Mr. FRANCISCO JOSÉ ARREGUI LABORDA, Secretary of the Board of Directors of **GRUPO CATALANA OCCIDENTE, S.A.**,

CERTIFIES THAT:

(I) The attached documents, which include the Consolidated Management Report (*"Informe de Gestión Consolidado"*), the Consolidated Annual Accounts and the Notes to the Consolidated Annual Accounts corresponding to the corporate year closed as of December 31, 2017 of Grupo Catalana Occidente, S.A. have been originally issued in Spanish. In the event of discrepancy between the Spanish and English versions, the former shall prevail.

(II) The Corporate Governance Annual Report (*"Informe Anual de Gobierno Corporativo"*) and the External Auditor´s Report of the Consolidated Annual Accounts, as well as all reports of the Individual Annual Accounts, have not been translated into English, so its publication will be exclusively in Spanish.

In Witness Whereof, I extend this certificate in Sant Cugat del Vallès (Barcelona) on February 22, 2018.

Mr. Francisco José Arregui Laborda

Annual Report
Grupo Catalana Occidente, S.A.

Catalana Occidente
Insurance Group

Annual Report
Grupo Catalana Occidente, S. A. 2017

Grupo Catalana Occidente publishes its 2017 annual report, prepared in accordance with the reporting framework of the International Integrated Reporting Council (IIRC), following the principles of reliability, relevance and comparability. The report gives a view of the environment, the business model, the strategic approach and the future outlook of the Group, as well as the main risks to which it is exposed. It also details the Group's activities in areas of governance and social, environmental and economic performance.

The scope of information that appears in the report corresponds to Grupo Catalana Occidente and companies that comprise the same. Business performance in recent years has been linked to corporate operations, which have been formally communicated to the market through National Securities Market Commission (CNMV) salient event notifications.

The Alternative Performance Measures (APM) used in this report correspond to the financial measures that are not defined or detailed in the framework of the applicable financial information. Their definition and calculation can be consulted in the glossary section and the corporate website.

This report has been prepared based on the International Financial Reporting Standards (IFRS), audited by Deloitte, analysed by the audit committee and approved by the board of directors during its meeting on February 22, 2018. The report is available from the Group's website, in PDF format, interactive and on the mobile app.

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IPad App Available in App Store:
Grupo Catalana Occidente Financial Reports

01

Chairman's Letter

"The Group is progressing on a path of profitable growth, strengthening its vocation that is of a genuinely insurance company and providing Social value"

Dear shareholders, associates and customers,

In 2017 Grupo Catalana Occidente took another further step in the path of profitable growth, a route on which the Group has been committed to from its origins. In particular, the attributable profit rose 10.1% compared to the previous year to stand at €325.4M, while the consolidated result increased to €357.3M and links five consecutive years of double-digit increase in profit.

In an environment of economic growth at both the national and global level, GDP rose 3.1% in 2017 in the year on year rate, and the world economy by 3.7%, we have been able to soundly advance but we cannot forget that the uncertainties of the environment can affect any company with an international dimension and therefore, it is important to have relative diversification of the activity.

In this sense, the Group is present in more than 50 countries through a diversified and, at the same time, balanced portfolio. This global nature forces it to bear in mind the principles of prudence, rigour and professionalism that have always characterised Grupo Catalana Occidente and which have enabled us to strengthen our solvency and profitability year after year. In this extremely positive development for the financial year 2017, the 91.4% improvement of combined ratios in the traditional business and 75.2% in the credit business with a claims rate well below the industry average in both areas should be highlighted.

But I also believe that it is vitally important to stress the evolution of the permanent resources that since 1999 have multiplied by 10 in going from just a bit more than 300 million in that financial year to 3,278.9 until the end of 2017. We have achieved this growth without a capital increase and thanks to a prudent policy of dividend distribution. In this way the remuneration has increased steadily since 2008.

It has been precisely the evolution of these positive figures that has been reflected in Group's share price, by climbing18.74% and marking their historical peak. A milestone that also highlights our financial strength and the success of our strategy. In addition, the consensus of financial analysts on the share is favourable by having an average recommendation to buy.

Moreover, I would like to highlight other events that have taken place last year, such as the full consolidation of Previsora Bilbaína, a company that joined the Group in 2016, and which in the past year has already very satisfactorily contributed in both growth and in contribution of value to the business. Special mention should also be given to the good progress of Plus Ultra Insurance that continues to improve its results.

On the other hand, we cannot ignore one of the uncertainties that occurred in 2017 as was the political situation in Catalonia. Faced with these circumstances, the Group's Board of Directors agreed to the transfer of the registered office with the aim of preserving the interests of our customers, workers, intermediaries and shareholders to maintain the activity in a stable framework and in an environment of legal and economic security.

In the Group, the social value of insurance has always been very clear to us. In the first place, insurance allows the economic growth of a society by protecting companies against the uncertainties and is also a source of employment and wealth for families. According to data from the insurance employers' association Unespa, the insurance industry represents approximately 5.5% of Spanish Gross Domestic Product.

This fundamental role has become more important since the last economic crisis, when insurers not only did not need public aid, but they were able to grow in results and improve their solvency margins, generating employment and fulfilling all their commitments.

In our specific case, Grupo Catalana Occidente directly generates more than 7,300 jobs, divided between traditional business and credit insurance. A figure that rises up to the 14,000 people if the indirect jobs are also counted.

In addition to the direct impact on the evolution of the economy, Grupo Catalana Occidente has the will to return, in some way, what society gives us. In this way the social action of Group is articulated through the Jesus Serra Foundation, a non-profit organisation that channels its activity in four areas: music and poetry, sport, charity and research and teaching.

At the same time, the Group has developed a corporate responsibility strategy that focuses on creating sustainable social value and good Governance. Our relationship with the various interest groups materialises through the implementation of specific commitments based on our cultural keys, which define our way of being and working: people, commitment, austerity, long term vision, self-criticism and innovation.

I would also like to generally review the challenges that we will face in the future. In the insurance sector this is the low interest rate environment and here the solutions to be undertaken must be linked to an improvement in the management and control of costs; adapting the business in order to rebalance the portfolio towards products that take this situation into account.

Another challenge is the orientation to the customer. The Group began up to 60 different initiatives in 2016 and continued developing in 2017, to enhance the experience of our customers by monitoring various key indicators. The aim is to be able to offer them a better service. In the Group we believe that this is the best formula to enhance our brand image, as well as facilitate and accompany our intermediaries in their consultancy work.

Furthermore, when we reflect upon the future we cannot stop talking about innovation. This concept is an essential element for any organisation and in Grupo Catalana Occidente this has always been an important part of our business strategy. Throughout 2017 we have intensely enhanced innovation with diverse projects that we hope to be able to share in the coming months. All this, while we continue advancing in the consolidation of our corporate culture.

Finally, I would like to thank the efforts of our employees, intermediaries and associates in their daily work and dedication.

And thank our customers and shareholders for the confidence they have given us over the more than 150 years of history of the Group and which we hope to continue to deserve in the future.

Jose Mª Serra
Chairman

Annual Panorama

Objectives reached

The Group ended the year 2017 with the satisfaction of having complied with its main objectives of turnover, technological edge, efficiency, corporate development and adaptation to social change.

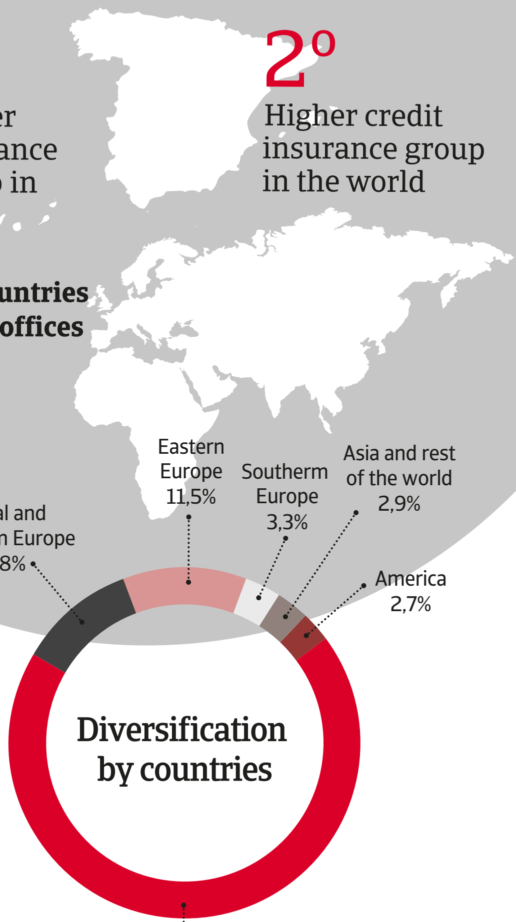
02

International dimension

6º Higher insurance group in Spain

2º Higher credit insurance group in the world

50 countries
1.600 offices



Key financial figures

Turnover and business distribution

4.254,3M€ +0,4%

59,1% Traditional business
40,9% Credit insurance business

Combined ratio

91,4% Traditional business
75,2% Credit insurance business

Consolidated result

357,3M€ +10,1%

Shareholder remuneration

93,0M€ +7,2%

More than
4 millions
customers

More than
7.300
employees

More than
3.641 M€
transferred to society

Insurance specialist

- More than 150 years experience.
- Global offer.
- Sustainable and socially responsible model.

Strong financial structure

- Listed.
- Rating "A".
- Stable and committed shareholders.

Closeness - Global Presence

- More than 19,000 intermediaries.
- Over 7,300 employees.
- 1,600 offices.
- Fifty countries.

Technical rigour

- Excellent combined ratio - Non-Life
- Strict expenditure control.
- Diversified and well-advised investment portfolio.

Key financial figures

The results of the Group in 2017 show a double-digit increase in the consolidated result and excellent combined and solvency ratios.

Growth

- Increase in turnover of 0.4%, up to €4,254.3M

Profitability

- Increase of 10.1% of consolidated result, reaching €357.3M.
- Improvement of recurring results:
  - Traditional business, at €179.1M, +12.6%.
  - Credit insurance business, at €190.0M, +1.9%.
- Excellent combined ratio:
  - 91.4% in traditional business (non-life) (-0.8p.p).
  - 75.2% in the credit insurance business.(-1.6p.p.).
- Increase of 7.2% in shareholder remuneration.

Solvency

- Strengthening financial soundness by 7.0% with permanent resources at market value reaching €3,755.5M.
- Sound solvency ratio above 200%. Approval of the partial internal model to calculate the solvency of credit insurance.

	Key data	2015	2016	2017	% chg. 16 -17	Location report
A	**Growth**					
	Turnover	3,826.1	4,235.8	4,254.3	0.4%	*See page 12*
	- Traditional business	2,150.8	2,547.3	2,516.1	-1.2%	*See page 18*
	- Credit insurance business	1,675.3	1,688.5	1,738.2	2.9%	*See page 21*
B	**Profitability**					
	Consolidated result	296.1	324.5	357.3	10.1%	*See page 12*
	- Traditional business	136.5	159.0	179.1	12.6%	*See page 18*
	- Credit insurance business	170.4	186.5	190.0	1.9%	*See page 21*
	- Non-recurring	-10.8	-21.0	-11.8		*See page 26*
	Attributed result	268.1	295.6	325.4	10.1%	*See page 12*
	Combined traditional business ratio	90.9%	92.2%	91.4%	-0.8p.p.	*See page 18*
	Combined ratio of credit insurance	75.6%	76.8%	75.2%	-1.6p.p.	*See page 22*
	Dividend	0.67	0.72	0.78	7.2%	*See page 14*
	Pay-out	30.1%	29.4%	28.4%		*See page 14*
	Share price	32.0	31.1	36.9	18.7%	*See page 15*
	PER	14.4	12.6	13.5		*See page 15*
	ROE	11.7%	11.7%	11.8%		*See page 15*
C	**SOLVENCY**					
	Permanent resources at market value	3,262.5	3,508.5	3,755.5	7.0%	*See page 30*
	Technical provisions	9,074.3	9,351.0	9,425.2	0.8%	*See page 27*
	Managed funds	11,055.8	11,672.1	11,988.2	2.7%	*See page 28*
	Solvency II ratio*	-	200%	210%		*See page 31*
	% debt	7.6%	6.7%	5.7%		*See page 31*
	Interest coverage	34.4	33.0	36.7		*See page 31*
D	**Non-financial data**					
	Number of employees	6,522	7,030	7,352	4.6%	*See page 49*
	% permanent contracts		96.8%	96.8%		*See page 49*
	Number of offices	1,387	1,638	1,648	0.6%	*See page 51*
	Number of intermediaries	17,744	18,910	18,514	-2.1%	*See page 51*
	Satisfaction level**		83.7%	91.2%		*See page 50*
	Level of promotion suggested (LPS)**		34.8%	31.7%		*See page 50*
	Permanence index**		*92.1%*	95.3%		*See page 50*

** Standard formula data 2016 and internal model data 2017 (not audited) ** Traditional business*

Grupo Catalana Occidente in 2017

A year of growth and consolidation

The Group has continued to grow profitably in 2017, with an increase of the attributed result and a shareholder remuneration of 10% and 7.2%, respectively.

03

Macroeconomic Environment

World GDP growth is maintained, with an increase of 3.7% in 2017, with upward revisions based on investment, international trade, and industrial production.

United States GDP +2.3% (+0.3 p.p.)

- Consolidation of growth.
- Strong internal consumption.
- The Fed raises interest rates.

Eurozone GDP +2.4% (+0.5 p.p.)

- Gradual recovery led by internal demand.
- Uncertainty due to Brexit.

China GDP +6.8% (+0.1p.p.)

- Increase in debt.
- Expansionary policies.
- Increase in domestic demand and the real estate sector.

Spain GDP +3.1% (=)

- Increase above the Eurozone average.
- Solid internal demand.
- Improved labour market: unemployment at 17%.
- Increase of the average wage although it does not reach pre-crisis levels.

Latin America GDP +4.5% (+0.4 p.p.)

- Recovery in Brazil with 0.7% GDP.
- Economic slowdown in Mexico.

Asia Pacific GDP + 5.2% (+0.1p.p)

- Maintains a high growth.

Fixed Income

- Slight increase in interest rates
- Maintenance of expansionary monetary policies in Europe, Japan and USA.

Interest rates	1 year	3 years	5 years	10 years
Spain	-0.4	0.0	0.5	1.6
Germany	-0.7	-0.5	-0.2	0.5
U.S.	1.8	2.0	2.3	2.5

Variable Income

- The bull market persists with close to 10% revaluation
- Strong volatility and uneven behaviour between markets

	End 2017	%Chg.
Ibex35	10,084.0	7.8%
EuroStoxx Insurance	288.4	6.9%
Eurostoxx50	3,493.5	6.1%
Dow Jones	24,784.5	25.4%

Raw materials/currencies

- Oil reaches its highest price in 3 years
- Slight recovery in the pound after the start of Brexit

	End 2017	% Chg.
Oil ($/barrel)	66.5	17.6%
Gold	1,312.6	14.1%
€/$	1.2	14.3%
€/£	0.9	5.9%

Key figures (Result Centre)

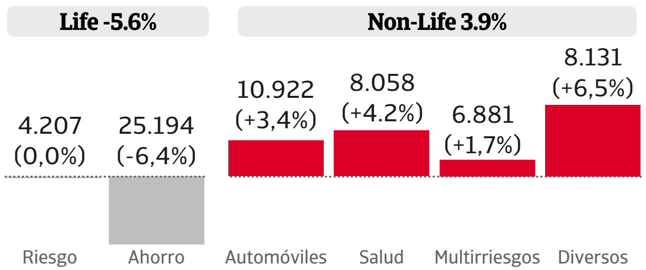
2017 Sectoral Environment

The insurance sector in Spain maintains its turnover supported in non-life and the increase in international trade is at 4.0%

Insurance industry in Spain

The growth in non-life remains stable in 3.9%, driven by auto. The main business lines present a similar performance to the increase of GDP (3.1%).

In life, the savings business falls 5.6% in premiums and increases 5% in provisions, while risk premiums remain stable following the pull of 2016 (+12%).



Group	Chg. 15/16	Market share
VidaCaixa	=	15.3%
Mapfre	=	10.7%
Grupo Mutua Madrileña	↑ 1	7.9%
Zurich	↓ 1	6.0%
Allianz	=	5.5%
Grupo Catalana Occidente	=	4.5%
Santalucía	↑ 5	4.0%
Generali	=	3.9%
Grupo Axa	↓ 2	3.8%
BBVA Seguros	↓ 1	2.9%

The result of the sector at the end of the third quarter, increases the technical account by 8.6%. This growth comes from the life area that increases by 31.7% due to an extraordinary operation of ceded reinsurance. The result of the technical account of the non-life area decreases 9.8%, due to the impact of the meteorological incidents that have occurred during the first quarter of the year.

It is worth noting the improvement in vehicle accidents, which allows its combined ratio to be far from 100% and obtain a positive technical margin.

The financial results continue impairing the overall result and mainly that of life savings.

Stability in results (Sep. 2017)

ROE
10.4%
+0.6 pp

Combined ratio
92.6%
+1.6 pp

Auto 97.9%
Multirisk 92.0%
Health 92.5%

Source ICEA 30/09/2017

Solvency II came into force in 2016, with first official data being obtained in 2017. The published figures continue to reflect a consistent sectoral position. The coverage ratio in Spain at the end of 2016 has been placed at 239%, being higher than the average for the sector in the European Union (228%).

Credit insurance

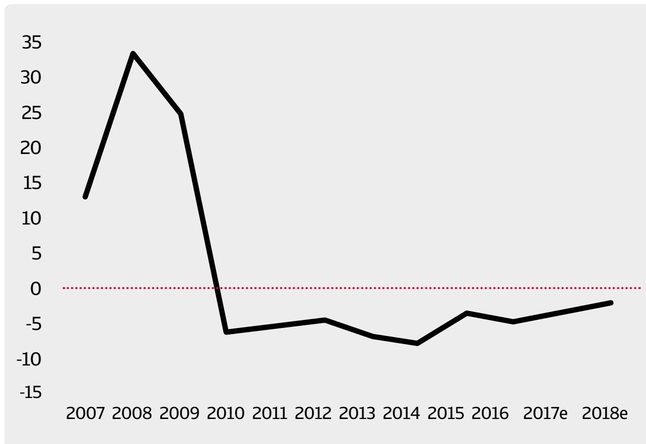
World trade has experienced a higher than expected expansion, growing above 4.0% in recent months:

- In the United States it increased by 3.3%.
- In Asia Pacific it increased by 6.3%.
- In the Eurozone it grew by 2.6%.
- In Latin America it improved by 3.7%.

Global export orders, another advanced indicator, have remained firm since the rapid growth experienced in July 2016.

The economic momentum has continued to improve all over the world, contributing to a perspective of less insolvencies. The anticipation of insolvency at the global level presents a 3% reduction in 2017.

Insolvencies evolution



Group Evolution in 2017

Both the traditional business as well as credit insurance have completed the 2017 financial year with good results, obtaining combined ratios of 91.4% and 75.2%, respectively.

The Group's attributed result has grown by 10.1%, reaching €325.4M.

This improvement is based on an increase in the technical result, with €437.4M, which increased by 14.1% including the application of sound underwriting criteria and the continuous improvement of efficiency.

The combined ratio of traditional business has been placed in 91.4% improving 0.8 p.p due to a lower accident rate as well as a reduction of costs. In this financial year the good combined ratio of 96.5% of auto is highlighted, being 1.6 p.p. better than that of the sector.

In credit insurance, the combined ratio closes the year at 75.2%, falling by 1.6 p.p., consolidating the 40% minimum levels of claims and improving efficiency.

It should be noted that the good behaviour extends to all entities of the Group and in all business units that make it up, as well as corporate departments and corporate platforms.

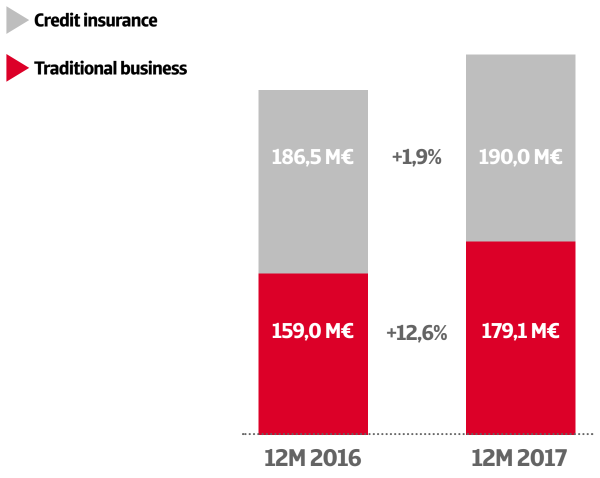
(Figures in millions of euro)

Income statement	**2013**	**2014**	**2015**	**2016**	**2017**	**% chg. 16 -17**
Premiums	3,091.4	3,322.2	3,704.6	4,108.4	4,123.5	0.4%
Earned premiums	3,121.4	3,289.6	3,703.9	4,085.3	4,094.2	0.2%
Income from information	110.4	115.3	121.5	127.4	130.8	2.7%
Net income from insurance	**3,231.8**	**3,404.8**	**3,825.4**	**4,212.7**	**4,225.0**	**0.3%**
Technical cost	1,991.8	2,088.9	2,339.1	2,575.4	2,548.4	-2.2%
% of total net income	*61.6%*	*61.4%*	*61.1%*	*61.1%*	*60.3%*	
Commissions	365.1	372.9	442.1	508.3	521.9	2.7%
% of total net income	*11.3%*	*11.0%*	*11.6%*	*12.1%*	*12.4%*	
Expenses	608.5	628.4	698.8	744.8	717.3	0.2%
% of total net income	*18.8%*	*18.5%*	*18.3%*	*17.7%*	*17.0%*	
Technical result after expenses	**266.5**	**314.5**	**345.4**	**384.2**	**437.4**	**14.1%**
% of total net income	*8.2%*	*9.2%*	*9.0%*	*9.1%*	*10.4%*	
Financial result	73.0	73.9	84.8	62.3	61.2	-3.2%
% of total net income	*2.3%*	*2.2%*	*2.2%*	*1.5%*	*1.4%*	
Result of non-technical non-financial account	-22.4	-10.7	-22.8	-22.2	-23.1	
% of total net income	*-0.7%*	*-0.3%*	*-0.6%*	*-0.5%*	*-0.6%*	
Result before tax	**322.0**	**381.8**	**415.4**	**432.8**	**475.5**	**9.9%**
% of total net income	*10.0%*	*11.2%*	*10.9%*	*10.3%*	*11.3%*	
Consolidated result	**243.9**	**268.1**	**296.1**	**324.5**	**357.3**	**10.1%**
Result attributable to minorities	22.8	26.0	28.0	28.9	31.9	10.4%
Attributed result	**221.1**	**242.1**	**268.1**	**295.6**	**325.4**	**10.1%**
% of total net income	*6.8%*	*7.1%*	*7.0%*	*7.0%*	*7.7%*	
Recurring results from traditional business	122.6	123.9	136.5	159.0	179.1	12.6%
Recurring results from credit insurance business	126.1	152.3	170.4	186.5	190.0	1.9%

Excel – Results account

The financial margin, with €61.2M, in spite of the lower revenue from fixed income as a result of the low interest rates that are currently on the market.

With regards to complementary activities, in the traditional business, the funerary activity reports €3.6M and in credit insurance the information services, recovery and management of the export credit contributed €6.8M profit.



Greater financial strength

Permanent resources increased by 7.9%, to €3,278.9M Adding the capital gains not included in the balance sheet (from properties), the permanent resources at market value stand at €3,755.5M, up 7.0% from 2016.

During the financial year 2017, the credit rating agency A. M. Best confirmed the rating of "A" with a stable outlook for the Group, and in credit insurance Moody's revised the A3 rating pointing to a potential improvement in the next review.

In terms of solvency, Grupo Catalana Occidente calculates the capital requirement in accordance with the standard formula established in the regulation, except for the credit and surety area where, with the objective of collecting the specific details of the business, a partial internal model has been developed to calculate the underwriting risk that has been approved by the college of supervisors.

The solvency ratio of the Group at the end of the financial year 2017 is estimated in 210%. The solvency II ratio steadily remains well above 150%, even in adverse scenarios, in all the Group entities.

Shareholder remuneration

In the last 10 years, Grupo Catalana Occidente has maintained an increasing dividend policy.

Dividends

In 2017, the Group increased the dividend by 7.2% and distributed €93.0M.

The Group has made three dividend payments in cash for a total amount of €0.4320 per share. These payments were effective on July 12, 2017, October 11, 2017 and February 14, 2018. The Board of Directors also agreed, in the meeting held on February 22, 2018, to propose to the general shareholders meeting an increase of 10% for the complementary dividend that will be paid on May 9, 2018. With this, a total of €0.7751 per share (€93.0M) would be allocated.

This dividend amounts to a pay-out of 28.4% on the 2017 attributable profit and a dividend yield of 2.2% in 2017.

The historical pattern of dividend distribution demonstrates the clear commitment of the Group to remunerate its shareholders.

Shareholding structure

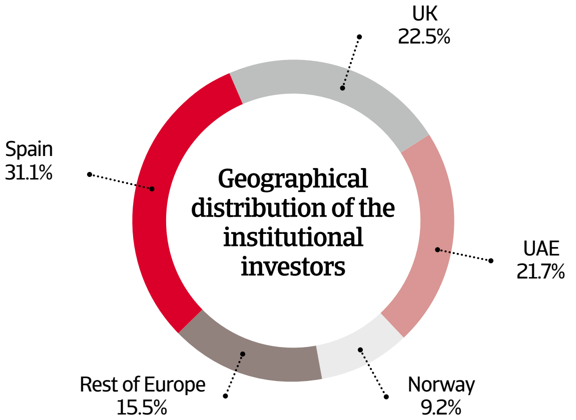
Stable and committed shareholders
At the end of the financial year 2017, the shareholding structure has not suffered any notable variations.

The reference shareholder in Grupo Catalana Occidente is INOC S.A., which controls approximately 62.1% of the share capital.

The group has 2,018,891 treasury shares, representing 1.68% of own shares, through Sogesco

The remaining 35.1% is *free-float*, and almost half is in the hands of institutional investors.

The following graph shows the geographical distribution of the institutional investors.



Relationship to the financial market

Grupo Catalana Occidente maintains a smooth, close and transparent relationship with the financial market.

The Group has a communication and relationship policy with the financial market that is available on the group's web site.

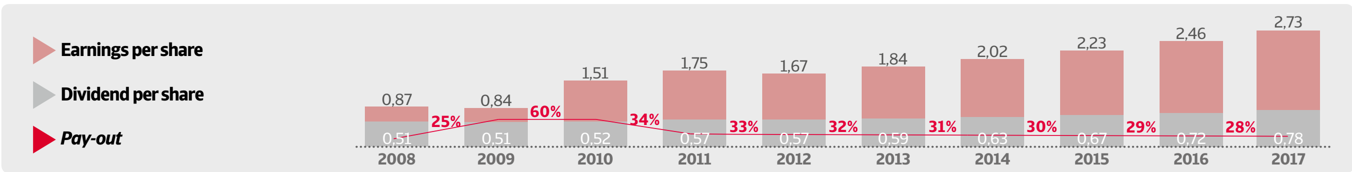
The Group is in contact with its analysts, investors and shareholders, through specific channels.

In addition, the shareholders and investors portal updates the share's performance as well as the main information concerning relevant facts, results, presentations and credit rating.

During 2017, the Group transmitted its value proposition to the financial markets through the quarterly retransmission of the results published (on the website, in English and Spanish) and by holding 11 *roadshows* in different European countries, as well as 3 forums/conferences. In total, there were 178 meetings with investors and over 600 calls from shareholders, analysts and investors.

With this type of events, the Group brings its business reality closer to both institutional investors as well as to the small shareholder.

Dividend performance



Share performance

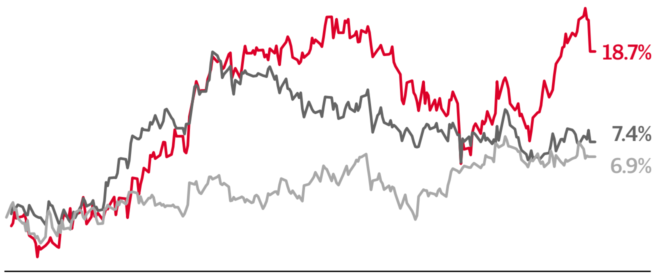
With a 18.74% revaluation in 2017, during the financial year the share price reached its historic peak in €38.57/share.

Grupo Catalana Occidente shares are listed on two Spanish stock exchanges, Barcelona and Madrid, being listed on the Continuous Market. Likewise, the stocks are also included in the IBEX MEDIUM CAP index, with a weight of 8.24%.

During the financial year 2017, the Grupo Catalana Occidente share maintained a very positive performance and with a higher revaluation to that of Eurostoxx Insurance and the Ibex 35.

The recommendations from the analysts are still favourable, indicating a target price of €37.8/share.

Share performance



Share price (euros per share)	2014	2015	2016	2017
Minimum (€/y)	21.50	23.32	22.77	29.82
Maximum (€/y)	31.34	32.33	31.80	38.57
Period end (€/y)	23.99	32.02	31.11	36.94
Number of shares	120,000,000	120,000,000	120,000,000	120,000,000
Nominal share value (€/y)	0.30	0.30	0.30	0.30
Average daily subscription (number of shares)	144,278	72,331	84,550	60,007
Average daily subscription (euros)	3,832,467	2,019,052	2,237,519	2,081,648

Profitability	2002	2006	2010	2014	2016	2017	TACC 02-17
GCO (%)	-7.21	86.48	-18.01	-7.8	-2.84	18.74	16.7%
IBEX 35 (%)	-28.11	31.79	-17.43	3.66	-2.00	7.40	3.5%
EUROSTOXX Insurance (%)	-51.23	17.18	2.07	9.78	-5.60	6.93	4.1%

** Annual Compound Growth Rate*

See evolution of the Grupo Catalana Occidente share

Outlook and challenges for 2018

In 2018, the Group envisages a favourable economic context in which to continue updating its product portfolio, developing its processes and improving in the delivery of its services.

Macroeconomic outlook in 2018

The economic framework in which Grupo Catalana Occidente will carry out its activity in the financial year 2018 presents favourable economic prospects.

The GDP of the Spanish economy is estimated to grow by around 2.4% thanks to the dynamism of exports, consumer confidence and the improvement in the labour market.

Other close indicators to the insurance business, such as the sale of cars and homes and the consumption of electrical energy, shows the current expansionary trend of the market.

At the international level, the expected growth of the GDP growth rate stood at 3.7%, 2.4% in the Eurozone.

For credit insurance, a relevant indicator is the growth of world trade, for which a positive growth rate of 3.4% is forecast.

Guidelines for Grupo Catalana Occidente in 2018

Growth

- Increase the size of the agencies and strengthen specialised networks
- Progress in accessibility: digitalisation/connectivity
- Prioritize "customer concept" in management

Profitability

- Incorporate variables and processes to deepen customer segmentation
- Adapt the management of investments to the liabilities and obligations of the business
- Progress in the integration of systems

Solvency

- Make the company attractive to employees
- Progress in innovation by incorporating it into the management
- Strengthen the brand, associated to our values and as an element of linkage

04

Results in 2017

Improving results

The Group has consolidated its growth in 2017, increasing the results of both the traditional business as well as credit insurance by 10%, increasing its capital by 7% and maintaining its solvency ratio above 200%

Traditional business

The traditional business has shown a very positive performance, increasing by 10%, with €180.5M.

Recurrent turnover without considering single life premiums increases 4.0%, supported by non-life insurance. The life business continues under pressure due to the decrease in single premiums (-23.9%).

The increase of the turnover is anchored in both the increase in the number of policyholders and customers and the average premium.

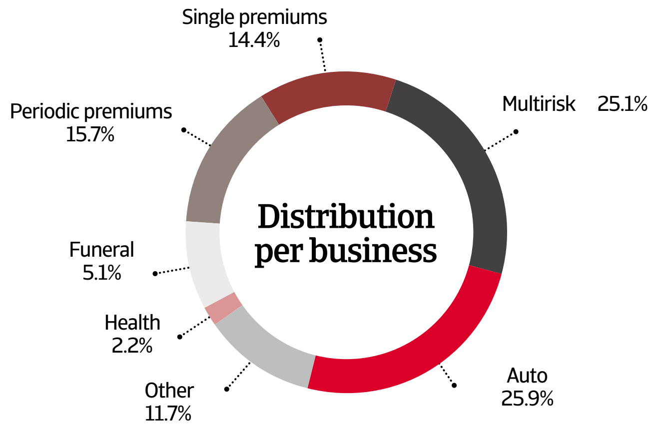
The technical result, with €182.8M, an increase of 22.0%, improving the margin on materials acquired by 1.4 p.p. The non-life technical result provides €135.2M and grows 13.4%, picking up the improvement of 0.8p.p. of the combined ratio to 91.4%. The technical cost remains stable in 60.8% (-0.1 p.p.) and general expenses and commissions down 0.7 p.p. to 30.6%. In turn, the life business increased its technical result by €47.6M , placing it at €19.9M, supported by the favourable behaviour of the business and the contribution of Previsora Bilbaína.

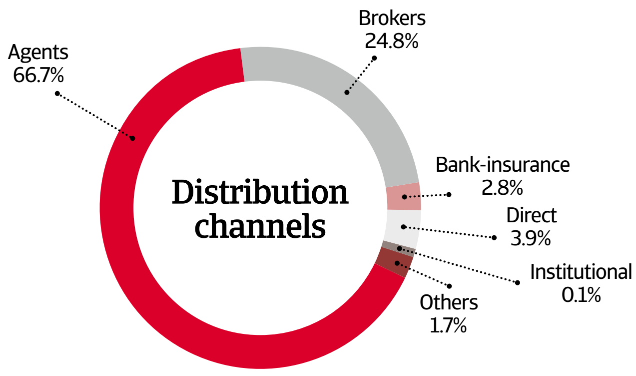
The financial result maintains its contribution with €72.5M and complementary activities contribute €3.6M.

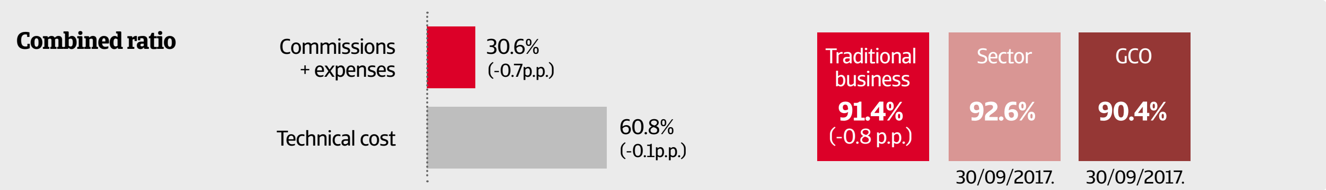
Recurring profit has increased 12.6% to €179.1M. During the year there have been non-recurring profits of €1.4M; in consequence, the total result is of €180.5, increasing by 10.0%.

Traditional business	2013	2014	2015	2016	2017	% chg. 16 -17
Written premiums	**1,686.9**	**1,825.7**	**2,150.8**	**2,547.3**	**2,516.1**	**-1.2%**
Recurring premiums	1,260.7	1,261.0	1,615.4	2,070.7	2,153.2	4.0%
Earned premiums	1,709.6	1,832.0	2,167.1	2,527.7	2,506.2	-0.9%
Technical result after expenses	**128.2**	**117.5**	**126.3**	**149.8**	**182.8**	**22.0%**
% of earned premiums	7.5%	6.4%	5.8%	5.9%	7.3%	
Financial result	**45.0**	**54.5**	**70.1**	**72.5**	**72.5**	**0.0%**
% of earned premiums	2.6%	3.0%	3.2%	2.8%	2.9%	
Compl. Act. Funeral bus.				1.0	3.6	
Recurring result	**122.6**	**123.9**	**136.5**	**159.0**	**179.1**	**12.6%**
Non-recurring result	**-6.0**	**-1.9**	**5.2**	**5.1**	**1.4**	
Total result	**116.6**	**122.0**	**141.7**	**164.1**	**180.5**	**10.0%**

(Figures in millions of euro)







Multirisk

Turnover increased by 1.2%. Improving the combined ratio of 1.9 p.p., standing at 88.0%, thanks both to the technical cost reduction of 1.0 p.p, as well as the decline in expenses of 0.9 p.p.

Multirisk	2013	2014	2015	2016	2017	% chg. 16 -17
Written premiums	**410.2**	**407.0**	**508.6**	**624.1**	**631.3**	**1.2%**
Earned premiums	**414.6**	**410.0**	**517.3**	**623.4**	**629.8**	**1.0%**
Number of claims	417,407	422,870	613,030	615,260	656,222	6.7%
Average cost of the claims, in €	514.0	500.3	458.2	560.3	520.2	-7.2%
Technical provisions	**329.5**	**331.1**	**540.1**	**540.8**	**529.6**	**-2.1%**
% Technical cost	*51.7%*	*51.6%*	*54.3%*	*55.1%*	*54.1%*	*-1.0*
% commissions	*19.2%*	*19.3%*	*20.2%*	*20.5%*	*20.5%*	*0.0*
% expenses	*16.5%*	*16.6%*	*16.8%*	*14.3%*	*13.4%*	*-0.9*
% combined ratio	**87.4%**	**87.5%**	**91.2%**	**89.9%**	**88.0%**	**-1.9**
Technical result after expenses	**52.1**	**50.7**	**45.6**	**63.1**	**75.8**	**20.2%**
% of earned premiums	*12.6%*	*12.4%*	*8.8%*	*10.1%*	*12.0%*	

(Figures in millions of euro)

Auto

The positive performance of turnover is maintained, growing 2.0% thanks to customer loyalty.

The combined ratio is relatively stable at 96.5%: greater claims (+0.5 p.p.) are partially offset by the reduction of expenses (-0.4 p.p.).

Auto	2013	2014	2015	2016	2017	% chg. 16 -17
Written premiums	**326.9**	**322.0**	**458.0**	**639.0**	**651.8**	**2.0%**
Earned premiums	**339.7**	**325.0**	**456.2**	**622.5**	**649.0**	**4.3%**
Number of claims	198,567	189,655	523,648	561,605	574,467	2.3%
Average cost of the claims, in €	1,054.3	1,043.6	552.3	780.3	804.4	3.1%
Technical provisions	**399.1**	**402.8**	**722.3**	**836.6**	**790.5**	**-5.5%**
% Technical cost	*61.6%*	*60.9%*	*63.4%*	*70.7%*	*71.2%*	*0.5*
% commissions	*11.9%*	*11.8%*	*11.3%*	*11.2%*	*11.1%*	*-0.1*
% expenses	*19.3%*	*20.1%*	*17.7%*	*14.5%*	*14.2%*	*-0.3*
% combined ratio	**92.8%**	**92.8%**	**92.4%**	**96.4%**	**96.5%**	**0.1**
Technical result after expenses	**24.2**	**23.7**	**34.6**	**23.3**	**22.7**	**-2.4%**
% of earned premiums	*7.1%*	*7.3%*	*7.6%*	*3.7%*	*3.5%*	

(Figures in millions of euro)

Excel - Multirisk *Excel - Auto*

Other

Improved results and turnover boosted by the civil liability area Maintenance of the technical cost.

Other	2013	2014	2015	2016	2017	% chg. 16 -17
Written premiums	**140.1**	**137.3**	**196.3**	**280.5**	**293.9**	**4.8%**
Earned premiums	**145.6**	**139.3**	**204.5**	**279.3**	**290.4**	**4.0%**
Number of claims	50,346	46,590	89,528	95,998	95,247	-0.8%
Average cost of the claims, in €	1,287.9	1,266.8	1,119.3	1,515.8	1,591.5	5.0%
Technical provisions	**291.1**	**285.1**	**477.7**	**403.8**	**495.1**	**22.6%**
% Technical cost	*44.5%*	*42.4%*	*49.0%*	*52.1%*	*52.1%*	*0.0*
% commissions	*21.8%*	*21.5%*	*21.3%*	*21.2%*	*20.5%*	*-0.7*
% expenses	*16.8%*	*18.4%*	*17.0%*	*14.9%*	*14.8%*	*-0.1*
% combined ratio	**83.1%**	**82.4%**	**87.3%**	**88.2%**	**87.4%**	**-0.8**
Technical result after expenses	**24.7**	**24.6**	**26.0**	**33.0**	**36.6**	**11.0%**
% of earned premiums	*17.0%*	*17.7%*	*12.7%*	*11.8%*	*12.6%*	

(Figures in millions of euro)

Life

Favourable performance of recurring business growing by 9.3% although the drop in single premiums persists.

The good reception of financial products is highlighted, in particular the pension plans that increase by 23.3%. The result increases by 55.56%, supported by the good behaviour of claims and the Previsora Bilbaína effect.

Life	2013	2014	2015	2016	2017	% chg. 16 -17
Life insurance turnover	**809.7**	**959.3**	**987.9**	**1,003.7**	**939.1**	**-6.4%**
Health	17.7	20.3	36.0	53.6	54.5	1.7%
Funeral	70.7	74.3	78.3	92.2	127.7	38.5%
Periodic premiums	295.1	300.0	338.2	381.3	394.0	3.3%
Single premiums	426.2	564.7	535.4	476.6	362.9	-23.9%
Contributions to pension plans	47.3	48.3	54.8	48.9	60.3	23.3%
Net contributions to investment funds	-5.6	9.6	8.5	-0.4	7.4	
Volume of funds under management	**4,278.8**	**4,208.0**	**5,230.3**	**5,538.5**	**5,638.0**	**1.8%**
Earned premiums	**809.7**	**957.6**	**989.1**	**1,002.4**	**936.9**	**-6.5%**
Technical result after expenses	**27.2**	**18.5**	**20.1**	**30.9**	**47.6**	**55.6%**
% of earned premiums	*3.4%*	*1.9%*	*2.0%*	*3.1%*	*5.8%*	
Technical-financial result	**55.8**	**55.7**	**50.4**	**62.9**	**79.4**	**26.2%**
% of earned premiums	*6.9%*	*5.8%*	*5.1%*	*6.3%*	*8.5%*	

(Figures in millions of euro)

Excel - Other *Excel - Life*

Credit insurance business

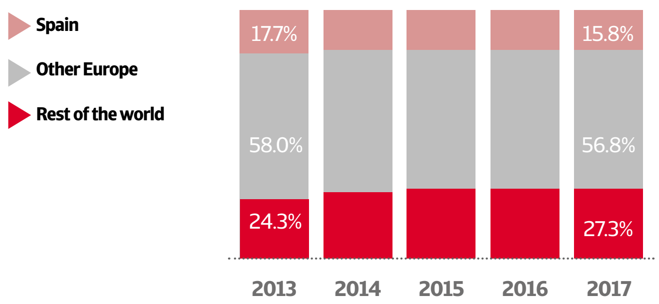
The result of credit insurance has increased by 10.2% to €176.8M, with the combined ratio at a minimum.

In the credit insurance business, the Group has increased its net income by 2.0% reaching €1,718.8M. Both the earned premiums as well as income from information grow at rates of 2%.

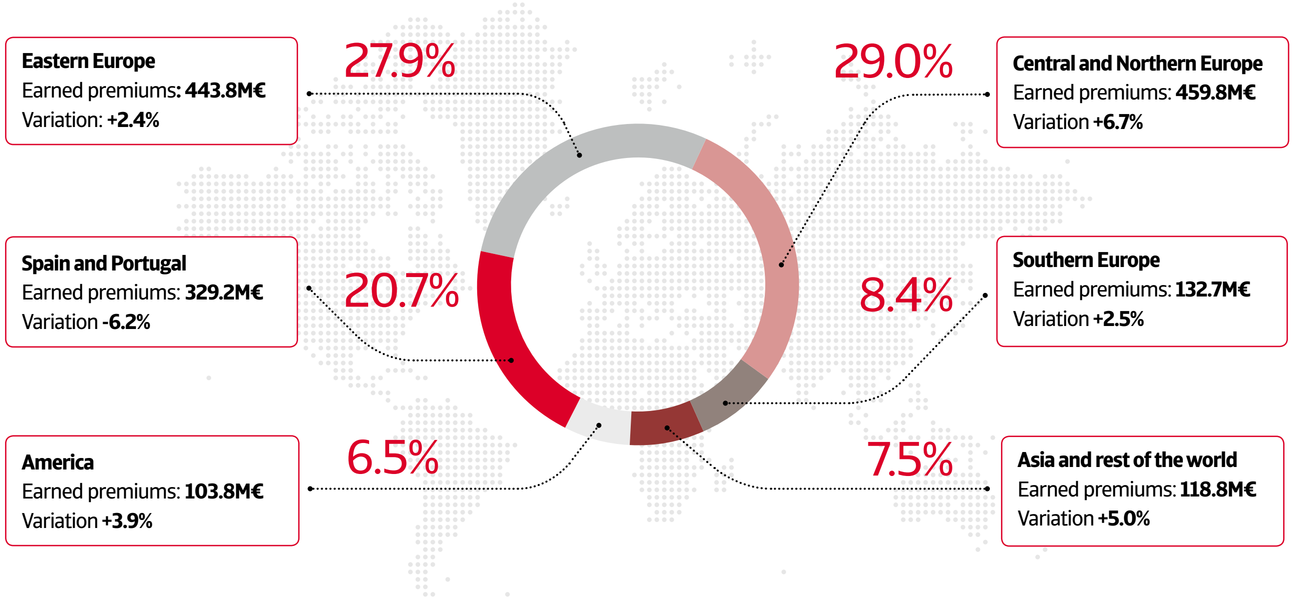
In Spain and Portugal, its main market, the earned premiums decreased 6.2%, while the trend improves with respect to previous periods. In the rest of European markets premiums increase, highlighting the growth of Germany. In America, premiums grew by 3.9%.

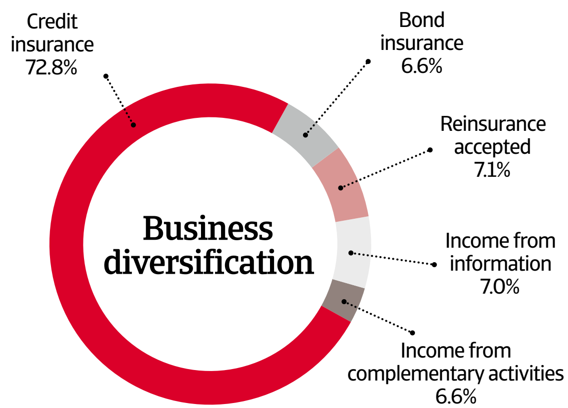
The Group has increased exposure to risk (TPE) by 6.8%, to €610.4M. Europe represents 72.7% of total exposure and Spain is the main market, with 15.8% of the total.

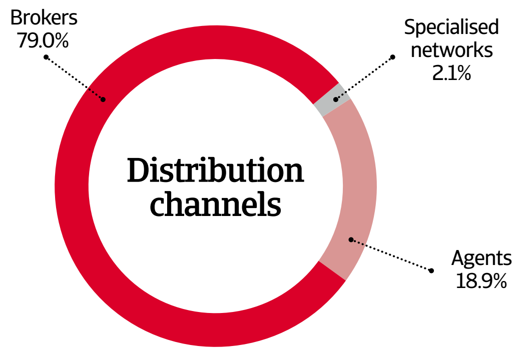
Evolution of cumulative risk (TPE)



+1.6% increase in earned premiums, at €1,183.3M







The net technical result, with €259.2M, an increase of 9.5% supported in a combined ratio at minimum levels and a stable ratio of assignment to reinsurance (42.5% of the earned premiums).

The combined ratio closes the year at 75.2%, 1.6 p.p less than in the previous year. In the period, claims have decreased 0.6 p.p., consolidating levels of 40%, and the costs and commissions have been reduced by 1.0 p.p.

In turn, the financial result contributes only €3.3M, €11.5M less than in the previous year, mainly due to the negative impact of exchange rate differences (-€7.5M).

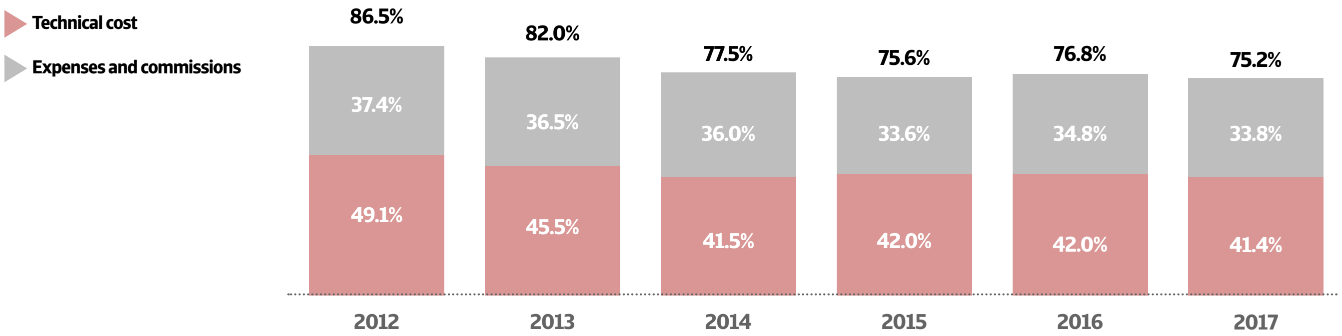
In addition, complementary activities contribute €6.8M, incorporating the whole business of Graydon from the financial year 2016, with a turnover of around €50M.

Consequently, the recurring result is €190.0M, up 1.9% from the financial year 2016 By incorporating the non-recurring results, the total result is placed at €176.8M, increasing by 10.2%.

Credit insurance business	**2013**	**2014**	**2015**	**2016**	**2017**	**% chg. 16 -17**
Earned premiums	1,412.1	1,457.6	1,536.8	1,557.8	1,588.0	1.9%
Income from information	110.4	115.3	121.5	127.4	130.8	2.7%
Net income	**1,522.5**	**1,572.9**	**1,658.3**	**1,685.2**	**1,718.8**	**2.0%**
Technical result after expenses	**289.5**	**355.3**	**343.4**	**376.8**	**392.9**	**4.3%**
% over income	*19.0%*	*22.6%*	*20.7%*	*22.4%*	*22.9%*	
Reinsurance result	-131.0	-145.8	-103.0	-140.1	-133.7	-4.6%
% over income	*-8.6%*	*-10.0%*	*-6.7%*	*-9.0%*	*-8.4%*	
Net technical result	**158.5**	**209.5**	**240.4**	**236.7**	**259.2**	**9.5%**
% over income	*10.4%*	*13.3%*	*14.5%*	*14.0%*	*15.1%*	
Financial result	**13.3**	**13.7**	**4.8**	**14.8**	**3.3**	
% over income	*0.9%*	*0.9%*	*0.3%*	*0.9%*	*0.2%*	
Complementary activities result	**4.9**	**4.1**	**8.0**	**8.6**	**6.8**	**-20.9%**
Company income tax	-47.2	-70.4	-71.1	-64.3	-69.9	
Adjustments	-3.4	-4.6	-11.6	-9.4	-9.4	
Recurring result	**126.1**	**152.3**	**170.4**	**186.5**	**190.0**	**1.9%**
Non-recurring result	**1.1**	**-6.0**	**-15.9**	**-26.1**	**-13.2**	
Total business result	**127.2**	**146.3**	**154.5**	**160.4**	**176.8**	**10.2%**

(Figures in millions of euro)

Performance of the net combined ratio



Excel – Credit insurance business

General expenses and commissions

The efficiency ratio stood at 32.8% in 2017, picking up the contribution of corporate platforms and increasing the quality of service.

The peculiar structure of Grupo Catalana Occidente, formed by entities that maintain an autonomous management of the business, allows constant sharing of best business practices and efficiency in the processes across corporate departments and operating platforms.

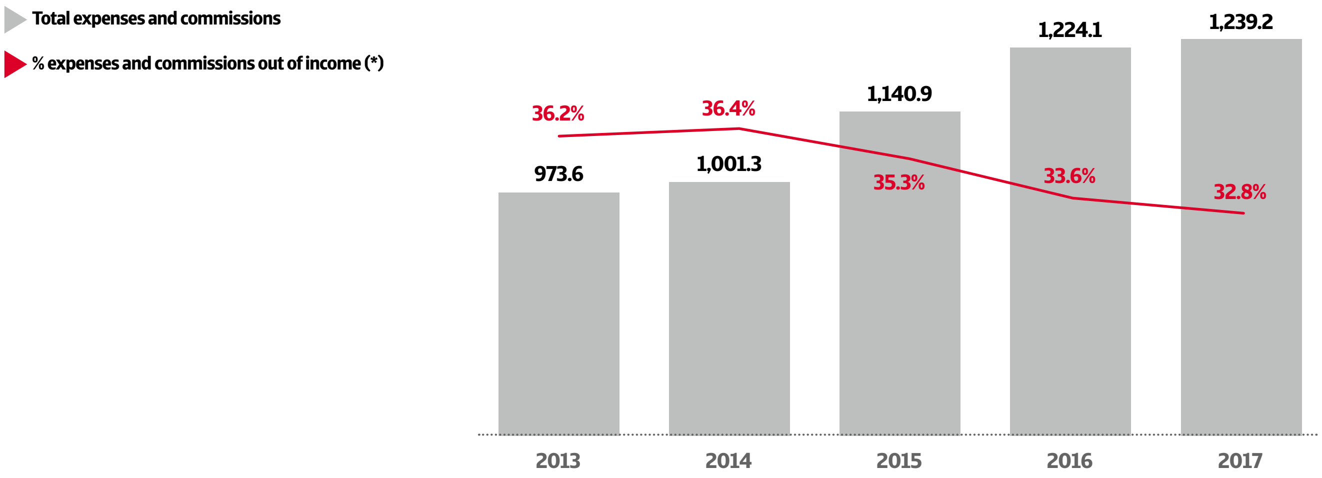
In relative terms, the ratio of expenses and commissions on recurring premiums improves 0.8 p.p. to stand at 32.8%. Since 2013 the Group has improved its efficiency by 3.4 p.p.

Non-recurring expenses amounting to €4.8M correspond to traditional business and are explained in the specific section.

