORMATION

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

8.4. INFORMATION ON AVERAGE PROVIDER PAYMENT PERIOD

Details of the payments made by the Group's fully consolidated Spanish companies to providers in the financial years 2018 and 2017 are:

Item	Days	
	2018	2017
Average provider payment period	6.66	4.78
Ratio of paid operations	6.49	4.58
Ratio of operations pending payment	19.43	26.31

Item	Million euros	
	2018	2017
Total payments made	1,693.75	1,602.55
Total pending payments exceeding the maximum statutory term	21.60	14.68

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CONSOLIDATED MANAGEMENT REPORT

MAPFRE S.A.

FISCAL YEAR 2018

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

The Alternative Performance Measures (APM) used in this report, which correspond to those financial measures that are used but not defined or explained in the applicable financial information framework, can be consulted at the following web page:

<https://www.mapfre.com/corporativo-es/accionistas-inversores/inversores/informacion-financiera/medidas-alternativas-rendimiento.jsp>

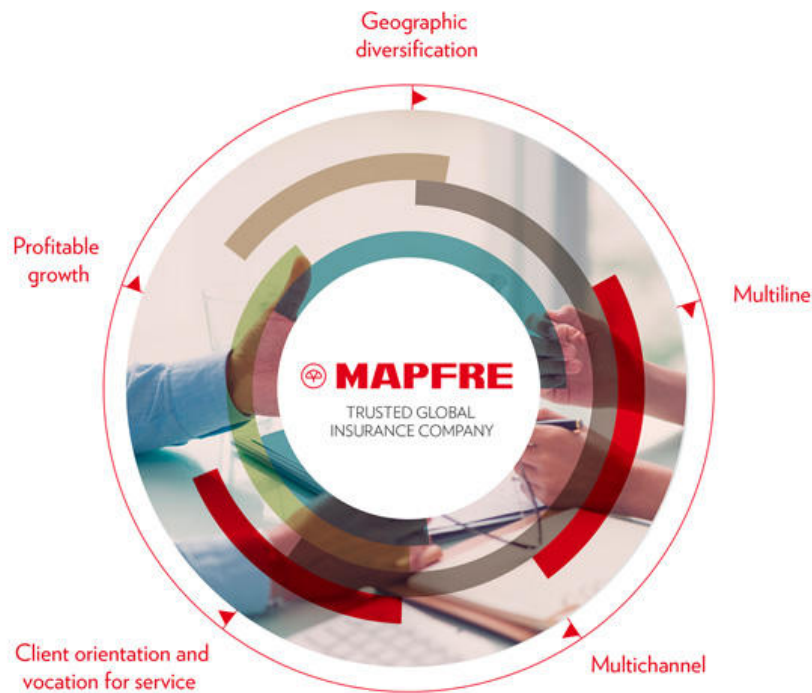
Some of the figures included in this Report have been rounded. Therefore, discrepancies may occur in the tables between the totals and the amounts listed due to this rounding.

ORGANIZATION OVERVIEW

BUSINESS MODEL

The vision of MAPFRE is to be THE MOST TRUSTED GLOBAL INSURANCE COMPANY, a concept that refers not only to its geographic presence but also to the wide range of insurance and reinsurance products and services that it promotes worldwide. It aims to become a leader in the markets in which it operates, through its proprietary and differentiated business model, based on transformation and innovation, designed to achieve profitable growth with a clear and marked focus on the client, both private and corporate, a multi-channel approach and a firm vocation for service.

The influx of new insurance business models - insurtech - based on digital tools is causing a veritable revolution in the sector, and MAPFRE is acting in an agile manner in order to offer all its stakeholders value experiences. The business model that MAPFRE has adopted ensures that the Company is not focused solely on financial results, but also on the social sphere.



Accordingly, MAPFRE:

- Is firmly committed to growth, both in terms of business volume and geographic development, generating adequate and sufficient profitability from its activities.
- Manages its business in an efficient manner and constantly improves productivity, reducing structural costs on a continuing basis in order to enhance its competitiveness.
- Professionally manages the risks it assumes, ensuring sustainable growth and results.
- Steers its development by diversifying its portfolio of insurance, reinsurance and service businesses as a means of boosting growth and minimizing risks.
- Deploys a global management model with ample capacity for local implementation, ensuring an appropriate balance between corporate involvement and business development in each country.
- Makes its resources available to the entire organization, thus harnessing the synergies derived from sharing talent, processes and tools.
- Promotes specialized management as a means of continuously optimizing results and enhancing service quality.

MAPFRE's stated mission is to be a multinational team that strives to constantly improve services and develop the best possible relationships with clients, distributors, providers, shareholders and society in general.

This commitment to continuous improvement is underpinned by the following values, which assist in developing the mission and in order to achieve the company's vision:

- Solvency: financial strength with sustainable results and full capacity to meet all obligations to stakeholders.
- Integrity: ethical conduct as a core element in how everyone (senior executives, employees, agents and collaborators) behaves, with a socially responsible focus on all long-term activities and commitments.
- Vocation for service: the constant quest for excellence in the pursuit of its activities and a continuous focus on building strong relationships with clients.
- Innovation for leadership: differentiation as a key aspect of continuous growth and improvement, using technology to service the different businesses and their objectives.
- Committed team: full engagement of employees, senior executives, agents and other collaborators with the MAPFRE project and continuous development of the team's skills and abilities.

ORGANIZATIONAL STRUCTURE AND GOOD GOVERNANCE

A) ORGANIZATIONAL STRUCTURE

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

The Group's parent company is MAPFRE S.A., whose shares are listed on the Madrid and Barcelona Stock Exchanges. MAPFRE S.A. is also a component of the IBEX 35, Stoxx Insurance, MSCI Spain, FTSE All-World Developed Europe Index, FTSE4Good, FTSE4Good IBEX and Dow Jones Sustainability World indexes.

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

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

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

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

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

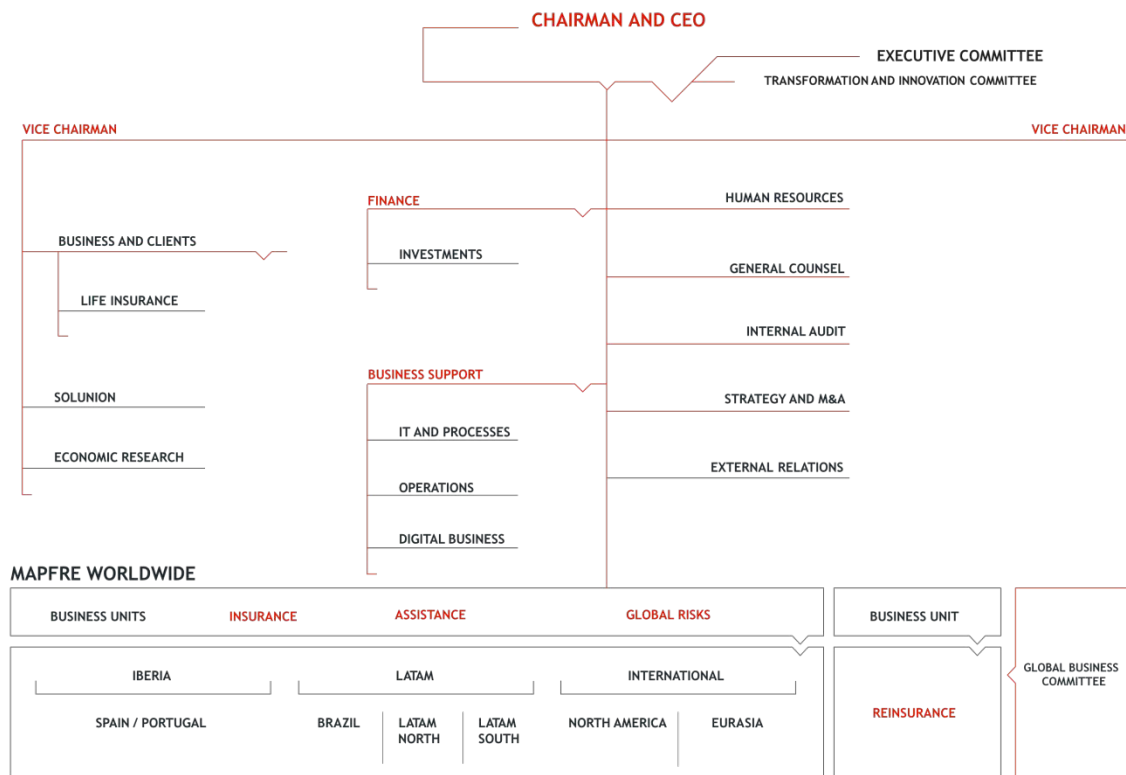
The MAPFRE S.A. Board of Directors is the senior management and supervisory body for the entire Group. It features a Steering Committee that acts within all of its powers, except those which cannot be ceded by law, bylaws or the regulations of the Board of Directors, and three delegate committees (Audit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

The Executive Committee is the body that directly oversees the management of the business units and coordinates the Group's different areas and units. The Global Business Committee is also responsible for analyzing the development of MAPFRE's insurance business and services throughout the world, its compliance with approved plans, and proposing measures to correct or improve them.

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

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

The Group's current organizational chart is as follows:



B) GOOD GOVERNANCE

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

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

¹ The Institutional, Business and Organizational Principles of the MAPFRE Group and other corporate regulations are available at the company's website (www.mapfre.com).

With regard to the CNMV Code of Good Governance for listed companies at 31 December 2018, MAPFRE complies fully with 93.75 percent and fully or partly with 98.44 percent of the recommendations.

The Annual Corporate Governance Report for 2018 offers a detailed explanation of the structure of MAPFRE's governance system and its operation in practice², providing the minimum content established by Article 540 of the Recast Spanish Companies Act.

OPERATIONAL FRAMEWORK

The Group's activities were carried out through its Business Units in 2018.

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

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

The MAPFRE distribution network is the largest in the Spanish insurance industry and also one of the largest belonging to a financial group in Latin America. MAPFRE is determined to maintain its own networks in the countries where it operates, which is compatible with the use of other distribution channels. Some of the key features behind the success of MAPFRE's business model include its client focus, global product offering and adaptation to the legal and commercial nature of each market.

At the end of 2018 the MAPFRE global distribution network consisted of 12,526 offices. The breakdown is shown overleaf:

² For further information, please consult the Annual Corporate Governance Report 2018 which forms an integral part of this Consolidated Management Report.³ Source: ICEA, data for 2018 are provisional.

OFFICES	2018	2017
IBERIA		
Direct and Delegate	3,084	3,091
Bancassurance	2,329	2,436
Subtotal IBERIA	5,413	5,527
LATAM		
Direct and Delegate	1,629	1,789
Bancassurance	4,941	5,051
Subtotal LATAM	6,570	6,840
INTERNATIONAL		
Direct and Delegate	543	493
Subtotal INTERNATIONAL	543	493
TOTAL OFFICES	12,526	12,860

At the close of the year, MAPFRE maintained a presence in Spain with 2,984 offices, Brazil with 867 offices, and Turkey with 402 offices.

During 2018, more than 86,500 intermediaries, including agents, representatives and brokers, participated in the distribution of MAPFRE products. The following table shows the breakdown:

SALES NETWORK	2018	2017
IBERIA		
Agents	9,850	10,119
Delegates	2,753	2,666
Brokers	5,311	5,229
Subtotal IBERIA	17,914	18,014
LATAM		
Agents	18,106	16,324
Delegates	3,952	4,294
Brokers	34,624	33,835
Subtotal LATAM	56,682	54,453
INTERNATIONAL		
Agents	9,786	10,325
Delegates	121	102
Brokers	2,061	1,436
Subtotal INTERNATIONAL	11,968	11,863
TOTAL SALES NETWORK	86,564	84,330

MAPFRE's own networks were supplemented by the distribution capacity provided under agreements with various companies, especially in terms of bancassurance (BANKIA, with which company an agreement was announced in 2018 to acquire 51 percent of the share capital of Caja Granada Vida and Caja Murcia Vida y Pensiones, BANKINTER, BANCO CASTILLA-LA MANCHA (subsidiary of LIBERBANK), BANCO DO BRASIL, BHD LEON and BANK OF VALLETTA, and others). MAPFRE distributed its products in 2018 through 7,270 bancassurance offices (out of which 2,329 are located in Spain, 4,765 in Brazil and 176 in the Dominican Republic).

Within the insurance business, MAPFRE is the largest Spanish insurer in the world, with a 14.2 percent market share in Non-Life insurance and 7.9 percent market share in Life insurance in the Spanish market. It is the 10th largest insurer in Europe and is present in nearly every country in Latin America, where it is the leading Non-Life insurance group, with a market share of 7.8 percent (according to the figures for 2017, the latest available). Furthermore, the Group's reinsurance business (MAPFRE RE) occupies position number 17 in the global reinsurance ranking, while in the Assistance sector MAPFRE is the fourth largest such company in the world by revenue.

BUSINESS PERFORMANCE AND RESULTS

ECONOMIC CONTEXT AND DEVELOPMENT OF INSURANCE MARKETS

Economic Context

General aspects

The world economy grew 3.6 percent in 2018. However, there will be a tendency toward deceleration in 2019, to 3.3 percent, with the beginnings of a divergent phase between some decelerating economies, while others maintain their momentum. The United States and China maintain high rates of growth (though the latter is slowing down), 2.9 and 6.4 percent, respectively, while the Eurozone is expected to grow 2.0 percent and visibly slow down. Central banks will also show a certain loss of synchronization, with Japan and the Eurozone still in stimulus phases, while the United States and other emerging countries are in restrictive phases.

The global economy reached the peak of its cycle in the first half of 2018 (3.8 percent) and subsequently took a path of deceleration. This took place in a context marked by two events. First, global financial conditions are tightening due to the Federal Reserve's change in tone (interest rates above inflation and a balance sheet reduction), which is obligating many emerging countries to follow with their own rate hikes with the aim of stabilizing monetary flows and exchange rates. And second, this change in monetary cycle has uncovered some latent risks in economies with imbalances, like

Turkey and Argentina, with implications for their exchange rates and the price of their assets.

The US economy maintained its dynamism, with average growth of 2.9 percent in 2018 and unemployment at its lowest since the 60s. This was with underlying inflation around 2 percent, fruit of the Federal Reserve successfully reaching its (implicit) dual mandate of activity and inflation, validating itself to calibrate the path of coming hikes in an attempt to cool down the economy without prematurely ending the cycle. The cycle is already the longest in recent history and seems to be keeping in step with the Federal Reserve's objective of achieving a smooth adjustment toward more sustainable growth rates that do not create imbalances.

China tried to promote a policy of deleveraging in 2018, as well as reduce fiscal and quasi-fiscal stimuli in order to mitigate imbalances and possible risks. But the fear of the implementation of tariffs on exports to the United States and the global deceleration is becoming noticeable in its activity levels, obligating the government to make new tax cuts in 2019 as a way of boosting domestic consumption.

In Europe, 2018 was marked by important milestones like the elections in Italy and the challenges to its budgetary stability with the subsequent concern among creditors and rise in bond yields. In Germany, economic activity contracted 0.2 percent, causing the level of activity in the Eurozone to slow down to +0.2 percent. The European Central Bank (ECB) reduced its stimulus program in recent months to 15 billion a month (ending in December), although so far it is still expected to continue reinvesting maturing bonds as a way of smoothly transitioning out of the stimulus program. With the European economy already in a slower phase, there is still uncertainty of whether the ECB will be able to raise interest rates starting in the third quarter of 2019 as initially expected.

In the United Kingdom, the agreement that the British government had reached with the European Union (EU) was rejected by the parliament, opening a new period of uncertainty. In the absence of changes, the exit from the EU will take place in March 2019. The alternatives currently on the table are an exit without an agreement, or a new referendum which would require requesting delaying the exit.

Among the emerging markets MAPFRE operates in, Turkey and Argentina have suffered strong exchange rate depreciations, basically due to their macroeconomic vulnerabilities - in Turkey's case due to private foreign debt and in Argentina's to public debt. Argentina had to request 56.3 billion USD in emergency financing from the International Monetary Fund (IMF). In Asia, Indonesia raised interest rates four times this year, from 4 percent to 6 percent, and the Philippines raised rates five times, from 3 to 4.75 percent. The Central Bank in China lowered the reserve-requirement ratio for

the main banks three times this year, from 17 percent to 14.5 percent, thus relaxing the 7-day interbank repo-rates by 30 points to 2.6 percent.

Below, a closer analysis of the most relevant markets MAPFRE operates in is provided:

Eurozone

The Eurozone began to show signs of wearing down, growing at a rate of 1.7 percent in the third quarter. In Germany, exports and private consumption slowed down, and a fall in automobile manufacturing is probable as a result of the problem with emission levels, which are translating into manufacturing delays. In Italy, growth stood still in the third quarter, which raised more doubts about the government's fiscal expansion plans. For 2019, GDP growth of 1.7 percent is expected, a clear deceleration from the 2.0 percent projected for the close of 2018. Exports and investment continue to be the motors, but with a global economy that is robust but slowing, it is inevitable that the Eurozone is affected in some way. Inflation in the Eurozone in 2018 fell to 1.9 percent in November, with underlying at 1.0 percent. The Euro Stoxx 50 index finished the year with a 14 percent fall to 3,000 points, led by the economic downturn and the very composition of the indexes that give significant weight to banks and utility companies, all of which operate in sectors that are sensitive to the economic deceleration.

For now, the ECB has not changed its roadmap ending the purchase program in December, and one only rate hike for deposit rates after summer 2019 is expected, but it is unlikely that it can raise loan rates in the same period.

Spain

Spain registered 2.5 percent growth (YoY) in the third quarter of 2018, and overall growth for the year is expected to reach 2.6 percent. A downturn is already observable in exports and investment, and a gradual deceleration over the next two years is expected, which could be accentuated by both internal and external factors. The internal factors could originate in political uncertainty or the government's plans for fiscal tightening, while external factors could come from lower investment and exports in the midst of a trade war, or financial flows toward economies with better growth perspectives and higher interest rates.

The IBEX 35 has gone down 15 percent in the year, finishing at 8,540 points.

United States

The United States economy continued to be strong, with 3.0 percent growth in the third quarter, with key growth in private consumption, reaching 3.0 percent, and investment, reaching 5.3 percent (YoY) in the third quarter of 2018. Average growth

forecasts for the year are 2.8 percent. With information to December, unemployment remained at historic lows (3.7 percent), highlighting the fact that the US economy is on the verge of holding the longest growth cycle in its history, following indicators like employment, corporate yields and rate curves, and maintaining traction thanks to the fiscal stimulus. This impulse is expected to eventually dilute, producing a smooth base scenario correction.

The rate hike path implicit in the Federal Reserve's guidance currently places the overnight rate at 3.25 percent at the end of 2019, while the market currently points toward 2.75 percent.

The 10-year interest rate closed the year at 2.685 percent. The dollar finished the year at 1.147 USD/EUR, (4.5 percent stronger) given the persistent growth and rate spread between the United States and the Eurozone.

The S&P500 index suffered substantial falls in October and November, and finished the year at 2,507 points, dropping 7 percent in USD (-1.6% in euros).

Brazil

The Brazilian economy grew 1.3 percent in the third quarter of the year, leaving behind the 2016 recession, though at a more modest rate than initially expected. Growth for 2018 is expected to be 1.2 percent, and 2.3 percent in 2019. The Brazilian economy is supported mainly by consumption (+1.7 percent) and investment (+3.7 percent), while the dynamism of exports is going down (-2.9 percent).

Inflation is not a concern at 4.1 percent in November, a relatively low level for its historic standards. The Central Bank put SELIC rates at 6.5 percent, without changes, at its meeting in December.

After October's elections, the reformist program has been well received by the markets, as reflected in the exchange rate, which has recovered 10 percent (from 4.20 to 3.80 USD/BRL), and the stock market went up 25 percent from minimums in June.

On the stock market, the BOVESPA index finished the year close to 88,000 points, growing 12.7 percent in the year (15 percent in euros).

Turkey

The Turkish economy is expected to grow 3.2 percent on average in the year, a substantial fall from the 7.4 percent in 2017, due to the strong deceleration that is taking place (it grew only 1.6 percent in 3Q). For 2019, a decrease of around -1.7 percent is expected, as a result of a foreseeable contraction in the first half of the year.

Inflation in December relaxed to 20.3 percent, after having reached 25.2 percent in October.

2018 was a complex year for the Turkish economy. The change of the global monetary context, with the United States initiating rate hikes and various emerging markets raising rates to defend flows and their currencies, investors are seeing the vulnerabilities of some emerging countries. In Turkey's case, its main vulnerability is focused on the high level of foreign corporate debt in dollars.

The markets' higher risk aversion created tension for the Turkish lira, bringing it to 6.5 TRY/USD in August and forcing the Central Bank to aggressively raise rates four times, in addition to substituting the reference rate for the 1 week repo rate which stood at 24 percent at the end of the year. The tightening of the monetary policy along with the publication of the 2019-2021 Economic Plan managed to stop the lira's trend, leaving it at 5.29 TRY/USD at the end of the year. In the medium-term, however, the possibility of problems from corporate leveraging in dollars resurfacing cannot be dismissed, which could activate a new volatility of the currency and the capital markets.

Istanbul's BIST30 stock index fell 21.4 percent in the year (- 32 percent in euros).

Mexico

The Mexican economy grew 2.6 percent in the third quarter, driven by all aspects (consumption, investment and exports), although it is expected to slow down in the fourth quarter to a rate of 2.1 percent for the whole of the year. The unemployment rate closed the year at 3.4 percent.

Inflation reached 4.9 percent in October, with underlying at 3.7 percent; with the fall of oil prices at the end of the year, inflation is expected to moderate in the coming months. The Central Bank raised interest rates 25 basis points at its meeting in November, to 8.0 percent, and maintained them at the meeting in December.

The exchange rate in October and November showed certain weakness (reaching 20.5 MXN/USD) but managed to close the year at 19.65 MXN/USD. The Mexican Stock Market fell 17 percent in the year, finishing at 41,640 points.

Development of Insurance Markets

Spanish market³

Written premiums from direct insurance in the Spanish insurance market for fiscal year 2018 increased by 1.3 percent compared to 2017. The good performance of the Non-Life business lines (up 3.9 percent) was offset by the negative change in Life premiums, which fell by -1.7 percent.

Item	Dec-18	Dec-17	Variation 18/17
Life	28,914	29,407	-1.7%
Non-Life	35,368	34,028	3.9%
Total Direct Insurance	64,282	63,435	1.3%

Figures in millions of euros

Practically all Non-Life lines showed increases, with Health (5.6 percent) and Multirisk (4.0 percent) leading among the larger volume lines. Automobile insurance also increased by 1.9 percent, which is 1.5 percentage points lower than in the same period in the prior year.

Item	Dec-18	Dec-17	Variation 18/17
Automobile	11,135	10,924	1.9%
Health	8,520	8,069	5.6%
Multirisk	7,245	6,965	4.0%
Other Non-Life lines	8,468	8,070	4.9%
Total Non-Life	35,368	34,028	3.9%

Figures in millions of euros

Life insurance premiums ended down by 1.7 percent in 2018, which if compared with a drop of 13.8 percent recorded in the first quarter of the year, indicates a slowdown in the decrease that this line has experienced since the third quarter of 2017. The slowdown primarily affects the Life Savings line, which represents 86 percent of Life premiums and which fell 4.0 percent by the end of 2018, compared to a drop of 18 percent in the first quarter of the year. On the other hand, Life Risk premiums performed splendidly in 2018, increasing by up to 12.1 percent. Regarding the breakdown of Life business by individual or group, the latest data available from September 2018 show individual issues fell by 2.5 percent and group business rose by 13.1 percent.

³ Source: ICEA, data for 2018 are provisional.

Based on the data from September 2018, the technical profitability of the Non-Life lines improved by 1 percentage point compared to the same period in the prior year, thanks to a drop in loss ratio and expenses, but primarily the former, which dropped by 0.8 points. The increase is 1.9 percentage points in the Automobile line, due to a decrease in loss ratio. The combined ratio for Multirisk insurance, on the other hand, deteriorated by 0.3 percentage points due to a higher loss ratio in Homeowners and Condominium Multirisk insurance.

Item	TOTAL NON-LIFE		AUTOMOBILE		MULTIRISK		HEALTH	
	Sep-18	Sep-17	Sep-18	Sep-17	Sep-18	Sep-17	Sep-18	Sep-17
Loss ratio	71.1%	71.9%	75.9%	77.8%	65.6%	65.0%	79.4%	80.4%
Expenses	21.8%	22.0%	18.5%	18.5%	31.2%	31.6%	12.0%	11.9%
Combined Ratio	92.9%	93.9%	94.4%	96.3%	96.9%	96.6%	91.4%	92.3%

Life insurance technical provisions grew to 188.1 billion euros in December 2018, indicating a year-on-year increase of 2.4 percent. In this same period, mutual fund assets dropped by 2.1 percent, heavily influenced by volatility in the financial markets. And finally, the volume of assets managed under pension plans rose to just over 107 billion euros as at December 2018 (latest available date), indicating a year-on-year decrease of 3.7 percent with respect to December 2017, due to an increase of 12 percent in benefits, and with contributions similar to the previous year. According to Inverco, the reason for this rise was that December 2018 was the deadline for applying a 40 percent reduction in benefits made in the form of capital for contributions made prior to December 31, 2006, and for contingencies that occurred until 2010.

Item	2018	2017	Variation 18/17
Life insurance	188,089	183,606	2.4%
Mutual funds	257,551	263,123	-2.1%
Pension funds	107,033	111,123	-3.7%
TOTAL	552,673	557,852	-0.9%

Figures in millions of euros

Latin American markets

The latest data published by the Latin American supervisors referring to June, September, October and November 2018 (latest official information available) shows that most of the markets in the region, with the exception of Brazil, increased premium volume in nominal terms. The explanation for the decrease in the Brazilian market lies in the Life segment, due to the fact that the *Vida Gerador de Benefício Livre (VGBL)* insurance premiums, which account for 75 percent of line revenue, dropped

9.7 percent overall for the year to November. On the other hand, other Life modalities performed quite positively, with an 11.6 percent increase.

Country	Date	Non-Life	Life	Total
Argentina	Sep-18	27.4%	22.8%	26.7%
Brazil	Nov-18	5.4%	-4.5%	-0.9%
Chile	Sep-18	5.3%	4.9%	5.1%
Colombia	Oct-18	5.8%	0.5%	4.0%
Mexico	Sep-18	4.0%	14.0%	8.4%
Peru	Nov-18	11.0%	16.9%	13.6%
Puerto Rico	Jun-18	6.9%	16.9%	7.8%

Source: MAPFRE Economic Research, using data from the supervisors in each country.

Aside from Brazil, Life insurance premiums dropped in nominal terms in El Salvador and Uruguay, but saw double-digit increases in most of the largest markets of the region, such as Argentina, Mexico, Peru and Puerto Rico.

The Non-Life segment performed positively in all the countries in Latin America except for Guatemala. Automobile insurance, the principal line in the segment, increased in 15 of the 18 markets in the region where MAPFRE operates. In Brazil, the line maintained a recovering trend in revenue, increasing 1.8 percent overall to September 2018 compared to the same period in 2017, thanks to new vehicle sales. Increases in Chile, Mexico and Puerto Rico were also noteworthy.

Other Markets

United States

The information from the National Association of Insurance Commissioners (NAIC) in the United States regarding the first half of 2018 shows that Non-Life insurance grew by 6 percent, Life insurance by 5 percent and Health insurance by 6.5 percent, compared to the same period the preceding year. The good performance of the US economy continues to contribute to this growth. The process of normalizing monetary policy is also quite far advanced. While some additional increases are expected, the current interest rate level favors Life business development and helps improve the financial profitability of the other Non-Life and Health business lines.

Turkey

Based on Turkish Insurance Association data, the Turkish insurance market closed the third quarter 2018 with a nominal increase of 11.8 percent, although the fact that average inflation for the period analyzed was 14.2 percent has to be considered. The

Non-Life segment performed best, with an increase of 12.4 percent as against an increase of 8.3 percent in Life insurance. Automobile insurance continues to be the largest business line in the Non-Life sector, and recorded one of the highest growth rates in this segment at 11.5 percent, driven primarily by Third-Party Liability (+13.5 percent), after the drop recorded in 2017. The healthy performance of the Health and Third-Party Liability lines should also be noted, increasing 23.2 percent and 20.1 percent respectively.

BUSINESS PERFORMANCE

Revenues on operations

Consolidated revenue

Item	DECEMBER 2018	DECEMBER 2017	Variation (%)
Total written and accepted premiums	22,537.1	23,480.7	-4.0%
Investments financial income	2,575.2	2,801.7	-8.1%
Revenue from non-insurance entities and other incomes	1,477.5	1,701.3	-13.2%
Total consolidated revenue	26,589.7	27,983.7	-5.0%

Figures in millions of euros

The Group's consolidated revenue reached 26.6 billion euros, with a reduction of 5.0 percent, mainly due to the depreciation of the main currencies in the countries where MAPFRE operates, and the fall in financial returns.

Premiums from direct insurance and accepted reinsurance, which represent a fundamental part of revenue, reached 22.5 billion euros, with a decline of 4.0 percent, primarily due to the effect of currency depreciation and a discreet development of premium issuing in the following countries: Brazil, United States, Turkey, Colombia, Chile and Argentina.

The development of premiums is in line with the Group strategy for "profitable growth", which aims to improve the profitability of mainly Non-Life insurance. To this end, in 2018, the cancellation of unprofitable policies continued, for the amount of 353 million euros, primarily in Automobile and General P&C, which partially conditions growth.

The improvement in premiums compared to the first half of 2018, which presented a fall of 8.4 percent, is due in large part to the issuing of a collective Life policy in Spain for 282 million euros and to the recovery of currencies in the last quarter of the year.

Eliminating the effect of the PEMEX policy that was issued in the first half of 2017 and is not recurrent, as it is issued every two years, and the effect of the collective Life policy issued in 2018, the decrease in premiums would stand at 3.2 percent.

Non-Life premiums fell by 6.0 percent, while Life premiums grew 2.8 percent. By Non-Life business type, Automobile is the most important line, with 6.9 billion euros in premiums. General P&C holds second place, with 5.6 billion euros, and Health and Accidents is in third place with 1.3 billion euros in premiums.

At constant exchange rates, premiums would have grown by 2.1 percent; 0.2 percent in Non-Life and 8.5 percent in Life. Eliminating the effect of the PEMEX policy and the collective Life policy, and at constant exchange rates, premiums would have grown by 3.0 percent.

Gross revenue from investments reached 2.6 billion euros, below the previous period, due to the recurrent low-interest rate environment in Europe and the fall in interest rates in Brazil and other LATAM countries.

Finally, other revenue, which mostly includes non-insurance activity and non-technical revenue, reflects a fall of 13.2 percent.

Earnings

The chart below gives a summary of the consolidated income statement to December 2018, showing the various components of MAPFRE's earnings and the comparison with the same period of the previous year.

Item	DECEMBER 2018	DECEMBER 2017	Variation (%)
NON-LIFE BUSINESS			
Gross written and accepted premiums	17,060.9	18,154.5	-6.0%
Net premiums earned	13,890.4	14,255.0	-2.6%
Technical result	333.7	267.9	24.6%
Net financial income	471.0	616.6	-23.6%
Other non-technical revenue and expenses	(66.2)	61.4	-
Result of Non-Life business	738.5	945.8	-21.9%
LIFE BUSINESS			
Gross written and accepted premiums	5,476.2	5,326.2	2.8%
Net premiums earned	5,321.7	5,054.6	5.3%
Technical result	(198.5)	(581,6)	65.9%
Financial result and other non-technical revenue	880.0	1,301.3	-32.4%
Result of Life business	681.5	719.7	-5.3%
Result from other business activities	(70.7)	(132,3)	46.5%
Hyperinflation adjustments	(18.7)	(24,5)	23.6%
Result before tax	1,330.5	1,508.7	-11.8%
Tax on profits	(453.0)	(410,3)	10.4%
Result after tax from discontinued operations	0.0	0.0	-
RESULT FOR THE FINANCIAL YEAR	877.5	1,098.4	-20.1%
Result attributable to non-controlling interests	348.7	397.9	-12.4%
Result attributable to the controlling Company	528.9	700.5	-24.5%

Figures in millions of euros

The accumulated attributable result to December 2018 reached 528.9 million euros, decreasing by 24.5 percent. The following events taking place in 2018 have had a relevant impact on the result:

1. The extraordinary provision of 173.5 million euros for the partial impairment of goodwill.
2. The cost of certain catastrophic events which have impacted MAPFRE RE, including the typhoons in Japan and the storms in the United States, for the net attributable amount of 96.6 million euros, to December 31, 2018.
3. The fall in net financial income, due mainly to the decrease in interest rates in Brazil and other LATAM countries, as well as the low-interest rate environment in Europe.
4. The costs derived from the reorganization of operations in the United States and the impairment of tax credits in Global Risks, which at the close of 2018 had an attributable net impact of 7.2 and 9.4 million euros, respectively.

5. The restatement for hyperinflation for the MAPFRE subsidiaries in Argentina in 2018, which had a negative net attributable impact of 17.6 million euros on the Group consolidated result.
6. The depreciation of the currencies in the countries where MAPFRE operates implies a reduction of 16.5 million euros on the attributable result, primarily from the depreciation of the Brazilian real, Turkish lira and the Argentine peso.

Non-Life

Non-Life results reached 738.5 million euros, with a decrease of 21.9 percent compared to the previous period.

The positive rate of contribution to earnings of business in Spain is noteworthy, as is the significant improvement in MAPFRE ASISTENCIA's and GLOBAL RISKS' results. However, the reduction in Non-Life results is primarily due to the extraordinary effects in two of the Group's key regions:

North America

In the first quarter of the year, various storms impacted the East coast, with a net loss of 13.8 million dollars (11.7 million euros). Additionally, in the second quarter, a sale agreement was reached for the businesses in New York and New Jersey, the sale of MAPFRE Life Insurance Company was formalized, and the exit from the states Tennessee, Kentucky and Indiana was agreed. The net loss from these operations reached 8.6 million dollars (7.2 million euros).

Brazil

Firstly, it is important to point out the unfavorable development of the result due to the high loss experience in Automobile, Industrial Risks and Transport, as well as an increase in expenses and the fall in financial result due to lower investment returns from the lower interest rates.

Secondly, in 2018, various captions on the balance sheet were reviewed, and this has had a 22.0 million euro negative impact on the attributable result for the country.

MAPFRE RE, despite the excellent performance of its business in 2018, was affected by various catastrophic events including the typhoons in Japan which had an attributable net impact of 87.3 million euros and the storms on the East Cost of the US had an attributable net impact of 9.3 million euros.

It is important to point out that the net cost of the 2017 catastrophic events (hurricanes in the Caribbean and earthquakes in Mexico) has decreased slightly in 2018 to 155.0 million euros, which has had a 2.0 million euro positive impact on the attributable result for this year.

Finally, it is important to highlight that the heading for net financial income from Non-Life business at the close of 2018 includes an extraordinary provision of 173.5 million euros for a partial impairment of goodwill, due to the moderation of medium and long-term expectations for profit growth in insurance operations in the United States, Italy and Indonesia.

The following chart provides a breakdown of the impairment and the consolidated goodwill balances at the end of the year, of the companies affected by this extraordinary provision:

	Impairment amount	Goodwill balance at December 2018
MAPFRE USA	129.7	640.5
VERTI INSURANCE (ITALY)	21.6	46.7
ABDA SEGUROS (INDONESIA)	22.2	61.6
Total Goodwill impairment	173.5	748.8

Figures in millions of euros

Life

Life results reached 681.5 million euros, with a decrease of 5.3 percent compared to the previous year. The Life business technical result has improved significantly thanks to the excellent results in Spain, which considerably soften the negative effect of the fall in the bank channel in Brazil, and the lower financial income from the important drop in interest rates in Brazil and other countries in the LATAM region.

Further, the sufficiency of certain technical provisions in Brazil has been reviewed, in order to adapt them to the best actuarial estimate, which has implied a positive contribution to the attributable result of 17.8 million euros.

Finally, it is noteworthy that 2017 included the effect of the cancellation of a provision for contingent payments in the bancassurance channel in Spain for the net amount of 27.2 million euros.

Other aspects

In the expense for corporate taxes, it is important to keep in mind that 2017 was affected by the fiscal reform in the United States, which implied a positive impact on the results contributed by this country for the amount of 38 million euros, due to the lowering of the tax rate.

The result attributable to non-controlling interests has fallen, mainly deriving from the lower results contributed from our insurance operation in Brazil.

