

D. Fernando Mata Verdejo, mayor de edad, de nacionalidad española, con domicilio profesional en Majadahonda (Madrid), Carretera de Pozuelo, 52 (28222), España, y D.N.I. número 00.383.235-D, en vigor, en nombre y representación de MAPFRE, S.A., con número de identificación fiscal A-08055741 y domicilio social en Majadahonda (Madrid), Carretera de Pozuelo, 52 (28222), España, debidamente apoderado al efecto

CERTIFICA:

- Que el contenido del folleto informativo de admisión a negociación en AIAF Mercado de Renta Fija de la emisión denominada "Fixed/Floating Rate Reset Subordinated Notes due March 2047" (el "**Folleto**"), registrado con fecha 4 de abril de 2017 por la Comisión Nacional del Mercado de Valores, coincide con la versión en formato electrónico que se adjunta salvo por (i) el rating de la emisión, que ya es definitivo y (ii) la fecha del Folleto.
- Que se autoriza a la Comisión Nacional del Mercado de Valores para que el Folleto sea puesto a disposición del público a través de su página web.

Y para que surta los efectos oportunos se expide la presente certificación en Madrid, a 4 de abril de 2017.



MAPFRE

MAPFRE, S.A.

*(incorporated with limited liability under
the laws of the Kingdom of Spain)*

EUR 600,000,000

Fixed/Floating Rate Reset Callable Subordinated Notes due March 2047

The issue price of the EUR 600,000,000 Fixed/Floating Rate Reset Callable Subordinated Notes due March 2047 (the "Notes") of MAPFRE, S.A. (the "Issuer" or "MAPFRE") is 100 per cent. of their principal amount.

The Notes will bear interest from 31 March 2017 (the "Issue Date") to (but excluding) 31 March 2027 (the "First Reset Date") at the fixed rate of 4.375 per cent. per annum payable annually in arrear on 31 March each year, commencing on 31 March 2018. Thereafter, the Notes will bear an interest from (and including) the First Reset Date at the applicable Floating Interest Rate (as defined in the Terms and Conditions) as determined by the Agent Bank (as this term is defined in the Terms and Conditions) payable quarterly in arrear on 31 March, 30 June, 30 September and 31 December each year, commencing on 30 June 2027. Payments of interest on the Notes will be mandatorily deferred on each Interest Payment Date (as defined in the Terms and Conditions) which is a Mandatory Interest Deferral Date (as defined in the Terms and Conditions). In addition, the Issuer may decide to defer payment of interest on any Interest Payment Date which is not a Compulsory Interest Payment Date (as defined in the Terms and Conditions). Any interest which is deferred will, for so long as it remains unpaid, constitute "Arrears of Interest". Arrears of Interest will not themselves bear interest, and will be payable as provided in Condition 4 (*Deferral of Interest*). Payments on the Notes will be made in Euro with deduction for or on account of taxes imposed or levied by the Kingdom of Spain as described under Condition 9 (*Taxation*).

The payment obligations of the Issuer under the Notes constitute unsecured and subordinated obligations of the Issuer according to Article 92.2° of the Law 22/2003, of 9 July, on Insolvency (*Ley 22/2003, de 9 de Julio, Concursal*) (the "Insolvency Law"), and in accordance with Article 92 of the Insolvency Law, but subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise), upon the insolvency of the Issuer rank: (i) junior to any non-subordinated obligations of the Issuer (including, without limitation, any policyholders of the Issuer, if any) and any subordinated liabilities (*créditos subordinados*) of the Issuer expressed by law or by their terms, to the extent permitted by Spanish law, to rank senior to the Notes; (ii) *pari passu* without preference or priority among themselves and with all other subordinated liabilities (*créditos subordinados*) of the Issuer expressed by law or by their terms, to the extent permitted by Spanish law, to rank *pari passu* with the Notes; and (iii) senior to the common shares of the Issuer and any other subordinated liabilities (*créditos subordinados*) of the Issuer expressed by law or by their terms, to the extent permitted by Spanish law, to rank junior to the Notes.

Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on the Interest Payment Date falling in March 2047 (the "Scheduled Maturity Date"). Subject to certain pre-conditions (including the previous consent of the Regulator (as defined in the Terms and Conditions) where necessary and continued compliance with applicable Regulatory Conditions (as defined in the Terms and Conditions)), the Notes are subject to redemption, in whole but not in part, prior to such date at the option of the Issuer following the occurrence of a Tax Event, a Capital Disqualification Event or a Ratings Methodology Event (as these terms are defined in the Terms and Conditions) (**provided that**, in the case of any redemption prior to the fifth anniversary of the Issue Date, the Notes are redeemed out of the proceeds of a new issuance of own-funds capital of at least the same quality as the Notes (unless otherwise being permitted under the Relevant Rules)). The Notes may also be redeemed at the option of the Issuer (subject to certain pre-conditions, including the previous consent of the Regulator (as defined in the Terms and Conditions) where necessary and continued compliance with applicable Regulatory Conditions (as defined in the Terms and Conditions)), in whole but not in part, at their principal amount on the First Reset Date and any Interest Payment Date thereafter. The redemption of the Notes on their Scheduled Maturity Date or any other date fixed for the redemption of the Notes shall be deferred in certain circumstances as set out in Condition 5 (*Redemption, Substitution, Variation and Purchase*). Payments on redemption by the Issuer will be subject to the Regulatory Deficiency Redemption Deferral Event (as defined in the Terms and Conditions) having not occurred or occurring if the Notes were to be redeemed.

If a Tax Event, a Capital Disqualification Event or a Ratings Methodology Event (as these terms are defined in the Terms and Conditions) occurs and is continuing, the Issuer may substitute or vary the terms of all (but not some only)

of the Notes, without any requirement for the consent or approval of the Holders (as defined in the Terms and Conditions) but subject to certain conditions (including compliance with applicable Regulatory Conditions), so that they become or remain Qualifying Tier 2 Securities (as defined in the Terms and Conditions) or Rating Agency Compliant Securities (as defined in the Terms and Conditions), as the case may be.

This Prospectus constitutes a listing prospectus for the purposes of Article 3 of Directive 2003/71/EC of the European Parliament and of the Council of the European Union, as amended and implemented in each Member State ("**Prospectus Directive**") and has been prepared in accordance with, and including the information required by Annexes IX and XIII of Regulation (EC) No. 809/2004. This Prospectus has been approved by the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) (the "**CNMV**") in its capacity as competent authority under the Restated Securities Market Act approved by Royal Legislative Decree 4/2015, of 23 October (*el Texto Refundido de la Ley del Mercado de Valores, aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre*) (the "**LMV**") and relevant implementing measures in Spain. Application has been made for the Notes to be admitted to trading on the Spanish AIAF Fixed Income Securities Market (*AIAF Mercado de Renta Fija*) ("**AIAF**").

The Notes are targeted exclusively at qualified investors as defined in article 39 of Royal Decree 1310/2005, of 4 November, developing partially the LMV as regards admission to listing on official secondary markets, public offerings and the prospectus required for these purposes (*Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*) and under the relevant legislation in each jurisdiction where the Notes are placed and/or sold.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("MiFID II"); or (ii) a customer within the meaning of Directive 2002/92/EC ("IM"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933 (the "**Securities Act**") and are subject to United States tax law requirements. The Notes are being offered outside the United States by the Joint Lead Managers (as defined in "*Subscription and Sale*") in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes have been rated BBB- by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"). S&P is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"). S&P appears on the latest update of the list of registered credit rating agencies (as of 1 December 2015) on the European Securities and Market Authority ("**ESMA**") website <http://www.esma.europa.eu>.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Prospective investors should read the whole of this document, in particular the "*Risk Factors*" set out on pages 5 to 26.

JOINT LEAD MANAGERS

**Banco Bilbao
Vizcaya
Argentaria, S.A.**

Bankia

**Goldman Sachs
International**

ING

**UniCredit Bank
AG**

4 April 2017

CONTENTS

	Page
IMPORTANT NOTICES.....	2
RISK FACTORS.....	5
INFORMATION INCORPORATED BY REFERENCE.....	27
OVERVIEW.....	28
TERMS AND CONDITIONS OF THE NOTES.....	32
SUMMARY OF CLEARANCE AND SETTLEMENT PROCEDURES APPLICABLE TO BOOK- ENTRY NOTES.....	56
USE OF PROCEEDS.....	59
DESCRIPTION OF THE ISSUER AND ITS GROUP.....	60
TAXATION.....	97
SUBSCRIPTION AND SALE.....	102
GENERAL INFORMATION.....	104
SIGNATURES.....	107

IMPORTANT NOTICES

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any Notes offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.

The Issuer accepts responsibility for the information contained in this Prospectus and ensures that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus to the best of its knowledge is in accordance with the facts and contains no omission likely to affect its import.

The Issuer has confirmed to the Joint Lead Managers named under "*Subscription and Sale*" below (the "**Joint Lead Managers**") that this Prospectus contains all information regarding the Issuer and the Notes which is (in the context of the issue of the Notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer are honestly held or made and are not misleading in any material respect; this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Prospectus or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Joint Lead Managers. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Prospectus. The contents of this Prospectus should not be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own legal, financial or tax adviser for advice.

Neither the Joint Lead Managers nor any of their respective affiliates have authorised the whole or any part of this Prospectus or its issue and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus. The Joint Lead Managers accordingly disclaim all and any liability whatsoever, whether arising in tort, contract or otherwise which it might otherwise have to any person in respect of this Prospectus.

The Joint Lead Managers have reserved the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Notes offered. This Prospectus is personal to the offeree to whom it has been delivered by the Joint Lead Managers and does not constitute an offer to any person or to the public in general to purchase or otherwise acquire the Notes. Distribution of this Prospectus to any person other than the offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorised, and any disclosure of any of its contents, without the Issuer's prior written consent, is prohibited.

Each person receiving this Prospectus acknowledges that (i) such person has not relied on the Joint Lead Managers or any person affiliated with the Joint Lead Managers in connection with any investigation of the accuracy of such information or its investment decision and (ii) no person has been authorised to give any information or to make any representation concerning the Issuer or the Notes (other than as contained herein and information given by the Issuer's duly authorised officers and employees in connection with investors' examination of the Issuer and the terms of the Notes offering) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer or the Joint Lead Managers.

In making an investment decision, investors must rely on their own examination and analysis of the Issuer and the terms of the Notes, including the merits and risks involved.

The Joint Lead Managers are acting exclusively for the Issuer and no one else in connection with the Notes offering. They will not regard any other person (whether or not a recipient of this document) as their respective clients in relation to the Notes offering and will not be responsible to anyone other than the Issuer for providing the protections afforded to their respective clients nor for giving advice in relation to the Notes offering or any transaction or arrangement referred to herein.

The distribution of this Prospectus and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Prospectus and other offering material relating to the Notes, see "*Subscription and Sale*".

No action has been or will be taken in any jurisdiction by the Issuer or the Joint Lead Managers that would permit a public offering of the Notes or possession or distribution of a Prospectus in any jurisdiction where action for that purpose would be required. Neither the Issuer nor any of the Joint Lead Managers accepts any responsibility for any violation by any person, whether or not such person is a prospective purchaser of the Notes, of any of these restrictions.

In particular, the Notes have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

In connection with this issue, the Joint Lead Managers and their respective affiliates acting as investors for their own account may take up Notes and in that capacity may retain, purchase or sell for their own account such securities and any securities of the Issuer or related investments and may offer or sell such securities or other investments otherwise than in connection with this issue. Accordingly, references in this Prospectus to the Notes being issued, offered or placed should be read as including any issue, offering or placement of securities to the Joint Lead Managers and any of their respective affiliates acting in such capacity. The Joint Lead Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

In this Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the EEA, references to "**EUR**", "**Euro**", or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

The Issuer's consolidated solvency margin (Solvency I) is no longer a regulatory measure and is only provided in order to give context with regard to the Issuer's regulatory capital position on its entry into the Solvency II (as this term is defined in "*Description of the Issuer and its Group — Capital Requirements*"). Since 1 January 2016 the Issuer together with its consolidated subsidiaries (the "**Group**") is required to satisfy new solvency capital requirements under Solvency II. The Issuer is continuously considering the nature and strength of the capital policies to be applied to achieve proper protection for the policyholders of its subsidiaries. There is a risk that the Issuer and its subsidiaries may be required to strengthen their capital policies relative to those proposed by the Issuer either now or in the future.

In connection with the issue of the Notes, ING Bank N.V. (the "Stabilising Manager") (or persons acting on behalf of the Stabilising Manager) may over allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over allotment must be conducted by the Stabilising Managers (or persons acting on behalf of the Stabilising Managers) in accordance with all applicable laws and rules.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

This Prospectus has been prepared on the basis that all offers of Notes using this Prospectus will be made pursuant to an exemption under the Prospectus Directive, as implemented in Member States of the EEA. Accordingly, any person making or intending to make an offer within the EEA of Notes which are the subject of the offering contemplated in this Prospectus should only do so in circumstances in which no obligation arises for the Issuer or the Joint Lead Managers to produce a prospectus for such offer. None of the Issuer or the Joint Lead Managers has authorised, and the Issuer does not authorise, the making of any offer of Notes through any financial intermediary, other than offers made by the Joint Lead Managers that constitute the final placement of Notes contemplated in this Prospectus.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

This Prospectus was distributed in the United Kingdom only to, and was directed only at: (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Order; (ii) high net worth companies, unincorporated associations and other bodies within the categories described in Article 49(2) of the Order; and (iii) persons to whom it may otherwise lawfully be communicated (all such persons together, "**relevant persons**"). Therefore this Prospectus must not be acted on or relied upon in the United Kingdom, by persons who are not relevant persons.

NOTICE TO POTENTIAL INVESTORS

The Notes may not be a suitable investment for all investors.

Each prospective investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal and interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of financial markets in which it participates; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

LEGAL INVESTMENT CONSIDERATIONS MAY RESTRICT CERTAIN INVESTMENTS

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

RISK FACTORS

Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Group and the industry(ies) in which they operate together with all other information contained in this Prospectus, including, in particular the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this section.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. Furthermore, the risks and uncertainties described may not be the only ones the Issuer faces. Additional risks and uncertainties relating to the Group that are not currently known to the Issuer, or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Group and, if any such risk should occur, the business, financial conditions or results of operations of the Group could be materially adversely affected and, accordingly the price of the Notes may decline and investors could lose all or part of their investment. Besides, the Issuer believes that the following factors may affect its ability to meet its obligations under the Notes. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Prospectus and their personal circumstances.

The order in which the following risks are presented is not an indication of the likelihood of occurrence, the degree of significance or the scope of any potential adverse effects on the business, financial condition or results of operations of the Issuer and its Group. The risks mentioned could materialise individually or simultaneously.

Risks factors relating to the Issuer

Financial risks

Results of operations may be affected by fluctuations in financial markets

Fluctuations in financial markets, particularly in fixed income markets, may reduce the value or revenues of the investment portfolio of the Group. This could have a material adverse effect on its revenues, operating results and financial position.

The table below shows the breakdown of the financial investments and liquid assets as at 31 December 2016 and 31 December 2015:

	<u>31/12/2016</u>	<u>% over total</u>	<u>31/12/2015</u>	<u>% over total</u>
	(million Euro)			
Cash	1,451.1	2.9%	989.1	2.1%
Investment on behalf of life insurance policyholders bearing the investment risk	2,014.0	4.1%	1,798.9	3.9%
Real estate.....	2,277.8	4.6%	2,267.7	4.9%
Property for own use	1,003.0	2.0%	943.4	2.0%
Property investments.....	1,274.8	2.6%	1,324.3	2.9%
Financial investments	42,541.0	85.8%	40,159.2	86.8%
Shares.....	1,665.3	3.3%	1,473.2	3.2%
Total fixed income.....	38,399.8	77.5%	36,821.2	79.6%
<i>Fixed income – government.....</i>	<i>28,390.2</i>	<i>57.3%</i>	<i>26,412.3</i>	<i>57.1%</i>
Spain	16,949.7	34.2%	16,412.5	35.5%
Rest of Europe.....	3,636.8	7.3%	3,637.3	7.9%
United States	1,420.6	2.9%	1,383.2	3.0%
Latin America.....	5,788.1	11.7%	4,411.4	9.5%
Others.....	595.1	1.2%	568.0	1.2%
<i>Fixed income – corporate</i>	<i>10,009.6</i>	<i>20.2%</i>	<i>10,408.9</i>	<i>22.5%</i>
Spain	2,430.6	4.9%	3,017.7	6.5%
Rest of Europe.....	4,149.2	8.4%	3,915.3	8.5%
United States	2,364.7	4.8%	2,200.2	4.8%
Latin America.....	608.8	1.2%	856.1	1.8%
Others.....	456.3	0.9%	419.6	0.9%
Mutual funds	1,574.4	3.2%	1,284.2	2.8%
Other financial investments.....	901.5	1.8%	580.6	1.2%
Other investments	1,272.2	2.6%	1,049.8	2.3%
Investments recorded by applying the equity method.....	242.6	0.5%	197.5	0.4%
Deposits established for accepted reinsurance.....	650.2	1.3%	557.2	1.2%
Hedging derivatives	0.00	0.0%	0.0	0.0%
Other investments	379.4	0.8%	295.4	0.7%
TOTAL.....	49,556.1	100.0%	46,264.7	100.0%

Figures in millions of euros

The "VaR" or value at risk (maximum variation expected in a one-year time horizon and for a confidence level of 99 per cent.) of equities and mutual funds exposed to stock market risk amounted to Euro 837.35 million and Euro 601.61 million as at 31 December 2016 and 2015, respectively.

Furthermore, fluctuations in financial markets affect consumer behaviour, thereby specifically and negatively affecting the life insurance and asset management business of some of the Issuer's subsidiaries. The demand for products benchmarked to fixed income securities, such as pension funds, which invest in this type of asset, may decrease if equity markets perform favourably and may increase when equity markets are weaker. Demand for investment products benchmarked to equity securities, such as mutual funds that invest in this type of asset, may increase when equity markets perform favourably, and usually decreases when markets show a downward trend.

Market exposure in the real estate portfolio

The real estate portfolio of the Group is subject to fluctuations in value. This could give rise to a difference in unrealised capital gains in the real estate portfolio or even require provisions for depreciation which could have a material adverse effect on the Group's operating results and financial position. Please see the table in "Results of operations may be affected by fluctuations in financial markets" above.

As at 31 December 2016 the Group had property assets representing approximately 4.60 per cent. of total investments and cash (4.90 per cent. as at 31 December 2015), of which approximately 44.03 per cent. corresponds to its own offices (41.60 per cent. as at 31 December 2015). 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	
	2016	2015	2016	2015
Property investments	1,274.81	1,324.32	1,711.67	1,835.60
Property for own use	1,002.97	943.40	1,404.07	1,406.98
TOTAL	2,277.78	2,267.72	3,115.74	3,242.58

Figures in millions of euros

Unrealised gains would offset a fall in the price of the properties equivalent to approximately 26.89 per cent. of their market value at 31 December 2016 (30.06 per cent. at the close of 2015).

Foreign currency exchange rates exposure

Although the Issuer prepares its consolidated financial statements in Euro, a large part of its business and investment activities are carried out in non-Euro countries. Consequently, fluctuations in the exchange rate of those currencies against the Euro may negatively affect the value of the Issuer's assets and liabilities and, thus, its equity, operating results and cash flow. As at 31 December 2016, approximately 41 per cent. of total consolidated assets (Euro 27,876.78 million) (respectively 35 per cent. and Euro 22,081.56 million as at 31 December 2015) and 37 per cent. of total consolidated liabilities (Euro 20,923.24 million) (respectively 34 per cent. and Euro 18,269.28 million as at 31 December 2015) were denominated in currencies other than the Euro, the largest currency exposures of total consolidated assets and liabilities as at that date being the Brazilian Real (BRL) (which represented 16 per cent. of total consolidated assets and 14 per cent. of total consolidated liabilities), and the US Dollar (USD) (which represented 16 per cent. of total consolidated assets and 14 per cent. of total consolidated liabilities). As at 31 December 2015 the largest currency exposures of total consolidated assets and liabilities was the Brazilian Real (which represented 12 per cent. of total consolidated assets and 12 per cent. of total consolidated liabilities) and the US Dollar (which represented 12 per cent. of total consolidated assets and 10 per cent. of total consolidated liabilities). Moreover, as at 31 December 2016, over 58 per cent. of consolidated direct insurance premiums (Euro 11,161.60 million) were denominated in currencies other than the Euro (respectively 62 per cent. and Euro 11,784.81 million as at 31 December 2015).

Credit risk exposure

The Group is exposed to credit risk due to its creditor position in various fields related to its ordinary activity, such as the acquisition of any type of security, instrument or financial contract obliging a counterparty to return the amount invested by a certain date, as well as to pay explicit or implicit return, such as, for example, on bonds and derivatives. Likewise, a credit risk arises in receivables, which include amounts due under insurance policies, as well as by the public administration, shareholders, financial institutions and borrowers, among others.

The breakdown of the main assets exposing the Issuer to credit risk is shown in the following table:

	31/12/2016	31/12/2015
Fixed income Securities	38,399.79	36,821.23
Receivables	6,651.86	6,733.62
Cash	1,451.13	989.09
TOTAL	46,502.78	44,543.94

Figures in million euros

The table below shows the breakdown of the Issuer's portfolio of fixed income securities and cash as at 31 December 2016 and 31 December 2015:

Credit rating	Book value							
	Held-to-maturity portfolio		Available-for-sale portfolio		Trading portfolio		Cash	
	2016	2015	2016	2015	2016	2015	2016	2015
Maximum	1,071.63	397.25	1,610.19	1,411.45	428.96	427.71	102.84	33.35
Very high	970.87	665.64	4,246.81	3,572.53	1,880.55	150.64	68.01	98.01
High	167.32	27.63	3,990.62	4,707.04	728.73	224.53	460.00	244.58
Adequate	85.00	948.15	21,760.38	21,524.48	476.91	1,437.60	298.41	229.95
Weak	25.84	18.02	999.58	1,051.34	35.59	70.40	403.01	314.21
Not available	82.62	57.78	34.82	68.96	154.48	60.08	118.86	68.99
TOTAL	2,403.28	2,114.47	32,642.40	32,335.80	3,705.22	2,370.96	1,451.13	989.09

Figures in millions of euros

(*) 2016 figures include hybrid securities and deposits.

The risk mitigation tools used by the Group (e.g. reinsurance contracts or financial instruments) also involve risks that may arise from the counterparty's insolvency.

The following table shows the breakdown of receivables against reinsurers as at 31 December 2016 and 31 December 2015:

Ceded and retro-ceded reinsurance	Book value	
	2016	2015
· Provision for Life insurance	84.89	93.25
· Provision for outstanding claims	2,234.85	2,054.32
· Other technical provisions	6.55	1.65
· Receivables on ceded and retroceded reinsurance transactions	465.04	383.22
· Debts on assigned and retro-assigned reinsurance transactions	(650.52)	(808.47)
TOTAL NET POSITION	2,140.81	1,723.97

Figures in millions of euros

The risks outlined above may also cause a loss if the insolvency risk of the issuer or counterparty is presumed to have increased, leading to a fall in the market price of its listed assets and/or a requiring the recognition of an accounting impairment.

Although the economic solvency and reputation of issuers and counterparties are periodically reviewed, the possibility of suffering losses as those described above cannot be totally overruled, and could have a material adverse effect on the operating results and financial position of the Group.

Exposure to possible downgrades in credit rating

The Issuer and some of its subsidiaries are rated by independent rating agencies. Presently, the Issuer is rated on an interactive basis only by Standard & Poor's Credit Market Services Europe Limited¹, which has assigned a "BBB+ (stable outlook)" issuer credit rating to it.

¹ Standard & Poor's Credit Market Services Europe Limited has been registered by the European Securities and Markets Authority (ESMA) in accordance with Regulation (EC) No. 1060/2009 of the European Parliament and of the Council, of 16 September 2009, on credit rating agencies.

A downgrade in any of these ratings could increase the cost and availability of external funding and/or reduce the demand for insurance and reinsurance products offered by the Group, which could have a material adverse effect on its business, operating results and financial position, as well as its reputation.

Liquidity risk exposure

As a policy, the Group aims to keep at all times an amount of cash and liquid assets that is sufficient to cover any contingency derived from its obligations with insured parties and creditors. As at 31 December 2016, the consolidated cash balance of the Issuer amounted to Euro 1,451.13 million (Euro 989.09 million as at 31 December 2015), which represented 3.3 per cent. of the Issuer's total consolidated financial investment and cash (2.40 per cent. as at 31 December 2015).

Furthermore, as regards life and savings insurance, the investment policy adopted is to match investment maturity dates with insurance contract liabilities in order to reduce exposure to this type of risk.

In addition, most fixed income investments have an "Adequate" or higher rating and are listed on organised markets. An "Adequate" rating is equivalent to Credit Quality Step 3 according to the ratings scale used by European supervisory authorities². Without prejudice to the foregoing, liquidity levels in capital markets may significantly and suddenly decline thereby preventing the Group from acquiring or disposing of assets cost-effectively.

Liquidity risk exposure is also relevant for the real estate assets portfolio of the Group (which includes assets in different countries) because all investments in real estate assets are relatively illiquid. A future lack of liquidity in the real estate market could limit the possibility of changing the composition of the real estate investment portfolio at the right time or price.

This could expose the Group to the risk of value losses in asset sales (which is particularly serious for products offering a guaranteed minimum return) or increase its funding cost.

Interest rates exposure

The level of, and changes in, interest rates (including changes in the difference between the levels of prevailing short-term and long-term rates) can affect the Group's life insurance and asset management results and interest payable on debt. In particular, interest rates can affect consumer behaviour (especially in the life and asset management businesses), the availability of disposable income for investment in life assurance and other savings products, asset values, levels of bad debts, levels of investment income, gains and losses on investments, funding costs and interest margins. Interest rate increases may also result in a decrease in fixed income asset values.

As at 31 December 2016, the fair value of the consolidated financial assets of the Issuer with fixed interest rates amounted to Euro 37,945.59 million (Euro 36,370.37 million as at 31 December 2015), while the fair value of the consolidated financial assets of the Issuer not exposed to interest rate risk amounted to Euro 4,595.37 million (Euro 3,788.79 million as at 31 December 2015). As at 31 December 2016 the average interest rate of financial assets of the Group was 4.75 per cent., while as at 31 December 2015 it was 4.80 per cent.

Significant changes in interest rates could have a material adverse effect on the Group's business, results of operations and financial performance.

Interest rate sensitivity is measured by "Modified Duration", which represents the percentage change in the market value of the Fixed Income investment portfolio for every 1 percentage point increase in interest

² Commission Implementing Regulation (EU) 2016/1800, of 11 October, laying down implementing technical standards with regard to the allocation of credit assessments of external credit assessment institutions to an objective scale of credit quality steps in accordance with Directive 2009/138/EC of the European Parliament and of the Council.

rates. As at 31 December 2016 the Modified Duration of the Fixed income investment portfolio is 7.0 per cent., while as at 31 December 2015 it was 7.1 per cent.

The Issuer and its subsidiaries are exposed to impairment in goodwill and intangible assets

The consolidated accounts, as at 31 December 2016, of the Issuer and its subsidiaries include amounts reflecting goodwill (Euro 1,990.05 million —Euro 2,068.00 million as at 31 December 2015) and other intangible assets (Euro 1,808.87 million —Euro 1,629.56 million as at 31 December 2015), primarily generated through acquisitions and business combinations. Adverse developments in business performance, as well as changes in financial markets and interest rates, may require the recognition of accounting impairment of such assets, which could have a material adverse effect on the operating results and financial position of the Group, as well as its reputation.

An impairment loss of Euro 43.22 million was recorded in 2016. This loss corresponds to the difference between the carrying amount and the recoverable value of the cash-generating unit Direct Line Italia, as was detected in the assessment performed on the recoverable amount. The main cause of the impairment was the restructuring carried out by the company in 2016 and is broken down as follows: Euro -33.03 million corresponding to goodwill and Euro -10.19 million corresponding to portfolio acquisition costs (other intangible assets).

In 2015, no impairment loss was recognised regarding goodwill or intangible assets.

Risks inherent to insurance activity

Exposure to losses due to catastrophic events

Some products offered by the Group cover losses arising from natural or man-made catastrophic events, such as pandemics, hurricanes, windstorms, earthquakes, terrorism, riots, fires and explosions, which are very unpredictable by nature. Such events may not only affect insurance claims, but could also adversely impact investment markets and cause declines in the value of the Group's investment portfolio. The Group pays particular attention to losses due to such disasters by using selective underwriting practices, entering into reinsurance contracts and following up accumulation risks. In some countries, these losses are covered by public entities (such as the *Consorcio de Compensación de Seguros* in Spain).

The Group may also suffer material losses due to disasters and catastrophic events, which could have a material adverse effect on its business, operating results and financial position, as well as on its reputation and the continuity of its business activities.

Exposure to the risk of insufficient technical provisions (insurance risk)

Unearned premium reserves are calculated based on the assumption that the tariffs applied will be sufficient to cover the claims and expense rate expected in all current contracts until their expiry date.

Nevertheless, claims and expenses rate volatility in certain lines or multi-annual contracts may cause negative differences between the premiums applied and the actual rate incurred, often referred to as "insufficient premiums". In these cases, the Issuer's insurance subsidiaries establish "reserves for ongoing risks", charged against their results, to cover any insufficient premiums known at the end of each financial year. Charging these reserves could have an adverse material effect on their operating results and financial position, as well as their reputation. Provisions for unearned premiums and unexpired risks amounted to Euro 8,636.53 million as at 31 December 2016 (Euro 8,425.76 million as at 31 December 2015).

Provisions for outstanding claims are calculated on the basis of the claims' final cost estimates. These estimates are based on actuarial and statistic studies, which are elaborated using facts and circumstances known at a particular point of time. The development of these facts and circumstances depends on multiple factors and could be affected by changes in the legal regulations applicable or in the general economic environment. A change in these variable factors could imply the obligation to increase the provisions for outstanding claims. Provisions for outstanding claims amounted to Euro 10,086.76 million as at 31 December 2016 (Euro 9,037.06 million as at 31 December 2015).

Provisions for life insurance are calculated on the basis of estimates. These estimates are based on actuarial and statistical studies which are based on the facts and circumstances known at a specific time, but the performance may depend on many different factors and may be affected by changes in applicable laws or in the general economic scenario. It should also be noted that the Group operates in the annuity business, which exposes it to a significant longevity risk. Actual future results may differ from those estimated, which could have a material adverse effect on the operating results, financial position and reputation of the Group. Provisions for life insurance are Euro 25,664.78 million as at 31 December 2016 (Euro 25,026.32 million as at 31 December 2015).

In order to monitor the insurance risk the Group conducts a sensitivity analysis. This sensitivity analysis measures the effect on capital fluctuations upward and downward of the determining factors of insurance risk (number of insured risks, the average premium value, frequency and cost of claims).

One measure of the sensitivity to the non-life insurance risk is the impact that a 1 percentage point change in the combined ratio³ 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
	2016	2015	
Insurance			
Iberia	33.16	29.36	2.75%
LATAM	22.73	24.64	1.96%
International	15.22	17.87	2.12%
Reinsurance	16.29	13.65	1.12%
Business	8.10	7.00	3.90%
Global Risks	2.52	2.55	4.46%
CONSOLIDATED	97.67	93.29	1.16%

Figures in millions of euros

For the life activity, the sensitivity level is shown according to the results from the calculation of the embedded value, which has been made pursuant to the principles and methodology laid down in the so-called "European Embedded Value". The embedded value is obtained by adding to the adjusted equity the present value of the future profits of the managed portfolio (life and fund management) and deducting the present value of options and financial guarantees granted to policyholders and the cost of the required regulatory capital. The following table shows the composition of the embedded value of the business of MAPFRE Vida Sociedad Anónima de Seguros y Reaseguros sobre la Vida Humana and its controlled companies at the close of 2015 and 2014 (the figures for 2016 are not available as at the date of this Prospectus):

ITEM	2015	2014	% Variation
Adjusted equity	1,612.00	1,408.00	14.5%
Present value of future profits	2,162.50	2,153.40	0.4%
Present value of options and guarantees granted to policyholders	(66.2)	(65.70)	0.8%
Cost of compulsory required capital	(273.70)	(276.50)	(1.0%)
TOTAL EMBEDDED VALUE	3,434.60	3,219.20	6.7%

Figures in millions of euros

³ The combined ratio is a key management ratio in the non-life insurance industry, this ratio measures management expenses and claims costs for a given year as a percentage of premiums for the same year. See "Description of the Issuer and its Group—Management Ratios".

The variables to which embedded value was most sensitive in 2015 were as follows:

- (i) A 25 basis-point rise in the default probability of the fixed income portfolio, which would reduce the embedded value by Euro 170.80 million.
- (ii) A 100 basis-point increase in interest rates, which would reduce the embedded value by Euro 107.80 million in the existing portfolio and by Euro 5.40 million in the new business.
- (iii) A 10 per cent. reduction in the decline in the portfolio, which would increase the embedded value by Euro 168.10 million in the existing portfolio and by Euro 28.00 million in the new business.

Prolonged investment underperformance of the Group's funds under management may cause existing customers to withdraw funds and potential customers not to grant investment mandates, which could have a material adverse effect on the Group's business, revenues, results and financial condition

When buying investment products or selecting an investment manager, customers (including pension funds and intermediaries) typically consider a number of factors including the historic investment performance of the product and the individual who is responsible for managing the particular fund. This is also true in relation to certain investment products sold by the Group's life assurance and pension business such as life pensions. In the event that the Group does not provide satisfactory or appropriate investment returns in the future, underperforms in relation to its competitors, does not sell an investment product which a customer requires or loses its key individual investment managers, existing customers (including pension funds) may decide to reduce or liquidate their investment or, alternatively, transfer their mandates to another investment manager. In addition, potential customers may decide not to grant investment mandates. Such a prolonged period of investment underperformance could have a material adverse effect on the Group's business, revenues, results, financial condition and reputation.

Operational risks

Operational risk

The Issuer may suffer financial losses, interruption in its business activities, larger liabilities vis-à-vis its clients or intervention from the public administration due to inadequate computer systems or maintenance/investment standards, data protection incidents, inadequate processes and/or internal systems (including, the risk management system), failures therein, or inadequate staff or the behaviour of third parties (including brokers, agents or other staff in charge of product sales). These operational risks include actuarial, legal, technological, staff, collaborators, procedures, information, fraud, market, material assets, compliance and computer system risks. The Group could also be affected by increasing regulatory and law enforcement scrutiny of "know your customer", anti-money laundering and anti-terrorist-financing procedures and their effectiveness, and regulatory investigations of the asset management and insurance industries.

As an example, failures in systems or persons in charge of the accurate reporting of the Group's accounting data could cause the accounting data, including asset valuation, to be reported incompletely or inaccurately and/or disclosed in an untimely manner. In such case, the Issuer and/or its subsidiaries may be obliged to amend their accounts.

Should operational risks materialise, they could have a material adverse effect on the business, operating results and financial position of the Group, as well as its reputation. Any of the above could also lead to increased regulatory supervision, affect the Group's ability to attract and retain customers, impair access to the capital markets or have other adverse effects on the Group in ways that are not predictable.

Possibly ineffective risk management system

The Issuer's implemented risk management system may be ineffective or may not cover all the risks to which the Group is exposed. This could have a material adverse effect on the business, operating results and financial position of the Group, as well as its reputation.

Access to reinsurance coverage

The Issuer's subsidiaries regularly enter into contracts with reinsurance companies not belonging to the Group in order to control their risk exposure. Market conditions beyond the Group's control determine the availability and cost of the reinsurance protection it purchases. Accordingly, the Group may be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could adversely affect the Group's ability to write future business, as well as its operating results and financial position.

The Group may be unable to retain or attract key staff for their activities

The Issuer and its subsidiaries depend on the availability of highly qualified staff in order to be able to carry out their activities appropriately and duly meet the necessary requirements. In some cases, as a result of the intense competition for certain professional profiles, there may be a risk of not being able to attract or retain key professional profiles, which could have a material adverse effect on their business, operating results and financial position, as well as their reputation.

The Group relies strongly on its network of intermediaries in some countries to sell and distribute its products and may not be able to maintain a competitive distribution network

The Group crucially relies on a number of distribution channels for the marketing and offering of its products and services.