Expenses and commissions	2013	2014	2015	2016	2017	% chg. 16 -17
Traditional business	238.9	240.9	286.8	309.9	311.6	0.6%
Credit insurance business	360.4	388.6	389.3	400.9	400.8	0.0%
Non-recurring expenses	9.2	-1.1	22.7	5.0	4.8	
Total expenses	**608.5**	**628.4**	**698.8**	**715.8**	**717.3**	**0.2%**
Commissions	**365.1**	**372.9**	**442.1**	**508.3**	**521.9**	**2.7%**
Total expenses and commissions	**973.6**	**1,001.3**	**1,140.9**	**1,224.1**	**1,239.2**	**1.2%**
% expenses and commissions out of income	*36.2%*	*36.4%*	*35.3%*	*33.6%*	*32.8%*	

(Figures in millions of euro)

Evolution expenses and commissions



Reinsurance result

In 2017, the contribution to the reinsurers has increased due to the reduced accident rate

The transfer to reinsurance is mainly as the result of the type of business undertaken by the Group.

In credit insurance there are proportional that bring greater stability to the results over the business cycle, as well as non-proportional assignments to mitigate the potential impact of the relevant claims. Traditional business keeps a high retention of the insured business, and reinsurance is protected mainly through stop loss contracts for relevant claims.

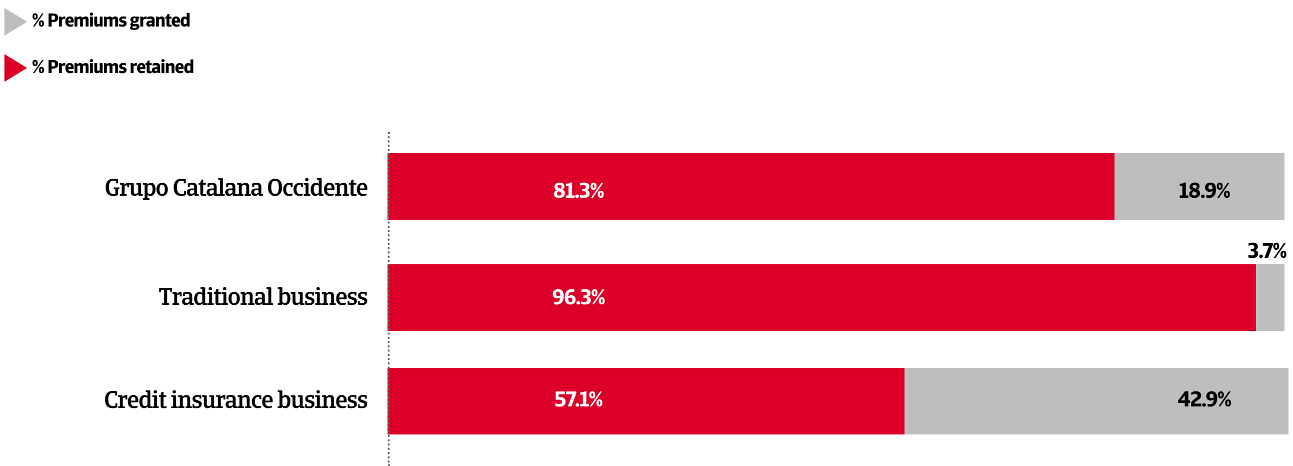
Overall, the cost of reinsurance has meant €171.1M, €37.4M from traditional business and €133.7M from the credit insurance business.

The major reinsurance brokers for both the traditional and credit insurance business are Munich Re, General Re, Swiss Re, Hannover Re and Axis. These all have a credit rating of "A" or higher.

Reinsurance	2013	2014	2015	2016	2017	% chg. 16 -17	Traditional business	Credit insurance
Premiums ceded	-697.2	-710.8	-742.2	-749.4	-774.0	3.3%	-92.5	-681.5
Net premiums ceded	-698.2	-695.4	-743.5	-752.0	-767.9	2.1%	-92.3	-675.7
% of earned premiums	*-22.4%*	*-21.1%*	*-20.1%*	*-18.4%*	*-18.8%*		*-3.7%*	*-42.6%*
Commissions	229.5	254.9	275.7	267.8	272.0	1.6%	15.6	256.5
Claims	305.7	274.2	351.3	340.1	324.8	-4.5%	39.3	285.5
Ceded reinsurance result	**-163.1**	**-166.3**	**-116.5**	**-144.1**	**-171.1**	**18.7%**	**-37.4**	**-133.7**

(Figures in millions of euro)

Distribution of the reinsurance between business lines



Financial result

Financial investments have maintained a stable contribution of €61.2M, in spite of the pressure by low interest rates.

The financial result has contributed €61.2M to the Group's income statement. With respect to the previous year, the financial profit decreased 3.2%.

The traditional business maintains a profit of €72.5M. During the year there have been significant maturities whose reinvestment has been carried out at market interest rates.

In turn, the credit insurance presents a negative result due to lower financial income (-€2.6M) as a result of low interest rates and due to the different impact of exchange differences (-€7.5M).

Financial result	2013	2014	2015	2016	2017	% chg. 16 -17
Financial income net of expenses	164.9	176.2	212.5	223.3	221.1	-1.0%
Exchange differences	-0.4	-0.1	0.1	0.1	-0.5	
Subsidiary companies	17.8	18.9	4.9	0.3	0.7	
Interests applied to life	-138.3	-140.5	-147.4	-152.2	-148.7	-2.3%
Recurring results traditional business	**44.0**	**54.5**	**70.1**	**71.5**	**72.5**	**0.0%**
% of earned premiums	*2.6%*	*3.0%*	*3.2%*	*2.8%*	*2.9%*	
Financial income net of expenses	17.3	16.0	17.4	17.9	15.3	-14.5%
Exchange differences	-2.7	-1.2	-0.4	8.0	0.5	
Subsidiary companies	5.8	7.2	0.9	4.6	4.3	
Interests subordinated debt	-7.1	-8.3	-13.1	-15.7	-16.9	7.6%
Recurring results from credit insurance	**13.3**	**13.7**	**4.8**	**14.8**	**3.3**	
% over net income from insurance	*0.9%*	*0.9%*	*0.3%*	*0.9%*	*0.2%*	
Intra-group interest adjustment	0.0	0.0	-12.4	-8.5	-7.0	
Adjusted recurring financial results from credit insurance	**13.3**	**13.7**	**-7.5**	**6.3**	**-3.7**	
Recurring financial results	**57.3**	**68.2**	**62.5**	**77.8**	**68.9**	**-12.5%**
% over net income from insurance	*1.8%*	*2.0%*	*1.6%*	*1.8%*	*1.6%*	
Non-recurring financial results	**15.7**	**5.7**	**22.3**	**-15.5**	**-7.7**	
Financial result	**73.0**	**73.9**	**84.8**	**62.3**	**61.2**	**-3.2%**

(Figures in millions of euro)

Non-recurring result

The non-recurring result of the credit insurance business has negatively impacted on the results of the Group in 2017, while that of the traditional business has presented a more stable behaviour.

For business, the non-recurring result after tax for the traditional business represented a benefit of €1.4M, supported by profits from the financial assets. In turn, non-recurring expenses have been recognised in the financial year amounting to €4.8M, from IT impairment.

The credit insurance business has registered a loss of €13.2M, originating, among other, from the decreased value of the South African investee company Credit Guarantee Insurance.

Non-recurring result (net of taxes)	2013	2014	2015	2016	2017
Technical from traditional business	-0.2	-0.1	0.0	0.0	0.0
Financial from traditional business	4.3	0.3	9.7	5.3	6.2
Expenses and other non-recurrent from traditional business	-10.1	-2.2	-4.6	-0.2	-4.8
Non-recurrent from traditional business	**-6.0**	**-1.9**	**5.2**	**5.1**	**1.4**
Technical credit insurance	-0.6	0.6	0.0	0.0	0.0
Financial from credit insurance business	6.9	0.5	1.7	-20.8	-8.8
Payback to the Consorcio de Compensación de Seguros	-5.2	-7.1	0.0	0.0	-4.4
Non-recurring from credit insurance business	**1.1**	**-6.0**	**-15.9**	**-26.1**	**-13.2**
Non-recurring result (net of taxes)	**-4.9**	**8.1**	**-10.8**	**-21.0**	**-11.8**

(Figures in millions of euro)

Excel – Non-recurring result

Balance sheet

In terms of the balance sheet, the Grupo Catalana Occidente has increased its assets by €293.9M and has improved its ROE to 11.8% in 2017.

Grupo Catalana Occidente closed the 2017 balance sheet with assets of €14,201.4M, up 2.1% from the financial year 2016.

The equity attributed to the Group is situated at €2,752.6M, with which the ROE reached 11.8% improving 0.15 p.p.

Note that the item "cash" does not reflect the Group's liquidity position as investments in deposits and money market funds are included in Financial Investments (See Investments and Funds under Management table).

Likewise, it should be remembered that Grupo Catalana Occidente does not account for the surplus value of its property featured, so they appear at the amortised cost value and not at market value.

Assets	2013	2014	2015	2016	2017	% chg. 16 -17
Intangible assets and property	**883.3**	**876.6**	**1,100.8**	**1,213.1**	**1,218.8**	**0.5%**
Investments	**7,163.3**	**8,258.3**	**9,763.0**	**10,332.0**	**10,596.9**	**2.6%**
Investment property	226.5	223.3	278.7	398.0	382.8	-3.8%
Financial investments	6,503.8	7,448.5	8,874.5	8,897.3	8,957.9	0.7%
Cash and short-term assets	433.0	586.5	609.7	1,036.6	1,256.2	21.2%
Reinsurance of technical provisions	**895.2**	**889.4**	**1,002.1**	**895.1**	**842.5**	**-5.9%**
Other assets	**1,159.6**	**1,192.2**	**1,430.1**	**1,467.2**	**1,543.2**	**5.2%**
Deferred tax assets	115.9	127.2	96.1	91.1	84.3	-7.5%
Credits	703.2	702.2	873.0	900.4	946.4	5.1%
Other assets	340.5	362.8	461.1	475.8	512.5	7.7%
Total assets	**10,101.4**	**11,216.5**	**13,296.0**	**13,907.5**	**14,201.4**	**2.1%**

Net liabilities and equity	2013	2014	2015	2016	2017	% chg. 16 -17
Permanent resources	**2,100.3**	**2,685.7**	**2,797.7**	**3,039.6**	**3,278.9**	**7.9%**
Net equity	**1,980.8**	**2,437.6**	**2,585.8**	**2,834.7**	**3,078.6**	**8.6%**
Parent company	1,723.8	2,167.1	2,299.7	2,533.6	2,752.6	8.6%
Minority interests	257.1	270.5	286.1	301.1	326.0	8.3%
Subordinated liabilities	**119.5**	**248.1**	**211.8**	**204.9**	**200.3**	**-2.3%**
Technical provisions	**6,905.5**	**7,235.0**	**9,074.3**	**9,351.0**	**9,425.2**	**0.8%**
Other liabilities	**1,095.6**	**1,295.8**	**1,424.0**	**1,516.8**	**1,497.3**	**-1.3%**
Other provisions	153.0	148.0	161.1	186.4	165.2	-11.4%
Deposits for reinsurance ceded	62.1	60.4	82.3	59.2	57.7	-2.5%
Deferred tax liabilities	222.3	320.3	328.9	340.3	332.6	-2.3%
Debts	457.6	524.6	574.3	623.0	618.7	-0.7%
Other liabilities	200.6	242.5	277.3	308.0	323.1	4.9%
Total net liabilities and equity	**10,101.4**	**11,216.5**	**13,296.0**	**13,907.5**	**14,201.4**	**2.1%**

Excel - Balance sheet
See investments section
See report accounts

Investments and managed funds

The Group manages funds at the close of 2017 amounting to €11,988.2M, €316.1M more than in the previous year.

The investment activity, focused on traditional assets also in 2017, is characterised by prudence and diversification

The total investment in property at market value amounts to €1,170.7M The majority of the Group's properties are located in areas considered "prime" areas in the most important Spanish cities. All of the properties for use by third parties are located in these areas and have a very high rate of occupancy. Every two years they are evaluated, through entities that are authorised by the supervisor. Capital gains from these properties stand at €476.6M.

Fixed-income investment represents 59.6% of the total portfolio, standing at €6,568.4M. The distribution of the rating in the portfolio is shown graphically below. At year end, 34% of the portfolio is rated A or higher, while the average rating is BBB, which mostly responds to the investment in Spanish public debt. The duration of the portfolio at the end of the financial year is 4.64 and profitability at 2.57%.

The variable income represents 12.7% of the portfolio and increases by 4.3%, reflecting the higher evaluation of the market. The investment portfolio is widely diversified and focused on high-capitalisation securities, mainly in the Spanish market (32.7%) and the European market (51.0%), which show attractive dividend returns.

The Group maintains a liquidity position of €1.657.3M (€382.4M in deposits with credit institutions, mainly at Banco Santander and BBVA).

In the year 2017, the commission for the control of the pension fund "GCO employee pensions, pension fund" approved the inclusion of the socially responsible investment criteria in the investment policy. The Group created the Socially Responsible Investment as a long-term commitment to sustainability, with the aim of generating a positive impact on society and the environment. For this reason, it aims to consolidate this progressive practice for the rest of investment portfolios.

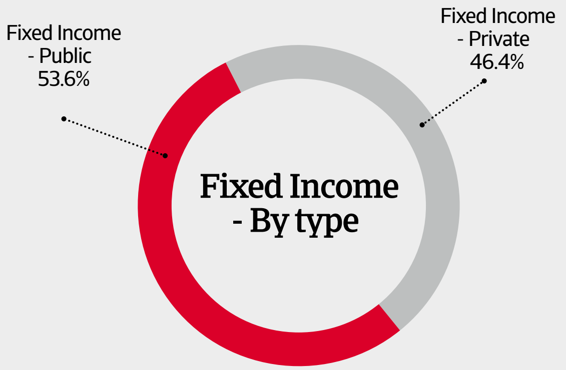
Investments and managed funds	**2013**	**2014**	**2015**	**2016**	**2017**	**% chg. 16 -17**	**% without /inv. R. Co.**
Properties	977.4	943.3	1,024.4	1,173.2	1,170.7	-0.2%	10.6%
Fixed Income	4,114.9	4,906.4	6,396.3	6,578.0	6,568.4	-0.1%	59.6%
Variable Income	754.3	927.0	1,304.3	1,345.8	1,404.0	4.3%	12.7%
Deposits with credit institutions	600.5	593.9	464.4	412.6	382.4	-7.3%	3.5%
Other investments	137.7	141.0	124.6	133.2	135.2	1.5%	1.2%
Cash and monetary assets	679.1	789.7	772.2	1,060.6	1,274.9	20.2%	11.6%
Investment in investee companies	362.6	373.5	99.0	62.9	84.8	34.8%	0.8%
Total investments, risk to entity	**7,626.5**	**8,674.9**	**10,185.2**	**10,766.3**	**11,020.4**	**2.4%**	**100.0%**
Investments on behalf of policyholders	281.1	294.8	315.7	332.5	356.8	7.3%	
Pension plans and investment funds	474.3	511.1	554.9	573.2	611.0	6.6%	
Total investments, risk to policy holders	**755.4**	**805.9**	**870.6**	**905.7**	**967.8**	**6.9%**	
Investments and managed funds	**8,381.9**	**9,480.8**	**11,055.8**	**11,672.1**	**11,988.2**	**2.7%**	

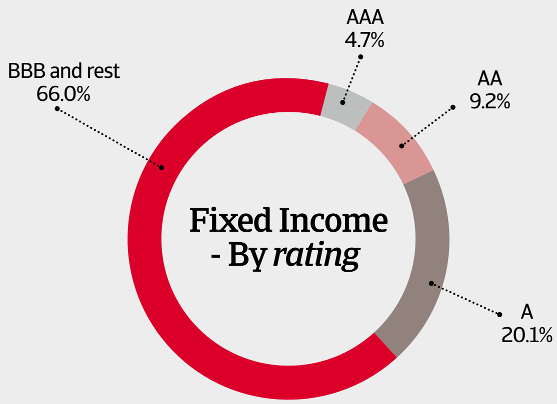
(Figures in millions of euro)

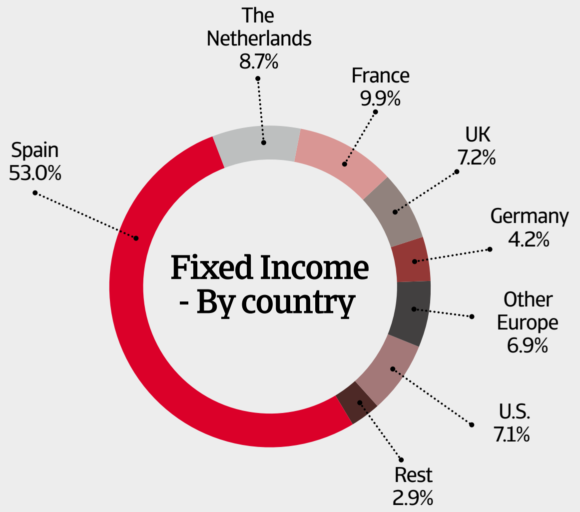
Excel – Investments

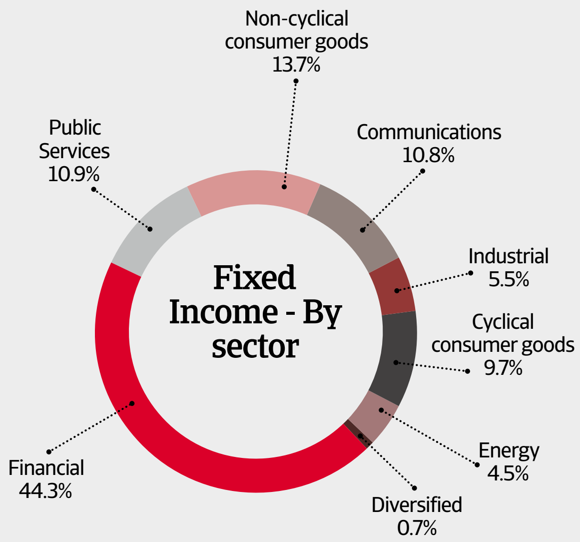
See report chapter 4 fixed income 6, 7 and 8

Fixed income distribution in 2017

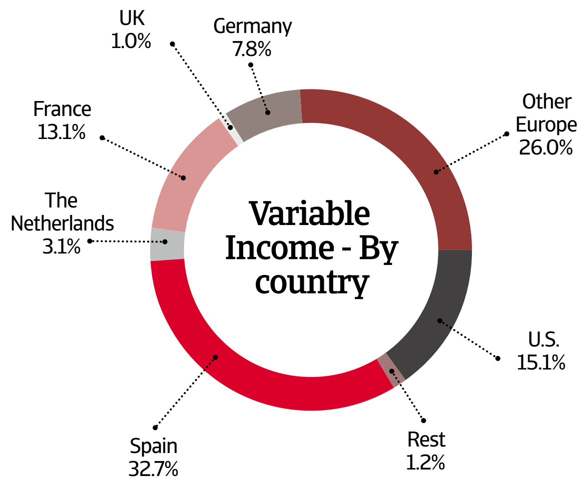


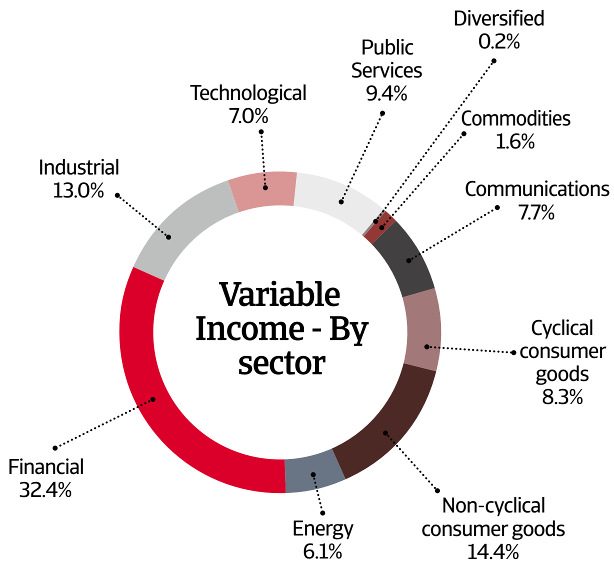






Variable income distribution in 2017





Capital management

Grupo Catalana Occidente manages its capital with the goal of maximising value for all its interest groups, maintaining a solid position through obtaining long-term results and a prudent policy for remunerating shareholders.

All Group entities maintain the necessary financial strength to develop the business strategy, taking risks prudently and meeting the required solvency needs. .

Principles of capital management

Capital management at the Group is governed by the following principles:

- Ensure that Group companies have sufficient capital to meet their obligations and even as they face of extraordinary events
- Manage the capital taking into consideration the economic and accounting perspective as well as the objectives established in the risk appetite.
- Optimising the capital structure through the efficient allocation of resources between entities, ensuring financial flexibility and remunerating shareholders appropriately

The Group defines the strategic plan and the risk strategy considering the capital management policy, using the solvency projections made in the internal evaluation process of risks and solvency (ORSA).

The capital quantification is carried out at Group level and at the level of each of the entities, using different models for monitoring: ORSA, rating agencies, economic and regulatory models.

Capital performance

"At the end of the financial year 2017, the Group's capital had increased by 7.0%, supported by improved results"

(Figures in millions of euro)

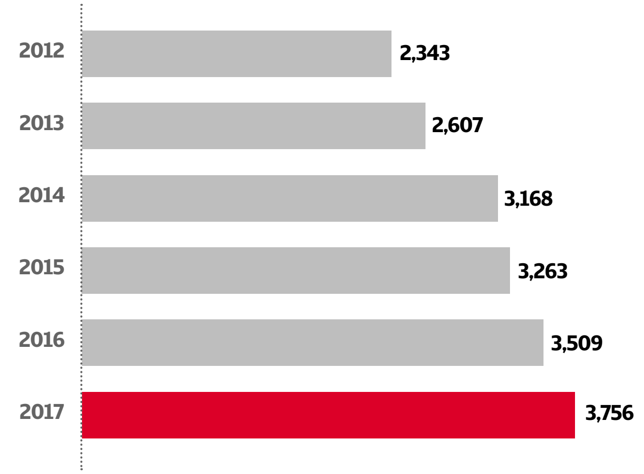
Permanent resources on 31/12/2016	**3,039.6**
Net equity on 31/12/2016	**2,834.7**
(+) Consolidated results	357.3
(+) Dividends paid	-98.2
(+) Variation of valuation adjustments	-47.1
(+) Other changes	31.9
Total movements	**243.9**
Total net equity on 31/12/2017	**3,078.6**
Subordinated debt	200.3
Permanent resources on 31/12/2017	**3,278.9**
Capital gains not included in balance sheet	476.6
Permanent resources at market value	**3,755.5**

* In addition, the amount of the computable subordinated debt for the purposes of the Group has reduced by €54.3M the investment that some traditional business entities maintained in the bonus.

The improved result has helped to boost the Company's equity position. Market movements have led to an decrease in the value of investments, with a negative impact of €47.1M. Dividends have also been paid, amounting to €98.2M, thus reducing the Net Equity by the same amount.

In credit insurance, Atradius has issued subordinated debt amounting to €250 million maturing in September 2044, which can be fully amortised from September 2024. It bears interest at a fixed rate of 5.25% for the first ten years and, thereafter, the interest rate is variable 3-month Euribor plus 5.03% (see section 12) of the notes to the consolidated financial statement).

Evolution of Permanent resources at market value



See report on the solvency position (SFCR) paragraph E

Stable "A" rating

The "A" rating with a stable perspective reflects the good business model, excellent operational results and adequate capitalisation, thanks to the internal capital generation by the entities of the Group.

Likewise, A.M. Best underscores the prudent underwriting guidelines and extensive network of agents resulting in greater customer loyalty. Furthermore, it considers that exposure to natural disasters is limited, thanks to the existence of a national coverage system.

A.M. Best and Moody's highlight the strong competitive position of the credit insurance companies, through:

- Good capitalisation.
- Low financial leveraging.
- The conservative investment portfolio.

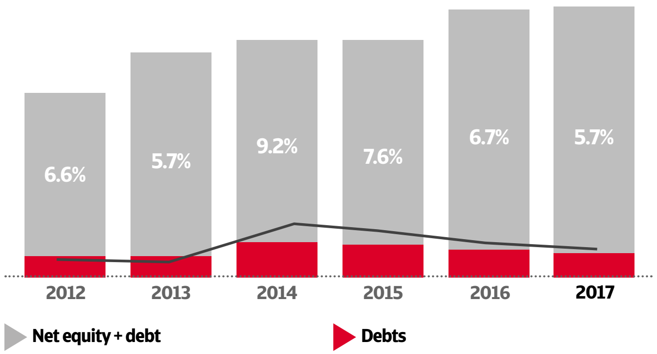
In particular, Moody's said in his last report in December positions the rating of the entities of the Atradius in upward revision.

	AMBest	Moody's
Seguros Catalana Occidente	A stable	
Seguros Bilbao	A stable	
Plus Ultra Seguros	A stable	
Atradius Crédito y Caución	A stable	A3 stable
Atradius Re	A stable	A3 stable

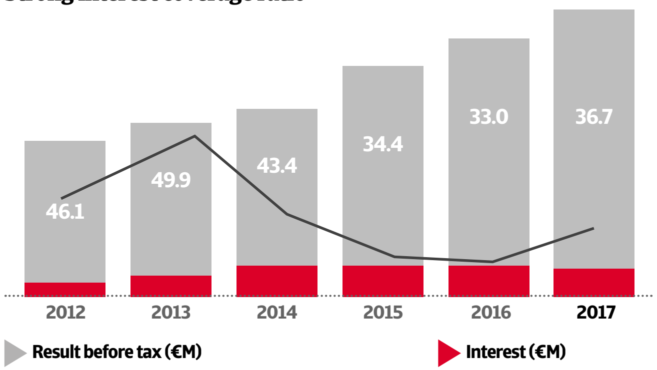
Financial strength

The Group presents a debt ratio of 5.7%, falling by 1 p.p due to the increased equity. The debt corresponds to the emission from the group entity in credit insurance: Atradius.

Reducing debt ratio



Strong interest coverage ratio



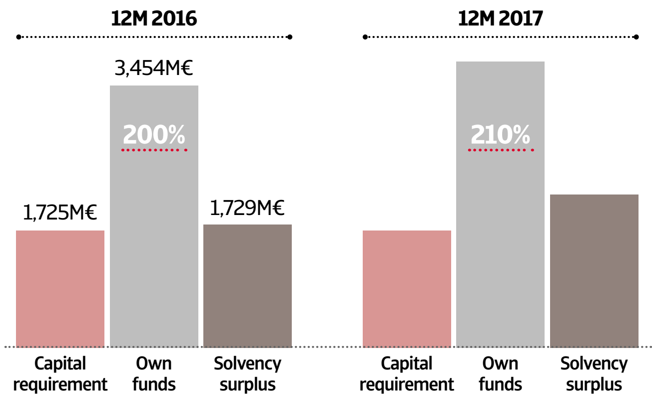
Sound solvency ratio above 200%.

Grupo Catalana Occidente calculates the solvency capital requirement in accordance with the standard formula established in the regulation, except for the credit and surety area where, with the objective of collecting the specific details of the business, a partial internal model has been developed to calculate the underwriting risk. In 2017, the Group has received the approval of the model by the college of supervisors.

The solvency ratio of the group at the end of the financial year 2017 is maintained in 210% (*) and is positioned well above the 150% sustained, even in adverse scenarios.

Own funds are of high quality (94.5% of tier1).
The Group has reported profits and has solidly and repeatedly maintained the dividends, including during the years of economic crisis.

Therefore, Grupo Catalana Occidente has a robust solvency and financial position to withstand adverse situations.



** Standard formula data 2016 and internal model data 2017 (not audited)*

See report on the solvency position (SFCR) paragraph E

05

Business model

Protection and forecast

The Group has again in 2017 occupied positions of leadership in protection and long-term welfare for families and companies in Spain and on the coverage of commercial credit risks at international level, supported in its renewed cultural keys and encouraging innovation.

Business model

In 2017, the Group has continued to occupy positions of leadership in the Spanish market and has maintained its market share in the credit insurance segment up to 22.7% at the international level.

The aim of the Group is based on leadership in protection and long-term welfare for families and companies in Spain and on the coverage of commercial credit risks at the international level.

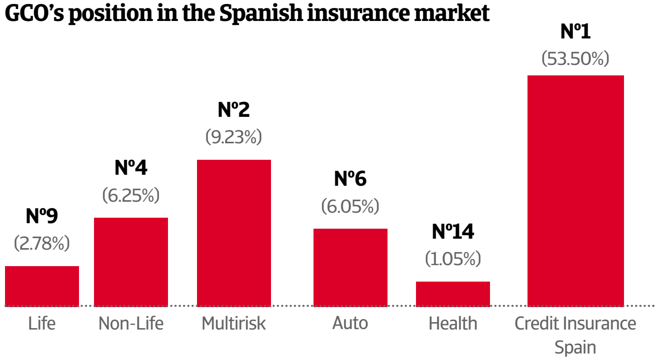
Grupo Catalana Occidente is a multinational company engaged in insurance operations, operating in over 50 countries through over 50 entities.

The participation of the various entities in the Group implies, without prejudice to their legal autonomy, their integration to the corporate structure through a coordination and supervision of their activities by the parent company.

Grupo Catalana Occidente S.A. is the holding company that acts as the parent company of the Group, whose shares are listed in the Madrid and Barcelona stock exchanges, forming part of the IBEX Medium cap Index.

In Spain, the Group holds the sixth position in the ranking with a market share of 4.6%, with 6.35% in non-life and 2.78% in life. Furthermore, in credit insurance the Group is the second entity on a global scale with a market share of 22.7%.

GCO's position in the Spanish insurance market



The Group bases its strategy on 3 basic pillars:

Growth

Definition of the markets which the Group addresses, development of appropriate products and services and establishment of adequate distribution channels in order to reach the customer.

Profitability

Recurring and sustained profitability through technical-actuarial rigour, diversification in investments and processes that permit adjusted cost ratios and a quality service.

Solvency

Prioritise the generation and continuous growth of own resources in order to finance the expansion of the Group, guarantee ample compliance with the commitments assumed and ensure adequate returns to the shareholders.

Cultural Keys

One of the major milestones of the group in 2017 has been to disseminate to the entire organisation as a whole cultural keys raised in the previous financial year.

Corporate culture is a key factor to enhance the sense of belonging to the Group. In recent years the Group has made numerous acquisitions, which has worked to strengthen a common culture between the entities.

One of the milestones in 2016 was the start of the "culture project", where the first objective was to identify the cultural keys of Grupo Catalana Occidente, especially in traditional business. These keys define the common values that explain the Group's way of being and doing and that of their entities.

In the financial year 2017, the Group has worked on materialising and bring closer the cultural keys to the whole of the organisation in each of the entities. In particular, there have been sessions that have involved the participation of the whole management team of the Group.

Pillars	Cultural Keys
Growth	Self-criticism Innovation
Profitability	Austerity Long term vision
Solvency	People Commitment

Innovation

In 2017, the Group has continued investing in innovation in areas such as data analysis and through initiatives such as the Xplora platform.

For Grupo Catalana Occidente, innovation is inherent to the activity of all of its companies, as a means of improving the customer experience.

The design and approach of the following actions are especially highlighted during the financial year 2017:

Customer experience improvement

After the project started in 2016 whose main objective was to create a customer-focused culture by understanding their needs, by measuring their opinion in all stages of the customer journey and ensuring an optimal, consistent and homogeneous experience regardless of the contact channel, in 2017 the Group has continued with the development of the main initiatives identified by promoting the culture of Group and developing them through cross-cutting working groups.

The initiatives developed have had the following as main axes:

- **Customer experience:** to measure the customer's voice and develop a global customer datamart.
- **Communications and channels:** to review the communications with customers and consolidate new contact channels such as e-client.
- **Disaster management:** to optimise processes to improve customer experience, as well as implement new tools that allow the tracking of the incident by the customer.
- **Commercial system:** to include the commercial network in all processes related to the customer to ensure a 100% shared vision.

Open innovation within the Group

- Diagnosis of the innovative capacity of the organisation and action plan to promote innovation with the completion of more than five workshops involving about 100 people of the Group.
- Online Xplora Platform
  - 5 challenges
  - +200 xplorers.
  - 130 ideas.

Innovation in credit insurance

The Group has undertaken a number of initiatives that incorporate the best applications for subscribing to policies, which are fully automated and globally accessible via mobile devices. Customers will be able to connect to the platforms in a simple way and reduce the time needed. *Brokers* will benefit from more efficient ways of sharing information.

In addition, technology is also being used to innovate in the administration of credit insurance in order to integrate some of the digitization opportunities such as big data platforms, advanced analysis and robotics.

New cyber-risk insurance

The incursion of new technologies in day-to-day business involves risks, like a possible cyber attack.

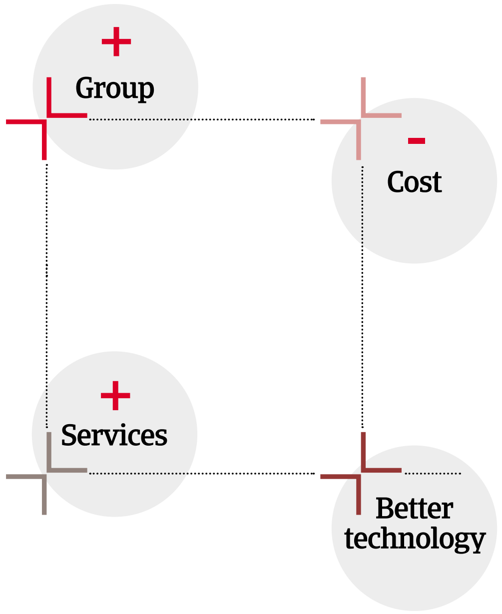
The Group launches a new type of insurance for small and medium-sized companies that protects them against losses sustained by the theft of confidential information and financial losses resulting from the stoppage of the activity among others.

Key figures (Result Centre)

Technology and operations

The Group has also put technology at the service of its operations.

The four axes that articulate the direction of Grupo Catalana Occidente operations are:



During the financial year 2017 are highlighted:

Cyber-risks

The cyber-risk strategy has been reinforced, to provide a solid level of protection for the company's information, to ensure the control and security of its internal networks and minimise exposure.

Unification of platforms

The continuity of the project aims to provide a technological framework common to all companies of the Group's traditional business to reduce maintenance costs, simplify communications systems and security, and to promote technological synergies.

Data analytics

The Group has designed a unit that will advance in the next few years, in among other issues, with customers segmentation through machine learning methods.

Business continuity plan

The Group has continued to improve its high availability systems by duplicating hardware and data, with sufficient capacity to ensure that the company's online operations are not interrupted in the event of an emergency.

New internet filtering systems have also been implemented to improve protection against new threats and cyber attacks.

"Atradius Business Transformation" Programme

It aims to improve its offer of services and development of products to maintain its solid value proposition for its customers. This project involves aspects of innovation, digitalisation and new products.

During 2017 and 2018, the programme will focus on developing a product configurator, gathering requirements for the framework of prices, redesigning the sales process and delivering new features to the customer tool.

Business units

Traditional business

The traditional business, with a wide range of insurance products, mainly aimed at households and SMEs, is managed through a dedicated network of professional brokers and over 1,500 offices in Spain.

The business lines offered are:

Multirisk
Family-home, shops, communities, offices and SMEs.

Other
Industrial products, engineering, accidents and civil liability.

Life
Products of life risk, life savings, pension plans and investment funds, as well as funeral and health.

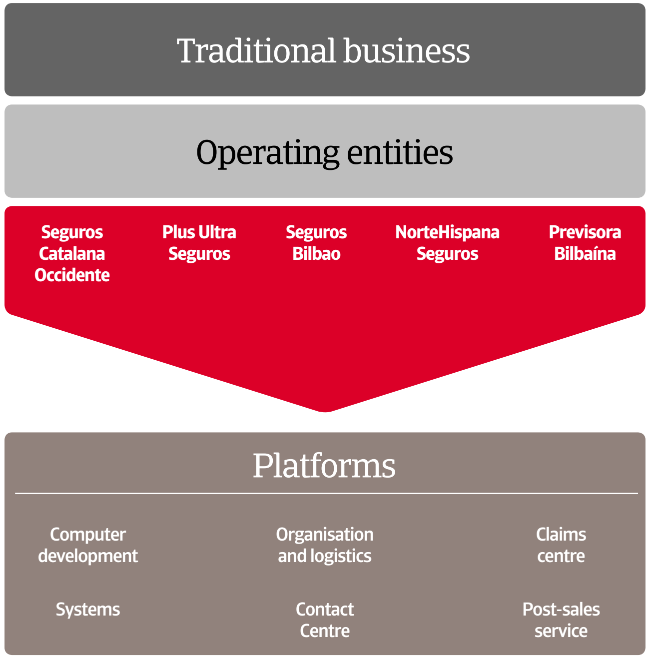
Auto
Coverage for vehicles or transport fleets

The brands of the Group in the traditional business are:

Catalana Occidente Seguros
PlusUltra Seguros
Seguros Bilbao
NorteHispana Seguros
Previsora Bilbaína Seguros

Operating platforms of the Group:

The entities of the traditional business share different operating platforms in order to improve efficiency and offer the customer a quality service.



Focus on service

- Customisation.
- Immediate resolution.
- Self service

Credit insurance business

Through credit insurance, the Group provides products and services that contribute to the growth of companies throughout the world by protecting them from the default risk associated with selling products and services with payment in instalments. This is a business structurally linked to economic performance and, in particular, to the performance of corporate defaults worldwide and of the global trade volume.

The business lines offered are:

Credit insurance
Protects against financial losses due to incapacity of a purchaser to pay for the goods paid for with credit.

Credit caución
Protects the beneficiary if the supplier does not comply with their contractual obligations.

Reinsurance
Wide range of reinsurance options for insurance companies of the main insurers in the world.

Global
Solutions adapted in a global manner for multinational companies.

The brands of the Group for credit insurance are:

Atradius Managing risk, enabling trade
Crédito y Caución Atradius
Atradius Reinsurance

Corporate structure

Grupo Catalana Occidente is composed of 50 companies, mostly involved in the insurance business. The parent company is Grupo Catalana Occidente S.A., (with registered office in Avda. Paseo de la Castellana 4, 28046 Madrid) which directly and indirectly administers and manages all of the shareholdings of all entities that make it up.

The following table reflects the main entities included in the consolidation perimeter of the Group at the end of 2017.

All of these have their own structure and organisational network, independent from the other insurance companies in the Group. From an organisational point of view they have a structure with centralisation and decentralisation of operations, with the following service centres: two underwriting centres, six claims centres, an administrative centre and a call centre.

Grupo Catalana Occidente - Parent company

Insurance companies	Complementary insurance companies	Investment companies
Seguros Catalana Occidente	Tecniseguros	GCO Gestión de Activos
Seguros Bilbao	Bilbao Vida	GCO Gestora de Pensiones
NorteHispana Seguros	S. Órbita	Catoc SICAV
Plus Ultra Seguros	Previsora Bilbaina Agencia de Seguros	Bilbao Hipotecaria
GCO Re	Bilbao Telemark	Sogesco
Previsora Bilbaína Seguros	Inversions Catalana Occident	Gesiuris
Previsora Bilbaína Vida	CO Capital Ag. Valores	Hercasol SICAV
	Cosalud Servicios	Previsora Inversiones SICAV
	GCO Tecnología y Servicios	PB Cemer 2002
	Prepersa	
	GCO Contact Center	
	Asitur Asistencia	
	Calboquer	
	Grupo Funeuskadi	
	Arroita 1878	
Atradius Crédito y Caución	Atradius Collections	Grupo Compañía Española Crédito y Caución S.L.
Atradius Re	Atradius Duch State Business	Atradius NV
Atradius ATCI	Atradius Information Services	Atradius Participations Holding
Atradius Seguros de Crédito México	Iberinform Internacional	Atradius Finance
Atradius Rus Credit Insurance	Graydon	
Crédito y Caución Seguradora de Crédito e Grantias Brazil		

Traditional business

Credit insurance business

06

Corporate governance

Best practices

The Group has continued in 2017 with a corporate governance model in line with best international practices, which commits to transparency, rigour and accountability.

Corporate governance model

The Group's Board of Directors continue to guide its activity according to the principles of good governance.

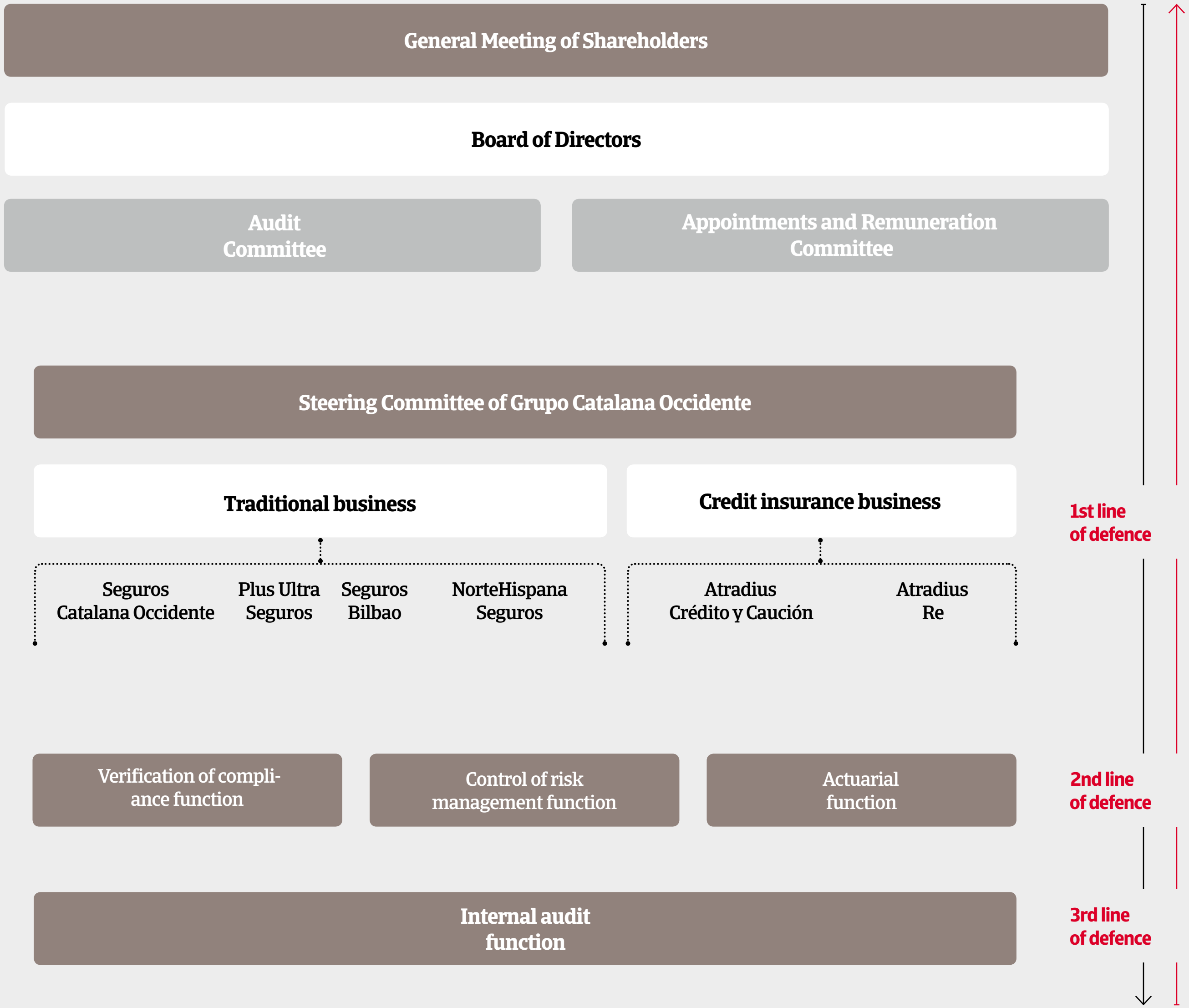
The governing bodies of Grupo Catalana Occidente are intended to provide management and control structures appropriate to protect the interests of shareholders, monitor the implementation of the strategy and ensure the creation of value and the efficient use of resources in a transparent information framework.

The Group applies the recommendations of the Code of Good Governance of the National Securities Market Commission (CNMV) for listed entities as well as advanced practices in corporate governance.

General Shareholders' Meeting

The General Meeting is the representation body for the shareholders that hold the share capital of the Group. Its operation and actions are regulated by the Regulations of the General Shareholders' Meeting. One of its main functions is to approve the accounts and decide upon the application of the result. There are no restrictions in the Group on voting rights, because each share entitles the holder to one vote.

The next General Shareholders' Meeting is convened for April 26, 2018 at 5.00 p.m. in Madrid. In order to facilitate the participation of all shareholders, the Group makes a digital forum available to all shareholders for debate as well as electronic methods that facilitate distance voting and the delegation of representation.



Board of Directors

The Board of Directors is the maximum management authority in the Group. The guiding principle for action is to delegate the ordinary management to the management team and to concentrate the activity on the supervision function which includes:

- Strategic responsibility: direct the policies of the Group.
- Supervision responsibility: control the management events.
- Communication responsibility: serve as a link between shareholders.

Its operation and actions are regulated by the regulations of the Board of Directors

At year-end 2017, the Board of Directors consisted of 16 directors, of which 14 are members and 2 are independent .

Delegate committees:
The Board of Directors has two delegated committees: the Audit Committee and the Appointments and Remuneration Committee.

From the financial year 2016, the Group has attributed the corresponding functions to the audit committee, in connection with the corporate responsibility policy that was drafted during the financial year 2017.

The appointments and remuneration committee ensures that the processes for candidate selection are not affected by implicit bias preventing selection of female Directors. The committee makes proposals and reports to the Board of Directors, as applicable, with total objectivity, respecting the principle of gender equality based on their professional status, experience and knowledge. This principle guides the action criteria so there is no need for any additional measures, there being no discrimination to be eliminated.

Board of Directors

Chairman

* José Mª Serra Farré

Vice chairman

Gestión de Activos y Valores S.L.
Javier Juncadella Salisachs

Chief Executive Officer

* José Ignacio Álvarez Juste

Director and Secretary

* Francisco J. Arregui Laborda

Members of the board

Jorge Enrich Izard

* * Juan Ignacio Guerrero Gilabert

Federico Halpern Blasco

* * Francisco Javier Pérez Farguell

*Hugo Serra Calderón

Maria Assumpta Soler Serra

Cotyp, S. L
Alberto Thiebaut Estrada

Ensivest Bros 2014, S. L.
Jorge Enrich Serra

Inversiones Giró Godó, S. L
Enrique Giró Godó

Jusal, S. L.
José M.ª Juncadella Sala

Lacanuda Consell, S. L
Carlos Halpern Serra

Villasa, S. L
Fernando Villavecchia Obregón

Vice secretary - Non member

Joaquin Guallar Pérez

Delegate committees

Audit Committee

Chairman

Francisco Javier Pérez Farguell

Members of the board

Juan Ignacio Guerrero Gilabert

Lacanuda Consell, S. L

Appointments and Remuneration Committe

Chairman

Juan Ignacio Guerrero Gilabert

Members of the board

Francisco Javier Pérez Farguell

Gestión de Activos y Valores S.L.

*Executive directors **Independent

The Steering Committee (first line of defence)

Grupo Catalana Occidente has a corporate steering committee that manages and coordinates the day-to-day management of the Group.

Each individual entity that is part of the Group also has its own steering committee.

External audit

The firm Deloitte conducts the external audits — primarily financial — of the Group and the majority of the companies that make it up. With this, global standardisation is contributed to all audits and, particularly, with regards to the financial information systems.

At the Group's 2016 General Shareholders' Meeting, it was agreed to extend the contract of Deloitte, S.L. as auditors of the Parent Company and the Group for the year 2017.

In Note 20d of the report are recorded the remuneration paid to the auditors, both in concept of auditing services and other services.

The full content of the annual accounts, of the notes to the consolidated financial statement and the auditors report is available at: www.cnmv.es and www.grupocatalanaoccidente.com, within the section dedicated to investors and analysts, in economic information.

See report on the solvency position (SFCR) paragraph B

Key functions (2nd and 3rd line of defence)

The fundamental functions contribute to reinforcing the integral system for risk management of the Group, in which the entire organisation is supported.

Control of risk management function

The control of risk management function supports the Board of Directors and the steering committee in the identification, evaluation and control of all risks that the entity is exposed to. Its main functions are:

- Identification and evaluation of the types of risks.
- Support for the Board of Directors in the annual establishment of the risk tolerance for the Group and its main businesses.
- Performance of prospective internal evolution of risks.
- Periodic monitoring of the risk profile and the significant threats.

Verification of regulatory compliance function

The verification of regulatory compliance function ensures compliance with the regulations to which the Group is subject. As it is a listed Group, best practice is complied with, including:

- Compliance with best practices of corporate governance.
- Compliance with Regulations such as EMIR, SEPA, FATCA and CRS.

Actuarial function

The actuarial function exercises the powers conferred by legislation.

Its main functions are:

- To express an opinion on the suitability of the technical provisions.
- To evaluate the quality of data used in the technical provisions.
- To express an opinion on the suitability of the technical provisions included in the ORSA
- To express an opinion on the subscription policy.
- To express an opinion on the reinsurance policy.

Internal audit function

The internal audit function directly reports to the audit committee as a delegate committee of the Board of Directors and exercises maximum supervision of the Group's internal control.

In 2017 the Group has conducted more than 50 audits, among which five are about aspects of Solvency II and two about the prevention of money laundering.

In total, more than 110 opinions have been issued, 98% of which are at least in the satisfactory category.

Remuneration policy

The Group's remuneration policy is oriented at the generation of value and the sustainability of the results in the time. In addition, the Policy seeks to align the interests of employees, partners and shareholders together with a prudent risk management.

The remuneration policy should be adopted for periods of three years (unless there are changes therein) by the General Shareholders' Meeting. In addition, the annual report on remuneration for the Board of Directors is published annually and submitted to the advisory vote of the General Shareholders' Meeting, which includes the remuneration that have been received both in the Group as well as its subsidiaries.

In this way, the Group complies with the provisions of the regulations on international trade as it develops the Solvency II directive and best practices of the code of good governance of listed companies.

Principles of the policy

The remuneration policy is based on the following principles:

- To create long term value.
- To compensate the achievement of results based on prudent and responsible risk assumption.
- To attract and retain the best professionals.
- To compensation the level of responsibility and professional career.
- To ensure internal equity and external competitiveness.

Terms and conditions

The members of the Board of Directors, have received remunerations mainly as set out in the articles of association.

The amounts paid to the members of the Board of Directors for the concept are listed in Note 20d of the report and in the remunerations report.

See remuneration policy
See report on the solvency position (SFCR) paragraph B

Skill and honour policy.

The Group's corporate governance not only involves the Board of Directors and other governing bodies, but extends to all aspects of the organisation and teams.

The Group, through an adequate and transparent remuneration policy and of fitness and good repute, ensures that the posts are carried out by the right people.

Suitability
It is understood that the professional is suitable if they have the training and the right profile to carry out the functions entrusted to them, and the practical experience derived from previous occupations in duties similar to those they will carry out.
For the purpose of assessing fitness the Human Resources department defines a profile type of qualification, knowledge and experience for every job and evaluates fitness through documentation (copy of the accreditation of the training, consultation of professional references, etc.).

Good repute
The process for determining the fitness and good repute is performed by the Department of Human Resources and the Regulatory Compliance Department of the Group.
The evaluation of good repute includes an assessment of their honesty and financial solvency based on reliable information on their reputation.

In accordance with the applicable regulations, the Group submits to both the relevant insurance supervisor as well as, if appropriate to the National Securities Market Commission or the Bank of Spain, all the information relating to the appointments and dismissals of its personnel.

Self-assessment of the Board and the committees

During 2017 the Board has assessed its activity through questionnaires about actions taken by the board and delegate committees and the chairperson's performance. Results have been positive and have highlighted the suitability of procedures.

Information and transparency

The Board of Directors has approved the corporate governance report and the report on remuneration for the members of the Board of Directors corresponding to the year 2017, following the guidelines established by the regulations in relation to the transparency of listed entities.

The report on corporate governance and the remuneration, which contains detailed information on the members of the Board of Directors, attendance and remuneration during the financial year v¡can be accessed through the shareholders and investors portal of the Group's website.

See corporate responsibility policy

See report on the solvency position (SFCR) paragraph B

Ethical framework

The group has a Code of ethics that promotes responsible and transparent management, considers people its greatest asset and places the customer at the centre of its activity.

The Group's Code of ethics, formulated and approved by the Board of Directors, is the document that establishes the guidelines that have to preside over the ethical behaviour of managers and employees of Grupo Catalana Occidente in their daily work, with regards to the relationships and interactions with all interest groups.

The code has been regularly renewed in order to adapt it to the new realities facing the Group and includes, compiles and makes public its principles and values of performance aligned with the Group's cultural keys.

It reflects the commitments made by Grupo Catalana Occidente on good governance and issues related to ethics and compliance.

In particular, actions related to corruption and bribery, compliance with human rights, respect for people, professional development, equal opportunities, the relationship with collaborating companies, health and safety at work, and respect for the environment, among others.

The Code of ethics is applicable to all its employees, agents and associates, which covers, among others, the performance of the criminal compliance officer of Grupo Catalana Occidente, acting on the receipt of any court documentation or in case of receiving an inspection, procedures manual and selection of suppliers.

Communication and monitoring

The Code of ethics has been communicated to all staff via the Intranet of every one of the companies of the Group.

The Group has the safeguard systems to ensure compliance with the Code of ethics, which are:

- Complaints channel:
- Recurrent declaration procedures that employees have read, understood and comply with the Code of ethics.
- Online courses

This management model also establishes that the audit committee of the Board of Directors and the steering committee should receive periodic reports.

See code of ethics   *See internal rules of conduct*

Compliance and prevention

Operating in a highly regulated sector makes the compliance function imperative, which ensures the effectiveness and efficiency of the Group's operations, the reliability of its financial information and protects its assets.

The compliance function ensures that the Group operates within the legal and regulatory framework in order to mitigate the possible risk that could be produced.

To this end, the Group has:

- **Prevention of money laundering**

  The Group has a manual for the prevention of money laundering and financing of terrorism and for control processes that integrate in the procedures of contracting policies, involving all employees and intermediaries of the Group.

