2019

Annual Report

Grupo Catalana Occidente, S.A.

Catalana Occidente
Grupo asegurador

Annual Report

Grupo Catalana Occidente, S. A. 2019

Grupo Catalana Occidente publishes its annual report for 2019, which was analysed by the audit committee and approved by the Board of Directors at its meeting on 27 February 2020, and specifically in relation to the consolidated financial statements that have been prepared on the basis of the European Union's international financial reporting standards and audited by PricewaterhouseCoopers Auditores S.L.

This report has been 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 the companies comprising it. Business performance in recent years has been linked to corporate operations, which have been formally communicated to the market through the National Securities Market Commission (CNMV) salient event notifications.

The non-financial and diversity information described in this report follows the requirements established in Act 11/2018, approved on 28 December 2018. The scope and location in the report of the different indicators that make up the non-financial information statement, using the Global Reporting Initiative (GRI) reporting framework, is shown in section 7 of the management report. This non-financial information has been verified by PricewaterhouseCoopers Auditores S.L.

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, calculation and reformulation regarding the financial statements can be consulted in the glossary section and the corporate website.

The report is available on the Group's website, in PDF format, interactive, and on the mobile app. Furthermore, there is an Excel document with financial and non-financial information also available on the website. Finally, at the end of this report there is a questionnaire for evaluation and suggestions for improvement.

App for iPad available in the App Store:
Grupo Catalana Occidente Financial Reports

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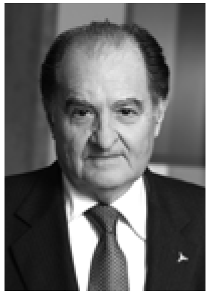


Letter from the Chairman

"2019 has been a relevant year for the Group because we have maintained our profitable growth"

Dear shareholders, associates and customers,

I would like to share the 2019 annual report with you, where we present the main figures and milestones that have occurred during the year, as well as other aspects of our strategy and corporate culture.

2019 has been a relevant year for the Group because we have maintained our profitable growth in an environment where there has been a certain slowdown in the economy.

In terms of results, in 2019 the Group reached a consolidated profit of €424.5 million, 9.9% more than the previous year, while income rose by 4.7% to €4,547.7 million. These data reflect the solid performance of the Group's two lines of activity: traditional business and credit insurance.

Precisely at the end of the year, we announced the creation of a new figure for the traditional business, which is the one we developed through the companies Seguros Catalana Occidente, Plus Ultra Seguros, Seguros Bilbao and NorteHispana Seguros. The objective with this new figure is to reinforce the structure of the organisation in this activity and, for this reason, Juan Closa has been appointed General Manager of the Group's traditional business.

Also in the credit insurance business, David Capdevila was appointed as CEO of Atradius N.V., succeeding Isidoro Unda. Isidoro has ended his career after 12 years as the chief executive of the credit insurance company. I would like to reiterate my gratitude to Isidoro for his dedication, effort and commitment over the years, as this has contributed to positioning Atradius as a leading international credit insurance company.

In addition, I would like to congratulate Juan and David on their new appointments, two professionals who over the years have demonstrated their commitment and leadership in the Group. They will undoubtedly be able to meet the existing challenges successfully.

Continuing with the review of the main figures, it is worth noting the improvement in the combined ratios of 90.4% in traditional business and 73.4% in credit insurance. With regard to asset strength, long term capital at market value stood at €4,584.8 million at the close of 2019, representing an increase of 17.3%. All this reinforces our solvency position, which stands at 213%.

As far as investments are concerned, we are characterised by a prudent and diversified management policy, with a stable distribution of the investment portfolio. During 2019 we have expanded our cash and deposit position and increased our exposure to real estate assets with the purchase of several office buildings, leased to third parties, located mainly in prime areas of Madrid and Barcelona. This allows us to obtain attractive returns despite the low interest rate financial environment we are experiencing.

I would also like to point out that in February we closed the purchase of Antares, a firm specialised in life, accident and health insurance and which also operates in the groups of employees of the Telefónica Group. We are very satisfied with its integration, as it allows us to be placed in the top 10 insurance groups in the healthcare sector. The impact of its incorporation to the balance sheet has been €1,113.1 million in assets. It also means the expansion of 18,000 professionals to the medical staff and the incorporation of 245,000 new customers.
Looking ahead to 2020, our objectives are focused on advancing the development of our distribution networks, technical management of the insurance business and investments, innovation and new technologies. It is precisely these last two levers that are key to tackling one of the great challenges of the insurance sector: customer focus.

Let me stress this point because this customer orientation is increasingly linked to digitization and new technologies. We understand digitization as a tool that must be used to approach and adapt to the customer, to respond to their needs, but also to improve our processes and be more efficient.

If we look beyond 2020, I believe that, as an insurance group, we cannot ignore the challenges that longevity is going to pose for people's well-being and quality of life. Other challenges will be new trends in mobility and adaptation to new forms of consumption driven by technology.

Of course, the insurance sector can and must play a very important role in meeting these new needs of citizens. Our vocation must be, more than ever, to help people face the various stages of their lives with security and well-being. Therefore, as a group we are concerned with anticipating and properly understanding these needs and being prepared to continue playing a key role in society.

We are part of a sector, the insurance sector, which is fundamental in the lives of citizens. This role has become more relevant since the last economic crisis, when insurance companies not only did not need public aid, but were able to grow in results and improve their solvency margins, generating employment and fulfilling all their commitments.

Thus, the vocation of Grupo Catalana Occidente is to create a sound business and generate sustainable social value. Social value is the result of focusing our activity not only on obtaining sound results but also on favouring the well-being of the people that our stakeholders and society as a whole form part of.

In this sense, the social action of the corporate responsibility of the Catalana Occidente Group is channelled through the work of the Fundación Jesús Serra, which is structured around five areas: business and teaching, social action, promotion of the arts, sport and research.

I would not like to end without thanking you again for your trust and support, as well as that of our intermediaries. All of us at Grupo Catalana Occidente work to be a growing, solvent and innovative organisation, even in a complex and changing environment. I invite you to continue supporting value creation in the medium and long term.

José M.ª Serra
Chairman

01

Annual panorama

Objectives reached

The Group maintains its positive performance with growth in turnover and results, adapting to social and environmental changes.

International dimension

5th Largest insurance group in Spain

2Ndlargest largest credit insurance group in the world

50+ countries

1,600 offices

- Spain 66.7%
- Central and Northern Europe 11.1%
- Western Europe 12.6%
- Southern Europe 3.3%
- Asia and rest of the world 3.3%
- America 3.1%

Main figures

Volume and distribution of the business

€4,547.7 million
+ 4.7%

57.4% Traditional business
42.6% Credit insurance business

Combined ratio

90.4% Traditional business
73.4% Credit insurance business

Recurring result
€424.5 million
+9.9%

Remuneration for the shareholder
€105.9 million
+7.3%

Over
4 million
customers

Over
7,400
employees

Over
€4,034 million
transferred to the Company

Long-term capital Market value
€4,584.8 million
+17.3%

Insurance specialist

- Over 150 years of experience.
- Complete offer.
- Sustainable and socially responsible model.

Solid financial structure

- Listed on the stock exchange.
- "A" Rating.
- Stable, committed shareholders.

Closeness – global presence

- Approximately 18,000 intermediaries.
- Over 7,400 employees.
- 1,600 offices.
- 50 countries.

Technical rigour

- Excellent non-life combined ratio
- Strict cost control
- Diversified and prudent investment portfolio.

Main figures

The Group obtains sound results in 2019, with improvement in the three strategic pillars.

Growth

- Increase of 4.7% in business turnover, reaching €4,547.7 million.
- Increase in number of customers and satisfaction index.
- Acquisition agreement for Antares, gaining presence in the healthcare sector.

Profitability

- Increase of 9.9% in the consolidated profit, reaching €424.5 million.
- Improvement of recurring results:
  - Traditional business, at €212.1 million, +8.4%.
  - Credit insurance business, at €238.2 million, +18.6%.
- Excellent combined ratio:
  - 90.4% in traditional business (non-life) (-0.9 p.p.).
  - 73.4% in the credit insurance business (-2.1 p.p.).
- Increase of 7.3% in shareholder remuneration.

Solvency

- A.M.Best maintains the *rating* of the main operating entities, both in traditional business and credit insurance, at "A" with a stable outlook, and Moody's of the credit insurance entities, at "A2" with a stable outlook
- The estimated Solvency II ratio at the close of 2019 for the Group is 213%.

	Most significant data	2017	2018	2019	% chg. 18-19	Report location
A	**Growth**					
	Turnover	4,254.3	4,345.2	4,547.7	4.7%	*Page 12*
	- Traditional business	2,516.1	2,541.2	2,612.4	2.8%	*Page 19*
	- Credit insurance business	1,738.2	1,804.0	1,935.3	7.3%	*Page 22*
B	**Profitability**					
	Consolidated result	357.3	386.4	424.5	9.9%	*Page 12*
	- Traditional business	179.1	195.7	212.1	8.4%	*Page 19*
	- Credit insurance business	190.0	200.9	238.2	18.6%	*Page 22*
	- Non-recurring	-11.8	-10.2	-25.8		*Page 24*
	Attributed result	325.4	352.1	385.9	9.6%	*Page 12*
	Combined traditional business ratio	91.4%	91.2%	90.4%		*Page 19*
	Combined ratio credit insurance	75.2%	75.5%	73.4%		*Page 23*
	Dividend	0.78	0.82	0.88	7.3%	*Page 15*
	Pay-out	28.4%	28.2%	27.4%		*Page 15*
	Share price	36.9	32.6	31.2		*Page 16*
	PER	13.6	11.1	9.7		*Page 16*
	ROE	12.8%	12.3%	11.1%		*Page 16*
C	**Solvency**					
	Long-term capital at market value	3,755.5	3,908.6	4,584.8	17.3%	*Page 30*
	Technical Provisions	9,425.2	9,567.7	10,652.1	11.3%	*Page 27*
	Funds under management	11,988.2	12,323.5	14,377.3	16.7%	*Page 28*
	Solvency Ratio II*	207%	207%	213%		*Page 32*
	% Debt	5.7%	5.0%	4.8%		*Page 31*
	Interest coverage	36.7	37.4	37.9		*Page 31*
D	**Non-financial data**					
	Number of employees**	7,352	7,389	7,440	0.7%	*Page 49*
	% Permanent contracts	96.8%	96.6%	96.6%		*Page 49*
	Number of offices	1,648	1,649	1,612	-2.2%	*Page 52*
	Number of mediators traditional business	18,514	17,801	17,327	-2.7%	*Page 52*
	Level of promotion suggested (LPS) Traditional business	31.7%	34.1%	39.6%		*Page 51*

** 2019 Data with transition of technical provisions and with partial internal model. Pending audit*
**** Considered in the concept of full time (FTE)*

02

Grupo Catalana Occidente in 2019

A year of growth and consolidation

The Group has increased turnover, profit and capital with respect to the previous year

Macroeconomic environment

Growth of 2.9% in 2019 Widespread impairment of economic indicators.

United States GDP +2.3% GDP 2019 (+2.9%)

- Trade disputes smoothed out by agreements reached with China
- Deceleration of growth.
- Solid private consumption.
- Contraction of investment and exports.
- Full employment (3.7% unemployment)
- Inflation is contained and close to the 2% target.
- Elections in 2020.

Eurozone GDP +1.2% 2019 (+1.9%)

- Deceleration impacted by lower exports to the UK and the motor sector.
- Expansive monetary policy
- Unemployment of 7.7%
- 1.2% inflation.

United Kingdom GDP +1.3% 2019e (+1.3%)

- Brexit confirmation on 31 January 2020
- Depreciation of the pound against the euro.
- Expected reduction in investment and increase in the price of commercial transactions.
- 1.8% inflation.

South America 0.1% GDP 2019 (+1.1%)

- Context of low economic dynamism.
- Reduced private investment.
- Mass demonstrations in Chile, Colombia and Ecuador.
- General elections in Argentina, Bolivia and Uruguay.

Spain GDP +2.0% 2019 (2.4%)

- Deceleration, yet growth higher than the European average.
- Increase in domestic demand supported by consumption.
- Improvement of the public deficit.
- 13.9% Unemployment
- 0.7% inflation.

- **Asia Pacific** + 5.6% GDP 2019 (+6.4%)
  China + 6.1% GDP 2019 (+6.6%)
- Structural slowdown due to tariffs and trade tensions, intensified by the impact of the coronavirus
- Fiscal and monetary stimulus measures.
- Reduction of investment and imports.

Japan + 1.0% GDP 2019 (+0.3%)

- Risk of economic slowdown.
- Strong private consumption and public spending.

*Source: International Monetary Fund review of January 2020. Percentage of estimated GDP in 2019 vs. percentage of GDP in 2018 in brackets

Fixed Income

- Central banks continue with their expansionary policy.

Variable income

- Greater optimism in the financial markets: reduced volatility

Raw materials/currencies

- Oil price recovery from 2018 lows
- The dollar loses its appeal as a safe-haven currency.

Interest rates	1 year	3 years	5 years	10 years
Spain	-0.5	-0.5	-0.1	0.5
Germany	-0.6	-0.8	-0.5	-0.2
U.S.	1.6	1.6	1.7	1.9

	End 2019	%Chg.
Ibex35	9,549.2	+11.8%
EuroStoxx Insurance	322.8	+24.4%
Eurostoxx50	3,745.2	+24.8%
Dow Jones	28,462.1	+23.0%

	End 2019	% Chg
Oil ($/barrel)	66.0	+22.7%
Gold	1,523.1	+16.0%
€/$	1.12	-2.2%
€/£	0.85	-6.0%

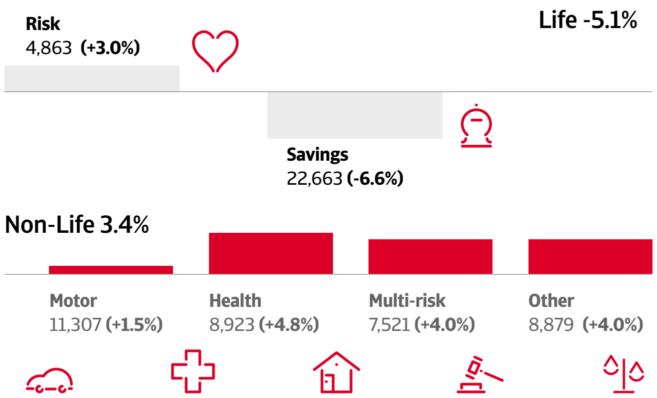
Source: Bloomberg. End 2019

Sectoral environment

The insurance sector's turnover in Spain is decreasing due to the fall in life premiums.

Insurance industry in Spain

Performance of insurance sector and *ranking* in Spain



Ranking	Group	Position	Market share
	VidaCaixa	=	13.4%
	Mapfre	=	11.4%
	Grupo Mutua Madrileña	=	8.5%
	Allianz	=	5.3%
	Grupo Catalana Occidente	↑ 1	4.8%
	Zurich	↓ 1	4.6%
	Grupo Axa	=	4.6%
	Santalucía	=	3.8%
	Generali	=	3.8%
	Santander Seguros	=	2.6%

Source: ICEA at the close of 2019

The result of the technical account for the sector at the end of 2019 was 9.6% of retained premiums, 8 percentage points higher than in the previous year, mainly due to the higher result of the non-life business.

The result of the non-life technical account increased mainly driven by multi-risk, which improved its combined ratio by 3.4 percentage points to 94.0% due to the improvement in the accident rate.

Stability in the sector's results

Source: upon close of 2019

ROE
13.5%

Combined ratio
92.0%*

Motor	94.8%
Multi-risk	94.0%
Health	94.6%

** Combined ratio includes Health and Funeral*

In 2016, Solvency II came into effect, with the first official data coming to light in 2017. The figures published continue to reflect a consistent sectoral position. The average coverage ratio in Spain at the close of 2019 reaches 237%, higher than the average for the sector in the European Union (228%).

Credit insurance

Uncertainty arising from protectionist measures, the slowdown in China and a less dynamic German industry have led to a drop in international trade, especially in emerging markets.

- Advanced economies 1.3% (-1.9 p.p)
- Emerging economies 0.4% (-4.2 p.p)

By 2020, a recovery is expected, subject to the normalisation of international relations:

- Advanced economies 2.2%
- Emerging economies 4.2%

In terms of insolvencies 2019 closes with an increase of 3.0%. The markets with the greatest increase have been South Africa, United Kingdom, Canada and Belgium.

For 2020, Western Europe is aiming for an increase in insolvencies after 6 years of sustained falls.

Evolution of the Group

Positive evolution of the recurring results for traditional business and the credit insurance business with growth in turnover and improvement of the combined ratio.

The attributed result of the Group has grown by 9.6%, reaching €385.9 million.

Positive evolution of turnover and results

This improvement is thanks to good performance of the turnover and the technical result.

The business volume (which includes the premiums invoiced and the income from information) ascends to €4,547.7 million, increasing by 4.7%.

In turn, the technical result, with €538.2 million, increased by 15.2% including the application of sound underwriting criteria and the continuous improvement of efficiency.

It should be mentioned that in the year the Group has achieved a higher number of customers and policies.

The good performance extends to all the Group's entities and all the business units that make up the Group. In addition to the corporate departments and corporate platforms, they improve the efficiency of the business.

(figures in millions of euro)

Income statement	**2017**	**2018**	**2019**	**% chg. 18-19**
Written premiums	4,123.5	4,212.7	4,411.2	4.7%
Income from information	130.8	132.5	136.5	3.0%
Turnover	**4,254.3**	**4,345.2**	**4,547.7**	**4.7%**
Technical cost	2,548.4	2,584.7	2,739.5	6.0%
% on total income from insurance	*60.3%*	*60.0%*	*59.5%*	
Commissions	521.9	532.8	561.1	5.3%
% on total income from insurance	*12.4%*	*12.4%*	*12.2%*	
Expenses	717.3	726.6	764.3	5.2%
% on total income from insurance	*17.0%*	*16.9%*	*16.6%*	
Technical result after expenses	**437.4**	**467.3**	**538.2**	**15.2%**
% on total net income	*10.4%*	*10.8%*	*11.7%*	
Financial result	61.2	80.1	37.9	
% on total income from insurance	*1.4%*	*1.9%*	*0.8%*	
Result of non-technical non-financial account	-33.5	-31.0	-25.9	
% on total income from insurance	*-0.6%*	*-0.7%*	*-0.6%*	
Result of compl. activities credit and funeral insurance	10.4	6.4	5.9	-7.8%
% on total income from insurance	*0.2%*	*0.1%*	*0.1%*	
Result before tax	**475.5**	**522.8**	**556.2**	**6.4%**
% on total income from insurance	*11.3%*	*12.1%*	*12.1%*	
Taxes	118.2	136.4	131.7	
% taxes on result	*24.9%*	*26.1%*	*23.7%*	
Consolidated result	**357.3**	**386.4**	**424.5**	**9.9%**
Minority interests	31.9	34.3	38.6	12.5%
Attributed result	**325.4**	**352.1**	**385.9**	**9.6%**
% on total income from insurance	*7.7%*	*8.2%*	*8.4%*	
Recurring result	369.0	396.6	450.3	13.6%
Non-recurring result	-11.8	-10.2	-25.8	

** Total insurance income = total earned premiums and information income*

Turnover
+4.7%

Attributed result
+9.6%

Improvement in the technical result

The combined ratio of the traditional business improved to 90.4%, 1.6 percentage points lower than the sector average. The technical cost is improving compared to the previous year, thanks to the good performance of all our branches: motor, multi-risk and other. The good combined ratio of 94.0% for motor was 1.3 percentage points better than in the same period of the previous year, due to a lower incidence of peak claims and a maintenance of the frequency of claims.

In credit insurance, the combined net ratio closed the year at 73.4%, an improvement of 2.1 percentage points over the previous year. This improvement comes both from the maintenance of technical costs and from a reduction in expenses and commissions and the improvement of reinsurance conditions.

Innovation in products and risks

Throughout 2019 the various companies that make up the Catalana Occidente Group have strengthened their range of products and services in different business areas. These include the new Connected safety car service with which Seguros Catalana Occidente seeks to improve the safety and protection of users when they travel by car and the free weather alert service with which the company warns and informs customers when a major weather event is expected. Furthermore, the offer for life products regarding special solutions and protection has been updated for SMEs in the credit insurance.

The continuous incorporation of new measures for pricing and selection of risks has permitted the Group to continue improving the quality of the new production and the technical balance of the business lines. The Group advances in the facilitation of processing through simpler forms and assignments for repair and assessment.

Improved efficiency

In the traditional business, expenses amounted to €315.2 million, an increase of 3.1%. In relative terms, the ratio of expenses to recurring premiums remained at 13.9%, the same percentage as in the previous year.

The Group handled 2,135,393 claims, 2.4% more than in 2018, reflecting a higher incidence in the various and life branches.

In credit insurance, the number of claims increased by 2.4%.

Financial margin and complementary activities

The net interest margin, at €37.9 million, fell by €42.2 million. This reduction is due in part to the impairment of two entities in the credit insurance business, and to from the recalculation of the mathematical provisions at a risk-free interest rate (EIOPA curve).

During the year, the Group has remained active in the diversification and search for profitability, undertaking various investments in properties. For the complementary activities, in traditional business, the funeral activity reports €2.7 million in profit and in credit insurance, the information, collections and credit management services for export contributed €3,2 million in profit.

Company income tax

In the year 2019, the expense for company income tax reached €131.7 million, which represents an effective rate of 23.7% of profit before taxes.

Financial strength

Long term capital increased by 19.0%, to €3,851.2 million. Adding the capital gains not included in the balance sheet (from properties), the long term capital at market value stand at €4,584.8 million, up 17.3% from 2018.

In 2019, A.M.Best maintained the rating of the main operating entities in both traditional business and credit insurance at "a+" (ICR), and Moody's of the credit insurance entities at "A2" with a stable outlook.

Strong Solvency ratio

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

The Group's solvency ratio at 2019 year-end is estimated at 213% (with the application of the transitional technical provisions measures). The solvency ratio, even in adverse scenarios, remains at around 160% on a sustained basis, in all Group companies.

Events after the close of 2019:

No unexplained events have occurred after the end of the year that significantly affect the reported information. For further information, see paragraph 22 of the Notes on the Consolidated Financial Statements.

Excel

See capital management section

See section Solvency II

Acquisition of Antares

On 8 November 2018, Grupo Catalana Occidente announced the purchase of 100% of Seguros de Vida Pensiones Antares, S.A. ("Antares"), a personal insurance company of Telefónica, for an amount of €158.9 million.

With this transaction, the Group increased its weight in the health sector, reaching the ninth position in the ranking with 2% of the market share and €170.3 million in turnover in said sector.

Improves competitive position of the Group for health

Group No.	Premiums	Market share		Group No.	Premiums	Market share
6 Total	2,854.0	4.5%		5 Total	3,429.9	4.8%
4 Non Life	2,104.4	6.0%		4 Non Life	2,224.8	6.1%
15 Health	86.7	1.0%	→	9 Health	170.3	1.9%
10 Life	749.6	2.6%		10 Life	826.5	3.0%

Source: ICEA December 2018

Source: ICEA December 2019

Incorporation in 2019

The close of the operation occurred on 14 February 2019, after obtaining of no-opposition from the General Insurance Directorate and the authorisation of the transaction with the National Commission of Markets and Competition.

In terms of the balance sheet the impact is:

- Incorporation of €1,113.1 million in assets.
- Goodwill of €21.9 million.

See section 5 of the Notes to the report.

On 20 June 2019, it was agreed to merge Plus Ultra Seguros and Antares through the absorption of the latter, which was executed on 31 December.

Solid strategic matching

- Reinforces the position of the Group on the Spanish market
- Consolidates the global offer for the customer
- Increases the weight of the health business:
  - 9th position on the Spanish market
  - 2.0% of market share
- Possibility of capturing long-term synergies

Antares business data:

- Specialised in health.
- No. 17 in health with 0.96% of market share
- Insured parties 245,000
- Medical staff: over 18,000 professionals
- Employees: 40

Antares result 2019:

Antares*	**2019**
Turnover	**144.0**
Health	80.9
Other turnover	63.1
Earned premiums	**144.0**
Technical result after expenses	**12.7**
% on earned premiums	*8.8%*
Technical-financial result	**15.7**
% on earned premiums	*10.9%*

(figures in millions of euro)

** Antares' ordinary results for 2019.*
The result of 11 months is incorporated to the Group.

Shareholder remuneration

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

Dividends

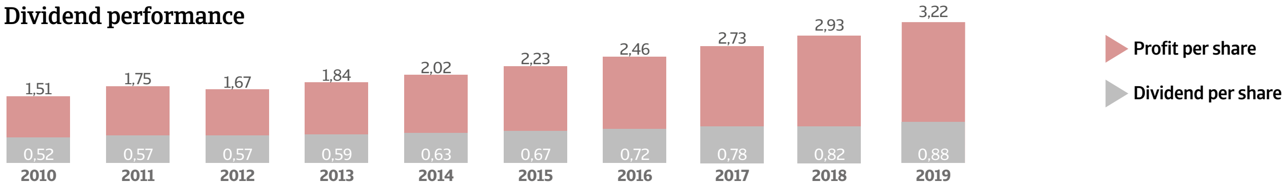
In 2019, the Group increased its dividend by 7.26% and distributed €105.85 million

The Group has made 3 dividend payments in cash for a total amount of €0.4764 per share. These payments were made on 10 July 2019, 09 October 2019 and 12 February 2020. Furthermore, the Board of Directors agreed, in the meeting held on 27 February 2020, to propose to the general shareholders meeting an increase of 10% for the complementary dividend that will be paid on 8 May 2019. With this, a total of € 0.8821 per share (€105.85 million) would be allocated.

This dividend amounts to a pay-out of 27.4% on the 2019 attributable profit and a dividend yield of 2.75% in 2019.

In the last 10 years, Grupo Catalana Occidente has maintained a growing dividend policy.

Dividend performance

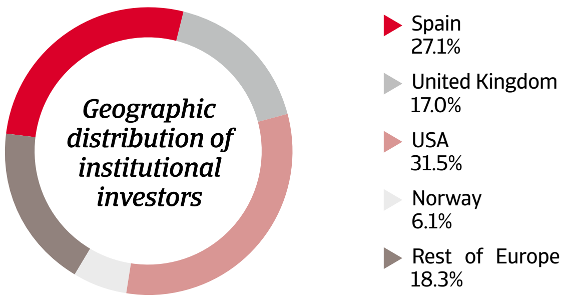


Share structure

Stable, committed shareholders. At the close of 2019, the share structure had not suffered any variations.

The reference shareholder in Grupo Catalana Occidente is INOC S.A., which controls approximately 61.42% of share capital.

The Group holds 2,095,017 shares in treasury stock with a par value of 0.30 per share and an acquisition cost of 22.0 million euros, representing 1.75% of treasury stock, through Sogesco. During the year, 24,681 shares have been sold. This sale was made as a result of the implementation of the Grupo Catalana Occidente, S.A. Share Delivery Plan. 33.91% is free-float and nearly half is in the hands of institutional investors. The Group does not have any information regarding the existence of agreements between the shareholders for the concerted exercise of voting rights or limiting the transmission of their shares.



Relationship with the financial market

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

The Group has a policy of communication and relationship with the financial market available on its website and is in contact with its analysts, investors and shareholders through specific channels.

Furthermore, the website for shareholders and investors updates the performance of the share as well as the principal information relative to relevant events, results, presentations and credit rating.

During 2019, 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 16 roadshows and conferences in different European countries.

With this type of event, the Group brings its business reality closer to institutional investors such as small shareholders.

In January 2020, Grupo Catalana Occidente reported that in order to increase the share's liquidity in the market, it had signed a liquidity contract with GVC Gaesco Beka, Sociedad de Valores, S.A.

Retransmissions
Policy for communication and contact with the financial market
See shareholders and investors section
Analysts and investors
Shareholder services

Share performance

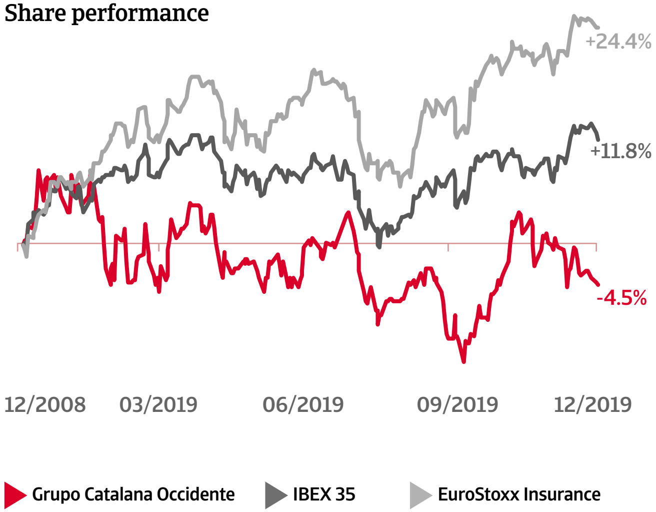
During the year the average share price was 32.09 euros/share

Grupo Catalana Occidente shares are listed on two Spanish stock exchanges, Barcelona and Madrid, being listed on the continuous market.

In 2019, Grupo Catalana Occidente's shares performed below the Eurostoxx Insurance index and the Ibex 35.

The recommendations from analysts remain favourable, with 80% being "buy" and aiming towards an average objective price of €39.0/share.

Share performance



Share data	2017	2018	2019
Minimum (€/s)	29.82	32.40	28.30
Maximum (€/s)	38.57	39.20	35.30
Period end (€/s)	36.94	32.60	31.15
Number of shares	120,000,000	120,000,000	120,000,000
Nominal share value (€/s)	0.30	0.30	0.30
Average daily subscription (number of shares)	60,007	34,149	44,093
Average daily subscription (euro)	2,081,648	1,243,406	1,412,462
Market capitalisation (millions of euro)	4,433	3,912	3,738

Ratios	2017	2018	2019
Profit per share	2.71	2.93	3.22
Theoretical Book value	23.62	25.66	32.09
PER	13.62	11.11	9.69
ROE	12.84	12.29	11.10
Profitability per dividend	2.18	2.25	2.75

Profitability	2002	2007	2012	2017	2018	2019	TACC 02-19
Closing price 31/12	3.99	22.91	13.77	36.94	32.6	31.15	
GCO (%)	-7.21	-16.54	12.22	18.74	-11.75	-4.45	13.4%
IBEX 35 (%)	-28.11	7.32	-4.66	7.40	-14.97	11.82	2.7%
EUROSTOXX Insurance (%)	-51.23	-11.92	32.92	6.93	-10.05	24.44	4.3%

** Compound annual growth rate*

Profit per share
3.22

TACC* 2002 2019
+13.4%

See evolution of the Grupo Catalana Occidente share

Outlook and challenges for 2020

In view of the foreseeable economic context, the Group will continue to adapt its offerings to the new needs of customers and market trends.

Macroeconomic perspectives in 2020

Internationally, GDP growth is estimated at 3.3%. Geopolitical uncertainty, especially related to international trade, continues to negatively affect economic prospects. The Chinese economy is also continuing to slow down its GDP growth rate.

In the Eurozone, GDP data point to subdued growth of 1.3%, reaffirming the weakness of manufacturing output.

The Spanish economy's GDP is estimated to grow by 1.6% thanks to the upturn in investment, the expansionary fiscal policy and the improvement in consumer confidence and the public deficit.

In emerging markets, growth will strengthen somewhat in 2020, to 4.4%, driven by the economic recovery in Latin America. However, the trade war between the United States and China continues to be an encumbrance on activity.

Weak business prospects and policy uncertainty are deteriorating business sentiment, affecting investment growth and increasing financial risks. As a result, corporate insolvencies, which already increased by 3.0% in 2019, are expected to continue growing at a rate of 2.6% in 2020.

Guidelines for Grupo Catalana Occidente 2020

The Group annually updates its strategic framework, where it addresses the purpose, action commitments and guidelines on which its strategy is based, along with action plans for the year 2020.

Our three strategic pillars are developed around nine lines of action

During 2020 the Group will continue to make progress in the development of its distribution networks, technical management of the insurance business and investments, innovation and new technologies. All of this seeks to improve customer service through proximity and agility in management.

The human factor is also a fundamental element of the corporate project. The business culture, entrepreneurship, the search for and management of talent are key to the development of the Group.

Growth	Profitability	Solvency
Distribution channels	Actuarial technique	Human team and values
Products and services	Investments	Innovation and branding
Customer orientation	Efficiency	Risk and capital management

Growth

- Increase the dimension of the agencies and strengthen the specialised networks.
- Incorporate services to guarantees and adapt the offer to new market trends.
- Prioritise the "customer concept" in management.

Profitability

- Continue to refine underwriting and technical management to improve margins
- To make investments that allow to maintain the competitiveness and to assure the solvency.
- Advance in the simplicity of products, processes and systems.

Solvency

- Develop internal talent and enhance corporate culture.
- Incorporating innovation in management
- Maintain financial strength, risk management capabilities and control systems.

Main figures (Result Centre)

03 Results in 2019

Improving results

The Group complies with its objective to increase profits, both in traditional business and credit insurance, increasing permanent resources and with a solvency above 210%.

Traditional business

Traditional business presents a very positive evolution, increasing its recurring result by 8.4%.

Recurring turnover (excluding single life premiums) increased by 3.1%, supported mainly by non-life insurance, where the increase in multi-risk premiums is noteworthy. The life business evolved favourably with a 5.3% increase in turnover and a 16.9% increase in earned premiums, which include the contribution to the Antares business.

The Antares business has been incorporated since February and has contributed €11.5 million to the life business (see details on page 15).

The technical result of €214.6 million, grew by 6.7%. Non-life business contributed €156.2 million to this result, up 11.0%, reflecting a 0.9 percentage point improvement in the combined ratio to 90.4%. It highlights the best technical cost of cars and multi-risk. The Life business, meanwhile, saw its technical result fall by €2.1 million to €58.4 million, as the Group decided to recognise in full and for the products concerned the new biometric tables published by the DGSyFP.

The financial result contributes €59.3 million, and the funeral business €2.7 million

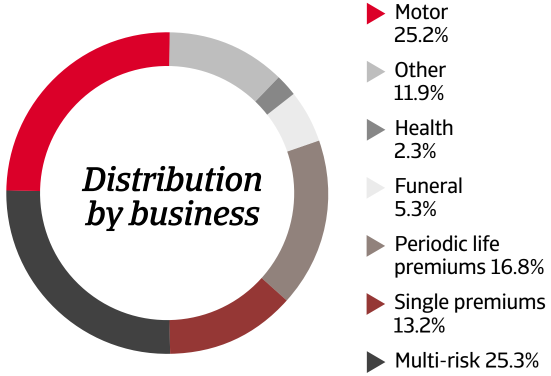
Recurring profit has increased 8.4% to €212.1 million During the year there were non-recurring negative results of €7.9 million; consequently, the total result is €204.2 million, increasing by 6.8%.

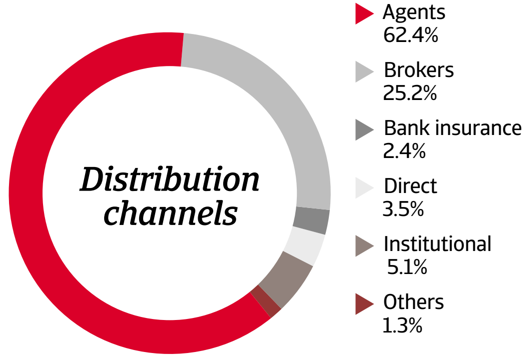
Traditional business	2017	2018	2019	% chg. 18-19
Written premiums	**2,516.1**	**2,541.2**	**2,612.4**	**2.8%**
Recurring premiums	2,153.2	2,200.5	2,268.6	3.1%
Earned premiums	2,506.2	2,531.2	2,707.5	7.0%
Technical result	**182.8**	**201.2**	**214.6**	**6.7%**
% on earned premiums	7.3%	7.9%	7.9%	
Financial result	**72.5**	**74.1**	**59.3**	**-20.0%**
% on earned premiums	2.9%	2.9%	2.2%	
Non Technical result	-22.0	-20.4	-14.6	
Complementary act. Funeral business	3.6	2.4	2.7	
Company income tax	-57.6	-61.5	-50.0	
Recurring result	**179.1**	**195.7**	**212.1**	**8.4%**
Non-recurring result	**1.4**	**-4.6**	**-7.9**	
Total result	**180.5**	**191.1**	**204.2**	**6.8%**

(figures in millions of euro)

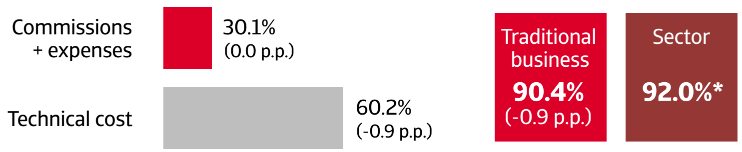
Recurring premiums
3.1%

Recurring result
+8.4%





Combined ratio



** Combined sector ratio includes health and funeral business*

Multi-risk

Revenue growth of 2.4% to €661.6 million, with a reduction in the combined ratio of 0.4 percentage points compared to the previous year. The weather events that occurred in the second half of the year had an impact on the technical cost, although they were largely supported by the Insurance Compensation Consortium.

Multi-risk	2017	2018	2019	% chg. 18-19
Written premiums	**631.3**	**645.9**	**661.6**	**2.4%**
Earned premiums	**629.8**	**638.7**	**653.3**	**2.3%**
Number of claims	656,222	728,229	719,419	-1.2%
Average cost of the claims, in €	520.2	494.9	508.8	2.8%
Technical Provisions	**529.6**	**525.1**	**537.7**	**2.4%**
% Technical cost	*54.1%*	*55.8%*	*55.3%*	*-0.5*
% commissions	*20.6%*	*20.7%*	*20.9%*	*0.2*
% expenses	*13.3%*	*13.4%*	*13.3%*	*-0.1*
% combined ratio	**88.0%**	**89.9%**	**89.5%**	**-0.4**
Technical result after expenses	**75.8**	**64.5**	**68.6**	**6.4%**
% on earned premiums	*12.0%*	*10.1%*	*10.5%*	

(figures in millions of euro)

Premiums invoiced
+2.4%

Combined ratio
89.5%

Motor

Maintenance of turnover with €657.3 million. The combined ratio improved 1.3 percentage points to 94.0%, with a reduced claims ratio due to a lower incidence of peak claims and a maintenance of the accident frequency.

Motor	2017	2018	2019	% chg. 18-19
Written premiums	**651.8**	**654.3**	**657.3**	**0.5%**
Earned premiums	**649.0**	**657.2**	**655.2**	**-0.3%**
Number of claims	574,467	578,897	571,208	-1.3%
Average cost of the claims, in €	804.4	805.9	805.1	-0.1%
Technical Provisions	**790.5**	**810.1**	**824.0**	**1.7%**
% Technical cost	*71.2%*	*71.3%*	*70.0%*	*-1.3*
% commissions	*11.1%*	*11.0%*	*11.1%*	*0.1*
% expenses	*14.2%*	*13.0%*	*12.9%*	*-0.1*
% combined ratio	**96.5%**	**95.3%**	**94.0%**	**-1.3**
Technical result after expenses	**22.7**	**30.9**	**39.6**	**28.2%**
% on earned premiums	*3.5%*	*4.7%*	*6.0%*	

(figures in millions of euro)

Recurrent invoiced
+0.5%

Combined ratio
94.0%

Excel

Other

Growth in turnover of 1.1% to €311.7 million. The combined ratio was 84.6%, down 0.6 percentage points due to the maintenance of technical costs and a reduction in fees, which offset a slight increase in expenses.

Other	2017	2018	2019	% chg 18-19
Written premiums	**293.9**	**308.4**	**311.7**	**1.1%**
Earned premiums	**290.4**	**305.2**	**311.8**	**2.2%**
Number of claims	95,247	96,159	100,783	4.8%
Average cost of the claims, in €	1,591.5	1,610.0	1,549.9	-3.7%
Technical Provisions	**495.1**	**489.9**	**540.5**	**10.3%**
% Technical cost	*52.1%*	*50.2%*	*50.1%*	*-0.1*
% commissions	*20.5%*	*20.8%*	*20.1%*	*-0.7*
% expenses	*14.8%*	*14.1%*	*14.3%*	*0.2*
% combined ratio	**87.4%**	**85.2%**	**84.6%**	**-0.6**
Technical result after expenses	**36.6**	**45.3**	**48.0**	**6.0%**
% on earned premiums	*12.6%*	*14.8%*	*15.4%*	

(figures in millions of euro)

Premiums invoiced
+1.1%

Combined ratio
84.6%

Life

The life business evolved favourably with a 5.3% increase in turnover and a 16.9% increase in earned premiums, which include the contribution to the Antares business.

The result has been positively impacted by the incorporation of the Antares business with an amount of €11.5 million and negatively by the recognition of the new biometric tables published by the DGSyFP for an amount of €13.3 million in the affected products.

Life	2017	2018	2019	% chg 18-19
Life insurance turnover	**939.1**	**932.6**	**981.8**	**5.3%**
Periodic premiums	394.0	400.6	438.2	9.4%
Health	54.5	57.6	60.9	5.7%
Funeral	127.7	133.7	138.8	3.8%
Single premiums	362.9	340.7	343.8	0.9%
Pension plan contributions	60.3	61.2	69.1	12.9%
Net contributions to investment funds	7.4	4.3	1.9	
Volume of funds under management	**5,638.0**	**5,711.9**	**6,617.3**	**15.9%**
Earned premiums	**936.9**	**930.1**	**1,087.2**	**16.9%**
Technical result after expenses	**47.6**	**60.5**	**58.4**	**-3.5%**
% on earned premiums	*5.1%*	*6.5%*	*5.4%*	
Technical-financial result	**79.4**	**92.2**	**81.2**	**-11.9%**
% on earned premiums	*8.5%*	*9.9%*	*7.5%*	

(figures in millions of euro)

Recurring premiums
+7.8%

Excel

Credit insurance business

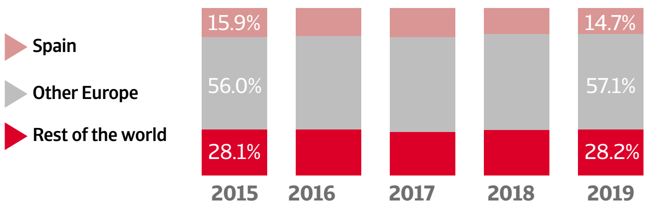
Credit insurance income increased 18.6% to €238.2 million and continues to maintain an excellent combined ratio.

The credit insurance business has increased its net income (earned premiums and information services) by 6.5% reaching €1,896.0 million. The earned premiums, with €1,759.5 million, increased by 6.7% with growth in all markets.

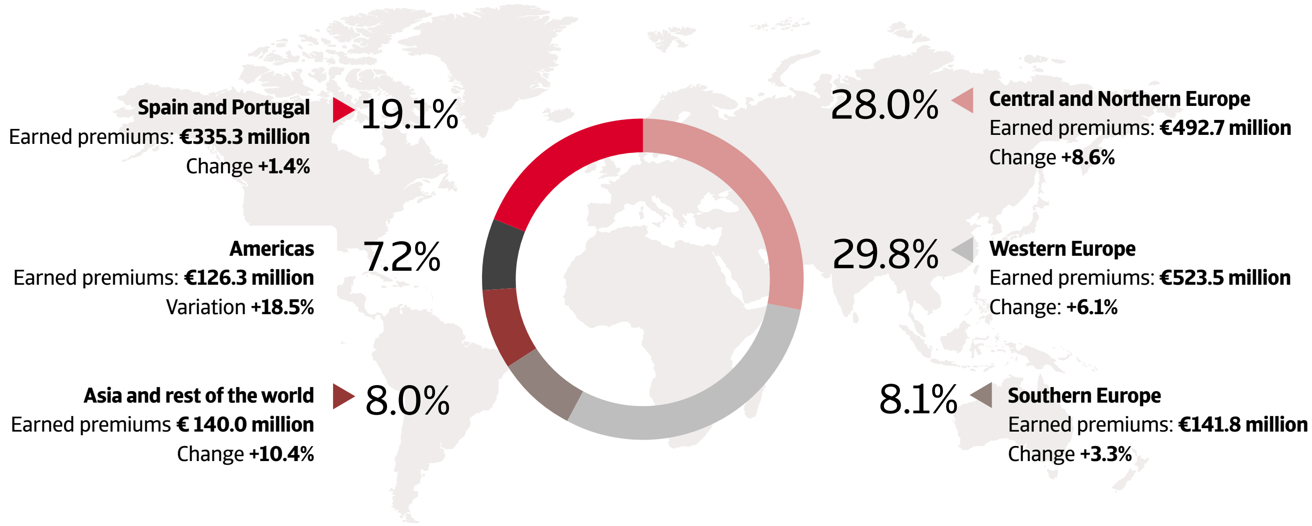
In Spain and Portugal, the Group increased earned premiums by 1.4% and in the other European markets premiums rose at an average rate of 6.8%, with constant growth in Germany being particularly noteworthy. In the Americas premiums grew 18.5% mainly due to the impact of exchange rates.

In terms of exposure to risk (TPE), the Group increased by 2.9% to €672.5 million. Europe represents 71.8% of total exposure and Spain is the main market, with 14.7% of the total.

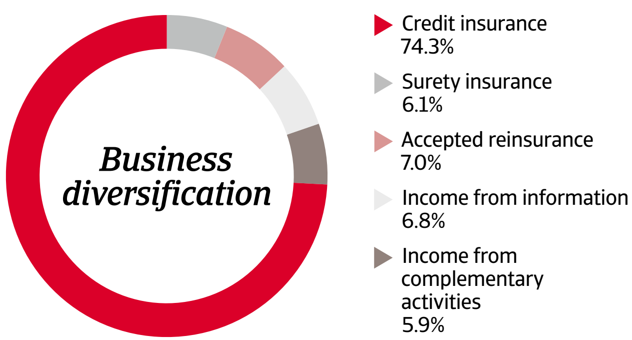
Evolution of cumulative risk (TPE)

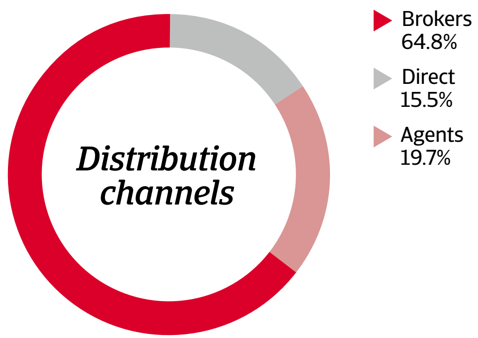


+6.7% increase in earned premiums, at €1,759.5 million.



Earned premiums





The technical result after expenses, at €404.8 million, increased by 7.2%, in line with revenue growth.

Since the beginning of the year, the Group has increased its retention of business by 2.0 points, placing the ratio of assignment to reinsurance in 38.0% of the earned premiums. The combined net ratio was 73.4%, with net claims falling by 1.4 percentage points to 43.4% and net fees and expenses falling by 0.8 percentage points to a ration of 30.0%.

The financial result contributes €5.6 million reflecting the exchange rate movements that have been considerably reduced. The result of the complementary activities is €3.2 million.

Consequently, the recurring result is positioned at €238.2 million, up 18.6% from the previous year. During the year there were non-recurring results amounting to €17.9 million, mainly due to the impairment of the investment in two associated companies.

In total, this business provides a result of €220.3 million and increases by 12.8%.

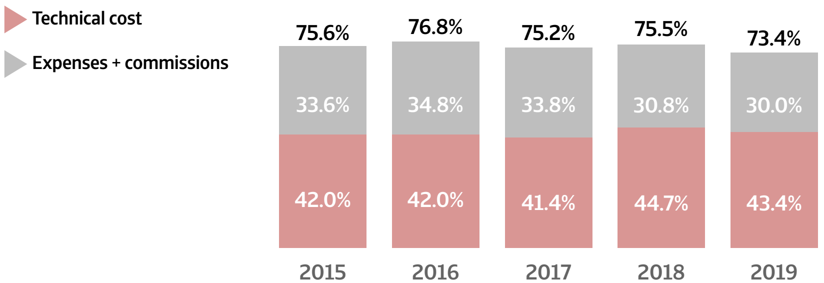
Credit insurance business	**2017**	**2018**	**2019**	**% chg. 18-19**
Earned premiums	1,588.0	1,648.5	1,759.5	6.7%
Income from information	130.8	132.5	136.5	3.0%
Net income	**1,718.8**	**1,781.0**	**1,896.0**	**6.5%**
Technical result after expenses	**392.9**	**377.6**	**404.8**	**7.2%**
% on income	*22.9%*	*21.2%*	*21.4%*	
Reinsurance result	-133.7	-105.6	-82.6	-21.8%
Reinsurance transfer ratio	*42.5%*	*40.0%*	*38.0%*	
Net technical result	**259.2**	**271.9**	**322.2**	**18.5%**
% on income	*15.1%*	*15.3%*	*17.0%*	
Financial result	**3.3**	**9.2**	**5.6**	
% on income	*0.2%*	*0.5%*	*0.3%*	
Result from complementary activities	**6.8**	**3.8**	**3.2**	**-15.8%**
Company income tax	-69.9	-76.6	-85.4	
Adjustments	-9.6	-7.4	-7.4	
Recurring result	**190.0**	**200.9**	**238.2**	**18.6%**
Non-recurring result	**-13.2**	**-5.7**	**-17.9**	
Total business result	**176.8**	**195.2**	**220.3**	**12.8%**

(figures in millions of euro)

Net income
+6.5%

Recurring result
+18.6%

Performance of the net combined ratio



Combined ratio
73.4%

General expenses and commissions

The efficiency ratio stands at 32.6%; in 2019 an effort has been made to amortize investments in new technologies.

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

In particular, in traditional business the expenses have increased by 3.1%. In credit insurance, expenses are increasing at a higher rate than income growth due in part to the effort in investments in new technologies.

In relative terms, the expenses and commissions ratio for recurring premiums increased 0.3 percentage points to 32.6%. Since 2013, the Group has improved efficiency by 3.6 percentage points.

Expenses and commissions	2017	2018	2019	% chg. 18-19
Traditional business	311.6	305.8	315.2	3.1%
Credit insurance business	400.8	413.4	449.0	8.6%
Non-recurring expenses	4.8	7.4	0.0	
Total expenses	**717.3**	**726.6**	**764.3**	**5.2%**
Commissions	**521.9**	**532.8**	**561.1**	**5.3%**
Total expenses and commissions	**1,239.2**	**1,259.4**	**1,325.4**	**5.2%**
% expenses and commissions without recurring premiums	*32.8%*	*32.3%*	*32.6%*	

(figures in millions of euro)

Efficiency ratio
+32.6%

Non-recurring result

During this year, there have been non-recurring negative results mainly due to deterioration in assets.

By business, non-recurring profit after tax from the traditional business led to losses of €7.9 million and €17.9 million in the credit insurance business, due mainly to the impairment of two investees amounting to €16 million.

Non-recurring result (net of taxes)	2017	2018	2019
Financial	0.4	2.3	-5.4
Expenses and other non-recurring	-5.2	-5.6	-3.9
Taxes	6.2	-1.3	1.4
Non-recurrent from traditional business	**1.4**	**-4.6**	**-7.9**
Financial	-8.1	-0.1	-18.1
Expenses and other non-recurring	-5.9	-7.4	0.0
Taxes	0.8	1.9	0.2
Non-recurring from credit insurance	**-13.2**	**-5.7**	**-17.9**
Non-recurring result	**-11.8**	**-10.2**	**-25.8**

Reinsurance result

In credit insurance, retention has increased by 2.0 percentage points to 62%

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

In credit insurance, proportional assignments are made that bring greater stability to the results over the business cycle, as well as non proportional transfers to mitigate the potential impact of relevant claims. In 2019, the Group has continued to increase the retention of business by placing the ratio of assignment at 38%.

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 implied €105.9 million, €23.2 million from traditional business and the remaining €82.6 million from the credit insurance business.

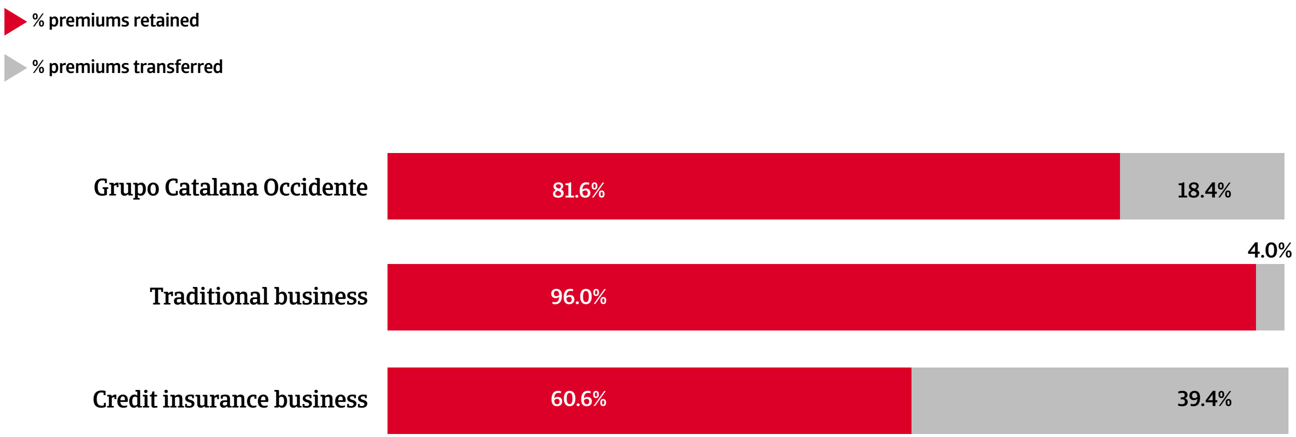
The major reinsurance brokers for both the traditional and credit insurance business are Munich Re, General Re, Swiss Re, Hannover Re and Axis. These all have a credit rating of "A" or higher.

Reinsurance	**2017**	**2018**	**2019**	**% chg. 18-19**	**Traditional business**	**Credit insurance**
Premiums granted	-774.0	-770.4	-801.3	4.0%	-107.2	-694.0
Net premiums granted	-767.9	-768.6	-798.5	3.9%	-113.1	-685.3
% on earned premiums	*-18.8%*	*-18.4%*	*-17.9%*		*-4.2%*	*-38.9%*
Commissions	272.0	299.0	338.8	13.3%	22.3	316.5
Claims	324.8	323.9	353.8	9.2%	67.6	286.2
Reinsurance granted result	**-171.1**	**-145.8**	**-105.9**		**-23.2**	**-82.6**

(figures in millions of euro)

** Note: in credit insurance, the claim excludes a peak loss that is 100% assigned to reinsurance.*

Reinsurance distribution between lines of business



Financial result

The financial investments have provided €37.9 million.

The financial result contributed €37.9 million to the Group's income statement, reducing it by €42.2 million due to the different impact of the non-recurrent result.

Traditional business with €59.3 million is reduced by the recognition of interest applied to life as a result of the recalculation of certain mathematical provisions to a risk-free interest rate curve (EIOPA curve). Also, during the year there have been significant maturities where reinvestment has taken place at the market interest rates.

In turn, credit insurance provides €5.6 million, reflecting losses in exchange rate movements and the interest charge due to the repayment of intra-group loans.

Finally, the non-recurring results reduce the financial result by €23.5 million, mainly due to the impairment of two investees.

Financial result	**2017**	**2018**	**2019**	**% chg. 18-19**
Financial income net of expenses	221.1	204.4	215.7	5.5%
Exchange Differences	-0.5	0.1	0.0	
Subsidiary companies	0.7	1.0	1.1	
Interests applied to life	-148.7	-131.4	-157.6	19.9%
Recurring results traditional business	**72.5**	**74.1**	**59.3**	**-20.0%**
% on earned premiums	*2.9%*	*2.9%*	*2.2%*	
Financial income net of expenses	15.3	16.7	16.6	-0.6%
Exchange Differences	0.5	4.8	-1.3	
Subsidiary companies	4.3	4.7	7.1	51.1%
Interests subordinated debt	-16.9	-16.9	-16.9	
Recurring results from credit insurance	**3.3**	**9.2**	**5.6**	**-39.1%**
% on net income from insurance	*0.2%*	*0.5%*	*0.3%*	
Intra-group interest adjustment	-7.0	-5.4	-3.5	-35.2%
Adjusted recurring financial results from credit insurance	**-3.7**	**3.8**	**2.1**	
Recurring financial results	**68.9**	**77.9**	**61.5**	**-21.1%**
% on net income from insurance	*1.6%*	*1.8%*	*1.3%*	
Non-recurring financial results	**-7.7**	**2.2**	**-23.5**	
Financial result	**61.2**	**80.1**	**37.9**	

(figures in millions of euro)

Traditional business
€59.3 million

Credit insurance
€5.6 million

Balance sheet

Grupo Catalana Occidente has increased its assets by €2,198.5 million with an ROE of 11.1% in 2019.

Grupo Catalana Occidente closed the balance sheet of 2019 with assets of €16,677.9 million, up 15.2% from the year 2018.

The main items that explain this increase are:

- Investments, at €1,744.7 million.
- Technical provisions, at €1,084.4 million
- Net equity, at €647.1 million.

The assets attributed to the Group are positioned at €3,477.1 million, therefore the ROE reaches 11.1%.

The incorporation of Antares has increased assets by €1,113.1 million and goodwill by €21.9 million.

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	2017	2018	2019	% chg. 18-19
Intangible assets and property	**1,218.8**	**1,242.1**	**1,429.1**	**15.1%**
Investments	**10,596.9**	**10,873.7**	**12,618.4**	**16.0%**
Property investment	382.8	561.1	661.4	17.9%
Financial investments	8,957.9	9,149.1	10,602.3	15.9%
Cash and short-term assets	1,256.2	1,163.5	1,354.7	16.4%
Reinsurance of technical provisions	**842.5**	**837.4**	**874.3**	**4.4%**
Other assets	**1,543.2**	**1,526.2**	**1,756.0**	**15.1%**
Deferred tax assets	84.3	96.5	226.3	134.5%
Credits	946.4	885.3	951.0	7.4%
Other assets	512.5	544.4	578.7	6.3%
Total assets	**14,201.4**	**14,479.4**	**16,677.9**	**15.2%**

Net liabilities and equity	2017	2018	2019	% chg. 18-19
Permanent resources	**3,278.9**	**3,404.6**	**4,051.7**	**19.0%**
Net equity	**3,078.6**	**3,204.1**	**3,851.2**	**20.2%**
Parent company	2,752.6	2,863.8	3,477.1	21.4%
Minority interests	326.0	340.3	374.1	9.9%
Subordinated liabilities	**200.3**	**200.4**	**200.5**	**0.0%**
Technical Provisions	**9,425.2**	**9,567.7**	**10,652.1**	**11.3%**
Other liabilities	**1,497.3**	**1,507.1**	**1,974.1**	**31.0%**
Other provisions	165.2	184.1	210.5	14.3%
Deposits for reinsurance granted	57.7	52.8	52.9	0.2%
Deferred tax liabilities	332.6	280.9	488.4	73.9%
Debts	618.7	687.1	767.8	11.7%
Other liabilities	323.1	302.2	454.5	50.4%
Total net liabilities and equity	**14,201.4**	**14,479.4**	**16,677.9**	**15.2%**

(figures in millions of euro)

Technical Provisions
+€1,084.4 million

Investments and funds under management

At the close of 2019, the Group manages funds amounting to €14,377.3 million, €2,053.8 million more than in the previous year.

Pension plans, mutual funds and investments on behalf of policyholders continue to grow at a high rate.

The distribution of the investment portfolio remained stable with respect to the beginning of the year, although during the period the Group increased its exposure to real estate and increased its position in cash and monetary assets.

The Group invests mainly in fixed income, which represents 56.6% of the total portfolio, with €7,361.2 million, The main asset is the Spanish sovereign debt with €3,406.4 million.. The distribution of the rating in the portfolio is shown graphically below. At the end of the period, 59.9% of the portfolio had an A rating or higher, reflecting the increase in the Spanish rating of the main credit rating agencies. The duration of the portfolio at the end of the financial year is 4.66 years and profitability at 2.25%.

In recent years, the Group has increased its investments in real estate. At the end of the year, this investment increased by €307.3 million. In total, property at market value amount to €1.678,5 million representing 12.9% of the total portfolio.

The majority of the 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 €533.1 million.

The value of equity investments increased by 33.9% and represented 12.9% of the portfolio. The securities portfolio is broadly diversified and focused on large-cap securities, mainly in Europe but with highlighted exposure to Spain (25.7%), which have attractive dividend yields.
In terms of liquidity, the Group maintains a solid position of €2,012.1 million, 10.1% more than at the beginning of the year. The Group has a total of €608.6 million in deposits, mainly in Banco Santander, BBVA and Bankinter.

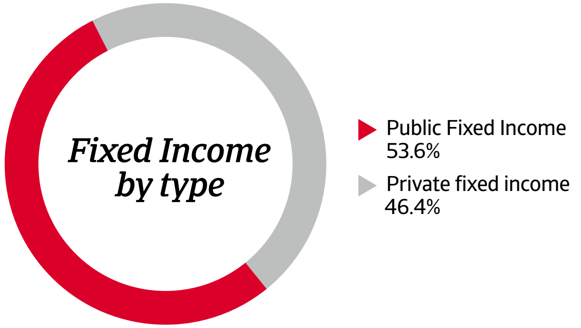
Investments and managed funds	2017	2018	2019	% chg. 18-19	% on inv. R. Co.
Properties	1,170.7	1,371.2	1,678.5	22.4%	12.9%
Fixed Income	6,568.4	6,631.2	7,361.2	11.0%	56.6%
Variable income	1,404.0	1,250.2	1,673.7	33.9%	12.9%
Deposits with credit institutions	382.4	644.3	608.6	-5.5%	4.7%
Other investments	135.2	153.7	199.1	29.5%	1.5%
Cash and monetary assets	1,274.9	1,183.6	1,403.5	18.6%	10.8%
Investment in investee companies	84.8	85.4	85.8	0.5%	0.7%
Total investments, risk to entity	**11,020.4**	**11,319.6**	**13,010.5**	**14.9%**	**100.0%**
Investments on behalf of policyholders	356.8	362.1	575.1	58.8%	
Pension plans and investment funds	611.0	641.8	791.7	23.4%	
Total investments, risk to policy holders	**967.8**	**1,003.9**	**1,366.8**	**36.1%**	
Investments and managed funds	**11,988.2**	**12,323.5**	**14,377.3**	**16.7%**	

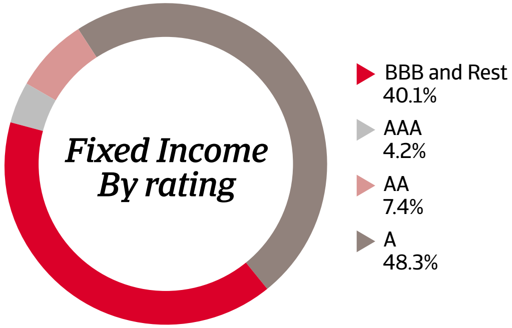
(figures in millions of euro)

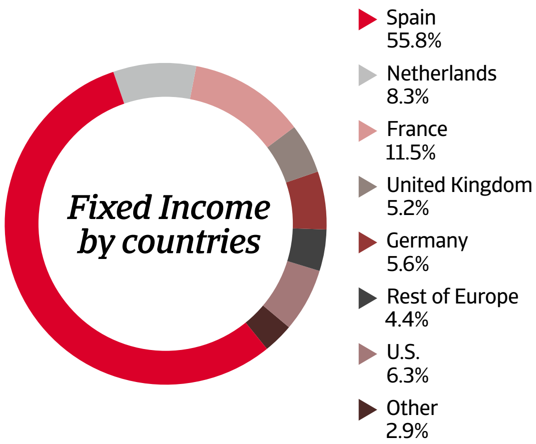
Managed funds
+16.7%

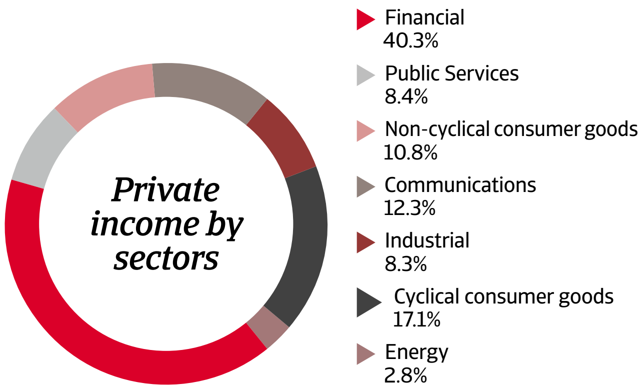
See report chapter "Fixed income" notes 4, 7, 8 and 9

Fixed income distribution in 2019

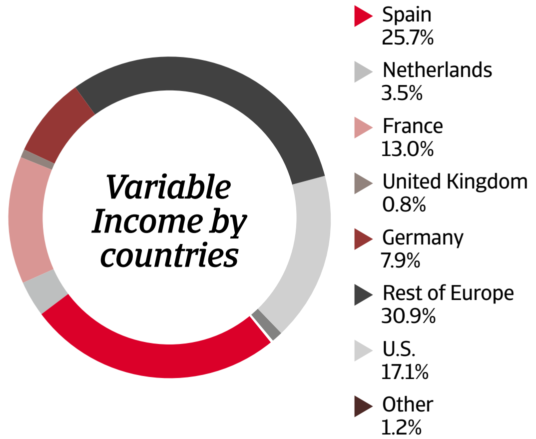


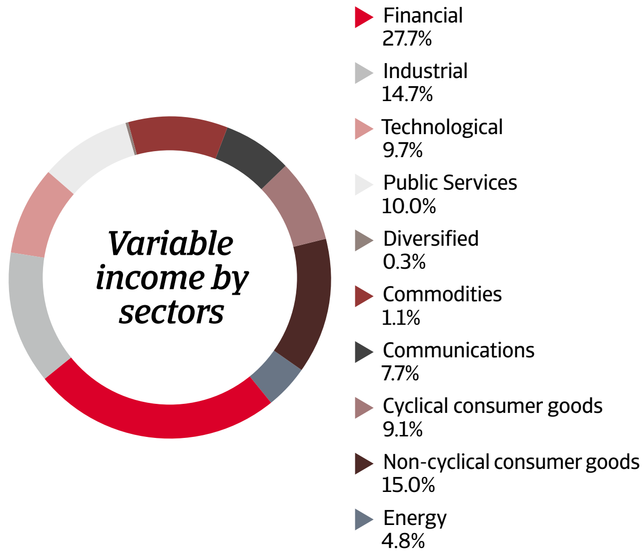






Variable income distribution in 2019





Excel

See report chapter "Fixed income" notes 4, 7, 8 and 9

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.

In addition to the remuneration policy for shareholders, in the capital planning, the Group takes into account, among others, the following aspects:

- The solvency ratio of the Group and its individual entities in accordance with the risk appetite.
- Any change in the risk profile of the particular group, among others, with the following aspects:
  - Changes in reinsurance policy, especially in the credit business. Specifically in the year 2019, retention of the credit business reinsurance increased from 60% to 62%.
  - Corporate transactions such as mergers or acquisitions. For this, the acquisition of Antares was completed in February.
- The asset-liability management (ALM) of life and cash business of each of the entities.

Principles of capital management

Capital management is governed by the following principles:

- Ensuring that Group companies have sufficient capital to meet their obligations, even when faced by extraordinary events
- Managing capital taking into account the economic vision, 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).

Capital quantification is carried out at the 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 close of 2019, the Group's capital has increased by 17.3% supported by the improvement of the results and the revaluation of the assets.

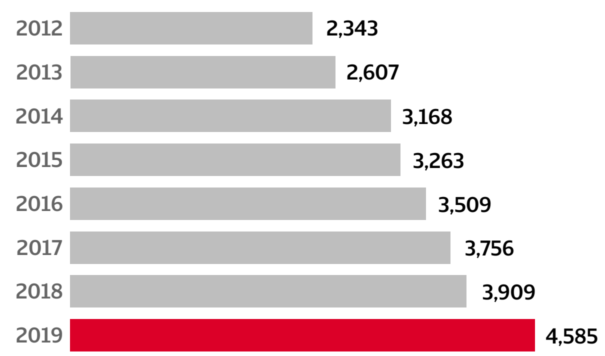
The improved result has helped to boost the Company's equity position. Market movements have led to an increase in the value of investments, with a positive impact of €357.2 million. Also, dividends have been paid, amounting to €100.5 million, thus reducing the Net Equity by the same amount.

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%. The amount of the subordinated debt to be calculated for the purposes of the Group has been reduced by €54.3 million after deducting the investment that some entities of traditional business have in the bond. (See section 13 a) of the Notes to the report).

Long-term capital on 31/12/2018	**3,404.5**
Long-term capital at market value at 31/12/18	**3,908.6**
Net equity on 31/12/2018	**3,204.1**
(+) Consolidated results	424.5
(+) Dividends paid	-100.5
(+) Change of valuation adjustments	357.2
(+) Other changes	-34.2
Total movements	**647.1**
Total net equity on 31/12/2019	**3,851.2**
Subordinated debt	200.5
Long-term capital on 31/12/2019	**4,051.7**
Capital gains not included in balance sheet	533.1
Long-term capital at market value at 31/12/2019	**4,584.8**

(figures in millions of euro)

Evolution of long-tern capital at market value



Credit rating

During the previous period (2018), A.M. Best and Moody's raised the credit rating of the Group's main companies, both in traditional business (ICR 'a+') and in credit insurance ('A2').

In November 2019, A.M. Best confirmed the financial strength rating of A (excellent) for the Group's main operating entities, both in traditional business and in credit insurance, and Moody's ratified the rating of A2 for the operating entities in the credit business under the Atradius brand.

In traditional business, the rating of A (excellent) reflects the sound balance sheet strength, good business model, excellent operating results and appropriate capitalisation of the Group's main operating entities.

Prudent underwriting guidelines and an extensive network of agents were also highlighted, providing the Group with greater stability and proximity to customers.

Furthermore, it considers that exposure to natural disasters is limited, thanks to the existence of a national coverage system (Consorcio de Compensación de Seguros).

In relation to Group entities operating in the credit insurance business, A.M. Best and Moody's have equally highlighted their financial strength and great competitive position thanks to:

- Strong operational performance.
- Robust technical results.
- Leading position in the credit insurance market worldwide, as the second operator.
- Good diversification by geography and industry.
- Excellent understanding of its risk exposures.

Rating of Group entities

	AMBest	Moody's
Seguros Catalana Occidente	'A' stable (FSR) 'a+' stable (ICR)	
Seguros Bilbao	'A' stable (FSR) 'a+' stable (ICR)	
Plus Ultra Seguros	'A' stable (FSR) 'a+' stable (ICR)	
Atradius Crédito y Caución Seg Reas	'A' stable (FSR) 'a+' stable (ICR)	'A2' stable (IFS)
Atradius Reinsurance DAC	'A' stable (FSR) 'a+' stable (ICR)	'A2' stable (IFS)
Atradius Trade Credit Insurance, Inc.	'A' stable (FSR) 'a+' stable (ICR)	'A2' stable (IFS)
Atradius Seguros de Crédito, S.A.	'A' stable (FSR) 'a+' stable (ICR)	

"A"

A.M. Best operating entities of the Group

Best highlights the prudence in underwriting, which is reflected in a positive record of operating results with an excellent combined ratio and a high return on equity (ROE).