One of the distribution channels used by the Group is distribution through intermediaries. The intermediaries through which the Group sells and distributes its products and services are independent of the Group. The Group does not have in all cases exclusivity agreements in place with its intermediaries so they are free to offer products from other insurance companies and there is no obligation on them to favour the products of the Group.

The successful distribution of the Group's products and services through such distribution channel therefore depends on the choices an intermediary may make as regards its preferred insurance company or companies, and as regards its preferred products and services. An intermediary may determine its preference as to an insurer on the basis of suitability of that insurer for its customers and for itself by considering a number of factors, including the security of investment and prospects for future investment returns in the light of an insurer's product offering, past investment performance, financial strength and perceived stability, ratings, the amount of initial and recurring sales commission and fees paid by an insurer and the quality of the service provided to the intermediary. An intermediary then determines which products are most suitable by considering, among others, product features and price.

An unfavourable assessment by an intermediary of the Group and its products based on any of these factors could result in the Group generally, or in particular certain of its products, not being actively marketed by intermediaries to their customers, which could have a material adverse effect on its business, operating results and financial position, as well as its reputation.

Strategic and competition risks

Effects of recent and future acquisitions and strategic alliances

Over the last few years, the Group has acquired minority or controlling stakes in various companies. New acquisitions or strategic agreements may also be executed in the future.

Although the Group executes caution and applies professional criteria when selecting and analysing opportunities, success in this acquisition and alliance policy cannot be guaranteed. An unsuccessful or incomplete integration of the acquired businesses or any current/future alliances, or under-performance in such ventures or alliances, could have a material adverse effect on the business, revenues, operating results and financial position of the Group, as well as its reputation.

Possible situations of this kind include those arising from the banking restructuring process that is currently underway in Spain, which involves some of the financial entities with which the Group holds strategic alliances in the bancassurance business. This situation could affect the content of the agreements executed

with these entities, as well as the scope and extent of activities that may be carried out pursuant to these alliances. As at the date of this Prospectus, the Group cannot accurately predict their possible impact on its business, operating results and financial position.

The Group is facing strong competition from worldwide, national and local financial services companies, including alternative risk transfer solutions and new market players

The Group is competing in the local and global markets with insurance companies, banks, brokers, asset management and financial services companies, including some of the world's largest insurance groups. Some of these competitors hold far-reaching financial, technical and operational resources and offer alternative products to those of the Issuer, or do so at more competitive prices.

Furthermore, in the industrial insurance market the Group competes with risk transfer solutions other than traditional insurance, including risk assignment solutions and self-insurance. Additionally, competition could be intensified with the development of alternative distribution channels for certain types of insurance products.

Although the Group aims to maintain a technically appropriate pricing policy, should its product range not be competitive with the variety and prices offered by its competitors, its business, revenues, operating results and financial position, as well as its reputation, could be negatively affected.

Possible increases in reinsurance activity, a highly cyclical sector, are subject to specific risks

The reinsurance industry is cyclical. Traditionally reinsurance transaction results have significantly fluctuated due to various factors, such as: competitive prices; frequency and severity of catastrophic events; increase in the risk of terrorist attacks; and the withholding of claim payments by insurers and reinsurers.

Furthermore, reinsurance demand is particularly affected by technical results and insurer capacity, as well as general economic conditions. Reinsurance supply is related to the level of market rates applicable to risks, the amounts of insurance claims and available surplus in the reinsurance industry.

Due to the foregoing, the growing volume of activity of the Group in the reinsurance business could have a material adverse effect on its operating results and financial position.

Put options over shares held in certain subsidiaries

The Issuer has granted a put option to the minority shareholders in MAPFRE RE Compañía de Reaseguros, S.A. for the amounts of their stake in this company (7.7546 per cent.), which can be exercised at any time.

If this put option was exercised, the Issuer or any other Group company designated by the Group shall be obliged to acquire the shares from the minority shareholder intending to sell. The purchase price of MAPFRE RE Compañía de Reaseguros, S.A. shares will be the result of applying a previously agreed formulae; consequently, the Issuer shall need to have/provision sufficient funds for these potentially payment commitments. As at 31 December 2016, taking into account all variables included in the aforementioned formulae, MAPFRE's maximum liability would amount to approximately Euro 99.21 million.

The Issuer depends on the dividends and other cash flows it obtains from its subsidiaries

As a holding company, the Issuer needs an adequate cash supply in order to cover its operating costs and meet its financial liabilities, which it obtains primarily from the dividends paid by its subsidiaries.

Although most governments in the countries where the Issuer is present through its subsidiaries have not prohibited the repatriation of dividends or capital divestments, the possibility of restrictive exchange control policies being established in the future cannot be dismissed.

If, for any reason, subsidiaries were forced to reduce or cancel the payment of dividends, the Issuer's ability to cover its operating costs and meet its financial liabilities may be reduced, even significantly.

Additionally, as a shareholder of its subsidiaries, the Issuer's claims in the event of the insolvency of the latter will rank junior to any other claims over their assets.

Regulatory and legislative risks relating to the Group's business

Effects of regulatory and legislative changes on the Issuer's business

Insurance companies are subject to extensive special laws and regulations in those countries where they operate, which, additionally, are administered and enforced by a number of different supervisory authorities.

In light of wider financial and economic conditions, some of these authorities are considering, or may in the future consider, enhanced or new regulatory requirements intended to prevent future crises or otherwise assure the stability of institutions under their supervision. These authorities may also seek to exercise their supervisory or enforcement authority in new or more robust ways. All of these possibilities, if they occurred, could affect the way the Group conducts business and manages capital, and may require the Group to satisfy increased capital requirements. Legislative changes in general imply a risk in the event the Group was not able to adapt to them or that they would otherwise affect the Group's operations.

As an example, changes in tax rules or their interpretation could affect the advantages offered by some of the products offered by the Group, which currently benefit from favourable tax treatment, or increase the amounts payable by the Group to the public treasury, or reduce its ability to recognise and deduct deferred tax assets from its tax liabilities.

Another example is the exposure of the Issuer to any changes in International Financial Reporting Standards ("**IFRS**"), these changes could entail relevant amendments to the presentation requirements of its financial data, as well as its business figures, operating results and equity (in the foreseeable future, such changes could result out of the approval and introduction of IFRS 9 on financial instruments which will affect the classification and the methods to value financial investments (which represent 63 per cent. of the consolidated assets as at 31 December 2016 — 63 per cent. as at 31 December 2015), amongst other possible standards, as well as the updated IFRS 4 on insurance contracts (expected to be the new IFRS 17 on insurance contracts) which will change the recognition of insurance operations, thus affecting the valuation and presentation of the income, expenses, assets and liabilities resulting from the insurance business, or the IFRS 16 which will apply to reporting periods beginning on or after 1 January 2019. Amendments to IFRS 9 will be applicable starting from 1 January of 2018; however, the Issuer is considering opting for a delay in its application as allowed under IFRS 9 for the insurance sector or under any other option that the European Commission may establish.

Among the consumer protection initiatives, it is worth mentioning the new Insurance Distribution Directive (Directive 2016/97/EC of the European Parliament and of the Council, of 20 January 2016, on insurance distribution), the new Markets in Financial Instruments legislation (which comprises Directive 2014/65/EU of the European Parliament and of the Council of, 15 May 2014, on markets in financial instruments (MiFID II) and Regulation (EU) No 600/2014 of the European Parliament and of the Council, of 15 May 2014, on markets in financial instruments (MiFIR)) and the PRIIPs Regulation. This new legislation focuses on a variety of matters including distribution, suitability, mis-selling and avoiding potential conflicts of interest.

Moreover, given that the Group operates in different countries within the European Union ("**EU**") there also exists a risk that the regulations arising from European directives (such as the Solvency II Directive, as defined below) may be applied inconsistently across the EU member states.

Consequently, any future changes in legislation and regulations currently applicable to the Issuer or its subsidiaries could have a material adverse effect on their business, operating results and financial position.

Additionally, supervisory authorities have extensive administrative control over various aspects of the insurance business. This control may affect premium values, marketing and sales practices, allocation of profit amongst policyholders and shareholders, publicity, licence agreements, standard policies, the solvency and capital requirements, and the investments that can be used to cover commitments. The powers granted by law to supervisory authorities to carry out this regulation and supervision of the insurance industry include the possibility of prohibiting the exclusion of certain risks in insurance coverage, such as risks derived from terrorism.

The introduction of Solvency II

Since 1 January 2016, the Issuer and its insurance and reinsurance subsidiaries that operate in the EU or in the EEA are subject to new solvency and supervisory regulations usually referred to as "**Solvency II**". Solvency II is made up of the "**Solvency II Directive**" (Directive 2009/138/EC of the European Parliament and of the Council, of 25 November 2009, on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)), several regulations supplementing the Solvency II Directive which are directly applicable in the Member States (mainly the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council of the European Union on the taking-up and pursuit of the business of insurance and reinsurance ("**Solvency II Delegated Regulation**")) and the relevant implementing regulations in the EU member states. Solvency II has replaced previous insurance directives and introduces economic risk-based capital requirements across all Member States promoting comparability, transparency and competitiveness in the insurance sector.

The Solvency II Directive has been implemented in Spain by a law (Law 20/2015, of 14 July, on the regulation, supervision and solvency of insurance and reinsurance undertakings (*Ley 20/2015, de 14 de Julio, de ordenación, supervisión y solvencia de entidades aseguradoras y reaseguradoras*)) and a Royal Decree (Royal Decree 1060/2015, of 20 November, on the regulation, supervision and solvency of insurance and reinsurance undertakings (*Real Decreto 1060/2015, de 20 de noviembre, de ordenación, supervisión y solvencia de las entidades aseguradoras y reaseguradoras*)).

Solvency II has significantly changed all former regulations as regards valuation of the balance sheet, calculation of technical reserves and measurement of admissible capital resources and required solvency; corporate governance; and the reporting of relevant data on solvency levels and the risk management system to the supervisory authorities and the market. Regulators (including the Spanish General Directorate of Insurance and Pensions Funds (*Dirección General de Seguros y Fondos de Pensiones* ("**DGSFP**")) and the European Insurance and Occupation Pensions Authority ("**EIOPA**")) may continue to issue guidance and other interpretations of applicable requirements, which could require further adjustments by the Issuer, and which still makes difficult to predict the exact effect of Solvency II on the Issuer and the Group.

Due to stricter requirements for corporate governance, Solvency II is likely to increase operational expenses. Higher standards are required to comply with these new regulations. A breach of Solvency II requirements by the Issuer or its subsidiaries could have a material adverse effect on their business, operating results and financial position, as well as their reputation.

Capital adequacy requirements

Under Solvency II the Group is required to maintain a minimum level of assets in excess of its liabilities (established by means of the SCR and the MCR, as defined below) (see "*Description of the Issuer and its Group — Capital Requirements*").

As at the last date with information available (30 September 2016), the Group satisfied all of its current regulatory requirements in this regard (see "*Description of the Issuer and its Group — Capital Requirements*"). However, the Group's future regulatory capital requirements will depend on many factors, including its operational results, capital market developments, the volume of newly generated business and regulatory changes to capital requirements or other regulatory developments.

Any inability on the part of the Group to meet its regulatory capital requirements in the future would require the Group to take steps to restore the level of regulatory capital held to acceptable levels. Such capital may not be available on commercially favourable terms and the Group may need to adjust its business practices to preserve its capital. If the Group does not meet its MCR, this may lead to withdrawal of its authorisation.

See also "*The Notes are subject to the provisions of the laws of Spain and their official interpretation, which may change and have a material adverse effect on the terms and market value of the Notes*" below.

The Group may be considered to be an Internationally Active Insurance Group by the International Association of Insurance Supervisors

The Group considers that it meets the criteria according to which an insurance group is classified as an Internationally Active Insurance Group ("**IAIG**") by the International Association of Insurance Supervisors.

The latter aims to define and enforce an International Capital Standard (ICS) on all IAIGs, as well as a series of supervisory measures for such IAIGs, commonly referred to as the "ComFrame", starting from 2019. Such initiative may expose the Group to the risks of having to hold additional capital and to devote additional resources to regulatory compliance.

Additionally, the Financial Stability Board (the "FSB") has designated a list of global insurance groups as Global Systemically Important Insurers ("G-SIIs"). While the Group is not currently included in the G-SII list of the FSB, it cannot entirely exclude that in the future it may be designated as such. In such case, there is a risk that the Group might be required to hold an additional amount of capital, presently referred to as "High Loss Absorbency" or "HLA", as well as to further regulatory scrutiny and requirements.

The impact of these requirements on the Group's operating results and financial position is presently unknown and could have a material adverse effect.

Effects of litigation and possible action brought by supervisory authorities

The Group may be exposed to the risk of loss from legal and regulatory proceedings arising from its relationship with customers, competitors, shareholders, employees, institutions or other agents. These risks may include, among others, dealing with potential conflicts of interest, ethical issues, misselling, legal and regulatory compliance requirements, and conduct by companies in which the Group holds strategic investments or joint venture partnerships, which could increase the number of litigation claims and the amount of damages claimed against the Group or subject the Group to regulatory enforcement actions, fines and penalties.

Macroeconomic risks

The growth, asset quality and profitability of the Group could be negatively affected by potential macroeconomic volatility

The level of income the Group derives from certain products and services depends on the strength of the economies and prevailing market trends in the countries where it operates. The economies of those countries where the Group operates may be subject to macroeconomic volatility; depending on the situation, this could entail slow or negative growth, reduced investment, a fall in demand or high inflation. Amongst other effects, this volatility may cause fluctuations in business volume and performance, with a potentially adverse impact on the Group's revenues, operating results and financial position.

Macroeconomic volatility may negatively affect employment levels, consumer borrowing and spending, corporate spending, the availability of debt financing, inflation, as well as fluctuations in interest rates, and the prices of listed securities or property in the countries in which the Group operates. Such volatilities may be exacerbated or caused by catastrophic events, terrorism and other acts of war and the governmental and political developments relating to the foregoing (e.g., the United Kingdom referendum held on 23 June 2016 in which a majority of the population voted to exit the EU), as well as social or political instability, diplomatic relations and international conflicts. The aforesaid volatility may amplify general insurance industry cycles, which can be caused by periods of price competition, fluctuations in underwriting results and the occurrence of unpredictable large losses.

The foregoing could have a material adverse impact on the business, operating results, financial position and reputation of the Group.

Adverse impact of sovereign debt crises

The Group's business, operating results and financial position could be materially adversely affected by sovereign debt crises in Europe and, more specifically, in the country to which the Group is most exposed in terms of business activities and investments (investments in sovereign debt of Spain represent, as at 31 December 2016, 34.2 per cent over the total investment portfolio — 35.5 per cent. as at 31 December 2015). The initiatives enacted by several European governments and institutions to counter the impact of such crises may prove to be partially or fully ineffective and/or could lead to new measures whose impact on the Group's business, operating results and financial position is unknown and could be materially adverse.

It cannot be excluded that the Group may be exposed to similar crises and adverse impacts in other countries where it operates, such as, for instance, Latin America, Turkey and the Philippines.

The Group is present in various countries with different economic, social and political conditions

A large part of the business is generated by the Group abroad, including developing economies (Latin America, Turkey and the Philippines). Consequently, the Group's business depends on surroundings with varying economic, social and political conditions.

The tables below show the breakdown of the aggregate premiums and total result attributable to the controlling company before "Holdings & Consolidation Adjustments" obtained in Iberia, in other regional areas and that corresponding to MAPFRE RE as at 31 December 2016 and 31 December 2015:

REGIONAL AREA	2016 % total	2015 % total
IBERIA	28.8%	27.9%
OTHER REGIONAL AREAS	54.2%	56.5%
MAPFRE RE	17.0%	15.6%
TOTAL AGGREGATE PREMIUMS	100.0%	100.0%

REGIONAL AREA	2016 % total	2015 % total
IBERIA	63.0%	57.9%
OTHER REGIONAL AREAS	16.8%	24.2%
MAPFRE RE	20.2%	17.9%
TOTAL RESULT	100.0%	100.0%

The Group is subject to different legal and regulatory requirements in each jurisdiction in which it operates, including different tax regimes and laws on the repatriation of funds, increased tax rates on the payment of dividends abroad or asset nationalisation. Its international transactions also expose it to different risks, such as exchange rate or political risks (as at the date of this Prospectus the Group does not hedge its interest or exchange rate increases). The need to adapt to different economic, social and political conditions, as well as continuous changes therein, could have a material adverse effect on the business, revenues, operating results and financial position of the Group, as well as its reputation.

Risks factors relating to the Notes

The Notes are complex financial instruments and may not be a suitable investment for all investors

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase such complex financial instruments as stand-alone investments but as a way to enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. Each potential investor in the Notes should determine the suitability of such investment in light of its own circumstances. In particular, each potential investor should consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus and any supplement, taking into account that the Notes may only be a suitable investment for professional or institutional investors;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for payments in respect of the Notes is different from the potential investor's currency;

- (iv) understands thoroughly the terms of the Notes, including the provisions relating to the payment and deferral of interest, any redemption, substitution of the Notes and variation of the terms of the Notes and is familiar with the behaviour of Euribor and the financial markets; and
- (v) is able to evaluate (either on its own or with the help of its financial and other professional advisers) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) Notes are legal investments for it; (ii) Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Prospectus or incorporated by reference herein.

The Notes are subject to the provisions of the laws of Spain and their official interpretation, which may change and have a material adverse effect on the terms and market value of the Notes

The Conditions are drafted on the basis of Spanish law in effect as at the date of this Prospectus. Changes in the laws of Spain after the date hereof may affect the rights and effective remedies of holders of the Notes as well as the market value of the Notes.

Application of Solvency II has only been effective since 1 January 2016 and there is still uncertainty as to how regulators (including the DGSFP and EIOPA) will interpret it, for which reason it is currently difficult to predict the exact effect that the implementation of Solvency II will have on the Issuer, the Group and the Notes (see also "*The Introduction of Solvency II*" above). In addition, any other changes in Spanish or European law in effect as at the date of this Prospectus (including those which may result from the publication of the technical standards which interpret Solvency II or any further change in Solvency II) could lead to the determination of the existence of a Capital Disqualification Event, a Regulatory Deficiency Redemption Deferral Event or a Regulatory Deficiency Interest Deferral Event (as defined below). In addition, the application of stricter requirements under the Solvency II regime, could lead to, or increase the likelihood of a deferral of payments under the Notes and/or an early redemption of the Notes.

Such determinations may also be affected by changes in applicable accounting rules, the accounting policies of the Issuer and the Group and the application by the Issuer and the Group of these policies. Any such changes, including changes over which the Issuer or the Group has a discretion, may have a material adverse effect on the reported financial position of the Issuer or the Group and accordingly may give rise to the occurrence of a Capital Disqualification Event, a Regulatory Deficiency Redemption Deferral Event or a Regulatory Deficiency Interest Deferral Event in circumstances where such Capital Disqualification Event, Regulatory Deficiency Redemption Deferral Event or Regulatory Deficiency Interest Deferral Event may not otherwise have occurred, notwithstanding the adverse effect this will have for Holders.

Such legislative and regulatory uncertainty could affect an investor's ability to value the Notes accurately and therefore affect the market price of the Notes given the extent and impact on the Notes of one or more regulatory or legislative changes.

The obligations of the Issuer under the Notes are unsecured and subordinated

The payment obligations of the Issuer under the Notes are unsecured and subordinated obligations of the Issuer and, therefore, in accordance with Spanish law rank junior in priority of payment to all unsubordinated obligations of the Issuer. Although the Notes may pay a higher rate of interest than comparable notes which are not subordinated, there is an enhanced risk that an investor in the Notes will lose all or some of his investment should the Issuer become insolvent.

Pursuant to Article 92 of the Insolvency Law after payment in full of unsubordinated claims but before distributions to shareholders as a consequence of their condition as equity holders, the Issuer will meet subordinated payment claims (*créditos subordinados*) in the order detailed below and *pro rata* within each class: (i) claims lodged late; (ii) contractually subordinated claims (including the Notes); (iii) interest

payments (including accrued and unpaid interest due on the Notes); (iv) fines; (v) claims of creditors which are specially related to the Issuer (subject to certain exceptions); (vi) claims of creditors declared in bad faith as a consequence of an insolvency revocation; and (vii) claims arising from contracts with reciprocal obligations when the insolvency court finds that the relevant creditor has repeatedly hindered their fulfilment to the detriment of the insolvency interests. Holders of the Notes by subscribing the Notes are accepting to be subordinated to any subordinated obligations of the Issuer which by law or by their terms rank senior to the Notes.

Under the Insolvency Law, accrual of interest on the Notes shall be suspended from the date of the declaration of insolvency of the Issuer.

Moreover, since the Issuer is the ultimate holding company of the Group, in the event of a winding-up of a subsidiary, creditors of such subsidiary would have to be paid in full before sums would be available to its shareholders (i.e., the Issuer) and, eventually, to the Noteholders. The Conditions do not limit the amount of liabilities that the members of the Group may incur. In addition, the Issuer may not necessarily have access to the full amount of cashflows generated by its subsidiaries (for example, due to tax constraints, contractual restrictions or regulatory requirements of the subsidiaries).

Maturity and postponement

The Notes are scheduled to be redeemed at par on the Interest Payment Date falling in March 2047 (the "**Scheduled Maturity Date**"), subject to Condition 5(a)(ii) and provided that on such date the conditions set forth in Condition 5(b) are fulfilled. Before that date, the Issuer has, under certain conditions, the right to redeem or repurchase the Notes, but is under no obligation to do so. Under the Conditions, the Holders have no right to call the Notes for early redemption.

In any event, redemption, as well as repurchase of the Notes, are subject to compliance with Condition 5(a)(ii) (i.e., no Regulatory Deficiency Redemption Deferral Event having occurred and continuing or would occur if redemption were made on the otherwise redemption date, provided that none of the circumstances established in the referred Condition 5(a)(ii) applies), Regulatory Conditions and other conditions set forth in Condition 5(b) (jointly, the "**Conditions to Redemption**"). Where such conditions are not met, redemption may be delayed beyond the Scheduled Maturity Date for an indefinite period of time. Therefore, Holders may receive their investment back at a later point in time than initially expected.

Certain market expectations may exist among investors in the Notes with regard to redemption. Should the Issuer's actions diverge from these expectations, or should the Issuer be prevented from meeting these expectations, this may adversely affect the market value of the Notes and/or their liquidity.

If the Notes are not redeemed on the Scheduled Maturity Date due to the reasons set out above, Holders will—subject to any compulsory or optional deferral—continue to receive interest but will not receive any additional compensation for the postponement of the redemption.

Risks in case of an early redemption of the Notes

At the Issuer's option and subject to the Conditions to Redemption, the Notes may be redeemed at any time at their principal amount, together with Arrears of Interest, if any, and any other unpaid interest accrued to (but excluding) the date fixed for redemption, if:

- (i) Tax Event: as a result of a future change of the laws or regulations of the Kingdom of Spain (or a change in the application of official or generally published interpretation of such laws) as a consequence of which the Issuer is no longer entitled to claim a deduction in respect of any payments in respect of the Notes in computing its taxation liabilities or the amount of such deduction is materially reduced; or
- (ii) Capital Disqualification Event: the Notes are not eligible to qualify for inclusion in own funds as Tier 2 Capital (as defined in the Terms and Conditions); or
- (iii) Ratings Methodology Event: a change in, or clarification to, the methodology of the Rating Agency (as defined in the Conditions) (or in the interpretation of such methodology) as a consequence of which the equity content assigned by the Rating Agency to the Notes is reduced when compared to the equity content assigned by the Rating Agency to the Notes on or around the Issue Date.

The Notes may also be redeemed at the option of the Issuer and subject to the Conditions to Redemption at their principal amount, together with Arrears of Interest, if any, and any other unpaid interest accrued to (but excluding) the date fixed for redemption, on the First Reset Date and on any Floating Interest Payment Date thereafter.

If the Notes are redeemed prior to the Scheduled Maturity Date, a Holder is exposed to the risk that due to the early redemption its investment will have a lower than expected yield and to the risks connected with any reinvestment of the cash proceeds received as a result of the early redemption (there can be no assurance that Holders will be able to reinvest the amount received upon redemption at a rate and under conditions that will provide the same return as their investment in the Notes). Holders will receive the principal amount (together with Arrears of Interest, if any, and any other unpaid interest accrued to (but excluding) the date fixed for redemption) upon any early redemption. The principal amount may be lower than the then prevailing market price of the Notes.

Substitution and variation of the Notes without the Holders' consent

Subject to compliance with all applicable Regulatory Conditions and other requirements set forth in Condition 5(b), if a Tax Event, a Capital Disqualification Event or a Ratings Methodology Event has occurred and is continuing, the Issuer may, at any time and at its discretion, and without the consent or approval of the Holders, elect either (i) to substitute all (but not some only) of the Notes or (ii) to vary the terms of all (but not some only) of the Notes, so that they remain or, as appropriate, become Qualifying Tier 2 Securities (as this term is defined in the Conditions) (in the case of a Capital Disqualification Event or a Tax Event) or Rating Agency Compliant Securities (as this term is defined in the Conditions) (in the case of a Ratings Methodology Event).

Any such substitution or variation may have adverse consequences for Holders, depending on a number of factors, including the nature and terms and conditions of the relevant Qualifying Tier 2 Securities or Rating Agency Compliant Securities and any tax laws to which a particular Holder of Notes is subject.

Interest deferral

In certain cases, interest on the Notes will not be due and payable on the scheduled Interest Payment Date (as defined in the Terms and Conditions). Moreover, payment of the resulting Arrears of Interest is subject to certain further conditions and Arrears of Interest will not bear interest.

Compulsory deferral of interest payments

In case a Regulatory Deficiency Interest Deferral Event occurs and is continuing, or would occur if payment of interest were made on such Interest Payment Date, subject to certain exceptions established in the definition of Mandatory Interest Deferral Date contained in the Conditions, on the relevant Interest Payment Date, interest which accrued during the period ending on (but excluding) such Interest Payment Date will not be due and payable on that Interest Payment Date.

A "**Regulatory Deficiency Interest Deferral Event**" means any breach of any Regulatory Solvency Capital Requirement or Regulatory Minimum Capital Requirement (as these terms are defined in the Terms and Conditions) applicable to the Issuer or all or part of the Group (which part includes the Issuer and at least one other member of the Group) and such breach is an event which under Solvency II (as defined in the Terms and Conditions) and/or under the Relevant Rules (as defined in the Terms and Conditions) means that the Issuer must defer payment of interest (or, if applicable, Arrears of Interest) in respect of the Notes (in order that the Notes qualify, and/or on the basis that the Notes are intended to qualify, as Tier 2 Capital under Solvency II and any other Relevant Rules).

Any such deferral of payment will not constitute a default of the Issuer or any other breach of its obligations under the Notes or for any other purpose, and will not give Holders any right to accelerate repayment of the Notes or take any other action under the Notes.

Interest deferred will constitute Arrears of Interest. Holders will not receive any additional interest or compensation for the compulsory deferral of payments. In particular, the resulting Arrears of Interest will not bear interest.

Optional deferral of interest payments

Even on an Interest Payment Date which is not a Mandatory Interest Deferral Date, the Issuer may elect in its discretion to defer the payment of accrued interest by giving notice to the Holders not less than 10 Business Days' prior to the relevant Interest Payment Date if during the six month period immediately preceding the relevant Interest Payment Date no Compulsory Interest Payment Event has occurred (as this term is defined in the Conditions) and such Interest Payment Date is not a Mandatory Interest Deferral Date (as this term is defined in the Conditions).

Any such deferral of payment will not constitute a default of the Issuer or any other breach of its obligations under the Notes or for any other purpose, and will not give Holders any right to accelerate repayment of the Notes or take any other action under the Notes.

Interest deferred will constitute Arrears of Interest. Holders will not receive any additional interest or compensation for the compulsory deferral of payments. In particular, the resulting Arrears of Interest will not bear interest.

Restrictions on payment of Arrears of Interest

The Issuer will only be entitled to voluntarily pay Arrears of Interest if at such time a Regulatory Deficiency Interest Deferral Event is not subsisting and would not occur if payment of the Arrears of Interest were made.

Market expectations

Certain market expectations may exist among investors in the Notes with regard to payment of interest. Should the Issuer's actions diverge from these expectations, or should the Issuer be prevented from meeting these expectations, this may adversely affect the market value of the Notes and/or their liquidity.

Interest rate risk

The Notes bear interest at a fixed rate from (and including) the Issue Date, to (but excluding) the First Reset Date. Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

If the Notes are not called on the First Reset Date, the Notes will bear interest at a floating rate from the First Reset Date (including) until the Scheduled Maturity Date (excluding). The floating rate applicable to the Notes is based on two components, namely the 3-months Euribor and the Margin (as defined in the Terms Conditions). The floating rate is payable quarterly, and will be adapted immediately prior to any Interest Period to the then prevailing 3-months Euribor plus the Margin. The Margin is fixed at the time of the launch of the transaction.

The floating rate interest income is subject to changes to the 3-months Euribor and therefore cannot be anticipated. Hence, Holders will not be able to determine a definite yield of the Notes at the time they purchase them, so that their return on investment cannot be compared with that of investments in simple fixed rate instruments.

In addition, since the Margin is fixed at the time of the launch of the transaction, Holders are subject to the risk that the Margin does not reflect the spread that investors require in addition to the 3-months Euribor as a compensation for the risks inherent in the Notes. Holders should be aware that movements of the market spread can adversely affect the price of the Notes and can lead to losses for the Holders.

In addition, Holders are exposed to reinvestment risk with respect to proceeds from coupon payments or early redemptions by the Issuer. If the market yield (or market spread respectively) declines, and if Holders want to invest such proceeds in comparable transactions, Holders will only be able to reinvest such proceeds in comparable transactions at the then prevailing lower market yields (or market spread respectively).

The Conditions of the Notes do not contain express events of default or provisions allowing for early redemption of the Notes at the option of the Holders

The Conditions do not contain any express events of default provision that would allow Holders to accelerate the Notes in case of the occurrence of an event of default. Moreover, the deferral of any payment

in accordance with the Conditions will not constitute a default by the Issuer or any breach of its obligations under the Notes, or for any other purpose, and will not give Holders any right to accelerate repayment of the Notes or take any other action under the Notes.

In addition, pursuant to Solvency II, the Issuer is prohibited from including in the Conditions terms that would oblige it to redeem the Notes prior to their stated maturity at the option or at the request of the Holders. As a result, the Conditions do not include provisions allowing for early redemption of the Notes at the option of the Holders.

There is no restriction on the amount or type of further securities or indebtedness which the Issuer may issue or incur

There is no restriction on the amount or type of further securities or indebtedness which the Issuer may issue or incur which ranks senior to, or *pari passu* with, the Notes. The incurrence of any such further indebtedness may reduce the amount recoverable by Holders on a liquidation, dissolution or winding-up of the Issuer in respect of the Notes and may limit the ability of the Issuer to meet its obligations in respect of the Notes, and result in a Holder losing all or some of its investment in the Notes.

Syndicate of Holders' meetings

The Conditions include certain provisions regarding Holders' meetings, which may be held in order to resolve matters relating to the Holders' interests. The Syndicate of Holders has authority to modify (in agreement with the Issuer) the Conditions of the Notes as provided in Condition 8 (*Constitution of the Syndicate and Exercise of Rights by Holders of the Notes*) and Article 14 of the Regulations (contained in Condition 14). Condition 8 and the Regulations allow for designated majorities to bind all Holders, including Holders who have not participated in or voted at the actual meeting or who have voted in a manner contrary to the majority, to decisions that have been taken at a duly convened and conducted Holders' meeting.

Notwithstanding the above, the agreement or approval of the Holders shall not be necessary in the case of any variation of these Conditions required to be made in the circumstances described in Condition 5(g) in connection with the variation of the terms of the Notes, so that they become alternative Qualifying Tier 2 Securities or Rating Agency Compliant Securities, as applicable. The Issuer may also, with the consent of the Commissioner, but without the consent of the Holders amend the Conditions to (i) correct any manifest error, (ii) or to make any amendment of a formal, minor or technical nature or to comply with mandatory provisions of law, or (iii) make any amendment that is not prejudicial to the interests of the Holders.

Clearing and settlement

The Notes have been registered with Iberclear. Consequently, no physical Notes have been or will be issued. Clearing and settlement relating to the Notes, as well as payment of interests, Arrears of Interest and redemption amounts, will be performed within Iberclear's account-based system. Holders are therefore dependent on the functionality of Iberclear's account-based system.

Title to the Notes will be evidenced by book entries, and each person shown in the Spanish Central Registry managed by Iberclear and in the registries maintained by the Iberclear Members as being a holder of Notes shall be (except as otherwise required by Spanish law) considered the Holder of the principal amount of the Notes recorded therein.

The Issuer will discharge its payment obligation under the Conditions by making payments through Iberclear. Holders must rely on the procedures of Iberclear and its participants to receive payments. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, Holders of the Notes according to book entries and registries as described in the previous paragraph.

A summary of clearance and settlement procedures applicable to book-entry Notes in Spain is contained under section headed "*Summary of Clearance and Settlement Procedures Applicable to Book-Entry Notes*".

Risks relating to the Spanish withholding tax regime

Article 44 of Royal Decree 1065/2007, of 27 July 2007, as amended by Royal Decree 1145/2011, of 29 July 2011, sets out the reporting obligations applicable to preference shares and debt instruments issued

under Law 10/2014 of 26 June ("**Law 10/2014**"). The procedures apply to interests deriving from preferred securities (*participaciones preferentes*) and debt instruments to which Law 10/2014 refers.

According to the plain wording of section 4 of Article 44 of Royal Decree 1065/2007, of 27 July 2007, as amended by Royal Decree 1145/2011, of 29 July 2011, income derived from securities originally registered with Iberclear will be paid by the Issuer net of Spanish withholding tax (currently, at a rate of 19 per cent.) if the recipient of the payment is an individual resident in Spain for tax purposes and subject to Spanish Individual Income Tax ("**IIT**").

On the other hand, interest payments made by the Issuer in respect of the Notes for the benefit of non-Spanish tax resident investors, or for the benefit of Spanish Corporate Income Tax taxpayers, will not be subject to Spanish withholding tax, provided that the Iberclear Members that have the Notes registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, if applicable, provide the Issuer, in a timely manner, with a duly executed and completed statement (a "**Payment Statement**"), in accordance with section 4 of Article 44 of Royal Decree 1065/2007, of 27 July 2007, as amended by Royal Decree 1145/2011, of 29 July 2011 (please see "*Taxation*").

If the Iberclear Members fail or for any reason are unable to deliver a duly executed and completed Payment Statement to the Issuer in a timely manner in respect of a payment of income made by the Issuer under the Notes, such payment will be made net of Spanish withholding tax, currently at the rate of 19 per cent. Should this occur, affected beneficial owners would receive a refund of the amount withheld, with no need for action on their part, if the Iberclear Members submit a duly executed and completed Payment Statement to the Issuer no later than the 10th calendar day of the month immediately following the relevant payment date. In addition, beneficial owners may apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the Spanish NRIT Law (as defined in section *Taxation*).

Prospective investors should note that the Issuer does not accept any responsibility relating to the lack of delivery of a duly executed and completed Payment Statement by Iberclear Members in connection with each payment of income under the Notes. Accordingly, the Issuer will not be liable for any damage or loss suffered by any beneficial owner who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because the Payment Statement was not duly delivered to the Issuer. Moreover, the Issuer will not pay any additional amounts with respect to any such withholding tax.

Additionally, it should be noted that the Issuer is not under any obligation to make additional payments in respect of the amount of any withholding or deduction for, or on account of, any present or future taxes (or stamp duty).

Holders must seek their own advice to ensure that they comply with all procedures to ensure the correct tax treatment of their Notes. The Issuer does not assume any responsibility in this regard.

FATCA Withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign pass-thru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Spain) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

An active secondary market in respect of the Notes may never be established

The Notes are a new issue of securities and have no established trading market. Pursuant to the Conditions, the Issuer shall apply for registration of the Notes on Iberclear as managing entity of the Spanish Central Registry and for admission to listing on AIAF. However, there can be no assurance that the Notes will be approved for admission to listing and that an active trading market will develop or as to the ability to sell the Notes or the prices at which the Notes may be able to be sold. A failure to obtain such listing may have a negative impact on the market value of the Notes.