Balance Sheet

Item	DECEMBER 2018	DECEMBER 2017
Goodwill	1,689.0	1,883.0
Other intangible assets	1,383.3	1,539.9
Other fixed assets	259.7	271.1
Cash	2,201.4	1,864.0
Real estate	2,096.2	2,171.4
Financial investments	41,246.0	42,003.2
Other investments	1,487.4	1,437.3
Unit-Linked investments	2,242.5	2,320.1
Participation of reinsurance in technical provisions	5,883.2	4,989.6
Receivables on insurance and reinsurance operations	4,547.3	5,006.7
Deferred taxes	333.6	296.8
Assets held for sale	341.5	155.6
Other assets	3,579.7	3,630.8
TOTAL ASSETS	67,290.8	67,569.5
Equity attributable to the Controlling company	7,993.8	8,611.3
Non-controlling interests	1,203.8	1,901.4
Equity	9,197.6	10,512.7
Financial debt	2,670.3	2,327.4
Technical provisions	48,723.6	47,814.1
Provisions for risks and expenses	641.5	661.7
Debt due on insurance and reinsurance operations	1,947.4	2,190.7
Deferred taxes	499.3	588.0
Liabilities held for sale	194.0	1.1
Other liabilities	3,417.1	3,473.7
TOTAL LIABILITIES	67,290.8	67,569.5

Figures in millions of euros

Total assets reached 67.3 billion euros at December 31, 2018 and fell 0.4 percent compared to the close of the previous year. The most relevant changes are analyzed below:

1. The changes in Financial Investments, as well as in the headings for Assets and Liabilities from insurance and reinsurance operations, are a result of the business management process itself.

2. The increase in technical provisions and in participation of reinsurance in technical provisions is, in part, in line with the increase in gross reserves from the catastrophic claims occurring during the year and their corresponding cession to reinsurers. The impact from a claim filed for a hydroelectric dam in Colombia is noteworthy as, though it does not have a significant impact on results, it produces a significant increase in the liability technical provisions, and the participation of reinsurance in these technical provisions on the asset side, for approximately 1.0 billion euros.
3. The reduction of non-controlling interests is due to the exit of non-controlling interests in the shareholding in the Group companies, and the effect of the depreciation of the Brazilian real.
4. The heading for Assets held for sale primarily includes, to December 31 2018, the valuation of businesses in the United States that have been included in the business restructuring operation for the country, for the amount of 112.7 million euros, and the valuation of the Funespaña businesses for the amount of 135.7 million euros. To December 2017, this heading contained the fair value corresponding to the sale operation of Union Duero for the amount of 141.7 million euros.

Funds under management

The following charts show the performance of managed savings, including both technical provisions of Life insurance companies, and the Life provisions of multiline insurance companies, which are presented in the Group's consolidated balance sheet.

In addition to the Life insurance operations, MAPFRE manages its clients' savings through pension and mutual funds.

The following chart shows the details of and changes in managed savings, which includes both concepts:

Managed savings

Item	DECEMBER 2018	DECEMBER 2017	Variation (%)
Life technical provisions	28,536.5	28,718.9	-0.6%
Pension funds	4,874.7	5,083.5	-4.1%
Mutual funds and other	4,336.4	5,202.5	-16.6%
Subtotal	37,747.6	39,004.9	-3.2%

Figures in millions of euros

Changes in managed savings with respect to December of the previous year reflect the stability of the Life technical provisions and the decrease in managed savings in pension funds and mutual funds, which are less attractive to clients due to the current low-interest rate environment and the high market volatility.

The following chart reflects the performance of assets under management, which includes the total Group investment portfolio as well as pension and mutual funds:

Assets under management

Item	DECEMBER 2018	DECEMBER 2017	Variation (%)
Investment portfolio	49,273.5	49,796.0	-1.0%
Pension funds	4,874.7	5,083.5	-4.1%
Mutual funds and other	4,400.8	5,202.5	-15.4%
Total	58,549.0	60,082.0	-2.6%

Figures in millions of euros

Key indicators

Return on shareholders' equity (ROE)

Return on equity (ROE), which represents the relationship between net profit attributable to the parent company (deducting the share of non-controlling interests) and average shareholders' equity, was 6.4 percent (7.9 percent in 2017).

Management ratios

The combined ratio measures the impact on premiums of management costs and the loss ratio for the period. In 2018, this ratio was 97.6 percent, representing a decrease of 0.5 percentage points compared to the previous year.

The following table shows how the main management ratios performed, by business unit:

	EXPENSE RATIO ⁽¹⁾		LOSS RATIO ⁽²⁾		COMBINED RATIO ⁽³⁾	
	2018	2017	2018	2017	2018	2017
IBERIA	21.0%	20.9%	72.8%	72.8%	93.8%	93.7%
LATAM NORTH	32.2%	32.8%	65.9%	65.2%	98.1%	98.0%
LATAM SOUTH	36.2%	36.4%	61.1%	60.4%	97.3%	96.9%
BRAZIL	37.0%	34.5%	61.5%	61.6%	98.5%	96.1%
NORTH AMERICA	28.1%	25.5%	74.0%	79.4%	102.1%	104.9%
EURASIA	22.2%	23.2%	84.4%	77.7%	106.7%	100.9%
MAPFRE RE	27.2%	28.6%	68.8%	66.2%	96.1%	94.8%
MAPFRE GLOBAL RISKS	32.6%	31.1%	59.3%	104.3%	91.9%	135.4%
MAPFRE ASISTENCIA	41.1%	36.6%	62.4%	67.1%	103.5%	103.7%
MAPFRE S.A.	27.8%	27.5%	69.8%	70.7%	97.6%	98.1%

(1) (Operating expenses, net of reinsurance - other technical revenues + other technical expenses) / Allocated premiums, net of reinsurance. Figures refer to the Non-Life business.

(2) (Incurred claims for the period, net of reinsurance + variation in other technical provisions + profit sharing and returned premiums) / Allocated premiums, net of reinsurance. Figures refer to the Non-Life business.

(3) Combined ratio = expense ratio + loss ratio. Figures refer to the Non-Life business.

Information by Business Unit

MAPFRE manages its business through four units: Insurance, Reinsurance, Assistance, and Global Risks.

The chart below shows premiums, attributable result, and Non-life combined ratio for the business units:

Key figures

Item	Premiums			Attributable Result			Combined Ratio	
	DECEMBER 2018	DECEMBER 2017	Variation (%)	DECEMBER 2018	DECEMBER 2017	Variation (%)	DECEMBER 2018	DECEMBER 2017
IBERIA	7,657.9	6,960.2	10.0%	480.6	511.5	-6.0%	93.8%	93.7%
LATAM	6,887.3	8,017.9	-14.1%	156.9	229.4	-31.6%	98.2%	96.6%
INTERNATIONAL	4,191.0	4,398.2	-4.7%	47.4	88.0	-46.1%	103.5%	103.6%
TOTAL INSURANCE	18,736.2	19,376.3	-3.3%	684.9	828.9	-17.4%	97.8%	97.4%
RE	3,787.1	4,222.4	-10.3%	149.1	162.7	-8.3%	96.1%	94.8%
ASISTENCIA	911.0	983.5	-7.4%	(10.1)	(68.4)	85.2%	103.5%	103.7%
GLOBAL RISKS	1,173.9	1,257.4	-6.6%	23.8	(66.3)	135.9%	91.9%	135.4%
Holdings and consolidation adjustments	(2,071.2)	(2,359.0)	12.2%	(318.9)	(156.3)	-104.0%	--	--
MAPFRE S.A.	22,537.1	23,480.7	-4.0%	528.9	700.5	-24.5%	97.6%	98.1%

Figures in millions of euros

The most important changes are:

1. Premiums showed a decline in all business units, with the exception of the IBERIA area, which, while showing very positive, recurrent issuing, also stands out from the issuing of a collective Life policy in the third quarter of 2018. The decline in the rest of the units is primarily a result of the strong depreciation of the main currencies in countries where MAPFRE has international business operations.
2. The IBERIA area maintained a very good Non-Life technical result and combined ratio, standing at the close of the year at 93.8 percent. Eliminating non-recurrent results, the attributable result would have grown by 4.9 percent.
3. The LATAM area showed a decline in profits from lower results in the banking channel in Brazil, due to an increase in acquisition costs in the Life Protection business and an increase in the Automobile loss experience in the agent channel. Further, the low interest rate environment in Brazil and other countries in the region generated lower financial income. In addition, the results in Colombia deteriorate due to the higher technical provisions that were necessary for the Life Savings and Workers Compensation businesses. During the year, MAPFRE property in Chile was sold, which has implied an attributable net gain of 25 million euros.

4. The INTERNATIONAL area was affected by the impact of various storms on the East coast of the United States which produced an increase in the combined ratio in the Automobile and General P&C business lines, and by the exit from several states, which had a negative net impact on the result of 18.9 million euros. It was also affected by the impact in Turkey from the regulatory change for Motor Third Party Liability insurance, which has caused a fall in the result due to the rate intervention in this line.
5. The GLOBAL RISKS and ASISTENCIA business units showed favorable development – the former from the absence of relevant high-intensity claims and the latter from an improved loss experience thanks to the technical measures adopted in the last year.
6. Holdings and consolidation adjustments to December 2018 includes the extraordinary provision of 173.5 million euros from the partial impairment of goodwill.

Insurance Companies

IBERIA

IBERIA encompasses the business activities of MAPFRE ESPAÑA and its subsidiary in Portugal, as well as the Life business managed by MAPFRE VIDA and its bancassurance subsidiaries.

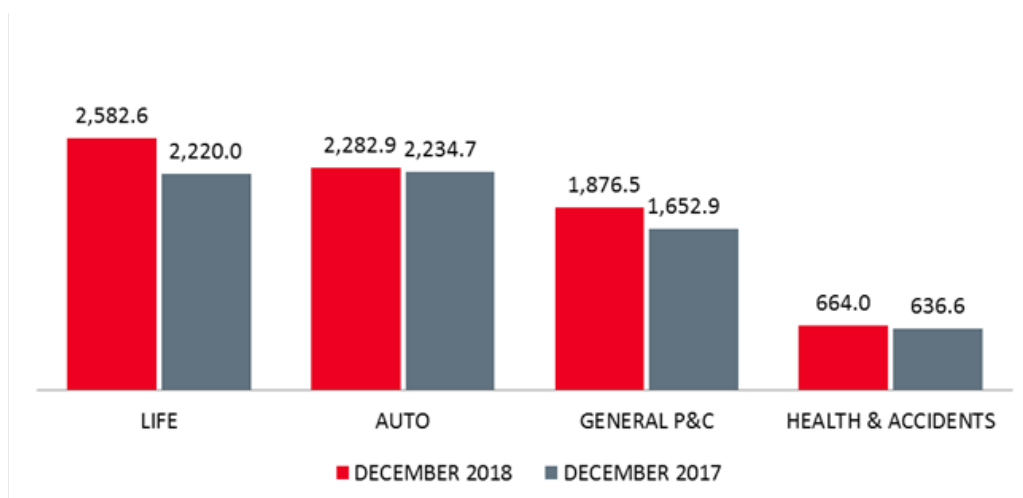
Information by country

Item	Premiums			Attributable Result			Combined Ratio	
	DECEMBER 2018	DECEMBER 2017	Variation (%)	DECEMBER 2018	DECEMBER 2017	Variation (%)	DECEMBER 2018	DECEMBER 2017
IBERIA	7657.9	6,960.2	10.0%	480.6	511.5	-60%	93.8%	93.7%
SPAIN	7,524.0	6,820.6	10.3%	466.7	515.0	-9.4%	93.7%	93.4%
PORTUGAL	133.9	139.6	-4.0%	13.9	(3.5)	--	96.5%	11.1%

Figures in millions of euros

IBERIA Premiums

Written premiums in key lines



Figures in millions of euros

Premiums in IBERIA grew 10.0 percent due to an increase in General P&C issuing, which grew 13.5 percent, and to the Life business, which grew 16.3 percent, primarily from the issuing of a collective Life insurance policy for the amount of 282 million euros.

Non-Life premiums grew by 7.1 percent and reflect the positive evolution of the Automobile, Health, Commercial and Combined Agricultural Insurance lines.

Life premiums, eliminating the effect of the collective Life policy issued in the third quarter of 2018, would have grown 3.6 percent.

The market shares in Spain* and Portugal at December and June 2018 respectively are shown below:

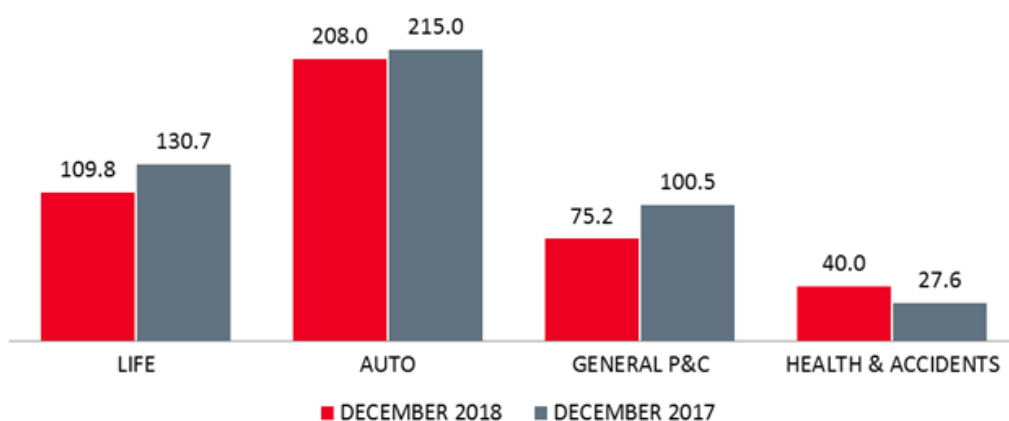
SPAIN	Dec-18	Dec-17
Automobile	20.0%	20.0%
Health	6.5%	6.4%
Other Non-Life	14.2%	14.3%
Total Non-Life	14.2%	14.3%
Total Life	7.9%	6.5%
Total	11.3%	10.7%

*Estimated market shares, using data published by ICEA, which only takes into account written direct insurance premiums. The figures include premiums written by MAPFRE GLOBAL RISKS.

PORTUGAL	June-18	June-17
Automobile	2.3%	2.6%
Total Non-Life	2.2%	2.1%
Total Life	0.4%	0.7%
TOTAL	1.0%	1.3%

Source: MAPFRE Economic Research, using data from the insurance supervisors in each country.

Earnings



Figures in millions of euros

IBERIA's attributable result reached 480.6 million euros with fall of 6.0 percent compared to the previous period, though it is important to bear in mind that last year, a gain was recorded from the cancellation of a provision for contingent payments in the bancassurance channel totaling 27.2 million euros net of taxes, the sale of real estate on Luchana for the net amount of 29.0 million euros, and the gain from the sale of Unión Duero for the amount of 5.8 million euros. If we consider all of these effects in 2017 as non-recurrent, and as such eliminate the effect, in 2018, of the net gain from the sale of real estate in Portugal for 7.2 million euros, the result would have grown 5.3 percent.

The technical result of Non-Life business improved substantially as a result of the reduction of the loss ratio. It is important to highlight the exceptional Automobile combined ratio, which stood at 90.8 percent.

At the close of 2018, 108.5 million euros in financial gains, net of losses, were recorded (123.2 million to December 2017).

LATAM

This territorial area comprises the regional areas of BRAZIL, LATAM NORTH, and LATAM SOUTH.

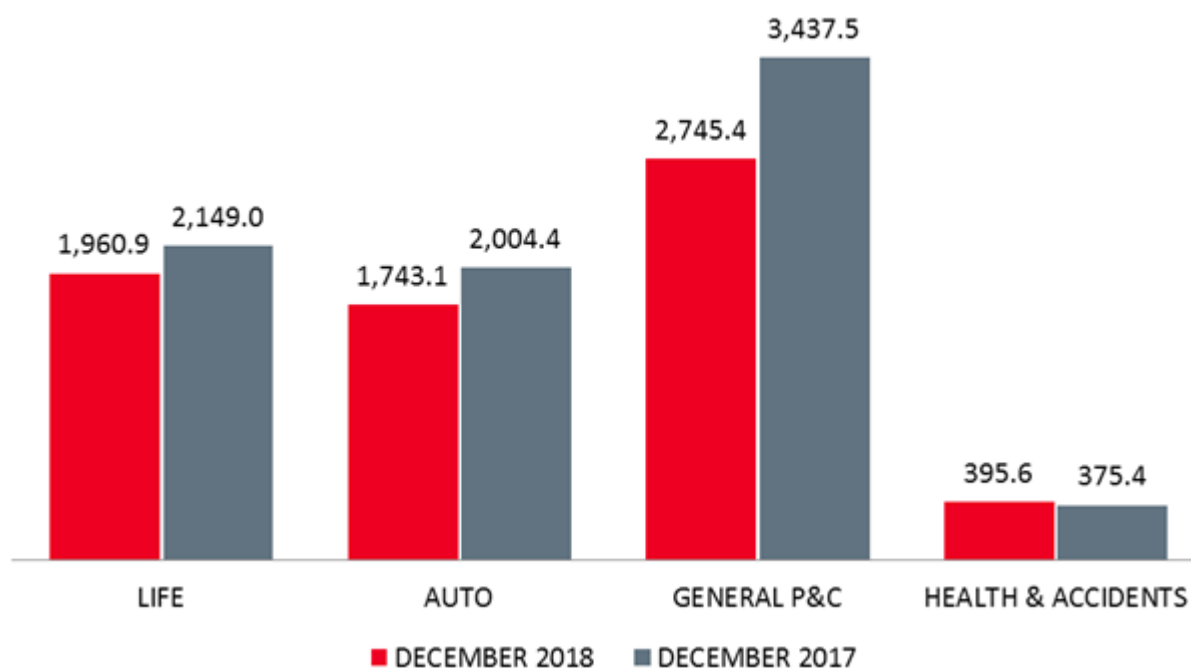
Information by region

Item	Premiums			Attributable Result			Combined Ratio	
	DECEMBER 2018	DECEMBER 2017	Variation (%)	DECEMBER 2018	DECEMBER 2017	Variation (%)	DECEMBER 2018	DECEMBER 2017
BRAZIL	3,972.2	4,546.9	-12.6%	54.1	125.4	-56.6%	98.5%	96.1%
LATAM NORTH	1,309.3	1,772.1	-26.1%	43.7	33.8	29.3%	98.1%	98.0%
LATAM SOUTH	1,605.7	1,698.9	-5.5%	59.1	70.2	-15.8%	97.3%	96.9%

Figures in millions of euros

Premiums and Result

Written premiums in key lines



Figures in millions of euros

The decline in premiums is primarily a result of the depreciation of the main currencies of the countries in the territory where MAPFRE has Direct Insurance operations.

There are noteworthy declines in the Brazilian real (15.8 percent), the Mexican peso (6.6 percent), the Peruvian sol (4.7 percent), the Columbian peso (3.7 percent) and the

Argentine peso (56.5 percent). It is important to point out that, in local currency, there is strong growth in written premiums in Mexico (9 percent, eliminating the effect of the two-year PEMEX policy from 2017), Peru (10 percent), Argentina (58 percent), Dominican Republic (13 percent) and other countries in the region.

The following table shows market shares for direct Non-Life insurance in the main countries in the region:

COUNTRY	Ranking (at Dec-2017)	Market share ⁽¹⁾	Market share date
Argentina	17	1.9%	Sep-18
Brazil	2	13.4%	Nov-18
Chile	7	5.1%	Sep-18
Colombia	7	5.2%	Oct-18
Honduras	2	17.5%	Sep-18
Mexico	4	4.5%	Sep-18
Panama	3	16.1%	Sep-18
Peru	3	19.8%	Nov-18
(Dominican Republic)	4	11.6%	Nov-18

(1) Figures according to the latest available information for each market.

Source: MAPFRE Economic Research, using data from the supervisors in each country.

Earnings

The attributable result to December 2018 in the LATAM Territorial Area was affected by an increase in results in LATAM NORTH due to the favorable development of Mexico and in LATAM SOUTH from the extraordinary operation of the sale of real estate in Chile which generated a net attributable gain of 25 million euros. On the other hand, it is important to mention that Brazil has had a fall in Life business results in the bank channel due to an increase in acquisition expenses and from lower financial results as a result of lower interest rates, in addition to unfavorable development of the loss experience in Automobile and of some General P&C lines in the agent channel.

INTERNATIONAL

This territorial area comprises NORTH AMERICA and EURASIA.

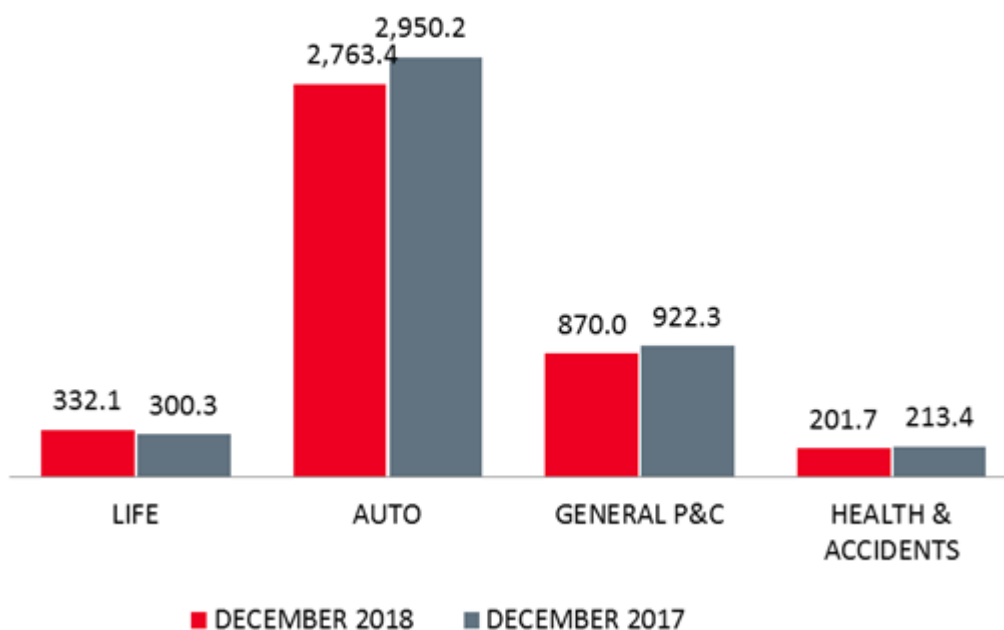
Information by region

Item	Premiums			Attributable Result			Combined Ratio	
	DECEMBER 2018	DECEMBER 2017	Variation (%)	DECEMBER 2018	DECEMBER 2017	Variation (%)	DECEMBER 2018	DECEMBER 2017
NORTH AMERICA	2,425.3	2,528.5	-4.1%	35.0	48.7	-28.1%	102.1%	104.9%
EURASIA	1,765.8	1,869.7	-5.6%	12.5	39.3	-68.3%	106.7%	100.9%

Figures in millions of euros

Premiums and Result

Written premiums in key lines



Figures in millions of euros

Premiums from the INTERNATIONAL area fell, due to a strong depreciation of the main currencies in the Territorial Area – the US dollar (3.5 percent) and the Turkish lira in EURASIA (25.0 percent). In NORTH AMERICA the drop in premium issuing stood at 4.1 percent as a result, in addition to the depreciation of the dollar, of the downward trend of business outside of Massachusetts from the cancellation of unprofitable

business. In EURASIA, issuing fell 5.6 percent due, on the one hand, to a strong depreciation of the Turkish lira, the Philippine peso and the Indonesian rupiah and, on the other hand, lower premium issuing in Turkey.

MAPFRE's market shares in the International Territorial Area are shown below, as per the most recently available data for each country.

In the state of Massachusetts (USA), the market shares were as follows:

LINE	MASSACHUSETTS	
	Dec-17	Dec-16
Automobile	22.6%	22.5%
Total Non-Life	11.8%	11.6%
Total Life	0.0%	0.0%
TOTAL	3.3%	3.2%

Source: SNL

Puerto Rico:

LINE	PUERTO RICO	
	June-18	June-17
Automobile	16.0%	15.7%
Total Non-Life	3.9%	3.3%
Total Life	0.3%	0.5%
Total	3.6%	3.0%

Source: MAPFRE Economic Research, using data from the supervisors in each country.

In the EURASIA region:

LINE	GERMANY		ITALY		MALTA		TURKEY	
	Dec-17	Dec-16	Sep-18	Sep-17	Dec-17	Dec-16	Sep-18	Sep-17
Automobile	1.1%	1.1%	2.9%	2.9%	36.9%	38.6%	5.0%	7.7%
Total Non-Life	0.3%	0.3%	1.5%	1.6%	32.9%	34.0%	5.7%	6.9%
Total Life	0.0%	0.0%	0.0%	0.0%	74.4%	77.4%	0.4%	0.3%
Total	0.2%	0.1%	0.4%	0.4%	61.3%	63.4%	4.9%	5.9%

Source: MAPFRE Economic Research, using data from the supervisors in each country.

LINE	PHILIPPINES		INDONESIA	
	Dec-17	Dec-16	Sep-18	Sep-17
Automobile	4.0%	5.3%	4.1%	5.2%
Total Non-Life	2.9%	3.1%	1,6%	2.0%
Total Life	0.0%	0.0%	0.0%	0.0%

Total	0.8%	0.9%	0.4%	0.5%
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Source: MAPFRE Economic Research, using data from the supervisors in each country.

Earnings

The attributable result in NORTH AMERICA was affected by the impact of several storms on the East coast of the United States that occurred in the first quarter, which implied a net cost of 11.7 million euros. Additionally, the business restructuring in the United States, exiting several states and businesses, had a net cost of 7.2 million euros. In EURASIA, the fall in the result is a consequence of the impact of the regulatory change in Motor Third Party Liability insurance in Turkey, as well as the socioeconomic context affecting the country.

MAPFRE RE

MAPFRE RE is a global reinsurer and the reinsurer of the MAPFRE Group.

MAPFRE RE offers reinsurance services and capacities, providing all kinds of solutions for reinsurance treaties and facultative reinsurance, in all Life and Non-Life lines.

Key figures

Item	DECEMBER 2018	DECEMBER 2017	Variation (%)
Gross written and accepted premiums	3,787.1	4,222.4	-10.3%
Non-Life	3,186.7	3,565.7	-10.6%
Life	600.5	656.7	-8.6%
Net premiums earned	3,051.2	2,999.7	1.7%
Gross result	192.9	221.2	-12.8%
Tax on profit	(43.7)	(58,6)	-25.3%
Non-controlling interests	(0.0)	0.0	--
Attributable net result	149.1	162.7	-8.3%
Combined Ratio	96.1%	94,8%	1.3 p.p.
Expense ratio	27.2%	28,6%	-1.4 p.p.
Loss ratio	68.8%	66,2%	2.6 p.p.

Figures in millions of euros

Premium composition

The details of distribution weight of premiums to December 2018 are as follows:

ITEM	%	ITEM	%
By Type of business:		By Ceding company:	
Proportional	77.4%	MAPFRE	35.0%
Non-proportional	15.6%	Other	65.0%
Facultative	7.0%		
		By Insurance Lines:	
By Region:		Property	47.7%
IBERIA	21.5%	Life & Accident	20.5%
EURASIA	52.3%	Motor	20.9%
LATAM	17.8%	Transport	3.8%
NORTH AMERICA	8.5%	Other Insurance lines	7.2%

Premium issuing fell 10.3 percent due to a relevant part of MAPFRE RE's business coming from countries outside of the European continent, with currencies, as already explained, that have suffered strong depreciations compared to the same period of the previous year. Lower issuing of accepted premiums in Life is mainly a result of the cancellation of a contract with a European ceding company. On the other hand, lower issuing of accepted Non-Life premiums comes from lower ceding in the quota share treaty from MAPFRE USA to MAPFRE RE.

The increase in earned premiums in the year originates in the variation in the provision for unearned premiums, primarily in the Proportional business, associated with better loss experience estimates expected for the business, based on the additional historic information obtained during the year.

Earnings

The net result for MAPFRE RE at the close of December 2018 reached 149.1 million euros, with an 8.3 percent deterioration compared to the previous year due to the severe impact from the catastrophic events occurring in 2018. The Non-Life combined ratio stood at 96.1 percent, 1.3 percentage points above the same period the previous year, due to a 2.6 percentage point increase in the loss ratio.

It is important to highlight MAPFRE RE's positive results which, despite the catastrophic events that occurred in the year, show excellent levels of profitability. In 2018, MAPFRE RE was affected by various catastrophic events, including the typhoons in Japan that had an attributable net impact of 87.3 million euros and the storms in the US with an attributable net impact of 9.3 million euros.

At the close of 2018, 30.9 million euros of financial gains, net of financial losses, were registered (38.1 million to December 2017).

MAPFRE GLOBAL RISKS

This business unit specializes in global insurance programs for large multinational companies (e.g. aviation insurance policies, nuclear risks and energy insurance policies, third party liability insurance policies, fire insurance policies, engineering insurance policies, transport insurance policies and suretyship).

Key figures

Item	DECEMBER 2018	DECEMBER 2017	Variation (%)
Gross written and accepted premiums	1,173.9	1,257.4	-6.6%
Net premiums earned	301.1	333.1	-9.6%
Gross result	42.5	(89,8)	147.3%
Tax on profits	(18.7)	23.6	179.3%
Non-controlling interests	0.0	0.0	-
Attributable net result	23.8	(66,3)	135.9%
Combined Ratio	91.9%	135.4%	-43.5 p.p.
Expense ratio	32.6%	31.1%	1.5 p.p.
Loss ratio	59.3%	104.3%	-45.0 p.p.

Figures in millions of euros

Premiums

MAPFRE GLOBAL RISKS premiums reached 1.2 billion euros, which represents 6.6 percent less than the previous year, due to the notable impact of the exchange rate as a relevant part of the company's business comes from outside the European continent.

Earnings

The attributable result stood at 23.8 million euros, with the Non-Life combined ratio reaching 91.9 percent, thanks to an improvement in the loss experience which went down 45 percentage points compared to the close of the previous year.

At the close of 2018, an impairment was recognized of certain tax credits as a result of branches closing in connection with the business restructuring of the large industrial risks business for the amount of 9.4 million euros.

At the close of 2018, financial gains of 4.8 million euros, net of financial losses, were recorded (9.4 million to December 2017).

At the close of 2018, the MAPFRE GLOBAL RISKS business reorganization in Spain is still ongoing.

MAPFRE ASISTENCIA

MAPFRE ASISTENCIA specializes in travel assistance, roadside assistance, and other special risks of the Group.

Key figures

Item	DECEMBER 2018	DECEMBER 2017	Variation (%)
Operating revenue	982.7	1,113.5	-11.7%
- Gross written and accepted premiums	911.0	983.5	-7.4%
- Other revenue	71.7	130.0	-44.9%
Net premiums earned	637.4	712.4	-10.5%
Result from other business activities	18.2	(24,4)	174.5%
Gross result	(0.7)	(56,8)	98.8%
Tax on profit	(8.1)	(10,0)	-18.7%
Non-controlling interests	(1.3)	(1,6)	-18.9%
Attributable net result	(10.1)	(68,4)	85.2%
Combined Ratio	103.5%	103.7%	-0.2 p.p.
Expense ratio	41.1%	36.6%	4.5 p.p.
Loss ratio	62.4%	67.1%	-4.7 p.p.

Figures in millions of euros

Revenue and premium development

The reduction in operating income and premiums in the ASISTENCIA unit is a result of the business restructuring started in previous years, and which implied adopting diverse measures in the Assistance business and the Travel Insurance business, such as: exiting or discontinuing operations in certain countries, cancelling loss-making business and contracts, raising rates and renegotiating economic conditions with some large clients. These measures have impacted income and premium growth, which explains the reduction of operating income and premiums.

Earnings

All the measures adopted led to an 85.2 percent reduction in losses in the ASISTENCIA unit compared to the previous year. Losses were reduced to 10.1 million euros at the close of 2018, and there was significant improvement in the loss ratio, which went down 4.7 percentage points to 62.4 percent. The Non-Life combined ratio was still high at 103.5 percent due to the pressure from expenses as a result of the previously mentioned fall in premiums.

SIGNIFICANT ECONOMIC AND CORPORATE EVENTS

Significant economic events

Partial goodwill impairment

The Group has updated, at the close of 2018, the macroeconomic environment and other risk factors that could affect the insurance business in the future. As such, the low-interest rate environment in various regions that is creating lower financial income, pressure on emerging economies and their currencies, and the unusual frequency of catastrophic claims in recent years and multiple geographies that is marking a change in predictive models, are all risk factors that can condition future result growth patterns.

In this context, the Group has updated the projections of results for the areas of business, with improvements in countries whose business model is well-grounded, and slightly modifying medium and long-term profit growth expectations in the countries with greater exposure to these risks. This update of projections has implied an extraordinary partial impairment of goodwill in direct insurance operations in the United States, Italy and Indonesia, for the amount of 173.5 million euros.

This partial goodwill impairment does not affect in any way the cash flow generated by the Group in 2018, nor does it affect its financial strength or flexibility, nor the capital models that support its current ratings and the high Solvency level of the Group and its subsidiaries. As such, it maintains its capacity to generate dividends.

Catastrophic claims in Reinsurance

In 2018, MAPFRE RE was affected by several catastrophic events, including the typhoons in Japan that had a net attributable impact of 87.3 million euros and the storms in the United States with a net attributable impact of 9.3 million euros.

Hyperinflation in Argentina

Argentina has been considered hyperinflationary, as it has accumulated inflation above 100 percent in the last three years. As a result, at the close of 2018, the Group has restated for inflation the consolidated financial statements of the MAPFRE subsidiaries in Argentina.

The following chart provides a breakdown of the financial impacts resulting from the restatement for inflation, to the close of 2018:

	Without restatement	Restated	Impact
Total MAPFRE Argentina assets	276.1	287.1	11.0
Total attributable equity MAPFRE Argentina	36.9	47.0	10.1
MAPFRE Argentina net written premiums	231.8	220.5	(11.3)
MAPFRE Argentina contribution to net attributable result	18.8	1.2	(17.6)

Figures in millions of euros

Significant corporate events

Restructuring of Businesses

Brazil

On November 30 2018, the business reorganization of the strategic alliance between MAPFRE and Banco do Brasil came into effect. This alliance was initially formed in 2011 and was implemented through the holding companies BB MAPFRE SH1, focused primarily on the Life business, and MAPFRE BB SH2, owner of the insurers operating in other lines.

The reorganization has been set out in the following terms:

- a) Partial spin-off of BB MAPFRE SH1 by means of the segregation of the shareholding in MAPFRE Vida (Brazil), which will be absorbed by MAPFRE BB SH2.
- b) Partial spin-off of MAPFRE BB SH2 by means of the segregation of the shareholding in Aliança do Brasil Seguros (ABS), which will be absorbed by BB MAPFRE SH1.
- c) BB Seguros sells to MAPFRE BRASIL the whole of its shareholding in BB MAPFRE SH2.

Based on the insurance business reorganization agreement, MAPFRE’s shareholding in the Brazilian insurance companies affected by the agreement is now as follows:

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

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

This agreement has implied a payment of 519 million euros, which was financed with excess cash available in Brazil and with debt. At the same time, there was an exit of non-controlling interests in the shareholdings of the above mentioned Group companies for the amount of 331 million euros, and a reduction in consolidated reserves for the amount of 197 million euros.

United States

MAPFRE has reorganized its activity in the United States, selling its Life operation and exiting five states where it was operating primarily in the Automobile line, due to not having sufficient scale there to make them profitable.

This restructuring is based on the following three transactions:

- a) The sale during the second quarter of 2018 of MAPFRE Life Insurance Company to the Swiss reinsurer Swiss Re. The sale transaction is limited to assets and liabilities, as well as the license MAPFRE had in all states in the U.S. to operate in the Life insurance line.
- b) The transfer, in April, of the Non-Life business portfolios in the states of Tennessee, Kentucky and Indiana to the entity Safeco Insurance, a subsidiary of the Liberty Mutual Group.
- c) The sale to the US insurer Plymouth Rock of the business in New York and New Jersey. In the case of New York, MAPFRE sold its subsidiary, MAPFRE Insurance Company, while in New Jersey, the operation was structured as a business portfolio transfer to various entities of the Plymouth Rock group. Both operations, which closed simultaneously, received approval from the regulatory bodies on January 2, 2019.

The fair value of the assets from this last transaction was recorded in the “Assets held for sale” caption of the balance sheet at the close of 2018.

The reorganization of all these businesses in the United States implied recording losses, net of taxes, of 8.6 million dollars (7.2 million euros) at the close of December 2018, and recording a cash inflow in MAPFRE USA of 68.9 million dollars.