"A2"

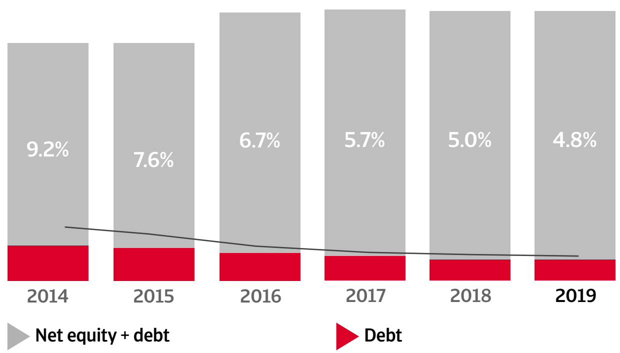
Moody's operating entities of the credit insurance business

They highlight the strong competitive position, strong capitalization, low financial leverage and conservative investment portfolio.

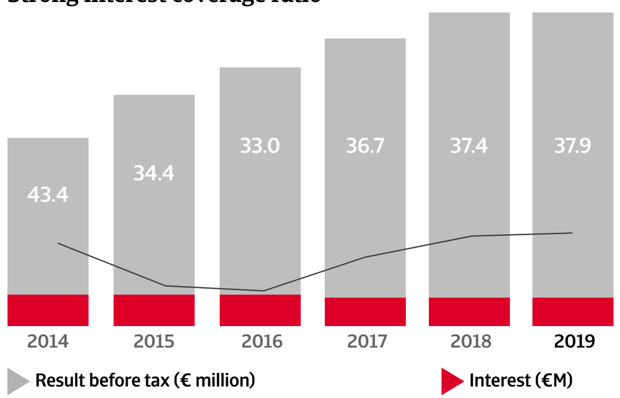
Financial strength

The Group presents a debt ratio of 4.8%, reduced by 0.2 p.p. thanks to the increase in net worth. The debt corresponds to the emission from the Group entity in credit insurance: Atradius.

Reducing debt ratio



Strong interest coverage ratio



Solvency II

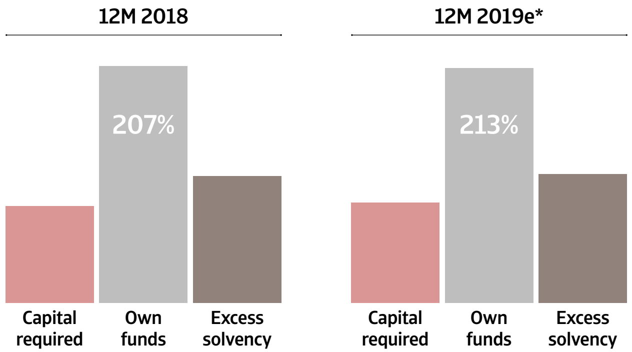
The estimated Solvency II ratio applying the transitory measure for technical provisions at the close of 2019 is of 213%. The solvency ratio at the end of 2018, when it was not possible to apply the transitional measure of technical provisions, was 207%.

The entities of the Group present average solvency II ratios of above 170%.

Grupo Catalana Occidente has a robust financial and solvency position to withstand adverse situations; in fact, the ratio of solvency II is maintained around 160% even in adverse scenarios. Furthermore, it should be noted that the own funds are of high quality, with over 90% of the same being tier1.

The Group carries out a quantitative valuation of the risks using the standard formula, except in the credit insurance underwriting risk, which uses a partial internal model approved in July 2017.

Evolution Solvency ratio



** Data with transition of technical provisions and with partial internal model.*

Stress scenarios and sensitivity analysis based on the SFCR 2018 published in June 2019

Underwriting scenarios	
Lowering premiums -5%	-1%
Increased claims ratio*	-29%
Set of scenarios	**-30%**
Market scenarios	
Variable Income -10%	-3%
Real estate -5%	-2%
Set of scenarios	**-5%**
-25% RV	-9%
Rates curve +100 pbs	+4%
Rates curve -100 pbs	-5%
Spread +10 pbs	0%
Impairment *rating*	-1%
Adverse scenario**	**-35%**
Without application of the volatility adjustment and without application of the transitional measure of technical provisions	**-2%**

Main ratio scenario
207.0%

** Increase in the claims ratio, which in the credit insurance business was achieved during the period of financial crisis and in the traditional business increased in the main branches such as fire and other damage to property and motor*

*** Adverse scenario measured as a reduction in premiums in the main branches of traditional business and credit insurance; increase in the claims ratio being that achieved in the credit insurance business during the period of financial crisis and in the traditional business increasing in the main branches such as fire and other damage to property and motor; reduction in equity and maintenance of low interest rates.*

04

Business model

Protection and forecast

The Group reinforces its strategic purpose with positions of 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, supported by cultural keys and promoting innovation.

Business model

In 2019, the Group has continued to occupy leadership positions on the Spanish market and has maintained its share of the credit insurance segment up to 24% on an 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.

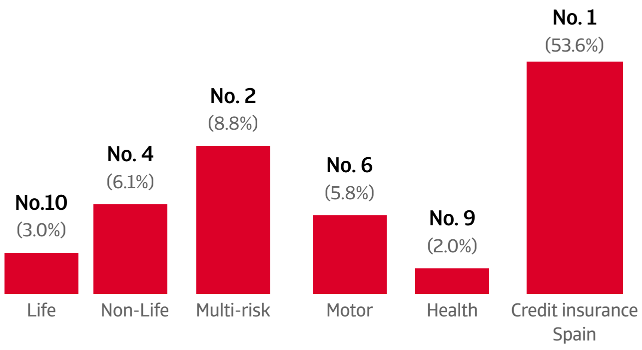
Grupo Catalana Occidente is a multinational company engaged in insurance operations, operating in over 50 countries through over 50 entities.

The participation of the various entities in Grupo Catalana Occidente implies, without prejudice to their legal autonomy, their integration within the corporate structure through the 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, with its shares listed in the Madrid and Barcelona stock exchanges, listed on the Continuous Market and subject to the supervision of the CNMV. Also, as an insurance entity, the Group is subject to the supervision of the General Directorate of Insurance and Pensions.

In Spain, the Group holds the fifth position in the ranking, with a market share of 4.8%: 6.1% in non-life and 3.0% in life. Furthermore, in credit insurance, the Group is the second entity worldwide, with a market share of 24%.

Group position on the Spanish insurance market



The Group bases its strategy on 3 pillars:

Growth

Definition of the markets that the Group targets, development of appropriate products and services and establishment of adequate distribution channels in order to reach customers.

Profitability

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

Solvency

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

Cultural keys

One of the major milestones for the Group in 2019 has been to continue bringing the cultural keys closer to the entire organisation.

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. These keys define the common values that explain the Group's way of being and doing and that of its entities. In the following years, the Group has addressed the cultural keys, deepening each one of them through an annual conference involving the participation of more than 300 executives from the highest levels of responsibility. Thus, in 2017 the focus was placed on the key 'Innovation', in 2018 on 'People' and in 2019 on 'Self-criticism', in 2020 it will address 'Austerity' and training will also be provided to different groups within the organisation.

As an example of good practice within the Group, Atradius Crédito y Caución is developing the Evolve+ project, whose objectives are to promote innovation and improve the connection with customers in a personal and significant way. Evolve+ is the continuation of the Evolve initiative, which was launched in 2012 to support the company's commercial strategy by encouraging its staff to participate in continuous improvement, increasing efficiency and raising the quality of customer service.

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

Corporate responsibility

The corporate responsibility strategy of Grupo Catalana Occidente is the framework under which it develops its business with the criteria of creating value for society, ethics, transparency and commitment to legal compliance.

For the Grupo Catalana Occidente, corporate responsibility is the voluntary commitment to integrate into its strategy a responsible management of economic, social and environmental aspects, encourage ethical behaviour with its stakeholders, rigorously apply the principles of good governance and contribute to the well-being of society through the creation of sustainable social value.

The companies of Grupo Catalana Occidente contribute 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.

The Board of Directors is responsible for setting and guiding the corporate responsibility strategy, while management involves all the business areas and entities of the Group.

The commitment to transparency is materialised through the publication of a Corporate Responsibility Report, which together with the Group's Policy are available on the corporate website. The corporate responsibility committee also continued to operate, this year focusing on the development of a reporting model for non-financial information. The Committee is made up of those responsible for the different areas that represent the interest groups.

The materiality analysis was conducted in 2017 and will be updated in 2020. The material issues identify the key matters for the Group and its stakeholders:

1. Economic performance, profitability and solvency.
2. Risk management and regulatory compliance.
3. Corporate governance.
4. Ethics, integrity and transparency.
5. Customer experience.
6. Data protection. Cyber security.
7. Innovation.
8. Quality employment.
9. Professional development.
10. Committment to society.

Framework of internal and external application

The commitment to compliance with human rights is channelled through the Group's Code of Ethics, which collects the observance of ethical and legal principles by all employees and stakeholders of the Group.

Externally, Grupo Catalana Occidente subscribes to the Principles of the United Nations Global Compact and in February 2020 adhered to the Principles for Sustainability in Insurance (PSI) and the Principles for Responsible Investment (PRI).

Furthermore, through current activity and social action, it also supports the Sustainable Development Goals (SDG) defined by the UN by promoting aspects such as economic growth and progress, equal opportunities, quality learning, energy efficiency and health and welfare care.

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

Corporate Responsibility Director Plan

At the end of 2018, the Group approved a corporate responsibility master plan based on three pillars: trust, service excellence and positive impact. Its period of validity covers the three-year period 2019-2021.

Trust
- Ethics and Integrity
- Cultural keys
- Relationship Models with groups of interest

Excellence in service
- Digital Transformation
- New forms of work
- Socially responsible investment

Positive impact
- Health and well-being
- Formalise investment in volunteering
- Products that generate added social value
- Environmental Awareness

CR Report

Innovation

The culture, the offer and the client, main axes of the plan of transformation of the Group.

The Group considers that a culture that embraces change and, at the same time, encourages and motivates innovation among employees, is a fundamental pillar in order to be able to adapt the offer of products and services to meet the needs of all kinds of customers. The Group has invested €66.7 million in R&D&I activities and projects in 2019.

One of the most outstanding initiatives on that path to cultural transformation is an intra-entrepreneurship programme, called Xplora, released in 2017. This programme brings together training and a platform that is designed so that employees can propose ideas that enable Grupo Catalana Occidente to improve its products and services.

In this time, employees have contributed more than 300 ideas to the 18 proposed challenges. Of these, 100 ideas have been supported; three are in the project phase and one of them (Weather Alert Service) was launched as a free service for customers during the month of March.

In addition, the Group has taken a step forward in its commitment to the development of innovative culture with the launch of inspirational and informative seminars on digital transformation and new technologies.

> “These talks help to awaken the innovative point you may have inside.”
>
> **Óscar Alonso Ordóñez,** *Plus Ultra Seguros employee*

The centre of the strategy: the customer

For Grupo Catalana Occidente, the customer is in the centre of the strategy and therefore, is the motor for all of the innovation processes. In this sense, there is constant analysis of the customer's opinion in order to learn their needs and to be able to offer innovative solutions adapted to their profile.

Also, the Group has a clear commitment to omni-channels, i.e., the customers decide the channel through which they want to interact. In this sense, the Contact Centre transformation project has been consolidated in 2019 with the aim of responding to the new communication needs of customers. In this way, the Group works to offer its customers a consistent and homogeneous experience on all channels.

Finally, the basic pillars (culture, offer and customer) are based on two essential catalysts for carrying out this transformation: data and technology. The Group is aware of the need to be prepared to manage the information available to customers, in order to offer them a better experience and greater personalisation. It is also working to adapt and improve the technological systems with the objective of being prepared and agile in order to respond to the needs of consumers.

> “When you're in an environment that's innovative, you jump in and join in too. We are all capable of innovation to some extent. I think that in the Group's culture, innovation is increasingly a key issue to move forward”
>
> **Carlos López-Pélaez,** *Seguros Catalana Occidente employee*

Technology and operations

The Group doubles down on its digitalisation program.

In 2019, the efforts with regards to digital transformation were significantly increased.

- ***Data Science***

  Artificial Intelligence and, particularly, the application of machine learning techniques, allow for improvement of the operative efficiency of internal processes and increased quality of service for our customers. The Group has a Business Analysis area to make the most of the advantages offered by these technologies. Structured and unstructured database projects are also being developed.
- **Connected safety car**

  Today, new models of mobility are emerging and have emerged that may represent a turning point for society. One of them is the connected car model, that is to say, the one that has Internet connection or some telematic device or technology that allows the connectivity with it.
- **Unification of platforms**

  A project that aims to provide a technological framework common to all companies of traditional business in the Group and to improve the efficiency of processes and promote technological synergies.
- **Robotics**

  Automation projects to improve payment systems.
- ***"Atradius Business Transformation" Programme***

  The aim is to improve its offer of services and product development to maintain the strong value proposition for customers.

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 agents and over 1,600 offices in Spain.

The business lines offered are:

Multi-risk
Family-home, stores, communities, offices and SMEs.

Other
Industrial Products, engineering, accidents and civil liability.

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

Motor
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

Operating platforms of the Group

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

Traditional business

Operating entities

Seguros Catalana Occidente
Plus Ultra Seguros
Seguros Bilbao
NorteHispana Seguros

Platforms

Computer development
Organisation and logistics
Claims centre
Systems
Contact Center
Post-sales
Post-sales service

Focus on the service:

- Personalisation:
- 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 the inability of a buyer to pay for goods purchased on credit.

Surety insurance
Protects the beneficiary if a supplier does not comply with its 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 business are:

Atradius
Crédito y Caución Atradius
Atradius Re

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 corporate address at Paseo de la Castellana 4, 28046 Madrid), which directly and indirectly administers and manages the investments of all Group entities.

The following table reflects the main entities included in the consolidation perimeter of the Group at the close of 2019. All of them have their own organisational structure and network. 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.

On 14 February 2019, the Catalana Occidente Group executed the contract for the sale of Seguros de Vida y Pensiones Antares S.A., an insurance subsidiary of Telefónica, as indicated on page 15. Later on 20 June 2019, it was agreed to merge Plus Ultra Seguros and Antares through the absorption of the latter, which was executed on 31 December.

Grupo Catalana Occidente - Principal entities

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
	Inversions Catalana Occident	Hercasol SICAV
	CO Capital Ag. Valores	GCO Activos Inmobiliarios
	Cosalud Servicios	
	GCO Tecnología y Servicios	
	Prepersa	
	GCO Contact Center	
	Asitur Asistencia	
	Grupo Asistea	
Atradius Crédito y Caución	Atradius Collections	Grupo Compañía Española Crédito y Caución S.L.
Atradius Re	Atradius Dutch 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

05

Corporate governance

Best practices

In 2019, the Group has continued with a corporate governance model, aligned with international best practices, that commits transparency, rigour and accountability.

Corporate governance model

The Board of Directors continues to focus its activity according to the principles of good governance.

The government bodies of Grupo Catalana Occidente have the goal of providing management and control structures that are suitable to protect the interests of shareholders, to monitor compliance with the strategy for society and to ensure the creation of value and the efficient use of resources in a transparent framework of information.

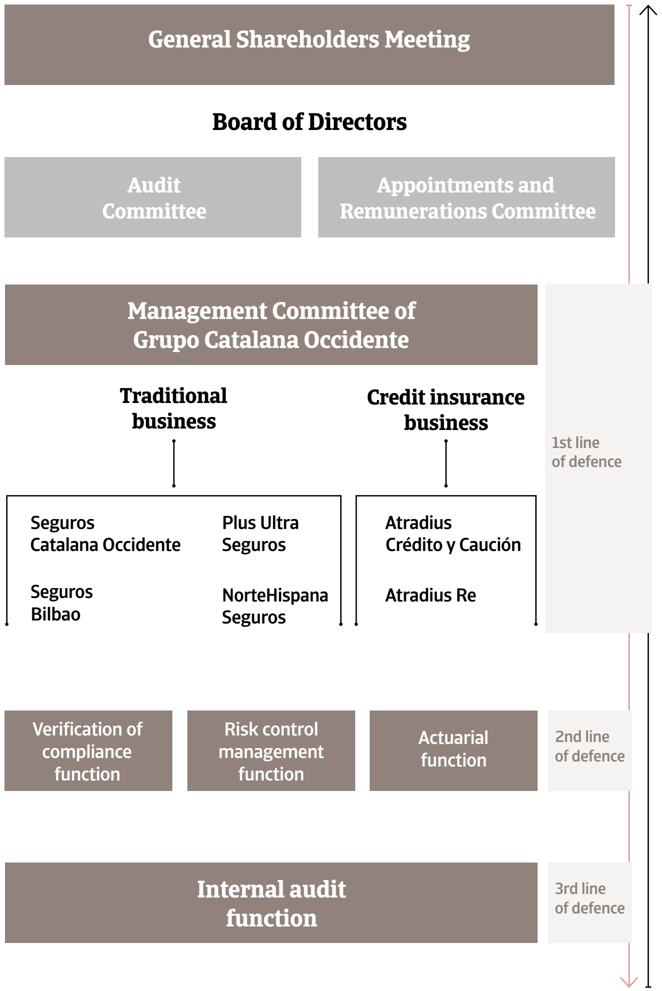
The Group applies practically all recommendations from the Code of Good Governance by the National Securities Market Commission (CNMV) for listed entities as well as advanced practices in corporate governance.

The main functions of the government bodies are described in more detail in the Corporate Governance Report attached and on the corporate website.

General Shareholders Meeting

The General Meeting is the body that represents the shareholders. Its operation and action is regulated by the articles of association and the Regulations of the General Shareholders Meeting. One of its main functions is to approve the accounts and the application of the result. In the Group there are no restrictions on the right to vote and each share is entitled to one vote.

The next General Shareholders' Meeting has been called for 30 April 2020 at 5.00 p.m. in Madrid, at first call In order to facilitate the participation of all shareholders, the Group provides a digital debate forum 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 and supervision 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, among others:

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

Its operation and action is regulated by the articles of association and the Regulation of the Board of Directors. At year-end, the board of directors consisted of 16 directors, of which 10 were proprietary directors, 2 are independent and 4 are executive directors. During the year 2019, the Board of Directors has met 11 times, where it has revised, been informed and, where applicable, made decisions regarding the financial position and results, strategic plan, acquisition operations, policies and risk control, among other issues.

Board of Directors

Chairman
* José María Serra Farré

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

Chief Executive Officer
* José Ignacio Álvarez Juste

Secretary director
* Francisco José Arregui Laborda

Members

Jorge Enrich Izard

* * Juan Ignacio Guerrero Gilabert

Federico Halpern Blasco

* * Francisco Javier Pérez Farguell

* Hugo Serra Calderón

María Assumpta Soler Serra

Cotyp, S. L
Alberto Thiebaut Estrada

Ensivest Bros 2014, S. L.
Jorge Enrich Serra

Enrique Giró Godó

Jusal, S. L.
José María Juncadella Sala

Lacanuda Consell, S. L
Carlos Halpern Serra

Villasa, S. L
Fernando Villavecchia Obregón

Non-Secretary Vice-Chair
Joaquín Guallar Pérez

*Executive directors **Independent

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

Audit Committee

Chairman
Juan Ignacio Guerrero Gilabert

Members
Francisco Javier Pérez Farguell
Lacanuda Consell, S. L

The Board of Directors has appointed an audit committee in accordance with the provisions of Additional Provision 3 of the Audit Act. Its composition and regulation is established in the Regulations of the Board of Directors.

Appointments and Remunerations Committee

Chairman
Francisco Javier Pérez Farguell

Members
Juan Ignacio Guerrero Gilabert
Gestión de Activos y Valores S.L.

The Appointments and Remuneration Committee ensures, among other matters, that the candidate selection processes for board members do not suffer from implicit biases that hinder diversity, making suggestions or informing the Board of Directors, as corresponding, with complete objectivity and respect for the principle of equality, under the framework of their professional roles, experience and knowledge.

Management committee (first line of defence)

Grupo Catalana Occidente has a corporate management committee that directs and coordinates the day-to-day management of the Group. Also, the individual principal insurance entities that form part of the Group have their own management committee.

These committees meet monthly on a corporate level and each fortnight on an entity level in order to take actions relative to the operating system.

External Audit

The firm PriceWaterhouseCoopers Auditores, S.L., performs the individual external audit of the Society and the consolidated Group, as well as of the majority of the entities that form part of it. This brings global homogeneity between all audits and, in particular, with regards to the financial information systems.

In Note 20d of the report and in the Corporate Governance report, the remuneration paid to the auditors is listed both in concept of auditing services and other services. The entire contents of the annual reports, of the notes to the report and the auditor's report is available at: www.cnmv.es and at www.grupocatalanaoccidente.com, within the section dedicated to investors and analysts, in the economic information section.

Assessment of the board and the committees

Following the recommendations of good corporate governance, by the CNMV, during the year 2018 an external evaluation was carried out by KPMG in the role of independent expert on the operation of the Board of Directors, on the delegated committees and on the performance of the chairman.

The result was positive, highlighting both the adequacy of the procedures and the functioning of the bodies, although the independent expert issued a series of recommendations that the Board has followed up on, many of which were complied with during the current year.

Information and transparency

The Board of Directors has approved the management report, corporate governance report and report on remuneration of members of the Board of Directors corresponding to the year 2019, following the guidelines established by the regulations in relation to the transparency of listed entities.

Through the shareholders and investors portal on the corporate website, it is possible to access the corporate governance report and the remuneration report, which contain detailed information on the Board of Directors, its operation and the remuneration of its members during the year.

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

Control of risk management function

Supports the board of directors and the management committee with identification, assessment and control of all risks.

- Supports for the board of directors in the annual establishment of the appetite and risk tolerance for the Group and its main businesses.
- It follows up on the prospective risk assessment.
- Periodic monitoring of the risk profile and threats.

Verification of compliance function

Ensures compliance with the obligations that affect the organisation of the Group, including both the regulations of mandatory application as well as those assumed on a voluntary basis, including the legal, regulatory and administrative provisions affecting the Group, as well as its own internal regulations.

Actuarial function

Exercises the powers conferred by the regulations.

- Expresses an opinion on the technical provisions.
- Assesses the quality of the data used.
- Expresses an opinion on the suitability of the technical provisions included in the ORSA.
- Expresses an opinion on the subscription policy.
- Expresses an opinion on the reinsurance policy.

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 2019 the Group carried out a total of 102 audits, including 4 on aspects of Solvency II, 8 on processes of the internal control system for the generation of financial information (SCIIF) and 3 on the prevention of money laundering and financing of terrorism.

In total, over 313 opinions have been issued, 96% of which are at least in the satisfactory category. .

Remuneration policy

This is oriented towards the recurring generation of value and sustainability of results over time. It also seeks to align the interests of the directors and employees with those of the Group's stakeholders together with prudent risk management in such a way as to be reasonable with the size of the Group, its economic situation and the market standards of comparable companies.

This policy is approved for three-year periods (unless there are amendments to it) by the General Shareholders' Meeting. Three years having passed since the last time it was approved, the Board of Directors has approved the submission to the General Shareholders' Meeting of a new, continuous policy for the three-year period 2020-2022. Likewise, the annual report on remuneration to the Board of Directors is published annually and submitted to the consultative vote of the General Shareholders' Meeting, which includes the remuneration received by both the Company and its subsidiaries.

Principles of the policy

- 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 reward the level of responsibility.
- To ensure internal equality and external competitiveness.

Terms and Conditions

The members of the Board of Directors in their roles as such, have perceived remunerations, in the concept of statutory attentions and daily subsistence allowances for attendance at meetings. In turn, the executive directors have signed, in accordance with the trade regulations, their corresponding contracts which include, among other elements, and as appropriate, a fixed remuneration, variable remuneration (one different portion), payment in kind and a system of complementary social security.
In Note 20b of the report and in the remuneration report, the amounts paid to the members of the Board of Directors for all of the above concepts are listed.

Policy of aptitude and honour

The corporate governance of the Group not only involves the Board of Directors and other governing bodies, but also extends to all aspects of the organisation and teams.
The Group, through a proper and transparent policy for remuneration and aptitude and honour, ensures that the positions are held by the suitable people.

Aptitude

It is understood that the professional is suitable if they have the training and the right profile to perform the functions entrusted to them, as well as practical experience derived from previous jobs with functions similar to those to be undertaken. In order to evaluate its aptitude, the Human Resources Management defines an ideal type of qualification, knowledge and experience for each role and evaluates the aptitude through the corresponding supporting documentation.

Honour

The process for determining honour is performed by the Human Resources Management and the Group's Regulatory Compliance Unit. The evaluation of honourableness includes an assessment of their honesty and financial solvency based on reliable information on their reputation.

In conformance with the applicable regulations, the Group provides both the corresponding insurance supervisor and, where applicable, the CNMV or the Bank of Spain, as corresponding, all of the information regarding appointments and terminations of strategic personnel.

Ethical framework

The Group's code of ethics promotes responsible and transparent management, considers people to be the greatest asset and places the customer in the centre of the activity.

The Group's code of ethics, formulated and approved by the Board of Directors, is the document that establishes the guidelines that preside over the ethical behaviour of the directors, employees, agents and collaborators of Grupo Catalana Occidente in their daily work, with regards to the relationships and interactions they maintain with the groups of interest.

This Code, developed through different protocols, has been periodically renewed in order to adapt to the new realities faced by the Group and includes, systematises and publishes its principles and values for action in line with the cultural keys of the Group, including the commitments assumed in reference to good governance and issues related to ethics and regulatory compliance and, in particular, the actions related to corruption and bribery, compliance with human rights, respect for people, professional development, equal opportunities, the relationship with collaborating companies, occupational health and safety and respect for the environment, among others.

The Code of Ethics includes, among others, the actions of those responsible for law enforcement by Grupo Catalana Occidente, the actions upon receipt of judicial documentation or in the case of receiving an inspection, as well as the manual for procedures and selection of suppliers and the channel for claims against fraud and irregularities.

Communication and monitoring

The Code of Ethics is communicated to the entire staff through the intranet of each of the Group entities, receiving the appropriate training in this regard, and it must also be assumed by all employees of the Group entities. This Code of Ethics can be consulted on the Group's corporate website.

The Group has safeguards in place to ensure compliance with the Code of Ethics, including a channel for complaints and irregularities through which such complaints and possible violations can be managed.

Furthermore, the Group avails of various policies and internal regulations on behaviour for specific topics such as:

- Internal behavioural regulation regarding the Stock Market
- Outsourcing Policy and Procedures and Supplier Selection Manual.
- Prevention of money laundering and funding of terrorism manual

This management model also establishes that the Audit committee and the Management Committee receive periodic reports on the actions in this area.

Code of ethics *Internal Code of Conduct.*

Compliance and prevention

Operating in a highly regulated sector makes the verification of compliance function essential.

Regulatory compliance

- **Prevention of money laundering and funding of terrorism**

  The Group has a manual for the prevention of money laundering and the financing of terrorism, which sets out, among other matters, all the measures implemented by the Group entities subject to the regulations on the prevention of money laundering and the financing of terrorism.

  These measures are subject to annual review by an external expert who prepares a report and has considered that the Group has a satisfactory prevention system. The board of directors examines this report, together with proposals of necessary measures, to address the weaknesses identified. No reports of money laundering have been received.

  As part of the prevention system, the Group has implemented an annual training plan for its employees in this area.

- **Data protection. Cyber security**

  The Group entities have a personal data protection policy and a prevention policy, among others, approved by the Board of Directors, which coordinates the data protection committee and its delegates.

  Potential cyber attacks are considered one of the principal risks in the sector. This is why the Group has continued to prepare ti have a *Chief Information Security Officer* during 2019.

  During the year, the Group did not receive any claims related to customer privacy violations from third parties nor cases of filtrations, theft or loss of customer data. Nor has the Group received any substantiated claims regarding violations of customer privacy and/or security breaches with loss of personal data from the relevant regulatory authorities

- **Fight against fraud and corruption**

  The Group has procedures to combat fraud, which help to identify possible malicious acts or omissions in purchasing the 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.

  Likewise, the Code of Ethics and its development protocols establish the policy of action in anti-corruption matters, expressly prohibiting activities such as extortion, bribery and influence peddling, as well as indicating how to act in the event of acceptance or granting of gifts, donations and contributions to foundations and non-governmental organisations, among other actions.

  The Group also has a reporting channel that allows any employee to inform the Corporate Internal Audit Department of conduct that may involve the commission of criminal acts within the Group.

  In 2019, 51 incidents of fraud were detected for an amount of €539,333 in terms of contracting, claims and others that represent 0.01% of the turnover.

- **Reliability of the financial information**

  Following the recommendations of the CNMV about the Internal Control System of Financial Reporting (SCIIF) in 2019, the Group has continued in strengthening the reliability of the financial reporting released through the documentation of the processes.

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 the management of the internal audit.

Within the control environment, the Group focuses on 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, in 2019 more progress was made regarding improving the quality of the risk map. In total, the Group avails of over 5,000 internal controls.

Risk management

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

Risk management system

This is based on the principle of "three lines of defence":

1st line - Taking responsibility for risks.
This consists of the business units that are responsible for the risk assumed and management of the same.
2nd line - Control and monitoring.
This consists of the role of risk management control, verification of regulatory compliance and actuarial function. It defines controls that permit ensuring compliance with the processes and policies for risk management.
3rd line - Internal audit function.
The function of the internal audit is responsible for carrying out an independent evaluation of the effectiveness of the government system, the risk management system and the internal control.
From the risk management control area, all significant aspects relative to risk management are handled, marking guidelines and reference criteria that are assumed by the entities with the adaptations necessary.

Information and communication

The government bodies receive information relative to the quantification of the principal risks the Group is exposed to and the capital resources available to face these with a frequency of at least once per quarter, as well as the information relative to compliance with the limits established for risk appetite.

Since 2016, with an annual nature, the Group and the insurance entities that form part of it publish a specific report on the financial and solvency situation which details and quantifies the risks they are exposed to.

Risk strategy

Grupo Catalana Occidente defines its risk strategy as the level of risk that the entities that form part of it are willing to assume, and ensures that the integration of the same with the business plan permits compliance with the risk appetite approved by the Board of Directors.

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

Risk profile
Risk assumed in terms of solvency.

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 Group's strategic plan and the medium-term plan, which is aligned with the 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.

The ORSA contributes towards spreading a common risk culture and provides a prospective vision of the risks and solvency position in the medium-term plan framework.

The Group performs a *back-testing* analysis between the estimates of the capital requirements for the year, ORSA and its results at the end of the year.

Policies for risk management

The Group has written policies which, together with the existing technical standards, it has reviewed and approved during the financial year 2019. The policies are available in Table 12 of the Non-Financial Information Statement.

Each of these identify the own risks of each affected area, establishes risk quantification measures, determines actions to supervise and control said risks, establishes measures to mitigate the impact of the same and determines the information and internal control systems to control and manage the risks.

Risk map

During the year, the company has continued to improve and in particular is analysing the risks not measured by the standard formula or the internal model. Special attention has been paid to the risks derived from Brexit, commercial tensions between China and the United States, cyber-risk and data protection.

	Description	Regulation	Mitigation	Impact in 2019
Social, environmental and sustainability risks	Risks arising from the national and international economic, political and social environment and from the new habits of society Specifically this year, Brexit, a lax monetary policy with minimum interest rates, slower world economic growth and an aging population, stands out.	Underwriting regulations, written policies (in particular investment policy) Internal Code of Conduct. Corporate Social Responsibility Unit	Underwriting risk, Internal Audit, Internal Control, Claims and Complaints Channel, Occupational Health and Safety Area and strategic plan process and sector analysis	See section 7: relationship with groups of interest.
Non-life underwriting risk	Control of subscription and claims through strict control of combined ratio and default credit risk, also supported on the reinsurance policies.	Subscription and reserve policies. Reinsurance policy. Manual and technical standards for subscription. Data quality policy.	Reinsurance and strict control of the combined ratio. Maintenance of the business diversification.	Claims ratio in traditional business of 90.4%. Claims ratio in credit insurance of 73.4%. For risk quantification, see SFCR.
Life, health and funeral business underwriting risk	Control of subscription, of claims and portfolio value, also supported on the reinsurance policies.	Subscription and reserve policies. Reinsurance policy. Manual and technical standards for subscription. Data quality policy.	Reinsurance and strict control of the risk subscription.	For risk quantification, see SFCR.
Life, health risk	Detailed analysis of asset-liability management (ALM), analysis, and sensitivity analysis for future scenarios.	Investment policy. Management based on principle of prudence. Asset and liability evaluation policy.	Management of assets based on principle of prudence. *Control of different types of portfolio and objectives. *Commitments of liabilities to cover. *Typology of investments considered suitable for investment. *Diversification limits and credit rating to be maintained.	Financial result for net income of 0.8% impacted by maintenance of reduced interest rates and exchange differences. Non-recurring result of -€25.8 million due to impairment in value of two subsidiaries. For risk quantification, see SFCR.
Counterparty risk	Control of credit rating for the principal financial counterparties and rating of the reinsurance panel. Monitoring of risk exposure for commercial credit.	Reinsurance policy. Investment policy.	Reinsurance with counterparties with good credit rating. Diversified investment portfolio with high rating.	No impact. Average reinsurer rating of "A". Average investment portfolio rating of "BBB". For risk quantification, see SFCR.
Operational and regulatory compliance risk	Control of inherent risk and residual risk through the implementation of preventive controls and mitigation in the case of occurrence of an event. Includes risk non-compliance Regulation and evaluation of the impact of any change in the legal environment.	Contingency plans. Data quality and safety policy. Code of ethics. Procedure for action in cases of irregularities and fraud (report channel). Internal Code of Conduct. Verification of regulatory compliance policy. Prevention of money laundering and funding of terrorism Externalisation policy. Cyber risk / data protection.	Implementation of an efficient internal control system.	No impact. Positive result of the "cyber risk attacks". For risk quantification, see SFCR. There have not been any events of regulatory non-compliance but there are still significant imminent regulatory changes:
Liquidity risk	Control of liquidity in the companies and the obligations.	Investment policy.	Low debt ratio.	Over €1,800 million in liquid assets and deposits. For risk quantification, see SFCR.
Strategic risk	Controlled by the Board of Directors and the management committee through the Strategic Plan and the guidelines of the Group.	Strategic plan and medium-term plan.	Continuous monitoring of the regulatory frameworks, allowing the entity to adopt the best practices and most efficient and rigorous criteria for implementation. Frequent contact with the rating agencies. Implementation of an efficient internal control system.	Solvency ratio of 200%, slightly higher than the European average. Favourable performance of solvency publication financial statements and tax risk management and control policy. Political situation in Spain.
Reputation risk	Continuous improvement of customer service and the image of the Group and the risks that may have an impact on the Group.	Procedure for action for irregularities. Code of behaviour. Code of ethics. Policy of aptitude and honour.		

06

Commitment with the stakeholders

In constant dialogue

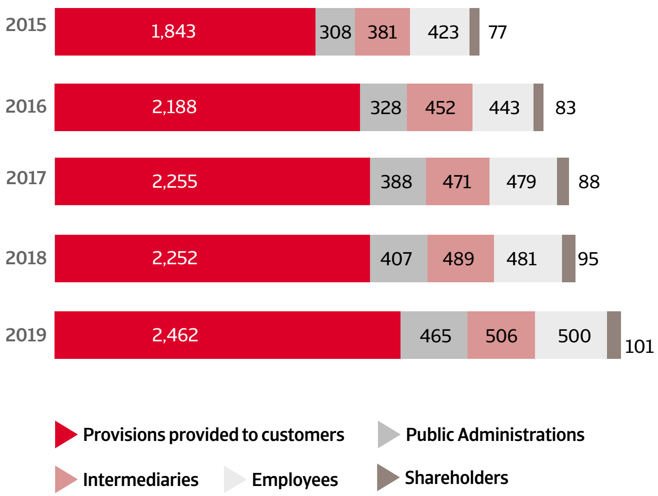
A Group identified and committed to its stakeholders

Creation of value

The vocation of Grupo Catalana Occidente is to consolidate a solid business and generate sustainable social value. In 2019, the Group contributed €4,034 million to society.

Sustainable social value is the result of focusing the Group's 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 the short and long term.

In 2019, the Group contributed €4,034 million to society, with customers being the main group of interest with 61.0% of the total.



Society

Specific commitments

- Proactive cooperation with entities in the insurance sector and other associations.
- Contribute to the well-being of the groups of interest.

Communication channels.

- Corporate websites and social networks.
- Fundación Jesús Serra magazine.
- Fundación Jesús Serra website and social networks.

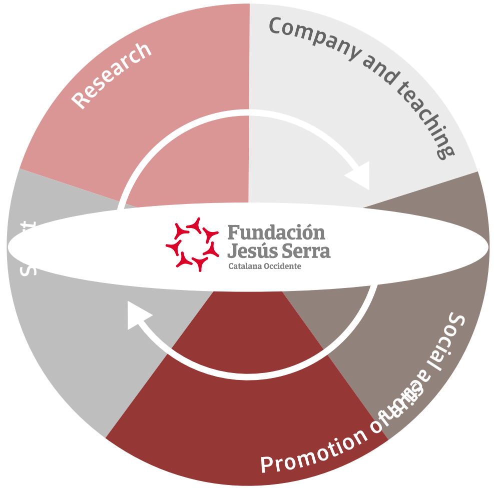
The Group also bases its business model on respect for people and on generating economic development, well-being and work stability for over a century. In parallel, its social action is articulated through the Fundación Jesús Serra. Its budget in 2019 was €2.3 million.

The entities of the Group invest, furthermore, in initiatives related to the territories they operate it, with its historic past and own entity. At Seguros Catalana Occidente we can highlight the support of the Symphonic Orchestra of Sant Cugat and the Auditorium. Plus Ultra Seguros focuses on the support of sporting disciplines such as paddle tennis or basketball from a wheelchair. In turn, Seguros Bilbao focuses on cultural sponsorships such as the Guggenheim Museum or Ship Museum. Atradius Crédito y Caución invests in projects that are strongly linked to the business, such as initiatives that support the business development. Altogether, the amount destined to these projects reached €952 million.

Grupo Catalana Occidente S.A. did not receive any amount that could be considered a "public subsidy" during the year. This concept includes loans granted by public administrations and their dependent bodies, whether they are repayable or non-repayable in full or in part, loans with zero or below-market interest.

Fundación Jesús Serra

Fundación Jesús Serra 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 and promote initiatives of a cultural, business, education, music, sports, research and charity type.



“ The Fundación Jesús Serra Research Award is a recognition of the work of many professionals who try to prevent and treat the health problems suffered by our current society ”

Salvador Aznar, *researcher at the Catalan Institute for Research and Advanced Studies (ICREA) and the Institute for Research in Biomedicine of Barcelona (IRB Barcelona)*

Employees

Specific commitments

- Equal opportunities
- Fair payment
- Permanent training

Communication channels.

- Corporate internet for companies
- Announcement boards and suggestion boxes.
- Employee representatives

Training
During the 2019 financial year, the Group has maintained the training actions aimed at professional development, in line with the provisions of the Training Plan. This plan is established annually on the basis of the Group's Strategic Plan, the training needs analysis questionnaires sent to each general sub-directorate and the specific training needs derived from professional evaluations. Also noteworthy in the traditional business is the Training and Professional Development Committee, made up of the head of Professional Development and the training managers of the various traditional business companies.
In the credit business, there is "Atradius Academy" a learning platform available to all employees of the credit business where they can find a wide selection of online courses. This year, the strategy for the platform has been updated and new courses have been included. In total, at Group level more than 149,000 hours of training have been carried out, an average of 18 hours per employee

Professional development
The Grupo Catalana Occidente is committed to the professional development of its employees, promoting the capacities of the new generations of professionals who, in the medium and long term, will occupy positions of responsibility, and updating the skills of the most expert professionals, to adapt them to the new challenges of the business environment.

Throughout 2019, the construction and validation of a job levelling model common to all companies continued in the traditional business as a necessary management tool for establishing professional development itineraries, a model that has already been developed in the credit business. Likewise, in the traditional business, also based on the Management Skills Model defined in 2018, an analysis of management skills based on a 360° model has been carried out for the entire management level of the Group, in addition to maintaining the professional evaluation that affects technicians and managers. In the same vein, the credit business already has a system of job levelling, and has been using a system of professional evaluation and analysis of potential for development that are part of the human resource management systems and are already consolidated.

Equal opportunities.
The Grupo Catalana Occidente integrates in its business strategy the corporate social responsibility policies focused on a responsible and transparent management. The behaviour of all its members is based on ethical behaviour based on good faith and integrity as set out in the principles of action formalised in the Code of Ethics: the principle of integrity and honesty, the principle of impartiality, the principle of transparency, the principle of confidentiality, the principle of professionalism and the principle of corporate social responsibility.

In this line, no type of discrimination is permitted based on birth, sex, religion, opinion or any other personal or social condition or circumstance. Respect for human rights is also guaranteed.

In addition, companies of significant size have an Equality Plan and a Protocol for the prevention and treatment of sexual harassment on the grounds of gender and moral harassment. The Equality Commission is responsible for ensuring compliance. The general objectives of these plans are:

a) To promote the principle of equal treatment between men and women, guaranteeing the same professional opportunities in employment, selection, remuneration, training, development, promotion and working conditions.
b) To guarantee the absence of direct or indirect discrimination on the basis of gender and, especially, those derived from maternity, paternity, the assumption of family obligations, marital status and working conditions.
c) To prevent all types of abuse, particularly sexual harassment and gender-based harassment, implementing a code of behaviour that protects the entire human team.
d) To promote equal opportunities through communication and awareness on all organisational levels.
e) To favour conciliation of the professional, personal and family life of the whole team.

It should be noted that the composition of the staff is generally gender balanced. Although the functions of greater responsibility are mostly occupied by men, in recent years, a positive trend has begun to emerge towards achieving a balance.

The Group is also committed to the employment integration of people with disabilities. At the end of the year, 92 people with different abilities were on the Group's payroll. The companies Seguros Catalana Occidente, GCO Tecnología y Servicios, Plus Ultra Seguros, Seguros Bilbao, have been awarded the certificate of exceptionality granted by the State Public Employment Service, under the provisions of Royal Decree 364/2005, of 8 April, which regulates the alternative fulfilment of the reserve quota in favour of disabled workers on an exceptional basis.

CR Report

See tables 1 to 7 and 9 to 11 for non-financial information

In 2019, the Group has not recorded any cases of discrimination, although there has been one case of human rights violations.

Healthy Company

Grupo Catalana Occidente is concerned about the well-being of its employees, promoting sport and healthy living. Last year the Healthy Company initiative was launched, with the outstanding milestone of the remodelling of the Club Catalana Occidente, in Sant Cugat del Vallés, and with the aim of carrying out similar actions in the rest of the Group's entities.

Internal Communication

The Group maintains constant communication with our employees, making sure to keep them informed about the future of the business and about any information relevant to the Group and its entities. For this purpose, there are corporate intranets as the principal tools for internal communication accessible to all employees. In this regard, at the beginning of the year the documents summarising the Group's strategic plan, as well as the guidelines for each year, are published and are accessible to all employees.

Reconciliation and co-responsibility of both parents

In their commitment to equal opportunities and work-life balance, the companies adhering to the Collective Bargaining Agreement, which affects practically all traditional business entities, offer a flexible timetable that allows them to accumulate hours for future free use and an intensive working day in the summer months, as well as the option of voluntary leave for one year with a guarantee of re-entry.

Likewise, these companies offer social benefits such as a permanence prize, retirement prize, birth prize, help for disabled relatives, life insurance above the conditions of the collective agreement of the insurance sector and personal loans.

On the other hand, the company GCO Contact Centre has started the teleworking modality for some workers and plans to increase the number of workers in teleworking situation progressively.

At Atradius N.V., measures to facilitate and encourage work-life balance are subject to regulation in each country.
In 2019, a disconnection policy was approved for the companies of the Catalana Occidente Group.

Fair payment

During 2019, progress has been made in having a common remuneration policy in the traditional business, with a wide variety of flexible remuneration products, including the annual offer of remuneration by shares for the staff of the insurance activity. Likewise, employees have an extensive programme of social benefits, including pension plans, company canteens, financing of employee training (university education, MBA, languages), help for disabled relatives, personal loans, etc.

Union representation and collective bargaining in Spain

The continuous dialogue between the organisation and the employee representatives is articulated through the Company Committees and Trade Unions with whom the companies maintain fluid communication, with periodic meetings addressing the issues related to working conditions, equality, prevention of occupational hazards, professional recognition, etc., and the existence of committees designed to address specific topics such as Health and Safety,Professional classification Pension or Equality Plans, whose committee ensures compliance with the equality plans.

This year has seen the consolidation of the application of the same working conditions for all the employees of the companies that have signed the Collective Bargaining Agreement that affects practically all the insured business entities. Within the same, working conditions have been established that are common to all staff in the insurance sector that have integrated activities and share the same operating functions that highlight consolidation for all employees in a system of social prevention with annual contributions corresponding to 5% of the fixed salary. In addition, the remuneration systems of the integrated companies were integrated in the recent period, establishing a system of professional classification that establishes the same conditions for the same functions, which is a guarantee of equity.

In addition, this year the company GCO Contact Centre has reached an agreement with the representation of workers in the Madrid area to establish measures aimed at resolving the discomfort detected in the report on psychosocial risks in the Madrid workplace and improving the reconciliation of family life, along the same lines as those agreed with the representation of workers in the Sant Cugat area at the end of 2018. At present, both work centres have an equivalent agreement that has allowed stability in the management of the activity and a good social climate.

In European countries, the percentage of employees under the Collective Bargaining Agreement is over 95%, except in the UK (89%).

With regard to collective bargaining agreements, Atradius N.V. is in constant dialogue with the trade unions in each country and the works councils, and in the case of the EU also with the EWC (European Works Council).

CR Report

See tables 1 to 7 and 9 to 11 for non-financial information

Customers

Specific commitments

- Develop competitive products
- Transparent and integral personal advice.
- Excellence in service

Communication channels.

- Customer service
- Web
- Mediation network.

	2018	2019	Chg.
Number of policyholders NT	**3,324,450**	**3,340,350**	**0.48%**
Private policyholders	2,968,729	2,982,812	0.47%
Company policyholders	355,721	357,538	0.51%

Customer experience in traditional business	2018	2019
NPS Level of promotion suggested	34.1%	39.6%
PER * Customer intention to remain	91.4%	87.8%
ISC* Level of company satisfaction	90.3%	86.2%
SSR Service satisfaction rate	62.5%	65.5%

** North-Hispanic Range*

Customer experience from credit insurance	2018	2019
Customer retention rate	97.1%	97.3%

The Group's entities are adhered to the guide for good transparency practices of Unespa

Customer service

In 2019, the entities of the Group received, through their customer service channels, a total of 4,636 claims, which represents an increase of 18% compared to 2018. The increase in the total number of claims compared to 2018 is due, on the one hand, to the incorporation of a new company to the Group (Seguros de Vida y Pensiones Antares, S.A.) and, on the other hand, to the fact that this year, with respect to Seguros Catalana Occidente, S.A. de Seguros y Reaseguros, the complaints received by external/third party services as a complement to the insurance activity and which were previously scattered in terms of attention and resolution among the Service Centres and the mediators themselves, were also recorded. 82% were admitted for investigation, with 33% being resolved in favour of the customer, 5% reaching another agreement and 62% being in favour of the entity.

In the credit insurance in 2019 work continues on the on-line platform "AGORA" for the insurance of recoveries that allows customers to buy recovery services and receive payments. This platform increases the efficacy and efficiency of collecting unpaid invoices.

> **"Crédito y Caución is helping us a lot internationally, especially with its Cycomex tool"**
>
> **Juan Luis Lasa** *Chairman of Ternua Group. Crédito y Caución Customer*

Customer experience project

In 2016, the Customer Experience Project was launched, this is a transversal initiative within the traditional business whose main objective is to create a customer-focused culture by understanding their needs, measuring their opinion in all phases of the so-called customer *journey* and guaranteeing an optimal, consistent and homogeneous experience regardless of the contact channel.

The customer *journey* was represented graphically as a means of identifying the initiatives to be developed, a route that includes the different phases in which the customer interacts with the companies of the Grupo Catalana Occidente, with special attention to the interactions of claims. The aim is to get to know the customer better at each of these stages, so that their different needs can be met.

In recent years, new self-service functionalities have been developed and implemented in the e-customer tool. For example, the user can know the status of his claim and follow the different phases of the claim. In 2019, progress has been made on the self-service value proposition with the aim of continuing to provide customers with an autonomous, immediate and digital management capacity.

On the other hand, it is worth mentioning the customer experience guides for the professionals who serve them during a claim, establishing clear protocols on how they should relate and interact with the customers. In this way we intend to homogenize processes in order to provide the highest level of service through our professionals. To analyse the impact of these initiatives, the customer's voice is collected through various surveys carried out at different key points in the customer's itinerary.

Shareholders and investors

Specific commitments

- Offer an attractive environment for investment
- Carry out prudent risk management
- Develop a long-term strategy

Communication channels.

- Corporate website: shareholders and investors.
- *Roadshows.*
- General Shareholders Meeting

The relationships with shareholders and investors develop in conformance with the principles of good governance, responsibility, priority of social interest, equal treatment, transparency, veracity and fluid and permanent dialogue.

The Group avails of various communication channels to guarantee the quality and frequency of its relationship with the institutional investors and shareholders, two specific areas of the organisation attend to requests from institutional investors and shareholders, their proposals and expectations on management in an individualised and approachable manner.

The Group's website publishes information relative to the communication policy and contacts with the shareholders, institutional investors and vote advisors.

223 meetings 16 *roadshows* and forums

Intermediaries

Specific commitments

- Continuous support for professional development.
- Equal remuneration

Communication channels.

- Internal website.
- Conferences and training courses.

	2018	2019	Chg.
Number of NT intermediaries	17,801	17,327	-2.7%

*The decrease in the number of mediators is caused by the incorporation as employees of the mediators of NorteHispana Seguros.

The mediators are a key factor in the Group's relationship with its surroundings. They contact the customers, generating confidence to understand individual needs and providing value through their professionalism and proximity.

The Group aims to maintain lasting relationships with its customers through adequate advice in the prevention of hazards, coverage adapted to their needs, excellent service and competitive prices.

The professional distribution network consists, fundamentally, of exclusive agents and insurance brokers.

Professionalism through training

In the year 2019, the training in the distribution network for traditional business has been oriented towards the development of the sales force, the growth of the business. They highlight projects such as management training and entrepreneurial boost. Furthermore, special attention has been paid to cross sales, the contention of cancellations, customer loyalty and the use of new tools and systems.

Mediator satisfaction

Grupo Catalana Occidente measures the satisfaction indicators annually for the mediation network in the traditional business entities, though the Opinion study of the exclusive agent and broker carried out by ICEA in 2019. The results of the study conclude that the concepts valued are the competitive products and services, support of commercial work, training and information, contact personnel and agility in the processing of claims.

> "The NH Avanza project allows me to rate projects and consult policies quickly and at any time and place through the tablet. It is a great advantage to be able to offer customised solutions when we visit our customers"

Carmen Pérez Ruiz
NorteHispana Seguros Intermediary

Associates and suppliers

Specific commitments

- Objectivity.
- Transparency.
- Equal treatment.

Communication channels.

- Selection policy.
- Evaluation policy.
- Annual meetings.

	2018	2019
Other experts	364,314	374,343
Motor experts	195,669	193,837
Orders to repairers	419,022	421,737
Body experts	33,132	34,562
customers satisfied with the STR service	77%	86%
Customers satisfied with AutoPresto	90%	94%
Total orders	1,044,467	1,051,555

The companies of the Group work with two types of suppliers:

- Generalists, who supply products and services of a general nature that are not directly related to the business: cleaning, maintenance and computer support.
- Specialised suppliers, whose service is essential for the performance of the insurance activity: motor experts, other experts, lawyers, medical experts, garages and repairers. The garages form part of the network called Autopresto and the repairers are part of the Technical Repair Service.

The code of ethics establishes that the Group's relationship with collaborators and suppliers must be oriented towards the achievement of common goals, based on mutual commitment to the fight against corruption and respect for human rights. To ensure all of this, all of the contracts include a clause on compliance with the code of ethics.

Average payment period for suppliers

The Group does not have any balance pending to suppliers with deferment over the legal period (30 days except where otherwise agreed between the parties). For more information, see Note 21c. of the Notes to the report.

Supplier management in traditional business

Perpersa (Insurance experts and EIG prevention) is the company in Grupo Catalana Occidente that manages specialised suppliers for the solution of claims, except for lawyers. All of the direct suppliers are local.

In total, the Group avails of over 2,208 collaborators, which has increased during the year by 10.4%.

The activity holds the quality certificate UNE-EN ISO 9001-2008, which guarantees that the processes are oriented towards continuous improvement and have efficient organisation for the planning, control and analysis of results.

> **"Being part of the AutoPresto workshop network not only allows me to increase my business, but also to have an insurance group that provides me with management tools and advice on customer relations"**
>
> **Francisco Javier Bocos Baron** *Responsible for the San Ignacio workshop*

Environment

Grupo Catalana Occidente will adapt to the effects of climate change by updating the actuarial models with new impact data and through plans of action to mitigate said risks. This has a particular impact on agricultural insurance (agroinsurance) although this has marginal weight within the Group. Furthermore, in the health and life insurances, the impacts that may be derived from heatwaves are also monitored.

The Group carries out its activities in compliance with current environmental legislation, as well as with voluntarily acquired commitments in such a way as to encourage good environmental, energy and eco-efficient practices, the promotion of the consumption of renewable energies and the offsetting of greenhouse gas emissions.

The Group has not received any claims for environmental impact

In 2019, new projects and renovations included movement detectors, automatic regulation of light intensity and replacement of air conditioning and heating installations for other more efficient systems from an energy point of view. These actions have reduced energy consumption in the principal buildings of the Group in traditional business by over 50%.

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

In 2018, the Group determined its material topics (see page 36) within the corporate responsibility strategy. The environment does not form part of those 10 material topics.

07 Non-financial information statement

Non-financial information statement		Related GRI standards	Materiality	Report location
Management focus	Description of the **policies** that the group applies regarding said issues, which will include the due diligence policies applied for identification, evaluation, prevention and mitigation of significant risks and impacts and of verification and control, including which measures have been adopted.	103-2 The management focus and its components		Pages 35, 412, 42, 43, 44, 45 and 46. Table 12
	The **results of these policies**, which must include relevant key indicators on non-financial results that permit monitoring and evaluation of the progress and that favour comparability between companies and sectors, in accordance with the national, European and international frameworks of reference used.	103-2 The management focus and its components 103-3 Evaluation of the management focus		Pages 35, 43 and 46
	The main risks related to these issued linked to the activities of the group, including, where relevant and proportionate, their commercial relationships, products or services that may have negative effects in those scopes, and how the group manages said risks, explaining the **procedures used to detect** and evaluate them in accordance with national, European or international frameworks of reference for each topic. Information must be included on the **impacts** detected, offering a breakdown of them, particularly for the principal risks in the short, medium and long-term.	102-15 Principal impacts, risks and opportuni-ties	Risk management and regulatory compliance.	Pages 35, 45 and 46
General information - Business model				
Business model	Brief description of the group's business model (entrepreneurial and organisation environment)	102-2 Activities, brands, products and services		Pages 7, 34, 35, 36, 37 and 38
		102-7 Size of the organisation		Pages 7, 8 and 38
		102-9 Supply chain		Pages 37, 51, 52 and 53
	Geographical presence	102-3 Headquarters location		Page 38
		102-4 Operations location		Pages 7 and 38
		102-6 Markets served		Pages 7 and 37
	Objectives and strategies of the organisation	102-14 Declaration of top executives responsible for decision-making (vision and strategy relative to the management of economic, social and environmental impacts)		Pages 4, 5, 7, 17, 34 and 35
	Principal factors and trends that may affect future evolution	102-15 Principal impacts, risks and opportuni-ties	Risk management and regulatory compliance.	Pages 10, 11, 12, 17, 35 and 46
General	Mention in the report on the national, European or international reporting framework used for the selection of key indicators for non-financial results included in each of the sections.	102-54 Declaration of preparation of the report on conformity with the GRI standards		Page 2

Non-financial information statement		Related GRI standards	Materiality	Report location
Information on social issues and personnel issues				
Employment	Total number and distribution of employees by gender, age, country and professional classification	102-8 Information on employees and other workers 405-1 Diversity in government bodies and employees	Quality employment	Page 7 Tables 2, 3 and 4
	Total number and distribution of modalities of work contract, annual average of permanent contracts, temporary contracts and part-time contracts by sex, age and professional classification.	102-8 Information on employees and other workers	Quality employment	Tables 1 and 5.
	Number of terminations by gender, age and professional classification	401-1 New employee hires and personnel rotation	Quality employment	Table 6 and 6b.
	The average remunerations and their evolution disaggregated by gender, age and professional classification or equal value Wage gap, remuneration for equal or average jobs in society.	405-2 Ratio of the base salary and remuneration of women compared to men		Table 7 and 7b
	Average remuneration of board members and directors, including variable remuneration, allowance, compensation and payment to long-term saving systems and any other money perceived disaggregated by gender	201-3 Obligations of the defined benefits plan and other retirement plans		Annual remuneration report of the board of directors Tables 7 and Page 42
	Implementation of work disconnection policies	103 - Management focus		Page 50
	Employees with disability	405-1 Diversity in government bodies and employees		Pages 49 and 50
Organisation of work	Organisation of work time;	103 - Management focus	Quality employment	Pages 49 and 50
	Number of hours of absenteeism	403-2 Types of accidents and frequency rate of accidents, professional illness, days lost, absenteeism and number of deaths by occupational accident or occupational illness	Quality employment	Table 10
	Measures aimed to facilitate the enjoyment of conciliation and to promote shared exercise of the same by both parents.	401-3 Parental leave	Quality employment	Pages 49 and 50
Health and safety	Occupational health and safety conditions	n.a	Non-material	
	Occupational accidents, particularly their frequency and severity, as well as professional illness; disaggregated by sex.	n.a		

Non-financial information statement		Related GRI standards	Materiality	Report location
Information on social issues and personnel issues				
Social relationships	Organisation of social dialogue, including procedures to inform and consult personnel and to negotiate with them;	102-43 Focus for the participation of groups of interest	Quality employment	Page 35 and 50
		103 Management focus	Quality employment	Page 50
	Percentage of employees covered by collective bargaining agreements by country Balance of collective agreements, particularly in the field of health and safety at work	103 Management focus	Quality employment	Page 50
Training	Policies implemented in the field of training	103 Management focus 102-41 Collective negotiation agreements	Professional development	Page 49 Table 11
	The total amount of training hours by professional categories	404-1 Average training hours per year per employee		
Universal accessibility for people with disability	Universal accessibility and integration for people with disability	405-1 Diversity in government bodies and employees	Quality employment	Pages 49 and 50
Equality	Measures adopted to promote equal treatment and opportunities between men and women	401-3 Parental leave	Quality employment	Pages 43, 49 and 50 Table 9
	Plans for equality (Chapter III of Organic Law 3/2007, of March 22, on effective equality between men and women), measures adopted to promote employment, protocols against sexual and gender-based harassment, universal accessibility and integration of people with disability.	103 Management focus		
	Policy against all types of discrimination and, where applicable, management of diversity	406-1 Cases of discrimination and corrective actions taken		
Information on respect for human rights				
Application of due diligence procedures	Application of due diligence procedures related to human rights, prevention of risks for violation of human rights and, where applicable, measures to mitigate, manage and repair possible abuse committed.	102-16 Values, principles, standards and regulations for behaviour	Ethics, integrity and transparency Quality employment Commitment to society	Pages 35, 43 and 53
		102-17 Mechanisms for advice and ethical concerns		Page 43
	Complaints of cases of violation of human rights	419-1 Non-compliance with laws and regulations in the social and economic spheres		Page 43 Table 9
	Promotion and compliance with the provisions of the fundamental agreements of the International Labour Organisation related to respect for the freedom of association and the right to collective negotiation; the elimination of discrimination at work and occupation; the elimination of forced or obligatory work; the effective abolition of child labour.	406-1 Cases of discrimination and corrective actions taken		Page 50 Table 9

Non-financial information statement		Related GRI standards	Materiality	Report location
Information relative to the fight against corruption and bribery				
Information relative to the fight against corruption and bribery	Measures adopted to prevent corruption and bribery	102-16 Values, principles, standards and regulations for behaviour	Ethics, integrity and transparency	Pages 40, 42, 43, 44 and 52
		102-17 Mechanisms for advice and ethical concerns		Pages 43 and 44
		205-1 Operations evaluated for risks related to corruption		Page 44
	Measures to fight against money laundering	205-2 Communication and training on anti-corruption policies and procedures		Page 44
		205-3 Confirmed cases of corruption and measures taken		Page 44
	Contributions to non-profit entities and foundations	201-1 Direct economic value generated and distributed		Page 48
Information about the society				
The company's commitments to sustainable development	The impact of society's activity on local populations and the territory The impact of the society's activity on employment and local development	204-1 Proportion of expense in local suppliers	Commitment to society	Pages 35, 48 and 52 Table 8
		413-1 Operations with the participation of the local community, impact evaluations and development programs		
	Relationships maintained with the actors in local communities and the modalities of dialogue with the same	102-43 Focus for the participation of groups of interest		
	Association or sponsorship actions	102-13 Affiliation with associations		Page 48
Subcontracting and suppliers	Inclusion in the purchase policy of social, gender equality and environmental issues	n.a	Non-material	
	Consideration in relationships with suppliers and subcontractors of their social and environmental responsibility			
	Supervision and audit systems and results of the same.			

Non-financial information statement		Related GRI standards	Materiality	Report location
Consumers	Measures for health and safety of consumers	103 Management focus	Ethics, integrity and transparency	Pages 44 and 51
	Systems for claims, complaints received and resolution of the same	102-43 Focus for the participation of groups of interest		Pages 35 and 51
		418-1 Substantiated claims relative to violations of customer privacy and loss of customer data		Page 44
		Other indicators: No. of complaints, No. of claims received and admitted, resolution of the claims (in favour of the customer, in favour of the entity or resolved by agreement)		Page 50
Tax information	Benefits obtained country by country	201-1 Direct economic value generated and distributed	Economic performance, profitability and company solvency	Page 12 Table 13
	Income taxes paid	201-1 Direct economic value generated and distributed		Page 12 Table 13
	Information on public subsidies received	201-4 Financial assistance received from government		Page 48
Information on environmental issues				
Environmental management	Current and anticipated effects of the company's activities on the environment and, where applicable, the health and safety, the evaluation procedures or environmental certification.	102-11 Principle or focus of precaution 307-1 Non-compliance with legislation and environmental regulation	Risk management and regulatory compliance.	Page 35 and 53
	Resources dedicated to prevention of environmental risks.	n.a		Page 35 and 53
	Quantity of provisions and guarantees for environmental risks	102-15 Principal impacts, risks and opportunities	Risk management and regulatory compliance.	Page 35 and 53
Contamination	Measures to prevent, reduce or repair the emissions that seriously affect the environment; taking into account any form of atmospheric contamination specific to an activity, including noise and light pollution.	n.a	Non-material	
Circular economy and waste management and prevention	Circular economy, measures for prevention, recycling, reuse, other forms of recovery and elimination of waste, actions to fight against food waste	n.a		
		n.a		
Sustainable use of resources	Water consumption and water supply in accordance with local constraints Consumption of prime materials and measures adopted to improve efficiency of use	n.a		
	Direct and indirect energy consumption, measures taken to improve energy efficiency and the use of renewable energy	n.a		
Climate change	1-The measures taken to adapt to the consequences of climate change; 2-The voluntary medium- and long-term reduction targets established to reduce greenhouse gas emissions and the means implemented to that end.	n.a		
Protection of Biodiversity:	1-Measures taken to preserve or restore biodiversity 2-Impacts caused by activities or operations in protected areas.	n.a		

Annex tables - non-financial information

The information relative to employees in non-financial information refers to work contracts valid on 31/12/2019.

This information differs from other sections of the management report, as well as the report of the annual statements, which measures the average of full-time employees *(full-time equivalent).*

Table 1* - Employees by type of contract and gender	2018	2019
Permanent contract	7,329	7,366
Total women	3,493	3,516
Total men	3,836	3,850
Temporary contract	292	302
Total women	173	175
Total men	119	127
Total employees	**7,621**	**7,668**
Scope	100%	100%

** Explanatory note to tables 1 and 5: only breakdowns of contract type and working day type by gender are reported, as this is the Group's representative material information.*

Table 2 - Employees by age and gender	2018	2019
Over 50	**2,793**	**2,911**
% Women	39.8%	40.6%
From 40 to 49	**2,538**	**2,514**
% Women	52.4%	52.5%
From 30 to 39	**1,714**	**1,645**
% Women	53.5%	52.6%
Under 30	**576**	**598**
% Women	53.6%	54.2%
Total employees	**7,621**	**7,668**
Scope	100%	100%

Table 3 - Employees per country	2018	2019
Spain	4,455	4,504
Netherlands	577	570
Germany	486	484
United Kingdom	415	399
Belgium	336	308
France	242	232
Italy	208	205
U.S.	121	125
Denmark	74	77
Mexico	79	74
Australia	65	66
Portugal	59	59
Poland	52	52
Hong Kong	50	46
China	42	42
Singapore	46	42
Ireland	43	40
Rest of the World	271	343
Total employees	**7,621**	**7,668**
Scope	100%	100%

Table 4 - Employees by professional rating and gender	2018	2019
Executives	**118**	**137**
% Women	15.3%	15.3%
Intermediate managers and technical supervision	**1,523**	**1,562**
% Women	31.1%	31.0%
Qualified admin. and sales	**4,364**	**5,098**
% Women	50.0%	50.1%
Administrative support	**823**	**871**
% Women	74.7%	72.3%
Total employees	**6,828**	**7,668**
Scope	94%	100%

Table 5 - Employees by type of working hours and gender	2018	2019	Proportion
Full time	**6,599**	**6,663**	**86.9%**
% Women	42.5%	42.7%	
Part time	**1,022**	**1,005**	**13.1%**
% Women	84.2%	84.5%	
Total employees	**7,621**	**7,668**	
Scope	100%	100%	

Table 6a** - Terminations by age and gender	2018	2019
Over 50	**14**	**25**
% Women	50.0%	44.0%
From 40 to 49	**30**	**22**
% Women	53.3%	40.9%
From 30 to 39	**28**	**38**
% Women	53.6%	42.1%
Under 30	**3**	**19**
% Women	66.7%	52.6%
Total employees	**75**	**104**
Scope	53%*	100%

Table 6b** - Terminations by category and gender	2018	2019
Executives	**1**	**6**
% Women	0.0%	33.3%
Intermediate managers and technical supervision	**13**	**14**
% Women	61.5%	35.7%
Qualified admin. and sales	**59**	**53**
% Women	52.5%	34.0%
Administrative support	**2**	**31**
% Women	50%	67.7%
Total employees	**75**	**104**
Scope	53%*	100%

**Explanatory notes table 6 and 6b:*
- Traditional business: in both 2018 and 2019 most of the dismissals in the traditional business correspond to commercial staff on the payroll of agency companies.
- Likewise, the 2018 data is from traditional business + Atradius Spain (53% of employees)

Table 7a - Total remuneration board members*	2018	2019
Total	**6,516**	**6,705**
Average	**407**	**419**

Includes fixed remuneration, variable remuneration, allowance, bylaws and others. The remuneration of all individual directors in their capacity as such (except the Chairman and the Chief Executive Officer) is the same. Of the members of the Board of Directors, only one is a woman. The breakdown of the remuneration by item and person can be found in the annual report on the remuneration of the Board of Directors available on the Group's website.

Table 7b*** - Remuneration by category and gender and wage gap	2018	2019
Executives		
Average salary man	174,393	169,847
Average salary woman	149,029	148,716
Ratio of average remuneration Women/Men	0.85	0.88
Intermediate managers and technical supervision		
Average salary man	78,413	80,695
Average salary woman	62,445	66,554
Ratio of average remuneration Women/Men	0.80	0.82
Qualified admin. and sales		
Average salary man	49,339	46,473
Average salary woman	42,631	39,075
Ratio of average remuneration Women/Men	0.86	0.84
Administrative support		
Average salary man	28,096	25,012
Average salary woman	30,941	26,016
Ratio of average remuneration Women/Men	1.10	1.04
Scope	91%	100%

Table 7c*** - Remuneration by category and gender and wage gap (employees in Spain)	2018	2019
Executives		
Average salary man	157,106	154,916
Average salary woman	136,768	144,105
Ratio of average remuneration Women/Men	0.87	0.93
Intermediate managers and technical supervision		
Average salary man	60,268	63,637
Average salary woman	51,573	55,825
Ratio of average remuneration Women/Men	0.86	0.88
Qualified admin. and sales		
Average salary man	37,360	35,702
Average salary woman	34,268	32,530
Ratio of average remuneration Women/Men	0.92	0.91
Administrative support		
Average salary man	20,526	17,465
Average salary woman	18,826	16,406
Ratio of average remuneration Women/Men	0.92	0.94
Scope	91%	100%

****Clarification note table 7b and 7c. The main reason for the difference in the average pay ratio by gender is seniority.*
The average remuneration of employees in the traditional business is €48,106 for the over-50s, €37,471 for the 40-49s, €29,731 for the 30-39s and €20,460 for the under-30s.