Secondary market liquidity and price fluctuation

The liquidity and trading price of the Notes may vary substantially as a result of numerous factors (including general market movements) and irrespective of the Issuer's performance. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

If the likelihood that the Issuer will be in a position to fully perform all obligations under the Notes when they fall due decreases, for example, because of the materialisation of any of the risks regarding the Group or the Issuer, the market value of the Notes may fall. In addition, even if the likelihood that the Issuer will be in position to fully perform all obligations under the Notes when they fall due actually has not decreased, market participants could nevertheless have a different perception. Furthermore, the market participants' estimation of the creditworthiness of financial sector debtors in general or debtors operating in the same business as the Group could adversely change, which may also affect the market value of the Notes. Moreover, the Issuer's discretion regarding payments of interest significantly increases uncertainty in the valuation of the Notes, this uncertainty might have a negative impact on liquidity and volatility of the Notes.

Market conditions may be also influenced by economic and market conditions in Spain and, to varying degrees, by market conditions, interest rates, currency exchange rates and inflation rates in other European and other industrialised countries.

If the Notes are not denominated in the investor's home currency, the investor will be exposed to movements in exchange rates that could adversely affect the value of his holding

The Issuer will pay principal and interest on the Notes in Euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than Euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Euro or revaluation of the Investor's Currency). An appreciation in the value of the Investor's Currency relative to the Euro would decrease (i) the Investor's Currency equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (ii) the Investor's Currency equivalent market value of the Notes.

Any imposition of exchange controls relating to any Notes could result in an investor not receiving payments on those Notes

Governments and monetary authorities may impose exchange controls which could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Credit ratings assigned to the Issuer or any Notes may not reflect all of the risks associated with an investment in those Notes

The Rating Agency (as defined in the Conditions) has assigned credit ratings to the Issuer and it is expected to assign a credit rating to the Notes. The rating may not reflect the potential impact of all risks related to structure, the market, the additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time. Any change in the credit ratings of the Notes or the Issuer could adversely affect the price that a subsequent purchaser will be willing to pay for the Notes.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restrictions will also apply in the case of credit ratings issued by non-EU credit rating agencies,

unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

INFORMATION INCORPORATED BY REFERENCE

The information set out below shall be deemed to be incorporated in, and to form part of, this Prospectus **provided however that** any statement contained in any document incorporated by reference in, and forming part of, this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such statement.

Information incorporated by reference:

- (i) The Spanish language audited consolidated annual accounts, the notes to the audited consolidated annual accounts, consolidated Director's report, together with the audit report of KPMG Auditores, S.L., as at and for the year ended 31 December 2016, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("**IFRS EU**").

https://www.mapfre.com/corporativo-es/images/cuentas-anuales-e-informe-de-gestion-consolidados-2016_tcm884-395557.pdf

- (ii) The Spanish language audited consolidated annual accounts, the notes to the audited consolidated annual accounts, consolidated Director's report, together with the audit report of KPMG Auditores, S.L., as at and for the year ended 31 December 2015, prepared in accordance with IFRS EU.

https://www.mapfre.com/corporativo-es/images/cuentas-anuales-e-informe-de-gestion-consolidados-2015_tcm884-179484.pdf

The above documents, which have been previously published and filed with the CNMV, are also available during usual business hours at the specified offices of the CNMV, on the CNMV website (<http://www.cnmv.es/portal/Consultas/IFA/ListadoIFA.aspx?id=0&nif=A08055741>) and English translations of the above mentioned consolidated annual accounts are available on the MAPFRE website (https://www.mapfre.com/corporate/images/consolidated-annual-accounts-and-management-report-2016_tcm885-395557.pdf and https://www.mapfre.com/corporate/images/annualconsolidate-financial-statements-and-consolidated-management-report-subsidiaries_tcm885-179484.pdf).

OVERVIEW

This overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole, including the documents incorporated by reference.

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this overview.

The Issuer:	MAPFRE, S.A., incorporated in the Kingdom of Spain.
Joint Lead Managers:	Banco Bilbao Vizcaya Argentaria, S.A., Bankia, S.A., Goldman Sachs International, ING Bank N.V. and UniCredit Bank AG
The Notes:	EUR 600,000,000 Fixed/Floating Rate Reset Callable Subordinated Notes due March 2047.
Issue Price:	100 per cent. of the principal amount of the Notes.
Issue Date:	31 March 2017.
Use of Proceeds:	See " <i>Use of Proceeds</i> ".
Form and Denomination:	The Notes have been issued in uncertificated, dematerialised book-entry form (<i>anotaciones en cuenta</i>) and have been registered with the <i>Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal</i> (" Iberclear ") as managing entity of the central registry of the Spanish clearance and settlement system (the " Spanish Central Registry ") and its member entities (" Iberclear Members "). The Notes have been issued in an aggregate nominal amount of Euro 600,000,000 and an individual nominal amount of Euro 100,000.
Title and transfer:	<p>Title to the Notes is evidenced by book entries, and each person shown in the Spanish Central Registry managed by Iberclear and in the registries maintained by the Iberclear Members as being a holder of the Notes shall be (except as otherwise required by Spanish law) considered the holder of the principal amount of the Notes recorded therein. The "Holder" means the person in whose name such Note is for the time being registered in the Spanish Central Registry managed by Iberclear or, as the case may be, the relevant Iberclear Member accounting book (or, in the case of a joint holding, the first named thereof) and Holder shall be construed accordingly.</p> <p>The Notes were issued without any restrictions on their transferability. Consequently, the Notes may be transferred and title to the Notes may pass (subject to Spanish law and to compliance with all applicable rules, restrictions and requirements of Iberclear or, as the case may be, the relevant Iberclear Member) upon registration in the relevant registry of each Iberclear Member and/or Iberclear itself, as applicable. Each Holder will be (except as otherwise required by Spanish law) treated as the legitimate owner (<i>titular legítimo</i>) of the relevant Notes for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest, or any writing on, or the theft or loss of, the Certificate (as</p>

defined in the Terms and Conditions) issued in respect of it), and no person will be liable for so treating the Holder.

Status:

The payment obligations of the Issuer under the Notes constitute unsecured and subordinated obligations of the Issuer according to Article 92.2º of the Insolvency Law, and in accordance with Article 92 of the Insolvency Law, but subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise), upon the insolvency of the Issuer rank:

- (i) junior to any non-subordinated obligations of the Issuer (including, without limitation, any policyholders of the Issuer, if any) and any subordinated liabilities (*créditos subordinados*) of the Issuer expressed by law or by their terms, to the extent permitted by Spanish Law, to rank senior to the Notes;
- (ii) *pari passu* without preference or priority among themselves and with all other subordinated liabilities (*créditos subordinados*) of the Issuer expressed by law or by their terms, to the extent permitted by Spanish Law, to rank *pari passu* with the Notes; and
- (iii) senior to the common shares of the Issuer and any other subordinated liabilities (*créditos subordinados*) of the Issuer expressed by law or by their terms, to the extent permitted by Spanish Law, to rank junior to the Notes.

Interest:

The Notes will bear interest on their outstanding principal amount (i) at a fixed rate of 4.375 per cent. per annum from (and including) the Issue Date to (but excluding) the First Reset Date (as defined in the Terms and Conditions) payable annually in arrear on 31 March in each year, with the first Interest Payment Date (as defined in the Terms and Conditions) on 31 March 2018; and (ii) from (and including) the First Reset Date, at the applicable Floating Interest Rate (as defined in the Terms and Conditions), payable quarterly in arrear on 31 March, 30 June, 30 September and 31 December in each year, commencing on 30 June 2027.

Optional Interest:

Deferral

of In respect of any Interest Payment Date that is neither a Compulsory Interest Payment Date (as defined in the Terms and Conditions) nor a Mandatory Interest Deferral Date (as defined in the Terms and Conditions), the Issuer may at its discretion defer payment of the accrued but unpaid interest up to that Interest Payment Date (in whole or in part).

In such circumstances the relevant interest payment (or part thereof) shall not fall due on such Interest Payment Date and the Issuer shall have no obligation to make such payment on such date, but shall constitute Arrears of Interest.

Any such deferral of any payment of interest will not constitute a default by the Issuer or any breach of its obligations under the Notes or for any other purpose and will not give Holders any right to accelerate repayment of the Notes or to take any other action under the Notes.

Mandatory Deferral of Interest: Payment of interest on the Notes by the Issuer will be mandatorily deferred on each Interest Payment Date which is a Mandatory Interest Deferral Date (as defined in the Terms and Conditions).

Any such deferral of any payment of interest will not constitute a default by the Issuer or any breach of its obligations under the Notes or for any other purpose and will not give Holders any right to accelerate repayment of the Notes or to take any other action under the Notes.

Arrears of Interest: Any interest in respect of the Notes not paid on an Interest Payment Date as a result of (i) any optional deferral of such payment pursuant to Condition 4(a) ("*Deferral of Interest — Optional Deferral of Interest*"); or (ii) the obligation of the Issuer to defer such payment of interest pursuant to Condition 4(b) ("*Deferral of Interest — Mandatory Deferral of Interest*"), together with any other interest not paid on an earlier Interest Payment Date, shall, so long as the same remains unpaid, constitute Arrears of Interest. Arrears of Interest shall not themselves bear interest and will be payable by the Issuer as provided in Condition 4(d) ("*Deferral of Interest — Arrears of Interest*").

Scheduled Maturity Date: Interest Payment Date falling in March 2047.

Redemption on the Scheduled Maturity Date is subject to Condition 5(a)(ii) ("*Redemption, substitution, Variation and Purchase — Redemption*") and 5(b) ("*Redemption, substitution, Variation and Purchase — Conditions to Redemption, substitution, Variation and Purchase*").

Optional Redemption: Subject to Conditions 5(a)(ii) ("*Redemption, substitution, Variation and Purchase — Redemption*") and 5(b) ("*Redemption, substitution, Variation and Purchase — Conditions to Redemption, substitution, Variation and Purchase*"), the Notes may be redeemed in whole (but not in part) on the First Reset Date or any Interest Payment Date thereafter at their principal amount together with Arrears of Interest, if any, and any other unpaid interests accrued to (but excluding) the date fixed for redemption prior to their stated maturity at the option of the Issuer in accordance with Condition 5(c) ("*Redemption, substitution, Variation and Purchase — Issuer's Call Option*").

Redemption, Substitution or Variation upon a Tax Event, a Capital Disqualification Event or a Ratings Methodology Event: Subject to Conditions 5(a)(ii) ("*Redemption, substitution, Variation and Purchase — Redemption*") and 5(b) ("*Redemption, substitution, Variation and Purchase — Conditions to Redemption, substitution, Variation and Purchase*"), the Issuer may, upon the occurrence of (i) a Tax Event (as defined in the Terms and Conditions) or (ii) a Capital Disqualification Event (as defined in the Terms and Conditions) or (iii) a Ratings Methodology Event (as

defined in the Terms and Conditions), either (A) redeem the Notes in whole (and not in part) at their principal amount together with Arrears of Interest, if any, and any other unpaid interest accrued to (but excluding) the date fixed of redemption; or (B) substitute all (but not some only) of the Notes for, or vary the terms of all (but not some only) of the Notes so that they become or remain, Qualifying Tier 2 Securities (as defined in the Terms and Conditions) (in the case of a Tax Event or a Capital Disqualification Event) or Rating Agency Compliant Securities (as defined in the Terms and Conditions) (in the case of a Ratings Methodology Event).

- Withholding Tax:** All payments made by or on behalf of the Issuer in respect of the Notes will be made subject to and after deduction or withholding required to be made by law for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision or any authority thereof or therein having power to tax. The Issuer will not be required to pay any additional or further amounts in respect of such deduction or withholding.
- Rating:** The Notes have been rated BBB- by S&P.
- Governing Law:** The Notes and the Subscription Agreement (and any non-contractual obligations arising out of or in connection with them) will be governed by Spanish law.
- Jurisdiction:** The Spanish courts of the city of Madrid are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes (including a dispute relating to any non-contractual obligations arising out of or in connection with them).
- Listing and Trading:** Application has been made for the Notes to be admitted to trading on the AIAF within 30 days after the Issue Date.
- Syndicate of Holders:** Holders shall meet in accordance with the Regulations (as defined in the Conditions) governing the Syndicate (as defined in the Conditions). The Regulations contain the rules governing the Syndicate and the rules governing its relationship with the Issuer. A set of Regulations is included in Condition 14 ("*Regulations of the Syndicate of Holders*"). Bondholders, S.L. has been appointed as Commissioner (as defined in the Conditions) of the Syndicate of Holders.
- Clearing System:** Iberclear.
- Selling Restrictions:** See "*Subscription and Sale*".
- Risk Factors:** Investing in the Notes involves risks. See "*Risk Factors*".
- Agent Bank:** Banco Bilbao Vizcaya Argentaria, S.A.

All calculations under the Conditions will be performed by Banco Bilbao Vizcaya Argentaria, S.A. and all payments under the Notes will be carried out by Banco Bilbao Vizcaya Argentaria, S.A. through Iberclear.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Conditions of the Notes (save for the paragraphs in italics which are for disclosure purposes only).

The EUR 600,000,000 Fixed/Floating Rate Reset Callable Subordinated Notes due March 2047 (the "Notes") are issued by MAPFRE, S.A. (the "Issuer") by virtue of the resolutions passed by (i) the shareholders' meeting of the Issuer held on 9 March 2013 and (ii) the Board of Directors (*Consejo de Administración*) of the Issuer on 10 March 2017.

1 Definitions

For the purposes of the Notes, the following expressions shall have the following meanings:

"**Agency Agreement**" means the agency agreement entered into on 24 March 2017 by the Issuer and Banco Bilbao Vizcaya Argentaria, S.A.;

"**Agent Bank**" means the calculation and paying agent appointed by the Issuer from time to time in accordance with Condition 3(g);

"**AIAF**" means the Spanish AIAF Fixed Income Securities Market (*AIAF Mercado de Renta Fija*);

"**Arrears of Interest**" has the meaning provided in Condition 4(d);

"**Authorised Signatories**" means any two of the Directors of the Issuer or any other two authorised persons appointed by the Issuer and notified to the Commissioner in writing;

"**Business Day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in Madrid and London and, if on that day a payment is to be made, a day which is a TARGET Business Day also;

a "**Capital Disqualification Event**" is deemed to have occurred if, in circumstances where the Issuer remains subject to the supervisory authority of the Relevant Regulator, the Notes (in whole or in part) have ceased to be eligible to qualify for inclusion in own funds as Tier 2 Capital, for the purposes of the Issuer or the Group, whether on a solo, group or consolidated basis, except, in any case, where such non-qualification is only as a result of any applicable limitation on the amount of such capital;

"**Certificate**" has the meaning provided in Condition 2;

"**Clearstream**" means Clearstream Banking, *société anonyme*;

"**CNMV**" means the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*);

"**Code**" means the U.S. Internal Revenue Code of 1986, as amended;

"**Commissioner**" means the *comisario*, as this term is defined under the Spanish Companies Act (*Ley de Sociedades de Capital*), of the Syndicate;

"**Compulsory Interest Payment Date**" means any Interest Payment Date (i) in respect of which during the immediately preceding six month period a Compulsory Interest Payment Event has occurred and (ii) which is not a Mandatory Interest Deferral Date;

"**Compulsory Interest Payment Event**" means:

- (i) any declaration, payment or making of a dividend or distribution by the Issuer to the holders of its common shares, except for a distribution paid on such common shares consisting solely of newly-issued common shares of the Issuer; or
- (ii) any declaration, payment or making of a dividend, distribution or coupon on any Parity Liabilities or any other Junior Liabilities, except where such dividend, distribution or coupon was required to be declared, paid or made under, or in accordance with, the terms of such Parity Liabilities or such Junior Liabilities; or

- (iii) any repurchase by the Issuer of any of its common shares for cash, provided such repurchase is not made (a) in the ordinary course of business of the Issuer in connection with any share option scheme or share ownership scheme or free allocation plan for management or employees of the Issuer or management or employees of affiliates of the Issuer or any associated liquidity agreements or hedging transactions or (b) in connection with financial restructurings, mergers, acquisitions, demergers, spin-offs, divestments or similar corporate transactions; or
- (iv) any redemption or purchase by the Issuer or any Subsidiary of the Issuer of any Parity Liabilities or any other Junior Liabilities for cash, except a redemption required to be effected under, or in accordance with, the terms of such Parity Liabilities or such Junior Liabilities;

provided that if at any time, and for so long as, the existence of any of the Compulsory Interest Payment Events under paragraphs (ii) and/or (iv) above would result in the Notes or any part thereof ceasing to be eligible to qualify for inclusion in own funds as Tier 2 Capital of the Issuer or the Group, whether on a solo, group or consolidated basis, under the Relevant Rules, the provisions of each of those paragraphs (ii) and/or (iv) above which would cause such result shall have no effect and the relevant circumstances described in such paragraphs (ii) and/or (iv) above shall not constitute a Compulsory Interest Payment Event;

"**Conditions**" means these terms and conditions of the Notes;

"**Directors**" means the directors of the Issuer;

"**EEA**" means the European Economic Area;

"**€**" or "**euro**" means the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty of Rome establishing the European Communities as amended;

"**Euribor**" means for any day, the euro interbank offered rate administered by the Banking Federation of the European Union (or any other person which takes over the administration of that rate) for a period of three months displayed on the Relevant Screen Page as of 11:00 am (Central European time) on such day;

"**Euroclear**" means Euroclear Bank SA/NV;

"**Expert**" means, in relation to an Expert Certificate, an independent financial institution, independent accounting firm or independent financial adviser with appropriate expertise and of international repute, appointed by an authorised representative of the Issuer for the purpose of issuing an Expert Certificate;

"**Expert Certificate**" means a certificate signed by an authorised representative of an Expert stating that (i) in the opinion of such Expert the changes determined by the Issuer pursuant to a substitution or variation of the Notes under Condition 5 will result in the Qualifying Tier 2 Securities or the Rating Agency Compliant Securities (as applicable) having terms not materially less favourable to the Holders than the terms of the Notes upon issue; and (ii) the differences between the terms and conditions of the Qualifying Tier 2 Securities or the Rating Agency Compliant Securities (as applicable) and these Conditions are only those strictly necessary to (a) in the case of a Capital Disqualification Event, comply with the requirements of the Relevant Regulator in relation to Tier 2 Capital in accordance with the Relevant Rules existing at that time or (b) in the case of a Tax Event or a Ratings Methodology Event, cure the relevant Tax Event or Ratings Methodology Event;

"**Extraordinary Resolution**" has the meaning given to it in Condition 8(c);

"**FATCA**" means Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof), any agreement described in Section 1471(b) of the Code, and any intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement);

"**First Reset Date**" means 31 March 2027;

"**Fixed Interest Rate**" has the meaning given to it in Condition 3(c);

"**Fixed Rate Interest Period**" means the period from (and including) the Issue Date to (but excluding) the First Reset Date;

"**Floating Interest Amounts**" has the meaning given to it in Condition 3(e);

"**Floating Interest Rate**" has the meaning given to it in Condition 3(d);

"**General Meeting**" means the general meeting of Holders convened in accordance with the Regulations;

"**Group**" means, at any time, the Group Holding Company and its Subsidiaries at such time;

"**Group Holding Company**" means the Issuer or, if the Issuer has an ultimate insurance holding company that is subject to consolidated supervision by an EEA regulatory authority for the purpose of the Solvency II Directive, such ultimate insurance holding company (such company being, as at the Issue Date, the Issuer);

"**Group Supervisor**" means the regulatory authority exercising group supervision over the Group in accordance with the Relevant Rules (such regulatory authority being, as at the Issue Date, the Spanish Regulator);

" **Holders**" has the meaning provided in Condition 2;

"**Iberclear**" means the Spanish clearing and settlement system (*Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., Sociedad Unipersonal*);

"**Iberclear Member**" has the meaning provided in Condition 2;

"**Insolvency Law**" means the Law 22/2003, of 9 July, on insolvency (*Ley Concursal*);

"**Insolvent Insurer Winding-up**" means the winding-up or liquidation of any insurance undertaking within the Group where the assets of that insurance undertaking may or will be insufficient to meet all the claims of the policyholders pursuant to a contract of insurance of that insurance undertaking which is in winding-up or liquidation;

"**insurance undertaking**" has the meaning given to it in the Solvency II Directive;

"**insurance holding company**" has the meaning given to it in the Solvency II Directive;

"**Interest Determination Date**" means, in relation to each Interest Period from and including the Interest Period beginning on the First Reset Date, the second TARGET Business Day prior to the relevant Interest Period;

"**Interest Payment Date**" means:

- (i) in respect of the period from the Issue Date to (and including) the First Reset Date, 31 March in each year, starting on (and including) 31 March 2018, without prejudice to the provision contained in Condition 3(i); and
- (ii) after the First Reset Date, 31 March, 30 June, 30 September and 31 December in each year, starting on (and including) 30 June 2027, provided that if any Interest Payment Date after the First Reset Date would otherwise fall on a day which is not a TARGET Business Day, it shall be postponed to the next day which is a TARGET Business Day, unless it would thereby fall in the next calendar month, in which event it shall be brought forward to the immediately preceding TARGET Business Day (payments to be made in accordance with Condition 3(i));

"**Interest Period**" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date, on the relevant Redemption Date, as applicable;

"Interest Rate" means the Fixed Interest Rate and/or the Floating Interest Rate, as the case may be;

"Issue Date" means 31 March 2017, being the date of the initial issue of the Notes;

"Issuer" has the meaning given to it in the preamble to these Conditions;

"Junior Liabilities" has the meaning given to it in Condition 2(d);

"Liquidation Amount" means for each Note an amount equal to the principal amount of the relevant Note, together with, to the extent not otherwise included within the foregoing, any other amounts attributable to such Note, including any Arrears of Interest and any other accrued and unpaid interest thereon;

"Mandatory Interest Deferral Date" means each Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if payment of interest were made on such Interest Payment Date, provided, however, that the relevant Interest Payment Date will not be a Mandatory Interest Deferral Date in relation to such interest payment (or such part thereof) if, cumulatively:

- (i) the Relevant Regulator has exceptionally waived the deferral of such interest payment (and, if relevant, any Arrears of Interest) and only if and to the extent that the Relevant Regulator can give such a waiver in accordance with the Relevant Rules;
- (ii) paying such interest payment (and, if relevant, any Arrears of Interest) does not further weaken the solvency position of the Issuer as determined in accordance with the Relevant Rules; and
- (iii) the Regulatory Minimum Capital Requirement will be complied with immediately after such interest payment (and, if relevant, any Arrears of Interest) is made;

"Margin" means 4.543 per cent.;

"Notes" has the meaning given to it in the preamble to these Conditions;

"Parity Liabilities" has the meaning given to it in Condition 2(d);

"Proceedings" has the meaning given to it in Condition 13;

"Qualifying Tier 2 Securities" means securities issued directly by the Issuer or issued indirectly by the Issuer and guaranteed by the Issuer that:

- (i) have terms not materially less favourable to the Holders than the terms of the Notes with any differences between their terms and conditions and these Conditions being those strictly necessary to (in the case of a Capital Disqualification Event) comply with the requirements of the Relevant Regulator in relation to Tier 2 Capital in accordance with the Relevant Rules existing at that time and/or (in the case of a Tax Event or a Ratings Methodology Event) cure the relevant Tax Event or Ratings Methodology Event, as applicable, (provided that the Issuer shall have delivered a certificate of two Authorised Signatories to that effect and an Expert Certificate to the Commissioner (copies thereof will be available at the Commissioner's specified office during its normal business hours) at least 15 Business Days prior to the issue or, as appropriate, variation of the relevant securities (upon which the Commissioner shall be entitled to rely without further enquiry and without liability to any person)), and, subject thereto, which (1) contain terms which comply with the then current requirements of the Relevant Regulator in relation to Tier 2 Capital (which, for the avoidance of doubt, may result in such securities not including, or restricting for a period of time, any one or more of the redemption events which are included in the Notes); (2) include terms which provide for the same Interest Rate and Interest Payment Dates from time to time applying to the Notes; (3) rank senior to or have the same ranking as the Notes; (4) preserve any existing rights under these Conditions to any accrued interest, Arrears of Interest and any or other amounts which have not been paid; (5) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption; (6) do not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares; (7) contain terms providing for mandatory and/or

optional deferral of payments of interest and/or principal only if such terms are not materially less favourable to an investor than the mandatory and optional deferral provisions, respectively, contained in the terms of the Notes and (8) shall not at such time be subject to a Tax Event, a Capital Disqualification Event or a Ratings Methodology Event; and

- (ii) are (a) listed and admitted to trading on AIAF or (b) listed on such other stock exchange that is an internationally recognised and regularly trading stock exchange at that time as selected by the Issuer; and
- (iii) where the Notes which have been substituted or varied had a published rating from the Rating Agency immediately prior to their substitution or variation, the Rating Agency has ascribed, or announced its intention to ascribe, an equal or higher published rating to the relevant Qualifying Tier 2 Securities;

"Rating Agency" means Standard & Poor's Credit Market Services Europe Limited, a division of the McGraw-Hill Companies, Inc. or any successor thereto;

"Rating Agency Compliant Securities" means Qualifying Tier 2 Securities that are assigned by the Rating Agency substantially the same equity content or, at the absolute discretion of the Issuer, a lower equity content (provided such equity content is still higher than the equity content assigned to the Notes after the occurrence of the Ratings Methodology Event) as that which was assigned by the Rating Agency to the Notes on or around the Issue Date and provided that a certification to such effect of two Authorised Signatories shall have been delivered to the Commissioner (copies thereof will be available at the Commissioner's specified office during its normal business hours) prior to the issue of the relevant securities (upon which the Commissioner shall be entitled to rely without liability to any person);

"Ratings Methodology Event" will be deemed to occur upon a change in or a clarification to or withdrawal of the methodology of the Rating Agency (or a change in or a clarification to the interpretation of such methodology) as a result of which the equity content assigned by the Rating Agency to the Notes is, as notified by the Rating Agency to the Issuer or as published by the Rating Agency, reduced when compared to the equity content assigned by the Rating Agency to the Notes on or around the Issue Date or, otherwise, withdrawn;

"Redemption Date" means, as applicable, the Scheduled Maturity Date or any other date on which the Notes are to be redeemed in accordance with these Conditions;

"Reference Banks" means five major investment, merchant or commercial banks or financial institutions in the interbank market in the eurozone as selected by the Agent Bank, after consultation with the Issuer, in accordance with Condition 3(g);

"Regulations" has the meaning provided in Condition 8;

"Regulatory Conditions" means, in relation to any action at any time, any notifications to, or consent or non-objection (or, as appropriate, waiver) from, the Relevant Regulator for such action to be undertaken which are required at such time by the Relevant Regulator or the Relevant Rules;

"Regulatory Deficiency Interest Deferral Event" means (i) any breach of any Regulatory Solvency Capital Requirement or any Regulatory Minimum Capital Requirement applicable to the Issuer or all or part of the Group (which part includes the Issuer and at least one other member of the Group) and such breach is an event which under Solvency II and/or under the Relevant Rules means that the Issuer must defer payment of interest (or, if applicable, Arrears of Interest) in respect of the Notes (in order that the Notes qualify, and/or on the basis that the Notes are intended to qualify, as Tier 2 Capital under Solvency II and any other Relevant Rules); or (ii) the Relevant Regulator has prohibited the Issuer, in view of the financial condition of the Issuer or the Group, from making payments of interest (or, if applicable, Arrears of Interest) under the Notes in accordance with the Relevant Rules; or (iii) the Issuer is unable to meet regularly its due and payable liabilities as provided for in Article 2 of the Insolvency Law;

"Regulatory Deficiency Redemption Deferral Event" means (i) (a) any breach of any Regulatory Solvency Capital Requirement or any Regulatory Minimum Capital Requirement applicable to the Issuer or all or part of the Group (which part includes the Issuer and at least one other member of the

Group) or (b) an Insolvent Insurer Winding-up; where and to the extent that such breach or winding-up or liquidation is an event which under Solvency II and/or under the Relevant Rules means that the Issuer must defer or suspend repayment or redemption of the Notes (in order that the Notes qualify, and/or on the basis that the Notes are intended to qualify, as Tier 2 Capital of the Issuer or the Group under Solvency II and any other Relevant Rules); or (ii) the Relevant Regulator has prohibited the Issuer, in view of the financial condition of the Issuer or the Group, from making payments of principal under the Notes in accordance with the Relevant Rules; or (iii) the Issuer is unable to meet regularly its due and payable liabilities as provided for in Article 2 of the Insolvency Law;

"Regulatory Minimum Capital Requirement" means the Minimum Capital Requirement or minimum group Solvency Capital Requirement (each as defined in the Solvency II Directive) or other minimum capital requirements of the Issuer or the Group, whether on a solo, group or consolidated basis (as applicable) referred to in Solvency II or the Relevant Rules;

"Regulatory Solvency Capital Requirement" means the Solvency Capital Requirement (as defined in the Solvency II Directive) or other solvency requirements of the Issuer or the Group, whether on a solo, group or consolidated basis (as applicable) referred to in Solvency II or the Relevant Rules;

"Relevant Regulator" means the Spanish Regulator or, if the Spanish Regulator at any time ceases to be the Group Supervisor, such other regulator as becomes the Group Supervisor for the purpose of Solvency II or such other regulator having primary supervisory authority with respect to prudential matters in relation to the Group according to the Relevant Rules;

"Relevant Rules" means any legislation, rules or regulations (whether having the force of law or otherwise) in the jurisdiction of the Relevant Regulator (including, without limitation, those implementing Solvency II and any relevant prudential rules for insurers applied by the Relevant Regulator and any amendment, supplement or replacement thereof) from time to time relating to the characteristics, features or criteria of own funds or capital resources;

"Relevant Screen Page" means screen page "EURIBOR 01" of the Reuters screen (or any replacement Thomson Reuters page which displays that rate), or the appropriate page of such other information service which publishes that rate from time to time in place of Thomson Reuters, or any successor or replacement page, section, caption, column or other part of a particular information service;

"Scheduled Maturity Date" has the meaning provided in Condition 5(a)(i);

"Solvency II" means the Solvency II Directive and any additional measures adopted to give effect to the Solvency II Directive (for the avoidance of doubt, whether implemented by way of a regulation (including, without limitation, the Level 2 Regulations), a directive or otherwise);

"Solvency II Delegated Regulation" means the Commission Delegated Regulation (EU) No. 2015/35, of 10 October 2014, supplementing Solvency II;

"Solvency II Directive" means Directive 2009/138/EC of the European Parliament and of the Council of the European Union of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II) and which must be transposed by Member States of the EEA pursuant to Article 309 of Directive 2009/138/EC⁴;

"Spanish Central Registry" has the meaning provided in Condition 2;

"Spanish Companies Act" means the Royal Decree Legislative 1/2010, of 2 July, approving the consolidated text of the Spanish Companies Act (*Ley de Sociedades de Capital*);

⁴ The Solvency II Directive has been implemented in Spain by a law (*Ley 20/2015, de 14 de Julio, de ordenación, supervisión y solvencia de entidades aseguradoras y reaseguradoras*) and a Royal Decree (*Real Decreto 1060/2015, de 20 de noviembre, de ordenación, supervisión y solvencia de las entidades aseguradoras y reaseguradoras*).

"**Spanish Regulator**" means the Spanish General Directorate of Insurance and Pensions (*Dirección General de Seguros y Fondos de Pensiones*) or any successor Spanish regulatory authority having prudential supervisory responsibilities with respect to the Issuer and/or the Group;

"**Subsidiary**" means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Issuer;

"**Syndicate**" means the *sindicato* of Holders, as this term is described under the Spanish Companies Act (*Ley de Sociedades de Capital*);

"**TARGET Business Day**" means a day on which the TARGET System is operating;

"**TARGET System**" means the Trans European Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto;

"**Tax Event**" is deemed to have occurred if, as a result of a Tax Law Change the Issuer is no longer entitled to claim a deduction in respect of any payments in respect of the Notes in computing its taxation liabilities or the amount of such deduction is materially reduced, and, in any such case, the Issuer could not avoid the foregoing by taking measures reasonably available to it;

"**Tax Law Change**" means a change in, or amendment to, the laws or regulations of the Kingdom of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, including any treaty to which the Kingdom of Spain is a party, or any change in the application of official or generally published interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions, which change or amendment (x) (subject to (y)) becomes effective on or after the Issue Date, or (y) in the case of a change, if such change is enacted, on or after the Issue Date;

"**Tier 2 Capital**" has the meaning given to it (or to whatever is the relevant terminology employed by the Relevant Rules at the relevant time) for the purposes of the Relevant Rules;

"**Waived Set-Off Rights**" has the meaning provided in Condition 7; and

"**Winding-Up**" means that an order is made, or an effective resolution is passed, for the winding-up or dissolution of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, merger, demerger, consolidation or restructuring, the terms of which reorganisation, merger, demerger, consolidation or restructuring have previously been approved by an Extraordinary Resolution or where the continuing entity (i) assumes or maintains (as the case may be) liability as principal debtor in respect of the Notes and (ii) is given a rating by an internationally recognised rating agency at least equal to the then current rating of the Issuer at the time of such reorganisation, merger, demerger, consolidation or restructuring).

2 Form, denomination, title, status and listing

(a) Form and denomination

The Notes have been issued in uncertificated, dematerialised book-entry form (*anotaciones en cuenta*) in euro in an aggregate nominal amount of €500,000,000 and an individual nominal amount of €100,000 each.

(b) Registration, clearing and settlement

The Notes have been registered with Iberclear as managing entity of the central registry of the Spanish clearance and settlement system (the "**Spanish Central Registry**").

Investors who do not have, directly or indirectly through their custodians, a participating account with Iberclear may hold their investment in the Notes through bridge accounts maintained by each of Euroclear and Clearstream with Iberclear.

The Spanish National Numbering Agency (*Agencia Nacional de Codificación de Valores Mobiliarios*) has assigned the following ISIN to identify the Notes: ES0224244089.

(c) *Title and transfer*

Title to the Notes is evidenced by book entries, and each person shown in the Spanish Central Registry managed by Iberclear and in the registries maintained by the respective participating entities (*entidades participantes*) in Iberclear (the "**Iberclear Members**") as being a holder of the Notes shall be (except as otherwise required by Spanish law) considered the holder of the principal amount of the Notes recorded therein. In these Conditions, the "**Holder**" means the person in whose name such Note is for the time being registered in the Spanish Central Registry managed by Iberclear or, as the case may be, the relevant Iberclear Member accounting book (or, in the case of a joint holding, the first named thereof) and Holder shall be construed accordingly.

One or more certificates (each a "**Certificate**") attesting to the relevant Holder's holding of Notes in the relevant registry will be delivered by the relevant Iberclear Member or by Iberclear (in each case, in accordance with the requirements of Spanish law and the relevant Iberclear Member's or, as the case may be, Iberclear's procedures) to such Holder upon such Holder's request.

The Notes are issued without any restrictions on their transferability. Consequently, the Notes may be transferred and title to the Notes may pass (subject to Spanish law and to compliance with all applicable rules, restrictions and requirements of Iberclear or, as the case may be, the relevant Iberclear Member) upon registration in the relevant registry of each Iberclear Member and/or Iberclear itself, as applicable. Each Holder will be (except as otherwise required by Spanish law) treated as the legitimate owner (*titular legítimo*) of the relevant Notes for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest, or any writing on, or the theft or loss of, the Certificate issued in respect of it), and no person will be liable for so treating the Holder.

(d) *Status and subordination*

The payment obligations of the Issuer under the Notes constitute unsecured and subordinated obligations of the Issuer according to Article 92.2° of the Insolvency Law, and in accordance with Article 92 of the Insolvency Law, but subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise), upon the insolvency of the Issuer rank:

- (i) junior to any non-subordinated obligations of the Issuer (including, without limitation, any policyholders of the Issuer, if any) and any subordinated liabilities (*créditos subordinados*) of the Issuer expressed by law or by their terms, to the extent permitted by Spanish law, to rank senior to the Notes;
- (ii) *pari passu* without preference or priority among themselves and with all other subordinated liabilities (*créditos subordinados*) of the Issuer expressed by law or by their terms, to the extent permitted by Spanish law, to rank *pari passu* with the Notes (the "**Parity Liabilities**"); and
- (iii) senior to the common shares of the Issuer and any other subordinated liabilities (*créditos subordinados*) of the Issuer expressed by law or by their terms, to the extent permitted by Spanish law, to rank junior to the Notes (the "**Junior Liabilities**").

