# Annual Report
# Grupo Catalana Occidente S.A.
# and subsidiaries

# 2014

150 years

Catalana Occidente
Insurance Group

# Annual Report Grupo Catalana Occidente,S.A. and subsidiaries

Grupo Catalana Occidente publishes its 2014 integrated annual report, prepared in accordance with the reporting framework of the International Integrated Reporting Council (IIRC), following the principles of reliability, relevance and comparability. The report gives a comprehensive view of the environment, the business model, the strategic approach and 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, social, environmental and economic performance.

The scope of information includes Grupo Catalana Occidente and companies comprising the Group. Business performance in recent years has been linked to corporate operations, which have been formally communicated to the market through CNMV salient event notifications. This report details information specifically about Plus Ultra Seguros, where the Group has a 49% stake since September 2012.

This report has been prepared based on the International Financial Reporting Standards (IFRS), audited by Deloitte and authorised and approved by the board of directors during its meeting on February 26, 2015. It is available on the Group's website and its mobile app.

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# 1

# PRESIDENT'S LETTER

Dear shareholders, associates and customers,

Once again I am writing to you to take stock of what has happened in Grupo Catalana Occidente over this last year, especially relevant since this is the year in which we celebrated our **150th anniversary**.

Throughout this century and a half of history, we have witnessed significant growth thanks in large part to our ability to adapt to change and remain faithful to our genuinely insuring essence. This has allowed us to meet the needs and expectations of our customers while contributing to our employees' professional development and meeting our shareholders' trust.

One of the milestones that marked our anniversary was the **launch of our new corporate image** for all Group companies. After years of integrating companies, it was time to offer a more orderly and modern image that would transmit on the one hand our unity as a group and on the other our future outlook.

**We also continue gearing our structure towards simplicity, flexibility and customer orientation.** To achieve this, all Group companies continue to implement actions to exploit the synergies that allow us to gain efficiency and effectiveness, as we encourage the exchange of knowledge among our professionals. We thus build a group united in its internal operation and efficient in its service delivery. In this regard, we believe that our future depends on our team's commitment and training. Proof of this is the intense training activity we have carried out during the year.

2014 also stands out as the year in which **we have posted our best attributed profit**, namely 242 million euros, 9.5% more than in 2013. We have also increased the most representative figures, having achieved most of the goals set: grow in turnover, maintain our technical edge with respect to market, increase efficiency and enhance the development of our corporate performance as a Group. We have achieved these objectives by basing all our business decisions in our three strategic pillars: growth, profitability and solvency.

In a more favourable macroeconomic environment than in the last five years, having returned to the path of growth, our revenues reached to 4,219 million euros, including Plus Ultra Seguros, 5% more than the previous year. Positive business performance in Spain has been a key factor, both in the traditional business and credit insurance, which we have known how to leverage to position ourselves as the fifth domestic operator. This leadership position is even greater in our credit insurance business, where we stand as the second global operator, with a presence in more than 50 countries.

**Technical rigour continues to characterize our business, with a combined ratio below 90%**, one of the best in the industry in Europe. Also, the ongoing effort to streamline processes, reduce turnarounds and minimize costs has allowed us to move forward in efficiency. In terms of capital, we have increased equity at market value by 21.5%, to 3,168.2 million euros, enjoying a strong technical coverage and solvency position.

Our shareholders have also benefited from these results, with an increase of 6% in dividend pay-out, at 0.6279 euros per share. This represents a shareholder return of 2.38% and places the pay-out at 31.0%. By contrast, our stock has not reflected the above results, closing the year at 24 euros per share, which means a reduction of 7.8%, despite analyst recommendations remaining favourable, pointing to an average share price target of 28 euros per share.

Moving forward, there is no doubt that our industry is facing two major challenges: the new regulatory framework established by Solvency II, which will come into force on January 1, 2016, and the constant change caused by new technologies.

As for Solvency II, the latest tests by EIOPA to European insurers indicate that the sector is sufficiently capitalized. It should be noted that according to this study **our Group meets the new solvency requirements in all scenarios considered, evidencing its resilience against adverse scenarios.**

Moreover, **we face the digital age as an opportunity** for growth and differentiation, both for our Group and our agents. The pillars of our competitive advantages remain strong to support our adjustment to new patterns of social relationships and consumption. On the one hand, our agent system ensures personal and professional customer care. On the other hand, the various Group companies allow us to compete in the market offering a complete and diverse offer.

Our commitment to society remains strong, materializing through the activity of the Jesús Serra Foundation, which promotes and supports projects in areas such as cultural patronage, scientific research and social action.

By 2015, we will focus our efforts on accelerating profitable growth, focusing on our network of agents to offer products requested through high-quality assessment, without neglecting technical rigour and improving costs.

This integrated report will provide greater insight into the performance of the various lines of business, balance sheet and solvency aspects and also, how we create value by ensuring good governance and integrating economic, social and environmental aspects.

I would like to conclude by thanking you for your support and trust, and inviting you to join us for our next 150 years of history

José María Serra
President of Grupo Catalana Occidente

# 2

# Grupo Catalana Occidente in 2014

# KEY FIGURES

**Grupo Catalana Occidente closed financial year 2014 with a positive performance in all its key indicators, improving results, revenue and capital:**

- **It increased its attributable profit by 9.5%, reaching €242 million**
- **Improving recurring results in all businesses:**
  - Traditional business, with €129.6 million, up 5.7%
  - Credit insurance business, at €152.3 M, up 20.8%
- **Increasing its turnover by 7.4%, to achieve €3,438 million**
- **Strengthening financial soundness with an 21.5% increase in long-term capital at market value, reaching €3,168 million**
- **Plus Ultra Seguros posted results of €33 million, up 17.1%**
- **Increasing shareholder remuneration by 6%**

(million euros)

| | KEY FIGURES | 2010 | 2011 | 2012 | 2013 | 2014 | % Chg. 13-14 |
|---|---|---|---|---|---|---|---|
| **A** | **TURNOVER** | **3,075.8** | **3,168.0** | **3,177.5** | **3,201.8** | **3,437.6** | **7.4%** |
| | - TRADITIONAL BUSINESS | 1,638.5 | 1,657.7 | 1,612.5 | 1,686.9 | 1,825.7 | 8.2% |
| | - CREDIT INSURANCE BUSINESS | 1,437.3 | 1,510.3 | 1,565.0 | 1,514.9 | 1,611.9 | 6.4% |
| **B** | **CONSOLIDATED PROFIT** | **209.2** | **241.7** | **222.8** | **243.9** | **268.1** | **9.9%** |
| | - TRADITIONAL BUSINESS | 105.2 | 113.0 | 113.4 | 122.6 | 129.6 | 5.7% |
| | - CREDIT INSURANCE BUSINESS | 126.3 | 118.3 | 104.5 | 126.1 | 152.3 | 20.8% |
| | - NON RECURRING | -22.3 | 10.4 | 4.9 | -4.9 | -13.7 | |
| | **ATTRIBUTED TO THE PARENT COMPANY** | **181.3** | **210.5** | **200.2** | **221.1** | **242.1** | **9.5%** |
| C | LONG-TERM CAPITAL | 1,544.9 | 1,645.7 | 1,795.3 | 2,100.3 | 2,685.7 | 27.9% |
| | **LONG-TERM CAPITAL AT MARKET VALUE** | **2,134.6** | **2,230.8** | **2,343.0** | **2,607.3** | **3,168.2** | **21.5%** |
| **D** | **TECHNICAL PROVISIONS** | **6,562.2** | **6,794.5** | **6,844.3** | **6,905.5** | **7,235.0** | **4.8%** |
| **E** | **SURPLUS SOLVENCY I** | **1,577.2** | **1,667.4** | **1,752.9** | **1,774.9** | **1,892.5** | **6.6%** |
| | **% SOLVENCY I** | **470.9%** | **489.7%** | **497.5%** | **484.5%** | **499.0%** | |
| **F** | **TOTAL FUNDS UNDER MANAGEMENT** | **7,276.8** | **7,518.2** | **7,818.2** | **8,381.9** | **9,483.6** | **13.1%** |
| **G** | **DATA PER SHARE (figures in euros)** | | | | | | |
| | ATTRIBUTABLE PROFIT | 1.51 | 1.75 | 1.67 | 1.84 | 2.02 | 9.5% |
| | DIVIDEND PER SHARE | 0.52 | 0.57 | 0.57 | 0.59 | 0.63 | 6.8% |
| | PAY-OUT | 33.6% | 32.5% | 34.2% | 32.0% | 31.0% | |
| | SHARE REVALUATION | -18.0% | -4.7% | 12.2% | 89.0% | -7.8% | |
| **H** | **ADDITIONAL INFORMATION** | | | | | | |
| | NO. OF EMPLOYEES | 5,800 | 5,656 | 5,636 | 5,573 | 5,570 | -0.1% |
| | NO. OF OFFICES | 1,195 | 1,192 | 1,186 | 1,153 | 1,173 | 1.7% |

# GROUP PERFORMANCE IN 2014

***Grupo Catalana Occidente ended the year with a consolidated profit of €268.1 million, an increase of 10%, driven by the recurring result which is up 13.3% to reach €281.9 million. The attributable profit stood at €242.1 million, up 9.5%***

**Total written premiums reached €3,322.2 million, up 7.5% compared with the previous year.** This has enabled the Group to move up to rank 5th in the Spanish market and consolidate its second position worldwide in credit insurance.

Broken down by business areas, traditional business premiums grew by 8.2%, reaching €1,825.7 million, thanks to strong results in the Life business and the progressive improvement of Non-Life premiums..

Likewise, credit insurance has archieved revenues (written premiums + service income) of €1,611.9 million, 6.4% more than those obtained in the previous financial year.

The technical result after expenses has been €314.5 million, 18% more than in 2013, with a ratio of 9.2% in income from insurance, aided by a stable technical cost. The Group continues to be characterized by technical rigour, **featuring an ongoing combined ratio below 90%.** In the traditional business, the combined ratio stood at 88.2% while in credit insurance it was 77.5%.

(million euros)

| INCOME STATEMENT | 2010 | 2011 | 2012 | 2013 | 2014 | % Chg. 13 -14 |
|---|---|---|---|---|---|---|
| Premiums | 2,971.8 | 3,066.7 | 3,070.1 | 3,091.4 | 3,322.2 | 7.5% |
| Earned premiums | 2,975.0 | 3,068.3 | 3,076.1 | 3,121.4 | 3,289.6 | 5.4% |
| Service income | 104.1 | 101.3 | 107.5 | 110.4 | 115.3 | 4.4% |
| **Net revenues from insurance** | **3,079.1** | **3,169.6** | **3,183.5** | **3,231.8** | **3,404.8** | **5.4%** |
| Technical cost | 1,884.0 | 1,933.4 | 1,951.8 | 1,991.8 | 2,088.9 | 4.9% |
| % over total net income | 61.2% | 61.0% | 61.3% | 61.6% | 61.4% | |
| Commissions | 368.3 | 377.4 | 373.7 | 365.1 | 372.9 | 2.1% |
| % over total net income | 12.0% | 11.9% | 11.7% | 11.3% | 11.0% | |
| Expenses | 589.2 | 594.0 | 597.7 | 608.5 | 628.4 | 3.3% |
| % over total net income | 19.1% | 18.7% | 18.8% | 18.8% | 18.5% | |
| **Technical result after expenses** | **237.6** | **264.8** | **260.4** | **266.5** | **314.5** | **18.0%** |
| % over total net income | 7.7% | 8.4% | 8.2% | 8.2% | 9.2% | |
| Financial result | 40.6 | 58.1 | 48.0 | 73.0 | 73.9 | 1.3% |
| % over total net income | 1.3% | 1.8% | 1.5% | 2.3% | 2.2% | |
| Non technical non financial account result | -9.9 | -9.7 | -16.8 | -22.4 | -10.7 | |
| % over total net income | -0.3% | -0.3% | -0.5% | -0.7% | -0.3% | |
| Result of credit insurance complementary activities | -0.7 | -1.1 | 6.6 | 4.9 | 4.1 | -16.3% |
| % over total net income | 0.0% | 0.0% | 0.2% | 0.2% | 0.1% | |
| **Profit before tax** | **267.6** | **312.1** | **298.2** | **322.0** | **381.8** | **18.6%** |
| % over total net income | 8.7% | 9.8% | 9.4% | 10.0% | 11.2% | |
| **CONSOLIDATED PROFIT** | **209.2** | **241.6** | **222.7** | **243.9** | **268.1** | **9.9%** |
| PROFIT ATTRIBUTABLE TO MINORITY INTERESTS | 27.9 | 31.2 | 22.6 | 22.8 | 26.0 | 14.0% |
| **PROFIT ATTRIBUTABLE TO THE PARENT COMPANY** | **181.3** | **210.5** | **200.1** | **221.1** | **242.1** | **9.5%** |
| % over total net income | 5.9% | 6.6% | 6.3% | 6.8% | 7.1% | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **RECURRING PROFIT** | 238.2 | **231.2** | **217.8** | 248.8 | **281.9** | 13.3% |
| **NON-RECURRING PROFIT** | -29.0 | **10.4** | **4.9** | -4.9 | **-13.7** | |

The non-technical non-financial account includes certain expenses of a different nature to the nature of the insurance business, explained in the non-recurring result section.

Commissions rose by 2.1% and expenses increased by 3.3%, although the ratio over improves. The Group continues to develop common corporate platforms to provide better service at lower costs. This, together with a rigorous expenses control, that help keep stable overheads.

The financial result, at €73.9 million, increased by 1.3% compared to the previous financial year, mainly due to the greater volume of managed funds and the increase in Plus Ultra Seguros results. Activities complementary to credit insurance contribute a result of €4.1 million. Thus, the result before taxes for the Group stood at €381.8 million, 18.6% more than the previous year.

In order to provide a better view, the following table shows results of each business area splitting up the recurring profit of the traditional business, the recurring profit of the credit insurance business and the non-recurring result.

## Results by business lines

The traditional business continues to show its stability and recurrence, reaching €129.6 million, 5.7% more than in 2013, and contributing 45.3% of the recurring result. Plus Ultra Seguros provides 16.6 million euros, 17% more than in 2013, boosting growth in terms of revenue and profitability, with a combined ratio of 97.6%.

The credit insurance business obtained a recurring profit of €152.3 million, 20.8% higher than the previous year, fuelled by a positive contribution of Crédito y Caución.

This year, the contribution of non-recurring items has been negative. Both positive and negative impacts have left non-recurring income at €-13.7 million.

(million euros)

| PROFIT BY AREAS OF ACTIVITY | 2010 | 2011 | 2012 | 2013 | 2014 | % Chg. 13-14 |
|---|---|---|---|---|---|---|
| **Recurring profit from traditional business** | **111.9** | **113.0** | **113.4** | **122.6** | **129.6** | **5.7%** |
| **Recurring profit from credit insurance business** | **126.3** | **118.3** | **104.5** | **126.1** | **152.3** | **20.8%** |
| **Non-recurring profit** | **-29.0** | **10.4** | **4.9** | **-4.9** | **-13.7** | |
| **CONSOLIDATED PROFIT AFTER TAX** | **202.5** | **241.7** | **222.8** | **243.9** | **268.1** | **9.9%** |
| PROFIT ATTRIBUTABLE TO MINORITY INTERESTS | 27.9 | 31.1 | 22.6 | 22.8 | 26.0 | 14.0% |
| **PROFIT ATTRIBUTABLE TO PARENT COMPANY** | **174.6** | **210.6** | **200.2** | **221.1** | **242.1** | **9.5%** |

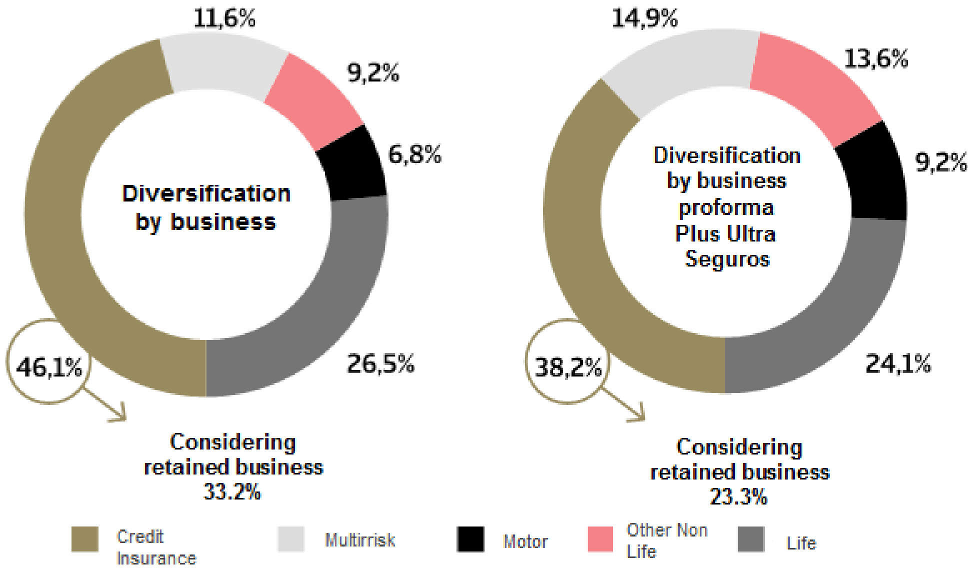
The following sections offer a more detailed explanation of the recurrent evolution of the businesses. Chapter 3 likewise provides information on balance sheet items.

# BUSINESS DIVERSIFICATION

Grupo Catalana Occidente has a balanced and diversified portfolio. Of the over €3,400 million in turnover for 2014, our traditional business accounts for 54% and the credit insurance business accounts for 46% (33.2% in terms of retained business). Taking into account the premiums of Plus Ultra Seguros, traditional business would have a weight of 62% and credit insurance of 38% (23.3% in terms of retained business).

Balanced and diversified portfolio

Complete offer



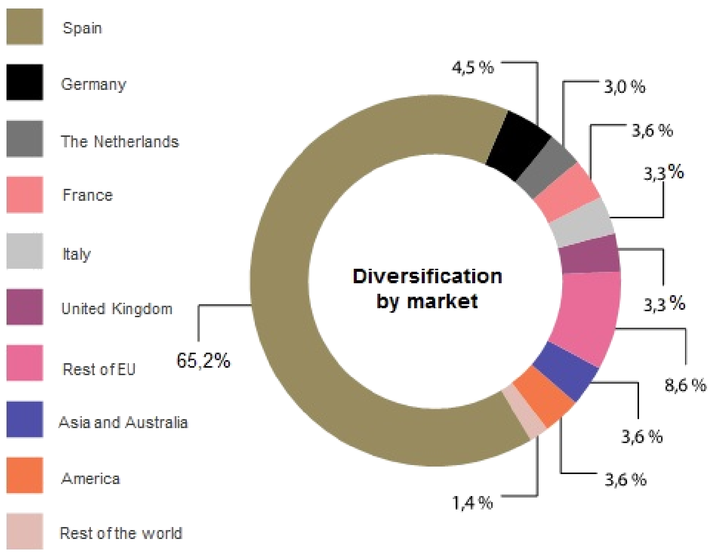

Surety insurance, reinsurance and other information and recovery services are also offered as part of credit insurance.

# GLOBAL PRESENCE

**Grupo Catalana Occidente has a significant presence in Spain and internationally. In the credit insurance business, the Group is present in more than 50 countries, with an especially strong market penetration in the EU.**

There is a total of 1,173 offices in major cities, which afford the Group greater customer-centricity in order to provide a close and efficient service.

The Group continues growing in international markets, reducing the weight of the Spanish market to the current 65.2%.



# RELEVANT EVENTS

## 150th Anniversary Celebration

- **150 years since the birth of "La Catalana".**
- **Ability to adapt to the environment, clear insurance vocation and recognised agent network**

## New brand image

- **For the Group's 150th Anniversary Celebration**
- **Offers a single and cohesive image of the companies that make up the Group**

## Dividend increase

- **Grupo Catalana Occidente increases dividend of 2014 results by 6%**

## Plus Ultra Seguros

- **Acquisition in September 2012 of 49% of the capital**
- **51% purchase option in June 2015**
- **Merger of Click Seguros and Plus Ultra Seguros completed during the third quarter of 2014**

## Issue of a subordinated bond through Atradius Finance NV

- **September 3, 2014: amortization of €120 million bond issued in 2004**
- **September 16, 2014: new bond issue for €250 million for 30 years**

## Group corporate structure streamlining

- **On September 16, 2014 Seguros Catalana Occidente acquired 100% of Catoc Vida shares, until then owned 79.2% and 20.8% by Grupo Catalana Occidente and INOCSA, respectively**

# ENVIRONMENT

## Macroeconomic

Global growth stood at 2.6% in 2014, vs. 3.2% in 2013. The main events that happened were the outbreak of the currency crisis in emerging countries in January, the conflict between Ukraine and Russia, the start of the monetary stimulus withdrawal in the US, the nosedive in oil prices and the political uncertainty in Greece.

The US and China remained on the path of growth, albeit at a slower pace than in previous years. In Europe, growth was even slower, weaker and more staggered. Germany is proof of this. Although it grew at a rate of 1.2%, its pace has been hampered by sanctions on Russia and the slowdown in emerging countries.

**Therefore, 2014 has left us with a complex international outlook.** The world economy is at risk of economic stagnation with increasing inequality between countries. However, the recent sharp decline in oil prices would generate resources for further growth fueled by consumption. On the other hand, monetary and geopolitical sources of uncertainty intensify.

**With regard to Spain, growth has gradually been consolidated, reaching a GDP growth of 1.6% largely due to growth in domestic consumption and increased investment caused by structural reforms and recovery of competitiveness.** Moreover, improved funding, coupled with the restructuring of the financial sector, has led to an increased flow of credit and a recovery of the industrial fabric. However, there is still progress to be made, especially in reducing unemployment.

## Financial markets

**Although positive, financial markets continued to show volatility**

The debt market has remained bearish with yields at historic lows. After the strong monetary stimulus policy carried out by the FED, the bond purchase program ended in 2014, making a future rise in interest rates foreseeable. Meanwhile, the ECB has driven expansionary measures, announcing that if necessary unconventional measures would be taken. In Spain, the 30-year bond reached the lowest level in its history and the risk premium ended at 107 b.p. On the other hand, central banks in emerging countries have shifted their strategies to sustain economic growth, allowing interest rate cuts in China.

World stock markets closed 2014 unevenly between the different international indices. The strength of Wall Street (+11.4%), the pull of the Chinese market (+52.8%) and the solid Japanese stock market have tipped the balance towards profits. In Europe, however, indices have fared differently. Drops in France (-0.5%) and the UK (-2.74%) contrast with the rise of Ibex, which at +3.7% was the strongest in Europe, followed by Germany (+2.7%).

## Insurance industry

**The insurance industry in Spain ended 2014 with better results than the previous year.** Turnover ends with a drop of 0.84% compared to 3.27% in 2013. The weight of the sector in relation to GDP is 5.5%. Broken down by business lines, the worst performances came from segments linked to industrial activity such as Decenal, Building and Auto. Funeral and health insurance are the silver lining in the turnover.

Likewise, the industry continues to make progress in the concentration process, both through corporate operations as well as renegotiating bank-insurance agreements. The top ten industry groups represent 60% of premiums and grow at an average rate of 2.5%, while the industry as a whole declines.

From the standpoint of technical result, the industry shows a combined ratio of 93.3%. With regard to premiums earned, the profit stood at 9.8% and ROE at 14.6%. It develops relatively in line with the previous year, although it shows some recovery in terms of technical cost.

(million euros)

| INSURANCE SECTOR (Spain) | 2010 | 2011 | 2012 | 2013 | 2014 | % Chg. 13-14 |
|---|---|---|---|---|---|---|
| Motor | 11,535 | 11,270 | 10,607 | 10,021 | 9,882 | -1.4% |
| Health | 6,396 | 6,589 | 6,801 | 6,937 | 7,175 | 3.4% |
| Multirisk | 6,297 | 6,508 | 6,626 | 6,537 | 6,546 | 0.1% |
| Rest | 7,583 | 7,357 | 7,085 | 6,806 | 6,941 | 2.0% |
| **Other non-life** | **31,811** | **31,724** | **31,119** | **30,301** | **30,544** | **0.8%** |
| **Life** | **26,377** | **28,869** | **26,262** | **25,510** | **24,799** | **-2.8%** |
| **Total Premiums** | **58,188** | **60,593** | **57,381** | **55,811** | **55,343** | **-0.8%** |

# SHAREHOLDER REMUNERATION

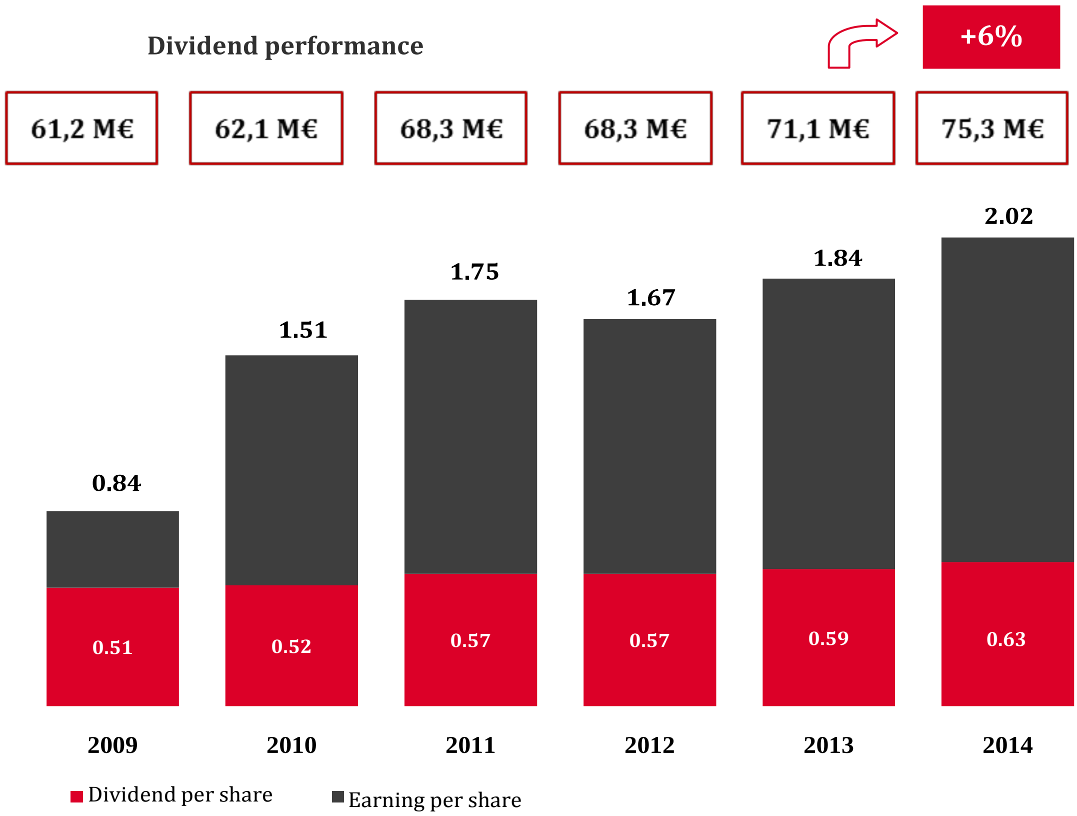
## Dividends

In order to maintain its commitment to remunerate shareholders, Grupo Catalana Occidente has paid three interim dividend payments on the 2014 results, in July and October 2014 and February 2015.

The board of directors, at the annual general meeting, intends to propose that the supplementary dividend be 5.0% higher than the dividend the previous year (0.2637 euros per share).

With this, a total of €0.6279 per share (€75.3 million) would be allocated. This amount represents an increase of 6.0% compared to the previous year.

This dividend amounts to a pay-out of 31% on the 2014 attributable profit and a dividend yield of 2.38% in 2014. The historical pattern of dividend distribution demonstrates the clear commitment of the Group to remunerate its shareholders increasingly.




The net result of the individual company Grupo Catalana Occidente S.A. amounted to € 99.7 million. In the event that the proposed distribution is approved by the board of directors, €75.3 million are expected to be destined to dividends and €24.3million to reserves.

| Stable commitment to shareholder returns | The dividend grows by 6% |
|---|---|

# Share performance

Grupo Catalana Occidente shares are listed on two Spanish stock exchanges, Barcelona and Madrid, being listed on the continuous market. Likewise, the stocks are also included in the Ibex Medium Cap index, with a weight of 6.2% at the end of 2014.

24 euros
closing share price

€2,879 euros in
capitalization

The IBEX ended the period at 10,279 points, representing an increase of 3.7% over the previous financial year. The indexes of the main European markets also closed the financial year on a positive note. Meanwhile, the DJ Europe Stoxx Insurance Index, which measures changes in the share price of major European insurance companies, ended the period with a positive revaluation of 9.8%.

Grupo Catalana Occidente shares ended the year with a negative revaluation of 7.8%. Equity analysts believe that Grupo Catalana Occidente shares are still an option to take advantage of opportunities arising from the economic recovery in Spain. These include the recurrence of the Group's results, with a performance somewhat stronger than expectations in the credit insurance business in Spain and Plus Ultra Seguros, in addition to the strength of its balance sheet, the quality of its investment portfolio assets and the strong solvency position.

| PRICE (euros per share) | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| Start period | 15.71 | 12.88 | 12.27 | 13.77 | 26.02 |
| Minimum | 11.00 | 10.63 | 9.21 | 13.77 | 21.50 |
| Maximum | 17.17 | 18.38 | 14.50 | 26.64 | 31.34 |
| Closing period | 12.88 | 12.27 | 13.77 | 26.02 | 23.99 |
| Average | 14.11 | 14.63 | 11.92 | 19.62 | 26.39 |
| **RATIOS** | **2010** | **2011** | **2012** | **2013** | **2014** |
| PER (closing price/earnings per share) | 8.53 | 6.99 | 8.26 | 14.12 | 11.90 |
| ROE (attributable profit/equity, %) | 15.99 | 17.06 | 13.96 | 12.83 | 11.20 |
| Dividend yield (dividend/price, %) | 4.02 | 4.64 | 4.14 | 2.28 | 2.38 |
| Pay-Out (dividend/attributable profit; %) | 34.27 | 32.46 | 34.15 | 32.15 | 31.00 |
| **OTHER DATA (in euros)** | **2010** | **2011** | **2012** | **2013** | **2014** |
| No. of shares | 120,000,000 | 120,000,000 | 120,000,000 | 120,000,000 | 120,000,000 |
| Nominal share value | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 |
| Daily average (No. of shares) | 126,188 | 89,435 | 142,608 | 176,921 | 144,278 |
| Daily average (euros) | 1,792,885 | 1,322,763 | 1,685,430 | 3,478,053 | 3,832,467 |
| Dividend per share | 0.52 | 0.57 | 0.57 | 0.59 | |

| Profitability | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | CAGR 02-14 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **% GCO** | -7.21 | 23.56 | 78.5 | 67.27 | 86.48 | -16.54 | -36.67 | 8.27 | -18.01 | -3.88 | 12.22 | 88.96 | -7.80 | 17.0% |
| **% IBEX 35** | -28.11 | 28.17 | 17.37 | 18.2 | 31.79 | 7.32 | -39.43 | 29.84 | -17.43 | -13.31 | -4.66 | 21.41 | 3.66 | 4.5% |
| **DJ STOXX EUROPE % Insurance** | -51.23 | 10.41 | 7.89 | 30.5 | 17.18 | -11.92 | -46.6 | 12.44 | -2.07 | -18.35 | 32.92 | 28.86 | 9.78 | 4.0% |

# OUTLOOK AND CHALLENGES FOR 2015

Economic forecasts for 2015 indicate an improvement over 2014. A recovery in global economic growth is expected, including the Spanish market. However, in Spain the domestic industry will remain weak while the current unemployment levels remain. In relation to the levels of insolvencies, some improvement is expected globally and world trade is expected to grow at levels somewhat higher than in 2013.

In 2015 the Group intends to continue growing in a balanced and profitable fashion through selective exposure to risk while ensuring the quality of its portfolio. To this end, plans are put in place to enhance support to the insured, improve the service offering and increase protection to the same. The Group likewise will continue to strengthen its position in markets with strong growth potential, either directly or through business agreements.

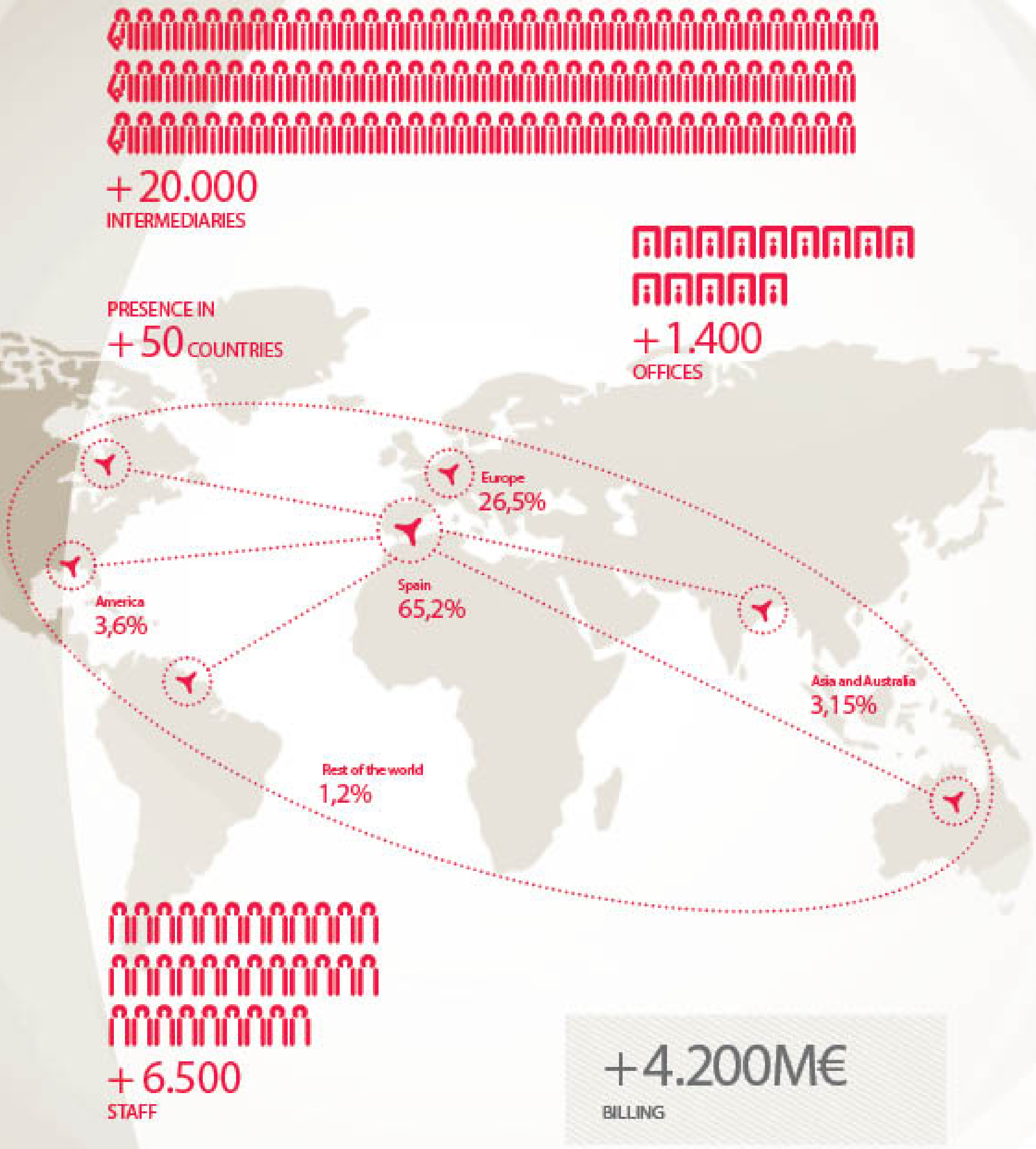
**The guidelines for 2015, in line with previous years, are aimed at the continuous improvement of all aspects of the business that provide strong, profitable growth in the medium and long term. To this end, Grupo Catalana Occidente will concentrate its efforts on:**

- Increasing turnover while obtaining an appropriate balance between growth and profitability in all companies within the Group.
- Projects aimed at boosting growth and development of the distribution network
- Following the policy of improving customer relationships and loyalty through professional brokers and better-quality advice
- Increasing income generation in business that provides more added value
- Keeping the technical rigor differential relative to the market.
- Controlling costs and stimulating the search for synergies in order to improve margins.
- Maintaining financial strength through conserving capital, solvency and liquidity.
- Maintaining a cautions and conservative investment management.
- Strengthening risk control and management systems to ensure a more efficient use of own resources
- Forging ahead in building the Group
- Strengthening its commitment to employees and partners as well as through the Jesús Serra Foundation.

**All in all, the forecoming year will allow the group to confront the challenge of growing in a profitable and solvent way, as well as continuing to remunerate properly its shareholders.**

# 3

## A group genuinely insurer




Including Plus Ultra Seguros

# GRUPO CATALANA OCCIDENTE

- 150 years of history
- Genuine insurers
- Customer service excellence
- Balanced and diversified portfolio
- Socially responsible
- A constantly evolving group

Grupo Catalana Occidente is one of the leading Spanish insurance providers and worldwide credit insurance providers. With constant growth and established position, currently ranks 5th in the Spanish market, considering Plus Ultra Seguros figures, and 2nd globally in credit insurance.

The shares of the parent company, Grupo Catalana Occidente, are listed on the continuous market of the Barcelona and Madrid stock exchanges as part of the IBEX Medium Cap Index. Currently, 38% of its capital is floating and the main shareholder is INOC, S.A., which holds 56.71% of capital.

In traditional insurance, Grupo Catalana Occidente operates through companies Seguros Catalana Occidente, Seguros Bilbao, NorteHispana de Seguros and Plus Ultra Seguros, ensuring a balanced deployment and a wide range of products and services. In credit insurance, Crédito y Caución gives the group its leadership position in the Spanish market, while Atradius gives it an international dimension and leadership.

## Purpose and strategic pillars

The strategic objective of Grupo Catalana Occidente is its vocation in being leaders in risk protection and long-term welfare of families and small businesses in Spain, and being international leaders in the coverage of trade credit risks.

Moreover, to achieve this purpose, the Group has defined three strategic pillars on which all business decisions are based.

# CORPORATE STRUCTURE

The consolidated Grupo Catalana Occidente is mainly composed of companies involved in the insurance business. The parent company is Grupo Catalana Occidente S.A., which directly and indirectly administers and manages the investments of all Group companies.

The following table shows the various companies included in the Grupo Catalana Occidente consolidation scope at year-end 2014, indicating their business focus and the Group's economic participation in each.

GRUPO CATALANA OCCIDENTE - Parent company

| | | |
|---|---|---|
| Seguros Catalana Occidente 100% | Tecniseguros 100% | Menéndez Pelayo 100,0% |
| Seguros Bilbao 99,73% | S. Órbita 99,73% | Catoc Sicav 99,84% |
| Nortehispana 99,78% | Bilbao Vida 99,73% | Hercasol 59,37% |
| Catoc Vida 100% | Bilbao Telemark 99,73% | Bilbao Hipotecaria 99,73% |
| Cosalud 100% | CO Capital Ag. Valores 100% | Salerno 94 100% |
| Depsa 100% | Talleres 3.000 100% | Grupo Compañía Española Crédito y Caución 73,84% |
| GCO Reaseguros 100% | Inversions Catalana Occident 49,00% | Atradius NV 83,20% |
| Atradius Credit Insurance 83,20% | Prepersa 100% | Atradius Participations Holding 83,20% |
| Crédito y Caución 83,20% | GCO Tecnológia y Servicios 99,84% | |
| Atradius Re 83,20% | GCO Contact Center 99,65% | |
| Atradius Trade Credit Insurance 83,20% | GCO Gestión de Activos 100% | |
| Atradius Seguros de Crédito 83,20% | Atradius Dutch State Business 83,20% | |
| | Atradius Collections 83,20% | |
| | Atradius Information Services 83,20% | |
| | Iberinform 83,20% | |
| Plus Ultra Seguros 49,00% | Asitur Asistencia 28,53% | Gesiuris 26,12% |
| | Calboquer 20,00% | |
| INSURANCE COMPANIES | COMPLEMENTARY INSURANCE COMPANIES | INVESTMENT COMPANIES |

COMPANIES CONSOLIDATED BY GLOBAL INTEGRATION

COMPANIES CONSOLIDATED BY THE EQUITY METHOD (“EQUITY ACCOUNTING METHOD”)

Grupo Catalana Occidente incorporates the company Plus Ultra Seguros under the equity accounting consolidation method on September 28, 2012. The Group accounts for 49% of this company's result.

The group agreed the cession of direct business legal defense of Depsa to Arag . This transaction was made in January 2015

During the year, the **GCO Re** entity has been created to take on reinsurance for traditional business companies, providing adequate coverage for the risk profile of each and returning risk to the market as necessary.

Likewise, Seguros Bilbao Fondos has changed its name to **GCO Gestión de Activos**. This company assumes activities relating to financial investments made by GCO and Group companies: management and administration of financial investments, risk measurement and ALM.

# 150 YEARS OF HISTORY

One of the milestones for Grupo Catalana Occidente in 2014 was its 150th anniversary. Since "La Catalana" was established in 1864, the Group has maintained its essence as an insurer, demonstrating its ability to adapt to changes over the years and contributing with its activity to the construction of the welfare model.

**1st Stage. Since its inception until 1948**

- 1864 - Sociedad Catalana de Seguros contra Incendios a Prima Fija, known as "La Catalana", established.
- 1878 - La Catalana listed in the Stock Exchange.
- 1929 - The Group invests in Crédito y Caución
- 1948 - Jesús Serra and a group of industrial leaders acquire Occidente.

**2nd Stage. Integration of La Catalana and Occidente into a single group**

- 1959 - Occidente acquires La Catalana, giving rise to the framework of Grupo Catalana Occidente.
- 1963 - First insurer in Spain that incorporates IT into insurance management.
- 1995 - The Group is listed on the Madrid Stock Exchange and in 1997, after an IPO, enters the Continuous Market.
- 1998 - The Catalana Occidente Foundation is created, re-named Jesús Serra Foundation in 2006.

**3rd Stage. Growth and internationalization**

- 2001 - Takeover bid for Lepanto S.A. and its subsidiary NorteHispana, specializing in the field of Funeral Insurance.
- 2004 - Acquisition of Seguros Bilbao and Cosalud (Seguros Catalana Occidente already owned 55%).
- 2007 - The Group becomes the main shareholder of Atradius, thus beginning its international expansion.
- 2012 - The Group acquires Groupama Seguros, Spanish subsidiary of the French group Groupama S.A. and renamed Plus Ultra Seguros after the acquisition.

# CORPORATE IDENTITY

Coinciding with the celebration of its 150th anniversary, Grupo Catalana Occidente presented its new brand image in January 2014. The continuous incorporation of companies in the past decade prompted this significant graphic identity upgrade, offering a fresh, clear-cut image consistent with all Group companies.

Seguros Catalana Occidente

Seguros Bilbao

Plus Ultra Seguros

Atradius

Nortehispana

Atradius Reinsurance

Crédito y Caución

CGO Reaseguros

The new image, conceived as an upgrade on the previous logo, features a "Y" as the image shared by all companies, inspired by the architectural form of the Grupo Catalana Occidente headquarters in Sant Cugat del Vallès. The various logos also also feature a typeface created specially for the Group, aiming to provide an image with more personality.

# JESÚS SERRA FOUNDATION

The Jesús Serra Foundation began within Grupo Catalana Occidente. It traces its origins back to the establishment in 1998 of the Fundación Catalana Occidente as a private cultural foundation, aiming to channel all patronage and sponsorship efforts carried out by the Group for over a century.

In 2006, after the death of Mr Jesús Serra Santamans, President and founder of Grupo Catalana Occidente, the name was changed to Jesús Serra Foundation. This was a fitting tribute to the person who, in a private capacity, had defended clearly humanistic values and principles for the good of the community.

In this new phase, the Jesús Serra Foundation has relaunched Grupo Catalana Occidente's work with and commitment to society, involved in several business, education, research, culture, sport and social action projects.

# 4

# Business performance

# TRADITIONAL BUSINESS

The traditional business, with a wide range of insurance products, is adresses to households and SMEs, is directed through a dedicated network of professional agents and over 1,000 offices in Spain.

**Multirisk** - family-home, retail, residential communities, offices and SMEs
**Auto** - coverage for vehicles or transport fleets
**Other Non-Life** – industrial products, engineering, accidents and civil liability insurance, as well as funeral and health
**Life** - life risk, life savings, pension plan and investment fund products

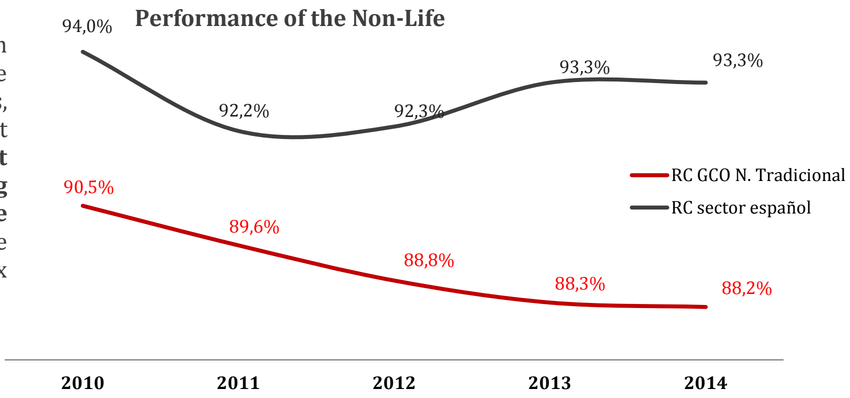
(million euros)

| TRADITIONAL BUSINESS | 2010 | 2011 | 2012 | 2013 | 2014 | Change | % Chg. 13-14 |
|---|---|---|---|---|---|---|---|
| **Premiums** | **1,638.5** | **1,657.7** | **1,612.5** | **1,686.9** | **1,825.7** | **138.8** | **8.2%** |
| Combined ratio | 90.5% | 89.6% | 88.8% | 88.3% | 88.2% | | |
| Technical result after expenses | 118.7 | 130.7 | 133.6 | 128.3 | 125.6 | -2.7 | -2.1% |
| **Recurring result** | **111.9** | **113.0** | **113.4** | **122.6** | **129.6** | **7.0** | **5.7%** |

The business has developed in a highly competitive and economically sluggish domestic consumption environment. **Despite this, traditional business is still performing in a solid, recurrent and stable fashion.** At year-end, turnover has shown an increase in premiums of 8.2%, compared to a 0.8% decrease in the Spanish market, according to ICEA.

The increased business retention and generation of cash flows and in policies and clients. Non-life premiums, however — more affected by the economic situation — fell by 0.5%, although they continue to improve the trend over previous periods. In Life, turnover grew by 19.9% driven by single premiums.

The stable claims performance in General Insurance, coupled with the Group's efforts to contain expenses, have positioned the combined ratio at 88.2%. **Of note is the constant differential underwriting profitability of the Group over the market average**, as seen in the figure on the right. Recurring profit after tax has increased 5.7% to €129.6 million.




The following pages feature a breakdown of the key figures of each of the business lines, as well as the performance of other items such as overhead, financial result and non-recurring result.

# Multirisk

Recovery of revenue growth
Growth in home premiums
Continuous adjustment of products to new needs

| Turnover | Technical result | Technical-financial result |
|---|---|---|
| €407 M, -0.8%<br>Improved revenue trend<br>Second in ranking | Improved cost of claims frequency<br>Combined ratio of 87.5% | Profit stability<br>€56.9 M |

| KEY FIGURES | 2010 | 2011 | 2012 | 2013 | 2014 | % Chg. 13-14 |
|---|---|---|---|---|---|---|
| **Written premiums (M€)** | **418.4** | **429.4** | **420.6** | **410.2** | **407.0** | **-0.8%** |
| **Earned premiums** | 407.5 | 421.9 | 423.2 | 414.6 | 410.0 | -1.1% |
| Number of claims | 414,433 | 390,484 | 393,121 | 417,407 | 422,870 | 1.3% |
| Average cost of claims, € | 572.3 | 598.8 | 568.9 | 514.0 | 500.3 | -2.7% |
| **Technical provisions (M€)** | **301.2** | **323.4** | **331.9** | **329.5** | **331.1** | **0.5%** |
| % Technical cost | 57.7% | 55.4% | 52.9% | 51.7% | 51.6% | -0.1 |
| % Commissions | 19.7% | 19.6% | 19.5% | 19.2% | 19.3% | 0.1 |
| % Expenses | 15.0% | 15.0% | 15.6% | 16.5% | 16.6% | 0.1 |
| **% Combined ratio** | **92.4%** | **90.0%** | **87.9%** | **87.4%** | **87.5%** | **0.1** |
| **Technical result after expenses** | **31.0** | **42.1** | **51.2** | **52.1** | **50.7** | **-2.7%** |
| % s/ Earned premiums | 7.6% | 10.0% | 12.1% | 12.6% | 12.4% | |
| **Financial result** | **7.1** | **6.9** | **6.5** | **7.1** | **6.2** | **-12.1%** |
| % s/Earned premiums | 1.7% | 1.6% | 1.5% | 1.7% | 1.5% | |
| **Technical -financial result** | **38.1** | **49.0** | **57.7** | **59.2** | **56.9** | **-3.8%** |
| % s/ Earned premiums | 9.3% | 11.6% | 13.6% | 14.3% | 13.9% | |

# Auto

Strong turnover performance with positive growth in the last quarter
Significant improvement in customer retention
Increased enrollment and vehicles in circulation

| Turnover | Technical result | Technical-financial result |
|---|---|---|
| €322 M, -1.5%<br>Clear improvement trend | Reduce the average cost and frequency<br>Combined ratio of 92.8% | Recurring profit in line with previous years<br>€32.7 M |

| KEY FIGURES | 2010 | 2011 | 2012 | 2013 | 2014 | % Chg. 13-14 |
|---|---|---|---|---|---|---|
| **Written premiums (M€)** | **408.2** | **388.0** | **357.7** | **326.9** | **322.0** | **-1.5%** |
| **Earned premiums** | **412.6** | **399.3** | **373.9** | **339.7** | **325.0** | **-4.3%** |
| Number of claims | 251,020 | 228,182 | 213,750 | 198,567 | 189,655 | -4.5% |
| Average cost of claims, € | 1,037.6 | 1,110.0 | 1,078.0 | 1,054.3 | 1,043.6 | -1.0% |
| **Technical provisions (M€)** | **445.9** | **427.4** | **402.8** | **399.1** | **402.8** | **0.9%** |
| % Technical cost | 62.5% | 63.4% | 63.5% | 61.6% | 60.9% | -0.7 |
| % Commissions | 12.2% | 12.1% | 11.9% | 11.9% | 11.8% | -0.1 |
| % Expenses | 17.7% | 17.9% | 18.0% | 19.3% | 20.1% | 0.8 |
| **% Combined ratio** | **92.5%** | **93.4%** | **93.4%** | **92.8%** | **92.8%** | **0.0** |
| **Technical result after expenses** | **31.0** | **26.3** | **24.5** | **24.2** | **23.7** | **-2.1%** |
| % s/ Earned premiums | 7.5% | 6.6% | 6.6% | 7.1% | 7.3% | |
| **Financial result** | **11.3** | **11.5** | **9.9** | **10.2** | **9.0** | **-11.7%** |
| % s/Earned premiums | 2.7% | 2.9% | 2.6% | 3.0% | 2.8% | |
| **Technical -financial result** | **42.3** | **37.8** | **34.4** | **34.4** | **32.7** | **-5.0%** |
| % s/Earned premiums | 10.3% | 9.5% | 9.2% | 10.1% | 10.1% | |

# Other Non-Life

The Group continues to grow in funeral and health
Combined ratio at 82.8%
Smaller contraction in demand

| Turnover | Technical result | Technical-financial result |
| --- | --- | --- |
| €231.8 M, +1.5%<br>Less pressure on industrial sectors<br>funeral and health grow more than 5% | Stable claims<br>Combined ratio of 82.8% | €47.2 M, +0.4% |

| KEY FIGURES | 2010 | 2011 | 2012 | 2013 | 2014 | % Chg. 13 -14 |
| --- | --- | --- | --- | --- | --- | --- |
| **Written premiums (M€)** | **246.6** | **244.1** | **233.7** | **228.4** | **231.8** | **1.5%** |
| **Earned premiums** | **245.6** | **248.9** | **239.6** | **233.4** | **232.1** | **-0.6%** |
| Number of claims | 99,393 | 105,164 | 108,974 | 121,598 | 149,101 | 22.6% |
| Average cost of claims, € | 928.3 | 872.5 | 606.6 | 724.5 | 579.1 | -20.1% |
| **Technical provisions (M€)** | **345.8** | **331.6** | **305.2** | **291.1** | **285.1** | **-2.0%** |
| % Technical cost | 38.5% | 37.7% | 37.3% | 37.7% | 37.2% | -0.5 |
| % Commissions | 18.8% | 19.3% | 18.4% | 17.5% | 16.9% | -0.6 |
| % Expenses | 26.8% | 26.1% | 27.5% | 28.0% | 28.7% | 0.7 |
| **% Combined ratio** | **84.1%** | **83.1%** | **83.1%** | **83.2%** | **82.8%** | **-0.4** |
| **Technical result after expenses** | **39.2** | **42.1** | **40.4** | **39.1** | **40.0** | **2.3%** |
| % s/ Earned premiums | 15.9% | 16.9% | 16.9% | 16.7% | 17.2% | |
| **Financial result** | **9.6** | **10.2** | **7.9** | **7.9** | **7.2** | **-9.2%** |
| % s/ Earned premiums | 3.9% | 4.1% | 3.3% | 3.4% | 3.1% | |
| **Technical -financial result** | **48.8** | **52.3** | **48.3** | **47.0** | **47.2** | **0.4%** |
| % s/ Earned premiums | 19.9% | 21.0% | 20.2% | 20.1% | 20.3% | |

# Life

Recovery of revenue growth
Strong growth in savings-investment
Increase in funds managed

| Turnover | Technical result | Technical-financial result |
| --- | --- | --- |
| Strong increase in turnover, driven by single premiums<br>Increase in periodic premiums<br>€864.8 M, +19.9% | Maintenance of technical margin by product | Substantial increase in profit, driven by the financial result |

| KEY FIGURES | 2010 | 2011 | 2012 | 2013 | 2014 | % Chg. 13-14 |
| --- | --- | --- | --- | --- | --- | --- |
| **Life insurance turnover (M€)** | **565.4** | **596.2** | **600.5** | **721.4** | **864.8** | 19.9% |
| Periodic premiums | 319.1 | 319.9 | 307.6 | 295.2 | 300.1 | 1.7% |
| Single premiums | 246.3 | 276.3 | 292.9 | 426.2 | 564.7 | 32.5% |
| Contributions to pension plans | 61.1 | 50.3 | 37.5 | 47.3 | 48.3 | 2.1% |
| Net contributions to investment funds | -2.6 | -0.7 | -5.2 | -5.6 | 9.6 | |
| **Volume of managed funds** | **3,992.0** | **4,004.1** | **3,970.3** | **4,278.8** | **4,208.0** | -1.7% |
| **Earned premiums** | **565.4** | **596.0** | **601.0** | **721.9** | **864.8** | 19.8% |
| **Technical result after expenses** | **17.6** | **20.2** | **17.5** | **12.8** | **11.1** | -13.4% |
| % s/ Earned premiums | *3.1%* | *3.4%* | *2.9%* | *1.8%* | *1.3%* | |
| **Financial result** | **8.9** | **16.2** | **20.8** | **26.6** | **35.3** | 32.7% |
| % s/ Earned premiums | *1.6%* | *2.7%* | *3.5%* | *3.7%* | *4.1%* | |
| **Technical -financial result** | **26.4** | **36.4** | **38.3** | **39.4** | **46.4** | 17.7% |
| % s/ Earned premiums | *4.7%* | *6.1%* | *6.4%* | *5.5%* | *5.4%* | |

# CREDIT INSURANCE BUSINESS

Through the credit insurance business 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 on credit. The Group ranks as the second largest credit insurance carrier worldwide, with a presence in more than 50 countries, a database of credit information on more than 52 million companies and a worldwide market share of approximately 28% (54% in Spain).

This is a business structurally linked to economic evolution and, in particular, to the performance of corporate defaults worldwide and of the global trade volume. During 2014, global trade has continued to grow, albeit at a slower rate than previous financial years and the number of insolvencies has stabilised.

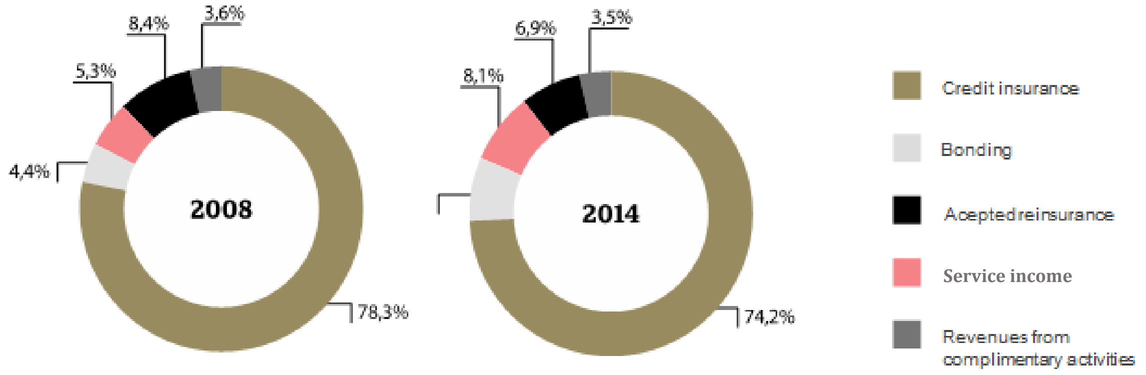
**In a still-difficult macroeconomic environment, the credit insurance business has posted strong results. Turnover stood at €1,611.9 million, up 6.4%. Recurring profit, at €152.3 million, grew by 20.7%, driven by a combined ratio of 77.5%, at an all-time low.**

(million euros)

| REVENUES CREDIT INSURANCE | 2010 | 2011 | 2012 | 2013 | 2014 | % Chg. 13-14 |
|---|---|---|---|---|---|---|
| **Writtem premiums (M€)** | **1,333.2** | **1,409.0** | **1,457.5** | **1,404.6** | **1,496.6** | **6.5%** |
| Credit insurance | 1,147.8 | 1,176.1 | 1,210.5 | 1,192.5 | 1,239.2 | 3.9% |
| Bonding | 79.3 | 90.5 | 94.6 | 100.5 | 121.3 | 20.7% |
| Accepted reinsurance | 106.1 | 142.4 | 152.4 | 111.6 | 136.1 | 22.0% |
| **Service income** | **104.1** | **101.3** | **107.5** | **110.4** | **115.3** | **4.4%** |
| **Total insurance revenues** | **1,437.3** | **1,510.3** | **1,565.0** | **1,515.0** | **1,611.9** | **6.4%** |
| Revenues from complementary activities | 51.1 | 53.2 | 59.3 | 60.0 | 58.4 | -2.7% |
| **Total credit insurance turnover** | **1,488.4** | **1,563.5** | **1,624.3** | **1,575.0** | **1,670.3** | **6.1%** |

Premiums rose by 6.5% to stand at €1,496.6 million, underscoring the growth in the Spanish business. The Group continues its double-digit growth in accepted reinsurance and surety. Taking in account complementary activities, mainly third-party recovery management, total income from credit insurance reached 1,670.3 million euros, up 6.1% from year-end 2013.

## Portfolio diversification



Since early in the year "total risk exposure (TPE)" has increased by 11.9%, reaching €515,114 million.

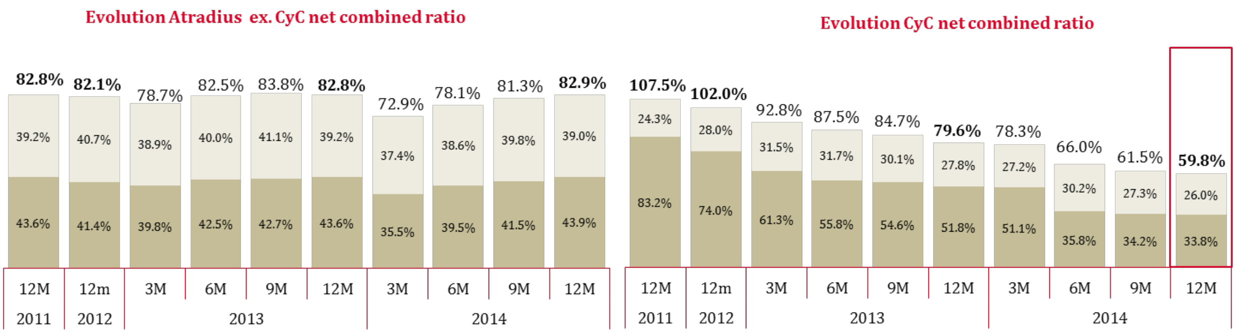
(million euros)

| Total Potential Exposure (TPE) | 2010 | 2011 | 2012 | 2013 | 2014 | % Chg. 13-14 | % total |
|---|---|---|---|---|---|---|---|
| Spain and Portugal | 107,097 | 103,565 | 90,084 | 81,486 | 85,165 | 4.5% | 16.5% |
| Germany | 60,212 | 65,608 | 70,266 | 72,844 | 77,297 | 6.1% | 15.0% |
| Australia and Asia | 42,926 | 53,421 | 65,064 | 58,725 | 69,210 | 17.9% | 13.4% |
| America | 20,026 | 22,646 | 27,296 | 45,386 | 59,491 | 31.1% | 11.5% |
| Eastern Europe | 26,874 | 31,950 | 37,004 | 41,142 | 45,925 | 11.6% | 8.9% |
| United Kingdom | 23,736 | 25,988 | 28,760 | 34,619 | 40,332 | 16.5% | 7.8% |
| France | 36,851 | 36,391 | 37,426 | 37,135 | 39,170 | 5.5% | 7.6% |
| Italy | 21,042 | 24,111 | 24,170 | 23,768 | 26,929 | 13.3% | 5.2% |
| Nordic and Baltic countries | 17,814 | 19,365 | 20,823 | 21,831 | 23,261 | 6.6% | 4.5% |
| Netherlands | 24,978 | 25,200 | 24,898 | 22,326 | 23,152 | 3.7% | 4.5% |
| Belgium and Luxembourg | 11,616 | 11,983 | 12,796 | 13,336 | 14,229 | 6.7% | 2.8% |
| Rest of World | 5,724 | 6,405 | 7,259 | 7,795 | 10,954 | 40.5% | 2.1% |
| **Total** | **398,896** | **426,633** | **445,846** | **460,394** | **515,114** | **11.9%** | **100%** |

**Spain & Portugal (% of/total)** **26.8%** → **20.2%** → **16.5%**

The gross claims (before the reinsurance effect) at year-end stands at all-time low levels of 40.7%, 4.9 points better than in 2013, thanks to the favourable performance of the Crédito y Caución business.

The expense and commission ratio has increased by 1.3 basis points to 36.7%. Consequently, the gross combined ratio stood at 77.4% dropping 3.6 points. Considering the effect of reinsurance, the net combined ratio stood at 77.5%, down 4.5 points compared to financial year 2013.




Reinsurers have obtained profits amounting to €145.8 million, 11.3% more than in the previous financial year due mainly to the improvement in claims.

The financial result, explained below, has contributed €13.7 million and complementary activities have contributed €4.1 million. This has placed the recurring profit after tax at €152.3 million, 20.8% higher than the previous year. The item "adjustments" reflects the consolidation adjustments.

Additionally, this year various items have been recognised as non-recurring result which have accounted for a net loss of €6.2 million, explained in the Non-Recurring Result section. Considering the above, the profit after tax stood at €146.3 million (€121.7 million in attributable profit).

The income statement in comparative form for the past 5 years is shown below:

(million euros)

| CREDIT INSURANCE RESULTS | 2010 | 2011 | 2012 | 2013 | 2014 | % Chg. 13-14 | Atradius Ex. CyC | Crédito y Caución |
|---|---|---|---|---|---|---|---|---|
| Earned premiums | 1,345.6 | 1,403.4 | 1,439.8 | 1,412.1 | 1,457.6 | 3.2% | 1,117.4 | 340.2 |
| Service income | 104.1 | 101.3 | 107.5 | 110.4 | 115.3 | 4.4% | 78.8 | 36.5 |
| **Revenues** | **1,449.7** | **1,504.7** | **1,547.3** | **1,522.5** | **1,572.9** | **3.3%** | **1,196.2** | **376.7** |
| **Technical result after expenses** | **348.2** | **227.5** | **213.7** | **289.5** | **355.3** | **22.7%** | **212.6** | **145.1** |
| *% over revenues* | *24.0%* | *15.1%* | *13.8%* | *19.0%* | *22.6%* | | *17.8%* | *38.5%* |
| Reinsurance result | -208.4 | -103.8 | -109.6 | -131.0 | -145.8 | 11.3% | -90.4 | -57.8 |
| *% over revenues* | *-14.4%* | *-6.9%* | *-7.1%* | *-8.6%* | *-10.0%* | | *-7.6%* | *-15.3%* |
| Financial result | 31.8 | 32.3 | 27.5 | 13.3 | 13.7 | 2.9% | 9.4 | 4.3 |
| *% over revenues* | *2.2%* | *2.1%* | *1.8%* | *0.9%* | *0.9%* | | *0.8%* | *1.1%* |
| Complementary activities result | -0.7 | -1.1 | 6.6 | 4.9 | 4.1 | -16.3% | 3.8 | 0.4 |
| Corporate tax | -40.6 | -34.9 | -33.6 | -47.2 | -70.4 | | -46.6 | -23.8 |
| Adjustments | -3.7 | -4.6 | -0.1 | -3.4 | -4.6 | | -3.6 | -1.0 |
| **Recurring profit from the credit insurance business** | **126.3** | **118.3** | **104.5** | **126.1** | **152.3** | **20.8%** | **85.2** | **67.2** |
| **Non-recurring profit from the credit insurance business** | **-18.0** | **6.0** | **11.8** | **1.1** | **-6.0** | | **0.7** | **-6.8** |
| **Total profit from the credit insurance business** | **108.3** | **124.3** | **116.3** | **127.2** | **146.3** | **15.0%** | **85.9** | **60.4** |

This income statement offers insight into the Atradius NV business performance, including consolidation adjustments in the "Adjustments" item. In the previous financial year these adjustments were allocated to each of the corresponding items.