Additionally, 5 percent of “ACIC Holding Company Group” was acquired for the amount of 9.8 million euros, to obtain 100 percent of the company’s voting rights.

Spain

At the close of 2018, MAPFRE had the following ongoing business reorganizations underway in Spain:

- a) In April 2018, MAPFRE approved a new configuration for its businesses insuring large industrial and commercial risks.

Under this new structure, MAPFRE GLOBAL RISKS will continue to develop its management capacity and its market knowledge, and at the same time, the insurance or reinsurance risk will be assigned to the Group entities which, based on their specialization, size or capacity, are able to take on said risk with the greatest efficiency and profitability.

To this end, a business restructuring operation is being carried out through which:

1. The purely insurance or reinsurance activities, along with the related assets and liabilities, will be transferred, respectively, to MAPFRE ESPAÑA and MAPFRE RE;
2. The creation of an entity that will continue MAPFRE GLOBAL RISKS’ operations regarding the analysis and underwriting of large industrial and commercial risks, and it will act on behalf of MAPFRE ESPAÑA and MAPFRE RE.

At the close of 2018, this restructuring transaction is still pending approval from the Spanish supervisory body. However, its execution will not impact the consolidated financial statements of the Group.

- b) MAPFRE and Bankia, in December 2018, reached an agreement to reorganize their bankassurance alliance, by virtue of which MAPFRE VIDA will acquire 51 percent of the share capital of the insurance entities Caja Granada Vida and Caja Murcia Vida y Pensiones, significantly increasing MAPFRE’S Life insurance distribution in the southeast of Spain. This transaction is subject to the approval of the corresponding regulatory and supervisory authorizations. With regards to Non-Life insurance, the agreement makes it possible to increase the exclusive sale of MAPFRE General P&C insurance to the whole Banco Mare Nostrum (BMN) network,

which makes MAPFRE the exclusive distributor of Non-Life insurance for the entire Bankia network.

Both agreements imply a payment by MAPFRE of 161.7 million euros.

The expansion of the alliance in Life and Non-Life implies the incorporation of approximately 400 points of sale from the BMN network.

- c) In the final quarter of 2018, MAPFRE ESPAÑA and Santa Lucia S.A. signed a non-binding memorandum of understanding by virtue of which both parties reflected the preliminary agreements reached with the aim of establishing a strategic alliance for the joint development of their respective funeral service businesses in Spain, through the establishment of a joint company. As set out in said non-binding agreement, should the alliance be established, MAPFRE ESPAÑA is expected to own a non-controlling share, and Santa Lucia S.A. would control the jointly-owned company.

In this context, MAPFRE ESPAÑA formulated a takeover bid for the whole of the shares representing 100 percent of the share capital of Funespaña, S.A., for its exclusion from trading on the Madrid and Barcelona stock markets. MAPFRE ESPAÑA offered 7.5 euros per share to the shareholders affected. As a result of this bid, the Funespaña, S.A. shares have been excluded from trading on the stock market. At December 31 2018, MAPFRE ESPAÑA owns shares representing approximately 99.55 percent of its share capital.

Capital increases in Group companies

In the first quarter of 2018, a capital increase was carried out in VERTI INSURANCE S.P.A. (Italy) for the amount of 120 million euros, having paid 60 million euros in the first quarter and the other 60 million euros in the fourth quarter of the year. This increase is intended to improve the solvency position of the entity.

In the second half of 2018, a capital increase was formalized and paid at MAPFRE BRASIL PARTICIPAÇÕES for the amount of 250 million euros. The aim of this capital increase was to partially finance the previously mentioned restructuring of the insurance business in Brazil.

In November and December, two capital increases were made in COLOMBIA SEGUROS GENERALES for the amount of 13.2 and 23.8 million euros, respectively. The aim of these increases was to improve the company's solvency position.

Finally, in December 2018, a capital increase was made in MAPFRE ASISTENCIA for the amount of 31 million euros. This capital increase was intended to improve the solvency position of the company.

Authorization of transfer of Caja Duero and Duero Pensiones Shares

Authorization was obtained in March from the General Directorate for Insurance and Pension Funds for the transfer of the abovementioned shares and the corresponding consideration was effected for same.

Credit novation of MAPFRE S.A.

In February, the syndicated 1 billion euro line of credit that was to mature in December 2021 was transformed into a sustainable loan with the maturity date extended to 2023. In January 2019, its maturity date was extended from February 2023 until February 2024.

The most notable feature of this transaction is that the interest rate applied takes into consideration not only MAPFRE's credit rating but also the company's sustainability parameters.

MAPFRE reaffirms its dedication to sustainability in all areas of the organization and strengthens its position as a company that is committed to social responsibility, the environment and society in general, as well as to reducing its financing expenses and extending financing maturity, while ensuring more advantageous conditions, taking into consideration the performance of the financial markets.

ISSUES RELATING TO THE ENVIRONMENT, SECURITY AND EMPLOYEES

Environment

One of the things that MAPFRE does that enables it to generate trust in shareholders is its commitment to sustainability in the environments in which it operates, with this commitment representing one of the Group's short and medium-term challenges.

During 2018, actions continued to be implemented to satisfy the commitments assumed under the Environmental Policy approved by the Board of Directors of MAPFRE S.A. on December 13, 2018, including additional commitments related to the inclusion of environmental criteria in the business processes of the company.

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

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

In the environmental area, certifications have already been issued to 35 headquarters of Group companies in Spain, Brazil, Mexico, Colombia, Puerto Rico, Paraguay, Portugal, Argentina and Chile, to which can be added 17 headquarter buildings located in Spain with energy management certification.

The expansion of the scope of UNE-EN-ISO 14064 continues to move ahead, and the carbon footprint of the Group companies located in Spain, Puerto Rico, Colombia, Peru and Portugal has been verified.

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

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

Furthermore, bearing in mind the conditions that Climate Change provokes in the biological diversity of our planet, development of specific programs will continue for conservation, including those that sponsor the continuation of the project for reforestation of the Doñana National Park through the “100 Empresas por los bosques” (100 Companies for the Forests) initiative of WWF Spain.

In terms of promoting environmental responsibility in society, the organizing of the second corporate volunteering day, “Everyone for the Environment”, should be mentioned, in which more than 1,500 volunteers - comprising employees and their families - in 25 countries undertook reforestation projects in degraded areas, planting 1,720 trees, removing trash from beaches and rivers, collecting 35 tons of trash and improving and maintaining pathways and parks, among other activities, demonstrating once again the commitment and involvement of our employees in this area.

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

Security

Work continued throughout 2018 on achieving a secure environment in which MAPFRE can pursue its everyday activities through the protection of tangible and intangible assets, including services offered to clients in accordance with the provisions of the Corporate Security and Privacy Policy approved by the MAPFRE S.A. Board of Directors on December 13, 2018. This was carried out within an unusually complex context characterized by an increase in the number and sophistication of cyber-attacks sustained by companies similar to MAPFRE, heightened regulatory pressure principally in the area of privacy and data protection, and increasing instability in countries and regions where the Group has a significant presence.

Regarding protection against cyber risks, programs have been implemented to optimize both access control and identity management procedures such as detection and response capabilities against cyberattacks, including participating in cybersecurity information sharing and analysis networks and initiatives between companies and institutions, such as CSIRT.es in Spain.

As for Privacy and Data Protection, various projects have been implemented designed to comply with the new General Data Protection Regulation of the European Union, which entered into force on May 25, 2018. Its completion has made it possible to properly manage the exercising of the rights of clients and other stakeholders in this regard, as well as guarantee compliance with new legal requirements.

As far as Operational Survival is concerned, work continued on updating and improving the crisis management and business continuity, as well as the verification of their effectiveness, by testing the various strategies that have been implemented in accordance with the Business Continuity Policy approved by the Board of Directors of MAPFRE S.A.

Situations have arisen during the reporting period requiring the implementation of defined plans in several countries such as Brazil, Nicaragua and Spain (for the flooding that occurred in the Balearic Islands and Malaga province), where an effective and appropriate response was provided to our clients during these difficult times.

In Business Continuity, the awarding by the Spanish Association for Standardization and Certification (AENOR) of ISO22301 for the Business Continuity Management Systems of MAPFRE GLOBAL RISKS, MAPFRE RE and the Benefits and Providers Area of MAPFRE ESPAÑA should be noted, along with what was already obtained by the Operations Area of MAPFRE ESPAÑA.

MAPFRE continues its commitment to talent and delivering constantly more specialized training to its workforce so they can perform to the best of their abilities in an increasingly complex and challenging environment. Consequently, the number of professional certifications in security-related areas surpassed 400 in 2018.

Workforce

The chart below shows the headcount at the end of 2018, compared with the headcount for the previous fiscal year.

CATEGORY	TOTAL NUMBER	
	2018	2017
DIRECTORS (*)	18	19
SENIOR MANAGEMENT	40	37
EXECUTIVES	1,508	1,491
HEADS	4,774	4,018
TECHNICIANS	16,933	17,992
ADMIN. ASSISTANTS	12,117	12,714
TOTAL	35,390	36,271

(*) Executive directors of Spanish companies.

The Human Resources area fully supports the transformation of the business and is responsible for providing the talent that is necessary to achieve success by adequately training employees. This area is also responsible for guaranteeing a healthy, diverse and collaborative working environment.

Employee management is particularly relevant in a global company such as MAPFRE, and some of its most important aspects are the integration of different generations of employees within the company, maximizing the knowledge of each person; utilizing the benefits afforded by new technologies and social media in human resources processes; reinforcing internal communication to ensure that the MAPFRE strategy, objectives, culture and values reach all employees; designing career plans and upholding a firm commitment to the occupational and geographic mobility of employees to ensure that the organization has global versatile teams at its disposal.

The MAPFRE Group applies policies approved by the Board of Directors of MAPFRE S.A. covering all Group employees.

The Diversity and Equal Opportunity Policy is intended to make a public commitment to both gender diversity and functional diversity by attaining a minimum of a 40 percent female headcount in positions of responsibility throughout the world by 2018. This has resulted in the definition of a global action framework to strengthen equality in all employee management processes.

The Group is also firmly committed to the inclusion of people with disabilities in the workforce, and by 2018 this collective made up more than 2 percent of the headcount. Since 2015, the Group has had a Global Disability Program in place that has been implemented in every country, and it includes measures to promote integration and a culture of awareness.

MAPFRE comprises employees of 91 nationalities, giving the Group great cultural diversity and providing it with the talent it needs to successfully conduct its business activities.

The Respect for People Policy guarantees a working environment that does not tolerate any manifestation of harassment or violent or offensive behavior against the rights and dignity of others. The Group expressly opposes, and does not tolerate, any harassment in the workplace, regardless of the identity of the victim or the harassing person. This commitment must be complied with in relationships among employees, and in those relationships between employees and providers, clients, collaborators and other stakeholders, and it also extends to all of the organizations with which MAPFRE works.

The Promotion, Selection and Mobility Policy encourages professional development opportunities for employees in order to increase their employability, their professional satisfaction and their commitment to the company.

In 2018, international mobility enabled 111 employees to relocate their job positions to another country.

Furthermore, the employee collaboration spaces set up on the corporate Intranet facilitate access to diverse teams while promoting creativity and the sharing of ideas and best practices.

Meetings between the different generations and the launch of the global mentoring program continued in 2018. (Traditional mentoring: 215 mentors and 263 mentees; Inverse mentoring: 64 mentors and 75 mentees.)

The company's objective is to encourage a teamwork culture while working in collaboration within an agile organization. MAPFRE has a universal task and job position map in place, which assists in the definition of strategic profiles and knowledge within the organization. The Group is also working on the global implementation of flexi-time, technological mobility and process and objective-based work.

The Remuneration Policy is intended to set appropriate pay levels for each function and job position and performance by professionals, and to serve as a source of motivation and satisfaction for staff, thus encouraging them to reach their objectives and deliver on MAPFRE's strategy. This policy also guarantees equality, internal and external competitiveness in each market, and forms part of the internal development of employees.

Performance Evaluation allows employees to be aware of their objectives and receive continuous feedback regarding their work performance, while improving communication with their manager, and reaching consensus regarding an action plan focusing on their professional development. In 2018, evaluations were completed for 31,287 employees, representing 88.4 percent of the workforce.

The objective of the Policy on Health, Well-being and Prevention of Occupational Risks is to protect and promote a safe and healthy workplace and improve the health of our employees and their families, both within and beyond the workplace.

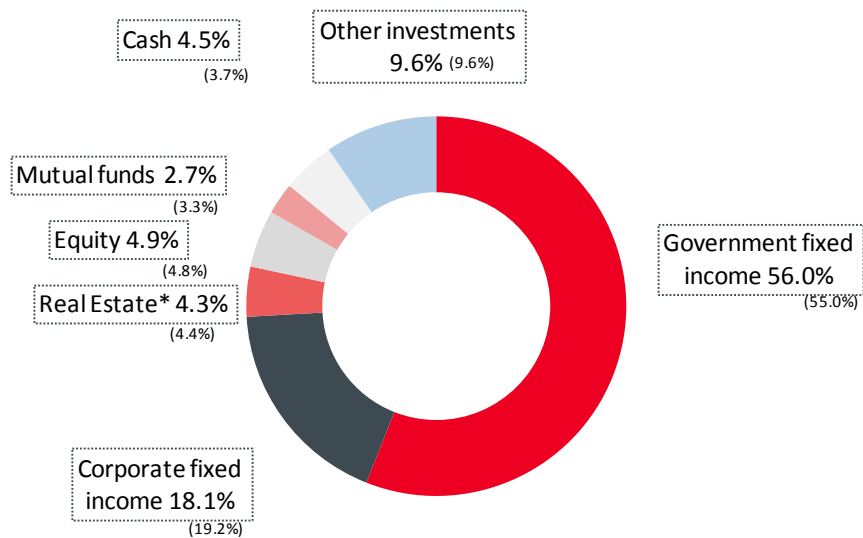
To facilitate the well-being and work-life balance, MAPFRE offers its employees a wide range of social benefits, which accounted for an investment of 176.6 million euros in 2018.

During 2018, the employee experience area was also created at corporate level, with the global employee experience project to be developed and deployed throughout 2019.

LIQUIDITY AND CAPITAL RESOURCES

INVESTMENTS AND LIQUID FUNDS

Overleaf, details of the investment portfolio by asset class to December 31 of each period are given, with the figures from the previous period shown in smaller text.



Item	DECEMBER 2018	DECEMBER 2017	Variation (%)
Government fixed income	27,595.9	27,388.4	0.8%
Corporate fixed income	8,921.6	9,572.6	-6.8%
Real estate	2,096.2	2,171.4	-3.5%
Equity	2,407.1	2,400.9	0.3%
Mutual funds	1,330.4	1,631.4	-18.4%
Cash	2,201.4	1,864.0	18.1%
Other investments	4,720.8	4,767.4	-1.0%
Total	49,273.5	49,796.0	-1.0%

Figures in millions of euros

*Real estate includes both investment property and real estate for own use

A breakdown of the Fixed Income portfolio by geographical area and asset type follows:

ITEM	Government	Total Corporate Debt	Corporate without collateral	Corporate with collateral	Total
Spain	15,997.8	1,853.5	795.5	1,058.0	17,851.3
Rest of Europe	5,049.7	3,951.2	3,382.2	569.0	9,000.9
United States	1,347.3	2,094.3	2,033.3	60.9	3,441.5
Brazil	2,871.6	1.8	1.8	0.0	2,873.4
Latin America - Other	1,805.1	712.9	667.9	44.9	2,517.9
Other countries	524.5	308.0	297.2	10.8	832.5
TOTAL	27,595.9	8,921.6	7,178.0	1,743.6	36,517.5

Figures in millions of euros

Four different types of portfolios are contemplated in investment portfolio management:

- Those that aim for a strict immunization from the obligations derived from insurance contracts, and which minimize interest rate risk, through matching adjustments, by means of immunization techniques based on matching cash flow or duration.
- Portfolios that cover unit-linked policies composed of assets where the risk is borne by policyholders.
- Those that aim to exceed the guaranteed returns and to obtain greater returns for policyholders within prudential parameters, such as portfolios with profit-sharing.
- Actively managed portfolios, which are only conditioned by the legal rules and internal risk limitations.

There follows a breakdown of actively managed Fixed Income portfolios

	Market Value	Accounting Yield	Market Yield	Modified Duration
Non Life (IBERIA + MAPFRE RE + GLOBAL RISKS)				
12.31.2017	7,187.1	2.59%	1.23%	6.35%
03.31.2018	7,372.1	2.40%	1.15%	6.68%
06.30.2018	7,257.0	2.34%	1.32%	6.77%
09.30.2018	7,158.3	2.34%	1.42%	6.88%
12.31.2018	7,162.7	2.11%	1.42%	6.75%
Life (IBERIA)				
12.31.2017	6,277.1	4.10%	1.01%	6.84%
03.31.2018	6,529.9	3.93%	0.84%	7.05%
06.30.2018	6,188.3	3.97%	1.00%	6.97%
09.30.2018	6,189.9	3.94%	1.09%	6.74%
12.31.2018	6,238.8	3.91%	1.05%	6.60%

Figures in millions of euros

At December 31, 2018, the actively managed portfolios in IBERIA and MAPFRE RE had unrealized net gains in assets and mutual funds of 45.6 million euros.

Real estate

The real estate strategy for 2018 concentrated on indirect investments and divestment of assets by rotation of properties and realization of gains. The weight of real estate investments needs to be enhanced, given the current interest rate situation, but always with the level of prudence that the real estate policy requires under the current investment plan. The target product is well-located offices with high occupancy levels and reliable long-term tenants. The low interest rate scenario makes it difficult to locate good opportunities in illiquid markets with scarce availability, as is the case in Madrid or Barcelona.

In direct investments, activity is focused on investment in remodeling and modernization both for profit-generating assets (third-party leasing) and strategic assets for company use. The first group includes properties such as the building at Avenida General Perón 40 in Madrid. The second group involves gradual modernization operations and the application of new space optimization concepts, both at corporate headquarters and territorial head offices and our sales network offices. (These operations affect all MAPFRE regions worldwide).

As far as indirect investments go, two companies were established in Luxembourg to facilitate operations in the Eurozone, in Paris and Germany, utilizing a low level of leverage to improve the ROE of the investment. This investment practice is typical in Europe - without it, we would lose our competitive edge.

The major divestments in 2018 were the sale of the building at Rua Castilho 5 in Portugal and the sale of the Isidoro Goyenechea building in Chile. As for land disposals, the sale of two plots in Palma de Mallorca should be noted.

All these operations, together with progressive recovery in value of certain real estate assets, have altogether generated net gains of some 47 million euros.

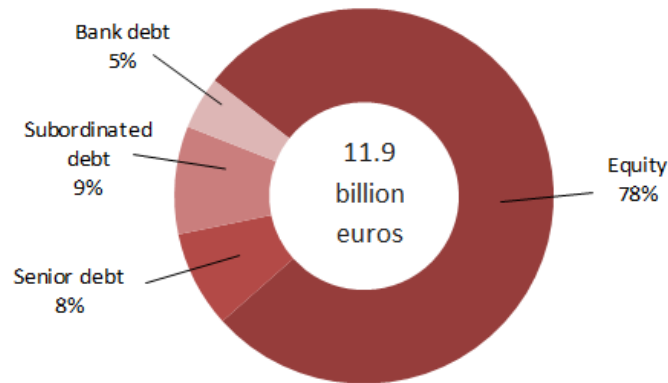
At the end of fiscal 2018, real estate investments held by MAPFRE reached a market value of 2.9 billion euros, the equivalent of 4.3 percent of total investments, with unrealized gains of more than 28.1 million euros.

The occupancy level of buildings rented to third parties is 82 percent, and the profitability of same with regard to appraisal value is greater than 4.2 percent.

CAPITAL RESOURCES

Capital structure

The chart below shows the composition of the capital structure at the close of 2018:



Capital structure reached 11.9 billion euros, of which 78 percent corresponds to equity.

MAPFRE has a 1 billion-euro line of credit available which was approved in December 2014, by a syndicate of banks, and which was novated in February 2018. Included in the modified conditions with this novation, the following are noteworthy:

- Maturity is extended from December 2021 to February 2023. Subsequently, in January 2019, the maturity date was extended from February 2023 to February 2024.
- The interest rate is reduced by 20 basis points, with the possibility of an additional reduction as of the second year, if the Group's sustainability rating improved.
- Availability and use commissions are lowered.

Overall, the abovementioned modifications imply savings of between 26 and 30 percent of the cost of credit according to the level of use, in addition to strengthening our commitment to sustainability.

In the second half of 2018, MAPFRE closed a new subordinated debt issuance which was placed among over 80 investors in various countries. The main terms and conditions of this issue are the following:

- Amount: 500 million euros
- Fixed annual coupon: 4.125%
- Issue price: 99.59%
- Settlement date: September 07, 2018
- Maturity: September 07, 2048
- 1st call option: September 07, 2028
- Issue rating: BBB- (Fitch)

The Group has a leverage ratio of 22.5 percent, with an increase of 4.4 percentage points compared to the close of 2017.

Debt instruments and leverage ratios

The following chart shows the evolution of the Group's debt instruments and leverage ratios:

Item	DECEMBER 2018	DECEMBER 2017
Total Equity	9,197.6	10,512.7
Total debt	2,670.3	2,327.4
- of which: senior debt - 5/2026	1,004.0	1,003.3
- of which: subordinated debt - (3/2047 (First Call 3/2027))	617.6	6.17.4
- of which: subordinated debt - 9/2048 (First Call 9/2028)	503.0	0.0
- of which: syndicated credit facility - 12/2021 (€1.0 BN)	490.0	600.1
- of which: bank debt	55.6	106.7
Earnings before tax	1,330.5	1,508.7
Financial expenses	76.5	90.1
Earnings before tax & financial expenses	1,407.0	1,598.8
Leverage	22.5%	18.1%
Equity / Debt	3.4	4.5
Earnings before tax & financial expenses / financial expenses (x)	18.4	17.7

Figures in millions of euros

Equity developments

Consolidated equity amounted to 9.2 billion euros at December 31, 2018, as compared to 10.5 billion euros at December 31, 2017. Of this amount, 1.2 billion euros correspond to non-controlling interests' shares in subsidiaries, primarily financial entities in Spain and Brazil that MAPFRE has bancassurance agreements with. Consolidated equity attributable to the controlling Company per share was 2.60 euros at December 31, 2018 (2.80 euros at December 31, 2017).

The following chart shows changes in equity attributable to the controlling Company in the period:

Equity attributable to the controlling Company

Item	DECEMBER 2018	DECEMBER 2017
BALANCE AT 12/31 PREVIOUS YEAR	8,611.3	9,126.5
Additions and deductions recognized directly in equity		
Financial assets available for sale	(472.7)	(285,5)
Currency conversion differences	(102.8)	(639,1)
Shadow accounting	143.9	254.2
Others	1.4	(2,7)
Total	(430.2)	(673,1)
Result for the period	528.9	700.5
Dividends	(446.7)	(446,7)
Other changes in equity	(269.5)	(96,0)
BALANCE AS AT PERIOD END	7,993.8	8,611.3

Figures in millions of euros

Equity attributable to the controlling Company at the close of 2018 includes:

- A reduction of 472.7 million euros in the market value of the assets available for sale portfolio due to the rise in rates, primarily the American and Italian bonds, as well as the fall in the European stock markets.
- A net reduction of 102.8 million euros from currency conversion differences, primarily due to the depreciation of the Brazilian real and the Turkish lira in 2018.
- Profits to December 2018.
- A reduction of 446.7 million euros comprising the final dividend from the 2017 financial year, approved in the Annual General Meeting in March 2018 and paid in June 2018 for the amount of 261.8 million euros, and the interim dividend for 2018, approved in the third quarter of 2018 and paid in December 2018, for the amount of 184.9 million euros.

- A reduction in “Other changes in equity”, of which 197 million euros correspond to the difference between the price paid and the value of shareholders’ equity of the shares acquired in the reorganization of the alliance with Banco do Brasil.

The breakdown of the equity items attributable to the controlling Company are shown below:

Item	DECEMBER 2018	DECEMBER 2017	DECEMBER 2016
Capital, retained earnings and reserves	8,482.3	8,763.6	8,614.0
Treasury stock and other adjustments	(41.3)	(41,3)	(46,9)
Net capital gains (financial investments - technical provisions)	290.8	619.7	651.0
Foreign exchange differences	(737.9)	(730,7)	(91,6)
Attributable equity	7,993.8	8,611.3	9,126.5

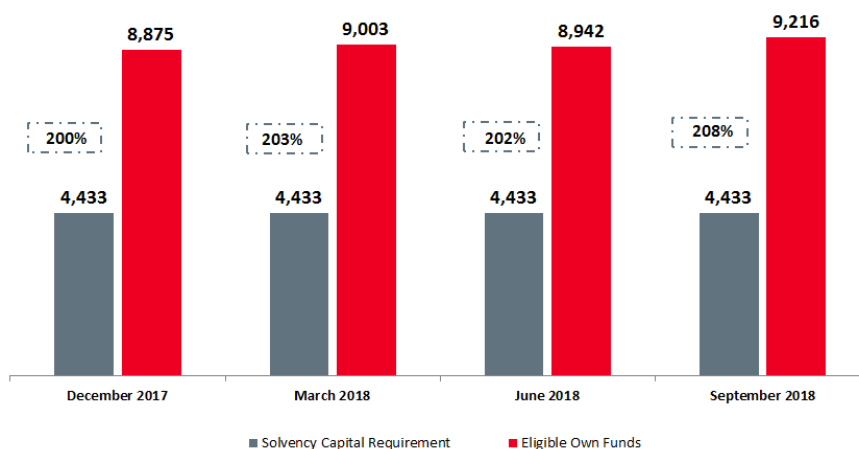
Figures in millions of euros

SOLVENCY II

The Solvency II ratio for MAPFRE Group stood at 207.9 percent to September 2018, compared to 201.7 percent at the close of June 2018, including transitional measures. This ratio would be 188.6 percent, excluding the effects of said measures. Eligible Own Funds reached 9.2 billion euros in the same period, of which 88.0 percent are high quality funds (Tier 1).

The ratio maintained great solidity and stability, backed by high diversification and strict investment and ALM policies, as can be seen in the charts below:

Solvency margin breakdown (Solvency II)



Figures in millions of euros

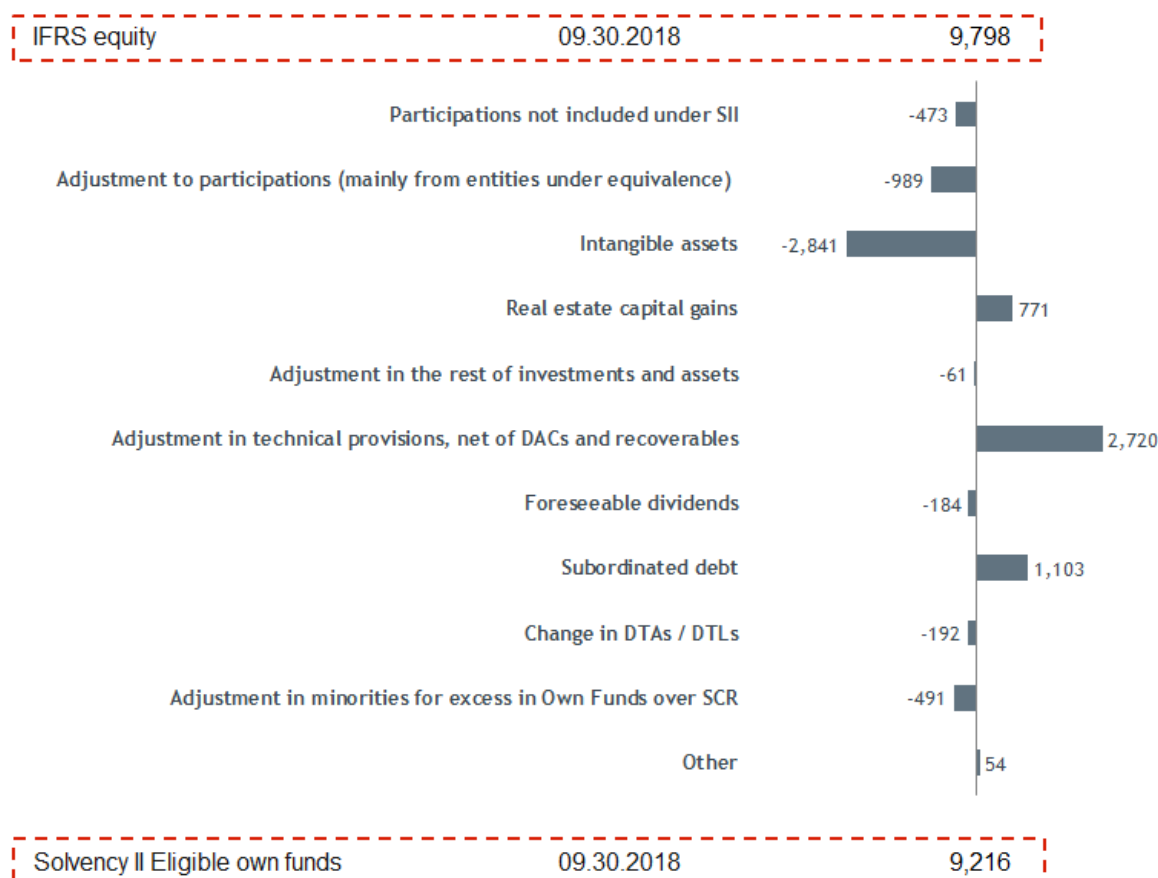
The SCR amount is calculated annually, as recalculation during the year is not required unless there is a significant change in the risk profile.

Impact of transitional measures and matching and volatility adjustments

Ratio at 09.30.2018	207.9%
Impact transitional for technical provisions	-16.1%
Impact equity transitional	-3.3%
Impact transitional for assets in non-euro currencies	0.0%
Total ratio without transitionals	188.6%

Ratio at 09.30.2018	207.9%
Impact Matching Adjustment	-2.0%
Impact Volatility Adjustment	-1.0%
Total ratio without Matching and Volatility Adjustments	205.0%

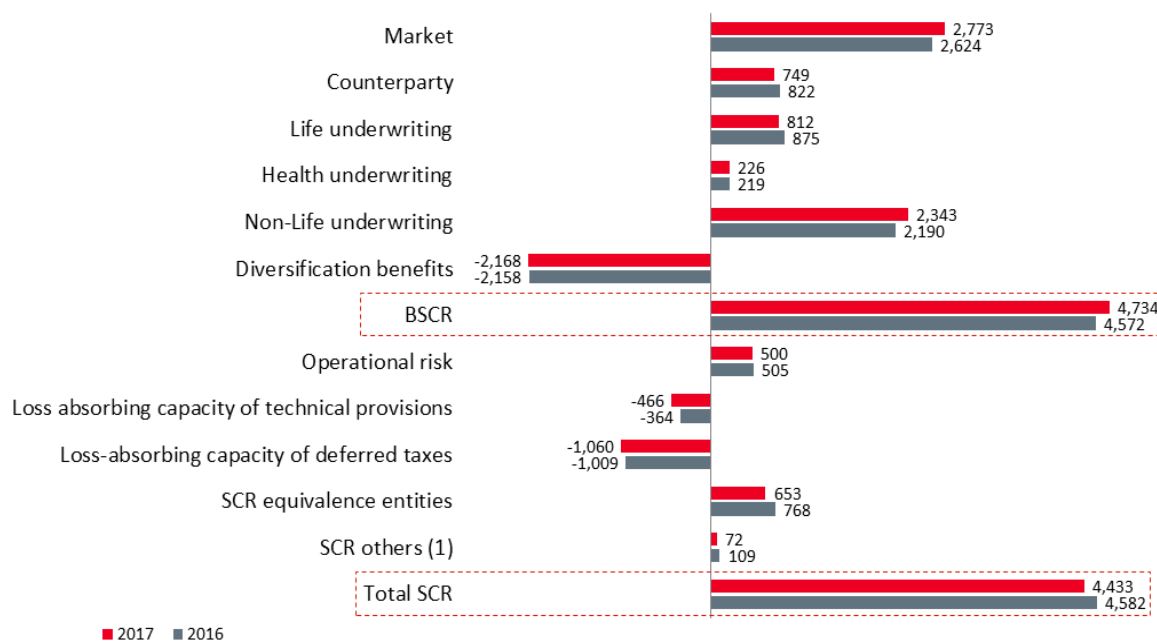
IFRS and Solvency II Capital Reconciliation



Figures in millions of euros

Breakdown of Solvency Capital Requirement (SCR)

The breakdown of the SCR from the last two years, calculated to December 2017 and 2016, is as follows:



(1) Includes other financial sectors, non-controlled participations and residual undertakings.

Figures in millions of euros

ANALYSIS OF CONTRACTUAL OPERATIONS AND OFF-BALANCE SHEET OPERATIONS

At the close of the year MAPFRE had the following formal agreements for the development and distribution of insurance products in Spain with different companies, some of which have undergone, or are currently immersed in, processes related to the restructuring of the banking system:

- Agreement with BANKIA, S.A. in relation to the strategic partnership begun in 1998 with its predecessor CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID. The contract was reformulated in 2014 by including a new agreement for the exclusive distribution of MAPFRE Life and Non-Life insurance through the entire BANKIA sales network (hereinafter the “Agreement”) and the continued joint participation in BANKIA MAPFRE VIDA (previously called MAPFRE-CAJA MADRID VIDA), which specializes in marketing Life insurance through the aforementioned sales network. The Agreement reached between MAPFRE and BANKIA involves the restructuring of the bancassurance business and includes an assurbanking agreement through which MAPFRE distributes BANKIA financial products through its sales network.

The Agreement also involved the purchase in 2014 of 51 percent of shares in ASEVAL and LAIETANA VIDA and 100 percent of shares in LAIETANA GENERALES, for an overall price of 151.7 million euros.

The final economic value of the Agreement will depend on the future level of compliance with the agreed Business Plan.

In addition, agreement was reached in December 2018 in which MAPFRE VIDA would acquire 51 percent of Caja Granada Vida and Caja Murcia Vida y Pensiones for a total price of 110.3 million euros.

This agreement also extends the scope of activity of the current partnership for General P&C in the Non-Life line to the Banco Mare Nostrum network.

The definitive closing of this transaction is subject to the approval of the relevant regulatory and supervising authorities.

- Agreement with BANCO CASTILLA-LA MANCHA, S.A. (as the successor to the banking and para-banking activity of CAJA CASTILLA-LA MANCHA) for the exclusive distribution of personal insurance and pension schemes of the jointly-owned company CCM VIDA Y PENSIONES (of which MAPFRE owns 50 percent) through the company's network.

The acquisition price for the shares was 112 million euros in cash, plus additional payments to be made in 2012 and 2021. In 2012 the sum of 4.5 million euros was paid to CAJA DE AHORROS CASTILLA LA MANCHA (now BANCO CASTILLA-LA MANCHA), and an additional sum of 14 million euros will be paid in 2021.

- Agreement with BANKINTER S.A. for the exclusive distribution of Life and Accident insurance and pension schemes of the jointly-owned company BANKINTER SEGUROS DE VIDA (of which MAPFRE owns 50 percent), through the bank's sales network.

The acquisition price for the shares was 197.2 million euros in cash, plus two payments of 20 million euros each plus interest to be paid, in light of the degree of compliance with the business plan, in the fifth and tenth year of said plan. In 2012, the degree of compliance with the plan led to payment of the first additional amount, namely 24.2 million euros. As the long-term objectives were not achieved, the provision set up in the amount of 29 million euros was canceled during the first quarter of 2017.

On April 1, 2016 BANKINTER SEGUROS DE VIDA, owned 50-50 by BANKINTER and MAPFRE, purchased the insurance business of BARCLAYS VIDA Y PENSIONES in Portugal for the sum of 75 million euros.

- Agreement with BANKINTER, S.A. for the exclusive distribution of general and business insurance (excluding Automobile, Travel and Homeowners insurance) for the jointly-owned company BANKINTER SEGUROS GENERALES (of which MAPFRE owns 50.1 percent), through the bank's sales network.

The acquisition price of the shares was 12 million euros in cash (in addition to the payment of 3 million euros for the purchase of shares on December 27, 2011), plus an additional 3 million euros to be paid in the event of full compliance with the "December 2012 Business Plan" by the end of 2015. This additional price has not accrued due to non-compliance with this Business Plan.