Table 8 - Operations with participation of local community	2018	2019
Total number of company operations	63	63
Total number of operations with programs for participation with the local community, impact evaluations and/or development programs	44	53
Percentage of operations with the participation of the local community, impact evaluations and/or development programs	70%	84%

Source: Fundación Jesús Serra relative to aid programs for training and participation programs, both cultural and sporting

Table 9 - Equality and human rights	2018	2019
Cases of discrimination	4	0
Positively resolved	100%	0%
Complaints related to human rights	0	1

Table 10 - Absenteeism	Women	Men
Occupational illness	1	0
Hours of absenteeism	190,175	150,927
Number of employees who carry out professional activities with high risk of certain illnesses	0	0

Table 11 - Training by category and gender (hours)	2018	2019
Executives	**9,251**	**5,716**
% Women	33.20%	62.5%
Intermediate managers and technical supervision	**32,611**	**38,446**
% Women	39.10%	50.8%
Qualified admin. and sales	**69,089**	**86,894**
% Women	33.60%	55.8%
Administrative support	**25,841**	**18,898**
% Women	57.20%	37.2%
Total hours	**136,792**	**149,954**
Scope	100%	100%

	2018	2019
Number of courses (traditional business)	**1,217**	**1,609**

Table 12 - Group Policies	Internal	Location
Code of ethics and behaviour		Website
Corporate Tax Policy		Website
Board Member Selection Policy	X	
Corporate Tax Policy	X	
Corporate Social Responsibility Policy		Website
Health and Well-being and Prevention of Occupational Hazards Policy	X	
Plan for Business Continuity	X	
Risk Management System Policy	X	
Investment Policy	X	
Reinsurance Policy	X	
Risk of subscription, risk of provision constitution and claim management policy	X	
Policy relative to the partial internal model for the risk of subscription of credit insurance	X	
Communication policy with Institutional Shareholders and	X	
Reputation Risk Policy		Website
ORSA Policy	X	
Capital management policy	X	
Policy of aptitude and honour	X	
Internal control policy	X	
Risk Management System Policy		Website
Internal audit policy	X	
Verification of compliance policy.	X	
Remuneration policy	X	
Work disconnection policy	X	

Table 13* - Tax information Profit and taxes by geographical areas

(figures in millions of euro)

	2018			2019		
	Profit	Tax accrued	Tax paid	Profit	Tax accrued	Tax paid
Spain	340.4	85.4	85.0	363.3	93.1	80.8
Belgium	28.8	8.8	9.1	23.8	8.4	6.8
Denmark	4.3	1.4	HC.3.4	7.3	1.2	1.6
France	25.8	5.8	5.9	16.6	7.1	4.9
Germany	28.7	6.7	4.8	39.8	6.2	14.6
Greece	3.8	2.0	2.0	HC.3.2	1.9	0.9
Ireland	43.5	4.9	3.0	49.2	2.8	3.5
Italy	7.7	0.0	1.4	11.7	1.3	3.7
Norway	3.0	1.1	10.8	3.7	10.7	0.9
Russia	HC.5.2	0.5	0.5	8.2	1.3	1.6
Switzerland	3.5	0.4	0.6	3.7	1.1	0.4
United Kingdom	11.7	3.8	1.6	24.0	2.7	HC.5.1
Netherlands	26.0	1.0	0.0	13.4	8.2	3.7
Other Europe	10.6	1.3	2.1	6,5	1.7	1.7
Australia	6.8	3.0	2.1	3.7	4,5	1.1
USA	11.6	3.5	2.8	11,5	3.1	2.8
Rest OECD	6.1	1.7	1.6	-2.9	1.7	0.2
Hong Kong	6.1	0.9	1.0	5.0	0.1	0.4
Rest of the World	4.3	0.3	1.1	5.4	0.8	1.3
Total	**578.0**	**132.5**	**139.0**	**597.2**	**158.0**	**136.0**
Foreign business consolidation adjustments	-55.3	0	-2.6	-41.0	0.0	-4.3
Total GCO	**522.7**	**132.5**	**136.4**	**556.2**	**158.0**	**131.7**

The taxes paid correspond to the amounts effectively paid or received in the concept of corporate tax in the year and include payments on account and withholdings in the present year as well as the definitive liquidation of the previous year.
For its part, the tax accrued corresponds to the expenses for taxes accounted for upon close of the year for profits obtained in said year.
Finally, Profit corresponds to pre-tax profits.

Glossary

Concept	Definition	Formulation
Technical result	Result of the insurance activity	**Technical result** = (premiums accrued from direct insurance + premiums accrued from reinsurance accepted + information services and commissions) – Technical cost – Participation in benefits and return premiums - Net operating expenses - Other technical 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	Result of the entity's regular 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 Group's business volume It includes premiums that the Group generates in each of the business lines and the income from services pertaining to the credit insurance.	**Turnover =** Premiums invoiced + Income from information. **Premiums invoiced =** premiums issued for direct insurance + premiums from accepted reinsurance.
Managed funds	Amount of the financial and property assets managed by the Group	**Managed funds** = Financial and property assets entity risk + Financial and property assets policyholder risk + Managed pension funds **Managed funds** = fixed income + variable income + property + deposits in credit institutions + treasury + subsidiary 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 =** claims in the year, net of reinsurance + variation of other technical provisions, net of reinsurance
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 average share.* Indicator used to value the shares of an entity.	***Dividend yield*** **=** dividend paid in the year per share / value of the price of the average share.

Concept	Definition	Formulation
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	Measures the customers expectation of staying with the entity Scale of less than 1 year to over 5 years	Permanence index= **how long do you think that you will remain a customer?**
Company satisfaction index	This measures the degree of general satisfaction with the entity Scale from 1 to 10	**General satisfaction level** = (Satisfied - unsatisfied) / survey participants Satisfied responses from 7 to 10 Unsatisfied responses from 1 to 4
Service satisfaction index	This measures the evaluation of the service received Scale from 1 to 10	**Service satisfaction level** = (Satisfied - unsatisfied) / survey participants Satisfied: responses from 7 to 10 Unsatisfied: responses from 1 to 4
Income from insurance	Measures the income directly derived from the activities of insurance and information services	**Income from insurance** = premiums accrued from direct insurance + premiums accrued fro accepted reinsurance + information services and commissions
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	Net Promoter score = **Would you recommend the company to family and friends?** = (advocates - oppo-nents)/ survey participants Advocates: responses with result equal to 9 to 10 Opponents: responses from 1 to 6
Pay out	Ratio that indicates the part of the result distributed among investors through dividends	**Pay out** = (Total dividend/ Result of the year attributable to the parent company) x 100
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** = Price of the share at market close / Result of the year attributable to the parent company 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.	**Combined ratio** = Ratio of claims + ratio of expenses
Net combined ratio	Indicator that measures the technical profitability of the non life insurances net of the reinsurance effect	Net combined ratio = Net ratio of claims + net ratio of expenses
Expenses ratio	Ratio that reflects the part of the income from premiums dedicated to expenses.	**Expenses ratio** = Expenses from operation / 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**= (Net expenses from reinsurance operation) / (premiums attributed to direct business and accepted reinsurance + information services and commissions)
Claims ratio	Business indicator, consisting of the proportion between claims and earned premiums.	**Claims ratio** = Claims / 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 in the year, net of reinsurance / (premiums attributed to direct business and accepted reinsurance + information services and commissions)

Concept	Definition	Formulation
Long-term capital	Resources that can be included in own funds.	**Long-term capital** = Total net equity + subordinated liabilities
Long term capital at market value	Resources that can be included in own funds at market value	**Long term capital at market value** = Total net equity + subordinated liabilities + capital gains associated to properties for own use + capital gains associated to property investments
Resources transferred to the company	Amount that the Group returns to the main groups of interest.	**Resources transferred to society** = claims paid + taxes + commissions + personnel expenses + dividends
Return On Equity ROE	Financial profitability or rate of return Measures the performance of the capital.	**ROE** = (Result of the year. Attributable to the parent company) / (Simple average of the Equity attributed to shareholders of the parent company at the start and end of the period (twelve months)) x 100
Claims	See technical cost. Economic evaluation of claims.	**Claims** = Payments made from direct insurance + Variation of the provision for services of direct insurance + expenses attributable to services
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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App for iPad available in the App Store: Grupo Catalana Occidente Financial Reports

2019 Calendar

January	February	March	April	May	June	July	August	September	October	November	December
	27 Results **12M2019**		**30** Results **3M2020**			**30** Presentation Results **6M2020**			**29** Presentation Results **9M2020**		
	27 Presentation **Results** **12M2019** **16.30**			**4** Presentation of results **3M2020** **16.30**		**30** Presentation Results **6M2020** **16.30**			**29** Presentation Results **9M2020** **16.30**		
			30 General Shareholders Meeting **Year 2019**								
	Dividend dividend **2019**			Complement ary dividend **2019**		Dividend dividend **2020**			Dividend dividend **2020**		

08 Consolidated Annual Accounts

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES
(Grupo Catalana Occidente)
CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2019
AND 31 DECEMBER 2018 (Notes 1 to 3)

(Figures in Thousands of Euros)

	ASSET	Note	31.12.2018 (*)		31.12.2019	
1.	Cash and other cash equivalents	6		**1.163.531**		**1.354.740**
2.	Financial assets held for trading	7.a.		**29**		**-**
3.	Other financial assets at fair value through profit or loss	7.a.		**340.814**		**579.019**
	a) Equity instruments		96		26.259	
	b) Debt securities		-		1.026	
	c) Investments held for the benefit of policyholders who bear the investment risk		340.718		551.734	
4.	Available-for-Sale financial assets	7.a.		**8.105.731**		**9.586.342**
	a) Equity instruments		1.287.736		1.769.154	
	b) Debt securities		6.615.682		7.337.199	
	c) Loans		-		-	
	d) Bank deposits		202.313		479.989	
5.	Loans and items receivable			**1.421.324**		**1.197.027**
	a) Loans and other financial assets	7.a.	595.595		327.770	
	b) Receivables	7.b.	804.341		845.875	
	c) Investments held for the benefit of policyholders who bear the investment risk	7.a.	21.388		23.382	
8.	Reinsurer's share of technical provisions	14		**837.376**		**874.347**
9.	Property, plant and equipment and investment property			**867.090**		**1.095.491**
	a) Property, plant and equipment	9.a.	306.009		434.101	
	b) Investment property	9.b.	561.081		661.390	
10.	Intangible assets			**936.112**		**995.015**
	a) Goodwill	10.a.	792.951		804.975	
	b) Policy portfolio acquisition costs	10	344		349	
	c) Other intangible assets	10	142.817		189.691	
11.	Investments in entities accounted for using the equity method	8		**85.491**		**85.794**
12.	Tax assets			**177.473**		**331.429**
	a) Current tax assets	11.b.	80.957		105.165	
	b) Deferred tax assets	11.c.	96.516		226.264	
13.	Other assets	12		**544.406**		**578.745**
14.	Assets held for sale			-		-
	TOTAL ASSETS			**14.479.377**		**16.677.949**

(*) Presented solely and exclusively for comparison purposes.
The accompanying Notes 1 to 22 and Appendices I and II are an integral part of the Consolidated Balance Sheet at 31 December 2019.

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES
(Grupo Catalana Occidente)
CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2019
AND 31 DECEMBER 2018 (Notes 1 to 3)

(Figures in Thousands of Euros)

	NET LIABILITIES AND EQUITY	Note	31.12.2018 (*)		31.12.2019	
	TOTAL LIABILITIES			**11.275.241**		**12.826.766**
3.	Debits and payables			**870.637**		**954.707**
	a) Subordinated liabilities	13.a.	200.439		200.545	
	b) Other payables	13.b.	670.198		754.162	
5.	Technical Provisions	14		**9.567.700**		**10.652.097**
	a) For unearned premiums		1.296.520		1.354.729	
	b) For unexpired risks		6.022		4.098	
	c) For life insurance					
	- Provision for unearned premiums and unexpired risks		26.031		27.537	
	- Mathematical provision		5.181.207		5.839.867	
	- Provision for life insurance where the investment risk is borne by policyholders		362.106		575.144	
	d) For claims		2.633.399		2.729.261	
	e) For policyholder dividends and return premiums		5.179		31.783	
	f) Other technical provisions		57.236		89.678	
6.	Non Technical Provisions	15		**184.050**		**210.513**
7.	Tax liabilities			**350.607**		**554.947**
	a) Current tax liabilities	11.b.	69.683		66.510	
	b) Deferred tax liabilities	11.c.	280.924		488.437	
8.	Other Liabilities			**302.247**		**454.502**
	TOTAL NET EQUITY			**3.204.136**		**3.851.183**
	Equity			**2.424.730**		**2.684.352**
1.	Capital	16.a.		36.000		36.000
2.	Share Premium Account	16.b.		1.533		1.533
3.	Reserves	16.b.		2.093.584		2.320.994
4.	*Less:* Shares and holdings in own equity	16.c.		22.259		22.000
7.	Profit or loss for the year attributable to the parent company			352.160		385.937
	a) Consolidated profit or loss		386.422		424.530	
	b) Profit or loss attributable to minority interests	17	34.262		38.593	
8.	*Less:* Interim Dividend	16.e.		36.288		38.112
	Other comprehensive income and accumulated in equity	16.g.		**439.063**		**792.792**
1.	Items that will not be re-classified to results			-		-
2.	Items that may later qualify for results-			439.063		792.792
	a) Available-for-sale financial assets		535.142		994.333	
	c) Exchange differences		(26.120)		(16.999)	
	d) Correction of accounting mismatches		(67.734)		(183.559)	
	e) Entities accounted for using the equity method		(2.225)		(983)	
	f) Other adjustments		-		-	
	EQUITY ATTRIBUTABLE TO THE PARENT COMPANY			**2.863.793**		**3.477.144**
	MINORITY INTERESTS	17		**340.343**		**374.039**
1.	Other comprehensive income and accumulated in equity			(10.553)		2.592
2.	Other			350.896		371.447
	TOTAL NET EQUITY AND LIABILITIES			**14.479.377**		**16.677.949**

(*) Presented solely and exclusively for comparison purposes.
The accompanying Notes 1 to 22 and Appendices I and II are an integral part of the Consolidated Balance Sheet at 31 December 2019.

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES
(Grupo Catalana Occidente)
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR
THE FINANCIAL YEARS ENDED 31 DECEMBER 2019 AND 2018 (notes 1 to 3)

(Figures in Thousands of Euros)

	Note	Year 2018 (*)	Year 2019
1. Earned premiums for the year, net of reinsurance	18	2.677.478	2.868.311
2. Income from property,plant and equipment and investments	18	125.051	110.414
3. Other technical income	18	249.536	252.525
4. Claims incurred in the year, net of reinsurance	18	(1.495.345)	(1.583.792)
5. Change in other technical provisions, net of reinsurance	18	(7.334)	(13.110)
6. Provision for policyholder dividends and return premiums		-	(3.873)
7. Net operating expenses	18	(974.333)	(976.346)
8. Other technical expenses	18	(12.217)	(15.209)
9. Expenses arising from property, plant and equipment and investments	18	(64.827)	(96.019)
A) NON-LIFE RESULT		**498.009**	**542.901**
10. Earned premiums for the year, net of reinsurance	18	736.502	805.487
11. Income from property,plant and equipment and investments	18	199.004	214.202
12. Income from investments assigned to insurance policies in which policyholders bear the investment risk	18	17.254	62.245
13. Other technical income	18	8.671	5.663
14. Claims incurred in the year, net of reinsurance	18	(688.901)	(727.843)
15. Change in other technical provisions, net of reinsurance	18	(61.767)	(162.693)
16. Provision for policyholder dividends and return premiums	18	(1.505)	(19.918)
17. Net operating expenses	18	(77.129)	(73.912)
18. Other technical expenses	18	(936)	(5.022)
19. Expenses arising from property, plant and equipment and investments	18	(34.887)	(41.880)
20. Expenses of investments assigned to insurance policies in which policyholders bear the investment risk	18	(37.142)	(13.059)
B) LIFE INSURANCE RESULT		**59.164**	**43.270**
C) RESULT ON TECHNICAL ACCOUNT		**557.173**	**586.171**
21. Income from property,plant and equipment and investments		(3.084)	(6.508)
22. Negative goodwill		-	-
23. Expenses arising from property, plant and equipment and investments		(4.010)	(5.283)
24. Other income	18	24.629	31.124
25. Other expenses	18	(51.934)	(49.305)
E) PROFIT BEFORE TAX		**522.774**	**556.199**
26. Income tax	11.d	(136.352)	(131.669)
F) PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS		**386.422**	**424.530**
27. Profit for the year from discontinued operations, net of taxes		-	-
G) CONSOLIDATED PROFIT FOR THE YEAR		**386.422**	**424.530**
a) Profit attributable to the parent company		352.160	385.937
b) Profit attributable to minority interests	17	34.262	38.593

(Figures in Euros)

EARNINGS PER SHARE			
Basic	16.f	2,99	3,27
Diluted	16.f	2,99	3,27

(*) Presented solely and exclusively for comparison purposes.

The accompanying Notes 1 to 22 and Appendices I and II are an integral part of the Consolidated Income Statement for 2019.

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES
(Grupo Catalana Occidente)
CONSOLIDATED BALANCE SHEETS BY SEGMENTS AT 31 DECEMBER 2019 (Notes 1 to 3)

(Figures in Thousands of Euros)

ASSET	TRADITIONAL BUSINESS						CREDIT BUSINESS		TOTAL	
	NON-LIFE		LIFE		OTHER ACTIVITIES					
1. Cash and other cash equivalents		775.837		1.782.835		(382.167)		(821.765)		1.354.740
2. Financial assets held for trading		-		-		-		-		-
3. Other financial assets at fair value through profit or loss		27.285		551.734		-		-		579.019
4. Available-for-Sale financial assets		1.343.006		5.738.419		51.184		2.453.733		9.586.342
5. Loans and items receivable		313.853		127.871		80.891		674.412		1.197.027
a) Loans and other financial assets	50.865		77.070		47.437		152.398		327.770	
b) Receivables	262.988		27.419		33.454		522.014		845.875	
c) Investments held for the benefit of policyholders who bear the	-		23.382		-		-		23.382	
8. Reinsurer participation in technical provisions		106.285		9.725		-		758.337		874.347
9. Property, plant and equipment and investment property		448.164		263.611		212.433		171.283		1.095.491
a) Property, plant and equipment	176.343		82.327		9.865		165.566		434.101	
b) Investment property	271.821		181.284		202.568		5.717		661.390	
10. Intangible assets		153.864		179.093		65.890		596.168		995.015
a) Goodwill	103.087		178.953		40.378		482.557		804.975	
b) Policy portfolio acquisition costs	-		-		310		39		349	
c) Other intangible assets	50.777		140		25.202		113.572		189.691	
11. Investments in entities accounted for using the equity method		-		-		7.666		78.128		85.794
12. Tax assets		82.011		114.809		58.105		76.504		331.429
13. Other assets		147.912		4.010		-		426.823		578.745
TOTAL ASSETS		**3.398.217**		**8.772.107**		**94.002**		**4.413.623**		**16.677.949**

(Figures in Thousands of Euros)

NET LIABILITIES AND EQUITY	TRADITIONAL BUSINESS						CREDIT BUSINESS		TOTAL	
	NON-LIFE		LIFE		OTHER ACTIVITIES					
TOTAL LIABILITIES		**2.394.673**		**7.168.418**		**72.260**		**3.191.415**		**12.826.766**
2. Other financial liabilities at fair value through profit or loss		-		-		-		-		-
3. Debits and payables		201.194		71.369		22.025		660.119		954.707
a) Subordinated liabilities	-		-		-		200.545		200.545	
b) Deposits received on buying reinsurance	5.494		3.883		-		43.529		52.906	
c) Liabilities from insurance operations	45.802		7.743		2.199		53.577		109.321	
d) Liabilities from reinsurance operations	9.809		661		-		72.727		83.197	
e) Liabilities from coinsurance operations	2.551		-		-		-		2.551	
g) Liabilities with credit entities	-		-		-		-		-	
i) Other liabilities	137.538		59.082		19.826		289.741		506.187	
5. Technical Provisions		1.902.048		6.618.754		-		2.131.295		10.652.097
a) For unearned premiums	782.913		-		-		571.816		1.354.729	
b) For unexpired risks	4.098		-		-				4.098	
c) For life insurance	-		6.442.548		-				6.442.548	
d) For claims	1.019.742		150.040		-		1.559.479		2.729.261	
e) For policyholder dividends and return premiums	5.617		26.166		-				31.783	
f) Other technical provisions	89.678		-		-				89.678	
6. Non Technical Provisions		47.134		36.875		-		126.504		210.513
7. Tax liabilities		238.545		140.027		50.235		126.140		554.947
8. Other Liabilities		5.752		301.393		-		147.357		454.502
TOTAL NET EQUITY		**1.003.544**		**1.603.689**		**21.742**		**1.222.208**		**3.851.183**
Equity		**708.119**		**1.169.059**		**2.162**		**805.012**		**2.684.352**
1. Capital		6.868		21.497		-		7.635		36.000
2. Share Premium Account		292		916		-		325		1.533
3. Reserves		552.594		1.145.980		110		622.310		2.320.994
4. *Less:* Shares and holdings in own equity		4.178		13.177		-		4.645		22.000
7. Profit or loss for the year attributable to the parent company		162.553		30.819		2.070		190.495		385.937
a) Consolidated profit or loss	162.797		30.819		2.093		228.821		424.530	
b) Profit or loss attributable to minority interests	244		-		23		38.326		38.593	
8. *Less:* Interim Dividend		10.010		16.976		18		11.108		38.112
Other comprehensive income and accumulated in equity		**295.425**		**434.630**		**11.651**		**51.086**		**792.792**
1. Items not reclassified in the profit for the period		-		-		-		-		-
2. Items that can be reclassified after the profit for the period		295.425		434.630		11.651		51.086		792.792
a) Available-for-sale financial assets	295.425		618.189		11.651		69.068		994.333	
c) Exchange differences	-		-		-		(16.999)		(16.999)	
d) Correction of accounting mismatches	-		(183.559)		-		-		(183.559)	
e) Entities accounted for using the equity method	-		-		-		(983)		(983)	
f) Other adjustments	-		-		-		-		-	
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY		**1.003.544**		**1.603.689**		**13.813**		**856.098**		**3.477.144**
MINORITY INTERESTS		**-**		**-**		**7.929**		**366.110**		**374.039**
1. Other comprehensive income and accumulated in equity		-		-		1.775		817		2.592
2. Other		-		-		6.154		365.293		371.447
TOTAL NET EQUITY AND LIABILITIES		**3.398.217**		**8.772.107**		**94.002**		**4.413.623**		**16.677.949**

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES
(Grupo Catalana Occidente)
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 31, 2018 (*)

(Figures in Thousands of Euros)

ASSET	TRADITIONAL BUSINESS						CREDIT BUSINESS		TOTAL	
	NON-LIFE		LIFE		OTHER ACTIVITIES					
1. Cash and other cash equivalents		347.494		1.808.530		(229.833)		(762.660)		1.163.531
2. Financial assets held for trading		-		-		29		-		29
3. Other financial assets at fair value through profit or loss		-		340.814		-		-		340.814
4. Available-for-Sale financial assets		1.182.486		4.771.011		62.221		2.090.013		8.105.731
5. Loans and items receivable		399.281		85.195		164.712		772.136		1.421.324
a) Loans and other financial assets	210.038		56.765		72.872		255.920		595.595	
b) Receivables	189.243		7.042		91.840		516.216		804.341	
c) Investments held for the benefit of policyholders who bear the	-		21.388		-		-		21.388	
8. Reinsurer participation in technical provisions		97.070		8.812		-		731.494		837.376
9. Property, plant and equipment and investment property		461.401		223.684		76.673		105.332		867.090
a) Property, plant and equipment	144.994		23.033		40.737		97.245		306.009	
b) Investment property	316.407		200.651		35.936		8.087		561.081	
10. Intangible assets		62.062		174.964		109.919		589.167		936.112
a) Goodwill	61.697		174.964		63.797		492.493		792.951	
b) Policy portfolio acquisition costs	295		-		-		49		344	
c) Other intangible assets	70		-		46.122		96.625		142.817	
11. Investments in entities accounted for using the equity method		6.193		-		3.852		75.446		85.491
12. Tax assets		15.707		72		75.488		86.206		177.473
13. Other assets		156.631		2.567		373		384.835		544.406
TOTAL ASSETS		**2.728.325**		**7.415.649**		**263.434**		**4.071.969**		**14.479.377**

(Figures in Thousands of Euros)

NET LIABILITIES AND EQUITY	TRADITIONAL BUSINESS						CREDIT BUSINESS		TOTAL	
	NON-LIFE		LIFE		OTHER ACTIVITIES					
TOTAL LIABILITIES		**1.953.738**		**6.019.208**		**274.533**		**3.027.762**		**11.275.241**
2. Other financial liabilities at fair value through profit or loss		-		-		-		-		-
3. Debits and payables		103.336		150.539		1.676		615.086		870.637
a) Subordinated liabilities	-		-		-		200.439		200.439	
b) Deposits received on buying reinsurance	7.412		3.330		-		42.011		52.753	
c) Liabilities from insurance operations	60.867		2.328		-		54.079		117.274	
d) Liabilities from reinsurance operations	9.879		2.313		-		102.492		114.684	
e) Liabilities from coinsurance operations	2.089		-		-		-		2.089	
g) Liabilities with credit entities	-		-		1.676		336		2.012	
i) Other liabilities	23.089		142.568		-		215.729		381.386	
5. Technical Provisions		1.825.263		5.713.414		-		2.029.023		9.567.700
a) For unearned premiums	767.951		-		-		528.569		1.296.520	
b) For unexpired risks	6.022		-		-		-		6.022	
c) For life insurance	-		5.569.344		-		-		5.569.344	
d) For claims	994.054		138.891		-		1.500.454		2.633.399	
e) For policyholder dividends and return premiums	-		5.179		-		-		5.179	
f) Other technical provisions	57.236		-		-		-		57.236	
6. Non Technical Provisions		5.847		-		75.343		102.860		184.050
7. Tax liabilities		17.195		-		197.514		135.898		350.607
8. Other Liabilities		2.097		155.255		-		144.895		302.247
TOTAL NET EQUITY		**774.587**		**1.396.441**		**(11.099)**		**1.044.207**		**3.204.136**
Equity		**663.440**		**1.080.018**		**(25.428)**		**706.700**		**2.424.730**
1. Capital		10.365		18.000		-		7.635		36.000
2. Share Premium Account		442		766		-		325		1.533
3. Reserves		490.835		1.046.792		-		555.957		2.093.584
4. *Less:* Shares and holdings in own equity		6.410		11.129		-		4.720		22.259
7. Profit or loss for the year attributable to the parent company		169.407		43.733		(25.428)		164.448		352.160
a) Consolidated profit or loss	169.407		43.733		(25.428)		198.710		386.422	
b) Profit or loss attributable to minority interests	-		-		-		34.262		34.262	
8. *Less:* Interim Dividend		1.199		18.144		-		16.945		36.288
Other comprehensive income and accumulated in equity		**111.147**		**316.423**		**14.329**		**(2.836)**		**439.063**
1. Items not reclassified in the profit for the period		-		-		-		-		-
2. Items that can be reclassified after the profit for the period		111.147		316.423		14.329		(2.836)		439.063
a) Available-for-sale financial assets	111.148		384.157		14.329		25.508		535.142	
c) Exchange differences	(26.120)		-		-		-		(26.120)	
d) Correction of accounting mismatches	26.119		(67.734)		-		(26.119)		(67.734)	
e) Entities accounted for using the equity method	-		-		-		(2.225)		(2.225)	
f) Other adjustments	-		-		-		-		-	
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY		**774.587**		**1.396.441**		**(11.099)**		**703.864**		**2.863.793**
MINORITY INTERESTS		**-**		**-**		**-**		**340.343**		**340.343**
1. Other comprehensive income and accumulated in equity		-		-		-		(10.553)		(10.553)
2. Other		-		-		-		350.896		350.896
TOTAL NET EQUITY AND LIABILITIES		**2.728.325**		**7.415.649**		**263.434**		**4.071.969**		**14.479.377**

(*) 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 FINANCIAL YEARS ENDING 31 DECEMBER 2019 AND 2018 (Notes 1 to 3)

(Figures in Thousands of Euros)

	Note	Year 2018 (*)	Year 2019
A) CONSOLIDATED PROFIT FOR THE PERIOD		**386.422**	**424.530**
B) OTHER COMPREHENSIVE INCOME - ITEMS NOT RECLASSIFIED IN THE PROFIT		**(5.301)**	**(19.492)**
1. Actuarial Gains/(losses) on long term remuneration to personnel	15	**(9.350)**	**(24.777)**
2. Share in other comprehensive income recognised by investments in joint ventures and associates		**-**	**-**
3. Other income and expenses not reclassified in the profit for the period		**-**	**-**
4. Tax effect	11.d.	**4.049**	**5.285**
C) OTHER COMPREHENSIVE INCOME - ITEMS THAT CAN BE RECLASSIFIED AFTER THE PROFIT		**(136.173)**	**366.873**
1. Available-for-sale financial assets		**(200.595)**	**607.196**
a) Valuation gains/(losses)	7.a.	(201.951)	587.170
b) Amounts transferred to the income statement		1.356	20.026
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. Hedges of net investments in foreign operations:		**-**	**-**
a) Valuation gains/(losses)		-	-
b) Amounts transferred to the income statement		-	-
c) Other reclassifications		-	-
4. Exchange differences:		**(2.480)**	**10.969**
a) Valuation gains/(losses)		(2.480)	10.969
b) Amounts transferred to the income statement		-	-
c) Other reclassifications		-	-
5. Correction of accounting mismatches:		**25.578**	**(152.029)**
a) Valuation gains/(losses)		25.578	(152.029)
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. Share in other comprehensive income recognised by investments in joint ventures and associates		**(3.773)**	**1.438**
a) Valuation gains/(losses)	8	(3.773)	1.438
b) Amounts transferred to the income statement		-	-
c) Other reclassifications		-	-
8. Other income and expenses that can be reclassified after the profit for the period		**-**	**-**
9. Tax effect	11.d.	**45.097**	**(100.701)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR (A + B + C)		**244.948**	**771.911**
a) Attributable to equity holders of the parent		**219.789**	**722.895**
b) Attributable to minority interests		**25.159**	**49.016**

(*) Presented solely and exclusively for comparison purposes.
The accompanying Notes 1 to 22 and Appendices I and II are an integral part of the consolidated Statement of Recognised Income and Expenses for the year 2019.

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

CONSOLIDATED CHANGES IN EQUITY STATEMENT FOR
THE FINANCIAL YEARS ENDED 31 DECEMBER 2019 AND 2018 (notes 1 to 3)

(Figures in Thousands of Euros)

		Equity attributable to equity holders of the parent company							
		Equity							
	Note	Capital or mutual fund	Share premium and Reserves	Treasury shares and participation units	Profit for the year attributable to the parent company	(Interim Dividends)	Other comprehensive income and accumulated in equity	Minority interests	Total net equity
Closing balance at 31 December 2017 (*)		**36.000**	**1.876.510**	**(18.108)**	**325.447**	**(34.560)**	**567.322**	**325.993**	**3.078.604**
Adjustment for changes in accounting policies		-	-	-	-	-	-	-	-
Adjustment for errors		-	-	-	-	-	-	-	-
Opening balance adjusted to 01 January 2018 (*)		**36.000**	**1.876.510**	**(18.108)**	**325.447**	**(34.560)**	**567.322**	**325.993**	**3.078.604**
I. Total recognised income/(expenses)		**-**	**(4.112)**	**-**	**352.160**	**-**	**(128.259)**	**25.159**	**244.948**
II. Transactions with members or shareholders		**-**	**-**	**(4.151)**	**-**	**(94.740)**	**-**	**(10.778)**	**(109.669)**
1. Capital increases/(decreases)		-	-	-	-	-	-	-	-
2. Conversion of financial liabilities into equity		-	-	-	-	-	-	-	-
3. Dividend distribution		-	-	-	-	(94.740)	-	(10.778)	(105.518)
4. Transactions with treasury shares or holdings (net)	16.c.	-	-	(4.151)	-	-	-	-	(4.151)
5. Increases (decreases) due to business combinations		-	-	-	-	-	-	-	-
6. Other transactions with members or shareholders		-	-	-	-	-	-	-	-
III. Other changes in equity		**-**	**222.719**	**-**	**(325.447)**	**93.012**	**-**	**(31)**	**(9.747)**
1. Share-based payments		-	-	-	-	-	-	-	-
2. Transfers between equity components		-	232.435	-	(325.447)	93.012	-	-	-
3. Other changes		-	(9.716)	-	-	-	-	(31)	(9.747)
Closing balance at 31 December 2018 (*)		**36.000**	**2.095.117**	**(22.259)**	**352.160**	**(36.288)**	**439.063**	**340.343**	**3.204.136**
Adjustment for changes in accounting policies		-	-	-	-	-	-	-	-
Adjustment for errors		-	-	-	-	-	-	-	-
Opening balance adjusted to 01 January 2019		**36.000**	**2.095.117**	**(22.259)**	**352.160**	**(36.288)**	**439.063**	**340.343**	**3.204.136**
I. Total recognised income/(expenses)		**-**	**(16.771)**	**-**	**385.937**	**-**	**353.729**	**49.016**	**771.911**
II. Transactions with members or shareholders		**-**	**-**	**259**	**-**	**(100.512)**	**-**	**(14.915)**	**(115.168)**
1. Capital increases/(decreases)		-	-	-	-	-	-	-	-
2. Conversion of financial liabilities into equity		-	-	-	-	-	-	-	-
3. Dividend distribution	16.e.	-	-	-	-	(100.512)	-	(14.915)	(115.427)
4. Transactions with treasury shares or holdings (net)	16.c.	-	-	259	-	-	-	-	259
5. Increases (decreases) due to business combinations		-	-	-	-	-	-	-	-
6. Other transactions with members or shareholders		-	-	-	-	-	-	-	-
III. Other changes in equity		**-**	**244.181**	**-**	**(352.160)**	**98.688**	**-**	**(405)**	**(9.696)**
1. Share-based payments		-	-	-	-	-	-	-	-
2. Transfers between equity components	16.d.	-	253.472	-	(352.160)	98.688	-	-	-
3. Other changes		-	(9.291)	-	-	-	-	(405)	(9.696)
Closing balance at 31 December 2019		**36.000**	**2.322.527**	**(22.000)**	**385.937**	**(38.112)**	**792.792**	**374.039**	**3.851.183**

(*) Presented solely and exclusively for comparison purposes.
The accompanying Notes 1 to 22 and Appendices I and II are an integral part of the Consolidated Statement of Changes in Equity at 31 December 2019.

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES
(Grupo Catalana Occidente)
CONSOLIDATED CASH FLOW STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2019 AND 2018 (DIRECT METHOD) (Notes 1 to 3)

(Figures in Thousands of Euros)

	Note	Year 2018 (*)	Year 2019
A) CASH FLOWS FROM OPERATING ACTIVITIES (1+2+3)		**486.461**	**513.462**
1. Insurance activities:		**853.416**	**905.091**
(+) Cash received from insurance activities		5.150.347	5.428.597
(-) Cash paid in insurance activities		(4.296.931)	(4.523.506)
2. Other operating activities:		**(261.475)**	**(233.635)**
(+) Cash received from other operating activities		509.758	586.890
(-) Cash paid in other operating activities		(771.233)	(820.525)
3. Income tax refunded/(paid)		**(105.480)**	**(157.994)**
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)		**(467.926)**	**(177.499)**
1. Cash received from investing activities:		**2.236.916**	**3.079.468**
(+) Property, plant and equipment		860	555
(+) Investment property		23.829	12.279
(+) Intangible assets		-	-
(+) Financial instruments		1.696.065	2.596.692
(+) Investments in equity instruments		-	-
(+) Subsidiaries and other business units		-	-
(+) Interest received		270.670	188.929
(+) Dividends received		47.842	53.037
(+) Other cash received in relation to investing activities		197.650	227.976
2. Payments from investment activities:		**(2.704.842)**	**(3.256.967)**
(-) Property, plant and equipment	9.a.	(32.405)	(26.964)
(-) Investment property	9.b.	(63.886)	(110.433)
(-) Intangible assets	10	(55.207)	(52.504)
(-) Financial instruments		(2.177.786)	(2.622.802)
(-) Investments in equity instruments		-	-
(-) Subsidiaries and other business units	8	(97.426)	(159.554)
(-) Other cash paid in relation to investing activities		(278.132)	(284.710)
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)		**(111.238)**	**(144.415)**
1. Cash received from financing activities:		**202**	**259**
(+) Subordinated liabilities		-	-
(+) Cash received from issue of equity instruments and capital increase		-	-
(+) Assessments received and contributions from members or mutual members		-	-
(+) Disposal of treasury shares	16.c.	202	259
(+) Other cash received in relation to financing activities		-	-
2. Cash paid in investing activities:		**(111.440)**	**(144.674)**
(-) Dividends to shareholders	16.e.	(94.740)	(100.512)
(-) Interest paid		(12.347)	(14.526)
(-) 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	16.c.	(4.353)	-
(-) Other cash paid in relation to financing activities		-	(29.636)
D) EFFECT OF CHANGES IN EXCHANGE RATES		**39**	**(339)**
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)		**(92.664)**	**191.209**
F) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD		**1.256.195**	**1.163.531**
G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (E+F)		**1.163.531**	**1.354.740**

COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	Year 2018 (*)	Year 2019
(+) Cash	1.160.221	1.154.843
(+) Other financial assets	3.310	199.897
(-) *Less : Bank overdrafts repayable on demand*	-	-
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**1.163.531**	**1.354.740**

(*) Presented solely and exclusively for comparison purposes.
The accompanying Notes 1 to 22 and Appendices I and II are an integral part of the consolidated Cash Flow Statement for the year 2019.

09 Notes to the Consolidated Financial Statements

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

Notes to the Consolidated Financial Statements
For the Financial Year Ended
on 31 December 2019

In accordance with current legislation on the content of consolidated financial statements, these Notes complete, elaborate on and provide 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 31 December 2019 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 18 July 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 at 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, underwrite, 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 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 (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.

The insurance companies belonging to Grupo Catalana Occidente, S.A. operate in the following business lines: Life, Credit, Bonding, Accident, Sickness, Health, Motor, Marine, Lake and River Transportation (hull), Aircraft, Freight, Fire and Natural Disasters, Other damage to property (combined Agricultural Insurance, Theft and other), Liability (in Motor, aircraft, marine, inland transportation, arising from nuclear or other risks), various monetary Losses, Legal Defence, Assistance and Funeral. The Group considers all of the branches it operates in to be traditional business except for the branches of Credit and Bonding, which is included within the credit insurance business.

Furthermore, the subsidiary companies GCO Gestora de Pensiones, E.G.F.P, S.A. ('GCO Gestora de Pensiones') 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", "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". In addition, Seguros Catalana Occidente y Bilbao Compañía Anónima de Seguros y Reaseguros, S.A. ('Seguros Bilbao') are promoter partners of "GCO Previsión, EPSV Individual". The total amount of assets of managed funds and EPSV amounted to 662,934 thousand euros at 31 December 2019 (527,509 thousand euros at 31 December 2018). The gross income earned from management fees of the various funds amounted to €4,608 thousand in 2019 (€4,060 thousand in 2018) and was recognised, net of the related marketing expenses, under "Other Technical Income" in the consolidated life insurance profit and loss account.

Also, the subsidiary company Grupo Catalana Occidente Gestión de Activos, S.G.I.I.C. ("GCO Gestión de Activos) manages mutual funds "GCO Mixto, FI", "GCO Acciones, FI", "GCO Eurobolsa, FI", "GCO Renta Fija, FI", "GCO Global 50, FI", "GCO Internacional, FI" and "GCO Ahorro, FI" (previouslt called "GCO Corto Plazo, FI" (see Note 7.a.2). The total amount of assets of managed mutual funds amounted to 315,789 thousand euros at 31 December 2019 (270,658 thousand euros at 31 December 2018).

In view of the business activity carried out by the parent 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. Therefore, no specific disclosures are included in these notes to the consolidated financial statements with respect to information regarding environmental issues.

The non-financial information to be included in accordance with Law 11/2018, of 28 December, which modifies the Code of Commerce, Consolidated Text of the Spanish Capital Companies Act and the Account Auditing Act regarding non-financial information and diversity, which is included in the consolidated management report for Grupo Catalana Occidente.

1.c) Group structure and distribution systems

The subsidiary companies Seguros Catalana Occidente, Seguros Bilbao, Plus Ultra, Nortehispana, de Seguros y Reaseguros S. A. ('Nortehispana') and Atradius N.V., have their own independent structure and organisational network.

From an organisational standpoint, the companies comprising Grupo Catalana Occidente ("the Group") have a structure involving centralised corporate functions and decentralised operations, with the following service centres: claim centres with staff distributed between Sant Cugat, Valencia, Madrid, Malaga and Santander, and call centres with staff distributed between Sant Cugat and Madrid.

The Group has a territorial structure comprising 1,529 offices spread across Spain and 83 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. On 31 December 2019 the Group worked with a total of 17,327 agents throughout Spain (17,801 at 31 December 2018).

The Group operates in more than 50 countries through the subsidiary Atradius N.V., which at 31 December 2019 had 2,539 brokers (2,601 at 31 December 2018).

With regards to the brokerage channels, according to Act 26/2006 de Mediación de Seguros y Reaseguros Privados (Act 26/2006 on private insurance and reinsurance brokerage), and by virtue of the application of its stipulations in its second additional provision, all current agency agreements are deemed to be exclusive insurance agency agreements. In this way, the following subsidiary companies act as exclusive agency companies:

- Tecniseguros, Sociedad de Agencia de Seguros, S.A. as an agency of Seguros Catalana Occidente.
- S. Órbita, Sociedad Agencia de Seguros, S.A. as an insurance agency in Bilbao.
- Previsora Bilbaína Agencia de Seguros, S.A. and Nortehispana Mediación Agencia de Seguros, S.A. as Nortehispana agencies.

1.d) Other information

All of the parent company's shares are listed on the Spanish Stock Exchange Interconnection System (Continuous Market). At 31 December 2019, the shares traded at €31.15 per share (€32.65 per share at 31 December 2018).

2. Basis of presentation for consolidated accounts

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 Code of Commerce and other commercial legislation.

b) The International Financial Reporting Standards (hereinafter, "IFRS") 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 19 July 2002 and subsequent amendments thereto.

c) Royal Decree 1060/2015, of 20 November, on Organisation, Supervision and Solvency of Insurance and Reinsurance Entities (hereinafter, "ROSSEAR"), as well as the valid articles of Royal Decree 2486/1998, of 20 November, which approves the Regulation on Organisation and Supervision of Insurance (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 in the various countries of the foreign subsidiary companies of the Group.

d) Act 20/2015, of 14 July, on Organisation, Supervision and Solvency of 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 27 February 2020, and shall be subject, as well as those from investee companies, to the approval by the respective Annual General Meeting of

Shareholders. The 2018 consolidated annual financial statements were approved by the Annual General Meeting of Shareholders of the Grupo Catalana Occidente, S.A. which was held on 25 April 2019.

The Group's consolidated financial statements have been prepared from accounting records maintained by the parent 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.

In preparing the financial statements, judgements and estimates were occasionally made by the management of the Parent company and of the consolidated companies, which were subsequently ratified by the directors, and these judgements and estimates relate, inter alia, to

- The fair value and impairment losses of certain unlisted financial assets (Notes 3-b.3 and 3-b.4)
- The assumptions and hypotheses included in the calculation of the technical lifetime provisions (Note 3.j.2).
- The assumptions and hypotheses included in the calculation and model used for the valuation of non-life technical provisions determined by statistical methods (Note 3.j.2).
- The assumptions and hypotheses included in the calculation of the technical provisions for the credit line (Note 3.j.2).
- The useful life of the property, plant and equipment and investment property (Notes 3-c and 3-d) and intangible assets (Note 3.e)
- The determination of the recoverable amount of goodwill on consolidation and other intangible assets with a definite and indefinite useful life (see Note 3-e)
- The actuarial assumptions used to calculate the pension liabilities and obligations (Note 3.k.1).
- The assumptions and hypotheses used in the calculation of the liability adequacy test (Note 3.j.2)
- The assumptions included in the calculation of the provisional premiums estimated at closure derived from the credit and surety business(Note 3.m.1).
- The determination of the discount rate used in the calculation of the financial liability arising from leases subject to IFRS 16 (Note 3-c.2)

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 in the consolidated financial statements.

2.d) New and revised standards

2.d.1) Standards, amendments and interpretations adopted in 2019

New accounting standards and amendments have come into force in 2019 which have naturally been taken into account in preparing the attached consolidated financial statements.

- IFRS 16 Leases Substitutes IAS 17 and the interpretations associated. The new regulation proposes a unique accounting model for lessees which would include all leases in the balance sheet with a similar impact to financial leases.

- Amendment to *IFRS 9 Financial Instruments* - Early repayment features with negative compensation This amendment permits the measurement at amortised cost of certain financial assets that can be repaid early for an amount less than the outstanding amount of capital and interest on that principal.

- Amendment to IAS 28 *Investments in Associates and Joint Ventures* - Long-term Interest in Associates and Joint Ventures It clarifies that IFRS 9 must be applied to long-term interests in an associate or joint venture if the equity method is not applied.

- Amendment to IAS 19 Employee benefits It clarifies how to calculate the service cost for the current period and the net interest for the remainder of an annual period when there is a change, reduction or settlement of a defined benefit plan.

- Amendments to IFRS 3 *Business Combinations* - Annual Improvement Cycle (2015 - 2017) Acquisition of control over a business previously registered as a joint venture.

- IFRIC 23 *Uncertainty over income tax treatments* This interpretation clarifies how to apply the criteria for registration and evaluation of the IAS 12 when there is uncertainty about the acceptability by the tax authority of certain tax treatments used by the entity.

Any accounting policy or valuation principle which can have a material effect on the 2019 consolidated financial statements has been applied in its preparation.

Next, the main principles applicable to the year 2019 are developed:

IFRS 16 Leases

This standard introduces an lease accounting model (recognition, measurement, presentation and breakdowns) for lessees, in such a manner that recognises the assets and liabilities of all leases with a duration superior to 12 months, unless the underlying asset has a low value.

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

The Group has applied IFRS 16 since 1 January 2019, when the standard came into force. In addition, in accordance with the simplifications provided for in the new financial reporting framework, the Group has excluded from the scope those lease contracts whose term expires within 12 months from the date of initial application and those whose underlying asset is of low value.

For leases in which the Group acts as lessee, previously classified as operating leases, the Group has decided to apply the new lease criteria retroactively, using the modified retrospective approach, which allows the value of the right of use to be estimated by reference to the financial liability in transactions, and no adjustment was made to the reserves at 1 January 2019.

The main type of contract identified that required estimating an asset for right of use and a lease liability at 1 January 2019 are the leases of real estate (for offices) that are assigned to its operating activity.

For sale and leaseback transactions performed before 1 January 2019 in which the Group acted as seller-lessee, the subsequent lease was accounted for as any other operating lease existing at 1 January 2019.

The breakdowns at 31 December 2018 of the balance sheet items relating to lease contracts in these notes to the consolidated financial statements have not been restated and, therefore, are not comparable with the information relating to 31 December 2019.

The reconciliation between the operating lease commitments at 31 December 2018 and the lease liabilities recognised on 1 January 2019 under IFRS 16 is as follows:

Operating lease commitments (in thousands of euros):	
Operating lease commitments at 31 December 2018	**166,675**
Different treatment of the lease term	(1,911)
Separation of non-leasing components	-
Other adjustments (includes financial discount for future payments)	(14,823)
Lease liability at 1 January 2019	**149,941**
Average discount rate applied	*3.0%*

The entry into force of the standard has had the following impacts on the Group at 31 December 2019:

- Increase in assets of €128,431 thousand (see Note 9.a) and liabilities by €129,483 thousand (see Note 13.b), of which 94% relate to buildings and 6% to cars.
- Increased expenses due to amortisation and financial expenses of €30,623 thousand and €4,091 thousand respectively, mostly offset by the decrease in operating expenses from rent:

	Year 2019
Cost of amortization of rights of use	30,623
Interest expense on lease liabilities	4,091
(minus) Rent expense (*)	(33,727)
Gross profit impact	**987**
Fiscal impact	(247)
Net profit impact	**740**

(*) Cash outflows for the year

The amount of the financial expenses will reduce progressively, with financial criteria, throughout the estimated life of the contracts.

As shown in the table above, the decline in profit attributable to the parent company is not very significant. This amount will be entirely compensated at the estimated end of the contract life.

The lease payments will be discounted using the incremental borrowing rate. This rate has been calculated for the different portfolios defined by the Group based on the economic environment, the durations of the contracts, the debt position of the Group and the quality of the underlying assets.

Finally, the Group has excluded from the general treatment of leases those contracts with a term of 12 months or less, as well as those contracts where the value of the leased item is €5,000 or less. Lease expenses for these exclusions were recognised in the Group's income statement and amounted to €876 thousand in 2019.

2.d.2) Current standards, amendments and interpretations not adopted

IFRS 9 Financial Instruments: Classification and Measurement

The effective date of IFRS 9 was 1 January 2018. The Group, however, has taken into account 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, (see Note 2.d.3). The Group can apply the temporary exemption of IFRS 9 provided that its activities are predominantly connected to insurance, as described in paragraph 20D of the IFRS 4, on the date of annual presentation which is immediately prior to 1 April 2016 (i.e. Upon close of 31 December 2015).

The Group complies with said requirement in virtue of the fact that the amount of the liabilities that arise from contracts within the scope of IFRS 4 is significant in comparison with the total amount of all liabilities. The percentage of the total amount of the liabilities connected to insurance (with regards to the total amount of all liabilities) is greater than 80% and the Group is not involved in significant activity that is not connected to insurance.

Breakdowns required by the deferral approach of IFRS 9

Below is the detail of the fair value of the financial assets based on the OPPI criteria on 31 December 2019 and 2018, as well as the change in fair value during the exercise. The assets are classified in two categories:

- OPPI: financial assets where the cash flows represent only payments of principal and interest over the amount of the principal pending, excluding any asset classified as maintained in order to negotiate under IFRS 9, or that is managed and where the performance is evaluated on the basis of the fair value.

- Others: all financial assets not included in the OPPI category:

    i. Where the contractual terms do not lead to cash flow on certain dates that are only payments of principal and interests over the amount of principal pending.

    ii. Classified as maintained to negotiate under IFRS 9 or that are managed and the performance is evaluated based on the fair value.

Thousands of Euros

Investments classified by nature	31.12.2019	31.12.2018	Variation of fair value during the year
Equity Instruments	**1,795,413**	**1,287,832**	**507,581**
OPPI	-	-	-
Other	1,795,413	1,287,832	507,581
Debt securities	**7,338,225**	**6,615,682**	**722,543**
OPPI	7,226,736	6,476,622	750,114
Other	111,489	139,060	(27,571)
Derivatives	**-**	**29**	**(29)**
OPPI	-	-	-
Other	-	29	(29)
Investments held for the benefit of policyholders who bear the investment risk	**575,116**	**362,106**	**213,010**

OPPI	132,059	124,814	7,245
Other	443,057	237,292	205,765
Loans	**165,405**	**119,046**	**46,359**
OPPI	165,405	119,046	46,359
Other	-	-	-
Other financial assets with non-published prices (*)	**8,335**	**7,789**	**546**
OPPI	8,335	7,789	546
Other	-	-	-
Deposits with credit institutions	**608,628**	**644,291**	**(35,663)**
OPPI	128,639	441,978	(313,339)
Other	479,989	202,313	277,676
Deposits for accepted reinsurance	**25,391**	**26,782**	**(1,391)**
OPPI	25,391	26,782	(1,391)
Other	-	-	-
Credits receivable	**845,875**	**804,341**	**41,534**
OPPI	845,875	804,341	41,534
Other	-	-	-
TOTAL (**)	**11,362,388**	**9,867,898**	**1,494,490**

(*) The market value indicated corresponds to the book value, which is considered the best estimate of the fair value.

(**) The total investments by nature classified by the section of the consolidated statement can be seen in Note 7.

From the analysis undertaken of the fixed income portfolio, assets have been identified that, having been through the OPPI test and having a non-low credit risk upon close of the year (credit rating lower than Investment Grade), have suffered a significant increase in credit risk since their initial recognition. Said assets imply a percentage of 0.01% over the total asset portfolio. The credit ratings of the financial assets that pass the OPPI test are included in the rating details of Note 4.c).

It is expected that the new requirements of IFRS 9 and IFRS 17 (which is developed in the next section) may have a significant impact on the amounts registered in the financial statements of the Group when they enter into force and the Administrators are currently quantifying said potential impact.

2.d.3) Standards, amendments and interpretations issued not in force

At the date these consolidated financial statements were authorised for release, 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 (in the latter, 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: Amendments and/or interpretations		
Amendments to IAS 1 and IAS 8 Definition of "Materiality"	Amendments to align the definition of "materiality" with that contained in the conceptual framework	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 Reform of Reference Interest Rates	The amendments provide temporary and limited exceptions to the hedge accounting requirements of IAS 39 and IFRS 9 so that companies can continue to meet the requirements, based on the assumption that existing reference interest rates are not	

	altered by the reform of the interbank offer rate.	

Not approved for use in the European Union:
New rules

IFRS 17 Insurance Contracts	It replaces IFRS 4 and includes the principles of registration, valuation, presentation and breakdown of insurance contracts with the objective that the entity provides relevant and reliable information that allows users of the information to determine the effect that the contracts have on the financial statements.	1 January 2021[1]

Amendments and/or interpretations

Amendment to IFRS 3 Business definition	Clarifications to the definition of business	1 January 2020
Amendment to IAS 1: Presentation of financial statements - Classification of liabilities as current or non-current	Presentation of financial statements - Classification of liabilities as current or non-current	

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 17 Insurance Contracts

This standard replaces IFRS 4, a standard that permits continued use of the local accounting practices and that has led to insurance contracts being accounted for in a different manner among jurisdictions. This standard establishes the principles for registration, presentation and breakdown of the insurance contracts with the objective of the entity providing relevant and reliable information that allows the users of the financial information to determine the effect that these contracts have on the entity's financial statements.

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

The effects of the changes on the previous hypotheses can be recognised both in the income statement and the equity, depending on their nature and on whether said changes are associated to the provision of a service that has already taken place or not, or imply reclassification among the components of the liability of registered insurance. The income or expenses can be fully registered in the income statement or in the equity.

For all contracts that are not onerous, the entities will recognise a profit margin in the profit and loss account (called "contractual service margin") throughout the period during which the entity provides the service. However, if at the time of initial recognition or during the period when the entity provides the service, the contract is onerous, the entity must recognise the loss in the profit and loss account immediately.

On 26 June 2019, the IASB published a Draft Proposal for Amendments to IFRS 17 for public consultation. The objective of the amendments is to continue to support their implementation, alleviating the concerns and challenges raised about the implementation of the standard by the actors affected by it. In this sense, one of the amendments included in this Draft refers to the deferral of the

[1] The IASB has proposed that it be deferred to 1 January 2022 (Draft Proposal for Amendments to IFRS 17 published on 26 June 2019).

date of entry into force of the standard. IFRS 17 will be applicable in annual periods that begin on 01 January 2022 (date of first application), although the presentation of comparative information is obligatory (transition date of 01 January 2021).

The proposed amendments are only designed to minimize the risk of disruption to the implementation currently under way. The IASB is expected to publish the Final Amendments to IFRS 17 in mid-2020.

With regard to the implementation of the standard, the Group has continued the project to adapt to the new regulatory framework for IFRS 17 insurance contracts initiated in September 2017, working this year on the complete analysis of impacts, which seeks to obtain modelisation of the balance and income statement under IFRS 17, with the objective of establishing, in a preliminary manner, the set of policies and principles for assessment of implementation of the standard, as well as the adaptation of the IT infrastructure to respond to the new regulatory requirements. The principal objective is the performance of the preparatory work necessary for implementation of IRFS 17, in order to guarantee compliance on the date of first application and to evaluate the potential qualitative and quantitative impacts, with sufficient anticipation of the effects to adapt the management and to align the requirements of said standard with those derived from IFRS 9.

2.e) Comparison of information

The consolidated financial statements for 2019 are presented comparatively with the previous year, pursuant to the requirements of *IAS 1 - Presentation of Financial Statements.*

Changes in the consolidation scope

The accounting for the business combination as a result of the acquisition of 100% of Seguros de Vida y Pensiones Antares, S.A. (see Note 5.a.), was recognised on 14 February 2019 and, therefore, the consolidated profit and loss account at 31 December 2019 is not comparable to that presented for the previous period. At 31 December 2019, the integration of Antares resulted in the inclusion of €133,485 thousand and €9,820 thousand of accrued premiums and gross profit, respectively, in the consolidated profit and loss account.

First application of IFRS 16

The Group has decided to apply IFRS 16 retrospectively, using the modified retrospective approach. Thus, the comparative information for 2018 has not been restated (see Note 2.d.1).

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 Annex I and II).

These consolidated financial statements for 2019 include all the companies of the Group, using the consolidation methods applicable in each case, in accordance with Article 42 of the Código de Comercio (Spanish Commercial Code). The parent 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 considered to be those entities in which the Group has control, i.e. when it is exposed to or has variable rights of return on the entity and has the capacity to influence such returns.

Annex I to these Consolidated Notes contains significant information on these companies and Note 5 provides information about the most significant changes during 2019 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 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. In the case of subsidiaries that cease to be subsidiaries, the results are included up to the date on which they cease to be a Group subsidiary, and the assets and liabilities of the subsidiary and any minority interest or component of the equity.

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 on the value at which they were accounted for in the consolidated accounting records.

Regarding stakes in mutual funds managed by companies of the Group where the participation of the same is above 20%, the Group opts not to consolidate, taking into consideration the provisions of IAS 8 Accounting policies, changes in accounting estimates and errors, section 8, which indicates that the accounting policies do not need to be applied when the effect of the use is not significant. The stakes in said funds are classified in the section "Financial investments - stakes in mutual funds".

The effect of consolidating, on 31 December 2019, the funds which the Group has control over (i.e. GCO Acciones, FI; GCO Eurobolsa, FI; GCO Global 50, FI and GCO Internacional, FI; see Note 7.a.2), would imply an increase in the assets and liabilities of the financial situation statement of €20,708 thousand, which is 0.1% of the total assets (€30,584 thousand 0.2% of the total at 31 December 2018)

In application of IAS 8, the Group will proceed to consolidate its stake in said funds in the case of evaluating the effect of consolidation as significant in later years.

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 voting rights, is considered an associate company because the Group is able to exercise significant influence over the same.

Annex 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 income statement, 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 deducted in the first place from any remaining goodwill in the investment.

Notes 5 and 8 to the consolidated financial statements give details of the significant new acquisitions in 2019 in affiliates, any increases in the Group's stakes in the capital of companies already classified as affiliates at the start of the year, as well as information on the sale and loss through impairment 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 which 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 defined as the main segments those corresponding to the 'Traditional business' and the 'Credit insurance business' (see Note 1.b).

The 'traditional business' includes life and non-life insurance, which are subject to risks and returns inherent in the insurance business. Life insurance groups together all those insurance contracts that guarantee hedging of a risk that may affect the existence, physical integrity or health of the insured party; and Non-life insurance groups together insurance contracts other than life insurance, which may be broken down into the branches of Motor, Multi-risk and Other various types of insurance.

In addition, the 'Traditional business' includes 'Other activities' to group together all those operating operations that are different from, or not related to, actual insurance activity. The income and expenses included in this category include the results of the Group's subsidiaries that do not engage directly in insurance business and other income and expenses, as detailed in Note 18.

The 'Credit Insurance Business' includes the Credit and Surety branches and is mainly made up of the insurance business of the subsidiary subgroup Atradius N.V., which operates both in Spain and abroad.

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

The accounting policies applied by each of the segments are the same as those used for preparing and presenting the Group's consolidated financial statements, including all the accounting policies relating specifically to financial information of the segments.

Both the assets and liabilities of the segments as well as the income 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 segments are as follows:

Allocation of assets and liabilities to the 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. 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 segments

Technical income and expenses arising from insurance operations are allocated directly to the traditional business segment and the credit insurance business segment, respectively, and in the case of the former, to its various activities, depending on the nature of the transaction from which they arise.

Financial income and expenses are allocated to the segments according to the prior allocation of the assets that generated the income or expense in question, as shown in the each company's "Investment Book". The same financial instrument may be allocated to more than one segment. The Group's share of the results of associates, which is shown separately in the income statement, has been allocated to the different segments on the basis of the percentage of the investment that each segment represents within each investment portfolio.

The aforesaid financial income and expenses is allocated between the various Non-life insurance mainly on the basis of the technical provisions established for each of the lines in question. Likewise, the income and expenses deriving from equity securities and other financial instruments not directly related to the insurance business are assigned to 'Other Activities'

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 fair 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 income statement, 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 18 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.

The Group has aligned the segment reporting note consistently with the information used internally for management reporting and with that presented in other public documents.

2.i) Cash flow statement

The Group has used the indirect method for the preparation of the cash flow statement, in which 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 which 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.
- Investing activities: those of acquisition, sale or other disposal of long-term assets and other investments not included in 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 to its shareholders are also included in this category.

3. *Significant accounting principles and policies and measurement bases used in the consolidated accounts*

The main accounting principles required by legislation, as well as 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 which 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 7 to the consolidated financial statements shows the book value of financial assets at 31 December 2019 and 2018, 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).

    Also, the Group allocates to this portfolio, mostly, all financial instruments with an associated or embedded derivative and part of its investments in fixed income and variable income, whether or not the bonds 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, 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.

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

  Also, the Group maintains various contracts for financial swap of interest rates, receiving from the other parties, generally, predetermined fixed amounts in the same currency. The value is fixed in the beginning and does not change during the anticipated life of the operation. The main purpose of these operations is to cover the cash flow necessary in order to cover the payments derived from commitments with insured parties. For these titles of fixed income associated to swaps for interest rates, the Group avails of a separate evaluation for the bond and the swap. The calculation of the fair value of the financial swap is carried out as elements of hierarchy of the Level 2 fair value, i.e. considering cash flow discounts at market interest rates.

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

In 2019, and in the previous one, 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, specifically for financial instruments classified as Level 2, 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.

In addition, the Group has contracted the service of structured investment valuation with an independent expert from the management, 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: the evaluation takes place directly using the price of the financial instrument referring to active markets and observable and receivable from independent sources.
- Level 2: for instruments for which there is no 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.
- Level 3: evaluation techniques which use variables other than those obtained from data observable on the market.

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.

Financial investments shall be derecognised when the rights to receive cash flows have expired or when practically all the risks and rewards of ownership of the financial asset have been transferred. If there are transfers of assets in which control is maintained, the accounting asset continues to be recognised.

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, 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 the 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 income statement.

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 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 equity instruments without a price listed in the section “Investment in entities accounted for using the equity method”, the Group undertakes deterioration tests according to the methodology 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. In the case of variable income financial assets classified as “Available-for-Sale financial assets”, the differences by exchange rate are recognised in the net equity under the line of “Valuation adjustment”. 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 insurance income statement 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 equity, fixed-income and other instruments are priced officially linked to insurance where the policyholder assumes the risk of the investment and are designated and classified as “at fair value with changes in profit and loss”. Only financial assets without published price quotations (short-term bank deposits and current accounts) 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) Tangible fixed assets

3.c.1) Buildings, improvements in own buildings, transport elements, data processing equipment and other tangible fixed assets

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 tangible fixed assets”. Conversely, upkeep and maintenance costs are expensed to the profit and loss account in the year incurred.

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:

Tangible fixed asset items	**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 values and the residual 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 9.a) to the consolidated financial statements has been obtained from appraisals carried out by independent experts.

The generally used valuation methods correspond to the methodology established in the Order ECO/805/2003, of March 27, partially modified by Order EHA 3011/2007, of 4 October: the method of comparison, the method of cost, the residual abbreviated method and the method of income update, depending on the characteristics of the asset to be valued.

These valuations correspond to Level 2 and Level 3 of the hierarchy of fair value established by *IFRS 13 Valuation of the fair value* (see Note 3.b.3), depending on whether said value is determined depending on variables observed in the market or on estimates where a significant variable is not based on observable market data, respectively.

Regarding the main inputs used in the mentioned valuation techniques, it should be highlighted that:

- The method of comparison (based on the principle of substitution) values the property by comparison with other property values on the market and, based on specific information on real transactions and firm offers, current cash purchase prices are obtained for said properties in accordance with standardisation coefficients (Level 2);

- The method of cost calculates the replacement or substitution value based on the elements necessary in order to achieve a property of the same characteristics (value of the land, cost of construction and the expenses necessary in current prices). This is mostly applicable to the valuation of all types of buildings and elements of buildings, in design, in construction or rehabilitation or finished) (Level 2);

- The residual abbreviated method is based on the fact that the value of each of the components (generally the value of the land or the building) is the difference between the total value of each asset and the values attributable to the costs of building in order to finish the property from its current status, residually obtaining the value of the land. Fundamentally applied to urban land or land that can be developed (Level 2);

- The method of income update updates the anticipated future utility (cash flow anticipated from rent or from associated economic activity) and uses unobservable inputs such as the probability of future occupation and/or current or anticipated payment defaults.

3.c.2) Operating Leases

At the beginning of a contract, the Group assesses whether it is a lease. A contract is a lease if it gives the customer the right to exercise control over the use of the identified asset for a period of time in return for a consideration, i.e. the Group is entitled to obtain substantially all of the economic benefits from the use of an identified asset and has the right to direct the use of that asset.

As Lessee

At the commencement of the lease, the Group recognises an asset for right of use and a liability for lease. The right-of-use asset is initially measured at cost, which includes the amount of the lease liability, any lease payments made before or at the inception of the lease, and any initial direct costs incurred less any incentives received. The lease liability is initially measured at the current value of the lease payments to be made, discounted using the interest rate implicit in the lease or, if this cannot be readily determined, the incremental borrowing rate of the lessee. The Group normally uses its incremental interest rate as a discount rate.

The right-to-use asset is subsequently depreciated using a straight-line method based on the shorter of the asset's useful life and the duration of the lease. The lease liability is subsequently measured at amortised cost using the effective interest method. The depreciation expense for the right of use and the interest expense for the lease liability are recorded separately in the income statement.

The Group presents its assets by right of use under the heading 'Property, plant and equipment' in the balance sheet and the liabilities for leasing under the heading 'Debts and payables - Other debts'.

As Lessor

The Group classifies all leases in which it is the lessor as operating leases. Lease payments under operating leases are recognised as income on a straight-line basis in the income statement.

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 9.b) to the consolidated financial statements has been obtained in accordance with the valuation methods described in the previous section on owner-occupied property. In addition, the Group has also obtained assessments under the RICS standards, based on the method of income update described in the previous point.

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.

Intangible assets may have an indefinite useful life - when, based on an analysis of all the relevant factors, it is concluded that there is no foreseeable limit to the period over which they are expected to generate net cash inflows for the consolidated entities - or a finite useful life, in all other cases, in which case the duration is assessed.

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.

In accordance with the provisions of the IFRS 3, a maximum evaluation period of one year from the date of acquisition is specified, during which the acquiring company can retroactively adjust the provision amounts recognised at the acquisition date, when additional information not known at the time of assignment is available.

Goodwill acquired through a business combination is not amortised, but is tested annually for impairment, or more frequently if there are signs of deterioration.

The Group defines a Cash Generating Unit (CGU) as each of the companies in which it holds an interest, either directly or indirectly.

In accordance with the requirements established in IAS 36 Impairment of Assets, there is impairment when the book value of the CGU assigned to the goodwill is higher than the recoverable value of the same. For determination of the value or amount recoverable, the value is use is estimated. The value in use of the CGUs corresponding to the insurance business is obtained through subtracting the distributable dividends, a technique that refers to the current value of the potential distributable dividends once the solvency requirements have been attended to. Regarding the CGUs that do not correspond to the insurance business itself, the technique of subtracting available cash flow is used.

The estimate of these values is performed by taking into account different parameters or variables such as the macroeconomic environment, the type of business, historic behaviour, etc. All parameters used in the calculation maintain internal coherence between them, as well as the hypotheses of the Group strategy, in general, and for each business individually.

The key assumptions on which the Group's management has based its projections of results to determine the present value of future cashflows from investments relative to companies pertaining 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 result: according to company forecasts for the coming years and related to its existing asset portfolio and reinvestment expectations.

- Available capital: in the projections to obtain the cash flow and therefore the distributable amount, the withholding of cash flow necessary to obtain excess capital available over the Capital Required by Solvency II has been taken into consideration.

On the other hand, regarding the key hypotheses associated to investments relative to companies pertaining to the non-insurance business, the Group Management has taken the following decisions:

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

- EBITDA margin level: there is a forecast depending on the evolution estimate for the business of each company.

- Investment in circulating capital in accordance with the collections period and the payment period in line with the historic averages in 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.

The Group continuously evaluates whether there are any signs that the value of the consolidation goodwill could have been impaired, based on internal and external factors that imply an adverse incidence in the same.

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. Furthermore, to this effect, the Group periodically carries out an exercise to update the projected cash flow in order to incorporate possible deviations to the recoverable value estimate and also evaluating the next year that the projections used in the test of the previous year did not significantly deviate from reality. On 31 December 2019, it was shown that the differences between the projections used in the previous test and the reality did not affect the conclusions of the previous analysis.

Goodwill attached to associates is included, purely for presentation purposes, in the book value of the CGU. In order to determine a possible loss in value, this is verified for the entirety of the book value of the investment, using IAS 36, and will be calculated using the comparison of the recoverable amount (the highest between the value of use of the fair value, minus the sales costs) with the book value, provided that the application of IAS 36 shows that the CGU value may have been impaired. In order to determine the value of use of the CGU, the Group:

- 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.

Furthermore, as with the consolidation goodwill, the Group continuously evaluates whether there are any signs that the value of the consolidation goodwill related to associated companies could have been impaired, based on internal and external factors that imply an adverse incidence in the same. To this effect, the Group periodically carries out an exercise to update the projected cash flow in order to incorporate possible deviations to the recoverable value estimate and also evaluating the next year that the projections used in the test of the previous year did not significantly deviate from reality. On 31 December 2019, it was shown that the differences between the projections used in the previous test and the reality did not affect the conclusions of the previous analysis.

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.

These assets are systematically amortised in the period of time when economic performance is anticipated, considering a maximum useful life of three to five years.

3.e.3) Other intangible assets

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

Computer software

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 ten 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.

Intangible assets from business combinations

In the case of the acquisition of control of new companies, the Group identifies intangible assets at the time of purchase and estimates them when they are considered significant and can be measured reliably. The identifiable assets acquired were brands, distribution networks and policies in portfolio, which are valued at their fair value on the date of acquisition and the costs related as incurred by the purchaser are registered as expenses in the year they are produced.

The distribution networks and policies in the portfolio have a finite useful life and are therefore depreciated accordingly (between ten and twenty years). In the case of trademarks, the valuation process determines whether their useful life is finite or infinite, and only those with a finite useful life are depreciated on the basis of their duration.

In addition, impairment tests are carried out at least annually regardless of the useful life of these assets.

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 corporation 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. If the losses are 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.

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 fair 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 income statement at their net amount. However:

- Exchange differences arising on non-monetary items whose fair value is adjusted against equity are recognised in equity under "Other comprehensive income and accumulated in equity - Items that can be reclassified to profits - 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 and average exchange rate for the years ended 31 December 2019 and 2018:

Currency	Year-end rate		Average annual rate	
	31/12/2018	31/12/2019	31/12/2018	31/12/2019
U.S. Dollar	0.873	0.890	0.848	0.892
Pound Sterling	1.118	1.175	1.129	1.138
Japanese Yen	0.008	0.008	0.008	0.008
Swiss Franc	0.887	0.921	0.865	0.897
Swedish Krona	0.098	0.096	0.097	0.095
Norwegian Krone	0.101	0.101	0.104	0.102
Danish Krone	0.134	0.134	0.134	0.134
Mexican peso	0.045	0.047	0.044	0.046
Australian Dollar	0.617	0.625	0.635	0.621

3.h) Company income tax

The corporation 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.

The assets and liabilities for deferred taxes are determined in application of the regulations and the tax rates approved or on the verge of being approved on the date of the balance sheet and which are anticipated to be applied when the corresponding deferred tax assets take place or the deferred tax liabilities are liquidated.

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 income tax at 31 December 2019 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 recognizes tax assets arising from payments required by the tax administration under inspection procedures in accordance with the provisions of IAS 12.