The Issuer has not assumed any negative pledge or equivalent commitment in the context of the issue of the Notes.

Holders of the Notes by subscribing the Notes are accepting to be subordinated to any obligations of the Issuer which by law or by their terms rank senior to the Notes.

(e) *Listing and admission to trading*

The Issuer undertakes to have the Notes admitted to listing and to trading on AIAF, within 30 days after the Issue Date.

3 Interest payments

(a) *Interest Rate*

The Notes bear interest at the applicable Interest Rate from (and including) the Issue Date in accordance with the provisions of this Condition 3.

During the Fixed Rate Interest Period, interest shall, subject to Condition 4, be payable on the Notes annually in arrear on each Interest Payment Date (the first interest Payment Date being 31 March 2018) and shall amount to €4,375 per €100,000 in principal amount of each Note, and thereafter interest shall, subject to Condition 4, be payable on the Notes quarterly in arrear on each Interest Payment Date, in each case as provided in this Condition 3.

Where it is necessary to compute an amount of interest in respect of any Note during the Fixed Rate Interest Period for a period which is less than a complete year, the relevant day-count fraction shall be determined on the basis of the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the actual number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last).

Interest shall accrue on the Notes in respect of all Interest Periods (and any other period in respect of which interest may fall to be calculated) commencing on or after the First Reset Date on the basis of a day-count fraction equal to the actual number of days elapsed in the relevant period divided by 360.

(b) *Interest Accrual*

The Notes will cease to bear interest from (and including) their date of redemption unless payment of all amounts due in respect of such Note (if any) is not properly and duly made, in which event interest shall continue to accrue on the Notes, both before and after judgment, and shall, subject to Condition 4, be payable, as provided in these Conditions up to (but excluding) the date of actual payment of all amounts due. Interest in respect of any Note shall be calculated per Note and shall be equal to the product of the principal amount of each Note, the relevant Interest Rate and the day-count fraction as described in Condition 3(a) for the relevant Interest Period, rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

(c) *Fixed Interest Rate*

For the Fixed Rate Interest Period, the Notes bear interest at the rate of 4.375 per cent. per annum (the "**Fixed Interest Rate**").

(d) *Floating Interest Rate*

From (and including) the First Reset Date, the Notes will bear interest at a floating rate of interest (each a "**Floating Interest Rate**"). The Floating Interest Rate in respect of each Interest Period commencing on or after the First Reset Date will be determined by the Agent Bank on the basis of the following provisions:

- (i) On each Interest Determination Date, the Agent Bank will obtain the Euribor. The Floating Interest Rate for the relevant Interest Period shall be such Euribor plus the Margin.
- (ii) If such Euribor does not so appear, or if the Relevant Screen Page is unavailable, the Agent Bank will, on such date, request the principal eurozone office of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks in the eurozone inter bank market for three-month deposits in euro at or around 11 a.m. (Central European time) on the Interest Determination Date in question. If at least two of the Reference Banks provide the Agent Bank with such offered quotations, the Floating Interest Rate for the relevant Interest Period shall be the rate determined by the Agent Bank to be the arithmetic mean (rounded if necessary to the nearest one hundred thousandth of a percentage point (0.00005 per cent. being rounded upwards)) of such offered quotations plus the Margin.

(iii) If on any Interest Determination Date to which the provisions of paragraph (ii) above apply, one only or none of the Reference Banks provides the Agent Bank with such a quotation, the Floating Interest Rate for the relevant Interest Period shall be the rate which the Agent Bank determines to be the aggregate of the Margin and the arithmetic mean (rounded, if necessary, to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) of the euro lending rates which leading banks in the eurozone selected by the Agent Bank are quoting, on the relevant Interest Determination Date, to leading banks in the eurozone for a period of three months, provided that if the applicable Floating Interest Rate cannot be determined in accordance with the foregoing provisions of this paragraph, the relevant Floating Interest Rate shall be determined by the Agent Bank as at the last preceding Interest Determination Date (or, in the case of the first Interest Determination Date by reference to the last offered rate which appeared on the Relevant Screen Page described in Condition 3(d)(i) above on or prior to the Interest Determination Date plus the Margin).

(e) *Determination of Floating Interest Rate and Calculation of Floating Interest Amounts*

The Agent Bank will, as soon as practicable after 11 a.m. (Central European time) on the Interest Determination Date, determine the Floating Interest Rate in respect of the relevant Interest Period and calculate the amount of interest which is payable in respect of each Note on the Interest Payment Date for that Interest Period (the "**Floating Interest Amounts**"). The determination of the applicable Floating Interest Rate and the amount of interest which is payable in respect of each Note by the Agent Bank shall (in the absence of manifest error) be final and binding upon all parties.

(f) *Publication of Floating Interest Rate and Floating Interest Amounts*

The Agent Bank shall give notice to the Issuer, which will, in turn, give notice to the Holders in accordance with Condition 10, of the Floating Interest Rate determined in accordance with this Condition 3 in respect of each relevant Interest Period, the Floating Interest Amount per €100,000 in principal amount of each Note and the relevant date scheduled for payment, in each case as soon as practicable after its determination but in any event not later than the Business Day thereafter.

The Floating Interest Amount and the date scheduled for payment so notified may subsequently be amended without notice in the event of any extension or shortening of the relevant period in accordance with these Conditions.

(g) *Agent Bank and Reference Banks*

With effect from the First Reset Date the Issuer will maintain an Agent Bank and the number of Reference Banks provided herein where the Floating Interest Rate is to be calculated by reference to them.

The Agent Bank and the Reference Banks must each be major investment, merchant or commercial banks or financial institutions in the eurozone. The Issuer may replace the Agent Bank or any Reference Bank with another major investment, merchant or commercial bank or financial institution in the eurozone. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or fails duly to determine the Floating Interest Rate in respect of any Interest Period as provided in Condition 3(d) or calculate the Floating Interest Amount, the Issuer shall forthwith appoint another leading investment, merchant or commercial bank or financial institution in the eurozone to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

Notice of any change in the Agent Bank will be promptly given by the Issuer to the Holders in accordance with Condition 10.

Banco Bilbao Vizcaya Argentaria, S.A. will act as the Agent Bank of the issue in accordance with the terms of the Agency Agreement. No liability shall attach to the Agent Bank in connection with the exercise or non-exercise by it of any of its powers, duties and discretions

except on the terms set out in the Agency Agreement entered into between the Issuer and the Agent Bank.

The Agent Bank will act solely as agent of the Issuer and does not assume any obligation or relationship of agency or trust for or with any Holder.

The Agent Bank does not assume any fiduciary duties or other obligations to Holders and, in particular, is not obliged to make determinations which protect their interests.

The Agent Bank may rely on any information that is reasonably believed by it to be genuine and to have been originated by the proper parties. The Agent Bank shall not be liable to any person (including Holders) for the consequences of any errors or omissions in any determination made by the Agent Bank in relation to the Notes or interests in the Notes, in the absence of fraud or wilful default. Without prejudice to the generality of the foregoing, the Agent Bank shall not be liable to any person (including Holders) for the consequences of any such errors or omissions arising as a result of (i) any information provided to the Agent Bank that is subsequently proved to have been incorrect or incomplete or (ii) any relevant information not being provided to the Agent Bank on a timely basis.

(h) Determinations of Agent Bank Binding

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 3 by the Agent Bank, shall (in the absence of manifest error) be binding on the Issuer and all Holders.

(i) Payments

Payments of interest on the Notes will be made by the Issuer through the Agent Bank, as applicable, by transfer to the registered account of the relevant Holder maintained by or on behalf of it with a bank that processes payments in a city in which banks have access to the TARGET System, details of which appear in the records of Iberclear or, as the case may be, the relevant Iberclear Member at close of business on the day immediately preceding the Interest Payment Date. Holders must rely on the procedures of Iberclear or, as the case may be, the relevant Iberclear Member to receive payments of interest under the Notes.

Neither the Issuer nor the Agent Bank will have responsibility or liability for the records relating to payments made in respect of the Notes.

If any Interest Payment Date falling on or prior to the First Reset Date would fall on a date which is not a TARGET Business Day, the payment will be postponed to the next TARGET Business Day and Holders will not be entitled to any interest or other payment for any such delay. In accordance with the definition of Interest Payment Date set out in Condition 1, each Interest Payment Date falling after the First Reset Date will fall on a TARGET Business Day.

Payments will be subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws or regulations to which the Issuer or its agents (including the Agent Bank) agree to be subject and neither the Issuer nor the Agent Bank will be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements (in accordance with Condition 9). No commissions or expenses shall be charged by the Issuer or the Agent Bank to the Holders in respect of such payments.

(j) Compulsory interest payment

On each Compulsory Interest Payment Date that is not a Mandatory Interest Deferral Date, the Issuer shall make payment of interest on the Notes corresponding to the relevant Interest Period and, if applicable, of the existing Arrears of Interest; and the Issuer shall not be entitled to defer payment of the accrued but unpaid interest up to that Interest Payment Date pursuant to Condition 4(a).

(k) No participation in profits

The Notes will confer no right to participating in the profits of the Issuer.

4 *Deferral of Interest*

(a) *Optional Deferral of Interest*

In respect of any Interest Payment Date that is neither a Compulsory Interest Payment Date nor a Mandatory Interest Deferral Date, by notice to the Holders in accordance with Condition 10 given not less than 10 days prior to the relevant Interest Payment Date, the Issuer may at its discretion defer payment of the accrued but unpaid interest up to that Interest Payment Date (in whole or in part), and in such circumstances the relevant interest payment (or part thereof) shall not fall due on such Interest Payment Date and the Issuer shall have no obligation to make such payment on that date.

(b) *Mandatory Deferral of Interest*

Any payment of interest otherwise due on the Notes on an Interest Payment Date (including, without limitation, on a Compulsory Interest Payment Date) will be mandatorily deferred if such Interest Payment Date is a Mandatory Interest Deferral Date (including when notice for payment of interest has been given). The Issuer shall notify the Holders in accordance with Condition 10 no later than 10 days prior to an Interest Payment Date (or as soon as reasonably practicable if a Regulatory Deficiency Interest Deferral Event occurs less than 10 days prior to an Interest Payment Date) if a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or if a Regulatory Deficiency Interest Deferral Event would occur on the relevant Interest Payment Date if payment of interest were made (provided that, for the avoidance of doubt, (i) no such notice will be required if the relevant Interest Payment Date would not be a Mandatory Interest Deferral Date as a result of compliance with the proviso to the definition of "Mandatory Interest Deferral Date" and (ii) any delay in giving such notice shall not result in such interest becoming due and payable on the relevant Mandatory Interest Deferral Date).

A certificate signed by two Authorised Signatories and delivered to the Commissioner (copies thereof will be available at the Commissioner's specified office during its normal business hours) confirming that a Regulatory Deficiency Interest Deferral Event has occurred and is continuing, or would occur if payment of interest on the Notes were made shall be treated and accepted by the Commissioner, the Holders and all other interested parties as correct and sufficient evidence thereof.

(c) *No default*

Notwithstanding any other provision in these Conditions, the deferral of any payment of interest in accordance with this Condition 4 will not constitute a default by the Issuer or any breach of its obligations under the Notes or for any other purpose and will not give Holders any right to accelerate repayment of the Notes or take any other action under the Notes.

(d) *Arrears of Interest*

Any interest in respect of the Notes not paid on an Interest Payment Date as a result of (i) any optional deferral of such payment of interest pursuant to Condition 4(a) or (ii) the obligation on the Issuer to defer such payment of interest pursuant to Condition 4(b), together with any other interest in respect of the Notes not paid on an earlier Interest Payment Date shall, so long as the same remains unpaid, constitute "**Arrears of Interest**". Arrears of Interest shall not themselves bear interest.

Any Arrears of Interest may be paid (in whole or in part) at any time at the election of the Issuer (provided that at such time a Regulatory Deficiency Interest Deferral Event is not subsisting and would not occur if payment of such Arrears of Interest were made) upon the expiry of not less than 14 days' notice to such effect given by the Issuer to the Holders in accordance with Condition 10, and in any event all Arrears of Interest will become due and payable in full (subject in the case of (i) and (iii) to any Regulatory Conditions) upon the earliest of the following dates:

- (i) the next Interest Payment Date which is not a Mandatory Interest Deferral Date and on which the then scheduled payment of interest (or any part thereof) on the Notes in respect of the corresponding Interest Period is made or is required to be made pursuant

to these Conditions (and, for the avoidance of doubt, other than a voluntary payment of Arrears of Interest); or

- (ii) the date on which an order is made or a resolution is passed for the Winding-Up of the Issuer; or
- (iii) the date of any redemption or purchase of Notes by or on behalf of the Issuer or any of its Subsidiaries (subject to the deferral of such redemption pursuant to Condition 5(a)).

The Issuer shall as soon as reasonably practicable notify the Holders in accordance with Condition 10 of any payment of Arrears of Interest made in accordance with (i) or (iii) above.

5 **Redemption, Substitution, Variation and Purchase**

(a) *Redemption*

- (i) Subject to Condition 5(a)(ii) and compliance by the Issuer with applicable Relevant Rules, including any Regulatory Conditions, and provided that such redemption is permitted under applicable Relevant Rules (on the basis that the Notes are intended to qualify as Tier 2 Capital under Solvency II and the Relevant Rules), unless previously redeemed or purchased and cancelled or (pursuant to Condition 5(g)) substituted, the Notes will be redeemed at their principal amount, together with Arrears of Interest (if any) and any other accrued and unpaid interest, on the Interest Payment Date falling in March 2047 (the "**Scheduled Maturity Date**"). Should the above redemption requirements not be met, redemption may be delayed beyond the Scheduled Maturity Date for an indefinite period of time, until the occurrence of any of the events described in Condition 5(a)(iv)(x) to (z). The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition 5.
- (ii) No Notes shall be redeemed on the Scheduled Maturity Date pursuant to Condition 5(a)(i) or prior thereto pursuant to Condition 5(c), (d), (e) or (f) if a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if redemption were made on the otherwise applicable Redemption Date (including when notice for repayment or redemption of the Notes has been given), provided that there shall not be such a deferral if:
 - (X) in the case of a Regulatory Deficiency Redemption Deferral Event caused otherwise than by an Insolvent Insurer Winding-up having occurred and being continuing, cumulatively, (a) the Relevant Regulator has exceptionally waived such deferral of redemption of the Notes (if and to the extent that the Relevant Regulator can give such a waiver in accordance with the Relevant Rules), (b) the Notes are exchanged for, or converted into, another basic own-fund item of at least the same quality upon or prior to redemption and (c) the Regulatory Minimum Capital Requirement is complied with immediately after the relevant Redemption Date; or
 - (Y) in the case of a Regulatory Deficiency Redemption Deferral Event caused by an Insolvent Insurer Winding-up having occurred and being continuing, the Relevant Regulator has waived such deferral of redemption of the Notes (if and to the extent that the Relevant Regulator can give such a waiver in accordance with the Relevant Rules).
- (iii) If the Notes are not to be redeemed on the Scheduled Maturity Date pursuant to Condition 5(a)(i) or on any scheduled Redemption Date pursuant to Condition 5(c), (d), (e) or (f) as a result of circumstances where:
 - (x) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if the Notes were redeemed on such date; or
 - (y) the Relevant Regulator does not consent to the redemption (to the extent that consent is then required by the Relevant Regulator or the Relevant Rules) or the Relevant Regulator objects to the redemption (to the extent

that non-objection is then required under the Relevant Rules) or such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date,

the Issuer shall notify the Holders in accordance with Condition 10 no later than 10 days prior to the otherwise applicable Redemption Date (or as soon as reasonably practicable if the relevant circumstance requiring redemption to be deferred arises, or is determined, less than 10 days prior to the relevant Redemption Date).

- (iv) If redemption of the Notes under Condition 5(a)(i), (c), (d), (e) or (f) does not occur on the otherwise applicable Redemption Date as a result of Condition 5(a)(ii) above or the Relevant Regulator does not consent to the redemption (to the extent that consent is then required by the Relevant Regulator or the Relevant Rules) or the Relevant Regulator objects to the redemption (to the extent that non-objection is then required under the Relevant Rules) or such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date, subject (in the case of (x) and (y) below only) to any Regulatory Conditions, such Notes shall be redeemed at their principal amount together with Arrears of Interest, if any, and any other accrued and unpaid interest thereon to (but excluding) the date of redemption, upon the earliest of:
 - (x) in the case of a failure to redeem due to the operation of Condition 5(a)(ii) only, the date falling 10 Business Days after the date the Regulatory Deficiency Redemption Deferral Event has ceased (unless, on such tenth Business Day, a further Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or redemption of the Notes on such date would result in a further Regulatory Deficiency Redemption Deferral Event occurring, in which case the provisions of Condition 5(a)(ii), Condition 5(a)(iii) and this Condition 5(a)(iv) shall apply *mutatis mutandis* to determine the applicable due date for redemption); or
 - (y) the date falling 10 Business Days after the Relevant Regulator has agreed to the repayment or redemption of the Notes; or
 - (z) the date on which a Winding-Up of the Issuer occurs.
- (v) A certificate signed by two Authorised Signatories and delivered to the Commissioner (copies thereof will be available at the Commissioner's specified office during its normal business hours) confirming (a) that a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing, or would occur if redemption of the Notes were to be made or (b) that the circumstances described in Condition 5(a)(iii)(y) apply, shall be treated and accepted by the Commissioner, the Holders and all other interested parties as correct and sufficient evidence thereof.
- (vi) Notwithstanding any other provision in these Conditions, the deferral of redemption of the Notes in accordance with this Condition 5(a) will not constitute a default by the Issuer or any breach of its obligations under the Notes or for any other purpose and will not give Holders any right to accelerate repayment of the Notes or take any other action under the Notes.
- (vii) In circumstances where redemption of the Notes has been deferred, the Issuer will notify the Holders in accordance with Condition 10 as soon as reasonably practicable after it has determined the relevant deferred date for redemption, and (if applicable) of any subsequent redemption deferrals and corresponding deferred dates for redemption.

(b) *Conditions to Redemption, Substitution, Variation and Purchase*

Any redemption or purchase of the Notes or substitution or variation of the terms of the Notes is subject to:

- (i) the Issuer having complied with all applicable Regulatory Conditions relating to such action or event and otherwise being in compliance with the Relevant Rules applicable to it in relation to such action or event at the relevant time; and
- (ii) in the case of any redemption or purchase prior to the fifth anniversary of the Issue Date, to such redemption or purchase being funded (to the extent then required by the Relevant Regulator or the Relevant Rules) out of the proceeds of a new issuance of own-funds capital of at least the same quality as the Notes and being otherwise permitted under the Relevant Rules.

Notwithstanding the above conditions, if, at the time of any redemption, substitution, variation or purchase of the Notes, the prevailing Relevant Rules permit the repayment, substitution, variation or purchase of basic own-fund items only after compliance with one or more alternative or additional pre-conditions to those set out above in this Condition 5(b), the Issuer shall comply with such other and/or, as appropriate, additional pre-condition(s).

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 5 (other than redemption pursuant to Condition 5(c)), the Issuer shall deliver to the Commissioner a certificate signed by two Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem, substitute or, as appropriate, vary is satisfied and, in the case of a substitution or variation, that the terms of the relevant Qualifying Tier 2 Securities or (in the case of a Ratings Methodology Event) Rating Agency Compliant Securities comply with the definition thereof in Condition 1 (copies thereof will be available at the Commissioner's specified office during its normal business hours) and the Commissioner and the Holders shall accept such certificate without any further inquiry as sufficient evidence of the satisfaction of the relevant conditions precedent and it shall be conclusive and binding on the Commissioner and the Holders.

If the Issuer gives notice of redemption of the Notes, it will carry out any actions necessary to procure that the relevant payments are made to the Holders through Iberclear and the Iberclear Members on the relevant Redemption Date in accordance with the provisions contained in Condition 3(i) (as if references to interest payments contained therein were made to the payment of the relevant amounts payable on redemption).

(c) *Issuer's Call Option*

Subject to Conditions 5(a)(ii) and 5(b), the Issuer may, by giving not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 10 (which notice shall be irrevocable and shall specify the date for redemption), elect to redeem all, but not some only, of the Notes on the First Reset Date or any Interest Payment Date thereafter at their principal amount, together with Arrears of Interest, if any, and any other unpaid interest accrued to (but excluding) the date fixed for redemption. Upon the expiry of such notice but subject to Conditions 5(a) and 5(b), the Issuer shall redeem the Notes.

(d) *Redemption Due to Tax Event*

If, prior to the giving of the notice referred to below in this Condition 5(d), a Tax Event has occurred and is continuing, then the Issuer may, subject to Conditions 5(a)(ii) and 5(b) and having given not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 10 (which notice shall be irrevocable and shall specify the date for redemption), elect to redeem in accordance with these Conditions at any time (whether before or following the First Reset Date) all, but not some only, of the Notes at their principal amount, together with Arrears of Interest, if any, and any other unpaid interest accrued to (but excluding) the date fixed for redemption. Upon the expiry of such notice but subject to Conditions 5(a) and 5(b), the Issuer shall redeem the Notes.

(e) *Redemption Due to Capital Disqualification Event*

If, prior to the giving of the notice referred to below in this Condition 5(e), a Capital Disqualification Event has occurred and is continuing, then the Issuer may, subject to Conditions 5(a)(ii) and 5(b) and having given not less than 30 nor more than 60 days' notice to

the Holders in accordance with Condition 10 (which notice shall be irrevocable and shall specify the date for redemption), elect to redeem in accordance with these Conditions at any time (whether before or following the First Reset Date) all, but not some only, of the Notes at their principal amount, together with Arrears of Interest, if any, and any other unpaid interest accrued to (but excluding) the date fixed for redemption. Upon the expiry of such notice but subject to Conditions 5(a) and 5(b), the Issuer shall redeem the Notes.

(f) *Redemption Due to Ratings Methodology Event*

If, prior to the giving of the notice referred to below in this Condition 5(f), a Ratings Methodology Event has occurred and is continuing, then the Issuer may, subject to Conditions 5(a)(ii) and 5(b) and having given not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 10 (which notice shall be irrevocable and shall specify the date for redemption), elect to redeem in accordance with these Conditions at any time (whether before or following the First Reset Date) all, but not some only, of the Notes at their principal amount, together with Arrears of Interest, if any, and any other unpaid interest accrued to (but excluding) the date fixed for redemption. Upon the expiry of such notice but subject to Conditions 5(a) and 5(b), the Issuer shall redeem the Notes.

(g) *Substitution or Variation*

If a Tax Event, a Capital Disqualification Event or a Ratings Methodology Event has occurred and is continuing, then the Issuer may, subject to Condition 5(b) and having given not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 10 (which notice shall be irrevocable and shall specify the date for substitution or, as the case may be, variation of the Notes) but without any requirement for the consent or approval of the Holders, at any time (whether before or following the First Reset Date) either substitute all (but not some only) of the Notes for, or vary the terms of all (but not some only) the Notes so that they remain or, as appropriate, become, Qualifying Tier 2 Securities (in the case of a Tax Event or a Capital Disqualification Event) or Rating Agency Compliant Securities (in the case of a Ratings Methodology Event).

Any such notice shall specify the relevant details of the manner in which such substitution or variation shall take effect and where the Holders can inspect or obtain copies of the new terms and conditions of the Notes. Such substitution or variation will be effected without any cost or charge to the Holders.

Such substitution or variation shall be conditional upon the delivery to the Commissioner of the certificates referred to in Condition 5(b) above and in the definition of Qualifying Tier 2 Securities and/or Rating Agency Compliant Securities, as applicable.

Upon the expiry of such notice, the Issuer shall either vary the terms of or substitute the Notes in accordance with this Condition 5(g), as the case may be. The Commissioner shall use its reasonable endeavours to assist the Issuer in the substitution of the Notes for, or the variation of the terms of the Notes so that they remain, or as appropriate, become, Qualifying Tier 2 Securities or Rating Agency Compliant Securities (as applicable). Upon any such substitution of the Notes for Qualifying Tier 2 Securities or Rating Agency Compliant Securities (as applicable) the original Notes will be redeemed by the Issuer.

Holders shall, by virtue of purchasing and/or holding Notes, be deemed to have accepted the substitution or variation of the terms of the Notes in the terms foreseen in this Condition and to have granted to the Commissioner full power and authority to take any action and/or to execute and deliver any document or notices in the name and/or on behalf of the Holders which is necessary or convenient to complete the substitution or variation of the terms of the Notes according to this Condition.

In connection with any substitution or variation in accordance with this Condition 5(g), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading (including those of the relevant supervisor and of the relevant clearing system).

(h) *Purchases*

The Issuer may, subject to Condition 5(b), at any time purchase (or otherwise acquire), or procure others to purchase (or otherwise acquire) beneficially for its account, Notes in any manner and at any price. The Notes so purchased (or acquired), while held by or on behalf of the Issuer, shall not entitle the Holder to vote at any meetings of the Holders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Holders.

(i) *Cancellation*

All Notes redeemed or substituted (and, subsequently, redeemed) by the Issuer pursuant to this Condition 5 will forthwith be deemed cancelled. All Notes purchased by or on behalf of the Issuer may, subject to any Regulatory Conditions, be held, resold or, at the option of the Issuer, redeemed and accordingly deemed cancelled. The obligations of the Issuer in respect of any Notes redeemed and deemed cancelled shall be discharged.

6 *Events of Default*

There will be no events of default in respect of the Notes.

However, in the event of a Winding-Up of the Issuer the Notes shall, when permitted by applicable Spanish law, become immediately due and payable at their Liquidation Amount, without presentment, demand, protest or other notice of any kind, all of which the Issuer expressly waives.

7 *Waiver of set-off*

No Holder may at any time exercise or claim any Waived Set-Off Rights against any right, claim or liability that the Issuer has or may have acquired against such Holder, directly or indirectly, howsoever arising (and, for the avoidance of doubt, including all such rights, claims and liabilities arising under or in relation to any and all agreements or other instruments of any sort, whether or not relating to such Note) and each Holder shall be deemed to have waived all Waived Set-Off Rights to the fullest extent permitted by applicable law in relation to all such actual and potential rights, claims and liabilities. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Issuer in respect of, or arising under, or in connection with, the Notes is discharged by set-off, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer.

For the avoidance of doubt, nothing in this Condition is intended to provide, or shall be construed as acknowledging, any right of deduction, set-off, netting, compensation, retention or counterclaim or that any such right is, or would be, available to any Holder of any Note but for this Condition.

"**Waived Set-Off Rights**" means any and all rights or claims of any Holder for deduction, set-off, netting, compensation, retention or counterclaim arising directly or indirectly under, or in connection with, any Note.

8 **Constitution of the Syndicate and Exercise of Rights by Holders of Notes**

(a) *Regulations, Commissioner and Syndicate*

Holders shall meet in accordance with certain regulations governing the Syndicate (the "**Regulations**"). The Regulations contain the rules governing the Syndicate and the rules governing its relationship with the Issuer. A set of Regulations is included in Condition 14.

The Issuer has appointed Bondholders, S.L. as Commissioner for the Syndicate.

By acquiring a Note, the Holder will automatically become a member of the Syndicate. The Commissioner is the chairperson and the legal representative of the Syndicate. No person shall be entitled to acquire any Note without becoming a member of the Syndicate. The provisions for meetings of the Syndicate are contained in the Regulations. The object and purpose of the Syndicate is to regulate the relationship between such Holders. The domicile of the Syndicate is Majadahonda (Madrid), at Carretera de Pozuelo, 52.

The Issuer may, with the consent of the Commissioner, but without the consent of the Holders amend these Conditions to (i) correct any manifest error, (ii) or to make any amendment of a formal, minor or technical nature or to comply with mandatory provisions of law, or (iii) make any amendment that is not prejudicial to the interests of the Holders. In addition, the Issuer and the Holders, the latter with the sanction of a resolution of the Syndicate of Holders as set out in Condition 8(c)(i) below, may agree any modification, whether material or not, to these Conditions and any waiver of any breach or proposed breach of these Conditions.

(b) *No voting rights at shareholder meetings*

The Holders will have no voting rights at any extraordinary or ordinary meetings of shareholders of the Issuer.

(c) *Voting rights etc*

- (i) Except as provided in Conditions 5(g) and under (i), (ii) and (iii) in the last paragraph of Condition 8(a) above, any amendment to these Conditions shall be approved by the Holders by means of a resolution adopted in accordance with the procedures, quorum requirements and majorities established in the Regulations (an "**Extraordinary Resolution**").
- (ii) The Issuer may without the consent or sanction of the Holders take any action required to issue additional securities or instruments ranking senior, *pari passu* or junior to the Notes.
- (iii) Any modification, waiver or authorisation in accordance with this Condition 8 shall be binding on the Holders and shall be notified in accordance with Condition 10.
- (iv) The Notes do not grant their Holders pre-emption rights in respect of any possible future issues of Notes or any other securities issued by the Issuer or any Subsidiary.
- (v) No vote in respect of the Notes will be required for the Issuer to purchase or redeem and cancel the Notes.
- (vi) The agreement or approval of the Holders shall not be required in the case of any variation of these Conditions required to be made in the circumstances described in Condition 5(g) in connection with the variation of the terms of the Notes so that they become, alternative Qualifying Tier 2 Securities or Rating Agency Compliant Securities, as applicable.
- (vii) Notwithstanding that the Notes confer an entitlement to vote under any of the circumstances described above, neither the Issuer nor any Subsidiary, to the extent that it is a holder of Notes of the Issuer, shall be so entitled to vote.

9 Taxation

All payments made by or on behalf of the Issuer in respect of the Notes will be made subject to and after deduction or withholding required to be made by law for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision or any authority thereof or therein having power to tax. The Issuer will not be required to pay any additional or further amounts in respect of such deduction or withholding.

In accordance with the above, if an amount in respect of FATCA were to be deducted or withheld from interest, principal or other payments on or with respect to the Notes, the Issuer would have no obligation to pay additional amounts or otherwise indemnify a holder for any such withholding or deduction by the Issuer or any other party as a result of the deduction or withholding of such amount.

See "Taxation" for a fuller description of certain tax considerations relating to the Notes.

10 Notices

(a) *Notices to Holders*

So long as the Notes are admitted to listing on AIAF, notices to the Holders will be published in the official bulletin of AIAF (*Boletín de Cotización de AIAF*). The Issuer will also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange or other relevant authority on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication thereof. In addition, so long as the Notes are represented by book-entries in Iberclear, all notices to Holders shall be made through Iberclear for onward transmission to their respective accountholders.

In any event, the Issuer will comply with its obligation as a Spanish listed company to make public any price sensitive information as relevant event announcements (hechos relevantes) filed with the CNMV in accordance with applicable laws and regulations.

(b) *Notice of a General Meeting of the Syndicate of Holders*

Notice of a general meeting of the Syndicate of Holders must be given in accordance with the Regulations. A set of Regulations is included in Condition 14.

(c) *Notice to the Commissioner*

Copies of any notices given to Holders shall also be sent to the Commissioner of the Syndicate of Holders.

(d) *Certificates to be available to Holders*

Copies of any certificate delivered to the Commissioner pursuant to and in accordance with these Conditions will be made available to Holders at the Commissioner's specified office during its normal business hours.

(e) *Notices to the Agent Bank*

Copies of any notices given to Holders in accordance with Conditions 4 and 5 shall be sent simultaneously to the Agent Bank.

11 Prescription

To the extent that the Spanish Civil Code (*Código Civil*) applies to the Notes, claims relating to the Notes, both in the case of principal and interest, will become void unless such claims are duly made within 5 years from the relevant payment date, as established by Articles 1,964 and 1,966, respectively, of the Spanish Civil Code.

12 Further Issues

The Issuer may from time to time, without the consent of the Holders, create and issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) and also the same Syndicate and Commissioner and so that such further issue shall be consolidated and form a single series with the Notes.

13 Governing Law and Jurisdiction

The Notes and any non-contractual obligations arising out of or in connection with the Notes shall be governed by, and construed in accordance with, Spanish law.

The Spanish courts of the city of Madrid, are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes) and accordingly any suit, action or proceedings arising out of or in connection with the Notes (together referred to as "**Proceedings**") may be brought in such courts. The Issuer irrevocably waives any objection which it may have now

or hereinafter to the laying of the venue of any Proceedings in the courts of the Spanish Courts of the city of Madrid.

14 Regulations of the Syndicate of Holders

The following are the Regulations of the Syndicate of Holders. The Spanish version of the Regulations of the Syndicate of Holders is the legally binding version. The English translation provided below of the Spanish text given for information purposes only.

REGLAMENTO

TÍTULO I

CONSTITUCIÓN, OBJETO, DOMICILIO Y DURACIÓN DEL SINDICATO

Artículo 1.- Con sujeción a lo dispuesto en el Capítulo IV del Título XI de la Ley de Sociedades de Capital se constituye, entre todos los tenedores de las obligaciones emitidas por MAPFRE, S.A. (la "**Sociedad**") en la emisión denominada "MAPFRE EUR 30NC10 Fixed-to-Floating Rate Subordinated Notes" (las "**Obligaciones**"), un Sindicato de Obligacionistas, que se regirá por este Reglamento, la Ley de Sociedades de Capital y demás disposiciones que le sean aplicables.

Artículo 2.- El Sindicato tiene por objeto la defensa de los derechos e intereses de los obligacionistas.

Artículo 3.- El Sindicato subsistirá mientras no hayan sido amortizadas y debidamente reembolsadas todas las obligaciones de la emisión que ha dado lugar a su constitución.

Artículo 4.- El domicilio del Sindicato queda establecido en Majadahonda (Madrid), Carretera de Pozuelo, 52.

TÍTULO II

GOBIERNO Y ADMINISTRACION

Capítulo 1º Asamblea General

Artículo 5.- Es el órgano de expresión de la voluntad del Sindicato. Los acuerdos que adopte con arreglo a este Reglamento obligan a todos los tenedores de las obligaciones, incluso los ausentes o disidentes.

Artículo 6.- Las reuniones podrán ser convocadas por el Consejo de Administración de la Sociedad o por el Comisario. Este debe convocarlas también cuando lo solicite un número de tenedores de obligaciones que represente, al menos, la vigésima parte de las obligaciones emitidas y no amortizadas.

REGULATIONS

TITLE I

FORMATION, PURPOSE, REGISTERED OFFICE AND DURATION OF THE SYNDICATE

Article 1.- Subject to the provisions of Chapter IV of Title XI of the Capital Companies Act, a Syndicate of Noteholders is formed of all holders of notes issued by MAPFRE, S.A. (the "**Company**") in the issue denominated "MAPFRE EUR 30NC10 Fixed-to-Floating Rate Subordinated Notes" (the "**Notes**"), to be governed by this Regulation, by the Capital Companies Act and other applicable provisions.

Article 2.- The purpose of the Syndicate is to defend the rights and interests of the Noteholders.

Article 3.- The Syndicate will remain in existence until all of the notes in the issue that gave rise to its formation have been redeemed and duly repaid.

Article 4.- The registered office of the Syndicate is established in Majadahonda (Madrid), Carretera de Pozuelo, 52.

TITLE II

GOVERNANCE AND ADMINISTRATION

Chapter 1 General Assembly

Article 5.- This is the body for expressing the will of the Syndicate. The resolutions adopted in accordance with this Regulation will bind all Noteholders, including those not attending or dissenting thereat.

Article 6.- Meetings may be called by the Board of Directors of the Company or by the Commissioner. The latter must call them when so requested by a number of Noteholders that represents at least one-twentieth of the issued but not redeemed notes.

Artículo 7.- La convocatoria de la Asamblea General se hará mediante anuncio publicado (i) como hecho relevante en la página web de la Comisión Nacional del Mercado de Valores; y (ii) en la página web corporativa de la Sociedad.