  The measures implemented by the Group are subject to annual review by an external expert that produces a report and that has considered that the Group has a prevention of money laundering system.

  The Board of directors examines this report, together with proposals of necessary measures, to address the weaknesses identified.

  Also, during 2017 the Group has provided more than 5,000 hours of training on this subject.

- **Data protection Cyber Security**

  The entities of the Group have data protection policy approved by the Board of Directors.

  The Group has the data protection committee in the traditional business, which coordinates and updates the audits for data protection on an annual and biannual basis.

  Potential cyber attacks are considered one of the main risks of the sector. It is for this reason that during 2017 the Group has prepared itself in order to have a "*Data protection officer*" for the next financial year.

- **Fight against fraud and corruption**

  The Group has procedures to combat fraud, which help to identify possible malicious acts or omissions in purchasing insurance policies, in the statement of claims, or in the accreditation of damages, which are designed to obtain improper benefits, money laundering or unjust enrichment.

  The Group also has a reporting channel, which enables employees to inform the corporate internal audit department of any conduct within the Group that may involve criminal acts within the Group, according to Organic Law 10/1995, of November 23, of the Criminal Code.

  Incidences of external fraud that represent less than 0.07% of the turnover have been detected in 2017.

- **Reliability of the financial information**

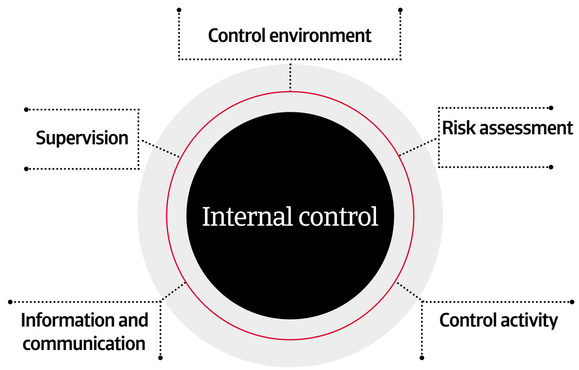
  Following the recommendations of the National Securities Market Commission regarding the Internal Control System of Financial Reporting (SCIIF) in 2017, the Group has made progress in strengthening the reliability of the financial reporting released through the documentation of the processes, the homogenization of criteria and the reflection on efficiency improvements.

- **Internal control**

  The system is based on a solid culture of control where the fundamental principles are clearly defined and notified to all levels of the organisation. The internal control system is subject to an independent monitoring process that verifies proper operation over time. Comprehensive system monitoring is performed by internal audit.

  Within the control environment, the Group focuses on the controls for financial and property investments. In this sense, the concentration and dispersal of fixed income and equity, the average rating of the portfolio, exposures by rating and how they have changed, changes in the optionality of assets due to changes in interest rates, and the performance of underlying assets are monitored at monthly intervals.

  In addition, progress has continued in 2017 to improve the quality of the risks map. In total, the Group has more than 5,000 internal controls..



See information and transparency link

See report on the solvency position (SFCR) paragraph B

Risk management

The strategy and risk management policies of Grupo Catalana Occidente are under the responsibility of the company's Board of Directors.

Risk management system

The control of the risk management system of Grupo Catalana Occidente is based on the principle of "three lines of defence":

1st Line: Risk assumption and liability.
This includes the business units that are responsible for the risk assumed and management of the same.
2nd Line: Control and monitoring.
This consists of the risk management control function, regulatory function and the actuarial compliance verification function. This defines controls that permit ensuring compliance with the risk management policies and processes.
3rd Line: Internal audit function
The internal audit function is responsible for undertaking independent evaluation of the efficiency of the control system, the risk management system and internal control.

Information and communication

Since 2016 and on an annual basis the Group and the insurers that form it has published a special report on the financial situation and solvency detailing and quantifying the risks to which it is exposed.

Risk strategy

Grupo Catalana Occidente defines it risk strategy as the level of risk that entities that make it up are willing to take on, by making sure that their integration into the business plan allows the risk appetite approved by the Board of Directors to be met.

Grupo Catalana Occidente has defined the following concepts for risk management:

Risk profile
Risk assumed measured in terms of capital required.

Risk appetite
Risk in terms of solvency that the entities that form the Group plan to accept to achieve their objectives.

Risk tolerance
Maximum deviation with respect to the appetite that is willing to be assumed (tolerate).

Risk limits
Operating limits established to comply with risk strategy.

Alert indicators
In addition, the Group avails of a series of early alert indicators that work as a base for both monitoring the risks and for complying with the risk appetite approved by the Board of Directors.

Business strategy and ORSA

The business strategy is defined in the Groupp's strategic plan and in the medium term plan, which is aligned with the risk strategy. The ORSA is carried out at least once a year and evaluates:

- Compliance with the capital requirements.
- Deviation between the risk and solvency profiles.
- Compliance with the capital requirements in adverse situations.

ORSA contributes to distributing a common risk culture and provides a prospective vision of the risks and the solvency position in the medium term framework of the plan:

Risk management policies

The Group has written policies that together with the existing technical standards, the Group has specifically reviewed and approved the following policies during the financial year 2017:

- Risk management system policy
- Underwriting risk, provisioning and claim management risk policy.
- Reinsurance policy.
- Investment policy.
- Operational risk policy
- ORSA policy
- Policy on partial internal model for the underwriting risk of credit insurance.
- Corporate fiscal policy
- Capital management policy

Each one of them identifies the risks inherent to the affected area, establishes the measures to quantify risk, determines the actions to monitor and control these risks, establishes measures to mitigate their impact and determines the systems for internal control and reporting to control and manage the risks.

See report on the solvency position (SFCR) paragraph B

Risk map

During the financial year 2017 there has been no deviation from the risk appetite approved by the Group nor have significant risks materialised.

	Description	Regulations	Mitigation	Impact in 2017
Non-life subscription risk	Control of subscription and claims through strict control of the combined ratio and the default risk in the credit area, also supported by reinsurance policies.	Subscription and reserve policies. Reinsurance policy. Manual and technical regulations for subscription. Data quality policy	Reinsurance and strict control of the combined ratio. Maintenance of the diversification of the business.	Traditional business claims ratio of 60.8% . Credit insurance claims ratio of 41.4%. For the quantification of the risk see SFCR
Subscription risk for life, health and funeral.	Control of subscription, claims and value of the portfolio, also supported by the reinsurance policies.	Subscription and reserve policies. Reinsurance policy. Manual and technical regulations for subscription. Data quality policy	Reinsurance and strict control of the subscription of risks.	For the quantification of the risk see SFCR
Market risk	Detailed analysis of asset-liability matching (ALM), as well as sensitivity analysis of future scenarios.	Investment policy. Management based on the principle of prudence. Assets and liabilities valuation policy	Asset management based on the principle of prudence. *Control of the different types of portfolio and targets *Liability commitments to cover. *Type of investments considered appropriate for investment. *Credit diversification and rating limits to maintain	Financial result on the net income of 1.4% hit by maintenance of low interest rates and exchange differences. Non-recurring result of -€2.5M due to the impairment of the value of an investee company. For the quantification of the risk see SFCR
Counterparty risk	Control of credit rating of the principal financial counterparties and rating of the reinsurance table. Monitoring of the exposures due to commercial credit risk	Reinsurance policy. Investment policy.	Reinsurance with counterparties with good credit rating. Diversified investment portfolio with high rating.	With no impact. Average rating of "A" reinsurers. Average portfolio rating of "BBB". For the quantification of the risk see SFCR
Operational risk	Control of the inherent risk and residual risk through the implementation of preventative controls and mitigation in the case of an event.	Contingency plans. Data quality and safety policy. Ethical code. Procedure in cases of irregularities and fraud (report channel).	Tax risk for €4M. Implementation of an efficient internal control system.	With no impact. Positive result of the "cyber-risk attacks". For the quantification of the risk see SFCR
Liquidity risk	Control of company liquidity and obligations.	Investment policy.	Low debt ratio	More than €1,600M in liquid assets and deposits. For the quantification of the risk see SFCR
Strategic risk	Controlled by the Board of Directors and the steering committee through the strategic plan and the guidelines of the Group.	Strategic plan and medium term plan.	Continuous surveillance of the regulatory frameworks allowing the entity to adopt best practices and the most efficient and rigorous criteria for implementation. Frequent contact with the rating agencies. Implementation of an efficient internal control system.	Solvency ratio above 200%, somewhat higher than the European average. Favourable behaviour of solvency, publication of financial statements and policy control and management of fiscal risk. Regulatory non-compliances have not materialised but regulatory changes are still imminent: IFRS17. Regulation of data protection; PRIPS, distribution regulations. Political situation in Spain. First reporting on solvency.
Regulatory non-compliance risk	Guidance and control for regulatory compliance and evaluation of the impact of any modification to the legal environment.	Code of Conduct. Verification of regulatory compliance policy		
Reputational risk	Continuous improvement of customer service and the image of the Group and of the risks that may have an impact on the Group.	Procedure in the case of irregularities. Code of Conduct. Code of Ethics. Fitness and good repute policy.		
Social, environmental and governance risk	The business develops under the criteria of value for society, ethics, transparency and commitment to legality.	General shareholders' meeting byelaws Board of Directors regulations Prevention of money laundering Outsourcing policy	Internal audit Internal control Complaints and reporting channel Forecast and occupational health area	See paragraph 7: relationship with interest groups

Commitment with the interest groups

In constant dialogue

An identified
and committed Group

07

Corporate responsibility

The corporate responsibility strategy of the Group directs its framework for action toward the creation of value for society, ethics, transparency and commitment to legality.

The Group contributes to social and economic improvement of the areas where it operates, through business development. The nature of insurance implies the concept of social responsibility, as it means to accompany customers in all stages of their professional and personal life, anticipating risks to protect them.

Under the strict supervision of the Board of Directors, responsible for establishing and guiding the corporate responsibility strategy, its management involves all business areas and entities of the group in its three dimensions: economic performance, environmental management and social management. The Group also launched in an integrated corporate responsibility committee made up by managers of the different areas that represent the interest groups.

Social value is the result of focusing the activity not only on obtaining good financial results but also on favouring the well-being of the people that form part of the interest groups and society as a whole. This value becomes sustainable when it is integrated in the short and long term.

Internal and external application framework

The commitment to the observance of human rights is channelled through the Group's Code of Ethics, which includes the observance of ethical and legal principles to all employees and associates of the Group.

Externally, Grupo Catalana Occidente subscribes to the United Nations Global Compact. Furthermore, through the current activity and social action, it also supports the Objectives of Sustainable Development as defined by the UN encouraging aspects such as economic growth and progress, equality opportunities, quality learning, energy efficiency, the care of the health and well-being.

In Spain, the entities of the group are also involved in the main sectoral associations (ICEA and UNESPA) that have corporate responsibility programmes:

Interest groups

The group has made specific commitments to each one of its interest groups in 2017, including one cross-sectional one that consists in maintaining constant dialogue with them.

Interest groups	Specific commitments	Communication
Employees	• Equal opportunities. • Fair remuneration. • Permanent education.	• Bulletin boards and suggestion boxes. • Workers' representatives
Customers	• Develop competitive products. • Personal advice. • Service excellence.	• Customer service • Website. • Intermediary
Shareholders and investors	• Offers attractive environment on their investment • Carry out prudent risk management. • Develop a long-term strategy.	• Corporate website: analysts and investors. • General Shareholders' Meeting • Roadshows.
Intermediaries	• Continuous support for professional development. • Equal remuneration. • Treatment that provides them with confidence and security.	• Internal portal • Training seminars • Training courses
Associates and suppliers	• Objectivity. • Transparency. • Equal treatment.	• Recruitment policy • Evaluation policy • Annual meetings
Company	• Proactive cooperation with entities in the insurance sector and other associations. • Make a charitable contribution through Fundación Jesús Serra.	• Corporate website. • Charity actions • Jesús Serra Foundation website.

See corporate responsibility policy

Employees

The uninterrupted commitment of the group for the development of its professionals has resulted in the delivery of more than 132,000 hours of training to its staff in 2017.

The pillars of the human resources policy are:

- Fair and competitive remuneration.
- Transparency and accurate information
- Respect and dignity of people
- A sustained cooperation in time.

Grupo Catalana Occidente has increased its work force by five-fold since 2000, as a result of a policy of growth through acquisitions.

+ 7,300 employees

Professional development and training

During the financial year 2017 the Group maintained training actions aimed at professional development and a plan for talent management has been drafted. In particular, mention should be made of the creation of the professional development unit in traditional business with the aim of identifying the professional potential and improving the competencies required in the organisation, by at the same time encouraging a common corporate culture.

132,000 hours of training
1,800 courses
18 hours/employee

Equal opportunities and conciliation

In 2017 there was progress in establishing common conditions for all employees, including the standardisation of the executive remuneration policy, salary management, the implementation of the equality plan in all companies or the existence of schedule flexibility formulas and the accumulation of hours for future free disposition. In addition, progress has been made in a common remuneration policy in traditional business, with a wide range of products with flexible remuneration where as a novelty an annual offer of remuneration through shares for the workforce of the insurance business was included.

There is an equality plan and a Protocol for the prevention and management of sexual harassment due to gender and moral harassment, both applicable to the entire Group. When examining equality, it should be noted that the composition of the work force is balanced in gender, and that there are no remuneration differences between genders in the same level of responsibility.

There are no reported cases of discrimination and human-rights claims in the Group.

Prevention of risks, health and safety

Grupo Catalana Occidente entities have a prevention service in accordance with the labour regulations in force. At a corporate level, there is a joint prevention service that includes the majority of the insurance companies in the Group, permitting a more standardised management. The entities that are not under this department maintain their own or have an outsourced service, following to efficiency and speciality criteria.

No employee of the Group carries out professional activities with a high risk of certain diseases, so that there has been no fatal victims due occupation health and safety reasons.

Internal Communication

The Group maintains a transparent and fluid communication with its employees, ensuring to keep them informed about the future of the business and any relevant information about the Group and its entities. There are corporate intranets for this purpose, used as main tools for internal communication, which are accessible to all employees. Within the most purely strategic communication, documents are posted at the beginning of the year that summarise the Group's Strategic Plan, as well as the Guidelines of each financial year.

Trade union representation and collective bargaining

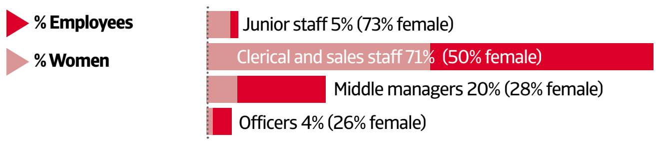
The continuous dialogue between the organisation and the workers' representatives is articulated through the Works Councils and Trade Unions and there are committees established to address specific topics such as Health and Safety, Professional Classification or Pension Plans.

During 2017 Grupo Catalana Occidente participated in collective bargaining agreement for the sector in Spain.

Evolution of the improvement of productivity

2015 / **3.2%** | 2016 / **5.9%** | 2017 / **4.1%**

Employee distribution by category



See corporate responsibility policy

Customers

The Group's commitment to the continuous improvement of its customers' experience has again provided high levels of customer satisfaction and loyalty.

The principal objective of the relationship with the companies of Grupo Catalana Occidente with its over four million customers is to offer competitive products and a quality service, based on personal, transparent and complete advice.

The Group is also committed to providing policyholders with simplified and clear information, as well as to clearing up any doubts they may have about the content of their policies and services, or in the case of an incident.

The entities of the Group adhere to the good practices guide for transparency in the marketing of insurance.

Customer service

In 2017, the companies of the Group received a total of 3,901 claims, through their customer service channels, without including those relating to credit insurance business entities, which implies a reduction of 5% with regards to 2016. 85% were admitted for investigation, with 25% being resolved in favour of the customer, 17% reaching another agreement and 58% being in favour of the entity.

"Customer experience" project

In the traditional business, after the project started in 2016, whose main objective was to create a customer-focused culture by understanding their needs, by measuring its opinion in all the stages of the customer journey and ensuring an optimal experience, consistent and homogeneous regardless of the channel of contact, in 2017 the Group has continued with the development of the main initiatives identified by promoting the culture of Group and developing them through cross-cutting working groups.

Customer experience of the traditional business

NPS **31.7%**
Suggested promotion level (NPS)
(promoters - critics)

PER **95.3%**
Intention of permanence of the client
>=3 years

ISC **91.2%**
Company satisfaction index
(Satisfied - dissatisfied)

ISS **59.6**
Service satisfaction index
(Satisfied - dissatisfied)

Customer experience of the credit insurance business

Atradius Crédito y Caución **92.2%** Customer retention index

"As the head of an SME it has been key to receive advice on the risks that may affect my company and contracting policies that are most suited to our activity"

José Bolós Brú
Client of Plus Ultra Seguros

"It is in difficult moments when you are most grateful that someone takes care of everything. We are very satisfied with the treatment and the attention received"

Montserrat Cascales Domene
Client of NorteHispana Seguros

Shareholders and investors

In 2017, the Group has continued to base its relationship with its shareholders and investors to provide as much information, transparency and proximity as possible.

The policy for communication and contact with shareholders, institutional investors and vote advisors is published on the Group's corporate website.

The relationships with shareholders and investors are carried out according to the principles of good governance, responsibility, priority of social interest, equal treatment, transparency, veracity and fluid and permanent dialogue.

The Group has different communication channels to ensure the quality and frequency of its relationship with shareholders and institutional investors, two specific areas of the organisation take care of shareholders' and institutional investors' requests, their proposals and expectations on the management in an individual and close manner.

Analysts and investors
+34 935 820 518 - analistas@catalanaoccidente.com
Shareholder services
+34 935 820 667 - accionistas@catalanaoccidente.com

Finally, the General Shareholders' Meeting is the main channel for participation of shareholders in the Group's governance. In line with the principles of the code of good governance, the Group promotes informed and responsible participation.

600 calls **178** meetings **14** *roadshows* and forums

See corporate responsibility policy

Intermediaries

The Group continues to be committed to providing closeness and personalised advice to customers through its intermediaries.

Intermediaries are a key part of the Group's relationship with its environment. These contact the customers, generating trust, understanding their individual needs and contributing value through their professionalism and closeness.

The Group maintains long-lasting relationships with our customers through adequate advice on the prevention of risks, coverage tailored to their needs, excellent service and competitive prices.

The professional distribution network is mainly made up of exclusive agents and insurance brokers.

Professionalism through training

Training of the agents is a fundamental value for the Group to undertake its business through the quality of the service, customer satisfaction and retention of its customers.

In the financial year 2017, training for the distribution network in the traditional business has been oriented to developing the sales force, the growth of the business. Projects such as training in management or the momentum in business should be highlighted. In addition, special attention has been given to cross-selling, the containment of cancellations, customer loyalty and the use of new tools and systems.

Closeness and omnicanality

The Group embodies the values of confidence, peace of mind and security that it wishes to provide its customers with through its intermediaries.

The Group helps its intermediaries by providing, in addition to training, other tools that have a positive impact, among others the possibility to create their own website and social networking profile with the brand image of the respective entities; and support is given with presentation material of their services to the end public: brochures, magazines, etc.

Intermediary satisfaction

Grupo Catalana Occidente annually measures the level of satisfaction among its intermediaries in its traditional insurance companies, through the Opinion Study of the Exclusive Agent and Broker carried out by ICEA in October 2017. The results of the study conclude that the concepts valued are the competitive products and services, support for the commercial work, training and information, personal contact and speed in the processing of claims.

"I felt really I have had someone by my side thanks to the Establishment of Professional Agents Plan (PEAP). My priority now is to make my business grow with the incorporation of a person to sales team"

Álvaro Mínguez Martínez

Intermediary of Seguros Catalana Occidente

"The most important part of my job is to understand the needs of my customers and advise them in everything they need. Therefore, I try to meet with them at least once a year. It is the way to understand my job"

Josep Punset Fernández

Intermediary of Seguros Bilbao

See corporate responsibility policy

Associates and suppliers

Grupo Catalana Occidente companies work with two types of suppliers:

- The generalists, that supply products and services of a general nature, not directly related to the business, such as cleaning, maintenance and computer support.
- Specialists, whose service is essential to the performance of insurance operations: vehicle appraisers, various experts, lawyers, medical experts, garages and repair technicians. Garages are part of the AutoPresto network and repair technicians are part of the Technical Repair Service (STR).

The Code of Ethics establishes that the relationship of the Group with associates and suppliers must be oriented towards achieving common objectives, based on a mutual commitment to the fight against corruption and the respect of human rights. In order to ensure this, all contracts include a clause requiring compliance with the Code of Ethics.

Also, there is a Supplier Selection Manual that regulates the acquisition of assets, services and supplies under criteria of objectivity, impartiality, transparency, equal treatment and quality.

Boost for local companies

The business model implemented, which has been followed for decades, favours the contracting of local freelance workers or small businesses. In this way, the Group contributes to the development of the business fabric in the geographical areas where it operates.

Average payment period for suppliers

The Group does not have pending payments to suppliers beyond the legal deferral allowed (30 days unless there is agreement of all the parties). For more information see note 20e of the notes on the consolidated financial statement.

In the case of Prepersa, the companies pay the amounts of the interventions by associates in the network twice a month, following very quick and rigorous deadlines.

Management of suppliers in the traditional business

Prepersa (Peritación de seguros y prevención AIE) is the company of Grupo Catalana Occidente that manages the specialised suppliers, except for lawyers, in order to resolve claims.

Its activity has the quality certification UNE-EN ISO 9001-2008, which guarantees that the processes are oriented towards continuous improvement and have efficient organisation for planning, control and analysis of results. The company also ensures respect for the corporate responsibility commitments of the Group by the extensive network of associates.

In 2017 943,000 orders were allocated, representing an increase of 9.1% on 2016. The implementation of a new network of repairers to meet the claims covered by the electrical damage guarantees should be mentioned.

In training matters, the "customer experience" programme taught to the networks of experts of various S.T.R. on the values and behaviours to be transmitted to keep the personal interaction with customers are especially highlighted.

Moreover, at innovation level the Group created a mobile application that allows operations to be carried out in real time on the orders, saving time for suppliers.

Indicators in traditional business

92% of compliance of appointments

89% customers satisfied with the service STR

78% customers satisfied with the service AutoPresto

593 different experts

655 repairers

249 vehicle experts

281 Autopresto workshops

129 medical experts

"The obligation to adhere to the Group's code of ethics is an opportunity to align the ethics of a small company with those of a large group to which we give service"

Iraida Ballestè García de Viccar Instal·lacions
Prepersa provider

See corporate responsibility policy

Society

The commitment of Grupo Catalana Occidente to society starts with its own normal activity, oriented towards the prevention and mitigation of risks that may affect people.

The Group has based its business model on the respect for people and on generating economic development, well-being and employment stability, for over a century.

In parallel, its social action is carried out through Jesús Serra Foundation. Its budget in 2017 was €1.9M.

Furthermore, the companies of the Group invest in initiatives related to the territories where they operate, with their historic past and their own identity. For Seguros Catalana Occidente we can highlight the support of the Symphonic Orchestra of Sant Cugat and the Auditorium of this town. Plus Ultra Seguros focuses on the promotion of sporting disciplines such as paddle tennis or wheelchair basketball by the Illunion team of disabled players. For its part, Seguros Bilbao focuses on cultural sponsorship of a local nature, such as the Guggenheim Museum or the Naval Museum. Atradius Crédito y Caución invests in projects that have strong links to the business, such as support initiatives for business development. Altogether, the amount designated to these projects reached €1.2M.

Fundación Jesús Serra

The Jesus Serra Foundation is a private non-profit entity created in memory of Jesus Serra Santamans, well-known businessman and patron, founder of Grupo Catalana Occidente, which is intended to give support to initiatives of a cultural, business, education, music, sports, social and research type. Its budget in 2017 was for €1.9M and included the following events:

Music and poetry

- Collaboration in the María Canals Competition.
- Pianos in the street: 12,000 musicians and an audience of 120,000.
- Poetry competition: 10th edition with more than 1,000 poems.

Research and teaching

- Jesus Serra Foundation Research Award is aimed at scientists so that they can carry out their research in Spain.
- Visiting Researchers Programme in collaboration with different research centre at national level.
- Encouraging teaching with scholarships for talent in business schools such as ESADE and Deusto.

Sport

The Jesus Serra Foundation and the Spanish Federation of Sports of People with Physical Disabilities have once again organised the "Sport for all" Seminar in educational centres in the provinces of Madrid, Valencia and Alicante, with the aim of raising awareness in young people about the difficulties faced by people with disabilities. Workshops were carried out in each centre for adapted sports, such as wheelchair basketball, goalball (football for the blind), slalom, boccia, and sitting volleyball. The traditional ski trophy from the Jesus Serra Foundation and the Xpress Tennis Cup were also held, aimed at encouraging tennis.

The CDIA campus (Winter Sports Adapted Centre) should also be highlighted also integrating a strong component of solidarity, which took place in the Baqueira Beret ski station, with a competition of alpine skiing and snowboard for disabled athletes.

Charity

Initiatives aimed at achieving a world with fewer inequalities, supporting causes that provide opportunities among groups of people with physical or mental disabilities, economic difficulties, social exclusion, illness, etc.
In 2017 we highlight the contribution to projects such as improving the quality of education in the north-west region of Haiti, benefiting 2,040 students.

> "In the end, the important thing is not believing that you can do something, but trying it and surrounding yourself with the right people to help you achieve your dreams. With help, things always come out better"
>
> **Jon Santacana**
> *Blind skier*

See corporate responsibility policy

For more information, consult the Jesus Serra Foundation website

Environment

The environmental impact of the normal operations of Grupo Catalana Occidente is limited.

However, the Group's companies are committed to reduce the generation of waste, to promote the use of biodegradable materials and recycled paper, to optimise energy consumption, rational use of water and, insofar as possible, to reuse equipment through donations.

The Group carries out its activities in compliance with the current legislation in environmental matters as well as with voluntarily acquired commitments in a manner that promotes good environmental, energy and eco-efficient practices, as well as the promotion of renewable energy consumption and offsetting of the emission of greenhouse gases. The Group has not received any claims for issues of an environmental impact

The maintenance and rehabilitation of the Group's buildings is subject to principles of energy efficiency, with the objective of reducing consumption and CO2 emissions.

In 2017, the new works and renovations also included presence detectors, automatic regulation of the intensity and replacement of the air conditioning facilities for other more efficient ones from an energetic point of view. Progress was also made in complying with the regulations in force, and an energy audit was carried out for all power supply points.

These actions have been able to reduce the energy consumption of the Group's principal buildings by over 50% in the traditional business.

Moreover, the Group has standards for recycling office material in the various offices and branches that are of general application. In particular, in credit insurance business companies 25% of the paper used is recycled.

In an effort to achieve document management that is even more efficient and to reduce paper consumption, the implementation of electronic documentation has also been promoted in all processes, including those where the customer participates.

The commitment to the environment is also linked to the day-to-day of employees of the entities in the Group. For this reason, chargers for cars were installed in the most emblematic buildings.

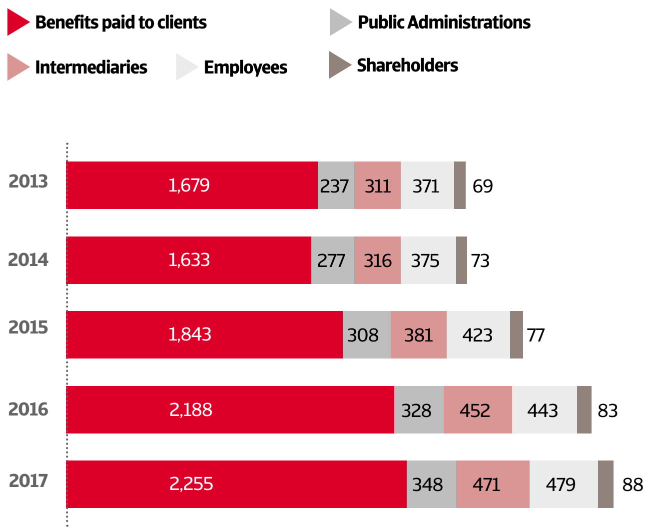
Finally, the environmental impact of the supply chain of the business of Group entities is limited.

Creation of value in 2017

The vocation of Grupo Catalana Occidente is to consolidate a solid business and generate sustainable social value. In 2017 the Group has contributed €3,3641M to society.

Social value is the result of focusing the activity not only on obtaining good financial results but also on favouring the well-being of the people that form part of the interest groups and society as a whole.

In 2017, the Group has contributed €3,641M to society with the customers being the main interest group with 61.9% of total.



See corporate responsibility policy

Glossary

Concept	Definition	Formulation
Technical result	Result of the insurance activity	Technical result = Income from insurance - Technical cost - Commissions - Expenses
Reinsurance result	Result due to transferring business to the reinsurer or accepting business from other entities.	**Reinsurance result** = Result of Inward Re + Result of ceded reinsurance
Financial result	Result of the financial investments.	**Financial result** = income from financial assets (coupons, dividends, actions) - financial expenses (commissions and other expenses) + result of subsidiary companies - interest accrued on the debt - interest paid to the insured parties of the life insurance business
Technical-financial result	Result of the insurance activity, including the financial result. This result is particularly relevant for Life insurance.	**Technical/financial result** = Technical result + Financial result
Result of non-technical non-financial account	Income and expenses that cannot be assigned to the technical or financial results.	**Result of non-technical non-financial account** = Income - expenses that cannot be assigned to the technical or financial results.
Result of credit insurance complementary activities	Result of activities that cannot be assigned to the purely insurance business. Mainly distinguishes the activities of: · Information services · Collections · Management of the export account of the Dutch state.	Result of credit insurance complementary activities = income - expenses
Recurring result	Financial and technical result from the non-technical account net of the tax effect resulting from the usual activity	**Recurring result** = technical/financial result + non-technical account result - taxes, all resulting from normal activity
Non-recurring result	Extraordinary or atypical movements that may undermine the analysis of the income statement. These are classified depending on their nature (technical, expenses and financial) and by business type (traditional and credit insurance)	**Non-recurring result** = technical/financial result + non-technical account result - taxes, all resulting from extraordinary or atypical activity
Turnover	Turnover is the business volume of the Group. rates in each of the business lines and the income from services pertaining to the credit insurance.	**Turnover** = Premiums invoiced + Information revenue **Premiums invoiced** = direct insurance premiums issued + the reinsurance premiums accepted
Managed funds	Amount of the financial and property assets managed by the Group	**Managed funds** = Financial assets and real estate risk entity + financial assets and real estate risk taker + managed pension funds **Managed funds** = fixed income + variable income + real estate + deposits with credit institutions + cash + investee companies
Financial strength	This shows the debt and solvency situation. This is principally measured through the debt ratio, the interest coverage ratio and the credit rating.	**Debt ratio** = Net equity + Debt / Debt **Interest coverage ratio** = result before taxes / Interest
Technical cost	Direct costs of accident coverage. See claims.	**Technical cost** = total claims - claims covered by reinsurance + cost of reinsurance + increase of technical provisions
Dividend yield	The profitability per dividend or dividend yield shows the relationship existing between the dividends distributed in the previous year with the value of the share upon closing. Indicator used to value the shares of an entity.	**Dividend yield = dividend paid in the year per share / value of the price of the share upon closing**
Modified duration	Sensitivity of the value of the assets to movements in interest rates	**Modified duration**= Represents an approximation of the value of the percentage variation in the value of the financial assets for each percentage point (100 basic points) of variation in the interest rates.
Expenses	The general expenses include the costs incurred for management of the business, excluding those that can be assigned to claims.	**Expenses** = personnel expenses + commercial expenses + various expenses and services (allowance, training, management rewards, material and other office expenses, leases, external services, etc.)
Permanence index	This measures the customer's expectations of continuing with the entity during three or more years	**Permanence index**= customers who indicate that they will remain with the company for three or more years divided by the total number of responses of clients surveyed

Concept	Definition	Formulation
Satisfaction level	This measures the general satisfaction of the customer with the entity Scale from 1 to 10	**Overall Satisfaction Index = (Satisfied - dissatisfied) / Respondents** Satisfied responses with the result of 7 to 10 Unsatisfied responses with the result of 7 to 10
Service satisfaction index	This measures the evaluation of the service received Scale from 1 to 10	**Service satisfaction Index = (Satisfied - dissatisfied) / Respondents** Satisfied responses with the result of 7 to 10 Unsatisfied responses with the result of 7 to 10
Income from insurance	Concept used in the credit insurance business This measures the income obtained from the main activity of the credit insurance entity	**Income from insurance** = earned premiums + income from information
Investments in associated / subsidiary entities	Non-dependant entities where the Group has significant influence	**Investments in associated / subsidiary entities = accounting value of the economic investment**
Net Promoter Score NPS	This measures the degree of customer loyalty with the entity	**NPS Score = (promoters-critics)/ respondents** Promoters: answers with a result equal to 9 or 10 Critics: responses with the result of 1 to 6
Pay out	Ratio that indicates the part of the result distributed among investors through dividends	Pay out = dividend distributed in the year / attributed result
Price Earnings Ratio PER	The price-earnings ratio or PER measures the relationship between the price or value of the entity and the results. Its value expresses what the market pays for each monetary unit of results. It is representative of the entity's capacity to generate results.	**PER = Market price of the share / result attributed per share**
Ex. single premiums	Total premiums without considering non-periodic premiums in the Life business	**Ex. single premiums = Invoiced premiums - single premiums in the life business**
Technical provisions.	Amount of the obligations assumed that are derived from insurance and reinsurance contracts.	
Combined ratio	Indicator that measures the technical profitability of the Non Life insurances.	**Net combined ratio = (Claims + increase in technical provisions) + Commissions + Expenses) / Income from insurance**
Net combined ratio	Indicator that measures the technical profitability of the non life insurances net of the reinsurance effect	**Net combined ratio** = ((Claims - claims covered by the reinsurance + reinsurance cost + increase in technical provisions) + Commissions + Expenses) / (Income from insurance - earned premiums transferred to reinsurance)
Expenses ratio	Ratio that reflects the part of the income from premiums dedicated to expenses.	**Expenses ratio = Expenses / Income from insurance**
Net expenses ratio	Ratio that reflects the part of the income from premiums dedicated to expenses, net of the reinsurance effect	**Net expenses ratio = (Expenses - commission of ceded reinsurance) / (Income from insurance - earned premiums ceded to reinsurance)**
Claims ratio	Business indicator, consisting of the proportion between claims and earned premiums.	**Claims ratio = (Claims + increase in technical provisions) / Income from insurance**
Net claims ratio	Business indicator, consisting of the proportion between claims and earned premiums, net of the reinsurance effect.	**Net claims ratio** = (Claims - claims covered by the reinsurance + increase in technical provisions) / (Income from insurance - earned premiums transferred to reinsurance)
Permanent resources	Resources that can be included in own funds.	**Permanent resources = Net equity + subordinate debt**
Permanent resources at market value	Resources that can be included in own funds at market value	**Permanent resources at market value = Net equity + Subordinate debt + capital gains not included in the balance**
Resources transferred to society	Amount that the Group returns to the main groups of interest.	**Resources transferred to the company = claims paid + taxes + commissions + personnel expenses + dividends**
Return On Equity ROE	Financial profitability or rate of return Measures the performance of the capital	**ROE = Attributed result / Attributed net equity**
Claims	See technical cost. Economic evaluation of claims.	**Claims** = Payments for claims + Variation of the provision for benefits
***Total Potential Exposure* TPE**	This is the potential exposure to risk, also "cumulative risk". Credit insurance business term	**TPE = the sum of the credit risks underwritten by the Group for each "buyer".**

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IPad App Available in App Store: Grupo Catalana Occidente Financial Reports

Calendar 2018

January	February	March	April	May	June	July	August	September	October	November	December
	22 Results **12M2017**		**26** Results **3M2018**			**26** 16:00 Presentation Results **6M2018**			**25** 16:00 Presentation Results **9M2018**		
	23 11:00 Presentation Results 12M2017		**26** General Meeting of Shareholders **Financial year 2017**								
			27 11:00 Presentation Results 3M2018								
	Dividend dividend 2017			Dividend Complemen-tary 2017		Dividend dividend 2018			Interim dividend 2018		

Consolidated Financial Statements

08

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES
(Grupo Catalana Occidente)
CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2017
AND DECEMBER 31, 2016 (Notes 1 to 3)

(Figures in Thousands of Euros)

ASSETS		Note	31.12.2016 (*)		31.12.2017	
1.	Cash and cash equivalents			1.036.622		1.256.195
2.	Financial assets held for trading	6.a.		56		27
3.	Other financial assets at fair value through profit or loss	6.a.		362.698		380.581
	a) Equity instruments		5.022		7.698	
	b) Debt securities		46.843		33.786	
	c) Investments held for the benefit of policyholders who bear the investment risk		310.833		339.097	
4.	Available-for-sale financial assets	6.a.		8.115.880		8.148.187
	a) Equity instruments		1.385.127		1.434.544	
	b) Debt securities		6.519.103		6.522.649	
	c) Loans		100		80	
	d) Deposits in credit institutions		211.550		190.914	
5.	Loans and receivables			1.178.441		1.161.296
	a) Loans and other financial assets	6.a.	334.032		326.542	
	b) Receivables	6.b.	822.620		817.018	
	c) Investments held for the benefit of policyholders who bear the risk	6.a.	21.789		17.736	
8.	Reinsurer participation in technical provisions	13		895.122		842.528
9.	Property, plant and equipment and investment property			698.165		694.034
	a) Property, plant and equipment	8.a.	300.127		311.248	
	b) Investment property	8.b.	398.038		382.786	
10.	Intangible assets			912.970		907.513
	a) Goodwill	9.a.	774.838		774.794	
	b) Policy portfolio acquisition costs	9	5.242		5.242	
	c) Other intangible assets	9	132.890		127.477	
11.	Investment in entities accounted for using the equity method	7		62.898		84.837
12.	Tax assets			168.869		213.743
	a) Current tax assets	10.b.	77.818		129.427	
	b) Deferred tax assets	10.c.	91.051		84.316	
13.	Other assets	11		475.758		512.477
	TOTAL ASSETS			13.907.479		14.201.418

(*) Presented solely and exclusively for comparison purposes.
The accompanying Notes 1 to 21 and Appendices I and II are an integral part of the Consolidated Balance Sheet at December 31, 2017.

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES
(Grupo Catalana Occidente)
CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2017
AND DECEMBER 31, 2016 (Notes 1 to 3)

(Figures in Thousands of Euros)

NET LIABILITIES AND EQUITY	Note	31.12.2016 (*)		31.12.2017	
TOTAL LIABILITIES			11.072.780		11.122.814
2. Other financial assets at fair value through profit or loss			-		-
3. Financial liabilities (Debits and payables)			852.329		824.427
a) Subordinated liabilities	12.a.	204.927		200.266	
b) Other payables	12.b.	647.402		624.161	
5. Technical Provisions	13		9.351.021		9.425.183
a) For unearned premiums		1.246.864		1.262.816	
b) For unexpired risks		6.073		5.361	
c) For life insurance					
- Provision for unearned premiums and unexpired risks		25.339		25.495	
- Mathematical provision		5.050.747		5.116.785	
- Provision for life insurance where the investment risk is borne by policyholders		332.622		356.833	
d) For claims		2.639.009		2.600.591	
e) For policyholder dividends and return premiums		6.495		5.933	
f) Other technical provisions		43.872		51.369	
6. Non-Technical Provisions	14		186.422		165.193
7. Tax liabilities			375.003		384.954
a) Current tax liabilities	10.b.	34.725		52.308	
b) Deferred tax liabilities	10.c.	340.278		332.646	
8. Other Liabilities			308.005		323.057
TOTAL NET EQUITY			2.834.699		3.078.604
Equity			1.959.209		2.185.289
1. Capital	15.a.		36.000		36.000
2. Share Premium Account	15.b.		1.533		1.533
3. Reserves	15.b.		1.677.274		1.874.977
4. *Minus:* Treasury shares and participation units	15.c.		18.293		18.108
7. Profit or loss for the year attributable to the parent company			295.599		325.447
a) Consolidated profit or loss		324.505		357.340	
b) Profit or loss attributable to minority interests	16	28.906		31.893	
8. *Minus:* Interim Dividend	15.e.		32.904		34.560
Other accumulated global result	15.g.		574.443		567.322
1. Items that are not re-classified to results			-		-
2. Items that may later qualify as profit-			574.443		567.322
a) Available-for-sale financial assets		672.093		676.483	
c) Exchange Differences		(7.306)		(24.141)	
d) Correction of accounting mismatches		(93.603)		(86.038)	
e) Entities accounted for using the equity method		3.259		1.018	
f) Other adjustments		-		-	
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY			2.533.652		2.752.611
MINORITY INTERESTS	16		301.047		325.993
1. Other accumulated global result			(506)		(2.639)
2. Rest			301.553		328.632
TOTAL NET EQUITY AND LIABILITIES			13.907.479		14.201.418

(*) Presented solely and exclusively for comparison purposes.

The accompanying Notes 1 to 21 and Appendices I and II are an integral part of the Consolidated Balance Sheet at December 31, 2017.

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES

(Grupo Catalana Occidente)

CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2014

FINANCIAL YEARS ENDED DECEMBER 31, 2017 AND 2016 (Notes 1 to 3)

(Figures in Thousands of Euros)

	Note	Fiscal Year 2016 (*)	Fiscal Year 2017
1. Earned premiums for the year, net of reinsurance	17	2.483.180	2.576.619
2. Income from investments and property, plant and equipment	17	131.622	136.339
3. Other technical income	17	203.167	254.346
4. Claims incurred in the year, net of reinsurance	17	(1.388.839)	(1.418.013)
5. Change in other technical provisions, net of reinsurance	17	(3.553)	(6.030)
6. Provision for policyholder dividends and return premiums		-	-
7. Net operating expenses		(900.426)	(971.105)
8. Other technical expenses	17	(12.459)	(6.661)
9. Expenses arising from property, plant and equipment and investments		(101.971)	(77.784)
A) NON-LIFE EARNINGS		410.721	487.711
10. Earned premiums for the year, net of reinsurance	17	852.480	752.703
11. Income from investments and property, plant and equipment	17	240.778	202.664
12. Income from investments assigned to insurance policies in which policyholders bear the investment risk	17	26.035	26.418
13. Other technical income	17	4.424	4.849
14. Claims incurred in the year, net of reinsurance	17	(633.808)	(735.738)
15. Change in other technical provisions, net of reinsurance	17	(291.584)	(82.988)
16. Provision for policyholder dividends and return premiums	17	(1.480)	(2.380)
17. Net operating expenses		(73.163)	(73.320)
18. Other technical expenses		(1.563)	(2.256)
19. Expenses arising from property, plant and equipment and investments	17	(45.329)	(36.433)
20. Expenses of investments assigned to insurance policies in which policyholders bear the investment risk	17	(19.744)	(9.678)
B) LIFE INSURANCE PROFIT		57.046	43.841
C) PROFIT ON TECHNICAL ACCOUNT		467.767	531.552
21. Income from investments and property, plant and equipment		(3.952)	(10.098)
22. Negative goodwill		-	-
23. Expenses arising from property, plant and equipment and investments		(12.238)	(8.730)
24. Other income	17	18.765	26.417
25. Other expenses	17	(37.578)	(63.678)
E) PROFIT BEFORE TAX		432.764	475.463
26. Income tax	10.d	(108.259)	(118.123)
F) PROFIT FOR THE YEAR FROM ONGOING OPERATIONS		324.505	357.340
27. Profit for the year from discontinued operations, net of taxes		-	-
G) CONSOLIDATED PROFIT FOR THE YEAR		324.505	357.340
a) Profit attributable to the parent company		295.599	325.447
b) Profit attributable to minority interests	16	28.906	31.893

(Figures in Euros)

EARNINGS PER SHARE			
Basic	15.f	2,51	2,76
Diluted	15.f	2,51	2,76

(*) Presented solely and exclusively for comparison purposes.

The accompanying Notes 1 to 21 and Appendices I and II are an integral part of the Consolidated Income Statement for 2017.

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES

(Grupo Catalana Occidente)

CONSOLIDATED BALANCE SHEET BY SEGMENTS AT DECEMBER 31, 2017 (Notes 1 to 3)

(Figures in Thousands of Euros)

ASSETS	NON-LIFE SEGMENT		LIFE SEGMENT		OTHER ACTIVITIES SEGMENT		TOTAL	
1. Cash and cash equivalents		(432.897)		1.589.075		100.017		1.256.195
2. Financial assets held for trading		-		-		27		27
3. Other financial assets at fair value through profit or loss		41.390		339.191		-		380.581
4. Available-for-sale financial assets		3.265.730		4.817.228		65.229		8.148.187
5. Loans and receivables		980.182		60.219		120.895		1.161.296
a) Loans and other financial assets	207.853		37.514		81.175		326.542	
b) Receivables	772.329		4.969		39.720		817.018	
c) Investments held for the benefit of policyholders who bear the risk	-		17.736		-		17.736	
8. Reinsurer participation in technical provisions		828.698		13.830		-		842.528
9. Property, plant and equipment and investment property		513.080		123.794		57.160		694.034
a) Property, plant and equipment	254.948		23.135		33.165		311.248	
b) Investment property	258.132		100.659		23.995		382.786	
10. Intangible assets		677.047		165.983		64.483		907.513
a) Goodwill	596.800		165.983		12.011		774.794	
b) Policy portfolio acquisition costs	-		-		5.242		5.242	
c) Other intangible assets	80.247		-		47.230		127.477	
11. Investment in entities accounted for using the equity method		81.115		-		3.722		84.837
12. Tax assets		107.524		113		106.106		213.743
a) Current tax assets	62.505		110		66.812		129.427	
b) Deferred tax assets	45.019		3		39.294		84.316	
13. Other assets		487.300		4.079		21.098		512.477
TOTAL ASSETS		6.549.169		7.113.512		538.737		14.201.418

(Figures in Thousands of Euros)

NET LIABILITIES AND EQUITY	NON-LIFE SEGMENT		LIFE SEGMENT		OTHER ACTIVITIES SEGMENT		TOTAL	
TOTAL LIABILITIES		4.726.952		5.833.049		562.813		11.122.814
2. Other financial liabilities at fair value through profit or loss		-		-		-		-
3. Financial liabilities (Debits and payables)		506.565		10.005		307.857		824.427
a) Subordinated liabilities	200.266		-		-		200.266	
b) Deposits received on buying reinsurance	54.536		3.198		-		57.734	
c) Liabilities from insurance operations	115.835		2.441		-		118.276	
d) Liabilities from reinsurance operations	91.926		-		-		91.926	
e) Liabilities from coinsurance operations	1.071		-		-		1.071	
g) Debts to credit institutions	5.993		-		1.501		7.494	
i) Other liabilities	36.938		4.366		306.356		347.660	
5. Technical Provisions		3.786.527		5.638.656		-		9.425.183
a) For unearned premiums	1.262.816		-		-		1.262.816	
b) For unexpired risks	5.361		-		-		5.361	
c) For life insurance								
- Provision for unearned premiums and unexpired risks	-		25.495		-		25.495	
- Mathematical provision	-		5.116.785		-		5.116.785	
- Provision for life insurance where the investment risk is borne by policyholders	-		356.833		-		356.833	
d) For claims	2.466.981		133.610		-		2.600.591	
e) For policyholder dividends and return premiums	-		5.933		-		5.933	
f) Other technical provisions	51.369		-		-		51.369	
6. Non-Technical Provisions		123.829		-		41.364		165.193
7. Tax liabilities		171.362		-		213.592		384.954
a) Current tax liabilities	37.380		-		14.928		52.308	
b) Deferred tax liabilities	133.982		-		198.664		332.646	
8. Other Liabilities		138.669		184.388		-		323.057
TOTAL NET EQUITY		1.822.217		1.280.463		(24.076)		3.078.604
Equity		1.264.574		962.870		(42.155)		2.185.289
1. Capital		18.000		18.000		-		36.000
a) Registered capital	18.000		18.000		-		36.000	
b) *Minus:* Uncalled capital	-		-		-		-	
2. Share Premium Account		767		766		-		1.533
3. Reserves		937.489		937.488		-		1.874.977
4. *Minus:* Treasury shares and participation units		9.054		9.054		-		18.108
7. Profit or loss for the year attributable to the parent company		334.652		32.950		(42.155)		325.447
a) Consolidated profit or loss	366.545		32.950		(42.155)		357.340	
b) Profit or loss attributable to minority interests	31.893		-		-		31.893	
8. *Minus:* Interim Dividend		17.280		17.280		-		34.560
Other accumulated global result		233.125		317.593		16.604		567.322
1. Items that are not re-classified to results of the period		-		-		-		-
2. Items that cannot be recycled after the results of the period		233.125		317.593		16.604		567.322
a) Available-for-sale financial assets	256.248		403.631		16.604		676.483	
c) Exchange Differences	(24.141)		-		-		(24.141)	
d) Correction of accounting mismatches	-		(86.038)		-		(86.038)	
e) Entities accounted for using the equity method	1.018		-		-		1.018	
f) Other adjustments	-		-		-		-	
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY		1.497.699		1.280.463		(25.551)		2.752.611
MINORITY INTERESTS		324.518		-		1.475		325.993
1. Other accumulated global result		(4.114)		-		1.475		(2.639)
2. Rest		328.632		-		-		328.632
TOTAL NET EQUITY AND LIABILITIES		6.549.169		7.113.512		538.737		14.201.418

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES
(Grupo Catalana Occidente)
CONSOLIDATED BALANCE SHEET BY SEGMENTS AT DECEMBER 31, 2016 (*)

(Figures in Thousands of Euros)

ASSETS	NON-LIFE SEGMENT		LIFE SEGMENT		OTHER ACTIVITIES SEGMENT		TOTAL	
1. Cash and cash equivalents		(556.109)		1.646.379		(53.648)		1.036.622
2. Financial assets held for trading		-		-		56		56
3. Other financial assets at fair value through profit or loss		51.737		310.909		52		362.698
4. Available-for-sale financial assets		3.333.248		4.755.798		26.834		8.115.880
5. Loans and receivables		1.005.613		49.857		122.971		1.178.441
a) Loans and other financial assets	229.236		20.395		84.401		334.032	
b) Receivables	776.377		7.799		38.444		822.620	
c) Investments held for the benefit of policyholders who bear the risk	-		21.663		126		21.789	
8. Reinsurer participation in technical provisions		888.093		7.029		-		895.122
9. Property, plant and equipment and investment property		498.386		143.722		56.057		698.165
a) Property, plant and equipment	228.832		37.217		34.078		300.127	
b) Investment property	269.554		106.505		21.979		398.038	
10. Intangible assets		663.927		167.979		81.064		912.970
a) Goodwill	595.158		167.979		11.701		774.838	
b) Policy portfolio acquisition costs	-		-		5.242		5.242	
c) Other intangible assets	68.769		-		64.121		132.890	
11. Investment in entities accounted for using the equity method		57.245		2.233		3.420		62.898
12. Tax assets		118.599		106		50.164		168.869
a) Current tax assets	53.380		103		24.335		77.818	
b) Deferred tax assets	65.219		3		25.829		91.051	
13. Other assets		471.515		3.982		261		475.758
TOTAL ASSETS		6.532.254		7.087.994		287.231		13.907.479

(Figures in Thousands of Euros)

NET LIABILITIES AND EQUITY	NON-LIFE SEGMENT		LIFE SEGMENT		OTHER ACTIVITIES SEGMENT		TOTAL	
TOTAL LIABILITIES		5.021.124		5.751.012		300.644		11.072.780
2. Other financial liabilities at fair value through profit or loss		-		-		-		-
3. Financial liabilities (Debits and payables)		840.133		10.696		1.500		852.329
a) Subordinated liabilities	204.927		-		-		204.927	
b) Deposits received on buying reinsurance	57.300		1.870		-		59.170	
c) Liabilities from insurance operations	129.187		1.273		-		130.460	
d) Liabilities from reinsurance operations	133.291		3.486		-		136.777	
e) Liabilities from coinsurance operations	1.928		-		-		1.928	
g) Debts to credit institutions	611		-		1.500		2.111	
i) Other liabilities	312.889		4.067		-		316.956	
5. Technical Provisions		3.812.574		5.538.447		-		9.351.021
a) For unearned premiums	1.246.864		-		-		1.246.864	
b) For unexpired risks	6.073		-		-		6.073	
c) For life insurance								
- Provision for unearned premiums and unexpired risks	-		25.339		-		25.339	
- Mathematical provision	-		5.050.747		-		5.050.747	
- Provision for life insurance where the investment risk is borne by policyholders	-		332.622		-		332.622	
d) For claims	2.515.765		123.244		-		2.639.009	
e) For policyholder dividends and return premiums	-		6.495		-		6.495	
f) Other technical provisions	43.872		-		-		43.872	
6. Non-Technical Provisions		113.508		-		72.914		186.422
7. Tax liabilities		148.727		46		226.230		375.003
a) Current tax liabilities	25.075		46		9.604		34.725	
b) Deferred tax liabilities	123.652		-		216.626		340.278	
8. Other Liabilities		106.182		201.823		-		308.005
TOTAL NET EQUITY		1.511.130		1.336.982		(13.413)		2.834.699
Equity		1.110.875		874.581		(26.247)		1.959.209
1. Capital		18.000		18.000		-		36.000
a) Registered capital	18.000		18.000		-		36.000	
b) *Minus:* Uncalled capital	-		-		-		-	
2. Share Premium Account		767		766		-		1.533
3. Reserves		838.637		838.637		-		1.677.274
4. *Minus:* Treasury shares and participation units		9.147		9.146		-		18.293
7. Profit or loss for the year attributable to the parent company		279.070		42.776		(26.247)		295.599
a) Consolidated profit or loss	307.976		42.776		(26.247)		324.505	
b) Profit or loss attributable to minority interests	28.906		-		-		28.906	
8. *Minus:* Interim Dividend		16.452		16.452		-		32.904
Other accumulated global result		99.208		462.401		12.834		574.443
1. Items that are not re-classified to results of the period		-		-		-		-
2. Items that cannot be recycled after the results of the period		99.208		462.401		12.834		574.443
a) Available-for-sale financial assets	106.514		556.004		9.575		672.093	
c) Exchange Differences	(7.306)		-		-		(7.306)	
d) Correction of accounting mismatches	-		(93.603)		-		(93.603)	
e) Entities accounted for using the equity method	-		-		3.259		3.259	
f) Other adjustments	-		-		-		-	
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY		1.210.083		1.336.982		(13.413)		2.533.652
MINORITY INTERESTS		301.047		-		-		301.047
1. Other accumulated global result		(506)		-		-		(506)
2. Rest		301.553		-		-		301.553
TOTAL NET EQUITY AND LIABILITIES		6.532.254		7.087.994		287.231		13.907.479

(*) Presented solely and exclusively for comparison purposes.