In accordance with IFRIC 23, the Group recognises under current and deferred tax assets and liabilities the amounts that the entity estimates to reflect the contingencies arising from litigation with the tax authorities in relation to corporate income tax.

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 include those debits and payables that the Group has and that have arisen from the purchase of goods and services in the ordinary course of the company's business.

No securities have been issued that are convertible into shares of the parent 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 13.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 the effective interest rate method is applied to it, the resulting income and expenses are recognised in the income statement.

At 31 December 2019, neither the parent nor any other Group company has guaranteed any other debt securities issued by associates or third parties unrelated to the Group.

3.I.1) Debits and payables

This category includes trade and non-trade payables, including creditors and other accounts payable.

Payables are initially recognised at fair value, adjusted for directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest method. This effective interest is the discount rate which equates the instrument's book value and expected future payment flows until maturity of the liability.

Nonetheless, trade payables falling due in less than one year without a contractual interest rate are carried at their face value at both initial recognition and subsequent measurement, provided that the effect of not discounting flows is not significant.

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 27 January 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 relating to 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:

The Group applies the liability adequacy test provided for in IFRS 4, with a view to ensuring the adequacy of contractual liabilities.

- In the life branch 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 of all future cash flows derived from insurance contracts, taking into account the temporary value of money and using realistic hypotheses (economic, biometric, etc.) according to the experience of each company. In accordance with Spanish regulations, 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.

- In the non-life business, in addition to comparing the carrying amount of technical provisions with the value resulting from considering the most current estimates of future flows, the Group compares the non-life benefit provisions of the previous year with the resulting payments and provisions at the end of the period, resulting in a positive balance (positive run-off).

  For a small group of the foreign subsidiaries of Atradius N.V. these calculations are made locally and are subject to external actuarial review and/or centralised assessment by the Group.

The Group considers that the adequacy of these liabilities has been effectively proven. As the liabilities were adequate according to the calculations made at 31 December 2019 and 2018, 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 the “other comprehensive income” to 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 that operate in the traditional business, 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).

For the credit insurance business, the Group does not make a provision for unearned premiums since the premium is fully consumed at the time the underlying business transaction takes place. This provision is only made if there are premiums invoiced prior to the start of the risk. For the credit insurance business in Spain and Portugal, a provision is made for unearned premiums, which is the fraction of the premiums earned in the year that must be allocated to the period between the end of each year and the due date for payment of the covered invoices.

The unexpired risks provision is intended to complement the provision for unearned premiums 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 16 February, 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.

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.

Regarding the interest rates applied for calculation of the technical provisions in Spain for accounting purposes for life insurance for the contracts that are 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 20 November, on Organisation, Supervision and Solvency of Insurance and Reinsurance Entities, the Group decided to accept the adaptation of the temporary structure of interest rates without risk as included in article 54 of said royal decree. The adaptation will take place in a linear manner over 10 years, to be counted from 1 January 2016. The effective annual rate calculated for the year 2019 has been 0.41% and the annual effective rate applied in 2019 has been 1.04%. On 31 December 2019, there are 6 years of adaptation remaining.

In the year 2019, the Group registered a provision of €10,120 thousand (€3,290 thousand in the year 2018) in the concept of application of the transitory measure indicated, with €28,125 thousand being the total impact of the adaptation according to the temporary structure of interest rates without risk in November 2019.

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 14).

Claims provision

This provision includes the total amount of obligations outstanding as a result of claims, declared or not, 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 global statistical methods are applied, net and gross of reinsurance	**Date of reporting to DGSFP**	**Date of authorisation by DGSFP**	**Effective date for accounting purposes**
General third-party liability	29 January 2007	08 January 2008	31 December 2007
Motor third party liability Other motor liabilities Multi-risk: - Family Home	17 December 2007	08 January 2008	31 December 2007
Multi-risk: - Retail - Blocks of Flats - Industrial (SME) - Others (Offices) Accident Transport	30 May 2008	10 July 2008	31 December 2008

The subsidiary Bilbao Compañía Anómina de Seguros y Reaseguros 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 global statistical methods are applied, net and gross of reinsurance	Date of reporting to DGSFP	Date of authorisation by DGSFP	Effective date for accounting purposes
Motor third party liability Other motor liabilities General third-party liability Multi-risk: - Family Home - Retail - Blocks of Flats - Industrial (SME) Accident Transport - merchandise	22 June 2010	24 September 2010	31 December 2010

The subsidiary company Plus Ultra, Seguros Generales y Vida, S.A. de Seguros y Reaseguros, since 2006 when it received authorisation from the DGSFP, also uses global statistical methods to calculate the technical provisions of the services as regulated in article 43 of the ROSSP:

Lines in which global statistical methods are applied, net and gross of reinsurance	Date of reporting to DGSFP	Date of authorisation by DGSFP	Effective date for accounting purposes
Motor Body Motor Material Civil liability Multi-risk: - Family Home - Retail - Blocks of Flats - SMEs Accident Combined Industrial and Fire Transport Machinery Breakdown Electrical equipment All construction risk Health	28 April 2006	28 July 2006	31 December 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 31 December 2019, are given below:

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

- 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.

- No effect of inflation or financial discount over time has been considered.

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 ROSSEAR. Differences between the provisions made and those considered a tax-deductible expense have been recorded as temporary differences.

The subsidiary Atradius NV, with the exception of the business in Spain and Portugal, uses statistical methods for the calculation of the provision for benefits from the direct credit insurance business, excluding claims with a higher volume, for which individual valuations are made. 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.

Estimates of future guarantee payments are established on the basis of the required amount of guarantee minus the amount to be taken into account for estimated recoveries, calculated on the basis of specific historical information for each case.

Individual assessments

For all other outstanding and unpaid claims of the remaining companies and/or lines, including the credit insurance business in Spain and Portugal, 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 (5) 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

The funeral provision is calculated using individual capitalisation methods, i.e., it is calculated insured party by insured party, as the difference between the current actuarial value of the company's future obligations and those of the insured party.

For policies issued prior to the entry into force of the eleventh transitional provision of the ROSSP approved by Royal Decree 2486/1998, the provision has been made in accordance with the aforementioned transitional provision. Said provision states that the insurance companies that, on 31 December 2014, still had policies where the technical bases and provisions were not in conformance with the provisions of articles 79 and 46, would have a maximum period of 20 years, counted from 1 January 2015, to register in their balance sheet the provision resulting from carrying out the corresponding adaptation, which must take into consideration the characteristics of the different types of contract, specifically, the date of first insurance and the premiums that the policyholder is obliged to pay from that time to the insurance entity. Based on this, it is calculated for each of the years of the transitory period, the difference between the amount of the provision that must be constituted in conformance with the actuarial approach of the operation and that constituted, increasing the provision each year in conformance with the systematic plan presented to the DGSFP, in virtue of which the provision has been provided for 31 December 2019, 2018 and previous years.

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

According to the establishments of article 14 of Order EHA/339/2007, of 16 February, which develops certain precepts of the regulatory standards for private insurance, with regards to the establishments of the second paragraph of section 1. Recognition of the registry standard and valuation 8, "Financial instruments", of the Accounting plan for insurance entities, approved by Royal Decree 1317/2008, of 24 July, recoveries can be activated by the entities that operate in credit and bond insurance, using statistical methods that comply with the requirements that, for the provision of services, are established in sections 1 and 3 of article 43 of the Regulation on Organisation and Supervision of Private Insurance.

The international regulations applicable to insurance contracts, IFRS 4, permits continuing with the accounting practices used in the valuation of insurance contracts that must be applied in a consistent manner over time.

In this regard, in general, the recoveries of claim credits are counted only when their performance is sufficiently secured. The entirety of these recoveries come from the subsidiary Atradius N.V.

In the estimated recoveries from claims, the Group uses actuarial techniques that are broadly accepted on the market and that include from deterministic "Chain Ladder" techniques to individualised calculated by debtor in large claims, using historic information of the claim behaviour for the different products of credit and bond insurance.

Annually, there are internal comparison procedures for the calculations made with said actuarial techniques in order to guarantee adequacy of the estimates made.

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 Motor claims (in application of the CIDE-ASCIDE agreements). Claims against insurers arising under such claims settlement agreements are recorded under the heading “Receivable under Motor 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 above contracts provide for commission payment agreements (profit-sharing) with their reinsurance companies, which are based on the claims ratio per underwriting year. The Group entities record these fees taking into account detailed assessments of expected loss ratios. In the case of Atradius NV, the scale fees (an additional income or expense on top of the provisional fee) are based on an estimate by the management of the institution of the final loss ratio for a subscription year.

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 obligations

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.

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 income statement, 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.

The annual calculation of the obligations under the defined benefit plans is carried out by independent experts, using the so-called "projected calculation unit" method and using unbiased and 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 or control requirements. These reversals are presented in the statement of recognised income and expense.

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, understood as 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. 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 16.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, are recorded as period income, corrected by the variation in the premiums accrued and not issued, which are derived from contracts created or extended during the year, in relation to which the right of the insured party to collect from the same arises during the mentioned period.

In the traditional business segment, premiums for Non-Life insurance and renewable annual Life contracts in the direct business are recognised as income over the term of the contracts, based on the time elapsed. These premiums are accrued via the establishment of provisions for unearned premiums. Life insurance premiums are long-term contracts, whether single or regular premium policies, and are recognised when the insurer’s collection right comes into effect.

In the credit insurance business segment, premium income is recorded on the dates when receipts are issued for the estimated provisional premium (credit area) or final premium (surety area). This provisional premium is regularised in accordance with actual insured sales and is recorded under the heading 'Other assets - accruals'.

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 information 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. This income is recognised when the service is provided, in line with IFRS 15.

3.m.3) Income from funeral services and other non-technical income

The income from Other activities mostly includes the income originating from the funeral services provided by Grupo Asistea. This income is recognised in accordance with IFRS 15 at the fair value of the consideration received or receivable arising from the consideration, with income being recognised when, or as, the entity meets its performance obligation to its customers.

In addition, this section includes the income from management commissions for investment funds and pension funds.

3.m.4) 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.5) Claims incurred and changes in provisions

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

3.m.6) 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

The business combinations are accounted for by applying the acquisition method which determines the date of acquisition and calculates the cost of the combination, registering the identifiable assets acquired and the liabilities assumed at their fair value referring to said date. In the case of liabilities from insurance contracts, these are registered in conformance with IRFS 4.

The cost of the combination is determined by aggregation of the price paid plus the amount of all minority interests plus the fair value of the prior shares from the business acquired.

The goodwill represents the excess cost, including deferred payments, whether true or contingent, over the net amount on the date of acquisition of the identifiable assets acquired and the liabilities assumed.

In the exceptional case of there being a negative difference in the combination, this is attributed to the profit and loss account as income.

If on the close date of the year when the combination occurs the valuation processes necessary to apply the method of acquisition described above cannot be concluded, this accounting will be considered provisional, and said provisional values can be adjusted in the period necessary in order to obtain the information required which under no circumstances will be more than one year. The effects of the adjustments made in this period are accounted for retrospectively, modifying the comparative information if necessary.

The later changes to the fair value of the contingent payment are adjusted in comparison to the results, except where said payment has been classified as equity, in which case the later changes to the 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 prudently 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 of extraordinary events.

- Managing the adaptation of capital of the Group and its entities in consideration of 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 the capital management policy, using the solvency projections made in the internal evaluation process of risks and solvency (ORSA). Capital quantification is carried out at the Group level and at the level of each of the insurance and reinsurance entities, using different models for monitoring: ORSA, rating agencies, economic and regulatory models.

Since 1 January 2016 the Group's capital has been quantified on the basis of the standard formula set out in the Solvency II regulations, except in the credit and surety business for which, in order to take account of the specific features of the business, a model has been developed for calculating its underwriting risks, approved by the Board of Supervisors in July 2017. Thus, the Group's solvency ratio and that of each of its entities is the result of comparing the equity of the entity at market value (economic capital) to the mandatory solvency capital requirement (SCR). The mandatory 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, the capital is quantified according to the requirements of rating agencies. In particular, the Group assesses its credit quality through the agencies A.M. Best y Moody's. In November 2019 A.M. Best confirmed the 'A' (excellent) rating of the Group's main operating companies, both in the traditional business (Seguros Bilbao, Seguros Catalana Occidente and Plus Ultra) and in the credit insurance business (Atradius Crédito y Caución S.A., Atradius Reinsurance DAC, Atradius Trade Credit Insurance, Inc. (hereinafter 'ATCI') and Atradius Seguros de Crédito, S.A. (Mexico)) and Moody's ratified the A2 rating with a stable outlook for the main entities operating in the credit business under the Atradius brand (Atradius Crédito y Caución S.A., Atradius Reinsurance DAC and ATCI).

Grupo Catalana Occidente and all of its individual entities have the objective of maintaining a solvency ratio that allows them to favour growth and to undertake prudent and stable remuneration of shareholders.

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 Board of European Supervisors conformed by the DGSFP and the Central Bank of Ireland (hereinafter, "CBI").

The subsidiaries with insurance activities outside of Spain and its respective territories are: Atradius Reinsurance DAC. in Ireland, regulated by the CBI; Atradius Seguros de Crédito, S.A. in Mexico, regulated by the National Commission of Insurance and Finance (CNSF); Atradius Trade Credit Insurance, Inc. in the United States, regulated by Maryland Insurance Administration (MIA); and Atradius Rus Credit Insurance LLC in Russia, which is regulated by the Central Bank of the Russian Federation. The regulators mentioned above 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 principal elements that form part of the Risk Management System are:

i. Risk government: Organisational structure of the Risk Management System. The Risk Government is regulated by policies, other regulations and a clear attribution of roles and responsibilities.

ii. Risk management process: Establishes the process that the Group and its entities use to identify, accept, evaluate, monitor, mitigate and inform the risks. Furthermore, the process defines the Risk Strategy and insures that the integration of the same with the Business Strategy permits compliance with the risk appetite and tolerance defined 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 in line with the Risk Strategy. The process of self-assessment of risks and solvency (ORSA) contributes towards guaranteeing this alignment.

These elements promote a common risk culture within the Group and ensure efficiency of the Risk management system.

The government of the Risk management system 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 in such a manner that the first line of defence consists of the business units which are responsible for the risk and which assume the management of the same. The second line of defence consists of the actuarial function, the risk management control function and the compliance verification function. The third line of defence is the function of internal audit.

On the other hand, the Board of Directors is responsible for guaranteeing efficiency of the Risk Management System through compliance with the general strategies of the Group and the Management Committee is responsible for ensuring correct implementation, maintenance and monitoring of the Risk Management System in conformance with the guidelines defined by the Board of Directors.

In order to complete the government of the Risk Management system, the Group and its entities have developed written policies that, together with the existing Technical Standards, guarantee ideal administration of the risks. These policies, in their content, identify the own risks of each affected area, establishes risk quantification measures, determines actions to supervise and control said risks, establishes measures to mitigate the impact of the same and determines the information and internal control systems that are used to control and manage the risks.

Through the risk management process, the Group and its entities identify, measure, control, manage and inform of the risks that are present or may be present. Specifically, the Group and its entities identify and determine, among others: (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 materialize, and (iv) the information and internal control systems used to mitigate these risks, including contingent liabilities and off balance sheet risks. This system of risk management of the group also aims to develop processes and systems of capital allocation in light of the risks assumed by each area.

Based on this process, the Group defines its risk strategy by establishing the level of risk it is willing to take to achieve the targets set in its strategic plan and annual guidelines, according to the three pillars: Growth, Profitability and Solvency. Moreover, it stipulates risk limits controlled by the management units with the objective of appetite and tolerance levels being adhered to, thus ensuring that both are aligned with day-to-day business.

In the framework of risk management, the Group undertakes the internal assessment of future risks (ORSA; 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. Within this process, the useful stress scenarios are also defined for decision making.

The Governing Bodies (Steering Committee and Board of Directors) 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 entity, 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 each entity, approving the ORSA report for the Group by the Board of Directors of the Company.

The main risks that may affect the achievement of the Group's objectives are as follows:

- Traditional Technical Business Risks
- Credit insurance and Bonding risk
- Financial Market Risks
- Operational Risks
- Other non-operational risks such as reputational risk and strategic risk.

A. Traditional Technical Business Risks

With regard to non-life insurance, underwriting risk is divided into those of insufficient premiums, insufficient technical provisions, portfolio fall and catastrophe risk. These risks are managed differently depending on the business line.

With regards to the life insurance, biometric risks are contemplated (including the risks of mortality, longevity, morbidity/disability) as well as non-biometric (falling portfolio, expenses and catastrophes).

The technical subscription standards consider the specificities of each business and establish:

- The limits for subscription, through delegation of powers to the customers based on their specific knowledge.
- The specific approvals for operations that exceed the established limits.
- Monitoring of the business.
- The cease of risk through reinsurance contracts.

The Group measures the subscription risk through the standard formula, except for the credit insurance business where the Group uses its internal model.

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.

Also, the Group carries out continuous monitoring of the level of risk concentration. In traditional business, it has a very diversified range of products. The distribution by business of the portfolio based on the premiums attributed to direct business and reinsurance accepted on 31 December 2019 is as follows: Life 30.1%; Motor 24.2%; Multi-risk 24.2% and Others 21.5% (see Note 18).

In the business of GCO Reaseguros, S.A., it consists of portfolios granted from companies with Grupo Catalana Occidente. For this, it maintains reinsurance contracts under the modality of excess loss, surplus and quota share. When channelling reinsurance, the traditional business companies in the Group also maintain a very diversified business.

The panel of reinsurers is:

- Solvent, in terms of credit rating: all reinsurers external to GCO have an A rating or higher on the S&P scale. 75% of the premiums go back to reinsurers with a rating of AA or higher.

- Diversified, in the shares assigned to reinsurers. The panel of external reinsurers consists of 10 reinsurers, where the 5 main companies in the panel hold 78% of the premiums.

- Stable, there is stability in the panel of reinsurers, thus comply with the principle of continuity for the business. There are no significant variations in the shares assigned to the reinsurers, nor in the inputs and outputs to the reinsurers panel.

Finally, when completing the risk management, the Group identifies the sources of uncertainty and undertakes the sensitivity analysis for the risks it is exposed to:

- The status of the economy is an important factor in the frequency and severity (average cost) of the claims, at the same time, all sections of the Group can be affected in provisions as a consequence of the legislative changes.

- In life insurance, the main sources of uncertainty are the evolution of interest rates, expenses, the behaviour of the policyholders and insured parties and the evolution of mortality and survival.

- In non-life insurance in traditional business, the principal sources of uncertainty are: the frequency of claims and the quantity of the same, the number and size of serious claims and the estimate of recoverable percentages.

  Also, to assess the level of uncertainty for the technical provisions:

- In the case of non-life traditional business:

  In non-life insurance, a stochastic analysis of the "chain ladder" method is undertaken, where the aim is to obtain predictive distribution of future payments based on the company's experience. Specifically, a generalised overdispersed Poisson linear model is assumed where the prediction errors are estimated using the Bootstrap technique.

- In the case of Life insurance:

  For Life insurances, there is a stochastic analysis of the value of the options and guarantees resulting from using one thousand random scenarios of the temporary structure of the interest rates without risk, including adjustment for volatility and consistent with the prices of the assets in the financial markets.

- With regards to the main sensitivities performed by the Group in traditional business, we can highlight:

  - Interest rates: in the year 2019, the sensitivity analysis for increase or decrease of 100 basic points in the type of discount represented -/+ 4.3% with regards to the solvency provisions of the Group.

- Increase in claims: in the year 2019, the sensitivity analysis carried out, according to an increase in sensitivity of 5% in the segment of Motors third party liability and 10% in other guarantees and multi-risks, represented an increase of 1.6% with regards to the solvency provisions of the Group.

B. Technical Risks of the credit insurance business

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 depending on 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 among others include 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 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 range of tailor-made policies, for example policies where only one commercial transaction is guaranteed.

- Bonding Risk

Bonding 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 70 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 for the entire credit business. Local credit committees may sign off on amounts up to certain thresholds, beyond which only the Credit Committee 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.

One indication of the sensitivity to the final number of claims projected would be the following: if the final estimated number of claims for the last six months of risk would change by 10%, the provisions for claims would change by 27 million euro, gross of reinsurance (25 million in 2018).

The Group is exposed to the concentration risk by purchaser and by country and sector of the purchaser. Concentration risk is controlled and monitored through what is known as Total Potential Exposure (TPE). The TPE is a higher credit limit approximate to the real exposure with individual purchasers.

On a portfolio level, the real exposure tends to be in the range of 10% to 30% of the TPE, without taking into account that the customers also have their own withholdings. Each policy stipulates the maximum discretional limit permitted and, for the majority of policies, this is not more than €20 thousand per buyer. This shows that the TPE is a gross measurement of exposure and that, altogether, the real exposure is much lower.

Following there is a detail of TPE by country, sector and buyer group:

Buyer's country	Of which	TPE 2018 Millions of euro	TPE 2019 Millions of euro
Denmark, Finland, Norway, Netherlands, Sweden, Baltic Countries	Netherlands	29,650	30,392
	Other	30,525	31,748
Austria, Czech Republic, Germany, Greece, Hungary, Poland, Slovakia, Switzerland	Germany	90,599	93,024
	Other	63,935	68,595
UK, North America, Australia, Asia and Others	United Kingdom	44,989	46,219
	Ireland	4,747	4,800
	USA and Canada	56,696	60,602
	Mexico and Central America	10,561	11,107
	Brazil	8,517	9,560
	Asia and Australia	92,222	95,595
	Other	12,842	12,627
Southern Europe	France	47,119	48,407
	Italy	44,263	43,661
	Spain and Portugal	99,454	98,739
	Belgium and Luxembourg	17,285	17,444
Total		**653,404**	**672,520**

Industrial sector	TPE 2018 Millions of euro	TPE 2019 Millions of euro
Durable consumer goods	69,881	73,144
Metals	68,424	72,285
Electronics	77,433	82,858
Construction	49,773	51,494
Chemicals	86,479	87,466
Transport	60,461	61,128
Machinery	39,972	41,225
Food	63,001	64,587
Construction Materials	28,360	29,389
Services	27,837	27,109
Textiles	20,324	19,660
Finance	13,058	13,156
Agriculture	33,876	33,954
Paper	14,525	15,065
Total	**653,404**	**672,520**

Grouping by number of buyers	TPE 2018 Millions of euro	TPE 2019 Millions of euro
0 – 20	349,909	357,231
20 – 100	113,528	116,550
100 – 250	70,575	68,958
250 – 500	48,405	53,359
500 – 1,000	37,176	39,402
Over 1,000	33,811	37,020

Total	**653,404**	**672,520**

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 31 December 2019 is €24,900 million and instalment credit protection totals €3,000 million.

As for the potential impact of Brexit on Atradius' current activities, they are expected to continue without interruption. Atradius is prepared for the regulatory changes brought about by Brexit and, with branches in the European Economic Area and the UK, is well placed to continue issuing policies in all EU countries and the UK.

Atradius regularly reviews how Brexit may affect defaults in the UK portfolio. The impact on provisions has been assessed by identifying a section of the UK buyer's portfolio considered to be particularly at risk. For the risk of this portfolio, probabilities of default of the company under stress scenarios have been used. In addition, a margin of uncertainty has been added to reflect the possibility that customers outside the United Kingdom may be affected. This Brexit scenario led to additional provisions of €29 million (€38 million in 2018).

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 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 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 credit risk is the risk that the issuer or other party in a financial operation does not comply with their contractual obligations. The Group’s policy on credit risk is based on two basic principles:

  - Prudence: the minimum rating for fixed-income investments is A-. Any investment below this threshold requires 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. In this sense, in the selection or credit risks, priority is given to those with the highest credit rating.

  - 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. Said liquidity risk is managed by adapting the investments to the characteristics of the liabilities in the various businesses where the Group operates. In this sense, there is a periodic ALM analysis for all portfolios that permit mitigation of this risk. On the other hand, almost all the investments are in securities traded in organised markets that permit flexibility, so the Group will be able to take measures if there is any liquidity pressure.

- Exchange rate risks. The Group has the objective of minimising the risks derived from the exchange rate. Thus, in the portfolios of companies with traditional insurance business, basically located in Spain, it only maintains positions in currencies other than the euro derived from its investment in international variable income, with the exposure considered to be reduced. On the other hand, in the specific case of the credit business, in cases where the local legislation in each country of operation requires, investment is maintained in the corresponding currency. In these cases, the objective is for there to be natural coverage between the positions and the local business.

- Market risk. Market risk is the risk of loss in the fair value of the assets as a consequence of the movements in the market variables that incide in the valuation of the same. The Group regularly analyses the sensitivity of its portfolios to market risk, due mainly to changes in interest rates and stock prices. In this sense, there is a monthly control of the modified durations of the fixed income portfolios and, with a period nature, there is a study of the asset-liability suitability on a product level of analyse and verify the structural correspondence between the same, as well as different stress scenarios.

  One of the standard measurements for market risk is the Value at Risk (VaR), which is based on a methodology of variance-covariance that uses the historic volatility of the prices in stock indexes, the exchange rates and the rate curves, and the correlation between them, as principal inputs. This risk measurement measures the maximum potential loss of the financial instruments due to adverse movements in the prices of the shares, the exchange rates and the interest rates within a fixed period of time and with a specific level of reliability (probability). Although the Group does not manage its investments based on the VaR level of the same, it uses this indicator as additional reference information together with the other periodic risk controls that it carries out on the investment portfolios. The risk of using the variance-covariance methodology or any other methodology based on historic data is that it underestimates the risk of the financial instruments. This is because these methods assume that the historic volatility and the correlation between the financial instruments will be repeated in the future. Therefore, the objective is not to represent future prices, but to use this as a guide only for information and comparison purposes for historic behaviour. In the specific case of the calculation carried out by the Group, there is a level of reliability of 99.5% and a period of 12 months, which implies that there is a probability of 0.5% of underestimating the maximum potential loss for the next 12 months.

With regards to the main sensitivities performed by the Group for the financial market risks, we can highlight:

- Fixed Income: An increase in the curve of 100pbs represents +7% solvency ratio whereas a decrease in the curve of 100 pbs represents -9% in solvency ratio.

- Variable Income: A decrease in the variable income of the stock market of -10% represents +3% solvency ratio whereas a decrease in the variable income of -25% represents +1% in solvency ratio.

- Properties: A decrease in value of 5% of the property value implies -2% of the solvency ratio.

- A combined decrease of 10% in the variable income value and of 5% in the properties implies an increase of +1% of the Group's solvency ratio.

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. In order to meet the operational risk, the Group has for both the traditional insurance business and the credit insurance business various IT tools that permit monitoring and quantification. In particular, the risks associated to the various processes have been categorized with the aim of standardizing this classification across all Group companies, which allows obtaining the necessary information that enhances operational risk management, in each Group company individually and in the Group as a whole.

This system allows fair undertaking of an appropriate operational risk management.

The Group likewise ensures compliance with the various regulations applicable to entities comprising the Group through audits carried out by various Departments. Amongst which we should highlight :

- Legal and General Secretariat Department: Its objectives include to ensure, through the units of regulatory compliance, within the organization of the various Group companies, proper compliance with legal regulations, and that these are applied consistently. In order to do so, this Department and the legal departments of the main Group companies maintain fluid coordination through the Compliance Verification Committee. For regulations that are particularly sensitive with regards to the sector in which the Group operates, such as those aimed at preventing money laundering, terrorist financing and data protection, the Departments in question are typically involved in all internal committees 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 Audit Committee, 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 regulatory compliance risk.

E. Other non-operational risks such as reputational risk and strategic risk.

Reputational risk: Risk associated to the occurrence of an event that has a negative impact on the image or notoriety of the Group and, in consequence on it's reputation. This risk is materialised through unfavourable information in public media, internet/social media or reports of a claim.

The causes can vary from poor management of a claim, inappropriate behaviour of employees or collaborators, defects in the provision of services, fraud in mediation, etc. For management of this risk, the Group:

- Avails of a code of ethics signed by the board members, employees and service providers.

- Has a procedure for action in cases of irregularities and fraud.

- Determines the requirements of aptitude and honour.

- Monitors the information published in communication media.

- Avails of protocols for action for the management of reputational risk events.

Strategic risk: Risk of loss in profit or capital resulting from inappropriate strategic decisions, defective execution of decisions or inappropriate adaptation to the evolution of the economic environment.

Compliance with the Group's objectives is monitored by the steering committee and by each of the areas, in such a manner that there is exhaustive monitoring of the plan in the medium-term and of the circumstances that may occur in the same.

F. Monitoring risks

Through mechanisms deployed to identify, analyse and address the associated risks in different areas, the Group recognizes 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.

Monitoring of the risk strategy is performed by the business units through early alert indicators that are the basis both for monitoring the risks and for compliance with the risk appetite approved by the Board of Directors. Also, the internal control area and the function of risk management control perform due monitoring.

G. 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 underwriting techniques.
- 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 agents and the age of the debt is also monitored.
- Operational Risk: thought internal control system its monitoring via its integrated tool and the reporting, as described below.

Additionally, there are plans in place to ensure business continuity. These establish processes to minimize 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, and which also permits availing of adequate mechanisms with regards to solvency in order to identify and measure all of the significant risks existing and to cover them suitably with own permitted funds.

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, availing of a human resources policy geared to motivate and retain talent and also has a Code of Ethics and Internal Behaviour Regulation that formalizes the commitment of employees, Management and the Board of Directors to behave under the principles of good faith and integrity.

- **Risk assessment**. The Group knows and approaches all of the risks it faces, establishing mechanisms to identify, analyse and process the corresponding risks in the various areas and has a framework policy for the entire risk management system with specific policies for each specific risk, in conformance with the establishments of the insurance regulations.

- The **control activity**. The Group has a number of policies and procedures, with appropriate authorization levels, and adequate segregation of duties, that help ensure that management and Board of Directors directives are carried out and risks associated with the achievement of objectives are properly managed.

  The control activities of the Group take place under a framework of: (I) suitable segregation of tasks and responsibilities both between the personnel and between the functions carried out, (ii) suitable structure of powers and capacities for the performance of operations linked to critical processes, establishing a system of limits adjusted to the same, (iii) authorisations prior to the assumption of risks, global guidelines for information security, understanding this to be the preservation of confidentiality, integrity and availability of the information and of the systems that process it from any threat, risk or damage that may be suffered in accordance with their importance to the Group and (iv) existence of the mechanisms necessary 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 avails of a structure of committees and different processes that guarantee transparency and correct supply of 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 (ICFR), in 2019 and through the Internal Control Unit and its mission, 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 over time. This is achieved through continuous supervision activities and periodic supervision.

  The continued supervision occurs over the course of the operations and includes both normal activities of management and supervision as well as other activities carried out by personnel during the performance of their roles. The scope and frequency of the periodic evaluations will essentially depend on an evaluation of the risks and the efficacy of the continued supervision processes.

  In addition, the Group has independent supervisors who check that adequate operation of the internal control system is maintained over time. Specifically, there are three fundamental functions: risk management control function, actuarial function and compliance verification function, which act as the second line of defence, and an internal audit function which acts as the third line of defence, undertaking integral supervision of the internal control system.

Internal Control in the area of Financial 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, based on the regulations derived from solvency II, the Group has continued to examine the capital requirements derived from the investments made.

The financial investments are valued at their fair value, which corresponds to the price that would be received for the sale of a financial asset through a transaction organised between the participants in the market on the date of valuation, except:

- Financial investments included in the "Maturity portfolio", which is valued for its amortised cost using the method of the effective interest rate.

- The financial assets which are capital instruments where the fair value cannot be estimated in a reliable manner, and are valued at cost.

The fair value valuations of the financial investments included in the portfolio available for sale and in the negotiation portfolio are classified according to the levels of variables used in the valuation (see Note 3.b.3).

The breakdown of financial assets at 31 December 2019 according to the inputs used is as follows (in Thousands of Euros):

	Level 1	Level 2	Level 3	Total at 31/12/2019
Financial assets held for trading	**-**	**-**	**-**	**-**
Derivatives	-	-	-	**-**
Other financial assets at fair value through profit or loss	**579,019**	**-**	**-**	**579,019**
Financial Investments in Equity	26,009	-	-	**26,009**
Stakes in mutual funds	250	-	-	**250**
Debt securities	1,026			**1,026**
Investments held for the benefit of policyholders who bear the investment risk	551,734	-	-	**551,734**
Available-for-Sale financial assets	**9,205,535**	**380,807**	**-**	**9,586,342**
Financial Investments in Equity	1,274,185	18,282	-	**1,292,467**
Stakes in mutual funds	476,687	-	-	**476,687**
Debt securities	7,278,300	58,899	-	**7,337,199**
Loans	-	-	-	**-**
Deposits with credit institutions	176,363	303,626	-	**479,989**
Total at 31 December 2019	**9,784,554**	**380,807**	**-**	**10,165,361**

The same information reported at the end of the year 2018 is as follows (in thousands of euros):

	Level 1	Level 2	Level 3	Total at 31/12/2018
Financial assets held for trading	**-**	**29**	**-**	**29**
Derivatives	-	29	-	**29**
Other financial assets at fair value through profit or loss	**340,814**	**-**	**-**	**340,814**
Financial Investments in Equity	-	-	-	**-**
Stakes in mutual funds	96	-	-	**96**
Debt securities	-			**-**
Investments held for the benefit of policyholders who bear the investment risk	340,718	-	-	**340,718**
Available-for-Sale financial assets	**7,988,607**	**117,124**	**-**	**8,105,731**
Financial Investments in Equity	934,769	22,016	-	**956,785**
Stakes in mutual funds	330,951	-	-	**330,951**
Debt securities	6,564,149	51,533	-	**6,615,682**
Loans	-	-	-	**-**
Deposits with credit institutions	158,738	43,575	-	**202,313**
Total at 31 December 2018	**8,329,421**	**117,153**	**-**	**8,446,574**

During FY 2019 no significant transfers or reclassifications of financial instruments took place in the various valuation methodologies.
The credit rating of the fixed income and deposits issuers in credit entities on 31 December 2019 and 2018 is shown below (amounts in Thousands of Euros):

31/12/2019

Rating	AAA	AA	A	BBB	Under investment grade	No rating	TOTAL
Public Fixed Income	266,704	331,190	2,449,255	328,998	8,153	22,099	3,406,399
OPPI	266,704	329,032	2,449,255	328,998	8,153	21,246	3,403,388
Other	-	2,158	-	-	-	853	3,011
Private fixed income	39,843	210,713	1,097,933	2,483,463	75,838	24,036	3,931,826
OPPI	35,993	206,410	1,037,343	2,444,512	75,838	23,002	3,823,098
Other	3,850	4,303	60,590	38,951	-	1,034	108,728
Total fixed income	**306,547**	**541,903**	**3,547,188**	**2,812,461**	**83,991**	**46,135**	**7,338,225**
% Fixed-Income	4.18%	7.38%	48.34%	38.33%	1.14%	0.63%	100.00%
Deposits with credit institutions	**39,000**	**14,000**	**40,639**	**35,000**	**-**	**479,989**	**608,628**
OPPI	39,000	14,000	40,639	35,000	-	-	128,639
Other	-	-	-	-	-	479,989	479,989

	31/12/2018						
Rating	AAA	AA	A	BBB	Under investment grade	No rating	TOTAL
Public Fixed Income	286,535	302,154	2,120,293	546,530	10,416	7,145	3,273,073
OPPI	286,535	300,040	2,102,540	546,530	10,416	6,394	3,252,455
Other	-	2,114	17,753	-	-	751	20,618
Private fixed income	57,948	304,603	1,170,094	1,645,012	90,312	74,640	3,342,609
OPPI	33,065	279,014	1,133,891	1,615,327	90,312	72,558	3,224,167
Other	24,883	25,589	36,203	29,685	-	2,082	118,442
Total fixed income	**344,483**	**606,757**	**3,290,387**	**2,191,542**	**100,728**	**81,785**	**6,615,682**
% Fixed-Income	5.21%	9.17%	49.74%	33.13%	1.52%	1.23%	100.00%
Deposits with credit institutions	**27,173**	**6,498**	**174,907**	**96,154**	**(407)**	**339,966**	**644,291**
OPPI	28,000	7,000	135,466	120,000	-	151,512	441,978
Other	(827)	(502)	39,441	(23,846)	(407)	188,454	202,313

The investment criteria also include various measures of risk diversification by sector, country and currency (amounts in Thousands of Euros):

Sector	31/12/2018				31/12/2019			
	Equity instruments	%	Representative debt values	%	Equity instruments	%	Representative debt values	%
Communications	73,643	5.72%	419,567	6.34%	98,277	5.47%	475,525	6.48%
Cyclical consumer goods	78,613	6.10%	394,943	5.97%	116,389	6.48%	663,297	9.04%
Non-cyclical consumer goods	129,343	10.04%	432,649	6.54%	190,351	10.60%	415,941	5.67%
Energy	49,812	3.87%	97,787	1.48%	60,597	3.38%	107,034	1.46%
Financial	318,203	24.71%	1,398,227	21.14%	353,023	19.66%	1,558,019	21.23%
Industrial	114,171	8.87%	222,331	3.36%	186,460	10.39%	321,044	4.37%
Technological	71,501	5.55%	56,936	0.86%	122,909	6.85%	59,140	0.80%
Public Services	97,453	7.57%	298,309	4.51%	126,715	7.06%	325,504	4.44%
Diversified	2,255	0.17%	8,027	0.12%	3,657	0.20%	1,361	0.02%
Commodities	12,210	0.95%	101	-	13,989	0.78%	3,723	0.05%
Governance	-	-	3,286,805	49.68%	-	-	3,407,637	46.44%
Others (*)	340,628	26.45%	-	-	523,046	29.13%	-	-
Total	**1,287,832**	**100.00%**	**6,615,682**	**100.00%**	**1,795,413**	**100.00%**	**7,338,225**	**100.00%**

(*) Includes mutual funds.

Year 2019

Thousands of Euros

Country	Equity instruments	Public Fixed Income	Private fixed income	Derivatives	Deposits in banks	Cash and other equivalent assets
Spain	460,981	2,653,230	1,441,136	-	52,812	978,044
Greece	-	-	-	-	-	2,246
Portugal	-	5,406	-	-	-	186
Ireland (*)	275,248	14,612	22,319	-	-	105,570
Italy	29,492	65,388	12,769	-	315	1,021
Germany	141,133	101,044	306,247	-	31,289	7,668
France	233,747	248,982	598,499	-	67,694	19,634
United Kingdom	13,932	8,574	373,009	-	32,171	18,201
Netherlands	63,441	35,013	574,619	-	67,123	114,333
Other Europe	249,709	89,874	109,352	-	263,526	28,105
USA	306,540	79,035	384,868	-	1,678	9,005
Rest OECD	7,476	83,782	100,182	-	66,679	62,277
Rest of the world	13,714	21,459	8,826	-	25,341	8,450
Total	**1,795,413**	**3,406,399**	**3,931,826**	**-**	**608,628**	**1,354,740**

(*) Ireland equity instruments are mutual funds.

Year 2018

Thousands of Euros

Country	Equity instruments	Public Fixed Income	Private fixed income	Derivatives	Deposits in banks	Cash and other equivalent assets
Spain	404,708	2,500,134	1,106,235	29	281,489	738,502
Greece	-	-	-	-	-	6,802
Portugal	-	10,925	-	-	-	4,393
Ireland (*)	171,117	15,852	16,962	-	-	81,470
Italy	17,723	83,006	47,881	-	331	1,001
Germany	103,640	114,606	230,697	-	54,960	22,157
France	147,889	244,934	383,585	-	-	35,303
United Kingdom	13,206	9,772	398,590	-	29,532	1,130
Netherlands	41,952	50,270	501,748	-	57,019	175,183
Other Europe	166,780	85,899	158,453	-	158,738	22,744
USA	206,038	69,974	395,106	-	3,010	6,683
Rest OECD	5,748	68,546	94,161	-	14,406	50,867
Rest of the world	9,031	19,155	9,191	-	44,806	17,296
Total	**1,287,832**	**3,273,073**	**3,342,609**	**29**	**644,291**	**1,163,531**

(*) 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 31 December 2019 and 2018:

Year 2019

Thousands of Euros

Currency	Equity Instruments	Debt securities	Derivatives	Deposits in banks	Cash and other equivalent assets	Other assets	Total Assets at 31/12/2019
Euro	1,266,465	7,040,388	-	522,778	1,187,627	4,806,064	14,823,322
GB pound	18,511	35,234	-	335	14,309	150,206	218,595
U.S. Dollar	310,952	185,004	-	24,756	39,355	226,508	786,575
Other	199,485	77,599	-	60,759	113,449	398,165	849,457
Total	**1,795,413**	**7,338,225**	**-**	**608,628**	**1,354,740**	**5,580,943**	**16,677,949**

Year 2018

Thousands of Euros

Currency	Equity Instruments	Debt securities	Derivatives	Deposits in banks	Cash and other equivalent assets	Other assets	Total Assets at 31 December 2018
Euro	915,357	6,346,257	29	589,829	954,249	3,807,023	12,612,744
GB pound	3,644	28,639	-	445	22,177	135,222	190,127
U.S. Dollar	206,687	176,760	-	17,449	45,177	255,868	701,941
Other	162,144	64,026	-	36,568	141,928	569,899	974,565
Total	**1,287,832**	**6,615,682**	**29**	**644,291**	**1,163,531**	**4,768,012**	**14,479,377**

Year 2019

Thousands of Euros

Currency	Subordinated liabilities	Technical provisions	Other Liabilities	Total Liabilities at 31/12/2019
Euro	200,545	9,947,959	1,679,730	11,828,234
GB pound	-	66,125	68,573	134,698
U.S. Dollar	-	248,546	64,311	312,857
Other	-	389,467	161,510	550,977
Total	**200,545**	**10,652,097**	**1,974,124**	**12,826,766**

Year 2018

Thousands of Euros

Currency	Subordinated liabilities	Technical provisions	Other Liabilities	Total Liabilities at 31 December 2018
Euro	200,439	8,921,078	1,250,574	10,372,091
GB pound	-	65,054	47,638	112,692
U.S. Dollar	-	240,336	56,430	296,766
Other	-	341,232	152,460	493,692
Total	**200,439**	**9,567,700**	**1,507,102**	**11,275,241**

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. Principal operations and changes in the consolidation perimeter

5.a) Acquisition of 100% of Seguros de Vida y Pensiones Antares, S.A.

On 8 November 2018, Plus Ultra, Seguros Generales y Vida S.A., de Seguros y Reaseguros, Single Shareholder Company (hereinafter "Plus Ultra"), a company held 100% by the Group, reached an agreement with the companies Telefónica, S.A. and Telefónica Finanzas, S.A.U. for acquisition of shares representing 100% of the share capital of Seguros de Vida y Pensiones Antares, S.A. (hereinafter, "Antares") for a price of €161,000 thousand.

After the compliance with the suspensive conditions which led to the mandatory administrative authorisations from the National Commission of Markets and Competition and the DGSFP on 17 January 2019 and 25 January 2019, respectively, the execution of the purchase contract was formalised on 14 February 2019.

Finally, the price paid by Plus Ultra was €158,870 thousand, corresponding to the initially agreed price of €161,000 thousand, adjusted by the difference between shareholders' equity at 31 January 2019 (closing that was closest to the transaction) and the shareholders' equity estimated in the contract. All of this consideration was paid in cash.

Accounting for the business mergers

The effective takeover date was 14 February 2019, the date on which the execution of the sales contract was formalized. The Group has valued the identifiable assets acquired and the liabilities assumed at fair value on the date of the combination, pursuant to International Financial Reporting Standard 3 (IFRS 3).

For this, the Group has performed a Purchase Price Allocation (PPA) analysis in order to determine the fair value of Antares' assets and liabilities at acquisition date. The accounting regulations stipulates a period of one year during which the valuation of assets and liabilities acquired is not final, wherefore the valuations carried out are the best available estimate on the date of preparation of these financial statements and they are in any case interim.

At the date of the takeover, the fair value of the assets and liabilities of Antares acquired is as follows:

PPA	Thousands of Euros		
	Antares	Revaluations	Fair Value
Cash and other equivalent liquid assets	103,885	-	103,885
Financial assets held for trading	27,969	-	27,969
Other financial assets at fair value	142,374	-	142,374
Available-for-Sale financial assets	355,284	-	355,284
Loans and items receivable	336,583	72,150	408,733
Reinsurer's share of technical provisions	9,687	-	9,687
Property, plant and equipment and investment property	111	-	111
Intangible assets	969	-	969
Tax assets	2,984	23,636	26,620
Other assets	4,463	-	4,463
Total assets	**984,309**	**95,786**	**1,080,095**
Debits and payables	9,804	-	9,804
Technical Provisions	829,820	56,179	885,999
Non technical provisions	4,498	-	4,498
Tax liabilities	6,808	18,037	24,845
Other Liabilities	4,353	38,365	42,718
Total Liabilities	**855,283**	**112,582**	**967,865**
Net assets identified	**129,026**	**(16,796)**	**112,230**
Antares policy portfolio	-	33,000	33,000
Unrecognised intangible assets	**-**	**33,000**	**33,000**
Deferred tax	-	(8,250)	(8,250)
Value of net re-valued assets	**129,026**	**7,954**	**136,980**
Compensation amount	**-**	**-**	**158,870**
Goodwill			**21,890**

In accordance with IFRS 3, capital gains amounting to €72,150 thousand were identified in the fair value measurement of bank deposits (interest rate swap structures) classified in the 'Loans and receivables' portfolio. They have been valued using valuation techniques consisting of discounting flows using a swap curve at 31 January 2019 published by Reuters, thus using a generally accepted and easily observable interest rate, and adjusting the curve with a spread corresponding to the CDS according to the issuer and modified duration of the asset, also obtained from Reuters. This measurement corresponds to Level 2 in the fair value hierarchy established by IFRS 13 Fair value measurement.

These structures affect life insurance policies in two types of portfolio:

- For life insurance operations using financial immunisation techniques (provided for in Article 33.2 of the ROSSP), the gains on the assigned assets were allocated to the accounting asymmetries, i.e. €38,365 thousand.

- For those policies subject to Transitional Provision 2 of the ROSSP, the revaluation of the assets concerned amounted to €33,785 thousand, implying an additional allocation to the mathematical provision of €42,923 thousand due to the fall in interest rates.

A further allocation of the mathematical provision was made in the amount of €11,720 thousand due to the updating of the biometric assumptions to adjust the provision to its fair value.

With regards to non-life policies, €1,536 thousand were made to the non-life insurance policies in order to standardize their calculation to the method used by the Group.

On the other hand, in the context of this transaction, Plus Ultra, Grupo Catalana Occidente, Antares and Telefónica, S.A., signed a collaboration contract, in which Grupo Telefónica grants Antares a commitment in relation to the majority of the collective policies for Health, Life-Risk, Life-Saving and Unit Linked with Grupo Telefónica until 31 December 2028.

In the financial year of the PPA, this contract was valued at €33,000 thousand, amortised on a straight-line basis over an assigned useful life of 10 years. The valuation method used to estimate the fair value of this intangible asset was the multi-period excess earnings method (MEEM).

As a result of the provisional accounting for this business combination, deferred taxes have been recognised for amounts of €18,037 thousand of deferred tax liabilities due to the capital gains on the assets, €23,636 thousand of deferred tax assets due to the revaluation of liabilities (technical provisions and other liabilities), and €8,250 thousand of deferred tax liabilities due to the recognition of the intangible asset by the contract with Telefónica.

Expenses incurred in the transaction amounted to €2,061 thousand and were recorded in the consolidated profit and loss account.

The operation generated goodwill of €21,890 thousand, which was allocated to the Seguros Catalana Occidente and Plus Ultra CGUs. (see Note 10.a).

5.b) Merger by absorption by Plus Ultra Seguros Generales y Vida, S.A. de Seguros y Reaseguros, Sociedad Unipersonal de Seguros de Vida y Pensiones Antares, S.A.

On 20 June 2019, the sole shareholders of Plus Ultra (acquiring company) and Antares (acquired company) approved the merger by absorption of the acquired company by the acquiring company under the terms established in the common merger plan deposited with the Mercantile Registry of Madrid.

The merger involves the block transmission of the equity of the company being acquired to the acquiring company that will acquire, by universal succession, all assets, liabilities, rights, obligations and relationships of all kinds of the company being acquired and dissolution without liquidation of company being acquired, a circumstance that will lead to its extinction.

In accordance with the provisions of the merger plan, the approved merger is conditional, pending that the necessary prior authorisation is obtained from the Minister of Economy and Business, in accordance with the provisions of Article 90 of Act 20/2015 of 14 July on the organisation, supervision and solvency of insurance and reinsurance entities, in relation to Article 110.1.b) of Royal Decree 1060/2015 of 20 November on the organisation, supervision and solvency of insurance and reinsurance entities.

The merger was authorised by the Ministry of Economy and Business by Ministerial Order dated 10 December 2019, therefore fulfilling the suspensive condition to which the merger was subject.

5.c) Acquisition of the stake of the minority shareholders of Nortehispana de Seguros y Reaseguros, S.A.

On 20 June 2019, Seguros Catalana Occidente, S.A. de Seguros y Reaseguros ('Seguros Catalana Occidente') exercised the purchase option subscribed on 28 June 2016, which it held over 0.189% of the shares of Nortehispana de Seguros y Reaseguros, S.A. ('Nortehispana') which were not in its power, and it now holds 100% of the share capital of that company, which has therefore become a single shareholder company. The price paid by Seguros Catalana Occidente was €683 thousand and was disbursed in cash.

5.d) Merger by absorption by Previsora Bilbaína Agencia de Seguros, S.A.U. of Previsora Inversiones, S.A.U.

On 24 June 2019, Nortehispana de Seguros y Reaseguros, S.A., sole shareholder, respectively, of Previsora Bilbaína Agencia de Seguros, S.A.U. (Acquiring company) and Previsora Inversiones, S.A.U. (acquired company) approved the merger by absorption of the acquired company by the acquiring company under the terms established in the common draft of the merger deposited with the Mercantile Registry of Bizkaia.

This merger was executed on 29 July 2019, once the period for opposition by creditors of both companies provided for in Article 44 of Act 3/2009 of 3 April on structural modifications of commercial companies had elapsed.

The merger involved the block transmission of the equity of the companies being acquired to the acquiring company that acquired, by universal succession, all assets, liabilities, rights, obligations and relationships of all kinds of the company being acquired and dissolution without liquidation of company being acquired, a circumstance that will lead to their extinction.

5.e) Merger by absorption by Funeraria Nuestra Señora de los Remedios, S.L.U. of Los Remedios Tanatorio Norte de Madrid, S.L.U., Servicios Funerarios Cisneros, S.L.U. and Mantenimiento Valdegovia, S.L.U.

On 10 July 2019, the Merger Plan signed by the Sole Administrator of Funeraria Nuestra Señora de los Remedios, S.L.U. was filed with the Mercantile Registry of Madrid. (the "Acquiring Company") and Los Remedios Tanatorio Norte de Madrid, S.L.U., Servicios Funerarios Cisneros, S.L.U. and Mantenimiento Valdegovia, S.L.U. (hereinafter the "Acquired Companies"), being approved by the Sole Shareholders of the Acquiring Company and the Acquired Companies on 29 July 2019.

This merger was executed on 25 September 2019, once the resolutions had been adopted and the period for opposition by the companies' creditors had elapsed, as provided for in Article 44 of Act 3/2009 of 3 April on structural modifications of commercial companies.

The merger involved the block transmission of the equity of the companies being acquired to the acquiring company that acquired, by universal succession, all assets, liabilities, rights, obligations and relationships of all kinds of the company being acquired and dissolution without liquidation of company being acquired, a circumstance that will lead to their extinction.

6. Cash and other cash equivalents

The breakdown of cash and cash equivalents at 31 December 2019 are as follows

	Thousands of Euros	
Cash and other cash equivalents	**31/12/2018**	**31/12/2019**
Cash in banks and in cash	1,160,221	1,154,843
Short-term bank deposits	3,310	199,897
Total	**1,163,531**	**1,354,740**

7. Financial assets

The breakdown of financial assets at 31 December 2019, 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 asset and by type	Financial Assets held for trading (HFT)	Other financial assets at fair value through profit or loss (RVPL)	Available-for-Sale financial assets (AFS)	Loans and receivables (LR):	Total on 31.12.2019
FINANCIAL INVESTMENTS:	**-**	**579,019**	**9,586,342**	**351,152**	**10,516,513**
Equity Instruments					
- Financial Investments in Equity	-	26,009	1,292,467	-	1,318,476
- Stakes in mutual funds	-	250	476,687	-	476,937
Debt securities	-	1,026	7,337,199	-	7,338,225
Derivatives	-	-	-	-	-
Hybrid instruments	-	-	-	-	-
Investments on behalf of policyholders assuming the investment risk	-	551,734	-	23,382	575,116
Loans	-	-	-	165,405	165,405
Other financial assets with non-published prices	-	-	-	8,335	8,335
Deposits with credit institutions	-	-	479,989	128,639	608,628
Deposits for accepted reinsurance .	-	-	-	25,391	25,391
RECEIVABLES:	**-**	**-**	**-**	**845,875**	**845,875**
Receivables arising from insurance direct insurance and coinsurance operations	-	-	-	359,612	359,612
Receivables arising from reinsurance operations	-	-	-	74,977	74,977
Other receivables	-	-	-	411,286	411,286
Total net	**-**	**579,019**	**9,586,342**	**1,197,027**	**11,362,388**

The same information reported at year-end, 31 December 2018 is as follows (in thousands of euros):

Thousands of Euros

Investments classified by category of financial asset and by type	Financial Assets held for trading (HFT)	Other financial assets at fair value through profit or loss (RVPL)	Available-for-Sale financial assets (AFS)	Loans and receivables (LR):	Total on 31 December 2018
FINANCIAL INVESTMENTS:	**29**	**340,814**	**8,105,731**	**616,983**	**9,063,557**
Equity Instruments					
- Financial Investments in Equity	-	-	956,785	-	956,785
- Stakes in mutual funds	-	96	330,951	-	331,047
Debt securities	-	-	6,615,682	-	6,615,682
Derivatives	29	-	-	-	29
Hybrid instruments	-	-	-	-	-
Investments on behalf of policyholders assuming the investment risk	-	340,718	-	21,388	362,106
Loans	-	-	-	119,046	119,046
Other financial assets with non-published prices	-	-	-	7,789	7,789
Deposits with credit institutions	-	-	202,313	441,978	644,291
Deposits for accepted reinsurance .	-	-	-	26,782	26,782
RECEIVABLES:	**-**	**-**	**-**	**804,341**	**804,341**
Receivables arising from direct insurance and coinsurance operations	-	-	-	348,374	348,374
Receivables arising from reinsurance operations	-	-	-	59,105	59,105
Other receivables	-	-	-	396,862	396,862
Total net	**29**	**340,814**	**8,105,731**	**1,421,324**	**9,867,898**

7.a) Financial investments

The movements in this section, broken down by portfolio, are shown below (in thousands of euros):

Financial assets held for trading

	Thousands of Euros			
	Financial Assets held for trading (HFT)			Total HFT
	Equity Instruments	Debt securities	Derivatives	
Net book value on 1 January 2018	**-**	**-**	**27**	**27**
Additions to the perimeter - Business Combinations	-	-	-	**-**
Purchases	-	-	-	**-**
Sales and amortisations	-	-	-	**-**
Reclassifications and transfers	-	-	-	**-**
Change of implicit interest	-	-	-	**-**
Changes in value against results	-	-	2	**2**
Effect of changes on the exchange rates	-	-	-	**-**
Changes in loss due to value impairment	-	-	-	**-**
Net book value on 31 December 2018	**-**	**-**	**29**	**29**
Additions to the perimeter - Business Combinations	26,940	1,053	-	**27,993**
Purchases	-	-	-	**-**
Sales and amortisations	-	-	(29)	**(29)**
Reclassifications and transfers	(26,940)	(1,053)	-	**(27,993)**
Change of implicit interest	-	-	-	**-**
Changes in value against results	-	-	-	**-**
Change of implicit interest	-	-	-	**-**
Changes in loss due to value impairment	-	-	-	**-**
Net book value on 31 December 2019	**-**	**-**	**-**	**-**

(*) Includes unmatured accrued interest on assets.

Financial assets at fair value with changes in profit and loss

	Other financial assets at fair value with changes in PL (RVPL)				Thousands of Euros
	Equity Instruments	**Debt securities**	**Investments held for the benefit of policyholders who bear the investment risk (1)**	**Deposits with credit institutions**	**Total RVPL**
Net book value on 1 January 2018	**7,698**	**33,786**	**339,097**	**-**	**380,581**
Additions to the perimeter - Business Combinations	-	-	-	-	**-**
Purchases	2	-	85,212	-	**85,214**
Sales and amortisations	(7,604)	(33,786)	(58,647)	-	**(100,037)**
Reclassifications and transfers	-	-	-	-	**-**
Change of implicit interest	-	-	(289)	-	**(289)**
Changes in value against results	-	-	(24,655)	-	**(24,655)**
Effects of changes in rates of exchange	-	-	-	-	**-**
Changes in loss due to value impairment	-	-	-	-	-
Net book value on 31 December 2018	**96**	**-**	**340,718**	**-**	**340,814**
Additions to the perimeter - Business Combinations	423	-	141,951	-	**142,374**
Purchases	-	-	106,130	-	**106,130**
Sales and amortisations	(2,642)	-	(83,755)	-	**(86,397)**
Reclassifications and transfers	26,940	1,053	-	-	**27,993**
Change of implicit interest	-	(23)	35	-	**12**
Changes in value against results	1,442	(4)	46,655	-	**48,093**
Effects of changes in rates of exchange	-	-	-	-	**-**
Changes in loss due to value impairment	-	-	-	-	-
Net book value on 31 December 2019	**26,259**	**1,026**	**551,734**	**-**	**579,019**

(1) At 31 December 2019, the unrealised gains and losses on investments held on behalf of policyholders who bear the investment risk amounted to €46,398 and (€7,521) thousand (€7,324 and (€31,972) thousand at 31 December 2018, 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 (AVS)					**Total AFS**
	Financial Investments in Equity	**Stakes in mutual funds**	**Fixed-income securities**	**Non-mortgage loans and advances on policies:**	**Deposits with credit institutions**	
Net book value on 1 January 2018	**1,035,079**	**399,465**	**6,522,649**	**80**	**190,914**	**8,148,187**
Additions to the perimeter - Business Combinations	-	-	-	-	-	**-**
Purchases	101,889	456	1,630,084	-	186	**1,732,615**
Sales and amortisations	(129,348)	(24,432)	(1,407,039)	(80)	23,664	**(1,537,235)**
Reclassifications and transfers	-	-	-	-	-	**-**
Adjustments for changes in value	(46,521)	(44,682)	(99,826)	-	(10,922)	**(201,951)**
Change of implicit interest	-	-	(33,529)	-	(1,529)	**(35,058)**
Effects of changes in rates of exchange	-	144	3,343	-	-	**3,487**
Changes in loss due to value impairment	(4,314)	-	-	-	-	**(4,314)**
Net book value on 31 December 2018	**956,785**	**330,951**	**6,615,682**	**-**	**202,313**	**8,105,731**
Additions to the perimeter - Business Combinations	-	38,622	319,465	-	-	**358,087**
Purchases	209,189	56,890	1,872,358	-	24	**2,138,461**
Sales and amortisations	(110,356)	(15,655)	(1,702,652)	-	(32,440)	**(1,861,103)**
Reclassifications and transfers	-	-	2,299	-	295,348	**297,647**
Adjustments for changes in value	240,127	65,561	264,943	-	16,539	**587,170**
Change of implicit interest	-	-	(42,529)	-	(1,795)	**(44,324)**
Effects of changes in rates of exchange	-	318	7,633	-	-	**7,951**
Changes in loss due to value impairment	(3,278)	-	-	-	-	**(3,278)**
Net book value on 31 December 2019	**1,292,467**	**476,687**	**7,337,199**	**-**	**479,989**	**9,586,342**

(*) Includes unmatured accrued interest on assets.

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.

During 2019, the Group derecognised from equity €20,026 thousand from the heading "Adjustments for changes in value” relating to net unrealised losses 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 2018 for the same concept, net losses of €1,356 thousand were recognised in the profit and loss account.

Loans and receivables

	Loans and receivables (LR)							Thousands of Euros Total LR
	Non-mortgage loans and advances on policies:	Investments held for the benefit of policyholders who bear the investment risk	Mortgage loans	Other financial assets with non-published prices	Deposits with credit institutions	Deposits constituted by accepted reinsurance	Debt securities	
Net book value on 1 January 2018	**35,939**	**17,736**	**63,373**	**6,293**	**191,444**	**29,493**	**-**	**344,278**
Additions to the perimeter - Business Combinations	-	-	-	267	-	-	-	**267**
Purchases	35,372	6,513	9,008	1,285	446,310	50,404	-	**548,892**
Sales and amortisations	(15,943)	(2,861)	(8,576)	(56)	(198,287)	(52,868)	-	**(278,591)**
Reclassifications and transfers	-	-	-	-	-	-	-	**-**
Change of implicit interest	(20)	-	14	-	-	-	-	**(6)**
Change of implicit interest	-	-	-	-	2,511	(247)	-	**2,264**
Changes in loss due to value impairment	-	-	(121)	-	-	-	-	**(121)**
Net book value on 31 December 2018	**55,348**	**21,388**	**63,698**	**7,789**	**441,978**	**26,782**	**-**	**616,983**
Additions to the perimeter - Business Combinations (*)	325	-	-	50	295,348	-	2,299	**298,022**
Purchases	63,775	6,880	8,054	828	253,330	45,343	-	**378,210**
Sales and amortisations	(19,509)	(4,886)	(6,515)	(332)	(571,120)	(46,831)	-	**(649,193)**
Reclassifications and transfers	-	-	-	-	(295,348)	-	(2,299)	**(297,647)**
Change of implicit interest	441	-	15	-	-	-	-	**456**
Change of implicit interest	-	-	-	-	4,451	97	-	**4,548**
Changes in loss due to value impairment	-	-	(227)	-	-	-	-	**(227)**
Net book value on 31 December 2019	**100,380**	**23,382**	**65,025**	**8,335**	**128,639**	**25,391**	-	**351,152**

(*) Includes unmatured accrued interest on assets.

As of 31 December 2019, the fair value of financial assets classified in the “Loans and receivables” category does not differ significantly from their book value.

7.a.1) Equity investments

The breakdown of the balances of this sub-heading at 31 December 2019 and 2018, is as follows:

	Thousands of Euros			
	Other financial assets at fair value through profit or loss (RVPL)		Available-for-Sale financial assets (AVS)	
	31/12/2018	31/12/2019	31/12/2018	31/12/2019
Shares of listed companies	-	26,009	933,947	1,270,563
Shares of non-listed companies	-	-	22,838	21,904
Total	**-**	**26,009**	**956,785**	**1,292,467**

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 2019 amounted to €53,037 thousand (€47,842 thousand in 2018).

7.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 (RVPL)		Available-for-Sale financial assets (AVS)	
	31/12/2018	31/12/2019	31/12/2018	31/12/2019
Fixed Income	-	123	15,537	21,601
Variable Income	96	127	293,306	355,114
Monetary market	-	-	22,108	48,771
Other mutual funds	-	-	-	51,201
Total	**96**	**250**	**330,951**	**476,687**

The value of the mutual funds has been taken to be the net asset value published by the fund management companies.

Listed below is the equity of the investment funds managed by GCO Gestión de Activos, and that are not consolidated (see Note 2.f.1), as well as the participation available to the Group of each one of them on 31 December 2019 and 2018 (excluding the participation corresponding to investments on behalf of policyholders policyholders, see Note 7.a.4):

	31/12/2018			31/12/2019		
	Equity managed by GCO Gestión de Activos at 31.12.2018	Share percentage (%)	Equity (thousands of euro).	Equity managed by GCO Gestión de Activos at 31.12.2019 (Thousands of Euros)	Share percentage (%)	Equity (thousands of euro).
GCO Mixed, FI	7,473	-	-	9,026	-	-
GCO Shares, FI	146,758	62%	91,640	162,292	65%	104,889
GCO Eurobolsa, FI	26,057	52%	13,425	27,899	59%	16,521
GCO Fixed income, FI	21,142	-	-	25,520	-	-
GCO Global 50, FI	9,610	33%	3,216	20,505	17%	3,583
GCO International FI	24,133	51%	12,351	28,803	54%	15,590
GCO Savings, FI	35,484	10%	3,459	41,744	-	-

Total	270,658		124,091	315,789		140,583

7.a.3) Fixed-income securities

The breakdown of the balances included under this sub-heading is as follows:

	Thousands of Euros			
	31/12/2018		31/12/2019	
	CVRPyG	AFS	CVRPyG	AFS
Public debt, obligations and public bonds	-	3,273,073	-	3,406,399
Issued by financial institutions and other private entities	-	3,342,609	1,026	3,930,800
Total	**-**	**6,615,682**	**1,026**	**7,337,199**

The yield of the portfolio at 31 December 2019 was 2.25% (2.46% at 31 December 2018), with an estimated average maturity of approximately 4.66 years (4.50 years at 31 December 2018)

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 2019 this income amounted to EUR 172,817 thousand (EUR 170,566 thousand in 2018).

The maturities of the securities included under this sub-heading, classified by the portfolio to which they were assigned at 31 December 2019 and 2018 and taking their fair value into account, are as follows:

Residual maturity	Thousands of Euros			
	31/12/2018		31/12/2019	
	CVRPyG	AFS	CVRPyG	AFS
Less than 1 year	-	855,714	1,026	836,299
1 to 3 years	-	1,853,382	-	1,840,217
3 to 5 years	-	1,325,015	-	1,883,949
5 to 10 years	-	1,695,022	-	2,065,625
10 to 15 years	-	541,195	-	263,222
15 to 20 years	-	70,263	-	68,817
20 to 25 years	-	89,280	-	210,139
Over 25 years	-	185,811	-	168,931
Total	**-**	**6,615,682**	**1,026**	**7,337,199**

7.a.4) Investments held for the benefit of insurance policyholders who bear the investment risk

The breakdown by nature of the investment at 31 December 2019 and 2018 is as follows (in thousands of euros):

	31/12/2018		31/12/2019	
	RVPL Portfolio	LR	RVPL Portfolio	LR
Variable Income	127,610	-	142,750	-
Stakes in mutual funds	109,683	-	300,307	-
Fixed-Income	103,425	-	108,677	-
Other Balances affected				
- Banks (current accounts and short-term deposits)	-	21,277	-	22,597
- Other debts by management fees	-	-	-	-
- Others	-	111	-	785
Total	**340,718**	**21,388**	**551,734**	**23,382**

The balance of "Other balances affected" is included in "Loans and receivables", as it is the policyholders who bear 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 assigned balances by maturity year is given below:

	Thousands of Euros			
	31/12/2018		31/12/2019	
Residual maturity	Fixed Income	Other Balances affected	Fixed Income	Other Balances affected
Less than 1 year	16,747	21,388	15,153	23,382
1 to 3 years	43,942	-	48,695	-
3 to 5 years	38,927	-	41,865	-
5 to 10 years	3,809	-	2,964	-
Over 10 years	-	-	-	-
Rest of investments without maturity	-	-	-	-
Total	**103,425**	**21,388**	**108,677**	**23,382**

The mathematical provisions at 31 December 2019 and 2018, of insurance contracts where the investment risk is borne by policyholders are as follows:

Policyholder investment	Thousands of Euros	
	Mathematical provision	
	31/12/2018	31/12/2019
SEGUROS CATALANA OCCIDENTE		
Equity Fund	136,732	144,346
Universal Investment + Variable Multisavings	53,547	53,889
Universal PIAS Variable	44,277	47,939
Universal Investment Fund	23,174	23,378
Choice Fund	32,810	57,268
SEGUROS BILBAO		
Flexilife	29,726	40,087
PIAS	9,390	10,436
Orbita Link	21,560	23,239
Insurance Savings account + Single Account	7,540	10,213
Other	922	852
PLUS ULTRA		
Life Fund	2,428	3,522
Management Social Welfare Plan (*)	-	159,947
Total	**362,106**	**575,116**

(*) Antares Integration

At 31 December 2019 and 2018 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	
		31/12/2018	31/12/2019
FI	GCO Savings	28,009	37,237
FI	GCO Mixed	4,397	5,413
FI	GCO Shares	42,453	44,122
FI	GCO Eurobolsa	6,437	7,649
FI	GCO Fixed Income	17,197	21,445
FI	GCO Global 50	4,117	12,710
FI	GCO International	4,692	9,019
		107,302	**137,595**

On 31 December 2019 and 2018, the Group's share in the investment funds managed by GCO Gestión de Activos, corresponding to policyholder investments, is as follows:

	Share percentage (%)	
	31/12/2018	31/12/2019
	59%	61%
GCO Shares, FI	29%	28%
GCO Eurobolsa, FI	25%	28%
GCO Fixed income, FI	81%	85%
GCO Global 50, FI	43%	52%
GCO International FI	19%	30%
GCO Savings, FI	79%	90%

7.a.5) Loans and Other assets without published price quotations:

The breakdown of the balances making up this sub-heading at 31 December 2019 and 2018 is as follows:

	Thousands of Euros			
	31/12/2018		31/12/2019	
	AFS	LR	AFS	LR
Non-mortgage loans and advances on policies:				
· Advances on policies	-	22,149	-	22,124
· Loans to brokers	-	16	-	16
· Other loans	-	33,183	-	78,241
Mortgage loans	-	63,698	-	65,024
Other financial assets with non-published prices	-	7,789	-	8,335
Total	**-**	**126,835**	**-**	**173,740**

The maturities of mortgage loans and other loans held by the Group at amortised cost are as follows:

	Thousands of Euros			
	31/12/2018		31/12/2019	
Year of maturity	AFS	LR	AFS	LR
Mature and up to three months	-	2,723	-	3,658
Between 3 months and one 1 year	-	2,139	-	1,898
Between one year and five years	-	46,898	-	51,375
Over five years	-	45,121	-	86,334
Total	**-**	**96,881**	**-**	**143,265**

One group of mortgage loans ("reverse mortgages"), is totalling €31,728 thousand, 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 2.65% in 2018). 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.

7.a.6) Deposits with credit institutions

The long-term deposits relate mainly to euro deposits, trust deposits, structured deposits and asset swaps held with credit institutions. The maturity of these deposits is as follows:

Residual maturity	Thousands of Euros					
	31/12/2018			31/12/2019		
	AFS	LR	Total	AFS	LR	Total
From 3 months to 1 year	1,900	440,974	442,874	2,864	128,639	131,503
From 1 year to 3 years	(2,198)	1,004	(1,194)	(6,882)	-	(6,882)
From 3 years to 5 years	13,715	-	13,715	4,742	-	4,742
From 5 years to 10 years	19,040	-	19,040	161,139	-	161,139
From 10 years to 15 years	(16,438)	-	(16,438)	(16,960)	-	(16,960)
From 15 years to 20 years	(6,529)	-	(6,529)	119,387	-	119,387
From 20 years to 25 years	110,305	-	110,305	14,240	-	14,240
Over 25 years	82,518	-	82,518	201,459	-	201,459

	202,313	441,978	644,291	479,989	128,639	608,628

7.a.7) Impairment losses

During 2019 impairment losses for value impairment stood at €3,505 thousand (€4,435 thousand in 2018).