Artículo 8.- Tendrán derecho de asistencia los tenedores de una o más obligaciones, que con cinco días de antelación por lo menos a aquel en que haya de celebrarse la reunión tengan inscritas sus obligaciones en el registro de anotaciones en cuenta. Los consejeros de la Sociedad tendrán derecho a asistir a la Asamblea General, aunque no hubieren sido convocados.

Artículo 9.- Todo obligacionista que tenga derecho de asistencia a la Asamblea podrá hacerse representar en la misma por cualquier medio permitido por la Ley de Sociedades de Capital. La representación deberá conferirse por escrito y con carácter especial para cada Asamblea.

Artículo 10.- Los acuerdos se adoptarán por mayoría absoluta de votos emitidos. Por excepción, las modificaciones del plazo o de las condiciones del reembolso del valor nominal, de la conversión o del canje requerirán el voto favorable de las dos terceras partes de las obligaciones en circulación.

Cada obligación conferirá al obligacionista un derecho de voto proporcional al valor nominal no amortizado de las obligaciones de las que sea titular.

En cada convocatoria podrán habilitarse medios de comunicación a distancia y/o telemáticos a través de los cuales, los obligacionistas podrán emitir su voto. Tales medios garantizarán suficientemente la identificación del obligacionista y, en su caso, su debida representación. En caso de que tales medios se pongan a disposición de los obligacionistas, la convocatoria de la Asamblea deberá contener las instrucciones precisas para el ejercicio del derecho de voto o, alternativamente, designar una página web y/o dirección de correo electrónico en la que dichas instrucciones y los formularios u otros medios necesarios para la formulación del voto puedan obtenerse.

No obstante lo dispuesto en el presente artículo, la Asamblea se entenderá convocada y quedará válidamente constituida para tratar de cualquier asunto, siempre que estén presentes todas las obligaciones en circulación y los asistentes acepten por unanimidad su celebración.

Article 7.- The General Assembly will be convened through an announcement that will be published (i) as a regulatory announcement (*hecho relevante*) in the website of the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*); and (ii) in the website of the Company.

Article 8.- Holders of one or more notes who, at least five days before the scheduled meeting date, are on record in the book-entry system as owners of the notes will have the right to attend. The directors of the Company will have the right to attend the General Assembly, even if they are not summoned.

Article 9.- All noteholders with a right to attend the General Meeting shall be entitled to delegate their representation in any manner permitted by the Spanish Companies Law. Proxy appointments must be set out in writing specifically for each Assembly.

Article 10.- Resolutions shall be adopted by absolute majority of the votes casted. By way of exception, amendments to term of the notes or conditions for the redemption of the nominal value of the notes, for the conversion of the notes or its exchange will require the vote of two thirds of outstanding notes.

Each note shall confer the noteholder with a voting right proportionate to the outstanding nominal value of the notes owned by such noteholder.

In each call remote communication and/or telematics media may be enabled through which the bondholders can cast their vote. Such means shall sufficiently guarantee the identification of the bondholder and, where appropriate, its duly representation. In the event that such means are made available to the bondholders, the notice of the General Meeting shall contain the precise instructions for the exercise of voting rights or, alternatively, designate a web page and/or e-mail address in which such instructions and the forms or other means necessary for the formulation of the vote can be obtained.

Notwithstanding the provisions of this Article, the Assembly will be considered validly called and quorate to transact on any matter if all of the notes in circulation are present and those in attendance unanimously agree to hold the Assembly.

Artículo 12.- La Asamblea General será presidida por el Comisario, o en su defecto el obligacionista que la Asamblea designe y, en último término por el obligacionista asistente a la reunión con mayor número de obligaciones, quien dirigirá los debates, dará por terminadas las discusiones cuando lo estime conveniente y dispondrá que los asuntos sean sometidos a votación. El Presidente podrá designar un Secretario que no será necesariamente obligacionista.

Artículo 13.- El Comisario formará, antes de entrar en el orden del día, la lista de asistentes, expresando el carácter o representación de cada uno y el número de obligaciones, propias o ajenas, que concurran, totalizándose al final de la lista el número de obligaciones presentes o representadas y el total de las que se hallan en circulación.

Artículo 14.- La Asamblea General representa a todos los tenedores de obligacionistas y, además de las restantes competencias establecidas por la Ley de Sociedades de Capital, podrá acordar lo necesario a la mejor defensa de los legítimos intereses de los obligacionistas frente a la entidad emisora; modificar, de acuerdo con la misma, las condiciones de la emisión; destituir y nombrar Comisarios; ejercer cuando proceda las acciones judiciales correspondientes y aprobar los gastos ocasionados para la defensa de los intereses comunes.

Artículo 15.- Los acuerdos de la Asamblea podrán ser impugnados en los términos previstos en la Ley de Sociedades de Capital.

Artículo 16.- El acta de la sesión podrá ser aprobada por la propia Asamblea acto seguido de haberse celebrado ésta, o, en su defecto, y dentro del plazo de quince días, por el Comisario y dos obligacionistas designados al efecto por la Asamblea.

Artículo 17.- Las certificaciones del libro de actas serán expedidas por el Comisario.

Artículo 18.- Los obligacionistas sólo podrán ejercitar individual o separadamente las acciones judiciales o extrajudiciales que les correspondan cuando no contradigan los acuerdos del Sindicato, dentro de su competencia, y sean compatibles con las facultades del mismo.

Capítulo 2º. El Comisario

Artículo 19.- El Comisario ostenta la representación legal del Sindicato y actúa de órgano de relación entre éste y la Sociedad.

Article 12.- The General Assembly will be chaired by the Commissioner, or in default thereof by the noteholder designated by the Assembly and, in the last instance, by the noteholder present at the meeting with the largest number of notes. The Chair will direct the discussions, declare deliberations to have concluded when he or she deems fit and submit the matters to vote. The Chair will appoint a Secretary, who need not be a noteholder.

Article 13.- The Commissioner will draw up, before taking up the matters on the agenda, the attendance list, indicating the status or representation of each attendee and the number of notes each attendee holds or represents, summing up the total number of notes present or represented at the meeting and the total notes in circulation.

Article 14.- The General Assembly represents all Noteholders and, besides any other power conferred by the Spanish Companies Law, may decide as necessary for the best defence of the legitimate interests of the Noteholders vis-à-vis the issuer; amend, in agreement with the issuer, the terms of the issue; remove and appoint Commissioners; exercise, where applicable, the relevant court actions and approve the expenses incurred in the defence of the common interests.

Article 15.- Assembly resolutions may be challenged as provided under the Spanish Companies Law.

Article 16.- The minutes of the meeting will be approved by the Assembly itself immediately after the session ends or, in default thereof, within fifteen days by the Commissioner and two Noteholders appointed for such purpose by the Assembly.

Article 17.- Certificates of the minutes book will be issued by the Commissioner.

Article 18.- Noteholders may only individually or separately pursue the court and out-of-court remedies to which they may be entitled provided they do not contradict Syndicate resolutions that have been approved within its competence and are compatible with the powers of the Syndicate.

Chapter 2. The Commissioner

Article 19.- The Commissioner is the legal representative of the Syndicate and acts as the

Artículo 20.- El Comisario será nombrado por la Asamblea General, que también puede ratificar como tal a quien hubiere sido designado para ese cargo en el acuerdo de emisión. El Comisario ejercerá su cargo en tanto no sea removido por la misma Asamblea.

Artículo 21.- Sin perjuicio de las restantes facultades previstas en la Ley de Sociedades de Capital, serán facultades del Comisario:

- a) Ostentar la plena representación legal del Sindicato.
- b) Tutelar los intereses comunes de los tenedores de las obligaciones.
- c) Ser el órgano de relación entre el Sindicato y la Sociedad.
- d) Ejercitar todas cuantas acciones correspondan al Sindicato.
- e) Convocar y presidir las Asambleas Generales.
- f) Informar a la Sociedad emisora de los acuerdos del Sindicato.
- g) Requerir de la Sociedad emisora los informes que, a su juicio, o al de la Asamblea de obligacionistas, interesen a éstos.
- h) Vigilar el pago de los intereses de las obligaciones y de su principal, así como las operaciones de amortización.
- i) Ejecutar los acuerdos de las Asambleas Generales.
- j) Asistir con voz pero sin voto a las Juntas Generales de la Sociedad emisora.
- k) Y, en general, ejercitar cuantas facultades le hayan sido conferidas o atribuidas por la Asamblea General de obligacionistas.

Estas mismas facultades corresponden al que ejerza el cargo de Comisario con carácter de sustituto.

Artículo 22.- Cuando la Sociedad haya retrasado más de seis meses el pago de los intereses vencidos o la amortización del principal, el Comisario podrá proponer al Consejo de Administración de la Sociedad la suspensión de cualquiera de los administradores y convocar la Junta General de Accionistas, si aquellos no lo

body charged with the relation between the latter and the Company.

Article 20.- The Commissioner will be appointed by the General Assembly, which may also ratify the appointment as Commission of the person so designated in the issue resolution. The Commissioner will discharge his or her office until he or she is removed by the Assembly.

Article 21.- Without any other powers established by the Spanish Companies Law, the Commissioner will have the following powers:

- a) Exercise the full legal representation of the Syndicate.
- b) Safeguard the common interests of the Noteholders.
- c) Act as body responsible for relations between the Syndicate and the Company.
- d) Exercise all actions that rest with the Syndicate.
- e) Call and chair the General Assemblies.
- f) Report the resolutions of the Syndicate to the issuer Company.
- g) Request from the issuer Company the reports that the Commissioner or the Assembly of Noteholders deem of interest to the latter.
- h) Monitor the payment of interest on the notes and the principal, as well as the redemption operations.
- i) Execute General Assembly resolutions.
- j) Attend and address, without vote, General Meetings of the issuer Company.
- k) And, in general, exercise all such powers as have been conferred by the General Assembly of Noteholders.

These same powers will rest with the person who serves as substitute Commissioner.

Artículo 22.- If the Company delays more than six months in paying due interest or redemption amounts, the Commissioner may propose the suspension of any of the directors of the Company and convene a General Shareholders' Meeting of the Company if the directors of the

hicieran cuando estimen que deben ser sustituidos.

Para evitar dudas, esta facultad no resulta de aplicación en los supuestos de aplazamiento de pagos de acuerdo con los términos y condiciones de las Obligaciones

TÍTULO III

DISPOSICIONES ESPECIALES

Artículo 23.- Los gastos normales que ocasione el sostenimiento del Sindicato correrán a cargo de la Sociedad, sin que en ningún caso pueda exceder del 2% de los intereses anuales devengados por las obligaciones emitidas.

Artículo 24.- El Comisario llevará las cuentas del Sindicato y las someterá a la aprobación de la Asamblea General de obligacionistas y del Consejo de Administración de la Sociedad.

Artículo 25.- Disuelto el Sindicato por haberse amortizado y reembolsado las obligaciones de la emisión, el Comisario que estuviere en ejercicio continuará sus funciones para la liquidación de la Asociación y rendirá cuentas definitivas a la última Asamblea y al Consejo de Administración de la Sociedad.

Artículo 26.- Para todas las cuestiones que se deriven o puedan surgir de este Reglamento, los obligacionistas, por el sólo hecho de serlo, se someten, con renuncia expresa de su propio fuero, a la jurisdicción de los Juzgados y Tribunales de la ciudad de Madrid.

Artículo 27.- En todo lo que no se halle expresamente previsto en el presente Reglamento, se estará a lo dispuesto por la legislación sobre la materia.

Company do not do so at the time when suspension was required.

For the avoidance of doubt, the above power does not apply in payment deferrals in accordance with the terms and conditions of the Notes.

TITLE III

SPECIAL PROVISIONS

Article 23.- The ordinary expenses incurred to maintain the Syndicate will be borne by the Company, and may in no event exceed 2% of the annual interest accrued by the notes issued.

Article 24.- The Commissioner will keep the Syndicate's accounts and submit them to the General Assembly of Noteholders and to the Board of Directors of the Company for approval.

Article 25.- After the Syndicate has been dissolved upon the redemption and repayment of the notes issued, the Commissioner in office at that time will continue exercising his or her functions in connection with the liquidation of the Association and rendering of the final accounts to the last Assembly and to the Board of Directors of the Company.

Article 26.- For all questions that arise or may arise from this Regulation, the Noteholders by mere fact of their status as such submit to the jurisdiction of the Courts and Tribunals of the city of Madrid with express waiver of their own forum.

Article 27.- All matters not expressly provided for in this Regulation shall be governed by the applicable legal provisions.

SUMMARY OF CLEARANCE AND SETTLEMENT PROCEDURES APPLICABLE TO BOOK-ENTRY NOTES

Below is a brief summary of the Spanish clearance and settlement procedures applicable to book-entry notes such as the Notes.

Notwithstanding this summary, it should be noted that the Spanish clearing, settlement and registry system of securities transactions is undergoing a significant reform to align it with the practices and standards of its European neighbours and prepare it for the implementation of future integration projects. This reform is expected to be fully implemented by 18 September 2017.

Law 32/2011, of 4 October, which amends LMV ("**Law 32/2011**"), anticipated and set the master plan of the future Spanish clearing, settlement and registry system providing for certain changes that are being implemented and that will modify the system and allow for the integration of the post trading Spanish systems into the Trans-European Automated Real-Time Gross Settlement Express Target (TARGET2) System ("**TARGET2**").

Regulation (EU) No. 909/2014 of the European Parliament and of the Council of 23 July, on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012 ("**Regulation (EU) 909/2014**") provides that transactions in transferable securities which are executed on trading venues shall be settled no later than on the second business day after the relevant trade takes place, subject to certain exemptions. Since October 2014, transactions affecting debt securities settled through Iberclear are generally settled two business days after they have been made.

In connection with the above, the Spanish clearing, settlement and recording system was adapted by Law 11/2015 and Royal Decree 878/2015 to the provisions set forth in Regulation (EU) No. 909/2014, these regulations further the reform of the Spanish clearing, settlement and registry system of securities transactions.

The reform of Spain's clearing, settlement and registry system introduces significant new features that affect all classes of securities and all post-trade activities. However, the reform is still an on-going process and it might still be subject to changes and modifications both in the expected timetable for its implementation and in the content and scope of the measures to be adopted and implemented in the Spanish clearing, settlement and registry system.

In particular, this reform introduces three fundamental changes that, in turn, involve a number of operating modifications. Such changes are as follows: (i) a new registry system based on balances; (ii) the introduction of a new central clearing counterparty (BME Clearing, S.A., the "**CCP**"); and (iii) integration of the current CADE (*Central de Anotaciones de Deuda Pública*) and SLCV (*Servicio de Compensación y Liquidación de Valores*) into a single platform managed by Iberclear which operates under the trade name of "ARCO".

The reform is expected to be implemented in two phases:

- (i) The first phase was implemented in April 2016 and set up a new clearing and settlement system for equity securities, including the creation of the CCP for post-trade operations compatible with TARGET2 (messages, account structure, definition of operations, etc.).

Since the first week of October 2016 the new settlement and registration platform (ARCO) operates under a T+2 settlement standard by which any transaction must be settled within two stock-exchange business days following the date on which the relevant trade is completed.

The CADE platform will continue to operate unchanged and cash settlements in the new system will be made in the TARGET2-Bank of Spain cash accounts, as at present.

- (ii) The second phase will be implemented upon Iberclear's connection to TARGET2. At that time, fixed-income securities will be transferred to the new ARCO platform, and CADE will be discontinued.

The second phase will entail unifying the registration and settlement system for both equities and fixed-income.

Iberclear

Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., Sociedad Unipersonal (Iberclear) is the Spanish central securities depository in charge of both the register of securities held in book-entry form, and settlement of all trades from the Spanish Stock Exchanges, Latibex (the Latin American stock exchange denominated in EUR), the Book-Entry Public Debt Market (*Mercado de Deuda Pública en Anotaciones*) and the Spanish AIAF Fixed Income Securities Market (*AIAF Mercado de Renta Fija*). To achieve this, Iberclear uses two technical platforms, SCLV (for the Spanish Stock Exchanges and Latibex) and CADE (for the Book-Entry Public Debt Market and AIAF).

Iberclear is owned by *Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.*, a holding company, which holds a 100 per cent. interest in each of the Spanish official secondary markets and settlement systems. The corporate address of Iberclear is located at Plaza de la Lealtad, 1, Madrid (28014), Spain.

Iberclear securities registration system

Iberclear and the Iberclear Members (*entidades participantes*) have the function of keeping the book-entry register of securities traded on AIAF.

The book-entry register structure is a two-tier level registry: the keeping of the central record corresponds to Iberclear and the keeping of the detail records corresponds to the Iberclear Members. The central registry reflects: (i) one or several proprietary accounts which show the balances of the Iberclear Members' proprietary accounts; (ii) one or several general third-party accounts that will show the overall balances that the Iberclear Members hold for third parties; (iii) individual accounts opened in the name of the owner, either individual or legal person; (iv) individual special accounts of financial intermediaries which use the optional procedure of settlement orders. Each Iberclear Member, in turn, maintains the detail records of the owners of the securities held in their general third-party accounts.

Spanish law considers the legal owner of the securities to be:

- (i) the Iberclear Member appearing in the records of Iberclear as holding the relevant securities in its own name;
- (ii) the investor appearing in the records of the Iberclear Member as holding the securities; or
- (iii) the investor appearing in the records of Iberclear as holding securities in a segregated individual account.

Iberclear settlement of securities traded in AIAF

Securities traded in AIAF are private fixed income securities, including corporate bonds (for example, medium term notes and mortgage bonds), represented either in a dematerialised form or by certificates.

In the AIAF settlement system, transactions may be settled spot, forward (settlement date more than five days after the relevant trade date), with a repurchase agreement on a fixed date and double or simultaneous transactions (two trades in opposite directions with different settlement dates).

The settlement system used for securities admitted for trading in AIAF is the Model 1 delivery versus payment system, as per the classification of the Bank for International Settlements: that is, it is a "transaction-to-transaction" cash and securities settlement system with simultaneity in its finality.

Transactions are settled on the business day agreed by participants at the moment of the trade.

Settlement cycles: The CADE Platform

The process of settling all reported trades with a value date on a specific day, is to be carried out in three phases:

- (i) first settlement cycle;
- (ii) real-time settlement; and

(iii) session close.

The first cycle includes all transactions reported to CADE up to 6:00 p.m. (Madrid time) of D-1, and these are settled if sufficient funds and an adequate securities balance are available in the pertinent accounts.

The real-time settlement process is carried out between 7:00 a.m. (Madrid time) and 4:00 p.m. (Madrid time) of the settlement day, and the system first checks if a sufficient securities balance is available. If it is available, but the buyer of the securities does not have available funds, the order is rejected and returned to CADE, and placed in a queue. The process is periodically activated until enough balance is available in the relevant accounts to settle outstanding orders with finality. If the balance in the seller's securities account is insufficient, the transaction is placed in a queue. When a credit is lodged in a securities account, the system checks whether queued orders can be processed.

At the end of the day, the system tries one last time to settle all transactions not settled in the first cycle or during the process in real time. The settlement cycle at the end of the day takes place at 5:00 p.m. (Madrid time).

If the seller's securities account has sufficient balance, the system checks (by means of a comparison with the payment side) if there is also sufficient balance in the buyer's cash account. That is, securities and cash are not immediately blocked. Once the transfers of securities and cash have been executed, each of the transactions is considered final.

Euroclear and Clearstream

Investors who do not have, directly or indirectly through their custodians, a participating account with Iberclear may hold their investment in the Notes through bridge accounts maintained by each of Euroclear and Clearstream with Iberclear Members.

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be used by the Issuer for general corporate purposes.

DESCRIPTION OF THE ISSUER AND ITS GROUP

General

The Issuer's legal and commercial names are MAPFRE, S.A. and MAPFRE, respectively.

The Issuer is a Spanish public limited company (*sociedad anónima*) incorporated by virtue of the public deed (*escritura pública*) executed before the Spanish notary public Mr. Raimundo Noguera Guzmán, under number 799 of his records, on 10 November 1942. The Issuer is subject to the Restated Spanish Companies Act (*Texto Refundido de la Ley de Sociedades de Capital*), approved by Royal Legislative Decree 1/2010, of 2 July (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*) and to Law 20/2015, of 14 July, on the regulation, supervision and solvency of insurance and reinsurance undertakings (*Ley 20/2015, de 14 de julio, de ordenación, supervisión y solvencia de las entidades aseguradoras y reaseguradoras*) ("**LOSSEAR**") and Royal Decree 1060/2015, of 20 November, on the regulation, supervision and solvency of insurance and reinsurance undertakings (*Real Decreto 1060/2015, de 20 de noviembre, de ordenación, supervisión y solvencia de las entidades aseguradoras y reaseguradoras*) ("**ROSSEAR**"). The Issuer's registered office is in Majadahonda (Madrid), Spain, at Carretera de Pozuelo, 52 (28222), the telephone number of its registered office is +34 900 10 35 33 and its e-mail address is relacionesconinversores@mapfre.com.

The Issuer is registered at the Mercantile Registry of Madrid, in volume 23,723, book 0, sheet 13, page No. M-6152. The tax identification number of the Issuer is A-08055741.

The shares of the Issuer are listed on the Madrid and Barcelona Stock Exchanges. They are also included in the IBEX 35, Dow Jones STOXX Insurance, MSCI Spain, FTSE All-World Development Europe Index, FTSE4Good and FTSE4Good IBEX indexes.

The Issuer's initial legal name was Central de Obras y Créditos, S.A.; at its Annual General Meeting held on 15 June 1966 the Issuer changed its corporate name to Central de Inversión y Crédito, S.A. and again on 27 June 1981 to Corporación MAPFRE, S.A. Later, at the Extraordinary General Meeting held on 28 April 1984 the Issuer changed again its corporate name to Corporación MAPFRE, Compañía Internacional de Reaseguros, S.A. On 21 April 2001, at its Annual General Meeting the Issuer changed its corporate name to Corporación MAPFRE, S.A. and modified its corporate purpose, excluding the reinsurance activity and limiting its corporate purpose to the development of activities as a business holding. Finally, at the Extraordinary General Meeting held on 29 December 2006 the Issuer changed its corporate name to the current legal name of MAPFRE, S.A.

History of the Issuer and its Group

2006 Corporate Restructuring

Besides changing the Issuer's corporate name to the current legal name of MAPFRE, S.A, the Extraordinary General Meeting held on 29 December 2006 also approved the proposals to execute the corporate restructuring that had previously been approved by the General Assembly of the Issuer's former parent company, MAPFRE Mutualidad de Seguros y Reaseguros a Prima Fija ("**MAPFRE Mutualidad**"), held on 15 June 2006, resulting in the current organisational structure of the Group. The aim of that corporate restructuring was to integrate all of the Group's activities and companies, making the Issuer the parent holding company of the Group. The corporate restructuring was executed through a capital increase of the Issuer as a result of which Fundación MAPFRE became the main shareholder of the Issuer.

The amount of the capital increase of the Issuer was Euro 108,082,063.30 achieved through the issuance of 1,080,820,633 new shares, with a par value of Euro 0.10 each, without pre-emptive rights for the existing shareholders. The capital increase was structured in two tranches:

- (i) An in-kind tranche addressed to Cartera MAPFRE, S.L.U. ("**Cartera MAPFRE**"), a wholly-owned subsidiary of Fundación MAPFRE, which subscribed for 960,577,530 new shares by contributing the following shareholdings to the Issuer:
 - 100 per cent. of MAPFRE Automóviles, Sociedad Anónima de Seguros y Reaseguros (a company incorporated to receive the insurance portfolio of MAPFRE Mutualidad).

- 87.6 per cent. of MAPFRE América Vida, S.A.
 - 100 per cent. of MAPFRE Agropecuaria Compañía Internacional de Seguros y Reaseguros, S.A.
 - 70 per cent. of MAPFRE Seguros Gerais, S.A.
 - 100 per cent. of MAPFRE USA Corporation ("**MAPFRE USA**").
 - 3 per cent. of Società Cattolica di Assicurazioni.
 - 49 per cent. of Banco de Servicios Financieros Caja Madrid – MAPFRE, S.A.
 - 100 per cent. of Centro Internacional de Formación de Directivos MAPFRE, S.A.
 - 100 per cent. of MAPFRE Servicios de Informática, S.A.
- (ii) Another tranche addressed to MAPFRE Mutualidad, which subscribed 120,243,103 new shares through the payment of Euro 383,815,984 in cash.

In addition, the by-laws of the Issuer were amended in order to reflect the new post-restructuring position of the Issuer as the parent company of the Group.

2014 Reorganisation

In recent years the Group has undertaken an extensive reorganisation of its internal structures with a view to simplifying those structures and adapting them to the new challenges which the Group is currently facing. In this regard, in 2013 a new organisational structure was approved and came into effect on 1 January 2014. The purpose of this is to facilitate:

- (i) decentralised management within a common framework of action that guarantees the local implementation of policies established for the whole Group; and
- (ii) the dissemination of best practices and reinforcement of innovation in the design and launch of new products and services.

Recent Developments

2015

- (i) In April 2015 the Issuer announced that it had reached an agreement with Catalunya Banc, S.A. for the sale by the Group to the latter of its entire 50.01 per cent. stake in CatalunyaCaixa Vida, Societat Anònima d'Assegurances i Reassegurances and in CatalunyaCaixa Assegurances Generals, Societat Anònima d'Assegurances ("**CatalunyaCaixa**") for a total consideration of Euro 606.8 million (the "**CatalunyaCaixa Transaction**"). The CatalunyaCaixa Transaction was executed on 31 July 2015 and generated a gross capital gain of Euro 204.2 million in 2015.
- (ii) On 29 May 2015 the Group completed the acquisition of 100 per cent. of the share capital of the automobile insurance subsidiaries in Italy and Germany of the British insurer Direct Line Group Plc ("**Direct Line**") after receiving the required authorisations from the relevant Spanish regulatory bodies and the European Union authorities. This transaction is part of the Issuer's commitment to direct online insurance and aims at strengthening the Issuer's presence in Europe. The consideration paid was Euro 562.54 million. As at the acquisition date, the assets of the acquired businesses totalled Euro 1,819.34 million, and if the businesses had been combined at the beginning of 2015 they would have contributed Euro 732.22 million in premiums and Euro - 0.75 million in net result.
- (iii) On 10 June 2015 the Spanish Supreme Court (*Tribunal Supremo*) issued a judgement regarding the tender offer for the shares of Funespaña, S.A. made by MAPFRE Familiar Compañía de Seguros y Reaseguros, S.A. in 2012 (the tender offer was authorised by the CNMV on 27 March 2012 and its outcome was published on 25 April 2012). The grounds of the judgement are that the equitable price (*precio equitativo*) approved by the CNMV was not correctly calculated;

and, thus, the Spanish Supreme Court (*Tribunal Supremo*) judgement required the CNMV to recalculate the equitable price (precio equitativo) for the referred tender offer. The Issuer considers that such recalculation will not have a material impact on its financial position.

- (iv) On 2 September 2015 Bankinter Seguros de Vida, S.A. (a joint owned company by Bankinter, S.A. and the Group) ("**Bankinter Vida**") reached an agreement with Barclays Vida y Pensiones Compañía de Seguros, S.A. for the acquisition of the life and pension business in Portugal of the latter. This transaction amounts to Euro 75 million and was completed in April 2016.

2016

On 4 October 2016 the Issuer entered into an agreement to acquire 31 per cent. of the share capital of the Indonesian insurance company PT Asuransi Bina Dana Arta TBK ("**ABDA**") for a consideration of Euro 92 million. Since the Issuer already owns 20 per cent. of the share capital of ABDA, this acquisition will give the Issuer the majority shareholding in ABDA and control of its management. Completion of the deal is subject to obtaining the corresponding administrative authorisations. This transaction culminates the Group's entry in the Indonesian insurance market.

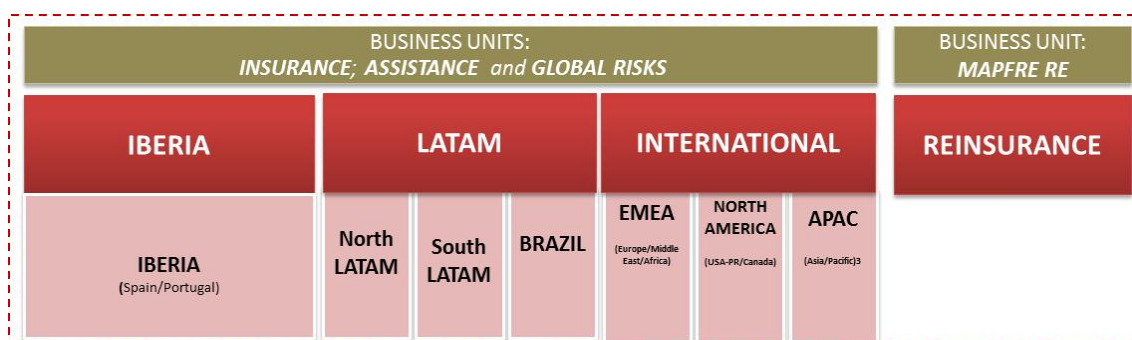
Business of MAPFRE and its Group

Overview

The Issuer is the holding company of a global group of companies (with 232 subsidiaries) engaged mainly in insurance and reinsurance activities with a presence in 45 countries across all five continents. The Issuer, in turn, is a subsidiary of Cartera MAPFRE, fully controlled by Fundación MAPFRE.

The Group is structured around:

- (i) four business units: (a) Insurance (which comprises the business activities of the direct insurance subsidiaries of the Issuer); (b) Assistance, Services and Specialty Risks (which comprises the business activities of MAPFRE ASISTENCIA Compañía Internacional de Seguros y Reaseguros, S.A. ("**MAPFRE Asistencia**")); (c) Global Risks (which comprises the business activities of MAPFRE Global Risks Compañía Internacional de Seguros y Reaseguros, S.A. ("**MAPFRE Global Risks**")); and (d) Reinsurance (which comprises the business activities of MAPFRE RE Compañía de Reaseguros, S.A. ("**MAPFRE RE**")); these business units, except for Reinsurance, are in turn structured around
- (ii) three territorial areas: Iberia, Latam and International; which are in turn structured around
- (iii) seven regional areas: Iberia (which comprises Spain and Portugal), Brazil, Latam North, Latam South, North America, EMEA and APAC.



At the close of 2016, the Group was the second largest insurance group in Spain and the largest in non-life insurance, with market shares of 10.5 per cent. and 14.6 per cent., respectively. It holds leading positions across several segments in Spain, especially in motor, with a 19.9 per cent. market share, and in multiperil segments, with a 16.8 per cent. market share (source: ICEA, "Total Seguro Directo. Grupos. (Período: Año 2016 – Actualizado: 23/01/2017)"). In Europe, the Group ranked as the tenth largest overall and the sixth largest in non-life insurance in 2015 (source: Fundación MAPFRE, "Ranking of Europe's largest Non-

Life insurance groups 2015", July 2016), while in Latin America it was the third largest group overall and the leader in non-life insurance in 2015, with market shares of 6.4 per cent. and 8.2 per cent. respectively (source: Fundación MAPFRE, "Ranking of insurance groups in Latin America, 2015", November 2016).

Within Latin America the Group held leading positions in several countries in 2015. In Brazil the Group is the fourth largest insurance group and the second in non-life, with market shares of 9.1 per cent. and 15.0 per cent., respectively. In non-life insurance in Mexico, the Group was the fourth largest insurance group with a market share of 8.7 per cent. The Group operates in Colombia where it is the fifth largest insurance group with a market share of 5.9 per cent. In non-life insurance in Peru, the Group was the third largest company with a market share of 18.7 per cent. In non-life insurance in Chile, the Group was the fourth largest company with a market share of 9.8 per cent. (source: Fundación MAPFRE, "The Latin American Insurance Market in 2015", November 2016).

The Group also operates in the United States of America where it is one of the country's 20 largest automobile insurance companies (source: Insurance Statutory Market Share Report), as well as in Australia, China, Philippines, France, Germany, Indonesia, Ireland, Italy, Malta, Portugal, the United Kingdom and in Turkey.

The Group's specialised company MAPFRE Global Risks manages global insurance programs. Furthermore, the Group's reinsurance business (MAPFRE RE) occupies position number 16 in the global reinsurance ranking (source: AM Best, "Best's Special Report, Innovation: The Race to Remain Relevant", September 2016).

Business Units

Insurance

The Group offers a wide range of life and non-life insurance products (e.g., motor, third party liability, health, accident, life, retirement or agriculture insurance policies) to both private and corporate customers, as well as mutual and pension funds management (saving business).

Assistance, Services and Specialty Risks

The Group, through this business unit which is headed by MAPFRE Asistencia, offers a wide range of assistance and other services (e.g., travel assistance, roadside assistance, car accident management, home assistance, legal assistance, credit card protection or cost containment).

Global Risks

This business unit, which is headed by MAPFRE Global Risks, is specialised in global insurance programs of big 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 or credit and suretyship).

Reinsurance

MAPFRE RE is a mid-sized reinsurer which has a significant percentage of proportional business (where the reinsurer assumes a fixed percentage that is agreed between the relevant parties for all insurance policies underwritten by a direct insurer in specific insurance lines or products that are defined by contract), but also of non-proportional business (where the reinsurer assumes responsibility for the cost of claims over and above an established level).

The table below shows the gross premiums, result before taxes and return on equity by Business Unit for the years ended 31 December 2016 and 31 December 2015:

ITEM	DIRECT INSURANCE											
	MAPRE ESPAÑA		MAPFRE VIDA		MAPFRE INTERNACIONAL		MAPFRE GLOBAL RISKS		MAPFRE ASISTENCIA		MAPFRE RE	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Gross written and accepted premiums	4,550.2	4,429.1	2,154.7	1,824.4	12,021.9	12,161.7	1,212.2	1,174.7	1,066.8	1,094.4	4,234.7	3,731.9
Result before taxes	461.7	236.9	300.3	248.9	934.0	916.3	49.9	77.7	-54.9	-39.2	252.8	205.1
ROE	16.5%	9.2%	9.9%	16.5%	3.8%	4.2%	11.9%	15.1%	-21.9%	-12.5%	15.2%	13.0%

Figures in millions of euros

The breakdown of premiums by product for the year ended 31 December 2016 is as follows:

Product	IBERIA	LATAM NORTH	LATAM SOUTH	BRAZIL	NORTH AMERICA	EMEA	APAC	MAPFRE RE	CORPORATE AREAS AND CONSOLIDATION ADJUSTMENTS	Total
Life	2,111.22	299.36	238.07	1,523.07	14.66	278.70	--	--	--	4,465.08
Automobile	2,164.98	336.10	484.18	1,232.49	1,747.47	1,314.25	23.15	--	--	7,302.62
Home and other simple risks	947.70	111.20	173.35	437.22	728.35	87.55	12.65	--	--	2,498.02
Health	494.42	189.61	72.14	4.36	101.50	137.05	--	--	--	999.08
Accident	118.93	15.31	98.03	--	2.12	8.45	3.86	--	--	246.70
Other Non-Life	1,302.11	391.63	855.79	1,390.30	308.27	744.76	90.25	--	(1,147.41)	3,935.69
Reinsurance	--	--	--	--	--	--	--	4,234.75	(868.77)	3,365.98
TOTAL	7,139.36	1,343.21	1,921.56	4,587.44	2,902.37	2,570.76	129.91	4,234.75	(2,016.18)	22,813.17

Figures in millions of euros

The breakdown of premiums by product for the year ended 31 December 2015 is as follows:

Product	IBERIA	LATAM NORTH	LATAM SOUTH	BRAZIL	NORTH AMERICA	EMEA	APAC	MAPFRE RE	CORPORATE AREAS AND CONSOLIDATION ADJUSTMENTS	Total
Life	1,794.19	332.29	268.12	1,637.75	10.74	226.73	--	--	--	4,269.82
Automobile	2,109.93	390.07	516.03	1,496.54	1,650.93	800.76	22.15	--	--	6,986.41
Home and other simple risks	889.10	130.96	173.87	406.99	659.06	86.12	4.91	--	--	2,351.01
Health	459.10	200.93	62.91	0.40	109.40	119.80	--	--	--	952.54
Accident	123.17	15.35	112.87	--	1.92	8.38	3.98	--	--	265.67
Other Non-Life	1,321.23	779.98	896.64	1,272.53	344.72	739.94	83.52	--	(1,137.23)	4,301.33
Reinsurance	--	--	--	--	--	--	--	3,731.91	(546.93)	3,184.98
TOTAL	6,696.72	1,849.58	2,030.44	4,814.21	2,776.77	1,981.73	114.56	3,731.91	(1,684.16)	22,311.76

Figures in millions of euros

Territorial and regional areas⁵

Iberia

The Iberia territorial area (which fully coincides with the Iberia regional area) encompasses the business activities in Spain and Portugal.

