Catalana Occidente
Insurance Group

Annual Report 2015

Grupo Catalana Occidente, S.A.

www.grupocatalanaoccidente.com

Annual Report Grupo Catalana Occidente, S.A. 2015

Grupo Catalana Occidente publishes its 2015 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 the future outlook of the Group, as well as the main risks to which it is exposed. It also details the Group's activities in areas of governance and social, environmental and economic performance.

The information is limited to Grupo Catalana Occidente and its companies. 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 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 25 February 2016. It is available on the Group's website in PDF and interactive formats, and on its mobile app.

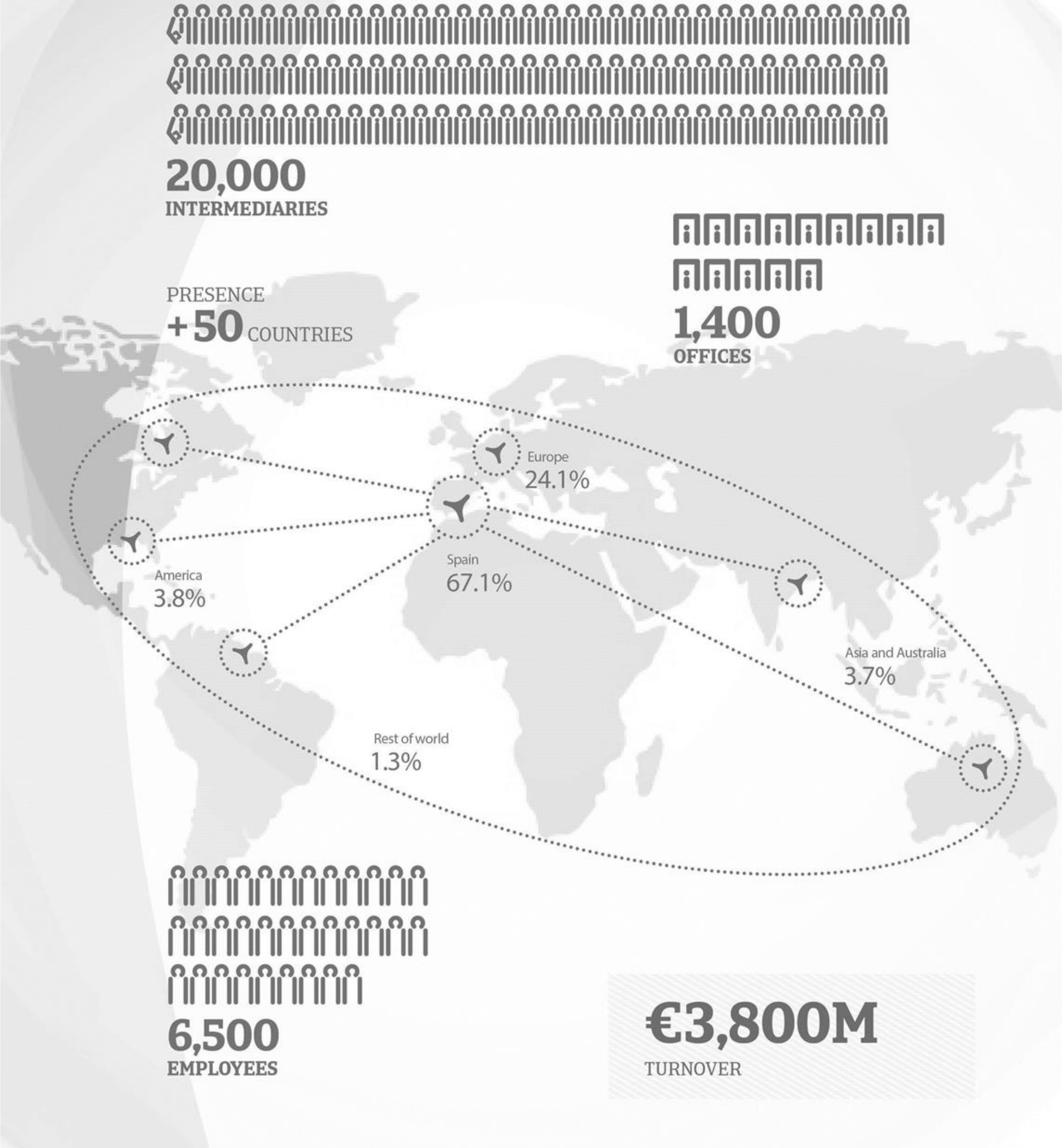
Catalana Occidente
Insurance Group

Management Report

01

Key figures

The Group closed 2015 with the satisfaction of having achieved its main objectives in terms of billing, technical differential, efficiency, corporate development and adaptation to constant social changes.


20,000
INTERMEDIARIES
1,400
OFFICES
PRESENCE
+50 COUNTRIES
Europe
24.1%
Spain
67.1%
America
3.8%
Asia and Australia
3.7%
Rest of world
1.3%
6,500
EMPLOYEES
€3,800M
TURNOVER

Key financial figures

Grupo Catalana Occidente closed financial year 2015 with a positive performance in all its key indicators, by improving profit, revenue and capital.

+10.7%

Attributable profit of 268.1 million euros

- **It increased its attributable profit by 10.7%, reaching 268.1 million euros**
- **Improving recurring profit in all businesses:**
  - Traditional business, at €148.9 M, up +14.9%
  - Credit insurance business, at €170.4 M, up +11.9%
- **Turnover grew by 11.3% of turnover, to reach €3,826.1 M**
- **Excellent combined ratio.**
  - **90.5% in the traditional business**
  - **75.6% in the credit insurance business**
- **Includes 100% of Plus Ultra Seguros since July (*)**
- **Reinforcement of equity position, with market-value long-term capital reaching €3,263 M**
- **Up 7.1% in shareholder remuneration**

(million euros)

	Key figures	2011	2012	2013	2014	2015	% Chg. 14-15
A	**Turnover**	**3,168.0**	**3,177.5**	**3,201.8**	**3,437.6**	**3,826.1**	**11.3%**
	- Traditional business	1,657.7	1,612.5	1,686.9	1,825.7	2,150.8	17.8%
	- Credit insurance business	1,510.3	1,565.0	1,515.0	1,611.9	1,675.3	3.9%
B	**Consolidated result**	**241.7**	**222.8**	**243.9**	**268.1**	**296.1**	**10.4%**
	- Traditional business	113.0	113.4	122.6	129.6	148.9	14.9%
	- Credit insurance business	118.3	104.5	126.1	152.3	170.4	11.9%
	- Non recurring	10.4	4.9	-4.9	-13.7	-23.1	
	Attributed to the parent company	**210.5**	**200.2**	**221.1**	**242.1**	**268.1**	**10.7%**
C	Long-term capital	1,645.7	1,795.3	2,100.3	2,685.7	2,797.7	4.2%
	Long-term capital at market value	**2,230.8**	**2,343.0**	**2,607.3**	**3,168.2**	**3,262.5**	**3.0%**
D	**Technical provisions**	**6,794.5**	**6,844.3**	**6,905.5**	**7,235.0**	**9,074.3**	**25.4%**
E	**Surplus solvency I**	**1,667.4**	**1,752.9**	**1,774.9**	**1,892.5**	**1,861.5**	**-1.6%**
	% Solvency I	**489.7%**	**497.5%**	**484.5%**	**499.0%**	**392.3%**	
F	**Total funds under management**	**7,518.2**	**7,818.2**	**8,381.9**	**9,480.8**	**11,055.8**	**16.6%**
G	**Data per share (figures in euros)**						
	Attributable result	1.75	1.67	1.84	2.02	2.23	10.7%
	Dividend per share	0.57	0.57	0.59	0.63	0.67	7.1%
	Pay-out	3.90	4.78	3.01	2.39	2.43	
	Share revaluation	32.5%	34.2%	32.0%	31.2%	30.1%	
	Revaluation share	-3.9%	12.2%	89.0%	-7.8%	33.5%	
	PER (closing price/earnings per share)	6.99	8.26	14.12	11.87	14.36	
	ROE (attributable result/equity, %)	17.06	13.96	12.83	11.17	11.65	
H	**Additional information**						
	No. of employees	5,656	5,636	5,573	5,570	6,486	16.5%
	No. of offices	1,192	1,186	1,153	1,173	1,387	18.2%

(*) From June 2012 until June 2015, 49% of the net profit of Plus Ultra Seguros is accounted for in the traditional business financial profit. Beginning in July 2015, since the remaining 51% was acquired without outside financing, 100% of Plus Ultra Seguros is included due to full consolidation.

02

President's letter

In 2015, the Group reached its goals in terms of growth, profitability and solvency. The customer was oriented through an extensive network of professional intermediaries and the incorporation of Plus Ultra Seguros was completed.

President's letter

Dear shareholders, partners and customers,

I am pleased to present the Annual Report for 2015, where we once again take stock of our group's performance.

As in previous years, this document serves to communicate our key indicators and profits for the year, as well as to focus on aspects of our strategy and corporate governance which make us an increasingly relevant group in the markets and businesses where we operate and also help us constantly uphold our commitment and responsibility to our shareholders, customers and partners.

There are many indexes that allow us to affirm that the global economy has recovered the path of growth, a fact that was already incipient in 2014 and which in 2015 has been verified more firmly and with more certainty.

Many of you know that the insurance industry often serves as a barometer of the economy. And proof of this is that in Spain, at the end of the year, GDP growth and general insurance billing in both cases grew slightly above 3%. In fact, in our industry this year will be remembered for the recovery of growth in non-life policies, and more specifically auto insurance, which is experiencing growth again after five years.

And thanks to our activity and leadership in the credit insurance business — where we continue to rank as the second operator worldwide — we can say that our companies have more balanced accounts, with a significant reduction in the number of bankruptcy proceedings and defaults.

Looking ahead to 2016, and unlike our recent past, we don't need excessive optimism to trust that this recovery will take hold and serve to lay the groundwork for a new and prolonged period of growth and stability. In this regard, it is vital to continue adopting measures to enable us to create jobs, improve the competitiveness of our companies and defend the foundations of our welfare model. To achieve this, a stable political environment will be essential, which in turn ensures compliance with the law and respect for our social and democratic values and pillars.

We also hope that this year Spain will tackle some of the issues of greatest concern to citizens, such as healthcare and pensions. We believe that our industry can be part of the solution through public-private partnership models to ensure sustainability. After all, the real leitmotiv of insurance is to contribute to society's welfare, protecting people's interests and ensuring their safety.

Objectives achieved

With regard to our business, we closed 2015 with the satisfaction of having achieved our main objectives. These include turnover growth, maintaining our technical differential relative to the market, increasing efficiency, boosting the development of our corporate performance and deploying projects to adapt to constant social changes. We have achieved these objectives, as in previous years, by basing all our business decisions on our three strategic pillars: growth, profitability and solvency.

Our income at year-end reached 3,826.1 million euros, which represents an increase of 11.3% over the previous year. Attributed profit has grown by 10.7% to reach 268.1 million euros, thanks to strong performance in both our traditional business and the credit insurance business.

As far as the financial soundness of the group is concerned, market-value long-term capital increased by 3% to reach 3,263 million euros, which ensures our strong and sustainable coverage position for technical and solvency provisions.

These strong profits, our financial soundness and the success of our strategy have been reflected this year in our stock performance, which reached record-high levels of 32 euros, up 33% from the previous year. In fact, the general consensus among financial analysts is to recommend buying shares at a target price in the vicinity of 33 euros per share.

Beyond these results, for Grupo Catalana Occidente 2015 has been the year of full incorporation of Plus Ultra Seguros, which culminated last June. We can say that the integration process initiated in 2012 has been one of those success stories that opens a new chapter in our more than 150-year history. Thanks to this acquisition, we are today the sixth-largest insurance group in Spain by premium volume. Likewise, our portfolio composition is balanced and our competitive position is much stronger through the intermediary channel, our priority channel.

Looking at 2016, our business and the fundamentals of our model all point, once again, to a year of growth in turnover and profit for our group, although it is true that our industry is facing a surge in claims and increased costs stemming from the new auto scale.

2016 will also be remembered as the year Solvency II came into effect. While it is still too early to determine its effect on the insurance industry, after having worked on adapting to the rules from the outset, we can be sure that our group will fulfil its obligations and prevent this higher capital requirement from undermining our competitiveness. We also have the advantage of being a listed company — and, as such, already subject to the requirements of good corporate governance of the Spanish Securities & Exchange Commission (CNMV) — which has allowed us to exploit synergies and optimise all our governance structures.

Customer focus

Moreover, as in many other industries, customer focus stands out as an indispensable premise and factor for the implementation of any operational or business process. Throughout the year we will launch and close projects to ensure a unique and integrated relationship and experience with our policyholders, which inevitably hinges on offering them what they really expect from us, when they need it and through the channel of their choice at any given moment. Therefore, the multi-channel — or, rather, omni-channel — approach represents a commitment to the present, not to the future. On this path to maximum accessibility, our 20,000 intermediaries will also play a key role. The fact is we know that our proximity and accessibility to our customers is directly proportional to our intermediaries' proximity and accessibility.

We have spoken often on the excellent performance in our industry during this long period of economic crisis, but regardless of the truth of these figures, we have not stopped long enough to praise the social work inherent in our business. Although we have not enjoyed the support given to other industries, we have fulfilled our obligations and commitments to our policyholders, employees, partners, shareholders and society at large. For our group, and thanks to prudent risk management and the effective use of resources, we have maintained our investments and generated quality jobs.

We also continue expanding the budget earmarked for Fundación Jesús Serra, which is increasingly involved in the business, educational, research, culture, sport and social advocacy worlds. With each passing year, our Foundation takes on a more important role as a link between all Group employees and partners, which are increasingly more involved in their initiatives. Throughout 2015, more than 26,500 employees and intermediaries were involved in some of the Foundation's projects.

I encourage you to discover in this report many other aspects that would be impossible for me to cover in this letter, but which will surely serve as an argument to continue being part of our history.

José María Serra
Grupo Catalana Occidente President

03

Grupo Catalana Occidente in 2015

Thanks to an 11.3% increase in turnover in 2015, and a 10.7% increase in attributable profit, the Group ranked as the sixth largest insurance operator in the Spanish market and it consolidated its position as the second-largest credit insurance company in the world.

Market environment

While the macroeconomic environment and the insurance industry witnessed growth in 2015, financial markets were characterised by their high volatility.

Macroeconomic

+3.2%

GDP growth in Spain

Global GDP growth in 2015 stood at 3.1%. Global growth forecasts point to a slowdown in the economy, setting growth rates at 3.4% for 2016.

The cycle of emerging economies is changing due to macroeconomic imbalances. Although growth rates are slumping, they are still higher than in advanced countries.

The United States has improved its GDP growth by one tenth, up to 2.5%, supported by private consumption and investment.

The Eurozone has consolidated its positive growth on the back of lower oil prices (during 2015, it dropped about 40%) and the boost in domestic demand. Stronger economic activity has stimulated job creation, and intra-European trade has offset the slowdown in external demand. By region, the performance of Germany and France is worth noting, with 1.5% and 1.1% GDP growth, respectively.

In this context, Spain has become the fastest-growing Eurozone country and its growth forecasts have been revised upwards. GDP growth stood at 3.2% in 2015 and dips somewhat for 2016, at 2.7%. This growth is fuelled by internal consumption, a degree of credit reactivation, housing recovery and the gradual drop in unemployment.

Financial markets

Volatility

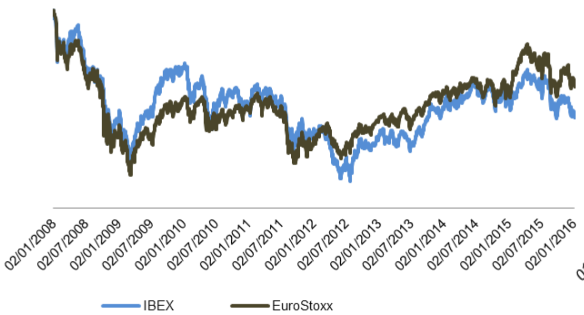
Equity and interest rates are at historic lows

Financial markets remain highly volatile, especially in equity, reflecting doubts about the impact of China's downturn on global growth.

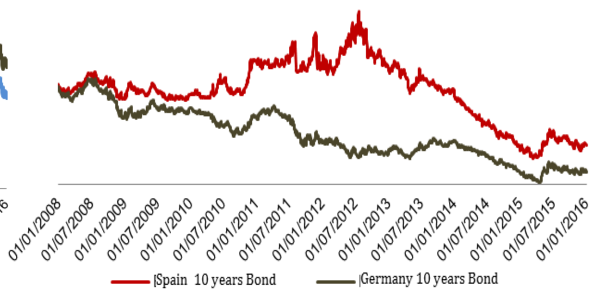
Major stock indexes closed 2015 with cumulative negative returns, losing their revaluations at the end of 2014. The Dow Jones closed at -2.23%; the EuroStoxx at +3.85% and the Ibex at -7.15%.

By contrast, the bond market shows a positive development due to lower inflation expectations in Europe and the United States, and to quantitative easing programmes. In the United States, the Fed raised the interest rate by 0.25 basis points in the fourth quarter. In many European countries, interest rates hit near record-low levels, even below zero. In Spain the 10-year bond closed December at 1.77% and the risk premium at 115 b.p.

Stock market evolution
(base 100: 01/01/2008)



Fixed income evolution



Insurance industry in Spain

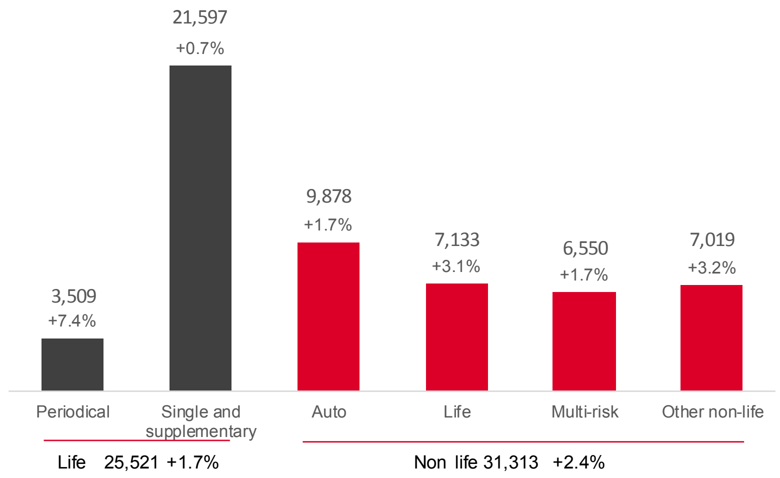
The Spanish insurance industry closed 2015 with a premium volume of 56,833 million euros, up 2.1% from 2014.

In terms of profit, the industry remains strong, with margins above 10%, solvency above 200% and a return on equity of 8.9%. However, weaker financial profit, along with a slight increase in claims frequency, pressures profit and drag down indicators compared to previous years.

During the year, three pieces of legislation have been passed, which affect the industry and will prove pivotal in 2016: **the adoption of the auto scale reform, tax reform and Solvency II.**

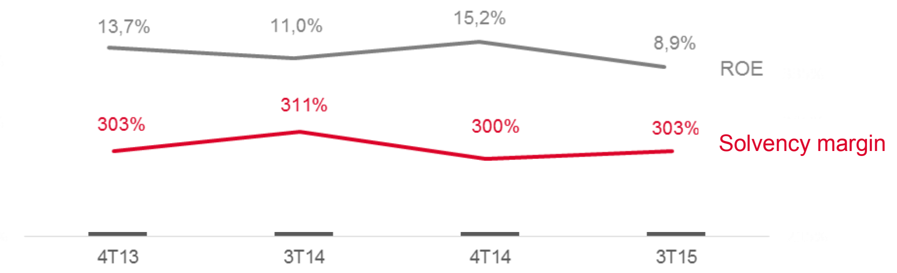
+2.1%

Premium growth
of the sector in Spain
(in 2015)



8.9%

ROE (return on equity
of the sector in Spain)



Grupo Catalana Occidente: with 5% market share in Spain.

Ranking	2014	2015	Market share	% Premiums
VidaCaixa	2	1	12.7%	29.8%
Mapfre	1	2	11.3%	-11.7%
Mutua Madrileña	3	3	7.6%	4.0%
Zurich	7	4	7.2%	62.3%
Allianz	4	5	6.2%	7.3%
Grupo Catalana Occidente	8	6	5.0%	32.6%
AXA	6	7	4.4%	-5.9%
Generali	8	8	4.1%	2.1%
BBVA	9	9	3.7%	-0.1%
Santalucia	12	10	2.3%	2.7%

	2015	Market share
Non life	**4**	**13.3%**
Auto	*6*	*5.9%*
Multirisk	*2*	*9.3%*
Credit insurance	*1*	*53.8%*
Funeral	*5*	*3.7%*
Life	**8**	**3.6%**

Source: ICEA

Group performance in 2015

Grupo Catalana Occidente increased its attributed profit by 10.7% to reach 268.1 million euros.

Plus Ultra Seguros

100% incorporation into the Group in 2015

The Group includes 100% of Plus Ultra Seguros since July. Total premiums invoiced reached 3,704.6 million euros, up 11.5% compared to the previous year. This has enabled the Group to move up to rank sixth in the Spanish market and second worldwide in credit insurance.

Broken down by business areas, traditional business premiums grew by 17.8%, reaching 2,150.8 million euros. This reflected the effect of the recovering industry in Spain and Plus Ultra Seguros premiums since July.

Likewise, the credit insurance business has seen revenues of 1,675.3 million euros (premiums invoiced plus revenues for information), amounting to a growth of 3.9% over the previous financial year.

The underwriting profit after expenses has been €345.4 million euros, 9.8% more than in 2014, aided by a 3-tenth improvement in claims, with a ratio of 61.1% in income from insurance. Technical rigour continues to stand out as the hallmark of the Group, which posts an ongoing combined ratio below 90%. In the traditional business, without Plus Ultra Seguros, the combined ratio stands at 87.9% while in credit insurance it continues at a record-low of 75.6%.

The commissions ratio remains stable at 11.6% and the expense ratio is 18.3%, improving by 0.2 points. The Group continues to advance in developing corporate platforms to provide better services at a lower cost, which, coupled with its stringent expense control, allows for maintaining good profit.

The financial profit, at 84.8 million euros, increased by 14.7%, mainly due to the greater volume of managed funds upon the integration of Plus Ultra Seguros. The profit of activities complementary to credit insurance improved compared to previous years, contributing 8.0 million euros, driven by strong performance in the recovery business. Thus, the profit before taxes for the Group stood at 415.4 million euros, 8.8% more than the previous year.

Technical rigour

Recurrent combined ratio for the Group's general insurance under 90%

(million euros)

Income statement	2011	2012	2013	2014	2015	% Chg. 14 -15
Premiums	3,066.7	3,070.1	3,091.4	3,322.2	3,704.6	11.5%
Earned premiums	3,068.3	3,076.1	3,121.4	3,289.6	3,703.9	12.6%
Information revenues	101.3	107.5	110.4	115.3	121.5	5.4%
Net revenues from insurance	**3,169.6**	**3,183.5**	**3,231.8**	**3,404.8**	**3,825.4**	**12.4%**
Technical cost	1,933.4	1,951.8	1,991.8	2,088.9	2,339.1	12.0%
% over total net revenues	*61.0%*	*61.3%*	*61.6%*	*61.4%*	*61.1%*	
Commissions	377.4	373.7	365.1	372.9	442.1	18.6%
% over total net revenues	*11.9%*	*11.7%*	*11.3%*	*11.0%*	*11.6%*	
Expenses	594.0	597.7	608.5	628.4	698.8	11.2%
% over total net revenues	*18.7%*	*18.8%*	*18.8%*	*18.5%*	*18.3%*	
Technical result after expenses	**264.8**	**260.4**	**266.5**	**314.5**	**345.4**	**9.8%**
% over total net revenues	*8.4%*	*8.2%*	*8.2%*	*9.2%*	*9.0%*	
Financial result	58.1	48.0	73.0	73.9	84.8	14.7%
% over total net revenues	*1.8%*	*1.5%*	*2.3%*	*2.2%*	*2.2%*	
Non technical non financial account result	-9.7	-16.8	-22.4	-10.7	-22.8	
% over total net revenues	*-0.3%*	*-0.5%*	*-0.7%*	*-0.3%*	*-0.6%*	
Balance of credit insurance comp. activities	-1.1	6.6	4.9	4.1	8.0	95.1%
% over total net revenues	*0.0%*	*0.2%*	*0.2%*	*0.1%*	*0.2%*	
Result before tax	**312.1**	**298.2**	**322.0**	**381.8**	**415.4**	**8.8%**
% over total net revenues	*9.8%*	*9.4%*	*10.0%*	*11.2%*	*10.9%*	
Consolidated result	**241.6**	**222.7**	**243.9**	**268.1**	**296.1**	**10.4%**
Result attributable to minority	31.2	22.6	22.8	26.0	28.0	7.7%
Result attributable	**210.5**	**200.1**	**221.1**	**242.1**	**268.1**	**10.7%**
% over total net revenues	*6.6%*	*6.3%*	*6.8%*	*7.1%*	*7.0%*	
Recurring result	**231.2**	**217.8**	**248.8**	**281.9**	**319.3**	**13.3%**
Non_Recurring result	**10.4**	**4.9**	**-4.9**	**-13.7**	**-23.1**	

(*) From June 2012 until June 2015, 49% of the net profit of Plus Ultra Seguros is accounted for in the traditional business financial profit. Beginning in July 2015, since the remaining 51% was acquired without outside financing, 100% of Plus Ultra Seguros is included due to full consolidation.

Performance by activity area

The traditional business continues witnessing stability with a profit of 148.9 million euros, 14.9% more than in 2014.

Plus Ultra Seguros accounts for 22.6 million euros, gradually improving in terms of income and profitability with a combined ratio under 100%.

The credit insurance business obtained a recurring profit of 170.4 million euros, 11.9% higher than in the previous year, fuelled by the positive contribution of Crédito y Caución.

In 2015, the contribution of non-recurring items has been negative. Impacts have left non-recurring income at -23.1 million euros.

Performance of balance sheet, investments and solvency

On 19 June 2015 the Group exercised its call option to INOCSA for 51% of the shares of Plus Ultra Seguros amounting to 230 million euros. Consequently, the figures for the balance sheet, investment and solvency incorporate 100% of the Plus Ultra Seguros figures. The embedded asset volume amounted to 2,021.0 million euros, resulting in goodwill of 118.2 million euros and intangible assets of 50.6 million euros.

Long-term capital rose 4.2% to reach 2,797.7 million euros. Adding the capital gains not included in the balance sheet (from property), the Long-Term Capital at market value reached 3,262.5 million euros, up 3.0% from year-end 2014.

The Group manages assets totalling 11,055.8 million euros, 16.6% more than in 2014 (1,674.5 million euros from Plus Ultra Seguros).

During 2015, the AM Best rating agency confirmed the rating of "A-" with a stable outlook for companies in the traditional business ("A" stable for credit insurance companies) and Moody's revised the rating of credit insurance entities holding the "A3" rating with a stable outlook.

Share performance

The share of Grupo Catalana Occidente closed December at 32.0 euros per share, a revaluation of 33.5% since the beginning of the year. Constant annual rate of growth since 2002 yields an appreciation of 18.2% compared to 3.6% and 4.7% of the Ibex35 and EuroStoxx Insurance respectively.

(million euros)

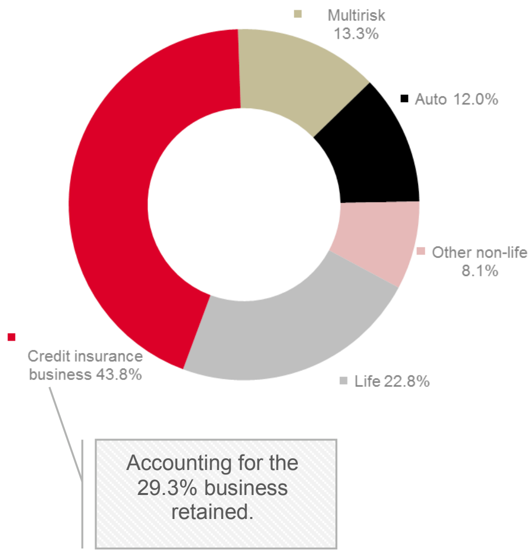
Result by areas of activity	2011	2012	2013	2014	2015	% Chg. 14-15
Recurring result from traditional business	**113.0**	**113.4**	**122.6**	**129.6**	**148.9**	**14.9%**
Recurring result from credit insurance business	**118.3**	**104.5**	**126.1**	**152.3**	**170.4**	**11.9%**
Non-recurring result	**10.4**	**4.9**	**-4.9**	**-13.7**	**-23.1**	
Consolidated result after tax	**241.7**	**222.8**	**243.9**	**268.1**	**296.1**	**10.4%**
Result attributable to minority interests	31.1	22.6	22.8	26.0	28.0	7.7%
Result attributable to parent company	**210.6**	**200.2**	**221.1**	**242.1**	**268.1**	**10.7%**

(*) From June 2012 until June 2015, 49% of the net profit of Plus Ultra Seguros is accounted for in the traditional business financial profit. Beginning in July 2015, since the remaining 51% was acquired without outside financing, 100% of Plus Ultra Seguros is included due to full consolidation.

Business diversification

Grupo Catalana Occidente has a balanced and diversified portfolio.

Business diversification by business



Grupo Catalana Occidente has a balanced and diversified portfolio. Of the over 3,800 million dollars in turnover for 2015, our traditional business accounts for 56.2% and the credit insurance business accounts for 43.8% (29.3% in terms of retained business, excluding the part transferred to reinsurers).

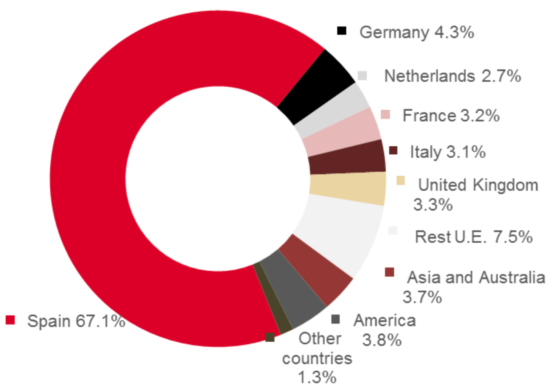
Global presence

Grupo Catalana Occidente has a significant presence in Spain and internationally, where it is present in over 50 countries.

Proximity and assessment

1,400 offices
20,000 intermediaries
6,500 employees

Diversification by country



Grupo Catalana Occidente gets 67.1% of its revenue from the domestic market, where it ranks sixth, through the following brands: Seguros Catalana Occidente, Seguros Bilbao, NorteHispana Seguros, Plus Ultra Seguros and Crédito y Caución.

Through the Atradius and Atradius Re brands, the Group is present in 50 countries and ranks second worldwide in the credit business.

In terms of turnover, the main countries besides Spain are Germany, the UK and France.

Outlook and challenges for 2016

To improve customer service by updating the product portfolio, developing its processes and improving service provision

More moderate positive growth
Forecast for 2016

The economic forecasts for 2016 point to moderate economic growth worldwide. The Spanish market stands out, projected to grow at rates of 2.5% higher than the rest of Europe. However, in Spain, the domestic industry will remain weak while current unemployment levels remain.

The rate of bad debt (variables relevant for the foreseeable development of the credit insurance business) is expected to improve slightly worldwide. Growth of world trade can also be expected.

Consequently, in 2016, Grupo Catalana Occidente intends to continue growing in a balanced, profitable and strong fashion in the medium and long term.

To this end, plans continue to be designed to enhance support to the insured by updating the product portfolio and improving the service offering, all whilst continuing to make progress in the digital revolution so that their experience is unique and comprehensive. The Group will also continue to strengthen its position in markets with strong growth potential, either directly or through business agreements.

Strategic guidelines in 2016

Growing profitably and solvently, properly remunerating shareholders

The Grupo Catalana Occidente guidelines for 2016, in line with recent years, are summarised below:

- Boosting the development of the distribution network.
- Leading the company towards growth.
- Maintaining the differential of technical expenses and margins with the market.
- Improving the efficiency ratio.
- Generating shared group knowledge and values.
- Understanding and adapting to changes in society.

Shareholder remuneration

In 2015 the Group has maintained its commitment to shareholder remuneration.

Shareholding structure

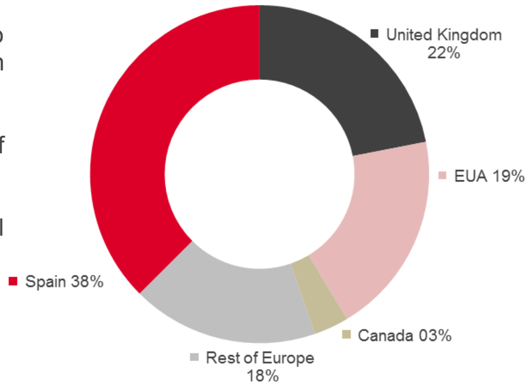
Stable shareholding

38% free-float

The benchmark shareholder of Grupo Catalana Occidente is INOC, S.A., which controls 58% of the share capital.

The Group's free-float is 38%, and about half is held by institutional investors.

The chart below shows the geographical distribution of institutional investors:



Dividends

€80.7 M

Dividend increase +7.1%

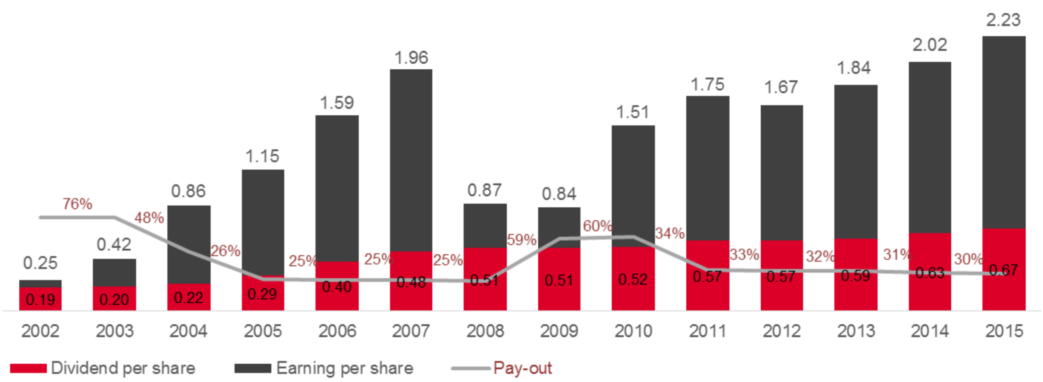
The Board of Directors has proposed, to the General Meeting, that the final dividend for 2015 be 10.0% higher than the dividend for the previous year (0.2901 euros per share).

The Group would thus pay out a total of 0.6725 euros per share (80.7 million euros), accounting for an increase of 7.1% over the previous year.

This dividend amounts to a pay-out of 30.1% on the 2015 attributable profit and a dividend yield of 2.43% in 2015. The historical pattern of dividend distribution demonstrates the clear commitment of the Group to constant and increasing shareholder dividends.

The net profit of the individual company Grupo Catalana Occidente S.A. amounted to 153.3 million euros. In the event that the proposed distribution is approved by the Board of Directors, 80.7 million euros are expected to be destined to dividends and 72.6 million euros to reserves.

Dividend and earnings per share



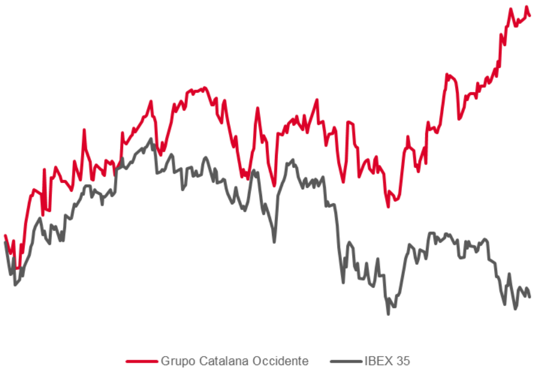
+33.5%

Share revaluation (€32.0/share)

Share performance

Grupo Catalana Occidente shares are listed on two Spanish stock exchanges, Barcelona and Madrid, being listed on the continuous market. The shares are also part of the Ibex Medium Cap index, with a weight of 6.9%.

During 2015, GCO shares have outperformed the market in its four volatility stages.



2015: Four volatility stages		Ibex	GCO
Best share performance all year	02/01 al 13/04	+14,6%	+17,8%
	13/04 al 24/09	-21,7%	-14,7%
	24/09 al 30/11	+11,8%	+16,4%
	30/11 al 31/12	-8,1%	+8,2%

PRICE (euros per share)	2011	2012	2013	2014	2015
Start period	12.88	12.27	13.77	26.02	23.99
Minimum	10.63	9.21	13.77	21.50	23.32
Maximum	18.38	14.50	26.64	31.34	32.33
Closing period	12.27	13.77	26.02	23.99	32.02
Average	14.63	11.92	19.62	26.39	27.63

OTHER DATA (in euros)	2011	2012	2013	2014	2015
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)	89,435	142,608	176,921	144,278	72,331
Daily average (euros)	1,322,763	1,685,430	3,478,053	3,832,467	2,019,052

Profitability	2007	2008	2009	2010	2011	2012	2013	2014	2015	TACC 02-15
GCO (%)	-16.54	-36.67	8.27	-18.01	-3.88	12.22	88.96	-7.80	33.50	18.2%
Ibex 35 (%)	7.32	-39.43	29.84	-17.43	-13.11	-4.66	21.41	3.66	-7.15	3.6%
EuroStoxx Insurance (%)	-11.92	-46.58	12.59	2.07	-13.79	32.92	28.86	9.78	14.12	4.7%

159

Meetings with investors
Transparency and rigour

Relationship with the financial market

Grupo Catalana Occidente maintains a free and close relationship with the financial market, offering specific communication channels:

Analysts and investors
+34 935 820 518
analistas@catalanaoccidente.com

Shareholder support
+34 935 820 667
accionistas@catalanaoccidente.com

During 2015 the Group submitted its value proposition to the financial markets (available online) by republishing its submitted quarterly profits (online in Spanish and English) and through holding 11 roadshows in various European countries and five forums/conferences. In total, 159 meetings with investors were held and more than 500 calls from shareholders, analysts and investors were handled.

04

Business performance in 2015

Stable and recurring traditional business
Progressive improvement of Plus Ultra Seguros
Strong credit insurance profits

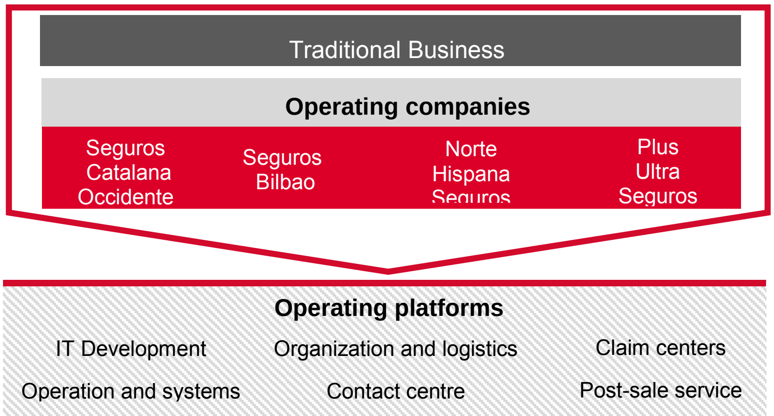
Traditional business

The traditional business has witnessed a very positive development in 2015 with growth higher than the Spanish average according to ICEA

The traditional business, with a wide range of insurance products, is aimed mainly at households and SMEs. It is managed by a dedicated network of professional intermediaries and over 1,300 offices in Spain.

Multi-risk: 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, as well as funeral and health.
Life: life risk, life savings, pension plan and mutual fund products.

Operating companies from the traditional business share the company's various operating platforms.



(million euros)

Traditional business	2011	2012	2013	2014	2015	% Chg. 14-15
Turnover	1,657.7	1,612.5	1,686.9	1,825.7	2,150.8	17.8%
Written premiums ex-single	1,381.4	1,316.6	1,260.7	1,261.0	1,622.9	28.7%
Earned Premiums	1,664.9	1,636.3	1,709.3	1,832.0	2,167.1	18.3%
Technical result after expenses	**130.7**	**133.6**	**128.3**	**125.6**	**138.0**	**9.9%**
% of earned premiums	*7.9%*	*8.2%*	*7.5%*	*6.9%*	*6.4%*	
Financial result	**31.3**	**31.7**	**45.0**	**54.5**	**74.8**	**37.2%**
% of earned premiums	*1.9%*	*1.9%*	*2.6%*	*3.0%*	*3.5%*	
Corporate tax	-39.3	-39.0	-42.3	-42.24	-52.4	24.1%
Recurring result	**113.0**	**113.4**	**122.6**	**129.6**	**148.9**	**14.9%**
Non-Recurring result	**4.4**	**-6.9**	**-6.0**	**-7.7**	**-7.2**	
Total Results	**117.4**	**106.5**	**116.6**	**121.9**	**141.7**	**16.2%**

(*) From June 2012 until June 2015, 49% of the net profit of Plus Ultra Seguros is accounted for in the traditional business financial profit. Beginning in July 2015, since the remaining 51% was acquired without outside financing, 100% of Plus Ultra Seguros is included due to full consolidation.

+17.8%
turnover

At year-end, turnover has shown an increase in premiums of 17.8%.

The increased business retention and the generation of cash flows and in policies and customers should be noted.

Recurring premiums (except single) increased by 28.7%.

Recurring profit after tax has increased by 14.9% to 148.9 million euros.

In order to explain the development of business and provide consistency in the explanations offered, the traditional business outlook without Plus Ultra Seguros and the Plus Ultra Seguros figures are provided separately.

Traditional business not including Plus Ultra Seguros

The traditional business not including Plus Ultra Seguros has stood out for its strength and stability.

(million euros)

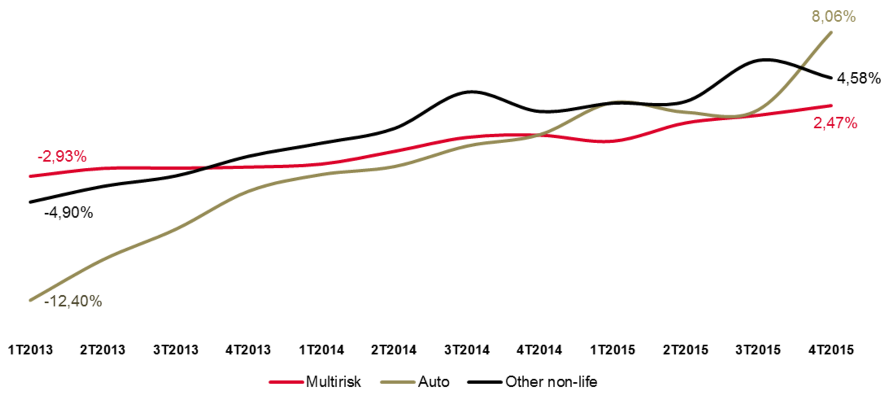
Traditional business ex Plus Ultra Seguros	2011	2012	2013	2014	2015	% Chg. 14-15
Written premiums	1,657.7	1,612.5	1,686.9	1,825.7	1,800.8	-1.4%
Written premiums ex-single	1,381.4	1,316.6	1,260.7	1,261.0	1,298.8	3.0%
Earned Premiums	1,666.2	1,637.7	1,709.6	1,831.9	1,792.0	-2.2%
Technical result after expenses	**130.7**	**133.6**	**128.3**	**125.6**	**130.1**	**3.6%**
% of earned premiums	*7.8%*	*8.2%*	*7.5%*	*6.9%*	*7.3%*	
Financial result	31.3	31.7	45.0	54.5	52.9	-2.9%
Recurring result	113.0	113.4	122.6	129.6	139.6	7.7%

Turnover has grown from strength to strength throughout the year, showing a different trend in life and non-life. Non-life premiums grew by 3.0% with 1,298.8 million euros, driven by 3.7% growth in the auto business. In life, recurring premiums continue growing at a rate of 4.0%, while single premiums have dropped by 11.1%. Overall, the year has witnessed greater business retention and new policies and customers.

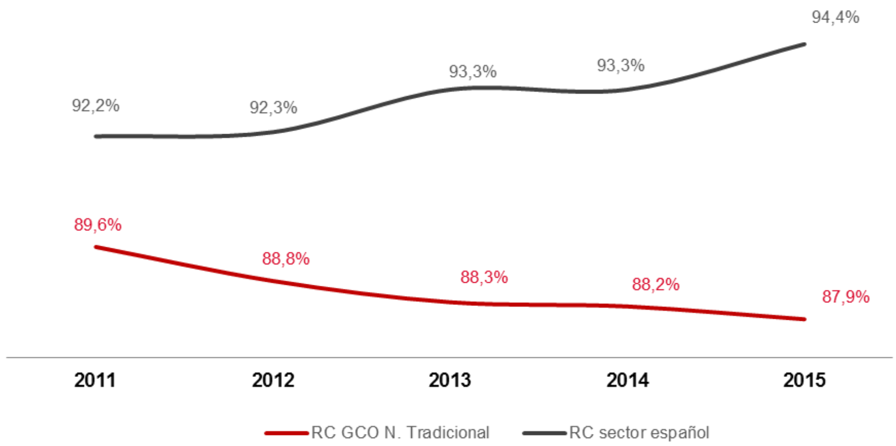
The combined ratio improved 0.3 tenths driven by a lower expense ratio (0.9 points) which offsets the increase in accident claims (0.7 points) mainly from the auto business. However, we should note the spread in combined ratio compared to the Spanish insurance market stemming from the range of risks and the high technical rigour.

The underwriting profit has improved by 3.6% to 130.1 million euros and, coupled with the financial result, the net recurring result after taxes has reached 139.6 million euros, increasing by 7.7%.

Turnover performance by quarter



Performance of combined ratio



Range of risks.
Technical rigour.

Multi-risk

A strong performance supported by continuously adapting products to new customer needs.

Turnover
€412M …. +1.2%
Second in ranking

87.3% Combined ratio

Improved claims frequency

Technical-financial profit

€60.0M …. +5.4%

(million euros)

Key figures	2011	2012	2013	2014	2015	% Chg. 14-15
Written premiums	**429.4**	**420.6**	**410.2**	**407.0**	**411.8**	**1.2%**
Earned premiums	421.9	423.2	414.6	410.0	409.5	-0.1%
Number of claims	390,484	393,121	417,407	422,870	412,457	-2.5%
Average cost of claims, €	598.8	568.9	514.0	500.3	506.3	1.2%
Technical provisions	**323.4**	**331.9**	**329.5**	**331.1**	**338.4**	**2.2%**
% Technical cost	*55.4%*	*52.9%*	*51.7%*	*51.6%*	*51.0%*	*-0.6*
% Commissions	*19.6%*	*19.5%*	*19.2%*	*19.3%*	*19.5%*	*0.2*
% Expenses	*15.0%*	*15.6%*	*16.5%*	*16.6%*	*16.8%*	*0.2*
% Combined ratio	**90.0%**	**87.9%**	**87.4%**	**87.5%**	**87.3%**	**-0.2**
Technical result after expenses	**42.1**	**51.2**	**52.1**	**50.7**	**52.1**	**2.8%**
% s/ earned premiums	*10.0%*	*12.1%*	*12.6%*	*12.4%*	*12.7%*	
Financial result	**6.9**	**6.5**	**7.1**	**6.2**	**7.9**	**27.4%**
% s/ earned premiums	*1.6%*	*1.5%*	*1.7%*	*1.5%*	*1.9%*	
Technical -financial result	**49.0**	**57.7**	**59.2**	**56.9**	**60.0**	**5.4%**
% s/ Earned premiums	*11.6%*	*13.6%*	*14.3%*	*13.9%*	*14.7%*	

Auto

Recovery of the result supported by a positive performance, with a signification improvement in customer retention and in maintaining a good combined ratio.

Turnover
€334M …. +3.7%
Policy and client generation

92.9% Combined ratio with a slight upturn in the number of claims

Technical-financial profit

€34.0M ….. +4.0%

(million euros)

Key figures	2011	2012	2013	2014	2015	% Chg. 14-15
Written premiums	**388.0**	**357.7**	**326.9**	**322.0**	**334.0**	**3.7%**
Earned premiums	**399.3**	**373.9**	**339.7**	**325.0**	**327.1**	**0.6%**
Number of claims	228,182	213,750	198,567	189,655	195,296	3.0%
Average cost of claims, €	1,110.0	1,078.0	1,054.3	1,043.6	1,061.9	1.8%
Technical provisions	**427.4**	**402.8**	**399.1**	**402.8**	**394.1**	**-2.2%**
% Technical cost	*63.4%*	*63.5%*	*61.6%*	*60.9%*	*63.4%*	*2.5*
% Commissions	*12.1%*	*11.9%*	*11.9%*	*11.8%*	*11.5%*	*-0.3*
% Expenses	*17.9%*	*18.0%*	*19.3%*	*20.1%*	*18.0%*	*-2.1*
% Combined ratio	**93.4%**	**93.4%**	**92.8%**	**92.8%**	**92.9%**	**0.1**
Technical result after expenses	**26.3**	**24.5**	**24.2**	**23.7**	**23.5**	**-0.8%**
% s/ earned premiums	*6.6%*	*6.6%*	*7.1%*	*7.3%*	*7.2%*	
Financial result	**11.5**	**9.9**	**10.2**	**9.0**	**10.5**	**16.7%**
% s/ earned premiums	*2.9%*	*2.6%*	*3.0%*	*2.8%*	*3.2%*	
Technical -financial result	**37.8**	**34.4**	**34.4**	**32.7**	**34.0**	**4.0%**
% s/ earned premiums	*9.5%*	*9.2%*	*10.1%*	*10.1%*	*10.4%*	

Other Non-Life

Improved results and turnover boosted by private business.

Turnover
€241M …. +3.8%
Less pressure on industrial sectors
Funeral and health grow more than 5%

82.4% Combined ratio

Improved expenses offsetting the increase in claims frequency

Technical-financial profit

€50.7M …. +7.4%

(million euros)

Key figures	2011	2012	2013	2014	2015	% Chg. 14-15
Written premiums	**244.1**	**233.7**	**228.4**	**231.8**	**240.7**	**3.8%**
Earned premiums	**248.9**	**239.6**	**233.4**	**232.1**	**241.0**	**3.8%**
Number of claims	105,164	108,974	121,598	149,101	183,458	23.0%
Average cost of claims, €	872.5	606.6	724.5	579.1	501.8	-13.3%
Technical provisions	**331.6**	**305.2**	**291.1**	**285.1**	**292.3**	**2.5%**
% Technical cost	*37.7%*	*37.3%*	*37.7%*	*37.2%*	*38.2%*	*1.0*
% Commissions	*19.3%*	*18.4%*	*17.5%*	*16.9%*	*16.7%*	*-0.2*
% Expenses	*26.1%*	*27.5%*	*28.0%*	*28.7%*	*27.6%*	*-1.1*
% Combined ratio	**83.1%**	**83.1%**	**83.2%**	**82.8%**	**82.4%**	**-0.4**
Technical result after expenses	**42.1**	**40.4**	**39.1**	**40.0**	**42.4**	**6.0%**
% s/ earned premiums	*16.9%*	*16.9%*	*16.7%*	*17.2%*	*17.6%*	
Financial result	**10.2**	**7.9**	**7.9**	**7.2**	**8.3**	**15.3%**
% s/ earned premiums	*4.1%*	*3.3%*	*3.4%*	*3.1%*	*3.4%*	
Technical -financial result	**52.3**	**48.3**	**47.0**	**47.2**	**50.7**	**7.4%**
% s/ earned premiums	*21.0%*	*20.2%*	*20.1%*	*20.3%*	*21.0%*	

Life

There was a decrease in turnover as the contribution of Plus Ultra Seguros was not incorporated into the financial results in the second quarter of the financial year.

Turnover
€814M …. -5.8%
Increase in regular premiums and pension plans

Underwriting profit
Improved technical margin by product

Underwriting financial profit
Less financial profit due to the inclusion of Plus Ultra Seguros net profit in the second half.

(million euros)

Key figures	2011	2012	2013	2014	2015	% Chg. 14-15
Life insurance turnover	**596.2**	**600.5**	**721.4**	**864.8**	**814.3**	**-5.8%**
Periodic premiums	319.9	307.6	295.2	300.1	312.3	4.1%
Single premiums	276.3	292.9	426.2	564.7	502.0	-11.1%
Contributions to pension plans	50.3	37.5	47.3	48.3	52.9	9.5%
Net contributions to investment funds	-0.7	-5.2	-5.6	9.6	8.5	
Volume of managed funds	**4,004.1**	**3,970.3**	**4,278.8**	**4,208.0**	**5,230.3**	**24.3%**
Earned premiums	**596.0**	**601.0**	**721.9**	**864.8**	**814.4**	**-5.8%**
Technical result after expenses	**20.2**	**17.5**	**12.8**	**11.1**	**12.2**	**9.9%**
% s/ earned premiums	*3.4%*	*2.9%*	*1.8%*	*1.3%*	*1.5%*	
Financial result	**16.2**	**20.8**	**26.6**	**35.3**	**26.2**	**-25.8%**
% s/ earned premiums	*2.7%*	*3.5%*	*3.7%*	*4.1%*	*3.2%*	
Technical -financial result	**36.4**	**38.3**	**39.4**	**46.4**	**38.4**	**-17.2%**
% s/ earned premiums	*6.1%*	*6.4%*	*5.5%*	*5.4%*	*4.7%*	

Plus Ultra Seguros

For Plus Ultra Seguros, 2015 was marked by growth in the agent and broker channel profitability recovery

Drop in turnover due to the completion of bancasurrance agreements.