7.b) Receivables

A breakdown of the receivables from insurance, reinsurance and coinsurance contracts at 31 December 2019 and 2018, together with other receivables, is given below:

	Thousands of Euros	
	LR	
	31/12/2018	31/12/2019
Receivables arising from direct insurance operations:		
- Policyholders - outstanding invoices:		
. Direct business and coinsurance	228,678	237,805
. Credits for invoices pending issue	105,838	107,796
. (Provision for premiums pending collection)	(18,214)	(17,458)
- Intermediaries:		
. Outstanding balances with intermediaries	33,705	33,159
. (Provision for impairment of balance with intermediaries)	(1,633)	(1,690)
Receivables arising from reinsurance operations:		
. Outstanding balance with reinsurers	59,226	75,067
. (Provision for impairment of balance with reinsurance)	(121)	(90)
Other credits:		
. Credits with Public Administrations	8,689	20,167
. Rest of credits	392,352	394,733
. (Provision for impairment of rest of credits)	(4,179)	(3,614)
Total	**804,341**	**845,875**

As of 31 December 2019 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 2019 and 2018 are shown in the following table, with the various changes under "Earned premiums, net of reinsurance" and "Net operating expenses" being recognised in the income statement.

(Figures in Thousands of Euros)	Provision for premiums pending	Provision for impairment of balance with mediators	Provision for impairment of balance with reinsurance	Provision for impairment of rest of credits
Balances at 01 January 2018	**19,109**	**1,963**	**282**	**3,998**
Additions to the Perimeter	-	-	-	-
Provisions charged against profit	-	-	-	181
Amounts released with a credit to profit	(895)	(330)	(161)	-
Balances at 31 December 2018	**18,214**	**1,633**	**121**	**4,179**
Additions to the Perimeter	154	-	-	-
Provisions charged against profit	-	57	-	-

Amounts released with a credit to profit	(910)	-	(31)	(565)
Balances at 31 December 2019	**17,458**	**1,690**	**90**	**3,614**

A breakdown of other credits in the consolidated balance sheet on 31 December 2019 and 2018 is given below:

	Thousands of Euros	
Other credits:	**31/12/2018**	**31/12/2019**
Credits with Public Administrations	**8,689**	**20,167**
Rest of credits	**392,352**	**394,733**
Outstanding and estimated recoveries (Note 3.b)	275,441	278,334
Debtors for motor agreements (Note 3.j)	4,750	6,964
Balances of brokers with dubious collection and other dubious balances	949	1,151
Commissions to collect for Credit Insurance information services	39,032	38,453
Personnel	1,208	1,480
Claims payments and advances	17	-
Debtors by leases	1,835	2,510
Sundry debtors	69,120	65,841
Provision for impairment of rest of credits	**(4,179)**	**(3,614)**
Total	**396,862**	**411,286**

On 25 September 2018, GCO Activos Inmobiliarios reached an agreement to acquire 100% of Peñalvento, S.LU. from Inmobiliaria Colonial, Socimi, S.A., with the ultimate aim of obtaining property of the construction of a future office building in Méndez Alvaro Norte I (Arganzuela district- Madrid) for an estimated total price of 94,281 thousand euros. This building will become part of the Group's property assets once the conditions precedent provided for in the aforementioned agreement are met, which include, inter alia, completion of construction and delivery of the building to GCO Activos Inmobiliarios once the delivery window has been completed, which extends from 1 May 2022 to 28 February 2023, inclusive.

Within the sub-heading “various debtors” there is an amount of €21,215 thousands, corresponding to the first payments made by GCO Activos Inmobiliarios for the acquisition of Peñalvento S.L.U.

As indicated in Note 3.b.3), the Group assesses the financial assets at their fair values, with the exception of certain loans and receivables that are valued at amortised cost. For the latter, its book value is a fair approximation of its fair value.

8. Investments in entities accounted for using the equity method (associates accounted for using the equity method)

The composition and movements during 2019 of those investments in the capital of companies over which the Group exercises significant influence is as follows:

Company	Thousands of Euros					
	Balances at 31/12/2018	Consolidation perimeter inputs and outputs	Increases due to non-distributed profit for the year	Other changes due to valuation	Impairment Losses	Balances at 31/12/2019
Asitur Asistencia, S.A.	6,026	-	294	770	-	7,090
Calboquer, S.L.	90	-	6	6	-	102
Gesiuris, S.A. S.G.I.I.C. (1)	3,762	-	166	72	-	4,000
MB Corredors d'Assegurances, S.A.	243	-	(17)	(198)	-	28
Inversiones Credere, S.A.	-	-	-	-	-	-
CLAL Credit Insurance Ltd. (2) (4)	13,472	-	701	1,365	-	15,538
Compañía de Seguros de Crédito Continental S.A. (3) (4)	38,322	-	3,764	(667)	-	41,419
The Lebanese Credit Insurer S.A.L. (4)	1,659	-	80	31	(1,770)	-
Credit Guarantee Insurance Corporation of Africa Limited (4)	21,917	-	1,950	677	(6,927)	17,617
TOTAL	**85,491**	**-**	**6,944**	**2,056**	**(8,697)**	**85,794**

(1) Includes goodwill totalling €1,836 thousand.
(2) CLAL includes goodwill totalling €2,127 thousand.
(3) CSC Continental includes goodwill totalling 11,366 thousand euros.
(4) 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. Annex II details the data on total assets, capital, reserves, profit or loss, dividends from this financial result, and the year's earned premiums net of reinsurance or otherwise standard earned Incomes.

As shown in Note 3.b.4, the Group has conducted the test for impairment on the companies included in the heading "holdings in entities valued by the equity method", considering the projections of future business of the companies and financial market parameters.

The flows of dividends and cash flows are estimated using a projection period and a normalised period. The projection period is 10 years, where the projections of the first 1-3 years are based on quotes and/or financial forecasts. The remaining years are estimated using growth rates and ratios, which are considered the relevant figures for each of the estimated lines, which converge toward their normalised terminal value.

The discount rate used varies depending on the location and the sector of the associated company, using custom risk-free rates, Betas of the market and country risk premiums. The terminal value is calculated on the basis of the flow of dividends/free cash flows in the normalised period through a perpetuity that applies a growth rate of 3% and the specific discount rate. For those associated to the use of the valuation of discounted dividends, it is assumed that the profits, if available after complying with the capital requirements, are distributable dividends. The capital requirements are calculated on the basis of local targets for regulation and management.

The discount rates, before taxes, and the perpetual growth rates used in 2019 have been as follows:

	Discount rate	
Insurance entity CGU	**31/12/2018**	**31/12/2019**
CLAL - Israel	5.90%	4.40%
CSC Continental - Chile	10.30%	6.70%
LCI - Lebanon	13.80%	14.80%
CGIC - South Africa	13.60%	12.60%

	Perpetual growth rate	
Insurance entity CGU	**31/12/2018**	**31/12/2019**
CLAL - Israel	3.00%	3.00%
CSC Continental - Chile	3.00%	3.00%
LCI - Lebanon	3.00%	3.00%
CGIC - South Africa	3.00%	3.00%

In parallel to this central valuation scenario, possible variations have been calculated in the main assumptions of the model and the CGU has been subject to a sensitivity analysis. The relative impacts on the value in use derived from this analysis are the following:

	Discount rate		Perpetual growth rate		Combined ratio		Solvency Ratio	
Insurance entity CGU	**+ 50 bp**	**- 50 bp**	**+ 50 bp**	**- 50 bp**	**+ 50 bp**	**- 50 bp**	**+ 1,000 bp**	**- 1,000 bp**
CLAL	-24.5%	52.9%	46.9%	-21.7%	-5.7%	5.7%	0.0%	0.0%
CSC Continental	-11.3%	14.8%	10.7%	-8.1%	-5.1%	5.1%	-2.9%	2.9%
LCI	-3.9%	4.3%	1.7%	-1.5%	-6.2%	6.2%	0.0%	0.0%
CGIC	-5.5%	6.2%	3.0%	-2.7%	-2.1%	2.1%	-8.5%	8.5%

At 31 December 2019, on the basis of the results of the impairment tests, the Group recognised in the consolidated income statement an impairment loss of €1,770 thousand and €6,927 thousand relating to the value of the investments in The Lebanese Credit Insurer S.A.L and Credit Guarantee Insurance Corporation of Africa Limited, respectively.

2018 movements are shown below:

Company	Thousands of Euros					
	Balances at 31/12/2017	**Consolidation perimeter inputs and outputs**	**Increases due to non-distributed profit for the year**	**Other changes due to valuation**	**Impairment Losses**	**Balances at 31/12/2018**
Asitur Asistencia, S.A.	5,634	-	293	99	-	6,026
Calboquer, S.L.	71	-	7	12	-	90
Gesiuris, S.A. S.G.I.I.C. (1)	3,652	-	222	(112)	-	3,762
MB Corredors d'Assegurances, S.A.	-	300	-	(57)	-	243
Inversiones Credere, S.A.	-	1,154	-	-	(1,154)	-
CLAL Credit Insurance Ltd. (2) (6)	12,494	-	1,390	(412)	-	13,472
Compañía de Seguros de Crédito Continental S.A. (3) (6)	38,805	-	1,440	(1,923)	-	38,322
The Lebanese Credit Insurer S.A.L.(4) (6)	1,938	-	(346)	67	-	1,659
Credit Guarantee Insurance Corporation of Africa Limited (5) (6)	22,243	-	1,200	(1,526)	-	21,917
TOTAL	**84,837**	**1,454**	**4,206**	**(3,852)**	**(1,154)**	**85,491**

(1) Includes goodwill totalling €1,836 thousand.
(2) CLAL includes goodwill totalling €2,127 thousand.
(3) CSC Continental includes goodwill totalling €11,366 thousand.
(4) LCI includes goodwill totalling €478 thousand.
(5) CGIC includes goodwill totalling €6,927 thousand.
(6) Participated through the company Atradius N.V.

On 31 December 2018, based on the results of the impairment tests, the Group has not registered in the consolidated statement any value impairment, with the exception of €1,154 thousand corresponding to the expansion of shares in Inversiones Credere, S.A.

9. Property, plant and equipment and investment property

9.a) Tangible fixed assets

The breakdown by type of items that make up the balance of this segment and sub segment of the condensed consolidated income statement, on 31 December 2019 is as follows (in thousands of euros):

	Owner-Occupied Property	Furniture and installations	Transport equipment	Data processing hardware	Improvements to owned property	Rights of use	Other tangible fixed asset	Total
Cost on 1 January 2019	**312,165**	**128,982**	**7,434**	**90,959**	**66,744**	**-**	**4,076**	**610,360**
Accumulated Depreciation on 1 January 2019	**(83,873)**	**(96,355)**	**(4,132)**	**(71,129)**	**(40,130)**	**-**	**(1,413)**	**(297,032)**
Impairment Losses	**(7,319)**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,319)**
Net book value on 1 January 2019	**220,973**	**32,627**	**3,302**	**19,830**	**26,614**	**-**	**2,663**	**306,009**
First application of IFRS 16	-	-	-	-	-	149,941	-	149,941
Additions to the perimeter - Business Combinations	-	494	-	1,325	-	-	8	1,827
Investments or Additions	7,134	7,819	768	4,215	6,790	8,603	237	35,566
Advances in progress	-	-	-	-	-	-	8,417	8,417
Reclassifications and transfers (Note 9.b)	(16,052)	-	-	-	-	-	-	(16,052)
Sales and Withdrawals	(546)	(7,296)	(754)	(1,914)	(2,173)	(815)	(1,501)	(14,999)
Change of implicit interest	87	678	-	1,003	-	1,151	-	2,919
Additions to the perimeter - Business Combinations	-	(494)	-	(1,214)	-	-	(8)	(1,716)
Depreciation for the year	(4,553)	(7,235)	(800)	(7,295)	(4,544)	(30,623)	(110)	(55,160)
Reclassifications and transfers of the amortisation	6,543	-	-	-	-	-	-	6,543
Withdrawals from amortisation	84	7,232	692	1,789	2,011	288	15	12,111
Change of implicit interest	(14)	(538)	-	(699)	-	(114)	-	(1,365)
Impairment Losses	60	-	-	-	-	-	-	60
Net book value on 31 December 2019	**213,716**	**33,287**	**3,208**	**17,040**	**28,698**	**128,431**	**9,721**	**434,101**

Detail of the net book value on 31 December 2019 (in thousands of euros):

	Owner-Occupied Property	Furniture and installations	Transport equipment	Data processing hardware	Improvements to owned property	Rights of use	Other tangible fixed asset	Total
Cost on 31 December 2019	**302,788**	**130,677**	**7,448**	**95,588**	**71,361**	**158,880**	**11,237**	**777,979**
Accumulated Depreciation on 31 December 2019	**(81,813)**	**(97,390)**	**(4,240)**	**(78,548)**	**(42,663)**	**(30,449)**	**(1,516)**	**(336,619)**
Impairment Losses	**(7,259)**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,259)**

The movement and detail for the year 2018 are as follows (in thousands of euros):

	Owner-Occupied Property	Furniture and installatio ns	Transport equipment	Data processin g hardware	Improve ments to owned property	Rights of use	Other tangible fixed asset	Total
Cost on 1 January 2018	**311,003**	**123,998**	**5,831**	**85,945**	**59,094**	**-**	**11,475**	**597,346**
Accumulated Depreciation on 1 January 2018	**(78,965)**	**(91,517)**	**(2,760)**	**(68,155)**	**(36,294)**	**-**	**(1,034)**	**(278,725)**
Impairment Losses	**(7,373)**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,373)**
Net book value on 1 January 2018	**224,665**	**32,481**	**3,071**	**17,790**	**22,800**	**-**	**10,441**	**311,248**
Additions to the perimeter - Business Combinations	3,472	1,077	1,448	181	-	-	740	**6,918**
Investments or Additions	436	6,747	896	9,513	8,283	-	6,530	**32,405**
Advances in progress	-	-	-	-	-	-	1,500	**1,500**
Reclassifications and transfers (Note 9.b)	(2,472)	22	-	-	-	-	(22)	**(2,472)**
Sales and Withdrawals	(336)	(2,741)	(741)	(4,437)	(633)	-	(16,147)	**(25,035)**
Change of implicit interest	62	(121)	-	(243)	-	-	-	**(302)**
Additions to the perimeter - Business Combinations	(850)	(777)	(1,285)	(90)	-	-	(332)	**(3,334)**
Depreciation for the year	(4,933)	(6,868)	(716)	(7,393)	(4,414)	-	(60)	**(24,384)**
Reclassifications and transfers of the amortisation	850	-	-	-	-	-	-	**850**
Withdrawals from amortisation	34	2,704	629	4,360	578	-	13	**8,318**
Change of implicit interest	(9)	103	-	149	-	-	-	**243**
Impairment Losses	54	-	-	-	-	-	-	**54**
Net book value on 31 December 2018	**220,973**	**32,627**	**3,302**	**19,830**	**26,614**	**-**	**2,663**	**306,009**

Detail of the net book value on 31 December 2018 (in thousands of euros):

	Owner-Occupied Property	Furniture and installatio ns	Transport equipment	Data processin g hardware	Improve ments to owned property	Rights of use	Other tangible fixed asset	Total
Cost on 31 December 2018	**312,165**	**128,982**	**7,434**	**90,959**	**66,744**	**-**	**4,076**	**610,360**
Accumulated Depreciation on 31 December 2018	**(83,873)**	**(96,355)**	**(4,132)**	**(71,129)**	**(40,130)**	**-**	**(1,413)**	**(297,032)**
Impairment Losses	**(7,319)**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,319)**

At 31 December 2019 and 2018, the Group holds own use in full own-use and there were no liens of any type over any of them.

On 11 October 2018, GCO Activos Inmobiliarios signed a private contract for the purchase of an estate located in Calle Bellesguard 16 (Barcelona), subject to suspensive condition. By virtue of this, it has disbursed €1,500 thousand in concept of a deposit(included in the movements of the year 2018 as advances in other material property). The sale and the transmission of the possession and ownership of the property, as well as the risks over the same, will occur with the granting of the deed of sale (granting has taken place on 31 January 2019), bringing the total sale price committed for the acquisition of this estate to €5,250 thousand. This amount forms part of the acquisitions of investment property (see Note 9.b).

On 31 July 2019, GCO Activos Inmobiliarios (buyer) entered into an agreement with Inmobiliaria de Edificios Industriales, S.L. (seller), by which it will acquire a plot of land located in the industrial sector of the partial plan "Mas Duran - Can Feu" in San Quirze del Vallés, in order to build an industrial building there. This agreement is subject to a condition precedent until the seller complies with the conditions for the acquisition of the land and the granting of a building permit. Under this contract, GCO Activos Inmobiliarios has disbursed €1,920 thousand which have been recorded as advances on other tangible fixed assets.

On 8 November 2019, Seguros Bilbao signed a private purchase agreement with Metrovacesa Promoción y Arrendamiento, S.A. for the future construction of a building on calle Foresta 8 (Madrid), subject to a condition precedent. Under this contract, Seguros Bilbao paid €6,497 thousand relating to 15% of the purchase price, which was recognised as an advance on other property, plant and equipment.

In addition to these contracts, the Group has no other commitments to acquire new property.

At year-end 2019, all the Group's tangible assets were used directly in operations.

There were no significant impairment losses on tangible fixed assets during the year.

The net value of own-use properties located abroad was €20,694 thousand at 31 December 2019 (€20,913 thousand at 31 December 2018).

During 2019, profits were obtained from own-use property amounting to €9 thousand.

The market value at 31 December 2019 of the Group's own-use properties was as follows (in thousands of euros):

	Market value on 31/12/2019				
	Traditional Business Segment			Segment Credit insurance business	Total
	Non-Life	Life	Other activities		
Owner-Occupied Property	151,667	83,867	22,671	115,507	**373,712**

At the end of the previous year, the market value of property used by the Group assigned to the traditional business segment categories, i.e. non-life, life and other activities, was €142,267 thousand, €34,427 thousand and €80,211 thousand, respectively, and €118,179 thousand for the credit insurance business segment.

The gains associated with the property for own use amounted to €159,996 thousand in the year 2019 (€154,111 thousand in the year 2018).

The market value of the own-use property has been obtained according to the methodology described in Note 3.c).

9.b) Investment property

The breakdown by type of items that make up the balance of this segment and sub segment of the condensed consolidated income statement, on 31 December 2019 is as follows (in thousands of euros):

	Property investments, third party use
Cost on 1 January 2019	**676,913**
Accumulated Depreciation on 01 January 2019	**(113,352)**
Impairment Losses	**(2,480)**
Net book value on 1 January 2019	**561,081**
Additions to the perimeter - Business Combinations	-
Investments or Additions	110,433
Advances in progress	-
Reclassifications and transfers (Note 9.a)	16,052
Sales and Withdrawals	(11,645)
Change of implicit interest	36
Additions to the perimeter - Business Combinations	-
Depreciation for the year	(11,313)
Reclassifications and transfers of the amortisation	(6,543)
Withdrawals from amortisation	2,116
Change of implicit interest	(4)
Impairment Losses	1,177
Net book value on 31 December 2019	**661,390**

Detail of the net book value on 31 December 2019 (in thousands of euros):

	Property investments, third party use
Cost on 31 December 2019	**791,789**
Accumulated Depreciation on 31 December 2019	**(129,096)**
Impairment Losses	**(1,303)**

Likewise, the heading and the detail for 2018 are as follows (in thousands of euros):

	Property investments, third party use
Cost on 1 January 2018	**489,877**
Accumulated Depreciation on 1 January 2018	**(103,479)**
Impairment Losses	**(3,612)**
Net book value on 1 January 2018	**382,786**
Additions to the perimeter - Business Combinations	121,284
Investments or Additions	63,886
Advances in progress	-
Reclassifications and transfers (Note 9.a)	2,472
Sales and Withdrawals	(634)
Change of implicit interest	28
Additions to the perimeter - Business Combinations	-
Depreciation for the year	(9,271)
Reclassifications and transfers of the amortisation	(850)
Withdrawals from amortisation	251
Change of implicit interest	(3)
Impairment Losses	1,132
Net book value on 31 December 2018	**561,081**

Detail of the net book value on 31 December 2018 (in thousands of euros):

	Property investments, third party use
Cost on 31 December 2018	**676,913**
Accumulated Depreciation on 31 December 2018	**(113,352)**
Impairment Losses	**(2,480)**

The most significant acquisitions made during the year relate to five properties acquired by GCO Activos Inmobiliarios, intended for rental operation:

- On 31 January 2019, it acquired the property at calle Bellesguard 16 (Barcelona) for €5,250 thousand, once the condition precedent of the contract had been fulfilled (see Note 9-a).

- On 12 April 2019, it acquired the property known as 'Hotel Rosella' located in calle Tamarell (Cala Millor), in the municipality of Sant Llorenç de Mallorca, for a total of €10,667 thousand, including acquisition costs.

- On 14 June 2019, it acquired plots one, two and three located at Urbanización de l'Albornar 2, calle Montmell in the municipality of Santa Oliva (Tarragona), at a price of €20,711 thousand, including acquisition costs.

- On 20 September 2019, it acquired the property located at calle Juan de Mariana 15 (Madrid) for €20,000 thousand.

- On 19 December 2019, it acquired the property located at calle Zarandoa 23, (Bilbao), at a price of €43,750 thousand.

During 2019 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 sheet relate to commercial property, mainly office buildings, which the Group operates on a lease basis.

At year-end 2019 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 2019, profits were obtained from property investment amounting to €635 thousand.

The market value of the Group's investment property at 31 December 2019 was as follows (in thousands of euros):

	Market value on 31/12/2019				
	Traditional Business Segment			Segment Credit insurance business	Total
	Non-Life	Life	Other activities		
Property investments, third party use	350,226	403,985	265,375	14,882	**1,034,468**

At the end of the previous year, the market value of property used by the Group assigned to the traditional business segment categories, i.e. non-life, life and other activities, was €392,809 thousand, €398,730 thousand and €107,973 thousand respectively, and €11,563 thousand for the credit insurance business segment.

The capital gains associated with property investments amounted to €373,078 thousand in the year 2019 (€349,995 thousand in the year 2018).

The market value of the third-party property has been obtained according to the methodology described in Note 3.d).

The income 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 2019 are listed below:

Thousands of Euros	Granted in operative lease		Property investments	
	Year 2018	Year 2019	Year 2018	Year 2019
Rental income	33,309	39,847	-	336
Direct operating expenses	15,463	15,241	1,337	864

As of 31 December, the minimum future Incomes for the last two years of non-cancellable operating leases are as follows:

Future operating lease receipts	Thousands of Euros	
	31/12/2018	31/12/2019
Less than 1 year	34,629	42,111
More than one year but less than five	105,538	122,580
Over five years	124,066	138,610
Total	**264,233**	**303,301**

The Group has not taken into account Income from contingent charges for the years 2019 and 2018.

Most leases have a duration of between 5 and 10 years and are renewable.

10. Intangible assets

Activity of this balance sheet item in 2019 and 2018 was as follows (in thousands of euros):

			Other intangible assets						
	Consolidation	Policy portfolio acquisition costs	Internally generated IT applications	IT Applications acquired	Brand	Distribution network	Portfolio policies	Other intangible assets not generated internally	Total other intangible assets
Cost on 1 January 2018	**774,794**	**10,809**	**162,555**	**141,667**	**19,450**	**16,140**	**20,773**	**373**	**360,958**
Accumulated Depreciation on 1 January 2018	**-**	**(5,567)**	**(79,646)**	**(106,763)**	**(1,450)**	**(2,018)**	**(20,773)**	**(267)**	**(210,917)**
Impairment loss on 01 January 2018	**-**	**-**	**(22,564)**	**-**	**-**	**-**	**-**	**-**	**(22,564)**
Net book value on 1 January 2018	**774,794**	**5,242**	**60,345**	**34,904**	**18,000**	**14,122**	**-**	**106**	**127,477**
Additions to the perimeter - Business Combinations	18,157	-	-	-	-	-	-	140	140
Additions	-	346	40,224	14,970	-	-	-	13	55,207
Reclassifications and transfers	-	(519)	-	-	-	-	519	-	519
Withdrawals	-	(10,292)	(713)	(17,131)	-	-	-	-	(17,844)
Change of implicit interest	-	-	(621)	(195)	-	-	48	-	(768)
Additions to the perimeter - Business Combinations	-	-	-	-	-	-	-	-	-
Depreciation for the year	-	(3)	(12,011)	(12,840)	(4,350)	(807)	-	(32)	(30,040)
Reclassifications and transfers	-	519	-	-	-	-	(519)	-	(519)
Withdrawals in amortisation	-	5,051	713	12,794	-	-	-	-	13,507
Change of implicit interest	-	-	352	181	-	-	(48)	-	485
Impairment Losses	-	-	(5,347)	-	-	-	-	-	(5,347)
Cost on 31 December 2018	**792,951**	**344**	**201,445**	**139,311**	**19,450**	**16,140**	**21,340**	**526**	**398,212**
Accumulated Depreciation on 31 December 2018	**-**	**-**	**(90,592)**	**(106,628)**	**(5,800)**	**(2,825)**	**(21,340)**	**(299)**	**(227,484)**
Impairment loss on 31 December 2018	**-**	**-**	**(27,911)**	**-**	**-**	**-**	**-**	**-**	**(27,911)**
Net book value on 31 December 2018	**792,951**	**344**	**82,942**	**32,683**	**13,650**	**13,315**	**-**	**227**	**142,817**
Additions to the perimeter - Business Combinations	21,890	-	-	6,172	-	-	33,000	92	39,264
Additions	146	15	41,171	11,333	-	-	-	-	52,504
Reclassifications and transfers	-	-	-	-	-	-	-	-	-
Withdrawals	-	-	(4,938)	(4,743)	(5,800)	-	(21,340)	(266)	(37,087)
Change of implicit interest	(12)	-	4,005	1,109	-	-	-	-	5,114
Additions to the perimeter - Business Combinations	-	-	-	(5,294)	-	-	-	(1)	(5,295)
Depreciation for the year	-	(10)	(21,186)	(6,380)	-	(807)	(3,025)	(52)	(31,450)
Reclassifications and transfers	-	-	-	-	-	-	-	-	-
Withdrawals in amortisation	-	-	6,210	1,487	5,800	-	21,340	-	34,837
Change of implicit interest	-	-	(2,487)	(1,064)	-	-	-	-	(3,551)
Impairment Losses	(10,000)	-	(7,079)	(383)	-	-	-	-	(7,462)
Cost on 31 December 2019	**814,975**	**359**	**241,683**	**153,182**	**13,650**	**16,140**	**33,000**	**352**	**458,007**
Accumulated Depreciation on 31 December 2019	**-**	**(10)**	**(108,055)**	**(117,879)**	**-**	**(3,632)**	**(3,025)**	**(352)**	**(232,943)**
Impairment loss on 31 December 2019	**(10,000)**	**-**	**(34,990)**	**(383)**	**-**	**-**	**-**	**-**	**(35,373)**
Net book value on 31 December 2019	**804,975**	**349**	**98,638**	**34,920**	**13,650**	**12,508**	**29,975**	**-**	**189,691**

Key information relating to these intangible assets is given below.

10.a) Goodwill

The breakdown of the "Goodwill" account in the consolidated balance sheet, according to the cashgenerating units (CGUs) from which it arose, is as follows:

	Thousands of Euros	
CGU	**31/12/2018**	**31/12/2019**
Fully consolidated companies:		
Atradius N.V.	461,503	461,637
Plus Ultra Seguros Generales y Vida, S.A. de Seguros y Reaseguros	118,186	123,002
Bilbao, Compañía Anónima de Seguros y Reaseguros, S.A.	94,398	94,398
Nortehispana de Seguros y Reaseguros, S.A.	38,396	38,396
Seguros Catalana Occidente, S.A. de Seguros y Reaseguros	6,012	23,086
Asistea Servicios Integrales S.L.U.	40,041	40,041
Graydon Holding N.V.	30,920	20,920
Grupo Catalana Occidente Activos Inmobiliarios, S.L.	3,255	3,255
Other	240	240
Gross Total	**792,951**	**804,975**
Less: Impairment Losses	-	-
Net book value	**792,951**	**804,975**

The acquisition of Antares generated goodwill of €21,890 thousand, which was distributed to the Seguros Catalana Occidente and Plus Ultra CGU's based on the pre-tax profit they have in the health industry. This distribution increased the goodwill in Seguros Catalana Occidente by €17,074 thousand and in Plus Ultra by €4,816 thousand.

The Group, as defined by IAS 36, considers that Asistea is defined as a CGU given that it is the smallest identifiable group of assets that generates cash input independent of other cash flows arising from other assets or groups of assets. In this sense, Management controls the operations of the funeral business in a unified manner and takes the decisions to continue, sell or otherwise avail of the assets and operations of the entity. All of the information relevant to the management of the entity is generated jointly for the entire funeral business. Management approves the estimates of flows and the medium-term plans jointly without traceability for a smaller group of assets.

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 CGU. The 2019 assessment considered the entry into force of IFRS 16, which had little impact on results.

The financial projections used in the assessment exercises cover a period of 3 years and are based on business plans previously approved by the Group's directors. From the fourth year, growth is expected in accordance with the perpetual rate.

In the case of goodwill for Atradius N.V., the projection of cash flows has been made for a period of 10 years so as to allow the model to reflect a full business cycle. 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.

The discount rates, before taxes, used in the financial year 2019 for updating the cash flow projections obtained from the projection of income and expenditure carried out according to the criteria mentioned above, have been as follows:

Discount rate

CGU	31/12/2018	31/12/2019
Atradius N.V.	7.80%	7.50%
Plus Ultra	8.20%	8.40%
Seguros Bilbao	8.20%	8.40%
NorteHispana	7.90%	8.40%
Seguros Catalana Occidente	8.40%	8.40%
Asistea Servicios Integrales S.L.U.	6.90%	6.70%
Graydon Holding N.V.	6.19%	6.40%

The inputs used in the calculation of the discount rate have been the risk-free rate, the risk premium of the country or countries where the CGU develops its activity, the market risk premium and leveraged beta, in accordance with each of the CGUs being valued.

With regard to the perpetual growth rates used beyond the period covered in the financial projections, the following are the details of the CGUs:

	Perpetual growth rate	
CGU	31/12/2018	31/12/2019
Atradius N.V.	1.00%	1.00%
Plus Ultra	1.00%	1.00%
Seguros Bilbao	1.00%	1.00%
NorteHispana	1.00%	1.00%
Seguros Catalana Occidente	1.00%	1.00%
Asistea Servicios Integrales S.L.U.	2.40%	2.40%
Graydon Holding N.V.	1.40%	1.50%

The rate of growth has been substantiated, generally, in the analysis of real GDP growth in the country in which each CGU develops its business, considering both the history and the forecast estimated, except for the CGU of Asistea where, due to the specificities of the business, obtaining this rate has been based on the evolution of the CPI and the anticipated national growth in deaths. To obtain both rates, wherever possible, the discount and perpetual growth rates used in the valuation of comparable companies in business, dimension and geographic location have been compared, so that the values obtained are close on average to those used in similar companies.

To estimate the terminal value, two different methodologies have been used, depending on the business typology the CGU: for non-insurance business the terminal value has been estimated based on the formula of Gordon Saphiro, while in the case of insurance business, the methodology has been based on the formula of perpetual income of distibutable dividend, having compared this calculation methodology with other similar and generally accepted methodologies such as Gordon-Shapiro and resulting in insignificant differences.

As for the calculation of the perpetual income of the normalized distributable dividend, it is assumed that the dividend of the last year of projection increases according to the growth rate in perpetuity ("g"). With regards to the Gordon Saphiro model, the normalised flow has been calculated by adjusting the free flow of the last year projected by Management, assuming an increase of income in accordance with the perpetual growth rate and a normalised EBITDA margin in accordance with the evolution of the CHU in question.

The excess capital available over the capital required by Solvency II is positioned at 175% for Atradius N.V. and Atradius Crédito y Caución, and at 150% for the units located in Spain.

In parallel to this central valuation scenario, possible variations have been calculated in the main assumptions of the model and the CGU has been subject to a sensitivity analysis. The relative impacts on the value in use derived from this analysis are the following:

	Discount rate		Perpetual growth rate		Combined ratio		Solvency Ratio	
Insurance entity CGU	**+ 50 pb**	**- 50 bp**	**+ 50 pb**	**- 50 bp**	**+ 50 bp**	**- 50 bp**	**+ 1,000 bp**	**- 1,000 bp**
Atradius N.V.	-6.1%	7.1%	0.4%	-0.3%	-3.1%	3.1%	-5.7%	5.7%
Plus Ultra	-5.8%	6.7%	6.0%	-5.2%	-5.7%	5.7%	-4.0%	4.0%
Seguros Bilbao	-6.5%	7.5%	6.8%	-5.9%	-5.8%	5.8%	-4.7%	4.7%
NorteHispana	-6.5%	7.4%	6.7%	-5.8%	-2.6%	2.6%	-9.4%	9.4%
Seguros Catalana Occidente	-6.2%	7.1%	6.4%	-5.6%	-2.0%	2.0%	0.0%	0.0%

	Discount rate		Perpetual growth rate		EBIDTA	
Non-insurance CGUs	**+ 50 bp**	**- 50 bp**	**+ 50 bp**	**- 50 bp**	**+ 50 bp**	**- 50 bp**
Asistea Servicios Integrales S.L.U.	-8.9%	11.2%	10.5%	-8.3%	2.5%	-2.5%
Graydon Holding N.V.	-7.5%	9.2%	7.2%	-5.9%	12.0%	-12.0%

At 31 December 2019, using the result of the test, the Group recognised an impairment loss of €10,000 thousand in respect of the goodwill of Graydon.

For the rest of the CGU's, 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.

Likewise, no sensitivity analysis mentioned above would imply that the book value of the units would exceeds the recoverable amount, with the exception of Graydon.

In 2018, no impairment losses affecting goodwill were recorded.

10.b) Other intangible assets

10.b.1) IT applications

These intangible assets have a defined useful life, in accordance with their nature, and their amortisation as set criteria have been 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 €297,141 thousand, with accumulated amortisation of €188,962 thousand.

In the last financial year, the Group recorded impairment losses on internally generated software, from Atradius N.V., amounting to €7,079 thousand. This software had been developed by the Group and have deteriorated, following the criteria mentioned under applicable rules (see Note 3.e.3).

10.b.2) Brand

On 19 June 2015, and derived from the acquisition of Plus Ultra, the Group incorporated the value of the brand "Plus Ultra" in the balance sheet at fair value. The fair value was determined through the "royalty" method, with the method of internal profitability rate for a hypothetical licensee, determining the "royalty" fee from comparables belonging to the insurance industry, and with a cash-flow attributable to the brand for a period of 5 years and a terminal value of the same. In the process of valuation, an indefinite useful life was established for the brand Plus Ultra.

The "Plus Ultra" brand, in the same way as the other intangible assets with an indefinite useful life, is not amortised on a systematic basis, according to the applicable accounting regulations, and instead is submitted, at least once a year, to an impairment test and, where appropriate, to register the corresponding valuation correction.

The financial projections used in the assessment exercises cover a period of 3 years and are based on business plans previously approved by Management. For determination of the terminal value, the Gordon Shapiro approach was used, which estimates the terminal value as the current value of a perpetual growing income. A perpetual growth rate of 1% has been considered, based on reports by financial analysts who follow both GCO and comparable companies.

The discount rate applied in the valuation of the distribution contracts was 8.4% (8.2% in the previous year) corresponding to the cost of equity As it is an intangible asset, and therefore has greater uncertainty than the business as a whole, a premium of intangibility has been used for the cost of own resources of 1%.

Possible variations have been calculated in the main assumptions of the model and said brand has been subject to a sensitivity analysis. The relative impacts on the value in use derived from this analysis are the following:

	Discount rate		Perpetual growth rate	
	+ 50 bp	**- 50 bp**	**+ 50 bp**	**- 50 bp**
Plus Ultra Brand	-5.8%	6.6%	5.4%	-4.8%

On 31 December 2019, no sensitivity analysis mentioned above would imply that the book value of the units would exceeds the recoverable amount.

On 15 September 2016, and derived from the acquisition of Graydon, N.V., the Group incorporated the value of the brand "Graydon" in the balance sheet at fair value. The fair value was determined through the “royalty” method, with the method of internal profitability rate for a hypothetical licensee, determining the "royalty” fee from comparables, and with a cash-flow attributable to the brand for a period of 5 years. During the year 2018, the Group has amortised the total value that was pending amortisation for this asset.

10.b.3) Distribution network

As part of the process of allocating the acquisition cost of Plus Ultra, the Group incorporated an intangible asset to its balance sheet during the year 2015, at fair value, corresponding to the network of intermediaries of "Plus Ultra". Said fair value was determined based on the "Method of Multi-period excess profits" based on the excess profit from the contributory assets required for the operation of the business.

The estimated useful lives for the intermediarys' network was established as between fifteen and twenty years according to the typology of intermediaries and according to their experience over time. This is the rate which is used to proceed with linear amortisation of this asset.

10.b.4) Portfolio policies

As part of the process of allocating the cost of acquisition of Plus Ultra, the Group incorporated an intangible asset for the fair value of the policyholder portfolio from Plus Ultra, which has been derecognised this year as it has been fully amortised.

In addition, in the Antares business combination, the Group included an intangible asset amounting to €33,000 thousand for the fair value of the collaboration contract with Telefónica (see Note 5-a). This fair value has been determined using the Multi-period Excess Earnings Method, with the support of an independent expert, assigning a useful life of ten years, as established in the acquisition contract.

The Group has no further commitments to those recorded in its consolidated financial statements for the acquisition of intangible assets. At 2019 year end, all intangible assets of the Group are directly affected by the operation.

11. Tax position

11.a) Tax consolidation regime

From the year 2002, part of the companies included in the trade consolidation perimeter with corporate address in Spain pay taxes, for the purposes of corporation tax, in accordance with the special regime of tax consolidation anticipated by Chapter VI of Title VII of the Act 27/2014, of 27 November, on Corporation Tax (hereinafter “LIS”) applicable in common territory.

In 2019, the tax consolidation group number 173/01 consists of the company Grupo Catalana Occidente, S.A. (as parent company) and the following 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) Atradius Participations Holding, S.L., Sociedad Unipersonal; (v) Catalana Occidente Capital, Agencia de Valores, S.A.; (vi) Cosalud Servicios, S.A.; (vii) Funeraria Merino Díez, S.L.; (viii) Funeraria Nuestra Señora de los Remedios, S.L.; (ix) GCO Gestora de Pensiones, EGFP, S.A.; (x) GCO Reaseguros, S.A.; (xi) Grupo Catalana Occidente Activos Inmobiliarios, S.L.U.; (xii) Grupo Catalana Occidente Gestión de Activos, S.A. S.G.I.I.C.; (xiii) Iberinform Internacional, S.A.; (xiv) Iberinmobiliaria, S.A.; (xv) Invercyca, S.A.; (xvi) Nortehispana, de Seguros y Reaseguros, S.A.; (xvii) Nortehispana Mediación Agencia de Seguros, S.A.U.; (xviii) Plus Ultra, Seguros Generales y Vida, S.A. de Seguros y Reaseguros; (xix) Seguros Catalana Occidente, S.A. de Seguros y Reaseguros; (xx); Sociedad Gestión Catalana Occidente, S.A. and (xxi) Tecniseguros, Sociedad de Agencia de Seguros, S.A.

From 2016, the tax base that, according to the tax legislation, has been obtained by this tax consolidation group is subject to a tax rate of 25% (28% in 2015 and 30% in the other years that have not expired).

On the other hand, the company Bilbao Compañía Anónima de Seguros y Reaseguros, S.A. Is the representative of the tax consolidation group number 0497B which is subject to the tax regulations in the territory of Vizcaya and whose subsidiaries in 2019 are: (i) Asistea Servicios Integrales S.L.U. (Formerly called 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) Mediagen, S.L.U.; (viii) Previsora Bilbaína, Agencia de Seguros, S.A. ("Previsora Agencia"); and (ix) S. Órbita Sociedad Agencia de Seguros, S.A.The tax base which, in accordance with local tax legislation, has been obtained by this tax consolidation group is subject to a tax rate of 24% (26% in 2018 and 28% from the other years subject to time-barred limitations).

The other companies with tax domicile in Spain that form part of the trade consolidation perimeter are subject to the general tax rates established in the regulations applicable in common territory or local territory, as appropriate. As an exception, Catoc, SICAV S.A. and Hercasol, S.A. SICAV are subject to a tax rate of 1% as they are investment companies with variable capital that comply with the requirements of Chapter V of Title VII of the LIS.

Atradius N.V., its subsidiaries and branches that are located outside Spanish territory apply the various tax regimes in force in the various countries in which they reside or are established, with the effective tax rate being 27.21% for the year 2019.

From the year 2014, part of the companies included in the trade consolidation perimeter with tax address in common territory pay taxes, for the purposes of Value Added Tax, in conformance with the Special Regime for the Group of Entities anticipated by Chapter IX of the Title IX of Act 37/1992 on Value Added Tax.

In 2019, the group of entities VAT number 002/14 (hereinafter, VAT Tax Group) is formed by Grupo Catalana Occidente, S.A. (as parent company) and 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, Seguros 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.

11.b) Current Assets and Liabilities

Current tax assets and liabilities at 31 December 2019 and 2018 include the following items:

	Thousands of Euros	
	31/12/2018	**31/12/2019**
Current tax assets:		
Public Treasury debtor for:		
• Debtor balance Liquidation Consolidated tax group parent company	17,232	30,007
• Other debtor balances of other tax groups or individual companies	63,725	75,158
Total current tax assets	**80,957**	**105,165**
Current tax liabilities:		
Public Treasury creditor for:		
• Corporate tax litigation	-	10,216
• Other creditor balances of other tax groups or individual companies	69,683	56,294
Total current tax liabilities	**69,683**	**66,510**

Current tax assets and liabilities consist of tax assets and liabilities that are expected to be offset against the Group's corporation tax liability when the tax return is filed.

At 31 December 2019, pursuant to IFRIC 23, €10,216 thousand were recognised under current tax liabilities to reflect the contingencies arising from litigation with the tax authorities in relation to corporate income tax.

11.c) Deferred tax assets and liabilities

In addition, at 31 December 2019 the Group had anticipated and deferred tax assets totalling €226,264 thousand and €488,437 thousand respectively, recognised under "Deferred tax assets" and "Deferred tax liabilities".

At 31 December 2018 the deferred tax assets and liabilities amounted to €96,516 thousand and €280,924 thousand, respectively.

The origins of the deferred tax assets and liabilities available to the Group at 31 December 2019 and 2018, are as follows:

	Thousands of Euros	
Deferred taxes debtors with origin in:	**31/12/2018**	**31/12/2019**
Tax losses passed on	13,348	10,059
Tax adjustments in technical provisions	73,953	89,517
Tax goodwill	5,265	3,234
Provisions for insolvencies	3,999	4,068
Expense from outsourcing of pensions	26,987	41,223
Accelerated depreciation balance sheet update	144	101
Provision for invoices pending collection	2,343	2,095
Adjustments for valuation of financial investments	-	107,632
Other deferred tax debtors	11,485	26,119
TOTAL	137,524	284,048
Balance compensation (*)	(41,008)	(57,784)
TOTAL	**96,516**	**226,264**

(*) This offsetting complies with the criteria for offsetting deferred tax assets and liabilities established by IAS 12.

Deferred taxes creditors with origin in:	Thousands of Euros 31/12/2018	31/12/2019
Adjustments for valuation of financial investments	159,330	366,322
Stabilisation reserve	125,990	114,859
Tax adjustments in technical provisions	-	-
Corporate tax litigation	-	3,720
Other deferred tax creditors	36,612	61,320
TOTAL	321,932	546,221
Balance compensation (*)	(41,008)	(57,784)
TOTAL	**280,924**	**488,437**

(*) This offsetting complies with the criteria for offsetting deferred tax assets and liabilities established by IAS 12.

In 2019, the tax charges arising from the measurement of financial investments were recognised separately under "Deferred Tax Assets" and "Deferred Tax Liabilities", depending on whether they were capital losses or gains, respectively.

At 31 December 2019, pursuant to IFRIC 23, €3,720 thousand were recognised under deferred tax liabilities to reflect the contingencies arising from litigation with the tax authorities in relation to corporate income tax.

The Group does not have, on 31 December 2019, losses or tax credits of a significant amount for which deferred tax assets have been recognised on the balance sheet.

11.d) Reconciliation of accounting result and tax base

The reconciliation between the accounting result and tax base for Corporate Tax is as follows:

	Year 2019 in thousands of euros				
	Profit and loss account		**Income and expenses directly attributed to net equity**		**Total**
Balance of income and expenditure for the year	424,530		347,381		771,911
Company income tax	131,669		95,416		227,085
	A	D	A	D	
Permanent differences	15,938	(400,649)	-	-	**(384,711)**
Temporary differences	39,098	(30,580)	176,806	(619,603)	**(434,279)**
Compensation for negative tax bases from previous years	-		-		-
Tax base	**180,006**		**-**		**180,006**

	Year 2018 in thousands of euros				
	Profit and loss account		**Income and expenses directly attributed to net equity**		**Total**
Balance of income and expenditure for the year	386,422		(141,474)		244,948
Company income tax	136,352		(49,146)		87,206
	A	D	A	D	
Permanent differences	21,137	(332,716)	-	-	**(311,579)**
Temporary differences	38,304	(37,694)	206,848	(16,228)	**191,230**
Compensation for negative tax bases from previous years	-		-		-

Tax base	**211,805**	**-**	**211,805**

11.e) Reconciliation of accounting result and expense of income tax over profits

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 2019 and 2018 is shown below:

	Thousands of Euros	
	Year 2018	**Year 2019**
Result before tax	**522,774**	**556,199**
Non-tax consolidation adjustments	321,529	384,501
Adjustments for permanent differences	(311,579)	(383,462)
Integrated tax base	532,724	557,238
25% of adjusted pre-tax profit	133,181	139,310
Tax effect by tax rates other than 25%	199	(6,631)
Market share resulting from applying the tax rate of each country	133,380	132,679
Deductions from the quota	(1,219)	1,498
Compensation for negative tax bases	-	-
Current tax expense with origin in previous years	4,191	(2,508)
Expense of income tax registered with offsetting in the income statement	**136,352**	**131,669**

Double taxation deductions have not been considered in the previous table as they are mostly from dividends charged from subsidiaries eliminated in the consolidation process.

11.f) Years open for review by the tax authorities

According to current legislation in Spain, tax returns cannot be deemed definitive until they have been inspected by the tax authorities or, as the case may be, the statute of limitations period has elapsed (currently, and in general, four years from the day after the end of the regulatory deadline established for filing the corresponding declaration or self-assessment).

The Tax consolidation group, whose parent company is Grupo Catalana Occidente, S.A., has open to inspection the Corporation Tax from the year 2012 because, adopting criteria of maximum prudence, the Group proceeded to submit a supplementary declaration with regards to the years not expired in July 2017 (i.e., the years 2012 to 2015), considering that, on the basis of the judgement of the Supreme Court dated 4 April 2017, the provision of outstanding benefits or gross payment of reinsurance is subject to the tax limit established in Additional Provision 6 of the ROSSEAR.

The foregoing shall be interpreted without prejudice to Article 66.bis of Act 58/2003, of 17 December, General Tax, which establishes the right in favour of the Administration to start the procedure for checking: (i) the bases or fees offset or pending offset or deductions applied or pending application, will expire after 10 years from the day after the end of the regulatory deadline established for filing the declaration or self-assessment corresponding to the tax year or period in which the right to offset said bases or quotas or to implement said deductions was generated; and (ii) to investigate the facts, acts, elements, activities, operations, businesses, values and other determining factors of the tax obligation in order to verify correct compliance with the applicable regulations.

On 31 December 2019, Grupo Catalana Occidente and the tax consolidation group have the following years open for inspection:

Taxes	**Years**

Corporate tax	2012-2018 (*)
Value Added Tax	December 2015-November 2019 (**)
Withholdings from Income Tax and Corporation Tax	December 2015-November 2019 (**)
Tax on insurance premiums	December 2015-November 2019 (**)
Others	2016-2019
Local Taxes	2016-2019

(*) The Corporate Income Tax for the year 2019 is pending presentation, with the maximum date for submission being 25 July 2020.
(**) In accordance with a judgement by the Supreme Court, which defends a thesis which is in principle already overcome, the year 2015 expires on 30 January 2020, after the completion of the deadline for submission of annual summaries for that financial year.

In general, the rest of the group companies have the years determined by applicable tax law open for review by the tax inspection authorities for the main applicable taxes.

On 2 January 2019, Plus Ultra and Grupo Catalana Occidente received communication of the start of proceedings for audit and investigation of a partial character. In particular, the inspection is designed to check the tax deductible financial goodwill regarding the Corporate Tax of Plus Ultra (years 2014 and 2015) and the individual corporation tax of the same, (years 2016 and 2017).

In this sense, in the past, the Tax Authority already inspected this same concept and, at the opening of 2019, Plus Ultra has opened a number of contentious-administrative proceedings against the records of inspection: (i) in relation to the goodwill deducted in 2005 to 2010, the Company had filed a contentious-administrative appeal with the Spanish National Appellate Court ("AN") against the decision of the Central Economic Administrative Tribunal ("TEAC") of 13 January 2016, amounting to €4,021 thousand; and (ii) in relation to the goodwill deducted in 2011 to 2013, the Company is awaiting a ruling from the TEAC, which amounts to €2,022 thousand.

On 19 December 2019, the NA issued a judgement, the content of which was known to Plus Ultra on 27 January 2020 and which, at the close of the 2019 financial year, had not yet become final. In that judgement, the National Assembly upheld the Company's claims, confirming that the total amount of goodwill for accounting purposes is tax deductible for the purposes of determining the taxable income for income tax purposes for 2007, 2008, 2009 and 2010.

As a result of the foregoing, the Group has recognised a provision of €11,419 thousand under "Tax Liabilities" in the consolidated balance sheet, relating to the risk associated with this contingency from 2007 to the present day.

On the other hand, 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 the LIS and Article 110 of Vizcaya Regulation 11/2013, of 5 December, on corporate income tax ("NFIS"), the following is stated:

— In 1996, and 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.

— On 2 October 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 par value each, resulting in a total accounting value of €17,941 thousand. 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 2 October 2001, No. 4,311 of his protocol.

- On 22 March 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 first, and by 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 21 May 2015, the sole shareholder of Seguros Catalana Occidente, S.A. de Seguros y Reaseguros, Single Shareholder Company (the "Acquiring Company"), the sole shareholder of Catoc Vida, S.A. Single Shareholder Company and Cosalud, S.A. de Seguros, Single Shareholder Company (the "Acquired Companies") approved the merger by absorption of the Acquired Companies by the Acquiring Company through the block transmission of the equity being acquired, by universal succession, for all assets, liabilities, rights and obligations and relationships of all types of the Acquired Companies and dissolution without liquidation, a circumstance that will lead to the extinction of the same. The operations of the Acquired Companies are considered complete, for accounting purposes, by the Acquiring Company, from the date of 1 January 2015, the date of beginning of the year when the merger is approved. The merger operation is taxed under the special regime regulated in Chapter VII of Title VII of the LIS.

- On 2 February 2016, the sole shareholders of Compañía Española de Seguros y Reaseguros de Crédito y Caución, S.A.U. (the "Acquiring Company") and Atradius Credit Insurance NV (the “Acquired Company”) approved the merger by absorption of the Acquired Company by the Acquiring Company through the block transmission of the equity being acquired, by universal succession, for all assets, liabilities, rights and obligations and relationships of all types of the Acquired Companies and dissolution without liquidation, a circumstance that will lead to the extinction of the same (see note 5.b). The operations of the Acquired Companies are considered complete, for accounting purposes, by the Acquiring Company, from the date of 01 January 2016, the date of beginning of the year when the merger is approved. The merger operation is taxed under the special regime regulated in Chapter VII of Title VII of the LIS.

- On 13 September 2017, Salerno 94, S.A.U. (the "acquiring company") absorbed Sociedad Gestión Catalana Occidente, S.A.U. (the "acquired company") in order to eliminate or at least reduce, the administrative and management costs implied by maintaining companies engaged in the same activity within the Group. On the other hand, the acquiring company took over the corporate name of acquired company (Sociedad Gestión Catalana Occidente, S.A.U.). Said merger operation was subject to the tax neutrality regime established in Chapter VII of Title VII of the LIS, for which purpose, and in accordance with said Act, the mandatory communication to the Tax Administration was made. In compliance with the reporting obligations set out in article 86 of the Act on Corporation Tax, Sociedad Gestión Catalana Occidente, S.A.U. noted in the individual Annual Accounts Report corresponding to financial year 2017 that: (i) it did not include any asset in its accounting books for a value other than that stated in those of the Acquired Company prior to the transaction; and (ii) the acquired company did not transfer any tax benefit.

- On 30 November 2018, Grupo Catalana Occidente Activos Inmobiliarios, S.L. (hereinafter, the "acquiring company") acquired Legion Empresarial, S.L.U. (Hereinafter, the “acquired company") in order to eliminate or at least reduce, the administrative and management costs implied by maintaining companies engaged in the same activity within the Group. The operations of the Acquired Company were considered to be completed, for accounting purposes, by the acquiring company, from the date of 25 July 2018, the date on which the acquiring company acquired control of the acquired company, under the deed of sale of 100% of the shares of the absorbed company, granted on that date. Said merger operation was subject to the tax neutrality regime established in Chapter VII of Title VII of the LIS, for which purpose, and in accordance with said Act, the mandatory communication to the Tax Administration was made. Grupo Catalana Occidente Activos Inmobiliarios, S.L. recorded, in their individual Annual Accounts report corresponding to the financial year 2018, the elements which are obligatory under article 86 of the LIS.

- On 7 December 2018, Nortehispana, de Seguros y Reaseguros, S.A. (Hereinafter, the “Acquiring Company”) acquired PB Cemer 2002, S.L.U., Previsora Bilbaína Seguros, S.A.U. and Previsora Bilbaína Vida Seguros, S.A.U. (Hereinafter, the “Acquired Companies”) in order to eliminate or at least reduce, the administrative and management costs implied by maintaining companies engaged in the same activity within the Group. The aforementioned merger operation was subject to the tax neutrality regime established in Chapter VII of Title VII of the LIS and Chapter VII of Title VI of the NFIS, for which, and in accordance with said regulations, the mandatory notification to the competent Tax Administrations was made. Nortehispana de Seguros y Reaseguros, S.A. recorded, in their individual Annual Accounts report corresponding to the financial year 2018, the elements which are obligatory under article 86 of the LIS and in article 110 of the NFIS.

- On 29 July 2019, the merger deed was granted, by virtue of which Previsora Bilbaína, Agencia de Seguros, S.A. (the "Acquiring Company") absorbed the company Previsora Inversiones, S.A.U. (hereinafter the "Acquiring Company") in order to eliminate or at least reduce the administrative and management costs involved in keeping companies engaged in activities ancillary to insurance in the same province. The abovementioned merger operation was carried out under the tax neutrality regime laid down in Chapter VII of Title VI of the NFIS, for which purpose the mandatory notification to the Provincial Council of Biscay was made in accordance with those rules. Previsora Bilbaína, Agencia de Seguros, S.A. disclosed in the notes to its individual financial statements for 2019 the disclosures required by Article 110 of the NFIS.

- On 25 September 2019, Funeraria Nuestra Señora de los Remedios, S.L. (the "Acquiring Company") absorbed Mantenimiento Valdegovia, S.L.U., Servicios Funerarios Cisneros, S.L.U. and Tanatorio Norte Madrid, S.L.U. (Hereinafter, the “acquired companies") in order to eliminate or at least reduce, the administrative and management costs implied by maintaining companies engaged in the same activity within the Group. Said merger operation was subject to the tax neutrality regime established in Chapter VII of Title VII of the LIS, for which purpose, and in accordance with said Act, the mandatory communication to the Tax Administration was made. Funeraria Nuestra Señora de los Remedios, S.L. included in the Notes to the individual financial statements corresponding to the 2019 financial year the mentions provided for in article 86 of the LIS.

- On 12 December 2019, Plus Ultra, Seguros Generales y Vida, S.A. de Seguros y Reaseguros ("the Acquiring Company") absorbed Seguros de Vida y Pensiones Antares, S.A. ("the Acquired Company") in order to eliminate, or at least reduce, the administrative and management costs of maintaining companies engaged in the same activity in the Group. Said merger operation was subject to the tax neutrality regime established in Chapter VII of Title VII of the LIS, for which purpose, and in accordance with said Act, the mandatory communication to the Tax Administration was made. Plus Ultra, Seguros Generales y Vida, S.A. de Seguros y Reaseguros included in the Notes to its individual financial statements for 2019 the disclosures required by article 86 of the LIS.

12. Other assets

The details of the items that make up this heading of the consolidated balance sheet at 31 December 2019 and 2018 broken down by nature, are as follows (in thousands of euros):

	Thousands of Euros	
Other assets	**31/12/2018**	**31/12/2019**
Assets Derived from pension liabilities (see Note 15)	**38,440**	**53,393**

Accruals	**505,593**	**525,016**
Premiums accrued and not emitted, net of commissions and assignments	236,855	247,435
Other acquisition costs and commissions	230,941	239,141
Prepayment	18,948	16,590
Other accruals	18,849	21,850
Other assets	**373**	**336**
TOTAL	**544,406**	**578,745**

The assets arising from pension commitments correspond to the surplus of pension plans from the subsidiaries of Atradius NV.

As for the premiums earned and not issued, they correspond to the provisional premiums estimated at the close, derived mainly from the credit and surety branch.

13. Debits and payables

The details of financial liabilities at 31 December 2019 and 2018 broken down by nature, are as follows (in thousands of euros):

	Debits and payables	
	Thousands of Euros	
Financial liabilities	**31/12/2018**	**31/12/2019**
Subordinated liabilities	**200,439**	**200,545**
Other debts	**670,198**	**754,162**
Liabilities from insurance and coinsurance operations	119,363	111,872
Deposits received on buying reinsurance	52,753	52,906
Liabilities from reinsurance operations	114,684	83,197
Debts with credit entities	2,012	-
Other debts	381,386	506,187
TOTAL	**870,637**	**954,707**

13.a) Subordinated liabilities

The subordinated liabilities include the subordinate emissions made by Atradius Finance B.V. and Atradius Reinsurance DAC, subsidiaries of Atradius N.V.

On 23 September 2014, Atradius Finance B.V. issued subordinated bonds for a nominal aggregate amount of €250,000 thousand 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.

On the date of issue, Plus Ultra issued €40,000 thousand for 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. In addition, during the year 2017, Seguros Catalana Occidente and Seguros Bilbao issued 2,000 and 1,000 thousand euros of nominal value, respectively. These operations have been eliminated in the consolidation process.

On 20 April 2016, Atradius Reinsurance DAC received a subordinated loan, mainly from the subsidiaries of the Group, for the nominal amount of €75,000 thousand with a maturity of 10 years, which would be repurchased from the fifth year, on an annual basis. The loan has a fixed interest rate of 5.0% payable annually by instalments until the maturity date.

The lenders in the group are Seguros Bilbao, Seguros Catalana Occidente and Nortehispana, having granted €40,000 thousand, €23,000 thousand and €6,000 thousand, respectively, for the above-mentioned subordinated loan, which have been eliminated in consolidation.

On 31 December 2019, the Group estimates the fair value of 100% of the subordinated liabilities at €370,278 thousand, based on binding quotations from independent experts, which correspond to Level 2 in the hierarchy of fair value established in *IFRS 13 Assessment of the fair value*. During the year 2019, interests of subordinated liabilities have been paid for an amount of €16,875 thousand.

13.b) Other payables

A breakdown of the payables arising out of insurance, reinsurance and coinsurance contracts, together with other payables, at 31 December 2019 and 2018, is given below:

	Thousands of Euros	
	31/12/2018	**31/12/2019**
Liabilities from direct insurance and coinsurance operations	**119,363**	**111,872**
• With insured parties and co-insurers	38,231	37,830
• With intermediaries	40,064	46,207
• Conditional debts	41,068	27,835
Deposits received on buying reinsurance	**52,753**	**52,906**
Liabilities from reinsurance operations	**114,684**	**83,197**
Debts with credit entities	**2,012**	**-**
Rest of other debts	**381,386**	**506,187**
TOTAL	**670,198**	**754,162**

“Rest of Other payables” includes the following items at 31 December 2019 and 2018:

Other liabilities:	Thousands of Euros	
	31/12/2018	31/12/2019
Tax and social debts	**41,300**	**53,782**
Public Treasury creditor for other concepts (withholdings, VAT...)	16,868	25,354
Surcharges on insurance premiums	13,247	16,131
Social security agencies	11,185	12,297
Rest of debts	**340,086**	**452,405**
Collections pending assignment	23,585	23,417
Bonds received	5,825	6,979
Research and Development project loan	4,604	3,269
Leasehold liabilities	-	129,483
Accrued Expenses	203,892	210,374
Invoices pending payment	25,346	20,828
Sundry creditors	76,834	58,055
TOTAL	**381,386**	**506,187**

The breakdown by maturity of the 'Rental liabilities' recorded at year-end is as follows:

Leasehold liabilities	Thousands of Euros	
	31/12/2018	31/12/2019
Less than 1 year	-	27,443
More than one year but less than five	-	66,055
Over five years	-	44,142
Total (*)	**-**	**137,640**

(*) Does not include the effect of the financial discount.

The following items are included under the section 'accrued expenses by item' at 31 December 2019 and 2018:

Accrued expenses by concept	Thousands of Euros	
	31/12/2018	31/12/2019
Personnel expenses	68,150	72,693
Production expenses	30,916	30,921
External services and supplies	17,040	15,338
Other items	87,786	91,422
Total	**203,892**	**210,374**

14. Technical Provisions

14. a) Change in technical provisions

A breakdown of the provisions established at 31 December 2019 and the change with respect to 31 December 2018, together with reinsurers' share of these provisions, is given below (in thousands of euros):

Provision	Balance on 1 January 2019	Additions to the scope of consolidation (***)	Change in profit and loss account (*)	Change in exchange rate	Consolidation adjustments	Balances on 31 December 2019
Technical Provisions:						
Unearned premiums	1,296,520	74,875	(21,420)	4,819	(65)	1,354,729
Provision for unexpired risks	6,022	-	(1,926)	-	2	4,098
Life insurance:						
- Provision for unearned premiums.	26,031	35,094	(33,588)	-	-	27,537
- Mathematical provision	5,181,207	562,006	91,606	-	5,048	5,839,867
- For life insurance where the risk is borne by policyholders	362,106	141,951	71,087	-	-	575,144
Provisions	2,633,399	24,905	57,170	10,018	(**) (3,769)	2,729,261
Provision for policyholder dividends and return premiums	5,179	28,171	(5,995)	-	4,428	31,783
Other technical provisions	57,236	18,997	13,110	-	335	89,678
	9,567,700	**885,999**	**170,044**	**14,837**	**13,517**	**10,652,097**
Reinsurer's share of technical provisions (transferred):						
Provision for unearned premiums.	190,300	587	8,829	(578)	1,091	200,229
Life insurance provision:						
- Provision for unearned premiums.	1,983	5,861	(6,061)	-	-	1,783
- Mathematical provision	-	-	-	-	-	-
Claims provision	645,093	2,866	17,700	(2,574)	8,896	671,981
Other technical provisions	-	373	-	-	(19)	354
	837,376	**9,687**	**20,468**	**(3,152)**	**9,968**	**874,347**

(*) See change in profit and loss account in Note 18.

(**) The most relevant adjustment corresponds to the activation of collections in the credit business. In the calculation of the impact on the profit and loss account, these collections are counted within the change of the technical provision of benefits. For the purposes of inclusion on the balance sheet, collections are presented separately from the technical provision of benefits.

(***) Antares Integration

The movements in these provisions in 2018 were as follows (in thousands of euros):

Provision	Balance on 1 January 2018	Change in profit and loss account (*)	Change in exchange rate	Consolidation adjustments	Balances on 31 December 2018
Technical Provisions:					
Unearned premiums	1,262,816	33,317	2,640	(2,253)	1,296,520
Provision for unexpired risks	5,361	662	-	(1)	6,022
Life insurance:					
- Provision for unearned premiums.	25,495	536	-	-	26,031
- Mathematical provision	5,116,785	56,494	-	7,928	5,181,207
- For life insurance where the risk is borne by policyholders	356,833	5,273	-	-	362,106
Provisions	2,600,591	68,154	(3,297)	(**) (32,049)	2,633,399
Provision for policyholder dividends and return premiums	5,933	(755)	-	1	5,179
Other technical provisions	51,369	7,334	-	(1,467)	57,236
	9,425,183	**171,015**	**(657)**	**(27,841)**	**9,567,700**
Reinsurer's share of technical provisions (transferred):					
Provision for unearned premiums.	190,237	1,892	(268)	(1,561)	190,300
Life insurance provision:					
- Provision for unearned premiums.	1,904	(119)	-	198	1,983
- Mathematical provision	9	-	-	(9)	-
Claims provision	648,912	8,003	449	(12,271)	645,093
Other technical provisions	1,466	-	-	(1,466)	-
	842,528	**9,776**	**181**	**(15,109)**	**837,376**

(*) See change in profit and loss account in Note 18.

(**) The most relevant adjustment corresponds to the activation of collections in the credit business. In the calculation of the impact on the profit and loss account, these collections are counted within the change of the technical provision of benefits. For the purposes of inclusion on the balance sheet, collections are presented separately from the technical provision of benefits.

On 20 December 2019 the DGSFP published a note, in accordance with the provisions of Article 17.3 of Act 20/2015 of 14 July on the organisation, supervision and solvency of insurance and reinsurance companies, on the consideration at the end of the 2019 financial year of the process of reviewing certain biometric tables.

The revision of the biometric tables is intended to ensure that the technical provisions accumulated by insurance companies are sufficient to meet their obligations.

On this basis, at 31 December 2019 the Group has chosen to use the first-order biometric tables provided by the DGSFP, assuming the recognition during the 2019 financial year of an additional allocation to the mathematical provision amounting to €13,325 thousand, the amount of which has been recorded under the heading 'Change in other technical provisions, net of reinsurance' in the consolidated income statement.

For this purpose, the technical surcharges applied are those published by the DGSFP in the first order tables.

The non-life technical provisions, by their very nature and calculation methodology, are not impacted by the discount rate. In addition, during the year there have been no changes in the calculation methodology for these technical provisions.

The interest rate used for the financial-actuarial discount of the provisions of the life business is credited daily to the liabilities of the insurance entities. In this regard, in 2019 and 2018, for the entire life business of the Group, the amount of interest applied to the liabilities amounted to 191,780 and 116,176 thousand euros respectively (see Note 18.b for breakdown and distribution of the rates applied). In addition, the discount rate applied for the calculation of technical provisions for the life business has not changed with regards to the previous annuity, except in a portfolio of policies of little significance.

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 31 December 2019 includes €613 thousand 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 31 December 2018 amounts to €740 thousand.

In addition, for certain commitments acquired prior to 1 January 1999, at 31 December 2019 the Group maintains a provision of €18,248 thousand, 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 3 October 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 2019 was 67,855 thousand euro.

A breakdown of the technical provisions for direct insurance and inward reinsurance at 31 December 2019 d`pending on the different segments is given below:

	Thousands of Euros					
	Traditional Business Segment					
Provision on 31 December 2019	**Motor**	**Multi-risk**	**Other miscellaneous insurance**	**Life**	**Credit Insurance Business Segment**	**Total**
Technical Provisions:						
Unearned premiums and unexpired risks reserves	319,853	319,357	147,053	27,537	572,564	**1,386,364**
Mathematics	-	-	-	5,839,867	-	**5,839,867**
Where risk is borne by policyholders	-	-	-	575,144	-	**575,144**
Provisions	504,178	218,316	298,238	148,408	1,560,121	**2,729,261**
Provision for policyholder dividends and return premiums	-	-	5,617	26,166	-	**31,783**
Other technical provisions	-	-	89,546	132	-	**89,678**
	824,031	**537,673**	**540,454**	**6,617,254**	**2,132,685**	**10,652,097**

Technical provisions for the direct and reinsurance business accepted for the year 2018 are detailed as follows:

Provision on 31 December 2018	Thousands of Euros					
	Traditional Business Segment				Credit Insurance Business Segment	Total
	Motor	Multi-risk	Other miscellaneous insurance	Life		
Technical Provisions:						
Unearned premiums and unexpired risks reserves	317,599	313,038	142,905	26,031	529,000	**1,328,573**
Mathematics	-	-	-	5,181,207	-	**5,181,207**
Where risk is borne by policyholders	-	-	-	362,106	-	**362,106**
Provisions	492,530	212,104	289,727	137,419	1,501,619	**2,633,399**
Provision for policyholder dividends and return premiums	-	-	-	5,179	-	**5,179**
Other technical provisions	-	-	57,236	-	-	**57,236**
	810,129	**525,142**	**489,868**	**5,711,942**	**2,030,619**	**9,567,700**

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 €301,393 thousand as of 31 December 2019 (€154,588 thousand as of 31 December 2018).

The amount of the provision for deferred policyholder dividends at 31 December 2019 represents an overall allocation of 32.9% (27.0% on 31 December 2018) of the total unrealised gains on investments linked to life insurance contracts with policyholder participation rights.

The effect of reinsurance granted in the profit and loss account for years 2019 and 2018 has been as follows:

	Thousands of Euros	
	Year 2018	Year 2019
Premiums attributed to transferred reinsurance		
– Premiums transferred	770,417	801,250
– change provision for unearned premiums	(1,773)	(2,768)
Commissions (*)	(298,973)	(338,827)
Cost of the transfer	**469,671**	**459,655**
Reinsurance claims (*)	(323,872)	(437,745)
Total cost of reinsurance	**145,799**	**21,910**

(*) Reinsurance commissions and claims are presented in the profit and loss account netting the "Net operating expenses" and "Year claims net of reinsurance" sublines.

14. b) Changes in claims provisions

Below is the performance in the lines of Motor, Multirisk and Other Non-Life and Miscellaneous Multi-Peril 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 coverage end.

The Credit and Bond segment uses 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.

	MOTOR					MULTI-RISK				
	Claims occurred in the year 2014	Claims occurred in the year 2015	Claims occurred in the year 2016	Claims occurred in the year 2017	Claims occurred in the year 2018	Claims occurred in the year 2014	Claims occurred in the year 2015	Claims occurred in the year 2016	Claims occurred in the year 2017	Claims occurred in the year 2018
Claims provision Originally estimated (*)	186,626	190,581	222,400	217,643	228,070	83,713	108,372	80,896	72,894	79,670
Estimated claims assessment:										
One year later	169,468	176,217	213,280	204,679	213,902	84,172	104,647	84,532	73,695	83,367
Two years later	156,825	168,974	197,823	192,072		84,768	104,138	82,102	73,142	
Three years later	152,491	165,481	189,971			83,089	99,116	79,816		
Four years later	151,323	162,417				80,409	98,860			
Five years later	150,128					79,449				
Cumulative amounts paid:	142,492	147,150	153,442	133,430	114,310	74,417	90,412	70,423	59,991	62,165

	CREDIT AND SURETY					SUNDRY				
	Claims occurred in the year 2014	Claims occurred in the year 2015	Claims occurred in the year 2016	Claims occurred in the year 2017	Claims occurred in the year 2018	Claims occurred in the year 2014	Claims occurred in the year 2015	Claims occurred in the year 2016	Claims occurred in the year 2017	Claims occurred in the year 2018
Claims provision Originally estimated (*)	771,970	850,660	772,486	783,975	844,384	66,590	67,025	72,027	69,101	72,929
Estimated claims assessment:										
One year later	769,160	807,490	692,418	767,362	926,764	69,763	66,219	70,484	70,475	81,199
Two years later	778,525	776,042	671,418	716,578		70,521	67,840	68,761	72,105	
Three years later	778,180	753,181	664,741			71,012	66,943	71,419		
Four years later	766,155	745,671				70,621	64,364			
Five years later	752,525					70,356				
Cumulative amounts paid:	711,001	716,911	670,252	689,000	740,572	62,504	54,525	54,402	48,717	45,094

(*) Not including the technical provision for claims settlement expenses.