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES
(Grupo Catalana Occidente)

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR FISCAL YEARS ENDING DECEMBER 31, 2017 AND 2016 (Notes 1 to 3)

(Figures in Thousands of Euros)

	Fiscal Year 2016 (*)	Fiscal Year 2017
A) CONSOLIDATED PROFIT FOR THE YEAR	324.505	357.340
B) OTHER OVERALL RESULT - ITEMS THAT WERE NOT RECLASSIFIED TO RESULTS	(33.917)	31.893
1. Actuarial Gains/(losses) on long term remuneration to personnel	(42.308)	40.868
2. Participation in another global result recognised by the investments in joint and associated business	-	-
3. Other income and expenditure that are not re-classified to results of the period	-	-
4. Tax effect	8.391	(8.975)
B) OTHER OVERALL RESULT - ITEMS THAT CANNOT BE RECLASSIFIED AFTER THE RESULTS	51.032	(9.255)
1. Available-for-sale financial assets	118.692	(85)
a) Valuation gains/(losses)	198.661	4.132
b) Amounts transferred to the income statement	(79.969)	(4.217)
c) Other reclassifications	-	-
2. Cash flow hedges:	-	-
a) Valuation gains/(losses)	-	-
b) Amounts transferred to the income statement	-	-
c) Amounts transferred to the initial carrying amount of hedged items	-	-
c) Other reclassifications	-	-
3. Coverage of net investments in foreign operations:	-	-
a) Valuation gains/(losses)	-	-
b) Amounts transferred to the income statement	-	-
c) Other reclassifications	-	-
4. Exchange differences:	(3.383)	(20.314)
a) Valuation gains/(losses)	(3.383)	(20.314)
b) Amounts transferred to the income statement	-	-
c) Other reclassifications	-	-
5. Correction of accounting mismatches:	(54.234)	11.934
a) Valuation gains/(losses)	(54.234)	11.934
b) Amounts transferred to the income statement	-	-
c) Other reclassifications	-	-
6. Assets held for sale:	-	-
a) Valuation gains/(losses)	-	-
b) Amounts transferred to the income statement	-	-
c) Other reclassifications	-	-
7. Participation in another global result recognised by the investments in joint and associated business	2.906	(2.628)
a) Valuation gains/(losses)	2.906	(2.628)
b) Amounts transferred to the income statement	-	-
c) Other reclassifications	-	-
8. Other income and expenses that may be reclassified after the results of the period	-	-
9. Tax effect	(12.949)	1.838
TOTAL GLOBAL RESULT FOR THE FINANCIAL YEAR (A + B + C)	341.620	379.978
a) Attributable to the parent company	315.129	344.677
b) Attributable to minority interests	26.491	35.301

(*) Presented solely and exclusively for comparison purposes.
The accompanying Notes 1 to 21 and Appendices I and II are an integral part of the Statement of Recognised Income and Expenses corresponding to FY 2017.

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES
(Grupo Catalana Occidente)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CORRESPONDING TO THE FINANCIAL YEARS ENDED DECEMBER 31, 2017 AND 2016 (Notes 1 to 3)

(Figures in Thousands of Euros)

	Equity attributable to the parent company						Minority Interests	Total net equity
	Equity					Other accumulated global result		
	Capital or mutual fund	Share premium Account and Reserves	Treasury shares and participation units	Profit for the year attributable to the parent company	(Interim Dividends)			
Closing balance at December 31, 2015 (*)	36.000	1.517.242	(17.421)	268.120	(30.600)	526.394	286.112	2.585.847
Adjustment for changes in accounting policies	-	-	-	-	-	-	-	-
Adjustment for errors	-	-	-	-	-	-	-	-
Opening balance adjusted to January 1, 2016 (*)	36.000	1.517.242	(17.421)	268.120	(30.600)	526.394	286.112	2.585.847
I. Total recognised income/(expense)	-	(28.519)	-	295.599	-	48.049	26.491	341.620
II. Transactions with members or shareholders	-	-	(872)	-	(83.016)	-	(11.584)	(95.472)
1. Capital increases/(decreases)	-	-	-	-	-	-	-	-
2. Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-
3. Dividend distribution	-	-	-	-	(83.016)	-	(11.584)	(94.600)
4. Transactions with treasury shares or participation units (net)	-	-	(872)	-	-	-	-	(872)
5. Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-
6. Other transactions with members or shareholders	-	-	-	-	-	-	-	-
III. Other changes in equity	-	190.084	-	(268.120)	80.712	-	28	2.704
1. Share-based payments	-	-	-	-	-	-	-	-
2. Transfers between equity components	-	187.408	-	(268.120)	80.712	-	-	-
3. Other changes	-	2.676	-	-	-	-	28	2.704
Closing balance at December 31, 2016 (*)	36.000	1.678.807	(18.293)	295.599	(32.904)	574.443	301.047	2.834.699
Adjustment for changes in accounting policies	-	-	-	-	-	-	-	-
Adjustment for errors	-	-	-	-	-	-	-	-
Opening balance adjusted to January 1, 2017	36.000	1.678.807	(18.293)	295.599	(32.904)	574.443	301.047	2.834.699
I. Total recognised income/(expense)	-	26.351	-	325.447	-	(7.121)	35.301	379.978
II. Transactions with members or shareholders	-	-	185	-	(88.440)	-	(9.801)	(98.056)
1. Capital increases/(decreases)	-	-	-	-	-	-	-	-
2. Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-
3. Dividend distribution	-	-	-	-	(88.440)	-	(9.801)	(98.241)
4. Transactions with treasury shares or participation units (net)	-	-	185	-	-	-	-	185
5. Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-
6. Other transactions with members or shareholders	-	-	-	-	-	-	-	-
III. Other changes in equity	-	171.352	-	(295.599)	86.784	-	(554)	(38.017)
1. Share-based payments	-	-	-	-	-	-	-	-
2. Transfers between equity components	-	208.815	-	(295.599)	86.784	-	-	-
3. Other changes	-	(37.463)	-	-	-	-	(554)	(38.017)
Closing balance at December 31, 2017	36.000	1.876.510	(18.108)	325.447	(34.560)	567.322	325.993	3.078.604

(*) Presented solely and exclusively for comparison purposes.
The accompanying Notes 1 to 21 and Appendices I and II are an integral part of the Consolidated Balance Sheet at December 31, 2017.

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES

(Grupo Catalana Occidente)

CONSOLIDATED CASH FLOW STATEMENT CORRESPONDING TO THE FINANCIAL YEARS ENDED ON DECEMBER 31, 2017 AND DECEMBER 31, 2016 (DIRECT METHOD) (Notes 1 to 3)

(Figures in Thousands of Euros)

	Fiscal Year 2016 (*)	Fiscal Year 2017
A) CASH FLOWS FROM OPERATING ACTIVITIES (1+2+3)	431.462	380.885
1. Insurance activities:	1.039.426	804.945
(+) Cash received from insurance activities	4.573.942	5.159.844
(-) Cash paid in insurance activities	(3.534.516)	(4.354.899)
2. Other operating activities:	(499.705)	(322.793)
(+) Cash received from other operating activities	133.892	404.092
(-) Cash paid in other operating activities	(633.597)	(726.885)
3. Income tax refunded/(paid)	(108.259)	(101.267)
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)	84.371	(57.895)
1. Cash received from investing activities:	2.185.219	1.902.713
(+) Property, plant and equipment	1.355	1.112
(+) Investment property	38.651	48.602
(+) Intangible assets	3.446	-
(+) Financial instruments	1.769.658	1.417.783
(+) Investments in equity instruments	-	-
(+) Subsidiaries and other business units	-	-
(+) Interest received	127.767	218.685
(+) Dividends received	45.104	47.432
(+) Other cash received in relation to investing activities	199.238	169.099
2. Payments from investment activities:	(2.100.848)	(1.960.608)
(-) Property, plant and equipment	(17.916)	(38.495)
(-) Investment property	(148.059)	(9.640)
(-) Intangible assets	(45.490)	(32.583)
(-) Financial instruments	(1.646.887)	(1.682.911)
(-) Investments in equity instruments	(160.803)	-
(-) Subsidiaries and other business units	-	(34.742)
(-) Other cash paid in relation to investing activities	(81.693)	(162.237)
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)	(91.980)	(98.708)
1. Cash received from financing activities:	6.000	185
(+) Subordinated liabilities	6.000	-
(+) Cash received from issue of equity instruments and capital increase	-	-
(+) Assessments received and contributions from members or mutual members	-	-
(+) Disposal of treasury shares	-	185
(+) Other cash received in relation to financing activities	-	-
2. Cash paid in investing activities:	(97.980)	(98.893)
(-) Dividends to shareholders	(83.016)	(88.440)
(-) Interest paid	(9.958)	(10.453)
(-) Subordinated liabilities	-	-
(-) Cash paid for return of contributions to shareholders	-	-
(-) Assessments paid and return of contributions to members or mutual members	-	-
(-) Purchase of own securities	(872)	-
(-) Other cash paid in relation to financing activities	(4.134)	-
D) EFFECT OF CHANGES IN EXCHANGE RATES	3.036	(4.709)
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	426.889	219.573
F) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD	609.733	1.036.622
G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (E+F)	1.036.622	1.256.195

COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	Fiscal Year 2016 (*)	Fiscal Year 2017
(+) Cash	1.033.312	1.252.885
(+) Other financial assets	3.310	3.310
(-) *Minus: Bank overdrafts repayable on demand*	-	-
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1.036.622	1.256.195

(*) Presented solely and exclusively for comparison purposes.

The accompanying Notes 1 to 21 and Appendices I and II are an integral part of the Consolidated Cash Flow Statement corresponding to FY 2017.

Report for the Consolidated Financial Statements

09

Grupo Catalana Occidente, S.A. and Consolidated Subsidiaries (Grupo Catalana Occidente)

Consolidated Financial Statements Report
For the Financial Year Ended
December 31, 2017

In accordance with current legislation on the content of consolidated financial statements, this Report completes, elaborates on and provides a commentary on the consolidated balance sheet, profit and loss account, statement of recognised income and expense, statement of changes in equity and cash flow statement (hereinafter the "consolidated financial statements"). Together with the financial statements, they form a whole, whose purpose is to provide a true and fair view of the consolidated assets and consolidated financial position of Grupo Catalana Occidente at December 31, 2017 and of the result of its activities, the changes in its equity and the cash flows registered in the year then ended.

1. General information on the parent company and its activities

1.a) Incorporation, term and domicile

Grupo Catalana Occidente, Sociedad Anónima ("the parent company") was incorporated for an indefinite period on July 18, 1864, in Spain and initially under the name "La Catalana, Sociedad de Seguros contra Incendios a Prima Fija". In 1988 it changed its name to Catalana Occidente, Sociedad Anónima de Seguros y Reaseguros, and again in 2001 to Grupo Catalana Occidente, Sociedad Anónima, to reflect the change in its corporate activities following the transfer of all its insurance and reinsurance business to the subsidiary Seguros Catalana Occidente, Sociedad Anónima de Seguros y Reaseguros ("Seguros Catalana Occidente") through a non-cash contribution consisting of the entire business line, including all the assets and liabilities allocated to it and all its staff.

The registered office of the parent company is in Paseo de la Castellana 4, Madrid (Spain).

1.b) Corporate purpose, legal framework and lines of business in which the Company operates

The Company's corporate purpose is to purchase, subscribe, hold, administer, swap and sell all manner of domestic and foreign securities and shares, for its own account and without engaging in brokerage activities, for the purpose of directing, administering and managing such securities and shares.

In carrying out these activities, especially as regards the securities of insurance and reinsurance undertakings and other companies whose activities are subject to the private insurance regulations in Spain, the parent company ensures that applicable legal requirements are met. The parent company is not directly involved in insurance activity, this is performed by subsidiary companies of the Group which have the corresponding legal authority. The Directorate General of Insurance and Pension Funds (Dirección General de Seguros y Fondos de Pensiones, hereinafter "DGSFP") performs the functions assigned under current legislation by the Spanish Ministry of Economy and Finance in relation to private insurance and reinsurance, insurance agency and brokerage services, capitalisation and pension funds.

The parent company directs and manages its capital investment in the other companies by organising human and material resources. Wherever its ownership share permits, the parent company controls these companies by participating in their governing bodies or by providing management and administrative services to said bodies.

The insurance companies belonging to Grupo Catalana Occidente, S.A. operate in the following business lines: Life, Accident, Sickness, Healthcare, Auto, Marine, Lake and River Transportation (hull), Aircraft, Freight, Fire and Natural Disasters, Other damage to property (combined Agricultural Insurance, Theft and other), Liability (in automobile vehicles, aircraft, marine, inland transportation, arising from nuclear or other risks), Credit, Bond, various monetary Losses, Legal Defence, Assistance and Funeral.

Also, the subsidiaries Seguros Catalana Occidente, Bilbao Compañía Anónima de Seguros y Reaseguros, S.A. ('Seguros Bilbao') and Plus Ultra Seguros Generales y Vida, S.A. de Seguros y Reaseguros ('Plus Ultra') manage the pension funds "GCO Pensiones Mixto Fijo, Fondo de pensiones", "GCO Pensiones Renta Variable, Fondo de pensiones", "GCO Pensiones Renta Fija, Fondo de pensiones", "GCO Pensiones Empleados, Fondo de Pensiones", "GCO Pensiones Colectivo, Fondo de Pensiones", "Cat Previsió, Fondo de Pensiones", "Seguros Bilbao, Fondo de Pensiones", "Plus Ultra Renta Fija, Fondo de Pensiones", "Plus Ultra Dinámico, Fondo de Pensiones", "Plus Ultra Mixto, Fondo de Pensiones", "Plus Ultra Renta Variable, Fondo de Pensiones" and "Plus Ultra Renta Fija-Mixta, Fondo de Pensiones". Furthermore, Seguros Catalana Occidente and Seguros Bilbao are the sole founding shareholders and protectors of "Catalana Occidente Previsión, Entidad de Previsión Social Voluntaria en el País Vasco" and "Bilbao, Entidad de Previsión Social Voluntaria", respectively. The total amount of assets of managed funds and EPSV amounted to 491,544 thousand euros at December 31, 2017 (468,519 thousand euros at December 31, 2016). Gross income accrued for management fees for the various funds totalled 3,492 thousand euros in 2017 (3,199 thousand euros in 2016). This amount is recorded, net of associated commercial costs, in the consolidated income statement of the Life segment under "Other technical income".

Moreover, the subsidiary Grupo Catalana Occidente Gestión de Activos, S.G.I.I.C. ("GCO Gestión de Activos") manages the investment funds "Fonbilbao Mixto, FI", "Fonbilbao Acciones, FI", "Fonbilbao Eurobolsa, FI", "GCO Renta Fija, FI", "Fonbilbao Global 50, FI", "Fonbilbao Internacional, FI" and "GCO Corto Plazo, FI" (see Note 6.a.2). The total amount of assets of managed mutual funds amounted to 318,473 thousand euros at December 31, 2017 (254,879 thousand euros at December 31, 2016).

In view of the business activity carried out by the parent company and its subsidiaries, the Group has no environmental liabilities, expenses, assets, provisions or contingencies that might be material with respect to the Group's equity, financial position or results. No specific disclosures are therefore included in this report on the consolidated annual accounts with regard to environmental issues.

The non-financial information to be included in accordance with the provisions of Royal Decree Law 18/2017, of November 24, is included in the management report of Grupo Catalana Occidente, S.A.

1.c) Group structure and distribution systems

The subsidiaries Nortehispana, de Seguros y Reaseguros S.A., ("Nortehispana"), Seguros Bilbao, Plus Ultra, Grupo Previsora Bilbaína and Atradius N.V. have their own independent organisational network and structure from that of the rest of the Group's insurance companies (see Annex I).

From an organisational standpoint, the remaining companies comprising Grupo Catalana Occidente (hereinafter "the Group") have a structure involving centralised corporate functions and decentralised operations, with the following service centres: four claims processing centres with staff distributed among Sant Cugat, Valencia, Madrid, Malaga and Santander; an accounts administration centre at the head office in Sant Cugat and a call centre, with the staff distributed between Sant Cugat and Madrid.

The Group has a territorial structure comprising 1,567 offices spread across Spain and 81 offices abroad.

To deliver personal and high-quality advice to customers, the Group distributes its products in Spain through an extensive sales network, consisting mainly of exclusive, full-time insurance agents. The Group also uses insurance brokers, part-time agents and other specialist distribution networks. At December 31, 2017 the Group worked with a total of 18,514 agents throughout Spain (19,081 at December 31, 2016).

The Group operates in more than 50 countries through the subsidiary Atradius N.V., which at December 31, 2017 had 2,586 agents (2,600 at December 31, 2016).

With regards to the brokerage channels, according to Law 26/2006 de Mediación de Seguros y Reaseguros Privados (Law 26/2006 on private insurance and reinsurance brokerage) and, by virtue of the application of the stipulations in its second additional provision, all current agency agreements are deemed to be exclusive insurance agency agreements. Likewise, Tecniseguros, Sociedad de Agencia de Seguros, S.A., on which the Life consultants network depends, acts as an exclusive agency company of Seguros Catalana Occidente. Similarly, Seguros Bilbao works with S. Órbita, Sociedad Agencia de Seguros, S.A. as an exclusive agency, having adapted its contracts to the new models established by the Group.

1.d) Other information

All of the parent company's shares are listed on the Spanish Stock Exchange Interconnection System (Continuous Market). At December 31, 2017 the shares traded at 36.94 euros per share (31.11 euros per share at December 31, 2016).

2. Basis of presentation of the consolidated financial statements

2.a) Regulatory framework of financial reporting applicable to the Group

These consolidated financial statements have been produced by the Board Members of the parent company in accordance with the financial reporting regulatory framework applicable to the Group, which is established by:

a) The Spanish Commercial Code and other commercial legislation.

b) The International Financial Reporting Standards as adopted by the European Union through EU Regulations, pursuant to Regulation (EU) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002 and subsequent amendments thereto..

c) Royal Decree 1060/2015, of November 20, on Organisation, Supervision and Solvency of Insurance and Reinsurance Entities (hereinafter, "ROSSEAR") was taken into consideration, as well as the valid articles of Royal Decree 2486/1998, of 20 November, which approves the Private Insurance Administration and Supervision Regulations (hereinafter, "ROSSP") and the regulatory provisions established by the Directorate General of Insurance and Pension Funds, as well as the criteria and regulations established by the local regulators of the different countries of the foreign subsidiary companies of the Group.

d) Law 20/2015, of July 14, on Organisation, Supervision and Solvency of the Insurance and Reinsurance Entities (hereinafter, "LOSSEAR").

2.b) True and Fair View

The Group's consolidated financial statements have been obtained from the accounting records of the parent company and its subsidiaries and are presented in accordance with the financial reporting regulatory framework applicable and in particular the accounting principles and criteria it contains. Therefore they present a true reflection of the equity, financial position, results of the Group and cash flows for the year concerned. These consolidated financial statements were prepared by the Board of Directors of Grupo Catalana Occidente, S.A. at their meeting on February 22, 2018, and they, as well as those from investee companies, shall be subject to the approval by the respective Annual General Meeting of Shareholders. The 2016 consolidated annual financial statements were approved by the Annual General Meeting of Shareholders of the Grupo Catalana Occidente, S.A. which was held on April 27, 2017.

The Group's consolidated financial statements have been prepared from accounting records maintained by the parent company and the other companies of the Group and include certain adjustments and reclassifications to standardise the principles and criteria used by the various companies integrated into Grupo Catalana Occidente.

As recommended by IAS 1, assets and liabilities are generally classified in the balance sheet according to their liquidity, but not by classifying assets and liabilities as current or non-current, which is more relevant for the purposes of insurance groups. As with other insurance groups, expenses in the profit and loss account are classified and presented according to their nature.

2.c) Responsibility for information

The information in these financial statements is the responsibility of the Board Members of the parent company, who have taken due care to ensure the effective operation of the various controls put in place to guarantee the quality of financial and accounting information, both for the parent and the companies of the Group.

On occasion, in preparing the consolidated financial statements, judgments and estimates made by the management of the parent company and consolidated companies and subsequently ratified by the Board Members have been used. These estimates relate, inter alia, to the fair value of certain assets and liabilities, impairment losses, the useful life of tangible and intangible assets, the measurement of consolidation goodwill, the actuarial hypothesis used in the calculation of pension commitments, the hypotheses used in the calculation of the liability adequacy test, the hypotheses used in transferring a portion of the unrealised gains on the portfolio of financial assets designated as “available for sale” or “at fair value through profit or loss” to the life insurance provision, and the assets, liabilities and results of companies integrated by using the equity method and valuation of contingent liabilities and tax contingencies.

These estimates affect both the amounts recorded in the balance sheet and profit and loss account and those appearing in the statement of recognised income and expenses. Although they were prepared using the best information available, future events may make it necessary to revise these estimates (upwards or downwards) in coming years. Any such revisions would be applied prospectively, recognising the effects of the changed estimates on the consolidated financial statements.

2.d) New accounting principles and policies used in the Group's consolidated financial statements

New standards, modifications and interpretations adopted in the 2017 financial year

New accounting standards have come into force in 2017 that have naturally been taken into account in preparing the attached consolidated financial statements.

- Amendment to IAS 12. Recognition of deferred tax assets for unrealised losses: clarifies the principles laid down in respect of the recognition of deferred tax assets for unrealised losses.

Any accounting policy or valuation principle that can have a material effect on the 2017 consolidated financial statements has been applied in its preparation.

Standards and interpretations issued but not yet effective

At the date these consolidated accounts were authorised for release, the following are the most significant standards and interpretations that had been published by the IASB but had not yet come into force, either because their effective date was after the date of the consolidated financial statements, or because they have not yet been adopted by the European Union (only the most significant are included):

New standards, amendments and interpretations		**Mandatory application for periods beginning as from**
Approved for use in the European Union: **New rules**		
IFRS 9 Financial Instruments:	Supersedes the classification requirements, appraisal, recognition and elimination in the accounts of financial assets and liabilities, the accounting of coverage and impairment in IAS 39.	January 1, 2018.
IFRS 15 Revenue from contracts with customers	New revenue recognition standard (supersedes IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and AIS 31)	
IFRS 16 Leases	Supersedes IAS 17 and associated interpretations. The new standard proposes a single accounting model for lessees, which will include all leases with a similar impact to those of financial leases.	January 1, 2019.
Amendments and/or interpretations		
Amendment to IFRS 4. Insurance Contracts	Allows entities within the scope of IFRS 4, the option of applying IFRS 9 or their temporary exemption until the entry into force of IFRS 17.	January 1, 2018.

New standards, amendments and interpretations		Mandatory application for periods beginning as from
Not approved for use in the European Union:		
New rules		
IFRS 17. Insurance contracts	Replaces IFRS 4 and incorporates the principles of recording, valuation, presentation and classification of insurance contracts in order that the entity can provide relevant and reliable information that enables users of the information to determine the effect that the contracts have in the financial statements.	January 1, 2021.
Amendments and/or interpretations		
Amendment to IFRS 9. Characteristics of early cancellation due to negative offsetting	Valuation is allowed at amortised cost of certain financial instruments with characteristics of advance payment allowing the payment of an amount that is less than the unpaid amounts of capital and interest	January 1, 2018.
Amendment to IAS 28. Long-term interest in associates and joint ventures	It clarifies that IFRS 9 should be applied to the long-term interest in an associate or joint venture if the equity method is not applied.	January 1, 2019.
Amendment to IAS 19. Amendment, reduction or termination of a plan	In accordance with the proposed modifications, when a change occurs in a defined benefit plan (due to an amendment, reduction or liquidation), the entity will use up-to-date hypothesis to determine the cost of the services and the net interest for the period after the change of the plan	

The Group has not made plans for the anticipated application of the aforementioned standards and interpretations and in any case their application will be subject to consideration by the Group upon approval, if applicable, by the European Union.

IFRS 15 Revenue from contracts with customers

This is the new regulation that addresses revenue recognition with customers, which applies to all contracts with customers except those that are within the scope of other IFRSS, such as leases, insurance contracts and financial instruments. The regulation sets forth a comprehensive framework to determine at what time and what amount of income must be recognised.

This regulation establishes an ordinary income recognition model, different from those arising from financial instruments, based on the identification of the customer contracts and the obligations of each contract, the determination of their price, the allocation of this to the obligations identified and, finally, the recognition of income at the time that the control of assets is transferred, including the provision of services.

Although this may result in some changes in the temporal profile of recognition of income, the Directors consider that, taking into account the activities of the Group, its entry into force will not have a significant effect.

IFRS 16 Leases

This regulation introduces an accounting model of lessees for leases, so as to recognise the assets and liabilities of all leases with a duration of more than 12 months, unless the underlying asset is of of low value.

The main change is derived from the obligation to recognise the right of use of an asset by the lessee, which represents their right to use the underlying leased asset, and a liability for lease, which represents its obligation in terms of present value to make payments on the lease. While the asset is amortised over the life of the contract, the liability will generate a financial expense.

The date of entry into force of the IFRS 16 is expected for the financial years initiated starting from January 1, 2019. The Administrators consider that its entry into force will not have a significant impact on the consolidated profit and loss account.

IFRS 17 Insurance contracts

This regulation supersedes the IFRS 4, a regulation that allows local accounting practices to continue being used and that has given rise to insurance contracts being accounted for differently between jurisdictions. This regulation establishes the principles of registration, presentation and classification of the insurance contracts so that the entity provides relevant and reliable information that enables users of financial information to determine the effect that these contracts have in the financial statements of the entity.

The implementation of the IFRS 17 will mean undertaking consistent accounting for all insurance contracts based on a valuation model that will use calculation hypotheses updated at each reporting date (such as the type of discount, actuarial hypotheses, and regarding other financial variables).

The effects of changes in the previous hypothesis may be recognised both in the income statement as well as in the equity, depending on their nature and if these changes are associated with the provision of a service that has already occurred or not, or to assume a reclassification between the components of the registered insurance liabilities. Income or expenses may be recorded entirely in the profit and loss account or in equity.

For all those contracts that are not onerous, entities shall recognise a profit margin on the profit and loss account (hereinafter referred to as the 'contractual margin of the service') over the period in which the entity carries out the service. However, if at the time of initial recognition or during the period in which the entity carries out the service, the contract is onerous, the entity must recognise the loss in the profit and loss account immediately.

The IFRS 17 shall apply for annual periods beginning on January 1, 2021 (date of first application), although it is compulsory to present comparative information (transition date of January 1, 2020).

In September 2017 the Group started a project for the adaptation to the new regulatory framework of insurance contracts IFRS 17. The main objective is to carry out the necessary preparatory work for the implementation of IFRS 17, in such a way as to guarantee its compliance on the date of the first application, and evaluate the potential impacts, both quantitative and qualitative, with sufficient notice for the purposes of adapting their management as well as to align the requirements of this regulation with the derivatives of IFRS 9.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 will replace IAS 39 and there are very significant differences with the current recognition regulation and the measurement of the financial instruments, impairment of the financial assets and hedge accounting.

With regards to the classification and measurement of financial assets, the approach of IFRS 9 is based on joint consideration of both the characteristics of the cash flows that are derived from the instruments as well as the business model under which they are managed, reducing in practice the number of portfolios and the impairment models currently provided in IAS 39. The financial assets whose cash flows represent only payments of principal and interest are recorded at amortised cost if they are maintained in a business model whose objective is to collect the previous flows, while they are measured at fair value, recording the valuation changes in other income and expenses, if the objective is to both collect the cash flows as well as their sale. The rest of financial assets, including those that incorporate implicit derivatives, should be valued in their entirety at fair value with changes in the profit and loss account.

For all assets that are not measured at fair value with changes registered in the profit and loss account, entities should recognise the expected credit losses by differentiating between the assets whose credit quality has not been significantly impaired since their initial recognition from those assets which have.

In relation to financial liabilities, the categories provided in IFRS 9 are similar to those contained in IAS 39 and their valuation will not change.

The date of entry into force of the IFRS 9 is expected for fiscal years initiated starting from January 1, 2018. The Group, however, contemplates the application of the Deferral Approach provided for the insurance sector to postpone the application of IFRS 9 until the date of effective entry of IFRS 17, originally scheduled for January 1, 2021.

It is expected that the new requirements of IFRS 17 and IFRS 9 may have a significant impact on the amounts recorded in the financial statements of the Group and the Administrators are currently quantifying the potential impact. It is not feasible to provide a reasonable estimate of the financial effect until such an analysis is more advanced.

2.e) Comparison of information

The consolidated financial statements for the 2017 financial year are presented comparatively with the previous year, pursuant to the requirements of IAS 1 - Presentation of Financial Statements.

2.f) Consolidation principles

The Group's scope of consolidation was defined according to the provisions of IFRS 10 – Consolidated and Separate Financial Statements and IAS 28 – Investments in Associates (see Appendices I and II and Note 2.d).

These consolidated financial statements for 2017 include all the companies of the Group, using the consolidation methods applicable in each case, in accordance with Article 42 of the Spanish Commercial Code (Código de Comercio). The parent company is not required to prepare consolidated financial statements with a scope greater than that of these consolidated financial statements, as it is itself part of a group headed by CO Sociedad de Gestión y Participación, S.A. which prepares its consolidated annual financial statements separately.

2.f.1) Subsidiaries

Subsidiaries are defined as entities over which, regardless of their legal form, the Group exercises control, i.e. the power to govern the financial and operating policies of these entities in order to obtain results from their activities.

Appendix I to these Consolidated Notes contains significant information on these companies and Notes 5 and 7 provide information about the most significant changes during 2017 and between the balance sheet date and the date these financial statements were authorised for release.

The annual financial statements of subsidiaries are fully consolidated with the Group financial statements by aggregating assets, liabilities, net equity and income and expenses of a similar nature, which are recognised in the individual financial statements after harmonisation and restatement to comply with IFRS. The book value of direct and indirect interests in the equity of subsidiaries is offset against the portion of the net assets of the subsidiaries that each represents. All other material balances and transactions between consolidated companies are eliminated on consolidation. In addition, third-party ownership interests in the Group's equity and in profit for the year are presented under the headings "Minority interests" in the consolidated balance sheet and "Profit attributable to minority interests" in the consolidated profit statement, respectively.

The individual financial statements of the parent company and subsidiaries used in preparing the consolidated financial statements are prepared with the same reporting date.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition to year-end. The results of subsidiaries that leave the Group's control in the course of the year are included up until the date on which they cease to be a subsidiary.

In cases where the Group increases its share of a subsidiaries' voting rights, any difference between the cost of the new acquisition and the additional portion of net assets acquired is calculated based on their value in the consolidated accounting records.

2.f.2) Associates

Associates are entities, other than subsidiaries, over which the Group has significant influence, i.e. the power to participate in the financial and operating policy decisions of the investee but not to exercise full or joint control over it.

In general, it is presumed that the Group exercises significant influence if it holds, directly or indirectly, 20% or more of the voting power of the investee, unless it can be clearly demonstrated that such influence does not exist.

However, the entity CLAL Crédit Insurance Ltd, where the Group holds less than 20% of the voting rights, is considered an associate company because the Group is able to exercise significant influence over the same.

Appendix II provides relevant information about associates.

Associates are integrated in the consolidated annual financial statements using the equity method, whereby the investment is initially recognised at cost and subsequently adjusted to reflect any changes in the Group's share of net assets of the investee. The Group's results for the year include its share of the profit or loss of investees, less any treasury shares held by each investee, after deduction of dividends and other appropriations.

The Group's share in discontinued operations is recognised separately in the consolidated profit and loss account, while its share in the changes that associates have recognised directly in equity are also recognised directly in the Group's net equity, with the details being recorded in the statement of recognised income and expense.

In applying the equity method, the most recent available financial statements of each associate are used.

If an associate uses accounting policies other than those used by the Group, the appropriate adjustments are made to make the associate's accounting policies consistent with those of the Group.

If there is any indication of an impairment loss in the investment in the associate, the impairment loss is initially deducted from any remaining goodwill in the investment.

Notes 5 and 7 to the consolidated financial statements give details of the significant new acquisitions in 2017 in associated companies, any increases in the Group's stakes in the capital of companies already classified as associated companies at the start of the year, as well as information on the sale and impairment losses of shares, if any.

2.g) Offsetting

Asset and liability balances are offset and therefore recorded in the consolidated financial statements on a net basis if, and only if, they arise from transactions in which offsetting is contractually or legally permitted and which the Company intends to settle on a net basis or realise the asset and settle the liability simultaneously.

2.h) Financial information by segment

IFRS 8 – Segment Reporting confirms the principles governing the preparation of financial information by business lines and geographical area.

Segment information is presented according to the control, monitoring and internal management of the Group's insurance activities and results and is prepared for all the insurance lines and sub-lines that the Group operates, taking the Group's structure and organisation into account. The Board of Directors of Grupo Catalana Occidente is the highest body in terms of making operational decisions to define the operating segments.

The Group has identified its primary business lines as those of Life insurance, Non-life insurance and Other Activities. The Life insurance segment encompasses all insurance contracts guaranteeing coverage of a risk that may affect the insured's existence, physical integrity or health. The Non-life insurance line, by contrast, groups together all insurance contracts other than life insurance contracts. It can be broken down into the Auto, Multirisk, Credit Insurance and Other non-life sub-lines. With respect to this presentation, it should be noted that the Credit Insurance is mainly integrated into the insurance business of the subsidiary Atradius N.V.

The two primary segments, Life and Non-life, are subject to risks and returns of the insurance business. The Other Activities segment is used to group together all operations other than, or unrelated to, the insurance business.

Income and expenses included in "Other activities" cover the results of Group subsidiaries that do not directly carry out insurance activities and other income and expenses as detailed in Note 17.

The secondary lines, meanwhile, have been defined taking the location of insured customers and existing management centres into account.

Each of the insurance companies directly or indirectly controlled by the Group may be classified as a single-line or multi-line company, operating in one or both of the two main segments, based on the definition of insurance lines provided by the DGSFP. Note 1 gives details of the specific lines in which the Group is authorised to operate.

The accounting policies for segment reporting are the same as those used for preparing and presenting the Group's consolidated financial statements, including all the accounting policies relating specifically to segment reporting.

Both the assets and liabilities of the segments as well as the revenues and expenses were set before the elimination of the balances and intra-group transactions carried out in the consolidation process, except when those balances and transactions were undertaken between companies within one segment. This is the prevailing scenario in the Group, with all intra-group transactions being carried out at current market prices.

The rules for allocating assets and liabilities and income and expenses to the Group's primary and secondary segments are as follows:

Allocation of assets and liabilities to the primary segments and sub-segments

Segment assets are assets relating to the Group's insurance and complementary operations that are used by a segment to provide its services, including assets that are directly attributable to the segment or that can reasonably be allocated to it.

Segment assets include investments accounted for by the equity method, based on the allocation of these investments in the "Investment Book" of each subsidiary that has significant influence over said investment. The profit or loss from such investments is included in the ordinary profit of the segment in question.

Segment liabilities include the Group's share of the liabilities arising from the segment's activities that are directly attributable to the segment or can reasonably be allocated to it. If the segment result includes interest expense, the related interest-bearing liabilities are included in segment liabilities.

Allocation of income and expenses to the primary segments and sub-segments

Technical income and technical expenses deriving from insurance transactions are allocated directly to either the Life or the Non-life segment and, in the case of the latter segment, to one of its various sub-segments, depending on the nature of the transaction.

Financial income and expenses are allocated to the Life and Non-life segments according to the prior allocation of the assets that generated the income or expense in question, as shown in the each insurance company's "Investment Book". The same financial instrument may be allocated to more than one segment. Where a portfolio associated with the Life, Non-life or Other Activities segment includes an interest in a non-insurance subsidiary, the individual income statement of the subsidiary in question has been consolidated in the segment in question on a line-by-line basis, respecting the allocation recorded in the "Investment Book". The Group's share of the results of associates, which is shown separately in the profit and loss account, has been allocated to the different segments on the basis of the percentage of the investment that each segment represents within each investment portfolio. Income and expense deriving from equity securities and other financial instruments not directly related to the insurance business are assigned to the 'Other Activities' segment.

The aforesaid financial income and expense is allocated between the various Non-life sub-segments mainly on the basis of the technical provisions established for each of the lines in question.

The 'Other Activities' segment includes income and expenses, which should not be included in the aforementioned technical segments.

All other non-technical and non-financial income and expense directly or indirectly related to the different segments has been assigned to the corresponding segments directly, according to the segment that generated it or on some other reasonable basis. In the latter case, a cost allocation method based on functional activities has been used. This involves identifying the activities and tasks performed in each business process and allocating to each activity the resources it uses or generates. Thus, in the attached consolidated profit and loss account, part of the general and administrative expenses is presented under the headings "Claims incurred in the year, net of reinsurance", "Other technical costs" and "Expenses arising from tangible fixed assets and investments", while the rest is presented as "Net operating expenses".

The appendices to the Group's consolidated financial statements and Note 17 provide consolidated segment financial information, including breakdowns of ordinary income and expense and segment assets and liabilities, as well as any assets and liabilities which have been excluded or have not been allocated. This information is provided independently of the obligation under Spanish GAAP, applicable to the Spanish insurance companies included in the consolidated group, to disclose accounting and statistical information to the DGSFP.

2.i) Cash flow statement

In the cash flow statement the following expressions are used:

- Cash flows: inflows and outflows of cash and cash equivalents. Cash equivalents are highly liquid short-term investments, with a maturity of less than three months that are readily convertible into specific cash amounts and are subject to negligible risk of changes in value.
- Operating activities: activities typical of insurance companies and other activities that cannot be classified as investment or finance activities.
- Investment activities: the acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of equity and of the liabilities that are not part of operating activities. Transactions with own shares are considered financing activities. Dividends paid by the parent company to its shareholders are also included in this category.

3. Significant accounting principles and policies and measurement bases used

The main principles, accounting policies and measurement bases used in preparing the Group's consolidated financial statements are as follows:

3.a) Cash and other cash equivalents

This balance sheet item consists of liquid assets, including cash, sight deposits and cash equivalents.

Cash equivalents are highly liquid short-term investments, with a maturity of less than three months that are readily convertible into specific cash amounts and are subject to negligible risk of changes in value.

3.b) Financial assets

3.b.1) Recognition

Financial assets are generally recognised on the date of settlement. In accordance with IAS 39 - Financial Instruments: Recognition and Measurement, the Group classifies its financial instruments at initial recognition in the following categories: at fair value through profit or loss, available for sale and loans and receivables.

3.b.2) Classification of financial assets

Note 6 to the consolidated financial statements shows the book value of financial assets at December 31, 2017 and 2016, together with the specific nature of these assets, classified as follows:

— Financial assets at fair value through profit or loss:

Within this category, two types of financial asset are distinguished

- Financial assets held for trading (HFT portfolio):

  These financial assets are classified as held for trading because they are acquired principally for the purpose of selling or repurchasing them in the short term, are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or are derivatives not designated as hedging instruments.

- Other financial assets at fair value through profit or loss (FVPL portfolio):

  These assets are classified into financial schemes or portfolios allocated to insurance transactions (insurance contracts for which the flows arising from the financial assets sufficiently match, in timing and quantity, the obligations stemming from a group of homogeneous policies).

  Furthermore, the Group allocates to this portfolio all financial instruments with an associated or embedded derivative and part of its investments in bonds and equity, whether or not the bonds or equity are traded on an active market, part of its long-term deposits and all non-mortgage loans corresponding to financed premiums for outsourced pension plans.

  The fair value of financial instruments that are not quoted on an active market, or for which no firm market value is available from the counterparty (or through a contributor), is determined by discounting the cash flows the assets in question are expected to generate, using the market yield curve (see following section).

— Loans and receivables (LR portfolio):

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The majority of the Group's mortgage loans, non-mortgage loans, advances against policies, other financial assets without published price quotations, fixed-term bank deposits and receivables relating to the deposits required in the inward reinsurance business are included in this category.

Other receivables such as receivables arising out of direct insurance, reinsurance and coinsurance operations and other receivables other than tax assets are also presented in this category, according to their nature. Some of these items are excluded from the scope of IAS 39 and are specifically dealt with by other IFRS standards.

— Available-for-sale financial assets (AFS portfolio):

  This category includes all financial assets that are not classified in the other portfolios.

  The Group maintains different swap interest rate contracts on these last instruments, generally for fixed and/or determinable amounts from the different counterparties. The main purpose of these operations is to cover the cash flows necessary to deal with the payment of benefits arising from the undertakings with the insured parties. The Group has a separate bond and swap assessment for these fixed-income securities that incorporate interest rate swaps.

  As a general rule, the Group includes all equity instruments in this category, that part of its portfolio of quoted and unquoted bonds that is not specifically set aside to cover commitments with insured customers, all its shares and units in mutual funds, part of its long-term deposits and other financial assets with published price quotations.

Investments in associates are accounted for under the specific sub-heading of "Investments in entities accounted for using the equity method".

In 2017, and in the previous year, no financial instruments were classified as "Held-to-maturity investments".

3.b.3) Recognition and measurement of financial assets

The Group measures financial assets at initial recognition at fair value, adjusted (in the case of financial assets not recognised at fair value through profit or loss) for any transaction costs directly attributable to the purchase or issue thereof.

After initial recognition, the Group measures financial assets, including derivatives that are assets, at fair value, without any deduction for transaction costs incurred on sale, except for certain loans and receivables which are measured at amortised cost using the effective interest rate method.

The fair value of a financial instrument on a given date is taken to be the amount for which the asset could be exchanged between knowledgeable, willing parties who are properly informed and in a mutual independence condition. The most objective and common reference for the fair value of a financial instrument is the price that would be determined on the basis of the quoted prices published in the active market. When such reference exists, it is used to measure the financial asset. However, in certain cases the price quotations provided by the various counterparties who would be willing to exchange a certain financial asset or the prices indicated by the contributors are also considered.

In the absence of an active market for a financial instrument, the Group determines fair value using generally accepted measurement techniques. In this case, mathematical valuation models are used that have been sufficiently tested by the international financial community (discounting estimated future cash flows based on forward interest rates corrected for the credit spreads applicable to the issuer), taking into account the specific characteristics of the instrument to be measured and the various types of risk associated with it. These mathematical models may be used directly by the Group or by the counterparty who acted as seller.

The Group has also contracted a structured investments valuation service from Serfiex, a specialist in the sector. This service enables the valuations provided by the contributors to be compared with internal valuation methods. For those structured investments where liquidity is not guaranteed through the contributor being quoted on an active market, the Group recognises the market value calculated by Serfiex.

Financial instruments are therefore classified into to three levels, according to the inputs used to determine their fair value:

- Level 1: prices quoted in active markets.
- Level 2: prices quoted in active markets for similar instruments or other valuation techniques where all the significant inputs are based on directly or indirectly observable market data.
- Level 3: valuation techniques where a significant input is not based on observable market data.

An input is considered significant when it has a major impact on the determination of total fair value.

Instruments measured at amortised cost are measured taking into account the effective interest rate method. Amortised cost is taken to be the amount at which the financial instrument was initially measured, minus principal repayments, plus or minus, as appropriate, the cumulative gradual amortisation or allocation, using the effective interest rate method, of any difference between that initial amount and the redemption value upon maturity, minus any reduction for impairment or non-collectability.

All financial assets except for those recognised at fair value through profit or loss are subject to impairment testing.

3.b.4) Impairment of financial assets.

At each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired or not, taking into account events that either individually or in conjunction with others provide such evidence.

As a general rule, a prolonged and significant decline in the market value of equity and debt securities, taken individually, below their cost or amortised cost is considered evidence of impairment. Cases where the unrealised loss on a given security is irreversible are also considered evidence of impairment.

Where there is evidence of impairment, based on the aforesaid criteria, the Group analyses the situation to determine the extent of any loss to be recognised. The following methods are used to determine the amount of the impairment:

- Financial assets carried at amortised cost:

  The amount of the loss is measured as the difference between the asset's book value and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The book value of the asset is reduced through use of an allowance account, while the amount of the loss is recognised in profit or loss.

  If in subsequent periods the amount of the impairment loss decreases, the previously recognised impairment loss is reversed in the profit and loss account.

This type of asset includes the amounts receivable by the Group from certain insured customers and/or policyholders for uncollected or unbilled premiums. In this case, impairment is determined on the basis of the last three (3) years' cancellation experience and taking into account the number of months elapsed between the theoretical collection date and each reporting date, as well as the line of insurance in question.

Receivables on the recovery of claims are capitalised when realisation is sufficiently guaranteed.

— Available-for-sale financial assets

When the fair value of an available-for-sale financial asset declines significantly, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the profit or loss account, even though the financial asset has not been derecognised.

Impairment losses recognised in profit or loss for investments in equity instruments classified as available for sale (equity securities) are not reversed through profit or loss. However, reversals associated with debt instruments are recognised in the profit or loss account.

The Group's impairment criteria and policies for establishing if there is evidence of impairment losses on available-for-sale financial assets:

- Listed or unlisted debt instruments are considered to have suffered an impairment if there is objective evidence of such as a result of one or more events occurring after the initial recognition of the asset and this event or events have an impact on the future estimated cash flows associated with the financial asset or group of financial assets that can be reliably estimated. The downgrading of an entity's credit rating is not in itself evidence of a loss of value, although it may indicate an impairment when taken together with other available information. A decline in the fair value of an asset to below its cost is also not prima facie evidence of an impairment loss. These events are evaluated together with other situations that may indicate a loss (e.g. if the issuer is in serious financial difficulties, if contractual clauses have been breached, if a bidding event or financial reorganisation is likely, or if the active market for the instrument disappears.

- The Group determines if there is evidence of prolonged or significant impairment losses on listed equity instruments primarily on the basis of establishing time or percentage criteria for comparing the average cost of the instrument with its quoted price. Specifically, according to the time or percentage ranges established in the Group's accounting policies, objective evidence of impairment shall be deemed to exist when there is a 40% decrease in the share price relative to the average cost of acquisition or in a situation of continued loss for a period exceeding 18 months.

  The Group also considers situations where the issuer is declared, or is likely to be declared, insolvent, or has significant financial difficulties to be objective evidence of impairment losses.

- For unlisted equity instruments, the criteria applied to determine impairment losses are based on comparing the average acquisition cost of the instrument with its fair value calculated using best estimates according to the information available.

— Investment in entities accounted for using the equity method:

- For unlisted equity instruments, classified in the section "Investment in entities accounted for using the equity method", the criteria applied to determine impairment losses are based on comparing the consolidated net book value of the instrument with its fair value calculated using best estimates according to the information available. The Group carried out impairment tests according to the method described in Note 3.e.1).

3.b.5) Recognition of changes in the fair value of financial assets and liabilities

A gain or loss arising from a change in the fair value of a financial asset that is not part of a hedging transaction is recognised as follows:

- Any profit or loss on a financial asset at fair value through profit or loss is recognised in the profit and loss account for the year under the heading “Losses on investments” or “Gains on the sale of investments” in the Life insurance line income statement.

- Any profit or loss on an available-for-sale asset is recognised directly in equity, in the “Valuation adjustments” line, until the financial asset is derecognised, except for impairment losses and exchange gains or losses. Upon reversal of the asset, the profit or loss previously recognised in equity is recognised in the profit and loss account for the year.

  However, interest calculated using the effective interest rate method is recognised in the income statement for the year (see point 1 of this Note). Dividends on an equity instrument classified as available for sale are recognised in the profit and loss account for the year when the Group’s right to receive payment has been established.

When a financial asset recognised at amortised cost is derecognised or impaired, or the effective interest rate method is applied to it, the resulting income and expenses are recognised through the profit and loss account.

3.b.6) Investments held for the benefit of policyholders who bear the investment risk.

Investments held for the benefit of insurance policyholders who bear the investment risk are measured at cost upon subscription or purchase thereof. This cost price is subsequently adjusted on the basis of the assets’ realisable value. Any revaluation or impairment of these assets is credited or charged to the Life segment of the profit and loss account under the headings “Income from investments assigned to insurance policies where policyholders bear the investment risk” and “Expenses of investments assigned to insurance policies where policyholders bear the investment risk”.

All listed equity, fixed-income and other instruments linked to insurance, where the policyholder assumes the risk of the investment, are designated and classified as “at fair value with changes in profit and loss”. Only financial assets without published price quotations (treasury bills, short-term bank deposits, etc.) and other assets allocated to the business are assigned to the Loans and receivables portfolio.

For presentation purposes, all investments and balances assigned to the business are classified by portfolio under the balance sheet headings “Other financial assets at fair value through profit or loss” and “Loans and receivables’”, while the liabilities assigned to these contracts are classified as “Technical provisions – for life insurance policies”.

3.c) Property, Plant and Equipment

The Group records under this balance sheet item all owner-occupied property, properties occupied by companies of the Group and properties under construction or development for future use as investment property, all of which property is held in fee simple. Properties under construction or development are reclassified as investment property on completion.

“Property, plant and equipment” also includes transport equipment, furniture and fixtures and computer hardware.

Property, plant and equipment assets are stated at acquisition or construction cost, less accumulated depreciation and, where applicable, accumulated impairment losses, but never at less than their residual value. The cost of additions and improvements that expand the capacity or floor area, increase the returns or extend the useful life of property held by the Group subsequent to initial recognition are capitalised and recorded under “Other property, plant and equipment”. Conversely, upkeep and maintenance costs are expensed to the profit and loss account in the year incurred. The Group does not capitalise any financial expenses associated with these assets.

When payments on acquisition of a property are deferred, their cost is the cash price equivalent. The difference between the cash price equivalent and the total payment is recognised as interest expense over the deferred period.

In general, the Group applies the straight-line systematic depreciation method to the acquisition cost, excluding the residual value, over the following estimated useful lives:

Items of property, plant and equipment	Estimated useful life
Property (excluding land)	Between 33 and 77 years
Improvements to owned property	10 years
Transport equipment	Between 5 and 7 years
Data-processing hardware	Between 3 and 5 years
Other property, plant and equipment	Between 3 and 10 years

Property under construction is depreciated from the moment it is in a usable condition.

The residual values and remaining useful lives of these assets are reviewed at each balance sheet date and adjusted as appropriate. The recognised book value of an asset is immediately reduced in line with its recoverable amount if the book value is greater than the estimated recoverable value. Profits and losses on disposal are calculated by comparing the net sale proceeds with the recognised book values.

The market value of owner-occupied property indicated in Note 8.a) to the consolidated financial statements has been obtained from appraisals carried out by independent experts (Inmoseguros), which are no more than 2 years old at December 31, 2017. For properties situated in Spain, the prior market value has been determined in accordance with the Order ECO/805/2003, of March 27, partially amended by Order EHA 3011/2007, of October 4, on rules for the valuation of property and determined rights for certain financial purposes.

Properties are therefore classified into three levels, according to the inputs used to determine their fair value: These levels are defined analogously to those indicated for determining the fair value of financial assets (see Note 3.b.3).

3.d) Investment property

Property that is held for capital appreciation or to generate rental income over the long term and that is not occupied by Group companies is classified as investment property.

Also included under this heading is land held for a currently undetermined future use and buildings that are currently vacant.

Some properties are partly held to earn rentals and partly owner-occupied. If the two parts can be sold separately, the Group accounts for the parts separately. Otherwise, dual-use property is classified as investment property only if the owner-occupied part is insignificant.

“Investment property” includes land and buildings held by the Group in full ownership. It is recognised at acquisition or construction cost, less accumulated depreciation and, where applicable, accumulated impairment losses, but never at less than its residual value. Acquisition cost consists of the purchase price and any expenditure directly attributable to the acquisition (associated transaction costs). The acquisition cost of self-constructed investment property is the property’s cost at the date when construction or development is complete.

The accounting treatment of the costs of any addition, modernisation or improvement and the impairment tests, depreciation methods and useful lives established for investment property are similar to those used for owner-occupied property (see Note 3.c).

The market value of the investment property indicated in Note 8.b) to the consolidated financial statements has been obtained in accordance with the rules described in the previous section on owner-occupied property.

3.e) Intangible assets

"Intangible assets" comprise all identifiable non-monetary assets without physical substance that arise as a result of an acquisition from a third party or are generated internally by a company of the Group. Intangible assets that are identifiable, have future economic benefits and are under the Group's control are recognised if, and only if, their cost can be reliably estimated and the future economic benefits associated with them are likely to flow to the Group.

The Group measures intangible assets initially at acquisition or production cost and subsequently at cost less any accumulated amortisation and impairment losses and the accumulated amount of losses from value impairment, if any. To determine whether intangible assets are impaired, the Group applies IAS 36 – Impairment of Assets and subsequent interpretations.

The Group assesses whether the useful life of intangible assets is finite or indefinite and, if finite, assesses its duration.

3.e.1) Goodwill on Consolidation

"Goodwill on Consolidation" reflects any positive consolidation differences arising from the acquisition of equity interests in subsidiaries. It is equal to the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired, provided such excess cannot be assigned to specific tangible or intangible assets.

According to the provisions of International Financial Reporting Standard 3, there is a maximum valuation period of one year from the date of acquisition, during which the acquiring company can retroactively adjust the provisional amounts recognised on the date of acquisition.

Goodwill acquired since January 1, 2004 is recognised at acquisition cost, while goodwill acquired before this date is recognised at the net book value at December 31, 2003, determined in accordance with the former Spanish accounting rules. In both cases, goodwill acquired through a business combination is not amortised, but is tested for impairment annually, or more frequently if events or changes in circumstances so advise.

In accordance with IAS 36 –Impairment of Assets, for the purpose of identifying possible impairment losses, Group management analyses and assesses the estimates and forecasts provided by the various subsidiaries in order to determine whether the projected income and cash flows of these companies attributable to the Group support the net value of the goodwill recognised. These estimates and projections are based on the following methodology, parameters and assumptions:

- Goodwill is allocated to the subsidiary that generated it, each such subsidiary representing a cash-generating unit that is independent of any other unit or segment.

- The recoverable amount of units allocated in Spain is determined by reference to their value in use, calculated through the future dividend discount method, taking into account the forecasts of ordinary results after taxes which will be generated in the next years, as well as a residual value of investments. The discounted rate applicable to the projections has been determined on the basis of a risk-free interest rate plus a risk premium that includes the general market risk and the specific risk of the investment.