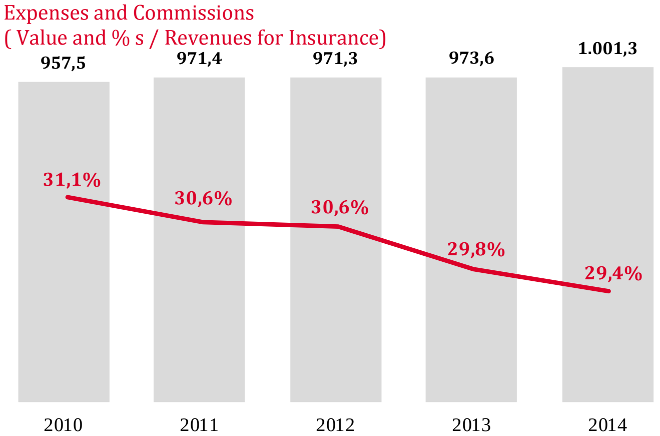
# OTHER RELEVANT BUSINESS ASPECTS

## General expenses and commissions

(million euros)

| EXPENSES AND COMMISSIONS | 2010 | 2011 | 2012 | 2013 | 2014 | % Chg. 13-14 |
|---|---|---|---|---|---|---|
| Traditional business | 241.8 | 239.3 | 238.6 | 238.9 | 240.9 | 0.8% |
| Credit insurance business | 347.4 | 354.7 | 361.1 | 360.4 | 388.6 | 7.8% |
| Non-recurring expenses | | | -2.1 | 9.2 | -1.1 | |
| **Total expenses** | **589.2** | **594.0** | **597.6** | **608.5** | **628.4** | **3.3%** |
| **Commissions** | **368.3** | **377.4** | **373.7** | **365.1** | **372.9** | **2.1%** |
| **Total commissions and expenses** | **957.5** | **971.4** | **971.3** | **973.6** | **1,001.3** | **2.8%** |
| % Expenses over revenues (*) | 19.1% | 18.7% | 18.8% | 18.5% | 18.5% | 0.0 |
| % Commissions over revenues | 12.0% | 11.9% | 11.7% | 11.3% | 11.0% | -0.3 |
| **% Commissions and expenses over revenues (*)** | **31.1%** | **30.6%** | **30.6%** | **29.8%** | **29.4%** | **-0.4** |

(*) Excluding non-recurring expenses




**The efficiency ratio (total expenditures and commissions vs. income from insurance) has improved to stand at 29.4%.**

In the traditional business the group maintains the level of expenses while in the credit insurance expenses increased €28.2 million due to the implementation of the solvency II project.

## Financial result

**The Group has obtained a financial result of €73.9 million, up 1.3% from the previous financial year.** At 68.2 million euros, the recurring financial result improved by 19.1% over 2013, driven by the performance of the traditional business.

The traditional business has achieved €54.5 million, 24.0% more than in 2013. Financial income net of expenses increased by 6.9%, driven by higher funds under management as well as increased income from dividends. The subsidiaries, incorporated into the Group through the equity accounting method, contribute €18.9 million, of which €18.4 million comes from Plus Ultra Seguros. For more information, see the Plus Ultra Seguros section.

The financial result for credit insurance, at €13.7 million, is up 3.0%, due to greater managed funds.

(million euros)

| FINANCIAL RESULT | 2010 | 2011 | 2012 | 2013 | 2014 | % Chg. 13-14 |
|---|---|---|---|---|---|---|
| **Financial Income net of expenses** | **171.7** | **160.7** | **160.7** | **164.9** | **176.2** | **6.9%** |
| Exchange rate differences | -1.9 | 0.8 | -0.7 | -0.4 | -0.1 | -85.0% |
| Subsidiaries | 0.1 | 0.4 | 6.3 | 17.8 | 18.9 | 6.2% |
| **Interest applied to Life** | **113.7** | **130.6** | **134.6** | **138.3** | **140.5** | **1.6%** |
| **Recurring financial result traditional business** | **32.5** | **31.3** | **31.7** | **44.0** | **54.5** | **24.0%** |
| **Recurring financial result credit insurance business** | **28.2** | **32.4** | **27.5** | **13.3** | **13.7** | **3.0%** |
| **Recurring financial result** | **60.6** | **63.7** | **59.2** | **57.3** | **68.2** | **19.1%** |
| **Non-recurring financial result** | **-20.0** | **-5.6** | **-11.2** | **15.7** | **5.7** | |
| **FINANCIAL RESULTS** | **40.6** | **58.1** | **48.0** | **73.0** | **73.9** | **1.3%** |

# Reinsurance

**The transfer of the premiums to reinsurance is mainly marked by the type of business undertaken by the Group.** In the credit insurance business proportional assignments are made that bring greater stability to the results over the business cycle. Traditional business keeps a high retention of the insured business, and reinsurance is protected mainly through non-proportional contracts.

The total of cessions to reinsurance is up by 2.0%, at €710.8 million, accounting for 21.6% of premiums. The traditional business has a  cession ratio of 3%, in line with previous years. Meanwhile, credit insurance cedes 45%.

Overall, reinsurance has resulted in a benefit to reinsurers in the amount of €166.3 million, €10.6 million from traditional business and €153.1 million from the credit insurance business. This amount includes €10.1 million in the provision for the return of the reinsurance agreement with the Consorcio de Compensación de Seguros.

(million euros)

| KEY FIGURES | 2010 | 2011 | 2012 | 2013 | 2014 | % Chg. 13-14 | Traditional Business | Credit Insurance Business |
|---|---|---|---|---|---|---|---|---|
| Ceded premiums | -1,000.4 | -687.8 | -711.8 | -697.2 | -710.8 | 2.0% | -54.3 | -656.5 |
| Increase of unearned premium provision | 4.4 | -8.9 | 4.2 | -1.0 | 15.4 | | -1.3 | 16.8 |
| Net premiums ceded | -996.0 | -696.7 | -707.6 | -698.2 | -695.4 | -0.4% | -55.7 | -639.7 |
| Commissions | 303.6 | 245.3 | 214.1 | 229.5 | 254.9 | 11.1% | 12.2 | 242.7 |
| Claims | 401.5 | 336.2 | 374.0 | 305.7 | 274.2 | -10.3% | 32.9 | 243.9 |
| **Result of ceded reinsurance** | **-290.9** | **-115.2** | **-119.5** | **-163.1** | **-166.3** | **2.0%** | **-10.6** | **-153.1** |
| **Result of accepted reinsurance** | **12.6** | **27.3** | **48.8** | **39.8** | **-30.7** | | | **-28.1** |

**The Group continues to trust the leading companies in this market, which continue to deliver solid solvency levels.** The major reinsurance brokers for both the traditional and credit insurance business are Munich Re, General Re, Swiss Re, Hannover Re and Axis.

The figures noted for the credit insurance business include the movements referring to the reinsurance contract with the Consorcio de Compensación de Seguros and consolidation adjustments.

# Non-Recurring Result

The non-recurring profit, net of taxes, represents a loss of €13.7 million. The following table shows a breakdown of this.

(million euros)

| NON-RECURRING INCOME (net tax) | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| Traditional business technical | -3.2 | 0.0 | 4.7 | -0.2 | -5.8 |
| Traditional business financials | -0.6 | 4.4 | -8.5 | 4.3 | 0.3 |
| Non-recurring expenses and other traditional business | | | -3.1 | -10.1 | -2.2 |
| **Non-recurring traditional business** | **-3.8** | **4.4** | **-6.9** | **-6.0** | **-7.7** |
| Credit insurance business financials | 29.5 | 7.2 | 1.6 | -0.6 | 0.6 |
| Credit insurance underwriting and expenses | -15.4 | -9.1 | -0.3 | 6.9 | 0.5 |
| Payback to the insurance compensation consortium | -32.1 | 7.8 | 10.5 | -5.2 | -7.1 |
| **Non-recurring credit insurance business** | **-18.0** | **5.9** | **11.8** | **1.1** | **-6.0** |
| **Consolidation adjustments** | **-7.2** | **0.1** | **0.0** | **0.0** | **0.0** |
| **NON-RECURRING PROFIT net of taxes** | **-29.0** | **10.4** | **4.9** | **-4.9** | **-13.7** |

Financial years 2008 to 2010 incorporate the results of the non-technical account

# PLUS ULTRA SEGUROS

Plus Ultra Seguros, previously Groupama Seguros, is a general and multichannel insurance company aimed at private individuals and companies. It has over 125 years of history in the Spanish market, particularly present with brokers. In 2012, INOC, S.A. and Grupo Catalana Occidente acquired the company, and in 2015 integration in the Group may be completed.

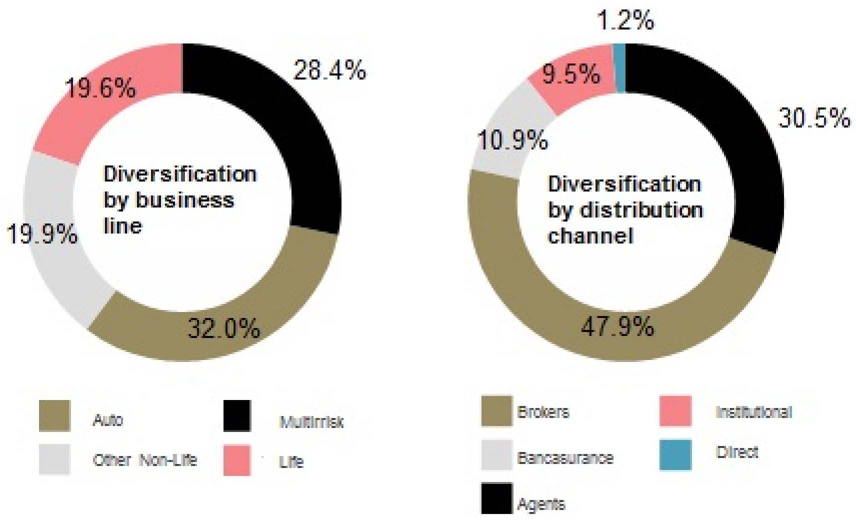
In 2014, the business volume stood at €781.0 million, 7.5% less than the previous year. Excluding the effect of a sporadic Life operation in 2013, the change would have been -1%. In the non-life business, which represents 80.4% of the portfolio, premiums reduced by 5.3% due to measures taken to increase profitability and lower business from bancassurance agreements.

(million euros)

| RESULTS PLUS ULTRA SEGUROS | 2010 | 2011 | 2012 | 2013 | 2014 | % Chg. 13-14 |
|---|---|---|---|---|---|---|
| Non-Life | 823.7 | 786.3 | 730.8 | 662.8 | 627.7 | -5.3% |
| Multirisk | 258.6 | 272.3 | 261.0 | 239.9 | 221.9 | -7.5% |
| Auto | 370.9 | 342.4 | 299.9 | 265.7 | 250.1 | -5.9% |
| Other non-life | 194.2 | 171.5 | 169.9 | 157.2 | 155.7 | -1.0% |
| Life | 119.2 | 143.4 | 116.4 | 181.3 | 153.3 | -15.4% |
| **Total premiums Plus Ultra Seguros** | **942.8** | **929.7** | **847.2** | **844.1** | **781.0** | **-7.5%** |
| **Technical profit after expenses** | **-1.3** | **17.0** | **-8.0** | **11.5** | **22.2** | **93.0%** |
| **% over earned premiums** | **-0.1%** | **1.8%** | **-0.9%** | **1.3%** | **2.8%** | |
| Financial result | 50.4 | 37.8 | 41.7 | 30.3 | 31.0 | 2.3% |
| % over earned premiums | 5.4% | 4.0% | 4.8% | 3.4% | 3.8% | |
| **Recurring profit net of taxes** | **41.8** | **43.1** | **24.8** | **33.0** | **37.5** | **13.6%** |
| **% over earned premiums** | **4.4%** | **4.5%** | **2.8%** | **3.7%** | **32.9%** | |
| **Non recurring result net of taxes** | **-2.7** | **-28.2** | **-116.4** | **-4.9** | **-4.7** | |
| **Net result net of taxes** | **39.1** | **15.0** | **-91.7** | **28.1** | **32.9** | **17.1%** |

*(*) Proforma 2013 including Click Seguros Business*

**Diversification: business and distribution channel**




**Recurring result has improved significantly to reach €37.5 million, up 13.6% from the previous year.** The combined ratio has been reduced by 1.4 points down to 97.6% versus 99% in 2013, thanks to measures taken to improve profitability. Additionally, during the financial year non-recurring adjustments have been made which have had a negative impact of €4.7 million. The results of Grupo Catalana Occidente include 49% of its result (€16 million) of which 18.4 million are considered recurring and are part of the financial result of the traditional business.

| COMBINED RATIO (Plus Ultra Seguros) | 2010 | 2011 | 2012 | 2013 | 2014 | Variación |
|---|---|---|---|---|---|---|
| **Combined ratio** | **97.3%** | **98.0%** | **101.6%** | **99.0%** | **97.6%** | **-1.4** |
| Technical cost | 66.5% | 66.8% | 70.5% | 67.1% | 64.9% | -2.2 |
| Commissions | 17.0% | 17.0% | 17.0% | 17.1% | 16.7% | -0.4 |
| Expenses | 13.8% | 14.2% | 14.1% | 14.8% | 15.9% | 1.1 |

Plus Ultra Seguros manages assets amounting to 1,672.8 million euros, with a distribution of assets according to its business profile. Fixed income accounts for 78.8%.

# 5

# Capital, investments and risks

# BALANCE SHEET

**At year end, Grupo Catalana Occidente has assets worth €11,216.5 million, an increase of €1,115.1 million (up 11%) compared to December 2013. The increase stems mainly from a higher capital value (up €585.4 million) based on the results obtained and the investment capital gains.**

(million euros)

| ASSET | 2010 | 2011 | 2012 | 2013 | 2014 | % Chg. 13-14 |
|---|---|---|---|---|---|---|
| **Intangible assets and property** | **954.5** | **882.6** | **881.3** | **883.3** | **876.6** | **-0.8%** |
| **Investments** | **5,878.7** | **6,213.2** | **6,573.7** | **7,163.3** | **8,258.3** | **15.3%** |
| Property investments | 163.3 | 227.8 | 224.6 | 226.5 | 223.3 | -1.4% |
| Financial investments | 5,030.7 | 5,239.5 | 5,969.2 | 6,503.8 | 7,448.5 | 14.5% |
| Cash and short-term assets | 684.7 | 745.9 | 379.9 | 433.0 | 586.5 | 35.5% |
| **Reinsurance share in technical provisions** | **1,036.5** | **1,004.7** | **988.5** | **895.2** | **889.4** | **-0.6%** |
| **Other assets** | **1,382.5** | **1,330.5** | **1,285.7** | **1,159.6** | **1,192.2** | **2.8%** |
| Deferred tax assets | 141.6 | 147.5 | 127.5 | 115.9 | 127.2 | 9.7% |
| Credits | 820.6 | 832.0 | 786.1 | 703.2 | 702.2 | -0.1% |
| Other assets | 420.3 | 351.0 | 372.1 | 340.5 | 362.8 | 6.5% |
| **TOTAL ASSETS** | **9,252.2** | **9,431.0** | **9,729.2** | **10,101.4** | **11,216.5** | **11.0%** |

| LIABILITIES AND EQUITY | 2010 | 2011 | 2012 | 2013 | 2014 | % Chg. 13-14 |
|---|---|---|---|---|---|---|
| **Long-Term capital** | **1,544.9** | **1,645.7** | **1,795.3** | **2,100.3** | **2,685.7** | **27.9%** |
| **Equity** | **1,427.5** | **1,527.6** | **1,676.5** | **1,980.8** | **2,437.6** | **23.1%** |
| Parent company | 1,134.0 | 1,233.7 | 1,433.4 | 1,723.8 | 2,167.1 | 25.7% |
| Minority interests | 293.6 | 293.9 | 243.1 | 257.1 | 270.5 | 5.2% |
| **Subordinated liabilities** | **117.4** | **118.1** | **118.8** | **119.5** | **248.1** | **107.6%** |
| **Technical provisions** | **6,562.2** | **6,794.5** | **6,844.3** | **6,905.5** | **7,235.0** | **4.8%** |
| **Other liabilities** | **1,145.1** | **990.8** | **1,089.6** | **1,095.6** | **1,295.8** | **18.3%** |
| Other provisions | 170.9 | 128.3 | 158.2 | 153.0 | 148.0 | -3.3% |
| Deposits received for ceded reinsurance | 86.4 | 80.9 | 68.3 | 62.1 | 60.4 | -2.7% |
| Deferred tax liabilities | 160.1 | 171.8 | 179.2 | 222.3 | 320.3 | 44.1% |
| Liabilities | 465.1 | 430.5 | 480.1 | 457.6 | 524.6 | 14.6% |
| Other liabilities | 262.6 | 179.3 | 203.8 | 200.6 | 242.5 | 20.9% |
| **TOTAL LIABILITIES AND EQUITY** | **9,252.2** | **9,431.0** | **9,729.2** | **10,101.4** | **11,216.5** | **11.0%** |

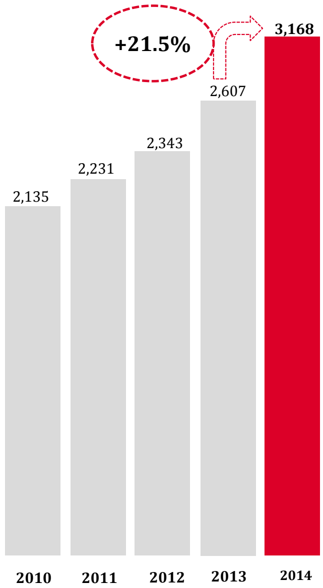
Note that the item cash does not reflect the Group's liquidity position as investments in deposits and money market funds are included in Financial Investments (See Investments and Funds under Management table). Likewise, it should be remembered that Grupo Catalana Occidente does not account for the surplus value of its property featured, so they appear at the amortised cost value and not at market value. For more information on the various items see Notes 6 to 16 of the Consolidated Financial Statements.

The Liability item includes an update of the estimate of the obligation under the reinsurance contract with the Consorcio de Compensación de Seguros. This provision amounts to €18.0 million, having provided €10.1 million during the financial year. For more information see Note 11.b. of the Consolidated Financial Statements.

# CAPITAL PERFORMANCE

The Long-Term Capital of Grupo Catalana Occidente amounted to €2,685.7 million having increased by 27.9% compared to financial year 2013 (up €585.4 million). Considering the capital gains not included in the balance sheet, long-term capital at market value for financial year 2014 amounts to €3,168.2 million.

| | (million euros) |
|---|---|
| **LONG-TERM CAPITAL at 31/12/13** | **2,100.3** |
| **EQUITY at 31/12/13** | **1,980.8** |
| (+) Consolidated profit | 268.1 |
| (+) Dividends paid | -73.1 |
| (+) Change in valuation adjustments | 291.1 |
| (+) Other changes | -29.3 |
| **Total movements** | **456.8** |
| **TOTAL EQUITY at 31/12/14** | **2,437.6** |
| Subordinated debt | 248.1 |
| **LONG-TERM CAPITAL at 31/12/14** | **2,685.7** |
| Unrealised capital gains (properties) | 482.5 |
| **LONG-TERM CAPITAL at market value** | **3,168.2** |




**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 €291.1 million.** Also, dividends have been paid amounting to €73.1 million, thus reducing the Net Equity in the same amount. For more information see the full status of changes relating to equity in the financial statements.

The subordinated debt comes from the issuance made by Atradius Finance BV on September 16, 2014. The issuance of subordinated debt amounting to €250 million matures in September 2044 and can be fully amortized as of September 2024. It bears interest at a fixed rate of 5.25% for the first ten years and thereafter the interest rate is variable 3-month Euribor plus 5.03%. See section 11) of the notes to the Consolidated Financial Statements.

## Treasury Shares

The Board of Directors, according to current regulations, is responsible for approving the treasury shares policy. The Internal Code of Conduct, in the stock market field, specifies the procedures for acquiring or disposal of Group shares.

During the financial year the subsidiary company Salerno 94 S.A. sold 150,000 shares of Grupo Catalana Occidente. **At year end, Salerno 94, S.A. held 2,004,282 shares, representing 1.67%.** The volume of its investment at year end stood at €17.4 million and, consequently, the restricted reserves stipulated in Article 148 of the consolidated text of the Corporate Enterprises Act have been provided with the same amount.

Pursuant to the IFRS, profits or losses from the disposal of treasury shares must be adjusted and should not be accounted for as higher profits or losses for the year, as applicable, and must be considered directly as an growth or decline in equity. For further information, see note 15 c) of notes to the Consolidated Financial Statements.

# INVESTMENTS AND FUNDS UNDER MANAGEMENT

**The Group continues to manage its investments in accordance with its general policy, driven by prudence and diversification criteria and investing in financial assets considered traditional. Consequently, the Group focuses the structure of its investment portfolio on the joint management of Assets/Liabilities in different scenarios and the liquidity of its positions.**

The Group manages funds amounting to €9,480.8 million, €1,098.9 million more than in the previous year, representing an increase of 13.1%. The funds in which the Group assumes the risk stood at €8,674.9 million, 13.7% more than in the previous year.

(million euros)

| INVESTMENTS AND FUNDS UNDER MANAGEMENT | 2010 | 2011 | 2012 | 2013 | 2014 | % Chg. 13-14 | % on/ Inv. Company Risk |
|---|---|---|---|---|---|---|---|
| **Real Estate** | **1,083.4** | **1,073.1** | **1,030.0** | **977.4** | **943.3** | **-3.5%** | **10.9%** |
| Fixed income | 3,414.0 | 3,664.6 | 3,724.2 | 4,114.9 | 4,906.4 | 19.2% | **56.5%** |
| Equity | 526.7 | 483.0 | 521.7 | 754.3 | 927.0 | 22.9% | **10.7%** |
| Deposits with credit institutions | 351.1 | 311.4 | 540.5 | 600.5 | 593.9 | -1.1% | **6.8%** |
| Other investments | 116.6 | 117.1 | 136.0 | 137.7 | 141.0 | 2.4% | **1.6%** |
| **Cash and monetary assets** | **887.7** | **1,012.7** | **815.7** | **679.1** | **789.7** | **16.3%** | **9.1%** |
| **Investments in subsidiaries** | **115.3** | **116.4** | **338.0** | **362.6** | **373.5** | **3.0%** | **4.3%** |
| **Total investment entity risk** | **6,494.9** | **6,778.4** | **7,106.2** | **7,626.5** | **8,674.9** | **13.7%** | **100.0%** |
| Investments by policyholders | 294.9 | 271.1 | 262.7 | 281.1 | 294.8 | 4.9% | |
| Pension plans and mutual funds | 487.0 | 468.7 | 449.4 | 474.3 | 511.1 | 7.8% | |
| **Total investment risk taker** | **781.9** | **739.8** | **712.1** | **755.4** | **805.9** | **6.7%** | |
| **INVESTMENTS AND FUNDS UNDER MANAGEMENT** | **7,276.8** | **7,518.2** | **7,818.3** | **8,381.9** | **9,480.8** | **13.1%** | |

Investments in **subsidiaries** (equity method) totalled €373.5 million, accounting for 4.3% of the total risk fund of the Company. This item contains the investment carried out for 49% of the Plus Ultra Seguros share capital.

**GRUPO CATALANA OCCIDENTE** (millon euros)

| Major insurers Group | % | Activity | Own resources | Income 2013 | Income 2014 | % Chg. 13-14 | Results 2013 | Results 2014 | % Chg. 13-14 |
|---|---|---|---|---|---|---|---|---|---|
| **Seguros Catalana Occidente, SA de Seguros y Reaseguros** | 100.00% | Life and Non-Life Insurance | 687.6 | 1,018.9 | 1,126.3 | 10.5% | 100.8 | 104.7 | 3.9% |
| **Atradius NV y Soc. Dependientes** | 83.20% | Credit and Surety Insurance | 1,393.0 | 1,572.0 | 1,666.7 | 6.0% | 134.5 | 161.2 | 19.9% |
| **Plus Ultra Seguros** | 49.00% | Life and Non-Life Insurance | 450.0 | 829.0 | 784.4 | -5.4% | 28.1 | 32.9 | 17.1% |
| **Bilbao SA de Seguros y Reaseguros** | 99.73% | Life and Non-Life Insurance | 275.3 | 506.0 | 524.4 | 3.6% | 36.8 | 39.4 | 7.1% |
| **Nortehispana, SA de Seguros y Reaseguros** | 99.78% | Burial insurance | 78.3 | 114.7 | 120.9 | 5.4% | 12.3 | 5.9 | -52.0% |
| **Catoc Vida, SA de Seguros** | 100.00% | Life insurance | 38.0 | 27.6 | 33.2 | 20.3% | 3.0 | 2.1 | -30.0% |
| **Cosalud, SA de Seguros** | 100.00% | Health insurance | 11.0 | 17.6 | 19.6 | 11.4% | 3.3 | 3.2 | -3.0% |
| **Compañía de Seguros de Crédito Continental, SA** | 41.60% | Credit and Surety Insurance | 35.8 | 5.8 | 6.1 | 5.2% | 1.3 | 12.7 | |
| **Depsa, SA de Seguros y Reaseguros** | 100.00% | Insurance Defense | 7.5 | 5.0 | 4.4 | -12.0% | 2.5 | 1.0 | -60.0% |

The total invested in **cash and cash equivalents** totalled **€789.7** million, accounting for **9.1**% of the company's risk fund and reflecting the Group's prudent investment. Compared to previous financial years this item was reduced to undertake both corporate transactions, the acquisition of Atradius NV and Plus Ultra Seguros.

The **remaining investment** item, at €141.0 million, is virtually the same amount as in the previous financial year and represents 1.6% of the company's total risk fund.

The Group holds a position of €593.9 million in **deposits with credit institutions**, representing 6.8% of the company's total risk fund. Since 2013 the Group has invested cash stipulated in the cash item in bank deposits, mainly with Banco Santander and BBVA.

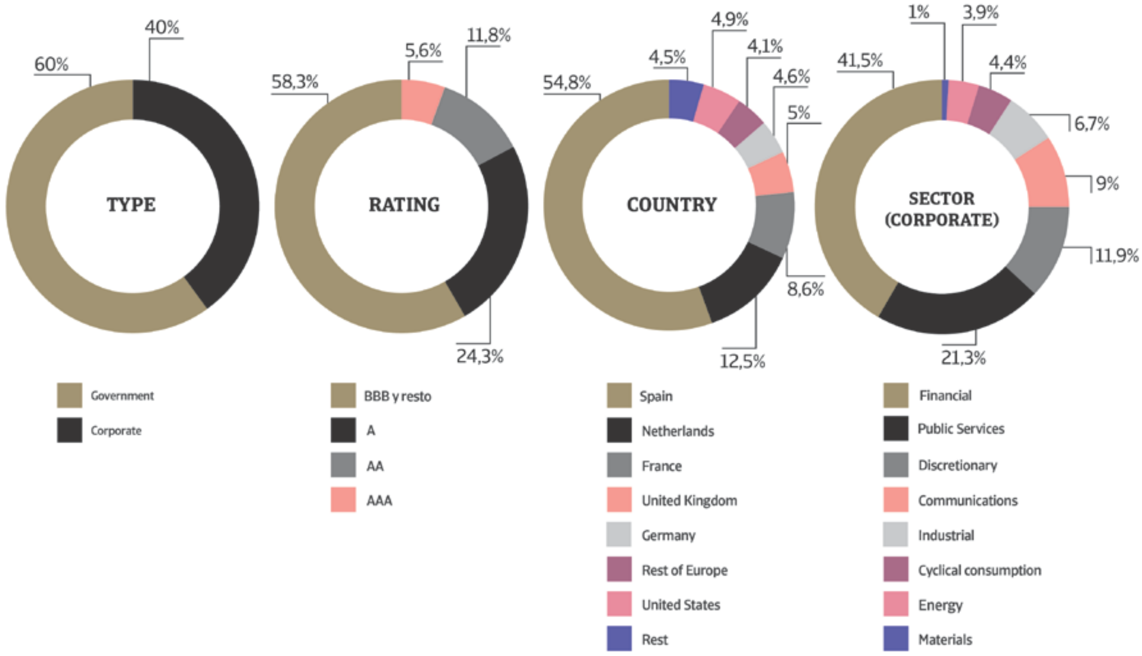
The **equity** investment is €927.0 million, representing 10.7% of the portfolio. The Group's equity portfolio is widely diversified and focused on large cap securities, mainly from Spanish (33.4%) and European markets that have attractive dividend yields.

The **fixed income** portfolio represents 56.6% of the company's total risk funds, with €4,906.4 million, up 19.2% over 2013. Of the total fixed income investment, 60.0% is invested in bonds and government bonds and 40% in corporate debt. The chart below shows the breakdown of the portfolio's rating. BBB's high concentration is due to investment in the Kingdom of Spain, whose credit score descended in 2013 and with it many bonds of Spanish companies. At year end, 41.7% of the portfolio is rated A or higher, while the average rating is BBB.

Investment in Spanish bonds is 54.8% of the total portfolio, €2,688.7 million, of which €2,315.3 million relates to the Kingdom of Spain.

Portfolio term, which measures the sensitivity to interest rates on fixed-income securities and represents the percentage of change that occurs in the market price of a bond for each point of variation in interest rates, stands at about 4.99 and the internal rate of return is 3.51%.

For detailed information and breakdown by asset and maturities see note 5 b) and 6 a) of the Notes to the Consolidated Financial Statements




The total investment in **Property** at market value amounts to **€943.3** million. On balance sheet, the Group undertakes its investment in Real Estate according to its amortized cost. Buildings used by the company appear as tangible investments and those for use by third parties or for rent as investment properties. 90% of the Group's property is located in areas considered as "prime" areas of the main Spanish cities. Also all of the property for use by third parties is located in these areas and has a high rate of occupancy.

In order to have these properties cover technical provisions, and in accordance with current legislation, they are appraised periodically through regulator-approved entities. Capital gains from property amounted to €482.5 million, a decrease of 4.8% compared to previous appraisals. For further information see note 8 b) of the notes to the Consolidated Financial Statements.

# SOLVENCY AND TECHNICAL PROVISIONS

## Capital management

Grupo Catalana Occidente seeks to maintain 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.

Capital management is governed by the following principles:

- Ensure that Group companies have sufficient capital to meet their obligations and even as they face of extraordinary events
- Manage the capital adequacy of the Group and its companies, taking into account the economic and accounting outlook and capital requirements
- Optimize the capital structure through efficient allocation of resources between entities, ensuring financial flexibility and properly remunerating shareholders
- Define the risk strategy and the capital management of the Group as part of the Own Risk and Solvency Assessment (ORSA) process

For more information see the Management and Risk Control System section and note 4 of the notes to the Consolidated Financial Statements.

## Solvency I

Grupo Catalana Occidente boasts a solvency surplus of €1.892.5 million, representing 6.6% of the minimum required.

(million euros)

| SOLVENCY MARGIN | 2010 | 2011 | 2012 | 2013 | 2014 | % Chg. 13-14 |
|---|---|---|---|---|---|---|
| Available equity | 2,002.4 | 2,095.3 | 2,193.9 | 2,236.6 | 2,366.8 | 5.8% |
| Capital required | 425.2 | 427.9 | 441.0 | 461.7 | 474.3 | 2.7% |
| **Excess of solvency margin** | **1,577.2** | **1,667.4** | **1,752.9** | **1,774.9** | **1,892.5** | 6.6% |
| **% Available capital over the capital required** | **470.9** | **489.7** | **497.5** | **484.5** | **499.0** | |

The Group is well above the minimum required, as well as industry average (310.7% at September 2014, according to the The General Directorate of Insurance and Pensions).

## Solvency II

In November 2014, the European Parliament, Council and Commission approved the Omnibus II Directive (amending the original Solvency II Directive adopted in 2009) therefore Solvency II will enter into force on January 1, 2016.

Although in financial year 2014 has witnessed a better definition of the final form of Solvency II, the calibration of the regulatory capital requirements for certain business lines is still under discussion. In particular, this directly affects the credit insurance business of the Group.

One of the important aspects of Solvency II is that it will allow insurance entities to calculate their regulatory capital requirements using their own internally developed models. Grupo Catalana Occidente continues to actively progress in implementing partial capital internal models and working with supervisors to meet the required standards of quality, calibration, documentation, validation and use of the model.

The latest tests by EIOPA to European insurers, with data from year-end 2013, indicate that the sector is sufficiently capitalized. So much so, that companies representing 97% of total sector assets have a solvency capital requirement (SCR) above 100%. In this regard, it should be noted that according to this study, Grupo Catalana Occidente meets the new solvency requirements in all scenarios considered, evidencing its resilience against adverse scenarios.

## Technical provisions

The Group has an excess of eligible assets to meet its liabilities amounting to €1,823.2 million.

(million euros)

| TECHNICAL PROVISIONS AND COVERAGE | 2010 | 2011 | 2012 | 2013 | 2014 | % Chg. 13-14 |
|---|---|---|---|---|---|---|
| Technical provisions to materialize | 6,392.8 | 6,630.5 | 6,685.5 | 6,940.3 | 7,337.5 | 5.7% |
| Eligible assets | 7,841.8 | 8,102.5 | 8,301.4 | 8,589.6 | 9,160.7 | 6.6% |
| **Excess coverage** | **1,449.0** | **1,472.0** | **1,615.9** | **1,649.3** | **1,823.2** | 10.5% |
| **% Assets over provisions** | **122.7%** | **122.2%** | **124.2%** | **123.8%** | **124.8%** | |

# RATING

The rating agency A.M. Best, a leading credit rating agency of companies in the insurance industry, considers that the Group's financial strength is excellent. In particular, since early 2014 it has confirmed the ratings assigned to the main operating companies of the Group, with stable outlook.

| | SCO | SB | Atradius CI | CyC | Atradius Re |
|---|---|---|---|---|---|
| AMBest | A-<br>stable | A-<br>stable | A<br>stable | A<br>stable | A<br>stable |
| Moody's | | | A3<br>stable | A3<br>stable | A3<br>stable |

AM Best highlights three basic aspects of companies in the traditional business:

- adequate capitalization through internal generation of capital
- excellent operating results
- the good business model

Likewise, A.M. Best underscores the prudent underwriting guidelines and extensive network of agents resulting in greater customer loyalty. In addition, it believes that the Group has limited exposure to natural disasters due to the existence of a national system covering such catastrophes (Consorcio Compensación de Seguros).

AM Best and Moody's highlight the strong competitive position of companies in the credit insurance business thanks to:

- conservative investment portfolio
- strong capitalization
- low financial leverage

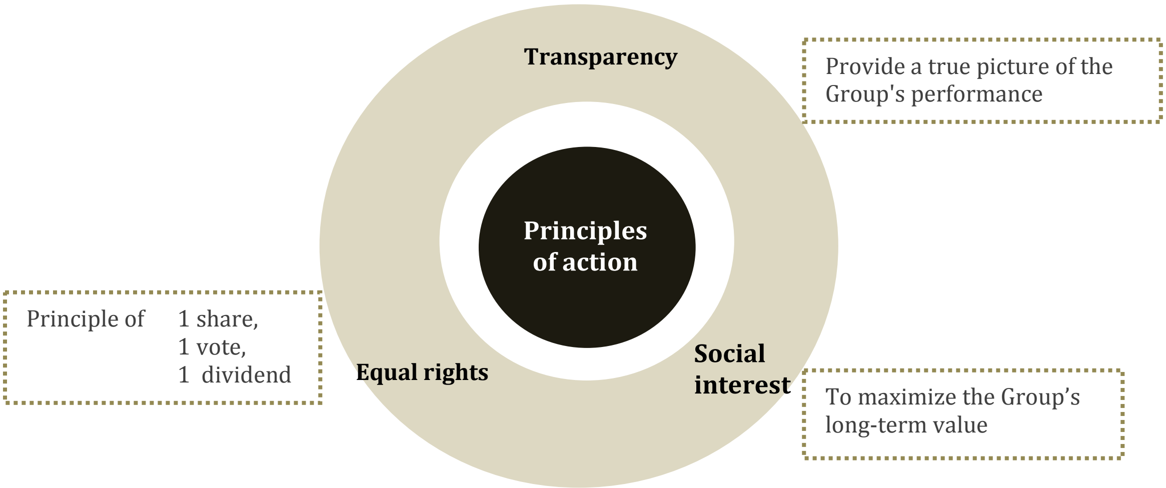
# CORPORATE GOVERNANCE

*The board of directors of Grupo Catalana Occidente applies the principles of good governance with transparency and rigour.*

The board of directors is the Group's highest decision-making body. Its guiding principle is to delegate ordinary management to the management team and focus on its monitoring function, comprising:

- strategic responsibility: guiding the Group's policy
- oversight responsibility: controlling managing authorities
- communication responsibility: liaising with shareholders

Likewise, it is also responsible for approving, among others, the strategic plan, annual objectives and budgets, investment and finance policy, corporate governance policy, corporate social responsibility policy, dividends and risk control and management.




The operation and performance of the board of directors is regulated by a specific regulation (available on the Group's website: www.grupocatalanaoccidente.com)

## Group Code of Ethics

By creating and adopting a code of ethics, Grupo Catalana Occidente has formalized the behaviour commitment of its workforce based on the principles of good faith and integrity. The main pillars it defends are as follows:

## Information and transparency

The board of directors has approved the corporate governance report and the report on board member remuneration in 2014 following the guidelines established by the transparency rules for listed companies. For more detail, visit the group website: www.grupocatalanaoccidente.com

## Stable composition of the board of directors

At year-end, the board of directors consisted of 16 directors, of which 4 were executive directors and 1 is independent (6.25% of the board).

Below is the composition of the board of directors and delegated committees at year-end 2014. All are persons of recognized professional ability, integrity and impartiality. The profile of board members can be found on the Grupo Catalana Occidente website.

| Board of Directors | |
|---|---|
| **President** | Mr. Jose Mª Serra Farré |
| **Vice-president** | JS Invest, S.L. |
| **Chief Executive Officer** | Mr. José Ignacio Álvarez Juste |
| **Company Secretary** | Mr. Francisco José Arregui Laborda |
| **Members** | Mr. Jorge Enrich Izard<br>Mr. Jorge Enrich Serra<br>Mr. Juan Ignacio Guerrero Gilabert<br>Mr. Federico Halpern Blasco<br>Mr. Hugo Serra Calderón<br>Mrs. Maria Asumpta Soler Serra<br>Cotyp, S.L.<br>Inversiones Giró Godó,SL<br>Jusal, S.L.<br>Lacanuda Consell, S.L.<br>Olandor, S.L.<br>Villasa, S.L. |
| **Vice-Secretary (non Director)** | Mr. Felix M. Barrado Gutiérrez |

| Committees of the Board of Directors | |
|---|---|
| **Audit Committee** | |
| **President** | Mr. Juan Ignacio Guerrero Gilabert |
| **Members** | Mr. Jorge Enrich Serra<br>Cotyp, SL<br>JS Invest, S.L.<br>Lacanuda Consell, S.L. |
| Actings as secretary Mr. Francisco José Arregui Laborda | |
| **Appointment and Remuneration Committee** | |
| **President** | JS Invest, S.L. |
| **Members** | Mr. Jorge Enrich Izard<br>Mr. Federico Halpern Blasco<br>Cotyp, S.L.<br>Villasa, S.L. |
| Acting as secretary Mr. Francisco José Arregui Laborda | |

The board of directors has met 12 times during the year, and delegated committees have met five times.

**CHANGES**

Since early financial year 2015 there are vacant seats from Orlandor, SL and Jorge Enrich Serra in the board. Considering proposals or favourable reports from the appointments and remuneration committee, as appropiate, the Board of Directors at its meeting of February 25, 2015 has agreed to appoint Ensivest Bros 2014, SL (represented by Mr. Jorge Enrich Serra), as a member and Mr. Francisco Javier Pérez Farguell as an independent member. These appointments are effective until the celebration of the next general meeting. Likewise, such members become part of the audit committee, following the resignation of Mr. Enrich Serra and Cotyp, SL

In addition, there have been changes in the Appointments and remuneration committee, becoming member and Chairman Mr. Guerrero Gilabert and member Mr. Pérez Farguell, following the resignation of members Mr. Jorge Enrich Izard and Mr. Federico Halpern Blasco.

During 2014 the board has assessed its activity through questionnaires about actions taken by the board and delegate committees and the chairperson's performance. Results have been positive and have highlighted the suitability of procedures.

# RISK CONTROL AND MANAGEMENT

The board of directors is responsible for the Group's general policies and strategies and, in particular, the policies of risk management and control, as well as the regular monitoring of internal information and control systems.

## Risk control system

The board of directors handles:

- Identify the various types of risks
- Annually set the level of acceptable risk tolerance at the Group and main business levels.
- Establish measures to mitigate the impact of risk
- Regularly monitor significant risks and threats, and ensure compliance

At the operational level, this commitment is expressed through a comprehensive system of risk management and control using committees, and supported by an independent and specialized organization of risk, deployed in the Group's core businesses.

The Group's risk management system works holistically, consolidating this management by business, activity, company and support areas at the corporate level.

**The structure of the Group is based on operating companies with a high degree of autonomy in their management. Moreover, at the corporate level we promote, coordinate and implement a capital model that applies to risk management at the global Group level.**

**Note 4 of the Notes to the consolidated financial statements and section D of the Corporate Governance Report, contain further information on this subject.**

## Key risks

**Grupo Catalana Occidente is exposed to various risks inherent to the markets and segments where it already operates, and the activities it undertakes. It cannot be ignored that the credit insurance business makes the Group more sensitive to the economic cycle, although this is largely offset by the stability of its other lines.**

The main risks to which the Group is exposed are categorized in its risk map:

| | |
|---|---|
| LIFE | Mortality, longevity, disability, lapse, expenses and catastrophic |
| NON-LIFE | Premiums and reserves, lapse and catastrophic |
| HEALTH | Premiums and reserves, lapse and catastrophic |
| MARKET | Interest rates, equity, real estate, spread, concentration, exchange rates |
| COUNTERPARTY | |
| OPERATIONAL | |

## Monitoring risks

Through mechanisms deployed to identify, analyze 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 has written policies that ensure appropriate risk management: underwriting and reserves policy, reinsurance, investments, ALM and liquidity, internal control and operations risk, ORSA and risk & capital management. The Group continues to work on the adequacy of current policies to future Solvency II requirements.

The Group's main committees are responsible for control and monitoring of the various risks. The internal control area carries out the appropriate monitoring.

## Risk mitigation measures

The Group assesses and reviews risk mitigation measures. These include the following:

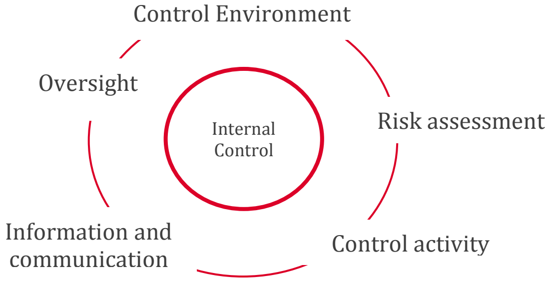
- Underwriting risk: The main mitigation mechanism is the reinsurance program
- Market risk: To manage liquidity risk, a detailed analysis of asset-liability matching (ALM) is carried out periodically, including VaR analysis of investment portfolios and sensitivity analysis of future scenarios.
- Counterparty 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.

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.

# Internal Control

The Group's internal control system ensures the objectives of effectiveness and **efficiency of operations**, reliability of financial reporting, asset protection and compliance with applicable laws and regulations.

The system is built around five components:




Reports are focused on the evaluation of degree of compliance of controls that mitigate operational risk, defined as the risk of loss arising from the inadequate existence or malfunctioning internal processes, personnel, systems or external events.

The internal control system is subject to an independent monitoring process that verifies proper operation over time. Comprehensive system monitoring is performed by Internal Audit.

Finally, in compliance with the recommendations of the CNMV about the Internal Control System of Financial Reporting (SCIIF), in 2014 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 homogenization of criteria and the reflection on efficiency improvements. The result has been noticeable improvement in the traceability of this information.

# Fight against fraud

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 through insurance.

Also, a "reporting channel" has been established, which enables employees to inform the Corporate Internal Audit of any conduct within the Group that may involve criminal acts. The reporting channel has been established following the amendment to Organic Law 10/1995, of 23 November of the Criminal Code.

### *Prevention of Money Laundering*

Internal regulations (Manual for prevention of money laundering and terrorist financing of Grupo Catalana Occidente approved in January 2015) and control guidelines on the prevention of money laundering established at the Group level. Control processes align with the computerized procedures for recruitment, involving all employees and agents.

During 2014, these regulations have been in the process of adaptation to the latest legal changes, especially Royal Decree 304/2014 of May 5th,which approves Regulation of Law 10/2010 of April 28th, on prevention of money laundering and terrorist financing.

Once the manual is approved by the Board of Directors of Grupo Catalana Occidente, efforts to communicate and train employees and the network of agents will begin. The measures implemented by the Group are subject to annual review by an external expert who prepares a report. The board of directors examines this report, together with proposals of necessary measures, to address the weaknesses identified.

### *Average time period to suppliers*

The Group does not have pending payments to suppliers beyond the legal term deferral balance. For more information see note 19 e) of memory.

# Internal Audit

The chief executive officer is responsible for internal audit activity and also submitting reports to the Group audit committee and giving agreed suggestions and annual planning.

The annual plan is based on audit requirements stipulated by regulators and other bodies who certify some of the Group's businesses, the audit universe of Grupo Catalana Occidente which covers all auditable activities assessed based on their risk and the audits performed in previous years.

In 2014, audits have been undertaken, of which the following are worth noting:

- **About internal control system processes for the preparation of financial information**
- **General review of the internal control system**
- **Compliance with data protection regulations**

A report has been issued on each of these audits, describing their purpose and scope, any non-compliance and control weaknesses detected, the auditor's opinion on the internal control system under review, and any improvement point the auditors consider applicable. In the latter case, the auditors monitor its implementation within the time limit agreed with the auditees.

Finally, Corporate Internal Audit has addressed the issue of analyzing irregularities and/or fraud committed by brokers, professionals and employees, of which it is aware.

# External Audit

Globally considered, the firm Deloitte, assisted by DQ auditors, conducts and coordinates external financial audits — primarily financial — of the Group and its companies. This provides uniformity across all audits and, in particular, with regard to financial reporting systems, as well as assisting with the implementation of international and local standards specific to each case, situation or company.

At Group's 2014 annual general meeting, it was agreed to extend the contract of Deloitte, S.L. as auditors of the Parent Company and the Group for the year 2014.

The amounts payable to external auditors in the year 2014 for audit of the accounts is €3.2 million, of which €2.9 million correspond to the main auditor.

# 6

# Sustainable Growth

# ETHICS AND CORPORATE SOCIAL RESPONSIBILITY

**Grupo Catalana Occidente integrates into its own business strategy, corporate social responsibility focused on responsible and transparent management where the customer is the heart of the activity, people the most important asset and commitment to legality, social integration, environment and, in general, sustainability principles part of its business model and ordinary activities.**

The behavior of all members of the Group is based on ethical behavior, based on good faith and integrity, as stated in the action guidelines and in the code of ethics.

In this framework, the Group includes in its annual reports performance indicators GRI (Global Reporting Initiative) for the insurance and financial services industry.

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

Socially responsible management of Grupo Catalana Occidente is integrated into its strategy and present in business processes, always taking into account the stakeholders with whom the Company relates, namely:

- Customers
- Employees
- Associates, such as the Group intermediary network (agents and brokers)
- Suppliers, including doctors, lawyers, experts and other providers are included
- Society, counting in the media, NGOs, government, etc.
- Likewise, it also comprises the commitment to the environment

Grupo Catalana Occidente carry outs insurance business responsibly, mainly through:

- Increasing employee commitment to the goals and mission of the company.
- Building a stable social and economic environment, with good levels of health and education, good relations with the institutions and, in general, a high quality of life.
- Preserving the environment.

Grupo Catalana Occidente continues to improve in integrating best practices of social responsibility in its daily activities. Notably are actions undertaken on labor conciliation, people integration, social action, environmental standards, training, application of technology to provide the best possible service, etc.

## Commitment to ethical conduct

The principles and values that govern the conduct of all companies Catalana Occidente Group are contained in its Code of Ethics:

- Principle of integrity and honesty
- Principle of impartiality
- Principle of transparency
- Principle of confidentiality
- Principle of professionalism
- Principle of corporate social responsibility

# ADAPTATION TO CHANGE

In its century and a half of history, Grupo Catalana Occidente has consistently maintained its ability to adapt to changes in society, being this one of its most distinctive features.

**Proximity is a key customer satisfaction factor, which demands speed, simplicity and efficiency when contacting with its company. Therefore, for Grupo Catalana Occidente digitalization and mobility play an essential role for the customer to choose the way and the communication channel which you want to interact with the company.**

To achieve this objective, the Group entities have different communication channels and processes with the customer, who can contact those 24 hours a day, 365 days a year.

| | Assitance | Claim/policies management | Service information | Product information | Corporate information |
|---|---|---|---|---|---|
| Intermediary | x | x | x | x | x |
| Phone | x | x | x | x | x |
| Internet Office | | x | x | x | x |
| APP | x | x | x | | |
| Website | | x | x | x | x |
| Social networks | | x | x | x | x |

Through these channels, the companies comprising the Group are present and available in the way how, when and where their policyholders demand, while the intermediary is conceived as the key figure in the customer relationship. Thus, for Grupo Catalana Occidente its intermediaries' network, involving more than 20,000 agents and brokers, provide added value to meet in person the costumer specific needs, through a professional and friendly assessment.

The Group is constantly working to enable the intermediary adapting to digitization and mobility as new ways of customer relationships. This way, from its traditional business companies, this function is provided by developing own websites for the agent, action guidelines for interacting via social networking, training in new technologies, etc.

Additionally, to succeed in his constant adaptation vocation, the Group maintains its goal to remain a guide in terms of product innovation, designing insurance that adapt to new behaviors and demand needs.

In this regard, the different technical areas integrated into every company continuously work in updating current products coverage, new product design, incorporating telematics systems, etc. Specifically, these advances are intended to offer more and more customized products, providing maximum flexibility in terms of hiring, coverage selection and payment. In addition, the incorporation of technological developments to enhance competitiveness and efficiency rates through segmentation, also contribute significantly to profitable growth.

# HUMAN CAPITAL

**Grupo Catalana Occidente expresses its social responsibility in a particularly direct in its relations with its team. Our team is our main asset to create value for customers and shareholders and therefore reinforces Grupo Catalana Occidente learning, reconciliation and communication.**

**Learning**

**Communication**

**Work-Life Balance**

| | |
|---|---|
| HR pillars | • A fair and competitive salary, according to the general framework for the industry<br>• Transparency and accurate information<br>• Respect and dignity<br>• Lasting cooperation |
| Social benefit program. | • Pension Plans<br>• Accident and health insurance<br>• Family - Home Insurance<br>• Company dining hall<br>• Training funding (university education, MBA, languages)<br>• Internal promotion policy |

## Ongoing Learning

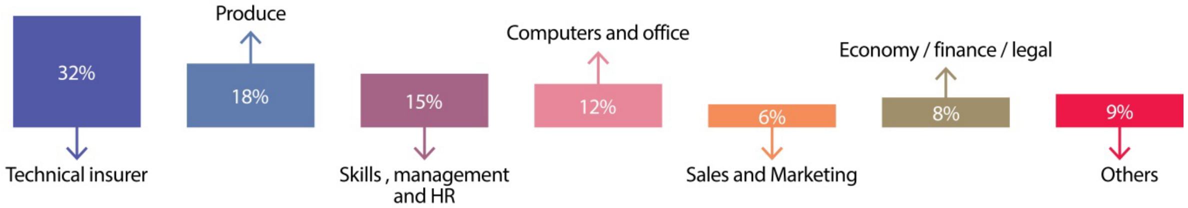
Human resource management is aimed at training and professional development, which contributes to the improvement of products and boosting the quality level of services. This in turn allows the Group to remain competitive and improve its market share.

The training of agents plays a key role in the Group's business model, based on building lasting relationships with customers through proper advice in risk prevention, coverage tailored to their needs, excellent service and competitive prices.

During 2014 we maintained a clear commitment to the professional development of individuals within the organization, with investments in training, as in previous years.

- **1,698 Courses - +7.6%**
- **150,405 Hours - +4.0%**

These content-oriented training activities have have been distributed in the following areas:




One of the areas of expertise that is worth noting is regarding Solvency II, which remains a subject of constant training for everyone involved in projects related to this subject.

In addition, mandatory content-oriented courses have also been provided to comply with legal requirements. In particular, courses have been offered on the Prevention of Occupational Risks, the Prevention of Money Laundering, the Data Protection Act and Information Security. In 2014 we launched a training course on Criminal Liability of Legal Persons which has been completed by most of the Group's workforce.

| Lines of action: PROFESSIONAL AND ORGANIZATIONAL DEVELOPMENT | | |
|---|---|---|
| Preparing new-generation professionals who, in the medium and long term will occupy positions of responsibility. | Retaining expert knowledge which will result in learning for the Group, through best practices being adopted. | Developing leadership skills, as essential elements for people to develop and engage with cultural values. |

**The main actions arising from this approach are:**

**Corporate development program**, which has successfully completed its third year, in which more than 60 young professionals have taken part. This training provides a comprehensive overview of the company.

**Training communities**, space-sharing collaborative training through forums, live sessions, etc. where participants interact with each other.

**Training programs aimed at improving People Management:** Advanced Management System, Leadership skills and conflict resolution, Commitment Management, Coaching for team integration, Self-improvement, Enhancing individual effectiveness through innovation and planning.

One of the training areas that has been significantly developed during the financial year relates to promoting a common culture, through the Corporate Model-Netics Culture course.

Currently, Grupo Catalana Occidente collaborates with various universities, jointly developing or participating in training programs that provide academic rigour in matters related to business and official qualifications. In particular the Group is working with:

- UB: Master in Insurance and Financial Management
- upf.: Financial Counseling Program
- UPC: Risk Manageme nt and Asset
- UOC: Master in Marketing and Business Management

## Work-Life Balance

As part of its commitment to equal opportunities and a satisfactory work-life balance, Grupo Catalana Occidente offers flexitime, enabling staff to accumulate time off in lieu.

A series of internal rules have been established in this regard, which regulate management and working relations between employees. They ensure working conditions are in compliance with criteria regarding the work-life balance, reasonable timetables, internal operating systems, workplace ergonomics, occupational health and safety and environmental protection. They also provide help with workforce training, ensure legal compliance, and, in summary, **guarantee a safe working environment and certain levels of comfort and efficiency that translate into a better management of each of the posts held by the Group's employees**.

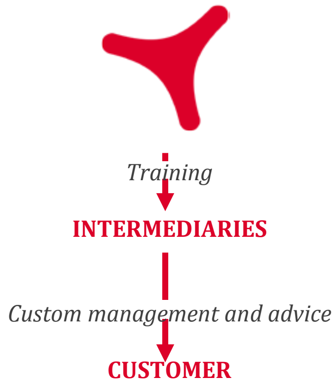
## Internal Communication

The Group's relationship with its employees is built on communicating its objectives. At the start of each year, for example, each member of the organisation receives documents summarising the Group's Strategic Plan, and its General Policies and Guidelines.


These documents, and any issue of interest, can be checked online on the Intranet, where information is constantly updated, serving as a basic communication tool between all employees and/or agents. On a quarterly basis, the various Group companies publish magazines for employees and agents to keep the team informed of the actions carried out.


# CLIENTS: COUNSELING AND PROTECTION

**Grupo Catalana Occidente's clear goal is to provide personalised management and highly professional advice through intermediaries, in the strong belief that a customer's decision to take out insurance deserves and demands the direct attention of a professional who understands the customer's problems and needs.**




## Customer Service Department and Customer Ombudsman in Spain

Reflecting the ongoing concern of the Group with the satisfaction of its customers, and in compliance with Law 44/2002 on Financial System Reform Measures, in 2014 Grupo Catalana Occidente directed its efforts to reducing and responding to the queries and complaints submitted by its customers.

Specifically, in 2014 the Group's Customer Service Departments handled 1,918 complaints during the year, 29 more than in 2013, of which 81% were accepted for investigation. Of those investigated, 484 were resolved wholly or partly in the claimant's favour 26 more than in 2013. Only 1,6% of cases were pending at year-end 2013.

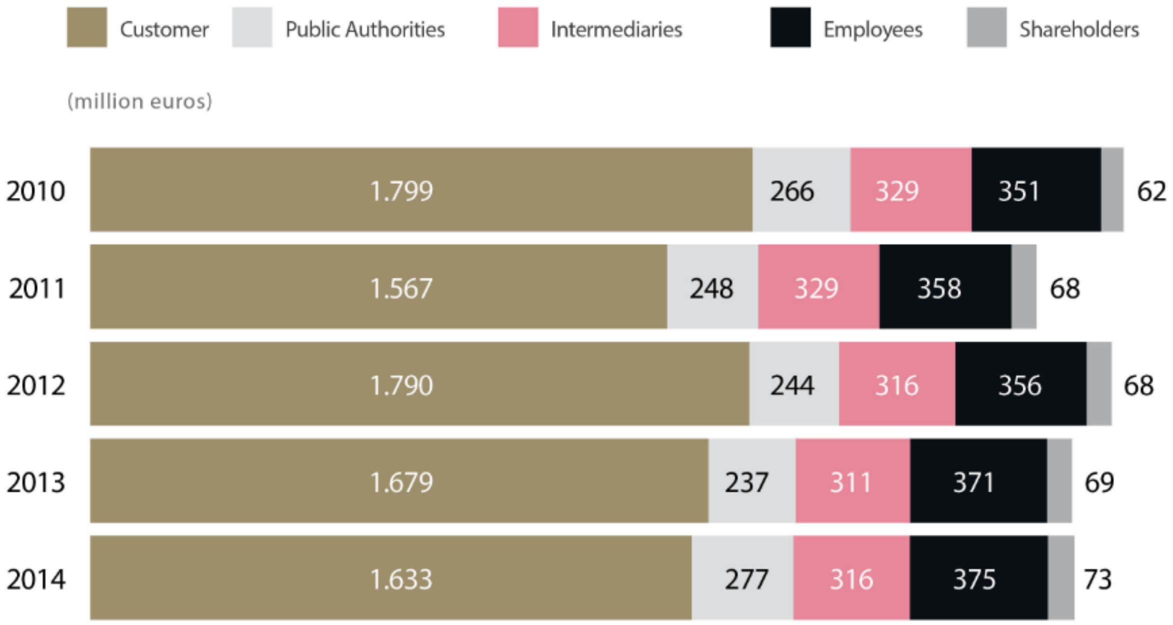
The Customer Ombudsman received a total of 233 complaints in 2014 (14 fewer than in the previous year), of which 46.8% were accepted for investigation. Of those investigated, 15 were resolved wholly or partly in the claimant's favour.

# Grupo Catalana Occidente AND SOCIETY

As a company chiefly involved in providing insurance, Grupo Catalana Occidente generates benefits for society as a whole by transferring the risks incurred by customers, whether they are companies or individuals, allowing them to face the future with less uncertainty, in the knowledge that the Group will mitigate or solve any problems they may face as a result of unforeseen events.

As result, this activity gives rise to transfers of economic resources – not only in relation to the insured – which expand according to each market participant's share in the value chain.

The Group thus transfers economic resources to various groups in society, the most important of which, in terms of their share of those resources, are as follows:

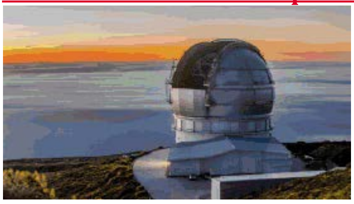


# SOCIAL MOMENTUM: JESÚS SERRA FOUNDATION

Grupo Catalana Occidente is aware of the responsibilities implicit in existing for and serving society. For that reason its way of understanding its link with itself goes for getting involved in it actively through their daily management and has a specific instrument to channel part of these efforts in a very straight way: the Jesús Serra Foundation. Since 1998 Jesús Serra foundation develops activities in support of society, particularly in the areas of research, enterprise, education, solidarity and promoting arts and sport.

Thus, a budget of €1.6 million was allocated in 2014 for sponsorship and the pursuit of the foundation's aims.

## Promote research to improve people’s health



Worth highlighting is our collaboration with the Cardiovascular Research Foundation and the prestigious National Cancer Research Centre through the "Visiting Researchers" program, which facilitates the presence and work of renowned scientists from other centres, and with the Instituto Astrofísico de Canarias (Canary Islands Astrophysics Institute). In addition, we have taken part in a project that helps stimulate physical activity in children with cardiovascular disease, a new project developed by the Cors Units Foundation.

## Contribute to education and retaining talent


The Foundation has worked closely with leading business schools such as IESE and ESADE, in its Studies Scholarship Fund program, to offer education to very talented people with limited resources. The Foundation has also collaborated with the Prince of Girona Foundation in the Impulsa Forum, an initiative that connects talent with experience and resources to turn the ideas of younger generations into projects, making their dreams a reality and thereby contributing to new economic and social progress.

## Promote art and culture

The Foundation has sponsored prominent entities such as the Guggenheim Museum in Bilbao and unique activities such as the concert tour of the winner of the Maria Canals International Piano Contest. The Intercentros Melómano contest, organized annually by the Orfeo Foundation to enhance the careers of young musicians studying at musical schools in Spain has been made possible by the Foundation. It has also sponsored, the activities of the Sant Cugat Auditorium Theatre, which the foundation has been supporting since it began. Worth noting is the organization, together with the Palafrugell Town Council, of the Jesús Serra Poetry Contest.

## Sport sponsorship

Various sport sponsorships have been organized, including the Seguros Bilbao Cycling Team and especially the Catalonia Tennis School Championship. It has again organized a very successful "Jesús Serra Foundation Ski Championship" in Baqueira, which pays tribute to the passion Jesús Serra had for these sports. And the Foundation has supported the Prevent Foundation in obtaining grants for adapted sports and a range of sporting events organized for solidarity, such as paddle tournaments of the Prodis Foundation and Apadema Foundation, organizations which help people with disabilities; and golf tournaments by the Theodora Foundation, which bring pleasure to the lives of hospitalized children.
The foundation has also sponsored the Félix Serra Swimming Tournament and has organized various sports activities designed for Grupo Catalana Occidente employees’ children with disabilities, carried out with the Sports and Challenge Foundation.

## We are there for people when they need it most

Moreover, the Foundation has worked with Doctors without Borders and Hands Together in assisting people in the Philippines. It has continued its contribution to various social actions such as Caritas, the Food Bank Foundation, and the “Aprovecha la mañana” (“Make the most of your morning”) project by the Catalan Down Syndrome Foundation. It has also supported organizations such as "Dentists on wheels" and the Pequeño Deseo ("Make a Wish") Foundation, which helps to fulfil the wishes of hospitalized children.

These are just some of the projects, among more than 60, which the JSF has managed in 2014. The results have been highly satisfactory in all cases, which encourages us to continue along this path, making the Foundation an increasingly powerful tool and a great contribution to society.

# CARE FOR THE ENVIRONMENT

- The Group, aware of its responsibility, carries out its business conscious of its commitment to the environment.
- It has launched the first insurance policy for electric vehicles
- "Catalana Parc" boasts a B rating in ecoefficiency


The Group is aware of its environmental protection responsibilities and performs all of its activities taking into account the minimisation of waste, the use of biodegradable materials, the recycling of paper and the optimisation of energy consumption, as well as working towards other sustainability goals. It also incorporates energy efficiency in any building construction and rehabilitation in order to reduce energy consumption and CO2 emissions to the atmosphere. The new projects incorporate the harvesting of stormwater, wastewater and groundwater, installation of solar panels, ACS plates, lighting in common areas through "LED", gardening with lower irrigation requirements, etc.

Grupo Catalana Occidente launched the first electric vehicle insurance available in Spain, offering ample benefits for customers who opt for environmentally-friendly transport. A collaboration agreement had previously been signed with Enisola, an entity committed to sustainable mobility with a 'different vision' on the electric car industry in Spain.
The agreement aims to encourage the promotion of electric vehicles. In addition, it continues to participate in Expoelèctric, the sustainable mobility trade fair in Barcelona, a pioneering initiative which, through a series of recreational activities, aims to bring the public closer to electric vehicles and thereby consolidate them as an efficient mode of transport, both in the city as well as on the motorway.

Thus, Grupo Catalana Occidente emphasizes the benefits of sustainable mobility which include saving energy and safe and efficient driving, working with pioneering initiatives in this field.