15. Non technical provisions

The breakdown as of 31 December 2019 and 2018 is as follows:

	Thousands of Euros	
	31/12/2018	**31/12/2019**
Provision for Taxes	10,778	-
Provisions for pensions and similar obligations	143,467	174,062
Temporary Income - indemnities for termination	4,690	2,801
Other commitments with the personnel	6,236	7,822
Debts for agreements with insurers	5,847	9,271
Provisions for liabilities	2,196	2,525
Provisions for restructuring	580	4,130
Litigation/Legal	8,745	9,491
Other provisions	1,511	411
Total	**184,050**	**210,513**

At 31 December 2019, pursuant to IFRIC 23, €13,936 thousand were reclassified from the provision for taxes to current tax liabilities (€10,216 thousand) and deferred tax liabilities (€3,720 thousand) to reflect the contingencies arising from litigation with the tax authorities in relation to corporate income tax (see Notes 11-b and 11-c).

On the other hand, besides the stipulations noted in Note 11 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.

On 31 December 2019 and 2018, the commitments are reflected in the provision for pensions, and similar obligations are detailed as follows:

	2018 (Thousands of euro)			2019 (Thousands of euro)		
	Provision defined	**Contributed defined**	**Total Commitments**	**Provision defined**	**Contributed defined**	**Total Commitments**
Commitments for pensions						
Accrued by active personnel	385,921	19,117	405,038	459,980	21,206	481,186
Caused by passive personnel	485,860	-	485,860	535,717	-	535,717
Total Obligations	**871,781**	**19,117**	**890,898**	**995,697**	**21,206**	**1,016,903**
Assets affected by the plan						
Atradius affected assets	742,741	-	742,741	840,040	-	840,040
Assets not recognised Atradius Dutch plan	-	-	-	-	-	-
Total assets	**742,741**	**-**	**742,741**	**840,040**	**-**	**840,040**
Provisions for pensions and similar obligations	**129,040**	**19,117**	**148,157**	**155,657**	**21,206**	**176,863**

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% (2018: 92%) 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 2019, for external funding, has been €18,395 thousand (2018: €16,314 thousand).

The following table summarises the conciliation, the funding status and the amounts recognized in the consolidated balance sheet as of 31 December 2019 for defined benefit obligations (in thousands of euros):

	Obligations of defined provision		Fair value of assets affected		Impact of the minimum requirement / limit of the asset		(Asset)/Net liability of the provision defined	
	2018	2019	2018	2019	2018	2019	2018	2019
Balance on 1 January	**880,818**	**871,781**	**775,244**	**742,741**	**(3,286)**	**-**	**108,860**	**129,040**
Reclassification of plans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Included in profit and loss								
Cost of services for the current financial year	13,740	12,858	-	-	-	-	13,740	12,858
Cost for past services	1,240	35	-	-	-	-	1,240	35
Cost (Income) of the interest	17,678	17,670	16,963	17,055	(66)	-	781	615
Administration costs	528	580	-	-	-	-	528	580
Effects of the exchange rate	459	(1,176)	-	882	-	-	459	(2,058)
Total included in profit and loss	**33,645**	**29,967**	**16,963**	**17,937**	**(66)**	**-**	**16,748**	**12,030**
Included in OCI:								
Revaluation loss (gain):								
Actuarial loss (gain) by:								
- Demographic hypothesis	(12,273)	(11,421)	-	-	-	-	(12,273)	(11,421)
- Financial hypothesis	8,322	118,529	-	-	-	-	8,322	118,529
- Experience adjustments	(5,011)	(159)	-	-	-	-	(5,011)	(159)
- adjustments for defined benefit restrictions on net assets	-	-	-	-	-	-	-	-
Input of assets affected by the plan, excluding income of interest	-	-	(21,471)	83,032	-	-	21,471	(83,032)
Changes in unrecoverable surplus other than interest	-	-	-	-	3,352	-	(3,352)	-
Effects of the exchange rate	(2,320)	16,056	(2,513)	15,196	-	-	193	860
Total included in OCI	**(11,282)**	**123,005**	**(23,984)**	**98,228**	**3,352**	**-**	**9,350**	**24,777**
Others:								
Contributions paid by the employer	(3,653)	(3,817)	19,409	16,128	-	-	(23,062)	(19,945)
Contributions from the participants	2,160	2,023	2,160	2,023	-	-	-	-
Benefits paid	(30,054)	(25,720)	(29,425)	(24,192)	-	-	(629)	(1,528)
Excess asset reclassifications	-	-	(17,626)	(14,953)			17,626	14,953
Additional profits/losses	147	(1,542)	-	2,128	-	-	147	(3,670)
Total Other	**(31,400)**	**(29,056)**	**(25,482)**	**(18,866)**	**-**	**-**	**(5,918)**	**(10,190)**
Balance on 31 December	**871,781**	**995,697**	**742,741**	**840,040**	**-**	**-**	**129,040**	**155,657**

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 below).

In Germany, for one of the plans, assets totalling €16,300 thousand (€16,300 thousand in 2018) 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 amounting to €35,300 thousand (€28,700 thousand in 2018) in a deposit escrow account to support the pension fund for this country. In case of insolvency, the trustee of the pension fund has rights over these investments, provided that certain conditions are met.

Actuarial profit and loss

In 2019, actuarial profits have been recognised in the amount of 24,777 thousand Euros (9,350 thousand euros of actuarial profits in the year 2018).

Characteristics of the main defined benefit plans

The following table highlights the main characteristics of defined benefit plans:

Characteristic	United Kingdom	Germany	Netherlands	Spain
Commitment	Right to pension based on a percentage of the final salary (closed to new employees).	Right to pension based on a percentage of the average salary for the past 10 years.	Right to pension based on percentage of average wage (maximum of 0.1 million euro - closed to new employees).	Post employment:: Retirement awards, post-retirement life insurance, annuities, amount EX GAN, Christmas hamper, holiday insurance. Long-term: tenure awards.
Census	130 active (2018: 135 active members). 520 inactive (2018: 525 inactive members).	496 active (2018: 485 active members). 456 inactive (2018: 452 inactive members).	289 active (2018: 307 active members). 1,361 inactive (2018: 1,363 inactive members).	3,113 active (2018: 3,052 active members). 1,001 inactive (2018: 1,024 inactive members).
Obligations of defined provision	€287 million (2018: €257 million).	€149 million (2018: €129 million).	€407 million (2018: €343 million).	€56.7 million (2018: €35.3 million).
Plan assets	€341 million (2018: €296 million).	€83 million (2018: €74 million). Assets of €16.3 million (2018: €16.7 million) are recognised as part of financial investments.	€382 million (2018: €326 million).	Plan 0 assets. Reimbursement rights €14.6 million (2018: €17.3 million).
Revaluation profits (losses) in OCI	€6 million - profit (2018: €13.5 million - profit).	€10.5 million - loss (2018: €11.1 million - loss).	€8.6 million - loss (2018: €17.9 million - loss).	€6.6 million - profit (2018: €2.7 million - profit).
Instruments	The basis of the financing agreement for both commitments is borne by the Trust Deed and Rules. The Pension Fund performs actuarial valuations every three years in order to determine the contributions to be made by the employer.	A contractual agreement is established as a funding vehicle to cover part of the pension liability. There is no specific financing agreement although the assets must not exceed €39.2 million financed initially.	The employer contributes a base annual premium as a percentage of the total eligible wages of all active participants which can not be lower than the regulatory requirements.	The commitments are externalized through linked insurance policies and with the company itself.
Contributions paid by the employee	In 2019, the contributions amounted to 7.1% (2018: 7.1%) of the pensionable salary.	None.	Employees contribute 7.5% (2018: 7.5%) of their pensionable salary.	None.

Characteristic	United Kingdom	Germany	Netherlands	Spain
ALM Strategy	Every three years, an ALM study is performed to review the investment policy. The policy consists of maintaining government and corporate bonds with respect to the pensioners to match liabilities and maintain assets that are expected to provide a return with respect to non-pensioners.	The investment objectives and policies are developed on the basis of an ALM study. The investment policy limits the interest rate risk by restricting the investment in bonds to fixed interest bonds. The risk of variable income is controlled in accordance with the Dow Jones Euro Stoxx 50 index.	At least once every three years, an ALM study is carried out which analyses the impact of the strategic investment policy. The interest rate risk is partially covered through the use of debt instruments in combination with Liability Driven Investment funds.	N/A.

Fair value of assets affected

The fair value of plan assets at year end is analysed in the following table (in thousands of euro):

Plan assets	2018	2019
Cash and other cash equivalents	21,513	14,768
Variable Income	140,181	184,744
Fixed Income	315,387	320,651
Investment funds	189,912	239,477
Insurance contracts	60,915	66,527
Real estate assets	14,833	13,873
Total	**742,741**	**840,040**

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 2019 was €98,300 thousand profit (€4,200 thousand loss in 2018).

The main assumptions used in financial years 2019 and 2018 for the major defined benefit plans are as follows:

Principal actuarial hypotheses	United Kingdom 2018	2019	Germany 2018	2019	Netherlands 2018	2019	Spain 2018	2019
Discount rate	2.75%	2.00%	1.75%	1.00%	1.75%	1.00%	1.62%	0.48%
Inflation rate	3.50%	3.00%	1.75%	1.75%	1.75%	1.75%	1.50%	1.90%
Expected Increase of future wages	2.40%	2.25%	2.30%	2.30%	1.75%	1.75%	1.50%	1.50%
Expected increase in levels of future profits	3.17%	2.85%	1.50%	1.50%	0.88%	0.88%	N/A	N/A
Mortality table	CMI 2017 (1.5% LTR)	CMI 2018 (1.5% LTR)	Heubeck Richttafeln	Heubeck Richttafeln	Prognoseta fel AG2018	Prognoseta fel AG2018	PERM/F - 2000P PASEM - 2010	PERM/F - 2000P PASEM - 2010
Duration	19	20	16	17	20	21	11	11

Discount rate breakdowns were obtained by hypothetical yield curves developed from information provided by the yield of corporate bonds in the reference 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):

Obligations of defined provision	2018 Increase	2018 Decrease	2019 Increase	2019 Decrease
Discount rate (1% movement)	(124,531)	163,185	(151,496)	202,141
Wage growth rate (1% movement)	17,253	(16,404)	20,232	(19,275)
Inflation rate (1% movement)	87,371	(80,472)	128,264	(109,091)
Expected increase in levels of future profits (1% movement)	130,557	(103,926)	159,985	(126,183)
Future mortality (+ 1 year)	25,555	-	34,651	-

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.

16. 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 separately the total amount attributed to shareholders of the parent company and minority shareholders
- 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, and 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 the year 2019 the Group's parent company has not undertaken significant changes in its accounting policies.

16.a) Capital

The parent's registered share capital stands at €36,000 thousand consisting of 120,000,000 fully subscribed and paid in book entry shares of €0.30 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 31 December 2019 were as follows:

	Percentage of stake
Corporación Catalana Occidente, S.A.	29.40%
La Previsión 96, S.A.	25.00%

The company Inoc, S.A., which holds 100% of Corporación Catalana Occidente, S.A. and 72.25% of La Previsión 96, S.A., directly and indirectly holds 54.47% of the parent company on 31 December 2019 and belongs to a group whose parent is CO Sociedad de Gestión y Participación, S.A.

16.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 2019 and at 31 December 2018, and the movements during the year.

The breakdown of the share premium and each type of reserve as of 31 December 2019 and 2018 is as follows:

	Thousands of Euros	
	Balances on 31/12/2018	**Balances on 31/12/2019**
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	825,204	903,330
Reserves in companies for global integration	1,242,776	1,387,608
Reserves at consolidated companies by the shareholding Method (equity method)	18,331	22,783
Reserves	**2,093,584**	**2,320,994**
Total share premium and Reserves	**2,095,117**	**2,322,527**

16.b.1) Share issuing premium

The balance of the type of reserves, according to the revised text of the Capital Companies Act can be used to expand capital. Not restriction whatsoever is established for its availability.

16.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.

16.b.3) Legal reserve

Under the Consolidated Text of the Capital Companies Act 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 share capital, providing that the remaining balance is no less than 10% of the increased share capital. Only to this end and as long as it does not exceed 20% of the corporate capital, this reserve con 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.

16.b.4) Voluntary reserves of the parent company

Breakdown as of 31 December 2019 and 2018 is as follows (in thousands of euros):

	31/12/2018	31/12/2019
Voluntary reserves	815,100	893,226
Merger reserve	9,799	9,799
Other reserves	305	305
Total	**825,204**	**903,330**

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.

16.b.5) Reserves and Other global result accumulated in consolidated companies

A breakdown by entities of amounts in this consolidated balance sheet account at 31 December 2019 and 2018, taking into account the adjustments for consolidation, is given below:

	Thousands of Euros					
	31/12/2018			31/12/2019		
	Reserves	Other comprehensive income and accumulated in equity	Total	Reserves	Other comprehensive income and accumulated in equity	Total
Fully consolidated companies:						
Grupo Catalana Occidente, S.A.	173,261	-	**173,261**	211,551	-	**211,551**
Seguros Catalana Occidente, Sociedad Anónima de Seguros y Reaseguros	180,903	275,561	**456,464**	215,372	404,851	**620,223**
Grupo Catalana Occidente Tecnología y Servicios, A.I.E.	(676)	-	**(676)**	(2,615)	-	**(2,615)**
Nortehispana, S.A. Cía de Seguros y Reaseguros	44,014	19,856	**63,870**	51,967	29,070	**81,037**
Bilbao Compañía Anónima de Seguros y Reaseguros, S.A. and subsidiaries	(2,796)	119,766	**116,970**	(282)	178,767	**178,485**
Plus Ultra, Seguros Generales y Vida, S.A. de Seguros y Reaseguros	52,115	3,234	**55,349**	29,238	61,893	**91,131**
Cosalud Servicios, S.A.	9,169	161	**9,330**	9,201	92	**9,293**
Grupo Compañía Española de Crédito y Caución, S.L. / Atradius N.V.	639,038	(226)	**638,812**	716,379	58,722	**775,101**
Tecniseguros, Sociedad de Agencia de Seguros, S.A.	(50)	-	**(50)**	(67)	-	**(67)**
Previsora Bilbaína Agencia de Seguros, S.A.	395	(7)	**388**	50	65	**115**
Prepersa, de Peritación de Seguros y Prevención, A.I.E.	875	4	**879**	884	-	**884**
Sociedad Gestión Catalana Occidente, S.A.	31,784	-	**31,784**	34,051	-	**34,051**
Hercasol, S.A. SICAV	22,459	1,117	**23,576**	22,757	9,576	**32,333**
Catoc, SICAV, S.A.	76,567	19,529	**96,096**	79,289	49,535	**128,824**
Previsora Inversiones, S.A.	1,277	(13)	**1,264**	-	-	**-**
C.O. Capital Ag. Valores	3,947	10	**3,957**	3,943	16	**3,959**
Grupo Catalana Occidente Contact Center, A.I.E.	(9)	-	**(9)**	(10)	-	**(10)**
Inversions Catalana Occident, S.A.	214	-	**214**	215	-	**215**
Grupo Catalana Occidente Gestión de Activos S.A., S.G.I.I.C.	(5)	28	**23**	166	57	**223**
Grupo Catalana Occidente Activos Inmobiliarios, S.L.	763	-	**763**	969	(41)	**928**
GCO Reaseguros, S.A.	7,158	11	**7,169**	10,978	44	**11,022**
GCO Gestora de Pensiones, E.G.F.P., S.A.	(6)	(21)	**(27)**	55	20	**75**
Nortehispana Mediacion, Agencia De Seguros S.A.	-	-	**-**	(2)	-	**(2)**
Grupo Asistea	2,379	-	**2,379**	3,519	-	**3,519**
	1,242,776	**439,010**	**1,681,786**	**1,387,608**	**792,667**	**2,180,275**
Accounted for using the equity method:						
Calboquer, S.L.	71	-	**71**	77	-	**77**
Asitur Asistencia, S.A.	4,262	-	**4,262**	5,180	-	**5,180**
Gesiuris, S.A. S.G.I.I.C.	715	53	**768**	910	125	**1,035**
MB Corredors d'Assegurances, S.A.	(57)	-	**(57)**	(70)	-	**(70)**
Inversiones Credere, S.A.	(517)	-	**(517)**	(517)	-	**(517)**
Atradius – Associated entities	13,857	-	**13,857**	17,203	-	**17,203**
	18,331	**53**	**18,384**	22,783	**125**	**22,908**
TOTAL	**1,261,107**	**439,063**	**1,700,170**	**1,410,391**	**792,792**	**2,203,183**

16.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 31 December 2019, and 2018, 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.

On 31 December 2019, the total of Group shares owned by the subsidiary Sociedad Gestión Catalana Occidente, S.A. represents 1.75% of the capital issued as of that date (1.77% as of 31 December 2018). During the year 2019, the percentage of shares outstanding held by the above company has remained at 1.75% calculated on a daily basis. The average price of the portfolio as of 31 December 2019 was €10.50 per share (€10.50 per share on 31 December 2018). 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 31 December 2019, 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 during the years 2019 and 2018 has been as follows:

	Thousands of Euros		Number of shares
	Cost of acquisition	Nominal value	
Balances on 1 January 2018	**18,108**	**606**	**2,018,891**
Additions (*)	4,353	36	120,000
Withdrawals (*)	(202)	(6)	(19,193)
Balances on 31 December 2018	**22,259**	**636**	**2,119,698**
Additions	-	-	-
Withdrawals (*)	(259)	(7)	(24,681)
Balances on 31 December 2019	**22,000**	**629**	**2,095,017**

(*) Purchases and sales carried out by Sociedad Gestión Catalana Occidente, S.A.

16.d) Distribution of results

The Board members will propose to the shareholders at the Annual General Meeting that the 2019 profit of Grupo Catalana Occidente, Sociedad Anónima would be distributed as follows:

	Year 2019
Distribution	Thousands of Euros
To Dividends	105,852
To voluntary reserves	110,429
Net profit for the year	**216,281**

The payout for the year 2018 approved by the parent company's General Meeting, held 25 April 2019 is as follows:

Distribution	Year 2018 Thousands of Euros
To Dividends	98,688
To voluntary reserves	78,250
Net profit for the year	**176,938**

Previously, at meetings held on 28 June 2018, 27 September 2018 and 31 January 2019, the parent company's Board of Directors had approved the distribution of a total interim dividend of €54,432 thousand out of 2018 profit. Payment was effected in instalments, on 11 July 2018, 10 October 2018 and 13 February 2019.

The consolidated net benefit of the year 2018 is detailed in the statement of changes in equity.

16.e) Dividends

The various amounts paid by shareholders in the year 2019 as dividends is as follows:

Government Body:	Date of Agreement:	Date of Payment:	Type of Dividend:	Per share in euros	Total in Thousands of Euros
Board of Directors	31 January 2019	13 February 2019	3rd Interim dividend 2018	0.1512	18,144
General Shareholders Meeting	25 April 2019	08 May 2019	Complementary dividend	0.3688	44,256
Board of Directors	27 June 2019	10 July 2019	1st Interim dividend 2019	0.1588	19,056
Board of Directors	26 September 2019	09 October 2019	2nd Interim dividend 2019	0.1588	19,056
					100,512

The interim dividends for the year 2019 are calculated by reference to the balance sheet of the parent company at the following dates and with the following breakdown:

	Thousands of Euros	
	27 June 2019	**26 September 2019**
Amount of available and realisable assets	123,776	99,906
Amount of payable liabilities (*)	50,366	41,047
Estimated liquidity surplus	73,410	58,859
Interim Dividend	19,056	19,056

(*) Includes the proposed interim dividend

The completed dividend payouts during FY 2019 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 30 January 2020 meeting, resolved to distribute a third interim dividend based on 2019's results amounting to €19,056 thousand, which was paid on 12 February 2020. This dividend has been calculated taking the balance of the Company on 30 January 2020 as a reference, and with the following breakdown:

	Thousands of Euros 30 January 2020
Amount of available and realisable assets	147,465
Amount of callable liabilities (*)	40,994
Estimated liquidity surplus	106,471
Interim Dividend	19,056

(*) Includes the proposed interim dividend

16.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:

	2018	2019
From continued and discontinued operations:		
Net profit attributable to equity holders of the parent company (thousands of euros)	352,160	385,937
Average weighted number of shares issued (thousands of shares)	120,000	120,000
Less: Weighted treasury shares (thousands of shares) (*)	(2,126)	(2,103)
Weighted average number of shares outstanding (thousands of shares)	117,874	117,897
	2.99	**3.27**
From discontinued operations:		
Net profit attributable to equity holders of the parent from discontinued operations (thousands of euros)	-	-
Earnings per share (euros)	**2.99**	**3.27**

(*) Refers to treasury shares held in treasury stock for 2018 and 2019.

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.

16.g) Other comprehensive income and accumulated in equity

The comprehensive income accumulated outside of the profit and loss account includes the amounts relative to income and expenses charged directly to equity, broken down between items that were not reclassified to results and those that can be subsequently reclassified to results.

Among the main items that may be subsequently reclassified to results are: those corresponding to changes in the valuation of assets that remain classified in the portfolio of 'available-for-sale financial assets', including the corrections of accounting asymmetries generated by the allocation decision-makers latent net capital gains on investments as well as those associated with exchange differences by conversion of balances held in foreign currency of the portfolio and of foreign affiliates of Atradius, N.V.

Other comprehensive income and accumulated - items that may be subsequently reclassified to results by:

	Thousands of Euros	
	Balances on 31/12/2018	**Balances on 31/12/2019**
Available-for-Sale financial assets	535,142	994,333
Exchange Differences	(26,120)	(16,999)
Correction of accounting mismatches	(67,734)	(183,559)
Entities accounted for using the equity method	(2,225)	(983)
Other adjustments	-	-
Other comprehensive income and accumulated in equity	**439,063**	**792,792**

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.

Conversion 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 net equity derived from holdings in entities valued using the equity method.

Other comprehensive income and accumulated - items that cannot be reclassified to results by:

Actuarial profit and loss

Includes the actuarial changes that arise when calculating the obligations for pensions and the fair value of the assets of the defined benefit plans of the Group, to be recognised in the period in which they occur, different from the reserves constituted by the net amount of income and expenses directly and definitively recognised in the 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.

The Group reclassified the accumulated balance of this item to Reserves. The gross amount reclassified for the year 2019, as shown in the table of defined benefit commitments in Note 15, amounts to €24,777 thousand loss (€19,492 thousand net of tax effect).

17. Minority interests

A breakdown of “Minority interests” and “Profit or loss attributable to minority interests” at 31 December 2019 and 2018, by consolidated company, is given below:

	Thousands of Euros			
	31/12/2018		31/12/2019	
	Minority Interests	P&L attributable to external partners	Minority interests	P&L attributable to external partners
Nortehispana, S.A. de Seguros y Reaseguros	304	40	-	23
Grupo Compañía Española de Crédito y Caución, S.L./ Atradius N.V.	333,779	34,050	366,212	38,129
Bilbao Compañía Anónima de Seguros y Reaseguros, S.A.	774	107	939	109
Catoc SICAV, S.A	183	4	220	1
Grupo Catalana Occidente Servicios Tecnológicos, A.I.E.	53	-	54	2
Grupo Catalana Occidente Contact Center, A.I.E.	1	-	0	-
Grupo Catalana Occidente Activos Inmobiliarios, S.L.	7	-	1	1
Hercasol S.A. SICAV	5,287	43	6,666	305
Grupo Asistea	(48)	18	-53	23
Previsora Inversiones, S.A.	2	-	-	-
Previsora Bilbaína Agencia de Seguros, S.A.	1	-	-	-
Total	**340,343**	**34,262**	**374,039**	**38,593**

The movements in “Minority interests” in 2019 and 2018 are shown in the statement of recognised income and expense and the statement of changes in equity.

18. 16. Information in insurance contracts in the segments

Total premiums from direct insurance and reinsurance accepted during 2019 and 2018 totalled €4,414,455 thousand and€4,217,215 thousand 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 70,982 thousand euros during the year 2019 and 65,576 thousand euros during the year 2018.

The breakdown of earned premiums in 2019 and 2018, and all other income and expense items, grouped according to the main business segments is as follows:

	Year 2019 (thousands of euros)					
	Traditional Business Segment				Segment Credit Business	Total
	Motor	Multi-risk	Various others	Life		
Premiums attributed direct business and accepted reinsurance	**655,220**	**655,815**	**583,595**	**815,713**	**1,761,937**	**4,472,280**
Premiums accrued from direct insurance	657,278	661,599	508,823	782,014	1,582,594	4,192,308
Premiums accrued from accepted reinsurance	-	283	3,024	(21)	218,861	222,147
Change of the provision for premiums pending collection	196	252	1,057	132	(746)	891
Change in the provision for unearned premiums from direct insurance	(2,254)	(8,524)	70,998	33,560	(32,587)	61,193
Change of the provision for risks in progress of direct insurance	-	1,886	40	-	-	1,926
Change in the provision for unearned premiums of accepted reinsurance	-	319	(347)	28	(6,185)	(6,185)
Premiums attributed to transferred reinsurance	**(23,365)**	**(38,659)**	**(39,229)**	**(10,226)**	**(687,003)**	**(798,482)**
Premiums accrued from transferred reinsurance	(23,229)	(38,806)	(39,004)	(4,165)	(696,046)	(801,250)
Change in the provision for unearned premiums from transferred reinsurance	(136)	147	(225)	(6,061)	9,043	2,768
Income from property,plant and equipment and investments	**30,736**	**23,973**	**19,720**	**214,202**	**35,985**	**324,616**
Income from property investments	8,222	5,670	4,960	20,215	638	39,705
Income from financial investments	16,516	11,807	11,120	188,993	25,194	253,630
Holdings in company profits under the equity method	167	151	94	-	7,127	7,539
Applications of value adjustments for impairment of property, plant and equipment and property investments	525	278	350	219	-	1,372
Applications of value adjustments for impairment of financial investments	-	-	-	-	-	-
Profits from intangible fixed assets and real estate investments	71	35	39	287	204	636
Profits from performance of financial investments	5,235	6,032	3,157	4,488	2,822	21,734
Income from investments assigned to insurance policies in which policyholders bear the investment risk	**-**	**-**	**-**	**62,245**	**-**	**62,245**
Other technical income	**6**	**5**	**17**	**5,663**	**252,497**	**258,188**
Claims incurred in the year, net of reinsurance	**(445,211)**	**(340,540)**	**(275,865)**	**(727,843)**	**(522,176)**	**(2,311,635)**
Provisions paid for direct insurance	(414,485)	(334,480)	(282,669)	(727,618)	(702,261)	(2,461,513)
Provisions paid for accepted reinsurance	7	(1)	(503)	(259)	(116,669)	(117,425)
Provisions paid for transferred reinsurance	11,152	16,979	19,623	4,082	368,209	420,045
Variation of the provision for direct insurance	(11,948)	(5,677)	738	2,031	(44,955)	(59,811)
Change in the provision for accepted reinsurance	2,446	(11,865)	447	(207)	11,820	2,641
Change in the provision for transferred reinsurance	(5,459)	21,896	1,885	(2,705)	2,083	17,700
Expenses attributable to provisions	(26,924)	(27,392)	(15,386)	(3,167)	(40,403)	(113,272)
Change in other technical provisions, net of reinsurance	**-**	**-**	**(13,110)**	**(162,693)**	**-**	**(175,803)**
Provisions for life insurance from direct insurance	-	-	-	(91,606)	-	(91,606)
Provisions for life insurance from accepted reinsurance	-	-	-	-	-	-
Provisions for life insurance from transferred reinsurance	-	-	-	-	-	-
Provisions for life insurance where the investment risk is borne by policyholders	-	-	-	(71,087)	-	(71,087)
Other technical provisions	-	-	(13,110)	-	-	(13,110)
Provision for policyholder dividends and return premiums	**-**	**-**	**(3,873)**	**(19,918)**	**-**	**(23,791)**
Provisions and expenses for holdings in profits and rebates	-	-	(6,003)	(23,783)	-	(29,786)
Change of the provision for dividends and returns	-	-	2,130	3,865	-	5,995
Net operating expenses	**(143,479)**	**(205,582)**	**(170,641)**	**(73,912)**	**(456,644)**	**(1,050,258)**
Acquisition expenses (fees and other expenses)	(124,243)	(188,888)	(144,639)	(66,349)	(322,769)	(846,888)
Administration costs	(21,639)	(23,027)	(34,343)	(12,348)	(450,840)	(542,197)
Commissions and stakes in the transferred reinsurance	2,403	6,333	8,341	4,785	316,965	338,827
Other technical expenses	**(3,152)**	**(2,173)**	**(2,338)**	**(5,022)**	**(7,546)**	**(20,231)**
Change of impairment due to insolvencies	(26)	(30)	15	(31)	740	668
Other technical expenses	(3,126)	(2,143)	(2,353)	(4,991)	(8,286)	(20,899)
Expenses arising from property, plant and equipment and investments	**(13,902)**	**(11,335)**	**(8,771)**	**(41,880)**	**(62,011)**	**(137,899)**
Management expenses arising from property, plant and equipment and real estate investments	(2,930)	(2,201)	(1,696)	(7,454)	(18)	(14,299)
Management of expenses for investments and financial accounts	(2,612)	(2,133)	(1,856)	(22,353)	(25,916)	(54,870)
Amortisation of property, plant and equipment and real estate investments	(3,126)	(2,289)	(1,920)	(5,350)	(23,689)	(36,374)
Impairment from property, plant and equipment and real estate investments	(45)	(69)	(28)	-	110	(32)
Impairment of the financial investments.	(63)	(33)	(26)	(345)	(11,031)	(11,498)
Loss originating from property, plant and equipment and real estate investments	(1)	(2)	(46)	(40)	(14)	(103)
Loss originating from financial investments	(5,125)	(4,608)	(3,199)	(6,338)	(1,453)	(20,723)
Expenses from investments assigned to insurance policies in which policyholders bear the investment risk	**-**	**-**	**-**	**(13,059)**	**-**	**(13,059)**

Technical-financial result	**56,853**	**81,504**	**89,505**	**43,270**	**315,039**	**586,171**

	Year 2018 (thousands of euros)					
	Traditional Business Segment				Segment Credit Business	Total
	Motor	Multi-risk	Various others	Life		
Premiums attributed direct business and accepted reinsurance	**657,157**	**639,156**	**495,485**	**741,008**	**1,649,818**	**4,182,624**
Premiums accrued from direct insurance	654,333	645,815	497,707	741,415	1,482,924	4,022,194
Premiums accrued from accepted reinsurance	-	134	3,751	33	191,103	195,021
Change of the provision for premiums pending collection	133	(136)	(156)	96	(13)	(76)
Change in the provision for unearned premiums from direct insurance	2,691	(7,055)	(4,766)	(532)	(30,296)	(39,958)
Change of the provision for risks in progress of direct insurance	-	399	(1,061)	-	-	(662)
Change in the provision for unearned premiums of accepted reinsurance	-	(1)	10	(4)	6,100	6,105
Premiums attributed to transferred reinsurance	**(23,206)**	**(34,222)**	**(34,144)**	**(4,506)**	**(672,566)**	**(768,644)**
Premiums accrued from transferred reinsurance	(22,685)	(34,403)	(33,446)	(4,387)	(675,496)	(770,417)
Change in the provision for unearned premiums from transferred reinsurance	(521)	181	(698)	(119)	2,930	1,773
Income from property,plant and equipment and investments	**36,071**	**28,473**	**19,603**	**199,004**	**40,904**	**324,055**
Income from property investments	7,269	5,138	4,085	14,970	551	32,013
Income from financial investments	18,122	12,838	9,979	178,154	31,991	251,084
Holdings in company profits under the equity method	135	128	76	-	4,653	4,992
Applications of value adjustments for impairment of property, plant and equipment and property investments	505	258	193	-	-	956
Applications of value adjustments for impairment of financial investments	-	-	-	-	-	-
Profits from intangible fixed assets and real estate investments	22	32	13	239	100	406
Profits from performance of financial investments	10,018	10,079	5,257	5,641	3,609	34,604
Income from investments assigned to insurance policies in which policyholders bear the investment risk	**-**	**-**	**-**	**17,254**	**-**	**17,254**
Other technical income	**-**	**12**	**7**	**8,671**	**249,517**	**258,207**
Claims incurred in the year, net of reinsurance	**(456,797)**	**(337,183)**	**(209,311)**	**(688,901)**	**(492,054)**	**(2,184,246)**
Provisions paid for direct insurance	(421,786)	(332,192)	(226,565)	(683,874)	(587,720)	(2,252,137)
Provisions paid for accepted reinsurance	(230)	(80)	(527)	(216)	(81,798)	(82,851)
Provisions paid for transferred reinsurance	9,740	11,861	15,400	5,522	273,346	315,869
Variation of the provision for direct insurance	(21,827)	11,804	12,169	(4,609)	(49,588)	(52,051)
Change in the provision for accepted reinsurance	289	(150)	900	116	(17,258)	(16,103)
Change in the provision for transferred reinsurance	3,810	(2,990)	(53)	(2,840)	10,076	8,003
Expenses attributable to provisions	(26,793)	(25,436)	(10,635)	(3,000)	(39,112)	(104,976)
Change in other technical provisions, net of reinsurance	**-**	**-**	**(7,334)**	**(61,767)**	**-**	**(69,101)**
Provisions for life insurance from direct insurance	-	-	-	(56,494)	-	(56,494)
Provisions for life insurance from accepted reinsurance	-	-	-	-	-	-
Provisions for life insurance from transferred reinsurance	-	-	-	-	-	-
Provisions for life insurance where the investment risk is borne by policyholders	-	-	-	(5,273)	-	(5,273)
Other technical provisions	-	-	(7,334)	-	-	(7,334)
Provision for policyholder dividends and return premiums	**-**	**-**	**-**	**(1,505)**	**-**	**(1,505)**
Provisions and expenses for holdings in profits and rebates	-	-	-	(2,260)	-	(2,260)
Change of the provision for dividends and returns	-	-	-	755	-	755
Net operating expenses	**(144,124)**	**(201,342)**	**(167,129)**	**(77,129)**	**(461,738)**	**(1,051,462)**
Acquisition expenses (fees and other expenses)	(124,990)	(183,783)	(140,116)	(66,328)	(294,591)	(809,808)
Administration costs	(21,536)	(23,198)	(33,805)	(11,154)	(450,934)	(540,627)
Commissions and stakes in the transferred reinsurance	2,402	5,639	6,792	353	283,787	298,973
Other technical expenses	**(1,931)**	**(1,857)**	**(2,503)**	**(936)**	**(5,926)**	**(13,153)**
Change of impairment due to insolvencies	259	103	(10)	104	(260)	196
Other technical expenses	(2,190)	(1,960)	(2,493)	(1,040)	(5,666)	(13,349)
Expenses arising from property, plant and equipment and investments	**(15,452)**	**(12,610)**	**(8,705)**	**(34,887)**	**(28,060)**	**(99,714)**
Management expenses arising from property, plant and equipment and real estate investments	(2,718)	(2,061)	(1,488)	(5,864)	(19)	(12,150)
Management of expenses for investments and financial accounts	(3,053)	(2,288)	(1,873)	(21,411)	(23,468)	(52,093)
Amortisation of property, plant and equipment and real estate investments	(2,365)	(1,612)	(1,214)	(3,187)	(936)	(9,314)
Impairment from property, plant and equipment and real estate investments	-	-	18	-	141	159
Impairment of the financial investments.	(1,067)	(1,058)	(655)	(1,159)	(347)	(4,286)
Loss originating from property, plant and equipment and real estate investments	(5)	(3)	(2)	(38)	-	(48)
Loss originating from financial investments	(6,244)	(5,588)	(3,491)	(3,228)	(3,431)	(21,982)
Expenses from investments assigned to insurance policies in which policyholders bear the investment risk	**-**	**-**	**-**	**(37,142)**	**-**	**(37,142)**

Technical-financial result	**51,718**	**80,427**	**85,969**	**59,164**	**279,895**	**557,173**

In the income statement of the Credit Insurance Business segment for 2019 and 2018, 'Other Technical Income' includes service income from Atradius N.V. as detailed below:

	Thousands of Euros	
	Year 2018	**Year 2019**
Collection and recovery services	46,658	52,549
Information services and commissions	132,510	136,501
Other income for services	70,349	63,447
Total "Other technical income" - Credit insurance	**249,517**	**252,497**

In the non-technical income statement, the following items are included under the subheadings of 'Other income' and 'Other expenses':

Other income - Year 2019	**Thousands of Euros**	**Other expenses - Year 2019**	**Thousands of Euros**
	Other activities		**Other activities**
Collection awards	3,052	Personnel expenses	20,655
Funeral business income	24,304	Other administration costs	15,295
Income from the sale of property	-	Funeral business expenses	10,115
Other income	3,768	Intangible amortisation Plus Ultra	-
		Other expenses	3,240
Total	**31,124**	**Total**	**49,305**

Other income - Year 2018	**Thousands of Euros**	**Other expenses - Year 2018**	**Thousands of Euros**
	Other activities		**Other activities**
Collection awards	3,142	Personnel expenses	20,149
Funeral business income	20,209	Other administration costs	19,583
Income from the sale of property	-	Funeral business expenses	8,877
Other income	1,278	Intangible amortisation Plus Ultra	-
		Other expenses	3,325
Total	**24,629**	**Total**	**51,934**

The losses due to asset value impairment, broken down by the nature of these assets, registered in the accompanying consolidated profit and loss statement are as follows:

Year 2019 — Thousands of Euros

Impairment Losses	Traditional Business Segment			Credit Business Segment	Total
	Non-Life	Life	Other activities		
Available-for-sale financial assets (Note 7.a.)	121	345	-	2,812	**3,278**
Loans and receivables (Note 7.a.)	-	-	227	-	**227**
Material assets (Note 9)	(1,013)	(220)	107	(111)	**(1,237)**
Intangible assets (Note 10)	-	-	-	17,462	**17,462**
Investment in entities accounted for using the equity method (Note 8)	-	-	478	8,219	**8,697**
Total	**(892)**	**125**	**812**	**28,382**	**28,427**

Year 2018 — Thousands of Euros

Impairment Losses	Traditional Business Segment			Credit Business Segment	Total
	Non-Life	Life	Other activities		
Available-for-sale financial assets (Note 7.a.)	2,780	1,159	28	347	**4,314**
Loans and receivables (Note 7.a.)	-	-	121	-	**121**
Material assets (Note 9)	(974)	-	(71)	(141)	**(1,186)**
Intangible assets (Note 10)	-	-	-	5,347	**5,347**
Investment in entities accounted for using the equity method (Note 8)	-	-	1,154	-	**1,154**
Total	**1,806**	**1,159**	**1,232**	**5,553**	**9,750**

18.a) Composition of life business by volume of premiums

The breakdown of the life business (direct insurance) in 2019 and 2018, by premium volume, is as follows:

Life insurance premiums (direct)	Thousands of Euros Year 2018	Year 2019
Premiums for individual contracts	709,245	717,190
Premiums for collective insurance contracts	32,170	64,824
	741,415	**782,014**
Periodic premiums	502,524	539,022
Single premiums	238,891	242,992
	741,415	**782,014**
Premiums for contracts without participation in profits	332,594	349,853
Premiums for contracts with participation in profits [(1)]	318,711	326,932
Premiums for contracts where risk is assumed by the customer	90,110	105,229
	741,415	**782,014**

(1) Includes insurance contracts with a spread between the guaranteed interest rate and the interest rate per the technical bases.

18.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:

Modality and type of coverage	Technical interest	Biometric table (*)	Thousands of Euros					
			2018			2019		
			Premiums	Mathematical provision (*)	Amount distributed shares in profits	Premiums	Mathematical provision (*)	Amount distributed shares in profits
SEGUROS CATALANA OCCIDENTE								
Universal retirement Provision at the time of retirement in the form of capital or income	Indexed and 5%	GKM-80	14,030	280,750	2,183	11,814	283,825	2,287
Universal Life and Retirement Same as above, more capital for death if this is prior to retirement.	Indexed 3% and 5%	GKM-80	10,956	262,166	1,510	9,815	264,109	1,618
Universal Life and Pension Same as above	Indexed 3.5% and 5%	GKM-80	23,118	369,302	2,043	20,851	380,520	2,123
Universal PPA	Indexed	GKM-80; GKM/F-95/ PASEM2010	21,509	249,465	4,424	16,966	245,968	4,492
Universal PIAS	Indexed	GKM/F-95/ PASEM2010	48,998	222,760	3,739	41,804	229,100	3,993
Universal Future Saving	Indexed	GKM/F-95/ PASEM2010	36,226	206,716	3,910	30,462	212,721	4,209
Increasing savings	Indexed	PASEM2010	10,847	10,851	-	34,110	41,867	-
Golden Equity	Indexed 3.5%	GKM-80; GKM/F-95/ PASEM2010	-	505,920	3,010	-	457,914	2,458
Customer Account	Indexed	PASEM2010	28,885	98,602	684	28,908	116,804	748
Capital Life	Indexed	PASEM2010	39,589	44,745	-	32,722	69,387	-
Temporary individual renewable Temporary risk insurance annually renewable.	2%	GKM-80 adjusted GKM/F-95 PASEM2010	43,381	9,407 (**)	-	44,785	9,561 (**)	-
Collective Retirement Insurance with Participation in Profits Provision at the time of retirement in the form of capital or income	2.25, 3.5 and 5% and matched operations	GRM-70; GR/F-80-2; GRM/F-95 PERM/F2000P	22,948	517,579	84	25,726	544,175	39
SEGUROS BILBAO								
Flexilife Seguros Bilbao	6.00%	GKM-70/ 80	3,964	104,803	-	3,571	98,594	-
Flexilife indexed Seguros Bilbao	Indexed	Unisex (PASEM/PASEF)	67,653	400,797	-	72,981	428,419	-
Seguros Bilbao Retirement Plan	4.22%	GRM-70 / 80 / 95	5,943	108,402	20	5,178	101,217	20
Seguros Bilbao Savings Account	Indexed	Unisex (PASEM/PASEF)	10,012	109,289	-	14,770	123,138	-
PPA Seguros Bilbao	Indexed	Unisex (PASEM/PASEF)	8,089	65,410	-	8,748	67,379	-
Seguros Bilbao Single account	Indexed	Unisex (PASEM/PASEF)	22,484	228,031	-	22,443	225,597	-
PIAS	Indexed	Unisex (PASEM/PASEF)	17,572	67,074	-	18,784	74,607	-

NORTEHISPANA									
Nortehispana Pensions Deferred capital with participation in profits	6, 4, 3 and 2.4%	GRM – 95	4,719	96,312	1,157	4,492	98,602	1,113
Nortehispana Universal Contribution without participation in profits	3.75%	GKM/F- 95	20,087	85,123	-	18,334	87,602	-
PLUS ULTRA									
Temporary Annual Renewable Risk insurance	0% - 6%	PASEM2010	13,027	6,342 (**)	-	13,420	6,391 (**)	-
Mixed Mixed Insurance	1.50% - 6%	PASEM2010	2,845	58,728	281	2,558	55,292	223
Savings Plans, periodic premium Deferred Insurance with Premium refunds	1.50% - 6%	GR95U	9,398	121,299	128	9,170	115,751	132
Savings Plans, single premium Deferred Insurance with Premium refunds	0.40% - 6%	GR95U	26,103	154,137	1	27,015	150,981	1
Collective Retirement Insurance Plan Capital insurance and income by externalisation of pension commitments	0.3% - 6%	GR95U PERM/F2000P	733	49,668	19	1,802	37,826	70
PPA Retirement insurance with cover for survival and death	0.7% - 2.50%	GR95U	11,202	89,491	503	14,859	104,974	632
PIAS Whole Life Insurance to constitute an annuity	Indexed (***)	PASEM2010	41,268	173,207	-	42,891	194,622	-
SIALP Individual Long-Term Savings Insurance	Indexed (***)	PASEM2010	8,764	21,264	-	10,854	30,405	-
Deferred Collective Capital (****) Capital insurance by externalisation of pension commitments	2.80%	PERM/F2000P/C	6,000	236,648	-	6,438	237,936	-
Life annuities (****) Capital insurance by externalisation of pension commitments	1.5% - 10.5%	PERM/F2000P	93	184,187	-	264	163,815	-
Temporary income (****) Capital insurance by externalisation of pension commitments	0% - 9.5%	PERM/F2000P	280	83,457	-	376	64,437	-
Unit Linked (****)	Variable (*****)	PASEM2010	18,237	139,921	-	15,842	159,985	-

(*) 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 14.a) of the Report).

(**) Provision for unearned premiums.

(***) Periodically indexed interest rate. On 31 December 2019, equal to 1.4%

(****) Modalities of life insurance from the incorporation to the perimeter of Antares. The data for the year 2018 are presented for comparison with the information for 2019.
(*****) Equities, policyholder risk

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 2019 and 2018 (0.98% and 0.98% 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 2019 and 2018 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.

18.c) Expenses by nature

A breakdown of staff costs for the years 2018 and 2019 and allocation to the profit and loss for each segment is shown below:

	Thousands of Euros	
	Year 2018	**Year 2019**
Wages and Salaries	428,916	445,391
Social Security	86,149	90,916
Contributions to external pension funds	30,716	33,094
Awards and Prizes	7,560	8,524
Other personnel costs	14,010	12,727
Total	**567,351**	**590,652**

Destination for personnel expenses - Year 2019	**Traditional Business Segment**			**Credit Business Segment**	**Total**
	Non-Life	**Life**	**Other activities**		
Claims incurred in the year, net of reinsurance	33,048	1,483	-	15,652	50,183
Expenses arising from property, plant and equipment and investments	1,402	2,498	-	-	3,900
Net operating expenses	138,859	27,474	-	299,633	465,966

Other expenses	4,015	1,168	20,716	44,704	70,603
Total net	**177,324**	**32,623**	**20,716**	**359,989**	**590,652**

Destination for personnel expenses - Year 2018	Traditional Business Segment			Credit Business Segment	Total
	Non-Life	Life	Other activities		
Claims incurred in the year, net of reinsurance	31,465	1,495	-	14,907	47,867
Expenses arising from property, plant and equipment and investments	1,575	2,567	-	-	4,142
Net operating expenses	136,361	25,876	-	284,090	446,327
Other expenses	3,461	1,286	20,030	44,238	69,015
Total net	**172,862**	**31,224**	**20,030**	**343,235**	**567,351**

19. Information by geographical area

19. a) Earned premiums from direct insurance, inward reinsurance and other technical income

The geographic areas 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:

- 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 2019 and 2018 was as follows:

Geographical Area	Year 2018 – Segment Traditional business – Non-Life	Year 2018 – Segment Traditional business – Life	Year 2018 – Credit Insurance Business Segment	Year 2019 – Segment Traditional business – Non-Life	Year 2019 – Segment Traditional business – Life	Year 2019 – Credit Insurance Business Segment
	Thousands of Euros – Distribution of earned premiums from direct insurance, inward reinsurance and other technical income, by geographical area					
Domestic market	1,779,815	745,809	362,763	1,882,385	818,053	369,473
Export:						
- Netherlands and Scandinavian countries	-	-	274,428	-	-	282,222
- Central Europe, Eastern Europe, Greece and Turkey	-	-	352,675	-	-	378,748
- Southern Europe	12,002	3,870	375,158	12,274	3,323	386,126
- United Kingdom and Ireland	-	-	277,087	-	-	302,901
- North America	-	-	105,137	-	-	123,348
- Oceania, Asia and other emerging countries	-	-	152,087	-	-	171,616
Total	**1,791,817**	**749,679**	**1,899,335**	**1,894,659**	**821,376**	**2,014,434**

19.b) Assets by geographical area

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:

	Spain	Netherlands and Scandinavian countries	Central and Eastern Europe, Greece and Turkey	Southern Europe	United Kingdom and Ireland	North America	Oceania, Asia and other emerging countries	Total
Assets at 31/12/2019	10,115,421	1,346,644	895,427	1,476,151	1,930,530	579,156	334,620	**16,677,949**
Assets at 31 December 2018	8,688,093	1,349,278	802,974	1,123,793	1,773,421	466,395	275,423	**14,479,377**

19.c) Acquisitions of tangible fixed assets and intangible assets

Thousands of Euros

Year 2019	Spain	Netherlands and Scandinavian countries	Central and Eastern Europe, Greece and Turkey	Southern Europe	United Kingdom and Ireland	North America	Oceania, Asia and other emerging countries	Total
Acquisitions of tangible fixed assets	29,560	1,490	706	713	2,474	171	452	**35,566**
Acquisitions of investment property	110,433	-	-	-	-	-	-	**110,433**
Acquisitions of intangible assets	5,118	33,796	1,297	460	11,068	765	-	**52,504**

Thousands of Euros

Year 2018	Spain	Netherlands and Scandinavian countries	Central and Eastern Europe, Greece and Turkey	Southern Europe	United Kingdom and Ireland	North America	Oceania, Asia and other emerging countries	Total
Acquisitions of tangible fixed assets	25,212	1,815	1,170	674	2,881	195	458	**32,405**
Acquisitions of investment property	63,886	-	-	-	-	-	-	**63,886**
Acquisitions of intangible assets	12,592	28,544	1,118	846	12,107	-	-	**55,207**

20. Related-party transactions

All related-party transactions have been carried out in market conditions.

20.a) List of related-parties

During 2019, 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 and transactions maintained by the Group with various related parties are shown below:

In Thousands of Euros	Group companies	Associated companies	Administrators and Directors	Other related parties (majority shareholder)
ASSET				
Receivables	11,288	983	-	-
Total	**11,288**	**983**	**-**	**-**
LIABILITY				
Payables	21,204	67	-	-
Loans	77,977	-	-	-
Total	**99,181**	**67**	**-**	**-**
PROFIT AND LOSS				
Provision of services (payments)	-	(61,143)	-	-
Provision of services (charges)	1,791	15,539	-	-
Loan interest	(2,640)	-	-	-
Dividends received	232,356	-	-	-
Total	**231,507**	**(45,604)**	**-**	**-**
OTHER				
Dividends paid	-	-	3,228	61,107
Total	**-**	**-**	**3,228**	**61,107**

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 the year 2019 are as follows:

In Thousands of Euros	Companies of the group
ASSET/LIABILITY	
Deposits for reinsurance	13,202
Credits/debts for reinsurance/coinsurance transactions	10,740
Technical provisions reinsurance	59,391
Acquisition costs and commissions	5,283
Total	**88,616**
PROFIT AND LOSS	
Premiums of accepted/transferred reinsurance	97,635
Benefits paid for accepted/transferred reinsurance	32,356
Interest	-
Change in technical provisions	1,050
Accepted/assigned reinsurance commissions	28,499
Total	**159,540**

20.b) Board Members' and senior executives' remuneration and other benefits

The Board of Directors of the parent company is made up of 10 people, 9 men and 1 woman, and 6 corporate members, represented physically by 6 men.

In 2019 and 2018, the Board Members for the parent company and subsidiary companies received the following remuneration from the subsidiaries:

Board Members' remuneration

	Thousands of Euros	
Members of the Board of Directors	**Year 2018**	**Year 2019**
Concept		
Fixed remuneration	1,737	1,766
Variable remuneration	330	347
Allowances	559	561
Bylaws	3,386	3,526
Other	126	124
Total	**6,138**	**6,324**

In addition, the unconsolidated deferred variable remuneration stands at €106 thousand.

Other provisions for members of the Board of Directors

	Thousands of Euros	
Members of the Board of Directors	**Year 2018**	**Year 2019**
Other benefits	-	-
Advances	-	-
Loans granted	-	-
Pension schemes and funds: Contributions	-	-
Pension schemes and funds: Liabilities incurred	-	-
Life insurance premiums	378	396
Guarantees provided in favour of Board Members	-	-
Total	**378**	**396**

Remuneration of members of the senior management, excluding members of the Board of Directors

Senior Management is considered to be the members of the Steering Committee of the Group that are not in turn executive directors and the Director of Internal Audit.

In 2019 and 2018, the Senior Management members for the parent company and subsidiary companies received the following remuneration:

	Thousands of Euros	
Senior Management	**Year 2018**	**Year 2019**
Total remuneration received by senior management	2,699	2,793

In addition, the unconsolidated deferred variable remuneration stands at €221 thousand.

In preparing these consolidated financial statements, 6 people have been classified as senior managers as of 31 December 2019 (6 people on 31 December 2018).

The Group has taken out a civil liability insurance contract where the policyholder is the parent company that encompasses, among other workers, the Executives and Board Members of the Group. This a policy has generated an insurance premium expense in the year 2019 of €47 thousand.

On 31 December 2019 and 2018 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 Capital Companies Act, approved by Royal Decree 1/2010 of 2 July, 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 Capital Companies Act (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.

21. Other information

21.a) Employees

In compliance with Article 260 of the revised text of the Capital Companies Act, the Group provides the following breakdown of the average number of full-time employees (or equivalent) of the parent and its subsidiaries in 2019 and 2018 by job category and gender.

Professional category	Number of people			
	Year 2018	Year 2019		
		Men	Women	Total
Executives	275	180	33	213
Intermediate management	1,429	1,136	486	1,622
Qualified admin. and sales	5,311	2,455	2,542	4,997
Administrative support	374	172	436	608
Total	**7,389**	**3,943**	**3,497**	**7,440**

The total number of employees on 31 December 2019 is 7,678.

With regards to disability, the Group complies with the LISMI (Act on social integration of disabled people) in different ways, either complying with the requirement to integrate 2% of the staff with a disability, or opting for a mixed formula between this integration and economic support of Special Employment Centres.

21.b) Auditors' fees

The General Shareholders Meeting of Grupo Catalana Occidente held on 26 April 2018, agreed to appoint PricewaterhouseCoopers Auditores, S.L., in accordance with the provisions of article 264 of the Corporate Act, as auditors of the annual accounts and consolidated management report of the Group corresponding to the years ended on 31 December 2018, 2019 and 2020.

Next, the fees for audit services and other services provided by the auditor of the Group's consolidated financial statements, PricewaterhouseCoopers Auditores S.L., and companies within the PwC 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:

Year 2019

Description	Thousands of Euros	
	Services provided by the main auditor (*) (**)	**Services provided by other audit firms (*)**
Audit Services	2,852	130
Other verification services	1,143	-
Total Audit and related services	**3,995**	**130**
Tax Advisory Services	-	38
Other services	40	498
Total Professional Services	**40**	**536**

(*) Amounts without expenses or VAT.

(**) Amounts corresponding to PricewaterhouseCoopers Auditores, S.L.

Year 2018

Description	Thousands of Euros	
	Services provided by the main auditor (*) (**)	**Services provided by other audit firms (*)**
Audit Services	2,623	137
Other verification services	1,198	-
Total Audit and related services	**3,821**	**137**
Tax Advisory Services	-	34
Other services	218	144
Total Professional Services	**218**	**178**

(*) Amounts without expenses or VAT.

(**) Amounts corresponding to PricewaterhouseCoopers Auditores, S.L.

21.c) Information on deferrals for payments to suppliers: Information obligation under Act 15/2010 of 5 July

Below is the information required by the Third Additional Provision of Act 15/2010, of 5 July (modified through the second final provision of Act 31/2014, of 3 December) prepared pursuant to the resolution of the ICAC on 29 January 2016, on the information to be incorporated to the annual accounts in relation to the average period of payment to suppliers in commercial operations.

In accordance with the establishments of the sole additional provision to the above-mentioned resolution, as this is the first year of application of the same, there is no comparative information.

	Payments made and pending payment by year-end	
	Amount	
	2018	**2019**
Average payment period for suppliers (days)	20.03	17.39

Ratio of transactions paid (days)	19.82	17.09
Ratio of transactions pending payment (days)	22.79	23.19
Total payments made (Thousands of euros)	338,411	342,091
Total payments pending (Thousands of euros)	25,346	17,679

According to the resolution of the ICAC, for the calculation of the average period of payment to suppliers, the commercial operations corresponding to the delivery of goods or services payable from the date of entry into force of the Act 31/2014, of 3 December were taken into consideration.

Suppliers are considered, for the exclusive purpose of providing the information established in this Resolution, to be commercial creditors for debts with suppliers of goods or services, included in the item "other liabilities" of the current liabilities in the balance sheet.

The "average period of payment to suppliers" is considered to be the time from delivery of the goods or the provision of services by provider and material payment of the operation.

The legal maximum payment limit applicable to the Company in Spain, in the year 2018, under Act 3/2004 (modified by Act 11/2013, of 26 July), which stipulates measures to address late payment in commercial transactions, is 30 calendar days except where there is an agreement between the parties, without agreements exceeding 60 natural days being permitted under any circumstances.

On 31 December 2019, the Group does not have pending payments to suppliers beyond the legal term deferral balance.

22. Subsequent events

In addition to the judgement handed down by the Spanish National Appellate Court mentioned in Note 11-f and the interim dividend mentioned in Note 16, no other events occurred after the year-end and up to the date of preparation of these financial statements that are not explained in previous notes that significantly affect them.

Annexes

Annex I: List of subsidiaries on 31 December 2019

Annex II: List of associated entities on 31 December 2019

Annex I: List of subsidiaries on 31 December 2019

Figures in Thousands of Euros

Company		% of voting rights			Summarised financial information						
(Name and address)	Activity	Direct	Indirect	Total	Total assets	Share Capital	Equity reserves	Year result, net of dividend	Other comprehensive income and accumulated in equity	Premiums attributed 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%	5,808,130	18,030	252,866	134,206 *(1)*	407,471	1,078,952	-
Grupo Compañía Española de Crédito y Caución, Sociedad Limitada Paseo de la Castellana, 4 Madrid	Holds shares	73.84%	-	73.84%	649,237	18,000	617,518	13,654 *(2)*	-	-	58,954
Atradius NV y Sociedades Dependientes David Ricardostraat, 1 1066 JS Amsterdam (The Netherlands)	Credit and surety insurance and complementary insurance activities	35.77%	47.43%	83.20%	5,067,373	79,122	1,670,349	227,708	31,548	1,074,236	252,497
Sociedad Gestión Catalana Occidente, S.A. Paseo de la Castellana, 4 Madrid	Financial investments	100%	-	100%	45,648	721	42,665	2,258	-	-	1,711
Cosalud Servicios, S.A. Avenida Alcalde Barnils, 63 Sant Cugat del Vallés (Barcelona)	Hire of industrial offices and others	100%	-	100%	9,787	3,005	6,453	105	92	-	438
Grupo Catalana Occidente Gestión de Activos S.A., S.G.I.I.C. Cedaceros, 9 – planta baja Madrid	Financial investments	100%	-	100%	6,324	391	5,072	10 *(3)*	57	-	7,262
GCO Reaseguros, S.A. Paseo de la Castellana, 4 Madrid	Reinsurance	100%	-	100%	106,563	9,050	11,060	1,573 *(4)*	45	2,962	-
GCO Gestora de Pensiones, EGFP, S.A. Paseo de la Castellana, 4 Madrid	Pension fund management	100%	-	100%	3,067	2,500	56	60	20	-	-
Bilbao, Compañía Anónima de Seguros y Reaseguros, S.A. Paseo del Puerto, 20 Getxo (Vizcaya)	Insurance and reinsurance	-	99.73%	99.73%	2,019,570	28,009	99,770	3,272 *(5)*	181,917	464,394	-
Bilbao Hipotecaria, S.A., E.F.C. Paseo del Puerto, 20 Getxo (Vizcaya)	Mortgage Credit	-	99.73%	99.73%	65,532	4,450	1,239	479	-	-	2,075
S. Órbita, Sociedad Agencia de Seguros, S.A. Paseo del Puerto, 20 Getxo (Vizcaya)	Insurance broker	-	99.73%	99.73%	2,776	1,100	280	13	-	-	6,984
Bilbao Telemark, S.L. Paseo del Puerto, 20 Getxo (Vizcaya)	Tele-marketing	-	99.73%	99.73%	260	37	44	10	-	-	1,695
Bilbao Vida y Gestores Financieros, S.A. Paseo del Puerto, 20 Getxo (Vizcaya)	Insurance broker	-	99.73%	99.73%	807	60	52	4	-	-	5,087
Nortehispana de Seguros y Reaseguros, S.A. Paseo de la Castellana, 4 Madrid	Insurance and reinsurance	-	100%	100%	457,775	20,670	52,852	20,921	29,070	193,250	-

Figures in Thousands of Euros

Company		% of voting rights			Summarised financial information						
(Name and address)	Activity	Direct	Indirect	Total	Total assets	Share Capital	Equity reserves	Year result, net of dividend	Other comprehensive income and accumulated in equity	Premiums attributed 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%	2,966,475	97,619	203,592	39,153 *(6)*	98,662	866,622	-
Hercasol, S.A. SICAV Avenida Diagonal, 399 Barcelona	Financial investments	-	88.69% (*)	88.69% (*)	59,053	57,792	(7,049)	12,270	-	-	12,873
Catoc SICAV, S.A. Cedaceros, 9 – planta baja Madrid	Financial investments	-	99.86% (*)	99.86% (*)	161,681	8,286	131,091	30,777	-	-	31,807
PREPERSA de Peritación de Seguros y Prevención, A.I.E. Jesús Serra Santamans, 1 Sant Cugat del Vallés (Barcelona)	Prevention and appraisal	-	100%	100%	2,201	60	947	1	-	-	5,322
Tecniseguros, Sociedad de Agencia de Seguros, S.A. Avenida Alcalde Barnils, 63 Sant Cugat del Vallés (Barcelona)	Insurance broker	-	100%	100%	689	60	(37)	(46)	-	-	6,704
Nortehispana Mediacion, Agencia De Seguros S.A. Paseo Castellana, 4 Madrid	Insurance broker	-	100%	100%	155	60	(1)	-	-	-	-
Previsora Bilbaina Agencia de Seguros, S.A. Alameda Mazarredo, 73 Bilbao	Insurance broker	-	100%	100%	9,787	60	8,197	(667)	72	-	11,050
Catalana Occidente Capital, Agencia de Valores, S.A. Avenida Alcalde Barnils, 63 Sant Cugat del Vallés (Barcelona)	Stock broker	-	100%	100%	5,047	300	3,943	530	16	-	1,610
Grupo Catalana Occidente Tecnología y Servicios, A.I.E. Avenida Alcalde Barnils, 63 Sant Cugat del Vallés (Barcelona)	Auxiliary insurance services	-	99.93%	99.93%	51,127	35,826	(2,185)	2,817	-	-	87,707
Grupo Catalana Occidente Contact Center, A.I.E. Jesús Serra Santamans, 3 - 4º planta Sant Cugat del Vallés (Barcelona)	Telephone attention	-	99.97%	99.97%	1,969	600	91	-	-	-	8,007
Grupo Catalana Occidente Activos Inmobiliarios S.L. Avenida Alcalde Barnils 63 Sant Cugat del Vallés (Barcelona)	Real estate development	-	99.95%	99.95%	279,813	99,125	162,014	2,963	(41)	-	7,929
Inversions Catalana Occident, S.A. Avinguda Carlemany, 65 Escaldes Engordany (Andorra)	Creation, management and operation of insurance entities	-	100%	100%	5,449	60	329	(11)	-	-	2,844
Grupo Asistea Henao, 19 Bilbao	Funeral Business	-	100%	100%	40,853	2,003	16,222	2,093	-	-	24,304

(*) 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 has paid an interim dividend of €38,000 thousand and has posted an increase in the equalisation provision for the amount of €4,666 thousand.

(2) The Company paid an interim dividend of €44,550 thousand.

(3) The Company paid an interim dividend of €985 thousand.

(4) The Company has recognised an increase in the stabilisation reserve for an amount of €82 thousand.

(5) The company has paid an interim dividend of €37,180 thousand and has posted an increase in the equalisation provision for the amount of €385 thousand.

(6) The Company has recognised an increase in the stabilisation reserve for an amount of €8,763 thousand.

The financial information given for the abovementioned Group companies included in the consolidation perimeter (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 2019, prepared according to the regulatory framework for financial reporting that applies to each of those companies. The financial statements have been duly adapted, for every company, to the Group's accounting policies.

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.

The figures for Atradius N.V. include the data for their subsidiaries relating to the profit or loss for the year and equity reserves.

At 31 December 2019, the list of subsidiaries of Atradius N.V., which are wholly owned unless otherwise indicated, is as follows:

Sociedad	País
Accento Services S.A.	Bélgica
Atradius Collections B.V.	Holanda
Sucursal Bélgica	Bélgica
Sucursal República Checa	República Checa
Sucursal Dinamarca	Dinamarca
Sucursal Francia	Francia
Sucursal Dubai	EAU
Sucursal Alemania	Alemania
Sucursal Hungría	Hungría
Sucursal Irlanda	Irlanda
Sucursal Italia	Italia
Sucursial Polonia	Polonia
Sucursal Turquía	Turquía
Atradius Collections DMCC	EAU
Atradius Collections Holding B.V.	Holanda
Atradius Collections Limited	Canadá
Atradius Collections Limited	Hong Kong
Atradius Collections Limited	Reino Unido
Atradius Collections Pte. Limited	Singapur
Atradius Collections Pty. Limited	Australia
Atradius Collections Serviços de Cobranças de Dívidas Ltda	Brasil
Atradius Collections, S.A. de C.V.	México
Atradius Collections S.L.	España
Atradius Collections, Inc.	EEUU
Atradius Corporate Management Consulting (Shanghai) Co., Ltd.	China
Atradius Credit Insurance Agency, Inc.	EEUU
Atradius Credit Management Services B.V.	Holanda
Atradius Credit Management Services (RUS) LLC	Rusia
Atradius Crédito y Caución S.A. de Seguros y Reaseguros	España
Sucursal Australia	Australia
Sucursal Austria	Austria
Sucursal Bélgica	Bélgica
Sucursal Bulgaria	Bulgaria
Sucursal Canadá	Canadá
Sucursal República Checa	República Checa
Sucursal Dinamarca	Dinamarca
Sucursal Finlandia	Finlandia
Sucursal Francia	Francia
Sucursal Alemania	Alemania
Sucursal Grecia	Grecia
Sucursal Hong Kong	Hong Kong
Sucursal Hungría	Hungría
Sucursal Irlanda	Irlanda
Sucursal Italia	Italia
Sucursal Japón	Japón
Sucursal Luxemburgo	Luxemburgo
Sucursal Holanda	Holanda
Sucursal Nueva Zelanda	Nueva Zelanda
Sucursal Noruega	Noruega
Sucursal Polonia	Polonia
Sucursal Portugal	Portugal
Sucursal Rumanía	Rumanía
Sucursal Singapur	Singapur
Sucursal Eslovaquia	Eslovaquia
Sucursal Suecia	Suecia
Sucursal Suiza	Suiza
Sucursal Turquía	Turquía
Sucursal Reino Unido	Reino Unido

Sociedad	País
Atradius Crédito y Caución Seguradora S.A.	Brasil
Atradius Dutch State Business N.V.	Holanda
Atradius Enterprise Management Consulting (Shanghai) Co., Ltd.	China
Atradius Finance B.V.	Holanda
Atradius Information Services B.V.	Holanda
Sucursal Bélgica	Bélgica
Sucursal Dinamarca	Dinamarca
Sucursal Francia	Francia
Sucursal Alemania	Alemania
Sucursal Irlanda	Irlanda
Sucursal Italia	Italia
Sucursal Japón	Japón
Sucursal Noruega	Noruega
Sucursal España	España
Sucursal Suecia	Suecia
Sucursal Suiza	Suiza
Sucursal Taiwán	Taiwán
Sucursal Tailandia	Tailandia
Sucursal Reino Unido	Reino Unido
Atradius Information Services Vietnam Company Limited	Vietnam
Atradius India Credit Management Services Private Ltd.	India
Atradius Insurance Holding N.V.	Holanda
Atradius Investments Limited	Irlanda
Atradius Italia Intermediazioni S.R.L.	Italia
Atradius Participations Holding S.L.U.	España
Atradius Pension Trustees Ltd.	Reino Unido
Atradius Reinsurance DAC	Irlanda
Atradius Reinsurance DAC Escritório de Representação no Brasil Ltda.	Brasil
Atradius Rus Credit Insurance LLC	Rusia
Atradius Seguros de Crédito, S.A.	México
Atradius Trade Credit Insurance, Inc.	EEUU
Atradius Trade Insurance Brokerage Yuhan Hoesa	Corea del Sur
Crédito y Caución do Brasil Gestao de Riscos de Crédito e Serviços LTDA	Brasil
Gestifatura S.A.	Portugal
Giant-net B.V.	Holanda
Graydon Holding N.V.	Holanda
Graydon Nederland B.V	Holanda
Graydon Belgium N.V.	Bélgica
Graydon UK Ltd.	Reino Unido
Iberinform Internacional S.A.U.	España
Iberinmobiliaria, S.A.U.	España
Iberinform Portugal S.A.	Portugal
Informes Mexico, S.A. de C.V.	México
Invercyca, S.A.U.	España
OpenCompanies B.V.	Holanda
PT Atradius Information Services Indonesia	Indonesia
Starzyński i Wspólnicy Kancelaria Prawna spółka komandytowa (*)	Polonia

(*) The percentage of ownership is 99.99%

Annex II: List of associated entities on 31 December 2019

Figures in Thousands of Euros

Company		% of voting rights			Summarised financial information						
(Name and address)	**Activity**	**Direct**	**Indirect**	**Total**	**Total assets**	**Share Capital**	**Equity reserves**	**Year result, net of dividend**	**Other comprehensive income and accumulated in equity**	**Premiums attributed net of reinsurance**	**Ordinary Income**
Inversiones Credere S.A. Santiago - Chile	Holds shares	49.99%	-	49.99%	-	-	-	-	-	-	-
Calboquer, S.L. Villarroel, 177-179 08936 Barcelona	Medical, social, psychological, and legal advice	-	20.00%	20.00%	877	60	386	69	-	-	2,123
Asitur Asistencia. S.A. Avenida Encuartes, 21 Tres Cantos (Madrid)	Guidance	-	42.82%	42.82%	40,800	2,945	11,733	1,930	-	-	278,527
Gesiuris Asset Management, S.G.I.I.C., S.A., Cedaceros, 9 Madrid	Investment company	-	26.12% (*)	26.12% (*)	10,362	301	6,869	639 *(1)*	481	-	8,319
MB Corredors d'Assegurances Calle Prat de la Creu, 59-65 Andorra la Vella (Andorra)	Insurance broker	-	25%	25%	142	60	60	(12)	-	-	368
CLAL Credit Insurance Tel Aviv - Israel	Credit and surety insurance	-	16.64%	16.64%	90,632	3,341	53,359	3,506	6,824	14,503	-
Compañía de Seguros de Crédito Continental S.A. Santiago - Chile	Credit and surety insurance	-	41.60%	41.60%	114,972	3,657	49,720	8,143	(1,333)	8,433	-
The Lebanese Credit Insurer S.A.L. Beirut - Lebanon	Credit and surety insurance	-	40.68%	40.68%	9,190	2,230	187	164	63	4,285	-
Credit Guarantee Insurance Corporation of Africa Limited Johannesburg - South Africa	Credit and surety insurance	-	20.80%	20.80%	144,748	164	58,512	9,090	2,709	54,910	-

(*) 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 €500,000.