In addition, it should be noted that MAPFRE and BANCO DE CAJA ESPAÑA DE INVERSIONES, SALAMANCA Y SORIA S.A. (successor company to CAJA DUERO) dissolved their agreement for exclusive distribution of Life and Accident insurance and pension plans of the joint companies UNIÓN DEL DUERO COMPAÑÍA DE SEGUROS DE VIDA (DUERO VIDA) and DUERO PENSIONES ENTIDAD GESTORA DE FONDOS DE PENSIONES (DUERO PENSIONES) (of which MAPFRE held a 50 percent ownership) through the network of that company.

This agreement was concluded in 2008 for a total price of 105 million euros cash plus a maximum payment of 25 million euros, according to the degree of compliance of the Business Plan agreed to for 2008-2014 period, which was paid during 2016.

In June 2017, MAPFRE and BANCO DE CAJA ESPAÑA DE INVERSIONES, SALAMANCA Y SORIA, S.A. concluded a share purchase and sale contract whereby MAPFRE VIDA agreed to transfer 50 percent of the share capital of the companies DUERO VIDA y DUERO PENSIONES, for a joint price of 141.7 million euros.

The definitive closing of the transaction was subject to the authorization of the Directorate General for Insurance and Pension Funds. Once this was obtained, the sale was executed on March 14, 2018.

Furthermore, MAPFRE has signed shareholder agreements on standard business terms, including prohibitions on transfer of shares during certain periods and options to withdraw under certain conditions (for example, failure to achieve the Business Plan, change of control, company blocks or serious contractual non-performance, etc.).

The restructuring of the strategic partnership with BANCO DO BRASIL was ongoing in 2018. The result of this restructuring was that, commencing November 30, 2018, MAPFRE held 100 percent (previously 50 percent) of all of the business (Life and Non-Life) generated by the agency channel, and the automobile and large risks business that will be distributed through the bank channel. It is also maintaining its current share (25 percent) in BB MAPFRE, which incorporates homeowners insurance from the bank channel into its business.

In addition, MAPFRE and EULER HERMES have in place a strategic partnership to jointly pursue the Suretyship and Credit insurance business in Spain, Portugal and Latin America. Under this agreement, both companies hold a 50 percent stake in a joint venture called SOLUNION, integrating the businesses of both groups in the aforementioned markets. SOLUNION covers risks in countries all around the world and has an international network of risk analysts located in more than 50 countries that continuously monitor the situation regarding the risks of their insureds, in addition to an extensive distribution network in countries in which it is present.

Lastly, the non-controlling shareholders of MAPFRE RE have a put option on the shares of this company. If exercised, MAPFRE or a MAPFRE Group company would have to acquire the shares from the selling minority shareholder. The purchase price for the MAPFRE RE shares will be calculated using a previously agreed formula. As on December 31, 2018, based on the variables included in the aforementioned formula, the commitment assumed by MAPFRE if this option were exercised would amount to a total of approximately 98 million euros.

MAIN RISKS AND UNCERTAINTIES

MAPFRE's risk management system (RMS) is based on the integrated management of each and every business process and the alignment of risk levels to the defined strategic objectives.

OPERATIONAL RISKS

Regulatory risk

Regulatory risk is defined as the event comprising a change in regulations, law or administrative procedures that could adversely affect the Group.

In recent years, the legislative framework to which the insurance industry adheres has been expanding, with new regulations both internationally and locally. It should be borne in mind that the Group works in a complex environment under increasing regulatory pressure, not only in the insurance sector, but also insofar as matters including technology, corporate governance or corporate criminal responsibility are concerned.

The Group's insurance subsidiaries are subject to special regulation in the countries in which they operate. The supervisory authorities have broad administrative control over various aspects of the insurance business. This control may affect premium amounts, marketing and sales practices, the distribution of profits among policyholders and shareholders, advertising, license agreements, policy models, solvency, capital requirements, and permitted investments. Changes in taxation may

affect the benefits of certain products marketed by the company or its subsidiaries which currently enjoy favorable tax treatment.

Operational risk

Operational risk is defined as the risk of withstanding losses due to the inadequacy or insufficiency of internal processes, personnel or systems; or external events.

The operational risk management model is based on a dynamic qualitative and process-based analysis of the company, whereby the managers of the different areas and departments identify and assess the potential risks affecting both business and support processes. MAPFRE has systems in place to monitor and control operational risk; although despite the fact that the results of the analysis performed in 2018 do not show any process to be at a critical level, the possibility of incurring operating losses cannot be excluded, given the difficulty of forecasting and quantifying this type of risk.

Client concentrations

The Group has a high degree of insurance risk diversification since it operates in virtually all insurance lines and has a broad presence in international markets. MAPFRE applies procedures and limits that allow it to control the level of concentrated insurance risk.

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

FINANCIAL RISKS

Market and interest rate risks

Fluctuations in market prices may reduce the value of or revenues from the investment portfolio, which in turn may have a negative impact on the Group's financial situation and consolidated results.

Prudent selection of financial assets with adequate characteristics to cover the obligations assumed is the principal measure for mitigating the possible adverse effects of variations in market prices. In managing investment portfolios, the Group differentiates between those which are aimed at matching the obligations arising from insurance contracts and those where active management is undertaken. In the former type, interest rate risk and other price variation risks are minimized, while in the latter a certain degree of market risk is assumed.

MAPFRE mitigates its exposure to this type of risk by means of a prudent investment policy characterized by a high proportion of top-quality fixed-income securities. Investments in fixed-income securities represent 88.5 percent of the entire financial

investment portfolio in 2018 (88.0 percent in 2017). The market price of the securities may fluctuate as a result of changes in interest rates (interest-rate risk), the exposure to which is mitigated by searching for an adequate level of matching between assets and liabilities.

During 2018, historically low interest rates continued to feature in several markets. A scenario of interest rate hikes in 2019 would have reduced impact on equity due to the use of matching adjustment techniques, but would have a positive effect on new business by making Life savings products more attractive.

The market price of fixed-rate securities may also fluctuate due to changes in the perception of the solvency margin of issuers (spread risk), the treatment of which is explained in the section on Credit Risk.

Investments in equity instruments and mutual funds have a limited weight in the portfolio, accounting for approximately 9.1 percent of total financial investments in 2018 (9.6 percent in 2017).

Fluctuations in returns on equities also influence consumer behavior, which may have a significant impact on the Life insurance and asset management business.

Revenues from MAPFRE's Life insurance and asset management operations are directly related to the value of the assets managed (whether fixed income or equities), which means that a fall in markets could have a negative impact on these revenues.

Exchange rate risk

Changes in the value of the euro affect the value of the Group's assets and liabilities, and, therefore, its equity, operating results and cash flows. The currency conversion differences recorded resulted in the negative acknowledgment of 3.3 million euros in 2018 (a negative result in shareholders' equity of 639.1 million euros in 2017).

While most governments of the countries in which MAPFRE operates have not imposed bans on repatriating dividends or capital divestment, restrictive exchange control policies may be established in the future. The Group studies the best alternatives to mitigate the impact of the volatility of the Group's most important currencies.

Turning to technical provisions for operations abroad, the Group generally applies a policy of investing in assets denominated in the same currency as the commitments acquired by the insurer, thereby mitigating the exposure to exchange rate risk.

CREDIT RISK

Returns on investments are also sensitive to changes in the general economic conditions, including variations in the general credit rating of debt security issuers.

Accordingly, the value of a fixed-income instrument may be reduced by changes to the credit rating or insolvency of the issuer. There are similar risks in exposures to insurance, reinsurance and banking counterparties.

Exposure to credit risks is mitigated through a policy based on the prudent selection of security issuers and counterparties on the basis of their solvency; seeking i) an elevated degree of geographic correspondence between issuers of assets and the commitments assumed, ii) maintenance of an appropriate level of diversification, and iii) securing, if necessary, guarantees, collateral and other additional coverages.

The credit risk management policy establishes limits by issuer in line with the risk profile of the counterparty or of the investment instrument, as well as exposure limits related to the counterparty's rating.

LIQUIDITY RISK

Liquidity risk is mainly managed by maintaining cash balances of an amount sufficient to cover any contingency arising from obligations to insured parties and creditors. Thus, on December 31, 2018 cash balances amounted to 2.2 billion euros (1.9 billion euros the previous year), equivalent to 4.5 percent of total investments and liquid funds (3.8 percent in 2017). Meanwhile, in Life and Savings insurance, the maturities of investments are matched to the obligations entered under the terms and conditions of insurance contracts in order to mitigate the exposure to this type of risk.

In addition, most fixed income investments are of investment grade and are negotiable on organized markets, affording great capacity to act against potential liquidity strains. There are also lines of credit in place with banks to cover temporary liquidity gaps.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RISKS

The concept of sustainability is founded on three fundamental pillars: economic, social and environmental development. For this reason, managing risks and business opportunities associated with environmental, social and governance (ESG) issues plays a key role in sustainable development.

Proper monitoring of these aspects provides the organization with additional information about these potential risks as well as a clearer insight into social movements and transformations and the expectations of its stakeholders. In this context, MAPFRE's business model and strategy are an example of how the company faces the global challenges regarding sustainability; how it manages ESG risks; and how it innovates in developing insurance products and solutions for the benefit of its clients and the community.

Management of ESG risks helps in decision-making on important issues as underwriting, investment, innovation in products and services, sustainability, the environment and reputation management, the latter being essential to gaining the trust of our stakeholders. Consequently, ESG risks are naturally incorporated into the management and control processes implemented by the Group.

In 2018, MAPFRE joined the United Nations Environment Program Finance Initiative (UNEP FI), along with 15 other leading insurers, in order to assess the impact of climate change and to incorporate the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in the insurance industry. As a global insurance company, MAPFRE is participating in the commitment to contribute to defining a standard of technical and financial action for the entire sector that will help the insurance industry to manage the risks and opportunities of the transition toward a low-carbon economy, and to reduce the impact of climate change for the whole of society. Climate change is part of the MAPFRE sustainability strategy.

ADDITIONAL INFORMATION

Note 7 “Risk Management” of the Consolidated Annual Report includes detailed information about the different types of risk that affect the Group.

SIGNIFICANT EVENTS OCCURRING AFTER THE YEAR END

On January 9, 2019, CORPORACIÓN ACTINVER, S.A.B. de C.V. (“Actinver”) announced its acceptance of the binding offer presented by MAPFRE for the exclusive sale of undefined MAPFRE insurance products via the Actinver network in Mexico. The definitive terms and conditions of the agreement will be revealed upon signing of the final contracts.

On January 21, 2019, MAPFRE and BANCO DE SANTANDER, S.A. reached an agreement whereby the financial institution will distribute automobile, multirisk commercial, multirisk SME and third party liability insurance exclusively via its network in Spain. Based on the agreement, MAPFRE will acquire, via its subsidiary MAPFRE ESPAÑA, 50.01 percent of a company to be newly created for the amount of 82.2 million euros, and BANCO DE SANTANDER will hold the remaining 49.99% through its subsidiary SANTANDER SEGUROS.

INFORMATION ON EXPECTED PERFORMANCE

OUTLOOK

The global economy has exhausted its cycle, slowing down to reach a growth rate of about 3.6 percent, in line with its trend. The leading role of the United States should be noted in this regard. Deceleration of activity will be marked by tariff tensions between the USA and China, the expiry of tax rebates initiated by the US administration and monetary easing by the Federal Reserve (FED). Emerging economies are consequently experiencing a capital outflow, with serious repercussions on their financial situations, exchange rates and activity levels.

Hence, 2019 will see a smooth, asynchronous and less intense slowdown in activity, inflation and financial conditions due to the lack of indications of serious imbalances in the balance sheets of agents.

As for levels of activity, global growth of about 3.3 percent is expected, with a product gap in the area of 0.3 percent. Developed countries will grow slightly below 2 percent, with growth being basically sustained by domestic demand, driven by a wealth effect - which will encourage consumption - arising in part from the persistent laxity in financial conditions. As for emerging markets, they will increase about 5 percent due to the predictable improvement in global financial conditions: loosening in depreciation of their currencies, and the end of the upward interest rate cycle in response to normalization by the FED. Despite these global trends, the diverse nature of this point in the cycle found in both developed emerging markets merits special attention.

Global inflation also presents a strongly diverse picture. While the USA has achieved its implicit underlying inflation objective (2 percent), underlying inflation in the Economic and Monetary Union (EMU) and Japan remains frozen at 1 percent. Inflation in general is largely determined by price corrections for petroleum, reflected in part by global deceleration.

The current global monetary policy is framed by the neutrality of the FED, laxness in the European Central Bank (ECB) and Japan and the recent hardening of monetary policy in emerging countries, with de facto alignment with the US financial system.

Future (2019) changes will be: given the cyclical moment lack of movement in inflation expectation, the USA expects that interest rates will not exceed a neutral rate of 3 percent. As for the ECB, it will maintain its ongoing lax bias due to decline in activity and underlying inflation. In fact, the end to purchasing assets was announced in December, and for now only reinvestment of principal will continue, while holding the

benchmark rate at 0 percent. These differences in global monetary policy will translate into keeping the US dollar relatively high against the euro and yen.

The current economic situation may provide an opportunity to reverse the pro-cyclicality that has persisted over the last few years. Driven by a reduction in its structural balance sheet in a context of monetary laxity, the US economy has grown, unleashing a series of domestic imbalances that have permeated both the United States and third world countries, especially in emerging markets.

Rather than amounting to a prelude to a new global crisis, the cycle change entails a scenario of ordered adjustment that will correct the imbalances generated by the global pro-cyclical policy of the last five years.

STRATEGIC PLANNING

MAPFRE has a structured, focused and participatory strategy planning and management model that provides for continuous updating of the strategic plan at both corporate level and in each of the Regions, Countries and Business Units.

2018 brought the 2016-2018 strategic plan to a close, during which period MAPFRE set itself very clear objectives and drew up a portfolio of initiatives that would lead to

Profitable Growth.

The situation at the close of this plan is positive, following three years of intensive work on advancing the transformation and digitalization of our operations. The principal achievements in each of the strategic pillars of the plan are:

1. Client orientation

The Group attaches great importance to identifying and understanding client needs, behaviors and aspirations as a means of retaining existing clients and capturing new clients from the market. During the three years of the strategic plan, a large variety of projects were accomplished in several countries where we operate, enhancing relations with clients and offering new opportunities for growth. Some successes in this field are:

- Development of the Client Relationships Model and Large Cities initiatives, seeking to improve the experience for clients and increasing market share in large cities.
- Analysis of the Business Model in 19 countries to identify opportunities that enable us to enhance our product, channel and client mix.

- Creation of a Global Life Business Management area and design of a road map for the development of this business.
- Improvement of asset management thanks to the strengthening of MAPFRE INVERSIÓN.
- New Global Agreements with vehicle manufacturers, dealerships, retail, e-commerce companies and others.
- Creation of the New Innovation Model (MOi) to enhance strategic innovation (intra-entrepreneurship) and disruptive innovation with the launch of insur_space MAPFRE.

2. Digital transformation

It is absolutely necessary that MAPFRE continues making every effort to adapt to the new Digital Era.

Among the achievements reached in this respect are the following:

- Execution of the Digital Business Plan, thanks to which we generated almost 1.5 billion euros in digital business premiums.
- Over 200 projects have been developed, enabling us to move ahead with digital era changes and offer better service to clients, providers and employees.
- The SAM 3.0 development initiative (MAPFRE Automobile Insurance) that is making it possible to prepare the company to deal with new market conditions in the automobile field.
- Development of Digital Health business model.

3. Excellence in technical and operational management

Our activities require us to constantly strive for operational excellence, adapting to new client, market and regulatory requirements. The principal activities carried out in this respect are:

- Implementation of Contact Center model.
- Construction of the Self-directed application for the client.
- Implementation of the global provider model.
- Development of new Predictive and Analytical Models.
- Digital marketing and rating solutions.
- Deployment of operational models for issuing, claims and fraud.

4. Culture and talent

Leaning on both employees and the MAPFRE culture is critical to the successful implementation of the strategic plan. Some successes in the field of culture and talent are:

- Implementation of the Talent Management initiative, identifying profiles and developing talent.
- The Workforce Unifications initiative has helped achieve greater standardization at various levels of the organization.
- In terms of execution, the Digital Challenge initiative is focused on changes in the work environment, collaborative work, knowledge management, digital culture and new forms of remuneration.
- Substantial advances in terms of equal opportunity, diversity and workplace inclusion.
- Defining and launching the Sustainability Plan.

In 2018, MAPFRE undertook a reflective exercise to review its strategic orientation, based on the need to better consolidate and enhance profitability in its businesses as well as seize new opportunities to respond to the speed of transformation in the business environment, in order to maintain competitiveness in the sector.

The strategic plan for 2019-2021 was strengthened along these lines, adopting the slogan *WE'RE TRANSFORMING FOR GROWTH AND IMPROVED PROFITABILITY*, supported by the Client Orientation, Excellence in Technical and Operational Management and in Culture and Talent strategic pillars.

R&D+i ACTIVITIES

Client orientation is one of the main axes of the MAPFRE Strategic Plan, which identifies innovation and digital transformation as two of the key tools to offering insurance solutions focused on client needs and achieving the short, medium and long-term strategic objectives while simultaneously bearing in mind the quality of the service delivered to clients.

INNOVATION

MAPFRE's priorities in terms of innovation emanate from the company's strategy, placing the client (taking account of the different segments) at the center.

In order to deal with the fundamental change that is taking place in the insurance industry, the organization must be streamlined, making it more agile and efficient. To

this end, in 2018 an array of transformation and innovation platforms were implemented, known as MAPFRE Open Innovation (MOi), which involves an allocation of approximately 100 million euros annually.

The functional parts of MOi are summed up below:

Strategic Innovation serves the objective of proposing solutions using a short and medium-term methodology with reasonable returns and perfectly measurable objectives addressing strategic challenges that permit the organization to differentiate itself.

Strategic innovation activity is focused on four pillars:

- Establishing Knowledge Centers worldwide on current trends that directly or indirectly affect the business;
- Deploying a Startup and Case Builder Radar to build bridges between the company and the entrepreneurial ecosystem;
- Management of a global innovation portfolio and the introduction of work methodologies aimed at making agility, flexibility and change the common denominator in project development;
- Launch of the intrapreneurship program MAPFRE innova, which is an open innovation participatory process for company employees.

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

Disruptive innovation focuses on:

- insur_space MAPFRE, an accelerator facilitating direct interaction with selected, relevant startups.
- Participation in investment vehicles that facilitate a broader grasp of disruptive innovation in insurtech, as well as positioning the company favorably to capitalize on same.
- Maintaining strong relationships with Universities and Business Schools is a proven way to attract talent to the organization and guarantee success in the future, and cooperation agreements with Universities and/or Business Schools that make it possible to recruit, develop and retain talent.

With the changes set in place in 2018 and the vision of consolidating this open innovation model in the coming years, the company is dealing adequately with the fundamental changes in the industry and the new realities in society in order to remain a leader in the markets in which it operates.

DIGITAL TRANSFORMATION

Under the Group Strategic Plan (2015-2018), digital transformation was an initiative to be used to respond flexibly to the new needs of clients.

MAPFRE made significant advances in its digital transformation over the course of 2018, launching more than 170 related projects. This effort has enabled significant achievements to be attained with respect to the digitalization of client relationships, (considering a client to be a consumer, distributor and internal client), as well as operations:

- Attracting and converting consumer clients has been improved with the introduction of new intelligent pricing engines in Brazil and Turkey, as well as through the ROPO (Research Online Purchase Offline) model. This was completed in 2018, with digital business having increased by more than 50 percent since 2015.
Self-direction has also been promoted for important products and manageable services via mobile platforms such as the Health app for MAPFRE ESPAÑA. And most important of all, client satisfaction has increased, as indicated by the improved NPS scores in the major markets.
- With distributor clients, we have continued to concentrate on providing them with mobility tools and making the 360° vision available to their clients. Corporate CRM has been recently implemented in Chile, El Salvador and Honduras.
- As far as service providers attending to clients after an incident go, more than 8 million such services were automatically assigned in 2018, a figure that can indeed be considered a success.
- Regarding internal clients and employees, the Digital Challenge was created, which is a corporate strategic initiative that fosters knowledge management, collaborative, flexible and agile work, promotes the use of agile methodologies, in that the transformation involves assimilating new technologies, but above all understanding that the key to success is people and their own transformation.

- Finally, strong progress was made with respect to digitalizing operations, with more than 10 million automated transactions carried out in 2018. Also, Big Data Analytics and Artificial Intelligence use cases were developed, such as improving predictive valuations for vehicle damages, thereby advancing operational improvements.

The Group's commitment for 2015 was to achieve an increase in digital transactions of 30 percent in Spain, Brazil, USA and Mexico in 2015-2018. In fact, real growth over the last three years was 56.8 percent, easily surpassing the commitment undertaken.

MAPFRE has adapted its strategies to new realities so it can continue to be one of the leading global insurers in the 21st century.

QUALITY

To evaluate the quality perceived by clients, the MAPFRE Quality Observatory applies a global client experience measurement model, and is responsible for carrying out all perceived and delivered quality measurements through client surveys in all countries where the company operates, covering lines of insurance and assistance services on a twice-yearly basis. This is done through the analysis of the Net Promoter Score (NPS) to evaluate client satisfaction and critical client contact points, and recommendations are drawn up regarding the main areas that could be improved.

The reports drawn up by the Quality Observatory provide data on the client experience, assisting with the decision-making process in the different business areas.

In 2018, the VI and VII waves of NPS relational measuring were performed on a representative sample of MAPFRE portfolios covering 81.7 percent of the total private Non-Life premium volume of the Group.

The Observatory also measures the client experience level of MAPFRE's chief competitors in each country/.

The objective set for the three-year period 2016-2018 of reaching a higher NPS for our clients vis a vis the average NPS of our competitors across 70 percent of premium volume was reached. Specifically, this higher NPS was achieved in 70.4 percent of Non-Life premiums measured.

MAPFRE dedicates 196 people, a considerable number of employees, to quality control and monitoring throughout the world, and several companies hold quality certifications. In order to renew these certifications, these companies must maintain the highest customer service standards.

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:

- Favoring trading liquidity and regularity in the purchase of MAPFRE shares.
- Allowing MAPFRE to access the securities it requires to meet 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.

Treasury stock transactions are always 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.

Treasury Stock was reduced in fiscal years 2018 and 2017 by a total amount of 2,079,216 and 3,988,894 shares respectively, representing 0.0675 percent and 0.1295 percent of equity, for an amount of 4,106.350.17 and 7,877,560.29 euros, respectively. As on December 31, 2018 and 2017, the total balance of treasury stock was 24,431,890 and 26,511,106, representing respectively 0.7934 percent and 0.8609 percent of equity, in the amount of 48,249,725.39 and 52,356,075.56 euros, respectively.

OTHER RELEVANT INFORMATION

THE MAPFRE SHARE

The table below shows the key information relating to MAPFRE shares at the end of Year 2018:

Number of shares outstanding	3,079,553,273 fully underwritten 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	– IBEX 35 – Stoxx Insurance – MSCI Spain – FTSE All-World Developed Europe – FTSE4Good ⁴ and FTSE4Good IBEX4 ⁴ – DJSI World ⁴
ISIN code	ES0124244E34

In 2018 MAPFRE S.A. shares traded for 257 days on the continuous market with a frequency index of 100 percent. According to data published by the Spanish Stock Exchanges and Markets (BME), an average of 5,515,638 shares were traded daily compared to 7,267,696 in 2017, a decrease of 24.1 percent. The effective average daily transactions was 14.6 million euros, compared to 21.5 million euros in the prior year, a decrease of 32.1%.

At the end of 2018, seven Spanish and international investment banks had "buy" recommendations for the company's shares, compared to three who held "hold" recommendations, while six had the stock on their "sell" lists.

VALUE AND RETURN

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

	1 YEAR	3 YEARS	5 YEARS*
MAPFRE	-13.4%	0.3%	-25.5%
Stoxx Insurance	-10.1%	-9.2%	13.6%
IBEX 35	-15.0%	-10.5%	-13.9%

⁴ Indexes that measure the outcome of a company's actions to uphold and support sustainable development and human rights.

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

	2018	2017	2016	2015	2014
EPS (euros)	0.17	0.23	0.25	0.23	0.27
INCREASE	-26.1%	-8.0%	8.7%	-14.8%	3.8%

Shareholder structure and remuneration

At the close of 2018, Fundación MAPFRE, through its direct and indirect holdings, owned 68.2 percent of the company's shares including treasury stock; Spanish shareholders owned 12 percent and shareholders of other countries owned the remaining 19.8 percent.

Of the Spanish shareholders, 4.3 percent were institutional investors and 7.7 percent were non-institutional investors (principally individuals). With regard to investors resident in other countries, 19.7 percent were institutional investors, while 0.1 percent were non-institutional investors.

The dividend policy establishes that shareholder remuneration must be linked to the Company's earnings, solvency, liquidity and investment plans, and also aligned with the interests of all its shareholders. Among the objectives set for the three-year period 2016-2018 was adequate shareholder remuneration.

In fiscal year 2018, the Board of Directors agreed to pay an interim dividend against the year's results of 0.06 euros per share. The total amount paid out in the year was 0.145 euros per share, giving a total remuneration of 446.5 million euros.

The final dividend for fiscal year 2018 to be proposed at the Annual General Meeting is a dividend of 0.085 euros per share (before tax). Therefore, the total dividend against 2018 results is 0.145 euros per share (before tax), indicating a payout ratio of 84.4 percent.

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

	2018	2017	2016	2015	2014
DIVIDEND (euros)	0.145	0.145	0.13	0.14	0.14
DIVIDEND YIELD	5.5%	4.9%	5.8%	4.9%	4.7%

It should also be mentioned that since the economic and financial crisis broke out in 2007, MAPFRE has increased the amount allocated to dividends by 78 percent.

CREDIT RATING MANAGEMENT

MAPFRE and its subsidiaries hold credit ratings from the main ratings agencies. These agencies are selected on the basis of their international presence, relevance for the insurance industry and capital markets, and their level of experience. To review the Group's credit risk profile, annual meetings are held at which each agency receives operating and financial information from the business units and the Group. A quantitative and qualitative analysis is conducted, taking into account the financial situation of the Group as well as other factors such as its strategy, corporate governance and market environment.

The principal rating agencies, Fitch, Standard & Poor's and Moody's, increased their credit rating of Spanish sovereign risk during the first half of 2018. These upgrades contributed to a revision of the ratings for the MAPFRE Group companies in Spain during this period.

The current status of credit ratings issued by the principal ratings agencies for entities headquartered in Spain is provided below, with positive revaluations during the year highlighted in green:

Standard & Poor's			
Company	Rating type	Rating	Outlook
MAPFRE S.A.	Issuer	BBB+	Positive
MAPFRE S.A.	Senior debt	BBB+	-
MAPFRE S.A.	Subordinated debt	BBB-	-
MAPFRE GLOBAL RISKS	Financial strength	A	Positive
MAPFRE RE	Financial strength	A	Positive

Fitch			
Company	Rating type	Rating	Outlook
MAPFRE S.A.	Issuer	A-	Stable
MAPFRE S.A.	Senior debt	BBB+	-
MAPFRE S.A.	Subordinated debt	BBB-	-
MAPFRE ESPAÑA	Financial strength	A+	Stable
MAPFRE VIDA	Financial strength	A+	Stable
MAPFRE GLOBAL RISKS	Financial strength	A+	Stable
MAPFRE RE	Financial strength	A+	Stable
MAPFRE ASISTENCIA	Financial strength	A+	Stable

On January 23, 2019, Fitch confirmed the credit rating of MAPFRE S.A. and raised the financial strength rating of MAPFRE ESPAÑA, MAPFRE VIDA, MAPFRE GLOBAL RISKS, MAPFRE RE and MAPFRE ASISTENCIA.

A.M. Best			
Company	Rating type	Rating	Outlook
MAPFRE RE	Financial strength	A	Stable
MAPFRE GLOBAL RISKS	Financial strength	A	Stable
MAPFRE ESPAÑA	Financial strength	A	Stable

Moody's			
Company	Rating type	Rating	Outlook
MAPFRE GLOBAL RISKS	Financial strength	A2	Stable
MAPFRE ASISTENCIA	Financial strength	A2	Stable

On November 23, 2018, Fitch revised the credit outlook upward for MAPFRE SEGUROS GENERALES DE COLOMBIA from “Negative” to “Stable” due to the improvement in technical business results supported by a strategy aimed at growth with profitability. Fitch also revised the outlook for MAPFRE COLOMBIA VIDA SEGUROS from “Stable” to “Negative”. The current status of the credit ratings issued to the major companies in the Group domiciled outside of Spain are as follows:

A.M. Best				
Company	Country	Rating type	Rating	Outlook
MAPFRE U.S.A. Group	United States	Financial strength	A	Stable
MAPFRE PRAICO	Puerto Rico	Financial strength	A	Stable
MAPFRE MÉXICO	Mexico	Financial strength	A	Stable

Fitch				
Company	Country	Rating type	Rating	Outlook
MAPFRE SIGORTA A.S.	Turkey	Financial strength	AA (tur)	Stable
MAPFRE SEGUROS GENERALES DE COLOMBIA S.A.	Colombia	Financial strength	AA (col)	Stable
MAPFRE COLOMBIA VIDA SEGUROS S.A.	Colombia	Financial strength	AA- (col)	Negative

ACTIVE TRANSPARENCY PLAN

Progress was made in 2018 in simplifying structure of the website to provide corporate information in a simpler and more comprehensible format for everybody with simpler language and a more flexible structure so as to bring the company closer to various shareholder groups.

Internally, digital meetings and chats were continued with live Q&A sessions bringing company plans and initiatives closer to all our employees. Meetings, discussions and interventions by directors were also rebroadcast live on the corporate Twitter profile in order to further raise awareness.

As part of its Transparency Plan, on its website mapfre.es MAPFRE published Product Information Documents (PID) for Non-Life insurance to provide necessary and essential insurance information in simple and transparent language, so as to make it easier to understand, in advance of the legal obligation to do so that forms part of the forthcoming Distribution Act.

The PIDs were prepared in line with the “Guide for Best Practices in Terminology Used in the Documentation of Non-Life Insurance Product Information” of UNESPA, to which MAPFRE is a signatory.

In the Life line, Key Investment Documents (KIDs) were prepared for insurance-based investment products (IBIPs) and retail packaged investment products as well as Product Information and Suitability Tests for IBIPs that meet the conditions of the UNESPA Best Practices Guide for savings life insurance.

Life and Non-Life Prior Information Notices have also been standardized so that clients can fully understand each of the modalities that are sold at any time and obtain what best meets their needs.

And lastly, all the precontractual documentation (PIDs and Prior Notes) are included in the document manager together with the General Conditions for the insurance. The Technical Area can already upload the documentation, making it easier to always keep it updated, and starting in January 2019 the documentation that is included in each document manager will automatically update the information displayed on the MAPFRE website. This will make it possible for clients to know how to access precontractual documentation by sending an SMS or email, which will also be recorded in the Database. Intermediaries and MAPFRE bancassurance partners can also access the document manager, which will provide updated documentation at any time for any situation.

The most important of the internal actions to be taken is the enlargement of the contents of the Intranet, which from this year is available in all countries where the Group is present (with the exception of Indonesia), so as to make subjects of interest to employees more visible and accessible, including, for example, job appointments, policies, company strategy, organizational and corporate changes, pertinent legislative changes, company results, recognitions attained, as well as matters affecting corporate reputation, to name but a few. All Intranet content is open for employees to comment on.

The year past also saw an expansion in the number of channels through which HR delivers information to employees, through the People app for instance, which allows employees to view multiple items of interest, answer surveys and receive notifications. There are also new spaces on the Intranet for each Group entity, and a new newsletter with information on the Digital Challenge strategic initiative. Also new on the Intranet is the “Organization and Appointments” section, which provides employees with relevant information on MAPFRE’s organizational structure, senior management and governing bodies.

Results of the surveys carried out and information on the actions and measures adopted in relation to same are also made available to the workforce. Three professional careers have been defined and published and work is ongoing to continue with the other careers and offer more information on them to all employees.

A tool that facilitates continuous evaluation was established and is in the process of being rolled out, which greatly aids employees in their development. The open and transparent nature of this tool is significant, in that workers can receive feedback on their action plans and performance, not just from their direct reports, but from the colleagues too.

Selection and internal mobility were also the focus of a strong push in 2018, with all employees having information on vacancies open available to them, with the facility of being able to apply directly for them. Status updates on the process are available, and where they are not selected for the job position, the reasons behind this are given.

A self-learning tool has been created, allowing employees to access all training content in the Corporate University and define their own development plans.

In order to best publicize the HR policies, a series of infographics were also created, explaining the Promotion, Selection and Mobility, Remuneration, Diversity and Equal Opportunities, Health and Well-being and Accident Prevention policies.

ECONOMIC CONTRIBUTION TO SOCIETY

Insurance activities generate direct economic value through the constant flow of transactions (premium payments, benefit payments, investment management, etc.), which have an effect on the different aspects related to the economic and social development of the environment in which the company operates.

Of the consolidated revenues of 26.6 billion euros (28.0 billion euros in 2017) generated during the fiscal year, MAPFRE made economic contributions to society in general via multiple payment types, which are detailed below.

Item	2018	2017	%18/17
Benefits paid ⁽¹⁾	17,083.6	16,457.5	3.80%
Payments to providers ⁽²⁾	5,588.5	6,346.5	-11.9%
Wages and salaries, and other ⁽³⁾	1,491.9	1,541.7	-3.2%
Activity subtotal	24,164.0	24,345.7	-0.8%
Dividends ⁽⁴⁾	863.1	1,019.5	-15.3%
Shareholders subtotal	863.1	1,019.5	-15.3%
Net income tax payment	529.3	497.8	6.3%
Social security	237.2	243.2	-2.5%
Public administrations subtotal	766.5	741.0	3.4%
Interest paid	57.3	67.9	-15.6%
Financing subtotal	57.3	67.9	-15.6%
Total	25,850.9	26,174.1	-1.2%

Figures in millions of euros

- (1) Benefits paid and related expenses of direct insurance and accepted reinsurance.
- (2) Includes payment of commissions and other activity services.
- (3) Salaries amounted to 1,257.8 million euros in 2018 (1,234.9 million euros in 2017).
- (4) Dividend payments made during the year.

Furthermore, in its capacity as an insurer, the company makes commitments to its insureds in exchange for the management of resources that are invested in assets, particularly financial assets.

The following table shows information about the company as an institutional investor at the close of the last two financial years.

Item	2018	2017	%17/16
FUNDS UNDER MANAGEMENT (THIRD-PARTY)⁽⁵⁾	37,747.6	39,004.9	-3.2%
TOTAL INVESTMENTS	43,977.0	44,691.2	-1.6%
Financial investments	41,246.0	42,003.2	-1.8%
Fixed income	36,517.5	36,961.0	-1.2%
- Issued by governments	27,595.9	27,388.4	0.8%
- Other fixed-income securities	8,921.6	9,572.6	-6.8%
Other financial investments	4,728.5	5,042.2	-6.2%
Real estate investments⁽⁶⁾	1,243.6	1,250.7	-0.6%
Other investments	1,487.4	1,437.3	3.5%

Figures in millions of euros

(5) Technical provisions for Life, pension funds, mutual funds and managed portfolios, before shadow accounting adjustments.

(6) Excluding real estate for own use.

PROVIDER PAYMENT TERMS

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

Item	Days	
	2018	2017
Average provider payment period	6.66	4.78
Ratio of paid operations	6.49	4.58
Ratio of operations pending payment	19.43	26.31

Item	Figures in millions of euros	
	2018	2017
Total payments made	1,693.75	1,602.55
Total pending payments exceeding the maximum statutory term	21.60	14.68

Other disclosures

Other non-financial Group information contained in the MAPFRE Integrated Report complements that include in this Consolidated Management Report and forms part of same, and complies with the requirements set down in Law 11/2018, of December 28.

CORPORATE GOVERNANCE REPORT

The company's Annual Corporate Governance Report, issued pursuant to the provisions of Article 49.4 of the Spanish Code of Commerce follows.

**ANNUAL REPORT ON THE CORPORATE GOVERNANCE OF
PUBLICLY TRADED COMPANIES**

ISSUER'S IDENTITY DATA

END DATE FOR THE FINANCIAL YEAR BENCHMARK 2018

TAX IDA-08055741

Corporate Name: MAPFRE S.A.