# Consolidated Financial Statements

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# Consolidated Financial Statements

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES
(Grupo Catalana Occidente)
CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2014
AND DECEMBER 31, 2013 (Notes 1 & 2)

(Figures in Thousands of Euros)

| ASSETS | Note | 31.12.2013 (*) | | 31.12.2014 | |
|---|---|---|---|---|---|
| Cash and cash equivalents | | | **432,959** | | **631,593** |
| Financial assets held for trading | 6.a. | | **21,281** | | **20,817** |
| Other financial assets at fair value through profit or loss | 6.a. | | **259,701** | | **280,013** |
| a) Debt instruments | | - | | - | |
| b) Investments held for the benefit of policyholders who bear the investment risk | | 259,701 | | 280,013 | |
| Available-for-sale financial assets | 6.a. | | **5,315,773** | | **6,236,993** |
| a) Equity instruments | | 1,148,990 | | 1,196,912 | |
| b) Debt securities | | 3,972,909 | | 4,845,472 | |
| c) Loans | | 250 | | 3,777 | |
| d) Bank deposits | | 193,624 | | 190,832 | |
| e) Other | | - | | - | |
| Loans and receivables | | | **1,189,999** | | **1,200,819** |
| a) Loans and other financial assets | 6.a. | 523,035 | | 522,477 | |
| b) Receivables | 6.b. | 645,560 | | 663,568 | |
| c) Investments held for the benefit of policyholders who bear the risk | 6.a. | 21,404 | | 14,774 | |
| Reinsurer participation in technical provisions | 12 | | **895,210** | | **889,365** |
| Property, plant and equipment and investment property | | | **463,848** | | **454,337** |
| a) Property, plant and equipment | 8.a. | 237,308 | | 230,991 | |
| b) Investment property | 8.b. | 226,540 | | 223,346 | |
| Intangible assets | | | **645,971** | | **645,596** |
| a) Goodwill | 9.a. | 581,420 | | 581,585 | |
| b) Policy portfolio acquisition costs | 9.b. | 5,263 | | 5,281 | |
| c) Other intangible assets | 9.b. | 59,288 | | 58,730 | |
| Investment in entities accounted for using the equity method | 7 | | **362,587** | | **373,468** |
| Tax assets | | | **173,558** | | **165,626** |
| a) Current tax assets | 10.b. | 57,676 | | 38,456 | |
| b) Deferred tax assets | 10.c. | 115,882 | | 127,170 | |
| Other assets | | | **340,536** | | **362,818** |
| **TOTAL ASSETS** | | | **10,101,423** | | **11,261,445** |

(*) Presented solely and exclusively for comparison purposes

The accompanying Notes 1 to 20 and Appendices I and II are an integral part of the Consolidated Balance Sheet at December 31, 2014.

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES
(Grupo Catalana Occidente)
CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2014
AND DECEMBER 31, 2013 (Notes 1 & 2)

(Figures in Thousands of Euros)

| LIABILITIES AND EQUITY | Note | 31.12.2013 (*) | | 31.12.2014 | |
|---|---|---|---|---|---|
| **TOTAL LIABILITIES** | | | **8,120,585** | | **8,823,839** |
| Other financial assets at fair value through profit or loss | | | - | | - |
| Trade and other payables | | | **607,067** | | **839,398** |
| a) Subordinated liabilities | 11.a. | 119,521 | | 248,141 | |
| b) Other payables | 11.b. | 487,546 | | 591,257 | |
| Technical Provisions | 12 | | **6,905,463** | | **7,235,023** |
| a) For unearned premiums | | 841,105 | | 892,661 | |
| b) For unexpired risks | | - | | - | |
| c) For life insurance | | | | | |
| - Provision for unearned premiums and unexpired risks | | 15,903 | | 15,911 | |
| - Mathematical provision | | 3,516,813 | | 3,811,507 | |
| - Provision for life insurance where the investment risk is borne by policyholders | | 281,105 | | 294,787 | |
| d) For claims | | 2,230,765 | | 2,198,643 | |
| e) For policyholder dividends and return premiums | | 5,711 | | 5,492 | |
| f) Other technical provisions | | 14,061 | | 16,022 | |
| Non Technical Provisions | 13 | | **152,966** | | **148,026** |
| Tax liabilities | | | **254,389** | | **377,074** |
| a) Current tax liabilities | 10.b. | 32,087 | | 56,884 | |
| b) Deferred tax liabilities | 10.c. | 222,302 | | 320,190 | |
| Other Liabilities | | | **200,700** | | **224,318** |
| **TOTAL EQUITY** | | | **1,980,838** | | **2,437,606** |
| **Equity** | | | **1,406,805** | | **1,559,028** |
| Capital | 14.a. | | 36,000 | | 36,000 |
| Share Premium Account | 14.b. | | 1,533 | | 1,533 |
| Reserves | 14.b. | | 1,194,024 | | 1,325,947 |
| *Less:* Treasury shares and participation units | 14.c. | | 18,725 | | 17,421 |
| Profit or loss for the year attributable to the parent | | | 221,057 | | 242,105 |
| a) Consolidated profit or loss | | 243,867 | | 268,144 | |
| b) Profit or loss attributable to minority interests | 15 | 22,810 | | 26,039 | |
| *Less:* Interim Dividend | 14.e. | | 27,084 | | 29,136 |
| **Revaluation adjustments** | 14.b. | | **316,970** | | **608,105** |
| Available-for-sale financial assets | | | 352,190 | | 660,360 |
| Exchange Differences | | | (9,533) | | (7,016) |
| Correction of accounting mismatches | | | (46,047) | | (78,991) |
| Entities accounted for using the equity method | | | 20,939 | | 34,332 |
| Other adjustments | | | (579) | | (580) |
| **EQUITY ATTRIBUTABLE TO THE PARENT COMPANY** | | | **1,723,775** | | **2,167,133** |
| **MINORITY INTERESTS** | 15 | | **257,063** | | **270,473** |
| Revaluation adjustments | | | (3,043) | | (2,393) |
| Rest | | | 260,106 | | 272,866 |
| **TOTAL EQUITY AND LIABILITIES** | | | **10,101,423** | | **11,261,445** |

(*) Presented solelynand exclusively for comparison purposes
The accompanying Notes 1 to 20 and Appendices I and II are an integral part of the Consolidated Balance Sheet at December 31, 2014.

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES
(Grupo Catalana Occidente)
CONSOLIDATED INCOME STATEMENT AT DECEMBER 31, 2014
YEARS ENDED DECEMBER 31, 2014 AND 2013 (Notes 1 and 2)

(Figures in Thousands of Euros)

| | Note | 2013 (*) | 2,014 |
|---|---|---|---|
| 1. Earned premiums for the year, net of reinsurance | **16** | 1,707,254 | 1,736,227 |
| 2. Income from property,plant and equipment and investments | **16** | 91,928 | 94,236 |
| 3. Other technical income | **16** | 166,535 | 169,204 |
| 4. Claims incurred in the year, net of reinsurance | **16** | (911,996) | (884,513) |
| 5. Change in other technical provisions, net of reinsurance | **16** | (522) | (1,961) |
| 6. Provision for policyholder dividends and return premiums | | - | - |
| 7. Net operating expenses | | (685,023) | (678,462) |
| 8. Other technical expenses | **16** | (16,477) | (23,889) |
| 9. Expenses arising from propertu, plant and equipment and investments | | (42,049) | (46,549) |
| **A) NON-LIFE RESULT** | | **309,650** | **364,293** |
| 10. Earned premiums for the year, net of reinsurance | **16** | 717,880 | 861,191 |
| 11. Income from property, plant and equipment and investments | **16** | 182,270 | 186,501 |
| 12. Income from investments assigned to insurance policies in which policyholders bear the investment risk | **16** | 43,457 | 21,120 |
| 13. Other technical income | **16** | 5,129 | 5,035 |
| 14. Claims incurred in the year, net of reinsurance | **16** | (545,219) | (642,125) |
| 15. Change in other technical provisions, net of reinsurance | **16** | (271,442) | (307,620) |
| 16. Provision for policyholder dividends and return premiums | **16** | (407) | (102) |
| 17. Net operating expenses | | (61,359) | (64,815) |
| 18. Other technical expenses | | (3,433) | (1,926) |
| 19. Expenses arising from property, plant and equipment and investments | **16** | (14,438) | (16,162) |
| 20. Expenses of investments assigned to insurance policies in which policyholders bear the investment risk | **16** | (9,324) | (7,396) |
| **B) LIFE INSURANCE RESULT** | | **43,114** | **33,701** |
| **C) RESULT ON TECHNICAL ACCOUNT** | | **352,764** | **397,994** |
| 21. Income from property, plant and equipment and investments | | (3,269) | (683) |
| 22. Negative goodwill | | - | - |
| 23. Expenses arising from property, plant and equipment and investments | | (6,183) | (5,512) |
| 24. Other income | **16** | 6,077 | 5,134 |
| 25. Other expenses | **16** | (27,465) | (15,098) |
| **E) PROFIT BEFORE TAX** | | **321,924** | **381,835** |
| 26. Income tax | **10.d** | (78,057) | (113,691) |
| **F) PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS** | | **243,867** | **268,144** |
| 27. Profit for the year from discontinued operations, net of taxes | | - | - |
| **G) CONSOLIDATED PROFIT FOR THE YEAR** | | **243,867** | **268,144** |
| a) Attributable to equity holders of the parent | | 221,057 | 242,105 |
| b) Profit attributable to minority interests | **15** | 22,810 | 26,039 |

| | | | |
|---|---|---|---|
| **EARNINGS PER SHARE** | | | |
| Basic | 14.f | 1.8794 | 2.0522 |
| Diluted | 14.f | 1.8794 | 2.0522 |

(*) Presented solely and exclusively for comparison purposes.
The accompanying Notes 1 to 20 and Appendices I and II are an integral part of the Consolidated Income Statement for 2014.

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES
(Grupo Catalana Occidente)
CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2014 (Notes 1 & 2)

(Figures in Thousands of Euros)

| A S S E T S | NON-LIFE SEGMENT | | LIFE SEGMENT | | OTHER ACTIVITIES SEGMENT | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| 1. Cash and cash equivalents | | (229,162) | | 1,025,686 | | (164,931) | | 631,593 |
| 2. Financial assets held for trading | | - | | - | | 20,817 | | 20,817 |
| 3. Other financial assets at fair value through profit or loss | | - | | 280,013 | | - | | 280,013 |
| 4. Available-for-sale financial assets | | 2,406,655 | | 3,775,210 | | 55,128 | | 6,236,993 |
| 5. Loans and receivables | | 1,034,762 | | 81,083 | | 84,974 | | 1,200,819 |
| a) Loans and other financial assets | 392,254 | | 66,104 | | 64,119 | | 522,477 | |
| b) Trade accounts receivable | 642,508 | | 205 | | 20,855 | | 663,568 | |
| c) Investments on behalf of policyholders who assume the risk | - | | 14,774 | | - | | 14,774 | |
| 8. Reinsurer participation in technical provisions | | 884,985 | | 4,380 | | - | | 889,365 |
| 9. Property, plant and equipment and investment property | | 305,666 | | 109,320 | | 39,351 | | 454,337 |
| a) Property, plant and equipment | 161,192 | | 51,836 | | 17,963 | | 230,991 | |
| b) Investment property | 144,474 | | 57,484 | | 21,388 | | 223,346 | |
| 10. Intangible Assets | | 543,887 | | 68,076 | | 33,633 | | 645,596 |
| a) Goodwill | 501,834 | | 68,076 | | 11,675 | | 581,585 | |
| b) Policy portfiolio acquisition costs | 39 | | - | | 5,242 | | 5,281 | |
| c) Other intangible assets | 42,014 | | - | | 16,716 | | 58,730 | |
| 11. Investments in entities accounted for using the equity method | | 108,107 | | 262,197 | | 3,164 | | 373,468 |
| 12. Tax assets | | 140,602 | | 82 | | 24,942 | | 165,626 |
| a) Current tax assets | 13,432 | | 82 | | 24,942 | | 38,456 | |
| b) Deferred tax assets | 127,170 | | - | | - | | 127,170 | |
| 13. Other assets | | 360,085 | | 2,548 | | 185 | | 362,818 |
| **T O T A L A S S E T S** | | **5,555,587** | | **5,608,595** | | **97,263** | | **11,261,445** |

(Figures in Thousands of Euros)

| E Q U I T Y A N D L I A B I L I T I E S | NON-LIFE SEGMENT | | LIFE SEGMENT | | OTHER ACTIVITIES SEGMENT | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| **TOTAL L I A B I L I T I E S** | | **4,258,775** | | **4,462,531** | | **102,533** | | **8,823,839** |
| 2. Other financial liabilities at fair value through profit or loss | | - | | - | | - | | - |
| 3. Debts and items payable | | 804,953 | | 8,949 | | 25,496 | | 839,398 |
| a) Subordinated liabilities | 248,141 | | - | | - | | 248,141 | |
| b) Deposits received on buying reinsurance | 58,835 | | 1,589 | | - | | 60,424 | |
| c) Liabilities from insurance operations | 120,079 | | - | | - | | 120,079 | |
| d) Liabilities from reinsurance operations | 106,542 | | 3,615 | | - | | 110,157 | |
| e) Liabilities from coinsurance operations | 305 | | - | | - | | 305 | |
| g) Deudas con entidades de crédito | 47,286 | | - | | - | | 47,286 | |
| i) Other liabilities | 223,765 | | 3,745 | | 25,496 | | 253,006 | |
| 5. Technical provisions | | 3,030,719 | | 4,204,304 | | - | | 7,235,023 |
| a) For unearned premiums | 892,661 | | - | | - | | 892,661 | |
| b) For unexpired risks | - | | - | | - | | - | |
| c) For life insurance | - | | - | | - | | - | |
| - Provision for unearned premiums and unexpired risks | - | | 15,911 | | - | | 15,911 | |
| - Mathematical provision | - | | 3,811,507 | | - | | 3,811,507 | |
| - Provision for life insurance where the investment risk is borne to policyholders | - | | 294,787 | | - | | 294,787 | |
| d) For claims | 2,122,036 | | 76,607 | | - | | 2,198,643 | |
| e) For policyholder dividends and return premiums | - | | 5,492 | | - | | 5,492 | |
| f) Other technical provisions | 16,022 | | - | | - | | 16,022 | |
| 6. Non-technical provisions | | 93,696 | | - | | 54,330 | | 148,026 |
| 7. Tax liabilities | | 210,740 | | 143,627 | | 22,707 | | 377,074 |
| a) Current tax liabilities | 36,191 | | - | | 20,693 | | 56,884 | |
| b) Deferred tax liabilities | 174,549 | | 143,627 | | 2,014 | | 320,190 | |
| 8. Other liabilities | | 118,667 | | 105,651 | | - | | 224,318 |
| **T O T A L E Q U I T Y** | | **1,296,812** | | **1,146,064** | | **(5,270)** | | **2,437,606** |
| | | - | | - | | - | | - |
| | | - | | - | | - | | - |
| **Equity** | | **888,564** | | **681,811** | | **(11,348)** | | **1,559,027** |
| 1. Capital | | 18,000 | | 18,000 | | - | | 36,000 |
| a) Registered capital | 18,000 | | 18,000 | | - | | 36,000 | |
| b) *Less* : Uncalled capital | - | | - | | - | | - | |
| 2. Share premium account | | 766 | | 766 | | - | | 1,532 |
| 3. Reserves | | 662,973 | | 662,973 | | - | | 1,325,946 |
| 4. *Less :* Treasury shares and participation units | | 8,711 | | 8,711 | | - | | 17,422 |
| 7. Profit or loss for the year attributable to the parent | | 230,104 | | 23,351 | | (11,348) | | 242,107 |
| a) Consolidated profit or loss | 255,825 | - | 23,667 | - | (11,348) | - | 268,144 | - |
| b) Profit or loss attributable to minority interests | 25,721 | - | 316 | - | - | - | 26,037 | - |
| 8. *Less :* Interim dividend | | 14,568 | | 14,568 | | - | | 29,136 |
| **Revaluation adjustments** | | **137,775** | | **464,253** | | **6,078** | | **608,106** |
| 1. Available-for-sale financial assets | | 144,450 | | 509,868 | | 6,041 | | 660,359 |
| 3. Exchange differences | | (7,016) | | - | | - | | (7,016) |
| 4. Correction of accounting mismatches | | - | | (78,991) | | - | | (78,991) |
| 5. Entities accounted for using the equity method | | 920 | | 33,376 | | 37 | | 34,333 |
| 6. Other adjustments | | (579) | | - | | - | | (579) |
| **EQUITY ATTRIBUTABLE TO THE PARENT** | | **1,026,339** | | **1,146,064** | | **(5,270)** | | **2,167,133** |
| | | | | | | | | - |
| **MINORITY INTERESTS** | | **270,473** | | **-** | | **-** | | **270,473** |
| **1. Revaluation Adjustments** | | **(2,393)** | | **-** | | **-** | | **(2,393)** |
| **2. Rest** | | **272,866** | | **-** | | **-** | | **272,866** |
| **T O T A L E Q U I T Y A N D L I A B I L I T I E S** | | **5,555,587** | | **5,608,595** | | **97,263** | | **11,261,445** |

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES
(Grupo Catalana Occidente)
CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2013 (Notes 1 & 2)

(Figures in Thousands of Euros)

| A S S E T S | NON-LIFE SEGMENT | | LIFE SEGMENT | | OTHER ACTIVITIES SEGMENT | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| 1. Cash and cash equivalents | | (376,196) | | 874,112 | | (64,957) | | 432,959 |
| 2. Financial assets held for trading | | - | | - | | 21,281 | | 21,281 |
| 3. Other financial assets at fair value through profit or loss | | - | | 259,701 | | - | | 259,701 |
| 4. Available-for-sale financial assets | | 2,238,283 | | 3,048,217 | | 29,273 | | 5,315,773 |
| 5. Loans and receivables | | 936,609 | | 192,145 | | 61,245 | | 1,189,999 |
| a) Loans and other financial assets | 302,436 | | 170,732 | | 49,867 | | 523,035 | |
| b) Trade accounts receivable | 634,173 | | 9 | | 11,378 | | 645,560 | |
| c) Investments on behalf of policyholders who assume the risk | - | | 21,404 | | - | | 21,404 | |
| 8. Reinsurer participation in technical provisions | | 891,625 | | 3,585 | | - | | 895,210 |
| 9. Property, plant and equipment and investment property | | 317,705 | | 111,329 | | 34,814 | | 463,848 |
| a) Property, plant and equipment | 171,244 | | 53,085 | | 12,979 | | 237,308 | |
| b) Investment property | 146,461 | | 58,244 | | 21,835 | | 226,540 | |
| 10. Intangible Assets | | 555,420 | | 68,077 | | 22,474 | | 645,971 |
| a) Goodwill | 511,849 | | 68,077 | | 1,494 | | 581,420 | |
| b) Policy portfiolio acquisition costs | 22 | | - | | 5,241 | | 5,263 | |
| c) Other intangible assets | 43,549 | | - | | 15,739 | | 59,288 | |
| 11. Investments in entities accounted for using the equity method | | 119,658 | | 239,885 | | 3,044 | | 362,587 |
| 12. Tax assets | | 120,248 | | 60 | | 53,250 | | 173,558 |
| a) Current tax assets | 20,051 | | 60 | | 37,566 | | 57,677 | |
| b) Deferred tax assets | 100,197 | | - | | 15,684 | | 115,881 | |
| 13. Other assets | | 337,857 | | 2,577 | | 102 | | 340,536 |
| **T O T A L   A S S E T S** | | **5,141,209** | | **4,799,688** | | **160,526** | | **10,101,423** |

(Figures in Thousands of Euros)

| E Q U I T Y   A N D   L I A B I L I T I E S | NON-LIFE SEGMENT | | LIFE SEGMENT | | OTHER ACTIVITIES SEGMENT | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| **TOTAL LIABILITIES** | | **3,972,555** | | **3,963,018** | | **185,012** | | **8,120,585** |
| 2. Other financial liabilities at fair value through profit or loss | | - | | - | | - | | - |
| 3. Debts and items payable | | 603,535 | | 5,147 | | (1,615) | | 607,067 |
| a) Subordinated liabilities | 119,521 | | - | | - | | 119,521 | |
| b) Deposits received on buying reinsurance | 62,057 | | 1,615 | | (1,615) | | 62,057 | |
| c) Liabilities from insurance operations | 116,203 | | - | | - | | 116,203 | |
| d) Liabilities from reinsurance operations | 77,653 | | - | | - | | 77,653 | |
| e) Liabilities from coinsurance operations | 765 | | - | | - | | 765 | |
| i) Other liabilities | 227,336 | | 3,532 | | - | | 230,868 | |
| 5. Technical provisions | | 3,013,712 | | 3,891,751 | | - | | 6,905,463 |
| a) For unearned premiums | 841,105 | | - | | - | | 841,105 | |
| b) For unexpired risks | - | | - | | - | | - | |
| c) For life insurance | | | | | | | | |
| - Provision for unearned premiums and unexpired risks | - | | 15,903 | | - | | 15,903 | |
| - Mathematical provision | - | | 3,516,813 | | - | | 3,516,813 | |
| - Provision for life insurance where the investment risk is borne to policyholders | - | | 281,105 | | - | | 281,105 | |
| d) For claims | 2,158,546 | | 72,219 | | | | 2,230,765 | |
| e) For policyholder dividends and return premiums | - | | 5,711 | | | | 5,711 | |
| f) Other technical provisions | 14,061 | | | | | | 14,061 | |
| 6. Non-technical provisions | | 105,377 | | - | | 47,589 | | 152,966 |
| 7. Tax liabilities | | 115,351 | | - | | 139,038 | | 254,389 |
| a) Current tax liabilities | 21,417 | | - | | 10,670 | | 32,087 | |
| b) Deferred tax liabilities | 93,934 | | - | | 128,368 | | 222,302 | |
| 8. Other liabilities | | 134,580 | | 66,120 | | - | | 200,700 |
| **T O T A L   E Q U I T Y** | | **1,168,654** | | **830,147** | | **(17,963)** | | **1,980,838** |
| **Equity** | | **805,145** | | **625,023** | | **(23,363)** | | **1,406,805** |
| 1. Capital | | 18,000 | | 18,000 | | - | | 36,000 |
| a) Registered capital | 18,000 | | 18,000 | | - | | 36,000 | |
| b) *Less:* Uncalled capital | - | | - | | - | | - | |
| 2. Share premium account | | 766 | | 767 | | - | | 1,533 |
| 3. Reserves | | 597,012 | | 597,012 | | - | | 1,194,024 |
| 4. *Less :* Treasury shares and participation units | | 9,362 | | 9,363 | | - | | 18,725 |
| 7. Profit or loss for the year attributable to the parent | | 212,271 | | 32,149 | | (23,363) | | 221,057 |
| a) Consolidated profit or loss | 234,569 | | 32,661 | | (23,363) | | 243,867 | |
| b) Profit or loss attributable to minority interests | 22,298 | | 512 | | - | | 22,810 | |
| 8. *Less :* Interim dividend | | 13,542 | | 13,542 | | - | | 27,084 |
| **Revaluation adjustments** | | **112,603** | | **198,967** | | **5,400** | | **316,970** |
| 1. Available-for-sale financial assets | | 122,220 | | 224,570 | | 5,400 | | 352,190 |
| 3. Exchange differences | | (9,533) | | - | | - | | (9,533) |
| 4. Correction of accounting mismatches | | - | | (46,047) | | - | | (46,047) |
| 5. Entities accounted for using the equity method | | 495 | | 20,444 | | - | | 20,939 |
| 6. Other adjustments | | (579) | | - | | - | | (579) |
| **EQUITY ATTRIBUTABLE TO THE PARENT** | | **917,748** | | **823,990** | | **(17,963)** | | **1,723,775** |
| **MINORITY INTERESTS** | | **250,906** | | **6,157** | | **-** | | **257,063** |
| **1. Revaluation Adjustments** | | **(4,571)** | | **1,528** | | **-** | | **(3,043)** |
| **2. Rest** | | **255,477** | | **4,629** | | **-** | | **260,106** |
| **T O T A L   E Q U I T Y   A N D   L I A B I L I T I E S** | | **5,141,209** | | **4,799,688** | | **160,526** | | **10,101,423** |

(*) Presented solely and exclusively for comparison purposes

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

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR FISCAL YEARS ENDING 31 DECEMBER 2014 AND 2013 (Notes 1 & 2)

(Figures in Thousands of Euros)

| | 2013 (*) | 2014 |
|---|---|---|
| **A) CONSOLIDATED PROFIT FOR THE YEAR** | **243,867** | **268,144** |
| **B) OTHER RECOGNISED INCOME / (EXPENSE)** | **130,606** | **274,700** |
| **Items that will not be re-classified to results-** | | |
| **Gains / actuarial (losses) on long term remuneration to personnel** | **4,348** | **(24,446)** |
| **Income tax relating to items that will not be re-classified** | **(2,855)** | **7,361** |
| **Items that may later qualify for results-** | | |
| **Available-for-sale financial assets** | **176,321** | **389,745** |
| a) Valuation gains/(losses) | 196,822 | 403,808 |
| b) Amounts transferred to the income statement | (20,501) | (14,063) |
| c) Other reclassifications | - | - |
| **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 | - | - |
| **Investments on behalf of policyholders who assume the risk** | **-** | **-** |
| a) Valuation gains/(losses) | - | - |
| b) Amounts transferred to the income statement | - | - |
| c) Other reclassifications | - | - |
| **Exchange differences:** | **(16,748)** | **3,024** |
| a) Valuation gains/(losses) | (16,748) | 3,024 |
| b) Amounts transferred to the income statement | - | - |
| c) Other reclassifications | - | - |
| **Correction of accounting mismatches** | **7,738** | **(39,533)** |
| a) Valuation gains/(losses) | 7,738 | (39,533) |
| b) Amounts transferred to the income statement | - | - |
| c) Other reclassifications | - | - |
| **Assets held for sale:** | **-** | **-** |
| a) Valuation gains/(losses) | - | - |
| b) Amounts transferred to the income statement | - | - |
| c) Other reclassifications | - | - |
| **Entities accounted for using the equity method:** | **9,108** | **13,480** |
| a) Valuation gains/(losses) | 9,108 | 13,480 |
| b) Amounts transferred to the income statement | - | - |
| c) Other reclassifications | - | - |
| **Other recognised income and expense** | **-** | **-** |
| **Income tax relating to items that can be re-classified** | **(47,306)** | **(74,931)** |
| **TOTAL RECOGNISED INCOME/(EXPENSE) (A+B)** | **374,473** | **542,844** |
| a) Attributable to equity holders of the parent | **350,245** | **518,668** |
| b) Attributable to minority interests | **24,228** | **24,176** |

(*) Presented solely and exclusively for comparison purposes.
The accompanying Notes 1 to 20 and Appendices I and II are an integral part of the Statement of Recognised Income and Expense for 2014.

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

## CONSOLIDATED CHANGE IN EQUITY STATEMENT AT DECEMBER 31, 2014 AND DECEMBER 31, 2013 (Notes 1 & 2)

(Figures in Thousands of Euros)

| | Equity attributable to equity holders of the parent | | | | | | Minority Interests | Total net equity |
|---|---|---|---|---|---|---|---|---|
| | Equity | | | | | Revaluation adjustments | | |
| | Capital or mutual fund | Share premium and Reserves | Treasury shares and participation units | Profit for the year attributable to equity holders of the parent | (Interim Dividends) | | | |
| **Closing balance at December 31, 2012 (*)** | **36,000** | **1,055,811** | **(21,332)** | **200,101** | **(26,424)** | **189,243** | **243,052** | **1,676,451** |
| Adjustment for changes in accounting policies | - | - | - | - | - | - | - | - |
| Adjustment for errors | - | - | - | - | - | - | - | - |
| **Opening balance adjusted to January 1, 2013** | **36,000** | **1,055,811** | **(21,332)** | **200,101** | **(26,424)** | **189,243** | **243,052** | **1,676,451** |
| **I. Total recognised income/(expense)** | **-** | **1,461** | **-** | **221,057** | **-** | **127,727** | **24,228** | **374,473** |
| **II. Transactions with members or shareholders** | **-** | **3,317** | **2,607** | **-** | **(68,988)** | **-** | **(7,533)** | **(70,597)** |
| 1. Capital increases/(decreases) | - | - | - | - | - | - | - | - |
| 2. Conversion of financial liabilities into equity | - | - | - | - | - | - | - | - |
| 3. Dividend distribution | - | - | - | - | (68,988) | - | (7,533) | (76,521) |
| 4. Transactions with treasury shares or participation units (net) | - | 3,317 | 2,607 | - | - | - | - | 5,924 |
| 5. Increases (decreases) due to business combinations | - | - | - | - | - | - | - | - |
| 6. Other transactions with members or shareholders | - | - | - | - | - | - | - | - |
| **III. Other changes in equity** | **-** | **134,968** | **-** | **(200,101)** | **68,328** | **-** | **(2,684)** | **511** |
| 1. Share-based payments | - | - | - | - | - | - | - | - |
| 2. Transfers between equity components | - | 131,773 | - | (200,101) | 68,328 | - | - | - |
| 3. Other changes | - | 3,195 | - | - | - | - | (2,684) | 511 |
| **Closing balance at December 31, 2013 (*)** | **36,000** | **1,195,557** | **(18,725)** | **221,057** | **(27,084)** | **316,970** | **257,063** | **1,980,838** |
| Adjustment for changes in accounting policies | - | - | - | - | - | - | - | - |
| Adjustment for errors | - | - | - | - | - | - | - | - |
| **Opening balance adjusted to January 1, 2014** | **36,000** | **1,195,557** | **(18,725)** | **221,057** | **(27,084)** | **316,970** | **257,063** | **1,980,838** |
| **I. Total recognised income/(expense)** | **-** | **(14,572)** | **-** | **242,105** | **-** | **291,135** | **24,176** | **542,844** |
| **II. Transactions with members or shareholders** | **-** | **(1,972)** | **1,304** | **-** | **(73,140)** | **-** | **(12,706)** | **(86,514)** |
| 1. Capital increases/(decreases) | - | - | - | - | - | - | - | - |
| 2. Conversion of financial liabilities into equity | - | - | - | - | - | - | - | - |
| 3. Dividend distribution | - | - | - | - | (73,140) | - | (9,451) | (82,591) |
| 4. Transactions with treasury shares or participation units (net) | - | - | 1,304 | - | - | - | - | 1,304 |
| 5. Increases (decreases) due to business combinations | - | (1,972) | - | - | - | - | (3,255) | (5,227) |
| 6. Other transactions with members or shareholders | - | - | - | - | - | - | - | - |
| **III. Other changes in equity** | **-** | **148,467** | **-** | **(221,057)** | **71,088** | **-** | **1,940** | **438** |
| 1. Share-based payments | - | - | - | - | - | - | - | - |
| 2. Transfers between equity components | - | 149,969 | - | (221,057) | 71,088 | - | - | - |
| 3. Other changes | - | (1,502) | - | - | - | - | 1,940 | 438 |
| **Closing balance at December 31, 2014** | **36,000** | **1,327,480** | **(17,421)** | **242,105** | **(29,136)** | **608,105** | **270,473** | **2,437,606** |

(*) Presented solely and exclusively for comparison purposes
The accompanying Notes 1 to 20 and Appendices I and II are an integral part of the Consolidated Balance Sheet at 31 December 2014.

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES
(Grupo Catalana Occidente)
CONSOLIDATED CASH FLOW STATEMENT AT DECEMBER 31, 2014
AND DECEMBER 31, 2013 (DIRECT METHOD) (Notes 1 & 2)

(Figures in Thousands of Euros)

| | 2013 (*) | 2014 |
|---|---|---|
| **A) CASH FLOWS FROM OPERATING ACTIVITIES (1+2+3)** | **301,516** | **373,430** |
| **1. Insurance activities:** | **706,017** | **844,337** |
| (+) Cash received from insurance activities | 3,513,300 | 3,617,339 |
| (-) Cash paid in insurance activities | (2,807,283) | (2,773,002) |
| **2. Other operating activities:** | **(326,444)** | **(357,216)** |
| (+) Cash received from other operating activities | 47,891 | 113,562 |
| (-) Cash paid in other operating activities | (374,335) | (470,778) |
| **3. Income tax refunded/(paid)** | **(78,057)** | **(113,691)** |
| **B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)** | **(164,902)** | **(230,990)** |
| **1. Cash received from investing activities:** | **1,797,083** | **1,746,396** |
| (+) Property, plant and equipment | 3,871 | 268 |
| (+) Investment property | 24,326 | 21,004 |
| (+) Intangible assets | - | 15 |
| (+) Financial instruments | 33,750 | 27,453 |
| (+) Investments in equity instruments | - | - |
| (+) Subsidiaries and other business units | - | - |
| (+) Interest received | 68,900 | 83,625 |
| (+) Dividends received | 24,517 | 35,998 |
| (+) Other cash received in relation to investing activities | 1,641,719 | 1,578,033 |
| **2. Payments from investment activities:** | **(1,961,985)** | **(1,977,386)** |
| (-) Property, plant and equipment | (11,372) | (13,696) |
| (-) Investment property | (13,309) | (9,041) |
| (-) Intangible assets | (29,378) | (19,220) |
| (-) Financial instruments | (12,547) | (3,416) |
| (-) Investments in equity instruments | - | - |
| (-) Subsidiaries and other business units | (34,586) | (36,410) |
| (-) Other cash paid in relation to investing activities | (1,860,793) | (1,895,603) |
| **C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)** | **(73,431)** | **47,506** |
| **1. Cash received from financing activities:** | **2,608** | **252,742** |
| (+) Subordinated liabilities | - | 248,104 |
| (+) Cash received from issue of equity instruments and capital increase | - | - |
| (+) Assessments received and contributions from members or mutual members | - | - |
| (+) Disposal of treasury shares | 2,608 | 4,638 |
| (+) Other cash received in relation to financing activities | - | - |
| **2. Cash paid in investing activities:** | **(76,039)** | **(205,236)** |
| (-) Dividends to shareholders | (68,988) | (73,140) |
| (-) Interest paid | (7,050) | (7,050) |
| (-) Subordinated liabilities | - | (120,000) |
| (-) Cash paid for return of contributions to shareholders | - | - |
| (-) Assessments paid and return of contributions to members or mutual members | - | - |
| (-) Purchase of own securities | (1) | - |
| (-) Other cash paid in relation to financing activities | - | (5,046) |
| **D) EFFECT OF CHANGES IN EXCHANGE RATES** | **(10,112)** | **8,688** |
| **E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)** | **53,071** | **198,634** |
| **F) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD** | **379,888** | **432,959** |
| **G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (E+F)** | **432,959** | **631,593** |

| **COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | **Ejercicio 2013 (*)** | **Ejercicio 2014** |
|---|---|---|
| (+) Cash | 422,899 | 621,974 |
| (+) Other financial assets | 10,060 | 9,619 |
| (-) Less : Bank overdrafts repayable on demand | - | - |
| **TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | **432,959** | **631,593** |



(*) Presented solely and exclusively for comparison purposes where applicable.
The accompanying Notes 1 to 20 and Appendices I and II are an integral part of the Statement of Cash Flows for 2014.

# Consolidated Financial Statements

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# Consolidated Financial Statements

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

Consolidated Financial Statements
For the Financial Year Ended
December 31, 2014

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 December 31, 2014 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 and its activities

### 1.a) Incorporation, term and domicile

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

The parent company has its registered office at Avenida Alcalde Barnils 63, Sant Cugat del Vallès, Barcelona, (Spain).

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

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

In carrying out these activities, especially as regards the securities of insurance undertakings and other companies whose activities are subject to the private insurance regulations in Spain, the parent 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 Dirección General de Seguros y Fondos de Pensiones (hereinafter "DGSFP") performs the functions assigned under current legislation by the Spanish Ministry of Economy and Finance in relation to private insurance and reinsurance, insurance agency and brokerage services, capitalisation and pension funds.

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

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

The subsidiaries Seguros Catalana Occidente and Bilbao Compañía Anónima de Seguros y Reaseguros, S.A. ("Seguros Bilbao") manage the pension funds "Catalana Occidente, Fondo de Pensiones", "Catalana Occidente RV, Fondo de Pensiones", "Catalana Occidente RF1, Fondo de Pensiones", "Catalana Occidente Empleo 1, Fondo de Pensiones", "Catalana Occidente Empleo 2, Fondo de. Pensiones", "Cat Previsió, Fondo de Pensiones", "Seguros Bilbao, Fondo de Pensiones" and "Grupo Seguros Bilbao Empleados, Fondo de Pensiones" and are the sole founding shareholders and protectors of "Catalana Occidente Previsión, Entidad de Previsión Social Voluntaria en el País Vasco" and "Bilbao, Entidad de Previsión Social Voluntaria", respectively. The total amount of assets of managed funds and EPSV amounted to 416,697 thousand euros at December 31, 2014 (393,755 thousand euros at December 31, 2013). Gross income accrued for management fees for the various funds totalled EUR 4,169 thousand in 2014 (EUR 4,314 thousand in 2013). This amount is recorded, net of associated commercial costs, in the consolidated income statement of the Life segment under "Other technical income".

Moreover, the subsidiary Grupo Catalana Occidente Gestión de Activos, S.G.I.I.C. manages mutual funds "Fonbilbao Mixto, FI", "Fonbilbao Acciones, FI", "Fonbilbao Eurobolsa, FI", "Fonbilbao Renta Fija, FI", "Fonbilbao Global 50, FI", "Fonbilbao Internacional, FI" and "Fonbilbao Corto Plazo, FI" (see Note 6.a.2). The total amount of assets of managed mutual funds amounted to 288,928 thousand euros at December 31, 2014 (291,320 thousand euros at December 31, 2013).

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. No specific disclosures are therefore included in this report on the consolidated annual accounts with regards to environmental issues.

## 1.c) Group structure and distribution systems

The subsidiaries Depsa, Sociedad Anónima de Seguros y Reaseguros, Nortehispana, de Seguros y Reaseguros S.A., Bilbao Compañía Anónima de Seguros y Reaseguros, S.A. and Atradius N.V. have their own organisational network and structure, which is independent from that of the rest of the Group's insurance companies (see Annex I).

From an organisational standpoint, the remaining companies comprising Grupo Catalana Occidente ("the Group") have a structure involving centralised corporate functions and decentralised operations, with the following service centres: two underwriting centres (Sant Cugat and Madrid), six claims processing centres (two in Sant Cugat and one each in Valencia, Madrid, Malaga and Santander), and an accounts administration centre and a call centre, both located at the head office in Sant Cugat.

The Group has a territorial structure comprising 1,098 offices spread across Spain and 75 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 December 31, 2014 the Group worked with a total of 15,073 agents throughout Spain (16,143 at December 31, 2013).

The Group operates in more than 50 countries through the subsidiary Atradius N.V., which at December 31, 2014 had 2,617 agents (2,528 at December 31, 2013).

With regards to the brokerage channels, according to Law 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. Through a distribution network usage agreement between Catoc Vida, S.A. de Seguros and Seguros Catalana Occidente, S.A. de Seguros y Reaseguros, Tecniseguros is authorised to market the products of Seguros Catalana Occidente. Through a distribution network usage agreement between Catoc Vida, S.A. de Seguros and Seguros Catalana Occidente, S.A. de Seguros y Reaseguros, Tecniseguros is authorised to market the products of Seguros Catalana Occidente. There is also an agreement between Seguros Catalana Occidente and Depsa Seguros, S.A. and another agreement between Seguros Catalana Occidente and Cosalud, S.A. de Seguros whereby the latter may market their products through the Seguros Catalana Occidente agent network. Likewise, Bilbao Compañía Anónima de Seguros y Reaseguros, S.A. works with S. Órbita, Sociedad Agencia de Seguros, S.A. as an exclusive agency, having adapted its contracts to the new models established by the Group.

### 1.d) Other information

All of the parent's shares are listed on the Spanish Stock Exchange Interconnection System (Continuous Market). At December 31, 2014 the shares traded at EUR 23.99 per share (EUR 26.02 per share at December 31, 2013).

## 2. Basis of presentation

### 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 Código de Comercio and other commercial legislation.

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

c) For the purposes of valuation of technical provisions, we have taken into account the Regulations on Administration and Supervision of Private Insurance approved by Royal Decree 2486/1998 and regulatory provisions established by the DGSFP have been taken into account, as well as the criteria and regulations established by local regulators in the different countries of the Group's foreign subsidiaries.

## 2.b) True and Fair View

The Group's consolidated financial statements have been obtained from the accounting records of the parent Company and its subsidiaries and are presented in accordance with the financial reporting regulatory framework applicable and in particular the accounting principles and criteria it contains. Therefore they present a true reflection of the equity, financial position, results of the Group and cash flows for the year concerned. These consolidated financial statements were prepared by the Board of Directors of Grupo Catalana Occidente, S.A. at their meeting on February 26, 2015, and shall be subject, as well as those from investee companies, to the approval by the respective Annual General Meeting of Shareholders. The 2013 consolidated annual financial statements were approved by the Annual General Meeting of Shareholders of the Grupo Catalana Occidente, S.A. which was held on April 24, 2014.

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.

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

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

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

**New standards, modifications and interpretations adopted in 2013**

New accounting standards have come into force in 2014 which have naturally been taken into account in preparing the attached consolidated financial statements.

- IFRS 10 Consolidated Financial Statements:

- IFRS 10 Consolidated Financial Statements: replaces the consolidation requirements of IAS 27. IFRS 10 builds on already existing principles by identifying the control concept as a determinant factor for including a company in the consolidation framework of the parent factor.

- IFRS 11 Joint Arrangements: replaces IAS 31 on joint ventures.

- IFRS 12 Disclosure of Interests in Other Entities: only standard establishing disclosure requirements for holdings in subsidiaries, associates, joint ventures and unconsolidated entities.

- IAS 27 (Revised) Separate Financial Statements: After the issuance of IFRS 10, it only includes a company's separate financial statements.

- IAS 28 (Revised) Investments in Associates and Joint Ventures: parallel review in connection with the issuance of IFRS 11 Joint Arrangements.

- Amendment to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and liabilities Additional clarifications to the IAS 32 rules of financial asset and liability compensation.

- Amendments to IAS 36 - Disclosure of recoverable amount of non-financial assets Clarifies when certain disclosures are necessary and expands required data when the recoverable value is based on fair value minus selling costs.

- Amendment to IAS 39 - Novation of derivatives and continued hedge accounting The amendments determine in what circumstances and on what basis the novation of a derivative does not require discontinuation of hedge accounting.

Any accounting policy or valuation principle which can have a material effect on the 2014 consolidated financial statements has been applied in its preparation.

<u>Standards and interpretations issued but not yet effective</u>

At the date these consolidated accounts 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.

| NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS | | MANDATORY APPLICATION |
|---|---|---|
| **Approved for use in the European Union:** | | |
| IFRIC 21 Charges (published in May 2013) | Interpretation on when to recognize a liability for fees or charges that are conditional to the participation of the entity in an activity at a specified date. | Periodos anuales iniciados a partir del 17 de junio de 2014 (*) |
| **Not approved for use in the European Union:** | | |
| **New rules** | | |
| IFRS 9 Financial Instruments (last phase published in July 2014) | Supersedes classification requirements, valuation of financial assets and liabilities, account cancellations and hedge accounting in IAS 39. | 1 de enero de 2018 |
| IFRS 15 Revenue from contracts with customers | New revenue recognition standard (supersedes IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and AIS 31) | Periodos anuales iniciados a partir del 1 de enero de 2017 |
| **Amendments and/or interpretations** | | |
| Amendment to IAS 19 - Employee contributions to defined benefit plans | The amendment is issued to facilitate the possibility of deducting these contributions from the service cost in the same period in which they are paid if certain requirements are met. | Períodos anuales iniciados a partir del 1 de julio de 2014 |
| Improvements to IFRS 2010-2012 Cycle and 2011-2013 Cycle | Minor modifications of a set of standards | Períodos anuales iniciados a partir del 1 de julio de 2014 |
| Amendment to IAS 16 and IAS 38 - Acceptable depreciation and amortization methods | It clarifies the acceptable methods of amortization and depreciation of tangible and intangible assets. | Períodos anuales iniciados a partir del 1 de enero de 2016 |
| Amendment to IFRS 11 - Accounting for acquisitions of holdings in joint ventures | It specifies the accounting method for the acquisition of a stake in a joint operation, whose activity constitutes a business. | Períodos anuales iniciados a partir del 1 de enero de 2016 |
| Amendments to IFRS 10 and IAS 28 — Sale or transfer of assets between an investor and its associate/joint venture | Clarification regarding the result of these transactions if business or assets | Períodos anuales iniciados a partir del 1 de enero de 2016 |
| Amendment to IAS 27 — Equity method in Separate Financial Statements | Equity will be allowed in an investor's separate financial statements | Períodos anuales iniciados a partir del 1 de enero de 2016 |

(*) The European Union has endorsed IFRIC 21 (EU Bulletin June 14, 2014), amending the original entry into force date established by the IASB (January 1, 2014) to June 17, 2014

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 9 Financial Instruments: Classification and Measurement

The publication of IFRS 9 Financial Instruments has been completed in several phases. The IASB published the first part of IFRS 9 in 2009 featuring a new financial asset classification and valuation model. In 2010, the requirements for financial liabilities and derecognised accounts were added. Subsequently, IFRS 9 was expanded in 2013 with the phase on hedge accounting.

On July 24, 2014 the IASB issued the pending section on the new impairment model, and certain amendments limited to classification and valuation. Thus, IFRS 9 is now complete. It has not yet been approved, however, for use in the European Union.

IFRS 9 will eventually replace IAS 39. There are very significant differences with the current standard, in relation to financial assets, These include the approval of a new classification model based on only two categories (amortised cost and fair value), the deletion of the current "Investments held to maturity" and "Financial assets available for sale" classifications, impairment analysis only for assets measured at amortised cost and the non-separation of derivatives embedded in financial assets.

In relation to financial liabilities, the classification categories proposed by IFRS 9 are similar to those currently contained in IAS 39, so that there should be some major differences except for the requirement to recognize changes in fair value related to the risk inherent in credit as a component of equity, in the case of financial liabilities fair value option.

Hedge accounting will also involve major changes since the focus of the standard is very different from the current IAS 39, in that it tries to align accounting with the economic management of the risk.

Management believes that the future application of IFRS 9 may have an impact on the currently reported assets and liabilities. Currently, the Group is considering the future impact of adopting his standard, Providing a reasonable estimate of its effects is not possible until the analysis is complete.

Likewise, the directors of the parent company have assessed the potential impacts of future application of the remaining standards and consider that their entry into force will not have a significant effect, except as mentioned earlier.

## 2.e) Comparison of information

The consolidated financial statements for 2014 are presented comparatively with the previous year, pursuant to the requirements of IAS 1 - Presentation of Financial Statements.

## 2.f) Consolidation principles

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

These consolidated financial statements for 2014 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 defined as entities over which, regardless of their legal form, the Group exercises control, i.e. the power to govern the financial and operating policies of these entities in order to obtain results from their activities.

Annex I to these Consolidated Notes contains significant information on these companies and Notes 5 and 7 provide information about the most significant changes during 2014 and between the balance sheet date and the date these financial statements were authorised for release.

The Group consolidates Inversions Catalana Occident, S.A. using the global integration method whereby, although the Group holds a percentage lower than 50% of the financial rights, it has majority representation on the board of directors of said company and therefore has the ability to exercise effective control of the same.

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. The results of subsidiaries that leave the Group's control in the course of the year are included up until the date on which they cease to be a subsidiary.

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

### 2.f.2) Associates

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

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

However, the entity CLAL Crédit Insurance Ltd., where the Group holds less than 20% of 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 7 to the consolidated financial statements give details of the significant new acquisitions in 2014 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 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 identified its primary business lines as being Life insurance, Non-life insurance and Other Activities. The Life insurance segment encompasses all insurance contracts guaranteeing coverage of a risk that may affect the insured's existence, physical integrity or health. The Non-life insurance line, by contrast, groups together all insurance contracts other than life insurance contracts. It can be broken down into the Auto, Multirisk, Credit Insurance, and Other non-life sub-lines. With respect to this presentation it should be noted that the Credit Insurance is mainly integrated into the insurance business of the subsidiary Atradius N.V.

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

Income and expenses included in "Other activities" records the results of Group subsidiaries that do not directly carry out insurance activities and other income and expenses as detailed in Note 16.

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

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

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

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

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

Allocation of assets and liabilities to the primary segments and subsegments

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

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

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

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

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

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

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

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

All other non-technical and non-financial income and expense directly or indirectly related to the different segments has been assigned to the corresponding segments directly, according to the segment that generated it or on some other reasonable basis. In the latter case, a cost allocation method based on functional activities has been used. This involves identifying the activities and tasks performed in each business process and allocating to each activity the resources it uses or generates. Thus, in the attached 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 16 provide consolidated segment financial information, including breakdowns of ordinary income and expense and segment assets and liabilities, as well as any assets and liabilities which have been excluded or have not been allocated. This information is provided independently of the obligation under Spanish GAAP, applicable to the Spanish insurance companies included in the consolidated group, to disclose accounting and statistical information to the DGSFP.

## 2.i) Cash flow statement

In the cash flow statement the following expressions are used:

- Cash flows: inflows and outflows of cash and cash equivalents. Cash equivalents are highly liquid short-term investments, with a maturity of less than three months 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.
- Investment activities: the acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of equity and of the liabilities that are not part of operating activities. Transactions with own shares are considered financing activities. Dividends paid by the parent to its shareholders are also included in this category.

# 3. Significant accounting principles and policies and measurement bases used

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

## 3.a) Cash and other cash equivalents

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

Cash equivalents are highly liquid short-term investments, with a maturity of less than three months 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 6 to the consolidated financial statements shows the book value of financial assets at December 31, 2014 and 2013, 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).
    The Group allocates to this portfolio all financial instruments with an associated or embedded derivative and part of its investments in bonds, 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.

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

In 2014, 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, mathematical valuation models are used that have been sufficiently tested by the international financial community (discounting estimated future cash flows based on forward interest rates corrected for the credit spreads applicable to the issuer), taking into account the specific characteristics of the instrument to be measured and the various types of risk associated with it. These mathematical models may be used directly by the Group or by the counterparty who acted as seller.

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

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

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

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

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

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

### 3.b.4) Impairment of financial assets.

At each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired, 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.

  In the case of signs of impairment, a specific analysis is carried out of the equity instrument to confirm or discount the need to make provisions, including studies of key figures and the influence of market factors (changes in the valuation methods used by analysts, changes in the multipliers underlying market prices, etc.).

- 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.

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

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

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

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

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

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

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

Investments held for the benefit of insurance policyholders who bear the investment risk are measured at cost upon subscription or purchase thereof. This cost price is subsequently adjusted on the basis of the assets' realisable value. Any revaluation or impairment of these assets is credited or charged to the Life segment 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 (treasury bills, short-term bank deposits, etc.) and other assets allocated to the business are assigned to the Loans and receivables portfolio.

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

## 3.c) Property, Plant and Equipment

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

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

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

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

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

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

The market value of owner-occupied property indicated in Note 8.a) to the consolidated financial statements has been obtained from appraisals carried out by independent experts (Inmoseguros), which are no more than 2 years old at December 31, 2014. For properties situated in Spain, the prior market value has been determined in accordance with the Order ECO/805/2003, of March 27, partially amended by Order EHA 3011/2007, of October 4, on rules for the valuation of property and determined rights for certain financial purposes.

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

## 3.d) Investment property

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

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

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

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

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

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

## 3.e) Intangible assets

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

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

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

### 3.e.1) Goodwill on Consolidation

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

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

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

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

- The recoverable amount of units allocated in Spain is determined by reference to its value in use, calculated through the future dividend discount method, taking into account the forecasts of ordinary results after taxes which will be generated in the next 3 years, as well as a residual value of investments. The discounted rate applicable to the projections is calculated on the basis of a risk-free interest rate (Spanish government debt at 10 years) plus a risk premium that includes general market risk and the specific risk of the investment.

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

The key assumptions on which the Group's management has based its projections of results to determine the present value of future cashflows from investments, 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.

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

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

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

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

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

### 3.e.2) Policy portfolio acquisition expenses

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

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

Where the Group has taken control of insurance companies, a distinction is made between the intangible assets associated with rights and obligations existing at the time of the acquisition, which are measured and recorded if the amount is material to the Group (for example, implied profit margins or discounting of technical provisions in respect of claims incurred and pending settlement at the transaction date), and intangible assets associated with rights and obligations which did not exist at that date. In the latter case, the Group estimates the value of the assets if they are material and can be reliably measured. If they cannot be reliably measured, they are added to the goodwill on the transaction.

### 3.e.3) Other intangible assets

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

IT Applications

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

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

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

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

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

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

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

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

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

III. Evidence is available of the obsolescence or physical damage of an asset.

## 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. Should the loss be reversed, the reversal is recognised in the profit and loss account for an amount equal to the impairment loss previously recognised.

## 3.g) Transactions in foreign currency

### 3.g.1) Functional currency

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

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

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

Foreign currency balances are translated into euros in two steps:

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

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

<u>Translation of foreign currency into the functional currency:</u>

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.

<u>Translation of functional currencies into euros:</u>

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

- Assets and liabilities, at the closing rate.

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

- Equity, at the historical exchange rates.

### 3.g.3) Recording of exchange differences

Exchange differences arising on translation of foreign currency balances into the functional currency are generally recognised in the income statement at their net amount. Nevertheless:

Exchange differences arising on non-monetary items whose fair value is adjusted against equity are recognised in equity under “Valuation adjustments - Available-for-sale portfolios”.

— 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 December 31, 2014 and 2013:

| CURRENCY | YEAR-END RATE | | AVERAGE ANNUAL RATE | |
|---|---|---|---|---|
| | 31/12/2013 | 31/12/2014 | 31/12/2013 | 31/12/2014 |
| U.S. Dollar | 0.725 | 0.824 | 0,755 | 0,750 |
| Pound Sterling | 1.199 | 1.284 | 1,179 | 1,239 |
| Japanese Yen | 0.007 | 0.007 | 0,008 | 0,007 |
| Swiss Franc | 0.815 | 0.832 | 0,815 | 0,823 |
| Swedish Krona | 0.113 | 0.106 | 0,116 | 0,110 |
| Norwegian Krone | 0.120 | 0.111 | 0,129 | 0,120 |
| Danish crown | 0.134 | 0.134 | 0,134 | 0,134 |
| Mexican peso | 0.056 | 0.056 | 0,059 | 0,057 |
| Australian Dollar | 0.648 | 0.674 | 0,733 | 0,678 |

## 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 from deferred taxes are determined by applying the regulation and approved or substantially approved tax rates at the balance sheet date. They are expected to be applied when the corresponding asset per deferred tax is carried out or the deferred tax liability is settled.

On November 27, 2014, the Government of Spain approved Law 26/2014, amending Law 35/2006 of November 28, regarding Income Tax for Individuals, the revised text of the Law on Non-Resident Income Tax, approved by Royal Legislative Decree 5/2004, of March 5, 2004, and other tax regulations.

As part of the tax reform, and for companies whose tax address is in Spain, the new regulation of the Company Tax includes, among other measures, a reduction in taxation and measures to promote the competitiveness of enterprises and simplification of deductions. Consequently, the general tax rate drops to 28% in 2015 and 25% in 2016.

At December 31, 2014, assets and liabilities for deferred taxes due to adjustment to these rates have been reduced by 1,363 thousand and 25,112 thousand, respectively. (See Note 10).

Additionally, the new Corporate Tax regulation includes tax exemption for incomes from the transfer of equity securities, provided that the direct or indirect share percentage is at least 5 percent or that the share acquisition value exceeds 20,000 thousand euros.

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 December 31, 2014, 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.

## 3.i) Financial liabilities

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

Financial liabilities do not include the Group's obligations at the different balance sheet dates arising from or associated with insurance policies in force. No securities have been issued that are convertible into shares of the parent 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 11).

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

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

At December 31, 2014, 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. j) Insurance and reinsurance assets and liabilities

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

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

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

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

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

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

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

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

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

    - As the liabilities were adequate according to the calculations made at December 31, 2014 and 2013, 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 valuation adjustments 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 of the Group, including Crédito y Caución, calculate this provision by reference to the premium rates for each line of insurance on a policy-by-policy basis, net, where appropriate, of the loading for contingencies (i.e., commissions and other acquisition costs are not deducted).

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

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

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

### Life insurance reserves

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

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

### 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 12).

### Claims provision

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

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

### Statistical methods

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

| LINES IN WHICH GLOBAL STATISTICAL METHODS ARE APPLIED REINSURANCE NET AND GROSS | DATE OF REPORTING TO DGSFP | DATE OF AUTHORISATION BY DGSFP | EFFECTIVE DATE FOR ACCOUNTING PURPOSES |
|---|---|---|---|
| General third-party liability | Jan. 29, 2007 | January 8, 2008 | December 31, 2007 |
| Auto third party liability<br>Other auto insurance<br>Multirisk:<br>- Family Home | December 17, 2007 | January 8, 2008 | December 31, 2007 |
| Multirisk:<br>- Retail<br>- Blocks of Flats<br>- Industrial (SME)<br>- Other (Offices)<br>Accident<br>Transport | May 30, 2008 | July 10, 2008 | December 31, 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 REINSURANCE NET AND GROSS | DATE OF REPORTING TO DGSFP | DATE OF AUTHORISATION BY DGSFP | EFFECTIVE DATE FOR ACCOUNTING PURPOSES |
|---|---|---|---|
| Autos third party liability<br>Other auto insurance<br>General third-party liability<br>Multirisk:<br>- Family Home<br>- Retail<br>- Blocks of Flats<br>- Industrial (SME)<br>Accident<br>Transports-goods | June 22, 2010 | September 24, 2010 | December 31, 2010 |

For these lines, the provision for outstanding or unpaid claims and unreported losses is calculated globally, without separating the two components. For the abovementioned lines, the provision has been calculated in accordance with the best estimate provided by internal actuarial calculations, using generally accepted deterministic and stochastic models. Details of the methods and the main assumptions used in calculating these provisions at December 31, 2014, are given below:

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

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

- Estimated payments are net of recoveries.

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

For the purpose of the fiscal deductibility of the statistically calculated claims provision, the minimum amount of the provision has been calculated in accordance with the requirements of the Third Additional Provision of Royal Decree 239/2007 of February 16, amending the ROSSP. Differences between the provisions made and those considered a tax-deductible expense have been recorded as temporary differences.

In addition, on December 31, 2005, Seguros Catalana Occidente entered into an obligatory 100% quota share reinsurance agreement to guarantee the legal liability insurance, which is the most important insurance business ceded. Seguros Bilbao has the same type of agreement. In this case, neither company assesses claims on an individual basis. Depsa, Sociedad Anónima de Seguros y Reaseguros ('Depsa') manages and assesses claims and is responsible for determining both claims incurred and the claims provision using its own statistical methods, which it uses with the prior authorisation of the DGSFP.

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

<u>Individual assessments</u>

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

**Unreported claims**

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

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

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

Commissions and deferred acquisition expenses

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

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

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

Amount for estimated recoveries

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

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

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

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

Agreements between insurers

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

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

Reinsurance

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

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

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

**Reinsurance Contract with the Consorcio de Compensación de Seguros.**

On June 18 2009, UNESPA and the Consorcio de Compensación de Seguros ("Consorcio") signed a reinsurance agreement with credit insurance companies. The subsidiary Crédito y Caución, S.A. was a signatory to this agreement. The contract came into force retrospectively from January 1, 2009, and established an initial period of cover of three (3) years, with a review clause and an annual cancellation that was exercised, not existing and extended clause in 2010.

According to the agreement, the Consorcio provided two types of coverage. The first of these was an extension to the proportional reinsurance contracts (Quota-Share) in force. Crédito y Caución, S.A. took out this cover with 5% of its premiums. The second was an Aggregate Excess of Loss ('Stop-Loss'), contract under which the Consorcio assumed liability for 85% of net claims of between 85% and 130%. Cover was provided over a calendar year. The contract established the creation of an experience account that recognised, basically, the difference between the reinsurance premiums accrued and the claims assumed by the Consorcio each year. After the close of the years of coverage, the Consorcio would accrue over the following five (5) years a 20% share of the positive result of the technical account in order to offset the eventual negative balance on the experience account.

At year-end 2014, the estimate of the obligation arising from this contract has been updated, and based on the results for the pending contract evaluation period (year 2014), 10,078 thousand euros have been allocated. As a result, the Group has accounted for such costs 17,969 thousand euros. This amount is recorded under the "Other liabilities - Liabilities from reinsurance operations" heading in the consolidated balance sheet herein.

During this year, the accrual of interest of 20% of the positive result for the Consortium has ended because the five-year period specified in the contract described above has concluded.

## 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

#### i. Post-retirement benefits

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

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

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

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

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

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

The Group has opted to recognise actuarial gains and losses on all post-employment defined-benefit plans in full outside the 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.

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

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

Costs for past services are accounted immediately in the profit and loss account. In 2013 we proceeded to sign a new collective agreement which amended and replaced some of the obligations with pensions for Seguros Catalana Occidente and Seguros Bilbao and Grupo Catalana Occidente Tecnología y Servicios, AIE, which has involved the recognition of costs for past services generated.

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

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

#### 3.k.2) Other non-technical provisions

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

### 3.l) Treasury shares

The negative balance of the “Equity – Treasury shares and participation units” account in the consolidated balance sheet relates to shares of the Group held exclusively by the subsidiary Salerno 94. 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 14.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. The total is adjusted for changes in premiums written but not issued, arising from contracts completed or renewed during the year, where the insurer’s right to the premium income arises during the period.

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

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

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

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

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

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

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

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

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

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

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

### 3.m.5) Commissions

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

# 4. Risk and capital management

Grupo Catalana Occidente understands that solvency is ensure by gaining a strong capital position by achieving long-term results and a responsible and sustainable shareholder remuneration policy.

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

Risk management is one of the basic aspects of the insurance business.

## 4.a) Capital management

Grupo Catalana Occidente seeks to maintain a strong capital position.

Capital management is governed by the following principles:

- Ensure that Group companies have sufficient capitalisation to meet their financial obligations, even as they face of extraordinary events.
- Manage the capital adequacy of the Group and its companies, taking into account the economic and accounting outlook and capital requirements.
- Optimize the capital structure through efficient allocation of resources between entities, ensuring financial flexibility and properly remunerating shareholders.

The Group also defines the risk strategy and capital management of the Group as part of the internal evaluation of future risks (ORSA).

Capital quantification takes place at both the Group and subsidiary company level, according to various methodologies.

First, solvency is quantified in accordance with the solvency regulation stipulated in the Private Insurance Administration and Supervision Regulations of current Spanish legislation, although without losing sight of the fact that these regulations are changing significantly. In this regard, all Group companies participate in in-house impact studies according to the latest Solvency II draft. Additionally, consequent advances are being made in quantifying the adjusted capital to the risk profile of the Group, as per the future regulatory framework.

Secondly, according to the requirements of rating agencies. In particular, the Group assesses its credit quality with AM Best and Moody's. AM Best rates Seguros Bilbao and Seguros Catalana Occidente with an "A- stable outlook" and Crédito y Caución, S.A., Atradius Credit Insurance NV, and Atradius Re with an "A stable outlook". Likewise, Moody's rated the main Atradius companies with an “A3 with a stable outlook”.

At year-end 2014 the Group’s solvency margin data reveal a surplus of 1,892.5 million euros, representing a 499%:

| | 31/12/2013 | 31/12/2014 |
|---|---|---|
| Capital | 36,000 | 36,000 |
| Reserves and Adjustments for changes in value | 1,493,802 | 1,918,164 |
| Retained earnings | 193,973 | 212,969 |
| TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT | 1,723,775 | 2,167,133 |
| MINORITY INTERESTS | 257,063 | 270,473 |
| TOTAL NET EQUITY | 1,980,838 | 2,437,606 |
| TOTAL OWN UNCOMMITTED EQUITY | 2,236,271 | 2,366,793 |
| Minimum amount of solvency margin | 461,650 | 474,309 |
| Assets over the required minimum represents % | 484.41% | 499.00% |

Local regulations of each country determine the required capital, in quality and quantity, which insurers must maintain at all times during the year. The statutory uncommitted assets, the minimum solvency margin amount and the corresponding surplus are subject to the prescriptions of local regulatory authorities in each country.

The minimum required capital in the following Group subsidiaries is the greater of the sum resulting from a calculation based on premiums and the sum resulting from a calculation based on claims. This calculation is different in each country and is regulated by the local government and regulation:

| YEAR 2014 | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | SPAIN | NETHERLANDS | IRELAND | MEXICO | U.S. | TOTAL |
| Minimum amount of solvency margin | 318,437 | 76,481 | 71,758 | 5,770 | 1,863 | **474,309** |

Spain

Subsidiaries with insurance activity in Spain are supervised by the Directorate General of Insurance and Pension Funds (DGSFP). The solvency margin is determined in accordance with the relevant articles of the ROSSP, amended by RD 297/2004 of February 20, RD 239/2007 of February 16 and RD 1318/2008 of July 24 and Order ECC/2150/2012 of September 28.

The Netherlands

The subsidiary Atradius Credit Insurance N.V. operates through a global network and is regulated by the De Nederlandsche Bank ('DNB'). The minimum solvency margin is calculated using premiums, as the resulting amount is greater than that calculated using the claims rate. Certain branches belonging to Atradius Credit Insurance N.V. that operate in countries other than the Netherlands (Australia, Canada, Hong Kong, Japan, New Zealand, Singapore, Switzerland and Turkey) are subject to their own local capital requirements. This does not constitute an excessive minimum capital requirement for Atradius Credit Insurance N.V.