As at 31 December 2016 the Iberia territorial area recorded premiums of Euro 7,139.4 million and an attributable result of Euro 582.3 million.

⁵ The figures for the territorial and regional areas correspond to the business activities of the Insurance, Assistance and Global Risks business units. The Reinsurance business unit is run as a single business activity globally and is therefore presented separately.

The main subgroups within the Group in the Iberia territorial area are:

- (i) MAPFRE España Compañía de Seguros y Reaseguros, S.A. ("**MAPFRE España**"), with consolidated premiums amounting to Euro 4,550.2 million as at 31 December 2016, which specialises in retail non-life insurance products for families, primarily in the motor, property and personal risks lines. MAPFRE España consolidated figures include the Portuguese business, which is managed by MAPFRE Seguros Gerais, S.A. and which generated total premiums of Euro 177.6 million as at 31 December 2016 in the life and non-life markets.
- (ii) MAPFRE Vida Sociedad Anónima de Seguros y Reaseguros sobre la Vida Humana, with consolidated premiums totalling Euro 2,154.7 million as at 31 December 2016, which specialises in life insurance, pension fund and plan management, as well as asset management.

Latam

This territorial area comprises the regional areas of Brazil, Latam North, and Latam South.

Brazil

This regional area is headquartered in São Paulo (Brazil) and encompasses the business activities in Brazil.

As at 31 December 2016 the Brazil regional area recorded premiums of Euro 4,587.4 million and an attributable result of Euro 144.4 million.

The largest contribution to this regional area's premiums and results comes from Grupo Segurador Banco do Brasil e MAPFRE, which resulted from the strategic alliance between the Banco do Brasil Group and the Group in 2011. Grupo Segurador Banco do Brasil e MAPFRE makes up the largest insurance company in Latin America in non-life (source: Fundación MAPFRE, "Ranking of insurance groups in Latin America, 2015", November 2016) and operates primarily in property, agricultural, motor and life insurance.

Latam North

This regional area has its head office in México D.F. (Mexico) and encompasses the business activities in Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama and the Dominican Republic.

As at 31 December 2016 the Latam North regional area recorded premiums of Euro 1,343.2 million and an attributable result of Euro 38.8 million.

The largest contribution to this regional area's premiums and results comes from Mexico, due to the relative importance of this country's economy within this regional area. Premiums volume for the Insurance, Assistance, Services and Specialty Risks and Global Risks Units in Mexico amounted to Euro 755.2 million as at 31 December 2016, which represented 56.2 per cent. of the regional area's total premiums.

Latam South

This regional area has its head office in Bogota (Colombia) and encompasses the business activities in Argentina, Colombia, Chile, Ecuador, Paraguay, Peru, Uruguay and Venezuela.

As at 31 December 2016 the Latam South regional area recorded premiums of Euro 1,921.6 million and an attributable result of Euro 15.2 million.

During 2016 the largest contribution to this regional area's premiums and results came from Peru. Premium volume for the Insurance, Assistance, Services and Specialty Risks and Global Risks Units in Peru amounted to Euro 474.8 million as at 31 December 2016, which represented 24.7 per cent. of the regional area's total premiums.

International

This territorial area comprises the regional areas of North America, EMEA and APAC.

North America

This regional area is headquartered in Webster, MA (U.S.A.) and encompasses the business activities in North America (primarily the United States of America, Puerto Rico and Canada).

As at 31 December 2016 the North America regional area recorded premiums of Euro 2,902.4 million and an attributable result of Euro 80.0 million.

During 2016, the largest contribution to this regional area's premiums and results came from the United States of America, whose premium volume for the Insurance, Assistance, Services and Specialty Risks and Global Risks Units amounted to Euro 2,538.8 million as at 31 December 2016, which represented 87.5 per cent of the regional area's total premiums.

EMEA

This regional area is headquartered in Madrid (Spain) and encompasses the business activities in Europe (primarily in Italy, Turkey, the United Kingdom, Malta, Germany, France and Ireland), the Middle East and Africa.

As at 31 December 2016 the EMEA regional area recorded premiums of Euro 2,570.8 million and an attributable result of Euro -102.8 million.

The largest contribution to this regional area's premiums and results comes from Turkey, whose premiums volume for the Insurance, Assistance, Services and Specialty Risks and Global Risks Units amounted to Euro 890.0 million as at 31 December 2016, which represented 34.6 per cent. of the regional area's total premiums.

APAC

This regional area is headquartered in Shanghai (China) and encompasses the business activities in the Asia-Pacific region (primarily Australia, China, Hong Kong, India, Indonesia, Japan, the Philippines and Taiwan).

As at 31 December 2016 the APAC regional area recorded premiums of Euro 129.9 million and an attributable result of Euro -20.3 million.

The largest contribution to this regional area's premiums and results comes from the Philippines, whose premiums volume for the Assistance, Services and Specialty Risks and Global Risks Units amounted to Euro 45.5 million as at 31 December 2016, which represented 35.0 per cent. of the regional area's total premiums.

The breakdown of premiums by regional area and for the Reinsurance business unit is as follows:

REGIONAL AREA	12/31/2016	% total	12/31/2015	% total	Var % 16/15
IBERIA	7,139.4	28.8%	6,696.7	27.9%	6.6%
LATAM NORTH	1,343.2	5.4%	1,849.6	7.7%	-27.4%
LATAM SOUTH	1,921.6	7.7%	2,030.4	8.5%	-5.4%
BRAZIL	4,587.4	18.5%	4,814.2	20.1%	-4.7%
EMEA	2,570.8	10.4%	1,981.7	8.3%	29.7%
NORTHAMERICA	2,902.4	11.7%	2,776.8	11.6%	4.5%
APAC	129.9	0.5%	114.6	0.5%	13.4%
TOTAL REGIONAL AREAS	20,594.6	82.9%	20,264.0	84.4%	1.6%
MAPFRE RE	4,234.7	17.1%	3,731.9	15.6%	13.5%
TOTAL AGGREGATE PREMIUMS	24,829.4	100.0%	23,995.9	100.0%	3.5%
HOLDINGS AND CONSOLIDATION ADJUSTMENTS	-2,016.2		-1,684.2		19.7%
TOTAL	22,813.2		22,311.8		2.2%

Figures in million Euros

The breakdown of premiums by regional area and for the Reinsurance business unit for the year ended 31 December 2016 is as follows:

ITEM	IBERIA	LATAM NORTE	LATAM SUR	BRASIL	NORTEAME RICA	EMEA	APAC	MAPFRE RE	CORPORATE AREAS & CONSOLIDATION ADJUSTMENTS	TOTAL
I. Premiums allocated to the financial year, net										
a) Written premiums, direct insurance	6,953.3	1,238.6	1,761.9	4,392.8	2,596.6	2,328.9	41.6	--	--	19,313.7
b) Premiums from accepted reinsurance	186.1	104.6	159.6	194.6	305.8	241.9	88.3	4,234.8	(2,016.2)	3,499.5
c) Premiums from ceded reinsurance	(770.7)	(427.4)	(746.5)	(837.8)	(698.6)	(671.6)	(23.4)	(1,434.1)	2,016.2	(3,593.9)
d) Variations in provisions for unearned premiums and unexpired risks										
Direct Insurance	4.5	164.0	(54.9)	174.6	(68.2)	(143.6)	(0.1)	--	--	76.2
Accepted reinsurance	(2.2)	1.7	4.5	(29.3)	(45.0)	(1.8)	(9.5)	(140.6)	60.2	(162.0)
Ceded reinsurance	(10.9)	(157.2)	36.6	(13.8)	57.3	18.6	2.7	31.6	(60.2)	(95.3)

Figures in millions of euros

The breakdown of premiums by regional area and for the Reinsurance business unit for the year ended 31 December 2015 is as follows:

ITEM	IBERIA	LATAM NORTE	LATAM SUR	BRASIL	NORTEAME RICA	EMEA	APAC	MAPFRE RE	CORPORATE AREAS & CONSOLIDATION ADJUSTMENTS	TOTAL
I. Premiums allocated to the financial year, net										
a) Written premiums, direct insurance	6,536.6	1,754.8	1,859.5	4,668.8	2,453.5	1,739.6	40.0	--	--	19,052.8
b) Premiums from accepted reinsurance	160.2	94.8	171.0	145.4	323.3	242.1	74.6	3,731.9	(1,684.2)	3,258.9
c) Premiums from ceded reinsurance	(749.6)	(828.8)	(722.5)	(735.8)	(635.3)	(412.9)	(12.9)	(1,222.2)	1,679.2	(3,640.9)
d) Variations in provisions for unearned premiums and unexpired risks										
Direct Insurance	12.6	(287.1)	(82.5)	(371.7)	(107.4)	(122.3)	1.4	--	--	(957.1)
Accepted reinsurance	6.2	3.8	13.9	0.5	(28.3)	(2.6)	2.9	(202.8)	29.3	(177.0)
Ceded reinsurance	(31.2)	241.7	1.3	114.1	151.7	21.0	(4.2)	(12.7)	(30.2)	451.5

Figures in millions of euros

The breakdown of attributable results by regional area and for the Reinsurance business unit is as follows:

REGIONAL AREA	12/31/2016	% total	12/31/2015	% total	Var % 16/15
IBERIA	582.3	63.0%	494.8	57.9%	17.7%
LATAM NORTH	38.8	4.2%	42.4	5.0%	-8.5%
LATAM SOUTH	15.2	1.6%	49.4	5.8%	-69.2%
BRAZIL	144.4	15.6%	153.4	18.0%	-5.9%
EMEA	-102.8	-11.1%	-2.4	-0.3%	4183.3%
NORTHAMERICA	80.0	8.7%	-32.7	-3.8%	-344.6%
APAC	-20.3	-2.2%	-3.4	-0.4%	497.1%
TOTAL REGIONAL AREAS	737.6	79.9%	701.5	82.1%	5.1%
MAPFRE RE	186.1	20.1%	152.6	17.9%	22.0%
TOTAL RESULTS (1)	923.7	100.0%	854.0	100.0%	8.2%
HOLDINGS & CONSOLIDATION ADJUSTMENTS	-148.3		-145.2		2.1%
TOTAL ATTRIBUTABLE RESULT	775.5		708.8		9.4%

Figures in million Euros

(1) Total Result attributable to controlling company before "Holdings & Consolidation Adjustments"

The table below shows the breakdown of the Issuer's condensed consolidated income statement by regional area and for the Reinsurance business unit for the year ended 31 December 2016:

NON-LIFE INSURANCE AND REINSURANCE	IBERIA	LATAM NORTH	LATAM SOUTH	BRAZIL	EMEA	NORTH AMERICA	APAC	REINSURANCE	CONSOLID. ADJUST.	TOTAL
Gross written and accepted premiums	5,028.1	1,043.8	1,683.5	3,064.4	2,292.1	2,887.7	129.9	3,586.5	-2,016.2	17,699.8
Premiums earned, net of ceded and retroceded reinsurance	4,281.0	696.7	960.2	2,306.5	1,497.3	2,141.6	99.6	2,175.8	0.0	14,158.7
Net claims incurred and variation in other technical provisions	-3,104.8	-468.7	-610.4	-1,452.2	-1,195.3	-1,587.0	-79.6	-1,413.7	0.3	-9,911.3
Operating expenses, net of reinsurance	-887.3	-225.1	-360.5	-722.6	-397.7	-573.4	-38.8	-630.1	-0.8	-3,836.5
Other technical revenue and expenses	-33.5	-8.8	1.3	1.4	-12.0	13.1	-0.1	-1.8	0.0	-40.4
Technical Result	255.5	-5.9	-9.4	133.1	-107.7	-5.7	-18.9	130.1	-0.5	370.5
Net financial income and other non technical income and expenses	280.9	44.5	129.3	174.6	0.3	136.0	5.8	87.5	2.5	861.3
Result of Non-Life business	536.4	38.5	119.9	307.7	-107.5	130.3	-13.1	217.6	1.9	1,231.8
Non-Life Loss ratio (1)	72.5%	67.3%	63.6%	63.0%	79.8%	74.1%	80.0%	65.0%		70.0%
Non-Life Expense ratio (1)	21.5%	33.6%	37.4%	31.3%	27.4%	26.2%	39.1%	29.0%		27.4%
Non-Life Combined ratio (1)	94.0%	100.9%	101.0%	94.2%	107.2%	100.3%	119.0%	94.0%		97.4%
LIFE INSURANCE AND REINSURANCE	IBERIA	LATAM NORTH	LATAM SOUTH	BRAZIL	EMEA	NORTH AMERICA	APAC	REINSURANCE	CONSOLID. ADJUST.	TOTAL
Gross written and accepted premiums	2,111.2	299.4	238.1	1,523.1	278.7	14.7	0.0	648.2	0.0	5,113.3
Premiums earned, net of ceded and retroceded reinsurance	2,079.1	227.6	200.9	1,574.7	275.0	6.3	0.0	516.0	0.0	4,879.5
Net claims incurred and variation in other technical provisions	-2,478.4	-149.0	-197.4	-742.3	-326.1	-1.9	0.0	-436.8	0.0	-4,331.9
Operating expenses, net of reinsurance	-230.8	-80.8	-100.6	-596.6	-18.9	-5.8	0.0	-130.1	0.0	-1,163.5
Other technical revenue and expenses	-17.4	-2.9	-1.0	-3.3	0.5	0.0	0.0	-0.5	0.0	-24.7
Net financial revenue and other non technical income and expenses	838.1	28.1	84.3	153.1	77.0	0.6	0.0	86.6	0.0	1,267.9
Technical-financial result and other non-technical income	190.5	23.1	-13.7	385.6	7.6	-0.8	0.0	35.2	0.0	627.3
Unrealized gains and losses in Unit-Linked products	31.2	0.0	0.0	108.5	2.6	0.0	0.0	0.0	-22.7	119.6
Result of Life business	221.7	23.1	-13.7	494.1	10.1	-0.8	0.0	35.2	-22.7	746.9
	IBERIA	LATAM NORTH	LATAM SOUTH	BRAZIL	EMEA	NORTH AMERICA	APAC	REINSURANCE	HOLDING & CONSOLID. ADJUST.	TOTAL
Results from other activities	51.9	-4.5	-12.8	10.6	-14.0	-9.6	-10.4	0.0	-144.7	-133.5
Result on restatement of financial accounts	0.0	0.0	-40.0	0.0	0.0	0.0	0.0	0.0	0.0	-40.0
Result before taxes	810.0	57.1	53.4	812.3	-111.3	119.9	-23.5	252.8	-165.5	1,805.1
Tax on profit from ongoing operations	-152.6	-9.6	-30.2	-311.9	16.0	-39.4	2.1	-66.8	32.5	-559.9
Result after tax from discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Attributable to non-controlling interests	-75.1	-8.6	-8.0	-356.0	-7.4	-0.5	1.0	0.0	-15.2	-469.7
Attributable to the controlling company	582.3	38.8	15.2	144.4	-102.8	80.0	-20.3	186.1	-148.3	775.5

(1) Ratios as % of net premiums earned
Figures in millions of Euro.

The table below shows the breakdown of the Issuer's condensed consolidated income statement by regional area and for the Reinsurance business unit for as at 31 December 2015:

NON-LIFE INSURANCE AND REINSURANCE	IBERIA	LATAM NORTH	LATAM SOUTH	BRAZIL	EMEA	NORTH AMERICA	APAC	REINSURANCE	CONSOLID. ADJUST.	TOTAL
Gross written and accepted premiums	4,902.5	1,517.3	1,762.3	3,176.5	1,755.0	2,766.0	114.6	3,131.3	-1,684.2	17,441.3
Premiums earned, net of ceded and retroceded reinsurance	4,172.6	729.8	1,009.5	2,364.7	1,241.2	2,151.5	101.8	1,836.1	-5.8	13,601.4
Net claims incurred and variation in other technical provisions	-3,129.2	-444.3	-606.2	-1,437.5	-921.6	-1,729.8	-75.7	-1,186.2	3.2	-9,527.4
Operating expenses, net of reinsurance	-900.0	-254.9	-372.5	-800.2	-340.8	-607.7	-29.6	-536.0	3.1	-3,838.7
Other technical revenue and expenses	-27.3	-7.2	-12.2	0.5	-11.7	12.4	-0.3	-2.4	0.0	-48.2
Technical Result	116.1	23.4	18.6	127.4	-32.9	-173.6	-3.8	111.5	0.5	187.2
Net financial income and other non technical income and expenses	142.7	34.0	101.5	191.2	37.9	130.0	0.6	76.5	17.5	731.8
Result of Non-Life business	258.8	57.4	120.1	318.6	5.0	-43.6	-3.3	188.0	18.0	919.0
Non-Life Loss ratio (1)	75.0%	60.9%	60.0%	60.8%	74.2%	80.4%	74.4%	64.6%		70.0%
Non-Life Expense ratio (1)	22.2%	35.9%	38.1%	33.8%	28.4%	27.7%	29.4%	29.3%		28.6%
Non-Life Combined ratio (1)	97.2%	96.8%	98.2%	94.6%	102.7%	108.1%	103.8%	93.9%		98.6%
LIFE INSURANCE AND REINSURANCE	IBERIA	LATAM NORTH	LATAM SOUTH	BRAZIL	EMEA	NORTH AMERICA	APAC	REINSURANCE	CONSOLID. ADJUST.	TOTAL
Gross written and accepted premiums	1,794.2	332.3	268.1	1,637.8	226.7	10.7	0.0	600.6	0.0	4,870.5
Premiums earned, net of ceded and retroceded reinsurance	1,762.0	249.3	231.0	1,456.6	223.7	6.0	0.0	458.1	0.0	4,386.9
Net claims incurred and variation in other technical provisions	-2,169.2	-165.7	-195.3	-631.1	-285.0	-2.0	0.0	-414.8	0.0	-3,863.1
Operating expenses, net of reinsurance	-200.3	-90.7	-108.4	-571.7	-15.4	-5.5	0.0	-109.3	0.0	-1,101.3
Other technical revenue and expenses	-10.4	-1.3	-1.3	-0.4	0.6	0.0	0.0	-0.3	0.0	-13.1
Net financial revenue and other non technical income and expenses	787.8	23.3	60.0	173.3	89.5	0.7	0.0	83.4	0.0	1,218.1
Technical-financial result and other non-technical income	169.9	15.0	-13.9	426.7	13.5	-0.8	0.0	17.1	0.0	627.5
Unrealized gains and losses in Unit-Linked products	26.7	0.0	0.0	70.3	3.5	0.0	0.0	0.0	-28.8	71.7
Result of Life business	196.6	15.0	-13.9	497.0	16.9	-0.8	0.0	17.1	-28.8	699.2
	IBERIA	LATAM NORTH	LATAM SOUTH	BRAZIL	EMEA	NORTH AMERICA	APAC	REINSURANCE	HOLDING & CONSOLID. ADJUST.	TOTAL
Results from other activities	60.0	-2.6	0.9	3.0	-11.4	-10.1	-3.0	0.0	-170.9	-134.1
Result on restatement of financial accounts	0.0	0.0	-8.0	0.0	0.0	0.0	0.0	0.0	0.0	-8.0
Result before taxes	515.4	69.7	99.1	818.6	10.6	-54.5	-6.3	205.1	-181.7	1,476.0
Tax on profit from ongoing operations	-136.6	-18.7	-43.3	-283.0	-2.3	21.2	1.8	-52.6	49.7	-463.6
Result after tax from discontinued operations	187.0	0.0	-0.5	0.0	-1.5	0.0	0.0	0.0	1.6	186.5
Attributable to non-controlling interests	-71.0	-8.6	-5.9	-382.2	-9.2	0.6	1.1	0.0	-14.8	-490.2
Attributable to the controlling company	494.8	42.4	49.4	153.4	-2.4	-32.7	-3.4	152.6	-145.2	708.8

(1) Ratios as % of net premiums earned
Figures in millions of Euro.

Distribution Channels

The Group 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 supporting the Group's business model aims to concentrate on its client focus, global product supply and its adaptation to the particular legal and commercial needs of each market.

As outlined above, the Group's proprietary distribution networks are complemented by distribution agreements with various entities, especially in bancassurance with financial institutions (Bankia, S.A., Bankinter, S.A., Banco Castilla-La Mancha, S.A., Banco de Caja España de Inversiones, Salamanca y Soria, S.A., Banco do Brazil S.A., Banco Múltiple BHD Leon S.A. (Dominican Republic) and Bank of Valletta PLC (Malta), among others —some of which are under a restructuring process). In 2016 the Group distributed its products through 9,028 bancassurance offices (of which 3,181 are located in Spain, 5,653 in Brazil, and 194 in the Dominican Republic). The Group also has 2,800 distribution agreements, including a significant proportion with financial institutions (158), automobile dealerships (1,503), and shopping malls and service providers (109).

At the end of 2016 the MAPFRE global distribution network comprised 14,418 offices. The breakdown is shown below:

OFFICES	31/12/2016	31/12/2015 ^(*)	16/15 % Variation
IBERIA			
Direct and Delegate	3,078	3,073	0.2%
Bancassurance	3,181	3,330	-4.5%
Subtotal IBERIA	6,259	6,403	-2.2%
LATAM			
Direct and Delegate	1,831	1,770	3.4%
Bancassurance	5,847	5,602	4.4%
Subtotal LATAM	7,678	7,372	4.2%
INTERNATIONAL			
Direct and Delegate	481	444	8.3%
Subtotal INTERNATIONAL	481	444	8.3%
TOTAL OFFICES	14,418	14,219	1.4%

^(*) The office contracts were revised in 2016 and for the purposes of comparison the 2015 figures have been adjusted.

At the close of 2016, the countries where the Group was more present were Spain with 2,998 offices, in Brazil with 932 offices, and in Turkey with 379 offices.

In 2016 more than 84,000 intermediaries, including agents, delegates and brokers, collaborated in the distribution of our products. The following table shows the breakdown:

COMMERCIAL NETWORK	31/12/2016	31/12/2015	16/15 % Variation
IBERIA			
Agents	10,176	9,498	7.1%
Delegates	2,666	2,575	3.5%
Brokers	5,365	5,268	1.8%
Subtotal IBERIA	18,207	17,341	5.0%
LATAM			
Agents	14,977	13,286	12.7%
Delegates	5,803	7,155	-18.9%
Brokers	33,102	32,357	2.3%
Subtotal LATAM	53,882	52,798	2.1%
INTERNATIONAL			
Agents	10,479	8,548	22.6%
Delegates	100	101	-1.0%
Brokers	1,358	1,542	-11.9%
Subtotal INTERNATIONAL	11,937	10,191	17.1%
TOTAL COMMERCIAL NETWORK	84,026	80,330	4.6%

In addition, the Group and Euler Hermes ACI Holding Inc. have an agreement to jointly carry out the credit and surety business in Spain, Portugal and Latin America. As a result, both groups have a 50 per cent. stake in a joint venture company called Solunion Seguros de Crédito, S.A. which includes the credit and surety business of both groups in the above mentioned markets.

Management ratios

The development of the main expense, loss and combined non-life ratios of the Issuer (consolidated) as at 31 December 2016 and 2015, by regional area and for the Reinsurance business unit, is shown in the following table:

	NON-LIFE RATIOS					
	EXPENSE ⁽¹⁾		LOSS ⁽²⁾		COMBINED ⁽³⁾	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
IBERIA	21.5%	22.2%	72.5%	75.0%	94.0%	97.2%
BRAZIL.....	31.3%	33.8%	63.0%	60.8%	94.3%	94.6%
LATAM NORTH	33.6%	35.9%	67.3%	60.9%	100.9%	96.8%
LATAM SOUTH	37.4%	38.1%	63.6%	60.0%	101.0%	98.1%
NORTH AMERICA	26.2%	27.7%	74.1%	80.4%	100.3%	108.1%
EMEA	27.4%	28.4%	79.8%	74.2%	107.2%	102.6%
APAC	39.1%	29.4%	80.0%	74.4%	119.1%	103.8%
MAPFRE RE	29.0%	29.3%	65.0%	64.6%	94.0%	93.9%
MAPFRE, S.A.	27.4%	28.6%	70.0%	70.0%	97.4%	98.6%

⁽¹⁾ (Operating expenses, net of reinsurance – other technical revenue + other technical expenses) / Net premiums earned.

⁽²⁾ (Net claims incurred + variation in other technical reserves + profit sharing and returns) / Net premiums earned.

⁽³⁾ Non-life combined ratio = Non-life expense ratio + Non-life loss ratio. The combined ratio is a key management ratio in the non-life insurance industry, this ratio measures management expenses and claims costs for a given year as a percentage of premiums for the same year. The combined ratio is equal to the sum of two other key management ratios: the expense ratio and the loss ratio. A combined ratio below 100 per cent. indicates that an insurance company is making a profit from its underwriting activities.

The above table reflects a 1.2 per cent. decrease in the combined ratio which is due to stricter underwriting, improvements in claims handling and better risk selection, mainly in "motor", "multiperil" and "commercial" lines in Spain, together with important cost containment measures.

The variations in the loss ratio as at 31 December 2016 with respect to 31 December 2015 are principally explained as follows:

- (i) Improvements in the Iberia territorial area due to the decrease in claims during the year ended 31 December 2016 as a result of more rigorous underwriting practices, improvements in claims management, and better risk selection, mainly in the automobile, multiperil and commercial lines.
- (ii) Deterioration in the Latam North regional area as a result of increased claims in motor, mass multiperil and health commercial lines in Mexico and large industrial claims in the Global Risks business unit in Central America.
- (iii) The Latam South regional area experienced a deterioration in motor, industrial risks and health commercial lines in Colombia and in motor, mass multiperil and health commercial lines in Peru, which were partially offset by the claims improvement in the insurance business in Chile.
- (iv) An increase in the Brazil regional area due to higher claims in motor insurance stemming from increased frequency linked to delinquency and theft as a result of the economic environment, as well as the effect of inflation on claims costs.
- (v) Deterioration in the EMEA regional area due to the reduction of the average premium and increased provisions in the direct business in Italy, several major industrial risks in the Global Risks business unit, negative runoffs in the Assistance business unit (especially in France), despite the improved underwriting results in Turkey.
- (vi) Improvement in the North America regional area due to a greater focus on technical management and the absence of extraordinary weather claims on the East coast of the United States.
- (vii) In the APAC regional area there were catastrophic losses for the Global Risks business unit as a result of earthquakes in Taiwan and New Zealand.
- (viii) Higher catastrophic claims at MAPFRE RE.

The variations in the expense ratio as at 31 December 2016 with respect to 31 December 2015 reflect:

- (i) In the Iberia territorial area, improvement in Spain thanks to stricter cost containment.
- (ii) A decrease in the Latam North regional area as a result of the cost savings initiatives implemented in Mexico.
- (iii) An improvement in main business lines in the Brazil regional area.
- (iv) A good performance in Turkey and Germany (EMEA regional area), partly mitigated by the integration expenses of Direct Line and reduction in the average premium in Italy.
- (v) An improvement in the North America regional area as a result of greater commissions on ceded reinsurance at MAPFRE USA.
- (vi) An impairment in the APAC regional area due to greater expenses in China.
- (vii) A slight reduction at MAPFRE RE due to timing differences in a major account.

Lastly, the Group's return on equity (which is measured by the net attributable profit for the previous four quarters as a percentage of the average of shareholders' equity at the beginning and end of twelve month period) evolved as follows during 2016:

31/12/2016	31/12/2015
8.8%	8.0%

Key consolidated financial information from the audited consolidated financial statements

The tables below show the consolidated assets, liabilities and equity of the Issuer as at 31 December 2016 and 31 December 2015:

ASSETS	31/12/2016	31/12/2015	16/15 % Variation
A) INTANGIBLE ASSETS	3,798.9	3,697.6	2.7%
I. Goodwill	1,990.0	2,068.0	-3.8%
II. Other intangible assets	1,808.9	1,629.6	11.0%
B) PROPERTY, PLANT AND EQUIPMENT	1,296.6	1,274.5	1.7%
I. Property for own use	1,003.0	943.4	6.3%
II. Other property, plant and equipment	293.6	331.1	-11.3%
C) INVESTMENTS	45,088.0	42,533.3	6.0%
I. Property investments	1,274.8	1,324.3	-3.7%
II. Financial investments			
1. Held-to-maturity portfolio	2,419.8	2,163.5	11.8%
2. Available for sale portfolio	35,102.6	34,565.6	1.6%
3. Trading portfolio	5,018.6	3,430.1	46.3%
III. Investments recorded by applying the equity method	242.6	197.3	23.0%
IV. Deposits established for accepted reinsurance	650.2	557.2	16.7%
V. Other investments	379.4	295.4	28.5%
D) INVESTMENTS ON BEHALF OF LIFE INSURANCE POLICYHOLDERS BEARING THE INVESTMENT RISK	2,014.0	1,798.9	12.0%
E) INVENTORIES	75.0	75.8	-1.0%
F) PARTICIPATION OF REINSURANCE IN TECHNICAL PROVISIONS	3,934.4	3,869.5	1.7%
G) DEFERRED TAX ASSETS	335.3	255.9	31.0%
H) RECEIVABLES	6,651.9	6,733.6	-1.2%
I. Receivables on direct insurance and co-insurance operations	4,315.1	4,231.7	2.0%
II. Receivables on reinsurance operations	876.6	1,068.1	-17.9%
III. Tax receivables			
1. Tax on profits receivable	166.2	193.7	-14.2%
2. Other tax receivables	137.6	54.4	152.8%
IV. Corporate and other receivables	1,156.4	1,185.7	-2.5%
V. Shareholders, called capital	0.0	0.0	--
I) CASH	1,451.1	989.1	46.7%
J) ACCRUAL ADJUSTMENTS	2,180.0	2,082.7	4.7%
K) OTHER ASSETS	145.5	142.8	1.9%
L) NON-CURRENT ASSETS HELD FOR SALE AND FROM DISCONTINUED OPERATIONS	911.2	35.7	2453.7%
TOTAL ASSETS	67,881.8	63,489.3	6.9%

Figures in millions of euros

EQUITY AND LIABILITIES	12/31/2016	12/31/2015	16/15 % Variation
A) EQUITY	11,443.5	10,408.3	9.9%
I. Paid-up capital	308.0	308.0	--
II. Share premium	1,506.7	1,506.7	--
III. Reserves	7,041.5	6,747.7	4.4%
IV. Interim dividend	-184.8	-184.8	--
V. Treasury Stock	-60.2	-2.4	2420.1%
VI. Result attributable to the controlling company	775.5	708.8	9.4%
VII. Other equity instruments	9.7	0.0	--
VIII. Valuation change adjustments	654.7	632.2	3.6%
IX. Currency conversion differences	-924.5	-1,142.5	-19.1%
Equity attributable to the controlling company's shareholders	9,126.5	8,573.7	6.4%
Non controlling interests	2,317.0	1,834.6	26.3%
B) SUBORDINATED LIABILITIES	594.0	594.8	-0.1%
C) TECHNICAL PROVISIONS	45,226.1	43,262.2	4.5%
I. Provisions for unearned premiums and unexpired risks	8,636.5	8,425.8	2.5%
II. Provisions for life insurance	25,664.8	25,026.3	2.6%
III. Provision for outstanding claims	10,086.8	9,037.1	11.6%
IV. Other technical provisions	838.1	773.1	8.4%
D) TECHNICAL PROVISIONS FOR LIFE INSURANCE WHERE POLICYHOLDERS BEAR THE INVESTMENT RISK	2,014.0	1,798.9	12.0%
E) PROVISIONS FOR RISKS AND EXPENSES	752.8	697.0	8.0%
F) DEPOSITS RECEIVED ON CEDED AND RETROCEDED REINSURANCE	49.4	19.9	147.7%
G) DEFERRED TAX LIABILITIES	730.7	710.5	2.8%
H) DEBT	6,141.3	5,628.9	9.1%
I. Issue of debentures and other negotiable securities	1,002.6	0.0	--
II. Due to credit institutions	606.4	1,177.7	-48.5%
III. Other financial liabilities	752.1	506.7	48.4%
IV. Due on direct insurance and co-insurance operations	953.0	862.3	10.5%
V. Due on reinsurance operations	1,045.8	1,446.7	-27.7%
VI. Tax liabilities			
1. Tax on profits to be paid	231.3	177.3	30.5%
2. Other tax liabilities	440.2	431.7	2.0%
VII. Other debts	1,109.9	1,026.4	8.1%
D) ACCRUAL ADJUSTMENTS	240.9	368.7	-34.7%
J) LIABILITIES LINKED TO NON-CURRENT ASSETS HELD FOR SALE AND FROM DISCONTINUED OPERATIONS	689.3	0.0	--
TOTAL EQUITY AND LIABILITIES	67,881.8	63,489.3	6.9%

Figures in millions of euros

The variations as at 31 December 2016 with respect to 31 December 2015 reflect mainly:

- (i) Growth in the available for sale and trading investment portfolio, due to the strengthening of fixed income and equity markets, particularly in Spain, Europe and the United States.
- (ii) Increase in financial debt and cash, due to issuance of Euro 1 billion of senior debt in May 2016, which was used to partially payback the Euro 1 billion revolving credit facility, with maturity in 2021. As at 31 December 2016, Euro 480 million of this credit facility was drawn down.
- (iii) Growth in business volumes.
- (iv) Positive evolution of currencies during 2016: Brazilian real (+25.8 per cent.) and US dollar (+3.4 per cent.).
- (v) Improved financial results for the year ended 31 December 2016 that, together with the exchange rate movements, have led to an increase in "Equity" for an amount of Euro 1,035.2 million, of which the effect in "non-controlling interests" amounts to Euro 482.4 million.
- (vi) Total assets under management amounted to Euro 58,871.6 million as at 31 December 2016, compared to Euro 54,690.8 million as at 31 December 2015, an increase of 7.6 per cent., driven by the rally in fixed income markets during the year, positive evolution of the mutual and pension

fund business, the appreciation of the Brazilian real, as well as the life business acquired by Bankinter Vida in Portugal.