The turnover of the bancassurance channel (representing 10.5% of billed premiums) continued to drop at a rate of 10%, reflecting the completion of distribution agreements with banks, which mainly affects multi-risk.

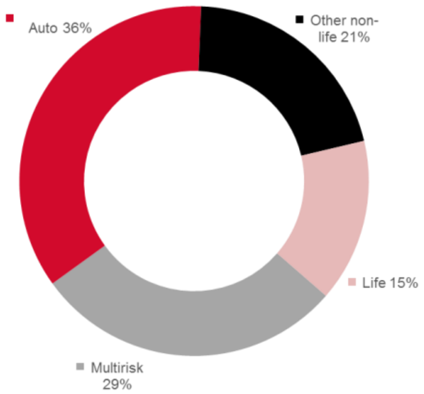
Consequently, total turnover dropped by 6.6% (-1.4% excluding single premiums) to 729.2 million euros.

Worth noting is the strong performance of the auto business, where premiums increased by 3.8%.

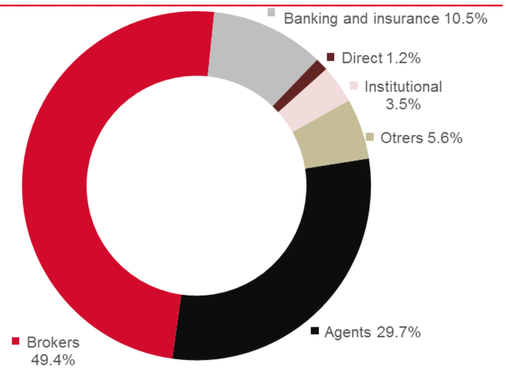
(million euros)

Business Plus Ultra Seguros	2011	2012	2013	2014	2015	% Chg. 14-15
Non-life	786.3	730.8	662.8	627.7	619.1	-1.4%
Multirisk	*272.3*	*261.0*	*239.9*	*221.9*	*208.9*	*-5.9%*
Auto	*342.4*	*299.9*	*265.7*	*250.1*	*259.6*	*3.8%*
Other non-life	*171.5*	*169.9*	*157.2*	*155.7*	*150.6*	*-3.3%*
Life	143.4	116.4	181.3	153.3	110.0	-28.2%
Written premiums	**929.7**	**847.2**	**844.1**	**781.0**	**729.2**	**-6.6%**
Written premiums ex-single	**860.6**	**804.4**	**763.0**	**692.7**	**683.0**	**-1.4%**
Earned Premiums	**949.3**	**872.8**	**883.0**	**805.2**	**732.9**	**-8.8%**
Technical result after expenses	**17.0**	**-8.0**	**11.5**	**22.2**	**7.8**	**-64.9%**
% of earned premiums	*1.8%*	*-0.9%*	*1.3%*	*2.8%*	*1.1%*	

Business diversification



Distribution channels



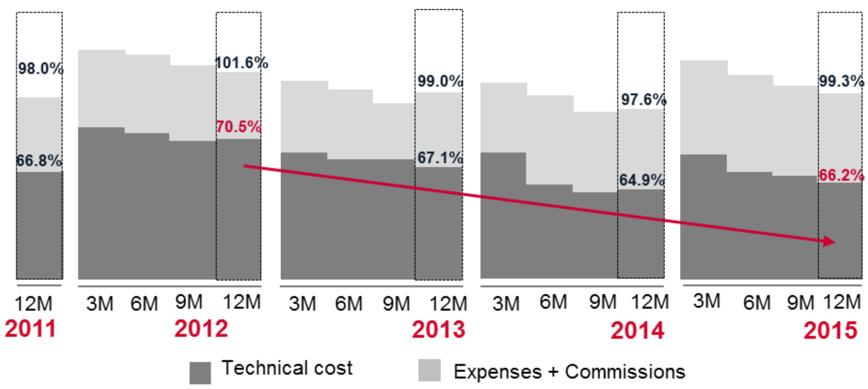
85%

of portfolio in non-life. Auto and industrial sectors accounted for 35.6% and 30% respectively

During the year underwriting profit grew positively. In the first quarter, various peak claims led to a combined ratio of 105.2%. Since the first quarter, the combined ratio improved by 5.9 points to 99.3%. Compared to 2014 the ratio increased by 1.8 points (especially in industrial multi-risk).

Improvement in the auto business stands out, where the combined ratio reached 94.3%, up 2.5 points and still well below the market average (101.7%)

Combined ratio performance



94.3%

Auto combined ratio below the market average by 7.4 points

Credit insurance business

Turnover in the credit insurance business grew by 3.9% and the recurring profit grew by 11.9%

28%

share in the world market, and 51% in Spain

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 over 50 countries, a database of credit information on more than 52 million companies and a worldwide market share of approximately 28% (51% in Spain).

This is a business structurally linked to economic development and, in particular, to the performance of corporate defaults and global trade volume. During 2015, global trade continued to grow, albeit at a slower rate than previous financial years, and the number of insolvencies dropped in many developed countries, although it remains high, especially in the Eurozone. Insolvency conditions in many emerging countries decreased significantly.

(million euros)

Revenues credit insurance	2011	2012	2013	2014	2015	% Chg. 14-15
Writtem premiums	**1,409.0**	**1,457.5**	**1,404.6**	**1,496.6**	**1,553.8**	**3.8%**
Credit insurance	1,176.1	1,210.5	1,192.5	1,239.2	1,305.1	5.3%
Bonding	90.5	94.6	100.5	121.3	110.8	-8.7%
Accepted reinsurance	142.4	152.4	111.6	136.1	137.9	1.3%
Service income	**101.3**	**107.5**	**110.4**	**115.3**	**121.5**	**5.4%**
Total insurance revenues	**1,510.3**	**1,565.0**	**1,515.0**	**1,611.9**	**1,675.3**	**3.9%**
Revenues from complementary activities	53.2	59.3	60.0	58.4	63.3	8.4%
Total turnover	**1,563.5**	**1,624.3**	**1,575.0**	**1,670.3**	**1,738.6**	**4.1%**

63%

exposure in Eurozone countries.

(million euros)

Potential exposure (TPE)	2011	2012	2013	2014	2015	% Chg. 13-14	% total
Spain and Portugal	103,565	90,084	81,486	85,165	89,601	5.2%	15.9%
Germany	65,608	70,266	72,844	77,297	80,398	4.0%	14.3%
Australia and Asia	53,421	65,064	58,725	69,210	79,668	15.1%	14.2%
America	22,646	27,296	45,386	59,491	65,464	10.0%	11.6%
Eastern Europe	31,950	37,004	41,142	45,925	50,805	10.6%	9.0%
United Kingdom	25,988	28,760	34,619	40,332	45,782	13.5%	8.1%
France	36,391	37,426	37,135	39,170	40,917	4.5%	7.3%
Italy	24,111	24,170	23,768	26,929	32,735	21.6%	5.8%
Nordic and Baltic countries	19,365	20,823	21,831	23,261	25,883	11.3%	4.6%
Netherlands	25,200	24,898	22,326	23,152	23,914	3.3%	4.3%
Belgium and Luxembourg	11,983	12,796	13,336	14,229	14,662	3.0%	2.6%
Rest of world	6,405	7,259	7,795	10,954	12,817	17.0%	2.3%
Total	**426,633**	**445,846**	**460,394**	**515,114**	**562,644**	**9.2%**	**100%**

Premiums rose by 3.8% to reach 1,553.8 million euros. Including income from information and complementary activities, mainly third-party recovery management, total credit insurance turnover stood at 1,738.6 million euros, 4.1% more than in 2014.

In European countries, growth stood at around 2%, driven by 7% growth in Germany and 10% in the UK. In Asia and the Americas the Group grew above 10%.

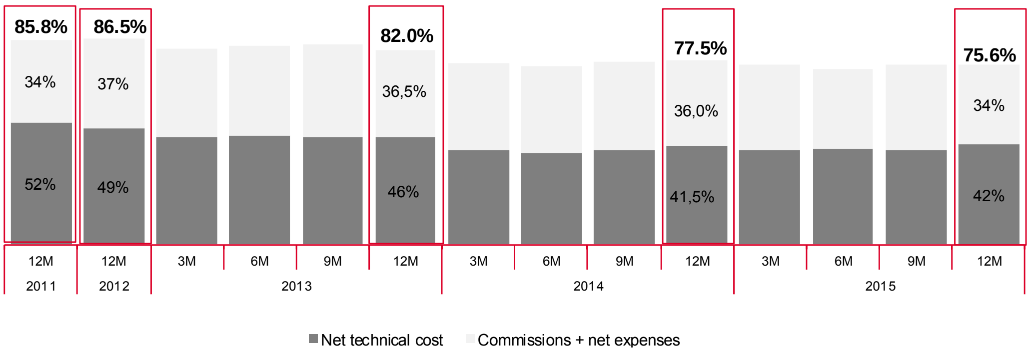
75.6%

Net combined ratio, with a 42% claims ratio.

(million euros)

Credit insurance	2011	2012	2013	2014	2015	% Chg. 14-15
Earned premiums	1,403.4	1,439.8	1,412.1	1,457.6	1,536.8	5.4%
Service income	101.3	107.5	110.4	115.3	121.5	5.4%
Total insurance revenues	**1,504.7**	**1,547.3**	**1,522.5**	**1,572.9**	**1,658.3**	**5.4%**
Technical result after expenses	227.5	213.7	289.5	355.3	343.4	-3.3%
% over insurance revenues	*15.1%*	*13.8%*	*19.0%*	*22.6%*	*20.7%*	
Result reinsurance	-103.8	-109.6	-131.0	-145.8	-103.0	-29.4%
% over insurance revenues	*-6.9%*	*-7.1%*	*-8.6%*	*-10.0%*	*-6.7%*	
Technical result net reinsurance	123.7	104.1	158.5	209.5	240.4	14.8%
% over insurance revenues	*8.2%*	*6.7%*	*10.4%*	*13.3%*	*14.5%*	
Financial results	32.3	27.5	13.3	13.7	4.8	-64.9%
% over insurance revenues	*2.1%*	*1.8%*	*0.9%*	*0.9%*	*0.3%*	
Complementary activities result	-1.1	6.6	4.9	4.1	8.0	95.1%
Corporate tax	-34.9	-33.6	-47.2	-70.4	-71.1	
Adjustments	-4.6	-0.1	-3.4	-4.6	-11.6	
Recurring results	**118.3**	**104.5**	**126.1**	**152.3**	**170.4**	**11.9%**

Net combined ratio performance



The underwriting profit after expenses and before reinsurance dropped by 3.3%, reflecting the increase in claims due to a significant claim during the last quarter. Once the reinsurance premiums are applied, the net underwriting profit increases by 14.8% reaching 240.4 million euros. The ratio of reinsurance assignment stood at 42.5% compared to 45% at the end of 2014.

The net combined ratio at year-end stood at 75.6%, up 1.9 points from 2014. The increase of 0.5 points of underwriting cost is more than offset by the 2.4-point reduction in fees and commissions.

The Group continues to maintain a prudent underwriting and provisioning policy, incorporating the foreseeable risks arising from the situation in emerging countries and in certain industries.

The financial profit, explained below, has contributed 4.8 million euros and complementary activities have contributed 8.0 million euros. This has placed the recurring profit after tax at 170.4 million euros, 11.9% higher than the previous year.

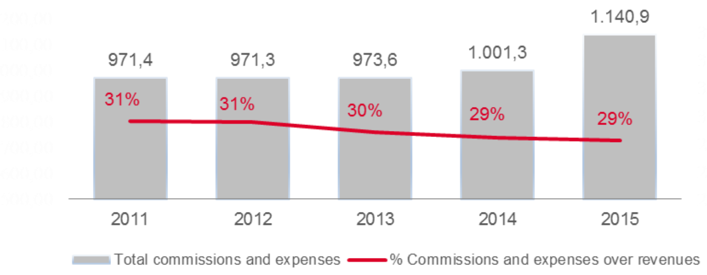
On 2 February 2016, Atradius Insurance Holding N.V., as the sole shareholder, approved the merger of Atradius Credit Insurance N.V. and the Compañía Española de Seguros y Reaseguros de Crédito y Caución, S.A.U. into a single legal entity by means of the former acquiring the latter. Atradius N.V. will continue to be Dutch holding company of an international leading network in credit insurance, surety, reinsurance, debt recovery and information services.

The resulting legal structure, which will come into effect after obtaining the relevant regulatory authorisation (expected at the end of 2016), will reduce the complexity of working with two insurance companies in Europe, different regulatory environments and a dual cooperative government framework (particularly with the currently Solvency II regulations).

The transaction will not affect the business model, the financial statements or the established brands. Grupo Catalana Occident remains committed to maintaining the Atradius entities well capitalised and with the same financial and operational independence.

Other relevant business aspects

General expenses and commissions



(million euros)

Commissions and expenses	2011	2012	2013	2014	2015	% Chg. 14-15
Traditional business	239.3	238.6	238.9	240.9	286.8	19.1%
Credit Insurance business	354.7	361.1	360.4	388.6	389.3	0.2%
Non-recurring expenses		-2.1	9.2	-1.1	22.7	
Total expenses	**594.0**	**597.6**	**608.5**	**628.4**	**698.8**	**11.2%**
Commissions	**377.4**	**373.7**	**365.1**	**372.9**	**442.1**	**18.6%**
Total commissions and expenses	**971.4**	**971.3**	**973.6**	**1,001.3**	**1,140.9**	**13.9%**
% Commissions and expenses over revenues	**30.6%**	**30.6%**	**29.8%**	**29.4%**	**29.2%**	

29.2%

efficiency rating, improving by two tenths

Financial profit

The different treatment of Plus Ultra Seguros is worth noting. From June 2012 until June 2015, 49% of the profit of Plus Ultra Seguros is included under "Subsidiaries", while, in the second half of 2015, 100% of the financial profits of the company are included.

The traditional business achieved 74.8 million euros, 37.1% more than in 2014, driven by more funds under management and the increase of dividend income.

The lower contribution of credit insurance is due to the fact that it bears the interests of a greater subordinated debt amount (120 million euros until September 2014 versus 250 million euros in 2015). In addition, an adjustment is applied for intra-group loan interests, resulting in a loss of 7.5 million euros.

Lastly, the non-recurring profit contributes 17.6 million euros before tax derived from profit from recovery.

(million euros)

Financial result	2011	2012	2013	2014	2015	% Chg. 14-15
Financial income net of expenses	160.7	160.7	164.9	176.2	215.5	22.3%
Exchange rate differences	0.8	-0.7	-0.4	-0.1	0.1	
Subsidiaries	0.4	6.3	17.8	18.9	6.6	-65.1%
Interest applied to life	-130.6	-134.6	-138.3	-140.5	-147.4	4.9%
Recurring financial result traditional business	**31.3**	**31.7**	**44.0**	**54.5**	**74.8**	**37.1%**
% over earned premiums	*1.9%*	*1.9%*	*2.6%*	*3.0%*	*3.4%*	
Financial income net of expenses	29.9	23.1	17.3	16.0	17.3	8.6%
Exchange rate differences	0.9	3.5	-2.7	-1.2	-0.4	
Subsidiaries	8.7	8.0	5.8	7.2	0.9	
Interests subordinated debt	-7.1	-7.1	-7.1	-8.3	-13.1	
Recurring financial result credit insurance business	**32.4**	**27.5**	**13.3**	**13.7**	**4.8**	**-65.0%**
% over revenues net insurance	*2.2%*	*1.8%*	*0.9%*	*0.9%*	*0.3%*	
Adjust intragroup interests				**0.0**	**-12.4**	
Recurring financial result adjust credit insurance busin	**32.4**	**27.5**	**13.3**	**13.7**	**-7.5**	
Recurring financial result	**63.7**	**59.2**	**57.3**	**68.2**	**67.2**	**-1.5%**
% over total Group revenues	*2.0%*	*1.9%*	*1.8%*	*2.0%*	*1.8%*	
Non-recurring financial result	**-5.6**	**-11.2**	**15.7**	**5.7**	**17.6**	
Financial result	**58.1**	**48.0**	**73.0**	**73.9**	**84.8**	**14.7%**

The financial profit for credit insurance, at 84.8 million, is up 14.7%, due to greater managed funds due to including Plus Ultra Seguros.

Reinsurance profit

The Group continues to trust the leading companies in this market, which continue to deliver solid solvency levels with above "A" ratings.

The transfer of 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 profits over the business cycle, as well as non-proportional assignments to cushion the impact of significant claims. We see traditional business maintaining a strong link to insured business, and reinsurance is protected mainly through loss cover contracts for relevant claims.

Overall, reinsurance has resulted in a benefit to reinsurers in the amount of 116.5 million euros, 7.6 million from the traditional business and 108.9 million from the credit insurance business.

The major reinsurance line brokers for both the traditional and credit insurance business are Munich Re, General Re, Swiss Re, Hannover Re and Axis.

(million euros)

Key figures	2011	2012	2013	2014	2015	% Chg. 14-15	Traditional Business	Credit Insurance Business
Ceded premiums	-687.8	-711.8	-697.2	-710.8	-742.2	4.4%	-64.4	-677.8
Increase of unearned premium provision	-8.9	4.2	-1.0	15.4	-1.3		-3.8	2.5
Net premiums ceded	-696.7	-707.6	-698.2	-695.4	-743.5	6.9%	-68.2	-675.3
% of earned premiums	*-22.7%*	*-23.0%*	*-22.4%*	*-21.1%*	*-20.1%*		*3.8%*	*43.9%*
Commissions	245.3	214.1	229.5	254.9	275.7	8.2%	12.8	262.9
Claims	336.2	374.0	305.7	274.2	351.3	28.1%	47.7	303.6
Result of ceded reinsurance	**-115.2**	**-119.5**	**-163.1**	**-166.3**	**-116.5**	**-29.9%**	**-7.6**	**-108.9**
Result of accepted reinsurance	**27.3**	**48.8**	**39.8**	**-30.7**	**-7.2**		**3.4**	**-10.6**

Non-recurring profit

The non-recurring profit after tax represents a loss of 23.1 million euros. The following table shows a breakdown.

Broken down by business, the non-recurring profit after taxes of the traditional business resulted in a loss of 7.2 million euros, including -7.4 million euros from provisioning for cost of regulations in the life business.

In the credit insurance business, loss stood at 15.9 million euros, mainly originating from the impairment of an invested company and various non-recurring expenses.

(million euros)

Non-recurring income (net tax)	2011	2012	2013	2014	2015
Traditional business technical result	0.0	4.7	-0.2	-5.8	-7.4
Traditional business financial result	4.4	-8.5	4.3	0.3	4.7
Non-recurring expenses and other traditional business		-3.1	-10.1	-2.2	-0.8
Non-recurring Plus Ultra Seguros					-3.7
Non-recurring traditional business	**4.4**	**-6.9**	**-6.0**	**-7.7**	**-7.2**
Credit insurance technical result	7.2	1.6	-0.6	0.6	-17.6
Credit insurance financial result	-9.1	-0.3	6.9	0.5	1.7
Expenses and other non-recurring traditional business	7.8	10.5	-5.2	-7.1	0.0
Non-recurring credit insurance business	**5.9**	**11.8**	**1.1**	**-6.0**	**-15.9**
Consolidation adjustments	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**
Non-recurring result net of taxes	**10.4**	**4.9**	**-4.9**	**-13.7**	**-23.1**

Balance sheet

The assets of Grupo Catalana Occidente increased by 2,079.5 million euros with the integration of Plus Ultra Seguros

(million euros)

Asset	2011	2012	2013	2014	2015	% Chg. 14-15
Intangible assets and property	**882.6**	**881.3**	**883.3**	**876.6**	**1,100.8**	**25.6%**
Investments	**6,213.2**	**6,573.7**	**7,163.3**	**8,258.3**	**9,763.0**	**18.2%**
Property investments	227.8	224.6	226.5	223.3	278.7	24.8%
Financial investments	5,239.5	5,969.2	6,503.8	7,448.5	8,874.5	19.1%
Cash and short-term assets	745.9	379.9	433.0	586.5	609.7	4.0%
Reinsurance share in technical provisi	**1,004.7**	**988.5**	**895.2**	**889.4**	**1,002.1**	**12.7%**
Other assets	**1,330.5**	**1,285.7**	**1,159.6**	**1,192.2**	**1,430.1**	**20.0%**
Deferred tax assets	147.5	127.5	115.9	127.2	96.1	-24.4%
Credits	832.0	786.1	703.2	702.2	873.0	24.3%
Other assets	351.0	372.1	340.5	362.8	461.1	27.1%
Total asset	**9,431.0**	**9,729.2**	**10,101.4**	**11,216.5**	**13,296.0**	**18.5%**

Liabilities and equity	2011	2012	2013	2014	2015	% Chg. 14-15
Long-Term Capital	**1,645.7**	**1,795.3**	**2,100.3**	**2,685.7**	**2,797.7**	**4.2%**
Equity	**1,527.6**	**1,676.5**	**1,980.8**	**2,437.6**	**2,585.8**	**6.1%**
Parent company	1,233.7	1,433.4	1,723.8	2,167.1	2,299.7	6.1%
Minority interests	293.9	243.1	257.1	270.5	286.1	5.8%
Subordinated liabilities	**118.1**	**118.8**	**119.5**	**248.1**	**211.8**	**-14.6%**
Technical provisions	**6,794.5**	**6,844.3**	**6,905.5**	**7,235.0**	**9,074.3**	**25.4%**
Other liabilities	**990.8**	**1,089.6**	**1,095.6**	**1,295.8**	**1,424.0**	**9.9%**
Other provisions	128.3	158.2	153.0	148.0	161.1	8.9%
Deposits received for transferred reinsuran	80.9	68.3	62.1	60.4	82.3	36.3%
Deferred tax liabilities	171.8	179.2	222.3	320.3	328.9	2.7%
Liabilities	430.5	480.1	457.6	524.6	574.3	9.5%
Other liabilities	179.3	203.8	200.6	242.5	277.3	14.4%
Total liabilities and equity	**9,431.0**	**9,729.2**	**10,101.4**	**11,216.5**	**13,296.0**	**18.5%**

Grupo Catalana Occidente closed 2015 with assets of 13,296 million euros, up 18.5% after including 100% of Plus Ultra Seguros.

The main items that increase are as follows:

- Technical provisions increased by 1,842.0 million euros
- Investments increased by 1,504.7 million euros

The incorporation of Plus Ultra Seguros generated goodwill in the Group of 118.2 million euros and intangible assets of 50.6 million euros and property, equipment and investment property assets amounting to 49.2 million euros.

At 2,797.7 million euros, long-term capital rose by 4.2%, driven by the year's profits (see capital performance section).

Note that the Treasury item 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 noted that Grupo Catalana Occidente does not account for the surplus value of its properties, so they appear at the amortised cost value and not at market value.

Investments and funds under management

Investment activity, focused on traditional assets, and fund management in 2015 has been characterised by prudence and diversification

€11,055.8 M

(+16.6% regarding funds under management in 2014)

(million euros)

Investments and funds under management	2011	2012	2013	2014	2015	% Chg. 14-15	% s/ Inv. Entity R
Real estate	1,073.1	1,030.0	977.4	943.3	1,024.4	8.6%	10.1%
Fixed income	3,664.6	3,724.2	4,114.9	4,906.4	6,396.3	30.4%	62.8%
Equity	483.0	521.7	754.3	927.0	1,304.3	40.7%	12.8%
Deposits with credit institutions	311.4	540.5	600.5	593.9	464.4	-21.8%	4.6%
Other investments	117.1	136.0	137.7	141.0	124.6	-11.6%	1.2%
Cash and monetary assets	1,012.7	815.7	679.1	789.7	772.2	-2.2%	7.6%
Investments in subsidiaries	116.4	338.0	362.6	373.5	99.0	-73.5%	1.0%
Total investment entity risk	**6,778.4**	**7,106.2**	**7,626.5**	**8,674.9**	**10,185.2**	**17.4%**	**100.0%**
Investments by policyholders	271.1	262.7	281.1	294.8	315.7	7.1%	
Pension plans and mutual funds	468.7	449.4	474.3	511.1	554.9	8.6%	
Total investment policy holder risk	**739.8**	**712.1**	**755.4**	**805.9**	**870.6**	**8.0%**	
Investments and funds under management	**7,518.2**	**7,818.3**	**8,381.9**	**9,480.8**	**11,055.8**	**16.6%**	

The Group manages funds amounting to 11,055.8 million euros, 1,575.0 million euros more than in the previous year due to the incorporation of Plus Ultra Seguros, representing an increase of 16.6%. The funds for which the Group assumes the risk stood at 10,185.2 million euros, 17.4% more than in the previous year.

The total investment in property at market value amounts to €1,024.4 million euros. The vast majority of the Group's property is located in areas considered "prime" areas of the main Spanish cities. Likewise, 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 every two years through regulator-authorised entities. Capital gains from property amounted to 464.8 million euros. For further information, see note 8 b) of the Annual Report.

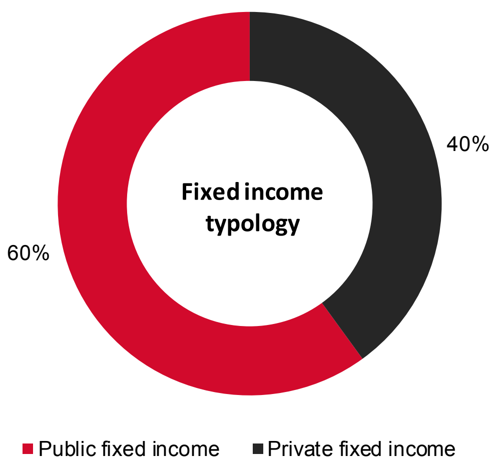
The equity investment is 1,304.3 million euros, representing 12.8% of the portfolio. In an environment of moderate recovery and interest rates at an all-time low, the equity position has increased. The Group's equity portfolio is widely diversified and focused on large cap securities, mainly from Spanish (33.4%) and European markets that have attractive dividend yields.

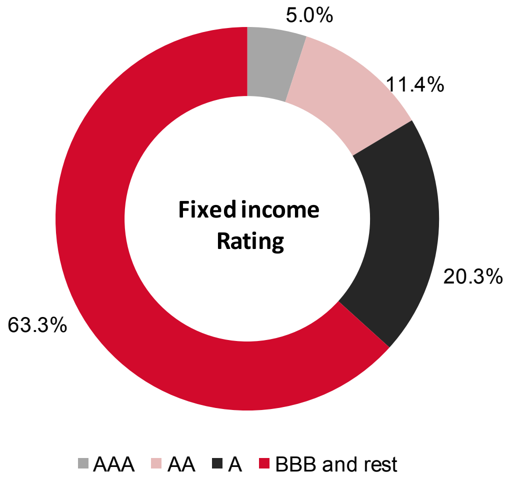
The Group holds a liquidity position of 1,236.6 million euros (464.4 million euros in bank deposits, mainly in Banco Santander and BBVA).

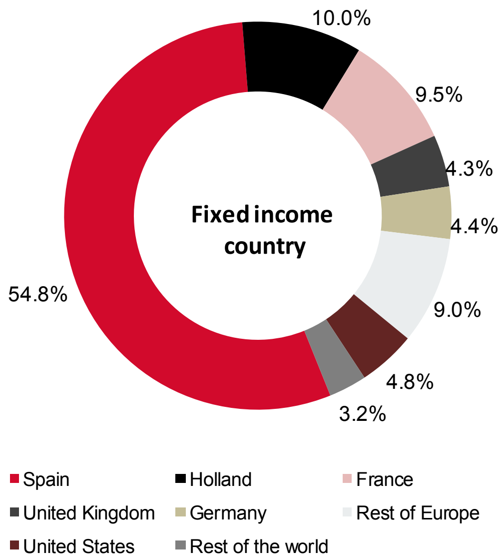
Investments in fixed income accounts for 62.8% of the portfolio, with 6,396.3 million euros. The portfolio rating breakdown is shown below. BBB's high ranking is for investment in the Spanish market (3,505.2 million euros), the credit score of which dropped in 2013. At year-end, 36.7% of the portfolio was rated A or higher, while the average rating was BBB.

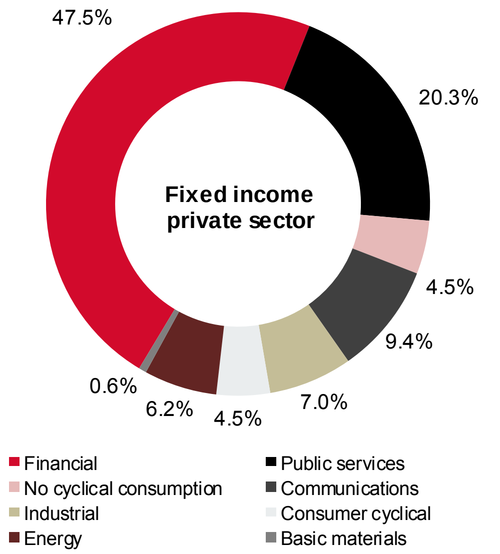
62.8% of portfolio in fixed income

Duration of 4.72
and 3.33% Internal Rate of
Return (IRR)









For detailed information and a breakdown by asset and maturities see note 4b) of the Notes to the Annual Report.

The information concerning the detail of subsidiaries can be found in Appendix I and II of the notes to the Annual Report.

Capital management

Grupo Catalana Occidente manages its capital seeking to maximise value for all stakeholders, maintaining a strong position by achieving long-term profit and remunerating shareholders through a responsible and sustainable policy.

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

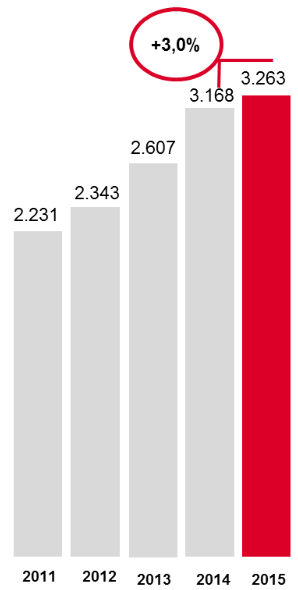
The Group’s capital management is governed by the following principles:

- Ensuring that Group companies have sufficient capital to meet their obligations even as they face extraordinary events.
- Managing the capital adequacy of the Group and its companies, taking into account the economic and accounting outlook and capital requirements.
- Optimising the capital structure through the efficient allocation of resources between entities, ensuring financial flexibility and appropriately remunerating shareholders.
- Defining 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 risk management and control section and note 4 of the Annual Report.

Capital performance

	(million euros)
LONG-TERM CAPITAL at 12/31/2014	**2,685.7**
EQUITY AT 12/31/2014	**2,437.6**
(+) Consolidated result	296.1
(+) Dividends paid	-76.8
(+) Change in valuation adjustments	-60.5
(+) Other changes	-10.6
Total movements	**148.2**
TOTA EQUITY AT 31/12/15	**2,585.8**
Subordinated debt	211.8
LONG-TERM CAPITAL AT 31/12/15	**2,797.7**
Unrealised capital gains (real state)	464.8
LONG-TERM CAPITAL at market value	**3,262.5**



The improved profit has helped to boost the Company's equity position. Market movements led to a reduction in the value of investments, with a negative impact of 60.5 million euros. Also, dividends were paid out amounting to 76.3 million euros, thus reducing the net equity by the same amount. For more information, see the full status of changes relating to equity in the financial statements.

Atradius issued subordinated debt amounting to 250 million euros maturing in September 2044 that can be fully amortised 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 a) of the report.

* Moreover, the subordinated debt amount computable for the Group was reduced by 40 million euros, after deducting the investment that Plus Ultra Seguros maintains in the bond.

Treasury Shares

Board of Directors
Responsible for approving the treasury policy.

The Internal Code of Conduct, in the stock market field, specifies the procedures for acquiring or disposing of Group shares.

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 euros and, consequently, the restricted reserves stipulated in Article 148 of the consolidated text of the Law on Capital Companies were provided with the same amount.

Solvency I

The Group is well above the minimum requirement, as well as the industry average (303% at September 2015, according to the General Directorate of Insurance and Pensions).

Incorporating Plus Ultra Seguros, the minimum amount of the solvency margin increased by 34.3% while the uncommitted equity increased by 5.6%.

€1,861.5 M

Solvency margin

(million euros)

Solvency margin	2011	2012	2013	2014	2015	% Chg. 14-15
Available equity	2,095.3	2,193.9	2,236.6	2,366.8	2,498.3	5.6%
Capital required	427.9	441.0	461.7	474.3	636.8	34.3%
Excess of solvency margin	**1,667.4**	**1,752.9**	**1,774.9**	**1,892.5**	**1,861.5**	-1.6%
% Available capital over the capital required	**489.7**	**497.5**	**484.5**	**499.0**	**392.3**	

Solvency II

Grupo Catalana Occidente calculates the solvency capital requirement (SCR) according to the standard formula set out in the regulations, apart from in the credit and surety sector, for which, in order to cater for the specific characteristics of the business, a partial internal model has been developed to calculate the underwriting risk presented for approval to the College of Supervisors.

In addition, Grupo Catalana Occidente conducts an annual own risk and solvency assessment of the company (ORSA), in which it quantifies the inherent risks to which the company is exposed, a projection of the Balance Sheet and, consequently, the projection of the company's Equity both for a baseline scenario and for adverse scenarios proposed by the Board of Directors, such as, for example, a low interest-rate scenario.

Results obtained show the adequacy of Equity in all cases, leaving no doubt about the company's resilience against adverse scenarios.

Solvency II came into force on January 1st 2016.

Solvency II

PILLAR I
Capital requirements

- Asset assessment
- Liability assessment
- Capital requirements
  - SCR
  - MCR
- Internal models

PILLAR II
Capital requirements

- Government system
- ORSA

PILLAR II
Capital requirements

- Reporting
- Transparency
- Market review

Technical provisions

€1,712.2 M

In excess assets to cover provisions

(million euros)

Technical provisions and coverage	2011	2012	2013	2014	2015	% Chg. 14-15
Technical provisions to materialize	6,630.5	6,685.5	6,940.3	7,337.5	9,157.5	24.8%
Eligible assets	8,102.5	8,301.4	8,589.6	9,160.7	10,869.7	18.7%
Excess coverage	**1,472.0**	**1,615.9**	**1,649.3**	**1,823.2**	**1,712.2**	-6.1%
% Assets over provisions	**122.2%**	**124.2%**	**123.8%**	**124.8%**	**118.7%**	

“A”

Rating

The rating agency A.M. Best, a leading credit rating agency of companies in the insurance industry, believes that the Group's financial strength is excellent.

	Seguros Catalana Occidente	Seguros Bilbao	Atradius Credit Insurance	Crédito y Caución	Atradius Re
AMBest	A- stable	A- stable	A stable	A stable	A stable
Moody's			A3 stable	A3 stable	A3 stable

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

- adequate capitalisation through the internal generation of capital.
- excellent operating profit.
- a 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 (Insurance Compensation Consortium).

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

- conservative investment portfolio
- strong capitalisation
- low financial leverage

05

Relationship with stakeholders in 2015

Active listening and building trust among stakeholders is an essential part of the Group's strategy

Engagement and commitment to stakeholders

The 2015 Strategic Plan sets the goal of understanding and adapting to social change through the relationship with stakeholders.

Grupo Catalana Occidente develops a socially responsible management, integrated into its strategy and present in business processes, always taking into account the interest groups with which it works, which are:

- **Employees**, the company's most important asset.
- **Customers**, at the core of the Group's business.
- **Shareholders**, essential to the sustainability of the Group.
- **Distributors**, the group comprised by the intermediary network (agents and brokers).
- **Suppliers**, including doctors, lawyers and experts, among others.
- **Society**, which includes the media, NGOs, public authorities, etc.
- Commitment to preserving the **environment**

One of the guidelines adopted in the 2015 Strategic Plan is to under-stand and adapt to social change. This commitment applies to the relationship with each of the stakeholders, based on mutual trust and value generation.

The Group undertakes its insurance activities in full awareness of the consequences of the organisation's decisions and actions on these groups in the medium and long term.

Specific commitments

The Group's Code of Ethics sets out the principles and values that guide the actions of companies with their stakeholders. The Group also takes on specific commitments to each of them:

- Employees – the Group is committed to equal opportunities, lifelong learning and fair pay.
- Customers – the Group assumes an explicit commitment to developing competitive products and ensuring excellence in service while guaranteeing personal support.
- Shareholders – the Group offers an attractive return on their investment, prudent risk management, transparency of information and a long-term value strategy.
- The distribution network – their relationship with the company is based on continued support for professional development, fair pay and a treatment that gives them trust and security.
- Suppliers – the Group is committed to objectivity, impartiality, transparency and equal treatment.
- Society – the Group undertakes proactive cooperation efforts with organisations in the insurance industry and other associations. Social actions are channelled through Fundación Jesús Serra.

Communication

Grupo Catalana Occidente is constantly working to better understand its stakeholders, creating points of contact and dialogue with the objective of earning their loyalty, fostering their relationship and being better prepared to cope with market changes and demands.

Human capital

6,500
employees

Grupo Catalana Occidente expresses its responsibility in a particularly direct fashion in its relations with its team. The people who comprise the Group's companies are its first and foremost asset, which is why it enhances lifelong learning, work-life balance, equality, team spirit, dialogue and communication of common objectives.

The pillars of our human resources policy are:

- Fair and competitive compensation
- Accurate information and transparency
- Respect for people's dignity
- Lasting cooperation

The recent incorporation of large companies has posed a challenge in terms of the Group's talent management, addressed by promoting:

- Shared values
- Team as the working unit
- Spirit of accomplishment
- Shared objectives
- Quality training
- Internal promotion
- Equal opportunities
- Equitable compensation aligned with business development

In order to improve the ratio of efficiency and safeguard work stability, in 2015 the company launched an organisational streamlining project that resulted in the creation of common platforms for IT, document management, claims and customer service centre.

Equal opportunities and work-life balance

One of the biggest projects undertaken during 2015 was the creation of common working conditions for employees of all Group companies, geared toward guaranteeing equal opportunities and career development. The Equality Plan, signed in 2009, guarantees the absence of direct or indirect gender-based discrimination for selection, training, development, promotion and working conditions.

As part of its commitment to work-life balance, the Group offers flexitime, enabling staff to accumulate time off in lieu.

Professional development and training

Professional and organisational development includes preparing new-generation professionals who, in the medium and long term, will occupy positions of responsibility. This policy resulted in:

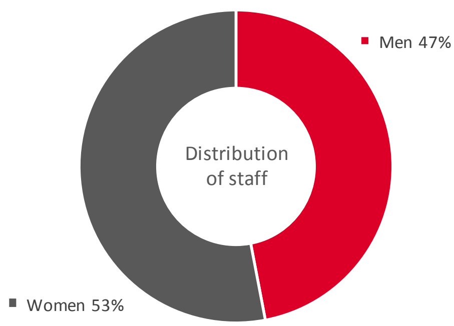
- Geiser and Apollo programmes for newcomers.
- Fourth edition of the corporate development programme, which has benefited 84 young professionals.
- Programmes to improve leadership skills, high-performance team building, advanced management, consequence management and feedback collection.
- Training in Model Netics, aimed at promoting proprietary values and methodologies.

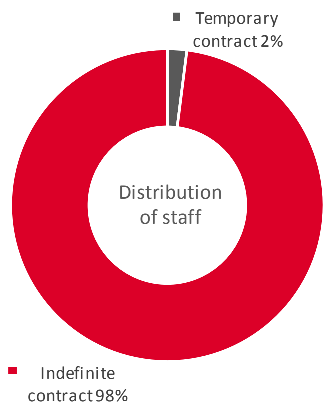
Risk prevention

Caring for the health and safety of employees is a high priority in the Group's management of human capital. This belief translates into continuous training in occupational hazards, constant improvement of working environments and regular monitoring of compliance with safety regulations.

Education

128,000 hours
19.7 hours per employee
1,631 courses





Customers

4,000,000
customers

Grupo Catalana Occidente aims to satisfy its more than three million customers by developing competitive products and ensuring the excellence of its service based on personal assessment, transparency and integrity.

Aware of the complexity of the industry, Group companies have advanced beyond statutory compliance and its demanding solvency, repute and transparency requirements, adhering, for example, to the Best Transparency Practice Guide in Insurance Sales and the UNESPA's Internal Control Guide.

They have thus committed to providing policyholders with simple and clear information and resolving any questions they may have about policy content and their issues.

Pillars of customer relations

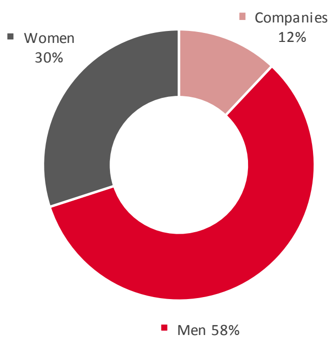
- Improving customer knowledge to boos t loyalty and contact, offering a unique experience across all channels. The starting point was the development of a market data and traditional insurance customer project.
- Deepening the understanding of the environment through regular follow-up, market and trend studies.
- Understanding changes in the behaviour of customers, and society as a whole, and their changing needs. Group companies must be prepared to meet their needs at all time. Accessibility is considered a key factor in achieving the satisfaction of a customer who demands speed, simplicity and efficiency when contacting companies. Digitalisation and mobility play an important role in them being able to choose the method and channel of communication to establish contact and interact with the company. To achieve this, initiative have been put in place such as the *e-customer* function or the Group's presence on social networks.
- Fostering dialogue and bonding to improve the customer experience, establishing lasting and stable relations and increasing the number of contacts (via e-mail, phone, etc.).
- Transmitting a common image and values for brands to be an effective sales tool and an added value. In this regard, in 2015, a new brand architecture was consolidated, the first multi-brand advertising campaign was launched and the external marketing of Fundación Jesús Serra was enhanced as a major linchpin for disseminating values and reputation.

Customer service

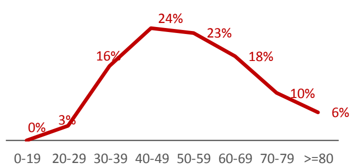
In 2015, Grupo Catalana Occidente received a total of 4,516 complains through its customer service channels, not including those relating to Atradius.

This figure is 14% less than the previous year. All in all, 88% of these were resolved (519 of which were through the customer's or shareholder's ombudsman).

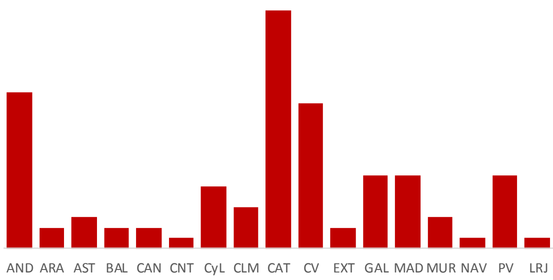
Family business distribution



Age profile



Geographic distribution



20,000
Intermediaries

Intermediaries

Intermediaries are an important part of the Group's relationship with the environment. They make first contact with customers and serve as the face and hands of companies, building trust in their ability to understand customers' needs and aligning with the values of the business.

In 2015, the business strategy has revolved around three main objectives:

- Consolidation of the distribution network
- Customer focus
- Growth in products with highest business value

This roadmap was sent to agents and brokers through various initiatives in the various companies.

Seguros Catalana Occidente

Seguros Catalana Occidente distributes its products through a network of over 10,000 intermediaries. It has a strong position in the private business.

So-called "professional agents" are the key to the network model success. The company offers complete training roadmaps ranging from the initial period to generational takeover. There are also tools and systems focused on providing immediate access to services and connectivity. The broker channel is developed only under specialised management and in certain geographical areas.

Plus Ultra Seguros

Plus Ultra Seguros bases its agent distribution strategy mainly on its broker network, but it also has exclusive agents. The company enjoys a strong position in the auto and multi-risk markets and boasts a network of 1,500 intermediaries.

It stands out for its policy of developing product specialist groups — an added value for the customer and intermediary.

Seguros Bilbao

At Seguros Bilbao, over 50% of the customer portfolio focuses on the 300 exclusive agency offices with continually updated development programmes. For years, they have managed a programme for establishing new agents who serve for approximately six years.

NorteHispana Seguros

NorteHispana Seguros — the Group company specialising in funeral products — has 2,500 own agents. In 2015, its newly-developed plan for motivation and retention stood out due to its particular characteristics.

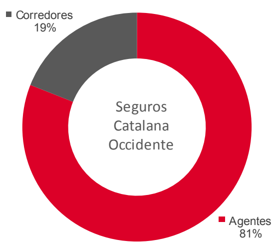
Atradius

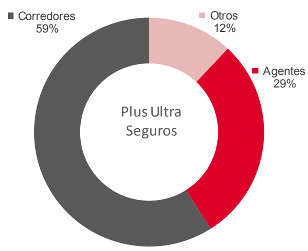
In 2015 Atradius developed several alternative distribution initiatives with varying degrees of maturity, aimed at addressing the challenges of the SME sector. These initiatives include the creation of an agent network in Sweden, a pilot acquisition programme in Turkey and networks for the small company segment in Poland and training in Italy. An informal network of professionals working as credit insurance advocates was launched in France.

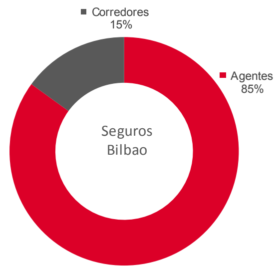
Digitalisation

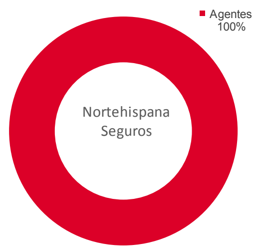
Since 2015, the Group has been making progress in the digital revolution on the Internet, improving the functionality of its service portal (a kind of virtual office), which is fully accessibly on mobile devices.

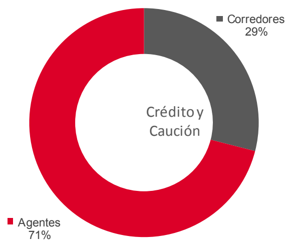
Also noteworthy are the more than 500 websites of collaborators, who offer their clients added value in terms of marketing and communications.

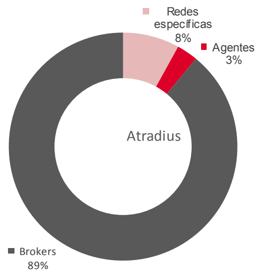












Partners and suppliers

ISO 9001-2008

System of continuous improvement in supplier management.

Grupo Catalana Occidente works with two types of suppliers:

1. Generalists: those who provide generic products and services and not directly related to the business (cleaning, office equipment, maintenance, IT support, etc.).

2. Specialists: those whose service is essential for conducting insurance activities (experts, lawyers, doctors, workshops and repairers).

The Code of Ethics devotes a section to suppliers, expressly stating that the relationship with them will be developed in a framework of collaboration that will contribute to achieving common goals, with a mutual commitment to the fight against corruption and respect for human rights.

There is also a Sourcing Manual governing the procurement of goods, services and supplies, and supplier selection based on criteria of objectivity, impartiality, transparency, equal treatment and quality.

Management of suppliers

The management of specialist suppliers is provided by Prepersa, Peritación de Seguros y Prevención AIE, a Grupo Catalana Occidente organisation whose business includes auto, miscellaneous, health and unique claims such as industrial fires.

Prepersa's quality management system is UNE-EN ISO 9001-2008 certified, which ensures that its methods are based on the principle of continuous improvement and that it has an efficient organisation that promotes planning, the control of activities and the analysis of results. The company also monitors compliance with the Group's corporate responsibility commitments by network suppliers.

It includes a specific network — the Technical Repair Service — comprising small businesses and self-employed professionals who repair accident damage caused by water leaks, broken windows and appliances.

Its mission is to ensure efficiency and speed of service in resolving claims. As part of its strategy, it provides of training and advice on issues related to risk prevention and expert investigations, thereby ensuring top-quality service.

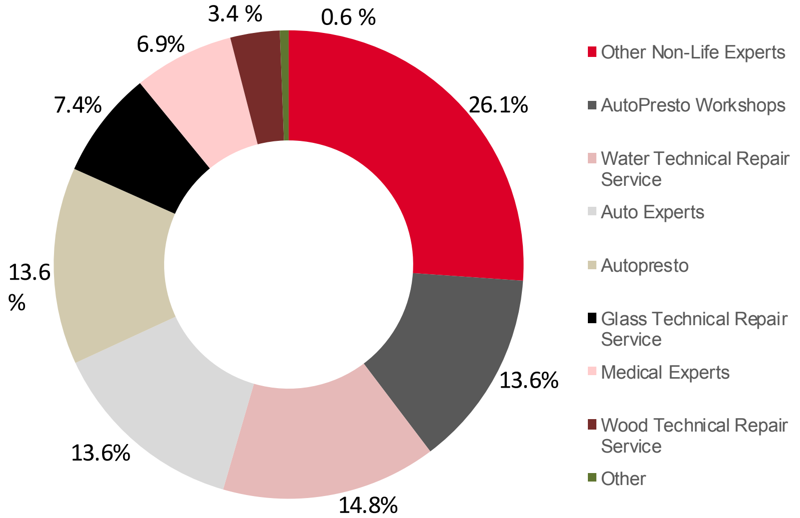
Boost to local companies

The Grupo Catalana Occidente business model favours the contracting of local businesses as it provides the local scale necessary to address customers' needs. The Group thus reinforces its commitment to the development of the business fabric in areas where it operates.

Average payment period to suppliers

The Group has no outstanding payments with suppliers beyond the legal deferral period. For more information, see note 20e) of the Annual Report.

Breakdown of networks as of December 2015



Society

The responsibility of Grupo Catalana Occidente towards society is part of its own business, at the core of the insurance business geared toward the prevention and mitigation of risks that may affect people, their property and their environment.

It is a business group with a business model based on trust and respect towards people, driving economic growth and job stability for more than a century.

Its social efforts are channelled through Fundación Jesús Serra, which, aligned with the humanist values of its founder, develops activities in support of society, particularly in the areas of research, enterprise, education, solidarity and promoting arts and sport.

Similarly, the Group companies invest in the promotion of areas such as culture, sports or solidarity through various sponsors.

Providing long-term value

Group actions have always been designed from a long-term perspective to thus achieve sustainable development. Today, all companies operate under this management model to guarantee the future in a socially responsible manner.

This strategy gives rise to transfers of economic resources – beyond the relationship with the insured – which expand as each market participant participates actively in creating value. Resources transferred by the Group to the company reached 3.032 million euros in 2015.

€3,032 M

Resources transferred to the company in 2015

With regard to relations with public sector entities (institutions, governments and other organisations), the Code of Ethics of Grupo Catalana Occidente expressly states they should be based on:

- Institutional respect.
- Criteria for collaboration and transparency.
- Dealing with requests in due time and form.
- In compliance with resolutions, unless the Group believes there are grounds for appeal.

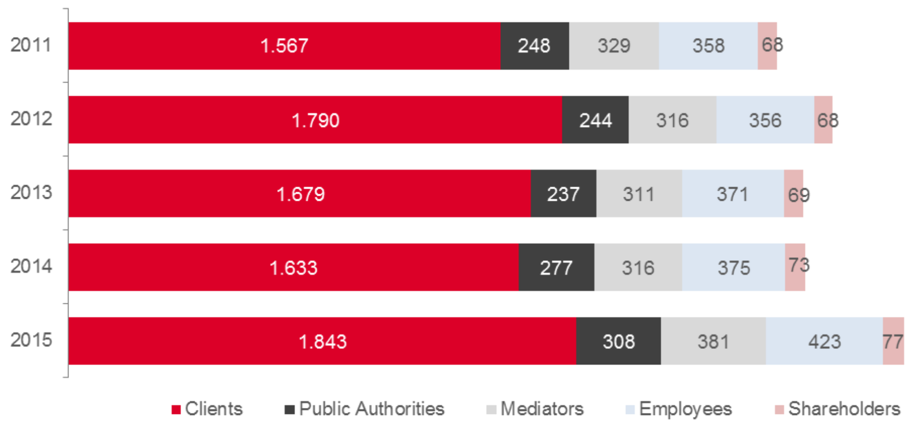
Trade relations with these authorities are also covered by the Protocol for the Detection of Conflicts of Interest with Public Sector Entities.

Social work of companies in their communities

Seguros Catalana Occidente supports various types of initiatives linked to the region where the Group has its historical origins and headquarters. Plus Ultra Seguros focuses on supporting sports. In particular, its sponsorships revolve around golf, paddle tennis and wheelchair basketball, covering the entire country. Seguros Bilbao focuses on sports, cultural and educational sponsorships, all of them locally, around the city of Bilbao. Credit insurance companies Atradius and Crédito y Caución support projects which are strongly associated with their business — with the company as their main focus.