**Registered office: MAJADAHONDA (MADRID) CARRETERA DE POZUELO No.
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**ANNUAL REPORT ON THE CORPORATE GOVERNANCE OF PUBLICLY
TRADED COMPANIES**

A. OWNERSHIP STRUCTURE

A.1 Complete the following table on the company's share capital:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
07/01/2011	307,955,327.30	3,079,553,273	3,079,553,273

Observations

Indicate if there are different kinds of shares with different rights associated with them:

Yes No

Class	Number of shares	Denomination per unit	Number of voting rights	Rights and obligations conferred

Observations

A.2 State the direct and indirect holders of substantial holdings of the company at the close of the financial year, excluding directors:

Name or company name of the shareholder	% voting rights attributed to the shares		% voting rights through financial instruments		% total voting rights
	INSURANCE	Indirect	INSURANCE	Indirect	
FUNDACIÓN MAPFRE	0	67.71%	0	0	67.71%

Observations

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Detail of indirect participation:

Name or company name of the indirect holder	Name or company name of the direct holder	% voting rights attributed to the shares	% voting rights through financial instruments	% total voting rights
FUNDACIÓN MAPFRE	CARTERA MAPFRE , S.L. SOCIEDAD UNIPERSONAL	67.60%	0	67.60%
FUNDACIÓN MAPFRE	FUNDACIÓN CANARIA MAPFRE GUANARTEME	0.11%	0	0.11%

Observations

State any significant modifications in the shareholding structure that have occurred during the financial year:

Observations

A.3 Complete the following tables about the members of the Board of Directors of the company who have voting rights on company shares:

Name or company name of the director	% voting rights attributed to the shares		% voting rights through financial instruments		% total voting rights	% voting rights that can be transferred through financial instruments	
	INSURANCE	Indirect	INSURANCE	Indirect		INSURANCE	Indirect
MR. ANTONIO HUERTAS MEJÍAS	0.01	0.00	0.00	0.00	0.01	0.00	0.00
MR. IGNACIO BAEZA GÓMEZ	0.01	0.00	0.00	0.00	0.01	0.00	0.00
MS. CATALINA	0.00	0.00	0.00	0.00	0.00	0.00	0.00

MIÑARRO BRUGAROLAS							
Mr. JOSÉ MANUEL INCHAUSTI PÉREZ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR. JOSÉ ANTONIO COLOMER GUIU	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR. GEORG DASCHNER	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS. ANA ISABEL FERNÁNDEZ ÁLVAREZ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS. MARÍA LETICIA DE FREITAS COSTA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR. FRANCISCO JOSÉ MARCO ORENES	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR. FERNANDO MATA VERDEJO	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR. ANTONIO MIGUEL- ROMERO DE OLANO	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS. PILAR PERALES VISCASILLAS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR. ALFONSO REBUELTA BADÍAS	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Total % of voting rights held by the Board of Directors	0.02
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Observations

Detail of indirect participation:

Name or company name of the director	Name or company name of the direct holder	% voting rights attributed to the shares	% voting rights through financial instruments	% total voting rights	% voting rights that can be transferred through financial instruments

Observations

- A.4 Where applicable, list any family, commercial, contractual or corporate relationships between holders of significant shareholdings, insofar as the company is aware of them, unless they are of little relevance or due to ordinary commercial traffic and exchange, excluding those reported in section A.6:

Related name or company name	Type of Relationship	Brief description

- A.5 Where applicable, list any family, commercial, contractual or corporate relationships between holders of significant shareholdings, and the company and/or its group, unless they are of little relevance or due to ordinary commercial traffic and exchange:

Related name or company name	Type of Relationship	Brief description

- A.6 Describe the relationships, unless they are barely relevant for both parties, that exist between the significant shareholders or those represented on the board and the directors, or their representatives, in the case of legal company administrators.

Explain, as the case may be, how significant shareholders are represented. Specifically, those directors who have been appointed on behalf of significant shareholders, those whose appointment would have been promoted by significant shareholders, or who are linked to significant shareholders and/or companies of their group, explaining the nature of such relationships, shall be

indicated. Notably, where appropriate, the existence, identity and position of board members, or representatives of directors, of the listed company, who are, in turn, members of the administrative body, or their representatives, in companies that hold significant participations of the listed company or in entities of the group of said significant shareholders shall be indicated.

Name or company name of the related director or representative	Name or company name of the affiliated significant shareholder	Company name of the significant shareholder group	Description relationship/position
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	CARTERA MAPFRE , S.L.	CARTERA MAPFRE , S.L.	Appointed director as proposed by the significant shareholder
MR. ANTONIO MIGUEL-ROMERO DE OLANO	CARTERA MAPFRE , S.L.	CARTERA MAPFRE , S.L.	Appointed director as proposed by the significant shareholder
MR. ALFONSO REBUELTA BADÍAS	CARTERA MAPFRE , S.L.	CARTERA MAPFRE , S.L.	Appointed director as proposed by the significant shareholder
MR. ANTONIO HUERTAS MEJÍAS	CARTERA MAPFRE , S.L.	CARTERA MAPFRE , S.L.	Chairman of the Board of Directors of CARTERA MAPFRE, S.L. UNIPERSONAL
MR. IGNACIO BAEZA GÓMEZ	CARTERA MAPFRE , S.L.	CARTERA MAPFRE , S.L.	Director of CARTERA MAPFRE, S.L. UNIPERSONAL
Mr. JOSÉ MANUEL INCHAUSTI PÉREZ	CARTERA MAPFRE , S.L.	CARTERA MAPFRE , S.L.	Director of CARTERA MAPFRE, S.L. UNIPERSONAL
MR. FERNANDO MATA VERDEJO	CARTERA MAPFRE , S.L.	CARTERA MAPFRE , S.L.	Director of CARTERA MAPFRE, S.L. UNIPERSONAL

A.7 Indicate if any shareholder agreements have been disclosed to the company that affect it under art. 530 and 531 of the Companies Act. Where applicable, briefly describe them and list the shareholders bound by such agreement:

Yes No

Parties to the shareholders agreement	% of share capital affected	Brief description of the agreement	Expiration date of the agreement, if any

Observations

Indicate whether the company knows of the existence of concerted actions among its shareholders. If so, describe them briefly:

Yes No

Participants in concerted action	% of share capital affected	Brief description of the concerted action	Expiration date of the agreement, if any

Observations

If there have been any modifications or terminations of said pacts or agreements or concerted actions during the financial year, indicate this expressly.

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A.8 Indicate whether any person or organization exercises or may exercise control over the company pursuant to article 5 of the Securities Market Act. If so, identify them:

Yes No

Name or company name
FUNDACIÓN MAPFRE

Observations

A.9 Complete the following tables regarding the company's treasury stock:

As at the closing date of the financial year:

Number of direct shares	Number of indirect shares (*)	% on social capital

24,431,890	0	0.79
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Observations

Through:

Name or company name of the direct holder of the shares	Number of direct shares
TOTAL	

Observations

Explain the significant variations during the financial year:

Explain significant changes
Sale on the market of 2,079,216 shares.

A.10 Describe the terms and conditions of the current General Meeting authorization to the Board of Directors to issue, buy back or transfer treasury stock.

<p>The Board of Directors is currently authorized by the shareholders at the General Meeting to increase the company's share capital once or several times by up to a maximum of €153,977,663.65, equivalent to 50 percent of the share capital. The duration of the authorization is five years calculated from the date of the resolution, passed on March 9, 2018.</p> <p>The Board of Directors is currently authorized by the shareholders at the General Meeting to allow the company to proceed, directly or through subsidiaries, to the derivative acquisition of treasury stock, subject to the following limits and requirements:</p> <ol style="list-style-type: none"> a) Schemes: Acquisition by sale or by any other transaction inter vivos for good and valuable consideration, of shares free of any liens or encumbrances. b) Maximum number of shares to be acquired: Shares whose face value, added to the face value of the shares already owned by the company and its subsidiaries, does not exceed 10 percent of the share capital of MAPFRE S.A. c) Minimum and maximum purchase price: 90% and 110%, respectively, of their market value on the date of acquisition. d) Duration of the authorization: Five years calculated from the date of the resolution, passed on March 11, 2016. The shares purchased may be fully or partially used: (i) for disposal or amortization, (ii) delivery to workers, employees or administrators of the company or its group whenever there is a

recognized right to do so directly or as a result of exercising call option rights held thereby as provided for in the last paragraph of article 146, section 1, letter a) of the Recast Text of the Companies Act, and (iii) reinvestment plans involving dividends or similar instruments.

A.11 Estimated floating capital:

	%
Estimated floating capital	31.48

Observations

A.12 Indicate whether there are any restrictions (statutory, legal or otherwise) on the transfer of securities and/or any restriction on the right to vote. Particularly, the existence of any type of restrictions that may make it difficult to take control of the company through the acquisition of its shares in the market shall be communicated, as well as those authorization or prior notice systems that, over the acquisitions or transfers of financial instruments of the company, are applicable by sectoral regulations.

Yes No

Description of restrictions

A.13 Indicate whether the General Meeting has approved measures to counteract a public acquisition bid, pursuant to Law 6/2007.

Yes No

If so, explain the measures approved and the terms and conditions under which the restrictions would become inefficient:

Explain the measures approved and the terms and conditions under which the inefficient shall take place:

A.14 Indicate whether the company has issued securities that are not traded on a regulated EU market.

Yes No

If so, indicate the different kinds of shares and, for each kind of shares, the rights and obligations conferred.

Indicate the different types of shares

B. General Meeting

B.1 Indicate and, where applicable, give details, about whether there are any differences from the minimum standards established under the Companies Act with respect to the quorum and constitution of the General Meeting.

Yes No

	% of quorum different from quorum in art. 193 of the SCA for general cases	% of quorum different from quorum in art. 194 of the SCA for the special cases cited in art. 194
Quorum required on first summons		
Quorum required on second summon		

Description of differences

B.2 Indicate, and where applicable give details, whether there are any differences from the minimum standards established under the Companies Act with respect to the adoption of corporate resolutions:

Yes No

Describe any differences from the guidelines established under the Companies Act.

	Reinforced majority different from that established in art. 201.2 of the Companies Act for the cases cited in art. 194.1 of the Companies Act	Other cases of reinforced majority
% established by the company for adopting agreements	0.00	50.01

Describe the differences
<p>Article 201 of the Companies Act establishes that in order to adopt the resolutions referred to in article 194, if capital present or represented exceeds 50 percent, the absolute majority vote will be sufficient to pass the resolution. However, when, at the first call to the meeting, shareholders present or represented at the meeting own more than 25 percent but less than 50 percent of subscribed capital carrying voting rights, the favorable vote by shareholders representing two-thirds of capital present or represented is required to pass the resolution.</p> <p>At the second call, a minimum of 25 percent of capital is required.</p> <p>Pursuant to the provisions of article 26 of the Corporate Bylaws, the amendment of the provisions of Title IV "Protection of the Company's General Interest; (articles 26 to 29) can only be amended by a resolution approved with the votes in favor of more than 50 percent of the share capital at the Extraordinary General Meeting specifically called for this purpose.</p>

B.3 Indicate the rules applicable to amendment of the company's bylaws. In particular, indicate the majorities established for the amendment of the articles of association, as well as, where applicable, the rules established for protection of the shareholders' rights in the amendment of the articles of association.

<p>There are no particularities other than those established in the legislation in force for amendment of the company's bylaws, except for the amendment of articles 26 to 29 (Title IV- Protection of the Company's General Interest). As stated in the previous paragraph B.2, a resolution adopted with the favorable vote of more than 50 percent of share capital at the Extraordinary General Meeting called for that purpose is necessary.</p>

B.4 Give attendance data on the General Meetings held during the financial year to which this report refers and those from the two previous financial years:

Attendance data					
Date of general meeting	% physically present	attending by proxy	% voting remotely		TOTAL
			E-voting	Others	
3/9/2018	68.73	13.10	0.00	0.24	82.31
3/10/2017	68.88	13.42	0.00	0.90	83.20
3/11/2016	68.66	13.41	0.00	0.69	82.76
Of which floating capital:					
3/9/2018	14.60%				
3/10/2017	15.47%				
3/11/2016	14.23%				

Observations

B.5 Indicate whether at the general meetings held during the financial year there has been any item on the agenda that, for whatever reason, has not been approved by the shareholders.

Yes No

Items on the Agenda that have not been approved	% vote against(*)

(*) If the non-approval of the item is due to other than the vote against, it shall be explained in the text and the "% vote against" columns shall indicate "n/a".

B.6 Indicate if there are any statutory restrictions that establish a minimum number of shares required to attend the general meeting, or to vote remotely:

Yes No

Number of shares necessary to attend the General Meeting	1,000
Number of shares required to vote remotely	1

Observations

B.7 Indicate whether it has been established that certain decisions, other than those established by law, involving an acquisition, transfer, contribution to another company of essential assets or other similar corporate operations, must be submitted for approval by the general meeting of shareholders.

Yes No

Explanation of the decisions that must be submitted to the board, other than those established by law

B.8 Indicate the address and method of access to the company's website, to the information on corporate governance and other information on General Meetings that must be available to shareholders through the company's website.

Access is as follows: www.mapfre.com Shareholders and investors" section.
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C. GOVERNANCE STRUCTURE OF THE COMPANY

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors foreseen in the bylaws and the number set out by the general meeting:

Maximum number of directors	20
Minimum number of directors	5
Number of directors set by the general meeting	15

Observations

C.1.2 Complete the following table on the board members:

Name or company name of the director	Representative	Category of the director	Position on the Board	Date of first appointment	Date of last appointment	Election procedure	Date of birth.
MR. ANTONIO HUERTAS MEJÍAS		EXECUTIVE	CHAIRMAN AND CEO	12/29/2006	3/9/2018	ANNUAL GENERAL MEETING RESOLUTION	1/18/1964
MR. IGNACIO BAEZA GÓMEZ		EXECUTIVE	FIRST VICE CHAIRMAN	3/8/2008	3/11/2016	ANNUAL GENERAL MEETING RESOLUTION	1/20/1962
MS. CATALINA MIÑARRO BRUGAROLAS		INDEPENDENT	SECOND VICE CHAIRWOMAN	10/30/2013	3/9/2018	ANNUAL GENERAL MEETING RESOLUTION	3/6/1963
Mr. JOSÉ MANUEL INCHAUSTI PÉREZ		EXECUTIVE	THIRD VICE CHAIRMAN	7/18/2018	7/18/2018	CO-OPTING	9/22/1964
MR. JOSÉ ANTONIO COLOMER GUIU		INDEPENDENT	DIRECTOR	2/9/2016	3/11/2016	ANNUAL GENERAL MEETING RESOLUTION	10/17/1952
MR. GEORG DASCHNER		INDEPENDENT	DIRECTOR	2/10/2015	3/13/2015	ANNUAL GENERAL MEETING RESOLUTION	8/18/1949

MS. ANA ISABEL FERNÁNDEZ ÁLVAREZ		INDEPENDENT	DIRECTOR	7/26/2016	3/10/2017	ANNUAL GENERAL MEETING RESOLUTION	2/13/1959
MS. MARÍA LETICIA DE FREITAS COSTA		INDEPENDENT	DIRECTOR	7/23/2015	3/11/2016	ANNUAL GENERAL MEETING RESOLUTION	3/27/1960
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ		NOMINEE	DIRECTOR	4/17/1999	3/13/2015	ANNUAL GENERAL MEETING RESOLUTION	7/4/1952
MR. FRANCISCO JOSÉ MARCO ORENES		EXECUTIVE	DIRECTOR	3/10/2017	3/10/2017	ANNUAL GENERAL MEETING RESOLUTION	11/25/1957
MR. FERNANDO MATA VERDEJO		EXECUTIVE	DIRECTOR	1/1/2017	3/10/2017	ANNUAL GENERAL MEETING RESOLUTION	3/21/1961
MR. ANTONIO MIGUEL-ROMERO DE OLANO		NOMINEE	DIRECTOR	4/17/1999	3/13/2015	ANNUAL GENERAL MEETING RESOLUTION	7/9/1955
MS. PILAR PERALES VISCASILLAS		INDEPENDENT	DIRECTOR	1/1/2018	3/9/2018	ANNUAL GENERAL MEETING RESOLUTION	8/16/1968
MR. ALFONSO REBUELTA BADÍAS		NOMINEE	DIRECTOR	4/17/1999	3/13/2015	ANNUAL GENERAL MEETING RESOLUTION	1/12/1953

Total number of directors	14
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Indicate the changes that, whether due to resignation, dismissal or for any other reason, have taken place in the board of directors during the informed period:

Name or company name of the director	Category of the director on cessation	Date of last appointment	Termination date	Specialized committee of which he/she was a member	Indicate whether the change occurred before
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					the end of the mandate
MR. ANTONIO NÚÑEZ TOVAR	EXECUTIVE	3/13/2015	7/18/2018	Steering Committee	Yes
MR. RAFAEL MÁRQUEZ OSORIO	NOMINEE	3/14/2014	12/29/2018	Steering Committee Audit and Compliance Committee Risk Committee	NO

Causes of the change and other observations
<p>Mr. Antonio Núñez Tovar stood down from the Board of Directors when he retired.</p> <p>Mr. Rafael Márquez Osorio resigns from his roles to since he has fulfill the maximum period foreseen in the Regulations of the Board of Directors of the company on December 29, 2018.</p> <p>Both Mr. Núñez Tovar and Mr. Márquez Osorio explained the reasons for their resignation through letters addressed to all the members of the Board of Directors.</p>

C.1.3 Complete the following tables on the Board members and their different kinds of directorship:

Executive directors

Name or company name of the director:	Position within company organization	Profile:
MR. ANTONIO HUERTAS MEJÍAS	CHAIRMAN AND CEO	Holds a law degree from the University of Salamanca. Has occupied, among others, the positions of Chairman and CEO of MAPFRE FLORIDA and MAPFRE PUERTO RICO, General Manager of MAPFRE MUTUALIDAD, Chairman of MAPFRE FAMILIAR and Third Vice Chairman of MAPFRE. For more information on the current positions please see sections A.6, C.1.10 and C.2.1.
MR. IGNACIO BAEZA GÓMEZ	FIRST VICE CHAIRMAN	Degree in Economics from the Complutense University of Madrid. He has spent a large part of his professional career at MAPFRE, holding several senior executive positions since he joined the company 1996. CEO of the global risks business unit since 2017. For more information on the current positions please see sections A.6, C.1.10 and C.2.1.

Mr. JOSÉ MANUEL INCHAUSTI PÉREZ	THIRD VICE CHAIRMAN	Law Degree by the Complutense University of Madrid and Senior Management Program by IESE. He has spent a large part of his professional career at MAPFRE, holding several senior executive positions since he joined the company. CEO of the IBERIA Territorial Area since 2015). For more information on the current positions please see sections A.6 and C.1.10.
MR. FRANCISCO JOSÉ MARCO ORENES	DIRECTOR	He has a degree in Medicine and Surgery from the University of Murcia, he is a specialist in Geriatrics from the University of Murcia and in Nutrition from the University of Granada and he has a Masters Degree in Company Administration from the IDAE. He has also been Chairman of the UNESPA Automobile Insurance Commission (2009-2014) and Chairman of the Spanish Chamber of Commerce in Peru. He is the General Manager of the Business Support Corporate Area since 2015. For more information on the current positions please see sections C.1.10.
MR. FERNANDO MATA VERDEJO	DIRECTOR	Degree in Economics from the Complutense University of Madrid. He has developed most of his professional career with MAPFRE, where he has held the positions of Internal Audit Manager for MAPFRE AMÉRICA, Financial Manager for MAPFRE PRAICO (Puerto Rico), Financial Manager for MAPFRE FAMILIAR, General Manager for the Corporate Strategy and Development Area and General Manager for the MAPFRE Risk Management Function. He is the General Manager of the Corporate Finance Area since 2017. For more information on the current positions please see sections A.6 and C.1.10.

Total number of executive directors	5
% of total board	35.71

Observations

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Independent external directors

Name or company name of the director:	Name or company name of the substantial shareholder represented or proposing his/her appointment	Profile:
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	CARTERA MAPFRE , S.L. SOCIEDAD UNIPERSONAL	Law Degree from the Complutense University of Madrid, official agent of industrial and intellectual property in Spain and European patent agent. Member of the Board of Directors of Elzaburu, S.L.P. until 2016 and is a member of the International Association for the Protection of Industrial Property. For more information on the current positions please see sections A.6, C.1.10 and C.2.1.
MR. ANTONIO MIGUEL-ROMERO DE OLANO	CARTERA MAPFRE , S.L. SOCIEDAD UNIPERSONAL	Agricultural Engineer from the Polytechnic University of Madrid and Master's in Business Administration (MBA) at Madrid's Instituto de Empresa. Since 1986 and until 2005 he held the position of deputy risk manager at FIAT Financiera. For more information on the current positions please see sections A.6, C.1.10 and C.2.1.
MR. ALFONSO REBUELTA BADÍAS	CARTERA MAPFRE , S.L. SOCIEDAD UNIPERSONAL	Degree in Business Sciences from the Pontificia Comillas University and Master's in Business Administration (MBA) from the University of Columbia (New York). He was Vice Chairman for JP Morgan, Vice Chairman of Citibank until 1991, partner at Heidrick & Struggles and consultant partner at Asset Executive. He is a partner at Signium International since 2004. For more information on the current positions please see sections A.6, C.1.10 and C.2.1.

Total number of nominee directors	3
% of total board	21.43

Observations

Independent external directors

Name or company name of the director:	Profile:
MS. CATALINA MIÑARRO BRUGAROLAS	DEGREE IN LAW. STATE ATTORNEY ON LEAVE OF ABSENCE.
MR. JOSÉ ANTONIO COLOMER GUIU	BUSINESS ADMINISTRATION DEGREE FROM THE SCHOOL OF BUSINESS MANAGEMENT AND ADMINISTRATION - BARCELONA. Chairman of the Board of Directors of Adopem, S.A. and Director at GO FRUSELVA, S.A.
MR. GEORG DASCHNER	Professional career at Munich RE (1965-2014), Chairman of Munchenr Venezuela (1983-1988), member of the management board of the Munich RE Group, in charge of the Europe and Latin America business area (2003-2014).
MS. ANA ISABEL FERNÁNDEZ ÁLVAREZ	DEGREE AND DOCTORATE IN ECONOMICS AND BUSINESS FROM THE UNIVERSITY OF OVIEDO. Member of the Board of Directors of BME Bolsas y Mercados Españoles, S.A., member of the corporate reporting consultative committee of the European Securities Authority and member of the Board of Directors of the Princesa de Asturias Foundation and the Banco de Sabadell Foundation. Professor of financial economics at the University of Oviedo and professor of finance at CUNEF.
MS. MARÍA LETICIA DE FREITAS COSTA	Degree in Product Engineering and Master's Degree in Business Administration (MBA). Manager of the Inspec Center for Strategic Research and a partner at Prada Assessoria.
MS. PILAR PERALES VISCASILLAS	Law degree by the Autonomous University of Madrid and PhD in law by the Carlos III University of Madrid. Professor of commercial law at the Carlos III University of Madrid.

Total number of independent directors	6
% of total board	42.86

Observations

Indicate whether any director classified as independent receives from the company, or from its Group, any amount or earning for an item other than the director's remuneration, or maintains or has maintained during last financial year a business relationship with the company or with any company from its Group, whether on his behalf or as a significant shareholder, director or senior

management member of a company that maintains or has maintained such a relationship.

No director classified as independent receives, from the company or the Group, any amount or benefit for an item other than director's remuneration.
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If so, include a reasoned statement from the Board on the reasons why it considers that this director may perform his functions as an independent director.

Name or company name of the director:	Relationship description	Reasoned statement

OTHER EXTERNAL DIRECTORS

Identify other external directors and explain in detail the reasons for which they cannot be considered nominee or independent directors, as well as their affiliations with the company, its management or its shareholders:

Name or company name of the director	Reasons	Company, executive or shareholder with whom holds the affiliation	Profile:

Total number of external directors	
% of total board	

Observations

Indicate any changes that may have occurred during the period in the type of category for each director:

Name or company name of the director	Date of change	Previous category	Current category

Observations

C.1.4 Complete the following table with information relating to the number of female directors during the closing of the last four financial years, as well as the category of these female directors:

	Number of directors				% of the total of each type of director			
	year 2018	year 2017	year 2016	year 2015	year 2018	year 2017	year 2016	year 2015
Executives	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Nominee	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Independent	4	4	4	3	66.67%	66.67%	57.14%	42.86%
Other external	0	0	0	0	0.00%	0.00%	0.00%	0.00%
TOTAL	4	4	4	3	28.57%	26.67%	23.53%	16.67%

Observations

C.1.5 Indicate whether the company has diversity policies regarding the Board of Directors with regard to issues such as age, gender, disability, or professional training and experience. Small and medium-sized companies, in accordance with the definition established in the Account Audit Law, shall have to inform, at least, of the policy they have established regarding gender diversity.

Yes No

If yes, please describe such diversity policies, their objectives, the measures and the way in which they have been implemented and their results in the financial year. The specific measures adopted by the Board of Directors and the Appointments and Remuneration Committee should also be indicated in order to achieve a balanced and diverse presence of directors.

Should the company not apply a diversity policy, please explain the reasons why.

Description of the policies, objectives, measures and manner in which they have been applied, as well as the results obtained

The Institutional, Business and Organizational Principles of the MAPFRE Group, approved by the Board of Directors of MAPFRE on June 24, 2015, expressly provide that the Board of Directors of MAPFRE shall develop a plan for filling vacancies to ensure the suitability of applicants thereto, based on their skills and professional and geographical origins, as well as a sufficient presence of members of both genders. As on December 31, 2018, this body consisted of 14 members who, as a whole, possess knowledge, qualifications and experience in relation to the following matters: insurance and financial markets, business strategies and business models, governance systems, financial and actuarial analyses and regulatory frameworks.

Similarly, it is established that the competent bodies of Group companies will ensure that, when vacancies arise, equal opportunities are guaranteed for candidates regardless of their gender, and they must seek to achieve an effective presence of directors of both genders.

Furthermore, the Director Selection Policy expressly establishes that, during the selection process, any kind of implicit biases will always be avoided, which may involve discrimination and, in particular, biases that interfere with the selection of persons of either gender. It also includes the commitment to ensure that in the year 2020 the number of female directors shall represent at least 30 percent of the total of members of the Board of Directors.

As on December 31, 2018, the number of female directors represented 28.57 percent of the total number of Board members. The majority participate in the specific committees of the Board and/or have a key role: i) Ms. Catalina Miñarro Brugarolas is the 2nd Vice Chairman of the Board of Directors and the Steering Committee, Chair of the Appointments and Remuneration Committee and independent Lead Director; ii) Ms. Ana Isabel Fernández Álvarez is a member of the Audit and Compliance Committee and the Risk Committee; and iii) Ms. María del Pilar Perales Viscasillas is a member of the Audit and Compliance Committee.

In addition, geographical and cultural diversity is also present on the Board, since three different nationalities are represented in it: Spanish, Brazilian and German.

C.1.6 Explain the measures which, where applicable, the Appointments Committee has agreed so that the procedure for filling Board vacancies has no implicit bias against women candidates, and the company makes a conscious effort to include women with the target profile among the candidates for Board seats and which allows to reach a balanced presence between men and women:

Explanation of the measures

The Appointments and Remuneration Committee must ensure that during the candidate selection process any kind of implicit biases are always avoided, which may involve discrimination and, in particular, those biases that interfere with the selection of persons of either gender.

In 2015 the Appointments and Remuneration Committee approved a renewal plan for the Board of Directors establishing the steps to follow in the period 2015-2020 to adapt the structure of the Board of Directors to the new legal requirements and recommendations contained in the Code of Good Governance of the National Securities and Exchange Commission.

When, in spite of the measures which, where applicable, have been adopted, there are few or no female directors, explain the reasons that justify this.

Explanation of the reasons

Not applicable

C.1.7 Explain the conclusions of the Appointments Committee on the verification of compliance with the director selection policy. In

particular, explain how this policy is promoting the objective that by 2020 the number of female directors represents at least 30 percent of the total of members of the Board of Directors.

MAPFRE's Director Selection Policy aims to ensure that the proposals for nomination and re-election of directors are based on a preliminary analysis of the Board of Directors needs, and to promote a diversity of knowledge, experiences and gender on the Board. It expressly sets out the commitment to ensure that in the year 2020 the number of female directors shall represent at least 30 percent of the total of members of the Board of Directors.

In addition, as indicated in the above section C.1.6, the Appointments and Remuneration Committee approved a renewal plan for the Board of Directors with specific measures to promote the objective that by 2020 the number of female directors represents at least 30 percent of the total of members of the Board of Directors. As of the closing date, the Company is close to reaching the objective of thirty percent, since currently the percentage stands at 26.67 percent.

The Appointments and Remuneration Committee considers that the company adequately complied with the Director Selection Policy during 2018. Specifically, the proposals for the appointment of Mr. José Manuel Inchausti Pérez and Mr. Antonio Gómez Ciria (director with effect from January 1, 2019) and the re-election of Mr. Antonio Huertas Mejías, Ms. Catalina Miñarro Brugarolas and Ms. Maria del Pilar Perales Viscasillas, have been carried out in accordance with the Selection of Directors Policy.

C.1.8 Explain, where applicable, the reasons why nominee directors have been appointed at the behest of shareholders whose shareholding is less than 3 percent of the capital:

Name or company name of the shareholder	Justification

Indicate whether formal petitions for a seat on the Board have been ignored from shareholders whose holding is equal to or higher than others at whose behest nominee directors were appointed. Where applicable, explain why these petitions have been ignored:

Yes No

Name or company name of the shareholder	Explanation

C.1.9 Indicate, if any, the powers delegated by the Board of Directors on directors or committees of the Board:

Name or company name of the director or committee	Brief description
Steering Committee	The Steering Committee is the delegate body of the Board of Directors, responsible for the senior management and permanent oversight of the strategic and operational aspects of the Company's and its subsidiaries ordinary business affairs. It also makes any decisions necessary to operate properly. It has the general capacity of decision and has been expressly delegated all the powers that correspond to the Board of Directors, except for those that may not be delegated by law, by the Corporate Bylaws or in the

	Regulations of the Board of Directors. It may delegate to any of its members the necessary powers for the final adoption of decisions previously discussed by the Committee, and for the implementation of the agreements it adopts.
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C.1.10 Identify, where applicable, any members of the Board holding posts as directors, representatives of directors or managers in other companies that are part of the listed company of the group:

Name or company name of the director	Company name of the Group company	Position	Do they have executive functions?
MR. ANTONIO HUERTAS MEJÍAS	MAPFRE INTERNACIONAL , S.A.	CHAIRMAN AND CEO	NO
MR. IGNACIO BAEZA GÓMEZ	MAPFRE ASISTENCIA, COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS, S.A.	CHAIRMAN	NO
MR. IGNACIO BAEZA GÓMEZ	MAPFRE GLOBAL RISKS, COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS, S.A.	CHAIRMAN	YES
MR. IGNACIO BAEZA GÓMEZ	MAPFRE INTERNACIONAL , S.A.	DIRECTOR	NO
MS. CATALINA MIÑARRO BRUGAROLAS	MAPFRE ESPAÑA, COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR	NO
MS. CATALINA MIÑARRO BRUGAROLAS	MAPFRE VIDA DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA	DIRECTOR	NO
MS. CATALINA MIÑARRO BRUGAROLAS	MAPFRE INTERNACIONAL , S.A.	DIRECTOR	NO
Mr. JOSÉ MANUEL INCHAUSTI PÉREZ	MAPFRE ESPAÑA, COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	VICE CHAIRMAN	YES
Mr. JOSÉ MANUEL INCHAUSTI PÉREZ	MAPFRE VIDA DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA	DIRECTOR	NO
Mr. JOSÉ MANUEL INCHAUSTI PÉREZ	MAPFRE GLOBAL RISKS, COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR	NO

Mr. JOSÉ MANUEL INCHAUSTI PÉREZ	MAPFRE RE, COMPAÑÍA DE REASEGUROS, S.A.	DIRECTOR	NO
Mr. JOSÉ MANUEL INCHAUSTI PÉREZ	MAPFRE SEGUROS GERAIS	DIRECTOR	NO
Mr. JOSÉ MANUEL INCHAUSTI PÉREZ	VERTI ASEGURADORA	ADMINISTRATOR	NO
MR. JOSÉ ANTONIO COLOMER GUIU	MAPFRE ESPAÑA, COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR	NO
MR. JOSÉ ANTONIO COLOMER GUIU	MAPFRE VIDA DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA	DIRECTOR	NO
MR. GEORG DASCHNER	VERTI VERSICHERUNG A.G.	DIRECTOR	NO
MS. ANA ISABEL FERNÁNDEZ ÁLVAREZ	MAPFRE GLOBAL RISKS, COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR	NO
MS. ANA ISABEL FERNÁNDEZ ÁLVAREZ	MAPFRE RE, COMPAÑÍA DE REASEGUROS, S.A.	DIRECTOR	NO
MS. MARÍA LETICIA DE FREITAS COSTA	BB MAPFRE SH1 PARTICIPAÇÕES S.A.	DIRECTOR	NO
MS. MARÍA LETICIA DE FREITAS COSTA	BB MAPFRE SH2 PARTICIPAÇÕES, S.A.	DIRECTOR	NO
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	MAPFRE INTERNACIONAL, S.A.	DIRECTOR	NO
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	MAPFRE ESPAÑA, COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	SECOND VICE CHAIRMAN	NO
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	MAPFRE VIDA DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA	SECOND VICE CHAIRMAN	NO
MR. FRANCISCO JOSÉ MARCO ORENES	MAPFRE INTERNACIONAL, S.A.	DIRECTOR	NO
MR. FRANCISCO JOSÉ MARCO ORENES	FUNESPAÑA, S.A.	EXECUTIVE	NO
MR. FERNANDO MATA VERDEJO	MAPFRE INTERNACIONAL, S.A.	DIRECTOR	NO

MR. FERNANDO MATA VERDEJO	MAPFRE ESPAÑA, COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR	NO
MR. FERNANDO MATA VERDEJO	MAPFRE VIDA DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA	DIRECTOR	NO
MR. ANTONIO MIGUEL-ROMERO DE OLANO	MAPFRE ASISTENCIA, COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR	NO
MR. ANTONIO MIGUEL-ROMERO DE OLANO	MAPFRE ESPAÑA, COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR	NO
MR. ANTONIO MIGUEL-ROMERO DE OLANO	MAPFRE VIDA DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA	DIRECTOR	NO
MS. MARÍA DEL PILAR PERALES VISCASILLAS	MAPFRE ASISTENCIA, COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS, S.A.	VICE CHAIRMAN	NO
MS. MARÍA DEL PILAR PERALES VISCASILLAS	MAPFRE GLOBAL RISKS, COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR	NO
MR. ALFONSO REBUELTA BADÍAS	MAPFRE GLOBAL RISKS, COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS, S.A.	VICE CHAIRMAN	NO
MR. ALFONSO REBUELTA BADÍAS	MAPFRE INTERNACIONAL, S.A.	DIRECTOR	NO

Observations

C.1.11 Detail, where appropriate, the directors or representatives of legal persons of their company, who are members of the Board of Directors or representatives of legal persons of other companies listed on official securities markets other than their group, which have been notified to the company:

Name or company name of the director:	Company name of the listed company	Position/
MS. CATALINA MIÑARRO BRUGAROLAS	ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.	DIRECTOR
MS. ANA ISABEL FERNÁNDEZ ÁLVAREZ	BOLSAS Y MERCADOS ESPAÑOLES, SOCIEDAD HOLDING DE MERCADOS Y SISTEMAS FINANCIEROS, S.A.	DIRECTOR

Observations

C.1.12 Indicate and, if applicable, explain if the company has established rules on the maximum number of boards of companies in which its directors can be part, identifying, where appropriate, where it is regulated:

Yes No

Explanation of the rules and identification of the document where it is regulated
According to article 4 of the MAPFRE Regulation of the Board of Directors, no director can simultaneously be a member of more than five Boards of Directors of companies that do not form part of the Group, except for personal or family companies.

C.1.13 Indicate the amounts of the items related to the overall remuneration of the following board of directors:

Remuneration accrued in the financial year in favor of the Board of Directors (thousands of euros)	15,669
Amount corresponding to the rights accumulated by current directors regarding pensions (thousands of euros)	26,848
Amount corresponding to the rights accumulated by former directors regarding pensions (thousands of euros)	0

Observations

C.1.14 Identify the senior management members who are not also executive directors, and indicate the total remuneration accrued by them during the financial year:

Name or company name	Position
MR. JOSÉ MANUEL CORRAL VÁZQUEZ	GROUP CHIEF BUSINESS AND CLIENTS OFFICER
MR. ÁNGEL LUIS DÁVILA BERMEJO	GENERAL COUNSEL – GENERAL MANAGER OF LEGAL AFFAIRS
MR. JOSÉ LUIS GURTUBAY FRANCIA	GROUP CHIEF STRATEGY OFFICER
MR. JOSÉ LUIS JIMÉNEZ GUAJARDO-FAJARDO	GROUP CHIEF INVESTMENT OFFICER
MR. JOSÉ MANUEL MURIES NAVARRO	GROUP CHIEF AUDIT OFFICER
MS. EVA PIERA ROJO	GROUP CHIEF EXTERNAL RELATIONS OFFICER
MS. MARÍA ELENA SÁNZ ISLA	GROUP CHIEF PEOPLE OFFICER

Total remuneration of senior management (in thousands of euros)	3,879
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Observations

C.1.15 Indicate whether during the financial year there has been any change in the Board of Directors Regulations.