The financial information given for the abovementioned Group companies included in the consolidation perimeter (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 2019, prepared according to the regulatory framework for financial reporting that applies to each of those companies. The financial statements have been duly adapted, for every company, to the Group's accounting policies. The financial statements of the above companies are for the period ended 31 December 2019.

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Auditor's opinion

Grupo Catalana Occidente, S.A. and subsidiaries

Independent auditor's report consolidated annual accounts
December 31, 2019

Independent auditor's report on the consolidated annual accounts

To the Shareholders of Grupo Catalana Occidente, S.A.:

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Grupo Catalana Occidente, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at December 31, 2019, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at December 31, 2019, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

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

Key audit matters

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

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Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, www.pwc.es

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Key audit matter	How our audit addressed the key audit matter

Impairment of the consolidated Goodwill and intangible assets arising from business combinations

The Group has recorded consolidation goodwill arising, mostly, from the positive consolidation differences resulting from the acquisition of stakes in the capital of its subsidiaries, Atradius N.V. (€462 million) and Plus Ultra Seguros Generales y Vida, S.A. de Seguros y Reaseguros (€123 million).

In addition, in 2019 the Group acquired 100% of Seguros de Vida y Pensiones Antares, S.A. which generated a €22 million goodwill as well as a €33 million intangible asset related to the portfolio of insurance policies held.

For the valuation of the impairment, the Group compares, at least on a yearly basis, the recoverable amount of its Cash-Generating Units (CGUs) with its respective carrying amount. This assessment includes internal estimates and valuations performed by experts.

The above-mentioned estimates include assumptions and judgments determined by Management, such as the cash flows considered, solvency ratios, discount rate and long-term growth rate used, which have a significant bearing.

See Notes 3.e, 5.a and 10 of the 2019 consolidated annual accounts.

We have gained an understanding of the process and methodology implemented by the Group with respect to the valuation of intangible assets and goodwill, including internal controls.

We have performed the following procedures with regards to the impairment test of goodwill and intangible assets:

- Evaluation of the valuation methods used for the recoverable amount calculation as well as its consistency with previous year.
- Assessment of the mathematical accuracy of the discounted cash flows as well as of the correct implementation of the related flows and calculations performed.
- Assessment of the assumptions used for the determination of the recoverable amount such as business plans, solvency ratios, discount rate and long-term growth rate.
- Assessment, in collaboration with our experts, of the reasonableness of the above-mentioned assumptions used in the impairment test.
- Analysis of the sensitivity for the main assumptions used.
- In addition, we have tested the adequacy of the disclosure with respect to the information presented in the accompanying consolidated annual accounts in accordance with applicable legal and regulatory requirements.

Regarding the valuations of goodwill made by Management's external experts, we have assessed their competence and capacity as well as the objectivity of their work.

As a result of the procedures described above, we consider that the differences that we have obtained in the estimates made regarding the recoverability of goodwill are within a reasonable range.

Key audit matter	How our audit addressed the key audit matter
Valuation of liabilities for life insurance contracts	
The Group provides life insurance solutions through its insurance subsidiaries, offering life insurance, savings insurance and unit-linked products. Regarding the savings insurance products, the Group records the liabilities in accordance with legal and regulatory requirements applicable in Spain. In some cases, the valuation of such liabilities requires certain level of judgment and estimates determined by Management. Regarding the savings insurance business, the calculation of the mathematical provision and its related sufficiency is a complex actuarial estimate affected by the assumptions and judgments used by Management, such as technical interest rate, expenses ratio or mortality tables. Therefore, we have deemed this valuation to be a key audit matter. See Note 14 of the 2019 consolidated annual accounts.	We have gained an understanding of the reserving and bookkeeping process of life insurance technical provisions which included the assessment of the internal control implemented by the Group, such as controls performed by systems and relevant assumptions. Regarding the mathematical provisions, together with our actuarial experts, we have performed the following procedures: • Understanding of the methodology applied for the calculation of life insurance provisions in accordance with the nature of the products and the provision for claims as well as the consistency of its implementation with respect to the previous year. • Assessment of the adequate bookkeeping of life insurance provisions, as well as of their variations during the period. • Test of details regarding the consistency of the information relating to technical reserves at year end and payments made during the period. • Assessment of the integrity, accuracy and reconciliation of the data input used for actuarial calculations. • Recalculation of the mathematical provision for a selection of policies in accordance with sampling procedures and verification of the technical basis and biometric assumptions in accordance with legal and regulatory requirements. • Assessment of the sufficiency of mathematical provisions in accordance with IFRS-EU requirements. As a result of the procedures described above, we consider that the calculations made by Management regarding the life insurance provisions are within a reasonable range.

Key audit matter	How our audit addressed the key audit matter
Valuation of liabilities for non-life insurance contracts	
The Group provides non-life insurance solutions, through its insurance subsidiaries, mainly offering motor insurance and multi risks insurance and other insurances. In turn, the Group also provides credit and suretyship insurance solutions (nationally and internationally) mostly through its subsidiary Atradius N.V. Regarding the main lines of the non-life business, the Group uses global statistical methods to calculate the provision for outstanding claims and incurred but not reported claims (IBNR), which represents the estimated cost of the claims occurred until the closing date. These actuarial estimates, mainly based on deterministic techniques as well as generally accepted stochastic methods, are complex and incorporate judgments and assumptions made by Management. For the credit and suretyship business line, the Group uses internal models and statistical methods which are complex estimates and significantly affected by projection models and assumptions used by Management. These estimates include uncertainty as the claims tails can vary according to the line of business and as the selection of the assumptions have a significant impact on the consolidated annual accounts. Therefore, we have deemed this valuation to be a key audit matter. See Note 14 of the 2019 consolidated annual accounts.	We have gained an understanding of the reserving and bookkeeping process of non-life insurance technical provisions which included the assessment of internal controls. Together with our actuarial experts, we have performed the following procedures: • Understanding of the methodology applied for the calculation of non-life insurance provisions provision for claims using statistical methods as well as the consistency of its implementation with respect to the previous year. • Understanding and assessment of the methodology applied and the main assumptions used for statistical methods and internal model with respect to credit and suretyship reserves. • Assessment of the integrity, accuracy and reconciliation of the data input used for IBNR calculation. • Assessment of the adequate bookkeeping of the provision for claims, as well as of its variations during the period. • Test of details regarding the consistency of the information relating to the provision for claims at year end. • Assessment of the sufficiency of the provision for claims at the end of the prior annual period. • Assessment of the calculation, methodology, and assumptions applied by Management with respect to liability adequacy test (LAT) in accordance with IFRS-EU. Any difference obtained as a result of our procedures regarding the calculations made by Management remained within a reasonable range in relation to the amount of liabilities for non-life insurance contracts included in the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Valuation and impairment of the financial investment portfolio (Level 2) Due to the nature of the business activity carried on by the Group, the main assets recorded in the balance sheet are financial assets. These financial instruments are valued using observable prices in active markets. However, the Group's financial investments also include certain assets (€381 million) that are complex to value due to the absence of an active market with liquid and accessible quoted prices. These financial instruments are valued through models and information which are not observable from a third party as these investments include significant judgments and assumptions to calculate their fair value. However, in that case, the capital gains or losses, are neutralised within the equity through shadow accounting as these assets are allocated to cash flow matching. Therefore, we have deemed this valuation to be a key audit matter. See Notes 3b and 7 of the 2019 consolidated annual accounts.	Regarding the fair value calculation of these financial instruments, we have gained an understanding of the procedures and criteria used by the Group, including related internal controls. We have focused our work on the following procedures: • Assessment of the integrity of the information and bookkeeping of these financial instruments, as well as of their variations during the period. • Confirmation requests sent to custodian banks (as part of their oversight, custodian and administrative activities) in order to confirm the existence of all financial investments held by the Group as of December 31, 2019. • Assessment, in collaboration with our internal experts, of the valuation of a sample of complex financial instruments (level 2). • Reconciliation of the underlying data used within the valuation models applied for assets that are not quoted on an active market, as well as the assessment of potential impairments in the investment portfolio. • In addition, we have tested the adequacy of the disclosure with respect to the information presented in the accompanying consolidated annual accounts in accordance with applicable legal and regulatory requirements. Any difference obtained as a result of our procedures regarding the valuation of the financial investments remained within a reasonable range.

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2019 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility for the information contained in the consolidated management report is defined in legislation governing the audit practice, which distinguishes two different levels of responsibility:

a) A specific level applicable to the consolidated statement of non-financial information, as well as to certain information included in the Corporate Governance Report, as defined in article 35.2 b) of the Auditing Act 22/2015, which solely requires that we verify whether the aforementioned information has been included in the management report or, where applicable, that the management report includes a reference to a separate statement of non-financial information as stipulated under prevailing regulations, and if not, we are obliged to disclose that fact.

b) A general level applicable to the rest of the information included in the consolidated management report, that consists of evaluating and reporting on the consistency between that information and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, and does not include information different to that obtained as evidence during our audit, as well as evaluating and reporting on whether the content and presentation of this part of the consolidated management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in paragraph a) above has been provided in the consolidated management report and that the rest of the information contained in the consolidated management report is consistent with that contained in the consolidated annual accounts for 2019 and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit committee for the consolidated annual accounts

The Parent company's directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

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

The Parent company's audit committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditor's responsibilities for the audit of the consolidated annual accounts

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

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

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company's directors.

- Conclude on the appropriateness of the Parent company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Parent company's audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company's audit committee, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

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

Report on other legal and regulatory requirements

Report to the Parent company's audit committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent company's audit committee dated February 27, 2020.

Appointment period

The Parent company's General Ordinary Shareholders' Meeting held on April 26, 2018 appointed us as auditors of the Group for a three-year period, as from the year ended December 31, 2018.

Services provided

Audit services and those other permitted services provided to the Group are indicated in note 21.b of the accompanying consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Original in Spanish signed by
Ana Isabel Peláez Morón (20499)

February 27, 2020

11 Corporate governance report

ISSUER'S PARTICULARS

Financial year-end: 31/12/2019

Tax Code: A-08168064

Corporate name:

GRUPO CATALANA OCCIDENTE, S.A.

Registered office:

PASEO DE LA CASTELLANA, 4 MADRID

A. OWNERSHIP STRUCTURE

A.1. Complete the following table on the company's share capital:

Date of last amendment	Share capital (€)	Number of shares	Number of voting rights
25/05/2006	36,000,000.00	120,000,000	120,000,000

Indicate whether different types of shares exist with different associated rights:

[ ] Yes
[√] No

A.2. Details of direct and indirect owners of significant holdings at the end of the financial year, excluding directors:

Name or corporate name of the significant shareholder	% voting rights attributed to shares		% voting rights through financial instruments		total % of voting rights
	Direct	Indirect	Direct	Indirect	
CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	0.00	61.42	0.00	61.42	61.42

Breakdown of indirect holding:

Name or corporate name of the indirect owner	Name or corporate name of the direct owner	% of voting rights attributed to shares	% of voting rights through financial instruments	total % of voting rights
CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	LA PREVISIÓN 96, S.A.	25.00	0.00	25.00
CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	INOC, S.A.	7.01	0.00	7.01
CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	CORPORACIÓN CATALANA OCCIDENTE, S.A.	29.40	0.00	29.40
CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	DEPSA 96, S.A.	0.01	0.00	0.01

Indicate the most significant movements in the shareholder structure during the year:

A.3. Complete los the following tables, list the members of the Board of Directors (hereinafter, “directors”) with voting rights on company shares:

Name or corporate name of the director	% of voting rights attributed to shares		% of voting rights through financial instruments		total % of voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR. JOSÉ MARÍA SERRA FARRÉ	0.41	0.00	0.00	0.00	0.41	0.00	0,00
MR. FEDERICO HALPERN BLASCO	0.02	0.00	0.00	0.00	0.02	0.00	0.00
MS. MARÍA ASSUMPTA SOLER SERRA	2.10	0.00	0.00	0.00	2.10	0.00	0.00
MR. FRANCISCO JOSÉ ARREGUI LABORDA	0.05	0.03	0.00	0.00	0.08	0.00	0.00
MR. HUGO SERRA CALDERÓN	0.01	0.00	0.00	0.00	0.01	0.00	0.00
COTYP, S.L.	0.01	0.00	0.00	0.00	0.01	0.00	0.00
VILLASA, S.L.	0.07	0.00	0.00	0.00	0.07	0.00	0.00
MR. ENRIQUE GIRÓ GODÓ	0.22	0.00	0.00	0.00	0.22	0.00	0.00

% of total voting rights held by the Board of Directors	2.92

Breakdown of indirect holding:

Name or corporate name of the director	Name or corporate name of the direct owner	% of voting rights attributed to shares	% of voting rights through financial instruments	total % of voting rights	% voting rights that can be transmitted through financial instruments
MR. FRANCISCO JOSÉ ARREGUI LABORDA	MS. CELIA BRAVO ARÉVALO	0.02	0.00	0.02	0.00

Name or corporate name of the director	Name or corporate name of the direct owner	% of voting rights attributed to shares	% of voting rights through financial instruments	total % of voting rights	% voting rights that can be transmitted through financial instruments
MR. FRANCISCO JOSÉ ARREGUI LABORDA	MS. BEATRIZ ARREGUI BRAVO	0.00	0.00	0.00	0.00

A.4. Where applicable, indicate any family, commercial, contractual or business relationships between owners of significant shareholdings, insofar that they are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities, except for those detailed in sectionA.6:

Related-party name or corporate name	Type of relationship	Brief description
No data		

A.5. Indicate, where applicable, any commercial, contractual or corporate relationships between owners of significant shareholdings, and the company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities:

Related-party name or corporate name	Type of relationship	Brief description
No data		

A.6. Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of corporate directors.

Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders:

Name or corporate name of the related director or representative	Name or corporate name of the significant related shareholder	Corporate name of the company of the group of the significant shareholder	Description of relationship/post
MR. JOSÉ MARÍA SERRA FARRÉ	CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	Chairman

Name or corporate name of the related director or representative	Name or corporate name of the significant related shareholder	Corporate name of the company of the group of the significant shareholder	Description of relationship/post
MR. JORGE ENRICH IZARD	DEPSA 96, S.A.	CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	Director
MR. FEDERICO HALPERN BLASCO	DEPSA 96, S.A.	CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	Director
MR. FRANCISCO JOSÉ ARREGUI LABORDA	CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	Director-Secretary
MR. HUGO SERRA CALDERÓN	CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	Joint Managing Director
JUSAL, S.L.	LA PREVISIÓN 96, S.A.	CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	Minority shareholder
COTYP, S.L.	INOC, S.A.	CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	Director and minority shareholder
VILLASA, S.L.	INOC, S.A.	CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, SA.	Director and minority shareholder
GESTIÓN DE ACTIVOS Y VALORES, S.L.	INOC, S.A.	CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	Deputy Chairman
ENSIVEST BROS 2014, S.L.	CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	Joint Managing Director
LACANUDA CONSELL, S.L.	CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	Joint Managing Director

Mr. Enrique Giró Godó and Ms. Assumpta Soler Serra were appointed proprietary directors at the proposal of INOC, S.A., although they have no relationship with this shareholder.

A.7. Indicate whether the company has been notified of any shareholders' agreements pursuant to articles 530 and 531 of the Corporate Enterprises Act ("LSC"). Provide a brief description and list the shareholders bound by the agreement, as applicable:

[ ] Yes
[√] No

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. Where applicable, briefly describe them:

[ ] Yes
[√] No

If any of the aforementioned agreements or concerted actions have been modified or terminated during the year, please specify expressly:

A.8. State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Spanish Securities Market Act. If so, identify them:

[√] Yes
[ ] No

Name or corporate name
CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.

A.9. Complete the following tables on the company's treasury stock:

At year end:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
	2,095,017	1.75

(*) Through:

Name or corporate name of direct shareholder	Number of shares held directly
SOCIEDAD GESTIÓN CATALANA OCCIDENTE, S.A.	2,095,017
Total	2,095,017

There has been no change in the direct holder of the participation with respect to previous reports. Sociedad Gestión Catalana Occidente, S.A.U. is the new denomination of Salerno 94, S.A.U. as a consequence of the merger by virtue of which this company, as an absorbing company, acquired the denomination of the absorbed company (Sociedad Gestión Catalana Occidente, S.A.U.).

A.10. Give details of the applicable conditions and time periods governing any resolutions of the General Shareholders' Meeting to issue, buy back and/or transfer treasury stock:

The Board of Directors of Grupo Catalana Occidente, S.A. (hereinafter, "the Company") is authorised and empowered for the derivative acquisition of treasury shares, either directly or through subsidiaries, for any of the acquisition modalities allowed by law, within the limits and subject to the requirements established in the Corporate Enterprises Act ("LSC"), and, in particular, to the following:

(i) The nominal value of the shares acquired, directly or indirectly, in addition to those already owned by the acquiring company and its subsidiaries, and, where appropriate, the parent company and its subsidiaries, may not exceed 10% of the Company's capital stock.
(ii) The acquisition of shares, including those that the company or person acting on its own behalf but on behalf of the latter had previously acquired and had in the portfolio, may not produce the effect that the net equity, as defined in Article 146 LSC, is less than the amount of the share capital plus legal or statutory reserves unavailable.
(iii) The acquisition modalities may consist of both buying and selling and swapping as well as any other business modality for consideration, depending on the circumstances, of fully paid out shares, free of any charge or encumbrance and that do not entail the obligation to perform accessory benefits.
(iv) The minimum and maximum acquisition value will be that of its contribution value reduced or increased by 10%, respectively, on the date on which the transaction in question is completed.

The current authorisation was granted for a period of five years at the General Shareholders' Meeting held on 23 April 2015. In this sense, and before the next expiration of the previous term, the agenda of the General Shareholders' Meeting called for upcoming 30 April 2020 includes the renewal of said authorization for the same period.

Within the framework of the aforementioned authorization, the Board of Directors will establish the treasury stock action policy, being able to delegate the execution of said policy to the Chairperson and / or the Managing Director of the Company. Likewise, the Board of Directors must especially ensure that, at the time of any authorized acquisition, the conditions established in the agreement, in the Law and the criteria established by the regulator are respected. In all cases, the rules and limits contained in the Internal Code of Conduct of Grupo Catalana Occidente, S.A. and its subsidiaries (hereinafter, the "Group" or "Grupo Catalana Occidente") must be respected, in particular with regard to their price.

Moreover, the acquisitions that are made based on the aforementioned authorization may have as their object actions to be delivered, in application of compensation programs of the Company and its Group, to the workers or administrators of the Company and its subsidiaries, directly or as a consequence of the exercise of the option that they are the holders, for which the Company's existing treasury stock may be used, or new acquisitions may be completed under the authorization indicated.

A.11. Estimated floating capital:

	%
Estimated floating capital	33.91

A.12. State whether there are any restrictions (articles of association, legislative or of any other nature) placed on the transferability of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and any regimes for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

[√] Yes
[ ] No

Description of restrictions
There are no restrictions on the right to vote, since each action entitles one vote. Nevertheless, in accordance with the Company's Bylaws and the Regulations of the General Meeting, a minimum of 250 shares registered in the corresponding Accounting Registry are

required to attend the General Shareholders' Meeting, at least five days before the date of the meeting. Shareholders holding a lower number of shares may group them together until at least said number is completed, appointing a representative among them.

Similarly, the restrictions of the insurance regulations apply (Act 20/2015, of 14 July on the organization, supervision and solvency of the insurance and reinsurance entities and their development regulations) that subject to administrative requirements the direct or indirect acquisition of shares or insurance companies based on certain thresholds.

A.13. Indicate whether the General Shareholders' Meeting has agreed to take neutralisation measures to prevent a public takeover bid by virtue of the provisions of Act 6/2007.

[ ] Yes
[√] No

If applicable, explain the measures adopted and the terms under which these restrictions may be lifted:

A.14. State if the company has issued shares that are not traded on a regulated EU market.

[ ] Yes
[√] No

If so, identify the various classes of shares and, for each class of shares, the rights and obligations they confer:

B. OWNERSHIP

B.1. Indicate the quorum required for constitution of the General Shareholders' Meeting established in the company's Articles of Association. Describe how it differs from the system of minimum quorums established in the LSC:

[ ] Yes
[√] No

B.2. Indicate and, as applicable, describe any differences between the company's system of adopting corporate resolutions and the framework set forth in the LSC:

[ ] Yes
[√] No

B.3. Indicate the rules governing amendments to the company's Articles of Association. In particular, indicate the majorities required to amend the Articles of Association and, if applicable, the rules for protecting shareholders' rights when changing the Articles of Association.

The existing rules for the modification of the Articles of Association are the same as those established in the LSC. Thus, article 10 of the Articles of Association establishes that in order for the Board to validly agree on the increase or decrease of capital and, in general, any modification of the Articles of Association, attendance quorums will be required and, where appropriate, the majorities provided in articles 194 and 201 LSC.

Likewise, in accordance with the provisions of articles 286 and 287 LSC, in case of modification of the Articles of Association, the administrators or, where appropriate, the shareholders bringing forth the proposal must write the full text of the modification they propose and a written report justifying the modification, which must be made available to the shareholders on the occasion of the call of the meeting to discuss said modification.

Under articles 197.bis LSC and 4.8 of the Regulations of the General Meeting, matters which are substantially independent, such as amendments to the Articles of Association, will be voted on separately, in which case, each article or group of articles with independent content will be voted separately. Nevertheless, proposals for approval of a full text of the Articles of Association will be voted together.

B.4. Give details of attendance at General Shareholders' Meetings held during the year of this report and the two previous years:

	Attendance Data				
Date of General Meeting	% physically present	% present by proxy	% distance voting: Electronic voting	% distance voting: Other	Total
27/04/2017	69.31	14.38	0.00	0.12	83.81
Of which, free float	4.20	14.36	0.00	0.12	18.68
26/04/2018	65.79	15.58	0.00	0.52	81.89
Of which, free float	1.89	15.55	0.00	0.52	17.96
25/04/2019	65.19	15.11	0.00	0.20	80.50
Of which, free float	0.53	15.08	0.00	0.20	15.81

B.5. State whether any point on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason:

[ ] Yes
[√] No

B.6. State whether the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

[√] Yes
[ ] No

Number of shares required to attend the General Meetings	250
Number of shares required for distance voting	1

B.7. State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting:

[ ] Yes
[√] No

B.8. Indicate the address and mode of accessing corporate governance content on your company's website as well as other information on General Meetings which must be made available to shareholders on the website:

The address of the company's corporate website is: www.grupocatalanaoccidente.com

The way of accessing the content of the information on corporate governance and other information on the general meetings that must be made available to the shareholders through the indicated corporate website, is within the section "General Meeting of Shareholders", clearly accessible through the links "Shareholders and Investors" - "Corporate Governance".

C. COMPANY MANAGEMENT STRUCTURE

C.1. Board of directors

C.1.1 Maximum and minimum number of directors established in the Articles of Association and the number set by the general meeting:

Maximum number of Directors	18
Minimum number of Directors	9
Number of directors set by the general meeting	16

C.1.2 Complete the following table with board members' details:

Name or corporate name of the director	Representative	Director category	Position on the board	Date of first appointment	Date of last appointment	Election procedure
MR. JOSÉ MARÍA SERRA FARRÉ		Executive	CHAIRMAN	15/04/1975	27/04/2017	RESOLUTION OF THE GENERAL SHAREHOLDERS' MEETING
MR. JORGE ENRICH IZARD		Proprietary	DIRECTOR	29/04/1993	27/04/2017	RESOLUTION OF THE GENERAL SHAREHOLDERS' MEETING
MR. FEDERICO HALPERN BLASCO		Proprietary	DIRECTOR	25/11/1993	28/04/2016	RESOLUTION OF THE GENERAL SHAREHOLDERS' MEETING
MR. JOSÉ IGNACIO ÁLVAREZ JUSTE		Executive	MANAGING DIRECTOR	26/04/2012	25/04/2019	RESOLUTION OF THE GENERAL SHAREHOLDERS' MEETING
MR. FRANCISCO JAVIER PÉREZ FARGUELL		Independent	DIRECTOR	25/02/2015	25/04/2019	RESOLUTION OF THE GENERAL SHAREHOLDERS' MEETING
MR. JUAN IGNACIO GUERRERO GILABERT		Independent	DIRECTOR	28/04/2011	27/04/2017	RESOLUTION OF THE GENERAL SHAREHOLDERS' MEETING

MS. MARÍA ASSUMPTA SOLER SERRA		Proprietary	DIRECTOR	24/09/200 9	26/04/2018	RESOLUTION OF THE GENERAL SHAREHOLDERS' MEETING
MS. MARÍA ASSUMPTA SOLER SERRA		Proprietary	DIRECTOR	24/09/2009	26/04/2018	RESOLUTION OF THE GENERAL SHAREHOLDERS' MEETING
MR. FRANCISCO JOSÉ ARREGUI LABORDA		Executive	DIRECTOR-SECRETARY	29/01/1998	25/04/2019	RESOLUTION OF THE GENERAL SHAREHOLDERS' MEETING
MR. HUGO SERRA CALDERÓN		Executive	DIRECTOR	27/06/2013	26/04/2018	RESOLUTION OF THE GENERAL SHAREHOLDERS' MEETING
JUSAL, S.L.	MR. JOSÉ MARIA JUNCADELLA SALA	Proprietary	DIRECTOR	29/04/2010	26/04/2018	RESOLUTION OF THE GENERAL SHAREHOLDERS' MEETING
COTYP, S.L.	MR. ALBERTO THIEBAUT ESTRADA	Proprietary	DIRECTOR	23/02/2012	28/04/2016	RESOLUTION OF THE GENERAL SHAREHOLDERS' MEETING
VILLASA, S.L.	MR. FERNANDO VILLAVECCHIA OBREGÓN	Proprietary	DIRECTOR	26/06/1997	28/04/2016	RESOLUTION OF THE GENERAL SHAREHOLDERS' MEETING
GESTIÓN DE ACTIVOS Y VALORES, S.L.	MR. JAVIER JUNCADELLA SALISACHS	Proprietary	VICE CHAIRMAN	25/05/2017	26/04/2018	RESOLUTION OF THE GENERAL SHAREHOLDERS' MEETING
ENSIVEST BROS 2014,S.L.	MR. JORGE ENRICH SERRA	Proprietary	DIRECTOR	25/02/2015	27/04/2017	RESOLUTION OF THE GENERAL SHAREHOLDERS' MEETING
LACANUDA CONSELL, S.L.	MR. CARLOS FEDERICO HALPERN SERRA	Proprietary	DIRECTOR	29/04/2010	26/04/2018	RESOLUTION OF THE GENERAL SHAREHOLDERS' MEETING
MR. ENRIQUE GIRÓ GODÓ		Proprietary	DIRECTOR	28/02/2019	25/04/2019	RESOLUTION OF THE GENERAL SHAREHOLDERS' MEETING

Total number of directors	16

State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

Name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was member	Indicate whether the director left before the end of the term
INVERSIONES GIRÓ GODÓ, S.L.	Proprietary	28/04/2016	28/02/2019	None	Yes

Reason for resignation and other comments
INVERSIONES GIRÓ GODÓ, S.L. presented their resignation at the Board on 28/022019, being appointed director by the co-opting procedure on the same date his natural person representative, Mr. Enrique Giró Godó, being ratified by the General Meeting on 25/04/2019.

C.1.3 Complete the following tables regarding the members of the Board and their categories:

EXECUTIVE DIRECTORS		
Name or corporate name of the director	Post in the organisational chart of the company	Profile
MR. JOSÉ MARÍA SERRA FARRÉ	EXECUTIVE CHAIRMAN	He holds a degree in Law and Business from the Universidad Pontificia de Comillas (ICADE). Senior Management Program at the IESE Business School. He has been president of the Governing Council of the Cooperative Research Institute between Insurance Entities and Pension Funds and President of the Family Business Institute.
MR. JOSÉ IGNACIO ÁLVAREZ JUSTE	CEO	He holds a degree in Economics and Business Administration from the Universidad Comercial de Deusto.
MR. FRANCISCO JOSÉ ARREGUI LABORDA	MANAGING DIRECTOR	Holds a degree in Law from the University of Barcelona. State Attorney on leave. Senior Management Program at the IESE Business School.
MR. HUGO SERRA CALDERÓN	VICE CHAIRMAN-MANAGING DIRECTOR	He holds a degree in Business Administration from UPC. BSBA by University of Wales and MBA by IESE Business School.

Total number of executive directors	4
% of the Board	25.00

EXTERNAL PROPRIETARY DIRECTORS		
Name or corporate name of the director	Name or corporate name of the significant shareholder represented or that has proposed their appointment	Profile
MR. JORGE ENRICH IZARD	CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	Holds a degree in Law from the University of Madrid.
MR. FEDERICO HALPERN BLASCO	CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	Holds a degree in Economics from the University of Barcelona. Diploma in Industrial Insurance from the Escuela de Organización Industrial. Graduated from the Escuela Oficial de Periodismo de Madrid.
MS. MARÍA ASSUMPTA SOLER SERRA	INOC, S.A.	Holds a degree in Geography and History from the Universidad de Barcelona.
JUSAL, S.L.	JUSAL, S.L.	Holds a degree in Economics and Business Administration from the Universidad de Barcelona.
COTYP, S.L.	INOC, S.A.	Holds a degree in Economics and Business Administration from the Universidad Complutense de Madrid. MBA from Instituto de Empresa.
VILLASA, S.L.	INOC, S.A.	Holds a degree in Architecture from the Escuela Superior de Arquitectura de Barcelona, Universitat Politècnica de Catalunya.
GESTIÓN DE ACTIVOS Y VALORES, S.L.	INOC, S.A.	Holds a degree in Economics. MBA from ESADE Business School.
ENSIVEST BROS 2014, S.L.	CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	BBA in International Business from Schiller International University. PDD from IESE Business School.
LACANUDA CONSELL, S.L.	CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	Holds a degree in Physical Sciences from the Universidad Complutense de Madrid. MBA from IESE Business School. AMP from Harvard Business School.
MR. ENRIQUE GIRÓ GODÓ	INOC, S.A.	Diploma in Business from the University of Barcelona.

Total number of proprietary directors	10
% of the Board	62.50

The profiles included with regard to legal persons refer to natural persons representing them.

INDEPENDENT EXTERNAL DIRECTORS	
Name or corporate name of the director	Profile
MR. JUAN IGNACIO GUERRERO GILABER	Holds a degree in Economics and Business Administration from the Universidad de Barcelona. Insurance Actuary by the Universidad de Barcelona. PhD holder in Financial and Actuarial Mathematics from the Universidad of Barcelona. Currently, Director-Managing Director of “Domasa Inversiones, S.L.” and was CEO – Managing Director of “Aresa, Seguros Generales, S.A.”.
MR. FRANCISCO JAVIER PÉREZ FARGUELL	Holds a degree in Law from the Universidad de Barcelona and a degree in Business Administration and MBA from ESADE Business School. Executive Program at Stanford Business School. Diploma by Harvard and INSEAD. Director at Mahou-San Miguel between 2005 and 2015. Managing Partner at Clearwater International. Member of the Advisory Council of Foment del Treball National and full member of the Barcelona Chamber of Commerce.

Total number of independent directors	2
% of the Board	12.50

List any independent Directors who receive from the company or group any amount or payment other than standard Director remuneration or who maintain or have maintained during the last year a business relationship with the company or any group company, either in their own name or as a significant shareholder, director or senior manager of an entity which maintains or has maintained the said relationship.

If applicable, include a statement from the Board detailing the reasons why the said Director may carry out their duties as an independent Director.

Name or corporate name of the director	Description of the relationship	Reasons
No data		

OTHER EXTERNAL DIRECTORS			
Identify the other external directors and state the reasons why these directors are considered neither proprietary nor independent, and detail their ties with the company or its management or shareholders:			
Name or corporate name of the director	Reasons	Company, executive or shareholder with whom the relationship is maintained	Profile
No data			

Total number of other external directors	N/A.
% of the Board	N/A.

List any changes in the category of each Director which have occurred during the year:

Name or corporate name of the director	Date of change	Previous category	Current category
No data			

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each:

	Number of female directors				% of directors for each category			
	Year 2019	Year 2018	Year 2017	Year 2016	Year 2019	Year 2018	Year 2017	Year 2016
Executive					0.00	0.00	0.00	0.00
Proprietary	1	1	1	1	10.00	10.00	10.00	10.00
Independent					0.00	0.00	0.00	0.00
Other external					0.00	0.00	0.00	0.00
Total	1	1	1	1	6.25	6.25	6.25	6.25

C.1.5 State whether the company has diversity policies in relation to the Board of Directors of the company on such questions as age, gender, disability and training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Accounts Audit Act, will have to report at least the policy they have implemented in relation to gender diversity.

[ ] Yes
[ ] No
[√] Partial policies

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

In the event that the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been implemented, including results achieved
In accordance with Article 16 of the Regulations of the Board of Directors (the "Board Regulations"), the Appointments and Remuneration Committee is entrusted with the basic function of formulating and reviewing the criteria that shall be followed for the composition of the Board of Directors and the selection of candidates. In particular, said Committee has been ensuring, and will continue to do so, that the candidate selection processes do not suffer from implicit biases that might hinder diversity, by raising proposals or informing the Board of Directors, as the case may be, with total objectivity and respect for the principle of equality and diversity, according to their professional conditions, experience and knowledge. This principle has always presided over the performance criteria of the aforementioned Committee, so it is not necessary to adopt any additional measures, as there are no discriminations to eliminate. The right candidate has always been sought, regardless of issues such as age, gender, or disability. Additionally, the Appointments and Remuneration Committee is entrusted with the duty, in accordance with Article 16 of the Board Regulations, to establish a

representation goal for the least represented sex on the Board of Directors and to develop guidelines on how to achieve said goal, in case there are any vacancies. However, this objective has not yet been established as said vacancies have not occurred.

C.1.6 Describe the measures, if any, agreed upon by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors, and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates and which makes it possible to achieve a balance between women and men:

Explanation of measures
The Appointments and Remuneration Committee ensures that the measures indicated in the previous section are respected and that persons of both sexes who meet the necessary requirements and skills for the position are taken into consideration. Additionally, in accordance with Article 16.5.k) of the Board Regulations, said Committee has the duty to establish a representation goal for the least represented sex on the Board of Directors and to develop guidelines on how to achieve said goal, in case there are any vacancies. However, this objective has not yet been established as said vacancies have not occurred.

When, despite the measures taken, there are few or no women Directors, explain the reasons:

Explanation of reasons
The appointment of new directors depends, to a large extent, on the creation of vacancies within the Board of Directors, which does not happen frequently. In this sense, over the last years, the only movements that have taken place have been re-elections, substitutions of a natural person director by a legal person, a legal person by its representing natural person, or changes in the legal person but keeping the natural person acting as representative.

C.1.7 Describe the conclusions of the appointments committee regarding verification of compliance with the selection policy for directors. Particularly whether the policy pursues the goal of having at least 30% of total Board places occupied by women Directors before the year 2020.

The absence of effective vacancies on the Board of Directors, together with the fact that a large part of the directors are proprietary directors appointed at the proposal of shareholders with significant participation, has made it unnecessary until now to approve a policy for the selection of directors, thus being unnecessary to verify it. Notwithstanding the foregoing, and with regard to the percentage of female directors on the Board of Directors, as indicated in the preceding section, the Appointments and Remuneration Committee has the function of establishing a representation goal for the less represented sex on the Board of Directors and elaborating guidelines on how to achieve said goal that, where appropriate, will try to implement when the indicated vacancies occur.

C.1.8 Explain, when applicable, the reasons why proprietary Directors have been appointed upon the request of shareholders who hold less than 3% of the share capital:

Name or corporate name of the director	Justification
CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	Although the aforementioned shareholder does not have a direct shareholding of more than 3%, as indicated in section A.7 above, it exercises indirect control over the Company in accordance with Article 42 of the Commerce Code.
JUSAL, S.L.	Jusal, S.L. ceased to hold a direct shareholding of more than 3% in the Company, although it indirectly holds a 4.27% interest in the Company.

State whether the Board has failed to meet any formal requests for membership from shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. if this is the case, please explain why the aforementioned requests were not met:

[ ] Yes
[√] No

C.1.9 State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees:

Name or corporate name of the director or committee	Brief description
JOSÉ MARÍA SERRA FARRÉ	The Executive Chairman has been expressly delegated to him all the powers and competences of the Board of Directors, except those that cannot be delegated by Law or by the Regulations of the Board of Directors.
JOSÉ IGNACIO ÁLVAREZ JUSTE	The CEO has been expressly delegated to him all the powers and competences of the Board of Directors, except those that cannot be delegated by Law or by the Regulations of the Board of Directors, as well as the power to sell, pledge and in any other way transmit and / or tax, the shares, social interests or quotas of all kinds of companies and entities that are part of the same group as the Company, in accordance with the provisions of Article 42 of the Commerce Code.
FRANCISCO JOSÉ ARREGUI LABORDA	The Managing Director has broad powers of representation of the Company for its ordinary management (with the exclusions indicated for the CEO), limited to 10 million euros jointly, being able to exercise them without monetary limit jointly with the Vice Chairman-Managing Director.
HUGO SERRA CALDERÓN	The Vice Chairman-Managing Director has broad powers of representation of the Company for its ordinary management (with the exclusions indicated for the CEO), limited to 10 million euros jointly, being able to exercise them without monetary limit in a joint manner with the Managing Director.

C.1.10 Identify any members of the Board who are also directors or officers in other companies in the group of which the listed company is a member:

Name or corporate name of the director	Corporate name of the group company	Position	Do they have executive duties?
MR. JOSÉ MARÍA SERRA FARRÉ	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	CHAIRMAN	YES
MR. JOSÉ MARÍA SERRA FARRÉ	BILBAO COMPAÑÍA ANÓNIMA DE SEGUROS Y REASEGUROS, S.A.	CHAIRMAN	NO
MR. JOSÉ MARÍA SERRA FARRÉ	GRUPO COMPAÑÍA ESPAÑOLA DE CRÉDITO Y CAUCIÓN, S.L.	DIRECTOR	NO

Name or corporate name of the director	Corporate name of the group company	Position	Do they have executive duties?
MR. JORGE ENRICH IZARD	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO
MR. JORGE ENRICH IZARD	GRUPO COMPAÑÍA ESPAÑOLA DE CRÉDITO Y CAUCIÓN, S.L.	DIRECTOR	NO
MR. FEDERICO HALPERN BLASCO	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO
MR. JOSÉ IGNACIO ÁLVAREZ JUSTE	ATRADIUS CRÉDITO Y CAUCIÓN, S.A. DE SEGUROS Y REASEGUROS	CHAIRMAN	NO
MR. JOSÉ IGNACIO ÁLVAREZ JUSTE	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	YES
MR. JOSÉ IGNACIO ÁLVAREZ JUSTE	GRUPO CATALANA OCCIDENTE GESTIÓN DE ACTIVOS, S.G.I.I.C., S.A.	DIRECTOR	NO
MR. JOSÉ IGNACIO ÁLVAREZ JUSTE	BILBAO COMPAÑÍA ANÓNIMA DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR	YES
MR. JOSÉ IGNACIO ÁLVAREZ JUSTE	BILBAO HIPOTECARIA, S.A. ESTABLECIMIENTO FINANCIERO DE CRÉDITO	DIRECTOR	NO
MR. JOSÉ IGNACIO ÁLVAREZ JUSTE	GRUPO COMPAÑÍA ESPAÑOLA DE CRÉDITO Y CAUCIÓN, S.L.	CHAIRMAN	NO
MR. JOSÉ IGNACIO ÁLVAREZ JUSTE	ATRADIUS N.V.	CHAIRMAN SUPERVISORY BOARD	NO
MR. JOSÉ IGNACIO ÁLVAREZ JUSTE	GRUPO CATALANA OCCIDENTE TECNOLOGÍA Y SERVICIOS, A.I.E.	CHAIRMAN	NO
MR. JOSÉ IGNACIO ÁLVAREZ JUSTE	GRUPO CATALANA OCCIDENTE CONTACT CENTER, A.I.E.	CHAIRMAN	NO
MR. FRANCISCO JAVIER PÉREZ FARGUELL	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO
MR. FRANCISCO JAVIER PÉREZ FARGUELL	BILBAO COMPAÑÍA ANÓNIMA DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR	NO

Name or corporate name of the director	Corporate name of the group company	Position	Do they have executive duties?
MR. JUAN IGNACIO GUERRERO GILABERT	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO
MR. JUAN IGNACIO GUERRERO GILABERT	BILBAO COMPAÑÍA ANÓNIMA DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR	NO
MS. MARÍA ASSUMPTA SOLER SERRA	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO
MR. FRANCISCO JOSÉ ARREGUI LABORDA	SOCIEDAD GESTIÓN CATALANA OCCIDENTE, S.A.	REPRESENTATIVE SINGLE ADMINISTRATOR	YES
MR. FRANCISCO JOSÉ ARREGUI LABORDA	ATRADIUS CRÉDITO Y CAUCIÓN, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO
MR. FRANCISCO JOSÉ ARREGUI LABORDA	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR-SECRETARY AND MANAGING DIRECTOR	YES
MR. FRANCISCO JOSÉ ARREGUI LABORDA	CATOC SICAV, S.A.	CHAIRMAN	NO
MR. FRANCISCO JOSÉ ARREGUI LABORDA	GRUPO CATALANA OCCIDENTE GESTIÓN DE ACTIVOS, S.G.I.I.C., S.A.	DIRECTOR	NO
MR. FRANCISCO JOSÉ ARREGUI LABORDA	BILBAO COMPAÑÍA ANÓNIMA DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR	NO
MR. FRANCISCO JOSÉ ARREGUI LABORDA	BILBAO HIPOTECARIA, S.A. ESTABLECIMIENTO FINANCIERO DE CRÉDITO	DIRECTOR	NO
MR. FRANCISCO JOSÉ ARREGUI LABORDA	COSALUD SERVICIOS, S.A.	REPRESENTATIVE SINGLE ADMINISTRATOR	YES
MR. FRANCISCO JOSÉ ARREGUI LABORDA	HERCASOL, S.A. SICAV	PRESIDENTE	NO
MR. FRANCISCO JOSÉ ARREGUI LABORDA	GRUPO COMPAÑÍA ESPAÑOLA DE CRÉDITO Y CAUCIÓN, S.L.	REPRESENTATIVE DIRECTOR	NO
MR. FRANCISCO JOSÉ ARREGUI LABORDA	ATRADIUS N.V.	VICE CHAIRMAN SUPERVISORY BOARD	NO
MR. FRANCISCO JOSÉ ARREGUI LABORDA	GRUPO CATALANA OCCIDENTE TECNOLOGÍA Y SERVICIOS, A.I.E.	DIRECTOR	NO

Name or corporate name of the director	Corporate name of the group company	Position	Do they have executive duties?
MR. FRANCISCO JOSÉ ARREGUI LABORDA	GRUPO CATALANA OCCIDENTE CONTACT CENTER, A.I.E.	DIRECTOR	NO
MR. HUGO SERRA CALDERÓN	ATRADIUS CRÉDITO Y CAUCIÓN, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO
MR. HUGO SERRA CALDERÓN	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	YES
MR. HUGO SERRA CALDERÓN	CATOC SICAV, S.A.	DIRECTOR	NO
MR. HUGO SERRA CALDERÓN	GRUPO CATALANA OCCIDENTE GESTIÓN DE ACTIVOS, S.G.I.I.C., S.A.	CHAIRMAN	NO
MR. HUGO SERRA CALDERÓN	BILBAO COMPAÑÍA ANÓNIMA DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR	NO
MR. HUGO SERRA CALDERÓN	HERCASOL, S.A. SICAV	DIRECTOR	NO
MR. HUGO SERRA CALDERÓN	GCO GESTORA DE PENSIONES EGFP, S.A.	CHAIRMAN	YES
MR. HUGO SERRA CALDERÓN	GRUPO CATALANA OCCIDENTE ACTIVOS INMOBILIARIOS, S.L.	CHAIRMAN	YES
MR. HUGO SERRA CALDERÓN	GRUPO COMPAÑÍA ESPAÑOLA DE CRÉDITO Y CAUCIÓN, S.L.	DIRECTOR	NO
MR. HUGO SERRA CALDERÓN	ATRADIUS N.V.	MEMBER SUPERVISORY BOARD	NO
MR. HUGO SERRA CALDERÓN	GRUPO CATALANA OCCIDENTE TECNOLOGÍA Y SERVICIOS, A.I.E.	DIRECTOR	YES
MR. HUGO SERRA CALDERÓN	GRUPO CATALANA OCCIDENTE CONTACT CENTER, A.I.E.	DIRECTOR	YES
JUSAL, S.L.	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO
COTYP, S.L.	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO

Name or corporate name of the director	Corporate name of the group company	Position	Do they have executive duties?
VILLASA, S.L.	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO
GESTIÓN DE ACTIVOS Y VALORES, S.L.	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	VICE CHAIRMAN	NO
ENSIVEST BROS 2014, S.L.	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO
LACANUDA CONSELL, S.L.	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO
MR. ENRIQUE GIRÓ GODÓ	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO

Company directors Mr. José Maria Serra Farré, Mr. José Ignacio Álvarez Juste, Mr. Francisco José Arregui Laborda, Mr. Hugo Serra Calderón, Mr. Juan Ignacio Guerrero Gilabert and Mr. Francisco Javier Pérez Farguell resigned from their positions in the board of directors of Plus Ultra Seguros Generales y Vida, S.A. de Seguros y Reaseguros on 23 December 2019 (yet effective from 1 January 2020) due to the modification of the administration system of said company.

Similarly, and effective from 1 January 2020, director Mr. José Ignacio Álvarez Juste no longer holds the position of CEO of the companiesBilbao Compañía Anónima de Seguros y Reaseguros, S.A. and Seguros Catalana Occidente S.A. de Seguros y Reaseguros.

In addition to the charges indicated in said Section, the representing natural person of Lacanuda Consell, S.L., Don Carlos Halpern Serra, serves as a director at Atradius Crédito y Caución, S.A. de Seguros y Reaseguros.

C.1.11 List any legal-person directors of your company who are members of the Board of Directors of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:

Name or corporate name of the director	Corporate name of the listed company	Position
No data		

C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

[√] Yes
[ ] No

Explanation of the rules and identification of the document where this is regulated

In accordance with the provisions of Article 29 of the Board Regulations, so that the Director may devote the time and effort necessary to perform his function effectively, he or she may not be part of a number of boards greater than six.

For the purposes of calculating the indicated number, the following will not be considered: the boards of companies of the Group on which a Director is proposed by the Company or by any company of the Group; those Boards of equity companies owned by the Directors or their immediate family members; or those which constitute vehicles or complements for the professional practice of the Director, of their spouse or person with similar relationship of affectivity or of their close relatives. Nor will be boards of companies which have as their object leisure activities, assistance or assistance to third parties, or similar, complementary or accessory object of any of these activities.

C.1.13 State total remuneration received by the Board of Directors:

Board remuneration in financial year (thousand euros)	6,324
Cumulative amount of rights of current Directors in pension schemes (thousands of euros)	5,319
Cumulative amount of rights of current Directors in pension schemes (thousands of euros)	

Additionally, there are 106 thousand euros corresponding to long-term variable remuneration that has not been effectively settled, but is deferred and its perception is conditioned by the terms of the Company's Remuneration Policy, published in the corporate website.

The amount of rights accrued by current directors with regard to pensions includes both consolidated and unconsolidated economic rights.

C.1.14 List any members of senior management who are not executive Directors and indicate total remuneration paid to them during the year:

Name or corporate name	Position(s)
MR. JUAN CLOSA CAÑELLAS	MANAGING DIRECTOR OF TRADITIONAL BUSINESS
MR. DAVID CAPDEVILA PONCE	MANAGING DIRECTOR OF ATRADIUS CRÉDITO Y CAUCIÓN, S.A. DE SEGUROS Y REASEGUROS
MR. JAVIER MAIZTEGUI OÑATE	MANAGING DIRECTOR OF BILBAO COMPAÑÍA ANÓNIMA DE SEGUROS Y REASEGUROS, S.A.
MR. AUGUSTO HUESCA CODINA	MANAGING DIRECTOR OF NORTEHISPANA DE SEGUROS Y REASEGUROS, S.A.
MR. LUÍS ESTRELLA DE DELÁS	DEPUTY COMMERCIAL MANAGING DIRECTOR
MR. JORDI COTS PALTOR	GENERAL MANAGER OF INTERNAL AUDIT

Total remuneration received by senior management (thousands of euros)	2,793

The positions held by Mr. Juan Closa Cañellas and Mr. David Capdevila Ponce have been effective since 1 January 2020.

Additionally, there is a total amount of 221 thousand euros corresponding to the long-term variable remuneration of the members of the Senior Management that has not been effectively liquidated, but is deferred and its perception is conditioned in the terms of Remuneration Policy of the Company.
Furthermore, the total remuneration includes the remuneration received by Mr. José Manuel Cuesta Diaz (former General Manager of Internal Audit) until his retirement on 1 July 2019, and the remuneration of his successor, Mr. Jordi Cots Paltor, from said date until the end of the fiscal year.

C.1.15 Indicate whether any changes have been made to the Board Regulations during the year:

[ ] Yes
[√] No

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors. List the competent bodies, procedures and criteria used for each ofthese procedures.

The Directors will be appointed by the General Meeting or by the Board of Directors, in accordance with the rules contained in the LSC.

The proposals for the appointment of Directors submitted by the Board of Directors for the consideration of the General Meeting and the appointment decisions adopted by said body by virtue of the powers of co-optation vested in it must be preceded by the corresponding report of the Appointments and Remuneration Committee. Additionally, as regards the independent Directors, it is up to the Appointments and Remuneration Committee to previously submit to the Board its proposal for appointment. In any case, the proposals for the appointment of Directors must be accompanied by a justifying report from the Board, which will be attached to the minutes of the General Meeting or the Board itself.

In the appointment of external Directors, the Board of Directors and the Appointments and Remuneration Committee, within the scope of their powers, shall ensure that the election of candidates falls on persons of recognised solvency, competence and experience.

Proposals for the re-election of Directors that the Board of Directors decides to submit to the General Meeting must be subject to a formal process of preparation, for which a report issued by the Appointments and Remuneration Committee will necessarily be included, except in the case of re-election of independent Directors, and a report of the Board itself. Additionally, as regards the independent Directors, it is up to the Appointments and Remuneration Committee to previously submit to the Board its re-election proposal. When the Board departs from the recommendations of the Appointments and Remuneration Committee on the appointment or re-election of Directors, it must state the reasons for its conduct and record its reasons in the minutes.

The Directors shall hold their office for periods of four years, renewing the Board in fifths or the number that is closest each year. However, they may be re-elected indefinitely except for independent Directors who in no case remain in their position as such for a period of more than twelve years.

The Directors appointed by co-optation will exercise their position until the conclusion of the General Meeting immediately following the appointment, at which they may be ratified or not. However, if a vacancy occurs once the General Meeting has been convened and prior to its celebration, the co-opted designee will serve until the next General Meeting is held.

The Directors will cease in office when the period for which they were appointed has elapsed and when the General Meeting decides. The proposals for the resignation of Directors that the Board of Directors submits for the consideration of the General Meeting and the decisions adopted in that regard by said body must be preceded by the corresponding report of the Appointments and Remuneration Committee.

Additionally, as regards the independent Directors, it is up to the Appointments and Remuneration Committee to submit its proposal for termination to the Board. When the Board departs from the recommendations in this regard of the Appointments and Remuneration Committee, it must state the reasons for its conduct and record its reasons in the minutes.

The Director who terminates his or her mandate or ceases in the performance of his or her position for any other reason may not provide services in another entity that has a corporate purpose similar to that of the Company for a period of two years. The Board of Directors, if deemed appropriate, may waive the outgoing Director of this obligation or shorten the period of its duration.

The Board will not propose the cessation of any independent Director to the General Meeting before the deadline for which he or she has been elected, unless there is a justifying cause, assessed by the Board of Directors after a report from the Appointments and Remuneration Committee. In particular, the proposal for termination shall be understood as justified when: (i) the Director had breached the duties inherent to the position or had incurred in some of the circumstances described for this purpose in the Code of Good Governance of Listed Companies, or (ii) there are changes in the shareholding structure of the Company that imply a reduction in the number of independent Directors.

C.1.17 Explain to what extent this evaluation has prompted significant changes in its internal organisation and the procedures applicable to its activities:

Description of amendments

The result of the self-assessment measures, through the questionnaires on the functioning of the Board of Directors, the performance of the Executive Chairperson, the functioning of the Audit Committee and that of the Appointments and Remuneration Committee, has yielded a positive result regarding the perception of the suitability of the procedures that are currently applied. Therefore, notwithstanding the fact that the suggestions and aspects that the Directors have considered improvable have been taken into account, it has not been necessary to implement relevant changes in said procedures.

Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been evaluated.

Description of the assessment process and the assessed areas

In accordance with the Regulations of the Board of Directors, the Board assesses its quality and efficiency, as well as the performance of the duties of the Chairperson of the Board, starting in each case from the report submitted to it by the Appointments Committee. Similarly, the Board of Directors evaluates the operation of its Committees, on the basis of the report that they submit to it.

In the last evaluation process carried out, in relation to FY2019, the Board of Directors has evaluated: (i) the quality and efficiency of the operations of the Board of Directors; (ii) the functioning of the Committees of the Board of Directors, and (iii) the performance of the duties of the Chairperson of the Board of Directors.

For this, it has taken into account both the recommendations issued at the end of FY2018 by the external consultants (KPMG Asesores, S.L.) on the quality and efficiency of the functioning of the Council, its committees, as well as the performance of the functions of the Chairperson, the Chief Executive Officer and the Secretary of the Board, as the Technical Guides issued by the CNMV (the Spanish Securities & Exchange Commission, by its Spanish acronym) in relation to the Audit Committee and the Appointments and Remuneration Committee.

First, the Appointments and Remuneration Committee has been analysing throughout the year the structure, size and composition of the Board of Directors to carry out the annual evaluation of the operation of the Board of Directors, issuing a preliminary report that has subsequently been raised to the Board of Directors. In this context, said Committee analysed the level of compliance with the recommendations issued by the external consultants and with the aforementioned CNMV Technical Guides.

In turn, the Board of Directors has carried out an evaluation of the quality and efficiency of the functioning of the Audit Committee and the Appointments and Remuneration Committee based on self-evaluation surveys carried out on the members of said committees, and the reports issued in this regard. Similarly, the analysis carried out on the level of compliance with the recommendations issued by the external consultants and the aforementioned CNMV Technical Guides were taken into account.

Lastly, the performance of the duties of the Chairperson of the Board of Directors, as Chairperson and as Chief Executive, has been carried out by the Board of Directors based on the previous report by the Appointments and Remuneration Committee.

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

During this year, the Company has not been assisted by an external consultant to carry out the annual evaluation of the operation of the Board of Directors.

C.1.19 Indicate the cases in which Directors are required to resign.

In accordance with the provisions of Article 23.3 of the Board Regulations, the Directors shall make available to the Board of Directors and formalise, if it deems it appropriate, the corresponding resignation in certain cases (detailed in Section C.1.42 below), after a report from the Appointment and Remuneration Committee.

C.1.20 Are qualified majorities other than those prescribed by law required for any type of decision?

[ ] Yes
[√] No

If applicable, describe the differences.

C.1.21 State whether there are any specific requirements other than those relating to the Directors, to be appointed chairperson of the board of directors:

[ ] Yes
[√] No

C.1.22 State whether the Articles of Association or the Board Regulations set any age limit for:

[ ] Yes
[√] No

C.1.23 State whether the Articles of Association or the Board regulations establish any stricter term limits or other requirements for independent directors other than those required by law:

[ ] Yes
[√] No

C.1.24 State whether the Articles of Association or Board Regulations establish specific proxy rules for votes at Board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may have, as well as if there is any limit regarding the categories in which it is possible to delegate, beyond the limits imposed by law. If so, give brief details.

Although there are no formal processes for the delegation of the vote in the Board of Directors; in accordance with Article 18.1 of the Board Regulations, the Directors shall do everything possible to attend the meetings of the Board and, when they cannot do so personally, they shall ensure that the proxy they grant in favour of another member of the Board includes the appropriate instructions. In any case, non-executive directors may only delegate their representation to another non-executive director.

C.1.25 State the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the chairperson present. Meetings where the chairperson sent specific proxy instructions are to be counted as attended.

Number of Board meetings	11
Number of Board meetings without the attendance of the chairperson	0

In State the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	0

Indicate the number of meetings of the various Board committees held during the year:

Number of meetings of the APPOINTMENTS AND REMUNERATION COMMITTEE	6
Number of meetings of the AUDIT COMMITTEE	11

C.1.26 State the number of meetings held by the Board of Directors during the year and the information on member attendance:

Number of meetings with the physical attendance of at least 80% of directors	11

% of in situ attendance in terms of the total votes during the year	98.30
Number of meetings with the physical attendance, or proxies with specific instructions, of all directors	11
% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year	100.00

C.1.27 State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

[√] Yes
[ ] No

Identify, where applicable, the person(s) who certified the company's individual and consolidated financial statements prior for their authorisation for issue by the Board:

Name	Position
MR. JOSÉ IGNACIO ÁLVAREZ JUSTE	CHIEF EXECUTIVE OFFICER
MR. FRANCISCO JOSÉ ARREGUI LABORDA	MANAGING DIRECTOR
MR. CARLOS FELIPE GONZÁLEZ BAILAC	CHIEF FINANCIAL OFFICER

C.1.28 Explain any measures established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders' Meeting with qualifications in the auditors' report.

In accordance with the provisions of the Company's Bylaws and the Board Regulations, the Audit Committee has, among its functions, the responsibility for:

(i) Supervising the internal control effectiveness of the Company, internal audit and risk management systems, including the internal control system of financial information, as well as discussing with the account auditors the significant weaknesses of the internal control system detected in the audit.

(ii) Knowing and supervising the process of preparation and presentation of regulated financial information.

(iii) Reviewing the Company's accounts, monitoring compliance with legal requirements and the correct application of generally accepted accounting principles.

(iv) Supervising the information that the Board of Directors must approve and include in its annual public communication.

(v) Liaising with the external auditors and issue annually, prior to the issuance of the account audit report, a report in which they will express their opinion on their independence.

In the exercise of these duties, the Audit Committee shall meet with the external Auditor prior to the presentation of the individual and consolidated accounts, accounting for the work performed during the year, to ascertain and record that until that moment no qualifications are observed in the Audit Report.

The audit reports of the annual accounts formulated by the Board of Directors have been issued historically without qualifications, as stated in the information on the Company that can be found on the CNMV website (www.cnmv.es).

C.1.29 Is the Secretary of the Board also a Director?

[√] Yes
[ ] No

Complete if the Secretary is not also a Director:

C.1.30 State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, financial analysts, investment banks and rating agencies, including how legal provisions have been implemented in practice.

In accordance with the provisions of Article 15 of the Board Regulations, the Audit Committee shall be responsible for liaising with external auditors to receive information on issues that may jeopardise their independence and any others related to the process of development of the audit of accounts, as well as those other communications foreseen in the legislation of audit of accounts and in the technical norms of audit. In any case, they shall receive annually from the account auditors the written confirmation of their independence from the entity or entities linked to it directly or indirectly, as well as the information of the additional services of any kind provided to these entities by the aforementioned auditors or by the persons or entities linked to them in accordance with the provisions of the Accounts Audit Law. Moreover, one of the responsibilities of the Audit Committee is to issue an annual report, prior to the issuance of the account audit report, in which it will express an opinion on the independence of the account auditors or audit firms.

Regarding the financial analysts, investment banks and rating agencies, no mechanisms have been developed to preserve their independence since no situation that requires their implementation has occurred or is foreseen to occur, the communication channels with these being established through the Policy of communication and contacts with shareholders, institutional investors and voting advisors of the Company, which can be consulted on the corporate website.

C.1.31 State whether the company has changed its external audit firm during the year. If so, identify the incoming audit firm and the outgoing auditor:

[ ] Yes
[√] No

If there were any disagreements with the outgoing auditor, please provide an explanation:

[ ] Yes
[√] No

C.1.32 State whether the audit firm provides any non-audit services to the company and/or its Group and, if so, the fees paid and the corresponding percentage of total fees invoiced to the company and/or Group:

[√] Yes
[ ] No

	Company	Company of the group	Total
Amount of non-audit work (thousands of euros)	29	11	40
Amount of non-audit work / amount of audit work (in %)	5.04	0.32	1.00

C.1.33 State whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given by the chairperson of the audit committee to explain the content and extent of the aforementioned qualified opinion orreservations.

[ ] Yes
[√] No

C.1.34 State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidates
Number of consecutive years	2	2

	Individual	Consolidated
Number of fiscal years audited by the current audit firm/ number of fiscal years the company has been audited (by %)	5.26	5.26

C.1.35 State whether there is a procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:

[√] Yes
[ ] No

Details of procedure
In accordance with the provisions of Article 25 of the Board Regulations, the Director is vested with the broadest powers to inform him or herself of any aspect of the Company, to examine its books, records, documents and other background of social operations and to inspect all its facilities. The right to information extends to subsidiaries, whether national or foreign. In order not to disturb the ordinary management of the Company, the exercise of the powers of information will be channelled through the Chairperson or the Secretary of the Board of Directors, who will attend the Director's requests by directly providing the information, offering the appropriate interlocutors or arbitrating the precise measures so that you can practice the desired insight andinspection. In addition, in accordance with the provisions of Article 17.2 of the Board Regulations, the Board shall be convened by letter, fax, telegram or email, and shall be authorised with the signature of the Chairperson or the Secretary or Deputy Secretary by order of the Chairperson. The call will be made at least five days in advance, unless there are extraordinary circumstances appreciated by the Chairperson.

C.1.36 State and, where appropriate, give details of whether the company has established rules obliging Directors to inform the Board of any circumstances that might harm the organisation's name or reputation, tendering their resignation as the case may be:

[√] Yes
[ ] No

Explanation of rules

Article 23 of the Board Regulations establishes that the Directors will place their position at the disposal of the Board of Directors and will formalise, if it deems it appropriate, after a report from the Appointments and Remuneration Committee, the corresponding resignation in the following cases:

(i) When they cease the executive positions to which their appointment as Director was associated.

(ii) When they are involved in any of the cases of incompatibility or prohibition provided by law.

(iii) When they are prosecuted for an allegedly criminal act or are subject to disciplinary proceedings for a serious or very serious offense instructed by the supervisory authorities.

(iv) When the Board itself so requests for having breached its obligations as Directors.

(v) When their permanence on the Board may jeopardise the interests of the Company or when the reasons for which they were appointed disappear.

(vi) In those cases in which they may damage the credit and reputation of the Company and, in particular, when they are charged in a criminal case and are prosecuted or oral judgment is opened for any of the crimes indicated in the corporate legislation.

In addition, the Board of Directors will not propose to the General Meeting the cessation of any independent Director before the deadline for which he or she has been elected, unless there is a justifying cause, assessed by the Board of Directors after a report from the Commission of Appointments and Remuneration.

On the basis of the above, and stating that no situation has occurred in recent years such as those described, the Directors would report on any assumption that could damage the credit and reputation of the Company and would resign at the request of the Board.

C.1.37 State whether any member of the Board of Directors has notified the company that he or she has been tried or notified that legal proceedings have been filed against him or her, for any offences described in Article 213 of the Corporation Act:

[ ] Yes
[√] No

C.1.38 List the significant agreements entered into by the company which come into force, are amended or terminate in the event of a change of control of the company due to a takeover bid, and their effects.

As part of the acquisition of the company Seguros de Vida y Pensiones Antares, S.A. (“Antares”) from its former owner, Grupo Telefónica, an exclusivity commitment was signed for a certain period with Antares regarding certain collective policies whose taker are companies of said Group, the Company acting as guarantor. The aforementioned exclusivity commitment may be unilaterally terminated by Grupo Telefónica in the event of a change of control in the Company.

C.1.39 Identify individually, for directors, and collectively, in other cases, and provide details of any agreements made between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of operation.

Number of beneficiaries	2
Type of beneficiary	Description of the agreement
Chief Executive Officer and Director-Managing Director	The Chief Executive Officer is entitled to compensation equivalent to one and a quarter (1.25) years in the event of termination of his or her contract except in the case serious and guilty breach of his contractual obligations. The termination of the contract at the request of either party requires a notice of 3 months, and in case of breach must be compensated for an amount equivalent to wages corresponding to the time remaining to complete said period. The Director-Managing Director is entitled to compensation in the event of termination of his or her contractual relationship except in the case of resignation not founded on just cause or

	for serious and guilty breach of his contractual obligations, for an amount equivalent to that which would have corresponded to a worker with an ordinary employment relationship in the case of an unqualified qualifying dismissal.

State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group, beyond the cases stipulated by regulations. If so, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	General Shareholders' Meeting
Body authorising clauses	√	

	Yes	No
Are these clauses notified to the General Shareholders' Meeting?		√

C.2. Board Committees

C.2.1 Provide details of all committees of the Board of Directors, their membership, and the proportion of executive, proprietary, independent and other external directors that comprise them:

APPOINTMENTS AND REMUNERATION COMMITTEE		
Name	Position	Category
MR. FRANCISCO JAVIER PÉREZ FARGUELL	CHAIRMAN	Independent
MR. JUAN IGNACIO GUERRERO GILABERT	MEMBER	Independent
GESTIÓN DE ACTIVOS Y VALORES, S.L.	MEMBER	Proprietary

% of executive directors	0.00
% of proprietary directors	33.33
% of independent directors	66.67
% of other external directors	0.00

Explain the duties exercised by this committee, including any that are in addition to those stipulated by law, and describe the rules and procedures it follows for its organisation and functioning. For each one of these functions, briefly describe their most important actions during the year and how they have exercised in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions

APPOINTMENTS AND REMUNERATION COMMITTEE ("CNYR" BY ITS SPANISH ACRONYM)

1) According to the wording of Article 16 of the Board Regulations, the CNYR will consist of between 3 and 5 members, all external Directors and the majority being independent directors; however, the Executive Directors will attend the meetings without a vote unless it is not convenient for their Chairperson. Any member of the management team or staff that is required shall attend the sessions of the CNYR and provide their collaboration and access to the information available to them.

2) The CNYR shall regulate its operation, appointing its Chairperson from among its independent members. The Secretariat shall be carried

out by the Secretary of the Board, the Deputy Secretary or one of the members and, in matters not provided for, the rules established by the Board Regulations in relation to the Board shall apply, provided they are compatible with the nature and function of the CNYR. The CNYR will be constituted when at least half of its members attend, present or represented and their agreements will be adopted by an absolute majority of their assistants, the Chairperson's vote being decisive.

3) The CNYR shall ensure that the Company has an orientation program that provides new Directors with sufficient knowledge of the Company and its corporate governance rules. This CNYR may have only powers of information, advice and proposal in the matters determined by the Board Regulations, without excluding the Board from deciding on these matters, always obtaining the CNYR report. A decision may not be taken against the opinion of the CNYR except by agreement of the Board. The CNYR may seek the advice of external professionals.

4) The CNYR has, among others, the following functions (a complete enumeration can be read in Article 16 of the Board Regulations):

(i) formulating and review the criteria that must be followed for the composition of the Board and selection of candidates and verify that they meet the qualification requirements;
(ii) submitting to the Board a report on the appointment of Directors so that it may proceed directly to appoint them or submit the appointment to the decision of the General Meeting ("GM"), as well as on the appointment of natural persons representing legal persons acting as Directors. Reporting on the cessation proposals of the members of the Board. In the case of independent Directors, proposing their appointment or removal;
(iii) reporting on the appointment and removal of the Secretary and the Deputy Secretary of the Board;
(iv) proposing to the Board the members that must be part of each of the delegated bodies of the Board; reporting on the performance of the functions of the Chairperson of the Board and / or the Chief Executive, on the quality and efficiency of the work of the Board and on its own functioning;
(v) examining or organising the succession of the Chairperson and / or the Chief Executive and, where appropriate, make proposals so that it occurs in an orderly and planned manner;
(vi) proposing to the Board the remuneration policy of the Directors and of the Managing Directors or of those who carry out their senior management functions under the direct dependence of the Board, of Executive Committees or of CEOs, as well as the remuneration and other contractual conditions of Executive Directors, ensuring their observance;
(vii) (vii) reporting on the appointments and dismissals of senior managers that the first executive proposes to the Board, as well as the basic conditions of their contracts;
(viii) reviewing the compensation programs, weighing their adequacy and performance; as well as the remuneration policy applied to directors and managers, verifying the information on their remuneration;
(ix) reporting in relation to transactions that imply conflicts of interest, related transactions and, in general, the matters contemplated in Chapter IX of the Board Regulations;
(x) establishing a representation goal for the less represented sex in the Board and developing guidelines on how to achieve said objective.

The CNYR has exercised the functions (i), (ii), (v), (vii), (ix) and (x) during the year under review.

AUDIT COMMITTEE		
Name	Position	Category
MR. JUAN IGNACIO GUERRERO GILABERT	CHAIRMAN	Independent
MR. FRANCISCO JAVIER PÉREZ FARGUELL	MEMBER	Independent
LACANUDA CONSELL, S.L.	MEMBER	Proprietary

% of executive Directors	0.00
% of proprietary Directors	33.33
% of independent Directors	66.67
% of other external Directors	0.00

The Secretary of the Board of Directors of the Company (executive director) performs the functions of non-member secretary of the Audit Committee. In particular, said director is not only licensed in law but lawyer of the state on leave and, therefore, amply complies with all the necessary requirements to be able to exercise the functions entrusted and, in particular, those provided for in Article 529 octies LSC for the secretary of the board of directors and which can be extrapolated to the secretary of the Audit Committee, and among which we highlight "Ensuring that the actions of the board of directors comply with the applicable regulations and comply with the bylaws and other internal regulations ".

In this regard, the Board of Directors has understood that, given the increase in the functions and responsibilities attributed to the Audit Committee by the legislative reforms, said appointment would guarantee that its development will be carried out in accordance with said regulations, allowing Committee members focus on the substantive aspects of their mission.

Likewise, it should be noted that the executive director who acts as a non-member secretary of the Committee, as such, has no vote in the decisions taken by the same.