Overall, the companies' investment in social work in 2015 increased to 1.8 million euros.

Resources transferred to society



The very business of Grupo Catalana Occidente increases society's quality of life

Fundación Jesús Serra in 2015

Fundación Jesús Serra is Grupo Catalana Occidente's channel for serving society through charitable initiatives. Created in 1998, its budget in 2015 was 1.7 million euros, fully allocated to achieving its foundation objectives**.** Its initiatives include:

- Driving research for improving people's health through collaboration with the Cardiovascular Research Foundation and the prestigious National Cancer Research Centre through the "Visiting Researchers" programme, which facilitates the presence and work of renowned scientists from other centres, and with the Instituto Astrofísico de Canarias (Canary Islands Astrophysics Institute).
- Contributing to education and talent retention, supporting the work of leading business schools such as IESE, ESADE and Deusto Business through scholarships.
- Promoting culture and art through the sponsorship of unique initiatives such as Pianos in the Street, which puts these instruments in the streets of different Spanish cities in order to promote music among a lay public. The sponsorship of the Guggenheim Museum in Bilbao is also worth noting.
- Promoting sports among children, sponsoring the School Tennis Championship of Catalonia and the Fundación Jesús Serra Ski Championship in Baqueira.
- Sports solidarity is another support area, through collaboration with other associations, such as Fundación Prevent, Fundación Prodis, Apadema, Fundación Síndrome de West and the Trailwalker solidarity race, among others.
- Caring for the underprivileged through national and international projects via direct contribution or through other organisations such as Manos Unidas and Doctors without Borders, the Food Bank or various shelters in Madrid and Barcelona.

The social work carried out by Fundación Jesús Serra is rounded out by multiple projects, including support to the Food Bank, shelters for people without resources in Madrid and Barcelona, the "It Could Happen to You" roadshow by the Aesleme Association for the prevention of traffic accidents, the programme for recruiting Red Cross volunteers, the Abracadabra Foundation of volunteer magicians, the Make-a-Wish Foundation and the Eyes of the World Foundation, among others.

The main objective of the Foundation in 2015 has been to focus the social responsibility of all Group companies.

Fostering volunteerism

Corporate volunteerism is also channelled through Fundación Jesús Serra, which coordinates employees' participation in the programmes and events described above.

Communication channels

The Foundation has its own website to report on its activity and performance. It offers access to its Annual Report, detailing the organisation's accounts. The Foundation also publishes a magazine, which is also available on its website, where it provides in-depth information of the projects it supports.

The Foundation in figures

10 researchers received at the National Cancer Research Centre (CNIO)
20 university study scholarships
27 scholarships for skiers
Pianos in the Street in Barcelona, Madrid and Seville
1,410 families benefited by Trailwalker
79,250 people benefited from the provision of healthcare equipment at the Maharashtra hospital in India, a Manos Unidas project
22,095 children treated at Niger health centres, a project of Doctors Without Borders

Environmental management

Atradius has an energy, resources and carbon footprint management reporting system

The type of services provided by Grupo Catalana Occidente companies have a negligible environmental impact. However, companies responsibly adopt activities to minimise waste generation, promote biodegradable materials, foster the use of recycled paper and optimise responsible water consumption, among other objectives.

The construction and rehabilitation of buildings for the Group integrate energy efficiency principles in order to reduce energy consumption and CO2 emissions. These new projects also incorporate the harvesting of stormwater, wastewater and groundwater, installation of solar panels, ACS plates, lighting in common areas through LED technologies, gardening with lower irrigation requirements, etc.

In an effort to streamline document management and reduce paper consumption, the Group has promoted the progressive implementation of electronic documentation in all processes, starting with the customer.

Culture of respect for the environment

The construction and rehabilitation of Group buildings is governed by the principle of energy efficiency and smart water use.

Grupo Catalana Occidente strives to spread a culture of environmental respect throughout its companies, which undertake various initiatives in the fight against climate change:

- Technically, Seguros Catalana Occidente was **the first company to offer insurance for electric vehicles in Spain**.
- The company participates each year in Expoelèctric, the fair on sustainable mobility held in Barcelona, a pioneer in bringing electric vehicles to the public.
- The “Catalana Parc” complex in Sant Cugat del Vallès — where the Group and Seguros Catalana Occidente headquarters are located — boasts a B energy-efficiency rating.
- Plus Ultra Seguros, whose headquarters are located in Madrid, was one of the **pioneers in conducting environmental audits** at its headquarters in the Plaza de las Cortes and other sites. It also has a Manual of Environmental Best Practices, available to all employees.
- Atradius has a travel policy aimed **at minimising environmental impact.** In Amsterdam, there is a department that centralises a complex system of reporting indicators such as the use of energy, resources and carbon footprint.
- Prepersa, the company that manages the Group's network of suppliers, operates assigning each employee a small area of action called "field", which contributes to **minimise the impact of trips and commutes**.
- "Green Summer" is an initiative, nearly a decade old, which consists in setting air conditioning temperature in the summer at 24 degrees, with the aim of reducing power consumption and, therefore, CO^2 emissions. It is followed at Crédito y Caución and Plus Ultra Seguros. The latter reported 14.5% energy savings thanks to this initiative.

Waste management

The Group has generally applicable rules on office equipment recycling at its sites and branches. These guidelines, in addition to dealing with waste management, stipulate the destruction and recycling of documents with confidential information.

06

Business model

To be leaders in the long-term protection and welfare of families and companies in Spain and in the coverage of commercial credit risks worldwide.
Growth, profitability and solvency.

Purpose and strategic pillars

The strategic objective of Grupo Catalana Occidente is its aspiration to become the leader in long-term risk protection and welfare for families and companies in Spain, and in the coverage of commercial risks worldwide.

This mission – underpinning all its business decisions – is pursued by developing general business policies and ethical relationships with the various stakeholders and by observing the following three strategic pillars:

6th largest insurance group in Spain

2nd largest credit insurance company worldwide

Growth

It focuses on defining the markets that the company tries to cover, developing the appropriate products and establishing the most appropriate distribution channels for customers.

Profitability

Recurring and sustained profitability through technical-actuarial rigour, investments that guarantee obligations contracted with clients, processes that allow for competitive cost ratios and a quality service.

Solvency

Though obtaining recurring results in the long term and a prudent and sustainable shareholder remuneration policy.

Corporate identity

Grupo Catalana Occidente is currently ranked 6th in the Spanish market and 2nd worldwide in credit insurance. In its more than 150 years, it has experienced constant growth, thanks to its ability to adapt to change and to remain true to its essence as an insurance company.

Grupo Catalana Occidente is committed to the professional development of its employers and intermediaries, its close relationship with its employees and the trust its shareholders place in it.

Four companies for the commercial market:

- Catalana Occidente
- Plus Ultra
- Seguros Bilbao
- NorteHispana

Three companies for credit insurance:

- Crédito y Caución
- Atradius
- Atradius Reinsurance

Traditional business

It operates as four companies:

- **Seguros Catalana Occidente** and **Seguros Bilbao** have very similar characteristics. Both work with a network of exclusive agents as their main distribution channel. They have extensive knowledge of the market and efficient underwriting and claim management processes, enabling them to provide fast and high-quality service to customers. They have developed a full range of insurance and financial products tailored to the needs of their customers. They are particularly strong in the Private field.
- **Plus Ultra Seguros**, which uses brokers as its main distribution channel, is among the five companies with the highest penetration in this channel nationwide. It also has a large portfolio of agents and institutions. It is competitive and recognised for its management of certain products such as auto and industrial.
- **NorteHispana Seguros** is the specialised company providing funeral insurance policies in the Group. It is also active in marketing home, accident and life risk insurance. Its main distinguishing feature is its distribution channel consisting of sale and payment networks.

Credit insurance business

Crédito y Caución gives the group its leadership position in the Spanish market, while **Atradius** gives it an international dimension and leadership. They both contribute to the growth of companies in more than 50 countries, protecting them from the risks of default associated with the sale of credit products and services. Its main distribution channel is specialised brokers and Western Europe remains its largest market.

Corporate structure

GRUPO CATALANA OCCIDENTE - Parent company

Seguros Catalana Occidente 100%	GCO Tecnología y Servicios 99,94%	Menéndez Pelayo 99,99%
Plus Ultra Seguros 100%	GCO Contact Center 99,93%	Catoc Sicav 99,84%
Seguros Bilbao 99,73%	GCO Gestión de Activos 100%	Hercasol 59,42%
Nortehispana 99,78%	CO Capital Ag. Valores 100%	Bilbao Hipotecaria 99,73%
Aseq Vida y Accidentes 99,88%	Prepersa 100%	Salerno 94 100%
GCO Reaseguros 100%	Cosalud Servicios 100,00%	Grupo Compañía Española Crédito y Caución 73,84%
Atradius Credit Insurance 83,20%	Tecniseguros 100%	Atradius NV 83,20%
Crédito y Caución 83,20%	S. Órbita 99,73%	Atradius Participations Holding 83,20%
Atradius Re 83,20%	Bilbao Vida 99,73%	Atradius Finance 83,20%
Atradius Trade Credit Insurance 83,20%	Bilbao Telemark 99,73%	
Atradius Seguros de Crédito México 83,20%	Inversions Catalana Occident 100,00%	
Atradius Rus Seguros de Crédito Rusia 83,20%	Atradius Dutch State Business 83,20%	
Crédito y Caución Seguradora de Crédito e Grantias Brazil 83,20%	Atradius Collections 83,20%	
	Atradius Information Services 83,20%	
	Iberinform Internacional 83,20%	
Inversiones Credere 49,9%	Asitur Asistencia 42,82%	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"

Changes in the consolidation perimeter

- Plus Ultra Seguros is incorporated 100% by global integration
- Vida y Accidentes Seguros is incorporated at 99.88%
- Catoc Vida and Cosalud are integrated 100% into Seguros Catalana Occidente
- Inversiones Credere is incorporated by the equity method with a 49.9% share

Corporate social responsibility

Integrity, honesty, fairness and transparency are some of the values that govern the Group's activities

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

Principles and values

The principles and values that govern the conduct of all Grupo Catalana Occidente companies are contained in its Code of Ethics and are also reflected in an internal regulation which covers the following aspects:

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

Internal regulation

These ethical principles are also reflected in a series of internal regulations covering the following aspects:

- Protocol of the Head of Criminal Enforcement
- Protocol in case of major wrongdoing and fraud
- Protocol when receiving court documentation
- Procedure Manual for Selecting suppliers
- Protocol when receiving an inspection
- Protocol for detecting conflicts of interest with public sector organisations

Since 2006, Grupo Catalana Occidente has been a signatory of the principles of the Global Compact of the United Nations

At a more global level, Grupo Catalana Occidente has signed the Global Compact of the United Nations, a voluntary initiative through which companies commit to aligning their operations and strategies with ten universally accepted principles in the four areas of human rights, labour standards, environment and corruption.

Financial performance

One of the corporate pillars for Grupo Catalana Occidente is profitability, obtaining the best results following the guidelines of business ethics and transparency in both accountability and supply of goods and services.

Environmental management

From an environmental point of view, the Group makes an effort to spread a culture of respect among employees, suppliers, partners and customers through implementing policies for the efficient consumption of resources and waste reduction.

Social management

The focus of social management involves an orientation towards people, those who collaborate and work in Group companies, those who receive the goods or services, as well as those living in the same environment.

Participation in associations

In addition to this internal management, Grupo Catalana Occidente participates in various associations, enriching the knowledge of companies in order to achieve its goal of continuous improvement:

- ICEA, Cooperative Research between Underwriters and Pension Funds
- UNESPA, Insurance Business Association

In both cases, the Group's proactive participation involves commissions, working groups, seminars and all other activities organised by these associations.

Fundación Jesús Serra

The social action of Grupo Catalana Occidente is developed through the Fundación Jesús Serra. This foundation came about in 1998 under the name Fundación Catalana Occidente, with the objective of focusing all of the sponsorship and patronage activities that took place over decades.

In 2006, after the death of Jesús Serra, President and founder of the Group, it was decided that the name would be changed. Since then, the Fundación Jesús Serra has doubled its efforts and its commitment to society, participating in multiple projects in business, education, research, culture, sports and solidarity.

07

Corporate governance

The Group maintains a corporate governance model in line with international best practices

Corporate governance model

The Board of Directors of Grupo Catalana Occidente applies the principles of good governance with transparency and rigour.

Annual General Meeting

The AGM is the representative body of the Group's share capital. It meets at least once a year within the first six months of each year. Its main functions include approving last year's accounts and deciding on the distribution of profits.

Its operation and performance is regulated by the General Meeting Regulations (available on the Group's website).

To facilitate the involvement of all shareholders, the Group offers a digital forum for discussion and electronic means for remote and proxy voting.

Operation of the Board of Directors

Transparency
Provide a true picture of the Group's performance

Equal rights
Principle of 1 share, 1 vote

Corporate interest
To maximize the Group's long-term value

The Board of Directors is the Group's top management 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

The Board of Directors is responsible for approving, among other things, the strategic plan, the annual objectives and budgets, the investment and finance policy, the corporate governance and social responsibility policies, dividends and risk control and management.

Its operation and performance is regulated by the Regulations of the Board of Directors (available on the Group's website).

Self-evaluation of the Board and committees

During 2015 the board has assessed its activity through questionnaires about actions taken by the Board and delegate committees and the chairperson's performance. Results have been positive and have highlighted the suitability of procedures.

Information and transparency

The Board of Directors approved the corporate governance report and the report on Director remuneration in 2015 following the guidelines established by the transparency rules for listed companies. For more detail, visit the Group website: www.grupocatalanaoccidente.com

Composition of the Board of Directors

At year-end 2015, the Board of Directors consisted of 16 Directors, of which 4 are Executive Directors and 2 are Independent Directors.

Segregation of duties between the President and Chief Executive Officer

The composition of the Board of Directors and delegated committees at year-end 2015 is as follows. All are persons of recognised professional ability, integrity and impartiality. The profiles of Directors can be found on the Grupo Catalana Occidente website.

The Board of Directors met 12 times during the year, and delegated committees have met five times.

BOARD OF DIRECTORS

Chairman
José Mª Serra Farré

Vice-Chairman
JS Invest, S.L. - Javier Juncadella Salisachs

Chief Executive Officer
José Ignacio Álvarez Juste

Company Secretary
Francisco José Arregui Laborda

Members
Jorge Enrich Izard
Juan Ignacio Guerrero Gilabert
Federico Halpern Blasco
Francisco Javier Pérez Farguell
Hugo Serra Calderón
Maria Assumpta Soler Serra
Cotyp, S.L. – Alberto Thiebaut Estrada
Ensivest Bros 2014, S.L. – Jorge Enrich Serra
Inversiones Giró Godó, S.L. – Enrique Giró Godó
Jusal, S.L. – José Mª Juncadella Sala
Lacanuda Consell, S.L. – Carlos Halpern Serra
Villasa, S.L. – Fernando Villavecchia Obregón

Vice-Secretary (non Member)
Joaquin Guallar Pérez

(*) Executive Directors

COMMITTEES OF THE BOARD OF DIRECTORS

Audit committee

Chairman
Francisco Javier Pérez Farguell

Members
Juan Ignacio Guerrero Gilabert
JS Invest, S.L.
Lacanuda Consell, S.L.
Ensivest Bros 2014, S.L.

Acting as secretary
Francisco José Arregui Laborda

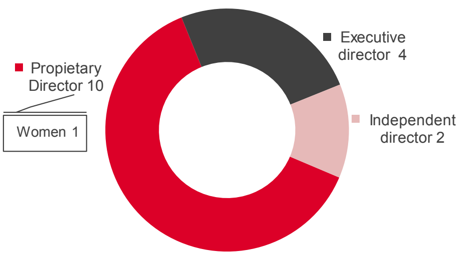
Appointments and remuneration committee

Chairman
Juan Ignacio Guerrero Gilabert

Members
JS Invest, S.L.
Cotyp, S.L.
Villasa S.L.

Acting as secretary
Francisco José Arregui Laborda

Composition of the Board



Since the beginning of 2016 both committees have been downsized to three members after Ensivest Bros 2014, S.L. and JS Invest, S.L. (represented by Javier Juncadella Salisachs) left the audit committee and Cotyp, S.L. (represented by Alberto Thiebaut Estrada) and Villasa, S.L. (represented by Fernando VIllavecchia Obregon) left the appointment and remuneration committee.

Remuneration policy

Three pillars

- **Moderation**
- **Coherence**
- **Transparency**

Ethical framework

Accountability and transparency where the customer is the centre of the business and people are the most important asset

The behaviour of all Group members is based on ethical standards, stemming from good faith.

The Group's code of ethics (updated in January 2015 in line with its corporate restructuring) stipulates, classifies and publishes its principles and values of action in order to turn them into the guidelines governing the business and professional relationships of all its members: directors, employees, agents and collaborators.

Group Code of Ethics

By adopting the Group's Code of Ethics, Grupo Catalana Occidente has formalised the commitment of its workforce to the principles of good faith and integrity. The main pillars it defends are as follows:

- Integrity and transparency to build trust
- Respect for and compliance with current laws and regulations
- Respect for people, their dignity and current values
- Confidentiality for policyholders and current shareholders
- Excellence to focus on customer and share-holder satisfaction at the core of the business actions of current shareholders

Communication and tracking

80% of employees have subscribed to the code of ethics, following a specific training process. For internal dissemination, it has been posted on the Intranet of each of the Group companies and training courses have also been carried out.

Grupo Catalana Occidente also has a channel for complaints for cases of violation of the code of ethics, regulated by the procedure for action in cases of wrongdoing and fraud. The code itself empowers the Group to take the measures it deems necessary in accordance with the regulatory framework in force.

Grupo Catalana Occidente also runs the insurance business responsibly, primarily through:

- Boosting workers' commitment to the company's goals and mission.
- Building a stable social and economic environment, with good levels of health and education, good relations with institutions and, in general, a high quality of life.
- And preserving the environment.

Risk management

The Board of Directors is responsible for the risk management and control policies, as well as for the regular monitoring of internal information and control systems.

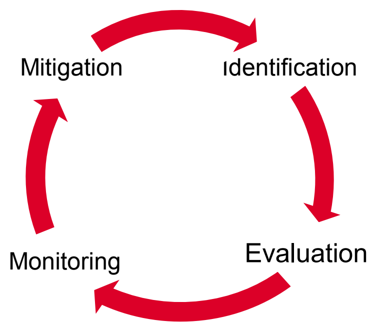
Risk control system

The Group's risk management system aims to identify, measure, monitor, manage and report the risks to which Group entities are or may be exposed.

Risk strategy

Strategic Alignment
The degree of risk-taking is governed by the Group's pillars of profitability, solvency and growth.

Grupo Catalana Occidente 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, in keeping with its three strategic pillars: profitability, solvency and growth.



Key risks (identification and mitigation)

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 its geographical distribution and the stability of the traditional business lines.

The table below describes the risks that may affect the company's achievement of its business objectives:

Risks map

	Description	Record
Non-life and health underwriting risk	Monitoring of both underwriting and claims through a strict process for monitoring the combined ratio and default risk in the credit business, also drawing on the reinsurance policies.	Underwriting and reserves policies. Reinsurance policy. Underwriting manual.
Life, health and funeral underwriting risk	Monitoring of underwriting, claims and portfolio value, also drawing on the reinsurance policies.	Life underwriting and reserves policies. Health underwriting and reserves policies.
Market risk	Detailed analysis of asset-liability matching (ALM), VaR analysis of the various investment portfolios, as well as a sensitivity analysis on future scenarios.	Investment policy.
Counterparty risk	Monitoring the solvency of major financial counterparties, and of the rating of the portfolio of reinsurers. Monitoring of the exposure to reinsurers' balances and debtors' balances.	Reinsurance policy. Investment policy.
Operational risk	Inherent and residual risk monitoring by implementing prevention and mitigation controls in the event of an incident.	Contingency plans. Data security and quality policy Code of ethics. Procedure for action in cases of wrongdoing and fraud (reporting channel). Regulatory compliance policy.
Liquidity risk	Liquidity monitoring of companies and obligations.	Investment policy.
Corporate strategic risk	Monitored by the Board of Directors and the Steering Committee through the strategic plan and Group strategic guidelines.	Strategic Plan and Medium-Term Plan
Regulatory non-compliance risk	Advising on and monitoring regulatory compliance and evaluating the impact of any amendment in the legal environment.	Code of conduct. Regulatory compliance policy.
Corporate reputational risk	Continuously improving customer service and the Group's image, as well as the risks that may affect the group.	Procedure for addressing wrongdoing. Code of conduct. Code of ethics. Fit and proper requirements.

Monitoring risks

The Group has a structure of committees that allows it to monitor all of the risks that it faces or may face.

In addition, the Group has a series of early warning systems that are used both to monitor risks and to fulfil the risk appetite approved by the Board of Directors.

Risk mitigation measures

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

- **Underwriting risk**: technical underwriting and reinsurance standards, the latter being the main risk-mitigation technique. The reinsurance policy establishes the objectives, principles, responsibilities and monitoring due to reinsurance within the organisation.
- **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 minimise the impact on business functions in the event of a disaster, and thus reduce downtime for information and systems.

Board responsibility

The Board is responsible for identifying risks, setting their level of tolerance, establishing mitigation measures and providing strict monitoring.

Key functions

Risk control role

The Board of Directors is responsible for:

- Identifying the various types of risks
- Annually setting the level of acceptable risk tolerance at the Group and main business levels.
- Establishing measures to mitigate the impact of risk
- Regularly monitoring significant risks and threats.

The risk management function aids the Board and the Steering Committee in achieving the aforementioned objectives.

Actuarial role

Grupo Catalana Occidente's actuarial role:

- Coordinates and ensures the reliability of technical provisions.
- Expresses an opinion on the underwriting policy.
- Expresses an opinion on the reinsurance policy.
- Reports annually to the Board of Directors

Regulatory compliance role

Through the legal and compliance department, Grupo Catalana Occidente ensures regulatory compliance by:

- Complying with the Group's policies and processes.
- Evaluating the impact of any changes in the legal environment.
- Regularly monitoring and assessing the adequacy and effectiveness of measures and procedures to detect and mitigate the risk of default.
- Designing a regulatory compliance verification plan.

Internal audit role

The internal audit function directly reports to the audit committee as the delegate of the Board of Directors.

The annual plan takes into account the audits required by regulators and other bodies who certify some of the Group's businesses. The scope of audits covers all auditable activities assessed based on their risk and the audits completed in previous years.

Regulatory compliance role

Solvency II
The Board of Directors has approved the Solvency policies and has developed the four fundamental functions, thereby strengthening its management system.

Since it is a listed Group, it is worth noting:

- **Best Corporate Governance practices compliance**
  During the years 2014 and 2015, aid has been given to the different departments of Group companies for their adaptation to and compliance with regulations such as: EMIR, SEPA, FATCA and CRS.

- **Money laundering prevention**
  Internal regulations (manual for the prevention of money laundering and terrorist financing at the Group approved in February) and control guidelines on the prevention of money laundering established at the Group level.
  Control processes aligned with the computerised procedures for recruitment, involving all employees and agents.

  In 2015 efforts to communicate and train employees and the network of agents began. The measures implemented by the Group are subject to annual review by an external expert who prepares a report (PWC). This expert concluded that the Group has an appropriate money laundering prevention system in place. The Board of Directors examines this report, together with the proposals of necessary measures, in order to address the weaknesses identified.

- **Data protection**
  Group companies have a data protection policy approved by the Board of Directors in May, and the committee for the protection of personal data approved a new version of the policy.

  The main function of this committee is to coordinate and update data protection audits.

- **Fight against fraud**
  The Group has procedures to fight 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.

  Also, a "reporting channel" (Procedure on how to act in the event of irregularities and fraud) has been established, enabling employees to inform the Corporate Internal Audit of any conduct within the Group that may involve criminal behaviour. The reporting channel has been established following the amendment to Organic Law 10/1995, of 23 November, on the Criminal Code.

During 2014 and 2015, the Group has been active in drafting and implementing policies required under Solvency II. In particular, policies regarding fitness, honesty and remuneration. These policies were approved by the Board of Directors in November 2015.

Internal audit role

Continuous improvement in risk management.

Internal audits include recommendations for improvement and their implementation is overseen by auditors

The following efforts in 2015 are worth noting:

- Internal control system processes for preparing financial information
- Calendar for adopting measures necessary for the implementation of Solvency II.
- Audits on the handling of claims for damages (material and human), including management and control of experts.

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 reviewed internal control system and any recommendations for improving it. 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 analysing irregularities and/or fraud committed by brokers, professionals and employees.

In 2016, audits will focus efforts on Solvency II aspects, such as the governance system manual development and its effective application, the ORSA process, and the validation and reporting process for the internal model procedure established for Atradius.

Internal Control

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

The system is founded on a strong control culture where core principles are clearly defined and communicated to all levels in the organisation.

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

In compliance with the recommendations of the CNMV about the Internal Control System for Financial Reporting (SCIIF), in 2015 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.

External audit

Globally renowned, the Deloitte firm, 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. It also assists in the implementation of international and local standards specific to each case, situation or company.

At the Group’s 2015 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 2015.

The audit report provides a positive opinion, without reservations, of the 2015 consolidated financial statements.

The full content of the annual accounts, report and auditors' report is available at: www.cnmv.es and at www.grupocatalanaoccidente.com (Investors and Analysts section under financial information).

The amounts payable to external auditors in the year 2015 for the audit of the accounts is 3.1 million euros, of which 2.9 million euros correspond to the main auditor.

Consolidated Financial Statements
Grupo Catalana Occidente, S.A.

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES
(Grupo Catalana Occidente)
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2015
AND 31 DECEMBER 2014 (Notes 1 to 3)

(Figures in Thousands of Euros)

ASSETS	Note	31/12/2014 (*)		31/12/2015	
1. Cash and cash equivalents			**631,593**		**609,733**
2. Financial assets held for trading	6.a.		**20,817**		-
3. Other financial assets at fair value through profit or loss	6.a.		**280,013**		**297,099**
a) Equity instruments		-		57	
c) Investments held for the benefit of policyholders who bear the investment risk		280,013		297,042	
4. Available-for-sale financial assets	6.a.		**6,236,993**		**8,035,504**
a) Equity instruments		1,196,912		1,487,278	
b) Debt securities		4,845,472		6,383,505	
c) Loans		3,777		121	
d) Deposits in credit institutions		190,832		164,600	
5. Loans and receivables			**1,200,819**		**1,239,641**
a) Loans and other financial assets	6.a.	522,477		424,279	
b) Receivables	6.b.	663,568		796,729	
c) Investments held for the benefit of policyholders who bear the risk	6.a.	14,774		18,633	
8. Reinsurer participation in technical provisions	13		**889,365**		**1,002,119**
9. Property, plant and equipment and investment property			**454,337**		**553,104**
a) Property, plant and equipment	8.a.	230,991		274,403	
b) Investment property	8.b.	223,346		278,701	
10. Intangible assets			**645,596**		**826,360**
a) Goodwill	9.a.	581,585		704,289	
b) Policy portfolio acquisition costs	9	5,281		5,247	
c) Other intangible assets	9	58,730		116,824	
11. Investment in entities accounted for using the equity method	7		**373,468**		**99,013**
12. Tax assets			**165,626**		**172,358**
a) Current tax assets	10.b.	38,456		76,282	
b) Deferred tax assets	10.c.	127,170		96,076	
13. Other assets	11		**362,818**		**461,054**
TOTAL ASSETS			**11,261,445**		**13,295,985**

(*) Presented solely and exclusively for comparison purposes

The accompanying Notes 1 to 21 and Appendices I and II are an integral part of the Consolidated Balance Sheet at 31 December 2015.

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES
(Grupo Catalana Occidente)
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2015
AND 31 DECEMBER 2014 (Notes 1 to 3)

(Figures in Thousands of Euros)

NET LIABILITIES AND EQUITY	Note	31/12/2014 (*)		31/12/2015	
TOTAL LIABILITIES			**8,823,839**		**10,710,138**
2. Other financial assets at fair value through profit or loss			-		-
3. Trade and other payables			**839,398**		**818,953**
a) Subordinated liabilities	12.a.	248,141		211,821	
b) Other payables	12.b.	591,257		607,132	
5. Technical Provisions	13		**7,235,023**		**9,074,320**
a) For unearned premiums		892,661		1,205,607	
b) For unexpired risks		-		9,515	
c) For life insurance					
- Provision for unearned premiums and unexpired risks		15,911		24,656	
- Mathematical provision		3,811,507		4,775,532	
- Provision for life insurance where the investment risk is borne by policyholders		294,787		315,675	
d) For claims		2,198,643		2,717,353	
e) For policyholder dividends and return premiums		5,492		7,043	
f) Other technical provisions		16,022		18,939	
6. Non-Technical Provisions	14		**148,026**		**161,130**
7. Tax liabilities			**377,074**		**378,461**
a) Current tax liabilities	10.b.	56,884		49,548	
b) Deferred tax liabilities	10.c.	320,190		328,913	
8. Other Liabilities	13		**224,318**		**277,274**
TOTAL NET EQUITY			**2,437,606**		**2,585,847**
Equity			**1,559,028**		**1,773,341**
1. Capital	15.a.		36,000		36,000
2. Share Premium	15.b.		1,533		1,533
3. Reserves	15.b.		1,325,947		1,515,709
4. *Minus:* Treasury shares and participation units	15.c.		17,421		17,421
7. company			242,105		268,120
a) Consolidated profit or loss		268,144		296,143	
b) Profit or loss attributable to minority interests	16	26,039		28,023	
8. *Minus:* Interim Dividend	15.e.		29,136		30,600
Revaluation adjustments	15.b.		**608,105**		**526,394**
1. Available-for-sale financial assets			660,360		582,672
3. Exchange Differences			(7,016)		(4,430)
4. Correction of accounting mismatches			(78,991)		(52,617)
5. Entities accounted for using the equity method			34,332		769
6. Other adjustments			(580)		-
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY			**2,167,133**		**2,299,735**
MINORITY INTERESTS	16		**270,473**		**286,112**
1. Revaluation adjustments			(2,393)		(3,489)
2. Rest			272,866		289,601
TOTAL NET EQUITY AND LIABILITIES			**11,261,445**		**13,295,985**

(*) Presented solely and exclusively for comparison purposes

The accompanying Notes 1 to 21 and Appendices I and II are an integral part of the Consolidated Balance Sheet at 31 December 2015.

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES

(Grupo Catalana Occidente)

CONSOLIDATED INCOME STATEMENT AT DECEMBER 31, 2014

YEARS ENDED 31 DECEMBER 2015 AND 2014 (Notes 1 to 3)

(Figures in Thousands of Euros)

	Note	Fiscal Year 2014 (*)	Fiscal Year 2015
1. Earned premiums for the year, net of reinsurance	17	1,736,227	2,098,422
2. Income from investments and property, plant and equipment	17	94,236	120,615
3. Other technical income	17	169,204	181,030
4. Claims incurred in the year, net of reinsurance	17	(884,513)	(1,124,559)
5. Change in other technical provisions, net of reinsurance	17	(1,961)	(2,781)
6. Provision for policyholder dividends and return premiums		-	-
7. Net operating expenses		(678,462)	(789,139)
8. Other technical expenses	17	(23,889)	(11,238)
9. Expenses arising from property, plant and equipment and investments		(46,549)	(61,712)
A) NON-LIFE EARNINGS		**364,293**	**410,638**
10. Earned premiums for the year, net of reinsurance	17	861,191	869,158
11. Income from investments and property, plant and equipment	17	186,501	204,087
12. Income from investments assigned to insurance policies in which policyholders bear the investment risk	17	21,120	30,214
13. Other technical income	17	5,035	4,539
14. Claims incurred in the year, net of reinsurance	17	(642,125)	(620,898)
15. Change in other technical provisions, net of reinsurance	17	(307,620)	(328,809)
16. Provision for policyholder dividends and return premiums	17	(102)	(701)
17. Net operating expenses		(64,815)	(69,680)
18. Other technical expenses		(1,926)	(1,229)
19. Expenses arising from property, plant and equipment and investments	17	(16,162)	(25,254)
20. Expenses of investments assigned to insurance policies in which policyholders bear the investment risk	17	(7,396)	(25,974)
B) LIFE INSURANCE PROFIT		**33,701**	**35,453**
C) PROFIT ON TECHNICAL ACCOUNT		**397,994**	**446,091**
21. Income from investments and property, plant and equipment		(683)	(1,788)
22. Negative goodwill		-	-
23. Expenses arising from property, plant and equipment and investments		(5,512)	(13,427)
24. Other income	17	5,134	13,789
25. Other expenses	17	(15,098)	(29,257)
E) PROFIT BEFORE TAX		**381,835**	**415,408**
26. Income tax	10.d	(113,691)	(119,265)
F) PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS		**268,144**	**296,143**
27. Profit for the year from discontinued operations, net of taxes		-	-
G) CONSOLIDATED PROFIT FOR THE YEAR		**268,144**	**296,143**
a) Profit attributable to the parent company		242,105	268,120
b) Profit attributable to minority interests	16	26,039	28,023

(Figures in Euros)

EARNINGS PER SHARE			
Basic	15.f	2.0522	2.2723
Diluted	15.f	2.0522	2.2723

(*) Presented solely and exclusively for comparison purposes

The accompanying Notes 1 to 21 and Appendices I and II are an integral part of the Consolidated Income Statement for 2015.

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES
(Grupo Catalana Occidente)
CONSOLIDATED BALANCE SHEET BY SEGMENTS AT 31 DECEMBER 2015 (Notes 1 to 3)

(Figures in Thousands of Euros)

ASSETS	**NON-LIFE SEGMENT**		**LIFE SEGMENT**		**OTHER ACTIVITIES SEGMENT**		**TOTAL**	
1. Cash and cash equivalents		(420,837)		1,254,195		(223,625)		609,733
2. Financial assets held for trading		-		-		-		-
3. Other financial assets at fair value through profit or loss		-		297,099		-		297,099
4. Available-for-sale financial assets		3,283,877		4,729,555		22,072		8,035,504
5. Loans and receivables		1,062,418		73,816		103,407		1,239,641
a) Loans and other financial assets	286,609		49,014		88,656		424,279	
b) Receivables	775,809		6,169		14,751		796,729	
c) Investments held for the benefit of policyholders who bear the risk	-		18,633		-		18,633	
8. Reinsurer participation in technical provisions		969,014		33,105		-		1,002,119
9. Property, plant and equipment and investment property		406,503		113,095		33,506		553,104
a) Property, plant and equipment	219,107		41,887		13,409		274,403	
b) Investment property	187,396		71,208		20,097		278,701	
10. Intangible assets		572,690		167,979		85,691		826,360
a) Goodwill	524,765		167,979		11,545		704,289	
b) Policy portfolio acquisition costs	6		-		5,241		5,247	
c) Other intangible assets	47,919		-		68,905		116,824	
11. Investment in entities accounted for using the equity method		93,025		2,689		3,299		99,013
12. Tax assets		125,980		93		46,285		172,358
a) Current tax assets	30,336		93		45,853		76,282	
b) Deferred tax assets	95,644		-		432		96,076	
13. Other assets		457,115		3,814		125		461,054
TOTAL ASSETS		**6,549,785**		**6,675,440**		**70,760**		**13,295,985**

(Figures in Thousands of Euros)

NET LIABILITIES AND EQUITY	**NON-LIFE SEGMENT**		**LIFE SEGMENT**		**OTHER ACTIVITIES SEGMENT**		**TOTAL**	
TOTAL LIABILITIES		**5,114,701**		**5,510,707**		**84,730**		**10,710,138**
2. Other financial liabilities at fair value through profit or loss		-		-		-		-
3. Trade and other payables		788,415		30,538		-		818,953
a) Subordinated liabilities	211,821		-		-		211,821	
b) Deposits received on buying reinsurance	58,500		23,838		-		82,338	
c) Liabilities from insurance operations	133,799		169		-		133,968	
d) Liabilities from reinsurance operations	101,601		2,072		-		103,673	
e) Liabilities from coinsurance operations	1,032		-		-		1,032	
g) Debts to credit institutions	1,331		-		-		1,331	
i) Other liabilities	280,331		4,459		-		284,790	
5. Technical Provisions		3,842,901		5,231,419		-		9,074,320
a) For unearned premiums	1,205,607		-		-		1,205,607	
b) For unexpired risks	9,515		-		-		9,515	
c) For life insurance								
- Provision for unearned premiums and unexpired risks	-		24,656		-		24,656	
- Mathematical provision	-		4,775,532		-		4,775,532	
- Provision for life insurance where the investment risk is borne by policyholders	-		315,675		-		315,675	
d) For claims	2,608,840		108,513		-		2,717,353	
e) For policyholder dividends and return premiums	-		7,043		-		7,043	
f) Other technical provisions	18,939		-		-		18,939	
6. Non-Technical Provisions		89,126		-		72,004		161,130
7. Tax liabilities		265,937		99,798		12,726		378,461
a) Current tax liabilities	36,822		-		12,726		49,548	
b) Deferred tax liabilities	229,115		99,798		-		328,913	
8. Other Liabilities		128,322		148,952		-		277,274
TOTAL NET EQUITY		**1,435,084**		**1,164,733**		**(13,970)**		**2,585,847**
Equity		**1,017,332**		**777,884**		**(21,875)**		**1,773,341**
1. Capital		18,000		18,000		-		36,000
a) Registered capital	18,000		18,000		-		36,000	
b) *Minus:* Uncalled capital	-		-		-		-	
2. Share Premium		767		766		-		1,533
3. Reserves		757,855		757,854		-		1,515,709
4. *Minus:* Treasury shares and participation units		8,710		8,711		-		17,421
7. Profit or loss for the year attributable to the parent company		264,720		25,275		(21,875)		268,120
a) Consolidated profit or loss	292,743		25,275		(21,875)		296,143	
b) Profit or loss attributable to minority interests	28,023		-		-		28,023	
8. *Minus:* Interim Dividend		15,300		15,300		-		30,600
Revaluation adjustments		**131,640**		**386,849**		**7,905**		**526,394**
1. Available-for-sale financial assets		135,301		439,466		7,905		582,672
3. Exchange Differences		(4,430)		-		-		(4,430)
4. Correction of accounting mismatches		-		(52,617)		-		(52,617)
5. Entities accounted for using the equity method		769		-		-		769
6. Other adjustments		-		-		-		-
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY		**1,148,972**		**1,164,733**		**(13,970)**		**2,299,735**
MINORITY INTERESTS		**286,112**		**-**		**-**		**286,112**
1. Revaluation adjustments		(3,489)		-		-		**(3,489)**
2. Rest		289,601		-		-		**289,601**
TOTAL NET EQUITY AND LIABILITIES		**6,549,785**		**6,675,440**		**70,760**		**13,295,985**

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES

(Grupo Catalana Occidente)

CONSOLIDATED BALANCE SHEET BY SEGMENTS AT 31 DECEMBER 2014 (*)

(Figures in Thousands of Euros)

ASSETS	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) Receivables	642,508		205		20,855		663,568	
c) Investments held for the benefit of policyholders who bear 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 portfolio acquisition costs	39		-		5,242		5,281	
c) Other intangible assets	42,014		-		16,716		58,730	
11. Investment 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
TOTAL ASSETS		**5,555,587**		**5,608,595**		**97,263**		**11,261,445**

(Figures in Thousands of Euros)

NET LIABILITIES AND EQUITY	NON-LIFE SEGMENT		LIFE SEGMENT		OTHER ACTIVITIES SEGMENT		TOTAL	
TOTAL LIABILITIES		**4,258,775**		**4,462,531**		**102,533**		**8,823,839**
2. Other financial liabilities at fair value through profit or loss		-		-		-		-
3. Trade and other payables		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) Debts to credit institutions	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 by 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
TOTAL NET EQUITY		**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) *Minus:* Uncalled capital	-		-		-		-	
2. Share Premium		766		766		-		1,532
3. Reserves		662,973		662,973		-		1,325,946
4. *Minus:* Treasury shares and participation units		8,711		8,711		-		17,422
7. Profit or loss for the year attributable to the parent company		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. *Minus:* 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 COMPANY		**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**
TOTAL NET EQUITY AND LIABILITIES		**5,555,587**		**5,608,595**		**97,263**		**11,261,445**

(*) 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 2015 AND 2014 (Notes 1 to 3)

	Fiscal Year 2014 (*)	Fiscal Year 2015
A) CONSOLIDATED PROFIT FOR THE YEAR	**268,144**	**296,143**
B) OTHER RECOGNISED INCOME / (EXPENSE)	**274,700**	**(82,456)**
Items that will not be re-classified to profit-		
Actuarial Gains/(losses) on long term remuneration to personnel	**(24,446)**	**1,594**
Income tax relating to items that will not be re-classified	**7,361**	**(1,243)**
Items that may later qualify as profit-		
Available-for-sale financial assets	**389,745**	**(107,620)**
a) Valuation gains/(losses)	403,808	(60,753)
b) Amounts transferred to the income statement	(14,063)	(46,867)
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:	**3,024**	**3,108**
a) Valuation gains/(losses)	3,024	3,108
b) Amounts transferred to the income statement	-	-
c) Other reclassifications	-	-
Correction of accounting mismatches:	**(39,533)**	**35,284**
a) Valuation gains/(losses)	(39,533)	35,284
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:	**13,480**	**(33,606)**
a) Valuation gains/(losses)	13,480	(33,606)
b) Amounts transferred to the income statement	-	-
c) Other reclassifications	-	-
Other recognised income and expense	**-**	**579**
Income tax relating to items that may be reclassified	**(74,931)**	**19,448**
TOTAL RECOGNISED INCOME/(EXPENSE) (A+B)	**542,844**	**213,687**
a) Attributable to the parent company	**518,668**	**186,525**
b) Attributable to minority interests	**24,176**	**27,162**

(*) Presented solely and exclusively for comparison purposes
The accompanying Notes 1 to 21 and Appendices I and II are an integral part of the Statement of Recognised Income and Expenses corresponding to FY 2015.

CONSOLIDATED CHANGE IN EQUITY STATEMENT AT DECEMBER 31, 2014
YEARS ENDED 31 DECEMBER 2015 AND 2014 (Notes 1 to 3)

(Figures in Thousands of Euros)

	Equity attributable to the parent company						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 the parent company	(Interim Dividends)			
Closing balance at 31 December 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 1 January 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 31 December 2014 (*)	**36,000**	**1,327,480**	**(17,421)**	**242,105**	**(29,136)**	**608,105**	**270,473**	**2,437,606**
Adjustment for changes in accounting policies	-	-	-	-	-	-	-	-
Adjustment for errors	-	-	-	-	-	-	-	-
Opening balance adjusted to 1 January 2015	**36,000**	**1,327,480**	**(17,421)**	**242,105**	**(29,136)**	**608,105**	**270,473**	**2,437,606**
I. Total recognised income/(expense)	**-**	**116**	**-**	**268,120**	**-**	**(81,711)**	**27,162**	**213,687**
II. Transactions with members or shareholders	**-**	**23,196**	**-**	**-**	**(76,812)**	**-**	**(11,548)**	**(65,164)**
1. Capital increases/(decreases)	-	-	-	-	-	-	-	-
2. Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-
3. Dividend distribution	-	-	-	-	(76,812)	-	(10,944)	(87,756)
4. Transactions with treasury shares or participation units (net)	-	-	-	-	-	-	-	-
5. Increases (decreases) due to business combinations	-	23,196	-	-	-	-	(604)	22,592
6. Other transactions with members or shareholders	-	-	-	-	-	-	-	-
III. Other changes in equity	**-**	**166,450**	**-**	**(242,105)**	**75,348**	**-**	**25**	**(282)**
1. Share-based payments	-	-	-	-	-	-	-	-
2. Transfers between equity components	-	166,757	-	(242,105)	75,348	-	-	-
3. Other changes	-	(307)	-	-	-	-	25	(282)
Closing balance at 31 December 2015	**36,000**	**1,517,242**	**(17,421)**	**268,120**	**(30,600)**	**526,394**	**286,112**	**2,585,847**

(*) Presented solely and exclusively for comparison purposes
The accompanying Notes 1 to 21 and Appendices I and II are an integral part of the Consolidated Balance Sheet at 31 December 2015.

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES
(Grupo Catalana Occidente)
CONSOLIDATED CASH FLOW STATEMENT CORRESPONDING TO THE YEARS
ENDED ON 31 DECEMBER 2015 AND 31 DECEMBER 2014 (DIRECT METHOD) (Notes 1 to 3)

(Figures in Thousands of Euros)

	Fiscal Year 2014 (*)	Fiscal Year 2015
A) CASH FLOWS FROM OPERATING ACTIVITIES (1+2+3)	**373,430**	**229,491**
1. Insurance activities:	**844,337**	**813,549**
(+) Cash received from insurance activities	3,617,339	4,488,635
(-) Cash paid in insurance activities	(2,773,002)	(3,675,086)
2. Other operating activities:	**(357,216)**	**(464,794)**
(+) Cash received from other operating activities	113,562	136,582
(-) Cash paid in other operating activities	(470,778)	(601,376)
3. Income tax refunded/(paid)	**(113,691)**	**(119,264)**
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)	**(230,990)**	**(168,874)**
1. Cash received from investing activities:	**1,746,396**	**2,115,187**
(+) Property, plant and equipment	268	184
(+) Investment property	21,004	23,382
(+) Intangible assets	15	422
(+) Financial instruments	27,453	59,659
(+) Investments in equity instruments	-	-
(+) Subsidiaries and other business units	-	3,712
(+) Interest received	83,625	120,213
(+) Dividends received	35,998	22,081
(+) Other cash received in relation to investing activities	1,578,033	1,885,534
2. Payments from investment activities:	**(1,977,386)**	**(2,284,061)**
(-) Property, plant and equipment	(13,696)	(8,903)
(-) Investment property	(9,041)	(23,513)
(-) Intangible assets	(19,220)	(27,063)
(-) Financial instruments	(3,416)	(16,339)
(-) Investments in equity instruments	-	-
(-) Subsidiaries and other business units	(36,410)	-
(-) Other cash paid in relation to investing activities	(1,895,603)	(2,208,243)
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)	**47,506**	**(92,794)**
1. Cash received from financing activities:	**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	4,638	-
(+) Other cash received in relation to financing activities	-	-
2. Cash paid in investing activities:	**(205,236)**	**(92,794)**
(-) Dividends to shareholders	(73,140)	(76,812)
(-) Interest paid	(7,050)	(13,125)
(-) 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	-	-
(-) Other cash paid in relation to financing activities	(5,046)	(2,857)
D) EFFECT OF CHANGES IN EXCHANGE RATES	**8,688**	**10,317**
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	**198,634**	**(21,860)**
F) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD	**432,959**	**631,593**
G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (E+F)	**631,593**	**609,733**

COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**Fiscal Year 2014 (*)**	**Fiscal Year 2015**
(+) Cash	621,974	606,435
(+) Other financial assets	9,619	3,298
(-) *Minus: Bank overdrafts repayable on demand*	-	-
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**631,593**	**609,733**

(*) Presented solely and exclusively for comparison purposes
The accompanying Notes 1 to 21 and Appendices I and II are an integral part of the Consolidated Cash Flow Statement corresponding to FY 2015.

Consolidated Financial Statements
Grupo Catalana Occidente, S.A.

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

Consolidated Financial Statements
For the Financial Year Ended
31 December 2015

In accordance with current legislation on the content of consolidated financial statements, these Notes complete, elaborate on and provide a commentary on the consolidated balance sheet, profit and loss account, statement of recognised income and expense, statement of changes in equity and cash flow statement (hereinafter the "consolidated financial statements"). Together with the financial statements, they form a whole, whose purpose is to provide a true and fair view of the consolidated assets and consolidated financial position of Grupo Catalana Occidente at 31 December 2015 and of the result of its activities, the changes in its equity and the cash flows registered in the year then ended.

1. General information on the parent company and its activities

1.a) Incorporation, term and domicile

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

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

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

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

The subsidiaries Seguros Catalana Occidente, Bilbao Compañía Anónima de Seguros y Reaseguros, S.A. ("Seguros Bilbao") and Plus Ultra Seguros Generales y Vida, S.A. de Seguros y Reaseguros ("Plus

Ultra") manage the pension funds "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", "Plus Ultra Renta Fija, Fondo de Pensiones", "Plus Ultra Dinámico, Fondo de Pensiones", "Plus Ultra Mixto, Fondo de Pensiones", "Plus Ultra Renta Variable, Fondo de Pensiones" and "Plus Ultra Renta Fija-Mixta, Fondo de Pensiones". Furthermore, Seguros Catalana Occidente and Seguros Bilbao are the sole founding shareholders and protectors of "Catalana Occidente Previsión, Entidad de Previsión Social Voluntaria en el País Vasco" and "Bilbao, Entidad de Previsión Social Voluntaria", respectively. The total amount of assets of managed funds and EPSV amounted to 452,707 thousand euros at 31 December 2015 (416,697 thousand euros at 31 December 2014). Gross income accrued for management fees for the various funds totalled EUR 3,464 thousand in 2015 (EUR 4,169 thousand in 2014). 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 257,410 thousand euros at 31 December 2015 (288,928 thousand euros at 31 December 2014).

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

1.c) Group structure and distribution systems

The subsidiaries Nortehispana, de Seguros y Reaseguros S.A., Bilbao Compañía Anónima de Seguros y Reaseguros, S.A., Plus Ultra Seguros Generales y Vida, S.A. de Seguros y Reaseguros, Aseq Vida y Accidentes, S.A. de Seguros y Reaseguros 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 Appendix 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 1,309 offices spread across Spain and 78 offices abroad.

To deliver personal and high-quality advice to customers, the Group distributes its products in Spain through an extensive sales network, consisting mainly of exclusive, full-time insurance agents. The Group also uses insurance brokers, part-time agents and other specialist distribution networks. At 31 December 2015 the Group worked with a total of 17,744 agents throughout Spain (15,073 at 31 December 2014).

The Group operates in more than 50 countries through the subsidiary Atradius N.V., which at 31 December 2015 had 2,663 agents (2,617 at 31 December 2014).

With regards to the brokerage channels, according to Law 26/2006 de Mediación de Seguros y Reaseguros Privados (Law 26/2006 on private insurance and reinsurance brokerage) and, by virtue of the application of the stipulations in its second additional provision, all current agency agreements are deemed to be exclusive insurance agency agreements. Likewise, Tecniseguros, Sociedad de Agencia de Seguros, S.A., on which the Life consultants network depends, acts as an exclusive agency company of Seguros Catalana Occidente, S.A. de Seguros y Reaseguros. Similarly, 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 company's shares are listed on the Spanish Stock Exchange Interconnection System (Continuous Market). At 31 December 2015 the shares traded at EUR 32.02 per share (EUR 23.99 per share at 31 December 2014).

2. Basis of presentation of the consolidated financial statements

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

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

a) The Spanish Commercial Code and other commercial legislation.

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

On 15 July 15 2015 Law 20/2015 of 14 July , on the Organisation, Supervision and Solvency of Insurance and Reinsurance Entities ("LOSSEAR") was approved, repealing, from 1 January 2016, Law 30/1995, of 8 November, on the Organisation and Supervision of Private Insurance, approved through Legislative Royal Decree 6/2004, of 29 October.

Furthermore, on 2 December 2015, Royal Decree 1060/2015, of 20 November, on the Organisation, Supervision and Solvency of Insurance and Reinsurance Entities ("ROSSEAR") was published. It serves the purpose of developing the regulations of private insurance and reinsurance activities made by Law 20/2015, of 14 July, on the Organisation, Supervision and Solvency of Insurance and Reinsurance Entities, as well as completing the transposition into domestic law of Directive 2009/138/EC of the European Parliament and of the Council, of 25 November 2009, on access to insurance and reinsurance activities and their exercise ("Solvency II" Directive). The Royal Decree comes into force on 1 January 2016 and repeals the "ROSSP" except for some articles.

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 25 February 2016, and they, as well as those from investee companies, shall be subject to the approval by the respective Annual General Meeting of Shareholders. The 2014 consolidated annual financial statements were approved by the Annual General Meeting of Shareholders of the Grupo Catalana Occidente, S.A. which was held on 22 April 2015.

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

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

2.c) Responsibility for information

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

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

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

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

New standards, modifications and interpretations adopted in the 2015 financial year

New accounting standards have come into force in 2015 that have naturally been taken into account in preparing the attached consolidated financial statements.

- IFRIC 21 Charges: Interpretation on when to recognise a liability for fees or charges that are conditional to the participation of the entity in an activity at a specified date.

- *Improvements to IFRS 2011-2013 Cycle:*

  - *IFRS 3 Business Combinations:* it clarifies that IFRS 3 is not applicable to the establishment of a joint agreement in the financial statements of the joint agreement itself.

  - *IFRS 13 Fair Value:* the scope of this exemption to measure the fair value of groups of financial assets and liabilities on a net basis has been amended to clarify that all contracts are included within the scope of IAS 39 or IFRS 9, even if they are not financial assets or liabilities according to IAS 32.