Ireland

The subsidiary Atradius Reinsurance Ltd. is regulated by the Central Bank of Ireland (CBI). The minimum solvency margin is calculated based on premiums. In FY 2012 the calculation of the minimum amount is less than in the previous year, so that the minimum amount corresponding to the current year is the same as the previous year.

Mexico

The subsidiary Atradius Seguros de Créditos, S.A. calculates the minimum solvency margin based on premiums, with additional required capital based on the quality and level of concentration of the panel of reinsurers.

U.S.

The subsidiary Atradius Trade Credit Insurance Inc. determines the minimum amount according to the Risk Based Capital ("RBC") model of the National Association of Insurance Commissioners. RBC is a method of measuring the minimum amount of capital appropriate for an insurance company, taking into account the company's size and risk profile. The calculation is based on applying factors to various asset, premium, claim, expense and reserve items, with the factors determined as higher for those items with greater underlying risk and lower for less risky items.

## 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 Group identifies and establishes, among other aspects, (i) the different types of risks facing the group, (ii) the level of risk deemed acceptable, (iii) the mechanisms to mitigate the impact of the risks identified, should they 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.

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.

The Group defines its risk strategy as the level of risk it is willing to take to achieve the targets set in its strategic plan and annual guidelines. 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.

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 company, as ultimately responsible for risk management, approves the ORSA report specifying the capital consumption projection and capital available for the plan's medium-term time horizon (three years).

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

- Non-life and Life insurance risk.
- Credit insurance and Bonding risk.
- Financial Market Risks.
- Operational Risks

## A. Non-life and Life insurance risk.

Among non-life insurance risks, underwriting risk breaks down into premium deficiency risk and reserve deficiency risk and also includes the technical part of reinsurance risk. These risks are managed differently in the different business lines. These risks are managed differently depending on the business line.

Life insurance risk is divided into three groups: underwriting risk, which includes mortality, longevity, disability, lapse and expenses, the risk to the company from future obligations arising from life/savings insurance products with risk borne by the company; catastrophic risks.

These risks arise from the underwriting of policies, claims management (due to miscalculations of the cost and frequency of claims), changes in the provision for future obligations arising from the cover provided, or changes in management expenses.

Measures taken to monitor and control these risks include:

- On-going development of Technical Standards, establishing automatic and preventive mechanisms to ensure that policy underwriting meets the standards.
- Product analysis, aimed at determining the adequacy of premiums and technical provisions.
- Business diversification in both general and life insurance.
- Quantification of European Embedded Value in the Life business line.
- Implementation of Appraisal Value methodology in Non-Life.
- Use of reinsurance to cover deviations from the expected claims rate, allowing the Group to retain as much business as possible, in so far as its scale of operations and solvency allow. For outward reinsurance, the Group uses only market-leading reinsurers, with ratings that guarantee the necessary solvency, financial and management capacity, and business and service continuity.
- On-going analysis of policy returns and results, taking whatever measures are needed to prevent high claims rates.
- Traceability mechanisms in Internal Control.

## B. Credit insurance and Bonding risk.

Credit insurance is subdivided into three categories: traditional credit risk, instalment credit protection and special products. Each category has particular risk characteristics and the Group manages the risk of each product in the way it deems most appropriate.

- Traditional credit risk

The Group insures its customers against the risk of non-payment by their trade debtors ("buyers"). The insurance differs by policy. They 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 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 LTD. is the reinsurer of the Group for Credit Insurance products. It has a diversified portfolio in about 70 countries. Most programs 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 and Group level. Local credit committees may sign off on amounts up to certain thresholds, beyond which only the Group 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 Crédito y Caución in Atradius, the database, despite being independent, is accessible to the global database.

Most policies, both new business and renewals, are priced according to a structured system based on the risks, costs and outlook assigned by the Group according to country, sector and buyer credit ratings.

Exposure from the instalment credit protection business is monitored separately, as the risk is assumed by consumers not companies. Premiums for these policies are calculated on the basis of the probability of default, expected losses, volume and maturity of loans.

All customers with whom the Group has significant exposure are reviewed annually, although on a continuous basis information concerning defaults, both from companies and from individuals, is received.

Concentration risk is controlled and monitored through what is known as Total Potential Exposure (TPE).

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

| BUYER'S COUNTRY | OF WHICH | TPE 2013 EUR MILLION | TPE 2014 EUR MILLION |
|---|---|---|---|
| Denmark, Finland, Norway, Netherlands, Sweden, Baltic Countries | Netherlands | 22,326 | 23,152 |
| | Others | 21,831 | 23,261 |
| Austria, Czech Republic, Germany, Greece, Hungary, Poland, Slovakia, Switzerland | Germany | 72,844 | 77,297 |
| | Others | 41,142 | 45,925 |
| UK, North America, Australia, Asia and Others | UK | 31,698 | 36,820 |
| | Ireland | 2,921 | 3,511 |
| | USA / Canada | 33,000 | 39,343 |
| | Mexico and Central America | 5,009 | 8,068 |
| | Brazil | 7,377 | 12,080 |
| | Others | 66,520 | 80,164 |
| Southern Europe | France | 37,135 | 39,170 |
| | Italy | 23,768 | 26,929 |
| | Spain and Portugal | 81,486 | 85,165 |
| | Belgium and Luxembourg | 13,336 | 14,229 |
| Total | | 460,394 | 515,514 |

| INDUSTRIAL SECTOR | TPE 2013 EUR Million | TPE 2014 EUR Million |
|---|---|---|
| Durable consumer goods | 50,468 | 56,347 |
| Metals | 50,907 | 56,286 |
| Electronics | 55,912 | 67,007 |
| Construction | 33,459 | 37,238 |
| Chemicals | 56,283 | 63,915 |
| Transport | 38,366 | 43,705 |
| Machinery | 29,390 | 31,629 |
| Food | 42,564 | 48,188 |
| Construction Materials | 20,031 | 21,981 |
| Services | 21,386 | 21,180 |
| Textiles | 16,261 | 17,722 |
| Finance | 11,755 | 11,711 |
| Agriculture | 22,808 | 25,932 |
| Paper | 10,805 | 12,275 |
| Total | 460,394 | 515,114 |

| Grouping by number of buyers | TPE 2013 EUR Million | TPE 2014 EUR Million |
|---|---|---|
| 0 – 20 | 266,243 | 294,203 |
| 20 - 100 | 75,603 | 87,443 |
| 100 - 250 | 47,136 | 55,495 |
| 250 - 500 | 32,046 | 32,122 |
| 500 – 1,000 | 20,059 | 19,297 |
| > 1,000 | 19,307 | 26,554 |
| Total | 460,394 | 515,114 |

Exposures to bonds and instalment credit protection have very different characteristics and are not, therefore, included in the tables above. The exposure to bonds at December 31, 2014 is of EUR 21,300 million and instalment credit protection totals EUR 2,000 million.

## 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 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.

  - Diversification: high diversification across industries and issuers, with maximum risk limits per issuer.

- Liquidity risk. The Group’s policy with respect to liquidity risk is to maintain sufficient cash balances to meet any contingencies arising from obligations to customers. ALM analysis carried out in portfolios also helps to mitigate this risk.

  On the other hand, almost all the investments are in securities traded in organised markets, so the Group will be able to take measures if there is any liquidity pressure.

- Market risk. The Group regularly analyses the sensitivity of its portfolios to market risk, due mainly to changes in interest rates and stock prices. The modified durations of fixed income portfolios are monitored at monthly intervals and VAR analyses of fixed-income and equity securities are conducted at various intervals, depending on the type of portfolio, and a range of stress scenarios are also analysed.

- Exchange Rate Risk. The Group has currency risk exposure in asset and liability items in its business coming from Atradius, as a result of its multinational activity.

## D. Operational risks

Defines operational risk is understood as the risk of loss of inadequate or poorly functioning internal processes, staff or systems, or as a result of external events. To mitigate operational risk, the Group runs a software tool that allows monitoring and quantification. In particular, process-related risks and controls 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. Additionally, we continue to work at quantifying the possible loss that may be incurred by failure to carry out controls.

This system allows the Group to follow an appropriate risk audit.

The Group likewise ensures compliance with the various regulations applicable to entities comprising the Group through audits carried out by various Departments. Of these, the following are worth noting:

- Legal and General Secretariat Department: Its objectives include to ensure, 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 coordinate closely. For regulations that are particularly sensitive with regards to the sector in which the Group operates, such as those aimed at preventing money laundering and terrorist financing, data protection or prevention and detection of crime, 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 General Management, is responsible for seeing that the above bodies have successfully implemented the control and self-control measures stipulated by the Group, with regard to both operational and regulatory compliance risk.

## 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 has written policies that ensure appropriate risk management: underwriting and reserves policy, reinsurance, investments, ALM and liquidity, internal control and operations risk. The Group continues to work on the adequacy of current policies to future Solvency II requirements.

The Group's main committees are responsible for control and monitoring of the various risks. The internal control area carries out the appropriate monitoring.

## 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
- Market risk: to manage liquidity 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: through the internal control system, monitoring through its integrated tool and reporting

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.

To this end, the internal control system is built around five components:

- The **control environment**. It is an essential element of internal control, since all other components are based on it, and it boosts directors' and 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 rigor. The Group also has a human resources policy geared to motivate and retain talent and also has a Code of Ethics that formalizes employees' commitment to behave under the principles of good faith and integrity.

- **Risk assessment**. The Group recognizes and addresses the risks it faces through mechanisms deployed to identify, analyse and address the associated risks in different areas. To this end, it carries out rigorous strategic planning featuring a process of risk and solvency internal self-assessment and prudent operational risk management.

- 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 directives are carried out and risks associated with the achievement of objectives are properly managed.

- **Information and communication**. The Group has adequate systems of internal and external communication.
  In reference to communication with external stakeholders, it should be noted that, in compliance with the recommendations of the CNMV regarding the Internal Control System of Financial Reporting (SCIIF), in 2014 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.

- **Oversight**. The internal control system is subject to an independent monitoring process that verifies proper operation over time. Comprehensive monitoring of the internal control system is carried out by the Corporate Internal Audit Department.

Reports are drafted geared toward the evaluation of degree of compliance of controls that mitigate operational risk, defined as the risk of loss arising from the inadequate existence or malfunctioning internal processes, personnel, systems or external events.

The internal control system is subject to an independent monitoring process that verifies proper operation over time. Comprehensive system monitoring is performed by Internal Audit.

Finally, in compliance with the recommendations of the CNMV about the Internal Control System of Financial Reporting (SCIIF), in 2014 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.

## Internal Control in the area of Financial and Property Investments

The investment control systems constitute a useful early warning system given the current situation of financial markets.

In this sense, the concentration and dispersal of fixed income and equity, the average rating of the portfolio, exposures by rating and how they have changed, changes in the optionality of assets due to changes in interest rates, and the performance of underlying assets are monitored at monthly intervals.

Furthermore, in view of the new regulations currently in preparation, the Group has continued to examine the capital charge that might result from the credit risk associated with investments.

The breakdown of financial assets at December 31, 2014 according to the inputs used is as follows (in Thousands of Euros):

| | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL AT 31/12/2014 |
|---|---|---|---|---|
| **Financial Assets held for trading (HFT)** | **-** | **-** | **20,817** | **20,817** |
| Derivatives | - | - | 20,817 | 20,817 |
| **Other financial assets at fair value through profit or loss** | **279,181** | **832** | **-** | **280,013** |
| Investments held for the benefit of policyholders who bear the investment risk | 279,181 | 832 | - | **280,013** |
| **Available-for-Sale financial assets** | **6,092,558** | **123,360** | **21,075** | **6,236,993** |
| Financial Investments in Equity | 552,355 | 22,480 | - | **574,835** |
| Stakes in mutual funds | 622,077 | - | - | **622,077** |
| Debt securities | 4,757,730 | 66,667 | 21,075 | **4,845,472** |
| Loans | - | 3,777 | - | **3,777** |
| Deposits with credit institutions | 160,396 | 30,436 | - | **190,832** |
| **Total at December 31, 2014** | **6,371,739** | **124,192** | **41,892** | **6,537,823** |

The equivalent information at December 31, 2013 is as follows (in Thousands of Euros):

| | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL AT 31/12/2013 |
|---|---|---|---|---|
| Financial Assets held for trading (HFT) | - | - | 21,281 | 21,281 |
| Derivatives | - | - | 21,281 | 21,281 |
| Other financial assets at fair value through profit or loss | 255,956 | 3,745 | - | 259,701 |
| Investments held for the benefit of policyholders who bear the investment risk | 255,956 | 3,745 | - | 259,701 |
| Available-for-Sale financial assets | 5,081,450 | 210,988 | 23,335 | 5,315,773 |
| Financial Investments in Equity | 377,243 | 24,470 | - | 401,713 |
| Stakes in mutual funds | 747,277 | - | - | 747,277 |
| Debt securities | 3,784,597 | 164,977 | 23,335 | 3,972,909 |
| Loans | - | 250 | - | 250 |
| Deposits with credit institutions | 172,333 | 21,291 | - | 193,624 |
| Total at December 31, 2012 | 5,337,406 | 214,733 | 44,616 | 5,596,755 |

During FY 2014 no significant transfers or reclassifications of financial instruments took place in the various valuation methodologies.

For instruments classified in Level 2, for which there is no market price (observable share price), fair value is estimated using valuation techniques where all significant variables are based on observable market data, mainly interest rates and risk premiums.

The financial assets classified under Level 3 are broken down as follows (in Thousands of Euros)

| | FINANCIAL ASSETS HELD FOR TRADING (HFT) | OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVPL) | AVAILABLE-FOR-SALE FINANCIAL ASSETS (AVS) | TOTAL |
|---|---|---|---|---|
| | DERIVATIVES | FIXED-INCOME SECURITIES | FIXED-INCOME SECURITIES | |
| Net book value at January 1, 2013 | 23,179 | 5,507 | 28,950 | 57,636 |
| Acquisitions | - | - | - | - |
| Sales and write-offs | - | (5,601) | (8,329) | (13,930) |
| Reclassifications and transfers | - | - | - | - |
| Change in value taken to reserves | - | - | 2,712 | 2,712 |
| Change in value taken to profit or loss | (1,898) | 94 | 2 | (1,802) |
| Effect of changes in exchange rates | - | - | - | - |
| Changes in impairment losses | - | - | - | - |
| Net book value at December 31, 2013 | 21,281 | - | 23,335 | 44,616 |
| Acquisitions | - | - | - | - |
| Sales and write-offs | - | - | (4,586) | (4,586) |
| Reclassifications and transfers | - | - | - | - |
| Change in value taken to reserves | - | - | 2,690 | 2,690 |
| Change in value taken to profit or loss | (464) | - | (364) | (828) |
| Effect of changes in exchange rates | - | - | - | - |
| Changes in impairment losses | - | - | - | - |
| Net book value at December 31, 2014 | 20,817 | - | 21,075 | 41,892 |

Derivative instruments from the "Financial assets held for trading" portfolio classified at Level 3 correspond to a purchase option contract.

On June 19, 2012, the companies Seguros Catalana Occidente, S.A. de Seguros y Reaseguros and INOC, S.A. formalised an option agreement whereby the former has the right to buy the shares of Plus Ultra Seguros Generales y Vida, S.A. de Seguros y Reaseguros, owned by INOC, S.A., on a single occasion and for a total of its shareholding, after three yearly payments since the signing of the option contract. The underlying asset corresponds with 23,156,189 shares from Plus Ultra Seguros Generales y Vida, S.A. de Seguros y Reaseguros, representing 51% of its share capital.

As of December 31, 2014, this option is valued at fair value, calculated using the Black-Scholes model. The main parameters introduced in the model, as well as the sources of information used to estimate each of these parameters, are as follows:

- Share price at year-end 2014: the share value as of December 31, 2014 is 10.51 euros, calculated by an independent expert.

- Implied share volatility: since Plus Ultra shares are not listed on any stock market, volatility had to be estimated through a proxy corresponding to the equally weighted average of the volatilities of a group of listed companies belonging to the same economic sector in which Plus Ultra operates.

- Interest rate curve: data is taken from deposit market rates, FRAs and swaps posted on the Bloomberg financial information website.

- Estimate of future dividends: the business plan approved by the Company has been taken as an estimate benchmark.

As a complement to the calculation of fair value, we have undertaken an analysis of fair value sensitivity of the option vs. the relevant assumptions:

- The “delta”—understood as the relationship between the change in option value given a small variation in the share price (all other inputs constant)—is used to show the effect of share price fluctuations. The “delta” value is 0.006. Thus, a change of 0.01 euros in share price would change the value of the option by 0.006 euros (139 thousand euros in total).

- The “vega”—understood as the relationship between the change in option volatility given a small variation in the share price (all other inputs constant)—is used to show the effect of share volatility fluctuations. The “vega” value is 0,024. A 1% change in volatility would imply a change of 0.024 euros in the option (556,000 euros in total).

As of December 31, 2014, the fact of changing these inputs to reasonably possible alternative assumptions did not involve a major change in the fair value of the option.

To obtain the fair value of debt securities classified as Level 3 for which there are no directly observable market data, we use alternative techniques based mainly on quotations provided by intermediaries or market contributors. The Group has assessed that small changes in the assumptions used in these valuation models would involve no substantial changes in the values obtained.

The credit rating of the bond issuers at December 31, 2014 is shown below (amounts in Thousands of Euros):

| Rating | 31/12/2013 | | | | 31/12/2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | Public Fixed Income | Private Fixed Income | Total Fixed Income | % Fixed Income | Public Fixed Income | Private Fixed Income | Total Fixed Income | % Fixed Income |
| AAA | 204,941 | 50,907 | 255,848 | 6.44% | 212,790 | 60,126 | 272,916 | 5.63% |
| AA | 220,221 | 362,634 | 582,855 | 14,67% | 314,463 | 257,227 | 571,690 | 11.80% |
| A | 32,354 | 909,155 | 941,509 | 23.71% | 87,625 | 1,090,085 | 1,177,710 | 24.31% |
| BBB | 1,553,269 | 527,473 | 2,080,742 | 52,37% | 2,224,434 | 484,294 | 2,708,728 | 55.90% |
| BB | 72,380 | 11,182 | 83,562 | 2.10% | 62,076 | 17,049 | 79,125 | 1.63% |
| B | - | 6,628 | 6,628 | 0.17% | - | 9,329 | 9,329 | 0.19% |
| Unrated | 5,578 | 16,187 | 21,765 | 0.55% | 6,257 | 19,717 | 25,974 | 0.54% |
| Total | 2,088,743 | 1,884,166 | 3,972,909 | 100.00% | 2,907,645 | 1,937,827 | 4,845,472 | 100.00% |

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

| Sector | 31/12/2013 | | | | 31/12/2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | Equity Instruments | % | Debt securities | % | Equity Instruments | % | Debt securities | % |
| Communications | 22,965 | 2.00% | 165,534 | 4.17% | 45,563 | 3.81% | 171,669 | 3.54% |
| Cyclical Consumption | 40,144 | 3.49% | 72,317 | 1.82% | 48,289 | 4.03% | 83,892 | 1.73% |
| Non-cyclical Consumption | 44,797 | 3.90% | 174,177 | 4.38% | 67,256 | 5.62% | 226,847 | 4.68% |
| Energy | 30,132 | 2.62% | 89,567 | 2,25% | 41,467 | 3.46% | 74,409 | 1.54% |
| Financial | 150,293 | 13,08% | 802,771 | 20.21% | 190,590 | 15.92% | 793,038 | 16.37% |
| Industrial | 38,246 | 3.33% | 89,729 | 2.26% | 57,531 | 4.81% | 127,529 | 2.63% |
| Technological | 26,062 | 2.27% | - | - | 23,782 | 1.99% | 3,527 | 0.07% |
| Utilities | 26,519 | 2.31% | 448,355 | 11.29% | 71,759 | 6.00% | 407,447 | 8.41% |
| Diversified | 3,754 | 0.33% | 5,272 | 0.13% | 3,185 | 0.27% | 5,859 | 0.12% |
| Basic Materials | 8,253 | 0.72% | 25,352 | 0.64% | 14,421 | 1.20% | 18,375 | 0.38% |
| Government | - | - | 2,099.835 | 52,85% | - | - | 2,932,880 | 60.53% |
| Other (*) | 757,825 | 65.96% | - | - | 633,069 | 52.89% | - | |
| Total | 1,148,990 | 100.00% | 3,972,909 | 100.00% | 1,196,912 | 100.00% | 4,845,472 | 100.00% |

(*) Includes mutual funds

**Year 2014**

Thousands of Euros

| COUNTRY | EQUITY INSTRUMENTS | PUBLIC FIXED INCOME | PRIVATE FIXED INCOME | DERIVATIVES | DEPOSITS IN BANKS | CASH AND OTHER CASH EQUIVALENTS |
|---|---|---|---|---|---|---|
| Spain | 400,100 | 2,315,307 | 338,113 | 20,817 | 282,415 | 400,391 |
| Greece | - | - | - | - | - | 3,254 |
| Portugal | - | - | - | - | - | 3,034 |
| Ireland (*) | 373,729 | - | 42,034 | - | - | 90,274 |
| Italy | 18,600 | 11,068 | 62,898 | - | 17,635 | (52,605) |
| Germany | 59,548 | 121,534 | 101,501 | - | 16,493 | 59,073 |
| France | 67,742 | 122,855 | 291,442 | - | 483 | 27,119 |
| UK | 11,059 | 7,808 | 232,922 | - | 32,282 | (11,131) |
| Netherlands | 8,587 | 68,851 | 536,493 | - | 33,533 | 20,600 |
| Rest of Europe (*) | 144,797 | 84,637 | 115,416 | - | 191,726 | 54,517 |
| USA | 99,917 | 62,626 | 173,493 | - | 121 | 9,448 |
| Other OECD | 8,057 | 92,924 | 34,272 | - | 13,405 | 12,826 |
| Rest of the world | 4,776 | 20,035 | 9,243 | - | 5,839 | 14,793 |
| **Total** | **1,196,912** | **2,907,645** | **1,937,827** | **20,817** | **593,932** | **631,593** |

(*) Ireland equity instruments are mutual funds. In the rest of Europe, a significant part corresponds to mutual funds in Luxembourg (45,342 thousand euros).

**Year 2013**

Thousands of Euros

| COUNTRY | EQUITY INSTRUMENTS | PUBLIC FIXED INCOME | PRIVATE FIXED INCOME | DERIVATIVES | DEPOSITS IN BANKS | CASH AND OTHER CASH EQUIVALENTS |
|---|---|---|---|---|---|---|
| Spain | 343,422 | 1,614,170 | 364,288 | 21,281 | 302,637 | 275,652 |
| Greece | - | - | - | - | - | 1,586 |
| Portugal | - | - | - | - | - | (2,362) |
| Ireland (*) | 399,234 | - | 41,224 | - | - | 59,489 |
| Italy | 6,234 | 8,612 | 62,714 | - | 7,857 | (48,694) |
| Germany | 38,722 | 121,772 | 100,936 | - | 16,491 | 62,758 |
| France | 29,626 | 100,039 | 278,877 | - | 483 | 21,194 |
| UK | 4,044 | - | 207,139 | - | 31,498 | 7,133 |
| Netherlands | 8,752 | 51,080 | 556,983 | - | 33,036 | 4,253 |
| Rest of Europe (*) | 225,759 | 39,582 | 82,666 | - | 169,521 | 24,721 |
| USA | 76,896 | 65,433 | 151,215 | - | 9,513 | 7,681 |
| Other OECD | 4,568 | 81,510 | 26,764 | - | 21,662 | 10,029 |
| Rest of the world | 11,733 | 6,545 | 11,360 | - | 7,779 | 9,519 |
| **Total** | **1,148,990** | **2,088,743** | **1,884,166** | **21,281** | **600,476** | **432,959** |

(*) Ireland equity instruments are mutual funds. In the rest of Europe, they are basically mutual funds in Luxembourg (139,887 thousand euros).

Below are the financial investments broken down by currencies, along with the other assets and liabilities held by the Group as of December 31, 2014 and 2013:

**Year 2014** — Thousands of Euros

| CURRENCY | EQUITY INSTRUMENTS | DEBT SECURITIES | DERIVATIVES | DEPOSITS IN BANKS | CASH AND OTHER CASH EQUIVALENTS | OTHER ASSETS | TOTAL ASSETS AT DEC. 31, 2014 |
|---|---|---|---|---|---|---|---|
| Euro | 927,086 | 4,666,117 | 20,817 | 558,299 | 431,141 | 3,129,064 | 9,732,524 |
| GB Pound | 18,116 | 27,119 | 0 | 3,992 | 13,116 | 100,613 | 162,956 |
| USA Dollar | 152,043 | 85,491 | 0 | 12,332 | 54,311 | 234,497 | 538,674 |
| Other | 99,667 | 66,745 | 0 | 19,309 | 135,865 | 505,705 | 827,291 |
| **Total** | **1,196,912** | **4,845,472** | **20,817** | **593,932** | **634,433** | **3,969,879** | **11,261,445** |

**Year 2013** — Thousands of Euros

| CURRENCY | EQUITY INSTRUMENTS | DEBT SECURITIES | DERIVATIVES | DEPOSITS IN BANKS | CASH AND OTHER CASH EQUIVALENTS | OTHER ASSETS | TOTAL ASSETS AT DEC. 31, 2013 |
|---|---|---|---|---|---|---|---|
| Euro | 931,524 | 3,858,686 | 21,281 | 543,197 | 268,715 | 1,386,092 | 7,009,495 |
| GB Pound | 29,593 | 0 | 0 | 3,598 | 14,279 | 1,925,463 | 1,972,933 |
| USA Dollar | 90,302 | 67,643 | 0 | 18,809 | 34,068 | 171,389 | 382,211 |
| Other | 97,572 | 46,580 | 0 | 34,911 | 115,898 | 441,823 | 736,784 |
| **Total** | **1,148,991** | **3,972,909** | **21,281** | **600,515** | **432,960** | **3,924,767** | **10,101,423** |

The Group's exposure to risk arising from credit derivatives is insignificant.

**Year 2014** — Thousands of Euros

| CURRENCY | SUBORDINATED LIABILITIES | TECHNICAL PROVISIONS | OTHER LIABILITIES | TOTAL LIABILITIES AT DEC. 31 2014 |
|---|---|---|---|---|
| Euro | 248,141 | 6,607,922 | 1,119,184 | 7,975,247 |
| GB Pound | - | 70,028 | 50,171 | 120,199 |
| USA Dollar | - | 290,828 | 43,225 | 334,053 |
| Other | - | 266,245 | 128,095 | 394,340 |

**Year 2013** — Thousands of Euros

| CURRENCY | SUBORDINATED LIABILITIES | TECHNICAL PROVISIONS | OTHER LIABILITIES | TOTAL LIABILITIES AT DEC. 31 2013 |
|---|---|---|---|---|
| Euro | 119,521 | 6,401,279 | 895,303 | 7,416,103 |
| GB Pound | - | 56,449 | 54,212 | 110,661 |
| USA Dollar | - | 168,719 | 37,994 | 206,713 |
| Other | - | 279,016 | 108,092 | 387,108 |

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.

# 5. Acquisitions and disposals of interests in subsidiaries and associates

On July 2, 2014, company Grupo Catalana Occidente, S.A., as sole shareholder, formed a single shareholder company, of Spanish nationality, GCO Reaseguros, S.A. Its corporate purpose is solely to conduct reinsurance transactions in general, in all insurance categories anywhere in the world, subject to the relevant provisions of the Dirección General de Seguros y Fondos de Pensiones and other competent and official institutions and agencies. The share capital is fixed at 9,050 thousand euros, divided in 90,500 registered shares of EUR 100 par value each, represented by certificates, numbered consecutively from 1 to 90,500, both inclusive, fully subscribed and paid in 50% each, by the sole shareholder via cash contribution. The outstanding payment will be required within a maximum period of five years on one or more occasions by the Board of Directors of GCO Reaseguros, S.A.

Additionally, on September 16, 2014, the companies Grupo Catalana Occidente, S.A. and La Previsión 96, S.A., a wholly owned subsidiary of INOC, S.A., as sellers, have signed with Seguros Catalana Occidente, S.A. de Seguros y Reaseguros, as buyer, a purchase agreement on all the shares of the company Catoc Vida, S.A. de Seguros. The total purchase price amounted to 43,615 thousand euros, i.e., a price of 150.01557 euros for each of the shares in the Catoc Vida, S.A. de Seguros share capital, with Grupo Catalana Occidente, S.A. and La Previsión 96, S.A., becoming holders of 79.2% and 20.8% of the share capital, respectively.

Likewise, on November 19, 2014, Grupo Catalana Occidente, S.A. has acquired the entire shareholding in Seguros Bilbao Fondos, S.G.I.I.C., Compañía Anónima de Seguros y Reaseguros, S.A., which meant a total of 130,000 shares at a price of 33.17 euros per share. On December 23, 2014, Seguros Bilbao Fondos, S.G.I.I.C. changed its name to Grupo Catalana Occidente, Gestión de Activos, S.A. S.G.I.I.C.

# 6. Financial assets

The breakdown of financial assets at December 31, 2014, 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 (FVPL) | AVAILABLE-FOR-SALE FINANCIAL ASSETS (AVS) | LOANS AND RECEIVABLES (LR) | TOTAL AS OF DECEMBER 31, 2014 |
| FINANCIAL INVESTMENTS: | 20,817 | 280,013 | 6,236,993 | 537,251 | 7,075,074 |
| Equity Instruments | | | | | |
| - Financial Investments in Equity | - | - | 574,835 | - | 574,835 |
| - Stakes in mutual funds | - | - | 622,077 | - | 622,077 |
| Debt securities | - | - | 4,845,472 | - | 1,003,734 |
| Derivatives | 20,817 | - | - | - | 20,817 |
| - Hybrid instruments | - | - | - | - | - |
| Investments by policyholders assuming the investment risk | - | 280,013 | - | 14,774 | 294,787 |
| Loans | - | - | 3,777 | 82,168 | 85,945 |
| Other financial assets with non-published prices | - | - | - | 4,421 | 4,421 |
| Deposits with credit institutions | - | | 190,832 | 403,100 | 593,932 |
| Deposits for accepted reinsurance Accepted | - | | - | 32,788 | 32,788 |
| LOANS AND RECEIVABLES: | - | - | - | 663,568 | 663,568 |
| Receivables arising from insurance operations direct and coinsurance | - | - | - | 238,869 | 238,869 |
| Receivables arising from reinsurance operations | - | - | - | 57,187 | 57,187 |
| Other receivables | - | - | - | 367,512 | 367,512 |
| Net Total | 20,817 | 280,013 | 6,236,993 | 1,200,819 | 7,738,642 |

The same information reported at year-end, December 31, 2013 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 (FVPL) | AVAILABLE-FOR-SALE FINANCIAL ASSETS (AVS) | LOANS AND RECEIVABLES (LR) | TOTAL AS OF DECEMBER 31, 2013 |
| **FINANCIAL INVESTMENTS:** | **21,181** | **259,701** | **5,315,773** | **544,439** | **6,141,194** |
| Equity Instruments | | | | | |
| - Financial Investments in Equity | - | - | 401,713 | - | 401,713 |
| - Stakes in mutual funds | - | - | 747,277 | - | 747,277 |
| Debt securities | - | - | 3,972,909 | - | 3,972,909 |
| Derivatives | 21,281 | - | - | - | 21,281 |
| - Hybrid instruments | - | - | - | - | - |
| Investments by policyholders assuming the investment risk | - | 259,701 | - | 21,404 | 281,105 |
| Loans | - | - | 250 | 72,225 | 72,475 |
| Other financial assets with non-published prices | - | - | - | 4,225 | 4,225 |
| Deposits with credit institutions | - | - | 193,624 | 406,852 | 600,476 |
| Deposits for accepted reinsurance Accepted | - | - | - | 39,733 | 39,733 |
| **LOANS AND RECEIVABLES:** | **-** | **-** | **-** | **645,560** | **645,560** |
| Receivables arising from insurance operations direct and coinsurance | - | - | - | 236,418 | 236,418 |
| Receivables arising from reinsurance operations | - | - | - | 21,438 | 21,438 |
| Other receivables | - | - | - | 387,704 | 387,704 |
| **Net Total** | **21,281** | **259,701** | **5,315,773** | **1,189,999** | **6,786,754** |

## 6.a) Investments

The movements in this section, broken down by portfolio, are shown below (in thousands of euros):

Financial assets at fair value through profit and loss account

| | | | | | Thousands of Euros |
|---|---|---|---|---|---|
| | FINANCIAL ASSETS HELD FOR TRADING (HFT) | | OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVPL) | | |
| | DERIVATIVES | TOTAL HFT | FIXED-INCOME SECURITIES | INVESTMENTS BY POLICYHOLDERS THAT ASSUME THE INVESTMENT RISK(1) | TOTAL FV P&L |
| **Net book value at January 1, 2013** | **23,179** | **23,179** | **5,507** | **243,494** | **249,001** |
| Acquisitions | - | - | - | 78,298 | **78,298** |
| Sales and write-offs | - | - | (5,515) | (90,587) | **(96,102)** |
| Reclassifications and transfers | - | - | - | - | - |
| Change in implicit interest rates | - | - | - | (17) | **(17)** |
| Change in value taken to profit or loss | (2) (1,898) | **(1,898)** | 8 | 28,513 | **28,521** |
| Effect of changes in exchange rates | - | - | - | - | - |
| Changes in impairment losses | - | - | - | - | - |
| **Net book value at December 31, 2013** | **21,281** | **21,281** | - | **259,701** | **259,701** |
| Acquisitions | - | - | - | 56,893 | **56,893** |
| Sales and write-offs | - | - | - | (43,507) | **(43,507)** |
| Reclassifications and transfers | - | - | - | - | - |
| Change in implicit interest rates | - | - | - | (360) | **(360)** |
| Change in value taken to profit or loss | (2) (464) | **(464)** | - | 7,286 | **7,286** |
| Effect of changes in exchange rates | - | - | - | - | - |
| Changes in impairment losses | - | - | - | - | - |
| **Net book value at December 31, 2014** | **20,817** | **20,817** | - | **280,013** | **280,013** |

(1) At December 31, 2014 the unrealised gains and losses on investments held on behalf of policyholders who bear the investment risk amounted to EUR 9,188 and EUR (5,545) thousand, EUR 34,625 and EUR (5,314) thousand at December 31, 2013, respectively.

(2) Corresponds to the valuation loss in the option to purchase Plus Ultra shares

Most of the changes in value in the credited to income, net of the related tax effect and of the allocation to minority interests, arose from financial instruments which are quoted on organised markets or for which a sufficiently reliable market valuation is available (see Note 4.c).

Available-for-Sale financial assets

| | AVAILABLE-FOR-SALE FINANCIAL ASSETS (AVS) | | | | | | Thousands of Euros |
|---|---|---|---|---|---|---|---|
| | FINANCIAL INVESTMENTS IN EQUITY | SHAREHOLDING IN MUTUAL FUNDS | FIXED-INCOME SECURITIES | NON-MORTGAGE LOANS AND LOAN ADVANCES | MORTGAGE LOANS | DEPOSITS WITH CREDIT INSTITUTIONS | TOTAL |
| **Net book value at January 1, 2013** | **305,942** | **1,029,756** | **3,350,846** | **320** | **2,553** | **209,623** | **4,899,040** |
| Acquisitions | 79,838 | 221,940 | 1,548,263 | - | - | 2,467 | **1,852,508** |
| Sales and write-offs | (52,212) | (560,985) | (941,125) | (69) | (2,422) | (2,485) | **(1,559,298)** |
| Reclassifications and transfers | - | - | - | - | - | - | **-** |
| Adjustments for changes in value | 70,082 | 65,932 | 75,723 | - | (131) | (14,784) | **196,822** |
| Change in implicit interest rates | - | - | (51,001) | (1) | - | (1,197) | **(52,199)** |
| Effect of changes in exchange rates | (531) | (5,388) | (9,546) | - | - | - | **(15,465)** |
| Changes in impairment losses | (1,406) | (3,978) | (251) | - | - | - | **(5,635)** |
| **Net book value at December 31, 2013** | **401,713** | **747,277** | **3,972,909** | **250** | **-** | **193,624** | **5,315,773** |
| Newly consolidated - business combinations | 6,030 | 1,568 | 1,354 | - | - | - | 8,952 |
| Acquisitions | 189,196 | 186,057 | 1,146,829 | 3,412 | - | 1,206 | 1,526,700 |
| Sales and write-offs | (46,692) | (333,312) | (602,555) | (75) | - | (2,348) | (984,982) |
| Reclassifications and transfers | - | - | - | - | - | - | - |
| Adjustments for changes in value | 20,533 | 22,143 | 362,816 | - | - | (1,684) | 403,808 |
| Change in implicit interest rates | 6,918 | 223 | (46,922) | 190 | - | 34 | (39,557) |
| Effect of changes in exchange rates | 20 | (1,849) | 11,377 | - | - | - | 9,548 |
| Changes in impairment losses | (2,883) | (30) | (336) | - | - | - | (3,249) |
| **Net book value at December 31, 2014** | **574,835** | **622,077** | **4,845,472** | **3,777** | **-** | **190,832** | **6,236,993** |

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 2014, the Group derecognised from equity EUR 14,063 thousand from the heading "Adjustments for changes in value" relating to net unrealised gains in the "Available-for-Sale" portfolio. This amount was recognised in the consolidated profit and loss account for the period following the assets' disposal. In 2013 for the same concept, net gains of 20,501 thousand euros were recognised in the profit and loss account.

Loans and receivables

| | LOANS AND RECEIVABLES (LR) | | | | | | Thousands of Euros |
|---|---|---|---|---|---|---|---|
| | NON-MORTGAGE LOANS AND LOAN ADVANCES | INVESTMENTS BY POLICYHOLDERS THAT ASSUME THE INVESTMENT RISK | MORTGAGE LOANS | OTHER FINANCIAL ASSETS WITHOUT PUBLISHED PRICE QUOTATIONS | DEPOSITS WITH CREDIT INSTITUTIONS | DEPOSITS FOR ACCEPTED REINSURANCE | TOTAL |
| **Net book value at January 1, 2013** | **24,043** | **19,179** | **41,854** | **4,246** | **330,910** | **39,726** | **459,958** |
| Acquisitions | 16,274 | 7,236,553 | 8,356 | 148 | 367,261 | 22,446 | 7,651,038 |
| Sales and write-offs | (14,788) | (7,234,328) | (3,378) | (169) | (286,748) | (20,295) | (7,559,706) |
| Reclassifications and transfers | - | - | - | - | - | - | - |
| Change in implicit interest rates | - | - | - | - | (506) | - | (506) |
| Effect of changes in exchange rates | (1) | - | - | - | (4,026) | (2,144) | (6,171) |
| Changes in impairment losses | - | - | (135) | - | (39) | - | (174) |
| **Net book value at December 31, 2013** | **25,528** | **21,404** | **46,697** | **4,225** | **406,852** | **39,733** | **544,439** |
| Acquisitions | 19,870 | 263,160 | 11,907 | 363 | 486,516 | 24,186 | 806,002 |
| Sales and write-offs | (17,114) | (269,790) | (4,569) | (167) | (491,855) | (31,276) | (814,771) |
| Reclassifications and transfers | - | - | - | - | - | - | - |
| Change in implicit interest rates | - | - | - | - | (351) | - | (351) |
| Effect of changes in exchange rates | - | - | - | - | 1,938 | 145 | 2,083 |
| Changes in impairment losses | - | - | (151) | - | - | - | (151) |
| **Net book value at December 31, 2014** | **28,284** | **14,774** | **53,884** | **4,421** | **403,100** | **32,788** | **537,251** |

As of December 31, 2014 the fair value of financial assets classified in the "Loans and receivables" category does not differ significantly from their book value.

## 6.a.1) Equity investments

The breakdown of the balances of this sub-heading at December 31, 2014 and 2013, is as follows:

| | Thousands of Euros | |
|---|---|---|
| | AVAILABLE-FOR-SALE FINANCIAL ASSETS (AVS) | |
| | 31/12/2013 | 31/12/2014 |
| Shares of listed companies | 377,243 | 551,483 |
| Shares of unlisted companies | 24,470 | 23,352 |
| Total | 401,713 | 574,835 |

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 2014 amounted to EUR 28,998 thousand (EUR 24,517 thousand in 2013). In 2011, the Group also obtained recovery income tax deducted at source in the amount of EUR 269 thousand (EUR 83 thousand in the previous year).

## 6.a.2) Stakes in mutual funds

A breakdown of the investments classified under this sub-heading by type of investment is given below:

| | Thousands of Euros | |
|---|---|---|
| | AVAILABLE-FOR-SALE FINANCIAL ASSETS (AVS) | |
| | 31/12/2013 | 31/12/2014 |
| Fixed Income | 142,026 | 60,977 |
| Equity | 352,562 | 352,138 |
| Money market | 246,141 | 202,443 |
| Other mutual funds | 6,548 | 6,519 |
| **Total** | **747,277** | **622,077** |

The value of the mutual funds has been taken to be the net asset value published by the fund management companies.

Below we detail the equity of mutual funds managed by Grupo Catalana Occidente Gestión de Activos S.A., S.G.I.I.C., previously Seguros Bilbao Fondos, S.A. S.G.I.I.C. (see Note 5) and the equity interest held by Bilbao Compañía Anónima de Seguros y Reaseguros, S.A. in each of these funds at December 31, 2014 and 2013 (not including participation for investments by insurance policyholders). (See Notes 2.d and 6.a.4):

| | 31/12/2013 | | | 31/12/2014 | | |
|---|---|---|---|---|---|---|
| | FUNDS MANAGED BY Seguros Bilbao Fondos, S.A., S.G.I.I.C. AT 12.31.2013 (Thousands of Euros) | BILBAO COMPAÑÍA ANÓNIMA DE SEGUROS Y REASEGUROS, S.A. | | FUNDS MANAGED BY GCO Gestión de Activos, S.A., S.G.I.I.C. at Dec. 31, 2014 (Thousands of Euros) | BILBAO COMPAÑÍA ANÓNIMA DE SEGUROS Y REASEGUROS, S.A. | |
| | | OWNERSHIP INTEREST (%) | EQUITY (THOUSAND EUROS) | | OWNERSHIP INTEREST (%) | EQUITY (THOUSAND EUROS) |
| Fonbilbao Mixto, FI | 4,962 | - | - | 6,093 | - | - |
| Fonbilbao Acciones, FI | 171,463 | 65% | 111,820 | 180,809 | 65% | 117,247 |
| Fonbilbao Eurobolsa, FI | 46,403 | 64% | 29,546 | 29,306 | 46% | 13,467 |
| Fonbilbao Renta Fija, FI | 8,062 | - | - | 8,055 | - | - |
| Fonbilbao Global 50, FI | 10,210 | 60% | 6,077 | 10,346 | 63% | 6,554 |
| Fonbilbao Internacional FI | 41,903 | 55% | 22,864 | 46,712 | 55% | 25,484 |
| Fonbilbao Corto Plazo, FI | 8,317 | 35% | 2,903 | 7,607 | 38% | 2,920 |
| **Total** | **291,320** | | **173,210** | **288,928** | | **165,672** |

## 6.a.3) Fixed-income securities

The breakdown of the balances included under this sub-heading is as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2013 | 31/12/2014 |
| | AFS | AFS |
| Long and medium-term government bonds | 2,088,742 | 2,907,645 |
| Securities issued by financial institutions and other private entities | 1,884,167 | 1,937,827 |
| Total | 3,972,909 | 4,845,472 |

The yield of the portfolio at December 31, 2014 was 3.51% (3.93% at December 31, 2013), with an estimated average maturity of approximately 4.99 years (4.39 years at December, 31 2013)

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 2014 this income amounted to EUR 174,212 thousand (EUR 160,572 thousand in 2013).

The maturities of the securities included under this sub-heading, classified by the portfolio to which they were assigned at December 31, 2014 and 2013 and taking their fair value into account, are as follows:

| RESIDUAL AGING | Thousands of Euros | |
|---|---|---|
| | 31/12/2013 | 31/12/2014 |
| | AFS | AFS |
| Less than 1 year | 271,868 | 328,623 |
| Between 1 and 3 years | 1,257,448 | 1,450,690 |
| Between 3 and 5 years | 804,306 | 758,820 |
| Between 5 and 10 years | 839,926 | 1,083,963 |
| Between 10 and 15 years | 427,434 | 1,004,336 |
| Between 15 and 20 years | 256,757 | 108,933 |
| Between 20 and 25 years | 16,025 | 48,007 |
| More than 25 years | 99,145 | 62,100 |
| Total | 3,972,909 | 4,845,472 |

## 6.a.4) Investments held for the benefit of insurance policyholders who bear the investment risk

The breakdown by nature of the investment at December 31, 2014 and 2013 is as follows (in thousands of euros):

| | 31/12/2013 | | 31/12/2014 | |
|---|---|---|---|---|
| | FVPL PORTFOLIO | LR | FVPL PORTFOLIO | LR |
| Equity | 83,130 | - | 95,855 | - |
| Stakes in mutual funds | 74,435 | - | 75,038 | - |
| Fixed Income | 98,391 | - | 108,288 | - |
| Other financial assets without published quotations | | | | |
| - Long-term deposits with credit institutions | 3,745 | - | 832 | - |
| - Treasury bills | - | - | - | - |
| Other assigned balances | | | | |
| - Banks (current accounts and short-term deposits) | - | 21,109 | - | 14,635 |
| - Other payables in respect of management fees | - | - | - | - |
| - Others | - | 295 | - | 139 |
| Total | 259,701 | 21,404 | 280,013 | 14,774 |

The balance of "Other financial assets without published price quotations" and of "Other assigned balances" 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, financial assets without published price quotations and other assigned balances by maturity year is given below:

| | THOUSANDS OF EUROS | | | |
|---|---|---|---|---|
| | 31/12/2013 | | 31/12/2014 | |
| RESIDUAL AGING | FIXED INCOME | FINANCIAL ASSETS WITHOUT PUBLISHED PRICE QUOTATIONS AND OTHER ASSIGNED BALANCES | FIXED INCOME | FINANCIAL ASSETS WITHOUT PUBLISHED PRICE QUOTATIONS AND OTHER ASSIGNED BALANCES |
| Less than 1 year | 15,573 | 24,854 | 17,142 | 15,467 |
| Between 1 and 3 years | 50,805 | - | 50,261 | - |
| Between 3 and 5 years | 30,320 | - | 28,021 | - |
| Between 5 and 10 years | 1,693 | - | 12,864 | - |
| More than 10 years | - | - | - | - |
| Other investments without specified maturity | - | 295 | - | 139 |
| Total | 98,391 | 25,149 | 108,288 | 15,606 |

The mathematical provisions at December 31, 2014 and 2013, of insurance contracts where the investment risk is borne by policyholders are as follows:

| POLICYHOLDER INVESTMENT | Thousands of Euros | |
|---|---|---|
| | MATHEMATICAL RESERVE | |
| | 31/12/2013 | 31/12/2014 |
| Patrimonio Fondo | 146,425 | 151,272 |
| Universal Inversión +Multiahorro Variable | 25,316 | 25,010 |
| Universal Pias Variable | 28,877 | 33,075 |
| Universal Inversión Futura | 6,052 | 10,392 |
| Unit Link Seguros Bilbao | 74,435 | 75,038 |
| Total | 281,105 | 294,787 |

At December 31, 2014 and 2013 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 Grupo Catalana Occidente Gestión de Activos S.A., S.G.I.I.C., according to the following breakdown:

| TYPE OF ASSET | DESCRIPTION (NAME) | Thousands of Euros | |
|---|---|---|---|
| | | 31/12/2013 | 31/12/2014 |
| FI | FONBILBAO Short-term | 1,802 | 1,804 |
| FI | FONBILBAO Mixto | 2,872 | 3,470 |
| FI | FONBILBAO Shares | 48,962 | 51,350 |
| FI | FONBILBAO Eurobolsa | 9,143 | 7,924 |
| FI | FONBILBAO Fixed Income | 4,495 | 3,731 |
| FI | FONBILBAO Global 50 | 3,863 | 3,613 |
| FI | FONBILBAO Internacional | 3,298 | 3,146 |
| | | 74,435 | 75,038 |

## 6.a.5) Loans and Other assets without published price quotations:

The detail of the balances making up this sub-heading at December 31, 2014 and 2013 is as follows:

| | Thousands of Euros | | | |
|---|---|---|---|---|
| | 31/12/2013 | | 31/12/2014 | |
| | AFS | LR | AFS | LR |
| Non-mortgage loans and loan advances: | | | | |
| · Loans to policyholders – financed premiums | - | - | - | - |
| · Advances against policies | - | 20,150 | - | 22,610 |
| · Loans to agencies | - | 5,378 | - | 5,675 |
| · Other loans | 250 | - | 3,777 | - |
| Mortgage loans | - | 46,697 | - | 53,883 |
| Other financial assets without published quotations | - | 4,225 | - | 4,421 |
| Total | 250 | 76,450 | 3,777 | 86,589 |

The maturities of mortgage loans and other loans held by the Group at amortised cost are as follows:

| TERM TO MATURITY | Thousands of Euros | | | |
|---|---|---|---|---|
| | 31/12/2013 | | 31/12/2014 | |
| | AFS | LR | AFS | LR |
| Due and up to three months | - | 913 | - | 1,249 |
| 3 months to 1 year | - | 1,823 | 3,636 | 1,574 |
| 1 to 5 years | 117 | 8,415 | 20 | 9,642 |
| After 5 years | 133 | 35,546 | 121 | 41,418 |
| Total | 250 | 46,697 | 3,777 | 53,883 |

Non-mortgage loans allocated to the "Available for sale" portfolio correspond basically to two fixed-interest FERSA loans set to mature in 2015.

One group of mortgage loans ("reverse mortgages"), is totalling EUR 25,975 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 0.44% and 4.04% (between 0.53% and 3.77% in 2013). The interest rate is fixed in the first year and floating from the second year. The benchmark rate used is the one-year interbank rate (EURIBOR) or the average mortgage loan rate at over three years.

## 6.a.6) Deposits with credit institutions

The long-term deposits relate mainly to euro deposits, trust deposits and structured deposits held with credit institutions. The maturity of these deposits is as follows:

| RESIDUAL AGING | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | 31/12/2013 | | | 31/12/2014 | | |
| | AFS | LR | TOTAL | AFS | LR | TOTAL |
| Between 3 months and 1 year | 2,042 | 344,034 | 346,076 | 909 | 402,100 | 403,009 |
| Between 1 and 3 years | 71 | 62,818 | 62,889 | (6,709) | 1,000 | (5,709) |
| Between 3 and 5 years | (7,632) | - | (7,632) | (9,566) | - | (9,566) |
| Between 5 and 10 years | 21,850 | - | 21,850 | 3,887 | - | 3,887 |
| Between 10 and 15 years | 31,987 | - | 31,987 | 31,046 | - | 31,046 |
| Between 15 and 20 years | (2,920) | - | (2,920) | (4,854) | - | (4,854) |
| Between 20 and 25 years | - | - | - | - | - | - |
| More than 25 years | 148,226 | - | 148,226 | 176,119 | - | 176,119 |
| | 193,624 | 406,852 | 600,476 | 190,832 | 403,100 | 593,932 |

## 6.a.7) Impairment losses

During 2014 impairment losses for value impairment stood at 3,249 thousand euros (5,635 thousand euros in 2013).

## 6.b) Receivables

A breakdown of the receivables from insurance, reinsurance and coinsurance contracts at December 31, 2014 and 2013, together with other receivables, is given below:

| | Thousands of Euros | |
|---|---|---|
| | LR | |
| | 31/12/2013 | 31/12/2014 |
| **Receivables arising from direct insurance operations:** | | |
| - Policyholders, uncollected premiums: | | |
| Direct and coinsurance | 175,042 | 168,841 |
| Receivables outstanding for bills to be issued | 63,204 | 62,960 |
| (Provision for outstanding premiums) | (25,296) | (20,410) |
| - Mediators: | | |
| Amount receivable from agents | 24,926 | 28,916 |
| (Provision for impairment of receivables from agents) | (1,458) | (1,438) |
| **Receivables arising from reinsurance operations** | | |
| Amount receivable from reinsurers | 21,858 | 57,616 |
| (Provision for impairment of receivables from reinsurers) | (420) | (428) |
| **Other receivables:** | | |
| Receivables from Public Authorities | 197 | 712 |
| Other receivables | 393,189 | 371,442 |
| (Provision for impairment of other credits) | (5,682) | (4,643) |
| Total | 645,560 | 663,568 |

As of 31 December, 2014 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 2014 and 2013 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 applicable to each segment.

| (Amounts in thousands euros) | PROVISION FOR OUTSTANDING PREMIUMS | PROVISION FOR IMPAIRMENT OF RECEIVABLES FROM AGENTS | PROVISION FOR IMPAIRMENT OF RECEIVABLES FROM REINSURERS | PROVISION FOR IMPAIRMENT OF OTHER CREDITS |
|---|---|---|---|---|
| **Balance on January 1, 2013** | 24,818 | 1,418 | 422 | 5,131 |
| Provisions charged against profit | 478 | 40 | - | 551 |
| Amounts released with a credit to profit | - | - | (2) | - |
| **Balances at December 31, 2013** | 25,296 | 1,458 | 420 | 5,682 |
| Provisions charged against profit | - | - | 8 | - |
| Amounts released with a credit to profit | (4,886) | (20) | - | (1,039) |
| **Balances at December 31, 2014** | 20,410 | 1,438 | 428 | 4,643 |

A breakdown of Other receivables in the consolidated balance sheet at December 31, 2014 and 2013 is given below:

| OTHER RECEIVABLES: | Thousands of Euros | |
|---|---|---|
| | 31/12/2013 | 31/12/2014 |
| Receivables from government | 197 | 712 |
| | | |
| Other receivables | 393,189 | 371,442 |
| Estimated outstanding recoveries (Note 3.b) | 333,961 | 293,680 |
| Receivable under auto agreements (Note 3.j) | 4,766 | 5,704 |
| Doubtful agent accounts and other doubtful accounts | 583 | 632 |
| Commissions receivable information services Credit Insurance | 33,689 | 32,912 |
| Staff | 384 | 489 |
| Claims payments and advances on claims | 565 | - |
| Lease receivables | 565 | 682 |
| Other receivables | 18,676 | 37,343 |
| | | |
| Provision for impairment of other credits | (5,682) | (4,643) |
| Total | 387,704 | 367,511 |

# 7. Investments in entities accounted for using the equity method (associates accounted for using the equity method)

The composition and movements during 2014 of those investments in the capital of companies over which the Group exercises significant influence is as follows:

| SOCIETY | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | BALANCES AT 31/12/2013 | ADDITIONS AND REMOVALS FROM CONSOLIDATION SCOPE | INCREASES DUE TO NON-DISTRIBUTED PROFIT FOR THE YEAR | OTHER CHANGES DUE TO VALUATIONS | IMPAIRMENT LOSSES | BALANCES AT DECEMBER 31, 2014 |
| Plus Ultra Seguros (1) | 239,886 | - | 11,990 | 10,322 | - | 262,198 |
| Hercasol, S.A. SICAV (2) | 6,524 | (6,524) | - | - | - | - |
| Asitur Asistencia, S.A. | 3,431 | - | 69 | (6) | - | 3,494 |
| Sersanet Red de Servicios Sanitarios, S.A. | 305 | (268) | (37) | - | - | - |
| Calboquer, S.L. | 12 | - | (4) | 24 | - | 32 |
| Gesiuris, S.A. S.G.I.I.C.(3) | 3,032 | - | 73 | 28 | - | 3,133 |
| Graydon Holding NV, Amsterdam (6) | 72,363 | - | (1,625) | (6) | (10,000) | 60,732 |
| CLAL Credit Insurance Ltd., Tel Aviv (4)(6) | 8,238 | - | 983 | 175 | - | 9,396 |
| Compañía de Seguros de Crédito Continental S.A., Santiago (5)(6) | 26,090 | (2,518) | 5,651 | 57 | - | 29,280 |
| The Lebanese Credit Insurer S.A.L., Beirut (6) | 2,706 | - | (314) | 236 | - | 2,628 |
| Inversiones Credere, S.A. (6) | - | 2,518 | 1 | 56 | - | 2,575 |
| **Net Total** | **362,587** | **(6,792)** | **16,787** | **10,886** | **(10,000)** | **373,468** |

(1) Includes goodwill totalling 76,003 thousand euros.
(2) Hercasol, SICAV, S.A. has gone from being regarded an associated company to being a subsidiary.
(3) Includes goodwill totalling 1,836 thousand euros.
(4) Includes goodwill totalling 380 thousand euros
(5) Includes goodwill totalling 1,611 thousand euros.
(6) Participated through the company Atradius N.V.

These investments are accounted for using the equity method, using the best estimate available at the time of preparing the financial statements. 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 revenues.

2013 movements are shown below:

| SOCIETY | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | BALANCES 31/12/2012 | ADDITIONS AND REMOVALS FROM CONSOLIDATION SCOPE | INCREASES DUE TO NON-DISTRIBUTED PROFIT FOR THE YEAR | OTHER CHANGES DUE TO VALUATIONS | LOSSES FROM IMPAIRMENT | BALANCES AT 31/12/2013 |
| Plus Ultra Seguros (1) | 214,340 | - | 18,050 | 7,496 | - | 239,886 |
| Hercasol, S.A. SICAV (2) | 5,232 | - | 1,202 | 90 | - | 6,524 |
| Asitur Asistencia, S.A. | 4,199 | - | 318 | (1,086) | - | 3,431 |
| Sersanet Red de Servicios Sanitarios, S.A. | 269 | - | 37 | (1) | - | 305 |
| Calboquer, S.L. | 101 | - | (37) | (52) | - | 12 |
| Gesiuris, S.A. S.G.I.I.C. (3) | 2,961 | - | 91 | (20) | - | 3,032 |
| Graydon Holding NV, Amsterdam (6) | 72,777 | - | 3,397 | (3,811) | - | 72,363 |
| CLAL Credit Insurance Ltd., Tel Aviv (4)(6) | 7,006 | - | 1,054 | 178 | - | 8,238 |
| Credit Insurance Company Continental SA, Santiago(5)(6) | 28,961 | - | 670 | (3,541) | - | 26,090 |
| The Lebanese Credit Insurer S.A.L., Beirut (6) | 2,107 | - | 686 | (87) | - | 2,706 |
| Les Assurances des Crédits Commerciaux S.A., Túnez (6) | 53 | (513) | 460 | - | - | - |
| **Total** | **338,006** | **(513)** | **25,928** | **(834)** | **-** | **362,587** |

(1) Includes goodwill totalling 76,003 thousand euros.
(2) Includes goodwill totalling 200 thousand euros
(3) Includes goodwill totalling 1,836 thousand euros.
(4) Includes goodwill totalling 380 thousand euros
(5) Includes goodwill totalling 1,611 thousand euros.
(6) Participated through the company Atradius N.V.

As noted in Note 3.e.1, the Group carried out the value impairment tests of implied goodwill attached to its holdings in affiliates, considering the financial market situation. At December 31, 2014, invoking the test result, the management of the parent company proceeded to record an impairment of 10,000 thousand euros for the goodwill inherent in Graydon Holding NV, Amsterdam, owned through the company Atradius N.V.

# 8. Tangible fixed assets and investment property

## 8.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 December 31, 2014 is as follows (in thousands of euros):

| | OWNER-OCCUPIED PROPERTY | FURNITURE AND FIXTURES | TRANSPORT EQUIPMENT | DATA PROCESSING HARDWARE | IMPROVEMENTS TO OWNED BUILDINGS | OTHER TANGIBLE FIXED ASSETS | TOTAL |
|---|---|---|---|---|---|---|---|
| Cost at 1 January 2014 | 241,386 | 98,600 | 2,028 | 69,152 | 51,484 | 1,033 | 463,683 |
| Accumulated depreciation at January 1, 2014 | (57,659) | (74,701) | (930) | (55,568) | (30,139) | (491) | (219,488) |
| Impairment Losses | (6,887) | - | - | - | - | - | (6,887) |
| Net Book Value at January 1, 2014 | 176,840 | 23,899 | 1,098 | 13,584 | 21,345 | 542 | 237,308 |
| Investments or Additions | 643 | 3,524 | 355 | 6,706 | 4,515 | 13 | 15,756 |
| Advances on property under construction | - | - | - | - | - | - | - |
| Reclassifications and transfers (Note 8.b) | (1,379) | - | - | - | - | - | (1,379) |
| Sales and retirements | - | (4,047) | (366) | (6,285) | (3,287) | (63) | (14,048) |
| Effect of changes in exchange rates | (20) | 777 | - | 1,455 | - | - | 2,212 |
| Newly consolidated - business combinations (*) | 9 | - | - | - | - | - | 9 |
| Depreciation charge | (3,847) | (5,710) | (299) | (6,704) | (3,546) | (124) | (20,230) |
| Reclassifications and transfers of depreciation | 514 | - | - | - | - | - | 514 |
| Amortization drawdown | - | 3,770 | 202 | 5,944 | 2,437 | (22) | 12,331 |
| Effect of changes in exchange rates | 5 | (648) | - | (976) | - | - | (1,619) |
| Impairment Losses | 137 | - | - | - | - | - | 137 |
| Net Book Value at December 31, 2014 | 172,902 | 21,565 | 990 | 13,724 | 21,464 | 346 | 230,991 |

NET BOOK VALUE AT DECEMBER 31, 2014 (in thousands of euros):

| | OWNER-OCCUPIED PROPERTY | FURNITURE AND FIXTURES | TRANSPORT EQUIPMENT | DATA PROCESSING HARDWARE | IMPROVEMENTS TO OWNED BUILDINGS | OTHER TANGIBLE FIXED ASSETS | TOTAL |
|---|---|---|---|---|---|---|---|
| Cost at December 31, 2014 | 240,630 | 98,854 | 2,017 | 71,028 | 52,712 | 983 | 466,224 |
| Accumulated depreciation at December 31, 2014 | (60,978) | (77,289) | (1,027) | (57,304) | (31,248) | (637) | (228,483) |
| Impairment Losses | (6,750) | - | - | - | - | - | (6,750) |

The movement and detail for the year 2013 are as follows (in thousands of euros):

| | OWNER-OCCUPIED PROPERTY | FURNITURE AND FIXTURES | TRANSPORT EQUIPMENT | DATA PROCESSING HARDWARE | IMPROVEMENTS TO OWNED BUILDINGS | OTHER TANGIBLE FIXED ASSETS | TOTAL |
|---|---|---|---|---|---|---|---|
| Cost at 1 January 2013 | 246,509 | 101,836 | 2,034 | 68,968 | 46,191 | 960 | 466,498 |
| Accumulated depreciation at January 1, 2013 | (55,019) | (76,938) | (781) | (53,157) | (26,234) | (393) | (212,522) |
| Impairment Losses | (6,584) | - | - | - | - | - | (6,584) |
| Net Book Value at January 1, 2013 | 184,907 | 24,898 | 1,253 | 15,810 | 19,957 | 567 | 247,392 |
| Investments or Additions | 470 | 5,192 | 152 | 4,812 | 5,097 | 101 | 15,824 |
| Advances on property under construction | - | - | - | - | - | - | - |
| Reclassifications and transfers (Note 8.b) | (5,177) | (198) | - | (1) | 199 | - | (5,177) |
| Sales and retirements | (270) | (7,675) | (158) | (3,916) | (3) | (28) | (12,050) |
| Effect of changes in exchange rates | (146) | (555) | - | (711) | - | - | (1,412) |
| Depreciation charge | (3,929) | (5,650) | (238) | (6,596) | (3,817) | (118) | (20,348) |
| Reclassifications and transfers of depreciation | 1,170 | 89 | - | - | (89) | - | 1,170 |
| Amortization drawdown | 97 | 7,451 | 89 | 3,694 | 1 | 20 | 11,352 |
| Effect of changes in exchange rates | 22 | 347 | - | 492 | - | - | 861 |
| Impairment Losses | (303) | - | - | - | - | - | (303) |
| Net Book Value at December 31, 2013 | 176,840 | 23,899 | 1,098 | 13,584 | 21,345 | 542 | 237,308 |

At December 31, 2014 and 2013, the Group holds own use in full own-use and there were no liens of any type over any of them. Moreover, the Group has no agreements in place to acquire new property. At year-end 2014 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 EUR 22,324 thousand at December 31, 2014 (EUR 22,516 thousand at December 31, 2013).

During 2014 the Company has not obtained profits from the sale of own-use properties.

The market value at December 31, 2014 of the Group's own-use properties was as follows (in thousands of euros):

| | Market value at December 31, 2013 | | | |
|---|---|---|---|---|
| | NON-LIFE SEGMENT | LIFE SEGMENT | OTHER ACTIVITIES SEGMENT | TOTAL |
| Owner-Occupied Property | 205,715 | 86,307 | 19,595 | 311,617 |

At the close of the previous exercise, the market value of the Group's own use properties assigned to the Non-Life, Life and Other Activities segments was EUR 215,031, EUR 90,622 and EUR 20,109 thousand, respectively.

The gains associated with the property for own use amounted to EUR 138,715 thousand in the year 2014 (EUR 148,920 thousand in the year 2013).

The market value of the own-use property is mostly aligned with the appraised value determined by an independent appraisal firm authorised based on observable market variables (Level 2). The appraisals are conducted on a periodic basis pursuant to the rules relating to insurers regarding the valuation of plan assets backed by technical provisions.

The Group is required to ensure the property and rights in rem in immovable property affected by the coverage of technical provisions against the risk of fire or other damage to the premises. As established by the ROSSP, the insurer that accepts the risk must be different to the owner of the property, and the amount cannot be less than the value of construction as per the last appraisal.