Explain the duties exercised by this committee, including any that are in addition to those stipulated by law, and describe the rules and procedures it follows for its organisation and functioning. For each one of these functions, briefly describe their most important actions during the year and how they have exercised in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

AUDIT COMMITTEE ("CAU" BY ITS SPANISH ACRONYM)

1) According to the wording of Article 15 of the Board Regulations, the Board of Directors will constitute a CAU that will be composed of between 3 and 5 members, all of them non-executive Directors, appointed by the Board, being the majority independent and having, as a whole, the relevant technical knowledge and experience. The Board will choose, from among the independent members, the Chairperson of the CAU shall be replaced every 4 years, being able to be re-elected once one year has elapsed since his or her termination.

2) The CAU will be constituted when at least half of its members, present or represented, attend and their agreements will be adopted by an absolute majority of their assistants, the Chairperson's vote being decisive. Any member of the management team or the staff that is required will be obliged to attend and provide your collaboration and access to the information available to them.

3) Executive Directors who are not members of the CAU may attend the sessions, in an advisory capacity, at the request of the Chairperson of the committee.

4) The CAU may seek the advice of external professionals.

5) The CAU will have, among others, the following functions (a complete enumeration can be read in Article 15 of the Board Regulations), all of which it has exercised during the fiscal year object of this Report:

(i) reporting, in the GM, on the issues raised by the shareholders in matters of their competence and, in particular, on the result of the audit;
(ii) proposing the selection, appointment, re-election and contract and mandate conditions, as well as revocation / non-renewal of external account auditors;
(iii) supervising the effectiveness of the internal control of the Company, the internal control system of financial information, internal auditing and risk control systems, as well as discuss with the account auditors the significant weaknesses detected;
(iv) functions related to the internal audit unit;
(v) liaising with the external auditors and being informed about those issues that may jeopardise their independence, and any others related to the audit process. Receiving annually from the auditors written confirmation of their independence from the Company or entities linked to it;
(vi) annually issuing a report on the independence of the auditors, ruling on the provision of additional services by these or their related persons;
(vii) collecting information on structural modifications and corporate operations and their economic conditions and accounting impact;
(viii) evaluating the results of each audit;
(ix) knowing the process of preparation, integrity and presentation of financial information, reviewing the accounts of the Company, monitoring compliance with the legal requirements, the adequate delimitation of the consolidation perimeter and the correct application of generally accepted accounting principles;
(x) supervising the information that the Board must approve and include in its annual public documentation;
(xi) examining compliance with the Internal Rules of Conduct of the Company and its Group, the Board Regulations and, in general, the rules of corporate governance of the Company; making proposals for improvement and periodically assess their adequacy; and
(xii) functions related to corporate responsibility policy and communication strategy and relationship with shareholders and investors.

6) The CAU will inform the Board prior to the adoption of all those matters on which it is required.

Identify the directors who are member of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

Name of directors with experience	MR. JUAN IGNACIO GUERRERO GILABERT / MR. FRANCISCO JAVIER PÉREZ FARGUELL / LACANUDA CONSELL, S.L.

Date of appointment of the chairperson	25/07/2019

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors							
	Year 2019		Year 2018		Year 2017		Year 2016	
	Number	%	Number	%	Number	%	Number	%
APPOINTMENTS AND REMUNERATION COMMITTEE	0	0.00	0	0.00	0	0.00	0	0.00
AUDIT COMMITTEE	0	0.00	0	0.00	0	0.00	0	0.00

C.2.3 State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments made to them during the year. Also state whether any annual reports on the activities of each committee have been voluntarily prepared.

There are no specific regulations that regulate the activity of the Board Committees, as they are subject to regulation sufficiently detailed in the Board Regulations.

A report on the activities of the Audit Committee that is made available to shareholders at the time of convening the General Meeting of Shareholders and which can be consulted on the corporate website of the Company is made annually on a voluntary basis.

D. REATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1. Describe, if applicable, the procedure for approval of related-party and intragroup transactions.

Without prejudice to other delegations conferred, the Board of Directors is aware of the most relevant matters for the Company and, in particular, by adopting agreements to be approved as provided in the Law or the Statutes, it is responsible for the treatment, among other matters which have the character of reserved, the one referring to the transactions that the Company carries out with Directors, with significant shareholders or represented on the Board of Directors, or with related persons ("related transactions").

Such related transactions must be authorised by the Board of Directors, after a favourable report from the Appointments and Remuneration Committee (which also has the responsibility to report on transactions that imply or may imply conflicts of interest) or, where appropriate, the Committee audit. The Directors affected by these transactions, in addition to not exercising or delegating their voting rights, must be absent from the meeting room while the Board of Directors deliberates and votes on them.

However, the previous authorization the report of the Appointments and Remuneration Committee will not be necessary, in those related transactions that simultaneously meet the following three conditions:

(i) that they are made under contracts whose conditions are standardised and are en masse;

(ii) that they are carried out at prices or tariffs established in general by those who act as suppliers of the goods or service in question; and

(iii) that its amount does not exceed 1% of the annual income of the Company.

As previously mentioned, and in accordance with the Regulations of the Board of Directors, in order to implement part of its supervisory powers, the Audit Committee has, among other powers, that of informing the Board of Directors prior to the adoption by the corresponding agreement of all related operations, when the Appointments and Remuneration Committee has not informed them.

D.2. List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's significant shareholders:

Name or corporate name of the significant shareholder	Name or corporate name of the company or entity in the group	Nature of the relationship	Type of transaction	Amount (thousands of euros)
CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	Contractual	Operating lease agreements	2
DEPSA 96, S.A.	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	Contractual	Operating lease agreements	4
INOC, S.A.	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	Contractual	Operating lease agreements	3

Name or corporate name of the significant shareholder	Name or corporate name of the company or entity in the group	Nature of the relationship	Type of transaction	Amount (thousands of euros)
CORPORACIÓN CATALANA OCCIDENTE, S.A.	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	Contractual	Operating lease agreements	3
LA PREVISIÓN 96, S.A.	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	Contractual	Operating lease agreements	3
INOC, S.A.	GRUPO CATALANA OCCIDENTE, S.A.	Corporate	Dividends and other profit distributed	6,430
CORPORACIÓN CATALANA OCCIDENTE, S.A.	GRUPO CATALANA OCCIDENTE, S.A.	Corporate	Dividends and other profit distributed	29,546
LA PREVISIÓN 96, S.A.	GRUPO CATALANA OCCIDENTE, S.A.	Corporate	Dividends and other profit distributed	25,131

D.3. List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's managers or Directors:

Name or corporate name of the administrators or managers	Name or corporate name of the related party	Relationship	Nature of the operation	Amount (thousands of euros)
No data				N/A.

In accordance with the provisions of Order EHA / 3050/2004, of 15 September, it is hereby stated that, regardless of the remuneration received by the Directors reflected in Section C.1.13 and the dividends received, where appropriate, by the Directors (for total amount of 3,218.43 thousand euros) and members of Senior Management (for a total amount of 9.68 thousand euros) as shareholders, there have been no related transactions with administrators, executives or assimilated for this purpose, or with persons related to them, except those that, belonging to the ordinary traffic of the company, have been carried out under standard conditions for the clients and are of little relevance (understood as those whose information is not necessary to express the true image of the patrimony, of the financial situation and the results of the entity), or are already described in this Annual Corporate Governance Report.

D.4. List any relevant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose subject matter and terms set them apart from the company's ordinary trading activities.

In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens:

Name of the company in its group	Brief description of the transaction	Amount (thousands of euros)
SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	LOANS	10,656
BILBAO COMPAÑÍA ANÓNIMA DE SEGUROS Y REASEGUROS, S.A.	LOANS	67,320
SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	INTEREST ACCRUAL FROM LOANS	897
BILBAO COMPAÑÍA ANÓNIMA DE SEGUROS Y REASEGUROS, S.A.	INTEREST ACCRUAL FROM LOANS	1,743
SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	ACTUARIAL FUNCTION SERVICES	151
SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	RISK MANAGEMENT SERVICES	92
BILBAO COMPAÑÍA ANÓNIMA DE	ACTUARIAL FUNCTION SERVICES	80

Name of the company in its group	Brief description of the transaction	Amount (thousands of euros)
SEGUROS Y REASEGUROS, S.A.		
BILBAO COMPAÑÍA ANÓNIMA DE SEGUROS Y REASEGUROS, S.A.	RISK MANAGEMENT SERVICES	49
NORTEHISPANA DE SEGUROS Y REASEGUROS, S.A.	ACTUARIAL FUNCTION SERVICES	53
NORTEHISPANA DE SEGUROS Y REASEGUROS, S.A.	RISK MANAGEMENT SERVICES	32
NORTEHISPANA DE SEGUROS Y REASEGUROS, S.A.	INTERNAL AUDIT SERVICES	68
PLUS ULTRA, SEGUROS GENERALES Y VIDA, S.A. DE SEGUROS Y REASEGUROS	ACTUARIAL FUNCTION SERVICES	133
PLUS ULTRA, SEGUROS GENERALES Y VIDA, S.A. DE SEGUROS Y REASEGUROS	RISK MANAGEMENT SERVICES	81
GCO REASEGUROS, S.A.	ACTUARIAL FUNCTION SERVICES	27
GCO REASEGUROS, S.A.	INTERNAL AUDIT SERVICES	16
GCO REASEGUROS, S.A.	RISK MANAGEMENT SERVICES	13
GCO REASEGUROS, S.A.	REGULATORY COMPLIANCE SERVICES	12
GCO REASEGUROS, S.A.	CONTABILIDAD	6
ATRADIUS CRÉDITO Y	ACTUARIAL FUNCTION SERVICES	217

Name of the company in its group	Brief description of the transaction	Amount (thousands of euros)
CAUCIÓN, S.A. DE SEGUROS Y REASEGUROS		
ATRADIUS REINSURANCE DAC	ACTUARIAL FUNCTION SERVICES	54
CGO GESTORA DE PENSIONES EGFP, S.A.	INTERNAL AUDIT SERVICES	3
CGO GESTORA DE PENSIONES EGFP, S.A.	RISK MANAGEMENT SERVICES	3
CGO GESTORA DE PENSIONES EGFP, S.A.	REGULATORY COMPLIANCE SERVICES	3
GRUPO CATALANA GESTIÓN DE ACTIVOS, S.A. S.G.I.I.C.	REGULATORY COMPLIANCE SERVICES	8
GRUPO CATALANA GESTIÓN DE ACTIVOS, S.A. S.G.I.I.C.	RISK MANAGEMENT SERVICES	9
CATALANA OCCIDENTE CAPITAL, AGENCIA DE VALORES, S.A.	RISK MANAGEMENT AND REGULATORY COMPLIANCE SERVICES	6
SEGUROS CATALANA OCCIDENTE DE SEGUROS Y REASEGUROS	ACCOUNTING SERVICES	163
BILBAO COMPAÑÍA ANÓNIMA DE SEGUROS Y REASEGUROS, S.A.	ACCOUNTING SERVICES	67

Name of the company in its group	Brief description of the transaction	Amount (thousands of euros)
NORTEHISPANA DE SEGUROS Y REASEGUROS, S.A.	ACCOUNTING SERVICES	92
PLUS ULTRA SEGUROS GENERALES Y VIDA, S.A. DE SEGUROS Y REASEGUROS	ACCOUNTING SERVICES	353

D.5. State the amount of any transactions conducted with other related parties that have not been reported in the previous sections:

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)
No data		N/A

D.6. Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.

Article 33 of the Regulations of the Board of Directors establishes that the Directors shall notify the Board of Directors of any conflict situation, direct or indirect, that they may have in the interest of the Company.

In the event of a conflict, the affected Director shall refrain from intervening in the operation to which the conflict is referred. In particular, Directors shall refrain from attending and intervening in deliberations that affect matters in which they may be personally interested.

The Director may not, directly or indirectly, carry out relevant professional or commercial transactions with the Company, unless he or she previously communicates the conflict situation and the Board, after a report from the Appointments and Remuneration Committee, approves the transaction.

In the case of ordinary transactions with the Company, it will be sufficient for the Board of Directors to approve, in a generic way, the line of operations.

In any case, the relevant transactions between the Company and its Directors and, in general, situations of conflict of interest in which the Directors of the Company are, directly or indirectly, will be subject to information in the Annual Corporate Governance Report, in accordance with the provisions of the applicable legislation and the provisions of Article 45 of the Board Regulations.

D.7. Is there more than one company in the group listed in Spain?

[ ] Yes
[√] No

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1. Explain the scope of the company's Risk Management and Control System, including tax compliance risk:

The Risk Control and Management System of the Company and its Group operates in an integral manner, consolidating said management by business, activity, subsidiary and support area at the corporate level.

The Company defines its strategy based on the level of risk it is willing to assume and ensures that its integration with the business strategy allows it to comply with the appetite and risk tolerance set by the Board of Directors. For this purpose, through the process of establishing the Risk Control and Management System, the Company identifies and determines, among others, (i) the different types of risk it faces (including tax nature), (ii) the level of risk that is considered acceptable, (iii) the measures envisaged to mitigate the impact of the identified risks, should they materialise, and (iv) the internal information and control systems used in the management of said risks .

Within the framework of compliance with the requirements established in Article 66 of Act 20/2015 on the organization, supervision and solvency of insurance and reinsurance entities (“LOSSEAR”) and its development by Article 44 of the Royal Decree Law 1060/2015, of 20 November, on management, supervision and solvency of the insurers and reinsurers (“ROSSEAR”), the Company has developed written policies that, together with existing technical standards, guarantee the proper management of risks. Specifically, it has a risk management policy that establishes the general guidelines for managing them and serves as an umbrella for the following policies: (i) subscription risk policy, risk of provision of provisions and claims management, (ii) reinsurance policy, (iii) investment policy, (iv) operational risk policy, (v) internal risk assessment and solvency policy (“ORSA”) and (vi) policies related to the Partial Internal Model for Subscription risk concerning Crédito y Caución.

Each of them, and in relation to its purpose, identifies the risks of the affected area, establishes measures to quantify the risk, determines the actions to be taken to mitigate its impact and defines both internal and external information systems.

Additionally, there is a Corporate Fiscal Policy, applicable at Group level, which describes the fiscal strategy of the Grupo Catalana Occidente and the incorporation into its corporate governance system of the processes and principles that should guide its fiscal compliance policy with the provisions of Article 529 ter (i) of the Corporate Enterprises Act ("LSC").

E.2. Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk:

The Board of Directors, as the main organ of the Company, decides on the general policies and strategies of the Group and, among them, on the general policies of control and risk management. In this sense, the Board of Directors is the one who approves, at the proposal of the Group Management Committee, the main lines of said system, being the administrative bodies of the individual entities of the Group responsible for the execution of the risk strategy. Additionally, the Group Management Committee is responsible for periodically monitoring the implementation and execution of internal information and control systems.

In support of the actions of the Board of Directors and the Management Committee, the Risk Management System is based on the “Three Lines of Defence” principle. This principle establishes the levels of activity, roles and responsibilities that rule over the Risk Control and Management System with the following breakdown:

(i) First Line of Defence (Takes Risks and accepts responsibility for them): It is formed by the business units which are responsible for the specific risks assumed and their management.

(ii) Second Line of Defence (Control and Monitoring): It consists of the Risk Management Control Function, Compliance Verification Function and Actuarial Function, which act as a line of control regarding the risks managed by the business units and ensure compliance with risk management policies.

(iii) Third Line of Defence (Internal Audit): It is made up by the Internal Audit Function, which is responsible for carrying out an independent evaluation of the effectiveness of the Government System, the Risk Management System and the Internal Control.

In particular, and as regards fiscal risk, the Board of Directors encourages the follow-up of the tax principles and good practices contained in the Corporate Fiscal Policy of the Catalana Occidente Group initially approved by the general meeting of 26 November 2015 and which is reviewed annually.

Under the coordination of the Fiscal Advisors of the Company, the good practices included in the aforementioned policy are executed by the different Departments of the entities that make up the Group, who shall establish the control mechanisms and internal rules necessary to ensure compliance with current tax regulations.

This work includes all the countries and territories in which the Group is present and covers all the areas and businesses that are developed by it, which allows for an integrated management of its fiscal positions in a coherent and joint manner to the rest of the risks.

Likewise, said Policy establishes the adoption of the necessary control mechanisms to ensure, within an adequate business management, compliance with tax regulations and the above principles by all the Group entities, being implemented, under the supervision of the Audit Committee, a system of control and management of risks, including tax, in order to identify them, and define and include prevention and correction measures, together with the relevant internal procedures and controls.

E.3. State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives:

The main risks that may affect the achievement of the Company's business objectives are:

1. Technical risks of the general insurance business:

The risks inherent to this business include loss derived from an adverse change in the value of the Company's liabilities due to (i) fluctuations in relation to the time of occurrence, the frequency and severity of the insured events, and the timing and amount of claims settlement (premium and reserve risks) or (ii) the occurrence of extreme or exceptional events (catastrophic risk).

2. Technical risks of credit insurance:

The risks of credit insurance are specified (i) in the worsening of the non-payment of the credit insurance policy portfolio, and the insolvency of the clients of our insured parties and (ii) in the breach of the clients in the products of guarantee. In the credit insurance business, given its special idiosyncrasy, there are risk authorization systems and processes that are specific. As the limits to be insured increase, the decision about whether or not to ensure a risk requires the authorization of one or more persons and of a higher hierarchy. Even people of high hierarchical levels have authorization limits.

3. Technical risks of the Life insurance business:

In life products, technical risks are summarised in (i) risks biometric (which include the risks of mortality, longevity, morbidity/disability); (ii) portfolio decline; (iii) of expenses; (iv) review; and (v) catastrophe. The variability of each of these risks with respect to their statistical average value is the origin of a potential loss.

4. Financial Risks:

Financial risk is understood as the one arising from a result of (i) movements of interest rates and credit spreads; (ii) the variation in the price of equity and real estate; (iii) the concentration of investments; (iv) lack of liquidity; (v) the volatility of currency exchange rates; and (vi) adverse changes in the financial situation of issuers of securities, counterparties and any debtor to which the Group is exposed. Specific monitoring is carried out for all these risks.

5. Operational Risks:

Operational risk is understood as the risk of loss arising from the inadequacy or dysfunction of internal processes, personnel or systems, or external events. Operational risk management includes: (i) the identification of risks, (ii) their assessment, (iii) the definition of controls in response to said risks and (iv) the analysis and monitoring of residual risk. In particular, such risks include the lack of detection of both internal fraud and external fraud.

6. Regulatory, legal, fiscal and reputational risks:

The different entities of the Group are exposed to a complex and changing regulatory and legal environment, by governments and regulators, which can influence their growth capacity and in the development of certain businesses, in greater capital requirements. The Company, as the Group's head, constantly monitors changes in the regulatory framework that allow it to anticipate and adapt to them sufficiently in advance, adopt best practices and the most efficient and rigorous criteria in its implementation.

In turn, and as part of the financial sector, the Company is subject to an intense level of scrutiny by regulators, governments and by society itself. Negative news or inappropriate behaviour can lead to significant reputational damage and affect the ability of an entity to develop a sustainable business. The attitudes and behaviours of the Group and its members are governed by the principles of integrity, honesty, long-term vision and best practices thanks to, on the one hand, the Code of Ethics of the Grupo Catalana Occidente, its development protocols and the Internal Regulations of Conduct (see Section F below), and, on the other hand, and in reference to the specific tax risk, to the Corporate Fiscal Policy.

Moreover, to complement the previous internal regulations, the Company has a reputational risk management protocol to which the main entities of the Group are adhered.

E.4. State whether the entity has a risk tolerance level, including tolerance for tax compliance risk:

The Company and its dependent entities have risk tolerance levels in accordance with the risk strategy defined by the Group. Starting from the Group's risk strategy, the risk strategy of each of the individual insurance entities belonging to the Group is defined.

The risk strategy is defined by the Company's Board of Directors. In determining the risk strategy, the Board considers, among other elements, the Group's capital management policy and the ORSA process, in which capital needs are projected based on the business plan, both in normal situations and in stressful situations, considering all the quantitative and qualitative risks to which the Company (including tax) as well as the individual insurance entities that belong to the Group are exposed.

E.5. Identify any risks, including fiscal, which have occurred during the year:

The risk control and management system contemplates the main quantifiable risks through the standard formula and the partial internal model for credit insurance and those significant risks not included in said calculation evaluated in the ORSA process. Quantifiable risks are broken down into Life and Non-Life Subscription Risks (technical risks), Market Risk, Counterparty Risk and Operational Risk. Additionally, through the ORSA process, other risks such as reputational, strategic and regulatory are included.

In this sense, during the year 2019, there was no deviation from the risk appetite approved by the Company and no significant risks have materialised for the Company or the entities that form it.

E.6. Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise:

The main risks faced by the Group are those derived from the subscription of its products and the risk derived from investments affecting the provisions generated by them.

Among the actions that the Company and the Group carry out for monitoring and control are:

1. Technical or own risks of the general insurance business:

(i) Monitoring the adequacy of the technical subscription regulations;
(ii) Analysis of the products in order to determine the sufficiency of the premiums;
(iii) Analysis of the evolution of technical provisions;
(iv) Sensitivity analysis of product portfolios;
(v) Recruitment of the appropriate reinsurance structure;
(vi) Appropriate actions related to portfolio surveillance;
(vii) Quantification of the market value of the business (“Appraisal Value”) at an individual and consolidated level; and
(viii) Calculation of regulatory capital.

2. Technical or own risks of the Life insurance business:

(i) Monitoring the adequacy of the technical subscription regulations;
(ii) Analysis of the products in order to determine the sufficiency of the premiums;
(iii) Analysis of the evolution of technical provisions;
(iv) Sensitivity analysis of product portfolios;
(v) Recruitment of the appropriate reinsurance structure;
(vi) Quantification of the intrinsic value of the life business ("European Embedded Value"), both individually and consolidated; and
(vii) Calculation of regulatory capital.

The Actuarial Function has carried out a consolidation of the value of some companies that had previously implemented an Appraisal Value system and has assumed the coordination of the calculations of said indicator at the level of the Group's traditional business.

3. Financial Risk:

(i) Classification of assets managed according to their characteristics (required profitability, risk, liquidity, etc.);
(ii) Analysis and monitoring of credit risk and monitoring of concentration risks by sector, issuer, currency and country of the managed portfolios:

(iii) Analysis of the marriage of assets and liabilities (“ALM”) in relation to the obligations contracted with the insured;
(iv) Analysis of the maximum loss (“VaR”) that each of the portfolios could experience;
(v) Sensitivity analysis and future scenarios; and
(vi) Monitoring of capital requirements as well as the criteria used by rating agencies.

Said analysis and control is carried out at the individual and consolidated level. Additionally, there is an Investment Policy that determines the assets suitable for investment, diversification limits and the main control systems established.
The Corporate Internal Control department and the Corporate Internal Audit Department ensure the adequacy, effectiveness and compliance of the established controls.

4. Operational Risk:

The Group has 2 IT tools that allow monitoring and quantification (in traditional and credit insurance).
The risks and controls associated with processes have been categorised so that their classification is homogeneous, allowing to obtain the necessary information to improve the management of operational risk by both entity and Group.
Likewise, an evaluation of the effectiveness of the internal procedures implemented is carried out and the reported operational losses (including tax) are collected in order to improve the Risk Management System and prevent its recurrence in the future.
Information regarding the assessment of operational risks, the degree of performance of the controls defined for mitigation, as well as the operational losses that have occurred, is reported semi-annually to the Board.

5. Regulatory, legal and fiscal risks:

The Group guarantees compliance with the different internal and external regulations that affect it by means of controls that are carried out from different Directorates, highlighting the following:

(i) Directorate of the Legal Service: Among its objectives is to maintain adequate compliance with legal regulations.
(ii) Department of Management Control and Planning: It has, among other objectives, to provide and implement adequate control of the Company's financial and financial information and its budgets.
(iii) Risk control department: It is responsible for controlling the Group's risk management and, in particular, for ensuring application of the solvency regulations.
(iv) Corporate Internal Audit Department: Its mission is to supervise that the previous bodies have correctly implemented the control and self-control measures defined by the Group.

Regarding the fiscal risk, the Group's Fiscal Advisors are in charge of establishing the control policies and processes to guarantee compliance with the current tax regulations based on the Corporate Fiscal Policy.

Finally, regarding the procedures followed by the Company to ensure that the Board responds to the new challenges that arise regarding the previous risks, it should be noted that it is regularly informed both (i) of any material novelty that is intended to implement in the risk control system, either on its own initiative or as a result of a new regulation or the modification of the current one, as (ii) of any loss derived from said risks. In particular, and in relation to tax risks, prior to the formulation of the Annual Accounts, the person responsible for the Group's tax matters shall inform the Board of the tax strategies applied by the Company and the Group during the year and the degree of compliance with the aforementioned Policy. Likewise, in the case of relevant operations or matters that must be submitted to the Board for approval, the latter shall be informed of their tax consequences when they constitute a relevant factor.

F. INTERNAL CONTROL AND MANAGEMENT SYSTEMS RELATING TO FINANCIAL REPORTING (ICFR)

Describe the mechanisms which comprise the internal control over financial reporting (ICFR) risk control and management system at the entity.

F.1. Entity control environment.

Report on at least the following, describing their principal features:

F.1.1 Which bodies and/or functions are responsible for: (I) the existence and maintenance of a suitable and effective ICFR system; (ii) its implementation; and (iii) its supervision.

The bodies and functions responsible within Grupo Catalana Occidente S.A.(hereinafter "the Entity") and Dependent Entities (jointly the "Group" or "GCO") to maintain and implement an adequate and effective ICFR as well as to supervise it are the following:

(i) Board of Directors: The Regulations of the Board of Directors, the Risk Management System Policy and the Group's Internal Control Policy, among other documents, grant the Board of Directors the treatment of the general policies and strategies of the Entity and, in particular, the risk control and management policy, as well as the periodic monitoring of internal information and control systems.

Under this delegation, the Board of Directors of the Entity has formally assumed the existence, design, implementation, operation and maintenance of the ICFR.

(ii) Audit Committee: The Audit Committee consists of three members of the Board of Directors, two of them being independent directors, of which one holds the position of chairperson. Members are appointed taking into account their knowledge and experience in accounting and auditing.

The Regulations of the Board of Directors specify that the basic functions of the Audit Committee include, among others, those of:

(a) Supervising the effectiveness of the Entity's internal control, including the internal financial information control system (ICFR), internal auditing and risk management systems; and

(b) Knowing and supervising the process of preparation and presentation of regulated financial information, review the Entity's accounts, monitor compliance with legal requirements and the correct application of generally accepted accounting principles.

In accordance with these functions, the Audit Committee is supervising the ICFR within the framework of internal control and the preparation and presentation of financial information.

(iii) Senior Management: The Entity's Internal Audit Policy establishes that Senior Management is responsible for implementing the necessary measures to ensure that the organisation maintains an appropriate system of internal control and specifically internal financial information control, including an internal audit function at the highest level that oversees the supervision of the ICFR.

(iv) The Corporate Internal Audit Department: As stated in the Internal Audit Policy, its task is to establish, implement and maintain an audit plan, assess the level of control applied and make recommendations if you believe it. appropriate.

As such, the Corporate Internal Audit Department of the Grupo Catalana Occidente assists Senior Management and the Board of Directors in assessing and supervising the adequacy and effectiveness of the internal control system and other elements of the governance system existing in the Grupo Catalana Occidente, including the ICFR.

F.1.2 The existence or otherwise of the following components, especially in connection with the financial reporting process:

· The departments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity:

The Board of Directors of the Entity has among its powers the definition of the structure of the group of entities of which the Entity is a dominant company and its internal organization. Thus, it is who designs, updates and reviews the organisational structure at the request of the Senior Management of the Entity and, in particular, of the Group's Management Committee. The organisational structure of the Group at a first level is duly communicated through its publication on the corporate website.

The definition of resource needs is performed by the corresponding area, together with the Department of Human Resources.

Grupo Catalana Occidente has 81 unique positions in relation to personnel involved in the preparation and review of financial information, of which 64 have a description of documented work profiles ("DPT"), the updating of the rest being pending as a result of the restructuring of the Group's financial areas during 2020. These descriptions are made by the person occupying the position and supervised by the person in charge and the Human Resources Department. Mainly, job descriptions correspond to positions with technical or supervisory responsibility. There is a follow-up of the completion and updating of these job descriptions, which is reviewed annually.

Since the financial information is generated in each of the subsidiaries, until it is approved by the Board of Directors of each entity, each step is defined in a calendar of action known to each and every one of the agents involved. The responsibility for monitoring and updating the calendar lies with the Department of Management Control and Corporate Planning, under the Group's Financial Management, involving the corresponding departments depending on the matter to be implemented and disseminated. Once approved by the Board of Directors or the Management Committee, as appropriate, the corresponding dissemination of the information is given through internal circulars whose publication is notified by email to the employees and is made available to them on the corporate intranet.

- Code of conduct, approving body, degree of dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action:

The Entity has a Code of Ethics, which includes the principles and values that shall govern the actions of its Directors, employees, agents and collaborators, in the fulfilment of their functions and in their commercial and professional relations, in such a way that they act in agreement with the laws and respecting the ethical principles established in said Code.

The last version of said Code was approved on 4 July 2017 by the Group Compliance Verification Committee, by virtue of the power granted to it by the General Meeting of 25 June 2015, so that it can implement and disseminate those modifications that must be introduced in the Code of Ethics and its Development Protocols, provided that they have as their motive (a) to be imposed by legal imperative; (b) technical aspects; or (c) minor aspects, informing the Board of Directors of those modifications that had been introduced for the above reasons through the corresponding Semiannual Reports of the Group's Criminal Compliance Officer.

During the last quarter of 2019, an external audit of the Group's criminal risk prevention system was carried out, which included the revision of said Code and its development protocols, from which a series of recommendations was derived to be implemented during financial year 2020.

The Code of Ethics is applicable to Directors and employees, the Group, and the network of agents and collaborators that relate to them, and has wide dissemination through an internal circular in addition to being available on the corporate website.

The Code of Ethics has as general principles and values the (i) integrity and honesty; (ii) impartiality; (iii) transparency and confidentiality; (iv) professionalism; and the (v) corporate social responsibility.

Regarding the preparation of the financial information, Article 4.2 of the Code of Ethics indicates that the Group's financial and financial information shall reflect its economic, financial and patrimonial reality and must be in accordance with generally accepted accounting principles and international financial information standards that are applicable. For this purpose, the Group's economic or financial information should not be hidden or manipulated, so that it is complete, accurate and truthful.

It also includes the prohibition that no subject obligated under the Code conceals or manipulates the Group's economic or financial information, with the persons subject to the Code being obliged to provide active collaboration in the detection and monitoring of such situations, in accordance with the internal regulations of the Group.

On the other hand, the Board of Directors of the Entity approved on 29 September 2016, replacing the previous Code of Conduct, a new Internal Code of Conduct (“RIC” by its Spanish acronym) that is published on the Entity's corporate website.

The RIC is mandatory for the following persons, and must be formally subscribed by each of them (“subject persons”):

(i) The administrators and members of Senior Management;

(ii) Personnel assigned to the Presidency or the General Secretariat;

(iii) The staff of the Unit for

(iv) Relations with Analysts, Investors and Rating Agencies; (v)The Initiates (as defined in the RIC);

(vi) Any other person of the Group and the External Advisors who, by reason of their position, employment or provision of services, have access to Inside Information;

(vii) The Treasury Stock Managers;

(viii) Any other person expressly included by decision of the Chairperson of the Audit Committee.

The RIC assigns to the Secretary of the Board of the Entity and / or the Regulatory Compliance Unit of the Entity, as appropriate, the following monitoring functions of the matters provided for in the RIC:

(i) Maintaining at all times a record of the Subject Persons, which includes the date on which said RIC has begun or ceased to be applicable to said persons and is available to the corresponding administrative authorities;

(ii) Receiving communications of the operations of subscription, purchase or sale or sale, in general, of financial securities or instruments made by the Subject Persons on their own account or by persons linked to them;

(iii) Receiving information about the possible conflicts of interest of the persons included in the scope of the RIC, because of their family, economic or any other type of relationship with any entity integrated in the Group to which the Entity belongs, and resolving doubts about the possible existence of a conflict of interest;

(iv) Monitoring, with the support of the Unit for Relations with Analysts, Investors and Rating Agencies, the quotation of financial securities and instruments during the secrecy phase, and the news that the professional diffusers of economic information and the means of disclosure issue and may affect them;

(v) Disseminating the privileged information, after consultation with the Chairperson of the Board of Directors, when necessary;

(vi) Keeping the record and file of treasury stock operations carried out; and

(vii) Keeping duly filed communications, notifications and any other action related to the obligations contained in the RIC.

The Entity Audit Committee is entrusted with the function of informing the RIC to the Subject Persons, examining compliance with the RIC and the Code of Ethics and making the necessary proposals for its improvement and updating. This is also the body responsible for knowing the possible breaches of the provisions of the RIC and the Code of Ethics and, where appropriate, taking appropriate measures in this regard.

- Whistle-blower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, reporting, as the case may be, if this is of a confidential nature:

The Regulations of the Board of Directors of the Entity include in its articles that the Audit Committee may establish and supervise a mechanism that allows the directors, employees of the Group, as well as the network of agents and collaborators, to communicate, in a confidential manner and, if it is considered appropriate, anonymous, irregularities of potential transcendence, specifically financial and accounting irregularities, that they notice within the Entity.

In application of what is established in said Regulation, as previously mentioned, the Entity has a regulation for the development of its Code of Ethics, with a “Protocol of Action in the event of Irregularities and Fraud” that occur within the organization of Grupo Catalana Occidente. The aforementioned Protocol was last updated by the Compliance Verification Committee on 11 December 2018, in order to adapt it to legislative developments regarding data protection and money laundering.

The procedure contemplates the possibility that any obliged subject can communicate via email all those irregularities that can be detected, so that they are communicated to the Corporate Internal Audit Department. Any complaints may also be made by postal mail.

In particular, the email and postal mail to which such complaints should be addressed are included in the Protocol of Action in case of Irregularities and Fraud, posted on the intranet of the Entity and its main subsidiaries, so that all obliged subjects can have easy access to it. Notwithstanding the foregoing, the fact that the intended channels are not used shall not be an impediment for the Corporate Internal Audit Department to analyse the complaints received.

In those cases where the complainant wishes to preserve the confidentiality of his or her identity, the aforementioned Protocol establishes that it must be expressly indicated in the communication. The possibility of receiving anonymous complaints in some cases provided for in the legislation is also contemplated.

In order to guarantee such confidentiality and anonymity, the Director of Corporate Internal Audit is the only person who has access to the email address to which such complaints should be addressed. In these cases, the Director of Corporate Internal Audit ensures that, in the corresponding audit reports on irregularities, the identity of the complainant is not established.

On the other hand, the Protocol also contemplates the prioritisation of the complaints received based on their amount for the corresponding internal control reports and the periodicity of communication to the Senior Management and the Audit Committee.

- Periodic training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR which address, at least, accounting rules, auditing, internal control and risk management:

The Entity provides the personnel of the financial area of the different entities of the Group involved in the preparation and review of the financial information with the possibility of receiving continuous training, either provided internally or through attendance at external courses and seminars.

In particular, and in relation to internal training, those responsible for the financial area, together with the Head of Human Resources, carry out a periodic analysis of the training and updating needs of personnel in that area, as a result of developments in legal, fiscal or accounting matters that may arise. In this sense, during the year 2019, the personnel of these areas have carried out both internal and external training for a total of 2914 hours and 79 persons attending 57 training actions. In this activity, it is remarkable the training related to accounting standards, auditing, internal control and risk management; credit risk, and Solvency II. This is complemented by language training and development of management skills.

F.2. Risk assessment in financial reporting.

Report, at least:

F.2.1 The main characteristics of the risk identification process, including risks of error or fraud, stating whether:

The process exists and is documented:

The Entity has identified risks, both business (Department of Internal Control) and financial risks (Department of Management Control and Planning). In relation to the latter, the Entity has defined two types of risk:

(i) Risk that the information is generated erroneously.

(ii) Risk that the information is generated in an untimely fashion.

Both the risk of fraud and the risk of error are considered integrated in the first typology.

These risks have been identified as a consequence of the implementation of a process for identifying them, in which the Department of Management Control and Planning, the Department of Internal Control, and external consultants have participated.

The risks related to the erroneous or untimely generation of the financial information are identified in each and every one of the processes related to the financial information formalised by the Entity and the entities that belong to the Group. The supervision of this risk identification process is continuous, especially in those processes which are more relevant due to their materiality (billing, provisions, accidents...) and is formally documented, being the unit responsible for reviewing and updating the Financial Information Internal Control Unit, which is part of the Department of Management Control and Planning.

Said processes detail procedures which include flow diagrams and narratives related to the process of obtaining and preparing financial information. They also describe the controls identified to mitigate the main risks referred to above, especially indicating (i) the control activity, (ii) the responsible personnel, (iii) the periodicity and (iv) the documentation for the execution of said control. The unit responsible for reviewing and updating them is the Financial Information Internal Control Unit. These procedures are within the ICFR and follow the protocol planned so that the information is controlled from when it is generated in the Entity and the entities belonging to the Group until it reaches the Board of Directors of the Entity, through its Financial Directorate and its Directorate General, among other filters.

If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency:

The risk identification process focuses on the risk of financial information being generated erroneously and the risk of information being generated untimely (financial assertions have not been separately identified). The processes in which the financial information is generated are analysed, at least, on an annual basis in order to identify the possible risks of error.

A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose entities, holding companies, etc.:

The accounting, management and fiscal consolidation perimeters are defined and identified in accordance with current regulations and are reviewed and updated when there are changes in the Entity's shareholding, directly or indirectly, in any Group entity, each time any of the Group's entities constitutes or acquires an entity outside said perimeter, is affected by a process of corporate restructuring (merger, division) or is dissolved or liquidated.

The perimeter definition and identification process is carried out by the Entity's Corporate Accounting Department, which communicates any changes that occur and the consolidation differences and adjustments to the Department of Management Control and Planning.

The process addresses other types of risk (operational, technological, financial, legal, fiscal, reputational, environmental, etc.) insofar as they may affect the financial statements:

Within the financial information environment, the technological risk bears special relevance, in addition to the operational, financial and legal risks of the economic sector in which the Entity and the entities that belong to its Group operate.

To mitigate them, a series of specific controls have been established for each process that have been described in Section E.3 above. Likewise, there is a technological contingencies plan in the Entity which has been approved, formalised, implemented and tested.

Which of the company's governing bodies is responsible for overseeing the process:

In accordance with the Regulations of the Board of Directors, the Board has delegated to the Audit Committee of the Entity the function of periodically supervising the ICFR, so that these systems allow the main risks to be properly identified, managed and made known.

F.3. Control activities.

Indicate the existence of at least the following components, and specify their main characteristics:

F.3.1 P Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the markets, stating who is responsible in each case and documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections

The Audit Committee informs the Board of Directors prior to the adoption of decisions by the latter on all matters on which it is required and, in particular, the financial information that the Entity must make public periodically ensuring that the intermediate information is formulated with the accounting criteria of the annual accounts.

The flows of activities and controls are explained in section F.2.1 above. The procedure for reviewing the financial information is as follows:

(i) The different departments (IT Areas, General and Life Insurance Techniques, Accounting, Investments) prepare the financial information that is reviewed by the corresponding person in charge.

(ii) The Department of Management Control and Planning validates that the financial information is correct prior to its publication on the intranet and communication to third-party authorities.

(iii) Semi-annually, reports on the semi-annual and annual activity are made, including a summary and main conclusions of the audits.

(iv) The accounting closing procedure is documented in detail and is integrated into the set of descriptive documents of the Financial Information Processes that include the flows of activities and controls. The specific review of judgments, estimates, valuations and projections, which are mainly specified in Technical Provisions, Financial Investments, Impairment of Assets, Corporate Tax Expenditure, Non-Technical Provisions and Periodical Expenses, is duly documented by the responsible Areas.

(v) All the criteria for calculating the different magnitudes involved in the financial information are defined and documented in the procedures described in point F.2.1, and are therefore known by all the agents involved and have followed the same authorization protocol that is established and planned in the ICFR of the Entity.

F.3.2 Internal control policies and procedures for information systems (including secure access, control of changes, system operation, operational continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

The Entity has policies, regulations and procedures to ensure the security and reliability of the information. Among the documents available in relation to the internal control of information systems, are the following:

(i) System of confidentiality of access to the applications of the central computer, which contains its description covering all possible environments;

(ii) System Development and Maintenance Standard, detailing the security requirements, data validation and maintenance and change management;

(iii) Information Security Policy, which includes the security guidelines of the information systems defined according to the ISO / IEC 27001 standard that establishes an internationally supported and recognised security reference framework;

(iv) Business Continuity Standard, detailing the contingency plans to (a) ensure such continuity, (b) allow data recovery in case of loss; and (c) record transactions in the event of a disruption of the systems normally operated;

(v) Change Management and Control, which details the regulations that guarantee its effectiveness;

(vi) Segregation of Duties, where it is described as an internal control measure in a way that ensures the reliability and integrity of the information, compliance with norms, policies and legislation, and the safeguarding of assets and their proper use;

(vii) In the case of the purchase of a new computer application, internal and external validation, testing and user validation procedures defined by the Entity's Operations Department are carried out, in accordance with the policy defined for this purpose; and

(viii) Data Quality Policy: Its objective is to define the action process to ensure the quality of the data used in the calculation processes of technical provisions and in the process of the internal business model of credit.

F.3.3 Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

Within the framework of compliance with the requirements established in the regulation for organization, supervision and solvency of insurance entities, the Board of Directors of the Entity approved at its general meeting of 29 October 2015 the outsourcing policy of the fundamental functions and critical activities that must be carried out by the insurance and reinsurance entities that make up the Grupo Catalana Occidente, considering them as those essential for the operation of the insurance entities without which it would be incapable to provide its services including:

(a) the design and pricing of insurance products
(b) portfolio management or asset investment
(c) the handling of claims (provided they are not carried out by intermediaries or agents)
(d) the provision of services that provide regular or constant support in terms of regulatory compliance, internal audit, accounting, risk management or actuarial functions
(e) the provision of data storage
(f) the provision of maintenance or support services for computer systems on an ordinary and daily basis
(g) the self-assessment process for risks and solvency.

The selection of the providers of the fundamental functions and critical activities requires a detailed examination to verify that they can perform their duties and activities satisfactorily verifying that the provider is suitable for (i) providing the service; (ii) developing the functions or activities required satisfactorily, as well as; (iii) possessing the technical and financial capacity and any authorization required by the regulations to provide the service, and that have taken the necessary measures to ensure that no conflict of explicit or potential interest endangers the Entity's needs.

Likewise, the aforementioned policy, which is reviewed annually by the Board of Directors (the last revision was on 30 May 2019), establishes the minimum content of the contracts with said suppliers, the periodic review of their actions and the notification of these, when appropriate, to the regulatory authorities.

There are no aspects of evaluation, calculation or valuation entrusted to independent experts, which may materially affect the financial statements.

For the rest of the non-fundamental activities, there is a handbook of procedures for the selection of suppliers, which is part of the regulations for the development of the Code of Ethics, available to all the individuals subject to it. It describes the procedures for contracting external suppliers in the different cases, depending on the needs to be covered, and establishes the appropriate checks to be carried out to determine the suitability or not of their contracting: aptitude, capacity, price, business continuity, and solvency, among other criteria.

F.4. Information and communication.

Indicate the existence of at least the following components, and specify their main characteristics:

F.4.1 A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the company’s operating units.

The Corporate Accounting Unit, under Financial Management, is responsible for defining and coordinating the accounting policies of the Entity and the entities that belong to its Group. In particular, said unit, among other duties, shall analyse the regulatory changes that may affect the accounting policies of the Entity and the entities that belong to its Group, supervise the application of said policies and, where appropriate, coordinate the implementation of internal changes that affect the flow of financial information in relation to accounting policies.

In order to discuss the doubts or conflicts arising from the interpretation of the accounting policies that may occur, Corporate Accounting Committees are held (an average of about twice per year), attended by those responsible for Accounting of the different Spanish entities that make up the consolidated group of the Entity. Likewise, monthly Financial Management Committees are carried out to which the Financial Directors of the Spanish entities that make up the consolidated group of the Entity attend. These committees deal with the incidents generated during the period and follow up doubts about interpretations and accounting criteria as well as the planning of the accounting closures of the Entity and of the Spanish entities that belong to its consolidated group.

Additionally, on a monthly basis, Accounting Coordination Subcommittees are held with Atradius NV, a Dutch entity that is part of the Grupo Catalana Occidente. These committees include the Financial and Control Director of the Group, the Director of Corporate Accounting, the Financial Director of Atradius NV, the Director of Management Control and Planning and those responsible within the Group for the Departments of Consolidation and Control of the Credit Insurance Business. The topics discussed are, among others, the incidents and doubts about interpretations and accounting criteria as well as the follow-up of those other relevant aspects that could affect the accounting of said entities. Internal minutes are drawn up from these meetings.

Finally, the Entity, as the parent company of the consolidated group, has a handbook of accounting policies which is updating the accounting standards that come into force and includes the internal changes that are implemented for process improvements. In this sense, this year, a chapter has been prepared on the new IFRS 16 referring to the accounting treatment of leases and has another section referring to the process of preparing balance sheets by business. The approval of the IFRS 17 accounting standard, whose entry into force is scheduled for 1 January 2022, will require the readjustment of many of the chapters of the Handbook. During the year 2019, work sessions were continuously organised to analyse the impacts of the application of this standard in the Group. Besides, extraordinary meetings were held with the Financial Directors of the Spanish entities that make up the consolidated group of the Entity. Once completed, it will be made available to all members of the Corporate Accounting Committee on the Hyperion Financial Reporting (“HFM”) platform.

F.4.2 Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

Grupo Catalana Occidente prepares its consolidated financial information and reporting on the HFM platform.

Similarly, the entities that make up the Grupo Catalana Occidente use various applications for their accounting management and carry out the process of loading information on the HFM platform on a monthly basis using the Financial Data Quality Management (FDM) application and Excel Smart View templates, according to the designed requirements for content and format.

Once the aforementioned information loading and consolidation processes have been completed, both the Entity and its dependent entities have minimal management information according to homogeneous reporting and criteria.

In the consolidation process, a series of preventive and detective controls have been established to guarantee the reliability of the accounting data that are also contrasted with the Management Information that is published. Within the controls in the consolidation process, the requirement to reflect the compliance of the Financial Management of the individual entities with the data reported to the Group Consolidation Department has been implemented.

F.5. System Function Monitoring.

Indicate the existence of at least the following components, describing their main characteristics:

F.5.1 The ICFR monitoring activities undertaken by the audit committee and an internal audit function whose competencies include supporting the audit committee in its role of monitoring the Internal Control System, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the entity has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

The supervisory activities of the Audit Committee are explained in section F.1.1. (ii) above.

Likewise, as indicated in the aforementioned section F.1.1, there is a Corporate Internal Audit Department, which depends hierarchically on the Audit Committee, supporting said committee in its oversight work of the ICFR.

In particular, the Internal Audit Policy specifies that the Corporate Internal Audit Director will inform the members of the Audit Committee of the audits that are planned to be carried out in each fiscal year and will report directly to the audits performed.

Likewise, the Corporate Internal Audit Department assists Senior Management and the Board of Directors in an efficient and effective manner in the assessment and supervision of the internal control existing in the Entity, including the ICFR.

Regarding the resources available to the Director of Corporate Internal Audit Department, their team consists of twenty-one people, including its director and the auditors of the Entities dependent on the Entity. The members of the internal audit team perform this function exclusively, allocating all of their working time.

The Corporate Internal Audit Department conducts the audits based on a multiannual audit plan, which is approved by the Audit Committee.

The Entity has an internal document called "Procedure and Methodology of Internal Audit" which describes the steps that must be taken in carrying out an audit mission, as well as establishing principles to standardise and as much as possible the performance of the audits. This methodology distinguishes the three natural and chronological phases that an audit must have:

(i) their planning,

(ii) field work and its realization and

(iii) the audit report.

As a consequence of the application of the assessment of the level of internal control observed in the audit, contemplated in the document "Procedure and Methodology of Internal Audit" previously referred to, the Corporate Internal Audit Department makes the recommendations it deems appropriate in case of detecting the need of carrying out corrective actions. These recommendations are communicated to the auditees and, if they agree, they become mandatory. The Corporate Audit Committee is informed of all recommendations made and their follow-up, indicating those that have been implemented, within and after the deadline, and those pending implementation. In those cases in which the auditees disagree, the discrepancies are raised to the Corporate Audit Committee, which decides whether the recommendations should be implemented or not.

The Corporate Internal Audit Department keeps a record of all the recommendations that must be implemented, as well as the deadlines within which the auditees must do so. Once the deadline is finalised, information is requested on the implementation of the recommendations made if the auditees have not previously informed verifying them in the cases in which the auditees have informed that they have already complied with the recommendations. Once this end has been verified, the Director of Corporate Internal Audit informs the Audit Committee and the Corporate Audit Committee, in addition to the follow-up of the recommendations, their implementation in time and outside of it, and those pending to do so in time and outside it.

During the year 2019, the Internal Control Unit of the Financial Information assigned to the Department of Management Control and Planning of Grupo Catalana Occidente, S.A., under the Financial Directorate, coordinated the projects related to the ICFR for the Entity, in particular, the description of the processes identified in relation to the financial information, a document being prepared by those responsible in which, in a way that is guaranteed to ensure a certain homogeneity, all the relevant information of the process is included, with examples of evidence of the controls made. This document is approved by the representatives of the units involved, and is attached to an approval record which all interested parties may access. The document is signed again every time there are significant changes and, at least, once a year.

The Corporate Internal Audit Department audits all ICFR processes in five-year cycles with the aim of identifying the risks inherent to the ICFR and validating the controls described, assessing the degree of integrity and consistency of financial information, evaluating whether the established controls are enough to guarantee the reliability of the financial information that is intended to be obtained and diagnosing the internal control environment existing in the areas at issue. In cases where control weaknesses are observed, recommendations are made with action plans agreed with the auditees, as well as the deadline for their implementation, with the aim of strengthening the weaknesses detected. The agreed recommendations and action plans are recorded in a database with the person responsible for their implementation and the agreed time frame to do so. Once the deadline has been met, the implementation of these recommendations is checked with those responsible.

In 2019 as in 2018, all ICFR audits were carried out with the resources of Corporate Internal Audit.

In particular, during the year 2019, Corporate Internal Audit has audited 11 processes of the ICFR. (3 for Bilbao, Compañía Anónima de Seguros y Reaseguros; 4 for Plus Ultra Seguros Generales y Vida, S.A. de Seguros y Reaseguros; 2 for Nortehispana Seguros y Reaseguros, S.A.; and 2 for Grupo Catalana Occidente Tecnología y Servicios, AIE.)

At the same time, and during this year, progress has been made in incorporating all the financial information controls agreed in the internal control tool that allows those responsible for preparing the financial information to express their agreement to the correct execution of the controls, and even attach evidence in the most relevant ones with the periodicity established for each control, having included, in relation to the Traditional Business Insurance Entities, all the controls of the financial information of Seguros Catalana Occidente, S.A. de Seguros y Reaseguros and of Plus Ultra, Seguros Generales y Vida, S.A. de Seguros y Reaseguros, and nearly the entirety of Bilbao, Compañía Anónima de Seguros y Reaseguros and Nortehispana de Seguros y Reaseguros, S.A.

With regard to the Credit Insurance business, during the year 2019, Corporate Internal Audit has verified in Atradius Crédito y Caución S.A. de Seguros y Reaseguros a total of 328 controls related to audits planned for fiscal year 2019.

F.5.2 A discussion procedure whereby the auditor (pursuant to TAS), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the entity's senior management and its audit committee or Board of Directors. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

The Internal Audit Policy establishes that the Corporate Internal Audit Department can make recommendations in each of the audits it performs if it considers it necessary.

In addition, as indicated in section F.5.1 above, the Corporate Internal Audit Department informs the Audit Committee about both the recommendations made and those with which the auditees do not agree so that it can decide on the convenience of its implementation. It also informs the aforementioned Audit Committee about the follow-up and implementation of the recommendations and/or weaknesses detected.

In this regard, the provisional audit reports or any information related thereto is sent to the director or head of the audited unit who shall express their agreement or disagreement with the conclusions and / or recommendations before the report is sent to the Group Management Committee and the Audit Committee.

Additionally, every six months, the Corporate Internal Audit Department issues an activity report that is submitted to the Corporate Audit Committee and the Audit Committee, which includes a detail of (i) the audits performed during the first semester and the calendar year respectively, indicating whether incidents / recommendations have been detected; (ii) a risk map of the audited activities; as well as (iii) a list of irregularities and significant fraud detected and the follow-up on the implementation of the recommendations made. Likewise, in each audit an action plan is proposed and the recommendations / weaknesses detected are monitored.

On the other hand, those audits that are performed by external auditors have the collaboration of the Corporate Internal Audit Department, with which they coordinate and review their recommendations before communicating to the Chairperson and the Secretary of the Audit Committee the conclusions of their audits together with the weaknesses detected.

In the Corporate Internal Audit policy, a specific section called “Cooperation with external auditors and supervisors” is included, indicating that the external auditor or auditors, who sign the annual accounts of the Grupo Catalana Occidente and its subsidiaries, and the Director of Internal Corporate Audit must be in tune with the audit activities carried out by both parties. In this sense, they will meet when they deem appropriate to discuss matters of common interest and, where appropriate, the results of their work. In said communications, both parties will ensure that the work techniques, methods and terminology of the work to be performed are properly understood by them.

F.6. Other relevant information.

There is no other relevant information to point out.

F.7. External auditor’s report.

State whether:

F.7.1 The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

The information on ICFR contained in this Annual Corporate Governance Report shall be submitted for review by the company's external auditor, PricewaterhouseCoopers Auditores, S.L. In so far, the Entity will include the corresponding report issued by the external auditor along with the information that is sent regarding the market.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the company's degree of compliance with the recommendations of the Good Governance Code of Listed Companies.

Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company's behaviour. General explanations are not acceptable.

1. That the Articles of Association of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

   Complies [X] Explanation [ ]

2. That when the parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:

   a) The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.

   b) The mechanisms in place to resolve any conflicts of interest that may arise.

   Complies [ ] Partially complies [ ] Explanation [ ] Not applicable [X]

3. That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairperson of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:

   a) Changes that have occurred since the last General Shareholders' Meeting.

   b) Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.

   Complies [ ] Partially complies [X] Explanation [ ]

Regarding section a), explanations of the most relevant aspects of the corporate governance of the Company and the changes that have occurred since the previous General Meeting are given at the General Shareholders' Meeting. These explanations are made, instead of by the Chairperson, by the Secretary, who is the person who leads the Board, thus achieving the objectives of the Recommendation in equal measure. Regarding section b), and regarding verbal information on the specific reasons why the Company does not follow any of the recommendations of the Corporate Governance Code, the Company understands that said reasons are already sufficiently explained in this Report.

4. That the company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

   This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

   Complies [X] Partially complies [ ] Explanation [ ]

5. That the Board of Directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

   When a Board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

   Complies [X] Partially complies [ ] Explanation [ ]

6. That listed companies which draft reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:

   a) Report regarding the auditor's independence.

   b) Reports regarding the workings of the audit committee and the appointments and remuneration committee.

   c) Report by the audit committee regarding related-party transactions.

   d) Report on the corporate social responsibility policy.

   Complies [ ] Partially complies [ ] Explanation [X]

The Audit Committee and the Appointments and Remuneration Committee, as appropriate, analyse the issues covered by sections a) to d) above and inform the Board of Directors about them, with respect to sections a) to d) by means of the corresponding reports. However, the Company only publishes on the corporate website the reports that must be available to shareholders in accordance with current regulations and, in particular, the report under section d). With respect to non-mandatory reports, the Company does not publish them because it understands that the subject matters have been sufficiently reflected in the documentation that is made available to shareholders in accordance with current regulations.

7. That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.

   Complies [X] Explanation [ ]

8. That the audit committee ensures that the Board of Directors presents financial statements in the audit report for the General Shareholders' Meetings which do not have qualifications or reservations and that, in the exceptional circumstances in which qualifications may appear, that the chairperson of the audit committee and the auditors clearly explain to the shareholders the content and scope of said qualifications or reservations.

Complies [X] Partially complies [ ] Explanation [ ]

9. That the company permanently maintains on its web page the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies [X] Partially complies [ ] Explanation [ ]

10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:

a) Immediately distributes the additions and new proposals.

b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.

c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.

d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.

Complies [ ] Partially complies [ ] Explanation [ ] Not applicable [X]

11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establishes in advance a general policy of long-term effect regarding such payments.

Complies [ ] Partially complies [ ] Explanation [ ] Not applicable [X]

12. That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximisation of the economic value of the business.

    And that in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

    Complies [X]   Partially complies [ ]   Explanation [ ]

13. That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.

    Complies [ ]   Explanation [X]

Although the current Board consists of 16 members, one above the advisable recommendation, the Company understands, due to its nature and its specific circumstances, that this is the appropriate size to achieve an effective and participatory operation of the Board of Directors. In this sense, the questions to the directors about this aspect in the successive self-evaluation reports of the Board of Directors in the last financial years would support this vision, as so would those made by the external expert to whom the evaluation of the Board of Directors entrusted in fiscal year 2018.

14. That the Board of Directors approves a selection policy for directors that:

    a) Is concrete and verifiable.
    b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.
    c) Favours diversity in knowledge, experience and gender.

    That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call from the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

    And that the selection policy for directors promotes the objective that by the year 2020 the number of female directors accounts for at least 30% of the total number of members of the Board of Directors.

    The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report.

    Complies [ ]   Partially complies [ ]   Explanation [X]

The Board of Directors has not approved, on the date of this Report, a policy for the selection of directors. However, the Company has an aptitude and honourability policy applicable to the members of the Board of Directors that establishes the general guidelines so that, in accordance with insurance legislation, the directors, as a whole, possess sufficient knowledge in all the areas necessary to develop the activity of the Company. Moreover, the Company also has an Appointments and Remuneration Committee that analyses the candidate before proposing his or her appointment to the Board or to the Shareholders' Meeting in accordance with the Board Regulations and with the evaluation that, as members of the Board of an entity that controls insurance companies, shall appear before the General Directorate of Insurance and Pension Funds. Therefore, the objective pursued by this Recommendation is achieved in equal measure.

With regard to the objective of the percentage of female directors in the Board, the Appointments and Remuneration Committee is entrusted with the duty, in accordance with Article 16 of the Board Regulations, to establish a goal of representation for the less represented sex in the Board of Directors and to elaborate guidelines on how to achieve said goal, should vacancies arise, although in the present year it has not taken any action in this regard.

15. That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

Complies [X]   Partially complies [ ]   Explanation [ ]

16. That the percentage of proprietary directors divided by the number of non-executive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.

This criterion may be relaxed:

a) In companies with a high market capitalization in which interests that are legally considered significant are minimal.
b) In companies where a diversity of shareholders is represented on the Board of Directors without ties amongthem.

Complies [X]   Explanation [ ]

17. That the number of independent directors represents at least half of the total number of directors.

Nonetheless, when the company does not have a high level of market capitalisation or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent directors represents at least one third of the total number of directors.

Complies [ ]   Explanation [X]

The independent directors represent 12.5% of the total of directors over the 33% recommended. The Company considers that, ultimately, the purpose of this Recommendation is not violated, which, in accordance with the Code of Good Governance, is that no significant shareholder exerts a greater influence on the Board of Directors regarding its participation in the share capital, representing the proprietary directors a percentage similar to that held in the share capital. Likewise, the Company considers that the Directors, by virtue of their legal duties of diligent administration, loyalty and defence of the corporate purpose, are obliged to defend the Company's and shareholders' interest over any other circumstance.

18. That companies publish and update the following information regarding directors on the company website:

    a) Professional profile and biography.

    b) Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.

    c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.

    d) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.

    e) The shares and options they own.

Complies [ ]   Partially complies [X]   Explanation [ ]

The Company makes public through its website and keeps updated all the information referred to in this recommendation with the exception of informing about the other remunerated activities carried out by the directors, whatever their nature, because they understand that, to the extent that these activities (i) do not conflict with the corporate purpose of the Company and its group of companies (which they are specifically questioned about); and (ii) allow them to fulfil their duties and dedication to their roles as directors within the framework established in the Board Regulations and the LSC, it is not necessary to publish such information.

19. That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

Complies [X]   Partially complies [ ]   Explanation [ ]   Not applicable [ ]

20. That proprietary directors representing significant shareholders must resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.

Complies [X]   Partially complies [ ]   Explanation [ ]   Not applicable [ ]

21. That the Board of Directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the Articles of Association unless the Board of Directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

    The dismissal of independent directors may also be proposed as a result of a public share offer, joint venture or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16.

    Complies [X]   Explanation [ ]

22. That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

    And that should a director be indicted or tried for any of the offences set out in company law legislation, the Board of Directors must investigate the case as soon as possible and, based on the particular situation, decide whether the director should continue in his or her post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report.

    Complies [X]   Partially complies [ ]   Explanation [ ]

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

    Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

    This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a director.

    Complies [X]   Partially complies [ ]   Explanation [ ]   Not applicable [ ]

24. That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the Board of Directors. Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report.

Complies [X] Partially complies [ ] Explanation [ ] Not applicable [ ]

25. That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.

And that the Board rules establish the maximum number of company Boards on which directors may sit.

Complies [X] Partially complies [ ] Explanation [ ]

26. That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items do not originally appear on the agenda.

Complies [X] Partially complies [ ] Explanation [ ]

27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions.

Complies [X] Partially complies [ ] Explanation [ ]

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes, upon a request from the protesting party.

Complies [X] Partially complies [ ] Explanation [ ] Not applicable [ ]

29. That the company establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies [X] Partially complies [ ] Explanation [ ]

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances so require.

Complies [X] Explanation [ ] Not applicable [ ]

31. That the agenda for meetings clearly states those matters about which the Board of Directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

    When, under exceptional circumstances, the chairperson wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall by duly recorded in the minutes.

    Complies [X]   Partially complies [ ]   Explanation [ ]

32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

    Complies [X]   Partially complies [ ]   Explanation [ ]

33. That the chairperson, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his or her duties required by law and the Articles of Association, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.

    Complies [X]   Partially complies [ ]   Explanation [ ]

34. That when there is a coordinating director, the Articles of Association or the Board rules should confer upon him the following competencies in addition to those conferred by law: chairperson of the Board of Directors in the absence of the chairperson and deputy chairpersons, should there be any; reflect the concerns of non-executive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairperson.

    Complies [X]   Partially complies [ ]   Explanation [ ]   Not applicable [ ]

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Code of Good Governance and which are applicable to the company.

    Complies [X]   Explanation [ ]

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

a) The quality and efficiency of the Board of Directors' work.
b) The workings and composition of its committees.
c) Diversity of membership and competence of the Board of Directors.
d) Performance of the chairperson of the Board of Directors and the chief executive officer of the company.
e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

The process and the areas evaluated shall be described in the Annual Corporate Governance Report.

Complies [X]   Partially complies [ ]   Explanation [ ]

37. That if there is an executive committee, the proportion of each different director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board.

Complies [ ]   Partially complies [ ]   Explanation [ ]   Not applicable [X]

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies [ ]   Partially complies [ ]   Explanation [ ]   Not applicable [X]

39. That the members of the audit committee, in particular its chairperson, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, and that the majority of its members be independent directors.

Complies [X]   Partially complies [ ]   Explanation [ ]

40. That under the supervision of the audit committee, there must be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairperson of the Board or of the audit committee.

Complies [X]   Partially complies [ ]   Explanation [ ]

41. That the person in charge of the group performing the internal audit function should present an annual work plan to the audit committee, reporting directly on any issues that may arise during the implementation of this plan, and present an activity report at the end of each year.

Complies [X]   Partially complies [ ]   Explanation [ ]   Not applicable [ ]

42. That, in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:

a) Supervising the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.

b) Ensuring the independence and effectiveness of the group charged with the internal audit function; proposing the selection, appointment, re-election and dismissal of the head of internal audit; drafting a budget for this department; approving its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.

c) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.

2. With regard to the external auditor:

a) In the event that the external auditor resigns, examining the circumstances which caused said resignation.

b) Ensuring that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.

c) Insisting that the company file a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.

d) Ensuring that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.

e) Ensuring that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.

Complies [X]   Partially complies [ ]   Explanation [ ]

43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.

Complies [X]   Partially complies [ ]   Explanation [ ]

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies [X]   Partially complies [ ]   Explanation [ ]   Not applicable [ ]

45. That the risk management and control policy identify, as a minimum:

a) The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off-balance sheet risks.

b) Fixing of the level of risk the company considers acceptable.

c) Means identified in order to minimise identified risks in the event they transpire.

d) Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off-balance sheet risks.

Complies [X]   Partially complies [ ]   Explanation [ ]

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:

a) Ensuring the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.

b) Actively participating in the creation of the risk strategy and in important decisions regarding risk management.

c) Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.

Complies [X]   Partially complies [ ]   Explanation [ ]

47. That members of the appointment and remuneration committee -- or of the appointments committee and the remuneration committee if they are separate - are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors.

Complies [X]   Partially complies [ ]   Explanation [ ]

48. That high market capitalization companies have formed separate appointments and remuneration committees.

Complies [ ] Explanation [ ] Not applicable [X]

49. That the appointments committee consult with the chairperson of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director may ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies [X] Partially complies [ ] Explanation [ ]

50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

a) Proposing basic conditions of employment for senior management.

b) Verifying compliance with company remuneration policy.

c) Periodically reviewing the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guaranteeing that individual remuneration be proportional to that received by other directors and senior managers.

d) Overseeing that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.

e) Verifying information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

Complies [X] Partially complies [ ] Explanation [ ]

51. That the remuneration committee consults with the chairperson and the chief executive of the company, especially in matters relating to executive directors and senior management.

Complies [X] Partially complies [ ] Explanation [ ]

52. That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:

a) That they are comprised exclusively of non-executive directors, with a majority of them independent.

b) That their chairpersons be independent directors.

c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.

d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.

e) That their meetings be recorded and the minutes be made available to all directors.

Complies [X]   Partially complies [ ]   Explanation [ ]   Not applicable [ ]

53. That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the Board of Directors pursuant to its powers of self-organisation, which at least the following responsibilities shall be specifically assigned thereto:

a) Verification of compliance with internal codes of conduct and the company's corporate governance rules.

b) Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.

c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.

d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.

e) Follow-up of social responsibility strategy and practice, and evaluation of degree of compliance.

f) Supervision and evaluation of the way relations with various stakeholders are handled.

g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational.

h) Coordination of the process of reporting on diversity and reporting non-financial information in accordance with applicable rules and international benchmarks.

Complies [X] Partially complies [ ] Explanation [ ]

54. That the corporate social responsibility policy should include principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, as a minimum:

a) The objectives of the corporate social responsibility policy and the development of tools to support it.

b) Corporate strategy related to sustainability, the natural environment and social issues.

c) Concrete practices in matters related to: shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.

d) Means or systems for monitoring the results of the application of specific practices described in the immediately preceding paragraph, associated risks, and their management.

e) Means of supervising non-financial risk, ethics, and business conduct.

f) Communication channels, participation and dialogue with stakeholders.

g) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies [X]   Partially complies [ ]   Explanation [ ]

55. That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognised methodologies.

Complies [X]   Partially complies [ ]   Explanation [ ]

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgment of non-executive directors.

Complies [X]   Explanation [ ]

57. That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The forgoing shall not apply to shares that the director may be obliged sell in order to meet the costs related to their acquisition.

Complies [X]   Partially complies [ ]   Explanation [ ]

58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.

b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.

c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.

Complies [X]   Partially complies [ ]   Explanation [ ]   Not applicable [ ]

59. That a material portion of variable remuneration components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met.

Complies [X]   Partially complies [ ]   Explanation [ ]   Not applicable [ ]

60. That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.

Complies [X]   Partially complies [ ]   Explanation [ ]   Not applicable [ ]

61. That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value.

Complies [ ]   Partially complies [ ]   Explanation [X] Not applicable [ ]

With regard to executive directors, and as explained in the previous sections, there is an adequate balance between fixed and variable remuneration components, although the Company has not considered it necessary to introduce variables in the remuneration system in order to adjust it to long-term objectives, values and interests of the Company or grant plans to deliver shares or financial instruments referenced to their value, because (i) the proven permanence and stability of the current executive directors in the Company and the Board of Directors, on the one hand; and (ii) the establishment of parameters for the accrual of variable remuneration that do not encourage short-term objectives have been considered sufficient elements.

In this regard, it should be noted that the parameters used to establish such variable remuneration are fundamentally linked to the ordinary results of the Company, its subsidiaries and its consolidated Group, thus excluding those parameters that encourage other types of strategies that differ from sustained growth, such as the extraordinary results of the Company and its consolidated Group or other exogenous factors, such as the price of the Company on the Stock Exchange.

62. That once shares or options or rights to shares arising from remuneration schemes have been delivered, directors are prohibited from transferring ownership of a number of shares equivalent to two times their annual fixed remuneration, and the director may not exercise options or rights until a term of at least three years has elapsed since they received said shares..

The forgoing shall not apply to shares which the director may need to sell in order to meet the costs related to their acquisition.

Complies [ ] Partially complies [ ] Explanation [ ] Not applicable [X]

63. That contractual arrangements include a clause which permits the company to seek reimbursement of variable remuneration components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate.

Complies [X] Partially complies [ ] Explanation [ ] Not applicable [ ]

64. That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment.

Complies [X] Partially complies [ ] Explanation [ ] Not applicable [ ]

H. OTHER USEFUL INFORMATION

1. If there is any aspect regarding corporate governance in the company or other companies in the group that have not been included in other sections of this report, but which are necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe them briefly below.

2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

   Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

3. The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July 2010:

Note regarding Section G.7

Article 11 of the Bylaws and Article 4 of the Regulations of the General Meeting foresee the possibility that the Company may broadcast, if appropriate, simultaneously and in real time the General Meeting by any means, among others, via the Internet.

Although the General Shareholders' Meeting of 25 April 2019 was not broadcast live, the Ordinary General Meeting for the current year will be recorded and broadcast live on the Company's website (without anticipating the possibility of attending or vote this way).

Note regarding Section H.3

The Board of Directors agreed at its meeting on 28 October 2016 that the Company, as the dominant entity of a group of companies within the meaning of Article 42 of the Commerce Code, adheres to the Code of Good Tax Practices and the annex to it, approved, respectively, on 23 July 2010 and 3 November 2015.

Likewise, the Society and its Group are adhered to the United Nations Global Compact, a voluntary initiative by which it undertakes to align its strategies and operations with ten universally accepted principles, grouped into four areas: human rights, labour standards, environment and corruption. It also works constantly in the development of the Sustainable Development Goals defined by the UN in September 2015.

This annual corporate governance report has been approved by the company's Board of Directors, at its meeting on:

27/02/2020

State whether any Directors voted against or abstained from voting on the approval of this Report.

[ ] Yes
[√] No

Your opinion matters to us

The opinion of our stakeholders is important for Grupo Catalana Occidente, we therefore make the following questionnaire available to rate this report and propose suggestions for its improvement.

Rate this report

This link downloads a PDF form that you can open using Acrobat.

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Catalana Occidente
Grupo asegurador