  - *IAS 40 Investment Property:* the amendment clarifies that IAS 40 and IFRS 3 are not mutually exclusive and both rules may need to be applied. A company that acquires an investment property must determine whether or not that property meets the definition of investment property according to IAS 40 and whether or not the transaction can be considered a business combination.

Any accounting policy or valuation principle that can have a material effect on the 2015 consolidated financial statements has been applied in its preparation.

Standards and interpretations issued but not yet effective

At the date these consolidated accounts were authorised for release, the 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:		
Amendment to IAS 16 and IAS 38 - Acceptable depreciation and amortisation methods	It clarifies the acceptable methods of amortisation and depreciation of tangible and intangible assets, which do not include those based on revenue.	1 January 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 venture, whose activity constitutes a business.	1 January 2016
Improvements to IFRS 2012-2014 Cycle	Minor modifications to a set of standards	1 January 2016
Amendment to IAS 27 — Equity method in Separate Financial Statements	Equity will be allowed in an investor's separate financial statements	1 January 2016
Amendments of IAS 1 Breakdown Initiative	Several clarifications related to breakdowns.	1 January 2016
Not approved for use in the European Union:		
New rules		
IFRS 9 Financial Instruments:	Supersedes classification requirements, valuation of financial assets and liabilities, account cancellations and hedge and impairment accounting in IAS 39.	1 January 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)	1 January 2018
IFRS 16 Leases	New standard for leases that supersedes IAS 17. Lessees will include all leases in the balance sheet as if they were financed purchases	1 January 2019
Amendments and/or interpretations:		
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	No definite date
Amendments to IFRS 10, 12 IFRS and IAS 28 Investment Companies	Clarifications on the exemption from consolidation of investment companies.	1 January 2016

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. Finally, in 2014, the IASB issued the complete standard with the new impairment model and the amendment of the part relating to the classification and measurement of financial assets.

The date of entry into force of IFRS 9 is pending endorsement by European authorities. However, it already has a favourable opinion from the EFRAG (European Financial Reporting Advisory Group). In any case, its mandatory application is not expected for periods prior to those starting on 1 January 2018.

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, among others.

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 recognise 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 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 this standard, providing a reasonable estimate of its effects is not possible until the analysis is complete.

Likewise, the directors of the parent company are assessing 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 the 2015 financial year are presented comparatively with the previous year, pursuant to the requirements of IAS 1 - Presentation of Financial Statements.

Variations in the scope of consolidation

On 19 June 2015, the Group, through Seguros Catalana Occidente, S.A. de Seguros y Reaseguros (hereinafter "SCO"), a company held 100% by the Group, exercised the share purchase option for Plus Ultra, Seguros Generales y Vida, S.A. de Seguros y Reaseguros (hereinafter "Plus Ultra"). Shares representing 51% of the share capital of Plus Ultra were acquired, representing an additional investment of 230,434 for the Group (see Note 5.a). Following this acquisition, the economic stake of the Group in Plus Ultra stands at 100%.

As described in Note 5.a), the accounting of business combinations as a consequence of the acquisition of 51% of Plus Ultra was recorded on 30 June 2015, for which reason the consolidated profit and loss account at 31 December 2015 is not comparable to the one presented for the previous period. At 31 December 2015, the integration of Plus Ultra has entailed the incorporation of 350,081 thousand euros for premiums accrued in the consolidated profit and loss account. The volume of assets incorporated into the consolidated balance sheet at 30 June 2015, as a consequence of the acquisition of Plus Ultra, rose to 2,020,952 thousand euros.

Furthermore, the acquisition by SCO of 99.88% of Aseq Vida y Accidentes, S.A. de Seguros y Reaseguros on 30 March 2015 (see Note 5.c) has entailed the incorporation of a volume of assets of 29,552 thousand euros in the consolidated balance sheet and 3,453 thousand euros in premiums accrued in the consolidated profit and loss account as at 31 December 2015.

2.f) Consolidation principles

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

These consolidated financial statements for 2015 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 company is not required to prepare consolidated financial statements with a scope greater than that of these consolidated financial statements, as it is itself part of a group headed by CO Sociedad de Gestión y Participación, S.A. which prepares its consolidated annual financial statements separately.

2.f.1) Subsidiaries

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

Appendix I to these Consolidated Notes contains significant information on these companies and Notes 5 and 7 provide information about the most significant changes during 2015 and between the balance sheet date and the date these financial statements were authorised for release.

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

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

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

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

2.f.2) Associates

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

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

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

Appendix II provides relevant information about associates.

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

The Group's share in discontinued operations is recognised separately in the consolidated 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 initially deducted from any remaining goodwill in the investment.

Notes 5 and 7 to the consolidated financial statements give details of the significant new acquisitions in 2015 in associated companies, any increases in the Group's stakes in the capital of companies already classified as associated companies at the start of the year, as well as information on the sale of shares, if any.

2.g) Offsetting

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

2.h) Financial information by segment

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

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

The Group has identified its primary business lines as 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" cover the results of Group subsidiaries that do not directly carry out insurance activities and other income and expenses as detailed in Note 17.

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

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

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

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

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

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

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

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

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

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

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

Financial income and expenses are allocated to the Life and Non-life segments according to the prior allocation of the assets that generated the income or expense in question, as shown in the each insurance company's "Investment Book". The same financial instrument may be allocated to more than one segment. Where a portfolio associated with the Life, Non-life or Other Activities segment includes an interest in a non-insurance subsidiary, the individual income statement of the subsidiary in question has been consolidated in the segment in question on a line-by-line basis, respecting the allocation recorded in the "Investment Book". The Group's share of the results of associates, which is shown separately in the 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 investments and property, plant and equipment", while the rest is presented as "Net operating expenses".

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

2.i) Cash flow statement

In the cash flow statement the following expressions are used:

- Cash flows: inflows and outflows of cash and cash equivalents. Cash equivalents are highly liquid short-term investments, with a maturity of less than three months that are readily convertible into specific cash amounts and are subject to negligible risk of changes in value.
- Operating activities: activities typical of insurance companies and other activities that cannot be classified as investment or finance activities.
- Investment activities: the acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of equity and of the liabilities that are not part of operating activities. Transactions with own shares are considered financing activities. Dividends paid by the parent company to its shareholders are also included in this category.

3. Significant accounting principles and policies and measurement bases used

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

3.a) Cash and other cash equivalents

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

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

3.b) Financial assets

3.b.1) Recognition

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

3.b.2) Classification of financial assets

Note 6 to the consolidated financial statements shows the book value of financial assets at 31 December 2015 and 2014, 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, fixed-term bank deposits and receivables relating to the deposits required in the inward reinsurance business are included in this category.

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

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

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

  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 2015, and in the previous year, no financial instruments were classified as "Held-to-maturity investments".

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

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

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

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

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

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

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

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

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

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

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

3.b.4) Impairment of financial assets.

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

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

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

- Financial assets carried at amortised cost:

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

  If in subsequent periods the amount of the impairment loss decreases, the previously recognised impairment loss is reversed in the 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 prolonged or significant impairment losses on listed equity instruments primarily on the basis of establishing time or percentage criteria for comparing the average cost of the instrument with its quoted price. Specifically, according to the time or percentage ranges established in the Group's accounting policies, objective evidence of impairment shall be deemed to exist when there is a 40% decrease in the share price relative to the average cost of acquisition or in a situation of continued loss for a period exceeding 18 months.
    - The Group also considers situations where the issuer is declared, or is likely to be declared, insolvent, or has significant financial difficulties to be objective evidence of impairment losses.
    - 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.

— "Investment in entities accounted for using the equity method"

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

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

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

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

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

  However, interest calculated using the effective interest rate method is recognised in the income statement for the year (see point 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 listed equity, fixed-income and other instruments linked to insurance, where the policyholder assumes the risk of the investment, are designated and classified as "at fair value with changes in profit and loss". Only financial assets without published price quotations (treasury bills, short-term bank deposits, etc.) and other assets allocated to the business are assigned to the Loans and receivables portfolio.

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

3.c) Property, Plant and Equipment

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

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

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

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

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

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

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

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

The market value of owner-occupied property indicated in Note 8.a) to the consolidated financial statements has been obtained from appraisals carried out by independent experts (Inmoseguros), which are no more than 2 years old at 31 December 2015. For properties situated in Spain, the prior market value has been determined in accordance with Order ECO/805/2003, of 27 March, partially amended by Order EHA 3011/2007, of 4 October, on rules for the valuation of property and determined rights for certain financial purposes.

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

3.d) Investment property

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

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

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

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

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

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

3.e) Intangible assets

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

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

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

3.e.1) Goodwill on Consolidation

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

As indicated in Note 5.a), according to the provisions of International Financial Reporting Standard 3, there is a maximum valuation period of one year from the date of acquisition, during which the acquiring company can adjust the provisional amounts recognised on the date of acquisition retroactively.

Goodwill acquired since 1 January 2004 is recognised at acquisition cost, while goodwill acquired before this date is recognised at the net book value at 31 December 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 and Plus Ultra, the Group contracted the services of an independent expert 'Analistas Financieros Internacionales, AFI' which, in accordance with the generally accepted systems used by investment banks, determined the recoverable amount of these based on the discounted value of the future dividends it expects to receive (dividend discount model). In order to determine it, investee's projected business plans and basic assumptions about the parameters that will affect the business's future results are used. In the case of goodwill for Atradius N.V., the projection of cash flows has been made for a period exceeding 5 years so as to allow the model to reflect a full business cycle, the estimated duration of which is 10 years. This extended period is necessary to increase the reliability of projections, given the close relationship between the economic cycle phase and changes in the cash flows from the credit insurance business, which could otherwise not be properly reflected on projections. The discounted rate applied to the projections is calculated on the basis of a risk-free interest rate (average of the last 10 years of the German government bonds) plus a risk premium that includes general market risk and the specific risk of the investment.

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

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

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

- Operating expenses: maintenance of current ratios over premiums.

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

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

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

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

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

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

3.e.2) Policy portfolio acquisition expenses

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

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

3.e.3) Other intangible assets

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

IT Applications

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

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

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

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

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

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

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

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

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

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

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

Brand

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

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

In the valuation process, an indefinite useful life was determined for the Plus Ultra brand.

Distribution network

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

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

Policies in portfolio

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

The estimated useful life for policies in portfolio has been determined to be between five and ten years according to average useful lives. This is the rate used to proceed to the linear amortisation of this 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 corporate tax.

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

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

3.g) Transactions in foreign currency

3.g.1) Functional currency

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

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

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

Foreign currency balances are translated into euros in two steps:

- The foreign currency is translated into the functional currency (the currency of the main economic environment in which the subsidiary operates or into the euro in the case of companies domiciled in the Monetary Union), and
- The balances held in the functional currencies of subsidiaries whose functional currency is not the euro are translated into euros.

Translation of foreign currency into the functional currency:

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

- Non-monetary items measured at historical cost are translated into the functional currency at the exchange rate at the date of acquisition,
- Non-monetary items measured at fair value are translated at the exchange rate on the date when the fair value was determined,
- Income and expenses are translated at the average exchange rates for the period for all the transactions performed during the year,
- The balances arising from non-hedging forward foreign currency/foreign currency and foreign currency/euro purchase and sale transactions are translated at the closing rates prevailing in the forward foreign currency market for the related maturity.

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

Translation of functional currencies into euros:

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

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

3.g.3) Recording of exchange differences

Exchange differences arising on translation of foreign currency balances into the functional currency are generally recognised in the 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 31 December 2015 and 2014:

Currency	Year-end rate		Average annual rate	
	31/12/2014	31/12/2015	31/12/2014	31/12/2015
U.S. Dollar	0.824	0.919	0.750	0.898
Pound Sterling	1.284	1.362	1.239	1.375
Japanese Yen	0.007	0.008	0.007	0.007
Swiss Franc	0.832	0.923	0.823	0.932
Swedish Krona	0.106	0.109	0.110	0.107
Norwegian Krone	0.111	0.104	0.120	0.112
Danish crown	0.134	0.134	0.134	0.134
Mexican peso	0.056	0.053	0.057	0.057
Australian Dollar	0.674	0.671	0.678	0.675

3.h) Corporate tax

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

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

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

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

On 27 November 2014, within the framework of tax reform, the Government of Spain approved Law 27/2014, on Corporate Tax.

Within this context, for companies whose tax residence is in Spain, the new regulation of the Corporate 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 dropped to 28% in 2015 and 25% in 2016.

Additionally, the new Corporate Tax regulation included a tax exemption for incomes from the transfer of equity securities in other entities, provided that the direct or indirect share percentage is at least 5 percent or that the share acquisition value exceeds 20,000 thousand euros. Furthermore, relating to stakes in the capital of non-resident companies, the regulation incorporates the requirement of a minimum taxation of 10%, this requirement being understood to be met if there is a treaty between Spain and the country of residence of the subsidiary to prevent international double taxation, which is in force and contains a clause for the exchange of information.

Current tax assets and liabilities are measured at the amount expected to be paid to or recovered from the tax authorities, using the statutory tax rates enacted or substantively enacted by the balance sheet date. Accordingly, the Group has calculated the corporate tax at 31 December 2015, applying the tax regulations in force in companies registered in Spain and taking the various tax regimes for foreign companies into account (subsidiaries of Atradius N.V.).

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

3.i) Financial liabilities

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

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

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

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

At 31 December 2015, neither the parent company nor any other Group company has guaranteed any other debt securities issued by associates or third parties unrelated to the Group.

3. j) Insurance and reinsurance assets and liabilities

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

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

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

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

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

IFRS 4 imposes restrictions on permitted changes to accounting policies 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 31 December 2015 and 2014, 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, S.A., 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 16 February, considering the technical result by year of occurrence for the closing year jointly with the previous year or the four previous years, depending on the business line in question.

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

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 13).

Claims provision

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

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

Statistical methods

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

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

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

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

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

For these lines, the provision for outstanding or unpaid claims and unreported losses is calculated globally, without separating the two components. For the abovementioned lines, the provision has been calculated in accordance with the best estimate provided by internal actuarial calculations, using generally accepted deterministic and stochastic models. Details of the methods and the main assumptions used in calculating these provisions at 31 December 2015, 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 16 February, amending the ROSSP. Differences between the provisions made and those considered a tax-deductible expense have been recorded as temporary differences.

In addition, on 31 December 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. On 1 January 2015, the contract ended, not being renewed for following fiscal years.

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.

Individual assessments

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

Unreported claims

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

Internal claims settlement expenses

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

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

Provisions for policyholder dividends and returns

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

Other technical provisions – Provision for funeral insurance

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

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

Commissions and deferred acquisition expenses

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

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

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

Amount for estimated recoveries

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

In the specific case of 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 by this company calculates the amount of recoveries estimated taking into account the historical evolution of the settlement of all outstanding claims, including claims completed, and to determine their future behavioural tendencies, in order to apply them realistically, reasonably estimating recoveries receivable by the appropriate projections.

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

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

Agreements between insurers

The subsidiaries Seguros Catalana Occidente 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 18 June 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 1 January 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.

In 2014, the accrual of interest of 20% of the positive result for the Consorcio ended because the five-year period specified in the contract concluded. On 8 July 2015, all outstanding debt was settled, which amounted to 17,969 thousand euros.

3.k) Non-technical provisions

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

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

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

Post-retirement benefits

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

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

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

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

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

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

The Group has opted to recognise actuarial gains and losses on all post-employment defined-benefit plans in full outside the 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 and/or control requirements. These reversals are presented in the statement of recognised income and expense.

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

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

3.k.2) Other non-technical provisions

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

3.l) Treasury shares

The negative balance of the “Equity – Treasury shares and participation units” account in the consolidated balance sheet relates to shares of the Group held exclusively by the subsidiary 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 15.c) to the consolidated financial statements.

3.m) Income and expenses

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

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

3.m.1) Income from written premiums

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

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

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

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

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

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

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

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

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

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

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

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

3.m.5) Commissions

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

3.n) Business combinations

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

The cost of the combination is determined by the sum of:

- The amount of the price paid plus the amount of all minority interests plus the fair value of previous stakes of the acquired business and:
- The fair value of assets acquired and liabilities assumed.

In the exceptional case that a negative difference arises in the combination, it is recorded in the profit and loss account as income.

If, on the closing date for the year where the combination takes place, the necessary assessment processes to apply the acquisition method described above cannot be completed, this accounting is considered provisional and these provisional values may be adjusted in the necessary period in order to obtain the required information, which shall in no case exceed one year. The effects of the adjustments made in this period are accounted retroactively by amending the comparative information, if necessary.

Subsequent changes to the fair value of the contingent consideration are adjusted against results, except if this consideration has been classified as equity, in which case subsequent changes to fair value are not recognised.

4. Risk and capital management

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

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

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

4.a) Capital management

Grupo Catalana Occidente seeks to maintain a strong capital position.

Capital management is governed by the following principles:

- Ensure that Group companies have sufficient capitalisation to meet their financial obligations, even as they face extraordinary events.
- Manage the capital adequacy of the Group and its companies, taking into account the economic and accounting outlook and capital requirements.
- Optimise 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.

Firstly, capital is quantified in accordance with the solvency regulation in force at 31 December 2015, stipulated in the Private Insurance Administration and Supervision Regulations of 1998. However, as a consequence of the entry into force of the Solvency II regulations on 1 January 2016, all companies in the Group also perform solvency calculations according to Solvency II regulations.

Secondly, capital is quantified 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 2015 the Group’s solvency margin data reveal a surplus of 1,861.5 million euros, representing 392.3%:

	31/12/2014	31/12/2015
Capital	36,000	36,000
Reserves and Adjustments for changes in value	1,918,164	2,026,215
Retained earnings	212,969	237,520
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY	**2,167,133**	**2,299,735**
MINORITY INTERESTS	270,473	286,112
TOTAL NET EQUITY	**2,437,606**	**2,585,847**
TOTAL OWN UNCOMMITTED EQUITY	**2,366,793**	**2,498,274**
Minimum amount of solvency margin	**474,309**	**636,788**
Assets over the required minimum represents %	**499.00%**	**392.32%**

The 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:

Fiscal Year 2015	**Thousands of Euros**						
	Spain	**The Netherlands**	**Ireland**	**Mexico**	**U.S.**	**Russia**	**Total**
Minimum amount of solvency margin	473,851	79,794	71,758	7,091	2,806	1,488	**636,788**

Subsidiaries with insurance activity in Spain are supervised by the Directorate General of Insurance and Pension Funds (DGSFP). At 31 December 2015, the solvency margin is determined in accordance with the relevant articles of the ROSSP, amended by RD 297/2004 of 20 February, RD 239/2007 of February 16 and RD 1318/2008 of 24 July and Order ECC/2150/2012 of 28 September.

Subsidiaries with insurance activities outside Spain and their respective territories are Atradius Credit Insurance N.V. in the Netherlands, which is regulated by the Dutch Central Bank (De Nederlandsche Bank, DNB); Atradius Reinsurance Ltd. in Ireland, regulated by the Central Bank of Ireland (CBI); Atradius Seguros de Crédito, S.A. in Mexico, regulated by the National Commission for Insurance and Finance (CNSF); Atradius Trade Credit Insurance, Inc. in the United States, regulated by the Maryland Insurance Administration (MIA); and Atradius Rus Credit Insurance LLC in Russia, which is regulated by the Central Bank of the Russian Federation. The aforementioned regulators are responsible for regulating the calculation of the solvency margin in their respective countries.

4.b) Risk management

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

The main components of the Risk Management System are:

- **i.** Risk Governance: Organisational structure of the Risk Management System. Risk Governance is governed by policies, other regulations and a clear attribution of roles and responsibilities.
- **ii.** Risk Management Process: It establishes the process that GCO and its entities use to identify, accept, assess, monitor, mitigate and report risks. Likewise, during the process, the Risk Strategy is defined and its integration with the Business Strategy is ensured. This allows for meeting the risk appetite and tolerance established by the Board of Directors.
- **iii.** Business strategy: The Business Strategy is defined in the Strategic Plan. As mentioned in section ii above, the Business Strategy is aligned with the Risk Strategy. The Own Risk and Solvency Assessment (ORSA) process helps to ensure this alignment.

These components promote a common risk culture within the Group and guarantee the efficiency of its Risk Management System.

The Risk Management System Governance is based on the principle of the "Three Lines of Defence". The principle of the three lines of defence establishes the levels of activity, roles and responsibilities that govern the Risk Management System so that the first line of defence is made up by business units responsible for the risk assumed and its management, the second line of defence is made up of the actuarial function, the risk management function and the compliance verification function; and the third line of defence is the internal audit function.

"On the other hand, the Administrative Body is responsible for guaranteeing the effectiveness of the Risk Management System through compliance with the general strategies of the Entity and the Steering Committee is responsible for ensuring the appropriate implementation, maintenance and monitoring of the Risk Management System according to the guidelines defined by the Board of Directors.

In order to complete the governance of the risk management system, GCO and its entities have developed written policies that, along with existing Technical Standards, guarantee the ideal management of risks. These policies, in their contents, identify the risks inherent to the affected area, establish the measures to quantify risk, determine the actions to monitor and control these risks, establish measures to mitigate their impact and determine the systems for internal control and reporting used to control and manage the aforementioned risks.

Through the risk management process, GCO and its entities identify, measure, control, manage and report the risks to which the Entity is or may be exposed. Specifically, 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 materialise, and (iv) the information and internal control systems used to mitigate these risks, including contingent liabilities and off balance sheet risks. This risk management system at the Group also aims to develop processes and systems of capital allocation in light of the risks assumed by each area.

From this process, the Group defines its risk strategy establishing the level of risk it is willing to take to achieve the targets set in its strategic plan and annual guidelines, based on three pillars: Growth, Profitability and Solvency. Moreover, 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.

As part of risk management the Group undertakes the internal assessment of future risks (ORSA; Own Risk and Solvency Assessment) according to the criteria defined in its ORSA Policy. The ORSA process is performed both for the Consolidated Group and the different companies of the traditional insurance business and credit insurance business. As part of this process, the useful stress scenarios for decision-making are also defined.

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 technical risks.
- Credit insurance and Bond risks.
- Financial Market Risks.
- Operational Risks

A. Non-life and Life insurance technical risks

Among Non-Life insurance risks, underwriting risk breaks down into premium deficiency risk, reserve deficiency risk and catastrophe risk. Also included is the technical part of reinsurance risk. These risks are managed differently depending on the business line.

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 Bond risk

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

- Traditional credit risk

The Group insures its customers against the risk of non-payment by their trade debtors. 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 even remove, conditions for certain forms of cover at country level.

- The risk of Credit Protection insurance

The instalment credit protection unit insures policyholders against the risk of non-payment by customers under instalment credit agreements. Here the Group typically insures portfolio loans. This product does not cover losses as a result of fraud by the customer.

Exposure is usually divided into corporate (companies covered by leasing or by bank loans) and retail (consumer credits of financial entities)

- Special Products Risk

The Group also offers tailor-made policies, for example policies where only one commercial transaction is guaranteed.

- Bond Risk

Bond insurance is offered in Italy, Spain, France and the Scandinavian countries. The bond types issued vary by location, owing to differing legal environments, but typically include bid bonds, performance bonds and maintenance bonds. The Group manages risk by underwriting the obligations to be covered by the bond, the financial strength of customers and their ability to perform and also by working with customers and beneficiaries of bonds to resolve any conflicts.

- Reinsurance assumed

Atradius Reinsurance Ltd. is the reinsurer of the Group for Credit Insurance products. It has a diversified portfolio in about 70 countries. Most programmes are entered into quota-share.

Specific controls in the credit insurance business.

Fully defined risk authorisation systems and processes are in place. Sales staff has limited authority. As the credit limit increases, decisions need authorisation from one or more co-signatories of increasing seniority. Even senior levels have authority only up to certain thresholds.

Credit committees have been established at local 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, S.A. in Atradius, the database, despite being independent, is accessible to the global database.

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

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

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

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

The following is a detailed list of TPE by country, sector and buyer group.

Buyer's country	of which	TPE 2014 Million Euros	TPE 2015 Million Euros
Denmark, Finland, Norway, Netherlands, Sweden, Baltic Countries	Netherlands	23,152	23,914
	Others	23,261	25,882
Austria, Czech Republic, Germany, Greece, Hungary, Poland, Slovakia, Switzerland	Germany	77,297	80,398
	Others	45,925	50,805
UK, North America, Australia, Asia and Others	UK	36,820	42,031
	Ireland	3,511	3,751
	USA / Canada	39,343	48,663
	Mexico and Central America	8,068	8,814
	Brazil	12,080	7,987
	Asia and Australia	69,210	79,668
	Others	10,954	12,817
Southern Europe	France	39,170	40,916
	Italy	26,929	32,735
	Spain and Portugal	85,165	89,601
	Belgium and Luxembourg	14,229	14,662
Total		**515,114**	**562,644**

Industrial sector	TPE 2014 Million Euros	TPE 2015 Million Euros
Durable consumer goods	56,347	60,940
Metals	56,286	59,888
Electronics	67,007	69,797
Construction	37,238	41,147
Chemicals	63,915	74,538
Transport	43,705	50,612
Machinery	31,629	33,902
Food	48,188	52,056
Construction Materials	21,981	24,424
Services	21,180	24,113
Textiles	17,722	19,065
Finance	11,711	11,088
Agriculture	25,932	28,327
Paper	12,275	12,747
Total	**515,114**	**562,644**

Grouping by number of buyers	TPE 2014 Million Euros	TPE 2015 Million Euros
0 – 20	294,203	316,278
20 – 100	87,443	96,987
100 – 250	55,495	56,898
250 – 500	32,122	40,003
500 – 1,000	19,297	24,572
> 1,000	26,554	27,906
Total	**515,114**	**562,644**

Exposures to bonds and instalment credit protection have very different characteristics and are not, therefore, included in the tables above. The exposure to bonds at 31 December 2015 is of EUR 23,000 million and instalment credit protection totals EUR 2,100 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, it is important to note that 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 categorised with the aim of standardising 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 organisation 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 recognises and addresses the risks it faces. To do so it boasts:

- Stringent strategic planning
- A process of internal self-evaluation of risks and solvency.
- Prudent management of operational risk

The Group's main committees are responsible for control and monitoring of the various risks.

'The monitoring of the risk strategy is carried out by the business units through the early alert indicators, which serve as a basis for both risk monitoring and compliance with the risk appetite approved by the Governing Body. 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 and the technical writing standards.

- 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 minimise the impact on business functions in the event of a disaster and thus reduce downtime of information and systems.

4.c) Internal Control

Grupo Catalana Occidente boasts an internal control system which ensures the objectives of effectiveness and efficiency of operations, reliability of financial reporting, asset protection and compliance with applicable laws and regulations. Furthermore, it also enables it to have the appropriate mechanisms regarding its solvency, in order to identify and measure all the significant existing risks and cover these risks appropriately with allowable equity.

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

- The **control environment** is an essential element of internal control, since all other components are based on it and it boosts employees' awareness of its importance.

  In order to ensure that the Group has an environment of adequate control, the Board of Directors applies the principles of Good Governance with transparency and rigor. The Group also has a human resources policy geared to motivate and retain talent and also has a Code of Ethics that formalises employees' commitment to behave under the principles of good faith and integrity.

- **Risk assessment**. The Group recognises and addresses the risks it faces through mechanisms deployed to identify, analyse and address the associated risks in different areas. It has a framework policy for the entire risk management system and specific policies for each specific risk, pursuant to the provisions of Law 20/2015 on the organisation, supervision and solvency of insurance and reinsurance entities.

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

  The control activities of the Group are carried out within a framework of (i) an appropriate segregation of tasks and responsibilities both among staff and among the functions performed, (ii) an appropriate structure of powers and faculties to perform operations linked to critical systems establishing a system of limits, (iii) authorisations prior to the assumption of risks, global guidelines for information security, understanding these as the preservation of the confidentiality, integrity and availability of the information and the systems that process it in the face of any threat, risk or damage they may suffer according to their importance to the Group and (iv) the existence of mechanisms to guarantee the continuity of the business.

- **Information and communication**. The Group has adequate systems of internal and external communication.

  Regarding internal communication, the Group has a structure of Committees and different processes that guarantee transparency and appropriate dissemination.

  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 2015 and through the Internal Control Unit and its mission, the Group has made progress in strengthening the reliability of the financial reporting released through the documentation of the processes, the homogenisation of criteria and the reflection on efficiency improvements. The result has been noticeable improvement in the traceability of this information.

- **Supervision**. The Internal Control System is subject to a monitoring process that verifies proper operation of this system over time. This is achieved through continuous monitoring activities and periodic evaluations.

  Continuous monitoring takes place over the course of operations and includes both normal management and supervision activities and other activities carried out by staff in the performance of their functions. The scope and frequency of periodic assessments will essentially depend on an evaluation of the risks and the effectiveness of continuous supervision processes.

  Furthermore, the Group is subject to independent monitoring processes that verify the proper operation of the Internal Control System over time. In particular, it has three fundamental functions: the risk management function, the actuarial function and the compliance function, which act as a second line of defence, as well as an auditing function that acts as a third line of defence, performing comprehensive monitoring of the Internal Control System.

Internal Control in the area of Financial and Property Investments

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

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

Furthermore, 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 31 December 2015 according to the inputs used is as follows (in Thousands of Euros):

	Level 1	Level 2	Level 3	Total at 31/12/2015
Financial assets held for trading	**-**	**-**	**-**	**-**
Derivatives	-	-	-	-
Other financial assets at fair value through profit or loss	**297,099**	**-**	**-**	**297,099**
Stakes in mutual funds	57	-	-	**57**
Investments held for the benefit of policyholders who bear the investment risk	297,042	-	-	**297,042**
Available-for-sale financial assets	**7,949,705**	**81,891**	**3,908**	**8,035,504**
Equity investments	950,993	27,490	-	**978,483**
Stakes in mutual funds	508,795	-	-	**508,795**
Debt securities	6,321,954	57,643	3,908	**6,383,505**
Loans	-	121	-	**121**
Deposits with credit institutions	167,963	(3,363)	-	**164,600**
Total at 31 December 2015	**8,246,804**	**81,891**	**3,908**	**8,332,603**

The same information reported at year-end, for FY 2014 is as follows (in thousands of euros):

	Level 1	Level 2	Level 3	Total at 31/12/2014
Financial assets held for trading	**-**	**-**	**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**
Equity investments	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 31 December 2014	**6,371,739**	**124,192**	**41,892**	**6,537,823**

During FY 2015 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)	Available-for-sale financial assets (AFS)	Total
	Derivatives	Fixed-income securities	
Net accounting balance at 1 January 2014	21,281	23,335	44,616
Purchases	-	-	-
Sales and amortisation	-	(4,586)	(4,586)
Reclassifications and transfers	-	-	-
Revaluation adjustments against reserves	-	2,690	2,690
Effect of revaluation adjustments against profits	(464)	(364)	(828)
Effect of changes in exchange rates	-	-	-
Changes in impairment losses	-	-	-
Net accounting balance at 31 December 2014	20,817	21,075	41,892
Purchases	-	-	-
Sales and amortisation	(25,669)	(17,300)	(42,969)
Reclassifications and transfers	-	-	-
Revaluation adjustments against reserves	-	133	133
Effect of revaluation adjustments against profits	4,852	-	4,852
Effect of changes in exchange rates	-	-	-
Changes in impairment losses	-	-	-
Net accounting balance at 31 December 2015	-	3,908	3,908

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 31 December 2015 and 2014 is shown below (amounts in Thousands of Euros):

Rating	31/12/2014				31/12/2015			
	Public Fixed-Income	Private Fixed-Income	Total Fixed-Income	% Fixed-Income	Public Fixed-Income	Private Fixed-Income	Total Fixed-Income	% Fixed-Income
AAA	212,790	60,126	272,916	5.63%	264,874	54,013	318,887	5.00%
AA	314,463	257,227	571,690	11.80%	410,079	319,216	729,295	11.43%
A	87,625	1,090,085	1,177,710	24.31%	104,145	1,191,234	1,295,379	20.29%
BBB	2,224,434	484,294	2,708,728	55.90%	2,929,413	916,793	3,846,206	60.25%
BB	62,076	17,049	79,125	1.63%	86,492	42,363	128,855	2.02%
B	-	9,329	9,329	0.19%	-	9,853	9,853	0.15%
Unrated	6,257	19,717	25,974	0.54%	39,657	15,373	55,030	0.86%
Total	**2,907,645**	**1,937,827**	**4,845,472**	**100.00%**	**3,834,660**	**2,548,845**	**6,383,505**	**100.00%**

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

Sector	31/12/2014				31/12/2015			
	Equity Instruments	%	Debt securities	%	Equity Instruments	%	Debt securities	%
Communications	45,563	3.81%	171,669	3.54%	95,491	6.42%	219,769	3.44%
Cyclical consumer goods	48,289	4.03%	83,892	1.73%	84,669	5.69%	105,713	1.66%
Non-cyclical consumer goods	67,256	5.62%	226,847	4.68%	145,679	9.79%	259,858	4.07%
Energy	41,467	3.46%	74,409	1.54%	49,457	3.33%	144,288	2.26%
Financial	190,590	15.92%	793,038	16.37%	300,160	20.18%	1,113,361	17.44%
Industrial	57,531	4.81%	127,529	2.63%	118,424	7.96%	165,180	2.59%
Technological	23,782	1.99%	3,527	0.07%	44,807	3.01%	21,225	0.33%
Public Services	71,759	6.00%	407,447	8.41%	110,820	7.45%	476,917	7.47%
Diversified	3,185	0.27%	5,859	0.12%	3,542	0.24%	14,250	0.22%
Commodities	14,421	1.20%	18,375	0.38%	19,076	1.28%	15,143	0.24%
Government	-	-	2,932,880	60.53%	-	-	3,847,801	60.28%
Others (*)	633,069	52.89%	-	-	515,210	34.64%	-	-
Total	**1,196,912**	**100.00%**	**4,845,472**	**100.00%**	**1,487,335**	**100.00%**	**6,383,505**	**100.00%**

(*) Includes mutual funds

Fiscal Year 2015 **Thousands of Euros**

Country	Equity Instruments	Public Fixed-Income	Private Fixed-Income	Derivatives	Bank deposits	Cash and cash equivalents
Spain	472,234	2,958,452	541,363	-	76,462	420,531
Greece	-	-	-	-	-	4,203
Portugal	-	12,996	9,383	-	-	2,177
Ireland (*)	323,574	23,543	28,589	-	-	78,814
Italy	37,257	83,653	100,939	-	46,523	(96,093)
Germany	105,306	131,454	146,339	-	25,736	80,806
France	163,266	213,353	393,503	-	473	41,703
UK	22,488	8,174	268,087	-	29,578	(11,569)
The Netherlands	28,559	63,715	576,785	-	72,277	(37,580)
Other Europe	147,772	156,960	156,792	-	190,915	85,020
USA	172,941	67,231	239,714	-	184	9,169
Other OECD	9,788	90,847	80,464	-	16,268	16,620
Rest of the world	4,150	24,282	6,887	-	5,972	15,932
Total	**1,487,335**	**3,834,660**	**2,548,845**	**-**	**464,388**	**609,733**

(*) Ireland equity instruments are mutual funds.

Fiscal Year 2014

Thousands of Euros

Country	Equity Instruments	Public Fixed-Income	Private Fixed-Income	Derivatives	Bank deposits	Cash and 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)
The Netherlands	8,587	68,851	536,493	-	33,533	20,600
Other 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, they are basically mutual funds in Luxembourg (45,342 thousand euros).

Below are the financial investments broken down by currencies, along with the other assets and liabilities held by the Group as of 31 December 2015 and 2014:

Fiscal Year 2015

Thousands of Euros

Currency	Equity Instruments	Debt securities	Derivatives	Bank deposits	Cash and cash equivalents	Other assets	Total Assets at 31/12/2015
Euro	1,107,805	6,195,865	-	372,839	493,507	3,523,037	11,693,053
GB pound	14,582	28,412	-	15,294	(29,070)	63,511	92,729
U.S. Dollar	227,821	93,385	-	52,683	7,898	245,862	627,649
Rest	137,127	65,843	-	23,572	137,398	518,614	882,554
Total	**1,487,335**	**6,383,505**	**-**	**464,388**	**609,733**	**4,351,024**	**13,295,985**

Fiscal Year 2014

Thousands of Euros

Currency	Equity Instruments	Debt securities	Derivatives	Bank deposits	Cash and cash equivalents	Other assets	Total Assets at 31/12/2014
Euro	927,086	4,666,117	20,817	558,299	431,141	3,129,064	9,732,524
GB pound	18,116	27,119	-	3,992	13,116	100,613	162,956
U.S. Dollar	152,043	85,491	-	12,332	54,311	234,497	538,674
Rest	99,667	66,745	-	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**

Fiscal Year 2015 — **Thousands of Euros**

Currency	Subordinated liabilities	Technical Provisions	Other Liabilities	Total liabilities at 31/12/2015
Euro	211,821	8,399,126	1,249,290	9,860,237
GB pound	-	69,934	15,964	85,898
U.S. Dollar	-	290,237	53,420	343,657
Rest	-	315,023	105,323	420,346
Total	**211,821**	**9,074,320**	**1,423,997**	**10,710,138**

Fiscal Year 2014 — **Thousands of Euros**

Currency	Subordinated liabilities	Technical Provisions	Other Liabilities	Total liabilities at 31/12/2014
Euro	248,141	6,607,922	1,119,184	7,975,247
GB pound	-	70,028	50,171	120,199
U.S. Dollar	-	290,828	43,225	334,053
Rest	-	266,245	128,095	394,340
Total	**248,141**	**7,235,023**	**1,340,675**	**8,823,839**

The average spot exchange rates at year-end most often used in translating these types of foreign currency balances into euros coincide with the rates published by the European Central Bank and are detailed in Note 3.g.4) to the consolidated financial statements.

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

5. Main operations and changes in the scope of consolidation

5.a) Acquisition of 51% of Plus Ultra Seguros Generales y Vida, S.A. de Seguros y Reaseguros

On 19 June 2012, Seguros Catalana Occidente, S.A. de Seguros y Reaseguros (hereinafter "SCO"), a company 100% held by the Group, and INOC, S.A., reached an agreement with the company Groupama, S.A. to acquire shares representing 100% of the share capital of Seguros Groupama, Seguros y Reaseguros, S.A.U., including its subsidiary Clickseguros, Seguros y Reaseguros, S.A., in a percentage of 49% and 51%, respectively.

Furthermore, SCO and INOC, S.A. executed, on that date, a contract for a purchase option in the amount of 27,510 thousand euros whereby the former had the right to purchase the shares of Seguros Groupama, Seguros y Reaseguros, S.A.U. 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 (European option).

As a result, the Group, through its subsidiary SCO, acquired 49% of the share capital of Seguros Groupama Seguros y Reaseguros, S.A.U. and INOC, S.A. the remaining 51%.

On 28 September 2012, the General Meeting of Shareholders of Seguros Groupama Seguros y Reaseguros, S.A.U. resolved, after the acquisition, to change its corporate name to Plus Ultra, Seguros Generales y Vida, S.A. de Seguros y Reaseguros.

Finally, on 19 June 2015, SCO acquired 51% of the shares representing the share capital of Plus Ultra, in execution of the purchase-option contract signed by both parties on 19 June 2012. The price paid by SCO was of 230,434 thousand euros and the total amount of this consideration has been disbursed in cash. Following this acquisition, the economic stake of the Group in Plus Ultra stands at 100%.

Provisional accounting of the business combination

The date of effective control takeover was 19 June 2015, at which time SCO exercised the purchase option for 51% of the shares of Plus Ultra. For accounting purposes, 30 June 2015 has been taken as the convenient date for registration. The effect of considering the aforementioned convenient date instead of the date of effective control takeover on net equity is not significant.

The Group has applied the method of acquisition by stages, identifying itself as the acquirer, and valued the identifiable assets acquired and the liabilities assumed at fair value on the date of the combination, pursuant to International Financial Reporting Standard 3.

The Group has performed a "Purchase Price Allocation" or PPA analysis to determine the fair value of the assets and liabilities of Plus Ultra at 30 June 2015. Accounting regulations establish a period of one year, during which the valuation of assets and liabilities acquired is not final. Therefore, the valuations performed are the best estimate available on the date of drafting these financial statements, these being, in any case, provisional.

The fair value at 30 June 2015 of the acquired assets and liabilities of Plus Ultra is as follows:

PPA	Thousands of Euros			
	Plus Ultra	**Eliminations**	**Revaluations**	**Fair value**
Cash and cash equivalents	34,861	-	-	34,861
Other financial assets at fair value	4,408	-	-	4,408
Available-for-sale financial assets	1,498,942	-	-	1,498,942
Loans and receivables	139,110	-	-	139,110
Reinsurer participation in technical provisions	69,077	-	-	69,077
Property, plant and equipment and investment property	51,254	-	49,261	100,515
Intangible assets	132,914	(132,914)	-	-
Shares in companies in the group and associates	5,498	-	-	5,498
Other assets	117,978	-	-	117,978
Total Assets	**2,054,042**	**(132,914)**	**49,261**	**1,970,389**
Trade and other payables	94,668	-	-	94,668
Technical Provisions	1,379,453	-	-	1,379,453
Other Liabilities	137,897	-	-	137,897
Total Liabilities	**1,612,018**	**-**	**-**	**1,612,018**
Plus Ultra Brand	-	-	13,650	13,650
Policies in portfolio	-	-	10,179	10,179
Policies in portfolio - Bancaja	-	-	10,594	10,594
Distribution network	-	-	16,140	16,140
Unrecorded intangible assets	**-**	**-**	**50,563**	**50,563**
Deferred tax	**-**	**-**	(24,956)	(24,956)
Value of revalued net assets	**442,024**	**(132,914)**	**74,868**	**383,978**
Amount of the consideration	**-**	**-**	**-**	**502,164**
Goodwill				**118,186**

The amount of the consideration stands at 502,164 thousand euros, which corresponds to the fair value of Plus Ultra on the date of the business combination.

Intangible assets recorded as a consequence of the business combination with Plus Ultra basically correspond to the brand, the distribution network and the policy portfolio. The amount of these intangible assets has been quantified at 50,563 thousand euros, with the distribution network and the policy portfolio being amortised linearly according to the useful life assigned. Likewise, capital gains from property have been recognised in an amount of 49,261 thousand euros, which will be amortised according to the useful life of each property.

In the FY of the PPA, the following intangible assets of the acquired entity were valued, complying with the requirements established in IFRS 3 and IAS 38:

- Brand: due to the investment made by the company over the last few years, the Plus Ultra brand has increased in notoriety. The procedure used for the valuation of the brand has been based on the Royalty Relief method, with a Royalty rate of 0.2% applied on projected turnover.

- Policies in portfolio: policies attributable to the old contract with Bancaja, as well as the rest of the policies in portfolio of the life and non-life businesses, have been valued. The procedure used for the valuation of policies in portfolio was based on the Multi-Period Excess Earnings (MEEM) method.

- Distribution network: the network as a whole, made up of mediators (agents and brokers), the institution channel (bancaseguros, international brokers and large distributors) and other channels (mainly the Internet), has been valued. The Multi-Period Excess Earnings (MEEM) method was also used for its valuation.

- Capital gains from property: these have been valued based on the fair value of these assets according to the latest valuations available made by independent experts.

Expenses incurred in the transaction stand at 5 thousand euros and have been recorded in the consolidated profit and loss account.

The operation has generated goodwill of 118,186 thousand euros (see Note 9.a)).

5.b) Cross-border merger between Atradius Credit Insurance N.V. and Compañía Española de Seguros y Reaseguros de Crédito y Caución, S.A.U.

On 2 February 2016, Atradius Insurance Holding, N.V., a company in which the Group holds a stake and Sole Shareholder of Atradius Credit Insurance N.V. and Compañía Española de Seguros y Reaseguros de Crédito y Caución, S.A.U., approved a cross-border merger whereby Compañía Española de Seguros y Reaseguros de Crédito y Caución, S.A.U. will absorb Atradius Credit Insurance N.V. for the purposes of complying with the Merger Project signed by both subsidiaries on 25 September 2015 through their respective Boards of Directors. On the date of drafting these consolidated annual accounts, the operation is pending completion of the suspensive conditions relating to obtaining the corresponding approvals by regulators, without the corporate operation, being an intra-group operation, entailing, in itself, a significant impact on the consolidated financial statements or the business model being affected.

5.c) Acquisition of 99.88% of Aseq Vida y Accidentes, S.A. de Seguros y Reaseguros

On 12 November 2014, SCO subscribed the purchase of 859,687 shares (of a total of 924,392), which represent 93% of the share capital of Aseq Vida y Accidentes, S.A. de Seguros y Reaseguros (hereinafter “Aseq”), an entity that extends its scope of insurance operations to the branches of life and accident insurance.

On 20 February 2015, SCO sent the sellers a notice showing the non-opposition of the DGSFP to the sale of the shares and, later, on 30 March 2015, SCO acquired the subscribed shares, establishing the price of the sale at 24,609 thousand euros.

The Group has applied the method of acquisition under IFRS 3, identifying itself as the acquirer, and valued the identifiable assets acquired and the liabilities assumed at fair value on 30 March 2015, the date of the business combination.

As a consequence of this, capital gains from property in an amount of 2,127 thousand euros have been identified, calculated based on the latest valuations available made by independent experts.

The operation has generated goodwill of 4,518 thousand euros (see Note 9.a) at 31 December 2015, after the update of property valuations.

On 31 December 2015, the remaining 7% of the stake in Aseq is made up of 6.88% of treasury stock (63,644 shares) and 0.12% corresponding to minority shareholders (1,061 shares).

On December 1, 2015, the Sole Administrator of Aseq submitted the Project for the Global Transfer of assets and liabilities before the Register of Commerce of Barcelona, whereby Aseq will proceed to transfer all its equity, through a universal succession, to SCO. Since both the Transferor and the Transferee are insurance entities, the projected global transfer will be subject, suspensively, to obtaining the required authorisation from the Minister of the Economy and Competitiveness, pursuant to the provisions of article 90 of Law 20/2015, of 14 July, on the Organisation, Supervision and Solvency of Insurance and Reinsurance Entities, and other related legislation.

On the date of drafting these annual accounts, approval from the DGSFP is pending.

5.d) Merger through the absorption of Cosalud, S.A. de Seguros and Catoc Vida, S.A. de Seguros

On 21 May 2015, the merger through the absorption of Cosalud, S.A. de Seguros, Sociedad Unipersonal and Catoc Vida, S.A. de Seguros, Sociedad Unipersonal by SCO, a company held at 100% by the Group, was agreed, it being subject to the suspensive condition of obtaining the corresponding authorisation of the Directorate General of Insurance and Pension Funds.

This merger has been authorised by the Ministry of the Economy and Competitiveness through a Ministerial Order dated 18 September 2015, fulfilling the suspensive condition to which the merger was subject.

The corporate operation has no impact on the consolidated financial statements, it being an intra-group operation.

6. Financial assets

The breakdown of financial assets at 31 December 2015, without taking into account the shares in entities valued by equity accounting, is as follows (in Thousands of Euros):

	Thousands of Euros				
Investments classified by category of financial assets and nature	**Financial assets held for trading (HFT)**	**Other financial assets at fair value through profit or loss (FVPL)**	**Available-for-sale financial assets (AFS)**	**Loans and receivables (LR)**	**Total on 31/12/2015**
FINANCIAL INVESTMENTS:	**-**	**297,099**	**8,035,504**	**442,912**	**8,775,515**
Equity Instruments					
- Financial investments in capital	-	-	978,483	-	978,483
- Stakes in mutual funds	-	57	508,795	-	508,852
Debt securities	-	-	6,383,505	-	6,383,505
Derivatives	-	-	-	-	-
Hybrid instruments	-	-	-	-	-
Investments on behalf of policyholders who assume the risk	-	297,042	-	18,633	315,675
Loans	-	-	121	87,861	87,982
Other financial assets without published prices	-	-	-	5,287	5,287
Deposits with credit institutions	-	-	164,600	299,788	464,388
Deposits made for reinsurance Accepted	-	-	-	31,343	31,343
RECEIVABLES:	**-**	**-**	**-**	**796,729**	**796,729**
Credits for direct insurance and coinsurance transactions	**-**	**-**	**-**	349,589	349,589
Credits for reinsurance operations	-	-	-	65,770	65,770
Other credits	-	-	-	381,370	381,370
Net total	**-**	**297,099**	**8,035,504**	**1,239,641**	**9,572,244**

The same information reported at year-end, 31 December 2014 is as follows (in thousands of euros):

Investments classified by category of financial assets and nature	Financial assets held for trading (HFT)	Other financial assets at fair value through profit or loss (FVPL)	Available-for-sale financial assets (AFS)	Loans and receivables (LR)	Total on 31/12/2014
	Thousands of Euros				
FINANCIAL INVESTMENTS:	**20,817**	**280,013**	**6,236,993**	**537,251**	**7,075,074**
Equity Instruments					
- Financial investments in capital	-	-	574,835	-	574,835
- Stakes in mutual funds	-	-	622,077	-	622,077
Debt securities	-	-	4,845,472	-	4,845,472
Derivatives	20,817	-	-	-	20,817
Hybrid instruments	-	-	-	-	-
Investments on behalf of policyholders who assume the risk	-	280,013	-	14,774	294,787
Loans	-	-	3,777	82,168	85,945
Other financial assets without published prices	-	-	-	4,421	4,421
Deposits with credit institutions	-	-	190,832	403,100	593,932
Deposits made for reinsurance Accepted	-	-	-	32,788	32,788
RECEIVABLES:	**-**	**-**	**-**	**663,568**	**663,568**
Credits for direct insurance and coinsurance transactions	-	-	-	238,869	238,869
Credits for reinsurance operations	-	-	-	57,187	57,187
Other credits	-	-	-	367,512	367,512
Net total	**20,817**	**280,013**	**6,236,993**	**1,200,819**	**7,738,642**

6.a) Investments

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

Financial assets at fair value through profit and loss account

	Thousands of Euros				
	Financial assets held for trading (HFT)		Other financial assets at fair value with changes in PL (FVPL)		
	Derivatives	Total HFT	Equity Instruments	Investments held for the benefit of policyholders who bear the investment risk (1)	Total FVPL
Net accounting balance at 1 January 2014	21,281	21,281	-	259,701	259,701
Purchases	-	-	-	56,893	56,893
Sales and amortisation	-	-	-	(43,507)	(43,507)
Reclassifications and transfers	-	-	-	-	-
Variation of implicit interest	-	-	-	(360)	(360)
Effect of revaluation adjustments against profits	(464)	(464)	-	7,286	7,286
Effect of changes in exchange rates	-	-	-	-	-
Changes in impairment losses	-	-	-	-	-
Net accounting balance at 31 December 2014	20,817	20,817	-	280,013	280,013
Incorporations to the scope - business combinations	-	**-**	49	4,359	**4,408**
Purchases	-	**-**	8	63,172	**63,180**
Sales and amortisation	(25,669)	**(25,669)**	-	(48,224)	**(48,224)**
Reclassifications and transfers	-	**-**	-	-	**-**
Variation of implicit interest	-	**-**	-	(903)	**(903)**
Effect of revaluation adjustments against profits	4,852	**4,852**	-	(1,375)	**(1,375)**
Effect of changes in exchange rates	-	**-**	-	-	**-**
Changes in impairment losses	-	**-**	-	-	-
Net accounting balance at 31 December 2015	**-**	**-**	**57**	**297,042**	**297,099**

(1) At 31 December 2015 the unrealised gains and losses on investments held on behalf of policyholders who bear the investment risk amounted to EUR 15,538 and EUR (22,450) thousand, EUR 9,188 and EUR (5,545) thousand at 31 December 2014, respectively.

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

Available-for-sale financial assets

	Thousands of Euros					
	Available-for-sale financial assets (AFS)					Total
	Financial investments in capital	Stakes in mutual funds	Fixed-income securities	No-mortgage loans and prepayments on policies	Deposits with credit institutions	
Net accounting balance at 1 January 2014	**401,713**	**747,277**	**3,972,909**	**250**	**193,624**	**5,315,773**
Incorporations to the scope - business combinations	6,030	1,568	1,354	-	-	**8,952**
Purchases	189,196	186,057	1,146,829	3,412	1,206	**1,526,700**
Sales and amortisation	(46,692)	(333,312)	(602,555)	(75)	(2,348)	**(984,982)**
Reclassifications and transfers	-	-	-	-	-	**-**
Revaluation adjustments	20,533	22,143	362,816	-	(1,684)	**403,808**
Variation of implicit interest	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 accounting balance at 31 December 2014	**574,835**	**622,077**	**4,845,472**	**3,777**	**190,832**	**6,236,993**
Incorporations to the scope - business combinations	195,307	16,084	1,246,107	-	10,080	1,467,578
Purchases	267,054	228,846	1,051,759	500	4,554	1,552,713
Sales and amortisation	(84,405)	(371,819)	(670,033)	(3,966)	(6,294)	(1,136,517)
Reclassifications and transfers	-	-	-	-	-	-
Revaluation adjustments	29,512	15,434	(70,804)	-	(34,895)	(60,753)
Variation of implicit interest	-	-	(25,633)	(190)	323	(25,500)
Effect of changes in exchange rates	-	(1,801)	7,574	-	-	5,773
Changes in impairment losses	(3,820)	(26)	(937)	-	-	(4,783)
Net accounting balance at 31 December 2015	**978,483**	**508,795**	**6,383,505**	**121**	**164,600**	**8,035,504**

Most of the revaluations credited to reserves, net of the related tax effect and of the allocation to minority interests, arose from financial instruments that are quoted on organised markets or for which a sufficiently reliable market valuation is available.