	31/12/16	31/12/15	16/15 % Variation
Investment portfolio	49,556.1	46,264.7	7.1%
Mutual funds	4,631.4	3,349.9	38.3%
Pension funds	4,684.1	5,076.2	-7.7%
Total Assets under Management	58,871.6	54,690.8	7.6%

The table below shows the audited consolidated income statement of the Issuer for the years ended 31 December 2016 and 31 December 2015:

ITEM	12/31/2016	12/31/2015	16/15 % Variation
I. REVENUE FROM INSURANCE BUSINESS			
1. Premiums allocated to the financial year, net			
a) Written premiums, direct insurance	19,313.7	19,052.8	1.4%
b) Premiums from accepted reinsurance	3,499.5	3,258.9	7.4%
c) Premiums from ceded reinsurance	(3,593.9)	(3,640.9)	-1.3%
d) Variations in provisions for unearned premiums and unexpired risks			
Direct Insurance	76.2	(957.1)	-108.0%
Accepted reinsurance	(162.0)	(177.0)	-8.5%
Ceded reinsurance	(95.3)	451.5	-121.1%
2. Share in profits from equity-accounted companies	10.4	7.7	35.6%
3. Revenue from investments			
a) From operations	2,603.8	2,526.4	3.1%
b) From equity	203.8	172.9	17.9%
4. Unrealized gains on investments on behalf of life insurance policyholders bearing investment risk	145.4	177.6	-18.1%
5. Other technical revenue	52.9	44.2	19.9%
6. Other non-technical revenue	71.7	40.3	77.8%
7. Positive foreign exchange differences	706.0	870.8	-18.9%
8. Reversal of the asset impairment provision	22.0	17.2	28.3%
TOTAL REVENUE FROM INSURANCE BUSINESS	22,854.3	21,845.3	4.6%
II. INSURANCE BUSINESS EXPENSES			
1. Incurred claims for the year, net			
a) Claims paid and variation in provision for claims, net			
Direct Insurance	(12,560.5)	(12,169.3)	3.2%
Accepted reinsurance	(2,058.3)	(1,925.5)	6.9%
Ceded reinsurance	1,687.4	1,746.7	-3.4%
b) Claims-related expenses	(881.6)	(859.3)	2.6%
2. Variation in other technical provisions, net	(380.2)	(131.8)	188.6%
3. Profit sharing and returned premiums	(50.1)	(51.4)	-2.7%
4. Net operating expenses			
a) Acquisition expenses	(4,748.0)	(4,524.3)	4.9%
b) Administration expenses	(770.3)	(807.4)	-4.6%
c) Commissions and participation in reinsurance	518.4	391.8	32.3%
5. Share in losses from equity-accounted companies	0.0	0.0	--
6. Expenses from investments			
a) From operations	(571.4)	(663.2)	-13.8%
b) From equity and financial accounts	(39.1)	(40.0)	-2.2%
7. Unrealized losses on investments on behalf of life insurance policyholders bearing investment risk	(25.8)	(105.8)	-75.6%
8. Other technical expenses	(118.1)	(105.5)	11.9%
9. Other non-technical expenses	(130.6)	(112.3)	16.3%
10. Negative foreign exchanges differences	(626.5)	(806.3)	-22.3%
11. Allowance to the asset impairment provision	(121.1)	(63.6)	90.2%
TOTAL EXPENSES FROM INSURANCE BUSINESS	(20,875.7)	(20,227.2)	3.2%
RESULT FROM THE INSURANCE BUSINESS	1,978.6	1,618.1	22.3%
III. OTHER ACTIVITIES			
1. Operating revenue	361.8	417.0	-13.2%
2. Operating expenses	(498.6)	(519.1)	-3.9%
3. Net financial revenue			
a) Financial revenue	91.5	90.2	1.4%
b) Financial expenses	(84.2)	(128.9)	-34.7%
4. Results from non-controlling interests			
a) Share in profits from equity-accounted companies	1.5	4.0	-63.5%
b) Share in losses from equity-accounted companies	(0.5)	(0.0)	1500.0%
5. Reversal of asset impairment provision	8.1	22.2	-63.3%
6. Allowance to the asset impairment provision	(13.2)	(19.6)	-32.7%
7. Result from the disposal of non-current assets classified as held for sale, not included in discontinued operations	0.0	0.0	--
RESULT FROM OTHER ACTIVITIES	(133.5)	(134.1)	-0.4%
IV. RESULT ON RESTATEMENT OF FINANCIAL ACCOUNTS	(40.0)	(8.0)	402.3%
V. RESULT BEFORE TAXES FROM ONGOING OPERATIONS	1,805.1	1,476.0	22.3%
VI. TAX ON PROFIT FROM ONGOING OPERATIONS	(559.9)	(463.6)	20.8%
VII. RESULT AFTER TAX FROM ONGOING OPERATIONS	1,245.2	1,012.4	23.0%
VIII. RESULT AFTER TAX FROM DISCONTINUED OPERATIONS	0.0	186.5	-100.0%
IX. RESULT FOR THE FINANCIAL YEAR	1,245.2	1,198.9	3.9%
1. Attributable to non-controlling interests	469.7	490.2	-4.2%
2. Attributable to the controlling company	775.5	708.8	9.4%

Figures in millions of euros

The variation in net profit for the year ended 31 December 2016 compared to 31 December 2015 reflects:

- (i) A significant increase in the pre-tax earnings, primarily due to:
 - (a) Growth in business volumes and an improvement in the underwriting result.
 - (b) An increased financial income, including a gain from the partial sale of the MAPFRE tower in Barcelona (in December 2016 a 65.90 per cent. of the MAPFRE tower in Barcelona was sold to Fundación MAPFRE for a price of Euro 175 million, this sale represented a pre-tax gain of Euro 117 million).
- (ii) A conservative exercise of impairment and write-off of goodwill and other intangibles from Italy and Spain, aligning long term assumptions with changes in market conditions, with a gross impact of Euro 53.9 million on pre-tax earnings.
- (iii) The absence of discontinued operations in 2016. In 2015 there was a Euro 186.5 million net contribution to results from the sale of CatalunyaCaixa's business.
- (iv) A relatively stable effective tax rate compared to the year ended 31 December 2015.
- (v) Earnings attributable to minority shareholders grew less than the pre-tax earnings as a consequence of a reduction in the profit of the bancassurance business in Brazil.

The tables below show the breakdown of consolidated revenues for the years ended 31 December 2016 and 31 December 2015:

ITEM	31/12/2016	31/12/2015	16/15%
	(million Euro)		Variation
Written and accepted premiums.....	22,813.2	22,311.8	2.2%
Financial and other income.....	4,278.9	4,390.4	-2.5%
Consolidated income.....	27,092.1	26,702.2	1.5%

The increase in gross written and accepted premiums reflects:

- (i) Growth in Spain, with an increase in production in Non-Life and Life lines of business.
- (ii) Solid performance of the reinsurance business.
- (iii) Full year consolidation of the direct insurance businesses in Italy and Germany.
- (iv) The impact of currency movements in LATAM, mainly the Argentinian peso and the Brazilian Real.

The reduction in financial and other income reflects:

- (i) Lower foreign exchange differences reflecting the change in the value of the US dollar.
- (ii) The impairment of goodwill and other intangibles from Italy and Spain.
- (iii) Higher realisation gains in Spain, mainly due to the partial sale of the MAPFRE tower in Barcelona.

The table below shows the breakdown of the funds managed by the Issuer in life insurance and savings products as at 31 December 2016 and 31 December 2015:

ITEM	31/12/2016	31/12/2015	16/15%
	(million Euro)		Variation
Life Insurance technical reserves ⁽¹⁾	29,172.7	28,104.7	3.8%
Pension funds	4,684.1	5,076.2	-7.7%
Mutual funds and managed portfolios	4,631.4	3,349.9	38.3%
TOTAL	38,488.3	36,530.8	5.4%

(1) Includes all the technical reserves from Life Insurance subsidiaries and the Life Insurance reserves from multi-line insurance companies.

The table below shows the breakdown of the book value of the investments and liquid assets of the Issuer as at 31 December 2016 and as at 31 December 2015:

ITEM	12/31/2016	% over total	12/31/2015	% over total
	(million Euro)			
Risk free investments	3,465.1	7.0%	2,788.0	6.0%
Cash	1,451.1	2.9%	989.1	2.1%
Investments on behalf of life insurance policyholders bearing the investment risk	2,014.0	4.1%	1,798.9	3.9%
Real Estate	2,277.8	4.6%	2,267.7	4.9%
Property for own use	1,003.0	2.0%	943.4	2.0%
Property investments	1,274.8	2.6%	1,324.3	2.9%
Financial investment	42,541.0	85.9%	40,159.2	86.8%
Shares	1,665.3	3.4%	1,473.2	3.2%
Fixed income	38,399.8	77.5%	36,821.2	79.6%
Mutual funds	1,574.4	3.2%	1,284.2	2.8%
Other financial investment	901.5	1.8%	580.6	1.3%
Other investment	1,272.2	2.5%	1,049.8	2.3%
Investments recorded by applying the equity method	242.6	0.5%	197.3	0.4%
Deposits established for accepted reinsurance	650.2	1.3%	557.2	1.2%
Other investments	379.4	0.7%	295.3	0.6%
GENERAL TOTAL	49,556.1	100.0%	46,264.7	100.0%

The variations in the investment portfolio as at 31 December 2016 compared to the year ended 31 December 2015, reflect:

- (i) Stronger financial market performance, especially in Spain, Europe and the United States, which led to an increase in the value of the fixed income and equity portfolios during 2016.
- (ii) An increase in cash as a result of the issuance of Euro 1 billion of senior debt in May 2016.
- (iii) An appreciation of the Brazilian real during the year, and to a lesser extent of the US dollar.

The table below shows the breakdown of the Issuer's portfolio of fixed income securities and cash as at 31 December 2016 and 31 December 2015:

CREDIT RATING	BOOK VALUE							
	HELD-TO-MATURITY PORTIFOLIO		AVAILABLE FOR SALE PORTIFOLIO		TRADING PORTIFOLIO		CASH	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Maximum	1,071.6	397.3	1,610.2	1,411.5	429.0	427.7	102.8	33.4
Very high	970.9	665.6	4,246.8	3,572.5	1,880.6	150.6	68.0	98.0
High	167.3	27.6	3,990.6	4,707.0	728.7	224.5	460.0	244.6
Adequate	85.0	948.2	21,760.4	21,524.5	476.9	1,437.6	298.4	230.0
Weak	25.8	18.0	999.6	1,051.3	35.6	70.4	403.0	314.2
Not available	82.6	57.8	34.8	69.0	154.5	60.1	118.9	69.0
TOTAL	2,403.3	2,114.5	32,642.4	32,335.8	3,705.2	2,371.0	1,451.1	989.1

Figures in million Euros

(*) 2016 figures include hybrid securities and deposits.

The table below shows the breakdown of the Issuer's financing structure, together with its leverage ratio, as at 31 December 2016 and 31 December 2015:

	31.12.2016	31.12.2015
Total equity	11,443.5	10,408.3
Total debt	2,202.9	1,772.5
-of which: senior debt	1,002.5	0.0
-of which: subordinated debt	594.0	594.8
-of which: bank debt	606.4	1,177.7
Earnings before tax	1,805.1	1,476.0
Financial expenses	64.1	107.3
Earnings before tax & financial expenses (EBIT)	1,869.2	1,583.4
Leverage	16.1%	14.6%
Equity/ Debt	5.19	5.87
Interest coverage (EBIT / financial expenses) (x)	29.2	14.8

Financial expenses in the table above are those financing expenses related to financing (amounting to Euro 64.1 million as at 31 December 2016 and to Euro 107.3 million as at 31 December 2015). Financial expenses in the table above do not include expenses from investments and other property, plant and equipment, which are included in total financial expenses of "Other Activities".

"Other financial liabilities" include the outstanding amount for financial obligations not included in any other items. The following table shows the breakdown of "Other financial liabilities" as at 31 December 2016 and 2015:

Other financial liabilities	31/12/2016	31/12/2015
Financial liabilities held for trading	264,02	315,04
Other financial liabilities measured at fair value with changes in P&L	431,37	0,84
Hedging derivatives	--	--
Derivatives for asset operations (equity swap)	7,82	8,08
CARTERA MAPFRE Credit	--	140,00
Other financial liabilities	48,88	42,76
TOTAL	752,09	506,72

Figures in millions of Euros

The latest available figures for the in-force and embedded value of MAPFRE Vida Sociedad Anónima de Seguros y Reaseguros sobre la Vida Humana and its controlled companies are shown in the table below:

	12/31/2015	12/31/2014	Var.
Value of In-force Business (VIF)⁽¹⁾	1,822.7	1,811.2	0.6%
European Embedded Value (EEV)⁽¹⁾	3,434.6	3,219.2	6.7%
Attributable to the Parent Company	2,610.5	2,178.8	19.8%
Attributable to Minority Interests	824.1	1,040.4	-20.8%
Return on Embedded Value (RoEV)	7.8%	12.7%	-4.9 p.p.
Present Value of New Business Income (PVNBI)⁽¹⁾	3,769.5	4,523.4	-16.7%
Value added by new business⁽¹⁾	142.2	182.3	-22.0%
New business margin	3.8%	4.0%	-0.2 p.p.

Figures in millions of Euro.

(1) No adjustments made for the share minority interests.

Capital Requirements

Solvency II capital framework

Directive 2009/138/EC of the European Parliament and of the Council of the European Union of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance (as amended, including by Directive 2014/51/EU —the Omnibus II Directive) sets up a new harmonised framework for the regulation and supervision of insurance and reinsurance undertakings in the European Union including prudential capital requirements ("**Solvency II Directive**").

The Solvency II Directive, which had to be implemented by 1 January 2016, introduced an economic risk-based capital requirements system across all Member States promoting comparability, transparency and competitiveness in the insurance sector in the European Union. The Solvency II Directive has been implemented in Spain through LOSSEAR and ROSSEAR.

As the Solvency II Directive is a framework directive it also laid out numerous requirements for the Commission to adopt delegated acts, and for the European Insurance and Occupation Pensions Authority ("**EIOPA**") to draft Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS) in relation to matters including, amongst other, ancillary own funds, matching adjustment, special purpose vehicles, internal models, and joint decision on group internal models. EIOPA has also published accompanying guidelines.

The Commission Delegated Regulation (EU) No. 2015/35 supplementing the Solvency II Directive ("**Solvency II Delegated Regulation**") is of particular relevance. The Solvency II Delegated Regulation aims to set out more detailed requirements for individual insurance undertakings as well as for groups, based on the provisions set out in the Solvency II Directive. It covers, among other things:

- (i) assets and liabilities valuation, including the so-called "long-term guarantee measures" which were introduced to smooth out artificial volatility and ensure that insurers can continue to provide long-term protection at an affordable price;
- (ii) rules for the eligibility of insurers' own fund items, covering capital requirements to improve the risk sensitivity of the regime and allow timely supervisory intervention;
- (iii) the methodology and calibration of the Minimum Capital Requirement ("**MCR**") and of the standard formula for the calculation of the Solvency Capital Requirement ("**SCR**"); this includes the calibration of market risks on insurers' investments;
- (iv) for undertakings applying to use an internal model to calculate their SCR, the implementing rules also specify standards that must be met as a condition for authorisation;
- (v) reporting and disclosure requirements, both to supervisors and to the public; the increased comparability and harmonisation of information is intended to improve the efficiency of supervision and foster market discipline;

- (vi) rules related to insurance groups, such as the methods for calculating the group solvency capital requirement, the operation of branches and coordination within supervisory colleges, among others.

For purposes of this section the Solvency II Directive, the Solvency II Delegated Regulation, and any further implementing and interpretative measures both at EU and Member States' level shall be referred as "**Solvency II**".

The three "pillars"

Solvency II is divided into three "pillars":

- (i) "Pillar 1" sets out quantitative requirements, including the rules to value assets and liabilities (in particular, technical provisions), to calculate capital requirements and to identify eligible own fund to cover those requirements.
- (ii) "Pillar 2" sets out requirements for risk management, governance, as well as the details of the supervisory process with competent authorities; this is intended to ensure that the regulatory framework is combined with each undertaking's own risk-management system and informs business decisions.
- (iii) "Pillar 3" addresses transparency, reporting to supervisory authorities and disclosure to the public, thereby enhancing market discipline and increasing comparability, intending to lead to more competition.

Capital Requirements

Capital requirements under Solvency II are forward-looking and economic (i.e., they are tailored to the specific risks borne by each issuer), and are defined along a two-step ladder:

- (i) The SCR, which corresponds to the value-at-risk of the eligible basic own funds of an insurance or reinsurance undertaking subject to a confidence level of 99.5 per cent. over a one-year period. The SCR is a level of financial resources that enables insurance and reinsurance undertakings to absorb significant losses, it can be considered as the prudent amount of assets to be held in excess of liabilities and it is an early warning mechanism if breached.

The SCR is to be calculated at least once a year, monitored on a continuous basis, and recalculated as soon as the risk profile of the undertaking deviates significantly, and is calculated using either a standard formula or, with regulatory approval, an internal model. If the level of eligible own funds is not sufficient to cover the SCR, the supervisory authority may require the insurance or reinsurance undertaking to take appropriate measures to restore the level of capital (e.g. raising own funds through capital increase or reduction of risk profile through sale of riskier assets).

- (ii) The MCR, which corresponds to an amount of eligible basic own funds below which policy holders and beneficiaries would be exposed to an unacceptable level of risk if the insurance and reinsurance undertakings were allowed to continue their operations. The MCR is a lower, minimum level of eligible basic own funds below which the amount of insurance and reinsurance undertakings' financial resources should not fall, otherwise supervisory authorities may withdraw authorisation (if those undertakings are unable to re-establish the amount of eligible basic own funds at the level of the MCR within a short period of time).

The MCR is calculated as a linear function of specified variables (calibrated to the value-at-risk of the basic own funds of an insurance or reinsurance undertaking subject to a confidence level of 85 per cent. over a one-year period), it cannot fall below 25 per cent., or exceed 45 per cent., of an insurance and reinsurance undertaking's SCR and it is subject to an absolute floor (as provided for in Article 78.3 of LOSSEAR).

For the purposes of Solvency II, own funds of insurance and reinsurance undertakings are divided into three Tiers (1-3), reflecting permanence and the ability to absorb losses. The list of own funds and the features determining their classification as such are contained in the Solvency II Delegated Regulation.

Own Risk and Solvency Assessment

Insurance and reinsurance undertakings are required to regularly conduct an Own Risk and Solvency Assessment ("ORSA") through which they review their overall solvency needs, risk tolerance limits, business strategy, compliance with capital requirements and the significance with which the risk profile of the undertaking concerned deviates from the assumptions underlying the SCR. The ORSA is also a supervisory tool for the supervisory authorities, which must be informed about its results. The ORSA does not require an undertaking to develop or apply a full or partial internal model. However, if the undertaking already uses an approved full or partial internal model for the calculation of the SCR, the output of the model should be used in the ORSA.

Insurance and reinsurance undertakings in difficulty or in an irregular situation

Spanish Insurance and reinsurance undertakings shall immediately inform the General Directorate of Insurance and Pension Funds (*Dirección General de Seguros y Fondos de Pensiones*) ("**DGSFP**") as soon as they observe that the SCR is no longer complied with, or where there is a risk of non-compliance in the following three months.

Within two months from the observation of non-compliance with the SCR (or the risk of non-compliance in the following three months), the relevant insurance or reinsurance undertaking shall submit a recovery plan for approval by the DGSFP. The DGSFP shall require the relevant insurance or reinsurance undertaking to take the necessary measures to achieve, within six months from the observation of non-compliance with the SCR (or the risk of non-compliance), the re-establishment of the level of eligible own funds covering the SCR or the reduction of its risk profile to ensure compliance with the SCR. The DGSFP may, if appropriate, extend that period by three months.

Within one month from the observation of non-compliance with the MCR (or the risk of non-compliance in the following three months), the relevant insurance or reinsurance undertaking shall submit, for approval by the DGSFP, a short-term realistic finance scheme to restore, within three months of that observation, the eligible basic own funds, at least to the level of the MCR or to reduce its risk profile to ensure compliance with the MCR.

In addition to the above, the DGSFP has the power to take special control measures over the insurance or reinsurance undertaking.

Issuers' position

The Issuer's consolidated solvency margin (Solvency I) stood at 255.2 per cent. as at 31 December 2015, and 259.0 per cent. as at 31 December 2014. The breakdown of its components is shown in the table below:

CONCEPT	31/12/2015	31/12/2014
Paid up capital	308.0	308.0
Equity reserves of the consolidated group	7,486.8	7,036.4
Credit balance of the consolidated profit and loss account	339.3	475.6
Minority interests	900.2	1,198.3
Subordinated liabilities	594.8	595.6
Capital gains:		
- Physical investments	526.8	510.4
- Financial investments	279.6	173.2
Net discounted fees technically pending amortization	78.6	84.7
TOTAL POSITIVE ITEMS	10,514.0	10,382.2
Capital losses:		
- Physical investments	(33.7)	(32.8)
- Financial investments	--	--
Negative valuation change adjustments	(655.2)	--
TOTAL NEGATIVE ITEMS	(688.9)	(32.8)
Solvency margin	9,825.2	10,349.4
Minimum solvency margin legally required	3,850.4	3,996.4
SOLVENCY MARGIN RESULT	5,974.8	6,353.0

Figures in millions of euros

The Issuer's consolidated solvency margin (Solvency I) is no longer a regulatory measure and is only provided in order to give context to the Issuer's consolidated regulatory capital position on its entry into the Solvency II.

As of 1 January 2016, the eligible own funds to meet the Issuer's consolidated SCR were Euro 8,530.30 million, and the Issuer's consolidated SCR was Euro 4,311.03 million. Thus the resulting SCR coverage ratio⁶ ("**Solvency Ratio**") is 198 per cent., which is almost double that required under Solvency II.

The Solvency Ratio was calculated:

- (i) Applying the Standard Formula.
- (ii) Excluding 14 insurance undertakings of immaterial size from the consolidation group for these purposes, said exclusion was approved by the supervisory authority of the DGSFP.
- (iii) Applying the equivalence regime in relation to insurance undertakings for the United States of America, Brazil, and Mexico:
 - (a) In Brazil, the local solvency ratio was used (which is defined as "Adjusted liquid equity" ("PLA" from "Patrimônio líquido ajustado" in Portuguese) divided by the "Minimum Capital Requirement").
 - (b) In Mexico, a local solvency ratio was used (which is defined as "Eligible Own Funds" divided by "Minimum Capital Requirement").
 - (c) In the United States of America, a local solvency ratio was used (which is defined as "Total Adjusted Capital" ("TAC") divided by 300 per cent. of the "Company Action Level" ("CAL")).
- (iv) Applying the following adjustments and transitional measures:
 - (a) The use of transitional measures for Technical Provisions established in Article 308.5 of the Solvency II Directive. This use was approved by the DGSFP, in accordance with regulation requirements. This transitional measure will be progressively eliminated over the next 16 years.
 - (b) Transitional measures for Own Funds as established in Article 308.3 of the Solvency II Directive. This transitional measure will be progressively eliminated over the next seven years.
 - (c) Transitional measures for assets in non-Euro currencies, as established in Article 308.3 of the Solvency II Directive. This transitional measure does not have a significant impact.
 - (d) Matching adjustment. This adjustment does not have a significant impact in a low spread environment.
 - (e) Volatility adjustment. This adjustment does not have a significant impact in a low spread environment.

In order to obtain an approximation of the SCR coverage ratio evolution in 2016, eligible own funds were updated on a quarterly basis. The following chart shows the evolution over the first three quarters of 2016 (latest available data). The regulations in force does not require the coverage ratio consolidated as at 31 December 2016 to be published until July 2017 and this information is not yet available to the Issuer.

	01/01/2016	31/03/2016	31/06/2016	30/09/2016
Eligible own funds to meet the SCR	8,530.30	8,635.43	8,502.41	8,627.31
SCR	4,311.03	4,311.03	4,311.03	4,311.03
Solvency ratio	198%	200%	197%	200%

Figures in millions of Euro.

⁶ Solvency Ratio = eligible own funds / SCR.

As at 30 September 2016, the impacts of the transitional measures and adjustments applied for calculation of the ratio are:

	30/09/2016	Variation in percentage points ^(*)
Solvency Ratio	200%	
Solvency Ratio excluding transitionals for technical provisions	182%	-18 p.p.
Solvency Ratio excluding equity transitionals	176%	- 6 p.p.
Solvency Ratio excluding transitionals for assets in non-euro currencies	176%	0 p.p.
Solvency Ratio excluding matching adjustment	177%	+1 p.p.
Solvency Ratio excluding volatility adjustment	176%	-1 p.p.

(*) This variation indicates the impact of the different transitional measures and adjustments on the Solvency Ratio as at 30 September 2016.

The following table shows the breakdown of the SCR by risk category as at 1 January 2016:

Market	2,227
(+) Counterparty	780
(+) Underwriting	3,009
(+) Diversification benefits	-1,934
(=) BSCR	4,082
(+) Further Adjustments*	229
(=) Total SCR	4,311

With regards to the quality of eligible own funds to cover the SCR, they consist of 93 per cent. Tier 1 unrestricted capital, which indicates that those own funds have a higher quality on loss-absorption. The chart below shows the composition of these own funds:

	01/01/2016	30/09/2016
Total eligible own funds to meet the SCR	8,530.30	8,627
of which Tier 1 unrestricted	7,911.66	8,021
of which Tier 2	618.64	606

Figures in millions of Euro.

Alternative Performance Measures

This Prospectus (and documents incorporated by reference to this Prospectus) contains metrics that constitute Alternative Performance Measures ("APMs") as defined in the European Securities and Markets Authority Guidelines introduced on 3 July 2016 and published on 5 October 2015 (the "APM Guidelines"). The Issuer considers that these metrics provide useful information for investors, securities analysts and other interested parties in order to better understand the underlying business, the financial position, cash flows and the results of operations of the Group.

These APMs are not audited, reviewed or subject to a pro forma review by the Issuer auditors and are not measures required, or presented in accordance with, IFRS-EU. Accordingly, these APMs should not be considered alternatives to the information contained in the consolidated financial statements of the Issuer

or to any performance measures prepared in accordance with IFRS-EU. Accordingly, investors are cautioned not to place undue reliance on these APMs.

Furthermore, these APMs, as used by the Issuer, may not be comparable to other similar titled measures used by other companies. In addition, these measures are not comparable to similarly titled measures contained in the notes to the Issuer's audited consolidated financial statements. Investors should not consider such APMs in isolation, as alternative to the information calculated in accordance with IFRS-EU, as indications of operating performance or as measures of the Issuer's profitability or liquidity. Such APMs must be considered only in addition to, and not as a substitute for, or superior to, financial information prepared in accordance with IFRS-EU and investors are advised to review these APMs in conjunction with the consolidated financial statements of the Issuer contained in this Prospectus.

The Issuer believes that the description of the APMs in this Prospectus follows and complies with the APM Guidelines.

The APMs used in this Prospectus (and documents incorporated by reference to this Prospectus) are defined below:

		31/12/2016	31/12/2015
Income /Total Income /Consolidated Income	Premiums (1) + Financial income (2) + Income from non-insurance companies and other (3)	27,092.1	26,702.2
<i>(1) Premiums / Written and accepted premiums / Consolidated premiums</i>	Written premiums, direct insurance + premiums from accepted reinsurance	22,813.2	22,311.8
	Written premiums, direct insurance	19,313.7	19,052.8
	premiums from accepted reinsurance	3,499.5	3,258.9
<i>(2) Financial income</i>	Revenue from investments + Share in profits from equity-accounted companies (from the insurance business and other activities) + Unrealized gains on investments on behalf of policyholders bearing investment risk + Positive foreign exchange differences + Financial income (from other activities)	3,762.3	3,849.6
	Revenue from investments	2,807.6	2,699.3
	Share in profits from equity-accounted companies (from the insurance business and other activities)	11.9	11.7
	Unrealized gains on investments on behalf of policyholders bearing investment risk	145.4	177.6
	Positive foreign exchange differences	706.0	870.8
	Financial income (from other activities)	91.4	90.2
<i>(3) Income from non-insurance companies and other</i>	Operating revenues from Other Activities + Reversal of the asset impairment provision from insurance business + Reversal of the asset impairment provision from Other Activities + Other technical revenues + Other non-technical revenues	516.6	540.8
	Operating revenues from Other Activities	361.8	417.0
	Reversal of the asset impairment provision from insurance business	8.1	22.2
	Reversal of the asset impairment provision from Other Activities	22.0	17.1
	Other technical revenues	52.9	44.2
	Other non-technical revenues	71.7	40.3

(Other activities) Net financial income and other	Net financial income + Results from non-controlling interests + Reversal of the asset impairment provision + Allowance to the asset impairment provision + Result from the disposal of non-current assets classified as held for sale, not included in discontinued operations	3.2	-32.1
	Net financial income	7.3	-38.7
	Results from non-controlling interests	1.0	4.0
	Reversal of the asset impairment provision	8.1	22.2
	Allowance to the asset impairment provision	-13.2	-19.6
	Result from the disposal of non-current assets classified as held for sale, not included in discontinued operations	---	---
Premiums earned net of ceded and retroceded reinsurance	Premiums allocated to the financial year, net	19,038.2	17,988.3
	Written premiums, direct insurance	19,313.69	19,052.82
	Premiums from accepted reinsurance	3,499.48	3,258.94
	Premiums from ceded reinsurance	-3,593.86	-3,640.86
	Variations in provisions for unearned premiums and unexpired risks in direct insurance	76.19	-957.10
	Variations in provisions for unearned premiums and unexpired risks in accepted reinsurance	-162.00	-177.02
	Variations in provisions for unearned premiums and unexpired risks in ceded reinsurance	-95.29	451.51
Net claims incurred and variation in other technical provision	Claims for the period net + Variation in other technical provision net + Profit sharing and return premiums	-14,243.2	-13,390.5
	Claims for the period net	-13,813.0	-13,207.3
	Variation in other technical provision net	-380.2	-131.8
	Profit sharing and return premiums	-50.1	-51.4
Operating expenses net of reinsurance	Net operating expenses	-4,999.9	-4,939.9
	Acquisition expenses	-4,748.03	-4,524.30
	Administration expenses	-770.33	-807.41
	Commissions and participation in reinsurance	518.39	391.76

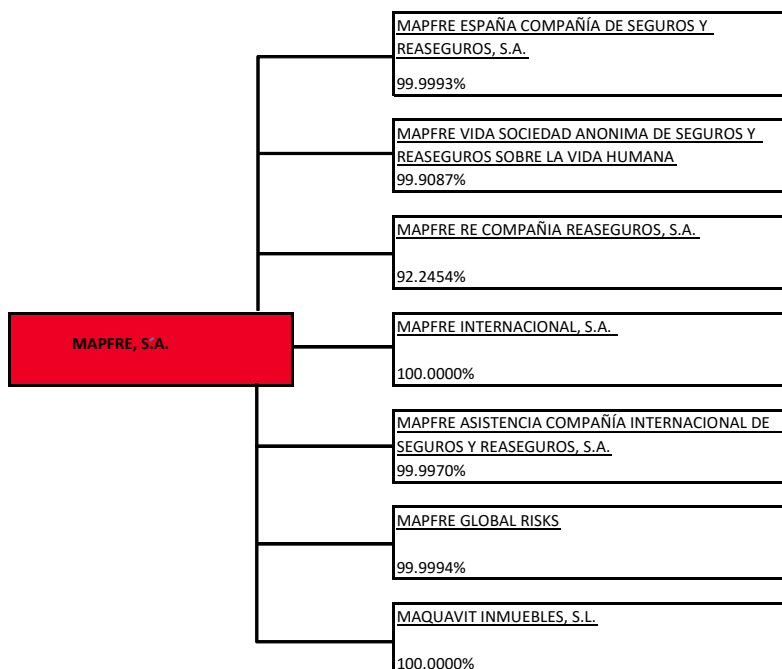
Other technical revenue and expenses	Other technical revenues + Other technical expenses	-65.2	-61.3
	Other technical revenues	52.9	44.2
	Other technical expenses	-118.1	-105.5
Non-Life Technical result	(Premiums earned, net of ceded and retroceded reinsurance + Other technical revenue) – (Net claims incurred and variation in other technical provisions + Operating expenses, net of reinsurance + Other technical expenses)	370.5	187.2
	Premiums earned, net of ceded and retroceded reinsurance	14,158.7	13,601.4
	Net claims incurred and variation in other technical provisions	-9,911.3	-9,527.4
	Operating expenses, net of reinsurance	-3,836.5	-3,838.7
	Other technical revenue and expenses	-40.4	-48.2
Non-Life Expense ratio	(Operating expenses, net of reinsurance – other technical revenue + other technical expenses) / Premiums earned, net of ceded and retroceded reinsurance	27.4%	28.6%
	Operating expenses, net of reinsurance	-3,836.5	-3,838.7
	Other technical revenue and expenses	-40.4	-48.2
	Premiums earned, net of ceded and retroceded reinsurance	14,158.7	13,601.4
Non-Life Loss ratio	(Incurred claims for the year, net + Variation in other technical provisions, net + Profit sharing and returned premiums) / Premiums earned, net of ceded and retroceded reinsurance	70.0%	70.0%
	Net claims incurred and variation in other technical provisions	-9,911.3	-9,527.4
	Premiums earned, net of ceded and retroceded reinsurance	14,158.7	13,601.4
Non-Life Combined ratio	Non-Life Expense ratio + Non-Life Loss ratio	97.4%	98.6%

ROE (return on equity)	(Attributable result (see definition) for the last twelve months) / Arithmetic mean of equity attributable to the controlling company (see definition) at the beginning and closing of the period (twelve months)) x 100	8.8%	8.0%
	Attributable result	775.5	708.8
	Arithmetic mean of equity attributable to the controlling company	8,850.1	8,863.2
Interest coverage	(Results before tax and before financial expenses) / Financial expenses	29.2	14.8
	Results before tax and before financial expenses	1,869.2	1,583.4
	Financial expenses	64.1	107.3
Leverage	Total debt / (Equity + Total debt)	16.1%	14.6%
	Total debt	2,202.9	1,772.5
	Equity + Total debt	13,646.4	12,180.8
Managed savings	Technical provisions from life insurance + Pension funds + Mutual funds	38,488.3	36,530.8
	Technical provisions from life insurance	29,172.7	28,104.7
	Pension funds	4,684.1	5,076.2
	Mutual funds	4,631.4	3,349.9
Modified duration	Asset value sensitivity to interest rate changes, representing an approximate value of the percentage variation of financial assets for each percentage point (100 basis points) change in interest rates	7.0	7.1
Assets under management	Investment portfolio + Pension funds + Mutual and other funds	58,872.6	54,690.8
	Investment portfolio	49,556.1	46,264.7
	Pension funds	4,684.1	5,076.2
	Mutual and other funds	4,631.4	3,349.9

Figures (that are not percentages) in million Euro.

Organisational Structure

The Issuer is the holding company of a consolidated insurance group of companies, whose main structure as at the date of this Prospectus is represented in the chart below (percentage of direct and indirect participation):



Management of MAPFRE

Board of Directors

The table below sets out the names of the members of the Board of Directors of the Issuer as at the date of this Prospectus, the respective dates of their appointment, their positions within the Issuer and their membership type:

Last appointed	Name	Title	Type
14/03/2014	Mr. Antonio Huertas Mejías	Chairman	Executive
13/03/2015	Mr. Antonio Núñez Tovar	1 st Vice Chairman	Executive
14/03/2014	Ms. Catalina Miñarro Brugarolas	2 nd Vice Chairman	Independent ⁽²⁾
11/03/2016	Mr. Ignacio Baeza Gómez	3 rd Vice Chairman	Executive
10/03/2017	Ms. Adriana Casademont i Ruhí	Member	Independent
11/03/2016	Mr. José Antonio Colomer Guiu	Member	Independent
13/03/2015	Mr. Georg Daschner	Member	Independent
10/03/2017	Ms. Ana Isabel Fernández Álvarez	Member	Independent
11/03/2016	Ms. Maria Letícia de Freitas Costa	Member	Independent
13/03/2015	Mr. Luis Hernando de Larramendi Martínez	Member	Shareholder appointed ⁽¹⁾
10/03/2017	Mr. Francisco José Marco Orenes	Member	Executive
14/03/2014	Mr. Rafael Márquez Osorio	Member	Shareholder appointed ⁽¹⁾
10/03/2017	Mr. Fernando Mata Verdejo	Member	Executive
13/03/2015	Mr. Antonio Miguel-Romero de Olano	Member	Shareholder appointed ⁽¹⁾
13/03/2015	Mr. Alfonso Rebuelta Badías	Member	Shareholder appointed ⁽¹⁾
21/12/2010	Mr. Ángel Luis Dávila Bermejo	Secretary non-member	-

⁽¹⁾ Shareholder appointed by Cartera MAPFRE.

⁽²⁾ Coordinating Director.

The business address of all the directors is the corporate address of the Issuer: Majadahonda (Madrid), Spain, at Carretera de Pozuelo, 52 (28222).

The Board of Directors of the Issuer is currently composed of 15 members, Article 14 of the Bylaws of the Issuer establishes that the number of Directors shall be between five and 20.

In 2016 nine meetings of the Board of Directors of the Issuer have been held.

As at the date of this Prospectus, there are no conflicts of interest between the duties of the persons listed above to the Issuer and their private interests or other duties.

The table below sets out the names of those members of the Board of Directors of the Issuer with significant activities outside the Issuer as at the date of this Prospectus.