## 8.b) Investment property

The disclosure by type of items that make up the balance of this segment and sub segment of the condensed consolidated income statement, on June 31, 2014 is as follows (in thousands of euros):

| | PROPERTY INVESTMENTS, THIRD PARTY USE |
|---|---|
| Cost at 1 January 2014 | 299,445 |
| Accumulated depreciation at January 1, 2014 | (72,470) |
| Impairment Losses | (435) |
| Net Book Value at January 1, 2014 | 226,540 |
| Investments or Additions | 1,565 |
| Advances on property under construction | - |
| Reclassifications and transfers (Nota 8.a) | 1,379 |
| Sales and retirements | (103) |
| Effect of changes in exchange rates | 4 |
| Depreciation charge | (5,186) |
| Reclassifications and transfers of depreciation | (514) |
| Amortization drawdown | 35 |
| Effect of changes in exchange rates | - |
| Impairment Losses | (374) |
| Net Book Value at December 31, 2014 | 223,346 |

Net Book Value at December 31, 2014 (in thousands of euros):

| | PROPERTY INVESTMENTS, THIRD PARTY USE |
|---|---|
| Cost at December 31, 2014 | 302,290 |
| Accumulated depreciation at December 31, 2014 | (78,135) |
| Impairment Losses | (809) |

Likewise, the heading and the detail for 2013 are as follows (in thousands of euros):

| | PROPERTY INVESTMENTS, THIRD PARTY USE |
|---|---|
| Cost at 1 January 2013 | 291,076 |
| Accumulated depreciation at January 1, 2013 | (66,229) |
| Impairment Losses | (230) |
| Net Book Value at January 1, 2013 | 224,617 |
| Investments or Additions | 5,097 |
| Advances on property under construction | - |
| Reclassifications and transfers (Nota 8.a) | 5,177 |
| Sales and retirements | (1,865) |
| Effect of changes in exchange rates | (40) |
| Depreciation charge | (5,159) |
| Reclassifications and transfers of depreciation | (1,170) |
| Amortization drawdown | 86 |
| Effect of changes in exchange rates | 3 |
| Impairment Losses | (205) |
| Net Book Value at December 31, 2013 | 226,541 |

During 2014 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 relate to commercial property, mainly office buildings, which the Group operates on a lease basis.

At year-end 2014 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 2014, profits were obtained from property investment amounting to 11 thousand euros.

The market value of the Group's investment property at December 31, 2014 was as follows (in thousands of euros):

| | Market value at December 31, 2013 | | | |
|---|---|---|---|---|
| | NON-LIFE SEGMENT | LIFE SEGMENT | OTHER ACTIVITIES SEGMENT | TOTAL |
| Property investments, third party use | 267,364 | 260,997 | 38,756 | 567,117 |

The market value of the investment property assigned to the Non-Life, Life and Other Activities segments at the end of the previous year was EUR 269,732 thousand EUR 274,886 thousand and EUR 40,013 thousand, respectively.

The unrealised capital gains associated with property investments amounted to EUR 343,771 thousand in the year 2014 (EUR 358,089 thousand in the year 2013).

The market value of property investments for third-party use is mostly aligned with the appraised value determined by an independent appraisal firm authorised based on observable market variables (Level 2). The appraisals are conducted on a periodic basis pursuant to the rules relating to insurers regarding the valuation of plan assets backed by technical provisions.

The revenue from investment property rentals that generated income from rentals and the direct operating expenses related to property investments (under operating leases or otherwise) recorded in the profit and loss account for the year 2014 are listed below:

| Thousands of Euros | ASSIGNED IN OPERATING LEASE | | INVESTMENTS PROPERTY | |
|---|---|---|---|---|
| | Year 2013 | Year 2014 | Year 2013 | Year 2014 |
| Revenue from lettings | 21,193 | 20,987 | - | - |
| Direct operating expenses | 7,263 | 8,596 | 536 | 280 |

As of 31 December, the minimum future revenues for the last two years of non-cancellable operating leases are as follows:

| INCOME FROM FUTURE ACTIVE LEASES | Thousands of Euros | |
|---|---|---|
| | December 31, 2012 | December 31, 2014 |
| Less than 1 year | 20,941 | 21,589 |
| More than one year but less than five | 61,020 | 55,844 |
| After 5 years | 58,643 | 58,205 |
| Total | 140,604 | 135,638 |

The Group has not taken into account revenue from contingent charges for the years 2013 and 2014.

Most leases have a duration of between 5 and 10 years and are renewable.

The Group is required to ensure the property and rights in rem in immovable property affected by the coverage of technical provisions against the risk of fire or other damage to the premises. As established by the ROSSP, the insurer that accepts the risk must be different to the owner of the property, and the amount cannot be less than the value of construction as per the last appraisal.

# 9. Intangible assets

Activity of this balance sheet item in 2014 and 2013 was as follows:

| | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | | | Other intangible assets | | | |
| | Goodwill | Policy portfolio acquisition costs | Computer software developed internally | Computer software purchased | Other intangible assets not generated internally | Total other intangible assets |
| **Cost at 1 January 2013** | **581,457** | **10,721** | **82,314** | **94,763** | **508** | **177,585** |
| **Accumulated depreciation at January 1, 2013** | **-** | **(5,424)** | **(54,839)** | **(71,877)** | **(71)** | **(126,787)** |
| **Impairment Losses** | **-** | **-** | **(3,664)** | **-** | **-** | **(3,664)** |
| **Net Book Value at January 1, 2013** | **581,457** | **5,297** | **23,811** | **22,886** | **437** | **47,134** |
| Additions | - | - | 15,945 | 14,128 | - | 30,073 |
| Withdrawals | - | - | (4,788) | (2,441) | - | (7,229) |
| Reclassifications and transfers | - | - | - | - | - | - |
| Effect of changes in exchange rates | (37) | (43) | (446) | (335) | - | (782) |
| Depreciation charge | - | (16) | (6,005) | (11,481) | (37) | (17,523) |
| Amortization drawdown | - | - | 4,788 | 2,247 | - | 7,035 |
| Reclassifications and transfers | - | - | - | - | - | - |
| Effect of changes in exchange rates | - | 25 | 368 | 211 | - | 579 |
| Impairment Losses | - | - | - | - | - | - |
| **Cost at December 31, 2013** | **581,420** | **10,678** | **93,025** | **106,115** | **508** | **199,648** |
| **Accumulated depreciation at December 31, 2013** | **-** | **(5,415)** | **(55,737)** | **(80,900)** | **(108)** | **(136,745)** |
| **Impairment losses as of December 31, 2013** | **-** | **-** | **(3,615)** | **-** | **-** | **(3,615)** |
| **Net Book Value at December 31, 2013** | **581,420** | **5,263** | **33,673** | **25,215** | **400** | **59,288** |
| Newly consolidated - business combinations | 200 | - | - | - | - | - |
| Additions | - | - | 14,590 | 11,990 | - | 26,580 |
| Withdrawals | - | - | - | (2,832) | - | (2,832) |
| Reclassifications and transfers | - | - | - | - | - | - |
| Effect of changes in exchange rates | (35) | 128 | 2,361 | 1,235 | - | 3,596 |
| Depreciation charge | - | (15) | (4,802) | (12,657) | (36) | (17,495) |
| Amortization drawdown | - | - | - | 2,618 | - | 2,618 |
| Reclassifications and transfers | - | - | - | - | - | - |
| Effect of changes in exchange rates | - | (95) | (1,561) | (1,000) | - | (2,561) |
| Impairment Losses | - | - | (10,464) | - | - | (10,464) |
| **Cost at December 31, 2014** | **581,585** | **10,806** | **109,976** | **116,508** | **508** | **226,992** |
| **Accumulated depreciation at December 31, 2014** | **-** | **(5,525)** | **(62,100)** | **(91,939)** | **(144)** | **(154,183)** |
| **Impairment losses as of December 31, 2014** | **-** | **-** | **(14,079)** | **-** | **-** | **(14,079)** |
| **Net Book Value at December 31, 2014** | **581,585** | **5,281** | **33,797** | **24,569** | **364** | **58,730** |

Key information relating to these intangible assets is given below.

## 9.a) Goodwill

The breakdown of the "Goodwill" account in the consolidated balance sheet, listed according to originating undertaking is as follows:

| | Thousands of Euros | |
|---|---|---|
| COMPANIES | 31/12/2013 | 31/12/2014 |
| **Fully consolidated companies:** | | |
| Lepanto, S.A. Cía, de Seguros y Reaseguros S.A. | 25,945 | 25,945 |
| Nortehispana de Seguros y Reaseguros, S.A. (*) | | |
| Bilbao Compañía Anónima de Seguros y Reaseguros, S.A. | 94,398 | 94,398 |
| Atradius N.V. – Crédito y Caución | 459,544 | 459,508 |
| Others | 1,533 | 1,734 |
| **Gross Total** | 581,420 | 581,585 |
| **Less: Impairment Losses** | - | - |
| **Net Book value** | 581,420 | 581,585 |

(*) This goodwill corresponds to the residual goodwill that was calculated jointly for Lepanto and Nortehispana at the time of acquisition. At the end of 2006, Lepanto was absorbed by Seguros Catalana Occidente.

### 9.a.1) Impairment test

As indicated in Note 3.e.1, at year-end we evaluate whether any goodwill show impairment losses based on the calculation of value in use of the related cash-generating unit.

The discount rates used as of December 31, 2014 for updating the projected cash flows derived from the projection of income and expenses, performed according to the aforementioned criteria, have been 7.43% for the Atradius business and 10.82% for units located in Spain, with expected growth rates of 0.5%.

In parallel to this baseline scenario, possible variations have been calculated in the main assumptions of the model and the discount rate has been subject to a sensitivity analysis. An increase of one percentage point in the discount rate would not lead to the existence of goodwill impairment. Also, as of December 31, 2014 no reasonably possible change in the key revenue and expense projection assumptions would imply that the book value of units would exceed the recoverable amount.

During 2014 and 2013 the Group did not have to recognise any impairment losses affecting consolidation goodwill. Based on the estimates, projections and independent experts' reports available to the parent's Board Members and management, the projected income and cash flows attributable to the Group from these companies, considered as cash generating units, support the book value of the net assets recognised.

### 9.b) Other intangible assets

These intangible assets 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) to the consolidated financial statements.

The book value of investments in intangible assets consisting of rights exercisable outside Spain or related to investments outside Spain amount to EUR 140,260 thousand, with accumulated amortisation of EUR 102,879 thousand.

In the last financial year, the Group recorded impairment losses on internally generated software, from Atradius N.V., amounting to 10,464 thousand euros. This software had been developed by the Group and have deteriorated, following the criteria mentioned under applicable rules (see Note 3.e.3).

The Group has no further commitments to those recorded in its consolidated financial statements for the acquisition of intangible assets. At 2014 year end, all intangible assets of the Group are directly affected by the operation.

## 10. Tax situation

### 10.a) Tax consolidation regime

From January 14, 2002 the Tax Agency, in authorisation no. 173/01, granted some of the consolidated companies resident in Spain permission to file under the Special Corporation Tax Regime for Groups of Companies, with number 173/01, comprising Grupo Catalana Occidente, S.A. (as parent company) and the following as subsidiaries: The consolidated tax group consisted of Grupo Catalana Occidente, S.A. (as parent) and, as subsidiaries, Seguros Catalana Occidente, S.A. de Seguros y Reaseguros, Depsa, Sociedad Anónima de Seguros y Reaseguros, Salerno 94, S.A., Tecniseguros, Sociedad de Agencia de Seguros, S.A., Catoc Vida, Sociedad Anónima de Seguros, Nortehispana, de Seguros y Reaseguros, Sociedad Anónima, Cosalud, Sociedad Anónima de Seguros, Catalana Occidente Capital, Agencia de Valores, S.A., Depsa Servicios y Gestión Legal, S.L. and Catalana de Talleres y Reparaciones 3000, S.L. The taxable profit of this consolidated tax group, determined in accordance with tax legislation for this tax regime, is subject to tax at the rate of 30% in 2014. Bilbao Compañía Anónima de Seguros y Reaseguros, S.A. is the parent of another consolidated tax group, numbered 0497B, and as such files its tax declarations on a consolidated basis with its subsidiaries S. Órbit (according to the legislatio of the historic territory of Vizcaya) a Sociedad Agencia de Seguros, S.A., Bilbao Hipotecaria, S.A., E.F.C., Seguros Bilbao Fondos, S.A., S.G.I.I.C., Bilbao Vida y Gestores Financieros, S.A. and Bilbao Telemark, S.L. The taxable profit of this consolidated tax group, determined in accordance with tax legislation for this tax regime, is subject to tax at the rate of 28% in 2014.

The remaining Group companies resident in Spain that are within the scope of consolidation of the Group are subject to the general tax rates, except for Catoc, SICAV S.A. and Inversiones Menéndez Pelayo, S.A., Sociedad de Inversión de Capital Variable, which, being listed securities investment companies, are taxed under the special corporation tax regime at a rate of 1%.

In Atradius N.V. and its subsidiaries resident outside Spain, the Group Atradius applies the tax regimes in force in each country in which it operates, the average effective tax rate for 2014 being 30.6%.

On January 10, 2014, the Spanish Tax Office granted the application of the Special Value Added Tax Scheme for Group Entities in accordance with Article 163 sexies.cinco regulated in Section IX of Title IX of Law 37/1992 on Added Value Tax by assigning number IVA002/14 (hereinafter VAT Tax Group) with effect as of January 1, 2014. This group comprises Grupo Catalana Occidente, S.A. (as the parent company) and its subsidiaries: Seguros Catalana Occidente, S.A. de Seguros y Reaseguros, Depsa, S.A. de Seguros y Reaseguros, Depsa Servicios y Gestión Legal, S.L., Catoc Vida, S.A. de Seguros, Nortehispana, de Seguros y Reaseguros, S.A., Cosalud, S.A. de Seguros, Catalana de Talleres y Reparaciones 3000, S.L., Grupo Catalana Occidente Tecnología y Servicios, A.I.E., Grupo Catalana Occidente Contact Center, A.I.E. y Prepersa de Peritación de Seguros y Prevención, A.I.E., GCO Reaseguros, S.A. y Grupo Catalana Occidente Gestión de Activos S.A., S.G.I.I.C.

## 10.b) Current Assets and Liabilities

Current tax assets and liabilities at December 31, 2014 and 2013 include the following items:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2013 | 31/12/2014 |
| Current tax assets: | | |
| Tax receivable: | | |
| • Tax receivable by the parent company's consolidated tax | 21,238 | 10,664 |
| • Other balances with Treasury (Note 10.e) | 16,334 | 14,047 |
| • Other debit balances of other tax groups or companies | 20,104 | 13,745 |
| **Total current tax assets** | **57,676** | **38,456** |
| Current tax liabilities: | | |
| Tax payable: | | |
| Other tax payables from other tax groups or companies | 32,087 | 56,884 |
| **Total current tax liabilities** | **32,087** | **56,884** |

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.

## 10.c) Deferred tax assets and liabilities

In addition, at December 31, 2014 the Group had anticipated and deferred tax assets totalling EUR 127,170 and EUR 320,190 thousand respectively, recognised under "Deferred tax assets" and "Deferred tax liabilities".

At December 31, 2013 the deferred tax assets and liabilities amounted to EUR 115,882 thousand and EUR 222,302 thousand, respectively.

The origins of the deferred tax assets and liabilities available to the Group at December 31, 2014 and 2013, are as follows:

| DEFERRED TAX ASSETS ARISING FROM: | Thousands of Euros | |
|---|---|---|
| | 31/12/2013 | 31/12/2014 |
| Tax loss | 26,040 | 21,789 |
| Tax adjustments in technical provisions | 23,299 | 27,667 |
| Tax goodwill | 20,561 | 17,300 |
| Insolvency provisions | 5,776 | 5,328 |
| Pension outsourcing expense | 25,131 | 27,911 |
| Accelerated depreciation through revaluation of assets | 325 | 251 |
| Uncollected premiums provision | 2,407 | 2,081 |
| Other deferred tax assets | 25,579 | 36,554 |
| SUBTOTOTAL | 129,117 | 138,881 |
| Netting (*) | (13,235) | (11,711) |
| TOTAL | 115,882 | 127,170 |

(*) This offsetting complies with the criteria for offsetting deferred tax assets and liabilities established by IAS 12.

The recent tax reform dated November 2014 (see Note 3.h) has involved an update to the tax rate applied, resulting in a 2% reduction of the rate applied for deferred tax assets that aim to be recovered during 2015, as well as 5% which are expected to be recovered beginning in 2016 or later, equivalent to a reduction of 1,363 thousand euros in deferred taxes to creditors recognised by the Group at December 31, 2014.

| DEFERRED TAX LIABILITIES ARISING FROM: | Thousands of Euros | |
|---|---|---|
| | 31/12/2013 | 31/12/2014 |
| Adjustments due to investment valuations | 129,552 | 203,501 |
| Equalisation reserve | 68,301 | 83,780 |
| Tax adjustments in technical provisions | 8,907 | 5,297 |
| Other deferred tax liabilities | 28,776 | 39,323 |
| SUBTOTOTAL | 235,537 | 331,901 |
| Netting (*) | (13,235) | (11,711) |
| TOTAL | 222,302 | 320,190 |

(*) This offsetting complies with the criteria for offsetting deferred tax assets and liabilities established by IAS 12.

To this end, it should be noted that the recent tax reform dated November 2014 (see Note 3.h) has involved an update to the tax rate applied, resulting in a 5% reduction of the rate applied, equivalent to a reduction of 25,112 thousand euros in deferred taxes to creditors recognized by the Group at December 31, 2014.

## 10.d) Reconciliation of accounting profit and tax expense

The reconciliation of the income tax expense resulting from applying the general tax rate in force in each country to the accounting profit obtained by the companies belonging to the Group and the income tax expense recorded for financial years 2014 and 2013 is shown below:

| | 2014 in Thousand Euros | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | FISCAL CONSOLIDATED GROUP – PARENT COMPANY | CRÉDITO Y CAUCIÓN SL | GRUPO FISCAL SEGUROS BILBAO | ATRADIUS N.V. | SECURITIES INVESTMENT COMPANIES | AIE COMPANIES | OTHER COMPANIES | TOTAL CONSOLIDATED GROUP |
| Pre-tax profit under Spanish GAAP | 248,500 | (693) | 52,495 | 227,917 | 3,876 | 96 | 2,537 | **534,729** |
| Tax payable resulting from applying the tax rate in each country | 74,550 | - | 14,699 | 66,146 | 39 | - | 1,186 | **156,619** |
| Deductions from tax payable arising from: | | | | | | | | |
| Double taxation | (20,622) | - | (1,870) | - | - | - | - | **(22,492)** |
| Investments | (427) | - | - | - | - | - | - | **(427)** |
| Investment valuation allowance and other balances | - | - | - | - | - | - | - | **-** |
| Dividend deductions and eliminations | (28,170) | - | - | - | - | - | - | **(28,170)** |
| Offset of tax losses | - | - | - | 5,238 | - | - | - | **5,238** |
| Tax-exempt income | (40) | - | - | (2,171) | - | - | - | **(2,211)** |
| Others | 2,472 | (79) | (137) | 10,558 | - | - | - | **12,814** |
| Corrections to 2013 corporation tax | 474 | - | - | (6,792) | - | - | - | **(6,318)** |
| Change in local tax rates | (1,363) | - | - | - | - | - | - | **(1,363)** |
| **Corporation tax expense for the year recognised in the 2014 income statement** | **26,874** | **(79)** | **12,692** | **72,979** | **39** | **-** | **1,186** | **113,691** |

| | 2013 in Thousand Euros | | | | | | |
|---|---|---|---|---|---|---|---|
| | CONSOLIDATED TAX GROUP – PARENT COMPANY | CRÉDITO Y CAUCIÓN SL | GRUPO FISCAL SEGUROS BILBAO | ATRADIUS N.V. | SECURITIES INVESTMENT COMPANIES | AIE (ECONOMIC INTEREST GROUP) COMPANIES | TOTAL CONSOLIDATED GROUP |
| Pre-tax profit under Spanish GAAP | 265,833 | (728) | 53,518 | 172,690 | 2,830 | 157 | 494,300 |
| Tax payable resulting from applying the tax rate in each country | 79,750 | - | 14,985 | 43,912 | 28 | - | 138,675 |
| Deductions from tax payable arising from: | | | | | | | |
| Double taxation | (21,210) | - | (624) | - | - | - | (21,834) |
| Investments | (732) | - | - | - | - | - | (732) |
| Investment valuation allowance and other balances | - | - | 9 | - | - | - | 9 |
| Dividend deductions and eliminations | (36,098) | - | - | - | - | - | (36,098) |
| Offset of tax losses | - | - | - | 8,205 | - | - | 8,205 |
| Tax-exempt income | (26) | - | - | (2,829) | - | - | (2,855) |
| Others | (78) | - | (531) | (6,269) | - | - | (6,878) |
| Corrections to 2011 corporation tax | 2,968 | - | - | (3,403) | - | - | (435) |
| Change in local tax rates | - | - | - | - | - | - | - |
| **Corporation tax expense for the year recognised in the 2013 income statement** | **24,574** | **-** | **13,839** | **39,616** | **28** | **-** | **78,057** |

The difference between the income before tax presented in the above table and the figure shown in the income statement for 2014 is attributable mainly to the adjustments made on consolidation.

## 10.e) Years open for review by the tax authorities

According to current legislation, taxes cannot be considered definitively paid until the returns have been inspected by tax officials or the statute of limitations period of four years has elapsed.

The parent and its Group have the years from 2012 onwards open for review by the tax inspection authorities for all other applicable taxes. The rest of the group companies have, in general, the years determined by applicable tax law open for review by the tax inspection authorities for the main applicable taxes.

In July 2009, the parent company received a notice from the tax authorities saying that a tax audit and inspection would be undertaken covering corporate income tax in its capacity as parent company. The audit would focus on the group tax, the value added tax, the deductions made on investment income, earned income, income tax on the income of non-residents, and taxes on insurance premiums for the years 2005, 2006 and 2007. In FY 2011 tax authorities have completed their tax audits and inspections and proceeded to initiate proceedings against the Catalana Occidente Group which involved an overall amount to pay the Spanish Tax Office of 56,379 thousand euros (46,920 thousand euros corresponding to the quota and 9,459 thousand euros in late fees). These minutes were signed under protest by the parent Company on October 5, 2011. The amount involved is basically linked to the tax authorities' non-acceptance of the criteria followed by the Company, endorsed in a binding request by the tax authorities themselves, with regard to the application of the deduction for double taxation of the 2006 and 2007 dividends resulting from benefits included in the Seguros Catalana Occidente taxable base, and which were not compensated with negative taxable bases in previous years.

On October 31, 2014, the Central Economic-Administrative Court (TEAC) ruled on the complaint filed by the parent company, in its capacity as parent company of the tax group, whereby it agreed to uphold the Administration's right to settle the 2005 Corporate Tax and confirm the settlement for the 2006 and 2007 Corporate Tax, except as regards the interest on arrears, which should be recalculated. Therefore, the amount to deposit on behalf of the Spanish Tax Agency has been reduced by 560,000 euros thanks to the prescription of the settlement proposed by the Tax Agency corresponding to 2005.

The parent company, dated December 16, 2014, has filed an administrative appeal before the Board of Administrative Litigation of the National Court against the TEAC's decision.

In January 2013, the parent company received a notice from the tax authorities saying that a tax audit and inspection would be undertaken covering corporate income tax in its capacity as parent company. The audit would focus on the group tax, the value added tax, the deductions made on investment income, earned income, income tax on the income of non-residents, and taxes on insurance premiums for the years 2008, 2009, 2010 and 2011. In FY 2013 tax authorities have completed their tax audits and inspections and proceeded to initiate proceedings for the Catalana Occidente Group, S.A. for a total of 19,187 thousand euros (15,756 thousand euros corresponding to the quota and 3,431 thousand euros in delay interests). On December 20, 2013 the parent company signed all the proceedings pursuant to the exception for the 2008 Corporate Tax, under protest, for the amount of 16,334 thousand euros. The proceedings signed under protest correspond to the tax authorities' non-acceptance of the administrative criteria in the aforementioned FY 2008 binding request by the parent company in relation to the application of the deduction for double taxation of the dividends received from subsidiary Seguros Catalana Occidente, S.A. de Seguros y Reaseguros in that year. During 2014, the Spanish Tax Agency has proceeded to compensate 14,047 thousand euros corresponding to the settlement of the 2008 Corporate Tax, with amounts to be reimbursed the Group from the Corporate Tax. The Company still implements this amount (see Note 10.a) because it believes that, in accordance with its tax advisors and in keeping with previous proceedings along the same lines, appeals presented will prevail and the proceedings shall not involve any impact on the Group's equity.

The 2014 financial statements do not include any provisions related to inspection activities described above as the directors of the parent company, based on the opinion of its tax advisers, consider that the appeals proceedings will be successful and will not cause any impact on company equity for the Group.

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 93 of Royal Decree 4/2004 of March 5, approving the revised text of the Corporate Tax Act, it is noted that:

- In 1996, and as a result of the process of total spin-off of Depsa, Sociedad Anónima de Seguros y Reaseguros, the Company received a 100% stake in the company formed after the aforementioned spin-off process, which the same insuring activity and the same company name as the earlier company. The book value for which the Company recorded the shares received from the new company is the same that it held for its participation in the spin-off company, i.e., 296 thousand euros.

- On October 2, 2001 the Company made a contribution in kind of a line of business, receiving in exchange 298,515 shares of Seguros Catalana Occidente, Sociedad Anónima de Seguros y Reaseguros of 60.101210 euros par value each, resulting in a total accounting value of 17,941 thousand euros. The list of assets, rights and obligations transferred to the transferee company, along with their corresponding accounting figures, appears in the detailed inventory of assets and liabilities included in the portfolio transfer and capital reduction/extension of Seguros Catalana Occidente, S.A. de Seguros y Reaseguros, executed before the Notary of Barcelona, Mr. Miguel Tarragona Coromina on October 2, 2001, No. 4,311 of his protocol.

- On 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.

# 11. Financial liabilities

The details of financial liabilities at December 31, 2014 and 2013 broken down by nature, are as follows (in thousands of euros):

| | Debits and items due | |
|---|---|---|
| | Thousands of Euros | |
| Financial liabilities | 31/12/2013 | 31/12/2014 |
| **Subordinated liabilities** | **119,521** | **248,141** |
| **Other liabilities** | **487,546** | **591,257** |
| Liabilities from insurance and reinsurance operations | 116,968 | 120,384 |
| Deposits received for Reinsurance granted | 62,056 | 60,424 |
| Liabilities from reinsurance operations | 77,653 | 110,157 |
| Amounts owed to credit institutions | 6,541 | 47,286 |
| Other payables | 224,328 | 253,006 |
| **TOTAL** | **607,067** | **839,398** |

## 11.a) Subordinated liabilities

Subordinated liabilities include solely and exclusively the subordinated debt issued by Atradius N.V. These issues have been recognised initially at their fair value at the time of the business combination with Atradius N.V.

In September 2004 Atradius Finance B.V. issued subordinated bonds to the amount of 120,000 thousand euros. The bonds, which could be redeemed by Atradius in whole or in part, on September 3, 2014 and thereafter accrued a fixed interest rate of 5.875% annually, payable annually during the first ten years.

On July 31, 2014, Atradius Finance NV communicated to the holders of bonds mentioned its decision to exercise the option to purchase them all as of September 3, 2014 pursuant with the provisions of its terms and conditions. The bonds were redeemed for their principal value and respective accrued interest, on the appointed date of September 3, 2014.

Also, on September 23, 2014, Atradius Finance B.V. issued subordinated bonds for a nominal aggregate amount of 250,000 thousand euros with a maturity of 30 years, which may be re-purchased beginning on the tenth year, on a quarterly basis. The bonds are irrevocably, unconditionally and subordinately guaranteed by Atradius N.V., a Group company. During the first 10 years, bonds will have a fixed nominal annual interest rate of 5.250%, payable in annual instalments, and as of that date will have a nominal variable interest rate of Euribor 3 months plus 5.031%, payable quarterly in arrears. Plus Ultra Seguros Generales y Vida, S.A. de Seguros y Reaseguros, a Group subsidiary (see Note 7), has underwritten 40,000 thousand euros of the aforementioned subordinated bonds (see Note 18).

The bonds are listed on the Luxembourg Stock Exchange. At December 31, 2014 the Group estimates the fair value of these subordinated liabilities at EUR 251,000 thousand, based on binding valuations from independent experts.

During FY 2014, interests were obtained amounting to 8,307 thousand euros.

## 11.b) Other Payables

A breakdown of the payables arising out of insurance, reinsurance and coinsurance contracts, together with other payables, at December 31, 2014 and 2013, is given below:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2013 | 31/12/2014 |
| Payables arising out of direct insurance and coinsurance | 116,968 | 120,384 |
| ☐ With policyholders and co insurers | 74,724 | 79,564 |
| ☐ With agents | 25,806 | 26,051 |
| ☐ Conditional debts | 16,438 | 14,769 |
| Deposits received for outward reinsurance | 62,057 | 60,424 |
| Liabilities from reinsurance operations | 77,653 | 110,157 |
| Amounts owned to credit insurance | 6,540 | 47,286 |
| Rest of payables | 224,328 | 253,006 |
| Total | 487,546 | 591,257 |

“Rest of Other payables” includes the following items at December 31, 2014 and 2013:

| | Thousands of Euros | |
|---|---|---|
| OTHER PAYABLES: | 31/12/2013 | 31/12/2014 |
| Tax and social security payable | 49,683 | 53,272 |
| Other taxes payable (withholdings, VAT...) | 13,652 | 22,201 |
| Insurance Premium surcharges | 27,076 | 28,051 |
| Social Security | 8,955 | 3,020 |
| Other liabilities | 174,645 | 199,734 |
| Outstanding recoveries (*) | 27,957 | 42,680 |
| Guarantees received | 3,164 | 3,389 |
| Research and Development Project loan | 5,476 | 4,645 |
| Accrued expenses | 102,478 | 102,756 |
| Outstanding invoices | 5,050 | 8,211 |
| Sundry payables | 30,520 | 38,053 |
| Total | 224,328 | 253,006 |

(*) At December 31, 2014, the “Recoveries pending allocation” are presented net of expenses for recovery efforts.

The following items are included under the section 'accrued expenses by item' at December 31, 2014 and 2013:

| BREAKDOWN OF ACCRUED EXPENSES | Thousands of Euros | |
|---|---|---|
| | 31/12/2013 | 31/12/2014 |
| Staff expenses | 43,114 | 44,868 |
| Production expenses | 9,506 | 9,677 |
| Supplies and outside services | 9,587 | 7,388 |
| Other items | 40,271 | 40,823 |
| Total | 102,478 | 102,756 |

# 12. Technical provisions

## 12. a) Change in technical provisions

A breakdown of the provisions established at December 31, 2014 and the change with respect to December 31, 2013, together with reinsurers' share of these provisions, is given below (in thousands of euros):

| PROVISION | BALANCE AT JANUARY 1, 2014 | PROVISIONS CHARGED AGAINST PROFIT | AMOUNTS RELEASED WITH A CREDIT TO PROFIT | BALANCE AT DECEMBER 31, 2014 |
|---|---|---|---|---|
| **Technical Provisions:** | | | | |
| Unearned premiums | 841,105 | 892,661 | (841,105) | 892,661 |
| Provision for unexpired risks | - | - | - | - |
| Life insurance: | | | | |
| - For life insurance (*) | 3,532,716 | 3,827,418 | (3,532,716) | 3,827,418 |
| - For life insurance where risk is borne by policyholders | 281,105 | 294,787 | (281,105) | 294,787 |
| Provisions | 2,230,765 | 2,198,643 | (2,230,765) | 2,198,643 |
| Provision for policyholder dividends and return premiums | 5,711 | 5,492 | (5,711) | 5,492 |
| Other technical provisions | 14,061 | 16,022 | (14,061) | 16,022 |
| | **6,905,463** | **7,235,023** | **(6,905,463)** | **7,235,023** |
| **Reinsurers' share of technical provisions (outward):** | | | | |
| Provisions for unearned premiums | 144,891 | 159,349 | (144,891) | 159,349 |
| Life insurance provision | 1,372 | 1,353 | (1,372) | 1,353 |
| Claims provision | 748,947 | 728,663 | (748,947) | 728,663 |
| | **895,210** | **889,365** | **(895,210)** | **889,365** |

(*) On December 31, 2014 includes 15,911 thousand euros corresponding to provisions for unearned premiums for products with coverage of less than one year.

The movements in these provisions in 2013 were as follows (in thousands of euros):

| PROVISION | BALANCE AT JANUARY 1, 2013 | PROVISIONS CHARGED AGAINST PROFIT | AMOUNTS RELEASED WITH A CREDIT TO PROFIT | BALANCE AT DECEMBER 31, 2013 |
|---|---|---|---|---|
| Technical Provisions: | | | | |
| Unearned premiums | 889,922 | 841,105 | (889,922) | 841,105 |
| Provision for unexpired risks | 3 | - | (3) | - |
| Life insurance: | | | | |
| - Relative to Life insurance (**) | 1,974,676 | 3,532,716 | (3,274,563) | 3,532,716 |
| - For life insurance where risk is borne by policyholders | 262,673 | 281,105 | (262,673) | 281,105 |
| Provisions | 2,397,992 | 2,230,765 | (2,397,992) | 2,230,765 |
| Provision for policyholder dividends and return premiums | 5,600 | 5,711 | (5,600) | 5,711 |
| Other technical provisions | 13,539 | 14,061 | (13,539) | 14,061 |
| | 10,101,423 | 6,905,463 | (6,844,292) | 6,905,463 |
| Reinsurers' share of technical provisions (outward): | | | | |
| Provisions for unearned premiums | 155,586 | 144,891 | (155,586) | 144,891 |
| Life insurance provision | 1,465 | 1,372 | (1,465) | 1,372 |
| Claims provision | 831,411 | 748,947 | (831,411) | 748,947 |
| Other technical provisions | - | - | - | - |
| | 988,462 | 895,210 | (988,462) | 895,210 |

(**) On December 31, 2013 includes 15,903 thousand euros corresponding to provisions for unearned premiums for products with coverage of less than one year.

In some forms of life insurance sold by companies Seguros Catalana Occidente, S.A. de Seguros y Reaseguros and Catoc Vida, S.A. de Seguros, mainly mixed and retirement insurance, the insured can choose when the policy expires between a capital or monthly income at an interest rate determined upon taking out the policy. The life insurance provision recorded at December 31, 2014 includes 1,100 thousand euros to reflect the value of these maturity options, calculated on the basis of each subsidiary's past experience and the estimated increased cost involved in the annuity option. This provision as of 31 December, 2013 amounts to 1,255 thousand euros

In addition, for certain commitments acquired prior to January 1, 1999, at December 31, 2014 the Group maintains a provision of EUR 8,435 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 October 3, 2000 the Directorate General of Insurance and Pension Funds published a Resolution in relation to mortality and survival tables to be used by insurance companies, and the PERM/F-2000P tables which became applicable for new production to be carried out after the entry into force of the Resolution was published (15 October 2000). For policies already in force at that date, companies were authorised to use the PERM/F-2000C tables. The Group maintains life insurance provisions that fully account for the impact of applying the abovementioned tables. In 2007, the Group started to use the PERM/F-2000P tables for policies already in force at the date of the abovementioned Resolution. The total provision as a result of the application of these tables in 2014 was EUR 51,797 thousand.

A breakdown of the technical provisions for direct insurance and inward reinsurance at December 31, 2014 for the various businesses included in the Life and Non-life segments is given below:

| PROVISION AT DECEMBER 31, 2014 | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | NON-LIFE | | | | | |
| | AUTO | MULTIRISK | CREDIT INSURANCE | OTHER NON-LIFE INSURANCE | LIFE | TOTAL |
| **Technical Provisions:** | | | | | | |
| Unearned premiums and current risks | 162,694 | 191,752 | 475,958 | 62,256 | 15,911 | **908,571** |
| Mathematics | - | - | - | - | 3,811,507 | **3,811,507** |
| When the investment risk is assumed by the Policyholders | - | - | - | - | 294,787 | **294,787** |
| Provisions | 240,111 | 139,352 | 1,536,394 | 206,896 | 75,890 | **2,198,643** |
| Provision for policyholder dividends and return premiums | - | - | - | - | 5,492 | **5,492** |
| Other technical provisions | - | - | - | 16,023 | - | **16,023** |
| | 402,805 | 331,104 | 2,012,352 | 285,175 | 4,203,587 | **7,235,023** |

Technical provisions for the direct and reinsurance business accepted for FY 2013 are detailed as follows:

| PROVISION AT DECEMBER 31, 2013 | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | NON-LIFE | | | | | |
| | AUTO | MULTIRISK | CREDIT INSURANCE | OTHER NON-LIFE INSURANCE | LIFE | TOTAL |
| **Technical Provisions:** | | | | | | |
| Unearned premiums and current risks | 165,344 | 194,021 | 419,289 | 62,451 | 15,903 | **857,008** |
| Mathematics | - | - | - | - | 3,516,813 | **3,516,813** |
| When the investment risk is assumed by the Policyholders | - | - | - | - | 281,105 | **281,105** |
| Provisions | 233,754 | 135,444 | 1,575,063 | 214,546 | 71,958 | **2,230,765** |
| Provision for policyholder dividends and return premiums | - | - | - | - | 5,711 | **5,711** |
| Other technical provisions | - | - | - | 14,061 | - | **14,061** |
| | **399,098** | **329,465** | **1,994,352** | **291,058** | **3,891,490** | **6,905,463** |

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 105,592 thousand euros as of December 31, 2014 (66,059 thousand euros as of December 31, 2013).

The amount of the provision for deferred policyholder dividends at December 31, 2014 represents an overall allocation of 15,4% (20.6% at December 31, 2013) of the total unrealised gains on investments linked to life insurance contracts with policyholder participation rights.

The interest charged for the years 2014 and 2013 to life insurance contracts have involved a total of 154,233 and 172,347 thousand euros respectively.

The effect of reinsurance granted in the profit and loss account for years 2014 and 2013 has been as follows:

| | Thousands of Euros | |
|---|---|---|
| | Year 2013 | Year 2014 |
| **Premiums payable for reinsurance** | | |
| – Transferred premiums | 697,178 | 710,805 |
| – Provision variation for non-consumed premiums | 1,036 | (15,420) |
| Fees (*) | 229,553 | 254,915 |
| **Cost of transfer** | **468,661** | **440,470** |
| Reinsurance claims (*) | 305,661 | 274,165 |
| **Total cost of reinsurance** | **163,000** | **166,305** |

(*) Reinsurance commissions and claims are presented in the profit and loss account netting the "Net operating expenses" and "Year claims net of reinsurance" sublines.

## 12. b) Changes in claims provisions

Below is the performance in the lines of Auto, 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 insurance methods for calculating technical provisions are other than those used in other lines of the Group (see note 3.j.2), so it must be noted that the following information has been prepared including the reinsurance assumed and net of claim recoveries and recognising as concurrence year the year in which the risk incurred.

| | AUTO | | | MULTIRISK | | | CREDIT INSURANCE | | | OTHER NON-LIFE | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Claims incurred in 2011 | Claims incurred in 2012 | Claims incurred in 2013 | Claims incurred in 2011 | Claims incurred in 2012 | Claims incurred in 2013 | Claims incurred in 2011 | Claims incurred in 2012 | Claims incurred in 2013 | Claims incurred in 2011 | Claims incurred in 2012 | Claims incurred in 2013 |
| Claims provision originally estimated (*) | 108,513 | 100,657 | 98,813 | 52,102 | 54,455 | 47,974 | 758,992 | 828,563 | 703,728 | 28,659 | 48,478 | 41,458 |
| Estimated claim assessment: | | | | | | | | | | | | |
| One year later | 102,665 | 90,057 | 85,835 | 54,554 | 53,524 | 50,272 | 743,196 | 812,622 | 618,552 | 26,169 | 43,112 | 55,689 |
| Two years later | 96,857 | 81,897 | - | 52,559 | 50,565 | - | 731,196 | 758,562 | - | 25,315 | 41,495 | - |
| Three years later | 98,553 | - | - | 49,910 | - | - | 726,356 | - | - | 24,248 | - | - |
| Accumulated amounts paid: | 80,152 | 63,732 | 318,854 | 48,745 | 36,368 | 34,005 | 696,357 | 700,935 | 491,031 | 29,413 | 25,538 | 16,318 |

(*) Not including the technical provision for claims settlement expenses.

# 13. Non-technical provisions

The breakdown as of December 31, 2014 and 2013 is as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2013 | 31/12/2014 |
| Provision for similar pensions and obligations | 129,155 | 125,501 |
| Temporary income - severance pay | 2,472 | - |
| Other staff commitments | 6,377 | 2,099 |
| Liabilities from agreements with insurers | 5,048 | 5,533 |
| Liability provisions | 600 | 600 |
| Restructuring provisions | 4,960 | 2,564 |
| Plan assets not recognised | 70 | 18 |
| Legal/lawsuits | 1,288 | 1,699 |
| Other provisions | 2,996 | 2,780 |
| Total | 152,966 | 148,026 |

Besides the stipulations noted in Note 10 and those that correspond to the nature of the insurance business which are duly valued and included, where necessary, in the claims provisions, the Group has no significant claims, lawsuits or court processes which individually imply damage or that may affect the consolidated financial statements as well as contingent liabilities that could involve the Group in law suits or involve the imposition of sanctions or penalties with a significant effect on the company's Equity.

In order to cover Atradius staff costs as the company adapts to its current volume of business, pursuant to IAS 37 requirements, it charged to FY 2009 income the consequent provision for restructurings in the amount of 37,291 thousand euros. Once the restructuring is complete, there are 2,564 thousand euros outstanding mainly related to deferred payments.

At December 31 2014 and 2013, the commitments are reflected in the provision for pensions, and similar obligations are detailed as follows:

| | 2013 (Thousands of euros) | | | 2014 (Thousands of euros) | | |
|---|---|---|---|---|---|---|
| | DEFINED BENEFIT | DEFINED CONTRIBUTION | TOTAL COMMITMENTS | DEFINED BENEFIT | DEFINED CONTRIBUTION | TOTAL COMMITMENTS |
| **Pension obligations -** | | | | | | |
| Accrued by active staff | 404,773 | 6,523 | 411,296 | 507,829 | 10,948 | 518,777 |
| Caused by retired employees | 234,750 | - | 234,750 | 264,105 | - | 264,105 |
| **Total Obligations** | **639,523** | **6,523** | **646,046** | **771,934** | **10,948** | **772,882** |
| **Plan assets** | | | | | | |
| Atradius assets | 514,419 | - | 514,419 | 654,282 | - | 654,282 |
| Non-recognised assets from the Dutch Atradius plan | - | - | - | - | - | - |
| **Total Assets** | **514,419** | **-** | **514,419** | **654,282** | **-** | **654,282** |
| **Provision for similar pensions and obligations** | **125,104** | **6,523** | **131,627** | **117,652** | **10,948** | **128,600** |

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% (2013: 96%) of the defined benefit obligations. The other plans involve subsidiaries of Atradius N.V. in Mexico, Norway, Belgium, Sweden, Italy, Switzerland and France. The recognition of assets and liabilities is stipulated independently for each plan.

There are also defined contribution plans in the Group. Contributions to these plans are accounted for as an expense in the income statement. Total contributions for the year 2014, for external funding, has been 9,100 thousand euros (2013: 10,000 euros).

The following table summarizes the conciliation, the funding status and the amounts recognized in the consolidated balance sheet as of December 31, 2014 for defined benefit obligations (in thousands of euros):

| | DEFINED BENEFIT OBLIGATIONS | | FAIR VALUE OF PLAN ASSETS | | IMPACT OF MINIMUM REQUIREMENT / ASSET LIMIT | | NET (ASSET)/LIABILITY PER DEFINED BENEFIT | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 |
| **Balance as of January 1** | 612,554 | 639,523 | 480,598 | 514,419 | 5 | - | 131,961 | 125,104 |
| Total included in profit and loss account | | | | | | | | |
| Cost of services in current year | 11,645 | 12,313 | - | - | - | - | 11,645 | 12,313 |
| Past service cost | 7,202 | (4,264) | - | - | - | - | 7,202 | (4,264) |
| Interest cost (income) | 22,044 | 24,571 | 18,501 | 20,211 | - | - | 3,543 | 4,360 |
| Administration costs | 278 | 473 | - | - | - | - | 278 | 473 |
| Exchange rate effect | (4,132) | 778 | (3,142) | 331 | - | - | (990) | 447 |
| **Total included in profit and loss account** | 37,037 | 33,871 | 15,359 | 20,542 | | | 21,678 | 13,329 |
| Included in ICB: | | | | | | | | |
| Loss (gain) revaluation | | | | | | | | |
| Actuarial loss (gain) due to: | | | | | | | | |
| - Demographic assumptions | 2,110 | (3,427) | - | - | - | - | 2,110 | (3,427) |
| - financial hypothesis | 3,592 | 111,555 | - | - | - | - | 3,592 | 111,555 |
| - experience adjustments | 240 | (6,665) | - | - | - | - | 240 | (6,665) |
| - adjustments for restrictions over net asset due to defined benefit | - | - | - | - | (5) | - | (5) | - |
| Payment of plan assets to plan, excluding payment of interests | - | - | 12,762 | 77,576 | - | - | (12,762) | (77,576) |
| Exchange rate effect | (563) | 15,436 | (428) | 15,354 | - | - | (135) | 82 |
| **Total included in ICB** | 5,379 | 116,899 | 12,334 | 92,930 | (5) | - | (6,960) | 23,969 |
| Others: | | | | | | | | |
| Employer contributions | (2,915) | (2,926) | 18,903 | 42,482 | - | - | (21,818) | (45,408) |
| Contributions from participants | 2,034 | 2,153 | 2,034 | 2,153 | - | - | - | - |
| Benefits paid | (14,097) | (18,417) | (14,809) | (19,575) | - | - | 712 | 1,158 |
| Additional benefits | (469) | 831 | - | 1,331 | - | - | (469) | (500) |
| **Total others** | (15,447) | (18,359) | 6,128 | 26,391 | - | - | (21,575) | (44,750) |
| **Balance as of December 31** | 639,523 | 771,934 | 514,419 | 654,282 | - | - | 125,104 | 117,652 |

### Financial instruments not qualified as plan assets

The Group has pension-related assets which under IAS 19 cannot be recognized as plan assets (more details on plans below).
In Germany, for one of the plans, assets totalling 16,500 thousand euros (16,500 thousand euros in 2013) are recognized as part of financial investments because in a bankruptcy situation, these assets are not fully insured for members of pension schemes. In the UK, during 2014 the Company created an escrow account in the amount of 26,900 thousand euros as financial investments, to support the country's pension fund. In case of insolvency, the trustee of the pension fund has rights over these investments, provided that certain conditions are met.

### Experience adjustments

The experience adjustments are actuarial gains and losses stemming from differences between actuarial assumptions applied at the beginning of the period and experience during the period (excluding changes in assumptions). The experience adjustments provide information related to the trust in recognised figures based on these assumptions (e.g., the cost of services and the cost of interests).
In 2014, actuarial profits and losses of 101,463 thousand euros (5,942 thousand euros in 2013) were recognised in defined benefit obligations, primarily due to an decrease of 25 basis points in the inflation rate and reductions of 125 basis points in the Germany and Netherlands discount rate, and a 75 basis point reduction in the UK.

### Characteristics of the main defined benefit plans

The following table highlights the main characteristics of defined benefit plans:

| FEATURES | UK | GERMANY | NETHERLANDS | SPAIN |
|---|---|---|---|---|
| Commitment | Pension based on a percentage of final salary (closed to new employees). | Pension based on a percentage of the average salary of the last 10 years (closed to new employees). | Pension based on percentage of average salary (closed to new employees). | Right to retirement bonuses, annuities (closed to new employees) and life insurance. |
| Census | 209 active (2013: 225 active members). 0 non-active (2013: 0 non-active members). | 504 active (2013: 507 active members). 3789 non-active (2013: 375 non-active members). | 371 active (2013: 388 active members). 1,351 non-active (2013: 1,340 non-active members). | 2,702 active (2013: 2,312 active members). 726 non-active (2013: 723 non-active members). |
| Defined benefit obligations | EUR 252 million (2013: EUR 213 million). | EUR 109 million (2013: EUR 91 million). | EUR 309 million (2013: EUR 247 million). | EUR 64 million (2013: EUR 56 million). |
| Plan Assets | EUR 252 million (2013: EUR 193 million). | EUR 69 million (2013: EUR 49 million). Assets for EUR 16.5 million (2013: EUR 16.5 million) are accounted as part of financial investments. | EUR 297 million (2013: EUR 239 million). | EUR 12.5 million (2013: EUR 11 million). |
| Revaluation of profits (losses) in ICB | EUR 5.8 million - profit (2013: EUR 7.6 million - profit). | EUR 11.7 million - loss (2013: EUR 0.8 million - loss). | EUR 10.1 million - loss (2013: EUR 8.2 million - loss). | EUR 5.7 million - profit (2013: EUR 6.2 million - profit). |
| Instruments | The basis of the funding agreement for both commitments are derived from the Trust Deed and Rules. The pension fund is subject to actuarial valuations every three years to determine the contributions to be made by the employer. | A contractual agreement is established as a financing vehicle to cover part of the pension liability. No specific funding agreement exists although the assets must exceed the EUR 39.2 million funded initially. | The employer contributes a basic annual premium as a percentage of the total salaries of all participants which may not be less than the regulatory requirements. | The annuity with active staff is financed through an insurance policy under which the Company makes periodic contributions to cover the commitment. The rest is financed through policies within the group, which are not assets appropriate for the Group. |
| Employee contributions | In 2014, contributions amounted to 3.5% of pensionable salary, which are expected to increase to 5% in 2015. | None. | Employees contribute 7% of their pensionable salary. | None. |
| ALM strategy | Every 3 years an ALM study is carried out to review the investment policy.<br>The policy involves maintaining government and corporate bonds with regard to pensioners to match liabilities and assets that are expected to provide a return with respect to non-pensioners. | The investment objectives and its policies are defined based on an ALM study. The investment policy limits interest rate risk by restricting investments in bonds to fixed rate bonds. The risk of variable income is controlled according to the Dow Jones Euro Stoxx 50 index. | At least once every three years an ALM study is conducted in which the impact of strategic investment policy is analysed.<br>The interest rate risk is partially covered by using debt instruments in combination with *Liability Driven Investment* funds. | According to the Group's general policy (see Note 4.b.1.c.). |

## Fair value of plan assets

The fair value of plan assets at year end is analysed in the following table:

| PLAN ASSETS | 2014 | 2013 |
|---|---|---|
| Cash and other cash equivalents | 2,875 | 6,256 |
| Equity | 201,443 | 242,098 |
| Fixed Income | 143,661 | 184,667 |
| Investment Funds | 137,034 | 188,655 |
| Insurance contracts | 18,647 | 19,550 |
| Real estate assets | 10,759 | 13,056 |
| **Total** | **514,419** | **654,282** |

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 2014 was 97,600 thousand euros (31,300 thousand euros in 2013).
In 2015 the Group expects to contribute approximately 21,200 thousand euros to defined benefit plans.
The main assumptions used in financial years 2014 and 2013 for the major defined benefit plans are as follows:

| MAIN ACTUARIAL ASSUMPTIONS | UK | | GERMANY | | NETHERLANDS | | SPAIN | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 |
| Discount rate | 4.50% | 3.75% | 3,50% | 2,25% | 3,50% | 2,25% | 3.30% | 1.88% |
| Inflation rate | 3,50% | 3.25% | 2,00% | 1.75% | 2,00% | 1.75% | 2,00% | 2,00% |
| Expected increase of future wages | 3,50% | 3.25% | 3,05% | 2.80% | 2,00% | 1.75% | 2,25% | 2,25% |
| Expected increase in future profit levels | 3.20% | 3,00% | 1.75% | 1.50% | 1.00% | 0.75% | Between 0% and 2.25% | Between 0% and 2.25% |
| Mortality table | "1 PM/FAL09 M (medium cohort 1.5% floor, year of use)" | CMI 2012 (1.5% LTR) | Heubeck Richttafeln | Heubeck Richttafeln | Prognoset afel 2012-2062 + adjusted experience | Prognoset afel AG2014 | PERM/F - 2000P PASEM - 2007 | PERM/F -2000P PASEM - 2007 |
| Duration | 21 | 20 | 17 | 17 | 19 | 21 | 13 | 13 |

Discount rate breakdowns were obtained by hypothetical yield curves developed from information provided by the yield of corporate bonds in the market. According to international standards defined under IAS 19, the definition of these curves is based on the performance of AA credit quality corporate bonds.

Possible reasonable changes at year-end in one of the main assumptions, holding other assumptions constant, would have the following effect on the value of obligations (in thousands of euros):

| DEFINED BENEFIT OBLIGATIONS | 2013 | | 2014 | |
|---|---|---|---|---|
| | INCREASE | DECREASE | INCREASE | DECREASE |
| Discount rate (1% movement) | (99,101) | 131,770 | (117,585) | 154,899 |
| Salary growth rate (1% movement) | 24,409 | (22,799) | 20,181 | (18,773) |
| Inflation rate (1% movement) | 73,461 | (63,595) | 90,916 | (78,359) |
| Expected increase in future profit levels (1% movement) | 94,625 | (76,914) | 120,477 | (94,794) |
| Future Mortality (+ 1 year) | 26,418 | - | 22,746 | - |

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.

# 14. 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 FY 2014 the Group's parent company has not undertaken significant changes in its accounting policies.

## 14. a) Capital

The parent's registered share capital stands at 36,000 thousand euros consisting of 120,000,000 fully subscribed and paid in book entry shares of 0.30 euros par value each represented in book-entry form. All shares have the same rights, and the parent company may issue shares without voting rights.

The shareholders owning 10% or more of the parent's share capital on December 31, 2014 were as follows:

| | PERCENTAGE OF SHAREHOLDING |
|---|---|
| Corporación Catalana Occidente, S.A. | 26.13% |
| La Previsión 96, S.A. | 25% |

The share ratio of previous shareholders has not differed at all with regard to FY 2013.

INOC, S.A. which owns 100% of the companies in the above table, direct and indirectly owns 57.03% of the parent company on December 31, 2014 and belongs to a group whose parent is CO Sociedad de Gestión y Participación, S.A.

## 14.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 2014 and at December 31, 2014, and the movements during the year.

The breakdown of the share premium and each type of reserve as of December 31, 2014 and 2013 is as follows:

| | Thousands of Euros | |
|---|---|---|
| | BALANCES AT DECEMBER 31, 2013 | BALANCES AT DECEMBER 31, 2014 |
| Share issuing premium | 1,533 | 1,533 |
| Differences from adjustment of capital to euros | 61 | 61 |
| Legal reserve | 7,212 | 7,212 |
| Parent company voluntary reserves | 535,238 | 576,646 |
| Reserves in global integration companies | 632,896 | 711,044 |
| Reserves in consolidated companies with the share method (equity accounting) | 18,617 | 30,984 |
| BOOKING | 1,194,024 | 1,325,947 |
| Total issuing premium and Reserves | 1,195,557 | 1,327,480 |

### 14. b.1) Share issuing premium

The balance of thie type of reserves, according to the revised text of the Ley de Sociedades de Capital can be used to expand capital. Not restriction whatsoever is established for its availability.

### 14.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.

### 14.b.3) Legal reserve

Under the Consolidated Text of the Ley de Sociedades Anónimas 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital. The legal reserve may be used to increase corporate capital in the balance that exceeds 10% of the capital already increased. Only to this end and as long as it does not exceed 20% of the corporate capital, this reserve 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.

### 14.b.4) Voluntary reserves of the parent company

Breakdown as of December 31, 2014 and 2013 is as follows (in thousands of euros):

| | 31/12/2013 | 31/12/2014 |
|---|---|---|
| Voluntary reserves | 525,134 | 566,542 |
| Merger reserve | 9,799 | 9,799 |
| Other reserves | 305 | 305 |
| Total | 535,238 | 576,646 |

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.

### 14.b.5) Reserves and Valuation adjustments in Consolidated Companies

A breakdown by entities of amounts in this consolidated balance sheet account at at December 31, 2014 and 2013, taking into account the adjustments for consolidation, is given below:

| | THOUSANDS OF EUROS | | | | | |
|---|---|---|---|---|---|---|
| | 31/12/2013 | | | 31/12/2014 | | |
| | BOOKING | ADJUSTMENTS FOR CHANGES IN VALUE | TOTAL | BOOKING | ADJUSTMENTS FOR CHANGES IN VALUE | TOTAL |
| **Fully consolidated companies:** | | | | | | |
| Grupo Catalana Occidente, S.A. | 130,855 | - | 130,855 | 93,257 | - | 93,257 |
| Seguros Catalana Occidente, Sociedad Anónima de Seguros y Reaseguros | 173,689 | 163,425 | 337,114 | 199,371 | 327,020 | 526,391 |
| Grupo Catalana Occidente Tecnología y Servicios, A.I.E. | 54 | - | 54 | 213 | - | 213 |
| Catoc Vida, S.A. de Seguros | 2,457 | 5,818 | 8,275 | (2,637) | 17,279 | 14,642 |
| Cosalud, S.A. de Seguros | 110 | 601 | 711 | 172 | 926 | 1,098 |
| Nortehispana, S.A. Cía de Seguros y Reaseguros | 38,365 | 6,289 | 44,654 | 47,554 | 21,329 | 68,883 |
| Bilbao Compañía Anónima de Seguros y Reaseguros, S.A. and subsidiary companies | (16,689) | 71,016 | 54,327 | (17,319) | 140,188 | 122,869 |
| Depsa, S.A. de Seguros y Reaseguros | 5,199 | 731 | 5,930 | 5,375 | 1,002 | 6,377 |
| Depsa Servicios y Gestion Legal, S.L. | 56 | - | 56 | - | - | - |
| Grupo Compañía Española de Crédito y Caución, S.L. / Atradius N.V. | 216,294 | 29,203 | 245,497 | 290,151 | 40,571 | 330,722 |
| Tecniseguros, Sociedad de Agencia de Seguros, S.A. | 39 | - | 39 | 26 | - | 26 |
| Prepersa, de Peritación de Seguros y Prevención, A.I.E. | 838 | 4 | 842 | 835 | 19 | 854 |
| Salerno 94, S.A. | 20,988 | - | 20,988 | 24,592 | - | 24,592 |
| Inversiones Menéndez Pelayo, SICAV, S.A. | 7,288 | 6,404 | 13,692 | 8,520 | 5,899 | 14,419 |
| Catoc, SICAV, S.A. | 49,017 | 12,958 | 61,975 | 52,030 | 20,361 | 72,391 |
| C.O. Capital Ag. Shares | 2,635 | 41 | 2,676 | 2,882 | 92 | 2,974 |
| Catalana de Talleres y Reparaciones 3000, S.L. | (152) | - | (152) | (148) | - | (148) |
| Grupo Catalana Occidente Contact Center, A.I.E. | (1) | - | (1) | (1) | - | (1) |
| Inversions Catalana Occident, S.A. | 217 | - | 217 | 216 | - | 216 |
| Hercasol SICAV, S.A. | - | - | - | 3,046 | (12) | 3,034 |
| Grupo Catalana Occidente, Gestión de Activos, S.A. S.G.I.I.C. | 1,637 | 29 | 1,665 | 2,909 | 21 | 2,930 |
| GCO Reaseguros, S.A. | - | - | - | - | - | - |
| | **632,896** | **296,518** | **929,414** | **711,044** | **574,695** | **1,285,739** |
| **Valued by the shareholding method:** | | | | | | |
| Plus Ultra, Seguros Generales y Vida, S.A. de Seguros y Reaseguros | 3,381 | 20,444 | 23,825 | 18,822 | 33,373 | 52,195 |
| Sersanet Red Servicios Sanitarios, S.A. | 1 | - | 1 | 37 | - | 37 |
| Hercasol SICAV, S.A. | 1,812 | - | 1,812 | - | - | - |
| Calboquer, S.L. | 37 | - | 37 | 25 | - | 25 |
| Asitur Asistencia, S.A. | 2,213 | - | 2,213 | 2,292 | - | 2,292 |
| Gesiuris, S.A. S.G.I.I.C. | 264 | 8 | 272 | 245 | 37 | 282 |
| Atradius - Associates | 10,909 | - | 10,909 | 9,563 | - | 9,563 |
| | **18,617** | **20,452** | **39,069** | **30,984** | **33,410** | **64,394** |
| **TOTAL** | **651,513** | **316,970** | **968,483** | **742,028** | **608,105** | **1,350,133** |

## 14.c) Stocks and Treasury Shares

The balance of this subheading, which is the result of deducting the equity attributable to the shareholders of the parent company from the consolidated balance sheet on December 31, 2014, and 2013, 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 Salerno 94, S.A.

The total of Group shares owned by the company of the Group Salerno 94 on June 31, 2014 represents 1.67% of the capital issued as of that date (1.80% as of December 31 2013). During FY 2014, the percentage of shares outstanding held by the above company has remained at 1.69% calculated on a daily basis. The average price of the portfolio as of December 31, 2014 was 8.69 euros per share, the same as the 8.69 euros per share on December 31, 2013. These shares are available-for-sale in order to safeguard liquidity. There are no more Grupo Catalana Occidente S.A. shares held by other Group companies or third parties that operate on their behalf. Additionally, on December 31, 2014, neither the parent company, nor the companies of the Group held obligations based on the payment of shares of the parent company.

The development of acquisitions and sales carried out by Salerno, 94 S.A. during FY 2014 and 2013 has been as follows:

| | Thousands of Euros | | NUMBER OF SHARES |
|---|---|---|---|
| | ACQUISITION COST | BOOK VALUE | |
| Balance at January 1, 2013 | 21,332 | 736 | 2,454,222 |
| Additions | 1 | - | 60 |
| Withdrawals | (2,608) | (90) | (300,000) |
| Balance at December 31, 2013 | 18,725 | 646 | 2,154,282 |
| Additions | - | - | - |
| Withdrawals | (1,304) | (45) | (150,000) |
| Balance at December 31, 2014 | 17,421 | 601 | 2,004,282 |

## 14.d) Distribution of results

The Board members will propose to the shareholders at the Annual General Meeting that the 2014 profit of Grupo Catalana Occidente, Sociedad Anónima would be distributed as follows:

| DISTRIBUTION | Year 2014 |
|---|---|
| | Thousands of Euros |
| To dividends | 75,348 |
| To voluntary reserves | 24,269 |
| Net profit for the year | 99,617 |

The payout for FY 2013 approved by the parent company's General Meeting, held April 24, 2014 is as follows:

| DISTRIBUTION | Year 2013 Thousands of Euros |
|---|---|
| To dividends | 71,088 |
| To voluntary reserves | 41,407 |
| **Net profit for the year** | **112,495** |

Previously, at meetings held on June 27, 2013, September 26, 2013 and January 30, 2014, the parent company's Board of Directors had approved the distribution of a total interim dividend of EUR 40,956 thousand out of 2013 profit. Payment was effected in instalments, on July 10, 2013, October 10, 2013 and February 13, 2014.

The consolidated net benefit of FY 2013 is detailed in the statement of changes in equity.

## 14.e) Interim dividend

The various amounts paid by shareholders in FY 2014 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 | January 30, 2014 | February 13, 2014 | 3rd Interim dividend result 2013 | 0.1156 | 13,872 |
| General Meeting | April 24, 2014 | May 15, 2014 | Final dividend | 0.2511 | 30,132 |
| Board of Directors | June 26, 2014 | July 10, 2014 | 1st Interim dividend result 2014 | 0.1214 | 14,568 |
| Board of Directors | September 25, 2014 | October 9, 2014 | 2nd. Interim dividend result 2014 | 0.1214 | 14,568 |
| | | | | | **73,140** |

Details of the distribution of consolidated net profit for 2011 are given in the statement of changes in equity.

| | Thousands of Euros | |
|---|---|---|
| | **June 25, 2014** | **September 25, 2014** |
| Amount of available and realisable assets | 57,278 | 68,748 |
| Amount of callable liabilities (*) | 28,780 | 28,063 |
| Estimated surplus liquidity | 28,498 | 40,685 |
| Interim dividend | 14,568 | 14,568 |

(*) Includes the proposed interim dividend

The completed dividend payouts during FY 2014 comply with the requirements and limitations established by the current legal framework and the Articles of Association in the parent company.

Additionally, the Board of Directors of the Company, at its January 29 2015 meeting, resolved to distribute a third interim dividend based on 2013's results amounting to 14,568 thousand euros, which was paid on February 12, 2015. This dividend has been calculated taking the balance of the Company on January 29, 2015 as a reference, and with the following breakdown:

| | Thousands of Euros |
|---|---|
| | January 29, 2015 |
| Amount of available and realisable assets | 27,938 |
| Amount of callable liabilities (*) | 20,744 |
| Estimated surplus liquidity | 7,194 |
| Interim dividend | 14,568 |

(*) Includes the proposed interim dividend

## 14.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:

| | 2013 | 2014 |
|---|---|---|
| **From continued and discontinued operations:** | | |
| Net profit attributable to equity holders of the parent company (thousand euros) | 221,057 | 242,105 |
| Weighted average number of shares issued (thousands of shares) | 120,000 | 120,000 |
| Less: Weighted treasury shares (thousands of shares) (*) | (2,379) | (2,029) |
| Weighted average number of shares outstanding (thousands of shares) | 117,621 | 117,971 |
| **Earnings per share (Euros)** | 1.88 | 2.05 |
| **From discontinued operations:** | | |
| Net profit attributable to equity holders of the parent from discontinued operations (thousands of euros) | - | - |
| **Earnings per share (Euros)** | 1.88 | 2.05 |

(*) Refers to treasury shares held in treasury stock for 2013 and 2014.