During 2015, the Group derecognised from equity EUR 46,867 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 2014 for the same concept, net gains of 14,063 thousand euros were recognised in the profit and loss account.

Loans and receivables

	Loans and receivables (LR)						Thousands of Euros
	No-mortgage loans and prepayments on policies	Investments held for the benefit of policyholders who bear the investment risk	Mortgage loans	Other financial assets without published price quotations	Deposits with credit institutions	Deposits made for accepted reinsurance	Total
Net accounting balance at 1 January 2014	**25,528**	**21,404**	**46,697**	**4,225**	**406,852**	**39,733**	**544,439**
Purchases	19,870	263,160	11,907	363	486,516	24,186	806,002
Sales and amortisation	(17,114)	(269,790)	(4,569)	(167)	(491,855)	(31,276)	(814,771)
Reclassifications and transfers	-	-	-	-	-	-	-
Variation of implicit interest	-	-	-	-	(351)	-	(351)
Effect of changes in exchange rates	-	-	-	-	1,938	145	2,083
Changes in impairment losses	-	-	(151)	-	-	-	(151)
Net accounting balance at 31 December 2014	**28,284**	**14,774**	**53,884**	**4,421**	**403,100**	**32,788**	**537,251**
Incorporations to the scope - business combinations	2,655	-	-	1,066	9,116	938	13,775
Purchases	18,619	325,435	10,841	194	242,023	26,824	623,936
Sales and amortisation	(18,475)	(321,576)	(7,770)	(394)	(355,524)	(28,640)	(732,379)
Reclassifications and transfers	-	-	-	-	-	-	-
Variation of implicit interest	-	-	7	-	(55)	-	(48)
Effect of changes in exchange rates	-	-	-	-	1,128	(567)	561
Changes in impairment losses	-	-	(184)	-	-	-	(184)
Net accounting balance at 31 December 2015	**31,083**	**18,633**	**56,778**	**5,287**	**299,788**	**31,343**	**442,912**

As of 31 December 2015 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 31 December 2015 and 2014, is as follows:

	Thousands of Euros	
	Available-for-sale financial assets (AFS)	
	31/12/2014	31/12/2015
Quoted shares of companies	551,483	950,274
Non-quoted shares of companies	23,352	28,209
Total	**574,835**	**978,483**

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 2015 amounted to EUR 22,081 thousand (EUR 28,998 thousand in 2014).

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 (AFS)	
	31/12/2014	31/12/2015
Fixed-Income	60,977	12,736
Variable Income	352,138	325,770
Money market	202,443	163,768
Other investment funds	6,519	6,521
Total	**622,077**	**508,795**

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. and the equity interest held by Bilbao Compañía Anónima de Seguros y Reaseguros, S.A. in each of these funds at 31 December 2015 and 2014 (not including participation for investments by insurance policyholders). (See note 6.a.4).

	31/12/2014			31/12/2015		
	Assets managed by GCO Gestión de Activos S.A., S.G.I.I.C. at 31/12/2014 (Thousands of Euros)	Bilbao Compañía Anónima de Seguros y Reaseguros, S.A.		Assets managed by GCO Gestión de Activos S.A., S.G.I.I.C. at 31/12/2015 (Thousands of Euros)	Bilbao Compañía Anónima de Seguros y Reaseguros, S.A.	
		Percentage stake (%)	Assets (Thousand of Euros)		Percentage stake (%)	Assets (Thousand of Euros)
Fonbilbao Mixto, FI	6,093	-	-	6,040	-	-
Fonbilbao Acciones, FI	180,809	65%	117,247	176,095	66%	115,355
Fonbilbao Eurobolsa, FI	29,306	46%	13,467	28,432	49%	13,835
Fonbilbao Renta Fija, FI	8,055	-	-	7,434	-	-
Fonbilbao Global 50, FI	10,346	63%	6,554	7,119	44%	3,118
Fonbilbao Internacional FI	46,712	55%	25,484	23,142	49%	11,403
Fonbilbao Corto Plazo, FI	7,607	38%	2,920	9,148	32%	2,936
Total	**288,928**		**165,672**	**257,410**		**146,647**

6.a.3) Fixed-income securities

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

	Thousands of Euros	
	31/12/2014	31/12/2015
	AFS	AFS
Public Debt, obligations and government bonds	2,907,645	3,834,660
Issued by financial entities and other private entities	1,937,827	2,548,845
Total	**4,845,472**	**6,383,505**

The yield of the portfolio at 31 December 2015 was 3.33% (3.51% at 31 December 2014), with an estimated average maturity of approximately 4.72 years (4.99 years at December, 31 2014)

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 2015 this income amounted to EUR 212,547 thousand (EUR 174,212 thousand in 2014).

The maturities of the securities included under this sub-heading, classified by the portfolio to which they were assigned at 31 December 2015 and 2014 and taking their fair value into account, are as follows:

Residual maturity	Thousands of Euros	
	31/12/2014	**31/12/2015**
	AFS	**AFS**
Less than 1 year	328,623	645,213
1 to 3 years	1,450,690	1,778,879
3 to 5 years	758,820	1,289,466
5 to 10 years	1,083,963	1,489,271
10 to 15 years	1,004,336	837,941
15 to 20 years	108,933	172,673
20 to 25 years	48,007	70,868
more than 25 years	62,100	99,194
Total	**4,845,472**	**6,383,505**

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

The breakdown by nature of the investment at 31 December 2015 and 2014 is as follows (in thousands of euros):

	31/12/2014		31/12/2015	
	Total FVPL	**LR**	**Total FVPL**	**LR**
Variable Income	95,855	-	103,591	-
Stakes in mutual funds	75,038	-	76,140	-
Fixed-Income	108,288	-	117,311	-
Other financial assets without published price quotations				
- Long-term deposits with credit institutions	832	-	-	-
- Treasury bills	-	-	-	-
Other affected balances				
- Banks (current accounts and short-term deposits)	-	14,635	-	18,453
- Other debts for management commissions	-	-	-	-
- Others	-	139	-	180
Total	**280,013**	**14,774**	**297,042**	**18,633**

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			
	31/12/2014		31/12/2015	
Residual maturity	**Fixed-Income**	**Financial assets without published price quotations and other affected balances**	**Fixed-Income**	**Financial assets without published price quotations and other affected balances**
Less than 1 year	17,142	15,467	26,956	18,633
1 to 3 years	50,261	-	47,113	-
3 to 5 years	28,021	-	32,844	-
5 to 10 years	12,864	-	10,398	-
more than 10 years	-	-	-	-
Other investments without maturity	-	139	-	-
Total	**108,288**	**15,606**	**117,311**	**18,633**

The mathematical provisions at 31 December 2015 and 2014, of insurance contracts where the investment risk is borne by policyholders are as follows:

Investment of policyholders	**Thousands of Euros**	
	Mathematical Provision	
	31/12/2014	**31/12/2015**
Fund Equity	112,735	126,482
Universal Inversión + Multiahorro Variable	63,547	60,846
Universal Pias Variable	33,075	37,275
Universal Inversión Futura	10,392	15,174
Unit Link Seguros Bilbao	75,038	71,916
Unit Link Plus Ultra	-	3,982
Total	**294,787**	**315,675**

At 31 December 2015 and 2014 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**	
		31/12/2014	**31/12/2015**
FI	FONBILBAO Corto Plazo	1,804	1,814
FI	FONBILBAO Mixto	3,470	3,526
FI	FONBILBAO Acciones	51,350	49,237
FI	FONBILBAO Eurobolsa	7,924	7,869
FI	FONBILBAO Renta Fija	3,731	3,188
FI	FONBILBAO Global 50	3,613	3,405
FI	FONBILBAO Internacional	3,146	3,119
		75,038	**72,158**

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

The detail of the balances constituting this sub-heading at 31 December 2015 and 2014 is as follows:

	Thousands of Euros			
	31/12/2014		31/12/2015	
	AFS	LR	AFS	LR
No-mortgage loans and prepayments on policies				
· Loans to policyholders – financed premiums	-	-	-	-
· Prepayments on policies	-	22,610	-	25,447
· Loans to agencies	-	5,675	-	5,440
· Other loans	3,777	-	121	196
Mortgage loans	-	53,883	-	56,778
Other financial assets without published price quotations	-	4,421	-	5,287
Total	**3,777**	**86,589**	**121**	**93,148**

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

	Thousands of Euros			
	31/12/2014		31/12/2015	
Year of maturity	AFS	LR	AFS	LR
Past due and up to three months	-	1,249	-	2,133
Between three months and one year	3,636	1,574	-	1,590
Between one year and five years	20	9,642	13	10,806
More than five years	121	41,418	108	42,249
Total	**3,777**	**53,883**	**121**	**56,778**

One group of mortgage loans ("reverse mortgages"), is totalling EUR 27,981 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 0.16% and 3.31% (between 0.44% and 4.04% in 2014). 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:

	Thousands of Euros					
Residual maturity	31/12/2014			31/12/2015		
	AFS	LR	Total	AFS	LR	Total
3 months to 1 year	909	402,100	403,009	(15,907)	265,788	249,881
1 to 3 years	(6,709)	1,000	(5,709)	(41,162)	34,000	(7,162)
3 to 5 years	(9,566)	-	(9,566)	39,149	-	39,149
5 to 10 years	3,887	-	3,887	485	-	485
10 to 15 years	31,046	-	31,046	29,507	-	29,507
15 to 20 years	(4,854)	-	(4,854)	(4,429)	-	(4,429)
20 to 25 years	-	-	-	(15,723)	-	(15,723)
more than 25 years	176,119	-	176,119	172,680	-	172,680
	190,832	**403,100**	**593,932**	**164,600**	**299,788**	**464,388**

6.a.7) Impairment losses

During 2015 impairment losses for value impairment stood at 4,967 thousand euros (3,400 thousand euros in 2014).

6.b) Receivables

A breakdown of the receivables from insurance, reinsurance and coinsurance contracts at 31 December 2015 and 2014, together with other receivables, is given below:

	Thousands of Euros	
	LR	
	31/12/2014	31/12/2015
Credits for direct insurance transactions		
- Policyholders - outstanding bills:		
Direct business and coinsurance	168,841	242,745
Credits for bills pending issuance	62,960	90,767
(Provision for premiums pending collection)	(20,410)	(24,002)
- Mediators:		
Pending balances with mediators	28,916	42,552
(Provision for impairment of balance with mediators)	(1,438)	(2,473)
Credits for reinsurance operations:		
Outstanding balance with reinsurers	57,616	66,497
(Provision for impairment of balance with reinsurers)	(428)	(727)
Other credits:		
Credits with the Public Administrations	712	4,341
Other credits	371,442	382,240
(Provision for impairment of other credits)	(4,643)	(5,211)
Total	**663,568**	**796,729**

As of 31 December 2015 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 2015 and 2014 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.

(Figures in Thousands of Euros)	Provision for pending premiums	Provision for impairment of balance with mediators	Provision for impairment of balance with reinsurers	Provision for impairment of other credits
Balances at 1 January 2014	25,296	1,458	420	5,682
Provisions charged to earnings	-	-	8	-
Applications credits to earnings	(4,886)	(20)	-	(1,039)
Balances at 31 December 2014	20,410	1,438	428	4,643
Incorporations to the scope	5,375	925	251	900
Provisions charged to earnings	-	110	48	-
Applications credits to earnings	(1,783)	-	-	(332)
Balances at 31 December 2015	**24,002**	**2,473**	**727**	**5,211**

A breakdown of Other receivables in the consolidated balance sheet at 31 December 2015 and 2014 is given below:

	Thousands of Euros	
Other credits:	**31/12/2014**	**31/12/2015**
Credits with the Public Administrations	**712**	**4,341**
Other credits	**371,442**	**382,240**
Pending and estimated recoveries (Note 3.b)	293,680	325,405
Debtors of car agreements (Note 3.j)	5,704	6,153
Balances of agents of dubious collection and other dubious balances	632	1,546
Commissions receivable Credit Insurance information services	32,912	29,098
Personnel	489	2,101
Payments and advances of claims	-	42
Lease debtors	682	1,446
Misc. debtors	37,343	16,449
Provision for impairment of other credits	**(4,643)**	**(5,211)**
Total	**367,511**	**381,370**

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

The composition and movements during 2015 of those investments in the capital of companies over which the Group exercises significant influence is as follows:

Company	Thousands of Euros					
	Balance 31/12/2014	Variations in the scope of consolidation	Increases for non-distributed earnings for the year	Other variations by valuation	Impairment losses	Balance 31/12/2015
Plus Ultra Seguros Generales y Vida, S.A. de Seguros y Reaseguros	262,198	(265,033)	2,835	-	-	-
Asitur Asistencia, S.A.	3,494	362	541	(189)	-	4,208
Calboquer, S.L.	32	-	(5)	-	-	27
Gesiuris, S.A. S.G.I.I.C. (1)	3,133	-	190	(50)	-	3,273
Graydon Holding NV (4)	60,732	-	(1,725)	-	(11,800)	47,207
CLAL Credit Insurance Ltd. (2)(4)	9,396	-	991	595	-	10,982
Compañía de Seguros de Crédito Continental S.A. (3)(4)	29,280	-	1,523	(2,359)	-	28,444
The Lebanese Credit Insurer S.A.L. (4)	2,628	-	(599)	154	-	2,183
Al Mulla Atradius Consultancy & Brokerage L.L.C.	-	-	508	(508)	-	-
Inversiones Credere, S.A. (4)	2,575	-	85	29	-	2,689
TOTAL	**373,468**	**(264,671)**	**4,344**	**(2,328)**	**(11,800)**	**99,013**

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

These investments are accounted for using the equity method, using the best estimate available at the time of preparing the financial statements. Appendix II details the data on total assets, capital, reserves, profit or loss, dividends from this financial profit and the year's earned premiums net of reinsurance or otherwise standard earned revenues.

As noted in Note 3.e.4, the Group carried out the value impairment test of the companies included in the section "Investment in entities accounted for using the equity method", considering the future business projections of the company and financial market parameters. At 31 December 2015, invoking the test result, the Group proceeded to record an impairment of 11,800 thousand euros in the value of its stake in Graydon Holding N.V.

The discount rates used in the impairment test at 31 December 2015 for updating the projected cash flows arising from the projection of income and expenses, was of 7.12%, with the expected forecast growth rate being 0.5%.

2014 movements are shown below:

Company	Thousands of Euros					
	Balance 31/12/2013	Variations in the scope of consolidation	Increases for non-distributed earnings for the year	Other variations by valuation	Impairment losses	Balance 31/12/2014
Plus Ultra Seguros Generales y Vida, S.A. de Seguros y Reaseguros (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 (6)	72,363	-	(1,625)	(6)	(10,000)	60,732
CLAL Credit Insurance Ltd. (4)(6)	8,238	-	983	175	-	9,396
Compañía de Seguros de Crédito Continental S.A. (5)(6)	26,090	(2,518)	5,651	57	-	29,280
The Lebanese Credit Insurer S.A.L. (6)	2,706	-	(314)	236	-	2,628
Inversiones Credere, S.A. (6)	-	2,518	1	56	-	2,575
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.

8. Property, plant and equipment and investment property

8.a) Property, Plant and Equipment

The breakdown by type of items that make up the balance of this segment and sub-segment of the condensed consolidated income statement, on 31 December 2015 is as follows (in thousands of euros):

	Properties for own use	Furniture and facilities	Transport equipment	Data-processing hardware	Improvements to owned property	Other property, plant and equipment	Total
Cost at 1 January 2015	**240,630**	**98,854**	**2,017**	**71,028**	**52,712**	**983**	**466,224**
Accumulated Amortisation at 1 January 2015	**(60,978)**	**(77,289)**	**(1,027)**	**(57,304)**	**(31,248)**	**(637)**	**(228,483)**
Impairment losses	**(6,750)**	**-**	**-**	**-**	**-**	**-**	**(6,750)**
Net Accounting Balance at 1 January 2015	**172,902**	**21,565**	**990**	**13,724**	**21,464**	**346**	**230,991**
Incorporations to the scope - business combinations	85,187	14,237	295	-	-	-	99,719
Investments or Additions	610	5,954	1,529	13,666	4,305	-	26,064
Advances in progress	-	-	-	-	-	-	-
Reclassifications and transfers (Note 8.b)	(43,657)	(508)	-	-	508	-	(43,657)
Sales and Withdrawals	-	(6,458)	(673)	(9,168)	(1,245)	-	(17,544)
Effect of changes in exchange rates	(101)	730	-	1,355	-	-	1,984
Incorporations to the scope - business combinations	(11,093)	(9,147)	(43)	-	-	-	(20,283)
Amortisation in the year	(4,022)	(7,743)	(480)	(12,223)	(3,486)	(131)	(28,085)
Reclassifications and Transfers of Amortisation (Note 8.b)	10,021	142	-	-	(142)	-	10,021
Withdrawals from Amortisation	-	6,124	543	9,020	1,030	-	16,717
Effect of changes in exchange rates	8	(624)	-	(891)	-	-	(1,507)
Impairment losses	(17)	-	-	-	-	-	(17)
Net Accounting Balance at 31 December 2015	**209,838**	**24,272**	**2,161**	**15,483**	**22,434**	**215**	**274,403**

Detailed Net Accounting Balance at 31 December 2015 (in thousands of euros):

	Properties for own use	Furniture and facilities	Transport equipment	Data-processing hardware	Improvements to owned property	Other property, plant and equipment	Total
Cost at 31 December 2015	**282,669**	**112,809**	**3,168**	**76,881**	**56,280**	**983**	**532,790**
Accumulated Amortisation at 31 December 2015	**(66,064)**	**(88,537)**	**(1,007)**	**(61,398)**	**(33,846)**	**(768)**	**(251,620)**
Impairment losses	**(6,767)**	**-**	**-**	**-**	**-**	**-**	**(6,767)**

The movement and detail for the year 2014 are as follows (in thousands of euros):

	Properties for own use	Furniture and facilities	Transport equipment	Data-processing hardware	Improvements to owned property	Other property, plant and equipment	Total
Cost at 1 January 2014	**241,386**	**98,600**	**2,028**	**69,152**	**51,484**	**1,033**	**463,683**
Accumulated Amortisation at 1 January 2014	**(57,659)**	**(74,701)**	**(930)**	**(55,568)**	**(30,139)**	**(491)**	**(219,488)**
Impairment losses	**(6,887)**	**-**	**-**	**-**	**-**	**-**	**(6,887)**
Net Accounting Balance at 1 January 2014	**176,840**	**23,899**	**1,098**	**13,584**	**21,345**	**542**	**237,308**
Incorporations to the scope - business combinations	-	-	-	-	-	-	-
Investments or Additions	643	3,524	355	6,706	4,515	13	15,756
Advances in progress	-	-	-	-	-	-	-
Reclassifications and transfers (Note 8.b)	(1,379)	-	-	-	-	-	(1,379)
Sales and Withdrawals	-	(4,047)	(366)	(6,285)	(3,287)	(63)	(14,048)
Effect of changes in exchange rates	(20)	777	-	1,455	-	-	2,212
Incorporations to the scope - business combinations	9	-	-	-	-	-	9
Amortisation in the year	(3,847)	(5,710)	(299)	(6,704)	(3,546)	(124)	(20,230)
Reclassifications and Transfers of Amortisation (Note 8.b)	514	-	-	-	-	-	514
Withdrawals from Amortisation	-	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 Accounting Balance at 31 December 2014	**172,902**	**21,565**	**990**	**13,724**	**21,464**	**346**	**230,991**

At 31 December 2015 and 2014, 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 2015 all the Group's tangible assets were used directly in operations.

There were no significant impairment losses on property, plant and equipment during the year.

The net value of own-use properties located abroad was EUR 22,014 thousand at 31 December 2015 (EUR 22,324 thousand at 31 December 2014).

During 2015 the Company has not obtained profits from the sale of own-use properties.

The market value at 31 December 2015 of the Group's own-use properties was as follows (in thousands of euros):

	Market value at 31/12/2015			
	Segment Non-Life	Life Segment	Other Activities Segment	Total
Properties for own use	246,151	86,450	20,104	**352,705**

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 205,715, EUR 86,307 and EUR 19,595 thousand, respectively.

The gains associated with the property for own use amounted to EUR 142,867 thousand in the year 2015 (EUR 138,715 thousand in the year 2014).

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 31 December 2015 is as follows (in thousands of euros):

	Investment property for third-party-use
Cost at 1 January 2015	**302,290**
Accumulated Amortisation at 1 January 2015	**(78,135)**
Impairment losses	**(809)**
Net Accounting Balance at 1 January 2015	**223,346**
Incorporations to the scope - business combinations	28,486
Investments or Additions	3,921
Advances in progress	-
Reclassifications and transfers (Note 8.a)	43,657
Sales and Withdrawals	(614)
Effect of changes in exchange rates	(34)
Incorporations to the scope - business combinations	(4,023)
Amortisation in the year	(5,701)
Reclassifications and Transfers of Amortisation (Note 8.b)	(10,021)
Withdrawals from Amortisation	94
Effect of changes in exchange rates	3
Impairment losses	(413)
Net Accounting Balance at 31 December 2015	**278,701**

Detailed Net Accounting Balance at 31 December 2015 (in thousands of euros):	
	Investment property for third-party-use
Cost at 31 December 2015	**377,706**
Accumulated Amortisation at 31 December 2015	**(97,783)**
Impairment losses	**(1,222)**

Likewise, the heading and the detail for 2014 are as follows (in thousands of euros):

	Investment property for third-party-use
Cost at 1 January 2014	**299,445**
Accumulated Amortisation at 1 January 2014	**(72,470)**
Impairment losses	**(435)**
Net Accounting Balance at 1 January 2014	**226,540**
Investments or Additions	1,565
Advances in progress	-
Reclassifications and transfers (Note 8.a)	1,379
Sales and Withdrawals	(103)
Effect of changes in exchange rates	4
Amortisation in the year	(5,186)
Reclassifications and Transfers of Amortisation (Note 8.b)	(514)
Withdrawals from Amortisation	35
Effect of changes in exchange rates	-
Impairment losses	(374)
Net Accounting Balance at 31 December 2014	**223,346**

During 2015 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 2015 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 2015, profits were obtained from property investment amounting to 783 thousand euros.

The market value of the Group's investment property at 31 December 2015 was as follows (in thousands of euros):

	Market value at 31/12/2015			
	Non-Life Segment	Life Segment	Other Activities Segment	Total
Investment property for third-party-use	308,098	257,228	35,294	**600,620**

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 267,364 thousand EUR 260,997 thousand and EUR 38,756 thousand, respectively.

The unrealised capital gains associated with property investments amounted to EUR 321,919 thousand in the year 2015 (EUR 343,771 thousand in the year 2014).

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 2015 are listed below:

Thousands of Euros	Transferred in Operating Leases		Investment Property	
	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2015
Income from leases	20,987	23,402	-	-
Direct operating costs	8,596	9,071	280	540

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

Revenues from future operating leases	Thousands of Euros	
	31/12/2014	31/12/2015
Less than 1 year	21,589	23,188
More than one but less than five years	55,844	62,971
More than five years	58,205	61,547
Total	**135,638**	**147,706**

The Group has not taken into account revenue from contingent charges for the years 2014 and 2015.

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 2015 and 2014 was as follows:

	Thousands of Euros								
			Other intangible assets						
	Goodwill	Policy portfolio acquisition expenses	Internally generated computer software	Acquired computer software	Brand	Distribution network	Policies in portfolio	Other intangible assets not generated internally	Total other intangible assets
Cost at 1 January 2014	581,420	10,678	93,025	106,115	-	-	-	508	199,648
Accumulated Amortisation at 1 January 2014	-	(5,415)	(55,737)	(80,900)	-	-	-	(108)	(136,745)
Impairment losses at 1 January 2014	-	-	(3,615)	-	-	-	-	-	(3,615)
Net Accounting Balance at 1 January 2014	581,420	5,263	33,673	25,215	-	-	-	400	59,288
Incorporations to the scope - business combinations	200	-	-	-	-	-	-	-	-
Additions	-	-	14,590	11,990	-	-	-	-	26,580
Withdrawals	-	-	-	(2,832)	-	-	-	-	(2,832)
Effect of changes in exchange rates	(35)	128	2,361	1,235	-	-	-	-	3,596
Amortisation in the year	-	(15)	(4,802)	(12,657)	-	-	-	(36)	(17,495)
Withdrawals from Amortisation	-	-	-	2,618	-	-	-	-	2,618
Effect of changes in exchange rates	-	(95)	(1,561)	(1,000)	-	-	-	-	(2,561)
Impairment losses	-	-	(10,464)	-	-	-	-	-	(10,464)
Cost at 31 December 2014	581,585	10,806	109,976	116,508	-	-	-	508	226,992
Accumulated Amortisation at 31 December 2014	-	(5,525)	(62,100)	(91,939)	-	-	-	(144)	(154,183)
Impairment losses at 31 December 2014	-	-	(14,079)	-	-	-	-	-	(14,079)
Net Accounting Balance at 31 December 2014	581,585	5,281	33,797	24,569	-	-	-	364	58,730
Incorporations to the scope - business combinations	122,704	-	-	1,682	13,650	16,140	20,773	-	52,245
Additions	-	-	15,728	21,384	-	-	-	-	37,112
Withdrawals	-	-	-	(21,631)	-	-	-	(84)	(21,715)
Effect of changes in exchange rates	-	123	2,306	1,198	-	-	-	-	3,504
Incorporations to the scope - business combinations	-	-	-	(1,682)	-	-	-		(1,682)
Amortisation in the year	-	(53)	(7,460)	(16,684)	-	(404)	(2,347)	(36)	(26,931)
Withdrawals from Amortisation	-	-	-	20,703	-	-	-	84	20,787
Effect of changes in exchange rates	-	(104)	(1,438)	(1,010)	-	-	-	-	(2,448)
Impairment losses	-	-	(2,778)	-	-	-	-	-	(2,778)
Cost at 31 December 2015	**704,289**	**10,929**	**128,010**	**119,141**	**13,650**	**16,140**	**20,773**	**424**	**298,138**
Accumulated Amortisation at 31 December 2015	**-**	**(5,682)**	**(70,998)**	**(90,612)**	**-**	**(404)**	**(2,347)**	**(96)**	**(164,457)**
Impairment losses at 31 December 2015	**-**	**-**	**(16,857)**	**-**	**-**	**-**	**-**	**-**	**(16,857)**
Net Accounting Balance at 31 December 2015	**704,289**	**5,247**	**40,155**	**28,529**	**13,650**	**15,736**	**18,426**	**328**	**116,824**

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	**31/12/2014**	**31/12/2015**
Consolidated by global integration:		
Aseq Vida y Accidentes, S.A. de Seguros y Reaseguros	-	4,518
Nortehispana de Seguros y Reaseguros, S.A. (*)	25,945	25,945
Bilbao, Compañía Anónima de Seguros y Reaseguros, S.A.	94,398	94,398
Plus Ultra Seguros Generales y Vida, S.A. de Seguros y Reaseguros	-	118,186
Atradius N.V. – Crédito y Caución, S.A.	459,508	459,508
Others	1,734	1,734
Gross Total	**581,585**	**704,289**
Minus: Impairment losses	-	-
Net book value	**581,585**	**704,289**

(*) 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.

The goodwill resulting from the business combination as a consequence of the additional acquisition of 51% of Plus Ultra provisionally rises to 118,186 thousand euros. As indicated in Note 5.a), according to the provisions of International Financial Reporting Standard 3, there is a maximum valuation period of one year from the date of acquisition, during which the acquiring company can adjust the provisional amounts recognised on the date of acquisition retroactively.

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 31 December 2015 for updating the projected cash flows derived from the projection of income and expenses, performed according to the aforementioned criteria, have been 7.12% for the Atradius business and 10.53% 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 31 December 2015 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 2015 and 2014 the Group did not have to recognise any impairment losses affecting consolidation goodwill. Based on the estimates, projections and independent experts' reports available to the parent company's Board Members and management, the projected income and cash flows attributable to the Group from these companies, considered as cash generating units, support the book value of the net assets recognised.

9.b) Other intangible assets

These intangible assets, to the exception of the brand, have a defined useful life, in accordance with their nature, and their amortisation criteria has been detailed in the accounting policies (see Note 3.e.3).

The book value of investments in intangible assets consisting of rights exercisable outside Spain or related to investments outside Spain amount to EUR 158,104 thousand, with accumulated amortisation of EUR 115,017 thousand.

In the last financial year, the Group recorded impairment losses on internally generated software, from Atradius N.V., amounting to 2,778 thousand euros. This software had been developed by the Group and have been impaired, following the criteria mentioned under applicable rules (see Note 3.e.3).

The Group has no further commitments to those recorded in its consolidated financial statements for the acquisition of intangible assets. At 2015 year end, all intangible assets of the Group are directly related to operation.

10. Tax situation

10.a) Tax consolidation regime

From 14 January 2002 the Tax Agency, in authorisation no. 173/01, granted some of the consolidated companies resident in Spain permission to file under the Special Corporate Income Tax Regime for Groups of Companies, with number 173/01, comprising Grupo Catalana Occidente, S.A. (as parent company) and the following as subsidiaries: Seguros Catalana Occidente, S.A. de Seguros y Reaseguros, Cosalud Servicios, S.A. (formerly Depsa, Sociedad Anónima de Seguros y Reaseguros), GCO Reaseguros, S.A., Grupo Catalana Occidente Gestión de Activos, S.A. S.G.I.I.C., Salerno 94, S.A., Tecniseguros, Sociedad de Agencia de Seguros, S.A., Catoc Vida, Sociedad Anónima de Seguros (absorbed by Seguros Catalana Occidente, S.A. de Seguros y Reaseguros), Nortehispana, de Seguros y Reaseguros, Sociedad Anónima, Cosalud, Sociedad Anónima de Seguros (absorbed by Seguros Catalana Occidente, S.A. de Seguros y Reaseguros) and Catalana Occidente Capital, Agencia de Valores, S.A. As a consequence of the entry into force of Law 27/2014, of 27 November, on Corporate Income Tax, the scope of Consolidation has been extended, with the following subsidiaries joining the tax consolidation group: Compañía Española de Seguros y Reaseguros de Crédito y Caución, S.A.U., Iberinform Internacional, S.A., Invercyca, S.A., Iberinmobiliaria, S.A., Atradius Collections, S.L., Atradius Information Services BV Sucursal en España and Atradius Credit Insurance NV Sucursal en España. 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 2015.

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 legislation of the historic territory of Vizcaya) a Sociedad Agencia de Seguros, S.A., Bilbao Hipotecaria, S.A., E.F.C., Bilbao Vida y Gestores Financieros, S.A. and Bilbao Telemark, S.L. The taxable profit of this tax group, determined in accordance with tax legislation for this tax regime, is subject to tax at the rate of 28% in 2015.

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 corporate 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 2015 being 28.2%.

On 10 January 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 1 January 2014. As at 31 December 2015, this group comprises Grupo Catalana Occidente, S.A. (as the parent company) and its subsidiaries: Seguros Catalana Occidente, S.A. de Seguros y Reaseguros, Cosalud Servicios, S.A. (formerly Depsa, S.A. de Seguros y Reaseguros), Nortehispana, de Seguros y Reaseguros, S.A., Catalana Occidente Capital, Agencia de Valores, S.A., Grupo Catalana Occidente Tecnología y Servicios, A.I.E., Grupo Catalana Occidente Contact Center, A.I.E., Prepersa de Peritación de Seguros y Prevención, A.I.E., GCO Reaseguros, S.A. and Grupo Catalana Occidente Gestión de Activos S.A., S.G.I.I.C.

10.b) Current Tax Assets and Liabilities

Current tax assets and liabilities at 31 December 2015 and 2014 include the following items:

	Thousands of Euros	
	31/12/2014	31/12/2015
Current tax assets:		
Public Treasury debt payable for:		
• Balance due Liquidation of consolidated tax group parent company	10,664	15,513
• Other balances with the Public Treasury (see Note 10.e)	14,047	14,047
• Other balances owed by other tax groups or individual companies	13,745	46,722
Total current tax assets	**38,456**	**76,282**
Current tax liabilities:		
Public Treasury debt receivable for:		
• Other balances owed by other tax groups or individual companies	56,884	49,548
Total current tax liabilities	**56,884**	**49,548**

Current tax assets and liabilities consist of tax assets and liabilities that are expected to be offset against the Group's corporate tax liability when the tax return is filed.

10.c) Deferred tax assets and liabilities

In addition, at 31 December 2015 the Group had anticipated and deferred tax assets totalling EUR 96,796 and EUR 328,913 thousand respectively, recognised under "Deferred tax assets" and "Deferred tax liabilities".

At 31 December 2014 the deferred tax assets and liabilities amounted to EUR 127,170 thousand and EUR 320,190 thousand, respectively.

The origins of the deferred tax assets and liabilities available to the Group at 31 December 2015 and 2014, are as follows:

	Thousands of Euros	
Deferred tax liabilities arising from:	**31/12/2014**	**31/12/2015**
Tax losses charged	21,789	21,007
Tax adjustments in technical provisions	27,667	27,937
Tax goodwill	17,300	4,803
Provisions for insolvencies	5,328	4,955
Expense for the outsourcing of pensions	27,911	23,589
Accelerated amortisation balance update	251	1,251
Provision for bills pending collection	2,081	2,387
Other deferred tax liabilities	36,554	29,576
SUM	138,881	115,505
Offsetting (*)	(11,711)	(19,429)
TOTAL	**127,170**	**96,076**

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

Deferred tax liabilities arising from:	Thousands of Euros 31/12/2014	Thousands of Euros 31/12/2015
Adjustments for valuation of financial investments	203,501	201,847
Stabilisation reserve	83,780	110,186
Tax adjustments in technical provisions	5,297	11,062
Other deferred tax assets	39,323	25,247
SUM	331,901	348,342
Offsetting (*)	(11,711)	(19,429)
TOTAL	**320,190**	**328,913**

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

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 2015 and 2014 is shown below:

	FY 2015 in Thousands of Euros									
	Consolidated tax group - parent company	**Crédito y Caución SL**	**Tax group Seguros Bilbao**	**Plus Ultra**	**Aseq**	**Atradius N.V.**	**Securities Investment Companies**	**AIE Companies**	**Other Companies**	**Total Consolidated Group**
Earnings before tax according to local regulations	325,370	(728)	54,423	13,258	1,065	237,455	7,234	74	(23)	**638,128**
Contribution resulting from applying the tax rate of each country	91,104	-	15,238	3,712	298	66,558	73	-	-	**176,983**
Contribution deductions originating from:										
Double taxation	(60,344)	-	(458)	(602)	-	(1,959)	-	-	-	**(63,363)**
Investments	-	-	-	-	-	-	-	-	-	**-**
Provision for depreciation of investments and other balances	539	-	-	-	-	2,950	-	-	-	**3,489**
Deductions and eliminations of dividends	-	-	-	-	-	-	-	-	-	**-**
Offsetting of negative tax bases	-	-	-	-	-	1,980	-	-	-	**1,980**
Exempt income	-	-	-	-	13	(77)	-	-	-	**(64)**
Others	(254)	(237)	207	437	(126)	2,417	-	-	2	**2,446**
Regularisation of Corporate Tax 2014	-	-	-	-	-	(1,721)	-	-	-	**(1,721)**
Variation in local tax rates	-	-	-	(485)	-	-	-	-	-	**(485)**
Income tax expenses recorded with a balancing entry in the statement of income for 2015	**31,045**	**(237)**	**14,987**	**3,062**	**185**	**70,148**	**73**	**-**	**2**	**119,265**

	FY 2014 in Thousands of Euros							
	Consolidated tax group - parent company	**Crédito y Caución SL**	**Tax group Seguros Bilbao**	**Atradius N.V.**	**Securities Investment Companies**	**AIE Companies**	**Other Companies**	**Total Consolidated Group**
Earnings before tax according to local regulations	248,500	(693)	52,495	227,917	3,876	96	2,537	**534,729**
Contribution resulting from applying the tax rate of each country	74,550	-	14,699	66,146	39	-	1,186	**156,619**
Contribution deductions originating from:								
Double taxation	(20,622)	-	(1,870)	-	-	-	-	**(22,492)**
Investments	(427)	-	-	-	-	-	-	**(427)**
Provision for depreciation of investments and other balances	-	-	-	-	-	-	-	**-**
Deductions and eliminations of dividends	(28,170)	-	-	-	-	-	-	**(28,170)**
Offsetting of negative tax bases	-	-	-	5,238	-	-	-	**5,238**
Exempt income	(40)	-	-	(2,171)	-	-	-	**(2,211)**
Others	2,472	(79)	(137)	10,558	-	-	-	**12,814**
Regularisation of Corporate Tax 2013	474	-	-	(6,792)	-	-	-	**(6,318)**
Variation in local tax rates	(1,363)	-	-	-	-	-	-	**(1,363)**
Income tax expenses recorded with a balancing entry in the statement of income for 2014	**26,874**	**(79)**	**12,692**	**72,979**	**39**	**-**	**1,186**	**113,691**

The difference between the income before tax presented in the above table and the figure shown in the income statement for 2015 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 company 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 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 contribution and 9,459 thousand euros in late fees). These proceedings were signed under protest by the parent company on 5 October 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 31 October 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 thousand euros thanks to the prescription of the settlement proposed by the Tax Agency corresponding to 2005.

The parent company, on December 16, 2014, filed an administrative appeal before the Board of Administrative Litigation of the National Court against the TEAC's decision.

At 31 December 2015, the parent company has a bank guarantee that covers the amount to be paid to the Tax Agency according to the case started by the tax authorities after its verification and investigation proceedings.

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 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 in agreement, to the exception for the 2008 Corporate Income 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 offset 14,047 thousand euros corresponding to the settlement of the 2008 Corporate Income Tax, with amounts to be reimbursed to the Group from the Corporate Income Tax. On 16 March 2015, the parent company filed an economic-administrative complaint against the payment resolution before the Central Economic-Administrative Court (TEAC). 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 filed will be upheld and the proceedings shall not involve any impact on the Group's equity.

The 2015 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 86 of Royal Decree 27/2014 of 27 March, approving the revised text of the Law on Corporate Income Tax, it is noted that:

- In 1996, as a result of the process of total spin-off of Depsa, 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 2 October 2001 the Company made a contribution in kind of a line of business, receiving in exchange 298,515 shares of Seguros Catalana Occidente, 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 2 October 2001, No. 4,311 of his protocol.

- On 22 March 2007 the shareholders of Compañía Española de Seguros y Reaseguros de Crédito y Caución, S.A. (i.e., Crédito y Caución) formed a new company called Grupo Compañía Española de Crédito y Caución, Sociedad Limitada, through the contribution of all the shares they had from the former and a cash contribution of the remaining amount to reach the established share capital and share premium. According to the above, the Company subscribed for 7,772 shares of the new company, which accounts for a 43.18% stake of its share capital, the same as it had at that time at Crédito y Caución.

– On 21 May 2015, the sole shareholder of Seguros Catalana Occidente, S.A. de Seguros y Reaseguros, Sociedad Unipersonal (the “Absorbing Company”), the sole shareholder of Catoc Vida, S.A. de Seguros Sociedad Unipersonal and of Cosalud, S.A. de Seguros, Sociedad Unipersonal (the “Absorbed Companies”) approved the merger through absorption of the Absorbed Companies by the Absorbing Company, through the transfer, as a block, of the assets it will acquire, through universal succession, including all assets, liabilities, rights and obligations and relationships of all type of the Absorbed Companies and the dissolution without liquidation, a circumstance that will entail the extinguishment of these. The operations of the Absorbed Companies are considered completed, for accounting purposes, from 1 January 2015, date of the beginning of the year approving the merger. The merger operation is taxed under the special regime regulated in Chapter VII of Title VII of Law 27/2014, of 27 November, on Corporate Income Tax.

11. Other assets

The details of financial liabilities at 31 December 2015 and 2014, broken down by nature, are as follows (in thousands of euros):

	Thousands of Euros	
Other assets	**31/12/2014**	**31/12/2015**
Accruals and Deferrals		
Premiums earned and not issued, net of commissions and transfers	180,649	200,679
Commissions and other acquisition costs	147,204	220,452
Prepayments	16,083	18,209
Other accruals and deferrals	18,784	21,692
Other assets	98	22
TOTAL	**362,818**	**461,054**

12. Debits and accounts payable

The details of financial liabilities at 31 December 2015 and 2014, broken down by nature, are as follows (in thousands of euros):

	Portfolio of debits and other accounts payable	
	Thousands of Euros	
Financial liabilities	**31/12/2014**	**31/12/2015**
Subordinated liabilities	**248,141**	**211,821**
Other Payables	**591,257**	**607,132**
Liabilities from insurance and coinsurance operations	120,384	134,999
Deposits received on buying reinsurance	60,424	82,339
Liabilities from reinsurance operations	110,157	103,673
Debts to credit entities	47,286	1,331
Other payables	253,006	284,790
TOTAL	**839,398**	**818,953**

12.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.

On 23 September 2014, Atradius Finance B.V. issued subordinated bonds for a nominal aggregate amount of 250,000 thousand euros with a maturity of 30 years, which may be re-purchased beginning on the tenth year, on a quarterly basis. The bonds are irrevocably, unconditionally and subordinately guaranteed by Atradius N.V., a Group company. During the first 10 years, bonds have a fixed nominal annual interest rate of 5.250%, payable in annual instalments and, from that date, they will have a nominal variable interest rate of Euribor 3 months plus 5.031%, payable quarterly in arrears. The bonds are listed on the Luxembourg Stock Exchange.

Plus Ultra subscribed 40,000 thousand euros of the aforementioned subordinated bonds with a reasonable value, at 31 December 2015, of 36,468 thousand euros, which have been eliminated in the consolidation process.

At 31 December 2015 the Group estimates the fair value of these subordinated liabilities at EUR 225,625 thousand, based on binding valuations from independent experts.

During FY 2015, interests were obtained amounting to 13,125 thousand euros.

12.b) Other payables

A breakdown of the payables arising out of insurance, reinsurance and coinsurance contracts, together with other payables, at 31 December 2015 and 2014, is given below:

	Thousands of Euros	
	31/12/2014	31/12/2015
Liabilities from direct insurance and coinsurance operations	120,384	**134,999**
To insurees and coinsurers	79,564	72,104
To mediators	26,051	35,042
Conditioned payables	14,769	27,853
Deposits received on buying reinsurance	60,424	**82,339**
Liabilities from reinsurance operations	110,157	**103,673**
Debts to credit entities	47,286	**1,331**
Rest of other payables	253,006	**284,790**
TOTAL	591,257	**607,132**

“Rest of other payables” includes the following items at 31 December 2015 and 2014:

	Thousands of Euros	
Other payables:	**31/12/2014**	**31/12/2015**
Tax and social payables	53,272	**56,466**
Public Treasury debt receivable for other items (withholdings, VAT, etc.)	22,201	20,084
Surcharges on insurance premiums	28,051	27,006
Social Security bodies	3,020	9,376
Other payables	199,734	**228,324**
Recoveries pending assignment	42,680	28,855
Deposits received	3,389	3,557
Research and Development project loan	4,645	4,442
Accrued expenses	102,756	133,925
Unpaid bills	8,211	6,682
Miscellaneous creditors	38,053	50,863
TOTAL	253,006	**284,790**

The following items are included under the section 'accrued expenses' at 31 December 2015 and 2014:

Accrued expenses by item	Thousands of Euros	
	31/12/2014	31/12/2015
Personnel expenses	44,868	54,134
Production expenses	9,677	18,450
Supplies and external services	7,388	11,019
Other items	40,823	50,322
Total	**102,756**	**133,925**

13. Technical Provisions

13.a) Detail of technical provisions

A breakdown of the provisions established at 31 December 2015 and the change with respect to 31 December 2014, together with reinsurers' share of these provisions, is given below (in thousands of euros):

Provision	Balance at 1 January 2015	Incorporations to the scope (*)	Provisions charged to earnings	Applications credits to earnings	Cost at 31 December 2015
Technical provisions:					
Unearned premiums	892,661	316,621	888,986	(892,661)	1,205,607
Provision for current risk	-	10,959	9,515	(10,959)	9,515
Life insurance:					
- For life insurance (**)	3,827,418	656,025	4,144,163	(3,827,418)	4,800,188
- For life insurance where risk is borne by policyholders	294,787	4,359	311,316	(294,787)	315,675
Claims	2,198,643	399,154	2,318,199	(2,198,643)	2,717,353
Provision for policyholder dividends and return premiums	5,492	2,421	4,622	(5,492)	7,043
Other technical provisions	16,022	91	18,848	(16,022)	18,939
	7,235,023	**1,389,630**	**7,695,649**	**(7,245,982)**	**9,074,320**
Reinsurer participation in technical provisions (transferred):					
Provisions for unearned premiums	159,349	8,696	176,492	(159,349)	185,188
Provision for life insurance	1,353	23,952	23,948	(25,305)	23,948
Provision for claims	728,663	36,962	755,891	(728,663)	792,853
Other technical provisions	-	86	44	-	130
	889,365	**69,696**	**956,375**	**(913,317)**	**1,002,119**

(*) Corresponds to the incorporation of Plus Ultra and Aseq to the scope of consolidation.

(**) On 31 December 2015, it includes 24,656 thousand euros corresponding to provisions for unearned premiums for products with coverage of less than one year.

The movements in these provisions in 2014 were as follows (in thousands of euros):

Provision	Balance at 1 January 2014	Provisions charged to earnings	Applications credits to earnings	Cost at 31 December 2014
Technical provisions:				
Unearned premiums	841,105	892,661	(841,105)	892,661
Provision for current risk	-	-	-	-
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
Claims	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**
Reinsurer participation in technical provisions (transferred):				
Provisions for unearned premiums	144,891	159,349	(144,891)	159,349
Provision for life insurance	1,372	1,353	(1,372)	1,353
Provision for claims	748,947	728,663	(748,947)	728,663
	895,210	**889,365**	**(895,210)**	**889,365**

(**) On 31 December 2014, it includes 15,911 thousand euros corresponding to provisions for unearned premiums for products with coverage of less than one year.

In some forms of life insurance sold by Seguros Catalana Occidente, S.A. de Seguros y Reaseguros, mainly mixed and retirement insurance, the insured can choose when the policy expires between a capital or monthly income at an interest rate determined upon taking out the policy. The life insurance provision recorded at 31 December 2015 includes 881 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 2014 amounts to 1,100 thousand euros

In addition, for certain commitments acquired prior to 1 January 1999, at 31 December 2015 the Group maintains a provision of EUR 7,735 thousand, both in order to be able to pay the guaranteed interest rate and also in order to pay future administrative expenses of these policies.

On 3 October 2000 the Directorate General of Insurance and Pension Funds published a Resolution in relation to mortality and survival tables to be used by insurance companies and the PERM/F-2000P tables which became applicable for new production to be carried out after the entry into force of the Resolution was published (15 October 2000). For policies already in force at that date, companies were authorised to use the PERM/F-2000C tables. The Group maintains life insurance provisions that fully account for the impact of applying the abovementioned tables. In 2007, the Group started to use the PERM/F-2000P tables for policies already in force at the date of the abovementioned Resolution. The total provision as a result of the application of these tables in 2015 was EUR 51,629 thousand.

A breakdown of the technical provisions for direct insurance and inward reinsurance at 31 December 2015 for the various businesses included in the Life and Non-life segments is given below:

Provision at 31 December 2015	Thousands of Euros					
	Non-Life					
	Auto	Multirisk	Credit insurance	Other miscellaneous insurance	Life	Total
Technical provisions:						
Unearned premiums and unexpired risks	301,690	304,336	488,081	121,016	24,656	**1,239,779**
Mathematical	-	-	-	-	4,775,531	**4,775,531**
Where investment risk is borne by policyholders	-	-	-	-	315,675	**315,675**
Claims	420,627	235,743	1,645,778	307,760	107,445	**2,717,353**
Provision for policyholder dividends and return premiums	-	-	-	-	7,043	**7,043**
Other technical provisions	-	-	-	18,939	-	**18,939**
	722,317	**540,079**	**2,133,859**	**447,715**	**5,230,350**	**9,074,320**

Technical provisions for the direct and reinsurance business accepted for FY 2014 are detailed as follows:

Provision at 31 December 2014	Thousands of Euros					
	Non-Life					
	Auto	Multirisk	Credit insurance	Other miscellaneous insurance	Life	Total
Technical provisions:						
Unearned premiums and unexpired risks	162,694	191,752	475,958	62,256	15,911	**908,571**
Mathematical	-	-	-	-	3,811,507	**3,811,507**
Where investment risk is borne by policyholders	-	-	-	-	294,787	**294,787**
Claims	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**

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 148,100 thousand euros as of 31 December 2015 (105,592 thousand euros as of 31 December 2014).

The amount of the provision for deferred policyholder dividends at 31 December 2015 represents an overall allocation of 21,5% (15.4% at 31 December 2014) of the total unrealised gains on investments linked to life insurance contracts with policyholder participation rights.

The interest charged for the years 2015 and 2014 to life insurance contracts have involved a total of 151,718 and 154,233 thousand euros respectively.

The effect of reinsurance granted in the profit and loss account for years 2015 and 2014 has been as follows:

	Thousands of Euros	
	FY 2014	**FY 2015**
Premiums recorded to transferred reinsurance		
— Premiums transferred	710,805	742,215
— Variation of provision for unearned premiums	(15,420)	1,292
Commissions (*)	254,915	275,667
Cost of the transfer	**440,470**	**467,840**
Claims of reinsurance (*)	274,165	351,340
Total cost of reinsurance	**166,305**	**116,500**

(*) Reinsurance commissions and claims are presented in the profit and loss account netting the "Net operating expenses" and "Year claims net of reinsurance" sublines.

13.b) Changes in claims provisions

Below is the performance in the lines of Auto, Multirisk and Other Non-Life and Miscellaneous of the technical provision for claims established at the different dates for direct business, based on the occurrence of claims, according to the benefits paid and the reserves available for the same after the end.

The credit insurance methods for calculating technical provisions are other than those used in other lines of the Group (see note 3.j.2), so it must be noted that the following information has been prepared including the reinsurance assumed and net of claim recoveries and recognising as concurrence year the year in which the risk incurred.

	AUTO					MULTIRISK				
	Claims that occurred in FY 2010	Claims that occurred in FY 2011	Claims that occurred in FY 2012	Claims that occurred in FY 2013	Claims that occurred in FY 2014	Claims that occurred in FY 2010	Claims that occurred in FY 2011	Claims that occurred in FY 2012	Claims that occurred in FY 2013	Claims that occurred in FY 2014
Provision for claims originally estimated (*)	237,641	227,018	212,078	195,896	186,626	134,286	101,726	127,282	101,593	94,620
Estimated valuation of claims:										
One year later	226,295	219,724	195,746	178,510	145,456	133,086	106,309	118,165	97,565	86,464
Two years later	224,193	209,288	188,769	156,671		131,893	105,059	116,132	89,306	
Three years later	221,401	211,106	181,232			130,038	103,849	118,107		
Four years later	217,403	209,427				129,614	94,543			
Five years later	203,029					121,713				
Cumulative amounts paid:	219,406	192,273	159,117	127,892	98,664	118,861	104,047	101,461	80,905	67,041

	CREDIT INSURANCE					MISCELLANEOUS				
	Claims that occurred in FY 2010	Claims that occurred in FY 2011	Claims that occurred in FY 2012	Claims that occurred in FY 2013	Claims that occurred in FY 2014	Claims that occurred in FY 2010	Claims that occurred in FY 2011	Claims that occurred in FY 2012	Claims that occurred in FY 2013	Claims that occurred in FY 2014
Provision for claims originally estimated (*)	525,416	758,992	828,563	703,728	771,970	89,399	60,713	86,498	75,294	66,590
Estimated valuation of claims:										
One year later	526,022	743,136	812,622	618,552	769,160	67,422	59,906	69,865	67,084	58,371
Two years later	487,538	731,196	758,562	593,777		69,040	60,798	68,237	61,199	
Three years later	480,852	726,356	754,675			70,224	58,939	80,686		
Four years later	482,261	707,077				68,636	61,505			
Five years later	474,450					57,741				
Cumulative amounts paid:	463,691	694,933	715,097	543,390	590,525	63,546	62,981	52,713	44,174	40,505

(*) Not including the technical provision for claims settlement expenses.

14. Non Technical Provisions

The breakdown as of 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	31/12/2014	31/12/2015
Provision for taxes	-	7,419
Provisions for pensions and similar obligations	126,501	120,290
Temporary income - severance pay	2,099	1,554
Other commitments to personnel	6,232	7,643
Debts from agreements with insurers	5,533	6,415
Provisions for responsibilities	600	1,560
Provisions for restructuring	2,564	4,926
Onerous contracts	18	-
Legal / litigation	1,699	8,823
Other provisions	2,780	2,500
Total	**148,026**	**161,130**

Besides the stipulations noted in Note 10 and those that correspond to the nature of the insurance business which are duly valued and included, where necessary, in the claims provisions, the Group has no significant claims, lawsuits or court processes which individually imply damage or that may affect the consolidated financial statements as well as contingent liabilities that could involve the Group in law suits or involve the imposition of sanctions or penalties with a significant effect on the company's Equity.