- To evaluate the projections made for the operations of Atradius N.V., Graydon Holding N.V., Plus Ultra and Grupo Previsora Bilbaína, the Group contracted the services of an independent expert ‘Analistas Financieros Internacionales, AFI’ which, in accordance with the generally accepted systems used by investment banks, determined the recoverable amount of these based on the discounted value of the future dividends it expects to receive (dividend discount model). In order to determine it, investee’s projected business plans and basic assumptions about the parameters that will affect the business’s future results are used. In the case of goodwill for Atradius N.V., the projection of cash flows has been made for a period exceeding 5 years so as to allow the model to reflect a full business cycle, the estimated duration of which is 10 years. This extended period is necessary to increase the reliability of projections, given the close relationship between the economic cycle phase and changes in the cash flows from the credit insurance business, which could otherwise not be properly reflected on projections. The discounted rate applied to the projections is calculated on the basis of a risk-free interest rate (average of the last 10 years of the German government bonds) plus a risk premium that includes general market risk and the specific risk of the investment.

The key assumptions on which the Group's management has based its projections of results to determine the present value of future cash flows from investments, relating to companies belonging to the insurance business, according to the periods covered by the most recent budgets or forecasts, are as follows:

- Premium income: an annual increase is projected based on the business forecasts for each company for the coming years.

- Claims: the claim over premium ratio is projected based on the business forecasts for each company for the coming years.

- Operating expenses: maintenance of current ratios over premiums.

- Financial results: according to company forecasts for the coming years and related to its existing asset portfolio and reinvestment expectations.

- Capital available: in the projections for the flows and therefore distributable, the retention of flows necessary to obtain an excess of capital available on its capital required by Solvency II has been taken into account.

On the other hand, with regard to the key assumptions associated with investment relating to companies belonging to the non-insurance business, the Group’s Management has taken the following into account:

- Operating and investment income in capital: an annual increase is projected based on the business forecasts for each company for the coming years.

- Level of EBITDA margin: a forecast on the basis of the estimation of the evolution of the business of each company

- Investment in capital according to the collection period and the payment period in line with historical averages of each company

In all cases, the approach used to determine the values assigned to key assumptions reflect past experience and are consistent with external information sources available when they are prepared.

In the event of an impairment loss on goodwill, the loss is recognised in the income statement for the year in which the loss occurs and cannot be reversed either at the end of that year or in subsequent years.

Goodwill attached to associates is included, purely for presentation purposes, in the book value of the investment. To identify possible impairments, the Group either:

- Calculates the present value of the portion of the future cash flows the subsidiary is expected to generate that is attributable to the Group, taking into account all future cash flows projected to derive from the subsidiary's ordinary operations, plus any amounts expected ultimately to be realised on the sale, or disposal by other means, of the investment or asset in question; or

- Updates the projected future cash flows it expects to receive by way of dividends and on the ultimate sale or other disposal of the investment.

3.e.2) Policy portfolio acquisition expenses

The amount of this balance sheet item corresponds basically to the difference between the price paid for an insurance business transfer and the related book value. This item also includes amounts paid upon acquisition of a group of policies from various agents, which amounts are totally residual.

These portfolio acquisition expenses are measured in the same way as consolidation goodwill, as the intangible assets in question are expected to provide future economic benefits to the Group indefinitely.

3.e.3) Other intangible assets

The specific accounting policies applied to the main assets included in Other intangible assets are described below:

IT Applications

This balance sheet line consists primarily of deferred charges associated with the development of IT systems and electronic communication channels.

Acquired software licences are valued on the basis of acquisition costs and right of use of the specific software, provided they are expected to be used for several years, and are recorded as computer software acquired entirely from third parties. Also included in this line are the costs of third parties involved in developing software for the Group.

Where software is developed internally, the Group capitalises the expenses directly associated with the production of exclusive, identifiable computer software controlled by the Group, that is, the labour costs of the software development teams and the corresponding portion of associated indirect costs. The rest of the costs associated with the development or maintenance of internal projects are expensed as incurred.

Subsequent costs are capitalised only if they increase the future benefits of the related intangible assets. Recurring costs incurred as a result of modifications or updates of computer software or systems and system overhaul and maintenance costs are recognised in profit or loss as incurred.

Computer software is amortised systematically over its useful life, which is estimated to be a maximum of three to five years for software acquired from third parties and a maximum of five years for software developed internally.

The Group assesses, at each balance sheet date, whether there is any indication of impairment of any asset. If any such indication exists, the Group will take into account the recoverable amount of the asset.

In assessing whether there is any indication that an asset may be impaired in value, the Group will consider the following factors at least:

(i) Evidence is available from internal reporting that indicates that the economic performance of the asset is, or will be, worse than expected.

(ii) During the year, significant changes have taken place or are expected to take place in the near future in the extent or manner in which the asset is used or is expected to be used, which will adversely affect the Group.

(iii) Evidence is available of the obsolescence or physical damage of an asset.

Where the Group has taken control of insurance companies, a distinction is made between the intangible assets associated with rights and obligations existing at the time of the acquisition, which are measured and recorded if the amount is material to the Group and intangible assets associated with rights and obligations which did not exist at that date. In the latter case, the Group estimates the value of the assets if they are material and can be reliably measured. If they cannot be reliably measured, they are added to the goodwill on the transaction.

Brand

On June 19, 2015, due to the acquisition of Plus Ultra, the Group incorporated the value of the "Plus Ultra" brand in the balance sheet at fair value. This fair value was determined using the royalties method with the method of the internal profitability rate of a hypothetical licensee, determining the royalty rate using comparable values from the insurance industry and with a cash flow attributable to the brand for a period of 5 years and a terminal value of it. In the valuation process, an indefinite useful life was determined for the Plus Ultra brand.

The "Plus Ultra" brand, as other intangible assets with an indefinite useful life, is not depreciated systematically, according to the applicable accounting standard and, instead, it is annually subjected to an impairment test, proceeding, where appropriate, to record the corresponding value correction

On September 15, 2016, due to the acquisition of Graydon, N.V. the Group incorporated the value of the "Graydon" brand in the balance sheet at fair value. This fair value was determined using the royalties method with the method of the internal profitability rate of a hypothetical licensee, determining the royalty rate using comparable values and with a cash flow attributable to the brand for a period of 5 years. Therefore, the "Graydon" brand is amortised on a systematic basis according to the estimated useful life of the group.

Distribution network

As part of the process to assign an acquisition cost to Plus Ultra, the Group incorporated an intangible asset in its balance sheet for FY 2015, at fair value, corresponding to the "Plus Ultra" network of mediators. This fair value was determined using the "Multi-Period Excess Earnings" based on excess earnings on the tax assets required for the operation of the business.

The estimated useful life for the network of intermediaries was determined to be between fifteen and twenty years, according to the type of intermediary and their historical seniority. This is the rate used to proceed to the linear amortisation of this asset.

Policies in portfolio

The Group incorporated an intangible asset at fair value for the insured portfolio of Plus Ultra. This fair value was determined using the Method of Multi-Period Excess Earnings.

The estimated useful life for policies in portfolio has been determined to be between five and ten years according to average useful lives.

During the financial year 2017, the Group has repaid the total amount that was outstanding of such intangible assets, given the changes in the originally purchased policies.

3.f) Non-current assets held for sale and associated liabilities

Assets held for sale are generally recognised at the lower of their book value and fair value, less estimated costs to sell, the latter being understood to mean all marginal costs directly attributable to their disposal, excluding any finance costs and corporate tax.

Non-current assets classified as held for sale are not amortised.

Impairment losses of their book value are recognised in the profit and loss account. Should the loss be reversed, the reversal is recognised in the profit and loss account for an amount equal to the impairment loss previously recognised.

3.g) Transactions in foreign currency

3.g.1) Functional currency

The functional currency of the parent company and of the subsidiaries that have their registered office in the European Monetary Union is the Euro. Certain subsidiaries of Atradius N.V. present their financial statements in the currency of the main economic environment in which they operate, so their functional currency is other than the euro.

The consolidated financial statements are presented in euros, the Group's presentation currency. Therefore, all balances and transactions denominated in currencies other than the euro are deemed to be denominated in "foreign currency".

3.g.2) Rules for translation of foreign currency balances

Foreign currency balances are translated into euros in two steps:

- The foreign currency is translated into the functional currency (the currency of the main economic environment in which the subsidiary operates or into the euro in the case of companies domiciled in the Monetary Union), and

- The balances held in the functional currencies of subsidiaries whose functional currency is not the euro are translated into euros.

Translation of foreign currency into the functional currency:

Foreign currency transactions carried out by consolidated entities (or entities accounted for by the equity method) that are not domiciled in EMU countries are recognised initially at their equivalent value in the entities' functional currency, using the exchange rates prevailing at the transaction dates. Monetary items in foreign currency are subsequently translated to the companies' functional currencies using the closing rate. Similarly:

- Non-monetary items measured at historical cost are translated into the functional currency at the exchange rate at the date of acquisition,

- Non-monetary items measured at fair value are translated at the exchange rate on the date when the fair value was determined,

- Income and expenses are translated at the average exchange rates for the period for all the transactions performed during the year,

- The balances arising from non-hedging forward foreign currency/foreign currency and foreign currency/euro purchase and sale transactions are translated at the closing rates prevailing in the forward foreign currency market for the related maturity.

The Group follows the same rules when converting the foreign currency items and transactions of subsidiaries domiciled in the Monetary Union into euros.

Translation of functional currencies into euros:

The balances reported by consolidated entities (or entities accounted for by the equity method) whose functional currency is not the euro are translated into euros as follows:

- Assets and liabilities, at the closing rate.
- Income and expenses, using the average monthly exchange rates (unless the average is not a reasonable approximation to the cumulative effect of the rates in force at the transaction dates, in which case the rates prevailing on the transaction dates are used), and
- Equity, at the historical exchange rates.

3.g.3) Recording of exchange differences

Exchange differences arising on translation of foreign currency balances into the functional currency are generally recognised in the profit and loss account at their net amount. Nevertheless:

– Exchange differences arising on non-monetary items whose fair value is adjusted against equity are recognised in equity under "Other accumulated comprehensive income - Items that can be reclassified to profit and loss - Available-for-sale financial assets".

– Exchange differences arising on non-monetary items whose gains and losses are recognised in profit or loss for the year are also recognised in profit or loss, without differentiating them from other changes in fair value.

– Exchange differences arising on translation of the financial information of subsidiaries denominated in functional currencies other than the euro are recorded in consolidated equity under the heading "Exchange differences" until the subsidiary or associate concerned is removed from the balance sheet, at which time they are recognised in profit or loss.

3.g.4) Exchange rates used

The functional currencies of the most important subsidiaries and associates of Atradius N.V. and the currencies of the Group's other foreign currency balances are listed, showing their year-end

Currency	Year-end rate		Average annual rate	
	31/12/2016.	31/12/2017.	31/12/2016.	31/12/2017.
U.S. Dollar	0.949	0.834	0.904	0.891
Pound Sterling	1.168	1.127	1.235	1.146
Japanese Yen	0.008	0.007	0.008	0.008
Swiss Franc	0.931	0.855	0.916	0.903
Swedish Krona	0.105	0.102	0.106	0.104
Norwegian Krone	0.110	0.102	0.108	0.108
Danish crown	0.135	0.134	0.134	0.134
Mexican peso	0.046	0.042	0.049	0.047
Australian Dollar	0.685	0.652	0.672	0.680

and average exchange rate for the years ended December 31, 2017 and 2016:

3.h) Corporate tax

The corporate tax charge for the year is computed on the basis of accounting profit before taxes, determined in accordance with generally accepted accounting principles in Spain and the other countries in which the subsidiaries of Atradius N.V. operate, adjusted for any permanent differences, these being differences between taxable profit (resulting from the application of the applicable legislation) and accounting profit before tax that do not reverse in subsequent periods and differences arising from application of the new IFRS in respect of which, likewise, no reversal will take place. When the differences in value are recognised in equity, the related income tax is likewise charged to equity.

Both temporary differences arising from differences between the book value and the tax base of an asset or liability and, where assets are capitalised, tax assets arising from tax credits and rebates and tax losses give rise to deferred tax assets or liabilities. Such deferred tax assets or liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

The Group recognises deferred tax liabilities for all taxable temporary differences. Deferred tax assets are recognised only to the extent that it is considered highly probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax asset can be utilised.

Deferred tax assets and liabilities are determined by applying the regulations and tax rates approved or about to be approved on the date of the balance sheet and expected to be applied when the corresponding deferred tax asset is realised or the tax liability is settled.

Current tax assets and liabilities are measured at the amount expected to be paid to or recovered from the tax authorities, using the statutory tax rates enacted or substantively enacted by the balance sheet date. Accordingly, the Group has calculated the corporate tax at December 31, 2017, applying the tax regulations in force in companies registered in Spain and taking the various tax regimes for foreign companies into account (subsidiaries of Atradius N.V.).

As indicated in July 2014 by the IFRS Interpretations Committee, the Group recognises tax assets arising from payments required by the tax administration under inspection procedures in accordance with the provisions of IAS 12.

3.i) Financial liabilities

A financial liability is a contractual obligation requiring the Group to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity on terms that are potentially unfavourable.

Financial liabilities do not include the Group’s obligations at the different balance sheet dates arising from or associated with insurance policies in force. No securities have been issued that are convertible into shares of the parent company or that grant privileges or rights which may, under certain circumstances, make the securities convertible into shares. The Group’s most significant financial liabilities relate to the subordinated debt issued by Atradius N.V. (see note 12.a).

After initial recognition at fair value, in general the Group measures all its financial liabilities at amortised cost using the effective interest rate method.

When a financial liability recognised at amortised cost is derecognised or impaired, or the effective interest rate method is applied to it, the resulting income and expenses are recognised in the profit and loss account.

At December 31, 2017, neither the parent company nor any other Group company has guaranteed any other debt securities issued by associates or third parties unrelated to the Group.

3. j) Insurance and reinsurance assets and liabilities

The Group applies the requirements established in IFRS 4 – Insurance Contracts to all the insurance assets and liabilities recognised in its consolidated financial statements that derive from insurance contracts, as defined in this standard

3.j.1) Classification of the portfolio of contracts

The Group assesses and classifies its portfolio of direct Life and Non-life business (including inward reinsurance) and of outward reinsurance taking into account the Implementation Guidance accompanying IFRS 4 and the guidelines issued, other than for statutory purposes, by the DGSFP on December 22, 2004, through the Framework Document on the Accounting System for Insurance Companies in relation to IFRS 4. All contracts are classified as “insurance contracts”, including the financial guarantee contracts issued by the Group in the form of insurance contracts, in accordance with the exception provided for in the amendment published on January 27, 2006.

The Group does not unbundle any deposit components associated with insurance contracts, since such unbundling is voluntary in nature. Also, it is considered that the surrender options issued to the insurance policyholders either have a fair value of zero or, alternatively, that their value forms part of the insurance liability.

3.j.2) Valuation of insurance and reinsurance assets and liabilities

IFRS 4 imposes restrictions on permitted changes to accounting policies for insurance contracts. Pursuant to this standard, the Group has maintained the valuation rules for insurance contract assets and liabilities applicable under the accounting principles and valuation rules established in Spain and the other countries in which the Group operates, which are mandatory for all insurance providers, except for the following adjustment:

- Apply the liability adequacy test provided for in IFRS 4, with a view to ensuring the adequacy of contractual liabilities. To this end, the Group compares the book value of technical provisions, less any deferred acquisition costs or any intangible assets related to the insurance contracts under assessment, against the amount determined as a result of considering current estimates, using market interest rates, of all cash flows under the insurance contracts and related cash flows, such as those resulting from embedded options and guarantees.

  In the above calculation, the Group offsets deficits against surpluses, considering the various types of insurance included in the life insurance line as a single level of aggregation.

  For a small group of the foreign subsidiaries of Atradius N.V., these calculations are made locally and are subject to external actuarial review or centralised assessment of the methods used. The Group considers that the adequacy of these liabilities has been effectively proven.

  As the liabilities were adequate according to the calculations made at December 31, 2017 and 2016, it was not necessary to increase the amount of insurance liabilities recognised as of those dates.

For the purpose of partially avoiding the mismatches caused by the use of different valuation bases for financial assets, which are classified mainly under the available-for-sale portfolio and insurance liabilities, the Group reassigns the portion of the unrealised gains arising from the above assets which are expected to be allocated to the insured in the future as they materialise or by applying an assumed interest rate higher than the maximum rate permitted by DGSFP. The reassignment is done by decreasing “Other accumulated comprehensive income” of the equity through the “Corrections of accounting mismatches” sub-heading and recording an increase in liabilities through the “Other liabilities” sub-heading.

The main accounting policies applied by the Group in connection with the technical provisions are summarised below:

Unearned premiums and unexpired risks reserves

The unearned premiums provision is the proportion of premiums earned in the year to be allocated to the period from each year-end to the expiry of the policy period. The insurance companies of the Group, including Atradius Crédito y Caución, S.A. de Seguros y Reaseguros, calculate this provision by reference to the premium rates for each line of insurance on a policy-by-policy basis, net, where appropriate, of the loading for contingencies (i.e., commissions and other acquisition costs are not deducted).

The unexpired risks provision is intended to complement the unearned premiums provision to the extent that the amount of this provision is not sufficient to reflect the measurement of all risks and expenses to be covered in relation to the coverage period not closed at year-end. It is calculated and established, as needed, for the Spanish companies in the Group, in accordance with the calculation stipulated in Article 31 of the Private Insurance Regulations (ROSSP), amended by Royal Decree 239/2007 of February 16, considering the technical result by year of occurrence for the closing year jointly with the previous year or the four previous years, depending on the business line in question.

The above calculation is made for each line or product sold, understood as the specific guarantee or group of related guarantees with respect to the risks arising from the same type of insured object.

In the credit insurance business, Atradius N.V., unlike the rest of the Group and as permitted by IFRS 4, adjusts the amount of premium income based on unexpired risks by recording a provision for claims not yet reported instead of the provision for unearned premiums.

Life insurance reserves

This reserve comprises the unearned premiums reserve for insurance policies with a coverage period equal to or shorter than a year and, mainly for other lines of insurance, the mathematical provision. Mathematical provisions, which represent the excess of the current actuarial value of the future obligations of insurance subsidiaries over the value of the premiums payable by policyholders, are calculated on a policy-by-policy basis using an individual capitalisation method, by reference to the valuation premium earned in the year, in accordance with the Technical Bases of each line of insurance, adjusted, as appropriate, for the mortality tables accepted under current Spanish legislation.

The Group also values the options for the insured when they can choose the maturity of the policy, primarily in endowment insurance and retirement for which there is currently no new business, including a capital or an annuity whose interest rate is fixed from the moment of contracting the policy.

In relation to the interest rate applied for calculation of the technical provisions in Spain for accounting purposes of the life insurance for contracts subject to sections 33.1.a).1 and 33.1.b).1 of the ROSSP, resulting from the entry into force of Royal Decree 1060/2015, of November 20, on Organisation, Supervision and Solvency of the Insurance and Reinsurance Entities, the Group has decided to participate in the adaptation of the temporary structure for interest rates with no risk as established in article 54 of said Royal Decree. It shall be carried out using a straight-line basis over 10 years from January 1, 2016. The effective annual rate calculated for the financial year 2017 has been for 0.90% and the effective annual rate applied in the 2017 financial year has been 1.67%. As at December 31, 2017, 8 years of adaptation remain.

In the financial year 2017, the Group registered a provision of 2,604 thousand euros (1,877 thousand euros in the financial year 2016) in the concept of application of the indicated transitional measure, with the total impact of the adaptation being 16,583 thousand euros according to the temporary structure for interest rates with no risk in November 2017.

Provisions for life insurance policies where risk is borne by policyholders

For presentation purposes, the technical provisions relating to insurance policies in which policyholders bear the investment risk are included in liabilities under "Technical provisions – Life insurance provision". The related technical provisions are determined based on the indices or assets established as a reference for determining the economic value of the policyholders' rights (see Note 13).

Claims provision

This provision includes the total amount of obligations outstanding as a result of claims incurred at year-end. The Group calculates this provision as the difference between the total estimated or certain cost of claims incurred but not reported, settled or paid and the aggregate amounts of such claims already paid on account.

Claims not yet settled or paid and claims not yet reported.

Statistical methods

The subsidiary Seguros Catalana Occidente, Sociedad Anónima de Seguros y Reaseguros uses global statistical methods to calculate the provision for outstanding and unpaid claims and claims incurred but not yet reported in the following lines, with the following dates of reporting, authorisation and effect for accounting purposes:

Lines in which net and gross global statistical reinsurance methods are applied	Date of reporting to DGSFP	Date of authorisation by DGSFP	Effective date for accounting purposes
General third-party liability	January 29, 2007.	January 8, 2008.	December 31, 2007.
Autos third-party liability Other auto insurance Multirisk: - Family Home	December 17, 2007.	January 8, 2008.	December 31, 2007.
Multirisk: - Retail - Blocks of Flats - Industrial (SME) - Others (offices) Accidents Transport	May 30, 2008.	July 10, 2008.	December 31, 2008.

The subsidiary Bilbao Compañía Anómina de Seguros y Reaseguros, S.A. also uses global statistical methods to calculate the provision for outstanding and unpaid claims and claims incurred but not yet reported in the following lines, with the following dates of reporting, authorisation and effect for accounting purposes:

Lines in which net and gross global statistical reinsurance methods are applied	**Date of reporting to DGSFP**	**Date of authorisation by DGSFP**	**Effective date for accounting purposes**
Autos third-party liability Other auto insurance General third-party liability Multirisk: - Family Home - Shops - Blocks of Flats - Industrial (SME) Accidents Transport-goods	June 22, 2010.	September 24, 2010	December 31, 2010.

Since 2006, the year in which it received authorisation from the DGSFP, the subsidiary Plus Ultra Seguros Generales y Vida, S.A. de Seguros y Reaseguros has also been using global statistical methods to calculate technical provisions for claims as regulated in article 43 ROSSP:

Lines in which net and gross global statistical reinsurance methods are applied	**Date of reporting to DGSFP**	**Date of authorisation by DGSFP**	**Effective date for accounting purposes**
Autos Personal Autos Materials Civil liability Multirisk: - Family Home - Shops - Blocks of Flats - SME Accidents Combined Industrial and Fire Transport Machinery breakdowns Electrical equipment All risks construction Health	April 28, 2006.	July 28, 2006	December 31, 2006.

For these lines, the provision for outstanding or unpaid claims and unreported losses is calculated globally, without separating the two components. For the abovementioned lines, the provision has been calculated in accordance with the best estimate provided by internal actuarial calculations, using generally accepted deterministic and stochastic models. Details of the methods and the main assumptions used in calculating these provisions at December 31, 2017, are given below:

- The Group has chosen the (deterministic) Chain Ladder method for calculating claims paid and incurred, complemented by the (stochastic) Bootstrap technique.

- The confidence level has been set at 50%, without taking into account any inflation effects or financial discount for the passage of time. Outlier claims, defined as claims whose estimated cost exceeds a certain amount, depending on the line, are excluded from these methods, despite of being assessed at an individual level.

- Estimated payments are net of recoveries.

These subsidiaries undertake an annual suitability check of the calculations made in accordance with the requirements of the Regulations.

For the purpose of the fiscal deductibility of the statistically calculated claims provision, the minimum amount of the provision has been calculated in accordance with the requirements of the Sixth Additional Provision of the ROSSEAR. Differences between the provisions made and those considered a tax-deductible expense have been recorded as temporary differences.

With the exception of its subsidiary Atradius Crédito y Caución, S.A. de Seguros y Reaseguros, the subsidiary Atradius, N.V. uses statistical methods to calculate the claims provision for the direct Atradius credit insurance business, excluding the larger claims, which are assessed individually. Expected losses are estimated using historical claims data, which are compared with claims estimates and other known trends and developments. Claims estimates are based on trends in reported claims, the time elapsed between each claim event and the reporting of the claim, the average costs of claims, the proportion of expenses and recoveries.

Individual assessments

For all other outstanding and unpaid claims of the remaining companies and/or lines, the amount of the provision is calculated on a case-by-case basis, using the best information available at year-end.

Unreported claims

Except for the lines in which statistical methods are used, the provision for unreported losses is calculated based on the insurance companies' experience, taking into account the average costs and unreported losses of the last five years.

Internal claims settlement expenses

The claims provision includes an estimated amount for internal management and claims handling expenses. This is to meet any expenses the company may incur in finally settling claims that have to be included in the claims provision for direct insurance and inward reinsurance. This estimate is calculated in accordance with Article 42 of the ROSSP, taking into account the ratio between claims-related internal expenses and claims paid, adjusted for the change in the claims provision in each line. This percentage is applied to the claims provision for each line, taking into account the expense allocation system and the systems for calculating the claims provision explained previously.

Independently of the valuation method used and pursuant to current law, the Group does not discount the claims provision.

Provisions for policyholder dividends and returns

These provisions include the earnings accrued to insured customers or beneficiaries that are not yet allocated at year-end. They do not reflect the effect of allocating part of the unrealised capital gains on the investment portfolio to policyholders, which is included in the "Other liabilities" sub-heading.

Other technical provisions – Provision for funeral insurance

This provision is recognised on the basis of the actuarial approach to the transaction, pursuant to the Technical Basis of the insurance contracts.

Lastly, details of the rest of the main accounting policies, other than the technical provisions, used by the Group in relation to other assets and liabilities related to insurance contracts are given below:

Commissions and deferred acquisition expenses

It should be noted that the "Other assets" heading on the asset side of the balance sheet consists essentially of commissions and other acquisition costs relating to premiums written that are to be allocated in the period between each year-end and the end of the contract term, the costs recognised in income being those actually incurred in the period, subject to the limit established in the Technical Basis.

Likewise, the "Other liabilities" heading on the liabilities side of the balance sheet includes commissions and other acquisition costs relating to outward reinsurance that are to be allocated in subsequent periods in line with the cover period of the ceded policies.

Commissions and acquisition costs directly related to new premiums written are never capitalised, but are recognised in income in the year in which they are incurred.

Amount for estimated recoveries

In general, the recoveries of claim credits are counted only when their performance is sufficiently secured and come from Atradius.

In the specific case of Atradius Crédito y Caución, S.A. de Seguros y Reaseguros, fully integrated in the previous company, under the established in the ROSSP and the Ministerial Order implementing certain specific aspects, it activates the recoveries, using statistical methods, with implementation of certain requirements and periodically submitting calculations to the evaluation of independent experts. The statistical method used by this company calculates the amount of recoveries estimated taking into account the historical evolution of the settlement of all outstanding claims, including claims completed, and to determine their future behavioural tendencies, in order to apply them realistically, reasonably estimating recoveries receivable by the appropriate projections.

In the case of the other companies belonging to Atradius, recoveries are estimated as a parameter when using statistical methods to calculate the claims provision. A projection of the estimated amounts is made, taking claims experience into account.

Estimated recoveries, net of reinsurance, are recorded in the “Receivables – Other receivables” sub-heading in the consolidated balance sheet.

Agreements between insurers

The subsidiaries Seguros Catalana Occidente, Seguros Bilbao and Plus Ultra are members of the CICOS system for the settlement of certain auto claims (in application of the CIDE-ASCIDE agreements). Claims against insurers arising under such claims settlement agreements are recorded under the heading “Receivable under auto agreements” on the asset side of the Group balance sheet, together with the other items included under the “Other receivables” sub-heading in “Loans and receivables”.

Amounts payable to insurers under claim settlement agreements are included under the heading “Payable under agreements with insurers”, which is included along with the rest of the provisions under “Non-technical provisions” in the accompanying consolidated balance sheet. In any case, where the insurance companies have insured the liable party, any amounts payable to other insurers under these agreements are included in the claims provision.

Reinsurance

The reinsurance contracts entered into by the Group’s insurance subsidiaries with other insurance entities transfer, in all cases, a significant proportion of the insurance risk to the reinsurers.

In some cases the contracts provide for profit commissions (profit sharing) based on the claims ratio determined for each underwriting year. These commissions are recorded considering detailed assessments of expected claims ratios.

Any profits or losses arising, at the time of entering into reinsurance contracts, from the use of different measurement bases for pricing the contract and measuring the insurance liabilities covered are recognised directly in the profit and loss account.

3.k) Non-technical provisions

The Group’s consolidated financial statements include all the material provisions with respect to which it is considered more likely than not that the related obligation will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements.

Provisions, which are quantified on the basis of the best information available regarding the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year, are used to cater for the specific risks for which they were originally recognised. Provisions are fully or partially reversed when such risks cease to exist or are reduced.

3.k.1) Provisions for pensions and similar risks

Post-retirement benefits

The main companies of the Group with pension commitments and other similar obligations are Seguros Catalana Occidente, Seguros Bilbao and Atradius.

These companies have post-employment pension obligations classified as either defined-contribution plans or defined-benefit plans, which are covered by insurance policies and employment pension plans or trustee-administered funds. Other post-employment benefits, as well as long-term benefits, such as service awards, are covered by internal provisions.

For defined-contribution plans the Group makes predetermined contributions to a separate or Group entity and has no legal or effective obligation to make further contributions if the separate entity is unable to pay benefits due to employees in relation to services rendered in the current or previous years.

In defined-benefit plans the amount of the benefits will depend on one or several factors, such as age, length of service and salary. The Group makes the necessary contributions to a separate entity (or the Group, as applicable). In contrast with the case of defined-contribution plans, however, it does have a legal or effective obligation to make further contributions if the separate entity is unable to pay benefits due to employees in relation to services rendered in the current or previous years.

In accordance with IAS 19 - Employee Benefits, the liability recognised in the Group's balance sheet for defined-benefit plans is the present value of the defined-benefit obligation at the balance sheet date less the fair value of the plan assets (if any) out of which the obligations are to be settled directly.

Where the plan assets are insurance policies issued by companies of the Group, pension obligations are not offset against plan assets. Unlike the other subsidiaries of the Group, the plan assets covering the defined benefit obligations of Atradius are represented by instruments, vehicles or insurance companies that are not part of the Group.

The Group has opted to recognise actuarial gains and losses on all post-employment defined-benefit plans in full outside the profit and loss account, under the heading "Actuarial gains/(losses) on long-term employee benefits" in the statement of recognised income and expense. "Actuarial gains and losses" are considered to be those which result from changes in the actuarial assumptions used for quantification of our obligations, the difference between assumptions and experience, as well as the income of assets over net interest.

Defined benefit obligations are calculated annually by the Group's actuaries using the projected unit credit method and based on unbiased, mutually compatible assumptions. The discount rate used to determine the present value of the obligations is the interest rate of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity that approximate the terms of the related pension liabilities. The estimated retirement age is the earliest age at which each employee is entitled to retire under current Social Security regulations.

The reversal of assets can occur when the plan assets are higher than the projected benefit obligation and the Group cannot recover any surplus through refunds from the pension's vehicle due to solvency and/or control requirements. These reversals are presented in the statement of recognised income and expense.

Premiums on insurance contracts, in the case of a defined contribution, and contributions made to defined contribution pension plans are accounted as expenses on the profit and loss account of the year of occurrence in each company of the Group.

The cost of services in the current year, understanding the increase in actuarial value of bonds stemming from services rendered during the year by employees, are expensed in the profit and loss account in the year in which they are incurred in each of the Group companies.

3.k.2) Other non-technical provisions

Other non-technical provisions basically cover debts arising from payments the Group must make under agreements entered into with insurance companies and estimated amounts payable to meet potential or actual liabilities such as litigation in progress, compensation, redundancy pay or other obligations.

3.l) Treasury shares

The negative balance of the “Equity – Treasury shares and participation units” account in the consolidated balance sheet relates to shares of the Group held exclusively by the subsidiary Sociedad Gestión Catalana Occidente, S.A. (Formerly called Salerno 94, S.A.). These shares are held at acquisition cost. The related adjustments and the profits and losses arising from disposal of treasury shares are credited or charged, as appropriate, to the equity heading ”Other reserves for changes in accounting policies – Gains/(losses) on transactions in own shares”.

A summary of the transactions carries out with the Group’s own shares during the year is provided in Note 15.c) to the consolidated financial statements.

3.m) Income and expenses

The Group recognises income and expenses on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

The main principles used by the Group to recognise income and expenses are summarised below:

3.m.1) Income from written premiums

Premiums written during the year, less cancellations and return premiums, corrected by the variation in the premiums accrued and not written, which come from contracts perfected or extended during the fiscal year, in relationship to which the right of the insurer to collect these arises during this period, are recorded as period income.

Non-Life premiums and direct renewable annual Life contracts are recognised in income throughout the life of the contracts, on a pro-rata basis. These premiums are accrued via the establishment of provisions for unearned premiums. Life premiums are long-term contracts, whether single or regular premium policies, and are recognised when the insurer's collection right comes into effect.

The Group's income through fees for instalment payments of premiums is recognised as an increase in finance income and is accrued over the collection period of the bills generating these surcharges.

Premiums for outward reinsurance are recognised on the basis of reinsurance contracts written and in accordance with the same criteria used for direct insurance.

3.m.2) Income from services and other technical income

This income comes mainly from Atradius and includes fees for information services, collections and short-term credit management services and income from activities carried out as an agent of the Dutch state. Service income fees comprise up-front fees and regular fees.

Up-front fees are recognised over the life of the contract. Those that cannot be recognised as income are deferred and presented as part of trade and other accounts payable and deferred income.

Regular fees charged to the customer periodically (monthly, quarterly or annually) and billed in advance are recognised on a straight-line basis over the billing period, which is deemed to be equivalent to the period over which the services are rendered. Fees charged at the end of the period are accrued as a receivable that is offset against the financial liability when charged to the customer.

3.m.3) Interest income and expense and similar items

In general, these items are recognised using the effective interest method, irrespective of the monetary or financial flow deriving from the financial assets. Dividends are recognised as income as the consolidated companies' right to receive them arises.

3.m.4) Claims incurred and changes in provisions

Claims incurred comprise benefits paid during the year, related changes in technical provisions related to benefits and the portion of general expenses allocated to the claims function.

3.m.5) Commissions

Commission income and expense is recognised in income over the period in which the associated service is provided, except for commissions associated with a specific, individual act, which are recognised at the time they arise.

3.n) Business combinations

Business combinations are accounted by applying the acquisition method, for which the acquisition date is determined and the cost of the combination is calculated, recording the identifiable assets acquired and the liabilities assumed at their fair value referenced to that date.

The cost of the combination is determined by the sum of the amount of the price paid plus the amount of all minority interests plus the fair value of previous shareholdings of the acquired business.

The goodwill is calculated as the difference between the cost of the combination and the fair value of the assets acquired and liabilities assumed.

In the exceptional case that a negative difference arises in the combination, it is recorded in the profit and loss account as income.

If, on the closing date for the year where the combination takes place, the necessary assessment processes to apply the acquisition method described above cannot be completed, this accounting is considered provisional and these provisional values may be adjusted in the necessary period in order to obtain the required information, which shall in no case exceed one year. The effects of the adjustments made in this period are accounted retroactively by amending the comparative information, if necessary.

Subsequent changes to the fair value of the contingent consideration are adjusted against results, except if this consideration has been classified as equity, in which case subsequent changes to fair value are not recognised.

4. Risk and capital management

Grupo Catalana Occidente understands that solvency is ensured by gaining a strong capital position by achieving long-term results and a responsible and sustainable shareholder remuneration policy.

All Group entities must maintain the necessary financial strength to develop the business strategy, taking prudent risks and meeting the required solvency needs.

Risk management is one of the basic aspects of the insurance business.

4.a) Capital management

Grupo Catalana Occidente seeks to maintain a strong capital position.

Capital management is governed by the following principles:

- Ensure that Group companies have sufficient capitalisation to meet their financial obligations, even as they face extraordinary events.

- Manage the adequacy of the Group's and its entities capital taking into consideration the economic and accounting perspective and the capital requirements and objectives established in the risk appetite.

- Optimise the capital structure through efficient allocation of resources between entities, ensuring financial flexibility and properly remunerating shareholders.

Grupo Catalana Occidente defines the strategic plan and the risk strategy considering its capital management policy, using the solvency projections made in the internal Own Risk and Solvency Assessment (ORSA). Capital quantification is carried out at the Group level and at the level of each of the individual entities, using different models for monitoring: ORSA, rating agencies, economic and regulatory models.

From January 1, 2016, the capital is quantified using the standard formula established in Solvency II, except for the area of credit and surety where, with the objective of collecting the specific details of the business, a calculation model has been developed approved by the College of Supervisors in July 2017. Thus the Group's solvency ratio and that of each of its entities is the result of comparing the own funds of the entity at market value (economic capital) to the obligatory solvency capital requirement (SCR). The obligatory solvency capital requirement includes all of the risks to which the entity is exposed, particularly the following: market risk, subscription risk, counterparty default risk and operational risk.

Secondly, capital is quantified according to the requirements of rating agencies. In particular Group assesses its credit quality with AM Best and Moody's. AM Best rates Seguros Bilbao and Seguros Catalana Occidente with an "A with stable outlook" and Atradius Crédito y Caución, S.A., and Atradius Reinsurance DAC with an "A with stable outlook". Likewise, Moody's rated the main Atradius companies with an “A3 with a stable outlook”.

Grupo Catalana Occidente and all of its individual entities aim to maintain a solvency ratio that allows them to promote growth and to carry out prudent and stable remuneration for the shareholder.

Subsidiaries with insurance activity in Spain are supervised by the Directorate General of Insurance and Pension Funds (DGSFP). In addition, Grupo Catalana Occidente is supervised by the European College of Supervisors formed by the DGSFP and the Central Bank of Ireland (hereinafter, "CBI").

The dependent companies with insurance business outside of Spain and their respective territories are: Atradius Reinsurance DAC. In Ireland, regulated by the CBI; . in Atradius Seguros de Crédito, S.A Mexico, regulated by the National Insurance and Bonding Commission (CNSF); Atradius Trade Credit Insurance, Inc. in the United States, regulated by the Maryland Insurance Administration (MIA); and Atradius Rus Credit Insurance LLC in Russia, which is regulated by the Central Bank of the Russian Federation. The aforementioned regulators are responsible for regulating the calculation of the solvency margin in their respective countries.

4.b) Risk management

The Group’s risk management system works holistically, consolidating this management by business, activity, subsidiary and support area at the corporate level.

The main components of the Risk Management System are:

- **i.** Risk Governance: Organisational structure of the Risk Management System. Risk Governance is governed by policies, other regulations and a clear attribution of roles and responsibilities.
- **ii.** Risk Management Process: It establishes the process that the Group and its entities use to identify, accept, assess, monitor, mitigate and report risks. Likewise, during the process, the Risk Strategy is defined and its integration with the Business Strategy is ensured. This allows for meeting the risk appetite and tolerance established by the Board of Directors.
- **iii.** Business strategy: The Business Strategy is defined in the Strategic Plan. As mentioned in section ii above, the Business Strategy is aligned with the Risk Strategy. The Own Risk and Solvency Assessment (ORSA) process helps to ensure this alignment.

These components promote a common risk culture within the Group and guarantee the efficiency of its Risk Management System.

The Risk Management System Governance is based on the principle of the “Three Lines of Defence”. The principle of the three lines of defence establishes the levels of activity, roles and responsibilities that govern the Risk Management System so that the first line of defence is made up by business units responsible for the risk assumed and its management, the second line of defence is made up of the actuarial function, the control and risk management function and the compliance verification function; and the third line of defence is the internal audit function.

"On the other hand, the Board of Directors is responsible for guaranteeing the effectiveness of the Risk Management System through compliance with the general strategies of the Group and the Steering

Committee is responsible for ensuring the appropriate implementation, maintenance and monitoring of the Risk Management System according to the guidelines defined by the Board of Directors.

In order to complete the governance of the risk management system, the Group and its entities have developed written policies that, along with existing Technical Standards, guarantee the ideal management of risks. These policies, in their contents, identify the risks inherent to the affected area, establish the measures to quantify risk, determine the actions to monitor and control these risks, establish measures to mitigate their impact and determine the systems for internal control and reporting used to control and manage the aforementioned risks.

Through the risk management process, the Group and its entities identify, measure, control, manage and report the risks to which it is or may be exposed. Specifically, the Group and its entities identify and establish, among other aspects: (i) the different types of risks facing the group, (ii) the level of risk deemed acceptable, (iii) the mechanisms to mitigate the impact of the risks identified, should they materialise, and (iv) the information and internal control systems used to mitigate these risks, including contingent liabilities and off balance sheet risks. This risk management system at the Group also aims to develop processes and systems of capital allocation in light of the risks assumed by each area.

From this process, the Group defines its risk strategy establishing the level of risk it is willing to take to achieve the targets set in its strategic plan and annual guidelines, based on three pillars: Growth, Profitability and Solvency. Moreover, risk limits are defined that are controlled by the management units so that the appetite and tolerance levels to the established risk being adhered to, thus ensuring that both are aligned with day-to-day business management.

As part of risk management the Group undertakes the internal assessment of future risks (ORSA;or Own Risk and Solvency Assessment,) according to the criteria defined in its ORSA Policy. The ORSA process is performed both for the Consolidated Group and the different companies of the traditional insurance business and credit insurance business. As part of this process, the useful stress scenarios for decision-making are also defined.

The Governing Bodies (Board of Directors and Steering Committee) play an active role in the prospective internal assessment of own risks, managing the process and checking results. The Board of Directors of each insurance company, as ultimately responsible for risk management, approves the ORSA report specifying the capital consumption projection and capital available for the plan's medium-term time horizon (three years) for this entity, also approving the ORSA report of the Group, by the Company's Board of Directors.

The main risks that may affect the achievement of the Group's objectives are as follows:

- Non-life and Life insurance technical risks
- Credit insurance and Bond risks
- Financial Market Risks
- Operational Risks

A. Non-life and Life insurance technical risks

Among Non-Life insurance risks, underwriting risk breaks down into premium deficiency risk, reserve deficiency risk and catastrophe risk. Also included is the technical part of reinsurance risk. These risks are managed differently depending on the business line.

With regard to Life Business, biometric risks are envisaged (which include the risks of longevity, mortality, morbidity/disability) and not biometric risks (fall of portfolio, expenses, review and catastrophe).

These risks arise from the underwriting of policies, claims management (due to miscalculations of the cost and frequency of claims), changes in the provision for future obligations arising from the cover provided, or changes in management expenses.

Measures taken to monitor and control these risks include:

- On-going development of Technical Standards, establishing automatic and preventive mechanisms to ensure that policy underwriting meets the standards.

- Product analysis, aimed at determining the adequacy of premiums and technical provisions.

- Business diversification in both general and life insurance.

- Quantification of European Embedded Value in the Life business line.

- Implementation of Appraisal Value methodology in Non-Life.

- Use of reinsurance to cover deviations from the expected claims rate, allowing the Group to retain as much business as possible, in so far as its scale of operations and solvency allow. For outward reinsurance, the Group uses only market-leading reinsurers, with ratings that guarantee the necessary solvency, financial and management capacity, and business and service continuity.

- On-going analysis of policy returns and results, taking whatever measures are needed to prevent high claims rates.

- Traceability mechanisms in Internal Control.

B. Credit insurance and Bond risk

Credit insurance is subdivided into three categories: traditional credit risk, instalment credit protection and special products. Each category has particular risk characteristics and the Group manages the risk of each product in the way it deems most appropriate.

- Traditional credit risk

The Group insures its customers against the risk of non-payment for commercial purposes. The causes of loss covered differ according to the policy and usually include all forms of legal insolvency. Without intending to give an exhaustive list, policies can also cover so-called political causes of loss, which includes among others the risk of non-payment due to cancellation of import-export licences, transfer problems and contract cancellation.

Each policy has defined credit limits that the policyholder can offer to its buyers without prior approval from the Group. Policies are issued for a fixed period, usually not longer than three years. In addition, customers are obliged to retain part of the risk (self-retention), using different formulas.

Customers are covered for the credit risk on a given buyer only if the Group has established a credit limit (rating) for that buyer. Credit limits are an important risk control and mitigation instrument because they allow the Group to limit its exposure to any given customer. Ratings may also be withdrawn in cases where the desired aggregate exposure on a certain customer thresholds is exceeded.

For traditional credit insurance there are two underwriting processes: policy underwriting and buyer underwriting. In the first of these, the Group decides on the appropriateness of the potential policyholder in addition to the guarantee terms and conditions to be included. Buyer underwriting is the process by which the Group manages the risk on the portfolio of existing policies related to a single buyer.

One of the most effective instruments for controlling exposure to risk is the Group's capacity to impose, or even remove, conditions for certain forms of cover at country level.

- The risk of Credit Protection insurance

The instalment credit protection unit insures policyholders against the risk of non-payment by customers under instalment credit agreements. Here the Group typically insures portfolio loans. This product does not cover losses as a result of fraud by the customer.

Exposure is usually divided into corporate (companies covered by leasing or by bank loans) and retail (consumer credits of financial entities).

- Special Products Risk

The Group also offers a tailor-made range of policies, for example policies where only one commercial transaction is insured.

- Bond Risk

Bond insurance is offered in Italy, Spain, France and the Scandinavian countries. The bond types issued vary by location, owing to differing legal environments, but typically include bid bonds, performance bonds and maintenance bonds. The Group manages risk by underwriting the obligations to be covered by the bond, the financial strength of customers and their ability to perform and also by working with customers and beneficiaries of bonds to resolve any conflicts.

- Reinsurance assumed

Atradius Reinsurance DAC. is the reinsurer of the Group for Credit Insurance products. It has a diversified portfolio in about 60 countries. Most programmes are entered into quota-share.

Specific controls in the credit insurance business.

Fully defined risk authorisation systems and processes are in place. Sales staff has limited authority. As the credit limit increases, decisions need authorisation from one or more co-signatories of increasing seniority. Even senior levels have authority only up to certain thresholds.

Credit committees have been established at local level and for all the credit business. Local credit committees may sign off on amounts up to certain thresholds, beyond which only the Credit Committee of all the credit business can decide. The Group Credit Committee also authorises exposures to large customers and customers with the largest overall exposure.

The Group monitors exposures by counterparty, sector and country through a single database (Symphony) that contains details of the majority of credit insurance policies and credit limits and all customers with whom the Group has exposure to default risk. This database is used as a source of management information. Because of the inclusion process of the Spanish business through Atradius Crédito y Caución, S.A. de Seguros y Reaseguros in Atradius, the database, despite being independent, is accessible to the global database.

Most policies, both new business and renewals, are priced according to a structured system based on the risks, costs and outlook assigned by the Group according to country, sector and buyer credit ratings.

Exposure from the instalment credit protection business is monitored separately, as the risk is assumed by consumers not companies. Premiums for these policies are calculated on the basis of the probability of default, expected losses, volume and maturity of loans.

All customers with whom the Group has significant exposure are reviewed annually, although on a continuous basis information concerning defaults, both from companies and from individuals, is received.

Concentration risk is controlled and monitored through what is known as Total Potential Exposure (TPE).

The following is a detailed list of TPE by country, sector and buyer group.

Buyer's country	of which	TPE 2016 Million Euros	TPE 2017 Million Euros
Denmark, Finland, Norway, Netherlands, Sweden, Baltic Countries	Netherlands	25,268	27,636
	Others	26,964	28,739
Austria, Czech Republic, Germany, Greece, Hungary, Poland, Slovakia, Switzerland	Germany	82,783	86,430
	Others	55,098	59,253
UK, North America, Australia, Asia and Others	UK	39,779	43,537
	Ireland	4,015	4,472
	USA / Canada	54,359	54,767
	Mexico and Central America	9,482	9,191
	Brazil	8,129	9,229
	Asia and Australia	79,013	84,233
	Others	12,538	12,830
Southern Europe	France	43,323	44,854
	Italy	37,208	42,242
	Spain and Portugal	93,437	98,715
	Belgium and Luxembourg	15,708	16,701
Total		**587,104**	**622,829**

Industrial sector	TPE 2016 Million Euros	TPE 2017 Million Euros
Durable consumer goods	65,324	68,442
Metals	58,855	63,419
Electronics	70,510	74,476
Construction	43,133	46,896
Chemicals	78,593	82,783
Transport	53,434	56,930
Machinery	34,734	37,137
Food	55,640	58,608
Construction Materials	25,387	27,058
Services	25,276	26,994
Textiles	19,855	20,562
Finance	11,866	12,277
Agriculture	30,907	33,318
Paper	13,590	13,929
Total	**587,104**	**622,829**

Grouping by number of buyers	TPE 2016 Million Euros	TPE 2017 Million Euros
0 – 20	331,385	338,788
20 - 100	99,785	107,388
100 – 250	59,545	66,995
250 – 500	42,968	46,116
500 – 1,000	23,760	33,876
> 1,000	29,661	29,666
Total	**587,104**	**622,829**

Exposures to bonds and instalment credit protection have very different characteristics and are not, therefore, included in the tables above. The exposure to bonds at December 31, 2017 is of 23,500 million euros and instalment credit protection totals 2,500 million euros.

C. Financial Market Risks

The Group's investment policy approved by the Board of Directors takes into account the ratio of assets to liabilities, risk tolerance and liquidity of positions in different scenarios. It also expressly considers the prerequisites for the use of derivative instruments and structured financial products.

At present, the Group differentiates between four types of portfolios: Life product portfolios, Non-life portfolios, Credit Insurance portfolios and portfolios in which the risk is borne by the customer.

The aim in the case of Life product portfolios is to optimise asset and liability matching using asset liability management (ALM) frameworks, while verifying compliance with legal and internal requirements. The aim in the case of Non-life portfolios is to maximise long-term return through appropriate diversification of assets. In the insurance credit portfolios, the aim is to maintain the solvency and liquidity required by the business. Lastly, the portfolios in which the risk is borne by the customer (whether in insurance contracts or in any other type of financial product) are managed in accordance with the policies established in each case in the statement of terms and conditions or prospectus.

- Credit risk. The Group's policy on credit risk is based on two basic principles:

- Prudence: the minimum rating for fixed-income investments is A-. And any investment below this threshold requires their express senior management approval and must be reported to the Board of Directors. If Spain's sovereign rating were to drop below A-, investment in government bonds issued or guaranteed by the State shall not require authorisation as long as the investment level is maintained.

- Diversification: high diversification across industries and issuers, with maximum risk limits per issuer.

- Liquidity risk. The Group's policy with respect to liquidity risk is to maintain sufficient cash balances to meet any contingencies arising from obligations to customers. ALM analysis carried out in portfolios also helps to mitigate this risk.

  On the other hand, it is important to note that almost all the investments are in securities traded in organised markets, so the Group will be able to allow flexibility in decision making if there is any liquidity pressure.

- Market risk. The Group regularly analyses the sensitivity of its portfolios to market risk, due mainly to changes in interest rates and stock prices. The modified durations of fixed income portfolios are monitored at monthly intervals and VAR analyses of fixed-income and equity securities are conducted at various intervals, depending on the type of portfolio, and a range of stress scenarios are also analysed.

- Exchange Rate Risk. The Group has certain currency risk exposure in asset and liability items in its business coming from credit insurance, as a result of its multinational activity.

D. Operational risks

Defines operational risk is understood as the risk of loss of inadequate or poorly functioning internal processes, staff or systems, or as a result of external events. To deal with the operational risk, the Group has computer tools for both the traditional insurance business as well as the credit insurance business that allow its monitoring and quantification. In particular, the risks associated to the different processes have been categorised with the aim of standardising this classification across all Group companies, which allows the necessary information to be obtained that enhances operational risk management, in each Group company individually and in the Group as a whole.

This system allows the Group to follow an appropriate management of the operational risks.

The Group likewise ensures compliance with the various regulations applicable to entities comprising the Group through audits carried out by various Departments. Of these, the following are worth noting:

- Legal and General Secretariat Department: Its objectives include to ensure, through its regulatory compliance units, within the organisation of the various Group companies, proper compliance with legal regulations and that they are applied consistently. In order to do so, this Department and the legal departments of the main Group companies coordinate closely with the Verification Compliance Committee. Moreover, for those regulations that are particularly sensitive with regards to the sector in which the Group operates, such as those aimed at preventing money laundering and terrorist financing, data protection, the Departments in question are typically involved in all internal committees that are established to ensure compliance with the same.

- Department of Management and Planning Control: The unit, belonging to the Company's Financial Management, among other objectives, aims to arrange and implement adequate control of the Group's financial information and its budgets and to ensure that it complies with domestic and international accounting standards.

- Corporate Internal Audit Department: This Department, under the General Management, is responsible for seeing that the above bodies have successfully implemented the control and self-control measures stipulated by the Group, with regard to both operational and verification of compliance.

E. Monitoring risks

Through mechanisms deployed to identify, analyse and address the associated risks in different areas, the Group recognises and addresses the risks it faces. To do so it boasts:

- Stringent strategic planning
- A process of internal self-evaluation of risks and solvency.
- Prudent management of operational risk

The Group's main committees are responsible for control and monitoring of the various risks.

'The monitoring of the risk strategy is carried out by the business units through the early alert indicators, which serve as a basis for both risk monitoring and compliance with the risk appetite approved by the Board of Directors. In addition, the area of internal control and the control function of risk management carry out the due monitoring.

F. Risk mitigation measures

The Group assesses and reviews risk mitigation measures. These include the following:

- Underwriting risk: the main mitigation mechanism is the reinsurance program and the technical writing standards.

- Market risk: a detailed analysis of asset-liability matching (ALM) is carried out periodically, including VaR analysis of investment portfolios and sensitivity analysis of future scenarios..

- Counterparty default risk: the credit rating of major financial counterparties and reinsurers is monitored. Exposure from commercial credit risk with intermediaries and the age of the debt is also monitored.

- Operational Risk: through the internal control system, monitoring through its integrated tool and reporting, as is described below.

Additionally, there are plans in place to ensure business continuity. These establish processes to minimise the impact on business functions in the event of a disaster and thus reduce downtime of information and systems.

4.c) Internal Control

Grupo Catalana Occidente boasts an internal control system which ensures the objectives of effectiveness and efficiency of operations, reliability of financial reporting, asset protection and compliance with applicable laws and regulations. Furthermore, it also enables it to have the appropriate mechanisms regarding its solvency, in order to identify and measure all the significant existing risks and cover these appropriately with allowable equity.

To this end, the internal control system is built around five components:

- The **control environment** is an essential element of internal control, since all other components are based on it and it boosts employees' awareness of its importance.