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.

## 14.g) Recognised income and expenses

The main income and expense items recognised outside the income statement are the revaluation reserve for assets classified as available for sale, including corrections of accounting mismatches resulting from the allocation of latent gains on investments to policyholders, the exchange differences arising on translation of foreign currency balances in the available-for-sale portfolio and the subsidiaries of Atradius, N.V. and, lastly, the actuarial gains and losses arising from the pensions reserve.

| | Thousands of Euros | |
|---|---|---|
| | BALANCES at December 31, 2013 | BALANCES at December 31, 2014 |
| Available-for-Sale financial assets | 352,190 | 660,360 |
| Exchange rate differences | (9,533) | (7,016) |
| Correction of accounting mismatches | (46,047) | (78,991) |
| Companies accounted for using the equity method | 20,939 | 34,332 |
| Other adjustments | (579) | (580) |
| **Total adjustments for changes in value** | **316,970** | **608,105** |

Reserves for valuation adjustments (assets available for sale)

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.

Reserves for exchange differences on translation

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.

Pension Reserve – actuarial gains and losses

This reserve includes the actuarial gains and losses arising from the calculation of the Group's pension obligations and the fair value of the Group's defined benefit plan assets, which are recognised as incurred. It also includes any reversal of assets that may occur when a plan's assets are greater than the expected benefit obligation and the Group cannot recover any surplus through redemptions of the pension vehicle, due to capital adequacy and control requirements (see Note 13).

# 15. Minority Interests

A breakdown of “Minority interests” and “Profit or loss attributable to minority interests” at December 31, 2014 and 2013, by consolidated company, is given below:

| | Thousands of Euros | | | |
|---|---|---|---|---|
| | December 31, 2013 | | December 31, 2014 | |
| | MINORITY INTERESTS | ATTRIBUTABLE P&L FROM THIRD-PARTY SHAREHOLDERS | MINORITY INTERESTS | PROFIT OR LOSS ATTRIBUTABLE TO THIRD-PARTY SHAREHOLDERS |
| Catoc Vida, S.A. de Seguros | 6,157 | 512 | 316 | 316 |
| Nortehispana, S.A. de Seguros y Reaseguros | 131 | 27 | 170 | 13 |
| Grupo Compañía Española de Crédito y Caución, S.L./ Atradius N.V. | 247,756 | 22,126 | 263,947 | 25,300 |
| Bilbao Compañía Anónima de Seguros y Reaseguros, S.A. | 706 | 102 | 893 | 96 |
| Catoc SICAV, S.A | 1,979 | 43 | 160 | 3 |
| Grupo Catalana Occidente Servicios Tecnológicos, A.I.E. | 77 | 1 | 77 | - |
| Grupo Catalana Occidente Contact Center, A.I.E. | 1 | - | 1 | - |
| Inversions Catalana Occident, S.A. | 256 | (1) | 249 | (6) |
| Hercasol | - | - | 4,660 | 317 |
| **Total** | 257,063 | 22,810 | 270,473 | 26,039 |

The movements in “Minority interests” in 2014 and 2013 are shown in the statement of recognised income and expense and the statement of changes in equity.

# 16. Information in insurance contracts in primary segments

Total premiums from direct insurance and reinsurance accepted during 2014 and 2013 totalled EUR 3,328,714 thousand in 2013 and EUR 3,093,604 thousand in 2012. In addition, the Group has managed payments to pension plans and investment funds not reflected in the consolidated profit and loss account, amounting to 62,636 thousand euros during FY 2014 and 41,644 thousand euros in FY 2013.

The breakdown of earned premiums in 2014 and all other income and expense items, grouped according to the main segments and subsegments, is as follows:

| | FY 2014 (Thousands of euros) | | | | | |
|---|---|---|---|---|---|---|
| | NON-LIFE SEGMENT | | | | SEGMENT LIFE | TOTAL |
| | AUTO | MULTIRISK | CRÉDITO Y CAUCIÓN | OTHER NON-LIFE | | |
| **Premiums earned from direct business and accepted reinsurance** | **325,331** | **410,060** | **1,456,234** | **236,241** | **864,938** | **3,292,804** |
| Premiums derived from direct insurance | 322,076 | 407,025 | 1,313,339 | 230,322 | 864,735 | 3,137,497 |
| Premiums accrued from accepted reinsurance | 281 | 221 | 184,752 | 5,711 | 252 | 191,217 |
| Change in provision for payable premiums | (326) | (545) | (3,154) | (22) | 41 | (4,006) |
| Change in provision for unearned premiums and unexpired direct insurance risks. | (2,652) | (2,269) | 43,448 | (149) | (66) | 38,312 |
| Change in the provision for non-used premiums of the accepted reinsurance | 4 | - | 1,563 | (37) | 74 | 1,604 |
| **Premiums payable for reinsurance** | **(12,891)** | **38,058** | **639,712** | **26,760** | **3,747** | **695,386** |
| **Income arising from tangible fixed assets and investments** | **19,238** | **16,274** | **46,120** | **12,604** | **186,501** | **280,737** |
| **Investment income affecting insurance in which the policyholder takes on the investment risk** | - | - | - | - | **21,120** | **21,120** |
| **Other technical revenue** | **(10)** | **58** | **169,047** | **109** | **5,035** | **174,239** |
| **Claims incurred in the year, net of reinsurance** | **222,903** | **195,395** | **392,923** | **73,292** | **642,125** | **1,526,638** |
| Premiums derived from direct insurance | 201,015 | 192,560 | 515,894 | 84,619 | 638,633 | 1,632,721 |
| Benefits paid for accepted reinsurance | 1,364 | 550 | 78,346 | 2,636 | (179) | 82,717 |
| Paid benefits from the assigned reinsurance | (4,005) | 13,101 | 253,507 | 10,352 | 2,185 | 275,140 |
| Change in the provision for direct insurance | 3,451 | 4,522 | (66,056) | (7,467) | 4,016 | (61,534) |
| Change in the provision for accepted reinsurance | 2,906 | (419) | 74,532 | (57) | (487) | 76,475 |
| Change in provision for ceded reinsurance | 6,622 | 1,392 | (9,642) | 698 | (45) | (975) |
| Expenses attributable to provisions | 16,784 | 12,675 | 34,072 | 4,611 | 2,282 | 70,424 |
| **Variation of other technical provisions, not including reinsurance** | - | - | - | **1,961** | **307,620** | **309,581** |
| Life insurance provisions | - | - | - | - | 293,937 | 293,937 |
| Provisions for life insurance where the investment risk is borne by policyholders | - | - | - | - | 13,683 | 13,683 |
| Other technical provisions | - | - | - | 1,961 | - | 1,961 |
| **Provision for policyholder dividends and return premiums** | - | - | - | - | **102** | **102** |
| **Net operating expenses** | **89,918** | **123,305** | **373,095** | **92,144** | **64,815** | **743,277** |
| Acquisition costs (commissions and other expenses) | 70,174 | 118,844 | 270,087 | 79,689 | 56,901 | 595,695 |
| Administration costs | 14,299 | 13,397 | 345,739 | 20,184 | 8,879 | 402,498 |
| Commissions and participations in assigned reinsurance | (5,445) | 8,936 | 242,731 | 7,729 | 965 | 254,916 |
| **Other technical expenses** | **1,735** | **2,605** | **16,691** | **2,858** | **1,926** | **25,815** |
| Change in impairment due to bad debts | 39 | 7 | 213 | 4 | 24 | 287 |
| Other technical expenses | 1,696 | 2,598 | 16,478 | 2,854 | 1,902 | 25,528 |
| **Expenses arising from tangible fixed assets and investments** | **6,749** | **6,157** | **29,015** | **4,628** | **16,162** | **62,711** |
| **Investment expenses affecting insurance in which the policyholder takes on the investment risk** | - | - | - | - | **7,396** | **7,396** |
| **Technical-financial result** | **36,145** | **60,872** | **219,965** | **47,311** | **33,701** | **397,994** |

Below is a breakdown of earned premiums in 2013 and all other income and expense items, grouped according to the main segments and subsegments:

| | FT 2013 (Thousands of euros) | | | | | |
|---|---|---|---|---|---|---|
| | NON-LIFE SEGMENT | | | | SEGMENT LIFE | TOTAL |
| | AUTO | MULTIRISK | CRÉDITO Y CAUCIÓN | OTHER NON-LIFE | | |
| **Premiums earned from direct business and accepted reinsurance** | **339,797** | **414,946** | **1,413,487** | **233,363** | **721,754** | **3,123,347** |
| Premiums derived from direct insurance | 326,875 | 410,213 | 1,244,300 | 226,842 | 721,358 | 2,929,588 |
| Premiums accrued from accepted reinsurance | 99 | 253 | 161,824 | 1,933 | (93) | 164,016 |
| Change in provision for payable premiums | (600) | (15) | 91 | (228) | (34) | (786) |
| Change in provision for unearned premiums and unexpired direct insurance risks. | (12,223) | (4,465) | 8,206 | (4,298) | (482) | (13,263) |
| Change in the provision for non-used premiums of the accepted reinsurance | - | - | (15,660) | (62) | 27 | (15,695) |
| **Premiums payable for reinsurance** | **(11,675)** | **38,328** | **641,042** | **26,644** | **3,874** | **698,213** |
| **Income arising from tangible fixed assets and investments** | **24,989** | **17,603** | **46,595** | **2,741** | **182,270** | **274,198** |
| **Investment income affecting insurance in which the policyholder takes on the investment risk** | - | - | - | - | **43,457** | **43,457** |
| **Other technical revenue** | **111** | **57** | **166,351** | **16** | **5,129** | **171,664** |
| **Claims incurred in the year, net of reinsurance** | **233,683** | **198,572** | **406,107** | **73,634** | **545,219** | **1,457,215** |
| Premiums derived from direct insurance | 213,676 | 198,935 | 638,460 | 89,926 | 537,620 | 1,678,617 |
| Benefits paid for accepted reinsurance | 758 | 116 | 80,001 | 6 | 59 | 80,940 |
| Paid benefits from the assigned reinsurance | 1,386 | 19,272 | 313,793 | 11,346 | 1,769 | 347,566 |
| Change in the provision for direct insurance | (1,055) | 1,876 | (67,977) | (13,149) | 8,030 | (72,275) |
| Change in the provision for accepted reinsurance | (1,084) | 386 | 4,151 | (102) | (94) | 3,257 |
| Change in provision for ceded reinsurance | (5,641) | (3,322) | (30,068) | (3,175) | 301 | (41,905) |
| Expenses attributable to provisions | 17,133 | 13,209 | 35,197 | 5,124 | 1,674 | 72,337 |
| **Variation of other technical provisions, not including reinssurance** | - | - | - | **522** | **271,442** | **271,964** |
| Life insurance provisions | - | - | - | - | 253,010 | 253,010 |
| Provisions for life insurance where the investment risk is borne by policyholders | - | - | - | - | 18,432 | 18,432 |
| Other technical provisions | - | - | - | 522 | - | 522 |
| **Provision for policyholder dividends and return premiums** | - | - | - | - | **407** | **407** |
| **Net operating expenses** | **91,445** | **123,690** | **377,320** | **92,568** | **61,359** | **746,382** |
| Acquisition costs (commissions and other expenses) | 73,588 | 119,836 | 257,170 | 80,469 | 54,021 | 585,084 |
| Administration costs | 13,069 | 12,580 | 337,056 | 19,654 | 8,492 | 390,851 |
| Commissions and participations in assigned reinsurance | (4,788) | 8,726 | 216,906 | 7,555 | 1,154 | 229,553 |
| **Other technical expenses** | **2,404** | **2,395** | **10,043** | **1,635** | **3,433** | **19,910** |
| Change in impairment due to bad debts | 97 | 103 | 954 | - | 74 | 1,228 |
| Other technical expenses | 2,307 | 2,292 | 9,089 | 1,635 | 3,359 | 18,682 |
| **Expenses arising from tangible fixed assets and investments** | **7,340** | **5,931** | **23,722** | **5,056** | **14,438** | **56,487** |
| **Investment expenses affecting insurance in which the policyholder takes on the investment risk** | - | - | - | - | **9,324** | **9,324** |
| **Technical-financial result** | **41,700** | **63,690** | **168,199** | **36,061** | **43,114** | **352,764** |

The service income of Atradius, N.V. is included in the income statement for 2014 and 2013 of the Credit Insurance sub segment under the heading "Other technical income", as shown below:

Thousands of Euros

| | Year 2013 | Year 2014 |
|---|---|---|
| Collection and recoveries service | 39,642 | 37,033 |
| Information services and commissions | 110,421 | 115,254 |
| Other service income | 16,288 | 16,670 |
| **Total "Other technical income"- Credit Insurance** | **166,351** | **169,047** |

The "Other income" and "Other expenses" sub-headings in the income statement of the Other Activities segment includes the following items:

| OTHER INCOME – 2014 | Thousands of Euros<br>OTHER ACTIVITIES SEGMENT | OTHER EXPENSES – 2014 | Thousands of Euros<br>OTHER ACTIVITIES SEGMENT |
|---|---|---|---|
| Collection award | 1,888 | Allocated staff costs | 9,940 |
| Surrender of employee commitment policy | 337 | Other Administration costs | 3,588 |
| Income from Talleres 3000 | 1,081 | Endowment due to pension commitments | 871 |
| Other income | 1,828 | Other expenses | 699 |
| **Total** | **5,134** | **Total** | **15,098** |

| OTHER INCOME – 2013 | THOUSANDS OF EUROS<br>OTHER ACTIVITIES SEGMENT | OTHER EXPENSES – 2013 | THOUSANDS OF EUROS<br>OTHER ACTIVITIES SEGMENT |
|---|---|---|---|
| Collection award | 1,991 | Allocated staff costs | 8,281 |
| Surrender of employee commitment policy | 2,095 | Other Administration costs | 5,328 |
| Income from Talleres 3000 | 1,083 | Endowment due to pension commitments | 12,807 |
| Other income | 908 | Other expenses | 1,049 |
| **Total** | **6,077** | **Total** | **27,465** |

The losses due to asset value impairment, broken down by the nature of these assets, registered in the accompanying consolidated profit and loss statement of financial year 2014 are as follows:

| IMPAIRMENT LOSSES | Thousands of Euros | | | |
|---|---|---|---|---|
| | NON-LIFE SEGMENT | LIFE SEGMENT | OTHER ACTIVITIES SEGMENT | TOTAL |
| Financial assets available for sale (Note 6.a): | | | | |
| Debt securities | 1,584 | 133 | 1,196 | 2,913 |
| Capital instruments | (706) | 778 | 264 | 336 |
| Property and equipment (Note 8): | | | | |
| Tangible assets | (79) | (1) | (57) | (137) |
| Property Investments | 116 | - | 258 | 374 |
| Intangible assets (Note 9): | | | | |
| Other intangible assets | 10,464 | - | - | 10,464 |
| Investments in entities accounted for using the equity method (Note 7): | | | | |
| Associates | 10,000 | - | - | 10,000 |
| Total | 21,379 | 910 | 1,661 | 23,950 |

## 16.a) Composition of life business by volume of premiums

The breakdown of the life business (direct insurance) in 2014 and 2013, by premium volume, is as follows:

| LIFE INSURANCE PREMIUMS (DIRECT) | Thousands of Euros | |
|---|---|---|
| | Year 2013 | Year 2014 |
| Premiums for individual contracts | 704,991 | 847,840 |
| Premiums for group insurance contracts | 16,367 | 16,895 |
| | **721,358** | **864,735** |
| Periodic premiums | 364,120 | 428,816 |
| Single premiums | 357,238 | 435,919 |
| | **721,358** | **864,735** |
| Premiums for non-participating contracts | 290,813 | 304,868 |
| Premiums of participating contracts (1) | 387,210 | 498,033 |
| Contracts where risk is borne by the policyholder | 43,335 | 61,834 |
| | **721,358** | **864,735** |

(1) Includes insurance contracts with a spread between the guaranteed interest rate and the interest rate per the technical bases.

## 16.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:

| | | | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | 2013 | | | 2014 | | |
| COVERAGE MODE AND TYPE | TECHNICAL INTEREST | BIOMETRIC TABLE (*) | PREMIUMS | MATHEMATICAL PROVISION (*) | AMOUNT DISTRIBUTED IN SHARE PROFIT PAYOUTS | PREMIUMS | MATHEMATICAL PROVISION (*) | AMOUNT DISTRIBUTED IN SHARE PROFIT PAYOUTS |
| **Universal Life and Retirement**<br>Payout upon retirement either in capital or monthly income | Index-linked and 5% | GKM-80 | 16,380 | 287,915 | 1,040 | 15,498 | 268,822 | 825 |
| **Universal Life and Pension**<br>As above, more capital for death if it occurs prior to retirement. | Index-linked, 3% and 5% | GKM-80 | 13,119 | 278,136 | 708 | 13,802 | 254,152 | 560 |
| **Universal Life Savings**<br>Same as above. | Index-linked, 3.5% and 5% | GKM-80 | 24,941 | 333,800 | 819 | 24,980 | 325,423 | 634 |
| **Universal PPA**<br>Same as above. | Index-linked | GKM-80 | 16,442 | 138,112 | 1,547 | 16,180 | 134,418 | 1,090 |
| **Universal PPA** | Index-linked | GKM-80; GKM/F-95/ PASEM2010 | 42,314 | 238,262 | 2,628 | 33,397 | 239,545 | 2,068 |
| **Universal PIAS** | Index-linked | GKM/F-95/ PASEM2010 | 47,196 | 133,838 | 1,393 | 49,435 | 154,371 | 1,105 |
| **Universal Future Savings** | Index-linked | GKM/F-95/ PASEM2010 | 24,458 | 41,665 | 459 | 83,648 | 114,031 | 455 |
| **Patrimonio Oro** | Index-linked 3.5% | GKM-80; GKM/F-95/ PASEM2010 | 159,977 | 377,424 | 2,674 | 200,201 | 530,294 | 1,699 |
| **Renewable Term Individual**<br>Annual renewable temporary risk insurance | 2% | GKM-80 adjusted GKM/F-95 PASEM2010 | 36,977 | 8,778 (**) | - | 36,929 | 8,744 | - |
| **Group Retirement with Profit**<br>Payout upon retirement either in capital or monthly income | 2.25, 3.5 and 5% matched transactions | GRM-70; GR/F-80-2; GRM/F-95 PERM/F2000 P | 4,817 | 401,931 | 417 | 6,076 | 400,974 | 405 |
| **Flexivida Seguros Bilbao** | 5.29% | GKM-70/ 80 | 8,088 | 149,858 | - | 7,783 | 125,973 | - |
| **Flexivida Seguros Bilbao indexed** | Index-linked | GKM - 95 | 40,715 | 165,218 | - | 78,969 | 218,946 | - |
| **Seguros Bilbao Retirement Fund** | 4.67% | GRM-70 / 80 / 95 | 11,021 | 155,335 | 450 | 9,648 | 138,252 | 465 |
| **Seguros Bilbao Guaranteed Savings Account** | Index-linked | GKM - 95 | 42,936 | 108,316 | - | 38,997 | 123,774 | - |
| **PPA Seguros Bilbao** | Index-linked | GKM - 95 | 8,932 | 53,149 | - | 7,098 | 54,479 | - |
| **Seguros Bilbao Technical Account** | Index-linked | GKM - 95 | 55,430 | 116,909 | - | 65,171 | 174,789 | - |
| **Nortehispana Pensiones**<br>Deferred profit-sharing capital | 6, 4, 3 and 2.4% | GRM – 95 | 7,950 | 117,231 | 1,600 | 7,464 | 121,504 | 1,760 |
| **Nortehispana Universal**<br>Contribution with no profit sharing | 3.75% | GKM/F- 95 | 13,432 | 27,631 | - | 17,783 | 36,928 | - |

(*) 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 Note 3.j) to the consolidated financial statements).

(**) Provision for unearned premiums.

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 2014 and 2013 (2.37% and 3.37% 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 2014 and 2013 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.

## 16.c) Expenses by nature

A breakdown of staff costs for the years 2013 and 2014 and allocation to the profit and loss for each segment and sub-segments is shown below:

| | Thousands of Euros | |
|---|---|---|
| | Year 2013 | Year 2014 |
| Wages and salaries | 330,615 | 341,842 |
| Social Security | 63,459 | 67,518 |
| Contributions to external pension funds | 22,528 | 20,373 |
| Severance pay and awards | 3,576 | 4,473 |
| Other staff costs | 10,654 | 8,313 |
| **Total** | **430,832** | **442,519** |

Thousands of Euros

| ALLOCATION OF STAFF EXPENSES – 2014 | NON-LIFE SEGMENT | LIFE SEGMENT | OTHER SEGMENT | TOTAL |
|---|---|---|---|---|
| Claims incurred in the year, net of reinsurance | 31,176 | 913 | - | 32,089 |
| Expenses arising from tangible fixed assets and investments | 1,267 | 936 | - | 2,203 |
| Net operating expenses | 348,625 | 24,156 | - | 372,781 |
| Other expenses | 24,477 | 1,029 | 9,940 | 35,446 |
| **Net Total** | **405,545** | **27,034** | **9,940** | **442,519** |

In 2013, of total staff costs EUR 398,289 thousand went to the Non-life segment, EUR 26,625 thousand to the Life segment and EUR 8,918 thousand to the Other segment.

# 17. Information on secondary segments

## 17. a) Earned premiums from direct insurance, inward reinsurance and other technical income

The secondary segments defined by the Group basically map the location of insured customers by management region, due to the integration of the Atradius N.V. business. A distinction is made between Spain and the following regions:

- 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 2014 and 2013 was as follows:

| GEOGRAPHICAL AREA | Thousands of Euros<br>DISTRIBUTION OF EARNED PREMIUMS FROM DIRECT INSURANCE, INWARD REINSURANCE AND OTHER TECHNICAL INCOME, BY GEOGRAPHICAL AREA | | | |
|---|---|---|---|---|
| | Year 2013 | | Year 2014 | |
| | NON-LIFE SEGMENT | LIFE SEGMENT | NON-LIFE SEGMENT | LIFE SEGMENT |
| Domestic market | 1,349,492 | 721,264 | 1,335,128 | 864,948 |
| Export: | | | | |
| - Netherlands and Scandinavian countries | 221,709 | - | 222,526 | - |
| - Central Europe, Eastern Europe, Greece and Turkey | 256,330 | - | 263,413 | - |
| - Southern Europe | 316,517 | 5,619 | 324,125 | 5,026 |
| - United Kingdom and Ireland | 249,041 | - | 263,883 | - |
| - North America | 75,312 | - | 80,061 | - |
| - Oceania, Asia and other emerging countries | 99,727 | - | 107,934 | - |
| Total | 2,568,128 | 726,883 | 2,597,070 | 869,974 |

(*) Andorra amount reclassified from countries other than those in Southern Europe

### 17.b) Assets by geographical location

The distribution of the Group's assets by geographical location, based on the location of the service centres where the Group's insurance and complementary businesses are managed, is as follows:

Thousands of Euros

| | SPAIN | NETHERLANDS AND SCANDINAVIAN COUNTRIES | CENTRAL AND EASTERN EUROPE, GREECE AND TURKEY | SOUTHERN EUROPE | UNITED KINGDOM AND IRELAND | NORTH AMERICA | OCEANIA, ASIA AND OTHER EMERGING MARKETS | REST OF COUNTRIES | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Assets at December 31, 2014 | 5,968,472 | 1,562,369 | 591,932 | 1,053,913 | 1,428,062 | 352,174 | 257,004 | 47,519 | 11,261,445 |
| Assets at December 31, 2013 | 5,210,656 | 1,406,608 | 594,715 | 962,322 | 1,380,552 | 313,731 | 187,283 | 45,556 | 10,101,423 |

### 17.c) Acquisitions of tangible fixed assets and intangible assets

Thousands of Euros

| Year 2014 | 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 markets | Total |
|---|---|---|---|---|---|---|---|---|
| Acquisitions of tangible fixed assets | 9,473 | 1,249 | 748 | 377 | 3,174 | 118 | 617 | **15,756** |
| Acquisitions of investment property | 1,537 | 28 | - | - | - | - | - | **1,565** |
| Acquisitions of intangible assets | 9,874 | 7,177 | 1,675 | 317 | 7,482 | - | 55 | **26,580** |

Thousands of Euros

| Year 2013 | 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 markets | Total |
|---|---|---|---|---|---|---|---|---|
| Acquisitions of tangible fixed assets | 10,571 | 810 | 612 | 565 | 2,218 | 76 | 972 | **15,824** |
| Acquisitions of investment property | 4,927 | 38 | - | 132 | - | - | - | **5,097** |
| Acquisitions of intangible assets | 10,361 | 9,204 | 1,496 | 216 | 8,722 | 15 | 59 | **30,073** |

# 18. Details of related parties

During 2014, there have been no relevant operations by the company with other companies in the same Group that have not been eliminated in the process of producing the consolidated financial statements and that do not form part of the normal business of the company.

The detail of the most significant balances kept by the Group with the various related parties and the effect of transactions with them on the profit and loss account are shown below. All transactions between related parties are carried out at market conditions.

| In Thousands of Euros | AFFILIATES | KEY MANAGEMENT (*) (**) | OTHER RELATED PARTIES (MAJORITY SHAREHOLDER) |
|---|---|---|---|
| ASSET | | | |
| Financial instruments | - | - | - |
| Receivables | 425 | - | 403 |
| **Total** | **425** | **-** | **403** |
| | | | |
| LIABILITIES | | | |
| Accounts payable | 1,252 | - | 191 |
| Financial instruments | 40,000 | - | - |
| Loans | - | - | - |
| **Total** | **41,252** | **-** | **191** |
| | | | |
| PROFIT AND LOSS | | | |
| Leases | - | - | - |
| Provision of services (payments) | (22,288) | - | (71) |
| Provision of services (charges) | 22,830 | - | 1,023 |
| Loan interests | - | - | - |
| Sale of shares | - | - | - |
| Dividends accrued | - | - | - |
| **Total** | **(541)** | **-** | **952** |
| | | | |
| OTHERS | | | |
| Contingent Commitments - Guarantees and Guarantees | - | - | - |
| Dividends paid | - | 4,644 | 45,163 |
| **Total** | **-** | **4,644** | **45,163** |

The reinsurance and coinsurance operations, as well as balances with reinsurers and assignors, deposits established and technical provisions for reinsurance transactions made between Group companies, eliminated in the consolidation process during FY 2014 are as follows:

| In Thousands of Euros | GROUP COMPANIES |
|---|---|
| ASSET/LIABILITY | |
| Deposits for reinsurance | 2,311 |
| Credits/debts for reinsurance/coinsurance transactions | 5,512 |
| Technical provisions reinsurance | 31,677 |
| Acquisition costs and commissions | 5,796 |
| Total | 45,296 |
| PROFIT AND LOSS | |
| Premiums of accepted/transferred reinsurance | 66,459 |
| Benefits paid for accepted/transferred reinsurance | 18,172 |
| Change in technical provisions | 5,422 |
| Accepted/assigned reinsurance commissions | 29,023 |
| Total | 119,076 |

# 19. Other information

## 19.a) Employees

In compliance with Article 260 of the revised text of the Ley de Sociedades de Capital, the Group provides the following breakdown of the average number of full-time employees (or equivalent) of the parent and its subsidiaries in 2014 and 2013 by job category and gender.

| PROFESSIONAL CATEGORY | Number of people | | | |
|---|---|---|---|---|
| | December 31, 2013 | December 31, 2014 | | |
| | | MEN | WOMEN | TOTAL |
| Executives | 144 | 126 | 17 | 143 |
| Heads and Graduates | 1,179 | 844 | 308 | 1,152 |
| Clerical and sales staff | 4,129 | 2,052 | 2,051 | 4,103 |
| Junior staff | 413 | 113 | 285 | 398 |
| | 5,865 | 3,135 | 2,661 | 5,796 |

The total number of employees as of December 31, 2014 did not differ significantly from those shown in the table above.

## 19.b) Board Members' and senior executives' remuneration and other benefits

The Board of Directors of the parent company is made up of 9 people, 8 men and 1 woman, and 7 corporate members, represented physically by 7 men.

In 2014 and 2013, the Board Members received the following remuneration from the subsidiaries:

### Board Members' remuneration

| MEMBERS OF THE BOARD OF DIRECTORS | Thousands of Euros | |
|---|---|---|
| | Year 2013 | Year 2014 |
| Concept or remuneration - | | |
| Fixed remuneration | 1,397 | 1,532 |
| Variable remuneration | 191 | 229 |
| Allowances | 605 | 598 |
| Bylaws | 3,333 | 3,282 |
| Others | 71 | 16 |
| Total | 5,597 | 5,656 |

### Other Board Members' retributions

| MEMBERS OF THE BOARD OF DIRECTORS | Thousands of Euros | |
|---|---|---|
| | Year 2013 | Year 2014 |
| Other benefits- | - | - |
| Advances | - | - |
| Loans | - | - |
| Pension schemes and funds: Contributions | 1 | 10 |
| Pension schemes and funds: Liabilities incurred | - | - |
| Life insurance premiums | 248 | 238 |
| Guarantees provided in favour of Board Members | - | - |
| Total | 249 | 248 |

**Remuneration of members of the senior management, excluding members of the Board of Directors**

| SENIOR MANAGEMENT | Thousands of Euros | |
|---|---|---|
| | Year 2013 | Year 2014 |
| Total remuneration received by senior management | 3,063 | 3,433 |

In preparing these consolidated financial statements 8 and 7 people have been classified as senior managers as of December 31 2014 and 2013, respectively.

On December 31, 2014 and 2013 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 Ley de Sociedades de Capital, approved by Royal Decree 1/2010 of July 2, Board members and people linked to them must notify the Board any conflict of interests that they may have with the company.

The members of the Board of Directors and persons related thereto, as defined in art. 231 of the revised text of the Ley de Sociedades de Capital (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.

## 19.c) Related party transactions

In accordance with Order EHA/3050/2004 of September 15, it is noted that that, apart from dividends and retributions received, no related-party transactions took place during the fiscal year with Board Members or managers or other similar parties, except for transactions which have been eliminated in the consolidation process and immaterial transactions undertaken in the normal course of business under normal market conditions. These last transactions are described in the Corporate Governance Report.

## 19.d) Auditors' fees

During 2014 and 2013, the fees for audit services and other services provided by the auditor of the Group's consolidated financial statements, Deloitte, SL, and companies within the Deloitte network and service fees charged by the auditors of annual accounts of the companies included in the scope of consolidation and entities related to them by control, joint ownership or management were as follows:

Year 2014

| DESCRIPTION | Thousands of Euros | |
|---|---|---|
| | SERVICES PROVIDED BY THE MAIN AUDITOR (*) | SERVICES PROVIDED BY OTHER AUDIT FIRMS (*) |
| Audit Services | 2,534 | 372 |
| Other verification services | 339 | - |
| **Total Audit and related services** | **2,873** | **372** |
| Tax Advisory Services | 8 | 677 |
| Other services | 555 | 220 |
| **Total Professional Services** | **563** | **897** |

(*) Ex-VAT amounts.

Year 2013

| DESCRIPTION | Thousands of Euros | |
|---|---|---|
| | SERVICES PROVIDED BY THE MAIN AUDITOR (*) | SERVICES PROVIDED BY OTHER AUDIT FIRMS (*) |
| Audit Services | 2,701 | 163 |
| Other verification services | 167 | - |
| **Total Audit and related services** | **2,868** | **163** |
| Tax Advisory Services | 30 | 710 |
| Other services | 280 | 340 |
| **Total Professional Services** | **310** | **1,050** |

(*) Ex-VAT amounts.

## 19.e) Information on deferrals for payments to suppliers:

## Information obligation under Law 15/2010 of 5 July

Below is the information required by the third additional Provision of Law 15/2010, of 5 July (in thousands of euros):

| | PAYMENTS MADE AND PENDING PAYMENT BY YEAR-END. | |
|---|---|---|
| | 2014 | |
| | Amount | % |
| Carried out within the maximum legal limit | 255,636 | 100% |
| Other | - | - |
| Total year payments | 255,636 | 100% |
| | | |
| PMP payments outside the legal deadline (days) | - | - |
| | | |
| Deferrals which exceed the maximum legal limit on the closing date | - | - |

The data presented in the above table regarding payments to suppliers refer to those who by their nature are trade creditors for debts with goods and services suppliers.

The exceeded time-weighted average (ETWA) of payments is calculated as the quotient of the numerator by the sum of products of each supplier payments made during the year with a deferment higher than the respective legal payment term and the number of deferment days exceeded from the respective period, and the denominator for the total amount of payments made during the year with a deferment higher than the legal payment period.

The legal maximum payment limit applicable to the Company in Spain in years 2014 and 2013, under Law 3/2004, of December 29, which stipulates measures to address late payment in commercial transactions, is 30 calendar days after the receipt of merchandise or service. Period may be extended to 60 days by agreement with the supplier.

At December 31, 2014 and 2013, the Company held no outstanding balance with suppliers exceeding the statutory payment period.

# 20. Post balance sheet events

In addition to the interim dividend mentioned in Note 14, after the close of the year and until the date of preparation of these annual accounts, no events have taken place which affect them significantly, other than those explained in the above notes.

# ANNEXES

# Annex I: List of subsidiaries at December 31, 2014

(Thousands of Euros)

| COMPANY | | % VOTING POWER | | | SUMMARY FINANCIAL INFORMATION | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| (Name and Address) | LINE OF BUSINESS | DIRECT | INDIRECT | TOTAL | TOTAL ASSETS | SHARE CAPITAL | EQUITY RESERVES | PROFIT FOR THE YEAR-END NET OF DIVIDEND | ADJUSTMENTS FOR CHANGES IN VALUE | EARNED PREMIUMS NET OF REINSURANCE | ORDINARY INCOME |
| Seguros Catalana Occidente, Sociedad Anónima de Seguros y Reaseguros<br>Avenida Alcalde Barnils, 63<br>Sant Cugat del Vallés (Barcelona) | Insurance and Reinsurance | 100% | - | 100% | 4,569,440 | 18,030 | 254,324 | 88.221 (1) | 327,021 | 1,108,570 | - |
| Grupo Compañía Española de Crédito y Caución, Sociedad Limitada<br>Paseo de la Castellana, 4<br>Madrid | Equity holding | 73.84% | - | 73.84% | 665,799 | 18,000 | 608,081 | 5,962 | - | - | 26 |
| Atradius NV y Sociedades Dependientes<br>David Ricardostraat, 1<br>1066 JS Ámsterdam (Holanda) | Credit Insurance and Bonding | 35.77% | 47.43% | 83.20% | 4,130,859 | 79,122 | 1,139,757 | 161,190 | 12,970 | 815,113 | 169,047 |
| Salerno 94, S.A.<br>Avenida Alcalde Barnils, 63<br>Sant Cugat del Vallés (Barcelona) | Financial investments | 100% | - | 100% | 36,414 | 721 | 31,940 | 3,751 | - | - | 1,502 |
| Cosalud, Sociedad Anónima de Seguros<br>Jesús Serra Santamans, 1<br>Sant Cugat del Vallés (Barcelona) | Health insurance | 100% | - | 100% | 28,526 | 2,104 | 4,738 | 3,240 | 926 | 18,646 | - |
| Depsa, Sociedad Anónima de Seguros y Reaseguros<br>Paseo de Gracia, 2<br>Barcelona | Legal expenses insurance | 100% | - | 100% | 41,107 | 3,005 | 2,535 | 979 | 1,002 | 30,000 | - |
| Grupo Catalana Occidente Gestión de Activos S.A., S.G.I.I.C. (*)<br>Avenida Alcalde Barnils, 63<br>Sant Cugat del Vallés (Barcelona) | Financial investments | 100% | - | 100% | 5,974 | 391 | 2,916 | 1.365 (2) | 21 | - | 4,435 |
| GCO Reaseguros, S.A.<br>Avenida Alcalde Barnils, 63<br>Sant Cugat del Vallés (Barcelona) | Reinsurance | 100% | - | 100% | 4,528 | 9050 (**) | - | 2 | - | - | - |
| Catoc Vida, Sociedad Anónima de Seguros<br>Avenida Alcalde Barnils, 63<br>Sant Cugat del Vallés (Barcelona) | Life Insurance | - | 100.00% | 100.00% | 189,573 | 16,694 | 1,996 | 2,061 | 17,278 | 32,994 | - |
| Bilbao, Compañía Anónima de Seguros y Reaseguros, S.A.<br>Paseo del Puerto, 20<br>Getxo (Vizcaya) | Insurance and Reinsurance | - | 99.73% | 99.73% | 1,802,144 | 28,009 | 72,549 | 4.523 (3) | 170,218 | 490,153 | - |
| Bilbao Hipotecaria, S.A., E.F.C.<br>Paseo del Puerto, 20<br>Getxo (Vizcaya) | Mortgage lending | - | 99.73% | 99.73% | 54,555 | 4,450 | 1,013 | 207 (4) | - | - | 2,000 |
| S. Órbita, Sociedad Agencia de Seguros, S.A.<br>Paseo del Puerto, 20<br>Getxo (Vizcaya) | Insurance Agency | - | 99.73% | 99.73% | 2,966 | 1,100 | 231 | 9 | - | - | 8,250 |
| Bilbao Telemark, S.L.<br>Paseo del Puerto, 20<br>Getxo (Vizcaya) | Tele-marketing | - | 99.73% | 99.73% | 172 | 37 | 10 | 2 | - | - | 1,262 |
| Bilbao Vida y Gestores Financieros, S.A.<br>Paseo del Puerto, 20<br>Getxo (Vizcaya) | Insurance Agency | - | 99.73% | 99.73% | 551 | 60 | 36 | 3 | - | - | 3,645 |
| Nortehispana. De Seguros y Reaseguros, S.A.<br>Pau Claris, 132<br>Barcelona | Insurance and Reinsurance | - | 99.78% | 99.78% | 288,706 | 18,030 | 28,224 | 5,915 | 26,141 | 105,067 | - |
| Catoc SICAV, S.A.<br>Avenida Alcalde Barnils, 63<br>Sant Cugat del Vallés (Barcelona) | Financial investments | - | 99,84% (***) | 99,84% (***) | 106,085 | 8,286 | 88,984 | 8,790 | - | - | 9,103 |
| Inversiones Menéndez Pelayo SICAV, S.A.<br>Avda. Diagonal 399<br>Barcelona | Financial investments | - | 100% (***) | 100% (***) | 30,020 | 57,792 | -30,959 | 829 | - | - | 1,092 |
| Hercasol, S.A. SICAV<br>Avenida Diagonal, 399<br>Barcelona | Financial investments | - | 59,37% (***) | 59,37% (***) | 11,673 | 6,103 | 4,603 | 760 | - | - | |
| PREPERSA de Peritación de Seguros y Prevención, A.I.E.<br>Jesús Serra Santamans, 1<br>Sant Cugat del Vallés (Barcelona) | Prevention and Valuation | - | 99.99% | 99.99% | 2,694 | 60 | 898 | (15) | 19 | - | 4,601 |
| Tecniseguros, Sociedad de Agencia de Seguros, S.A.<br>Avenida Alcalde Barnils, 63<br>Sant Cugat del Vallés (Barcelona) | Insurance Agency | - | 100% | 100% | 525 | 60 | 56 | (14) | - | - | 5,229 |
| Catalana Occidente Capital, Agencia de Valores, S.A.<br>Avenida Alcalde Barnils, 63<br>Sant Cugat del Vallés (Barcelona) | Securities and Brokerage | - | 100% | 100% | 3,741 | 300 | 2,882 | 306 | 92 | - | 1,103 |
| Grupo Catalana Occidente Tecnología y Servicios, A.I.E.<br>Avenida Alcalde Barnils, 63<br>Sant Cugat del Vallés (Barcelona) | IT Services | - | 99.84% | 99.84% | 30,399 | 23,601 | 285 | 111 | - | - | 57,919 |
| Catalana de Talleres y Reparaciones 3000, S.L.<br>Avenida Alcalde Barnils, 63<br>Sant Cugat del Vallés (Barcelona) | Vehicle repairs | - | 100.00% | 100.00% | 300 | 3 | 174 | (16) | - | - | 1,081 |
| Grupo Catalana Occidente Contact Center, A.I.E.<br>Jesús Serra Santamans, 3 - 4° planta<br>Sant Cugat del Vallés (Barcelona) | Call Center | - | 99.65% | 99.65% | 541 | 300 | - | - | - | - | 2,863 |
| Inversions Catalana Occident, S.A.<br>Avinguda Carlemany, 65<br>Escaldes Engordany (Andorra) | Creation, management and operation of insurance entities | - | 49.00% | 49.00% | 4,619 | 60 | 442 | (13) | - | - | 2,663 |

(*) Formerly Seguros Bilbao Fondos, S.A., S.G.I.I.C.
(**) The authorized share capital pending payment amounts to 4,525 thousand euros (50% of the share capital).
(***) 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 13,391 thousand euros and has posted an increase in the equalisation provision for the amount of 3.107 thousand euros.
(2) The Company paid an interim dividend of 1,400 thousand euros.
(3) The company has paid an interim dividend of 34,664 thousand euros and has posted an increase in the equalisation provision for the amount of 191 thousand euros.
(4) The Company paid an interim dividend of 208,000 euros.

The financial information given for the abovementioned Group companies (total assets, share capital, equity reserves, profit for the year net of dividend, earned premiums less reinsurance and ordinary income) has been obtained from the most recent individual or consolidated financial statements available for 2014 and has been duly adapted, for every company, to the Group's accounting policies.

The figures for Atradius N.V. include the data for their subsidiaries relating to the profit or loss for the year and equity reserves.

In the case of insurance companies, the figure for earned premiums net of reinsurance is given. In all other companies, the figure given is ordinary income.

# Annex II: List of associates at December 31, 2014

## Appendix II List of associates at December 31, 2014

(Thousands of Euros)

| COMPANY (Name and address) | LINE OF BUSINESS | % DERECHOS DE VOTO: DIRECT | % DERECHOS DE VOTO: INDIRECT | % DERECHOS DE VOTO: TOTAL | INFORMACIÓN FINANCIERA RESUMIDA: TOTAL ASSETS | SHARE CAPITAL | EQUITY RESERVES | PROFIT FOR THE YEAR-END NET OF DIVIDEND | ADJUSTMENTS FOR CHANGES IN VALUE | EARNED PREMIUMS NET OF REINSURANCE | ORDINARY INCOME |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Plus Ultra, Seguros Generales y Vida, S.A. de Seguros y Reaseguros<br>Plaza de las Cortes, 8<br>Madrid | Seguros y reaseguros | - | 49.00% | 49.00% | 2,049,457 | 97,619 | 244,201 | 28.142 (1) | 80,086 | 784,417 | - |
| Calboquer, S.L.<br>Villaroel, 177-179<br>08936 Barcelona | Orientación Médica, Social, Psicológica, y Jurídica Telefónica | - | 20.00% | 20.00% | 592 | 60 | 124 | (21) | - | - | 1,493 |
| Asitur Asistencia. S.A.<br>Avenida Encuartes, 21<br>Tres Cantos (Madrid) | Asistencia | - | 28.53% | 28.53% | 23,363 | 2,945 | 8,312 | 1,410 | - | - | 143,144 |
| Gesiuris, S.A., Sociedad Gestora de Instituciones de Inversión Colectiva<br>Rambla Catalunya, 38, 9ª planta<br>Barcelona | Sociedad de inversión | - | 26,12% (*) | 26,12% (*) | 6,059 | 301 | 4,043 | 478 (2) | 140 | - | 5,547 |
| Graydon Holding NV<br>Amsterdam - Países Bajos | Actividades complementarias de seguro de crédito | - | 37.44% | 37.44% | 44,620 | 1,500 | 14,660 | 501 | (6) | - | 54,207 |
| CLAL Credit Insurance<br>Tel Aviv - Israel | Seguros de crédito y caución | - | 16.64% | 16.64% | 63,283 | 2,700 | 28,525 | 4,914 | 175 | 10,825 | - |
| Al Mulla Atradius Consultancy & Brokerage L.L.C.<br>Dubai - EUA | Intermediación | - | 40.77% | 40.77% | - | - | - | - | - | - | - |
| Compañía de Seguros de Crédito Continental S.A.<br>Santiago - Chile | Seguros de crédito y caución | - | 41.60% | 41.60% | 78,391 | 4,443 | 18,628 | 12,704 | 57 | 6,055 | - |
| The Lebanese Credit Insurer S.A.L.<br>Beirut - Líbano | Seguros de crédito y caución | - | 40.68% | 40.68% | 8,448 | 3,089 | 1,717 | (642) | 237 | 1,939 | - |
| Inversiones Credere S.A.<br>Santiago - Chile | Seguros de crédito y caución | - | 41.60% | 41.60% | 5,150 | 940 | 4,152 | 2 | 56 | - | - |

(*) 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 4,711 thousand euros.

(2) The Company paid an interim dividend of 220,000 euros.

The financial information given for the abovementioned Group companies (total assets, share capital, equity reserves, profit for the year net of dividend, earned premiums less reinsurance and ordinary income) has been obtained from the most recent individual or consolidated financial statements available for 2014 and has been duly adapted, for every company, to the Group's accounting policies. The financial statements of the above companies are for the period ended December 31, 2014.

# Auditor Report

Deloitte.

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España

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Fax: +34 932 80 28 10
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# INFORME DE AUDITORÍA INDEPENDIENTE DE CUENTAS ANUALES CONSOLIDADAS

A los Accionistas de Grupo Catalana Occidente, Sociedad Anónima:

**Informe sobre las cuentas anuales consolidadas**

Hemos auditado las cuentas anuales consolidadas adjuntas de Grupo Catalana Occidente, S.A. (en adelante la Sociedad dominante) y Sociedades Dependientes, que comprenden el balance consolidado al 31 de diciembre de 2014, la cuenta de pérdidas y ganancias consolidada, el estado de ingresos y gastos reconocidos consolidado, el estado de cambios en el patrimonio neto consolidado, el estado de flujos de efectivo consolidado y la memoria consolidada correspondientes al ejercicio terminado en dicha fecha.

*Responsabilidad de los Administradores en relación con las cuentas anuales consolidadas*

Los Administradores de la Sociedad dominante son responsables de formular las cuentas anuales consolidadas adjuntas, de forma que expresen la imagen fiel del patrimonio, de la situación financiera y de los resultados consolidados de Grupo Catalana Occidente, S.A. y Sociedades Dependientes, de conformidad con las Normas Internacionales de Información Financiera, adoptadas por la Unión Europea, y demás disposiciones del marco normativo de información financiera aplicable al Grupo en España, que se identifica en la Nota 2.a) de la memoria consolidada adjunta, y del control interno que consideren necesario para permitir la preparación de cuentas anuales consolidadas libres de incorrección material, debida a fraude o error.

*Responsabilidad del auditor*

Nuestra responsabilidad es expresar una opinión sobre las cuentas anuales consolidadas adjuntas basada en nuestra auditoría. Hemos llevado a cabo nuestra auditoría de conformidad con la normativa reguladora de la auditoría de cuentas vigente en España. Dicha normativa exige que cumplamos los requerimientos de ética, así como que planifiquemos y ejecutemos la auditoría con el fin de obtener una seguridad razonable de que las cuentas anuales consolidadas están libres de incorrecciones materiales.

Una auditoría requiere la aplicación de procedimientos para obtener evidencia de auditoría sobre los importes y la información revelada en las cuentas anuales consolidadas. Los procedimientos seleccionados dependen del juicio del auditor, incluida la valoración de los riesgos de incorrección material en las cuentas anuales consolidadas, debida a fraude o error. Al efectuar dichas valoraciones del riesgo, el auditor tiene en cuenta el control interno relevante para la formulación por parte de los Administradores de la Sociedad dominante de las cuentas anuales consolidadas, con el fin de diseñar los procedimientos de auditoría que sean adecuados en función de las circunstancias, y no con la finalidad de expresar una opinión sobre la eficacia del control interno de la entidad. Una auditoría también incluye la evaluación de la adecuación de las políticas contables aplicadas y de la razonabilidad de las estimaciones contables realizadas por la dirección, así como la evaluación de la presentación de las cuentas anuales consolidadas tomadas en su conjunto.

Consideramos que la evidencia de auditoría que hemos obtenido proporciona una base suficiente y adecuada para nuestra opinión de auditoría.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

*Opinión*

En nuestra opinión, las cuentas anuales consolidadas adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio consolidado y de la situación financiera consolidada de Grupo Catalana Occidente, S.A. y Sociedades Dependientes a 31 de diciembre de 2014, así como de sus resultados consolidados y flujos de efectivo consolidados correspondientes al ejercicio ejercicio anual terminado en dicha fecha, de conformidad con las Normas Internacionales de Información Financiera, adoptadas por la Unión Europea, y demás disposiciones del marco normativo de información financiera que resultan de aplicación en España.

*Párrafo de énfasis*

Llamamos la atención respecto de lo señalado en la Nota 10.e) de la memoria consolidada adjunta, en la que se indica que en los ejercicios 2011 y 2013 la Agencia Tributaria procedió a incoar diversas actas a la Sociedad dominante, que fueron firmadas en disconformidad y recurridas. Durante el ejercicio 2014, el Tribunal Económico-Administrativo Central (TEAC) ha resuelto confirmando parte de las liquidaciones reclamadas y, con fecha 16 de diciembre de 2014, la Sociedad dominante ha interpuesto recurso ante la Sala de lo Contencioso-Administrativo de la Audiencia Nacional contra la resolución del TEAC. Las cuentas anuales consolidadas adjuntas del ejercicio 2014 no recogen provisión alguna relacionada con las mismas, al entender los Administradores de la Sociedad dominante que los recursos presentados prosperarán y no se producirá ningún impacto patrimonial relevante para el Grupo. Esta cuestión no modifica nuestra opinión.

**Informe sobre otros requerimientos legales y reglamentarios**

El informe de gestión consolidado adjunto del ejercicio 2014 contiene las explicaciones que los Administradores de la Sociedad dominante consideran oportunas sobre la situación de Grupo Catalana Occidente, S.A. y Sociedades Dependientes, la evolución de sus negocios y sobre otros asuntos y no forma parte integrante de las cuentas anuales consolidadas. Hemos verificado que la información contable que contiene el citado informe de gestión consolidado concuerda con la de las cuentas anuales consolidadas del ejercicio 2014. Nuestro trabajo como auditores se limita a la verificación del informe de gestión consolidado con el alcance mencionado en este mismo párrafo y no incluye la revisión de información distinta de la obtenida a partir de los registros contables de Grupo Catalana Occidente, S.A. y Sociedades Dependientes.

DELOITTE, S.L.
Inscrita en el R.O.A.C. Nº S0692

Jordi Montalbo

26 de febrero de 2015

COL·LEGI
DE CENSORS JURATS
DE COMPTES
DE CATALUNYA

Membre exercent:
DELOITTE, S.L.

Any 2015 Núm. 20/15/00041
IMPORT COL·LEGIAL: 96,00 EUR

Informe subjecte a la taxa establerta a l'article 44 del text refós de la Llei d'auditoria de comptes, aprovat per Reial decret legislatiu 1/2011, d'1 de juliol.

# Corporate Governance Report

# CONTENTS
# Corporate Governance Report

# ANNEX I MODEL

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

### PARTICULARS OF ISSUER

CLOSING DATE OF FISCAL YEAR OF REFERENCE **31/12/2014**

TAX ID NUMBER **A-08168064**

Registered name: **GRUPO CATALANA OCCIDENTE, S.A.**

Registered office: **Avenida Alcalde Barnils, 63, 08174 Sant Cugat del Vallés (Barcelona)**

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

Annual Corporate Governance report of listed companies

# A. OWNERSHIP STRUCTURE

A.1 Complete the following table regarding the Company's equity:

| Last modified | Share capital (€) | Number of shares | Number of voting rights |
|---|---|---|---|
| May 25, 2006 | 36,000,000.00 | 120,000,000 | 120,000,000 |

Indicate whether there are different classes of shares with different rights:

**NO**

| Class | Number of shares | Per unit amounts | Unitary number of voting rights | Other rights |
|---|---|---|---|---|
| | | | | |

A.2 Details of direct and indirect owners of significant shareholdings in the company at financial year-end, excluding Board members:

| Name, or company name, of the shareholder | Number of direct voting rights | Indirect voting rights | | % of total voting rights |
|---|---|---|---|---|
| | | Direct holder of the shareholding | Number of voting rights | |
| CO SOCIEDAD DE GESTIÓN Y PARTIPACIÓN, S.A. | 0 | CORPORACIÓN CATALANA OCCIDENTE, S.A. | 31,360,095 | 26.133 |
| CO SOCIEDAD DE GESTIÓN Y PARTIPACIÓN, S.A. | 0 | DEPSA 96, S.A. | 8,640 | 0.007 |
| CO SOCIEDAD DE GESTIÓN Y PARTIPACIÓN, S.A. | 0 | INOC, S.A. | 7,075,114 | 5.896 |
| CO SOCIEDAD DE GESTIÓN Y PARTIPACIÓN, S.A. | 0 | LA PREVISIÓN 96, S.A. | 30,003,560 | 25.003 |
| CORPORACIÓN CATALANA OCCIDENTE, S.A. | 31,360,095 | | 0 | 26.133 |
| LA PREVISIÓN 96, S.A. | 30,003,560 | | 0 | 25.003 |
| INOC, S.A. | 7,075,114 | | 0 | 5.896 |

Specify the movements in the shareholding structure during the year:

| Name, or corporate name, of shareholder | Date of the operation | Description of operation |
|---|---|---|
| --- | | |

A.3 Complete the following tables about the members of the Board of Directors who hold voting rights on company shares:

| Name, or corporate name, of Board member | Number of direct voting rights | Indirect voting rights | | % of total voting rights |
|---|---|---|---|---|
| | | Direct holder of the interest | Number of voting rights | |
| JOSÉ MARÍA SERRA FARRÉ | 459,082 | | 0 | 0.383 |
| JS INVEST, S.L. | 200 | | 0 | 0.000 |
| JOSÉ IGNACIO ÁLVAREZ JUSTE | 0 | | 0 | 0.000 |
| COTYP, S.L. | 10,000 | | 0 | 0.008 |
| FEDERICO HALPERN BLASCO | 29,283 | | 0 | 0.024 |
| INVERSIONES GIRÓ GODÓ, S.L. | 24,000 | | 0 | 0.020 |
| JORGE ENRICH IZARD | 0 | | 0 | 0.000 |
| JORGE ENRICH SERRA | 250 | | 0 | 0.000 |
| JUAN IGNACIO GUERRERO GILABERT | 0 | | 0 | 0.000 |
| JUSAL, S.L. | 6,019,054 | | 0 | 5.016 |
| LACANUDA CONSELL, S.L. | 50 | | 0 | 0.000 |
| MARÍA ASSUMPTA SOLER SERRA | 179,404 | | 0 | 0.150 |
| HUGO SERRA CALDERÓN | 6,500 | | 0 | 0.005 |
| OLANDOR, S.L. | 2,500 | | 0 | 0.002 |
| VILLASA, S.L. | 540,730 | | 0 | 0.451 |
| FRANCISCO JOSÉ ARREGUI LABORDA | 49,464 | | 33,138 | 0.069 |

| Name, or corporate name, of indirect shareholder | Through: Name or corporate name of direct shareholder | Number of voting rights |
|---|---|---|
| FRANCISCO JOSÉ ARREGUI LABORDA | Celia Bravo Arevalo | 26,010 |
| FRANCISCO JOSÉ ARREGUI LABORDA | Javier Arregui Bravo | 2,376 |
| FRANCISCO JOSÉ ARREGUI LABORDA | Beatriz Arregui Bravo | 2,376 |
| FRANCISCO JOSÉ ARREGUI LABORDA | Guillermo Arregui Bravo | 2,376 |

| % of total voting rights held by the Board of Directors | 6.128 |
|---|---|

Complete the following tables on members of the Board of Directors who hold stock options in the Company:

| Name, or company name, of the Board member | Number of direct rights | Indirect rights | | Number of equivalent shares | % of total voting rights |
|---|---|---|---|---|---|
| | | Direct holder | Number of voting rights | | |
| | | | | | |

A.4 Give details of any relationships of a family, commercial, contractual or corporate nature, known by the Company, between owners of significant shareholdings, unless they are of little relevance or arise in the ordinary course of business.

| Related name or corporate name | Type of relationship | Brief description |
|---|---|---|
| | | |

A.5 Give details of any relationships of a commercial, contractual or corporate nature between the owners of significant shareholdings and the Company and/or its group, unless the relationships are negligible or arise in the ordinary course of business:

| Related name or corporate name | Type of relationship | Brief description |
|---|---|---|
| | | |

A.6 State whether the Company has been informed of any shareholder agreements that affect it under Articles 530 and 531 of the Ley de Sociedades de Capital (Corporations Act). Where appropriate, briefly list the shareholders bound by the agreement:

NO

| Parties to the shareholder agreement | % of share capital affected | Brief description of the agreement |
|---|---|---|
| | | |

State whether the company is aware of the existence of concerted actions between its shareholders. If so, list them briefly

NO

If any of the above agreements or concerted actions have been modified or terminated during the financial year, state them:

A.7 State whether any individual or legal entity exercises or may exercise control over the Company in accordance with Article 4 of the Spanish Ley del Mercado de Valores. Where appropriate, identify:

YES

| Name, or corporate name |
|---|
| CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A. |

| Remarks |
|---|
| |

A.8 Complete the following tables on the Company's treasury shares:

**At year-end:**

| Number of direct shares | Number of indirect shares (*) | Total % over share capital |
|---|---|---|
| 0 | 2,004,282 | 1.670 |

**(*) Through:**

| Name or corporate name of direct shareholder | Number of direct shares |
|---|---|
| SALERNO 94, S.A. | 2,004,282 |
| Total: | 2,004,282 |

Describe any significant changes that have taken place during the year, as required by Royal Decree 1362/2007:

| Date of communicat | Total direct shares acquired | Total indirect shares acquired | Total % over share |
|---|---|---|---|
| | | | |

A.9 State the terms and conditions of the existing mandate given to the Board of Directors by the Annual General Meeting to issue, repurchase or transfer treasury shares.

The Board of Directors of Grupo Catalana Occidente, S.A. ("**Grupo Catalana Occidente, S.A.**" or the "**Company**") is authorized and empowered to acquire treasury shares either directly or through subsidiary companies, by any means of acquisition permitted by law, for a term of five years from the date of the resolution approved at the Grupo Catalana Occidente Annual General Meeting held on April 30, 2010, within the limits and subject to the requirements of the Ley de Sociedades Anónimas (Corporations Act), and in particular the following:

(i) The par value of shares acquired, directly or indirectly, when added to those already owned by the acquiring company and its subsidiaries, and, where appropriate, the parent company and its subsidiaries, shall not exceed 10% of the capital of Grupo Catalana Occidente, S.A.
(ii) The acquisition of shares, including those that the company or person acting in his own name but on behalf of that previously acquired and held by it, shall not have the effect of equity, as defined in Article 75 of the Consolidated Companies Law (now Article 146 of the Corporations Act), is less than the amount of capital plus legal or reservations in the bylaws.
(iii) The modes of acquisition may include both sale and exchange as well as any other form of business for consideration, depending on circumstances, of fully paid shares free of any charge or tax that does not result in the requirement for ancillary services.
(iv) The equivalent minimum and maximum purchase price will be the market value reduced or increased by 10%, respectively, on the date on which the transaction in question is finalized.
(v) The duration of this authorization shall be five years from the date of the pertinent Annual General Meeting.

Under this authorization, the Board of Directors will establish an action plan on treasury shares, and may delegate the implementation of the plan to the Chairman of Grupo Catalana Occidente, S.A. In any case such acquisitions must respect the rules and limits contained in the Code of Conduct of Grupo Catalana Occidente, S.A. and its subsidiary companies (hereinafter, the "**Group**" or "**Grupo Catalana Occidente**"), in particular with regard to price.

Also, the acquisitions made based on this authorization may concern actions that are to be delivered to employees or directors of the Company and its subsidiaries, directly or upon exercise of option they hold, for which the treasury shares may be used, or to complete acquisitions under this authorization.

A.10 Explain any restrictions on the transferability of shares and/or any restrictions on voting rights. In particular, report the existence of any type of restriction that could hinder the takeover of the Company through the acquisition of its shares in the market.

**YES**

**Description of the restrictions**

There are no restrictions on voting rights, because each share entitles the holder to one vote. However, under the Articles of Association and under the Regulations of the General Meeting, to attend the Annual General Meeting of Shareholders it is required a minimum of 250 shares registered in the appropriate Accounting Registry, at least five days before the date of the holding of the General Meeting. Shareholders holding fewer shares may group them to complete at least that number, thus appointing a representative among them.

Furthermore, there are restrictions imposed by insurance regulations that set administrative conditions for the direct or indirect acquisition of insurance companies or insurance company stock based on certain thresholds.

A.11 Indicate whether the general meeting has resolved to adopt measures to neutralize a takeover bid under the provisions of Law 6/2007.

NO

Where applicable, explain the measures approved and the terms under which the inefficiency of the restrictions:

A.12 State whether the company has issued any securities that are not traded on a regulated EU market.

NO

Where applicable, indicate the different classes of shares and the rights and responsibilities inherent to each class.

# B. GENERAL MEETING

B.1 State whether there are, and if so describe, any divergence from the minimum requirements contemplated in the Ley de Sociedades de Capital (LSC) regarding the quorum necessary to hold the Annual General Meeting.

**NO**

| | % of quorum other than the one established in article 193 LSC for general purposes | % of quorum other than the one established in article 194 LSC for the special purposes of article 194 LSC |
|---|---|---|
| Quorum required for 1st call | 0 | 0 |
| Quorum required for 2nd call | 0 | 0 |

| Description of the differences |
|---|
| |

B.2 State whether there are, and if so describe, any divergence from the requirements contemplated in the Ley de Sociedades de Capital (LSC) for the adoption of corporate resolutions:

**NO**

Describe how it differs from the provisions in the LSC.

| | Reinforced majority other than the one established in article 201.2 LSC for situations of | Other circumstances where a reinforced majority is required |
|---|---|---|
| % established by the Company for the adoption of resolutions | | |
| | | |
| | | |

B.3 Describe the rules that apply to the amendment of the Company's Bylaws. In particular, indicate the majorities that are needed to amend the Bylaws and, where applicable, the rules in place to protect shareholders' rights in the process of amending the Bylaws.

The rules in place for amending the Bylaws are basically the ones established in the Revised Text of the Capital Companies Act. Article 10 of the Bylaws states that in order for the General Meeting to validly resolve to increase or decrease the capital, and in general to make any other change to the Bylaws, shareholders must adhere to the attendance quorums and the majorities referenced in articles 194 and 201 of the Capital Companies Act.

Moreover, pursuant to the terms of articles 286 and 287 of the Capital Companies

Act, for amendments of the Bylaws the Directors or the shareholders who present motions must draft the entire text of the proposed modifications along with a document explaining the reasons for the proposal, which must be made available to the shareholders in the announcement of the General Meeting at which the amendment will be debated.

Pursuant to article 4.8 of the Regulations of the General Meeting, separate votes must be held on matters that are substantially independent from one another, such as amendments of the Bylaws, in which case the shareholders will vote separately on each article or group of articles with independent contents. However, motions to approve the full text of the Bylaws will be voted on jointly.

B.4 State the attendance data at the General Meetings held during the year referred to in this report the last year's report:

| | Attendance data | | | | |
|---|---|---|---|---|---|
| | | | % distance voting | | |
| General meeting date | % of physical attendance | % represented | Electronic vote | Other | Total |
| April 24, 2014 | 66.447 | 16.058 | 0.000 | 0.003 | 82.508 |
| April 25, 2013 | 67.744 | 7.621 | 0.001 | 0.597 | 75.963 |

B.5 Indicate whether there is any restriction in the Articles of Association on the minimum number of shares required to attend the Annual General Meeting:

YES

| | |
|---|---|
| Number of shares required to attend the General Meeting | 250 |

B.6 State whether certain decisions involving modifications of the corporate structure ("subsidiarisation", purchase-sale of essential operating assets, operations that are equivalent to the liquidation of the company, etc.) must be approved by the General Meeting of Shareholders even if not legally required under commercial law.

NO

B.7 State the address of the Company's website and how to access information on corporate governance and other information on the General Meetings that must be available to the Company's shareholders on the corporate website.

The address of the corporate website is: www.grupocatalanaoccidente.com

The information on corporate governance and general meetings that must be available to shareholders on the corporate website can be found under the heading of "General Meeting of Shareholders" which can be accessed by clicking on the "Shareholders and Investors" tab and then "Corporate Governance".