Name	Company	Position
Mr. Antonio Huertas Mejías.....	Cartera MAPFRE, S.L.U.	Chairman
	MAPFRE Internacional, S.A.	Chairman
Mr. Antonio Núñez Tovar	Cartera MAPFRE, S.L.U.	Member
	MAPFRE Vida, S.A. de Seguros y Reaseguros sobre la Vida	Chairman
	MAPFRE Inmuebles, S.G.A., S.A.	Sole Administrator
	MAPFRE España, Compañía de Seguros y Reaseguros, S.A.	Chairman
Ms. Catalina Miñarro Brugarolas	MAPFRE España, Compañía de Seguros y Reaseguros, S.A.	Member
	ACS, Actividades de Construcción y Servicios, S.A.	Member
Mr. Ignacio Baeza Gómez.....	Cartera MAPFRE, S.L.U.	Member
	MAPFRE Global Risks, Compañía Internacional de Seguros y Reaseguros, S.A.	Chairman
	MAPFRE Asistencia, Compañía Internacional de Seguros y Reaseguros, S.A.	Chairman
	MAPFRE Internacional, S.A.	Member
Ms. Adriana Casademont i Ruhí.....	MAPFRE Asistencia, Compañía Internacional de Seguros y Reaseguros, S.A.	Member
	Casademont, S.A.	Chairman
Mr. José Antonio Colomer Guiu	MAPFRE España, Compañía de Seguros y Reaseguros, S.A.	Member
	Adopem, S.A.	Chairman
	Micorserfin, S.A.	Chairman
Ms. Ana Isabel Fernández Álvarez	MAPFRE Global Risks, Compañía Internacional de Seguros y Reaseguros, S.A.	Member
	MAPFRE Asistencia, Compañía Internacional de Seguros y Reaseguros, S.A.	Member
Ms. Maria Letícia Freitas Costa	BB MAPFRE SH2 Participações, S.A.	Member
	Martins, S.A.	Member
	RBS Mídia, S.A.	Member
	Localiza Rent a Car, S.A.	Member
Mr. Luis Hernando de Larramendi Martínez	Technip, S.A.	Member
	MAPFRE Vida, S.A. de Seguros y Reaseguros sobre la Vida	2 nd Vice Chairman
	MAPFRE España, Compañía de Seguros y Reaseguros, S.A.	2 nd Vice Chairman
	MAPFRE Internacional, S.A.	Member

Name	Company	Position
	Elzaburu, S.L.P.	Member
Mr. Francisco José Marco Orenes ..	Funespaña, S.A. MAPFRE Internacional, S.A.	Chairman Member
Mr. Rafael Márquez Osorio.....	MAPFRE Internacional, S.A.	Member
Mr. Fernando Mata Verdejo	Cartera MAPFRE, S.L.U. MAPFRE España, Compañía de Seguros y Reaseguros, S.A. MAPFRE Internacional, S.A. MAPFRE Vida, S.A. de Seguros y Reaseguros sobre la Vida	Member Member Member Member
Mr. Antonio Miguel-Romero de Olano	MAPFRE Asistencia, Compañía Internacional de Seguros y Reaseguros, S.A. MAPFRE España, Compañía de Seguros y Reaseguros, S.A.	Vice Chairman Member
Mr. Alfonso Rebuelta Badías	MAPFRE Global Risks, Compañía Internacional de Seguros y Reaseguros, S.A. MAPFRE Internacional, S.A.	Vice Chairman Member

Steering Committee

The Steering Committee is the delegated body of the Board of Directors for the high-level permanent administration and supervision of the ordinary management of the Issuer and its subsidiaries in strategic and operational aspects, and for the adoption of decisions that may be necessary for the proper functioning thereof, all of which are in accordance with the powers that the Board of Directors may delegate to it at any given time.

It shall be composed of a maximum of ten members, all of whom shall sit on the Board of Directors. Its Chairman, First and Second Vice Chairman, and Secretary shall be *ex officio* those who hold the same office on the Board of Directors. The appointment of its members shall require the votes in favour of two thirds of the members of the Board of Directors.

As at the date of this Prospectus, the Steering Committee is composed of the following eight directors:

Name	Position
Mr. Antonio Huertas Mejías.....	Chairman
Mr. Antonio Núñez Tovar	1 nd Vice Chairman
Ms. Catalina Miñarro Brugarolas	2 nd Vice Chairman
Mr. Ignacio Baeza Gómez.....	Member
Mr. Georg Daschner	Member
Mr. Luis Hernando de Larramendi Martínez.....	Member
Mr. Rafael Márquez Osorio.....	Member
Mr. Antonio Miguel-Romero de Olano	Member
Mr. Ángel Luis Dávila Bermejo	Secretary non-member

In 2016 six meetings of the Steering Committee of the Issuer have been held.

Audit Sub-Committee

The Audit Sub-Committee is a delegated body of the Board of Directors with the responsibilities set out in Article 22 of the Bylaws (*estatutos*) of the Issuer including, among others: (i) to oversee the effectiveness of the Issuer's internal control, internal audit and risk management systems, as well as to discuss with the external auditor any significant weaknesses detected in the internal control system in the course of an audit;

(ii) to supervise the preparation and reporting of regulated financial information and submit recommendations or proposals to the Board of Directors, aimed at guaranteeing its integrity; (iii) to submit proposals to the Board of Directors, for subsequent approval by the Annual General Meeting, for the selection, appointment, re-election and replacement of the external auditor, taking responsibility for the selection process in accordance with applicable laws, as well as with regard to its contractual conditions, and regularly receive information from the external auditor regarding the audit plan and its execution, while preserving its independence in the exercise of its duties; (iv) to draw up an annual report, before the accounts audit report is issued, delivering an opinion on the independence of the external auditor; and (v) to ensure the independence and effectiveness of the internal audit function; to propose the selection, appointment, re-election and dismissal of the person responsible for said function, as well as its annual budget; to receive periodical information on its activities, and to verify that the senior management takes into account the conclusions and recommendations of its reports.

The General Shareholders' Meeting of the Issuer held on 10 March 2017 approved the amendment of Article 22 of the Bylaws (*estatutos*) of the Issuer so that the Audit Sub-Committee will become the Audit and Compliance Sub-Committee and will be also entrusted with the "compliance" functions currently corresponding to the Risk and Compliance Sub-Committee. The Board of Directors also approved the amendments to the Regulations of the Board of Directors of the Issuer required to reflect this change.

The Audit Sub-Committee shall be composed of a minimum of three and a maximum of five members, all of whom shall be non-executive members. Most of its members, at least, shall be Independent Directors, and one of them shall be appointed taking into account his or her knowledge and experience on accounting or auditing or both issues. As a whole, the members of the Sub-Committee shall have the necessary technical knowledge in relation to the Company's sector of activity. Its Chairman shall be an independent director, who shall be replaced every four years and may be re-elected after one year has elapsed since he or she stepped down. The group's Internal Audit General Manager shall be invited to attend the meetings of the Audit Sub-Committee.

The composition and functions of the Audit Sub-Committee complies with Article 529. quaterdecies of the Restated Spanish Companies Act.

As at the date of this Prospectus, the Audit Sub-Committee is composed of the following five directors:

Name	Position
Mr. José Antonio Colomer Guiu	Chairman
Ms. Adriana Casademont i Ruhí.....	Member
Mr. Rafael Márquez Osorio.....	Member
Mr. Antonio Miguel-Romero de Olano	Member
Ms. Catalina Miñarro Brugarolas	Member
Mr. Ángel Luis Dávila Bermejo	Secretary non-member

In 2016 six meetings of the Audit Sub-Committee of the Issuer have been held.

Appointments and Remuneration Sub-Committee

The Appointments and Remuneration Sub-Committee is the delegated body of the Board of Directors for the coordinated development of the appointments and remuneration policy that should be applied to the Group's Directors and senior managers. This Committee is entrusted with the responsibilities set out in Article 23 of the Bylaws (*estatutos*) of the Issuer including, among others: (i) evaluate the skills, knowledge and experience required at the Board of Directors, defining the functions and aptitudes expected from the candidates who will fill each vacancy and assessing the time and dedication needed to properly discharge responsibilities; (ii) submit to the Board of Directors the proposals for the appointment of Independent Directors to be designated by co-optation or to be approved by the Annual General Meeting, as well as the proposals for their re-election or dismissal, providing information in those cases in which the proposals may affect all other Directors; (iii) provide information on the proposals for the appointment and dismissal of senior managers and their basic contractual conditions; and (iv) propose to the Board of Directors the remuneration policy to be applied to Directors and general managers or to the persons who perform senior management functions directly reporting to the Board, the Steering Committee or the managing directors, as well as the individual remuneration and all other contractual conditions of Executive Directors, ensuring that they are duly observed.

The Appointments and Remunerations Sub-Committee shall be composed of a minimum of three and a maximum of five members, all of whom shall be non-executive members and two of whom, at least, shall be Independent Directors. Its Chairman shall be an Independent Director.

The composition and functions of the Appointments and Remuneration Sub-Committee complies with Article 529.quindecies of the Restated Spanish Companies Act.

As at the date of this Prospectus, the Appointments and Remunerations Sub-Committee is composed of the following four directors:

Name	Position
Ms. Catalina Miñarro Brugarolas	Chairman
Ms. Adriana Casademont i Ruhí.....	Member
Mr. Luis Hernando de Larramendi Martínez	Member
Mr. Alfonso Rebuelta Badías	Member
Mr. Ángel Luis Dávila Bermejo	Secretary non-member

In 2016 six meetings of the Appointments and Remunerations Sub-Committee of the Issuer have been held.

Risk and Compliance Sub-Committee

The Risk and Compliance Sub-Committee is the delegated body of the Board of Directors responsible for supporting and advising the Board of Directors in the definition and evaluation of the risk management policies and in the definition of the risk appetite and the risk strategy. Likewise, it is responsible for supervising the correct application of the corporate governance rules and the external and internal regulations across the Company and the Group. This Committee is entrusted with, among others, the following functions: (i) support and advise the Board of Directors in the definition and assessment of the Group's risk policies and in the definition of the risk appetite and the risk strategy; (ii) the measures in place to mitigate the impact of the materialisation of the risks identified, and the reporting and internal control systems to be used in this respect; (iii) monitor the application of the corporate governance rules in force at; and (iv) supervise compliance with internal and external regulations and, in particular, with the internal codes of conduct and the rules and procedures for the prevention of money laundering and terrorist financing, making the necessary proposals for their improvement.

The General Shareholders' Meeting of the Issuer held on 10 March 2017 approved the amendment of Article 24 of the Bylaws (*estatutos*) of the Issuer so that the Risk and Compliance Sub-Committee will become the Risk Sub-Committee and will lose its "compliance" functions. The Board of Directors also approved the amendments to the Regulations of the Board of Directors of the Issuer required to reflect this change.

The Risk and Compliance Sub-Committee shall be composed of a minimum of three and a maximum of five members, all of whom shall be non-executive members and at least two of them shall be Independent Directors. It shall be chaired by an Independent Director.

At the date of this Prospectus, the Risk and Compliance Sub-Committee is composed of the following five directors:

Name	Position
Mr. Georg Daschner	Chairman
Mr. José Antonio Colomer Guiu	Member
Ms. Ana Isabel Fernández Álvarez.....	Member
Mr. Rafael Márquez Osorio.....	Member
Mr. Antonio Miguel-Romero de Olano	Member
Mr. Jaime Álvarez de las Asturias Bohorques Rumeu.....	Secretary non-member

In 2016 six meetings of the Risk and Compliance Sub-Committee of the Issuer have been held.

Senior Management

The table below sets out the names of the members of the Senior Management⁷ of the Issuer (who are not executive Directors) as at the date of this Prospectus:

Name	Position
Mr. José Antonio Arias Bermúdez	Deputy General Director of Operations
Mr. José Luis Bernal Zúñiga	Deputy General Director of Digital Business
Mr. José Manuel Corral Vázquez	Deputy General Director of Corporate Business, Clients and Innovation
Mr. Felipe Costa da Silveira Nascimento	Deputy General Director of IT and Processes
Mr. Ángel Luis Dávila Bermejo	General Secretary – General Director of Legal Affairs
Mr. José Luis Gurtubay Francia	Deputy General Director of Corporate Strategy and M&A
Mr. José Luis Jiménez Guajardo-Fajardo	Investments General Director
Mr. José Manuel Muries Navarro	Internal Audit General Director
Ms. María Elena Sanz Isla	Human Resources General Director

The business address of all the senior managers is the corporate address of the Issuer: Majadahonda (Madrid), Spain, at Carretera de Pozuelo, 52 (28222).

As at the date of this Prospectus, there are no conflicts of interest between the duties of the persons listed above to the Issuer and their private interests or other duties.

Capital Structure

As at the date of this Prospectus the Issuer's share capital is Euro 307,955,327.30 divided into 3,079,553,273 fully subscribed and paid ordinary shares with a par value of Euro 0.1 each. All shares are of the same class with the same rights attached.

Major Shareholders

As at the date of this Prospectus the Issuer's share capital is owned as follows:

Shareholder	% of shares
Fundación MAPFRE	67.729%
Free Float	31.243% ^(*)

(*)This percentage does not include the share capital owned by the directors of the Issuer (0.038 per cent.) neither the share capital owned by the Issuer (0.99 per cent.).

Fundación MAPFRE is the majority shareholder of the Issuer. It is a non-profit institution created in 1979 to contribute to the welfare of citizens and society by engaging in activities of general interest to contribute in five specialised areas (social action, insurance and social security, culture and history, prevention and road safety and health promotion). Fundación MAPFRE holds its Issuer's shares through Cartera MAPFRE (67.601 per cent.), Instituto Tecnológico de Seguridad MAPFRE, S.A.U. (0.021 per cent.) and Fundación Canaria MAPFRE Guanarteme (0.107 per cent.).

The main measures undertaken to prevent the majority shareholder abusing its power are:

- (i) MAPFRE's Institutional, Business and Organisational Principles, which include the following: strict separation between the business activities of MAPFRE and Fundación MAPFRE; independence; ethical, transparent and socially-responsible conduct; management based on strictly professional and technical criteria; and professional development of its employees and senior executives.

⁷ "Senior Management" mean those managers who report directly to the Board of Directors or to any of its members.

- (ii) The presence of independent directors represent more than one third of the members of the Board of Directors.
- (iii) All of the members of the Audit and Compliance, Appointments and Remunerations and Risk Sub-Committees must be external directors.

As of the date of this Prospectus, the Issuer is not aware of any arrangement which may result in a change of control in the Issuer.

Credit Rating

The Issuer and its subsidiaries have been assigned credit ratings by certain rating agencies. These agencies have been selected because of their international presence, relevance to the insurance industry and capital markets and their experience. The Issuer has been assigned a long-term issuer credit rating of BBB+ (stable outlook) by S&P and MAPFRE RE and MAPFRE Global Risks' financial strength classification is rated A with a stable outlook.

Legal and Other Proceedings

The nature of the business of the Group causes it to be involved in routine and other legal proceedings from time to time. Other than as described below, none of the entities of the Group is involved in governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer.

The Group is currently involved in legal proceedings with the Brazilian tax authorities in connection with the enforceability of CONFINS (tax contribution used to fund social security) and Social Integration Program (P)IS taxes, regarding nonoperating finance income, in the amount of Euro 171.17 million and Euro 113.73 million at 31 December 2016 and 2015, respectively.

The Group is also currently immersed in legal proceedings against the Brazilian broker "Proposta Corretora" regarding its intervention in a guarantee bankruptcy insurance contract. The broker is claiming 123 million reales (Euro 35.90 million). The Group has won the first instance lawsuit and the case is currently at the appeal stage.

TAXATION

Taxation in Spain

The following is a general description of certain Spanish tax considerations arising in connection with the acquisition and holding of the Notes by individuals or entities who are the beneficial owners of the Notes (the "**Noteholders**" and each a "**Noteholder**"). It does not purport to be a complete analysis of all tax considerations relating to the Notes whether in those countries or elsewhere. Prospective purchasers of the Notes should consult their own tax advisers as to the consequences under the tax laws of the country in which they are resident for tax purposes and the tax laws of the Kingdom of Spain of acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes.

All the tax consequences described in this section are based on the general assumption that the Notes are initially registered for clearance and settlement in Iberclear.

This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date, including changes with retroactive effect.

This information has been prepared in accordance with the following Spanish tax legislation in force at the date of this Prospectus:

- (i) of general application, Additional Provision One of Law 10/2014, dated 26 June 2014 ("**Law 10/2014**"), which also applies to debt instruments issued by Spanish resident companies and Spanish public entities having corporate form, as well as Royal Decree 1065/2007, dated 27 July 2007, as amended by Royal Decree 1145/2011, dated 29 July 2011;
- (ii) for individuals resident for tax purposes in Spain which are subject to the Personal Income Tax ("**PIT**"), Law 35/2006, dated 28 November 2006, on PIT, as amended by Law 26/2014, of 27 November, and Royal Decree 439/2007, dated 30 March 2007, enacting the PIT Regulations, as amended by Royal Decree 633/2015, dated 10 July 2015, along with Law 19/1991, dated 6 June 1991, on Wealth Tax, as amended, and Law 29/1987, dated 18 December 1987, on Inheritance and Gift Tax ("**IGT**");
- (iii) for legal entities resident for tax purposes in Spain which are subject to the Corporate Income Tax ("**CIT**"), Law 27/2014, dated 27 November, on CIT and Royal Decree 634/2015, dated 10 July 2015, promulgating the CIT Regulations, as amended; and
- (iv) for individuals and entities who are not resident for tax purposes in Spain which are subject to the Non-Resident Income Tax ("**NRIT**"), Royal Legislative Decree 5/2004, dated 5 March 2004, promulgating the Consolidated Text of the NRIT Law, as amended by Law 26/2014, of 27 November (the "**Spanish NRIT Law**"), along with Law 19/1991, dated 6 June 1991, on Wealth Tax, as amended, and Royal Decree 1776/2004, dated 30 July 2004, promulgating the NRIT Regulations, as amended by Royal Decree 633/2015, dated 10 July 2015, and Law 29/1987, dated 18 December 1987, on IGT.

Indirect taxation

Whatever the nature and residence of the Noteholder, the acquisition and transfer of the Notes will be exempt from indirect taxes in Spain, i.e. exempt from Transfer Tax and Stamp Duty, in accordance with the Consolidated Text of such tax promulgated by Royal Legislative Decree 1/1993, dated 24 September 1993, and exempt from Value Added Tax, in accordance with Law 37/1992, dated 28 December 1992, regulating such tax.

Direct taxation

The Issuer understands that the Notes should be deemed as financial assets with an explicit yield for Spanish tax purposes, according to Article 91 of the PIT Regulations and Article 63 of the CIT Regulations.

Individuals with tax residency in Spain

Personal Income Tax (Impuesto sobre la Renta de las Personas Físicas)

Both interest periodically received and income derived from the transfer, redemption or repayment of the Notes constitute a return on investment obtained from the transfer of a person's own capital to third parties in accordance with the provisions of Article 25.2 of the PIT Law, and must be included in the investor's PIT savings taxable base.

The PIT savings taxable base is taxed at the following rates: (i) for taxable income up to €6,000: 19 per cent.; (ii) for taxable income from €6,001 to €50,000: 21 per cent.; and (iii) for any amount in excess of €50,000: 23 per cent.

Individual investors subject to PIT will be subject to a withholding on account of PIT at the current rate of 19 per cent. by the Issuer on interest payments as well as on income derived from the redemption or repayment of the Notes.

However, income derived from the transfer of the Notes should not be subject to withholding on account of PIT provided that the Notes are:

- (i) registered in book-entry form (*anotaciones en cuenta*); and
- (ii) traded on a Spanish official secondary market (*mercado secundario oficial*), such as AIAF.

Notwithstanding the above, a withholding tax at the rate of 19 per cent. shall apply on the part of the transfer price that corresponds to the accrued interest when the transfer of the Notes takes place within the 30-day period prior to the moment in which such interest is due when the following requirements are fulfilled:

- (i) the acquirer would be a non-Spanish tax resident or a CIT taxpayer;
- (ii) the explicit yield derived from the transfer of the Notes is exempt from withholding tax.

In any event, the individual Noteholder may credit the withholding tax applied by the Issuer against his or her final PIT liability for the relevant tax year.

Wealth Tax (Impuesto sobre el Patrimonio)

Individuals with tax residency in Spain are subject to Wealth Tax to the extent that their net worth exceeds €700,000 (subject to any exceptions provided under relevant legislation in an autonomous region (*Comunidad Autónoma*)). Therefore, they should take into account the value of the Notes which they hold as at 31 December in each year, the applicable rates ranging between 0.2 per cent. and 2.5 per cent.

According to Article 4 of Royal Decree-Law 3/2016, of 2 December, a credit of 100 per cent. over the tax due will be applicable as from 1 January 2018.

Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)

Individuals who are resident in Spain for tax purposes who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to IGT in accordance with the applicable Spanish regional and state rules. The applicable tax rates range between 7.65 per cent. and 81.6 per cent. depending on relevant factors.

Legal entities with tax residency in Spain

Corporate Income Tax (Impuesto sobre Sociedades)

Both interest periodically received and income derived from the transfer, redemption or repayment of the Notes are subject to CIT (at the current general tax rate of 25 per cent.) in accordance with the rules for such tax.

No withholding on account of CIT will be imposed on interest payments or on income derived from the redemption or repayment of the Notes by Spanish CIT taxpayers subject to the fulfilment of the relevant

requirements, as described in "*Compliance with certain requirements in connection with income payments*" section below.

With regard to income derived from the transfer of the Notes, in accordance with Article 61.q) of the CIT Regulations, there is no obligation to withhold on income obtained by Spanish CIT taxpayers (which include Spanish tax resident investment funds and Spanish tax resident pension funds) provided that the Notes are:

- (i) registered in book-entry form (*anotaciones en cuenta*); and
- (ii) traded on a Spanish official secondary market (*mercado secundario oficial*), such as AIAF or on the Alternative Fixed-Income Securities Market (*Mercado Alternativo de Renta Fija*).

Wealth Tax (Impuesto sobre el Patrimonio)

Legal entities resident in Spain for tax purposes that acquire ownership or other rights over the Notes are not subject to Wealth Tax.

Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)

Legal entities resident in Spain for tax purposes that acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to IGT but generally must include the market value of the Notes in their taxable income for CIT purposes.

Individuals and legal entities that are not tax resident in Spain

1. Investors that are not resident in Spain for tax purposes, acting in respect of the notes through a permanent establishment in Spain

Non-Resident Income Tax (Impuesto sobre la Renta de no Residentes)

If the Notes form part of the assets affected to a permanent establishment in Spain of a person or legal entity that is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Notes are, generally, the same as those set forth above for Spanish CIT taxpayers. See "*Legal entities with tax residency in Spain – Corporate Income Tax (Impuesto sobre Sociedades)*" section above.

Ownership of the Notes by investors who are not resident in Spain for tax purposes will not in itself create the existence of a permanent establishment in Spain.

Wealth Tax (Impuesto sobre el Patrimonio)

If the Notes form part of the assets affected to a permanent establishment in Spain of a person or legal entity that is not resident in Spain for tax purposes, Wealth Tax will not become applicable.

Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)

If the Notes form part of the assets affected to a permanent establishment in Spain of a person or legal entity that is not resident in Spain for tax purposes, IGT will apply in the same manner as described in "*Legal entities with tax residency in Spain – Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)*" section above.

2. Investors that are not resident in Spain for tax purposes, not acting in respect of the Notes through a permanent establishment in Spain

Non-Resident Income Tax (Impuesto sobre la Renta de no Residentes)

Both interest payments periodically received under the Notes and income derived from the transfer, redemption or repayment of the Notes, obtained by individuals or entities who are not resident in Spain for tax purposes and who do not act, with respect to the Notes, through a permanent establishment in Spain, are exempt from NRIT. No withholding on account of NRIT will be levied on such income subject to the fulfilment of the relevant requirements, as described in "*Compliance with certain requirements in connection with income payments*" section below.

Wealth Tax (Impuesto sobre el Patrimonio)

In relation to fiscal year 2017, non-Spanish tax resident individuals holding Notes will be subject to Wealth Tax to the extent that such Noteholders own Notes (along with other property located in Spain and rights which could be exercised in Spain) valued at a combined net amount in excess of Euro 700,000 as of 31 December. Spanish Wealth Tax rates vary between 0.2 per cent. and 2.5 per cent. To the extent that income deriving from the Notes is exempt from NRIT, individuals who do not have tax residency in Spain who hold such Notes on the last day of the year will be exempt from Wealth Tax. Furthermore, individuals resident in a country with which Spain has entered into a double tax treaty in relation to Wealth Tax will generally be exempt from Wealth Tax. If the exemptions outlined do not apply, individuals who are not tax residents in Spain will be subject to Wealth Tax to the extent that the Notes are located in Spain or the rights deriving from the Notes can be exercised in Spain.

Individuals who do not have tax residency in Spain and are tax resident in a State of the European Union or of the European Economic Area will be entitled to apply the specific regulation of the autonomous community where their most valuable assets are located and which trigger this Spanish Wealth Tax due to the fact that they are located or are to be exercised within the Spanish territory.

According to Article 4 of Royal Decree-Law 3/2016, of 2 December, a credit of 100 per cent. over the tax due will be applicable as from 1 January 2018.

Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)

Individuals not resident in Spain for tax purposes who acquire ownership or other rights over the Notes by inheritance, gift or legacy will be subject to IGT in accordance with the applicable Spanish state rules (if the deceased or the donee is resident in an EU or European Economic Area member State, the applicable rules will be those corresponding to the relevant Spanish Autonomous Regions according to the law), unless they reside in a country for tax purposes with which Spain has entered into a double tax treaty in relation to IGT. In such case, the provisions of the relevant double tax treaty will apply.

If no double tax treaty in relation to IGT applies, applicable IGT rates would range between 7.65 per cent. and 81.6 per cent. , depending on relevant factors.

Non-Spanish tax resident legal entities that acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to IGT. Such acquisitions may be subject to NRIT (as described above), unless otherwise applicable under the provisions of any applicable double tax treaty entered into by Spain. In general, double tax treaties provide for the taxation of this type of income in the country of tax residence of the Noteholder.

Compliance with certain requirements in connection with income payments

Interest payments made by the Issuer in respect of the Notes for the benefit of Spanish CIT taxpayers and non-Spanish tax resident investors will not be subject to Spanish withholding tax, provided that the conditions set forth in Additional Provision One of Law 10/2014 are met and the Iberclear Members that have the Notes registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, if applicable, provide the Issuer, in a timely manner, with a duly executed and completed statement (a "**Payment Statement**"), in accordance with section 4 of Article 44 of Royal Decree 1065/2007, dated 27 July 2007, containing the following information:

1. Identification of the Notes.
2. Date of payment.
3. Total amount of the income paid by the Issuer.
4. Amount of the income corresponding to individual residents in Spain that are PIT taxpayers.
5. Amount of the income that must be paid on a gross basis.

If the Iberclear Members fail or for any reason are unable to deliver a duly executed and completed Payment Statement to the Issuer in a timely manner in respect of a payment of interest made by the Issuer under the Notes, the Issuer will make the relevant Spanish withholding tax at the applicable rate of 19 per cent. on such payment of interest and the Issuer will not pay any additional amounts with respect to any such withholding tax.

If this were to occur, affected Noteholders will receive a refund of the amount withheld, with no need for action on their part, if the Iberclear Members submit a duly executed and completed Payment Statement to the Issuer no later than the tenth calendar day of the month immediately following the relevant payment date. In addition, Noteholders which are not resident in Spain for tax purposes may apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the Spanish NRIT Law and its Regulations.

Prospective investors should note that the Issuer does not accept any responsibility relating to the lack of delivery of a duly executed and completed Payment Statement by the Iberclear Members in connection with each payment of income under the Notes. Accordingly, the Issuer will not be liable for any damage or loss suffered by any Noteholder who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because the Payment Statement was not duly delivered to the Issuer. Moreover, the Issuer will not pay any additional amounts with respect to any such withholding tax.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has stated that it will no longer participate.

The Commission's Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

In October 2016, the European Commissioner for Economic and Financial Affairs, Taxation and Customs announced that the participating Member States agreed on certain important measures that will form the core engines of the FTT and indicated that a draft proposal was expected to be published in the coming months.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Subject to the terms and conditions set forth in a subscription agreement dated 24 March 2017 (the "**Subscription Agreement**"), the Issuer issued the Notes on the Issue Date, and Banco Bilbao Vizcaya Argentaria, S.A., Bankia, S.A., Goldman Sachs International, ING Bank N.V. and UniCredit Bank AG (the "**Joint Lead Managers**") subscribed them at their issue price of 100 per cent. of the aggregate principal amount.

The Issuer paid to the Joint Lead Managers a customary combined management and underwriting commission.

The Subscription Agreement provides that the Issuer will indemnify each Joint Lead Manager against certain liabilities. The Issuer has also agreed to reimburse the Joint Lead Managers for certain of its expenses incurred in connection with the management of the issue of the Notes. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

The Notes are newly issued securities for which there is currently no market. The Issuer will use all reasonable endeavours to procure that the Notes are admitted to listing on AIAF within 30 days of the Issue Date and to maintain such admission until none of the Notes is outstanding.

Selling Restrictions

The Notes may only be sold to qualified investors, as defined in article 39 of Royal Decree 1310/2005, of 4 November, developing partially the LMV as regards admission to listing on official secondary markets, public offerings and the prospectus required for these purposes (*Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*) and under the relevant legislation in each jurisdiction where the Notes are placed and/or sold.

United States

The Notes have not been and will not be registered under the Securities Act and have not been and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Capitalised terms used in this paragraph have the meanings given to them under Regulation S.

The Notes are subject to U.S. tax law requirements and have not been offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

Each of the Joint Lead Managers has agreed that, except as permitted by the Subscription Agreement, it has not offered, sold or delivered the Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Issue Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Joint Lead Manager has represented, warranted and undertaken to the Issuer and each other Joint Lead Manager that:

- (i) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the

meaning of section 21 of the Financial Services Markets Act 2000 (the "**FSMA**") received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Spain

Each of the Joint Lead Managers has represented and agreed that the Notes may not be offered or sold in Spain other than by institutions authorised under the LMV, and related legislation, to provide investment services in Spain, and in compliance with the provisions of the LMV and any other applicable legislation.

Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Prospectus or of any other document relating to any Notes be distributed in Italy, except, in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Joint Lead Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver any Notes or distribute any copy of the Prospectus or any other document relating to the Notes in Italy except to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree no. 58 of 24 February 1998 (the "**Financial Services Act**") and Article 34-ter, paragraph 1, letter (b) of CONSOB regulation No. 11971 of 14 May 1999, all as amended from time to time.

In any event, any offer, sale or delivery of the Notes or distribution of copies of the the Prospectus or any other document relating to the Notes in Italy under paragraphs above will be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the "**Banking Act**") and CONSOB Regulation No. 16190 of 29 October 2007, all as amended from time to time;
- (ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time; and
- (iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority.

GENERAL INFORMATION

Authorisation

1. The creation and issue of the Notes has been authorised by a resolution of the General Shareholders' Meeting of the Issuer dated 9 March 2013 and of the Board of Directors of the Issuer dated 10 March 2017.

Key information. Interest of natural and legal persons involved in the issue

2. Save for any fees payable to the Joint Lead Managers, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. The Joint Lead Managers or its affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Lead Managers and its affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. Each Joint Lead Managers and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Tier 2 Qualification

3. The Notes are intended to compute as Tier 2 Capital of the Issuer and the Group.

Legal and Arbitration Proceedings

4. Save as disclosed at "*Description of the Issuer and its Group— Legal and Other Proceedings*", there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer.

Significant/Material Change

5. Since 31 December 2016 there has been no material adverse change in the financial or trading position of the Issuer.

Trend Information

- 6.1 Since 31 December 2016 there has been no material change in the prospects of the Issuer.
- 6.2 The section "*Risk Factors – Risks relating to the Issuer*" of this Prospectus includes a detailed description of the factors and uncertainties which could have a material effect on the Issuer's prospects.

Auditors

7. The individual and consolidated annual accounts of the Issuer have been audited without qualification for the years ended 31 December 2016 and 31 December 2015 by KPMG Auditores, S.L., independent accountants. KPMG Auditores, S.L. office is in Madrid, Paseo de la

Castellana, 259 C (28046), and is registered in the Official Registry for Account Auditors (*Registro Oficial de Auditores de Cuentas (ROAC)*) with number S0702.

Sources of the financial data

8. The financial data contained in this Prospectus has been obtained either from the audited consolidated annual accounts of the Issuer or unaudited public information prepared by the Issuer.

Documents on Display

9. Copies of the following documents (together with English translations thereof) may be inspected during normal business hours at the offices of MAPFRE, S.A. at Majadahonda (Madrid), Spain, at Carretera de Pozuelo, 52 (28222) for 12 months from the date of this Prospectus:

- (i) the Bylaws (*estatutos*) and the deed of incorporation of the Issuer;
- (ii) the audited individual and consolidated annual accounts of the Issuer, the consolidated Director's reports and the audit reports of KPMG Auditores, S.L., for each of the years ended 31 December 2016 and 31 December 2015;

In addition, the audited consolidated annual accounts of the Issuer, the consolidated Director's reports and the audit reports KPMG Auditores, S.L. for the years ended 31 December 2016 and 31 December 2015 are available at the Issuer's website (https://www.mapfre.com/corporativo-es/images/cuentas-anuales-e-informe-de-gestion-consolidados-2016_tcm884-395557.pdf and https://www.mapfre.com/corporativo-es/images/cuentas-anuales-e-informe-de-gestion-consolidados-2015_tcm884-179484.pdf), together with English translations thereof (https://www.mapfre.com/corporate/images/consolidated-annual-accounts-and-management-report-2016_tcm885-395557.pdf and https://www.mapfre.com/corporate/images/annualconsolidate-financial-statements-and-consolidated-management-report-subsidiaries_tcm885-179484.pdf), and, in Spanish language at the CNMV's website (<http://www.cnmv.es/portal/Consultas/IFA/ListadoIFA.aspx?id=0&nif=A08055741>). The Bylaws (*estatutos*) of the Issuer are also available at the Issuer's website (https://www.mapfre.com/corporativo-es/images/estatutos-mapfre-sa_tcm884-139130.pdf).

This Prospectus is available at the Issuers' website (<https://www.mapfre.com/corporativo-es/accionistas-inversores/inversores/emisiones/>) and at the CNMV's website (<http://cnmv.es/portal/Consultas/Folletos/FolletosAdmision.aspx?nif=A08055741>).

Material Contracts

10. There are no material contracts which could result in any member of the Group being under an obligation that is material to the Issuer's ability to meet its obligations to holders of the Notes.

Yield

11. The yield of the Notes is 4.375 per cent. per annum, calculated on the basis of (i) the Issue Price; (ii) the assumption that all interest is paid on each relevant Interest Payment Date and (iii) the assumption that the Notes will be called on the First Reset Date. Notwithstanding the above mentioned assumptions, there is no assurance as to whether or not payments on any Interest Payment Date will be deferred or whether or not the Notes will be actually called on the First Reset Date. Therefore the yield realised by subscribers may be different.

ISIN

12. The Notes have been accepted for clearance through Iberclear. The ISIN is ES0224244089.

Restrictions on the free transferability of the Notes

13. Under Spanish law, there are no restrictions on the free transferability of the Notes.

Paying and calculation agency

14. All calculations under the Conditions will be performed by Banco Bilbao Vizcaya Argentaria, S.A. which will also carry out all payments under the Conditions through Iberclear.

Listing of Notes

15. This Prospectus has been registered with the CNMV in its capacity as competent authority under the LMV and relevant implementing rules and regulations in Spain. Application has been made for the Notes to be admitted to trading on AIAF within 30 days of the Issue Date.

Expenses related to the admission to trading

16. For informative purposes only, an approximate estimate of the expenses payable by the Issuer in relation to the admission to trading is as follows:

Type of expense	Euro (estimated amount)
Charges and fees of AIAF and Iberclear	30,500
CNMV fees (listing)	65,000
Other (rating agencies, banks, legal advisors, auditors, Commissioner)	2,523,740
TOTAL	2,619,240

SIGNATURES

In witness to their knowledge and approval of the contents of this Prospectus drawn up according to Annexes IX and XIII of Commission Regulation (EC) No. 809/2004 of 29 April 2004, it is hereby signed in Madrid, this 24th day of March 2017, by the Director and Finance General Corporate Officer of MAPFRE, S.A., Mr. Fernando Mata Verdejo, in name and of behalf of MAPFRE, S.A. by virtue of the delegation made by the General Shareholders' Meeting of the Issuer held on 9 March 2013 and by the power of attorney granted by the Board of Directors of the Issuer on 10 March 2017.

Mr. Fernando Mata Verdejo

ISSUER

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