At 31 December 2015 and 2014, the commitments are reflected in the provision for pensions and similar obligations are detailed as follows:

	2014 (thousands of Euros)			2015 (thousands of Euros)		
	Defined benefit	Defined contribution	Total commitments	Defined benefit	Defined contribution	Total commitments
Commitments for pensions -						
Earned by active personnel	507,829	10,948	518,777	522,183	12,078	534,261
Due to retired personnel	264,105	-	264,105	275,141	-	275,141
Total Obligations	**771,934**	**10,948**	**772,882**	**797,324**	**12,078**	**809,402**
Assets connected to plan						
Assets connected to Atradius	654,282	-	654,282	687,558	-	687,558
Unrecognised assets Atradius Dutch plan	-	-	-	-	-	-
Total Assets	**654,282**	**-**	**654,282**	**687,558**	**-**	**687,558**
Provisions for pensions and similar obligations	**117,652**	**10,948**	**128,600**	**109,766**	**12,078**	**121,844**

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 97% (2014: 92%) of the defined benefit obligations. The other plans involve subsidiaries of Atradius N.V. in Mexico, Norway, Belgium, Sweden, Italy, Switzerland and France. The recognition of assets and liabilities is stipulated independently for each plan.

There are also defined contribution plans in the Group. Contributions to these plans are accounted for as an expense in the income statement. Total contributions for the year 2015, for external funding, has been 12,987 thousand euros (2014: 9.100 thousand Euros).

The following table summarises the conciliation, the funding status and the amounts recognised in the consolidated balance sheet as of 31 December 2015 for defined benefit obligations (in thousands of euros):

	Defined benefit obligations		Fair value of plan assets		Impact of the minimum requirement / Asset limit		Net (Assets)/Liabilities for benefit obligations	
	2014	2015	2014	2015	2014	2015	2014	2015
Balance at 1 January	**639,523**	**771,934**	**514,419**	**654,282**	**-**	**-**	**125,104**	**117,652**
Included in profit and loss								
Cost of services in current year	12,313	14,017	-	-	-	-	12,313	14,017
Cost for past services	(4,264)	(141)	-	-	-	-	(4,264)	(141)
Cost (income) from interest	24,571	21,767	20,211	19,523	-	-	4,360	2,244
Administration costs	473	538	-	-	-	-	473	538
Exchange rate effects	778	-	331	-	-	-	447	-
Total included in profit and loss	**33,871**	**36,181**	**20,542**	**19,523**	**-**	**-**	**13,329**	**16,658**
Included in OCI:								
Revaluation loss (gain):								
Actuarial losses (gains) for:								
- demographic assumptions	(3,427)	(11,512)	-	-	-	-	(3,427)	(11,512)
- financial assumptions	111,555	(4,171)	-	-	-	-	111,555	(4,171)
- experience adjustments	(6,665)	225	-	-	-	-	(6,665)	225
- adjustments for restrictions on net assets after defined benefit obligations			-	-	-	-	-	-
Revenue from assets connected to the plan excluding income from interest	-	-	77,576	(13,115)	-	-	(77,576)	13,115
Exchange rate effects	15,436	16,577	15,354	16,258	-	-	82	319
Total included in OCI:	**116,899**	**1,119**	**92,930**	**3,143**	**-**	**-**	**23,969**	**(2,024)**
Other:								
Employer contributions	(2,926)	(2,994)	42,482	25,928	-	-	(45,408)	(28,922)
Participant contributions	2,153	2,284	2,153	2,284	-	-	-	-
Benefits paid	(18,417)	(17,914)	(19,575)	(18,772)	-	-	1,158	858
Additional profits	831	6,714	1,331	1,170	-	-	(500)	5,544
Total other	**(18,359)**	**(11,910)**	**26,391**	**10,610**	**-**	**-**	**(44,750)**	**(22,520)**
Balance at December 31	**771,934**	**797,324**	**654,282**	**687,558**	**-**	**-**	**117,652**	**109,766**

Financial instruments not qualified as plan assets

The Group has pension-related assets which under IAS 19 cannot be recognised as plan assets (more details on plans below).

In Germany, for one of the plans, assets totalling 17,900 thousand euros (16,500 thousand euros in 2014) are recognised as part of financial investments because in a bankruptcy situation, these assets are not fully insured for members of pension schemes. In the United Kingdom, there are financial investments in an amount of 28,500 thousand euros (26,900 thousand euros in 2014) in an escrow account to support the country's pension fund. In case of insolvency, the trustee of the pension fund has rights over these investments, provided that certain conditions are met.

Actuarial gains and losses

During 2015 actuarial gains and losses stood at (15,458) thousand euros (101,463 thousand euros in 2014) for defined benefit obligations.

Characteristics of the main defined benefit plans

The following table highlights the main characteristics of defined benefit plans:

Characteristic	UK	Germany	The Netherlands	Spain
Commitment	Right to pension based on percentage of final salary (closed to new employees).	Right to pension based on percentage of average salary over the last 10 years.	Right to pension based on percentage of average salary (maximum EUR 0.1 million - closed to new employees).	Right to pension bonuses, annuities (closed to new employees) and life insurance.
Census	196 active (2014: 209 active members). 0 non-active (2014: 0 non-active members).	503 active (2014: 504 active members). 407 non-active (2014: 389 non-active members).	356 active (2014: 371 active members). 1,355 non-active (2014: 1,351 non-active members).	4,974 active (2014: 2,702 active members). 915 not active (2014: 726 non-active members).
Defined benefit obligations	EUR 263 million (2014: EUR 252 million).	EUR 111 million (2014: EUR 109 million).	EUR 310 million (2014: EUR 309 million).	EUR 71 million (2014: EUR 64 million).
Plan Assets	EUR 281 million (2014: EUR 252 million).	EUR 70 million (2014: EUR 69 million). Assets for EUR 17.9 million (2014: EUR 16.5 million) are recognised as part of financial investments.	EUR 297 million (2014: EUR 297 million).	EUR 13.1 million (2014: EUR 12.5 million).
Revaluations gains (losses) in OCI	EUR 6.4 million – gain (2014: EUR 5.8 million - gain).	EUR 0.0 million – gain (2014: EUR 11.7 million - loss).	EUR 1.4 million – gain (2014: EUR 10.1 million - loss).	EUR 2.0 million – gain (2014: EUR 5.7 million - gain).
Instrumentation	The bases of the financing agreement for both commitments are set forth in the Trust Deed and Rules. The pension fund performs actuarial valuations every three years to determine the contributions to be paid by the employer.	A contractual agreement is established as a financing vehicle to cover part of the pension liabilities. There is no specific financing agreement even though assets must exceed the EUR 39.2 million financed initially.	The employer contributes an annual base premium as a total percentage of the eligible salaries of all active participants, which may not fall below regulatory requirements.	The life annuity for active personnel is financed through an insurance policy to which the Company makes periodical contributions to cover the commitment. The rest are financed through policies within the group that do not represent eligible active personnel for the Group.
Employee contributions	In 2015, contributions rose to 5% (2014: 3.5%) of pensionable salary.	None.	Employees contribute 7% of their pensionable salaries.	None.

Characteristic	UK	Germany	The Netherlands	Spain
ALM Strategy	Every 3 years, an ALM study is carried out to review the investment policy. The policy consists in maintaining government and corporate bonds regarding pensioners, in order to match retired personnel and maintain active personnel expected to offer a return compared to non-pensioners.	The investment objectives and policies are developed based on an ALM study. The investment policy limits the interest-rate risk, restricting the investment in bonds to fixed-interest bonds. The risk of variable income is controlled according to the Dow Jones Euro Stoxx 50 index.	An ALM study that analyses the impact of the strategic investment policy is carried out at least once every three years. The interest-rate risk is partially covered through the use of debt instruments in combination with Liability Driven Investment funds.	According to the general policy of the Group (see Note 4.b.C).

Fair value of plan assets

The fair value of plan assets at year end is analysed in the following table (in thousands of euros):

Plan Assets	2014	2015
Cash and cash equivalents	6,256	1,739
Variable Income	242,098	259,188
Fixed-Income	184,667	216,346
Investment funds	188,655	173,494
Insurance contracts	19,550	21,168
Property assets	13,056	15,623
Total	**654,282**	**687,558**

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 2015 was 5,800 thousand euros (97,600 thousand euros in 2014).

In 2016 the Group expects to contribute approximately 17,000 thousand euros to defined benefit plans.

The main assumptions used in financial years 2015 and 2014 for the major defined benefit plans are as follows:

Main actuarial assumptions	UK		Germany		The Netherlands		Spain	
	2014	2015	2014	2015	2014	2015	2014	2015
Discount rate	3.75%	3.75%	2.25%	2.25%	2.25%	2.25%	1.88%	2.06%
Inflation rate	3.25%	3.25%	1.75%	1.75%	1.75%	1.75%	2.00%	1.75%
Expected increase of future salaries	3.25%	2.75%	2.80%	2.80%	1.75%	1.75%	2.25%	Between 0% and 2%
Expected increase of future benefit levels	3.00%	3.00%	1.50%	1.50%	0.75%	0.875%	Between 0% and 2.25%	Between 0% and 1.75%
Mortality table	CMI 2012 (1.5% LTR)	CMI 2015 (1.5% LTR)	Heubeck Richttafeln	Heubeck Richttafeln	Prognosetafel AG2014	Prognosetafel AG2014	PERM/F - 2000P PASEM - 2007	PERM/F - 2000P PASEM - 2007
Duration	20	19	17	17	21	20	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	2014		2015	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(117,585)	154,899	(115,940)	154,362
Salary growth rate (1% movement)	20,181	(18,773)	21,031	(19,398)
Inflation rate (1% movement)	90,916	(78,359)	90,408	(76,652)
Expected increase of future benefit levels (1% movement)	120,477	(94,794)	121,160	(100,601)
Future mortality (+ 1 year)	22,746	-	23,098	-

The aforementioned sensitivity analysis has been obtained using the "Projected Unit Credit" calculation method and we have proceeded to replicate the calculation of obligations by changing a variable and leaving all other actuarial assumptions constant. A limitation of this method is that some of the variables may be correlated. There has been no change in the methods and assumptions used in preparing the sensitivity analysis for previous years.

15. Equity attributed to parent company shareholders

As part of the consolidated financial statements, the Group presents a statement of changes in consolidated equity which shows, among other things:

- The year's results derived from the profit and loss account
- Each of the year's income and expense items which, according to IFRS has been reflected directly in the net equity,
- The total of the year's income and expenses (result of adding the two previous sections), showing the total amount attributed to shareholders of the parent company and minority shareholders separately,
- The effects of changes in accounting policies and the correction of errors in each of the net equity components, if any,
- The amounts of transactions that holders of net equity instruments have undertaken as, for example, capital contributions, the repurchase of own shares held in treasury and dividend distributions, showing these distributions separately, and
- The balance of retained earnings at the beginning of the year and the balance sheet date, as well as changes during the year.

The Group also separately details all income and expenses that have been recognised during the year, either through the profit or loss account or directly to equity. This state is called "Recognised income and expenses state" state and is supplementary to the information provided in the net equity change status.

In FY 2015 the Group's parent company has not undertaken significant changes in its accounting policies.

15.a) Capital

The parent company's registered share capital stands at 36,000 thousand euros consisting of 120,000,000 fully subscribed and paid in book entry shares of 0.30 euros par value each represented in book-entry form. All shares have the same rights and the parent company may issue shares without voting rights.

The shareholders owning 10% or more of the parent company's share capital on 31 December 2015 were as follows:

	Percentage equity
Corporación Catalana Occidente, S.A.	31.15%
La Previsión 96, S.A.	25.00%

The percentage equity of Corporación Catalana Occidente, S.A. has increased 5.02% compared to the percentage at 31 December 2014 (26.13%).

INOC, S.A. which owns 100% of Corporación Catalana Occidente, S.A. and 64.52% of La Previsión 96, S.A, direct and indirectly owns 53.18% of the parent company on 31 December 2015 and belongs to a group whose parent is CO Sociedad de Gestión y Participación, S.A.

15.b) Share premium and Reserves

The statement of changes in equity attached to these financial statements details the balances of the share premium and retained earnings at the beginning of 2015 and at 31 December 2015, as well as the movements during the year.

The breakdown of the share premium and each type of reserve as of 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	Balance at 31/12/2014	Balance at 31/12/2015
Share issuing premium	**1,533**	**1,533**
Differences from adjustment of capital to euros	61	61
Legal reserve	7,212	7,212
Voluntary reserves of the parent company	576,646	600,831
Reserves in companies by global integration	711,044	898,962
Reserves in companies consolidated by the method of stake (equivalence)	30,984	8,643
Reserves	**1,325,947**	**1,515,709**
Total Share premium and Reserves	**1,327,480**	**1,517,242**

15.b.1) Share issuing premium

The balance of this 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.

15.b.2) Differences from adjustment of capital to euros

The balance of this reserve comes from the capital reduction carried out in FY 2001 as a result of changing corporate capital to euros. Availability is subject to the same requirements as the legal reserve.

15.b.3) Legal reserve

Under the Consolidated Text of the 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 can only be used to compensate losses, as long as there are no other sufficient reserves available to this end. At the various dates presented, the amount of this reserve accounted for 20% of corporate capital.

15.b.4) Voluntary reserves of the parent company

Breakdown as of 31 December 2015 and 2014 is as follows (in thousands of euros):

	31/12/2014	31/12/2015
Voluntary reserves	566,542	590,727
Merger reserve	9,799	9,799
Other reserves	305	305
Total	**576,646**	**600,831**

The balances of these reserves are freely available. The merger reserve stems from the merger with Occidente, Cía. de Seguros y Reaseguros in the year 1988.

15.b.5) Reserves and Valuation adjustments in Consolidated Companies

A breakdown by entities of amounts in this consolidated balance sheet account as at 31 December 2015 and 2014, taking into account the adjustments for consolidation, is given below:

	Thousands of Euros					
	31/12/2014			31/12/2015		
	Reserves	Revaluation adjustments	Total	Reserves	Revaluation adjustments	Total
Consolidated by global integration:						
Grupo Catalana Occidente, S.A.	93,257	-	93,257	149,748	-	149,748
Seguros Catalana Occidente, Sociedad Anónima de Seguros y Reaseguros	199,371	327,020	526,391	170,534	322,647	493,181
Grupo Catalana Occidente Tecnología y Servicios, A.I.E.	213	-	213	(87)	-	(87)
Catoc Vida, S.A. de Seguros	(2,637)	17,279	14,642	-	-	-
Cosalud, S.A. de Seguros	172	926	1,098	-	-	-
Nortehispana, S.A. Cía de Seguros y Reaseguros	47,554	21,329	68,883	47,568	19,041	66,609
Bilbao Compañía Anónima de Seguros y Reaseguros, S.A. and subsidiaries	(17,319)	140,188	122,869	(14,829)	119,767	104,938
Plus Ultra, Seguros Generales y Vida, S.A. de Seguros y Reaseguros	-	-	-	53,036	(2,976)	50,060
Cosalud Servicios, S.A. (*)	5,375	1,002	6,377	6,262	439	6,701
Grupo Compañía Española de Crédito y Caución, S.L. / Atradius N.V.	290,151	40,571	330,722	390,244	33,605	423,849
Tecniseguros, Sociedad de Agencia de Seguros, S.A.	26	-	26	12	-	12
Prepersa, de Peritación de Seguros y Prevención, A.I.E.	835	19	854	821	27	848
Salerno 94, S.A.	24,592	-	24,592	26,052	-	26,052
Inversiones Menéndez Pelayo, SICAV, S.A.	8,520	5,899	14,419	9,858	5,542	15,400
Catoc, SICAV, S.A.	52,030	20,361	72,391	53,740	27,054	80,794
C.O. Capital Ag. Valores	2,882	92	2,974	3,188	67	3,255
Catalana de Talleres y Reparaciones 3000, S.L.	(148)	-	(148)	-	-	-
Grupo Catalana Occidente Contact Center, A.I.E.	(1)	-	(1)	(101)	-	(101)
Inversions Catalana Occident, S.A.	216	-	216	300	-	300
Hercasol SICAV, S.A.	3,046	(12)	3,034	3,510	310	3,820
Grupo Catalana Occidente Gestión de Activos S.A., S.G.I.I.C.	2,909	21	2,930	(940)	28	(912)
GCO Reaseguros, S.A.	-	-	-	2	(1)	1
Aseq Vida y Accidentes, S.A. de Seguros y Reaseguros	-	-	-	44	75	119
	711,044	**574,695**	**1,285,739**	**898,962**	**525,625**	**1,424,587**
Accounted for using the equity method:						
Plus Ultra, Seguros Generales y Vida, S.A. de Seguros y Reaseguros	18,822	33,373	52,195	-	-	-
Sersanet Red Servicios Sanitarios, S.A.	37	-	37	-	-	-
Calboquer, S.L.	25	-	25	20	-	20
Asitur Asistencia, S.A.	2,292	-	2,292	2,583	-	2,583
Gesiuris, S.A. S.G.I.I.C.	245	37	282	349	66	415
Inversiones Credere, S.A.	-	-	-	(61)	-	(61)
Atradius - Partners	9,563	-	9,563	5,752	703	6,455
	30,984	**33,410**	**64,394**	**8,643**	**769**	**9,412**
TOTAL	**742,028**	**608,105**	**1,350,133**	**907,605**	**526,394**	**1,433,999**

(*) Formerly called Depsa, S.A. de Seguros y Reaseguros

15.c) Stocks and treasury Shares

The balance of this subheading, which is the result of deducting the equity attributable to the shareholders of the parent company from the consolidated balance sheet on 31 December 2015 and 2014, 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 31 December 2015 represents 1.67% of the capital issued as of that date (1.67% as of December 31 2014). During FY 2015, the percentage of shares outstanding held by the above company has remained at 1.67% calculated on a daily basis. The average price of the portfolio as of 31 December 2015 was 8.69 euros per share, the same as the 8.69 euros per share on 31 December 2014. These shares are available-for-sale in order to safeguard liquidity. There are no more Grupo Catalana Occidente S.A. shares held by other Group companies or third parties that operate on their behalf. Additionally, on 31 December 2015, 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, 2015 S.A. during FY 2014 and 2013 has been as follows:

	Thousands of Euros		Number of shares
	Cost of acquisition	Nominal value	
Cost at 01 January 2014	**18,725**	**646**	**2,154,282**
Additions	-	-	-
Withdrawals	(1,304)	(45)	(150,000)
Cost at 31 December 2014	**17,421**	**601**	**2,004,282**
Additions (*)	100	2	5,555
Withdrawals (*)	(100)	(2)	(5,555)
Cost at 31 December 2015	**17,421**	**601**	**2,004,282**

(*) The movement in 2015 is due to the acquisition of Aseq (see Note 5.c), which held 5,555 shares in the Group. Later, on 28 September 2015, Aseq proceeded to sell all of these shares.

15.d) Distribution of results

The Board of Directors will propose to the shareholders, at the Annual General Meeting, that the 2015 profit of Grupo Catalana Occidente, Sociedad Anónima be distributed as follows:

Distribution	Fiscal Year 2015 Thousands of Euros
To dividends	80,712
To voluntary reserves	72,637
Net profit for the year	**153,349**

The payout for FY 2014 approved by the parent company's General Meeting of Shareholders, held 22 April 2015 is as follows:

Distribution	FY 2014 Thousands of Euros
To dividends	75,348
To voluntary reserves	24,269
Net profit for the year	**99,617**

Previously, at meetings held on 26 June 2014, 25 September 2014 and 29 January 2015, the parent company's Board of Directors had approved the distribution of a total interim dividend of EUR 43,704 thousand out of 2014 profit. Payment was effected in instalments, on 10 July 2014, 9 October 2014 and 12 February 2015.

The consolidated net benefit of FY 2014 is detailed in the statement of changes in equity.

15.e) Dividends

The various amounts paid by shareholders in FY 2015 as dividends is as follows:

Governing body:	Date of resolution:	Date of payment:	Type of dividend:	By share in euros	Total in thousands of Euros
Board of Directors	29 January 2015	12 February 2015	3rd Interim divided 2014 profit	0.1214	14,568
General Meeting of Shareholders	22 April 2015	14 May 2015	Supplementary dividend	0.2637	31,644
Board of Directors	25 June 2015	15 July 2015	1st Interim divided 2015 profit	0.1275	15,300
Board of Directors	23 September 2015	14 October 2015	2nd. Interim divided 2015 profit	0.1275	15,300
					76,812

Interim dividends for FY 2015 have been calculated by reference to the balance sheet of the parent company at the following dates and with the following breakdown:

	Thousands of Euros	
	25 June 2015	**23 September 2015**
Sum of available and realisable assets	23,588	21,112
Sum of payable liabilities (*)	19,859	17,137
Estimated liquidity surplus	3,729	3,975
Interim Dividend	15,300	15,300

(*) Includes the proposed interim dividend

The completed dividend payouts during FY 2015 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 28 January 2016 meeting, resolved to distribute a third interim dividend for FY 2015 based on 2013's results amounting to 15,300 thousand euros, which was paid on 10 February 2016. This dividend has been calculated taking the balance of the Company on 28 January 2016 as a reference, with the following breakdown:

	Thousands of Euros
	28 January 2016
Sum of available and realisable assets	23,062
Sum of payable liabilities (*)	15,560
Estimated liquidity surplus	7,502
Interim Dividend	15,300

(*) Includes the proposed interim dividend

15.f) Earnings per share

The earnings per share are determined by dividing the net result attributable to the Group by the weighted average of ordinary shares outstanding during the period, excluding the average number of treasury shares held over that time.

This calculation is illustrated as follows:

	2014	2015
From continued and interrupted operations:		
Net profit attributable to shareholders of the parent company (thousands of euros)	242,105	268,120
Weighted average number of shares issued (thousands of shares)	120,000	120,000
Minus: Weighted treasury shares (thousands of shares) (*)	(2,029)	(2,007)
Weighted average number of shares outstanding (thousands of shares)	117,971	117,993
Basic earnings per share (euros)	**2.05**	**2.27**
From interrupted operations:		
Net profit attributable to shareholders of the parent company for interrupted operations (thousands of euros)	-	-
Basic earnings per share (euros)	**2.05**	**2.27**

(*) Refers to treasury shares held in treasury stock for 2014 and 2015.

As there are no stock options, warrants or other equivalent instruments that might cause a potential dilutive effect, the earnings per share figure is the same as the diluted earnings per share in the different periods presented.

15.g) 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 31/12/2014	**Balances at 31/12/2015**
Available-for-sale financial assets	660,360	582,672
Exchange Differences	(7,016)	(4,430)
Correction of accounting mismatches	(78,991)	(52,617)
Entities accounted for using the equity method	34,332	769
Other adjustments	(580)	-
Revaluation adjustments	**608,105**	**526,394**

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 14).

16. Minority Interests

A breakdown of "Minority interests" and "Profit or loss attributable to minority interests" at 31 December 2015 and 2014, by consolidated company, is given below:

	Thousands of Euros			
	31/12/2014		31/12/2015	
	Minority Interests	Profit or loss attributable to minority interests	Minority Interests	Profit or loss attributable to minority interests
Catoc Vida, S.A. de Seguros	316	316	-	-
Nortehispana, S.A. de Seguros y Reaseguros	170	13	164	12
Grupo Compañía Española de Crédito y Caución, S.L./ Atradius N.V.	263,947	25,300	279,974	27,887
Bilbao Compañía Anónima de Seguros y Reaseguros, S.A.	893	96	845	108
Catoc SICAV, S.A	160	3	173	8
Grupo Catalana Occidente Servicios Tecnológicos, A.I.E.	77	-	54	-
Grupo Catalana Occidente Contact Center, A.I.E.	1	-	-	-
Inversions Catalana Occident, S.A.	249	(6)	-	-
Hercasol	4,660	317	4,878	8
Aseq Vida y Accidentes, S.A. de Seguros y Reaseguros	-	-	24	-
Total	**270,473**	**26,039**	**286,112**	**28,023**

The movements in "Minority interests" in 2015 and 2014 are shown in the statement of recognised income and expense and the statement of changes in equity.

17. Information in insurance contracts in primary segments

Total premiums from direct insurance and reinsurance accepted during 2015 and 2014 totalled EUR 3,710,119 thousand in 2013 and EUR 3,328,714 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 64,089 thousand euros during FY 2015 and 62,636 thousand euros in FY 2014.

The breakdown of earned premiums in 2015 and all other income and expense items, grouped according to the main segments and subsegments, is as follows:

	FY 2015 (thousands of euros)					
	Non-Life Segment				Segment Life	Total
	Auto	Multirisk	Credit and Suretyship	Other Miscellaneous		
Premiums attributed to accepted direct insurance and reinsurance business	**460,912**	**514,398**	**1,538,573**	**322,761**	**874,443**	**3,711,087**
Earned premiums from direct insurance	457,950	508,631	1,358,296	309,214	873,452	3,507,543
Earned premiums from accepted reinsurance	560	102	197,077	4,396	441	202,576
Variation in the provision for premiums pending collection	(142)	(879)	462	(843)	(243)	(1,645)
Variation in the provision for unearned premiums and current risks in direct insurance	(2,017)	(4,786)	12,226	(8,308)	(489)	(3,374)
Variation in the provision for unearned premiums in accepted reinsurance	(243)	-	4,112	-	182	4,051
Premiums recorded to reinsurance	**5,430**	**31,373**	**675,373**	**26,046**	**5,285**	**743,507**
Income from investments and property, plant and equipment	**31,235**	**26,338**	**43,966**	**19,076**	**204,087**	**324,702**
Income from investments assigned to insurance policies in which policyholders bear the investment risk	**-**	**-**	**-**	**-**	**30,214**	**30,214**
Other technical income	**50**	**60**	**180,754**	**166**	**4,539**	**185,569**
Claims incurred in the year, net of reinsurance	**306,793**	**273,654**	**409,055**	**135,057**	**620,898**	**1,745,457**
Benefits paid for direct insurance	290,075	256,298	523,019	153,769	619,977	1,843,138
Benefits paid for accepted reinsurance	1,047	1,388	132,048	269	346	135,098
Benefits paid for transferred reinsurance	(1,676)	24,029	307,394	14,873	3,844	348,464
Changes in benefit provisions for direct insurance	(4,139)	27,259	9,028	(13,964)	1,454	19,638
Changes in benefit provisions for accepted reinsurance	(23)	(1,975)	12,672	(74)	(254)	10,346
Changes in benefit provisions for transferred reinsurance	2,759	5,351	(3,757)	(863)	(614)	2,876
Expenses attributable to benefits	20,916	20,064	35,925	9,067	2,605	88,577
Change in other technical provisions, net of reinsurance	**-**	**-**	**-**	**2,781**	**328,809**	**331,590**
Provisions for life insurance	-	-	-	-	312,280	312,280
Provisions for life insurance where the investment risk is borne by policyholders	-	-	-	-	16,529	16,529
Other technical provisions	-	-	-	2,781	-	2,781
Provision for policyholder dividends and return premiums	**-**	**-**	**-**	**-**	**701**	**701**
Net operating expenses	**111,609**	**162,844**	**399,716**	**114,970**	**69,680**	**858,819**
Acquisition costs (commissions and other costs)	90,669	149,604	284,788	98,901	61,695	685,657
Administration costs	19,071	19,636	377,796	22,784	9,542	448,829
Commissions and shares in transferred reinsurance	(1,869)	6,396	262,868	6,715	1,557	275,667
Other technical expenses	**1,593**	**1,841**	**6,114**	**1,690**	**1,229**	**12,467**
Variation of deterioration for insolvencies	55	32	160	(1)	59	305
Other technical expenses	1,538	1,809	5,954	1,691	1,170	12,162
Expenses arising from property, plant and equipment and investments	**10,333**	**10,009**	**34,212**	**7,158**	**25,254**	**86,966**
Costs from investments assigned to insurance policies in which policyholders bear the investment risk	**-**	**-**	**-**	**-**	**25,974**	**25,974**
Technical-Financial Earnings	**56,439**	**61,075**	**238,823**	**54,301**	**35,453**	**446,091**

Below is a breakdown of earned premiums in 2014 and all other income and expense items, grouped according to the main segments and subsegments:

	FY 2014 (thousands of euros)					
	Non-Life Segment				Segment Life	Total
	Auto	Multirisk	Credit and Suretyship	Other Miscellaneous		
Premiums attributed to accepted direct insurance and reinsurance business	**325,331**	**410,060**	**1,456,234**	**236,241**	**864,938**	**3,292,804**
Earned premiums from direct insurance	322,076	407,025	1,313,339	230,322	864,735	3,137,497
Earned premiums from accepted reinsurance	281	221	184,752	5,711	252	191,217
Variation in the provision for premiums pending collection	(326)	(545)	(3,154)	(22)	41	(4,006)
Variation in the provision for unearned premiums and current risks in direct insurance	(2,652)	(2,269)	43,448	(149)	(66)	38,312
Variation in the provision for unearned premiums in accepted reinsurance	4	-	1,563	(37)	74	1,604
Premiums recorded to reinsurance	**(12,891)**	**38,058**	**639,712**	**26,760**	**3,747**	**695,386**
Income from investments and property, plant and equipment	**19,238**	**16,274**	**46,120**	**12,604**	**186,501**	**280,737**
Income from investments assigned to insurance policies in which policyholders bear the investment risk	**-**	**-**	**-**	**-**	**21,120**	**21,120**
Other technical income	**(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**
Benefits paid for 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
Benefits paid for transferred reinsurance	(4,005)	13,101	253,507	10,352	2,185	275,140
Changes in benefit provisions for direct insurance	3,451	4,522	(66,056)	(7,467)	4,016	(61,534)
Changes in benefit provisions for accepted reinsurance	2,906	(419)	74,532	(57)	(487)	76,475
Changes in benefit provisions for transferred reinsurance	6,622	1,392	(9,642)	698	(45)	(975)
Expenses attributable to benefits	16,784	12,675	34,072	4,611	2,282	70,424
Change in other technical provisions, net of reinsurance	**-**	**-**	**-**	**1,961**	**307,620**	**309,581**
Provisions for life insurance	-	-	-	-	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 costs)	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 shares in transferred 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**
Variation of deterioration for insolvencies	39	7	213	4	24	287
Other technical expenses	1,696	2,598	16,478	2,854	1,902	25,528
Expenses arising from property, plant and equipment and investments	**6,749**	**6,157**	**29,015**	**4,628**	**16,162**	**62,711**
Costs from investments assigned to insurance policies in which policyholders bear the investment risk	**-**	**-**	**-**	**-**	**7,396**	**7,396**
Technical-Financial Earnings	**36,145**	**60,872**	**219,965**	**47,311**	**33,701**	**397,994**

The service income of Atradius, N.V. is included in the income statement for 2015 and 2014 of the Credit Insurance sub segment under the heading “Other technical income”, as shown below:

	Thousands of Euros	
	FY 2014	Fiscal Year 2015
Collection and recovery services	37,033	39,982
Information and commission services	115,254	121,453
Other income from services	16,670	19,319
Total “Other technical income” – Credit insurance	**169,047**	**180,754**

The “Other income” and “Other expenses” sub-headings in the income statement of the Other Activities segment includes the following items:

Other income – FY 2015	Thousands of Euros Other Activities Segment	Other costs – FY 2015	Thousands of Euros Other Activities Segment
Collection awards	2,632	Recorded personnel expenses	13,828
Depsa - ARAG Operation	3,711	Other administration costs	15,094
Investment fund commissions	4,522	Other expenses	335
Other income	2,924		
Total	**13,789**	**Total**	**29,257**

Other income – FY 2014	Thousands of Euros Other Activities Segment	Other costs – FY 2014	Thousands of Euros Other Activities Segment
Collection awards	1,888	Recorded personnel expenses	9,940
Employee commitment policy surrender	337	Other administration costs	3,588
Income Talleres 3000	1,081	Provision for pension commitments	871
Other income	1,828	Other expenses	699
Total	**5,134**	**Total**	**15,098**

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 2015 are as follows:

Impairment losses	Thousands of Euros			
	Segment Non-Life	Life Segment	Other Activities Segment	Total
Available-for-sale financial assets (Note 6.a):				
Equity instruments	2,563	4	1,279	3,846
Debt securities	804	133	-	937
Loans and receivables (Note 6.a):				
Mortgage loans	-	-	184	184
Material assets (Note 8):				
Property, plant and equipment	-	2	15	17
Investment Property	234	1	178	413
Intangible assets (Note 9):				
Other intangible assets	2,778	-	-	2,778
Investment in entities accounted for using the equity method (Note 7):				
Associates	11,800	-	-	11,800
Total	**18,179**	**140**	**1,656**	**19,975**

17.a) Composition of life business by volume of premiums

The breakdown of the life business (direct insurance) in 2015 and 2014, by premium volume, is as follows:

Premiums for life insurance (direct)	Thousands of Euros	
	FY 2014	Fiscal Year 2015
Premiums for individual contracts	847,840	793,531
Premiums for collective insurance contracts	16,895	79,921
	864,735	**873,452**
Periodic premiums	428,816	464,320
Single premiums	435,919	409,132
	864,735	**873,452**
Premiums for contracts without policyholder dividends	304,868	395,230
Premiums for contracts without policyholder dividends (1)	498,033	407,041
Premiums for contracts where risk is borne by policyholders	61,834	71,181
	864,735	**873,452**

(1) Includes insurance contracts with a spread between the guaranteed interest rate and the interest rate per the technical bases.

17.b) Technical conditions for the main types of life insurance

The technical conditions for the main types of life insurance, which account for more than 5% of life insurance premiums or provisions, are as follows:

Mode and type of coverage	Technical interest	Biometric table (*)	Thousands of Euros 2014 Premiums	2014 Mathematical provision (*)	2014 Amount distributed for policyholder dividends	2015 Premiums	2015 Mathematical provision (*)	2015 Amount distributed for policyholder dividends
SEGUROS CATALANA OCCIDENTE								
Universal Jubilación Benefit at the time of retirement as capital or income	Indexed and 5%	GKM-80	15,498	268,822	825	14,778	270,316	921
Universal Vida y Jubilación As the previous one, plus capital for death if it occurs prior to retirement	Indexed, 3% and 5%	GKM-80	13,802	254,152	560	12,755	252,829	594
Universal Vida y Pensión Same as above.	Indexed, 3.5% and 5%	GKM-80	24,980	325,423	634	24,700	336,295	778
Universal Ahorro Previsión Same as above.	Indexed	GKM-80	16,180	134,418	1,090	15,039	136,359	1,269
Universal PPA	Indexed	GKM-80; GKM/F-95/ PASEM2010	33,397	239,545	2,068	32,121	241,044	2,501
Universal PIAS	Indexed	GKM/F-95/ PASEM2010	49,435	154,371	1,105	52,273	176,396	1,531
Universal Ahorro Futuro	Indexed	GKM/F-95/ PASEM2010	83,648	114,031	455	50,836	149,699	1,538
Patrimonio Oro	Indexed 3.5%	GKM-80; GKM/F-95/ PASEM2010	200,201	530,294	1,699	125,859	592,430	1,512
Renewable Temporary Individual Renewable annual temporary risk insurance.	2%	GKM-80 adjusted GKM/F-95 PASEM2010	36,929	8,744 (**)	-	38,258	8,754 (**)	-
Collective Insurance with Policyholder Dividends Benefit at the time of retirement as capital or income	2.25, 3.5 and 5% and matched operations	GRM-70; GR/F-80-2; GRM/F-95 PERM/F2000P	6,076	400,974	405	66,819	447,038	138
SEGUROS BILBAO								
Flexivida Seguros Bilbao	5.29%	GKM-70/ 80	7,783	125,973	-	6,235	119,249	-
Flexivida Seguros Bilbao indexed	Indexed	Unisex (PASEM/PASEF)	78,969	218,946	-	86,194	277,895	-
Plan de Jubilación Seguros Bilbao	4.36%	GRM-70 / 80 / 95	9,648	138,252	465	8,415	131,213	465
Cuenta ahorro seguro Seguros Bilbao	Indexed	Unisex (PASEM/PASEF)	38,997	123,774	-	21,979	120,653	-
PPA Seguros Bilbao	Indexed	Unisex (PASEM/PASEF)	7,098	54,479	-	7,120	56,043	-
Cuenta Técnica Seguros Bilbao	Indexed	Unisex (PASEM/PASEF)	65,171	174,789	-	52,535	206,410	-

Mode and type of coverage	Technical interest	Biometric table (*)	Thousands of Euros 2014 Premiums	2014 Mathematical provision (*)	2014 Amount distributed for policyholder dividends	2015 Premiums	2015 Mathematical provision (*)	2015 Amount distributed for policyholder dividends
NORTEHISPANA								
Nortehispana Pensiones Deferred capital with policyholder dividends	6, 4, 3 and 2.4%	GRM – 95	7,464	121,504	1,760	6,737	114,680	1,661
Nortehispana Universal Contribution without policyholder dividends	3.75%	GKM/F-95	17,783	36,928	-	27,516	54,619	-
PLUS ULTRA								
Renewable Annual Temporary Risk Insurance	2% - 6%	PASEM2010	-	-	-	12,569	6,523	-
Mixed Mixed Insurance	1.50% - 6%	PASEM2010	-	-	-	4,433	84,802	532
Savings plans, periodic premium Deferred Insurance with Premium Reimbursement	1.50% - 6%	GR95U	-	-	-	9,895	147,141	350
Savings plans, single premium Deferred Insurance with Premium Reimbursement	1.50% - 6%	GR95U	-	-	-	27,057	156,385	3
Collective Retirement Plan Insurance Insurance for capital and income for outsourcing pension commitments	1% - 6%	GR95U PERM/F2000P	-	-	-	2,291	80,533	25
Insured Benefit Plans (PPA) Retirement Insurance with survivorship and death coverage	1.50% - 2.50%	GR95U	-	-	-	11,858	75,871	1,237
PIAS Whole Life Insurance to constitute lifelong annuity	2.70%	PASEM2010	-	-	-	37,268	99,169	-

(*) 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) of 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 1 January 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 2015 and 2014 (1.91% and 2.37% 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 1 January 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 2015 and 2014 exceeded the established assumed interest rate, no additional provision was required, except for certain types of policies issued by the subsidiary Bilbao Compañía Anónima de Seguros y Reaseguros, S.A., where the actual rate of return was insufficient to meet future administrative expenses arising from the policies.

17.c) Expenses by nature

A breakdown of staff costs for the years 2014 and 2015 and allocation to the profit and loss for each segment and sub-segments is shown below:

	Thousands of Euros	
	FY 2014	Fiscal Year 2015
Wages and Salaries	341,842	369,115
Social Security	67,518	72,944
Contributions to external pension funds	20,373	35,362
Compensations and rewards	4,473	4,245
Other personnel expenses	8,313	14,298
Total	**442,519**	**495,964**

Use of personnel expenses – FY 2015	Segment Non-Life	Life Segment	Other Segment	Total
				Thousands of Euros
Claims incurred in the year, net of reinsurance	49,123	1,141	-	50,264
Expenses arising from property, plant and equipment and investments	2,084	1,691	-	3,775
Net operating expenses	377,723	24,439	-	402,162
Other expenses	25,018	917	13,828	39,763
Net Total	**453,948**	**28,188**	**13,828**	**495,964**

In 2014, of total staff costs EUR 405,545 thousand went to the Non-life segment, EUR 27,034 thousand to the Life segment and EUR 9,940 thousand to the Other segment.

18. Information on secondary segments

18.a) Earned premiums from direct insurance, inward reinsurance and other technical income

The secondary segments defined by the Group basically map the location of insured customers by management region, due to the integration of the Atradius N.V. business. A distinction is made between Spain and the following regions:

- The Netherlands and Scandinavian countries: Denmark, Finland, Norway and Sweden.
- Central and Eastern Europe, Greece and Turkey: Austria, Czech Republic, Germany, Hungary, Poland, Slovakia, Switzerland.
- Southern Europe: Belgium, France, Italy, Luxembourg and Andorra
- United Kingdom and Ireland
- North America: Canada, Mexico, United States.
- Oceania, Asia and other emerging markets: Australia, China, Japan, New Zealand, Singapore.

The geographical distribution of the direct insurance business in 2015 and 2014 was as follows:

Geographical Area	Thousands of Euros Distribution of earned premiums from direct insurance, inward reinsurance and other technical income, by geographical area			
	FY 2014		Fiscal Year 2015	
	Segment Non-Life	Life Segment	Segment Non-Life	Life Segment
Domestic market	1,335,128	864,948	1,675,326	875,063
Export:				
- The Netherlands and Scandinavian countries	222,526	-	225,078	-
- Central Europe, Eastern Europe, Greece and Turkey	263,413	-	281,109	-
- Southern Europe	324,125	5,026	338,292	3,918
- United Kingdom and Ireland	263,883	-	273,655	-
- North America	80,061	-	98,686	-
- Oceania, Asia and other emerging markets	107,934	-	125,529	-
Total	**2,597,070**	**869,974**	**3,017,675**	**878,981**

18.b) Assets by geographical location

The distribution of the Group's assets by geographical location, based on the location of the service centres where the Group's insurance and complementary businesses are managed, is as follows:

Thousands of Euros

	Spain	The Netherlands and Scandinavian countries	Central and Eastern Europe, Greece and Turkey	Southern Europe	United Kingdom and Ireland	North America	Oceania, Asia and other emerging markets	Rest of countries	Total
Assets at 31/12/2015	7,307,075	1,343,599	765,475	1,458,100	1,643,438	454,737	267,309	56,252	**13,295,985**
Assets at 31/12/2014	5,968,472	1,562,369	591,932	1,053,913	1,428,062	352,174	257,004	47,519	**11,261,445**

18.c) Acquisitions of property, plant and equipment and intangible assets

Thousands of Euros

Fiscal Year 2015	Spain	The Netherlands and Scandinavian countries	Central and Eastern Europe, Greece and Turkey	Southern Europe	United Kingdom and Ireland	North America	Oceania, Asia and other emerging markets	Total
Acquisitions of property, plant and equipment	19,734	1,065	916	1,095	2,101	161	992	**26,064**
Acquisitions of investment property	3,921	-	-	-	-	-	-	**3,921**
Acquisitions of "intangible assets"	19,295	7,880	731	1,125	8,081	-	-	**37,112**

Thousands of Euros

FY 2014	Spain	The Netherlands and Scandinavian countries	Central and Eastern Europe, Greece and Turkey	Southern Europe	United Kingdom and Ireland	North America	Oceania, Asia and other emerging markets	Total
Acquisitions of property, plant and equipment	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**

19. Details of related parties

During 2015, there have been no relevant operations by the company with other companies in the same Group that have not been eliminated in the process of producing the consolidated financial statements and that do not form part of the normal business of the company.

The detail of the most significant balances kept by the Group with the various related parties and the effect of transactions with them on the profit and loss account are shown below. All transactions between related parties are carried out at market conditions.

In Thousands of Euros	Associates	Key management staff	Other related parties (majority shareholder)
ASSETS			
Receivables	-	-	403
Total	**-**	**-**	**403**
LIABILITIES			
Accounts payable	4	-	191
Total	**4**	**-**	**191**
PROFIT AND LOSS			
Provision of services (payments)	(22,900)	-	(1,650)
Provision of services (charges)	12,295	-	36
Total	**(10,605)**	**-**	**(1,614)**
OTHERS			
Dividends paid	-	4,875	43,808
Total	**-**	**4,875**	**43,808**

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 2015 are as follows:

In Thousands of Euros	Group Companies
ASSETS/LIABILITIES	
Deposits for reinsurance	1,400
Credits/debts for reinsurance/coinsurance transactions	10,247
Technical provisions reinsurance	14,757
Acquisition costs and commissions	631
Total	**27,035**
PROFIT AND LOSS	
Premiums of accepted/transferred reinsurance	44,906
Benefits paid for accepted/transferred reinsurance	17,262
Interest	43
Change in technical provisions	23,762
Accepted/assigned reinsurance commissions	18,890
Total	**104,863**

20. Other information

20.a) Employees

In compliance with Article 260 of the consolidated 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 company and its subsidiaries in 2015 and 2014 by job category and gender. This is the following:

Professional category	Number of people			
	31/12/2014	31/12/2015 (*)		
		Men	Women	Total
Executives	143	173	24	197
Heads and graduates	1,152	924	392	1,316
Clerical and sales staff	4,103	2,319	2,328	4,647
Junior staff	398	98	264	362
	5,796	**3,514**	**3,008**	**6,522**

(*) At 31 December 2015, 768 employees of Plus Ultra are included

The total number of employees as of 31 December 2015 did not differ significantly from those shown in the table above.

20.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 2015 and 2014, the Board Members received the following remuneration from the subsidiaries:

Board Members' remuneration

Members of the Board of Directors	Thousands of Euros	
	FY 2014	Fiscal Year 2015
Concept of remuneration -		
Fixed remuneration	1,532	1,605
Variable remuneration	229	279
Allowances	598	566
Bylaws	3,282	3,282
Others	16	99
Total	**5,656**	**5,831**

Other Board Members' retributions

Members of the Board of Directors	Thousands of Euros	
	FY 2014	Fiscal Year 2015
Other benefits-	-	-
Advances	-	-
Loans granted	-	-
Pension schemes and funds: Contributions	10	-
Pension schemes and funds: Liabilities incurred	-	-
Life insurance premiums	238	211
Guarantees provided in favour of Board Members	-	-
Total	**248**	**211**

Remuneration of members of the senior management, excluding members of the Board of Directors

Senior Management	Thousands of Euros	
	FY 2014	Fiscal Year 2015
Total remuneration received by senior management	3,433	3,315

In preparing these consolidated financial statements 8people have been classified as senior managers as of 31 December 2015 and 2014.

On 31 December 2015 and 2014 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 2 July, Board members and people linked to them must notify the Board any conflict of interests that they may have with the company.

The members of the Board of Directors and persons related thereto, as defined in art. 231 of the revised text of the Ley de Sociedades de Capital (Law on Capital Companies) (TRLSC), have not been involved in conflicts of interest specified in art. 229 of that statute, since there has been no communication whatsoever in the sense indicated in paragraph 3 of this article to the Board of Directors or the rest of the Directors. Therefore, the financial statements do not include any breakdown in this regard.

20.c) Related party transactions

In accordance with Order EHA/3050/2004 of 15 September, it is noted that, apart from dividends and retributions received, no related-party transactions took place during the fiscal year with Board Members or managers or other similar parties, except for transactions which have been eliminated in the consolidation process and immaterial transactions undertaken in the normal course of business under normal market conditions. These last transactions are described in the Corporate Governance Report.

20.d) Auditors' fees

During 2015 and 2014, the fees for audit services and other services provided by the auditor of the Group's consolidated financial statements, Deloitte, S.L. and companies within the Deloitte network, and service fees charged by the auditors of annual accounts of the companies included in the scope of consolidation and entities related to them by control, joint ownership or management were as follows:

Fiscal Year 2015

Description	**Thousands of Euros**	
	Services provided by the main auditor (*)	**Services provided by other audit firms** (*)
Audit Services	2,878	258
Other verification services	564	-
Total Audit and related services	**3,442**	**258**
Tax Advisory Services	6	987
Other services	582	1,936
Total Professional Services	**588**	**2,923**

(*) Ex-VAT amounts.

Fiscal 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.

20.e) Information on deferrals for payments to suppliers: Information obligation under Law 15/2010 of 5 July

The information required by the third additional provision of Law 15/2010, of 5 July (amended through the second final provision of Law 31/2014, of December 3), prepared according to the ICAC Resolution of 29 January 2016, regarding the information to be included in the consolidated annual statements about the average period to pay suppliers in commercial operations, is detailed below.

According to what is allowed in the sole additional provision of the aforementioned Resolution, as this is the first period of application, comparative information is not presented.

	Payments made and pending payment by year-end.
	2015
	Amount
Average period to pay suppliers (days)	17.97
Ratio of operations paid (days)	17.63
Ratio of operations pending payment (days)	33.48
Total payments made (thousands of euros)	307,801
Total pending payments (thousands of euros)	6,682

Pursuant to the ICAC resolution, to calculate the average period to pay suppliers, commercial operations corresponding to the delivery of goods or the supply of services payable from the entry into force of Law 31/2014, of December 3, have been taken into account.

For the exclusive purposes of providing the information required by this Resolution, suppliers are considered commercial creditors of debts to suppliers of goods or services included in the section “Rest of other payables” of current liabilities in the balance sheet.

The “Average period to pay suppliers” is understood as the period elapsed between the delivery of the goods or the supply of the services by the supplier and the effective payment of the operation.

The legal maximum payment limit applicable to the Company in Spain for the year 2015 under Law 3/2004 (amended by Law 11/2013, of 26 July), which stipulates measures to address late payment in commercial transactions, is of 30 days except if there is an agreement between the parties that in no case may establish a period exceeding 60 calendar days.

At 31 December 2015, the Group held no outstanding balance with suppliers exceeding the statutory payment period.

21. Post balance sheet events

In addition to the interim dividend mentioned in Note 15, after the close of the year and until the date of preparation of these annual accounts, no events have taken place which affect them significantly, other than those explained in the above notes.

Solvency II

Directive 2009/138/EC of the European Parliament and of the Council, of 25 November 2009, on life insurance, access to insurance and reinsurance activities and their exercise (Solvency II), hereinafter the “Solvency II Directive”, consolidated most of the European regulations relating to private insurance and articulated a concept of solvency for insurance and reinsurance entities.

Law 20/2015 on the Organisation, Supervision and Solvency of Insurance and Reinsurance Entities, of 14 July, mandatory for periods starting from 1 January 2016, and the regulations that develop it, approved through Royal Decree 1060/2015, of 20 November, on the Organisation, Supervision and Solvency of Insurance and Reinsurance Entities, transpose, among other aspects, the Solvency II Directive into the Spanish legal systems.

The parent company and other liable companies in the Group are completing the transition plan, pursuant to the provisions of Order ECC/730/2014, of 29 April, on temporary measures to facilitate the progressive adaptation to the mandatory scheme of the Solvency II Directive from 1 January 2016, as well as the provisions of the Resolution of 25 March 2015 of the DGSFP.

The measures adopted include adaptations made for the supply of the required quantitative and qualitative information, as well as those established for the calculation of the solvency capital requirement according to the assumed risks.

Likewise, on December 30, 2015, an authorisation was filed before the College of Supervisors to use a partial internal model for the branch of Credit and Suretyship.

The parent company estimates that the application of the aforementioned regulations will not have significant effects on the financial situation and profits of the Group.