  In order to ensure that the Group has an environment of adequate control, the Board of Directors applies the principles of Good Governance with transparency and rigour, also having for this a human resources policy geared to motivate and retain talent and also has a Code of Ethics that formalises the commitment of the staff, Management and Board of Directors to behave under the principles of good faith and integrity.

- **Risk assessment**. The Group recognises and addresses the risks it faces through mechanisms deployed to identify, analyse and address the associated risks in different areas. It has a framework policy for the entire risk management system and specific policies for each specific risk, in accordance with that provided in the insurance regulations.

- The **control activity.** The Group has a number of policies and procedures, with appropriate authorisation levels and adequate segregation of duties, that help ensure that management and Board of Directors directives are carried out and that risks associated with the achievement of objectives are properly managed.

  The control activities of the Group are carried out within a framework of: (i) an appropriate segregation of tasks and responsibilities both among staff and among the functions performed, (ii) an appropriate structure of powers and faculties to perform operations linked to critical systems establishing a system of limits adjusted to them, (iii) authorisations prior to the assumption of risks, global guidelines for information security, understanding these as the preservation of the confidentiality, integrity and availability of the information and the systems that process it in the face of any threat, risk or damage they may suffer according to their importance to the Group and (iv) the existence of necessary mechanisms to guarantee the continuity of the business.

- **Information and communication**. The Group has adequate systems of internal and external communication.

  Regarding internal communication, the Group has a structure of Committees and different processes that guarantee transparency and appropriate dissemination of the information.

  In reference to communication with external stakeholders, it should be noted that, in compliance with the recommendations of the CNMV regarding the Internal Control System of Financial Reporting (SCIIF), in 2017 and through a specific unit of the Group that has this aim, the Group has made progress in strengthening the reliability of the financial reporting released through the documentation of the processes, the homogenisation of criteria and the reflection on efficiency improvements. The result has been noticeable improvement in the traceability of this information.

- **Supervision**. The Internal Control System is subject to a monitoring process that verifies proper operation of this system over time. This is achieved through continuous monitoring activities and periodic evaluations.

Continuous monitoring takes place over the course of operations and includes both normal management and supervision activities and other activities carried out by staff in the performance of their functions. The scope and frequency of periodic assessments will essentially depend on an evaluation of the risks and the effectiveness of continuous supervision processes.

Furthermore, the Group is subject to independent monitoring processes that verify the proper operation of the Internal Control System over time. In particular, it has three fundamental functions: the risk control management function, the actuarial function and the compliance verification function, which act as a second line of defence, as well as an internal auditing function that acts as a third line of defence, performing comprehensive monitoring of the Internal Control System.

Internal Control in the area of Financial and Property Investments

The investment control systems constitute a useful early warning system given the current situation of financial markets.

In this sense, the concentration and dispersal of fixed income and equity, the average rating of the portfolio, exposures by rating and how they have changed, changes in the optionality of assets due to changes in interest rates and the performance of underlying assets are monitored at monthly intervals.

Furthermore, due to the implementation of the regulation resulting from the Solvency II Directive, the Group has continued to examine the capital charge that might result from the credit risk associated with investments.

The breakdown of financial assets at December 31, 2017 according to the inputs used is as follows (in thousands of euros):

	Level 1	Level 2	Level 3	Total at 31/12/2017
Financial assets held for trading	**-**	**27**	**-**	**27**
Derivatives	-	27	-	**27**
Other financial assets at fair value through profit or loss	**380,581**	**-**	**-**	**380,581**
Equity investments	6,765	-	-	**6,765**
Stakes in mutual funds	933	-	-	**933**
Debt securities	33,786			**33,786**
Investments held for the benefit of policyholders who bear the investment risk	339,097	-	-	**339,097**
Available-for-sale financial assets	**8,050,837**	**97,350**	**-**	**8,148,187**
Equity investments	1,014,155	20,924	-	**1,035,079**
Stakes in mutual funds	399,465	-	-	**399,465**
Debt securities	6,469,492	53,157	-	**6,522,649**
Loans	-	80	-	**80**
Deposits with credit institutions	167,725	23,189	-	**190,914**
Total at December 31, 2017	**8,431,418**	**97,377**	**-**	**8,528,795**

The same information reported at year-end, for FY 2016 is as follows (in thousands of euros):

	Level 1	Level 2	Level 3	Total at 31/12/2016
Financial assets held for trading	**-**	**56**	**-**	**56**
Derivatives	-	56	-	**56**
Other financial assets at fair value through profit or loss	**362,698**	**-**	**-**	**362,698**
Equity investments	4,334	-	-	**4,334**
Stakes in mutual funds	688	-	-	**688**
Debt securities	46,843			**46,843**
Investments held for the benefit of policyholders who bear the investment risk	310,833	-	-	**310,833**
Available-for-sale financial assets	**7,981,842**	**130,085**	**3,953**	**8,115,880**
Equity investments	958,242	30,677	-	**988,919**
Stakes in mutual funds	396,208	-	-	**396,208**
Debt securities	6,459,047	56,103	3,953	**6,519,103**
Loans	-	100	-	**100**
Deposits with credit institutions	168,345	43,205	-	**211,550**
Total at December 31, 2016	**8,344,540**	**130,141**	**3,953**	**8,478,634**

During FY 2017 no significant transfers or reclassifications of financial instruments took place in the various valuation methodologies.

For instruments classified in Level 2, for which there is no market price (observable share price), fair value is estimated using valuation techniques where all significant variables are based on observable market data, mainly interest rates and risk premiums.

The financial assets classified under Level 3 are broken down as follows (in thousands of euros):

	Available-for-sale financial assets (AFS)	Total
	Fixed-income securities	
Net accounting balance at January 1, 2016	**3,908**	**3,908**
Purchases	-	**-**
Sales and amortisation	-	**-**
Reclassifications and transfers	-	**-**
Revaluation adjustments against reserves	45	**45**
Effect of revaluation adjustments against profits	-	**-**
Effect of changes in exchange rates	-	**-**
Changes in impairment losses	-	**-**
Net accounting balance at December 31, 2016	**3,953**	**3,953**
Purchases	-	**-**
Sales and amortisation	(3,960)	**(3,960)**
Reclassifications and transfers	-	**-**
Revaluation adjustments against reserves	(78)	**(78)**
Effect of revaluation adjustments against profits	85	**85**
Effect of changes in exchange rates	-	**-**
Changes in impairment losses	-	**-**
Net accounting balance at December 31, 2017	**-**	**-**

To obtain the fair value of debt securities classified as Level 3 for which there are no directly observable market data, we use alternative techniques based mainly on quotations provided by intermediaries or market contributors. The Group has assessed that small changes in the assumptions used in these valuation models would involve no substantial changes in the values obtained.

The credit rating of the bond issuers at December 31, 2017 and 2016 is shown below (amounts in thousands of euros):

Rating	31/12/2016.				31/12/2017.			
	Public Fixed-Income	Private Fixed-Income	Total Fixed-Income	% Fixed-Income	Public Fixed-Income	Private Fixed-Income	Total Fixed-Income	% Fixed-Income
AAA	277,529	54,220	331,749	5.05%	245,729	59,420	305,149	4.65%
AA	420,934	310,015	730,949	11.13%	379,333	221,989	601,322	9.17%
A	104,659	1,284,067	1,388,726	21.15%	78,548	1,239,538	1,318,086	20.10%
BBB	2,982,332	980,857	3,963,189	60.36%	2,781,815	1,400,978	4,182,793	63.80%
BB	28,042	24,926	52,968	0.81%	24,238	74,769	99,007	1.51%
B	59,490	10,046	69,536	1.06%	-	-	-	-
Unrated	23,239	5,590	28,829	0.44%	7,863	42,215	50,078	0.77%
Total	**3,896,225**	**2,669,721**	**6,565,946**	**100.00%**	**3,517,526**	**3,038,909**	**6,556,435**	**100.00%**

The investment criteria also include various measures of risk diversification by sector, country and currency (amounts in thousands of euros):

Sector	31/12/2016.				31/12/2017.			
	Equity Instruments	%	Representative debt securities	%	Equity Instruments	%	Representative debt securities	%
Communications	96,601	6.95%	244,065	3.72%	79,056	5.48%	319,518	4.87%
Cyclical consumer goods	80,549	5.79%	166,855	2.54%	85,250	5.91%	287,426	4.39%
Non-cyclical consumer goods	145,462	10.46%	319,188	4.86%	148,723	10.31%	405,269	6.18%
Energy	47,502	3.42%	132,275	2.01%	63,059	4.37%	133,915	2.04%
Financial	323,746	23.29%	1,170,502	17.83%	334,265	23.18%	1,314,081	20.04%
Industrial	135,506	9.75%	181,474	2.76%	134,405	9.32%	164,135	2.50%
Technological	52,652	3.79%	49,960	0.76%	72,396	5.02%	59,124	0.90%
Public Services	91,571	6.59%	379,431	5.78%	96,545	6.69%	322,300	4.92%
Diversified	2,935	0.21%	13,414	0.20%	2,178	0.15%	20,625	0.32%
Commodities	10,972	0.79%	100	0.00%	16,116	1.12%	-	-
Government	-	-	3,908,682	59.54%	-	-	3,530,042	53.84%
Others (*)	402,653	28.96%	-	-	410,249	28.45%	-	-
Total	**1,390,149**	**100.00%**	**6,565,946**	**100.00%**	**1,442,242**	**100.00%**	**6,556,435**	**100.00%**

(*) Includes mutual funds

Financial year 2017 **Thousands of euros**

Country	Equity Instruments	Public Fixed-Income	Private Fixed-Income	Derivatives	Bank deposits	Cash and cash equivalents
Spain	471,823	2,708,914	766,224	27	38,106	886,987
Greece	-	-	-	-	-	5,303
Portugal	-	12,415	-	-	-	1,554
Ireland (*)	206,598	16,051	18,302	-	-	80,508
Italy	20,084	71,048	67,885	-	574	997
Germany	112,973	110,112	165,660	-	55,400	27,501
France	189,304	263,040	389,056	-	-	2,599
UK	14,676	9,487	463,690	-	30,859	1,106
The Netherlands	44,616	59,312	512,626	-	24,947	158,295
Other Europe	148,062	112,118	156,532	-	167,725	27,659
USA	216,133	55,441	409,195	-	7,647	7,048
Other OECD	6,278	70,575	85,545	-	25,916	42,900
Rest of the world	11,695	29,013	4,194	-	31,184	13,738
Total	**1,442,242**	**3,517,526**	**3,038,909**	**27**	**382,358**	**1,256,195**

(*) Ireland equity instruments are mutual funds.

Financial year 2016						Thousands of euros
Country	**Equity Instruments**	**Public Fixed-Income**	**Private Fixed-Income**	**Derivatives**	**Bank deposits**	**Cash and cash equivalents**
Spain	470,979	2,986,928	563,953	56	57,841	772,847
Greece	-	-	-	-	-	7,803
Portugal	-	13,282	-	-	-	3,349
Ireland (*)	208,246	13,401	13,580	-	-	60,301
Italy	15,972	84,724	71,506	-	27,641	(67,215)
Germany	99,917	135,295	140,909	-	22,806	11,110
France	168,444	258,693	358,838	-	-	436
UK	15,881	9,624	342,107	-	29,398	1,660
The Netherlands	31,284	59,526	536,000	-	16,804	172,009
Other Europe	166,368	153,667	167,725	-	206,214	20,729
USA	202,094	65,748	395,963	-	8,259	12,428
Other OECD	6,446	85,473	74,986	-	29,271	27,994
Rest of the world	4,518	29,864	4,154	-	14,222	13,171
Total	**1,390,149**	**3,896,225**	**2,669,721**	**56**	**412,456**	**1,036,622**

(*) Ireland equity instruments are mutual funds.

Below are the financial investments broken down by currencies, along with the other assets and liabilities held by the Group as of December 31, 2017 and 2016:

Financial year 2017							Thousands of euros
Currency	**Equity Instruments**	**Debt securities**	**Derivatives**	**Bank deposits**	**Cash and cash equivalents**	**Other assets**	**Total Assets at 31/12/2017**
Euro	1,071,945	6,308,143	27	326,232	1,083,218	3,677,470	12,467,035
GB pound	5,769	32,480	-	197	13,788	105,535	157,769
U.S. Dollar	216,855	151,326	-	18,041	37,587	246,698	670,507
Rest	147,673	64,486	-	37,888	121,602	534,458	906,107
Total	**1,442,242**	**6,556,435**	**27**	**382,358**	**1,256,195**	**4,564,161**	**14,201,418**

Financial year 2016							Thousands of euros
Currency	**Equity Instruments**	**Debt securities**	**Derivatives**	**Bank deposits**	**Cash and cash equivalents**	**Other assets**	**Total Assets at 31/12/2016**
Euro	1,021,642	6,322,719	56	336,071	935,297	3,698,064	12,313,849
GB pound	8,553	29,906	-	352	4,013	91,044	133,868
U.S. Dollar	201,230	137,688	-	31,136	(6,538)	205,828	569,344
Rest	158,724	75,633	-	44,897	103,850	507,314	890,418
Total	**1,390,149**	**6,565,946**	**56**	**412,456**	**1,036,622**	**4,502,250**	**13,907,479**

Financial year 2017				Thousands of euros
Currency	Subordinated liabilities	Technical Provisions	Other Liabilities	Total liabilities at 31/12/2017
Euro	200,266	8,803,141	1,255,721	10,259,128
GB pound	-	56,750	39,723	96,473
U.S. Dollar	-	250,560	48,510	299,070
Rest	-	314,732	153,411	468,143
Total	**200,266**	**9,425,183**	**1,497,365**	**11,122,814**

Financial year 2016				Thousands of euros
Currency	Subordinated liabilities	Technical Provisions	Other Liabilities	Total liabilities at 31/12/2016
Euro	204,927	8,691,516	1,296,704	10,193,147
GB pound	-	58,440	50,444	108,884
U.S. Dollar	-	287,331	36,483	323,814
Rest	-	313,734	133,201	446,935
Total	**204,927**	**9,351,021**	**1,516,832**	**11,072,780**

The average spot exchange rates at year-end most often used in translating these types of foreign currency balances into euros coincide with the rates published by the European Central Bank and are detailed in Note 3.g.4) to the consolidated financial statements.

The Group's exposure to risk arising from credit derivatives is immaterial.

5. Main operations and changes in the scope of consolidation

5.a) Acquisition of 25% of Credit Guarantee Insurance Corporation of Africa Limited

On April 12, 2017, Atradius Participations Holding B.V., a company 83.20% owned by the Group, as the buyer and Mutual & Federal Insurance Company Limited as the seller, reached an agreement for the sale of 25% of the shares of Credit Guarantee Insurance Corporation of Africa Limited. The price paid by Atradius Participations Holding B.V. for the acquisition of such shareholdings amounted to 34,742 thousand euros, which incorporates an implied goodwill estimated provisionally at 19,965 thousand euros.

The date of the registration of the shareholding, for accounting purposes, has been April 30, 2017.

During the financial year 2017 the value of the previous company has been impaired for a value of 11,701 thousand euros (see Note 7), resulting in an additional loss associated due to the impact of the exchange rates in 1,337 thousand euros. As a result, the implied goodwill is for 6,927 thousand euros at December 31, 2017.

6. Financial assets

The breakdown of financial assets at December 31, 2017, without taking into account the shares in entities valued by equity accounting, is as follows (in thousands of euros):

Thousands of euros

Investments classified by category of financial assets and nature	Financial assets held for trading (HFT)	Other financial assets at fair value through profit or loss (FVPL)	Available-for-sale financial assets (AFS)	Loans and receivables (LR)	Total on 31.12.2017
FINANCIAL INVESTMENTS:	**27**	**380,581**	**8,148,187**	**344,278**	**8,873,073**
Equity Instruments					
- Financial investments in capital	-	6,765	1,035,079	-	1,041,844
- Stakes in mutual funds	-	933	399,465	-	400,398
Debt securities	-	33,786	6,522,649	-	6,556,435
Derivatives	27	-	-	-	27
Hybrid instruments	-	-	-	-	-
Investments by policyholders assuming the investment risk	-	339,097	-	17,736	356,833
Loans	-	-	80	99,312	99,392
Other financial assets without published prices	-	-	-	6,293	6,293
Deposits with credit institutions	-	-	190,914	191,444	382,358
Deposits made for reinsurance accepted	-	-	-	29,493	29,493
RECEIVABLES:	**-**	**-**	**-**	**817,018**	**817,018**
Credits for direct insurance and coinsurance transactions	-	-	-	345,753	345,753
Credits for reinsurance operations	-	-	-	59,709	59,709
Other credits	-	-	-	411,556	411,556
Net total	**27**	**380,581**	**8,148,187**	**1,161,296**	**9,690,091**

The same information reported at year-end, December 31, 2016 is as follows (in thousands of euros):

Thousands of euros

Investments classified by category of financial assets and nature	Financial assets held for trading (HFT)	Other financial assets at fair value through profit or loss (FVPL)	Available-for-sale financial assets (AFS)	Loans and receivables (LR)	Total on 31.12.2016
FINANCIAL INVESTMENTS:	**56**	**362,698**	**8,115,880**	**355,821**	**8,834,455**
Equity Instruments					
- Financial investments in capital	-	4,334	988,919	-	993,253
- Stakes in mutual funds	-	688	396,208	-	396,896
Debt securities	-	46,843	6,519,103	-	6,565,946
Derivatives	56	-	-	-	56
Hybrid instruments	-	-	-	-	-
Investments by policyholders assuming the investment risk	-	310,833	-	21,789	332,622
Loans	-	-	100	95,607	95,707
Other financial assets without published prices	-	-	-	5,780	5,780
Deposits with credit institutions	-	-	211,550	200,906	412,456
Deposits made for reinsurance accepted	-	-	-	31,739	31,739
RECEIVABLES:	**-**	**-**	**-**	**822,620**	**822,620**
Credits for direct insurance and coinsurance transactions	-	-	-	387,347	387,347
Credits for reinsurance operations	-	-	-	43,481	43,481
Other credits	-	-	-	391,792	391,792
Net total	**56**	**362,698**	**8,115,880**	**1,178,441**	**9,657,075**

6.a) Investments

The movements in this section, broken down by portfolio, are shown below (in thousands of euros):

Financial assets at fair value through profit and loss account

							Thousands of euros
	Financial assets held for trading (HFT)		Other financial assets at fair value with changes in PL (FVPL)				
	Derivatives	Total HFT	Equity Instruments	Debt securities	Investments held for the benefit of policyholders who bear the investment risk (1)	Deposits with credit institutions	Total FVPL
Net accounting balance at January 1, 2016	**-**	**-**	**57**	**-**	**297,042**	**-**	**297,099**
Incorporations to the scope - business combinations	-	**-**	15,405	49,769	-	157	**65,331**
Purchases	100	**100**	19	-	59,504	-	**59,523**
Sales and amortisation	-	**-**	(10,464)	(2,926)	(44,679)	(157)	**(58,226)**
Reclassifications and transfers	-	**-**	-	-	-	-	**-**
Variation of implicit interest	-	**-**	-	-	(1,221)	-	**(1,221)**
Effect of revaluation adjustments against profits	(44)	**(44)**	5	-	187	-	**192**
Effect of changes in exchange rates	-	**-**	-	-	-	-	**-**
Changes in impairment losses	-	**-**	-	-	-	-	-
Net accounting balance at December 31, 2016	**56**	**56**	**5,022**	**46,843**	**310,833**	**-**	**362,698**
Incorporations to the scope - business combinations	-	**-**	-	-	-	-	**-**
Purchases	-	**-**	2,907	-	117,854	-	**120,761**
Sales and amortisation	-	**-**	(541)	(12,121)	(100,460)	-	**(113,122)**
Reclassifications and transfers	-	**-**	-	-	-	-	**-**
Variation of implicit interest	-	**-**	-	(105)	(325)	-	**(430)**
Effect of revaluation adjustments against profits	(29)	**(29)**	310	(831)	11,195	-	**10,674**
Effect of changes in exchange rates	-	**-**	-	-	-	-	**-**
Changes in impairment losses	-	**-**	-	-	-	-	-
Net accounting balance at December 31, 2017	**27**	**27**	**7,698**	**33,786**	**339,097**	**-**	**380,581**

(1) At December 31, 2017 the unrealised gains and losses on investments held on behalf of policyholders who bear the investment risk amounted to 13,474 thousand euros and (7,045) thousand euros, 15,847 thousand euros and (12,330) thousand euros at December 31, 2016, respectively.

Most of the revaluations credited to the profit and loss account, net of the related tax effect and of the allocation to minority interests, arose from financial instruments that are quoted on organised markets or for which a sufficiently reliable market valuation is available (see Note 4.c).

Available-for-sale financial assets

						Thousands of euros
	Available-for-sale financial assets (AFS)					
	Financial investments in capital	Stakes in mutual funds	Fixed-income securities	No-mortgage loans and prepayments on policies	Deposits with credit institutions	Total
Net accounting balance at January 1, 2016	**978,483**	**508,795**	**6,383,505**	**121**	**164,600**	**8,035,504**
Incorporations to the scope - business combinations	2,689	1,644	-	-	-	**4,333**
Purchases	194,335	25,489	1,223,063	-	102,420	**1,545,307**
Sales and amortisation	(194,556)	(144,579)	(1,081,342)	(21)	(175,317)	**(1,595,815)**
Reclassifications and transfers	-	-	-	-	-	**-**
Revaluation adjustments	30,415	5,042	40,826	-	122,378	**198,661**
Variation of implicit interest	-	-	(49,374)	-	(2,531)	**(51,905)**
Effect of changes in exchange rates	-	95	1,782	-	-	**1,877**
Changes in impairment losses	(22,447)	(278)	643	-	-	**(22,082)**
Net accounting balance at December 31, 2016	**988,919**	**396,208**	**6,519,103**	**100**	**211,550**	**8,115,880**
Incorporations to the scope - business combinations	-	-	-	-	-	**-**
Purchases	151,969	5,603	1,409,359	9,760	145	1,576,836
Sales and amortisation	(123,490)	(23,598)	(1,294,851)	(9,757)	(16,644)	(1,468,340)
Reclassifications and transfers	-	-	-	-	-	**-**
Revaluation adjustments	24,020	22,639	(39,852)	-	(2,675)	4,132
Variation of implicit interest	-	-	(43,801)	(23)	(1,462)	(45,286)
Effect of changes in exchange rates	-	(736)	(23,813)	-	-	(24,549)
Changes in impairment losses	(6,339)	(651)	(3,496)	-	-	(10,486)
Net accounting balance at December 31, 2017	**1,035,079**	**399,465**	**6,522,649**	**80**	**190,914**	**8,148,187**

Most of the revaluations credited to reserves, net of the related tax effect and of the allocation to minority interests, arose from financial instruments that are quoted on organised markets or for which a sufficiently reliable market valuation is available.

During 2017, the Group derecognised from equity 4,217 thousand euros from the heading "Adjustments for changes in value" relating to net unrealised gains in the "Available-for-Sale" portfolio. This amount was recognised in the consolidated profit and loss account for the period following the assets' disposal. In 2016 for the same concept, net gains of 79,969 thousand euros were recognised in the profit and loss account.

Loans and receivables

	Thousands of euros						
	Loans and receivables (LR)						
	No-mortgage loans and prepayments on policies	**Investments held for the benefit of policyholders who bear the investment risk**	**Mortgage loans**	**Other financial assets without published price quotations**	**Deposits with credit institutions**	**Deposits made for accepted reinsurance**	**Total**
Net accounting balance at January 1, 2016	**31,083**	**18,633**	**56,778**	**5,287**	**299,788**	**31,343**	**442,912**
Incorporations to the scope - business combinations	4	-	-	15	2,845	-	**2,864**
Purchases	25,745	5,433	10,908	478	90,285	34,124	**166,973**
Sales and amortisation	(21,972)	(2,277)	(6,724)	-	(192,591)	(34,104)	**(257,668)**
Reclassifications and transfers	-	-	-	-	-	-	**-**
Variation of implicit interest	17	-	10	-	(38)	-	**(11)**
Effect of changes in exchange rates	-	-	-	-	617	376	**993**
Changes in impairment losses	-	-	(242)	-	-	-	**(242)**
Net accounting balance at December 31, 2016	**34,877**	**21,789**	**60,730**	**5,780**	**200,906**	**31,739**	**355,821**
Incorporations to the scope - business combinations	-	-	-	-	-	-	**-**
Purchases	33,115	5,362	9,766	553	217,915	32,337	**299,048**
Sales and amortisation	(32,396)	(9,415)	(6,943)	(40)	(222,149)	(34,350)	**(305,293)**
Reclassifications and transfers	-	-	-	-	-	-	**-**
Variation of implicit interest	85	-	9	-	26	-	**120**
Effect of changes in exchange rates	-	-	-	-	(5,254)	(233)	**(5,487)**
Changes in impairment losses	258	-	(189)	-	-	-	**69**
Net accounting balance at December 31, 2017	**35,939**	**17,736**	**63,373**	**6,293**	**191,444**	**29,493**	**344,278**

As of December 31, 2017 the fair value of financial assets classified in the “Loans and receivables” category does not differ significantly from their book value.

6.a.1) Equity investments

The breakdown of the balances of this sub-heading at December 31, 2017 and 2016, is as follows:

	Thousands of euros			
	Other financial assets at fair value through profit or loss (FVPL)		Available-for-sale financial assets (AFS)	
	31/12/2016.	31/12/2017.	31/12/2016.	31/12/2017.
Quoted shares of companies	4,334	6,765	958,242	1,010,356
Non-quoted shares of companies	-	-	30,677	24,723
Total	**4,334**	**6,765**	**988,919**	**1,035,079**

The fair value of the shares of unlisted companies has been determined using valuation methods that are generally accepted in the financial industry.

Dividends received by the Group in 2017 amounted to 47,432 thousand euros (51,569 thousand euros in 2016).

6.a.2) Stakes in mutual funds

A breakdown of the investments classified under this sub-heading by type of investment is given below:

	Thousands of Euros			
	Other financial assets at fair value through profit or loss (FVPL)		Available-for-sale financial assets (AFS)	
	31/12/2016.	31/12/2017.	31/12/2016.	31/12/2017.
Fixed-Income	24	-	11,864	11,967
Variable Income	514	820	352,069	361,378
Money market	-	-	24,356	26,120
Other investment funds	150	113	7,919	-
Total	**688**	**933**	**396,208**	**399,465**

The value of the mutual funds has been taken to be the net asset value published by the fund management companies.

Below we detail the equity of mutual funds managed by GCO Gestión de Activos, and the equity interest held by the Group through Seguros Bilbao in each of these funds at December 31, 2017 and 2016 (not including participation for investments by insurance policyholders). (See note 6.a.4).

	31/12/2016.			31/12/2017.		
	Assets managed by GCO Gestión de Activos at 31/12/2016 (Thousands of euros)	Seguros Bilbao		Assets managed by GCO Gestión de Activos at 31/12/2017 (Thousands of euros)	Seguros Bilbao	
		Percentage stake (%)	Assets (thousands of euros)		Percentage stake (%)	Assets (thousands of euros)
Fonbilbao Mixto, FI	5,874	-	-	6,824	-	-
Fonbilbao Acciones, FI	171,465	65%	111,278	179,417	67%	119,882
Fonbilbao Eurobolsa, FI	28,561	49%	14,034	30,955	49%	15,209
GCO Renta Fija, FI	7,330	-	-	25,335	-	-
Fonbilbao Global 50, FI	7,330	44%	3,248	8,943	37%	3,327
Fonbilbao Internacional FI	24,474	49%	12,094	26,540	49%	12,939
GCO Corto Plazo, FI	9,845	30%	2,973	40,459	7%	2,974
Total	**254,879**		**143,627**	**318,473**		**154,331**

6.a.3) Fixed-income securities

The breakdown of the balances included under this sub-heading is as follows:

	Thousands of euros			
	31/12/2016.		31/12/2017.	
	CVRPyG	AFS	CVRPyG	AFS
Public Debt, obligations and government bonds	19,207	3,877,018	11,547	3,505,979
Issued by financial entities and other private entities	27,636	2,642,085	22,239	3,016,670
Total	**46,843**	**6,519,103**	**33,786**	**6,522,649**

The yield of the portfolio at December 31, 2017 was 2.57% (2.90% at December 31, 2016), with an estimated average maturity of approximately 4.64 years (4.67 years at December 31, 2016)

Any income earned on these fixed-income securities other than changes in their fair value, consisting mainly of interest and net earned premiums for the year, is recognised in the income statement under “Income from property, plant and equipment and investments”. In 2017 this income amounted to EUR 183,046 thousand (EUR 197,783 thousand in 2016).

The maturities of the securities included under this sub-heading, classified by the portfolio to which they were assigned at December 31, 2017 and 2016 and taking their fair value into account, are as follows:

Residual maturity	Thousands of euros			
	31/12/2016.		31/12/2017.	
	CVRPyG	AFS	CVRPyG	AFS
Less than 1 year	11,612	806,319	5,322	708,614
1 to 3 years	15,760	1,688,965	16,831	1,711,193
3 to 5 years	11,444	1,445,738	6,592	1,327,514
5 to 10 years	8,027	1,548,097	5,041	1,736,647
10 to 15 years	-	646,790	-	713,381
15 to 20 years	-	162,672	-	115,718
20 to 25 years	-	87,310	-	60,884
more than 25 years	-	133,212	-	148,698
Total	**46,843**	**6,519,103**	**33,786**	**6,522,649**

6.a.4) Investments held for the benefit of insurance policyholders who bear the investment risk

The breakdown by nature of the investment at December 31, 2017 and 2016 is as follows (in thousands of euros):

	31/12/2016.		31/12/2017.	
	Total FVPL	LR	Total FVPL	LR
Variable Income	114,244	-	124,301	-
Stakes in mutual funds	74,878	-	119,997	-
Fixed-Income	121,711	-	94,799	-
Other affected balances				
- Banks (current accounts and short-term deposits)	-	21,663	-	17,628
- Other debts for management commissions	-	-	-	-
- Others	-	126	-	108
Total	**310,833**	**21,789**	**339,097**	**17,736**

The balance of "Other affected balances" is included in "Loans and receivables", as it is the policyholder who bears the investment risk in each year.

The market value of investments held for the benefit of insurance policyholders who bear the investment risk is determined by the same method as the market value of the Group's own investments of the same type.

A breakdown of the above fixed-income securities and other affected balances by maturity year is given below:

	Thousands of euros			
	31/12/2016.		31/12/2017.	
Residual maturity	**Fixed-Income**	**Other affected balances**	**Fixed income**	**Other affected balances**
Less than 1 year	19,734	21,789	13,137	17,736
1 to 3 years	56,804	-	39,739	-
3 to 5 years	39,477	-	32,322	-
5 to 10 years	5,696	-	9,601	-
more than 10 years	-	-	-	-
Other investments without maturity	-	-	-	-
Total	**121,711**	**21,789**	**94,799**	**17,736**

The mathematical provisions at December 31, 2017 and 2016, of insurance contracts where the investment risk is borne by policyholders are as follows:

Investment of policyholders	Thousands of euros	
	Mathematical Provision	
	31/12/2016.	31/12/2017.
Fund Equity	139,341	153,818
Universal Inversión + Multiahorro Variable	58,435	57,786
Universal Pias Variable	41,150	44,567
Universal Inversión Futura	19,031	23,137
Fondo Elección	-	3,068
Unit Link Seguros Bilbao	70,779	71,357
Unit Link Plus Ultra	3,886	3,100
Total	**332,622**	**356,833**

At December 31, 2017 and 2016 the balance of stakes in mutual funds is classified in the portfolio valued at fair value with changes in the profit or loss account and corresponds to mutual funds managed by GCO Gestión de Activos according to the following breakdown:

Type of Asset	Description (name)	Thousands of euros	
		31/12/2016.	31/12/2017.
FI	GCO Corto Plazo	2,285	31,686
FI	FONBILBAO Mixto	3,590	3,899
FI	FONBILBAO Acciones	48,719	46,380
FI	FONBILBAO Eurobolsa	7,196	6,937
FI	GCO Renta Fija	2,877	21,089
FI	FONBILBAO Global 50	3,212	3,600
FI	FONBILBAO Internacional	3,113	3,307
		70,992	**116,898**

6.a.5) Loans and Other assets without published price quotations:

The detail of the balances constituting this sub-heading at December 31, 2017 and 2016 is as follows:

	Thousands of euros			
	31/12/2016.		31/12/2017.	
	AFS	LR	AFS	LR
No-mortgage loans and prepayments on policies				
· Prepayments on policies	-	24,893	-	24,187
· Loans to agencies	-	7,468	-	-
· Other loans	100	2,516	80	11,752
Mortgage loans	-	60,730	-	63,373
Other financial assets without published price quotations	-	5,780	-	6,293
Total	**100**	**101,387**	**80**	**105,605**

The maturities of mortgage loans and other loans held by the Group at amortised cost are as follows:

	Thousands of euros			
	31/12/2016.		31/12/2017.	
Year of maturity	AFS	LR	AFS	LR
Past due and up to three months	-	1,800	-	2,234
Between three months and one year	5	4,660	80	9,722
Between one year and five years	-	11,646	-	15,663
More than five years	95	45,140	-	47,506
Total	**100**	**63,246**	**80**	**75,125**

One group of mortgage loans ("reverse mortgages"), is totalling 31,212 thousand euros, bear interest at a fixed rate of between 6.00% and 7.50%. The remaining mortgage loans bear annual interest at rates of between 0.00% and 2.64% (between 0.00% and 2.80% in 2016). The interest rate is fixed in the first year and floating from the second year. The benchmark rate used is the one-year interbank rate (EURIBOR) or the average mortgage loan rate at over three years.

6.a.6) Deposits with credit institutions

The long-term deposits relate mainly to euro deposits, trust deposits and structured deposits and asset swaps held with credit institutions. The maturity of these deposits is as follows:

Residual maturity	Thousands of euros					
	31/12/2016.			31/12/2017.		
	AFS	LR	Total	AFS	LR	Total
3 months to 1 year	(2,974)	200,906	197,932	(34,924)	149,920	114,996
1 to 3 years	(36,282)	-	(36,282)	22,031	41,524	63,555
3 to 5 years	17,926	-	17,926	(4,813)	-	(4,813)
5 to 10 years	12,073	-	12,073	8,484	-	8,484
10 to 15 years	24,463	-	24,463	7,303	-	7,303
15 to 20 years	(4,962)	-	(4,962)	(5,242)	-	(5,242)
20 to 25 years	(33,558)	-	(33,558)	98,238	-	98,238
more than 25 years	234,864	-	234,864	99,837	-	99,837
	211,550	**200,906**	**412,456**	**190,914**	**191,444**	**382,358**

6.a.7) Impairment losses

During 2017 impairment losses for value impairment stood at 10,417 thousand euros (22,324 thousand euros in 2016).

6.b) Receivables

A breakdown of the receivables from insurance, reinsurance and coinsurance contracts at December 31, 2017 and 2016, together with other receivables, is given below:

	Thousands of euros	
	LR	
	31/12/2016.	31/12/2017.
Credits for direct insurance transactions		
- Policyholders - outstanding bills:		
. Direct business and coinsurance	255,706	229,158
. Credits for bills pending issuance	105,260	105,841
. (Provision for premiums pending collection)	(22,136)	(19,109)
- Mediators:		
. Pending balances with mediators	51,019	31,826
. (Provision for impairment of balance with mediators)	(2,502)	(1,963)
Credits for reinsurance operations:		
. Outstanding balance with reinsurers	44,176	59,991
. (Provision for impairment of balance with reinsurers)	(695)	(282)
Other credits:		
. Credits with the Public Administrations	9,556	7,246
. Other credits	385,968	408,308
. (Provision for impairment of other credits)	(3,732)	(3,998)
Total	**822,620**	**817,018**

As of December 31, 2017 we estimate that the fair value of loans does not differ significantly from the net book value.

The changes in and detail of the impairment losses recognised in 2017 and 2016 are shown in the following table, with the various changes under “Earned premiums, net of reinsurance” and “Net operating expenses” being recognised in the profit and loss account applicable to each segment.

(Figures in thousands of euros)	Provision for pending premiums	Provision for impairment of balance with mediators	Provision for impairment of balance with reinsurers	Provision for impairment of other credits
Balances at January 1, 2016	**24,002**	**2,473**	**727**	**5,211**
Incorporations to the scope	298	-	-	38
Provisions charged to earnings	-	29	-	-
Applications credits to earnings	(2,164)	-	(32)	(1,517)
Balances at December 31, 2016	**22,136**	**2,502**	**695**	**3,732**
Incorporations to the scope	-	-	-	-
Provisions charged to earnings	-	-	-	266
Amounts released with a credit to profit	(3,027)	(539)	(413)	-
Balances at December 31, 2017	**19,109**	**1,963**	**282**	**3,998**

A breakdown of Other receivables in the consolidated balance sheet at December 31, 2017 and 2016 is given below:

	Thousands of euros	
Other credits:	**31/12/2016.**	**31/12/2017.**
Credits with the Public Administrations	**9,556**	**7,246**
Other credits	**385,968**	**408,308**
Pending and estimated recoveries (Note 3.b)	314,213	296,402
Debtors of car agreements (Note 3.j)	1,617	4,856
Balances of agents of dubious collection and other dubious balances	1,137	888
Commissions receivable Credit Insurance information services	41,927	42,701
Personnel	2,162	1,962
Payments and advances of claims	43	-
Lease debtors	618	933
Misc. debtors	24,251	60,566
Provision for impairment of other credits	**(3,732)**	**(3,998)**
Total	**391,792**	**411,556**

7. Investments in entities accounted for using the equity method (associates accounted for using the equity method)

The composition and movements during 2017 of those investments in the capital of companies over which the Group exercises significant influence is as follows:

Company	Thousands of euros					
	Balance 31/12/2016	Variations in the scope of consolidation	Increases for non-distributed earnings for the year	Other variations by valuation	Impairment losses	Balance 31/12/2017
Asitur Asistencia, S.A.	5,717	-	385	(468)	-	5,634
Calboquer, S.L.	38	-	19	14	-	71
Gesiuris, S.A. S.G.I.I.C. (1)	3,382	-	309	(39)	-	3,652
Inversiones Credere, S.A.	2,233	-	-	-	(2,233)	-
CLAL Credit Insurance Ltd. (2)(6)	11,705	-	959	(170)	-	12,494
Compañía de Seguros de Crédito Continental S.A. (3)(6)	37,502	-	1,919	(616)	-	38,805
The Lebanese Credit Insurer S.A.L.(4) (6)	2,321	-	(163)	(220)	-	1,938
Al Mulla Atradius Consultancy & Brokerage L.L.C. (6)	-	-	626	(626)	-	-
Credit Guarantee Insurance Corporation of Africa Limited (5) (6)	-	34,742	964	(1,762)	(11,701)	22,243
TOTAL	**62,898**	**34,742**	**5,018**	**(3,887)**	**(13,934)**	**84,837**

(1) Includes goodwill totalling 1,836 thousand euros.
(2) Includes goodwill totalling 2,127 thousand euros.
(3) Includes goodwill totalling 11,366 thousand euros.
(4) Includes goodwill totalling 478 thousand euros.
(5) Includes goodwill totalling 6,927 thousand euros (see Note 5.a).
(6) Participated through the company Atradius N.V.

These investments are accounted for using the equity method, using the best estimate available at the time of preparing the financial statements. Appendix II details the data on total assets, capital, reserves, profit or loss, dividends from this financial profit and the year's earned premiums net of reinsurance or otherwise standard earned revenues.

As noted in Note 3.e.4, the Group carried out the value impairment test of the companies included in the section "Investment in entities accounted for using the equity method", considering the future business projections of the company and financial market parameters. At December 31, 2017, following the test result, the Group proceeded to register an impairment of 11,701 and 2,233 thousand euros corresponding to the value of the shares in Credit Guarantee Insurance Corporation of Africa Limited and Inversiones Credere, S.A., respectively.

2016 movements are shown below:

Company	Thousands of euros					
	Balance 31/12/2015	**Variations in the scope of consolidation**	**Increases for non-distributed earnings for the year**	**Other variations by valuation**	**Impairment losses**	**Balance 31/12/2016**
Asitur Asistencia, S.A.	4,208	-	613	896	-	5,717
Calboquer, S.L.	27	-	3	8	-	38
Gesiuris, S.A. S.G.I.I.C. (1)	3,273	-	189	(80)	-	3,382
Inversiones Credere, S.A.	2,689	-	(523)	67	-	2,233
Graydon Holding N.V. (5)	47,207	(25,650)	(683)	(12,874)	(8,000)	-
CLAL Credit Insurance Ltd. (2)(5)	10,982	-	81	642	-	11,705
Compañía de Seguros de Crédito Continental S.A. (3)(5)	28,444	-	7,102	1,956	-	37,502
The Lebanese Credit Insurer S.A.L. (4)(5)	2,183	-	80	58	-	2,321
Al Mulla Atradius Consultancy & Brokerage L.L.C. (5)	-	-	(494)	494	-	-
TOTAL	**99,013**	**(25,650)**	**6,368**	**(8,833)**	**(8,000)**	**62,898**

(1) Includes goodwill totalling 1,836 thousand euros.
(2) Includes goodwill totalling 2,127 thousand euros.
(3) Includes goodwill totalling 11,366 thousand euros.
(4) Includes goodwill totalling 478 thousand euros.
(5) Participated through the company Atradius N.V.

8. Property, plant and equipment and investment property

8.a) Property, Plant and Equipment

The breakdown by type of items that make up the balance of this segment and sub-segment of the condensed consolidated income statement, on December 31, 2017 is as follows (in thousands of euros):

	Properties for own use	Furniture and facilities	Transport equipment	Data-processing hardware	Improve ments to owned property	Other property, plant and equipment	Total
Cost at January 1, 2017	**309,932**	**122,379**	**5,423**	**82,431**	**59,666**	**1,230**	**581,061**
Accumulated Amortisation at January 1, 2017	**(75,903)**	**(92,419)**	**(2,400)**	**(65,351)**	**(36,959)**	**(1,006)**	**(274,038)**
Impairment losses	**(6,896)**	**-**	**-**	**-**	**-**	**-**	**(6,896)**
Net Accounting Balance at January 1, 2017	**227,133**	**29,960**	**3,023**	**17,080**	**22,707**	**224**	**300,127**
Incorporations to the scope - business combinations	-	-	-	-	-	-	-
Investments or Additions	2,726	10,733	1,174	9,060	4,557	10,245	38,495
Advances in progress	-	-	-	-	-	-	-
Reclassifications and transfers (Note 8.b)	2,060	-	-	-	-	-	2,060
Sales and Withdrawals	(3,579)	(8,234)	(766)	(4,544)	(5,129)	-	(22,252)
Effect of changes in exchange rates	(136)	(880)	-	(1,002)	-	-	(2,018)
Incorporations to the scope - business combinations	-	-	-	-	-	-	-
Amortisation in the year	(4,930)	(7,537)	(784)	(7,831)	(3,789)	(28)	(24,899)
Reclassifications and Transfers of Amortisation (Note 8.b)	451	-	-	-	-	-	451
Withdrawals from Amortisation	1,394	7,851	424	4,305	4,454	-	18,428
Effect of changes in exchange rates	23	588	-	722	-	-	1,333
Impairment losses	(477)	-	-	-	-	-	(477)
Net Accounting Balance at December 31, 2017	**224,665**	**32,481**	**3,071**	**17,790**	**22,800**	**10,441**	**311,248**

Detailed Net Accounting Balance at December 31, 2017 (in thousands of euros):

	Properties for own use	Furniture and facilities	Transport equipment	Data-processing hardware	Improve ments to owned property	Other property, plant and equipment	Total
Cost at December 31, 2017	**311,003**	**123,998**	**5,831**	**85,945**	**59,094**	**11,475**	**597,346**
Accumulated Amortisation at December 31, 2017	**(78,965)**	**(91,517)**	**(2,760)**	**(68,155)**	**(36,294)**	**(1,034)**	**(278,725)**
Impairment losses	**(7,373)**	**-**	**-**	**-**	**-**	**-**	**(7,373)**

The movement and detail for the year 2016 are as follows (in thousands of euros):

	Properties for own use	Furniture and facilities	Transport equipment	Data-processing hardware	Improve ments to owned property	Other property, plant and equipment	Total
Cost at January 1, 2016	**282,669**	**112,809**	**3,168**	**76,881**	**56,280**	**983**	**532,790**
Accumulated Amortisation at January 1, 2016	**(66,064)**	**(88,537)**	**(1,007)**	**(61,398)**	**(33,846)**	**(768)**	**(251,620)**
Impairment losses	**(6,767)**	**-**	**-**	**-**	**-**	**-**	**(6,767)**
Net Accounting Balance at January 1, 2016	**209,838**	**24,272**	**2,161**	**15,483**	**22,434**	**215**	**274,403**
Incorporations to the scope - business combinations	29,735	7,510	1,294	2,245	-	245	41,029
Investments or Additions	706	12,294	1,311	9,424	4,995	5	28,735
Advances in progress	-	-	-	-	-	-	-
Reclassifications and transfers (Note 8.b)	(2,969)	-	-	-	-	-	(2,969)
Sales and Withdrawals	-	(8,573)	(350)	(3,061)	(1,609)	(3)	(13,596)
Effect of changes in exchange rates	(209)	(1,661)	-	(3,058)	-	-	(4,928)
Incorporations to the scope - business combinations	(7,149)	(5,949)	(1,147)	(1,664)	-	(216)	(16,125)
Amortisation in the year	(4,289)	(7,663)	(511)	(7,381)	(4,147)	(25)	(24,016)
Reclassifications and Transfers of Amortisation (Note 8.b)	1,571	-	-	-	-	-	1,571
Withdrawals from Amortisation	-	8,339	265	2,858	1,034	3	12,499
Effect of changes in exchange rates	28	1,391	-	2,234	-	-	3,653
Impairment losses	(129)	-	-	-	-	-	(129)
Net Accounting Balance at December 31, 2016	**227,133**	**29,960**	**3,023**	**17,080**	**22,707**	**224**	**300,127**

Detailed Net Accounting Balance at December 31, 2016 (in thousands of euros):

	Properties for own use	Furniture and facilities	Transport equipment	Data-processing hardware	Improve ments to owned property	Other property, plant and equipment	Total
Cost at December 31, 2016	**309,932**	**122,379**	**5,423**	**82,431**	**59,666**	**1,230**	**581,061**
Accumulated Amortisation at December 31, 2016	**(75,903)**	**(92,419)**	**(2,400)**	**(65,351)**	**(36,959)**	**(1,006)**	**(274,038)**
Impairment losses	**(6,896)**	**-**	**-**	**-**	**-**	**-**	**(6,896)**

At December 31, 2017 and 2016, the Group holds own use in full own-use and there were no liens of any type over any of them. Moreover, the Group has no agreements in place to acquire new property. At year-end 2017 all the Group's tangible assets were used directly in operations.

There were no significant impairment losses on property, plant and equipment during the year.

The net value of own-use properties located abroad was EUR 21,151 thousand at December 31, 2017 (EUR 21,556 thousand at December 31, 2016).

During FY 2017, profits were obtained from property for own use amounting to 3,893 thousand euros.

The market value at December 31, 2017 of the Group's own-use properties was as follows (in thousands of euros):

	Market value at 31/12/2017			
	Segment Non-Life	Life Segment	Other Activities Segment	Total
Properties for own use	266,525	34,549	65,920	**366,994**

At the close of the previous exercise, the market value of the Group's own use properties assigned to the Non-Life, Life and Other Activities segments was 270,836 thousand euros, 72,096 thousand euros and 25,420 thousand euros, respectively.

The gains associated with the property for own use amounted to EUR 142,329 thousand in the year 2017 (EUR 141,219 thousand in the year 2016).

The market value of the own-use property is mostly aligned with the appraised value determined by an independent appraisal firm authorised based on observable market variables (Level 2). The appraisals are conducted on a regular basis in accordance with the regulations applicable to insurance companies.

8.b) Investment property

The disclosure by type of items that make up the balance of this segment and sub segment of the condensed consolidated income statement, on December 31, 2017 is as follows (in thousands of euros):

	Investment property for third-party-use
Cost at January 1, 2017	**502,413**
Accumulated Amortisation at January 1, 2017	**(103,382)**
Impairment losses	**(993)**
Net Accounting Balance at January 1, 2017	**398,038**
Incorporations to the scope - business combinations	-
Investments or Additions	9,640
Advances in progress	-
Reclassifications and transfers (Note 8.a)	(2,060)
Sales and Withdrawals	(20,069)
Effect of changes in exchange rates	(47)
Incorporations to the scope - business combinations	-
Amortisation in the year	(8,006)
Reclassifications and Transfers of Amortisation (Note 8.b)	(451)
Withdrawals from Amortisation	8,355
Effect of changes in exchange rates	5
Impairment losses	(2,619)
Net Accounting Balance at December 31, 2017	**382,786**

Detailed Net Accounting Balance at December 31, 2017 (in thousands of euros):	
	Investment property for third-party-use
Cost at December 31, 2017	**489,877**
Accumulated Amortisation at December 31, 2017	**(103,479)**
Impairment losses	**(3,612)**

Likewise, the heading and the detail for 2016 are as follows (in thousands of euros):

	Investment property for third-party-use
Cost at January 1, 2016	**377,706**

Accumulated Amortisation at January 1, 2016	**(97,783)**
Impairment losses	**(1,222)**
Net Accounting Balance at January 1, 2016	**278,701**
Incorporations to the scope - business combinations	-
Investments or Additions	125,943
Advances in progress	-
Reclassifications and transfers (Note 8.a)	2,969
Sales and Withdrawals	(4,108)
Effect of changes in exchange rates	(97)
Incorporations to the scope - business combinations	-
Amortisation in the year	(6,442)
Reclassifications and Transfers of Amortisation (Note 8.b)	(1,571)
Withdrawals from Amortisation	2,404
Effect of changes in exchange rates	10
Impairment losses	229
Net Accounting Balance at December 31, 2016	**398,038**

Detailed Net Accounting Balance at December 31, 2016 (in thousands of euros):

	Investment property for third-party-use
Cost at December 31, 2016	**502,413**
Accumulated Amortisation at December 31, 2016	**(103,382)**
Impairment losses	**(993)**

During 2017 there were no impairment losses on significant amounts and the company has full ownership of real estate investments. The Group has no commitments to acquire new property, plant and equipment other than that recognised in the consolidated financial statements.

The most significant investments under this heading of the consolidated balance relate to commercial property, mainly office buildings, which the Group operates on a lease basis.

At year-end 2017 there were no restrictions of any kind on the execution of further property investments, on the collection of income from investment property or in relation to the proceeds of disposals.

During FY 2017, profits were obtained from property investment amounting to 5,536 thousand euros.

The market value of the Group's investment property at December 31, 2017 was as follows (in thousands of euros):

	Market value at 31/12/2017			
	Non-Life Segment	**Life Segment**	**Other Activities Segment**	**Total**
Investment property for third-party-use	335,192	295,021	86,851	**717,064**

The market value of the investment property assigned to the Non-Life, Life and Other Activities segments at the end of the previous year was 348,302 thousand euros, 291,972 thousand euros and 85,400 thousand euros, respectively.

The unrealised capital gains associated with property investments amounted to 334,278 thousand euros in the year 2017 (327,636 thousand euros in the year 2016).

The market value of property investments for third-party use is mostly aligned with the appraised value determined by an independent appraisal firm authorised based on observable market variables (Level 2). The appraisals are conducted on a regular basis in accordance with the regulations applicable to insurance companies.

The revenue from investment property rentals that generated income from rentals and the direct operating expenses related to property investments (under operating leases or otherwise) recorded in the consolidated profit and loss account for the year 2017 are listed below:

Thousands of euros	Transferred in Operating Leases		Investment Property	
	Financial year 2016	Financial year 2017	Financial year 2016	Financial year 2017
Income from leases	26,303	31,390	-	-
Direct operating costs	10,012	12,548	274	376

As of December 31,, the minimum future revenues for the last two years of non-cancellable operating leases are as follows:

Revenues from future operating leases	Thousands of euros	
	31/12/2016.	31/12/2017.
Less than 1 year	28,930	28,983
More than one but less than five years	76,122	75,141
More than five years	78,196	56,276
Total	**183,248**	**160,400**

The Group has not taken into account revenue from contingent charges for the years 2016 and 2017.

Most leases have a duration of between 5 and 10 years and are renewable.

9. Intangible assets

Activity of this balance sheet item in 2017 and 2016 was as follows:

	Thousands of euros								
			Other intangible assets						
	Goodwill	Policy portfolio acquisition expenses	Internally generated computer software	Acquired computer software	Brand	Distribution network	Policies in portfolio	Other intangible assets not generated internally	Total other intangible assets
Cost at January 1, 2016	**704,289**	**10,929**	**128,010**	**119,141**	**13,650**	**16,140**	**20,773**	**424**	**298,138**
Accumulated Amortisation at January 1, 2016	**-**	**(5,682)**	**(70,998)**	**(90,612)**	**-**	**(404)**	**(2,347)**	**(96)**	**(164,457)**
Impairment losses at January 1, 2016	**-**	**-**	**(16,857)**	**-**	**-**	**-**	**-**	**-**	**(16,857)**
Net Accounting Balance at January 1, 2016	**704,289**	**5,247**	**40,155**	**28,529**	**13,650**	**15,736**	**18,426**	**328**	**116,824**
Incorporations to the scope - business combinations	70,558	-	122	8,357	5,800	-	-	1,926	16,205
Additions	-	-	17,899	20,109	-	-	-	-	38,008
Withdrawals	-	-	-	(5,211)	-	-	-	(185)	(5,396)
Effect of changes in exchange rates	(9)	39	(7,358)	(3,014)	-	-	-	-	(10,372)
Incorporations to the scope - business combinations	-	-	-	(481)	-	-	-	(1,845)	(2,326)
Amortisation in the year	-	(6)	(5,996)	(13,973)	-	(807)	(4,695)	-	(25,471)
Withdrawals from Amortisation	-	-	-	3,301	-	-	-	175	3,476
Effect of changes in exchange rates	-	(38)	4,775	2,711	-	-	-	-	7,486
Impairment losses	-	-	(5,544)	-	-	-	-	-	(5,544)
Cost at December 31, 2016	**774,838**	**10,968**	**138,673**	**139,382**	**19,450**	**16,140**	**20,773**	**2,165**	**336,583**
Accumulated Amortisation at December 31, 2016	**-**	**(5,726)**	**(72,219)**	**(99,054)**	**-**	**(1,211)**	**(7,042)**	**(1,766)**	**(181,292)**
Impairment losses at December 31, 2016	**-**	**-**	**(22,401)**	**-**	**-**	**-**	**-**	**-**	**(22,401)**
Net Accounting Balance at December 31, 2016	**774,838**	**5,242**	**44,053**	**40,328**	**19,450**	**14,929**	**13,731**	**399**	**132,890**
Additions	366	-	26,172	6,411	-	-	-	-	32,583
Reclassifications and transfers	-	-	(440)	440	-	-	-	-	-
Withdrawals	(390)	-	-	(3,802)	-	-	-	(1,792)	(5,594)
Effect of changes in exchange rates	(20)	(159)	(1,850)	(764)	-	-	-	-	(2,614)
Amortisation in the year	-	-	(8,624)	(10,457)	(1,450)	(807)	(13,731)	-	(35,069)
Reclassifications and transfers	-	-	-	-	-	-	-	-	-
Withdrawals from Amortisation	-	-	-	2,097	-	-	-	1,499	3,596
Effect of changes in exchange rates	-	159	1,197	651	-	-	-	-	1,848
Impairment losses	-	-	(163)	-	-	-	-	-	(163)
Cost at December 31, 2017	**774,794**	**10,809**	**162,555**	**141,667**	**19,450**	**16,140**	**20,773**	**373**	**360,958**
Accumulated Amortisation at December 31, 2017	**-**	**(5,567)**	**(79,646)**	**(106,763)**	**(1,450)**	**(2,018)**	**(20,773)**	**(267)**	**(210,917)**
Impairment losses at December 31, 2017	**-**	**-**	**(22,564)**	**-**	**-**	**-**	**-**	**-**	**(22,564)**

Net Accounting Balance at December 31, 2017	774,794	5,242	60,345	34,904	18,000	14,122	-	106	127,477

Key information relating to these intangible assets is given below.