Yes No

Description of modifications

C.1.16 Indicate procedures for selection, appointment, re-election and removal of directors. List the competent bodies, the procedures to be followed and the criteria to be employed in each procedure.

The persons to whom the position of director of MAPFRE S.A. or of a subsidiary company is offered must make a prior, true and full statement of their personal, family, professional or business circumstances, specially stating: (i) the persons or companies that have, with respect to him/her, the status of related persons in accordance with the provisions of the current legislation; (ii) any circumstances that could entail any incompatibility in accordance with the laws, the Bylaws and the Regulations of the Board of Directors, or a situation of conflict of interest; (iii) his/her remaining professional obligations, in case they could interfere with the dedication required for the position; (iv) criminal cases in which he/she appears as the defendant or prosecuted party; and (v) any other event or situation that affects him/her and that may be relevant for his/her performance as a Director. This declaration must be made on the form provided for such purposes by MAPFRE, and shall include an express acceptance of the regulations set out in the corporate bylaws and other internal regulations, as well as in current legislation.

Any person who holds the position of director must be of renowned prestige in his/her professional and business area, and hold all necessary professional qualifications or experience as provided by law for financial institutions or insurance companies subject to supervision by public authorities.

Specifically, people cannot be members of the Board of Directors if they hold significant shares in, or provide

professional services to, competing businesses of the company or of any company of the Group, or if they work as employees, managers, or administrators of them, unless they are granted express authorization from the Board of Directors.

- Proposals for the appointment or reappointment of independent directors must be preceded by a proposal from the Appointments and Remuneration Committee. The proposed reappointment of such directors must include an assessment of the performance of their positions by directors during the previous mandate and, where appropriate, of the positions performed by candidates on the Board, taking into account or assessing the amount and quality of the work done by them, and their commitment to the position.

- The formulation of proposals for appointment or reappointment by the Board of Directors must be preceded:

a) In the case of nominee directors, by a suitable proposal of the shareholder backing their appointment or reappointment.

b) In the case of executive directors, as well as the secretary, whether or not a director, by a suitable proposal from the Chairman of the Board.

Both types of proposals must also be preceded by the corresponding report from the Appointments and Remuneration Committee.

- The proposed reappointment of nominee and executive directors must be subject to a prior report issued by the Appointments and Remuneration Committee, which must include an assessment of the performance of their positions by directors during the previous mandate and, where appropriate, of the positions performed by candidates on the Board, taking into account or assessing the amount and quality of the work done by them, and their commitment to the position.

- In any case, the proposals for appointment and reappointment of directors must be accompanied by an explanatory report from the Board which assesses the responsibility, experience and merits of the candidate.

The Board of Directors shall not propose to the General Meeting that any independent director be removed from office before the end of the term for which the director has been elected unless the Board of Directors considers, based on a report from the Appointments and Remuneration Committee, that there are grounds for doing so. In particular, the removal proposal shall be deemed justified when the director has failed to comply with the duties inherent to the position, has not complied with any requirement set forth for independent directors, or has incurred in an insuperable conflict of interest according to the provisions of current legislation.

C.1.17 Explain how the annual assessment of the Board has led to significant changes in its international organization and in the procedures that apply to its activities:

Description of modifications
<p>In financial year 2018, the Board of Directors has carried out an assessment of the quality of its work and the operation of its Committee and Steering Committee. This assessment was carried out without the advice of an external consultant (the assessment of the year 2016 was carried out with the help of Spencer Stuart).</p> <p>The annual self-assessment of the Board of Directors has put a special focus on those key aspects with respect to which the directors expressed interest in previous assessments. In particular, the following aspects have been analyzed: composition and structure of the Board of Directors and its delegate bodies and the running of the meetings.</p> <p>The result of the self-assessment process in 2017 has been very positive, where the effective leadership carried out by the Chairman and the significant improvements made in the operation of said body in the last three years was highlighted.</p>

Describe the assessment process and the areas assessed by the Board of Directors with the assistance, where applicable, by an external consultant, regarding the operation and composition of the board and its committees and any other area or aspect that has been subject to assessment.

Description of the assessment process and assessment areas

In accordance with the provisions of the Regulations of the Board of Directors of MAPFRE, the Board undertakes an annual assessment of the quality of its work, the performance of the Chairman and CEO based on the report drawn up for this purpose by the Appointments and Remuneration Committee, and the operation of its Committees and Steering Committee. Where appropriate, it proposes an action plan to correct any deficiencies detected.

During the first half of 2019 the Steering Committee and the Audit and Compliance, Appointments and Remuneration, and Risk Committees will prepare their respective self-assessment reports on their composition and operations during 2019.

Likewise, the Board of Directors will assess its own composition and operations during 2018 as well as those of its Committees and Steering Committees based on the aforementioned reports.

C.1.18 Itemize, in those financial years in which the assessment was carried out with an external consultant, the business relationships that the consultant or any company of its group maintains with the company or any company of its group.

None

C.1.19 Indicate the circumstances under which directors are forced to resign.

In accordance with the corporate bylaws, the Board of Directors Regulation and the MAPFRE Group's Institutional, Business and Organizational Principles, all members of the Board of Directors will formally resign their post at the age of 70. The Chairman, Vice Chairmen and directors who perform executive functions, and the secretary of the Board must retire from office on reaching 65 years of age or, on any earlier date according to the terms and conditions of their respective contracts, submitting the corresponding resignations, but they may continue as members of the Board without any executive duties for a maximum of five years in the same conditions as external nominee directors.

All directors must resign from their directorship on the Board of Directors and any office held, such as on the Committees and Steering Committee, and tender their formal resignation should the Board of Directors deem it pertinent, in the following cases:

- a) Whenever they cease to hold the executive office associated with their appointment as member of such governing bodies.
- b) Should they become subject to any disqualification or prohibition laid down at law.
- c) If they are accused of (or a court issues an order for the opening of a trial for) allegedly committing any crime or are involved in disciplinary proceedings involving a serious or very serious fault at the instance of the supervisory authorities.
- d) If they receive a serious warning from the Audit and Compliance Committee due to infringement of their obligations as directors.
- e) When they are affected by circumstances in which their remaining on any such governing bodies might cause damage to the Company's credit or reputation, or place its interests at risk. When such events or circumstances are well-known or public, the Appointments and Remuneration Committee, by agreement of the majority of its members, may request the resignation of the affected director.
- f) If the reasons (if any expressly exist) for which they were appointed cease to apply.

Resignation from these positions must be formally tendered in a letter addressed to all members of the Board of Directors.

Directors who, at the time of their appointment, do not hold any executive position or perform any executive functions in the company, or in another Group company, will not be able to perform any executive functions unless they first resign their directorship, even though they may subsequently remain eligible for the position.

Nominee directors must also tender their resignation when the shareholder that appointed them sells its shareholding.

When a shareholder reduces its shareholding, a proportionally equivalent number of nominee directors that it has appointed must resign.

MAPFRE's independent directors must also tender their resignation when they have held office for 12 years in a row.

C.1.20 Are reinforced majorities required, aside from legal majorities, for any type of resolution?

Yes No

If so, describe the differences.

Description of differences

C.1.21 Explain whether there are specific requirements, other than those regarding directors, to be appointed Chairman of the Board.

Yes No

Requirements description
In accordance with the provisions of article 5 of the Regulations of the MAPFRE Board of Directors, the position of Chairman must go to an executive director who has the status of most senior management representative, and such a designation requires the favorable vote of two thirds of the members of the Board of Directors.

C.1.22 Indicate whether the bylaws or the Board regulations establish any age limit for directors:

Yes No

	Age limit
EXECUTIVE	65 years
Managing Director	65 years
DIRECTOR	70 years

Observations

C.1.23 Indicate whether the bylaws or the Board's regulations establish a limited mandate or other stricter requirements than those legally provided for independent directors, other than that established in the regulations:

Yes No

Additional requirements and/or maximum number of mandated financial

years	
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C.1.24 Indicate whether the bylaws or the regulations of the Board of Directors establish specific regulations for delegating votes on the Board of Directors in favor of other Directors, how to do it, and in particular, the maximum number of delegations a director may have, as well as whether any limit has been established regarding the categories in which it is possible to delegate, beyond the limits imposed by legislation. If so, describe such regulations briefly.

There are no specific regulations for delegating votes on the Board of
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C.1.25 Indicate the number of meetings the Board of Directors has held during the financial year. Where applicable, indicate how many times the Board has met without the Chairman in attendance. In calculating this number, attendance shall mean proxies given with specific instructions.

Number of board meetings	10
Number of board meetings not attended by the Chairman	0

Observations

Indicate the number of meetings held by the Lead Director with the rest of the directors, without the assistance or representation of any executive director:

Number of meetings	0
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Observations

Indicate the number of meetings the Board's different Committees have held during the financial year.

Number of meetings of the Steering Committee	5
Number of Audit and Compliance Committee Meetings	14

Number of Appointments and Remuneration Committee meetings	5
Number of Risk Committee meetings	6

Observations

C.1.26 Indicate the number of meetings the Board of Directors has held during the financial year and the attendance information of its members:

Number of meetings attended by at least 80% of the directors	10
% of attendance over total votes during the year	100%
Number of meetings attended in person or representations carried out with specific instructions of all directors	9
% of votes cast with in person attendance and representations made with specific instructions, on total votes during the year	100%

Observations

C.1.27 Indicate whether the individual and consolidated annual accounts presented to the Board for formulation were certified beforehand:

Yes No

Where applicable, identify the person(s) who certified the individual and consolidated annual accounts to be drawn up by the Board:

Name	Position/
MR. FERNANDO MATA VERDEJO	GROUP CHIEF FINANCE OFFICER
MR. JOSÉ MANUEL MURIES NAVARRO	GROUP CHIEF AUDIT OFFICER
MR. CARLOS BARAHONA TORRIJOS	ASSISTANT GENERAL MANAGER OF CONTROL AND FINANCIAL INFORMATION

Observations

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated accounts that it draws up from being presented to the General Meeting with reservations in the audit report.

<p>The company has never issued financial statements with a qualified auditor's report.</p> <p>The company has Corporate Finance, General Counsel and Internal Audit Areas to oversee all aspects of the annual accounts, as well as the MAPFRE Audit and Compliance Committee, which is a delegate body that was created by the Board for this purpose and granted supervisory powers in 2000.</p> <p>According to article 25 of the Regulation of the Board of Directors of MAPFRE, the Board of Directors must always draw up the annual accounts so that the external auditor has no reservations or provisos regarding them. Nonetheless, when the Board considers that it must maintain its criteria, the Chairman of the Audit and Compliance Committee will publicly explain the content and scope of the discrepancies that may have led to these reservations or provisos.</p>
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C.1.29 Is the Board secretary a director?

Yes No

If the secretary does not have the status of director, complete the following table:

Name or company name of the secretary	Representative
MR. ÁNGEL LUIS DÁVILA BERMEJO	

Observations

C.1.30 Indicate the specific mechanisms established by the company to preserve the independence of the external auditors, as well as, if any, the mechanisms to preserve the independence of the financial analysts, the investment banks and the rating agencies, including how they have implemented the legal provisions in practice.

<p>In addition to abiding by statutory provisions, the company has decided to voluntarily propose compliance with a number of general guidelines that clearly and precisely aim to achieve and uphold the necessary independence of the external auditors in such regard as is advocated by the MAPFRE Board of Directors Regulations, which set out the following criteria in respect of the relationship with external auditors:</p> <ul style="list-style-type: none"> - The relationship of the Board of Directors with the company's external auditor shall be maintained through the Audit and Compliance Committee. - The Board of Directors shall refrain from hiring any auditing firms that receive or that will receive annual fees from the Group, where the amount for all items exceeds 5 percent of its total annual revenue; and it shall report, in the annual

public documentation, the total fees that the Group paid the external auditor for the various services it provided.

Apart from the Audit and Compliance Committee's powers and functions as specified in the bylaws and the Board of Directors Regulations, the Audit Committee will be informed at least once every six months of all services rendered by the external auditor and their corresponding fees.

Every year, the Audit and Compliance Committee assesses the accounts auditor, the scope of the audit and the external auditor's independence, considering whether the quality of the audit control measures is adequate and any services other than accounts audit services are compatible with the auditor's independence.

Furthermore, the Audit and Compliance Committee verifies the independence of the external auditor in relation to the Company and its subsidiaries, receiving from it the declaration of its independence and issuing the Committee the corresponding report on the independence of the auditor.

In accordance with the provisions of the Internal Code of Conduct regarding listed securities issued by MAPFRE, which sets out the procedures relating to the publication of relevant information, the financial analysts will not be provided with any relevant information that is not available to the public at large.

C.1.31 Indicate whether the company changed its external auditor during the financial year. If so, identify the incoming and outgoing auditors:

Yes No

Outgoing auditor	Incoming auditor

Observations

If there were disagreements with the outgoing auditor, explain the grounds.

Yes No

Explanation of the disagreements

C.1.32 Indicate whether the audit firm does other work for the company and/or its Group other than the audit. If so, declare the amount of fees received for such work and the percentage of such fees in the total fees charged to the company and/or its Group:

Yes No

	Society	Group Companies	TOTAL
Amount for work other than audit (thousands of	260	1,981	2,241

euros)			
Amount from jobs other than audit / Amount audit jobs (in %)	35.86	21.91	22.94

Observations

C.1.33 Indicate whether the audit report on the annual financial statements for the previous financial year contained reservations or qualifications. If any, indicate the reasons given to the shareholders at the General Meeting by the Chairman of the Audit Committee to explain the content and scope of said reservations or exceptions.

Yes No

Explanation of the reasons

C.1.34 Indicate the number of financial years during which the current audit firm has been continuously performing the audit of the individual and/or consolidated annual accounts of the company. Indicate the percentage of the number of financial years audited by the current auditing firm to the total number of financial years in which the annual financial statements have been audited:

	INDIVIDUAL	CONSOLIDATED
Number of financial years running	4	4

	INDIVIDUAL	CONSOLIDATED
Number of financial years audited by current audit firm / number of financial years the company or its group has been audited (in %)	13.33	13.33

Observations

C.1.35 Indicate and, where applicable, give details on the existence of a procedure for directors to obtain the information they need to prepare the meetings of the management bodies in sufficient time:

Yes No

Details of the procedure
<p>In accordance with the provisions of the Regulations of the Board of Directors, the meeting shall always include the agenda, which shall be established by the Chairman, and shall be accompanied by the appropriate information on the matters to be discussed, and duly prepared.</p> <p>The agenda will be circulated to all members at least five days in advance of the meeting and will specifically state those items that are for information purposes and those that require a Board resolution. The documentation will be circulated among members at least three days ahead of the meeting, to allow for due analysis and study of the same by directors.</p> <p>The Chairman of the Board of Directors, as the person responsible for the effective operation thereof, shall take the necessary measures to ensure that the Directors receive sufficient information in advance of the meeting on the items on the agenda.</p> <p>In addition, Directors are vested with the broadest powers to obtain information on any aspect of the Company, to examine their books, records, documents and other background on social operations. This right to information is extended to the Group companies to the extent necessary to enable the effective performance of their duties by the Directors.</p> <p>This aspect is subject to a specific analysis by the Board of Directors of the company in its annual self-evaluation session.</p>

C.1.36 Indicate and, where applicable, give details on whether the company has established rules obliging directors to inform and, where applicable, to resign in those cases that may harm the company credit and reputation:

Yes No

Explain the rules
<p>The directors must place their office(s) at the disposal of the Board of Directors, both as directors and any other position they might hold on any Committee or Steering Committees thereof, and formalize any resignation, should the Board deem it necessary, in the following cases:</p> <ul style="list-style-type: none"> - Whenever they are removed from the executive office associated with their appointment as a member of these governing bodies. - Should they become subject to any disqualification or prohibition laid down under law. - If they are accused of (or a court issues an order for the opening of a trial for) allegedly committing any crime or are involved in disciplinary proceedings involving a serious or very serious fault at the instance of the supervisory authorities. - If they receive a serious warning from the Audit and Compliance Committee due to infringement of their obligations as directors. - When they are affected by circumstances that might harm the company's credit or reputation or place its interests at risk were they to remain on these governing bodies. When such events or circumstances are well-known or public, the Appointments and Remuneration Committee, by agreement of the majority of its members, may request the resignation of the affected director. - If the reasons (if any expressly exist) for which they were appointed cease to apply.

C.1.37 Indicate whether any member of the Board of Directors has informed the company of being sued or having any court proceedings opened against him or her for any of the offenses listed in article 213 of the Companies Act:

Yes No

Name of director:	Criminal charge	Observations

Indicate whether the Board of Directors has analyzed the case. If so, explain the grounds for the decision reached as to whether or not the director should remain on the Board or, where applicable, explain the actions carried out by the Board of Directors until the date of this report or that it has planned to carry out.

Yes No

Decision taken/action carried out	Reasoned explanation

C.1.38 List the significant resolutions adopted by the company and that take effect, are amended or conclude in the event of a change in control of the company on account of a public takeover bid, and its effects.

There are no significant resolutions adopted by the company and that take effect, are amended or conclude in the event of a change in control of the company on account of a public takeover bid.

C.1.39 Identify individually, when referring to the Directors, and in aggregate in the other cases, and indicate in details the resolutions between the company and its administration and management or employees who receive compensations, ring-fence or guarantee clauses, when these resign or are unfairly dismissed, or when the relationship comes to an end on the occasion of a public takeover bid or other type of operation.

Number of beneficiaries:	0
Type of beneficiary:	Description of the resolution
	<p>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.</p> <p>Executive directors must have an exclusive relationship with the company, and there are no contractual conditions relating to post-contractual non-competition agreements or</p>

	<p>continuity of service.</p> <p>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. 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.</p> <p>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.</p> <p>There are no clauses related to signing bonuses.</p>
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Indicate whether, other than the cases stipulated in the regulations, these contracts have to be communicated and/or approved by the bodies of the company or its group. If so, specify the procedures, foreseen assumptions and the nature of the bodies responsible for their approval or making the communication:

	Board of Directors	General Meeting
Body authorizing the clauses	YES	NO

	Yes	NO
Is the General Meeting informed of the clauses?		X

Observations

C.2 Committees of the Board

C.2.1 List all the Board of Directors, committees, their members and the percentage of executive, nominee, independent and other external directors that compose them:

Steering Committee

Name	Position/	Category
MR. ANTONIO HUERTAS MEJÍAS	CHAIRMAN	EXECUTIVE

MR. IGNACIO BAEZA GÓMEZ	FIRST VICE CHAIRMAN	EXECUTIVE
MS. CATALINA MIÑARRO BRUGAROLAS	SECOND VICE CHAIRWOMAN	INDEPENDENT
MR. GEORG DASCHNER	MEMBER	INDEPENDENT
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	MEMBER	NOMINEE
MR. ANTONIO MIGUEL-ROMERO DE OLANO	MEMBER	NOMINEE

% of executive directors	33.33%
% of nominee directors	33.33%
% of independent directors	33.33%
% of other external directors	0.00%

Observations

Explain the functions delegated or attributed to this committee other than those already described in section C.1.10. Likewise, describe the organization and operation procedures and rules thereof. For each of these functions, indicate its most important actions during the year and how it has performed in practice each of the functions attributed to it, whether in the law, in the bylaws or other corporate agreements.

It is the delegate body of the Board of Directors, responsible for senior management and permanent oversight of the strategic and operational aspects of the company's ordinary business affairs and those of its subsidiaries. It also makes any decisions necessary for proper operation. It has the general capacity of decision and has been expressly delegated all the powers that correspond to the Board of Directors, except for those that may not be delegated by legal imperative or, where applicable, by express provision in the Corporate Bylaws or in the Regulations of the Board of Directors of MAPFRE S.A.

A maximum of 10 members, all members of the Board of Directors. Its Chairman, First and Second Vice Chairmen and secretary will automatically be members of the Board. Members must be appointed with a favorable vote from two-thirds of the members of the Board of Directors.

In 2018 the Steering Committee was responsible for approving appointments and removals from the company and the Group, authorizing the transactions of subsidiary and investee companies, approving the real estate transactions of the Group, being familiar with relationships with official bodies and the main contentious issues of the Group's companies, and being familiar with the purchase of MAPFRE shares by members of governing and management bodies, among other things.

AUDIT AND COMPLIANCE COMMITTEE

Name	Position/	Category
MR. JOSÉ ANTONIO COLOMER GUIU	CHAIRMAN	INDEPENDENT
MS. ANA ISABEL FERNÁNDEZ ÁLVAREZ	MEMBER	INDEPENDENT
MR. ANTONIO MIGUEL-ROMERO DE OLANO	MEMBER	NOMINEE
MS. MARÍA DEL PILAR PERALES VISCASILLAS	MEMBER	INDEPENDENT

% of nominee directors	25.00%
% of independent directors	75.00%
% of other external directors	0.00%

Observations

Explain the functions, including, as the case may be, those additional to those legally provided, that this committee has attributed, and describe the procedures and rules of organization and operation thereof. For each of these functions, indicate its most important actions during the year and how it has performed in practice each of the functions attributed to it, whether in the law, in the bylaws or other corporate agreements.

The Audit and Compliance Committee has the following responsibilities:

- a) To apprise the General Meeting of matters that are the responsibility of the Committee and, in particular, regarding the results of the audit, explaining how the committee has contributed to the integrity of the financial information and role that the Committee had in said process.
- 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.
- c) To supervise the preparation and presentation process of compulsory financial information and submit recommendations or proposals to the Board of Directors, aimed at safeguarding its integrity. d) To submit to the Board of Directors proposals for the selection, appointment, re-election and replacement of the External Auditor, being responsible for the selection process in accordance with the provisions of the legislation in force, as well as the conditions of their recruitment and regularly collecting information thereof on the audit plan and its implementation.
- e) To establish appropriate relationships with the external auditor in order to receive information concerning those issues which may jeopardize their independence, so that they may be examined by the Committee, and any other issues relating to the accounts auditing process, and where appropriate, authorizations for services other than those prohibited in the terms contemplated in the corresponding legislation currently in force for auditing accounts, for the regime of independence, as well as other communications envisaged in account

audit legislation and auditing standards.

f) To issue a yearly report, prior to the publication of the accounts audit report, expressing an opinion concerning whether the independence of the external auditor has been compromised.

g) To ensure that, as far as possible, the external auditor of the Group takes responsibility for auditing all the companies belonging to it.

h) To ensure the independence and efficacy of the internal audit; to propose the selection, appointment, reappointment and removal of its most senior management, as well as its annual budget; to receive regular information on its activities; and to check that senior management takes the conclusions and recommendations of its reports into account.

i) To inform the Board of Directors in advance on all matters provided in the law, the corporate bylaws and Board of Directors Regulations.

j) To establish and supervise a mechanism that enables employees to communicate confidentially any irregularities they notice within the company that may be of potential importance, especially financial and accounting irregularities.

k) To verify the application of the established good governance regulations at all times.

l) To supervise compliance with internal and external regulations, especially with internal codes of conduct, regulations and procedures for the prevention of money laundering and financing terrorism, as well as making proposals for their improvement.

m) To supervise the adoption of actions and measures resulting from inspection reports or actions taken by administrative supervision and control authorities.

The Committee is made up of a minimum of three and a maximum of five members, all of which must be non-executive, and the majority of which must be independent directors, one of which must be designated based on his or her knowledge and experience in the area of accounting or auditing or both. Overall, the members of the Committee should have the pertinent technical knowledge in relation to the company's sector of activity. Its chairman must be an independent director and they must be substituted in this position every four years, only to be reelected to the post one year after leaving that position. The secretary of this Committee will be the secretary to the Board of Directors. The Internal Audit General Manager of the Group shall attend the meetings as a guest.

In 2018 the Audit and Compliance Committee was responsible for issuing an opinion on the annual accounts for financial year 2017, for supervising the efficacy of the company's internal control, for the internal audit and the risk management systems of the company and the Group, for reporting on transactions with significant shareholders and senior management, for approving extra fees from the external auditor, for reporting on the relationship with the external auditor, for learning of appointments in Internal Audit, suggesting the candidate for the position of General Manager of Internal Audit, and for being familiar with the quarterly financial information presented to the Spanish National Securities and Exchange Commission, and for ensuring the correct application within the company and Group of the good governance rules and external and internal regulations.

For more information, please check the Report on the Composition and Functioning of the Committee during fiscal year 2018, available on the Company's website, which is made available to shareholders for the General Meeting.

Identify the members of the audit committee that have been appointed taking into account their knowledge and experience in accounting, auditing or both and report on the date of appointment of the Chairman of this committee in such position.

Names of experienced directors	MR. JOSÉ ANTONIO COLOMER GUIU
Data of appointment of the Chairman in the position	3/6/2016

Observations

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position/	Category
MS. CATALINA MIÑARRO BRUGAROLAS	CHAIRMAN	INDEPENDENT
MR. JOSÉ ANTONIO COLOMER GUIU	MEMBER	INDEPENDENT
MR. LUIS HERNANDO DE LARRAMENDI MARTÍNEZ	MEMBER	NOMINEE
MR. ALFONSO REBUelta BADÍAS	MEMBER	NOMINEE

% of nominee directors	50.00%
% of independent directors	50.00%
% of other external directors	0.00%

Observations

Explain the functions, including, as the case may be, those additional to those legally provided, that this committee has attributed, and describe the procedures and rules of organization and operation thereof. For each of these functions, indicate its most important actions during the year and how it has performed in practice each of the functions attributed to it, whether in the law, in the bylaws or other corporate agreements.

The Appointments and Remuneration Committee is the delegate body of the Board of Directors for the coordinated development of appointment and remuneration policy regarding the directors and senior management of the Group.

It has the following responsibilities:

- a) To evaluate the balance of skills, knowledge and experience required on the Board, defining the functions and capabilities required of the candidates to fill each vacancy accordingly and deciding the time and dedication necessary for them to properly perform their functions.
- b) To establish a representation target for the gender least represented on the Board of Directors and to draw up guidelines on how to achieve this target.

- c) To bring before the Board of Directors the appointment proposals of independent directors for them to be designated by cooptation or for them to be subject to the decision of the General Meeting, as well as proposals for reappointment or removal, and to report on cases related to proposals that affect the remaining directors.
- d) To notify proposals for the appointment and termination of senior managers and their basic contractual conditions.
- e) To examine and organize the succession of the Chairman of the Board, and where appropriate, to make the corresponding proposals to the Board so that this succession is orderly and well-planned.
- f) To propose to the Board of Directors the remuneration policy for directors and general managers or anyone who performs senior management functions under the direct control of the Board, the Steering Committee or the Managing Directors, as well as individual remuneration and other conditions of the contracts of executive directors, ensuring their enforcement.
- g) To propose to the Board of Directors the candidates for Fundación MAPFRE trustees whose appointment is the responsibility of the company.
- h) To authorize the appointment of external directors in the other Group companies.

The Committee is made up of a minimum of three and a maximum of five members, all of whom must be non-executive, and at least two of whom must be independent directors. The chairman must be an independent director. The secretary of the Board of Directors will also be the secretary of the Committee.

During financial year 2018, the Appointments and Remuneration Committee was responsible, among others duties, for reporting the appointments and dismissals of directors and executives, for reporting the Chairman's actions during 2017, for submitting proposals for re-election to the Board of Directors of the independent directors, to suggest to the Board of Directors the Remuneration Policy of the Directors, to approve the salary of the Senior Management Positions for financial year 2018, to authorize the granting of pension obligations, to approve the granting of management contracts and of proposing to the Board of Directors the candidates for the appointment of Trustees of FUNDACIÓN MAPFRE.

For more information, please check the Report on the Composition and Functioning of the Committee during fiscal year 2018, available on the Company's website, which is made available to shareholders for the General Meeting.

RISK COMMITTEE

Name	Position/	Category
MR. GEORG DASCHNER	CHAIRMAN	INDEPENDENT
MR. JOSÉ ANTONIO COLOMER GUIU	MEMBER	INDEPENDENT
MS. ANA ISABEL FERNÁNDEZ ÁLVAREZ	MEMBER	INDEPENDENT
MR. ANTONIO MIGUEL-ROMERO DE OLANO	MEMBER	NOMINEE

% of nominee directors	75.00%
% of independent directors	25.00%
% of other external directors	0.00%

Observations

Explain the functions that this committee has attributed, and describe the procedures and rules of organization and operation thereof. For each of these functions, indicate its most important actions during the year and how it has performed in practice each of the functions attributed to it, whether in the law, in the bylaws or other corporate agreements.

<p>This delegate body of the Board of Directors supports and advises the Board on the definition and evaluation of the Group's risk management policies and on the determination of susceptibility to risk and the risk strategy.</p> <p>It has the following functions:</p> <p>a) To support and advise the Board of Directors on the definition and evaluation of the Group's;s risk policies and on the determination of susceptibility to risk and the risk strategy.</p> <p>b) To assist the Board of Directors in overseeing the application of the risk strategy.</p> <p>c) To be familiar with and assess the risk management methods and tools, monitoring the models applied regarding results and validation.</p> <p>The Committee will be made up of a minimum of three and a maximum of five members, all of whom must be non-executive, and at least two of whom must be independent directors. The chairman must be an independent director. The Board of Directors must designate a secretary, a position which need not be filled by a director.</p> <p>In 2018 the Risk Committee was responsible for reviewing the policies approved by the company in connection with Solvency II and determining the susceptibility to risk and the risk strategy.</p>

C.2.2 Complete the following table with information related to the number of directors who have belonged to Board of Directors' Committees at the closing of the last four financial years:

	Number of directors							
	2018 Number		2017 Number		Year 2015 Number		2015 Number	
Steering Committee	1	16.67%	1	12.50%	1	10.00%	1	10.00%
AUDIT AND COMPLIANCE COMMITTEE	2	50.00%	2	40.00%	2	40.00%	1	25.00%
APPOINTMENTS AND REMUNERATION COMMITTEE	1	25.00%	2	50.00%	2	50.00%	1	25.00%
RISK COMMITTEE	1	25.00%	1	20.00%	0	0.00%	0	0.00%

Observations

C.2.3 Indicate, where applicable, the existence of regulations for the Board committees, where they can be consulted and any amendments made to them during the financial year. Indicate whether an annual report on the activities of each committee has been drawn up voluntarily.

<p>Committee name</p> <p>Steering Committee</p> <p>Brief description</p> <p>The Steering Committee is regulated in the bylaws and the Board Regulations.</p> <p>These are available on the Company's website, www.mapfre.com, in the public records of the CNMV and in the Madrid Company</p>
<p>Committee name</p> <p>AUDIT AND COMPLIANCE COMMITTEE</p> <p>Brief description</p> <p>Regulated in the bylaws and the Board Regulations.</p> <p>These are available on the Company's website, www.mapfre.com, in the public records of the CNMV and in the Madrid Company</p>
<p>Committee name</p> <p>APPOINTMENTS AND REMUNERATION COMMITTEE</p> <p>Brief description</p> <p>Provided for in the bylaws and regulated in the Board of Directors Regulations.</p> <p>These are available on the Company's website, www.mapfre.com, in the public records of the CNMV and in the Madrid Company</p>
<p>Committee name</p> <p>RISK COMMITTEE</p> <p>Brief description</p> <p>Provided for in the bylaws and regulated in the Board of Directors Regulations.</p> <p>These are available on the Company's website, www.mapfre.com, in the public records of the CNMV and in the Madrid Company</p> <p>In financial year 2018, no modifications were made to the operating regime of the Committee and Steering Committee.</p>

D. RELATED-PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1 Explain, where applicable, the procedure and competent bodies for approving related-party and intra-group transactions.

MAPFRE has a policy for managing conflicts of interest and related-party transactions with significant shareholders and senior representative or management positions, which regulates the procedure to be followed in relation to related-party transactions.

The Board of Directors shall be familiar with the transactions conducted by the company, directly and indirectly, with

directors, with significant shareholders or shareholders represented on the Board of Directors, or with individuals associated with them, and these transactions shall require authorization by the Board of Directors, after receiving a report from the Audit and Compliance Committee, unless they are transactions that are part of the normal or ordinary activities of the parties concerned, which are undertaken under normal market conditions and for amounts that are insignificant or irrelevant to the company.

Significant shareholders, directors and senior management must inform the secretary of the Board of Directors of MAPFRE in writing regarding any transaction that they or individuals associated with them (in this last case, whenever the affected person is aware of it) intend to conduct with MAPFRE or with any other company of its Group and which constitutes a related-party transaction subject to authorization by the Board of Directors.

The notification must include sufficient information on the aspects of the transaction to make it possible for MAPFRE to properly identify it.

D.2 List any significant transactions between the company or its Group companies and the company's;s significant shareholders which are relevant due to their amount or subject matter:

Name or company name of the significant shareholder	Name or company name of the company or Group company	Nature of the relationship	Type of transaction	amount (thousands of euros)
CARTERA MAPFRE , S.L. SOCIEDAD UNIPERSONAL	MAPFRE S.A.	Corporate	Dividends and other profits distributed	304,360

Observations

D.3 List the transactions between the company or Group companies and the company's;s directors or executives which are relevant due to their amount or subject matter.

Name or company name of the managers or directors	Name or company name of the related party	Link	Nature of the transaction	amount (thousands of euros)

Observations

D.4 Report on the significant transactions into which the company has entered with other companies belonging to the same group, as long as they are not eliminated

in the process of drawing up the consolidated financial statements and are not part of the company's;s usual trade with respect to its purpose and conditions.

In any case, report any intra-group transaction carried out with companies established in countries or territories which have the consideration of tax haven:

Company name of the Group company	Brief description of the transaction	amount (thousands of euros)

Observations

- D.5 Detail the significant operations carried out between the company or Group companies and with other related parties, which have not been informed in the previous sections.

Company name of the related party	Brief description of the transaction	amount (thousands of euros)

Observations

- D.6 List the mechanisms in place to detect, determine and resolve possible conflicts of interest between the company and/or its Group, and its directors, executives and/or significant shareholders.

All directors and managers must make a prior declaration at the time of their appointment with regard to these matters. Furthermore, they are required to update this declaration on a regular basis, and whenever a potential situation of conflict arises.

Additionally, the internal code of conduct and policy for managing conflicts of interest and related transactions with significant shareholders and senior representative or management positions regulate the special obligations relating to potential conflicts of interest.

The Board of Directors has the final decision on these issues. There is a special procedure for the approval of resolutions with regard to matters where there is a potential conflict of interest with a director. The director in question must refrain from attending or participating in these decisions.

- D.7 Is there more than one of the Group's companies listed in Spain as a publicly traded company?

Yes No

Define any business dealings between the parent company and the listed subsidiary, and between it and other Group companies.

D.7 Identify the mechanisms in place to resolve possible conflicts of interest between the listed company and other Group companies:

Mechanisms to solve possible conflicts of interest

E. CONTROL SYSTEMS AND RISK MANAGEMENT

E.1 Explain the scope of the Control System and Risk Management of the company, including taxation.

The consolidated group of insurers has a Risk Management System (RMS) based on the continuous and integrated management of each of the business processes and on the adequacy of the level of risk to the established strategic objectives, consolidating said management by area, business unit, activities, subsidiaries, geographical areas and corporate support areas,

The different types of risks have been grouped under four areas, or categories, as described below:

- Financial and Credit Risks: This includes interest rate, liquidity, exchange rate and credit risks.
- Insurance Activity Risks: This groups together, separately for Life and Non-Life, the risk of premium shortfalls and insufficient technical provisions.
- Strategic Risks and Corporate Governance: This includes business ethics and corporate governance risks as well as risks related to the organizational structure, alliances, mergers and acquisitions derived from the regulatory environment, including those of a tax nature, and competition risks.
- Operational Risks: This includes possible losses arising from the inadequacy or malfunction of internal processes, personnel or systems, or arising from external events (not including risks arising from strategic decisions or reputational risk).

Operational risk includes compliance risk, which entails the risk of sanctions and material financial losses as a result of the failure to comply with laws and other regulations, rules, internal and external standards or administrative requirements. Tax noncompliance risk is considered to be a category of compliance risk in that it includes the risk of conflicting interpretations of tax law and the determination of market prices in transactions between related companies.