Appendices

Appendix I:	List of subsidiaries at 31 December 2015
Appendix II:	List of associates at 31 December 2015

Appendix I: List of subsidiaries at 31 December 2015

Figures in Thousands of Euros

Company		% Voting rights			Summarised financial information						
(Registered name and domicile)	Activity	Direct	Indirect	Total	Total Assets	Share Capital	Equity Reserves	Profit for the year net of dividends	Revaluation adjustments	Earned Premiums Net of Reinsurance	Ordinary Income
Seguros Catalana Occidente, Sociedad Anónima de Seguros y Reaseguros Avenida Alcalde Barnils, 63 Sant Cugat del Vallés (Barcelona)	Insurance and reinsurance	100%	-	100%	4,889,562	18,030	264,744	76,637 *(1)*	322,647	1,147,188	-
Grupo Compañía Española de Crédito y Caución, Sociedad Limitada Paseo de la Castellana, 4 Madrid	Shareholder	73.84%	-	73.84%	623,699	18,000	606,315	(728)	-	-	16
Atradius NV and Subsidiaries David Ricardostraat, 1 1066 JS AÁmsterdam (Netherlands)	Credit and suretyship insurance and complementary insurance activities	35.77%	47.43%	83.20%	4,232,346	79,122	1,237,461	178,221	5,445	862,396	180,754
Salerno 94, S.A. Avenida Alcalde Barnils, 63 Sant Cugat del Vallés (Barcelona)	Financial investments	100%	-	100%	37,759	721	35,690	1,344	-	-	1,374
Cosalud Servicios, S.A. (*) Avenida Alcalde Barnils, 63 Sant Cugat del Vallés (Barcelona)	Lease of industrial facilities and others	100%	-	100%	10,694	3,005	3,514	3,321	439	5,577	502
Grupo Catalana Occidente Gestión de Activos S.A., S.G.I.I.C. Avenida Alcalde Barnils, 63 Sant Cugat del Vallés (Barcelona)	Financial investments	100%	-	100%	5,926	391	4,280	348 *(2)*	28	-	7,211
GCO Reaseguros, S.A. Avenida Alcalde Barnils, 63 Sant Cugat del Vallés (Barcelona)	Reinsurance	100%	-	100%	13,421	9,050	8	- *(3)*	(1)	1,320	-
Bilbao, Compañía Anónima de Seguros y Reaseguros, S.A. Paseo del Puerto, 20 Getxo (Vizcaya)	Insurance and reinsurance	-	99.73%	99.73%	1,816,488	28,009	78,312	2,184 *(4)*	149,741	470,351	-
BILBAO HIPOTECARIA, S.A., E.F.C. Paseo del Puerto, 20 Getxo (Vizcaya)	Mortgages loans	-	99.73%	99.73%	57,742	4,450	1,039	422	15	-	2,077
S. Órbita, Sociedad Agencia de Seguros, S.A. Paseo del Puerto, 20 Getxo (Vizcaya)	Insurance Agency	-	99.73%	99.73%	3,066	1,100	240	8	-	-	8,462
Bilbao Telemark, S.L. Paseo del Puerto, 20 Getxo (Vizcaya)	Telemarketing	-	99.73%	99.73%	175	37	12	7	-	-	1,390
Bilbao Vida y Gestores Financieros, S.A. Paseo del Puerto, 20 Getxo (Vizcaya)	Insurance Agency	-	99.73%	99.73%	531	60	39	3	-	-	3,834
Nortehispana. De Seguros y Reaseguros, S.A. Pau Claris, 132 Barcelona	Insurance and reinsurance	-	99.78%	99.78%	299,423	18,030	28,239	5,456	23,848	118,200	-
Plus Ultra, Seguros Generales y Vida, S.A. de Seguros y Reaseguros Plaza de las Cortes, 8 Madrid	Insurance and reinsurance	-	100%	100%	2,065,557	97,619	278,021	16,548 *(5)*	59,294	702,369	-

Figures in Thousands of Euros

Company		% Voting rights			Summarised financial information						
(Registered name and domicile)	Activity	Direct	Indirect	Total	Total Assets	Share Capital	Equity Reserves	Profit for the year net of dividends	Revaluation adjustments	Earned Premiums Net of Reinsurance	Ordinary Income
Inversiones Menéndez Pelayo SICAV, S.A. Avda. Diagonal 399 Barcelona	Financial investments	-	99.99% (**)	99.99% (**)	31,863	57,792	(27,799)	1,835	-	-	2,134
Hercasol, S.A. SICAV Avenida Diagonal, 399 Barcelona	Financial investments	-	59.42% (**)	59.42% (**)	12,044	6,103	5,355	562	-	-	707
Catoc SICAV, S.A. Avenida Alcalde Barnils, 63 Sant Cugat del Vallés (Barcelona)	Financial investments	-	99.84% (**)	99.84% (**)	117,786	8,286	97,819	11,653	-	-	12,029
PREPERSA de Peritación de Seguros y Prevención, A.I.E. Jesús Serra Santamans, 1 Sant Cugat del Vallés (Barcelona)	Prevention and appraisal	-	100%	100%	2,505	60	883	40	27	-	4,781
Tecniseguros, Sociedad de Agencia de Seguros, S.A. Avenida Alcalde Barnils, 63 Sant Cugat del Vallés (Barcelona)	Insurance Agency	-	100%	100%	515	60	42	(8)	-	-	5,477
Catalana Occidente Capital, Agencia de Valores, S.A. Avenida Alcalde Barnils, 63 Sant Cugat del Vallés (Barcelona)	Brokerage Agency	-	100%	100%	4,141	300	3,188	375	67	-	1,319
Grupo Catalana Occidente Tecnología y Servicios, A.I.E. Avenida Alcalde Barnils, 63 Sant Cugat del Vallés (Barcelona)	Auxiliary insurance services	-	99.94%	99.94%	37,529	28,242	334	34	-	-	71,163
Grupo Catalana Occidente Contact Center, A.I.E. Jesús Serra Santamans, 3 - 4º planta Sant Cugat del Vallés (Barcelona)	Customer service	-	99.93%	99.93%	796	300	-	-	-	-	6,578
Inversions Catalana Occident, S.A. Avinguda Carlemany, 65 Escaldes Engordany (Andorra)	Creation, management and operation of insurance entities	-	100%	100%	4,145	60	429	(25)	-	-	2,620
Aseq Vida y Accidentes, S.A. de Seguros y Reaseguros Mare de Déu de Núria, 41-43 Barcelona	Insurance and reinsurance	-	99.88% (**)	99.88% (**)	27,529	11,120	6,833	643	68	5,204	-

(*) (*) Formerly called Depsa, S.A. de Seguros y Reaseguros

(**) 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 48,000 thousand euros and has posted an increase in the equalisation provision for the amount of 4.167 thousand euros.

(2) The Company paid an interim dividend of 1,300 thousand euros.

(3) The company has posted an increase in the equalisation provision for the amount of 7 thousand euros.

(4) The company has paid an interim dividend of 36.715 thousand euros and has posted an increase in the equalisation provision for the amount of 914 thousand euros.

(5) The company has posted an increase in the equalisation provision for the amount of 5,678 thousand euros.

The financial information given for the abovementioned Group companies (total assets, share capital, equity reserves, profit for the year net of dividend, earned premiums less reinsurance and ordinary income) has been obtained from the most recent individual or consolidated financial statements available for 2015 and has been duly adapted, for every company, to the Group's accounting policies.

The figures for Atradius N.V. include the data for their subsidiaries relating to the profit or loss for the year and equity reserves.

In the case of insurance companies, the figure for earned premiums net of reinsurance is given. In all other companies, the figure given is ordinary income.

Appendix II: List of associates at 31 December 2015

Figures in Thousands of Euros

Company (Registered name and domicile)	Activity	% Voting rights Direct	Indirect	Total	Summarised financial information Total Assets	Share Capital	Equity Reserves	Profit for the year net of dividends	Revaluation adjustments	Earned Premiums Net of Reinsurance	Ordinary Income
Inversiones Credere S.A. Santiago - Chile	Shareholder	49.99%	-	49.99%	5,150	940	4,154	242	(128)	-	247
Calboquer, S.L. Villarroel, 177-179 08936 Barcelona	Medical, Social, Psychological and Legal Telephone Consultancy	-	20.00%	20.00%	435	60	103	(39)	-	-	1,478
Asitur Asistencia. S.A. Avenida Encuartes, 21 Tres Cantos (Madrid)	Assistance	-	42.82%	42.82%	21,159	2,945	8,708	1,179	-	-	149,789
Gesiuris, S.A., Sociedad Gestora de Instituciones de Inversión Colectiva Rambla Catalunya, 38, 9ª planta Barcelona	Investment company	-	26.12% (*)	26.12% (*)	7,139	301	4,521	427 *(1)*	252	-	7,034
Graydon Holding NV Amsterdam - The Netherlands	Complementary credit insurance activities	-	37.44%	37.44%	53,827	1,500	15,156	(3,835)	-	-	52,702
CLAL Credit Insurance Tel Aviv - Israel	Credit and suretyship insurance	-	16.64%	16.64%	71,725	2,999	33,316	4,956	2,980	12,966	-
Al Mulla Atradius Consultancy & Brokerage L.L.C. Dubai - UAE	Mediation	-	40.77%	40.77%	-	-	-	-	-	-	-
Compañía de Seguros de Crédito Continental S.A. Santiago - Chile	Credit and suretyship insurance	-	41.60%	41.60%	113,426	4,237	27,938	3,046	(1,064)	8,241	-
The Lebanese Credit Insurer S.A.L. Beirut - Líbano	Credit and suretyship insurance	-	40.68%	40.68%	10,676	2,285	2,116	(1,225)	314	2,520	-

(*) 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 300 thousand euros.

The financial information given for the abovementioned Group companies (total assets, share capital, equity reserves, profit for the year net of dividend, earned premiums less reinsurance and ordinary income) has been obtained from the most recent individual or consolidated financial statements available for 2015 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 31 December 2015.

Auditor Report
Grupo Catalana Occidente, S.A.

Deloitte.

Deloitte, S.L.
Avda. Diagonal, 654
08034 Barcelona
España

Tel.: +34 932 80 40 40
Fax: +34 932 80 28 10
www.deloitte.es

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Grupo Catalana Occidente, Sociedad Anónima:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Grupo Catalana Occidente, S.A. ("the Parent") and Subsidiaries, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated income statement, consolidated statement of recognised income and expense, consolidated changes in equity statement, consolidated cash flow statement and notes to the consolidated financial statements for the year then ended.

Directors' Responsibility for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of Grupo Catalana Occidente, S.A. and Subsidiaries in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain (identified in Note 2-a) to the accompanying consolidated financial statements) and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the Parent's directors of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of Grupo Catalana Occidente, S.A. and Subsidiaries as at 31 December 2015, and their consolidated results and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' report for 2015 contains the explanations which the Parent's directors consider appropriate about the situation of Grupo Catalana Occidente, S.A. and Subsidiaries, the evolution of their business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2015. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Grupo Catalana Occidente, S.A. and Subsidiaries.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Jordi Montalbo

25 February 2016

Corporate Governance Report
Grupo Catalana Occidente, S.A.

ANNEX I

ANNUAL CORPORATE GOVERNANCE REPORT

OF LISTED COMPANIES

IDENTIFICATION DETAILS OF THE ISSUER

CLOSING DATE OF FISCAL YEAR OF REFERENCE	31/12/2015

TAX ID NUMBER	A-08168064

REGISTERED NAME:

GRUPO CATALANA OCCIDENTE, S.A.

REGISTERED OFFICE:

AVDA. ALCALDE BARNILS - ZONA SAN JUAN, (SANT CUGAT DEL VALLES) BARCELONA

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
25/05/2006	36,000,000.00	120,000,000	120,000,000

Indicate whether there are different classes of shares with different rights:

Yes ☐ No ☒

A.2 Details of direct and indirect owners of significant shareholdings in the company at financial year-end, excluding Directors:

Name or company name of shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	0	74,466,463	62.06%

Name, or company name, of indirect shareholder	Through: Name or company name of direct shareholder	Number of voting rights
CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	LA PREVISIÓN 96, S.A.	30,003,560
CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	INOC, S.A.	7,075,114
CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	CORPORACIÓN CATALANA OCCIDENTE, S.A.	37,379,149
CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	DEPSA 96, S.A.	8,640

Specify the movements in the shareholding structure during the year:

Name or company name of shareholder	Date of transaction	Description of the transaction
CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	23/12/2015	60% of share capital has been exceeded

A.3 Complete the following tables for members of the Board of Directors who hold voting rights on company shares:

Name, or company name, of the Director	Number of direct voting rights	Number of indirect voting rights	% of total voting
JOSÉ IGNACIO ÁLVAREZ JUSTE	0	0	0.00%
FEDERICO HALPERN BLASCO	29,283	0	0.02%
JOSÉ MARÍA SERRA FARRÉ	459,082	0	0.38%
JUAN IGNACIO GUERRERO GILABERT	0	0	0.00%
MARÍA ASSUMPTA SOLER SERRA	179,404	0	0.15%
FRANCISCO JOSÉ ARREGUI LABORDA	49,604	0	0.04%
HUGO SERRA CALDERÓN	6,500	0	0.01%
JORGE ENRICH IZARD	0	0	0.00%

Name, or company name, of the Director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
JUSAL, S.L.	0	0	0.00%
COTYP, S.L.	10,000	0	0.01%
VILLASA, S.L.	540,730	0	0.45%
INVERSIONES GIRÓ GODÓ, S.L.	26,000	0	0.02%
JS INVEST, S.L.	200	0	0.00%
LACANUDA CONSELL, S.L.	50	0	0.00%
ENSIVEST BROS 2014, S.L.	0	0	0.00%
FRANCISCO JAVIER PÉREZ FARGUELL	0	0	0.00%

% of total voting rights held by the Board of Directors	1.11%

Complete the following tables for members of the Board of Directors who hold stock options in the Company:

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.

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:

A.6 State whether the Company has been informed of any shareholder agreements that affect it under Articles 530 and 531 of the Spanish Ley de Sociedades de Capital (Law on Capital Companies). Where appropriate, briefly list the shareholders bound by the agreement:

Yes [ ] No [X]

State whether the company is aware of the existence of concerted actions between its shareholders. If so, list them briefly

Yes [ ] No [X]

If any of the above agreements or concerted actions have been modified or terminated during the financial year, state them:

No data for this section.

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 (Law on the Securities Market). Where appropriate, identify:

Yes [X] No [ ]

Name or company 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 % of share capital
0	2,004,282	1.67%

(*) Through:

Name or company 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:

Explain significant variations

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. (the "Company") is authorised 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 General Shareholders' Meeting on 23 April 2015, within the limits and subject to the requirements of the Spanish Ley de Sociedades de Capital (Law on Capital Companies), 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 the Company.
(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 146 of the Spanish Ley de Sociedades de Capital (Law on Capital Companies), is less than the amount of capital plus legal reserves or those stipulated in the by-laws.
(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 finalised.

Under this authorisation, the Board of Directors will establish an action plan on treasury shares, and may delegate the implementation of the plan to the Chair and/or CEO of the Company. Likewise, the Board of Directors must verify, in particular, that, at the moment of any authorised acquisition, the terms established in the resolution and in the Law, as well as the criteria that may be established by the regulator, are respected. 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 authorisation may concern shares that are to be delivered to employees or Directors of the Company and its subsidiaries in the execution of the remuneration programmes of the Company and its Group, directly or upon exercise of option they hold, for which the treasury shares may be used or new acquisitions may be completed under this authorisation.

As a consequence of the resolution described, the authorisation relating to the acquisition of treasury shares by the Company, approved by the Annual General Meeting of Shareholders on 29 April 2010, was nullified.

A.9.bis Estimated floating capital:

	%
Estimated floating capital	35.16

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 on the market.

Yes [X] No [ ]

Description of the restrictions
There are no restrictions on voting rights, because each share entitles the holder to one vote. However, under the By-Laws and under the Regulations of the General Meeting, to attend the Annual General Meeting of Shareholders a minimum of 250 shares are required to be 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 neutralise a takeover bid under the provisions of Law 6/2007.

Yes [ ] No [X]

Where applicable, explain the measures approved and the terms under which the restrictions will be deemed inefficient:

A.12 State whether the company has issued any securities that are not traded on a regulated EU market.

Yes [ ] No [X]

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 Spanish Ley de Sociedades de Capital (LSC) regarding the quorum necessary to hold the Annual General Meeting.

Yes [ ] No [X]

B.2 State whether there are, and if so describe, any divergence from the requirements contemplated in the Spanish Ley de Sociedades de Capital (Law on Capital Companies - LSC) for the adoption of corporate resolutions:

Yes [ ] No [X]

Describe how it differs from the requirements specified in the LSC.

B.3 Describe the rules that apply to the amendment of the Company's By-Laws. In particular, indicate the majorities that are needed to amend the By-Laws and, where applicable, the rules in place to protect shareholders' rights in the process of amending the By-Laws.

The rules in place for amending the By-Laws are the ones established in the Law on Capital Companies. Article 10 of the By-Laws 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 By-Laws, shareholders must adhere to the attendance quorums and the majorities referenced in articles 194 and 201 of the Ley de Sociedades de Capital (Law on Capital Companies).

Moreover, pursuant to the terms of articles 286 and 287 of the Ley de Sociedades de Capital (Law on Capital Companies), for amendments to the By-Laws, the Directors or the shareholders who present motions must draft the entire text of the proposed amendments along with a report in writing 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 articles 197.bis LSC and 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 By-Laws, 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 By-Laws 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				
General Meeting date	% of physical attendance	% represented	% distance voting		Total
			Electronic vote	Others	
24/04/2014	66.45%	16.06%	0.00%	0.00%	82.51%
22/04/2015	66.48%	14.06%	0.00%	0.00%	80.54%

B.5 Indicate whether there is any restriction in the By-Laws on the minimum number of shares required to attend the Annual General Meeting:

Yes X No

Number of shares required to attend the General Meeting	250

B.6 Section repealed.

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 Directors as contemplated in the By-Laws:

Maximum number of Directors	18
Minimum number of Directors	9

C.1.2 Complete the following table by stating the members of the Board of Directors:

Name, or company name, of the Director	Representative	Director's Category	Position on the Board	Date of first appointment	Date of last appointment	Election procedure
JOSÉ IGNACIO ÁLVAREZ JUSTE		Executive	DIRECTOR OFFICER	26/04/2012	22/04/2015	VOTE AT AGM
FEDERICO HALPERN BLASCO		Proprietary	DIRECTOR	25/11/1993	25/04/2013	VOTE AT AGM
JOSÉ MARÍA SERRA FARRÉ		Executive	CHAIR	15/04/1975	25/04/2013	VOTE AT AGM
JUAN IGNACIO GUERRERO GILABERT		Independent	DIRECTOR	28/04/2011	22/04/2015	VOTE AT AGM
MARÍA ASSUMPTA SOLER SERRA		Proprietary	DIRECTOR	24/09/2009	24/04/2014	VOTE AT AGM
FRANCISCO JOSÉ ARREGUI LABORDA		Executive	SECRETARY DIRECTOR	29/01/1998	22/04/2015	VOTE AT AGM
HUGO SERRA CALDERÓN		Executive	DIRECTOR	27/06/2013	24/04/2014	VOTE AT AGM
JORGE ENRICH IZARD		Proprietary	DIRECTOR	29/04/1993	25/04/2013	VOTE AT AGM
JUSAL, S.L.	DON JOSÉ MARIA JUNCADELLA	Proprietary	DIRECTOR	29/04/2010	24/04/2014	VOTE AT AGM
COTYP, S.L.	DON ALBERTO THIEBAUT	Proprietary	DIRECTOR	23/02/2012	26/04/2012	VOTE AT AGM
VILLASA, S.L.	DON FERNANDO VILLAVECCHIA	Proprietary	DIRECTOR	26/06/1997	26/04/2012	VOTE AT AGM
INVERSIONES GIRÓ GODÓ, S.L.	DON ENRIQUE GIRÓ GODÓ	Proprietary	DIRECTOR	29/11/2007	26/04/2012	VOTE AT AGM
JS INVEST, S.L.	JAVIER JUNCADELLA SALISACHS	Proprietary	VICE-CHAIR	25/11/2010	22/04/2015	VOTE AT AGM
LACANUDA CONSELL, S.L.	CARLOS FEDERICO HALPERN	Proprietary	DIRECTOR	29/04/2010	24/04/2014	VOTE AT AGM
ENSIVEST BROS 2014, S.L.	JORGE ENRICH SERRA	Proprietary	DIRECTOR	25/02/2015	22/04/2015	VOTE AT AGM
FRANCISCO JAVIER PÉREZ FARGUELL		Independent	DIRECTOR	25/02/2015	22/04/2015	VOTE AT AGM

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 Director	Director’s category at the time of cessation	Date of cessation
JORGE ENRICH SERRA	Proprietary	25/02/2015
OLANDOR, S.L.	Proprietary	25/02/2015

C.1.3 Complete the following tables on Directors and their individual category:

EXECUTIVE MEMBERS

Name, or company name, of the Director	Title on the company's organisational chart
JOSÉ IGNACIO ÁLVAREZ JUSTE	CHIEF EXECUTIVE OFFICER
JOSÉ MARÍA SERRA FARRÉ	EXECUTIVE CHAIR
FRANCISCO JOSÉ ARREGUI LABORDA	DIRECTOR – GENERAL MANAGER
HUGO SERRA CALDERÓN	DIRECTOR – GENERAL MANAGER DEPUTY CHAIR

Total number of executive directors	4
% of total Board	25.00%

EXTERNAL PROPRIETARY MEMBERS

Name, or company name, of the Director	Name, or company name, of the significant shareholder represented, or that nominated the Director
FEDERICO HALPERN BLASCO	CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.
MARÍA ASSUMPTA SOLER SERRA	INOC, S.A.
JORGE ENRICH IZARD	CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.
JUSAL, S.L.	JUSAL, S.L.
COTYP, S.L.	INOC, S.A.
VILLASA, S.L.	INOC, S.A.
INVERSIONES GIRÓ GODÓ, S.L.	INOC, S.A.
JS INVEST, S.L.	INOC, S.A.
LACANUDA CONSELL, S.L.	CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.
ENSIVEST BROS 2014, S.L.	CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.

Total number of Proprietary Directors	10
% of total Board	62.50%

EXTERNAL INDEPENDENT DIRECTORS

Name, or company name, of the Director

JUAN IGNACIO GUERRERO GILABERT

Profile:

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.

Director - Executive Director of "Domasa Inversiones, S.L."
He has served as Chief Executive Officer - Executive Director of "Aresa, Seguros Generales, S.A."

Name, or company name, of the Director

FRANCISCO JAVIER PÉREZ FARGUELL

Profile:

Degree in Law from the University of Barcelona.
Degree in Business Sciences and MBA from ESADE Business School. Executive Programme at Stanford Business School.
Graduate of Harvard and Insead.

Director of San Miguel, beer and malt manufacturer. Partner
Director of Artisan Partners.
Vice-Chair of the ESADE Board.

Total number of Independent Directors	2
Total % of the Board	12.50%

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 or her 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.

OTHER EXTERNAL DIRECTORS

Identify other External Directors and list the reasons why they cannot be considered Proprietary or Independent, and their relationships to the company, its executives or its shareholders:

Note the changes that may have occurred during the period, if any, in the category of each Director:

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 Directors				% of total Directors in each category			
	Year 2015	**Year 2014**	**Year 2013**	**Year 2012**	**Year 2015**	**Year 2014**	**Year 2013**	**Year 2012**
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	1	1	1	1	6.25%	6.25%	6.25%	5.88%
Independent	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Other External	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	1	1	1	1	6.25%	6.25%	6.25%	5.88%

C.1.5 Explain any measures implemented to include the right number of female Directors on the Board to achieve an even balance of female and male 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 Directors. The committee makes proposals and reports to the Board of Directors, as applicable, with total objectivity, respecting the principle of gender equality based on their professional status, experience and knowledge. This principle 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. Without prejudice to the above, pursuant to article 16 of the Regulations of the Board of Directors, the Appointments and Remuneration Committee is entrusted with the role

of setting targets to increase the representation of the underrepresented sex on the Board and devising plans for achieving the target numbers.

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. Furthermore, the Appointments and Remuneration Committee is entrusted the role of setting targets to increase the representation of the underrepresented sex on the Board and devising plans for achieving the target numbers.

In the event that, despite these measures, there are few or no female Directors, explain the reasons:

Explanation of reasons
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 Board of Directors has seen a reduction in the number of Directors in recent years and the only changes have been re-elections or the replacement of legal-entity Directors with natural person Directors.

C.1.6 bis Explain the conclusions of the appointments committee regarding verification of compliance with the policy to select Directors. And, in particular, explain how this policy is promoting the goal set for 2020 that the number of female Directors will represent at least 30% of the total number of Directors.

Explanation of findings
The absence of vacancies at the Board of Directors, together with the fact that a large proportion of Directors are Proprietary Directors appointed upon the proposal of shareholders with a significant number of shares, has made it unnecessary to approve a policy to select Directors. Therefore, it has not been necessary to verify it. Without prejudice to the above, regarding the goal of having the number of female Directors represent at least 30% of the Board of Directors by 2020, the Appointments and Remuneration Committee is entrusted the role of setting targets to increase the representation of the underrepresented sex on the Board and devising plans for achieving the target numbers that, when appropriate, it will try to implement when these vacancies arise.

C.1.7 Explain how significant shareholders are represented on the Board.

Shareholders with significant interests (see section 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 for which Proprietary Directors have been appointed at the request of shareholders whose shareholding is less than 3% of capital:

Name, or company name, of the shareholder

CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.

Justification:

Even though this shareholder does not directly control more than 3% 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 Commercial Code.

Name, or company name, of the shareholder

JUSAL, S.L.

Justification:

Jusal, S.L. has ceased to have direct shareholding greater than 3% in the Company as a consequence of the swap with Inoc, S.A., by virtue of which it has come to hold, indirectly, a stake of 7.62% of the Company.

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 Directors have been appointed. If applicable, explain why these requests have not been honoured.

Yes [ ] No [X]

C.1.9 State whether any Director has ceased to occupy his/her position before the end of his/her term in office, if that Director 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 Director:

Name of Director:

JORGE ENRICH SERRA

Reason for cessation:

Voluntary resignation requested by the Director, a natural person, to be replaced by a company of which he is a shareholder and Sole Administrator, notified through a letter addressed to the Chair of the Board of Directors dated 25 February 2015 and explained in person by his representative at the meeting of the Board of Directors of February 26, 2015, reported to the National Commission for the Securities Market ("CNMV") as a Relevant Fact. Consequently, he ceased exercising the office of member of the Audit Committee.

Name of Director:

OLANDOR, S.L.

Reason for cessation:

Voluntary resignation requested by the Director, notified through a letter addressed to the Chair of the Board of Directors dated 25 February 2015 and reported to the National Commission for the Securities Market (CNMV) as a Relevant Fact.

C.1.10 Indicate, if any, the powers delegated to the Chief Executive Officer/s:

Name, or company name, of the Director

JOSÉ IGNACIO ÁLVAREZ JUSTE

Brief description

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 Commercial Code.

Name, or company name, of the Director

JOSÉ MARÍA SERRA FARRÉ

Brief description

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.

C.1.11 Identify, where appropriate, Directors who are Managers or Executives in other companies belonging to the group of the listed company:

Name, or company name, of the Director	Name of the group company	Office/s	Does he/she hold executive functions?
JOSÉ IGNACIO ÁLVAREZ JUSTE	ATRADIUS CREDIT INSURANCE N.V.	MEMBER SUPERVISORY BOARD	YES
JOSÉ IGNACIO ÁLVAREZ JUSTE	ATRADIUS N.V.	CHAIR SUPERVISORY BOARD	YES
JOSÉ IGNACIO ÁLVAREZ JUSTE	NORTEHISPANA DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR	YES
JOSÉ IGNACIO ÁLVAREZ JUSTE	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	CHIEF EXECUTIVE OFFICER	YES
JOSÉ IGNACIO ÁLVAREZ JUSTE	GRUPO CATALANA OCCIDENTE GESTIÓN DE ACTIVOS, S.G.I.I.C., S.A.	DIRECTOR	YES
JOSÉ IGNACIO ÁLVAREZ JUSTE	PLUS ULTRA, SEGUROS GENERALES Y VIDA, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	YES
JOSÉ IGNACIO ÁLVAREZ JUSTE	BILBAO COMPAÑIA ANÓNIMA DE SEGUROS Y REASEGUROS, S.A.	CHIEF EXECUTIVE OFFICER	YES
JOSÉ IGNACIO ÁLVAREZ JUSTE	BILBAO HIPOTECARIA, S.A., E.F.C.	DIRECTOR	YES
JOSÉ IGNACIO ÁLVAREZ JUSTE	CATALANA OCCIDENTE CAPITAL, AGENCIA DE VALORES, S.A.	DIRECTOR	YES
JOSÉ IGNACIO ÁLVAREZ JUSTE	GRUPO COMPAÑÍA ESPAÑOLA DE CRÉDITO Y CAUCIÓN, S.L.	CHAIR	YES
JOSÉ IGNACIO ÁLVAREZ JUSTE	GRUPO CATALANA OCCIDENTE TECNOLOGÍA Y SERVICIOS, AIE	DIRECTOR	YES
JOSÉ IGNACIO ÁLVAREZ JUSTE	GRUPO CATALANA OCCIDENTE CONTACT CENTER, AIE	DIRECTOR	YES
FEDERICO HALPERN BLASCO	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO
JOSÉ MARÍA SERRA FARRÉ	NORTEHISPANA DE SEGUROS Y REASEGUROS, S.A.	CHAIR	YES
JOSÉ MARÍA SERRA FARRÉ	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	CHAIR	YES

Name, or company name, of the Director	Name of the group company	Office/s	Does he/she hold executive functions?
JOSÉ MARÍA SERRA FARRÉ	PLUS ULTRA, SEGUROS GENERALES Y VIDA, S.A. DE SEGUROS Y REASEGUROS	CHAIR	YES
JOSÉ MARÍA SERRA FARRÉ	BILBAO COMPAÑIA ANÓNIMA DE SEGUROS Y REASEGUROS, S.A.	CHAIR	YES
JOSÉ MARÍA SERRA FARRÉ	HERCASOL, S.A. SICAV	DIRECTOR	YES
JOSÉ MARÍA SERRA FARRÉ	GRUPO COMPAÑÍA ESPAÑOLA DE CRÉDITO Y CAUCIÓN, S.L.	DIRECTOR	YES
JUAN IGNACIO GUERRERO GILABERT	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO
MARÍA ASSUMPTA SOLER SERRA	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO
FRANCISCO JOSÉ ARREGUI LABORDA	ATRADIUS CREDIT INSURANCE N.V.	MEMBER SUPERVISORY BOARD	YES
FRANCISCO JOSÉ ARREGUI LABORDA	ATRADIUS N.V.	VICE-CHAIR SUPERVISORY BOARD	YES
FRANCISCO JOSÉ ARREGUI LABORDA	SALERNO 94, S.A.	REPRESENTATIVE SOLE ADMINISTRATOR	YES
FRANCISCO JOSÉ ARREGUI LABORDA	NORTEHISPANA DE SEGUROS Y REASEGUROS, S.A.	VICE-CHAIR	YES
FRANCISCO JOSÉ ARREGUI LABORDA	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR-SECRETARY; GENERAL MANAGER	YES
FRANCISCO JOSÉ ARREGUI LABORDA	CATOC, SICAV, S.A.	CHAIR	YES
FRANCISCO JOSÉ ARREGUI LABORDA	GRUPO CATALANA OCCIDENTE GESTIÓN DE ACTIVOS, S.G.I.I.C., S.A.	CHAIR	YES
FRANCISCO JOSÉ ARREGUI LABORDA	PLUS ULTRA, SEGUROS GENERALES Y VIDA, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	YES
FRANCISCO JOSÉ ARREGUI LABORDA	BILBAO COMPAÑIA ANÓNIMA DE SEGUROS Y REASEGUROS, S.A.	DIRECTOR	YES
FRANCISCO JOSÉ ARREGUI LABORDA	BILBAO HIPOTECARIA, S.A., E.F.C.	DIRECTOR	YES
FRANCISCO JOSÉ ARREGUI LABORDA	INVERSIONES MENÉNDEZ PELAYO, SICAV, S.A.	CHAIR	YES
FRANCISCO JOSÉ ARREGUI LABORDA	CATALANA OCCIDENTE CAPITAL, AGENCIA DE VALORES, S.A.	DIRECTOR	YES
FRANCISCO JOSÉ ARREGUI LABORDA	GRUPO COMPAÑÍA ESPAÑOLA DE CRÉDITO Y CAUCIÓN, S.L.	REPRESENTATIVE DIRECTOR	YES
FRANCISCO JOSÉ ARREGUI LABORDA	GRUPO CATALANA OCCIDENTE TECNOLOGÍA Y SERVICIOS, AIE	DIRECTOR	YES
FRANCISCO JOSÉ ARREGUI LABORDA	GRUPO CATALANA OCCIDENTE CONTACT CENTER, AIE	DIRECTOR	YES
HUGO SERRA CALDERÓN	ATRADIUS CREDIT INSURANCE N.V.	MEMBER SUPERVISORY BOARD	YES
HUGO SERRA CALDERÓN	ATRADIUS N.V.	MEMBER SUPERVISORY BOARD	YES
HUGO SERRA CALDERÓN	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	YES
HUGO SERRA CALDERÓN	PLUS ULTRA, SEGUROS GENERALES Y VIDA, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	YES
HUGO SERRA CALDERÓN	INVERSIONES MENÉNDEZ PELAYO, SICAV, S.A.	DIRECTOR	YES
HUGO SERRA CALDERÓN	HERCASOL, S.A. SICAV	REPRESENTATIVE DIRECTOR	YES
HUGO SERRA CALDERÓN	GRUPO COMPAÑÍA ESPAÑOLA DE CRÉDITO Y CAUCIÓN, S.L.	DIRECTOR	YES

Name, or company name, of the Director	Name of the group company	Office/s	Does he/she hold executive functions?
JORGE ENRICH IZARD	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO
JORGE ENRICH IZARD	GRUPO COMPAÑÍA ESPAÑOLA DE CRÉDITO Y CAUCIÓN, S.L.	DIRECTOR	NO
JUSAL, S.L.	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO
COTYP, S.L.	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO
VILLASA, S.L.	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO
INVERSIONES GIRÓ GODÓ, S.L.	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO
JS INVEST, S.L.	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	VICE-CHAIR	NO
LACANUDA CONSELL, S.L.	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO
FRANCISCO JOSÉ ARREGUI LABORDA	ASEQ VIDA Y ACCIDENTES, SOCIEDAD ANÓNIMA DE SEGUROS Y REASEGUROS	REPRESENTATIVE SOLE ADMINISTRATOR	YES
HUGO SERRA CALDERÓN	GRUPO CATALANA OCCIDENTE TECNOLOGIA Y SERVICIOS, AIE	DIRECTOR	YES
HUGO SERRA CALDERÓN	GRUPO CATALANA OCCIDENTE CONTACT CENTER, AIE	DIRECTOR	YES
FRANCISCO JAVIER PÉREZ FARGUELL	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO
ENSIVEST BROS 2014, S.L.	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	DIRECTOR	NO

C.1.12 Name any members of the Board of Directors of the Company who are also Directors of other non-group companies listed on official securities markets, of which the Company has been notified:

C.1.13 Indicate where appropriate whether the Company has established rules regarding the number of Boards of Directors to which its members may belong.

Yes [X] No [ ]

Explanation of the rules
According to the terms of article 29 of the Regulations of the Board of Directors, 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. When calculating this number, Boards of Directors of companies in the Company's group are not taken into account. Nor are companies for which the Directors serve on the Board at the proposal of the Company, or of any company in its group, or the Boards of Directors of family companies of the Directors or their families or companies that serve as vehicles for, or accessories to, the profession of the Directors themselves, or that of their spouse or other person having a comparable relationship, or close relatives Also not taken into account are positions on the Board of Directors 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 Section repealed.

C.1.15 List the total remuneration of the Board of Directors:

Remuneration of the Board of Directors (thousands of euros)	5,852

Amount of current Directors' vested pension rights (thousands of euros)	212
Amount of former Directors' vested pension rights (thousands of euros)	0

C.1.16 Name the members of senior management who are not, also, Executive Directors and state the total remuneration accrued in their favour during the financial year:

Name, or company name,	Office/s
JOSÉ MANUEL CUESTA DIAZ	CORPORATE INTERNAL AUDITOR
JAVIER MAIZTEGUI OÑATE	EXECUTIVE DIRECTOR OF BILBAO COMPAÑÍA ANÓNIMA DE SEGUROS Y REASEGUROS,S.A.
AUGUSTO HUESCA CODINA	EXECUTIVE DIRECTOR OF NORTEHISPANA, S.A. DE SEGUROS Y REASEGUROS
LUÍS ESTRELLA DE DELÁS	CHIEF COMMERCIAL OFFICER
JUAN CLOSA CAÑELLAS	CHIEF BUSINESS OFFICER
JOSÉ VILÀ TORTOSA	CEO OF PLUS ULTRA, SEGUROS GENERALES Y VIDA, S.A. DE SEGUROS Y REASEGUROS
DAVID CAPDEVILA PONCE	CHIEF OPERATING OFFICER

Total remuneration of senior management (in thousands of euros)	3,315

C.1.17 Specify, if applicable, the identity of Directors who are, in turn, Directors of companies of significant shareholders and/or its group companies:

Name, or company name, of the Director	Company name of significant shareholder	Office/s
FEDERICO HALPERN BLASCO	LA PREVISIÓN 96, S.A.	DIRECTOR
FEDERICO HALPERN BLASCO	INOC, S.A.	DIRECTOR
FEDERICO HALPERN BLASCO	CORPORACIÓN CATALANA OCCIDENTE, S.A.	DIRECTOR
FEDERICO HALPERN BLASCO	DEPSA 96, S.A.	DIRECTOR
JOSÉ MARÍA SERRA FARRÉ	LA PREVISIÓN 96, S.A.	CHAIR
JOSÉ MARÍA SERRA FARRÉ	CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	CHAIR
JOSÉ MARÍA SERRA FARRÉ	INOC, S.A.	CHAIR
JOSÉ MARÍA SERRA FARRÉ	CORPORACIÓN CATALANA OCCIDENTE, S.A.	CHAIR
JOSÉ MARÍA SERRA FARRÉ	DEPSA 96, S.A.	CHAIR
FRANCISCO JOSÉ ARREGUI LABORDA	LA PREVISIÓN 96, S.A.	SECRETARY DIRECTOR
FRANCISCO JOSÉ ARREGUI LABORDA	INOC, S.A.	SECRETARY DIRECTOR
FRANCISCO JOSÉ ARREGUI LABORDA	CORPORACIÓN CATALANA OCCIDENTE, S.A.	SECRETARY DIRECTOR
HUGO SERRA CALDERÓN	CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	DIRECTOR OFFICER
JORGE ENRICH IZARD	LA PREVISIÓN 96, S.A.	DIRECTOR
JORGE ENRICH IZARD	INOC, S.A.	DIRECTOR
JORGE ENRICH IZARD	CORPORACIÓN CATALANA OCCIDENTE, S.A.	DIRECTOR
JORGE ENRICH IZARD	DEPSA 96, S.A.	DIRECTOR
COTYP, S.L.	LA PREVISIÓN 96, S.A.	DIRECTOR
COTYP, S.L.	INOC, S.A.	DIRECTOR

Name, or company name, of the Director	Company name of significant shareholder	Office/s
COTYP, S.L.	CORPORACIÓN CATALANA OCCIDENTE, S.A.	DIRECTOR
VILLASA, S.L.	LA PREVISIÓN 96, S.A.	DIRECTOR
VILLASA, S.L.	INOC, S.A.	DIRECTOR
VILLASA, S.L.	CORPORACIÓN CATALANA OCCIDENTE, S.A.	DIRECTOR
JS INVEST, S.L.	LA PREVISIÓN 96, S.A.	VICE-CHAIR
JS INVEST, S.L.	INOC, S.A.	VICE-CHAIR
JS INVEST, S.L.	CORPORACIÓN CATALANA OCCIDENTE, S.A.	VICE-CHAIR
FRANCISCO JOSÉ ARREGUI LABORDA	CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	DIRECTOR
ENSIVEST BROS 2014, S.L.	CORPORACIÓN CATALANA OCCIDENTE, S.A.	DIRECTOR
ENSIVEST BROS 2014, S.L.	LA PREVISIÓN 96, S.A.	DIRECTOR
ENSIVEST BROS 2014, S.L.	INOC, S.A.	DIRECTOR

Give details of any significant relationships, other than those disclosed in the preceding section, between Directors and significant shareholders in the parent Company and/or other companies in its Group:

C.1.18 Indicate whether or not there has been any modification made to the Regulations of the Board of Directors during the year:

Yes [X] No [ ]

Description of changes
In its meeting of 25 February 2015, the Board of Directors approved a new revised text of the Regulations of the Board of Directors following the enactment of Law 31/2014, of 3 December, which amended the Ley de Sociedades de Capital (Law on Capital Companies) to improve corporate governance (“LSC Reform”). A report about these Regulations and the amendments included therein was made available to the General Meeting of Shareholders held on 22 April 2015, obtaining a favourable consultation vote. The revised text is available to shareholders at the website of the Company and, pursuant to article 529 LSC, it has been notified to the National Commission for the Securities Market (CNMV) and registered at the Commercial Register of Barcelona.

C.1.19 Describe the procedures for selection, appointment, reappointment, evaluation and removal of Directors. 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 Ley de Sociedades de Capital (Law on Capital Companies).

The proposed appointments of Directors 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 Directors, 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 Directors 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 Director 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 Directors until their 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 Code of Good Governance of Listed Companies 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 Explain to what extent the annual evaluation of the Board has 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.1.20.bis Describe the evaluation process and the areas evaluated by the Board of Directors, supported, if applicable, by an external consultant, regarding diversity in its composition and competences, the operation and composition of its committees, the performance of the Chair of the Board of Directors and of the CEO of the company and the performance and contribution of each Director.

Based on the Regulations of the Board of Directors, the Board evaluates its quality and effectiveness, as well as the performance of the functions of the Chair of the Board, based, in each case, on the report submitted by the Appointments Committee. Likewise, the Board of Directors evaluates the operation of its Committees based on the report these submit.

In the last evaluation process completed, covering the year 2015, the Board of Directors evaluated: (i) the quality and effectiveness of the operation of the Board of Directors; (ii) the operation of the Committees of the Board of Directors, and (iii) the performance of the functions of the Chair of the Board of Directors.

First of all, the Appointments and Remuneration Committee has been analysing the structure, size and composition of the Board of Directors throughout the year, in order to complete the annual evaluation of the Board of Directors, issuing a preliminary report that was subsequently submitted to the Board of Directors.

The Board of Directors has completed the evaluation of the quality and effectiveness of the operations of the Audit Committee and the Appointments and Remuneration Committee based on self-evaluation surveys conducted among the members of the committees themselves and the reports issued by their respective Chairs.

Lastly, the performance of the functions of the Chair of the Board of Directors, as Chair of the Board and CEO, has been completed by the Board of Directors based on the preliminary report of the Appointments and Remuneration Committee.

For the evaluations above, no support from an external auditor was required.

C.1.20.ter If applicable, break down the business relationships that the consultant or any company in its group maintain with the company or any company in its group.

Not applicable. See Section C.1.20 bis above.

C.1.21 Indicate the cases in which a Director must tender his/her resignation.

In accordance with the provisions of Article 23.3 of the Regulations of the Board of Directors, Directors 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 in certain circumstances (detailed in section C.1.42 below).

C.1.22 Section repealed.

C.1.23 Are qualified majorities, apart from legal majorities, required for some kinds of decision?

Yes ☐ No ☒

If so, describe the differences.

C.1.24 State if there are any specific requirements other than those relating to Directors, to be appointed Chair of the Board of Directors.

Yes ☐ No ☒

C.1.25 Indicate whether the Chair has a casting vote:

Yes ☐ No ☒

C.1.26 State whether the By-Laws or the Regulations of the Board of Directors establish an age limit for Directors:

Yes ☐ No ☒

C.1.27 State whether the By-Laws or the Regulations of the Board of Directors establish any limit for Independent Directors, other than those established in the regulations:

Yes ☐ No ☒

C.1.28 State whether the By-Laws or the Regulations of the Board of Directors 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 any limitation relating to the categories that can be delegated, beyond the limitations set down by legislation, has been established. If so, briefly describe the rules.

Although there are no formal processes for proxy voting in the Board of Directors, as provided for in article 18.1 of the Regulations of the Board of Directors, Directors are to do everything possible to attend meetings of the Board and, when they cannot do so personally, to see to it that proxies they extend to other Directors have the appropriate instructions. In any case, 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 Chair. The proxies with special instructions are included in the count.

Number of Board meetings	13
Number of Board meetings without the presence of the Chair	0

If the Chair is an Executive Director, specify the number of meetings held without the attendance or representation of any Executive Director and chaired by the Coordinating Director.

Number of meetings	0

State the number of meetings held by the various Board committees during the year:

Committee	Number of meetings
APPOINTMENTS AND REMUNERATION COMMITTEE	4
AUDIT COMMITTEE	6

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.

Number of meetings with the attendance of all Directors	208
% of attendance over the total number of votes during the year	100.00%

C.1.31 Indicate whether the individual and consolidated financial statements presented to the Board of Directors for approval are previously certified:

Yes [X] No [ ]

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/s
JOSÉ IGNACIO ÁLVAREZ JUSTE	CHIEF EXECUTIVE OFFICER
CARLOS FELIPE GONZÁLEZ BAILAC	FINANCIAL DIRECTOR
FRANCISCO JOSÉ ARREGUI LABORDA	DIRECTORS – GENERAL MANAGER

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 of shareholders with reservations in the audit report.

As provided in the By-Laws and the Regulations of the Board of Directors, 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 website of the National Commission for the Securities Market (CNMV) (www.cnmv.es).

C.1.33 Is the Secretary of the Board also a Director?

Yes [X] No [ ]

If the Secretary of the Board is not a Director, complete the following chart:

C.1.34 Section repealed.

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 jeopardise 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 the Ley de Auditoría de Cuentas (Law on Consolidated Accounts Auditing) 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 would require such mechanisms.

C.1.36 State whether the company changed external auditors during the financial year. If so, identify the incoming and departing auditors:

Yes [ ] No [X]

If there were disagreements with the departing auditor, describe the substance:

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 [X] No [ ]

	Company	Group	Total
Fees for non-audit services (thousand euros)	315	273	588
Fees for non-audit services / Total fees invoiced by the auditor (%)	47.99%	8.11%	14.60%

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 Chair of the Audit Committee on the substance and scope of the reservations or qualifications.

Yes [ ] No [X]

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:

	Company	Group
Number of consecutive years	13	13
Number of years audited by the present auditing firm as a % of the years for which audits have been performed.	38.24%	54.17%

C.1.40 Indicate and provide details of the procedure, if any, for Directors to obtain external advice:

Yes [X] No [ ]

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 Directors 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 Chair of the Company and may be rejected by the Board of Directors if, in its opinion: (i) It is not necessary for the proper performance of the functions entrusted to the External Directors. (ii) The cost is unreasonable given the significance of the problem and the Company's assets and revenues. (iii) 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 Directors to receive the information necessary to prepare the meetings of the governing bodies with sufficient time:

Yes [X] No [ ]

Details of the procedure
According to the provisions of Article 25 of the Company's Regulations of the Board of Directors, Directors 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.

So as not to disturb the Company's everyday operations, information requests are channelled through the Chair 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.

Furthermore, pursuant to the provisions of article 17.2 of the Regulations of the Board of Directors, the announcement of meetings of the Board shall be sent by letter, fax, telegram or email and be authorised with the signature of the Chair or the Secretary or Vice-Secretary by order of the Chair. The announcement must be sent with a minimum notice of five days, unless there are extraordinary circumstances in the opinion of the Chair.

C.1.42 State if the Company has established rules that require Directors to report and, if applicable, resign under circumstances that may prejudice the prestige and reputation of the Company, and if so give details:

Yes [X] No [ ]

Explain the rules

Art. 23 of the Regulations of the Board of Directors provides that Directors are to tender their resignations to the Board of Directors and, if the Board deems it appropriate, subject to a report from the Appointments and Remuneration Committee, resign from 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.

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.

Based on the foregoing, and noting that over recent years none of the described situations have arisen, the Directors 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 213 of the Ley de Sociedades de Capital (Law on Capital Companies):

Yes [ ] No [X]

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.

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 2

Type of beneficiary:

CEO and Director-General Manager

Description of the Resolution:

The CEO is entitled to compensation equivalent to two and a half times his annual remuneration in the event of contract termination except in the event of resignation without just cause or serious and wilful breaches of his contractual obligations. The termination of the contract at the request of any of the parties requires a notice of 3 months and, in case of a breach, it must be compensated in an amount equivalent to the salaries corresponding to the time remaining for this period to elapse.

The Director-General Manager is entitled to compensation in the event of contract termination except in the event of resignation without just cause or serious and wilful breaches of his contractual obligations, in an amount equivalent to the one that would correspond to an employee with an ordinary employment relationship in the case of a dismissal classified as wrongful.

Indicate whether these contracts must be reported and/or approved by the bodies of the company or its group:

	Board of Directors	General Meeting
Body that authorises the clauses	Yes	No

	Yes	No
Is the General Meeting of Shareholders informed of the clauses?		X

C.2 Committees of the Board of Directors

C.2.1 List all Committees of the Board of Directors, their members and the proportion of Executive, Proprietary, Independent and other External Directors who compose them:

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Office/s	Category
JUAN IGNACIO GUERRERO GILABERT	CHAIR	Independent
FRANCISCO JAVIER PÉREZ FARGUELL	MEMBER	Independent
COTYP, S.L.	MEMBER	Proprietary
JS INVEST, S.L.	MEMBER	Proprietary
VILLASA, S.L.	MEMBER	Proprietary

% of Proprietary Directors	60.00%
% of Independent Directors	40.00%
% of other External Directors	0.00%

Explain the functions attributed to this committee, describe the procedures and rules of its organisation and operation and summarise its most significant actions during the year.

APPOINTMENTS AND REMUNERATION COMMITTEE (CNYR)

1) According to the text of article 16 of the Regulations of the Board of Directors at year end (see Section H Note C.2.1 of this Report), the Appointments and Remuneration Committee will be made up of between 3 and 5 members, all External Directors; however, Executive Directors will attend meetings without being entitled to vote, unless, in the opinion of the Chair, this is deemed inconvenient. 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 Chair from among its members. The functions of Secretary must be performed by the Secretary of the Board of Directors, the Vice-Secretary or one of the Directors and, in matters not specified, the Regulations of the Board of Directors shall apply, subject to these being compatible with the nature and function of the Appointments and Remuneration Committee. The Appointments and Remuneration Committee may be validly convened when at least one-half of its members are in attendance or represented and resolutions will be passed by absolute majority, with the Chair casting the deciding vote.

3) The Appointments and Remuneration Committee ensures that the Company has an orientation programme for new Directors to familiarise themselves 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 Regulations of the Board of Directors, 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. The Appointments and Remuneration Committee may seek advice from external professionals.

4) The Appointments and Remuneration Committee has the following functions:

(i) Setting and reviewing 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 be decided by 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 Directors; Propose 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, Directors who should be part of each of the Board’s delegated committees;
(v) Reporting on the performance of the Chair 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 Chair and/or CEO and, where appropriate, making proposals for this to take place in an orderly fashion;
(vii) Proposing policies for compensating Directors and senior management positions or those who execute their functions and 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, in general, the matters referred to in Section IX of the Regulations of the Board of Directors;
(x) Setting targets to increase the representation of the underrepresented sex on the Board and devising plans for achieving the target numbers.

AUDIT COMMITTEE

Name	Office/s	Category
DON FRANCISCO JAVIER PEREZ FARGUELL	CHAIR	Independent
JUAN IGNACIO GUERRERO GILABERT	MEMBER	Independent
ENSIVEST BROS 2014, S.L.	MEMBER	Proprietary
JS INVEST, S.L.	MEMBER	Proprietary
LACANUDA CONSELL, S.L.	MEMBER	Proprietary

% of Proprietary Directors	60.00%
% of Independent Directors	40.00%
% of other External Directors	0.00%

Explain the functions attributed to this committee, describe the procedures and rules of its organisation and operation and summarise its most significant actions during the year.

AUDIT COMMITTEE

1) According to the text of article 15 of the Regulations of the Board of Directors at year end (see Section H Note C.2.1 of this Report), the Appointments and Remuneration Committee will be made up of between 3 and 5 members, all External Directors appointed by the Board of Directors. At least two of the members of the Audit Committee must

be independent and one of them must be appointed based on knowledge and experience in accounting and auditing. The Board of Directors will elect a Chair of the Audit Committee from among the Independent Directors, who will be replaced every four 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 or represented and resolutions will be passed by absolute majority, with the Chair 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) Executive Directors who are not members of the Audit Committee may attend meetings, with a voice but without a vote, upon request from the Chair of the Audit Committee.

4) The Audit Committee may seek advice from external professionals.

5) The Audit Committee shall have the following functions:

(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 account 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 or entities related to it 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 external 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 generally accepted 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 of the Company and its Group, the Regulations of the Board of Directors 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.

6) The Audit Committee will inform the Board of Directors of all matters requiring reporting prior to the adoption.

Identify the Director who is a member of the Audit Committee and who has been appointed taking into account his or her knowledge and experience on the subject of accounting, auditing or both, and state the number of years that the Chair of this committee has spent in office.

Name of the Director with experience	FRANCISCO JAVIER PÉREZ FARGUELL
Number of years that the Chair has been in office	0

C.2.2 Complete the following chart with information relating to the number of female Directors who make up the committees of the Board of Directors over the last four years:

	Number of Directors							
	Fiscal Year 2015		**Fiscal Year 2014**		**Fiscal Year 2013**		**Fiscal Year 2012**	
	Number	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**
APPOINTMENTS AND REMUNERATION COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
AUDIT COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 Section repealed.

C.2.4 Section repealed.

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.

There are no specific regulations governing the activities of the Board's committees, since they are exclusively regulated by the Regulations of the Board of Directors.

The Board of Directors, in its session of 26 February 2015, approved a new amended text of its Regulations to bring them in line with the reform of the Law on Capital Companies with regard to the regulation of both committees.

There is a voluntary annual report on the activities of the Audit Committee.

Finally, as of the date of this report, the Board of Directors has approved certain amendments relating to articles 2, 9, 15, 16 and 23 of its Regulations, for the purpose of adapting these to the Code of Good Governance issued by the National Commission for the Securities Market (CNMV) in February 2015. It is noted that the descriptions of the rules governing the organisation, operation and responsibilities of the committees described in section C.2.1 above were drafted in accordance with the revised text of the Regulations of the Board of Directors in force at the end date of the year of reference of this Report.

C.2.6 Section repealed.

D RELATED PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1 If applicable, explain the procedure for approving transactions with related parties and other group companies.

Procedure for reporting 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 standardised 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 Regulations of the Board of Directors, 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.