9.a) Goodwill

The breakdown of the "Goodwill" account in the consolidated balance sheet, listed according to originating undertaking is as follows:

	Thousands of euros	
Companies	**31/12/2016.**	**31/12/2017.**
Consolidated by global integration:		
Seguros Catalana Occidente, S.A. de Seguros y Reaseguros (*)	6,012	6,012
Grupo Previsora Bilbaína	37,614	37,590
Nortehispana de Seguros y Reaseguros, S.A. (**)	25,945	25,945
Bilbao, Compañía Anónima de Seguros y Reaseguros, S.A.	94,398	94,398
Plus Ultra Seguros Generales y Vida, S.A. de Seguros y Reaseguros	118,186	118,186
Atradius N.V.	461,523	461,503
Graydon Holding N.V.	30,920	30,920
Others	240	240
Gross Total	**774,838**	**774,794**
Minus: Impairment losses	-	-
Net book value	**774,838**	**774,794**

(*) Corresponds to the goodwill of Cosalud and Aseq.

(**) This goodwill corresponds to the residual goodwill that was calculated jointly for Lepanto and Nortehispana at the time of acquisition. At the end of 2006, Lepanto was absorbed by Seguros Catalana Occidente.

9.a.1) Impairment test

As indicated in Note 3.e.1, at year-end we evaluate whether any goodwill show impairment losses based on the calculation of value in use of the related cash-generating unit.

The discount rates used as of December 31, 2017 for updating the projected cash flows derived from the projection of income and expenses, performed according to the aforementioned criteria, have been 7.03% for the Atradius business, 6.13% for the Graydon business and 9.99% for units located in Spain, with expected growth rates being 0.5% and the excess of available capital over its Solvency II Capital Requirement being 175% for the Atradius business and 150% for the units located in Spain.

In parallel to this baseline scenario, possible variations have been calculated in the main assumptions of the model and the discount rate has been subject to a sensitivity analysis. At December 31, 2017 no reasonably possible change in the discount rates and in key revenue and expense projection assumptions would imply that the book value of units would exceed the recoverable amount.

During 2017 and 2016 the Group did not have to recognise any impairment losses affecting consolidation goodwill. Based on the estimates, projections and independent experts' reports available to the parent company's Board Members and management, the projected income and cash flows attributable to the Group from these companies, considered as cash generating units, support the book value of the net assets recognised.

9.b) Other intangible assets

These intangible assets, to the exception of the Plus Ultra brand, have a defined useful life, in accordance with their nature, and their amortisation criteria has been detailed in the accounting policies (see Note 3.e.3).

The book value of investments in intangible assets consisting of rights exercisable outside Spain or related to investments outside Spain amount to 203,455 thousand euros, with accumulated amortisation of 134,973 thousand euros.

In the last financial year, the Group recorded impairment losses on internally generated software, from Atradius N.V., amounting to 163 thousand euros. This software had been developed by the Group and have been impaired, following the criteria mentioned under applicable rules (see Note 3.e.3).

The Group has no further commitments to those recorded in its consolidated financial statements for the acquisition of intangible assets. At 2017 year end, all intangible assets of the Group are directly related to operation.

10. Tax situation

10.a) Tax consolidation regime

From the financial year 2002, part of the companies included in the commercial consolidation perimeter with registered office in Spain are taxed, for the purposes of Corporation Tax, in accordance with the special regime of fiscal consolidation envisaged by Chapter VI of Title VII of Act 27/2014, of November 27, on Corporation Tax applicable in common territory.

In 2017, the tax consolidation group number 173/01 is integrated by the company Grupo Catalana Occidente, S.A. (as the parent company) and as subsidiaries: (i) Atradius Collections, S.L.; (ii) Atradius Crédito y Caución S.A. de Seguros y Reaseguros; (iii) Atradius Information Services BV Sucursal en España; (iv) Catalana Occidente Capital, Agencia de Valores, S.A.; (v) Cosalud Servicios, S.A.; (vi) Funeraria Merino Díez, S.L. (vii) GCO Gestora de Pensiones, EGFP, S.A.; (viii) GCO Reaseguros, S.A.; (ix) Grupo Catalana Occidente Gestión de Activos, S.A. S.G.I.I.C.; (x) Iberinform Internacional, S.A.; (xi) Iberinmobiliaria, S.A.; (xii) Invercyca, S.A.; (xiii) Nortehispana, de Seguros y Reaseguros, S.A.; (xiv) Plus Ultra, Seguros Generales y Vida, S.A. de Seguros y Reaseguros; (xv) Seguros Catalana Occidente, S.A. de Seguros y Reaseguros; (xvi); Sociedad Gestión Catalana Occidente, S.A. and (xvii) Tecniseguros, Sociedad de Agencia de Seguros, S.A.

From 2016, the tax base that, according to the tax laws, this tax consolidation group has obtained is subject to a tax rate of 25% (28% in 2015 and 30% in the rest of fiscal years that are still open to tax inspections).

On the other hand the company Bilbao Compañía Anónima de Seguros y Reaseguros, S.A. is the head of the tax consolidation group 0497B that is subject to the tax regulations of the historical territory of Vizcaya and whose subsidiaries in 2017 are: (i) Arroita 1878, S.L.; (ii) Bilbao Hipotecaria, S.A., E.F.C.; (iii) Bilbao Telemark, S.L.; (iv) Bilbao Vida y Gestores Financieros, S.A.; (v) Funeraria Bilbaína, S.A.; (vi) Funeraria La Auxiliadora, S.L.U.; (vii) PB Cemer 2002, S.L.U; (viii) Previsora Bilbaína, Seguros, S.A.U.; (ix) Previsora Bilbaína Vida Seguros, S.A.; y (x) S. Órbita Sociedad Agencia de Seguros, S.A. The tax base that, according to the provincial tax legislation, this tax consolidation group hs obtained is subject to is a tax rate of 28%.

The rest of companies with tax domicile in Spain that are part of the scope of consolidation are subject to the general tax rates provided for by the applicable regulations in common territory or in regional territory as appropriate. As an exception, Catoc, SICAV, S.A., Hercasol, S.A. SICAV and Previsora Inversiones SICAV S.A. are subject to a tax rate of 1% as they are variable capital investment companies that comply with the requirements of Chapter V of Title VII of the Law 27/2014, of November 27, on Corporate Tax.

Atradius N.V., its subsidiaries and branches of these that are located outside the Spanish territory apply different tax schemes in the different countries in which they reside or are established, with their average effective tax rate being 27.0% for the year 2017.

From the financial year 2014, part of the companies included in the scope of consolidation with registered office in common territory are taxed, for the purposes of Value Added Tax, in accordance with the special regime of Group Entities envisaged by Chapter IX of Title IX of Act 37/1992 for Value Added Tax.

In 2017, the group of entities VAT number 002/14 (hereinafter, the VAT Tax Group) is formed by Grupo Catalana Occidente, S.A. (as the parent company) and as subsidiaries: (i) Catalana Occidente Capital, Agencia de Valores, S.A.; (ii) Cosalud Servicios, S.A.; (iii) GCO Reaseguros, S.A.; (iv) Grupo Catalana Occidente Contact Center, A.I.E.; (v) Grupo Catalana Occidente Gestión de Activos, S.A. S.G.I.I.C.; (vi) Grupo Catalana Occidente Tecnología y Servicios, A.I.E.; (vii) Nortehispana, de Seguros y Reaseguros, S.A.; (viii) Plus Ultra, Segurs Generales y Vida, S.A. de Seguros y Reaseguros; (ix) Prepersa de Peritación de Seguros y Prevención, A.I.E.; and (x) Seguros Catalana Occidente, S.A. de Seguros y Reaseguros.

10.b) Current Tax Assets and Liabilities

Current tax assets and liabilities at December 31, 2017 and 2016 include the following items:

	Thousands of euros	
	31/12/2016.	**31/12/2017.**
Current tax assets:		
Public Treasury debt payable for:		
• Balance due Liquidation of consolidated tax group parent company	25,986	49,354
• Other balances with the Public Treasury (see Note 10.f)	14,047	14,047
• Other balances owed by other tax groups or individual companies	37,785	66,026
Total current tax assets	**77,818**	**129,427**
Current tax liabilities:		
Public Treasury debt receivable for:		
• Other balances owed by other tax groups or individual companies	34,725	52,308
Total current tax liabilities	**34,725**	**52,308**

Current tax assets and liabilities consist of tax assets and liabilities that are expected to be offset against the Group's corporate tax liability when the tax return is filed.

10.c) Deferred tax assets and liabilities

In addition, at December 31, 2017 the Group had anticipated and deferred tax assets totalling EUR 84,316 and EUR 332,646 thousand respectively, recognised under "Deferred tax assets" and "Deferred tax liabilities".

At December 31, 2016 the deferred tax assets and liabilities amounted to 91,051 thousand euros and 340,278 thousand euros, respectively.

The origins of the deferred tax assets and liabilities available to the Group at December 31, 2017 and 2016, are as follows:

	Thousands of euros	
Deferred tax liabilities arising from:	**31/12/2016.**	**31/12/2017.**

Tax losses charged	15,735	13,178
Tax adjustments in technical provisions	32,494	46,047
Tax goodwill	10,011	7,849
Provisions for insolvencies	6,352	4,338
Expense for the outsourcing of pensions	33,740	27,428
Accelerated amortisation balance update	184	142
Provision for bills pending collection	2,276	2,524
Other deferred tax liabilities	25,497	17,031
SUM	126,289	118,537
Offsetting (*)	(35,238)	(34,221)
TOTAL	**91,051**	**84,316**

(*) This offsetting complies with the criteria for offsetting deferred tax assets and liabilities established by IAS 12.

	Thousands of euros	
Deferred tax liabilities arising from:	**31/12/2016.**	**31/12/2017.**
Adjustments for valuation of financial investments	215,178	207,704
Stabilisation reserve	120,659	120,417
Tax adjustments in technical provisions	14,047	17,424
Other deferred tax assets	25,632	21,322
SUM	375,516	366,867
Offsetting (*)	(35,238)	(34,221)
TOTAL	**340,278**	**332,646**

(*) This offsetting complies with the criteria for offsetting deferred tax assets and liabilities established by IAS 12.

10.d) Reconciliation of the accounting profit/loss and tax base

The reconciliation between the accounting profit/loss and the tax base for Corporate Tax is the following:

	FY 2017 in thousands of euros						
	Profit and Loss Account		**Revenue and costs directly charged to equity**		**Reserves**		**Total**
Balance of income and expenditure for the financial year	357,340		22,638		-		379,978
Company income tax	118,123		7,137		-		125,260
	A	.	A	.	A	.	
Permanent differences							
- Of the individual companies	74,760	(312,070)	-	-	-	-	**(237,310)**
Of the consolidation companies	-	-	-	-	-	-	**-**
Temporary differences							
- Of the individual companies	170,334	(182,687)	23,027	(52,802)	-	-	**(42,128)**
Of the consolidation companies	-	-	-	-	-	-	**-**
Compensation of tax losses of the previous years	(9,279)		-		-		**(9,279)**
Taxable Base	**216,521**		**-**		**-**		**216,521**

	FY 2016 in thousands of euros						
	Profit and Loss Account		**Revenue and costs directly charged to equity**		**Reserves**		**Total**
Balance of income and expenditure for the financial year	324,505		17,115		-		**341,620**
Company income tax	108,259		4,558		-		**112,817**
	A	.	A	.	A	.	
Permanent differences							
- Of the individual companies	51,142	(116,056)	-	-	-	-	**(64,914)**
Of the consolidation companies	-	-	-	-	-	-	**-**
Temporary differences							
- Of the individual companies	139,833	(279,286)	121,600	(99,923)	-	-	**(117,776)**
Of the consolidation companies	-	-	-	-	-	-	**-**
Compensation of tax losses of the previous years	(10,328)		-		-		**(10,328)**
Taxable Base	**218,069**		**43,350**		**-**		**261,419**

10.e) Reconciliation of accounting profit and tax expense

The reconciliation of the income tax expense resulting from applying the general tax rate in force in each country to the accounting profit obtained by the companies belonging to the Group and the income tax expense recorded for financial years 2017 and 2016 is shown below:

	FY 2017 in thousands of euros								
	Consolidated tax group - parent company	**Crédito y Caución SL**	**Tax group Seguros Bilbao**	**Grupo Previsora Bilbaína**	**Atradius N.V.**	**Securities Investment Companies**	**AIE Companies**	**Other Companies / Consolidation adjustments**	**Total Consolidated Group**
Earnings before tax according to local regulations	458,265	48,586	60,219	71,831	166,372	21,067	18	(350,895)	**475,463**
Contribution resulting from applying the tax rate of each country	114,566	12,146	16,861	20,112	45,419	211	-	(5,781)	**203,534**
Contribution deductions originating from:									
Double taxation	-	-	-	-	-	-	-	-	**-**
Investments	(1,863)	-	-	-	-	-	-	-	**(1,863)**
Provision for depreciation of investments and other balances	2,995	-	-	-	-	-	-	-	**2,995**
Deductions and eliminations of dividends	10,561	-	-	-	-	-	-	-	**10,561**
Offsetting of negative tax bases	-	-	-	-	(849)	-	-	-	**(849)**
Exempt income	(67,450)	(12,324)	(7,391)	(15,700)	1,398	-	-	-	**(101,467)**
Others	2,795	178	(376)	-	(762)	-	-	-	**1,835**
Regularisation of Corporate Tax 2016	1,311	396	-	-	1,670	-	-	-	**3,377**
Variation in local tax rates	-	-	-	-	-	-	-	-	**-**
Income tax expenses recorded with a balancing entry in the statement of income for 2017	**62,915**	**396**	**9,094**	**4,412**	**46,876**	**211**	**-**	**(5,781)**	118,123

FY 2016 in thousands of euros

	Consolidated tax group - parent company	Crédito y Caución SL	Tax group Seguros Bilbao	Grupo Previsora Bilbaína	Atradius N.V.	Securities Investment Companies	AIE Companies	Other Companies / Consolidation adjustments	Total Consolidated Group
Earnings before tax according to local regulations	542,393	45,101	45,638	14,015	95,097	4,950	27	(12)	**747,209**
Contribution resulting from applying the tax rate of each country	135,598	11,275	12,779	3,924	29,423	49	-	-	**193,048**
Contribution deductions originating from:									
Double taxation	(22,663)	-	(1,468)	-	(7,497)	-	-	-	**(31,628)**
Investments	-	-	-	-	10,370	-	-	-	**10,370**
Provision for depreciation of investments and other balances	1,211	-	11	-	-	-	-	-	**1,222**
Deductions and eliminations of dividends	(43,121)	(11,435)	-	-	-	-	-	-	**(54,556)**
Offsetting of negative tax bases	(243)	-	-	-	(206)	-	-	-	**(449)**
Exempt income	-	-	-	-	3	-	-	-	**3**
Others	3,421	160	(909)	(1,005)	(4,377)	-	-	(6,025)	**(8,735)**
Regularisation of Corporate Tax 2015	-	-	(600)	-	(416)	-	-	-	**(1,016)**
Variation in local tax rates	-	-	-	-	-	-	-	-	**-**
Income tax expenses recorded with a balancing entry in the statement of income for 2016	**74,203**	**-**	**9,813**	**2,919**	**27,300**	**49**	**-**	**(6,025)**	**108,259**

The difference between the income before tax presented in the above table and the figure shown in the income statement for 2017 is attributable mainly to the adjustments made on consolidation.

10.f) Years open for review by the tax authorities

According to the legal provisions in force in Spain, tax returns cannot be deemed definitively settled until they have been inspected by the tax authorities or, where applicable, the statute of limitations period has elapsed (currently, and in general, four years from the day following the end of the regulatory deadline set to submit the corresponding declaration or self-assessment).

The tax consolidation Group, whose parent company is Grupo Catalana Occidente, S.A., has open to inspection the tax from the financial year 2012 as adopting a criterion of maximum prudence, the Group proceeded to submit a supplementary declaration in respect of the fiscal years still subject to inspection in July 2017 (that is, the years 2012 to 2015), considering that, based on the judgement of the Supreme Court dated April 4, 2017, the fiscal limit laid down in the Additional Provision 6th of the ROSSEAR applied to the provision of benefits pending settlement or gross payment.

The above must be understood without prejudice to article 66.bis of Law 58/2003, of December 17, General Taxation, which establishes the right of the Administration to initiate a verification procedure for: (i) the bases or fees offset or pending offsetting or deductions applied or pending application, shall not be subject to inspection after 10 years from the day following the end of the regulatory deadline set for filing the declaration or self-assessment corresponding to the fiscal year or tax period in which the right to offset for these databases or fees was generated or that was applied to these deductions; and (ii) to investigate the facts, acts, elements, activities, operations, businesses, values and other circumstances determining the tax obligation to check the correct compliance of the applicable rules.

At December 31, 2017, Group Catalana Occidente and tax consolidation group have the following fiscal years open to inspection:

Taxes	FY
Company income tax	2013-2016 (*)
Value Added Tax	December 2014-November 2017 (**)
Withholdings on account of Income Tax and Corporation Tax	December 2014-November 2017 (**)
Tax on Insurance Premiums	December 2014-November 2017 (**)
Others	2014-2017
Local Taxes	2014-2017

(*) The Corporate Tax for the financial year 2017 is pending presentation, with the maximum date for submission being on 25 July 2018.
(**) In accordance with a judgement of the Supreme Court, defending a thesis in principle already passed, the financial year 2013 would not be subject to inspection as of January 30, 2018, after the expiry of the time limit for the submission of the Annual Summaries for that financial year.

The rest of the Group companies have, in general, the years determined by applicable tax law open for review by the tax inspection authorities for the main applicable taxes.

In connection with the inspection report filed in 2011 relating to Corporate Tax for the years 2005, 2006 and 2007, and challenged by the tax consolidation group, on 20 December 2016 the National Court ruled on the appeal filed, agreeing to declare the statute of limitations on the right of the Administration to carry out a settlement for the year 2006 and confirming the deduction for double taxation applied with respect to the dividends received for the financial years 2006 and 2007.

On February 20, 2017, the National Court declared the firmness of the resolution, as there was no record of the filing of any appeal in the period established for this purpose. Subsequently, on June 13, 2017, the act for execution of the judgement was issued.

Regarding the inspection order issued in 2013 with regard to the 2008 tax inspection report, the Company maintains activated an account receivable amounting to 14,047 thousand euros for the compensated and the tax administration claimed amount because it believes that, in accordance with its tax advisors and in keeping with previous proceedings along the same lines, appeals presented will prevail and the proceedings shall not involve any impact on the Group's equity.

The 2017 financial statements do not include any provisions related to inspection activities described above as the directors of the parent company, based on the opinion of its tax advisers, consider that the appeals proceedings will be successful and will not cause any impact on company equity for the Group.

Also, as a result of possible varying interpretations of applicable tax legislation for the years subject to inspection, contingent tax liabilities might result, which cannot be objectively quantified. However, the Directors of the parent company believe that the applicable tax debt, if any, would not have a significant effect on the financial statements.

In compliance with the provisions of Article 86 of Royal Decree 27/2014 of November 27, approving the revised text of the Law on Corporate Income Tax, it is noted that:

- In 1996, as a result of the process of total spin-off of Depsa, S.A. de Seguros y Reaseguros, the Company received a 100% stake in the company formed after the aforementioned spin-off process, which the same insuring activity and the same company name as the earlier company. The book value for which the Company recorded the shares received from the new company is the same that it held for its participation in the spin-off company, i.e., 296 thousand euros.

- On October 2, 2001 the Company made a contribution in kind of a line of business, receiving in exchange 298,515 shares of Seguros Catalana Occidente, S.A. de Seguros y Reaseguros of 60.101210 euros par value each, resulting in a total accounting value of 17,941 thousand euros. The list of assets, rights and obligations transferred to the transferee company, along with their corresponding accounting figures, appears in the detailed inventory of assets and liabilities included in the portfolio transfer and capital reduction/extension of Seguros Catalana Occidente, S.A. de Seguros y Reaseguros, executed before the Notary of Barcelona, Mr. Miguel Tarragona Coromina on October 2, 2001, No. 4,311 of his protocol.

- On March 22, 2007 the shareholders of Compañía Española de Seguros y Reaseguros de Crédito y Caución, S.A. (i.e., Crédito y Caución) formed a new company called Grupo Compañía Española de Crédito y Caución, Sociedad Limitada, through the contribution of all the shares they had from the former and a cash contribution of the remaining amount to reach the established share capital and share premium. According to the above, the Company subscribed for 7,772 shares of the new company, which accounts for a 43.18% stake of its share capital, the same as it had at that time at Crédito y Caución.

- On May 21, 2015, the sole shareholder of Seguros Catalana Occidente, S.A. de Seguros y Reaseguros, Sociedad Unipersonal (the "Absorbing Company"), the sole shareholder of Catoc Vida, S.A. de Seguros Sociedad Unipersonal and of Cosalud, S.A. de Seguros, Sociedad Unipersonal (the "Absorbed Companies") approved the merger through absorption of the Absorbed Companies by the Absorbing Company, through the transfer, as a block, of the assets it will acquire, through universal succession, including all assets, liabilities, rights and obligations and relationships of all type of the Absorbed Companies and the dissolution without liquidation, a circumstance that will entail the extinguishment of these. The operations of the Absorbed Companies are considered completed, for accounting purposes, from January 1, 2015, date of the beginning of the year approving the merger. The merger operation is taxed under the special regime regulated in Chapter VII of Title VII of Law 27/2014, of November 27, on Corporate Income Tax.

- On February 2, 2016, the sole shareholders of Compañía Española de Seguros y Reaseguros de Crédito y Caución, S.A.U. (the "Absorbing Company"), and Atradius Credit Insurance NV (the "Absorbed Company") approved the merger through absorption of the Absorbed Company by the Absorbing Company, through the transfer, as a block, of the assets it will acquire, through universal succession, including all assets, liabilities, rights and obligations and relationships of all type of the Absorbed Company and the dissolution without liquidation, a circumstance that will entail the extinguishment of these. The operations of the Absorbed Company are considered completed, for accounting purposes, from January 1, 2016, date of the beginning of the year approving the merger. The merger operation is taxed under the special regime regulated in Chapter VII of Title VII of Law 27/2014, of November 27, on Corporate Income Tax.

- On September 13, 2017, Salerno 94, S.A.U. (the "Absorbing company") absorbed Sociedad Gestión Catalana Occidente, S.A.U (the "Absorbed Company") in order to eliminate or at least reduce, the management and administrative costs involved in the maintaining companies engaged in the same activity in the Group. On the other hand, the Absorbing Company went on to hold the corporate name of the Absorbed Company (Sociedad Gestión Catalana Occidente, S.A.U.) The aforementioned merger benefited from the fiscal neutrality regime established in Chapter VII of Title VII of Act 27/2014, of November 27, for Corporate Tac ("IS Act), for which, and in accordance with said Act, the mandatory communication to the Tax Administration was undertaken. In compliance with the information obligations set out in article 86 of the IS Act, Sociedad Gestión Catalana Occidente, S.A.U has recorded in the Report of its individual annual accounts for the financial year 2017 that: (i) it did not incorporate into its accounting books any asset for a value different from those contained in the Absorbed Company prior to the completion of the operation; and (ii) the Absorbed Company did not transfer any tax benefit to it.

11. Other assets

The details of financial liabilities at December 31, 2017 and 2016, broken down by nature, are as follows (in thousands of euros):

Other assets	Thousands of euros

	31/12/2016.	31/12/2017.
Assets arising from pension commitments (see Note 14)	-	**20,814**
Accruals	**475,497**	**491,379**
Premiums earned and not issued, net of commissions and transfers	212,481	223,033
Commissions and other acquisition costs	225,249	226,290
Prepayments	18,763	23,935
Other accruals and deferrals	19,004	18,121
Other assets	**261**	**284**
TOTAL	**475,758**	**512,477**

12. Financial liabilities (Debits and payables)

The details of financial liabilities at December 31, 2017 and 2016, broken down by nature, are as follows (in thousands of euros):

	Portfolio of debits and other accounts payable	
	Thousands of euros	
Financial liabilities	**31/12/2016.**	**31/12/2017.**
Subordinated liabilities	**204,927**	**200,266**
Other Payables	**647,402**	**624,161**
Liabilities from insurance and coinsurance operations	132,389	119,347
Deposits received on buying reinsurance	59,170	57,734
Liabilities from reinsurance operations	136,777	91,926
Debts to credit entities	2,111	7,494
Other payables	316,955	347,660
TOTAL	**852,329**	**824,427**

12.a) Subordinated liabilities

Subordinated liabilities include the subordinated debt emissions issued by Atradius Finance B.V. and Atradius Reinsurance DAC, subsidiaries of Atradius N.V.

On September 23, 2014, Atradius Finance B.V. issued subordinated bonds for a nominal aggregate amount of 250,000 thousand euros with a maturity of 30 years, which may be re-purchased beginning on the tenth year, on a quarterly basis. The bonds are irrevocably, unconditionally and subordinately guaranteed by Atradius N.V., a Group company. During the first 10 years, bonds have a fixed nominal annual interest rate of 5.250%, payable in annual instalments and, from that date, they will have a nominal variable interest rate of Euribor 3 months plus 5.031%, payable quarterly in arrears. The bonds are listed on the Luxembourg Stock Exchange.

At the date of issuance, Plus Ultra has underwritten 40,000 thousand euros of the aforementioned subordinated bonds. Later, during the year 2016, Seguros Catalana Occidente and Seguros Bilbao underwrote 11,291 thousand euros and 2,000 thousand euros of nominal value, respectively. Additionally, during the year 2017, Seguros Catalana Occidente and Seguros Bilbao underwrote 2,000 thousand euros and 1,000 thousand euros of nominal value, respectively. These operations have been eliminated in the consolidation process.

On April 20, 2016, Atradius Reinsurance DAC received a subordinated loan, mainly from subsidiaries of the Group, in a nominal amount of 75,000 thousand euros, maturing in 10 years and with the possibility of a repurchase after the fifth year, on an annual bases. The loan has a fixed nominal interest rate of 5.0%, payable in arrears in annual instalments until the maturity date.

The creditors of the Group are Seguros Bilbao, Seguros Catalana Occidente and Nortehispana, which granted 40,000 thousand euros, 23,000 thousand euros and 6,000 thousand euros, respectively, of the aforementioned subordinated loan, which were eliminated in the consolidation process.

At December 31, 2017 the Group estimates the fair value of 100% of these subordinated liabilities at 375,725 thousand euros, based on binding valuations from independent experts. During FY 2017, interest for subordinated liabilities in an amount of 16,875 thousand euros were paid.

12.b) Other payables

A breakdown of the payables arising out of insurance, reinsurance and coinsurance contracts, together with other payables, at December 31, 2017 and 2016, is given below:

	Thousands of euros	
	31/12/2016.	**31/12/2017.**
Liabilities from direct insurance and coinsurance operations	**132,389**	**119,347**
• To insurees and coinsurers	65,775	38,148
• To mediators	35,607	37,995
• Conditioned payables	31,007	43,204
Deposits received on buying reinsurance	**59,170**	**57,734**
Liabilities from reinsurance operations	**136,777**	**91,926**
Debts to credit entities	**2,111**	**7,494**
Rest of other payables	**316,955**	**347,660**
TOTAL	**647,402**	**624,161**

“Rest of other payables” includes the following items at December 31, 2017 and 2016:

	Thousands of euros	
Other payables:	**31/12/2016.**	**31/12/2017.**
Tax and social payables	**55,975**	**41,304**
Public Treasury debt receivable for other items (withholdings, VAT, etc.)	17,646	13,893
Surcharges on insurance premiums	26,405	14,932
Social Security bodies	11,924	12,479
Other payables	**260,980**	**306,356**
Recoveries pending assignment	26,281	25,083
Deposits received	5,463	6,074
Research and Development project loan	3,404	5,377
Accrued expenses	155,858	176,735
Unpaid bills	8,615	19,893
Miscellaneous creditors	61,359	73,194
TOTAL	**316,955**	**347,660**

The following items are included under the section 'accrued expenses' at December 31, 2017 and 2016:

	Thousands of euros	
Accrued expenses by item	**31/12/2016.**	**31/12/2017.**
Personnel expenses	56,079	62,285
Production expenses	20,816	27,959
Supplies and external services	11,837	11,300
Other items	67,126	75,191
Total	**155,858**	**176,735**

13. Technical provisions

13.a) Detail of technical provisions

A breakdown of the provisions established at December 31, 2017 and the change with respect to December 31, 2016, together with reinsurers' share of these provisions, is given below (in thousands of euros):

Provision	Balance at 1 January 2017	Provisions charged to earnings	Amounts released with a credit to profit	Cost at December 31, 2017
Technical provisions:				
Unearned premiums	1,246,864	1,262,816	(1,246,864)	1,262,816
Provision for current risk	6,073	5,361	(6,073)	5,361
Life insurance:				
- For life insurance (**)	5,076,086	5,142,280	(5,076,086)	5,142,280
- For life insurance where risk is borne by policyholders	332,622	356,833	(332,622)	356,833
Claims	2,639,009	2,600,591	(2,639,009)	2,600,591
Provision for policyholder dividends and return premiums	6,495	5,933	(6,495)	5,933
Other technical provisions	43,872	51,369	(43,872)	51,369
	9,351,021	**9,425,183**	**(9,351,021)**	**9,425,183**
Reinsurer participation in technical provisions (transferred):				
Provisions for unearned premiums	189,134	190,237	(189,134)	190,237
Provision for life insurance	1,168	1,913	(1,168)	1,913
Provision for claims	704,820	648,912	(704,820)	648,912
Other technical provisions	-	1,466	-	1,466
	895,122	**842,528**	**(895,122)**	**842,528**

(*) On December 31, 2017, it includes 25,495 thousand euros corresponding to provisions for unearned premiums for products with coverage of less than one year.

The movements in these provisions in 2016 were as follows (in thousands of euros):

Provision	Balance at 1 January 2016	Incorporations to the scope (*)	Provisions charged to earnings	Amounts released with a credit to profit	Cost at December 31, 2016
Technical provisions:					
Unearned premiums	1,205,607	10,190	1,236,674	(1,205,607)	1,246,864
Provision for current risk	9,515	-	6,073	(9,515)	6,073
Life insurance:					
- For life insurance (**)	4,800,188	340	5,075,746	(4,800,188)	5,076,086
- For life insurance where risk is borne by policyholders	315,675	-	332,622	(315,675)	332,622
Claims	2,717,353	890	2,638,119	(2,717,353)	2,639,009
Provision for policyholder dividends and return premiums	7,043	-	6,495	(7,043)	6,495
Other technical provisions	18,939	21,510	22,362	(18,939)	43,872
	9,074,320	**32,930**	**9,318,091**	**(9,074,320)**	**9,351,021**
Reinsurer participation in technical provisions (transferred):					
Provisions for unearned premiums	185,188	948	188,186	(185,188)	189,134
Provision for life insurance	23,948	161	1,007	(23,948)	1,168
Provision for claims	792,853	127	704,693	(792,853)	704,820
Other technical provisions	130	-	-	(130)	-
	1,002,119	**1,236**	**893,886**	**(1,002,119)**	**895,122**

(*) Corresponds to the incorporation of Grupo Previsora Bilbaína to the scope of consolidation.

(**) On December 31, 2016, it includes 25,339 thousand euros corresponding to provisions for unearned premiums for products with coverage of less than one year.

In some forms of life insurance sold by Seguros Catalana Occidente, S.A. de Seguros y Reaseguros, mainly mixed and retirement insurance, the insured can choose when the policy expires between a capital or monthly income at an interest rate determined upon taking out the policy. The life insurance provision recorded at December 31, 2017 includes 884 thousand euros to reflect the value of these maturity options, calculated on the basis of each subsidiary's past experience and the estimated increased cost involved in the annuity option. This provision as of December 31, 2016 amounts to 754 thousand euros

In addition, for certain commitments acquired prior to January 1, 1999, at December 31, 2017 the Group maintains a provision of 21,744 thousand euros, both in order to be able to pay the guaranteed interest rate and also in order to pay future administrative expenses of these policies.

On October 3, 2000 the Directorate General of Insurance and Pension Funds published a Resolution in relation to mortality and survival tables to be used by insurance companies, and the PERM/F-2000P tables which became applicable for new production to be carried out after the entry into force of the Resolution was published (15 October 2000). For policies already in force at that date, companies were authorised to use the PERM/F-2000C tables. The Group maintains life insurance provisions that fully account for the impact of applying the abovementioned tables. In 2007, the Group started to use the PERM/F-2000P tables for policies already in force at the date of the abovementioned Resolution. The total provision as a result of the application of these tables in 2017 was 58,000 thousand euros.

A breakdown of the technical provisions for direct insurance and inward reinsurance at December 31, 2017 for the various businesses included in the Life and Non-life segments is given below:

	Thousands of euros

Provision at December 31, 2017	Non-Life				Life	Total
	Auto	Multirisk	Credit insurance	Other miscellaneous insurance		
Technical provisions:						
Unearned premiums and unexpired risks	320,289	305,757	502,164	139,967	25,495	**1,293,672**
Mathematical	-	-	-	-	5,116,785	**5,116,785**
Where the investment risk is borne by the Policyholders	-	-	-	-	356,833	**356,833**
Claims	470,178	223,847	1,469,214	303,742	133,610	**2,600,591**
Provision for policyholder dividends and return premiums	-	-	-	-	5,933	**5,933**
Other technical provisions	-	-	-	51,369	-	**51,369**
	790,467	**529,604**	**1,971,378**	**495,078**	**5,638,656**	**9,425,183**

Technical provisions for the direct and reinsurance business accepted for FY 2016 are detailed as follows:

Provision at December 31, 2016	Thousands of euros					
	Non-Life				Life	Total
	Auto	Multirisk	Credit insurance	Other miscellaneous insurance		
Technical provisions:						
Unearned premiums and unexpired risks	367,610	303,480	499,654	82,193	25,339	**1,278,276**
Mathematical	-	-	-	-	5,050,747	**5,050,747**
Where the investment risk is borne by the Policyholders	-	-	-	-	332,622	**332,622**
Claims	468,987	237,298	1,531,700	277,780	123,244	**2,639,009**
Provision for policyholder dividends and return premiums	-	-	-	-	6,495	**6,495**
Other technical provisions	-	-	-	43,872	-	**43,872**
	836,597	**540,778**	**2,031,354**	**403,845**	**5,538,447**	**9,351,021**

The amount of unrealised gains on financial assets classified as available-for-sale and at fair value through profit or loss attributable to the insured at the reporting date has been added to "Other liabilities". These deferred gains amount to 183,656 thousand euros as of December 31, 2017 (201,041 thousand euros as of December 31, 2016).

The amount of the provision for deferred policyholder dividends at December 31, 2017 represents an overall allocation of 27,1% (27.1% at December 31, 2016) of the total unrealised gains on investments linked to life insurance contracts with policyholder participation rights.

The interest charged for the years 2017 and 2016 to life insurance contracts have involved a total of 160,605 and 158,678 thousand euros respectively.

The effect of reinsurance granted in the profit and loss account for years 2017 and 2016 has been as follows:

	Thousands of euros	
	FY 2016	FY 2017
Premiums recorded to transferred reinsurance		
– Premiums transferred	749,425	774,009
– Variation of provision for unearned premiums	2,588	(6,046)
Commissions (*)	(267,754)	(272,010)
Cost of the transfer	**484,259**	**495,953**
Claims of reinsurance (*)	(340,051)	(324,833)
Total cost of reinsurance	**144,208**	**171,120**

(*) Reinsurance commissions and claims are presented in the profit and loss account netting the "Net operating expenses" and "Year claims net of reinsurance" sublines.

13.b) Changes in claims provisions

Below is the performance in the lines of Auto, Multirisk and Other Non-Life and Miscellaneous of the technical provision for claims established at the different dates for direct business, based on the occurrence of claims, according to the benefits paid and the reserves available for the same after the end.

The credit insurance methods for calculating technical provisions are other than those used in other lines of the Group (see note 3.j.2), so it must be noted that the following information has been prepared including the reinsurance assumed and net of claim recoveries and recognising as concurrence year the year in which the risk incurred.

	AUTO				
	Claims that occurred in FY 2012	Claims that occurred in FY 2013	Claims that occurred in FY 2014	Claims that occurred in FY 2015	Claims that occurred in FY 2016
Provision for claims originally estimated (*)	212,078	195,896	186,626	190,581	222,400
Estimated valuation of claims:					
One year later	195,746	178,510	169,468	176,217	213,280
Two years later	188,769	167,621	156,825	168,974	
Three years later	182,543	157,874	152,491		
Four years later	175,817	156,239			
Five years later	173,688				
Cumulative amounts paid:	166,125	141,745	132,835	126,962	110,348

	MULTIRISK				
	Claims that occurred in FY 2012	Claims that occurred in FY 2013	Claims that occurred in FY 2014	Claims that occurred in FY 2015	Claims that occurred in FY 2016
Provision for claims originally estimated (*)	115,935	93,646	83,713	108,372	80,896
Estimated valuation of claims:					
One year later	108,534	89,945	84,172	104,647	84,532
Two years later	107,636	89,431	84,768	104,138	
Three years later	107,321	89,125	83,089		
Four years later	105,903	88,975			
Five years later	104,994				
Cumulative amounts paid:	96,095	80,026	70,288	84,185	58,975

	CREDIT INSURANCE				
	Claims that occurred in FY 2012	Claims that occurred in FY 2013	Claims that occurred in FY 2014	Claims that occurred in FY 2015	Claims that occurred in FY 2016
Provision for claims originally estimated (*)	828,563	703,728	771,970	850,660	772,486
Estimated valuation of claims:					
One year later	812,622	618,552	769,160	807,490	692,418
Two years later	758,562	593,777	778,525	776,042	
Three years later	754,675	585,782	778,180		
Four years later	743,022	581,869			
Five years later	743,994				
Cumulative amounts paid:	710,421	554,981	708,461	729,815	569,054

	MISCELLANEOUS				
	Claims that occurred in FY 2012	Claims that occurred in FY 2013	Claims that occurred in FY 2014	Claims that occurred in FY 2015	Claims that occurred in FY 2016
Provision for claims originally estimated (*)	86,498	75,294	66,590	67,025	72,027
Estimated valuation of claims:					
One year later	69,865	67,084	69,763	66,219	70,484
Two years later	68,237	70,987	70,521	67,840	
Three years later	70,564	68,910	71,012		
Four years later	69,233	69,268			
Five years later	69,654				
Cumulative amounts paid:	60,167	54,459	54,219	43,765	37,143

(*) Not including the technical provision for claims settlement expenses.

14. Non-Technical Provisions

The breakdown as of December 31, 2017 and 2016 is as follows:

	Thousands of euros	
	31/12/2016.	31/12/2017.
Provision for taxes	8,553	9,722
Provisions for pensions and similar obligations	150,075	119,385
Temporary income - severance pay	4,706	4,577
Other commitments to personnel	6,028	11,842
Debts from agreements with insurers	599	5,804
Provisions for responsibilities	1,743	1,394
Provisions for restructuring	4,320	1,130
Onerous contracts	-	-
Legal / litigation	7,583	8,638
Other provisions	2,815	2,701
Total	**186,422**	**165,193**

Besides the stipulations noted in Note 10 and those that correspond to the nature of the insurance business which are duly valued and included, where necessary, in the claims provisions, the Group has no significant claims, lawsuits or court processes which individually imply damage or that may affect the consolidated financial statements as well as contingent liabilities that could involve the Group in law suits or involve the imposition of sanctions or penalties with a significant effect on the company's Equity.

At December 31, 2017 and 2016, the commitments are reflected in the provision for pensions and similar obligations are detailed as follows:

	2016 (thousands of Euros)			2017 (thousands of Euros)		
	Defined benefit	Defined contribution	Total commitments	Defined benefit	Defined contributio n	Total commitments
Commitments for pensions -						
Earned by active personnel	411,918	13,558	425,476	425,177	15,102	440,279
Due to retired personnel	456,067	-	456,067	458,927	-	458,927
Total Obligations	**867,985**	**13,558**	**881,543**	**884,104**	**15,102**	**899,206**
Assets connected to plan						
Assets connected to Atradius	726,762	-	726,762	796,058 (*)	-	796,058
Unrecognised assets Atradius Dutch plan	-	-	-	-	-	-
Total Assets	**726,762**	**-**	**726,762**	**796,058**	**-**	**796,058**
Provisions for pensions and similar obligations	**141,223**	**13,558**	**154. 781**	**88,046**	**15,102**	**103,148**

(*) Includes 20,814 thousands of euros of assets derived from pension commitments (see Note 11).

Assets and liabilities for pension obligations relate to assets and liabilities for defined benefit plans. The main defined benefit plans are in the UK, Germany, the Netherlands and Spain, accounting for 92% (2016: 96%) of the defined benefit obligations. The other plans involve subsidiaries of Atradius N.V. in Mexico, Norway, Belgium, Sweden, Italy, Switzerland and France. The recognition of assets and liabilities is stipulated independently for each plan.

There are also defined contribution plans in the Group. Contributions to these plans are accounted for as an expense in the income statement. Total contributions for the year 2017, for external funding, has been 16,352 thousand euros (2016: 10.509 thousand Euros).

The following table summarises the conciliation, the funding status and the amounts recognised in the consolidated balance sheet as of December 31, 2017 for defined benefit obligations (in thousands of euros):

	Defined benefit obligations		Fair value of plan assets		Impact of the minimum requirement / Asset limit		Net (Assets)/Liabilities for benefit obligations	
	2016	2017	2016	2017	2016	2017	2016	2017
Balance at January 1	**797,324**	**867,985**	**687,558**	**726,762**	**-**	**-**	**109,766**	**141,223**
Additions	**-**	**37,529**	**-**	**37,529**	**-**	**-**	**-**	**-**
Included in profit and loss								
Cost of services in current year	12,695	18,050	-	-	-	-	12,695	18,050
Cost for past services	(8,287)	(721)	-	-	-	-	(8,287)	(721)
Cost (income) from interest	20,183	17,617	18,700	15,627	-	-	1,483	1,990
Administration costs	450	532	-	-	-	-	450	532
Exchange rate effects	10,535	-	7,920	-	-	-	2,615	-
Total included in profit and loss	**35,576**	**35,478**	**26,620**	**15,627**	**-**	**-**	**8,956**	**19,851**
Included in OCI:								
Revaluation loss (gain):								
Actuarial losses (gains) for:								
- demographic assumptions	1,384	(70)	-	-	-	-	1,384	(70)
- financial assumptions	110,907	(5,054)	-	-	-	-	110,907	(5,054)
- experience adjustments	(8,749)	(6,536)	-	-	-	-	(8,749)	(6,536)
- adjustments for restrictions on net assets after defined benefit obligations	-	-	-	-	-	-	-	-
Revenue from assets connected to the plan excluding income from interest	-	-	55,893	32,861	-	-	(55,893)	(32,861)
Change in the unrecoverable surplus other than interest	-	-	-	-	-	(3,286)	-	3,286
Exchange rate effects	(54,210)	(11,825)	(53,020)	(11,739)	-	-	(1,190)	(86)
Total included in OCI:	**49,332**	**(23,485)**	**2,873**	**21,122**	**-**	**(3,286)**	**46,459**	**(41,321)**
Other:								
Employer contributions	(3,154)	(3,692)	24,994	19,178	-	-	(28,148)	(22,870)
Participant contributions	2,119	2,121	2,119	2,121	-	-	-	-
Benefits paid	(19,139)	(27,832)	(16,698)	(26,251)	-	-	(2,441)	(1,581)
Additional benefits/losses	5,927	(7,286)	(704)	(30)	-	-	6,631	(3,970)
Total other	**(14,247)**	**(36,689)**	**9,711**	**(4,982)**	**-**	**-**	**(23,958)**	**(28,421)**
Balance at December 31,	**867,985**	**880,818**	**726,762**	**796,058**	**-**	**(3,286)**	**141,223**	**88,046**

Financial instruments not qualified as plan assets

The Group has pension-related assets which under IAS 19 cannot be recognised as plan assets (more details on plans are included below).

In Germany, for one of the plans, assets totalling 16,700 thousand euros (16,700 thousand euros in 2016) are recognised as part of financial investments because in a bankruptcy situation, these assets are not fully insured for members of pension schemes. In the United Kingdom, there are financial investments in an amount of 29,900 thousand euros (29,700 thousand euros in 2016) in an escrow account to support the country's pension fund. In case of insolvency, the trustee of the pension fund has rights over these investments, provided that certain conditions are met.

Actuarial gains and losses

During 2017 actuarial gains stood at 11,660 thousand euros (103,542 thousand euros in actuarial losses in the year 2016) for defined benefit obligations.

Characteristics of the main defined benefit plans

The following table highlights the main characteristics of defined benefit plans:

Characteristic	UK	Germany	The Netherlands
Commitment	Right to pension based on percentage of final salary (closed to new employees).	Right to pension based on percentage of average salary over the last 10 years.	Right to pension based on percentage of average salary (maximum 0.1 million euros - closed to new employees).
Census	152 active (2016: 173 active members). 523 non-active (2016: 494 non-active members).	504 active (2016: 508 active members). 433 non-active (2016: 418 non-active members).	317 active (2016: 333 active members). 1,367 non-active (2016: 1,319 non-active members).
Defined benefit obligations	282 million euros (2016: 285 million euros).	121 million euros (2016: 118.5 million euros).	331 million euros (2016: 348 million euros).
Plan Assets	303 million euros (2016: 287 million euros).	76 million euros (2016: 74.7 million euros). Assets for 16.7 million euros (2016: 16.7 million euros) are recognised as part of financial investments.	334 million euros (2016: 321.7 million euros).
Revaluations gains (losses) in OCI	EUR 14.2 million – gain (2016: 20.3 million euros – loss).	1 million euros – gain (2016: 1.7 million euros – loss).	EUR 27.2 million – gain (2016: 14.2 million euros – loss).
Instrumentation	The bases of the financing agreement for both commitments are set forth in the Trust Deed and Rules. The pension fund performs actuarial valuations every three years to determine the contributions to be paid by the employer.	A contractual agreement is established as a financing vehicle to cover part of the pension liabilities. There is no specific financing agreement even though assets must exceed the 39.2 million euros financed initially.	The employer contributes an annual base premium as a total percentage of the eligible salaries of all active participants, which may not fall below regulatory requirements.
Employee contributions	In 2017, contributions rose to 7.1% (2016: 5.5%) of pensionable salary.	None.	Employees contribute 7% of their pensionable salaries.

Characteristic	UK	Germany	The Netherlands
ALM Strategy	Every 3 years, an ALM study is carried out to review the investment policy. The policy consists in maintaining government and corporate bonds regarding pensioners, in order to match retired personnel and maintain active personnel expected to offer a return compared to non-pensioners.	The investment objectives and policies are developed based on an ALM study. The investment policy limits the interest-rate risk, restricting the investment in bonds to fixed-interest bonds. The risk of variable income is controlled according to the Dow Jones Euro Stoxx 50 index.	An ALM study that analyses the impact of the strategic investment policy is carried out at least once every three years. The interest-rate risk is partially covered through the use of debt instruments in combination with Liability Driven Investment funds.

Fair value of plan assets

The fair value of plan assets at year end is analysed in the following table (in thousands of euros):

Plan Assets	2016	2017
Cash and cash equivalents	2,425	24,029
Variable Income	291,924	286,588
Fixed income	184,791	214,714
Investment funds	210,082	193,273
Insurance contracts	23,806	62,712
Property assets	13,734	14,742
Total	**726,762**	**796,058**

All equities and government bonds are traded in active markets. The plan assets do not include any instrument of the Group's own equity nor any property occupied or other assets used by the Group.

The current yield on plan assets in 2017 was 48,500 thousand euros (78,200 thousand euros in 2016).

In 2018 the Group expects to contribute approximately 16,400 thousand euros to defined benefit plans.

The main assumptions used in financial years 2017 and 2016 for the major defined benefit plans are as follows:

Main actuarial assumptions	UK 2016	UK 2017	Germany 2016	Germany 2017	The Netherlands 2016	The Netherlands 2017
Discount rate	2.50%	2.50%	1.75%	1.75%	1.75%	2.00%
Inflation rate	3.25%	3.50%	1.50%	1.50%	1.75%	1.75%
Expected increase of future salaries	2.40%	2.40%	2.05%	2.05%	1.75%	1.75%
Expected increase of future benefit levels	3.00%	3.00%	1.25%	1.25%	0.875%	0.875%
Mortality table	CMI 2015 (1.5% LTR)	CMI 2015 (1.5% LTR)	Heubeck Richttafeln	Heubeck Richttafeln	Prognoseta fel AG2016	Prognoseta fel AG2016
Duration	20	21	17	16	22	21

Discount rate breakdowns were obtained by hypothetical yield curves developed from information provided by the yield of corporate bonds in the market. According to international standards defined under IAS 19, the definition of these curves is based on the performance of AA credit quality corporate bonds.

Possible reasonable changes at year-end in one of the main assumptions, holding other assumptions constant, would have the following effect on the value of obligations (in thousands of euros):

Defined benefit obligations	2016		2017	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(135,294)	178,635	(128,986)	170,004
Salary growth rate (1% movement)	18,702	(17,627)	18,034	(15,718)
Inflation rate (1% movement)	92,574	(89,035)	105,044	(89,593)
Expected increase of future benefit levels (1% movement)	140,618	(110,748)	134,719	(102,249)
Future mortality (+ 1 year)	28,544	-	27,738	-

The aforementioned sensitivity analysis has been obtained using the "Projected Unit Credit" calculation method and we have proceeded to replicate the calculation of obligations by changing a variable and leaving all other actuarial assumptions constant. A limitation of this method is that some of the variables may be correlated. There has been no change in the methods and assumptions used in preparing the sensitivity analysis for previous years.

15. Equity attributed to parent company shareholders

As part of the consolidated financial statements, the Group presents a statement of changes in consolidated equity which shows, among other things:

- The year's results derived from the profit and loss account
- Each of the year's income and expense items which, according to IFRS has been reflected directly in the net equity,
- The total of the year's income and expenses (result of adding the two previous sections), showing the total amount attributed to shareholders of the parent company and minority shareholders separately,
- The effects of changes in accounting policies and the correction of errors in each of the net equity components, if any,
- The amounts of transactions that holders of net equity instruments have undertaken as, for example, capital contributions, the repurchase of own shares held in treasury and dividend distributions, showing these distributions separately, and
- The balance of retained earnings at the beginning of the year and the balance sheet date, as well as changes during the year.

The Group also separately details all income and expenses that have been recognised during the year, either through the profit or loss account or directly to equity. This state is called "Recognised income and expenses state" state and is supplementary to the information provided in the net equity change status.

In FY 2017 the Group's parent company has not undertaken significant changes in its accounting policies.

15.a) Capital

The parent company's registered share capital stands at 36,000 thousand euros consisting of 120,000,000 fully subscribed and paid in book entry shares of 0.30 euros par value each represented in book-entry form. All shares have the same rights and the parent company may issue shares without voting rights.

The shareholders owning 10% or more of the parent company's share capital on December 31, 2017 were as follows:

	Percentage equity
Corporación Catalana Occidente, S.A.	31.15%
La Previsión 96, S.A.	25.00%

The share ratio of previous shareholders has not differed at all with regard to FY 2016.

INOC, S.A. which owns 100% of Corporación Catalana Occidente, S.A. and 64.52% of La Previsión 96, S.A, direct and indirectly owns 53.76% of the parent company on December 31, 2017 and belongs to a group whose parent is CO Sociedad de Gestión y Participación, S.A.

15.b) Share premium and Reserves

The statement of changes in equity attached to these financial statements details the balances of the share premium and retained earnings at the beginning of 2017 and at December 31, 2017, as well as the movements during the year.

The breakdown of the share premium and each type of reserve as of December 31, 2017 and 2016 is as follows:

	Thousands of euros	
	Balance at 31/12/2016	Balance at 31/12/2017
Share issuing premium	**1,533**	**1,533**
Differences from adjustment of capital to euros	61	61
Legal reserve	7,212	7,212
Voluntary reserves of the parent company	673,455	778,265
Reserves in companies by global integration	985,647	1,074,133
Reserves in companies consolidated by the method of stake (equivalence)	10,899	15,306
Reserves	**1,677,274**	**1,874,977**
Total Share premium and Reserves	**1,678,807**	**1,876,510**

15.b.1) Share issuing premium

The balance of this type of reserves, according to the revised text of the Law on Capital Companies can be used to expand capital. Not restriction whatsoever is established for its availability.