E.2 Identify the bodies of the company which are responsible for the preparation and implementation of the Controls System and Risk Management, including taxation.

The internal Control and Risk Management systems are integrated into the organizational structure of the Group according to the three lines of defense model, so that all the staff of the organization are assigned responsibilities for the compliance with the control and risk management objectives.

The Board of Directors is ultimately responsible for guaranteeing the effectiveness of the internal control and risk management systems. It is its sole competence to determine the general policies and strategies, and in particular the risk identification, management and control policy, including fiscal risks, and the supervision of internal information and control systems.

The Steering Committee has the general capacity of decision with express delegation in its favor of all powers that correspond to the Board of Directors, except for those that may not be delegated by legal imperative or, where

applicable, by express provision in the Corporate Bylaws or in the Regulations of the Board of Directors of MAPFRE S.A.

The Risk Committee of MAPFRE S.A. is the delegate body of the Board of Directors to support and advise the same in defining and evaluating the control and risk management policy and determining the susceptibility to risk and the risk strategy, in addition to overseeing the correct application of the good governance rules and external and internal regulations in the Group.

The Risk Committee has the following functions:

- To support and advise the Board of Directors on the definition and evaluation of the risk policies of the Group and on the determination of the susceptibility to risk and the risk strategy.
- To assist the Board of Directors in overseeing the implementation of the risk strategy.
- To be familiar with and assess the risk management methods and tools, monitoring the models applied regarding results and validation.

The Audit and Committee monitors the effectiveness of the company's internal control, internal auditing and the risk management systems, including taxes.

E.3 List the main risks, including tax risks and, to the extent that they are significant, those derived from corruption (understood within the scope of Royal Decree Law 18/2017), which may impact the achievement of business objectives.

1. Financial and Credit Risks

MAPFRE mitigates its exposure to this type of risk by means of a prudent investment policy characterized by a high proportion of top-quality fixed-income securities.

Four different types of portfolios are managed within the investment portfolio:

Those that seek strict immunization from the obligations deriving from insurance contracts.

Portfolios that cover unit-linked policies made up of assets whose risk is assumed by the policyholders.

Those that look to exceed the guaranteed return and achieve the highest return for the policyholders within prudential parameters, such as portfolios with profit sharing.

Open-management portfolios where the active management is only conditioned by legal rules and internal risk limits.

In the first case, immunized portfolios minimize interest rate risk through matching adjustments and immunization techniques based on the matching of flows and duration.

In the second case, portfolios that cover the unit-linked policies are made up of financial instruments whose risk is assumed by the policyholders.

A certain degree of market risk is accepted in the remaining portfolios, as set out below:

The management variable for interest rate risk is modified duration, which is conditioned by the limits established in the investment plan approved by the Board of Directors of MAPFRE S.A. for open-management portfolios, and the modified duration of liabilities in the event of long-term commitments to policyholders.

The exposure to exchange rate risk is minimized in the case of insurance liabilities. For investment management reasons, the exposure to this type of risk may not exceed the fixed percentage established in the annual investment plan.

Investments in shares are subject to a maximum limit of the investment portfolio.

The risk limitations are established in easily-observable quantitative terms of variables. However, a risk analysis in probabilistic terms is carried out in accordance with past volatility and correlations.

With regard to credit risk, the policy is based on applying criteria of prudence in line with the issuer's solvency and seeking a high degree of geographical correspondence between the issuers of the assets and the commitments. The fixed-income and equity investments are subject to limits per issuer.

The credit risk management policy sets out limits according to the risk profile of the counterparty or the investment instrument, as well as exposure limits in relation to the solvency of the said counterparty. There is also a system for monitoring and reporting credit risk exposure.

The Security Committee reviews the main exposures to insurance and reinsurance counterparties.

2. Insurance Activity Risks

The organization of MAPFRE, specializing in various business lines, requires them to be highly autonomous in the management of their business, in particular in the underwriting of risks and tariff fixing, as well as the indemnities or provision of services in the case of incident.

The adequacy of premiums is an element of particular importance and its determination is supported by specific computer applications.

Claims processing and the adequacy of provisions are basic principles of insurance management. Technical provisions are estimated by the actuarial teams of the different companies and their amount is validated by an independent party that did not participate in the calculation. The prevalence of the personal injuries business at MAPFRE, with rapid liquidation of claims, and the relative insignificance of long-term risks insured, such as asbestos or professional liability, are elements mitigating the risk of insufficient technical provisions.

MAPFRE operates in countries highly prone to disasters (earthquakes, hurricanes, etc.), which calls for special treatment of these types of risk. Companies exposed to this type of risks have specialized analyses on catastrophe exposure, usually drawn up by independent experts, which estimate the extent of the losses in the event of a catastrophe occurring. Underwriting catastrophic risks is undertaken based on this information and the economic capital available to the underwriter. Where appropriate, the equity exposure to these types of risk is mitigated by taking out specific reinsurance coverage.

In this respect, it is important to highlight the contribution of MAPFRE RE, which provides the Group with its extensive experience in the catastrophe risk market. Every year this company determines the global catastrophic capacity that it assigns to each territory and establishes the maximum underwriting capacity per risk and event. It also has risk retrocession protection programs to cover deviations or increases in catastrophe claims in different territories.

MAPFRE's policy with respect to reinsurance risk is to cede business to reinsurers with proven financial capacity, which basically means those with a high credit rating (quality grade 2 or higher). Business is ceded to other reinsurers on an exceptional basis after an internal analysis demonstrating the possession of a solvency margin equivalent to the aforementioned classification or if adequate guarantees are provided.

3. Operational Risks

Operational risks are identified and assessed through the risk control model, which is based on a dynamic analysis of each company process by process, in which the managers of each area or department assess the potential risks that affect their activities and the effectiveness of the controls related to each process. This control is conducted using risk self-evaluation questionnaires, internal control manuals, inventory controls associated with risks, assessment of their effectiveness, and the corrective measures in place to mitigate or reduce the risks and/or improve the control environment.

With respect to tax risks, the performance of the Group in the field of taxation has always been dominated by compliance with current tax legislation in the territories in which it operates, which constitutes a practical application of the institutional principle of ethically and socially responsible taxation.

The tax risks of the Group in each jurisdiction are handled internally by the Administration and Tax Affairs departments, subcontracting tax consulting services with the leading companies in the sector whenever required.

As regards the valuation of transactions between Group companies, significant in terms of global projects, technology and reinsurance, annual reviews and the documentation of individual transactions are conducted in collaboration with an independent expert firm.

4. Strategic and Corporate Governance Risks

MAPFRE has always applied ethical principles to its business management and indeed these principles form part of its bylaws and day-to-day activities. In order to streamline this business culture and update the legal governance and management transparency requirements, on June 24, 2015 the Board of Directors of MAPFRE S.A. approved the "MAPFRE Group Institutional, Business and Organizational Principles", the minimum mandatory framework for all the companies making up MAPFRE and their respective governing bodies. The strict application of these principles is considered the most efficient way to mitigate this type of risk.

E.4 Identify whether the company has tolerance levels for risks, including tax risks.

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

risk appetite.

As one of its risk management objectives, the MAPFRE Group strives to maintain an amount of eligible own funds at the consolidated level which is equivalent to a target solvency ratio of 200 percent of the solvency capital required under Solvency II, with a tolerance of 25 percentage points. A secondary risk management objective is to maintain a sufficient level of economic capital at the consolidated level to meet its obligations in accordance with a rating of "A" or higher, or its equivalent.

The prospective capital required of the insurance and reinsurance subsidiaries is generally determined pursuant to an estimation based on the budgets for the following financial year, and it is reviewed on a regular basis during the course of the year in line with risk trends.

For other metrics that quantify the MAPFRE Group's aggregate risk, tolerance levels are established on the basis of a "traffic light" system (green, amber and red).

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

E.5 Indicate the risks, including tax risks, which have arisen during the financial year.

During fiscal year 2018, insurance business risks have materialized as a result of catastrophic events, among which typhoons in Japan and winter storms on the East Coast of the United States stand out. While these events have had a significant effect on the profit attributable for the fiscal year (€108.3 million), it should be noted that the reinsurance protection for this type of event has been effective, so that the Group maintains its compliance with the legal solvency requirements and remains within the limits of tolerance foreseen in the risk appetite.

On the other hand, within the Financial and Credit Risks, there was an appreciation of the euro during fiscal year 2018 with respect to the currencies of some of the main subsidiaries, such as the Brazilian real and the Turkish lira, with the subsequent negative effect on the Group's shareholders' equity (through negative conversion differences) and operating results and cash flows in euros from the said subsidiaries.

E.6 Explain the response and supervision plans for the main company risks, including fiscal risks, as well as the procedures followed by the company to ensure that the Board of Directors responds to the new challenges that arise

The integration of internal control and risk management systems into the organizational structure is performed under the three lines of defense model, assigning responsibilities regarding compliance with the internal control and risk management objectives according to the said model:

1. A first line of defense consisting of employees, management and operational, business and support areas that are responsible for maintaining effective control of the activities they carry out as an intrinsic part of their everyday work. Therefore, they assume the risks and are responsible for designing and applying the control mechanisms that are necessary to mitigate the risks associated with the processes that they carry out and to ensure that they do not exceed established limits.
2. A second line of defense integrated by the key functions of risk, actuarial and compliance management and other insurance functions, which guarantee the operation of the internal control and risk management systems.
3. A third line of defense consisting of the Internal Audit, which carries out the independent assessment of the suitability, adequacy and effectiveness of the internal control and risk management systems, communicating any deficiencies to the parties responsible for applying the corrective measures in a timely manner, including senior management positions and governing bodies, as the case may be.

To guarantee the effective control and management of risks, MAPFRE has a written policy on Internal Control and has developed a set of Risk Management policies in which the different types of risk it faces are identified, and it sets out the risk appetite considered acceptable, the measures foreseen to mitigate the impact of the risks identified, in the event that they materialize, and the information and internal control systems to be used in this respect.

In carrying out their functions, the risk management areas coordinate the strategies, processes and procedures necessary to continuously identify, measure, monitor, manage and report the risks to which the company is or may be exposed, as well as their interdependencies.

The Group's General Counsel is responsible for issuing instructions and monitoring compliance with the various

regulations affecting the company and the Group. General Counsel also obtains information from the Tax Affairs Department about the tax risks detected in each country.

In any case, the actions to adopt regarding the risks identified are decided by the Board of Directors, which is informed immediately of any risk which:

Depending how it evolves, may exceed the established risk limits.

May lead to losses equal to or in excess of the established risk limits.

- May endanger compliance with the solvency requirements or the continuity of the Group's operation.

The Risk Management Area of the Group provides assistance and advises the Governing Bodies, Executive Chairman and Senior Management of the Group within the scope of their powers and informs the Governing Bodies on the level of exposure to the different risks, taking into consideration their interdependencies, and compliance with the limits established.

The foregoing includes the internal risk and solvency assessment of the Group, as well as the reports requested by the Governing Bodies on certain risk areas.

In a complementary way, the Group promotes different procedures for the identification and assessment of risks and controls that involve the main areas and departments, showing a comprehensive and complete view of all the risks intrinsic to the business and identifying those risks that may be faced by the company throughout the period set out in its business plan.

At the operational level, the MAPFRE Group has a corporate business continuity model developed by the Security and Environment Area, the ultimate aim of which is to be able to provide a timely and effective response should a high-impact incident occur, therefore minimizing the damage caused. The model adopts the form of contingency plans that include recovery strategies for each process based on the criticality of the process and situation and the availability of the elements affected (employees, buildings, technology and providers).

F. INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS (ICFR)

Describe the mechanisms that comprise control systems and risk management in relation to the company's procedure for the issuing of financial information (ICFR).

F.1 Control environment of the company

Report on the following, indicating the main characteristics:

- F.1.1. Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) its implementation; and (iii) its supervision.**

The MAPFRE internal control system takes the form of a set of continuous processes for which the MAPFRE S.A. Board of Directors is ultimately responsible. The Board is assisted by the Executive Committee and the executive teams of the different units, companies, corporate areas and other departments as regards the implementation, update and monitoring of the tasks and processes related to compliance with the objectives of the internal control system. The MAPFRE internal control system is implemented across the organization through the three-lines-of-defense model, as indicated in the latest update to the Group's internal control policy, approved by the Board of Directors on December 21, 2017.

The Regulation of the Board of Directors, which was amended and approved on February 7, 2017, with effect from March 10, 2017, includes the functions and responsibilities of the Board of Directors, the Steering Committee and other Board committees (Audit and Compliance, Appointments and Remuneration, and Risk).

The Board of Directors delegates ordinary management to the Steering Committee and to Senior Management, and reserves the approval of risk control and management policies and approval of the periodic follow-up of both internal information and control systems and financial information to be published, owing to its status as a listed company.

The Executive Committee is the body which, under mandate from the Board of Directors, exercises direct supervision over management of the business units and corporate areas and ensures the coordinated actions of the same.

The Audit and Compliance Committee, in its capacity as a delegate body of the Board of Directors, and in relation to the internal information and control systems, is responsible, among other things, for supervising the preparation and presentation of the requisite financial information and presenting recommendations or proposals to the Board of Directors in order to safeguard the integrity of the information. It also regularly reviews the efficacy of internal control and the risk management systems to ensure that the main risks are identified, managed and sufficiently well known.

The document titled "Internal Audit Policy and Charter," which was updated and approved by the Audit and Compliance Committee on November 29, 2017 and by the Board of Directors on December 21, 2017, sets out the main Internal Control System supervisory activities as well as those relating to the Solvency II Directive, conducted by the Audit and Compliance Committee through the Corporate Internal Audit Area, which are listed in section 5.1 of this document.

F.1.2. Whether there are, particularly relative to the procedure for the preparation of financial information, the following items:

- Departments and or mechanisms in charge: (i) The design and review of the organizational structure; (ii) the clear definition of lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) ensuring the existence of sufficient procedures for correct diffusion in the company.

The regulation on the Institutional, Business and Organizational Principles of the MAPFRE Group, approved by the Board of Directors of MAPFRE S.A. at its meeting on June 24, 2015 and amended on February 7, 2017 with effect from March 10, 2017, is the minimum mandatory framework for all the companies making up MAPFRE and their respective governing bodies.

The Board of Directors reviews and authorizes the Group's organizational structure and approves the lines of responsibility and authority based on the organizational structure defined. During financial year 2018, changes have taken place in the organizational structure, such as the approval of the new Management Organization, which will come into force on January 1, 2019, at the session of the Board of Directors of MAPFRE S.A. held on December 13, 2018.

The distribution of functions and definition of scopes of activity/authority and of hierarchical levels are undertaken in line with the organizational structure manual approved by the Corporate Human Resources Area.

Concordance between the organization of positions and the hierarchical structure is essential because it maps functions to roles and responsibilities, ensuring that business activities are conducted properly.

The Corporate Finance Area establishes the accounting policies and standards applicable to the Group and is responsible for the coordination between the various business units and corporate areas in relation to the consolidated financial information preparation procedure.

- Code of conduct, approval body, degree of diffusion and instruction, principles and values included (indicating if there are specific mentions to the registry of operations and preparation of financial information), body entrusted with analyzing noncompliance and recommending corrective measures and sanctions.

The Code of Ethics and Conduct was approved by the Board of Directors on December 21, 2017, replacing the one previously approved in 2016.

It aims to reflect corporate values and the basic principles that should guide the conduct of MAPFRE and its staff.

Communication campaigns were conducted to ensure that all employees were aware of the code, and it is available to them on the Intranet and the Group's website.

By December 31, 2018, a total of 20,342 employees worldwide had completed the e-learning course on the Code of Ethics and Conduct (approximately 57,6 percent of the workforce).

The code sets out specific principles that are binding for all employees, regarding the processing of the Group's financial information so as to ensure its confidentiality, integrity and availability in accordance with MAPFRE's information security policy. It also states that all employees are responsible for ensuring that the information provided is accurate, clear and truthful.

To guarantee application of the code, as well as supervision and control of its compliance, the Ethics Committee is entrusted with ensuring its compliance and analyzing and resolving any complaints lodged as a result of its violation. Any employee who has a query about the application of the code, or who observes a situation that might involve a breach or violation of any of the principles and rules of ethics or conduct, must report it to the Ethics Committee, which acts within the scope of its advisory functions or resolves any complaints that may arise regarding breaches of the code.

To notify the Ethics Committee of any queries or complaints, employees have access to an Ethical Whistleblower Channel on the Group's internal portal. The operation of this channel is set out in the Code of Ethics and Conduct.

Every year, the Ethics Committee reports to the Steering Committee on the activities carried out during the financial year.

- **Whistleblower channel that allows employees to report financial and accounting irregularities to the Audit Committee, in addition to possible breaches of the code of conduct and irregular activities in the organization, indicating whether any of the information reported is confidential.**

In addition to the Ethical Whistleblower Channel indicated in the previous section, there is a Financial and Accounting Whistleblower Channel which allows Group employees to report any potentially significant financial and accounting irregularities they observe to the Audit and Compliance Committee confidentially, via an electronic mailbox or written correspondence to a specific address.

The operating standards of the Financial and Accounting Complaints Channel of MAPFRE Group, with its last updated approved by the Audit Committee in 2016, are published on the intranet or internal portal of the Group.

The Audit and Compliance Committee receives the complaints and reviews and resolves them by addressing each one as it deems appropriate. In order to perform its functions properly, it relies on assistance from General Counsel and the Corporate Internal Audit Area.

In cases of complaints concerning the Group's subsidiary companies which have their own mandatory Whistleblower Channel, the Audit and Compliance Committee and the competent body of the subsidiary company liaise in handling and resolving any complaints received.

The parties involved in the channel have controls for restricting access to the information, and the confidentiality of the whistleblower's identity is assured through the collection of personal data provided in accordance with the requirements of current data protection legislation.

General Counsel issues an annual report for the Audit and Compliance Committee outlining the activities conducted through the Whistleblower Channel and the final result of the complaints made.

- **Regular training and refresher programs for staff involved in the preparation and review of financial information, as well as evaluation of the ICFR, covering at least the accounting rules, internal control and risk management.**

MAPFRE has a Global Training Model that is the basis of the Corporate University. This university is organized into Schools of Knowledge, which encompass all of the training programs that are developed locally and globally.

Among the Technical Knowledge Schools, further progress was made on the creation of the Finance School with the aim of providing all employees in all the finance areas with the necessary knowledge to ensure efficient financial and risk management, a key aspect of MAPFRE's growth. The training content of this school is based on the following pillars:

- Risk management.
- Management, Administration and Accounting Control
- Corporate Finance
- Investments

In 2018 MAPFRE organized several training programs in Spain on financial, risk and internal control issues, representing a total of 6,242 training hours delivered to 572 participants.

In the Iberia Regional Area it is worth noting the financial certification training plan for MAPFRE's commercial network taught by the FEF School (Fundación Estudios Financieros).

The agreement signed by MAPFRE and FEF grants a wide group of professionals from the Commercial Organization throughout Spain to have access to a high level program that qualifies them as Financial Advisors approved by the CNMV as required by MiFID II standard. This training adds great value to the MAPFRE sales network by providing cutting-edge, complete and practical knowledge that will significantly help sales efforts related with savings and investments.

At the close of 2018, 468 employees and 386 brokers had received certification.

The program has a minimum duration of 225 hours and uses a blended system: in-person, video training, website and forums.

With regard to e-learning, it is worth mentioning the "Internal Control Rules" course which all Group employees must take. In 2018 there were 699 course registrations. Since its inception in 2008, the total number of students enrolled in this course stands at 69,126.

MAPFRE also offers an e-learning course on the Regulatory Compliance Function, developed and integrated into the eCampus platform, whose objective is to advertise this function, its features, objectives and responsibilities and the importance acquired by the implementation of the Compliance Function in organizations to minimize the risk of legal and regulatory non-compliance to which they are exposed. In 2018, 71 employees received 71 training hours through this course.

In 2017, a 45 minutes e-learning course was developed on the Solvency II regulations, aimed at all employees around the world who perform their duties in the Risk, Financial, Actuarial, Compliance and Audit Areas, which is available in two of the three corporate languages (Spanish and English). 596 employees were enrolled in this online training program during 2018, available on the eCampus platform.

In 2018, the online training "GREA: Risk Management in Insurance Matter" was offered, a global program in Spanish language with a duration of 280 hours, which provides a certification upon its completion. There are currently 31 employees from 6 different countries are participating in this online program.

Internal Audit training also continued in 2018, aiming to provide all professionals in MAPFRE audit areas around the world with the knowledge necessary to perform internal audits and to share established management tools and best practices.

In June 2018, the IT audit program, with a duration of 40 hours, with the participation of 23 auditors from eight countries.

Between September to December 2018, an on-line Solvency II course was developed by ICEA (Cooperative Research among Insurance Companies and Pension Funds), which was attended by 40 internal auditors, both from Spain and overseas. The course has been adapted to the training needs required by auditors in this area, with a duration of approximately 55 hours and has been taught through webinars.

Furthermore, the international seminar of audit directors from all countries was held in November 2018, with an approximate duration of 30 teaching hours, and it was attended by 51 employees. This seminar is held every two years and its main purpose is to deal with issues related to the audit function and the management of the activity in each of the countries, as well as the main activities of MAPFRE's corporate areas.

Similarly, a training seminar was held in December 2018, for the auditors in Spain and Portugal with an approximate duration of 12 hours, attended by 56 employees, and whose content mainly revolved around aspects related to MAPFRE's strategy, MAPFRE Iberia's business model, the new international financial reporting standards, the Global Risks Business Unit, and the new mediation law, among others.

F.2 Financial information risk assessment

Report on at least the following:

F.2.1. The main characteristics of the risk identification process, including error or fraud risks, in relation to:

- Whether the process exists and is documented.

MAPFRE has a risk management system (hereinafter, RMS) that applies to Group companies, in accordance with the internal regulations of each of the risk categories considered.

The description of the RMS is included in Section E. Risk Control and Management Systems of this Corporate Governance Report.

Regarding the risk control system, risk factors are identified for each of the processes that the Group considers to be critical, which are classified into 24 risk types. Among the risk factors listed for each process, one is always included on the registration and accounting of financial information.

These risk factors are associated with the key figures for the main items in financial statements. In this process of identifying the key figures, quantitative and qualitative factors (complexity of transactions, risk of fraud and other aspects) were considered.

The Group also updates and monitors its Risk Control System through specific questionnaires on controls and risk, implementing corrective measures where necessary.

- the procedure covers all financial information objectives (existence and occurrence; integrity; assessment; presentation, breakdown and comparability; and rights and obligations), whether it is updated and how frequently.

The risks that cover the objectives of existence and occurrence, integrity, assessment, presentation, breakdown and comparability, and rights and obligations of financial information are identified through the process of preparing the quarterly questionnaire on internal controls of financial information.

The purpose of this procedure is to identify and verify that controls are implemented during the process of preparing the financial information, to create documentary evidence of the controls carried out by the company relating to the Treasury and Investment, Consolidation, Accounting and Tax processes, as well as of the result of its application, and acting as an internal communication channel to share the relevant information related to the issuance of financial information.

The procedure was reviewed in the first quarter of 2018, the main change being the increase in the number of controls in each of the four above-mentioned processes, from a total of 105 in the last quarter of 2017 to 234 controls in the questionnaire of the first quarter of 2018.

- existence of a procedure for identifying the consolidation scope, bearing in mind, inter alia, the possible existence of complex corporate structures, instrumental companies or those with a special purpose.

The MAPFRE Consolidation Manual, prepared by the Corporate Finance Area, describes the process for identifying the scope of consolidation, which encompasses all the companies of the Group and is updated on a monthly basis.

The Consolidation Division provides the Consolidation Team Leader of each subgroup with the list of companies included in the scope of consolidation, along with the direct and indirect participation percentages and the consolidation method that applies. Any modification to the information provided must be reported to the Consolidation Division, which will make a decision on the modification after analyzing the reasons given.

The functional structure and the tasks assigned to the process managers are reflected in the Consolidation Manual.

- Whether the procedure takes into account the effects of other risk types (operational, technological, financial, legal, fiscal, reputational, environmental, etc.) insofar as they affect financial statements.

Risk control takes into account the different types of operational, technological, financial, legal, reputational and environmental risks, as well as the risks inherent in the insurance and reinsurance business.

In this process, each risk factor, where appropriate, is linked to the section of the financial statements that would be affected if the potential risk became a reality, the main sections being: premiums, provisions, financial returns, acquisition expenses, administration expenses and benefit expenses.

Risk control is promoted in the Group, both in Spain and abroad, through the Riskm@p computer application, which is developed internally by MAPFRE and which aids in the creation of company risk maps. These maps analyze the significance and probability of occurrence of different risks. The management model is based on a dynamic analysis by processes, in which the managers of each area or department identify and assess the potential risks that affect business and support processes, as well as key economic figures, among other aspects, by completing self-evaluation questionnaires.

- Which of the company's governing bodies oversees the process?

The Audit and Compliance Committee, in regards to the information and internal control systems, has the competence, among other tasks, to periodically review the internal control systems and the risk identification and management systems, an ongoing task undertaken throughout the year by Internal Audit.

Regarding the SCIIF report, prepared by the Financial Department, the External Audit reviews and analyzes its contents, issuing its own report on the consistency or incidents of the information that could impact it.

The SCIIF report, alongside the report prepared by External Audit, is supervised by the Audit and Compliance Committee prior to its approval by the Board of Directors.

F.3 Control activities

Indicate whether at least the following are in place and describe the main characteristics:

- F.3.1. Procedures for reviewing and authorizing financial information and the ICFR description (to be published in securities markets), indicating responsible personnel, as well as descriptive documentation on activity and control flows (including those related to fraud risk) of the different types of transactions that could have a material effect on the financial statements, including the procedure for accounting closes and the specific review of relevant opinions, estimates, assessments and projections.

The financial reports on the annual accounts and biannual and quarterly information prepared by the Corporate Finance Area are submitted to the Audit and Compliance Committee first and then to the Board of Directors.

In the case of individual and consolidated annual accounts, the Chief Financial Officer, the Internal Audit General Manager and the executive responsible for preparing these accounts certify their accuracy and integrity to the Board of Directors.

The closing calendar, prepared by the Internal Accounting Control and Supervision Division, lists the main activities of the process of consolidating and preparing the annual and biannual accounts and the corresponding controls, providing deadlines for compliance.

The different Group companies report financial information through their assigned representatives, which the Corporate Finance Area consolidates to prepare the reports. During the consolidation process, controls are in place to detect any errors liable to significantly affect the financial statements;

The Audit and Compliance Committee supervises the following information:

The management report and individual and consolidated annual accounts of MAPFRE S.A. and its subsidiaries.

The report on the limited review of the intermediate summarized consolidated financial statements of MAPFRE S.A. corresponding to the intermediate period ending on June 30 of each financial year.

The information that MAPFRE S.A. sends to the Spanish National Securities and Exchange Commission (the "CNMV") every quarter.

The information prepared by MAPFRE S.A. for investors and analysts, which is reviewed and analyzed by the Audit and Compliance Committee before publication.

The documents related to Pillar II and Pillar III of Solvency II: ORSA (Own Risk and Solvency Assessment), SFCR (Solvency and Financial Condition Report) and RSR (Regular Supervisory Report).

Additionally, as indicated in the previous section, each quarter the companies complete the questionnaire on internal controls of financial information. This questionnaire includes documented evidence of the activities and controls performed with regard to the main financial information processes.

In addition to the procedures indicated above, during the risk control process, internal control manuals and other descriptive documents are prepared that contain procedures and activities and the parties involved in them, identifying the associated risks and the controls for mitigating them, including those related to fraud risk and the accounting close process.

Regarding the judgments and estimates, the Board of Directors makes them based on assumptions on the future and about uncertainties which are mainly related to technical provisions; losses due to deterioration of certain assets; the calculation of provisions for risks and expenses; the actuarial calculation of liabilities and commitments for post-employment remuneration; the useful life of intangible assets and tangible fixed assets; and the fair value of certain non-listed assets.

The estimates and assumptions used are included in the accounting close instructions, are reviewed regularly, and are based on historical experience and on other factors that may be considered more reasonable at the time. If the review leads to changes in estimates in a given period, their effect is applied during that period and, if applicable, in subsequent periods.

F.3.2. Internal control policies and procedures for information systems (internal, safe access, change control, operation, operational continuity and separation of functions) that concern the company's relevant procedures in relation to the preparation and publication of financial information.

The Corporate Security and Environmental Division (DISMA), which until July 18, 2018, was dependent on the Corporate Resources and Institutional Coordination Area, becomes dependent from that date on the Corporate Business Support Area, which is managed by the Director General of Business Support. These changes were approved by the Board of Directors of MAPFRE S.A. on June 18, 2018. The DISMA acts directly on the regulations regarding information security.

In particular, the measures established are specified in a Documentary Information Security System (DISS) or Regulatory Body for Information Security (RBIF), which derives from the Master Plan for Security and Environment and the Corporate Security and Privacy Policy, both documents whose latest update has been approved by the Board of Directors of MAPFRE S.A., at its meeting held on December 13, 2018. In this version, these documents have been adapted to the new regulatory requirements, mainly regarding the General Data Protection Regulations (GDPR), and the creation of the Privacy and Data Protection Committee as the delegated body of the Security and Environment Committee, and as a support body of the Crisis and Business Continuity Committee.

The information systems are subject to three types of security procedures and controls: preventive, informative and reactive, resulting in the publication of standards, the monitoring of networks and systems, and the review of any measures and controls in place.

Among other aspects, the Information Security Regulations (ISR) set out the following: information systems must be tracked and monitored through inventory procedures to identify the resources and the information that they contain; verification of the identity of the people who use them; and the use of passwords in keeping with

the password strength criteria laid down in the regulations, which help maintain the appropriate separation of functions.

To facilitate compliance with the obligations established in the ISR, MAPFRE has a General Control Center (which acts as a Computer Emergency Response Team (CERT) and belongs to the international network known as FIRST or Forum of Incident Response and Security Teams). This center monitors activity in the networks and in the Group's information systems, and it is the body responsible for responding to potential security incidents.

Additionally, every year the Corporate Security and Environment Division implements a calendar of security checks to verify the security controls in place and discover any vulnerabilities in the information systems.

Both the Corporate Security and Privacy Policy and the Security and Environment Governance Model, and the rules and standards of the Information Security Regulatory Body, are published on the Global Intranet in order to enable access to all employees.

In addition, the Group has a Corporate Business Continuity Model consisting of a Policy, a Governance Framework and a Business Continuity Methodology that define the framework and the necessary actions to be taken to ensure the correct development of the operation before the materialization of a high impact incident, so that the damage caused is minimized.

Every two years, the Corporate Internal Audit Area verifies the proper functioning of the Internal Control System of the main IT Systems whose scope is the general controls of information technology (IT), the IT control environment, and the application controls. In those years where no specific review is carried out, the identified action plans are monitored and their status is reviewed.

F.3.3. Internal control policies and procedures designed to supervise the management of activities subcontracted to third parties, as well as those aspects of evaluation, calculation or valuation entrusted to independent experts, which may have a material effect on financial statements.

All services subcontracted to third-parties are articulated through specific contracts and the contracting units or areas directly supervise the providers, except in the case of exceptional services (that are not recurring over time), which due to their reduced amount, duration and lesser importance are processed through the system based on the provider's offer.

Providers are selected on the basis of objective criteria that assess factors such as quality, price, provider infrastructure, market recognition and, in particular, membership of the groups of associates that collaborate with the Group's companies and their track record in terms of service quality.

Compliance with prevailing legislation in the various countries and the implementation of security measures where warranted are prerequisites. Other highly rated attributes include response times, after-sales service, geographic reach and the added value they can contribute.

Currently, the Purchasing and Media Division is under development, which, until July 18, 2018, depended on the Corporate Media and Institutional Coordination Area, and as from that date forward it shall depend on the Corporate Financial Area, as approved by the Board of Directors of MAPFRE S.A. on June 18, 2018, a project to perform the deployment in the countries concerned of the Global Procurement and Contracting Services Plan, which includes different categories, including the one corresponding to services provided by independent professionals that includes those with a possible financial impact derived from the assessment, calculation or assessment entrusted.

In implementing this plan, in 2013 the Steering Committee approved the Procurement Regulations which contain the principles and basic criteria for the procurement of goods and services by all Group companies, irrespective of their geographic location and type of business. A Purchasing Procedure is also defined and approved internally that completes the Purchasing Standard, which was updated during 2017 and which entered into force on January 1, 2018. Additionally, each organization or country that has been given the ability to negotiate contracts must develop a specific procedure to regulate its hiring, always respecting and in compliance with the minimum criteria established in the Purchase Standard and General Procedure.

In general, providers are approved and contracted by the Procurement Area, and once the contract has been formalized it is the requester who ensures that the service is delivered correctly and in accordance with current legislation.

Notwithstanding the foregoing, in those cases in which outsourced independent professional services require specific technical knowledge (corporate operations, valuation of assets and portfolios, real estate appraisal, advice, audit related services, etc.), the areas themselves directly perform the contracting and supervision of the service by having qualified personnel to assess the capacity and qualification of the provider, as well as the conclusions reflected in the reports issued.

Currently, the main providers that are contracted repeatedly have been approved and, in accordance with the Procurement Procedure, the aim is to approve all recurring providers or providers with special relevance for the MAPFRE Group.

F.4 Information and communication

Indicate whether at least the following are in place and describe the main characteristics:

F.4.1. A specific function responsible for defining, keeping accounting policies up-to-date (accounting policies area or department) and resolving queries or disputes derived from their interpretation, maintaining continuous communication with those responsible for operations in the organization, as well as an updated manual of accounting policies that is communicated to the units through which the company operates.

The Internal Accounting Control and Supervision Division, which reports to the Corporate Finance Area, is responsible for updating accounting policies and applicable rules that concern the Group's financial information, and for resolving queries and disputes derived from their interpretation.

This division also maintains a close and fluid relationship with the financial divisions of the different companies and with the corporate areas, to which it communicates formally established accounting procedures and rules.

With regard to the preparation of financial information, General Counsel and the Corporate Finance Area issued memos containing instructions and updates on applicable regulations. The heads of the finance divisions also have specific models and instructions for preparing financial information, provided in the Consolidation Manual (which includes applicable accounting rules and policies), and the accounting models that are updated on an annual basis.

The Group's subsidiaries receive the information about the applicable procedures and regulations through the parent companies of the subgroups, which receive the instructions directly from the Internal Accounting Control and Supervision Division.

The Internal Accounting Control and Supervision Division updates the individual and consolidated annual accounting models used by the various Group companies, which include accounting policies and breakdowns of information to be presented. The Consolidation Division of the Corporate Finance Area defines instructions on accounting policies and breakdowns for preparation of the Group's consolidated information using the consolidation manual.

At least once a year, and during the last quarter of the financial year, the annual accounting models and the consolidation manual are reviewed and any changes are reported to the parties involved. However, whenever there are changes that affect periods of time of less than one year, these changes are reported immediately.

F.4.2. Mechanisms for the capture and preparation of financial information with standard formats, for application and use by all units of the company or the Group, that support the main financial statements and notes, as well as information provided on the ICFR.

The financial information of MAPFRE Group companies is managed through the corporate consolidation application, a tool that represents a centralized database (common and single data repository). This application has been programmed to automatically execute the consolidation entries and process controls,

which guarantees that the criteria set out in the consolidation manual are applied uniformly to all the automatic entries and minimizes the likelihood of errors.

Within the procedure for preparing financial information, the consolidation certificates constitute the channel of communication about the information required in the consolidation procedure or in the preparation of consolidated financial statements. The certificates are reviewed and updated at least once a year.

Based on the information contained in the consolidation certificates and using the accounting model prepared by the Internal Accounting Control and Supervision Division, the Consolidation Division prepares the annual accounts and all the other financial statements.

The Internal Accounting Control and Supervision Division is responsible for preparing the ICFR-related report. To do this, it identifies the areas involved in the financial information preparation process, sends them instructions on how to complete the report, and at least once a year asks them to update the support documentation for the actions performed.

F.5 Supervision of system operation

Report on the following, indicating the main characteristics:

F.5.1. The supervision activities of the ICFR conducted by the Audit Committee and whether the company has an internal audit function that includes supporting the committee in its supervision of the internal control system, including the ICFR. At the same time, the scope of evaluation of the ICFR conducted during the financial year and the procedure whereby the person responsible for executing the evaluation notifies the results, whether the company has an action plan defining possible corrective measures, and whether its impact on financial information has been taken into account.