# C. CORPORATE ADMINISTRATION STRUCTURE

## C.1 Board of Directors

### C.1.1 Maximum and minimum number of Board members as contemplated in the Articles of Association:

| | |
|---|---|
| Maximum number of Board | 18 |
| Minimum number of Board | 9 |

### C.1.2 Complete the following table by stating the Board members:

| Name, or company name, of the Board member | Representative | Position on the Board | Date of first appointment | Date of last appointment | Election procedure |
|---|---|---|---|---|---|
| JOSÉ MARÍA SERRA FARRÉ | -- | PRESIDENT | April 15, 1975 | 25/04/2013 | VOTE AT AGM |
| JS INVEST, S.L. | JAVIER JUNCADELLA SALISACHS | VICE-PRESIDENT | November 25, 2010 | April 28, 2011 | VOTE AT AGM |
| JOSÉ IGNACIO ÁLVAREZ JUSTE | -- | CHIEF EXECUTIVE OFFICER | April 26, 2012 | April 26, 2012 | VOTE AT AGM |
| COTYP, S.L. | ALBERTO THIEBAUT ESTRADA | BOARD MEMBER | February 23, 2012 | April 26, 2012 | VOTE AT AGM |
| FEDERICO HALPERN BLASCO | -- | BOARD MEMBER | November 25, 1993 | 25/04/2013 | VOTE AT AGM |
| INVERSIONES GIRÓ GODÓ, S.L. | ENRIQUE GIRÓ GODÓ | BOARD MEMBER | November 29, 2007 | April 26, 2012 | VOTE AT AGM |
| JORGE ENRICH IZARD | -- | BOARD MEMBER | April 29, 1993 | 25/04/2013 | VOTE AT AGM |
| JORGE ENRICH SERRA | -- | BOARD MEMBER | June 25, 2009 | 24/04/2014 | VOTE AT AGM |
| JUAN IGNACIO GUERRERO GILABERT | -- | BOARD MEMBER | April 28, 2011 | April 28, 2011 | VOTE AT AGM |
| JUSAL, S.L. | JOSÉ MARÍA JUNCADELLA SALA | BOARD MEMBER | April 29, 2010 | 24/04/2014 | VOTE AT AGM |
| LACANUDA CONSELL, S.L. | CARLOS HALPERN SERRA | BOARD MEMBER | April 29, 2010 | 24/04/2014 | VOTE AT AGM |
| HUGO SERRA CALDERÓN | -- | BOARD MEMBER | June 27, 2013 | 24/04/2014 | VOTE AT AGM |
| MARÍA ASSUMPTA SOLER SERRA | -- | BOARD MEMBER | September 24, 2009 | 24/04/2014 | VOTE AT AGM |
| OLANDOR, S.L. | FRANCISCO JAVIER PÉREZ FARGUELL | BOARD MEMBER | April 25, 1996 | 25/04/2013 | VOTE AT AGM |
| VILLASA, S.L. | FERNANDO VILLAVECCHIA OBREGÓN | BOARD MEMBER | June 26, 1997 | April 26, 2012 | VOTE AT AGM |
| FRANCISCO JOSÉ | -- | SECRETARY | January 29, | April 28, 2011 | VOTE AT AGM |

| | | | | | |
|---|---|---|---|---|---|
| ARREGUI LABORDA | | DIRECTOR | 1998 | | |

| Total number of directors | 16 |
|---|---|

Give details of any resignations, dismissals or resignations that have taken place in the Board of Directors in the given period:

| Name, or company name, of the Board member | Office held at the time of cessation | Cessation date |
|---|---|---|
| | | |
| | | |

C.1.3 Complete the following tables on the Board members and their individual status:

## EXECUTIVE MEMBERS

| Name, or company name, of the Board member | Committee that proposed his appointment | Title on the organisational chart of society |
|---|---|---|
| JOSÉ MARÍA SERRA FARRÉ | APPOINTMENTS AND REMUNERATION COMMITTEE | EXECUTIVE CHAIRMAN |
| JOSÉ IGNACIO ÁLVAREZ JUSTE | APPOINTMENTS AND REMUNERATION COMMITTEE | CHIEF EXECUTIVE OFFICER |
| HUGO SERRA CALDERÓN | APPOINTMENTS AND REMUNERATION COMMITTEE | CEO, ADJUNCT TO THE CHAIRMAN |
| FRANCISCO JOSÉ ARREGUI LABORDA | APPOINTMENTS AND REMUNERATION COMMITTEE | BOARD MEMBER – GENERAL MANAGER |

| Total number of executive board members | 4 |
|---|---|
| % of total Board | 25 |

## EXTERNAL PROPRIETARY MEMBERS

| Name, or company name, of the Board member | Committee that proposed his appointment | Name, or corporate name, of the significant shareholder represented, or that nominated the Board member |
|---|---|---|
| JS INVEST, S.L. | APPOINTMENTS AND REMUNERATION COMMITTEE | INOC, S.A. |
| COTYP, S.L. | APPOINTMENTS AND REMUNERATION COMMITTEE | INOC, S.A. |
| FEDERICO HALPERN BLASCO | APPOINTMENTS AND REMUNERATION COMMITTEE | CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A. |
| INVERSIONES GIRÓ GODÓ, S.L. | APPOINTMENTS AND REMUNERATION COMMITTEE | INOC, S.A. |
| JORGE ENRICH IZARD | APPOINTMENTS AND REMUNERATION COMMITTEE | CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A. |
| JORGE ENRICH SERRA | APPOINTMENTS AND REMUNERATION COMMITTEE | CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A. |
| JUSAL, S.L. | APPOINTMENTS AND REMUNERATION COMMITTEE | JUSAL, S.L. |
| LACANUDA CONSELL, S.L. | APPOINTMENTS AND REMUNERATION COMMITTEE | CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A. |
| Mª ASSUMPTA SOLER SERRA | APPOINTMENTS AND REMUNERATION COMMITTEE | INOC, S.A. |
| OLANDOR, S.L. | APPOINTMENTS AND REMUNERATION COMMITTEE | INOC, S.A. |
| VILLASA, S.L. | APPOINTMENTS AND REMUNERATION COMMITTEE | INOC, S.A. |

| | |
|---|---|
| **Total number of proprietary board members** | 11 |
| **% of total Board** | 68.750 |

## EXTERNAL INDEPENDENT BOARD MEMBERS

| Name, or company name, of the Board member | Profile |
|---|---|
| JUAN IGNACIO GUERRERO GILABERT | Degree in Economics and Business from the University of Barcelona. Insurance Actuary from the University of Barcelona. PhD in Financial and Actuarial Mathematics from the University of Barcelona. Board Member - Executive Director of "Domasa Inversiones, S.L." He has served as Chief Executive Officer - Executive Director of "Aresa, Seguros Generales, S.A." |

| | |
|---|---|
| Total number of independent board members | 1 |
| Total % of the Board | 6.250 |

State whether any independent director receives from the Company or its group any payment or benefit for anything other than director compensation or whether that director maintains or has maintained in the last year a business relationship with the Company or any member company of its group, whether in his own name or as a significant shareholder, director or officer of a company that maintains or has maintained such a relationship.

NO

If so, provide an explanation from the Board, giving the reasons why it believes the director should be classified as independent.

| Name, or corporate name, of the board member | Description of the relationship | Statement of reasons |
|---|---|---|
| | | |

## OTHER EXTERNAL BOARD MEMBERS

| Name, or company name, of the Board member | Committee that reported or proposed the appointment |
|---|---|
| | |

| Total number of other external directors | Total % of the Board |
|---|---|
| | |

List the reasons why they cannot be considered proprietary or independent, and their relationships with the company or its executives or with its shareholders:

| Name, or corporate name, of the board member | Reasons | Company, director or shareholders with which/whom there is a relationship |
|---|---|---|
| | | |

Note the changes that may have occurred during the period, if any, in the classification of each board member:

| Name, or company name, of the Board member | Date of change | Former status | Current status |
|---|---|---|---|
| | | | |

C.1.4 Complete the following table on the number of female directors during the last four years and the types of female directors:

| | Number of board members | | | | % of total directors in each category | | | |
|---|---|---|---|---|---|---|---|---|
| | Year t | Year t-1 | Year t-2 | Year t-3 | Year t | Year t-1 | Year t-2 | Year t-3 |
| Executive | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Proprietary | 1 | 1 | 1 | 1 | 6.250 | 6.250 | 5.882 | 6.250 |
| Independent | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other External | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total: | 1 | 1 | 1 | 1 | 6.250 | 6.250 | 5.882 | 6.250 |

C.1.5 Explain any measures implemented to include the right number of women directors on the Board to achieve an even balance of women and men directors.

| Explanation of measures |
|---|
| In accordance with Article 16 of the Regulations of the Board of Directors, the Appointment and Remuneration Committee is entrusted with the basic function of formulating and reviewing the criteria to be followed for the composition of the Board of Directors and the selection of candidates. In particular, the Appointments and Remuneration Committee has ensured, and will continue to ensure, that the processes for candidate selection are not affected by implicit bias preventing selection of female Board members. The committee makes proposals and reports to the Board of Directors, as applicable, with total objectivity, respecting the principle of gender equality based on their professional status, experience and knowledge. This principle has always guided the actions of the Appointments and Remuneration Committee, so there is no need for any additional measures, there being no discrimination to be eliminated. The Company has always sought to recruit the most suitable candidate, regardless of gender. |

C.1.6 Explain any measures implemented by the Appointments Committee to ensure that selection procedures to fill vacancies are not biased in such a way as to raise obstacles for the selection of women which the Company deliberately seeks to include, and do include women that meet the target professional profile among potential candidates:

| Explanation of measures |
|---|
| The Appointments and Remuneration Committee is charged with ensuring that the procedures indicated above are respected and that candidates of both sexes who meet the requirements for the position are considered. |

In the event that, despite these measures, there are few or no women directors, explain the reasons:

| Explanation of measures |
|---|
| The appointment of new Directors depends, to a large extent, on the vacancies that become available on the Board of Directors, which does not happen often. The number of Board members has been reduced in recent years and the only changes have been re-elections or the replacement of legal entity directors with natural person directors |

C.1.7 Explain how significant shareholders are represented on the Board.

Shareholders with significant interests (see part A.2 of this Report) are represented on the Board of Directors by proprietary Directors. The details of the external proprietary directors are contained in part C.1.3 above.

C.1.8 Explain, if applicable, the reasons have been appointed at the request of shareholders whose shareholding is less than 5% of capital:

| Name, or company name, of the shareholder | Justification |
|---|---|
| CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A. | Even though this shareholder does not directly control more than 5% of the shares, as indicated in part A.7 above, this shareholder has indirect control over the Company as this is defined in article 42 of the Commerce Code. |

State if any formal requests for Board membership have not been honoured for shareholders whose stake is no less than those of others upon whose request non-executive Board members have been appointed. If applicable, explain why these requests have not been honoured.

NO

| Name or corporate name of the shareholder | Explanation |
|---|---|
| | |

C.1.9 State whether any member of the Board has ceased to occupy his/her position before the end of his/her term in office, if that Board member explained his/her reasons to the Board and if so what means of communication was used, and, if he/she did so in writing to the entire Board, explain the reasons given by that Board member:

| Name of Board member | Reason for cessation |
|---|---|
| | |
| | |

C.1.10 Indicate, if any, the powers delegated to the Chief Executive Officer/s:

| Name, or company name, of the Board | Brief description |
|---|---|
| JOSÉ MARIA SERRA FARRÉ | The CEO is vested with all of the powers of the Board of Directors with the exception of those that are prohibited by law or by the Regulations of the Board of Directors from being delegated. |
| JOSÉ IGNACIO ÁLVAREZ JUSTE | The Managing Director is vested with all of the powers of the Board of Directors with the exception of those that are prohibited by law or by the Regulations of the Board of Directors from being delegated. He is also authorised to sell, pledge and otherwise transfer and/or encumber the shares and other investments of the companies and entities that are part of the corporate business group, pursuant to the terms of article 42 of the Commerce Code. |

C.1.11 Identify, where appropriate, the board members who are managers or executives in other companies belonging to the group of the listed company:

| Name, or corporate name, of Board member | Name of the group company | Office |
|---|---|---|
| JOSÉ MARÍA SERRA FARRÉ | BILBAO COMPAÑIA ANÓNIMA DE SEGUROS Y REASEGUROS. S.A. | PRESIDENT |
| JOSÉ MARÍA SERRA FARRÉ | GRUPO COMPAÑÍA ESPAÑOLA DE CRÉDITO Y CAUCIÓN. S.L. | BOARD MEMBER |
| JOSÉ MARÍA SERRA FARRÉ | NORTEHISPANA DE SEGUROS Y REASEGUROS. S.A. | PRESIDENT |
| JOSÉ MARÍA SERRA FARRÉ | PLUS ULTRA. SEGUROS GENERALES Y VIDA. S.A. DE SEGUROS Y REASEGUROS | BOARD MEMBER |
| JOSÉ MARÍA SERRA FARRÉ | SEGUROS CATALANA OCCIDENTE. S.A. DE SEGUROS Y REASEGUROS | PRESIDENT |
| JOSÉ MARÍA SERRA FARRÉ | HERCASOL, S.A. SICAV | BOARD MEMBER |
| JOSÉ MARÍA SERRA FARRÉ | INVERSIONS CATALANA OCCIDENT, S.A. | PRESIDENT |
| JS INVEST, S.L. | SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS | VICE-PRESIDENT |
| JOSÉ IGNACIO ÁLVAREZ JUSTE | ATRADIUS N.V. | CHAIRMAN SUPERVISORY BOARD |

| | | |
|---|---|---|
| JOSÉ IGNACIO ÁLVAREZ JUSTE | ATRADIUS CREDIT INSURANCE N.V. | MEMBER SUPERVISORY BOARD |
| JOSÉ IGNACIO ÁLVAREZ JUSTE | BILBAO COMPAÑIA ANÓNIMA DE SEGUROS Y REASEGUROS, S.A. | CHIEF EXECUTIVE OFFICER |
| JOSÉ IGNACIO ÁLVAREZ JUSTE | NORTEHISPANA DE SEGUROS Y REASEGUROS. S.A. | BOARD MEMBER |
| JOSÉ IGNACIO ÁLVAREZ JUSTE | BILBAO HIPOTECARIA, S.A. E.F.C. | BOARD MEMBER |
| JOSÉ IGNACIO ÁLVAREZ JUSTE | CATALANA OCCIDENTE CAPITAL, AGENCIA DE VALORES, S.A. | BOARD MEMBER |
| JOSÉ IGNACIO ÁLVAREZ JUSTE | GRUPO CATALANA OCCIDENTE CONTACT CENTER, AIE | BOARD MEMBER |
| JOSÉ IGNACIO ÁLVAREZ JUSTE | GRUPO CATALANA OCCIDENTE TECNOLOGÍA Y SERVICIOS, AIE | BOARD MEMBER |
| JOSÉ IGNACIO ÁLVAREZ JUSTE | GRUPO COMPAÑÍA ESPAÑOLA DE CRÉDITO Y CAUCIÓN, S.L. | PRESIDENT |
| JOSÉ IGNACIO ÁLVAREZ JUSTE | PLUS ULTRA. SEGUROS GENERALES Y VIDA, S.A. DE SEGUROS Y REASEGUROS | BOARD MEMBER |
| JOSÉ IGNACIO ÁLVAREZ JUSTE | GRUPO CATALANA OCCIDENTE GESTIÓN DE ACTIVOS, S.G.I.I.C., S.A. | BOARD MEMBER |
| JOSÉ IGNACIO ÁLVAREZ JUSTE | SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS | CHIEF EXECUTIVE OFFICER |
| FEDERICO HALPERN BLASCO | SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS | BOARD MEMBER |
| INVERSIONES GIRÓ GODÓ, S.L. | SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS | BOARD MEMBER |
| JORGE ENRICH IZARD | GRUPO COMPAÑÍA ESPAÑOLA DE CRÉDITO Y CAUCIÓN, S.L. | BOARD MEMBER |
| JORGE ENRICH IZARD | SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS | BOARD MEMBER |
| JORGE ENRICH SERRA | SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS | BOARD MEMBER |
| JUAN IGNACIO GUERRERO GILABERT | SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS | BOARD MEMBER |
| COTYP, S.L. | SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS | BOARD MEMBER |
| JUSAL, S.L. | SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS | BOARD MEMBER |
| LACANUDA CONSELL, S.L. | SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS | BOARD MEMBER |
| Mª ASSUMPTA SOLER SERRA | SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS | BOARD MEMBER |
| HUGO SERRA CALDERÓN | ATRADIUS N.V. | MEMBER SUPERVISORY BOARD |
| HUGO SERRA CALDERÓN | ATRADIUS CREDIT INSURANCE N.V. | MEMBER SUPERVISORY BOARD |
| HUGO SERRA CALDERÓN | GRUPO COMPAÑÍA ESPAÑOLA DE CRÉDITO Y CAUCIÓN, S.L. | BOARD MEMBER |
| HUGO SERRA CALDERÓN | SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS | BOARD MEMBER |
| HUGO SERRA CALDERÓN | PLUS ULTRA. SEGUROS GENERALES Y VIDA, S.A. DE SEGUROS Y REASEGUROS | BOARD MEMBER |
| HUGO SERRA CALDERÓN | HERCASOL, S.A. SICAV | BOARD MEMBER |
| | | |

| | | |
|---|---|---|
| HUGO SERRA CALDERÓN | INVERSIONES MENÉNDEZ PELAYO. SICAV. S.A. | BOARD MEMBER |
| OLANDOR, S.L. | SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS | BOARD MEMBER |
| VILLASA, S.L. | SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS | BOARD MEMBER |
| FRANCISCO JOSÉ ARREGUI LABORDA | ATRADIUS N.V. | VICECHAIRMAN SUPERVISORY BOARD |
| FRANCISCO JOSÉ ARREGUI LABORDA | ATRADIUS CREDIT INSURANCE N.V. | MEMBER SUPERVISORY BOARD |
| FRANCISCO JOSÉ ARREGUI LABORDA | BILBAO COMPAÑIA ANÓNIMA DE SEGUROS Y REASEGUROS, S.A. | BOARD MEMBER |
| FRANCISCO JOSÉ ARREGUI LABORDA | BILBAO HIPOTECARIA, S.A. E.F.C. | BOARD MEMBER |
| FRANCISCO JOSÉ ARREGUI LABORDA | CATALANA OCCIDENTE CAPITAL, A.V., S.A. | BOARD MEMBER |
| FRANCISCO JOSÉ ARREGUI LABORDA | CATOC, SICAV, S.A. | PRESIDENT |
| FRANCISCO JOSÉ ARREGUI LABORDA | GRUPO CATALANA OCCIDENTE CONTACT CENTER, AIE | BOARD MEMBER |
| FRANCISCO JOSÉ ARREGUI LABORDA | GRUPO CATALANA OCCIDENTE TECNOLOGÍA Y SERVICIOS, AIE | BOARD MEMBER |
| FRANCISCO JOSÉ ARREGUI LABORDA | GRUPO COMPAÑÍA ESPAÑOLA DE CRÉDITO Y CAUCIÓN, S.L. | BOARD MEMBER |
| FRANCISCO JOSÉ ARREGUI LABORDA | INVERSIONES MENÉNDEZ PELAYO, SICAV, S.A. | PRESIDENT |
| FRANCISCO JOSÉ ARREGUI LABORDA | NORTEHISPANA DE SEGUROS Y REASEGUROS, S.A. | VICE-PRESIDENT |
| FRANCISCO JOSÉ ARREGUI LABORDA | PLUS ULTRA. SEGUROS GENERALES Y VIDA, S.A. DE SEGUROS Y REASEGUROS | BOARD MEMBER |
| FRANCISCO JOSÉ ARREGUI LABORDA | SALERNO 94, S.A. | SOLE REPRESENTATIVE ADMNISTRADOR |
| FRANCISCO JOSÉ ARREGUI LABORDA | GRUPO CATALANA OCCIDENTE GESTIÓN DE ACTIVOS, S.G.I.I.C., S.A. | PRESIDENT |
| FRANCISCO JOSÉ ARREGUI LABORDA | SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS | SECRETARY-DIRECTOR; EXECUTIVE DIRECTOR |

### C.1.12 Name any members of the Board of Directors of the Company who are also Board members of other non-group companies listed on official securities markets, of which the Company has been notified:

| Name, or company name, of the Board member | Name of the listed company | Office |
|---|---|---|
| | | |

## C.1.13 Indicate where appropriate whether the Company has established rules regarding the number of Board of Directors that its Board members may take up:

**YES**

| Explanation of the rules |
|---|
| According to the terms of article 29 of the Board of Directors Regulations, in order to devote the time and effort required to perform their functions effectively, Directors may not sit on more than six Boards of Directors at a time.<br><br>When calculating this number, boards of companies in the Company's group are not taken into account. Nor are companies for which the Board member serves on the board at the proposal of the Company, or of any company in its group, or the boards of family companies of the Board members or their families or companies that serve as vehicles for, or accessories to, the profession of the Board member himself, or that of his spouse or other person having a comparable relationship, or close relatives. Also not taken into account are positions on the boards of companies whose corporate purpose is leisure, third party assistance or aid, or purposes that are similar, complementary or accessory to any of these activities. |

## C.1.14 Indicate the Company's general policies and strategies that must be approved by the full Board:

| | Yes | No |
|---|---|---|
| Investment and financing policy | YES | |
| Definition of the company group structure | YES | |
| Corporate governance policy | YES | |
| Corporate social responsibility policy | YES | |
| Strategic or business planning, in addition to annual management and budget objectives. | YES | |
| Policies on the remuneration and performance evaluations of senior management. | YES | |
| The policy of control and risk management and regular monitoring of internal information and control systems. | YES | |
| Dividend policy, as well as treasury shares, and especially their limits. | YES | |

## C.1.15 List the total remuneration of the Board of Directors:

| | |
|---|---|
| **Remuneration of the Board of Directors (thousands of euros)** | 5,690 |
| **Amount of total compensation that covers the Directors' vested pension rights (thousands of euros)** | 214 |
| **Total remuneration of the Board of Directors (thousands of euros)** | 5,904 |

## C.1.16 Name the members of senior management who are not, also, executive Board members and state the total remuneration accrued in their favour during the financial year:

| Name, or corporate name, | Office/s |
|---|---|
| LUÍS ESTRELLA DE DELÁS | COMMERCIAL MANAGER |
| JUAN CLOSA CAÑELLAS | MANAGER OF THE LIFE BUSINESS |
| DAVID CAPDEVILA PONCE | OPERATIONS MANAGER |
| JOSÉ VILÀ TORTOSA | GENERAL INSURANCE MANAGER |
| FLORENT HILLAIRE | CHIEF EXECUTIVE OFFICER of PLUS ULTRA. SEGUROS GENERALES Y VIDA, S.A. DE SEGUROS Y REASEGUROS |
| JAVIER MAIZTEGUI OÑATE | EXECUTIVE DIRECTOR OF BILBAO COMPAÑÍA ANONIMA DE SEGUROS Y REASEGUROS,S.A. |
| JOSE MANUEL CUESTA DIAZ | CORPORATE INTERNAL AUDITOR |
| AUGUSTO HUESCA CODINA | EXECUTIVE DIRECTOR OF NORTEHISPANA, S.A. DE SEGUROS Y REASEGUROS |

| | |
|---|---|
| **Total remuneration of senior management (in thousands of euros)** | 3,433 |

C.1.17 Specify, if applicable, the identity of members of the Board who are, in turn, members of the Board of companies of significant shareholders and/or its group companies:

| Name, or company name, of the Board member | Name of significant shareholder | Office |
|---|---|---|
| JOSÉ MARIA SERRA FARRÉ | CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A. | PRESIDENT |
| JOSÉ MARIA SERRA FARRÉ | CORPORACION CATALANA OCCIDENTE, S.A. | PRESIDENT |
| JOSÉ MARIA SERRA FARRÉ | LA PREVISIÓN 96, S.A. | PRESIDENT |
| JOSÉ MARIA SERRA FARRÉ | INOC, S.A. | PRESIDENT |
| JOSÉ MARIA SERRA FARRÉ | DEPSA 96, S.A. | PRESIDENT |
| JS INVEST, S.L. | CORPORACION CATALANA OCCIDENTE, S.A. | VICE-PRESIDENT |
| JS INVEST, S.L. | LA PREVISIÓN 96, S.A. | VICE-PRESIDENT |
| JS INVEST, S.L. | INOC, S.A. | VICE-PRESIDENT |
| COTYP, S.L. | CORPORACION CATALANA OCCIDENTE, S.A. | BOARD MEMBER |
| COTYP, S.L. | LA PREVISIÓN 96, S.A. | BOARD MEMBER |
| COTYP, S.L. | INOC, S.A. | BOARD MEMBER |
| FEDERICO HALPERN BLASCO | CORPORACION CATALANA OCCIDENTE, S.A. | BOARD MEMBER |
| FEDERICO HALPERN BLASCO | LA PREVISIÓN 96, S.A. | BOARD MEMBER |
| FEDERICO HALPERN BLASCO | INOC, S.A. | BOARD MEMBER |
| FEDERICO HALPERN BLASCO | DEPSA 96, S.A. | BOARD MEMBER |
| JORGE ENRICH IZARD | CORPORACION CATALANA OCCIDENTE, S.A. | BOARD MEMBER |
| JORGE ENRICH IZARD | LA PREVISIÓN 96, S.A. | BOARD MEMBER |
| JORGE ENRICH IZARD | INOC, S.A. | BOARD MEMBER |
| JORGE ENRICH IZARD | DEPSA 96, S.A. | BOARD MEMBER |
| JORGE ENRICH SERRA | CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A. | BOARD MEMBER |
| HUGO SERRA CALDERON | CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A. | BOARD MEMBER |
| VILLASA, S.L. | CORPORACION CATALANA OCCIDENTE, S.A. | BOARD MEMBER |
| VILLASA, S.L. | LA PREVISIÓN 96, S.A. | BOARD MEMBER |
| VILLASA, S.L. | INOC, S.A. | BOARD MEMBER |
| FRANCISCO ARREGUI LABORDA | CORPORACION CATALANA OCCIDENTE, S.A. | SECRETARY DIRECTOR |
| FRANCISCO ARREGUI LABORDA | LA PREVISIÓN 96, S.A. | SECRETARY DIRECTOR |
| FRANCISCO ARREGUI LABORDA | INOC, S.A. | SECRETARY DIRECTOR |

Give details of any significant relationships, other than those disclosed in the preceding section, between members of the Board of Directors and significant shareholders in the parent Company and/or other companies in its Group:

| Name, or corporate name, of associated Board member | Name, or corporate name, of significant shareholder linked | Description of relationship |
|---|---|---|
| | | |

C.1.18 Indicate whether or not there has been any modification made to the Board Regulations during the year:

**YES**

| Description of changes |
|---|
| Following the recommendations contained in the report of the external auditors, PriceWaterhouseCoopers ("PWC"), on the internal control system of the Company's financial information, on 26 June 2014 the Company's Board of Directors agreed, on the recommendation of the Audit Committee, to amend article 15.7 of the Board Regulations to include the supervision of the financial reporting internal control system and the general internal control system as part of the Committee's basic powers.<br><br>It is also noted that as of the date of this Report, the revised text of the Board Regulations has been approved by the Board following the enactment of Law 31/2014 of 3 December which amended the Capital Companies Action to improve corporate governance ("LSC Reform"). |

C.1.19 Describe the procedures for selection, appointment, reappointment, evaluation and removal of Board members. List the competent bodies, the procedures to be followed and the criteria used in each of the procedures.

Directors will be appointed by the General Meeting or by the Board of Directors in accordance with the provisions of the Capital Companies Act. The appointment procedures, following the approval by the Board of the new revised text of its Regulations to bring them in line with the reformed Capital Companies Act, will be as described below.

The proposed appointments of Board members submitted by the Board of Directors for consideration of the General Meeting and the appointment decisions taken by the Board based on its legally attributed powers of co-option must be preceded by the corresponding report from the Appointment and Remuneration Committee. In addition, independent directors must be proposed by the Appointments and Remuneration Committee to the Board prior to their appointment. Proposals for the appointment of directors must be accompanied by a report of the Board that will be appended to the minutes of the General Meeting or the Board Meeting.

When appointing external directors, the Board of Directors and the Appointments and Remunerations Committee, within the scope of their authority, will strive to ensure that only the most competent and experienced candidates are chosen.

When the Board of Directors submits proposals for the re-election of directors to the shareholders for their consideration at the General Meeting, a specific procedure must be followed which will necessarily include a report issued by the Appointments and Remuneration Committee, except when the directors being re-elected are independent, and a report by the Board. For independent directors, the Appointments and Remuneration Committee must submit a proposal for their re-election to the Board of Directors in advance. When the Board does not heed the recommendations of the Appointments and Remuneration Committee with regard to the appointment or re-election of Board members, it must give the reasons for its decision, which must be recorded in the meeting minutes.

Directors will be appointed for four-year terms of office, although those appointed before 1 January 2014 may serve out their terms even if they exceed four years. One-fifth of the Board or the closest number to one-fifth will be renewed every year. However, they may be re-elected indefinitely with the exception of the independent directors who may never remain in their positions for more than twelve years.

Directors appointed by co-option will continue to hold their seats until the first General Meeting immediately following their appointment, at which time they may or may not be ratified. However, should a vacancy open up between the time the General Meeting is announced and the day it is held, any Directors appointed by co-option will continue to hold their seats until the next General Meeting.

Members will leave office when the term for which they were appointed has passed and when decided at the General Meeting. The proposed cessation of Board members submitted by the Board of Directors for consideration of the General Meeting and the related decisions taken by the Board must be preceded by the corresponding report from the Appointment and Remuneration Committee. For independent directors, the Appointments and Remuneration Committee must submit a proposal for their removal to the Board of Directors in advance. When the Board does not heed the recommendations of the Appointments and Remuneration Committee in this regard, it must give the reasons for its decision, which must be recorded in the meeting minutes.

Any Board member who terminates his or her mandate or for any other reason resigns from office, may not work in another company which has a corporate purpose similar to that of the Company during the period of two years. The Board of Directors may, at its entire discretion, excuse the outgoing Director from this obligation or shorten the period.

The Board may not propose to the General Meeting the removal of any independent Director until his/her term of office has elapsed, except when there is just cause to do so in the opinion of the Board of Directors based on the report of the Appointments and Remuneration Committee. In particular, it will be considered that a proposal for removal is justified when: (i) the Director breaches the duties inherent to the office or when one of the circumstances described in the Unified Code of Good Governance occurs, or (ii) there are changes in the Company's shareholder structure that results in a reduction in the number of independent directors.

## C.1.20 State whether the Board of Directors has evaluated its own performance during the year:

**YES**

Where applicable, explain to what extent the self-evaluation resulted in significant changes to the internal organisation of the Board and its procedures:

| Description of changes |
|---|
| The results of the self-evaluation carried out by means of questionnaires on the operation of the Board of Directors, the performance of the CEO, the performance of the Audit Committee and that of the Appointments and Remuneration Committee were positive a far as the perception of the suitability of the procedures that are currently in place. Therefore, although the Board has made a note of the suggestions and the areas where the Directors feel there is room for improvement, it was not necessary to make significant changes to the procedures. |

## C.1.21 Indicate the cases in which a Board member must tender his/her resignation.

In accordance with the provisions of Article 23.3 of the Board of Directors Regulations, Board members must tender their resignations to the Board of Directors and, if the Board deems appropriate and subject to a report by the Appointment and Remuneration Committee, must resign their positions under the following circumstances:

(i) When they no longer occupy the executive positions associated with their appointment by the Board.
(ii) When they are subject to any of the grounds of incompatibility or prohibition established by the law.
(iii) When they are tried for alleged criminal offences or are subject to disciplinary proceedings for serious or very serious infractions brought by the supervisory authorities.
(iv) At the request of the Board for violation of their obligations as directors.
(v) When their remaining on the Board could compromise the interests of the Company, or the reasons for which they were appointed no longer exist.

C.1.22 State if the same individual performs the functions of Chairman and CEO. If so, explain the measures taken to limit the risks of concentration of power in one individual:

**YES**

| Risk limitation measures |
|---|
| The Company's Board of Directors Regulations require that the Board necessarily appoints a vice chairman among the external directors, to replace the chairman if he is absent or cannot attend, without prejudice to the possibility that there may be other vice chairmen, as stated by the Articles of Association and Board of Directors Regulations. The Rules call for the existence of an Audit Committee composed exclusively of non-executive directors and an Appointments and Remuneration Committee composed exclusively of external directors, which limits the risk of power being concentrated in just one person. In addition, on 26 April 2012 José Ignacio Álvarez Juste was named the CEO of the Company with broad powers, as specified in part C.1.10., which means that the powers of the Board of Directors are not vested exclusively in the Chairman of the Board.<br><br>It is also noted that as of the date of this report, the Board has appointed an independent Director as the Coordinating Director pursuant to the terms of article 529.septies.2 of the Capital Companies Act, vesting him with the pertinent powers. |

State, and if necessary explain, whether rules are in place to allow any independent Board member to call a Board meeting or to include new points on the agenda, in order to coordinate and reflect the concerns of the external Board members and to direct the evaluation by the Board of Directors.

**YES**

| Explanation of the rules |
|---|
| As of the publication date of this Report, Article 9.3. of the Board of Directors Regulations, after the amendment approved by the Board to adapt to the LSC Reform, establishes that when the Chairman is also Executive, one of the independent Board Members can coordinate and give voice to the concerns of external Board Members: to call a meeting of the Board Of Directors or to include new items in the Agenda and to direct the assessment of the Chairman by the Board. Consequently, between the closing date of the fiscal year and the date of this report, the Board agreed on the appointment of an independent director to act as coordinator. |

C.1.23 Are qualified majorities, apart from legal majorities, required for some kinds of decision?

NO

If so, describe the differences.

| |
|---|
| Description of the differences |

C.1.24 State if there are any specific requirements other than those relating to Board members, to be appointed Chairman of the Board of Directors.

NO

| Description of the requirements |
|---|
| |

C.1.25 Indicate whether the Chairman has a casting vote:

NO

| Matters for which he casts the deciding vote |
|---|
| |

C.1.26 State whether the Articles of Association or Board of Directors Regulations establish an age limit for Board members

NO

Age limit for Chairman ☐

Age limit for CEO ☐ Age limit for member ☐

C.1.27 State whether the bylaws or the regulations of the Board establish any limit for independent members, other than those established in the regulations:

NO

| Limit on terms of office | |
|---|---|

C.1.28 State whether the by-laws or the Board Regulations establish specific rules for proxy voting, how proxies are issued and the maximum number of proxies that may be held by one director, and whether the proxy must be delegated to a director in the same category as the principal. If so, briefly describe the rules.

Although there are no formal processes for proxy voting in the Board of Directors, as provided in article 18.1 of the Board of Directors Regulations, Board members are to do everything possible to attend board meetings and when they cannot do so personally, to see to it that proxies they extend to other Board members have the appropriate instructions. As of the date of this report, the rules have been adapted to comply with the terms of the reformed Capital Companies Act in the sense that non-executive directors may only delegate other non-executive directors to represent them.

C.1.29 Indicate the number of meetings held by the Board of Directors during the year. Also describe, if necessary, the times that the Board has met without the assistance of its chairman. The proxies with special instructions are included in the count.

| | |
|---|---|
| Number of Board meetings | 12 |
| Number of Board meetings without the presence of the | 0 |

State the number of meetings held by the various board committees during the year:

| | |
|---|---|
| Number of meetings of the executive or delegate | 0 |
| Number of meetings of the Audit Committee | 5 |
| Number of meetings of the Appointments and Remuneration Committee | 2 |
| Number of meetings of the Appointments Committee | 0 |
| Number of meetings of the Remuneration Committee | 0 |
| Number of meetings of the committee _ | 0 |

C.1.30 State the number of meetings held by the Board of Directors during the year with all its members in attendance. The proxies with special instructions are included in the count.

| | |
|---|---|
| Attendance of Board members | 192 |
| % of attendance over the total number of votes during the | 100 |

C.1.31 Indicate whether the individual and consolidated financial statements presented to the board for approval are previously certified:

**YES**

Give the name(s) and position(s) of the person(s) who certified the company's individual and consolidated financial statements for authorisation by the Board:

| Name | Office |
|---|---|
| JOSÉ IGNACIO ÁLVAREZ JUSTE | CHIEF EXECUTIVE OFFICER |
| FRANCISCO JOSÉ ARREGUI LABORDA | BOARD MEMBER – GENERAL MANAGER |
| CARLOS FELIPE GONZÁLEZ BAILAC | FINANCIAL DIRECTOR |

C.1.32 Give details of any mechanisms established by the Board of Directors designed to avoid having the individual and consolidated financial statements presented to the general meeting with qualifications in the audit report.

As provided in the Articles of Association and the Board of Directors Regulations, the Audit Committee, as a part of its functions, is responsible for:

(i) Supervising the efficacy of internal control of the company, the internal audit and the risk management systems, including the system of internal control over financial reporting, as well as discussing with the auditors the significant weaknesses of the internal control system identified in the performance of the audit.
(ii) To supervise the process of preparing and presenting the regulated financial reporting information.
(iii) Review Company accounts, ensure compliance with legal requirements and the correct application of generally accepted accounting principles.
(iv) Monitor the information which the Board of Directors must approve and include in its annual public communication.
(v) Liaise with external auditors and issue on an annual basis, prior to the issuance of the report on the auditing of the accounts, a report that will express their opinion on the independence of the same.

In carrying out these duties, the Audit Committee meets with the external auditor prior to presentation of individual and consolidated financial statements, reviewing the work performed during the financial year, to assure and certify that up to that time there were no provisos in the audit report.

The auditors' opinion on the annual accounts prepared by the Board of Directors have historically been issued without reservations, as indicated in the information on the Grupo Catalana Occidente, S.A. that can be found on the CNMV website (www.cnmv.es).

C.1.33 Is the secretary of the Board also a Member of the Board of Directors?

YES

C.1.34 Explain the procedures for appointing and removing the Secretary of the Board, stating whether the appointment and removal are reported by the Appointment Committee and approved by the full board.

| Appointment and removal procedure |
|---|
| Under article 13 of the Articles of Association, the Board of Directors is to appoint the secretary, provided the appointment was not made by the General Meeting at the time of election of the Board members or holds that position at the time of his re-election.<br><br>Moreover, article 11 of the Board of Directors Regulations provides that the appointment and removal of the Secretary of the Board of Directors has to be reported by the Appointments and Remuneration Committee and approved by the full Board. Additionally, it is not necessary to be a Board member in order to be appointed secretary of the Board of Directors. |

| | Yes | No |
|---|---|---|
| Does the Appointments Committee report on the appointment? | YES | |
| Does the Appointments Committee report on removal? | YES | |
| Does the full Board approve the appointment? | YES | |
| Does the full Board approve the removal? | YES | |

Is the Secretary of the Board specifically responsible for the Good Governance Code?

YES

According to article 529 octies of the Reformed Capital Companies Act and article 11.4 Board of Directors Regulations, the Secretary ¡s responsible for ensuring the formal and material legality of the Board's actions and for guaranteeing that its procedures and rules of governance are respected and reviewed .

C.1.35 Indicate whether the Company has established mechanisms to maintain the independence of auditors, financial analysts, investment banks and rating agencies.

Pursuant to Article 15 of the Regulations of the Board of Directors, the Audit Committee will be responsible for liaising with the external auditors to receive information on any issues that could jeopardize their independence and the independence of any others related to the account audit development process, as well as other communications stipulated in account audit legislation and technical auditing standards. In any case, they will receive on an annual basis from the audits written confirmation of their independence from the entity or entities linked to it directly or indirectly, and the information of any additional services provided to these entities by the said auditors, or by persons or entities related to them in accordance with the provisions of Revised Text of the Consolidated Accounts Audit Law, approved by Legislative Royal Decree 1/2011, of 1 July. Likewise, one of the responsibilities of the Audit Committee is to issue annually, prior to the issuance of the audit report, a report in which an opinion on the independence of the auditors or audit firms is expressed.

No mechanisms have been developed with regard to financial analysts, investment banks and rating agencies to maintain their independence since there never has been nor is it anticipated that there will be any situation that requires such mechanisms.

C.1.36 State whether the company changed external auditors during the financial year. If so, identify the incoming and departing auditors:

**NO**

| Outgoing Auditor | Incoming Auditor |
|---|---|
| | |

If there were disagreements with the departing auditor, describe the substance:

**NO**

| Explanation of disagreements |
|---|
| |

C.1.37 Indicate if the audit firm provides any non-audit services to the Company and/or Group. If so, state the auditor’s fees for such services in absolute terms and as a percentage of the total fees invoiced to the Company and/or its Group:

YES

| | Society | Group | Total |
|---|---|---|---|
| Fees for non-audit services (thousand euros) | 141 | 422 | 563 |
| Fees for non-audit services / Total fees invoiced by the auditor (%) | 36.061% | 13.86% | 16.39% |

C.1.38 State whether the audit report for the financial statements for the preceding year contains any reservations or Qualifications. If applicable, state the explanation given by the chairman of the Audit Committee on the substance and scope of the reservations or qualifications.

NO

| Explain the reasons |
|---|
| |

C.1.39 Indicate the number of years that the current auditor company has been auditing the financial statements of the Company and/or its group without interruption. Also state how long the current audit firm has audited the Company's financial statements as a percentage of the total number of years for which the Company's financial statements have been audited:

| | Society | Group |
|---|---|---|
| Number of consecutive years | 12 | 12 |

| | Society | Group |
|---|---|---|
| Number of years audited by the present auditing firm as a % of the years for which audits have been performed. | 36.36% | 52.17% |

### C.1.40 Indicate and provide details of the procedure, if any, for Board members to obtain external advice:

**YES**

| Details of the procedure |
|---|
| In accordance with the provisions of Article 26 of the Company's Regulations of the Board of Directors, in order to be assisted in the performance of their duties, external Board Members may request the hiring, at the Company's expense, of legal, accounting, financial and other experts. The consultation must necessarily be in relation to a specific problem of a particular significance and difficultly faced by the director in the performance of his duties. The request to engage external consultants should be made to the President of the Company and may be rejected by the Board of Directors if in its judgment:<br><br>(i) It is not necessary for the proper performance of the functions entrusted to the external Board Members.<br>(ii) The cost is unreasonable given the significance of the problem and the Company's assets and revenues.<br>The technical assistance being sought could just as well be provided by the Company's own experts and technical specialists. |

### C.1.41 Indicate and provide details for any procedure for Board Members to receive the information necessary to prepare the meetings of the governing bodies with sufficient time:

**YES**

| Details of the procedure |
|---|
| According to the provisions of Article 25 of the Company's Regulations of the Board of Directors, Board Members have been vested with the broadest powers to inquire about any aspect of the Company, to examine its books, records, documents and other records of corporate transactions and to inspect all facilities. The right to information extends to subsidiary companies, whether domestic or foreign.<br><br>So as not to disturb the Company's everyday operations, information requests are channeled through the Chairman or the Secretary of the Board of Directors, who respond to the Directors' requests by providing the information directly, proposing the appropriate interlocutors or arbitrating the measures needed to conduct the desired examination and inspection. |

C.1.42 State if the Company has established rules that require Board members to report and, if applicable, resign under circumstances that may prejudice the prestige and reputation of the Company, and if so give details:

YES

| Explain the rules |
|---|
| Art. 23 of the Board of Directors Regulations provides that Board members are to tender their resignations to the Board of Directors and, if the Board deems appropriate, after report from the Appointments and Remuneration Committee, resign their positions under the following circumstances:<br><br>(i) When they no longer occupy the executive positions associated with their appointment by the Board.<br><br>(ii) When they are subject to any of the grounds of incompatibility or prohibition established by the law.<br>(iii) When they are tried for alleged criminal offences or are subject to disciplinary proceedings for serious or very serious infractions brought by the supervisory authorities.<br>(iv) At the request of the Board for violation of their obligations as directors.<br>(v) When their remaining on the Board could compromise the interests of the Company, or the reasons for which they were appointed no longer exist.<br><br>In addition, the Board may not propose to the General Meeting the removal of any independent Director until his/her term of office has elapsed, except when there is just cause to do so in the opinion of the Board of Directors based on the report of the Appointments and Remuneration Committee.<br><br>Based on the foregoing, and noting that over recent years none of the described situations have arisen, the Board members would report any circumstances that could prejudice the credit and reputation of the Company and would resign on request of the Board. |

C.1.43 State whether any member of the Board of Directors has reported to the Company that he has been indicted or tried for any of the crimes stated in article 1213 of the Ley de Ley de Sociedades de Capital (Corporations Act):

NO

| Name of Board member | Criminal | Remarks |
|---|---|---|
| | | |

State whether the Board of Directors has analysed the case. If so, explain the Board's decision as to whether or not the Director should continue to occupy his post or the actions taken by the Board of Directors up to the date of this report or the actions it plans to take.

NO

| Decisions taken/actions performed | Reasoned explanation |
|---|---|
| | |

.

C.1.44 Significant agreements entered into by the Company that will come into force, be modified or terminate in the event of a change in control of the Company resulting from a takeover bid and their effects.

There are no significant agreements entered into by the Company that will come into force, be modified or terminate in the event of a change in control of the Company resulting from a takeover bid.

C.1.45 Identify on an aggregate and individualised basis any agreements between the Company and its directors, officers or employees which contain indemnity clauses, guarantees or "golden parachutes" deriving from early termination of the contractual relationship if their employment ends because of a public takeover bid or any other type of operation.

| | |
|---|---|
| Number of beneficiaries | 0 |

Indicate whether these contracts have to be notified to and/or approved by the company's or group's governing bodies:

| | Board of Directors | Annual General Meeting |
|---|---|---|
| Body authorizing the clauses | x | |

| | YES | NO |
|---|---|---|
| Is the general meeting informed about the clauses? | | X |

## C.2 Committees of the Board

### C.2.1 List all Board of Directors Committees, their members and the proportion of proprietary and independent directors who are members:

**EXECUTIVE COMMITTEE**

| Name | Office | Type |
|---|---|---|
| | | |
| | | |

| | |
|---|---|
| % of executive directors | |
| % of proprietary directors | |
| % of independent directors | |
| % of other external directors | |

**AUDIT COMMITTEE**

| Name | Office | Type |
|---|---|---|
| JUAN IGNACIO GUERRERO GILABERT | PRESIDENT | INDEPENDENT |
| JORGE ENRICH SERRA | MEMBER | PROPRIETARY |
| COTYP, S.L. | MEMBER | PROPRIETARY |
| JS INVEST, S.L. | MEMBER | PROPRIETARY |
| LACANUDA CONSELL, S.L. | MEMBER | PROPRIETARY |

| | |
|---|---|
| % of executive directors | 0 |
| % of proprietary directors | 80% |
| % of independent directors | 20% |
| % of other external directors | 0 |

**APPOINTMENTS AND REMUNERATION COMMITTEE**

| Name | Office | Type |
|---|---|---|
| JS INVEST, S.L. | PRESIDENT | PROPRIETARY |
| JORGE ENRICH IZARD | MEMBER | PROPRIETARY |
| FEDERICO HALPERN BLASCO | MEMBER | PROPRIETARY |
| COTYP, S.L. | MEMBER | PROPRIETARY |
| VILLASA, S.L. | MEMBER | PROPRIETARY |

| | |
|---|---|
| % of executive directors | 0 |
| % of proprietary directors | 100% |
| % of independent directors | 0 |
| % of other external directors | 0 |

## APPOINTMENTS COMMITTEE

| Name | Office | Type |
|---|---|---|
| | | |
| | | |

| | |
|---|---|
| % of executive directors | |
| % of proprietary directors | |
| % of independent directors | |
| % of other external directors | |

## REMUNERATION COMMITTEE

| Name | Office | Type |
|---|---|---|
| | | |
| | | |

| | |
|---|---|
| % of executive directors | |
| % of proprietary directors | |
| % of independent directors | |
| % of other external directors | |

## COMMITTEE OF _

| Name | Office | Type |
|---|---|---|
| | | |
| | | |

| | |
|---|---|
| % of executive directors | |
| % of proprietary directors | |
| % of independent directors | |
| % of other external directors | |

C.2.2 Complete the following table with information on the number of members on each Board Committee over the last four years:

| | Number of board members | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Year t | | Year t-1 | | Year t-2 | | Year t-3 | |
| | Number | % | Number | % | Number | % | Number | % |
| Executive Committee | | | | | | | | |
| Audit Committee | 0 | | 0 | | 0 | | 0 | |
| Appointments and Remuneration | 0 | | 0 | | 0 | | 0 | |
| Appointments Committee | | | | | | | | |
| Remuneration Committee | | | | | | | | |
| Committee of | | | | | | | | |

C.2.3 Indicate which of the following functions are performed by the Audit Committee:

| | Yes | No |
|---|---|---|
| To supervise the process of drawing up the financial information relating to the company and, as the case may be, to the group, as well as the integrity of the said information. Also, to supervise compliance with regulatory requirements, the adequate delimitation of the scope of consolidation, and the correct application of accounting criteria. | YES | |
| To periodically review the internal control and risks-management systems so that the main risks may be identified and properly managed and publicized | YES | |
| To promote the independence and effectiveness of the Internal Audit function; to propose the selection, appointment, re-election, and retirement of the person responsible for the Internal Audit; to propose the budget for this service; to receive regular information on its activities; and to verify that the senior management takes the conclusions and recommendations of its reports into account. | YES | |
| Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm. are reported to Company management | YES | |
| To make recommendations to the Board on the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of its engagement. | YES | |
| Receive regular information from the external auditor on the progress and findings of the audit programme, and verify that Management takes recommendations into account | YES | |
| Ensure the independence of the external auditor. | YES | |

## C.2.4 Describe the organisational and procedural rules and the responsibilities of each Board Committee.

APPOINTMENTS AND REMUNERATION COMMITTEE (CNYR)

1) According to article 16 of the Board of Directors Regulations ( ), the Appointments and Remuneration Committee has between 3 and 5 members, all external Directors. Members of management or other staff members who are required to attend the meetings of the Appointments and Remuneration Committee will cooperate and provide access to the information in their possession.

2) The Appointments and Remuneration Committee will regulate its internal operations, electing a Chairman from among its members. The Appointments and Remuneration Committee may be validly convened when at least one-half of its members are in attendance and resolutions will be passed by absolute majority, with the Chairman casting the deciding vote.

3) The Appointments and Remuneration Committee ensures that there is an orientation program for new Directors to familiarise them with the Company and its corporate governance system. The Appointments and Remuneration Committee only has the power to inform, advise and propose on the matters specified in the Board Regulations , although the Board is not precluded from taking decisions on such matters based on the reports prepared by the Appointments and Remuneration Committee. Decisions that are contrary to the opinion expressed by the Appointments and Remuneration Committee may only be taken with the Board's approval.

4) Its functions are as follows:

(i) Setting the guidelines for the composition of the Board of Directors, for candidate selection and for verifying that they meet the qualification requirements;
(ii) Submitting reports to the Board on Director appointments so the Board can then proceed to appoint them (co-option) or submitting a recommendation to the General Meeting (GM) and proposing the appointment of natural persons to act as the physical representatives of Directors that are legal entities. Report on proposals for removing Board members, proposing the appointment and/or removal of independent directors;
(iii) Report on the appointment and dismissal of the Secretary and Vice Secretary of the Board of Directors;
(iv) Proposing to the Board the members who should be part of the Board's delegated committees;
(v) Reporting on the performance of the Chairman of the Board and/or Chief Executive Officer, on the quality and efficiency of the Board's performance and its internal operations;
(vi) Examining or organising the succession of the Chairman and/or CEO and

making proposals for this to take place in an orderly fashion;

(vii) Proposing policies for compensating Directors and senior management positions who report directly to the Board , the Executive Committees or Managing Directors, as well as the individual compensation and other contractual conditions of executive directors and ensuring that they are observed;

(viii) Reporting on the appointments and removals of senior management positions proposed by the CEO to the Board of Directors and the basic conditions of their contracts;

(ix) Reviewing compensation programmes, considering their appropriateness and performance; reporting on transactions that may involve conflicts of interests, related party transactions and the matters referred to in Section IX of the Board Regulations;

(x) S Setting targets to increase the representation of the underrepresented sex on the Board and devising plans for achieving the target numbers.

AUDIT COMMITTEE (AUC)

1) According to article 15 of the Board Regulations following the reform of the Capital Companies Act, the Board of Directors will create an Audit Committee that will have between 3 and 5 members, all of whom will be non-executive Directors appointed by the Board of Directors. At least two of the members must be independent and one must be appointed based on his or her accounting and auditing knowledge and experience. The Board of Directors will elect a Chairman from among its independent members who will be replaced every 4 years and who may be re-elected one year after the expiration of the last term of office.

2) The Audit Committee may be validly convened when at least one-half of its members are in attendance and resolutions will be passed by absolute majority, with the Chairman casting the deciding vote. Managerial staff and other staff members must cooperate and provide access to all of the information in their possession upon request.

3) Its functions are as follows:

(i) Reporting at the General Meeting on matters raised by the shareholders falling under its jurisdiction;

(ii) Proposing to the Board of Directors and General Meeting the appointment of a firm to be appointed as the external auditors;

(iii) Supervising the efficiency of the Company’s internal control system, the internal controls of financial information, the internal auditors and the risk control systems as well as discussing any significant weaknesses detected with the auditors;

(iv) Dealing with the external auditors and monitoring issues that could jeopardise the independence of the auditors and any other matters related to the auditing process. Receiving the auditor’s written confirmation of its independence from the Company each year;

(v) Issuing annual reports on the auditors' independence;
(vi) Proposing the terms of the external auditors' contracts, the scope of the audit assignment and, if applicable, the removal or non-renewal of the outside auditors;
(vii) Evaluating the results of each audit;
(viii) Reviewing the financial reporting process and internal control systems of the Company, reviewing the Company's accounts and ensuring compliance with legal requirements and proper application of accounting principles;
(ix) Supervising the information the Board of Directors proposes to approve and include in its annual public documentation;
(x) Overseeing compliance with the Code of Conduct, the Board of Directors Regulations and, in general, the Company's corporate governance rules; making proposals for improvements, receiving information and issuing reports on disciplinary measures imposed on members of senior management.

4) The Audit Committee will inform the Board of Directors of all matters requiring reporting prior to the adoption.

C.2.5 State whether there are any Regulations for Board committees, the place where the regulations may be consulted, and any changes that have been made to them during the year. Also state if any voluntary annual report has been prepared on the work of each committee.

APPOINTMENTS AND REMUNERATION COMMITTEE

There are no specific regulations governing the activities of the Board's committees, since they are exclusively regulated by the Board of Directors Regulations. There is a voluntary annual report on the activities of the committee.

AUDIT COMMITTEE

There are no specific regulations governing the activities of the Board's committees, since they are exclusively regulated by the Board of Directors Regulations. Article 15.7 of the Board of Directors Regulations was amended during the year to include the supervision of the internal control system for financial reporting and the internal control system in general among the committee's basic responsibilities. There is a voluntary annual report on the activities of the committee.

Finally, as of the date of this report, the Board of Directors had approved the amended text of its Regulations to bring them in line with the amended Capital Companies Act with regard to the regulation of both committees. It is noted that the descriptions of the rules governing the organisation, operation and responsibilities of the committees described in section C.24 above were drafted in accordance with the revised text of the Board of Directors Regulations.

C.2.6 State whether the composition of the Delegated or Executive Committee reflects the proportions of the different types of members of the Board:

NO

| If not, explain the composition of the delegate or executive committee |
|---|
| Does not apply since there is no Executive Committee |

# D.RELATED PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1 Identify the competent body and explain the procedure for approving transactions with related parties and other group companies.

| Competent body for approving related party transactions |
|---|
| The Board of Directors, with a favourable report from the Appointments and Remuneration Committee or the Audit and Control Committee. |

**Procedure for approving related party transactions**

Notwithstanding the other powers vested in it, the Board of Directors is responsible for the Company's most relevant matters. In particular, through the adoption of resolutions that must be passed according to the provisions of the law or the by-laws, the Board is responsible for the transactions carried out by the Company with Directors, with significant shareholders or shareholders represented on the Board of Directors or persons related to them ("related party transactions"), among other things.

These related party transactions must be authorised by the Board of Directors with a favourable report of the Appointments and Remuneration Committee (which is also obligated to report on any transactions that involve or could involve a conflict of interest) or the Audit Committee. The Directors who are affected by these transactions may not vote on them or delegate their voting rights and must not attend the Board meetings where they are debated and voted on.

However, the authorisation and report of the Appointments and Remuneration Committee will not be necessary when the related party transactions meet all three of the following conditions:

(i) carried out under contracts whose terms are standardized and applied en masse;
(ii) carried out at the market rates, generally set by the supplier of the goods or services concerned; and
(iii) amount does not exceed 1% of the company's annual revenue.

As already mentioned above, according to the Board of Directors Regulations, in the process of discharging its supervisory responsibilities, the Audit Committee has the power to report to the Board of Directors on related party transactions that have not been reported by the Appointments and Remuneration Committee, prior to the passage of motions on those transactions.

Explain whether the approval of related party translations has been delegated and if so what body or persons have been delegated.

**NO**

D.2 List the material transactions involving a transfer of resources or obligations between the Company or its group entities and the Company's significant shareholders:

| There is a voluntary annual report on the activities of the significant shareholder | Name or corporate name of the company or organization of its group | Nature of relationship | Type of operation | Amount (Thousands of Euros) |
|---|---|---|---|---|
| CO SOCIEDAD DE GESTIÓN Y PARTIPACIÓN, S.A. | SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS | CONTRACTUAL | Operating leases | 1.08 |
| DEPSA 96, S.A. | SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS | CONTRACTUAL | Operating leases | 2.74 |
| INOC, S.A. | SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS | CONTRACTUAL | Operating leases | 1.72 |
| CORPORACION CATALANA OCCIDENTE, S.A. | SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS | CONTRACTUAL | Operating leases | 1.72 |
| LA PREVISION 96, S.A. | SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS | CONTRACTUAL | Operating leases | 1.72 |
| INOC, S.A. | SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS | CONTRACTUAL | Purchase option commitments | 463 |
| INOC, S.A. | SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS | DIVIDENDS | Dividend distribution | 4,312 |
| CORPORACION CATALANA OCCIDENTE, S.A. | GRUPO CATALANA OCCIDENTE, S.A. | DIVIDENDS | Dividends and other distributable profits | 19,114 |
| LA PREVISION 96, S.A. | GRUPO CATALANA OCCIDENTE, S.A. | DIVIDENDS | Dividends and other distributable profits | 18,287 |
| | | | | |

D.3 List the material transactions involving a transfer of resources or obligations between the Company or its group entities and the Company's directors or executives:

| Name or company name of directors or managers | Name or company name of related party | Relationship | Nature of operation | Amount (Thousands of Euros) |
|---|---|---|---|---|
| JUSAL, S.L. | GRUPO CATALANA OCCIDENTE, S.A. | DIVIDENDS | Dividends and other | 3,660 |

D.4 Report of any relevant transactions entered into by the Company with other companies belonging to the Group, unless the transactions are eliminated in the process of preparing the consolidated financial statements and, as regards their subject matter and terms, are part of the ordinary course of the Company's business.

In all cases, transactions between group companies carried out with entities in countries or territories considered to be tax havens must be reported:

| Name of the entity within the group | Brief description of | Amount |
|---|---|---|
| SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS | PROPERTY RENTAL | 37.2 |
| SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS | LOAN | 367,474.4 |
| BILBAO, COMPAÑÍA ANÓNIMA DE SEGUROS Y REASEGUROS, S.A. | LOAN | 120,985.3 |
| SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS | LOAN INTEREST ACCRUAL | 8,311 |
| BILBAO, COMPAÑÍA ANÓNIMA DE SEGUROS Y REASEGUROS, S.A. | LOAN INTEREST ACCRUAL | 3,183.7 |

D.5 State the value of the transactions carried out with other related parties.

D.6 Give details of the mechanisms in place to detect, determine and resolve any conflicts of interest between the Company and/or Group, on the one hand, and its Board members, executives or significant shareholders, on the other.

Article 33 of the Company's Regulations of the Board of Directors provides that Board members must notify the Board of Directors of any conflict, direct or indirect, they may have with the interests of the Company.

If a Board member has a conflict of interest in a given transaction, that Director must refrain from participating in the transaction. In particular, the Directors must abstain from attending and participating in the deliberations affecting the matters in which they may have a personal interest.

Board members may not directly or indirectly engage in a significant professional or business transaction with the Company, unless they give prior notice of the conflict 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 give a generic approval to the type of transaction.

In any event, significant transactions undertaken between the Company and its Board members and, in general, conflicts of interests in which the Board members find themselves, directly or indirectly, will be noted in the annual corporate governance report, as indicated in the applicable legislation and article 45 of the Board of Directors Regulations.

D.7 Is more than one Group company listed in Spain?

**NO**

Identify the subsidiaries listed in Spain:

| Listed subsidiaries |
|---|
| |

State whether the different lines of business and the business relationship between them as well as the relationship between publicly listed subsidiaries and the rest of the group companies have been precisely and publicly defined.

**NO**

| Define the business relationship between the parent company and the publicly listed subsidiary and between the latter and the other group companies |
|---|
| |

Identify the mechanisms in place to resolve potential conflicts of interest between the publicly listed subsidiary and the other group companies:

| Mechanisms for resolving potential conflicts of interest |
|---|
| |

# E. RISK CONTROL AND MANAGEMENT SYSTEM

## E.1 Explain the scope of the Company's Risk Control System.

The Company's Risk Control System works holistically, consolidating this management by business, activity, subsidiary and support area at the corporate level.

The Group identifies and establishes, among other aspects, (i) the different types of risks facing the group, (ii) the level of risk deemed acceptable, (iii) the mechanisms to mitigate the impact of the risks identified, should they 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.

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 application processes of this ORSA Policy is performed both for the Consolidated Group and the different companies of the traditional insurance business and credit insurance business.

The Group defines its risk strategy as the level of risk it is willing to take to achieve the targets set in its strategic plan and annual guidelines. Moreover, it stipulates risk limits controlled by the management units with the objective of appetite and tolerance levels included in the ORSA Policy are being adhered to, thus ensuring that both are aligned with day-to-day business.

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 company, as ultimately responsible for risk management, approves the ORSA report specifying the capital consumption projection and capital available for the plan's medium-term time horizon (three years).

The Company is currently working on adapting the risk management policies to meet future legislative requirements.

## E.2 Identify the corporate bodies responsible for preparing and implementing the Risk Management System.

The Board of Directors is responsible for the Group's general policies and strategies and, in particular, the general risk control and management policies. The Board of Directors, on the recommendation of the Group's Management Committee, approves the master lines of the policy, while the Boards of Directors of the individual companies are responsible for implementing the risk strategies. In addition, the Group's Management Committee is responsible for periodically monitoring the implementation and enforcement of the internal information and control systems. Moreover, certain departments within the Group have assumed the responsibility for ensuring that the Risk Management System is correctly implemented. This includes:

(i) At the corporate level, the Internal Control Department coordinates the prevention or mitigation of all significant operational risks in order to ensure compliance with the Group's risk strategy. To do so, the processes at each individual entity are described, the risks associated with each process are identified and the controls used to mitigate them are defined.

(ii) At the corporate level, the Solvency Area which reports directly to the Group's general management, whose primary mission is to promote and encourage a valid capital model for managing the Company's overall risks and those of all member companies of the Group. In this sense, during 2014 various internal risk control committees have been held involving the heads of the various Group companies, in order to standardize criteria and coordinate the capital model.

Finally, the appropriateness, effectiveness and compliance with the controls established by these departments are audited by the Corporate Internal Audit area.

## E.3 State the main risks that may affect the company's achievement of its business objectives.

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

1. Technical risks inherent to the non-life insurance line:

According to Directive 2009/138/CE of 25 November 2009 ("DS II"), technical risks are understood as the premium and reserve risks that arise when a policy is underwritten.

Premium risk occurs when it is possible that the volume of expenses and claims exceeds the volume of premiums received for a specified period. Meanwhile, it is considered that a reserve risk occurs when the volume of reserves may contain a calculation error or because, given the stochastic nature of future claim payments, the actual compensations could fluctuate around its statistical mean value.

2. Specific credit and surety risks associated with the non-life insurance line:

The risks inherent to credit insurance are concentrated in (i) an increase in the default rate on the portfolio of credit insurance policies and (ii) breaches by the clients of surety products. Given its special idiosyncrasies, the credit insurance line has its own risk authorisation systems and processes and there are limitations on the powers of sales personnel. The greater the amount to be insured, the decision about whether or not to insure a risk requires the authorization from one or more persons at higher hierarchical levels. Even people of higher hierarchical levels have authorization limits.

3. Technical risks inherent to the life insurance line

For life insurance products, according to the DS II, the risks faced by this line of business can be divided into different risk groups: (i) biometric (which includes the risks of mortality, longevity, morbidity/disability); (ii) diminishing portfolio; (iii) costs; (iv) adjustment; and (v) catastrophe. The variability of each one of these risks compared to its mean statistical value is the origin of a potential loss.

4. Financial risks

According to DS II, financial risks are those arising as a consequence of (i) interest rate fluctuations and spreads; (ii) variations in equity and real estate prices; (iii) the concentration of investments; (iv) liquidity shortages; (v) the volatility of foreign exchange rates; and (vi) adverse changes in the financial situations of securities issuers, counterparties and any other debtors to whom the Group is exposed. These risks are subjected to specific monitoring.

5. Operational Risks

The Group has always been characterised by its self-control culture, although due to the future implementation of Solvency II, it has worked on the classification of the greater operational risks of the Group according to the future regulatory framework. Solvency II defines operational risk as the risk of loss of inadequate or poorly functioning internal processes, staff or systems, or as a result of external events.

In general terms, operational risks can be divided into:

(i) Legal risks

(ii) IT risks

(iii) HR risks

(iv) Commercial risks

(v) Inadequate and erroneous measurements.

## E.4 State whether the entity has a risk tolerance level.

Grupo Catalana Occidente and its subsidiaries have risk tolerance levels commensurate with the risk strategies defined by the Group. Based on the Group's overall risk strategy, the risk strategies of the individual companies are then defined.

## E.5 State whether any of these risks has materialised during the year.

No significant risks materialised during the year aside from the ones evaluated as part of the standard capital calculation formula mandated by DS II.

## E.6 Explain the plans in place for responding to and supervising the main risks faced by the entity.

The main risks faced by the Group are those associated with the sale of its products on the one hand and the financial risks inherent to those products on the other.