15.b.2) Differences from adjustment of capital to euros

The balance of this reserve comes from the capital reduction carried out in FY 2001 as a result of changing corporate capital to euros. Availability is subject to the same requirements as the legal reserve.

15.b.3) Legal reserve

Under the Consolidated Text of the Law on Capital Companies, 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital. The legal reserve may be used to increase corporate capital in the balance that exceeds 10% of the capital already increased. Only to this end and as long as it does not exceed 20% of the corporate capital, this reserve can only be used to compensate losses, as long as there are no other sufficient reserves available to this end. At the various dates presented, the amount of this reserve accounted for 20% of corporate capital.

15.b.4) Voluntary reserves of the parent company

Breakdown as of December 31, 2017 and 2016 is as follows (in thousands of euros):

	31/12/2016.	31/12/2017.
Voluntary reserves	663,351	768,161
Merger reserve	9,799	9,799
Other reserves	305	305
Total	**673,455**	**778,265**

The balances of these reserves are freely available. The merger reserve stems from the merger with Occidente, Cía. de Seguros y Reaseguros in the year 1988.

15.b.5) Reserves and Other accumulated comprehensive income in consolidated companies

A breakdown by entities of amounts in this consolidated balance sheet account as at December 31, 2017 and 2016, taking into account the adjustments for consolidation, is given below:

	Thousands of euros					
	31/12/2016.			31/12/2017.		
	Reserves	Other accumulated global result	Total	Reserves	Other accumulated global result	Total
Consolidated by global integration:						
Grupo Catalana Occidente, S.A.	186,962	-	**186,962**	136,942	-	**136,942**
Seguros Catalana Occidente, Sociedad Anónima de Seguros y Reaseguros	152,922	342,449	**495,371**	169,126	319,200	**488,326**
Grupo Catalana Occidente Tecnología y Servicios, A.I.E.	119	-	**119**	113	-	**113**
Nortehispana, S.A. Cía de Seguros y Reaseguros	50,382	20,684	**71,066**	45,627	23,470	**69,097**
Bilbao Compañía Anónima de Seguros y Reaseguros, S.A. and subsidiaries	(8,131)	122,555	**114,424**	(920)	146,895	**145,975**
Plus Ultra, Seguros Generales y Vida, S.A. de Seguros y Reaseguros	45,104	1,591	**46,695**	51,230	5,939	**57,169**
Cosalud Servicios, S.A.	9,033	398	**9,431**	9,136	259	**9,395**
Grupo Compañía Española de Crédito y Caución, S.L. / Atradius N.V.	443,283	45,068	**488,351**	553,050	35,096	**588,146**
Tecniseguros, Sociedad de Agencia de Seguros, S.A.	4	-	**4**	(14)	-	**(14)**
Prepersa, de Peritación de Seguros y Prevención, A.I.E.	860	28	**888**	868	14	**882**
Sociedad Gestión Catalana Occidente, S.A.	27,508	-	**27,508**	29,600	-	**29,600**
Hercasol, S.A. SICAV (*)	15,571	5,118	**20,689**	17,834	4,998	**22,832**
Catoc, SICAV, S.A.	58,682	33,123	**91,805**	60,414	30,653	**91,067**
C.O. Capital Ag. Valores	3,563	71	**3,634**	3,947	47	**3,994**
Grupo Catalana Occidente Contact Center, A.I.E.	(2)	-	**(2)**	(2)	-	**(2)**
Inversions Catalana Occident, S.A.	273	-	**273**	228	-	**228**
Grupo Catalana Occidente Gestión de Activos S.A., S.G.I.I.C.	(494)	39	**(455)**	(566)	44	**(522)**
GCO Reaseguros, S.A.	8	19	**27**	2,547	17	**2,564**
GCO Gestora de Pensiones, E.G.F.P., S.A. (**)	-	-	**-**	-	(2)	**(2)**
Grupo Previsora Bilbaína	-	41	**41**	(5,027)	(326)	**(5,353)**
	985,647	**571,184**	**1,556,831**	**1,074,133**	**566,304**	**1,640,437**
Accounted for using the equity method:						
Calboquer, S.L.	23	-	**23**	40	-	**40**
Asitur Asistencia, S.A.	4,021	-	**4,021**	4,166	-	**4,166**
Gesiuris, S.A. S.G.I.I.C.	447	78	**525**	536	139	**675**
Inversiones Credere, S.A.	6	-	**6**	(517)	-	**(517)**
Atradius - Partners	6,402	3,181	**9,583**	11,081	879	**11,960**
	10,899	**3,259**	**14,158**	**15,306**	**1,018**	**16,324**
TOTAL	**996,546**	**574,443**	**1,570,989**	**1,089,439**	**567,322**	**1,656,761**

(*) On March 10, 2017, Inversiones Menéndez Pelayo, SICAV, S.A. absorbed Hercasol, S.A. SICAV, adopting in the same act the name of the absorbed company.

(**) Entity established on April 26, 2017, whose sole shareholder is Grupo Catalana Occidente, S.A.

15.c) Stocks and treasury Shares

The balance of this subheading, which is the result of deducting the equity attributable to the shareholders of the parent company from the consolidated balance sheet on December 31, 2017 and 2016, in accordance with the reporting requirements established by IAS 32, which corresponds to the shares of Grupo Catalana Occidente, S.A. property of the subsidiary Sociedad Gestión Catalana Occidente, S.A.U.

The total of Group shares owned by the company of the subsidiary Sociedad Gestión Catalana Occidente, S.A.U on December 31, 2017 represents 1.68% of the capital issued as of that date (1.70% as of December 31, 2016). During FY 2017, the percentage of shares outstanding held by the above company has remained at 1.69% calculated on a daily basis. The average price of the portfolio as of December 31, 2017 was 8.97 euros per share, (8.97 euros per share on December 31, 2016). These shares are available-for-sale in order to safeguard liquidity. There are no more Grupo Catalana Occidente S.A. shares held by other Group companies or third parties that operate on their behalf. Additionally, on December 31, 2017, neither the parent company, nor the companies of the Group held obligations based on the payment of shares of the parent company.

The development of acquisitions and sales carried out by Salerno, 2017 S.A. during FY 2017 and 2016 has been as follows:

	Thousands of euros		Number of shares
	Cost of acquisition	Nominal value	
Cost at January 1, 2016	**17,421**	**601**	**2,004,282**
Additions (*)	872	11	35,255
Withdrawals	-	-	-
Cost at December 31, 2016	**18,293**	**612**	**2,039,537**
Additions	-	-	-
Withdrawals (*)	(185)	(6)	(20,646)
Cost at December 31, 2017	**18,108**	**606**	**2,018,891**

(*) Purchases and sales carried out by Sociedad Gestión Catalana Occidente, S.A.U.

15.d) Distribution of results

The Board of Directors will propose to the shareholders, at the Annual General Meeting, that the 2017 profit of Grupo Catalana Occidente, Sociedad Anónima be distributed as follows:

Distribution	Financial year 2017 Thousands of euros
To dividends	93,012
To voluntary reserves	46,969
Net profit for the year	**139,981**

The payout for FY 2016 approved by the parent company's General Meeting of Shareholders, held April 27, 2017 is as follows:

Distribution	Financial year 2016 Thousands of euros
To dividends	86,784
To voluntary reserves	104,810
Net profit for the year	**191,594**

Previously, at meetings held on June 30, 2016, September 29, 2016 and January 26, 2017, the parent company's Board of Directors had approved the distribution of a total interim dividend of 49,356 thousand euros out of 2016 profit. Payment was effected in instalments, on July 13, 2016, October 13, 2016 and February 15, 2017.

The consolidated net benefit of FY 2016 is detailed in the statement of changes in equity.

15.e) Dividends

The various amounts paid by shareholders in FY 2017 as dividends is as follows:

Governing body:	Date of resolution:	Date of payment:	Type of dividend:	Per share in euros	Total in thousands of euros
Board of Directors	January 26, 2017.	February 15, 2017.	3rd Interim divided 2016 profit	0.1371	16,452
General Meeting of Shareholders	April 27, 2017.	May 10, 2017.	Supplementary dividend	0.3119	37,428
Board of Directors	June 29, 2017.	July 12, 2017.	1st Interim divided 2017 profit	0.1440	17,280
Board of Directors	September 28, 2017.	October 11, 2017.	2nd. Interim divided 2017 profit	0.1440	17,280
					88,440

Interim dividends for FY 2017 have been calculated by reference to the balance sheet of the parent company at the following dates and with the following breakdown:

	Thousands of euros	
	June 29, 2017.	**September 28, 2017.**
Sum of available and realisable assets	78,302	81,829
Sum of payable liabilities (*)	56,844	49,908
Estimated liquidity surplus	21,458	31,921
Interim Dividend	17,280	17,280

(*) Includes the proposed interim dividend

The completed dividend payouts during FY 2017 comply with the requirements and limitations established by the current legal framework and the Articles of Association in the parent company.

Additionally, the Board of Directors of the Company, at its January 25, 2018 meeting, resolved to distribute a third interim dividend for FY 2017 based on 2013's results amounting to 17,280 thousand euros, which was paid on February 14, 2018. This dividend has been calculated taking the balance of the Company on January 25, 2018 as a reference, with the following breakdown:

	Thousands of euros January 25, 2018.
Sum of available and realisable assets	97,069
Sum of payable liabilities (*)	69,625
Estimated liquidity surplus	27,444
Interim Dividend	17,280

(*) Includes the proposed interim dividend

15.f) Earnings per share

The earnings per share are determined by dividing the net result attributable to the Group by the weighted average of ordinary shares outstanding during the period, excluding the average number of treasury shares held over that time.

This calculation is illustrated as follows:

	2016	2017
From continued and interrupted operations: Net profit attributable to shareholders of the parent company (thousands of euros)	295,599	325,447
Weighted average number of shares issued (thousands of shares)	120,000	120,000
Minus: Weighted treasury shares (thousands of shares) (*)	(2,022)	(2,027)
Weighted average number of shares outstanding (thousands of shares)	117,978	117,973
Basic earnings per share (euros)	**2.51**	**2.76**
From discontinued operations: Net profit attributable to shareholders of the parent company for interrupted operations (thousands of euros)	-	-
Basic earnings per share (euros)	**2.51**	**2.76**

(*) Refers to treasury shares held in treasury stock for 2016 and 2017.

As there are no stock options, warrants or other equivalent instruments that might cause a potential dilutive effect, the earnings per share figure is the same as the diluted earnings per share in the different periods presented.

15.g) Other accumulated comprehensive income

The other accumulated comprehensive income outside of the profit and loss account includes the amounts relating to income and expenditure charged directly to equity broken down between items that were not reclassified to profit/loss and those that can be reclassified subsequently to profit/loss.

Among the main items that can later be reclassified with the profits/losses of the period are: those corresponding to the changes in the assessment of the assets that are maintained classified in the portfolio of "financial assets available for sale", including corrections of accounting asymmetries generated by assignment to policyholders of unrealised net gains of the investments as well as those associated to currency differences upon exchange of balances held in a currency foreign to said portfolio and the foreign subsidiaries of Atradius, N.V.

Thousands of euros

	Balances at 31/12/2016.	Balances at 31/12/2017.
Available-for-sale financial assets	672,093	676,483
Exchange Differences	(7,306)	(24,141)
Correction of accounting mismatches	(93,603)	(86,038)
Entities accounted for using the equity method	3,259	1,018
Other adjustments	-	-
Other accumulated global result	**574,443**	**567,322**

Another accumulated global result- items that may be reclassified subsequently to results by:

Available-for-sale financial assets

This heading basically encompasses the net amount of the changes in the fair value of available-for-sale financial assets, which, as stated in Note 3.b.5, are classified as part of the Group's consolidated equity. These changes are recorded in the consolidated profit and loss statement when the sale of source assets occurs.

Translation differences

This reserve encompasses mainly exchange gains and losses on non-monetary items recognised in equity.

Corrections of accounting mismatches

This item includes the changes in unrealised gains arising on financial assets classified in the available-for-sale portfolios at fair value through profit or loss that are attributable to life policyholders.

Entities accounted for using the equity method

Includes income and expenses charged directly to equity derivatives of holdings in entities valued by the equity method.

Another accumulated comprehensive income- items that may not be reclassified to profit/loss by:

Actuarial gains and losses

This includes the actuarial gains and losses arising from the calculation of the Group's pension obligations and the fair value of the Group's defined benefit plan assets, which are recognised as incurred, other than those constituted by the net amount of income and expenses recognised directly and definitively in equity. It also includes any reversal of assets that may occur when a plan's assets are greater than the expected benefit obligation and the Group cannot recover any surplus through redemptions of the pension vehicle, due to capital adequacy and control requirements (see Note 14).

16. Minority Interests

A breakdown of “Minority interests” and “Profit or loss attributable to minority interests” at December 31, 2017 and 2016, by consolidated company, is given below:

	Thousands of euros			
	31/12/2016.		31/12/2017.	
	Minority Interests	Profit or loss attributable to minority interests	Minority Interests	Profit or loss attributable to minority interests
Nortehispana, S.A. de Seguros y Reaseguros	255	20	259	29
Grupo Compañía Española de Crédito y Caución, S.L./ Atradius N.V.	294,505	28,602	318,942	31,119
Bilbao Compañía Anónima de Seguros y Reaseguros, S.A.	854	95	857	110
Catoc SICAV, S.A	182	3	202	25
Grupo Catalana Occidente Servicios Tecnológicos, A.I.E.	54	-	54	-
Grupo Catalana Occidente Contact Center, A.I.E.	1	-	1	-
Hercasol S.A. SICAV	5,188	178	5,739	590
Grupo Previsora Bilbaína	8	8	(61)	20
Total	**301,047**	**28,906**	**325,993**	**31,893**

The movements in “Minority interests” in 2017 and 2016 are shown in the statement of recognised income and expense and the statement of changes in equity.

17. Information in insurance contracts in primary segments

Total premiums from direct insurance and reinsurance accepted during 2017 and 2016 totalled 4,128,580 thousand euros and 4,107,323 thousand euros respectively. In addition, the Group has managed payments to pension plans and investment funds not reflected in the consolidated profit and loss account, amounting to 65,538 thousand euros during FY 2017 and 48,470 thousand euros in FY 2016.

The breakdown of earned premiums in 2017 and all other income and expense items, grouped according to the main segments and subsegments, is as follows:

	FY 2017 (thousands of euros)					
	Non-Life Segment				Segment Life	Total
	Auto	Multirisk	Credit and Suretyship	Other Miscellaneous		
Premiums attributed to accepted direct insurance and reinsurance business	**649,031**	**629,330**	**1,587,312**	**473,758**	**757,854**	**4,097,285**
Earned premiums from direct insurance	651,838	631,263	1,414,815	474,654	756,941	3,929,511
Earned premiums from accepted reinsurance	-	(172)	194,446	3,962	833	199,069
Variation in the provision for premiums pending collection	(1,081)	(519)	(1,435)	588	(89)	(2,536)
Variation in the provision for unearned premiums and current risks in direct insurance	3,888	1,962	25,247	4,287	395	35,779
Variation in the provision for unearned premiums in accepted reinsurance	-	318	(1,863)	(17)	(386)	(1,948)
Premiums recorded to reinsurance	**22,308**	**34,505**	**674,498**	**31,501**	**5,151**	**767,963**
Income from investments and property, plant and equipment	**42,886**	**33,716**	**35,869**	**23,868**	**202,664**	**339,003**
Income from investments assigned to insurance policies in which policyholders bear the investment risk	-	-	-	-	**26,418**	**26,418**
Other technical income	**2,650**	**1,405**	**249,140**	**1,151**	**4,849**	**259,195**
Claims incurred in the year, net of reinsurance	**457,679**	**321,848**	**428,712**	**209,774**	**735,738**	**2,153,751**
Benefits paid for direct insurance	412,170	328,558	572,565	213,802	727,790	2,254,885
Benefits paid for accepted reinsurance	-	36	98,236	262	(166)	98,368
Benefits paid for transferred reinsurance	7,877	29,174	316,772	8,655	2,086	364,564
Changes in benefit provisions for direct insurance	31,286	(12,186)	1,200	(3,385)	9,451	26,366
Changes in benefit provisions for accepted reinsurance	(2,405)	(5,676)	3,828	(1,244)	155	(5,342)
Changes in benefit provisions for transferred reinsurance	1,743	(14,218)	(31,013)	1,311	2,446	(39,731)
Expenses attributable to benefits	26,248	26,072	38,642	10,305	3,040	104,307
Change in other technical provisions, net of reinsurance	**-**	**-**	**-**	**6,030**	**82,988**	**89,018**
Provisions for life insurance	-	-	-	-	58,777	58,777
Provisions for life insurance where the investment risk is borne by policyholders	-	-	-	-	24,211	24,211
Other technical provisions	-	-	-	6,030	-	6,030
Provision for policyholder dividends and return premiums	-	-	-	-	**2,380**	**2,380**
Net operating expenses	**144,188**	**195,290**	**471,523**	**160,104**	**73,320**	**1,044,425**
Acquisition costs (commissions and other costs)	125,001	178,138	291,455	133,331	63,909	791,834
Administration costs	21,425	22,446	436,837	33,111	10,782	524,601
Commissions and shares in transferred reinsurance	2,238	5,294	256,769	6,338	1,371	272,010
Other technical expenses	**2,208**	**1,752**	**156**	**2,545**	**2,256**	**8,917**
Variation of deterioration for insolvencies	67	(319)	4	116	(133)	(265)
Other technical expenses	2,141	2,071	152	2,429	2,389	9,182
Expenses arising from property, plant and equipment and investments	**16,482**	**12,750**	**39,857**	**8,695**	**36,433**	**114,217**
Costs from investments assigned to insurance policies in which policyholders bear the investment risk	-	-	-	-	**9,678**	**9,678**
Technical-Financial Earnings	**51,702**	**98,306**	**257,575**	**80,128**	**43,841**	**531,552**

Below is a breakdown of earned premiums in 2016 and all other income and expense items, grouped according to the main segments and subsegments:

	FY 2016 (thousands of euros)					
	Non-Life Segment				Segment Life	Total
	Auto	Multirisk	Credit and Suretyship	Other Miscellaneous		
Premiums attributed to accepted direct insurance and reinsurance business	**624,095**	**622,982**	**1,555,914**	**426,087**	**858,595**	**4,087,673**
Earned premiums from direct insurance	638,971	624,084	1,371,450	424,867	857,888	3,917,260
Earned premiums from accepted reinsurance	-	(2,196)	190,010	1,849	400	190,063
Variation in the provision for premiums pending collection	165	(188)	(1,820)	786	(10)	(1,067)
Variation in the provision for unearned premiums and current risks in direct insurance	14,711	(906)	10,033	1,387	296	25,521
Variation in the provision for unearned premiums in accepted reinsurance	-	-	(2,667)	(1,544)	(593)	(4,804)
Premiums recorded to reinsurance	**20,302**	**35,177**	**661,781**	**28,638**	**6,115**	**752,013**
Income from investments and property, plant and equipment	**34,796**	**29,199**	**48,461**	**19,166**	**240,778**	**372,400**
Income from investments assigned to insurance policies in which policyholders bear the investment risk	**-**	**-**	**-**	**-**	**26,035**	**26,035**
Other technical income	**4**	**76**	**203,079**	**8**	**4,424**	**207,591**
Claims incurred in the year, net of reinsurance	**443,335**	**324,242**	**426,160**	**195,102**	**633,808**	**2,022,647**
Benefits paid for direct insurance	399,078	315,078	639,814	215,569	618,498	2,188,037
Benefits paid for accepted reinsurance	(1)	(7)	125,104	1,399	(555)	125,940
Benefits paid for transferred reinsurance	7,411	34,553	332,742	36,278	4,809	415,793
Changes in benefit provisions for direct insurance	28,444	1,068	(80,406)	(1,389)	15,598	(36,685)
Changes in benefit provisions for accepted reinsurance	497	713	(23,436)	(1,251)	(50)	(23,527)
Changes in benefit provisions for transferred reinsurance	7,114	(14,485)	(60,706)	(5,554)	(2,111)	(75,742)
Expenses attributable to benefits	29,842	27,458	37,120	11,498	3,015	108,933
Change in other technical provisions, net of reinsurance	**-**	**-**	**-**	**3,553**	**291,584**	**295,137**
Provisions for life insurance	-	-	-	-	274,636	274,636
Provisions for life insurance where the investment risk is borne by policyholders	-	-	-	-	16,948	16,948
Other technical provisions	-	-	-	3,553	-	3,553
Provision for policyholder dividends and return premiums	**-**	**-**	**-**	**-**	**1,480**	**1,480**
Net operating expenses	**136,484**	**197,879**	**422,023**	**144,040**	**73,163**	**973,589**
Acquisition costs (commissions and other costs)	117,586	178,794	288,142	121,935	64,370	770,827
Administration costs	20,984	23,741	386,665	28,591	10,535	470,516
Commissions and shares in transferred reinsurance	2,086	4,656	252,784	6,486	1,742	267,754
Other technical expenses	**619**	**2,451**	**7,079**	**2,310**	**1,563**	**14,022**
Variation of deterioration for insolvencies	47	340	148	49	152	736
Other technical expenses	572	2,111	6,931	2,261	1,411	13,286
Expenses arising from property, plant and equipment and investments	**19,335**	**16,900**	**55,067**	**10,669**	**45,329**	**147,300**
Costs from investments assigned to insurance policies in which policyholders bear the investment risk	**-**	**-**	**-**	**-**	**19,744**	**19,744**
Technical-Financial Earnings	**38,820**	**75,608**	**235,344**	**60,949**	**57,046**	**467,767**

The service income of Atradius, N.V. is included in the profit and loss account for 2017 and 2016 of the Credit Insurance sub segment under the heading “Other technical income”, as shown below:

	Thousands of euros	
	Financial year 2016	Financial year 2017
Collection and recovery services	41,543	44,711
Information and commission services	127,396	130,830
Other income from services	34,140	73,599
Total “Other technical income” – Credit insurance	**203,079**	**249,140**

The “Other income” and “Other expenses” sub-headings in the income statement of the Other Activities segment includes the following items:

Other income – FY 2017	Thousands of euros Other Activities Segment	Other costs – FY 2017	Thousands of euros Other Activities Segment
Collection awards	3,174	Recorded personnel expenses	16,719
Funeral Business income (*)	14,980	Other administration costs	16,266
Income due to sale of intangible assets	70	Funeral Business expenses (*)	6,424
Investment fund commissions	4,200	Amortisation intangible assets Plus Ultra	14,538
Other income	3,993	Other expenses	9,731
Total	**26,417**	**Total**	**63,678**

Other income – FY 2016	Thousands of euros Other Activities Segment	Other costs – FY 2016	Thousands of euros Other Activities Segment
Collection awards	3,179	Recorded personnel expenses	11,337
Funeral Business income (*)	4,356	Other administration costs	16,667
Income due to sale of intangible assets	3,306	Funeral Business expenses (*)	1,227
Investment fund commissions	3,614	Amortisation intangible assets Plus Ultra	5,501
Other income	4,310	Other expenses	2,846
Total	**18,765**	**Total**	**37,578**

(*) The amounts corresponding to the funeral business are not comparable as a result of the acquisition of Grupo Previsora Bilbaína on September 30, 2016.

The losses due to asset value impairment, broken down by the nature of these assets, registered in the accompanying consolidated profit and loss statement of financial year 2017 are as follows:

Impairment losses	Thousands of euros			
	Segment Non-Life	Life Segment	Other Activities Segment	Total
Available-for-sale financial assets (Note 6.a)	4,298	2,249	3,939	**10,486**
Loans and receivables (Note 6.a)	-	-	(69)	**(69)**
Material assets (Note 8)	2,641	(33)	488	**3,096**
Intangible assets (Note 9)	163	-	-	**163**
Investment in entities accounted for using the equity method (Note 7	11,701	-	2,233	**13,934**
Total	**18,803**	**2,216**	**6,591**	**27,610**

17.a) Composition of life business by volume of premiums

The breakdown of the life business (direct insurance) in 2017 and 2016, by premium volume, is as follows:

Premiums for life insurance (direct)	Thousands of euros	
	Financial year 2016	Financial year 2017
Premiums for individual contracts	788,731	716,628
Premiums for collective insurance contracts	69,157	40,313
	857,888	**756,941**
Periodic premiums	489,872	497,676
Single premiums	368,016	259,265
	857,888	**756,941**
Premiums for contracts without policyholder dividends	421,493	366,832
Premiums for contracts without policyholder dividends (1)	374,957	310,340
Premiums for contracts where risk is borne by policyholders	61,438	79,769
	857,888	**756,941**

(1) Includes insurance contracts with a spread between the guaranteed interest rate and the interest rate per the technical bases.

17.b) Technical conditions for the main types of life insurance

The technical conditions for the main types of life insurance, which account for more than 5% of life insurance premiums or provisions, are as follows:

Mode and type of coverage	Technical interest	Biometric table (*)	Thousands of euros					
			2016			2017		
			Premiums	Mathematical provision	Amount distributed for policyholder dividends	Premiums	Mathematical provision	Amount distributed for policyholder dividends
SEGUROS CATALANA OCCIDENTE								
Universal Jubilación Benefit at the time of retirement as capital or income	Indexed and 5%	GKM-80	14,686	274,923	1,346	12,554	275,196	1,338
Universal Vida y Jubilación As the previous one, plus capital for death if it occurs prior to retirement	Indexed, 3% and 5%	GKM-80	12,786	257,515	881	11,147	259,359	922
Universal Vida y Pensión Same as above.	Indexed, 3.5% and 5%	GKM-80	24,038	348,921	1,180	22,270	356,718	1,220
Universal PPA	Indexed	GKM-80; GKM/F-95/ PASEM2010	33,007	252,640	3,356	29,236	253,779	3,126
Universal PIAS	Indexed	GKM/F-95/ PASEM2010	53,810	200,021	2,368	54,494	215,766	2,379
Universal Ahorro Futuro	Indexed	GKM/F-95/ PASEM2010	44,485	175,969	2,473	41,453	193,358	2,598
Patrimonio Oro	Indexed 3.5%	GKM-80; GKM/F-95/ PASEM2010	83,061	617,532	2,132	31,244	567,840	864
Customer account	Indexed	PASEM2010	23,302	62,286	328	26,574	79,858	15
Renewable Temporary Individual Renewable annual temporary risk insurance.	2%	GKM-80 adjusted GKM/F-95 PASEM2010	40,047	8,936 (**)	-	41,612	9,187 (**)	-
Collective Insurance with Policyholder Dividends Benefit at the time of retirement as capital or income	2.25, 3.5 and 5% and matched operations	GRM-70; GR/F-80-2; GRM/F-95 PERM/F2000P	54,455	491,438	101	29,972	514,020	171
SEGUROS BILBAO								
Flexivida Seguros Bilbao	6.00%	GKM-70/ 80	5,407	118,789	-	4,416	112,182	-
Flexivida Seguros Bilbao indexed	Indexed	Unisex (PASEM/PASEF)	82,826	334,492	-	76,038	377,254	-
Plan de Jubilación Seguros Bilbao	4.22%	GRM-70 / 80 / 95	7,611	126,468	130	6,936	118,697	-
Cuenta ahorro seguro Seguros Bilbao	Indexed	Unisex (PASEM/PASEF)	18,497	116,279	-	16,784	113,217	-
PPA Seguros Bilbao	Indexed	Unisex (PASEM/PASEF)	10,126	61,068	-	8,194	63,587	-
Cuenta Única Seguros Bilbao	Indexed	Unisex (PASEM/PASEF)	46,793	231,701	-	28,522	233,467	-
PIAS	Indexed	Unisex (PASEM/PASEF)	14,806	51,458	-	17,103	60,625	-

Mode and type of coverage	Technical interest	Biometric table (*)	Thousands of euros 2016 Premiums	2016 Mathematical provision	2016 Amount distributed for policyholder dividends	2017 Premiums	2017 Mathematical provision	2017 Amount distributed for policyholder dividends
NORTEHISPANA								
Nortehispana Pensiones Deferred capital with policyholder dividends	6, 4, 3 and 2.4%	GRM – 95	5,998	107,916	1,398	5,186	99,302	1,215
Nortehispana Universal Contribution without policyholder dividends	3.75%	GKM/F- 95	23,517	69,182	-	22,525	79,029	-
PLUS ULTRA								
Renewable Annual Temporary Risk Insurance	0% - 6%	PASEM2010	12,485	6,390 (**)	-	12,746	6,347 (**)	-
Mixed Mixed Insurance	1.50% - 6%	PASEM2010	3,958	77,845	510	3,195	65,688	351
Savings plans, periodic premium Deferred Insurance with Premium Reimbursement	1.50% - 6%	GR95U	9,326	140,207	304	10,205	128,030	185
Savings plans, single premium Deferred Insurance with Premium Reimbursement	0.75% - 6%	GR95U	34,410	170,537	2	27,617	161,559	2
Collective Retirement Plan Insurance Insurance for capital and income for outsourcing pension commitments	0.3% - 6%	GR95U PERM/F2000P	4,527	71,728	90	2,258	60,637	10
Insured Benefit Plans (PPA) Retirement Insurance with survivorship and death coverage	1% - 2.50%	GR95U	12,929	80,692	910	10,531	84,567	759
PIAS Whole Life Insurance to constitute lifelong annuity	Variable (***)	PASEM2010	42,174	127,003	-	44,334	152,925	-
SIALP Individual Long term savings Insurance	Variable (***)	PASEM2010	5,091	6,622	-	7,606	13,707	-

(*) The biometric tables specified in the Technical Notes are shown, which subsidiaries depend on to calculate their life insurance provisions. Additional reserves are recorded to adapt to the new PERM/F-2000 and GRM/F – 95 tables (see Notes 3.j and 13.a) of the Consolidated Financial Statements).

(**) Provision for unearned premiums.

(***) Periodically variable interest rate. At December 31, 2017 equal to 2%

For all types of individual life insurance and certain group life insurance policies, policyholder dividends are allocated through increases in the life insurance provision in accordance with the term of the various policies. In the group life risk business, policyholder dividends are allocated to policyholders through premium reductions on policy renewal. Dividends accrued to the insured or beneficiaries but not yet allocated are recognised in the sub-heading "Technical provisions – Reserves for policyholder dividends and return premiums".

In accordance with the provisions of the current ROSSP, the assumed interest rate used to calculate the life insurance provision is as follows:

a) For obligations assumed since January 1, 1999, in respect of insurance policies with assigned (matched) investments, the subsidiaries have used the interest rate set forth in the technical bases (based on the internal rate of return of said investments). For policies without matched investments, the interest rate used is the rate set by the DGSFP for 2017 and 2016 (1.09% and 1.39% respectively) or for the year the policy came into effect, provided the duration of the collections specifically assigned to the policies, estimated at the market interest rate, is equal to or greater than the duration of the payments arising from the policies, based on their likelihood flows and estimated at the market interest rate.

b) For obligations assumed prior to January 1, 1999, the mathematical provisions continue to be calculated at the same assumed interest rate as is used to calculate the premium, up to the limit of the actual or expected return on the assets allocated to cover these provisions. Since the rate of return on the investments assigned for this purpose in 2017 and 2016 has exceeded the established assumed interest rate, no additional provision was required, except for certain types of policies issued by the subsidiary Bilbao Compañía Anónima de Seguros y Reaseguros, S.A., where the actual rate of return was insufficient to meet future administrative expenses arising from the policies.

17.c) Expenses by nature

A breakdown of staff costs for the years 2016 and 2017 and allocation to the profit and loss for each segment and sub-segments is shown below:

	Thousands of euros	
	Financial year 2016	**Financial year 2017**
Wages and Salaries	394,905	422,834
Social Security	79,014	84,969
Contributions to external pension funds	28,227	33,297
Compensations and rewards	6,172	6,636
Other personnel expenses	13,375	15,917
Total	**521,693**	**563,653**

Use of personnel expenses – FY 2017	**Segment Non-Life**	**Life Segment**	**Other Segment**	**Total** (Thousands of euros)
Claims incurred in the year, net of reinsurance	47,200	1,927	-	49,127
Expenses arising from property, plant and equipment and investments	1,531	2,352	-	3,883
Net operating expenses	417,700	26,411	-	444,111
Other expenses	48,330	1,483	16,719	66,532
Net Total	**514,761**	**32,173**	**16,719**	**563,653**

In 2016, of total staff costs 481,701 thousand euros went to the Non-life segment, 28,655 thousand euros to the Life segment and 11,337 thousand euros to the Other Activities segment.

18. Information on secondary segments

18.a) Earned premiums from direct insurance, inward reinsurance and other technical income

The secondary segments defined by the Group basically map the location of insured customers by management region, due to the integration of the Atradius N.V. business. A distinction is made between Spain and the following regions:

- The Netherlands and Scandinavian countries: Denmark, Finland, Norway and Sweden.
- Central and Eastern Europe, Greece and Turkey: Austria, Czech Republic, Germany, Hungary, Poland, Slovakia, Switzerland.
- Southern Europe: Belgium, France, Italy, Luxembourg and Andorra
- United Kingdom and Ireland
- North America: Canada, Mexico, United States.
- Oceania, Asia and other emerging markets: Australia, China, Japan, New Zealand, Singapore.

The geographical distribution of the direct insurance business in 2017 and 2016 was as follows:

	Thousands of euros			
	Distribution of earned premiums from direct insurance, inward reinsurance and other technical income, by geographical area			
	Financial year 2016		Financial year 2017	
Geographical Area	**Segment Non-Life**	**Life Segment**	**Segment Non-Life**	**Life Segment**
Domestic market	2,038,394	859,632	2,098,484	758,807
Export:				
- The Netherlands and Scandinavian countries	239,612	-	266,292	-
- Central Europe, Eastern Europe, Greece and Turkey	299,968	-	328,482	-
- Southern Europe	353,494	3,387	370,886	3,896
- United Kingdom and Ireland	266,501	-	277,770	-
- North America	98,393	-	104,604	-
- Oceania, Asia and other emerging markets	135,883	-	147,259	-
Total	**3,432,245**	**863,019**	**3,593,777**	**762,703**

18.b) Assets by geographical location

The distribution of the Group's assets by geographical location, based on the location of the service centres where the Group's insurance and complementary businesses are managed, is as follows:

Thousands of euros

	Spain	The Netherlands and Scandinavian countries	Central and Eastern Europe, Greece and Turkey	Southern Europe	United Kingdom and Ireland	North America	Oceania, Asia and other emerging markets	Rest of countries	Total
Assets at 31/12/2017	8,554,327	1,043,350	744,037	1,182,737	1,918,867	481,823	251,071	25,206	**14,201,418**
Assets at 31/12/2016	7,819,050	1,577,588	677,142	1,246,547	1,791,099	496,942	265,506	33,605	**13,907,479**

18.c) Acquisitions of property, plant and equipment and intangible assets

Thousands of euros

Financial year 2017	Spain	The Netherlands and Scandinavian countries	Central and Eastern Europe, Greece and Turkey	Southern Europe	United Kingdom and Ireland	North America	Oceania, Asia and other emerging markets	Total
Acquisitions of property, plant and equipment	27,197	1,130	1,526	4,118	3,119	1,018	387	**38,495**
Acquisitions of investment property	9,640	-	-	-	-	-	-	**9,640**
Acquisitions of "intangible assets"	5,445	11,048	1,473	961	13,653	-	3	**32,583**

Thousands of euros

Financial year 2016	Spain	The Netherlands and Scandinavian countries	Central and Eastern Europe, Greece and Turkey	Southern Europe	United Kingdom and Ireland	North America	Oceania, Asia and other emerging markets	Total
Acquisitions of property, plant and equipment	18,218	803	2,158	3,534	2,908	491	623	**28,735**
Acquisitions of investment property	125,943	-	-	-	-	-	-	**125,943**
Acquisitions of "intangible assets"	5,095	19,801	577	1,315	11,198	10	12	**38,008**

19. Details of related parties

During 2017, there have been no relevant operations by the company with other companies in the same Group that have not been eliminated in the process of producing the consolidated financial statements and that do not form part of the normal business of the company.

The detail of the most significant balances kept by the Group with the various related parties and the effect of transactions with them on the profit and loss account are shown below. All transactions between related parties are carried out at market conditions.

in thousands of euros	Associates	Key management staff	Other related parties (majority shareholder)
ASSETS			
Receivables	15	-	28,956
Total	**15**	**-**	**28,956**
LIABILITIES			
Accounts payable	793	-	437
Total	**793**	**-**	**437**
PROFIT AND LOSS			
Provision of services (payments)	(63,566)	-	(4,829)
Provision of services (charges)	14,368	-	1,205
Total	**(49,198)**	**-**	**(3,624)**
OTHERS			
Dividends paid	-	2,575	54,875
Total	**-**	**2,575**	**54,875**

The reinsurance and coinsurance operations, as well as balances with reinsurers and assignors, deposits established and technical provisions for reinsurance transactions made between Group companies, eliminated in the consolidation process during FY 2017 are as follows:

in thousands of euros	Group Companies
ASSETS/LIABILITIES	
Deposits for reinsurance	9,192
Credits/debts for reinsurance/coinsurance transactions	12,737
Technical provisions reinsurance	35,789
Acquisition costs and commissions	2,513
Total	**60,231**
PROFIT AND LOSS	
Premiums of accepted/transferred reinsurance	95,007
Benefits paid for accepted/transferred reinsurance	39,852
Interest	-
Change in technical provisions	11,552
Accepted/assigned reinsurance commissions	29,409
Total	**175,820**

20. Other information

20.a) Employees

In compliance with Article 260 of the revised text of the Law on Capital Companies, the Group provides the following breakdown of the average number of full-time employees (or equivalent) of the parent and its subsidiaries in 2017 and 2016 by job category and gender.

Professional category	Number of people			
	31/12/2016.	31/12/2017.		
		Men	Women	Total
Executives	273	225	44	269
Heads and graduates	1,348	975	443	1,418
Clerical and sales staff	5,037	2,613	2,654	5,267
Junior staff	394	107	291	398
Total	**7,052**	**3,920**	**3,432**	**7,352**

The total number of employees at December 31, 2017 is 7,594.

In the field of disability, the Group complies with the LISMI (Act for the social integration of the disabled) in different ways, either complying with the requirement to integrate 2% of the workforce with disabilities, or opting for a mixed formula between this integration and economic support to Special Employment Centres.

20.b) Board Members' and senior executives' remuneration and other benefits

The Board of Directors of the parent company is made up of 9 individuals, 8 men and 1 woman, and 7 corporate members, represented physically by 7 men.

In 2017 and 2016, the Board Members received the following remuneration from the subsidiaries:

Board Members' remuneration

Members of the Board of Directors	Thousands of euros	
	Financial year 2016	Financial year 2017
Concept of remuneration -		
Fixed remuneration	1,701	1,809
Variable remuneration	311	326
Allowances	574	608
Bylaws	3,282	3,386
Others	103	118
Total	**5,971**	**6,247**

In addition, the unconsolidated deferred variable remuneration stands at 98 thousand euros.

The Group has contracted a liability insurance policy whose holder is the parent company that encompasses, among other workers, the directors and managers of the Group. Said policy has generated an expense for the insurance payment in the year 2017 of 48 thousand euros.

Other Board Members' retributions

Members of the Board of Directors	Thousands of euros Financial year 2016	 Financial year 2017
Other benefits-	-	-
Advances	-	-
Loans granted	-	-
Pension schemes and funds: Contributions	-	-
Pension schemes and funds: Liabilities incurred	-	-
Life insurance premiums	325	345
Guarantees provided in favour of Board Members	-	-
Total	**325**	**345**

Remuneration of members of the senior management, excluding members of the Board of Directors

Senior Management	Thousands of euros Financial year 2016	 Financial year 2017
Total remuneration received by senior management	2,565	2,644

In addition, the unconsolidated deferred variable remuneration stands at 233 thousand euros.

In preparing these consolidated financial statements 6 people have been classified as senior managers as of December 31, 2017 (6 people as at December 31, 2016).

On December 31, 2017 and 2016 there have been no advances or loans granted by the Parent company to the members of the Board of Directors, nor have any liabilities been incurred by these members as security.

Under Article 229 of the Law on Capital Companies approved by Royal Decree 1/2010 of July 2, Board members and people linked to them must notify the Board any conflict of interests that they may have with the company.

The members of the Board of Directors and persons related thereto, as defined in art. 231 of the revised text of the Law on Capital Companies (TRLSC), have not been involved in conflicts of interest specified in art. 229 of that statute, since there has been no communication whatsoever in the sense indicated in paragraph 3 of this article to the Board of Directors or the rest of the Directors. Therefore, the financial statements do not include any breakdown in this regard.

20.c) Related party transactions

In accordance with Order EHA/3050/2004 of 15 September, it is noted that, apart from dividends and retributions received, no related-party transactions took place during the fiscal year with Board Members or managers or other similar parties, except for transactions which have been eliminated in the consolidation process and immaterial transactions undertaken in the normal course of business under normal market conditions. These last transactions are described in the Corporate Governance Report.

20.d) Auditors' fees

During 2017 and 2016, the fees for audit services and other services provided by the auditor of the Group's consolidated financial statements, Deloitte, S.L. and companies within the Deloitte network, and service fees charged by the auditors of annual accounts of the companies included in the scope of consolidation and entities related to them by control, joint ownership or management were as follows:

Financial year 2017

Description	Thousands of euros	
	Services provided by the main auditor (*)	**Services provided by other audit firms** (*)
Audit Services	2,874	347
Other verification services	848	336
Total Audit and related services	**3,722**	**683**
Tax Advisory Services	13	420
Other services	807	1,058
Total Professional Services	**820**	**1,478**

(*) Ex-VAT amounts.

Financial year 2016

Description	Thousands of euros	
	Services provided by the main auditor (*)	**Services provided by other audit firms** (*)
Audit Services	3,062	169
Other verification services	946	317
Total Audit and related services	**4,008**	**486**
Tax Advisory Services	-	1,215
Other services	452	789
Total Professional Services	**452**	**2,004**

(*) Ex-VAT amounts.

20.e) Information on deferrals for payments to suppliers: Information obligation under Law 15/2010 of 5 July

The information required by the third additional provision of Law 15/2010, of July 5, (amended through the second final provision of Law 31/2014, of December 3), prepared according to the ICAC Resolution of January 29, 2016, regarding the information to be included in the consolidated annual statements about the average period to pay suppliers in commercial operations, is detailed below.

According to what is allowed in the sole additional provision of the aforementioned Resolution, as this is the first period of application, comparative information is not presented.

	Payments made and pending payment by year-end.	
	Amount	
	2016	**2017**

Average period to pay suppliers (days)	18.61	17.03
Ratio of operations paid (days)	18.63	17.08
Ratio of operations pending payment (days)	18.07	15.27
Total payments made (thousands of euros)	266,157	302,237
Total pending payments (thousands of euros)	8,615	8,544

Pursuant to the ICAC resolution, to calculate the average period to pay suppliers, commercial operations corresponding to the delivery of goods or the supply of services payable from the entry into force of Law 31/2014, of December 3, have been taken into account.

For the exclusive purposes of providing the information required by this Resolution, suppliers are considered commercial creditors of debts to suppliers of goods or services included in the section “Rest of other payables” of current liabilities in the balance sheet.

The “Average period to pay suppliers” is understood as the period elapsed between the delivery of the goods or the supply of the services by the supplier and the effective payment of the operation.

The legal maximum payment limit applicable to the Company in Spain for the year 2017 under Law 3/2004 (amended by Law 11/2013, of July 26), which stipulates measures to address late payment in commercial transactions, is of 30 days except if there is an agreement between the parties that in no case may establish a period exceeding 60 calendar days.

At December 31, 2017, the Group held no outstanding balance with suppliers exceeding the statutory payment period.

21. Post balance sheet events

In addition to the interim dividend mentioned in Note 15, after the close of the year and until the date of preparation of these annual accounts, no events have taken place which affect them significantly, other than those explained in the above notes.

Appendix I: List of subsidiaries at December 31, 2017

Figures in thousands of euros

Company		% Voting rights			Summarised financial information						
(Registered name and domicile)	Activity	Direct	Indirect	Total	Total Assets	Share Capital	Equity reserves	Profit for the year net of dividends	Other accumulated global result	Earned Premiums Net of Reinsurance	Ordinary Income
Seguros Catalana Occidente, Sociedad Anónima de Seguros y Reaseguros Paseo de la Castellana, 4 Madrid	Insurance and reinsurance	100%	-	100%	5,264,568	18,030	242,442	96,707 *(1)*	322,153	1,040,542	-
Grupo Compañía Española de Crédito y Caución, Sociedad Limitada Paseo de la Castellana, 4 Madrid	Shareholder	73.84%	-	73.84%	635,608	18,000	606,588	10,930 *(2)*	-	-	49,297
Atradius NV and Subsidiaries David Ricardostraat, 1 1066 JS Amsterdam (Netherlands)	Credit and suretyship insurance and complementary insurance activities	35.77%	47.43%	83.20%	4,498,348	79,122	1,480,388	186,236	7,447	912,467	249,140
Sociedad Gestión Catalana Occidente, S.A. (*) Paseo de la Castellana, 4 Madrid	Financial investments	100%	-	100%	41,132	721	38,461	1,917	-	-	1,507
Cosalud Servicios, S.A. Avenida Alcalde Barnils, 63 Sant Cugat del Vallés (Barcelona)	Lease of industrial facilities and others	100%	-	100%	10,050	3,005	6,389	242	259	-	530
Grupo Catalana Occidente Gestión de Activos S.A., S.G.I.I.C. Cedaceros, 9 – planta baja Madrid	Financial investments	100%	-	100%	6,386	391	4,955	87 *(3)*	45	-	7,657
GCO Reaseguros, S.A. Paseo de la Castellana, 4 Madrid	Reinsurance	100%	-	100%	76,824	9,050	3,127	4,031 *(4)*	17	16,890	-
GCO Gestora de Pensiones, EGFP, S.A. Paseo de la Castellana, 4 Madrid	Management of pension funds	100%	-	100%	2,495	2,500	-	(3)	(2)	-	-
Bilbao, Compañía Anónima de Seguros y Reaseguros, S.A. Paseo del Puerto, 20 Getxo (Vizcaya)	Insurance and reinsurance	-	99.73%	99.73%	1,964,120	28,009	82,830	14,114 *(5)*	150,034	464,952	-
BILBAO HIPOTECARIA, S.A., E.F.C. Paseo del Puerto, 20 Getxo (Vizcaya)	Mortgages loans	-	99.73%	99.73%	63,854	4,450	1,128	517	-	-	2,152
S. Órbita, Sociedad Agencia de Seguros, S.A. Paseo del Puerto, 20 Getxo (Vizcaya)	Insurance Agency	-	99.73%	99.73%	2,590	1,100	257	11	-	-	7,883
Bilbao Telemark, S.L. Paseo del Puerto, 20 Getxo (Vizcaya)	Telemarketing	-	99.73%	99.73%	230	37	26	9	-	-	1,977
Bilbao Vida y Gestores Financieros, S.A. Paseo del Puerto, 20 Getxo (Vizcaya)	Insurance Agency	-	99.73%	99.73%	518	60	44	4	-	-	3,667

Company (Registered name and domicile)	Activity	% Voting rights: Direct	Indirect	Total	Summarised financial information: Total Assets	Share Capital	Equity reserves	Profit for the year net of dividends	Other accumulated global result	Earned Premiums Net of Reinsurance	Ordinary Income
Nortehispana de Seguros y Reaseguros, S.A. Paseo de la Castellana, 4 Madrid	Insurance and reinsurance	-	99.78%	99.78%	362,269	18,030	28,230	13,334	23,521	133,087	-

Figures in thousands of euros

Company		% Voting rights			Summarised financial information						
(Registered name and domicile)	Activity	Direct	Indirect	Total	Total Assets	Share Capital	Equity reserves	Profit for the year net of dividends	Other accumulated global result	Earned Premiums Net of Reinsurance	Ordinary Income
Plus Ultra, Seguros Generales y Vida, S.A. de Seguros y Reaseguros Plaza de las Cortes, 8 Madrid	Insurance and reinsurance	-	100%	100%	1,986,684	97,619	192,081	13,991 *(6)*	59,874	729,229	-
Hercasol, S.A. SICAV Avenida Diagonal, 399 Barcelona	Financial investments	-	88.69% (**)	88.69% (**)	50,786	70,602	(25,230)	5,371	-	-	5,903
Catoc SICAV, S.A. Cedaceros, 9 – planta baja Madrid	Financial investments	-	99.85% (**)	99.85% (**)	139,337	8,286	117,314	13,705	-	-	14,133
PREPERSA de Peritación de Seguros y Prevención, A.I.E. Jesús Serra Santamans, 1 Sant Cugat del Vallés (Barcelona)	Prevention and appraisal	-	100%	100%	2,294	60	931	6	14	-	4,696
Tecniseguros, Sociedad de Agencia de Seguros, S.A. Avenida Alcalde Barnils, 63 Sant Cugat del Vallés (Barcelona)	Insurance Agency	-	100%	100%	575	60	16	(24)	-	-	6,059
Catalana Occidente Capital, Agencia de Valores, S.A. Avenida Alcalde Barnils, 63 Sant Cugat del Vallés (Barcelona)	Brokerage Agency	-	100%	100%	5,091	300	3,947	514	47	-	1,481
Grupo Catalana Occidente Tecnología y Servicios, A.I.E. Avenida Alcalde Barnils, 63 Sant Cugat del Vallés (Barcelona)	Auxiliary insurance services	-	99.92%	99.92%	48,943	35,346	537	12	-	-	75,933
Grupo Catalana Occidente Contact Center, A.I.E. Jesús Serra Santamans, 3 - 4º planta Sant Cugat del Vallés (Barcelona)	Customer service	-	99.95%	99.95%	1,115	600	99	-	-	-	6,993
Inversions Catalana Occident, S.A. Avinguda Carlemany, 65 Escaldes Engordany (Andorra)	Creation, management and operation of insurance entities	-	100%	100%	5,796	60	356	(14)	-	-	2,813
Grupo Previsora Bilbaína (***) Alameda Mazarredo, 73 Bilbao	Insurance and reinsurance, mediation and funeral business	-	99.78%	99.78%	97,564	7,990	29,814	8,373 *(7)*	12	40,457	15,538

(*) Formerly called Salerno 94, S.A.

(**) Only the shares outstanding have been taken into account to determine the share percentage. Likewise, the value of treasury shares has been deducted from the above equity reserves.

(***) The headers of that group are PB 2002 Cemer, Sociedad Limitada and Arroita 1878, S.L., subsidiaries of Nortehispana de Seguros y Reaseguros, S.A.

(1) The company has paid an interim dividend of 43,000 thousand euros and has posted an increase in the equalisation provision for the amount of 4,283 thousand euros.

(2) The Company paid an interim dividend of 37,260 thousand euros.

(3) The Company paid an interim dividend of 1,600 thousand euros.

(4) The company has posted an increase in the equalisation provision for the amount of 587 thousand euros.

(5) The company has paid an interim dividend of 36,249 thousand euros and has posted an increase in the equalisation provision for the amount of 221 thousand euros.

(6) The company has posted an increase in the equalisation provision for the amount of 7,132 thousand euros.

(7) The Company PB Cemer 2002, Sociedad Limitada paid an interim dividend of 47,200 thousand euros.

The financial information given for the abovementioned Group companies (total assets, share capital, equity reserves, profit for the year net of dividend, earned premiums less reinsurance and ordinary income) has been obtained from the most recent individual or consolidated financial statements available for 2017 and has been duly adapted, for every company, to the Group's accounting policies.

The figures for Atradius N.V. include the data for their subsidiaries relating to the profit or loss for the year and equity reserves.

In the case of insurance companies, the figure for earned premiums net of reinsurance is given. In all other companies, the figure given is ordinary income.

Appendix II: List of associates at December 31, 2017

Figures in thousands of euros

Company		% Voting rights			Summarised financial information						
(Registered name and domicile)	Activity	Direct	Indirect	Total	Total Assets	Share Capital	Equity reserves	Profit for the year net of dividends	Other accumulated global result	Earned Premiums Net of Reinsurance	Ordinary Income
Inversiones Credere S.A. Santiago - Chile	Shareholder	49.99%	-	49.99%	-	-	-	-	-	-	-
Calboquer, S.L. Villarroel, 177-179 08936 Barcelona	Medical, Social, Psychological and Legal Telephone Consultancy	-	20.00%	20.00%	789	60	199	95	-	-	1,899
Asitur Asistencia. S.A. Avenida Encuartes, 21 Tres Cantos (Madrid)	Assistance	-	42.82%	42.82%	34,732	2,945	9,364	900	-	-	198,321
Gesiuris, S.A., Sociedad Gestora de Instituciones de Inversión Colectiva Castelló, 128 Madrid	Investment company	-	26.12% (*)	26.12% (*)	9,440	301	5,338	782 *(1)*	531	-	9,379
CLAL Credit Insurance Tel Aviv - Israel	Credit and suretyship insurance	-	16.64%	16.64%	81,144	3,060	44,806	4,795	(851)	13,574	-
Al Mulla Atradius Consultancy & Brokerage L.L.C. Dubai - UAE	Mediation	-	40.77%	40.77%	-	-	-	-	-	-	-
Compañía de Seguros de Crédito Continental S.A. Santiago - Chile	Credit and suretyship insurance	-	41.60%	41.60%	120,160	4,413	47,939	3,838	(1,231)	10,745	-
The Lebanese Credit Insurer S.A.L. Beirut - Lebanon	Credit and suretyship insurance	-	40.68%	40.68%	10,674	1,375	2,397	(334)	(450)	2,662	-
Credit Guarantee Insurance Corporation of Africa Limited Johannesburg - South Africa	Credit and suretyship insurance	-	20.80%	20.80%	127,879	179	58,932	3,856	(1,695)	46,842	-

(*) Only the shares outstanding have been taken into account to determine the share percentage. Likewise, the value of treasury shares has been deducted from the above equity reserves.

(1) The Company paid an interim dividend of 400 thousand euros.

The financial information given for the abovementioned Group companies (total assets, share capital, equity reserves, profit for the year net of dividend, earned premiums less reinsurance and ordinary income) has been obtained from the most recent individual or consolidated financial statements available for 2017 and has been duly adapted, for every company, to the Group's accounting policies. The financial statements of the above companies are for the period ended December 31, 2017.

Your opinion matters

The opinion of our interest groups is important for Grupo Catalana Occidente, therefore offer the following questionnaire to evaluate this report and propose suggestions for its improvement

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