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:

Name or company name of significant shareholder	Name or company name of company or entity within its group	Nature of relationship	Type of operation	Amount (thousands of euros)
LA PREVISIÓN 96, S.A.	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	Contractual	Operating leases	2
CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	Contractual	Operating leases	1

Name or company name of significant shareholder	Name or company name of company or entity within its group	Nature of relationship	Type of operation	Amount (thousands of euros)
INOC, S.A.	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	Contractual	Operating leases	2
CORPORACIÓN CATALANA OCCIDENTE, S.A.	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	Contractual	Operating leases	2
DEPSA 96, S.A.	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	Contractual	Operating leases	3
INOC, S.A.	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	Contractual	Purchases of financial fixed assets	230,434
INOC, S.A.	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	Corporate	Dividends and other distributable profits	4,529
CORPORACIÓN CATALANA OCCIDENTE, S.A.	GRUPO CATALANA OCCIDENTE, S.A.	Corporate	Dividends and other distributable profits	20,074
LA PREVISIÓN 96, S.A.	GRUPO CATALANA OCCIDENTE, S.A.	Corporate	Dividends and other distributable profits	19,205

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 Administrators or Directors	Name or company name of related party	Relationship	Nature of operation	Amount (thousands of euros)
JUSAL, S.L.	GRUPO CATALANA OCCIDENTE, S.A.	Corporate	Dividends and other distributable profits	3,853

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

SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS

Amount (thousands of euros): 8

Brief description of the transaction:

PROPERTY SUBLETTING

Name of the entity within the group

SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS

Name or company name of significant shareholder	Name or company name of company or entity within its group	Nature of relationship	Type of operation	Amount (thousands of euros)
LA PREVISIÓN 96, S.A.	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	Contractual	Operating leases	2
CO SOCIEDAD DE GESTIÓN Y PARTICIPACIÓN, S.A.	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	Contractual	Operating leases	1
DEPSA 96, S.A.	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	Contractual	Operating leases	3
INOC, S.A.	SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS	Contractual	Purchases of financial fixed assets	230,434
	SEGUROS CATALANA			

Name of the entity within the group

BILBAO COMPAÑIA ANÓNIMA DE SEGUROS Y REASEGUROS, S.A.

Amount (thousands of euros): 123,658

Brief description of the transaction:

LOANS

Name of the entity within the group

SEGUROS CATALANA OCCIDENTE, S.A. DE SEGUROS Y REASEGUROS

Amount (thousands of euros): 8,977

Brief description of the transaction:

LOAN INTEREST ACCRUAL

Name of the entity within the group

BILBAO, COMPAÑÍA ANÓNIMA DE SEGUROS Y REASEGUROS, S.A.

Amount (thousands of euros): 3,421

Brief description of the transaction:

LOAN INTEREST ACCRUAL

D.5 State the value of the transactions carried out with other related parties. 0 (in thousands of Euros).

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 Directors, executives or significant shareholders, on the other.

Article 33 of the Company's Regulations of the Board of Directors provides that its members must notify the Board of Directors of any conflict, direct or indirect, they may have with the interests of the Company.

If a Director 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.

Directors 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 Directors and, in general, conflicts of interests in which the Directors 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 Regulations of the Board of Directors.

D.7 Is more than one Group company listed in Spain?

Yes ☐ No ☒

Identify the subsidiary companies listed in Spain:

Listed subsidiary company

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.

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, including tax risks.

The Company's Risk Control System works holistically, consolidating this management by business, activity, subsidiary and support area at the corporate level.

The Company defines its risk strategy according to the risk level it is willing to assume and ensures integration with the business strategy. This allows for meeting the risk appetite and tolerance established by the Board of Directors. To do so, through the process to establish the Risk Management System, the Company identifies and establishes, among other aspects, (i) the different types of risks facing the group (including those of a fiscal nature), (ii) the level of risk deemed acceptable, (iii) the mechanisms to mitigate the impact of the risks identified, should they materialise, and (iv) the information and internal control systems used to mitigate these risks, including contingent liabilities and off balance sheet risks. Likewise, this Risk Management System also aims to develop processes and systems of capital allocation in light of the risks assumed by each area.

As part of compliance with the requirements established in article 66 of Law 20/2015, on the Organisation, Supervision and Solvency of Insurance and Reinsurance Entities transposing the Solvency II Directive ("LOSSEAR"), the Company has developed written policies that, along with existing technical standards, guarantee the ideal management of risks.
Specifically, it has a risk management policy that establishes the general guidelines to manage them and serves as an umbrella for the following policies: (i) subscription risk policy, provisioning risk and claim management,
(ii) reinsurance policy, (iii) investment policy, (iv) operational risk policy and (v) ORSA policy.

These policies, as it relates to their contents, identify the risks inherent to the affected area, establish the measures to quantify risk, determine the actions to monitor and control these risks, establish measures to mitigate their impact and determine the systems for internal control and reporting used to control and manage the aforementioned risks.

In terms of taxation, the Company has defined a tax risk management policy based on an appropriate control environment, a risk-identification system and a process for the monitoring and continuous improvement of the checks established.

E.2 Identify the corporate bodies responsible for preparing and implementing the Risk Management System, including tax risks.

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 Administrative Bodies of the individual entities of the Company 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.

Furthermore, as support for the actions of the Board of Directors and the Steering Committee, the Risk Management System is based on the principle of the "Three Lines of Defence". The principle of the three lines of defence establishes the levels of activity, roles and responsibilities that govern the Risk Management System, broken down as follows:

(i) First Line of Defence (Taking and Being Responsible for Risks): It is made up of the business units responsible for the specific risks they assume and their management.

(ii) Second Line of Defence (Control and Monitoring): It is made up of the Risk Management, Regulatory Compliance and Actuarial Functions. They define the checks that ensure compliance with the risk management processes and policies.

(iii) Third Line of Defence (Internal Audit): It is made up of the Internal Audit Function, which is responsible for carrying out an independent assessment of the effectiveness of the Governance System, the Risk Management System and Internal Control.

Specifically, as it refers to tax risk, the Board of Directors of the Company encourages monitoring tax principles and best practices contained in the Corporate Tax Policy of Grupo Catalana Occidente approved by the Board on 26 November 2015.

Under the coordination of the Tax Department of the Company, the best practices included in the aforementioned policy are implemented by the different entities that make up the Group, which must establish the control mechanisms and the internal regulations necessary to ensure compliance with tax regulations in force. This work covers all countries and territories where the Group is present and all the areas and businesses developed by it, which allows for obtaining integrated management of its tax position in a coherent manner, jointly with other risks.

Likewise, in this Policy, the Company has set the goal to adopt the control mechanisms necessary to ensure, within an appropriate business management, compliance with tax regulations and these principles by all entities in the Group, implementing, under the supervision of the Audit Committee, a risk management system covering tax risks, for the purpose of identifying them and defining and including prevention and correction measures, along with the relevant internal procedures and controls.

E.3 State the main risks, including tax 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:

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 authorisation from one or more persons at higher hierarchical levels. Even people of higher hierarchical levels have authorisation limits.

3. Technical risks inherent to the life insurance line

For life insurance products, according to regulations, the risks faced by this line of business can be divided into different risk groups: (i) (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

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

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. Operational Risk Management includes: (i) the identification of risks,
(ii) their assessment, (iii) the definition of controls in response to these risks and (iv) the analysis and monitoring of residual risk.

6. Regulatory, legal, tax and reputational risks

Insurance entities are exposed to a complex and changing regulatory and legal environment (especially after the entry into force of the Solvency II Directive and its implementing regulations) by governments and regulators, which may influence their growth capacity and require larger amounts of capital in the development of certain businesses. The Group constantly monitors changes in the regulatory framework, which enables it to anticipate and adapt to these with sufficient time, to adopt the best practices and the most efficient and rigorous criteria in their implementation.

For its part, and as part of the financial industry, the Company is subject to a growing level of scrutiny by regulators, governments and society itself. Negative news or inappropriate behaviour may entail significant damages to the reputation of an entity and affect its capacity to develop a sustainable business. The attitudes and behaviour of the Group and its members are governed by the principles of integrity, honesty, long-term vision and best practices, partly thanks to the Code of Ethics of Grupo Catalana Occidente, its development protocols and the Code of Behaviour (see section F below), as well as, in reference to tax risk, the corporate Tax Policy.

E.4 State whether the entity has a tolerance level for risk, including tax risk.

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 insurance companies that are part of the Group are then defined.

The risk strategy is defined by the Board of Directors of the Company. In determining the risk strategy, the Board takes into account, among other things, the capital management policy of the Group and its Own Risk and Solvency Assessment (ORSA), where capital consumption needs are projected according to the business plan, under both normal and stressful circumstances, considering all quantitative and qualitative risks to which the Company is exposed (including tax risks).

E.5 State whether any of these risks, including tax risks, has materialised during the year.

The risk management system covers the main quantifiable risks through the standard formula and significant risks not included in that calculation are evaluated in the Own Risk and Solvency Assessment (ORSA). Risks quantified through the Standard Formula are quantified in the Life and Non-Life Subscription Risks, Market Risk, Counterparty Risk and Operational Risk. Furthermore, both the risk map and the ORSA include other risks, such as reputational, strategic and regulatory risks.

In this sense, during 2015, no significant risks to the Company materialised.

E.6 Explain the plans in place for responding to and supervising the main risks faced by the entity, including tax risks.

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.

The Group has made progress on the development of measures to unify the calculation methods and standards for all Group entities that sell homogenous products. Progress was also made on the implementation of the Appraisal Value.

In 2016, 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 2015, the Group has continued to strengthen risk control, quantification and monitoring, as well as the lines of coordination between the different companies and units involved in the management and monitoring of the business, implementing management tools and indicators related to the improvement of the future progress of the business. 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 regulations 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 categorised with the aim of standardising this classification across all Group companies, which allows obtaining the necessary information that enhances operational risk management, in each company individually and in the Group as a whole.

The effectiveness of the internal procedures implemented is also assessed and the events of operational losses reported by risk managers are collected.

5. Regulatory, legal and tax risks

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

(i) Legal and General Secretariat Department
(ii) Department of Management and Planning Control
(iii) Corporate Internal Audit Department

In terms of tax risk, the Tax Department of the Group is in charge of establishing the control policies and processes to guarantee compliance with tax regulations in force based on the Corporate Tax Policy of Grupo Catalana Occidente.

In any case, prior to the formulation of the Annual Accounts and the presentation of the Corporate Income Tax Declaration, the manager of tax affairs of Grupo Catalana Occidente must inform the Board of Directors of the Company, directly or through the Audit Committee, about the tax strategies applied by the Company and other entities in the Group during the tax year and, in particular, about the degree of compliance with this Policy. Likewise, in the case of operations or matters that must be submitted for approval by the Board of Directors of the Company, the latter must be informed of their tax consequences when they represent a significant factor and/or a relevant risk factor.

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 (ICFR).

F.1 Control environment of the Company

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 ICFR and for supervising it:

(i) Board of Directors: The Regulations of the Board of Directors delegate 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 ICFR.

(ii) Audit Committee: The Audit Committee is composed of three Directors, two of them being Independent Directors, one of whom holds the office of Chair. The members are appointed based on their knowledge of and experience in the fields of accounting and auditing.

The Regulations of the Board of Directors 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 ICFR 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 ICFR.

(iv) Corporate Internal Audit Department: As the Internal Audit Policy states, it is responsible for promoting internal control, for assessing the level of control applied and for making recommendations, if deemed appropriate.

As such, the Division of Internal Audit at GCO will assist Senior Management and the Board of Directors efficiently and effectively, in the assessment and supervision of the adaptation and effectiveness of the internal control system and other components of the governance system existing at GCO, including the internal control system for financial information.

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.

Grupo Catalana Occidente has 49 unique positions for staff involved in the drafting and review of financial information, 13 of which are currently documented with a description of job profiles. During 2015, six new descriptions have been documented compared to the prior year. These descriptions are prepared by the person occupying the position under the supervision of his or her manager. Likewise, there has been a remarkable effort to provide users with the necessary training to complete the Description of their Positions. Job descriptions mainly correspond to positions with technical or supervisory responsibility. 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, the last version of which was approved by the Board of Directors of the Entity on 29 January 2015, 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, so that they act 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, "Grupo Catalana Occidente") 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 must 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.

On 25 June 2015, the Board of Directors of Grupo Catalana Occidente S.A. decided to empower the Criminal Compliance Committee of Grupo Catalana Occidente to implement and disseminate modifications that must be introduced in the Code of Ethics of Grupo Catalana Occidente and its implementation Protocols, as long as the reason for these is (a) being imposed by a legal requirement; (b) technical aspects; or (c) aspects of lesser importance, and the Board of Directors must be informed of the modifications introduced for these reasons through the corresponding Half-Yearly Reports by the Manager of Legal Compliance of Grupo Catalana Occidente.

Moreover, the Company has a Code of Conduct 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.

This Code of Conduct is of mandatory application for the following people and it must be formally signed by each of them:

(i) The aforementioned Code of Conduct is mandatory for the following persons and must be formally accepted by them:
(ii) Directors and members of Senior Management;
(iii) Shareholders with a significant stake in the Entity.
(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 Chair 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.

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 Chair 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 Regulations of the Board of Directors 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 noticed within the Entity, 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 a protocol in place on "How to Proceed in Cases of Irregularities and Fraud" that take place within the.
Grupo Catalana Occidente The aforementioned Protocol was updated along with the Code of Ethics through a resolution of the Board of Directors on 29 January 2015. Later, as a result of the entry into force of Organic Laws 1/2015 and 2/2015, of 30 March, amending Organic Law 19/1985, of 23 November, on the Criminal Code, on the matter of terrorist offences, certain technical amendments to it were approved, in order to adapt the description of some offences to this new legislation.

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 Protocol on How to Proceed in Cases of Irregularities and Fraud that can be found on the Company's Intranet. They are therefore easily accessible by 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 Protocol states 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 Protocol 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 ICFR. 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 2015, a total of 4,439 hours of training, both internal and external, was completed 224 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 68 employees have attended 23 training events, with a total of 1,263 classroom hours.

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.

Both the risk of fraud and the risk of error are 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. The Financial Reporting Internal Control Unit, which is part of the Management Control and Planning Department, is responsible for reviewing and updating the process. This risk identification process is monitored continuously, especially for the most materially significant processes (billing, provisions, losses, etc.) and is formally documented.

The Company continues to work 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 ICFR 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 member 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 reorganisation 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 tested.

• Which one of the Company's governing bodies supervises the process.

Pursuant to the Regulations of the Board of Directors, the Board has delegated, to the Audit Committee, the responsibility of periodically supervising FRICS so as to ensure that the systems are capable of identifying, managing and adequately publicising the most serious 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 ICFR system 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 activity and control flows are explained in section F.2.1 above. 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 corresponding 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) or the National Commission for the Securities Market (CNMV).

(iii) Reports regarding six-monthly and annual operations are drafted every six months, with a summary of the auditors' main conclusions.

The procedure for the fiscal year closing 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 specific review of the opinions, estimates, assessments and projections, which mainly concern Technical Provisions, Financial Investments, Impairments of Asset Values, Corporate Income Tax Expenses, Non-Technical Provisions and Accrued Expenses, is duly documented by the Areas in charge.

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 ICFR.

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, which establishes a framework of reference internationally supported and recognised;

(iv) This is the internationally recognised and approved gold standard for information safety; 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.

As part of compliance with the requirements established in article 67 of Law 20/2015, on the Organisation, Supervision and Solvency of Insurance and Reinsurance Entities transposing the "Solvency II Directive", the Board of Directors of the Entity approved, at the meeting of the Board of Directors of 29 October 2015, the management policy for outsourced activities that must be followed by the insurance and reinsurance entities that make up Grupo Catalana Occidente, considering, as fundamental activities, those essential to the operation of the insurance entities, without which it would not be capable of providing its services, including:

(a) the design and pricing of insurance products
(b) the management of portfolios or investment in assets
(c) the processing of claims (provided they are not carried out by intermediaries or agents)
(d) the supply of services that provide regular or constant support on the matters of regulatory compliance, internal audit, accounting, risk management or actuarial functions
(e) the supply of data storage
(f) the supply or maintenance or support services for computer systems of an ordinary and everyday nature
(g) the process of self-evaluation of risks and solvency.

The selection of these suppliers requires a detailed examination to verify that they can carry out the functions or operations satisfactorily, ensuring that the supplier is ideal to (i) supply the service; (ii) carry out the required functions or activities satisfactorily'; and that it (iii) has the technical and financial capacity as well as any authorisation required by regulations to supply the service and that it has adopted the necessary measures to ensure that no explicit or potential conflict of interest can jeopardise the needs of the Entity.

Likewise, this policy establishes the minimum contents of contracts with these suppliers, the periodical review of their actions and their notification, where appropriate, to the Directorate General of Insurance and Pension Funds (DGSFP).

For the remaining non-fundamental activities, there is a procedure manual for supplier selection that is part of the Code of Ethics regulations and is available to all parties 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 Grupo Catalana Occidente. 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 ICFR.

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 ICFR 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 ICFR. Also, describe the scope of the ICFR 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 Internal Audit Policy 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 and report the audits performed to the Committee directly.

The Entity's internal audit department assists Senior Management and the Board of Directors efficiently and effectively in evaluating and supervising the Company's internal control system, including FRICS.

Regarding the resources available to the Corporate Internal Audit area, it is staffed by twenty 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, which will become multi-annual from 2016, 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.

As a consequence of the evaluation of the internal control level observed in the audit and included in the aforementioned document on the "Internal Audit Procedure and Methodology", 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. The Audit Committee is informed of all recommendations made and their monitoring, indicating those that have been implemented, before or after the deadline, and those pending implementation. If the audited unit does not agree with the recommendations, the dispute is submitted to the Audit Committee, which then decides whether or not the recommendations 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 2015, the Financial Reporting Internal Control Unit assigned to the Management Control and Planning Department of Grupo Catalana Occidente S.A., 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 ICFR 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.

It is expected for the Corporate Internal Audit to audit, either directly or through an external consultant, all the FRICS processes in five-year cycles, for the purposes of identifying the risks inherent to the FRICS and validating the checks described, evaluating the degree of integrity and consistency of financial information and making a diagnosis of the existing Internal Control environment in the areas involved. In cases where control weaknesses are observed, recommendations are made, with action plans agreed with the audited units, as well as with a deadline for their implementation, for the purpose of strengthening the weakness detected. The agreed recommendations and action plans are registered in a database with the person responsible for their implementation and the deadline agreed to do so. Once the deadline has elapsed, the implementation of these recommendations is verified with the people responsible for this.

In this sense, as it relates to the FRICS audits carried out during 2015, a review has been performed by an independent external consultant other than the external accounts auditor of the Entity, covering the documentation of four of the processes completed at Nortehispana de Seguros y Reaseguros, S.A., the documentation of two of the processes completed at Seguros Catalana Occidente S.A. de Seguros y Reaseguros and Bilbao Compañía Anónima de Seguros y Reaseguros, and the documentation of a process completed at Grupo Catalana Occidente, for the purposes of identifying the risks inherent to the FRICS and validating the checks described, evaluating the degree of integrity and consistency of financial information and making a diagnosis of the existing Internal Control environment in the areas involved. Overall, the actions undertaken for the creation of ICFR 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, the aforementioned external consultant has reviewed nine of the twenty processes identified (mainly management and accounting).

Also during this time, progress has been made in the analysis being conducted to incorporate all of the financial reporting controls agreed upon when the internal control 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 area of the Corporate Internal Audit evaluates FRICS annually, starting with the processes that were initially outsourced to the external consultant for review, evaluating four processes per year. It will continue to review these 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, ICFR 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 2015, of the twenty processes identified as generating financial reporting information, the Corporate Internal Audit area audited the four processes that were reviewed by the aforementioned external consultant in 2013, at Seguros Catalana Occidente, S.A. de Seguros y Reaseguros and at Bilbao, Compañía Anónima de Seguros y Reaseguros, respectively. There are plans to extend this audit in the year 2016 to the next four processes reviewed by the external consultant in 2014. In 2015, it also audited five processes of the FRICS at Plus Ultra, Seguros Generales y Vida, S.A. de Seguros y Reaseguros, Sociedad Unipersonal.

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 Internal Audit Policy states that the Department 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/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

There is no other relevant information to include.

F.7 External auditor's report

Report of:

F.7.1. Whether the ICFR 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 ICFR 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 auditor 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 Code of Good Governance of listed companies.

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 By-Laws 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.

Complies [X] Explain [ ]

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.

Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

3. That, during the Ordinary General Meeting of Shareholders, as a complement to the written dissemination of the annual report on corporate governance, the Chair of the Board Of Directors informs shareholders verbally and with sufficient detail of the most relevant aspects of corporate governance at the company and, in particular:

   a) Of the changes that have occurred since the previous Ordinary General Meeting.

   b) Of the specific reasons for which the company does not follow any of the recommendations of the Code of Corporate Governance and of the alternative rules applied on this matter, if any.

Complies [ ] Partially complies [X] Explain [ ]

Regarding section a), at the Ordinary General Meeting of Shareholders, explanations are given about the most relevant aspects of corporate governance at the company and of the changes that have occurred after the previous General Meeting. These explanations are given by the Secretary, who is the person who presides over the Meeting. Regarding section b), and with regard to verbal information about specific reasons for which the Company does not follow any of the recommendations of the Code of Corporate Governance, the Company understands that these reasons are sufficiently described in this Report.

4. That the company defines and promotes a policy of communication and contact with shareholders, institutional investors and voting advisors that is fully compliant with regulations against market abuse and provides similar treatment to shareholders in the same position.

And that the company makes this information public on its website, including information related to the way in which it has implemented and identifying the contact persons or the persons responsible for carrying it out.

Complies [X] Partially complies [ ] Explain [ ]

5. That the Board of Directors does not submit a proposal to the General Meeting for the delegation of powers to issue shares or convertible bonds with the exclusion of preferential subscription rights in an amount greater than 20% of capital at the moment of the delegation.

And that, when the Board of Directors approves any issuance of shares or convertible bonds with the exclusion of preferential subscription rights, the company publishes the reports about this exclusion required by commercial law immediately on its website.

Complies [X] Partially complies [ ] Explain [ ]

6. That listed companies draft the reports listed below, whether required or voluntary, publish them on their websites with sufficient notice prior to holding the Ordinary General Meeting, even when their dissemination is not mandatory:

a) Report on the independence of the auditor.

b) Reports on the operation of the audit committee and the appointments and remuneration committee.

c) Report by the audit committee regarding related-party transactions.

d) Report on the policy on corporate social responsibility.

Complies [ ] Partially complies [ ] Explain [X]

The company drafts and publishes the reports that must be made available to shareholders on its corporate website, pursuant to regulations in force. Regarding non-mandatory reports, the company will assess whether to publish them in future years as well.

7. That the company broadcasts General Meetings of Shareholders live on its website.

Complies [ ] Explain [X]

First of all, it is important to note that the Company's General Meetings of Shareholders usually have an average attendance (between attendees and representatives) of 85% of its corporate capital, for which reason the Company believes that the necessarily technological deployment and the cost to offer this service to a potentially minority audience are not justified and that its supply may even discourage the attendance of those who currently attend.

Without prejudice to the above, it should be noted that, during 2015, the Company has improved its corporate website. The objective was to improve the information provided, as well as its presentation or display. This is due to the desire of the Company to use new technologies to offer a better service to shareholders and investors, as well as customers. With time, technological progress will lead to the Company broadcasting General Meetings of Shareholders live or provide real-time information about these on its website.

8. That the Audit Committee ensures that the Board of Directors undertakes to present the accounts to the General Meeting of shareholders without reservations in the audit report and, should any reservations exist, both the Chair of the Audit Committee

and the auditors should explain the content and scope of such reservations or qualifications clearly to shareholders.

Complies [X] Partially complies [ ] Explain [ ]

9. That the company discloses on its website, permanently, the requirements and procedures it will accept to evidence ownership of the shares, the right to attend the General Meeting of Shareholders and the exercise or delegation of the right to vote.

   And that these requirements and procedures promote the attendance and exercise of rights by shareholders and are applied in a non-discriminatory manner.

Complies [X] Partially complies [ ] Explain [ ]

10. That, when an entitled shareholder has exercised, prior to the General Meeting of Shareholders being held, the right to complete the agenda or submit new resolution proposals, the company:

    a) Immediately disseminates these complementary items and new resolution proposals.

    b) Publishes the models of attendance cards and vote-delegation or distance-voting forms with the necessary modifications so that new items in the agenda and alternative resolution proposals can be put to a vote under the same terms as those proposed by the Board of Directors.

    c) Puts all these points or alternative proposals to a vote and applies the same voting rules to these as to those submitted by the Board of Directors, including, in particular, presumptions or deductions in the meaning of the vote.

    d) Communicates, after the General Meeting of Shareholders, the breakdown of voting on these complementary items or alternative proposals.

Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

11. That, in the event that the company expects to pay premiums to attend the General Meeting of Shareholders, it establishes, in advance, a general policy regarding these premiums and that this policy is stable.

Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

12. That the Board of Directors performs its duties with unity of purpose and independent judgement, treating all shareholders in the same position equally and being guided by the interests of the company, this being understood as achieving a profitable and sustainable business in the long term, promoting its continuity and maximising the economic value of the company.

    And that, in the pursuit of corporate interests, in addition to compliance with rules and regulations and behaviour based on good faith, ethics and respect to traditionally accepted customs and good practices, it seeks to balance its own corporate interests with the legitimate interests of its employees, its suppliers, its customers and other interest groups that may be affected, as appropriate, as well as the impact of the operations of the company on the community as a whole and on the environment.

Complies [X] Partially complies [ ] Explain [ ]

13. That the Board of Director ideally comprises no less than five nor more than fifteen members in the interests of efficiency and participation.

Complies [X] Explain [ ]

14. That the Board of Directors approves a policy for the appointment of Directors that:

a) Is concrete and verifiable.

b) Ensures that appointment or reelection proposals are based on a preliminary analysis of the needs of the Board of Directors.

c) Promotes the diversity of knowledge, experience and gender.

That the results of the preliminary analysis of the needs of the Board of Directors is included in the justification report of the appointments committee published in the announcement of the General Meeting of Shareholders before which the ratification, appointment or reelection of each Director is submitted.

And that the policy for the appointment of Directors promotes the goal that, by 2020, the number of female Directors represents at least 30% of the total number of Directors.

The appointments committee will verify compliance with the Director-appointment policy every year and report its findings in the annual report on corporate governance.

Complies [ ] Partially complies [ ] Explain [X]

On the date of this Report, the Board of Directors had not approved a policy for the selection of Directors. However, the Company has approved a policy of aptitude and honour applicable to members of the Board of Directors that establishes general guidelines so that, pursuant to legislation on insurance matters, Directors, as a whole, have sufficient knowledge in all areas necessary to carry out the operations of the Company. Likewise, the Appointments and Retribution Committee analyses candidates before proposing their appointment before the Board or the Meeting of Shareholders, according to the Regulations of the Board of Directors, with the evaluation that these must pass before the General Directorate of Insurance and Pension Funds, as members of the Board of Directors of an entity that controls insurance entities.

15. That Proprietary and Independent Non-Executive Directors constitute an ample majority of the Board of Directors and the number of Executive Directors will be the minimum necessary, considering the complexity of the group and the percentage of participation of the Executive Directors in the capital of the Company.

Complies [X] Partially complies [ ] Explain [ ]

16. That the percentage of Proprietary Directors from the total of Non-Executive Directors, is greater than the proportion between the capital of the company represented by these Directors and the rest of the capital.

This criterion can be relaxed:

a) In highly capitalised companies where few equity stakes reach the legal threshold for significant shareholdings.

b) In the case of companies with a plurality of shareholders represented on the Board of Directors who are not otherwise related.

Complies [X] Explain [ ]

17. That the number of Independent Directors represents at least half of the total number of Directors.

That, however, when the company is not highly capitalised or when, if it is capitalised, it has a shareholder or several shareholders acting jointly and which control over 30% of corporate capital, the number of Independent Directors represents, at least, a third of the total number of Directors.

Complies [ ] Explain [X]

See section: C.1.3

Independent Directors represent 12.5% of the total number of Directors out of the recommended 33%. However, it should be noted that the Company has increased the number of appointments of Independent Directors. The Company believes that, ultimately, it does not breach the purpose of this recommendation that, in accordance with the Code of Good Governance, is that no shareholder exercises significant influence in the Board regarding their participation in the capital. Likewise, the Company believes that Directors 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.

18. That companies should post the following Directors' particulars on their website and keep them updated:

    a) Professional experience and background.

    b) Directorships held in other companies, listed or not, as well as other paid activities performed, regardless of their nature.

    c) Indication of the category the Directors belongs to (Executive, Non-Executive or Independent), indicating, in the case of Non-Executive Directors, 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 [X] Partially complies [ ] Explain [ ]

19. That the annual corporate governance report also explains the reasons for which Non-Executive Directors were appointed on request of shareholders whose stake is less than 3% 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.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

20. That Non-Executive Directors resign when the shareholders they represent fully transfer their shareholding. 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 Directors.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

21. That the Board of Directors will not propose the removal of Independent Directors before the expiry of their tenure, except when a just cause is acknowledged by the Board of Directors, acting on an Appointments Committee report. In particular, it is understood that just cause exists when the Director goes on to hold new offices or contracts new obligations that prevent the Director from dedicating the necessary time to the performance of the functions of the position of Director, breaches the duties inherent to the position or loses his independent status due to certain circumstances, pursuant to the provisions of applicable regulations.

    The removal of Independent Directors 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 16.

Complies [X] Explain [ ]

22. That companies establish rules requiring Directors 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 Directors of any criminal cases in which they are involved as accused and their subsequent legal procedures.

That, if a Director is accused of or tried for any of the crimes included in corporate legislation, the Board of Directors examines the case as soon as possible and, in view of the specific circumstances, decides whether or not the Director should remain in office. That the Board of Directors reports such decisions in a reasoned manner in the Corporate Governance Report.

Complies [X] Partially complies [ ] Explain [ ]

23. That all Directors express clear opposition when they feel a proposal submitted to the Board of Directors may be contrary to the corporate interest. In particular Independent and other Directors not affected by the potential conflict of interest, should do the same in the case of decisions that may negatively affect the shareholders not represented on the Board of Directors.

And, when the Board of Directors adopts significant or reiterated decisions about which the Director has expressed serious reservations, he/she should draw the appropriate conclusions and, if he/she 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 of Directors, even when the Secretary is not a Director.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

24. That when a Director ceases to hold office before his tenure expires, whether by resignation or otherwise, he must explain the reasons in a letter sent to all members of the Board of Directors. And regardless of whether the resignation is filed as a significant event, the reason must be explained in the Annual Report on Corporate Governance.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

25. That the appointments committee ensures that Non-Executive Directors have sufficient time available to perform their functions properly.

And that the Regulations of the Board of Directors establish the maximum number of Boards of Directors of which its Directors may be members.

Complies [X] Partially complies [ ] Explain [ ]

26. That the Board of Directors meets 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 Director may propose points on the agenda not initially envisaged.

Complies [X] Partially complies [ ] Explain [ ]

27. That absences are kept to a minimum and quantified in the Annual Report on Corporate Governance. And that, when these must take place, representation with instructions is given.

Complies [X] Partially complies [ ] Explain [ ]

28. That when Directors or the Secretary express concerns about a proposal or, in the case of Directors, about the Company's performance and such concerns are not resolved at the meeting of the Board of Directors, a complete record will be made in the minutes at the request of person who voiced the concern.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

29. That the company establishes the appropriate channels for Directors to obtain the advice required to fulfil their duties, including, if the circumstances require it, external advice at the expense of the company.

Complies [X] Partially complies [ ] Explain [ ]

30. That, independently of the knowledge required from Directors to exercise their functions, the companies also offer refresher programmes as circumstances dictate.

Complies [X] Explain [ ] Not applicable [ ]

31. That the agenda of meetings clearly indicates the items about which the Board of Directors must adopt a decision or resolution so that its members can study or collect, prior to this, the information required for its adoption.

    When, exceptionally, for reasons of urgency, the Chair wishes to submit decisions or resolutions not included in the agenda to the approval of the Board of Directors, prior express consent from the majority of Directors present will be required and this must be duly recorded in the minutes.

Complies [X] Partially complies [ ] Explain [ ]

32. That Directors are informed periodically about transactions in shareholding and the opinions of significant shareholders, investors and rating agencies about the company and its group.

Complies [X] Partially complies [ ] Explain [ ]

33. That the Chair, as the person responsible for the efficient operation of the Board of Directors, in addition to exercising the functions attributed to him by law or by the by-laws, prepares and submits, to the Board of Directors, a schedule of dates and matters to discuss; organises and coordinates the periodical evaluation of the Board, as well as, where applicable, of the CEO of the company; is responsible for managing the Board and for the effectiveness of its operations; ensures that sufficient time is devoted to strategic matters; and decides and reviews the refresher programmes for each Director as circumstances dictate.

Complies [X] Partially complies [ ] Explain [ ]

34. If there is a Coordinating Director, the By-Laws or the regulations of the Board of Directors must attribute the following powers in addition to those required by law: chairing meetings of the Board of Directors in the absence of the Chair and the Vice-Chairs, if any;

echoing the concerns of Non-Executive Directors; maintaining contact with investors and shareholders to learn about their points of view and form an opinion about their concerns, especially in relation to the corporate governance of the company; and coordinating the succession plan of the Chair.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

35. That the Secretary of the Board of Directors pays special attention to ensuring that the actions and decisions of the Board of Directors take into account the recommendations on good governance contained in the Code of Good Governance and applicable to the company.

Complies [X] Explain [ ]

36. That the Board of Directors, in a plenary session, evaluates and adopts, where appropriate, a yearly action plan that corrects deficiencies detected in terms of:

a) The quality and efficiency of the Board of Directors.

b) The operation and composition of its committees.

c) Diversity in the composition and competences of the Board of Directors.

d) The performance of the Chair of the Board of Directors and the CEO of the Company.

e) The performance and contribution of each Director, paying special attention to the Managers of the different committees of the Board.

The evaluation of the different committees shall be based on the report they submit to the Board of Directors and the evaluation of the latter shall be based on that submitted by the Appointments Committee.

Every three years, the Board of Directors will obtain assistance from an external consultant to complete the evaluation and his independence will be verified by the Appointments Committee.

The business relationships that the consultant or any company in its group maintain with the company or any company in its group must be broken down in the annual corporate governance report.

The process and the areas evaluated must be described in the annual corporate governance report.

Complies [X] Partially complies [ ] Explain [ ]

37. That, if an Executive Committee exists, the participation structure of the different categories of Directors is similar to that of the Board of Directors itself and its Secretary is the same as that of the Board.

Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

38. That the Board of Directors is always kept aware of the issues discussed and decisions taken by the Executive Committee and all members of the Board of Directors receive a copy of the minutes of the meetings of the Executive Committee.

Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

39. That all members of the Audit Committee, and particularly its Chair, are appointed taking into account their knowledge and experience in terms of accounting, audit or risk management. The majority of these members must be Independent Directors.

Complies [X] Partially complies [ ] Explain [ ]

40. That, under the supervision of the Audit Committee, there is a unit that assumes the function of internal auditing, ensuring the appropriate operation of the internal reporting and control systems and that functionally reports to the Non-Executive Chair of the Board or of the Audit Committee.

Complies [X] Partially complies [ ] Explain [ ]

41. That the head of the unit that assumes the internal audit function submits an annual work plan to the Audit Committee and reports directly to it on any issues arising during its implementation, in addition to submitting an activity report at the end of each year.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

42. That, in addition to those provided by law, the Audit Committee is assigned the following functions:

1. Regarding internal control and reporting:

   a) To supervise the process to draft financial information about the company and its integrity and, also, to supervise compliance with regulatory requirements, the adequate delimitation of the scope of consolidation, and the correct application of accounting criteria.

   b) To promote the independence of the unit assuming 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 approve the orientation and its work plans, ensuring that its activity focuses mainly on the risks relevant to the company; to receive regular information on its activities; and to verify that senior management takes the conclusions and recommendations of its reports into account.

   c) To establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties at the Company, in particular financial or accounting irregularities.

2. Regarding the external auditor:

   a) In the event of resignation of the external auditor, to examine the circumstances surrounding the resignation.

   b) To ensure that the remuneration of the external auditor for his work does not compromise his quality or independence.

   c) To supervise that the company reports any change of auditor as a significant event to the National Commission for the Securities Market (CNMV), accompanied by a statement regarding any disagreements with the outgoing auditor and, if any, with the contents of the audit.

   d) To ensure that the external auditor holds an annual meeting with the plenary session of the Board of Directors to inform it about the work done and about the evolution of the accounting situation and risks at the company.

   e) To ensure that the company and the external auditor comply with regulations in force relating to the supply of services different from auditing, the limits to the concentration of the business of the auditor and, in general, other regulations on auditor independence.

Complies [X] Partially complies [ ] Explain [ ]

43. 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 [X] Partially complies [ ] Explain [ ]

44. That the Audit Committee is informed of the operations of structural and corporate changes that the company expects to complete, to analyse them and provide a preliminary report to the Board of Directors about the economic conditions and its accounting impact, as well as, in particular, the exchange ratio proposed.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

45. That the risk control and management policy will identify at least the following:

a) The different types of financial and non-financial risks (including operational, technological, legal, environmental, political, reputational, etc.) that the Company faces, including contingent liabilities and other off-balance sheet risks as financial or economic risks.

b) The level of risk that Company considers acceptable;

c) The measures envisaged to mitigate the impact of identified risks, if they materialise;

d) The internal reporting systems and controls used to control and manage these risks, including contingent liabilities and off-balance sheet risks.

Complies [X] Partially complies [ ] Explain [ ]

46. That, under the direct supervision of the Audit Committee or, where appropriate, a specialised committee of the Board of Directors, there is an internal risk management and control function exercised by an internal unit or department of the company expressly attributed the following functions:

a) To ensure the proper operation of the risk management and control systems and, in particular, that all important risks affecting the company are appropriately identified, managed and quantified.

b) To participate actively in the drafting of the risk strategy and important decisions about its management.

c) To ensure that the risk management and control systems mitigate risks appropriately within the framework of the policy defined by the Board of Directors.

Complies [X] Partially complies [ ] Explain [ ]

47. That members of the Appointments and Remuneration Committee –or of the Appointments Committee and of the Remuneration Committee, if these are separate– are appointed while ensuring that they have the knowledge, skills and experience appropriate for the functions they are called to perform and that most of these members are Independent Directors.

Complies [X] Partially complies [ ] Explain [ ]

48. That highly capitalised companies have an Appointment Committee and a Remuneration Committee that are separate.

Complies [ ] Explain [ ] Not applicable [X]

49. That the Appointments Committee consults the Chair of the Board of Directors and the CEO of the Company, especially in matters relating to Executive Directors.

And that any Director may propose possible candidates to fill vacancies on the Board to the Appointments Committee if they find them ideal to fill these.

Complies [X] Partially complies [ ] Explain [ ]

50. That the Remuneration Committee exercises its functions independently and that, in addition to the those attributed by law, it is attributed the following functions :

a) To propose the basic conditions of senior management contracts to the Board of Directors.

b) To ensure compliance with the remuneration policy set by the Company.

c) To review, periodically, the remuneration policy applied to Directors and senior management, including share remuneration systems and their application, as well as to guarantee that their individual remuneration is proportionate to that paid to other Director and Senior Managers at the company.

d) To ensure that potential conflicts of interest do not impair the independence of the external advice provided to the Committee.

e) To verify the information about the remuneration of Directors and Senior Managers contained in the different corporate documents, including the annual report on the remuneration of Directors.

Complies [X] Partially complies [ ] Explain [ ]

51. That the Remuneration Committee will consult the Chair and CEO of the company, especially in matters relating to Executive Directors and senior management.

Complies [X] Partially complies [ ] Explain [ ]

52. That the rules governing the composition and operation of the supervision and control committees are included in the Regulations of the Board of Directors and are consistent with those applicable to committees required by law, according to the recommendations above, including:

a) That they are made up exclusively of Non-Executive Directors, with a majority of Independent Directors.

b) That Committee Chairs must be Independent Directors.

c) That the Board of Directors appoints the members of these committees taking into account the knowledge, skills and experience of the Directors and the duties of each committee; discuss their proposals and reports; and give an account, in the first plenary session of the Board of Directors following their meetings, of their activity and the work performed.

d) That committees can employ external advisors when deemed necessary for the performance of their duties.

e) That meetings are recorded in minutes, made available to all Directors.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

53. That supervision of compliance with all the rules of corporate governance, the internal codes of conduct and the policy on corporate social responsibility is attributed to one or distributed among several committees of the Board of Directors, which may be the Audit Committee, the Appointments Committee, the Corporate Social Responsibility Committee, if any, or a specialised committee that the Board of Directors, in the exercise of its self-organisation powers, decides to create to this end, which is expressly attributed, at a minimum, the following functions:

a) Monitoring compliance with internal codes of conduct and corporate governance rules.

b) Monitoring the strategy to communicate and relate to shareholders and investors, including small and medium-sized shareholders.

c) Periodically assessing the adequacy of the corporate governance system of the company, for the purpose of ensuring that it fulfils its mission of promoting corporate interests and takes into account, where appropriate, the legitimate interests of the other interest groups.

d) Reviewing the corporate social responsibility policy of the company, ensuring that it is oriented to the creation of value.

e) Following up on the corporate social responsibility strategies and practices and assessing their degree of compliance.

f) Supervising and evaluating the relationship process with different interest groups.

g) Evaluating everything related to the non-financial risks of the company –including operational, technological, legal, social, environmental, political, and reputational risks–.

h) Coordinating the process to report non-financial and diversity information pursuant to applicable regulations and international reference standards.

Complies ☐ Partially complies ☒ Explain ☐

The powers of the Appointments and Remuneration Committee and the Audit Committee include supervising compliance with the points specified in the sections of the Recommendation, except for sections d), e) and h).

54. That the corporate social responsibility includes principles or commitments assumed by the company voluntarily regarding its relationship to different interest groups and identifies, at least:

a) The objectives of the corporate social responsibility policy and the development of support tools.

b) The corporate strategy related to sustainability, the environment and social issues.

c) Specific practices in matters related to: shareholders, employees, customers, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights and prevention of illegal behaviour.

d) The methods or systems to monitor the results of the application of the specific practices specified in the previous section, the associated risks and their management.

e) The mechanisms to supervise non-financial risks, ethics and corporate conduct.

f) The communication channels, participation and dialogue with interest groups.

g) The responsible communication practices that prevent the manipulation of information and protect integrity and honour.

Complies ☐ Partially complies ☐ Explain ☒

On the date of this Report, the Company does not have a written corporate social responsibility policy. However, it approved and applied the Code of Ethics, which contains the principles that the Company voluntarily assumes in relation with the different interest groups. Likewise, the Company has a series of policies and protocols that develop this Code of Ethics. This is why a Whistleblower Channel and a communication policy, among other things, have been developed.

Likewise, both the commitments assumed by the Entity and the actions it has carried out in relation with its corporate social responsibility are detailed in the management report of the Entity.

55. That the company reports, in a separate document or in the management report, matters related to corporate social responsibility, using one of the internationally recognised methods to do so.

Complies [X] Partially complies [ ] Explain [ ]

56. That the remuneration of Directors be sufficient to attract and retain Directors with the desired profile and to reward the dedication, skill and responsibility that the position demands, but not so high so as to compromise the independent judgment of Non-Executive Directors.

Complies [X] Explain [ ]

57. That variable remuneration connected to the performance of the company and personal performance, as well as remuneration through the delivery of shares, options or rights over shares or instruments indexed to the value of shares and long-term savings systems, such as pension plans, retirement plans or other social welfare plans, are limited to Executive Directors.

The delivery of shares as remuneration for Non-Executive Directors may be considered if this is subject to maintaining them until their cessation as Directors. The foregoing shall not be applicable to shares that a Director needs to dispose of, if any, to pay the costs related to their acquisition.

Complies [X] Partially complies [ ] Explain [ ]

58. That, in the case of variable remuneration, remuneration policies include limits and technical safeguards to ensure that those fees are related to the professional performance of the beneficiaries and are not merely based on general market performance or the performance of the Company's area of activity or other similar circumstances.

And, in particular, that the variable components of remuneration:

a) Are linked to performance criteria that are predetermined and measurable and that these criteria consider the risk assumed to obtain a certain result.

b) Promote the sustainability of the company and include non-financial criteria appropriate for the creation of value in the long term, such as compliance with the internal rules and procedures of the company and its policies for the control and management of risk.

c) Are set on the basis of a balance between the compliance of objectives in the short, medium and long terms that allow for rewarding continuous performance over a sufficient period of time so as to appreciate the contribution to the sustainable creation of value and so that the elements to measure this performance do not revolve solely around specific, occasional or extraordinary events.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

59. That the payment of the relevant portion of the variable components of remuneration is deferred for a minimum period time sufficient to ensure that the preestablished performance conditions have been met.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

60. 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 [X] Partially complies [ ] Explain [ ] Not applicable [ ]

61. That a relevant percentage of the variable remuneration of Executive Directors is linked to the delivery of shares or financial instruments indexed on their value.

Complies [ ] Partially complies [ ] Explain [X] Not applicable [ ]

In relation to Executive Directors, as detailed in the sections above, there is an appropriate balance between the fixed and variable components of remuneration. However, the Company has not considered it necessary to introduce variables in the remuneration system for the purpose of adapting it to the long-term objectives, values and interests of the Company or to grant plans for the delivery of shares or financial instruments indexed to its value, in light of (i) the proven permanence and stability of the current Executive Directors at the Company and the Board of Directors, on the one hand; and (ii) the establishment of parameters for the accrual of variable pay that discourage short-term objectives have been considered sufficient.

In this sense, it should be noted that the parameters used to establish this variable remuneration are mainly connected to the ordinary earnings of the Company, its subsidiaries and its consolidated Group, excluding, therefore, those parameters that encourage strategies that differ from sustained growth, such as extraordinary profits for the Company and its consolidated Group or other exogenous factors, such as the quotation of the Company on the stock market.

62. That, once the shares or options or rights over shares corresponding to remuneration systems are established, Directors cannot transfer the property of a number of shares equivalent to two times their fixed annual remuneration or exercise the options or rights until a period of at least three years following their attribution has elapsed.

The foregoing shall not be applicable to shares that a Director needs to dispose of, if any, to pay the costs related to their acquisition.

Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

63. That contractual agreements include a clause that enables the company to claim a refund of the variable components of remuneration when payment has not been adjusted to the performance conditions or when these have been paid based on data that is later found to be inaccurate.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

64. That payments for contract termination do not exceed an established limit equivalent to two years total annual remuneration and that these are not paid until the company has verified that the Director has complied with the aforementioned performance criteria.

Complies [ ] Partially complies [X] Explain [ ] Not applicable [ ]

Only one of the four Executive Directors of the Company has a contractually established payment for contract termination under certain circumstances (which are detailed in the Company Remuneration Report) exceeding 2 times his annual total remuneration (the service contract of this Executive Director establishes a payment equivalent to 2.5 times his total annual remuneration).

H OTHER INFORMATION OF INTEREST

1. If there is any aspect relevant regarding corporate governance at the company or at the entities of the Group not included in other sections of this report but that should be included to provide more complete and reasoned information about the governance practices and structures at the entity or its group, detail them briefly.

2. Within this section, you can also include any other information, clarification or nuance related to the preceding paragraphs of the report insofar as these are relevant and not repetitive.

   Specifically, indicate whether the company is subject to legislation other than Spanish legislation on corporate governance and, where appropriate, include the information required to be supplied and different from the one included in this report.

3. The company may also indicate whether it has voluntarily adhered to other code of ethical principles or best practices, be these international, of the industry or of a different scope. Where appropriate, provide the relevant code and the date of accession.

Explanatory note to Section C.2

CO Sociedad de Gestión y Participación, S.A. surpassed the threshold of 60% of voting rights in the company and not that of share capital.

Explanatory note to Section A.9 bis

This percentage includes the treasury shares of the Company (1.67%). See section

A.8. 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 3,339 thousand euros.

Likewise, the difference between the amount of remuneration of the Board of Directors declared in the annual remuneration report and that included in this report is due to the fact that the former, in its summary (Section D), does not include life insurance premiums paid by the Company, in the amount of 72 thousand euros, which are included in this section.

Explanatory note to Section C.1.17

In addition to the offices specified in that section, the natural-person representative of Ensivest Bros 2014, S.L, Jorge Enrich Serra, serves as a member of the Board of Directors of Co Sociedad de Gestión y Participación, S.A. and Hugo Serra Calderón serves as natural-person representative of Newsercal, S.L. in the Boards of Directors of the following entities: Corporación Catalana Occidente, S.A., La Previsión 96, S.A. and INOC, S.A.

Likewise, Francisco José Arregui Laborda is the representative of the Sole Administrator of Sociedad Gestión Catalana Occidente, S.A.

Explanatory note to Section C.2.1 and Section G Recommendations 39, 47 and 52

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.

At the meeting of the Board of Directors on 28 January 2016, the members of the Audit Committee JS Invest, S.L. and Ensivest Bros 2014, S.L. submitted their resignation, which was accepted on the same date by the Board of Directors of the Company, so that, from that date, the Audit Committee has been reduced from five to three members, most of them being Independent Directors.

Likewise, at the same meeting on 28 January 2016, the members of the Appointments and Remuneration Committee Cotyp, S.L. and Villasa, S.L. submitted their resignation, which was accepted on the same date by the Board of Directors of the Company, so that, from that date, the Appointments and Remuneration Committee has been reduced from five to three members, most of them being Independent Directors.

Consequently, after these changes, the Company is in compliance with the recommendations mentioned in sections G.39, G.47 and G.52 as of the date of this report.

In this sense, on the date of this Report, the Board of Directors has ruled to amend articles 15 and 16 of the Regulations of the Board of Directors in order to include the obligation for the majority of the members of both committees to be Independent Directors.

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 Directors 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 was also a shareholder during the year and whose dividends are reflected in Section D.2, the other Directors, their natural-person representatives, if any, and the members of Senior Management received a total of 4,875 thousand euros in dividends from the Company in 2015.

Explanatory note to Section C.4

In addition to relevant transactions entered into by the Company with other companies belonging to the Group declared in Section D.4, Dutch subsidiary ATRADIUS N.V. has paid 525 thousand euros to the company by virtue of a discretionary financial portfolio management agreement.

Explanatory note to Section G. Recommendation 5.

This recommendation comes at the same time as the delegation regarding convertible securities proposed at the Board of Directors in February 2015 and approved by the General Meeting of Shareholders on 22 April 2015, which approved an authorisation for the Board of Directors to issue convertible securities with the exclusion of preferential subscription rights, in a maximum amount of 50% of capital at the moment of the delegation.

For its part, the delegation regarding the issuance of shares with the exclusion of preferential subscription rights, in a maximum amount of 50% of capital, which was approved in the General Meeting of Shareholders held on 28 April 2011, expires on 27 April 2016.

For the purpose of complying with the Recommendation, the Board of Directors has proposed, today, among the resolutions to be put to a vote at the upcoming General Meeting of Shareholders, comprehensive resolutions to revoke these authorisations and grant comprehensive new authorisations that comply with the parameters of this recommendation.

In any case, it should be noted that, over the past 10 years, the Board of Directors has not used the powers granted in these delegations.

Explanatory note to Section G. Recommendation 13.

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 Directors.

Explanatory note to Section G. Recommendation 20.

During 2015, there has been only one situation where this Recommendation could have been applicable. As described in Section C.18, even though Jusal, S.L. has ceased to have shareholding greater than 3% in the Company, this was a consequence of the hybrid share swap with Inoc, S.A., by virtue of which it has come to hold, indirectly, a stake of 7.62% of the Company. Therefore, the Company considers that the recommendation of presenting the resignation of the Proprietary Director is not applicable.

Explanatory note to Section G. Recommendation 34.

In the Company, there is an office of Coordinating Director. However, the Coordinating Director is not attributed the powers of chairing the Board of Directors in the absence of the Chair and the Vice-Chairs and coordinating the succession plan of the Chair (this power is attributed to the Appointments and Remuneration Committee pursuant to article 16.5.f of the Regulations of the Board of Directors).

For the purpose of complying with the Recommendation, the Board of Directors has resolved, following a favourable report from the Audit Committee, to amend the Regulations of the Board of Directors to attribute these powers to the Coordinating Director.

Explanatory note to Section G. Recommendation 36.

The Board of Directors performs an annual evaluation of the circumstances specified in Recommendation 36. Even though there has not been an evaluation by an external consultant and a description of the process and areas evaluated is not included in the annual corporate governance report, the recommendation establishes a period of 3 years to obtain assistance from an external consultant.

Explanatory note to Section G. Recommendation 44.

For the purpose of complying with the Recommendation, the Board of Directors has decided, subject to the favourable opinion of the Audit Committee, to amend the Regulations of the Board of Directors so as to include the obligation of informing the Audit Committee of the operations of structural and corporate changes that the company expects to complete, to analyse them and provide a preliminary report to the Board of Directors about the economic conditions and its accounting impact, as well as, in particular, the exchange ratio proposed.

This Corporate Governance Report has been approved by the Board of Directors of the Company at its meeting held on 25/02/2016.

Indicate whether any Directors voted against or abstained from approving this Report.

Yes ☐ No ☒

www.grupocatalanaoccidente.com

For further information, please contact:
Email: analistas@catalanaocidente.com
Phone: +34 935 820 518