The actions taken by the Company and Group to monitor and control these risks include:

1. Technical risks or those associated with the non-life insurance line:

(i) Monitoring the technical standards adequate for policy underwriting.

(ii) Product analysis, aimed at determining the adequacy of premiums and technical provisions;

(iii) Use of reinsurance, following a policy allowing the Group to retain as much business as possible, in so far as its scale of operations and solvency allow. The Group only works with companies that have high solvency rating and the necessary financial and managerial capabilities;

(iv) Appropriate policies and actions to ensure the profitability of policies; and

(v) Capital calculation.

In 2014, the Group made progress on the development of measures to unify the calculation methods and standards for all Group entities that sell products in these lines of insurance. Progress was also made on the implementation of the *Appraisal Value* and work was done to standardise the different criteria from one company to the next.

In 2015, the Actuarial Department will be consolidating the values of some companies that had previously been using an *appraisal value* system and will assume the responsibility for coordinating the calculation of this indicator for the traditional business at the Group level.

2. Technical risks or those associated with the life insurance line:

(i) Monitoring the technical standards adequate for policy underwriting.

(ii) Product analysis, aimed at determining the adequacy of premiums and technical provisions;

(iii) Sensitivity analysis of the product portfolio;

(iv) Adoption of appropriate policies and actions to ensure profitability of policies; and

(v) Quantification of *European Embedded Value*.

During 2014 the Group has continued to advance in its will to strengthen the control, quantification and monitoring of the risks. Strengthening the lines of coordination between the different companies and between the unites involved in business management and control (finance, information systems, management control, and sales, among others). Enabling management tools and indicators to improve business performance in the future. The plans are to continue working along these lines.

3. Financial risk:

(i) Classification of assets in managed portfolios based on different characteristics (required yields, risks, liquidity, etc.);

(ii) Analysis and monitoring of credit risk (below-investment-grade investments require express approval) and monitoring of concentration risks by sector, currency and country of the portfolio under management.

(iii) ALM analysis of obligations contracted with the insured customers.

(iv) Portfolio variability analysis;

(v) Sensitivity analysis and future scenarios; and

(vi) Monitoring capital requirements pursuant to Solvency II and those associated with rating agencies' investment risk appraisals.

This analysis and control is done both individually and on a consolidated basis. An investment policy approved by the Board of Directors also exists, which determines the types of assets appropriate for investment, diversification limits, as well as the main control systems established.

In addition to the measures already mentioned, the Corporate Internal Control Department and the Internal Audit Department oversee the appropriateness, effectiveness and compliance with the established controls.

4. Operational Risk:

To mitigate operational risk, the Group runs a software tool that allows monitoring and quantification.

Process-related risks and controls 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. Additionally, we continue to work at quantifying the possible loss that may be incurred by failure to carry out controls.

This system allows the Group to follow an appropriate risk audit, and it is appropriate to fulfil Solvency II rules.

The Group likewise ensures compliance with the various regulations applicable to entities comprising the Group through audits carried out by various Departments. Of these, the following are worth noting:

(i) Legal and General Secretariat Department: Its objectives include to ensure, within the organization of the various Group companies, proper compliance with legal regulations, and that these are applied consistently.

(ii) 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.

(iii) Corporate Internal Audit Department: This department, under General Management, is responsible for seeing that the above bodies have successfully implemented the control and self-control measures stipulated by the Group, with regard to regulatory compliance risk.

# F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS IN RELATION TO THE ENTITY'S FINANCIAL REPORTING PROCESS (FRICS) (FINANCIAL REPORTING INTERNAL CONTROL SYSTEM)

Describe the mechanisms that make up the risk management and control systems in relation to the entity's financial reporting process (FRICS) *(Financial Reporting Internal Control System)*

## F.1 Company's control environment

Indicate the main characteristics of the following, at least:

### F.1.1. Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective FRICS; (ii) its implementation; and (iii) its supervision.

The following corporate bodies and functions are responsible for maintaining an adequate FRICS and for supervising it:

(i) Board of Directors The Regulations of the Board of Directors delegates to the Board of Directors the Group's general policies and strategies and, in particular, the policies of risk management and control, as well as the regular monitoring of internal information and control systems.

By virtue of this empowerment, the Company's Board of Directors has formally assumed the responsibility for the existence, design, implementation, operation and maintenance of FRICS.

(ii) Audit Committee: The Audit Committee is composed of five Board members and is chaired by an independent director. The members are appointed based on their knowledge of and experience in the fields of accounting and auditing.

The Board of Directors Regulations specify that the basic functions of the Audit Committee include:

(a) Supervising the effectiveness of the Company’s internal controls system, including the internal control of financial reporting, internal audit and risk management systems; and

(b) Knowing and supervising the preparation and presentation of the financial information regulated. Reviewing the company's accounts, monitoring compliance with legal requirements and the correct application of generally accepted accounting principles.

According to these functions, the Audit Committee is responsible for monitoring FRICS and the preparation and presentation of financial information within the framework of the internal control system.

(iii) Senior Management: The Corporate Internal Audit rules states that senior management is responsible for implementing the measures necessary to ensure that the organisation maintains an appropriate system of internal control and specifically internal control of financial information, including an internal audit function at the highest level to supervise FRICS.

(iv) Corporate Internal Audit Department: As the Corporate Internal Audit rules state, it is responsible for promoting internal control, for assessing the level of control applied and for making recommendations to improve these controls if deemed appropriate.

Additionally, the rules specify that the Corporate Internal Audit Department, which reports hierarchically to the Audit Committee, will assist senior management and the Board of Directors in an efficient and effective manner in assessing and monitoring the Company’s internal control system including FRICS.

F.1.2. If the following exist, especially with regard to the process of preparing financial reporting information:

- Departments and/or mechanisms responsible for: (i) designing and revising the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) ensuring that there are sufficient procedures in place for proper distribution throughout the Company.

  The Company’s Board of Directors is responsible for defining the structure of the corporate group of which the Company is the parent and for its internal organisation. It is therefore up to the Board to design, update and revise the organisational structure at the request of the Company’s senior management. The organisational structure of the Group is published on the Company’s corporate website.

  Each area defines its own resource requirements together with the Human Resources Department.

The Catalana Occidente Group has 112 “standard” job descriptions, 25 of which correspond to positions relating to FRICS, and in 2014 three more were documented. These descriptions are prepared by the person occupying the position under the supervision of his or her manager. Currently, the Human Resources Department only has job descriptions for positions that have technical or supervisory responsibilities. The plan is to gradually include job descriptions for the entire staff.

Between the time when the information is generated by the subsidiaries until it is approved by the Board of Directors, each step is defined on a timeline that is known to all of the parties involved. The Corporate Control Department is responsible for monitoring and updating the timeline, and other departments become involved at different times depending on the information that needs to be incorporated and distributed. Once approved by the Board of Directors or the Management Committee, the information is distributed in internal memos that are sent by email to the employees notifying them that the information is available on the corporate Intranet.

- Code of conduct, approval body, dissemination and instruction, principles and values included (indicating whether there is specific reference to record-keeping and preparation of financial information), the body responsible for investigating breaches and proposing corrective or disciplinary actions.

The Company has a Code of Ethics approved by the Board of Directors (see section F6) that contains the principles and values governing the actions of its directors, employees and agents in the performance of their functions and in their commercial and professional relationships, acting in accordance with the laws and respecting the ethical principles set out in the Code.

The Code of Ethics applies to all directors and employees of Grupo Catalana Occidente, S.A., regardless of their position and status within the Group, and all subsidiaries and economic interest groups of which they are members, whose headquarters are located in Spain or Andorra (collectively, "Catalana Occidente Group") as well as the network of associated agents and collaborators. The Code of Ethics has been widely distributed in internal memos and is also available on the corporate website.

The general principles and values of the Code of Ethics are: (i) integrity and honesty; (ii) impartiality; (iii) transparency and confidentiality; (iv) professionalism; and (v) corporate social responsibility.

As for the preparation of financial information, Article 4.2 of the Code of Ethics states that the economic and financial information reported by Grupo Catalana Occidente must faithfully reflect its equity and its economic and financial situation according to generally accepted accounting principles and all applicable international financial reporting standards. To this end, Grupo Catalana Occidente will not conceal or manipulate economic or financial information and will provide complete, accurate and truthful information.

Anyone who is bound by the Code of Ethics is prohibited from concealing or manipulating economic or financial information of Grupo Catalana Occidente and there are mandatory policies and procedures in place to prevent money laundering and terrorist financing designed to prevent clients from making irregular payments with money obtained from illegal or criminal activities. All parties must actively cooperate in detecting and monitoring such situations following the internal rules of Grupo Catalana Occidente.

Moreover, the Company has a Code of Conduct (Internal Code of Conduct pursuant to the terms of Decree 629/1993 of May 3 on the rules of conduct for securities markets and mandatory registrations) which was approved by the Board of Directors on 27 March 2003. It is published on the Company's corporate website and is available to those affected by it.

The aforementioned Code of Conduct is mandatory for the following persons and must be formally accepted by them:

(i) Directors and members of senior management;
(ii) The staff of the Office of the Chairman or Secretary;

(iii) The Company's significant shareholders;
(iv) Staff members who work in areas related to stock market operations, including transactions with treasury stock, investor relations, periodic public reporting and reporting of relevant events; and
(v) Anyone else specifically included on the list by the Chairman of the Board of Directors in view of the circumstances in each case.

The Code of Conduct includes rules of conduct in relation to securities and financial instruments, relevant information, insider trading, and operations with treasury stock.

These rules refer to the use of inside information, the obligation to report operations performed by the Company or on behalf of related parties, the obligation to report potential conflicts of interest, to distribute and report relevant information, and the policy governing operations with treasury stock.

Following the recommendations of the CNMV dated 18 July 2014, Elena Nabal Vicuña, the Director of Investment for the Group, was appointed to oversee treasury stock.

The Code of Conduct assigns the following functions to the Secretary of the Board of Directors, who is charged with monitoring the matters covered by the Code of Conduct:

(i) Keeping an updated list of the people bound by the Code of Conduct at all times, including the dates on which the Code of Conduct started or ceased to be applicable to such persons, and making these records available to the competent authorities;
(ii) Being informed of purchases, sales or disposals of securities or financial instruments carried out by people who are bound by the rules of the Code of Conduct, either for themselves or on behalf of related parties;
(iii) Being informed of potential conflicts of interest affecting the people bound by the Code of Conduct, because of their family, economic or other relationship with a member company of the same business group as the Company and answering questions about the potential existence of a conflict of interest;
(iv) Closely monitoring the quoted prices of securities and financial instruments during the secrecy period and the news items published by the media and professionals specialising in economic reporting;
(v) Distributing relevant information as necessary, after consulting with the Chairman of the Board;
(vi) Keeping records of treasury stock transactions;
(vii) Providing the Code of Conduct to those affected by it and;
(viii) Keeping files of all communications, notifications and other documents related to the obligations contained in the Code of Conduct.

The Company's Audit Committee is charged with supervising compliance with the Code of Conduct and Code of Ethics and making proposals as needed to improve it and keep it up to date. This Committee is also charged with handling possible violations of the Code of Conduct and the Code of Ethics and taking measures accordingly.

- A Whistleblower Channel that allows the Audit Committee to be notified of financial and accounting irregularities, in addition to violations of the Code of Conduct and irregular activities within the Company, informing as to whether this can be done confidentially.

The Board of Directors Regulations stipulate that the Audit Committee may establish and oversee a mechanism that allows the Directors, Group employees and the network of agents and associates to report serious irregularities, especially in the finance and accounting areas, confidentially and if need be, anonymously.

Under the Regulations and the terms of the Code of Ethics the company has instructions in place on "How to Proceed in Cases of Irregularities and Fraud" (Whistleblower Channel in the terminology used by the CNMV) that take place within the Catalana Occidente Group.

The procedure considers the possibility that anyone bound by the Code can report irregularities detected by email, which are then forwarded to the Corporate Internal Audit Department.

Irregularities can also be reported by regular post.

In particular, the email and postal addresses where such reports should be made are included in the Whistleblower Channel rules that can be found on the Company's Intranet. They are therefore easily accessible to all affected parties. The above notwithstanding, even if the channels provided are not used it does not mean that the reports of abuse received will not be analysed by the Corporate Internal Audit Department.

In those cases where the person reporting wishes to remain anonymous, the rules state that this must be specifically indicated by the person making the report.

In order to guarantee confidentiality and anonymity, the Director of the Corporate Internal Audit Department is the only person who has access to the email set up to receive such reports. In these cases, the Director of Corporate Internal Audit will ensure that the name of the person who reports the irregularity does not appear in the auditor's report on the irregularity.

The procedure also makes provisions for prioritising the reports received based on the amounts involved so that the pertinent internal control reports can be drafted along with the frequency with which they must be notified to Senior Management and the Audit Committee.

- Training programmes and periodic refresher courses for the personnel involved in preparing and reviewing financial information and for evaluating FRICS. The minimum topics covered must include accounting standards, audits, internal control and risk management.

The Company offers financial staff members involved in preparing and reviewing financial information the chance to receive ongoing training, which is either provided internally or externally through courses and seminars.

With regard to internal training in particular, the management of the financial area, in collaboration with the Human Resources Department, analyses the training and refresher needs of the personnel in that area on a regular basis, as well as the implication of new tax or accounting regulations for their work. In fiscal year 2014, a total of 2,193 hours of training, both internal and external, was completed 77 attendees. Most notable in terms of the training offered was that which focused on (i) Solvency II credit risk; and (ii) project management and cost-benefit analysis in the insurance sector, where 12 training events totally 260 classroom hours were attended by 22 employees.

## F.2 Risk assessment of financial information

Report, at least, on:

### F.2.1. The main characteristics of the risk identification process, including the risk of fraud and/or error, inasmuch as:

- Whether such a process exists and is documented.

The Company has identified risks, both business (Internal Control Department) and financial (Department of Management and Planning Control). In this regard, the Company has defined two types of risk:

(i) Risk that the information is generated erroneously.
(ii) Risk that the information is generated at the wrong time.

The risk of fraud is understood to be included in the first type. These risks have been identified as a result of the implementation of a risk identification process (although there is no formal document in this regard) involving the collaboration of the Management Control and Planning Department, the Internal Control Department and external consultants.

The risks associated with generating erroneous or late financial information are identified for each and every one of the processes involving financial information used by the Company and the member companies of the Group. This risk identification process is monitored continuously, especially for the most materially significant processes (billing, provisions, losses, etc.) and is formally documented. The Financial Reporting Internal Control Unit, which is part of the Management Control and Planning Department, is responsible for reviewing and updating the process.

The Company is working on the development of a set of procedures containing detailed flowcharts and narratives related to the process of obtaining and preparing financial information. The unit responsible for reviewing and updating these procedures is the Financial Reporting Internal Control Unit. Additionally, these procedures describe the controls identified to mitigate the key risks referred to above, with special emphasis on (i) the control activity, (ii) the person(s) responsible for it, (iii) the frequency and (iv) the documentation required to run the control. These procedures are part of FRICS and as such they follow the planned protocol which calls for the information to be controlled from the time it is generated by the Company and/or the members companies of the Group until it reaches the Board of Directors of the Company, having first passed through the Finance Department and General Management, among other filters.

In order to document any issues that may arise, there is an incident log where the analysis of the incident is reflected along with the solution adopted and, where necessary, an action plan to improve the risk identification process and controls.

- Whether the process covers all aspects of financial reporting (existence and occurrence, integrity; valuation; presentation, disclosure and comparability; rights and obligations), whether it is updated regularly and, if so, how often.

The risk identification process is focused on the risk of the financial reporting information being generated with errors or the risk of the information being delayed. (The financial assertions have not been separately identified). The processes in which financial information is generated are analysed at least once a year with the aim of identifying the risk of possible errors.

- The existence of a process for identifying the consolidation framework, bearing in mind that there may be complex corporate structures and special purpose vehicles or entities (SPV/SPE), among other things.

The scope of accounting, management and tax consolidation are defined and identified according to current regulations and they are reviewed and updated when there are direct or indirect changes to the Company's shareholder composition or that of any Group entity, when a Group company creates or acquires a company outside of the consolidation scope, when there is a business reorgansiation process (merger, spin-off) or when a company is wound up or liquidated.

The process of defining and identifying the scope of consolidation is handled by the Company's Corporate Accounting Department, which in turn notifies the Management Control and Planning Department of any changes or adjustments to be made to the consolidation parameters.

- Whether the process takes other types of risks into account (operational, technological, financial, legal, reputational, environmental, etc.) to the extent that they affect the financial statements.

Within the financial reporting environment, in addition to the operational, financial and legal risks inherent to the economic sector in which the Company and the member companies of its Group operate, the technological risk is significant.

To mitigate this risk, there are certain specific control for each process which are described in Section E.3 above. The Company also has a technological contingency plan in place which has been approved, formalised, implemented and testes.

- Which one of the Company's governing bodies supervises the process.

The Company's Audit Committee is the government body in charge of periodically supervising FRICS so as to ensure that the systems are capable of identifying, managing and adequately publicizing the most serious risks.

Furthermore, the Board of Directors of the Company is responsible for handling the general policies and strategies of the Company, including the risk control and management policy, as well as regular monitoring of FRICS. Specifically, this risk control and management policy aims to identify:

(i) The different types of risk that the Company faces, including in financial or economic risks, contingent liabilities and other off-balance sheet risks;

(ii) The level of risk that Company considers acceptable;

(iii) The measures envisaged to mitigate the impact of identified risks, if they materialize; and

(iv) The FRICS to be used to control and manage these risks, including contingent liabilities and off-balance risks.

## F.3 Control activities

State whether the following exists and, if so, describe the main characteristics:

### F.3.1. Procedures for reviewing and authorising financial information and description of the FRICS to be reported to the stock markets, and persons responsible for the. Documentation that describes the activity flows and controls (including those relative to the risk of fraud) of the different types of transactions that can have a material effect on the financial statements, including closing procedures and special reviews of the most relevant judgments, estimates and forecasts.

The Audit Committee reports to the Board of Directors prior to the latter approving the financial information that must be published by the Company periodically, ensuring that the interim reporting is prepared using the same accounting criteria as for the annual accounts and determining the need for a limited or full review by the external auditors.

The procedure for reviewing the financial information is as follows:

(i) The different departments (IT, General and Life Insurance, Accounting, Financial Investments) prepare the financial information that is then reviewed by the person in charge.

(ii) The Management Control and Planning Department validates the accuracy of the financial information before it is published on the corporate website and reported to Directorate General of Insurance and Pension Funds (DGSFP).

(iii) Reports are drafted every six months summarising the auditors’ main conclusions.

The procedure for the year-end close is clearly documented. In 2015, this procedure will be included in the set of documents that describes the Financial Reporting Processes, including workflows and controls. The procedure for special reviews of the most relevant judgments, estimates and forecasts is not documented.

All of the standards used to calculate the different aggregates that are part of the financial reporting are defined and documented in the procedures described in point F.2.1 and are therefore known to all of the parties involved. The same authorisation protocol was followed for these as the one established in the Company's FRICS.

F.3.2. Internal control policies and procedures for information systems (safe access, change control, operations, continuity of operations and segregation of functions, among others) that support the entity's relevant processes in relation to the preparation and publication of financial information.

The Company has policies, standards and procedures for guaranteeing the safety and reliability of the information. The following are some of the written documents that deal with the internal control of information systems:

(i) System for confidential access to mainframe computer applications that contains a description of the system covering all possible environment;

(ii) Systems Maintenance and Development Standard detailing the safety, data validation and change maintenance/management requirements;

(iii) Information Safety Policy that includes the safety guidelines for information systems defined in standard ISO/IEC 27001. This is the internationally recognised and approved gold standard for information safety;

(iv) Business Continuity Standard which details the contingency plans for (a) guaranteeing continuity, (b) recovering lost data; and (c) recording transactions if the regular systems for doing so are interrupted;

(v) Change Control and Management which details the standards that guarantee its effectiveness;

(vi) Separation of Functions, which is described as an internal control measure that guarantees the reliability and integrity of the information, the compliance with standards, policies and laws, and the protection and appropriate use of assets; and

(vii) When a new computer application is acquired, the internal and external validation procedures, testing and user validation defined by the Company's Corporate Operations Department are run according to the policies in place for this purpose.

### F.3.3. Internal control policies and procedures intended to supervise the management of the activities outsourced to third parties and the evaluation and calculation responsibilities entrusted to independent experts which can have a material effect on the financial statements.

There is a procedure manual for supplier selection that is part of the Code of Ethics regulations and is available to all parties who are bound by it. The manual describes the procedures for hiring external suppliers under different circumstances, depending on the requirements to be met and establishes the verification process designed to determine the suitability of the supplier: aptitude, capacity price, business continuity and solvency, among other criteria.

The outsourced process that has the greatest impact on financial reporting is the financial derivatives process. In this case, the Financial Investment Department supervises the third party's activities and any discrepancies that are detected are reported to the Director of Finance, who has a procedure for making the necessary adjustments.

## F.4 Information and communication

State whether the following exists and, if so, describe the main characteristics:

### F.4.1. There is a specific area in charge of defining accounting policies and keeping them up to date (accounting policies area or department) and resolving any interpretative questions or conflicts that may arise by keeping the lines of communication open with the people in charge of operations at the Company. There is also an accounting policy handbook that is kept up to date and distributed to the Company's operating units.

The Corporate Accounting Unit which reports to Corporate Finance is responsible for defining and coordinating the accounting policies of the Company and the member companies of the Group. In particular, one of this units many functions is to analyse the regulatory changes that can affect the Company's accounting policies and the member companies of the Group, oversee the application of those policies and, if necessary, coordinate any internal changes that may affect the flows of financial information inasmuch as accounting policies are concerned.

Corporate Accounting Committee meetings are held to discuss any questions or conflicts that may arise surrounding the interpretation of accounting policies ((an average of about two per year) attended by the heads of the different Spanish Accounting entities formed the consolidated group entity. Also occur monthly Financial Management Committees attended by CFOs in the Spanish entities comprising the Company's consolidated group. These committees are treated incidents generated during the period and track doubts about interpretations and accounting policies and planning of accounting closings of the Entity and the Spanish entities within the consolidated group is performed.

In addition, the Accounting Coordination Subcommittee meets once a month with Atradius NV, the Dutch company that is a member of the Catalana Occidente Group. Those committee meetings are attended by the Company's Director of Finance and Control, the Director of Accounting and Corporate Accounting, the Director of Finance of Atradius NV and the Directors of Corporate Accounting, Consolidation and Reporting, among others. Some of the issues addressed at these meetings include incidents and questions surrounding accounting standards and their interpretation and other relevant aspects related to the companies' accounting. Minutes of these meetings are drafted for internal use._

Finally, the Company, as the parent of a consolidated group, is in the process of preparing an accounting policy handbook. Once it is finished, it will be distributed to all members of the Corporate Accounting Committee on the Hyperion Financial Reporting ("**HFM**") platform.

F.4.2. Mechanisms for gathering and preparing standardised financial information that apply to and are used by all business units and that support the primary financial statements and notes to the financial statements, as well as detailed information on FRICS.

The consolidated financial information of Grupo Catalana Occidente is prepared using the HFM financial reporting platform.

The member companies of Grupo Catalana Occidente use different accounting applications and then upload their information to the HFM platform on a monthly basis using the Financial Data Quality Management (FDM) application and Excel Smart View templates that meet the content and format design requirements.

Once the information is uploaded and consolidated, the financial reporting information is available to both the parent company and the subsidiaries in a standardised format.

A series of checks is in place to guarantee the reliability of the accounting data, which is also contrasted with the published management information.

## F.5 Supervision of systems operations

Describe the main characteristics of:

F.5.1. The supervision of FRICS carried out by the Audit Committee supervisory and whether there is an internal audit function whose responsibilities include assisting the Audit Committee with the task of supervising the internal control system, including FRICS. Also, describe the scope of the FRICS evaluation performed during the year and the procedure whereby the person responsible for the evaluation reports his or her findings, and whether the entity has an action plan with the corrective measures referred to in the evaluation, considering the impact on the financial information.

The supervisory activities of the Audit Committee are described in section F.1.1. (ii) above.

Also, as indicated in section F.1.1, there is a Corporate Internal Audit Department that reports hierarchically to the Audit Committee. This Department supports the Committee in its supervision of the internal control system.

In particular, the Corporate Internal Audit statute specifies that the Director of the Corporate Internal Audit area must inform the members of the Audit Committee of the audits that it plans to conduct during the year report to the Committee directly on the audits performed.

The Company's internal audit area assists Senior Management and the Board of Directors efficiently and effectively in evaluating and supervising the Company's internal control system, including FRICS.

As far as the resources available to the Corporate Internal Audit area, it is staffed by sixteen people including the Director and the auditors of the Company's subsidiaries. Internal Audit staff members are full time employees who devote all of their time to this work.

The audits are conducted by the Corporate Internal Audit Area according to an annual plan that is approved by the Audit Committee.

The Company has an internal document titled "Internal Audit Procedure and Methodology" which describes the steps involved in an audit and sets the guidelines for conducting audits in a uniform and standardised way. This methodology divides the audit into three natural and chronological stages:

(i) its planning,

(ii) field work, the audit and

(iii) the audit report.

Once the audit has been conducted following the established procedure, the Corporate Internal Audit area makes recommendations if the need for corrective actions is detected in the process. These recommendations are forwarded to the audited unit. If the audited unit agrees with them, the recommendations then become mandatory. If the audited unit does not agree with the recommendations, the dispute is submitted to the Audit Committee, which then decides whether or not they should be implemented.

The Corporate Internal Audit area keeps records of all recommendations made and the deadlines by which they must be implemented by the audited units. Once the deadline has elapsed, Internal Audit asks the units for information to verify that the recommendations have in fact been implemented, in those cases where the auditors have informed that the recommendations have been met. Once this is verified, the Director of the Corporate Internal Audit area reports back to the Audit Committee on the recommendations that have been implemented and whether they were on time or late as well as those that are pending implementation and whether they are on time or late.

In 2014, the Financial Reporting Internal Control Unit assigned to the Management Control and Planning Department of Seguros Catalana Occidente S.A de Seguros y Reaseguros, which reports to the Director of Finance, was in charge of coordinating the projects related to FRICS for the Company, specifically the description of the identified processes.

Thanks to the control environment created, there have been no serious incidents in recent years and the few minor incidents that have occurred were quickly detected and corrected.

As a result, the development and implementation of FRICS requires little more than documenting the tasks and controls that are performed on a regular basis by the employees responsible for preparing the financial information. Along these same lines the Company is identifying the processes related to financing reporting and a document is being drafted that will contain all relevant information on these processes, including examples of evidence of the controls performed, in order guarantee a certain degree of uniformity. This document is approved by the representatives of the units involved and appended to the approval certificate which is accessible to all of the parties involved. The document must be reapproved every time there are significant changes and at least once a year.

Regarding the scope of the evaluation of FRICS performed during the year, in 2014 an Independent Expert, **PWC**, reviewed the documentation on four of the processes completed at two Group companies, Seguros Catalana Occidente, S.A. de Seguros y Reaseguros and Nortehispana de Seguros y Reaseguros, S.A., as well as the documentation on three of the processes completed by Bilbao Compañía Anónima de Seguros y Reaseguros, in order to identify the FRICS-related risks and validate the controls, assess integrity and consistence of the financial information and diagnose the internal control environment existing in the areas in question. Overall, the actions undertaken for the creation of FRICS are considered appropriate and the results of the analyses have been satisfactory for the most part. Following this review process, some of the recommendations proposed by the Independent Expert have already been implemented. Between the implementation of FRICS and the current date, PWC has reviewed sixteen of the twenty processes identified (mainly management and accounting).

Also during this time, progress has been made in the analyses being conducted to incorporate all of the financial reporting controls agreed upon when the internal production tool was being developed last year. This will allow the people responsible for preparing the financial information to confirm whether or not they agree that the controls have been properly executed and even to attach evidence of the most critical controls. This tool will allow the control system to be adapted to the Company’s specific needs before they are gradually implemented by the rest of the Group companies.

In addition, the Director of the Corporate Internal Audit plans to evaluate FRICS annually, starting with the processes that were initially outsourced to PWC for review, evaluating four processes per year. The other processes that are subsequently outsourced to PWC or other external experts for review will be incorporated gradually until all twenty processes indicated above have been reviewed (at which time a new multi-year cycle of process auditing will begin).

As already mentioned, FRICS will be supervised one process at a time until all existing processes have been verified. This supervision consists of verifying that the procedures described for each process and the controls documented in those procedures are followed when obtaining information relative to the process under review, checking to make sure that the procedures have been applied when obtaining the information through the last day of each calendar quarter. It also consists of evaluating whether or not the controls in place are sufficient to ensure the reliability of financial information to be obtained.

In particular, in 2014, of the twenty processes identified as generating financial reporting information the Corporate Internal Audit area audited the four processes that were reviewed by PWC in 2012. There are plans to extend this audit in the year 2015 to the next four processes reviewed by PWC in 2013.

F.5.2. State whether there is a discussion procedure whereby the auditor (pursuant to the terms of NTA), the internal audit and/or other experts are able to communicate with senior management, the Audit Committee or the Company's directors to report any serious weaknesses found in the internal control system during the review of the annual accounts any other work entrusted to them. Also, state whether there is an action plan for correcting or mitigating any weaknesses encountered.

The rules of the Corporate Internal Audit area state that the Director of the Corporate Internal Audit area may make recommendations following each audit performed, if necessary.

Moreover, as noted in section F.5.1 above, the Corporate Internal Audit area reports to the Audit Committee on all recommendations made, including those with which the audited units do not agree. It is then up to the Audit Committee to decide whether they should be implemented. Internal Audit also reports to the Audit Committee on the follow-up and implementation of the recommendations and/or the weaknesses identified.

In this regard, the interim audit reports and related information are forwarded to the director or manager of the audited unit, who must then indicate in writing whether they agree or disagree with the conclusions/or recommendations before the report is sent to Group's Management Committee and the Audit Committee.

In addition, every six months the Corporate Internal Audit Department issues a progress report containing details of (i) the audits conducted during the first half of the year and the entire year, respectively, indicating if there were any incidents detected/recommendations made; (ii) a risk map of the audited activities; and (iii) a list of significant irregularities and and/or fraud detected and follow-up on the implementation of the recommendations. Also, along with each audit an action plan is proposed and the weaknesses detected/recommendations made are monitored.

Meanwhile, for audits that are conducted by external auditors in collaboration with the Corporate Internal Audit area, the recommendations are reviewed before the results of their audits and any weaknesses detected are forwarded to the Secretary of the Board of Directors.

## F.6 Other relevant information

It should be noted that subsequent to the date of this Annual Corporate Governance Report, on 29 January 2015 the Company's Board of Directors approved a new version of the Code of Ethics and its regulations, including (i) a Protocol for the Head of Criminal Enforcement at Grupo Catalana Occidente; (ii) a protocol on how to proceed in cases of irregularities and fraud (Whistleblower Policy); (iii) Protocol on how to proceed when court documents are received; and (iv) a Procedure Handbook. Supplier selection; (V) Protocol of action for inspections; and (vi) Protocol for detecting conflicts of interest with public sector entities in order to adapt the documents to the latest legislative developments the on criminal liability of legal entities .

It is anticipated that the Code of Ethics and its regulations will be adopted by the various members of Grupo Catalana Occidente in the coming months.

## F.7 External auditor's report

Report of:

F.7.1. Whether the FRICS information reported to the markets is reviewed by an external auditor, in which case the entity should include the auditor's report. Otherwise, a reason should be given for not having done so.

The FRICS information contained in this Annual Corporate Governance Report will be reviewed by the Company's external auditor, Deloitte, S.L. If necessary, the Company will include the report issued by the external auditors along with the information reported to the markets.

# G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of the Company's compliance with the recommendations of the Unified Code of Good Governance.

If any recommendations are not followed or are only partially followed, please provide a detailed explanation of the reasons for this so that shareholders, investors and the market in general have enough information to evaluate the Company's conduct. General explanations are not acceptable.

1. That the bylaws of listed companies do not limit the maximum number of votes that one shareholder can cast, or impose other restrictions on taking control of the Company through the acquisition of shares in the market.

   See sections: A.10, B.1, B.2, C.1.23.

   Complies

2. That when the parent company and a subsidiary are traded both accurately define:

   a) The different lines of business and the business relationship between them, if any, as well as the relationship between publicly listed subsidiaries and the rest of the group companies;

   b) The mechanisms in place to resolve possible conflicts of interest that may arise.

   See sections: D.4 and D.7

   Not applicable

3. That even when not expressly required under Company law, operations involving a fundamental modification of the Company structure will be subject to the approval and ratification of the Annual General Meeting, in particular the following:

   a) The transformation of listed companies into holding companies through "subsidiarisation", or reallocating core activities carried out to date by the Company itself to subsidiary companies, even though the core company retains full control of the activities;

   b) The acquisition or disposal of key operating assets that would effectively alter the Company's corporate purpose.

c) Operations whose effect is equivalent to the liquidation of the Company.

See section: B.6

Complies

4. That detailed proposals on the resolutions to be approved by the Annual General Meeting, including information referred to in Recommendation 27, be made public at the time of the Call of the Annual General Meeting.

Complies

5. That those issues that are substantially independent will be voted on separately at the Annual General Meeting, so that shareholders can exercise their voting preferences separately. This rule applies in particular to:

a) The appointment or ratification of Board members, who must vote on individually;

b) In the event of amendments to the Articles of Association, each item or group of items that is substantially different.

Complies

6. Companies should allow votes to be split, so that financial intermediaries who are entitled as shareholders, but who act on behalf of different clients can vote according to their instructions.

Complies

7. That the Board will perform its duties with unity of purpose and independent judgement, treating all shareholders equally and in the interest of the company, this being understood as progressively maximizing the economic value of the company.

The Board will also ensure that the company abides by the respective laws and regulations in its relations with stakeholders, performs its obligations and contracts in good-faith, respects the customs and best practice of the sectors and territories where it conducts business, and upholds any additional social responsibilities that it has voluntarily accepted.

Complies

8. That the Board assumes, as its core mission, approval of the strategy of the Company and the organization required to implement, monitor and ensure management compliance with the set objectives as well as respecting the corporate objectives and interests of the Company. To this end, the Board in full reserves the right to approve:

a) The general policies and strategies of the Company, in particular:

   i) The strategic or business plan, management aims and annual budgets;
   ii) The investment and finance policy;
   iii) The design of the structure of the corporate group;
   iv) Corporate governance policy;
   v) Policy on corporate social responsibility;
   vi) The policy on remuneration and performance appraisals of senior managers;
   vii) The policy of control and risk management and regular monitoring of internal information and control systems.
   viii) The dividend and treasury shares policy and, in particular, the limits applied to them.

   See sections: C.1.14, C.1.16 and E.2

b) The following decisions:

   i) Appointment and removal of management board members and their severance packages as proposed by the Company's Chief Executive Officer.
   ii) The remuneration of Board members and, in the case of executive Board members, the additional remuneration for their duties and other contract conditions.
   iii) The financial information that must be disclosed periodically by the Company as a publicly listed entity.
   iv) Investments or transactions considered strategic in nature because of their amount or special characteristics, unless their approval corresponds to the Annual General Meeting;
   v) The creation or acquisition of shares in special purpose vehicles or entities domiciled in countries or territories considered tax havens, or transactions or operations of a similar nature whose complexity may reduce the transparency of the Group.

c) Transactions between the Company and its Board members, shareholders or board representatives, or persons related thereto ("related-party transactions").

   Board authorisation shall, however, not be necessary in those related party transactions that fulfil the following three conditions simultaneously:

   1st. They are conducted under contracts whose conditions are standardized and applied en masse to many customers;

   2nd. Carried out at the market rates, generally set by the supplier of the goods or services concerned; and

3rd. Amount does not exceed 1% of the company's annual revenue.

It is recommended that related-party transactions only be approved when there is a favourable report from the Audit Committee or, where appropriate, from another committee assigned this role, and that the Board members involved should not exercise or delegate their vote. They are to be absent from the meeting room while the Board deliberates and votes.

It is recommended that the powers conferred to the Board should not be delegated, with the exception of those mentioned in points b) and c), which may be adopted by the Delegate Committee for emergency reasons and subsequently ratified by the full Board.

See sections: D.1 and D.6

Complies

9. That the Board should ideally comprise no less than five nor more than fifteen members in the interests of efficiency and participation.

See section: C.1.2

Explain

The size of the Board of Directors of the Company meets the specific characteristics and needs of the group of companies of which the company is the parent. Also, the size of the Board of Directors mentioned favours wealth of views and does not cause, in any way, the loss of capacity for deliberation of the board, the cohesion of the same or the inhibition of Board Members.

10. That external and independent non-executive Board members constitute an ample majority of the Board and the number of executive Board members will be the minimum necessary, considering the complexity of the group and the percentage of participation of the executive Board members in the capital of the Company.

See sections: A.3 and C.1.3.

Complies

11. That among the external Board members, the ratio between the number of non-executive and independent Board members should reflect the proportion between the capital of the company represented on the Board by the non-executive Board members and the rest of the capital.

This proportionality can be relaxed so that the weight of the non-executive Board members is greater than the percentage of capital they represent:

1st. In highly capitalized companies where few or no equity stakes reach the legal threshold for significant shareholdings, but there are shareholders with shareholdings of a high absolute value.

2nd. In the case of companies with a plurality of shareholders represented on the Board who are not otherwise related.

See sections: A.2, A.3 and C.1.3

Complies

12. That the number of independent Board members should represent at least one third of total Board members.

See section: C.1.3

Explain

The Company believes that on the basis of the composition of the capital, the structure of the Board of Directors is appropriate and respects the continuity of the rules and principles of corporate governance that the Company has been implemented and whose results have always been considered satisfactory. The Company also believes that it sufficiently fulfils the purpose of this recommendation that, in accordance with the Código Unificado de Buen Gobierno, is that no shareholder exercises significant influence in the Board regarding their participation in the capital. Finally, the Company believes that Board Members must, by virtue of their legal duties of diligent management. loyalty and defence of social interest, defend the interests of the Company and its shareholders above all other circumstances. Furthermore, it is noted that as of the date of this report, the Board had appointed a new independent director by co-option, until the next Annual Meeting, whose inclusion increased the presence of independent directors on the Board.

13. That the nature of each Board member be explained by the Board at the Annual General Meeting which will propose or ratify his appointment. This confirmation should be reviewed or confirmed annually in the Corporate Governance Report, after verification by the Appointments Committee. Said report will also explain the reasons for which non-executive Board members were appointed on request of shareholders whose stake is less than 5% of the share capital and, where appropriate, the reasons for requests not being addressed. Also, formal requests for Board participation from shareholders whose shareholding is equal to or greater than that of others whose requests have been appointed.

See sections: C.1.3 and C.1.8

Complies

14. If there are few or no female directors, the Appointments Committee ensures that when vacancies arise:

a) The selection procedures are not implicitly biased against the selection of female Board members;

b) The company makes a conscious effort to include women who meet the target profile as candidates.

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4.

Complies

15. That the Chairman, as the person responsible for the proper operation of the Board of Directors, will ensure that Board members receive sufficient information prior to Board meetings, encourage debate and the active participation of Board members in Board meetings, safeguard their right to freely express opinions and adopt positions, and organize and coordinate with the Heads of the relevant Board Committees a periodic review of the Board as well as, where appropriate, the Chief Executive Officer or Chairman.

See sections: C.1.19 and C.1 41

Complies

16. That when the Chairman of the Board is also the Company CEO, one of the independent Board members will be empowered to convene a Board meeting or include new business on the Agenda, to coordinate and express the concerns of the non-executive external Directors and to lead the Board's evaluation of its Chairman.

See section: C.1.22

Complies

17. The Secretary of the Board should take special care to ensure that the actions of the Board:

a) Adhere to the spirit and letter of laws and regulations, including those approved by the regulators;

b) Are in accordance with the company's Bylaws, and with the Regulations of the Shareholders' Meeting, those of the Board and any others the company may have;

c) Take into account the recommendations on good governance contained in this Unified Code, which the company has accepted.

And, to safeguard the independence, impartiality and professionalism of the Secretary, his appointment and removal will be proposed by the Appointments Committee and approved by the full Board; the appointment and dismissal procedure will be detailed in the Board of Directors Regulations.

See section: C.1.34

Complies

18. That the Board will meet as often as necessary in order to perform its duties, following a schedule of dates and agendas set at the start of the financial year. Each Board member may propose points on the agenda not initially envisaged.

See section: C.1.29

Complies

19. That absences be kept to the minimum and quantified in the Annual Report on Corporate Governance. And if proxy attendance is required, it is conferred with instructions.

See sections: C.1.28, C.1.29 and C.1.30

Complies

20. That when Board members or the Secretary, express concerns about a proposal or, in the case of Board members, about the Company's performance and such concerns are not resolved at the meeting, a complete record will be made in the minutes at the request of person who voiced the concern.

Complies

21. That the full board should evaluate once a year:

a) The quality and efficiency of the Board;

b) Based on the report submitted by the Appointments Committee, the performance of the Chairman and the CEO in the execution of their duties;

c) The performance of its Committees, based on the reports they submit.

See sections: C.1.19 and C.1.20

Complies

22. That all Board members are able to exercise their right to receive any additional information that they require on issues of the Board's authority. And, unless the Articles of Association or the Board Regulations state otherwise, such requests should be addressed to the Chairman or Secretary of the Board.

See section: C.1.41

Complies

23. That all directors are entitled to call the company in order to fulfil their duties. The Company should provide suitable channels for the exercise of this right. In special circumstances this may include external advice at the Company's expense.

See section: C.1.40

Complies

24. That companies should establish an induction program that provides new Board members with sufficient knowledge of the Company and its corporate governance rules. Board members should also be offered refresher programs as circumstances dictate.

Complies

25. That companies will require their Board members to devote sufficient time and effort to perform their duties effectively and, as such:

a) Board members must inform the Appointments Committee of their other professional obligations, lest they interfere with the required level of dedication;

b) Companies should establish limits on the number of Boards that Board members may sit on.

See sections: C.1.12, C.1.13 and C.1.17

Complies

26. That the appointment or re-election of Board members proposed by the Board at the Annual General Meeting and any interim appointments made by co-option will be approved by the Board:

    a) A proposal from the Appointments Commission, in the case of independent Board members.

    b) Subject to a satisfactory Appointments Commission report, in the case of other Board members.

    See section: C.1.19

Complies

27. That companies should post the following Board Members' particulars on their website and keep them updated:

    a) Professional experience and background;

    b) Directorships held in other companies, listed or not.

    c) Indication of the category the Board Member belongs to (executive, non-executive or independent), indicating, in the case of non-executive Board members, the shareholder they represent or are related to.

    d) Date of first and subsequent appointments as a member of the Company's Board of Directors;

    e) Shares in the company and share options they hold.

Complies

28. That non-executive Board members should resign when the shareholders they represent fully dispose of their shareholding in full. They are also required to do so, in the appropriate number, when the shareholder reduces his shareholding to a level that requires a reduction in the number of Board members.

    See sections: A.2, A.3 and C.1.2

Complies

29. That the Board of Directors will not propose the removal of independent Board

members before the expiry of their tenure, except when a just cause is acknowledged by the Board, acting on an Appointments Committee report. In particular, it is understood that just cause exists when the director breaches the duties inherent to his position or loses his independent status due to circumstances, in accordance with the provisions of Order ECC/461/2013.

The removal of independent Board members can also be proposed when a takeover bid, merger or other transaction involves a change in the Company's capital structure in order to meet the criterion of proportionality stated in recommendation 11.

See sections: C.1.2, C.1.9, C.1.19 and C.1.27

Complies

30. Companies should establish rules obliging board members to report and, if necessary, resign in cases that could damage the image and reputation of the company and, in particular, to inform the Board of any criminal cases in which they are involved as accused, and their subsequent legal procedures.

If a Board member is accused of or tried for any of the crimes stated in Article 213 of the Ley de Sociedades de Capital, the Board will examine the case as soon as possible and, in view of particular circumstances, decide whether or not the Board member should remain in office. The Board will report such decisions in a reasoned manner in the Corporate Governance Report.

See sections: C.1.42, C.1.43

Complies

31. That all Board members should express clear opposition when they feel a proposal submitted to the Board may be contrary to the corporate interest. In particular independents and other Board members not affected by the potential conflict of interest, should do likewise in the case of decisions that may negatively affect the shareholders not represented on the Board.

And, when the Board adopts significant or reiterated decisions about which the Board member has expressed serious reservations, he should draw the appropriate conclusions and, if he chooses to resign, explain the reasons in the letter referred to in the following recommendation.

This recommendation also applies to the Secretary of the Board, even when he is not a Board member.

Complies

32. That when a Board member ceases to hold office before his tenure expires, whether by resignation or otherwise, he must explain the reasons in a letter sent to all Board members. And regardless of whether the resignation is filed as a significant event, the reason must be explained in the Annual Report on Corporate Governance.

    See section: C.1.9

    Complies

33. That remuneration by way of payment in Company or Group company shares, stock options or share-based instruments, payments tied to company performance or pension schemes, will be limited to executive Board members.

    This recommendation does not apply to the delivery of shares when Board members are obliged to retain them until the end of their tenure.

    Complies

34. That the remuneration of external non-executive Board members be sufficient to reward the dedication, skill and responsibility that the position demands, but not so high as to compromise their independence.

    Complies

35. That the remuneration linked to Company results take into account any deductions that are set out in the report of the external auditor that reduce such results.

    Complies

36. That in the case of variable remuneration, remuneration policies should include limits and technical safeguards to ensure that those fees are related to the professional performance of the beneficiaries and do not merely proceed from general market or performance or that of the Company's area of activity or other similar circumstances.

    Complies

37. That where there is an Executive or Delegate Committee (hereinafter "Delegate Committee"), the ownership structure of the different categories of Board members, similar to those of the Board and its secretary, will be that of the Board.

    See sections: C.2.1 and C.2.6

    Not applicable

38. The Board must always be kept aware of the issues discussed and decisions taken by the Delegate Committee and all board members will receive a copy of the minutes of the meetings of the Delegate Committee.

Not applicable

39. That in addition to the Audit Committee required by the Ley del Mercado de Valores, the Board of Directors will set up a committee, or two separate committees, on Appointments and Remuneration.

The rules governing the composition and operation of the Audit Committee and the Appointments and Remuneration committee or committees are set forth in the Board of Directors Regulations, and include the following:

a) That the Board will appoint the members of these committees taking into account the knowledge, skills and experience of the Board members and the duties of each committee; discuss their proposals and reports; and before the Board give account, in the first full Board following their meetings, of their activity and the work performed;

b) These committees are composed exclusively of external non-executive Board members with a minimum of three. This is without prejudice to the attendance of executive Board members or Management Board members, if agreed expressly by the members of the Commission.

c) That Committee Chairmen must be independent Board members.

d) They may employ external advisors when deemed necessary for the performance of their duties.

e) Meetings are to be written and a copy of the minutes sent to all Board members.

See sections: C.2.1 and C.2.4

Complies

40. That the task of monitoring compliance with internal codes of conduct and corporate governance rules is attributed to the Audit Committee, the Appointments Committee, or, if they exist separately, to the Compliance or Corporate Governance Committees.

See sections: C.2.3 and C.2.4

Complies

41. That all members of the Audit Committee, and particularly its Chairman, are appointed taking into account their knowledge and experience in terms of accounting, audit or risk management.

Complies

42. That listed companies have an internal audit function under the supervision of the Audit Committee, to ensure the smooth operation of information and internal control systems.

See section: C.2.3

Complies

43. That the head of the internal audit function will submit an annual work plan to the Audit Committee, and report directly to it on any issues arising during its implementation, in addition to submitting an activity report at the end of each year.

Complies

44. That the risk control and management policy will identify at least the following:

a) The different types of risk (operational, technological, financial, legal, reputational...) that the Company faces, including in financial or economic risks, contingent liabilities and other off-balance sheet risks;

b) The level of risk that Company considers acceptable;

c) The measures envisaged to mitigate the impact of identified risks, if they materialize;

d) The internal reporting systems and controls used to control and manage these risks, including contingent liabilities and off-balance sheet risks.

See section: E

Complies

45. That the role of the Audit Committee will be:

1st. As regards internal control and reporting:

a) That the main risks identified as a result of supervising the effectiveness of the Company's internal control systems and internal audits, where applicable, are properly managed and disclosed.

b) To promote the independence and effectiveness of the Internal Audit function; to propose the selection, appointment, re-election, and retirement of the person responsible for the Internal Audit; to propose the budget for this service; to receive regular information on its activities; and to verify that the senior management takes the conclusions and recommendations of its reports into account.

c) Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties in the firm, in particular financial or accounting irregularities.

2nd. With respect to the external auditor:

a) Receive regular information from the external auditor on the progress and findings of the audit programme, and verify that senior management is acting on its recommendations.

b) Ensure the independence of the external auditor and to this end:

i) The company will inform any change of auditor to the CNMV as a significant event, accompanied by a statement regarding any disagreements with the outgoing auditor and, if they existed, for their content.

ii) In the event of resignation of the external auditor, to examine the circumstances surrounding the resignation.

See sections: C.1.36, C.2.3, C.2.4 and E.2

Complies

46. That the Audit Committee may meet with any employee or officer of the Company, and even request their appearance without the presence of any other manager.

Complies

47. That the Audit Committee will report to the Board prior to the adoption of the relevant decisions on the following issues from Recommendation 8:

    a) The financial information that must be disclosed periodically by the Company as a publicly listed entity. The committee should ensure that interim financial statements are prepared using the same accounting principles as the annual statement and, to this end, consider whether a limited review by the external auditor is advisable.

    b) The creation or acquisition of shares in special purpose vehicles or entities domiciled in countries or territories considered tax havens, or transactions or operations of a similar nature whose complexity may reduce the transparency of the Group.

    c) Related party transactions, except where the prior reporting function has been entrusted to a different oversight and control committee.

See sections: C.2.3 and C.2.4

Complies

48. That the Board of Directors shall present the accounts to the General Meeting without reservations or qualifications in the audit report and, should exceptional circumstances exist, both the Chairman of the Audit Committee and the auditors should explain clearly to shareholders the content and scope of such reservations or qualifications.

See section: C.1.38

Complies

49. That most members of the Appointments Committee or Appointments and Remuneration Committee, if the same, are to be independent Board members.

See section: C.2.1

Explain

At year end, the Company is not in compliance with this recommendation because it has only one independent director. However, between the end of the year and the date of this report, the Board appointed a new independent director by co-option until the next Annual Meeting who was also appointed to the two committees. However, the Company believes that a composition made up entirely of external directors is sufficient to guarantee the independence of the Appointments and Remuneration Committee.

50. That in the Appointments and Remuneration Committee will have the following functions in addition to those stated in earlier recommendations:

    a) Assess the balance of skills, knowledge and experience necessary on the Board, define the roles and aptitudes required by candidates to fill each vacancy, and decide on the time and dedication necessary to properly perform their duties.

    b) To consider or organize, in an appropriate way, the succession of the Chairman and CEO and, where appropriate, make recommendations to the Board to ensure that the succession occurs in an orderly and well-planned manner.

    c) Report the appointments and dismissals the management board proposes by the CEO to the Board.

    d) Inform the Board on issues of gender diversity established in Recommendation 14 of this Code.

    See section: C.2.4

Complies

51. That the Appointments Committee will consult the Chairman and CEO of the Company, especially in matters relating to executive Board members.

    Any Board member may propose to the Appointments Committee possible candidates to fill vacancies on the Board.

Complies

52. That in addition to those stated in earlier recommendations, the following functions correspond to the Remuneration Committee.

    a) Propose to the Board of Directors:

        i) The remuneration policy for Board members and management board.

        ii) The individual compensation paid to executive directors and other contractual conditions.

        iii) The basic conditions of senior management contracts.

b) Ensure observance of the remuneration policy set by the Company.

See sections: C.2.4

Complies

53. That the Remuneration Committee will consult the Chairman and CEO of the company, especially in matters relating to executive Board members and senior management.

Complies

# H. OTHER INFORMATION OF INTEREST

1. If it is considered that any relevant principles or significant aspects relating to the corporate governance structure and practices applied by the Company or the Group have not been addressed in this report, describe and explain them below.

**Note to part C.1.3**

The Directors, José Maria Serra Farré and Hugo Serra Calderón could be classified as external proprietary directors according to the instructions for completing this report (in response to the definitions set out in Order ECC/461/2013 of March 20), but instead they are classified as executive directors in accordance with the third paragraph of Article 8.2 of the said Order and Article 529 duodecies following the reform of the Capital Companies Act. That is, when a director performs senior management functions and at the same time serves as proxy for a major shareholder or a shareholder represented in the Board, he or she is considered an executive or internal director for all intents and purposes as far as the Ley de Sociedades de Capital is concerned.

**Explanatory note to Section C.1.11**

In addition to the positions indicated in that Section, on 29 January 2015, Francisco José Arregui Laborda was appointed as the physical representative of the sole director of Depsa Inversiones, S.A., a Company subsidiary.

**Explanatory note to Section C.1.15**

It is noted that the amount shown in that section for the vested rights acquired by the directors for pensions refers to the contributions made during the year by the Company. The cumulative amount of the funds at year end is 3,219 thousand euros.

**Explanatory note to Section C.1.17**

In addition to the positions mentioned in that section, Jorge Enrich Serra and Hugo Serra Calderón are the physical representatives of Ensivest Bros 2014, S.L. and Newsercal, SL, respectively, on the Boards of the following companies: Corporación Catalana Occidente, S.A., La Previsión 96, S.A. and INOC, S.A.

**Explanatory note to Section C.1.45**

At year end, there are no agreements between the Company and its directors, officers or employees that provide for compensation guarantees or "golden parachutes" if they resign or are dismissed without cause or if the contractual relationship comes to an end as a result of a takeover bid or other operation, notwithstanding the fact that certain directors and officers of the Company's subsidiaries, Seguros Catalana Occidente de Seguros y Reaseguros, S.A., Bilbao Compañía de Seguros y Reaseguros, S.A., and Atradius NV and their affiliate have entered into agreements that include such severance packages.

The above notwithstanding, and pursuant to the obligation established in article 249.3 of the reformed Capital Companies Act, on the date of this report, all of the Company's executive directors, with the exception of the CEO and the Executive Director Deputy to the Chairman, have signed commercial contracts with the Company that include indemnity clauses. Therefore, as of the date of this report, such agreements do exist between the Company and its executive directors and those of its subsidiaries.

**Note to Sections C.2.1, G.16 and G.39**

Mr Francisco José Arregui Laborda, Company Secretary of the Company, acts as Non-member Secretary for the Audit Committee and the Appointments and Remunerations Committee.

On 29 May 2014, the Company's Board of Directors unanimously adopted a motion to accept the re-election and appointment of the non-executive directors Jorge Enrich Serra and Lacanuda Consell, S.L. (represented by Carlos Serra Halpern) as members of the on the Audit Committee, on the recommendation of the Appointments and Remuneration Committee.

Meanwhile, between the closing date of the fiscal year and the date of this report, the following changes were made to the Board of Directors as a consequence of the reformed Capital Companies Act coming into effect:

(i) Olandor, S.L., resigned as a member of the Board of Directors of the Company as of 25 February 2015. On the same date, Jorge Enrich Serra resigned as a member of the Board and therefore as a member of the Audit Committee.

(ii) Federico Halpern Blasco and Jorge Enrich Izard resigned as members of the

Appointments and Remuneration Committee as of the date of this report, while Cotyp, S.L. resigned as a member of the Audit Committee.

(iii) The Appointments and Remuneration Committee has proposed the appointment of Ensivest Bros 2014, S.L. as a proprietary director and Francisco Javier Pérez Farguell as an independent director. They will be appointed by co-option, without a session of the Board of Directors, until the next General Meeting of Shareholders is held.

(iv) At the same Board of Directors meeting it was also decided to (i) appoint Juan Ignacio Guerrero Gilabert and Francisco Javier Pérez Farguell as new members of the Appointments and Remuneration Committee and to also appoint the former as the Committee Chairman; and (ii) appoint Ensivest Bros 2014, S.L. and Francisco Javier Pérez Farguell as new members of the Audit Committee.

(v) Finally, at the same Board of Directors meetings, Juan Ignacio Guerrero Gilabert was appointed as the Coordinating Director, authorising him to address the concerns of the external directors, to request meetings of the Board or the inclusion of new items on the meeting agenda and to oversee the evaluation of the Chairman's performance by the Board, where applicable.

Consequently, following these changes to the Board of Directors, the Company is in compliance as of the date of this report with the recommendations mentioned in sections G.16 and G.39.

**Note to Section D.3 and D.5**

In accordance with the provisions of Law EHA/3050/2004 of 15 September, we hereby state that, regardless of the remuneration received by the directors reflected in section C.1.15. and dividends received, if any by the Board members and senior management as shareholders, no operations have been carried this year linked with administrators, directors or associated to these effects, or their related parties, except those which, having to do with the company's ordinary business, have been undertaken in normal conditions for clients and are of little relevance (understood as those whose information is not necessary to present fairly the assets, financial position and results of the Company) or are already described in this Annual Corporate Governance Report.

Without prejudice to the foregoing, and with the exception of Jusal, S.L., which in addition to being a director is also a shareholder whose dividends are reflected in Section D.2, the other directors, their physical representatives, if any, and the members of Senior Management received a total of 984,000 euros in dividends from the Company in 2014.

**Explanatory note to Section G. Recommendation 20**

There has been no situation in which this Recommendation has been applied during 2012.

2. This section may also include any other information, clarification or qualification relating to the above sections of the report; to the extent they are relevant and not repetitive.

   Specifically, indicate whether the Company is subject to corporate governance legislation outside Spain and, where appropriate, include information that the Company is required to provide that differs from that requested in this report.

3. The Company may also indicate if it has voluntarily signed onto other codes of ethics or good practices, whether international, sector-specific or otherwise. Where appropriate, identify the code in question and date of accession.

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This Corporate Governance Report has been approved by the Board of Directors of the Company at its meeting held on **March 26, 2015**.

Indicate whether any Board members voted against or abstained from approval of this Report.

**NO**

| Name(s) of any directors(s) who did not vote in favour or approving this report | Reasons (voted against, abstained, not present) | Explain the reasons |
|---|---|---|
| | | |

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## INFORME DE AUDITOR REFERIDO A LA "INFORMACIÓN RELATIVA AL SISTEMA DE CONTROL INTERNO SOBRE LA INFORMACIÓN FINANCIERA (EN ADELANTE, SCIIF)" DE GRUPO CATALANA OCCIDENTE, S.A. CORRESPONDIENTE AL EJERCICIO 2014

A los Administradores de Grupo Catalana Occidente, S.A.:

De acuerdo con la solicitud del Consejo de Administración de Grupo Catalana Occidente, S.A. (en adelante, la Entidad) y con nuestra carta propuesta de fecha 15 de enero de 2015, hemos aplicado determinados procedimientos sobre la "Información relativa al SCIIF" incluida en el Apartado "Sistemas Internos de Control y Gestión de Riesgos en relación al Proceso de Emisión de la Información Financiera" del Informe Anual de Gobierno Corporativo de la Entidad correspondiente al ejercicio 2014, en el que se resumen sus procedimientos de control interno en relación a la información financiera anual.

El Consejo de Administración es responsable de adoptar las medidas oportunas para garantizar razonablemente la implantación, mantenimiento y supervisión de un adecuado sistema de control interno así como del desarrollo de mejoras de dicho sistema y de la preparación y establecimiento del contenido de la Información relativa al SCIIF adjunta.

En este sentido, hay que tener en cuenta que, con independencia de la calidad del diseño y operatividad del sistema de control interno adoptado por la Entidad en relación a la información financiera anual, éste sólo puede permitir una seguridad razonable, pero no absoluta, en relación con los objetivos que persigue, debido a las limitaciones inherentes a todo sistema de control interno.

En el curso de nuestro trabajo de auditoría de las cuentas anuales y conforme a las Normas Técnicas de Auditoría, nuestra evaluación del control interno de la Entidad ha tenido como único propósito el permitirnos establecer el alcance, la naturaleza y el momento de realización de los procedimientos de auditoría de las cuentas anuales de la Entidad. Por consiguiente, nuestra evaluación del control interno, realizada a efectos de dicha auditoría de cuentas, no ha tenido la extensión suficiente para permitirnos emitir una opinión específica sobre la eficacia de dicho control interno sobre la información financiera anual regulada.

A los efectos de la emisión de este informe, hemos aplicado exclusivamente los procedimientos específicos descritos a continuación. Como el trabajo resultante de dichos procedimientos tiene, en cualquier caso, un alcance reducido y sustancialmente menor que el de una auditoría o una revisión sobre el sistema de control interno, no expresamos una opinión sobre la efectividad del mismo, ni sobre su diseño y su eficacia operativa, en relación a la información financiera anual de la Entidad correspondiente al ejercicio 2014 que se describe en la Información relativa al SCIIF adjunta. En consecuencia, si hubiéramos aplicado procedimientos adicionales a los determinados en la carta de encargo o realizado una auditoría o una revisión sobre el sistema de control interno en relación a la información financiera anual regulada, se podrían haber puesto de manifiesto otros hechos o aspectos sobre los que les habríamos informado.


Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Asimismo, dado que este trabajo especial no constituye una auditoría de cuentas ni se encuentra sometido al Texto Refundido de la Ley de Auditoría de Cuentas, aprobado por el Real Decreto Legislativo 1/2011, de 1 de julio, no expresamos una opinión de auditoría en los términos previstos en la citada normativa.

Se relacionan a continuación los procedimientos aplicados:

1. Lectura y entendimiento de la información preparada por la Entidad en relación con el SCIIF – información de desglose incluida en el Informe de Gestión- y evaluación de si dicha información aborda la totalidad de la información requerida del apartado F, relativo a la descripción del SCIIF, del modelo de IAGC según se establece en la Circular nº 5/2013 de la CNMV de fecha 12 de junio de 2013.

2. Preguntas al personal encargado de la elaboración de la información detallada en el punto 1 anterior con el fin de: (i) obtener un entendimiento del proceso seguido en su elaboración; (ii) obtener información que permita evaluar si la terminología utilizada se ajusta a las definiciones del marco de referencia; (iii) obtener información sobre si los procedimientos de control descritos están implantados y en funcionamiento en la Entidad.

3. Revisión de la documentación explicativa soporte de la información detallada en el punto 1 anterior, y que comprenderá, principalmente, aquella directamente puesta a disposición de los responsables de formular la información descriptiva del SCIIF. En este sentido, dicha documentación incluye informes preparados por la función de auditoría interna, alta dirección y otros especialistas internos o externos en sus funciones de soporte al Comité de Auditoría.

4. Comparación de la información detallada en el punto 1 anterior con el conocimiento del SCIIF de la Entidad obtenido como resultado de la aplicación de los procedimientos realizados en el marco de los trabajos de la auditoría de cuentas anuales.

5. Lectura de actas de reuniones del Consejo de Administración, Comité de Auditoría y otras comisiones de la Entidad a los efectos de evaluar la consistencia entre los asuntos en ellas abordados en relación al SCIIF y la información detallada en el punto 1 anterior.

6. Obtención de la carta de manifestaciones relativa al trabajo realizado adecuadamente firmada por los responsables de la preparación y formulación de la información detallada en el punto 1 anterior.

Como resultado de los procedimientos aplicados sobre la Información relativa al SCIIF no se han puesto de manifiesto inconsistencias o incidencias que puedan afectar a la misma.

Este informe ha sido preparado exclusivamente en el marco de los requerimientos establecidos por el artículo 540 del Texto Refundido de la Ley de Sociedades de Capital y por la Circular nº5/2013 de fecha 12 de junio de 2013 de la Comisión Nacional del Mercado de Valores a los efectos de la descripción del SCIIF en los Informes Anuales de Gobierno Corporativo.

DELOITTE, S.L.

Jordi Montalbo

26 de febrero de 2015

TIMBRE DEL ESTADO

0,03 EUROS

TRES CÉNTIMOS DE EURO

CLASE 8.ª

0L0347451

Las Cuentas Anuales consolidadas (balance, cuenta de pérdidas y ganancias, estado de cambios en el patrimonio neto, estado de flujos de efectivo y memoria) de GRUPO CATALANA OCCIDENTE, S.A., correspondientes al ejercicio cerrado el 31 de diciembre de 2014, formulados por el Consejo de Administración de la Sociedad celebrado el día de hoy, constan extendidos en los folios del Timbre, clase 8ª, serie OL, números 0347360 al 0347416, y el Informe de Gestión Consolidado del mismo ejercicio, aprobado en la citada reunión del Consejo de Administración, consta extendido en los folios del Timbre, clase 8ª, serie OL, números 0347417 al 0347450, documentos que fueron firmados por todos los Consejeros en el folio del Timbre, clase 8ª, serie OL, número 0347451.

Sant Cugat del Vallés, a 26 de febrero de 2015.

**D. José Mª Serra Farré**

**D. José Ignacio Álvarez Juste**

**JS Invest, S.L.**
D. Javier Juncadella Salisachs

**D. Francisco José Arregui Laborda**

**Ensivest Bros 2014, S.L.**
D. Jorge Enrich Serra

**D. Jorge Enrich Izard**

**D. Juan Ignacio Guerrero Gilabert**

**D. Federico Halpern Blasco**

**D. Hugo Serra Calderón**

**Dª. María Assumpta Soler Serra**

**Cotyp, S.L.**
D. Alberto Thiebaut Estrada

**Inversiones Giró Godó, S.L.**
D. Enrique Giró Godó

**Jusal, S.L.**
D. José Mª Juncadella Sala

**Lacanuda Consell, S.L.**
D. Carlos Halpern Serra

D. Francisco J. Pérez Farguell

**Villasa, S.L.**
D. Fernando Villavecchia Obregón

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