MAPFRE S.A. has a Corporate Internal Audit Area consisting of six Internal Audit Services located in Spain (Seguros Iberia, Seguros Latam, Seguros Internacional, Reinsurance, Assistance and Global Risks, and Information Technologies), a Continuous Internal Audit Unit in Spain and 27 internal audit units and departments abroad that are fully independent, and which review and assess the adequacy and correct functioning of the Group's processes, as well as the Internal Control System.

The structure of MAPFRE's Corporate Internal Audit Area depends functionally on the Board of Directors of MAPFRE S.A. through the Audit and Compliance Committee (delegate body of the Board) and on the Chairman of the Board in particular.

The managers of the audit departments and units depend (functionally and hierarchically) on the General Manager of Internal Auditing.

The Audit and Compliance Committee supervises the financial information described in the previous Section F.3.1 of this report, and also approves the Internal Audit Plan and monitors it on a quarterly basis.

The Audit Plan outlines the supervisory work that the Corporate Internal Audit Area will carry out during the next fiscal year, the content and scope of which are established in terms of the risks identified, requests received and own experience. The plan is managed uniformly through a single Group-wide technological platform that allows the information to be processed in accordance with the access levels established for the different responsibilities. The 2018 Internal Audit Plan was approved by the Audit and Compliance Committee in the session held on February 6, 2018.

The MAPFRE Group Internal Audit Policy and Charter establishes the following functions, among others, for the Corporate Internal Audit Area:

To supervise the suitability and efficacy of the Internal Control System and other elements of the Governance System, which is centered on:

Evaluating the suitability, sufficiency and efficacy of elements of the Internal Control System.

Evaluating the Risk Management System (RMS), based on the integrated management of all the business processes and adaptation of the risk level to MAPFRE's strategic objectives by reviewing, as a minimum requirement, the risk quantification and qualification processes stated in the Solvency II Directive.

Evaluating the suitability and performance of the key functions set out in the governance system provided for in the Solvency II Directive.

Contributing to good corporate governance by verifying compliance with the rules established by the MAPFRE Group's Institutional, Corporate and Organizational Principles and the Solvency II Directive.

Evaluating the reliability and integrity of accounting and individual and consolidated information and other economic information prepared by MAPFRE S.A., its subsidiaries, business units, territorial areas, regional areas and corporate areas, as well as the validity, sufficiency and application of the accounting and legal principles and rules.

The evaluation and assessment of the MAPFRE Internal Control System conducted by the Internal Audit Corporate Area follows a pre-established methodology based on variables such as the review of the IT internal control, the assessments of the audits conducted during the year and compliance with recommendations, which are first approved by the Audit and Compliance Committee. The result of this review is reflected in an annual report on the effectiveness of internal control procedures. Whenever appropriate, individual recommendations are made to the company with a view to improving the internal control system and then the Audit and Compliance Committee monitors their compliance.

Every year the Audit and Compliance Committee holds a meeting on internal control to analyze the assessments and any recommendations issued by the Corporate Internal Audit Area on the Internal Control System (which includes the ICFR).

The Corporate Internal Audit Area checks the internal control system for the main IT systems, as indicated in section 3.2 above.

Additionally, the Corporate Internal Audit Area carries out a check on the work carried out throughout the year that is related to SCIIF.

Likewise, as part of the audit procedures performed to validate the annual financial statements, the external auditor issues a memorandum of recommendations after his/her interim visit, which is presented to the Audit and Compliance Committee.

F.5.2. Whether there is a procedure for discussion whereby the account auditor (pursuant to the provisions of the NTAs), the internal audit function and other experts can notify senior management and the Audit Committee or company directors of any significant weaknesses in internal control identified during procedures to review the annual accounts or others that may have been commissioned. Also indicate whether there is an action plan that endeavors to correct or mitigate the weaknesses observed.

The previous section F.5.1 indicates the procedure used by Internal Audit to report assessments of aspects relating to internal control.

Communication with the external auditor is very frequent and fluid in the MAPFRE Group. Both at the beginning, during and at completion of work to review the company's annual accounts by the external auditors, planning, follow-up and coordination meetings are held and attended by the external auditors, internal auditors, General Counsel and the Corporate Finance Area. Additionally, on completion of the work a meeting is held with the General Manager of Internal Audit to discuss the results and conclusions detected. If there are any action plans to correct or mitigate the weaknesses observed, which also include the responses prepared by the division to implement the recommendations put forward by the external auditors, these plans are presented to the Audit and Compliance Committee. The external auditor attends the Audit and Compliance Committee when the agenda includes issues regarding the review of the annual and half-yearly accounts, their preliminary review, and whenever required on account of other issues.

F.6 Other relevant information

There is no other relevant information about the ICFR that has not been included in this report.
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F.7 Report of the external auditor

Indicate:

- F.7.1. Whether the ICFR information sent to the markets has been reviewed by the external auditor. If so, the company should attach the relevant report as an annex. Otherwise, state the reasons.

The ICFR information has been reviewed by the external auditor, whose report is attached as an annex.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the extent to which the company follows the recommendations of the Good Governance Code for listed companies.

In the event that any recommendation is not followed or is partially followed, a detailed explanation of the reasons should be included so that shareholders, investors and the market in general have enough information to assess the conduct of the company. No general explanations will be accepted.

1. The bylaws of listed companies should not place a maximum limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by purchasing their shares on the market.

Complies Explain

2. When a dominant and a subsidiary company are publicly traded, both should provide detailed disclosure on:
 - a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other companies of the Group.
 - b) The mechanisms in place to resolve possible conflicts of interest.

Complies Partially complies Explain Not applicable

3. During the Ordinary General Meeting, in addition to broadcasting the Annual Corporate Governance Report, the Chairman of the Board must inform the shareholders verbally, in sufficient detail, of the most relevant corporate governance aspects of the company and, in particular:
 - a) The changes that have occurred since the last Ordinary General Meeting.
 - b) The specific reasons why the company does not follow any of the recommendations of the Corporate Governance Code and, if applicable, the alternative rules that it applies on these matters.

Complies Partially complies Explain

4. The company shall define and promote a new policy on communication and contact with shareholders, institutional investors and proxy advisors that is fully respectful of the rules against market abuse and treats all shareholders in the same position equally.

The company shall make this policy public through its website, including information relating to the way in which it has been put into practice and identifying the interlocutors or those responsible for this happening.

Complies Partially complies Explain

5. At the General Meeting, the Board of Directors shall not put forward a proposal for delegating powers to issue shares or convertible values excluding the right of first refusal, for more than 20 percent of the capital at the time of delegation.

When the Board of Directors approves any issuance of shares or convertible bonds, excluding the right of first refusal, the company shall publish the reports on this exclusion, referred to by corporate legislation, on its website immediately.

Complies Partially complies Explain

6. The listed companies that prepare the reports indicated below, whether on a mandatory or voluntary basis, shall publish them on their website with sufficient notice before the Ordinary General Meeting is held, even if their distribution is not mandatory:

- a) Report on the independence of the auditor.
- b) Report on the operation of the Audit Committee and the Appointments and Remuneration Committee.
- c) Report of the Audit Committee on related operations.
- d) Report on the corporate social responsibility policy.

Complies Partially complies Explain

7. The company shall broadcast the Annual General Meeting live on its website.

Complies Explain

8. The Audit Committee shall ensure that the Board of Directors avoids presenting accounts to the Annual General Meeting without limitations or reservations in the audit report. When this is not possible, both the chairman

of the Audit Committee and the auditors must clearly explain the content and scope of these limitations or reservations.

Complies Partially complies Explain

9. On its website, the company shall make publicly and permanently available the requirements and procedures that it shall accept to support the ownership of shares, the right to attend the Annual General Meeting and voting or proxy voting.

These requirements and procedures shall promote attendance and the exercising of rights of the shareholders and must be applied in a non-discriminatory manner.

Complies Partially complies Explain

10. When, prior to the Annual General Meeting, any entitled shareholder has exercised the right to complete the agenda or present new proposals for resolution, the company:

- a) Shall immediately broadcast these new and additional proposals for resolution.
- b) Shall publicize the model attendance card or proxy form or distance vote with the necessary modifications so that they can vote on the new points in the agenda and proposed alternatives for resolution in the same terms as those proposed by the Board of Directors.
- c) Shall submit all of those points and proposed alternatives to voting and apply the same voting rules as those set by the Board of Directors, including, in particular, the presumptions or inferences on how to vote.
- d) Following the Annual General Meeting, it shall communicate the breakdown of the vote on those additional points or proposed alternatives.

Complies Partially complies Explain Not applicable

11. If the company plans to pay attendance premiums for the Annual General Meeting, it shall establish a general policy on those premiums previously and this policy must be permanent.

Complies Partially complies Explain Not applicable

12. The Board of Directors shall perform its functions with a unified purpose and independent judgment, treat all shareholders in the same position equally and be guided by corporate interest, understood as a profitable business that is sustainable in the long term and that promotes the continuation and maximization of the economic value of the company.

In the pursuit of corporate interest, in addition to compliance with the laws and regulations and a behavior based on good faith, ethics and in compliance with the commonly accepted uses and good practices, it shall seek to reconcile, as appropriate, corporate interest with the legitimate interests of its employees, providers, clients and those of the other stakeholders that may be affected, as well as the impact of the company's activities on the community as a whole and the environment.

Complies Partially complies Explain

13. The Board of Directors shall be of the required size to permit its efficient and participatory operation, meaning that it is advisable for it to comprise between five and 15 members.

Complies Explain

14. The Board of Directors shall approve a director selection policy which:

- a) Is specific and reasonable.
- b) Ensures that the appointment or reappointment proposals are based on a prior analysis of the needs of the Board of Directors.
- c) Promotes diversity of knowledge, experience and gender.

The results of the prior analysis of the needs of the Board of Directors shall be included in the explanatory report of the Appointments Committee that is published when the Annual General Meeting is called, to which the ratification, appointment or reappointment of each director is submitted.

The director selection policy shall promote the objective for the number of directors in year 2020 to represent at least 30 percent of the total members of the Board of Directors.

The Appointments Committee shall verify the compliance with the director selection policy annually and shall inform on this in the Annual Corporate Governance Report.

Complies Partially complies Explain

15. The nominee and independent directors shall constitute a large majority of the Board of Directors, and the number of executive directors should be the minimum required to deal with the complexity of the corporate group and reflect the percentage of shares held in the company by the executive directors.

Complies Partially complies Explain

16. The percentage of nominee directors of the total number of non-executive directors should not be greater than the ratio between the company capital represented by these directors and the rest of the capital.

This criterion can be relaxed:

- a) In large cap companies where there are few equity stakes that are legally considered as significant.
- b) In companies with a plurality of shareholders represented on the Board of Directors who are not related.

Complies Explain

17. Independent directors should account for at least half of the total number of directors.

However, when the company is not high cap, or when, even though it is, it has one or several shareholders acting in unison controlling more than 30 percent of the share capital, the number of independent directors should represent at least a third of all directors.

Complies Explain

18. Companies shall publish the following director particulars on their website and keep them permanently updated:

- a) Professional experience and background.
- b) Other boards to which they belong, whether or not listed companies, as well as other paid activities performed, whatever their nature.
- c) An indication as to whether the directorship is executive, indicating shareholder-nominated or independent; in the case of nominee directors, stating the shareholder they represent or to whom they are affiliated.
- d) The date of his/her first and subsequent appointments as a company director, as well as later reappointments.

e) Company shares, and share options, of those which are held.

Complies Partially complies Explain

19. The Annual Corporate Governance Report, following verification by the Appointments Committee, shall disclose the reasons for the appointment of nominee directors at the behest of shareholders controlling less than three percent of capital; and it should explain any rejection of a formal request for a Board place from shareholders whose equity stake is equal to or greater than that of others appointed for a nominee directorship.

Complies Partially complies Explain Not applicable

20. Nominee directors must resign when the shareholders they represent transfer their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to nominee directors, the number of such nominee directors should be reduced accordingly.

Complies Partially complies Explain Not applicable

21. The Board of Directors must not propose the removal of independent directors before the expiry of their term in office pursuant to the bylaws, except where due cause is found by the Board of Directors, based on a report from the Appointments Committee. In particular, it must be understood that there is just cause when the director takes on new positions or contracts new obligations that prevent him/her from devoting the necessary time to the performance of the functions of a director, fails to comply with the work inherent to his/her position or is involved in any of the circumstances that cause the loss of his/her independent status, in accordance with that established in applicable legislation.

The removal of independent directors can also be proposed as a result of public takeover bid, merger or similar corporate actions that cause changes in the capital structure of the company, when these changes in the structure of the Board of Directors are supported by the proportionality criteria, indicated in recommendation 16.

Complies Explain

22. Companies shall establish rules obliging directors to inform the Board of Directors of any circumstance that might undermine the organization's name or reputation, tendering their resignation as the case may be, with particular

mention of any criminal charges brought against them and the progress of any subsequent proceedings.

If a director is indicted or tried for any of the crimes stated in corporate law, the Board of Directors should examine the matter as soon as possible and, in view of the particular circumstances, decide whether or not he/she should be called on to resign. The Board of Directions should also disclose all of this in the Annual Corporate Governance Report.

Complies Partially complies Explain

23. The directors should clearly express their opposition when they consider that a resolution submitted to the Board of Directors may go against the corporate interest. In particular, independent directors and other directors unaffected by the potential conflict of interest should challenge any decision that could go against the interests of shareholders lacking representation in the Board of Directors.

When the Board of Directors adopts important or reiterated resolutions on issues about which a director has expressed serious reservations, it must draw the pertinent conclusions. If chosen to resign, the reasons for this must be set out in the letter referred to in the following recommendation.

This recommendation should also apply to the secretary of the Board of Directors, even if the secretary is not a director.

Complies Partially complies Explain Not applicable

24. If leaving office before the end of his/her term, whether due to resignation or other reasons, the director should explain the reasons in a letter sent to all members of the Board of Directors. Whether or not such resignation is filed as a significant event, the reasons for leaving must be explained in the Annual Corporate Governance Report.

Complies Partially complies Explain Not applicable

25. The Appointments Committee must ensure that non-executive directors have sufficient time available to perform their functions correctly.

The Board regulations establish the maximum number of company directorships that can form part of their directors.

Complies Partially complies Explain

26. The Board of Directors should meet with the necessary frequency to perform its functions properly, and at least eight times a year, following the schedule of dates and matters established at the beginning of the financial year, to which each director may propose the addition of other items individually.

Complies Partially complies Explain

27. Directors should keep their absences to a bare minimum. Absences should be quantified in the Annual Corporate Governance Report. When they have to be absent, they should delegate their representation with instructions.

Complies Partially complies Explain

28. When directors or the company secretary express concerns about a proposal or, in the case of directors, about the company's performance, and such concerns are not resolved by the Board of Directors, the person expressing them may request that they be recorded in the minutes.

Complies Partially complies Explain Not applicable

29. The company must establish the appropriate channels for the directors to obtain precise advice for the fulfillment of their functions, including, if the circumstances demand it, external advice at the company's expense.

Complies Partially complies Explain

30. Irrespective of the knowledge demanded of the directors to perform their functions, companies also offer refresher programs, when the circumstances so advise.

Complies Partially complies Explain

31. The agenda of the sessions must clearly indicate the points about which the Board of Directors must make a decision or a resolution that enables the directors to study or previously obtain the information required for this to take place.

When, in exceptional circumstances, as a matter of urgency, the director wishes to submit decisions or resolutions that are not part of the agenda to the

Board of Directors, prior and express consent must be obtained from the directors present, which must be duly recorded in the minutes.

Complies Partially complies Explain

32. The directors must be informed periodically on the transactions of the shareholders and the opinions that the significant shareholders, investors and ratings agencies have on the company and Group.

Complies Partially complies Explain

33. The Chairman, responsible for the efficient operation of the Board of Directors, as well as for performing the legal and bylaw functions that are attributed to it, must prepare and submit a schedule of dates and matters to discuss to the Board of Directors, organize and coordinate the periodic evaluation of the Board, as well as, where applicable, the chief executive of the company. He/she shall also be responsible for managing the Board and the efficiency of its performance, ensuring that enough time is devoted to discussing strategic matters, and must consent to and review the refresher programs for each director, when the circumstances so advise.

Complies Partially complies Explain

34. When there is a lead director, the bylaws or regulations of the Board of Directors, as well as the powers that are legally entitled, he/she is assigned the following: to chair the Board of Directors in the absence of the Chairman and Vice Chairmen, if applicable, voice the concerns of the non-executive directors, maintain contact with investors and shareholders to be aware of their points of view in order to form an opinion on their concerns, particularly in relation to the corporate governance of the company, and coordinate the succession of the chairman.

Complies Partially complies Explain Not applicable

The company complies with the entire recommendation, except with respect to assigning the lead director with the power to chair the Board of Directors in the absence of the Chairman, to maintain contact with investors and shareholders, and to coordinate the succession of the Chairman. The Regulations of the Board of Directors assigns the Lead Director the powers to request the Board of Directors to be convened, or the inclusion of new points in the agenda from a Board meeting already convened, coordinate and bring together the non-executive directors and, if required, direct the periodic evaluation of the Chairman of the Board of Directors.

In accordance with the Board of Directors Regulations, in the absence of the Chairman and Vice Chairmen, the oldest director is called upon to chair the meeting. However, the Lead female Director is also the Second Vice Chairwoman of the Board and, accordingly, is entrusted with chairing meetings in the absence of the Chairman and the First Vice Chairman.

With respect to relationships with shareholders and investors, article 21 of the Board of Directors Regulations establishes that the Board of Directors is responsible for establishing and supervising appropriate communications and relations mechanisms with shareholders and investors, establishing the pertinent communications channels in the Policy for Communication with Shareholders, Institutional Investors and Proxy Advisors. The company considers that this configuration ensures better and more efficient coordination of the company's relationships with its investors and shareholders.

Finally, the Board of Directors' Regulations assign the Appointments and Remuneration Committee the power to examine and organize the succession of the Chairman of the Board, as established in article 529 of the Companies Act.

35. The secretary of the Board of Directors should in particular ensure that Board of Directors has the recommendations on good governance at hand during its actions and decisions applicable to the company. These are contained in this Good Governance Code.

Complies Explain

36. The Board of Directors should evaluate and adopt an action plan in full once a year, if applicable, that corrects the weaknesses detected, in relation to:

- a) The quality and efficiency of the operational aspects of the Board of Directors.
- b) The operational aspects and composition of its committees.
- c) The diversity in the composition and responsibilities of the Board of Directors.
- d) The performance of the Chairman of the Board of Directors and the chief executive of the company.
- e) The performance and contribution of each director, paying special attention to those responsible for the different board committees.

The various committees are evaluated on the basis of the report that they present to the Board of Directors, and for the latter, on the report presented to the Appointments Committee.

Every three years, the Board of Directors shall be assisted by an external advisor to perform the evaluation, the independence of whom shall be verified by the Appointments Committee.

The business relationships maintained by the advisor or any company in its group with the company or any company in its Group must be indicated in the Annual Corporate Governance Report.

The process and the areas evaluated must be described in the Annual Corporate Governance Report.

Complies Partially complies Explain

37. When there is an executive committee, the breakdown of its members by director category should be similar to that of the Board of Directors. The secretary of the Board should also act as secretary to the executive committee.

Complies Partially complies Explain Not applicable

38. The Board of Directors should be kept fully informed of the matters discussed and resolutions adopted by the Executive Committee. To this end, all members of the Board of Directors should receive a copy of the Executive Committee's minutes.

Complies Partially complies Explain Not applicable

39. All members of the Audit Committee, particularly its Chairman, should be appointed with regard to their knowledge and background in accounting, auditing and risk management. The majority of these members should be independent directors.

Complies Partially complies Explain

40. Under the supervision of the Audit Committee, there should be a unit that assumes the internal audit function that ensures the proper performance of the information and internal control systems, and functionally operates under the non-executive director of the Board or the Audit Committee.

Complies Partially complies Explain

41. The manager of the unit that assumes the internal audit function must present an annual work program to the Audit Committee, report to it directly about any incidents arising during its implementation, and present an activity report at the end of each financial year.

Complies Partially complies Explain Not applicable

42. In addition to the provisions of the law, the Audit Committee has the following functions:

1. In relation to the information and internal control systems:
 - a) To supervise the process of preparing the financial information and its integrity for the company and Group, reviewing compliance with regulatory requirements, checking the scope of the consolidation perimeter and making sure that the accounting principles are applied properly.
 - b) To ensure the independence of the unit that assumes the internal audit function; to propose the selection, appointment, reappointment and removal of the internal audit officer; to propose the budget for the internal audit department; to approve the guidance and work programs, ensuring that the unit's activity primarily focuses on risks relevant to the company; to receive periodic information on its activities; and to check that senior management takes the conclusions and recommendations of its reports into account.
 - c) To establish and supervise a mechanism that enables employees to confidentially and, if this is deemed possible and appropriate, anonymously report any irregularities they notice within the company which may be of potential importance, especially financial and accounting irregularities.
2. With respect to the external auditor:
 - a) Should the external auditor resign, to examine the circumstances leading to the resignation.
 - b) To ensure that the remuneration of the external auditor for his/her work does not compromise his/her quality or independence.
 - c) To ensure that the company notifies any change of auditor to the Spanish National Securities and Exchange Commission as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for these.
 - d) To ensure that the external auditor holds an annual plenary meeting of the Board of Directors to inform them about the work performed, the accounting situation and any risks to the company.
 - e) To ensure that the company and the external auditor respect the prevailing standards on the provision of services other than auditing, the limits on the concentration of the auditor's;s business and, in general, other standards established to guarantee auditors' independence.

Complies Partially complies Explain

43. The Audit Committee can summon any company employee or executive, even ordering their appearance without the presence of another executive.

Complies Partially complies Explain

44. The Audit Committee must be informed of any corporate and structural modifications which the company plans to make so that, in advance of the next Board of Directors meeting, the committee can analyze these modifications and draw up a report about any economic conditions and accounting impact, particularly as regards the proposed exchange ratio.

Complies Partially complies Explain Not applicable

45. The risk control and management policy should specify at least the following:

- a) The different types of risk, both financial and non-financial (operational, technological, legal, social, environmental, political and reputational), faced by the company. In the case of financial or economic risks, the contingent liabilities and other off-balance-sheet risks must be identified.
- b) The risk level that the company considers acceptable.
- c) The measures established to mitigate the impact of the risks identified, should they materialize.
- d) The internal oversight and reporting systems that shall be used to control and manage these risks, including contingent liabilities and off-balance-sheet risks.

Complies Partially complies Explain

46. Under the direct supervision of the Audit Committee, or, if applicable, a specialized committee of the Board of Directors, there should be an internal risk control and management function performed by a unit or department within the company that is expressly assigned the following functions:

- a) To ensure that the risk control and management systems function properly and, in particular, that they identify, manage and quantify all the significant risks that affect the company.
- b) To actively participate in the development of the risk strategy and important decisions regarding its management.

- c) To ensure that the risk control and management systems mitigate the risks properly and in accordance with the policy defined by the Board of Directors.

Complies Partially complies Explain

47. The members appointed to the Appointments and Remuneration Committee—or the Appointments Committee and Remuneration Committee if separate—must have the knowledge, skills and experience appropriate for the functions that they are called to fulfill. The majority of these members should be independent directors.

Complies Partially complies Explain

48. The large cap companies have a separate Appointments Committee and a Remuneration Committee.

Complies Explain Not applicable

The company considers the issues regarding appointments and remuneration to be closely related, and it is therefore seen as appropriate for them to be analyzed by the same committee.

49. The Appointments and Remuneration Committee must consult with the Chairman of the Board of Directors and the company Chairman and CEO, particularly with respect to matters relating to executive directors.

Any Board member may ask the Appointments Committee to take into consideration any candidates he/she deems suitable to fill a director vacancy.

Complies Partially complies Explain

50. The Remuneration Committee must perform its functions independently and, in addition to the functions assigned by law, the following ones:

- a) To propose the basic conditions for the contracts of the senior managers to the Board of Directors.
- b) To check compliance with the remuneration policy set by the company.
- c) To periodically review the remuneration policy applicable to directors and senior managers, including remuneration systems with shares and their application, as well as to guarantee that individual remuneration is proportional to that paid to the rest of the directors and senior managers of the company.

- d) To ensure that possible conflicts of interest do not compromise the independence of the external advice provided to the committee.
- e) To check the information on remuneration of directors and senior managers contained in the different corporate documents, included in the annual report on the remuneration of directors.

Complies Partially complies Explain

51. The Remuneration Committee must consult with the company Chairman and CEO, especially with respect to matters related to executive directors and senior managers.

Complies Partially complies Explain

52. The rules governing the composition and operation of the supervision and control committees must be included in the regulations of the Board of Directors and be consistent with those applicable to legally obliged committees in accordance with the previous recommendations, including:

- a) They are formed exclusively of non-executive directors, with a majority of independent directors.
- b) Their chairmen are independent directors.
- c) The Board of Directors appoints the members of these committees based on their knowledge, skills and experience and the terms of reference of each committee; discusses its proposals and reports; and reports on and defends its activity at the first plenary Board of Directors meeting held after its own meetings.
- d) The committees may engage external advice when it is considered necessary for the performance of their functions.
- e) Minutes must be taken at their meetings and made available to all directors.

Complies Partially complies Explain Not applicable

53. The supervision of compliance with the rules of corporate governance, the internal codes of conduct and the social corporate responsibility policy shall be attributed to one or distributed among several committees of the Board of Directors, which may be the Audit Committee, the Appointments Committee, the Corporate Social Responsibility Committee, if applicable, or a specialized

committee which the Board of Directors, exercising its powers of self-organization, decides to create for the purpose. These committees have the following minimum functions:

- a) Supervision of the company's compliance with its internal codes of contact and rules of corporate governance.
- b) Supervision of the communication strategy and relationship with shareholders and investors, including the small and medium shareholders.
- c) Periodic assessment of the suitability of the company's corporate governance system to fulfill its mission of promoting the corporate interest and bearing in mind, as applicable, the legitimate interests of the remaining stakeholders.
- d) Review of the company's corporate responsibility policy to ensure that it is aimed at the creation of value.
- e) Monitoring of the corporate social responsibility strategy and practices and evaluation of the degree of compliance.
- f) Supervision and evaluation of the relational processes with other stakeholders.
- g) Evaluation of everything relating to the non-financial risks of the company, including operational, technological, legal, social, environmental, political and reputational.
- h) Coordination of the report process for non-financial and diversity information, in accordance with the applicable regulations and international reference standards.

Complies Partially complies Explain

Functions a) and c) expressly correspond to the Audit and Compliance Committee and duty g) to the Risk Committee.

As indicated in recommendation 34, the Board of Directors itself is responsible for establishing and supervising appropriate communication mechanisms and relations with shareholders and investors.

With regard to the responsibilities relating to corporate social responsibility, the company has a Corporate Social Responsibility Committee. This permanent internal body has executive functions and is responsible among other things for approving the social responsibility strategy and proposing specific actions, objectives and deadlines. In accordance with the corporate social responsibility policy, this committee reports annually to the MAPFRE S.A. Board of Directors and/or the relevant Board delegate body on the degree of compliance with the corporate social responsibility policy and strategy.

54. The corporate social responsibility policy shall include the principles and commitments which the company assumes voluntarily in its relationship with other stakeholders and it should identify at least the following:

- a) The objectives of the corporate social responsibility policy and development of support instruments.
- b) The corporate strategy related to sustainability, the environment and social issues.
- c) Specific practices on matters relating to: shareholders, employees, clients, providers, social issues, the environment, diversity, fiscal responsibility, respect for human rights, and the prevention of illegal conduct.
- d) Methods or systems for monitoring the results of the application of the specific practices indicated above, as well as the associated risks and their management.
- e) Mechanisms for supervising non-financial risk, ethics and corporate conduct.
- f) Channels of communication, participation and dialog with stakeholders.
- g) Responsible communication practices that prevent the manipulation of information and protect honor and integrity.

Complies Partially complies Explain

55. The company reports on matters relating to corporate social responsibility in a separate document or within the management report, using one of the internationally accepted methodologies.

Complies Partially complies Explain

56. The remuneration of directors must be sufficient to attract and retain directors from the desired profile and reward the commitment, qualification and responsibility demanded by the position, but not so high that the independence of criteria for non-executive directors is compromised.

Complies Explain

57. The executive directors must receive the variable remuneration relating to the performance of the company and their individual performance, as well as remuneration in the form of shares, options or rights on shares and instruments

referenced to the share value and long-term saving systems such as pension plans, retirement systems or other social protection systems.

The delivery of shares shall be considered as remuneration for non-executive directors on condition that the shares are held for the duration of the directorship. This does not apply to the shares that a director needs to transfer, if necessary, to meet the costs related to their acquisition.

Complies Partially complies Explain

58. In the case of variable remuneration, the remuneration policies must include the limits and specific technical safeguards to ensure that the remuneration reflects the professional performance of the beneficiaries and not simply the general progress of the markets, the company sector or similar circumstances.

In particular, the variable components of the remuneration:

- a) Are linked to performance criteria that are predetermined and measurable, and these criteria must take into account the risk accepted for achieving a result.
- b) Promote the sustainability of the company and include non-financial criteria that are suitable for creating long-term value, such as compliance with the internal rules and procedures of the company and its policies for risk control and management.
- c) Are defined on the basis of a balance between compliance with short, medium and long-term objectives, permitting remuneration for continued performance over a period of time sufficient to appreciate the contribution to the creation of sustainable value. Accordingly, the elements used to measure performance are not based solely on specific, occasional or extraordinary events.

Complies Partially complies Explain Not applicable

59. The payment of a significant portion of the variable components of remuneration is deferred for a minimum period that is sufficient to verify compliance with the previously established performance conditions.

Complies Partially complies Explain Not applicable

60. Remuneration linked to the company's results takes into account any reservations that are mentioned in the external auditor's report and may compromise the results.

Complies Partially complies Explain Not applicable

61. A significant percentage of the variable remuneration of the executive directors is linked to the delivery of shares or financial instruments referenced to the share value.

Complies Partially complies Explain Not applicable

62. Once shares, or options or rights to corresponding shares, are allocated to the remuneration system, directors cannot transfer ownership of a number of shares equivalent to twice their fixed annual remuneration, or exercise any options or rights until after a period of at least three years from their allocation.

This does not apply to the shares that a director needs to transfer, if necessary, to meet the costs related to their acquisition.

Complies Partially complies Explain Not applicable

63. The contractual agreements include a clause that allows the company to demand re-payment of variable components of remuneration when payment has not been adjusted to the performance conditions or when it has been awarded on the basis of data which is subsequently shown to be incorrect.

Complies Partially complies Explain Not applicable

64. Payments for contract termination do not exceed a fixed amount equivalent to two years' total annual remuneration, and shall not be paid until the company has confirmed that the director has met the pre-established performance criteria.

Complies Partially complies Explain Not applicable

For external directors, there is no compensation for leaving the position.

Regarding executive directors, leaving the position means lifting the suspension of the relationship prior to the appointment as executive director.

The early termination of the previous relationship (prior, in all cases, to the approval of the Good Governance Code for listed companies), except when there is good cause for dismissal, implies compensation under the terms established by the workers' statute in relation to unfair dismissal.

H. OTHER USEFUL INFORMATION

1. If there is any relevant aspect regarding corporate governance in the company or in the Group companies that has not been covered in the remaining sections of this report, but that should be included in order to provide more complete and explanatory information about the structure and governance practices of the company or Group, please provide a brief explanation here.
2. This section may also include any other relevant information, clarification or detail related to previous sections of the report so long as they are relevant and not repetitive.

Specifically, indicate whether the company is subject to the corporate governance legislation of any country other than Spain and, if so, include the compulsory information to be provided when different from that required by this report.

3. The company may also indicate if it has voluntarily adhered to other codes of ethical principles or best practices, international, sectoral or of another scope. If this is the case, the code in question and the adherence date must be indicated. In particular, it shall mention whether it has adhered to the Code of Good Taxation Practices, of July 20, 2010.

Since July 22, 2010 the company has adhered to and complies with the Code of Good Taxation Practices approved and sponsored by the Forum for Large Companies and the Spanish Tax Agency.

This annual report on corporate governance was approved by the company's Board of Directors at its meeting on 02/06/2019.

Indicate whether any directors voted against the report or abstained.

Yes No

Name or company name of the Director, which has not voted in favor of the approval herein	Reasons (against, abstention, non-attendance)	Explain the reasons

Observations



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

Auditor's Report on the "Information concerning the System of Internal Control over Financial Reporting (ICFR)" of MAPFRE, S.A. for 2018

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

To the Directors of MAPFRE, S.A.

As requested by the Board of Directors of MAPFRE, S.A. (the "Company") and in accordance with our proposal letter dated 16 January 2019, we have applied certain procedures to the "Information concerning the ICFR" attached in section F of the Annual Corporate Governance Report of MAPFRE, S.A. for 2018, which summarises the Company's internal control procedures for annual financial reporting.

The Directors are responsible for adopting appropriate measures to reasonably ensure the implementation, maintenance and oversight of an adequate system of internal control, the development of improvements to that system and the preparation and definition of the content of the information concerning the ICFR attached.

In this respect, it should be borne in mind that irrespective of the quality of the design and operation of the internal control system adopted by the Company in relation to annual financial reporting, the system may only provide reasonable, but not absolute assurance in relation to the objectives pursued, due to the limitations inherent in any internal control system.

In the course of our audit work on the annual accounts and in accordance with Technical Auditing Standards, our evaluation of the Company's internal control was solely aimed at enabling us to establish the scope, nature and timing of the audit procedures on the Company's annual accounts. Consequently, the scope of our evaluation of the internal control, performed for the purposes of the audit of accounts, was not sufficient to enable us to issue a specific opinion on the efficiency of this internal control over regulated annual financial reporting.

For the purposes of issuing this report, we have applied only the specific procedures described below and set out in the Guidelines for preparing the auditor's report on the information on the system of internal control over financial reporting of listed entities, published on the website of the Spanish National Securities Market Commission (CNMV), which defines the work to be performed, the minimum scope of the work and the content of this report. As the scope of the work resulting from these procedures is in any event limited and substantially less than that of an audit or review of the internal control system, we do not express an opinion on its effectiveness or design or operational efficiency, with respect to the Company's annual financial reporting for 2018 described in the attached Information concerning the ICFR. Consequently, had additional procedures other than those defined in the aforementioned Guidelines been applied, or an audit or review been performed of the internal control system in relation to regulated annual financial reporting, other events or matters could have been identified, which would have been reported to you.



Moreover, as this special engagement does not constitute an audit of accounts nor is it subject to prevailing legislation regulating the audit of accounts in Spain, we do not express an audit opinion in the terms envisaged in such legislation.

The procedures applied were as follows:

1. Reading and understanding of the information prepared by the Company in relation to the ICFR – disclosures included in the directors' report – and evaluation of whether it covers all the information required, taking into account the minimum content described in Section F, concerning the description of the ICFR, the Annual Corporate Governance Report model set out in Spanish National Securities Market Commission (CNMV) Circular 5/2013 of 12 June 2013, subsequently amended by CNMV Circular 7/2015 of 22 December 2015 and CNMV Circular 2/2018 of 12 June 2018 (hereinafter, the CNMV Circulars).
2. Inquiries of personnel responsible for preparing the information detailed in point 1 above in order to: (i) gain an understanding of the preparation process; (ii) obtain information that allows us to assess whether the terminology used conforms to the definitions contained in the reference framework; (iii) obtain information on whether the control procedures described are in place and operational in the Company.
3. Review of explanatory documentation supporting the information detailed in point 1 above, and which will mainly include that made directly available to those responsible for preparing the descriptive information on the ICFR. This documentation includes reports prepared by internal audit, senior management and other internal or external specialists supporting the audit and compliance committee.
4. Comparison of the information detailed in point 1 above with the understanding of the Company's ICFR gained as a result of the procedures performed within the framework of the audit work on the annual accounts.
5. Reading of the minutes of the meetings of the Board of Directors, audit and compliance committee and other committees of the Company for the purposes of assessing the consistency of the matters discussed at these meetings in relation to the ICFR with the information detailed in point 1 above.
6. Procurement of a representation letter concerning the work performed, duly signed by those responsible for preparing and drawing up the information detailed in point 1 above.

As a result of the procedures applied to the Information concerning the ICFR, no inconsistencies or incidents have come to light that could affect it.



This report has been prepared exclusively in the context of the requirements established in article 540 of the Revised Spanish Companies Act and the CNMV Circulars for the purposes of the description of the ICFR in Annual Corporate Governance Reports.

KPMG Auditores, S.L.

(Signed on original in Spanish)

Jorge Segovia Delgado

7 February 2019